

The 'Michigan penalty' harms taxpayers

BY REP. ANTHONY FORLINI

While our state has made significant progress toward restoring its fiscal health, taxpayers across Michigan continue to pay inflated interest rates on voter-approved bonds. These bonds — referred to as “unlimited tax general obligation bonds” — are used to build schools, pave roadways and repair bridges, and prior to the Detroit bankruptcy case, were considered among the safest investments around.

Basis points and borrowing costs may not be a topic for discussion in most Michigan homes, but such things have a real world impact for local governments and taxpayers across the state. Michigan and its local governments borrow approximately \$7 billion annually and, on average, pay 0.3 percent more in annual interest costs than local governments across the country. This equates to approximately \$325 million in increased interest costs to taxpayers over

30 years and this cost will be incurred every year Michigan governments sell unlimited tax general obligation bonds absent remedial action.

Every dollar paid in additional interest is a dollar not available for critical government programs. For this reason, the Michigan House of Representatives moved quickly to pass HB 4495, legislation that I introduced and my colleagues nearly unanimously supported in the House earlier this year. The bill

helps reduce borrowing costs by ensuring that taxes levied to pay the bonds are used for this purpose. It does this by clarifying that a statutory lien exists on ad valorem taxes pledged to pay the debt. The bill is now in the Michigan Senate for consideration.

Ratings services and investors continue to penalize Michigan for actions taken by the city during the Detroit bankruptcy case. HB 4495 will help eliminate this by keeping our promises to taxpayers that their hard-

earned dollars will go to the purpose they supported with their vote. Similar legislation recently passed the Senate and is saving Detroit about \$3 million annually via lower interest costs, according to Mayor Duggan. Why should our schools cost more to build? Why should our roads cost more to pave? The answer is clear — they should not cost more. It's time to pass HB 4495 and provide these same benefits to all municipalities and their taxpayers.

Governor Snyder and the current Legislature have worked hard to repair Michigan's long-term financial health, and this legislation is another essential step toward reaching this goal. Michigan needs to send a clear message to the financial markets and ratings agencies that our state is a sound place to invest.

State Rep. Anthony Forlini, R-Harrison Township, represents residents in Harrison Township and portions of Clinton and Macomb townships.