

Legislative Analysis



LOCAL GOVERNMENT REVENUE SHARING TRUST FUND

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4274 (H-1) as reported from committee
Sponsor: Rep. Amos O’Neal

Analysis available at
<http://www.legislature.mi.gov>

House Bill 4275 (H-3) as reported from committee
Sponsor: Rep. Mark A. Tisdell

Committee: Local Government and Municipal Finance
Complete to 10-26-23

SUMMARY:

House Bills 4274 and 4275 would amend the Michigan Trust Fund Act and the General Sales Tax Act, respectively, to establish a “Revenue Sharing Trust Fund” that would distribute money from sales tax revenue to local units of government. The bills are tie-barred, meaning that neither would take effect unless both are enacted.

House Bill 4274 would amend 2000 PA 489, the Michigan Trust Fund Act, to establish a Revenue Sharing Trust Fund within the Department of Treasury. The fund would receive money deposited from the General Sales Tax Act (as provided for by HB 4275), interest and earnings from the fund’s investments, and donations made to the fund from any source. The State Treasurer would be responsible for directing the fund’s investments. Money in the fund at the close of a fiscal year would remain in the fund and would not lapse to the general fund.

Beginning on October 1, 2024, the State Treasurer would have to transfer and disburse money received by the Revenue Sharing Trust Fund from sales tax revenue as follows:

- Cities, villages, and townships that are eligible to receive funding through the City, Village, and Township Revenue Sharing (CVTRS) Program would receive 52.87% of the disbursement, distributed in the same proportion that each was eligible to receive CVTRS payments for the 2022-2023 fiscal year.¹
- Cities, villages, and townships that were not eligible to receive CVTRS payments would receive 1.00% of the disbursement, distributed on a per capita basis to each municipality based on the most recent federal census.
- Counties would receive 46.13% of the disbursement, distributed in the same proportion that each was eligible to receive payments through county revenue sharing and the County Incentive Program for the 2022-2023 fiscal year.

Distributions would be made on the last business day of October, December, February, April, June, or August, as applicable.

¹ The list of eligible cities, villages, and townships can be found here: <https://www.michigan.gov/treasury/-/media/Project/Websites/treasury/Uncategorized/2023/CVTRS/FY-2023-CVTRS-Eligible-CVTs.pdf?rev=8e8f59edad85442daad1644d3662329c&hash=DB9E78DFDC6E36CE26E993D87FA8B45A>.

Money in the fund could not be transferred, expended, withdrawn, or otherwise disbursed from the fund except as authorized above.

For each annual budget submitted to the legislature for each fiscal period beginning after September 30, 2024, the governor and state budget director would be required to include an appropriation directing the state treasurer to transfer and disburse money from the revenue sharing trust fund in the manner provided above.

MCL 12.252

House Bill 4275 would amend the General Sales Tax Act to provide for the distribution of sales tax revenue into the Revenue Sharing Trust Fund. Beginning on October 1, 2024, the Department of Treasury would have to deposit at least 8% of the money received and collected from the tax imposed at a rate of 4% into the Revenue Sharing Trust Fund.

MCL 205.75

FISCAL IMPACT:

House Bill 4275, as written, would earmark 8% of the sales tax revenue at a 4% rate to the Revenue Sharing Trust Fund, beginning with FY 2024-25. As such, it would not affect state revenue, although it could change the distribution of sales tax revenue between revenue sharing and the general fund relative to current law. Based on the May 2023 consensus revenue estimating conference projection for sales tax revenue for FY 2024-25, the 8.0% earmark would generate approximately \$601.1 million.

House Bill 4274 specifies the distribution of the revenue sharing trust fund, allocating 52.87% to cities, villages, and townships (CVTs) eligible to receive payments under section 952(1) of Article 5 of 2022 PA 166, 1.00% to CVT's not eligible to receive payments under section 952(1) of Article 5 of 2022 PA 166, and 46.13% to counties eligible to receive payments under sections 952(2) and 955 of Article 5 of 2022 PA 166. Based on these percentages, payments would be distributed as follows:

Currently Eligible CVTs	52.87%	\$317.8 million
Currently Ineligible CVTs	1.00%	\$6.0 million
Counties	46.13%	\$277.3 million

POSITIONS:

Representatives of the following entities testified in support of the bills (6-21-23):

- Michigan Association of Counties
- Michigan Municipal League
- Michigan Townships Association

The following entities indicated support for the bills:

- Allegan County (6-21-23)
- City of Ann Arbor (9-13-23)
- City of Grand Rapids (6-21-23)
- City of Rochester Hills (6-21-23)
- Coalition for a Strong and Prosperous Michigan (6-21-23)
- Home Builders Association of Michigan (6-21-23)
- Kochville Township (9-13-23)
- mParks (9-13-23)
- Michigan Sheriffs Association (6-21-23)
- Oakland County (6-21-23)
- Orion Township (9-13-23)
- Southeast Michigan Council of Governments (9-13-23)
- Urban Core Mayors (6-21-23)
- Wayne County Executive (9-13-23)

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.