



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 4004 (Substitute H-1 as reported without amendment)

Sponsor: Representative David Anthony

House Committee: Local Government

Senate Committee: Local, Urban and State Affairs

CONTENT

The bill would amend the State Aid To Public Libraries Act to authorize a cooperative library board to use installment purchase contracts, leases, and land contracts to acquire real and personal property and build facilities; and to place specific restrictions on installment, land, and lease purchase contracts entered into by a cooperative board.

Currently, the Act provides for the establishment of cooperative libraries (made up of public libraries within various areas) and their boards, and prescribes the powers and duties of the cooperative library boards. Among other things, a board must purchase sites, erect buildings, lease suitable quarters, and purchase, books, periodicals, materials, supplies, and equipment. The bill would require a cooperative board 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; and to acquire books, periodicals, library materials, equipment, supplies, or other personal property by purchase, installment purchase contract, or lease with or without an option to purchase.

The bill specifies that all of the following provisions would apply to and be included in any installment purchase contract, land contract, or lease purchase contract:

- 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.

MCL 397.558

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would have no impact on State Aid payments to libraries. The increased flexibility given to public library cooperatives could result in savings by allowing them to lease equipment.

Date Completed: 11-7-95

Fiscal Analyst: B. Bowerman