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capitol currents

Official Publication of the Michigan Townships Association

september 2009



A Legislative Update for Township Officials

MTA Summer Legislative Conference a success

The 2009 MTA Summer Legislative Conference addressed a number of key issues facing state and local officials. Township officials from across the state gathered at the Bavarian Inn in Frankenmuth, Aug. 12-14 to interact with state legislators and other state officials about government efficiency, federal matters, recall and ethics, wind energy, road funding and transportation, property tax issues, and Michigan's pending vote on a constitutional convention. Township officials enjoyed interacting with nine legislators and other guest speakers and panelists after hearing them outline the issues.

MTA Executive Director Larry Merrill hit the first topic of the conference as he delivered a brief analysis of Michigan's weak economic situation and what it means for local government. The economic update fit nicely in front of an overview from one of the co-chairs of the Government Efficiency Commission. Kevin Prokop, who was appointed to the legislative commission, provided a thorough briefing about the preliminary recommendations. The commission included in their preliminary report ideas to restructure revenue sharing to support specific services rather than being unrestricted, to provide incentives for sharing of services and/or consolidation across local units of government and to increase local unit taxing authority. Prokop spent most of his time reviewing the entire report, some of which includes the elimination of the Promise Grant for those going to college, increased joint purchases by local governments and school districts, a single state-operated health care fund for all public workers, school district consolidation, prison closure (involving early prisoner releases) and transfer \$300 million from K-12



Time for Q&A: Al Meshkin, manager, Laketown Twp., Allegan Co. asking a question during one of the breakout sessions.

education to community colleges. The commission recently held four hearings around the state that were attended by many township officials and others, who commented on the commission's preliminary recommendations. Once the report is finalized on Oct. 1, it will be presented to the Legislature for consideration.

A federal report about legislation at the congressional level and federal funding issues for local governments was provided at the MTA Summer Conference by MTA Legislative Liaison Tom Frazier. A presentation was also made during this session by Jeff Spencer of the Department of Energy, Labor and Economic Growth about the Michigan Green Communities Challenge and other programs to enhance the environment.

Michigan's constitution was the main course during the luncheon presentation made by Robert LaBrant, senior vice president, political affairs and general counsel for the Michigan Chamber of Commerce. LaBrant spoke about the question that will automatically be on the November 2010 ballot (Proposal 1), whether there is a need to hold a constitutional convention. LaBrant provided some relevant history and explained that our current constitution requires that Michigan voters revisit this question every 16 years. He also explained that to hold a convention could cost about \$45 million. Michigan's last constitutional convention was held in 1963. The MTA Board of Directors has taken a position to oppose Proposal 1 and believes that a constitutional convention is not needed.

Two concurrent sessions were held in the afternoon on Aug. 13 to address the development of wind energy in Michigan, and to explore recall and ethics issues. The wind energy panel consisted of David Walters, who serves as the chair of the Wind Energy Resource Zone Board; Trevor Lauer, vice-president, DTE Energy; Thomas Vitez, vice president of planning, ITC; and Jennifer Alvarado, executive director, Great Lakes Renewable Energy Association. The wind panel discussion addressed the areas in Michigan most likely to see commercial wind development, costs associated with wind development, transmission issues and things to consider related to small wind systems found at businesses or homes. The Recall and Ethics panel was made up of Reps. Richard Ball (R-Bennington Twp.) and Marc Corriveau (D-Northville), and Robert LaBrant. The panel discussed the complicated issues of recall and ethics reforms. Some of the ethics reform discussion focused on how local ethics boards would operate while the recall reform discussion centered on the "Wis-

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consin Model" that creates an election for a replacement of an official at the time of an attempted recall. In other words, when a recall vote is taking place for a local official, voters have the choice to vote for a competing candidate or to retain the current official. The 2009 MTA Policy Platform calls for the "Wisconsin Model" to be adopted in Michigan law.



Road and transportation panel (left to right): Rep. Lee Gonzales, Mike Nystrom, John Niemala, and Rep. Paul Opsommer

Summer conference activities on Friday, Aug. 14, included the general session topics of road funding and transportation, and Michigan's property tax structure. A panel made up of Reps. Lee Gonzales (D-Flint Chtr. Twp.) and Paul Opsommer (R-DeWitt), John Niemala, director of the County Road Association of Michigan and Mike Nystrom, vice president of government & public relations, Michigan Infrastructure and Transportation Association tackled the issue of funding shortfalls for roads and other transportation projects in Michigan. Recommendations made by the Transportation Funding Task Force (TF2) in late 2008 became the main topic of discussion as the State of Michigan could lose roughly \$600 million per year in federal matching funds if changes aren't made to our current road funding structure. A panel exclusively made up of legislators closed out the conference by addressing our state's current property tax system. The panel included Sens. Valde Garcia (R-Marion Twp.) and Gretchen Whitmer (D-East Lansing) and Reps. Brian Calley (R-Portland) and Jeff Mayes (D-Bangor Chtr. Twp.). The session analyzed how declining property tax revenues and foreclosures are impacting local government revenues around the state. The panel also addressed personal property tax issues, collecting property taxes twice a year (as opposed to once), assessing issues and other tax items.

MTA greatly appreciated the attendance of all our guests and especially the involvement of township officials at the Summer Conference. The questions asked during these sessions and the one-on-one dialogue with legislators and state officials is essential for concerns of township officials to be understood in Lansing. We look forward to seeing you at our Capitol Conference in Spring 2010 in Lansing. ■



Left to right: Carolyn Towsley, treasurer, Austin Twp., Mecosta Co. and Sen. Gretchen Whitmer took advantage of one of our breaks for an one-on-one chat.

MTA Board endorses transportation funding package

The MTA Board of Directors took a position to support a state transportation revenue package at its Aug. 12, 2009, meeting in Frankenmuth. The MTA Transportation Committee made the recommendation to the full MTA Board after reviewing the comprehensive package and the declining transportation revenue scenario that faces Michigan.

There have been other attempts to increase transportation revenue (gas tax increases) in recent years in Michigan and they have all fallen short on votes. Another attempt at reform is being made in the 2009-10 session and if the state of Michigan cannot dedicate more revenue to Michigan roads, the state stands to lose significant federal matching funds. The difference between the most recent reform push and others is that the state is now just two short years away from losing significant federal funds. Reform packages in the past have attempted to increase the gas tax charged at the pump but the latest effort would shift the gas tax to the wholesale price and approaches transportation funding reform in many other ways.

The Michigan Transportation Funding Task Force (TF2) issued its report in November 2008 with the one overriding statement: "The one choice we cannot afford is to do nothing." Doing nothing would cause significant road funding shortfalls, as Michigan's current transportation funding methods will soon no longer be sufficient for Michigan to take advantage of federal funding because there will not be enough state and local matching funds to claim all federal transportation funding available to the state. The Michigan Department of Transportation (MDOT) alone will lose almost \$600 million in federal aid beginning in 2011, and \$1.9 billion between 2011 and 2013. Michigan can hardly afford to lose that amount of funding for transportation, now or in the future, as our current road infrastructure is already crumbling. Doing nothing will put our long-term investment in transportation systems at risk, and risks our future economic recovery and growth by postponing for another day problems we can no longer ignore or deny.

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House considers changes to property tax poverty exemptions

The House of Representatives is once again looking to amend the laws regarding the granting of poverty exemptions under the General Property Tax Act. House Bills 5257-5264 amend the property tax laws in numerous ways with the objective to cut down the number of homes that go through tax foreclosure.

The primary bill in the package, from the township perspective, is HB 5257. This legislation mirrors the bill that passed the House last session that sought to expand the use of the poverty exemption. The legislation specifies that if a person meets the minimum standards established under the act, the person shall be granted a poverty exemption. In many ways, the legislation reverses the philosophy of the poverty exemption that has existed for over a century. Over the years, the boards of review have been asked to determine if a person was unable to contribute to the public charges by reason of poverty. Instead, the changes in law simply assume that if someone is living at or below the poverty income level established by the federal government, they need not support the services provided in their community.

HB 5257 requires an exemption to the payment of property taxes if a homeowner meets specific criteria. The state law establishes the base standard which includes income at or below the federal poverty guidelines and the value of the home shall not be considered unless the value of the home is substantially higher than the average value of homes in the assessing unit. Also, individual personal items valued at less than \$5,000 and liquid assets of less than \$5,000 and one automobile regardless of value shall not be considered in determining whether a person can support the public charge. A local government may set a different standard than what is established under law, but the local standard can not go below the standard set by the state. The statute also specifies that while the exemption must be granted, the degree of the exemption (full or partial) is still under the control of the board of review.

HB 5258 requires that the assessment notices mailed in March include the specific statement; "Under Michigan law, if you are unable to pay the taxes that are due on your home for reasons of poverty, you may be eligible for a full or partial exemption. Please contact your local assessor's office for more details." A separate insert or separate mailing may also be used to comply with the law.

HB 5259 specifies that all communities must allow any property owner to file an appeal with the board of review through written means. Under current law, any non-resident property owner is allowed to appeal by writing, but residents are only allowed to appeal in this manner if the governing body of the assessing unit specifically authorizes the process.

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Legislation would restore federal revenue sharing



While news at the state level has not been very positive in recent months, the federal government has been taking action to assist both state and local units of government. First, it was the American Recovery and Reinvestment Act, and more recently, legislation has been introduced in Congress to restore federal revenue sharing for local units of government.

Congressman Paul Kanjorski of Pennsylvania has introduced H.R. 3007, which is also known as the Local Fiscal Assistance Act. It would provide \$30 billion per year in federal revenue sharing payments to local units of government for the next three years. If the bill is approved by Congress, the money could be used for priority expenditures, which is defined as necessary maintenance and operating expenses. Necessary maintenance and operating expenses is broad under the legislation and includes such items as public safety, public transportation, health, recreation, libraries, social services and environmental protection.

The 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.

H.R. 3007 would provide approximately 6.5 times the amount that each local unit of government received during the program in the early-mid 1980s. The bill also applies the same funding formula used in the 1980s, which maintains parity for all forms of local government. In return, townships and other local units of government would need to submit a report to the U.S. Treasury secretary stating the amount of money that was received under the program and how that money was spent.

This legislation would greatly assist local communities in Michigan and around the country facing on-going funding challenges as a result of the weak economy, and in Michigan's case, state budget challenges.

H.R. 3007 is a major federal priority for MTA and the National Association of Towns and Townships (NATaT). It will be a key focus during America's Town Meeting to be held Sept. 9-10 in Washington, D.C. There is even a possibility that the legislation may receive a hearing before the House Committee on Oversight and Government Reform during the conference.

Your efforts in reaching members of the Michigan congressional delegation to support this legislation would be appreciated. Those attending the NATaT conference will have the perfect opportunity for meet with your federal legislators and urge their support H.R. 3007. ■



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House looks to prohibit delinquent utility bills from becoming tax liens

The House Urban Policy Committee took action on House Bill 4050 offered by Rep. Betty Scott (D-Detroit), which would prohibit local governments from placing tax liens on property when the owners fail to pay utility bills owed to the community. Under current law, townships that operate water, sewer or other form of public utility have the option of placing the delinquent amount on the property tax roll in order to enhance collection efforts. HB 4050 would prohibit this practice unless the payment was used to pay off existing bond debt.

While the legislation is intended to help property owners from having their homes sold for tax foreclosure, the legislation eliminates an important tool in keeping utility collections current. Otherwise, the community must resort to utility shutoffs, higher overall rates to account for non-payments or taking legal action through the courts. ■

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HBs 5262-5265 focus on the county and state role in property foreclosure. HB 5262 deals with the issue of interest on delinquent taxes, which jumps from 1 percent per month to 1.5 percent after a specified period of time being delinquent. The legislation authorizes counties to forego increasing the interest rate. HB 5263 specifies that foreclosing governmental units (some counties or the state) may withhold property from foreclosure if the owner of the property has an income below 200 percent of the poverty level. HBs 5264-5265 require occupants of buildings that are facing possible foreclosure to be notified that the building they are renting may be sold for back taxes. ■

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The TF2 report recommends wide-ranging approaches to transportation funding reforms with the goal of achieving a “good” level of investment in Michigan’s transportation system.

The following combination of proposals is designed to stabilize transportation funding and gradually, over a period of five to seven years, to achieve 90 percent of the recommended increases of state investment in roads, bridges and transit. The following are the concepts included in the TF2 plan: Providing for creative public-private partnerships; Expanding the current MDOT Asset Management Program to include all public roads, pavement, ancillary elements and utility location as well as to transit programs; Rewarding counties for planning multi-county corridors; Establishing a transit regionalization planning and grant program; Reforming the Local Bus New Services Program and amending the Comprehensive Transportation Fund (CTF) portion of Act 51 to create a new transit services program for projects that will provide new rapid or regional transit in or between Michigan urban areas; Reducing the number of Interdepartmental Grants (IDGs) currently going to the Department of State and Treasury for costs associated with the collection of vehicle registrations and motor fuel taxes to allow more state restricted funding for road and bridge projects; Doubling the rail grade-crossing program to \$6,000,000 per year to maintain and improve safety; Allowing Tax Increment Financing Authorities (TIFA) for any transportation purpose; Allowing for Private Investment Infrastructure Funding (PIIF) Options; Enabling county funding options on driver’s licenses up to \$25 on all operator’s licenses (including minor restricted), up to \$35 on chauffeur’s licenses; Moving the collection of gas taxes from pennies a gallon charged at retail pump sales to a percentage on the wholesale price; Doubling transportation (MTF) revenue generated from vehicle license registration in a five-year period; and Increasing the tax on aviation fuel. ■