



Government Consolidation:
A Historically Unpopular
Solution to Local Fiscal Strain

Government and Service Consolidation in Michigan

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- Statewide
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- Promotes sound policy for state and local governments through factual research – accurate, independent and objective
- Relies on charitable contributions from Michigan foundations, businesses, and individuals
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Local Governments in Michigan

Why is government consolidation discussed –
does Michigan have too many local governments?

Michigan Local Government

- General Purpose: Authorized to provide a broad range of government services
 - Counties
 - Cities
 - Villages
 - Townships
- Special Purpose: Authorized to provide a single government service
 - School districts (K-12, ISD, community colleges)
 - Special districts and authorities

General Purpose Local Governments

Counties	83
Cities	276
Townships	1,240
Villages	257
Total	1,856



Total Local Governments in Select States

	Total Governments (less schools)	State Population	Govt Per Capita
North Dakota	2,485	762,062	326.1
South Dakota	1,766	884,659	199.6
Wyoming	739	578,759	127.7
Kansas	3,486	2,913,000	119.7
Nebraska	2,269	1,934,000	117.3
Kentucky	1,149	4,468,000	25.7
Alaska	179	731,545	24.5
<i>Michigan</i>	<i>2,292</i>	<i>9,987,000</i>	<i>22.9</i>
Alabama	1,058	4,903,000	21.6
Washington	1,605	7,615,000	21.1
Virginia	516	8,536,000	6.0
Arizona	416	7,279,000	5.7
Maryland	344	6,046,000	5.7
Nevada	172	3,080,000	5.6
Hawaii	21	1,416,000	1.5
Avg of all states	1,546	6,550,736	23.6

Source: U.S. Census of Government, 2017 data

Why do we Have So Many Local Governments?

- State and local government systems designed in the 1800s
- Artifact of horse and buggy days
- Technological advances have made communication and transportation much easier
- Very few consolidations of units of local government
- Question of efficiency, especially in times of limited resources
- Local control: Voters like to maintain their local government

Duplicative Services

	State	County	Cities	Villages	Townships	Special Districts	Schools
Parks and Recreation	X	X	X	X	X	X	X
Libraries	X	X	X	X	X	X	X
Roads/ Bridges	X	X	X	X	X*		
Water		X	X	X	X	X	
Sewerage	*	X	X	X	X	X	
Police	X	X	X	X	X		
Mass Transit	*	X	X		*	X	
Refuse Collection		X	X	X	X	X	
Fire Protection			X	X	X	X	
Corrections	X	X	X				

* Unit has some funding authority or responsibility for service

Duplicative Functions

- Accounting
- Tax collection
- Elections
- Property assessing
- Computers
- Vehicle maintenance
- Purchasing
- Building inspection
- Records and archives
- Human resources
- Legal service
- Zoning and planning
- Permits



Overlapping Government as Reflected in Long Ballot

- Michigan elects representatives to govern all those local units: City/township officials, county officials, village officers, school board members (local, intermediate school district, and community college district)
- Courts corresponding with county or city boundaries: Circuit, probate, district
- Districts that change every Census: State and federal representatives
- Officials elected in statewide elections: State and federal officers and justices
- Recent [blog](#) and [podcast](#) on Michigan's long ballot



Additive Effect of Tax Rates

- Cities – 1 to 20 mills
- Townships – 1 to 10 mills
- Villages – 1 to 20 mills
- Counties – 4 to 10 mills
- Schools – 6 mills (plus 18 mills for businesses)
- Intermediate School Districts – 2 to 3 mills
- Community College Districts – 2 to 3 mills



Why is Consolidation an Option?

- The State of Michigan is the architect of the local finance system
 - Structure is flawed and makes financial management of local governments difficult
- Local governments still struggling with property tax revenues years after Great Recession ended
 - Local governments in Michigan have limited revenue options
 - Report: [Diversifying Local-Source Revenue Options in Michigan](#)
- Local governments have limited options
 - Raise taxes
 - Cut service levels
 - Streamline local government through government or service consolidation

Options to Streamline Local Government

- Consolidate individual units – two or more local governments reorganize as a single governmental unit
- City/county consolidation – largest city and county consolidate folding in other governments
- Intergovernmental collaboration – consolidate providers of individual services, but leave same number of governments; collaborate to achieve economies of scale

Previous Merger and Consolidation Attempts

Why Locals Pursue Consolidation

- Reduce taxes
 - Eliminate duplication
 - Achieve economies of scale
- Operational efficiency
 - Align tax base with service area
- Trade power for tax base
- Align/coordinate activities
- Increase stature



Photo credit: Getty Images, iStockphoto.jpg

Michigan History with Local Government Consolidations

Successful

- Battle Creek (1980s)
- Iron River (2000)

Unsuccessful

- Grand Blanc
- Jackson
- Onkema
- Saugatuck-Douglas
- Spring Lake

Consolidation in Other States

- Illinois: series of studies and commissions have concluded need for state-level effort to eliminate unnecessary governments – little has been done
- Kentucky: Louisville merged with Jefferson County (2000) – succeeded with pitch to voters that a larger polity will stimulate new feeling of pride and sense of local importance
- Consolidation of schools and school districts across rural America in early to mid-1900s
- Mergers generally money-saving and bureaucratic successes, but still hard sell with voters

Why is Consolidation So Unpopular?

- Creates zero-sum game in Michigan pitting townships against cities
- Not everyone wants a one-size-fits-all government and having many local units of various sizes and services abilities gives residents choices – these choices require higher taxes
- Research focus has been on consolidating services, not governments
 - Maintains local identity
 - Allows for more economies of scale and skill
 - Allows smaller locals to focus on placemaking and creating their community

Government Service Collaboration and Consolidation

Why Service Consolidation?

- Most services currently provided by local government
 - Not most efficient way to provide services
 - Not always effective: Not all local units have ability to provide range of services
- Socioeconomic and income inequalities
- Overlapping geographic boundaries, service responsibility, and taxing authority

Types of Local Government Services

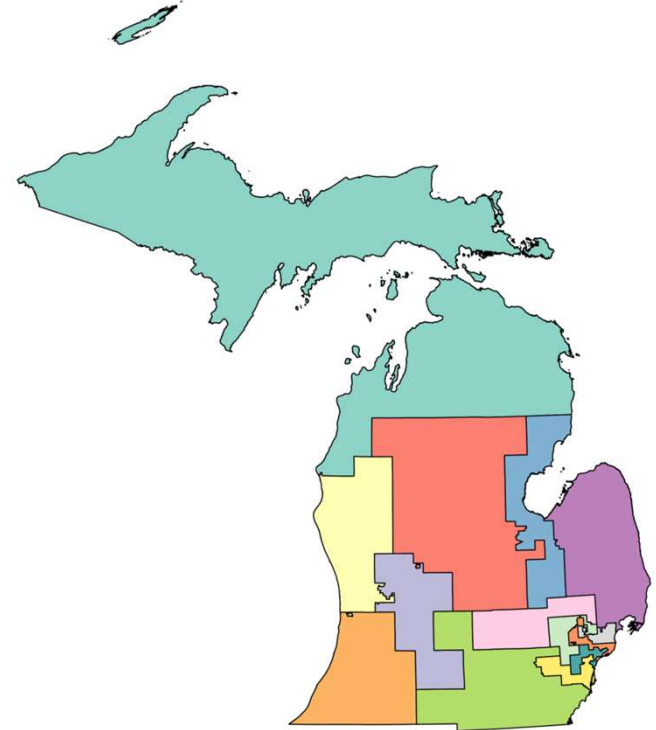
- Three types: Capital-intensive, labor-intensive, technically-intensive
- Few of Michigan's local governments are sufficient in population or geographic area to adequately capture economies of scale inherent in capital intensive services or economies of skill inherent in technically intensive services
- Our research has documented the levels of cooperation in these different types of services across the state and opportunities for greater collaboration

Types of Service Consolidation

- Vertical collaboration: Local government gets service from the state or county (technically intensive services)
 - Oakland County is a leader in this area
- Horizontal collaboration: Local governments cooperate to provide service to residents of two or more communities (capital intensive services)
- Different types of services are better suited to different types of collaboration
- If government consolidation is not palatable, governments should look to service consolidation

Regional Government

- We are a strong proponent of regional government and service provision:
 - Consolidating small governments is difficult, but collaborating to provide services cooperatively is less difficult and can provide same benefits
 - This starts with strengthening county government and expanding role of counties
 - Recent research efforts focus on facilitating service delivery collaboration and examining the feasibility of local government consolidation



Beyond Service Consolidation: Shift to Regional Governments

- Revenue: Raising revenue at the regional level allows for tax-base sharing and reduces competition among local units and reduces other negative externalities
- Local services: Providing services at the regional level allows for economies of scale and can improve efficiency and effectiveness of local governments
- Regional services: Some services, like public transportation, transcend local boundaries and can only be provided regionally

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