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STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

Jeanie Henry

Senate Community and Regional Affairs
2/13/86, 3:45
2/20/86, 3:37
3/18/86, 3:40

3/18/86. Mtg

Burman said AHC supports
CS for SB 369 (C&RA)

Puts responsibility on Dept
most involved in the issue

Jeff Smith ^{DC&RA} — Reduced
Official note

Basic component is dolo

v data base

Supports CS for SB 369 (C&RA)

Dave Diehardoff SM & Review of
Statutes + Drafter of bill.

Really talking about expenditures
not appropriations — recommended
amendment to bill

Cerbell mod. bl w/ amendment
~~to be checked with inbio rec. content.~~
CS for SB 369 (C&RA)
so ordered.

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

1/29/86

Date 3-18-86

Mr. President

The Committee on C&RA considered SB 369

relating to fiscal notes for legislation affecting a municipality.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for "SB 369 (C&RA)
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING

DO PASS

[Signature]

MEMBERS HAVING

OTHER RECOMMENDATIONS

[Signature] No Rec

Edm De Vries
Chairman

[Signature]
Chairman recommendation

Original sponsor: Community and Regional
Affairs Committee

1 IN THE SENATE

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

2 CS FOR SENATE BILL NO. 369 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to fiscal notes for legislation
7 affecting a municipality."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 24.08.035(a) is amended to read:

10 (a) Before a bill or resolution, except an appropriation bill,
11 is reported from the committee of first referral, there shall be
12 attached to the bill a fiscal note containing an estimate of the
13 amount of the expenditure [APPROPRIATION] increase or decrease related
14 to a state agency or a municipality that [WHICH] would result from
15 enactment of the bill for the current fiscal year and five succeeding
16 fiscal years. If [OR, IF] the bill has no fiscal impact, a statement
17 to that effect shall be attached. The fiscal note or statement shall
18 be prepared in conformity with the requirements of this section by the
19 department or departments affected and may be reviewed by the office
20 of management and budget. The fiscal note or statement shall be
21 delivered to the committee requesting it within five days of the
22 request or within two days if the request is made after the 90th day
23 of a regular session, or during a special session of the legislature.
24 If the bill is presented by the governor for introduction in accor-
25 dance with AS 24.08.060(b) and the uniform rules of the legislature,
26 the fiscal note or statement shall be attached to the bill before the
27 bill is introduced. An amendment or a substitute bill proposed by a
28 committee of referral that changes the fiscal impact of a bill shall
29 be explained in a revised fiscal note or statement attached to the

1 bill.

2 * Sec. 2. AS 24.08.035(c) is amended to read:

3 (c) A fiscal note for a bill or resolution must contain the
4 following information if the expenditure increase or decrease is
5 related to a state agency:

- 6 (1) the fiscal impact on existing programs;
- 7 (2) the fiscal impact of new programs or activities;
- 8 (3) a line item detail of the fiscal impact;
- 9 (4) the source of funds expected to be utilized by general
10 fund source, federal fund source, or other identified source;
- 11 (5) the number of new positions which may be required,
12 identified as full-time, part-time, or temporary;
- 13 (6) an analysis of how the figures in the fiscal note were
14 derived;
- 15 (7) additional information necessary to explain the fiscal
16 note;
- 17 (8) a fiscal impact projection for the current fiscal year
18 and for the succeeding five fiscal years; and
- 19 (9) formal information consisting of
- 20 (A) the bill or resolution number,
- 21 (B) the name of the prime sponsors,
- 22 (C) the date the fiscal note was prepared,
- 23 (D) the name of the committee requesting the fiscal
24 note,
- 25 (E) the name and phone number of the person who pre-
26 pared the fiscal note, and
- 27 (F) the budget request unit, program, or subprogram
28 affected.

29 * Sec. 3. AS 24.08.035 is amended by adding a new subsection to read:

1 (e) If the expenditure increase or decrease is related to a
2 municipality, the fiscal note for a bill or resolution must contain
3 the information required by (c)(1), (2), and (6) - (9) of this sec-
4 tion.
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Official Business

Alaska State Legislature

Senate

Committee on Community and Regional Affairs

Senator Edna DeVries, Chairman
Members
Senator Ferguson, Vice Chairman
Senator Coghill
Senator Sturgis-Jewski
Senator V. Fischer

Pouch V
Juneau, Alaska 99811

Committee Meeting March 18, 1986

CS for SB 369 (C&RA)-- An Act relating to fiscal notes for affecting a municipality

This bill was considered by the committee on February 20, at which time it was agreed that further work on the bill would be done by the Municipal League, Committee Staff and Legislative Finance with the view of preparing a new proposal for the committee. The attached committee substitute is the result.

Dave Dierdorff, Legal Services, who drafted the CS will be in attendance to provide any input the committee desires.

Scott Burgess with the AML will also be available to provide comment and answer questions.

Some representative from DC&RA will also attend today's meeting.

Material attached:

Position paper and Fiscal Note from the Dept. of C&RA.

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

March 18, 1986

POSITION PAPER

RE: CSSB 369

SPONSOR: Senate Community and Regional Affairs Committee

Program Effects of Bill

Requires that fiscal notes be prepared for legislation which would affect municipalities.

Comments

The Department strongly supports the concept of providing municipalities with information on potential fiscal impacts at the local level. We also believe that the C&RA Committee Substitute for SB 369 is an improvement over the original bill.

Instead of placing the entire task of reviewing virtually every bill in this Department, the Committee Substitute merely provides that municipal impacts be reviewed and addressed as part of the fiscal note process. Each agency responsible for fiscal note preparation would be accountable for this procedure in their area of expertise, and the Department believes this is a fair approach.

Compared to the original bill, the number of bills this Department would be directly responsible for reviewing would decrease dramatically. However, it is anticipated that State agencies involved in this new task would call on DCRA for information about municipalities to aid them in their fiscal note preparation.

We believe one mid-level professional, along with seasonal support staff, should be hired to do this work. Certainly we are concerned with this potential expansion of State government considering the current decline in State revenues.

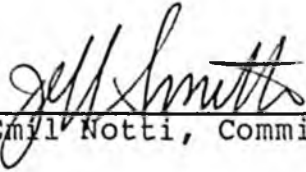
We would envision staff working closely with the Alaska Municipal League in estimating fiscal impacts and, in many cases, also directly contacting municipalities. The valuable information gained directly from these entities could then be reviewed and an objective fiscal opinion could be rendered.

POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700

949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508
PHONE: (907) 563-1073

CSSB 369
March 18, 1986
Page Two

Given the prospect of greatly reduced State government, the Department believes this bill is timely and important. The Department continues to have some concerns about the amount of additional work this bill may generate and the accuracy of fiscal notes for a State as large and diverse as ours. However, the Committee Substitute is a vast improvement and the Department supports its passage.



Emil Notti, Commissioner

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date : _____

REQUEST

Bill/Resolution No. : CSSB 369 (C&RA)
 Title : An Act relating to fiscal notes for legislation affecting a municipality.
 Sponsor : Senate C&RA Committee
 Requestor : Senate C&RA Committee
 Date of Request : _____

FISCAL DETAIL

Agency Affected : Community & Regional Affairs
 BRU : Local Government Assistance
 Components : Statewide Assistance

EXPENDITURES/REVENUES : (Thousands of Dollars)

| OPERATING | FY 86 | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 |
|------------------------|-------|-------------|-------------|-------------|-------------|-------------|
| PERSONAL SERVICES | | 62.4 | 62.4 | 64.3 | 64.3 | 66.2 |
| TRAVEL | | 1.0 | 1.0 | 1.1 | 1.1 | 1.1 |
| CONTRACTUAL | | 3.5 | 3.6 | 3.7 | 3.8 | 3.9 |
| SUPPLIES | | .4 | .4 | .4 | .4 | .5 |
| EQUIPMENT | | 7.5 | -0- | -0- | -0- | -0- |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | | 74.8 | 67.4 | 69.5 | 69.6 | 71.7 |

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|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|---------|--|--|--|--|--|--|

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|---------|--|--|--|--|--|--|
| REVENUE | | | | | | |
|---------|--|--|--|--|--|--|

FUNDING : (Thousands of Dollars)

| | | | | | | |
|---------------|--|------|------|------|------|------|
| GENERAL FUND | | 74.8 | 67.4 | 69.5 | 69.6 | 71.7 |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | | | | | | |

POSITIONS :

| | | | | | | |
|-----------|--|---|---|---|---|---|
| FULL-TIME | | 1 | 1 | 1 | 1 | 1 |
| PART-TIME | | 1 | 1 | 1 | 1 | 1 |
| TEMPORARY | | | | | | |

ANALYSIS : Attach a separate page if necessary

See page 2, attached.

Prepared by : Doug Griffin, Deputy Director
 Division : Municipal & Regional Assistance

Phone : 465-4750
 Date : 03/18/86

Approved by Commissioner : Emil Notti
 Agency : Community & Regional Affairs

Date : 3/18/86

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. CSSB 369 (C&RA)

ANALYSIS

This fiscal note recognizes there is a degree of uncertainty regarding the impact of this bill; however, it is a conservative estimate of staff and support requirements. It is also anticipated that this Department will receive requests from other Departments and agencies for municipal information to assist them in doing their fiscal notes. Personal Services is increased 3% every other year, while other areas are adjusted for inflation at an annual rate of 4%. In order to accomplish this task with this limited staff, it is envisioned that a complete data base will be maintained on a powerful personal computer to reflect municipal services and financial information. During the interim, the Research Analyst would be responsible for maintaining and updating this data base. Ultimately, a municipal model may be developed to allow more precise and rapid fiscal note preparation.

PERSONAL SERVICES

62,381

One Research Analyst III, Range 18

Salary 37,356

Benefits 11,525

48,881

One Seasonal (6 months) Clerk Typist III, Range 8

Salary 9,761

Benefits 3,739

13,500

TRAVEL

2 trips @ \$500 (includes per diem)

(attend AML Convention, MFOA meetings, etc.)

1,000

CONTRACTUAL

3,500

Communication 3,000

(toll calls, postage for mass
mail questionnaires, etc.)

Photocopy/Printing 500

SUPPLIES

400

EQUIPMENT (one-time item)

7,500

Personal Computers w/attachments 5,500

& software

Office Equipment 2,000

Dierdorff
3/3/86 ✓

*This is the CS
Amended by Senate
C&RA 3/18/86*

Original sponsor: Community and Regional
Affairs Committee

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 369 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to fiscal notes for legislation
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10 (a) Before a bill or resolution, except an appropriation bill,
11 is reported from the committee of first referral, there shall be
12 attached to the bill a fiscal note containing an estimate of the
13 amount of the ^{expenditure} ~~appropriation~~ increase or decrease related to a state
14 agency or a municipality that [WHICH] would result from enactment of
15 the bill for the current fiscal year and five succeeding fiscal years.
16 If [OR, IF] the bill has no fiscal impact, a statement to that effect
17 shall be attached. The fiscal note or statement shall be prepared in
18 conformity with the requirements of this section by the department or
19 departments affected and may be reviewed by the office of management
20 and budget. The fiscal note or statement shall be delivered to the
21 committee requesting it within five days of the request or within two
22 days if the request is made after the 90th day of a regular session,
23 or during a special session of the legislature. If the bill is pre-
24 sented by the governor for introduction in accordance with AS 24.08.-
25 060(b) and the uniform rules of the legislature, the fiscal note or
26 statement shall be attached to the bill before the bill is introduced.
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4 related to a state agency:

- 5 (1) the fiscal impact on existing programs;
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9 fund source, federal fund source, or other identified source;
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23 note,
- 24 (E) the name and phone number of the person who pre-
25 pared the fiscal note, and
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municipality, the fiscal note for a bill or resolution must contain the information required by (c)(1), (2), and (6) - (9) of this section.

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No.: CSSB 369 (C&RA)
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 Sponsor: Senate C&RA Committee
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| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | | 74.8 | 67.4 | 69.5 | 69.6 | 71.7 |
| CAPITAL | | | | | | |
| REVENUE | | | | | | |

FUNDING : (Thousands of Dollars)

| | | | | | |
|---------------|------|------|------|------|------|
| GENERAL FUND | 74.8 | 67.4 | 69.5 | 69.6 | 71.7 |
| FEDERAL FUNDS | | | | | |
| OTHER | | | | | |
| TOTAL | | | | | |

POSITIONS :

| | | | | | |
|-----------|---|---|---|---|---|
| FULL-TIME | 1 | 1 | 1 | 1 | 1 |
| PART-TIME | 1 | 1 | 1 | 1 | 1 |
| TEMPORARY | | | | | |

ANALYSIS : Attach a separate page if necessary

See page 2, attached.

Prepared by: Doug Griffin, Deputy Director *D. Griffin* Phone: 465-4750
 Division: Municipal & Regional Assistance Date: 03/18/86
 Approved by Commissioner: Emil Notti *E. Notti* Date: 3/18/86
 Agency: Community & Regional Affairs

Distribution (by Agency preparing fiscal note):

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3,500

Communication

3,000

(toll calls, postage for mass
mail questionnaires, etc.)

Photocopy/Printing

500

SUPPLIES

400

EQUIPMENT (one-time item)

7,500

Personal Computers w/attachments

5,500

& software

Office Equipment

2,000

∴ Mtg 2/26/86 11:00 a.m. in Mike Greaney's ofc -
AS 24.08.035 Ghonne, Scott Burgess

state agency "and municipalities"

then add section under "C"
not detailed line item, but total number
for local government

Ordered CS from Dierdorff 2/28/86

Introduced: 1/29/86
Referred: Community and Regional
Affairs and Finance

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

1 IN THE SENATE

2

SENATE BILL NO. 369

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to fiscal notes for legislation
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12 attached to the bill a fiscal note containing an estimate of the
13 amount of the appropriation increase or decrease ^{to a state agency and} that [WHICH] would
14 result from enactment of the bill for the current fiscal year and five
15 succeeding fiscal years. [If enactment of the bill would require an
16 expenditure or appropriation by a municipality, ⁽⁵⁾ a fiscal note shall be
17 attached to the bill containing an estimate of the amount of the total
18 expenditure or appropriation that would be required ^(c) during the current
19 fiscal year and five succeeding fiscal years by all affected munic-
20 ipalities. ~~If~~ [OR, IF] the bill has no fiscal impact, a statement to
21 that effect shall be attached. A [THE] fiscal note or statement
22 relating to a state expenditure shall be prepared in conformity with
23 the requirements of this section by the department or departments
24 affected and may be reviewed by the office of management and budget.
25 A fiscal note or statement relating to municipal expenditures shall be
26 prepared by the Department of Community and Regional Affairs, which
27 may obtain the assistance of another state agency in the preparation
28 of the note or statement. The fiscal note or statement shall be
29 delivered to the committee requesting it within five days of the

Suggested changes

(1) add language

(2) move to Sub Section

(3) remove

municipality (5)

1 request or within two days if the request is made after the 90th day
2 of a regular session, or during a special session of the legislature.
3 If the bill is presented by the governor for introduction in accor-
4 dance with AS 24.08.060(b) and the uniform rules of the legislature,
5 the fiscal note or statement shall be attached to the bill before the
6 bill is introduced. An amendment or a substitute bill proposed by a
7 committee of referral that changes the fiscal impact of a bill shall
8 be explained in a revised fiscal note or statement attached to the
9 bill.

④ Under subsection (c)
new (3)
~~It~~ It ~~is~~ enactment of the bill
that would be required.

⑤ re number

⑥ Note but not ^{as} detailed for state programs
detail required ^{new} in
e.g. lines 4 thru new 10 need not be
given for new 3.

PROGRAMS

Bills on the floor

Datapage

Figs

Calculator

Graphics

Print

Loan

Toolkit for Datapage

Other programs

Give letter of program:
Tap ENTER to return to calendar

PROGRAM SELECTION

You enter the FIGS program from the calendar program by tapping the letter F (no need to tap ENTER)

Upon entry to FIGS, give your four digit I.D. code, tap ENTER, then your PASSWORD, tap ENTER.

At this point the computer will compile a list of bills that have been assigned to you and the screen will be at the main menu as shown on the next page. (If no bills have been assigned to you, some other compilation of bills will occur.)

F I S C A L I M P A C T G E N E R A L S U M M A R Y

| BILL | SPONSOR OF THE BILL | COMMITTEE ASSIGNMENT | STATUS OF THE BILL |
|--------|---------------------|------------------------|--------------------|
| SB0880 | CRUCE, DOUG | Labor | Floor w substitute |
| SB0908 | POSTHUMUS, DICK | Commerce | Floor w substitute |
| HB4073 | NASH, ERNEST | State Aff. & Transpor. | Floor w substitute |
| HB4677 | KEITH, WILLIAM | Local Government | Floor w amendments |
| HB5029 | BULLARD, PERRY | Econ. Dev., Trade & T. | Floor w substitute |
| HB5030 | BULLARD, PERRY | Econ. Dev., Trade & T. | Floor w substitute |
| HB5413 | HOFFMAN, PHILIP | Local Government | Floor w amendments |
| HB5535 | BULLARD, PERRY | State Aff. & Transpor. | Floor w amendments |
| HB5828 | GEERLINGS, EDGAR | Education & Health | Floor |

===== CHOOSE FROM THE FOLLOWING =====

Alter bill cluster
 Enter fiscal impacts
 Show bill not in cluster
 Display other columns
 Print bill information
 Refresh screen data
 Maintenance

MAIN MENU

At the Main Menu you will have 7 choices. These appear near the bottom of the screen. To alter the bill Cluster tap **A**, Display different Data tap **D** (3 of the 6 columns of information will be visible.), Enter fiscal Impacts tap **E**, Print bill Cluster tap **P**, Show bill not in cluster tap **S**, and Refresh screen data tap **R**.

Each of these options is explained in detail on the next pages beginning with choice A.

While in the main menu, you can scroll through the list of bills (those in the cluster) by using the number keys. The action of these keys is as follows:

- 9 key...up the list continuously-F1 to stop.
- 8 key...up the list one bill at a time.
- 7 key...not used.
- 6 key...move to the right across 6 possible data items.
- 5 key...allows you to specify bill number to be positioned on the screen
- 4 key...move to the left across the 6 possible data items.
- 3 key...not used.
- 2 key...down one bill at a time.
- 1 key...down the list continuously, F1 to stop.

At any point in this program, tapping the **F1** key will bring you back to this main menu.

F I S C A L I M P A C T G E N E R A L S U M M A R Y

Each bill in the cluster being displayed has a code in common with each of the categories below:

- Analysts include (ABCDEFGHIJKLMNORSTUVWXY)
- Committees are (ABCDEFGHIJKLMNO)
- Dispositions are (ABCDEF)
- Statuses include (BCDEF)
- Fiscal impacts include (ABCDEFGH)

Choose one of the options below or if finished, just tap ENTER.

ALTER THE BILL CLUSTER

- Analysts
- Committee
- Disposition
- Status
- Fiscal impact

ALTER BILL CLUSTER

The set of bills being shown on the screen represent only those bills which have certain data items in common; i.e. they have codes for each of the 5 categories shown above which match those you specify as being of interest to you. In the above screen, for example, only bills with status B,C,D,E, or F (on the Senate Floor) are in the "Cluster of bills" being displayed.

You may alter the cluster specifications of each of the 5 categories (which codes to include) by keying in one of 5 choices: A for analysts, C for Committee, D for Disposition, S for Status, or F for Fiscal Impact. Each of the next 5 pages shows these in detail.

F I S C A L I M P A C T G E N E R A L S U M M A R Y

| | |
|----------------------|------------------------|
| A WEGRYN ,JIM | N OLSON ,GARY |
| B JEFFRIES ,ELLEN | O HEINRITZI ,WALT |
| C SCHWEITZER ,CARL | P MURPHY ,DAVE |
| D CHAPKO ,BOB | O DEROSE ,CHRIS |
| E FERRIS ,TED | R DEJULIANNIE ,JERRY |
| F OWEN ,GREG | S MILLER ,GEORGE |
| G SULLENGER ,GARY | T ORBAN ,GEORGE |
| H MATTHEWS ,LOIS | U WALKER , JOHN |
| I OWEN ,GREG | V WALKER ,ANN |
| J RICH ,ARNOLD | W WALKER ,ANN |
| K ROSSO ,NANCY | X JEFFRIES ,ELLEN |
| L STEWART ,VICKI | Y WEGRYN ,JIM |
| M OLSON ,GARY | |

The bills in your cluster include only those which have analyst assignments that match the hi-lighted ones above. You may add or remove analysts from inclusion by tapping the associated letter. Tap ENTER when done.

ALTER BILL CLUSTER continuation.

Each bill introduced is assigned to an analyst by designating it with a one letter code, A, through Y, each letter representing an analyst.

Of the list of analysts displayed at this point, some will be hi-lighted. Those hi-lighted are the analysts whose bills constitute the current selection of bills being displayed. You can change the selection of bills being displayed. You can change the selection (add or remove analyst's bills) by tapping the letter corresponding to the analyst. Tapping a letter reverses the selection; if hi-lighted, tapping letter turns it off; if not hi-lighted, tapping ENTER turns it on.

F I S C A L I M P A C T G E N E R A L S U M M A R Y

A Administration & Rules
B Agriculture & Forestry
C Approp. & Retirement
D Commerce
E Econ. Dev., Trade & T.
F Education & Health
G Finance
H Judiciary
I Labor
J Local Government
K Natural Res. & Environ.
L Sr. Citizens & Soc.Ser.
M State Aff. & Transpor.
N Joint committee

The bills in your cluster include only those which have committee assignments

ALTER BILL CLUSTER continuation.

Each bill introduced is assigned to a Senate committee by designating it with a one letter code, A. through N., each letter representing a Committee.

Of the list of committees displayed at this point, some will be hi-lighted. Those hi-lighted are the committee whose bills constitute the current selection of bills being displayed. You can change the selection of bills being displayed (add or remove committee bills) by tapping the letter corresponding to the committee. Tapping a letter reverses the selection; if hi-lighted, tapping letter turns it off; if not hi-lighted, tapping ENTER turns it on.

F I S C A L I M P A C T G E N E R A L S U M M A R Y

- A Assigned first time
- B Been analyzed (comments) *E-95 COMMENTS*
- C Completed analysis
- D Demands second look
- E Edited (needs comments)
- F Finished analysis
- G No disposition assigned

Bills in your cluster include only those which have disposition assignments that match the hi-lighted ones above. You may add or remove dispositions from inclusion by tapping the associated letter. Tap ENTER when done.

ALTER BILL CLUSTER continuation.

Each bill has a disposition code which reflects it's step in the analysis procedure. Dispositions are assigned a one letter code, A. through G., each letter representing each step in the analysis.

Of the list of Dispositions displayed at this point, some will be hi-lighted. Those hi-lighted are the dispositions whose bills constitute the current selection of bills being displayed. You can change the selection of bills being displayed (add or remove bills) by tapping the letter corresponding to the disposition. Tapping a letter reverses the selection; if hi-lighted, tapping letter turns it off; if not hi-lighted, tapping ENTER turns it on.

F I S C A L I M P A C T G E N E R A L S U M M A R Y

A Committee
B Floor
C Floor w amendments
D Floor w substitute
E Floor sub. w amends.
F Floor conf. report
C Passed
H Defeated
I Pending reconsidrn.
J Tabled
K In the House
L In conf. committee
M Passed both houses
N Enacted into law
O Vetoed by Governor
P Not introduced yet

The bills in your cluster include only those which have status assignments that match the hi-lighted ones above. You may add or remove statuses from inclusion by tapping the associated letter. Tap ENTER when done.

ALTER BILL CLUSTER continuation.

Each bill has a status code which reflects it's step in the legislative process. Status' are assigned a one letter code, A. through P., each letter representing where it is in the legislative process.

Of the list of Status' displayed at this point, some will be hi-lighted. Those hi-lighted are the status' whose bills constitute the current selection of bills being displayed. You can change the selection of bills being displayed (add or remove bills) by tapping the letter corresponding to the status. Tapping a letter reverses the selection; if hi-lighted, tapping letter turns it off; if not hi-lighted, tapping ENTER turns it on.

F I S C A L I M P A C T G E N E R A L S U M M A R Y

- A No fiscal impact
- B Expenditure increase
- C Expenditure decrease
- D Revenue loss
- E Revenue gain
- F Indeterminate impact
- G Transfer of money
- H Appropriations bill
- I Impact not determined

"Primary fiscal impact" is the first impact listed of the 9 possible fiscal impacts for any bill.

The bills in your cluster include only those which have primary fiscal impacts that match the hi-lighted ones above. You may add or remove primary from inclusion by tapping the associated letter. Tap ENTER when done.

ALTER BILL CLUSTER continuation.

Each bill has either "no fiscal impact" or one of several "fiscal impacts" as the first of nine possible impacts. This impact is a sentence made of 2 or 3 pieces, the first piece being any of those shown above, with a one letter code, A. through I.

Of the list of fiscal impacts displayed at this point, some will be hi-lighted. Those hi-lighted are the impacts whose bills constitute the current selection of bills being displayed. You can change the selection of bills being displayed (add or remove bills) by tapping the letter corresponding to the impact. Tapping a letter reverses the selection; if hi-lighted, tapping letter turns it off; if not hi-lighted, tapping ENTER turns it on.

F I S C A L I M P A C T G E N E R A L S U M M A R Y

You can choose 3 of the following data items to be displayed.
Key in the numbers designating your choices.

- 1 Sponsor's name
- 2 Analyst's name
- 3 Committee assigned to
- 4 Disposition of bill
- 5 Status of the bill
- 6 Fiscal impact

Choices:

===== CHOOSE FROM THE FOLLOWING =====

DISPLAY DIFFERENT DATA

The screen can only display 3 pieces of information at a time, from 6 possible items shown above. Selecting option **D** at the main menu allows you to put on the screen any of 3 of the 6 items. Just type in any desired 3 numbers.

FISCAL IMPACT GENERAL SUMMARY

Bill number: SB0070

Analyst: WALKER,ANN

Status: Committee

Disposition: Assigned first time

Committee: State Aff. & Transpor.

Last update: 05/04/83

CURRENT FISCAL IMPACTS ARE:

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9

Give number of impact to be changed or tap ENTER when done:

ENTER FISCAL IMPACT

The bill that was high-lighted at the main menu when you selected this option is brought up on the screen.

After you choose a number you can build a sentence to explain the fiscal impact. The sentence will be constructed as you enter choices from the prompts. If you want to change the sentence, tap F2 to go back a step. Each bill can have up to nine fiscal impacts referring to the State and/or local implications for several fiscal years.

These impacts will print in the order you put them with the first impact being the primary impact., i.e. the impacts that shows up in the table of contents of the floor sheet printout.

F I S C A L I M P A C T G E N E R A L S U M M A R Y

| | |
|-----------------------------------|----------------------------------|
| Bill number: SB0070 | Analyst: WALKER, ANN |
| Status: Committee | Disposition: Assigned first time |
| Committee: State Aff. & Transpor. | Last update: 05/04/83 |

CURRENT FISCAL IMPACTS ARE:

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9

CONSTRUCTING IMPACT 1 Key in the letter of your choice:

- | | |
|--|--|
| <ul style="list-style-type: none"> A No fiscal impact B Expenditure increase C Expenditure decrease D Revenue loss E Revenue gain F Indeterminate impact G Transfer of money H Appropriations bill | <p style="text-align: center;">Type in * to blank out impact</p> |
|--|--|

ENTER FISCAL IMPACTS continued.

The first step in building a fiscal impact is choosing a letter A. through H. to begin the impact sentence. More choices are given after each selection until the impact is complete. Fiscal year and dollar amounts may be given with most impacts.

If you are not satisfied with any particular impacts, you may re-do it, by tapping F2, which takes you back a step.

When you have finished entering fiscal impacts, tap ENTER only!

The following page explains the next step.

FISCAL IMPACT GENERAL SUMMARY

Bill number: SB0070

Analyst:

Status: Committee

Disposition: Assigned first time

Committee: State Aff. & Transpor.

Last update: 05/04/83

CURRENT FISCAL IMPACTS ARE:

1 No fiscal impact/for the State

in FY86

2

3

4

5

6

7

8

9

Please enter the current disposition of this bill.
Choose by letter one of the following:

- A Assigned but no analysis done
- B Been analyzed but needs comments added
- C Completed in all respects

Disposition:

ENTER FISCAL IMPACTS continued.

Before you can exit the "fiscal impact entry" mode, you MUST settle on a disposition for his bill. These are as follows:

- A....Assigned but no analysis done (use A, if Fiscal impact is not completed).
- B....Been analysed but needs comments added (use B if comments must be inserted).
- C....Completed in all respects.

If comments need to be entered, choice B. must be selected. After comments have been entered by the FIGS operator the disposition will be changed to a "C".

F I S C A L I M P A C T G E N E R A L S U M M A R Y

=====

| BILL | COMMITTEE ASSIGNMENT | STATUS OF THE BILL | FISCAL IMPLICATION |
|--------|-------------------------|--------------------|----------------------|
| SB0003 | State Aff. & Transpor. | Committee | No fiscal impact |
| SB0004 | Sr. Citizens & Soc.Ser. | Committee | No fiscal impact |
| SB0005 | Sr. Citizens & Soc.Ser. | Committee | No fiscal impact |
| SB0016 | State Aff. & Transpor. | Passed both houses | No fiscal impact |
| SB0020 | Education & Health | Committee | Expenditure decrease |
| SE0024 | Education & Health | Passed both houses | No fiscal impact |
| SB0034 | State Aff. & Transpor. | Committee | No fiscal impact |
| SB0040 | State Aff. & Transpor. | Committee | No fiscal impact |
| SB0041 | State Aff. & Transpor. | Committee | No fiscal impact |
| SB0043 | Education & Health | Committee | No fiscal impact |
| SB0050 | Education & Health | Committee | Expenditure decrease |
| SB0055 | Agriculture & Forestry | Passed both houses | No fiscal impact |
| SB0056 | Agriculture & Forestry | Passed both houses | No fiscal impact |
| SB0069 | State Aff. & Transpor. | Committee | No fiscal impact |
| SB0070 | State Aff. & Transpor. | Committee | No fiscal impact |

===== PRINT BILL INFORMATION =====

- All data for each bill in cluster
- Summary data for each bill in cluster
- Individual bills not necessarily in cluster

PRINT BILL INFORMATION

You may get printouts in three possible ways:

- Choice A. Gives you each bill in the cluster, one bill per page, with all the information for the bills including comments.
- Choice B. Gives a listing of all bills in the current cluster, one line per bill, 6 data items for each; Sponsor, Analyst, Committee, Disposition, Status, Fiscal Impact.
- Choice C. Gives you a printout similar to Choice A. but does not use the bill cluster; rather you must specify each bill on which you want printed information.

F I S C A L I M P A C T G E N E R A L S U M M A R Y

| BILL | COMMITTEE ASSIGNMENT | STATUS OF THE BILL | FISCAL IMPLICATION |
|--------|-------------------------|--------------------|----------------------|
| SB0003 | State Aff. & Transpor. | Committee | No fiscal impact |
| SB0004 | Sr. Citizens & Soc.Ser. | Committee | No fiscal impact |
| SB0005 | Sr. Citizens & Soc.Ser. | Committee | No fiscal impact |
| SB0016 | State Aff. & Transpor. | Passed both houses | No fiscal impact |
| SB0020 | Education & Health | Committee | Expenditure decrease |
| SB0024 | Education & Health | Passed both houses | No fiscal impact |
| SB0034 | State Aff. & Transpor. | Committee | No fiscal impact |
| SB0040 | State Aff. & Transpor. | Committee | No fiscal impact |
| SB0041 | State Aff. & Transpor. | Committee | No fiscal impact |
| SB0043 | Education & Health | Committee | No fiscal impact |
| SB0050 | Education & Health | Committee | Expenditure decrease |
| SB0055 | Agriculture & Forestry | Passed both houses | No fiscal impact |
| SB0056 | Agriculture & Forestry | Passed both houses | No fiscal impact |
| SB0069 | State Aff. & Transpor. | Committee | No fiscal impact |
| SB0070 | State Aff. & Transpor. | Committee | No fiscal impact |

M A I N T E N A N C E

| | | |
|---|--|---|
| <input type="checkbox"/> Enter bill information | <input type="checkbox"/> Status update | <input type="checkbox"/> Revise analyst codes |
| <input type="checkbox"/> Comments inserted | <input type="checkbox"/> P.A. designation | <input type="checkbox"/> Legislator out of office |
| <input type="checkbox"/> Floor sheets | <input type="checkbox"/> Disposition entry | <input type="checkbox"/> System generation |

M A I N T E N A N C E

Under the maintenance section, the choices:

M **E** .enter new data M **S** .Status Update M **R** .Revise Analyst Codes

M **C** .Comments inserted M **P** .P.A. Designation M **L** .Legislator not in Ofc.

M **F** .Floor Sheets M **D** .Disposition M **S** .

Only users coded either W, X, or Y can enter in the maintenance section.

F I S C A L I M P A C T G E N E R A L S U M M A R Y

Bill number: SE0866
Sponsor: FESSLER,RICHARD
Status: Passed
Committee: Labor

Analyst: WEGRYN,JIM
Disposition: Assigned first time
Last update: 09/20/84

-----SHORT TITLE-----

State agencies (old); labor; employment security commission; remove requirement for appointment of persons to assist claimants and employers.

-----COMMENTS-----

The operating costs of the MESC are funded directly by the Federal gov't. and are not included in the state budget.

ENTER BILL INFORMATION

This routine is used mainly for bills just introduced, but may be used to alter any of the following items:

When entering Bill information, the cursor will be flashing at each entry position.

Analyst-----use letter code assigned.
Sponsor-----R or S and 3 digit number (district #)
Committee-----use letter code.
Status and Disposition---enter automatically.
Last Update-----will be entered automatically

There is three lines available to enter short title.

To go back a step of entry tap **F2**.

When you have completed entering all data, you will be prompted to enter another bill. To exit this mode tap **F1**.

F I S C A L I M P A C T G E N E R A L S U M M A R Y

Bill number: SB0866
 Sponsor: FESSLER, RICHARD
 Status:
 Committee: Labor

Analyst: WEGRYN, JIM
 Disposition: Assigned first time
 Last update: 09/20/84

-----SHORT TITLE-----

State agencies (old); labor; employment security commission; remove requirement for appointment of persons to assist claimants and employers.

-----COMMENTS-----

The operating costs of the MESC are funded directly by the Federal gov't. and are not included in the state budget.

| ENTER IN SHORT COMMENTS FOR SB0866==== | Enter | Revise | Save |
|---|-------|--------|------|
| LINE 1 The operating costs of the MESC are funded directly by the Federal | | | |
| LINE 2 gov't. and are not included in the state budget. | | | |
| LINE 3 | | | |

COMMENTS INSERTED

Short Comments (three lines or less) are entered using this routine.

1. You may choose to ENTER--REVISE--SAVE. These choices appear in the highlighted portion of the lower screen.
 - a. ENTER--the cursor will move to line (1) for entry of the first comment line. The cursor will wait for you to tap enter to move to the (2) entry line. Tap enter to move to the (3) entry line. You may go back a line by using the F2 key.
 - b. REVISE--to change spelling, insert new word, or delete a word, enter the revision when the program asks for "Bad Text"
 - c. SAVE--at the end of each entry session with comments, you must select SAVE to keep all comment lines you have entered.

For comments longer than 3 lines, you must type in the word "COMMENT" on line 1. Then proceed according to the instructions on the following page.

ENTER COMMENTS IN VISTA-WORD (more than three lines)

To enter comment lines longer than the three lines allowed in the comment section of FIGS follow this processing procedure.

1. Create a document in Vista-Word with the name FN <bill number>
2. Display primary format to make changes.
3. Set the margin to LM 12 and RM 81.
4. Enter the document and tap the ENTER key to create an embedded line command.
5. On the first line enter the word Comment (or COMMENT) at the left margin. (The Program searches for the word comment to include the text with the floor sheets.)
6. Text may be typed after the "Comment" line for as many lines as necessary. Indent paragraphs 5 spaces, without blank lines between.

If you want blank lines between paragraphs or sections of text---insert a period at the beginning of the blank line. A period will serves to allow continuation between text.

F I S C A L I M P A C T G E N E R A L S U M M A R Y

Bill number: SB0866
Sponsor: FESSLER,RICHARD
Status: Passed
Committee: Labor

Analyst: WEGRYN,JIM
Disposition: Assigned first time
Last update: 09/20/84

-----SHORT TITLE-----

State agencies (old); labor; employment security commission; remove requirement for appointment of persons to assist claimants and employers.

-----COMMENTS-----

The operating costs of the MESC are funded directly by the Federal gov't. and are not included in the state budget.

=====LISTING OF BILLS ON THE FLOOR=====

Key in the day of the week and date:

FLOOR SHEETS

This routine is used only when the laser printer is unavailable and the FIGS operator must print the floor sheets on a letter quality printer.

Enter the date to appear on the floor sheets as in the following example:

"Thursday, November 22, 1984"

Put paper (plain white) in the printer, push form button to begin printing. The top page or "Cover Page" will be printed last. The program will prompt you to "ready to print cover page", at this point, place standard memo paper in the printer. (with SFA Logo in corner)

F I S C A L I M P A C T G E N E R A L S U M M A R Y

| BILL | SPONSOR OF THE BILL | COMMITTEE ASSIGNMENT | STATUS OF THE BILL |
|--------|---------------------|------------------------|--------------------|
| SB0880 | CRUCE, DOUG | Labor | Floor w substitute |
| SB0908 | POSTHUMUS, DICK | Commerce | Floor w substitute |
| HB4073 | NASH, ERNEST | State Aff. & Transpor. | Floor w substitute |
| HB4677 | KEITH, WILLIAM | Local Government | Floor w amendments |
| HB5029 | BULLARD, PERRY | Econ. Dev., Trade & T. | Floor w substitute |
| HB5030 | BULLARD, PERRY | Econ. Dev., Trade & T. | Floor w substitute |
| HB5413 | HOFFMAN, PHILIP | Local Government | Floor w amendments |
| HB5535 | BULLARD, PERRY | State Aff. & Transpor. | Floor w amendments |
| HB5828 | GEERLINGS, EDGAR | Education & Health | Floor |

===== UPDATE STATUS =====

Bill No. 0880 F Floor conf. report
 Current status: Floor w substitute New status: C Passed
H Defeated

STATUS UPDATE

This routine allows quick status updates of any bill.

1. Enter the bill number and tap ENTER.
2. Choose the letter corresponding to your status choice. The 8 and 6 cursor keys move the selections up or down on the screen. (there are more status selections than appear on the screen.)
3. Tap ENTER when the status selection you have chosen is in the center or highlighted position.

FISCAL IMPACT GENERAL SUMMARY

===== INSERTING P.A. NUMBERS =====

Bill number: _____

Give year of public act: 19__

Give Public Act number:

Key in "Y" if I.E.:

Signed date (include slashes):

===== MAINTENANCE =====

Enter bill information

Status update

Revise analyst codes

Comments inserted

P.A. designation

Legislator out of office

Floor sheets

Disposition entry

System generation

DESIGNATE PUBLIC ACTS

When a bill is signed into law, additional information must be keyed in as follows:

1. Enter Bill number
2. Give year of Public Act
3. Enter P.A. number
4. Enter "Y" if immediate effect
5. Enter signed date
6. Enter another bill number for continuation of this mode or tap F1 to return to the Maintenance selection.

F I S C A L I M P A C T G E N E R A L S U M M A R Y

| BILL | SPONSOR OF THE BILL | COMMITTEE ASSIGNMENT | STATUS OF THE BILL |
|--------|---------------------|------------------------|--------------------|
| SB0880 | CRUCE, DOUG | Labor | Floor w substitute |
| SB0908 | POSTHUMUS, DICK | Commerce | Floor w substitute |
| HB4073 | NASH, ERNEST | State Aff. & Transpor. | Floor w substitute |
| HB4677 | KEITH, WILLIAM | Local Government | Floor w amendments |
| HB5029 | BULLARD, PERRY | Econ. Dev., Trade & T. | Floor w substitute |
| HB5030 | BULLARD, PERRY | Econ. Dev., Trade & T. | Floor w substitute |
| HB5413 | HOFFMAN, PHILIP | Local Government | Floor w amendments |
| HB5535 | BULLARD, PERRY | State Aff. & Transpor. | Floor w amendments |
| HB5828 | GEERLINGS, EDGAR | Education & Health | Floor |

===== CHANGE DISPOSTION =====

| | | |
|------------------------|--------------------|--------------------------|
| Bill No. SB0034 | | Assigned first time |
| Current disposition | New disposition: A | Assigned first time |
| is Assigned first time | B | Been analyzed (comments) |

DISPOSITION

The Disposition of a bill is the key to the smooth operation in analysis of a bill. The Disposition shows the step or phase of analysis of the bill.

Ordinarily the analyst sets the Disposition from "A" (assigned but not analyzed) to "B" or "C". This menu selection should hold only be used to correct a bill disposition.

The Disposition steps or phases are shown on the following page.

Relationship of Disposition Codes:

Not on Floor

On Floor

| | |
|---------|---|
| A.....> | D |
| B.....> | E |
| C.....> | F |

Disposition of bills in Committee.

- A.....Assigned first time When the bill is first entered into the computer by the FIGS operator the DISPOSITION is set to (A).
- B.....Been analyzed (comments) The Analyst selects B. after building all fiscal impact sentences If comments are needed, the analyst selects C.
- C.....Completed Analysis The analyst finishes building fiscal impact sentences and no comments are needed. The DISPOSITION must be set to C.

Disposition of bills on the floor.

- D.....Demands Second Look All "A" dispositions are changed to "D" automatically when the bill has floor status.
- E.....Emended (needs comments) All "B" dispositions are changed to "E" automatically when the bill has floor status.
- F.....Finished Analysis All "C" dispositions are changed to "F" automatically when the bill has floor status.

FISCAL IMPACT GENERAL SUMMARY

| | | | |
|---|-----------------------|---|-------------------------|
| A | 1000 WEGRYN, JIM | N | 1026 OLSON, GARY |
| B | 1001 JEFFRIES, ELLEN | O | 1052 HEINRITZI, WALT |
| C | 1002 SCHWEITZER, CARL | P | 1015 MURPHY, DAVE |
| D | 1003 CHAPKO, BOB | Q | 1053 DEROSE, CHRIS |
| E | 1004 FERRIS, TED | R | 1017 DEJULIANNIE, JERRY |
| F | 1020 OWEN, GREG | S | 1018 MILLER, GEORGE |
| G | 1021 SULLENGER, GARY | T | 1019 ORBAN, GEORGE |
| H | 1007 MATTHEWS, LOIS | U | 1023 WALKER, JOHN |
| I | 1020 OWEN, GREG | V | 1025 WALKER, ANN |
| J | 1009 RICH, ARNOLD | W | 1025 WALKER, ANN |
| K | 1010 ROSSO, NANCY | X | 1001 JEFFRIES, ELLEN |
| L | 1011 STEWART, VICKI | Y | 1000 WEGRYN, JIM |
| M | 1026 OLSON, GARY | | |

Only users W, X, and Y have access to maintenance options.

LETTER:

===== CHANGE ANALYST CODES =====

To insert new analysts or change current assignments, type in letter and give 4 digit user code to be attached to it. When finished tap ENTER only. You may need to run "Verify assignments" option.

REVISE ANALYSTS CODES

Rather than using the 4 digit analyst ID code, a single letter is used in FIGS. This routine provides the crosswalk between the ID codes and FIGS letter codes.

Revise Analyst Codes

1. The screen will show all the analyst codes and letter assigned to that code. You may change any of the letter designations when prompted by giving the letter of the code to be changed and when prompted, the new code selected for that letter.
2. Tap Enter when the change has been made. (F2 will take you back a step.)
3. **F1** will take you out of this selection mode.

In order to use the maintenance section, the user's ID code must match either the W, X, or Y letters designation.

F I S C A L I M P A C T G E N E R A L S U M M A R Y

=====

| BILL | SPONSOR OF THE BILL | COMMITTEE ASSIGNMENT | STATUS OF THE BILL |
|--------|---------------------|------------------------|--------------------|
| SB0880 | CRUCE, DOUG | Labor | Floor w substitute |
| SB0908 | POSTHUMUS, DICK | Commerce | Floor w substitute |
| HB4677 | KEITH, WILLIAM | Local Government | Floor w amendments |
| HB5029 | BULLARD, PERRY | Econ. Dev., Trade & T. | Floor w substitute |
| HB5030 | BULLARD, PERRY | Econ. Dev., Trade & T. | Floor w substitute |
| HB5413 | HOFFMAN, PHILIP | Local Government | Floor w amendments |
| HB5535 | BULLARD, PERRY | State Aff. & Transpor. | Floor w amendments |

===== LEGISLATOR OUT OF OFFICE =====

Give legislator's code: L

CHANGE LEGISLATORS REFERENCE CODES

This entry is used when a legislator leaves office and is replaced by another. (M.J. Miller must enter the proper name to correspond with the district code.)

When prompted give the legislators code to be changed. Tap ENTER. The system will go through all of the bills sponsored by the legislator chosen and change the code so it will not reflect the new legislator representing that district.

F I S C A L I M P A C T G E N E R A L S U M M A R Y

| BILL | SPONSOR OF THE BILL | COMMITTEE ASSIGNMENT | STATUS OF THE BILL |
|--------|---------------------|------------------------|--------------------|
| SB0880 | CRUCE, DOUG | Labor | Floor w substitute |
| SB0908 | POSTHUMUS, DICK | Commerce | Floor w substitute |
| HB4073 | NASH, ERNEST | State Aff. & Transpor. | Floor w substitute |
| HB4677 | KEITH, WILLIAM | Local Government | Floor w amendments |
| HB5029 | BULLARD, PERRY | Econ. Dev., Trade & T. | Floor w substitute |
| HB5030 | BULLARD, PERRY | Econ. Dev., Trade & T. | Floor w substitute |
| HB5413 | HOFFMAN, PHILIP | Local Government | Floor w amendments |
| HB5535 | BULLARD, PERRY | State Aff. & Transpor. | Floor w amendments |
| HB5828 | GEERLINGS, EDGAR | Education & Health | Floor |

MAINTENANCE

Repair current files

Generate new files

Verify analyst assignments

SENATE FISCAL AGENCY
MEMORANDUM



DATE: January 4, 1985
TO: Ted Ferris
FROM: Ellen Jeffries *E.J.*
Chair, Fiscal Notes Task Force
RE: Fiscal Notes Task Force Recommendations

The Fiscal Notes Task Force met formally and at length, four times during October and November and at numerous other times on an ad hoc basis. The Task Force members, Lynda Davis, Jerry DeJuliannie, Chris DeRose, Gary Olson, Gary Sullenger, Ann Walker, and Jim Wegryn, performed in an exemplary manner and contributed many innovative and thought-provoking ideas. Special thanks should be attributed to Jim and Ann for devising the new program and developing a new users' manual. The following recommendations are the result of our many Task Force discussions:

1. Rewrite the FIGS program to allow specific, more detailed fiscal impact information.
2. Eliminate the separate, long-form fiscal note.
3. Expand the comment section to allow additional comments or inclusion of entire fiscal note, should one be necessary.
4. Purchase 8400 terminal for fiscal notes coordinator to allow simultaneous access to data and word processing.
5. Require fiscal note coordinator to enter bill number, status, sponsor, analyst, short title, and comments (as is the current practice); each analyst would key in fiscal impact data on her/his own Datapoint terminal. (See Draft Manual for exact procedure.)
6. Display bill status daily on each analyst's terminal to enable analysts to quickly determine which of their bills are on the Senate calendar.
7. Retain complete paper rail for each bill, including various analyses (SFA, HFA, SAS, etc.), in the file folder. At end of session, compile notebooks containing all SFA analyses and a complete print-out of final statuses for all bills.
8. Formalize Committee Clerk notification process to ensure timely transmittal of Committee agendas, amendments, and substitutes to SFA fiscal notes coordinator.
9. Conduct a training session on the new fiscal note program including suggestions regarding "quality control".

A Draft Manual and sample pink sheets are attached which illustrate the foregoing recommendations. If you would like any further clarification please feel free to contact me -- the entire Task Force awaits your response.

attachments

cc: Task Force Members
Bob Chapko

psh/EJ_mFISREC

FISCAL NOTE PREPARATION

1. Be as brief and to the point, as possible.
2. "Purpose of the Bill" statement should be in a form substantially as follows:
 - a) Amendatory bill:

"To amend M.C.L. _____ of the _____ Act. Specifically, to _____."
 - b) A bill proposing a new law:

"To establish _____

Specifically, to _____."
3. "Problem Statement" is optional and may be unaddressed if it places analyst in a compromising position. If completed, problem statement should be brief and neither encourage or discourage passage of the bill. Remember, it is Senate Analysis Section's responsibility to more deeply research the rationale for the programmatic implications of proposed legislation.
4. If a fiscal note gets lengthy (more than two pages) include a summary paragraph at the front of the "fiscal impact" section. Do not hesitate to construct a table.
5. Utilize a range for an estimate if necessary to provide any fiscal information. Indicate degree of confidence with which range estimate is made. For instance, one might state that:

"Based upon census data from 1977, updated for consumer price changes, it is reasonable to assume that the levy of a 4% sales tax on soda pop and other carbonated beverages would yield \$10-20 million."
6. Consult other analysts as necessary, and especially when a bill (such as H.B. 4802) transcends organizational lines. Work cooperatively together with the assigned analyst serving as the lead analyst.
7. Remember, above all, that our fiscal notes are to be as accurate and unbiased as possible. If somebody has a better estimate, based upon a better methodology, we will look at it, and perhaps use it. Outside lobbying and pressuring of analysts to slant a fiscal note will not be tolerated and should be brought to the Unit Chief and/or Director's attention.



Official Business

Alaska State Legislature
Senate

Committee on
Community and Regional Affairs

Staff

Senator E. DeVries, Chairman

Members:

Senator Ferguson, Vice Chairman

Senator Coghill

Senator Sturgulewski

Senator V. Fischer

Pouch V

Juneau, Alaska 99811

*2/13/86
Mtg*

Senator DeVries.....

Re: Today's meeting:

Senator Ferguson is out of town
Senator Sturgulewski will be available via
teleconference line from Anchorage
Senator Vic Fischer's office was notified
of teleconference hook-up should he desire
to participate from Anchorage

The Dept of C&RA position paper for SB 369 -- Fiscal notes
for legislation affecting municipalities -- attaches
a fiscal note of \$500,000, which includes 8 new
positions and \$100,000 for equipment

(I advised Melissa of this fact--position paper
given to me over lunch hour today--and she was
going to try to notify Sen Sturgulewski prior
to the meeting --- however, in case Senator
Sturgulewski doesn't get the word ahead of
the meeting --- you might advise her ---
especially since it's her bill.)

THE OTHER SHOE HAS DROPPED .. (See attached)

g-



Official Business

Alaska State Legislature

Senate

Committee on Community and Regional Affairs

Senator Edna DeVries, Chairman

Members:

Senator Ferguson, Vice Chairman

Senator Coghill

Senator Sturgulewski

Senator V. Fischer

Pouch V

Juneau, Alaska 99811

February 13, 1986

Senate C&RA Committee Meeting

SB 369 -- An Act relating to fiscal notes for legislation affecting a municipality.

Position paper from Dept of C&RA -- Department does not support the bill; and attaches a fiscal note of \$500,000 which includes 8 new positions.

Fairbanks North Star Borough supports the bill.

SB 376 -- An Act making appropriations to the Dept of Community and Regional Affairs to reimburse municipalities under certain programs, efd.

Position paper from Dept of C&RA -- Department supports the bill; and attaches a fiscal note of zero.

Fairbanks North Star Borough supports the bill.



Alaska State Legislature

Senate

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

Feb 13, 1986

Received telephone call from Linda Anderson, representing the North Star Borough at 2:35p today, Feb 13. Ms. Anderson advised that the North Star Borough supports both SB 369 and SB 376. Representative unable to attend hearing due to dental appointment for child.

yma/2/13/86

cc: Linda Anderson

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

February 12, 1986

POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700

949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508
PHONE: (907) 563-1073

POSITION PAPER

RE: Senate Bill 369

SPONSOR: Senate Community and Regional Affairs Committee

Program Effects of Bill

See below.

Comments:

The Department strongly supports the concept of providing municipalities with information on potential fiscal impacts at the local level. We do not believe, however, Senate Bill 369 provides the most effective vehicle for accomplishing that goal.

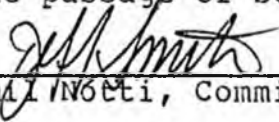
As we read Senate Bill 369, the Department would be required to carefully review virtually every bill introduced each legislative session to ascertain whether there might be fiscal impacts to municipalities, in the event those bills would be adopted. It would not be feasible for the Department to employ personnel who would be expert in the technical matters managed daily by the fifteen departments of State government. Therefore, in estimating these fiscal impacts, the Department would have to consult at length with many other State agencies, as well as individual municipalities.

At the present time, 887 bills have been introduced, with more being introduced each week. Clearly, the task of reviewing those bills and making substantive decisions in regard to their impacts on municipal governments would be enormous. In addition, there is the question of whether the State of Alaska might assume some legal liability for the accuracy of these fiscal notes should the bill become law. These things considered, we believe a number of higher level professionals, along with support staff, should be hired to do this work. Certainly we are concerned with this potential expansion of State government considering the current decline in State revenues. Additionally we are concerned that even higher level professionals might not be able to produce reliable and defensible fiscal estimates on impacts not related to their own fields of expertise.

Senate Bill 369
February 2, 1986
Page 2

We believe it would be more appropriate for municipalities to work with an organization such as the Alaska Municipal League in estimating fiscal impacts which might result from State legislation. Individual municipalities, in most cases, would be able to estimate those impacts more accurately because of their greater familiarity with their own communities. Their concerns could then be conveyed to the Legislature through their spokesperson in Juneau.

Given the difficulties produced by current language in the bill, and considering the level of the fiscal note for its operation, we cannot support the passage of Senate Bill 369.



Emil Notti, Commissioner

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date : 2/12/86

REQUEST

Bill/Resolution No. : SB 369
 Title : An Act relating to fiscal notes
 for legislation affecting a municipality
 Sponsor : Senate C&RA Committee
 Requestor : Senate C&RA Committee
 Date of Request : _____

FISCAL DETAIL

Agency Affected : Community & Regional Affairs
 BRU : _____
 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

| OPERATING | FY 86 | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | 320.0 | 336.0 | 352.8 | 370.4 | 388.9 |
| TRAVEL | | 10.0 | 10.5 | 11.0 | 11.5 | 12.1 |
| CONTRACTUAL | | 50.0 | 52.5 | 55.1 | 57.8 | 60.7 |
| SUPPLIES | | 20.0 | 21.0 | 22.0 | 23.1 | 24.3 |
| EQUIPMENT | | 100.0 | 10.0 | 10.5 | 11.0 | 11.5 |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | | 500.0 | 430.0 | 451.4 | 473.8 | 497.5 |

| | | | | | | |
|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|---------|--|--|--|--|--|--|

| | | | | | | |
|---------|--|--|--|--|--|--|
| REVENUE | | | | | | |
|---------|--|--|--|--|--|--|

FUNDING : (Thousands of Dollars)

| | | | | | | |
|---------------|--|-------|-------|-------|-------|-------|
| GENERAL FUND | | 500.0 | 430.0 | 451.4 | 473.8 | 497.5 |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | | 500.0 | 430.0 | 451.4 | 473.8 | 497.5 |

POSITIONS :

| | | | | | | |
|-----------|--|---|---|---|---|---|
| FULL-TIME | | 8 | 8 | 8 | 8 | 8 |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS : Attach a separate page if necessary

Prepared by : Michael W. Worley, State Assessor
 Division : Municipal & Regional Assistance

Phone : 465-4787
 Date : 2/12/86

Approved by Commissioner : *[Signature]*
 Agency : Community & Regional Affairs

Date : 2/13/86

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

SB 369

An act relating to fiscal notes

For legislation affecting a municipality

Positions The estimated costs are as follows:

| | |
|-----------------------------|---------|
| 3 Positions Salary Range 18 | 149,000 |
| 2 Positions Salary Range 16 | 84,600 |
| 1 Position Salary Range 13 | 34,400 |
| 2 Positions Clerk Typist II | 52,000 |

Additional costs would include travel, contractual, Supplies and Equipment (word processing, computer equipment and other general office equipment). Included in contractual would be lease of office space. Under equipment would be a one time expense for office fixtures.

Michigan's Tax-Expenditure Limit

Issues for Implementation

[A SECTION-BY-SECTION ANALYSIS]



SENATE FISCAL AGENCY

LANSING, MICHIGAN

FEBRUARY, 1979

MICHIGAN'S TAX-EXPENDITURE LIMIT

Issues for Implementation
[A Section-by-Section Analysis]

Prepared by:
SENATE FISCAL AGENCY
SENATE OFFICE BUILDING
FEBRUARY, 1979

THE SENATE
LANSING, MICHIGAN



SENATE FISCAL AGENCY

February 28, 1979

Members of the Michigan Legislature:

On November 7, 1978, ballot proposal E was approved by a 52% to 48% plurality of those voting on the issue. Proposal E amended the State Constitution of 1963 by adding Sections 25, 26, 27, 28, 29, 30, 31, 32, 33 and 34 to Article IX and amending Section 6 of Article IX. These Sections collectively establish tax and expenditure limitations on state and local government in Michigan.

Although the amendment became effective on December 22, 1978, legislation will be required for its full implementation.

To that end we have prepared this report, with the intent that it might assist you in discharging your duties as required by Section 34 of Article IX.

The format of this report should lend itself to readability. It contains a section-by-section analysis. Each section is broken into three (3) parts: (1) the Constitutional language (all new language capitalized); (2) the apparent purpose of the section; and (3) a summary of key implementation issues surrounding that section. An appendix section at the back of the report contains certain detailed information referenced throughout the report. It also contains a copy of the "Drafters' Notes" on the "Tax Limitation Amendment", which provides an explanation of the drafters' intent in the formulation of the amendment.

If you have questions regarding this report, contact myself or Ted Ferris at 373-2767. We look forward to assisting you in this endeavor.

Sincerely,

A handwritten signature in cursive script, appearing to read "Eugene B. Farnum".

Eugene B. Farnum
Director

EBF/jmk

-Acknowledgements-

This report was authored by Messrs. Eugene Farnum, Theodore Ferris, Tom Hickner, Arnold Rich and Gary Sullenger of the Senate Fiscal Agency.

Any data presented, estimates made, and judgements offered are our own and are based upon our previous experience and research in this matter. They are the sole responsibility of the Senate Fiscal Agency and should not be attributed as a statement of intent from the Michigan Legislature, its committees, or any of its members.

Michigan's Tax-Expenditure Limit
Implementation Issues

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SEC. 25. PROPERTY TAXES AND OTHER LOCAL TAXES AND STATE TAXATION AND SPENDING MAY NOT BE INCREASED ABOVE THE LIMITATIONS SPECIFIED HEREIN WITHOUT DIRECT VOTER APPROVAL. THE STATE IS PROHIBITED FROM REQUIRING ANY NEW OR EXPANDED ACTIVITIES BY LOCAL GOVERNMENTS WITHOUT FULL STATE FINANCING, FROM REDUCING THE PROPORTION OF STATE SPENDING IN THE FORM OF AID TO LOCAL GOVERNMENTS, OR FROM SHIFTING THE TAX BURDEN TO LOCAL GOVERNMENT. A PROVISION FOR EMERGENCY CONDITIONS IS ESTABLISHED AND THE REPAYMENT OF VOTER APPROVED BONDED INDEBTEDNESS IS GUARANTEED. IMPLEMENTATION OF THIS SECTION IS SPECIFIED IN SECTIONS 26 THROUGH 34, INCLUSIVE, OF THIS ARTICLE.

Purpose: This section briefly outlines the purpose of the constitutional amendment as specified in Sections 26 through 34. It states that total Michigan taxation and spending cannot be increased without direct voter approval; the state cannot require local governments to expand current programs or to establish new programs without full state financing; and the state is prohibited from reducing the proportion of its spending in the form of aid to local governments or from shifting the tax burden to local governments.

Implementation Issues:

Section 25 is a general statement of intent relating to sections 26 through 33. It requires no implementation in and of itself other than the implementation of the subsequent sections of the amendment.

SEC. 26. THERE IS HEREBY ESTABLISHED A LIMIT ON THE TOTAL AMOUNT OF TAXES WHICH MAY BE IMPOSED BY THE LEGISLATURE IN ANY FISCAL YEAR ON THE TAXPAYERS OF THIS STATE. THIS LIMIT SHALL NOT BE CHANGED WITHOUT APPROVAL OF THE MAJORITY OF THE QUALIFIED ELECTORS VOTING THEREON, AS PROVIDED FOR IN ARTICLE 12 OF THE CONSTITUTION. EFFECTIVE WITH FISCAL YEAR 1979-1980, AND FOR EACH FISCAL YEAR THEREAFTER, THE LEGISLATURE SHALL NOT IMPOSE TAXES OF ANY KIND WHICH, TOGETHER WITH ALL OTHER REVENUES OF THE STATE, FEDERAL AID EXCLUDED, EXCEED THE REVENUE LIMIT ESTABLISHED IN THIS SECTION. THE REVENUE LIMIT SHALL BE EQUAL TO THE PRODUCT OF THE RATIO OF TOTAL STATE REVENUES IN FISCAL YEAR 1978-1979 DIVIDED BY THE PERSONAL INCOME OF MICHIGAN IN CALENDAR YEAR 1977 MULTIPLIED BY THE PERSONAL INCOME OF MICHIGAN IN EITHER THE PRIOR CALENDAR YEAR OR THE AVERAGE OF PERSONAL INCOME OF MICHIGAN IN THE PREVIOUS THREE CALENDAR YEARS, WHICHEVER IS GREATER.

FOR ANY FISCAL YEAR IN THE EVENT THAT TOTAL STATE REVENUES EXCEED THE REVENUE LIMIT ESTABLISHED IN THIS SECTION BY 1% OR MORE, THE EXCESS REVENUES SHALL BE REFUNDED PRO RATA BASED ON THE LIABILITY REPORTED ON THE MICHIGAN INCOME TAX AND SINGLE BUSINESS TAX (OR ITS SUCCESSOR TAX OR TAXES) ANNUAL RETURNS FILED FOLLOWING THE CLOSE OF SUCH FISCAL YEAR. IF THE EXCESS IS LESS THAN 1%, THIS EXCESS MAY BE TRANSFERRED TO THE STATE BUDGET STABILIZATION FUND.

THE REVENUE LIMITATION ESTABLISHED IN THIS SECTION SHALL NOT APPLY TO TAXES IMPOSED FOR THE PAYMENT OF PRINCIPAL AND INTEREST ON BONDS, APPROVED BY THE VOTERS AND AUTHORIZED UNDER SECTION 15 OF THIS ARTICLE, AND LOANS TO SCHOOL DISTRICTS AUTHORIZED UNDER SECTION 16 OF THIS ARTICLE.

IF RESPONSIBILITY FOR FUNDING A PROGRAM OR PROGRAMS IS TRANSFERRED FROM ONE LEVEL OF GOVERNMENT TO ANOTHER, AS A CONSEQUENCE OF CONSTITUTIONAL AMENDMENT, THE STATE REVENUE AND SPENDING LIMITS MAY BE ADJUSTED TO ACCOMMODATE SUCH CHANGE, PROVIDED THAT THE TOTAL REVENUE AUTHORIZED FOR COLLECTION BY BOTH STATE AND LOCAL GOVERNMENTS DOES NOT EXCEED THAT AMOUNT WHICH WOULD HAVE BEEN AUTHORIZED WITHOUT SUCH CHANGE.

Paragraph 1 of Section 26

Purpose: Establishes the formula for setting a limit on state revenues. The formula is:

$$\text{Tax Limit} = \text{T.L.R.} \times (\text{X}) \text{ Personal Income}^{**}$$

Where:

$$\text{*T.L.R.} = \text{Tax Limit Ratio} = \frac{\text{State Revenues in 1978-79}}{\text{Michigan Personal Income in 1977}}$$

**Personal income = Personal income of calendar year prior to fiscal year under consideration or the average of the previous three calendar years, whichever is greater.

"State revenues" consists of all general fund and special fund revenue less federal aid, as defined in the Budget Message of the Governor for fiscal year 1978-79.

Appendix A (page 29) shows how the TLR is calculated using our estimate of FY 1978-79 state revenues. We are currently estimating that the tax limit for a given fiscal year will be equal to the product of 9.92% (TLR) multiplied times Michigan personal income (MPI) of the prior calendar year.

Appendix A also indicates that based upon our preliminary estimates of 1978 MPI and 1979-80 revenue, our current estimate of 1979-80 state revenues is at a level \$400 million below the maximum allowed by this section (9.92% of 1978 MPI).

Implementation Issues:

- (1) A major issue associated with this paragraph is the implication of not collecting, either in full or in part, the planned increase in transportation revenues resulting from the recently enacted 2 cent increase in the gas tax and the approximate 30% to 40% increase in license fees. To the extent that these taxes are not collected in 1978-79, the revenue limit will be tightened. If not collected in full (roughly \$150 million), the TLR would be decreased by approximately 1/4 of 1%.

(2) Can the limits on taxes and expenditures automatically be adjusted to reflect a redefinition of personal income? Personal income, as used in this section, is defined in Section 33 as that "officially reported by the United States Department of Commerce or its successor agency." This definition relies on the definition used by the federal government which is subject to revision. A small change in the definition of personal income could substantially alter the amount of revenue the state could collect under the terms of this section. More importantly, there is the question of how to deal with a downward revision in the estimates of personal income when announced by the U.S. Department of Commerce. For instance, the figures for MPI for the past several years were recently revised downward by over 3 percent (over \$2 billion in 1976). If this section had been in effect, our revenue limit would suddenly be \$200 million tighter, due to a technical change in Washington, D.C. rather than an economic change in Michigan.

(3) A procedure must be established for determining and publishing the ratio or amount. A decision will have to be made as to where to "round-off" to (e.g. 10%, 9.9%, 9.92%, 9.923%, 9.9232% etc.)

Paragraph 2 of Section 26

Purpose: Establishes a procedure by which excess revenues are rebated when they exceed the aforementioned revenue limit by 1% or more; the excess shall be refunded on a pro rata basis according to personal income tax and single business tax liabilities. The rebate would take place on the annual returns filed following the close of the fiscal year in which the excess occurred. If the excess revenues are less than 1% of the revenue limit, the excess may be transferred to the state budget and economic stabilization fund (P.A. 76 of 1977). As alternatives, an excess of less than 1% may be rebated (in a manner determined by law), or the excess may be carried forward as surplus and added to the expenditure limit in the following year (see Sec. 28).

Implementation Issues:

- (1) What is "the liability" of Michigan taxpayers and is liability determined before or after credits (see Appendix B - page 30).
- (2) Can dedicated revenues be rebated according to personal income tax and single business tax liabilities? (e.g. Game and Fish Fund, Transportation Fund, other Special Funds)
- (3) Can, and should taxpayers who do not pay income taxes or single business taxes be allowed a rebate?

By limiting the refund to taxpayers with an income tax liability or a single business tax liability the proposal fails to recognize those individuals (mainly senior citizens and the poor) who do not pay an income tax, but do pay liquor, cigarette, sales, use, gasoline, and other taxes, as well as fees and other non-tax payments such as the purchase of lottery tickets, equally subject to the limit.

- (4) Should the budget and economic stabilization fund act (P.A. 76 of 1977) be amended to allow for a reduction in the required formula transfer to the stabilization fund to the extent that a revenue excess of less than 1% is deposited in the fund?

Paragraph 3 of Section 26

Purpose: Excludes from the revenue limit established in paragraph 1, the taxes imposed for the payment of principle and interest on general obligation bonds of the State, which have been approved by the voters in a statewide election under section 15 of Article IX. Examples of these bonds include the Vietnam Veterans' Bonus Bonds, Water Pollution Control Bonds and Public Recreation Bonds. Also excluded from the limit are taxes imposed for the payment of principle and interest on School Loan Bonds authorized under section 16 of Article IX (See Appendix C for full detail on these bonds -- page 31, also, see Appendix A for how this exclusion affects the revenue limit calculation).

Paragraph 4 of Section 26 . . .

Purpose: Allows the state revenue limit to be adjusted when the responsibility for funding a program or programs is transferred from one level of government to another as a result of an amendment to the State Constitution. The revenue and spending limits may only be adjusted, however, to the extent that the revenue authorized for collection at both levels of government does not exceed that collected previously.

This is one of three ways provided within the amendment in which the state revenue limit of section 26 may be exceeded. The other two methods include direct voter approval and the emergency procedures for the Governor and the Legislature as specified in section 27.

SEC. 27. THE REVENUE LIMIT OF SECTION 26 OF THIS ARTICLE MAY BE EXCEEDED ONLY IF ALL OF THE FOLLOWING CONDITIONS ARE MET: (1) THE GOVERNOR REQUESTS THE LEGISLATURE TO DECLARE AN EMERGENCY; (2) THE REQUEST IS SPECIFIC AS TO THE NATURE OF THE EMERGENCY, THE DOLLAR AMOUNT OF THE EMERGENCY, AND THE METHOD BY WHICH THE EMERGENCY WILL BE FUNDED; AND (3) THE LEGISLATURE THEREAFTER DECLARES AN EMERGENCY IN ACCORDANCE WITH THE SPECIFICS OF THE GOVERNOR'S REQUEST BY A TWO-THIRDS VOTE OF THE MEMBERS ELECTED TO AND SERVING IN EACH HOUSE. THE EMERGENCY MUST BE DECLARED IN ACCORDANCE WITH THIS SECTION PRIOR TO INCURRING ANY OF THE EXPENSES WHICH CONSTITUTE THE EMERGENCY REQUEST. THE REVENUE LIMIT MAY BE EXCEEDED ONLY DURING THE FISCAL YEAR FOR WHICH THE EMERGENCY IS DECLARED. IN NO EVENT SHALL ANY PART OF THE AMOUNT REPRESENTING A REFUND UNDER SECTION 26 OF THIS ARTICLE BE THE SUBJECT OF AN EMERGENCY REQUEST.

Purpose: Establishes emergency procedures for exceeding the revenue limit of Section 26. They are:

- That the Governor requests the Legislature to declare an emergency.
- The request is specific as to the nature of the emergency, the dollar amount of the emergency and the method by which the emergency will be funded.
- The Legislature thereafter declares an emergency in accordance with the specifics of the Governor's request by a 2/3 vote of the members elected to and serving in each house. The revenue limit may only be exceeded in the fiscal year for which the emergency is declared. Furthermore, section 27 disallows any part of the rebate required under section 26 to be part of an emergency request.

Implementation Issues:

- (1) What statutes should be developed to implement the emergency procedures of Section 27?

It is important to establish procedures which are acceptable to the Legislature in that the section is heavily weighted in favor of the Executive. The Governor is responsible for declaring an emergency, outlining the nature of an emergency, the method by which the emergency will be funded, and where the dollars will go.

- (2) The requirement that emergency procedures be approved prior to the expenditure of emergency dollars ignores the fact that the problem is often unrecognizable until well into the fiscal year.

SEC. 28. NO EXPENSES OF STATE GOVERNMENT SHALL BE INCURRED IN ANY FISCAL YEAR WHICH EXCEED THE SUM OF THE REVENUE LIMIT ESTABLISHED IN SECTIONS 26 AND 27 OF THIS ARTICLE PLUS FEDERAL AID AND ANY SURPLUS FROM A PREVIOUS FISCAL YEAR.

Purpose: Establishes an expenditure limit which is equal to the revenue limit established in sections 26 and 27, plus federal aid and any surplus from a prior fiscal year.

Implementation Issues:

- (1) Where are withdrawals from the budget and economic stabilization fund to be found in the expenditure limit?

It is generally assumed that surplus, as used in Section 28, will be defined to include any withdrawals from the stabilization fund according to the formulas described in P.A. 76.

- (2) Where are the general obligation bond debt service requirements to be found in the expenditure limit?

The taxes necessary to support this debt service are excluded from revenues subject to the limit in all future years, but were included in 1978-79 state revenues in determining the tax limitation ratio.

To be consistent, an argument can be made that these taxes should be added to the revenue limit as well in order to arrive at an overall expenditure limit.

SEC. 29. THE STATE IS HEREBY PROHIBITED FROM REDUCING THE STATE FINANCED PROPORTION OF THE NECESSARY COSTS OF ANY EXISTING ACTIVITY OR SERVICE REQUIRED OF UNITS OF LOCAL GOVERNMENT BY STATE LAW. A NEW ACTIVITY OR SERVICE OR AN INCREASE IN THE LEVEL OF ANY ACTIVITY OR SERVICE BEYOND THAT REQUIRED BY EXISTING LAW SHALL NOT BE REQUIRED BY THE LEGISLATURE OR ANY STATE AGENCY OF UNITS OF LOCAL GOVERNMENT, UNLESS A STATE APPROPRIATION IS MADE AND DISBURSED TO PAY THE UNIT OF LOCAL GOVERNMENT FOR ANY NECESSARY INCREASED COSTS. THE PROVISION OF THIS SECTION SHALL NOT APPLY TO COSTS INCURRED PURSUANT TO ARTICLE VI, SECTION 18.

Purpose: This is the "State Mandates" section which requires the state to maintain or ascribe to certain principles and practices with respect to state/local fiscal relations. There appear to be three provisions within section 29:

- The state is prohibited from reducing the state-financed proportion of the necessary cost of any existing activity or service required of unit- of local government by state law.
- A new activity or service, or an increase in the level of any activity or service beyond that required by existing law, shall not be required by the Legislature or any state agency of units of local government unless a state appropriation is made and disbursed to pay the unit of local government for any necessary increased costs.
- The provisions of this section, as outlined above shall not apply to any costs incurred pursuant to Article

VI, section 18. This section of the Constitution addresses the salaries of judges of the Supreme Court, the Appeals Court, the Circuit Court and the Probate Court. It has the effect of exempting a state-mandated increase in the salaries of these judges or a mandated increase in the number of judges from either of the aforementioned state financial requirements.

Implementation Issues:

- (1) What public acts are subject to the mandate requirements of section 29?

The effective date of this amendment was 45 days after its ratification, or December 22, 1978. Using this as the cut-off date, the state would be required to appropriate money to pay for any state mandates associated with any state law or promulgation of rules relating to state law that were enacted after December 22, 1978. Another alternative would be to require the reimbursement for any mandate which is effective after December 22, 1978, irrespective of the date of enactment of the legislation establishing the mandate. The fiscal implications here are enormous, because there are many existing statutes that require activities and services of local units of government that were passed prior to December 22. Examples include the revision of the

public health code, the school hot lunch/breakfast program, and rules relating to occupational safety and health, water pollution/air pollution quality control, and corrections and the incarceration of inmates.

(2) How do administrative rules relate to Section 29?

It appears that the reference in line 2 of section 29 to "state agency" specifically relates to the promulgation of rules. However, there is a conspicuous absence of the reference to state agency in line 1, which establishes the requirement that the state maintain the state-financed proportion of any local activity or service. Also, there is the consideration of whether or not the judicial system should be considered a "state agency" for the purposes of Section 29.

(3) There are many terms within section 29 which may need defining. These include:

"State-Financed Proportion"

"Necessary Costs"

"Activity or Service"

"State Law"

"New"

"Level"

"State Agency"

"Necessary Increased Costs"

"Existing Law"

Examples of problems that might be encountered with respect to these terms or phrases that need defining include the following: "State Financed Proportion" might be defined to exclude federal aid so that the state is not placed in the position of having to maintain financial effort previously provided by the federal government should that financing be discontinued; "Necessary Cost" will need a definition and perhaps it should be the average or prevailing cost in a region or the state; "Activity or Service" might be defined to require increased production at the local level; "State Law" might include administrative rule; "New" and "Level" are subjective terms which will need defining; "Necessary Increased Costs" will need defining, because local units most certainly will claim that all costs are "necessary".

- (4) Problems may arise in this section due to the fact that the expansion of existing services and some new programs are often mandated by the federal government. When this occurs, as it recently did with the increased coverage of unemployment compensation, is the State required to fully fund the expanded service? Does the local unit of government have a responsibility to assume a share of the cost? Regardless of who is responsible, where is the money supposed to come from, given that the state is operating under a revenue limit?
- (5) For the sake of efficiency a decision might be made to disallow any payment of less than a specified amount. A floor (minimum required payment) might be placed under both the total reimbursement cost and the individual local unit payment.

SEC. 30. THE PROPORTION OF TOTAL STATE SPENDING PAID TO ALL UNITS OF LOCAL GOVERNMENT, TAKEN AS A GROUP, SHALL NOT BE REDUCED BELOW THAT PROPORTION IN EFFECT IN FISCAL YEAR 1978-79.

Purpose: This section appears to require the state to maintain its current (fiscal year 1978-79) percentage of state aid to local governments as the minimum percentage for future budget years. The requirement that state aid to all local government units, taken as a group, shall not be reduced below the proportion in effect in fiscal year 1978-79, does not prevent the state from shifting aid between local units. Furthermore, this requirement would, in effect, discourage the state from assuming the funding for programs currently provided locally, such as the takeover by the state of local general assistance two years ago (\$60 million).

Nevertheless, section 30 is clearly a corollary of Section 29, that is intended to preempt the state from circumventing the state tax limit by a reduction in the share of the budget accruing to local units of government. It appears that some 35% to 41% of the 1978-79 budget consists of payments to local units of government, depending upon how this section is implemented and how federal funds are handled (see Appendix D - page 32).

Implementation Issues:

- (1) Although the section references "total state spending" it would not be desirable to define it as such. If so defined, the state would

be placed in the position of having to take over support for programs, previously supported with federal dollars when funding is withdrawn; or the state would have to share with local units of government any additional federal dollars received. The means for resolving this dilemma is to define total state spending in a manner consistent with the definition of state revenue, as used in Section 26, which excludes federal funds. Appendix D outlines the share of the total state budget represented by payments to locals, with and without federal funds included.

- (2) In conjunction with the requirement in section 29 that the state fully fund a service required of local units, this section may tempt the state to begin making categorical grants to local governments of state-local revenue sharing monies, which are currently unrestricted. This earmarking of current state aid for specific new programs at the local level could apply pressure on local units to cover the cost of programs, previously paid from unrestricted revenue sharing grants.
- (3) "The proportion", as used in Section 30, connotes that it has to be a fraction or ratio of which there are two parts, a numerator and a denominator. Section 30 as stated may only provide one part of the fraction. If you imply that the denominator is the total state spending and the numerator is the total state spending paid to all units of local government, taken as a group, you are implying or using words which are not stated in Section 30. If this is improper, then perhaps the only way that you can interpret Section 30 is that you end up not with a proportion, but with a

dollar amount which would equal total state spending paid to all units of local government, taken as a group, for fiscal year 1978-79.

Another possible interpretation of the use of the word "proportion" is that the denominator would equal total state spending paid to all units of local government, taken as a group, and the numerator would be state payments to a particular local unit of government.

- (4) All state payments to local units of government must be defined and identified. Our preliminary analysis indicates that there are many "gray areas" where a payment may or may not actually be made to a specific unit of local government.
- (5) A procedure must be established for determining and publishing the ratio or amount. If a ratio is calculated, a decision will have to be made as to where to "round-off" to (e.g. 40%, 39.6%, 39.56%, 39.563%, 39.5628%, etc).

SEC. 31. UNITS OF LOCAL GOVERNMENT ARE HEREBY PROHIBITED FROM LEVYING ANY TAX NOT AUTHORIZED BY LAW OR CHARTER WHEN THIS SECTION IS RATIFIED OR FROM INCREASING THE RATE OF AN EXISTING TAX ABOVE THAT RATE AUTHORIZED BY LAW OR CHARTER WHEN THIS SECTION IS RATIFIED, WITHOUT THE APPROVAL OF A MAJORITY OF THE QUALIFIED ELECTORS OF THAT UNIT OF LOCAL GOVERNMENT VOTING THEREON. IF THE DEFINITION OF THE BASE OF AN EXISTING TAX IS BROADENED, THE MAXIMUM AUTHORIZED RATE OF TAXATION ON THE NEW BASE IN EACH UNIT OF LOCAL GOVERNMENT SHALL BE REDUCED TO YIELD THE SAME ESTIMATED GROSS REVENUE AS ON THE PRIOR BASE. IF THE ASSESSED VALUATION OF PROPERTY AS FINALLY EQUALIZED, EXCLUDING THE VALUE OF NEW CONSTRUCTION AND IMPROVEMENTS, INCREASES BY A LARGER PERCENTAGE THAN THE INCREASE IN THE GENERAL PRICE LEVEL FROM THE PREVIOUS YEAR, THE MAXIMUM AUTHORIZED RATE APPLIED THERETO IN EACH UNIT OF LOCAL GOVERNMENT SHALL BE REDUCED TO YIELD THE SAME GROSS REVENUE FROM EXISTING PROPERTY, ADJUSTED FOR CHANGES IN THE GENERAL PRICE LEVEL, AS COULD HAVE BEEN COLLECTED AT THE EXISTING AUTHORIZED RATE ON THE PRIOR ASSESSED VALUE.

THE LIMITATIONS OF THIS SECTION SHALL NOT APPLY TO TAXES IMPOSED FOR THE PAYMENT OF PRINCIPAL AND INTEREST ON BONDS OR OTHER EVIDENCE OF INDEBTEDNESS OR FOR THE PAYMENT OF ASSESSMENTS ON CONTRACT OBLIGATIONS IN ANTICIPATION OF WHICH BONDS ARE ISSUED WHICH WERE AUTHORIZED PRIOR TO THE EFFECTIVE DATE OF THIS AMENDMENT.

Paragaraph 1 of Section 3'

Purpose: This section prohibits local units from levying a new tax or increasing the rate of an existing tax without voter approval. If the definition of the base of an existing tax is broadened the tax rate must be reduced so that the total revenue collected is not greater than the amount collected under the old base. In addition, if the state equalized valuations of existing property in a local government increase by more than the consumer price index, the millage rate must be reduced to yield the same amount of revenue adjusted for inflation, as could have been collected at the existing authorized rate on the prior assessed value (this is the "millage rollback" provision).

Implementation Issues:

- (1) The most noted provision within Section 31 is the requirement of a millage rollback when the growth of property valuations of existing property exceeds the rate of inflation. While there may be general agreement as to a formula for determining the rollback, it is not clear where the rollback should be applied. The issue is whether you rollback the legal maximum for the taxing jurisdiction as authorized by constitution, statute or charter, or whether you rollback the levied rate as authorized by the local governing body. Another interpretation might have you rollback both rates since both appear to be referenced within Section 31. P.A. 532 of 1978 began the implementation of Section 31 and the millage rollback. P.A. 532 defined new constructions and improvements for the purposes of the millage rollback provision defined the rate of inflation and established certain reporting requirements for local assessors and taxing jurisdictions. Yet to be determined or implemented is the formula for the rollback and its application. See Appendix E (page 33) for an analysis of P.A. 532.
- (2) Beyond the question of which millage to rollback, there is the question as to when, and under what conditions, the millage can be restored. After all, if you rollback the levied rate there still will be a maximum authorized rate which is in excess of the levied rate. And, if the legal maximum authorized rate is rolled-back, it leaves a local unit with two maximums; a rolled-back maximum and a voter-

approved, higher maximum (authorized by charter, special election, State Constitution, etc).

(3) The first sentence of Section 31 prohibits a local unit from levying any tax that was not authorized by law or charter prior to the ratification of the amendment (November 7, 1978), or from increasing the rate of any existing tax above that authorized by law or charter prior to the ratification of the amendment without local voter approval. There is a question as to whether or not a local unit must have voter approval when the authorization for the local levy is provided in State statute which was enacted prior to the ratification of the amendment. An example of this is the local income tax.

(4) The second sentence of Section 31 requires the rate of a tax to be rolled back when the base of the tax is broadened by a definitional change, so that the estimated yield of the tax remains the same. It is not clear whether or not this rollback provision applies to an increase in the tax base which is associated with the removal of tax-exempt status given to certain property or classes of income, or other tax bases (for example, tax abatement under Public Act 198 of 1974 and Public Act 255 of 1978).

Paragraph 2 of Section 31

Purpose: In order to protect the full faith and credit of local taxing units, paragraph 2 specifies that the limitations of paragraph 1 shall not apply to taxes imposed for the payment of principal and interest on any indebtedness authorized prior to the effective date of this amendment.

Implementation Issues:

Public Act 529 of 1978 implements paragraph 2 of Section 31. This act exempts obligations that are authorized by the governing body of a local government unit before December 23, 1978, from the requirements of sections 6 and 31 (local voter approval). The exemption is contingent upon submission of the prospective issue to the Municipal Finance Commission prior to December 23, 1979. See Appendix F (page 41) for an analysis of P.A. 529.

Although the Legislature chose to construe the use of the word "authorized" quite liberally in implementing paragraph 2, there are others who will contend that "authorized" means "approved by the Municipal Finance Commission" prior to December 23, 1978.

SEC. 32. ANY TAXPAYER OF THE STATE SHALL HAVE STANDING TO BRING SUIT IN THE MICHIGAN STATE COURT OF APPEALS TO ENFORCE THE PROVISIONS OF SECTIONS 25 THROUGH 31, INCLUSIVE, OF THIS ARTICLE AND, IF THE SUIT IS SUSTAINED, SHALL RECEIVE FROM THE APPLICABLE UNIT OF GOVERNMENT HIS COSTS INCURRED IN MAINTAINING SUCH SUIT.

Purpose: This section provides that any taxpayer of the State has standing to bring suit in the State Court of Appeals to enforce provisions of Sections 25 through 31.

Implementation Issues

- (1) The Court of Appeals is not provided with juries to determine facts. Some new laws would have to be enacted to enable the Court of Appeals to establish and provide for juries to determine facts as they appear in any suit.
- (2) If the plaintiff is able to maintain his suit against a unit of government, that unit of government would have to pay costs incurred in the maintaining of the suit. This is unlike other questions of a public nature in which costs are not allowed. This would be an additional cost of implementing the law suits coming under this section which may be numerous.
- (3) We do not currently have provisions for determining all of the cases that would be filed. There may be a need for a central location for the filing or record keeping of section 25 through 31 cases.
- (4) Even though Section 32 is limited to a taxpayer of this state, this could be interpreted to include certain out-of-state taxpayers

as well as all citizens of the State of Michigan because of due process questions and the consequence of previous attempts to limit rights and duties under previous sections. Section 6 of Article II, limited the right to vote on a bond issue or an increase in the limit on ad valorem tax rate for 5 or more years to people who own property. This was found unconstitutional in an Arizona case that went before the United States Supreme Court. The attempt to limit an action under this section to only taxpayers of this state may not be construed to mean that the taxpayer owns property or must be a resident of this state. The mere fact that a person directly or indirectly pays any kind of tax may qualify the person as a taxpayer.

SEC. 33. DEFINITIONS. THE DEFINITIONS OF THIS SECTION SHALL APPLY TO SECTION THROUGH 32 OF ARTICLE IX, INCLUSIVE.

"TOTAL STATE REVENUES" INCLUDES ALL GENERAL AND SPECIAL REVENUES, EXCLUDING FEDERAL AID, AS DEFINED IN THE BUDGET MESSAGE OF THE GOVERNOR FOR FISCAL YEAR 1978-1979. TOTAL STATE REVENUES SHALL EXCLUDE THE AMOUNT OF ANY CREDITS BASED ON ACTUAL TAX LIABILITIES OR THE IMPUTED TAX COMPONENTS OF RENTAL PAYMENTS, BUT SHALL INCLUDE THE AMOUNT OF ANY CREDITS NOT RELATED TO ACTUAL TAX LIABILITIES. "PERSONAL INCOME OF MICHIGAN" IS THE TOTAL INCOME RECEIVED BY PERSONS IN MICHIGAN FROM ALL SOURCES, AS DEFINED AND OFFICIALLY REPORTED BY THE UNITED STATES DEPARTMENT OF COMMERCE OR ITS SUCCESSOR AGENCY. "LOCAL GOVERNMENT" MEANS ANY POLITICAL SUBDIVISION OF THE STATE, INCLUDING, BUT NOT RESTRICTED TO, SCHOOL DISTRICTS, CITIES, VILLAGES, TOWNSHIPS, CHARTER TOWNSHIPS, COUNTIES, CHARTER COUNTIES, AUTHORITIES CREATED BY THE STATE, AND AUTHORITIES CREATED BY OTHER UNITS OF LOCAL GOVERNMENT. "GENERAL PRICE LEVEL" MEANS THE CONSUMER PRICE INDEX FOR THE UNITED STATES AS DEFINED AND OFFICIALLY REPORTED BY THE UNITED STATES DEPARTMENT OF LABOR OR ITS SUCCESSOR AGENCY.

Purpose: This is a definitional section and the definitions apply to Sections 25 through 32. There are four definitions provided in Section 33. These are: "total state revenues", which is found in Section 26; "personal income of Michigan", which is found in Section 26; "local government", which is found in Sections 25, 26, 29, 30, and 31; and "general price level", which is found in Section 31.

Implementation Issues:

- (1) The definitions of "personal income of Michigan" and the "general price level" are fairly commonplace and should not pose problems in terms of implementation and application; however, the definitions of "total state revenues" and "local government" must be carefully worded and implemented and may present some difficulty.

- (2) "Total state revenues" are defined as those sources of revenue listed in the Governor's budget message for fiscal year 1978-79. The definition further excludes federal aid and the amount of any credits based on actual tax liabilities or the imputed tax components of rental payments. It does not, however, exclude the amount of any credits not related to actual tax liabilities, such as the Home Heating Assistance Credit and the Higher Education Contribution Credit. Examples of excluded credits based on actual tax liabilities include the property tax credit and the city income tax credit. A problem posed by this definition of total state revenues is that in defining total state revenues as those items referenced in the Governor's budget message for 1978-79, the definition might be too strict in that it does not allow for the substitution of one tax for another within the limit of the tax-expenditure limit, and therefore, precludes tax reform.
- (3) By defining total state revenues as all general fund and special fund revenues in the budget message of the Governor for fiscal year 1978-79, there is excluded from the definition many sources of revenue which are found in "non-budget" operations such as debt service funds, various State authorities, and trust and agency funds. Examples might include the Michigan State Housing Development Authority, the Mackinaw Bridge Authority, and the Michigan Unemployment Compensation Trust Fund.
- (4) "Local government" is defined as "any political subdivision of the state, including, but not restricted to, school districts, cities, villages, townships, charter townships, counties, charter counties, authorities created by the state, and authorities created by other units of local government". It is generally assumed, but not

guaranteed, that intermediate school districts and community colleges and the fourteen planning regions within the State of Michigan are included in this definition. There are other examples of local government units that have not been included in the "laundry list" of local governments cited in the definition.

- (5) Interestingly enough, authorities created by the State can be found under the definition of "local government" in Section 33. It is not clear whether this places authorities of the state on the tax limitations of Section 31 or the "mandates" guarantees of Sections 29 and 30.

SEC. 34. THE LEGISLATURE SHALL IMPLEMENT THE PROVISIONS OF SECTIONS 25 THROUGH 33, INCLUSIVE, OF THIS ARTICLE.

Purpose: This section of the amendment requires the Legislature to implement the provisions of Sections 25 through 33, inclusive, of Article IX. This would seem to indicate that it is the intent of the voters that the amendment be primarily implemented by state statute, and that the implementation should be a legislative responsibility.

Implementation Issues:

Implementation of those sections directly affecting local units should be completed as soon as possible since most units begin new fiscal years in the spring or early summer. The mechanics surrounding the state tax-expenditure limit do not take effect until fiscal year 1979-80, and are not expected to actually limit growth next year. Therefore, implementation of Sections 26, 27 and 28 (state limitation) can wait until after implementation of Sections 29, 30 and 31 (impact directly upon local units).

Sec. 6 (New Language capitalized)

Except as otherwise provided in this constitution, the total amount of general ad valorem taxes imposed upon real and tangible personal property for all purposes in any one year shall not exceed 15 mills on each dollar of the assessed valuation of property as finally equalized. Under procedures provided by law, which shall guarantee the right of initiative, separate tax limitations for any county and for the townships and for school districts therein, the aggregate of which shall not exceed 18 mills on each dollar of such valuation, may be adopted and thereafter altered by the vote of a majority of the qualified electors of such county voting thereon, in lieu of the limitation herein before established. These limitations may be increased to an aggregate of not to exceed 50 mills on each dollar of valuation, for a period of not to exceed 20 years at any one time, if approved by a majority of the electors, qualified under Section 6 of Article II of this Constitution, voting on the question.

The foregoing limitations shall not apply to taxes imposed for the payment principal and interest on bonds APPROVED BY THE ELECTORS or other evidence of indebtedness APPROVED BY THE ELECTORS or for the payment of assessments or contract obligations in anticipation of which bonds are issued APPROVED BY THE ELECTORS, which taxes may be imposed without limitation as to rate amount; OR, SUBJECT TO THE PROVISIONS OF SECTIONS 25 THROUGH 34 OF THIS ARTICLE, to taxes imposed for any other purpose by any city, village, charter county, charter township, charter authority or other authority, the tax limitations of which are provided by charter or by general law.

In any school district which extends into two or more counties, property at the highest rate available in the county which contains the greatest part of the area of the district may be imposed and collected for school purposes throughout the district.

Purpose: Section 6 of Article IX was amended to require voter approval to levy taxes outside the limits specified therein, for the payment of principal and interest on bonds or other evidences of indebtedness.

Appendix A

CALCULATION OF THE TAX LIMITATION RATIO

Limit is Based on the Ratio of 1978-79 State Revenues to 1977 Michigan Personal Income (MPI).

| | (in millions) |
|--------------------------|----------------|
| 1978-79 Gross Revenues | \$ 9,001 |
| Less: Federal Aid | <u>(2,142)</u> |
| Subtotal | \$ 6,859 |
| Add: Home Heating Credit | 38 |
| Higher Education Credit | <u>5</u> |
| | \$ 6,902 |
| Divided By: 1977 MPI . | 69,554 |
| Equals: Tax Limit Ratio | 9.92% |

APPLICATION OF THE LIMIT

IN 1979-80

| | (in millions) |
|---------------------------------------|----------------|
| 1979-80 Gross Revenues | \$ 9,608 |
| Less: Federal Aid | <u>(2,246)</u> |
| Subtotal | \$ 7,362 |
| Less: General Obligation Debt Revenue | <u>(66)</u> |
| Equals: Revenue Subject to Limit | \$ 7,296 |

Actual Limit = 9.92% X 1978 MPI
= .0992 (77,553)
= \$ 7,696

State revenues \$400 million below limit in 1979-80

The term "liability" has been construed quite broadly in the past as shown below:

LIABILITY. The word is a broad legal term. *Mayfield v. First Nat. Bank of Chattanooga, Tenn., C.C.A.Tenn., 137 F.2d 1013, 1019.* It has been referred to as of the most comprehensive significance, including almost every character of hazard or responsibility, absolute, contingent, or likely. *Wentz v. State, 103 Neb. 597, 183 N.W. 467, 468.*

It has been defined to mean: all character of municipal debts and obligations. *Washington Water Power Co. v. City of Coeur d'Alene, Idaho, D.C.Idaho, 9 F.Supp. 263, 771; Public Market Co. of Portland v. City of Portland, 171 Or. 522, 130 P.2d 624, 643, 645; amenability or responsibility, Eberhard v. Etma Ins. Co., 235 N.Y.S. 445, 447, 134 Misc. 388; an obligation, one is bound in law or justice to perform, *Murphy v. Chicago League Ball Club, 271 Ill.App. 120, 126; State ex rel. Diederichs v. Board of Trustees of Missouri County High School, 51 Mont. 300, 7 P.2d 543, 543. An obligation which may or may not ripen into a debt, *Brogan v. Ferguson, 101 Fla. 1306, 131 So. 171, 174. Any kind of debt or liability, either absolute or contingent, express or implied, *Public Market Co. of Portland v. City of Portland, 171 Or. 522, 130 P.2d 624, 643, 646; any liability whatsoever, *In re Tatnall, 102 N.J. Eq. 645, 141 A. 173, 175; condition of being actually or potentially subject to an obligation, *Enycart v. City of Lincoln, 136 Neb. 146, 265 N.W. 314, 318; condition of being exposed to the upspringing of an obligation to discharge or make good an undertaking of another, or a loss or defect, or the being exposed or subject to a given contingency, risk, or casualty which is more or less probable, *First National Bank of East Idaho v. National Surety Co., 223 N.Y. 469, 127 N.E. 478, 480; United States Fidelity & Guaranty Co. v. Haney, 106 Minn. 403, 233 N.W. 17; condition of being responsible for a possible or actual loss, penalty, evil, expense, or burden, *Wentz v. State, 103 Neb. 597, 183 N.W. 467, 468; condition which creates a duty to perform an act immediately or in the future, *Union Oil Co. of California v. Basalt Rock Co., 30 Cal.App.2d 317, 88 P.2d 139, 141; duty to pay money or perform some other service, *Dehne v. Hillman Inv. Co., C.G.A.Pa., 110 F.2d 458, 458; duty which must at least eventually be performed, *Vandegriff v. Riley, Cal.Sup., 16 P.2d 734, 736; estate tax, *Lyeth v. Hoey, C.C.A.N.Y., 112 F.2d 4, 6; every kind of legal obligation, responsibility, or duty, *Mayfield v. First Nat. Bank of Chattanooga, Tenn., C.C.A.Tenn., 137 F.2d 1013, 1019; fixed liability, *Vandegriff v. Riley, Cal.Sup., 16 P.2d 734, 736; Ivester v. State ex rel. Gillum, 183 Okl. 519, 83 P.2d 193, 196; legal responsibility, *Clark v. Lowden, D.C.Minn., 48 F.Supp. 261, 263; McCullough v. National Bank of Union City, 127 Pa.Super. 452, 193 A. 65, 66; penalty for failure to pay tax when due, *State v. Fischl, 94 Mont. 92, 20 P.2d 1057, 1059; present, current, future, fixed or contingent debts, *Erickson v. Grande Ronde Lumber Co., 162 Or. 536, 92 P.2d 170, 174; punishment, *Holliman v. Cole, 168 Okl. 473, 34 P.2d 597, 599; responsibility for torts, *Itallant v. Metro-Goldwyn-Mayer Corporation, 45 Cal.App.2d 451, 114 P.2d 370, 372; tax, *State ex rel. DuFresne v. Leslie, 100 Mont. 449, 50 P.2d 959, 963, 101 A.L.R. 1329; Thompson v. Smith, 169 Okl. 217, 114 P.2d 922, 924; that which one is under obligation to pay, or for which one is liable, *Reconstruction Finance Corporation v. Gossett, Tex., 111 S.W.2d 1056; Boney v. Central Mut. Ins. Co. of Chicago, 213 N.C. 470, 195 S.E. 837, 842; the state of being bound or obliged in law or justice to do, pay, or make good something, *Fell v. City of Coeur d'Alene, 23 Idaho 32, 129 P. 613, 619, 43 L.R.A., N.S., 1095; Breslaw v. Rightmire, 196 N.Y.S. 539, 541, 119 Misc. 833; the state of one who is bound in law and justice to do something which may be enforced by action, *Fidelity Coal Co. v. Diamond, 310 Ill.App. 387, 34 N.E.2d 123; Clark v. Lowden, D.C.Minn., 48 F.Supp. 261, 263; McCullough v. National Bank of Union City, 127 Pa.Super. 452, 193 A. 65, 66; unliquidated claim, *Stephens v. Duckworth, 183 Miss. 626, 196 So. 219, 221; unpaid debt, *Comstock v. Morgan Park Trust & Savings Bank, 267 Ill. 276, 11 N.E.2d 394, 396.*************************

The term is therefore broader than the word "debt," "indebtedness." *Coulier Dry Goods Co. v. Wainworth, Cal. 507, 153 P. 939, 970; Lowery v. Fuller, 271 Mo. 495, 231 S.W. 953, 972; and includes in addition existing obligations, which may or may not in the future eventuate in an indebtedness, *Daniels v. Cook, 192 Ky. 15, 213 S.W. 67; Irving Bank-Columbia Trust Co. v. New York Rys. Co. D.C.N.Y., 292 F. 429, 433.**

The word is not synonymous with "loss" or "damage" and under an automobile insurance policy insuring against "liabilities," there may be recovery without allegation of proof that insured has been required to pay any amount, whereas under a policy covering "actual loss or damage," no obligation arises till insured has suffered loss or damage. *Duccommun v. Strong, 193 Wis. 179, 214 N.W. 616; Stag Mining Co. v. Missouri Fidelity & Casualty Co., Mo. App., 209 S.W. 321, 323.*

Existing liability. See Existing Liabilities.

Legal liability. See Legal Liability.

Liability bond. See Bond.

Limited liability. See Limited Liability.

Personal liability. See Personal Liability.

Secondary liability. See Secondary Liability.

Appendix C

STATE OF MICHIGAN

General Obligation Debt
As of September 30, 1978

| | <u>Total Authorized</u> | <u>Total Issued</u> | <u>Amount Outstanding</u> |
|--------------------------------------|-----------------------------|-------------------------|-------------------------------|
| General Obligation Notes | (1) | (1)(3)(4) | (4) |
| School Loan Bonds | (2) | \$117,500 | \$ 76,500 |
| Water Pollution Bonds | \$335,000 | 302,000 | 206,000 |
| Public Recreation Bonds | 100,000 | 100,000 | 62,000 |
| Vietnam Veteran's Bonus Bonds | <u>205,000</u> | <u>190,000</u> | <u>183,000</u> |
| TOTAL GENERAL OBLIGATION DEBT | | \$709,500 | \$527,500 |

¹ In each fiscal year the State may borrow an amount no greater than 15% of the preceeding year's undedicated revenues. The Notes must be redeemed in the same fiscal year they are issued.

² No specific limit by law.

³ \$200,000,000 Notes were issued and redeemed during each of the fiscal years ended September 30, 1976 and September 30, 1978.

⁴ Excludes \$450,000,000 in Notes dated January 3, 1979, which will mature September 17, 1979, prior to end of this fiscal year.

Source: State of Michigan, Department of Treasury

Appendix D

PAYMENTS TO LOCAL GOVERNMENTS

IN FY 1978-79 BUDGET
(SEC. 30)

(in thousands of dollars)

| <u>P.A.</u> <u>1978</u> | <u>Budget Category</u> | <u>Gross</u> <u>1978-79</u> <u>Budget</u> | <u>Gross</u> <u>Payments</u> <u>To Locals</u> | <u>Pct. of</u> <u>1978-79</u> <u>Budget</u> | <u>Payments -</u> <u>Net of</u> <u>Federal \$'s</u> | <u>Adjusted</u> <u>Pct. of</u> <u>Budget</u> |
|----------------------------|------------------------|---|---|---|---|--|
| 402 | Attorney General | \$ 17,767 | \$ -0- | -0- % | \$ -0- | -0- |
| 402 | Civil Rights | 8,367 | -0- | -0- | -0- | -0- |
| 402 | Civil Service | 12,320 | -0- | -0- | -0- | -0- |
| 402 | Executive | 2,159 | -0- | -0- | -0- | -0- |
| 402 | Judicial | 28,933 | 2,997 | 10.36 | 2,997 | 10.36 |
| 402 | Legislative | 42,364 | -0- | -0- | -0- | -0- |
| 402 | Mgt. & Budget | 103,113 | 42,625 | 41.34 | 13,899 | 13.46 |
| 402 | State | 59,042 | 50 | .08 | 50 | .08 |
| 402 | Treasury | 36,695 | -0- | -0- | -0- | -0- |
| 395 | Education | 310,751 | 240,571 | 77.42 | 18,028 | 5.80 |
| 404 | School Aid | 1,897,638 | 1,897,638 | 100.00 | 1,877,752 | 98.92 |
| 404 | Comm. Colleges | 121,997 | 121,997 | 100.00 | 121,997 | 100.00 |
| 372 | Higher Education | 612,643 | -0- | -0- | -0- | -0- |
| 399 | Commerce | 96,413 | 19,169 | 19.88 | 8,916 | 9.25 |
| 399 | Labor | 147,094 | 120,023 | 81.60 | 4,600 | 3.13 |
| 399 | Licensing & Reg. | 7,965 | -0- | -0- | -0- | -0- |
| 394 | Military Affairs | 11,085 | -0- | -0- | -0- | -0- |
| 394 | State Police | 110,891 | 7,939 | 7.16 | 7,939 | 7.16 |
| 398 | Agriculture | 40,397 | 360 | .89 | 360 | .89 |
| 469 | Data Processing | 68,587 | -0- | -0- | -0- | -0- |
| 403 | Corrections | 149,608 | 3,262 | 2.18 | 3,262 | 2.18 |
| 468 | Hwy. & Trans. | 851,352 | 388,807 | 45.67 | 354,036 | 41.59 |
| 400 | Natural Resources | 116,036 | 17,586 | 15.16 | 10,284 | 8.86 |
| 407 | Mental Health | 459,859 | 86,248 | 18.76 | 86,248 | 18.76 |
| 406 | Public Health | 167,226 | 34,140 | 20.42 | 34,140 | 20.42 |
| 401 | Social Services | 2,407,275 | 3,240 | .13 | 3,240 | .13 |
| 475,463 | Capital Outlay | 126,161 | 38,379 | 30.42 | 18,238 | 14.46 |
| 405 | Debt Service | 70,280 | -0- | -0- | -0- | -0- |
| 405 | Grants & Transfers | 631,917 | 617,531 | 97.72 | 601,981 | 95.26 |
| 402 | Stabilization Fund | 104,100 | -0- | -0- | -0- | -0- |
| TOTAL | | \$8,820,034 | \$3,642,562 | 41.30% | \$3,167,967 | 35.92% |

NOTE: Actual payments to locals are subject to definition within implementing statute for Sec. 30 of the tax-expenditure limitation amendment.

Senate Fiscal Agency
February, 1979

FISCAL NOTE

Appendix E

FISCAL



Senate Office Building

Date: 2/23/79

Analyst: T. Ferris

Phone: 373-2767

Bill No.: S.B. 519
(P.A. 532 of 1978)

Purpose of Bill: To amend sections 36, 140, 140a, 141, 142 and 142a of Act. No. 205 of the Public Acts of 1893, and to add sections 34d and 87d. Specifically, to make certain amendments to the General Property tax Act consistent with the requirements of Sections 31,33 and 34 of Article IX of the State Constitution of 1963.

Problem Statement: Section 34 requires the legislature to implement sections 25 through 31 of Article IX (the so-called "Headlee" tax-expenditure limit). Section 31 states in part that:

"If the assessed valuation of property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the General Price Level from the previous year, the maximum authorized rate applied thereto in each unit of Local Government shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the General Price Level, as could have been collected at the existing authorized rate on the prior assessed value."

This is the language that for months has been interpreted by the press and some proponents of Headlee to mean that local taxes are pegged to the inflation rate and may not rise faster than the U.S. consumer price index. This argument is faulty for a couple of reasons: first, the rollback provision addresses the general property tax and its corollaries only (IFT, CFT, state utility property tax, etc.), and does not cap other local taxes; second, new construction and improvements are excluded from the calculation meaning that total local property taxes may rise by more than the rate of inflation. Nevertheless, it appears that the intent of this provision is to limit the growth of property taxes on existing property in a taxing unit to the rate of inflation.

The first year in which the rollback may be required is 1979, based upon the valuations for 1979 as of tax day, December 31, 1978. The first step in the rollback process is the recording of all valuations by all taxing units, exclusive of new construction and improvements. While this bill does not address the derivation of a millage rollback factor or its application, it does provide key definitions to be used in recording property valuations as of December 31, 1978 for millage rollback purposes. Furthermore, it specifies certain reporting procedures for local assessors and county equalization directors. The key definitions are of "new construction and improvements" and the "general price level." New construction and improvements is defined as "additions less losses", where additions include new construction and improvements plus previously exempted property and losses include newly exempted, removed or destroyed real or personal property. This definition allows locals to adjust for industrial and commercial property tax abatement (P.A. 198-1974, P.A. 255-1978), where property is first deleted then added to the rolls, without the necessity of a millage rollback.

The general price level is defined as the annual change in the United States consumer price index for all-urban consumers, as required by Section 33 of Article IX.

FISCAL NOTE

CONTINUED

Bill No.: S.B. 519
(P.A. 532 of 1978)

Fiscal Impacts:

State None
Govt:

Local Govt:

There may be a modest increase in costs associated with the more sophisticated reporting requirements. There will be significant revenue implications associated with the millage rollback formula when it is adopted.

Act No. 532
Public Acts of 1978
Approved by Governor
December 21, 1978

STATE OF MICHIGAN
79TH LEGISLATURE
REGULAR SESSION OF 1978

Introduced by Senator VanderLaan

ENROLLED SENATE BILL No. 519

AN ACT to amend sections 36, 140, 140a, 141, 142 and 142a of Act No. 206 of the Public Acts of 1893, entitled as amended "An act to provide for the assessment of property and the levy and collection of taxes thereon, and for the collection of taxes levied; making such taxes a lien on the lands taxed, establishing and continuing the lien, providing for the sale and conveyance of lands delinquent for taxes, and for the inspection and disposition of lands bid off to the state and not redeemed or purchased; to provide for the establishment of a delinquent tax revolving fund and the borrowing of money by counties and the issuance of notes; to define and limit the jurisdiction of the courts in proceedings in connection therewith; to limit the time within which actions may be brought; to prescribe certain limitations with respect to rates of taxation; to provide penalties for the violation of this act; and to repeal certain acts and parts of acts in anywise contravening any of the provisions of this act," section 36 as amended by Act No. 408 of the Public Acts of 1978 and section 140a as added by Act No. 292 of the Public Acts of 1976, being sections 211.36, 211.140, 211.140a, 211.141, 211.142 and 211.142a of the Compiled Laws of 1970; and to add sections 34d and 87d.

The People of the State of Michigan enact:

Section 1. Sections 36, 140, 140a, 141, 142 and 142a of Act No. 206 of the Public Acts of 1893, section 36 as amended by Act No. 408 of the Public Acts of 1978 and section 140a as added by Act No. 292 of the Public Acts of 1976, being sections 211.36, 211.140, 211.140a, 211.141, 211.142 and 211.142a of the Compiled Laws of 1970, are amended and sections 34d and 87d are added to read as follows:

Sec. 34d. (1) As used in this section or section 31 of article 9 of the state constitution of 1963, or both:

(a) "Additions" means all increases in value caused by new construction, improvements caused by new construction or a physical addition of equipment or furnishings, and the value of property which was exempt from taxes or not included on the assessment unit's previous year's assessment roll.

(b) "Financial officer" means the officer responsible for preparing the budget of a unit of local government.

(c) "General price level" means the annual average of the United States consumer price index for all urban consumers as defined and officially reported by the United States department of labor, bureau of labor statistics.

(213)†

(d) "Losses" means a decrease in value caused by the removal or destruction of real or personal property, and the value of property taxed in the prior year which has been exempted or removed from the assessment unit's assessment roll.

(e) "New construction and improvements" means additions less losses.

(2) On or before the first Monday in May of each year, beginning in 1979, the assessing officer of each township or city shall tabulate the assessed valuation as approved by the local board of review for real property separately from personal property for each unit of local government and provide the tabulated assessed valuations to the county equalization director. The tabulation by the assessing officer shall contain additions, losses, and new construction and improvements for each unit of local government or part thereof in the township or city. The county equalization director shall compute these amounts and the current and prior year's state equalized valuation for each unit of local government that levies taxes under this act within the boundary of the county and shall cooperate with equalization directors of neighboring counties, as necessary, to make the computation for units of local government located in more than 1 county. The county equalization director shall transmit the complete computations to the superintendent of the intermediate school district, who shall review all computations related to school districts, and intermediate school districts and who shall provide assistance to the equalization director in making these tabulations. The county equalization director shall transmit the complete computations to the presidents of the community colleges who shall review all computations related to school districts and community colleges and who shall provide assistance to the equalization director in making these tabulations.

(3) On or before the first Monday in June of each year, beginning in 1979, the county equalization director shall deliver the statement of the computations signed by the county equalization director and the intermediate school district superintendent to the county treasurer.

(4) On or before the second Monday in June of each year, beginning in 1979, the treasurer of each county shall certify the prior year's state equalized valuation, the current year's state equalized valuation, and the amount of new construction and improvements for that year for each unit of local government which levies a property tax in the county.

(5) The financial officer of each unit of local government shall make the computation of the tax rate using the data certified by the county treasurer and the state tax commission. At the annual session in October, the county board of commissioners shall not authorize the levy of a tax unless the governing body of the taxing jurisdiction has certified that the requested millage has been reduced, if necessary, in compliance with section 31 of article 9 of the state constitution of 1963.

Sec. 36. (1) The township clerk of each township, on or before September 15 of each year, shall make and deliver to the supervisor of the clerk's township, a certified copy of all statements and certificates on file, and of all records of any vote or resolution in the clerk's office authorizing or directing money to be raised in the township by taxation for township, school, highway, drain and all other purposes, together with a statement of the aggregate amount thereof. The supervisor shall deliver the certified copies to the clerk of the county before October 2. The clerk shall present the copies to the county board of commissioners at its annual meeting and file the copies in the clerk's office. The county board of commissioners shall not levy in the year voted a tax levy voted on or after September 15. This subsection does not apply where subsection (2) or subsection (3) applies.

(2) The amount of taxes which are to be levied for school purposes in a school district which holds a millage renewal election on or before December 30, 1978, and which are approved, shall be certified for that calendar year of 1978. On the day after the millage is certified pursuant to this subsection, the appropriate county board of commissioners shall meet and direct or amend its direction for the spread of millages by local units in the county in accordance with the certification or amended certification.

(3) Notwithstanding sections 40, 42, and 46, for the 1978 tax year the county board of commissioners shall levy and spread the millage on behalf of a school district conducting a millage renewal election in December which shall be collected by February 14. The reasonable expenses incurred by the township or city in assessing and collecting the school taxes levied pursuant to this subsection, to the extent that the expenses are in addition to the expenses of assessing and collecting any other taxes at the same time and exceed the amount of any fees imposed by the township for collection of the school taxes, shall be billed to and paid by the board of education.

Sec. 87d. (1) Notwithstanding section 87c(10), a county which determines to borrow pursuant to section 87c may submit to its voters the question of issuing revolving fund notes at any general or special election, which question shall provide for the establishment of the revolving fund for not to exceed 10 years and shall be in substantially the following form:

"Shall the county of _____ establish or continue for _____ years a delinquent tax revolving fund and, in connection with the fund, borrow an amount not to exceed the delinquent taxes pledged

for repayment of the borrowing or borrowings, as may be made each year, and issue its general obligation unlimited tax notes, pledging the county's full faith and credit for the purpose of providing money for the delinquent tax revolving fund?"

(2) If a majority of the electors voting on the question vote in favor of the question, the county may proceed to issue the notes as provided for in this act, which notes may be designated general obligation unlimited tax notes.

(3) If a majority of the electors voting on the question vote against the question, or if the question is not submitted, the county may also issue the notes but only in accordance with subsection (6).

(4) In addition, this section shall validate a question submitted to the electors before the effective date of this section in which the electors were asked to approve the issuance of general obligation tax notes secured by delinquent taxes, regardless of how the question may have been phrased. The defeat of the question shall require that the notes be issued as nonvoted until a future question is approved by the electors.

(5) A county may submit to its electors the question authorized by this section once each calendar year.

(6) If nonvoted notes are issued pursuant to section 87c:

(a) The resolution authorizing the borrowing and issuance of the notes shall establish the pledged delinquent taxes, the interest thereon, and any amounts received in the future from taxing units in the county because of the uncollectibility of any delinquent taxes as funds pledged to note repayment, which amounts shall be placed in a segregated fund and used for no other purpose except to repay the notes and the interest thereon. The resolution shall provide that the expenses of borrowing shall be repaid from the collection fees on the pledged delinquent taxes and the balance of the collection fees may be added to the funds pledged to note repayment, if the resolution provides.

(b) The notes shall be designated general obligation limited tax notes.

(c) The resolution may establish a special fund to secure the notes referred to as a note reserve fund and shall pay into the note reserve fund any proceeds of sale of the notes to the extent provided in the resolution authorizing issuance of the notes. All money in the note reserve fund, except as hereafter provided, shall be added to the funds pledged to note repayment and shall be used solely for payment of principal and interest on the notes for which the fund was established, or the purchase of notes for which the fund was established. Money in the note reserve fund shall first be withdrawn for payment of principal and interest on notes before other county general funds are used to make the payments. All income or interest earned by, or increment to, the note reserve fund due to its investment or reinvestment shall be deposited in the delinquent tax revolving fund, when the notes for which the fund was established are retired. The resolution shall provide that when the note reserve fund is sufficient to retire the notes and accrued interest thereon, it may be so used.

(d) A resolution which establishes a note reserve fund may provide for an additional borrowing of an amount not to exceed the amount of the reserve, and the county shall have the power to borrow that additional amount.

(e) The notes shall be the full faith and credit obligations of the county issuing them. If the proceeds of the taxes and interest and, when pledged, collection fees, or note reserve fund are not sufficient to pay the principal and interest, when due, the county shall pay the same from its general funds or any additional tax which may be levied within its constitutional and statutory debt limits, and the county may thereafter reimburse itself from delinquent taxes collected. The county's obligation to pay from its general funds shall be its first budget obligation and shall be provided for in the borrowing resolution in the following language:

"This note issue, in addition, shall be a general obligation of the county of _____, secured by its full faith and credit, which shall include this county's limited tax obligation, within applicable constitutional and statutory limits, and its general funds. The county budget shall provide that if the pledged delinquent taxes and any other pledged amounts are not collected in sufficient amounts to meet the payments of principal and interest due on these notes, the county, before paying any other budgeted amounts, will promptly advance from its general funds sufficient money to pay that principal and interest."

(7) If coupon notes are issued, pursuant to section 87c or this section:

(a) Interest shall be payable semiannually or annually.

(b) The coupons shall specify the source from which the notes shall be payable, which may be by reference to the note itself.

(c) The coupons shall contain the facsimile signature of the county treasurer.

Sec. 140. (1) A writ of assistance or other process for the possession of land the title to which was obtained by or through a tax sale, except if title is obtained under section 131, shall not be issued until 6

months after there is filed with the county treasurer of the county where the land is situated, a return by the sheriff of that county showing service of the notice prescribed in subsection (2). The return shall indicate that the sheriff has made personal or substituted service of the notice upon the following persons who were, as of the date the notice was delivered to the sheriff for service:

- (a) The last grantee or grantees in the regular chain of title of the land, or of an interest in the land, according to the records of the county register of deeds.
- (b) The person or persons in the actual open possession of the land.
- (c) The grantee or grantees under the tax deed issued by the state treasurer for the latest year's taxes then appearing of record in the registry of deeds.
- (d) The mortgagee or mortgagees named in all undischarged recorded mortgages, or assignees thereof of record.
- (e) The holder of record of all undischarged recorded liens.

(2) The notice served shall be substantially in the following form:

To the owner or owners of any and all interests in, or liens upon the land described:

Take notice: Sale was lawfully made of the following described land for unpaid taxes on that land, and that the undersigned has title to the land under tax deed or deeds issued for the land. You are entitled to a reconveyance of this land within 6 months after return of service of this notice, upon payment to the undersigned or to the treasurer of the county in which the land is situated, of all sums paid for the tax sale purchase, together with 50% in addition, and the fees of the sheriff for the service or cost of publication of this notice. The service or publication costs shall be the same as if for personal service of a summons upon commencement of an action, together with a sum of \$5.00 for each description, without other additional cost or charge. If payment as described in this notice is not made, the undersigned will institute proceedings for possession of the land.

Description..... amount paid..... taxes for 1.....

(Signed).....

Place of business.....

(3) If the grantee or grantees, or the person or persons holding the interest in the land as prescribed in subsection (1) are residents of a county of this state other than the county in which the land is situated, the return as to that person shall be made by the sheriff of the county where that person or persons reside or may be found. If a person entitled to notice under subsection (1), is not a resident of this state, the sheriff, if the post-office address of the person can be ascertained, shall send to the nonresident person a copy of the notice by certified mail, and attach the receipt indicating postal delivery of the notice to the return and file the return with the county treasurer's office. If service on the nonresident is not made by mail, the sheriff shall cause a copy of the notice to be served personally on the nonresident, and when the notice is personally served outside of this state, proof of service shall be made by affidavit of the person making service, which affidavit shall be made before a notary public or other officer authorized to administer oaths. The affidavit, when made outside of this state, shall have attached a certificate of the clerk of the court of record, certifying to the official character of the officer or notary, and the genuineness of the signature of the officer or notary to the jurat of the affidavit, and the sheriff shall return this proof of personal service with the return to the county treasurer's office.

(4) If a person entitled to notice as prescribed in subsection (1) is dead, or if a person's estate is under control of a trustee or guardian, the notice may be served upon the executor or administrator of the decedent's estate, or upon the decedent's heirs if there is not an executor or administrator, or upon the trustee or guardian of an incompetent person, with like effect as if served upon the grantee, mortgagee, or assignee.

(5) If the sheriff of the county where the land is located makes a return that after careful inquiry the sheriff is unable to ascertain the whereabouts or the post-office address of the persons upon whom notice may be served as prescribed in this section. The notice shall be published for 4 successive weeks, once each week, in a newspaper published and circulated in the county where the land is located, if there is one. If no paper is published in that county, publication shall be made in a newspaper published and circulated in an adjoining county, and proof of publication, by affidavit of the printer or publisher of the newspaper, shall be filed with the county treasurer. This publication shall be instead of personal service upon the person or persons whose whereabouts or post-office address cannot be ascertained as prescribed in subsection (3).

(6) Service may be made upon a resident of this state by leaving the notice at that person's usual place of residence with a member of that person's family of mature age, and upon a nonresident of this state by serving the notice on the nonresident personally while in this state and the return in this case shall be made by the sheriff of the county in which service was made.

(7) A corporation formed under the laws of this state shall be regarded, for the purposes of this act, as a resident of the county in this state where the corporation maintains its principal or registered office for the

transaction of business in this state, as indicated by the articles of incorporation. Service on a corporation may be made on the president, secretary, treasurer, or resident agent of the corporation, or by leaving the notice at the principal or registered office of the corporation with a person in charge of the office. If the sheriff of the county in which the principal or registered office of the corporation is located indicates on the return that upon careful inquiry the sheriff was unable to find the office or a president, secretary, treasurer, or resident agent of the corporation in that county, service of the notice may be made upon the corporation by publication as prescribed in subsection (5). This section shall apply to a corporation whether or not the term of corporate existence has expired. A foreign corporation doing business in this state and having a registered agent to accept service of process as required by law shall be regarded, for the purposes of this act, as a resident of the county in which its registered office is located. Service on a foreign corporation may be made on the resident agent, or by certified mail addressed to the corporation at its home office.

(8) Service as prescribed in this section may be made by a sheriff, undersheriff, or deputy sheriff. The sheriff shall, in the return of service, state the time when the notice was delivered to the sheriff for service, and the return shall be prima facie evidence of the facts stated in the return.

Sec. 140a. (1) As used in this section, "improved residential parcel" means a parcel of land which contains a dwelling suitable for occupancy.

(2) When a proof of notice on an improved residential parcel is filed with the county treasurer, the proof shall contain the statement: "this parcel is an improved residential parcel". The proof shall show the street address, if known. An additional copy of the notice on this class of property shall be provided with the filing of the proof of notice. Failure by the holder of a tax deed to include this statement and to provide a copy shall invalidate the filing and render it null and void. The county treasurer shall forward the copy of the proof of notice to the county department of social services, which shall make an attempt to contact the owner and occupant of the property to determine if the owner or occupant is in need of assistance or protection of the court. The county department shall file with the court a written report of its findings within the 6-month redemption period provided in section 142. Failure to contact the owner or occupant or to file a written report shall not invalidate the proceedings.

Sec. 141. (1) A person having an estate in the land; an interest in the land, either in fee, for life, or for years; a mortgagee of the land; an assignee of an undischarged mortgage on the land; the holder of a lien on the land; an executor, administrator, trustee, or guardian of these persons; or a person in actual possession of the land at the time of the tax purchase, shall be entitled to receive from the person, or that person's heirs or assigns, claiming title under the tax deed, within 6 months after the filing of return of service or the filing of proof of publication of the notice as prescribed in section 140, a release and quitclaim of all right and interest in the land acquired under the tax deed upon payment to the person claiming title under the tax deed or that person's heirs or assigns, or to the treasurer of the county in which the land is situated, of the amount paid for the purchase, together with 50% in addition, and personal or substituted service fees, which fees shall be the same as provided by law for service of subpoenas, for orders of publication, or for the cost of service by certified mail, together with a sum of \$5.00 for each description, without additional cost or charge.

(2) A person or persons entitled to a release and quitclaim under subsection (1), after the issue of tax deeds on the land, or after the purchaser of the land is entitled to the tax deeds, and before service of notice or return thereof, shall have the right to redeem the land from the sale. Redemption shall be made by paying to the purchaser, a grantee of the purchaser, or to the treasurer of the county in which the land is situated, all sums paid as a condition of the purchase, together with 50% in addition, and the sum of \$5.00 for each description. Upon payment, the tax title and all the certificates of sale shall become void and of no effect against the land to be redeemed. The county treasurer shall, when payment is made as provided in this section, at once notify the owner of the tax title, or the owner of the certificates of sale, of the payment so made, and the owner of the tax title, or of the certificates of sale, shall immediately deliver to the treasurer a release and quitclaim of all rights acquired by the owner under the tax purchase, running to the person making the payment, and shall also deliver to the treasurer the tax deed, certificates of purchase, tax receipts, and all other conveyances relating to the tax title or tax interest before that person shall be entitled to receive the money paid to the treasurer as provided in this section. Upon delivery of the release and quitclaim, the certificates of purchase, and the tax receipts, the treasurer shall immediately pay to the owner of the tax title all sums received by the treasurer for redemption of the land described in the release and quitclaim, certificates, and receipts. A quitclaim or reconveyance made under this section shall not vest in the grantee title or interest in the land beyond that already owned by the grantee, but the grantee shall be entitled to a lien on the land, or on parts of the land or interests in it which are not owned by the grantee, for the amount paid, or the portion of the amount paid which is lawfully chargeable to the parts or interests, in addition to the prior lien or other interest held by the grantee. This lien may be enforced in a court of competent jurisdiction, with interest on the lien at the rate of 6% per annum from the date of the payment.

The circuit court has jurisdiction to enforce the liens provided for in this section without regard to the amount of the liens. An application for a writ of assistance shall show that the applicant has complied with the provisions of this act regarding the giving of notice. The applicant shall attach to the application a copy of the notice and the return of the sheriff serving the notice, or a copy of the proof of publication, or a receipt from the post-office showing that the notice was served by certified mail.

Sec. 142. (1) A purchaser under a tax sale or a state bid sold shall not enter into possession of the land purchased by the tax sale or state bid until 6 months after notice is given to the party or parties in interest as prescribed in sections 140 and 141 unless the purchaser acquired from these parties their title to the land by conveyance from these parties of their interest in the land.

(2) If the land is vacant and unoccupied and a writ of assistance is not needed to put the purchaser into possession, the time for redemption under this section shall expire 6 months after the service of notice to the party or parties in interest, or date of mailing the notice by certified mail, or first publication thereof, and the filing of proof of personal or substituted service or of publication with the treasurer of the county where the land is situated.

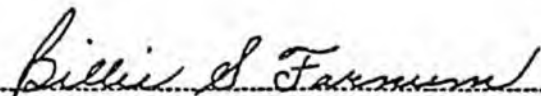
(3) If an action or other proceeding to set aside the tax sale of the land is commenced by the owner of the land or by a person having a redeemable interest in the land, before the expiration of the 6 months, the purchaser under tax sale or the purchaser's grantee shall not enter into possession of the land until the final determination of the action or other proceeding.

(4) This section shall not apply to applications for writs of assistance made upon behalf of the state or grantees thereof.

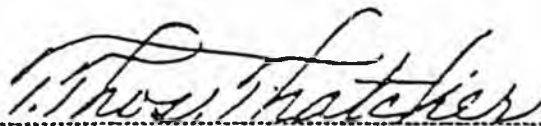
Sec. 142a. If a grantee, mortgagee, or person in possession fails to redeem the land within the 6 months, as prescribed in sections 140, 141, and 142, within 30 days after the expiration of the 6-month redemption period, the county treasurer shall cause to be recorded in the office of the register of deeds for the county in which the land is situated, in a record to be provided for that purpose, a copy of the notice and proof of service thereof, duly certified by the county treasurer in whose office the notice and proof of service is filed. This record shall be prima facie evidence in all courts and tribunals that the purchaser is the owner of the land under the purchase. The county treasurer shall be entitled to a fee of 50 cents for filing the notice and to additional fees as provided by law for making the copy and certifying to the making of the copy. The county treasurer shall be entitled to a fee of 50 cents for recording the copy of notice and proof of service and shall collect from the purchaser under the sale or deed the recording fee of the register of deeds. The register of deeds shall be entitled to the same fees for recording the copy as is provided by law for recording deeds of conveyance and other instruments.

Section 2. Sections 140, 140a, 141, 142 and 142a of this amendatory act shall take effect May 1, 1979.

This act is ordered to take immediate effect.



Secretary of the Senate.



Clerk of the House of Representatives.

Approved _____

Governor.

FISCAL NOTE

Appendix F



Senate Office Building

Date: 2/23/79

Analyst: T. Ferris

Phone: 373-2767

Bill No.: H.B. 5063
(P.A. 529 of 1978)

**Purpose
of Bill:**

To amend Chapter 1 of Act No. 202 of the Public Acts of 1943, being the "Municipal Finance Act", by adding Section 4. Specifically, to exempt obligations that are authorized by the governing body of a local government unit before December 23, 1978, from the requirements of Section 6 and 31 of Article IX of the State Constitution of 1963, as amended by the electors at the November general election of 1978, provided that the prospective issue is received by the Municipal Finance Commission for their approval before December 23, 1979.

**Problem
Statement:**

Proposal E (the Tax-Expenditure Limitation amendment to the State Constitution of 1963) was approved by the electors in November of 1978. Among other things, the amendment added Section 31 to Article IX and placed certain restrictions on local taxing power. The second paragraph of Section 31 states:

"The limitations of this section shall not apply to taxes imposed for the payment of principal and interest on bonds or other evidence of indebtedness or for the payment of assessments on contract obligations in anticipation of which bonds are issued which were authorized prior to the effective date of this amendment."
[emphasis added]

Section 34 of the amendment requires the Legislature to implement the provisions contained in Section 25 through 33 of the amendment. This bill seeks to implement the paragraph of Section 31 that is cited above.

The key phrase is the last portion of the paragraph, which is underlined above. In order to be exempt from the requirement of local voter approval, the bonds which are issued must have been authorized prior to the "effective date" of the amendment. According to Section 1 of Article XII of the State Constitution of 1963 the effective date of an amendment to the Constitution is 45 days after the election at which it was approved. In the case of the tax-expenditure limit and other amendments to the Constitution approved in November, the effective date is December 23, 1978.

FISCAL NOTE

CONTINUED

Bill No.: H.B. 5063
(P.A. 529 of 1978)

Fiscal Impacts:

State
Govt: None.

Local
Govt: The taxes levied to support non-voted debt may be available for other debt purposes when the old debt (authorized prior to December 23, 1978) is fully amortized. It is not clear whether the tax authorization can survive beyond the life of the original issue without voter approval.

Act No. 529
Public Acts of 1978
Approved by Governor
December 21, 1978

STATE OF MICHIGAN
79TH LEGISLATURE
REGULAR SESSION OF 1978

Introduced by Reps. Trim, Gast and Thomas H. Brown

ENROLLED HOUSE BILL No. 5063

AN ACT to amend chapter 1 of Act No. 202 of the Public Acts of 1943, entitled as amended "An act relative to the borrowing of money by municipalities, and the issuance of bonds, notes and certificates of indebtedness; to provide for tax levies and sinking funds; to create the municipal finance commission, and to prescribe its powers and duties; to create an advisory tax study committee, and to prescribe its powers and duties; to prescribe penalties; and to repeal all acts and parts of acts inconsistent with the provisions of this act," being sections 131.1 to 131.3 of the Compiled Laws of 1970, by adding section 4.

The People of the State of Michigan enact:

Section 1. Chapter 1 of Act No. 202 of the Public Acts of 1943, being sections 131.1 to 131.3 of the Compiled Laws of 1970, is amended by adding section 4 to read as follows:

CHAPTER 1

Sec. 4. If before December 23, 1978, the governing body of a municipality adopts an ordinance or resolution directing that obligations be issued and establishing the terms of the proposed obligations, except the rates of interest on those obligations, and an application for approval of the obligations is made to the municipal finance commission by December 22, 1979, the obligations directed to be issued by the ordinance or resolution shall be considered for the purposes of the state constitution of 1963 to have been authorized before the addition of the second paragraph of section 31 of article 9 and the amendment to section 6 of article 9, as approved by the electors at the November general election of 1978, became part of the state constitution of 1963. If the obligations have been so authorized, the municipality may impose taxes without limitation as to rate or amount for the payment of principal and interest on the obligations or for the payment of an assessment or contract obligation in anticipation of which the obligations are issued. The ordinance or resolution directing that obligations be issued may be amended subsequent to December 22, 1978 to alter the terms of the proposed obligations, but the amendment shall not increase the principal amount of the obligations to be issued or change the general purpose for which the obligations are issued.

(426)

Section 2. This amendatory act shall take effect February 1, 1979.

This act is ordered to take immediate effect.

Thomas Thatcher

Clerk of the House of Representatives.

Billie S. Farnum

Secretary of the Senate.

Approved _____

Governor.

TAXPAYERS UNITED RESEARCH INSTITUTE

P.O. BOX 1978 • FARMINGTON HILLS, MI 48018 •

For immediate Release

Contact: William Shaker
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NEWS RELEASE

PROPOSAL "E" EXPLAINED

Drafters' notes explaining the intent of the Tax Limitation Amendment (Headlee) were distributed to all members of the Michigan Legislature. The Legislature must implement the amendment by passing enabling legislation. The sections of the amendment dealing with local government went into effect on December 22, 1978, but enabling legislation as yet has not been passed.

This 23 page document was released by William H. Shaker, the amendment's chief author. The other members of the amendment language committee were: William Hanson, William Niskanen and Donald Reisig. Along with serving as the Principal Draftsman for Proposal E, Shaker also authored the amendment's predecessor (Proposal C) which was narrowly defeated in the 1976 election. He is also the founder of the Michigan Tax Limitation movement and organizer and founder of Taxpayers United.

The draftsmans' notes also include a list of 42 people who served as members of the Drafting Advisory Committee and as consultants. This list included: Taxpayers United Chairman Richard Headlee, former presidential advisor Paul McCracken, Richard O'Neill of The Michigan Association of Realtors, James Barrett of the Michigan State Chamber of Commerce, and Taxpayers Federation of Michigan President Allan Schmid.

The drafters' notes begin:

"The spirit of the times from which this proposal grew was the 'Tax Revolt' and it was the drafters' clear intent that the Tax Limitation Amendment be so interpreted."

- MORE -

Shaker said: "The drafters' intent was to place the total dollar size of Michigan's public sector under direct popular democracy while retaining the best features of representative democracy."

Shaker said that he is concerned by news reports from Lansing regarding various legislative proposals for implementing the amendment. He said that the majority of the "official commission" appointed by the Governor to recommend implementing legislation was composed of people violently opposed to the amendment.

Among other things, the amendment requires a reduction of property tax rates whenever assessed values of property in a community increase faster than inflation. Shaker said: "one of the more ridiculous proposals of the 'official commission' is to reduce rates, as required by the amendment, for the first year, but then let tax rates go back to their previous rates in the following years." He said: "letting tax rates go back after the first year would accomplish absolutely nothing and is positively prohibited by the amendment."

"Such arrogant disregard for the will of the people would surely be met with court challenges and, if necessary, another state-wide petition drive," he said.

Shaker concluded that he is hopeful that the Legislature will pay close attention to the intent of the amendment drafters, study the drafters' notes in detail, and heed the will of Michigan voters as expressed when they approved Tax Limitation last November.

#

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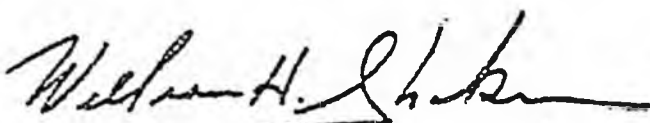
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February 15, 1979

DRAFTERS' NOTES - TAX LIMITATION AMENDMENT

(Proposal E, approved by the electors on November 7, 1978, as an Amendment to the Michigan Constitution of 1963.)

The following notes provide an explanation of the drafters' intent in the formulation of this amendment:



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Roy Jones
Fred Keister
Howard Ledbetter
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Richard O'Neill
Thomas Ritter
Al Schmid, Esq.
Michael Sessa
*William H. Shaker, P.E.
Flora Whan
Harry Veryser

Eldon Andrews (1974)
Stanley Beattie, Esq. (1978)
Louis Cranton (1974)
Richard Durant, Esq. (1974, 1978)
Russell Gould, Esq. (1974)
Gene Heck (1974)
Walker Henry, Esq. (1974)
Norman Hughes (1974)
Dwight Johnson (1974)
Richard McIllan, Esq. (1978)
Roger Needham, Esq. (1974)
William Nicholson (1978)
L. Brooks Patterson, Esq. (1978)
Robert Pickup (1974, 1978)
Robert Queller (1974, 1978)
*Donald Reisig, Esq. (1978)
Thomas Sharpe (1974)
William Craig Stubblebine (1974, 1978)
Lewis K. Uhler (1974, 1978)

*Language Committee

Drafters' Notes - Tax Limitation Amendment (Proposal E, approved by the electors on November 7, 1978, as an Amendment to the Michigan Constitution of 1963.)

The spirit of the times from which this proposal grew was the "tax revolt" and it was the drafters' clear intent that the Tax Limitation Amendment be so interpreted.

The drafters' intent was to make the minimal changes from Proposal C (a similar tax limitation constitutional amendment which was drafted in 1974 and appeared on the 1976 Michigan general election ballot; but not approved by the electors at that time), consistent with adding more definitional specificity and strengthening provisions dealing with local taxation. The language of Proposal E is attached to these notes as Appendix 1 and, for historical comparison, Proposal C is attached as Appendix 2.

The section numbers refer to the section numbers of Article 9, labeled Proposal E in Appendix 1.

Section 25

The Preamble to the Amendment, Section 25, serves as a summary of Sections 26 through 34, inclusive and Section 6, as amended; and spells out that the objectives, purposes, and

intent of the drafters, petitioners and the voters are clearly to place specifically defined limitations on the revenues of both state and local governmental units and to place these limits under the direct and absolute control of the voters. It is also clear from the remaining sections that "limitations specified herein" mean tax and revenue levels existing at the effective dates of the amendment: October 1, 1980 for Sections 26, 27, 28 and December 22, 1978, for Sections 29 through 34, inclusive and Section 6, as amended. It was clearly not the intent to require voter approval of annual state budgets. The intent of "limitations specified herein" is explained with specificity in these notes, as they deal with each specific section.

Section 25 specifically prohibits the state from circumventing the intent of the amendment by shifting tax burdens from the state to local governmental levels. Any action by the state which would result, directly or indirectly, in increased local taxation through a shift in funding responsibility is clearly prohibited by this Section.

This Section and Sections 26 through 34, inclusive, together with Section 6, as amended, were intended to strengthen the process of direct voter approval over total taxation and spending levels; and it was intended that the legislative, judiciary, and administrative branches of government be so guided.

In essence, the drafters' intent was to place the total dollar size of Michigan's public sector under direct popular democracy while retaining the best features of representative democracy, vis-a-vis the allocation of resources within the voter approved overall spending limitations.

Section 26

This section defines the state revenue limit. The revenue limit is expressed in terms of the ratio of total state revenues, excluding federal aid and taxes levied for specific debt service in FY 1978-1979 over the personal income in calendar 1977 times the relevant income base. This avoids us of a specific percentage (such as 8.3%, as in Proposal C) and the charge that there would be a reduction if the limit were effective at that time.

There was strong sentiment that this percentage should be rolled back over a period of time; but the consensus was that a roll back was conceptually different and should be handled later with an independent amendment.

Section 33 defines "total state revenues" to include all general and special revenues, excluding federal aid, as defined in the budget message of the governor for FY 1978-1979. It was the drafters' intent for the definition of

"total state revenues" to be all inclusive, including revenues from licenses and permits and any and all other sources, except those revenue sources explicitly excluded by language in the amendment itself. It was the drafters' intent that any and all future revenues be treated like any revenues that exist upon approval of the amendment and be subject to the limit. Taxes imposed for the payment of principal and interest on bonds, approved by the voters and authorized under Section 15 of this article and loans to school districts authorized under Section 16 of this article, are excluded from the revenue limitation established in Section 26. Such taxes and federal aid are excluded both from the calculation of the 1978-79 revenue limit ratio and from the revenue limit computation in subsequent years.

In drafting this Section, there was concern regarding the danger of voting in November, 1978, on a proposal which uses revenues in 1978-1979 as a percentage of 1977 personal income as the limitation, since if the amendment were approved, the legislature would have the opportunity to increase taxes following the November election in order to build up the ratio. It was the drafters' intent that this not happen and the general consensus was that such a tax increase would be politically unlikely, and that if the legislature were so arrogant as to increase taxes following approval of the tax limitation amendment, that there would be an immediate

petition drive that would result in technical amendments which would reduce the percentage limitation.

Directly or indirectly federally mandated spending increases are not exempted from the provisions of this section. It is the concensus that any problems arising from such federal requirements would be cured later on by a federal tax limitation amendment.

This section requires pro rata refunds to taxpayers in the event that revenues exceed the dollar amount of the revenue limit by 1% or more of the limit. If the excess were less than 1% of the revenue limit, the excess can be either refunded pro rata, or placed in the budget stabilization fund, as determined by the legislature. If the excess of revenues were greater than 1% of the revenue limit, a transfer to the budget stabilization fund out of excess revenues is prohibited and all of the dollars in excess of the limit must be refunded on a pro rata basis. The drafters' intent in designing the 1% cushion was to minimize the administrative expense relating to tax refunds.

The pro rata provision was designed to prevent the legislature from indirectly creating a graduated income tax through over taxation followed by various refunding schemes, other than pro rata.

Section 27

This section defines conditions by which the revenue and spending limitations may be exceeded. Declaration of an emergency requires executive action and this section requires that an emergency must be declared by the Governor and approved by a two-thirds vote of members of each house. The procedures for an emergency declaration and approval are very specific in order to prevent the abuse of this section.

Section 28

This section provides for a balanced budget and reinforces the present constitutional requirement for a balanced budget. Past practices designed to avoid the constitutional balanced budget requirements, such as extending the fiscal year, are precluded by this section. Surplus is intended to include budget stabilization monies, permitting financing a budget stabilization fund within the revenue limit established in Section 26. It was not the drafters' intent to any way prohibit the creation of the budget stabilization fund within the limit, or to include budget stabilization funds from prior years within the revenue limitation formula.

Section 29

It was the drafters' intent to include all necessary state mandated cost increases in this provision, including but not limited to: changes in general law which increase local governmental costs, e.g., increases in the state minimum wage law; changes in the civil and criminal statutes, e.g., mandatory sentencing; federally encouraged changes in state law, e.g., unemployment compensation coverage; collective bargaining or compulsory arbitration mandates, land use regulations, etc. It was the drafters' intent that the words "activity or service" be broadly defined to require that the state pay for all costs mandated by state law or state directive after December 22, 1978. This section requires reimbursements to local units for necessary new costs from all state mandates requiring action after December 22, 1978. Such interpretation is also required by Section 25 which prohibits the state from requiring any new or expanded activities by local governments without full state financing...or from shifting the tax burden to local government. The phrase "required by existing law," is used to clarify the authority of the State to require local governments to increase their activities up to standards established by existing law without additional reimbursements. However, "new" administrative interpretation of existing law would require reimbursement.

"Necessary costs" means that the legislature may establish some criteria to determine effectiveness, such as average costs, state-wide. It was intended that the legislature implement this section through appropriate legislation, including appropriations to cover the necessary costs for mandated activity or service. No mandated activity or service should be legally binding on any local unit until the appropriations for such mandated activity or service is made and disbursed to the applicable local units.

The state is prohibited from reducing the state financed proportion of specific existing activities or services below that proportion funded by the state in the base year, i.e., fiscal year 1978-1979. It was the drafters' intent that the phrase "any existing activity or service required of Local Government by state law" be broadly construed to mean all activities or services performed by Local Government as a result of the State Constitution, state statute or state regulation, e.g., public elementary and secondary schools as defined by law. This provision does not guarantee, for example, that the proportion of state expenditures paid to a specific school district cannot be reduced. It does mean, however, that the proportion of state funding going to school districts, state-wide, for public elementary and secondary education shall not be reduced.

The State is prohibited from reducing the state financed proportion of existing specific programs required of local governments by state law or state directive. Future mandated programs shall be fully funded. It seeks to obviate any temptation the state might have to fund a new mandated program (e.g., rapid transit) by shifting funds from a previously mandated program (e.g., K-12 education).

This section does not necessarily prevent the state from shifting funds from general and unrestricted revenue sharing to the funding of a state mandated activity but it does prohibit shifting funds from state mandated programs unless the mandate for such programs is eliminated.

Section 30

The primary intent of this section was to prevent a shift in tax burden, either directly or indirectly from state to local responsibility. The phrase "taken as a group" permits the legislature to reallocate funds to local units of government, i.e., geographically or from one unit to another. It was the drafters' intent to rely on the political process to effect such allocations and not to limit the legislature's ability to create more effective and efficient governmental entities or to eliminate those local units which no longer serve any utilitarian purpose.

Additional or expanded activities mandated by the state, as described in Section 29 would tend to increase the proportion of total state spending paid to local government above that level in effect when this section becomes effective.

Section 31

Section 31 begins: "Units of Local Government are hereby prohibited from levying any tax not authorized by law or charter when this section is ratified or from increasing the rate of an existing tax above that rate authorized by law or charter when this section is ratified, without approval of a majority of the qualified electors of that Local Government voting thereon." This sentence was intended to prohibit local units from levying any new tax that might be authorized after the effective date of the amendment without voter approval. It also was intended to prohibit any local unit from increasing the rate of an existing tax beyond the limit established by law or charter after the effective date of the amendment.

However, the intent of the wording was to permit Local units to retain those taxing powers they had by state law or local charter prior to the effective date of the amendment. Thus, a Local unit that was not levying or imposing the full amount of its taxing authority at the time of the effective date of the

amendment would continue to be able to exercise such power after the effective date of the amendment. For example, a city with a 20 mill limit in its charter that only levied 15 mills in 1978 could increase its millage rate up to its 20 mill charter limit without again going to the voters for approval. Likewise, a school district that had voter approval to levy extra voted millage at the time of adoption could increase its millage rate up to the amount authorized without again seeking voter approval, even though the maximum millage authorized might not have been levied in 1978.

Industrial facility taxes levied under authority of Public Act 198 of 1974 are taxes that "were authorized by law" when Section 31 would go into effect, and therefore, would be exempt from the local vote requirement.

The first paragraph of Section 31 provides that as assessed value is increased, the millage authorized for the taxing unit must be decreased in equal proportion to the increased assessment, with the only increase in revenue allowed from existing property being determined by the Consumers Price Index for the United States as reported by the United States Department of Labor.

The rollback provision of this section reads:

"...if assessed valuation of property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the general price level from the previous year, the maximum authorized rate applied thereto in each unit of local government shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the general price level, as could have been collected at the existing authorized rate on the prior assessed value...". (emphasis added) "Existing authorized rate" was intended to refer to "maximum rate authorized by law or charter" when this Section is ratified.

This section recognizes that in many communities, property tax revenues have increased rapidly, without any increase in tax rates, due to the rapid increase in assessments. It was the drafters' intent to assure that tax revenues on existing property not increase faster than the general U.S. inflation rate, regardless of increases in assessments, without local voter approval. The growth of property taxes on existing property in a taxing unit is limited to the rate of inflation.

For particular years in which assessed valuation of property as finally equalized (excluding new construction) exceeds inflation the maximum tax rate authorized by law or charter

shall be rolled back to yield the same gross revenue from existing property (adjusted for inflation) as could have been collected at the existing authorized rate on the prior assessed value. The intent of the underlined phrase was to roll back the "maximum rate authorized by law or charter," even though the unit may have been levying a lesser rate. A key operative word in the phrase is "could." The effect of this provision shall be a continual ratcheting downward of maximum authorized tax rates whenever assessed values exceed inflation.

This section only operates to reduce maximum authorized tax rates in years in which assessed values, as finally equalized, increase faster than inflation. It does not allow "rolled back" rates to be increased under any conditions without voter approval. This is illustrated for a taxing unit in the following hypothetical example. (Exhibit 1) Premises: the "maximum authorized rate" is 10 mills; spread rate (the millage levied in 1978) was 9 mills; assume the taxing authority continues to levy the same millage that it was levying in 1978 (9 mills) until the "maximum authorized rate" reaches a lesser level.

| Year | Assessed Value (S.E.V.) | 1% Change in Assessed Value (S.E.V.) | Inflation | Maximum Authorized Tax Rate | Spread Rate | Annual Property Tax Savings* |
|------|-------------------------|--|-----------|-----------------------------|-------------|------------------------------|
| 1978 | \$20,000,000 | | | 10.00 mills | 9.00 | -- |
| 1979 | \$23,400,000 | 17% | 9% | 9.32 mills | 9.00 | -- |
| 1980 | \$24,102,000 | 3% | 7% | 9.32 mills | 9.00 | -- |
| 1981 | \$25,789,140 | 7% | 12% | 9.32 mills | 9.00 | -- |
| 1982 | \$29,657,511 | 15% | 8% | 8.75 mills | 8.75 | \$ 7,415 |
| 1983 | \$35,589,013 | 20% | 10% | 8.02 mills | 8.02 | \$34,877 |
| 1984 | \$38,080,244 | 7% | 7% | 8.02 mills | 8.02 | \$37,318 |
| 1985 | \$41,888,269 | 10% | 7% | 7.80 mills | 7.80 | \$50,216 |

*Annual savings is calculated based on the difference between 1978 spread rate and the "maximum authorized tax rate." Annual savings in this example would be larger if it were assumed that the local governing body, in the absence of Tax Limitation, had spread taxes at the "maximum authorized rate" in 1979, 1980 and 1981, instead of continuing to spread at the 1978 level.

Exhibit 1

The impact of this provision is further illustrated in the attached table (Exhibit 2) which shows the impact on a taxing jurisdiction with a market value of \$20 million in 1968, with S.E.V. increases, inflation rate and millage levy as shown in the table. It is assumed that the taxing jurisdiction is levying the maximum authorized rate for the purposes of this example.

It was clearly the drafters' intent that whenever a "maximum tax rate authorized by law or charter" is rolled back, the "rolled back" rate becomes the "new" maximum authorized rate,

(In Millions of Dollars)

| Year | Assessed (S.E.V.) | % Change in Assessed (S.E.V.) | Inflation | Section 31 Millage under (E) | Property Taxes Section 31 (without "E") | Property Taxes Section 31 (E) | Annual Property Tax Savings Section 31 (E) | Cumulative Annual Property Tax Savings Section 31 (E) |
|------|-------------------|-------------------------------|-----------|------------------------------|---|-------------------------------|--|---|
| 1968 | 10,000 | | | 40 mills | 400.00 | -- | -- | -- |
| 1969 | 11,450 | 14.5% | 5.4% | 36.82 | 458.00 | 421.59 | 36.41 | 36.41 |
| 1970 | 12,093 | 12.6% | 5.9% | 34.63 | 515.72 | 446.40 | 69.24 | 105.65 |
| 1971 | 14,556 | 12.9% | 4.3% | 31.99 | 582.24 | 465.65 | 116.59 | 222.24 |
| 1972 | 16,206 | 10.1% | 3.3% | 30.02 | 641.04 | 481.10 | 159.94 | 382.18 |
| 1973 | 16,956 | 5.0% | 6.2% | 30.02 | 670.24 | 509.02 | 169.22 | 551.40 |
| 1974 | 19,329 | 14.0% | 11.0% | 29.23 | 773.16 | 564.99 | 208.17 | 759.57 |
| 1975 | 20,102 | 4.0% | 9.1% | 29.23 | 804.08 | 587.58 | 216.50 | 976.07 |
| 1976 | 21,108 | 5.0% | 5.8% | 29.23 | 844.32 | 616.99 | 227.33 | 1,203.40 |
| 1977 | 21,530 | 2.0% | 6.5% | 29.23 | 861.20 | 631.47 | 229.73 | 1,433.13 |
| 1978 | 24,501 | 13.0% | 7.5% | 27.61 | 980.04 | 676.47 | 303.57 | 1,736.70 |

The cumulative savings, over the past ten years, had "E" been in effect, would have been \$1,736,700 -- under the assumptions in this hypothetical example.

which will then serve as the base from which the next rollback would be calculated. Once a tax rate is rolled back under this section, it shall never be increased without voter approval.

A key phrase in this section is "rate authorized by law or charter." Local government officials would retain the authority to increase tax rates to the maximum rates authorized "by law or charter," even if such maximum rates are not presently levied. This does not change their present authority, with the exception that "maximum rates authorized" would be rolled back, over time, whenever assessed valuation of property as finally equalized (presently defined as S.E.V.) increases more than inflation. This section assures local voter control of the maximum authorized rates and the revenues generated at these rates.

"Rate authorized by law or charter" was selected rather than "rate existing at time of ratification" (the spread rate) because the drafters' intent was not to penalize the taxing authorities that were efficient enough to operate at less than their maximum authorized levels or who may have reduced millage due to some unusual circumstances below the authorized level. Furthermore, it was recognized that those maximum rates had been previously approved by voters and therefore, such an approach is consistent with the intent of the amendment.

To reiterate, it was the clear and absolute intention of the drafters to require that all property and local taxation be under direct voter control. In no way does this section allow for millage rolled back under this section to be restored without approval by a majority of the electors of the unit affected and voting thereon.

This section permits, but does not require the legislature mandate, through enabling legislation, that a lower tax rate than "authorized by law or charter" be established, such as that tax rate in each unit effective on December 22, 1978. Although specification of this approach is not mandated, it clearly would be within the spirit of the tax revolt, from which this amendment sprang, to do so. In retrospect, it is noted that Proposal E ballot language stated "...the proposed amendment would...prohibit local government from adding new increasing existing taxes without voter approval." Emphasis added. The legislature and the courts should be guided by the perception of the electorate in passing the amendment.

"The value of new construction and improvements" clearly mean only new physical construction. Any increase in value because of zoning changes or for any other reason are not within the meaning of "new construction and improvements." New construction is intended to mean the amount of newly constructed property less losses. Failure to adjust for losses would

allow taxes on existing property to increase faster than inflation which is clearly contrary to the intent of this section.

The second paragraph of Section 31 was included by the drafters to protect the rights of the holders of bonds which had been properly issued and authorized prior to the effective date of the amendment. It was also intended to assure those bondholders that the constitutional amendment would not be applied retroactively to bonds issued and authorized prior to the effective date of the amendment. It was the intention of the drafters that this paragraph would apply only to completed transactions, i.e. to bonds issued and authorized, prior to the effective date of the amendment.

The drafters were very careful to spell out that the limitations provided in Section 31 in paragraph 1 did not apply to taxes that had been previously imposed for bonds that were issued and properly authorized prior to the effective date of the amendment. The drafters also recognized that if bonds had been improperly authorized and issued, prior to the effective date of the amendment, the bonds might be set aside or voided through litigation. It was not the intention of the drafters to protect the defective bonds from litigation or to prohibit such litigation.

Paragraph 2 of Section 31 was not in any manner or fashion intended to limit Article 9, Section 6 of the Tax Limitation amendment. Paragraph 2 of Section 31 was written totally independent of and separate from Article 9 Section 6 and had as its only intention the guaranteeing of contractual rights of individuals who had purchased bonds that were properly issued and authorized, i.e. completed, prior to the effective date of the amendment so that they would be protected from a reduction in millage under the provisions of paragraph 1 of Section 31. It was the clear intention of the drafters to prohibit the issuing or authorization of any unlimited tax obligation bonds in the State of Michigan after the effective date of this amendment without a vote of the electors.

Section 32

Any taxpayer of the state shall have standing to bring suit with original jurisdiction in the Michigan Court of Appeals to enforce the provisions of this amendment.

By costs, the drafters meant all expenses incurred in maintaining such suit, including, but not limited to filing fees, service fees, witness fees, discovery expenses, attorney fees and reasonable reimbursement for plaintiffs' time and travel.

Section 34

The legislature must implement the provisions of Sections 25 through 33, inclusive. It is the intent that state law be the authority for implementing the additions to this article and extension of legislative authority to any department, agency, etc., shall not occur.

Section 6

The drafting of Article 9, Section 6 changed only the wording in paragraph 2 of Section 6. The former wording of paragraph 2 Section 6 excluded certain taxes from the limitations provided in paragraph 1 Section 6 of the 1963 Constitution. All the limitations contained in the 1963 Constitution in paragraph 1 Section 6 were retained. The intent, and the only intent of paragraph 2 Section 6 was to require a vote by the people before any taxes could be imposed over and above the limitations contained in paragraph 1 Section 6. The changes in paragraph 2 Section 6 were intended specifically to prohibit the imposition of any taxes for the payment of principal and interest on bonds or other evidence of indebtedness, or for the payment of assessments or contract obligations in anticipation of which bonds are issued, which require the imposition of taxes over and above the limits set forth in paragraph 1 Section 6 unless the qualified electors

of the political subdivision wherein such taxes are to be imposed have approved through an election in that district the issuance of obligations that would require the levy of property taxes that would be in excess of said limits contained in paragraph 1 Section 6.

In paragraph 2 of Section 6 the drafters also imposed the limitations under Sections 25 through 34 of Article 9 on any taxes imposed for any other purpose, thus requiring that any increase in taxation of property in the State of Michigan shall not be allowed without the approval of the qualified electors of whatever entity attempts to increase such property taxes.

The drafters felt that the 1963 Constitution allowed governmental units to increase property taxes for the purposes listed in paragraph 2 of Section 6 over and above the limitations contained in paragraph 1 Section 6 without any direct control of such taxes that would exceed the limits in paragraph 1 Section 6, by the electors of any political subdivision, etc. The drafters' intent was to stop this situation and return to the people full control of all property taxation amounts that would exceed the limitations set forth in Section 6, paragraph 1.

It was understood by the drafters that any taxes levied under Section 6, paragraph 1 and within the limitations contained

therein could be used for any purpose consistent with the Constitution and the laws of the State of Michigan, including the payment of principal and interest on bonds or other evidence of indebtedness or for the payment of assessments or contract obligation in anticipation of which bonds were issued. To reiterate, it was the sole intention of the drafters of Article 9 Section 6 to require that all taxation of property be subject to approval by the qualified electors of whatever entity seeking to impose such property tax.

APPENDIX 1

PROPOSAL E (1978)

INITIATIVE PETITION
AMENDMENT TO THE CONSTITUTION

PROPOSED CONSTITUTIONAL AMENDMENT
ADDING SECTIONS 25, 26, 27, 28, 29, 30, 31, 32, 33, & 34 TO ARTICLE IX AND AMENDING SECTION 6 OF ARTICLE IX

Article IX of the Michigan Constitution is hereby amended by adding Sections 25, 26, 27, 28, 29, 30, 31, 32, 33, & 34, and by amending Section 6, additions and amendments to read as follows:

Sec. 25. Property taxes and other local taxes and state taxation and spending may not be increased above the limitations modified herein without direct approval. The state is prohibited from requiring any new or expanded activities by local governments without full state financing, from reducing the proportion of state spending in the form of aid to local governments, or from shifting the tax burden to local government. A provision for emergency conditions established and the repayment of voter approved bonded indebtedness is guaranteed. Implementation of this section is specified in Sections 25 through inclusive, of this Article.

Sec. 26. There is hereby established a limit on the total amount of taxes which may be imposed by the legislature in any fiscal year on the taxpayers of the state. This limit shall not be changed without approval of the majority of the qualified electors voting thereon, as provided for in Article 12 of the Constitution. Effective with fiscal year 1979-1980, and for each fiscal year thereafter, the legislature shall not impose taxes of any kind which, together with all other revenues of the state, federal aid excluded, exceed the revenue limit established in this section. The revenue limit shall be equal to the product of the ratio of Total Revenues in fiscal year 1973-1979 divided by the Personal Income of Michigan in calendar year 1977 multiplied by the Personal Income of Michigan in the prior calendar year or the average of Personal Income of Michigan in the previous three calendar years, whichever is greater.

For any fiscal year in the event that Total State Revenues exceed the revenue limit established in this section by 1% or more, the excess revenues shall be refunded pro rata based on the liability reported on the Michigan income tax and single business tax (or its successor tax or taxes) annual returns filed for the close of such fiscal year. If the excess is less than 1%, this excess may be transferred to the State Budget Stabilization Fund.

The revenue limitation established in this section shall not apply to taxes imposed for the payment of principal and interest on bonds, approved by voters and authorized under Section 15 of this Article, and loans to school districts authorized under Section 16 of this Article.

If responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment, the state revenue and spending limits may be adjusted to accommodate such change, provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such change.

Sec. 27. The revenue limit of Section 26 of this Article may be exceeded only if all of the following conditions are met: (1) The governor requests the legislature to declare an emergency; (2) the request is specific as to the nature of the emergency, the dollar amount of the emergency, and the method by which the emergency will be funded; and (3) the legislature thereafter declares an emergency in accordance with the specifics of the governor's request by a two-thirds vote of the members elected to and serving in each house. The emergency must be declared in accordance with this section prior to incurring any of the expenses which constitute the emergency request. The revenue limit may be exceeded only during the fiscal year for which the emergency is declared. In no event shall any part of the amount representing a refund under Section 26 of this Article be the subject of an emergency request.

Sec. 28. No expenses of state government shall be incurred in any fiscal year which exceed the sum of the revenue limit established in Sections 26 and 27 of this Article plus federal aid and any surplus from a previous fiscal year.

Sec. 29. The state is hereby prohibited from reducing the state financed proportion of the necessary costs of any existing activity or service required of units of Local Government by state law. A new activity or service or an increase in the level of any activity or service beyond that required by existing law shall not be required by the legislature or any state agency of units of Local Government, unless a state appropriation is made and disbursed to pay the unit of Local Government for any necessary increased costs. The provision of this section shall not apply to costs incurred pursuant to Article VI, Section 18.

Sec. 30. The proportion of total state spending paid to all units of Local Government, taken as a group, shall not be reduced below that proportion in effect in fiscal year 1978-79.

Sec. 31. Units of Local Government are hereby prohibited from levying any tax not authorized by law or charter when this section is ratified or from increasing the rate of an existing tax above that rate authorized by law or charter when this section is ratified, without the approval of a majority of the qualified electors of that unit of Local Government voting thereon. If the definition of the base of an existing tax is broadened, the maximum authorized rate of taxation on the new base in each unit of Local Government shall be reduced to yield the same estimated gross revenue as on the prior base. If the assessed valuation of property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the General Price Level from the previous year, the maximum authorized rate applied thereto in each unit of Local Government shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the General Price Level, as would have been collected at the existing authorized rate on the prior assessed value.

The limitations of this section shall not apply to taxes imposed for the payment of principal and interest on bonds or other evidence of indebtedness or for the payment of assessments on contract obligations in anticipation of which bonds are issued which were authorized prior to the effective date of this amendment.

Sec. 32. Any taxpayer of the state shall have standing to bring suit in the Michigan State Court of Appeals to enforce the provisions of Sections 25 through 31, inclusive, of this Article and, if the suit is sustained, shall receive from the applicable unit of government his costs incurred in maintaining such suit.

Sec. 33. Definitions. The definitions of this section shall apply to Section 25 through 32 of Article IX, inclusive.

"Total State Revenues" includes all general and special revenues, excluding federal aid, as defined in the budget message of the governor for fiscal year 1978-1979. Total State Revenues shall exclude the amount of any credits based on actual tax liabilities or the imputed tax components of rental payments, but shall include the amount of any credits not related to actual tax liabilities. "Personal Income of Michigan" is the total income received by persons in Michigan from all sources, as defined and officially reported by the United States Department of Commerce or its successor agency. "Local Government" means any political subdivision of the state, including, but not restricted to, school districts, cities, villages, townships, charter townships, counties, charter counties, both cities created by the state, and authorities created by other units of local government. "General Price Level" means the Consumer Price Index for the United States as defined and officially reported by the United States Department of Labor or its successor agency.

Sec. 34. The Legislature shall implement the provisions of Sections 25 through 33, inclusive, of this Article.

APPENDIX 2

PROPSAL C (1976)

INITIATIVE PETITION
AMENDMENT TO THE CONSTITUTION

PROPOSED CONSTITUTIONAL AMENDMENT ADDING
SECTIONS 25, 26, 27, 28, 29, 30, AND 31 TO ARTICLE IX.

Sec. 25. There is hereby established a limit on the total amount of taxes which may be levied by the Legislature in any fiscal year on the taxpayers of this State. Effective with the first fiscal year beginning after the ratification of this Section, and for each fiscal year thereafter, the Legislature shall not impose taxes of any kind which, together with all other revenues of the State, federal aid excluded, will total more than 8.3% of the personal income of Michigan for the previous fiscal year or the average of personal income of Michigan for the previous five calendar years, whichever is greater. "Personal income of Michigan" means the total income received by persons in Michigan from all sources, as defined and officially reported by the United States Department of Commerce or its successor agency.

For any fiscal year, in the event that State revenues, excluding federal aid, do exceed 8.3% of the personal income of Michigan reported for the previous fiscal year or the average of personal income of Michigan for the previous five calendar years, whichever is greater, the excess shall be refunded pro rata on the income taxes annual returns filed following the close of such fiscal year.

The limitation of this Section shall not apply to taxes imposed for the payment of principal and interest on bonds or other evidence of indebtedness authorized under Sections 15 and 16 of this Article.

Sec. 26. The tax limitation of Section 25 of this Article may be exceeded only if all of the following conditions are met: (1) The Governor requests the Legislature to declare an emergency; (2) the request shall be specific as to the nature of the emergency, the dollar amount of the emergency, and the method by which the emergency will be funded; (3) upon receiving this request, the Legislature declares an emergency, in accordance with the specifics of the Governor's request, by a two-thirds vote of the members elected to and serving in each house. This emergency must be declared in accordance with this Section prior to incurring any of the expenses which constitute the specific emergency request. The tax limitation may be exceeded only for the fiscal year in which the emergency is declared; in the next and subsequent fiscal years the tax limitation of Section 25 of this Article shall again take effect. In no event shall any part of the amount representing a refund under Section 25 of this Article be the subject of any emergency request.

Sec. 27. No expenses of state government shall be incurred for any fiscal year which exceed in amount the revenue limitations imposed by Sections 25 and 26 of this Article.

Sec. 28. A new program or an increase in the level of service under an existing program shall not be required by the Legislature of units of local government, of authorities created by the state, or of political subdivisions of the state, unless a state appropriation is made and disbursed sufficient to pay the local unit of government, authority or political subdivision for the costs of the program. The provisions of this Section shall not apply to costs incurred pursuant to Article VI, Section 18.

Sec. 29. The proportion of state revenue paid to all units of local government, authorities created by the state, and political subdivisions of the state, taken as a group, shall not be reduced below that proportion in effect when this Section is adopted.

Sec. 30. Units of local government, authorities created by the state, and political subdivisions of the state are hereby prohibited from levying any tax not in existence when this Section is ratified or from increasing the rate or base of existing taxes beyond levels authorized when this Section is ratified, without the approval of a majority of the qualified electors of that local unit, authority or political subdivision voting thereon. The limitations of this Section shall not apply to taxes imposed for the payment of principal and interest on bonds or other evidence of indebtedness or for the payment of assessments or contract obligations in anticipation of which bonds are issued.

Sec. 31. The Legislature shall implement the provisions of Sections 25 through 30, inclusive, of this Article.

Section 6. (New language capitalized) Except as otherwise provided in this constitution, the total amount of general ad valorem taxes imposed upon real and tangible personal property for all purposes in any one year shall not exceed 15 mills on each dollar of the assessed valuation of property as finally equalized. Under procedures provided by law, which shall guarantee the right of initiative, separate tax limitations for any county and for the townships and for school districts therein, the aggregate of which shall not exceed 18 mills on each dollar of such valuation, may be adopted and thereafter altered by the vote of a majority of the qualified electors of such county voting thereon, in lieu of the limitation hereinbefore established. These limitations may be increased to an aggregate of not to exceed 50 mills on each dollar of valuation, for a period of not to exceed 20 years at any one time, if approved by a majority of the electors qualified under Section 6 of Article II of this constitution, voting on the question.

The foregoing limitations shall not apply to taxes imposed for the payment of principal and interest on bonds APPROVED BY THE ELECTORS or for the payment of assessments or contract obligations in anticipation of which bonds are issued APPROVED BY THE ELECTORS, which taxes may be imposed without limitation as to rate or amount; OR, SUBJECT TO THE PROVISIONS OF SECTIONS 25 THROUGH 34 OF THIS ARTICLE, to taxes imposed for any other purpose by any city, village, charter county, charter township, charter authority or other authority, the tax limitations of which are provided by charter or by general law.

In any school district which extends into two or more counties, property taxes at the highest rate available in the county which contains the greatest part of the area of the district may be imposed and collected for school purposes throughout the district.

PROVISIONS OF EXISTING CONSTITUTION ALTERED OR ABROGATED BY THIS AMENDMENT IF ADOPTED
- ARTICLE IX, SECTION 6 -

Section 6. Except as otherwise provided in this constitution, the total amount of general ad valorem taxes imposed upon real and tangible personal property for all purposes in any one year shall not exceed 15 mills on each dollar of the assessed valuation of property as finally equalized. Under procedures provided by law, which shall guarantee the right of initiative, separate tax limitations for any county and for the townships and for school districts therein, the aggregate of which shall not exceed 18 mills on each dollar of such valuation, may be adopted and thereafter altered by the vote of a majority of the qualified electors of such county voting thereon, in lieu of the limitation hereinbefore established. These limitations may be increased to an aggregate of not to exceed 50 mills on each dollar of valuation, for a period of not to exceed 20 years at any one time, if approved by a majority of the electors, qualified under Section 6 of Article II of this constitution, voting on the question.

The foregoing limitations shall not apply to taxes imposed for the payment of principal and interest on bonds or other evidences of indebtedness or for the payment of assessments or contract obligations in anticipation of which bonds are issued, which taxes may be imposed without limitation as to rate or amount; or to taxes imposed for any other purpose by the city, village, charter county, charter township, charter authority or other authority, the limitations of which are provided by charter or by general law.

In any school district which extends into two or more counties, property taxes at the highest rate available in the county which contains the greatest part of the area of the district may be imposed and collected for school purposes throughout the district.

2/20/86 Phone calls re: SB 369
Cncl of State Community Affairs Agencies
John Sidor 202 393-6435

~~2~~

Munic Finance Officers Assn of U.S. Gerard Miller
Michigan has Leg. Services Bureau
Constitu
State ^{must} → local gov.
1 → new laws for local gov.

Munic League
Bill Davis, Lobbyist
(517) 485-1314

Council of State Legislatures
(517) 303-623-7800 ~~(517)~~

Leg. Services Bureau - (517) 373-0170
Michigan Legislature

Fiscal Agency - Michigan Legislature

2

373-2767

Headley Amendment - Nov 1978 --

Gary Olson if ✓ $\frac{5}{2}$ ← loc gov
of the money

Senate Fiscal Agency

House Fiscal Agency also.

→ 960 {

do I ✓ on local gov --
in an explanation speak to
I on private sector

Senate = 38 House = 110

Staff of 35 people

22-23 are fiscal analysts assigned
by dept.

Nat. Conf of State Legislatures (303) 623-~~4400~~ 7800

Michelle Kissell

Will call back

3

GA 2/20/86

Smith

DeVries
questions

GA RA options -
1) look at not G. fiscal note until
bill is scheduled for hearing in Rules

2) Minis should approve leg on impact
they are coming - contract w/ Minis league
to provide the services

3) Set-up system similar to Dept Affairs -
Do it in leg Finance

Who will benefit, what will be gained
How many letters would be impacted
Large ones - yes -- but small ones
why little affect

One large area trying to transfer some
of their responsibility to us

Will have to go back to Minis for
most of this info anyway -

Yes we do review all bills introduced
but only in a very cursory way -

look at them good only if of concern/requested
by committee, 2) Commissioner, 3) Governor

2

If you only did review upon receipt
of ~~an interesting~~ a request from
Muni League - could you do w/ less people?

Smith

Don't know, would have to get staff to estimate.

Fischer

What if you only looked at a \$4 mil
threshold

Smith

Yes, would bring cost way down

Burgess

More info means better decisions —
The fiscal note is a worst case ~~and~~ situation
and assumes no help from anyone
Liability not a real issue
Muni's would be there to help.
League reviews all legislation and alerts
cities

Contract is a possibility, but procedurally difficult
Credibility is the major factor (Yearly Funding)
2/3 of states developed this program between
1976 and 1981

Doing every bill would not be necessary
Getting copies of model legislation, laws
from other states

Sturg

League should look at -- come up w/ types
of bills that would need to be covered

Would need basic info in computer --
populations, appraised value of real property --
personal property.

Fischer Leg Finance of fiscal notes for credibility
Finance of rules for what facts are necessary
Finance be watchdog on fiscal notes

Sturg Leg Finance / 6/7 in position of g. info from
other agencies

Burgess What if you notified CoRA to do fiscal note
SB 67 -- Public Safety passed responsibility
on serving domestic violence citations

Treyck SB 67 has between \$100,000 to \$200,000
impact on City of Anchorage -- but
Anc & -> sympathy in terms of -> being
passed on by the State

Smith All fiscal notes will be questioned politically
I think our fiscal note valid.

Grades 18, 13 2 positions \$100,000
based on a \$4 mil thresh-hold -
Fisher wrong -- should be \$400,000
Positions part-time ---
why would there be any work even during
interim

Sturg
Like idea of asking Leg Finance to
look at this —
explore so that they trigger
fiscal notes from departments
then Leg Finance would ask C&RA to
prepare a fiscal note

Smith
We agree with that -- would be happy to
work w/ Leg Finance.
Use Burgess, Greany, Alford to work
on coming up w/ bill -- and/or procedure.



Official Business

Alaska State Legislature

Senate

Committee on Community and Regional Affairs

Senator Edna DeVries, Chairman

Members:

Senator Ferguson, Vice Chairman

Senator Coghill

Senator Sturgulewski

Senator V. Fischer

Pouch V

Juneau, Alaska 99811

February 20, 1986

C&RA Committee Meeting

SB 369 -- An Act relating to fiscal notes for legislation affecting a municipality

The bill was heard on February 13, with only Senators Coghill and DeVries present; with Senator Sturgulewski attending through teleconference.

Minor discussion was held with Senator Sturgulewski making the comment that SB 369 was a top priority item with the Municipal League.

Deputy Commissioner Smith stated that he would be glad to discuss solutions to the problem and had three options to explore with the Committee.

It was agreed that February 20 would be a work session on the proposed legislation.

Attached is information obtained as to how this issue is handled elsewhere.

Also attached: Ltr from Senator Sturgulewski
Fiscal note w/watch from Dept C&RA
Comment of support from Fairbanks North Star
Borough
Excerpt from "Public Budgeting & Finance",
Autumn 1983 on fiscal note processes throughout
the states



Official Business

Alaska State Legislature

Senate

Committee on Community and Regional Affairs

Senator Edna DeVries, Chairman

Members:

Senator Ferguson, Vice Chairman

Senator Coghill

Senator Sturgulewski

Senator V. Fischer

Pouch V

Juneau, Alaska 99811

February 20, 1986

Telephone call to Senate Fiscal Agency, Michigan State
Legislature --- Lansing

The Senate Fiscal Agency provides fiscal notes on all bills introduced that have a fiscal impact on State funding and/or local government funding. The Agency also provides general information if legislation significantly impacts the private sector. This policy/procedure has been in effect for more than 10 years.

In 1978 Michigan passed a constitutional amendment (The Headley Amendment) that requires the state to fund any program/function imposed on local government by the State. The effect of the constitutional amendment has not significantly increased State spending; but it has resulted in the inclusion of an optional provision for most legislation that has a fiscal impact on local government.

The Michigan State Legislature has:

38 Senate Members

110 House Members

Both the House and the Senate have Fiscal Agencies. The Senate Fiscal Agency has a staff of 35; 23 of whom are fiscal analysts.

YA:2/20/86

Alaska State Legislature



2957 SHELDON JACKSON STREET
ANCHORAGE, ALASKA 99503

White House
POUCH V
JUNEAU, ALASKA 99801
(907) 485-3318

Senate

*bill
ordered 1/24/86*

SENATOR
ARLISS STURGULEWSKI

Chairman, Senate Resources Committee
Vice-Chairman, Senate Health, Education and Social Services Committee
Member, Senate Community and Regional Affairs Committee

MEMORANDUM

January 21, 1986

TO: Senator Edna DeVries, Chairman
Community and Regional Affairs Committee

FROM: Senator Arliss Sturgulewski
Senate District F

RE: "An Act relating to fiscal notes for legislation affecting a
municipality."

As you know, one of the priority legislative requests of the Alaska Municipal League has been and is for a bill outlining fiscal impacts on municipalities as a result of state legislation. A number of years ago, I had such legislation introduced as a result of work done by a joint committee of the House and Senate Community and Regional Affairs Committee. The legislation did not pass.

The need for this legislation still exists and will be even more important as state revenues decline and additional burdens are thrown to municipalities. I would welcome sponsorship by the Senate Community and Regional Affairs Committee on legislation as attached, Work Draft 14-1601. I look forward to further discussion of this item in Committee. I appreciate your consideration.

Enclosure

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

February 12, 1986

POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700

949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508
PHONE: (907) 563-1073

POSITION PAPER

RE: Senate Bill 369

SPONSOR: Senate Community and Regional Affairs Committee

Program Effects of Bill

See below.

Comments:

The Department strongly supports the concept of providing municipalities with information on potential fiscal impacts at the local level. We do not believe, however, Senate Bill 369 provides the most effective vehicle for accomplishing that goal.

As we read Senate Bill 369, the Department would be required to carefully review virtually every bill introduced each legislative session to ascertain whether there might be fiscal impacts to municipalities, in the event those bills would be adopted. It would not be feasible for the Department to employ personnel who would be expert in the technical matters managed daily by the fifteen departments of State government. Therefore, in estimating these fiscal impacts, the Department would have to consult at length with many other State agencies, as well as individual municipalities.

At the present time, 887 bills have been introduced, with more being introduced each week. Clearly, the task of reviewing those bills and making substantive decisions in regard to their impacts on municipal governments would be enormous. In addition, there is the question of whether the State of Alaska might assume some legal liability for the accuracy of these fiscal notes should the bill become law. These things considered, we believe a number of higher level professionals, along with support staff, should be hired to do this work. Certainly we are concerned with this potential expansion of State government considering the current decline in State revenues. Additionally we are concerned that even higher level professionals might not be able to produce reliable and defensible fiscal estimates on impacts not related to their own fields of expertise.

Senate Bill 369
February 2, 1986
Page 2

We believe it would be more appropriate for municipalities to work with an organization such as the Alaska Municipal League in estimating fiscal impacts which might result from State legislation. Individual municipalities, in most cases, would be able to estimate those impacts more accurately because of their greater familiarity with their own communities. Their concerns could then be conveyed to the Legislature through their spokesperson in Juneau.

Given the difficulties produced by current language in the bill, and considering the level of the fiscal note for its operation, we cannot support the passage of Senate Bill 369.



Emil Notti, Commissioner

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date : 2/12/86

REQUEST

Bill/Resolution No. : SB 369
 Title : An Act relating to fiscal notes
 for legislation affecting a municipality

Sponsor : Senate C&RA Committee
 Requestor : Senate C&RA Committee
 Date of Request : _____

FISCAL DETAIL

Agency Affected : Community & Regional Affairs
 BRU : _____

Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

| OPERATING | FY 86 | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 |
|------------------------|-------|--------------|--------------|--------------|--------------|--------------|
| PERSONAL SERVICES | | 320.0 | 336.0 | 352.8 | 370.4 | 388.9 |
| TRAVEL | | 10.0 | 10.5 | 11.0 | 11.5 | 12.1 |
| CONTRACTUAL | | 50.0 | 52.5 | 55.1 | 57.8 | 60.7 |
| SUPPLIES | | 20.0 | 21.0 | 22.0 | 23.1 | 24.3 |
| EQUIPMENT | | 100.0 | 10.0 | 10.5 | 11.0 | 11.5 |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | | 500.0 | 430.0 | 451.4 | 473.8 | 497.5 |

| | | | | | | |
|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|---------|--|--|--|--|--|--|

| | | | | | | |
|---------|--|--|--|--|--|--|
| REVENUE | | | | | | |
|---------|--|--|--|--|--|--|

FUNDING : (Thousands of Dollars)

| | | | | | | |
|---------------|--|--------------|--------------|--------------|--------------|--------------|
| GENERAL FUND | | 500.0 | 430.0 | 451.4 | 473.8 | 497.5 |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | | 500.0 | 430.0 | 451.4 | 473.8 | 497.5 |

POSITIONS :

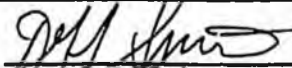
| | | | | | | |
|-----------|--|---|---|---|---|---|
| FULL-TIME | | 8 | 8 | 8 | 8 | 8 |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS : Attach a separate page if necessary

Prepared by : Michael W. Worley, State Assessor
 Division : Municipal & Regional Assistance

Phone : 465-4787

Date : 2/12/86

Approved by Commissioner : 
 Agency : Community & Regional Affairs

Date : 2/13/86

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

SB 369

An act relating to fiscal notes

For legislation affecting a municipality

Positions The estimated costs are as follows:

| | |
|-----------------------------|---------|
| 3 Positions Salary Range 18 | 149,000 |
| 2 Positions Salary Range 16 | 84,600 |
| 1 Position Salary Range 13 | 34,400 |
| 2 Positions Clerk Typist II | 52,000 |

Additional costs would include travel, contractual, Supplies and Equipment (word processing, computer equipment and other general office equipment). Included in contractual would be lease of office space. Under equipment would be a one time expense for office fixtures.

ATTACHMENT TO FISCAL NOTE
SENATE BILL 369

Explanation of Fiscal Note:

The Department regards the estimating of municipal fiscal impacts, as described in the bill, as an important responsibility. With 159 municipalities scattered across the State, the Department also believes the scope of this important task could be substantial. If the bill were to be passed in its present form, we believe the Department should generally adopt the following procedures to fully meet the intent and directives of the bill (we have estimated 1200 bills would be introduced during two sessions):

Bill Analysis

The three range 18 positions would divide up areas of responsibility based on subject, i.e. finance, public safety, taxation, public works, etc. Each senior analyst position would carefully read each bill introduced in their area of specialization to determine whether or not the bill might cause a municipal fiscal impact. During that process, the employee would consult with other departments of State government and with appropriate agencies at the municipal level. Bills which would cause a fiscal impact to municipalities would be logged in an "active" file. All other bills would be logged as well, but would only become active if the bill were amended at some point in the legislative process. Each of those amended bills would then be read again to ascertain whether the new language might cause a fiscal impact on municipalities.

The analyst would then develop municipal fiscal notes on "active" bills, prioritizing according to the dates those bills would be scheduled for hearings before various committees. These range 18 positions would probably be working with Deputy Commissioner and Director level personnel in various State departments, requesting fiscal impact information and either developing the fiscal notes themselves or requesting that other State agencies do so and insure that expert testimony to be available from those agencies.

Coordination of Activities

Two range 16 positions would be responsible for the coordination of work flow to and from the range 18 positions, coordination of testimony and fiscal note preparation from other State agencies, and exchanging fiscal impacts information with the Alaska Municipal League and technical groups such as municipal planners, assessors, finance officers and others. These positions would also field inquiries from municipalities and State agencies. It is envisioned that one range 16 position would be assigned to the Senate and one would coordinate the activities with regard to the House of Representatives.

Tracking of Bills

Bill tracking would be done by the range 13 position. As new bills are introduced and others amended, this position would update the status of the bills and provide copies of amended bills to fiscal note personnel. This position would also hand deliver and receive fiscal impact information to and from members of the Legislature and various State agencies.

Clerical Activities

Two clerk typist II positions would be employed to operate the personal computer update and tracking system and type fiscal notes and correspondence for all the activities noted above.

J. H. Smith 2/20/86



Official Business

Alaska State Legislature

Senate

Pouch V
State Capitol
Juneau, Alaska 99811

Feb 13, 1986

Received telephone call from Linda Anderson, representing the North Star Borough at 2:35p today, Feb 13. Ms. Anderson advised that the North Star Borough supports both SB 369 and SB 376. Representative unable to attend hearing due to dental appointment for child.

yma/2/13/86

cc: Linda Anderson

CATHERINE H. LOVELL and HANRIA R. EGAN

Fiscal Notes and Mandate Reimbursement in the Fifty States

During the last week of December 1981, Congress passed and President Reagan signed a bill requiring Congress to attach cost estimates to legislation affecting state and local governments. The new law, the State and Local Government Cost Estimate Act of 1981, which amends Section 403 of the Budget Act of 1974, was passed unanimously in both houses. Scheduled to take effect October 1, 1982, it calls for the Congressional Budget Office to prepare a cost estimate on any bill reported out of committee which the CBO director estimates: (1) is expected to have an aggregate cost to states or local governments or more than \$200 million, or (2) is likely to have exceptional fiscal consequences for a geographic region or particular level of government. The new law, which also allows state and local government officials to verify the accuracy of the CBO figures, was actively supported by the National League of Cities, the National Association of Counties, the Council of State Governments, and other public interest groups representing state and local governments. CBO staff have estimated that they will need to review briefly some 850 bills annually to ascertain whether they need further study; of these, 140 will require limited review, and roughly 25 per year will require a thorough and detailed analysis.¹

The new federal fiscal note legislation is modeled after processes, now more or less implemented in 35 states, that have been established to estimate the fiscal impact of proposed state legislation on local governments.² Attaching fiscal notes to measures affecting local governments has been one of the key methods advocated vigorously by local governments to attempt to curtail state and federal mandating of costly programs and procedures. Local governments do not object to all mandated programs, but as resources tighten they attempt to reduce imposed requirements. The fiscal note approach is based on the assumptions that: (1) if federal or state legislators know what their ac-

Catherine H. Lovell is professor of management in the Graduate School of Management, University of California-Riverside. Hanria R. Egan is M.S. health services administration, Harvard University. The authors wish to thank the Academic Senate of the University of California, which provided funds for this research.

TABLE 1
 Number of Federal and State Mandates (in Five States) by Estimated Year of Imposition,
 by Direct Orders and Conditions of Aid (DO and COA)*

| Years | Federal | | State | |
|-----------|---------|-----|-------|------|
| | COA | DO | COA | DO |
| 1941-1945 | 0 | 0 | 1 | 77 |
| 1946-1950 | 0 | 8 | 0 | 276 |
| 1951-1955 | 2 | 0 | 0 | 99 |
| 1956-1960 | 2 | 2 | 1 | 79 |
| 1961-1965 | 24 | 5 | 2 | 250 |
| 1966-1970 | 92 | 43 | 38 | 365 |
| 1971-1975 | 559 | 109 | 53 | 1040 |
| 1976-1978 | 354 | 57 | 30 | 625 |

*Direct orders are those mandates imposed by law or administrative order without being related to aid. Conditions of aid mandates are those requirements imposed as conditions of grants in aid.

Source: Catherine Lovell, Max Neiman, Robert Kneisel, Adam Rose, and Charles Tobin. *Federal and State Mandating on Local Governments: Report to the National Science Foundation* (Riverside, Calif.: University of California, June 1979). Federal mandates were obtained from the *Code of Federal Regulations*. State mandate numbers were obtained from inventories developed in five states: California, New Jersey, North Carolina, Washington, and Wisconsin.

1979, Missouri a constitutional amendment and Washington a law in 1980. As of the spring of 1983, mandate reimbursement legislation is pending in Congress and in a number of state legislatures, although none of the proposals are likely to pass this year due to prevailing budget-cutting atmospheres.

OVERVIEW OF FISCAL NOTE PROCESSES

Table 2 summarizes the major research findings from the 35 states reporting fiscal note processes either on their books, in developmental stages, or actually in effect. Although the 35 states vary widely as to political and administrative relationships between the states and their local governments, no positive relationship was found between the amount of freedom of cities and counties from state control and the existence of fiscal note processes.⁵

Column 2 indicates the legal authority for the note process in each state—in 27 states the process is based on laws, in 6 states the note process is authorized by a legislative rule, and, in one state each, it is based on a house rule only, and a joint concurrent resolution. In most instances where authority for the note process is other than legislation, the respondents indicated that legislation has been proposed but has not yet passed.

The first superscript (a or b) distinguishes between states where the process is or is not implemented to some reasonable degree. In several states the law or implementation plan is so new that the details of implementation are still being worked out.

The second superscript (c or d) indicates the organizational unit responsible for the preparation of the notes. In just under a third of the states, the notes are prepared by units in the executive branch; in just over two-thirds, the note preparation is done in

tions will cost their local governments, they will be more careful about taking such actions, and (2) alerting the "mandated on" governments to potential costs of proposed legislation affecting them and furnishing them with data to substantiate their concerns will make their lobbying efforts more effective.

A second strategy advocated by local governments to protect themselves from costs mandated by their states or the federal government is the enactment of mandate reimbursement laws. Such laws, which have now been passed in eight states, require the states to reimburse local governments for costs incurred from any new programs they are ordered by the states to institute. Mandate reimbursement laws are considered the logical next step beyond fiscal note laws. Both local impact fiscal notes and mandate reimbursement laws are almost entirely phenomena of the last decade and are evidence of reactive strategies now utilized by local governments to attempt to cope with increased mandating and new roles expected of them in the intergovernmental system.

The research discussed here traces the growth of fiscal note and mandate reimbursement processes in the states over the last decade, and describes how processes within the states operate and how they are perceived by selected state and local officials in those states. The data were collected during the summer and fall of 1981, and results were compiled and analyzed during the winter and spring of 1982.

Questionnaires were administered by telephone to between two and five state and local government officials in each state where either a local impact fiscal note or mandate reimbursement process exists. Those interviewed were staff persons directly responsible for preparing or administering fiscal notes and officials of city or county statewide associations with jurisdiction of the states. In states with mandate reimbursement, additional state and local officials with special knowledge about mandate reimbursement processes were interviewed. Data were also obtained from written reports and examination of samples of fiscal notes.³

GROWTH OF FISCAL NOTE AND MANDATE REIMBURSEMENT PROCESSES

Thirty-four of the thirty-five states with fiscal note processes have adopted them since 1971 and nearly two-thirds of these, 23 states, have adopted them in the last six years. The surge of interest in fiscal notes by the states and stepped-up lobbying for a federal fiscal note law has been closely related to the proliferation of mandating on local governments by the states and the federal government over the last decade.⁴ As Table 1 indicates, mandating on local governments began to increase in the late 1960s and grew rapidly in the 1970s. Comparing the dates of fiscal note enactments with the data in Table 1, we see the enactment of fiscal note processes closely following the rapid increase in number of mandates imposed.

By the late 1970s and early 1980s mandate reimbursement measures had been adopted in eight states. California enacted both a reimbursement law in 1972 and a constitutional amendment in 1979, Florida and Rhode Island enacted laws in 1978, Michigan and Tennessee passed constitutional amendments in 1978, Illinois adopted a law in

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TABLE 2
 Overview of State Fiscal Note Processes
 (states not included had no fiscal notes process as of December 1981)

| 1 | 2 | 3 | 4 | 5 | 6 | 6 | |
|---------------|--------------|--|--|------------------|--|----------------------------------|------------|
| State | Year Enacted | Form | Methodology | Quality of Notes | Notes Redone After Amendment (Yes, No, or Sometimes) | Process Considered Effective by: | |
| | | | | | | (a) State | (b) Locals |
| Arizona | 1979 | Law ^{a,d} | Sampling | Low/Med | No | Medium | Medium |
| Arkansas | 1977 | Law ^{b,d} | | | | | |
| California | 1973 | Law ^{a,c} | Sampling Statistical Analysis | High | Yes | High | High |
| Colorado | 1978 | Law ^{a,c} | Sampling | Medium | Sometimes | Medium | Medium |
| Connecticut | 1977 | Law ^{a,d} | Loose Sampling | High | Sometimes | Med/High | Medium |
| Florida | 1977 | Law ^{a,d} | | High | No | Med/High | Med/High |
| Georgia | 1981 | Law ^{b,c} | | | | | |
| Idaho | 1977 | Legislative Rule ^{a,d} | | | None Received | | |
| Illinois | 1979 | Law ^{a,c} | Rigorous Sampling | High | Sometimes | Med/High | Med/High |
| Indiana | 1972 | Legislative Rule ^{b,d} | | | | | |
| Iowa | 1974 | Law ^{a,d} | Loose Sampling | Medium | Sometimes | Medium | Low/Med |
| Kansas | 1971 | Law ^{a,c} | Ad Hoc | Medium | Sometimes | Low | Low |
| Kentucky | 1982 | Law ^{b,d} | | | | | |
| Louisiana | 1979 | Law ^{a,d} | Loose Sampling | Medium | Yes | Medium | Medium |
| Maine | 1980 | Law ^{a,d} | Loose Sampling | Medium | No | Medium | Medium |
| Maryland | 1968 | Law ^{a,d} | Sampling and Statistical Analysis | Medium | Yes | Medium | Medium |
| Massachusetts | 1980 | Law ^{b,c} | | | | | |
| Michigan | 1978 | Law ^{a,d} | Sampling and Statistical Analysis | High | Yes | High/Med | Medium |
| Mississippi | 1976 | Joint Con- current Res- olution ^{a,d} | Ad Hoc | None Received | Sometimes | Medium | Low/Med |
| Missouri | 1979 | Law ^{a,d} | Loose Sampling | High | Sometimes | Medium | Medium |
| Montana | 1979 | Legislative Rule ^{a,c} | Loose Sampling | Medium | Yes | Medium | Medium |
| Nebraska | 1976 | Legislative Rule ^{a,d} | Loose Sampling | Medium | Sometimes | Medium | Low/Med |

| | |
|----------------|------|
| Nevada | 1981 |
| New Hampshire | 1981 |
| North Carolina | 1981 |
| Ohio | 1981 |
| Oregon | 1981 |
| Pennsylvania | 1981 |
| Rhode Island | 1981 |
| Tennessee | 1981 |
| Texas | 1981 |
| Virginia | 1981 |
| Washington | 1981 |
| West Virginia | 1981 |
| Wisconsin | 1981 |

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TABLE 2 (continued)

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|----------------|---------------------------|--|--|---------------|-----------|----------|---------|
| Nevada | 1975 | Law ^{a,d} | Ad Hoc and Surveys | Medium | No | Low | Low |
| New Hampshire | 1981 | Law ^{a,d} | Contact Agencies | Med/High | Yes | Medium | Low/Med |
| North Carolina | 1981 | Law ^{b,d} | | | | | |
| Ohio | 1977 | Law ^{a,d} | Sampling and Statistical Analysis | High | Yes | High | High |
| Oregon | 1975 | Law ^{a,c,d} | Loose Sampling | Low | Sometimes | Med/High | Medium |
| Pennsylvania | 1974 House 1980 Senate | Legislative Rule ^{a,d} | Ad Hoc | Low | Sometimes | Medium | Medium |
| Rhode Island | 1978 | Law ^{a,c} | Consult Directly with Cities and Towns | High | Sometimes | High | High |
| Tennessee | 1974 | Law ^{a,c} | Sampling and Statistical Analysis | High | Sometimes | Med/High | Medium |
| Texas | 1977 | Procedural Rule ^{a,d} (Both Houses) | Systematic Sampling | None Received | Yes | Med/High | High |
| Virginia | 1980 | Law ^{a,c} | Loose Sampling | None Received | Yes | Medium | Low/Med |
| Washington | 1977 | Law ^{a,c} | Rigorous Sampling and Statistical Analysis | High | Sometimes | Med/High | Medium |
| West Virginia | 1973 | House Rule Only ^{a,d} | Loose Sampling | Medium | Sometimes | Med/High | Medium |
| Wisconsin | 1971 | Law ^{a,c} | Sampling and Statistical Analysis | High | Yes | High | High |

a = Process is implemented.
 b = Process is not implemented.
 c = Agency responsible is in executive branch.
 d = Agency responsible is in legislative branch.

legislative offices—either by budget and finance committee staffs or in legislative research offices. In some cases both legislative and executive units participate in the note preparation.

Of special interest are the methodologies used to prepare the notes, i.e., how cost estimates and projected overall fiscal impacts are derived. As column 3 indicates, techniques utilized in preparing the notes vary significantly from state to state, although almost all of the states utilize some form of sampling of local governments to estimate costs. Sampling techniques vary greatly from extremely loose to rigorous sampling accompanied by statistical analysis. The designation of loose sampling in the table means that usually data is requested from some cities, towns, or agencies, but there is no formal set of rules or guidelines stipulating what local governments are to be sampled. Rigorous sampling, on the other hand, suggests that there is a formally established network of contacts in a representative sample of localities who are routinely asked to calculate the estimated fiscal impacts of proposed bills. In the smallest states, sampling is not necessary because cost estimates for all local governments can be obtained. A designation of ad hoc means that methodology varies from bill to bill, sometimes including sampling.

At least seven states use techniques in addition to, or instead of, sampling. Some base their analysis on past cost data for similar programs, others query the state agencies who would be administering the proposed programs statewide and accept their estimates. The most sophisticated analyses utilize unit cost formulas based on historical data or budget projection techniques combined with sampling designed to involve selected local governments in verifying statistical projections.

An examination of the relationship between the last three columns in the table, which display estimates of the quality of notes and perceptions about the effectiveness of the note process [columns 4, 5, and 6 (a) and (b)], and column 3, the methodology used, reveals that there is a strong positive correlation (.67 and .64) between the sophistication of the methodology for compiling the notes and the extent to which the notes are considered to be of high quality and the process effective.⁶ There is a very weak correlation (.22 and .23) between the perceptions of the effectiveness of the note process and its location in either the executive or legislative branch.⁷ The quality of the notes (column 4) is the author's assessments based on direct examination of samples.

"The surge of interest in fiscal notes by the states and stepped-up lobbying for a federal fiscal note law has been closely related to the proliferation of mandating on local governments by the states and the federal government over the last decade."

Column 5 shows whether or not notes were rewritten or amended to reflect revisions or amendments made to proposed bills in committee or before being voted on the floor. Ten of the 35 states reported rewriting fiscal notes routinely after bill amendments or revisions; another 14 reported that the notes were sometimes rewritten depending on

circumstances or extent of revisions. Only four reported that notes were never redone or redone only in very rare instances.

Columns 6 (a) and (b) show the perceptions of state and local government officials about the "effectiveness" of the process. In the 29 states where both state and local officials were interviewed, state and local respondents had similar responses as to the effectiveness of their state's fiscal note operations. Among the 16 matched responses there were an almost equal number of highs, mediums, and lows. In nearly all the remaining cases, the responses within a state varied only by one degree (medium/high vs. medium, for example).

FISCAL NOTE PROCESSES IN FIVE STATES

The following sections describe the fiscal note process in five states where methodologies differ considerably but are deemed effective by both state and local officials, and where the quality of the notes was evaluated as high. Notes appear in very different forms in the different states.⁸

Wisconsin

Wisconsin's fiscal note process is an example of an extensive, consistently implemented system. Preparation of notes on local government impacts is the responsibility of the director of development. Notes are required on every single piece of legislation proposed; if there is absolutely no fiscal impact, a narrative explanation documenting this must be attached instead of a fiscal note. In addition, notes are redone with each amendment, often six or seven times per bill. Each bill is carefully read and a statutory search is made to determine if provisions in other bills might be affected by it. Next, if information is available in-house (local fiscal data in certain subject areas have been accumulated), all or parts of the note are prepared there first. If more information is needed, work sheets are sent to a carefully developed sample of local communities.

A problem with Wisconsin's rigorous approach is that requiring fiscal notes on even those bills which will clearly never be heard is time- and resource-consuming. A provision has been proposed recently whereby only those bills under serious consideration would require fiscal notes.

Mandate reimbursement legislation has not been adopted in Wisconsin, although it has been introduced in several recent sessions. The state does substantial revenue sharing with its local governments, which might explain why this is the case.

Washington

The fiscal note process in Washington is housed in the Office of Planning and Community Affairs in the executive branch, where it is under the direction of a fiscal analyst. Although one analyst prepares all notes on bills affecting local governments, his methodology involves routinely seeking input from other appropriate agencies on a

fiscal note contact list. In addition, county auditors are routinely asked for data on their assessments of potential costs. The Association of Washington Cities works closely with the fiscal analyst, furnishing statistical and financial data. To a large extent the actual analysis is done by the cities and towns and by the statewide county and city organizations, although the analyst's office assimilates the data and presents it to the legislators as its own estimate. Respondents suggested that were the notes to come directly from the counties, cities, and town to the legislature, they might be viewed as biased and thus unreliable.

Notes are not done on every bill but are prepared only upon specific request by the legislative author or by a committee reviewing the bill. The city and county organizations cannot directly require that a note be prepared on a given bill even if they feel there would be substantial cost implications. The quality of Washington notes is particularly good. The notes are thorough and detailed.

Washington has a mandate reimbursement law which prohibits the passage of cost-incurring mandate legislation without providing for compensation to localities. However, to date, no implementation process has been adopted so there is no effective mandate reimbursement system.

Rhode Island

Fiscal notes in Rhode Island are prepared under the auspices of the State Department of Community Affairs, where the equivalent of two full-time people work on local notes. Because of its size (there are only 39 municipalities in R.I.), fiscal impact estimates are not derived via a sample; all 39 localities supply the data. In addition, the state maintains, for other reasons, an extensive file of municipal data and, therefore, often has on hand sufficient information to make accurate impact estimates. A fiscal note is prepared upon the request of the chairman of a committee, a bill sponsor, or the League of Cities. There is regular working communication between the League of Cities and the state office responsible for fiscal note preparation, which helps to coordinate the process and make the notes accurate. Rhode Island also has mandate reimbursement legislation and a partially established, uncomplicated process for reimbursement of localities.

Ohio

Ohio is a "home rule" state; mandates are infrequent, and there is local revenue sharing to encourage compliance with permissive legislation encouraging new local programs. Fiscal note administration is under the director of the Legislative Budget Committee, who has a staff of 12 people to work on fiscal notes (for both state and local impacts) by subject area and do other financial analyses. Notes must be attached to all bills before they are reported out of committee; failure to prepare a note virtually defeats a bill, since it cannot be reported. There is no set methodology for preparing fiscal analyses; each bill is handled individually, depending on its subject matter. Politics

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clearly affect the nature and extent of the fiscal analysis performed on a given piece of legislation. Analysis methods include surveys and statistical projections. Major data sources used by the committee include the Ohio Municipal League and the State Department of Taxation.

California

The fiscal note process in California is undoubtedly the most highly developed, elaborate, and systematic of any state. The process is located within the Local Mandate Unit of the State Department of Finance, and a staff of seven is assigned to note preparation. The Legislative Counsel is responsible for deciding, for each bill, whether there are local cost implications, and often its staff also prepares its own notes. Before a bill goes before any fiscal committee in either house, a fiscal note must be attached. The methodology requires, first, that all code references be searched to determine other state or federal laws on which the proposal in question might have bearing. Next, local agencies from an established information-gathering network (which includes governments in the four population centers of the state) are asked to supply data. From these data, a statewide dollar amount is developed, and a two to three page narrative report is prepared substantiating the costs and discussing relevant assumptions and reimbursement implications. Copies are then distributed to the League of California Cities and/or the County Supervisors Association of California (depending on which is affected), and any relevant state agencies. Each of these groups has the opportunity to comment, question, or challenge the figures. If significant changes are indicated, the note will be rewritten and the process repeated. With each amendment to a bill the fiscal note is revised accordingly. Fiscal notes, which are called mandated cost estimates in California, are an integral part of the mandate reimbursement process, which is described below.

EFFECTIVENESS OF FISCAL NOTE PROCESSES

Evaluating in a rigorous way the "effectiveness" of fiscal note processes on even the single criteria of reducing cost-producing mandates on local governments would be extremely difficult and costly. Such analysis would require a methodology for documenting the direct and indirect effects that the notes have on preventing or reducing impact costs of legislation or administrative regulations. Such a study would require tracking individual bills to prove that the fiscal note actually influenced the votes of legislators or, in the case of administrative mandates, the actions of state administrative agencies.

Surrogate "evidence" based on the perceptions of local and state government officials is not scientifically valid but is useful for estimating effectiveness. Also, surrogate evidence about the quality of the process is also useful as a beginning in estimating effectiveness.

Objective factors such as the number and percentage of bills for which notes are pre-

TABLE 3
Evaluations About Positive Impacts of Fiscal Note Process on Decision Making*

| YES, STRONG IMPACT | | YES, SOMEWHAT | TOO NEW TO TELL |
|--------------------|-------------------------------|---------------|-----------------|
| Examples Provided | No Specific Examples Provided | | |
| Arkansas | Connecticut | Arizona | Georgia |
| California | Florida | Idaho | Kentucky |
| Colorado | Kansas | Maine | Massachusetts |
| Illinois | Louisiana | Nebraska | New Hampshire |
| Indiana | Maryland | Nevada | North Carolina |
| Iowa | Michigan | Oregon | |
| Missouri | Mississippi | Pennsylvania | |
| Tennessee | Montana | | |
| West Virginia | Ohio | | |
| Wisconsin | Rhode Island | | |
| | Texas | | |
| | Washington | | |

*Compiled from telephone survey of state and local government officials, summer 1981. Officials interviewed were state officials responsible for fiscal note processes and representatives of state organizations of cities and counties.

pared, the number of personnel assigned to prepare notes, and the extensiveness, accuracy, and quality of the notes produced are indications of note quality and should also be partial indicators of effectiveness. It was anticipated that those states with the most elaborate processes and the most detailed, comprehensive notes would clearly be perceived as the most successful at curbing costly mandate legislation, and that states still experimenting with partially conceived and loosely defined processes would be making little or no headway toward combatting what many local governments see as the "mandate problem."

A major finding of this research is, however, that the fiscal note processes now operating in states, regardless of the form, are perceived by state and local government officials as effective instruments in deterring or mitigating the impact of mandates on local government.

Table 3 presents the interview findings which suggest that, in fact, even in those states with poorly implemented processes, the mere existence of a rule, resolution, or law requiring identification of the costs to local governments associated with proposed mandates has had significant impact on decision making. State and local respondents reported the following positive effects of notes:

- Inform legislators.
- Deter legislators from introducing certain bills.
- Serve as the basis for discussion in committees.
- Delay bills on floor.
- Aid in converting provisions of bills from mandatory to permissive.
- Defeat bills.
- Cause substantial amendments to bills.
- Cause funding allocations to cover indicated local government costs.

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- *Illinois*: was kil
- *Indiana*: fiscal n and cle.
- *Iowa*: V gued we bill was the men the two.

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Since the purpose of requiring fiscal notes is to put pressure on legislators to prevent passage of legislation which would be costly to local governments, or at least to force legislators to consider these costs in their deliberations, the verdict to date appears positive.⁹ In response to the question, "Have fiscal notes had any impact on the decision-making process?" the responses divided into the four categories shown in Table 3. The first "yes" category was divided into two groups. In the first category are those states where respondents immediately volunteered one or more recent examples of legislation for which the estimated local cost data substantially contributed to the outcome. States in the other "yes" group reported that it was universally accepted that the fiscal estimates frequently play an important role in determining the content or fate of a given bill, but they did not cite specific cases. As the table indicates, none of the states reported that there was no impact or negative impact, although in five states the process had been enacted so recently that evaluation was not yet possible. A substantial majority (22 out of 35, or 63 percent) felt strongly that there was a marked positive impact.

The following provided by the officials interviewed, are examples of bills that were defeated or amended due to fiscal notes.

- *Arkansas*: A proposed police and fire pension law which would have reduced required eligibility hours was withdrawn after the fiscal note showed unreasonable costs to local governments.
- *California*: A bill making collective bargaining mandatory for local government employees was estimated to cost several million dollars for procedural expenses alone (i.e., expenses not due to increases in wages or benefits resulting from the unionization). The bill was modified to cover only school employees, still projected to cost \$8 million.
- *Colorado*: A bill exempting mobile homes from property taxes was defeated when the size of the loss in local tax revenues was illustrated.
- *Illinois*: Pension legislation which was estimated to cost local governments \$296 million was killed.
- *Indiana*: A bill levying fees for the dumping of hazardous wastes was proposed. When the fiscal note established that the fees charged would not be sufficient to cover the treatment and clean-up costs, the bill was revised to increase required fees.
- *Iowa*: When a fiscal note found that a proposed land use bill, which some legislators argued would incur no costs to local governments, would cost them at least \$3 million, the bill was defeated. In another case, two possible approaches were presented to reorganize the mental health delivery system. The fiscal note clearly pointed up the less expensive of the two, which was adopted.

MANDATE REIMBURSEMENT AS A FURTHER STEP

In most of the eight states where mandate reimbursement legislation has been enacted, implementation has been slow, ill-defined, and inadequate. In the other five either (1) a partially implemented system is in effect; (2) the legislation is new and thus implementation is still in process; (3) there is a law in existence, but there has been virtually no implementation; or (4) most legislation falls into "exclusionary categories." (Virtually all mandate reimbursement legislation includes a listing of mandate categories or types

of bills for which state reimbursement is not required; these are called exclusionary categories.)

Florida passed a law in 1978, but the law has not yet been implemented because shortly after it was adopted the State Supreme Court ruled that one legislative session could not bind subsequent sessions. Unless that constraint in the law can be settled, reimbursement will be difficult. Tennessee also passed a law in 1978 calling for reimbursement of costs above \$50,000, but the law has not yet been implemented. Local governments there are considering going to court to force implementation. The 1980-1981 budget included approximately \$1 million to be distributed to local governments to help pay for mandatory programs. Missouri amended its constitution in 1980 to require mandate reimbursement but the amendment has not yet been implemented. Local governments there lost a test case due to a technicality, but several additional cases sponsored by local governments are now pending.

In California, Michigan, and Rhode Island, policies and procedures have been developed for administering and reimbursing cost-incurring mandates, and reimbursement systems are currently in effect.

In Rhode Island claims are submitted to the State Department of Community Affairs, which administers the process. A series of steps follows the passage of legislation with local cost implications: hearings; issuing of allowable cost categories; record keeping by communities; submission of claim forms; and selective audits based on claim contents. Finally, payments are made roughly two years later. An appeals process has been established, although it has seldom, if ever, been used. To date, good working relationships prevail between the local entities and the state fiscal note and mandate reimbursement offices.

In Michigan procedures are still being negotiated for final implementation of the 1978 constitutional amendment requiring that the state reimburse local governments for state-imposed costs. An appeals board has been established to resolve potential differences over what are necessary or approved costs. For a long time no bills were passed that fell into a reimbursement category, but the Local Claims Review Board has recently raised questions about several bills, so the law and procedures will be tested.

The California mandate reimbursement system, although it has come under fire, particularly from counties, over the years, is clearly the most extensive and most serious effort to reimburse local government entities for state mandated expenditures. Mandate reimbursement was first enacted by the legislature (as Senate Bill 90) in 1972; it became a section of the state constitution in November 1979 as a part of the Gann initiative setting expenditure rate limitations on local governments. Since January 1, 1981 administrative regulations with significant local cost implications have been considered reimbursable mandates also.

Mandate reimbursement in California is actually two separate processes—one for those mandates which are funded from the outset (i.e., as soon as they are passed), and another for those mandate bills which are passed unfunded and are then brought before the Board of Control (an appeals body) for review.

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In the first case, the Department of Finance decides approximate reimbursement amounts, and the process is straightforward. The State Controller's Office, which administers the claims, prepares instructions for the local government claimants, who then submit claims for costs incurred. After aggregating these, the controller establishes whether there are sufficient monies available to reimburse at the requested levels, and, if not, the deficiency is reported to the Department of Finance, where a deficiency bill is prepared and submitted. While the bill for the deficiency funds is pending, the already appropriated money is disbursed on a pro rata basis. Local governments generally receive reimbursement within a year of incurring costs and within three months of submitting their claims forms.

"Even in those states with poorly implemented processes, the mere existence of a rule, resolution, or law requiring identification of the costs to local governments associated with proposed mandates has had significant impact on decision making."

The funded category, however, accounts for only about 10 percent of the mandate bills passed each year. Securing funding for the remaining 90 percent involves an extended series of steps and, in some cases, reimbursement is never approved. Formal requests are made by local governments to the Board of Control to review and consider funding for bills local governments contend impose local costs. The board is composed of two state statutory officials, two local government representatives, and one public member appointed by the governor. Hearings are held, testimony is presented on both sides, and, for those bills on which the board takes favorable action, statewide dollar estimates are determined. Finally, a separate appropriations bill is brought before the legislature for consideration. Passage is not automatic, however. The legislature can defeat the bill or delete cost items, and the governor can also blue-pencil specific items.

At present about 75 percent of the appeals brought before the board are won by the local claimants. This high success rate on claims is due to the fact that local governments normally bring only claims they expect to win. Because the entire process is cumbersome and time-consuming, it takes about three years for localities to receive reimbursement for initially unfunded bills.

The County Supervisor's Association of California, which evaluates legislation and lobbies on behalf of county governments, has an active subcommittee comprised of county auditors and analysts who work intensively on mandate reimbursement problems. Senate Bill 90 is reserved every session to introduce amendments and revisions to California's mandate reimbursement law to make it more responsive to and useable by local governments.

In practice, the process, although the most advanced among the states, is less effective than would appear. Since the law was first passed, and continuing after the constitutional amendment, the legislature has often attached what have come to be called "disclaimers" on bills. A disclaimer is a statement saying that the bill will not have significant fiscal impacts on local governments or the legislature (the law notwithstanding) will not fund any costs. Local governments have, of course, been fighting the disclaimer usage through negotiations with legislative leaders and, more recently, through court actions. Although disclaiming has reduced in frequency in the last few years, the counties, in particular, were disturbed enough about the practice to have filed a major suit last year in the California courts. The suit was dismissed until all administrative remedies are exhausted, but the counties are expected to do so and return to the courts.

CONCLUSIONS

The fiscal note process, estimating the fiscal impact of proposed legislation on local governments, is now at least partially established in over half of the states and is gradually being implemented in more states each year. The federal government began its note process late last year. The preliminary research reported here has found that although methodology for estimating fiscal impacts varies a great deal in its rigor from state to state, even in those states with the least rigorous processes, the officials interviewed perceive positive effects. The research also suggests that although methodology for accurate estimating is not simple, it can be developed if the governments are willing to invest resources in the process.¹⁰

The Advisory Commission on Intergovernmental Relations has been advocating the note process for many years, as have municipal leagues and organizations of counties, although little data has been collected and analyzed to support their claims that notes help prevent unwise mandating of activities on local governments without reimbursement. The preliminary survey reported here supports their contentions.

Although the fiscal note process is well established, improvements in coverage and methodology are needed. Improvements recommended by the officials interviewed included extending the amount of lead time for note preparation, upgrading the existing data base and/or methodology, increasing and improving analytic personnel, and giving more emphasis to substantive issues. Several respondents also urged that fiscal notes be prepared, as in California, on proposed major agency regulations as well as on proposed legislation.

As the Congressional Budget Office develops its fiscal note methodology, it is examining methods used by the states, particularly those states where the methodology is considered the most rigorous. The analytic techniques developed by the CBO will be used as models for many of the states who wish to improve their processes. There is current discussion of cooperative agreements between the CBO and the states to work together in preparing estimates.

The step beyond fiscal notes is mandate reimbursement. The requirement for fiscal

notes relative to a data base states with that process officials in (state or local) when they govern:

In the context of reimbursement funding and by declining expected to be losing both their own resources more than they

1. Conversation with 5th District
2. Many states will cost the to be imposed well. For a budget itself. Vol. 1, No.
3. Survey instrument and evaluation process was giving them to tell about the use improvements in
4. For further information see Catherine Lovell 1981, pp. 31.
5. The existence of government control. His *Government Management*.
6. To obtain the surveys, loose surveys were given

is less effective. After the conference, it is to be called. It will not have any legal force, notwithstanding the fact that it is being fought recently, and the last few years have filed all administrative returns to the

ation on local government and is gradually being implemented. It began its note that although it is from state to state, it is being interviewed by methodology for accuracy and is willing to

advocating the interests of counties, and notes that notes about reimbursement

coverage and interviewed in the existing methodology, and giving fiscal notes based on proposed

ology, it is exacting methodology is being used. CBO will be used. There is a states to work

ment for fiscal

notes relates directly to mandate reimbursement since fiscal notes provide the central data base on which reimbursement figures build. It is clear from experience in the eight states with mandate reimbursement legislation on the books that the extent to which that process is implemented depends largely on the posture taken by local government officials in demanding implementation. All other things being equal, elected officials (state or local) will attempt to push costs (and, therefore, taxes) to other jurisdictions when they can. Even in the states where reimbursement laws have been enacted, local governments have had to work hard to force implementation.¹¹

In the coming period, economic pressures will make fiscal notes and mandate reimbursement even more important issues. As the federal government decreases grant funding and attempts to devolve programs to the states, the state governments—spurred by declining revenues due to recession, rising costs, and taxpayer revolts—can be expected to try to pass costs on to local governments. Local governments, in turn, are losing both federal and state grants and, for the same reason as the states, are losing their own tax revenues. They can be expected to resist costs mandated from external sources more strongly than ever. Since fiscal note and mandate reimbursement processes are the strongest weapons designed to date, local government efforts to implement them are likely to increase.

NOTES

1. Conversations between CBO Staff and Peter Slone, assistant to William R. Ratchford, Congressman, 5th District, Connecticut, April 1982.
2. Many states have had for some years requirements for "fiscal notes" about what proposed legislation will cost themselves as states. In this article we are discussing those fiscal notes which estimate costs to be imposed on local governments, and in the case of proposed federal legislation, on the states as well. For a 1979 list of states that had note requirements on state bills as they affected either the state budget itself or local governments, see *The Fiscal Letter*, National Conference of State Legislatures, Vol. 1, No. 4, June 1979.
3. Survey instruments for both fiscal note and mandate reimbursement programs consisted of descriptive and evaluative components. The descriptive section sought information on when, how, and why the process was initiated, how it currently functions, and the logistics of preparing the notes and conveying them to the legislators. The evaluative sections sought to determine the perceptions of the officials about the usefulness, effectiveness, and appropriateness of the processes to date and what, if any, improvements might be made.
4. For further discussion of the growth in federal and state mandating on local governments, see Catherine Lovell and Charles Tobin, "The Mandate Issue," *Public Administration Review*, May/June 1981, pp. 318-331.
5. The existence or nonexistence of fiscal note processes was tested against Zimmerman's index of local government discretionary authority which shows the relative freedom of cities and counties from state control. His evaluation may be found in Joseph F. Zimmerman, *The Discretionary Authority of Local Governments*, Urban Data Service Reports, Vol. 13, No. 11. (Washington D.C.: International City Management Association, November 1981).
6. To obtain the correlations, the methodology types were given numerical equivalents: 1 = ad hoc, surveys, loose sampling, 2 = sampling, rigorous sampling, and 3 = statistical analysis. The note quality types were given numerical equivalents: 1 = low, 2 = low/medium, 3 = medium, 4 = medium/high,

and 5 = high. The two sets of numbers were correlated using Spearman's Rho. The first number represents the correlation coefficient between methodology and state officials' perceptions, and the second number represents correlation with local perceptions.

7. To obtain the correlation, the locations were given the numerical equivalents (1 = executive; 0 = legislative) and correlated with numbers on note quality using Spearman's Rho. The numbers represent correlation coefficients between location of process and the perception of state and local officials.
8. Samples of notes from the various states are available from the authors.
9. One can argue that preventing passage of legislation which imposes costs is not always positive. One might wish the legislature to pass legislation to accomplish a worthwhile purpose even at the expense of costs imposed on local governments. The positive effect desired is not necessarily to "prevent passage" but, rather, to force legislators to consider local costs in their deliberations. Legislators may decide that the provision of access to handicapped citizens (for example) is a valued purpose even where it may impose costs on local governments. Attention to the extent of such costs may lead to consideration of more innovative means than simply mandating elevators on all buses, however. This situation is one where fiscal notes appear useful even where the main intent is to "force" local programs.
10. Accurate assignment of costs, particularly where reimbursement is involved, has certain methodological problems. Particularly difficult is the question of marginal costs between mandate requirements and what the jurisdiction would have done on its own volition in the absence of a mandate. For discussion of these issues, see Lovell, et al., op. cit., and Christy Ann Jensen, *Anticipating the Impacts of State Mandates, An Examination of an Intergovernmental Effort to Develop a Mandate Analysis Form and Process for Use by State and Local Governments in California*. Ph.D. diss., University of Southern California, December 1981.
11. The issue of full implementation is complicated by the very real circumstance that reimbursement is not always the most appropriate action. There can be cases, as suggested in note 9 above, where local governments should pay program costs even though they dislike being forced to do so by state government.

If there is half a decade. Proposition limits on the of fiscal con third of the s have gone be on their loca adopted or e 1977). And t in calls for ei In short, a nu not reverse, t

While it is limitation, the adopted since balance budg the proposed luster may ha being turned 1 1980; Stubble government es personal incon been adopted b imposed on m: ment.

David Lowery is a

CAFA Mtg - 2/13/86

SB 369 ---

SB 376 - Get bill out so that Finance can determine total of supplementals needed

Estimate program needs \$7.4 mil
Gov has _____ in his budget

Burgess - Supports bill -- this is a state program; therefore state should take responsibility for it - also want to warn legislature that the shortfall next yr will be worst.

Jeff Smith \$2 mil covers amt taken out of homeowners exemption to fund renters exemption - so both programs covered

Coghill - What about \$50,000 for Bettles.

Smith - Came on line Dec 26, bill went into effect Jan 1st.

Coghill add approximately \$50,000
on line 11
on line 27
new incorporation

Sturg amend ~~46,800~~ added to FY '85 program
\$46,857.00
Anc - Homer - left holding bag

Coghill Have problem w/ North Slope / NANA
as no problem, then Ferguson
- B/ a bill to give \$385,000
to North Slope

Sturg - Don't introduce until Ferguson returns

369 is a #1 priority for local gov. -
need to hold over and have serious
discussion w/ Dept and with Muni League

Schedule ~~370~~³⁶⁹ for next Thurs.

NOT BUDGETS - OK
1 IN THE SENATE

CRA?
BY STURGULEWSKI

2 SENATE BILL NO.
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to fiscal notes for legislation
7 affecting a municipality."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 24.08.035(a) is amended to read:

10 (a) Before a bill or resolution, except an appropriation bill,
11 is reported from the committee of first referral, there shall be
12 attached to the bill a fiscal note containing an estimate of the
13 amount of the appropriation increase or decrease that [WHICH] would
14 result from enactment of the bill for the current fiscal year and five
15 succeeding fiscal years. If enactment of the bill would require an
16 expenditure or appropriation by a municipality, a fiscal note shall be
17 attached to the bill containing an estimate of the amount of the total
18 expenditure or appropriation that would be required during the current
19 fiscal year and five succeeding fiscal years by all affected munic-
20 ipalities. If [OR, IF] the bill has no fiscal impact, a statement to
21 that effect shall be attached. A [THE] fiscal note or statement
22 relating to a state expenditure shall be prepared in conformity with
23 the requirements of this section by the department or departments
24 affected and may be reviewed by the office of management and budget.
25 A fiscal note or statement relating to municipal expenditures shall be
26 prepared by the Department of Community and Regional Affairs, which
27 may obtain the assistance of another state agency ^{or the affected mu} in the preparation
28 of the note or statement. The fiscal note or statement shall be
29 delivered to the committee requesting it within five days of the

1 request or within two days if the request is made after the 90th day
2 of a regular session, or during a special session of the legislature.
3 If the bill is presented by the governor for introduction in accor-
4 dance with AS 24.08.060(b) and the uniform rules of the legislature,
5 the fiscal note or statement shall be attached to the bill before the
6 bill is introduced. An amendment or a substitute bill proposed by a
7 committee of referral that changes the fiscal impact of a bill shall
8 be explained in a revised fiscal note or statement attached to the
9 bill.

NOT RECORDED

CRA?
BY STURGULEWSKI

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