Townships: Adapting to variances in Michigan’s challenging economic climate

The myriad of differences among Michigan’s communities, and the approaches their local governing bodies are taking in response to local circumstances—especially economic impacts—are vividly captured in the recently released Michigan Public Policy Survey (MPPS), Local Government Fiscal & Economic Development Issues, conducted by the Center for Local, State, and Urban Policy (CLOSUP) at the University of Michigan. MTA was integrally involved in the survey design and actively encouraged its members to participate.

For state policymakers who are studying potential local government reforms, the data provides a very clear picture of what is really happening in the local government trenches. And for local officials, the findings should be helpful in putting their own unit of government’s current challenges and issues into perspective. The report will also help local officials see what their colleagues in other entities are dealing with and how they are responding to shared economic issues.

NOT ALL LOCALS ARE IMPACTED EQUALLY

The common wisdom is that the entire state of Michigan is struggling economically and while it certainly true that it is difficult to find any community that boasts of having all the resources it needs, Michigan’s well-known economic travails are not impacting on all local governments equally. Some communities find themselves structurally better able to weather the ongoing economic storm, and others are actually doing okay. Nonetheless, even communities that are currently staying afloat worry that the wolf arrives at the door next year. Forty-five percent of Michigan township officials report that their townships are unable to meet their financial needs this year, and the percentage of townships anticipating they will be unable to meet their financial needs next year increases to 55 percent.

While the number of townships not having the resources to meet their financial needs is arguably the worst since the Great Depression, a greater percentage of Michigan’s counties, cities and villages are even more economically challenged. More than three-quarters of the counties (78 percent), cities (73 percent) and villages (80 percent) predict hard financial times, according to the MPPS survey.

Why might the percentage of townships reporting tough finances be considerably smaller than other Michigan local governments? To a great extent, financial trouble is a function of location. Rural areas have not been impacted as much by the downturn in the auto industry and the broader manufacturing sector as has been the case in metropolitan areas that are auto and manufacturing dominated. A comparatively strong agriculture economy has kept many smaller townships’ tax...
collections insulated from the deep drop in residential property values and the resulting hit to tax collections.

However, larger townships located in manufacturing regions report significant revenue reductions and the implementation of various strategies to keep their budgets balanced. For example, 38 percent of townships under 1,500 population report financial shortfalls this year, while 59 percent of townships over 10,000 population are financially challenged. In fact, 17 percent of the small townships report that their finances are better this year than last year, but only 4 percent of the larger townships are seeing better times. Forty-seven percent of the small townships expect rougher finances next year, while 76 percent of the larger townships—a slightly higher percentage than the cities—anticipate that they will be less able to meet their financial needs next year.

Smaller townships have always been less dependent on statutory state shared revenues, which have been severely cut by the Legislature and governor, so rural areas have been relatively more insulated from state budget cuts. However, townships that rely to a great extent for payments in lieu of taxes or swamp tax payments remain vulnerable to the state budget. It has also been easier for smaller entities to adjust expenditures in relation to declining revenues as they rely less on employees to deliver services. They tend to spend a greater percentage of their budgets on roads—important expenditures that, nonetheless, can be deferred or, in the case of paving, postponed indefinitely. Larger townships, like cities and larger villages and counties, have contractual obligations with unions or other personnel-related expenses that are more difficult, if not impossible, to unilaterally cut.

COPING IN DIFFICULT TIMES
How are townships of all sizes coping with diminishing revenues? The MPPS survey disclosed that townships are using a variety of strategies, but drawing down fund balances is the most prevalent. Forty-one percent of the townships participating in the survey reported that their “rainy day funds” were being tapped (chart 1 below breaks this down by population). Only 6 percent are laying off employees, compared with 21 percent of cities and villages and 35 percent of counties. However, many townships operate primarily with

Around the state: Southeast Michigan

HIGHLAND CHARTER TOWNSHIP (OAKLAND CO.);
PPOPULATION: 19,169

“Government’s role is to provide essential services like fire and police, and fulfill its statutory requirements,” said Highland Charter Township (Oakland Co.) Supervisor Triscia Pilchowski. “Highland Township fulfills that role well.”

While the township’s taxable value has decreased by more than 4 percent in the past year, and overall revenue projections are down by 10.5 percent, the township continues to successfully provide services to some 19,000-plus residents.

“Highland continues to adapt to conditions,” said Pilchowski. “Incremental cuts over the last several years, such as elimination of benefits to part-time employees and elected trustees and adjusting employee health care coverage to include Health Savings Accounts, have helped trim expenditures.”

Although the township is seeing some economic growth, Pilchowski sees barriers—at the state level—to such development. “Highland Charter Township, like many responsible communities, doesn’t have significant barriers [to economic growth],” she said. “I see our state’s convoluted government and tax structure as a significant barrier.”

WASHINGTON TOWNSHIP (MACOMB CO.)
POPULATION: 19,080

Despite facing a 4 percent decrease in taxable value, cuts to revenue sharing and little economic growth, officials in Washington Township (Macomb Co.) are doing everything possible to ensure that residents are not impacted by the downward economy.

“We have focused on keeping programs in place and even adding services, such as road expenditures and sidewalks, while cutting costs,” said Supervisor Dan O’Leary. “We have chosen not to impact residents through tax increases or program cuts at this time. We focus our cost cutting not on programs but on the cost structure of those programs.”

Most cuts have come in renegotiating union contracts to eliminate post-employment medical benefits, switching to a high-deductible medical plan, and eliminating contractors where the township could insource work without increasing staff.

The township is also working hard to attract business to the area—be it agri-business, based around the area’s many orchards, or drawing in the state’s burgeoning film industry. “We have an attractive environment,” O’Leary said. “As a community still relatively early in its development lifecycle, we have substantial open space to create a town in the manner we wish to. We are adding to those environmental items a new, business-friendly board that is looking to lessen the encumbrance of ordinances on businesses.”

Chart 1
Around the state: Central Michigan

HAYES TOWNSHIP (CLARE CO.)
POPULATION: 4,916

“Maintaining” is the word that John Scherrer, supervisor of Hayes Township (Clare Co.), uses to describe the strategy that his township is taking during this time of economic distress. “We haven’t cut anything yet, because we don’t have too many programs to begin with,” he said. “If we can maintain things at their current level, that’s our goal.”

However, Scherrer believes that things are likely to get worse before they get better. “With the state revenues decreasing, our township revenue is going to decrease,” he said. “We’re not seeing any economic growth in Hayes Township. Other than retirees from big cities moving here, there are no businesses moving into the area. Even though we have an industrial park near our airport, there is no water or sewer servicing the park, so that limits its functionality.

“The fact is that our township is mainly dependent on tourism, which is down because of the economy,” he continued. “Our township has four good-sized lakes and a lot of cottages, so these are the assets that would be useful in attracting new development.” The local school district and nearby Mid-Michigan Community College are also assets in attracting economic development to the area. The township is also located near the county seat, Harrison, which draws people to the area.

A third strength, according to Scherrer, is the ongoing high level of intergovernmental cooperation that Hayes Township shares with Harrison. “We have a very cooperative relationship, especially with roadwork and sidewalk projects,” he said.

SAGE TOWNSHIP (GLADWIN CO.)
POPULATION: 2,617

Sage Township (Gladwin Co.) Supervisor Kristie Simrau is hoping to see a little light at the end of the tunnel. “I’ve seen the rate of home foreclosures increase over the last year, but not much in the last six months,” she said. “Maybe that means things are looking up.”

While the township has actually seen a slight increase in its taxable value, Simrau expects the township revenue will decrease next year. “We haven’t had to make any cuts yet, but I’m not sure how long that will be the case,” she said.

Although the township is not primarily an industrial area, Simrau has seen some small businesses develop in residents’ homes. “That’s about it, though,” she said. “I don’t expect there to be any big developments here.”

She points out that the township has a few assets that could attract residents. “We have a great school system and lots of beautiful lakes,” she said. “We just don’t have a lot to offer in the way of industrial development.”

![Chart 2](chart2.png)

Volunteers and board members themselves providing much of the township labor as well. Among larger townships, 12 percent of the townships over 5,000 population and 33 percent of the townships over 10,000 population report a likelihood of workforce layoffs increasing (chart 2). Over 15 percent of the townships over 5,000 in population are also decreasing employee compensation, but fringe benefits remain pretty much intact.

Many political pundits, state lawmakers and journalists have opined that local governments must cooperate more as a cost-cutting strategy. Indeed, local governments of all types reported that they are increasing the number of interlocal agreements as a budget-balancing strategy. Twenty-seven percent of townships, 46 percent of cities and villages and 49 percent of counties report they are increasing the number of interlocal agreements. While the disparities might be considered by some as a negative reflection on townships, the limited services and geographic isolation of many townships from other governmental entities makes many new cooperative ventures with adjacent entities less feasible.

And, as a recent study produced by the Citizens Research Council confirmed, smaller entities—including many townships—have historically engaged in more intergovernmental contracting than have larger entities. Consequently, the most advantageous agreements may already be in place. Many rural townships already cooperate with
neighboring entities to deliver fire protection and emergency medical services. Smaller townships that employ a part-time assessor or building inspector probably don’t think of their arrangement as a form of intergovernmental cooperation, but because many part-time officials also work for other entities, many townships are indeed sharing services even if there is no intergovernmental contract. (Chart 3 on page 24 provides a breakdown of townships’ likely actions, based on population.)

Only 12 percent of townships report more privatization compared to 27 percent of cities and villages and 20 percent of counties but, again, that relatively low number may reflect a much higher level of privatized services already in place—including privatized assessing services that were recently revealed by MTA as an inappropriate delegation of government authority. Many townships use the private sector to perform their cemetery sexton functions, park and utility maintenance, parking lot snowplowing and other services without really thinking of them as “privatized” because they have always used this model to perform functions, as opposed to discontinuing employee-performed services.

More than a third of the townships over 10,000 population will likely increase—“somewhat but not greatly”—their charges for fees and licenses, and close to one in five townships between 1,500 and 5,000 population will likely follow suit. Slightly more than 10 percent of townships under 1,500 population anticipate reducing township services but almost a third of townships over 10,000 population think such action is likely. However, the vast majority of all townships anticipate no change in the services they provide (chart 4).

Not surprising, some townships are predicting property tax millage increases, but smaller townships under 1,500 population are actually more likely (26 percent) to request millage rate increases than officials from larger townships. Only 11 percent of the townships over 10,000 population are contemplating such action. While virtually every township in Michigan will have stagnant or declining property tax revenues, the majority anticipate no change in property tax rates—demonstrating that townships, by and large, will make do with the revenues they have.

### Around the state: Southern Michigan

**SUMMIT TOWNSHIP (JACKSON CO.)**
**POPULATION: 21,534**

Facing upwards of a $100,000-plus reduction in revenues for the current fiscal year—due to revenue sharing cuts and a decline in property taxes—Summit Township (Jackson Co.) is “in the throes” of examining its own budget and determining where cuts can be made.

“It’s scary,” said Supervisor Jim Dunn. “We are looking at all areas for potential cuts, but the largest cuts will come from the area that consumes the largest portion of the budget—and that is police and fire.”

Calling the township “a little bit lucky,” Dunn noted that a portion of Jackson Community College—which is undergoing some expansion—is located in the township. Along with construction of a new senior care facility, there’s a glimmer of growth in an otherwise stagnant area. “We have had no new housing starts so far this year,” Dunn said. “Zero. None.”

Although the township works closely with an economic development group at the county level, and offers tax increment financing certificates when the right opportunity comes along, Dunn says development in the township is closely tied to the development of the greater community.

“We have beautiful residential communities in the township,” said Dunn. “But residents have to have a reason to be here—and that means jobs. If we had a major employer set up shop in the area, that would make a difference. We’re not wed to a particular industry, but we just need something.”

**MADISON CHARTER TOWNSHIP (LENAWEE CO.)**
**POPULATION: 8,200**

“We’re trying to be very smart with our money,” said Madison Charter Township (Lenawee Co.) Clerk Arnold Harper. “We have not had to cut any programs or projects yet, but we’re waiting to see what happens with revenue sharing.”

When asked if he was seeing any economic development in his township, Harper responded, “Lord, no. People don’t have the money to start up businesses and factories here. I used to get all sorts of calls about people wanting to bring their business to Madison but that hasn’t happened since this economy started failing.”

Three factories in the township have closed in the last two years. “It’s only the economy that keeps people from bringing their businesses here,” Harper noted. “We’ve got an ideal location, off U.S. 223 right between Jackson and Toledo.”

Township officials have been working hard to bring jobs to the area—including advocating for a battery facility to move there. Intergovernmental cooperation is also on the rise, with the township now supplying water to nearby townships. “We’re trying to do the best with what we have,” said Harper.
CANNON TOWNSHIP (KENT CO.)
POPULATION: 12,075

A bedroom community in the shadows of Grand Rapids, Cannon Township (Kent Co.) is beginning to feel the pinch of Michigan’s tough economy. Although the township’s foreclosure rate has not increased in the past six months and its taxable value increased slightly this year, township officials are anticipating a decline in revenue in the following year—largely due to the negative Consumer Price Index.

Although the township has not yet been forced to make cuts to services or programs, those difficult decisions are imminent, according to Supervisor Peter MacGregor. “We are looking at getting back to the basics, and are looking at non-essential services—anything that is not police and fire—as potential areas to cut,” he said.

The township, which has always participated in intergovernmental cooperation endeavors with neighboring communities, doesn’t actively seek to boost development within its borders. The township does feel the benefits when neighboring municipalities thrive, according to MacGregor. “We are impacted when Grand Rapids has growth,” he said. “Strong cities make strong townships.”

PARK TOWNSHIP (OTTAWA CO.)
POPULATION: 12,075

“That’s how Park Township (Ottawa Co.) Supervisor Amanda Price describes how the township is faring in today’s economy. While the township was not hit too hard with foreclosures or taxable value decreases, Price says that many area residents have faced unemployment or a decrease in work hours or pay, and the township is also facing state revenue sharing cuts.

“Well probably have to dip into reserves,” said Price. In addition, she noted, “we will be looking at all of our expenses in the coming year and are just beginning to make some substantial changes in our health benefits and energy saving.”

She does not, however, anticipate making any major reductions in township services.

Although not reliant on large industrial companies, Price said that a key industry in the township—farming—has “been steady.” She also noted that the region is having a difficult time accessing capital, “which keeps projects from taking off,” she explained. “We have facility space and workers, but no money to invest in economic development projects.”

The entire region has assets with which to draw businesses and residents. “We have the shore of Lake Michigan and Lake Macatawa, and 55 miles of bike paths,” said Price. “It’s a great place to live, and we just have a spectacular quality of life.”
Partner with non-governmental entities, such as chambers of commerce, to promote economic development.

Growing in controversy as an economic development tool is the practice of issuing tax abatements that are a primary government strategy to combat Michigan’s high unemployment rate. As academics and other public policy experts debate the efficacy of tax abatements, 29 percent of the townships report recent usage, compared to 76 percent of cities and 50 percent of villages. Relatively few townships report using other economic development strategies, including marketing campaigns (5 percent), infrastructure upgrades (13 percent), business incubators (4 percent) or local government surveys (6 percent). In fact, 28 percent of all townships report using no economic development strategies whatsoever, compared to 2 percent of cities and 14 percent of villages.

The data suggests that communities are pursuing appropriate land use strategies. Of the townships over 10,000 population, which are for the most part centers of commerce, 10 percent have created local or regional business incubators, more than half have economic development agencies, 76 percent issue tax abatements, 40 percent have upgraded their infrastructure to attract business, and close to 20 percent have conducted surveys of local businesses and conducted economic development marketing campaigns. More than one-third of the larger townships partner with non-governmental entities to promote business and almost 60 percent work with other

**Around the state: Upper Peninsula**

**WELLS TOWNSHIP (DELA CO.)**

*Population: 5,044*

“We don’t have issues like other areas,” said Bill Farley, Wells Township (Delta Co.) supervisor, relative to the rate of home foreclosures in his township. “We don’t see the problems that other municipalities are having, probably because our banks did a better job of lending in the first place,” he added. “Wells Township hasn’t levied any taxes since 1987; we’ve been limping along with state shared revenue and managing prudently.”

In terms of how Michigan’s economy is affecting the township, according to Farley, “almost everything” is being impacted to some extent, specifically recreation and roads. “If we don’t maintain the roads, we’ll have big problems,” he added.

Although there is no growth occurring in Wells Township, the township is “trying to hold onto what we have,” Farley said. He believes that if his township could tap on the potential of 4,200 feet of Little Bay de Noc, it could jumpstart the tourism industry in his area. In addition, Farley says that the possible expansion of forestry could stimulate some economic development as well. Currently, Wells Township offers tax abatements to the area’s largest paper mill that employs approximately 1,200.

**BARAGA TOWNSHIP (BARAGA CO.)**

*Population: 3,542*

For Donald Takala, Baraga Township (Baraga Co.) supervisor, the lack of work for skilled labor in his area is creating a lot of excess capacity.

“Unemployment benefits, government jobs and the casino are basically keeping us going right now,” he explained, noting that the township really hasn’t felt the full impact of the economy since many residents are still receiving unemployment benefits. A Level 5 prison in the area also provides needed jobs.

Since the township is small and provides limited services to residents, according to Takala, the board has not had to cut anything—yet. “In the short-term, the economy is having little effect, especially since we have adequate cash reserves,” he said. “But there isn’t much work here, and that will have a ripple effect on everything else.”

While Takala explained that the area’s economy has been based on metal fabrication for many years, he isn’t certain what the future holds. “We have programs at the county and regional levels to pick up government contracts, specifically as sub shops for metal fabrication, but our location is too far away for most markets,” he said. “Tourism really isn’t enough to employ everybody in our area, and agriculture isn’t reliable since we don’t always have a good growing season up here. Timber production is slow, in general, because of the economy.”
Around the state: Northern Michigan

BOYNE VALLEY TOWNSHIP (CHARLEVOIX CO.)
POPULATION: 1,215

“People have lost jobs, lost their homes, and there is no income for them to get loans,” said Leonard Zakrzewski, Boyne Valley Township (Charlevoix Co.) supervisor, when asked about barriers to economic development in his area. “Everything is coming to a halt.”

Although tourism continues to have value for the township, it has been a tough year for this resort community. “Our rate of home foreclosure was increasing for quite awhile; now it appears to have slacked off somewhat,” Zakrzewski noted. “Last year, our township taxable value decreased, and we look for it to decrease again next year because of lower state equalized values and a lower Consumer Price Index.”

A key strength that continues to benefit Boyne Valley Township and surrounding communities is “great mutual cooperation,” according to Zakrzewski.

“We have a fire and ambulance service that is a very well-thought-out system,” he said. “We’ve also been working on a land use plan and program with other municipalities. When we do zoning, we make sure that we’re not conflicting with other units of government. We avoid land use conflicts by working cooperatively.”

EAST BAY CHARTER TOWNSHIP (GRAND TRAVERSE CO.)
POPULATION: 9,919

Despite a great deal of uncertainty, East Bay Charter Township (Grand Traverse Co.) is doing whatever it can to promote economic development, according to Clerk Susanne Courtade.

“We’ve worked hard on our Web site to let people know how beautiful our township is, pointing out the vast array of opportunities that are available,” Courtade explained. “We are a diverse area, with lakes and recreation. We are rural, yet close to town, and our school district is first rate.”

Although Courtade noted that East Bay Charter Township has experienced an increase in the rate of home foreclosures, she’d like to believe that the situation is leveling off. Over the last several years, the township has reviewed all parcels and properties to provide more accurate assessments. As a result, the township’s taxable value has increased.

Nevertheless, Courtade looks for township revenues to decrease overall during the next year. “We’ve done a lot of cutting in anticipation of this economic downturn,” she said. “Our township is working to be fiscally sound while trying to maintain services. We’re trying not to make it tough for residents, many of whom are facing their own hardships.”

governmental entities on economic development. Half of the townships with over 10,000 population have developed special zoning districts to attract or retain businesses.

Smaller townships with under 1,500 population generally avoid all of these economic development strategies; only infrastructure improvements to attract business (7 percent) scored more than 2 percent of the small townships engaging in an economic development activity. In fact, the only economic development activity that both large and small townships tend to engage in to the same extent is promoting tourism, with approximately 20 percent of both groups reporting such activity.

Which sectors of the economy are the larger townships choosing to pursue? Interestingly, those formerly highly coveted manufacturing jobs are the focus of only 38 percent of the larger townships, while retail and small businesses are the focus of slightly more than half of the townships over 10,000 population. Only 10 percent focus on finance, arts and culture, and life sciences, perhaps conceding those sectors to the more densely populated urban centers. Technology and telecommunications jobs are desired by one in three larger townships. Education is a focus for 28 percent of the larger townships, and 25 percent covet warehousing and distribution. Approximately 20 percent of the larger townships report a focus on health care and energy-related jobs. Efforts to attract the film industry are a focus of slightly over 10 percent of the larger townships.

At the other end of the population spectrum, 27 percent of rural townships under 5,000 population are focusing on developing forestry and agriculture, in contrast to only 8 percent of the townships over 10,000 population and 15 percent of the townships between 5,000 and 10,000 population devoting attention to these traditionally rural economic sectors.

With many state and federal agencies and public policy experts, including MTA, encourage local governments to engage in regionally focused land use planning, what is the attitude of township officials toward collaboration in a subject that traditionally has been a strong focus of local control? Not surprisingly, close to 37 percent of the officials from townships over 10,000 population think that there is not enough local government involvement in regional land use planning, while about a quarter of the officials from smaller townships concur with that assessment.

Less than 3 percent of township officials—regardless of the size of their townships—think their townships are too involved in regional land use planning. Of the townships under 1,500 population, 34 percent thought the amount of regional land use planning involvement is “just right,” 40 percent of the officials from townships with populations ranging from 1,500 to 5,000 thought that the right amount of regional land use planning was practiced, and that assessment was shared by 44 percent of the townships between 5,000 and 10,000 population. On
the other hand, a much larger percentage of officials from the smallest townships (42 percent) expressed uncertainty in their assessment compared to only 25 percent of the officials from the largest townships that were unsure in their perceptions of their townships’ involvement in regional land use planning.

Conversely, city officials, to a much greater extent (49 percent), think that their municipality is not involved enough in regional land use planning efforts. These numbers do not explain if city officials are more open to regional land use planning, or if larger entities tend to experience more inter-jurisdictional conflicts. That officials from larger townships tend to view regional land use planning more like their city counterparts would suggest that, regardless of the form of government, larger entities likely engage in more land use decisions that negatively impact their neighbors than is the case in less populated units of government where conflicts arise occasionally involving properties near common borders.

**EMULATING THE TOWNSHIP MODEL**

Disparities among various units of governments highlight the need for state agencies and policymakers to take the time to see the unique circumstances facing Michigan communities. “One-size-fits-all” policies and practices—always troublesome to local governments—are even more likely to cause unintended consequences in the current turbulent economic environment. Townships that are fortunate to remain economically strong should be given the tools to remain strong, rather than the state looking for ways to poach on their good fortune or their foresight.

Townships at Ground Zero of the faltering Michigan economy are doing what they are supposed to do—readjusting spending, judiciously using reserves and trimming payrolls, while still investing in the economic assets that Michigan needs to attract 21st-century jobs.

All are strategies that the state government might consider emulating.

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**Larry Merrill, MTA Executive Director**

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The Michigan Public Policy Survey (MPPS) is conducted by the Center for Local, State, and Urban Policy (CLOSUP) at the University of Michigan in partnership with MTA and other local government organizations. The MPPS takes place twice each year and investigates local officials’ opinions and perspectives on a variety of important public policy issues. To download a PDF of the latest survey, or for more information, visit [http://closup.umich.edu/](http://closup.umich.edu/). Questions or comments? E-mail closup-mpps@umich.edu or call (734) 647-4091.