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### **Revenue Sharing Cuts Discouraging, But Incentives Should Reward Frugal Townships**

**Please attribute the following statement to Larry Merrill, executive director of the Michigan Townships Association.**

“The Michigan Townships Association is disappointed with a devastating 40% cut to statutory revenue sharing to local government, particularly in light of the fact the Michigan Legislature garnered public support for both the state income and sales taxes when they were originally enacted by promising that specified shares will be distributed to local governments. While only 40 out of 1,240 townships receive any of this money, essential services in those townships that currently receive meaningful amounts will be harmed. Revenue sharing cuts will dramatically impact the delivery of services such as fire and police protection, road maintenance and the quality of life in those Michigan townships. These are the kind of services that are most important to Michigan citizens and which attract people to the state. Additionally, some of the townships that are currently facing the most severe financial challenges will see the biggest revenue sharing cuts.

Townships are committed to delivering economical services and improving the Michigan economy. We are interested in learning the details of Governor Snyder’s initiative to link remaining revenue sharing with local government efforts to contain costs. We see this as an opportunity to address a 40-year-old inequitable distribution formula that discriminates against township residents. Incentives that focus on shared services, lower personnel costs or financial transparency could result in a fairer revenue sharing distribution. Frugal, accountable townships that have historically delivered low cost services, or that have recently cut their costs, should be rewarded with more revenue sharing.

Township governments have proven that cooperative services in some circumstances provide cost efficiencies or better service quality; however, cooperative services do not automatically mean cost savings. It is not clear in the governor’s budget outline how a new state program will reward communities that cooperate in delivering services. If incentives reward communities that are already cooperating, successfully control their personnel-

related costs, and practice transparency in their financial transactions, then we're confident that state officials will recognize the value of township government."

### **Background**

Statutory revenue sharing is based on a long-standing arrangement that the state's stronger taxing authority would provide revenue back to local government. It is derived from a dedicated revenue stream—sales tax receipts—that will now be diverted to shore up other parts of the state budget and to fund business tax cuts.

With over 50% of the Michigan population and responsibility for governing over 96% of the state's land area, townships currently receive less than 2% of the statutory revenue sharing distributions.

Incentives should also take into account the size of the government, population served, community characteristics, and available resources. It is also unreasonable to expect a rural township to compete with an urban city on a common list of "best practices," as their respective focus, mission, resources and community needs are extremely different. MTA maintains that revenue sharing incentives should adhere to the following broad principles:

- Be outcome based, rather than proscribe the means to accomplish outcomes;
- Actually improve the quality of local government services or reduce costs, not simply be "reform for reform's sake;"
- Reflect the state's diversity of local governments. One approach will likely not work for all, given size, scale, scope of services, resources, geographic location, etc.;
- Not discourage innovation and experimentation;
- Allow local governments to continue to attract and retain a workforce that can efficiently and effectively deliver local government services;
- Not micromanage local entities governed by elected bodies accountable to their constituents;
- Recognize entities that have consistently maintained a strong financial position;
- Not reward only those entities that are last to embrace best practices and punish those entities that have already put their financial house in order;
- Be accompanied by meaningful, measurable benchmarks to allow local governments to understand what is expected of them;
- Not impose meaningless, expensive reporting requirements.

Rather than cutting resources to communities, Michigan needs its state government to foster more regional collaboration to restore Michigan's prosperity. The most important reform involving local governments that state government could undertake to revitalize the Michigan economy is to create regional consortiums to make Michigan attractive to New Economy employers. Townships are committed to delivering economical services and improving the Michigan economy.

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