



Revenue Sharing Overview

Revenue sharing programs make State payments to cities, villages, townships, and counties. In FY 2025-26, the appropriations for revenue sharing programs are contained in Public Act 22 of 2025, Article V, within the Department of Treasury appropriation units for revenue sharing and one-time appropriations.

Revenue sharing programs are either constitutional or nonconstitutional. The Michigan Constitution requires that 15.0% of sales tax collections from the sales tax levied at a 4.0% rate be paid to cities, villages, and townships (CVTs) on a per capita basis. Nonconstitutional revenue sharing consists of programs which provide formula distributions to eligible local governments and a grant program. The nonconstitutional programs which make formula distributions in FY 2025-26 to eligible local units consist of City, Village, and Township Revenue Sharing; County Revenue Sharing; and public safety revenue sharing. Financially Distressed Cities, Villages, and Townships is a grant program funded for its twelfth year in FY 2025-26. The revenue sharing programs are discussed briefly below.

Constitutional Revenue Sharing. The Michigan Constitution requires that 15.0% of the sale tax revenue received from the sales tax levied at a 4.0% rate be paid to CVTs on a per capita basis. Constitutional revenue sharing is the largest revenue sharing program, with estimated spending of \$1,010.1 million in FY 2025-26 based on the May 2025 consensus revenue estimates. Actual payments are based on actual sales tax collections.

Revenue Sharing for Cities, Villages, and Townships. The budget includes \$333.5 million in FY 2025-26 to fund this program for CVTs. Of the total payments, \$299.1 million is for CVTs to receive 100.0% of the amount of statutory revenue sharing received in FY 2023-24 and \$34.4 million distributed to all CVTs through the three-factor model, which is distributed as 1/3 through an inverse taxable value formula, 1/3 through a unit type population formula, and 1/3 as a yield equalization payment.

County Revenue Sharing and County Incentive Program. Revenue sharing payments to counties is \$291.1 million for FY 2025-26. Of the total payments \$261.1 million is for counties to receive 100% of the amount received in FY 2023-24 and \$30.0 million distributed to counties through an inverse taxable value formula.

A county that is eligible for State-paid revenue sharing is one that has completed withdrawals from its county revenue sharing reserve fund. The local revenue sharing reserve funds were established in 2005 by a one-time acceleration of county property tax collections. Each county was able to withdraw a specific amount from its revenue sharing reserve account in lieu of State-paid revenue sharing, until its revenue sharing reserve fund was exhausted. As of FY 2022-23, all counties are eligible for State-paid revenue sharing.

Public Safety revenue Sharing Grants. This program distributes funds to CVTs and counties to support public safety efforts. For FY 2025-26, \$70.0 million was appropriated with \$3.25 million for Community Violence Intervention Programs, \$10.0 million to police academy scholarships, \$42 distributed to CVTs based on violence crime data, and \$14.2 million to counties distributed through an inverse taxable value formula. Of the \$70.0 million, \$50.0 million is designated as ongoing and \$20.0 million is designated as one-time.

Of the payments received by CVTs and counties, at least 75% must be used for a law enforcement agency or officers and not more than 25% may be used for other non-law enforcement public safety purposes.

Financially Distressed Cities, Villages, or Townships. This program provides \$2.5 million in FY 2025-26 for grants to CVTs that show signs of probable fiscal distress as determined by the Department of Treasury. The grants are for projects that move an eligible CVT toward financial stability. The projects are developed with cooperation between the local government and Treasury for projects to reduce unfunded accrued liabilities, the cost of transitioning to shared services, and maintenance of critical infrastructure owned or operated by a CVT. Grants are limited to \$2.0 million per local unit.

Table 1 summarizes the revenue sharing appropriations for FY 2024-25 and FY 2025-26. Constitutional revenue sharing is estimated based on the May 2025 consensus revenue estimates. Actual constitutional revenue sharing payments will be based on actual revenue collections.

Table 1

Revenue Sharing Initial Appropriations for FY 2025-26				
	FY 2024-25 Year-to-Date	FY 2025-26 P.A. 22 of 2025	Difference	Percent Change
Constitutional ¹⁾	\$1,083,723,300	\$1,010,082,900	(\$73,640,400)	(6.8%)
CVT Revenue Sharing	333,547,300	333,547,300	0	0.0
County Revenue Sharing	291,111,400	291,111,400	0	0.0
Public Safety Revenue Sharing	0	70,000,000	70,000,000	--
Financially Distressed CVTs	2,500,000	2,500,000	0	0.0
TOTAL	\$1,710,882,000	\$1,707,241,600	(\$3,640,400)	(0.2%)

¹⁾ Constitutional revenue sharing payments are based on the May 2025 consensus revenue estimates.

Source: Senate Fiscal Agency and May 2025 consensus revenue estimates.