michigan municipal league | thriving communities

The League's 2025-26 Legislative Priorities to Foster Thriving Communities

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Michigan's Next Opportunity for Thriving Communities

The future of Michigan relies on creating thriving communities across the state. From downtowns to small towns, farm towns to beach towns, local leaders are working to create vibrant places that offer a great quality of life. These are communities with values that create deep connections between people and places. They invite people to visit and to stay, to make a home, to start a business, and to invest in Michigan.

Our state's prosperity rests on the sum of these local successes, and Michigan must support its communities with the necessary tools. Our residents depend on high-quality local infrastructure and services. Roads, drinking water, and public safety support them in pursuing their own best lives.

Michigan's economic development needs healthy local housing markets and flourishing business districts. Creating these is the pathway to a thriving community in Michigan.

It is time for our state to step up. Past decades of state policy decisions have left our communities to work in the face of financial strains and growing limitations. The results are clear: an aging population, a last-in-the-nation growth rate, and a dwindling workforce. For Michigan to change its trajectory, it must choose a better policy path that supports the efforts happening on the ground and around the state.

The League offers the following policy actions as initial steps to begin rebuilding solid foundations for thriving communities and Michigan's road to growth.

2025-26 Legislative Priorities

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Revenue Sharing Trust Fund

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.

Addressing the Interaction Between Headlee and Proposal A

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The Issue:

Michigan is somewhat unique in that we have not one, but two constitutional limitations on property taxes. The combination of the two has created a dysfunctional system in need of legislative attention.

The 1978 Headlee Amendment is applied on a community wide basis and adjusts maximum millage rates up or down based on inflation via a millage reduction fraction.

Proposal A, adopted in 1994, limits value growth on a parcel-by-parcel basis to the rate of inflation or 5%, whichever is less, and introduced taxable value as the basis for taxation.

More importantly, it created the "pop-up" upon sale of a house and included those values into the millage reduction fraction calculation.

When Proposal A was approved, its subsequent implementation legislation eliminated this self-correcting mechanism provided for by Headlee. Therefore, millage rates no longer track with the economy. Additionally, the popped-up values were included in the calculation of the millage reduction fraction. This artificially inflates overall property tax growth and often triggers a Headlee rollback. This effectively negates the deferred growth from the sales as was provided for by Headlee.

The Policy:

The fix is simple and straightforward: Restore Headlee roll-ups and remove the pop-up from the calculation of the millage reduction fraction.

- Removal of the roll-up provision was not a part of the constitutional amendment voted on by the people, and legislative restoration of the "roll-up" provision of Headlee would provide important protection for the future of our communities by tracking with the economy.
- Ensure communities can capture the full value of deferred growth when a property sells by removing the popped-up values from the millage reduction fraction calculation.

Making the Case:

The current structure of Headlee and Proposal A lock local government into recession long past the recovery of the general economy, and often permanently. After adjusting for inflation, 55% of Michigan cities and townships still have total taxable values below their 2009 total taxable values.

Independently, these constitutional measures are well intended. When statutorily intertwined, they are failing to achieve their intent to balance the financial need of provided services at the local level, while not placing an extreme burden on the taxpayer. Instead, their interaction has steadily eroded the public services that Michigan residents rely on. By decoupling the pop-up from the millage reduction fraction and restoring the original provisions of the Headlee amendment, we can preserve the intent of these constitutional provisions in a way that benefits both people and the places they live.

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Neighborhood Roads Fund

The Issue:

The need for new resources to fund our roads, bridges, and transit systems has been well documented over the years. Recently, the state has been able to use its bonding authority to pump billions into fixing state roads.

Additionally, the Infrastructure Investment and Jobs Act provided billions more to fix state and local roads but only those that are federal aid eligible. While these new resources are helpful, our neighborhood roads that millions of Michigan residents live and rely on have been left behind.

The Policy:

Create a Neighborhood Roads Fund where funding generated by a "Retail Delivery Fee" would be specifically dedicated to fixing residential and neighborhood streets.

- A Retail Delivery Fee of 50 cents would be imposed on all deliveries by motor vehicle. This would be to any location in Michigan with at least one item of taxable, tangible personal property subject to state sales or use tax. It would include items such as appliances, electronics, flowers, food (groceries and takeout), and furniture.

- Any retailer licensed to make sales in Michigan must collect the retail delivery fee on all deliveries made by motor vehicle to a location in Michigan. This includes brick-and-mortar retailers, eCommerce sellers, grocery stores, and restaurants. Deliveries of business-to-business retail sales are also subject to the fee, but wholesale transactions would be exempt.

- A business that has $500,000 or less of retail sales in the prior year or is new would be exempt from the retail delivery fee.

Funds would be distributed to local road agencies based on the number of centerline miles of non-federal aid eligible roads classified as "Local Roads" within cities and villages, or as "County Urban Local Miles" for county road agencies. A retail delivery fee of 50 cents would be expected to generate approximately $275 million in new revenue for our neighborhood roads.

Making the Case:

Neighborhood streets are the critical first mile on our road system. City and village streets carry 3.2 billion vehicle miles a year, as well as countless trips by those using non-motorized means. These streets are vital to our residents' quality of life and our communities' quality of place. They help us get to and from work, school, the park, or the coffee shop. They enhance our social experience by acting as connectors to the people and places we enjoy. Ensuring these streets are adequately funded serves Michiganders both at home and every time they leave it.

Home delivery traffic is rapidly increasing on our neighborhood streets. According to Pitney Bowes, an estimated 165 parcels are delivered to the average household in 2023. That means we will see 660 million parcels delivered using Michigan streets, plus grocery, restaurant, and other delivery trips.

The eCommerce sector is expected to continue rapid expansion with a predicted growth rate of 68% in the next five years, creating more residential traffic impacts. A retail delivery fee would connect this fast-growing traffic segment to the local streets it uses.

Continue Funding for the Revitalization and Placemaking (RAP) Program

The Issue:

The RAP Program allows local communities to partner with the state to proactively address revitalization needs by investing in projects that promote population and tax revenue growth. These investments help create the environment necessary to attract and retain talent, add new housing options, enable business creation and attraction, and provide resources for Michigan citizens and communities. Funding for the program runs through September 30, 2026.

The Policy:

Utilize a portion of the corporate income tax to annually provide $50 million to support the RAP Program in perpetuity.

- Continue ongoing investment in RAP to utilize existing funding that leverages private market capital and allows access to gap financing for:
  - Place-based infrastructure development.
  - Real estate rehabilitation and development, including housing projects.
  - Public space improvements.

Making the Case:

The Revitalization and Placemaking grant program was created in 2022, using federal ARPA funds to continue Michigan's investment in the combination of public infrastructure and private development that creates great places. The first two rounds saw $183 million in RAP investment in local priorities like housing, storefronts, and streets. From the rehab of the long-vacant historic Baker Building in downtown New Baltimore into homes and storefront space, to new construction of the mixed-use Winsor Place on surplus village property in Spring Lake and the award-winning reconstruction of downtown Houghton's Lakeshore Drive, RAP funding has unlocked investment in communities around the state.

The state received $909 million worth of applications for RAP in those initial rounds, which would leverage an even larger amount of private and local funding. The existing RAP funding has only been able to tap one-fifth of this total potential investment in Michigan communities.

To address this demand, Michigan's ongoing reinvestment needs reliable long-term funding tools. Urban Land Institute's "Emerging Trends in Real Estate 2025" shows that construction costs—up 30 to 40% from pre-pandemic costs—combined with higher interest rates are the biggest concerns limiting the outlook for development in future years. While funding used for RAP to date is a temporary funding source, the increased costs appear to be a long-term reality, and the appetite for place-based investment remains strong. The first round of RAP in 2022 was able to fund only 26 of the 185 applications submitted.

Employer Housing Tax Credit

The Issue:

Michigan is in a housing crisis. Access to housing is fundamental to thriving communities and healthy families. Within the current toolbox of incentives and programs, there is nothing to support employers who engage in a meaningful way to support their employees accessing housing near their workplace. Housing is a reason many employers have job offers go unfilled.

The Policy:

Allow employers to claim an income tax credit equal to 50% of the total eligible contributions they make toward investing in housing during the tax year. The contributions would only be eligible for housing that assists employees whose adjusted household income is not more than 120% of the area median income as determined by the Michigan State Housing Development Authority. Employers would have no control over the employee's housing after the contribution is made.

Eligible contributions could include, but not be limited to:

- Support to a local/regional housing trust.
- Down payment assistance.
- Reduced interest mortgages.
- Rental subsidies.
- Mortgage guarantee program.
- Donation of land.
- Equity position in an attainable housing project.

Making the Case:

Housing costs have soared over the past decade, with the hard costs of housing construction—i.e. materials and labor—rising over twice as fast as the consumer inflation rate. These rising housing costs are a major part of families' financial stress: one in five Michigan homeowners and half of Michigan renters are paying more than they can afford for housing, and the United Way estimates that 41% of Michigan households don't earn enough for a basic essentials budget.

Housing costs also limit Michigan's economic growth. With high housing costs limiting labor mobility post-COVID, a survey of Michigan small business owners found hiring challenges to be their top challenge to growth. Employers and business groups recognize the housing-to-hiring connection, and a University of Michigan survey in 2023 found that employers in 17% of Michigan communities are already providing employee housing assistance or are interested in providing support.

Providing a tax credit to employers who invest in workforce housing could expand this practice, activating additional private dollars to address housing needs and expand workforce availability, while allowing local communities and businesses to target housing partnerships to their specific needs.

Protecting Locals' Ability to Regulate Short-Term Rentals

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The Issue:

Stripping a local unit of government's right to regulate non-residential land use in our residential neighborhoods is detrimental to thriving communities. While short-term rentals should be an option for lodging and are an important part of Michigan's tourism economy, they need to fit within the unique context of individual neighborhoods where they operate. A local unit of government must have the ability to balance the housing needs of their community to ensure critical long-term housing is met for residents and businesses seeking employees.

The Policy:

Create a "Short-Term Rental Regulation Act" as instruction to local units of government, short-term rental platforms, and short-term rental investors/owners.

- Municipalities would maintain the ability to regulate short-term rentals while not being able to ban or have a regulation with the effect of totally prohibiting them in a community.
- Create a statewide short-term rental database ensuring compliance with requirements of the act and collection of sales and excise tax.
- Institute a 5% excise tax on all short-term rentals, creating parity with traditional lodging rentals.
  - A portion of the tax would go back to the local unit of government where the short-term rental is located to assist with the increased strain to local infrastructure, public services, and public safety costs.
  - A portion would go back to the department responsible for administering the act.
  - A portion would go to assist in the funding of the Pure Michigan campaign.

Making the Case:

Home ownership is one of the best ways to generate wealth, but far too often it is unattainable due to soaring costs and lack of supply. There are several contributing factors leading to these barriers, and a seismic shift in the short-term rental market is one of them.

Since the end of 2022, the number of active short-term rental listings in Michigan has increased by 67%, and over that same time the median home price has increased by 22%. With the majority of these short-term rentals being commercially operated, valuable housing stock is lost, driving up the demand and price for single family homes.

Communities must maintain the authority to help meet the needs of current and prospective residents, job seekers, and employers, while being welcoming to visitors.

Supporting the Short-Term Rental Regulation Act is a responsible way to allow local elected officials to be responsive to the needs of their community. It would also mitigate residents' burden by covering the public cost of tourism, and ensure we can continue to promote great places to visit across Michigan. Notably, it will not exacerbate the state's current housing crisis.

Michigan Mobility Trust Fund

The Issue:

The availability of public transit plays a key role in community and individual health. In Michigan, urban and rural areas that lack access to reliable public transit see significant economic impacts through increased barriers to employment, educational opportunities, health care, and childcare. Additionally, an absence of robust transit options limits a state's ability to attract and retain talent and job creators. While other states and communities have made significant efforts to utilize investment in reliable transit options for people and businesses, Michigan has fallen behind.

The Policy:

Utilize a portion of the corporate income tax to annually provide $200 million to the Michigan Mobility Trust Fund to enhance and build robust transit options in Michigan.

The Michigan Mobility Trust Fund would support the development, expansion, or enhancement of the following:

- High-capacity public transportation, such as a rapid rolling transit system, commuter rail, or intercity rail transportation.
- Regional or multijurisdictional public transportation that connects major population, employment, educational, health care, or other activity centers.
- Innovative and flexible public transportation intended to meet mobility needs in lower density areas for first- and last-mile transportation solutions, or for other specialized public transportation purposes.

Making the Case:

Public transit remains the primary mobility option for non-drivers and is critical infrastructure for personal freedom of travel, quality of life, and economic development in Michigan. Surveys of college students and college-educated young adults routinely identify high-quality public transportation access as an amenity they look for in choosing a place to live. For lower-income households, car ownership consumes over one-third of after-tax income, and 22% of Michigan residents do not hold a driver's license, due to age, cost, or disability.

Michigan is failing to provide adequate transit options for our residents, whether as a talent attraction amenity or as lifeline access to basic needs. Michigan ranks in the bottom half of states by various transit access measures, with major gaps in access across the state: the AllTransit index shows that in 59 Michigan counties the average resident can access 0 jobs by transit.

Michigan's lack of transit options pushes away current and potential residents who have the economic mobility to choose to live in other states, while Michiganders caught in the squeeze between the high cost of driving and the lack of other options find themselves forced to drive regardless. Even after recent insurance cost reforms, the Insurance Research Council estimates that one in seven Michigan drivers is uninsured. Increasing Michigan's investment in transit would help close these gaps, offering better access to safe and affordable options.

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Stormwater Management Utility Act

The Issue:

Protection of property, public health, and the environment is a critical function of state and local government. Science, experience, and engineering all reveal this outcome cannot be achieved without investment in managing stormwater to minimize property damage, public health risks, and persistent water quality problems in lakes and rivers. More frequent and intense storms make this investment more vital than ever. Unfortunately, despite the unique water resources vital to our economic prosperity, Michigan is far behind. Investment in the management of storm sewer systems continues to be severely compromised by the risk of major financial exposure from lawsuits.

The Policy:

Create the "Stormwater Management Utility Act" as guidance for local units of government should they utilize their existing authority to establish a stormwater management utility.

- Codify a formal approach to planning, funding, and managing stormwater infrastructure in the event the local unit of government decides to set up a stormwater management utility.
- If a local unit of government decides to create a stormwater management utility, they must adopt a stormwater management plan and a stormwater management utility fee ordinance. The ordinance would need to include details about the utility's service area and the method for calculating the fee.
- Ensure the stormwater utility is administered and funded separately from revenues in a general fund, ensuring a dedicated revenue source for the expense of stormwater management.
- Funds could only be used for the cost of municipal services that are directly related to the management and treatment of stormwater.

Making the Case:

The need for adequate stormwater infrastructure is becoming increasingly critical as Michigan's annual precipitation increases. The past decade has been 12% wetter than the historical average, and heavier storm events mean that an estimated 315,000 Michigan properties are considered at substantial risk of catastrophic flooding by the insurance industry. That is 2.5 times more than on existing FEMA flood maps.

The American Society of Civil Engineers has given Michigan's stormwater infrastructure a "D" grade, noting that an estimated $1 billion per year is needed to bring existing local systems into good condition. They note that Michigan is "far behind its neighbors in the development of enterprise funds for municipal stormwater systems."

Stormwater utilities are a common model nationally for allowing local communities to design and fund appropriate systems for their stormwater needs. This is especially true among our Great Lakes neighbors like Ohio, Indiana, and Wisconsin. Each has over 100 local storm utilities, and Minnesota has 229.

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The Michigan Municipal League is dedicated to making Michigan's communities better by thoughtfully innovating programs, energetically connecting ideas and people, actively serving members with resources and services, and passionately inspiring positive change for Michigan's greatest centers of potential: its communities.

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