



michigan municipal league

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## MML Revenue Sharing Testimony to Senate General Government Appropriations Committee

Good morning Mr. Chairman and members of the committee, I am Summer Minnick, Director of State Affairs for the Michigan Municipal League, here today to testify on behalf of more than 530 communities, in support of the current budget proposal which calls for a 4% increase to statutory revenue sharing.

I've brought with me today copies of a power point slide developed by Plante & Moran which outlines the recent history between the State and local governments regarding revenue sharing payments. While the slide gives a great quick visual representation of how local units of government have been used to fill the State's budget holes over the past several years, I think it's important to go beyond the recent history and note that this arrangement we refer to as "revenue sharing" goes back to the beginning of the 20th century and isn't something that is a temporary handout, or grant/assistance program.

In fact, the whole basis for the funding was that it was more "efficient" for the state to levy one statewide tax in certain circumstances, than each local unit levying their own individual taxes....so the collection process was streamlined, and the revenues returned back to the locals in exchange for them losing local taxing authority. It was actually a contract for a streamlined collections process. And, over the years, when the state wanted to raise taxes, they often promised a portion of it be returned to local communities in order to generate the public support necessary for it to pass as local services are always much more popular to the general public.

Going back to the slide for a moment, you see since 2001, the State has used more than \$3.2 billion in sales tax collections, that were supposed to go back to local communities, to help assist with the budget deficits. What is even more shocking is the statistic by the Citizens Research Council that 38% of the state's budget hole has been filled with revenue sharing over 4 of those years. This is more than any other area of the state budget.

We do not believe it is a coincidence that during the same timeframe we have 1600 fewer police officers on the streets today than we did before these reductions began and 2400 fewer firefighters. That's not entirely surprising when you consider that over 50% of the average municipality's budget consists of public safety costs.

Usually, as you may expect, public safety is one of the last places local leaders look to make cuts. So, when it reaches that point, you are usually assured that every other step has been taken to reduce costs. And, you can see from the last slide what other cities and villages have reduced or eliminated. These include recreation programs, capital projects and other areas that give these communities that unique quality of life which residents identify with.

For the first time in seven years an executive budget has allocated an unqualified increase to statutory revenue sharing. While, this is certainly not the level of funding that will make up for what we've lost over the past several years, it's an important step in the right direction in terms of making a commitment to invest in our communities in order to make Michigan an attractive place to live and work.

And, more than ever we know that being an attractive place to live and work is the key to economic vitality in the new economy. A recent report by CEOs for Cities shows that 2/3 of 25-34 year olds look first for where they want to live, then find a job.

We encourage you to support local communities and the services that they provide by providing the first increase in this critical funding in seven years.

Thank you and I'll be happy to answer any questions.