



**House
Legislative
Analysis
Section**

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DELAY SBT PAYMENTS TO LOCALS

**Senate Bill 511 (Substitute H-1)
First Analysis (4-14-92)**

**Sponsor: Senator Dick Posthumus
Senate Committee: Appropriations
House Committee: Appropriations**

THE APPARENT PROBLEM:

The difficulties with the state budget for the current fiscal year are well-known. As part of the effort to reduce state costs and balance the budget for the current fiscal year, there have been pending before the legislature proposals to reduce various revenue sharing payments to cities, villages, townships, and counties, and save the state about \$34.4 million in the current fiscal year. Those proposals have been criticized for the financial problems that they could create or exacerbate for local units of government. As an alternative to the proposed revenue sharing cuts, it has been proposed that pressures on the state budget for the current fiscal year be eased by postponing certain revenue sharing payments. Rather than reduce payments made under various acts to local units of government, proposed legislation would delay single business tax (SBT) distributions made in September to cities, villages, and townships.

THE CONTENT OF THE BILL:

The bill would amend the Single Business Tax Act to postpone from September to October the payment of the fall single business tax distributions to cities, villages, and townships.

MCL 208.136

HOUSE COMMITTEE ACTION:

As passed by the Senate, the bill would have reduced SBT revenue sharing payments to cities, villages and townships for the current fiscal year, and provided for fourth-quarter reimbursements under certain circumstances.

FISCAL IMPLICATIONS:

According to testimony before the House Appropriations Committee, the bill would save the

state about \$35 million in the current fiscal year. (4-13-92)

ARGUMENTS:

For:

By postponing SBT distributions to cities, villages and townships from September to October, the bill would save the state about \$35 million in the current fiscal year without reducing overall the amount of money that goes to those local units of government. The bill thus would help the state to balance its books for the current fiscal year while simultaneously resolving the issues that arose as a result of proposals to reduce revenue sharing payments.

Against:

Various aspects of the bill may receive criticism. As counties would not be affected by it, some may perceive the bill to be unfair to cities, villages and townships. While total payments may not be affected, the one-month delay in SBT payments could create hardship for some local units struggling with cash flow problems. The bill could prove especially unpalatable for local governments that may yet face revenue sharing cuts next year. Finally, the bill simply postpones into the next fiscal year a cost for the state; the bill assumes that balancing the budget next year will not be the problem that it has been this year.

POSITIONS:

The Michigan Municipal League is reviewing the bill and does not have a formal position at this time. (4-13-92)

The Michigan Townships Association has no formal position on the bill at this time, but has concerns about further cuts and delays in revenue sharing payments. (4-13-92)

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