MICHIGAN LOCAL GOVERNMENTS ARE INCREASINGLY RAISING REVENUE FROM SPECIAL ASSESSMENTS

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What is the issue?

- Michigan puts more restrictions on the ability of local governments to raise revenue than almost any other state in the country
- Property taxes are restricted by the state constitution, and there have been significant cuts to revenue sharing by the state legislature
- One way for local governments to raise revenue that is not subject to the same restrictions as other taxes is with a special assessment

Special Assessment charges have increased 69% since 2010

Revenue Options

Special Assessment
A charge on property for an improvement or service that benefits the property owners within the Special Assessment District.

Property Tax
A tax charged to all property owners within a local government unit to support public services.

Revenue Sharing
Funds granted to a local government by the State to support local government operations and services.

User Fee
A fee charged in exchange for a specific government service.

Advantages and Disadvantages of Special Assessments

Advantages

- Not as heavily restricted as other property-based revenue sources
- Costs for improvement or service are paid by those who directly benefit from it
- Can be used in conjunction with other funding sources to finance a project

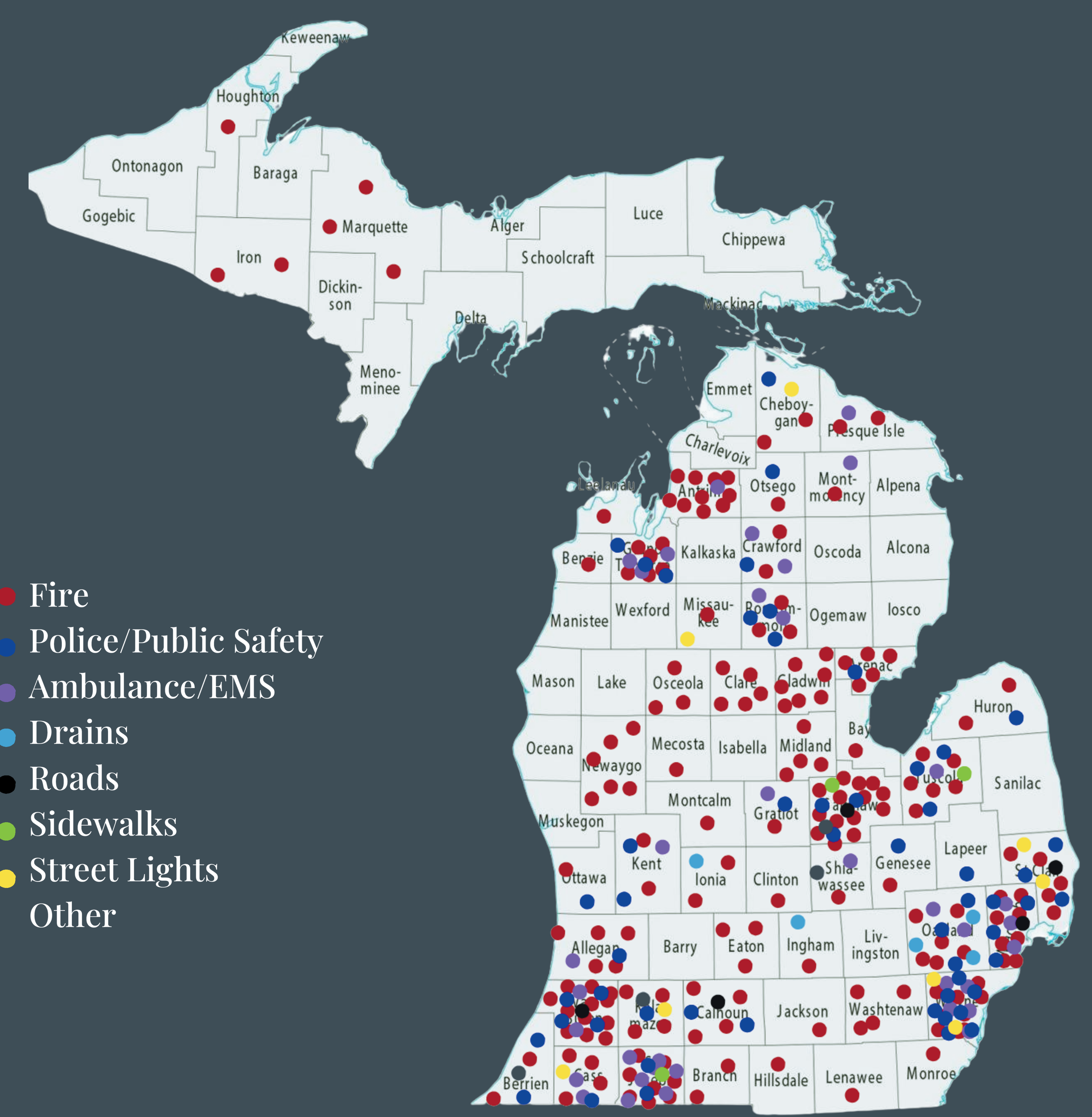
Disadvantages

- Does not require voter approval
- Not feasible for every local government
- Limited in scope, can only be used for a specific purpose

Key Question and Data

- How do restrictions on other local government revenue options affect special assessment utilization in Michigan local governments?
- Primary revenue and population data were collected from the Michigan Department of Treasury's Local Unit Annual Financial Reports or F65
- Service description information was collected from county equalization reports

Where Are Special Assessments Utilized?



- Fire
- Police/Public Safety
- Ambulance/EMS
- Drains
- Roads
- Sidewalks
- Street Lights
- Other

67% of Special Assessments are for Fire Services

Local Governments with Special Assessments as The Primary Revenue Source

Fiscal Year	Local Government Name	County Name	Population	Percent of Total Revenue from Special Assessments
2010	Wheeler Township	Gratiot	2786	74%
2013	Worth Township	Sanilac	3783	72%
2010	Cottrellville Township	St. Clair	3559	71%
2020	Sanilac Township	Sanilac	2301	69%
2010	Lyndon Township	Washtenaw	2720	69%

2023 Special Assessment Utilization by Government Type

Township	Township
70%	$118.6M
City	City
16%	$31.3M
Village	Village
14%	$4.4M

Likelihood of Special Assessment Utilization from Other Revenue Sources

Local Governments are **43% less likely** to utilize a Special Assessment when their share of total revenue from **Property Taxes** increases

Local Governments are **14% less likely** to utilize a Special Assessment when their share of total revenue from state **Revenue Sharing** increases

Local Governments are **19% less likely** to utilize a Special Assessment when their share of total revenue from **User Fees** increases

What can be done?

- **Local governments should consider sharing the costs for services such as police and fire**
- **Example: a small township contracting for fire services from a neighboring city**
- **Peferable in areas that are currently paying more for special assessments**

- **An alternative primary revenue source should be considered for townships**
- **Amendment to Michigan's constitution that raises the minimum amount of revenue sharing to local governments**
- **A constitutional amendment is less sensitive to cuts from the state legislature**