MAC
MICHIGAN ASSOCIATION OF COUNTIES

Issue briefing: Revenue sharing

Revenue sharing exists as part of a promise from the state to local governments: In exchange for strict limitations on taxing authority on locals, the state will provide funds the locals cannot generate on their own.

These funds, since they are provided for basic operations, have been — and should always be — unrestricted in nature. This is a substitute for money the locals would raise themselves, if they had taxing authority.

Stability and predictability are vital components to a proper revenue sharing system, since these funds help form the basis for all local operations.

Michigan counties, however, remain caught in a fiscal vise — one that keeps tightening even as the state's economy improves.

The collapse of Michigan property values in the last decade has imposed a permanent reduction in county revenue. Proposal A restrictions and Headlee rollbacks have ensured counties will see only small gains in taxable value, even if their housing markets are recovering rapidly.

The other jaw of the vise was the move to suspend state revenue sharing to counties in fiscal 2005. Counties were forced to adjust to a loss of approximately $2 billion over a decade. The last two state budgets have seen massive improvements in revenue sharing funding.

MAC strongly supports Gov. Rick Snyder's budget recommendation for a third consecutive year of full funding for county revenue sharing in fiscal 2017.

While state mandates and residents' service expectations have trended upwards, the state's revenue sharing has not kept pace, as shown in the examples below.

Calhoun County

% of Budget to State Mandates
80

% of Budget from RS
7

Marquette County

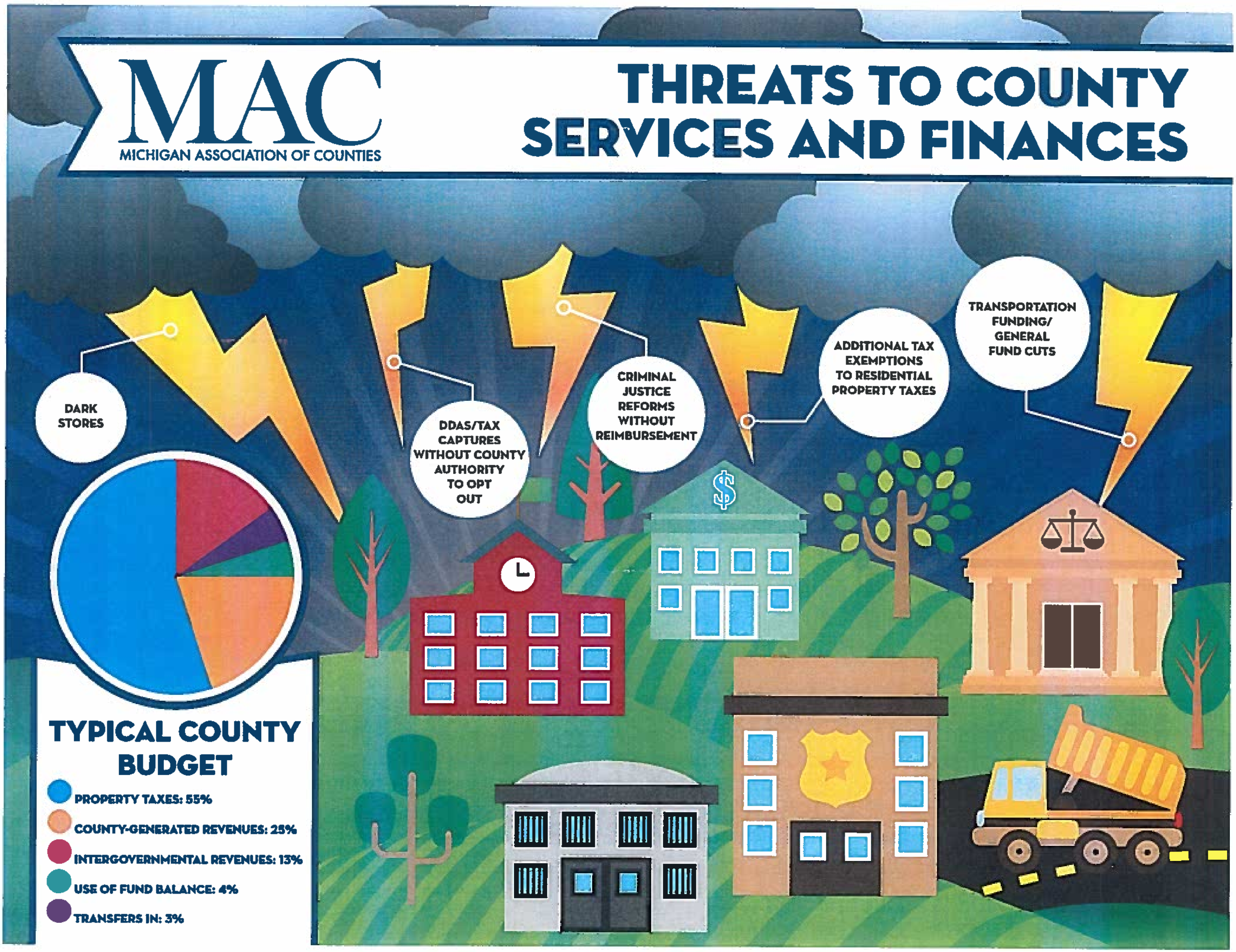
% of Budget to State Mandates
75

% of Budget from RS
6.6

Midland County

% of Budget to State Mandates
70

% of Budget from RS
6.7



MAC
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THREATS TO COUNTY SERVICES AND FINANCES
DARK STORES
DDAS/TAX CAPTURES WITHOUT COUNTY AUTHORITY TO OPT OUT
CRIMINAL JUSTICE REFORMS WITHOUT REIMBURSEMENT
ADDITIONAL TAX EXEMPTIONS TO RESIDENTIAL PROPERTY TAXES
TRANSPORTATION FUNDING/ GENERAL FUND CUTS
TYPICAL COUNTY BUDGET
PROPERTY TAXES: 55%
COUNTY-GENERATED REVENUES: 25%
INTERGOVERNMENTAL REVENUES: 13%
USE OF FUND BALANCE: 4%
TRANSFERS IN: 3%