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# State and Federal Affairs Update MML Convention October 6, 2011



michigan municipal league





- Revenue Sharing/EVIP
- Personal Property Tax
- Government Reforms
- Economic Development
- Transportation



- New program for statutory revenue sharing is roughly 2/3rds of what communities are getting this fiscal year.
- To obtain the full amount – you must meet three sets of criteria (dashboard/citizens guide, consolidation plan, and compensation changes).
- We were actively involved working with Treasury on the certification process for each of the three components.
- Treasury has samples of the citizens guide and dashboard – which was due Oct 1.

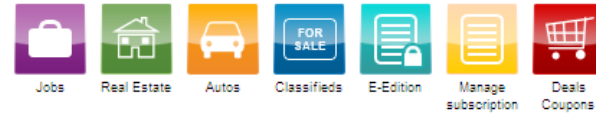


- For each of the three components, there will be a one page letter for locals to sign. And additional information will be required to be attached.
- \$5 million also available in grants to local units for shared services.
- Assist with costs involved in combining operations associated with projects that occur on or after October 1, 2011 or for mergers and inter-local agreements on or after June 21, 2011.
- Can also be used to offset up to 25% of shared service analysis.
- Applications due November 1.



- The legislature and Governor are focused on this issue for the fall/winter.
- We expect a proposal from the Governor this month. We also expect legislative hearings to start this month.
- We have had a significant number of meetings with legislators and the administration already and almost all discuss the need for guaranteed replacement.
- The big questions are – where is the money going to come from? And how are they going to calculate replacement to local communities?

- We developed a campaign on this issue called “Replace Don’t Erase” and are now building a coalition including counties, libraries, public safety unions and chiefs, and schools.
- Held a press conference calling for the revenue to be guaranteed (Constitutional Amendment) in early September.
- First phase is heavy media focus – which saw us visit ten editorial Board visits all over the State.



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## Repeal of personal property tax could cost \$10 million locally

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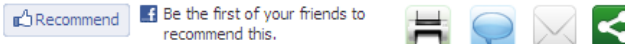
**USA WEEKEND**

ENTERTAINMENT

**CLICK HERE**

By ANNETTE MANWELL  
**The Holland Sentinel**

Posted Sep 29, 2011 @ 11:14 PM



Holland — Gov. Rick Snyder's proposed repeal of the personal property tax could affect the Holland area to the tune of \$10 million or more.

Repeal or reform of the tax has been on Snyder's tax hit list, and Lt. Gov. Brian Calley has been charged with seeing it through the Legislature. The administration argues repeal of the tax will make the state more business-friendly and, thus, create jobs. It would make Michigan more competitive than Ohio, which doesn't have a personal property tax.

Meanwhile, city and county treasurers, school superintendents and library and service organization directors are waiting to see how the approximate annual revenue of \$1.2 billion would be replaced.

The tax is levied on the value of equipment owned by businesses. The value is assessed by the business based on the purchase price and its

age, Holland Finance Director and Treasurer Tim Vaale said.

Local personal property tax revenue

|  |               |
|--|---------------|
| City of Holland                          | \$2.4 million |
| Holland Township                         | \$648,544     |
| Herrick District Library                 | \$315,000     |
| Ottawa Area Intermediate School District | \$1,261,124   |
| Holland Area Schools                     | \$779,706     |
| Hamilton Community Schools               | \$474,482     |
| Saugatuck Public Schools                 | \$17,073      |
| West Public School District              | \$601,686     |
| Zeeland Public Schools                   |               |



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## Our View: Sure, get rid of despised personal property taxes, but only if their money is replaced

Published: Sunday, September 25, 2011, 6:05 AM



By Editorial Board | The Bay City Times

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Michigan's system of taxes on personal property is universally despised.

Nobody wants it, and Republican state legislators this fall are poised to get rid of it.

But few local governments that depend on personal property tax revenues want to see the money go. They're OK with eliminating the taxes on business equipment — from desks and chairs to giant industrial machinery — but not without a guaranteed replacement revenue source written into the state constitution.

That's Gov. Rick Snyder's philosophy — revenue neutrality — and why he urges a go-slow approach that could take five to 10 years to phase out the taxes.

## OPINION

## OUR VIEW: State needs to look for better way to deal with personal property tax

Published: Saturday, September 24, 2011



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Gov. Rick Snyder has a lot of local government leaders looking over their shoulders and worrying after mentioning that the state should look at a poorly understood business tax: the personal property tax.

The Michigan Municipal League launched something of a pre-emptive strike this month, cautioning how dangerous it would be to eliminate this tax, which raises millions of dollars for local governments.

Its very name is misleading, but it's based on a term of art in the assessing field. Real property is buildings and land. They don't move. Personal property is anything else, and it can move.

In practice, it means that business equipment is taxed on its value, much as buildings and land are taxed that way. There are dozens of exemptions – business inventories aren't taxed, for example, nor are tools and jigs – but the reporting requirements and the administrative requirements can be nightmarish.

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## Why the next Michigan business tax reform should be completed with caution (editorial)

Published: Thursday, September 01, 2011, 6:25 AM

By The Grand Rapids Press Editorial Board

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Michigan's personal property tax, which applies to business equipment and machinery, discourages investment and puts the state at a disadvantage in recruiting companies. Legislative leaders are right to **target the tax for elimination**.

However, just dumping the personal property tax without having some kind of replacement for the revenue would unleash a budget bloodbath in local communities. Cities, townships, libraries and schools are beneficiaries of the personal property tax. Some cities receive as much as a third or half of



AP Photo | Paul Sancya  
 Manufacturers, like this General Motors Hamtramck Assembly plant, are especially hard hit by the personal property tax.

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- 126** **falero33**

- We developed a member “toolkit” which includes sample resolutions, sample letters to the editor, talking points, draft letters to legislators, etc.
- It is imperative to talk to your legislators now about this issue! Discuss the increasing reliance on this revenue stream in light of revenue sharing reductions.
- When they say that they agree revenue has to be replaced, push them on it being guaranteed. If they replace it with an annual appropriation, it can be gone next year!



- In July Governor signed PA 312 reforms
- What does it do?
  - Makes ability to pay the primary factor
  - Defines ability to pay
  - Includes internal comparables
  - Shortens process to 180 days
  - Includes future authorities but grandfathers most existing

- Urban Cooperation Act package (HBs 4309-4312) are still on the Senate floor.
- We had a workgroup in the summer, and we've got the biggest issues figured out (namely consistency for the transition).
- Bills remove language that say "nobody may be harmed" and requirements to transfer all employees to a new authority.
- Bills do still provide for impact bargaining which is provided under PERA in current law.
- Held up because of politics – working to get this moving.



- Legislature has SB 493 on Senate floor to amend the Public Employee Relations Act.
- Make the following a prohibited subject of bargaining:
  - The decision to form an authority or share services
  - The procedures for obtaining a contract for creating an authority or sharing services
  - The identity of the parties to the agreement
- Bill also makes changes to PERA in accordance with the recently passed teacher tenure package. Not an issue for local units but something to know about.
- Senate needs to concur. Possible issues with UCA/SB 8.

In early June the Governor signed PA 54 of 2011

- PA 54 prohibits wage or benefit increases once a contract has expired until a new contract is put in place.
- This law also prohibits retroactive wage increases.
- We're hearing from our members this is very successful in quickly settling contract negotiations.
- Conflict with PA 312 in terms of retroactivity. Will court resolve?



## 80/20 and hard cap hybrid

- Last week the Governor signed SB 7 (now PA 152 of 2011) as a hybrid between the 80/20 premium share and hard cap concepts.
- There is a preference for the hard cap: \$5,500 for single coverage; \$11,000 for individual + spouse; and \$15,000 for family.
- An employer can opt out of the hard cap if it chooses (by 2/3 vote of governing body) to instead use an 80/20 premium share model.
- However a local unit of government (only cities, villages, townships and counties NOT schools) may opt out of the plan entirely by 2/3 vote of the governing body.
- Huge victory to keep the opt out for local units.

SBs 485-491 would prohibit minimum staffing requirements through charter or ordinance

- Can still do minimum staffing through collective bargaining or resolution of governing body.
- Signed by the Governor last week.

## Two issues we'll deal with in the fall:

- ▶ 2 inch rule – bills in both chambers but still ironing out details.
  - Have worked closely with MAMA on this.
  - Expect the bill to be done early in the fall.
- ▶ Municipal Partnership Act – SB 8
- ▶ HB 4453 – government competition

- New law for vacant properties
- Commercial Rehabilitation Act can be used on vacant property in a commercial district for the last 15 years.
- Important for vacant properties that became vacant as a result of fire, teardown because of blight, or just located in a vacant part of a commercial district.
- Taxes for property frozen at pre-development rate for 1 to 10 years, as determined by the community.
- No core community requirement.

- New Brownfield, Historic, MEGA credits eliminated in CIT.
- \$100 million replacement put in budget.
- Community Redevelopment Program moving to provide money for development projects in urban areas (SB 566-568).  
(think: Brownfield and Historic)
  - Mix of grants and forgivable loans, condition driven. League priorities dominate conditions (walkability, mixed-use, cleanup, density, redev't).
- Business Development Program being created to incent businesses to locate in Michigan (think: MEGA credits).
  - Conditions in MEDC program guidelines
- Both of these programs will tap the \$100 million available.
- Legislature will evaluate program annually when money is budgeted.
- League helped develop bills and supported them.



- “Fix it First” (state of good repair)
  
- Transportation Options
  - Prioritize multi-modal transportation
  
- Funding
  - Increase gas tax
  - Local-regional fuel and registration taxes
  - PA 51 changes

Governor’s Transportation/Infrastructure message

- Special Message on Transportation/Infrastructure expected in the last week of October.
- Message expected to address Michigan's roads, bridges, ports, airports & public transit.
- How much money do we need?
  - \$1.0 - \$1.5 Billion
    - Increase gas tax
    - Increase registration fees
    - Miles based user fee (MBUF)
    - Local fee/tax option

- Obama Administration/USDOT Secretary Ray LaHood
  - \$556 billion over 6 years
  - \$53 billion for passenger rail
  - \$30 billion for national infrastructure bank
- Congressman John Mica, Chair, Transportation & Infrastructure
  - \$230 billion over 6 years, 34% cut from current levels
  - consolidates 70+ programs
  - eliminates funding for transportation enhancement programs
- Senator Barbara Boxer, Chair, Environment & Public Works
  - MAP-21; maintains current funding level for 2 years
  - Cost, \$12 billion.



## **MML Priorities**

- “Fix it First” (state of good repair)
- Transportation Options
- Increase minimum rate of return
- Increase direct funding to communities

## ➤ \$447 Billion

- \$50 billion for roads, rails, airports
- \$10 billion to capitalize a National Infrastructure Bank
- \$15 billion for rehabilitating vacant and foreclosed homes and businesses
- \$5 billion to support hiring and retention of public safety and first responder personnel



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