

**GRAND VALLEY METROPOLITAN COUNCIL
LEGISLATIVE COMMITTEE MEETING**

**May 11, 2005
8:30 a.m.**

40 Pearl St. NW Ste. 410
Grand Rapids, MI 49503

MINUTES

1. Call To Order

The meeting was called to order at 8:35 by Chairman Ted Vonk.

Present:

Marta Brecting	Alpine Township
Mike DeVries	Grand Rapids Township
Don Hilton	Gaines Township
Barb Holt	City of Walker
Gayle McCrath	Grand Valley Metro Council
Sam Moore	Grand Rapids Area Chamber of Commerce
Steven Patrick	City of Coopersville
Rick Root	City of Kentwood
Don Stypula	Grand Valley Metro Council
Ted Vonk	Kent County

2. Approval of Minutes

MOTION - To approve the minutes of the March, 2005, GVMC Legislative Committee meeting. MOVE – Root. SUPPORT – Patrick. MOTION CARRIED.

3. Update on State Budget and Revenue Sharing

Don Stypula reported the legislature was continuing to work on the budget, the Senate more so than the house. The Chambers are using two different formats; the House is using “The Price Of Government” (POG), and the Senate is using the traditional method.

Steven Patrick asked if Senator Sikkema was a strong supporter of the POG method, why wasn't the Senate using it.

Mr. Stypula reported that Senator Shirley Johnson had problems with that approach. Now they are using a more modified POG approach, more of a traditional method.

4. Update from Bill Anderson of the MTA

Bill Anderson of the MTA was phone conferenced in and asked to give an update on Lansing activities.

Mr. Anderson reported there is still talk of a 2% reduction in revenue sharing. This announcement is probably a precursor to the Revenue Estimating Conference. It is already anticipated more cuts will be needed this year. There is the feeling that with this announcement, they are setting up what will happen next week. The Senate hasn't responded well. They are not pleased with the Governor's budget, but don't know where else to cut.

The Revenue Estimating Conference will be held next Thursday. The overall economic situation has continued to slide downward.

Don Stypula asked Mr. Anderson to comment on the business tax debate.

Mr. Anderson stated that the bigger issue from revenue sharing is the legislature looking at eliminating the SBT and instead cutting the sales tax rate from 6 cents to 5 cents. They would expand the things that are taxed, such as services in order to generate more revenue. However, reducing the sales tax rate would cut constitutional revenue sharing by 25% and a corresponding amount in statutory revenue sharing. This is because the newly taxed items would likely be taxed under the use tax, which is not distributed for revenue sharing. One potential ally would be people like the Michigan Chamber who would be worried that the legislature would expand the base and someday raise the rate through the legislative process. If this concept gains momentum we would need to demand a corresponding constitutional amendment to cap the sales tax at 5 cents and adjust distribution under the constitution so that we don't lose our constitutional revenue sharing.

Mr. Anderson added that work is still being done on consolidation of the three zoning acts. It is expected variances between the three will remain pretty much the same. It is being done the right way, with all parties concerned in the room. It is a positive work situation.

The legislature seems strangely quiet. The budget is just sputtering along. At least some of the budgets should have been passed by now.

5. Initiative to Amend Act 312 – Binding Arbitration for Public Safety Employees

Jim Buck asked Mr. Anderson what he has heard on Act 312.

Mr. Anderson indicated any talk on the subject of Act 312 is just political talk. He doesn't foresee anything happening. It couldn't happen with Republicans controlling the House, Senate, and Governor's office; it isn't going to happen now. Talk happening now is just positioning for the next election.

Ted Vonk asked what the State income streams were like from the sales and income taxes.

Bill Anderson reported that the sales tax was reasonable, however the income tax was iffy. He indicated that he did not see sales being up 4.5%, maybe 3%.

Rick Root stated that last year the adjustment of the State sales tax came up. He asked what has developed on that issue.

Don Stypula indicated the legislature is looking at different options. They are looking for good options to the Governor's SBT proposal. They need to determine replacement revenue – how much and where from.

Rick Root stated that due to lack of institutional knowledge/memory, most legislators do not understand the issues of taxation, which is no excuse for bad public policy.

Don Hilton and Gayle McCrath both cited Annette Guilfoyle's article in the Public Pulse section of the Grand Rapids Press in which she explained the history behind revenue sharing and the problems being created by term limits as very few in the legislature have knowledge of its history and the concessions on local sales taxing ability made by local governments to ensure the arrangement.

6. Business Tax Debate

Don Stypula indicated there had been significant debate on the issue in the legislature. He asked Sam Moore from the Grand Rapids Chamber of Commerce to share his thoughts on the issue.

Sam Moore stated the Governor's proposal on the SBT is dead on arrival. Everyone in Lansing believes so. There needs to be a broad based tax cut which doesn't favor any particular sector. The Michigan economy is almost becoming as much of a wage problem as it is a tax problem. GM is encouraging suppliers to go to China to cut costs. Our Tax Policy committee is looking at the issue. Everything is being put on the table. The legislature knows they need to get something out this year.

The budget issue will consume most of the summer. There is no indication when it will be finished. Everyone is trading very lightly as they don't now if the Governor will be around next term. The Chamber will be developing a formal position on the SBT and the

bond proposal.

7. Federal Issues Update – Status of TEA-21 Reauthorization

Don Stypula distributed spreadsheets which outlined the senate proposal on TEA-21. He reported the Senate will move the bill by the close of business on Friday. Spending authority vs. the aggregate is an important distinction in understanding how much money will actually be spent. We believe the MPO will see a modest increase for transportation planning activities. Hopefully within the next couple of months, before the August break, the situation will be settled. The amount could range between \$284 - \$295 billion. The President has threatened to veto the bill if it is above \$285 billion. We need to have a bill the President can sign. The construction season has already been missed. We need to get people back to work.

8. Other

9. Adjourn - 10:00 a.m.