Michigan Municipal League
Michigan’s Broken Municipal Finance System
What is happening to Michigan’s Cities, and why should you care?
The issues

Michigan’s municipal finance model is broken

• Municipal Funding doesn’t track with the economy
• Many problems cannot be fixed locally
• Not enough tools in the toolbox
• Need a 3 tiered approach
Local Government Budgets

- Public Safety & Judicial: 45.3%
- Financing Uses: 11.7%
- Public Works: 6.1%
- Health & Welfare: 2.6%
- General Government: 23.4%
- Other: 6.1%
- Recreation & Culture: 3.3%
- Economic Development: 1.6%

Source: Michigan Department of Treasury, 2018
The Fiscal Health of Michigan's Local Government

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Nearly 2/3 of the average municipal operating budget is funded by revenue from only two sources - property taxes and revenue sharing.
Local Government Revenue

2002:
- State Revenue Sharing: 19.6%
- Property Tax: 49.5%
- All Other Revenue: 30.9%
- Total Revenue: $2,823,275,000

2017:
- State Revenue Sharing: 13.9%
- Property Tax: 47.8%
- All Other Revenue: 38.3%
- Total Revenue: $2,486,000,300

11.9% Total revenue decline

* MI Treasury F-65 Data from 225 cities – Inflation Adjusted
Statutory Revenue Sharing

Statutory, EVIP, and CVT Revenue Sharing Payments to Cities, Villages, and Townships

FY20 budget still $53M below FY11 level

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Constitutional Revenue Sharing

Total Revenue Sharing Payments to Cities, Villages, and Townships

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$8.6 Billion
In Lost Revenue Sharing Since 2002
For Cities, Villages, Townships, & Counties

Lansing
$100,632,161

Kalkaska
$859,202

Kingsley
$693,135

Big Rapids
$8,650,774

Elk Rapids
$685,537

Mancelona
$864,751

Traverse City
$7,227,425

Thompsonville
$260,534

Ludington
$4,443,196

Detroit
$1,446,683,788

Grand Rapids
$128,093,809

Fraser
$7,239,488

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- Actual Taxable Value (TV)
- Inflation-adjusted TV (without Proposal A)

Source: Adapted from GLEC, 2016
Map created by mike62wilk

Source: Michigan Department of Treasury

Change in value, 2008-2016
- MORE THAN 20%
- 0 TO 20%
- 0 TO -20%
- -20 TO -40%
- MORE THAN -40%

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Headlee vs Proposal A

- Headlee Amendment (1978) limits a community’s property tax revenue growth to the rate of inflation.
- Proposal A (1994) limits an individual parcel’s assessed value growth to 5% or the rate of inflation, whichever is less.
- Unanticipated consequences during a recession – property values drop and community unable to recover.
Growth in Municipal General Revenue 2002 - 2012

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Change in Municipal Revenues From State Sources

50th


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Payroll Comparison 2002 - 2012

- State Payroll: 24.3%
- Cities, Villages, Twp, and County Payroll: 14.6%
- Municipal Payroll: 33.5%

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What do we do?

Costs
Structure
Revenues

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What can we do?

• Remove the conflicts between Headlee Amendment & Proposal A allowing local revenue to better track with the economy.

• Prioritize investment in Michigan communities by partnering with local government and systematically begin to restore revenue sharing.
What can we do?

• Provide more local funding options for locals to fund critical services & infrastructure.
• Equip local units with the tools to modernize legacy benefits.
• Reduce the cost of government by changing existing laws that discourage duplication of infrastructure & services.
Questions?