

FAQs about Local Government Funding & State Practices That Cause Financial Distress for Cities

What is the state of funding for municipalities in Michigan?

State and local Michigan governments were prominent casualties of the 2008 recession, and cities, in particular, have seen their revenues plunge since that time. Although state tax revenues have begun to recover, municipal revenues remain significantly depressed in many Michigan communities. One reason is that local property taxes remain lower regardless of increasing home prices as a result of the effects of Proposal A and the Headlee Amendment. Another reason is that State revenue-sharing payments have decreased by nearly \$6.2 billion statewide since 2001. While some of this decrease was certainly due to recession-related reductions in sales tax collections in some years, much was also due to the use of these funds to cover State budget shortfalls. Had Michigan cities received their usual state revenue-sharing payments as they did in previous years, cities with millions of dollars of deficits such as Allen Park, Hamtramck, and Flint would have millions of dollars of surplus funds today, and none would be under the control of a State financial manager. In the State's fiscal year of 2014/2015, for example, it retained \$698 million of state-revenue sharing payments that previously would have been paid to cities.

How have reductions in State revenue-sharing payments affected Wixom?

Since 2001, Wixom has lost nearly \$8 million as a result of decreased state revenue-sharing payments.

What is the effect of reductions in State revenue-sharing payments?

A study conducted and published by Michigan State University in 2015 indicates that reductions of State revenue-sharing payments, together with stringent statutory limitations on cities' ability to raise revenue for local services (Proposal A and the Headlee Amendment), have combined with spiking local spending burdens from decreased State services and increased labor costs to cause fiscal distress, budgetary imbalances, and diminished local service capacity.

How has the State caused cities' expenses to increase since 2008?

As State government has streamlined its bureaucracies and downsized operations, service burdens and corresponding expenses have been shifted onto cities without corresponding fiscal funding or revenue resources.

Why have State revenue-sharing payments decreased since 2001?

In the opinion of researchers of Michigan State University and the Michigan Municipal League, the decrease of State revenue-sharing payments to cities is linked to State legislative budget initiatives and the Legislature's and Governor's need to balance their own budget.