

# Legislative Analysis



## PUBLIC SAFETY AND VIOLENCE PREVENTION FUND

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<http://www.house.mi.gov/hfa>

**House Bill 4605 (H-2) as reported from committee**  
**Sponsor: Rep. Nate Shannon**

Analysis available at  
<http://www.legislature.mi.gov>

**House Bill 4606 (H-4) as adopted**  
**Sponsor: Rep. Alabas A. Farhat**

**Committee: Local Government and Municipal Finance**  
**Complete to 11-2-23**

### SUMMARY:

House Bills 4605 and 4606 would amend the General Sales Tax Act and the Michigan Trust Fund Act, respectively, to establish a “Public Safety and Violence Prevention Fund” that would proportionately distribute money from sales tax revenue to cities, villages, townships, and counties for public safety measures based on the level of crime in each local unit. The bills are tie-barred together, meaning that neither would take effect unless both were enacted.

**House Bill 4605** would amend the General Sales Tax Act to provide for the distribution of sales tax revenue into the Public Safety and Violence Prevention Fund that would be created by House Bill 4606. Beginning with the 2024 fiscal year, the Department of Treasury would have to deposit 1.5% of the money received and collected from the tax imposed at a rate of 4% into the fund, to be distributed as provided for by House Bill 4606.

MCL 205.75

**House Bill 4606** would amend the Michigan Trust Fund Act to establish the Public Safety and Violence Prevention Fund within the Department of Treasury. The fund would receive money deposited from the General Sales Tax Act (as provided for by House Bill 4605), interest and earnings from the fund’s investments, and donations made to the fund from any source. The state treasurer would be responsible for directing the fund’s investments. Money in the fund at the close of a fiscal year would remain in the fund and would not lapse to the general fund.

By September 30, 2024, and March 31, 2025, and on every following September 30 and March 31, subject to appropriation, the state treasurer would have to distribute 6.5% of the money added to the Public Safety and Violence Prevention Fund during the previous two quarters of the state fiscal year to the Department of Health and Human Services (DHHS) to create and administer a grant program to provide grants to cities, villages, townships, and counties for the purpose of advancing public health and intervention solutions to community violence.

The remaining revenue would be distributed to local units of government every September 30 and March 31, as described below.

If a county has a population of at least 90,000 as of the most recent federal census, the revenue would be distributed to each city, village, and township in that county that provides or contracts to provide police services. Disbursements to each municipality would have to be at least

proportional to that municipality's average share of the statewide reported crimes as determined by data from the three most recent Crime in Michigan annual reports published by the Michigan State Police as of the first day of the state fiscal year of the distribution.<sup>1</sup>

If a county has a population of under 90,000, the revenue would be distributed to each city or village in that county that provides or contracts for police services and to the county on behalf of a township that provides or contracts to provide police services. Disbursements would have to be at least proportional to that municipality's average share of the statewide reported crimes, based on the three most recent Crime in Michigan reports, on the first day of the state fiscal year of the distribution.

For any distribution made between October 1, 2026, and September 30, 2028, if the rate of violent crime in a city, village, or township does not decrease by at least 5% from the **base crime level**, the state treasurer would have to reduce its distribution (or the distribution to a county on a township's behalf, as applicable) by 5% and proportionally reallocate the reduced amount to the other cities, villages, townships, and counties whose disbursements are not reduced. For any disbursement made after September 30, 2028, if a local unit's rate of violent crime does not decrease by at least 5% from the base crime level, the state treasurer would have to reduce that local unit's disbursement by 10% and proportionally reallocate the reduced amount to the cities, villages, townships, and counties whose disbursements are not reduced under this provision.

**Base crime level** would mean the average of the two highest annual rates of violent crime in a city, village, or township, determined by the Crime in Michigan reports published in the three calendar years immediately preceding the calendar year in which HB 4606 takes effect.

Distributions to any city, village, or township, or county on behalf of a township, would be capped at 25% of the total distribution amount. Any money that a city, village, or township, county, or county sheriff department contracted by a local government to provide police services receives from the fund would have to be used for the purposes of public safety and violence prevention. Money from the fund and DHHS grants could not be used, however, to obtain a vehicle that weighs more than 15,000 pounds and is designed or used for a tactical police purpose. Disbursements also could not be used to cover existing public safety programs unless a local government experiences a decline in its estimated total general fund revenue from the previous year and a proportionate decline in its existing reoccurring resources.<sup>2</sup>

A city, village, township, or county could subgrant all or part of a distribution or a DHHS grant if it is to be used for allowable purposes.

Money in the fund could not be transferred, expended, withdrawn, or otherwise disbursed from the fund except as authorized above.

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<sup>1</sup> The annual reports can be accessed here: <https://www.michigan.gov/msp/divisions/cjic/micr/Annual-Reports>.

<sup>2</sup> The bill provides that "existing reoccurring resources" would not include funds provided by a voter-approved millage or special assessment that has expired or was not renewed. The term also would not include distributions from the Public Safety and Violence Prevention Fund.

For each annual budget submitted to the legislature for each fiscal year beginning after September 30, 2024, the governor and the state budget director would be required to include an appropriation directing the state treasurer to disburse money from the Public Safety and Violence Prevention Fund in the manner provided above.

MCL 12.252

#### **BRIEF DISCUSSION:**

Supporters of the bill argue that a specific revenue source dedicated to public safety would allow communities to use the funding how they best see fit to address their unique needs. Basing the disbursements on statewide data would ensure the money is spent where it is needed most, and the performance-based portion of the formula would incentivize municipalities to pursue initiatives that actually reduce violent crime.

However, concerns were raised during committee testimony about the lack of disbursements to counties in the initial versions of the legislation, since county sheriffs often provide services to municipalities within their borders and individuals are often housed in county jails before sentencing. Restricting the disbursements only to county sheriffs operating under a contract does not address the needs of the other county agencies that provide public safety and violence prevention services.

#### **HOUSE FLOOR ACTION:**

The H-4 substitute adopted on the House floor for House Bill 4606 allocated 6.5% of the fund for a Department of Health and Human Services grant program and allowed counties with a population under 90,000 to receive disbursements from the fund on behalf of a township.

#### **FISCAL IMPACT:**

**House Bill 4605**, as written, would not directly alter state revenues, although it would reduce general fund revenue available for other purposes. The 1.5% earmark contained in HB 4605 would generate approximately \$110.8 million for the Public Safety and Violence Prevention Fund, based on the May 2023 consensus revenue estimating conference projection for sales tax revenue for FY 2023-24.

**House Bill 4606** would create additional administrative costs for the Department of Treasury related to the creation, investment, and administration of the Public Safety and Violence Prevention Fund, as well as making disbursements to local units for police services. An estimate of the increased costs is unknown at this time. The bill would increase revenue to eligible local units of government by the amount of any distribution received from the fund.

House Bill 4606 would increase revenue to the Department of Health and Human Services by an estimated \$7.2 million and would increase grant awards to local units of government for public health and violence prevention by a like amount. Under the provisions of the bill, 6.5% of the Public Safety and Violence Prevention fund must be distributed to DHHS to create and administer a grant program to promote public health and violence prevention within cities, townships, and counties.

## POSITIONS:

Representatives of the following entities testified in support of the bills (6-21-23):

- City of Detroit
- City of Lansing

The following entities indicated support for the bills:

- Chesterfield Township (6-21-23)
- City of Ann Arbor (9-13-23)
- City of Grand Rapids (6-21-23)
- Michigan Municipal League (6-21-23)
- Michigan Townships Association (6-21-23)
- Oakland County (6-21-23)
- Southeast Michigan Council of Governments (9-13-23)
- Urban Core Mayors (6-21-23)

The Wayne County Executive indicated support for House Bill 4606. (9-13-23)

A representative of the Michigan Association of Counties testified with concerns about the bills. (9-13-23)

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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.