

In This Issue:

- 2 Health care legislation
Tax exemption on residential construction
- 3 Federal transportation funding
Federal revenue sharing
- 4 Animal welfare legislation
MTA *Legislative Alerts*
Candidate information seminar



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A Legislative Update for Township Officials

State budget approval moving slow; cuts to locals



The Michigan Legislature was busy at work during the week of Sept. 21-25, racing to get the state's budget in place for the next fiscal year by the Oct. 1, deadline. Numerous conference committees were being held to incorporate agreements between the House and Senate leadership on most of the budget bills. As of press time of

this publication (Sept. 23), however, no action had taken place on the general government budget (Senate Bill 245), the budget that contains revenue sharing payments to local governments and the payments-in-lieu-of-taxes (PILT) program. This budget is considered controversial and will likely be one of the final budgets approved.

A brief conference committee was held on this budget on Sept. 23 but was quickly adjourned by the chairman, Sen. John Pappageorge (R-Troy), as he explained that negotiations were continuing to take place. Pappageorge explained that revenue sharing funding was the issue holding things up, and said, "we are several millions of dollars apart and will continue to work to get an agreement." He also stated that the target agreements reached between Senate and House leadership might be too steep in cuts. This is positive news and indicates that the Legislature may be steering away from the \$90 million more in revenue sharing cuts that was approved earlier in the summer by the Senate.

It was announced late last week that House Speaker Andy Dillon (D-Redford Chtr. Twp.) and Senate Majority Leader Mike Bishop (R-Rochester) agreed to an outline of spending on a department-by-department basis. One of the specific items agreed upon by both leaders were the overall cuts to revenue sharing for the coming year. The leaders agreed that they would persuade their individual chambers to cut statutory revenue sharing by 20 percent, beginning Oct. 1. This was the amount approved by the Senate just before their summer break. The House had approved a 5 percent cut for statutory revenue sharing in early summer. Meanwhile, constitutional revenue sharing is expected to see a 5 per-

cent reduction for next year based on the economy; the Legislature has no control over this constitutionally protected fund.

It is clear the Legislature is singling out local governments for significantly deeper cuts than almost any other program offered at the state level. Yet, ironically, some legislators are claiming that this level of cuts "protects public safety services at the local level." These proposed cuts are on top of revenue sharing cuts that have been relentless by the Legislature over the past eight years. In fact, due to continued cuts by the state, total statutory revenue sharing amounts being paid to townships, cities and villages have been reduced from \$868 million in 2001-02 to \$388 million in the current year. Constitutional revenue sharing has also been reduced over the past few years as Michigan's recession continues and state sales tax collections, a portion of which is dedicated for revenue sharing, have also dropped dramatically. These revenue sharing cuts are also coming at a time when local governments are struggling with local revenues due to unprecedented declines in property values and home foreclosures (property tax collections).

A 20 percent reduction is also being proposed to PILT and Swamp Tax payments. Swamp Tax payments have remained unchanged since the Great Depression. These payments offset the cost of local governments caring (fire protection, etc.) for the large expanses of land in our state that are owned by the state.

State Police Troopers Saved

Roughly half of the Michigan State Police (MSP) Trooper positions slated for layoffs, appear to be spared from the state budget axe. A budget conference committee, related to the state police budget (Senate Bill 253), met on Sept. 23, and agreed to provide enough funding to retain 55 of the 104 troopers scheduled to be laid-off. According to State Budget Director Bob Emerson, the conference committee found \$50 million in cost savings in the MSP budget by buying the controversial new State Police headquarters building instead of leasing. It also appears that as many as 29 civilian state police employees will lose their jobs. Further, it appears the conference committee will also be reducing funding for the Michigan Commission of Law Enforcement Standards (MCOLES). The MSP conference report remains to be approved on the floor of both Houses. ■

Public employee health care legislation

House Speaker Andy Dillon (D-Redford Chtr. Twp) has created a new committee to consider his proposal to establish a single state-run insurance plan for all state and local employees within Michigan. The proposal is contained in House Bill 5345. The speaker believes that over \$900 million per year could be saved by state and local governments if insurance was supplied by a single public employee pool. The Public Employee Healthcare Reform Committee is chaired by Rep. Pam Byrnes (D-Lyndon Twp.). Other committee members include: Reps. Tim Melton (D-Auburn Hills), Harold Haugh (D-Roseville), Bert Johnson (D-Detroit), Michael Lahti (D-Hancock), Daniel Scripps (D-Leland Twp.), Kate Segal (D-Battle Creek), Woodrow Stanley (D-Flint), Phil Pavlov (R-St. Clair Twp.), James Bolger (R-Marshall), Bob Genetski (R-Saugatuck), Matt Lori (R-Constantine Twp.) and Bill Rogers (R-Genoa Twp.). Rep. Pavlov serves as the minority vice-chair of the committee.

The committee has met several times in the past month, even though much of the testimony was offered prior to the legislation's actual introduction. The testimony is based not only on the legislation but also on two issue papers prepared by the speaker and posted online. The documents can be found at www.newideasformichigan.org. Reaction to the proposal has been very polarized. Labor unions have shown great concern, while school administrative officials have been very supportive.

One of the problems in analyzing the proposal is that conflicting information is often being posted or discussed. The legislation would require all state and local employees that receive health insurance to receive their insurance from a plan authorized by a special board established at the state level. The only exception to this provision is if a local government can show that their existing health care plan is less expensive than those offered by the state. While a single state plan is often discussed within the background papers, the legislation suggests that the health insurance would be offered in several forms;

HMOs, PPOs, etc. The speaker has also suggested that the same insurance plan may be offered by multiple insurance companies to encourage a competitive insurance market. It is likely that this is best described as an assortment of insurance plans that would be offered to local governments.

The background papers go through extensive analysis on the fact that government employees in Michigan pay for a substantially smaller percentage of premium costs for health insurance as compared to other states, but the legislation indicates that premium copayments will remain a locally determined issue. This becomes important because the new committee overseeing the insurance plans is required to offer insurance plans that have an employer cost that is comparable to the employer costs found in other comparable states. This has many labor organizations concerned that the cost difference will be made up through higher copayments and deductibles for health services.

Presentations from the speaker indicate that much of the cost savings will accrue from a more efficient insurance delivery system. He suggests that tighter controls to promote the use of generic drugs and better oversight on misdiagnosis will create substantial savings to public employers. He also suggests that administrative cost savings will occur.

MTA's basic objective is to find good insurance at a good price for those who work for townships and is willing to investigate alternative means

Tax exemption on residential construction

The Senate Finance Committee is considering legislation that would allow local governments to exempt new construction on existing principle residence homes from property taxation. The legislation is offered by Sen. John Pappageorge (R-Troy). Senate Bill 218 would amend the property tax act in such a way that a local government could pass a resolution that would exempt certain kinds of residential construction from taxation for up to five years. The resolution could apply to all or part of the jurisdictional area of the local government.

The exemption would only apply to new construction on existing homes that are the primary residences of the owners. The exemption would only apply to areas considered habitable living space, so issues such as a new porch would not apply. The legislation states that the new construction could include up to 50 percent of the area of existing homes for buildings of less than 3,000 sq. ft. and 25 percent of the existing area in homes over 3,000 sq. ft. The legislation specifies that the exemption is eliminated if the ownership of the property is transferred.

The legislation was scheduled for a hearing this month, but was postponed due to a conflict with hearings involving the passage of the state budget. ■



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America's Town Meeting attendees talk transportation funding

Delegates at the National Association of Towns and Township's (NATaT) *America's Town Meeting*, held in Washington, D.C. on Sept. 9-10, spoke with members of Congress concerning future transportation funding. The current federal transportation funding formula, SAFETEA-LU, is set to expire this year.

While Michigan townships don't have direct authority over roads in our state, Michigan township officials have a vested interest to ensure that adequate federal funding is provided to upgrade and maintain Michigan roadways. Attendees at the NATaT conference spoke with members of Congress concerning two specific aspects of the next federal transportation reauthorization. The first is to request increased federal resources for transportation infrastructure for the nation's rural and small urban areas. Specifically, attendees were requesting \$2 billion annually in rural road safety programs—up from the current \$90 million in SAFETEA-LU. The request would help cover the costs associated with a federal requirement to provide for sign reflectivity upgrades by 2014.

The second request made to members of Congress was for the establishment of a Rural and Small Community Livability grant program to target communities with a population of 25,000 or less to support clean transportation and emissions reduction initiatives. This would be similar to the current livability program established for larger communities.

Despite these efforts, it appears that Congress is planning to hold off on a new transportation reauthorization funding formula for the next 18 months or so and extend the current formula. The Obama Administration has requested the delay in order to complete some more pressing issues, including health care reform. Part of the delay may also be due to the consideration of any vehicle-miles traveled (VMT) pricing strategy, which would help pay for the new transportation reauthorization.

The VMT strategy would potentially charge people based on the number of miles traveled. Both MTA and NATaT are concerned that any VMT pricing strategy takes into account the necessity of rural residents to drive longer distances to access employment and services, and to bring farm goods to market.

Meanwhile, members of the Michigan congressional delegation are working on a federal solution to the state lacking matching funds to receive full federal transportation funding for the next two fiscal years. At this point, Michigan is expected to lose nearly \$600 million in federal funds due to its inability to provide the required state match in FY 2011 and \$629 million in FY 2012.

Congressman Mark Schauer (D-MI) has introduced HR 3313 to help address this problem for the next two years. HR 3313 would increase the federal share of road funding for Interstate projects from 90 percent to 95 percent and would increase the federal share for non-Interstate

projects from 80 percent to 85 percent. Under the legislation, any state with an unemployment rate above 11 percent during FY 2009 or FY 2010 would be eligible for the higher federal highway share rates. The bill would also allow those qualifying states a soft match option (something other than cash) that would permit the use of bridge tolls as part of their federal match.

The bill has been assigned to the House Transportation and Infrastructure Subcommittee on Highways and Transit. It has also been co-sponsored by most of the Democratic caucus members of the Michigan congressional delegation including Congressmen Sander Levin, John Dingell, Gary Peters, Dale Kildee, and John Conyers along with Congresswoman Carolyn Cheeks Kilpatrick.

Michigan, along with other key high unemployment states, stands to gain substantial federal transportation dollars if this legislation is enacted into law. ■

Stabenow to introduce federal revenue sharing legislation



One of the most positive things that occurred at *America's Town Meeting 2009 Legislative Conference* was the announcement by U.S. Senator Debbie Stabenow (D-MI) that she would introduce legislation to restore general revenue sharing at the federal level. The news came during the annual Michigan breakfast in conjunction with the National Association of Towns and Townships (NATaT) two-day conference Sept. 9-10 in Washington, D.C.

The Stabenow legislation would mirror HR 3007, already introduced in the U.S. House by Congressman Paul Kanjorski of Pennsylvania. The legislation would provide \$30 billion per year in federal revenue sharing payments to local units of government for the next three years.

Under the legislation, federal revenue sharing would be patterned after the former federal General Revenue Sharing (GRS) program that was in existence from 1972-1986. This program provided unrestricted grant funds to state and local governments with the funds going to local governments only during the last six years of the program. The bill applies the same funding formula used in the 1980s, which maintains parity for all forms of local government.

Michigan township officials, and others attending the NATaT Conference this year, focused a great deal of effort on encouraging members of Congress to either co-sponsor HR 3007 in the U.S. House or support similar legislation in the U.S. Senate. MTA and NATaT would like to thank Sen. Stabenow for her efforts on this issue which, if passed by Congress, would greatly assist local communities in Michigan and around the country facing on-going funding challenges.

Your continuing efforts to reach other members of the Michigan congressional delegation to co-sponsor this legislation would be appreciated. ■



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House passes farm animal welfare legislation



The House recently passed legislation designed to deal with the issue of proper treatment of certain farm animals. House Bill 5127, offered by Rep. Mike Simpson (D-Liberty Twp.), originally created some major concerns for MTA. The bill, as introduced,

contained provisions that no local ordinances could be applied to the care and treatment of a laundry list of animals. MTA pointed out that if a severe case of abused horses were discovered, the local government would be forced to simply report the issue to the state Commission of Agriculture and hope that someone might respond. Once the issues were explored in the committee, chaired by Rep. Simpson, the bills evolved into a much more direct approach on the issue at hand. As passed, the legislation simply applies to pregnant swine, veal calves and laying hens in terms of what confinement methods are appropriate. The legislation now moves to the Senate for consideration. ■

MTA Legislative Alerts

Periodically, MTA finds it necessary to send out MTA *Legislative Alerts* to our township officials. Because of the timing involved, MTA only sends them via the e-mail addresses that we have in our database for individuals. If you are not currently receiving them but wish to, a sign-up form is available at: www.michigantownships.org/legpublications.asp and please remember to fill out the legislative interests section. ■

MTA Candidate Informational Seminar Friday, December 11, 2009

9:30 a.m. – 3:00 p.m.

MTA Offices

Have you ever thought about running for the Michigan Legislature but wondered how to get started? We have an opportunity for you! MTA is planning its biannual candidate informational seminar for township officials planning to run for state legislative office in 2010 or beyond.

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

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