

Local Government Organization and Issues

GLOSSARY

Authority

An entity created by one or more general-purpose governments to produce and provide a specific government service.

Charter (home-rule) government unit

A county, township, or village that has taken the special steps necessary to permit it to organize and operate in ways different from a general-law unit; by law, all cities are charter units.

General-law government unit

A county, township, or village that organizes and operates in accordance with the general law set out in state statute and constitution. Has not taken the special steps necessary to change to a charter (home-rule) unit.

General-purpose government units

Counties, villages, townships, and cities; all but cities may be either general-law or charter units (cities automatically are charter units).

Special-purpose government unit

An entity—e.g., an authority or a K–12 or community college district—created to carry out a specific function.

BACKGROUND

Collectively, if authorities are included, there are more than 2,700 government units in Michigan (see Exhibit 1), and they fall into two categories.

- *General-purpose* units are counties, cities, villages, and townships; all have an elected board as their legislative body.
- *Special-purpose* units are K–12 school districts, intermediate school districts (ISDs), regional educational service agencies (RESAs), community colleges, and authorities; all have a governing body that may be elected or appointed.

General-Purpose Government

General-purpose units of government operate with restricted power, that is, the unit's authority is granted by the state, either through the constitution or statute. Whether a unit is empowered to engage in an activity depends on whether the state has expressly granted it authority to do so. (By contrast, local governments in most western states operate with *permissive* power, that is, they may exercise any authority that the legislature has not expressly prohibited or restricted.) In Michigan, counties, townships, and villages begin as general-law units, but if they meet certain statutory requirements, they may change to charter (home-rule) units. By law, all cities are charter units.

EXHIBIT I. Michigan Local Governments, by Type and Number, 2002

Type	Number
General Purpose Government Units	
Counties	83
Townships	1,242
Cities	272
Villages	261
TOTAL	1,858
Special Purpose Government Units	
K–12 districts	555
Intermediate school districts	57
Community colleges	28
Authorities	200+
TOTAL	840+

SOURCES: Michigan Municipal League; Michigan Townships Association.

LOCAL GOVERNMENT ORGANIZATION AND ISSUES

- *General-law* units may organize themselves and exercise authority only in the way that the state constitution and statutes have specifically set forth for this type of government.
- A *charter* (home-rule) unit has more control over its organization and broader authority than does a general-law unit. The unit's charter sets forth the taxing and borrowing limits (subject to state law), number of departments, and types of services to be delivered to residents.

Counties

All Michigan counties but one are general-law units. (Wayne County is the exception; the electorate adopted a charter in 1980.) The difference between a general-law county and a charter county is found in administrative and legislative functions.

Under state law, general-law counties may adopt, with voter approval, a "unified" form of government—that is, they may centralize their administration by having either an elected county executive or a county manager appointed by the elected board. Only Bay and Oakland counties have adopted the unified form, both with an elected executive.

The state Charter County Act permits voters in a charter county with population exceeding 1.5 million (only Wayne) to choose to have either an elected county executive (as Wayne does) or an appointed county manager, who handles the county's day-to-day operations. Whether an elected executive has veto power, how staff functions are handled, and over which line department s/he has control depend on the provisions of the charter adopted by the electorate.

Townships

State law gives the home-rule (charter) option to townships of 2,000 or more residents. One advantage of home rule for townships is some protection against being annexed by adjacent cities. Townships may achieve charter status via (1) a resolution adopted by the township board or (2) a vote of township residents. The latter course gives a township greater taxing authority than the former: five mills upon voter approval of charter status plus authority to go to the voters for additional mills. If charter status is achieved by resolution, the authority to tax property is restricted to the amount levied on the date the resolution is adopted. A charter township board also may appoint a superintendent or manager to serve as the township's chief administrative officer (general-law townships are administered by the elected township board). Of Michigan's 1,242 townships, 130 have opted for charter status.

Villages

A Michigan village may establish itself, with voter approval, as either a general-law or (if its population is 750 or more) a home-rule (charter) unit. Although both types may levy up to 20 mills for operation, general-law villages are limited as to how they may use the millage: streets (5.0 mills), cemeteries (2.5 mills), and general government operation (12.5 mills). Of the 261 villages in Michigan, 213 are general law and 48 are home rule.

Cities

All of Michigan's 272 cities are home-rule units. A city's residents, in adopting a charter, determine the form their government shall take; three options are available.

- *Council, manager* Under this structure, which has been adopted by 180 cities, the city council appoints a city manager who administers the day-to-day operations of city government; the council is responsible for policy decisions and adopting the annual budget.
- *Strong mayor, council* This structure is used most often in larger cities where the mayor is elected directly by voters and is not a member of the legislative body (council). The mayor is the chief administrative officer and appoints/removes administrative officials designated by the charter as reporting directly to him/her.
- *Weak mayor, council* This structure is found mostly in smaller cities where the mayor is a council member and elected to the mayoralty by fellow council members. The mayor chairs council meetings and serves as the city's chief administrative officer.

Special-Purpose Government

K–12 districts, ISDs, RESAs, community college districts, and authorities are special-purpose governments—that is, they have been created to produce and provide a specific government service. They have limited property-taxation authority and are governed by an elected or appointed board. Among the purposes for which authorities may be created are to operate an airport, harbor, or port; finance and oversee building or transportation projects; promote downtown development; construct and operate sewer and water systems; or operate emergency (police, fire, ambulance) services.

Authorities are of two general types, depending on how they are created.

- *By vote* If the authority is created by a vote of the residents in the general-purpose government jurisdiction(s) that wish the authority to exist, the

voters also decide whether the unit shall have power to levy a property tax as a source of revenue.

- *By resolution* If the authority is created by resolution by the general-purpose government(s), it does not have the power to levy a millage for operations and must rely on other funding (e.g., an appropriation from the board[s] that created it).

Intergovernmental Cooperation and Consolidation

Cooperation

The Michigan Legislature has enacted several statutes permitting intergovernmental cooperation. Basically, any local governments authorized to engage in a given activity or provide a given service may do so collaboratively. Numerous examples of intergovernmental contracting and cooperation may be found, ranging from joint fire departments to sewer/water authorities. Intergovernmental collaboration usually arises from locals' wish to reduce costs through specialization or take advantage of economies of scale in producing and providing services.

Consolidation

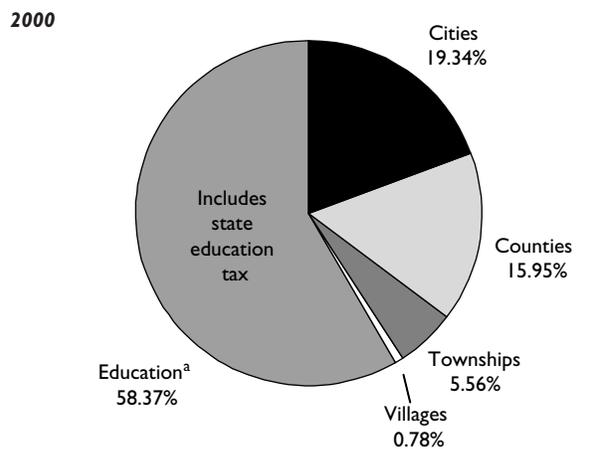
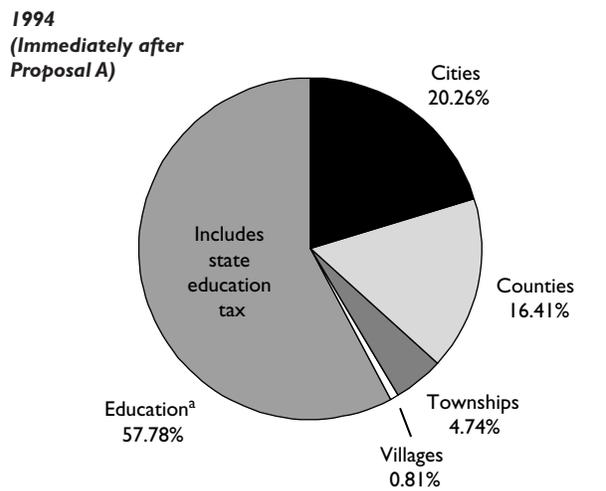
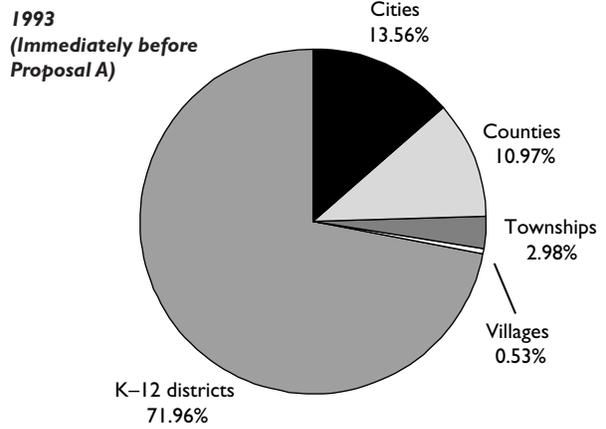
There are three types of consolidation, although only two occur regularly: functional and geographical (the third is political and last occurred in 1837).

- *Functional* consolidation is service specific—for example, consolidating fire, police, or emergency-service departments. Across the state there are numerous instances of functional consolidation.
- *Geographical* consolidation is embodied in the wave of school consolidations that occurred from the 1930s to the 1960s, when Michigan reduced the number of public school districts from 6,200 to the present 554. Geographical consolidation ignores political or jurisdictional boundaries and focuses on a service area, in this case the reasonable geographic boundary of a school district.

Property Taxes

The property tax is an important revenue source for local governments, and its distribution as a percentage of total collections has shifted since the 1994 passage of Proposal A. As Exhibit 2 shows, prior to Proposal A, about 72 percent of the property taxes collected annually were directed to education, primarily K–12, and the balance went to other local units. Local government now receives about 42 percent of total property tax collections—an increase of about 14 percent from before Proposal A (2000 data). Thus, while Proposal A reduced property taxes, it increased the share of revenue available for non-education local government.

EXHIBIT 2. Property Tax Revenue Distribution, by Type of Unit, 1993, 1994, and 2000



SOURCE: State Tax Commission.
^aEducation = Local K–12 schools, community colleges, ISDs, RESAs.

State Revenue Sharing

The State of Michigan shares some of its tax revenue—more than \$10 billion in the 1990s—with local units of government. Funding for the revenue-sharing program is based both in the constitution and in law.

In Michigan, revenue sharing is *unrestricted*—that is, there are no strings attached: local governments may use it as they see fit. Until 1996, when the state revenue-sharing program was changed, local governments had received a portion of revenue from four taxes levied by the state: sales, income, intangibles, and single business. These funds were distributed to cities, villages, and townships in two ways: *per capita* and by *relative tax effort* (RTE). Per capita distribution is straightforward: High-population units (e.g., Oakland County) receive more than low-population units (e.g., Montmorency County). Relative tax effort rewards units according to how their taxation level stacks up against the state average: high-tax units receive more than low-tax units.

The 1996 changes (1) removed income, intangibles, and SBT revenue from the revenue-sharing pool (these were offset by the new sales tax revenue) and (2) began to phase out the use of RTE as a basis for revenue sharing. Constitutional revenue sharing now is distributed solely on a per capita basis, and the statutory sales-tax share is distributed according to

- a percentage share of the unit's FY 1997–98 share of revenue—the percentage is decreasing every year as the RTE is phased out;
- the per capita value of the unit's total taxable property;
- yield equalization—a formula that offsets variances in taxable-property wealth among local units and helps units that have low such wealth; and
- a formula whereby a unit's population is multiplied by a weight factor assigned to that type of unit.

The movement from RTE to full per capita distribution is creating winners and losers. Winners are units of government with large and rapidly expanding population (e.g., townships that are being suburbanized); losers are units with slow-growing or declining population (e.g., older, land-locked cities).

State revenue sharing is particularly important to townships, which currently derive about 40 percent of their general fund revenue from the program.

DISCUSSION

All local governments share three problems, and all have to do with money: declining authorized millage rates, the difference between the state-equalized and taxable value of property, and fluctuating state revenue sharing. The so-called Headlee amendment (1978) amended the state constitution to clarify the responsibility of state government with respect to revenue sharing with local units, and it has provided some legal recourse for local units in their attempts to secure funding from the state. (Readers are directed to *Michigan in Brief, 6th Edition*, which may be found at www.michiganinbrief.org, for specific information about the Headlee amendment.)

Such issues as transportation funding, fire protection, land use, solid waste management, and consolidation and intergovernmental contracting also are persistent concerns for many local officials. Problems in these areas frequently have to do with local control—either among local jurisdictions or between the locals and the state. The line between state and local authority sometimes is vague, and spheres of influence often are overlapping, ambiguous, and contested.

Municipal Residency

More than 100 large cities nationwide require their employees to live within city boundaries. Detroit did so in 1999, hoping to create a safer and more vibrant city by bringing its employees (especially police and firefighters) into the community and encouraging economic growth as these new residents lived, raised their families, and spent money in the city. Residency opponents argued that such requirements violate individual freedom of choice. In 1999 the Michigan Legislature enacted a law prohibiting Michigan jurisdictions from imposing residency requirements, although they are permitted to require that employees live within 20 miles.

Land Use

How local land shall be used—for agriculture, recreation, housing, industry, small business, and so on—and the extent to which larger areas or the state should be involved in land-use decision-making is a contentious matter and is discussed elsewhere in this book.

Living Wage

ACORN, a community-advocacy organization, reports that nationwide about 60 local government units require businesses with which the unit has contracts to pay employees working under the contract a wage that is higher than the federal minimum (\$5.15 an hour) plus certain benefits, enabling the workers to earn a so-called living wage. Michigan jurisdictions that have such a law are

- the cities of Ann Arbor, Detroit, Eastpointe, Ferndale, Kalamazoo, Warren, and Ypsilanti;
- Ypsilanti and Pittsfield townships; and
- Washtenaw County.

Debate about the wisdom of a living wage is heated, and state legislation to prohibit locals from imposing one has been introduced. Among the arguments opponents make against such laws are that

- wage minimums should be set at the federal level, for consistency;
- when laws vary from jurisdiction to jurisdiction, doing business with the jurisdictions becomes complicated and expensive, particularly for new businesses;
- they discourage firms from locating in living-wage jurisdictions;
- enforcement requires additional local-government resources;
- they discourage competition in bidding for jurisdiction jobs;
- they cost local units more when purchasing goods and services;
- studies (e.g., Michigan State University, 1999) show that they result in there being fewer low-level jobs available, because firms cut back on the number of workers to compensate for the higher payroll; and
- they pose a particular hardship for nonprofits (e.g., the Salvation Army has moved its headquarters out of Detroit, contending that it could not financially comply).

Proponents for living-wage laws argue that

- studies (e.g., Wayne State University, Urban Studies Center and Labor Studies Center, 1999) show that the maximum possible cost to both living-wage jurisdictions and employers is minor; and
- most important—and they assert that this position trumps all others—ensuring that workers earn a livable wage and receive benefits (e.g., medical coverage) not only helps workers and their families but also the jurisdiction, the state, and society.

“Let Local Votes Count”

Local units had been anxious about encroachment on their rights for many years, and in 1999 the Michigan Legislature passed the municipal-residency ban, right-to-farm act, and imposed a state construction code. This led Michigan cities, in 2000, to craft a ballot initiative—Let Local

Votes Count—to amend the state constitution to require a two-thirds vote of the legislature (rather than a simple majority) to pass any state law dealing with an issue that could be addressed by city, county, village, or township government. The Michigan Municipal League, which represents about 500 cities and villages, headed the effort. Opponents argued that requiring a two-thirds vote would permit a minority to disrupt crucial legislation that in any way affected local matters. Proponents argued that something was necessary to protect the state from running roughshod over the wishes of local citizens and the authority of the local officials who speak for them. The initiative did not pass, and local governments’ scope of authority is likely to remain the same, at least for now.

See also Highway Funding and Safety; Land Use and Sustainability; Solid Waste and Recycling; Taxes on Businesses; Taxes on Consumers.

FOR ADDITIONAL INFORMATION

Bureau of Local Government
Michigan Department of Treasury
430 West Allegan Street
Lansing, MI 48922
(517) 373-3305
(517) 373-2621 FAX
www.michigan.gov/treasury

Michigan Association of Counties
935 North Washington Avenue
Lansing, MI 48906
(800) 258-1152
(517) 372-5374
(517) 482-4599 FAX
www.miaco.org

Michigan Association of Intermediate School Administrators
1001 Centennial Way, Suite 300
Lansing, MI 48917
(517) 327-5910
(517) 327-0771 FAX
www.melg.org/maisa

Michigan Association of School Administrators
1001 Centennial Way, Suite 300
Lansing, MI 48917
(517) 327-5910
(517) 327-0771 FAX
www.gomasa.org

Michigan Association of School Boards
1001 Centennial Way, Suite 400
Lansing, Michigan 48917
(517) 327-5900
(517) 327-0775 FAX
www.masb.org

LOCAL GOVERNMENT ORGANIZATION AND ISSUES

Michigan Municipal League
1675 Green Road
Ann Arbor MI 48105
(800) 653-2483
(734) 669-6300
(734) 662-8083 FAX
www.mml.org

Michigan Townships Association
512 Westshire Drive
P.O. Box 80078
Lansing, MI 48908
(517) 321-6467
(517) 321-8908 FAX
www.michigantownships.org

Office of Revenue and Tax Analysis
Michigan Department of Treasury
430 West Allegan Street
Lansing, MI 48922
(517) 373-2864
(517) 373-8414 FAX
www.michigan.gov/treasury

Readers are directed to *Michigan in Brief, 6th Edition*, which may be found at www.michiganinbrief.org, for a list of publications pertaining to local government organization and issues.