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Share revenue: State's revenue sharing choices have weakened local services

A Lansing State Journal editorial

When most people think of taxes, they see images of Capitol domes and remote bureaucracies. When they think of public services, they have images of what local governments are expected to do every day: police the streets, put out fires, pave roads, maintain parks.

Revenue sharing is supposed to marry the state's taxation authority to local governments' service responsibilities.

Such funding comes in two ways: a required amount and a discretionary level under the thumb of state lawmakers. And since 2001, when the state's financial picture darkened, lawmakers have chosen to make their lives easier by making cities and towns suffer. That needs to change. Michigan's quality of life depends on it.

Statewide, statutory revenue sharing is about \$500 million behind where it should be.

The city of Lansing has lost \$21 million in statutory revenue sharing since fiscal year 2001. In that year, revenue sharing made up 23.2 percent of the city's general fund; now it's below 16 percent.

If the state gave Lansing the same revenue sharing funds it did in 2001, adjusted for inflation, the city wouldn't have faced a \$6 million budget deficit for 2009. It would not have faced the prospect of negotiating benefit cuts from city workers, laying off dozens of employees or cutting public services.

While not unique (countless local governments are scrimping), Lansing's experience is instructive.

Revenue sharing declines have forced the city to rely more on other levies and/or reduce services. Yet with the economy the way it is, Lansing's two principal sources of cash, property and income taxes, can't be counted on to fund new or increased services.

And Lansing is "lucky" in the sense that it is allowed to levy an income tax - 1 percent on residents and 0.5 percent on non-residents who work in the city - to help fund its work.

Unlike the federal government, the state can't simply bury future generations in debt. It's constitutionally required to balance its budget, too.

But there's more than one way to balance a budget. And the reliance of the state on shorting cities is particularly ill-advised.

Michigan is trying to reinvent its economy. It wants and needs workers with advanced education or technical training. And what do young college graduates want, according to groups like Michigan Future, Inc.?

Cities that are fun to live in; cities that provide amenities; cities that work.

But that takes some money - and convincing lawmakers to hold up their end of the bargain.

"Responding financially would mean increasing revenue sharing, which is not easy for legislators to explain, especially to constituents who most likely have never heard of it or asked for it," said Summer Minnick of the Michigan Municipal League. "If a lawmaker heard 'increase revenue sharing' every time someone from their district contacted them about local services such as public safety, transportation or their library, we would be having a very different conversation."
