



michigan municipal league

PRESS RELEASE

➤ 1675 Green Road
PO Box 1487
Ann Arbor, MI 48106-1487

TEL 734.662.3246 800.653.2483
FAX 734.662.8083
WEB www.mml.org

Contact:

Matt Bach, Director of Communications
Michigan Municipal League
734.669.6317
mbach@mml.org
www.mml.org

FOR IMMEDIATE RELEASE: Traverse City Record-Eagle Jan. 27, 2011- Reprinted by permission of the author

The Impact of Revenue-Sharing Reductions

By Dan Reszka, Village President, Elk Rapids

The Elk Rapids Village Council and staff are working on the annual budget. Many might think this is a tedious process. I, however, look forward to this process as the most important work that the council undertakes.

Budgeting is very important. Thanks to past and present council members and our village manager, Elk Rapids has been able to weather difficult financial times. The village has gradually reduced millage rates, paid off existing debts at an accelerated pace, avoided layoffs, reduced the overall cost of employment and continued to provide necessary services.

We are preparing the annual budget while anticipating: making cuts in overall employment costs of \$100,000; a further reduction in millage rates (the lowest for many years); and an early payoff of existing debt.

This is being accomplished because of well planned financial decisions made during the last several years by the council and manager. All of this is being accomplished in spite of continual reductions in state revenue sharing.

These reductions have had a major impact on Elk Rapids and all local governments in Michigan. Revenue sharing in Michigan began in the 1920s to eliminate local sales taxes, allow the state to collect and set all sales tax levels and to share the revenues with local governments based on a population formula.

There are two types of revenue sharing: constitutional and statutory. constitutional revenue sharing is set by State Constitution. The formula cannot be changed unless a new constitution is passed or amended.

The statutory revenue sharing has been the most-talked-about issue by municipalities for the last decade. The statutory revenue sharing formula is set annually by the State Legislature and Governor. Until 2000 (the beginning of the impact of term limits) the shared revenue formula generally stayed the same, adjusted for inflation. Each municipality could rely on a fair share of state sales revenue. Since 2000 the state has each year reduced the payments to local governments in order to balance state budget problems.

In Elk Rapids, this continual reduction has caused a loss of more than a half million dollars during the last decade. This is a substantial amount for a small community. Consider the impact on the state's local governments. That \$500,000 could have paid for all of our needed sidewalk repairs or major street improvements, reduced millage rates even further or eliminated more debt.

Elk Rapids has chosen to not increase tax millage rates to offset these cuts. However, it has had to cut expenses, delay improvements, and bond or borrow for necessary capital projects that could have been paid for directly.

I understand that the state has budget problems and that it might take a while before full and fair funding of revenue sharing is again realized.

It is, however, important to try to understand the impact of state decisions on local governments and to give input, whenever possible, to state elected officials. When we pay sales tax on an item we purchase, we should receive a fair share locally. That is what sharing means.

*About the author: Dan Reszka has been Elk Rapids village president since 2005.
He owns the Blue Heron Gallery, Elk Rapids.*

###