

Local Government Funds

Counties, Cities, Townships, Villages, Libraries, and Parks

Current Budget Proposal:

- Beginning in calendar year 2006, the Governor's proposal reduces funding to **counties (including parks) and cities by 20%, townships and villages by 10%, and libraries by 5%**. The varying levels of cuts reflect the level of dependency of each political subdivision on the local government funds. *(Governor's budget)* **\$267 million loss to local governments.**
- Eliminate the Tangible Personal Property Tax, with some level of hold-harmless through 2018. *(House)*
- Lower the 20% reduction by 10% to counties if the county auditor provides, by October 2005, a **cooperation / collaboration plan to the state auditor**. Cities and parks will still receive a 20% reduction. *(House)* **\$45.7 million returned to counties.**
- Lower the 10% reduction by 5% to all villages and smaller townships. *(House)* **\$10 million returned to villages and "smaller" townships.**
- Reduce personal income tax by 21%. Public libraries receive 5.7% of personal income tax revenues. Eliminate corporate franchise tax. Local governments receive a percentage of corporate franchise tax and personal income tax revenues. Although these tax reforms will be imposed in July 2005, local governments and libraries will be held harmless from their immediate reduction because of the language outlined in the previous bullet point. However, beginning **in July 2007 the entire impact of these tax reduction measures will be imposed on local governments.** *(Governor's budget)*
- Provide additional grant money for collaborative efforts by counties, cities, villages, and townships. *(House)*
- Establish a joint House and Senate Committee, without representatives from local government, to study potential sources of funding for the existing local government funds that allows for growth and stability in funding levels. *(House)*
- Permit public libraries to charge fees for all services that are not related to print materials. *(House)*

Proposed Action Items:

- Maintain the freeze level of funding for local governments and libraries through the biennium. \$221.2 million to restore to freeze level.
- Permanently hold-harmless all local government from the elimination of the tangible personal property tax.
- Establish a joint House and Senate Committee, that includes representatives from the local government entities, to study potential sources of funding for the existing local government funds that allows for growth and stability in funding levels.
- Develop trigger language that would return the local government funds to some level of growth, if the state's revenue grows over some expected level within this biennium.
- Clarify the House version of the proposal to provide grant money for collaboration / cooperation projects; this simply requires a technical language change. Although the spreadsheet shows this as new money coming from the GRF, the budget language indicates that the money will be existing dollars from the LGF.
- Modify the House language that provides a reduction in county budget cuts from 20% to 10% to have reports filed by the county commissioners, provide additional time for the planning, and provide for a process that includes voluntary participation by all political subdivisions within a county.
- Clarify House language used to determine township size. Further, the reduction in the cuts to villages and small townships should be extended to **all** townships.
- Eliminate the language that would permit libraries to charge fees for services like summer reading programs, reference questions, Internet access, and audio-visual materials. These fees will be subject to sales tax.