



2012 Statewide Ballot Proposals

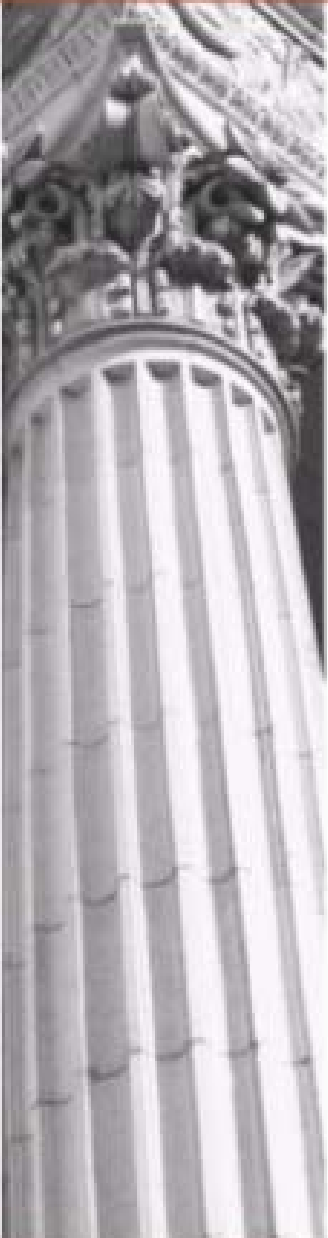
Proposals 3, 5, & 6

CRC Webinar

October 5, 2012

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Citizens Research Council of Michigan

- **Founded in 1916**
- **Statewide**
- **Nonpartisan**
- **Private not-for-profit**
- **Promotes sound policy for state and local governments through factual research**
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Webinar slides available on CRC website

www.crcmich.org/PUBLICAT/presentations.html

www.crcmich.org/PUBLICAT/2010s/2012/proposal_356_recap_100512.pdf



6 Ballot Issues

1 referendum, 5 constitutional amendments

- 12-1 Referendum on Public Act 4 of 2011
- 12-2 To establish the right to Collective Bargaining
- 12-3 To establish a standard for Renewable Energy
- 12-4 To establish the Michigan Quality Home Care Council and provide Collective Bargaining for In-home Care Workers
- 12-5 To Limit the Enactment of New Taxes by State Government
- 12-6 To require a vote Regarding Construction of International Bridges and Tunnels

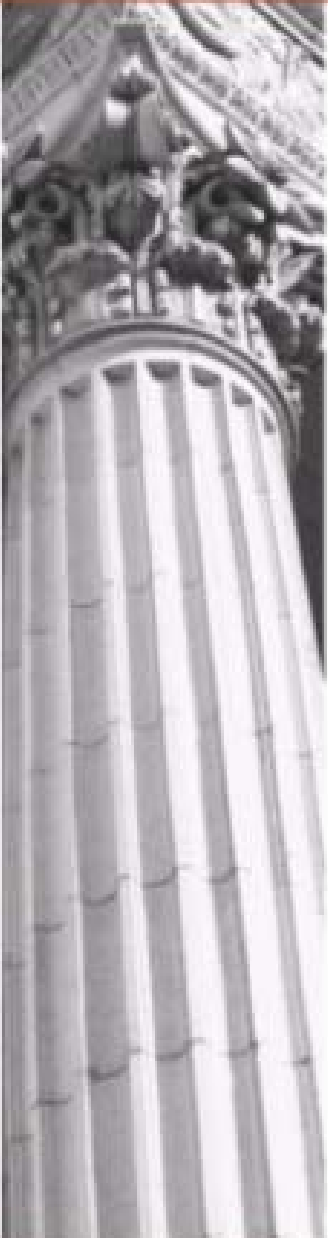
Constitutional Principles

- State constitution should:
 - Define and limit the basic organs of power
 - State general principles
 - Declare rights of the people
- Should be economical and compact
- Details should be avoided and matters appropriate for legislation should not be incorporated
- Vote of people requirement makes it very difficult to amend language once it is added, so difficult to fix technical problems, or make other adjustments
 - Requires vote of the people



Proposal 3

To establish a standard for Renewable Energy



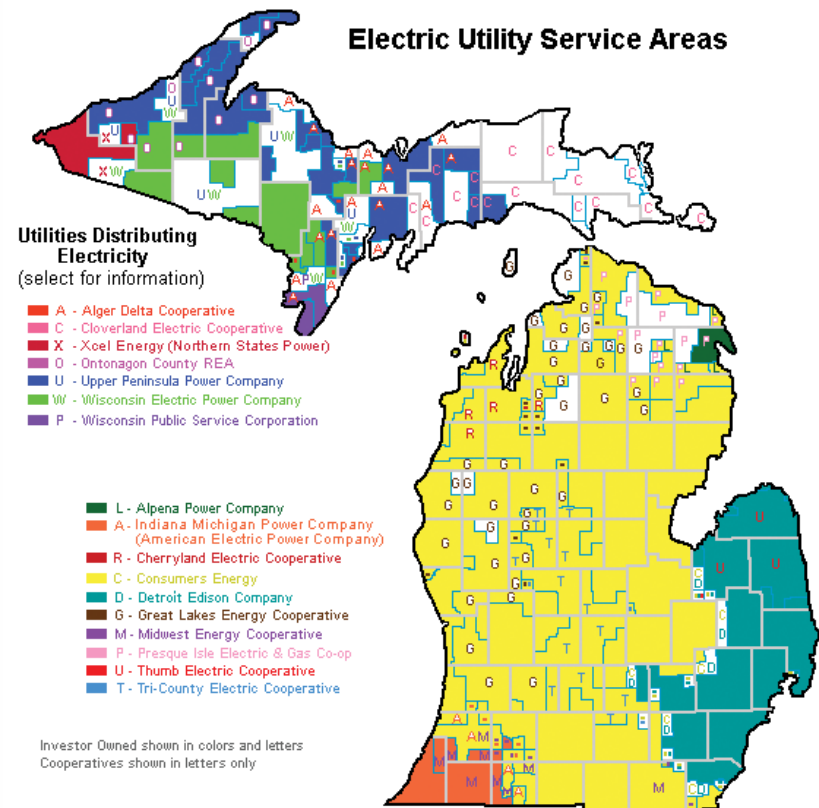
Details of Proposal 3

- Requires 25% of each electricity provider's annual retail electricity sales come from renewable sources by 2025
- Energy sources that naturally replenish over a human rather than geological time frame
 - **wind, solar, biomass, and hydropower**



Details of Proposal 3

- Electricity provided in retail sales must be produced from facilities located “within Michigan or with the retail customer service territory of any electric utility, municipally-owned electric utility or cooperative electric utility operating in Michigan.”



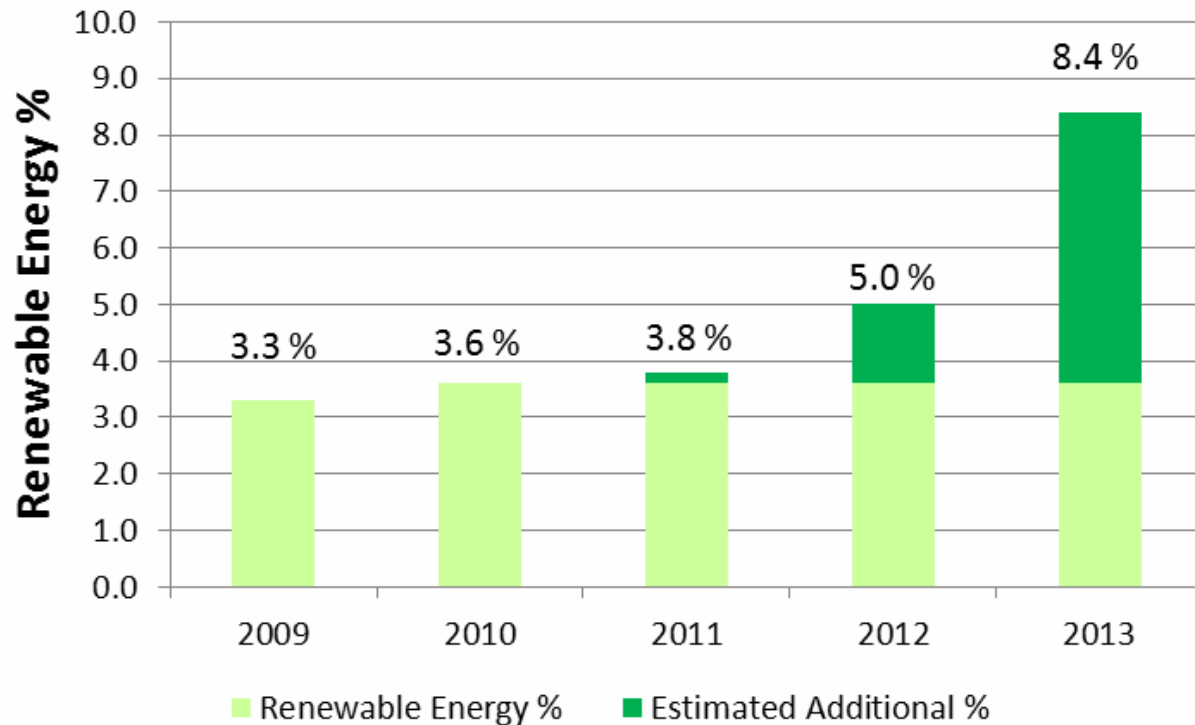
Details of Proposal 3

- Energy standard cannot cause rates charged by electricity providers to increase by more than 1% in any year
 - Could lengthen the time needed to reach 25% beyond 2025
- Legislature to enact laws "to promote and encourage the employment of Michigan residents and the use of equipment manufactured in Michigan in the production and distribution of electricity derived from clean renewable electric energy sources."

Michigan's Renewable Energy History

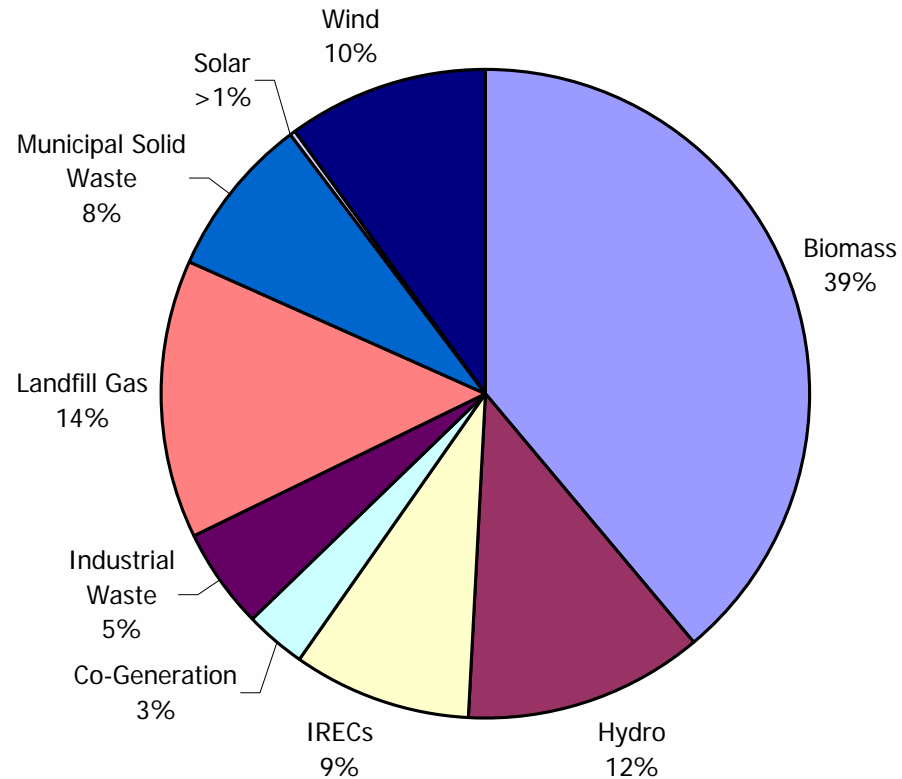
- *Clean, Renewable, and Efficient Energy Act, PA 295 of 2008*
- Generate at least 10% of retail sales from renewable sources by 2015
- More specific than proposed amendment about qualifying sources
 - Most produced from moving air or water, or capturing energy from the sun or decomposition of organic matter
 - Cannot build new dams to qualify
 - Energy optimization and advanced cleaner energy systems qualify

Estimated Additional Renewable Energy Annually



Source: Michigan Public Service Commission. Report on the Implementation of the P.A. 295 Renewable Energy Standard and the Cost-Effectiveness of the Energy Standards.
www.michigan.gov/documents/mpsc/implementation_PA295_renewable_energy2-15-2012_376924_7.pdf, pg. 8

Sources of Renewable Energy, 2011



Source: Michigan Public Service Commission, Report on the Implementation of the PA 295 Renewable Energy Standard and the Cost-Effectiveness of the Energy Standards, February 15, 2012,
www.michigan.gov/documents/mpsc/implementation_PA295_renewable_energy2-15-2012_376924_7.pdf

Issues to Consider

- Goals of the proposal
- Is this constitutional material?
- Production/Transmission Balance
- Cost of Energy
- Municipal Utilities and Electricity Coops

Goals of Proponents

- To create jobs in manufacture and installation of renewable energy facilities
- To reduce externalities created by consumption of fossil fuels
 - Health, environment, depletion of resources
- To reduce amount of money flowing to other states for purchase of coal
- To keep pace with standards set in other states

Renewable Energy in the Michigan Constitution

- Enshrining it in Constitution before we know if it is financially feasible
- Renewable energy fluid, dynamic science
 - Change of constitution is slow and cumbersome
- Should a constitution compel activities?
- What recourse would people have if utilities failed to comply with standard?

Compliance Issues

- What all should go into determining the cost of compliance with this standard for purposes of the cap on rate increases?
 - Cost of renewable electricity generation
 - Windmills, solar panels, etc.?
 - Cost of transmission?
 - Technology for balancing base energy and renewable energy?
- Should the cost of compliance be itemized on utility bills to allow monitoring?

Is this a Wise Investment?

- Renewable Energy
 - Cost of systems and facilities (windmills, solar panels, biomass facilities, etc.)
 - Powered by nature
- Plunging price of natural gas altering cost equation
- Lack of reliability
 - Wind doesn't blow 24/7
 - Sun doesn't always shine
- Negative externalities
 - Sound, light, birds caught in blades
- Will it lead to future state preemption of local planning and zoning ordinances?

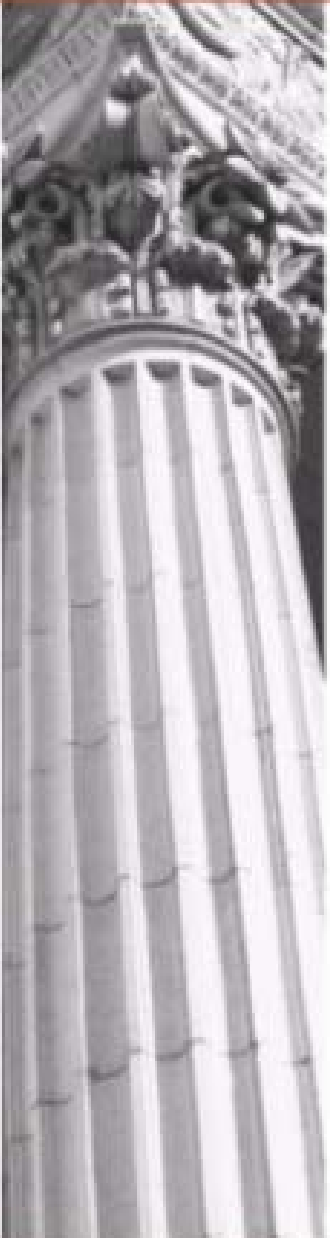
Municipal Utilities and Electricity Coops

- Limited capacity to generate own-source electricity
- Extremely limited capacity to generate own-source renewable electricity
- Ability to comply with renewable energy standards based on ability to purchase electricity or credits from major utilities
- Paying a premium for renewable electricity (credits) could threaten the financial position of these entities



Proposal 5

To Limit the Enactment of New
Taxes by State Government





Proposal 5 – 2/3 Voting Requirements

No new or additional taxes shall be imposed by the state government, nor shall it expand the base of taxation, nor shall it increase the rate of taxation unless: (a) by the vote of two-thirds of all the elected members of each branch of the Legislature; or (b) by a statewide vote of Michigan electors at a November election.

This section should in no way be construed to limit or modify the tax limitations otherwise created in this constitution.



What Taxes are Affected?

- Would affect ability to implement state taxes
- Would not affect authorization of local taxes

Nuances in Taxation

- **Authorization to levy taxes**
 - State taxes – authorized by state law
 - Local taxes – state law authorizes levy of the tax, the tax base, and maximum tax rate, maximum rate authorized by city/village/ county charter, also requires voter approval
- **Impose taxes**
 - State taxes – imposed at authorized rate
 - Local taxes – decision of elected officials
- **Levy taxes**
 - State taxes levied for local purposes
 - Local collection of state taxes
- **Use/Dedication of state tax revenues**
 - ~80% of state revenue distributed to others to spend
 - School Aid, highway funding, court funding, revenue sharing, university funding, health funding, others



State versus Local Taxes

CRC's Outline of the Michigan Tax System

www.crcmich.org/TaxOutline/

OUTLINE OF THE MICHIGAN TAX SYSTEM

The Michigan system of state and local taxes contains 55 elements, including 36 identifiable taxes imposed by the state for its own use and 19 taxes imposed by or for local governments. In this report, state and local taxes are classified according to the basis of taxation:

Income Taxes — directly on or measured by the income of individuals; *Business Privilege Taxes* — on the privilege of doing business in Michigan; *Sales-Related Taxes* — on general retail sales and on transactions involving specific goods (selective sales taxes); *Property Taxes* — on property or in lieu of property taxes; *Transportation Taxes* — on the direct users of transportation facilities.

TAX DESCRIPTIONS

	<u>State Taxes (black header)</u>	<u>Local Taxes (brown header)</u>	<u>Page</u>
<i>Income</i>	Personal Income Tax		3
		Uniform City Income Tax	8
<i>Business Privilege</i>	Corporate Income Tax		13
	Michigan Business Tax		15
	Unemployment Insurance Tax		22
	Quality Assurance Assessment Fees		23
	Health Insurance Claims Assessment Fee		24
	Foreign Insurance Company Retaliatory Tax		25
	State Casino Gaming Tax		25
	Oil and Gas Severance Tax		26
	Corporate Organization Tax		26
	Horse Race Wagering Tax		27
	Captive Insurance Company Tax		27
	State 9-1-1 and Emergency 9-1-1 Charges		28
	Local Casino Gaming Tax	29	
	County 9-1-1 Charge	29	
<i>Sales-Related</i>	Sales Tax		33
	Use Tax		37
	Tobacco Products Tax		40
	Liquor Markup		42
	Liquor Taxes		44
	Beer Tax		45
	Wine Tax		45
	Mixed Spirits Tax		46
	Airport Parking Excise Tax		47
		Accommodations (Hotel-Motel) Taxes	48
		Convention and Tourism Marketing Fees	49
	Stadium and Convention Facility Taxes	50	
	Uniform City Utility Users Tax	50	

What Revenue Raising Efforts are Affected?

- Would affect tax rate increases, tax base expansions, and enactment of new taxes
- Would not affect enactment of user fees, charges
 - May not affect elimination of tax credits

User Fees and Taxes

User fees:

1. Must serve a regulatory purpose rather than a revenue-raising purpose
2. Must be proportionate to the necessary costs of the service or commodity, and imposed on those benefiting from the right/service/improvement supported by the fee
3. Are voluntary in nature

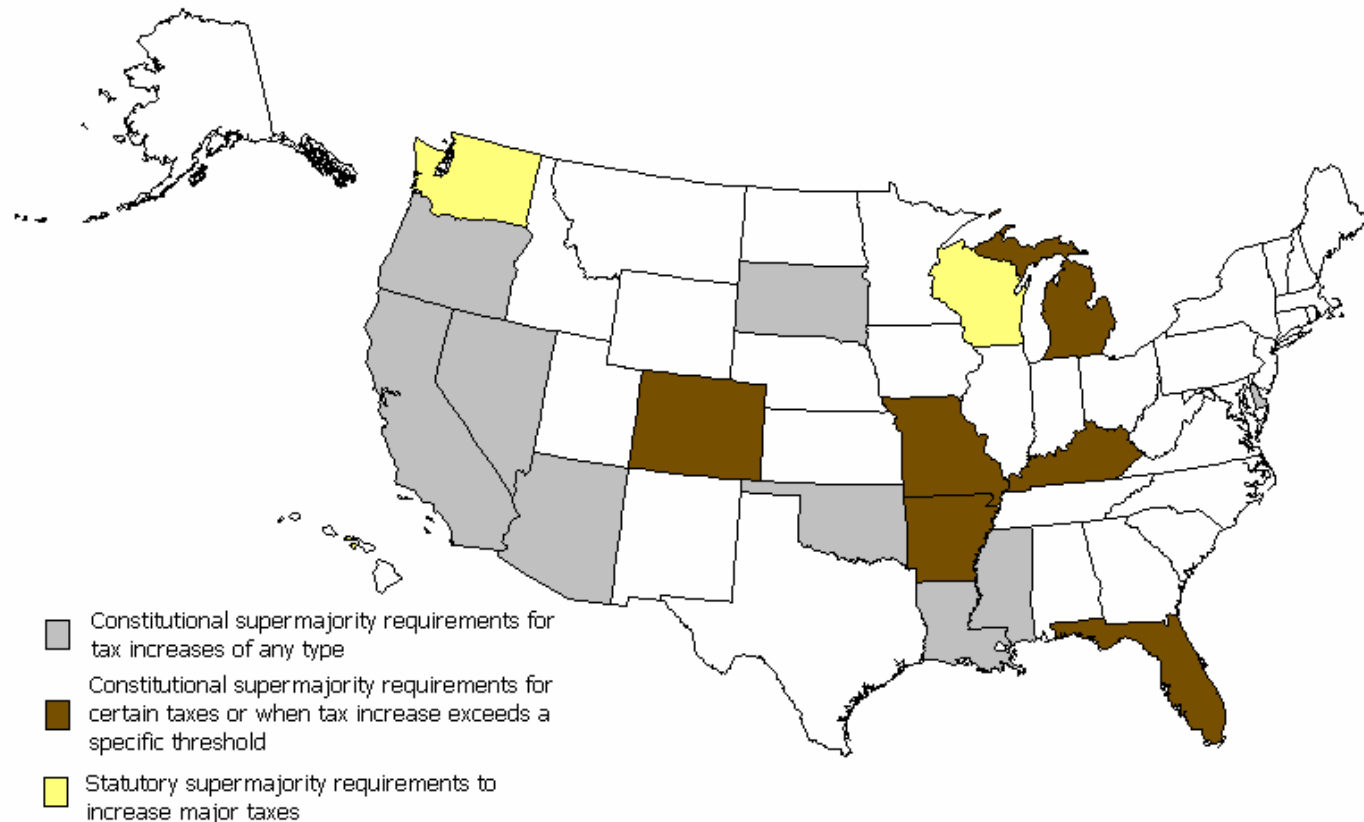
A tax:

1. Is to be levied to raise revenue for the general operation of government
2. Is to be levied to benefit the general public
3. Is compulsory in nature

Constitutional Supermajority Vote Requirements

- 15 constitutional provisions call for supermajority votes in each house of legislature
 - Expel members of legislature
 - Give act immediate effect
 - Enact local or special acts
 - Use government money for private purposes
 - Override gubernatorial veto
 - Amend or repeal banking laws
 - Remove auditor general
 - Establish or alter district court boundaries
 - To ask governor to remove a judge
 - Submit question to voters re long-term borrowing
 - Declare emergency to exceed revenue limit
 - Designate land as state land reserve
 - Reject or reduce increases in compensation for classified state employees
 - Convict civil servants of impeachment
 - To propose constitutional amendment for voter approval

States with Supermajority Requirements for Tax Increases





Questions Currently Submitted to Michigan Voters

- Constitutional Amendments
- Initiated Laws
- Referendums
- Approval of State Borrowing

Michigan has Tax Limitations

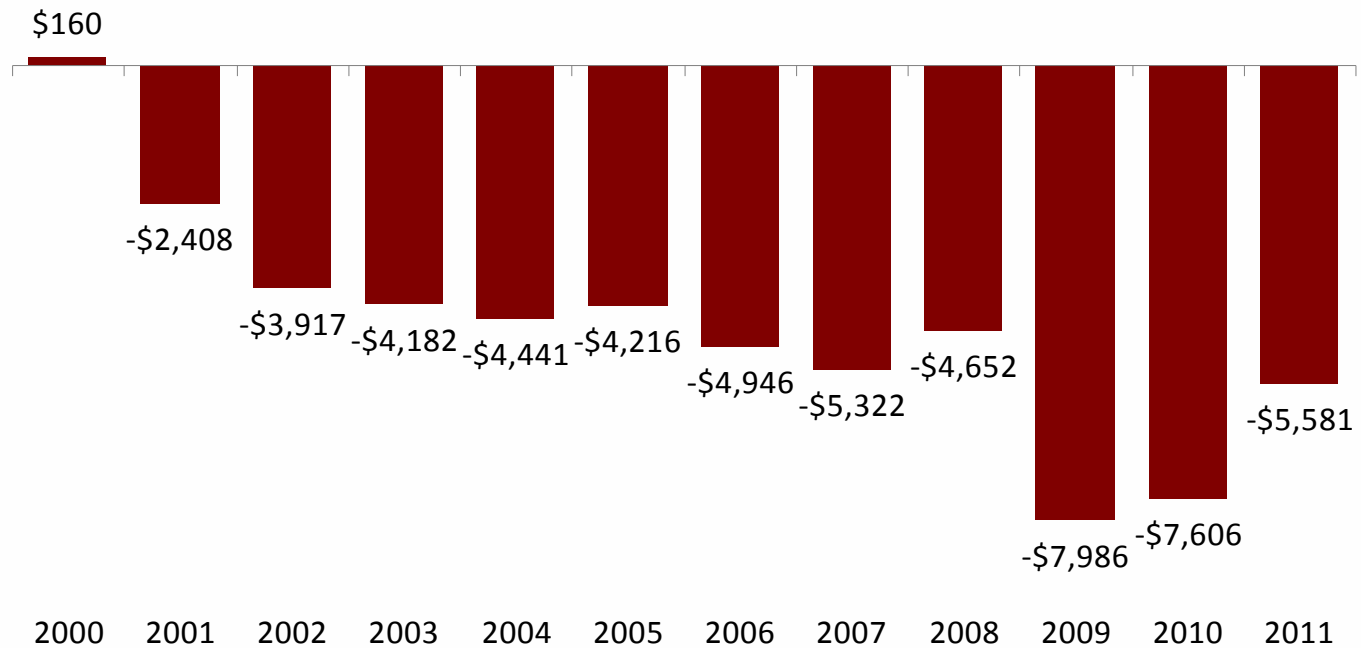
- Proposal 5 creates yet another tax limitation
 - State revenue limit
 - Sales tax rate limit
 - Prohibiting graduated income taxation
 - Taxable value cap
 - Headlee local government revenue limit

Arguments for/against Proposal 5

- Protects against tax increases
- Taxes are levied to fund public services
Less taxes → Fewer services → Affects quality of life issues
- Michigan has not had a problem of state taxes taking increased percentages of personal income
 - Individuals affected by tax changes

Michigan State Taxes are \$5.6 billion under Section 26 Revenue Limit

(millions of dollars)



Source: Michigan Department of Technology, Management, and Budget

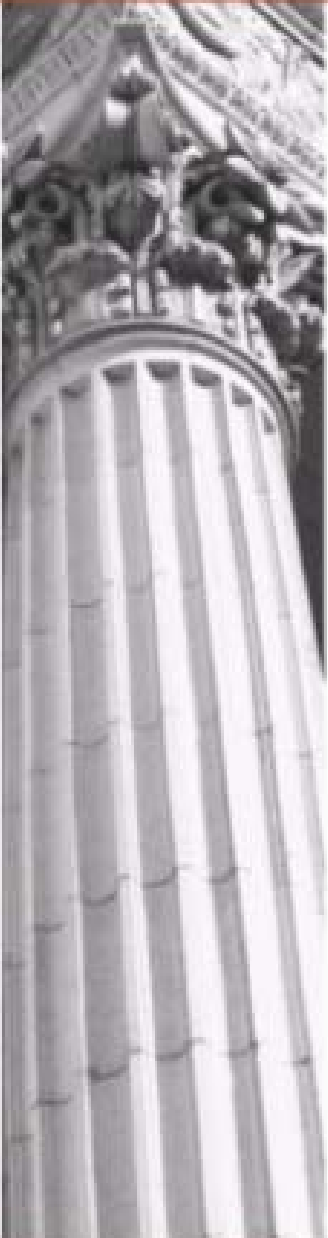
Arguments for/against Proposal 5

- Requirement makes tax reform very difficult
 - Governor Snyder's business tax reform would have been much more difficult
- State may rely more on user fees and charges
 - Experienced in other states with supermajority vote requirements for tax increases
- *Fiscal Federalism* – financial problems of higher up governments become the problems of lower level governments and other entities dependent on state revenues



Proposal 6

Regarding Construction of
International Bridges and Tunnels



What are you voting on?

- Not directly voting on need for new Detroit River bridge
- Voting on amending constitution to create process for expression of electoral consent for construction and/or financing of international crossings



Proposal 6 – International Crossings

- Voter approval needed before constructing or financing new “international bridges or tunnels” for motor vehicles
 - Statewide vote and
 - Vote in municipality where crossing to be located
- Must be placed on ballot through citizen initiative
 - Legislature cannot place the question on the ballot



Questions Currently Submitted to Michigan Voters

- State
 - Constitutional Amendments
 - Initiated Laws
 - Referendums
 - Approval of State Borrowing
- Local
 - Charter adoption/amendment
 - Tax authorization/rate increases
 - Approval of General Obligation Borrowing

Governor Snyder's Agreement with Canada

- Article III, Section 5 of MI Constitution
 - State or any governmental authority may enter into interlocal agreements with Canada, U.S., or political subdivisions
- Canada will create Crossing Authority
 - Administratively and financially responsible for new bridge
 - Canada will own bridge
 - Cost to be recouped through crossing tolls
 - Crossing Authority will pay for all connections to highways and interchanges

Intent is to Stop or Delay NITC Across Detroit River

- Would it do more?
 - Port Huron
 - Sault Ste. Marie
- A lesson in the dangers of initiatives:
 - “New international bridges or tunnels for motor vehicles”
 - “*any* bridge or tunnel which is not open to the public and serving traffic as of January 1, 2012”
 - Does not mention the need that such a bridge or tunnel serve as an international crossing
 - Could mean that *all* bridge and tunnel projects for which the State of Michigan (and its political subdivisions) is involved, that are not open to serve traffic as of January 1, 2012, will require statewide and municipal votes
 - All current, as well as all future, bridge and tunnel projects in the state could require approval of state electors and voters in the municipalities where the projects are located at general elections



Interested in More Information?

- Papers can be found at election.crcmich.org
- Webinar on Proposals 1, 2, and 4 on October 8 at 2PM
- Registration information at election.crcmich.org



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