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A Legislative Update for Township Officials

State facing a \$1.7 billion budget hole in 2011

The State of Michigan is expected to face roughly a \$1.7 billion budget shortfall for Fiscal Year 2011. The projection comes from estimates agreed upon on Jan. 11 at the Consensus Revenue Estimating Conference. During the meeting, the state treasurer met with the heads of the House and Senate Fiscal Agencies to create revenue estimates for the coming year and to make adjustments to the current year's assumptions. These figures will be used by the Granholm Administration to prepare the 2011 state budget, which begins on Oct. 1, 2010. The governor will present her budget to the Legislature on Feb. 11. State revenues are predicted to grow by a positive 0.5 percent overall in the 2011 fiscal year. That is compared to negative numbers last year. One sobering note is that since much of the federal stimulus funds (ARRA) have already been appropriated, state leaders will have to make up this shortfall through cuts and/or revenue increases. In the current year, ARRA funds helped the state soften cuts by over \$1 billion. ■

MTA releases white paper on local government reforms

MTA has been aware of discussions over the last several months amongst legislative leadership and numerous interest groups about ways to reform state and local governments in Michigan. In anticipation of plans being put together, with little input from township government, MTA has issued a comprehensive 41-page white paper titled "Reforming Michigan's Local Government." The report will be made public on Feb. 1, 2010, but was given in advance to legislative leadership to help provide an opportunity for them to see MTA perspectives on government consolidation, while reform discussions were on-going. The report will be available on the front page of the MTA Web site, www.michigantownships.org, as of Feb. 1, 2010. ■

Senate GOP announces 2010 reform package

State Senate Republicans announced a series of reforms to restructure and downsize state government on Jan. 19. Senate Majority Leader Mike Bishop (R-Rochester) made the announcement on behalf of his caucus, calling 2010 the "Year of Reform." Bishop said the state is facing a \$1.8 billion deficit next year and claimed that raising taxes is wrong and irresponsible. He said people want a more efficient government that spends less money yet still provides essential services. The Senate GOP initiatives cover six key reform areas for an estimated total savings of \$2.24-2.6 billion. They include:

- Public employee health care (\$615 million)
- Local police and fire (\$70-118 million)
- K-12 school spending (\$363-663 million)
- Medicaid spending (\$160-500 million)
- Government efficiency (indeterminate)
- Public employee compensation (\$1.2 billion)

Sen. Bishop is creating a new special committee called the Senate Committee on Government Reform to address the reform package. Members of the committee include: Sen. Mike Bishop (R-Rochester) - chair, Sen. Jud Gilbert (R-Clay Twp.) - vice chair, Sen. Tom George (R-Texas Chtr. Twp.), Sen. Wayne Kuipers (R-Holland), Sen. Mike Prusi (D-Ishpeming Twp.) - Minority Vice Chair, Sen. Deb Cherry (D-Burton) and Sen. Tupac Hunter (D-Detroit). The following is a list of some of the reforms that are most relevant to township government:

Public Employee Health Care Reforms

- Require public employees to pay 20 percent of their health care premiums unless they establish a health savings account and/or participate in wellness programs, which would reduce their health care premium to 15 percent. Public employees include all levels of government, schools, universities and elected officials. Estimated savings - \$610 million for all public employees, including \$68.8 million from state employees.

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- Eliminate health care benefits for legislators who have not vested before Jan. 1, 2010. Estimated savings – less than \$5 million.

Encourage Cooperation of Local Police and Fire Services

- This reform amends the Urban Cooperation Act and the Intergovernmental Transfer of Functions Act. The legislation would specify that nothing in either act requires job providers to pay employees the highest wages and benefits previously paid to any employees or their pre-existing bargaining units who are either 1) transferred from one political subdivision to another or 2) employed under an inter-local agreement. Estimated savings – indeterminate. These changes, however, will remove roadblocks to consolidation of local services, including police, fire, sewer and other services to save money.

Expedited Arbitration Process for Police and Fire -- PA 312 Reform

- The legislation amends Public Act 312 to strengthen the training and quality of arbitrators, reduce timelines, and change the last best offer process to promote good faith negotiating. These changes will significantly improve the process leading to more efficient and timely decisions. Estimated savings – indeterminate. The current arbitration system raises costs from 3 to 5 percent, or \$70 - \$118 million. Local governments units accrue savings.

Government Efficiency: Reduce the Number of State Departments and Combine All Licensing

- The proposal to reduce the number of state departments goes beyond simply rearranging the deck chairs. The plan calls for benchmarking of significant state programs and posting state expenditures. This comprehensive reform also includes requirements to improve Michigan's business competitiveness—state regulations could not be more stringent than federal rules. Estimated savings – indeterminate; savings accrue over two-four years
- Included with legislation to reduce the number of state departments to 11 is establishing a department called the Michigan

Department of Business Assistance. Combining all business licensing and permitting within one department will significantly improve Michigan's business climate for existing and potential job providers. Estimated savings – indeterminate; savings accrue over two-four years.

Public Employee Compensation: Reduce Government Compensation Costs (Ballot Proposal)

- 5 percent pay reduction for all public servants (including all government, schools, universities and elected officials), and freeze it at that level for three years. Employee costs make-up 75 to 80 percent of government costs. Credit will be given for those who've implemented a wage reduction. This will need a constitutional amendment. The Senate Republicans are looking to place this proposal on the ballot in August. Estimated savings – \$1.2 billion. ■

Federal stimulus II appears to be just around the corner

As work winds down on moving through the legislative process federal health care legislation, the focus will likely shift rather rapidly to Congressional efforts to create jobs in the form of another stimulus effort. The U.S. House of Representatives has already passed H.R. 2438, referred to as the Jobs for Main Street Act. The bill contains \$154 billion in federal spending, dedicating \$48.3 billion for infrastructure investment, \$26.7 billion to sustain public service jobs and \$79 billion in family and small business assistance.

Included in H.R. 2438 are specific funding opportunities to assist local units of government, including townships. Under the FEMA SAFER Act Grant Program, \$500 million would be made available to provide financial assistance to help fire departments hire additional firefighters with no local match. Also included is \$1.1 billion for the Department of Justice COPS Hiring Program. COPS is a complete grant program that provides 100 percent funding for salaries and benefits for three years for newly hired, full-time police officers or for rehired officers. Finally, the legislation includes \$1 billion each under the Clean Water State Revolving Fund Program (sewers) and the Drinking Water State Revolving Fund Program. MTA and the National Association of Towns and Townships (NATaT) would like those dollar amounts increased to \$4 billion and \$2 billion respectively.

One item not included in the House version of the jobs bill is the Local Fiscal Assistance Act (H.R. 3007). It would restore federal revenue sharing for the next three years at a level of \$30 billion per year. Efforts to include the Local Fiscal Assistance Act within any final federal stimulus package are on-going. In the meantime, the U.S. Senate will be working on their version of a jobs bill, which will likely include more efforts to directly assist state governments.

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Public Acts of 2009

- PA 4** (Sen. Buzz Thomas, D-Detroit) Provides a dispute resolution process for cable services problems.
- PA 21** (Sen. Tony Stamas, R-Midland) Allows for the investment in certificates of deposit issued by credit unions.
- PA 35** (Rep. Geoff Hansen, R-Hart Twp.) Repeals the sunset on procedures to establish special rules on a lake.
- PA 89** (Sen. Gerald Van Woerkom, R-Muskegon) Provides procedures for permits and variances when airport zoning board does not exist.
- PA 91** (Rep. Mike Lahti, D-Hancock) Provides a fine for launching a boat with an aquatic plant attached. Requires the owner of the launching site to post a notice of the prohibition.
- PA 102** (Rep. Doug Bennett, D-Muskegon Chtr. Twp.) Extends the application of storm water discharge fees until Oct. 1, 2011.
- PA 108** (Rep. Darwin Booher, R-Osceola Twp.) Allows local governments to accept federal loans that are in turn loaned to economic development projects.
- PA 117** (Rep. Mike Simpson, D-Liberty Twp.) Provides care standards for certain animals while keeping local government general ordinance authority intact.
- PA 120** (Sen. Patricia Birkholz, R-Saugatuck Twp.) Amends the state wetland program.
- PA 130** (Sen. Mark Jansen, R-Gaines Chtr. Twp.) Appropriations bill that includes requirements for reports to be filed for liquor license enforcement.
- PA 139** (Rep. Doug Bennett, D-Muskegon Chtr. Twp.) Modifies certain permit requirements for marinas and other mooring structures.
- PA 146** (Rep. Jeff Mayes, D-Bangor Chtr. Twp.) Exempts public utility subcontractors from frost law requirements in certain situations.
- PA 152** (Rep. Bert Johnson, D-Highland Park) Modifies shutoff procedures for certain municipal utility customers.
- PA 163-168** (Sens. James Barcia, D-Bay City & Alan Cropsey, R-Olive Twp.) Allows intermunicipal water and sewer authorities to contract with Indian tribes for services.
- PA 169** (Sen. Alan Sanborn, R-Richmond Twp.) Revises bond requirement when vehicle is cited for being over the weight limit.
- PA 171** (Sen. Roger Kahn, R-Saginaw Chtr. Twp.) Establishes shutoff notice requirement for municipally owned utilities.
- PA 172** (Sen. Bruce Patterson, R-Canton Chtr. Twp.) Provides complaint process and establishes penalties against certain municipally owned utilities.
- PA 173** (Rep. Andy Neumann, D-Alpena) Requires utility providers to determine if customer is a senior citizen.
- PA 174** (Rep. Jeff Mayes, D-Bangor Chtr. Twp.) Requires municipally owned utilities to comply with public service commission rules on shutoffs.
- PA 175** (Rep. John Espinoza, D-Croswell) Expands eligibility for the use of off-road vehicles on road shoulders.
- PA 176** (Rep. Doug Bennett, D-Muskegon Chtr. Twp.) Eliminates the

groundwater dispute resolution program.

PA 181 (Rep. Jimmy Womack, D-Detroit) Requires appointed emergency financial managers to provide full financial disclosure.

PA 188 (Rep. Lee Gonzales, D-Flint Chtr. Twp.) Creates a smoking ban in public places.

PA 189 (Rep. Dudley Spade, D-Franklin Twp.) Allows certain additional farms to defer summer property taxes.

PA 196 (Sen. Ron Jelinek, R-Three Oaks Twp.) Excludes certain farm vehicles from registering as off-road vehicles.

PA 206-208 (Sen. Tony Stamas, R-Midland) Provides equitable relief for incorrect nominating petition signatures.

PA 210 (Sen. Gerald Van Woerkom, R-Muskegon) Expands list of exemptions for incompatible offices for local government. ■

Governor names Humphries to head new department

Gov. Jennifer Granholm named Rebecca (Becky) Humphries to head the new Department of Natural Resources and Environment (DNRE). Prior to her new position, Ms. Humphries had served as the director of the Department of Natural Resources (DNR) since being appointed in 2004 by the Natural Resources Commission. The new department was created under Executive Order 2009-45, which recombines the former DNR with the former Department of Environmental Quality (DEQ) into one agency as of Jan. 17.

Under a reorganization plan, the new department will have three main units: Resource Management, Stewardship and Environmental Protection, with each having its own deputy director and with specific responsibilities falling under each unit. Resource Management will contain aquatic regulations, aquatic and invasive species, dam safety, habitat management, law enforcement, land survey, non-point source, permits, sand dunes, soil erosion, state game and wildlife management, water management and withdrawal, wetlands and wildlife issues.

The Stewardship unit contains forestry, fire protection, parks and recreation, public boat launches, public marinas, public land stewardship, snowmobile program, timber management, trails and the Waterway Commission. Environmental Protection contains many of the former DEQ programs including biosolids, brownfield redevelopment, drinking water, groundwater discharges, hazardous waste, oil and gas, scrap tires and solid waste.

The reorganization plan also contemplates four regional directors based on the state's four Great Lakes watersheds. The four regional directors will manage planning, coordination and communications across programs, have authority to make decisions on behalf of the department, and report directly to Humphries. The reorganization plan also reduces the current 22 divisions down to 14 and calls for additional citizen input through citizen advisory councils.

The reorganization plan does keep intact the Natural Resources Com-

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mission (NRC), which will continue to oversee hunting and fishing regulations and certain funding sources as well as continue to provide advice to the director. However, the NRC will no longer have the authority to appoint the department director.

The complete reorganization is expected to take months to implement with some changes in the reorganization plan likely to take place during the implementation stage. ■

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MTA and NATaT would like to ensure that any new jobs legislation recognizes the primary role of local governments in job retention/creation and economic growth and that significantly more federal money gets down to the local level than under the American Recovery and Reinvestment Act (ARRA). ■

MPSC creates rate category for street lighting

The MI Public Service Commission (MPSC) on Jan. 11 directed 15 Michigan electric utility companies to file applications seeking approval of tariffs (rates) that govern the provision of unmetered street lighting, area lighting and traffic signal devices based on emerging light-emitting diode (LED) technologies used by municipalities. The action came in Case No. U-16186 for the utilities except for Detroit Edison (DTE), which was directed to do the same thing in its rate case also decided on Jan. 11 in Case No. U-15768.

The action was necessary because local governments have been install-

ing more energy efficient LED street lights over the past few years, many under a state government driven pilot program, but have been unable to reap the benefits of their increased efficiency efforts. In many situations, like recently in Union Charter Township (Isabella Co.), where the township's East Downtown Development Authority installed roughly 70 LED street lights along 1.5 miles of streets, the township found out after installation that it would not receive a reduced energy consumption rate being charged by the utility for using less energy because the utility did not establish rate categories for LED lighting. In many circumstances, local governments are installing the LED street lights without meters because the expense of meters dramatically cuts into the savings gained in energy efficiencies. The existing practice has been for the utilities to hang on to the energy cost savings instead of passing it on to the local unit of government. The East DDA switched to LED lighting for its streets but were paying as if it were using as much energy as the old lighting.

LED street lights, area lighting and traffic signals also generally require less maintenance efforts than more traditional street lighting systems to help save money as well. Recently, some communities have found that ice and snow is building up on the LED traffic signals, at times covering the signal light, due to less heat coming from the device compared to traditional traffic lights.

MTA is pleased with the action of the MPSC and believes that once utilities create a rate category that recognizes LED street lighting, area lighting and traffic signals, there will be a financial incentive for local governments to consider energy efficient LED systems. The MPSC directive gives utility companies until Feb. 10, 2010, to submit a tariff with an explanation for approval by the MPSC. ■

State of State Address
has been scheduled for:
Wednesday, Feb. 3, 2010
7 p.m.