

County Administrator's Digest

April 20, 2012

Alan G. Vanderberg, County Administrator

County of Ottawa
Administrator's Office
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West Olive, MI 49460
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www.miottawa.org

COUNTY HEALTH NEEDS ASSESSMENT (Lisa Stefanovsky)

The 2012 Ottawa County Community Health Needs Assessment is now complete. The assessment is a census-like study used to determine the community's health status and health service needs. The results of the assessment will be used to prioritize needs, dedicate funding and resources, and implement action plans for improving health outcomes.

The assessment project, which began in March of 2011 was led by the Ottawa County Health Department and was a collaboration among the county's three hospitals (North Ottawa, Holland and Spectrum-Zeeland), Community Mental Health and Greater Ottawa County United Way. The study included a Behavioral Risk Factor Surveillance Survey, key informant surveys, stakeholder interviews, focus groups, hospital and health care data analysis, and the analysis of Ottawa County secondary health data and vital statistics.

In most health measures, Ottawa County is outperforming the state and nation. For example, adults enjoy high life expectancy, exhibit lower than average rates of chronic disease, and engage regularly in preventative practices and screenings. Children and youth tend to complete high school at a higher rate, participate in fewer risk behaviors, and have high immunization rates. Although overall community health is good, there are significantly challenged subgroups within the county. Specifically, those with the lowest education and income tend to have the poorest health.

Some assessment results demonstrating opportunities for improvement include:

- While adult obesity here is lower than in Michigan, the percent of overweight adults is higher
- Alcohol use, both heavy and binge drinking, is more prevalent in Ottawa County than in Michigan.
- Alzheimer's disease is the 4th leading cause of death in Ottawa County and is higher than the Michigan and U.S rates.
- Our county ranks 80th in comparison to other counties in Michigan for unhealthy air quality days.

Even though mortality from, and the prevalence of, chronic diseases is generally



not higher, various community members feel that improved chronic disease care is needed, especially for those with diabetes.

A presentation of the data will be provided on April 25 at 1:00PM in the main conference room at the Ottawa County Fillmore Complex. If interested in attending, please RSVP to Rita Huron at 393-5772 or rhuron@miottawa.org. Also the full report can be reviewed at www.miottawa.org/health.org.

COUNTY HEALTH RANKING (Lisa Stefanovsky)

Two days before the release of the 2012 Ottawa County Community Health Needs Assessment, the Robert Wood Johnson Foundation and the University of Wisconsin released the third annual County Health Rankings results. The Community Health Needs Assessment team utilized the 2011 County Health Rankings as a springboard to gather a more detailed and comprehensive view of the health landscape in our community. Ottawa County has consistently ranked toward the top of the County Health Rankings and 2012 was no exception. The #2 rank, though a drop from 2011's #1 rank, is still an achievement for the Ottawa County community. Leelanau County, in northern Michigan, holds the #1 spot for 2012, switching places with Ottawa County compared to last year. The primary difference in Ottawa's and Leelanau's measures for 2012 is in the Health Factors measure called Physical Environment. Ottawa County ranked 78 out of 82 counties for this indicator that combines five different measures into an overall rank for physical environment: air quality (both ozone and particulate matter), access to healthy food, fast food restaurants, and access to recreational facilities.

The rankings give us a very broad view of how we rate against other counties according to various health outcomes and factors. We are pleased to see Ottawa County, again, near the top of the list. We do, however, view these results with cautious optimism. We know that there is always room for improvement.

To find out more about Ottawa County and the County Health Rankings project, view the report at MiOttawa.org/Health or go to CountyHealthRankings.org.

UPDATE FROM TIMBERLAND RESEARCH CONSERVATION AND DEVELOPMENT GROUP

Included here is a note from Neil MacDonald, GVSU professor and Ottawa County representative on the Timberland RC&D board. This group has undergone several changes but continues with its good work with conservation and has organized several projects in Ottawa County. *"Attached is the most recent Timberland RC&D newsletter ([click here](#)) providing an update on where we are with the Timberland RC&D after its reorganization. As you can see, we have hired a new executive director, and have moved to a new office in Grand Rapids. Our new Executive Director, Kristi Klomp, is moving forward aggressively to develop partnerships and projects, and the Board of Directors is very optimistic about the continuing success of the organization. We appreciate the support of Ottawa County, and will be continuing our stream improvement projects in the Pigeon River in cooperation with the Ottawa County Parks and Recreation Commission this spring and summer."*

NEW SHERIFF PATROL UNIT DESIGN (Gary Rosema)



With the fact that Ford has changed out the standard designed patrol units (Crown Vic's) that have been around for years we have over the last several months been exploring a variety of options that best service our needs. We have decided to stay with the Ford product for general patrol purposes and this years replacements will be the new Ford Police Interceptors. The vehicles are AWD and host a V6 engine which we believe will be

much more economical to operate. The Fords that we are currently receiving are some of the first in the state to be put into service. We are also going to continue to utilize the Chevrolet Tahoe in some of our specialty groups such as supervision and our E-Unit programs.



Along with the new Ford body style was a need to change our exterior graphic design due to the fact that the current design package just did not work well on the new vehicle lines. The new vehicle graphic's as shown will gradually become the design for the department as vehicles are replaced. In working with our vendor we were pleased with the design package and the Michigan Sheriff's Association has recommended this design as a model package for Sheriff's Office's around the state to consider.



GVMC DIRECTOR WEISS UPDATE

New GVMC Executive Director John Weiss is off to a great start and is doing a weekly update to the GVMC Board that he is encouraging Board Members to share with others. The last couple updates are included with the Digest ([click here](#)).

SEVENTH ANNUAL ASSET MANAGEMENT CONFERENCE SET FOR APRIL 25 IN LIVONIA

April 3, 2012 -- The Michigan Transportation Asset Management Council will sponsor the seventh annual Michigan Transportation Asset Management Conference, Wednesday, April 25, at the Schoolcraft College VisTaTech Center in Livonia. The conference will once again provide a forum for state and local officials to examine the relationship between asset management, pavement management, and road funding. This year a post-

conference workshop for elected officials will be offered on Thursday, April 26, at the same location.

With a theme of "Leveraging Best Practices," the conference will focus on providing attendees with practical examples of best practices being applied at the international, national, state and local level and insights on how organizations can gain financial leverage following asset management principles.

"Every state and local agency is faced with diminished financial resources to maintain infrastructure and services," said State Transportation Director Kirk T. Steudle. "Asset management is more important than ever in these challenging economic times. This conference highlights the benefits of taking an asset management approach with solid examples."

The Michigan Transportation Asset Management Council includes representatives from the Michigan Department of Transportation (MDOT), Michigan Municipal League (MML), Michigan Association of Counties (MAC), Michigan Townships Association (MTA), Michigan Association of Region (MAR), Michigan Transportation Planning Association (MTPA), and the County Road Association of Michigan (CRAM).

Transportation asset management is a process of managing public assets, such as roads and bridges, based on the long-range condition of the entire transportation system. The Michigan Transportation Asset Management Council, created in 2002 by the Michigan Legislature, promotes the concept that the transportation system is unified, rather than separated by jurisdictional ownership. Its mission is to recommend an asset management strategy to the State Transportation Commission and the Michigan Legislature for all of Michigan's roads and bridges.

All registrations are being handled by the Michigan Local Technical Assistance Program (LTAP) by phone at 906-487-2102. Seating is limited; early registration is encouraged.

Don't Barrel Through Work Zones! - Drive Smart to Stay Alive.

Contact: Jeff Cranson, Director, Office of Communications, 517-335-3084

Agency: Transportation

Commissioner Don Disselkoen is a member of the Asset Management Board. To view the brochure, please [click here](#).

April 3, 2012 PRESS RELEASE titled "*Seventh annual asset management conference set for April 25 in Livonia*": <http://michigan.gov/mdot/0,4616,7-151-9620-275099--,00.html>

PERSONAL PROPERTY TAX

Please find attached ([click here](#)) the Lt. Governor and Senate Fiscal Agency analysis of the package of personal property tax reform bills introduced in the Senate earlier this week.

BRASHEARS NAMED TO STATE GROUP

CMH Director Michael Brashears has been named by the Michigan Association of Community Health Boards to be a member of a leadership/visioning group that will work with the Michigan Department of Community Health to address healthcare reform. Brashears cited the following core aspects of healthcare reform:

1. Continuance of the CMH system to remain a public and local system of care
2. Continuance of DD services as part of the CMH system
3. Continuance of all current Waiver services
4. Integration of Substance use and behavioral healthcare management and services
5. Continuance of the mental health system as a healthcare carve out.

Serving Clinton,
Ingham, Ionia, Kent,
Mecosta, Montcalm,
Muskegon, Newaygo,
Oceana and Ottawa
Counties

2012 Meeting Dates

- Jan 20
- March 30
- May 16
- July 18
- Sept 19
- Nov 21

Meetings are held at
9 am in the 2nd Floor
Conference Room:

1345 Monroe Ave NW
Grand Rapids, MI

616-451-4844

Council Directors:

Jack Enderle
Linda Howard
Kathy Carter
Glenn Kebler
Carl Paepke
Bill Lasher
Neil MacDonald
Jim Maike



Resource Conservation & Development

February 2012

Timberland Relocates Office

Effective December 21, 2011, Timberland has moved to a new location. We are now located in the Cooper's Landing Building along the Grand River in Grand Rapids. Please make note of our new address and phone number:

Timberland RC&D Area Council

1345 Monroe Avenue NW, Suite 243

Grand Rapids, MI 49505

Ph. 616-451-4844

Howard Reinstated as Board Member

Timberland Board of Directors voted Mecosta County Commissioner, Linda Howard, onto the Timberland Board of Directors on January 20, 2012 for a one-year term. Howard had served on the Board prior, but vacated her seat in 2011, to serve as Interim Executive Director for the Council. The Council expressed their gratitude to Ms. Howard for her commitment and for lending her business and financial expertise to the organization.

Timberland Welcomes New Executive Director

Timberland welcomes Kristi Klomp as their new Executive Director, effective January 2, 2012. Ms. Klomp brings with her a strong and broad background in aquatic ecology and natural resource management. She has spent the last 15 years conducting fisheries research, teaching courses in environmental science, conducting aquatic assessment training workshops, and most recently coordinating Water Quality Programs at West Michigan Environmental Action Council. A graduate of the Department of Fisheries and Wildlife at Michigan State University, Ms. Klomp has been involved in several investigative assessments aimed at measuring fish and invertebrate response to sediment transport, dam removals, nutrient and pesticide contamination, and coastal development. A native of West Michigan, Klomp resides in Grand Rapids where she enjoys gardening, reading, kayaking, cross-country skiing, and spending time with friends and family.



She can be reached by email at: timberlandrcd@gmail.com



Membership Information:

Individual	\$50
Environmental Organization	\$100
Business	\$250
Corporate/Gov.	\$350

Endowments and special gifts are also accepted.

"Timberland RC&D is an equal opportunity provider and employer."

www.natureandpeople.org

Timberland RC&D
 1345 Monroe Ave NW
 Suite 243
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 49505
 Ph. 616-451-4844
timberlandred@gmail.com

Timberland Separates from NRCS

Several changes have occurred within the Timberland RC&D Area Council within the last year. In April 2011, Congress passed a budget for FY2011 without providing funding for the RC&D program. Essentially, this budget decision eliminated federally-funded Coordinator positions and operating costs for RC&D councils across the country, interrupted the working partnership RC&D's shared with the Natural Resources Conservation Service (NRCS), as well as displaced many of the RC&D's from their former federal office space.

Like many of the 375 RC&D Councils nationwide, Timberland has had to make some adjustments and strategic decisions regarding

their future operations and direction.

Recognizing the momentum Timberland has developed within the community to provide solutions for conservation and development, Timberland has decided to move forward within their framework of a nonprofit 501(c)3 organization to further meet the needs of the communities we serve. We see this not merely as a challenge, but as an opportunity to expand our scope of work beyond the limits that were previously in place as a federal program.

Tyler Creek Awarded MDEQ 319 Grant

Timberland Resource Conservation & Development Council was awarded a \$260,505 grant from the Michigan Department of Environmental Quality to address *E. coli* and other pollutants, to head a local education campaign and to work with landowners to implement best management practices. Timberland will be working with volunteers and partners to install

buffer strips, install wetlands, and investigate *E. coli* input into the creek.



Partners include the Coldwater River Watershed Council, the Schrems,

Lansing-Perrin and Michigan (state) Chapters of Trout Unlimited, Streamside Ecological Services, Inc., Streamworks, LLC, Annis Water Resources Institute, Tyler Creek Golf Course, Swisslane Dair Farms, Kent and Ionia county Drain Commissioners, and Alder Creek Enterprises, Inc.

About Timberland RC&D

Timberland is a private, non-profit organization based in Grand Rapids, MI. We are dedicated to helping people care for and protect their natural resources and to improve local economies, environment, and living standards. We work together with local residents to help plan how they can

actively solve environmental, economic, and social problems in their own communities. Timberland's purpose is to help local initiatives do what they want to do. Timberland can help facilitate projects, coordinate needed partners, seek technical and financial aid to carry out the project,

supply administrative and management assistance as needed while not duplicating other programs or compete for projects but fills locally identified voids.

Timberland RC&D is an Equal Opportunity Employer.



GVMC Hosts Sessions on Governor Snyder's Plan to Finance Michigan's Roads and Bridges

Focusing on the emerging issue of deterioration of our infrastructure, GVMC this week hosted over 50 leaders from our region in meetings with MDOT and the Michigan Transportation Team. Attendees included mayors, city managers, road commission representatives, township elected officials and public works leaders representing local governments from four different counties. Also attending were representatives of The Right Place, the Grand Rapids Chamber of Commerce and the West Michigan Policy Forum.

Scott Greenlee from the MTT discussed the \$1.4 billion problem with Michigan's roads and bridges. For example, of the 10,928 bridges in our state, 1,437 of them are judged to be structurally deficient. He also informed the groups about Governor Snyder's plan of future funding and received a great deal of feedback from participants. Thank you to all who attended and for providing your honest opinions.

Reminder: The GVMC Board Meeting will be held at 10:30 Monday April 9th at the Prince Center. It will be followed by the April Quarterly Luncheon with Special Guest Mark Murray.

April Board of Directors Meeting

Monday, April 9th is our next Board of Directors Meeting. It will be at Calvin College's Prince Center beginning at 10:30 am. The agenda will include a presentation by Peter Haefner, CPA of our final audit for the fiscal year ended September 30, 2011. Treasurer Cy Moore along with our Finance and Executive Committees have been working with Peter to finalize the audit.

Also, the Board will have an opportunity to meet our new financial consultant, Mr. Chris Brown, CPA. Chris has a great deal of experience as a CPA, but also with an agency like ours through his 5 years of service with the Macatawa Area Coordinating Council. Privatizing our finance department using Chris on a part-time contractual basis will result in cost savings of approximately 70%.

Also on the agenda will be brief communications updates, legislative updates specifically on our Michigan Transportation Team sessions and the work being done on the Personal Property Tax issue.

I have asked Mark Murray to join us prior to the lunch for a casual discussion/conversation with the Board. We will adjourn the Board Meeting at 11:45 for our Quarterly Luncheon.

Spotlight on Cooperation

Many of you know that GVMC owns a Pavement Condition Data Collection Vehicle. Purchased in 2005, using federal and local funds, this technically sophisticated van is used to survey and collect pavement conditions and sign data.

The data from the van is shared with all members of GVMC. Pavement Management and Sign Management are critical and essential parts of the asset management system required by the state and federal governments.

Each year, GVMC collects data on 1,620 miles of the federal aid system, (mainly major roads). We also assist local governments with their roadway systems by analyzing 800 miles annually. This scientific data is used to program and prioritize future road improvement projects.

As GVMC members the cost of this service is dramatically less than the current market cost using a private consultant. Thirty-two units of government participate through GVMC. In addition, the communities of Novi, Meridian Township, and Portage have also utilized our Pavement Management Vehicle on a fee for service basis.





April 20, 2012

Personal Property Tax Bills Introduced

The is no more important emerging issue for local government than the Personal Property Tax. This week, the Senate introduced an 8 bill package (Senate Bill 1065-72) to reform the Personal Property Tax act. Hearings will be taking place in the Senate Finance Committee over the next several weeks regarding this proposed plan. The first hearing was Wednesday afternoon.

Below you will find the key concepts of the package of bills. You can find copies Senate Bills 1065-1072 on the Senate Website at www.senate.michigan.gov. Look for "Bill Info" in the blue banner under the picture of the state capitol.

As mentioned this package of bills seeks to "reform" the Personal Property Tax. The proposals are as follows:

- Elimination of PPT for commercial and industrial businesses that have under \$40,000 worth of PPT in the same jurisdiction. An affidavit will have to be filed with the local collecting unit and Treasury.
- Credits that involve properties currently in PA 198, PA 328, Enterprise Zones and Technology Park Developments that qualify for an abatement will continue to qualify for relief until they become exempt.

- "Qualified New Personal Property" that meets the definition of "eligible manufacturing personal property" purchased after December 31st of 2011 will be exempt starting in 2015. Under the plan, payments will need to be made on this equipment until 2015.
- "Qualified Previously Existing Property" which is defined as "eligible manufacturing personal property" that is over 10 years old will also come off the books beginning in 2015. After 2015 a seven year phase-out period will begin that eliminates "qualified industrial property" purchased between 2005-2011.

As it pertains to local reimbursement, Treasury is instructed to create the "Personal Property Tax Reimbursement Fund" that will refund an estimated 81% of funds lost to local units of government.

Not only is the loss of local government revenue a concern in this legislation, but so is management of the reimbursement funds and the process. Currently local governments control their Personal Property Tax Revenues without state involvement. This legislation creates within state government a "Personal Property Tax Reimbursement Fund" which is controlled by the Department

of Treasury NOT the local governments. Local governments will be dependent on state government to reimburse lost revenues. In addition, it appears that reimbursement from the fund will only be allowed for governmental units that will lose in excess of 2% of their general fund revenues. The amount reduces to 1% for economically distressed governmental units.

Several of our members have asked if the hearing process is open to the public. Yes, the hearings are open, however, seating is limited and thus far the speakers have been by invitation.

The Michigan Senate is televised and the schedule of televised meetings and links to the broadcast are available at the website, www.senate.michigan.gov. Look on the right side of the page under Senate Links and you will find a link to "TV Live".

Next week the Legislative Committee will be meeting with Senators Mark Jansen and Dave Hildebrand. Members will be able to discuss their concerns directly with the Senators and provide specific data on how these proposed changes will impact their communities.

**Please Email Your Community's
Programs and Ideas for
Cooperation!**

COST AND REGISTRATION FOR CONFERENCE AND WORKSHOP

Asset Management Conference April 25, 2012 – VisTaTech Center

PUBLIC AGENCIES

- \$30 for first participant, \$20 for additional participants from the same agency.

CONSULTANT AND PRIVATE COMPANIES

- \$100 per participant.

Continental breakfast, lunch, and break refreshments will be provided during the Asset Management Conference. Please let us know if you have special dietary, physical, or other needs.

Workshop for Elected and Appointed Officials – *No Cost* April 26, 2012 – VisTaTech Center

Refreshments will be provided during the workshop.



Michigan's
Local Technical
Assistance Program

To register for both conference and workshop, contact Michigan's Local Technical Assistance Program at 906-487-2102. Seating is limited, so please register early to ensure participation.

HOTEL ACCOMMODATIONS

Block of rooms under “*Asset Management Conference*” with complimentary self parking for both hotels.

Hyatt Place Detroit/Livonia
19300 Haggerty Road, Livonia
Phone: 734-953-9224
(\$119 per night)
Cut-off Date: March 26, 2012

Marriott Detroit/Livonia
17100 N. Laurel Park Drive, Livonia
Phone: 734-462-3100
(\$119 per night)
Cut-off Date: April 10, 2012

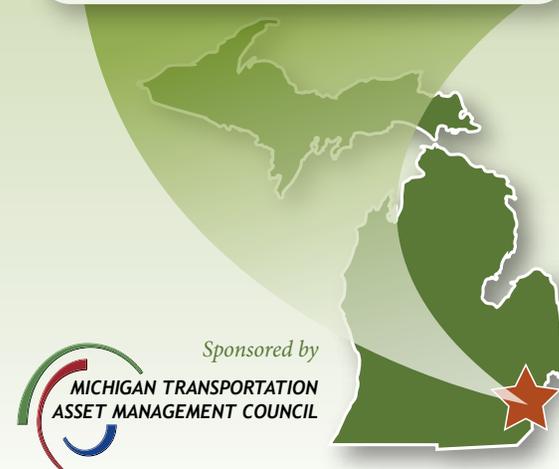


TRANSPORTATION ASSET MANAGEMENT CONFERENCE

LEVERAGING BEST PRACTICES

April 25, 2012
**SPRING
CONFERENCE**

Schoolcraft College
VisTaTech Center,
Room 500 C & D
18600 Haggerty Road
Livonia, Michigan



Complimentary Parking

2012 ASSET MANAGEMENT CONFERENCE

"Leveraging Best Practices" is the theme for the 2012 Transportation Asset Management Conference to be held on April 25, 2012, at Schoolcraft College in Livonia, Mich. The Transportation Asset Management Council has chosen this theme to provide each attendee with practical examples of best practices being applied at the international, national, state, and local levels, and how to apply each of those examples to help gain financial leverage within each organization. By doing so, it is our hope that attendees will be empowered by the best practices shared and will explore the potential benefits of applying each practice within their organization.

The Council's overall goal for the conference is to put together an agenda filled with topics and speakers to convey this message and make this a positive and worthwhile experience for all involved. We look forward to your attendance, participation, and feedback on whether or not we accomplished this goal.

Thank you for your ongoing support and commitment to the Council and for implementing the principles of asset management.

Sincerely,



Carmine Palombo, P.E., Chair
Transportation Asset Management Council



michigan municipal league



ENHANCED AGENDA

Tuesday, April 24, 2012

4:00 – 6:00 p.m. Transportation Asset Management Council Meeting/Public Invited – VisTaTech Center

Wednesday, April 25, 2012

TRANSPORTATION ASSET MANAGEMENT CONFERENCE

Morning Session

7:30 – 8:00 a.m. Registration and Breakfast

8:00 – 8:10 a.m. Welcome/Opening Comments
Carmine Palombo,
SEMCOG/TAMC Chair

8:10 – 9:00 a.m. Legislative Update
Rep. Rick Olson

9:00 – 9:45 a.m. The Governor's Infrastructure Message
Bill Rustem, Director of Strategy
Office of the Governor

9:45 – 10:15 a.m. Asset Management Guide for Bridges
Roger Safford, MDOT
Keith Cooper, MDOT

10:15 – 10:30 a.m. BREAK

10:30 – 11:00 a.m. Bridge Preservation/Best Practices
Dave Juntunen, MDOT
Rebecca Curtis, MDOT

11:00 – 12:00 p.m. Gravel Roads/Best Practices
Richard Reid, Associate Dean of Engineering and Director
South Dakota State University LTAP

Lunch

12:00 – 12:45 p.m. 2012 TAMC Awards Presentation

Afternoon Session

1:00 – 1:45 p.m. Keynote Speaker
Kirk Steudle, Director, MDOT

1:45 – 2:45 p.m. Our Roads, Our Legacy
Andrew Lemer, National Academy of Sciences/The Matrix Group, LLC

2:45 – 3:15 p.m. International Study
Tim Colling, MTU
Roger Safford, MDOT

3:15 – 3:45 p.m. 2011 Annual Report/Current and Future TAMC Efforts
Closing Comments
Carmine Palombo,
SEMCOG/TAMC Chair

Evening Reception

5:00 – 7:00 p.m. Michigan Municipal League Reception – VisTaTech Center

Please join the Michigan Municipal League (MML) for a casual evening of networking and refreshments at this League Meet Up. This is a FREE event open to all! Visit MML on the Web at: www.mml.org.

Thursday, April 26, 2012

9:00 – 12:00 p.m. Workshop: "Introduction to Transportation Asset Management for Elected and Appointed Officials" – VisTaTech Center

This workshop is designed specifically with city, county, and township elected and appointed officials in mind. All local elected and appointed officials who have an interest in transportation projects or facilities should attend. No engineering background is required.



Maps and Parking: <http://vistatech.schoolcraft.edu/Planners/MapsandParking.aspx>



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bills 1065 through 1072 (as introduced 4-17-12)
Sponsor: Senator Jack Brandenburg (S.B. 1065 & 1072)
Senator Dave Robertson (S.B. 1066 & 1068)
Senator Bruce Caswell (S.B. 1067)
Senator Dave Hildenbrand (S.B. 1069)
Senator Mike Nofs (S.B. 1070 & 1071)
Committee: Finance

Date Completed: 4-18-12

CONTENT

The bills would amend various acts and create a new act to provide tax exemptions for commercial personal property, industrial personal property, and new and previously existing manufacturing personal property; retain specific taxes and existing property tax exemptions for manufacturing personal property until it became eligible for a new exemption; and require the reimbursement of local taxing units for revenue lost as a result of the personal property tax exemptions, as follows:

Senate Bill 1070 would amend the General Property Tax Act to provide an exemption, beginning December 31, 2012, for commercial and industrial personal property if the combined taxable value of all such property owned by the taxpayer were less than \$40,000 in the local tax collecting unit.

Senate Bill 1069 would amend the General Property Tax Act to provide an exemption, beginning December 31, 2015, for eligible manufacturing personal property purchased after December 31, 2011.

Senate Bill 1071 would amend the General Property Tax Act to provide an exemption, beginning December 31, 2015, for eligible manufacturing personal property that had been subject to or exempt from taxation for 10 years.

Senate Bills 1065, 1066, and 1068 would amend the plant rehabilitation and industrial development Act (also known as P.A. 198), the Technology Park Development Act, and the Enterprise Zone Act, respectively, to provide for eligible manufacturing personal property to remain subject to a specific tax, and exempt from the property tax, until the property became exempt under Senate Bill 1069, 1070, or 1071.

Senate Bill 1067 would amend the General Property Tax Act to provide for currently exempt new personal property that was eligible manufacturing personal property to remain exempt until it was otherwise exempt under Senate Bill 1069, 1070, or 1071.

Senate Bill 1072 would create the "Personal Property Tax Exemption Reimbursement Act" to do the following:

- Require the Department of Treasury, beginning in fiscal year 2015-16, to reimburse local taxing units and tax increment financing authorities for revenue lost due to the personal property tax exemptions.
- Require the Department to estimate the amount by which revenue lost by local taxing units exceeded 2% of

governmental funds revenue (excluding school operating millage) in the 2011-12 fiscal year, plus debt mill loss and lost tax capture.

- Create the "Personal Property Tax Reimbursement Fund" and require the Legislature to appropriate to the Fund each fiscal year at least the amount estimated by the Department.**
- Express an intent that the amount appropriated be derived from an anticipated revenue increase upon the expiration of certificated credits under the Michigan Business Tax Act.**

The bill would define "eligible manufacturing personal property" as all personal property that is located on a parcel of real property if that personal property is used more than 50% of the time in industrial processing or in direct integrated support (research and development, testing and quality control, engineering, and warehousing functions necessary for personal property that is the result of industrial processing). This definition would apply to the term as used in the other bills.

Below is a detailed description of each of the bills.

Senate Bill 1070

The bill would add Section 9o to the General Property Tax Act to provide that, beginning December 31, 2012, eligible personal property would be exempt from the collection of taxes under the Act. "Eligible personal property" would mean personal property that meets both of the following conditions:

- It is classified as industrial personal property or commercial personal property under the Act.
- The combined taxable value of all industrial personal property and commercial personal property owned by or under the control of the owner claiming the exemption is less than \$40,000 in that local tax collecting unit.

An owner of eligible personal property would have to claim the exemption by filing an affidavit with the local tax collecting unit in

which the property was located and with the Department of Treasury by May 1 each tax year. The affidavit would have to require the owner to attest that the combined taxable value of all industrial personal property and commercial personal property owned by or under the control of that owner was less than \$40,000 in that local tax collecting unit.

If an affidavit claiming the exemption were filed, the owner would not have to file a statement of personal property otherwise required under the Act.

Senate Bill 1069

The bill would add Section 9m to the General Property Tax Act to exempt qualified new personal property from the collection of taxes under the Act, beginning December 31, 2015. "Qualified new personal property" would mean property that is eligible manufacturing personal property and was new personal property after December 31, 2011.

"New personal property" would mean property that meets all of the following conditions:

- Before January 1, 2012, was not subject to or exempt from the collection of property taxes, except exempt inventory, and was not in place or placed in service in this State.
- Before January 1, 2012, was not in use or placed in service outside of this State.
- Was initially purchased from the manufacturer, dealer, distributor, or other vendor of new property after December 31, 2011.

An owner of qualified new personal property would have to claim the exemption by filing an affidavit with the local tax collecting unit in which the property was located and with the Department of Treasury by May 1, 2016. The affidavit would have to be filed only in 2016.

Beginning in 2017 and each subsequent year, if an affidavit were filed, the owner would not have to file a statement of personal property otherwise required under the Act for that qualified new personal property. The owner would have to give the local assessor, upon request, documentation of the date of purchase of that property.

Senate Bill 1071

The bill would add Section 9n to the General Property Tax Act to provide that qualified previously existing personal property would be exempt from the collection of taxes under the Act, beginning December 31, 2015.

"Qualified previously existing personal property" would mean personal property that is eligible manufacturing personal property and that meets any of the following conditions:

- Has been subject to or exempt from the collection of taxes under the Act for the previous 10 years.
- If located both outside of and within this State in the previous 10 years, was subject to or exempt from the collection of taxes under the Act, or would have been subject to or exempt from the collection of taxes if located in this State, for the previous 10 years.
- If located outside of this State in the previous 10 years, would have been subject to or exempt from the collection of taxes under the Act for the previous 10 years if the property had been located in this State.

An owner of qualified previously existing personal property would have to claim the exemption by filing an affidavit with the local tax collecting unit where the property was located and the Department of Treasury by May 1. The owner would have to file the affidavit only in the first year in which the exemption was claimed for that property.

If an affidavit were filed, the owner would not have to file a statement of personal property for the exempt property in that tax year or any following tax year.

Senate Bills 1065, 1066, and 1068

The plant rehabilitation and industrial development Act authorizes local units of government, with the approval of the State Tax Commission, to grant industrial facilities exemption certificates to new and speculative buildings and replacement facilities located in a plant rehabilitation or industrial development district. The Technology Park Development Act authorizes a city, village, or township to establish a technology park district near a public four-year university, and grant a

technology park facilities exemption certificate to a land owner for eligible property. An exemption certificate under either Act exempts the facility from taxation under the General Property Tax Act. The facility owner must pay a specific tax that is lower than the standard property tax.

The Enterprise Zone Act allows an eligible local governmental unit to create an enterprise zone and certify a business located in the zone as a qualified business. If approved by the Michigan Enterprise Zone Authority, a facility owned by the qualified business is exempt from the property tax and subject to a lower specific tax.

Under Senate Bills 1065, 1066, and 1068, if a facility were subject to an industrial facilities exemption certificate or a technology park facilities exemption certificate, or were certified as a qualified business, on December 31, 2011, the portion of the facility that was eligible manufacturing personal property would remain subject to the specific tax and exempt from ad valorem property taxes, until that property otherwise would be exempt from the collection of property taxes under Section 9m, 9n, or 9o of the General Property Tax Act.

Senate Bill 1067

Section 9f of the General Property Tax Act allows the governing body of an eligible local assessing district, or the board of a Next Michigan Development Corporation in which an eligible local assessing district is a constituent member, to exempt from the collection of taxes under the Act all new personal property leased or owned by an eligible business located in an eligible district (e.g., an industrial development district, a renaissance zone, an enterprise zone, or a brownfield redevelopment zone). (An "eligible local assessing district" is a city, village, or township that contains an eligible distressed area, or that is located in a county that borders another state or Canada and meets other criteria.)

Under the bill, if new personal property exempt under Section 9f on December 31, 2011, were eligible manufacturing personal property, that property would remain exempt until it otherwise would be exempt from the collection of property taxes under Section 9m, 9n, or 9o.

Senate Bill 1072

Estimate of Lost Revenue

Beginning in fiscal year (FY) 2015-16 and each subsequent fiscal year, the bill would require the Department of Treasury to prepare an estimate, for each category of political subdivision of this State, of the aggregate amount by which revenue lost in that fiscal year by each individual local taxing unit in that category, excluding debt mill loss, as a result of an exemption first effective after 2012 of industrial personal property, eligible manufacturing personal property, and commercial personal property, exceeded 2% of the governmental funds revenue in FY 2011-12 of that local taxing unit, plus the following:

- The total amount of debt mill loss by all taxing units in that category in that fiscal year as a result of the exemption.
- The aggregate amount of lost tax capture for each tax increment financing authority in that category in the fiscal year as a result of the exemption.

In the case of an economically distressed local taxing unit (defined below), the Department could consider the amount by which revenue lost exceeded 1% of the governmental funds revenue in FY 2011-12 of that local taxing unit.

In preparing the estimates, the Department could consolidate one or more categories of political subdivisions if it determined that there was a logical basis for doing so and that consolidation was reasonable and necessary for the effective administration of the proposed Act.

The estimate of the aggregate amount of revenue lost by each category of political subdivision or consolidated category could not include revenue lost from the levy of school operating mills.

The Department would have to apply best practices in preparing the estimates for each category of political subdivision or consolidated category. The Department also would have to consider all relevant data available at the time, relevant historical data, and any other factors it reasonably determined to be relevant to its estimate.

The Department would have to include on its website a summary of the methodology used to make the estimate, and submit the estimate to the chairperson and minority vice-chairperson of the Senate and House Appropriations Committees.

"Category of political subdivision of this state" would include at least all of the following: counties, cities, villages, townships, authorities, intermediate school districts, community college districts, libraries, and other local taxing units. "Local taxing unit" would mean any political subdivision of this State that, before January 1, 2016, collected ad valorem taxes levied on commercial personal property or industrial personal property that was exempt from the collection of ad valorem property taxes under the General Property Tax Act after December 30, 2015.

"Debt mill loss" would mean revenue loss associated with debt mills that were levied in the FY 2011-12 and that have not expired or been subsequently renewed.

"Lost tax capture" would mean a reduction in captured tax increment finance revenue to the extent that the amount of the reduction does not exceed the authority's debt service obligation for that fiscal year for obligations issued in or before FY 2011-12.

"Governmental funds" would mean that term as described by the Governmental Accounting Standards Board. Governmental funds would not include funds carried over from FY 2010-11 or revenue associated with debt mills.

"Economically distressed local taxing unit" would mean a local taxing unit that meets one or more of the following conditions:

- Has entered into a consent agreement or has an emergency manager appointed under the Local Government and School District Fiscal Accountability Act, or an successor statute.
- Has a projected general fund deficit for the current fiscal year in excess of 5%.
- Has a bond rating that is less than investment grade.
- Has had a smaller increase or greater decline in taxable valuation than the statewide change in taxable valuation in three of the preceding five years.

-- Is determined to be economically distressed by the Department.

Personal Property Tax Reimbursement Fund

The Fund would be created in the State Treasury. The Department of Treasury could spend money from the Fund, upon appropriation, only to reimburse local taxing units and tax increment financing authorities for any reduction in revenue resulting from the exemption of certain personal property from the collection of taxes under the General Property Tax Act.

The State Treasurer could receive money or other assets from any source for deposit into the Fund. The Treasurer would have to direct the investment of the Fund and credit to it interest and earnings from investments. Money in the Fund at the close of the fiscal year would remain in the Fund and not lapse to the General Fund. The Department would be the administrator of the Fund for auditing purposes.

Appropriation & Payment Requirements

Beginning in FY 2015-16 and each subsequent fiscal year, the Legislature would have to appropriate to the proposed Fund, at a minimum, an amount equal to the estimate prepared by the Department for each category of political subdivision of the State, including consolidated categories. The Legislature could appropriate an additional amount as it determined to reflect any additional factors considered relevant.

Upon appropriation, the Department would have to pay annually from the Fund an amount determined by law to each local taxing unit and tax increment financing authority. The total amount paid to all local taxing units and tax increment financing authorities within a category of political subdivision or consolidated category would have to equal the amount appropriated for that category or consolidated category.

The bill states, "It is the intent of the legislature that the amount appropriated to the personal property tax reimbursement fund...will be derived from an anticipated revenue increase resulting from the elimination of certain tax expenditures upon the expiration of certificated credits."

("Certificated credits" are select credits allowed under the Michigan Business Tax Act for certain taxpayers who choose to continue filing returns under that Act, rather than paying the Corporate Income Tax. Certificated credits include, among others, brownfield redevelopment credits, film production credits, historic preservation credits, renaissance zone credits, and Michigan Economic Growth Authority credits, including battery manufacturing credits.)

Eligibility for Reimbursement

To be eligible for reimbursement under the proposed Act, each local taxing unit would have to submit the following to the Department within 180 days after the end of its 2011-12 fiscal year:

- The ad valorem and specific taxes levied on and the revenue collected from commercial personal property and industrial personal property by that taxing unit in that fiscal year.
- The dollar amount equal to 2% of that local taxing unit's governmental funds revenue in FY 2011-12.
- The number of debt mills levied in FY 2011-12.

Also, beginning in 2013 and each subsequent year, the local taxing unit would have to submit the amount of ad valorem and specific taxes levied on and the revenue collected from commercial personal property and industrial personal property by that local taxing unit in that year.

To be eligible for reimbursement, each tax increment financing authority would have to submit all of the following to the Department within 180 days after the end of its 2011-12 fiscal year:

- The amount of ad valorem and specific taxes levied by each local taxing unit on commercial personal property and industrial personal property that the authority captured and retained in the fiscal year.
- A list of obligations the authority incurred before the end of its 2011-12 fiscal year, the payments due on each of those obligations in that fiscal year, and the total amount of all the payments due

on all of those obligations in that fiscal year.

- The amount that the authority's tax increment revenue in the fiscal year was insufficient to make the required payments due in that year on obligations incurred before the end of its 2011-12 fiscal year.

"Tax increment financing authority" would mean an authority or other entity that captures taxes under one or more of the following:

- The downtown development authority Act.
- The Tax Increment Financing Authority Act.
- The Local Development Financing Act.
- The Brownfield Redevelopment Financing Act.
- The Corridor Improvement Authority Act.
- The Historical Neighborhood Tax Increment Finance Authority Act.
- The Neighborhood Improvement Authority Act.
- The Water Resource Improvement Tax Increment Finance Authority Act.
- The Private Investment Infrastructure Funding Act.

Proposed MCL 207.561a (S.B. 1065)
Proposed MCL 207.712a (S.B. 1066)
MCL 211.9f (S.B. 1067)
Proposed MCL 125.2121d (S.B. 1068)
Proposed MCL 211.9m (S.B. 1069)
Proposed MCL 211.9o (S.B. 1070)
Proposed MCL 211.9n (S.B. 1071)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bills would reduce revenue to the State and local property tax revenue by a significant amount, that by fiscal year 2020-21 would increase to approximately \$840 million (assuming current taxable values and millage rates remain unchanged). The bills would also increase School Aid Fund expenditures by an amount that would grow to approximately \$180 million (again assuming current taxable values and millage rates). The bills would also increase local unit revenue by an unknown amount that would likely be less than the revenue loss.

The bills reduce property tax revenue through three general approaches:

- 1) For taxes levied after December 31, 2012, all commercial and personal property within a local tax collecting unit owned or under the control of a single owner would be exempt if the total value is less than \$40,000.
- 2) For taxes levied after December 31, 2015, eligible manufacturing personal property purchased prior to 2006 would be exempt. In each subsequent year, the 2006 threshold would advance by one year, such that for taxes levied in 2022 property purchased in 2011 would be exempt.
- 3) For taxes levied after December 31, 2015, new eligible manufacturing personal property would be exempt.

The first provision, which exempts property if the total value is below \$40,000, would reduce State and local unit property tax revenue by approximately \$80 million per year. The actual reduction could be greater if taxpayers took advantage of the \$40,000 threshold to avoid high effective marginal tax rates on personal property. For example, if a taxpayer had personal property within a local tax collecting unit totaling \$39,999, the taxpayer would be eligible for a full exemption on the property. If the taxpayer were to acquire additional personal property with a taxable value of one dollar, the taxpayer would lose the exemption and pay personal property taxes on the entire \$40,000 of property. At a millage rate of 50 mills, the increase in taxes would equal \$2,000—meaning that an additional dollar of property increased property taxes by \$2,000. Taxpayers could seek to avoid such increases, or to reduce their liability, by reorganizing their operations such that portions of the property were owned by different business entities. For instance, a firm with \$100,000 of personal property could reorganize into three subsidiaries with \$35,000, \$35,000, and \$30,000 of the property, respectively, and effectively exempt all property.

Based on aggregate averages, only four counties exhibit average taxable values per business greater than \$40,000: Calhoun, Dickinson, Midland, and Van Buren. Out of 426 local units where the number of businesses could be estimated, only 62 exhibited an average taxable value per taxpayer of \$40,000 or more. As a result, a substantial number of taxpayers of taxpayers would likely be exempt from

personal property taxes under the bills, and the impact could be greater than estimated even absent taxpayer attempts to manipulate their property holdings to take advantage of the exemption.

Senate Bill 1072 would create a fund to reimburse local units for a portion of the revenue losses to local units. The Department of Treasury would estimate losses in excess of 2% of total local unit revenue (or 1% in the case of distressed local units), plus losses attributable to debt mills or capture tax increment revenues. The 2% limit means that for local units where personal property taxes represent less than 2% of total revenue, the local unit would receive no reimbursement at all. The bill would direct the Legislature to appropriate an amount equal to the total of these loss estimates to a reimbursement fund, although no existing funding source is identified. Similarly, no distribution mechanism or timing is specified in the bill, meaning that it is impossible to determine the effect of any reimbursement on local units. Furthermore, the bill does not specify an adjustment process if the Legislature did not appropriate the full amount estimated by the Department of Treasury.

The bills propose substantial new responsibilities for the Department of Treasury which would increase the administrative costs of the Department by an unknown amount. These costs would begin in FY 2012-13 when Treasury would receive detailed data from local taxing units and tax increment financing authorities. Duties would expand in FY 2015-16 when the Department would be required to estimate reimbursable revenue losses for each local taxing unit and lost tax capture for each tax increment financing authority and, subject to appropriation, make personal property tax reimbursement payments. These responsibilities would require additional staff for the Department and development of a database to track data and support determination of payments. While the operational details are not yet known, it can be assumed that the program would operate in a manner similar to revenue sharing and the Economic Vitality Incentive Program (for which the Governor has requested additional administrative funding in FY 2012-13), although the proposed personal property tax reimbursement program would deal with a much larger

number of local governmental units, authorities, and tax increment financing districts. This suggests that the estimated cost to staff the proposed program when fully implemented would be approximately \$500,000 to \$1.0 million annually with additional expenses of an unknown amount for information technology systems and support.

Fiscal Analyst: Elizabeth Pratt
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.

Personal Property Tax Reform Package

Important note: This package does not alter the existing exemptions for industrial and commercial personal property.

Package: 8 bills. All 8 will be introduced in each chamber and PAs will be split 4 House/4 Senate.

Introduction/committee action: The bills will be introduced on Tuesday, April 17th and will receive their first hearing in Senate Finance committee on the 18th.

Property tax abatement/exemption extension bills

R 5234 (PA 198)

R 5237 (Enterprise Zone Act)

R 5235 (Technology Park Development Act)

R 5236 (PA 328)

- The four listed acts provide limited-duration property tax abatements or exemptions for certain personal property that may qualify as Eligible Manufacturing Personal Property.
- Under the bills, Eligible Manufacturing Personal Property that qualified for an abatement or exemption on 12/31/11 would continue to qualify for the abatement or exemption until that property became exempt under the General Property Tax Act.

KEY POINTS:

- Eliminates the need to have this property go back on the general tax roll only to come off again a short time later.

Small Parcel Exemption

R 5239

- Provides that Eligible Personal Property is exempt from tax beginning 12/31/12.
- "Eligible Personal Property" means all of the taxpayer's industrial and commercial personal property within the local tax collecting unit, so long as the combined taxable value of such property within the unit is less than \$40,000. A taxpayer whose property exceeds this limit receives no exemption.
- In order to claim the exemption, the taxpayer must annually file an affidavit with the local tax collecting unit and Treasury attesting that the taxpayer is eligible for the exemption.
- A taxpayer that files the required affidavit does not have to file a personal property tax statement.

KEY POINTS:

- The \$40K TV limit is applied to the combined value of all property within the local tax collecting unit. So, a business that had property in multiple tax collecting units could receive multiple exemptions. That outcome is consistent with the policy underlying the exemption, which is to eliminate all industrial and commercial parcels from the rolls that generate less tax revenue than they cost in terms of compliance and administrative burden.
- The State Constitution's uniformity requirement will not allow us to do a gradual phase out of the exemption. We are continuing to work on a solution to this problem (i.e., the significant tax consequence of exceeding the \$40k "cliff" by even a small amount). A smaller exemption that is available to all commercial and industrial taxpayers is one option, but it would remove far fewer parcels from the rolls.
- A taxpayer that is eligible for the small parcel exemption will not have to file a PPT return for its exempt parcels. But it will have to file an annual affidavit swearing that the aggregate amount of all of the industrial and commercial PP in the local tax collecting unit under its ownership or control does not equal or exceed \$40K TV.
- Unlike the proposed exemptions for new and previously existing manufacturing personal property, which are use-based, this exemption will be classification-based like the existing 24 mill industrial PP exemption and 12 mill commercial PP exemption. The small parcel exemption is intended to remove small parcels from the rolls, and a classification-based system is as good as any system to accomplish this objective.

Previously Existing Personal Property

R 5240

- Provides that Qualified Previously Existing Personal Property is exempt from tax beginning 12/31/15.
- * • "Qualified Previously Existing Personal Property" means Eligible Manufacturing Personal Property that is at least 10 years old. "Eligible Manufacturing Personal Property" is defined in the reimbursement bill (see below) to mean all personal property that is located on a parcel of real property if the personal property is used more than 50% of the time in Industrial Processing or Direct Integrated Support (both defined in the reimbursement bill).
- In order to claim the exemption on an item of personal property, the taxpayer must file an affidavit with the local tax collecting unit and Treasury only in the first year in which the exemption for that item is claimed.
- A taxpayer that files the required affidavit does not have to file a personal property tax statement for the exempt property for that tax year or any succeeding tax year.

KEY POINTS:

- When this exemption and the exemption for new manufacturing personal property kick in in 2016, approximately 75% of all industrial personal property will immediately become exempt (along with approximately 23% of all commercial personal property that will become exempt in 2013 as a result the small parcel exemption).

- In 2016, the only manufacturing personal property that will still be taxable is property purchased in 2006-2011. In each of the next 6 years, the oldest taxable manufacturing personal property will drop off the rolls. All manufacturing personal property will be exempt in 2022.
- Property that was in use in another state prior to 2012 and that was brought into Michigan after 2011 will be considered previously existing property, not new property.
- The affidavit requirement only applies in the year the property first becomes exempt.

New Personal Property
R 5238

New, Not New to MI (Bought used + brought here)

- Provides that Qualified New Personal Property is exempt from tax beginning 12/31/15.
- "Qualified New Personal Property" means Eligible Manufacturing Personal Property that was New Personal Property after 12/31/11. "New Personal Property" means property that was first placed in service after 12/31/11 and that was initially purchased from a vendor of new property after 12/31/11. It does not include property that was in service in another state prior to 1/1/12 and that was brought into Michigan after 12/31/11.
- In order to claim the exemption on an item of personal property, the taxpayer must file an affidavit with the local tax collecting unit and Treasury only in 2016.
- A taxpayer that files the required affidavit in 2016 does not have to file a personal property tax statement for the exempt property for that tax year. Beginning in 2017, a taxpayer is not required to file an affidavit claiming the exemption for Qualified New Personal Property or a personal property tax statement for such property. But the taxpayer must provide documentation evidencing the date of purchase to the local assessor upon request.

KEY POINTS:

- "New" means new. The bill does not allow a company to game the system by bringing in old property from out of state after 2011. If the property had been used or placed into service in another state prior to 2012, or if it was initially purchased from a vendor of new property prior to 2012, it will not be considered "new."
- The affidavit requirement only applies in 2016. (The requirement is needed in 2016 to alert the assessor to remove property placed into service after 2011 from the roll.)

Reimbursement/"Eligible Manufacturing Personal Property"

R 5246

Reimbursement

- Creates the "Personal Property Tax Reimbursement Fund."
- Beginning in the 2016 fiscal year, requires the department of Treasury to prepare an estimate for each category of political subdivision (e.g., counties, cities, townships, authorities, school districts, etc) of revenue lost in that fiscal year as a result of the proposed exemptions. The estimate would be calculated by adding the following amounts:

- The aggregate amount by which revenue lost by each taxing unit in that category, not including loss associated with debt mills, exceeds 2% (1% for economically distressed taxing units) of that taxing unit's 2012 Governmental Funds revenue (essentially, total revenue, minus funds carried over from 2011, minus debt mill revenue).
- All loss associated with debt mills for all taxing units within the category.
- The aggregate amount of Lost Tax Capture for each tax increment financing authority in the category. ("Lost Tax Capture" means the reduction in captured revenues up to the amount of the debt service obligation for that year for obligations issued in and prior to the 2012 fiscal year.)
- Allows Treasury to consolidate 1 or more categories of political subdivision in preparing its estimates if there is a logical basis for consolidation and consolidation is reasonable and necessary for the effective administration of the act.
- Provides that revenue loss associated with school operating mills shall not be included in the estimates (the idea being that the state will make this revenue up through the foundation allowance).
- Requires local taxing units and tax increment financing authorities to provide Treasury certain property tax, debt and budget data starting 180 days after the close of their 2012 fiscal years in order to be eligible for reimbursement. This data will help the department measure yearly loss and set the baseline 2012 governmental funds amount.
- Requires Treasury to: 1) use best practices and consider all relevant data in preparing its estimates, 2) include on its website a summary of the methodology used to make its estimates, and 3) submit its estimates to the chair and minority vice-chair of the House and Senate appropriations committees.
- Provides that, beginning in the 2016 fiscal year, the legislature shall annually appropriate to the reimbursement fund, at a minimum, an amount equal to its estimate for each category and consolidated category of political subdivision. It further specifies that the legislature may appropriate additional revenue to reflect additional relevant factors.
- Requires Treasury to pay from the fund, upon appropriation, an amount determined by law to each local taxing unit and tax increment financing authority. It further provides that the total amount paid to all local taxing units and tax increment financing authorities within a category or consolidated category must equal the amount appropriated for that category or consolidated category.
- Specifies that it is the legislature's intent that the amount appropriated for reimbursement will be derived from an anticipated revenue increase from the expiration of certificated credits.

Eligible Manufacturing Personal Property

- Defines "Eligible Manufacturing Personal Property" to mean all personal property that is located on a parcel of real property if that personal property is used more than 50% of the time in Industrial Processing or in Direct Integrated Support.
 - "Industrial Processing" means "the conversion or conditioning of tangible personal property by changing the form, composition, quality, combination, or character of the

property for ultimate sale at retail or for use in manufacturing of a product to ultimately be sold at retail. Industrial processing does not include the generation of electricity for sale.”

- “Direct Integrated Support” means “research and development functions, testing and quality control functions, engineering functions, and warehousing functions necessary for personal property that is the result of industrial processing.”
- Percent use is calculated by multiplying the true cash value of each individual item of personal property on the real property parcel by its percent use in industrial processing or direct integrated support, adding the results of those calculations, and dividing the total by the total true cash value of all personal property located on the parcel.

KEY POINTS:

- The bill creates a reimbursement fund and a formula for depositing money into the fund on behalf of each category, and consolidated category, of political subdivision (e.g., counties, cities, townships, authorities, school districts, etc). The formula establishes a minimum amount for the legislature to appropriate to the fund. This amount includes revenues sufficient to provide 1) reimbursement for all loss associated with the repayment of debt; and 2) reimbursement for additional loss to the extent it exceeds 2% of the unit’s budget, excluding debt mill revenue (1% for economically distressed units). Further, it provides that the legislature may add to this amount.
- The locals, themselves, will be responsible for developing distribution formulas for the revenue that is earmarked for each category or consolidated category of political subdivision. The creation of these formulas will be subject to certain ground rules that we will specify (e.g., interested taxing units must be fairly represented in the negotiations; heavily reliant units must be protected for X years; after X years the formula must be dynamic and not simply based on who used to get what; revenue must first be used to cover all debt obligations, etc.). Each formula will apply to one or more specific categories of political subdivision according to the groupings Treasury uses to estimate the deposits into the fund. So, for instance, Treasury may estimate a combined amount to be deposited into the fund on behalf cities and TIF authorities within those cities. In that case, the cities and TIF authorities would need to develop a joint distribution formula for that revenue.
- The definition of Eligible Manufacturing Personal Property, which determines eligibility for the new and previously existing personal property tax exemptions, is use-based rather than classification-based. A use-based system will allow us to better target the intended recipients of the exemptions, reduce the incentive to seek reclassification simply to receive a tax exemption, prevent the mixing of unrelated concepts (classification and tax status are two different things—classification was only used as the basis of the existing 24 school mill industrial PP exemption because it was expedient), and it should reduce needless litigation.
 - Problem with the current industrial personal property tax exemption: Industrial personal property is currently classified based on the classification of the underlying real property. If that real property is misclassified, it affects the classification of the personal

property. It's this wrinkle that has required some local units to grant the 24 school mill industrial personal property tax exemption to, among other unintended recipients, doggy day cares, restaurants, laundromats, and, until recently, turbines that generate electricity for the grid.