



**MICHIGAN
ASSOCIATION
OF COUNTIES**

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Timothy K. McGuire, Executive Director

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The Honorable Mark Jansen
Michigan Senate
State Capitol
Lansing, MI 48909

Dear Senator Jansen:

SB 7 and SJR C would mandate a cap on the aggregated employee healthcare benefit premiums that local governments pay and allow the state legislature to mandate local employee health benefits in the future. **MAC opposes SB 7 and SJR C as written and urges your reconsideration of the issues below.**

MAC believes that there will be unintended consequences connected with this legislation. First, counties negotiate healthcare, wages, and retirement as three related items. Setting limits on the healthcare leg of this stool, will only increase demand for higher wages and increased retirement benefits, which tend to have legacy costs in retirement that must be pre-funded. Rising retirement costs will increase county costs in the long-term. Second, the bills open local benefits up to state mandate for the first time, but do not require the state to fund the results of the mandate. Opening this door could lead to state political gamesmanship at the local level. The legislature, once given the opportunity to mandate local benefit payment, could then change the percentages at will (either up or down), without having to be fiscally responsible for the results, or the negotiations that ensue on wages or retirement benefits.

As an alternative, MAC recommends that the legislature consider giving local governments the tools necessary to allow them to control costs as duly elected officials. Such reforms include unfunded mandates reform, juvenile justice and foster care reform, LEIN reform, inmate healthcare reform, a discussion on the proper funding source for the courts, PA 312 reform, Urban Cooperation Act reform, service sharing incentives, and economic development reform just to name a few items. MAC looks forward to working with you on any of these issues. I have attached a copy of MAC's Legislative Priorities for your review.

Sincerely,

BENJAMIN E. BODKIN, Legislative Coordinator
Michigan Association of Counties

Attachment: MAC 2011 Legislative Priorities



Michigan Association of Counties 2011 LEGISLATIVE PRIORITIES

REVENUE SHARING

Counties have saved the state **more than a billion dollars** since 2005 when they gave up revenue sharing temporarily to help the state with its budget problem. Counties will continue to help the state budget until the final county exhausts its reserve account well past the year 2020.

MAC is committed to being a positive voice as the Governor explores ways to incentivize revenue sharing, and believes that counties prior sacrifice on the states behalf, their leadership in the effort to reform, share services, and reduce the size and scope of government, and their efficiency in providing state mandated services for little or no cost to the state should be part of this discussion.

MAC urges the Legislature and the Governor to live up to their end of this important promise which benefits the state and continue revenue sharing payments to the new slate of counties in fiscal years 2012 and 2013.

UNFUNDED MANDATES

In 2009, the Legislative Commission on Unfunded Mandates determined that **more than \$2.5 billion in services that can be measured**, and billions more that cannot be measured, is provided by local units of government for free to the state of Michigan through unfunded mandates. Legislation has been introduced to correct this problem going forward.

There is little that can be done about past state violations of the Constitution, however the legislation would require the state legislature to pay for any new mandates it imposes on counties and other local governments, or else it would become optional. Further, the legislation would make it possible to avoid costly and time-consuming court battles for both sides by streamlining the process by which unfunded mandates are challenged.

MAC supports passage of the Rep. Kowall package of bills to eliminate future unfunded mandates by the legislature on counties and other local units. The package would make it easier for the legislature to abide by the Constitution.

ECONOMIC DEVELOPMENT & TAXATION

Public Employee Compensation Reform

MAC understands the state's concerns with public employee wages and benefits. Each unit of government has a responsibility to the people it serves to be good stewards of the public dollars it is entrusted with.

MAC encourages the legislature to enact meaningful reform measures to PA 312, the Urban Cooperation Act, and other similar acts to give counties the tools to hold costs down. MAC opposes state mandates on county employee benefits or wages because it could do so arbitrarily in the future with no cost implications to itself.

Economic Development Tools

Currently counties are at the whim of cities, townships and villages (CTVs) with regard to the implementation of economic development tools. While counties have opt-out provisions for DDAs, TIFAs, and LDFAs that have been created after 1994, capture districts implemented before that continue to capture county revenue, with no consent by the county. These tools can be extended, essentially forever, with no county input.

Additionally, some renaissance zones, enterprise zones and other assorted economic development tools are created by CTVs and only allow public comment period for counties. Even over a county's objection in these comment periods, the CTV can abate county property taxes. Counties, as a more regional voice, are in a better position to help local units of government coordinate and collaborate to help business thrive in Michigan.

MAC believes that counties should be the engine for regional collaborative efforts on economic development. If nothing else, counties should be able to opt out of revenue capture or exemption independently of CTVs.

Regulatory Reform

Getting rid of mandates, or making them optional would give county commissioners the ability to look at both their responsibilities and the funding their constituents entrust to them in a more holistic manner. Such mandates range from court funding to public health service mandates.

MAC supports making existing mandates optional in order to allow counties the flexibility to govern according to the will of the people they serve, rather than the dictates of Lansing.

Personal Property Tax

MAC's platform statements, which guide our public policy, continue to recognize the personal property tax as a tax that does nothing to promote economic growth. *MAC therefore supports elimination of this tax, with corresponding funding replacement from the state.*

Greater Discretion in Setting County Fees

Most fees for county programs are set in state statute even though the state does nothing to manage the programs.

MAC believes that fees for county programs and services should be set by county boards of commissioners, not to exceed the cost of doing business.

Protection of Liquor Tax Revenue

In past budget cycles, attempts have been made to raid the convention facilities fund, or liquor tax revenue, and in 2007, the fund was completely raided.

Counties rely on this source of revenue for substance abuse programs, among other sources, and would oppose utilizing this method to balance the budget.

Property Tax Caps

Counties and other local units of government have been subject to property tax limitations since 1978. These units cannot increase property taxes above the rate of inflation (or 5%, whichever is less) from one year to the next.

Since 1994, any growth, community-wide, above the rate of inflation, triggers a property tax rollback. These protections have treated Michigan's citizens very well for the past 30 years. Currently, while property values have been falling, it is important for the Legislature to realize the cost of providing essential services increases annually.

Any changes to our current property tax structure (for example: "Supercap ") need to carefully consider the impact on providing critical services, and hold local units of government harmless.

JUDICIARY & PUBLIC SAFETY

Law Enforcement Information Network (LEIN) Reform

The LEIN system is a state computer database that police agencies use to populate and keep criminal history records. The cost of the database is split 2/3 state and 1/3 local users by statute. LEIN was governed by the CJIS Policy Council, made up of users of the system, which set local fees and held responsibility in policing any misuse of the system. The Council was eliminated by Governor Granholm in 2009, and control was given to the State Police, where the database is housed.

The CJIS Policy Council must be reinstated in order to promote fair representation over control of the system and to comply with federal guidelines. The Council needs to be strengthened so that documentation requested in assisting the setting of local fees must be supplied by the state. Finally, a permanent source of funding must be found for supporting the LEIN database and local contribution needs to be recognized and valued. Revenues generated by the State Police from the sales of information contained in the system could be used to at least partially offset the cost of the system.

Sentencing Guidelines

As the state's prison system nears capacity, counties' jails face similar problems, with more than 80% of county jails at or over capacity. Many counties have laid off deputy sheriffs which provide secondary road patrol in favor of using those funds to meet their constitutional obligation to operate their jail.

Shifting the sentencing guidelines in a manner which results in more offenders heading to county jails or other local sentencing is a major concern for counties and can exacerbate an already difficult situation. MAC does not support this policy without being protected, dollar for dollar, from an additional funding burden.

County Jail Reimbursement Program (CJRP)

MAC has worked to assist the Department of Corrections for more than ten years in diverting felons from prison by housing them in county jails for a fee. CJRP was a trade-off result from installation of sentencing guidelines. Rather than contracting out for beds, county jails house prisoners in county jails which result in tremendous savings for the State.

Lately, CJRP has been threatened and MAC believes this program is working well and wishes to continue its progress in helping the state to save money rather than turning to other states for support.

E-911 Funding

Michigan's counties are national leaders in providing 911 services. This level of services is made possible by funds (90% of the total) raised at the local level for the purpose of protecting the citizens they serve.

MAC opposes any effort by the state to consolidate 911 services into a state department under state control. MAC supports using the corpus of the leftover Commercial Mobile Radio System (CMRS) fund to offer positive incentives for local units to consolidate 911 services at the local, county, or regional level.

Court Funding

While the court system in Michigan is one that is state controlled, it is largely county funded with little, if any say by counties in court operations. A study of 27 Michigan counties in 2006 showed that while those counties were required to spend more than \$183 million in court funding costs, the state reimbursed only 52%, or \$95 million (including salaries for judges). The unfunded gap would obviously be much larger for all 83 counties.

MAC urges the Legislature and Governor to begin the process of bringing Michigan's system of court funding back to the state.

HEALTH AND HUMAN SERVICES

Foster Care / Juvenile Justice (JJ) Reform

Counties are mandated by the state to pay for 50% of the \$37 per day administrative fee charged by private child-placing agencies for foster care. In the past, increases in this fee have resulted in continued increases in county costs. *MAC urges the legislature to pay for all administrative costs for foster care, regardless of placement.*

Investing in JJ programs that are home and community-based, when public safety is not an issue, results in lower cost and reduced or eliminated placements down the road. Home and community-based placements require more creativity, coordination, and staff-time to run than traditional residential placements, however, making them more difficult to put in place.

MAC encourages the legislature to increase the state reimbursement rate for community-based placements with proven outcomes to encourage counties with barriers to begin using these placement options. Finally, MAC suggests convening a council of stakeholders consisting of counties, courts, private child placing agencies, the department, and mental health in order to work on issues such as improving federal funding, encouraging more choices for placement, and for discussion generally of improving child welfare in Michigan.

Local Public Health

The state is required by statute to pay for 50% of the cost of mandated local public health services. The state has only met this requirement one time. Counties are paying about 75% of the cost of mandated local public health services, creating a classic example of the burden placed by the state on counties.

MAC encourages the legislature to fund its half of mandated local public health services according to the requirements of statute.

Community Mental Health

Appropriate funding of the community mental health system is important to keeping residents of the state healthy, and it benefits both the state and county budget by keeping people out of the judicial system. The ability to provide consistent and seamless care in county jails is also important, and state funding for local mental health needs to be continued to be allowed to be used in county jails so that treatment is not disrupted.

MAC supports appropriate funding of the CMH system. MAC further supports legislation clarifying the ability of a local CMH to use general funds for treatment in the jail.

County Medical Care Facilities

Michigan's 36 county medical care facilities provide skilled nursing and rehab services to the residents of Michigan, and are mandated to admit those without the ability to pay first, as the safety net for skilled nursing. These facilities primarily serve underserved and rural populations, are considered the standard of care in their field, and enjoy widespread support in their communities. Counties are required to maintain a maintenance of effort (MOE) payment, and the state benefits from the QAAP payments made by the facilities.

County Medical Care Facilities support renewal of the MOE for a period of 5 years. County medical care facilities oppose any attempt by hospitals to keep people in that more expensive setting longer than necessary by fiddling with swing bed statutes.

TRANSPORTATION

County Road Commissioners

Currently county road commissioners are selected via appointment or election (33 elected, 48 appointed) but all represent the county at-large. In many cases, all three or five of the elected road commissioners reside in the same geographic location in the county. Allowing county boards the option of creating road commission districts would ensure that every part of the county would receive the proper representation and attention to the care of their roads as well as provide some accountability to the constituency.

MAC supports legislation giving county boards the option of districting county road commissioners. MAC also supports allowing the board to limit the term of an elected Road Commissioner to four years.

Transportation Funding / Gas Tax Reform

Last year, the Transportation Funding Task force made several recommendations to maintain and improve Michigan's infrastructure. These critical recommendations are targeting economic development opportunities and safety issues for this state, through revisions to the various funding mechanisms for all modes of transportation.

Michigan's gas user fee has remained unchanged for more than 10 years. MAC supports increasing the gas user fee by nine cents, three cents per year for three consecutive years, and sunseting it in 7 years to reassess technological advances.

Also, Michigan's diesel fuel user fee has remains at a different rate than the motor fuel user fee. MAC supports raising the diesel fuel tax rate to match the rate on motor fuels. MAC strongly opposes any efforts to divert fuel tax revenue for other uses and supports the ability for individual counties to collect a gas tax which is applied for that specific county.

County Airports

The state of aeronautical infrastructure in Michigan is currently at a critical tipping point.

MAC urges the Bureau of Aeronautics and Department of Transportation to adequately fund the growing need of Michigan air service. MAC supports adequate State funds to continue to match federal funding and to leverage as many federal dollars as possible in ALL categories.

ENVIRONMENTAL

Payment in Lieu of Taxes (PILT)

Counties with large tracts of DNR owned property rely on PILT to help fund essential services. This funding source for locals has endured a five year freeze on assessments and needs to be protected. The state has a great appetite for purchasing land, and a poor track record of paying its taxes. Counties should also have the option of vetoing state land purchases in their jurisdiction.

MAC supports full payment of PILT by the state. Further, if property is coming off the tax rolls and the state cannot adequately pay its property taxes, locals should have the right to refuse these purchases.

Agriculture and Tourism

Tourism has become one of the fastest growing sectors of Michigan's economy; something that is largely locally supported and MAC would like to both protect and promote the growth of this industry. Agriculture has proven to be the one stable part of Michigan's economy.

MAC urges the legislature to continue funding local Conservation Districts and Michigan State University Extension to assist with the preservation of forest land, water, farm land, and other natural resources. These programs are active partners with local units of government and their resources.

Renewable Energy

While Michigan's leaders continue efforts to diversify our state economy, the renewable energy industry provides a major opportunity for growth in the near future. Local residents must have a say, however, and must also benefit from any development of renewable resources.

As Michigan moves towards meeting its RPS goals, MAC supports legislation for statewide development of renewable energy resources and energy conservation that allows counties an appropriate voice for the people who live in the area, and the ability to negotiate appropriate royalties to the benefit of the citizens who are affected by the new development.