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Bills Would Strip Hundreds of Millions of Dollars in Local Revenues from Local Communities, Schools

Results: Higher Local Property Taxes, More Local Service Cuts

LANSING, Mich. — Residents of local communities will pay higher property taxes and shoulder more cuts to local public schools, police and fire services under bills in the state Senate to significantly cut the business personal property tax (PPT), members of the Replace Don't Erase coalition warned today.

The first — and perhaps only — Senate Finance Committee hearing on the eight bills was scheduled for today. The PPT is paid by local Michigan businesses to the local communities where they are located. The PPT generates nearly \$1.3 billion a year for local police and fire services, local libraries, local roads and bridges, local public schools, and other local services. PPT revenues go directly to local communities — not to the state Legislature.

While the Senate bills cut the PPT by hundreds of millions of dollars, they fail to assure replacement of even \$1 for local communities and schools. Although the bills create a “replacement fund,” not a single dollar will ever go into the fund unless or until future legislatures specifically vote to do so. Bottom line: the bills slash certain and stable tax revenues that go to local communities and schools every year without interference from Lansing, while granting future legislatures and governors new powers to replace some or none of the funds.

At a news conference in Lansing today before the Senate Finance Committee hearing on the bills, mayors, public school officials, county commissioners, local library leaders, and police and firefighters proposed a constitutional amendment that would eliminate the PPT and assure that replacement funds continue to go local communities and schools.

“Under the Senate bills, the Legislature and Governor would basically take hundreds of millions of local tax revenues from local communities and schools, and give future legislatures and governors new powers to keep the money or decide if any of the funds are ever returned to local communities and schools,” said Dan Gilmartin, CEO and executive director of the Michigan Municipal League. “If the PPT is going to be cut, local taxpayers deserve a legal guarantee, a constitutional amendment, that the funds are going to be replaced and returned to local services and not kept by the Legislature to spend on state programs and services.”

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Jon Campbell, Allegan County Commissioner and board member of the Michigan Association of Counties said a constitutional amendment is the only way to scrap the PPT and assure that the funds continue to go to local services and schools.

“The governor and legislature have asked us for a solution, a policy that would cut the PPT and, at the same time, protect this critical source of local revenues for essential local services,” Campbell said. “A constitutional amendment is the only way, under Michigan law, to assure a win-win solution. Anything short would amount to the Legislature and Governor cutting hundreds of millions of dollars in local revenues without assuring \$1 of the funds will ever be replaced.”

Kent County Intermediate School District Superintendent Kevin Konarska said local homeowners will pay higher property taxes in hundreds of local school districts if the PPT is cut and the funds not fully replaced.

“With the support of local voters over many years, local school districts and libraries in many Michigan communities have borrowed money, through bonds, for major capital projects,” Konarska said. “These school districts and libraries use PPT revenues to secure and repay the loans. If the PPT is cut or eliminated, these communities will still have the legal obligation to repay the loans. The only option will be property tax increases for thousands of Michigan homeowners.”

Gretchen Couraud, executive director of the Michigan Library Association, echoed Konarska.

“A constitutional amendment eliminates the PPT and protects local homeowners from property tax increases that would be triggered by these Senate bills,” Couraud said. “It is a sensible solution that is good for businesses, good for local taxpayers, and protects essential local services.”

Hamtramck Mayor Karen Majewski, president of the Michigan Municipal League Board, said “local taxpayers simply can’t trust the legislature and governor on a promise to return replacement revenues to local communities.”

“Over the past decade, legislature after legislature and governor after governor have broken their promise to return revenue sharing funds to local communities,” Majewski said. “Contrary to their promises, they have cut revenue sharing to local communities by more than \$5 billion. We all know that a current legislature can’t legally commit a future legislature to one penny of spending on anything. That means a constitutional amendment is the only way to assure the PPT replacement funds are returned to local communities and not spent by the Legislature on their own projects and programs.”

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Replace Don't Erase members noted an EPIC-MRA survey released last week that found Michigan voters overwhelmingly opposed cutting the PPT unless lawmakers guarantee the funds are replaced in full and continue going directly to local communities and services.

“Michigan voters continue to overwhelmingly oppose ending or significantly cutting the personal property tax because they understand it pays for important local services that also would have to be cut,” said EPIC-MRA’s Bernie Porn, who conducted the poll of 600 voters (error margin $\pm 4\%$) March 31 to April 3 on behalf of the Replace Don't Erase coalition. “And, if the PPT is going to be cut, voters support replacing the funds with revenues guaranteed to continue to go local communities. They don't want the Legislature to take control of the funds from the local communities that receive the revenues today.”

The EPIC-MRA survey also found Michigan voters in November would be less likely to elect legislators who vote for this type of proposal.

“Legislators who vote for cutting the personal property tax without replacing the funds with revenues that continue to go directly to local communities and local schools will face a tougher time with Michigan voters in November,” Porn said.

Key findings of the EPIC-MRA survey include:

- 70% of Michigan voters oppose (43% strongly oppose) eliminating or significantly cutting the personal property tax. In this question, voters were told the PPT pays for local services such as police and fire protection, schools, etc. They were also told that supporters of cutting the PPT say it will encourage businesses to invest more in machinery and equipment and create more jobs.
- Opposition to eliminating or significantly cutting the personal property tax increased to 78% once voters learned that cuts to local services (police, fire, schools, parks, libraries, and more) would likely result.
- Opposition to eliminating or significantly cutting the personal property tax also increased to 78% once voters learned that local property taxes would automatically increase in local communities with school districts that are repaying bonds with PPT revenues.
- 58% of voters said they would support (31% would oppose) a constitutional amendment to require the Legislature to fully replace all of the revenues and guarantee the funds continue to go to local communities and local schools.
- 59% of voters would be less likely (39% much less likely) to vote for their legislator in November if the legislator votes for a proposal that eliminates all or part of the PPT and fails to replace the funds with revenues that continue to go directly to local communities and schools.

More about the Replace Don't Erase coalition can be found at www.replacedonterase.com.

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