



Revenue Sharing FY 2025

March 20, 2024/Lansing

MAC
MICHIGAN ASSOCIATION OF COUNTIES



Library of Michigan

CONSTITUTION

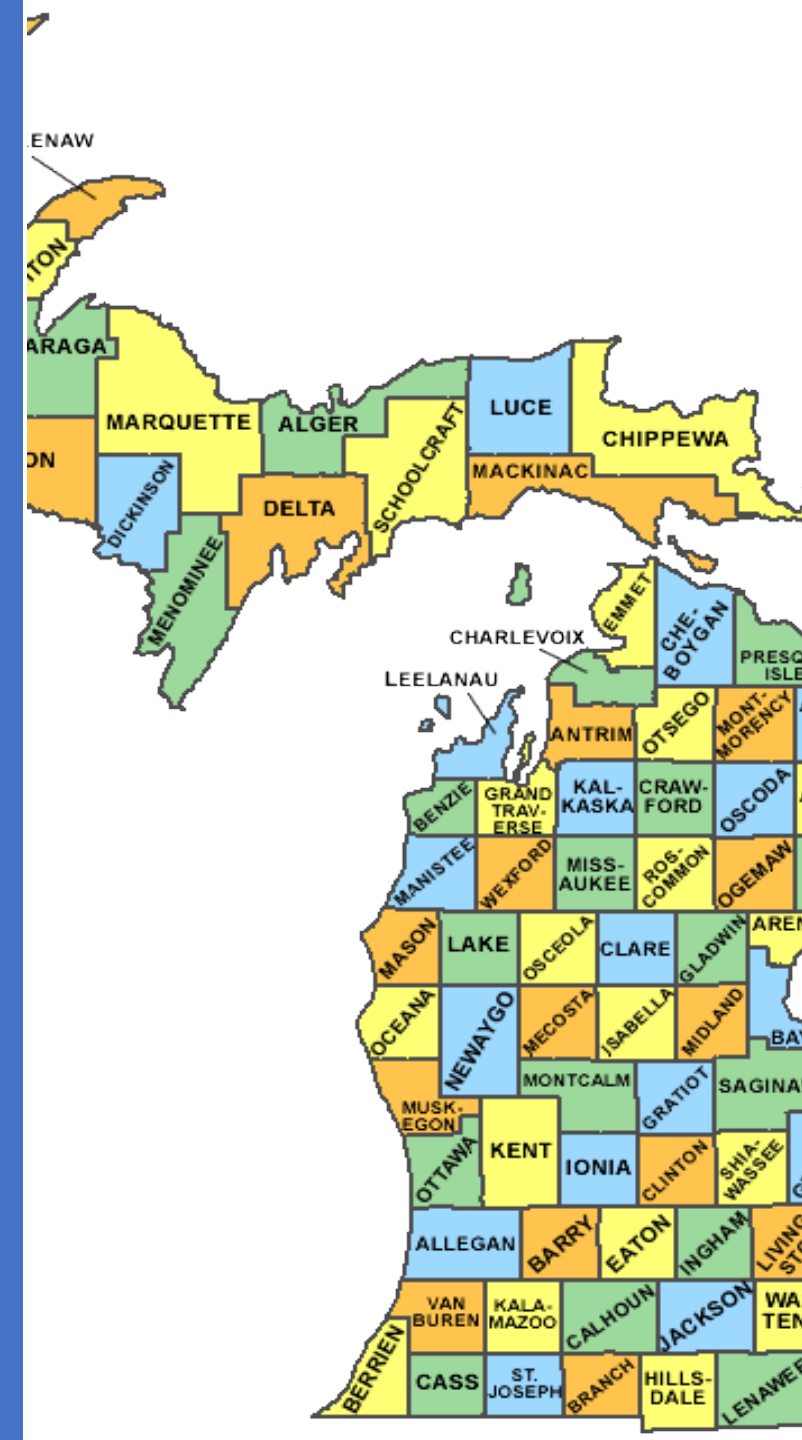
of the
State of Michigan
of 1963

(as amended)

1963 Constitution

Two major roles for counties

- Exist to extend some powers of state government throughout the state (For example, enforcement of criminal laws)
- Carry out programs that benefit primarily the local population (For example, health and welfare activities)

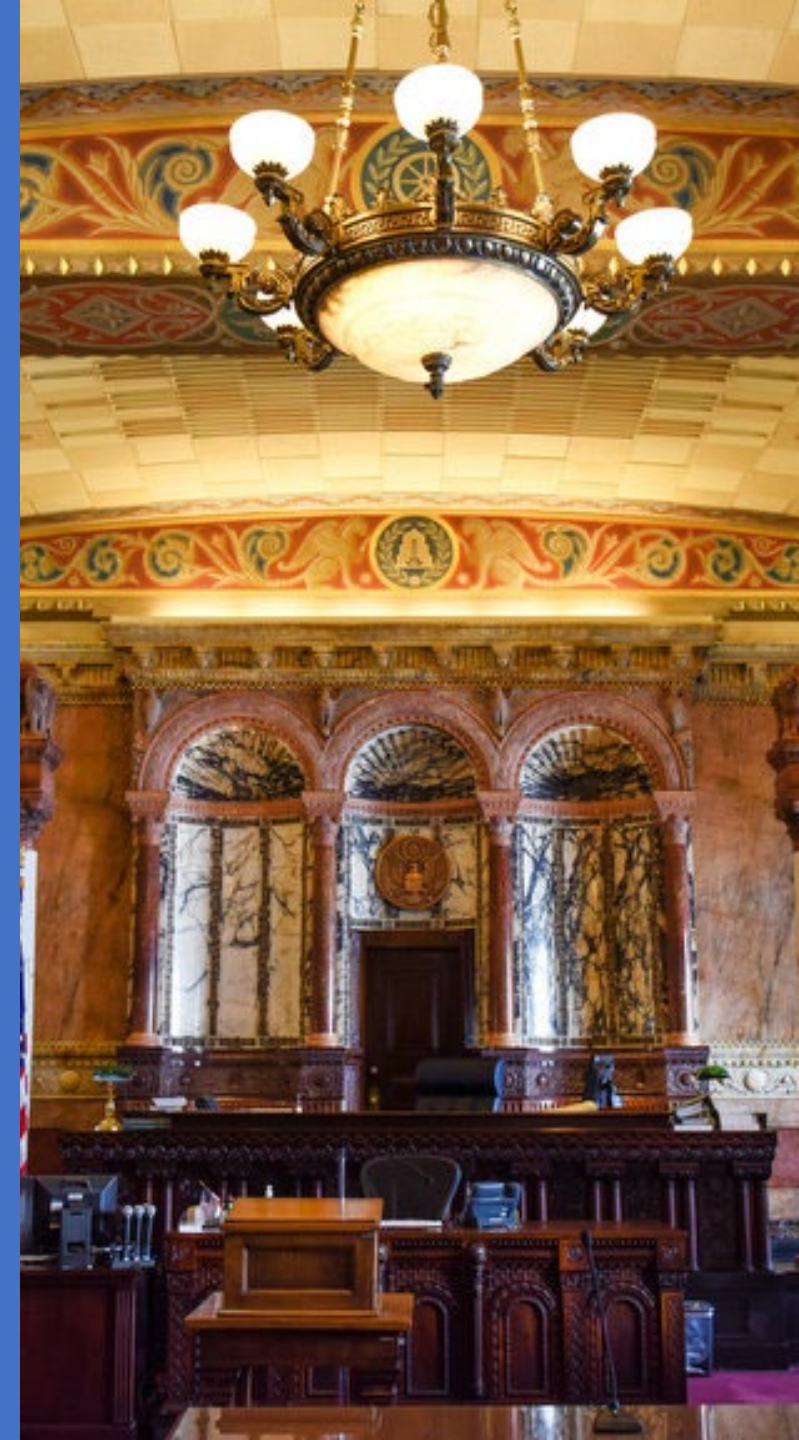




Counties = front lines

Counties are front-line agencies in providing social and public safety services

- Foster care
- Public health
- Circuit courts
- Jail operations
- Infrastructure
- Child welfare
- Juvenile justice
- Solid waste
- Animal shelters
- Mental health
- Veteran services
- Roads
- Medical care facilities
- Medical examiners
- Road patrol
- Environmental health



County Constitutional Officers



SHERIFF

CLERK

PROSECUTOR

DRAIN COMMISSIONER

TREASURER

REGISTER OF DEEDS

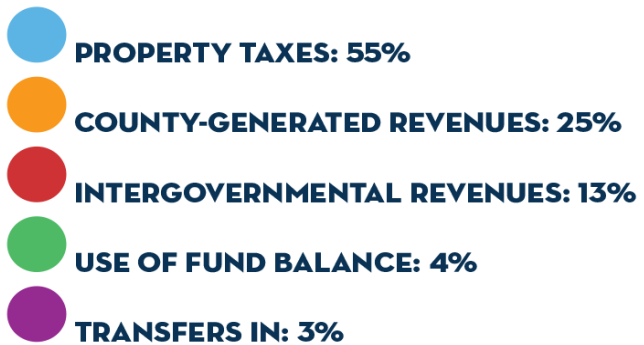
EXECUTIVE*

*Four counties (Bay, Macomb, Oakland and Wayne) provide for direct election of a county executive

Revenue Sharing



TYPICAL COUNTY BUDGET



County Budgets

- \$12.9B in total revenue (2021)
- 42,000 employees
- \$2.5B in payroll
- Uniform Budget and Accounting Act requires county to balance budget each year
- Budget includes restricted and unrestricted funds

Recent History



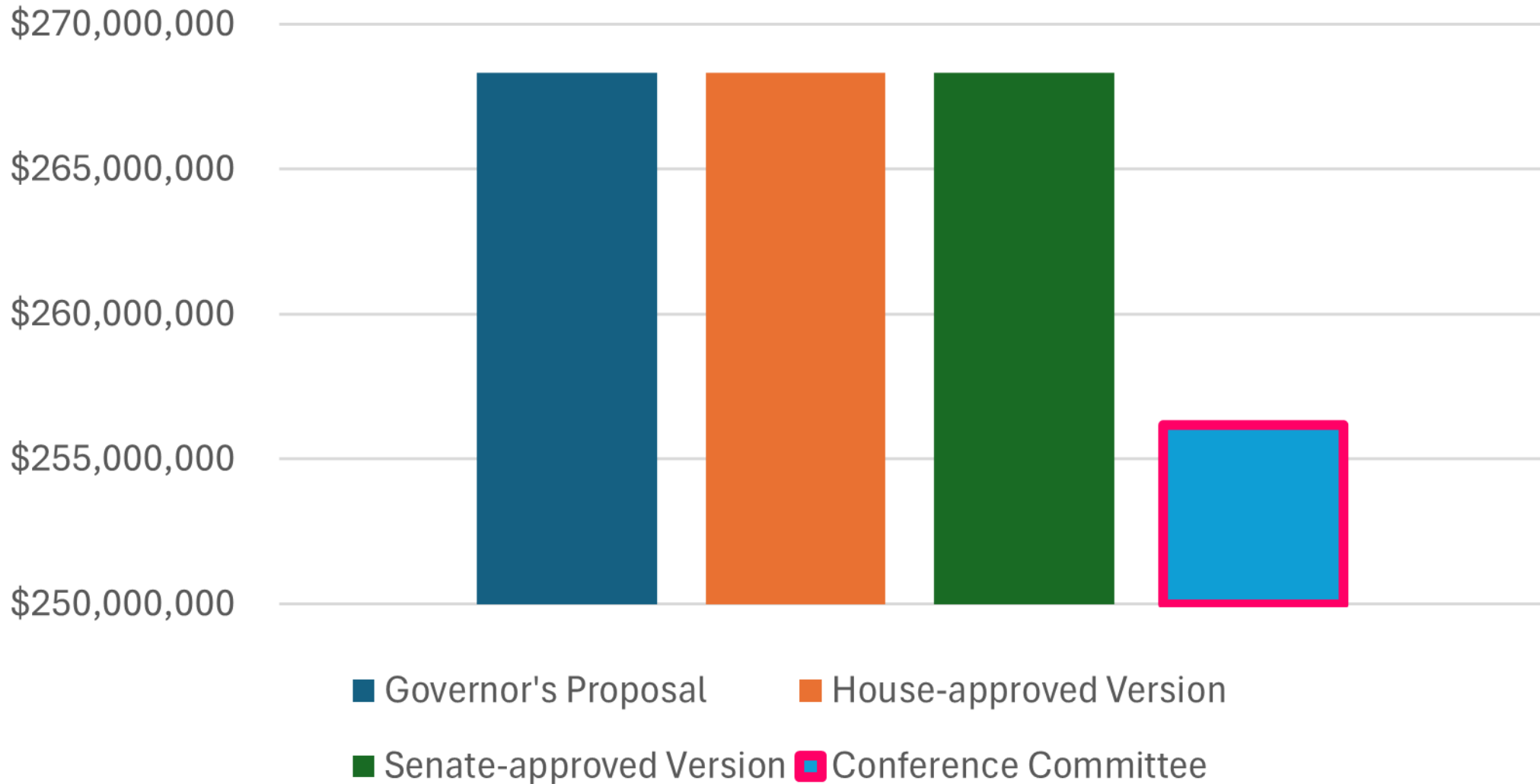
- 21st century = debacle
- 2004: Statutory revenue sharing payments to counties suspended
- Property Tax Reserve Fund = counties paying themselves
- State saves itself billions by not paying counties
- Statutory revenue sharing for CVTs slashed
- Constitutional revenue sharing for CVTs continues (grows with sales tax)

How It Operates Today

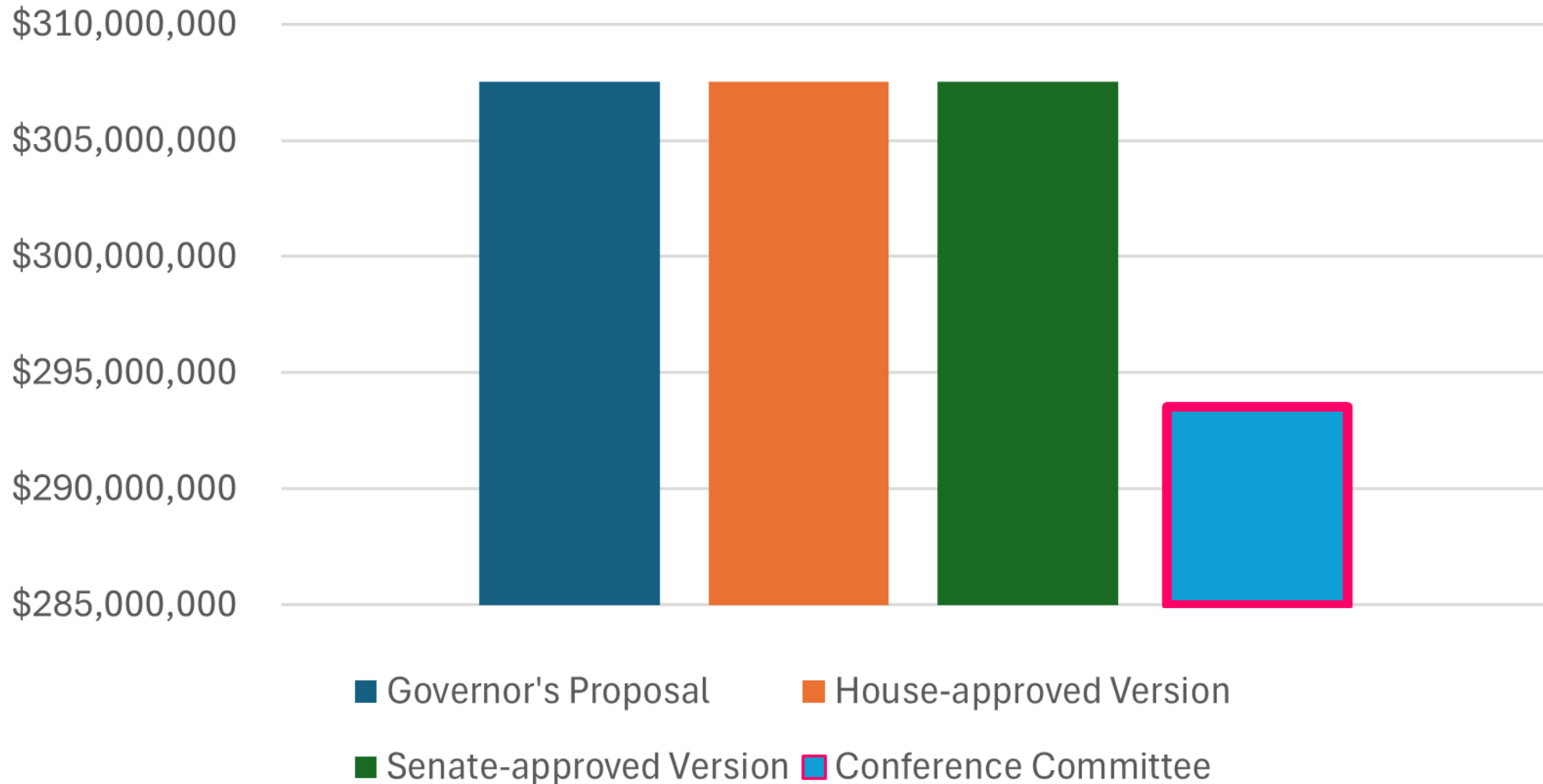


- “Full” and full
- 20 years after suspension, 83rd county rejoins system
- State deems “full” funding to be level at point county re-entered state formula – different for all counties
- No inflation adjustments
- FY24 revenue sharing = \$256M
- FY24 revenue sharing if state paid same as FY01 (adjusted for inflation) = \$398M

FY24 County Revenue Sharing



FY24 CVT Revenue Sharing



Trust Fund vs. Current Practice



Trust Fund (HBs 4274-75)

- House Bills 4274-75 (O'Neal/Tisdell)
- 8% of first 4 percentage points of sales tax
- Restore 1,091 townships and 44 villages to RS system
- FY25 estimates:
 - \$591.7M for Trust Fund ongoing
 - \$11M in one-time for public safety
 - \$602.7M total

Annual Appropriation

FY25 Executive Recommendation:

- \$577.2M ongoing
- \$27.5M one-time RS Payment for RS and Public Safety
- \$604.7M total

Requested Changes

Enacting Revenue Sharing Trust Fund bills ...

- Allows for a fair growth component to the formula
- Brings in all smaller units of local government
- Eliminates issue from conference talks
- Disposes of “full funding” misnomer
- Eliminates County Incentive Program line in boilerplate (unnecessary paperwork for Treasury, as all counties comply every year)



Reasons for Changes



Why?

Remember ...

- Revenue sharing was established as an alternative to local taxation
- Intended to share the revenue with local governments
- Has not kept up with the growth of state budget or inflation
- Counties serve 100 percent of state population but receive only a fraction of the unrestricted revenue sharing dollars allocated by state
- This should not be a zero-sum game but a true sharing of state revenue