

The Issue:

Revenue sharing is one of two primary funding sources local governments rely on to provide core services to residents. It ensures we can keep our communities safe and secure, provide safe drinking water, maintain parks, and be attractive to small businesses and entrepreneurs. Unfortunately, even with recent increases, this important funding

stream is hundreds of millions of dollars less annually than it was in the late 90s. This places undue pressure on local governments to continue identifying funding sources to provide core services. It is time to change this dynamic by creating a system that protects and provides predictability for local units of government.

The Policy:

All state shared revenue for local units of government should be secured utilizing a trust fund model. Additionally, those resources should be calculated based on a percentage of sales tax collected allowing resources to rise and fall with economic change.

- Amend the Michigan Trust Fund Act to establish a Revenue Sharing Trust Fund within the Department of Treasury.

- Amend the General Sales Tax Act to require the Department of Treasury to deposit 8.7% of the money received and collected from the tax imposed at a rate of 4% into the newly created Revenue Sharing Trust Fund.
- Beginning on October 1, 2025, the State Treasurer would have to transfer and disburse money received by the Revenue Sharing Trust Fund from sales tax revenue.

Making the Case:

Michigan's local governments had 21,950 fewer employees in 2022 than they did in 2002. Twenty-five percent of all jobs lost were public safety related. On average, local units lost one out of every six staffers over that period. Today, the state is providing 51% less revenue sharing to cities, villages, and townships than they were in 2002.

While Michigan communities have faced capacity constraints, revenue loss, and stagnant growth, all but one state has outpaced us in growth.

Providing a secure and stable funding source through the Revenue Sharing Trust Fund does more than just make sure municipalities can balance their books. It is an investment that helps maintain the infrastructure that keeps our economy running, provides the jobs that keep our communities safe and secure, and creates opportunities to foster great places that attract and retain talent. This is an investment worth making if we want a growing and prosperous Michigan.