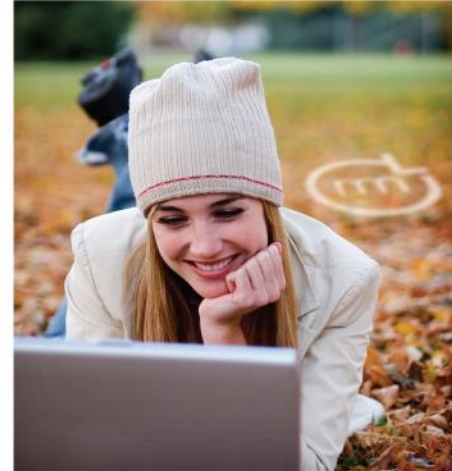


# MLGMA

## Legislative Update

### January 2015



michigan municipal league  
Better Communities. Better Michigan.



## ► Issues

- Road Funding
- Rental Inspections
- Cancer Presumption
- Medical Marijuana
- TIF/DDA Reform
- Community Benefit Prohibition
- Freedom of Information Act (FOIA)

## ➤ 2013

- Governor Snyder asks the legislature to raise \$1.2 Billion in new revenue by increasing gas taxes and registration fees
- Senate and the House disagree with this plan
- Senate and House hold committee hearings
- Senate introduces bills

## ➤ Early 2014

- Speaker Bolger releases a House plan
  - No new money – re-allocates existing state resources
  - Concern that taxes at the pump not all going to roads
  - Moves out of House and suggests the Senate make it better

## ► June 2014

- Senate modifies the Speaker's plan
- New plan would increase gas taxes
- Multiple attempts to pass Senate plan and all fail
- Legislature breaks for summer without a solution
- General belief that issue will resurface in lame duck

## ► Lame Duck

- Senate revisits the plan they had on the table in June and this time is able to pass a gas tax increase
- House continues to shy away from raising taxes - Speaker comes up with another plan that shifts existing dollars

## ▶ Lame Duck - Continued

- With less than two weeks of session remaining - No solution in sight
- GOP and Democratic legislative leaders and the Governor step up meetings to negotiate a deal
- Talks continue until the final day of session
- Abracadabra! We have a deal!
- Final proposal passes with bipartisan support
- What are the details?

- Governor and Legislative Leaders established five principles of reform to guide negotiations:
  - New revenue for roads and bridges
  - Protection for schools, communities, public transit, rail
  - Transportation taxes go to transportation
  - Maintain competitive prices at the pump
  - Provide tax relief for lower-income Michiganders

- **Legislature Approves Ballot Proposal**
  - Raise rate on sales and use tax to 7%
  - Eliminate sales tax on motor fuel
  - Remove higher education from School Aid Fund
  - Amend use tax distribution
- **Statutory Changes**
  - Structural change and increase to gas tax
  - Changes to vehicle registrations
  - Transportation related reforms
  - Restoration of Earned Income Tax Credit (EITC)
- **Ballot Proposal May 5, 2015**

## ▶ Ballot Proposal

- Increase in Sales Tax: \$1.34 Billion
- Elimination of sales tax on motor fuel: (\$752 Million)

## ▶ Statutory Changes

- Wholesale Tax on motor fuel: \$1.2 Billion
- Registration Changes: \$95 Million
- Earned Income Tax Credit: (\$260 Million)



- **Net Impact of Changes FY 2017-18** (*fully implemented*)
  - Michigan Transportation Fund: \$1.25 Billion (66% increase to allocation for cities and villages)
  - Comprehensive Transportation Fund: \$106 Million
  - School Aid Fund: \$394 Million (approx. \$265 per pupil)
  - Constitutional Revenue Sharing: \$118 Million
  - General Fund: \$36 Million
  
- **Potential for tremendous positive impact**



- ▶ On January 23, 2015 the League's Board of Trustees voted in favor of supporting the ballot proposal
- ▶ We need your help!
  - Letters to the editor
  - Resolutions of support
  - Educating residents
  - Attending events

- ▶ Able to successfully kill SB 313
  - Tremendous amount of support from members
- ▶ Would have limited a community's ability to collect a registration fee, potentially reducing revenue
- ▶ Would have created additional barriers to entry when attempting to inspect a tenant's property
- ▶ The League fully anticipates the legislation being reintroduced

- Cancer presumption legislation was signed by the Governor with the State responsible for any increased cost
- The law creates a presumption that if a firefighter develops certain types of cancer that it occurred during the course of their employment
- First Responder Presumed Coverage Fund is created
- Claims will only be paid if the legislature appropriates money to the fund
- Governor's comments upon signing, we expect continued conversations about a funding source

- Bills to allow local units of government to regulate or ban provisioning centers (i.e. dispensaries) and allow for medical marijuana infused products failed to secure passage
- A compromise on a proper regulatory scheme was unable to be reached
- Protection of local control continues to be a priority for the League
- Continued discussion on this topic is expected

- Legislation introduced to amend the DDA act to provide additional transparency and reporting requirements stalled in the House
- After much discussion and lack of a compromise, it was determined that this issue would be best revisited in the new term
- The Administration is interested in reviewing this issue from a streamlining and flexibility standpoint
- The League looks forward to being part of a comprehensive discussion

- The Legislature failed to pass legislation that would have prohibited local units of government from creating a “community benefits ordinance”
- Currently Michigan communities can negotiate with developers and contractors when developing certain parcels of property
- The League believes the prohibition on these types of agreements is an egregious violation of local control
- This bill was reintroduced last week as HB 4052

- Governor signed legislation making a wide variety of changes to the Freedom of Information Act
  - Municipalities will be required to adopt procedures and guidelines in order to charge any fees associated with a FOIA request
  - Need to adopt a standard, itemized invoice to inform the requestor about the source of each charge
  - Labor costs can only be included based upon the lowest person *capable* of performing the duty, whether that employee did the work or not





- All labor time increments must be rounded down to the nearest 15 minute increment
- The legislation does allow an additional 50% of the labor costs to be charged to cover fringe benefits
- Penalties for non-compliance were increased
- Legislation is effective July 1, 2015
- The League will be incorporating how to implement these changes within the appropriate training for members

- New legislative session began on January 14
  - New leadership in House and Senate
  - 44 new legislators elected in November
- Governor presented his State of the State speech on January 20
- Energy issues expected to be a primary focus this year – Gov. Snyder will release a special message on energy in March
- With the May election looming, road funding will continue to be a focus, along with how those funds would be distributed

- ▶ Additional issues could include
  - Special messages from Governor expected on criminal justice and drug abuse
  - New state departments for workforce and combined DCH & DHS
  - Regulation of Transportation Network Companies (Uber) and taxi/limo regulations
  - Local control of speed limits
  - Public Notice Reforms
  - Special assessments for police and fire

- ▶ Revenue Estimating Conference held on Jan 16
  - GF/GP estimates reduced for FY15 and FY16
  - School Aid (sales tax) revenues remained on target
  
- ▶ FY15 Budget
  - State GF/GP growth reduced by \$324 million
  - Economy growing – reductions caused by tax credits
  - Budget Director expects service reductions
  - Governor says that he is not looking to local governments or schools to solve this shortfall
  - Revenue sharing increased 3.3% overall (\$32M)

## ► FY16 Budget

- Scheduled to be presented on February 11
- GF/GP \$532 million less than estimated last year
- Still expecting 2.2% GF/GP growth
- Sales tax/School Aid revenue expected 3.2% growth
- Road funding revenue not expected to be included

## ► Supplemental budget expected

- May 5<sup>th</sup> election will require \$10 million reimbursement to locals
- Departmental budget cuts

- Last December, Congress pass a \$1.1 Trillion budget, which funds the federal government (most of it) through the end of the current fiscal year (Sept 30<sup>th</sup>).
- There were not a lot of changes to budget areas. TIGER and CDBG funds saw small reductions, but transit saw an increase in funds. It was a mixed bag for municipal programs.
- Marketplace Fairness (aka Streamlined Sales Tax, aka Online Sales Tax Collections, aka...aka) was not included in last minute budget deals. This will remain a priority in the new session.

- Congress will also be working on a long term transportation funding mechanism this spring (maybe?), as the extension of MAP-21 expires May 15.
- There has been significant talk about this already. And many Congressional leaders are already suggesting a gas tax increase. However, this is a big lift for a new Congress who will also be crafting their budget at the same time.
- The President's budget will be released February 2<sup>nd</sup>, which will lay the groundwork (or start the fight?) for the coming year.

## ► State:

- Chris Hackbarth - Director, State Affairs
  - Municipal Finance, Labor
- Nikki Brown - Legislative Associate
  - Economic Development and Land Use, Municipal Services
- John LaMacchia - Legislative Associate
  - Transportation & Infrastructure, Energy & Tech
- Derek Tisler - Legislative Assistant

## ► Federal:

- Summer Minnick - Director, Policy Initiatives and Federal Affairs