

League Launches Campaign to Reform Michigan Municipal Finance

By Anthony Minghine



Michigan's municipal finance model is broken. It is the result of decades of partially developed policy across numerous legislatures and administrations, all with varying views of the problem and solution. It is essentially the Frankenstein's monster of local government finance models. As it exists today, it is incapable of sustaining vibrant communities and, left unchanged, it will be the undoing of the State of Michigan. In March 2015, the League Board of Trustees said "enough!" and they challenged League staff to begin developing a new way forward.

Bold Change Is Needed

After years of working within the existing paradigms, the League is undertaking a major legislative and policy push aimed at reforming municipal finance in Michigan. This is not intended to be a simple request to ask for more revenue sharing, but rather an examination of how we can do things differently in Michigan to assure that local government doesn't just survive, but thrives. To that end, the League will be developing policy recommendations around three themes: Cost Containment, Revenue Enhancement, and the Structure of Government. We are taking this approach to break away from the historically limiting tactic of incremental change within the context of where we are today. That simply has not worked, and will not work going forward. We need new ideas, innovative approaches, and bold action to create a new future for communities all over Michigan.

To aid in this endeavor, the League has made a major organizational and budgetary commitment to further this objective. As part of that effort, we have commissioned a number of independent reports that will be the factual foundation upon which we will build our recommendations. We believe that our first steps must be aimed at building a data-driven foundation that makes the case for our mission. These reports, and others that will follow, will make the case for change that we believe is necessary.

Three-Tiered Approach

As I previously indicated, we will have a three-tiered approach to crafting our policy recommendations. The first tier is seeking new ways to help local government contain costs. If we can help reduce or eliminate costs from local budgets, this will free up budget dollars for other vital services. While many outside of local government may choose to accuse local government of mismanagement, the reality is that many of the budgetary constraints that they deal with are not of their own creation, or are outside of their authority to correct. Issues like OPEB could be significantly impacted through legislative changes and would have a dramatic impact on local finances. These costs have largely been established via contracts and arbitration and often instituted in a different economic circumstance than exists today. We need to think differently about those issues.

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Secondly, new revenues do need to be a part of this discussion. There is no getting away from the reality that our system is catastrophically constrained and needs to provide better resources for local government. As our system is currently constructed, it requires local government to share in the financial burdens during tough times, but it doesn't allow for local government to share in the prosperity of good times. In fact, locals remain mired at unnaturally low levels that hamper service delivery and their ability to create great places. Additionally, our system needs to direct revenues to the places that drive our economic engine. It is here that we must create places where people choose to live, or we will be incapable of attracting and retaining the talent needed to sustain true economic growth.

Lastly, we hope to address the structure of government, or more simply, how we maximize the infrastructure of the state in a way that benefits everyone most effectively. Michigan's population has been relatively flat for decades. That means any growth that one community experiences comes largely at the expense of another Michigan community. This leads to abandoned or underutilized infrastructure that is a waste of taxpayer dollars and does not allow us to leverage the investments that have been made across the state. We need to be smarter about the investments that have been made, and fully utilize them before embarking on projects that may provide marginal benefits to some at the expense of the greater good. Addressing issues such as these will lead to an overall improvement in service delivery and not incentive unnecessary sprawl.

To achieve this bold agenda, we will be working closely with the governor's office and the Legislature. Early conversations have been encouraging, but this will be a long and sustained process. It will require not just the efforts of League staff, but of the membership as well. We encourage you to engage in these efforts over the coming months. As we begin to move this agenda forward, talk with your legislators, testify on issues you are passionate about, and do what you can to help craft and deliver our message. Our collective futures will be framed by this project, and it will require all of our best efforts to succeed.

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