

The Michigan Public Policy Survey

October 2009



Local Government Fiscal & Economic Development Issues

This report summarizes findings from the Spring 2009 Michigan Public Policy Survey on local government fiscal and economic development issues, including regional cooperation, placemaking, and the American Recovery and Reinvestment Act (the federal stimulus package). Respondents for the Spring 2009 MPPS include county administrators and board chairs, city mayors and managers, village presidents and managers, and township supervisors, clerks, and managers from 1,204 jurisdictions across the state.

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 the **Michigan Association of Counties, Michigan Municipal League, and Michigan Townships Association**. The MPPS takes place twice each year and investigates local officials' opinions and perspectives on a variety of important public policy issues. *For more information, please contact: closup-mpps@umich.edu / (734) 647-4091*

Key Findings

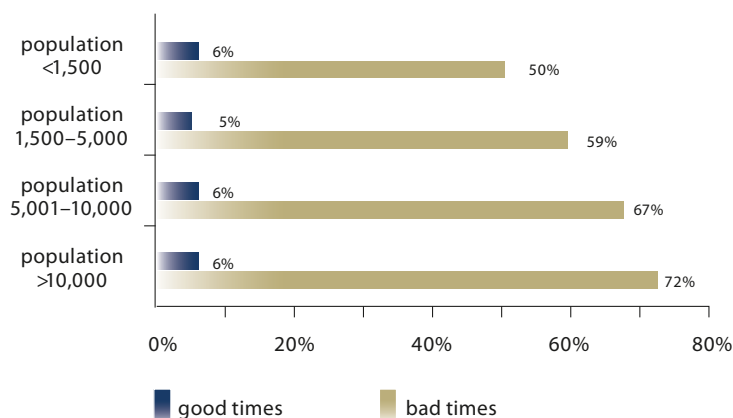
- **Over half of all townships and villages and two-thirds of counties and cities predict bad times financially in the year ahead.** Michigan's local governments are facing widespread fiscal distress with many—particularly counties and municipalities—predicting decreases in service provision and funding for economic development and infrastructure, as well as cuts to local government workforce in the coming year.
- **Capital/funding is the most frequently cited barrier to local economic development efforts.** Other common barriers include distance to major markets and the absence of major employers.
- **Some of the most widely reported assets for economic development include K–12 education systems and recreational facilities.**
- **Among the top local economic development strategies are the use of tax abatements, economic development agencies, and partnerships with other local governments.** Meanwhile, although special initiatives at the state-level have focused on the film industry, life sciences, and energy, the MPPS finds relatively few local

governments identify these sectors as a focus of their efforts. Finally, “Placemaking” as a new economic development strategy appears to be taking hold in a wide variety of communities across the state.

- **Many local officials say they would value external assistance in financing, information about grants, and assistance with grant writing to help their jurisdictions improve economic development capabilities.**
- **Regional land use planning is widespread today, and there is broad support for even higher levels of activity in the future.** Almost no local officials think their governments are doing too much of this now.
- **Only one in six Michigan local officials surveyed think the Federal Stimulus Package will help improve economic conditions in their communities.**

Figure 1

Percentage of local officials predicting good times vs. bad times for their community's financial future over next 12 months



Economic Conditions

It is no surprise that in these challenging economic times, Michigan's local government officials are concerned about their communities' fiscal health. Nearly three-quarters (72%) of officials in our largest jurisdictions and half (50%) in the smallest communities predict particularly bad times financially for their communities during the next twelve months. See Figure 1.

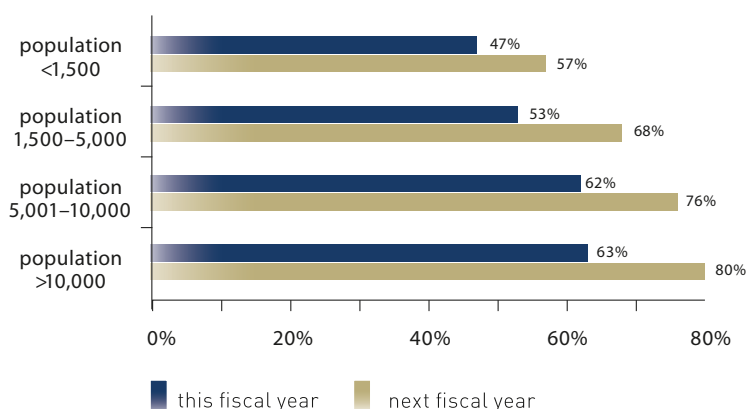
Officials across the state report they are less able to meet their jurisdiction's financial needs this fiscal year compared with last year. Furthermore, when looking toward the future, they expect to encounter even greater difficulty next year compared with this year. The larger the jurisdiction, the more likely it is to predict both current and future financial difficulties. Forty seven percent of jurisdictions with populations under 1,500 report that they are somewhat or significantly less able to meet their financial needs in the current year compared to last year, and 57% expect even greater difficulty in meeting financial needs next year. These numbers rise with population size of the community. Among jurisdictions with over 10,000 residents nearly two-thirds (63%) report reduced ability to meet financial needs this year and eight in ten (80%) foresee even further constraints for the next fiscal year. See Figure 2.

Only 11% of county officials and fewer than one in ten city (7%), village (8%), and township (9%) officials predict that their jurisdiction will be somewhat or significantly better able to meet their financial needs next fiscal year compared with the current fiscal year.

Note that differences between communities of various population sizes may be attributable to differences in jurisdiction scope, responsibilities, and resources.

Figure 2

Percentage of jurisdictions less able to meet their financial needs this fiscal year and next fiscal year





Fiscal Issues

Jurisdictions in Michigan have seen costs increase and revenues decrease over the past fiscal year. Costs for wages and benefits have increased for a majority of counties and municipalities. See Table 1.

Meanwhile, both state and federal aid as well as various sources of local revenue—including local income taxes, property taxes, and fees—have declined.

Counties and municipalities appear to be particularly hard hit by increasing costs of health benefits, consistent with reports from municipalities across the country.¹

Many Michigan jurisdictions across the state expect to decrease the services they provide, decrease economic development and infrastructure spending, and decrease government workforce levels in the next year. See Table 2.

Michigan counties and municipalities are generally more likely than townships to report changes to policies including hiring, expenditures, and plans to increase interlocal agreements or other cost sharing plans with other governments.

Note that differences between counties, cities, villages, and townships may be attributable to general differences in jurisdiction scope, responsibilities, and resources.

¹ “City Fiscal Conditions in 2008.” Christopher Hoene and Michael Pagano, National League of Cities. www.nlc.org.

Table 1

Percentage of jurisdictions experiencing decrease or increase in fiscal categories compared with previous fiscal year

	Counties	Cities	Villages	Townships
Decrease in revenue from property taxes	51%	64%	51%	45%
Decrease in revenue from fees	71%	65%	43%	56%
Decrease in state aid	86%	80%	78%	69%
Increase in employee wages and salaries	64%	65%	49%	25%
Increase in cost of current employee health benefits	74%	81%	78%	38%
Increase in infrastructure needs	72%	82%	70%	45%
Increase in human service needs	87%	67%	44%	40%

Table 2

Percentage of jurisdictions anticipating fiscal and operational changes during next fiscal year

	Counties	Cities	Villages	Townships
Decrease in amount of services provided	47%	41%	33%	17%
Decrease in work-force hiring	61%	51%	13%	11%
Decrease in actual infrastructure spending	39%	41%	36%	27%
Decrease in funding for economic development programs	38%	30%	23%	11%
Increase in privatizing or contracting out of services	21%	33%	20%	11%
Increase in number of interlocal agreements	55%	50%	38%	28%

Innovative approaches toward balancing the budget:

Voices from across Michigan

“I met with all city employees in groups of 6 or 7 to talk about ways to save money. It was extremely productive. We reorganized and changed operations. The employees had some very good ideas.” “Furlough days.” “We are attempting to expand the tax base by providing utility service in areas adjacent to recent commercial development/investment.” “We just approved: to change our township from two precincts to one precinct—to help save on the cost of running elections.” “Moved to high deductible health care with a Health Savings Account. Have sheep eat the grass rather than paying seasonal laborers to mow. Looking at moving to 4-day work week.”

Table 3

Percentage of jurisdictions reporting assets for their economic development efforts

	Coun- ties	Cities/ Villages	Town- ships
Assets			
K–12 education system	68%	75%	57%
Vocational & higher education system	65%	53%	41%
Recreational facilities	76%	67%	49%
Cost of housing	64%	60%	33%
Availability of land	53%	35%	49%
Cost of labor	53%	46%	27%
Availability of appropriate workforce	50%	54%	34%

Economic Development Assets and Barriers

When asked to categorize community resources as barriers or assets to economic development, the local K–12 education system was one of the most frequently mentioned assets, regardless of jurisdiction type. See Table 3.

County and municipal officials also identified recreational facilities and cost of housing as particular assets.

Factors commonly classified as barriers to economic development include lack of capital/funding, long distances to major markets, absence of major employers, and, according to county officials, environmental regulations. See Table 4.

Table 4

Percentage of jurisdictions reporting barriers to their economic development efforts

	Coun- ties	Cities/ Villages	Town- ships
Barriers			
Lack of capital/funding	70%	68%	54%
Distance to major markets	64%	40%	51%
Information technology infrastructure	53%	29%	42%
Traditional infrastructure	33%	34%	52%
Absence of major employers	45%	48%	59%
Environmental regulations	54%	39%	41%

Voices from across Michigan

Innovative approaches toward economic development:

“Expanding economic development activities to a community development model tying specific committees to the structure of the Chamber of Commerce.” “We opened a technology incubator in a vacant retail space in our downtown that has created 13 new businesses and 30 new jobs.” “County wide branding and collaboration.” “We have a clear planning and permitting process which moves the project thru administration smoothly. We usually end up waiting for other agencies.” “Citizen volunteer involvement.”



Most Important Problems Facing Community

What would you say are the three most important problems facing your community today? (open-ended question)

	% jurisdictions mentioning
The need for infrastructure improvement (particularly roads)	65%
Declining local revenues	57%
Lack or loss of jobs	27%

Other top important problems officials mentioned include:

- Zoning issues
- Declining property values and foreclosures
- Lack of revenue sharing from the state
- Lack of funds for Police/Fire/EMS
- The economy overall

Development Strategies

Overall, Michigan counties, likely due to their size and scope, are more likely than other local jurisdictions to be implementing a variety of economic development strategies, such as the use of Economic Development Agencies and tourism promotion. Meanwhile, city officials report that they take particular advantage of tax abatements (75%) and partnering with other local governments and organizations (59% and 53%, respectively). See Figure 3.

Tax abatements appear to be widely favored across jurisdictions, with city, village, and township officials reporting it as one of their most frequently used economic development strategies.

Figure 3

Percentage of jurisdictions utilizing various economic development strategies

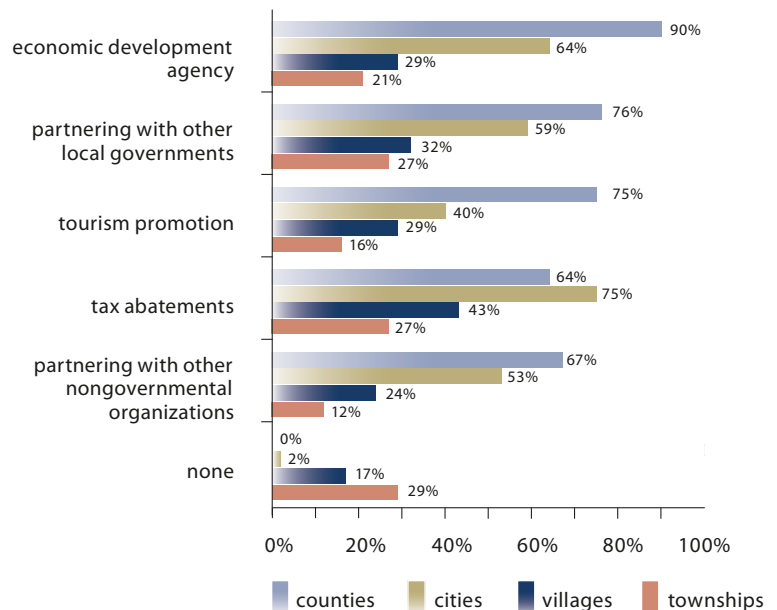
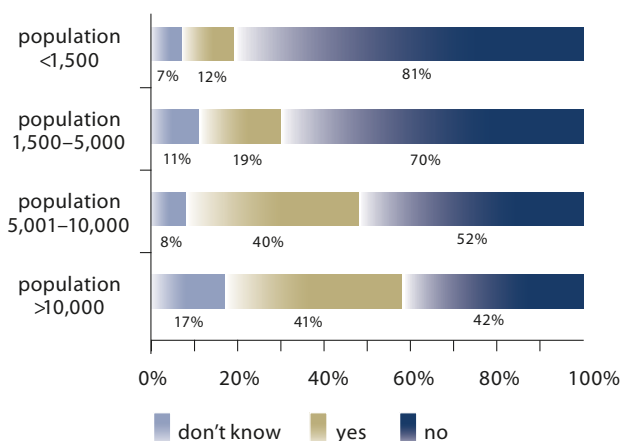


Figure 4

Percentage of jurisdictions currently engaged in placemaking programs or projects



Placemaking for Economic Development

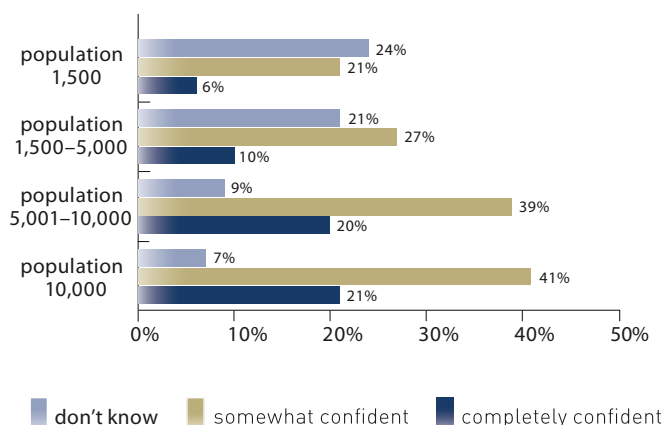
“Placemaking” is a new type of economic development strategy that has been described as capitalizing on a local community’s assets in order to create appealing public spaces for economic development purposes. Proponents of placemaking argue that by improving a community’s quality of life, new workers will be drawn to move there and that new businesses then follow the workers. Like many local policies explored in the MPPS, differences in the use of placemaking by jurisdiction type may be due to unique differences in local government roles and responsibilities.

According to local officials, larger Michigan jurisdictions are the most frequent adopters of “placemaking” as an economic development strategy. Four in ten communities with over 5,000 residents report being currently engaged in placemaking projects or programs. By contrast, officials in smaller jurisdictions rarely indicate that their governments currently engage in placemaking efforts. See Figure 4.

About one in four (27%) of those from the smallest units (under 1,500 population size) said they were completely or somewhat confident that placemaking was effective, whereas more than double that (62%) from the units with the largest populations (over 10,000) expressed confidence in placemaking strategies. See Figure 5.

Figure 5

Percentage of local officials reporting confidence in placemaking as an economic development strategy





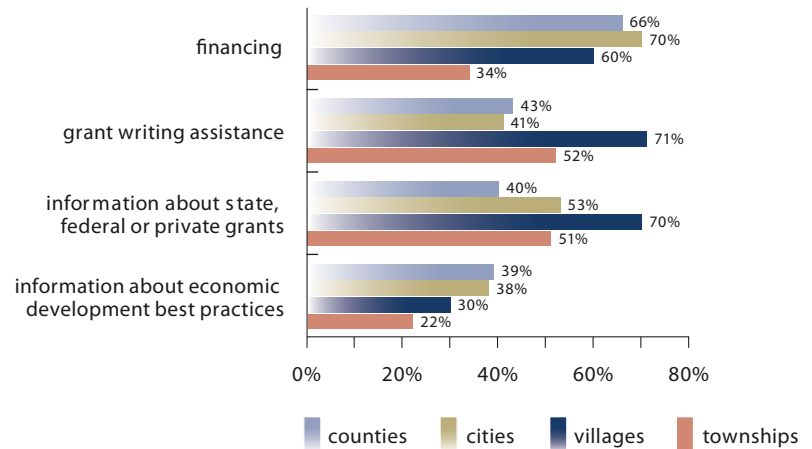
Assistance Needed with Economic Development

When asked about the most valuable types of assistance jurisdictions could use in their economic development efforts, the top category cited by county and city officials was the need for additional financing (66% and 70%, respectively). The top category cited by village and township officials was the need for grant writing assistance (71% and 52%, respectively). See Figure 6.

Other categories cited by large percentages of jurisdictions included information about state, federal, or private grants, and information about best practices in economic development.

Figure 6

Percentage of jurisdictions reporting various types of economic development assistance needed



Sectors Targeted for Economic Development

A wide variety of sectors are targets of local economic development strategies, particularly in traditional sectors such as small business, manufacturing, retail, and tourism. See Figure 7.

Whereas state-level economic development strategies have included special initiatives focused on the film industry, life sciences, and energy, the MPPS finds relatively few local governments identify these sectors as a focus of their efforts.

Smaller jurisdictions (population less than 1,500) are four times more likely than larger jurisdictions (population greater than 10,000) to report that there are no particular sectors they target for economic development (29% vs. 7%).

Figure 7

Percentage of jurisdictions targeting various sectors for economic development efforts

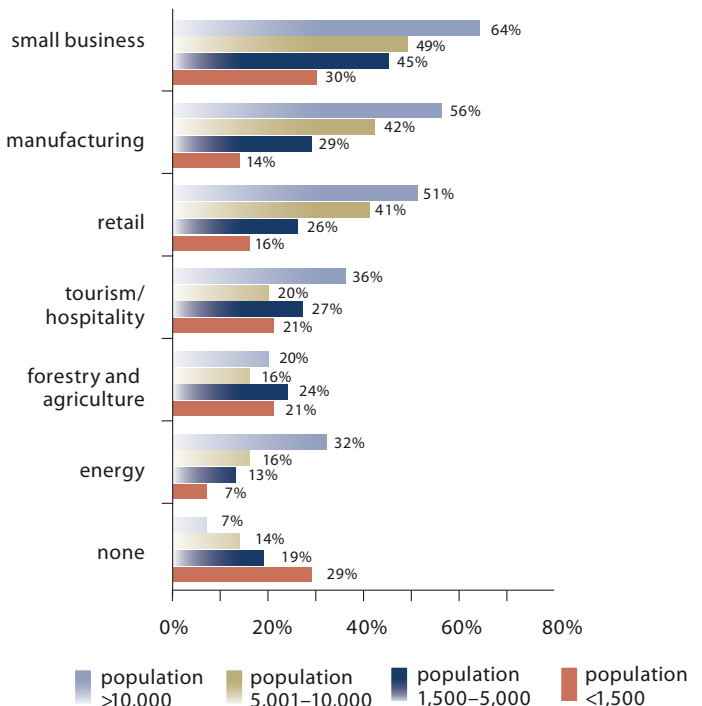
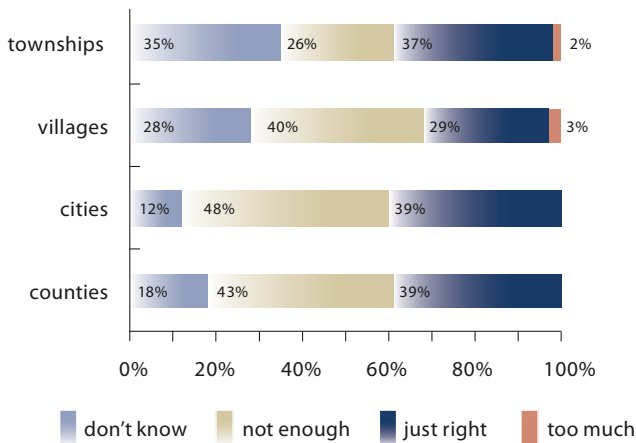


Figure 8
Percentage of local officials reporting various assessments of regional land use planning efforts



Regional Cooperation

The MPPS asked about participation in a variety of intergovernmental or regional cooperation efforts that involved two or more units of government. Nearly eight in ten counties (79%) report being involved in regional land use planning efforts, as do 67% of cities, 63% of townships, and 55% of villages.

When asked to assess their jurisdiction's level of involvement in these regional land use planning efforts, city officials were the mostly likely to report their involvement as "not enough" (48%) and with relative certainty (only 12% of city officials reporting they "don't know"), compared with townships, where about half as many (26%) think their current regional land use planning participation is "not enough" and three in ten (35%) are not sure. See Figure 8.

Voices from across Michigan

Barriers to regional land use planning:

Our citizenry has been steadfast in their belief that we should not do any land use planning or zoning." "Everyone has a different idea on what regional land use planning means to them." "egos + own agendas." "Lack of population." "Concern over maintaining balance between zoning districts and retaining existing natural features." "Inability to get beyond bad politics of years past."



Federal Stimulus Package

Approximately two-thirds of county officials (65%) and city officials (69%) say they felt either somewhat informed or completely informed about the opportunities available to their jurisdiction through the American Recovery and Reinvestment Act. See Figure 9.

Meanwhile, about three times as many township (24%) and village (19%) officials reported feeling not at all informed about Stimulus Package opportunities compared with their counterparts in cities and counties.

Fewer than one in six local Michigan officials (14%) surveyed believe the Stimulus Package will help improve economic conditions in their community. See Figure 10.

Figure 9

Percentage of local officials reporting various levels of information on stimulus package funding opportunities

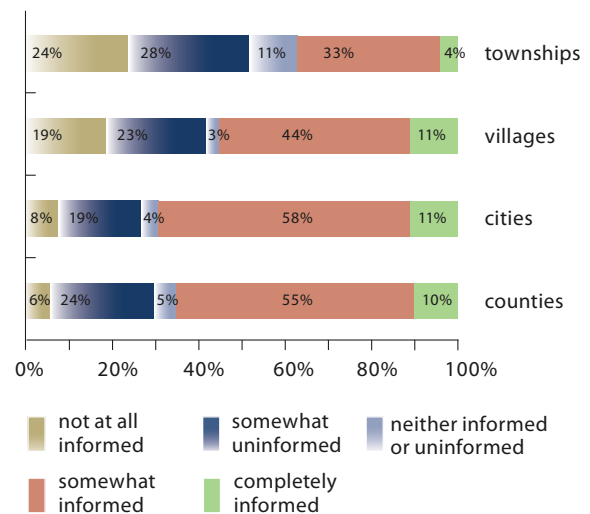
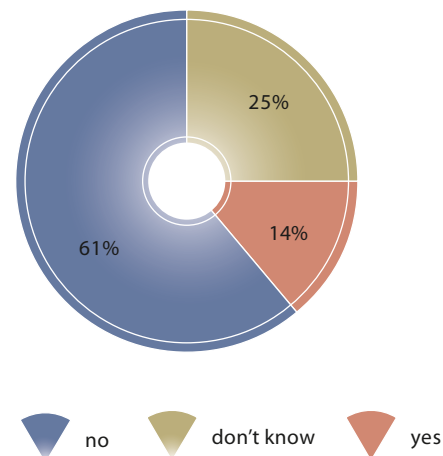


Figure 10

Percentage of local officials who believe stimulus package will have a positive impact on their community's economic conditions



Voices from across Michigan

Why do you think the stimulus will help?

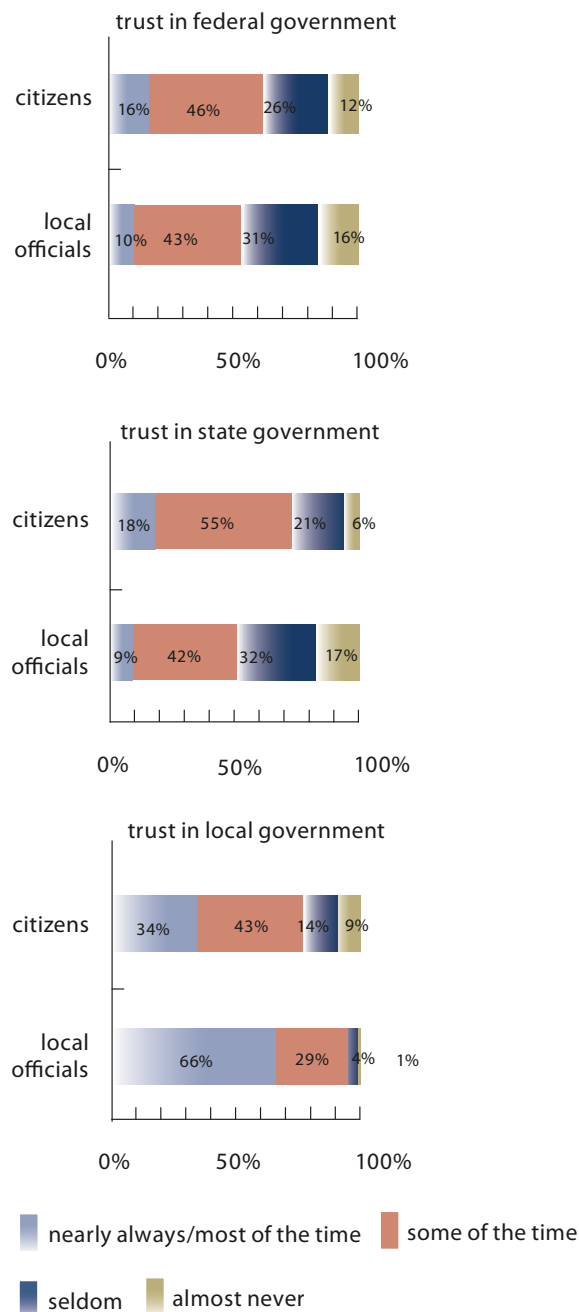
"I feel that any area close to our county that receives stimulus dollars will help our county through the trickle down effect." "If money is used to help with the cost of our fire department it would free up money for road construction."

Why do you think it will not?

"Our community's economic conditions depend a lot on outside sources so until things get better for the whole economy, ours won't see much improvement." "With the size of [our township], we did not have a lot of projects already on the back burner ready to just pull out for funding." "This is just a band-aid and a small one at that."

Figure 11

Percentage of local officials and citizens reporting trust in various levels of government



Trust in Government

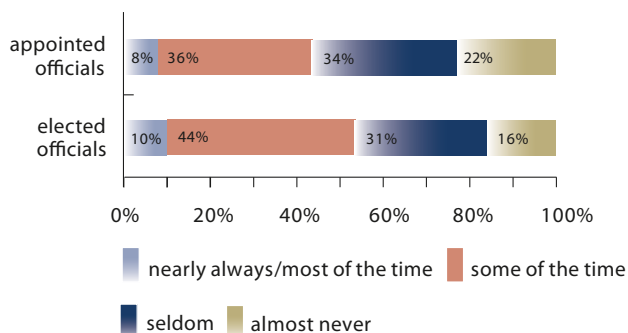
Compared to Michigan's citizens (using data from Michigan State University's State of the State Survey²) Michigan's local government leaders have somewhat less trust in the federal government in Washington D.C. and significantly less trust in the state government in Lansing to "do the right thing." On the other hand, Michigan's local government leaders have significantly greater levels of trust in other local governments than do Michigan's citizens. See Figure 11.

Those officials saying they can "seldom" or "almost never" trust the government in Lansing include 71% of county officials, 53% of city officials, 54% of village officials, and 46% of township officials.

Elected officials (54%) are more likely to express trust in state government than are appointed officials (44%). See Figure 12.

Figure 12

Percentage of elected and appointed officials reporting trust in state government



2 Institute for Public Policy and Social Research. 2008. State of the State Survey-47 (winter). Michigan State University. East Lansing, Mich. Available at www.ippsr.msu.edu/SOSS.



Public Participation

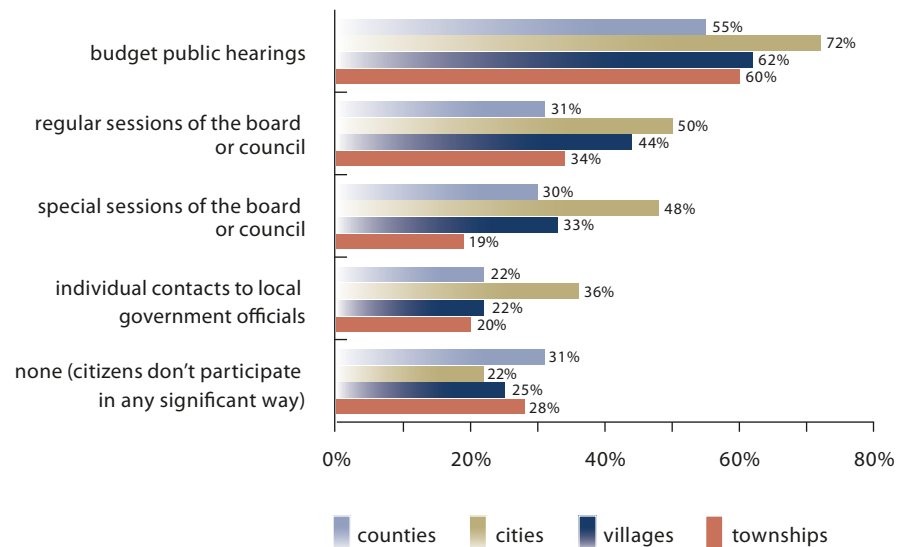
One of the ways in which citizens can influence local governments' fiscal management is through participation in the budget setting process. When asked about this, over half of Michigan local jurisdictions reported there was significant public participation in budget public hearings. See Figure 13.

Around half of all city officials report significant public participation in regular (50%) and special (48%) sessions of their city council.

About one in four jurisdictions across the state report no significant citizen participation in their budget setting process.

Figure 13

Percentage of jurisdictions reporting significant public participation in local budgeting process



Survey Background and Methodology

The MPPS is a biannual survey of each of Michigan's 1858 local units of government. Surveys were administered via internet and hardcopy to top elected and appointed officials in all 83 counties, 274 cities, 259 villages, and 1242 townships. A total of 1,204 jurisdictions returned valid surveys, resulting in a 65% response rate by unit (63% of counties, 72% of cities, 38% of villages, and 68% of townships). Reports on individual jurisdictions and issue areas are forthcoming. Missing and "don't know" responses are not included in the tabulations, unless otherwise specified. Data are weighted to account for non-response.

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The Center for Local, State, and Urban Policy (CLOSUP), housed at the University of Michigan's Gerald R. Ford School of Public Policy, conducts and supports applied policy research designed to inform state, local, and urban policy issues. Through integrated research, teaching, and outreach involving academic researchers, students, policymakers and practitioners, CLOSUP seeks to foster understanding of today's state and local policy problems, and to find effective solutions to those problems.

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