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Executive Summary

Amidst the current discussions regarding Michigan local government reforms, three important points need to be more widely recognized:

- Implementing proposed state policies to force or incentivize local government service sharing or consolidation of local governments would consume more time, attention and resources than the small benefits such programs would produce; these efforts could be better directed at more meaningful reform.
- Michigan local governments, particularly townships, already perform very efficiently compared to local governments in other states. Most structural reforms will not result in lowering local government expenditures, and instead, are more likely will drive local government expenditures up.
- Reform efforts directed at Michigan local governments should be focused on regional economic development strategies that leverage regional assets and utilize placemaking tactics to:
 - attract knowledge-based industries
 - develop regional infrastructure necessary to attract New Economy jobs
 - promote entrepreneurship and diversity
 - develop value-added agriculture using 21st-century technologies

Government reform is seen as a magic bullet that will allow government to provide the services people want without requiring taxpayers to dig deeper to finance their expectations. Why have government reforms so far proven elusive?

The focus on local government reforms began in earnest in 2007, with declarations from key lawmakers and a few interest groups that Michigan has too many local governments; however, the initial ham-fisted attempts to begin eliminating townships by transferring their statutory duties to counties ran afoul of constitutional, political and logistical barriers. A Michigan State University study also demonstrated that moving assessing to counties would actually *increase* costs by 10 percent.

The more realistic public policy discussion now is on the feasibility of creating incentives for local governments to voluntarily merge or share services, although some interest groups continue to call for reducing the number of local governments without understanding or recognizing the massive barriers this seemingly simple reform would encounter.

Consolidating local governments will *not* save money. Making smaller governments into bigger governments will most certainly drive the cost of government up, not down. Service sharing can reduce costs, particularly for water and sewer systems, but these services are mostly financed through user fees, and cost savings will not impact on local government's reliance on state financial support. Simply combining local government services does not result in cost savings unless the service consolidation allows for reducing staffing levels or eliminating major capital purchases, and these opportunities

cannot be assumed. Increased costs resulting from expanded administrative oversight can also quickly eat up any savings resulting from eliminating redundancies.

Townships, in particular, have embraced local government service-sharing arrangements long before pundits began beating the reform drum. More than a quarter of Michigan townships share fire suppression programs, and many others buy and sell fire protection for a part of their geographic areas. Of the townships that provide local law enforcement, three-quarters do so with contracts with other governmental entities.

Michigan local governments already do a remarkable job providing services at costs lower than the national average, and especially at lower costs compared to other highly populated states. States with township governments generally produce services at costs below the national average of comparably populated states. The assumption that Michigan has more local governments than other states is erroneous; Michigan ranks 33rd in the number of local governments per capita, and 29th in the average population per jurisdiction. The state ranks 28th in state and local revenue per capita, and 31st in state and local taxes per capita. Michigan local governments' expenditures for many services, on a per capita basis, are generally well below the national averages, and in some cases are even near the bottom. Local government administrative costs for elections, zoning, planning, finances and buildings are 42nd among all states.

Reforms that eliminate barriers that prevent local governments from further cooperating in providing services, or consolidating governmental entities when it makes sense, would be helpful to local governments desiring to improve service coordination as well as reduce costs, but it is a misplaced effort to make service sharing and local government consolidation the main thrust of state policies to reform local government.

Instead, a much more important local government reform—one that would be widely supported by local governments and the business community as well, and would produce far more important dividends to Michigan's prosperity—is to empower local governments to work together to attract 21st-century economy employers.

This will require the state of Michigan to invest resources and participate in regional economic development planning based on placemaking strategies. Individual local government entities cannot effectively market themselves in a global economy, and Michigan is too economically diverse to have a single economic development strategy. Michigan must have multiple economic development plans specific to the unique assets of the various metropolitan areas and different strategies to attract new resource-based industries that will locate in rural areas. This will require an unprecedented degree of collaboration among local governments that can only occur if Michigan state government is willing to align its economic development strategies with regional plans and is also willing to provide essential financial resources to facilitate and reward economic development planning collaboration.

Quick Facts—Michigan Local Government

Ranking Compared to Other States:

Local Governments Per Capita	33 rd
Population	9 th
General Purpose Units of Governments	11 th
Local Taxes Per Capita	26 th
Local Government Expenditures Per Capita	24 th
Average Population Per Local Jurisdiction	29 th
Local Government Tax Burden Per Capita	41 st
Total Number of Local Governments	11 th

Michigan Population: 9,969,727

Percent of Michigan Residents Living in Townships: 51.5 percent

Percent of Statutory Revenue Sharing Distributed to Townships: 2.3 percent

Michigan Land Area:	58,382 square miles
Percent Governed by Cities:	3.8% (1,973 square miles)
Percent Governed by Villages	Less than 1% (328 square miles)
Percent Governed by Townships:	96% (56,081 square miles)

Michigan's largest township in land area: McMillan Township, Luce County (592 square miles)

Michigan's largest city in land area: Detroit (138 square miles)

Michigan's smallest township in land area: Novi Township, Oakland County (.1 square mile)

Michigan's smallest city in land area: Pleasant Ridge (.6 square mile)

Sources: U.S. Bureau of the Census, 2001-2002

Michigan Department of Treasury, 2009

Land Information Access Association, 2009

Introduction

Michigan government cannot continue business as usual; massive revenue declines will force service cuts at all levels along with revenue increases. Most people want to see neither, and hold out hope that reforming the way government operates will allow citizens to continue to enjoy the services to which they have become accustomed without having to contribute more to offset revenue shortfalls.

Revenue limitations and citizen expectations will force local leaders—with or without state prodding—to alter traditional ways of delivering services. Local officials who fail to find new efficiencies will likely get a ticket out of office in the next election. It is difficult to imagine any state incentives for reform being any more effective.

However, some interest groups and policymakers remain unconvinced that local governments will adjust to the “new normal,” and instead, want the state to impose changes on local governments. Indeed, some reforms supported by local officials will not happen without state action.

Are Michigan’s Local Governments ‘Ripe’ for Reform?

Times of crises present opportunities to examine institutions such as local governments to determine if they are meeting contemporary needs. Pundits and policymakers are quick to conclude that Michigan’s local governments need to be reformed, consistent with a general assumption that everything in Michigan must be second-best. It is part of the blame game that preoccupies our state as we struggle with a changing global economy.

While the Michigan economy currently scores very low in comparison with per capita income, unemployment, business starts and attractiveness to new employers, many local government reforms that are surfacing are predicated on the assumption that Michigan’s local governments are inefficient and too costly. How do Michigan’s local governments stack up against their counterparts in other states?

Michigan Government Per Capita Performance Indicators	National Ranking 2001-02	National Ranking 2006-07	Change
Revenue from Own Sources	20	28	-8
All Taxes	24	31	-7
Parks and Recreation Revenues	36	37	-1
Utility Revenues	40	38	+2
General Operating Expenditures	20	32	-12
Capital Outlays	33	49	-16
Salaries and Wages	24	44	-20
Police Protection Expenditures	23	27	-4
Fire Protection Expenditures	34	37	-3
Protective Inspections and Regulations	25	36	-11
Financial Administration	45	41	+4
Public Buildings	29	30	-1
Long-term Debt	9	26	-17

Data available from the U.S. Bureau of the Census indicates that Michigan government is pretty economical compared to those in other states. The data also suggests that, in response to unrelenting financial strains of the past decade, state and local governments have become even more so. The chart on page 4 depicts revenues and expenditures of both state and local governments in Michigan, but which are heavily influenced or exclusively driven by local government performance.

Where local government administrative spending can be clearly delineated from state spending (such as is the case for fire protection expenditures), the Bureau of the Census data demonstrates that Michigan local governments operate at lower administrative costs in comparison with the national average:

- **Financial Administration (assessing and tax collection included) per capita expenditures of \$54; national average \$59 (ranked 24th)**
- **General Public Building per capita expenditures of \$27; national average \$35 (ranked 37th)**
- **Other Governmental (elections, zoning and land use planning) per capita expenditures of \$51; national average \$75 (ranked 42nd)**

Ironically, elections, zoning and planning are often the primary targets of reformers to move to county government. Clearly, cost savings cannot be the real motive.

To avoid accusations of cherry-picking the data, there are some revenue and expenditure categories in which Michigan's local governments underperform the national average. Property taxes per capita rose—from 19th in 2001-02 to 16th in 2006-07. Property taxes have been increased by the voters and by governing bodies that had been operating below their lawful limits to offset revenue sharing cuts. Property taxes per capita will likely decline in the next several years as taxable values drop due to the soft real estate market. Michigan local governments also rank 9th in per capita sewerage fees, up from 13th in 2001-02. Relatively high sewerage fees are in spite of this service having a very high incidence of being provided on a regional basis. Approximately half of all Michigan residents who are on a municipal sewerage system are connected to the City of Detroit's sewerage system, which indicates that there are other factors in play that determine the cost of services in addition to economies of scale.

However, overall Michigan's local government costs compare very favorably with those in the rest of the country. For reformers who want to model Michigan's local government structure to more closely resemble that of another state, a closer look at comparative local government revenues and expenditures is warranted. States that outperform Michigan tend to be very different in populations, density, urbanization and service quality.

Potential Local Government Reforms are Far More Difficult Than They Appear

Reduce the Number of Michigan Local Governments

The number of local governments in Michigan—1,240 townships, 533 cities and villages, 83 counties, 551 school districts—is often presented as *prima facie* evidence that Michigan has too many local governments. When one considers that Michigan’s population approaches 10 million people and our state land area is over 58,000 square miles, the number of local governments needed for quality programs and services takes on a clearer perspective.

Ron Dzwonkowski, associate editor of the *Detroit Free Press*, recently opined,

Where do you suppose Michigan is heading in our awful situation with limited supplies? Nowhere good, I fear, based on a recent survey showing a majority of elected and appointed officials in local government flat-out don’t trust the state. If we were a lifeboat, I’d say blood in the water is more likely than everyone rowing in the same direction.

The survey of local officials in 1,204 of Michigan’s 1,858 units of local government (Doesn’t that seem, by the way, like an awful lot of government?) was conducted by the Center for Local, State, and Urban Policy at the University of Michigan’s Gerald R. Ford School of Public Policy. Of those who responded, 71% of county officials, 53% of city officials, 54% of village officials (Why do we still have villages and village officials?) and 46% of township leaders said they had no faith in state government to do the right thing.

*—“Leaders, work together so all survive with less,” Detroit Free Press,
November 15, 2009*

While Dzwonkowski’s recent op-ed piece was on point in addressing the lack of trust local government officials express toward state government and the need for leaders to put aside their differences, his comment about the number of governments in Michigan is often repeated by others as an area of potential government reform.

It is easy to declare Michigan has too many local governments as there are no objective standards or consensus about the “right number” of local governments a state should have. Such declarations reflect a value judgment, based to a great extent on what one expects local governments to contribute to the public good, one’s personal local government experiences, where one lives, and which interest groups one favors.

Purported to support the assertion that Michigan has “too many local governments” is an often repeated falsehood that Michigan has more local governments than any other state. If true, Michigan’s local government system could be out of sync with the sensibilities of the rest of the country. However, objective data indicates that the number of Michigan’s general purpose local governments is consistent with other states with similar populations, density, climate and character. When all local governments,

including special districts, are counted, Michigan actually has far *fewer* local governments in relation to its population than the national average (see chart on page 3). What's more, the number of local governments has no relationship with an area's prosperity.

Implied in the assertion that Michigan has too many governments is that some communities should lose their right to be self-governed. Few people who say that Michigan has too many local governments are willing to identify which communities no longer deserve to govern themselves.

Nonfinancial Policy Objectives for Consolidating Local Governments

Long before Michigan encountered its current financial troubles, various pundits have wanted to reduce the number of local governments—not just in Michigan but also in other states. They argue that “fragmented government” is inefficient and impedes economic development.

- **Chicago has a very fragmented government system but is nonetheless prospering. Minneapolis, another “fragmented” metropolitan area, is also often hailed as a model for successful transitioning to a knowledge-based economy.**

“Fragmented government” has been blamed by the Brookings Institution for creating conditions leading to the exodus of college-educated workers from the Commonwealth of Pennsylvania. However, researchers from Penn State University found the Brookings study to be flawed.¹

- **Consolidating governments in metropolitan areas was a cutting-edge reform—50 years ago.**

More recently, several Canadian provincial governments merged their largest cities with their surrounding suburbs. In 1996, the province of Nova Scotia merged Halifax with three surrounding cities to form a “supercity.” The results were less than spectacular:

- *Merger-transition costs, estimated at \$11 million (Canadian dollars; U.S. equivalent, \$7.2 million) swelled to C\$24 million.*
- *Annual savings expected from the merger have been cut to zero from an initial estimate of C\$10 million, and there have been two strikes by municipal workers.*
- *Polls show 66 percent of the merged Halifax's 370,000 citizens remain opposed to what they call “annexation.”*
- *“If it was done for dollar reasons, then amalgamation didn't work,” Halifax Mayor Peter Kelly says.²*
- *Higher-than-expected merger costs, coupled with lower-than-expected savings and cuts to federal-provincial transfer payments, have left many municipalities struggling, even though the provinces have taken over other expenses.³*

¹ “Youth Out-Migration from Pennsylvania: The Roles of Government Fragmentation vs. the Beaten Path Effect,” Georg Grassmuck, Stephan Goetz, and Martin Shields, Lycoming College, Pennsylvania State University, and Colorado State University—USA; published in the *Journal of Regional Analysis & Policy*, 2008.

² “As Cities Gobble Up Their Suburbs, Costs Spiral,” *Wall Street Journal*, May 23, 2001, p. b14.

³ *Ibid*, p. b14

Economic, Political and Logistical Challenges to Consolidating Local Governments

Consolidating local governments is not for the faint of heart or for those who want immediate results. Consolidating financially distressed communities simply creates a larger financially distressed local government. Consolidating a struggling government with a financially strong government will likely cause politically volatile subsidies from the strong community to the weak.

A few villages have held votes on the question of being dissolved, which would result in a merger with the surrounding township. However, the high threshold required for a village to be dissolved (a two-thirds vote rather than a simple majority) makes the elimination of villages, under current law, highly unlikely.

Consolidations face strong local opposition because eliminating government is essentially rationing local democracy. Eliminating elected officials at any level may feel cathartic to those alienated from government or when proposing eliminating someone else's local government, but the opportunity to have a close relationship with elected officials and local governing boards and commissions is important to the large majority of Michigianians.

Assuming that there are communities with leaders and citizenry who are open to consolidation, the process of working out all of the details could take five or more years, based on the experience of consolidation of three small municipalities in Iron County—Iron Mountain, Mineral Hills and Stambaugh. Even with expert facilitation by MSU's Cooperative Extension Service, the process of negotiating merger logistics took years to accomplish—far more time than advocates of quick results will find acceptable elsewhere.

Consolidation will not result in lowering costs where local governments are appropriately staffed. If all current employees are fully utilized processing financial transactions, maintaining records, responding to fires, patrolling streets and highways, etc., then consolidating the government entities will not result in lowering local government workforces, which is the only way to reduce labor costs—the biggest operating expense of local government. On the other hand, if the combined staffing levels of the merged entities exceed the needs of the new government, then cost savings *may* be realized by local government consolidation.

The consolidation process is extraordinarily complicated, requiring:

- melding different tax rates
- connecting separate infrastructure systems
- resolving different levels of debt
- rectifying two or more incompatible administrative systems
- unifying compensation systems and personnel policies
- standardizing ordinances

Even with an experienced facilitator, consolidating any governments will likely take five or more years.

The amount of administration will not be substantially reduced, as the expanded span of control of the consolidated government will be the combined size of the original departments. A fire or police chief might get eliminated, but the chiefs of the new police and fire departments will expect more compensation to reflect their expanded responsibilities, along with sufficient assistants and support staff to maintain effective oversight of the larger departments.

Consolidating Local Governments Lacks Public Support

Implied in the opinion that Michigan has too many governments is that some communities should lose their right to be self-governed. It is easy to declare Michigan has too many local governments as there are no objective standards, but much harder to identify communities that no longer deserve to govern themselves.

Not surprisingly, the public's appetite to ration local democracy does not match its support inside the Lansing beltway. A statewide survey conducted by Marketing Resource Group (MRG), commissioned by the Michigan Townships Association in December 2008, asked respondents:

Generally speaking, do you think there are too many, too few or about the right number of local governments in Michigan?

- **Only four in 10 respondents thought there were too many local governments.**

These responses were generated without informing the poll participants the actual number of local governments in Michigan. After informing respondents that Michigan has about 10 million people, 83 counties, 1,240 townships, and 533 cities and villages, the responses to this question were:

- **Only 29 percent of informed respondents thought there were too many local governments in Michigan. Fifty-three percent thought there is about the right number.**

Won't economies of scale make consolidated local governments cheaper?

Ironically, local government reformers too often draw on the economic models of the defunct Industrial Age, rather than consider science-based approaches more appropriate to creating prosperity in a 21st-century, knowledge-based economy.

“Economies of scale” made American manufacturing, particularly the automotive industry, wildly successful in the halcyon days of the Industrial Era, but economies of scale have little to do with creating prosperous communities. The unintended consequences of myopically pursuing a “bigger is better” strategy of merging local governments into bigger governments is the emergence of bureaucratic inertia, ineffective oversight, diluted accountability and bloated administrative costs—the same dysfunctions that crippled American manufacturing competitiveness. The misplaced worship of economies of scale when applied too broadly to local government will have the same effect.

Voluntary Consolidation

In spite of the political and economic barriers, some local governments are better candidates for consolidation than others. Criteria to identify potential local government mergers include:

- A history of collegial relationships among the consolidation candidate communities
- Similar tax rates and tax base per capita
- Similar values and expectations regarding local government services
- Similar values and expectations regarding police power ordinances and agreement as to the role of government to regulate behavior
- Compatible community preferences for government structure—the role of the chief elected official and manager, administrative staff, governing body structure, etc.
- Similar outstanding debt
- Similar employee legacy costs (accrued pension and retiree health care liabilities)
- Similar populations to equalize political influence
- All have healthy balance sheets of current assets and liabilities
- All deliver public safety services in the same way in terms of career vs. on-call fire departments, self-directed police departments vs. sheriff department contracts
- The presence of unifying geographic features overlaying common boundaries, or a common commercial area
- Surplus capacity in high-cost, labor-intensive services
- Currently serving geographic areas too small for efficient service deployment
- Uniform distribution of population densities

Reforms to Facilitate Consolidation

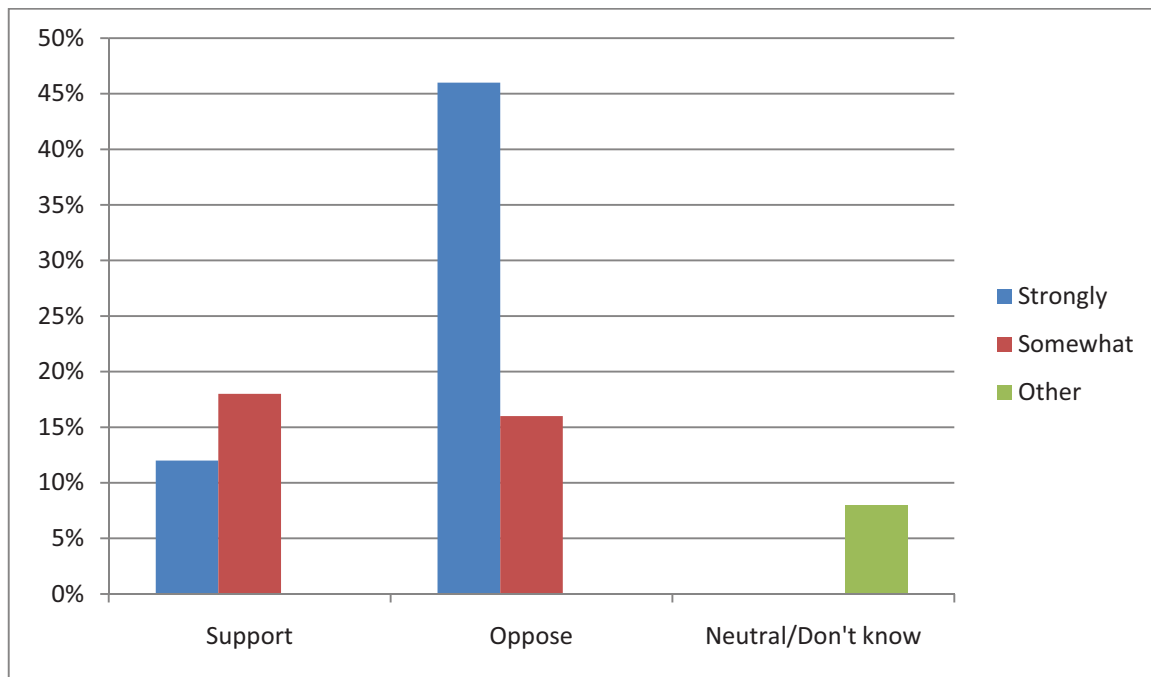
Extend the relatively liberal statutory provision for township consolidations to all local government entities. A low petition threshold to initiate dissolving a village or merging a city with another entity, and requiring only a simple majority of the voters in the affected entities to dissolve or merge a local government, rather than supermajorities, could eliminate obsolete villages and would make consolidation of cities with other entities, or dissolving cities back to their original townships more likely as well.

Another Reform More Difficult Than It Appears: Transferring Local Government Services to Counties

Some local government reformers want to reduce the scope of services provided by local governments and enhance the powers and duties of Michigan counties. This policy objective was the driving force of House Bill 4780 and a related package of bills introduced in 2007. The purported savings from transferring assessment administration from townships to counties, proposed in the 2007 legislation, was debunked by a study by a Michigan State University economist⁴, and the political resistance from townships was formidable.

A statewide survey of Michigan’s residents in December 2008 documented strong public opposition to transferring township responsibilities to counties.⁵

Would you support or oppose a proposal to eliminate township government and assign the responsibility for all township services such as police, fire and emergency services, property tax assessments, planning and zoning and elections to county government?



Constitutional Barriers to Transferring Responsibilities

Attempts to transfer local government functions to counties will also have to resolve a provision of the 1978 “Headlee Amendment” requiring the state to compensate local governments for new mandates. Since only about 70 townships receive statutory revenue sharing, schemes to reduce state aid to local governments—including those that receive no statutory revenue sharing (which applies to

⁴ Eric Scorsone, Ph.D., Michigan State University, January 2008.

⁵ Marketing Resource Group, December 2008; random sample of 600 Michigan voters, +/- 4.1 percent.

over 1,100 townships)—to pay the counties for assuming new services is tantamount to dipping into a dried well.

Local governments, townships included, have constitutional standing as public corporations, and their physical assets are owned by their inhabitants, not the state of Michigan.

While local governments are often characterized as “creatures of the state,” they are not merely creatures of the Legislature. Proposals to take revenue sharing from local governments to pay counties for performing their traditional services will require a constitutional amendment to change the apportionment formula from a per capita basis to a formula that will be subject to the Legislature. The current statutory revenue sharing formula already attempts to reflect and reward service levels by giving cities, villages and larger townships an automatic larger apportionment than townships with populations under 10,000. Creating a new formula that allocates revenue sharing funds on the specific services that a local government provides would be extraordinarily difficult.

Counties do not provide the same services as do townships, cities and villages, although they perform functions related to tax collection, assessment administration and election administration that are performed by cities and townships. There are many statutes authorizing service sharing and transferring, so the absence of enabling legislation is not a barrier.

County-provided services would likely cost more because counties would need to provide services on an equitable basis throughout the county. Townships can tailor the provision services closer to the needs and preferences of their governed area, while county-wide services would have to be provided everywhere at the same level so all taxpayers would feel they are getting their “fair share” of services.

Some townships currently contract with counties on a voluntary basis for assessing services, and many townships (and some cities and villages) also contract for police protection from the county sheriff. As local government resources become increasingly scarce, more local governments will be looking favorably on county contracts—provided that the county can perform the service at a cost less than the local government can obtain through performing the service itself or, where authorized by law, contracting with the private sector.

Fostering Service Sharing

Due to the legal, political and economic barriers to consolidating local governments or state government involuntarily transferring services from one level of government to another, discussions of local government reforms have evolved to ways that the state could incentivize voluntary local government service contracts and jointly operated programs and services. While some interest groups that have little experience with local government finances and services continue to include local government consolidation on their reform wish lists, current discussions with other interest groups that have taken the time to understand Michigan local government have shifted their focus on potential state incentives for local governments sharing services.

Several interest groups have recently released similar lists of recommended reforms, including recommendations to either reduce the number of local governments or to encourage local government service sharing. These reform lists often cite the same source, The Center for Michigan, and purport that local government service sharing could produce cost savings of at least \$250 million. It is not clear if this would accrue on a one-time basis or would produce an annual windfall. As of this writing, this

Incentivizing service sharing is far more likely to achieve results than other options involving the state overriding local control.

purported savings could not be located on the Center for Michigan Web site, but one document on their Web site indicated that the savings is “unclear.”⁶ The source for the recommendation is “the Governor’s Panel on Local Government (2006) and numerous business groups”—perhaps the same groups that are citing the Center for Michigan. A review of the 2006 Task Force on Local Government Services and Fiscal Stability does not mention the \$250 million purported savings from consolidating services.⁷ Regardless, any estimates of the amount of money that would be saved is highly speculative. To ascertain even how realistic such an estimate can be considered, one would need to know its underlying assumptions.

State Incentives to Expand Voluntary Service Sharing

A state that is struggling to provide a basic safety net for its most vulnerable citizens is hardly in a position to offer money to local governments so they can buy lawn mowers together, or such that a couple of adjacent communities can put the same uniforms on their police officers and firefighters.

The likelihood that Michigan state government will have surplus resources to financially incentivize local government service sharing on a broad basis any time soon is, optimistically, slim to none.

Sharing services can save money, but local governments are already sharing services much more than casual observers acknowledge. For most local governments, having their own departments and services is their first choice, but scarce resources will incentivize more governments to look more closely at sharing services than any carrots and sticks the state can muster up. Taking money otherwise owed to

⁶ http://www.thecenterformichigan.net/blog/wp-content/uploads/2009/12/REFORM_INVENTORY_II.pdf

⁷ http://www.michigan.gov/documents/FINAL_Task_Force_Report_5_23_164361_7.pdf

local governments as an incentive to share services will likely produce both animosity and some service sharing that is essentially low-hanging fruit. Nonetheless, carefully focused state incentives involving new money for local governments may be marginally effective.

Sharing services is economically advantageous when a unit of government has surplus capacity resulting from overstaffing or capital assets that are not fully used. Joint services are most appropriate when the units mutually need technical expertise or specialized equipment that is cost-prohibitive or underutilized when owned or employed by each acting separately. In addition to cost savings, joint services can result in more effective deployment of resources.

While reducing the costs per capita of providing a service, **shared services can stretch capacities over too large of an area and render the service less effective.** For example, many of Michigan's rural townships share fire protection, and the residents enjoy less costly fire protection as a result. However, response times are longer than would be the case if each governmental entity provided fire protection to its own area.

Service Sharing Will Occur Without State Intervention

More service sharing can be expected as local governments continue to respond to steeper budget shortfalls resulting from declining property taxes and state shared revenues. Local government associations have been promoting service sharing for decades, and there are many sample agreements available so local officials do not have to reinvent solutions found by others.

In 2008, MTA surveyed the extent to which townships engaged in cooperative ventures in eight representative and diverse counties—Cass, Cheboygan, Kent, Macomb, Marquette, Midland, Oakland and Washtenaw. The survey revealed the following utilization of cooperative arrangements:

- **Cooperative fire protection is provided by nearly 48 percent of the total townships in the survey; rural areas, 57 percent; 30 percent in southeast Michigan.**
- **Cooperative law enforcement involves approximately 31 percent of townships that contract with county sheriffs or other local governments for additional coverage; 55 percent receive all of their law enforcement services from county sheriffs through contracts.**
- **62 percent of townships that provide water service do so cooperatively; 22 percent belong to a water authority.**
- **79 percent of the townships in southeast Michigan provide sewer services cooperatively, as do 57 percent of the outstate townships. Only 12 percent of townships provide sewer services on their own.**
- **Half of the townships share building inspectors with another entity; 33 percent of the townships have the county perform construction code inspections.**
- **86 percent of the townships in southeast Michigan, and 52 percent of the townships located elsewhere, engage in some level of joint land use planning.**
- **43 percent of townships share assessors with other entities; 30 percent in southeast Michigan, and 54 percent in other counties.**

- **84 percent of townships in southeast Michigan, and 70 percent in outstate townships conduct elections for school district.**
- **44 percent of townships contract with their county to print tax bills; 47 percent contract with the county to collect delinquent personal property taxes.**
- **58 percent of townships in southeast Michigan, and 22 percent of townships in the outstate counties participate in joint purchasing arrangements.**
- **Of the 69 percent of townships that have a park or recreation program, one-third run their program with another entity.**
- **More than 90 percent of townships contribute funds to the county road commission; half of all townships contribute more than \$100,000 annually.**
- **Approximately 53 percent of townships are engaged in other cooperative efforts, including mutual aid, annexations by agreement, clean-up days, election training, youth programs, cemeteries and open space preservation.**

State Incentives to Encourage More Service Sharing

Rather than attempting a broad-based approach to incentivizing vertical integration of services across all local governments, or attempt again to focus only on rural governments, the state should focus its efforts on the communities that need reforms the most, and those that have most resisted collaboration in the past: urban core areas.

Many services currently delivered by central cities can be delivered with higher quality and at lower expense to central city residents at the county or regional level. These include water and sewer, major roads, public transportation, public health, zoos and museums, major parks and tax collection. We recognize the political difficulty in transferring functions away from local governments. But it is inconceivable to us that state and local leaders can deliver on a commitment to quality basic services without taking this step.⁸

With more local governments coming under state financial oversight by the Michigan Department of Treasury, the state is in a strong position to review the service delivery method of financially distressed local government. If joint provisions would be economically advantageous, the state should negotiate on their behalf with neighboring communities' contracts or create multi-unit partnerships to provide their programs and services.

Included in the incentives commonly suggested are:

- **Restoring revenue sharing cuts to local governments that practice service sharing.**

“Many services currently delivered by central cities can be delivered with higher quality and at lower expense to central city residents at the county or regional level.”

—Michigan Future, Inc.

⁸ “Revitalizing Michigan’s central cities: A vision and framework for action,” Michigan Future, Inc., March 2003, page 14.

Service sharing requires willing partners, and it seems unfair to penalize a local government because its neighboring entities refuse to cooperate in sharing services. It will also be problematic to calculate the allocations local governments will receive for various service sharing arrangements, given the variety of services provided, different cost structures, and different delivery methods such as career fire departments and on-call departments.

A one-size-fits-all approach to incentives for intergovernmental cooperation, that artificially matches governments with partners without regard to nature of the service and the opportunities to minimize excess capacity, is likely to create as many failed arrangements as successes.⁹

Because cities receive far more revenue sharing than do townships, while townships are much more amenable to service sharing, altering the revenue sharing formula to reward joint services would dramatically reallocate revenue sharing from larger, urban governments.

Without any restoration of funding, diversion of funding in any fashion will mean drastic cuts in the funds that are currently used for statutory state revenue sharing payments. The local governments that continue to receive statutory revenue sharing payments are not likely to give up those funds without a fight. Without some remedies to the State's chronic structural budget problems, diverting funds to induce more cooperative ventures would be a zero-sum proposition that would be threatening to many larger local governments.

The best hope for funding would be to set aside a portion of the growth in funds available for state revenue sharing as the budget returns to health and the pot of money available for distribution begins to grow. It is possible that local governments still would feel threatened by a policy to artificially suppress the amount of funds available for distribution, but such a policy would be less threatening than that of cutting funding that is already in place.¹⁰

Local governments that already deliver services jointly with other entities should not be penalized for their initiative.

Statutory Revenue Sharing in FY '10:

Total Distributed to Cities, Villages and Townships:

All Cities: \$301.7 million (96%)

City of Detroit: \$179.6 million (57.1%)

Villages: \$5.1 million (1.6%)

**Townships: \$7.4 million (2.3%)—
distributed to roughly 70 townships
(about 5 percent of the total number
of townships)**

⁹ Eric Luper, "Intergovernmental Cooperation in Michigan: A Policy Dialogue, White Paper H Intergovernmental Cooperation and Revenue Sharing," Citizens Research Council of Michigan; published by Michigan State University's Land Policy Institute, 2007, page 11.

¹⁰ Ibid, page 6.

- **Providing money for service sharing feasibility studies and implementation strategies.**

Facing financial scarcity, local governments may not be willing to spend money upfront for expertise needed to ascertain if savings will result from potential service sharing arrangements and to develop transition plans. The state could make such funds available, but more compelling statewide spending priorities likely exist. State financial incentives to alter local government service delivery processes would likely come at the expense of other state support to local government for programs critical to meeting basic local needs.

- **Eliminating consolidation of services as mandatory topics of collective bargaining.**

The state Legislature could remove barriers to local governments transferring and jointly providing services by amending the Michigan Public Employee Labor Relations Act to eliminate the right of employees to bargain service consolidations, as well as a multitude of other state laws prohibiting employees from being economically disadvantaged by consolidating services. The mere existence of these laws likely stops even initial discussions on service sharing due to the perception that service sharing will increase labor costs rather than produce the desired cost reductions.

However, in many communities, public employees enjoy considerable and well-deserved public support. If local government employees oppose service sharing, their opposition can easily transfer to public opposition as well. Michigan residents value fairness and do not want to see the people who protect their lives and property, who make their lives more convenient, and who, in many cases, are their friends and neighbors, harmed by a service sharing agreement. Absent labor's buy-in, employee groups will be more likely to exercise their political might and expend public relations resources to fight service sharing arrangements that are not in their best interests. Consequently, eliminating these statutory provisions does not negate the influence of public employees on proposals to share services.

Reforms That Would Restore Michigan's Prosperity

Much of Michigan's ongoing economic development activity is chasing potential employment in the declining manufacturing sector, where jobs pay very little, and rationalizing that \$10-per-hour jobs are better than no jobs at all. But the same efforts refocused to partner with local governments could leverage Michigan's ample assets to attract New Economy, knowledge-based jobs that pay more like the Old Economy jobs that Michigan is shedding.

Michigan needs its state government to be the essential catalyst to foster more regional collaboration. Metropolitan regions are the economic engines of the 21st century, yet the state makes no effort to provide cohesive leadership for local governments to work together to build strong regional economies, such as strategies to attract knowledge-based, New Economy jobs to metropolitan regions and more resource-based jobs to rural regions.

Vibrant, healthy communities are essential to simultaneously attracting knowledge-based industries, highly educated workers and more diversified value-added resource-based economies in rural areas. Highly educated young workers want to live in exciting places where there are cultural and entertainment amenities. Middle-aged educated workers want safe communities with good schools and recreational opportunities in which they can raise families. Rural Michigan, as well, needs a coordinated approach to leverage resource-based economies more effectively for world markets. State and local partnerships to foster entrepreneurship, along with education reforms, are essential strategies to restoring Michigan's prosperity.

The amenities of local communities matter far more to Michigan's competitiveness than increasing joint services or making local government bigger.

State actions that focus on altering local government programs and services will, unfortunately, divert attention from reforms that would go far to fix Michigan's fundamental economic problems.

Instead of focusing local government reforms on the relatively mundane (and for which the purported savings are highly suspect) process of getting local governments to cooperate on certain services and purchasing, a far more meaningful reform would be for the state to provide leadership by facilitating Michigan's local governments into regional collaboration for effective economic development strategies.

The most important reform involving local governments that the state government could undertake that would revitalize the Michigan economy is to create regional consortiums to make Michigan attractive to New Economy employers. These growth industries want knowledgeable, talented workers, and Michigan needs to drastically readjust its priorities if it wants to be competitive in the 21st century.

Worldwide, metropolitan regions are the economic engines for 21st-century New Economy growth and prosperity. Michigan's local leaders recognize this reality to varying degrees, but recognition needs to

be translated into strategy and action. Local governments must work together in ways unimagined just a few years ago to leverage Michigan's assets to attract New Economy jobs.

Revitalizing central cities is at the core of a successful metropolitan region. That the Michigan Townships Association, which primarily represents the interests of suburban and rural governments, would make this statement will take some lawmakers and policy experts by surprise, but this position is admittedly self-serving to the interests of townships. Research by Michigan State University's Land Policy Institute, as well as Michigan Future, Inc., conclusively documents that decaying central cities pull down the economic vitality of the surrounding regions and other nearby local governments. For better or for worse, central cities are the identity of metropolitan regions, and their image to the world is either a driver or impediment to attracting new jobs in a global economy.

What is different over the past decade or so is that suburban growth in high-prosperity metropolitan areas is now accompanied by growth in their central cities. The evidence is that the most successful regions across the country are those where both the suburbs and central cities are prospering.¹¹

Central cities have the best potential to attract and retain the college-educated, talented workers that New Economy employers covet.

*Our best guess is that **unless we substantially increase the proportion of college educated adults in Michigan—particularly in our biggest metropolitan areas—we will continue to trend downwards in the per capita income rankings towards the mid 30s.** Our basic belief: over the long term, Michigan's and its regions' per capita income will be consistent with the rankings in the proportion of adults with a four-year degree or more.¹²*

The data clearly show that high-prosperity metropolitan areas are characterized by high concentrations in high-pay, knowledge-based industries as well as a high proportion of adults with four-year degrees. All of the top ten are above—many substantially above—the national average in both metrics. Simply put, they are further along in the transition to a post-industrial economy than Michigan's largest regions.¹³

Eventually these young workers will start families and migrate out to the suburbs. But the central cities can provide the gateway to the talented, to entrepreneurs and to industrious immigrants who will grow the regional economies. Central cities can provide the cultural and entertainment assets that are important in attracting and retaining high-income residents. Creating a stronger recognition of metropolitan regions as a vital system of interconnected parts will go far in building consensus for critical regional mass transit systems.

¹¹ Ibid, page 24.

¹² Glazer and Grimes, page 14.

¹³ "A New Agenda For A New Michigan," Michigan Future, Inc., 2006, page 8.

Because of the transportation preferences of talented, college-educated workers, no region anywhere in the world enjoys prosperity without an effective public transportation system. Regional development plans, in order to win a broad consensus of support from the prerequisite “critical mass” of local government jurisdictions, must provide for “win-win” outcomes for all participating entities. Successful regional revitalization plans cannot be premised on some communities poaching resources from others.

Major regional entities must have essential New Economy assets, or credible plans to acquire them. They will need to demonstrate capable financial stewardship and transparency, and have a history of being true to their word. Otherwise, it is hard to envision leaders of other communities agreeing to invest their time to develop a regional plan, let alone being willing to share resources and forgoing short-term parochial advantage for the sake of long-term regional prosperity. New Economy assets and a mindset to cooperate in creating regional economic transition plans exist in all areas of the state.

However, not all of Michigan’s communities likely have sufficient assets to compete in the New Economy, including some of our larger cities. Successful regional development plans may have to provide that other jurisdictions will need to assume regional economic domination. Past and ongoing successful regional planning initiatives and local government collaboration, albeit limited in scope, are evidence that local communities can work together. Local governments have forged mutually beneficial agreements to adjust boundaries, extend services and share taxes, although some areas of the state have been far more successful in collaborating than others.

A recent op-ed piece in the *Lansing State Journal*, authored by Charter Township of Lansing Supervisor John Daher and Charter Township of Delta Supervisor Ken Fletcher, illustrates the commitment of mid-Michigan townships to developing a strong regional initiative to encourage a regional insurance industry cluster:

Greater Lansing has a long history of cooperation between local governments and economic development groups. This regional cooperation is growing even stronger. Growth benefits the entire greater Lansing area. Construction might take place in Delta Township or the city of Lansing, but new workers will perhaps live in DeWitt, Meridian Township or Delhi Township. The thousands of existing insurance industry employees live in every community, and virtually every neighborhood, in Greater Lansing. They participate in schools, churches and local charities, and are just one example of how interwoven our 'new' local economy is with the quality of life we enjoy.

Sure, there will be competition among local communities for future facilities, jobs and infrastructure development. Yet when those decisions are made, we all benefit, regardless of whether our community was chosen or not, because the result is that Greater Lansing was selected. Cities such as Indianapolis, Des Moines and Omaha are implementing aggressive plans to attract new insurance industry jobs to those cities. They actively court Lansing-based companies to relocate to their town. We can surrender these jobs, or we can step up and compete for them.

The Lansing Regional Chamber of Commerce has launched a campaign to promote Lansing as Michigan's insurance capital. Local and state government are key to seeing this plan come to fruition, just like what has occurred in Indianapolis, Des Moines and Omaha. We, along with our colleagues Bath Township Supervisor Tom Schneider, Meridian Township Supervisor Susan McGillicuddy and DeWitt Township Manager Rod Taylor, are pledged to continued cooperation to grow our job base in the insurance industry, and in other industries.

Greater Lansing can compete with cities throughout the Midwest for future investment and job expansions.¹⁴

Regional development plans that focus on transitioning all of Michigan's special regions to the New Economy—fostering robust knowledge-based industries (like insurance and other financial industries, among others), green energy, agriculture diversification for food, energy and biopharmaceuticals, energy from forestry products, and tourism development—could result from regional plans that eventually lead to agreements directing different types of growth to the most appropriate communities, consensus on regional growth boundaries, protect residential communities from incompatible types of development, allow for communities that want to retain their rural character to do so, and even provide for tax base sharing agreements where all communities benefit from development in any particular jurisdiction.

Prosperity in metropolitan regions will ripple out to surrounding rural areas. Regional revitalization is a win-win strategy for all communities.

*Most college-educated households, like the rest of America, live in the suburbs. But a larger proportion of college-educated households—mainly those without children—are choosing to live in central city neighborhoods. This is particularly true for the most mobile segment of the population—young college graduates without children. What is different over the past decade or so is suburban growth in high prosperity metropolitan areas is now accompanied by growth in their central cities. **The evidence is that the most successful regions across the country are those where both the suburbs and central cities are prospering.**¹⁵*

“Micro-regions” consisting of small cities and surrounding rural townships would also benefit greatly by facilitation of placemaking strategies and stronger coordination of development decisions. “Placemaking” is a deliberate strategy by a community to differentiate itself from others by focusing on the assets that make it special—the features that will draw people to it at an emotional level. Placemaking is embodied in “cool cities,” but also in bucolic rural areas and family-friendly small towns.

¹⁴ “Insurance Benefits All Communities in the Region,” Ken Fletcher and John Daher, *Lansing State Journal*, November 15, 2009.

¹⁵ Glazer and Grimes, page 18.

Rural Michigan cannot be left behind. Abundant resources in timber, minerals, forestry and water make Michigan well poised to expand resource-based industries. Value-added agriculture, green energy, tourism and biopharmaceuticals are a few of the industries that can expand employment with better regional coordination of broadband infrastructure, partnerships with higher education and suitable rural amenities.

Michigan state government should consider the following reforms:

- Convene key leaders in the public and private sectors, including higher education, public education, existing industry clusters, MSHDA, DLWG, MEDC, and NGOs to identify regional prosperity champions and “honest brokers” who have earned broad trust and who have an understanding of the emerging global economy and regional assets that can attract New Economy employment.
- Initiate transformational education on the global economy for local leaders, businesses and citizens.
- Assist in the collaborative identification of regional assets and in the analysis of how assets identified in individual communities can be utilized to attract new population, new housing, new businesses and, in short, new economic development that benefit the whole region.
- Collaboratively participate in development and implementation of regional economic development strategies based on existing assets that will benefit the whole region. These strategies could include consortiums of local governments voluntarily sharing tax bases and services.
- Examine and, where necessary, recommend changing local policies to assist in the achievement of regional economic development goals and attraction strategies.
- Engage in new community improvement programs aimed at strengthening the unique sense of place offered by each community and address missing elements in order to be more attractive to potential knowledge-based workers and businesses.
- Commit to a common set of energy conservation and renewable energy goals as well as physical design best practices that contribute to sustainable communities.
- Provide a suite of education, technical assistance, funding, marketing and communication services, as well as monitoring and evaluating services to self-selecting city, village and township officials who agree to work on a cooperative, intergovernmental basis within an identifiable economic region. This would include utilization of resources through Michigan State University’s Land Policy Institute, as well as involve bringing in national and international experts where relevant.
- Provide implementation money for placemaking and infrastructure improvements, as well as for targeted economic development initiatives to communities in those regions with adopted

Successful strategies to shift Michigan from a manufacturing-dependent economy requires a much different relationship between Michigan state and local governments.

strategic growth plans. Communities and regions that are willing to work cooperatively should be rewarded.

- Facilitate local government financial reforms in financially struggling local governments before they reach a point of requiring state oversight.

For Michigan state government to lead local governments on a path to restoring prosperity, it must approach this initiative with sufficient commitment of expertise and resources over the long term. State leadership should ensure that all communities benefit commensurate to what they are willing and able to contribute to the success of a regional strategy. To gain the trust of local officials, a regional initiative must empower local governments to work together, and the state will need to lead by example.

Conclusion

Michigan has two options: we either succeed or we fail. Doing nothing guarantees the latter. Returning to the recent column penned by Ron Dzwonkowski of the *Detroit Free Press*, cited earlier:

There are stories in truth and fiction of groups of people who find themselves in some awful situation with limited supplies and either band together to survive or start killing each other. Either way, the lives of those who make it are forever changed.

So with supplies shrinking, do we work out a sensible rationing plan, or get into us vs. them camps and fight over portions? Five years or a decade from now, will all of today's supposed leaders be exchanging hugs and explaining to school kids how they all pulled together to survive the blizzard—or will they be afraid to look one another in the eye because of what they did during the long, cold night?

The survivors can share unbreakable bonds or unbearable guilt.

Throwing down the gauntlet

The challenge for those who lead, and for those who seek to lead in next year's watershed elections, is simple yet formidable. Offer a way to get everybody in Michigan working together on a common agenda. Lay out a vision of what will be our monument to this recession, what will be changed for the better by these hard times, and the path we must follow to get there.

And don't say "trust me." Instead, prove you can be trusted.¹⁶

Michigan's greatest enemy is not overseas competition. We have an abundance of assets that the rest of the world needs and for which they will willingly pay.

¹⁶ "Leaders, work together so all survive with less," Ron Dzwonkowski, Associate Editor, *Detroit Free Press*, November 15, 2009.

Michigan's enemy is not its governmental structure. Michigan is not out of the mainstream of government structure compared to prosperous states. In fact, from a financial standpoint, Michigan government—particularly local governments and its townships—continue to deliver economical and quality services though their resources continue to be drastically reduced. Township government is a pillar of strength in Michigan's system of government.

Our enemy is a sense of hopelessness that will overcome the best strategies if we fail to act. Michigan's citizens need to see that their leaders have a coherent plan to reposition our great state back to the prosperous, economic powerhouse of the past. This transformation might happen in spite of government inertia, but it will take much longer—perhaps decades longer—than will be the case if state and local government reforms were focused on regional economic development collaboration.

That there has been so little dialogue between state and local leaders on regional economic prosperity strategies is a strong indictment as to how far we have to go. However, a general awareness by both local and state officials that Old Economy strategies no longer work is a starting point. The next step is to reinvent public policy to a single mission of making Michigan prosperous through:

- attractive communities
- development of resource-based industries
- strong agriculture
- life-long learning
- development of 21st-century technology
- an inclusive, entrepreneurial culture.

These are the “pillars of prosperity,” coined by the People and Land Initiative Program, Land Policy Institute, at Michigan State University and which have been embraced by the Michigan Townships Association as the only coherent blueprint to restore the Michigan economy that has been offered to date. What is different in the 21st century is that these pillars must be built on regional foundations. Most local government officials grasp this reality, although old competitive habits die hard, especially when state government is not engaged in regional strategies.

The longer we wait, the deeper the hole from which we will be digging ourselves out.

Appendix: The Complexities of Michigan Local Government

Many discussions regarding local government reforms go nowhere because those engaged do not have a sufficiently deep understanding of how Michigan local governments are structured, their relationships, and the economic realities of the programs and services they provide. The following is a summary of the major factors impacting on the feasibility of various local government reform measures.

Michigan has 1,240 townships, 533 cities and villages, and 83 counties. These entities are often referred to as “general purpose” units of governments, a term used by the U.S. Bureau of the Census. The state population is approximately equally split: half having residency in townships and half having residency in cities. Additionally, Michigan has 551 local school districts and numerous other special districts that govern libraries, utilities, fire departments, emergency medical services and other local government operations that serve multiple jurisdictions.

Michigan is the ninth most populated state, and ranks 11th in the number of general purpose units of government per capita.

Chart 1 shows a state-by-state comparison of the number of all local governments, including special districts, in relation to each state’s populations:¹⁷

Chart 1

State	# of Local Governments	Population in thousands	Units of Local Governments / 1,000 population
North Dakota	2,736	642	4.26
South Dakota	1,867	754	2.48
Nebraska	2,792	1,711	1.63
Kansas	3,888	2,530	1.54
Wyoming	723	493	1.47
Montana	1,128	858	1.31
Vermont	734	608	1.21
Idaho	1,159	1,293	0.90
Alaska	176	244	0.72
Minnesota	3,483	4,919	0.71
Iowa	1,976	2,926	0.68
Missouri	3,423	5,247	0.65
Maine	827	1,274	0.65
Arkansas	1,589	2,673	0.59
Indiana	3,086	5,220	0.59
Wisconsin	3,049	5,363	0.57
Illinois	6,904	12,419	0.56
Oklahoma	1,799	3,450	0.52
Colorado	1,929	3,746	0.51
New Mexico	859	1,819	0.47
Pennsylvania	5,032	10,763	0.47
New Hampshire	560	1,235	0.45

¹⁷ Bureau of the Census, 2007.

State	# of Local Governments	Population in thousands	Units of Local Governments / 1,000 population
Massachusetts	842	1,895	0.44
Delaware	340	783	0.43
Oregon	1,440	3,421	0.42
Kentucky	1,440	3,781	0.38
West Virginia	687	1,808	0.38
Mississippi	1,001	2,844	0.35
Ohio	3,637	11,353	0.32
Washington	1,788	5,894	0.30
Michigan	2,805	9,938	0.28*
Utah	606	2,233	0.27
Alabama	1,172	4,444	0.26
Texas	4,785	20,851	0.23
Georgia	1,449	7,698	0.19
Tennessee	931	5,106	0.18
South Carolina	702	4,012	0.17
Connecticut	581	3,405	0.17
New Jersey	1,413	8,414	0.17
Louisiana	474	3,276	0.14
California	4,410	33,094	0.13
Arizona	639	5,130	0.12
North Carolina	961	8,049	0.12
Virginia	522	4,720	0.11
Nevada	211	1,945	0.11
Florida	1,192	15,203	0.08
Hawaii	20	335	0.06
Maryland	266	4,645	0.06
average			0.59

(Michigan's ranking: 33rd in total number of local governments per capita)

The number of local governments per county is highest in southeast Michigan and generally declines in the farther northern counties. Numerous entities in the Detroit region are a square mile or less in size. As many as six cities were carved out of a single township in the years following World War II. These incorporations resulted, in part, from uneven population growth, but most of these small cities incorporated to capture the taxes of high valuation industrial properties—many of which have long since closed.

In spite of the plethora of local governments in southeast Michigan, metro Detroit residents are not big fans of consolidating local governments. In fact, Detroit residents seem to want to go in the opposite direction and create more local governments. According to a December 2008 MRG poll¹⁸, statewide, respondents' views on the number of local governments, broken down geographically, were as follows:

¹⁸ Marketing Resource Group, December 2008; random sample of 600 Michigan voters, +/- 4.1 percent.

	Detroit	Detroit SMSA	Mid- Mich.	West Mich.	Tri- Cities/ Thumb	North Lower Peninsula	Upper Peninsula	Statewide Totals
Too Many	37%	40%	48%	34%	46%	43%	44%	40%
Too Few	21%	5%	6%	7%	7%	2%	6%	7%
About Right	29%	44%	39%	39%	37%	46%	33%	42%
Don't Know	13%	11%	6%	14%	10%	10%	17%	11%

Resources of Michigan Local Governments

Much of the driving force for reforming Michigan local government is the state's chronic recession, which has severely impacted on state and local government finances. Local governments in Michigan are primarily impacted by reductions in revenue sharing from the state—down approximately \$600 million in FY '09 compared to the amount required to be paid by law. Cities have seen statutory revenue sharing cut 50 percent, and townships, 92 percent. Counties were removed from revenue sharing in 2004 with their share diverted to other state spending. In return, counties were given authority to collect their property taxes twice in one year, which gave them a windfall on which they can draw funds to substitute for the lost revenue sharing. As those county funds are drawn down, counties are now returning to the revenue sharing fund, which further reduces the amount available for townships, cities and villages. In 2001-2002, Michigan cities received more than \$3.5 billion from state and federal sources while townships received \$450 million.

The ongoing Michigan recession is also depressing property values, resulting in declining property tax revenues. This impact has been felt most acutely in just the last several years. Property tax revenues are slated to be down 6.9 percent in 2010 compared to 2009,¹⁹ which were down approximately 3 percent compared to 2008. Property tax declines impact on communities to different degrees. The most rapid rates of declines are experienced by local governments whose residents are more likely to be employed in the manufacturing sector, and due to varying gaps between taxable values and state equalized values, in those communities with relatively new housing stock and whose residents have lived in their present housing for shorter periods of time.

Because of Proposal A's caps on taxable growth, local government revenues from property taxes will severely lag any Michigan recovery.

¹⁹ State of Michigan School Aid Fund Budget, FY 2009-10.

Chart 2: Michigan Local Governments Ranking on Major Revenues (2006)

Revenue Category	Amount Per Capita	Ranking Compared to Other States
Local Government Revenues Per Capita	\$3,898	17 th (includes state education tax)
Property Taxes Per Capita	\$1,335	14 th (includes state education tax)
Local Taxes Per Capita	\$1,481	26 th
Other Taxes	\$49	45 th

Source: Rockefeller Institute of Government, Bureau of the Census Data, 2006.

Township Fund Balances

Townships generally carry larger year-end fund balances than do other local units of governments, often exceeding the Government Finance Officers Association (GFOA) recommended minimum, an amount equal to two months' worth of operating expenses. **Unrestricted** fund balances are like a family's savings—it is money left over after all of the bills have been paid, and is needed to meet unanticipated obligations and emergencies, and to shore up services when revenue streams are disrupted, such as is occurring in the current economic environment. Fund balances allow services to be maintained in the short term without raising taxes. They are monitored by financial agencies to determine a unit of government's creditworthiness.

Local government critics, including some in state government, have criticized townships for carrying what they believe to be excessive fund balances and cite the GFOA recommendation as their objective source. This criticism misses a number of important points:

- The GFOA's recommendation is a **minimum**.
- Fund balances reported in local government audits are measured at their fiscal year-end. For the majority of townships, the fiscal year ends just after property taxes have been collected, and the year-end fund balance does not reflect the township's minimum fund balance but rather is measured when it is at the maximum level of cash flow that fluctuates throughout the year.
- Township year-end fund balances are compared to those of cities, which are measured at the end of their fiscal year on June 30, just prior to collecting property taxes. Consequently, the year-end for cities coincides with the point in time that their fund balances are at their minimum.
- Townships often accumulate additional resources in their fund balances as savings toward planned future large capital purchases.
- Townships and other smaller entities should maintain larger fund balances because they have less predictable patterns of expenditures compared to larger entities, and unanticipated expenditures that are easily absorbed in the budgets of larger governments can have a much more detrimental impact on a smaller budget.
- Townships have fewer sources of revenues and are highly dependent on their two major revenue sources: state shared revenues and property taxes. Only 5.6 percent of townships receive statutory revenue sharing.

Township boards do tend to be fiscally conservative because of the higher amount of public oversight that results from operating so closely to their constituents. Their ability to adjust expenditures in response to lower revenues, in order to preserve their fund equities, should be seen as a source of respect rather than criticism.

Fundamental Differences Between School Districts and General Purpose Units of Government

Reformers often lump K-12 education finances and local governments together as issues that must be addressed. Given that a large percentage of the revenues for public education are collected by local governments, it is easy to categorize the finances of general purpose governments and public schools as two sides of the same coin. However, public schools have unique issues:

- Public education is defined in the Michigan Constitution as a state responsibility.
- Since Proposal A, public education has been a much higher expenditure priority of state government.
- In 2008, the per capita expenditure for public education was \$1,706, while the per capita expenditure for police and fire protection was \$304—comprising the largest category of general fund expenditures for local governments.²⁰
- Public education is funded on a per pupil basis determined by the state Legislature, while local government expenditures are funded based on local resources and community expectations.
- There is far more variation in terms of variety of services provided and methods of delivery of services among local governments than is the case for school districts.

Because of these differences, school district reforms should be considered separately from local government reforms.

Expenditures of Local Governments

In spite of austerity budgets with which most Michigan local governments must meet unrelenting high citizen expectations, the calls for local government reforms presume that local governments could be made more efficient. Local governments, to varying degrees, are less than perfectly efficient, having to satisfy multiple constituencies while complying with a multitude of mandates from the state and federal government.

Michigan's local government expenditures per capita (2006) were \$3,651, ranking Michigan close to the middle of all states at 24th.²¹

According to the U.S. Bureau of the Census, cities in Michigan spent nearly \$12 billion on municipal operations in fiscal year 2001-02. During the same period, townships spent \$1.7 billion—one-eighth the amount of cities—while serving roughly the same number of citizens.

²⁰ State and Local Revenue and Expenditure Rankings, Wisconsin Legislative Service Bureau, January 2009.

²¹ Rockefeller Institute of Government, 2006.

The Geography and Population Variations of Michigan Local Governments

Michigan is 58,382 square miles (excluding the Great Lakes, but including inland lakes). Between cities and townships, **cities govern 3.8 percent or 1,973 square miles, while townships govern the remaining 96 percent—or 56,081 square miles—of Michigan’s land area.**²² Villages are special districts with general local government powers, and are located within townships. They govern less than 1 percent of the total land area, or 328 square miles.

Local governments vary tremendously in the geographic areas they encompass. Michigan’s largest city is 138 square miles, while the largest township, McMillan Township in Luce County, is 592 square miles, not counting over 12 miles of inland lakes. On the other end of the spectrum, Michigan’s smallest township, Novi Township in Oakland County, is only 60 acres remaining of the original 36-square-mile township. Pleasant Ridge is Michigan’s smallest city at .6 square mile.

In terms of population, Omer in Arenac County is Michigan’s smallest city with 227 residents, according to the 2000 U.S. Census. Michigan’s least-populated township is Pointe Aux Barques in Huron County, a gated community with virtually no year-round residences and an official 2000 Census count of 10. Approximately half of Michigan’s townships are under 1,800 populations and are primarily rural and forestry-based. Many of the least-populated townships, located in northern Michigan, are heavily concentrated with state and federal land—in some cases comprising 80 percent or more of the total township land area. Northern Michigan townships are typically staffed with part-time officials who earn, on average, \$12,000 per year, as well as volunteers. The nominal pay of these township officials is the major reason why moving township statutory duties to counties, where functions are performed by full-time employees with typical fringe benefits, would significantly increase the cost to deliver transferred services.

The “typical” township in the central and southern Lower Peninsula is 36 square miles. However, townships located in the northern Lower Peninsula and the Upper Peninsula are much larger, as amply illustrated above by McMillan Township’s 592 square miles.

While local government reformers often target—in a general way without being specific—units of government with smaller populations as appropriate for consolidation, the vast distances between population centers and limited service needs in sparsely populated townships actually makes rural areas poor candidates for consolidating services or mergers. Many rural townships have already entered into multi-unit agreements for fire protection due to insufficient tax bases to support single-entity departments. Of the townships that provide fire services, 57% have a joint fire operation with another government unit. Of the townships that operate ambulance services, 80% have services through joint operations or by contract. As the 2009 COBALT Citizen Satisfaction survey demonstrates, shared services do not necessarily result in a satisfied citizenry if they are less effective than self-produced services.²³

²² Land Information Access Association, 2009.

²³ 2009 COBALT Citizen Satisfaction Survey, Summary Results, p. 1

And while rural areas save money through joint fire departments, in many parts of the state the response times for a single fire station serving a large geographic area render much of their coverage areas as protected in name only. After water sources, response times are the most important determinant of fire losses. Long response times for joint emergency medical services also reduce survival rates for those experiencing critical emergencies such as heart attacks. However, jointly produced services are better than none at all.

It is not true that all Michigan townships were organized as general purpose units of government when Michigan was still a territory. The Northwest Ordinance of 1787 provided for the creating of geographic surveys for purposes of surveying and property conveyance, and some townships in the very southern-most section did incorporate as political entities before statehood. But after Michigan became a state, townships as political subdivisions were created over time, into the 19th century. Townships were created by either an act of the county board of supervisors or by state legislative action. Townships were created and subdivided as well.

To understand the era in which townships in different state regions were created, one can look to the dominant names of townships. Townships such as Napoleon and Waterloo in Jackson County, and the numerous Lincoln, Colfax, Sheridan and Grant Townships in the middle of the Lower Peninsula were incorporated when these events and individuals captured the public's fancy. Upper Peninsula townships such as Bessemer and Hematite were organized in the heyday of the mining era in the late 1800s. Mastodon Township in Iron County, however, does not demonstrate that townships are prehistoric.

Critics of township government enjoy repeating a nugget of history reported in *Managing the Modern Michigan Township*, a joint publication of the Michigan Townships Association and Michigan State University, that the common 36-square-mile township was developed by Thomas Jefferson in the Northwest Ordinance of 1787 as the distance that a person on horse could travel in a day. Likewise, the size of Michigan counties was designed for circuit-riding judges on horseback. While such is the historical origin for the size of counties and townships—at least in the agrarian Lower Peninsula—virtually all of Michigan's local government boundaries were formed to some degree by factors no longer relevant. Many cities, especially in southeast Michigan, incorporated to capture the tax base of industrial factories that may have been demolished decades ago. A handful of cities around Grand Rapids, Kalamazoo and Detroit have boundaries of the entire townships from which they were originally incorporated 25 to 50 years or more ago. Cities incorporated from whole townships are typically Michigan's younger cities that incorporated to avoid an adjacent city's annexations. In the 1970s, townships stopped incorporating into cities due to modest annexation reforms in the Charter Township

It has always been understood that in providing, as it does, for the organization and incorporation of townships, the constitution dealt with them as recognized and ancient municipal bodies, the substantial character of which was intended to be perpetuated.

—Michigan Supreme Court Justice James V. Campbell, writing in *Baxter v. Robertson*, 1885

Act, and the realization by cities that annexation of residential property created more liabilities from extending services than the tax revenues they received.

Local government critics tend to characterize the relationship of cities and townships as adversarial. In reality, local governments of all kinds have varying relationships with nearby entities. However, annexation laws do engender animosity and distrust between townships and cities. City and village boundaries are generally impervious from attack from neighboring entities. There are limited circumstances in which a township can detach land from a city, but the circumstances are extremely narrow that would allow such an event to happen. In fact, it has only happened twice in modern memory, and the last detachment occurred almost 20 years ago.

Public Act 425 of 1984 also reduced the number of hostile annexations that are adjudicated by the State Boundary Commission. “Annexations by Agreement” or “Conditional Annexations” allow townships and cities to transfer land, yet allow the township to continue to receive a portion of the tax revenues, creating more desirable “win-win” outcomes. For cities, the certainty and shorter time frame for a “425 Agreement” generally offsets the “winner take all” outcome of petitioning to the boundary commission. Developers generally like to avoid pitting two units of government against each other—entities with which they need to continue to have good working relationships and the desire to maintain a positive profile in the community as well.

On the other hand, as a holdover from other times when townships were limited in their authority to provide services to densely populated areas, Michigan law still allows cities to annex—unilaterally take—land from townships. The opportunity to enter into agreements where both township and city benefit from the transfer has greatly diminished the number of unilateral land annexations initiated by a city. When unilateral annexations occur, or when developers initiate an annexation and there are suspicions that the city had a behind-the-scenes role, hard feelings on the part of the township can severely erode the trust and confidence that local entities must have to work together or share services.

Unilateral annexations initiated by cities and other annexations in which a city has encouraged a developer to initiate an annexation greatly diminishes the level of trust between local governments and can poison relationships necessary for sharing services and other collaborative agreements. Cities often refuse to extend water and sewer services outside their boundaries, which necessitates townships to create their own utility systems.

Battle Creek Township “merged” with the City of Battle Creek in 1981, but the election approving the merger was highly influenced by the Kellogg Corporation’s threat to move its corporate office from the community if the merger was not approved. Faced with the choice between their jobs and their local

A process that recognized townships and cities as stakeholders of equal standing in matters involving boundary adjustments would go far to improve intergovernmental relations that are the cornerstone of successful local government collaboration.

government, township residents voted for the merger along with city residents, in spite of the higher taxes that resulted from the merger, and the ongoing reality that the City of Battle Creek continues to deal with the same financial issues and urban decline that faces most Michigan cities.

The process of township mergers is relatively easy, requiring only petitions signed by 5 percent of the registered voters from the affected townships, followed by the approval of the county board of commissioners to place the merger question on the ballot, and a simple majority vote in each of the affected townships. However, in recent memory, only one such vote has taken place, and it was defeated in both communities by sizeable margins. A recent attempt by local residents to merge the city and township of Grand Blanc failed to garner sufficient public support as there were no significant cost savings, and many residents expressed opposition to their loss of influence and local identity.

Local Government Functions

Critics frequently cite redundancy of services as a flaw of Michigan's local government system. While from a distance the roles that local governments, counties and the state perform related to tax collections, property tax assessments and elections appear redundant, they each perform a specific part of a more complex system. For example, townships and cities determine the true cash value of property for tax purposes, the county equalization departments conduct sales studies to ascertain that the individual entities are establishing valuations in accordance with the statutorily prescribed rate, and the state establishes standards to ensure that all properties are treated in a manner consistent with state policy and law, and hears appeals. The different levels provide checks and balances which, arguably, could be eliminated by consolidation of services at a single level; however, the loss of oversight would result in more errors on individual property assessments and disparities between assessing entities. Similar checks and balances result from the division of election and tax collection responsibilities between cities and townships and the counties, with the state providing overall policy direction and oversight.

Again, from a distance, there appears to be considerable overlap among the Michigan Department of State Police, county sheriff departments, and city and township police departments. However, these agencies work out formal and informal understandings as to which agency will respond to various law enforcement incidents by type of incident, time of day and geographic location. They also back each other up when circumstances require exceptional resources.

The amount of law enforcement resources needed in a particular area is a function of many variables, but the predominant determinant is population density. People living and interacting in close proximity to one another need more regulations and laws to govern behavior. The opportunity for disputes rises as people have more occasions to interact with each other. Consequently, rural areas with relatively sparse populations require less law enforcement. It is not that people who live in rural areas are more virtuous; the physical distance between homes, less commerce, less traffic congestion, and less concentration of people and wealth equates to less need for law enforcement. The state police and county sheriffs provide a basic level of law enforcement to communities, and all law enforcement agencies coordinate their coverage and responses to accommodate areas and circumstances where logistics and/or resources impede the others' response.

Of the townships that provide police services, 74 percent have police patrols through contract or some other agreement with another local government unit. This model is the predominant method of delivering law enforcement in townships in Oakland County, and many other larger townships use this method as well. County sheriffs generally offer townships and municipalities quality law enforcement at very favorable terms. There are fewer examples of local entities contracting with each other horizontally (among units of governments at the same local level) for law enforcement. The reasons for the low level of contracting among cities and townships for law enforcement is specific to each governmental entity, but an overriding concern is likely the loss of accountability and control. The number of intergovernmental contracts involving cities, villages and townships is less than a dozen.

There has been one example, in the early 1980s, of three rural townships creating a law enforcement authority; it dissolved within a matter of a few years because of disputes over funding levels and the amount of law enforcement coverage received by the participating entities.

In states without townships, special districts for water, sewer, fire protection and other typical local government services must be created because these states lack the uniform provision of local governments in areas outside of cities. Special districts that overlay multiple units of government, resulting in a far more complex and byzantine conglomeration of services needs to be considered as well. Special districts enable residents of a specific area to receive a special government service benefit, but the boards or commissions that are generally required to govern that service are further removed from their customers and constituents, and often lack accountability and transparency.

The township form of government eliminates the need for many special districts that other states must create to provide services outside of cities.

Because special authorities tend to have dedicated funding sources, an expansion of the number of authorities could lead to increased costs for taxpayers. The budgeting process in a general-purpose local government—counties, cities, villages and townships—requires a balancing of needs, wants and available funds. When single-purpose governmental units exist with dedicated funding sources, they are removed from this balancing dynamic and program levels tend to be driven by available funding. States that rely heavily on special authorities to provide local government services—including Illinois, California, Washington and Colorado to name a few—have created commissions or task forces in recent years in efforts to reduce the number.²⁴

Services can be shared among cities, villages and townships either by entering into contracts to buy and sell services, or by jointly producing a service. Contractual arrangements are simpler and provide a streamlined decision-making process. The “seller” entity manages the service, and the “buying” entity’s input is limited to what is provided for in the agreement, and is usually pretty minimal. Jointly owned services are more complex, as the participating entities retain full ownership. Decision-making is shared,

²⁴ Luper, p.17.

so for complex services an administrative board is created, with all participating entities having voting rights that may or may not be equal depending on the resources each entity provides.

Townships have, with little fanfare, continued to do what they have always done—readjust programs and services to match available resources. Declining resources have forced many townships to downsize non-essential spending and to partner with other entities when cost savings can be realized. Local officials recognize that constituents want their government to deliver the best possible programs at the least possible cost. Proximity to and close oversight by their stakeholders, higher transparency and more competition for elected public office are powerful drivers for local governments to deliver programs and services in a manner consistent with public expectations. Local officials have to balance competing constituent expectations that local government service delivery will be efficient, effective, equitable and oftentimes fair to the local government employees who live in the community.

However, the same barriers that prevent local government consolidations can also prevent service-sharing agreements. Community leaders have to agree on level of services, funding levels and equity of influence and control. When economies of scale are minimal or nonexistent, the higher transaction costs from involving multiple governing boards can offset whatever advantages there may be from consolidating services.

Local officials recognize that constituents want their government to deliver the best possible programs at the least possible cost.

Why Michigan Has Townships

A primary reason why townships are sometimes targeted as a subject of local government “reform” is the fact that there are other states that seem to get along quite well without them. According to the Bureau of the Census, there are 20 states with towns or townships. According the U. S. Bureau of the Census, “town” or “township” government applies to 16,656 governmental entities operating in 20 states in the Northeast and Midwest:²⁵

Connecticut	New Hampshire
Illinois	New Jersey
Indiana	New York
Kansas	North Dakota
Maine	Ohio
Massachusetts	Pennsylvania
Michigan	Rhode Island
Minnesota	South Dakota
Missouri	Vermont
Nebraska	Wisconsin

The Bureau of the Census recognizes two types of general purpose local units of governments, “municipalities” and “townships,” which are defined as follows:

²⁵ U.S. Bureau of the Census, *1992 Census of Governments, Volume 3, Public Employment, Number 1, Employment of Major Local Governments, GC92(3)-1*, page VI.

These two types of governments are distinguished primarily by the historical circumstances surrounding their incorporation. In many States, most notably in the Northeast, municipal and township governments have similar powers and perform similar functions. The scope of governmental services provided by these two types of governments varies widely from one State to another, and even within the same State. As defined for census statistics on governments, the term “municipal governments” refers to political subdivisions within which a municipal corporation has been established to provide general local government for a specific population concentration in a defined area, and includes all active government units officially designated as cities, boroughs (except Alaska), towns (except in the six New England States, and in Minnesota, New York, and Wisconsin), and villages.²⁶

Michigan townships are public corporations.²⁷ A number of Michigan statutes, particularly those related to planning and zoning, make references to the “unincorporated areas” of the state to refer to areas outside of cities and villages, but such statutory language appears to be borrowed from other states and is poor bill drafting. Michigan has no unincorporated areas.

A recent report issued by the Citizens Research Council asserts that Michigan is unique in granting townships such a broad range of powers as they today exercise, but this is not true. Towns and townships in Ohio, Illinois, Wisconsin, Minnesota and especially Pennsylvania provide services similar to those provided by Michigan townships. Only in Michigan and Indiana do townships *not* have responsibility for local road maintenance and construction.

Early settlers brought the New England-style of town government to Michigan in anticipation that the climate and natural resources would promote a population density similar to New England. The south developed along the plantation system due to the climate; not until the invention of air conditioning was the American South turned into a plausible place to live and work.²⁸

After the Northwest Territory states became settled and Americans continued to push westward in pursuit of Manifest Destiny, states continued to organize townships but sparse populations did not require the breadth and scope of public services needed in more densely populated states in the east and upper Midwest. The plains and mountain states remain sparsely populated; consequently, county governments in partnership with special districts providing water, sewer, libraries, fire protection, emergency medical services and other traditional local government services became the dominant local government service model.

California, Oregon and Washington have climates and topography that support dense populations; it is not clear why the township form of government was not established there. We can only speculate that, by the mid-1800s when these states were settled, the strong county form of government had become

²⁶ Ibid, page V.

²⁷ MCL 41.1 (general law townships); MCL 42.1 (charter townships).

²⁸ Richard C. Longworth, “Caught in the Middle; America’s Heartland in the Age of Globalism,” Bloomsbury USA, 2008, p. 33.

the norm, and the influence of Thomas Jefferson and Andrew Jackson as advocates of strong local democracy had sufficiently waned.

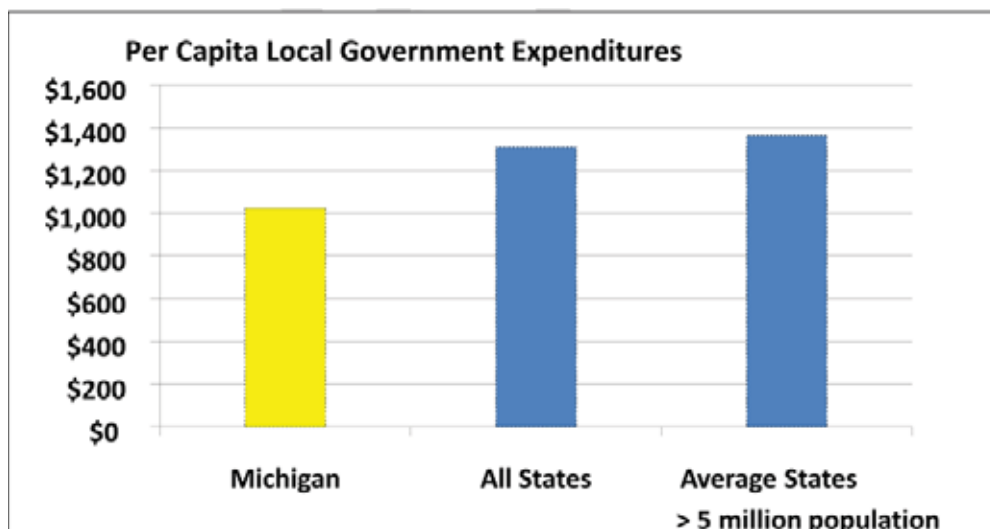
Contrary to assertions made by some reform advocates, MTA has not located any states that have abolished township government. In a number of states, particularly those in the south and in the western United States, townships were not given the broad authority that townships in the upper Midwest and towns in New England were granted by their state legislatures. Townships continue to exist to a very limited extent in Kansas, Iowa and Missouri; general purpose townships with limited powers operate in the Dakotas.

Indiana has had its townships under a microscope for the past several years. Township assessing was moved to county governments. Prior to the change, Indiana townships assessed city property as well as their own. More drastic proposals to move other township functions, such as fire protection, to county administration have not been adopted by the Indiana Legislature.

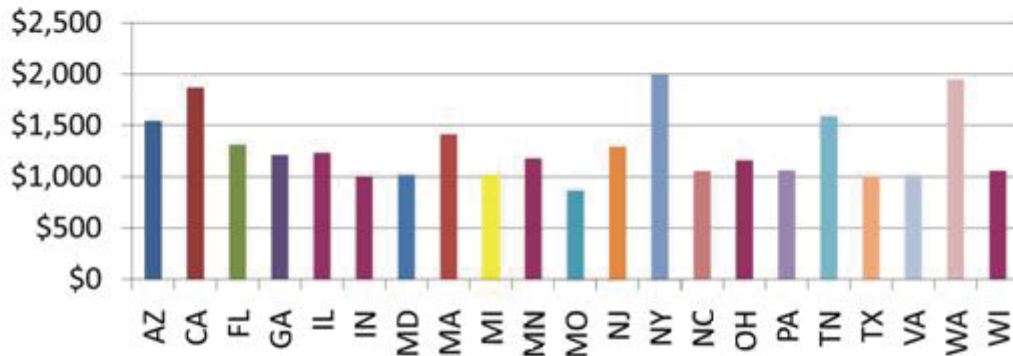
Towns and townships in other states do not necessarily provide the same programs and services as do Michigan townships. Townships in other states, except Michigan and Indiana, maintain and construct roads. Indiana townships also provide public assistance (welfare). Like townships in Michigan, the New England towns, including towns in New York, and townships in Wisconsin, Pennsylvania, Illinois, Ohio and Minnesota, provide most, if not all, local government services.

Township Expenditures

According to Bureau of the Census 2001-2002 data, expenditures per capita of governments in the five Midwestern states that make up the former Northwest Territory (Illinois, Indiana, Michigan, Ohio and Wisconsin), all of which have comparatively small units of government and include township government, compare favorably or exceed expenditure data of other highly populated states. Among the five Midwestern “township” states, per capita spending on principally local government functions was approximately 7 percent lower than in the other 45 states. Local government debt per capita was approximately 2 percent lower than in other states.



Local Government Costs Per Capita, Compared to States with Similar Populations



Michigan's cost of local government services* per capita is \$300 less than the average of other states comparable to Michigan's population. Other states with townships also perform well, except for New York. High prevailing local government salaries, influenced by City of New York municipal workers, account for New York's high cost of local government.

*services include public safety, water, sewer, solid waste, administration

U.S. Bureau of the Census, 2001-2002.

Differing Culture and Values Among Local Governments

Cities and villages are well suited to deliver local government programs and services where there is a higher population density and a diversity of stakeholder values that necessitates placing a high amount of political power in one person. Strong mayors or managers, acting with the support of their elected councils or commissions, can direct resources to assuage different interest groups and stakeholders. Managers respond to citizen expectations for highly professional services, and cities and villages rely on the willingness of taxpayers to pay higher taxes to support a broad range of services.

Township roots are in rural services where low tax bases and low population densities resulted in less demand for services and less financial resources. However, after World War II, townships were granted more authority to respond to rapid growth. Townships today govern communities with populations approaching and exceeding 100,000 inhabitants.

Michigan townships, like those elsewhere, have evolved from a strong tradition of dispersed power and authority. In Michigan and elsewhere, townships offered the opportunity for the exercise of direct democracy through an annual meeting of the electorate, but over time Michigan townships have diminished the powers of the annual meeting.

Township laws provide that they be governed by a broad consensus, as most of the political power is vested in the township board rather than in a strong administrator. Day-to-day administration of townships in metropolitan areas is similar to that of cities, such as the hiring of a township manager or the election of a supervisor with managerial experience, and delegation of day-to-day administration to the manager or supervisor.

Villages are areas within townships that have separate governing authority but continue to receive assessing, tax collection and election services from the township. The village collects its own taxes and conducts its own elections, but the township performs these services within the village on behalf of other governmental entities. Most villages and townships have worked out interlocal agreements for sharing services related to public safety. Villages receive funds from the Michigan Transportation Fund and are responsible for maintaining and constructing their own roads.

A major difference between townships and cities in Michigan is the responsibility for highway, road and street construction and maintenance, for which cities and villages receive partial funding from the Michigan Transportation Fund. Township authority for roads was transferred to county road commissions in the 1930s, although townships in most other states continue to be responsible for their own roads and receive state funding. Michigan townships do not receive any road funding from the Michigan Motor Vehicle Fund. Michigan townships retain responsibility for police powers over public rights of way, including regulation of utility installation and authority for adoption and enforcement of motor vehicle regulations.

The coexistence of townships and cities allows for a greater variety of options in local government structure and services that can accommodate variations among community expectations, values and needs. Villages provide municipal services in areas of townships where the township is unwilling or unable to provide utilities, law enforcement or other local government services needed by a small, densely populated area. The main reason a township may not be able to serve a densely populated area today is because the majority of the township residents want to keep their township at a very basic level of service, including having part-time elected and appointed officials instead of full-time administrators. However, with the expansion of township powers, such as special assessment districts, there may be little need for villages within townships with full-time staff and that can offer essentially the same services as those within the village.

There is More to Government Than Providing Services as Cheaply as Possible

Among the flaws with choosing efficiency as the “be-all-and-end-all” of what is expected of government is that it reduces the value of government to nothing more than a purveyor of goods and services. America’s Founding Fathers saw the value of local government as far more rich and multi-faceted. They built into our government system a number of checks and balances to ensure that government would never become too efficient. Their wisdom has been validated throughout history by a multitude of efficient foreign governments that sensible people would be loath to emulate. A government that does terribly wrong things is not validated by doing its evil efficiently. Because efficiency and despotism seem to go hand in hand, every American civics class begins with praising the virtues of a system of checks and

balances that are designed at the heart to make sure that government is inefficient but remains accountable.

Just as the separation of powers doctrine that divides power between the executive, legislative and judicial branches keeps any one of the three from becoming too efficient, too powerful and unaccountable, the federalist system of national, state and local governments is also intended as a system of checks and balances among the potential for unaccountability by hierarchical levels of government. Local government such as we have in Michigan is intended to not only dispense services, but is also intended to guard against excessive power being exercised at the state level, in the same manner as the states are intended to reign in excessive power from the federal government.

The village or township is the only association which is so perfectly natural that, wherever a number of men are collected, it seems to constitute itself.

—Alexis de Tocqueville
Democracy in America, 1830

How this system of government was intended to operate was best described by Alexis de Tocqueville, a 19th-century French scholar who visited America to learn how America functioned without a king. His analysis of American government, *Democracy in America*, was widely hailed for its objective, insightful critique of the checks and balances intended to prevent democracy from deteriorating into either despotism or the “tyranny of the majority.”

For Tocqueville, townships were an essential check and balance against centralizing too much power in state government, which he considered too distant from the concerns of individual citizens and which had no business meddling in affairs that were purely local in nature. By distributing power into the hands of decentralized administrators like clerks and treasurers (or in the New England nomenclature, the “Selectmen”), the potential for abuse of government power, according to Tocqueville, is greatly diminished.

The townships are generally subordinate to the state only in those interests which I shall term social, as they are common to all the others. They are independent in all that concerns themselves alone; and among the inhabitants of New England I believe that not a man is to be found who would acknowledge that the state has any right to interfere in their town affairs.

The township, taken as a whole, and in relation to the central government, is only an individual, like any other to whom the theory I have just described is applicable. Municipal independence in the United States is therefore a natural consequence of this very principle of the sovereignty of the people.

Townships also invigorate an active and engaged citizenry. The independence and authority of townships, according to Tocqueville, attracts people to actively participate in civic affairs that would not exist if the ability to exercise real power, even in a limited area, was curtailed.

The New Englander is attached to his township not so much because he was born in it, but because it is a free and strong community, of which he is a member, and which deserves the care spent in managing it ... the township, at the center of the ordinary relations of life, serves as a field for the desire of public esteem, the want of exciting interest, and the taste for authority and popularity; and the passions that commonly embroil society change their character when they find a vent so near the domestic hearth and the family circle.

The native of New England is attached to his township because it is independent and free: his co-operation in its affairs ensures his attachment to its interests, the well-being it affords him secures his affection; and its welfare is the aim of his ambition and of his future exertions. He takes a part in every occurrence in the place; he practices the art of government in the small sphere within his reach; he accustoms himself to those forms without which liberty can only advance by revolutions; he imbibes their spirit; he acquires a taste for order, comprehends the balance of powers, and collects clear practical notions on the nature of his duties and the extent of his rights.

Today's local government critics may dismiss the views of Tocqueville as yet another relic of a bygone era. But if local governments such as townships would cease to serve as checks and balances against an over-reaching state government, what government systems will need to be created to keep the state from excessively interfering in matters that are strictly local in nature? Is civic engagement engendered by townships no longer valued? Should we now conclude that state government has demonstrated that in all matters it has earned our complete trust, and the notion of potential abuses of power by over-zealous state agencies that are poorly governed by inexperienced lawmakers is just another quaint, out-of-date notion of paranoid frontiersmen?

And finally, if local democracy is to be rationed, by what criteria will it be decided? Whom among Michigan's citizens will get to enjoy the exercise of local control, and which citizens will not?



Mission Statement:

The Michigan Townships Association promotes the interests of township government by fostering strong, vibrant communities; advocating legislation to meet 21st century challenges; developing knowledgeable township officials and enthusiastic supporters of township government; and encouraging ethical practices of elected officials who uphold the traditions and unique characteristics of township government and the values of the people of Michigan.