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Senate Bill 1104 (Substitute S-2)
Sponsor: Senator Shirley Johnson
Committee: Appropriations

Date Completed: 9-7-04

CONTENT

The bill would amend the Glenn Steil State Revenue Sharing Act to alter the distribution of revenue sharing payments in fiscal year (FY) 2004-05.

Local units receive a portion of sales tax revenue collected by the State. A portion of the revenue is distributed according to constitutional requirements and the rest is distributed according to statute. Statutory revenue sharing payments are subject to appropriation. Beginning in 2002, changes have been made in the statutory distribution of payments to accompany reductions in the appropriation for revenue sharing.

The bill would enact the Governor's FY 2004-05 recommendation to alter the distribution of revenue sharing payments to cities, villages, and townships. Under the recommendation, in FY 2004-05 each city, village, and township would receive the same combined total of statutory and constitutional revenue sharing payments that the local unit received during FY 2003-04. The bill also would provide for adjustments to the way payments are calculated should sales tax collections fall below the forecasted levels the appropriation is based upon. The adjustments would not increase or reduce the appropriation for statutory revenue sharing payments.

Under current law, revenue sharing payments are distributed every two months, beginning with October of each State fiscal year. The bill would require that when warrants are issued for the February payments, the warrants also include any payment required for payments-in-lieu-of-taxes (PILT) under subpart 14 of Part 21 the Natural Resources and Environmental Protection Act.

MCL 141.913

FISCAL IMPACT

The bill would have no effect on State expenditures or total local unit revenue in FY 2004-05, although the distribution of local unit revenue would be changed.

Local units receive sharing payments under both constitutional requirements and statutory provisions. Under current law, the City of Detroit will receive \$333.9 million in total revenue sharing payments during FY 2004-05, and a formula based on population factors and taxable value factors will determine the distribution of payments to cities, villages, and townships. The bill would change the distribution of revenue sharing payments in FY 2004-05 relative to current law and limit the change in total revenue sharing payments to each city, village, and township to the same percentage change. Under the bill, in FY 2004-05

each city, village, and township would receive the same combined total of statutory and constitutional revenue sharing payments that the local unit received during FY 2003-04. As a result, the City of Detroit would experience no change in revenue sharing payments, compared with a 16% increase under current law. Similarly, most other cities, villages, and townships would experience no change in total revenue sharing payments, compared with changes ranging from a 7.2% increase to a 53.1% decrease under current law.

The bill also specifies how adjustments would be made if sales taxes were below forecasted levels in FY 2004-05. Cities, villages, and townships receive 15% of sales taxes collected at a 4% rate under the Michigan Constitution. Because the bill would fix a city's, village's, or township's combined constitutional and statutory revenue payments at a fixed total, if revenues were less than forecasted, more money would be required in statutory payments to reach the same total. As a result, without an adjustment mechanism to lower the required payment if sales taxes were below the level upon which the appropriation is based, the proposed statutory payments would exceed the amount appropriated. However, current law requires that statutory payments not exceed the amount appropriated. The bill thus would establish a distributional mechanism to accomplish any reduction necessary to ensure that statutory payments did not exceed the appropriation.

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