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BILL ANALYSIS

Senate Fiscal Agency

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Senate Bill 1002 (as reported without amendment)**Sponsor: Senator Connie Binsfeld****Committee: Finance****Date Completed: 10-11-88****RATIONALE**

Under the State Revenue Sharing Act, when the State calculates the amount of revenue from certain taxes it will share with local units, it takes into account both a local unit's relative "tax effort" (income and property tax burden) and its population. The greater a community's relative tax effort per capita, the greater its share of State money. As a rule, in order to qualify for revenue sharing payments, a local unit must levy at least one mill in property tax.

Further, the Act allows a local unit, at the local unit's expense, to contract with the Secretary of State or the U.S. Census Bureau to conduct a special census. If a special census, in a local unit that levies at least one mill, shows at least 15% population growth and meets the requirements of the Act, the unit receives a supplemental revenue sharing payment calculated by multiplying its increase in population by the per capita amount it receives pursuant to the revenue sharing formulas in the Act.

Under this provision, 38 local units qualified for increased revenue sharing payments in fiscal year 1987-88; however, two local units were disqualified because their millage rate was reduced below one mill due to statutory or constitutional requirements. Because the Act allows local units, for purposes of revenue sharing, to be considered to be levying one mill under certain other circumstances, (see BACKGROUND), it has been proposed that a local unit that qualifies for increased revenue sharing under the special census provisions, but had its millage reduced below one mill, be allowed to receive the payment.

CONTENT

The bill would amend the State Revenue Sharing Act to allow a city, village, or township, that levies less than one mill but qualifies for revenue sharing payments, to be eligible for increased State revenue sharing payments in those cases in which the Act allows supplemental payments based upon a local unit's special census.

MCL 141.918

BACKGROUND

As stated above, a local unit must levy at least one mill to qualify for revenue sharing payments. A local unit can still qualify for the payments, however, if its millage rate certified to be levied is at least one mill but is reduced below one mill because the local unit: 1) was required to reduce its property tax rate due to a formula in the State Constitution (Article IX, Section 31), or, 2) does not elect to increase or maintain its millage rate as permitted under the General Property Tax Act. (A local unit, unless it takes

a series of prescribed steps including public hearings, must reduce its millage rate for operating purposes if its tax rate would produce more revenue in the coming year than it did in the current year after certain additions and subtractions.) If either of these provisions requires a local unit to reduce its millage below one mill, for purposes of revenue sharing the unit is still considered to be levying one mill.

FISCAL IMPACT

As a result of the bill, \$72,824.09 General Fund/General Purpose (GF/GP) would be distributed to the following local units of government:

Long Lake Township (Grand Traverse County).....	\$66,876.72
Hanover Township (Wexford County)	\$ 5,947.37

This GF/GP revenue has already been appropriated in Public Act 289 of 1988 (supplemental appropriation for FY 1987-88), which appropriated a total of \$3,699,000.00 for making special census supplemental payments to cities, villages, and townships for FY 1987-88.

ARGUMENTS**Supporting Argument**

The bill would simply allow supplemental revenue sharing payments to be made in those infrequent instances when a local unit has conducted a special census, shown an increase in population to qualify it for increased payments, but fallen below the one-mill levy requirement because of constitutional or statutory requirements.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

S.B. 1002 (10-11-88)