



**House
Legislative
Analysis
Section**

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CULTURAL DISTRICTS

**House Bill 5394 (Substitute H-2)
First Analysis (12-5-95)**

**Sponsor: Rep. Curtis Hertel
Committee: Tax Policy**

THE APPARENT PROBLEM:

Supporters of the arts and other cultural institutions have proposed legislation that could provide additional public funding on a regional basis for cultural organizations and programs. They argue that the state's "cultural infrastructure" of museums, orchestras, theaters, zoos, libraries, science centers, and the like, which explore, explain, and interpret the world around us, is in need of additional support, particularly with the decline in traditional forms of government funding. They propose the creation of special regional authorities that could seek voter approval of a property tax to support cultural organizations.

THE CONTENT OF THE BILL:

The bill would create the Cultural District Establishment Act. Under this act, a county or a combination of contiguous counties could establish a cultural district which, with the approval of a majority of voters in each participating county, could levy a tax on real and personal property of up to 1.5 mills. The revenues could be allocated to cultural organizations within the district.

The term "cultural organization" would refer to a public or private non-profit entity whose primary purpose is the production, presentation, education, advancement, endowment, or preservation of art, science, or cultural history, including but not limited to a zoo, a public library, a special program of art, culture, or science developed specifically for a school district, and a public broadcast station (whether or not affiliated with an institution of higher education). The bill contains definitions of "art," "cultural history," and "science."

A county or combination of counties would establish a cultural district by adopting articles of incorporation. The articles would have to be adopted by a majority vote of the board of county commissioners of each participating county and by a majority vote of the legislative body of each city with a population of 500,000 or more (Detroit in Wayne County). A county could be added to an existing district upon a majority vote of the board of the county seeking to be added (and of the city governing board, if applicable); the

amendment of the articles of incorporation of the existing district; and the acceptance of the amended articles by the board of the county seeking to be added (and the city governing board, if applicable). If a district had approved a tax, a county seeking to join would need the approval of voters.

The act would not apply to a county containing a local unit participating in a metropolitan council under the Metropolitan Council Act (Kent County).

The articles of incorporation would have to contain, among other things, the purposes for which the district was formed, the method for amending the articles, a requirement that the district employ annually an independent certified public accountant to conduct an audit, and a requirement that an organization receiving funds submit a financial audit by a CPA conducted within the previous 12 months.

A district would be governed by a board of directors consisting of up to 12 members; the articles of incorporation would specify the number and the method of appointment. If a cultural district contained a city with a population of 500,000 or more and not more than three counties, it would have a 12-member board, and members of the board representing the city would have to be equal to the number of members representing the county with the largest number of members. In other districts, no member could reside in the same county commissioner district as another at the time of appointment. A director would have to be a registered voter of the county or municipality from which he or she is appointed. A person employed by a cultural organization receiving funds from the district could not serve as a director. A director could be removed with or without cause and with or without notice by the chief executive officer of the government unit that appointed him or her. After the initial appointments to staggered terms, directors would be appointed to four-year terms and would hold office until a successor was appointed.

A district could submit to the voters a proposal to impose a tax on all real and personal property, except property exempt by law from ad valorem taxation and

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property subject to tax under Public Act 282 of 1905 (the state utility tax on telephone companies and railroads), at a rate up to 1.5 mills for not more than 20 years. The tax would require the majority approval of voters in each county in the district. The proposal could only be submitted to voters at a regularly scheduled election and could not be submitted more than twice in a calendar year. If the voters did not approve the tax within two years after the establishment of the district, the district would be considered dissolved. The tax, if approved, would be collected and distributed at the same time and in the same manner as county taxes imposed under the General Property Tax Act.

If authorized by the articles of incorporation, a board of directors could, among other things, adopt bylaws and procedures governing the board and district; allocate funds to cultural organizations located within the district; impose conditions on the funding of a cultural organization, which could include requiring a written agreement that the organization will provide some free or discounted services and/or programs, such as free or discounted admission days, exhibitions, performances, or other events to the residents of the taxing district; enter into contracts; and hire employees, consultants, attorneys, and other professionals.

A district would be a body corporate with power to sue and be sued and would constitute an authority subject to the tax limitations under Section 6 of Article IX of the state constitution. The board would be subject to the Open Meetings Act, and district would be subject to the Freedom of Information Act.

FISCAL IMPLICATIONS:

The bill would allow for the creation of special authorities that could seek voter approval for a cultural district tax.

ARGUMENTS:

For:

The bill would provide an option for regional funding of cultural organizations. It would allow the creation of special cultural districts which, with voter approval, could levy up to 1.5 mills. This could provide supplemental funding for cultural organizations at a time when traditional government support is said to be declining. Proponents say the state, and particularly its central cities, needs a strong, vibrant cultural infrastructure that contributes to its quality of life and enhances the education of its young people. The regional approach recognizes that often the key cultural institutions are in central cities, such as Detroit, while

many of the supporters and users of those institutions are in the suburbs. Improving the capacity of citizens to support cultural activities will make those cities more attractive to residents and visitors. The option, however, is available to nearly all counties whose citizens want to support cultural activities in this manner.

Response:

A number of issues have been raised in response to this proposal. Some people have proposed reducing the maximum duration of the tax (to, say, ten years). Others have proposed the elimination of residency requirements at institutions supported by a regional tax. It has been recommended that in order to receive funding under this act, an institution be required to charge admission. There are also differences of opinion over how the board of a cultural district should represent the population within the district, whether they should be chosen based on geography or based on particular interests and background.

POSITIONS:

Representatives from Detroit Renaissance and from the Cultural Funding Project testified in support of the bill before the House Tax Policy Committee. (11-30-95)

■ 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.