



**House
Legislative
Analysis
Section**

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COOPERATIVE LIBRARIES

**House Bill 4004 as enrolled
Public Act 231 of 1995
Second Analysis (2-1-96)**

**Sponsor: Rep. David Anthony
House Committee: Local Government
Senate Committee: Local, Urban, and
State Affairs**

THE APPARENT PROBLEM:

The State Aid to Public Libraries Act provides for the creation of public library cooperatives. There are 15 public library cooperatives in the state, each made up of public libraries within a given geographic area. Membership in the cooperative is voluntary. (Reportedly, 363 of 378 public libraries are active cooperative members.) Cooperatives are supported by fees from members and by direct state aid for operating purposes. According to information from the Michigan Library Association, "public library cooperatives have built a comprehensive program of support services for member libraries. These services vary from cooperative to cooperative, depending on the specific needs of the cooperative members. Priority is usually given to resource sharing and professional development of library staff, but several other services are available, such as centralized processing, cataloging, delivery service, rotating collections, pre-packaged summer reading programs, and others." Cooperatives are run by boards composed of representatives from the local public libraries that constitute their memberships. Advocates of cooperatives have introduced legislation that will provide cooperative libraries greater flexibility in building facilities and acquiring equipment, in particular by authorizing borrowing that is not permitted now by statute.

THE CONTENT OF THE BILL:

The bill would amend the State Aid to Public Libraries Act to specifically permit the governing board of a cooperative library:

(1) to erect buildings or acquire real property, including buildings and fixtures, by purchase, land contract, installment purchase contract, or lease with or without an option to purchase, or to enter into a loan agreement and borrow money for that purpose;

(2) to acquire, in addition to books, periodicals, library materials, equipment, and supplies, other personal

property by purchase, installment purchase contract, or lease with or without an option to purchase, or to enter into a loan agreement and borrow money for that purpose.

The first provision replaces language that says a cooperative library may "purchase sites, erect buildings, and lease suitable quarters, and have supervision and control of property of the cooperative library." The second provision replaces language that allows a cooperative library to "purchase books, periodicals, library materials, equipment, and supplies."

The bill also would specify that all of the following provisions would apply to an installment purchase contract, land contract, loan agreement, or lease purchase agreement entered into for the purposes listed above.

-- The contract could not constitute an indebtedness of any member of the cooperative library within any constitutional, charter, or statutory limitation.

-- Principal and interest would be payable solely from the revenues of the cooperative library.

-- No member of the cooperative library could pledge its full faith and credit to the payment of principal and interest on the contract.

-- Interest on the unpaid principal amount of the contract could not be treated as excluded from gross income under the Internal Revenue Code.

The bill also specifies that a cooperative board "is a body corporate and may sue and be sued." This replaces a provision that says a cooperative board is "a body corporate and a juristic entity for social security and legal identity purposes."

MCL 397.558

House Bill 4004 (2-1-96)

FISCAL IMPLICATIONS:

A preliminary analysis by the House Fiscal Agency indicates that the bill would have no fiscal impact. (5-10-95)

ARGUMENTS:***For:***

The bill would grant a cooperative library greater flexibility in acquiring or constructing buildings and in acquiring other property, such as automation systems. Reportedly, cooperative libraries are not currently granted the ability to borrow for construction purposes. Reportedly, the Mid-Peninsula Library Cooperative in the Upper Peninsula wants to borrow to erect a training center for new technology and the Internet. Also, a representative of another cooperative library (the Library Network in southeastern Michigan) has testified that the library was unable to enter a lease-purchase agreement for automation equipment and, as result, was forced to simply lease equipment at a much higher interest rate.

Against:

Some concern has been expressed about allowing borrowing by boards that do not have to be elected.

Response:

Library cooperatives have no taxing powers of their own. Borrowing would have to be supported by available revenues, with the determination of credit-worthiness made by the private sector. Cooperative boards are made up of members appointed or elected from local library boards, which are either elected or appointed by elected officials. There is a chain of accountability.

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.