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Rev. Dr. Wendell Anthony,
President
Donnell R. White,
Executive Director

May 13, 2013

Hon. Rick Snyder
Governor, State of Michigan
P.O. Box 30013
Lansing, Michigan 48909

Hon. James “Jase” Bolger
Speaker of the House
Michigan House of Representatives
N-997 House Office Building
P.O. Box 30014
Lansing, Michigan 48909

Hon. Randy Richardville
Majority Leader
Michigan State Senate
P.O. Box 30036
Lansing, Michigan 48909-7536

Hon. Gretchen Whitmer
Minority Leader
Michigan State Senate
125 W. Allegan St.
Lansing, Michigan 48933-1799

Hon. Tim Greimel
House Democratic Leader
P.O. Box 30014
Lansing, Michigan 48909-7514

Re: Revenue Recommendations for the City of Detroit

Dear Governor Snyder and Legislative Leaders:

In the November 6, 2012 general election, 50.4% of the Michigan electorate voted to reject governance by emergency managers. And yet, just 5 weeks after the election during the 2012 lame duck session of the State Legislature, in defiance of the people, the Legislature passed, and you, Governor, signed into law Public Act 436, the emergency manager law in effect today. Because this law clearly violates the right to vote, today we have filed a challenge to the law in U.S. District Court.

We well understand that Detroit and other municipalities across the state are experiencing financial hardship. But a major part of Detroit's budget problems are the direct result of state policies that have drained the city budget of revenues. And it is unwise and unrealistic to think that the financial hardship of this nature can be rectified by cuts and the sale of city assets. We cannot just cut our way to fiscal health, and sell precious city assets that we will all regret losing as we look back on this period years from now. Revenues must also be a part of the equation. This balanced approach was how New York City was stabilized in the mid-1970's when it was on the verge of bankruptcy. A partnership, not a dictatorship, emerged between the state, stakeholders, and New York City. It included cuts and revenues, and there was never a suggestion that New York City sell off Central Park. It worked. New York City got back on its feet and so can Detroit.

That being said, we are forwarding to you our set of recommendations for legislative action that would squarely address the need for revenue in Detroit and other cities and school districts throughout Michigan.

1. Allow citizens to pay their municipal property taxes in monthly installments if they so choose, instead of forcing them to pay on a semi-annual basis, as state law currently provides. This would make dramatically improve cash flow, and allow more people to keep their homes. We estimate this would generate approximately \$60 million in additional annual revenues for the City of Detroit.

2. Repeal the elimination of the personal property tax on industrial property, which was also passed in haste during last year's lame duck session. This has hit the budgets of all Michigan cities and townships hard, Detroit being no exception. It adversely affects 16.6% of the City's taxable basis. We estimate this would generate approximately \$35 million in additional annual revenues for the City of Detroit.

3. Reinstate the residency requirement for city employees. Presently 69% of the city's police force lives outside the city. The state overruled the city's long-standing residency requirement (Public Act 212, 199), which had disastrous budgetary consequences. Based on an earlier analysis by the Anderson Economic Group, we estimate that reinstatement would generate approximately \$40 million per year in additional revenues for the City of Detroit.

4. Re-configure the formula for statutory revenue sharing. The present level of \$133 million per year should be adjusted to the previous funding level of \$270 million. Again, this is reflective of state sales taxes (the first 4% of the 6% total rate) paid by Detroiters to the state. We estimate that this would generate approximately \$137 million in additional revenues for the City of Detroit.

These recommendations alone would generate a combined **\$272 million** for the annual general fund. We have other suggestions as well and would welcome the opportunity to discuss these matters with you at your earliest convenience.

There is a path forward. We urge Lansing to take up these measures expeditiously as part of a partnership with the City, for a fiscally healthy City and State.

Yours in the struggle,

Rev. Dr. Wendell Anthony
President

Melvin Butch Hollowell
General Counsel

CC: Andrew Dillon, Treasurer, State of Michigan
Hon. Thomas Stallworth, III, Chair, Michigan Legislative Black Caucus