

November 19, 2020

Michigan's Communities Are in Trouble and Need Your Support During This Lame Duck Legislative Session

Dear Governor Whitmer, Leader Shirkey, Speaker Chatfield, Leader Ananich, and Leader Greig:

As a local leader charged with ensuring the economic future of my community, I am joining with colleagues across the state in a nonpartisan manner to implore the Michigan Legislature to utilize the upcoming Lame Duck session to adopt a Community Stabilization Plan. This plan is a necessary, three-pronged approach to address the dire situation communities across the state face because of the COVID-19 pandemic.

No government could have foreseen the COVID-19 pandemic or planned for the scale of its impact across every sector of society, yet local governments are on the front lines of the response to the virus, and in many cases waging this fight with one hand tied behind their backs.

Consequentially, local governments are experiencing increased costs at a time when all municipalities are struggling with revenue declines due to the interaction between Proposal A and the Headlee Amendment. Compounding the problem, the state's 24 income tax communities—from Grayling to Detroit—are experiencing further revenue loss due to the change in many employees' work location forced by the pandemic. And finally, government operations needed to continue business activity like permit and zoning approvals and other crucial services could grind to a halt, worsening the economic and health emergency, without extending changes the Legislature made to the Open Meetings Act earlier this year allowing local governments to meet remotely. The combined effect of these problems put Michigan communities in severe financial crisis.

Fixing these problems now will maintain continuity of local government during the pandemic and avoid the conversation and need for new appropriations while state government is besieged with emergency funding needs. Waiting to fix the problem will only exacerbate the emergencies the Legislature will have to address in early 2021 because

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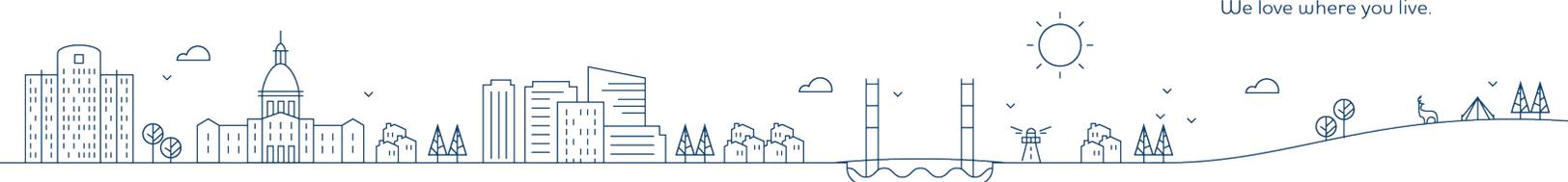
many communities will be forced to make draconian cuts to services like public safety and infrastructure, while others will face insolvency.

The following outlines the Community Stabilization Plan we are asking the Legislature to pursue now.

- First, the Legislature must extend changes to the Open Meetings Act (OMA) which currently only authorizes public bodies to meet virtually through Dec. 31, 2020. It is clear that the virus will continue to be a public health crisis throughout Michigan well past this deadline. If legislative action is not taken to extend the deadline into next year, local government and all public bodies will be forced to choose between violating OMA requirements, or not following Michigan Department of Health and Human Services (MDHHS) gathering limits. This puts municipalities at risk of being sued for OMA violations or slapped with fines for disregarding MDHHS orders and their board members and community volunteers at risk from exposure to the virus.
- Second, we need to address projected local income tax losses that will devastate revenues in Michigan's 24 income tax cities. As you are aware, a significant number of employees have spent the past nine months working from home. Current state law does not allow municipalities to collect local income taxes from these workers on days they are not working in their employer's physical location. Combined with losses in tax collection from unemployment income for local governments—a restriction federal and state governments do not suffer—the Treasury Department estimates Michigan's 24 local income tax communities will lose up to \$250 million in revenue this year alone. This can represent upward of 30 percent of income tax revenues among these 24 cities.
- Finally, with the December 31 Tax Day looming, we must act to temper the negative impact on services resulting from drops in property values like we experienced during the Great Recession. With the pandemic-induced increase in commercial office vacancies and permanent closure of downtown businesses, we expect this to repeat to some degree because of the current recession. As a solution, the Legislature should restore Headlee's original allowance for upward and downward fluctuations in millage rates based on actual inflationary activity, and allow communities to truly benefit from real estate pop-ups. Importantly, this change will allow Proposal A and Headlee to work as intended by limiting existing millage and value growth to inflation, but allow for the economic catch up after sales.

If these issues are left unaddressed, residents across the state of Michigan can expect dire consequences, including government agencies not able to safely conduct vital decision-making meetings. Residents and businesses will also likely see drastic cuts to public safety, infrastructure, parks, and other vital services essential to talent attraction and quality of

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life. We urge you to work together to adopt this Community Stabilization Plan which will ensure Michigan communities can recover from this virus as quickly as possible.

The Community Stabilization Plan must address the need for public bodies to conduct virtual meetings for any reason, as well as solve the short-term loss of local income taxes and the unintended interactions of Headlee and Proposal A.

Taken together, the solutions included in this plan will ensure our communities can recover from the pandemic faster while still providing the level of services residents and businesses need to keep their lives moving—and it will be achieved without raising taxes or transferring funds from other important budgetary items.

Thank you for your time and consideration.

Signed,

NAME
TITLE
COMMUNITY

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