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A Legislative Update for Township Officials

State Budget Still Unsolved; Government Shutdown Possible

Repeated attempts by the state Legislature to gain enough votes for tax increases to help erase a \$1.7 billion deficit failed in late September as the days on the calendar rapidly approach Oct. 1, 2007. The State of Michigan begins a new fiscal year on Oct. 1, and with just a handful of days left in September a budget solution has remained elusive to legislators. Previous threats of a government shutdown are now a real possibility as the state constitution requires the state to have a balanced budget.



Speaker Andy Dillon (D-Redford Twp.) and Senate Majority Leader Mike Bishop (R-Rochester) have been the primary negotiators on the budget for several months but still differ on how to solve the budget shortfall. Democrats in the House have been focused on raising the state income tax from 3.9 to 4.6 percent, which would generate roughly \$1.1 billion, and have also flirted with a possible sales tax increase. For more than a week the House attempted to vote on the tax increases, mostly during late-night sessions and one full weekend of session, but failed to garner enough votes. The latest tax increase package in the House also included a long list of cost saving reforms for the state and did not include any township government restructuring, such as HB 4780. The work of township officials communicating with legislators over the past four months about township government efficiencies and the real cost increases that would be incurred at the local government level if there was a transfer of township duties to the county, has clearly had an effect. Township officials should be pleased but watchful as the work to solve the budget continues.

Republicans are focused on cost cutting reforms and are collectively holding off from supporting tax increases that don't include cuts. Sen. Bishop, however, has softened some to a tax increase at a lower rate and is now reportedly entertaining the idea of increasing the income tax to 4.3 percent but that would still leave a shortfall of almost \$1 billion. Under claims that there isn't enough time left to get a budget deal in place, the Republican controlled Senate passed a continuation budget to

extend all state budgets at their current level for 30 days beyond the Oct. 1, deadline. The governor, however, declared she would not sign the continuation budget and stated that such actions simply, "Kick the can down the road." The governor has stated repeatedly that she would not approve any budget plans that don't include a tax increase.

Democrats and Republicans have been pointing fingers at each other over who is at fault for the budget impasse and have exchanged demands, recriminations, accusations and blame. Income tax votes in the House keep failing because roughly 10 Democrats from marginal Democrat areas refuse to put up yes votes while only one House Republican broke partisan ranks to cast a yes vote. Most all other legislative action at the State Capitol ground to a halt in September as lawmakers focused efforts on the state budget.

Serious efforts are now rapidly in motion by most if not all state departments to determine the impact of a state government shutdown. Many questions arise under a shutdown scenario with few answers. Certainly, corrections and other departments like military affairs and state police will at least need limited operations to maintain the safety and security of Michigan residents, despite questions about their legal authority to operate. For townships, a shutdown means no revenue sharing payments, no grants or other state funding that would normally flow from the state (i.e. PILT payments, DEQ grants, Metro Act payments, etc.).

How Much is \$1.75 Billion?

The state is grappling with a \$1.75 billion deficit. But where and how the state finds that \$1.75 billion is still up for debate. We've all heard various proposals of ways to make up the deficit from increasing taxes to cutting state operational costs. To put some perspective to that number consider the following:

Revenues being considered:

- Raising the sales tax from 6 to 7 percent yields \$1.2 billion.
- Increasing the Income Tax from 3.9 to 4.6 percent yields

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\$1.1 billion.

- Current tobacco taxes generate \$1.1 billion.
- Current taxes on beer, wine and liquor generate \$170 million.
- Lottery profits generate \$700 million.

Current state operating costs:

- Department of Agriculture receives \$110 million.
- Attorney General receives \$68 million.
- Auditor General receives \$16 million.
- Civil Rights receives \$14 million.
- Civil Service receives \$36 million.
- Governor's Office receives \$6 million.
- Legislature receives \$116 million.
- Secretary of State receives \$205 million.
- Department of Corrections receives \$2.1 billion.
- The cost to provide pension benefits to 45,000 retired state employees: \$1.1 billion.

MSU Independent Study: Moving Assessing Increases Costs

The State and Local Government Program within the Department of Agricultural Economics and MSU Extension at Michigan State University researched the idea of moving assessing functions from local townships to the county level as proposed in House Bill 4780. Their findings: the proposed shift would not save money as touted when the legislation was first introduced, it would actually increase the cost of this governmental service by nearly 10 percent. The additional cost estimate only takes into account ongoing labor costs; it does not take into account the significant infrastructure costs that would be borne by the counties that do not have enough office space to accommodate the new function.

Surveys were sent out by MSU to all county equalization departments across the state. Thirty-nine counties responded to the survey. All 39 responded to two questions: "Do you have the physical capacity to accommodate this program?" and "Do you have the staffing capacity currently to

do this job?"

Only six of the 39 counties indicated they had enough office space to accommodate this shift in services. Two counties indicated that they had enough staff to handle the increased workload.

MSU then focused on 20 counties to evaluate the current cost of assessing as compared to the estimated cost of the counties performing the function. MSU found that the total cost of township assessing in the 20 counties in the study was approximately \$14.7 million and the estimated cost if the counties performed the function was \$16.1 million. The \$1.4 million increase in costs was attributed to the generally higher pay levels offered at the county level as well as the more extensive benefit packages for their employees.

The report concludes: "Our research points to several important factors that policy makers should consider in determining the course of HB 4780 and associated legislation. In the first instance, if economies of scale and cost savings are the target, such savings seem elusive within this particular service area. MSU and other public finance research has been put forward citing the possible cost savings from cooperation in capital intensive and high skill intensive area such as fire protection, water and sewer provision, road construction, information technology.

"At the same time, such research reveals that a voluntary, incentive-based, approach is likely to yield better results than a mandated approach. While mandates have an appropriate use, in many cases they force many communities to undertake changes in service provision that are neither economical nor equitable. Note the increasing use of incentives and information in the environmental regulation arena rather than mandates. Public finance economics points to incentives, as opposed to mandates, as a better tool to achieve the same ends."

The full report can be found on the MTA website:
www.michigantownships.org.

Federal Election Reform Legislation Bad for Michigan

H.R. 811, otherwise known as the "Voter Confidence and Increased Accessibility Act of 2007," would radically alter the election process in Michigan and nationwide. The legislation, introduced by Congressman Rush Holt (D-New Jersey), stems from a concern over Direct Recording Electronic (DRE), or touch screen voting systems, that many states purchased with Help America Vote Act (HAVA) funds. The problem is that these voting machines do not have a voter verified paper audit trail and rely solely on electronic means for counting ballots. Congressman Holt's legislation would require a paper trail for all voting systems. However, the legislation's reach goes far beyond the paper trail requirement.

The legislation creates a list of new federal mandates for states and local governments alike. The concern for Michigan is that the legislation would make the AutoMark Voter Assist Terminal (AutoMark) system selected for those voters with disabilities obsolete. Michigan spent



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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
www.michigantownships.org

\$32 million to implement this system in every voting place across the state. The legislation would require the AutoMark system to be either upgraded or replaced entirely with technology that doesn't currently exist.

Of further concern to Michigan townships is the "audit" requirement contained in the bill. This would require manual audits or hand counts of up to 10 percent of all precincts contained within a federal election district, placing an undue and unnecessary burden on state election officials and local clerks. A federal district would be an election for president, U.S. Senate and the U.S. House of Representatives. The level of hand counts would vary upon the margin of difference between the top two vote getters. If the margin of victory were less than one percent, 10 percent of all precincts within that district would have to be hand counted. If the margin were between one and two percent, five percent of all precincts would have to be hand counted and if the margin were greater than two percent but less than 80 percent then two percent of the precincts would have to be hand counted. It's only after the margin of victory is greater than 80 percent that no hand count would be required. This stipulation would apply to each individual federal election.

This manual audit would be conducted by non-election officials and would occur during the official canvas of those elections. The manual audits would occur where the ballots are being stored, which in Michigan consists of 1,516 different locations. The audit would delay a timely certification of the election and therefore hinder the process for recounts. In Michigan, recounts cannot begin until after the official returns are certified. This occurs 20-23 days after an election. Yet, H.R. 811 would prohibit any federal election certification until after the manual audits are completed.

Other major concerns over H.R. 811 are that it calls for the public release of voting system software, including ballot definition and printing software. It would allow the release of software to a class of parties of election litigation challenging the results or administration of an election and to such classes of people as reporters, professors, students, engineers or individuals who investigate technology for an interest group. In addition, the legislation would require a manual audit of all precincts that are specifically established to count absentee voter (AV) ballots. In 2006, Michigan had 498 absent voting counting boards used solely for counting AV ballots. It is anticipated that with the higher turnout in presidential elections, numerous additional AV counting boards will be needed to handle the increased volume.

A vote on H.R. 811 was delayed during the week that many Michigan township officials were in Washington, D.C. to lobby on several issues before Congress affecting township government. Additional delays have occurred due to the strong opposition expressed from state and local election officials. However, at the time of this writing, it is possible that the Congress may take up the bill within days, therefore **we urge you to contact your Congressperson in Washington, D.C. to express opposition to this bill if you have not already done so.** Contact information for members of Congress can be located at http://www.michigantownships.org/downloads/94th_legislativedirectory_w_federal.pdf.

Michigan Township Officials Attend NATaT Conference in Washington D.C.

Nearly 60 township officials, lead by 2007 MTA President Larry Rutledge, attended the National Association of Towns and Townships (NATaT) Conference in Washington, D.C. held Sept. 5 and 6. They joined approximately 350 other town and township officials from mostly other mid-western states to hear updates on federal issues of importance to local officials and to lobby members of Congress on key issues of concern.

The conference started with motivational guest speaker Mark Towers talking about how local government

officials can live the values of being believable, likeable and trusted. The attendees then split into two concurrent sessions, one addressing homeland security issues and the other discussing ways to invest in rural America. Both sessions were highly informative and offered good insight. These sessions were followed by two more concurrent sessions, one addressing the 2010 census, which was moderated by our own Larry Merrill. This session highlighted the importance of ensuring that the upcoming census accurately accounts for the population within your community and the need to lobby Congress for appropriate levels of funding to ensure that we have the resources to perform the local update of community addresses (LUCA) and to employ census workers in the field to produce accurate counts. The other session looked at public service volunteerism and what works in recruiting and retaining local volunteers.

Lunch was highlighted by Stephen Johnson, administrator, U.S. Environmental Protection Agency (EPA), who provided a very enlightening keynote address. The afternoon session included a federal affairs roundtable which provided background information on many of the key issues of concern for local officials. Some of these issues included federal funding for water and sewer infrastructure projects, telecommunications issues, federal assistance with recruiting and retaining volunteer fire fighters and federal legislation that would once again radically change the election process at the state and local levels (see related article).

Attendees then had the opportunity to hear from Wade Lairsen, associate director, intergovernmental affairs, Executive Office of the President, on how to work with the White House on various issues. Matt Ward, government affairs director of NATaT and lobbyist with The Ferguson Group prepared the attendees for the next day on how to lobby members of Congress. The day ended with a reception and a state group photo of the



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Michigan Townships Association
512 Westshire Drive
Lansing, MI 48917



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Michigan delegation and each of the other states' delegations.

The second day of the conference started with a "Michigan Breakfast" for township officials from our state. The breakfast was highlighted by the fact that both of our U.S. Senators, Carl Levin and Debbie Stabenow, came over to our hotel to update attendees on what is happening in Washington, D.C. Senator Levin also gave an update on his recent trip to Iraq and the latest on the war effort.

Michigan attendees then spent the next few hours visiting their Congressperson on Capitol Hill to lobby on behalf or defeat (election reform legislation) of many of the issues mentioned above. Nearly all of the members of the Michigan Congressional delegation with townships were visited by a group of township officials from their own districts. Attendees then came back for the last session on federal funding for local infrastructure projects and a final reception that was provided by the 2007 host state of Pennsylvania.

Attendees who arrived early also had the opportunity to participate in the "Monuments by Moonlight Tour" to view many of the attractions of our Capitol at night. People that stayed an extra day, following the conclusion of the conference, had an opportunity to tour the U.S. Navel Academy and historic Annapolis.

Following the NATaT Conference, MTA asked those that attended to fill out a survey. For most, the reason they went to the conference was to meet with their representative or senator. Eighty percent of those surveyed felt the meeting with their representative was productive and all felt that the conference provided a useful opportunity to inform federal officials of township issues. In addition, all survey respondents felt that the conference was informative and useful to small townships and all said they would plan to attend the NATaT Conference in the future. We at MTA hope you too will consider attending the conference in 2008.

MTA to Host Informational Seminar for Legislative Candidates

Have you ever thought about running for state representative but wondered how to get started? Well, you're in luck. MTA is planning its biannual candidate informational seminar to take place on Monday, Dec. 3, at the MTA office from 9:30 a.m.-3 p.m. The seminar is geared towards township officials that are or may be planning to run for state legislative seats in 2008 or beyond.

The seminar will highlight the various aspects of how to run a successful campaign. Technical experts, from their respective areas of expertise, will address such issues as how to organize a campaign, mailing regulations, PAC and association support, message development, incorporating new technologies into a campaign, finance and campaign reporting requirements, grassroots efforts, district networking, polling and fund-raising.

Frankly, with the ever increasing threats to local government, and township government in particular, it's increasingly more important to have people serving in the Legislature with a local government perspective. Continuous revenue sharing cuts (or freezes), and now legislation to transfer certain township duties to the county level make it ever more vital that viable township officials step up to the plate to seek state legislative office. We hope that if you have given any consideration to running for state legislative office that you will sign up for the seminar.

Those interested in attending or wanting more information about the free seminar should contact Tom Frazier at (517) 321-6467 or tom@michigantownships.org.