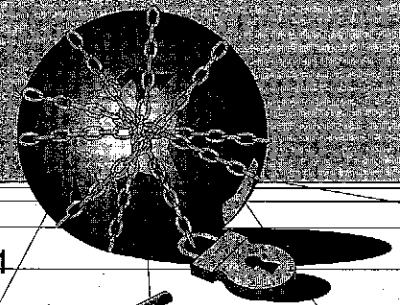


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THE SITUATION IN MICHIGAN

(The following article is a mildly edited transcript by GroundSwell editor Nadine Stoner made from an audio tape kindly provided by request to video-taper Paul Justus at the Council of Geogist Organizations conference held in Detroit/Southfield, Michigan, on August 5, 2015.)

SAMANTHA HARKINS, Director, Michigan Municipal League Foundation.

The Municipal League represents all the cities of Michigan and most of the villages. We also represent three urban townships, the townships that surround the city of Lansing. We represent a wide variety of communities, all of which are very different, politically and geographically different, and have different socio economic make ups. They are very different communities but the real issues that communities have--whether it is transportation funding, personnel costs, finance--all are the same issues but just on a different scale.

In terms of what is happening in Michigan, none of you are strangers to the urban plight that we have faced here in the state in the last decade or so. The City of Detroit had the largest bankruptcy in U.S. history. And that was certainly a significant challenge. From the legislative standpoint, our communities get state shared revenue and in the last decade, the legislature has underfunded state shared revenue to the tune of about \$6 billion. If they had funded state revenue sharing according to the formula that is in the statute, we would have added \$6 billion more in funding to our communities. In addition to that, property tax values plummeted in 2007-2008. Some communities were down more than 50% in property tax values. That has been extremely challenging. The other challenge is that people don't understand that will be a factor in that property tax values have taken an extraordinary hit. We have constitutional limitations on how property tax values can grow. In Michigan back in the early '90s we passed Proposal A, which covers municipal and school finance. It "limits annual assessment increase for each property parcel to 5% or inflation, whichever is less. When the property is sold or transferred, assessment is adjusted to current value." And in 1979 we passed the Headlee amendment to the Michigan constitution. Those two things combined capped property tax growth, and the rate of inflation is almost always less. I live in the city of Lansing, our property tax values are bouncing back pretty nicely, and as a resident in the city I get an awesome deal because of that growth. The city is getting hit because it can't capture all of that actual growth. That makes it very challenging, and as a local government organization it requires us to try to help our members think creatively and differently about how to fund all the things that we need to fund,

police, fire, parks and everything in between.

Back in 2013 we put together a policy document we call the Partnership for Place. It has several focuses, including transportation, municipal finance, talent retention, and generally speaking creating great places, and one of the pieces our members were very supportive of was land value taxation. Our process was that we have internal committees that deal with different issues. And we took all these different ideas to all our different internal committees and then to our board, and land value tax was one of the most popular ideas. I will say conceptually our members love it; practically I don't think they get it entirely. It does present constitutional challenges and municipal finance challenges layer on top of that. We have this really cool idea which is what some other states are doing and try to look at our tax system in this comprehensive way. It is very challenging just to pass a budget and they are trying to figure out how to deal with transportation, and it is a bit of a one track mind in the legislature so far this year.

We have worked with Josh Vincent of the Center for the Study of Economics. We have talked to him from a policy perspective for a couple of years and starting talking about how to do this legislatively. Josh talked to one of our colleagues about a couple of communities just to analyze their tax rolls to see if this would be a beneficial tax model for them. We looked at two very conservative communities, one in Southeast Michigan and one in west Michigan. Josh is going to talk this afternoon about how beneficial it would be to those communities. I will say why we chose those communities. We have a Republican controlled House and Senate and Governor's office. We have no doubt if we did this for Flint and Detroit and Pontiac and Ypsilanti and all of our Democratic communities, particularly here in SE Michigan, there would be significant benefit with land value taxation. The legislators don't want to talk about Detroit, and legislators from west Michigan don't care about Flint. Last session in 2013-14 we had legislation introduced by Rep. Andy Schor who lives in Lansing and was my former colleague at the Municipal League who worked on transit legislation. We had legislation introduced last year and there was a lot of interest in the concept. Part of the challenge is we have in Art. 9, Sec. 3 in the Michigan constitution a provision that states you cannot tax land at more 50% of what is its true cash value. So the challenge then becomes in implementing the land value tax, how to do this to circumvent that particular provision in order to tax that property at its highest and true value. What we tried to do was to create zones, if you will, and allow government to create a land value (continued on page 12)