

Revenue Sharing & Incentive Programs FY 2023 & FY 2024 (Proposal)

House Appropriations Subcommittee on General Government

**Michigan Department of Treasury
March 21, 2023**



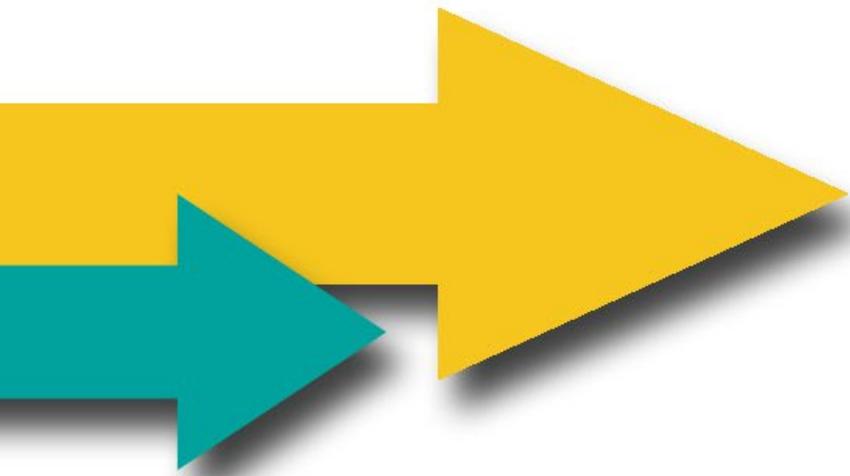
What is Revenue Sharing

- Distribution of state funds to local units of government
- Appropriated to roughly 1,880 local units of government
- Most funds are unrestricted revenue



Revenue Sharing

- Revenue Sharing is made up of two types
 - Constitutional
 - Statutory
 - City, Village, and Township Revenue Sharing (CVTRS)
 - County Revenue Sharing (CRS)
 - County Incentive Program (CIP)



Constitutional Revenue Sharing

Michigan Department of Treasury
March 21, 2023



Constitutional Revenue Sharing

- Based on 15% of the 4% sales tax
- Distributed on a per-capita basis
- Can be used for any purpose
- Distributed to all cities, villages, and townships
- Counties do not receive Constitutional Revenue Sharing

Constitutional Revenue Sharing Per-Capita Calculation

	FY 2023 <u>Per-Capita Calculation</u>
Projected 4% Sales Tax FY 2023	\$7,315,131,702
Times Percentage for Revenue Sharing	15%
Preliminary Amount Available to Distribute	<hr/> \$1,097,269,755
Add Remainder Available from FY 2022	\$336
Total Amount Available for FY 2023	<hr/> \$1,097,270,091
Divided by Total Revenue Sharing Population	10,048,731
Constitutional Per-Capita Amount	<hr/> 109.194891

Constitutional Revenue Sharing Payment Calculation – FY 2023

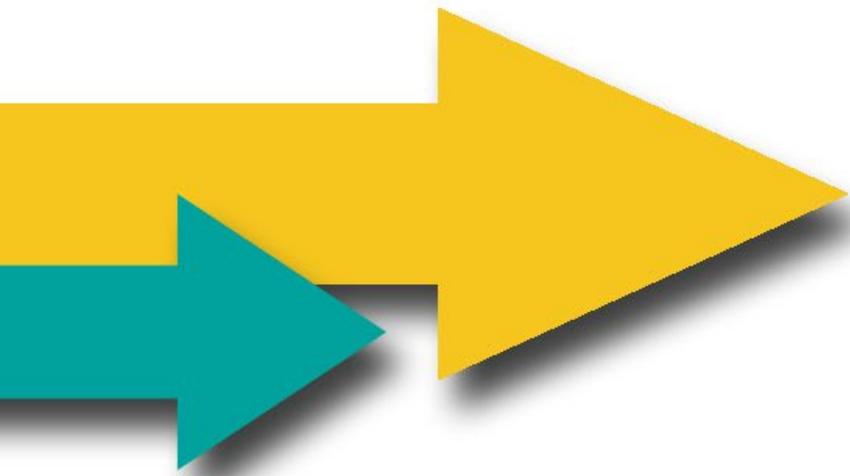
<u>Local Unit Name</u>	<u>County</u>	<u>Revenue Sharing Population</u>	<u>FY 2023 Per-Capita Rate</u>	<u>FY 2023 Constitutional Projection</u>
Dearborn City	Wayne	109,973	109.194891	\$12,008,489
Grand Rapids City	Kent	198,480	109.194891	\$21,673,002
Waterford Township	Oakland	70,508	109.194891	\$7,699,113
Romeo Village	Macomb	3,767	109.194891	\$411,337

Constitutional Revenue Sharing FY 2022 - FY 2024

<u>FY 2022 Actual</u>	<u>FY 2023 Projected¹</u>	<u>Difference</u>	<u>Percent Inc/(Dec)</u>
\$1,064,899,770	\$1,097,269,195	\$32,369,425	3.0%

<u>FY 2023 Appropriation¹</u>	<u>FY 2024 Gov. Rec.</u>	<u>Difference</u>	<u>Percent Inc/(Dec)</u>
\$1,097,269,195	\$1,098,505,900	\$1,236,705	0.11%

¹ FY 2023 Constitutional Revenue Sharing is based on the January 2023 Consensus Revenue Estimating Conference.

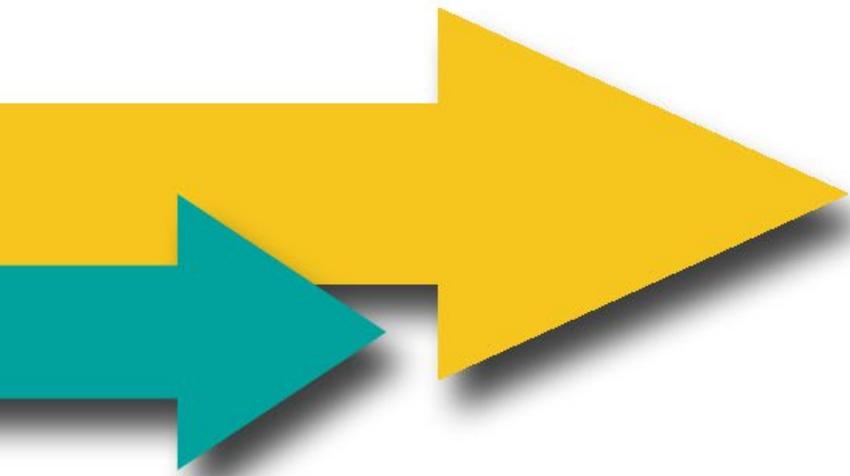


Statutory Revenue Sharing Programs



Statutory Revenue Sharing

- Incentive Programs
 - City, Village, and Township Revenue Sharing (CVTRS)
 - County Incentive Program (CIP)
- Non-Incentive Program
 - County Revenue Sharing (CRS)



City, Village, and Township Revenue Sharing (CVTRS) & County Incentive Program (CIP) Requirements

FY 2023 & FY 2024 (Proposal)



CVTRS/CIP – FY 2024 Proposal Requirements to Qualify for Payments

1. A completed Certification Form (form # 4886) signed by the Chief Administrative Officer
2. Debt Service Report
 - Including a listing of issuance dates, issuance amounts, type of debt instrument, a listing of all revenues pledged to finance debt, and a listing of annual payment amounts until maturity
3. Projected Budget Report
 - Projection of revenues and expenditures for current fiscal year and next fiscal year, including assumptions

CHANGE A Citizen's Guide and Performance Dashboard would no longer be required.



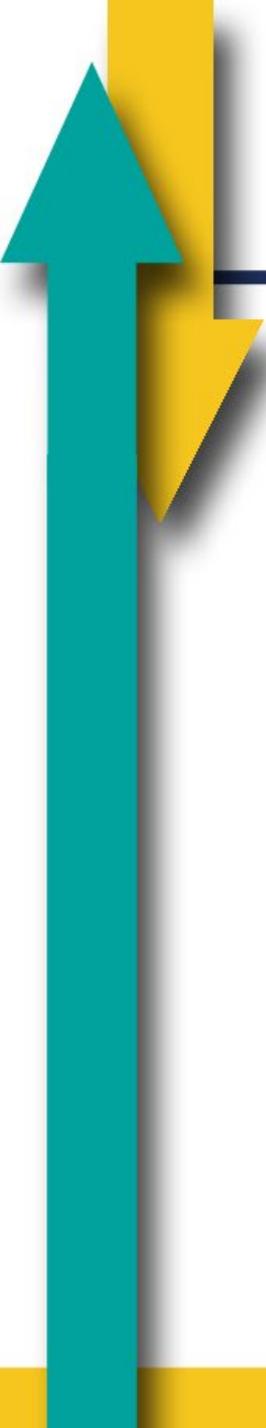
CVTRS/CIP Requirement

- Local units must include in any mailing of general information the Internet website address or physical location where required documents are available for public viewing

CVTRS/CIP

When Documentation is Due to Treasury

- All eligible local units receive the October payment
- **CHANGE** If required documents are submitted by the 1st Thursday of December (not December 1st);
 - Receive 1/6 of the payment in December, February, April, June, and August
- If required documents are submitted after the 1st Thursday of December, but by the first day of a payment month (February, April, June, and August);
 - Receive that month's and future payment(s) but will forfeit prior payment(s) (December payment forfeited)



CVTRS/CIP

Unfunded Pension Liability Allocation

- Any city, village, township or county determined to have a pension benefit system in underfunded status must deposit a portion of CVTRS/CIP payments into their pension unfunded liability
- Exceptions:
 - A city, village, township or county that has issued a municipal security under section 518 of the revised municipal finance act (2001 PA 34)
 - A city, village, township or county that receives a FY 2023 local unit municipal pension principal payment grant



CVTRS/CIP

Unfunded Pension Liability Allocation

- City, Village, or Township
 - Amount equal to FY 2024 CVTRS Standard (both ongoing & one-time) less total FY 2023 CVTRS, rounded to the nearest dollar
- County
 - Amount equal to FY 2024 CRS Standard (both ongoing & one-time), plus FY 2024 CIP less total FY 2023 CRS & CIP, rounded to the nearest dollar

CVTRS Certifications By December 1st

<u>Fiscal Year</u>	<u>Qualified</u>	<u>Non-Qualified</u>	<u>Total</u>
2015	568	19	587
2016	576	11	587
2017	567	20	587
2018	559	28	587
2019	567	69	636
2020	581	55	636
2021	584	52	636
2022	603	33	636
2023	604	32	636

Non-Qualified: eligible local units that did not submit the required documentation.

CVTRS

Non-Qualified Eligible Local Units

<u>Local Unit Name</u>	<u>County</u>	<u>FY 2022 Forfeited</u>	<u>FY 2023 YTD Forfeited</u>	<u>FY 2023 Projected Forfeited</u>	<u>FY 2023 Projected # of Payments Forfeiting</u>
Bessemer Township	Gogebic	\$5,323	\$2,256	\$5,642	5
Beulah Village	Benzie	\$1,517	\$642	\$1,608	5
Boyne Falls Village	Charlevoix	\$0	\$1,077	\$1,077	1
Britton Village	Lenawee	\$1,484	\$0	\$0	0
Buckley Village	Wexford	\$3,815	\$1,616	\$4,044	5
Camden Village	Hillsdale	\$2,138	\$4,532	\$11,334	5
Champion Township	Marquette	\$368	\$0	\$0	0
Chatham Village	Alger	\$1,562	\$662	\$1,655	5
Copemish Village	Manistee	\$602	\$0	\$0	0
Eastlake Village	Manistee	\$1,177	\$498	\$1,248	5
Elsie Village	Clinton	\$0	\$8,364	\$20,910	5
Erwin Township	Gogebic	\$497	\$0	\$0	0
Fairgrove Village	Tuscola	\$0	\$2,124	\$2,124	1
Fife Lake Village	Grand Traverse	\$3,545	\$1,502	\$3,757	5
Fruitport Township	Muskegon	\$0	\$7,967	\$7,967	1
Garden Village	Delta	\$2,235	\$946	\$2,369	5
Grayling City	Crawford	\$0	\$19,900	\$49,751	5
Harrisville City	Alcona	\$3,169	\$1,342	\$3,359	5
Hartford Township	Van Buren	\$3,614	\$1,532	\$3,830	5

CVTRS

Non-Qualified Eligible Local Units (continued)

<u>Local Unit Name</u>	<u>County</u>	<u>FY 2022 Forfeited</u>	<u>FY 2023 YTD Forfeited</u>	<u>FY 2023 Projected Forfeited</u>	<u>FY 2023 Projected # of Payments Forfeiting</u>
Lakewood Club Village	Muskegon	\$1,466	\$0	\$0	0
Lawrence Village	Van Buren	\$5,212	\$11,048	\$27,622	5
Lyon Township	Oakland	\$0	\$18,534	\$18,534	2
Marion Township	Saginaw	\$3,100	\$1,314	\$3,286	5
McMillan Township	Ontonagon	\$0	\$520	\$1,302	5
Mecosta Village	Mecosta	\$2,749	\$0	\$0	0
Melvin Village	Sanilac	\$875	\$370	\$928	5
Millersburg Village	Presque Isle	\$0	\$670	\$1,678	5
Montgomery Village	Hillsdale	\$4,028	\$0	\$0	0
Onsted Village	Lenawee	\$676	\$0	\$0	0
Otisville Village	Genesee	\$15,616	\$0	\$0	0
Pine Grove Township	Van Buren	\$3,009	\$1,274	\$3,190	5
Port Hope Village	Huron	\$0	\$476	\$476	1
Prescott Village	Ogemaw	\$1,623	\$688	\$1,720	5
Richmond Township	Marquette	\$2,459	\$1,042	\$2,606	5
Sand Lake Village	Kent	\$1,817	\$1,926	\$1,926	1
Skandia Township	Marquette	\$1,632	\$690	\$1,730	5
Stanwood Village	Mecosta	\$2,850	\$0	\$0	0
Stockbridge Village	Ingham	\$0	\$5,074	\$12,686	5
Thompsonville Village	Benzie	\$1,262	\$2,674	\$2,674	2
Turner Village	Arenac	\$3,059	\$0	\$0	0

CVTRS

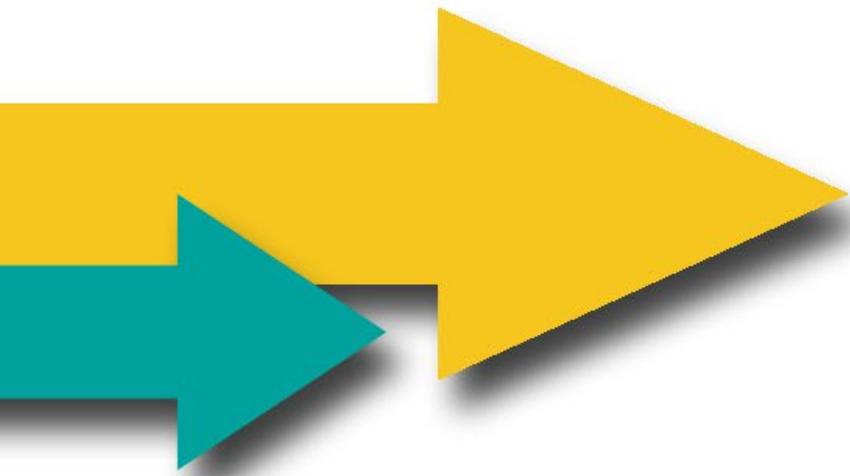
Non-Qualified Eligible Local Units (continued)

<u>Local Unit Name</u>	<u>County</u>	<u>FY 2022 Forfeited</u>	<u>FY 2023 YTD Forfeited</u>	<u>FY 2023 Projected Forfeited</u>	<u>FY 2023 Projected # of Payments Forfeiting</u>
Twining Village	Arenac	\$3,808	\$1,614	\$4,036	5
Waldron Village	Hillsdale	\$11,762	\$0	\$0	0
Walkerville Village	Oceana	\$4,826	\$2,046	\$5,115	5
Zilwaukee Township	Saginaw	\$0	\$161	\$161	1

CIP Certifications By December 1st

<u>Fiscal Year</u>	<u>Qualified</u>	<u>Non-Qualified</u>	<u>Total</u>
2015	74	0	74
2016	76	0	76
2017	78	0	78
2018	77	1	78
2019	80	1	81
2020	79	2	81
2021	81	1	82
2022	82	0	82
2023	83	0	83

Non-Qualified: eligible county that did not submit the required documentation.



City, Village, and Township Revenue Sharing (CVTRS)

FY 2023 & FY 2024 (Proposal)



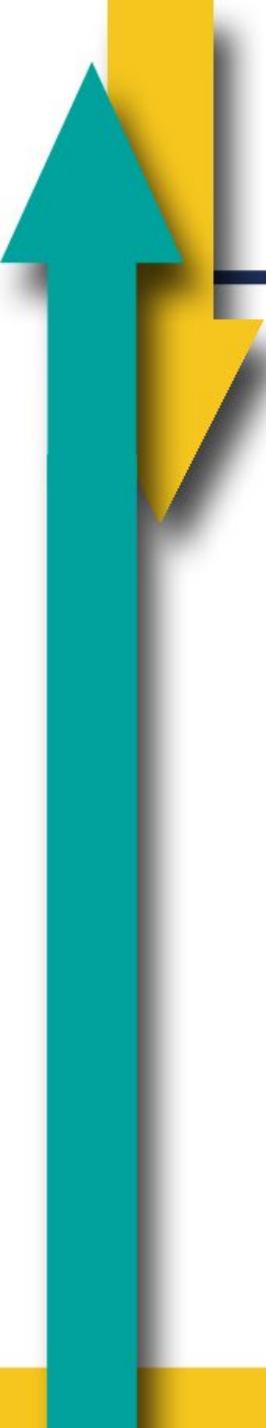
Ongoing FY 2024 (Proposal)

- Ongoing FY 2023 is
 - The total amount appropriated under section 108(11) of 2022 P.A. 166 (FY 2023 appropriation act)
- Ongoing does not include
 - The FY 2023 amount appropriated under section 108(15) of 2022 P.A. 166 (One-Time Appropriations)



CVTRS Payments FY 2024 (Proposal)

- Each city, village, and township that received a CVTRS payment in FY 2023 is eligible to receive a CVTRS payment in FY 2024
- Total CVTRS payments are proposed to increase 17% over the FY 2023 CVTRS ongoing amount
- The CVTRS payments will be issued as two payments
 - CVTRS Standard payment
 - CVTRS Public Safety payment



Calculation of CVTRS Standard FY 2024 (Proposal)

- CVTRS Standard Payment Calculation
 - 110% of the eligible ongoing FY 2023 CVTRS amount
 - Payments are rounded to the nearest dollar
 - Payments ARE subject to a city's, village's, or township's fulfillment of the accountability and transparency requirements



Calculation of CVTRS Public Safety FY 2024 (Proposal)

- CVTRS Public Safety Payment Calculation
 - 7% of the eligible ongoing FY 2023 CVTRS amount
 - Payments are rounded to the nearest dollar
 - Payments ARE subject to a city's, village's, or township's fulfillment of the accountability and transparency requirements



CVTRS

Public Safety Funding

- Public Safety funding must be specifically designated for local public safety initiatives, including:
 - Public safety employee recruitment
 - Public safety employee retention
 - Public safety employee training
 - Public safety equipment
 - Public safety employee infrastructure improvements

Calculation Example CVTRS Standard FY 2024 (Proposal)

<u>Local Unit Name</u>	<u>FY 2023 Ongoing CVTRS</u>	<u>FY 2024 Percent</u>	<u>FY 2024 CVTRS Standard</u>	<u>FY 2024 Increase Amount</u>
Mt Morris Twp	\$391,262	110%	\$430,388	\$39,126
Plymouth City	\$141,334	110%	\$155,467	\$14,133
Owosso City	\$451,407	110%	\$496,548	\$45,141
Roseville City	\$975,442	110%	\$1,072,986	\$97,544
Nashville Vlg	\$45,314	110%	\$49,845	\$4,531
Clare City	\$80,495	110%	\$88,545	\$8,050

CVTRS Standard Increase by Appropriation FY 2024 (Proposal)

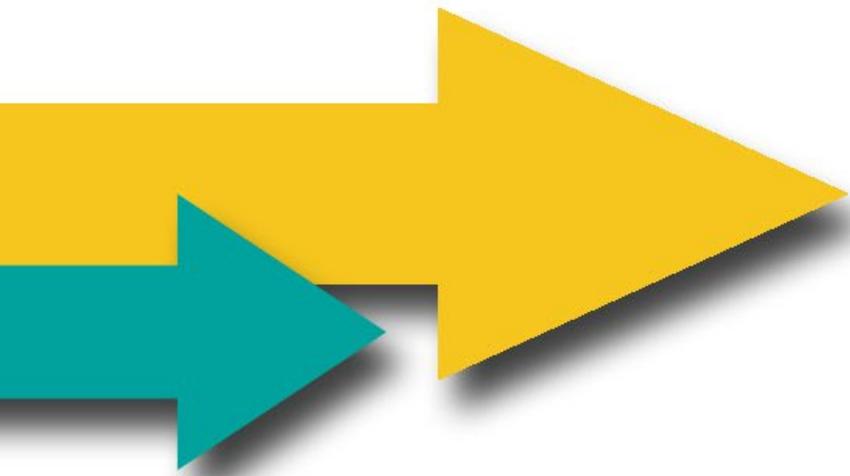
<u>Local Unit Name</u>	<u>FY 2024 Increase Amount</u>	<u>FY 2024 Ongoing</u>	<u>Percent Ongoing Increase</u>	<u>FY 2024 One-Time</u>	<u>Percent One-Time</u>
Mt Morris Twp	\$39,126	\$19,563	5%	\$19,563	5%
Plymouth City	\$14,133	\$7,067	5%	\$7,066	5%
Owosso City	\$45,141	\$22,570	5%	\$22,571	5%
Roseville City	\$97,544	\$48,772	5%	\$48,772	5%
Nashville Vlg	\$4,531	\$2,266	5%	\$2,265	5%
Clare City	\$8,050	\$4,025	5%	\$4,025	5%

Calculation Example CVTRS Public Safety FY 2024 (Proposal)

<u>Local Unit Name</u>	<u>FY 2023 Ongoing CVTRS</u>	<u>FY 2024 Percent for Public Safety</u>	<u>FY 2024 CVTRS Public Safety</u>
Mt Morris Twp	\$391,262	7%	\$27,388
Plymouth City	\$141,334	7%	\$9,893
Owosso City	\$451,407	7%	\$31,598
Roseville City	\$975,442	7%	\$68,281
Nashville Vlg	\$45,314	7%	\$3,172
Clare City	\$80,495	7%	\$5,635

CVTRS Public Safety by Appropriation FY 2024 (Proposal)

Local Unit Name	FY 2024 CVTRS Public Safety	FY 2024 Ongoing	Percent Ongoing Increase	FY 2024 One-Time	Percent One-Time
Mt Morris Twp	\$27,388	\$7,825	2%	\$19,563	5%
Plymouth City	\$9,893	\$2,827	2%	\$7,066	5%
Owosso City	\$31,598	\$9,028	2%	\$22,570	5%
Roseville City	\$68,281	\$19,509	2%	\$48,772	5%
Nashville Vlg	\$3,172	\$906	2%	\$2,266	5%
Clare City	\$5,635	\$1,610	2%	\$4,025	5%



County Incentive Program (CIP)

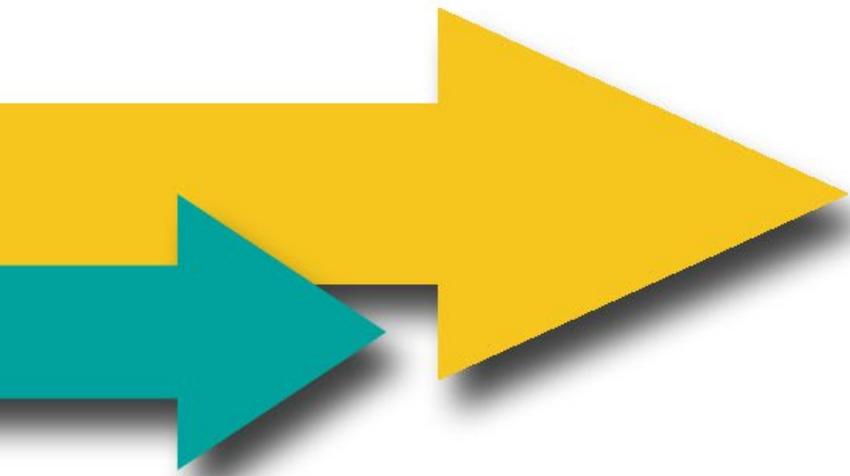
FY 2023 & FY 2024 (Proposal)

County Incentive Program (CIP) FY 2022 - FY 2024

<u>FY 2022 Actual</u>	<u>FY 2023 Projected¹</u>	<u>Difference</u>	<u>Percent Inc/(Dec)</u>
\$43,418,240	\$43,488,011	\$69,771	0.2%

<u>FY 2023 Appropriation¹</u>	<u>FY 2024 Gov. Rec.</u>	<u>Difference</u>	<u>Percent Inc/(Dec)</u>
\$43,488,100	\$43,579,900	\$91,800	0.2%

- CIP is 20% of the full funding amount
- Each county that received a CIP payment in FY 2023 is eligible to receive a CIP payment in FY 2024



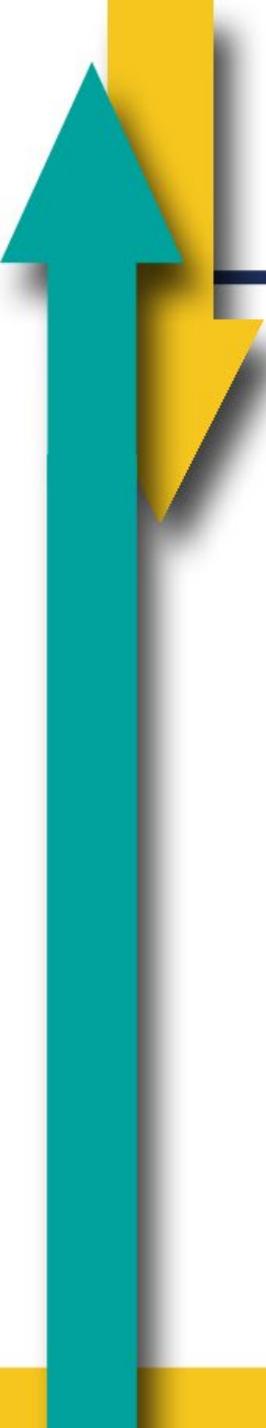
County Revenue Sharing (CRS)

FY 2023 & FY 2024 (Proposal)



Revenue Sharing Reserve Fund (RSRF)

- 2004: Legislation passed that shifted county's winter (Dec) tax levy to the summer (July)
- Required counties to establish a Revenue Sharing Reserve Fund (RSRF)
 - Required to deposit (over three years) an amount equal to their Dec 2004 allocated amount
- Counties were allowed to draw from the RSRF an amount equal to their FY 2004 revenue sharing payment amount increased by the inflation rate



Revenue Sharing Reserve Fund (RSRF)

- Once a county's RSRF was exhausted, the county returned to receiving revenue sharing payments from the state based on their "Full Funding" amount and the amount appropriated
- Full Funding amount is equal to:
 - The county's FY 2004 revenue sharing payment amount increased each year by the inflation rate through the date that the county's RSRF is exhausted

County “Full Funding” Calculation Example

<u>Fiscal Year</u>	<u>FY 2004 Revenue Sharing Payment</u>	<u>Inflation Rate</u>	<u>RSRF Draw Amount</u>	<u>Calculated Full Funding Amount</u>
2004	\$13,753,192			
2005		2.3%	\$14,069,515	
2006		3.3%	\$14,533,809	
2007		3.7%	\$15,071,560	
2008		2.3%	\$15,418,206	
2009		4.4%	\$16,096,607	
2010		-0.3%	\$16,048,317	
2011		1.7%	\$16,321,138	\$16,321,138



County Revenue Sharing (CRS) FY 2024 (Proposal)

- Total CRS payments are proposed to increase 31% over the FY 2023 full funding amounts and 17% over the FY 2023 ongoing funding
- All counties have fully returned to receiving CRS in FY 2024



County Revenue Sharing (CRS) FY 2024 (Proposal)

- The CRS payments will be issued as two payments
 - CRS Standard payment
 - CRS Public Safety payment



Calculation of CRS Standard FY 2024 (Proposal)

- CRS Standard calculation is
 - Roughly 123.15% of the FY 2024 full funding amount less the FY 2024 CIP amount
- The calculated amount is a 10% increase over FY 2023 ongoing funding
 - Appropriated as 5% ongoing & 5% one-time

County Revenue Sharing Standard FY 2024 (Proposal)

	FY 2023 CRS/CIP <u>Ongoing</u>	Percent Change	<u>Difference</u>	FY 2024 CRS <u>Proposal</u>
Ongoing	\$243,487,400	5%	\$12,172,400	\$212,583,500
One-Time		5%	\$12,176,400	\$12,176,400
Total	<u>\$243,487,400</u>	<u>10%</u>	<u>\$24,348,800</u>	<u>\$224,759,900</u>
CIP 2024				<u>\$43,579,900</u>
Total FY 2024 CRS/CIP				<u>\$268,339,800</u>



Calculation of CRS Public Safety FY 2024 (Proposal)

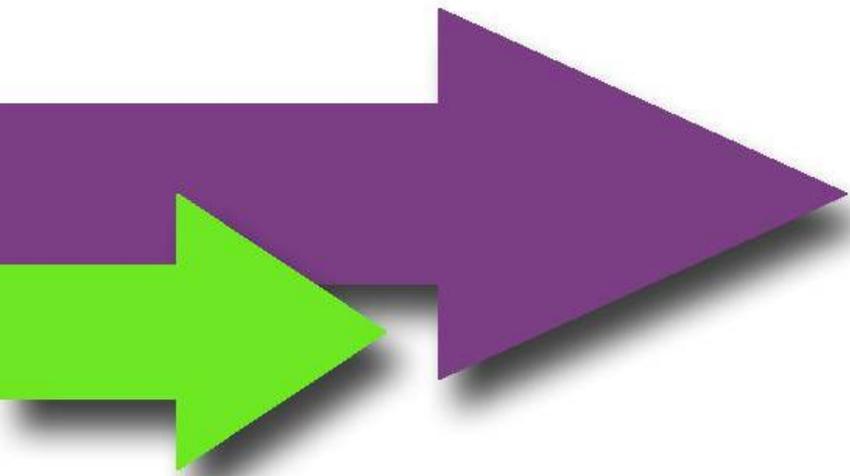
- CRS Public Safety Payment Calculation
 - 7% of the FY 2023 CRS and CIP ongoing funding
 - Appropriated as 2% ongoing & 5% one-time
- Public Safety funding must be specifically designated for local public safety initiatives, including:
 - Public safety employee recruitment
 - Public safety employee retention
 - Public safety employee training
 - Public safety equipment
 - Public safety employee infrastructure improvements

County Revenue Sharing (CRS) & County Incentive Program (CIP)

Fiscal Year	Eligible Counties	Projected Full Funding	Appropriation	Percent Funded
2010	20	\$62.0M	\$55.3M	89.1%
2011	36	\$112.4M	\$114.7M	100.0%
2012	50	\$151.9M	\$115.0M	75.7%
2013	62	\$171.0M	\$130.6M	76.4%
2014	63	\$182.3M	\$145.8M	80.0%
2015	74	\$211.6M	\$211.2M	99.8%
2016	76	\$214.7M	\$214.7M	100.0%
2017	78	\$215.1M	\$217.3M	101.0%
2018	78	\$215.8M	\$220.1M	102.0%
2019	81	\$216.1M	\$221.4M	102.5%
2020	81	\$216.6M	\$173.5M	80.1% ¹
2021	82	\$216.6M	\$226.5M	104.5%
2022	82	\$217.1M	\$231.5M	106.6%
2023	83	\$217.5M	\$245.8M	113.0%
2024	83	\$217.9M	\$285.4M ²	131.0%

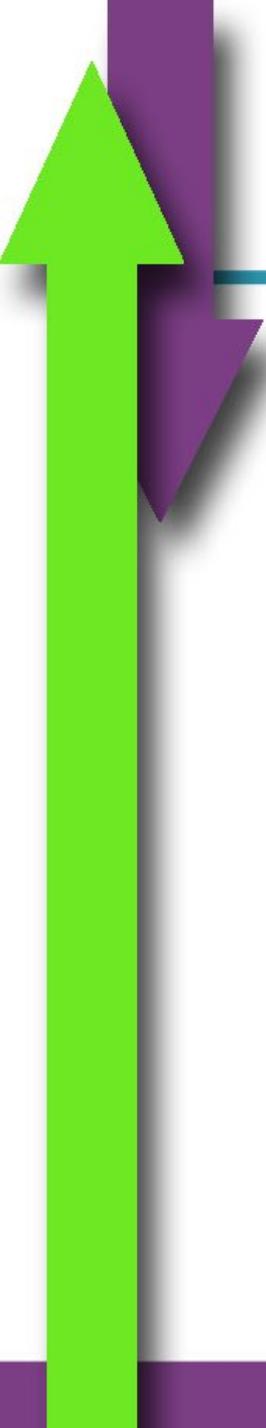
¹ The FY 2020 appropriation amount was reduced in 2020 PA 144 in an amount equal to the August 2020 payment. An equivalent amount was funded under the Coronavirus Relief Local Government Grant Program (CRLGG).

² FY 2024 appropriation amount is based on the Governor's Executive Budget Recommendation.



Financially Distressed Cities, Villages, and Townships (FDCVT) Grant Program

FY 2024 (Proposal)



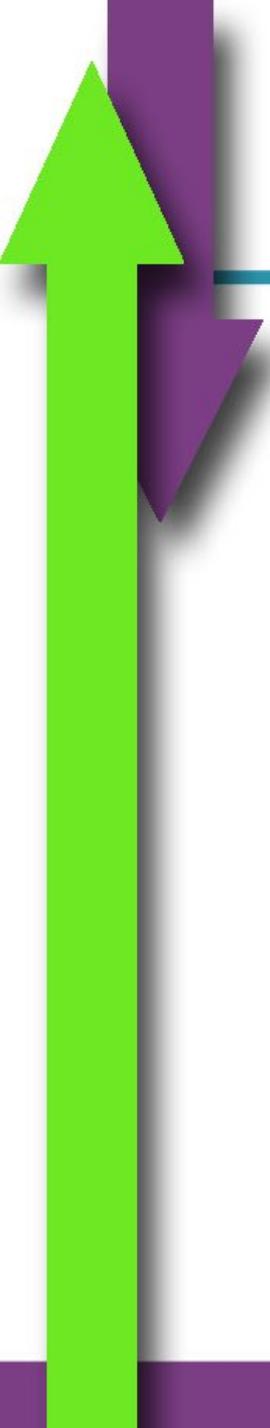
Financially Distressed Cities, Villages, and Townships (FDCVT) FY 2024 (Proposal)

- Available to all cities, villages, and townships that have one or more conditions that indicate probable financial distress
- To offset costs associated with specific projects or services that move the city, village, or township toward financial stability
- \$2.5M recommended in FY 2024;
- \$2.5M appropriated in FY 2019 - FY 2023
- No more than \$2.0M may be awarded to any city, village, or township in a fiscal year

Financially Distressed Cities, Villages, and Townships (FDCVT)

Application Round	# of Applications	Requested Funding	Awarded	Awarded Funding¹
FY 2015	49	\$30.5M	21	\$8.0M
FY 2016	51	\$29.3M	14	\$5.4M
FY 2017	50	\$33.8M	13	\$5.1M
FY 2018	54	\$39.0M	14	\$5.4M
FY 2019	38	\$25.9M	16	\$2.7M
FY 2020	38	\$20.4M	15	\$2.7M
FY 2021	53	\$25.4M	19	\$2.7M
FY 2022	42	\$22.3M	14	\$3.0M

¹ Awarded funding exceeded the appropriation due to prior funding lapses.



For Further Information

Revenue Sharing and Grants Division
Michigan Department of Treasury

517-335-7484

www.michigan.gov/revenuesharing

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