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capitol currents

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A Legislative Update for Township Officials

State Budget and Revenue Sharing Update

The budget has been the focus in Lansing for the past several months. This is for good reason, as the state attempts to resolve more than a \$950 million shortfall in the current fiscal year (ending September 30, 2007) and roughly an additional \$2 billion budget hole next fiscal year when the elimination of the single business tax goes into effect. After much political posturing, there was an eventual agreement on an executive order (EO) proposed by the governor. The EO gained approval from both the House and Senate, and nips away roughly \$300 million of the deficit. The action was a good first step, but still leaves about a \$680 million unresolved budget deficit.

The Michigan House worked late into the evening during session on April 17 to take further action to balance the state budget for the current fiscal year. MTA greatly appreciates the efforts of the House to recognize the fiscal strain being placed on local governments and to spare revenue sharing funds from any additional cuts. The House budget package included increasing tipping fees for waste going into landfills from 21 cents a ton to \$7.50 per ton.

The House action was seen by many around the Capitol as a step needed to reengage budget negotiations between House and Senate leadership and the governor. Weeks earlier, the Senate approved its budget plan, which was built exclusively on cuts. It included a 10 percent cut in statutory revenue sharing, equaling \$40 million compared to current law. This action, if agreed to by the House and governor, would equal a 4.4 percent cut for townships.

The Senate is also moving forward on several budgets related to the 2007-08 fiscal year (beginning October 1, 2007). The Senate Appropriations Subcommittee on General Government reported to the full Senate Appropriations Committee their recommendations on the budget containing revenue sharing for next fiscal year. It includes a \$13.5 million reduction in constitutional revenue sharing amounts and a \$6.6 million reduction in statutory revenue sharing payments as compared to the governor's budget. These adjustments were due to lower than expected state revenue projections.

The Senate budget version also eliminated the \$27.2 million "bonus" revenue sharing payment amounts proposed by the governor under her local government cooperation proposal. Further eliminated was \$892,000 included for special census payments, earmarked for eight townships and three cities that had previously determined—through a mid-decade count—at least a 10 percent population growth since the 2000 census. Compounding matters, it was announced that state sales tax collections in March were down 10 percent compared to March 2006.

A revenue estimating conference will take place in mid-May to more precisely determine state revenues. MTA has been monitoring the state budget situation closely and will continue to be involved. MTA and many other associations are working from the theory that some combination of revenue enhancements and cuts will be needed to balance the state budget. MTA will provide updates on budget proposals as they develop. ■

Legislation Would Push Local Governments Into State Purchasing Plan

Building upon the theme coming out of Lansing that there needs to be more government coordination, as was highlighted in the governor's revenue sharing plan, legislation was introduced on April 5 by House Majority Floor Leader Steve Tobocman (D-Detroit) to force local governments to join the Michigan Delivering Extended Agreements Locally (MiDEAL) plan.

MiDEAL is the state's bulk purchasing plan for buying office equipment, supplies, printing contracts and other goods. MiDEAL extends state contracts to members of the program. Membership is open—for a fee—to any city, village, county, township, school district, intermediate school district, non-profit hospital, university and community college. The state-purchasing program has been in existence since 1975. In 1984, the program was opened to local governments and in 2004, the name was changed to MiDEAL. Today, roughly 600 local units of government are enrolled in the program, including 68 townships.

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Personal Property Tax Reform Discussion Continues in Business

In a recent news conference, Speaker of the House Andy Dillon (D-Redford Township) announced his intentions to eliminate personal property taxes. It was quickly mentioned that under the speaker's vision the state would generate enough revenue from the new state business tax to reimburse local units of government for the loss of the personal property tax revenue.

While working drafts of the House Democratic plan are circulating on the new business tax, no information is yet available on how locals would be reimbursed for their lost revenue. Of prime concern to MTA, and other local governmental entities, is the shift from a locally controlled tax to a state tax subject to the whims of the Legislature. Any funding provided under this plan would be just as safe as statutory revenue sharing has been over the past decade. The only way money could be guaranteed with any certainty would be through a constitutional amendment.

The loss of the locally controlled tax will impact local government operations in various ways. Aside from the obvious loss of general operational funding, loss of personal property would impact current and future bonds. Any existing bonds would lose a funding source. If the state did not reimburse locals, including school districts, the millage rate on all existing bonds would need to be increased. Any future bonding would be significantly impacted. Local government can't bond against state appropriated money, at least not without an astronomical interest rate. Eliminating personal property taxes would then result in higher millage rates for any future bonding proposals at any level of local government.

Local economic development programs would also be impacted in a significant manner. Brownfield redevelopment programs, downtown development authority, local development finance authorities and tax increment finance authorities all operate on tax capture models that are dependant on larger concentrations of personal property tax revenue.

Again, existing programs would need to be reimbursed for lost revenue in order to meet financial obligations. Future projects under these forms of programs will be significantly less effective in providing infrastructure for future economic development.

The Senate Republicans continue in the direction of eliminating the taxation of all new personal property. This plan would have a slower impact on local government, but in the long run it would mean that 10 percent of the current property tax base would evaporate over time, with no replacement revenue being considered.

The governor's personal property tax plan is still under consideration. Under the governor's plan, business owners would not pay the 6 or 18 mill school tax on personal property. Schools would then be made whole by diverting part of the new business tax revenues into the state school aid fund. ■

Plan Ahead for the 2007 Summer Legislative Forum!

Date: August 8, 9, 10, 2007

Shanty Creek Resort & Club, Bellaire, MI

Look for more information in the mail and upcoming issues of *Capitol Currents!*

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House Bill 4587 would require the state treasurer to withhold from revenue sharing payments an amount equal to the extra cost incurred by the local government for goods and services that could have been purchased in conjunction with the cooperative bulk-purchasing program under the MiDEAL plan. MTA informed Rep. Tobocman and Rep. Barb Byrum (D-Onondaga), the chair of the House Intergovernmental-Urban, Regional Affairs Committee, that the Association has concerns and many questions related to the bill.

First, there is a fee associated with joining MiDEAL, estimated to be about \$250 annually. It is likely that few townships would have enough volume in purchases to recoup the program fee costs. Second, MTA is not confident that the types of goods and services offered under MiDEAL are items that townships typically purchase. In most townships, the largest expenditures over time are on fire equipment, which is not available through MiDEAL. Third, how would the state know of a purchase by a local government outside of MiDEAL, and how would the state administer the reduction in revenue sharing payments? Fourth, if a penalty were levied against a township that only receives constitutional revenue sharing (roughly 900 out of 1,242 townships), how would the state have authority to reduce their payment?

MTA is continuing to collect information from all local governments on the MiDEAL plan. If your township is involved in this program, has reviewed the program or you know of another local government near you that is using the state purchasing program, MTA would like to hear feedback from you—positive or negative. Please contact MTA Legislative Liaison David Bertram via phone: (517) 321-6467; fax: (517) 321-8908; or e-mail: david@michigantownships.org. ■



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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

House Committee Reports Solid Waste Package

In mid-April, the House Great Lakes and Environment Committee reported out to the full House three bills addressing the issue of solid waste. House Bill



4047, introduced by Rep. Kate Ebli (D-Frenchtown Chtr. Twp.), would place a moratorium on new landfills for the next five years. The bill would also limit landfill expansions to those landfills with less than three years of remaining disposal capacity. Following any approved landfill expansion, the landfill could not have more than eight years of capacity.

HB 4485, introduced by Rep. Mark Meadows (D-East Lansing), and HB 4486, also introduced by Ebli, makes several changes to solid waste policy. The two bills are tie-barred together, which means that unless both bills are enacted, neither bill would take effect. HB 4485 primarily makes several definitional changes to state statute in regards to solid waste. Two key new terms in the legislation are “guaranteed landfill disposal capacity” and “excess landfill disposal capacity.”

Guaranteed landfill disposal capacity would mean “the amount of landfill disposal capacity at specific landfills allocated to a county as assured through enforceable locally authorized or negotiated means, such as annual disposal caps and written agreements between the county and the landfill.” Excess landfill disposal capacity would mean a “measure in years of any landfill disposal capacity in a county beyond the 10 years that are required to be shown in the county solid waste management plan excluding guaranteed landfill disposal capacity allocated to outside counties.” The new terms are used in the companion bill.

HB 4486 would do three main things: require an annual report from landfill owners or operators and counties regarding landfill capacity; require counties to update solid waste plans every five years; and revise procedures for the development and adoption of county solid waste management plans. The annual report would have to include information on the amount of guaranteed landfill disposal capacity, excess landfill disposal capacity and other statistical information.

The bill “reinstates” the submittal of five-year solid waste management plans and staggers when those plans would be due. Approximately, 20 percent of the county plans would be updated each year. Presumably, the Michigan Department of Environmental Quality would submit a proposed schedule to each county and identify when each county would be required to update their solid waste management plan. Concern has been raised with the staggered process that this could complicate reciprocal agreements from one county to the next.

Of special note to townships, the bill also changes the approval process for solid waste management plans. Currently, 67 percent of the municipalities within a county must approve the plan for it to take effect. Under the new legislation, all municipalities within a county would have 120 days to take action on the plan. The plan would have to be approved by 67 percent of those municipalities that voted within the 120-day timeframe.

The three bills are geared toward reducing the amount of landfill space available to out-of-state waste and providing for a more complete reporting system on trash that is landfilled in Michigan. By the time you are reading this, it is possible that all three bills will have passed the House—likely along party lines, with most Democrats supporting and most Republicans opposing the bills. The fate of this three-bill package in the Senate is less certain at this time. ■

Senate Looks to Create Health Insurance Pools

The Senate Republicans announced plans to allow all local units of government to establish health, dental and vision insurance pools. The legislation is designed to lower health care costs by an estimated 8 percent.

Under the proposal, any public employer or groups of public employers with 250 employees may form an insurance pool. These pools would self-insure and be responsible for paying all health insurance claims. Generally, an existing insurance company, such as Blue Cross Blue Shield or Aetna, etc., would administer the claims for the plan. Each pool would be established with an agreement between the participating entities. Any local governmental unit could join any existing insurance pool.

Each insurance pool must maintain a cash reserve to ensure the continued viability of the operation. To further safeguard the ongoing operation of this form of insuring local government employees, the state would be required to set up a catastrophic claims pool. This would operate much the same way that auto insurance companies handle major medical claims in Michigan. Under the Senate proposal, any time a medical bill exceeds a certain threshold, the responsibility for paying the medical costs above the threshold would fall on the catastrophic claims fund. Every local insurance pool would be required to pay a fee to the catastrophic fund.

To assist the creation of insurance pools, each governmental unit must first determine their cost experience. The legislation would require any company currently providing health insurance to local governments to release experience data to the local government in any situation where they insure at least 100 employees. For local governments that have fewer than 100 covered employees—which is most townships—the experience data would be released whenever a pool was being considered where at least 100 employees collectively were insured by the same insurance carrier. The experience data is necessary to determine the premium cost when establishing such a pool. ■



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Full Funding for Fire Protection Grants?

Strong efforts are being made by a group of legislators to secure full funding for fire protection grants in the 2007-08 state budget. Under Public Act 289 of 1977, townships, cities and villages with state owned facilities located in them are eligible for fire protection grants from the state to help offset the costs of fire services provided by local units of government. These facilities are essentially state public universities and state prisons. Under a formula contained within P.A. 289, funds are dispersed annually to all qualifying local units. There are 33 townships that currently receive fire protection grants.

The fire protection grant program serves an important purpose but in recent years there has been little appropriations support coming out of the Capitol. Funding in the current fiscal year is \$7.2 million, while full funding would appropriate roughly \$16 million. Rep. Joan Bauer (D-Lansing) is joining in the effort routinely made by state Sen. Gretchen Whitmer (D-East Lansing), in previous years for full funding of fire protection grants. Bauer told MTA that Reps. Mark Meadows (D-East Lansing) and Robert Jones (D-Kalamazoo) are also involved and that efforts are being made to make the effort bi-partisan. Funding for the fire protection grants program comes from the Department of Labor and Economic Growth (DLEG) budget. ■

Senate Committee to Hold Election Issue Hearings Around the State

Sen. Michelle McManus (R-Leland Twp.), chair of the Senate Campaign and Election Oversight Committee, recently announced that her committee will be holding hearings throughout the state to gain information from clerks and other citizens on election issues. The scope of the hearings will be broad, and include topics such as legislation that has been passed by the House on campaign finance reform, the secretary of state's 20-point plan to reform the election process and any other issues that affect election administration. McManus' intent is to seek input at the hearings and then assemble a report of the findings before proceeding in the fall on various pieces of election reform legislation.

One issue among many that she intends to address is recall reform legislation, which has long been a key issue to township officials and MTA.

We would urge township officials, and in particular township clerks, to attend the hearing closest to your area and provide comments on what you feel needs to be changed with the Michigan Election Law and related issues. All meetings are held from 1 to 3:30 p.m. Listed below are the dates and locations of the hearings scheduled to date.

Monday, May 14
Saginaw Valley State University
Curtiss Hall, Banquet Room A
7400 Bay Road
University Center, MI 48710

Monday, June 11
Alpine Center
800 Livingston Blvd.
Gaylord, MI 49735

Monday, May 21
Pittsfield Twp. Hall
6201 West Michigan Avenue
Ann Arbor, MI 48108

Friday, June 29
Detroit Marriot Hotel
200 W. Big Beaver Road
Troy, MI 48084

Monday, June 4
Plainfield Twp. Hall
6161 Belmont Avenue, NE
Belmont, MI 49306

TBD, July
TBD, Lansing, MI