

# The Structure and Responsibilities of Local Government in Michigan

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# Overview

- Role of government in a market economy (brief)
- Federalist system of government (brief)
- State government (brief)
- Local government
  - Counties
  - Townships
  - Villages
  - Cities
- Special purpose governments
- School Districts (not discussed)

# What is the role of government in a market economy?

- Protection of individuals and property
- Production -- some goods and services that are difficult to adequately provide through markets  
=> market failures
  - Lack of competition
  - Externalities
  - Public Goods
  - Lack of information

Why/How do each of these market failures cause problems?

How does government respond?

# What is a federalist system of government?

- Federalism: combines a central (federal government) with regional governments (provinces, states) in a single political system
  - Division of powers between two levels of government of equal status. Constitution—10<sup>th</sup> Amendment
    - Federal
      - State
        - » Local – powers are derived from state government
- Fiscal Federalism – How revenues and expenditures are allocated across different levels of government

# What are the appropriate roles for subnational governments in a federalist system?

- Three traditional functions of government policy:
  - Stabilization Policy – to maintain employment and price stability (primarily federal)
  - Distribution Policy – to obtain and maintain the socially preferred distribution of resources or income (primarily federal, some state and local)
  - Allocation Policy – to maintain market competition and directly provide those goods and services that the private market fails to provide efficiently (federal, state and local)

# What are some examples of goods or services provided by each level of government?

Local

- Public safety (fire, police, correctional facilities), roads, courts, public schools, sanitation, sewerage

## • State

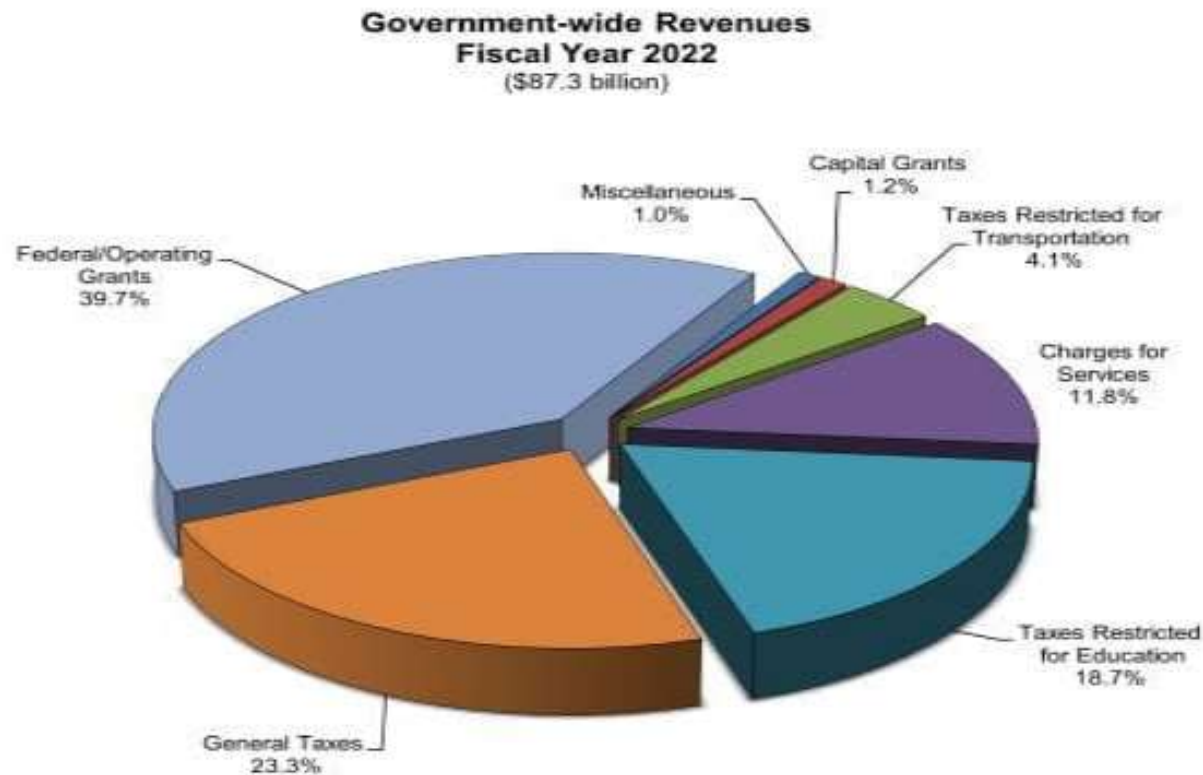
- Public safety (state patrol, National Guard, correctional facilities), roads, courts, higher education, elections, establish local government, regulate trade within state.

## • Federal

- National defense (declare war, armed forces), roads, courts, correctional facilities, conduct foreign policy, regulate interstate and foreign trade, copyright and patent laws, postal service, establishment of currency



# Funding: State revenue FY2022 Michigan



- Taxes
- Fees, licenses, permits
- Intergovernmental revenue (grants)

Source: State of Michigan: <https://www.michigan.gov/budget/Budget-Offices/ofm/FAQ-Pages/state-finance/what-are-the-states-primary-sources-of-revenue>

# Local government in Michigan

- History and structure of local government in Michigan
- County government, townships, villages and cities
- Overview of how local government is funded



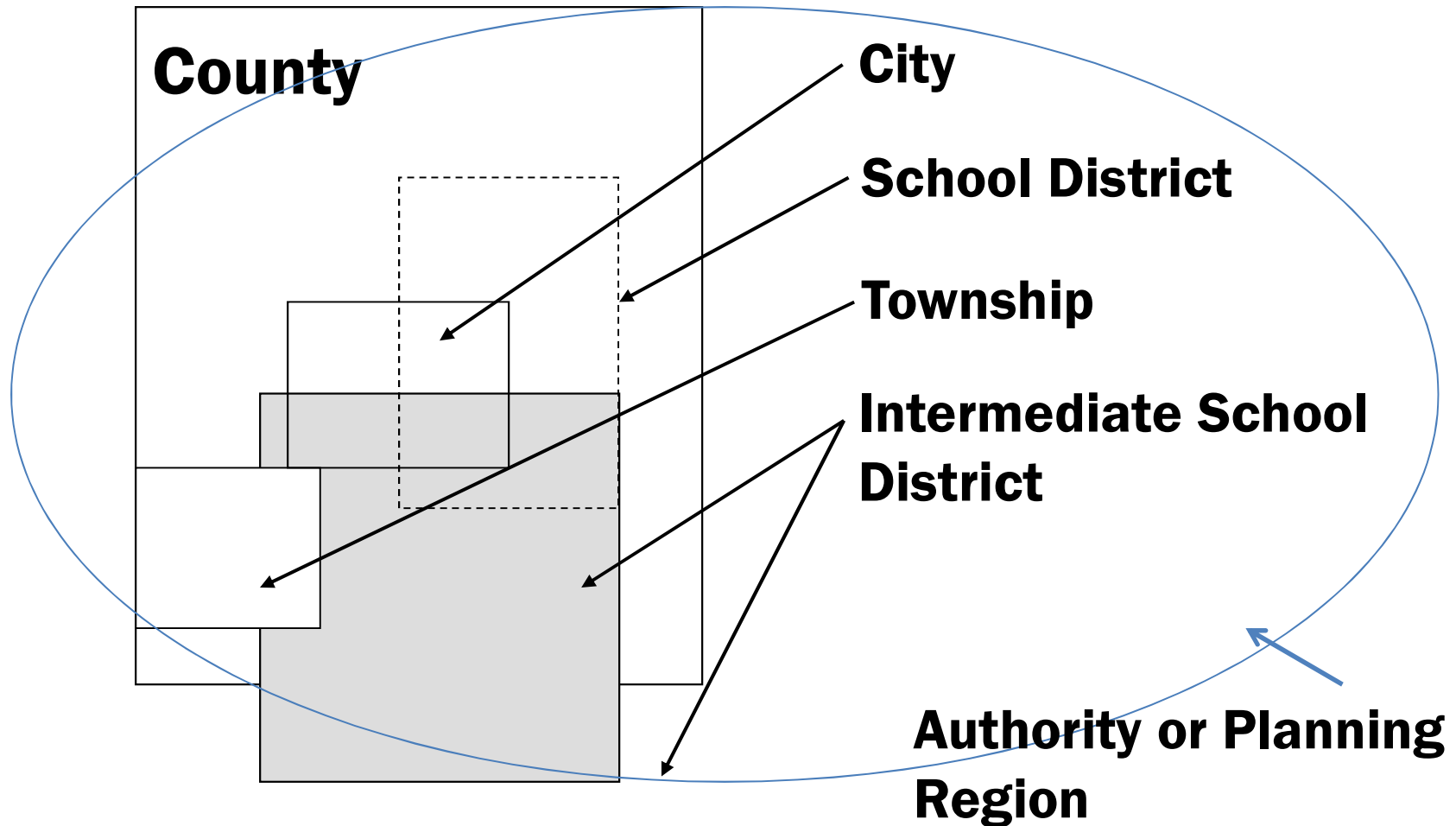


# Michigan has 8 types of local government

GENERAL PURPOSE	Type	Quantity
	Townships	1,242
	Villages	261
	Cities	272
SPECIAL PURPOSE	Counties	83
	School districts	556
	Int. school districts	57
	Community colleges	29
	Special authorities	unknown
Total		2500+

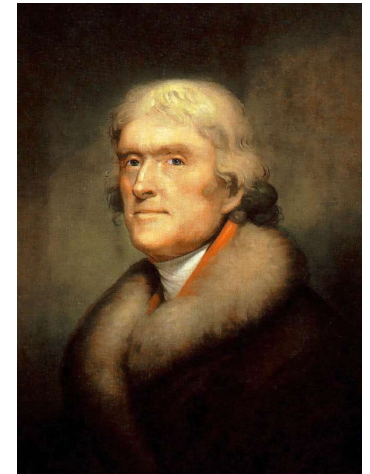
Numbers change a little over time.

# Overlapping boundaries



# Northwest Ordinance 1787

- Territory to be divided into 3-5 states: (OH, IN, IL, WI, MI)
- Established the rectangular grid survey, township 6 miles x 6 miles
  - Nationally - 13<sup>th</sup> in # of local governments
- Ad valorem levies to be used to finance local government
- Established territorial legislatures
- Guaranteed rights for settlers:
  - Habeas corpus, Due process, Religious freedom
- Prohibited slavery in the territory
- Guaranteed statehood when there were 60,000 inhabitants
- Governor of territory to create counties and townships and to appoint officials
- Other regions have different local government



## Michigan becomes a state--1837

- 1834 census counted 84,000 in lower peninsula
- First state constitution ratified in 1835 (with 3 subsequent versions)
- Statehood delayed until 1837 because of boundary dispute with Ohio
  - Final agreement: Toledo for Ohio, U.P. for Michigan
- **Local government powers granted existence by state constitution**
  - **Political subdivisions of the states**
  - **No inherent right to existence**
  - **Power of local governments rests largely with**  
← **provisions, interpretations of state constitutions** →

## “Local control”

- Local control is constantly evolving
  - Subject to legislative agenda, courts
- Locals have power to act unless prohibited by legislature, constitution
- Legislature has provided:
  - Examples: home rule authority; planning and zoning authority
- State has also removed powers:
  - Examples: employee residency requirements; Right to Farm legislation



## Design of local government

- Counties serve as outposts of state government “agent of the state”
- Cities provide for the urban population
- Townships provide basic services for rural residents (assessing, collecting taxes and conducting elections)
- Villages serve as transition government from rural township to an urban center.



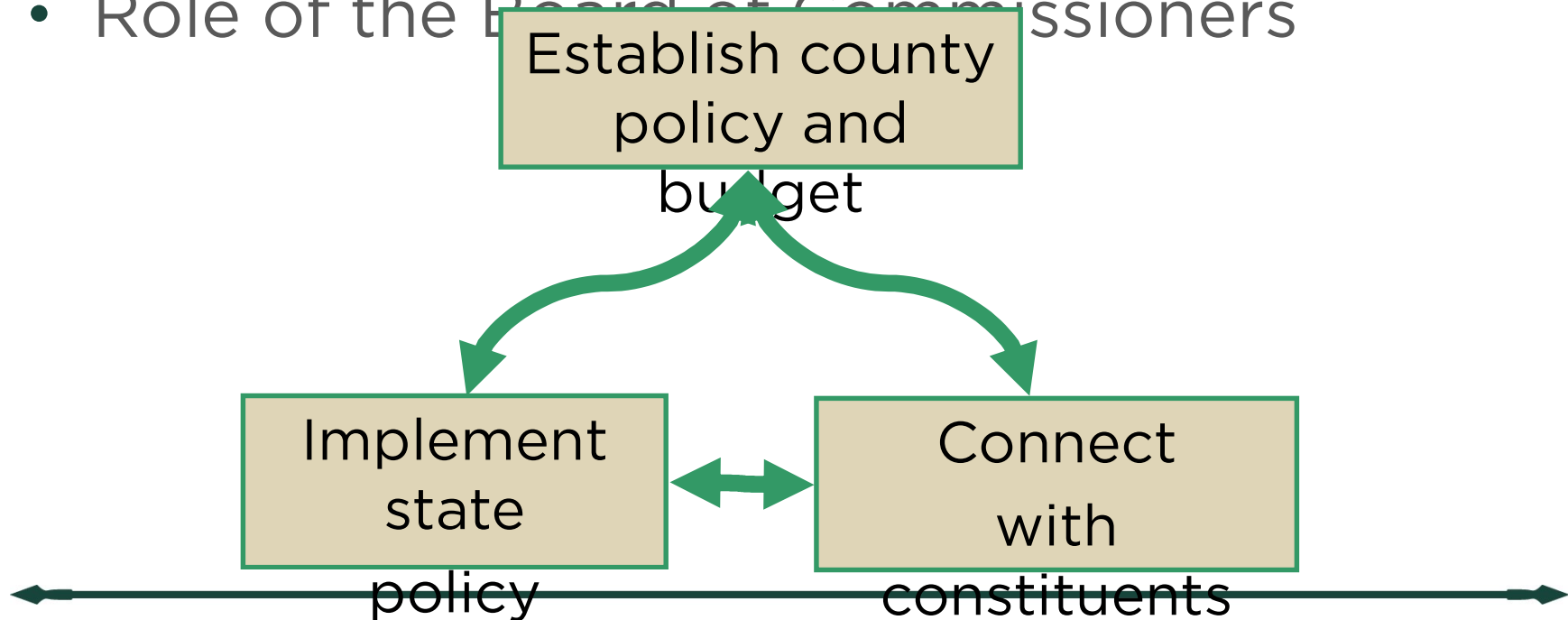
# Counties

- 83 Michigan counties
- Largest political subdivision of the state
- Other states
  - County government—all but 3 states (Connecticut, Hawaii, Rhode Island)
  - Terminology different in some states:
    - Boroughs in Alaska
    - Parishes in Louisiana



# County Board of Commissioners

- Two-year terms, districts can change w/census, and 2024 terms become 4 years
- Role of the Board of Commissioners





## Elected county officials

- Constitution specifies elected administrative officials
  - Sheriff, Clerk, Register of Deeds, Treasurer, Prosecuting Attorney
- Elected for 4-year terms
  - Partisan races in gubernatorial elections
- Optional elected administrative positions
  - Drain Commissioner, Members of Road Commission, Surveyor, Mine Inspector



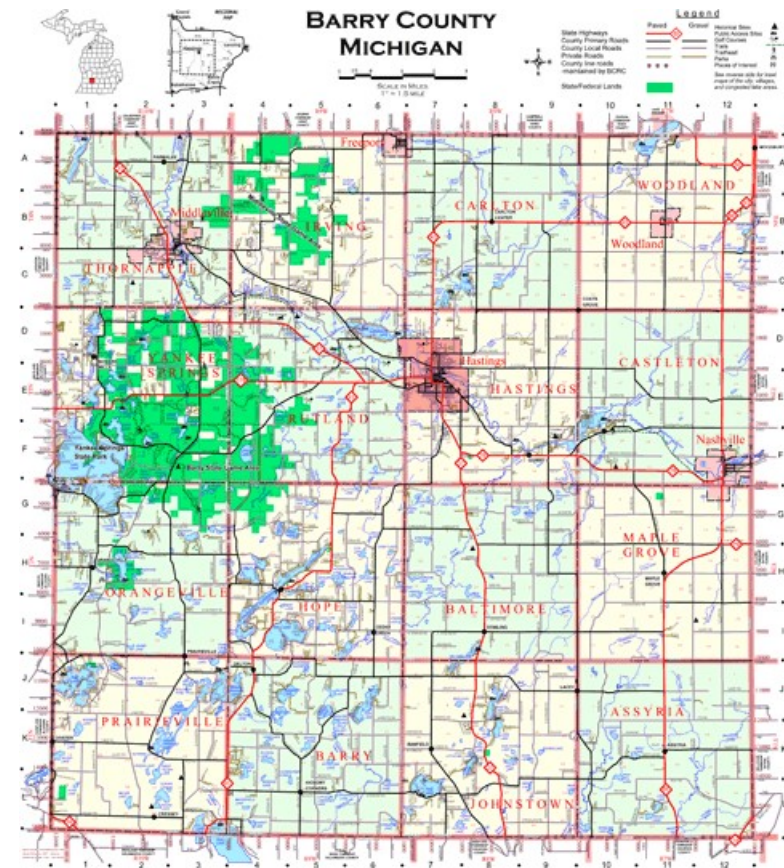
# Other responsibilities of county government

<b>Public Health</b>	<b>Mental Health</b>
<b>Animal Control</b>	<b>MSU Extension</b>
<b>Fair Board</b>	<b>Social Services</b>
<b>Veterans' Affairs</b>	<b>Senior Services</b>
<b>Friend of the Court</b>	<b>Economic Development</b>
<b>Planning/Zoning</b>	<b>Hospital</b>
<b>Emergency Medical Services</b>	<b>Emergency Preparedness</b>
<b>Parks</b>	<b>Public Works</b>
<b>Circuit, Probate, District Courts</b>	



# Township government

- 20 states with township government
- Townships originally 36 square miles; now 4 square miles to 600
- 1242 townships
- Jurisdiction of almost 95% of total land
- Almost half of state's population live in a township
- Population range: 10-95,000



# Two forms of townships

	General Law Township	Charter Township (1947) Population over 2000 Charter is defined by state Some boundary protection
# in Michigan	1118	124
Board members	5 - 7	7
Organizational structure (elected 4 year terms, partisan basis)	Supervisor, Treasurer, Clerk, Trustees	Supervisor, Treasurer, Clerk, Trustees
Tax levy	1 mil operating Plus extra voted	Up to 5 mil Another 5 mil with vote plus extra voted

# The modern township

- Responsible for
  - Health, safety, welfare
  - Fire protection
  - Traffic safety
  - Land use and zoning
  - Subdivision controls
  - Licensing of businesses
  - Administer elections
  - Assess property and collect taxes
  - public water and sewers, libraries



## Leadership for townships

Township governing structure specified  
in

constitution; officials elected for four-  
year

terms on partisan ballot in the  
presidential


election year:

- Supervisor
- Clerk

- Treasurer

- Trustees—2-4

## Township legislative body

- General Law – 5-person board all elected, may hire a township administrator
  - Charter Township – 7-person board, hire township manager or superintendent
  - Board appoints individuals to various boards and commissions
- 

## Village government

- *Historically* formed when population density within a township led to the need for more services
  - Licensing and regulation
  - water supply, sewerage
  - Controlling and maintaining streets
  - Sidewalks, street lighting, zoning, snow removal...
- Villages remain part of township
  - Residents vote in village and township elections
  - Subject to both village and township taxes





## Village government

- 47 of 259 villages are Chartered Villages (1909 Act)
- Balance are General Law Village Act: PA 3, 1895
- Population range from 130 - 10,000
- Seven person elected council
- May hire village manager or superintendent



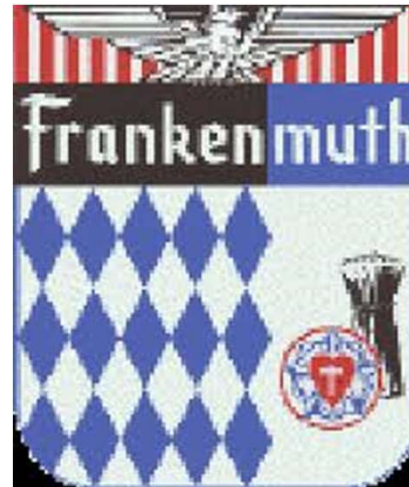
## City government

- 272 cities; populations range from 500 – 900,000
- densely populated area; provide a full array of municipal services
- All cities considered home rule cities



# City government

- Cities have flexibility in structure, taxing powers, writing ordinances
- Cities responsible for:
  - Assessing property
  - Collecting taxes
  - Conducting elections



# Leadership for city government

- Each city charter determines form of government
  - Council-manager
  - Strong mayor-council
  - Weak mayor-council
- Charter establishes election process
  - Election dates
  - Usually 4-year terms
  - Usually non-partisan
  - Positions: council members, and, depending on charter, mayor, clerk and treasurer



## Types of city services

- Sidewalks
  - Police
  - Zoning
  - Sewers
  - Libraries
  - Streets
- Recreation
  - Fire protection
  - Water supply
  - Transportation
  - Trash removal



# Authorities

- Special purpose governments
- Provide services requiring large capital expenditures
  - Mass transportation
  - Recreational facilities
  - Wastewater treatment
- Facilitate long term investments
  - Airports
  - Ports
  - Public utilities



# Intergovernmental cooperation

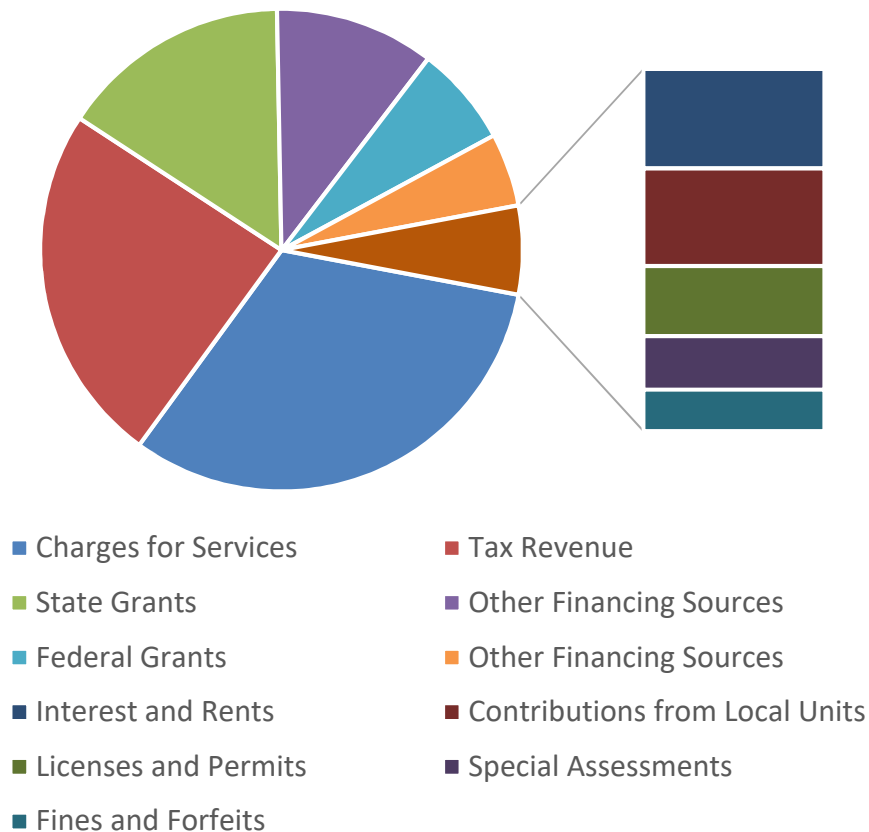
- State constitution:
  - Local governments' ability to enter into agreements with other political units, including native sovereign nations
  - Legislature power to create metropolitan authorities
  - Local governments' ability to cooperate in execution of "any functions or powers which they could perform separately"
- Examples:
  - Language in planning and zoning acts allowing for cooperative study
  - Joint agreements on recreational facilities, police and fire services, contracts between municipal corporations, etc.
  - Regional planning commissions



# Local revenue sources

Total Local Government Revenue 2021

- Charges for Services – 32%
- Tax Revenue – 24%
  - 90% Property Tax
  - Income Tax (cities)
- State Grants – 15.5%
- Other Financing Sources – 10.7%
- Federal Grants – 6.7%





## Property tax basic facts

- Started with Northwest Ordinance
- Used for cities, counties, townships, schools, villages, authorities, community colleges
- Primarily a local tax; there is also a state property tax for schools
- Property tax rate—mill--\$1/\$1,000 of taxable value (TV)
- Property tax = millage rate x taxable value



# Property tax limitations

## Headlee Amendment

- All tax increases must be voted on
- Tax collections limited to inflation (excluding new property), if exceeded must rollback millage

## Proposal A

- Taxable value capped by inflation (Recent CPI 2-3%)
- Millage votes limited to two per year for same question
- Cannot rollup millage when growth less than inflation

## Headlee/Proposal A Interaction

- 
- Uncapping of property causes “Headlee Rollback” Disproportionate affect on older

# Calculating the tax base

## Reforms of Proposal A (1994)

- Established taxable value (TV) as the base for levying property tax
- Growth in TV capped at the rate of inflation, or 5% per year, whichever is less (Separates state equalized value (SEV) from TV)
- Property is uncapped and set equal to SEV when property is transferred



# City income tax

- Option for cities
  - 22 presently levy this tax
- Direct tax on income for residents
- Tax on earnings for nonresidents
- Rate: generally 1% for residents and corporations  
.5% for nonresidents  
(higher rates for Detroit)



# State revenue sharing to local governments

Cities, villages, townships

- Constitutional revenue sharing
- City, village and township revenue sharing (CVTRS)
- CVTRS – 1% Coronavirus local fiscal recovery fund (CVTRS-CLFRF)
- Financially distressed cities, village and townships (FDCVT)

- Counties

- County revenue sharing (CRS) and revenue sharing reserve fund (RSRF)
- County incentive program (CIP)
- Competitive grant assistance program (CGAP)

Source: <https://www.michigan.gov/treasury/local/share>

## State revenue sharing (continued)

- Constitutional revenue sharing
  - Constitutional revenue sharing payments are based on 15% of the 4% portion of Michigan's 6% sales tax collections. Distributions are made to all Michigan cities, villages, and townships on a population basis.



## Federal monies for local governments

- Relationship has changed over the years--  
greater policy impact in certain areas  
(schools, health care, transportation)
- About 40% of state revenues and 7% of  
local revenues come from federal level
- Money mostly goes to individual citizens
  - Medicaid, Medicare
  - Job training, unemployment
  - Social security




# Fee for service revenue

- Charges for services are a growing share of local government revenue
  - Especially for cities and counties
  - Most goes to Enterprise Funds or Component Units
- Fee vs Tax: *Bolt v City of Lansing* – A fee must:
  - Serve a regulatory purpose and not be imposed solely for a revenue-raising purpose;
  - Be reasonable and proportionate to the cost of the service provided; and
  - Be voluntary – a user must have a way to limit the amount of the service used and the fee incurred



# Accounting and auditing for local gov't


- All financial records, accounting, audit reports and other reports of public money shall be public records and open to inspection (Art IX § 23)
  - Uniform Budget and Accounting Act (Act 2 of 1968)
    - Specifies how local gov't must act with regards to finances, budget and financial reporting to state
- 

# State oversight of local government

- Financial Emergency
  - CURRENT LAW (P.A. 436 of 2012)
- Accounting and Auditing
  - Uniform Budget and Accounting Act (Act 2 of 1968)
- Sunshine Laws
  - OMA & FOIA (PA 269, PA 442 of 1976)
- Planning and Zoning
  - PA 33 of 2008; PA 110 of 2006



## Questions to Ponder

- Does Michigan have too many units of local government?
  - What do citizens expect from local government? Are citizens willing to pay for those expectations?
  - Why does local government seem “invisible”?
  - How have the changing relationships in recent years between different levels of government affected the local units?
  - What are the most difficult challenges facing local governments?
    - Legacy costs? (pensions, depreciating infrastructure)
    - Limited economic development opportunities?
- 
  - Unfavorable tax-service packages?
  - Eroding tax base?

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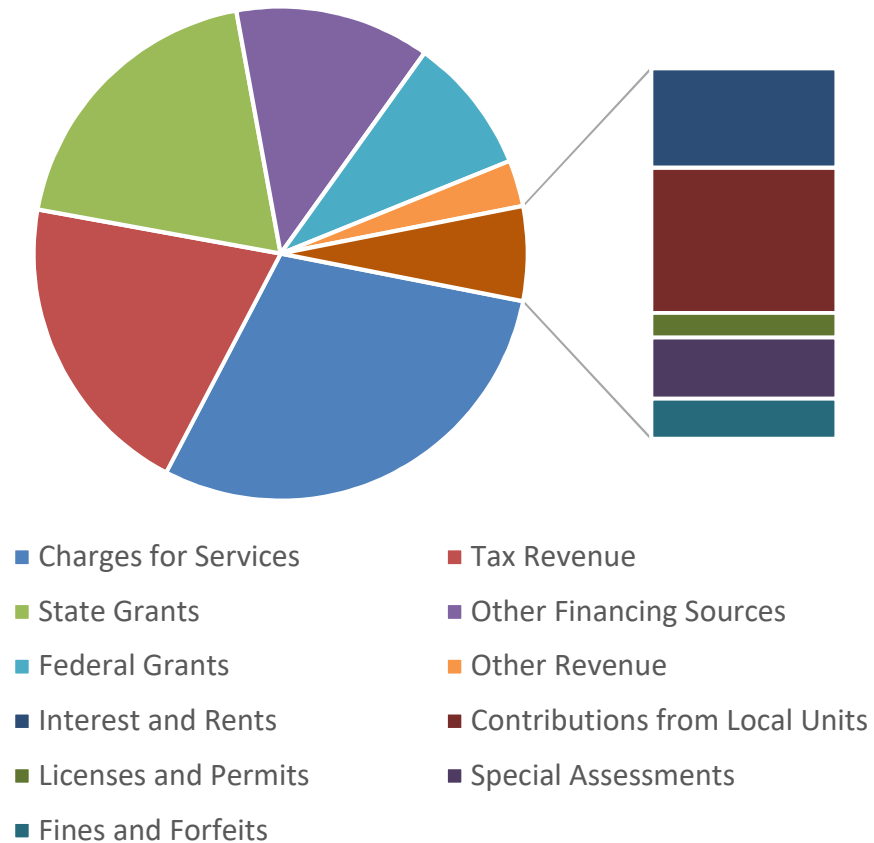
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( Mark Skidmore, [mskidmor@msu.edu](mailto:mskidmor@msu.edu))



# County revenue sources

- Charges for Services - 29%
- Tax Revenue - 20%
  - 97% Property Tax
- State Grants - 19%
- Other Financing Sources - 13%
- Federal Grants - 9%

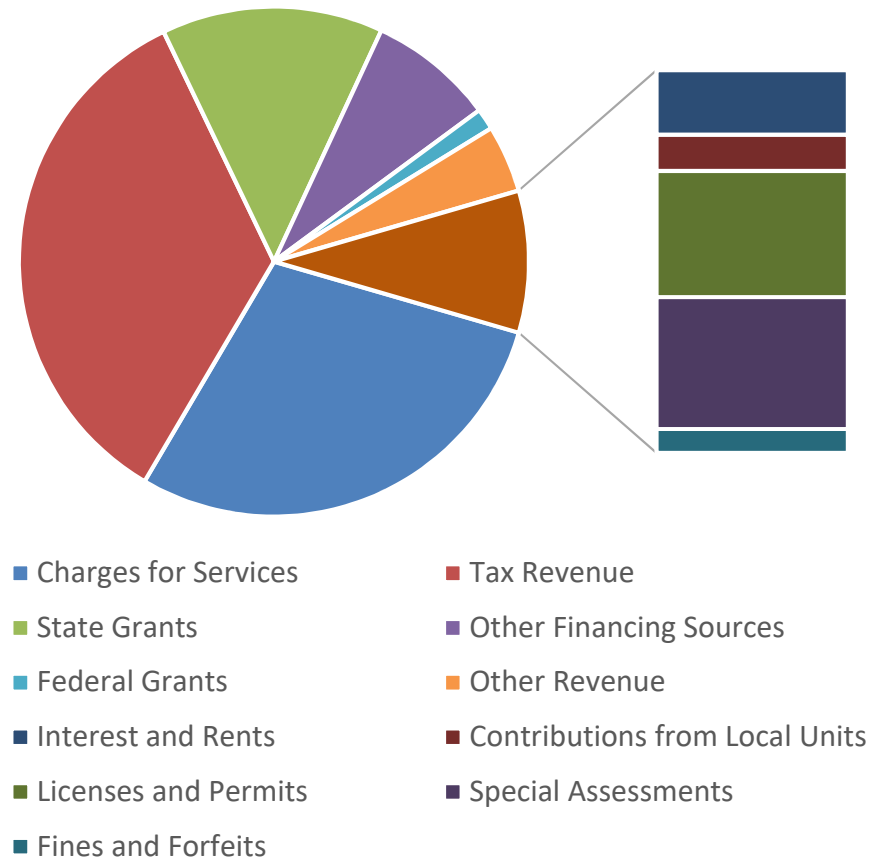
Total County Revenue 2021



# Township revenue sources

- Charges for Services – 29%
- Tax Revenue – 34%
  - 98% Property Tax
- State Grants – 14%
- Other Financing Sources – 8%
- Federal Grants – 1%

Total Township Revenue 2021

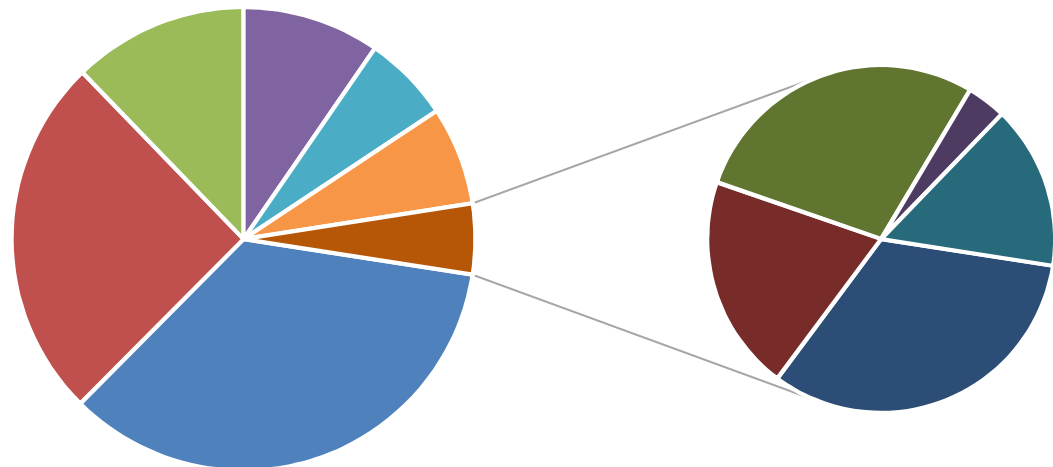




# City revenue sources

Total City Revenue 2021

- Charges for Services – 35%
- Tax Revenue – 25%
  - 83% Property Tax
- State Grants – 12%
- Other Financing Sources – 10%
- Federal Grants – 6%



- |                        |                                  |
|------------------------|----------------------------------|
| ■ Charges for Services | ■ Tax Revenue                    |
| ■ State Grants         | ■ Other Financing Sources        |
| ■ Federal Grants       | ■ Other Revenue                  |
| ■ Interest and Rents   | ■ Contributions from Local Units |
| ■ Licenses and Permits | ■ Special Assessments            |
| ■ Fines and Forfeits   |                                  |