

Local Community Stabilization Share Revenue
Form 5448 Completion and Essential Services Distribution Calculation
Frequently Asked Questions

Q1. What is the definition of “essential services”?

A1. The Local Community Stabilization Authority Act, 2014 Public Act 86, defines essential services as “...all of the following: (i) Ambulance services. (ii) Fire services. (iii) Police services. (iv) Jail operations. (v) The funding of pension for personnel providing services described in subparagraphs (i) to (iv).” (MCL 123.1345(j))

Ambulance services are defined as “...patient transport services, nontransport prehospital life support services, and advanced life support, paramedic, and medical first-responder services.” (MCL 123.1345(b))

Fire services are defined as “...services in the prevention and suppression of fire, homeland security response, hazardous materials response, rescue, fire marshal, and medical first-responder services.” (MCL 123.1345(k))

Police services are defined as “...law enforcement services for the prevention and detection of crime, the enforcement of laws and ordinances, homeland security response, and medical first-responder services.” (MCL 123.1345(t))

Jail operations are defined as “...all of the following: (i) The operation of a jail, holding cell, holding center, or lockup as those terms are defined in section 62 of the corrections code of 1953, 1953 PA 232, MCL 791.262. (ii) The operation of a juvenile detention facility by a county juvenile agency as authorized under section 7 of the county juvenile agency act, 1998 PA 518, MCL 45.627.” (MCL 123.1345(p))

Q2. What costs are included or excluded from the definition of essential services?

A2. In addition to the definition of “essential services” (see Q1), essential services expenditures include, but are not limited to, direct expenditures for essential services personnel, expenditures for essential services personnel fringe benefits, insurance, and pensions, materials and supplies used in performing essential services, and capital outlay expenditures for essential services.

Essential services expenditures do not include expenditures for 911 / dispatch services (see Q3) and expenditures for administrative staff who are responsible for all local government programs (unless the municipality has an indirect cost allocation plan to support the allocation of those indirect costs).

Q3. Are 911 / dispatch services considered essential services?

A3. No. The Local Community Stabilization Authority Act, 2014 Public Act 86, does not include 911 / dispatch services in the definition of “essential services” (see Q1).

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Q4. Which municipalities are eligible to receive a Local Community Stabilization Share Revenue Essential Services Distribution?

A4. The Local Community Stabilization Authority Act, 2014 Public Act 86, indicates that the essential services distribution calculation should be performed "...for each municipality that is a county, township, village, city, or authority that provides essential services..." (MCL 123.1354(2))

Q5. How will the Essential Services Distribution be calculated?

A5. Visit Treasury's Personal Property Tax Reimbursements website for the informational document regarding the Essential Services Distribution Calculation:
http://www.michigan.gov/documents/treasury/Local_Community_Stabilization_Share_Revenue_Essential_Services_Distribution_Calculation_06_16_16_526866_7.pdf

Q6. How does a county, township, village, city, or authority, that provides essential services, request reimbursement for Local Community Stabilization Share Revenue?

A6. Municipalities do not need to submit a specific request for reimbursement.

However, for a county, township, village, city, or authority where the general operating millage is used to fund essential services (i.e. police, fire, ambulance, or jail services), the Michigan Department of Treasury is requesting that the municipality complete Form 5448 - FYE 2012 Percentage of General Operating Millage Used to Fund Essential Services. This form will be used to calculate the portion of the general operating millage that is used to fund essential services. The completed Form 5448 is due by July 15, 2016.

For a county, township, village, city, or authority with operating and debt millages levied 100% to fund essential services (i.e. police, fire, ambulance, or jail services), the Michigan Department of Treasury will be calculating the Local Community Stabilization Share Revenue Essential Services Distribution based on personal property exemption loss and millage rate information provided by the county equalization director and assessor. No separate claim is required to be filed.

Q7. Who is responsible for completing Form 5448?

A7. The Form 5448 – FYE 2012 Percentage of General Operating Millage Used to Fund Essential Services can be completed by any government official. However, the municipality may want to consider having the form completed by an individual familiar with the municipality's financial information such as a finance director or controller.

If a municipality does not complete and submit Form 5448, the Local Community Stabilization Authority Act, 2014 Public Act 86, requires that "...the department [of Treasury] shall calculate each municipality's percentage of general operating millage used to fund the cost of essential services in the municipality's fiscal year ending in 2012..." (MCL 123.1354(2)(d)) The Michigan Department of Treasury will calculate the municipality's percentage based on the audited financial report and/or F65 report. However, the municipality has access to more detailed information in order to perform the calculation.

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Q8. Is there a penalty if a municipality does not file Form 5448 – FYE 2012 Percentage of General Operating Millage Used to Fund Essential Services and the Michigan Department of Treasury performs the calculation?

A8. No. If a municipality does not complete and submit Form 5448, the Local Community Stabilization Authority Act, 2014 Public Act 86, requires that "...the department [of Treasury] shall calculate each municipality's percentage of general operating millage used to fund the cost of essential services in the municipality's fiscal year ending in 2012..." (MCL 123.1354(2)(d)). The Michigan Department of Treasury will calculate the municipality's percentage based on the audited financial report and/or F65 report. However, the municipality has access to more detailed information in order to perform the calculation.

Q9. What millage rate will the Michigan Department of Treasury use to calculate the Essential Services Distribution?

A9. The Local Community Stabilization Authority Act, 2014 Public Act 86, indicates that the essential services distribution should be calculated using the general operating millage rate and the essential services millage rate(s) calculated under Section 13(5) of the Act.

"The department shall calculate and make available to each municipality by May 1 of each year that municipality's sum of the lowest rate of each individual millage levied in the period between 2012 and the year immediately preceding the current year...." (MCL 123.1353(5)).

The millage rate comparison reports can be found on the Michigan Department of Treasury's website, under the "Millage Rate Comparison Reporting Requirement" heading:
http://www.michigan.gov/taxes/0,4676,7-238-43535_72736-358296--,00.html.

Q10. For a given municipality, essential services expenditures are funded 100% through extra-voted millage(s). Additionally, the revenues collected from these extra-voted millage(s) are used solely to fund essential services. The general operating millage does not fund essential services.

- 1. How should the municipality complete Form 5448 – FYE 2012 Percentage of General Operating Millage Used to Fund Essential Services?**
- 2. Is the municipality eligible to receive an Essential Services Distribution for the extra-voted essential services millage(s)? If so, how does the municipality report the extra-voted essential services millage(s)?**

A10. 1. Complete Part 1 and Part 5 of Form 5448 – FYE 2012 Percentage of General Operating Millage Used to Fund Essential Services and include a note on the form that "No FYE 2012 essential services expenditures were funded by the general operating millage."

2. Yes. The municipality is eligible to receive an Essential Services Distribution for the extra-voted essential services millage(s). The municipality has already reported the millage rate(s) to the Michigan Department of Treasury by filing Form 614 – Tax Rate Request (i.e. L-4029). There is no additional reporting that the municipality needs to complete.

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Q11. A municipality has extra-voted millage that is used in part, less than 100%, for essential services. How should the municipality calculate and report this percentage to Treasury?

A11. Complete an additional Form 5448 – FYE 2012 Percentage of General Operating Millage Used to Fund Essential Services for each separate millage that is used in part, less than 100%, to fund essential services.

In the Local Unit Name field of Part 1, include the name of the extra-voted millage after the local unit name (i.e. City of ABC – Public Safety Millage). When completing Part 2 and Part 3 replace the words “general fund” with the name of the separate fund where the extra-voted millage is deposited (i.e. “public safety fund”).

Therefore, a municipality with an extra-voted millage that is used in part, less than 100%, to fund essential services will complete at least two Forms 5448 – FYE 2012 Percentage of General Operating Millage Used to Fund Essential Services; one for the general fund and one for the separate fund where the extra-voted millage is deposited.

Q12. Are millages not used for essential services eligible for reimbursement?

A12. Yes. Under the Local Community Stabilization Authority Act, 2014 Public Act 86, beginning for calendar year 2016, all millages, both operating and debt, are eligible for reimbursement.

Q13. A given municipality only provides short-term jail operations in-house and contracts with another municipality to provide long-term jail operations. Is the municipality eligible to report the contracted jail expenditures under Part 2 of Form 5448 – FYE 2012 Percentage of General Operating Millage Used to Fund Essential Services?

A13. Yes. The municipality that is paying for the contracted jail operation services may report the expenditures under Part 2 of Form 5448 – FYE 2012 Percentage of General Operating Millage Used to Fund Essential Services as long as those expenditures are funded by the general fund.

The municipality that is providing the jail operation services and receives the payment should report the contract revenue on Line 3 of Part 2 and Line 14 of Part 3 of Form 5448 – FYE 2012 Percentage of General Operating Millage Used to Fund Essential Services, assuming the contract revenue is recorded in the general fund.

Q14. Can a municipality calculate the percentage of general operating millage used to fund the cost of essential services using a fiscal year end other than 2012?

A14. No. The Local Community Stabilization Authority Act, 2014 Public Act 86, requires that “...the department [of Treasury] shall calculate each municipality’s percentage of general operating millage used to fund the cost of essential services in the municipality’s fiscal year ending in 2012...” (MCL 123.1354(2)(d))

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Q15. A municipality is only required to complete an audit biennially. If a municipality does not have an audited financial report for the fiscal year ending 2012,

- 1. how should the municipality calculate the percentage?**
- 2. how will the Michigan Department of Treasury calculate the percentage?**

- A15.
1. The municipality should calculate the percentage of general operating millage used to fund the cost of essential services based on the municipality's unaudited financial information for the fiscal year ending in 2012.
 2. The Michigan Department of Treasury will contact the municipality to obtain unaudited financial information for the fiscal year ending in 2012.

Q16. A municipality changed its fiscal year in 2012. Therefore, the fiscal year was a time period other than 12 months. How should the municipality calculate the percentage of general operating millage used to fund the cost of essential services in the municipality's fiscal year ending in 2012?

- A16. The municipality should calculate the percentage of general operating millage used to fund the cost of essential services in the municipality's fiscal year ending in 2012 by completing Form 5448 – FYE 2012 Percentage of General Operating Millage Used to Fund Essential Services. The Local Community Stabilization Authority Act, 2014 Public Act 86, only allows for a municipality to use the fiscal year ending in 2012, regardless of the length of the fiscal year.

Q17. Will municipalities be required to annually file Form 5448 – FYE 2012 Percentage of General Operating Millage Used to Fund Essential Services?

- A17. No. The Local Community Stabilization Authority Act, 2014 Public Act 86, provides that "...each municipality's percentage of general operating millage used to fund the cost of essential services in the municipality's fiscal year ending in 2012..." will be used in the calculation of each municipality's distribution each year. (MCL 123.1354(2)(d))

Q18. What revenues should be reported as "restricted" revenues on lines 3, 14, and 15 of Form 5448 – FYE 2012 Percentage of General Operating Millage Used to Fund Essential Services?

- A18. Revenues should be reported as restricted when constraints placed on the use of resources are either:
- a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
 - b) Imposed by law through constitutional provisions or enabling legislation.

An example of a revenue that is restricted is a federal/state grant. An example of a revenue that is not restricted is state revenue sharing.

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Q19. A municipality did not have any taxpayers file a Form 5278 – Affidavit and Statement for Eligible Manufacturing Personal Property and Essential Services Assessment. Does the municipality still need to complete Form 5448 – FYE 2012 Percentage of General Operating Millage Used to Fund Essential Services?

A19. Yes. The completion of Form 5448 – FYE 2012 Percentage of General Operating Millage Used to Fund Essential Services is unrelated to the Form 5278 – Affidavit and Statement for Eligible Manufacturing Personal Property and Essential Services Assessment. Form 5448 is used in the calculation of the Essential Services Distribution to municipalities. Form 5278 is used to exempt eligible manufacturing personal property from personal property tax and to calculate the Essential Services Assessment to be levied on the taxpayer.

Q20. Why is the calculation of the percentage not simply general fund essential services expenditures divided by general operating millage revenue?

A20. Once general operating millage gets deposited into the general fund, it loses its source identification and can be used for any purpose. Assume that the general fund essential services expenditures are entirely financed by unrestricted general fund revenue and equal 40% of total general fund expenditures financed by unrestricted general fund revenue. Therefore, 40% of general operating millage revenue and 40% of every other unrestricted general fund revenue are spent on essential services expenditures.

Q21. If a municipality does not have a Personal Property Exemption Loss in calendar year 2016, is it necessary to calculate the percentage of general operating millage used to fund essential services?

A21. Yes. The Local Community Stabilization Authority Act, 2014 Public Act 86, requires the calculation of “...each municipality’s percentage of general operating millage used to fund the cost of essential services in the municipality’s fiscal year ending in 2012...” (MCL 123.1354(2)(d))

The calculated percentage will be used in future years to calculate the municipality’s essential services distribution, if the municipality has a personal property exemption loss in the future.