Legislative Analysis

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RAISE UP LOCAL GRANT ACT

House Bill 4350 as introduced
Sponsor: Rep. Julie Brixie

House Bill 4351 as introduced
Sponsor: Rep. Amos O'Neal

Committee: Tax Policy
Complete to 9-13-23

SUMMARY:

House Bills 4350 and 4351 would create new acts to provide for the distribution of matching grants to certain municipalities

House Bill 4350 would create the Raise Up Local Grant Act, which would require the Department of Treasury to establish and administer a local grant program to provide matching grants to ***eligible municipalities***.

> ***Eligible municipality*** would mean a county, city, township, or village that meets both of the following:
> - It has a per capita taxable value that is less than the statewide average per capita taxable value.
> - It levies one or more property taxes or special assessments dedicated to one or more of the following purposes:
>   - Funding the construction, maintenance, or repair of roads and bridges.
>   - Funding the construction, maintenance, or repair of water and sewer systems.
>   - Funding police, fire, or emergency medical services.
>   - Payment of unfunded actuarial accrued liability for retiree health care and unfunded actuarial accrued liability for pension and retirement benefits for former employees of the eligible municipality

Eligible municipalities would apply for a grant in a form and manner prescribed by the department by December 31 of the calendar year immediately preceding the calendar year in which the municipality would levy an ***eligible millage*** (i.e., property tax or special assessment that would qualify for a matching grant). The application would be proper whether the tax or assessment was a continuing or a new levy.

> ***Eligible millage*** would mean the lesser of two mills or the total number of mills levied for the purposes described above.

The Department of Treasury would be required to maintain, and update by March 31 annually, a database that contains the following:

- The ***per capita taxable value*** for every municipality in the state and the underlying taxable value and population data used to calculate these values.
- The ***statewide average per capita taxable value*** and the underlying taxable value and population data used to calculate it.

- A list of all municipalities whose per capita taxable value is less than the statewide average per capita taxable value for purposes of participating in the matching grant program in the immediately succeeding calendar year.

  Per capita taxable value would mean an amount determined by dividing the total taxable value subject to general ad valorem property taxes in a municipality by the population of the municipality as determined by the Department of Treasury using the most recent population data available from the U.S. Census Bureau.

  Statewide average per capita taxable value would mean an amount determined by dividing the total taxable value subject to general ad valorem property taxes in Michigan by the population of the state as determined by the Department of Treasury using the most recent population data available from the U.S. Census Bureau.

The department would use this database to determine whether an applying municipality is eligible for a matching grant. Grant money received by a municipality would be dedicated to the same purpose as the taxes or assessments for which the matching grant was made.

The grants awarded under the bill would be subject to appropriation and could not exceed the difference between the total revenue raised by the municipality from the eligible millage and the total revenue the municipality if its per capita taxable value were equal to the statewide average. The grants would have to be distributed by July 1 of each year in which an application for a grant was approved, subject to appropriation.

House Bill 4351 would create the Raise Up Local Grant Fund Act, which would create the Raise Up Local Grant Fund in the state treasury. Money would be expended from the fund, upon appropriation, only to distribute matching grants as provided by House Bill 4350.

The state treasurer would direct the investment of the fund and could receive money and other assets from any source for deposit into it. Any interest and earnings from investment would be credited to the fund. Money in the fund at the end of a fiscal year would not lapse to the general fund. The Department of Treasury would be the administrator or the fund for auditing purposes.

The bills are tie-barred, which means that neither can take effect unless both are enacted.

FISCAL IMPACT:

The bills would have no direct fiscal impact on state or local government. While the bills would establish a program and an associated fund, they do not establish a funding source for the program. Therefore, the scope of the program would depend on annual appropriations by the legislature. And, because statute cannot mandate an appropriation, an estimate of future appropriations cannot be determined. Eligible municipalities would realize an increase in revenues to the extent that funds were appropriated for the program in any given year.

For context, based on the most recent data available, the statewide average per capita taxable value was $41,256 in 2022. The extent to which a county, city, village, or township levies a millage for one of the eligible purposes cannot easily be ascertained, making a potential fiscal estimate difficult to determine. Moreover, a database of per capita taxable values for all Michigan counties, cities, villages, and townships was not available at the time of this analysis. That said, based on a sampling of some of the larger municipalities in the state, the costs of a fully funded program could be significant.

The following table represents estimated grants assuming the *maximum* two mills would be awarded based on 2022 taxable values of all classes of property for the 15 largest cities, villages, or townships (CVTs) by population. As noted above, the extent to which CVTs throughout the state levy a millage for one of the eligible purposes cannot easily be ascertained and could change in any given year.

Municipality (CVTs)	**Maximum Two-Mill Award**
Detroit (city)	$37.9 million
Grand Rapids (city)	$4.1 million
Warren (city)	$3.4 million
Sterling Heights (city)	$1.1 million
Ann Arbor (city)	N/A
Lansing (city)	$4.0 million
Dearborn (city)	$1.7 million
Clinton (charter township)	$1.6 million
Canton (charter township)	N/A
Livonia (city)	N/A
Macomb (township)	N/A
Troy (city)	N/A
Westland (city)	$3.0 million
Farmington Hills (city)	N/A
Flint (city)	$5.0 million

The following table represents estimated grants assuming the *maximum* two mills would be awarded based on 2022 taxable values of all classes of property for the five largest counties by population. As noted above, the extent to which a county levies a millage for one of the eligible purposes cannot easily be ascertained and could change in any given year.

County	**Maximum Two-Mill Award**
Wayne	$51.7 million
Oakland	N/A
Macomb	$7.0 million
Kent	N/A
Genesee	$11.2 million

The bills also would increase administrative and information technology costs for the Department of Treasury by an unknown amount.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.