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BILL ANALYSIS

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Senate Bills 965 and 966 (as introduced 1-18-06)
Sponsor: Senator Nancy Cassis
Committee: Appropriations

Date Completed: 2-14-06

CONTENT

Senate Bill 965 would amend the Glenn Steil Revenue Sharing Act to alter the formula for computing statutory revenue sharing payments to counties. Senate Bill 966 would amend the Act to change the distribution of those payments.

Local units are eligible to receive a portion of sales tax revenue collected by the State. A portion of the revenue is distributed according to constitutional requirements and the rest is distributed according to statute. Statutory revenue sharing payments are subject to appropriation. Counties do not receive constitutional revenue sharing payments. Beginning in FY 2004-05, the calculation for determining statutory revenue sharing payments to counties was changed, with the effect that for a period of time the State will not be required to make statutory revenue sharing payments to counties under the Act. This period of time varies by county.

Local units that collect property taxes for eligible authorities are required by statute to remit a portion of any payments received under the Act to the eligible authorities for which they collect taxes. The legislation regarding county revenue sharing payments for FY 2004-05 replaced statutory revenue sharing payments with withdrawals from a fund created by accelerating the collection of county property taxes levied for operating purposes. As a result, because counties no longer receive payments under the Act and the legislation did not statutorily require counties to remit a portion of their withdrawal to eligible authorities, such payments to authorities have not been made in certain circumstances.

Senate Bill 965 would require the revenue sharing payment to a county to equal the sum of the payments made to the county to be remitted to any eligible authorities in the county during FY 2003-04, and the difference between the balance in the county's revenue sharing reserve fund and the amount the county would be authorized to withdraw from the fund. The portion of the payment consisting of the funds to be remitted to eligible authorities would be appropriated separately from other revenue sharing payments, although the revenue would continue to come from restricted sales tax revenue.

Senate Bill 966 would alter the requirement for counties to remit a portion of the payments to eligible authorities. Under the bill, counties would be required to remit payments received from the State only for the explicit purpose of paying eligible authorities.

The bills are tie-barred to each other.

MCL 141.911 (S.B. 965)
141.912a (S.B. 966)

FISCAL IMPACT

The bills would not affect total State revenue, but would alter the distribution of revenue between funds. The bills likely would reduce General Fund revenue, depending on how their provisions interacted with other revenue sharing appropriations. If the Legislature made the full appropriation to eligible authorities, which is estimated to total approximately $1.2 million per year, the bills would reduce General Fund revenue by approximately $1.2 million. If the appropriation were not made, or other appropriations under the Act were reduced to offset the payments for eligible authorities, there would be no fiscal impact on the State.

The bills would increase local unit revenue. For those counties choosing to cease payments to eligible authorities because they are not currently required to make the payments, the bills would increase the revenue eligible authorities receive. For those counties that have continued to remit revenue to the eligible authorities, the bills would increase revenue to the county. Once a county had exhausted its revenue sharing reserve fund, the bills would increase revenue to the county relative to current law.

Fiscal Analyst: David Zin

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