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Dwindling shares

Cuts in state revenue sharing squeeze local services

BY RON DZWONKOWSKI • FREE PRESS COLUMNIST • April 27, 2008

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In the 6 1/2 years since the 9/11 attacks, Michigan communities have lost 1,800 police officers and 2,400 firefighters for lack of money to pay them. Wouldn't you think we'd be adding security?

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The availability of "first responders" is a core quality-of-life issue, along with such things as schools, parks, libraries, snow removal and smooth streets, all of which have been affected by the state's financial woes.

Why? Because of something called revenue sharing, a sensible concept that has been eroding since the state slipped into recession around the turn of the century.

The idea behind it, dating back to the 1920s, was to avoid local governments imposing all sorts of local taxes to fund the services or amenities they wished to provide. Instead, the state said let us collect statewide taxes levied uniformly and return a share of the money to you for use as needed.

Money from Lansing now makes up about a quarter of the budget for most local governments. The system works fine when the money is flowing. But in the last six years of moribund economy, the state has whacked a total of \$3 billion from revenue sharing, leading local governments to whack away at their public safety forces and those other "quality of life" aspects that attract people -- and employers.

You can see how this happens. At budget time, the Legislature is in Lansing, surrounded by state government, state bureaucrats and lobbyists for various statewide interests. Local officials are back home, maintaining their local services when the phone rings and they find out that revenue sharing has been cut again so the state can see to its statewide needs. Just last week, the Legislature cut \$7.5 million for local road work and transit systems from an appropriations bill.

There's no appeal once the state has acted, and so the local budget, made up mainly of money to pay local people providing services to local residents, has to be cut.

There are no easy answers when there is simply not enough money to go around, but "revshare" is often a first-option for cutting, and that's money coming right out of quality-of-life.

Gov. Jennifer Granholm has proposed a 4% boost in revenue sharing in her budget for the fiscal year that begins Oct. 1, assuming the Legislature goes along and the state has the money. But that's not going to make the locals whole from past cuts, and if the state comes up short on other obligations, look for them to get whacked again on revenue sharing.

But before that happens, legislators ought to think hard about this "next Michigan" they keep trying to build, a place of busy, smaller employers, where knowledge is power and creative people cluster in comfortable settings to design the next seat-belt clasp or surgical tool. Those people set up shop in places that offer a conducive quality of life -- places that are safe and clean and walkable, with decent schools and amenities.

In Michigan, that quality is most directly delivered by local governments, not the state. Take away their share of revenue, and the quality of life declines in the key places where Michigan cannot afford having that happen.

"I think legislators forget sometimes where they came from. These are their constituents, too," Dan Gilmartin, executive director of the 520-member Michigan Municipal League, said at a recent meeting to call attention to what the league considers Lansing's "broken promises."

"Place matters more than ever in the highly mobile economy," he said. "Entrepreneurs can go anywhere. They don't decide on taxes. They don't decide on regulation. It's about place, and the quality of that place. Our communities can't keep taking cuts and providing quality."

Seems to me that if the state can't keep its promise on revenue sharing, then local governments at least need more options in state law to raise operating funds at the local level. That's especially so in communities that provide regional amenities or are daytime hosts for a large working population. Troy, for example, is the destination for 120,000 people a day, and when they have problems, those folks don't ask their local police to come to Troy to help.


Then, too, there could be incentives from the state for local communities that share or consolidate services or implement regional planning.

But Gilmartin is right: Michigan's future does depend on the quality of life it offers, and much of that is delivered at the local level. State leaders need to weigh that before they put revenue sharing on the chopping block every time the budget comes up short.

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