Revenue Sharing Overview

Revenue sharing programs make State payments to cities, villages, townships, and counties. In FY 2016-17, the appropriations for revenue sharing programs are contained in Public Act 268 of 2016, Article VIII, within the Department of Treasury appropriation units for revenue sharing and one-time only appropriations.

Revenue sharing programs are either constitutional or nonconstitutional. The Michigan Constitution requires that 15.0% of sales tax collections from the sales tax levied at a 4.0% rate be paid to cities, villages, and townships (CVTs) on a per capita basis. Nonconstitutional revenue sharing consists of programs which provide formula distributions to eligible local governments and a grant program. The nonconstitutional programs which make formula distributions in FY 2016-17 to eligible local units consist of City, Village, and Township Revenue Sharing, County Revenue Sharing, and the County Incentive Program. Financially Distressed Cities, Villages, and Townships is a grant program funded for its third year in FY 2016-17. The revenue sharing programs are discussed briefly below.

Constitutional Revenue Sharing. The Michigan Constitution requires that 15.0% of the sale tax revenue received from the sales tax levied at a 4.0% rate be paid to CVTs on a per capita basis. Constitutional revenue sharing is the largest revenue sharing program, with estimated spending of $757.9 million in FY 2016-17.

Revenue Sharing for Cities, Villages, and Townships. The budget includes $248.8 million in FY 2016-17 to fund statutory revenue sharing for CVTs at the same level as in FY 2014-15 and 2015-16. Each CVT that was eligible for nonconstitutional revenue sharing in FY 2015-16 remains eligible for the same amount in FY 2016-17. These eligible CVTs are those that either received at least $4,500 in statutory revenue sharing in FY 2009-10 or have a revenue sharing population of more than 7,500. For CVTs that meet those eligibility criteria, the payment is the larger of 78.51044% of the amount of statutory revenue sharing received in FY 2009-10 or a payment of $2.64659 per capita.

To receive a payment, an eligible CVT must certify to the Department of Treasury that the CVT has satisfied accountability and transparency requirements established in budget bill boilerplate. The formula and requirements for this program are described in budget bill boilerplate (PA 268 of 2016, Article VIII, Sec. 952).

County Revenue Sharing and County Incentive Program. Revenue sharing payments to counties are made through two line items: County Revenue Sharing and the County Incentive Program. The total of payments from these two programs will pay 100.976% of the statutory payments due to eligible counties in FY 2016-17. In order for an eligible county to receive the full amount for which it is eligible, a county must comply with the accountability and transparency requirements for the County Incentive Program which are established in boilerplate.

A county that is eligible for State-paid revenue sharing is one that has completed withdrawals from its county revenue sharing reserve fund. The local revenue sharing reserve funds were established in 2005 by a one-time acceleration of county property tax collections. Each county was able to withdraw a specific amount from its revenue sharing reserve account in lieu of State-paid revenue sharing, until its revenue sharing reserve fund was exhausted. In FY 2016-17, 78 counties are projected to be eligible for State-paid revenue sharing for either a full or partial year.

Revenue sharing appropriations for counties total $217.3 million in FY 2016-17. This consists of $174.2 million for County Revenue Sharing and $43.0 million for the County Incentive Program.

Financially Distressed Cities, Villages, or Townships. This program provides $5.0 million in FY 2016-17 for grants to CVTs that show signs of probable fiscal distress as determined by the Department of Treasury. The grants are for projects that move an eligible CVT toward financial stability. The projects are developed with cooperation between the local government and Treasury for endeavors such as reduction in unfunded accrued liabilities, costs of transitioning to shared services, and maintenance of critical infrastructure owned and operated by a CVT. Grants are limited to $2.0 million per local unit.

Table 1 summarizes the revenue sharing appropriations for FY 2015-16 and FY 2016-17. Table 2 shows the use of one-time funds for revenue sharing appropriations in FY 2016-17. One-time appropriations for CVT revenue sharing have been included in six consecutive budgets. Constitutional revenue sharing is estimated based on the May 2016 consensus revenue estimates. Actual constitutional revenue sharing payments will be based on actual revenue collections.

Table 1

Revenue Sharing Appropriations
FY 2015-16 Year-to-Date and FY 2016-17 Initial

	FY 2015-16 Year-to-Date	FY 2016-17 Initial Appropriations	Difference	Percent Change
Constitutional	$745,791,000	$757,875,200	$12,084,200	1.6%
CVT Revenue Sharing	248,840,000	248,840,000	0	0.0
County Revenue Sharing	171,760,000	174,234,000	2,474,000	1.4%
County Incentive Program	42,940,000	43,033,500	93,500	0.2%
Financially Distressed CVTs	5,000,000	5,000,000	0	0.0
Total	**$1,214,331,000**	**$1,228,982,700**	**$14,651,700**	**1.2%**

Source: May 2016 consensus revenue estimates and P.A. 268 of 2016.

Table 2

FY 2016-17
Estimated Ongoing and One-Time Revenue Sharing Initial Appropriations

	Ongoing	One-Time	Total
Constitutional	$757,875,200	$0	$757,875,200
CVT Revenue Sharing	243,040,000	5,800,000	248,840,000
County Revenue Sharing	174,234,000	0	174,234,000
County Incentive Program	43,033,500	0	43,033,500
Financially Distressed CVTs	5,000,000	0	5,000,000
Total	**$1,223,182,700**	**$5,800,000**	**$1,228,982,700**

Source: May 2016 consensus revenue estimates and P.A. 268 of 2016.