

Forced Consolidation: No Solution to State Problems



As Michigan state and local governments continue to struggle with the revenue implications of industrial globalization, net out-migration of the state's population, and intrastate shifting of tax base from older, urban areas to suburban and exurban communities, some policymakers and interest groups have suggested consolidation of local governments as a strategy to reduce the overall cost of government.

Specifically, the pundits are hoping consolidation will reduce the fiscal need for intergovernmental transfers from the state to local governments. Local government consolidation has also been suggested as a strategy to facilitate regional land use decisions, and to allow declining urban areas to "capture" tax bases and populations of surrounding communities.

The Michigan Townships Association welcomes the opportunity to discuss state and local partnerships for economic development, particularly the role of local governments collaborating to strengthen regional assets for economic growth. Certainly the issue of boundary adjustment is a component of any analysis as to whether Michigan's local governments are appropriately structured to promote economic development, operate efficiently and effectively, and to further important principles of government accountability and responsiveness to issues that are essentially local in character.

However, any discussion on potential legislative action that would *involuntarily* abolish or force consolidation of existing units of gov-

ernments—particularly townships—raises serious constitutional and public policy issues. In particular, the general assumption that combining smaller units of governments into larger entities will produce savings in the costs of government services is flawed.

MTA is further troubled that public statements regarding consolidation of local entities too frequently singles out townships. MTA believes that townships tend to be the subject of restructuring local governments because townships do not exist in all states; townships outnumber other entities; and township officials are required to address controversial land use issues that invariably result in some parties disagreeing with outcomes.

Nonetheless, the goal of reducing the number of local governments—if such a goal is truly worthy of serious consideration—should also address *all* types of local governments, particularly those communities facing chronic fiscal problems resulting from their small geographic size and declining tax bases, which are very common in southeast Michigan.

NOT THE CAUSE OF THE STATE'S FISCAL CRISIS

Local governments—and townships in particular—did not cause Michigan state government's structural deficit. From a revenue standpoint, the budget deficit results from the erosion of Michigan's industrial tax base, due in great part to the flight of industrial capital overseas and to other states offering lower labor costs.

It is also due to deliberate reductions in the diversity of the state

tax base—particularly elimination of the Single Business Tax—and a series of reductions in tax rates. The current state budget revenue stream will not support projected increases in major portions of the state budget, including Medicaid, corrections, and health care costs of state and school district employees.

In fact, local governments have subsidized the state budget deficit over the past five years through the diversion of more than \$2 billion in local government revenue sharing to support other state programs. Townships, based on a percentage of the amount of statutory revenue sharing to which they are entitled, have absorbed a disproportionate share of this diversion.

It is MTA's fundamental position that the State of Michigan can facilitate local dialogues on the wisdom of community consolidation or reorganization, including offering financial incentives to underwrite the costs of professional, objective studies that will help local residents decide if consolidation, mergers—or abolishment—is appropriate. The impacts, both negative and positive, of consolidations are very local in nature, and should be decided only by those who will bear the consequences—the citizens of the communities involved.

To a greater degree than is found in other entities, township residents have a strong sense of ownership of their local government.

However, such actions—if imposed by the state against the wishes of local citizens—are of questionable constitutional authority and are inconsistent with Michigan values of local control and home rule, and will be met with fierce political and legal opposition.

'TOO MUCH' LOCAL GOVERNMENT?

According to U.S. Census figures, Michigan has 2,805 local units of government. This includes 1,242 townships, 533 cities and villages, 366 special districts, and 739 school districts, 159 of which are charter schools. In terms of the number of local governments per capita, Michigan ranks 32nd among the 50 states, ranking lower than the states often held as models of local government structure: Washington and Oregon. (See sidebar on page 18.)

In states that do not have the township form of government, a plethora of special districts emerge to provide fire protection, utilities, libraries and other local government services. Consequently, the abolishment of townships would likely result in a proliferation of such special districts that are generally unelected, unaccountable and do not provide the fiscal oversight currently performed by townships.

A HOST OF CONSTITUTIONAL ISSUES

While townships are “creatures of the state,” they are created pur-



There remains throughout Michigan a strong commitment to the principle of grassroots, citizen-led government.

suant to the Michigan Constitution, not by statute. Consequently, their abolishment as a form of government would require numerous amendments to the Michigan Constitution, adopted by the voters at a statewide general election.

Further, the electors of townships are statutory public corporations. The electors—not the State of Michigan—own the assets and liabilities of these public corporations. Consequently, the dissolution of these legal entities in any form, including consolidation with other entities, requires the consent of the “owners”—the electors.

NO WAY TO RESOLVE FISCAL PROBLEMS

In relation to the magnitude of the state's structural deficit, the amount of state money transferred to townships is extraordinarily small. Townships have seen their statutory revenue sharing reduced from \$90 million to \$20 million. They also receive approximately \$7.5 million in payments in lieu of taxes for providing services to state-owned land. Assuming that all state aid to townships was eliminated, the savings to the state would not even begin to resolve the state budget crisis.

In addition, whatever entities absorbed the governmental obligations previously performed by townships would expect to receive the state assistance formerly received by townships. ▶

