



## **Background Briefing**

# **CONSTITUTIONAL REVENUE SHARING**

**Jim Stansell, Senior Economist  
September 2013**

**Fiscal information in this briefing is based on the May 2013 Consensus Revenue Estimates.**

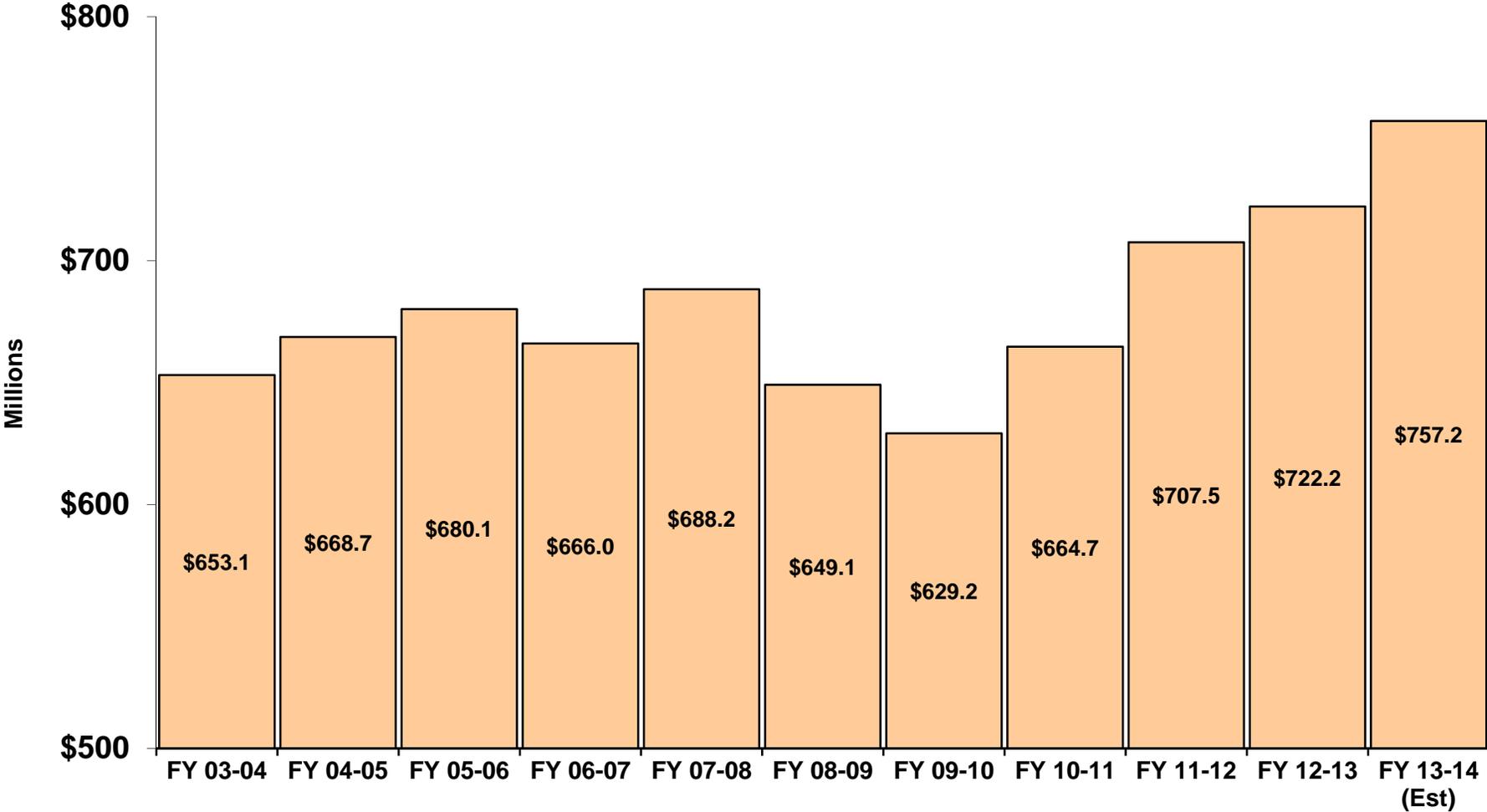
# Introduction to Constitutional Revenue Sharing

- **There are almost 1,800 cities, villages, and townships (CVTs) in Michigan, all of which receive Constitutional revenue sharing payments. Counties are not eligible to receive Constitutional revenue sharing payments.**
- **The Constitution requires that 48.97% of state spending from state sources be paid to local units. Constitutional revenue sharing accounts for roughly 5% of this requirement.**
- **Constitutional revenue sharing payments are distributed on a per capita basis as determined by the most recently completed decennial census.**
- **Constitutional revenue sharing payments are issued by the Department of Treasury at the end of October, December, February, April, June, and August of each state fiscal year based on actual sales tax collections from the prior two months.**

# History of Constitutional Revenue Sharing

- **1946: One-half cent of the 3% sales tax (one-sixth of the total) is Constitutionally dedicated to cities, villages, and townships, and is distributed on a per capita basis.**
- **1961: The sales tax rate is increased to 4%. One-half cent (one-eighth of the total) continues to be allocated to Constitutional revenue sharing.**
- **1963: The 1963 Michigan Constitution continues to earmark one-eighth (12.5%) of sales tax revenue.**
- **1974: The Constitution is amended to increase the sales tax earmark from 12.5% to 15% of sales tax revenue.**
- **1994: Although voters approve an increase in the sales tax rate to 6%, Constitutional revenue sharing payments are still calculated based on the first 4% since the 2% increase is Constitutionally dedicated to the School Aid Fund.**

# Constitutional Revenue Sharing Payments to Cities, Villages, and Townships



# Constitutional Revenue Sharing Payments to Cities, Villages, and Townships

*Millions of Dollars*

	<u>Final FY2011-12</u>	<u>Final FY2012-13</u>	<u>Estimated FY2013-14</u>
<b>Total Constitutional</b>	<b>\$707.5</b>	<b>\$722.2</b>	<b>\$737.3</b>
<b>Detroit</b>	<b>51.2</b>	<b>52.2</b>	<b>53.3</b>
<b>Other CVTs</b>	<b>656.3</b>	<b>670.0</b>	<b>684.0</b>
<b>Cities (277)</b>	<b>344.7</b>	<b>351.9</b>	<b>359.2</b>
<b>Villages (256)</b>	<b>19.7</b>	<b>20.2</b>	<b>20.6</b>
<b>Townships (1,240)</b>	<b>343.0</b>	<b>350.1</b>	<b>357.5</b>

**For more information about  
Revenue Sharing, contact:**

**Jim Stansell, Senior Economist  
jstanse@house.mi.gov  
(517) 373-8080**