

Impact on Libraries if Personal Property Taxes are Eliminated and not 100% Replaced

Summary: Thank you for your support of State Aid to Public Libraries in FY 2012.
Can we count on your support to replace 100% of personal property tax revenue to libraries with a permanent on-going revenue stream?

- In a tough economy, **people rely on libraries more than ever**. The number of library visitors and library computer users in northern Michigan increases each year.
 - In the 107th district since 2007, library computer and Internet use increased 18%.
- Libraries have a significant economic **impact on the local economy**.
 - Bayliss Public Library brings over 114,500 people a year to downtown Sault Ste. Marie; St. Ignace Library brings over 20,000 a year; and, Whitefish Township Library, with a population less than 600, brings over 9,500 people to Paradise.
 - 38 northern Michigan libraries in 2010 purchased over \$4 million goods and services. Libraries employed 159 full time equivalent employees who brought over \$4.4 million in earning power to their local economies.
- The **number one source of revenue** for libraries with dedicated voted millages is **real and personal property tax**. For instance, revenue from 1 mill on real and personal property represents 51% of St. Ignace Public Library's projected 2012 budget.
- Impact on libraries if personal property taxes are erased and not replaced.
 - Statewide: The Michigan Library Association estimates conservatively the loss at **\$30 million**. The average library loss would be **9% of their total revenues**.
 - Regional: **20 Northern Michigan libraries will lose an estimated \$502,480**. The average loss would be **10% of total revenue** from real and personal taxes.
 - Local: The St. Ignace Public Library will **lose 8% of their millage revenue**. However, the total impact will be much greater because many libraries rely on appropriations from school districts, cities, townships, counties that are seeing revenue cuts. For example, the City of Sault Ste. Marie estimates **the City's appropriation to Bayliss Public Library will be reduced by 8.6%**.
- The impact on libraries, schools, and local government units is **disproportionate**. Some libraries will be unharmed and some will be devastated.
 - 20 Northern Michigan libraries will lose a **range from 2% to 30%** of their tax revenue. The Dickinson County Library will lose 19% of their total tax revenue, which represents 15% of their total budget for 2012.
 - The Anderson Economic Group estimates the impact on some Upper Peninsula counties will be higher where all real and personal property values are lower and industrial (mining and quarries) are a higher percentage of the whole. Gogebic,

Ontonagon, Iron, Dickinson, Delta and Schoolcraft counties fall in this highest range of anticipated tax loss, at **12% to 19% of total tax revenue**.¹

- Libraries have already been hit with revenue cuts in other major funding areas.
 - **Penal Fines** are the 2nd highest source of revenue after property tax. Libraries in **Chippewa County have had a 40% decline** in penal fine revenue since 2007. In the 107th district, penal fines were **37% of total revenues** across all libraries. Penal fines for St. Ignace Public Library were 78% of total revenue in 2007.
 - State tax captures divert \$10-\$15 million annually from dedicated locally voted library millages. For instance, the **St. Ignace DDA will capture 12%** of the millage levied for St. Ignace Public Library's 1 voted mill.
 - **State Aid to Public Libraries** has been cut **56%** in the last decade. PA 89 1977 promised libraries \$15 million annually. Funding for FY 12 is \$5.5 million.
 - Libraries across the state in 2011-12 will lose **\$3 million** with elimination of **Renaissance Zone reimbursement** that was promised under the Michigan Renaissance Zone Act of 1996.
 - Reductions in statutory revenue sharing are expected to reduce local government appropriations to libraries in 2012.

- The impact of personal property tax elimination or reduction will be felt strongly at the local level by our citizens when libraries are forced to cut full time jobs, close more hours, purchase fewer materials and eliminate popular programming to recover the loss of personal property tax revenue.

- A shift in the tax burden from business to homeowners may be an unintended consequence of revenue cuts to any units that have bonds. General Obligation Unlimited Tax bond holders have the right to require the units to raise residential property taxes in order to avoid default on these types of bond repayments. The Anderson Economic Group estimates that an average long-term increase of 0.4 mills on real property may be needed to replace lost revenue dedicated to school debts alone. This, of course, assumes schools would be in jeopardy of default.
 - The City of Sault Ste. Marie has a \$1,380,000 balance as of 6/30/2010 on a General Obligation Unlimited Tax bond. The City of St. Ignace has a \$445,000 balance as of 12/31/2010 on Unlimited Tax bond.
 - Local units of government in the U.P. have over **\$16 million in General Obligation Unlimited Tax bonds as of their 2010** audits. This includes bonds issued in Gogebic and Schoolcraft, two of the counties with the highest range of anticipated personal property tax loss.

¹ Anderson Economic Group. "The Michigan Personal Property Tax: Effects of Repeal on Michigan's Economy and Tax Revenues." November 17, 2011.
http://www.andersoneconomicgroup.com/Portals/0/upload/AEG%20-%20PPT%20White%20Paper_PUBLIC.pdf