

HISTORY MUSEUM AUTHORITIES ACT

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<http://www.house.mi.gov/hfa>

House Bills 4177 and 5817 as enrolled
Sponsor: Rep. Tyrone Carter

Analysis available at
<http://www.legislature.mi.gov>

House Bill 5818 as enrolled
Sponsor: Rep. Samantha Steckloff

House Committee: Regulatory Reform
Senate Committee: Finance, Insurance, and Consumer Protection
Complete to 1-24-25

SUMMARY:

House Bill 4177 would create a new act, the History Museum Authorities Act, which would allow a county board of commissioners to establish a history museum authority to provide funding support to a historical museum owned by a city with a population of over 500,000 (i.e., as of the 2020 census, Detroit). If approved by voters in the county, an authority could levy a property tax of up to 0.2 mill for up to 10 years for that purpose. If such a tax were approved, the authority would have to reimburse the county's election costs, and the museum would have to offer preferences or benefits to residents of the county. The bill would prohibit a question approving such a tax from being submitted to voters until after January 1, 2025.

Establishment

A county board of commissioners could establish a history museum authority by adopting the authority's articles of incorporation by a majority vote. Amendments to the articles could be adopted in the same way. However, articles or amendments would first have to be published in a newspaper generally circulated in the county. The county clerk would have to endorse the articles or amendments after their adoption and file a printed copy with the secretary of state. They would take effect when filed. The articles would have to include all of the following:

- The authority's name and purpose.
- The number of members on the authority's board of directors (which must be an odd number, up to 15).
- The qualifications and terms of office of board members.
- How board members are appointed.
- How board vacancies are filled.
- How the authority can be dissolved.
- Anything else the board of commissioners considers advisable.

Powers and duties

An authority would be a public corporation with the powers needed to carry out its purposes, except it could not obtain an interest in real property or participate in the governance of a *history museum*. An authority would not be subject to the property tax limitations of section 6 of Article IX of the state constitution. An authority could do one or more of the following:

- Levy a tax (as described below).
- Provide funding under a contract with a *history museum services provider* for its operation of or support for a history museum.

- Provide grant funding to *local historical museums*.
- Retain or contract for professional services.
- Enter into other contracts necessary or incidental to implementing the act.

History museum would mean a historical museum whose primary collection and facility are owned by a city with a population of over 500,000 on the date an authority is established. (Detroit is the only city in Michigan with a population over 500,000.)

History museum services provider would mean a 501(c)(3) nonprofit entity that operates or supports a history museum as its primary purpose.

Local historical museum would mean a historical museum that is located in the county in which an authority is established and that is owned or exclusively operated by a municipality, a county, or a nonprofit entity qualified under section 501(c)(3) of the Internal Revenue Code, but does not qualify as a history museum as defined above (i.e., its primary collection and facility are not owned by Detroit on the date an authority is established).

Board of directors

At its first meeting, an authority board would have to elect a chairperson, secretary, treasurer, and other officers considered necessary. It could adopt bylaws to govern its procedures. A majority of its members would constitute a quorum, and official action could be taken on the vote of a majority of those present (unless its bylaws required a larger number).

An authority would be subject to the public meeting and public notice requirements of the Open Meetings Act, and a writing prepared, used, or owned by an authority in performing an official function would be subject to the Freedom of Information Act (FOIA).

Members could not be compensated for serving on the board, but they would be entitled to be reimbursed for reasonable expenses incurred in performing their duties, including travel expenses authorized beforehand by the board.

The county board of commissioners could remove members of the board for good cause after a public hearing. A vacancy would occur upon any of the following:

- The member dies, resigns, or is removed from office.
- The member's appointment is declared void by a competent tribunal.
- The member no longer resides in Michigan or the area where they must perform their duties.
- The member fails to take or deposit the oath of office as required by law.
- The member fails to give, renew, or deposit an official bond as required by law.
- The member is convicted of an offense that violates their oath of office.
- The member is convicted of a crime punishable by imprisonment in state prison.

Tax

If approved by a majority of voters in the county, an authority could levy a tax of up to 0.2 mill for up to 10 years on the taxable property in the county to provide revenue to one or more history museum services providers for the benefit of one or more history museums.

Before any vote, the authority and provider would have to enter into a contract requiring the provider to use funds from the authority exclusively for operating or supporting a history museum. The contract could prohibit the use of funds received by the provider for *capital improvements*, deferred maintenance, or the establishment of or addition to the principal of an endowment fund. The contract also would have to require the provider or history museum to offer preferences or benefits to the residents of the county if the voters approve the tax, including, at a minimum, all of the following:

- Free admittance to the museum the provider provides history museum services for.
- Programming designed for schools and student groups.
- Programming for senior citizens.

Capital improvements would mean a durable upgrade, adaptation, or enhancement of a property that increases the property's value. It would not include reasonable expenditures made in connection with the installation or removal of exhibitions that require property improvement.

An election on the question of a proposed tax would have to be held on a regular election date as provided in the Michigan Election Law, but could not be submitted to a vote before January 1, 2025. The ballot proposal would have to be adopted by the board and certified to the county clerk for the next eligible election at least 60 days before the election. The proposal would have to describe the rate, duration, and purpose of the millage and provide an estimate of the amount of revenue it will raise in the first year. The duties of the county election commission, the county clerk, city and village clerks and election officials, and the county board of canvassers with regard to the election are described in the bill. If the voters approve the tax, the contracting history museum services provider would have to reimburse the county and municipalities, as applicable, for their actual election costs, based on hours worked and the cost of materials.

If approved, the tax would be levied and collected at the same time and in the same manner as provided by the General Property Tax Act. The history museum services provider would have to transfer the funds to the history museum services provider within 10 business days after receiving them from the local property tax collecting unit. However, funds could not be transferred until all necessary reimbursements to the county or municipality described above have been made. The authority could retain any amount necessary to pay obligations incurred by it in accordance with the act and for other authority programs as described under "Powers and duties," above.

Authority finances

As further described in the bill, an authority board would have to annually obtain and report on an audit of the authority as provided in the Uniform Budgeting and Accounting Act. That act would also govern the authority's budgeting process and the powers, duties, and immunities of certain government officers and financial and accounting entities. The audit also would have to comply with specified federal auditing standards and regulations. An authority that ends a fiscal year with a deficit would have to file a corrective financial plan as provided in the Glenn Steil State Revenue Sharing Act.¹

¹ See subsection (2): <http://legislature.mi.gov/doc.aspx?mcl-141-921>

House Bills 5817 and 5818 would amend the Recodified Tax Increment Financing Act and the Brownfield Redevelopment Financing Act to exclude ad valorem or specific tax taxes levied under the History Museum Authorities Act from the definition of *tax increment revenues* under each act.

Each act allows specific authorities to capture the additional revenues from property taxes and other specific taxes in their jurisdiction that exceed a benchmark of revenue established when the authority was formed.²

The bills would amend the respective definitions of *tax increment revenues* to remove revenue from ad valorem or specific tax taxes levied under the History Museum Authorities Act from the taxes that can be captured by specific tax increment authorities.

HB 5817: MCL 125.4201 et seq.

HB 5818: MCL 125.2652

These bills are tie-barred to each other, and none of them can take effect unless all three bills are enacted.

BACKGROUND:

House Bill 4177 is understood to apply to the Detroit Historical Society (which operates the Detroit Historical Museum and the Dossin Great Lakes Museum) and to the Charles H. Wright Museum of African American History.³ According to committee testimony, both institutions are facing underfunding and large amounts of deferred maintenance. Proponents argue that the bill would provide a reliable revenue stream that is critical to saving these cultural resources.

The proposed new act would be broadly similar to two existing acts, the Zoological Authorities Act (enacted in 2008) and the Art Institute Authorities Act (enacted in 2010). The Detroit Zoo and the Detroit Institute of Arts, respectively, receive support from authorities created under those acts by Macomb, Oakland, and Wayne Counties.

According to committee testimony, the exclusion of the tax from tax increment revenues under House Bills 5817 and 5818 is meant to mirror the treatment of revenues for zoological authorities and art institute authorities.

House Bill 4177 is similar to Senate Bill 653 (S-1) of the 2021-22 legislative session, as reported from the Senate Economic and Small Business Development Committee.

FISCAL IMPACT:

House Bill 4177 is permissive in nature and would not require any eligible county to levy a millage. Any fiscal impact would depend on whether a county eligible under the act chose to establish an authority and whether voters in the county chose to support the millage. While the

² https://www.house.mi.gov/hfa/PDF/FiscalSnapshot/Tax_Increment_Financing_Authority_TIFs_Jan2023.pdf

³ <https://www.freep.com/story/news/local/michigan/2022/01/15/charles-wright-detroit-historical-museums-ask-voters-new-tax/6529539001/>

county could incur election-related costs for the millage vote, the contracting provider would be required to reimburse the county for actual costs.

House Bills 5817 and 5818 would have no direct fiscal impact on state or local government. The bills would exempt revenue generated from a millage levied under the proposed History Museum Authorities Act (HB 4177) from being captured as tax increment revenues under the Recodified Tax Increment Financing Act and the Brownfield Redevelopment Financing Act. However, because no history museum authority currently exists, the provisions of the bills exempting any millage levied by a history museum authority would have no revenue impact on either a history museum authority or an existing tax increment financing authority under the two acts mentioned above.

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