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Revenue Sharing Testimony – Senate General Government Subcommittee

Chairman Stamas and members of the subcommittee,

Thank you for the opportunity to provide input on behalf of the more than 520 cities and villages throughout Michigan about the critical importance of revenue sharing as a necessary component of providing local services to all our residents.

As you finalize your work on Senate Bill 855, the General Government budget, I want to take a few moments to urge your support for a robust revenue sharing appropriation that does not take a step backwards, as the Executive Recommendation proposes, but makes funding local services, like police, fire, roads, and vibrant communities, a budget priority.

As you have heard me testify previously, the revenue sources available to local units of government are extremely limited, with nearly three-quarters of local revenue coming from only two sources…property taxes and revenue sharing. The severe drop in property values during the recession coupled with the more than $8 billion cumulative underfunding of state revenue sharing has caused great stress on municipalities around the state.

Even with the state's recent economic recovery, the disconnected financing system that local governments operate under has prevented our communities from sharing in that turnaround. Growth in the Constitutional portion of revenue sharing, while helpful, has not been consistent and has not made up for the greater losses that Statutory (CVTRS) revenue sharing sustained during the recession. Local governments remain more than $300 million annually below their previous combined levels and according to the House Fiscal analyst in recent testimony, are only being funded "at about one-third of what is prescribed by law" on the statutory side.

This budget provides each of you with an opportunity to reverse the trend of the past decade and begin to reinvest in our municipalities, supporting strong, vibrant communities that will retain talent and attract job providers.

Revenue sharing should not be treated as a discretionary appropriation. It is a critical source of funding for local services that is a replacement for local taxing authority that was consolidated up to the state level. State budget cuts to revenue sharing during the recession came at the same time as property values dropped by an average of nearly 20% statewide and as high as 40-50% in some communities. This double whammy combined with skyrocketing employee pension and health insurance costs and rising infrastructure maintenance and investment needs exacerbated the problem. For most municipalities, revenue sharing accounts for the second- or third-largest revenue item in their budgets.

Managing increasing costs with less revenue and limited options for growth in that revenue have caused communities to reduce services, squeeze greater efficiencies from employees, cut and freeze wages and positions, and ask their taxpayers to pay more to simply maintain the services they rely upon.

Communities drive Michigan's economy. Many of you have heard the League talk about how 88% of Michigan's GDP is derived from our metropolitan areas. As communities are forced to cut back on services, delay critical maintenance in roads, sidewalks, and underground infrastructure, and forgo investments in quality of life assets, they become less attractive to talent and job providers. If we want to compete with other states for economic development projects, like the recent Amazon HQ2 proposal, we must create a financing system that promotes vibrant communities.

This Legislature made a statement within the current fiscal year budget by making an important down payment on restoring the revenue sharing cuts of the past decade. Today we ask you to again support your constituents and communities by maintaining the current-year funding levels for statutory (CVTRS) revenue sharing. Do not accept the Executive's proposal to eliminate the $6.2 million increase that was placed in this year's budget and make the funding of revenue sharing a priority investment for the future of Michigan.

Thank you for your consideration of this request and your interest in this key issue.

Chris Hackbarth
Director of State & Federal Affairs
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