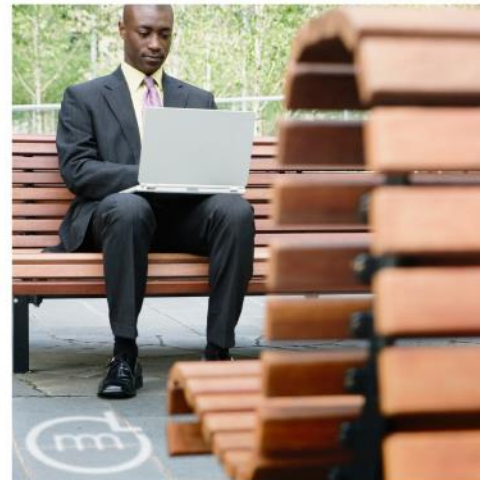


MLGMA Summer Workshop

Legislative Update

July 2015



michigan municipal league

► Issues

- House/Senate Road Funding Plans
- State Budget – Revenue Sharing/Transportation
- Municipal Finance
- Community Benefit Agreements/Preemption Efforts
- Energy Policy
- Dark Stores
- Medical Marihuana

- On May 13th Speaker of the House Kevin Cotter released his plan to raise \$1.16 billion to repair roads and bridges
 - \$792 million from the General Fund
 - \$135 million from Redirecting Restricted Funds
 - \$117 million from “Tax Fairness”
 - \$38 million in new revenue
 - Reforms and Efficiencies
 - Fails to invest in transit
 - Phased in over 4 years
 - FY 16: \$555 Million
 - FY 17: \$785 Million
 - FY 18: \$949 Million
 - FY 19: \$1.16 Billion

► General Fund

- Creates a restricted fund that dedicates money from income tax revenues to roads
- Relies on future growth to ensure other areas of the state budget aren't cut
- After FY 19 the amount of revenue dedicated to roads will rise at the rate of inflation or 5%, whichever is less

► Restricted Funds

- Cuts MEDC funding by \$135 million
 - \$75 million of tobacco settlement money from the 21st Century Jobs Fund
 - \$60 million from the tribal gaming compacts

➤ Restricted Funds continued

- Cuts to MEDC could have a devastating effect on the Community Revitalization Program, Public Space and Community Places program, and other MEDC grants that communities utilize

➤ Tax Fairness

- Diesel parity
- Increased registration fees on Hybrid and Electric vehicles
- Elimination of the earned income tax credit

- Earmarks \$350 million of existing income tax revenue in 2016 and \$700 million each year from 2017 to 2032 solely for roads and bridges.
 - Corresponding cuts are unidentified
- Increases gas tax by 15 cents
 - 4 cents on Oct 1, 2015
 - 4 cents on Jan 1, 2016
 - 7 cents on Jan 1, 2017
 - Put into a **lock box** fund controlled by the Department of Treasury that could only be spent after approval is given by joint resolutions of the House and Senate.



- Gas tax increase is tied to inflation and will flow through the full formula providing an additional \$75 million to transit
- Would roll back the state's income tax if General Fund revenue exceeds the rate of inflation
 - For every .1 % that is rolled back from the state's 4.25 percent income tax rate an additional \$230 million would be reduced from General Fund
- Diesel parity
- Increased registration fees on Hybrid and Electric vehicles

➤ Reforms and Efficiencies

- Require MDOT and local road agencies to competitively bid projects over \$100,000
- Require warranties on all projects over \$1 million
 - Senate Bill included 23 new reporting requirements

➤ The League **opposes** the House and Senate plans

- A new, dedicated revenue source is needed that invests in our entire transportation network, including transit.
- We cannot support a plan that diverts \$700 million or more in General Fund revenue to roads, opening the door for potential cuts to revenue sharing and other important public services in the future.

- Joint letter with other organizations concerned about General Fund cuts
 - Universities, MLPP, MAC, MTA, Police, Fire
- Commissioned report analyzing the budget impact of cuts to the General Fund found in SB 414
 - Key Findings
 - The state's GF has declined 1.8% since FY 2001, and adjusted for inflation has declined 23%. No state in the nation has cut its budget more than Michigan over that period.
 - The state already faces revenue pressure from several tax changes scheduled to take effect in FY 2017-18, when SB 414 would take full effect.

- Additional spending pressures are also expected, given federal policy changes that will require more state support for basic human services.
- If SB 414, as passed by the Senate becomes law, the likely impact on the FY 2017-18 General Fund (GF/GP) budget would be \$450 million to \$550 million in GF/GP budget cuts.
- This equates to budget cuts between 11 percent and 13 percent from each department line item.
 - That assumes the Legislature could reduce health and human services, and corrections spending, the two largest items in the GF budget, by a combined \$100 million.

- Distributed to the press
 - Received significant attention in news media across the state
- Provide a copy of the report to Legislators
- Op-Ed's and continued engagement are planned
- To view a copy of the letter and the report please visit the Inside 208 blog

- We will need you help! Please be ready to engage your Senator and Representative!

- Final budget for transportation includes a \$400 million contribution from the General Fund.
 - \$140 million will be used to ensure that the state can match all available federal aid highway funds
 - \$260 million will be distributed to MDOT, county road commissions, and cities and villages
 - \$102 Million for MDOT
 - \$102 Million for County Road Commissions
 - \$56 Million for Cities and Villages

- Legislature completed work first week of June.
- Statutory revenue sharing maintained at current year level.
- \$5.8 million added to continue funding 100 townships that were added back in last year.
- EVIP left out – only remnant is dashboard / transparency.
- New legislative workgroup to examine revenue sharing distribution formula.

- Engaged in numerous research projects – internal data collection and external/3rd party validation
- Developing recommendations involving legacy costs, revenues, and structure
- Meeting with Governor's office, state Treasurer, Budget Director, other relevant Department Directors

- Dark Stores solution – focused on tax tribunal and deed restrictions
- Personal Property Tax clean-up package
- City Income Tax efforts
- Veteran Property Tax exemption
- Pension and OPEB bonding tool
- Recreation authorities

- House Bill 4052 changed from focus against Community Benefit Agreements to banning local ordinances impacting wages and benefits
- Broad language would have impacted all local contracts with vendors and economic development agreements
- Amendments added to carve out non-discrimination ordinances and deal with “unintended consequences”
- MML, MAC and MTA opposition forced numerous changes and engaged support from Governor
- Preemption theme continued with bills banning knife and air gun ordinances, dictating bed bug regulations, and banning paid leave for union activities

- Energy is one of the biggest topics of 2015 and the Governor, Senate Republicans, House Republicans, and the Senate and House Democrats all have their own plan on Michigan's future energy policy
- Biggest topics
 - Retail Open Access (Choice)
 - Energy Optimization/Efficiency
 - Renewable Portfolio Standard
- There is no consensus on these issues and it is anticipated that a significant attempt to find a solution will occur in the fall

- The League is committed to a solution that allows our communities to take advantage of cost savings through energy efficiency and renewable energy while ensuring reliability and affordability
- Key Platform Positions
 - Maintain current 10% renewable standard, and 1% energy optimization standard
 - Flexible on the 10% Choice Cap
 - Ownership of street lights
 - Data for community planning
 - On-Bill Financing
 - Dynamic Pricing

- HB 4209 (dispensaries) and HB 4210 (medibles) both re-introduced from last session after dying in lame duck
- League involved in workgroups to ensure locals have the ability to allow or disallow these in their communities as well as zone where they can operate
- New structure would look similar to liquor licenses in that there will be different licenses based on the type of activity: grower, distributor, provisioning center, testing facility
- Still working on issues through the summer with expectation that bills move when they return in the fall

- Tax Increment Financing
- Commercial Rehabilitation Act Sunset
- Adverse Possession / Menominee
- Uber/Transportation Network Companies
- Elimination of February Election Date
- Online Public Notice Option
- Unfunded Mandates Package
- Must Be Present To Vote
- Rental Inspections

➤ Long term transportation funding

- The biggest issue facing locals in DC right now.
- Funding is set to expire July 31st.
- Last week, the House passed an \$8 Billion extension to fund projects through December 18th, 2015.
- However, the Senate seems more committed to a long term fix and leaders have said they are working on a bill yet this week to provide one. They are feeling a lot of pressure to stop “patching.”
- The Export-Import Bank is being thrown into the mix, which could complicate this entire issue.

➤ Online Sales Tax Collections

- New momentum to achieve online sales tax parity.
- Rep. Chaffetz (R-UT) introduced HR 2775, now titled the Remote Transactions Parity Act.
- Since it's introduction there have been many bi-partisan co-sponsors signing on. Currently Rep. Conyers is the only Michigan Congressional delegate to have signed on.
- The League has contacted each House member to encourage their support on their issue. Sample letters can be found by visiting the Inside 208 blog.

► State:

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

► Federal:

- Summer Minnick, Director, Policy Initiatives and Federal Affairs