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# capitol currents

Official Publication of the Michigan Townships Association

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## A Legislative Update for Township Officials

### House Plan Would Move Tax Collections, Elections and Assessing from Townships to Counties

Legislation (HBs 4780-88) was quietly introduced on May 17 in the Michigan House of Representatives to move all tax collection, elections and assessing functions of townships to the county level. The bills would impact 95 percent of all townships in Michigan.

The main sponsor of the nine-bill package, Rep. Paul Condino (D-Southfield), stated that he was introducing the bills as a cost-savings measure for the state. However, MTA and township officials know that moving these functions to county government—and having the county bill the townships for performing such functions—will actually increase costs and saves no money at the state or local level of government.

It first appeared to MTA that HBs 4780-88 were on a very fast track for action, as the House Intergovernmental, Urban and Regional Affairs Committee was considering holding a hearing on the package on May 23. An unusually late posting for that committee meeting was made just 20 hours before the hearing was scheduled to begin (law requires committee postings be at least 18 hours prior). The final meeting posting did not include HBs 4780-88.

MTA appreciates the many phone calls, e-mails and letters that were sent by township officials to their state representative and members of the committee. Your efforts were—and continue to be—critical regarding this legislation. When Committee Chair Rep. Barb Byrum (D-Onondaga) was asked by MTA about the likelihood of potential action on the package, she stated that she was unsure if the bills would see future action. Please continue communicating your opposition to these bills with your state representative.

#### *How does this legislative package affect townships?*

These bills are a direct attack on township government and single out townships for shifting services. There is no legislation proposed to take away any such services from cities. There is no question that at least some members of the Legislature believe that services provided by townships are inefficient and unprofessional, and that county government can

do them better. Introduction of these bills raises the question about why these township functions are being shifted to the county.

The only requirements in state law placed on township government (or city government) are to collect taxes, run elections and provide assessing. These bills hit those three required functions of townships. However, there is much speculation that the threat is much greater than shifting tax collections, elections and assessing to the counties. Some believe that if you release these functions from townships, there is little else for townships to do. That belief couldn't be further from reality. Just think of the common functions and essential services performed by township government besides the three targeted by this legislation: fire protection, emergency services, law enforcement, planning and zoning, building permits, sewer services, water services, libraries, road funding, senior programs, cemetery operations, waste hauling and recycling, parks and recreation, etc.

There is more to township government than collecting taxes, running elections and providing assessing. MTA is asking all township officials to get involved by telling your story to legislators and the public on how your township efficiently and effectively serves the public.

#### *How Township Officials Can Take Action:*

- Write a letter (or e-mail) to your legislator and members of the House Intergovernmental, Urban and Regional Affairs Committee explaining how your township cost-effectively collects taxes, runs elections and performs assessing duties. Further, explain how there is *no cost savings* by moving these functions to the county. State your opposition to the bills. If you have already sent such a letter, please follow-up with your legislator and ask for their position on this legislation. Please share copies of such correspondence with MTA.
- Request an in-person meeting with your legislator about HBs 4780-88 and discuss the ramifications this legislation has on the everyday lives of local residents. These meetings can be done when lawmakers are in the district.
- Write a letter to the editor for your local newspaper. Explain to residents and the community the negative impacts of this legislation. Encourage your residents to write a letter as well, to explain how shifting these services to the county will impede their ability to get answers from local government.
- Use the following Web site to get contact information for your state legislator: <http://house.michigan.gov/replist.asp>

## House Bill 4780: What the Legislation Says



On May 17, Rep. Paul Condino (D-Southfield) introduced House Bill 4780, at the request of Speaker of the House Andy Dillon (D-Redford Twp.). The nine-bill package (HBs 4780-88), which creates the “township services consolidation act,” would strip elections, assessing and tax collection duties from 95 percent of townships. The legislation only impacts townships; *none* of the legislation changes the provision of city or village services.

The bill begins by defining *who* is subject to the provisions of the act, and creates something called a “rural township.” Rural townships are defined as any township below a population of 10,000, or any township with a population between 10,000 and 20,000 that does not provide for and make available fire and police protection on a 24-hour basis either through contracting for or directly employing personnel; water to 50 percent or more of its residents; and sewer services to 50 percent or more of its residents. Under this definition, there are only 57 townships out of 1,242 that would not be considered a “rural township.”

The bill language discussing police, fire, water and sewer services was taken from the current revenue sharing formula. Certain townships that have larger populations and provide these services receive extra funds under the revenue sharing formula. No one has explained what the relationship is between providing a police officer and collecting property taxes.

There are 37 townships in the state with a population that exceeds

### HB 4780 at a glance:

- Shifts all tax collection, election functions and assessing from township control to county control.
- Requires townships to reimburse county for services that have been shifted.
- Does not impact cities or villages.
- Does not impact townships with a population over 20,000 and a select group of townships with a population between 10,000 and 20,000.
- Goes into effect on Dec. 31, 2008, upon approval.

20,000. According to information from the Michigan Department of Treasury, just 20 townships in the state with populations between 10,000 and 20,000 meet the necessary requirements to retain assessing, election and tax collection duties.

HB 4780 states that after Dec. 31, 2008, the county clerk will conduct elections held in a rural township. The rural township clerk will provide any information necessary to allow the county clerk to conduct elections. The county clerk shall conduct school elections in rural townships after Dec. 31, 2008.

In addition to the transfer of services, the rural township will pay the county the costs for running the election. The county must submit the bill to the township within 84 days and the township shall pay or disapprove the bill within 28 days of receiving the document. Any disputes regarding the billing will be submitted to the secretary of state for settlement.

After Dec. 31, 2008, the rural township treasurer will no longer collect property taxes. The rural township treasurer will provide the county treasurer any information necessary to collect taxes. The supervisor shall no longer assess township property and all assessing functions will be transferred to the county equalization department.

If a rural township has authorized a property tax administration fee, the county may retain that portion of the fee equal to the actual costs the county incurs in collecting taxes and assessing property for the rural township. If the administration fee does not exist, or if the fee does not cover the costs incurred, the county shall present a verified account of actual costs of collecting taxes and assessing property. The bill shall be presented within 84 days of the date that delinquent taxes are to be turned over to the county under MCL 211.56. The township shall pay or dispute the bill within 28 days. The department of treasury will settle any disputed costs that cannot be settled between the county and the rural township.

The actual wording for HB 4780 can be found by linking through the MTA Web site at [www.michigantownships.org](http://www.michigantownships.org) or by visiting the Michigan Legislature’s Web site [www.legislature.mi.gov](http://www.legislature.mi.gov).



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**Editor:** David Bertram **Associate Editors:** Bill Anderson & Tom Frazier

**Michigan Townships Association**  
512 Westshire Drive, P.O. Box 80078  
Lansing, MI 48917  
(517) 321-6467 Fax (517) 321-8908  
[legislation@michigantownships.org](mailto:legislation@michigantownships.org)  
[www.michigantownships.org](http://www.michigantownships.org)

## State Budget Situation: From Bad to Worse



At a recent meeting to project the state's finances for this fiscal year, and to set projections for next fiscal year, the state's chief economists concluded that things will get worse before they get better. Projections indicated that state revenues are even softer than predicted in January. Meanwhile, demand for state social services is *increasing*, which is seen as another sign of the state's weak economy.

The revenue consensus indicated that there is an \$800 million hole in the current state budget. The additional \$400 million was a combination of tax revenues falling short of projections—sales tax being one of the chief concerns—and an expected \$200 million increase in social service programs provided by the state.

The numbers for the state's next fiscal year will likely prove to be an even bigger challenge. The state may be facing a \$1.8 billion dollar deficient for the next fiscal year, which begins in October. This amount assumes that the state will enact a new business tax to replace the Single Business Tax, which disappears on December 31. Many legislators are interested in reducing any future business tax revenues in order to spur economic growth. However, such a move could cause an even deeper fiscal problem for the state for the coming years.

Of particular concern to local governments are the sales tax projections. It remains uncertain whether sales tax collections for the current year will match last year's levels. This, of course, has a direct impact on revenue sharing distributions. Original projections of a constitutional revenue sharing increase for this year will not materialize. In fact, small decreases are now projected. Next year's numbers are also looking weak, although some growth—likely less than 2 percent—is expected. All townships are encouraged to take a very conservative approach from a budgeting perspective when estimating even constitutional revenue sharing distributions.

Finally, even more caution should be observed for those few remaining townships that continue to receive statutory revenue sharing. The state's enormous fiscal problems once again put a focus on the money remaining in the statutory revenue sharing pot. This money continues to be endangered by the state's need to balance its own budget.

## House Looks to Limit Township Employee Benefits

On May 17, Rep. Lorence Wenke (R-Richland Twp.) introduced HBs 4805 and 4807, which would limit the cost of benefit packages offered to local government employees.

HB 4805 amends the Public Employment Relations Act by prohibiting an employer from negotiating health benefits that cost more than the health benefits offered to state employees. The legislation would be applicable to any employees covered under collective bargaining agreements. It is uncertain how this legislation would impact agreements settled in accordance with Public Act 312, binding arbitration agreements for public safety employees.

HB 4807 amends the Municipal Employee Retirement System Act to limit pensions and retirement health benefits for local government employees. The legislation would impact any local unit of government that provides pensions through the Municipal Employee Retirement System (MERS). The legislation would prohibit offering any new employee pension benefits that exceed what is offered to state employees under the defined contribution plan established a decade ago. New state employees are offered a 401K-type plan, where the state provides 4 percent of salary and will match an additional 3 percent of salary.

The legislation also limits what may be spent for retirement health benefits for local government employees. Under the legislation, retirement health care plans for future local government employees may not exceed those offered to new state employees.

The legislation was part of a package of bills designed to cut the cost of local government operations, including school districts.

### Plan Ahead for the 2007 Summer Legislative Forum!

**Date:** August 8, 9, 10, 2007

**Shanty Creek Resort & Club, Bellaire, MI**

The 2007 Summer Legislative Forum is your chance to engage with legislators at a time when local government reforms are being pushed in Lansing.

Not only does this forum provide the opportunity to network with other township officials, you will also get up-to-date information on the current "hot" legislative issues. Break out sessions include discussions on solid waste issues, planning and zoning issues and transportation issues to name a few.

For more information contact MTA at (517) 321-6467.

Get your brochure here:

[www.michigantownships.org/summerforum.asp](http://www.michigantownships.org/summerforum.asp)



Michigan Townships Association  
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Lansing, MI 48917

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## Bill Would Extend Homestead Exemption to Vacant Homes

One piece of legislation that seems to be picking up steam is a bill that would allow homeowners to claim two principal residence exemptions under certain situations. The legislation is designed to help people who have purchased a new home but are unable to sell their existing home.

HB 4215 was offered by Rep. Ed Gaffney (R-Grosse Pointe Farms) to deal with the state's sagging housing market. Many people who have purchased a new home are finding it very difficult to sell their existing one. It was argued in committee that it becomes very unfair to expect those individuals—who have two mortgage payments and are paying property taxes on two homes—be burdened with an additional penalty of paying an extra 18 mills on a vacant home.

To receive the second exemption, the homeowner must file a special affidavit with the local assessor. The home must already have a principal exemption in place, and must be vacant and listed for sale. The home may not be rented or leased to qualify for the additional exemption. The property owner may keep this extended exemption for up to three years.

It is hoped that passing this legislation—and thus eliminating one additional cost from the equation—will allow more people to move forward and purchase a new home. It is further hoped that those additional sales will mean more homes being built and renovated, which will further spur our state's economy.

## House Moves School Elections Legislation



Two bills, HBs 4506-07, introduced in March by Rep. Chris Ward (R-Brighton Twp.) to require all school elections are held in November moved swiftly through the House in late May.

The House Education Committee quickly approved this legislation on May 22. Later in the day in the full chamber also gave approval by a vote of 75-34. Under the legislation, beginning Jan. 1, 2008, all school board elections must be held during the regular November election. Districts would have three options to choose from to implement the November election. These options include holding elections on every general November election, every odd November year or every even November year. While townships do not have any regularly scheduled elections in November in odd years, many cities hold municipal elections on that date.

The legislation will now go to the Senate for further consideration and action.