There have been a lot of high profile robberies over the years. The Lufthansa robbery, D.B. Cooper highjacking, the Antwerp Diamond Caper…but these crimes look amateurish compared to the state of Michigan’s Great Revenue Sharing Heist. The state has managed to pinch over $6 billion in revenue sharing from local government over the last several years. Those numbers would even get Bernie Madoff’s attention.

Michigan’s broken municipal financing model is almost a cliché. Talking about budget numbers and deficits in the billions of dollars can cause us to lose perspective. The fact is, there are a record number of local governments that find themselves in the midst of a financial crisis. Is it the result of mismanagement, neglect, or incompetence? Or is it the result of a dramatic disinvestment by the state in local government? I suggest the latter.

In my view, there are three major factors that have led communities to the financial brink: post retirement costs; a steep decline in property values; and a dramatic reduction in state revenue sharing. The third factor will be the focus of this article.

Post retirement costs are a huge issue that locals are grappling with. Change here is difficult at best; local governments are hamstrung with contracts and laws that make transformation slow. The property tax declines local governments have experienced could not have been anticipated to the degree they occurred, and are certainly out of the control of anyone in this state. Statutory revenue sharing, on the other hand, has been unilaterally taken by the state to solve its budget issues. It’s a fact. Revenue sharing is paid from sales tax revenues, which have been a remarkably stable source of income, and have in recent years experienced significant growth.

### Breaking Down the Numbers

Hopefully you’ll stick with me, as I’m about to drop the “b” word. From 2003-2013, sales tax revenues went from $6.6 billion to $7.72 billion. Over that same period, statutory revenue sharing declined from over $900 million annually to around $250 million. The state is now in an enviable position—revenues that exceeded expectations. It is posting large surpluses but has failed to take steps to restore local funding.
It’s a fact that the state has broken that promise. State leaders excused themselves from making tough choices, instead using local money to pay their bills. In the process, they have created most, if not all, of the financial emergencies at the local level.

The numbers don’t lie. Revenue sharing is the only factor that anyone has had direct control over during these difficult financial times. It is time for the state to shift gears and start investing in local government again. Hardships at the local level weren’t created by a lack of cooperation or collaboration. I would humbly submit that local governments invented the concept and the state is very late to the table. Local government officials have done, and will continue to do, their part to be prudent managers, but the goal cannot be to hang on and survive. Our goal must be to ensure that our cities are vibrant places that people will choose to live in, and that can only happen if the state fulfills its promise and responsibility to invest where the rubber meets the road, and that is at the local level.

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### CITY OF FLINT

Cumulative Revenue Sharing Losses