



CITIZENS RESEARCH COUNCIL OF MICHIGAN

Reform of Michigan's Statutory Unrestricted State Revenue Sharing Distribution Methodology

Municipal Advisory Council

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About The Citizens Research Council

- Founded in 1916
- Statewide
- Non-partisan
- Private not-for-profit
- Promotes sound policy for state and local governments through factual research
- Relies on charitable contributions of Michigan foundations, businesses, and individuals
- www.crcmich.org

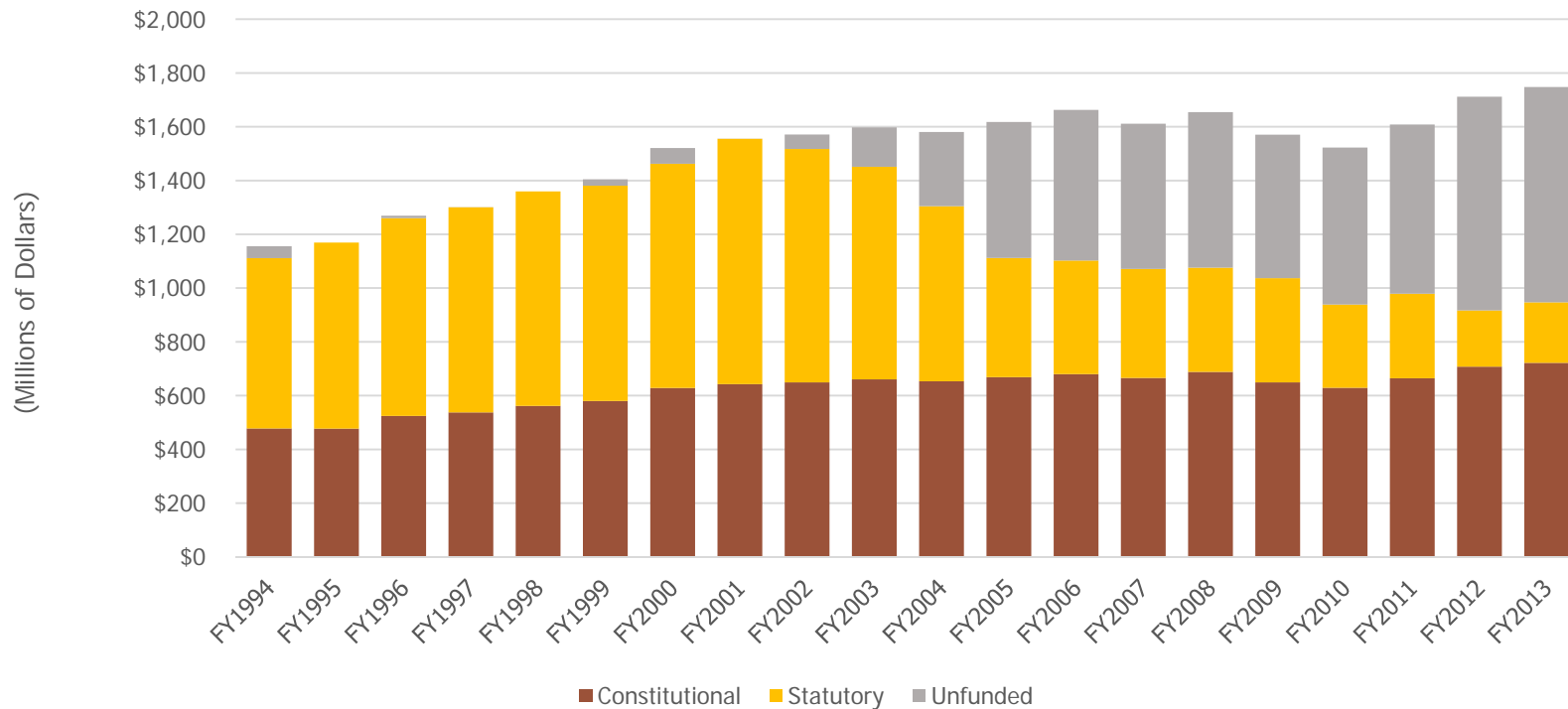


Why Unrestricted State Revenue Sharing Needs Reform

- Revenue sharing composed of two components:
 - Constitutional SRS – per capita distribution
 - Statutory SRS – historically needs based
- Statutory SRS reforms of 1998 never fully phased in
- 11 years of cuts left program grossly underfunded
- Little rhyme or reason to which governments funded and at what levels



Statutory Revenue Sharing, Actual and Statutory Reduction





What is Local Government for?

- **Federal Government**
 - Public defense, currency, etc.
- **State Government**
 - System of education (K-12 & higher ed), criminal justice, health and welfare
- **Local Government**
 - To manage the interaction between people
 - Public safety, parks and recreation, refuse collection, water and sewer, etc.



What is state's interest in functioning local government?

- Only mandates of townships and cities
 - Property assessing
 - Tax collection
 - Elections
- The state's real interest lies in health and safety of residents and visitors



The State's Interest

1. Improving the overall state and local tax structure
2. Promoting economic development
3. Maintaining acceptable levels of government service from community to community
 - Distribution method should be related to need
 - 70 years of history have created a dependence



What's the Downside?

- Violation of significant principles of good government
 - Connection between the tax levy and the delivery of services
 - State policymakers should have latitude to appropriate funding to highest needs
- 1. Increased dependence
- 2. Lack of accountability
- 3. Loss of local control
- 4. Inefficiencies subsidized by state resources



What principles guide local governments' interest?

- Revenue Adequacy
- Stability and Predictability
- Equity
- Accountability
- Intergovernmental Cooperation



Options

Help to Provide Sufficient Revenues

- Measure fiscal capacity as ability to raise revenues
 - Taxable value per capita
 - Tax yield equalization
 - Funding for communities with tax exempt properties



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Local			Taxable Value
<u>Government</u>	County	Population	Per Capita
Kinross Township	Chippewa	7,728	\$5,693
Baraga Village	Baraga	2,027	\$6,431
Cooper City Village	Houghton	284	\$6,460
North Adams Village	Hillsdale	1,030	\$6,501
City of St. Louis	Gratiot	7,430	\$6,524
Sodus Township	Berrien	9,972	\$6,605
Waldron Village	Hillsdale	532	\$8,564
City of Hamtramck	Wayne	22,101	\$8,828
Bloomer Township	Montcalm	3,915	\$9,370
City of Flint	Genesee	100,515	\$9,374
Sherwood Village	Branch	309	\$9,532
Montgomery Village	Hillsdale	340	\$9,638
City of Ionia	Ionia	11,422	\$9,795
City of Olivet	Eaton	1,609	\$9,946
Applegate Village	Sanilac	244	\$10,082
Mount Morris	Genesee	3,029	\$10,173
Ahmeek Village	Keweenaw	150	\$10,173
Burr Oak Village	St. Joseph	822	\$10,176
Pierson Village	Montcalm	172	\$10,284
Columbiaville Village	Lapeer	1,049	\$10,380
Mecosta Village	Mecosta	460	\$10,499
Concord Village	Jackson	2,057	\$10,586
Powers Village	Menominee	420	\$10,603
City of Saginaw	Saginaw	50,790	\$10,672
Perrinton Village	Gratiot	401	\$10,952
State Average		5,723	\$31,871
State Median		1,880	\$30,958



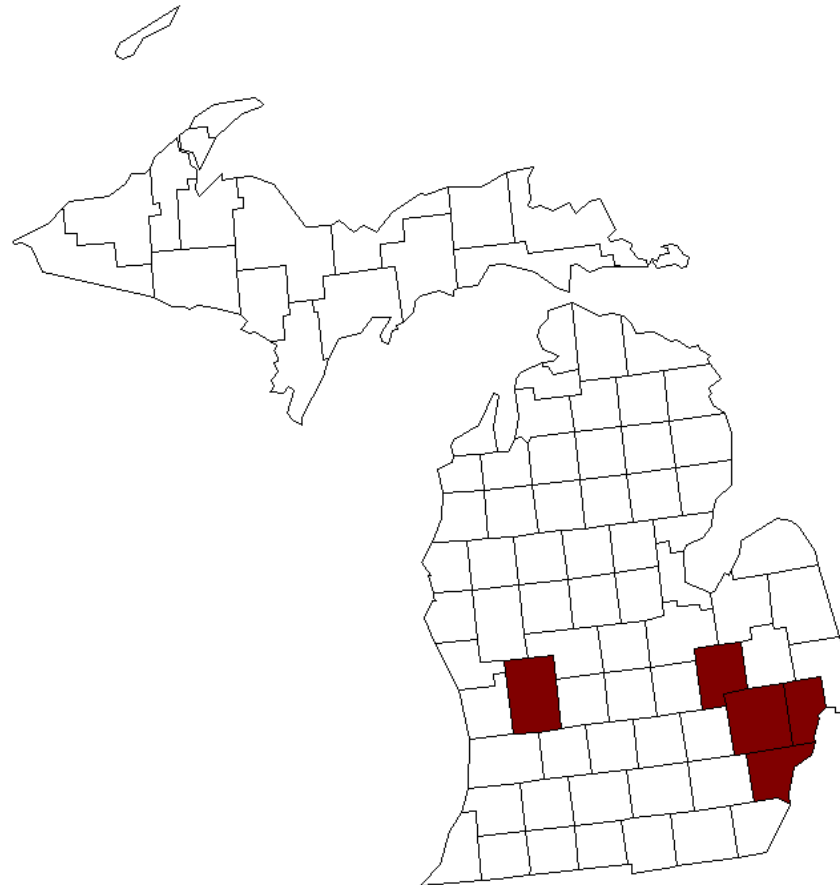
Options

Help Meet Demand for Services

- Measure fiscal capacity as demand for services
 - Nighttime populations
 - Daytime populations
 - Population density
 - Building counts and Building density
 - Unit type

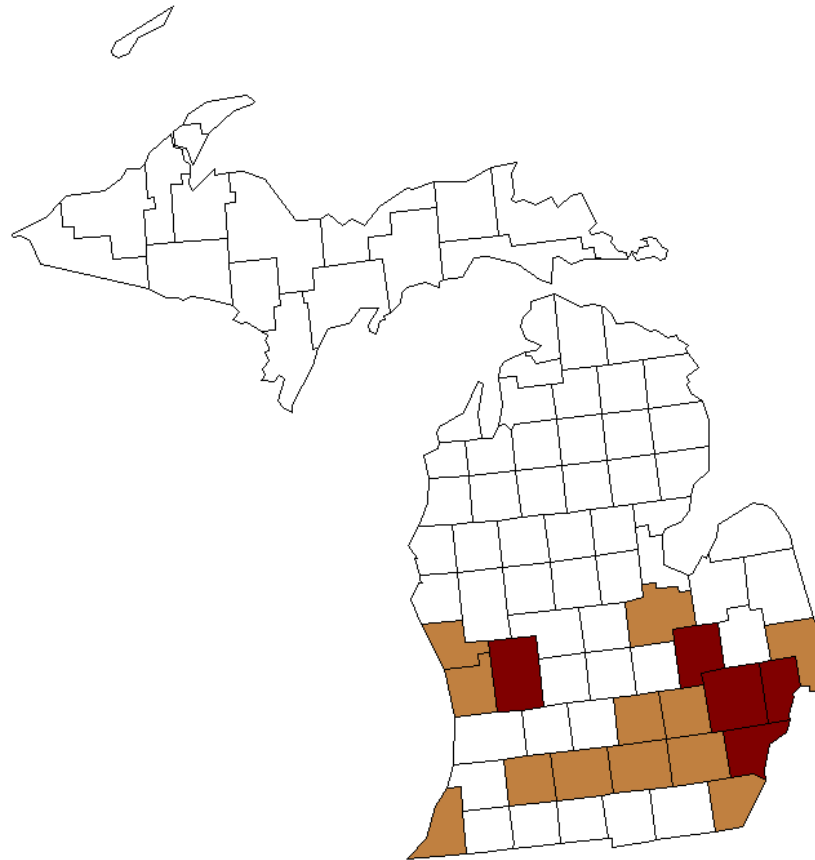


50% of Population is in 5 counties





75% of Population is in 19





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<u>Local Government</u>	<u>County</u>	<u>Population Density</u>
Hamtramck	Wayne	10,751.0
Lincoln Park	Wayne	6,478.3
Eastpointe	Macomb	6,307.4
Keego Harbor	Oakland	5,890.8
Hazel Park	Oakland	5,828.5
Berkley	Oakland	5,724.9
Oak Park	Oakland	5,677.2
Harper Woods	Wayne	5,455.1
Clawson	Oakland	5,376.7
Grosse Pte Park	Wayne	5,327.5
Detroit	Wayne	5,144.3
St. Clair Shores	Macomb	5,139.5
Ferndale	Oakland	5,129.6
Grosse Pointe	Wayne	5,118.1
Grosse Pte Woods	Wayne	4,965.6
Dearborn Heights	Wayne	4,919.9
Wyandotte	Wayne	4,908.1
Royal Oak	Oakland	4,856.8
Roseville	Macomb	4,813.9
Center Line	Macomb	4,743.2
Garden City	Wayne	4,718.1
Ypsilanti	Washtenaw	4,489.0
Pleasant Ridge	Oakland	4,440.9
Southgate	Wayne	4,389.0
Royal Oak Twp.	Oakland	4,376.5
State Average		550.1
State Median		99.7



Options – Fund Places

- **Fund Places**
 - Michigan's:
 - Core cities
 - Commerce centers
 - Homes to manufacturing
 - Homes to hospitals
 - Tourist destinations
 - require intensity of government service delivery
 - contribute significantly to the state economy
 - are important to outsiders' perceptions of the state



Options

Transition to Restricted Revenue Sharing

- **Directly Fund Services**
 - New program that would parallel: school funding, community college funding, highway funding, court funding, etc.
 - State would directly fund Public Safety
 - Measures based on crime data, fire and emergency response calls, emergency medical calls



Next Steps

- Not an item that will be dealt with in lame duck legislative session
- Paper to be released after new year
- Anticipate a workgroup with state and local government representation to work through details
- Aim to have new distribution method in time for next budget formulation



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