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BILL ANALYSIS

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Senate Bill 1053 (as passed by the Senate)
Sponsor: Senator Michael J. Bouchard
Committee: Financial Services

Date Completed: 7-12-96

RATIONALE

Cultural institutions help to define a region's history, values, and quality of life and can serve as points of pride to the community. Many consider adequate funding of these institutions to be vital to an area's civic infrastructure. Over the last several years, however, as other services have assumed greater priority, there has been a significant reduction in the amount of State and local funding for some cultural organizations, particularly in southeastern Michigan. Some people believe that, in order to ensure the vitality of Michigan's cultural organizations, new funding options should be explored. Under the Metropolitan Council Act, in a metropolitan statistical area (as defined by the U.S. Commerce Department) with a population under 1 million, a combination of two or more local units of government may form a metropolitan council. A metropolitan council may levy a voter-approved millage in the participating local units and use the money for any of the purposes listed in the Act, including various infrastructure improvements, economic development, and arts and cultural institutions. To date, only one council has been formed (in the Grand Rapids area). Because of the Act's population limits, the City of Detroit has been unable, by itself or with another local unit, to participate in the formation of a council under the Act. It has been suggested that the Act be amended to allow smaller metropolitan statistical areas to continue to have the option of forming a metropolitan council for the purposes described in the Act, while additional provisions be made to allow areas with a larger population to form a regional council, and levy a small voter-approved millage that would have to be dedicated to the region's arts and cultural institutions.

CONTENT

The bill would amend the Metropolitan Council Act to provide for the creation of a metropolitan region council, and prescribe its powers and duties, including the authority to levy a voter-approved property tax millage; and revise the population requirements for local units forming a metropolitan council under the Act.

Specifically, the bill would provide for the creation of a "metropolitan area" council by participating local units of government with a total population under 1.5 million, and a "metropolitan region" council by participating local units with a total population over 1.5 million. Currently, two or more local units in a metropolitan area with a population under 1 million may form a metropolitan council. The bill provides, instead, that any of the following could form a metropolitan council: a city with at least 900,000 people; a county with at least 700,000 people; a combination of a city and any county as described above; or a combination of two or more local units in a metropolitan area with a total population under 1.5 million.

Under the bill, a metropolitan area council would have the powers and duties currently prescribed under the Act for a metropolitan council. The bill provides that a metropolitan region council:

-- Would have to have a board of directors consisting of four members from each local unit that participated in the council; each member would be appointed by the local unit's chief executive officer, with the advice and consent of the local unit's legislative body. Members would serve without compensation, except for actual and necessary expenses as approved by the council.
-- Could add a local unit of government to an existing council.
-- Could appoint an executive director.

-- Could, if authorized by law, make appointments to other government agencies.
-- Could establish divisions, bureaus, and committees.
-- Could adopt bylaws for the council's administration.
-- Would have to prepare budgets, as required under the Uniform Budgeting and Accounting Act; and, if it ended a fiscal year in deficit, file a financial plan to correct the deficit.

In addition, a metropolitan region council's articles could authorize the council to provide funding, supplemental to funding received from other sources, for arts and cultural "facilities and programs" located within the metropolitan region that the council served; however, a region council could not authorize the expenditure of money collected from a millage levied under the Act unless it were approved by a majority of the council's board of directors, and the majority consisted of at least one member from each local unit that participated in the council. "Facilities and programs" would be structures, fixtures, and activities provided by a tax-exempt entity that had been in existence for at least 18 consecutive months before becoming eligible for funding, and could include zoological, botanical, or other science centers, museums or historical centers, performing arts centers, orchestras, choruses, chorales, opera theaters, ballet, dance, and theater companies, and a public broadcast station, whether or not the station was affiliated with an institution of higher learning. Facilities and programs would not include labor organizations, political organizations, libraries, public, private, or charter schools, or professional sports arenas or stadiums.

Under the Act, a metropolitan council may levy up to .5 mill on all taxable real and personal property within the council area; the tax must be approved by the voters as provided in the Act. The bill provides that a proposal for a tax authorized to be levied by a metropolitan region council could not be placed on the ballot unless the proposal were adopted by a resolution and certified by the council within 70 days before the election to the county clerk of each participating county, and the county in which all or part of a participating city was located, for inclusion on the ballot. The proposal would have to state the amount and duration of the millage and be certified for inclusion on the ballot at the next general election, the State primary immediately preceding the general election, or a special election in 1997 at a proposed date not within 45 days of a State primary or a general election. A proposal could not be placed on the ballot more than once in a calendar year. A proposed special election date would have to be approved by the county election scheduling committee of the largest county participating in the council. The county election commission would have to provide ballots for an election for a tax proposal for each participating city or part of a participating city located with the county. For cities that participated in a metropolitan region council, an election for a tax would have to be conducted by the city clerks and election officials of those participating cities. A tax levy could not be authorized for a metropolitan region unless a majority of the votes cast in each participating county and city favored the proposal.

The bill would require the articles of incorporation of a metropolitan region council to authorize each local unit within the metropolitan region to receive 10% of any net revenue derived by the metropolitan region from the property tax levied as authorized under the Act.

Currently, before the articles of incorporation of a council are adopted or amended, the clerk of the largest participating local unit must publish the articles or amendments, at least once, in a newspaper generally circulated within the local units participating in the council. The bill provides that if a local unit were not participating with any other local unit, the clerk would have to publish the articles or amendments, at least once, in a newspaper generally circulated within the local unit.

MCL 124.653 et al.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Because of changing pressures and priorities on and within the State budget, levels of support for arts and cultural institutions have been declining in recent years. Many people feel that the State's support of these important educational and tourist attractions has waned to the point where the institutions have become unstable, and have uncertain futures, and that there is a great need for a predictable source of funding. By allowing the creation of metropolitan region councils that, upon approval of the electorate, could levy up to .5 mill of property tax, the bill would provide an innovative option for regional funding of cultural organizations. This could provide supplemental funding for museums, science centers, zoos, performing arts centers, theater companies, historical centers, and other cultural organizations. 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 embodied by the bill 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 would make those cities more attractive to residents and visitors.

Opposing Argument

A fear expressed by many when property taxes were slashed under Proposal A, in combination with an increase in the sales and use taxes, was that eventually property taxes would be allowed to rise to their former levels, leaving the taxpayers with high property taxes and a high sales tax. This bill could be the beginning of that rise in property taxes. Further, if people want fine cultural and artistic venues for their enjoyment, then they should pay for that enjoyment through ticket prices, not through general taxation. Levying a property tax to pay for arts and cultural institutions forces some taxpayers to contribute their tax dollars to subsidize events and places that they may not be able to afford to attend. Poor and middle-class taxpayers should not have to pay for the support of institutions mostly enjoyed by wealthy art lovers.

Response: Arts and cultural institutions don't just benefit the wealthy; they also provide invaluable educational opportunities for great numbers of people, particularly children. Furthermore, arts and cultural institutions serve a vital function by acting as tourist attractions, which can greatly benefit area businesses. Support for arts and cultural institutions, which probably cannot remain fine institutions without help from the State and/or local units of government, is therefore returned to the community in several beneficial ways.

As for the contention that the bill could cause an erosion of the property tax cuts enjoyed under Proposal A, it must be remembered that the bill would raise not one penny in taxes; under the bill, only the voters could impose the .5 mill or less tax.

Legislative Analyst: G. Towne

FISCAL IMPACT

Local units in a metropolitan statistical area with a population between 1,000,000 and 1,500,000 people that established a metropolitan area council could levy up to 0.5 mill if authorized by the majority of the votes cast in the area. Local units in a metropolitan statistical area with a population of more than 1,500,000 people that established a metropolitan region council could levy up to 0.5 mill if authorized by the majority of the votes cast in each participating county or city. If approved by the metropolitan area or region council's board of directors, the council could be reimbursed for actual and necessary expenses incurred in the performance of the its official duties.

Fiscal Analyst: R. Ross

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