

The background features abstract, overlapping green geometric shapes in various shades of green, ranging from light to dark, creating a modern and dynamic look. The shapes are primarily located on the right side of the slide, with some extending towards the left.

# MICHIGAN'S GREAT DISINVESTMENT

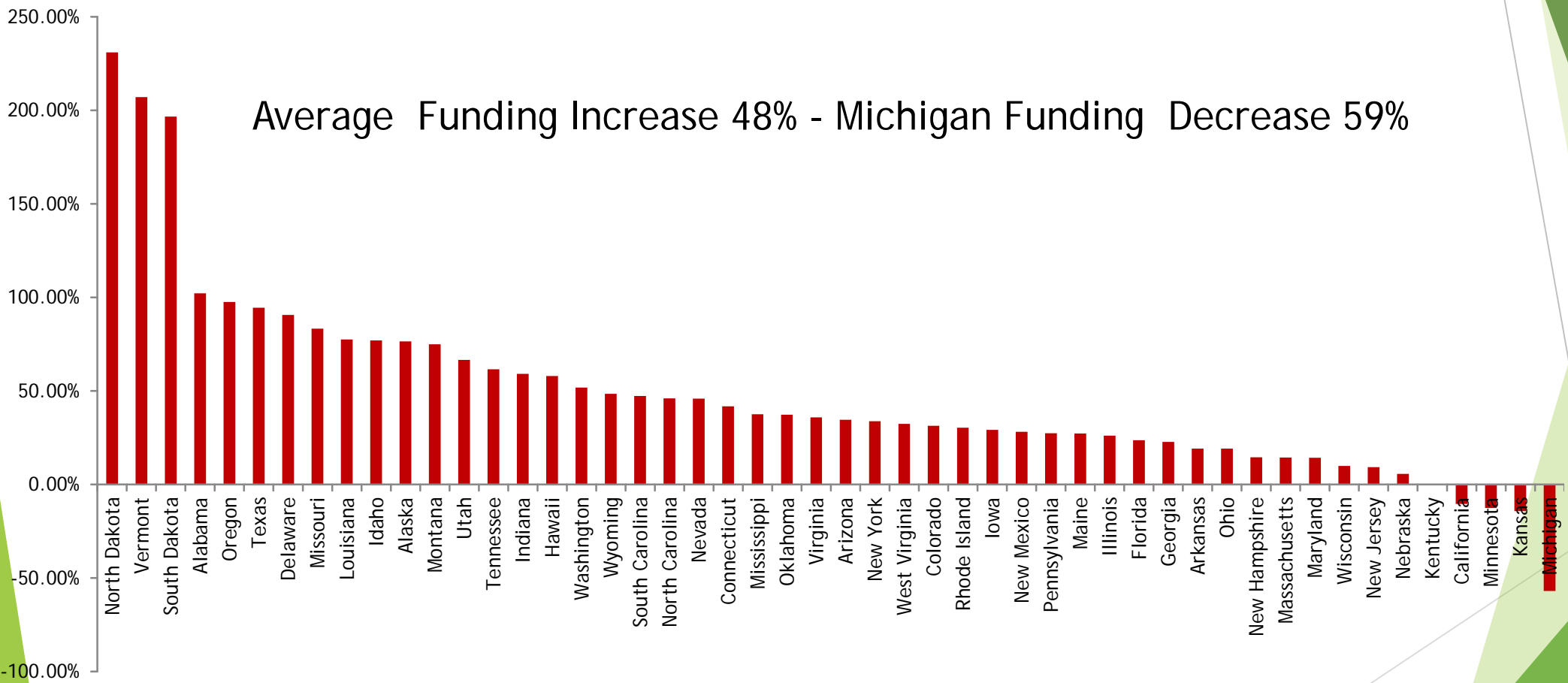
## HOW STATE POLICIES HAVE FORCED OUR COMMUNITIES INTO FISCAL CRISIS

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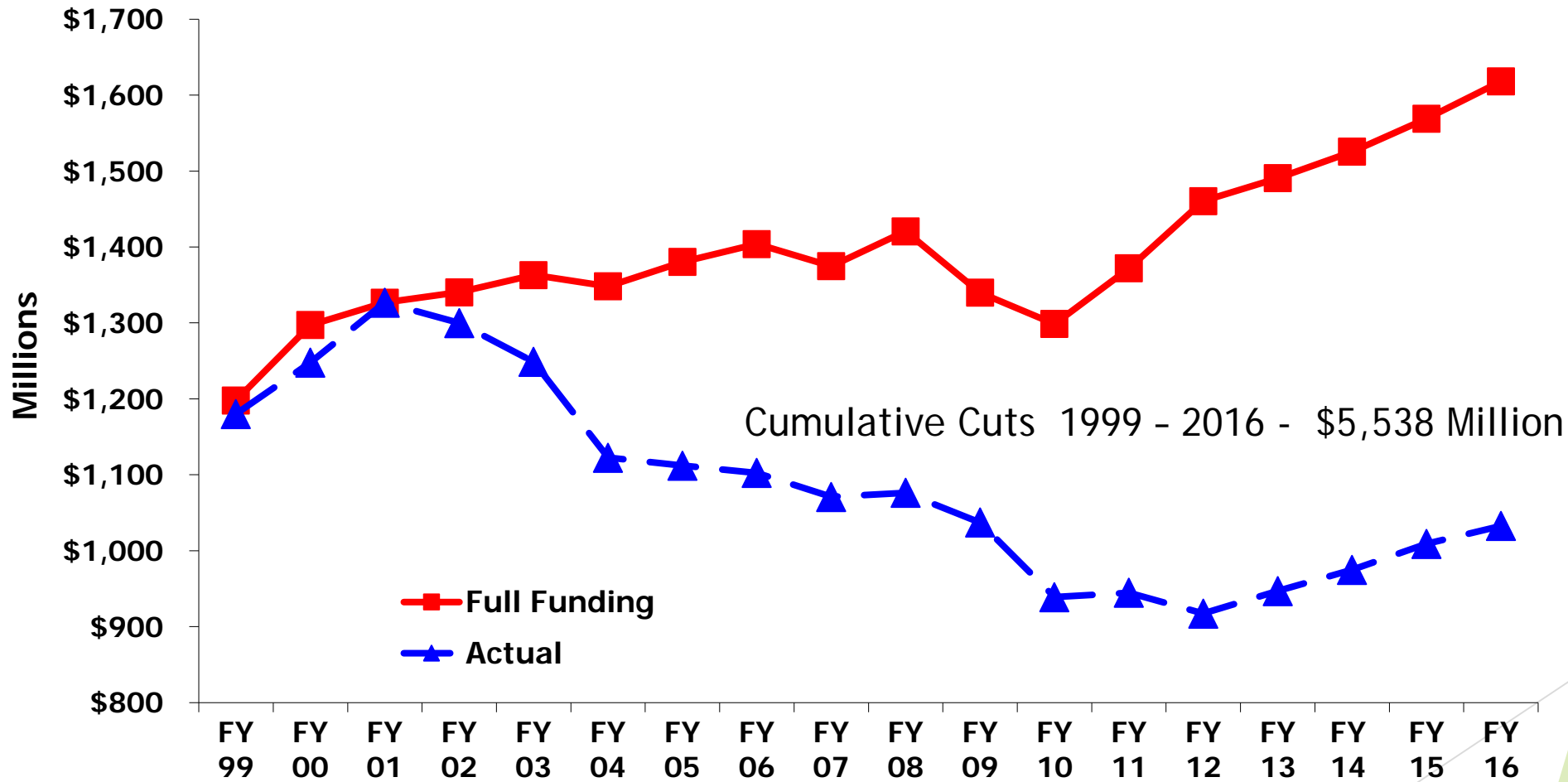
GLEC

# Change in Municipal Funding: 2002 - 2012 by State



Source: U.S. Census Bureau; 2002 Census of Governments, 2012 Census of Governments

# Total Revenue Sharing Payments to Cities, Villages, and Townships



# Property Values Recovering Slowly

Yearly Change

	Inflation Rate Multiplier	Total SEV <u>Growth</u>	Total TV <u>Growth</u>
2000	1.9 %	9.0 %	5.5 %
2001	3.2 %	10.0 %	7.1 %
2002	3.2 %	9.8 %	6.7 %
2003	1.5 %	7.5 %	4.8 %
2004	2.3 %	6.3 %	5.7 %
2005	2.3 %	5.9 %	5.6 %
2006	3.3 %	5.0 %	5.8 %
2007	3.7 %	3.8 %	5.2 %
2008	2.3%	-1.1%	1.4%
2009	4.4 %	-5.4 %	-0.8 %
2010	-0.3 %	-9.2 %	-6.6 %
2011	2.5 %	-5.8%	-4.3 %
2012	2.1%	-3.7%	-2.4%
2013	2.4%	0.2%	0.3%
2014	1.6%	3.0%	0.9%
2015	1.6%	6.1%	2.1%
2016	0.3%	3.6%	-0.5%

# State Limits Local's Ability to Raise Adequate Revenue Too Reliant on Property Tax: Growth 2008-2012

City	% Change
Pontiac	-46.3%
Flint	-42.4%
Roseville	-32.9%
Southfield	-32.8%
Farmington Hills	-30.2%
Saginaw	-24.9%
Lansing	-18.3%
Detroit	-15.8%
Grand Rapids	-8.2%
State	-13.1%

# Local Govt. Employment, 2000-2013

Sector	2000	2013	% Change
Total Local Govt.	350,570	290,785	-17.1
Local Govt. less Education	135,227	99,134	-26.7%
Local Govt. Less Ed. & Hosp.	126,557	91,623	-27.4%
Police & Fire	30,600	25,597	-16.3%

Source: U.S. Census Bureau

# Michigan Local Government is Small (2014 Bureau of Census Data)

State	Non-Education Employees per 10,000 Population	Rank
Michigan	193	49
Illinois	202	47
Indiana	204	45
Wisconsin	208	44
Minnesota	226	33
Ohio	235	27
United States	237	

# Taxable Values Continue to Decline for Many Cities:2012-2016

City	% Change
Pontiac	-16.3%
Flint	-24.5%
Roseville	-6.8%
Southfield	-4.9%
Farmington Hills	1.5%
Saginaw	-16.2%
Lansing	-2.4%
Detroit	-24.1%
Grand Rapids	-0.4%
State	3.7%



# Time-Line for New EM Law

- ▶ PA 4 Replaces PA 72 of 1990- March 2011
- ▶ PA 4 rejected by voters - November 2012
- ▶ Legislature passes new law PA 436 with appropriation to block initiative - December 2012
- ▶ PA 436 Effective March 2013

# Criteria under PA 436 of 2012 That May Trigger Financial Review (19 total)

- ▶ Local government fails to comply with deficit elimination plan
- ▶ Local government ends year in deficit
- ▶ Local government's bond rating at or below BBB
- ▶ Treasurer, at sole discretion, determines Local unit is in financial distress.

# New Powers Granted to EM under PA 436

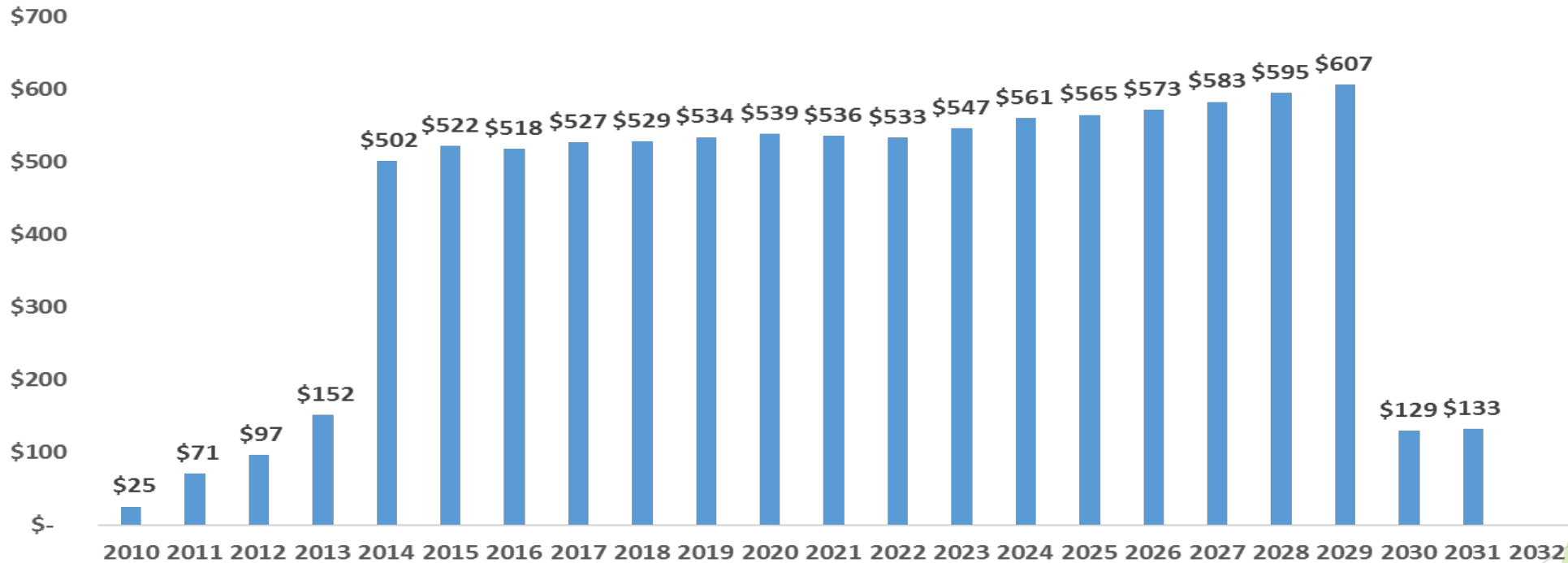
- ▶ The EM is authorized to reject, modify, or terminate the terms of an existing contract or a collective bargaining agreement (CBA).
- ▶ The local government will be exempt from collective bargaining requirements for five years or until the receivership is terminated, whichever occurs first.
- ▶ EM may dissolve a municipal government with Governor's approval
- ▶ EM may remove trustees of a local pension board
- ▶ EM may eliminate salary and benefits of chief administrator and government body.

# Total Michigan Direct Business Taxes

Year	Amount (000)	% of Total State Taxes
1991	\$1,818,000	15.50%
1995	\$2,386,000	13.70%
2000	\$2,628,000	11.50%
2005	\$2,381,000	9.90%
2010	\$2,279,000	9.80%
2012	\$1,787,000	7.20%
2013	\$1,199,000	4.80%
2014	\$846,000	3.40%
2015	\$781,000	2.9%
2016 est.	\$227,400	0.8%
2017 est.	\$559,100	
2018 est.	\$715,800	

# MEGA Credit Estimates

## Projected MEGA Credit Values by Tax Year (Millions)



SOURCE: Michigan Economic Development Corporation and Michigan Department of Treasury.

8/8/2016

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Council On State Taxation (COST) is a nonprofit trade association consisting of more than 600 multistate corporations engaged in interstate and international business. They publish yearly comparisons of state/local business tax burdens.

The study includes several measures of the state and local business tax burden and by every measure Michigan ranks near the bottom. The 2014 study found:

- State business taxes are 34.6% of total state taxes. The national average is 40.5%. Michigan ranks 42nd among the states.
- Michigan state and local business taxes are 34.5% of total state and local taxes. National average is 45% -- Michigan ranks 48th among the states.
- State and local business taxes as a share of state Gross State Product (GSP) -- Michigan is tied with Indiana for 46th among the states.
- MI business taxes per employee are \$4,100 - The national average is \$6,000 and Michigan ranks 49<sup>th</sup>.

And as business collections as % of total collections continue to fall -- Michigan may be last in every category.

# Cost of Selected Local Tax Incentives, FY 2016 Estimate

	Cost (millions)
Tax Increment Financing	\$280
Industrial Facilities Development	\$229
Renaissance Zones	\$87
Personal Property Industrial Facilities	\$69
Neighborhood Enterprise Zones	\$23
Taxable Value Cap	\$890
Personal Property Exemptions	\$368
Mobile Home Tax	\$54

# State-Local Revenues as % of Personal Income, 2012

State	Tax Burden	Rank
New York	15.0%	3
Illinois	11.7%	10
Minnesota	11.6%	11
Wisconsin	11.4%	13
Ohio	10.5%	18
Indiana	10.3%	24
Pennsylvania	10.2%	26
Michigan	9.9%	33
U.S.	10.5%	--



# Per Capita Highway Expenditures, 2010

<u>State</u>	<u>Expend Per Capita</u>	<u>Rank</u>
Illinois	\$443	37
Indiana	\$430	40
Michigan	\$305	50
Minnesota	\$524	25
New York	\$432	39
Ohio	512	26
Wisconsin	535	23
United States	\$584	

# Per Capita Public Safety Expenditures:2010

<u>State</u>	<u>Expend Per Capita</u>	<u>Rank</u>
Illinois	\$31	41
Indiana	\$34	42
Michigan	\$27	45
Minnesota	\$52	13
New York	\$64	9
Pennsylvania	\$65	8
Wisconsin	\$23	50
United States	\$40	

# Options to Avoid Municipal Bankruptcy

- ▶ Increase in State revenue sharing
- ▶ Increased taxing authority-allow piggybacking on state income tax
- ▶ Tax base sharing
- ▶ Regional police and fire districts
- ▶ Metropolitan government
- ▶ Pension reform\
  - ▶ - Require locals to join MERS or state pension plan
  - ▶ - Limit multiplier to 2 in most cases
  - ▶ - Require DC or hybrid plan for new employees
  - ▶ - Issue state bonds to eliminate unfunded liability

# Potential Solutions

- ▶ Allow Counties to Piggy-Back of State Personal Income Tax @ 1%. To be Collected and Distributed by State
- ▶ E.G. Maryland's 23 Counties and City of Baltimore Impose Personal Income Tax Administered and Collected by State at Rates of 2% to 3% Rate - Local Governments receive \$4 billion per year
- ▶ Michigan Local Governments Collect \$400 million From City Income Tax
- ▶ Alternative: Authorize Option of 1% County-Wide Sales Tax - Would Raise \$1.4 Billion

# Potential Funding Solutions

- ▶ State Restore at Least \$500 Million of Revenue Sharing Cuts
  - ▶ Rework Transportation package to eliminate GF transfer (\$600 million)
  - ▶ Increase Personal Income Tax From 4.25% to 4.5% to raise \$600 million dedicated to Locals
- ▶ New Distribution Formula would Use Population, Per Capita Income, Per Capita Property Tax Base, and Cost of Essential Services
- ▶ If Legislature will not Act - Gather Signatures for Initiated Statute or Constitutional Amendment

# Potential Solutions For Municipal Unfunded Pension Liability

- ▶ State issue Bonds (\$2.5 billion needed) for Unfunded Pension Liability- Locals Pay Debt Service
- ▶ Locals Required to:
  - ▶ Join State Plan or MERS
  - ▶ Place New Employees in DC or Hybrid Plan
  - ▶ Limit Multiplier to No More Than Two For Future Benefits (adjusted for employee contributions) exception for Police and Fire may be needed

Note: State issued \$3 billion in bonds for UI debt in 2011