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STATE AID TO LIBRARIES: TAXABLE VALUE

House Bill 4474 as introduced First Analysis (5-24-00)

Sponsor: Rep. Jerry Vander Roest
Committee: Tax Policy

THE APPARENT PROBLEM:

Under the State Aid to Public Libraries Act, one of the requirements for a library to be part of a cooperative library and thus be eligible for state aid is to maintain a minimum level of local support equal to three-tenths of one mill of state equalized valuation (SEV). Since the passage of Proposal A of 1994, many property tax-related statutes have been amended to replace references to SEV (which is based on market value) with references to "taxable value" to reflect the assessment cap placed in the constitution. That cap limits how much an assessment can increase from year to year to five percent or the rate of inflation, whichever is less. Property taxes are now based on taxable value, which will be lower than SEV where market values are increasing faster than inflation. In many areas, the gap between the lower taxable value and SEV is growing dramatically. One of the statutes that has yet to be amended to reflect this change is the State Aid to Public Libraries Act.

THE CONTENT OF THE BILL:

Under the State Aid to Public Libraries Act, one of the requirements imposed on a local library to be eligible in a cooperative library and be eligible for state aid is to maintain a minimum local support of three-tenths of one mill on SEV. The bill would amend the act to use taxable value instead of SEV.

(The term "local support" is defined in the act to mean funds from tax sources, gifts, endowments, penal fines, or other funds received from local sources, excluding state and federal aid. The other criteria a local library must meet to participate in a cooperative library are: participating in the development of a cooperative library; loaning of materials to other participants; and maintaining an open door policy to residents of the state.)

MCL 397.555

BACKGROUND INFORMATION:

A similar bill, House Bill 5125, passed the House in the 1997-98 legislative session.

FISCAL IMPLICATIONS:

The House Fiscal Agency notes that a library that is part of a cooperative is eligible to receive state funding, which currently exceeds \$14.3 million annually. Of the 387 public libraries, 379 currently receive funding. The HFA says that since almost 98 percent of the libraries currently qualify, the fiscal impact of the bill should be relatively small. (4-16-99)

ARGUMENTS:

For:

By replacing the reference to SEV in the State Aid to Public Libraries Act with a reference to taxable value, the bill in some ways is a Proposal A clean up bill. It reflects that taxes are now paid based on the taxable value of property and not on the SEV of property (based on market value). The bill will, however, also have a positive practical impact on libraries that are having difficulty meeting the current local support requirement necessary to receive state aid. As SEV rises, in some cases dramatically, it becomes difficult for some libraries to meet the local support standard. Libraries that don't qualify suffer real hardships. In one case cited by library representatives, a small library was \$432 short of meeting the SEV standard and lost \$2,515 in state aid as a result. Nearly a dozen libraries did not qualify for some or all of their state funding for 1999-2000 and eight others only narrowly met the standard, according to library representatives.

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POSITIONS:

The Department of Treasury supports the bill. (5-23-00)

The Michigan Library Association supports the bill. (5-23-00)

Analyst: C. Couch

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