



Legislation Text

File #: 18-1010, **Version:** 1

Resolution in Support of Fiscal Responsibility to Save Michigan's Communities

Staff recommends the attached resolution advocating for the State to ensure cities and villages are funded in a manner which is viable and sustainable and requests full funding for State Shared revenue.

Prepared by: Tom Crawford, Financial Services Area Administrator and CFO

Approved by: Howard S. Lazarus, City Administrator

Whereas, All Michigan cities and villages are facing unprecedented fiscal stress;

Whereas, The Michigan Legislature has systematically failed to fully fund statutory revenue sharing;

Whereas, Since 2002 the State of Michigan has diverted \$7.5 billion dollars away from local service delivery and used those dollars to fund state operations;

Whereas, The city of Ann Arbor would have received \$ 45,712,771.63 in statutory revenue sharing since 2002 had the Legislature fulfilled its obligation to fully fund the program;

Whereas, Property taxes are the primary source of revenue for Ann Arbor's General Fund budget;

Whereas, The Headlee Amendment and Proposal A combine to lock-in a huge fiscal deficit in a community's property tax revenue;

Whereas, The city of Ann Arbor's voters approved a general operating millage permitting City Council the authority to levy up to 7.5 mills that Headlee and Proposition A subsequently reduced to 5.9407 mills;

Whereas, This reduced cap in the general operating millage represents the capacity to annually levy \$8.9 million in 2018, which represents a significant loss in financial flexibility for City Council to consider as it manages through business cycles, supports needed infrastructure improvements, and pays down outstanding debt obligations;

Whereas, The implementing language of Proposal A eliminated "roll-ups" as provided for in the Headlee Amendment, the elimination of this self-correcting mechanism creates an almost permanent reduction of the millage authority of local government;

Whereas, Further, the elimination of Headlee roll ups takes away a self-correcting tool that was historically viewed as part of the Headlee formula until 1994. And as a result, millage capacity is being effectively eliminated;

Whereas, The Headlee Amendment, while intended to constrain taxation, was never intended to destroy the fiscal viability of Michigan's local governments;

Whereas, Michigan's cities and villages are the CENTERS OF THE STATE'S ECONOMY, which maintain the infrastructure and services that support the vast majority of our state's jobs;

Whereas, A recent study found that MICHIGAN'S METROPOLITAN AREAS ACCOUNT FOR 89% OF THE STATE'S JOBS and 88% of its gross domestic product; and

Whereas, The future of Michigan depends on its cities and villages being successful competitors in the 21st Century economy, and since they cannot do so without sufficient resources - including the full amount of state statutory revenue sharing;

RESOLVED, That the city of Ann Arbor urges both chambers of the Michigan Legislature, their leaders, and the Governor to immediately restore the full amount of statutory revenue sharing and ensure Michigan's tax policies fund cities and villages at a viable and sustainable level.