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# capitol currents

Official Publication of the Michigan Townships Association

may 2008



## A Legislative Update for Township Officials

### DNR Late Again with PILT Payments to Local Governments

The chronic problems of getting the Michigan Department of Natural Resources (DNR) to make timely payments to local governments for obligations on state owned land remains a serious issue. Once again, payments-in-lieu-of-taxes (PILT) that are traditionally sent to local governments in mid-February by the State of Michigan are two months late and won't be received by most until mid-May, according to officials from the DNR.



PILT payments from the state are treated like property taxes on privately held land. State owned property is on the tax roll and the PILT bills are mailed by the local treasurer on Dec. 1 of each year to the state much like regular property tax bills. Also like property taxes, the state made the PILT payments to local governments by mid-February.

In recent years, however, the DNR has been less than anxious to make timely payments related to PILT. Some of the PILT payment problem has been attributed to the shortfall in state revenues in recent years. However, that problem was supposedly addressed by Public Act 513 of 2004, which lessened the state's financial obligation on its property.

PA 513 eases the state's burden by eliminating reimbursements for the State Education Tax and any liability corresponding to any mills above the level applied in 2004. PA 513 also freezes the taxable value of DNR-purchased land at the 2004 level for five years and additional property purchased by the DNR has its value fixed at the value in the year it was purchased.

In addition, the law says that beginning in 2009, and every year thereafter, the valuation of state property would be adjusted using the standard percent increase applied to real property. PA 513 also requires

local treasurers to submit a single annual statement for all the property owned by the state. For bills sent to the state, individual parcels are to be itemized but contained in a single statement.

MTA has been involved in several conference calls with officials from the DNR over the past six weeks and offered our assistance. State officials claimed during initial conversations that the DNR was missing roughly 200 bills from local governments and that they were concerned they didn't have enough funding to cover the payments. DNR officials said they were withholding all payments to local governments until they received all the bills.

MTA has been constantly asking officials at the DNR where the problem spots in the state exist in order to provide assistance to the DNR in obtaining those bills. In early April, state officials finally revealed the problem areas.

DNR officials said they were now waiting on less than 50 bills and there was a concentration of outstanding bills from local governments in Emmet and Kalkaska Counties. MTA immediately contacted townships in these areas through targeted e-mails about the missing PILT statements in their county.

Most recently, MTA has learned that the DNR has more than enough funding to make the PILT payments. If all payments totaling roughly \$14 million were made for the current fiscal year obligations, they would still have a balance of \$78 thousand in its accounts that are appropriated for PILT payments.

In another related matter, the Senate approved the 2008-09 DNR budget and included language to move the PILT payments from the DNR budget to the Department of Treasury budget in late March. The move was initiated by Senate Appropriations Subcommittee Chair Michelle McManus (R-Leland Twp.) and was supported unanimously by all other members of the subcommittee.

MTA supports the move as it makes more sense to have the state payment function performed by a state department that is more accustomed to accounting functions. MTA will also be communicating with township treasurers in the fall of 2008 as they prepare the tax rolls to remind them that PILT statements going to the state need to be separately itemized on one bill. MTA believes the state has little excuse for PILT payment delays and that local treasurers should do everything possible to eliminate any possible foot dragging by the state in the future. ■

## State Supplemental Budget Finally Approved

It took a little longer than anticipated but a supplemental appropriations bill for the current 2007-08 fiscal year gained approval in both the House and Senate on April 17, and should receive quick approval from Gov. Jennifer Granholm.



House Bill 5344, sponsored by Rep. George Cushingberry (D-Detroit), includes \$143.9 million in additional state spending, including \$42.3 million in general fund expenditures.

The bill includes \$10 million to reimburse cities and townships for the costs of running the Jan. 15 presidential primary. It also provides \$11 million for the Department of Environmental Quality (DEQ) to replace fee increases in certain programs that the department originally proposed. Some of those fees would have been imposed on local governments for groundwater discharge permits and other programs. The Legislature never approved the fees, causing the need for the additional DEQ funding.

Also included was funding for the Department of State Police; \$2 million in general fund appropriations to avoid the closure of two state forensics labs and \$1 million for a new state trooper school.

In other budget news, the Legislature is preparing for the next Consensus Revenue Estimating Conference, which will be held on May 16. Public Act 72 of 1991, requires the House and Senate Fiscal Agencies, along with the State Treasurer, to hold at least two revenue estimating conferences each year in January and May.

The purpose of this meeting, and all revenue estimating conferences, is to re-evaluate the revenue estimates for both the current fiscal year (FY 2007-08) and for next fiscal year (FY 2008-09). ■

## Annexation Reform Stuck in Senate

The Michigan Senate, which initiated annexation reform this session in early February (2008), is currently attempting to gather enough votes to move some version of annexation reform forward. A six bill comprehensive annexation reform package was approved by the Senate Natural Resources & Environmental Affairs Committee on Feb. 13 but has received no action to date on the Senate floor. That Senate package which includes Senate Bills 1078-1083 was initiated by Senators Patty Birkholz (R-Saugatuck Twp.) and Bruce Patterson (R-Canton Twp.).

There is pressure on the Senate to essentially react to the approval of House Bill 5779. Sponsored by Rep. Marc Corriveau (D-Northville Twp.), HB 5779 amends the Charter Township Act to prohibit annexations in charter townships that have populations over 20,000 and provide specific services to their township residents. The bill was approved in the House by a 101-8 vote in mid-March.

On April 17, the Senate moved only SB 1078 out of their six bill comprehensive agreement from second to third reading. SB 1078 is the only bill in the Senate package that amends the Charter Township Act, which is the Act that HB 5779 also amends. On April 22, the Senate fell several votes short of approving SB 1078, as it was rejected by a vote of 18-20. In a procedural move to keep the bill alive on the Senate floor, the vote by which SB 1078 was defeated was moved to be reconsidered. This action means the bill is eligible to be re-voted on the Senate floor. No Democrats voted for SB 1078 on the floor, while three Republicans joined in opposition. Republican Senators Valde Garcia (R-Marion Twp.), Mark Jansen (R-Gaines Charter Twp.), Wayne Kuipers (R-Holland), and Alan Cropsey (R-Olive Twp.) voted against SB 1078. As of press time, no further action has been taken on this legislation.

Few details are known about the intent of the Senate regarding the vote on SB 1078. The bill by itself without the remaining bills in the package is unworkable. It is possible the Senate was trying to approve the bill to force a conference committee that would be created to iron out differences between the House and Senate passed versions.

MTA obviously supports comprehensive annexation reform; however, we also understand that it is important to move some form of annexation reform at this time. Therefore, MTA is supporting both packages that aim at annexation reform. **We encourage township officials to reach out to their Senator to ask them to support annexation reform and to remind them that this is not a partisan issue.**

Annexation reforms are needed to provide a level playing field between townships and cities. Today, archaic annexation laws are leaving townships vulnerable to annexations. The case involving the 400-plus acre site of the old state psychiatric hospital in Northville Township is a perfect example of needed reforms. Lobbying efforts by the developers involved in Northville Township have been stepped up in recent weeks. That's why your communication with your state senator is critical at this time.

MTA will keep township officials updated as activity merits. ■



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## MTA-PAC Endorsement Process to Begin Soon With Your Input

It's hard to believe but election season is upon us once again. Not only are all township offices up for election this year, but the entire Michigan House of Representatives will be on the ballot as it is every two years. That means 110 seats will be up for grabs, with at least 46 new members being elected in November.



Forty-four members of the House are term-limited and at least two additional members have announced their intention to run for different offices. Senate seats are not up until 2010 as members hold four-year terms.

All this ensures that the MTA-PAC Committee will have a busy year. The endorsement process starts on the filing/withdrawal deadlines when all candidates will have had to file that they are running for a seat in the House of Representatives. The filing deadline this year is Tuesday, May 13, at 4 p.m. Candidates have until 4 p.m. on Friday, May 16 to withdrawal if they decide not to pursue their candidacy.

Once the list of candidates is determined, the MTA-PAC Committee starts its process for making endorsements. A candidate questionnaire is sent to all of the candidates asking for their positions on key issues important to the Michigan Townships Association (MTA) and township officials. This is an effort to help us determine the level of support, or the lack thereof, that each of the candidates has for township issues.

A questionnaire is also sent to every township official asking for your input on candidates running for state representative in your district. Like each election year, the PAC Committee will be asking for your opinion on each of the candidates running for state representative in your own district. However, this year the committee is hoping to get much more detailed information on the various candidates.

Not only will the committee be asking which candidate you support, the committee is also seeking input on all the other candidates in your district. Specifically, the committee is asking you to give as much information as you can on the various candidates, i.e. how well you know the candidates, what your opinion is of each of the candidates and whether you feel each of the candidates would be good for township government if he/she is elected to the House of Representatives.

Both candidates and township officials will be given a deadline of Friday, June 13 to return the questionnaires back to MTA with any additional comments or information that would be useful to the MTA-PAC Committee as it starts to consider candidates for endorsement.

The PAC-Committee will meet in late June to make endorsement decisions. The committee will consider all information that it has obtained including candidate and township official questionnaires. In addition, the committee will consider other factors including the make-up of a particular district (whether it is a Republican, Democrat or a swing

district); whether there is an incumbent running and that incumbent's view and support for township government; how hard a candidate is working; and local and other association support for a particular candidate.

While many statewide associations make candidate endorsements in the general election, as does MTA, our PAC Committee also makes endorsement decisions in the primary election. Frankly, just like in most township races, the primary is where at least 80 percent of House races are decided. While this makes our process a little more risky in that it is easier to make wrong decisions, it also makes MTA more relevant during the primary process. While most organizations and associations play it safe, the MTA-PAC has a tradition of making the tough decisions when it matters most.

In so doing, candidates seek the MTA endorsement to give their candidacy an added boost, but it also makes decisions much more difficult for the PAC Committee, especially in open seats where no incumbent is running.

Usually, open seats attract a slue of candidates most of whom are unknown to members of the PAC Committee. That's why it is so critical for those township officials who live in these open districts to take the time to answer and send back the questionnaire, thereby providing the PAC Committee much needed information to make sound decisions.

Using all the information discussed above, the MTA-PAC Committee makes decisions for the August primary election and decides which candidates to support, which not to support, and in some cases when to withhold an endorsement until the November general election. The committee also makes decisions on whether to contribute financially to an endorsed candidate.

Following the endorsement decision, letters are sent to those candidates answering the candidate questionnaire in each legislative district. In addition, press releases are prepared for endorsed candidates and the committee makes decisions on whether to send a press release announcing MTA's support directly to media in a district or to work with an endorsed candidate to have the candidate announce MTA's endorsement at a more strategic time.

The MTA-PAC Committee meets again in September to make endorsements for the general election. Using the same information collected in June and any additional information that has been obtained during the summer months, the committee makes endorsement decisions for the general election. The same procedures are followed in making decisions not only on endorsements, but also financial and media support and working with endorsed candidates to help ensure success in their election.

Again, all this effort by the MTA-PAC Committee starts with you, the township official. Without your input, members of the committee do not have the best information to make good decisions. That is why it is so critical that you are involved. The MTA-PAC Committee hopes that each of you will answer the call this year to participate. In so doing, we can ensure that those elected to the Michigan House of Representatives will be more supportive of township government and future efforts to diminish our authority or to eliminate our form of government will not see the light of day. ■



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## New Law Gives Tax Break on Vacant Homes

In an effort to deal with a slumping real estate market, the Legislature approved legislation that removes an unintended penalty against a person who moves out of their home and is unable to sell that property in a timely manner. Public Act 96, authored by Rep. Ed Gaffney (R-Grosse Pointe Farms), amends the laws related to granting a principal residence exemption (PRE) on certain vacant homes.



Under prior law, if a person moved out of their home and was unable to sell the home by the next Dec. 31, the law required the PRE be removed from that property. If the home remained unsold until after May 1, the extra 18 mills for school operations would be charged against the taxable value of that property, regardless of whether a new owner moved into the home later in the year.

Under PA 96, a person who moves out of a home that has a PRE and moves into another home in this state and establishes that home as their principal residence may file a form to maintain the principal residence status on the home that they vacated as well. The state prescribed form must be submitted to the local assessing officer in the community where the vacated home is located by May 1. The May 1 date matches the date when principal residence status is determined currently under state law.

There are certain limitations on maintaining the PRE status on the vacated home. The property must remain unoccupied, it can not be used

for a commercial or business use, it can't be leased, and it must be offered for sale. If the property is leased to someone in the middle of the year, the PRE is rescinded immediately and the property owner is required to pay the extra 18 mill school tax on that year's taxes. The extended PRE may remain in place for up to three years.

In order to maintain the PRE in years two and three, the property owner must verify with the local assessor that the property continues to qualify for the exemption by Dec. 31. If the owner does not verify this information with the assessor, the exemption shall be rescinded. Again, this exemption is not available to someone who has moved to another state or who has moved out of their home and into an apartment.

The biggest administrative nightmare for this new law is when it was enacted. The governor signed this legislation just three weeks before the deadline for filing the state approved form with the local assessor. The Department of Treasury was able to create the required form within a week, but that still only left two weeks for the citizens to learn of the existence of the program and file the proper paperwork.

Unlike the PRE, which can be granted by the Board of Review if paperwork is not filed in a timely manner, this law states that the form itself must be filed on or before May 1, and renewed on or before Dec. 31 to remain in effect. Boards of Review do not have the authority to grant the exemption if the deadline is missed. Any appeals on missing the deadline would need to be filed with the Michigan Tax Tribunal.

So under this new law, a person who buys another home in this state and can't sell their former home, will be paying two mortgages, two property tax bills, but they won't be required to pay the extra 18 mills on their old home.

The new form can be found on the MTA Web site ([www.michigan-townships.org](http://www.michigan-townships.org)) as well as the Department of Treasury Web site ([www.michigan.gov/treasury](http://www.michigan.gov/treasury)). ■