

Bursley

DEPARTMENT OF TREASURY

JCER: _____

TREASURY BUILDING • P.O. BOX 810 • LANSING, MICHIGAN 48903

Municipalities and Elections

ALLISON GREEN, State Treasurer

TEE: _____

Approved by: _____
 OFFICIAL COLLECTION
 MICHIGAN GOVERNMENT

CC 92
 CARROLL C. NEWTON

1. ANALYSIS OF BILL NO. SB 1305 Date: April 30, 1974
2. Purpose: The bill would provide that the state recompense a city, village or township according to the value of property of the state situate in such city, village or township.
3. Introduced at our request: ☐ Yes ☒ No
4. Supported by us: ☐ Yes ☒ No
5. (Revenue) or (Budgetary) Implications to us \$ _____
- (Revenue) or (Budgetary) Implications to state \$ several million dollars per year
6. Other Agencies that might be affected: Dept. of Management & Budget
7. Arguments for:
- The argument for the bill of course is to provide some recompense to local government for services rendered to a state facility by reason of the fact that the state facility is situated in the city, village or township
8. Arguments against:
- The principal argument against the bill of course is that it is an approach to taxation of public property. It is probable that there is some validity and claim for some compensation for municipal services rendered to state facilities, yet in other instances, the location of the state facilities is a far greater advantage than the relative expense to the municipality for maintaining municipal services. This would be especially true in Lansing, but very probably in many other instances also.
- Would schools be next?
9. Suggested Amendments: ☐ Yes (see attached) ☐ No
10. Comments or Amendments:
- Through revenue sharing, the state is paying for far more service than it is receiving now.
- Should the state charge local units for State Police service, ect.?

E. J. Kane

MEMORANDUM

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
LANSING

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Date: May 13, 1974

To: Governor William G. Milliken
From: Department of Management and Budget
Subject: Analysis of Senate Bill 1305

1. What is the purpose of the Bill?

To provide payments (appropriations) to municipalities for municipal services received by state facilities, (state-owned real property) located within a municipality, and to prescribe duties and responsibilities for state and local officials in carrying out this process. Municipal services are defined as law enforcement and fire protection services except those services already contracted for by the state.

2.

A. Was the Bill introduced at the agency's request?

No.

B. Does it have the agency's support?

No.

3. Are there revenue or budgetary implications in the Bill?

A. To the department?

Yes. The Department would be affected with respect to those state department facilities that are located in a municipality for which the Department, as principal manager of all state facilities, would have to provide payment for the specified services. Program costs will obviously increase in providing for this payment.

B. To the state?

Yes. Overall, this Department and other state departments having an office and/or departmental facilities within a municipality will have to provide payment for the specified services. Total dollar impact has not been determined but it would have to be substantial, especially considering the amount of urban land associated with state highway developments and institutions of higher education.

4. What other principle departments might this bill affect?

- A. Department of State Highways.
- B. Department of Mental Health.
- C. Department of Corrections.
- D. Institutions of Higher Education.

5. What are the arguments for or against the bill?

A. Arguments for:

State facilities, like any urban land use, have always received the benefit of any municipally provided service with the exception of existing payments for utilities and special contracts for police and fire protection. Municipal services have been extended to or have covered state facilities and lands without any charge levied for the service. This is a result of the tax exempt status of state owned property which effects a basic means, i.e., the property tax, by which municipalities derive revenue for the support of such services. The state should not require local municipalities to absorb the cost of the services as has happened in the past, notwithstanding the direct and indirect benefits that do accrue to a community in total. Basically, any argument for the bill rests on the point that the state, like any other land owner, should pay for the services it receives.

Of a different nature but still within the same context is the payment for municipal services rendered on state land that relate directly to general public activities in addition to government activity taking place there. This refers to police enforcement services provided on state highways within municipalities and/or general police enforcement services at university or colleges at time of significant general public activity.

A. Arguments against:

Municipalities currently receive from a number of state sources, revenues which are utilized for the support of municipal operations. These include state and federal derived resources that are returned to the municipality for general program support as well as specific resources from restricted funding programs or contracted services to state agencies. The return of state collected funds under the former aspect is on a per capita formula basis which for those communities including a state institution includes the student or inmate populations in the determination of the resources to be returned. These communities are therefore directly receiving a dollar return greater than an annual year-around population base would receive.

The return of restricted funds, i.e., gas tax revenue, also provides an additional basis for program support. While limited for construction and maintenance purposes, these funds computed on a population and street mileage basis do provide program support in lieu of local general fund support.

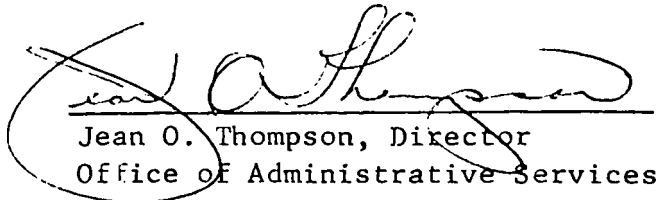
Respective communities also indirectly benefit from the concentration of state government activities in their areas. As employment centers, they provide a stable continuing base of employment opportunity with payroll dollars generally distributed in the immediate area. In this manner, they contribute to the overall economic viability of the community. The municipal tax base is also enhanced as a result of the stabilizing effect of the location of that government service activity.

6. Does the Department suggest amendments?

No.

7. Background Information

The use of land and real property value as proposed in the bill as a basis for determining payment does not provide an accurate or reliable means to determine service provision cost and reimbursement. State offices or department facilities may require more or less service than the property value would indicate. In particular, there are situations where police and fire protection services are now being directly provided by the state, yet no recognition of this is included in the bill. In these instances, the state would have to pay the municipality for services it is already providing itself and/or a service that the municipality may not be able to provide in any case. To reiterate, payments to municipalities for police and fire services should be on the basis of services rendered.


Jean O. Thompson, Director
Office of Administrative Services

Approved:


John T. Dempsey