



Senate Fiscal Agency
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**BILL ANALYSIS**

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Senate Bill 1485 (as enrolled)
House Bill 6338 (as enrolled)
Sponsor: Senator Mike Goschka (S.B. 1485)
Representative Jim Howell (H.B. 6338)
Senate Committee: Commerce and Labor
House Committee: Local Government and Urban Policy (H.B. 6338)

Date Completed: 12-14-04

RATIONALE

In 1979, voters in the City of Saginaw amended the city charter to limit the general property tax revenue collected by the city for general operations to 7.5 mils or \$3,828,778, whichever is less, subjecting the city to both a rate cap and a dollar limit. Since then, Saginaw has been operating without an increase in revenue to its general fund or an adjustment for inflation. As a result, essential services, including police and fire protection, have been reduced. In 2002, the Saginaw city council placed ballot questions before the voters seeking to remove the rate and dollar caps. Both measures failed.

To enable Saginaw to fund police and fire protection adequately, it has been suggested that the city be allowed to act jointly with other municipalities under Public Act 33 of 1951. This law allows townships, incorporated villages, and cities under 15,000 population, acting jointly, to create a joint police administrative board, fire administrative board, or police and fire administrative board. The Act also authorizes the municipalities to create special assessment districts and levy and collect special assessments to fund the administrative boards. Saginaw, however, is not eligible to join with other municipalities under Public Act 33 because its population is well over 15,000.

CONTENT

The bills would amend Public Act 33 of 1951 to refer to "qualified cities" instead of cities

with a population under 15,000. A "qualified city" would be either of the following:

- A city with a population under 15,000.
- A city with a population of 15,000 or more and less than 70,000 located in a county with a population of more than 200,000 and less than 235,000, if the question of raising money by a special assessment and the amount of the special assessment to be levied annually were approved by a majority of the qualified electors in the special assessment district.

The amount of the special assessment to be levied annually in a city with a population of 15,000 or more and less than 70,000 could not be increased unless first approved by a majority of the electors in the special assessment district.

Under the Act, the governing bodies of two or more contiguous townships, villages, or cities, acting jointly, may create a joint police administrative board, fire administrative board, or police and fire administrative board. The Act also authorizes all of the following:

- Creating special assessment districts and levying and collecting special assessments.
- Contracting for fire and police protection.
- Purchasing, maintaining, and operating fire and police equipment and defraying the cost of that equipment.

The Act applies to townships, and adjoining townships and incorporated villages and cities under 15,000 inhabitants acting jointly. Under the bills, the Act would apply to joint actions by townships and adjoining townships and incorporated villages and qualified cities.

The bills are tie-barred.

MCL 41.810 (S.B. 1485)
41.811 (H.B. 6338)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The 1979 charter amendment that capped property tax collections in the City of Saginaw has severely affected the city's general fund and resulted in major reductions in city services. According to information obtained from the city's website, if not for the property tax charter amendment, Saginaw could have collected an additional \$4,545,053 in revenue for its general operation fund in 2001. In the 24 years that the charter amendment has been in effect, the dollar cap has prevented the city from collecting over \$51 million in revenue from property taxes and State revenue sharing payments. As a result, the number of uniformed police officers declined from 194 in 1978 to 124 in 2002, and the number of sworn firefighters dropped from 138 to 90 over that period. While Saginaw's population decreased by 23.42% during those years, the reduction in its police force was 36% and its firefighter level fell by 35%. Overall, the city's departments and divisions suffered a 43% reduction in staff from 981 in 1980 to 555 in 2002.

Saginaw's voters have rejected proposals to remove the 1979 cap, most recently in 2002, but city officials who testified before the Senate Committee on Commerce and Labor contend that the voters would be willing to support additional revenue earmarked for public safety. By making Saginaw eligible to participate on joint police and/or fire administrative boards under Public Act 33, if voters approved a special assessment, the bill would provide an avenue for the city to fund its police and fire protection obligations at appropriate levels

in spite of the tax limitations imposed on the city by the 1979 charter amendment.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bills would have no effect on State revenue or expenditures, and an indeterminate effect on local revenue and/or expenditures. Presumably, local units enter into joint arrangements under the Act in order to achieve some goal(s), including coordination of services across adjoining jurisdictions or cost efficiencies. As a result, a local unit allowed to enter into joint arrangements under the bill could save money in providing certain services, either resulting in less need for future millage rate increases or allowing millage rates to be reduced. Similarly, a local unit could experience greater revenue by levying a special assessment to pay for joint services.

While Senate Bill 1485 does not fix the date for the population requirements, as of the 2000 Census, the only additional local unit that would qualify under the bill is the City of Saginaw. The City of Saginaw could fail to qualify under the bill, however, if Saginaw County's population (209,327 in 2003) dropped slightly. If Kalamazoo County lost enough residents, the City of Portage also would qualify. Similarly, if the population in St. Clair County continues to grow at recent rates, it is likely that sometime within the next 10 to 15 years, Port Huron could qualify under the bill.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.