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**A BIRD'S EYE VIEW OF MICHIGAN LOCAL GOVERNMENT  
AT THE END OF THE TWENTIETH CENTURY**

**August 1999**

**REPORT NO. 326**

Governmental Research Since 1916

**A publication of the Citizens Research Council of Michigan**

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**Citizens Research Council of Michigan**

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## **A BIRD'S EYE VIEW OF MICHIGAN LOCAL GOVERNMENT AT THE END OF THE TWENTIETH CENTURY**

This paper was written for a Symposium on the Future of Local Government in Michigan, hosted by the Michigan Municipal League on June 23–25, 1999. In addition to this paper, which was meant to provide background and perspective, five other papers were published.

***Structuring Local Government Units and Relationships***, Carl W. Stenberg, Dean and Professor, Yale Gordon College of Liberal Arts, University of Baltimore.

***Financing Local Government Services***, John Petersen, Government Finance Group.

***Using the Hidden Assets of America's Communities and Regions to Ensure Sustainable Communities***, Scott Bernstein, President, Center for Neighborhood Technology.

***Using Technology to Meet Citizen Needs: Implications for Local Government***, Jerry Mechling, Director of Strategic Computing, Harvard University.

***Involving Community and Providing Leadership***, Sylvester Murray, Former City Manager, Director, Public Management Programs, College of Urban Affairs, Cleveland State University.

These papers and proceedings from the symposium can be found on the Michigan Municipal League web site at: <http://www.mml.org>

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## A BIRD'S EYE VIEW OF MICHIGAN LOCAL GOVERNMENT AT THE END OF THE TWENTIETH CENTURY

The last one hundred years have seen Michigan transformed from a rural to an urban state. Urbanization and the revolution brought about by the automobile are perhaps not yet completely understood, but they have had major impacts on virtually every facet of life.

Local government has been affected by economic and social changes as well. In many respects, however, it has been remarkably resistant to change. While many cities and three counties have adopted strong executive forms of government, most counties and townships still operate with structures designed for a rural economy. Despite the advances in communications and transportation, the geographic area of most local governments in Michigan continues to reflect the distances horses could travel in a day.

In looking at local government in Michigan from the perspective of a century's development, four aspects stand out:

- Michigan has a large number of local units. The

number of school districts has declined dramatically, but the number of special districts has risen and the number of townships has remained essentially stable.

- The structures of many local units, particularly townships and counties, reflect the nineteenth century emphasis on a diffused executive function.
- Powers once exercised exclusively by cities in dealing with urban services are now being exercised by townships as the creation of new cities through incorporation has largely come to an end and efforts at annexation and consolidation have been frustrated.
- Although the property tax remains the mainstay of finance for general-purpose local units, a shift toward state funding has become evident. Many local units, including most townships, find that more than half their revenues derive from state aid raising the question of whether such subsidization may promote the retention of uneconomic units of government.

### I. Michigan Local Government

Michigan local government is characterized by a large number of local governments with overlapping geographical boundaries and often overlapping service responsibility and taxing authority. In total, there are 2,884 local units of government in Michigan, the 14th highest number of local units among the 50 states.

**Two Categories of Local Government.** Local units of government are not sovereign entities, but are creatures of the state and derive their powers from the constitution and laws of the state. Concepts such as home rule and local control simply refer to the degree of independence granted by the state. In Michigan, as in most other states, there are two broad categories of local governments – general purpose and special purpose.

General-purpose local units of government – which include counties, cities, villages, and townships in Michigan – provide a broad range of services in a number of functional areas. The entire state is organized into counties and each citizen lives in one county. The entire state is also organized into cities or townships and each citizen lives in either a city or a township, but not in both – there is not any overlap. A township resident might also live in a village, which has its own government but also remains part of the township. Michigan ranks seventh among the 50 states in the number of general-purpose local units of government, with 1,859: including 83 counties, 1,241 townships, 273 cities, and 262 villages.

**Table 1  
Local Units of Government in Michigan: 1998**

	Number of Local Units		
	1904	1950	1998
<b>General Purpose</b>			
Counties	83	83	83
Townships	1,203	1,299	1,241
Cities	97	192	273
Villages	329	315	262
Sub-Total Cities & Villages	<u>426</u>	<u>507</u>	<u>535</u>
Sub-Total All General-Purpose Units	1,712	1,889	1,859
<b>Special Purpose</b>			
Education			
School Districts	7,267	4,918	663
Intermediate School Districts	83	83	57
Community College Districts	<u>2</u>	<u>2</u>	<u>28</u>
Sub-Total Education	7,352	4,926	748
Special Districts and Authorities <sup>a</sup>	NYA	102	263
Planning and Development Regions	NYA	NYA	<u>14</u>
Subtotal Non-Education			
Special-Purpose Units	NYA	102	277
Sub-Total All Special-Purpose Units	<u>7,352</u>	<u>5,028</u>	<u>1,025</u>
Total – All Local Units	<u>9,064</u>	<u>6,917</u>	<u>2,884</u>

Source: 1905, 1951-52, 1995-96 Michigan Manuals, Michigan Department of Education website, Michigan Department of Management and Budget Michigan Information Center website. <sup>a</sup> – from 1957 Census of Governments. NYA – Not Yet Authorized

Special-purpose local units of government – which include local school districts, intermediate school districts, community college districts, regional planning and development districts, and special authorities and districts in Michigan – are limited to provision of the service for which they were authorized. By far, the most important of the special-purpose local governments in Michigan are those that provide educational services. The entire state is organized into local school districts and intermediate school districts, which overlap the local school districts. Every citizen resides in one school district and one intermediate school district. Much of the state is also organized into community college districts, most of these independent governmental entities, although one community college is operated as part of a local school district. Regional planning and development districts overlap the entire area

of several counties. Finally, in many areas of the state there are special authorities and districts, which normally provide a single special service such as transportation, recreation, or water supply. Special-purpose local units include 564 school districts, 54 intermediate school districts, 28 community college districts, 14 planning and development regions, and 263 special districts and special authorities.

The number of general-purpose local governments has changed very little during the past century. Michigan has only 146 more general-purpose local units of government at the end century than it did at the beginning (See **Table 1**). The major changes experienced by general-purpose local government during this century were in the ways in which each of the types can organize to best serve their residents. There were only general law counties at the beginning of the cen-

tury. Today, there are general law, optional unified, and charter counties. There were only general law townships at the beginning of the century. Today, there are general law and charter townships. There were only cities and villages organized under state law. Since 1909, home rule cities and villages residents can adopt charters to provide for governance of the cities and villages.

On the other hand, the number of special-purpose local governments has undergone considerable change during this century. The number of school districts in the state reached its peak in 1912 and since then has decreased by 92 percent to its current number (See **Table 1**). Intermediate school districts, community college districts, special authorities and districts, and regional planning districts are all types of government established during this century.

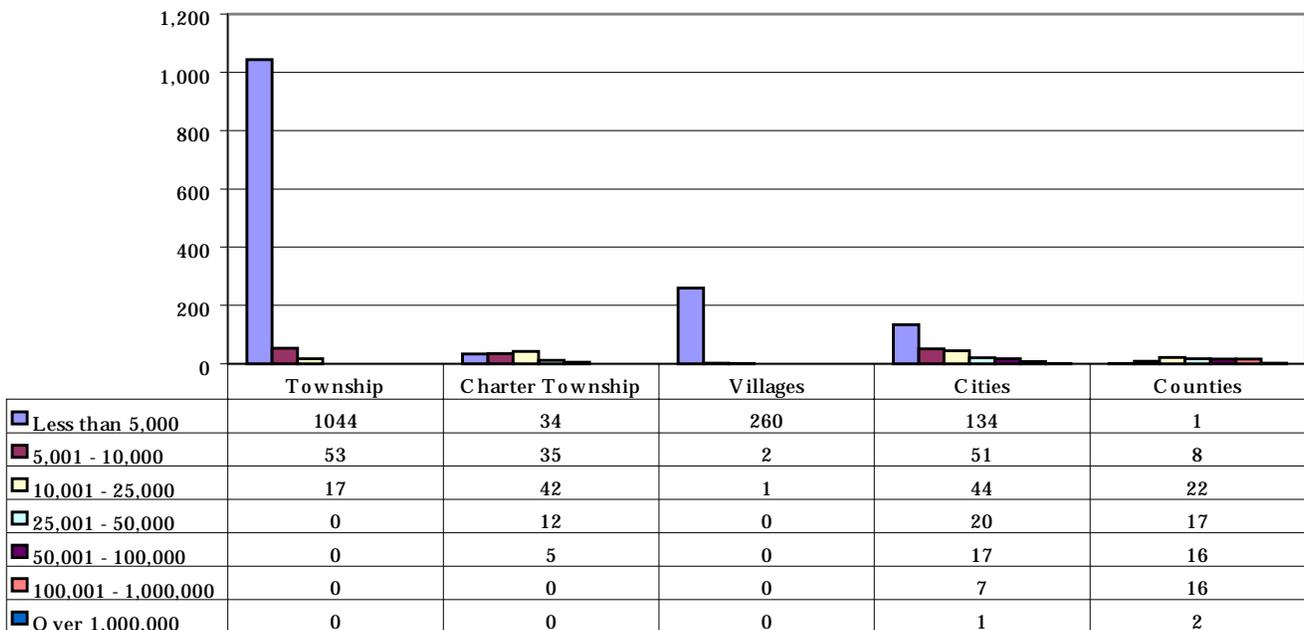
**A. General Purpose Units**

**English Roots.** The concept and outline of Michigan

general-purpose government draws heavily from English roots. Settlers brought the county system with them to America. In New England and Virginia, counties took root and were adapted to the new colonies. The Northwest Ordinance of 1787, which laid the groundwork for state and local government for what was to become the states of Michigan, Ohio, Indiana, Illinois, and Wisconsin, heavily incorporated counties for organizing the new territories. Additionally, townships were designed to be compact in size, emulating the New England town model that allows government to be close to the people. Like Michigan, the structure of local government in New York also drew from these examples. It was in New York that the plan of having town supervisors function collectively as the county board was developed and transplanted to the Northwest Territory by settlers moving westward on the Erie Canal.<sup>1</sup>

**Small Populations.** Most of the general-purpose local units in Michigan serve relatively small populations: 1,141 units (61 percent) serve fewer than 2,500

**Chart 1  
Governmental Units in Michigan by Population Groups 1990**



Source: United States Bureau of Census.

people, and 548 of these (29 percent) serve fewer than 1,000 people. Furthermore, 49 percent of the cities, 91 percent of the general law townships, and 99 percent of the villages serve communities with populations of 5,000 or less. Only 113 (6 percent) of the 1,859 general-purpose units of government serve 25,000 or more people (See **Chart 1**).

**Basic Structure.** The basic structure of general-purpose government has changed little since the turn of the century. Most of the municipalities in Michigan have existed for all, or most of the 20th century, and most of the cities and villages were organized by, or shortly after, enactment of the Home Rule Acts of 1909.

**Chart 2**  
New Incorporation of Michigan Communities by Decade

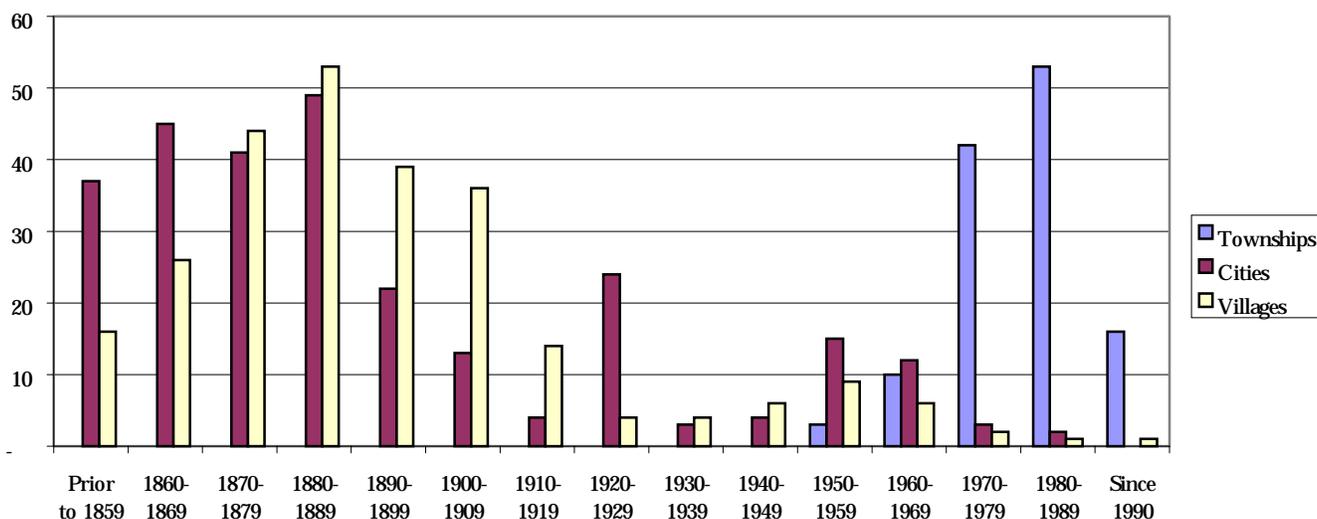


Chart represents newly incorporated areas. Thus, a city formed from a township is shown, but a city converted from a village is not.

Source: Michigan Manual and Michigan Township Association.

Changes have occurred in the past century, but these changes have tended to be minor and incremental. For instance, charter townships have come into use over the past couple of decades. The townships that have adopted this form were not new units, but existed prior to the turn of the century and were given a new structure for managing their affairs. Compared to the changes that have occurred in society over the past century, the basic structure of local government has been exceptionally enduring.

### 1. Counties

The state is entirely composed of counties. Originally, they were organized to serve as administrative

arms of state government, providing local services and collecting records at a local level. In more recent times, county governments have been authorized to deliver local services in addition to those performed for the state. In this capacity, constitutional and statutory provisions allow four structures which counties may assume: 1) general law; 2) optional unified with a manager; 3) optional unified with an elected executive; and 4) charter counties. Of the 83 Michigan counties, 80 are general law counties; two (Bay and Oakland) are optional unified counties with an elected executive; and one (Wayne) county has adopted a charter. County boundaries have not changed since the last county was organized in 1891.

**Table 2**  
**Local Units of Government in Michigan: 1998**

	Number of Local Units		
	1904	1950	1998
<b>General Purpose</b>			
Counties			
General Law Counties	83	83	80
Optional Unified Counties	NYA	NYA	2
Charter Counties	<u>NYA</u>	<u>NYA</u>	<u>1</u>
Sub-Total Counties	83	83	83

Source: 1905, 1951-52, 1995-96 Michigan Manuals. NYA – Not Yet Authorized.

## 2. Townships

Michigan townships encompass the entire area of the state, except those areas incorporated as a city. Like counties, townships were organized without resident input, as geographical entities created by a congressional survey under the Northwest Ordinance of

1787. Michigan currently has 1,241 townships, which encompass all territory within the counties outside city limits. The majority of the townships operate under general law. As of 1998, 128 townships have adopted charter status under the Charter Township Act of 1947.

**Table 3**  
**Local Units of Government in Michigan: 1998**

	Number of Local Units		
	1904	1950	1998
<b>General Purpose</b>			
Townships			
General Law Townships	1,203	1,296	1,113
Charter Townships	<u>NYA</u>	<u>3</u>	<u>128</u>
Sub-Total Townships	1,203	1,299	1,241

Source: 1905, 1951-52, 1995-96 Michigan Manuals. NYA – Not Yet Authorized.

## 3. Cities and Villages

Counties and townships began as somewhat arbitrarily designed administrative units. Cities and villages, on the other hand, formed when communities of people came together to organize a governmental entity to provide a higher level of services. Michigan

has 273 cities: 265 home rule cities; seven fourth class home rule cities; and one special charter city.

Michigan has 262 villages. Village residents remain township residents. The Home Rule Village Act of 1909 has been used to incorporate 49 of these as charter villages. The other 213 are general law villages.

**Table 4  
Local Units of Government in Michigan: 1998**

	Number of Local Units		
	1904	1950	1998
<b>General Purpose</b>			
Cities			
Home Rule Cities	NYA	108	265
Fourth Class Home Rule Cities	96	83	7
Special Charter Cities	<u>1</u>	<u>1</u>	<u>1</u>
Sub-Total Cities	97	192	273
Villages			
Home Rule Villages	NYA	9	46
General Law Villages	<u>329</u>	<u>316</u>	<u>216</u>
Sub-Total Villages	<u>329</u>	<u>325</u>	<u>262</u>
Sub-Total Cities & Villages	426	517	535

Source: 1905, 1951-52, 1995-96 Michigan Manuals. NYA – Not Yet Authorized

### B. Special Purpose Units

In addition to the general-purpose units, Michigan has a number of independent special-purpose units. The most important of these provide educational services.

### 1. Local School Districts

Every resident of Michigan lives in a school district. Unlike many other states, school district boundaries in Michigan are not usually coterminous with the boundaries of general-purpose local units. Some general-purpose local units have as many as six different school districts, which at least partially overlap that unit.

**Table 5  
Local Units of Government in Michigan: 1998**

	Number of Local Units		
	1904	1950	1998
<b>Special Purpose</b>			
Education – School Districts			
K-12	579	572	519
Non K-12	6,688	4,346	36
Public School Academies	<u>NYA</u>	<u>NYA</u>	<u>108</u>
Sub-Total School Districts	7,267	4,918	663

Source: 1905, 1951-52, 1995-96 Michigan Manuals, Michigan Department of Education website, Michigan Department of Management and Budget Michigan Information Center website. NYA – Not Yet Authorized.

The state currently has 663 local school districts: 519 are K-12 districts common to most of Michigan; 36 are non K-12 districts that offer only K-6 or K-8 classes. Students must go to a separate K-12 district for the higher grades. The other 108 districts are public school academies (charter schools), which are considered independent school districts.

Michigan has experienced the largest change in the number of school districts of any type of local government. The number of school districts has declined 92 percent from 7,362 school districts at its peak in 1912 (See **Chart 3**). Despite this decline, there is continuing concern that Michigan still has too many school districts and that the number of districts should be reduced.



4) by citizens within the boundaries of a county, local school districts, or intermediate school district; and

5) they can be automatically established in any intermediate school district with a population of more than 1.5 million.

**Table 6  
Local Units of Government in Michigan: 1998**

<u>Special Purpose</u>	Number of Local Units		
	1904	1950	1998
Education – Community College Districts			
Independent	NYA	NYA	27
Dependent	2	2	1
Sub-Total Community College Districts	2	2	28

Source: 1905, 1951-52, 1995-96 Michigan Manuals, Michigan Department of Education website, Michigan Department of Management and Budget Michigan Information Center website. NYA – Not Yet Authorized.

In addition, the current school code provides first class school districts and school districts having a population of more than 10,000 with the authority to establish community colleges. Only one school district (Dearborn) currently operates a community college district (Henry Ford Community College) as part of the school district.<sup>2</sup>

#### **4. Special Districts and Special Authorities**

Special districts and special authorities are limited purpose units that exist as separate corporate entities and have substantial fiscal and administrative independence from general-purpose units and other special-purpose local governments. State law provides for the creation of these districts and authorities and

<sup>2</sup> Until recently, Michigan had three local school districts operating community colleges. In 1991, Grand Rapids Community College changed from being part of the Grand Rapids Public School system to being a county-wide college with the same boundaries as the Kent Intermediate School District. In 1996, the Highland Park Community College ceased academic operations. Rather than forcing the community college to close completely, it was allowed to convert to career training center, the Highland Park Career Academy. The new academy provides expanded support services and career training for high school students or students who have dropped out of school beginning in January.

for their organization, powers, and duties. Like counties or intermediate school districts, the jurisdiction of these districts or authorities overlaps existing boundaries of other general-purpose or special-purpose units. Unlike counties or intermediate school districts, it is not necessary for these districts or authorities to encompass all of an established unit of government. A district can serve a portion of an incorporated or unincorporated area, an entire municipality, an entire county, or any combination of these areas. The

#### **Special Authorities and Special Districts Authorized by Michigan Statute**

- Huron Clinton Metropolitan Authority
- Airport Authorities
- District Library Boards
- Community Swimming Pool Authorities
- Emergency Service Authorities
- Joint Agencies for Electric Power
- Joint Hospital Authorities
- Mass Transportation Authorities
- Port Authorities
- Irrigation Districts
- Soil Conservation Districts
- County Water, Sewer, and Sewer and Garbage Disposal Districts
- Rubbish and Garbage Disposal Authorities
- Charter Water Authorities
- Water Management Districts

boundaries of a special authority or district may be redefined as its service area changes.

The 1992 Census of Governments reported that Michigan had 263 of these independent units of government. The largest special districts and authorities include recreation authorities, transit authorities, and hospital authorities.

## 5. Planning and Development Regions

Regional planning and development districts are local government units in the eyes of the U.S. Bureau of Census and for purposes of complying with such state requirements as the Michigan Open Meetings Act. They are formally defined as a "public organization encompassing a regional community; founded, sustained and tied directly to local governments through local and/or state government actions. Through communication, planning, policy making, coordination and technical assistance, the council serves the local governments and citizens in the region by dealing with issues and needs which cross city, county, and in some instances state boundaries."<sup>3</sup> Serving as umbrella organizations, the primary role of these units is to assist general-purpose units in providing services. Michigan has 14 regional planning and development commissions.

Because they have no taxing authority and do not directly provide services to the citizens, these units will not be explored in the other sections of this paper.

### C. The Design of Local Government

Michigan had a relatively large number of local units at the turn of the century and it still has a fairly large number of units today. Other than the major decrease in the number of school districts, little has been done to decrease the number of units in other ways. To the contrary, new types of units – public school academies, intermediate school districts, community

college districts, and special authorities and districts – were established, increasing the number of units.

One characteristic of Michigan local government is the large number of units with a small population. Only 76 of the 1,242 Michigan townships have a population of 10,000 or more. The other 1,166 townships have an average population of about 2,100 people. It is not clear how efficient government can be with such a small population base. While the geographic area of townships are fairly uniform, with a low population density, the tax burden cannot be spread among a wide number of taxpayers as is possible in more populated units. Additionally, with fewer residents receiving government services, economies of scale available to more populated units are not available to these units.

A characteristic that describes urban areas in Michigan is the large number of cities that are small in geographic area. Several units are only about one square mile in area. Having several small cities in close proximity to one another results in duplication with each unit providing its own police and fire services, garbage services, and other municipal services. Some suburban areas have as many as three fire stations of different cities within a one-and-a-half mile radius. This arrangement of several small cities all providing the same services misses the opportunities for economies of scale and results in higher taxes than would otherwise be necessary to provide the same services in a larger municipality.

Additionally, with the reality of the living and working conditions of many suburban residents, the arrangement of several small cities makes it difficult to identify and monitor the happenings of any one municipality. Often a suburban resident might live in one community, work in another, shop in a third, and travel through other communities to get to these places. The government services of each community are consumed, but the resident is rarely in any one community long enough to have a true sense of the workings of the municipality.

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<sup>3</sup> Regionalism, p. 16.

As will be discussed in the next section, the reasoning behind having a large number of small jurisdictions was to promote representation. At the time many of the local governments were established, the responsibilities of local government were fairly uncomplicated and untrained elected officials could quickly acquire the necessary skills to perform the government services. As government has taken on additional responsibilities, the tasks have become more complicated, therefore, having small governmental units for the sake of representation is losing its value.

Because the boundaries of the different levels usually are not coterminous, just understanding the different levels of government can be difficult. Take the City of Warren for example. Residents of Warren are also residents of Macomb County. Depending on where in the city they live, they might reside in the Fitzgerald Public School District, the Van Dyke Public School District, the Warren Woods Public School District, the Warren Consolidated School District, the East Detroit School District, or the Centerline Public School District. They are residents of the Macomb intermediate school district and the Macomb Community College district. Finally, they are residents of the Huron Clinton Metropolitan Authority (HCMA) and the Suburban Mobility Authority for Regional Transportation (SMART).

When it is difficult to understand the different levels of government and what services are provided by each level, it is often more difficult to understand the governance structure of each level, the powers and responsibilities of each level, and the taxing powers of each level. With several officials elected to each of the levels of government, this large number of governmental units adversely affects the ability for voters to monitor the contribution of any single elected official.

### Proposed Reforms

A number of reform proposals have been offered in recent times that would simplify understanding Michigan local government by reducing the types local governments and the numbers of units. Among these proposals are to:

- **Eliminate village government.** With the granting to villages and townships of more and more powers that once were reserved only for cities, the differences between cities, villages, and townships have diminished. Many villages were incorporated to provide services above what a township could provide. With enhancement of village and township powers, few people can remember why they have a village and a township. The next step is to eliminate village government and allow each incorporating local unit to define the structures and powers within their charters, be that like a city or a township.
- **Eliminate the distinction between cities and townships.** The need to have townships as independent, service providing local units of government was being questioned as long as 60 years ago. As far back as 1933, the Michigan Commission of Inquiry into County, Township, and School District Government recommended the abolition of townships. In its recommendations it stated, "The township has become an unnecessary and hence costly and wasteful unit of government . . ." and went on to say, "It is extremely detrimental to the interests of the local taxpayer to maintain an institution whose costs are largely for overhead and little for service."<sup>4</sup> These units, defined geographically by 18<sup>th</sup> century Congressional surveys, have grown to serve roles very much like cities. Any areas that elected to have their local governments provide a high level of services could incorporate as a city. Otherwise, residents would be served by county government.
- **Provide more services on a county-wide basis.** A number of states have county government that provide services to all parts of the county not in-

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<sup>4</sup> Arthur W. Bromage, Thomas R. Reed, Organization and Cost of County and Township Government, Michigan Commission of Inquiry into County, Township and School District Government, (Detroit: Detroit Bureau of Governmental Research, 1933) p. 125.

cluded within a city. This reduces the need for townships as a separate level of government. With advances in transportation and communication, counties are well suited to serving the roles that townships served with lesser transportation and communication capabilities.

- **Further reduce the number of school districts.** The number of school districts has experienced a 92 percent decline since the turn of the century. It is argued that further reductions would lead to greater economies and efficiencies. Since Proposal A, school districts are much less dependent on property taxes. Consolidation would allow districts to reduce administrative costs to concentrate more dollars on classroom needs.
- **Eliminate intermediate school districts.** A number of changes have occurred over the past

decade that have reduced the need for intermediate school districts. Proposal A eliminated categorical grants that were so prevalent under the former school funding system. With this elimination, ISDs no longer serve a role in auditing the local school districts. The growth of the personal computer industry has reduced the need for local school districts to cooperate in administrative tasks such as scheduling through the ISD. ISDs are typically associated with special education and vocational education programs. With more and more special education students being “mainstreamed,” and with community colleges offering a wide array of vocational education programs, ISDs are either acting as pass-through agencies or offering duplicative services.

## II. Structure of Local Government

While the concept and outline of Michigan local government has ancient English roots, the plural executive structure that is common throughout the governance structures of counties and townships has its basis in Jacksonian democracy. Early to mid-19th century political theory held that the problem with government was the appointive status of government officials. The cure proposed was to have as many officials as possible elected directly to short (two-year) terms. This approach, which would theoretically keep democracy close to the people, reflected the frontiersman's belief in personal versatility and his suspicion of specialization. Government was not believed to require specialized skills or training. It was hoped that the fragmentation of power and frequent turnover of officials would prevent the formation of a government aristocracy. Many previously appointive positions became elective under the reforms based on this theory, and many new elective positions were created.

### A. General-Purpose Units

Most people are familiar with the systems of separation of powers and checks and balances among the three separate branches of government created in the federal government and the state governments. Systems incorporating separation of powers and checks and balances are the exception rather than the rule among the many levels of local government in Michigan. It is more common to have a joint executive and legislative body or to have an elected board or council with the power to appoint an administrative manager.

#### 1. Counties

Constitutional and statutory provisions allow four structures which counties may assume: 1) general law; 2) optional unified with a manager; 3) optional unified with an elected executive; and 4) charter counties. All retain the plural executive form, which has a number of elected officials. These structures occupy different positions along a continuum. The traditional general law structure, with its multipurpose commission and multi-headed executive, provides the least accountabil-

ity, because credit or blame cannot clearly be placed on one elected position. Next on the continuum is the optional unified form with a county administrator appointed by the county commission, which transfers administrative functions to the administrator, but maintains control in the commission. The optional unified form with an elected county executive with veto powers provides more centralized direction, but is limited to the organization provided in the statute. At the opposite end of the continuum is the charter county, organized according to a plan adopted by the voters and led by an executive.

**General Law Counties.** Every county has a board of commissioners ranging in size from 7 to 35 members, depending on the county population.<sup>5</sup> In general law counties, the county boards of commissioners have both legislative and administrative powers and duties.

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<sup>5</sup> U.S. Supreme Court one person-one vote decisions forced Michigan to adopt county boards of commissioners to replace county boards of supervisors. While Section 7, Article VII, of the 1963 Constitution defines county boards of supervisors, comprised of "one supervisor from each organized township and such representation from cities as provided by law," as the legislative and administrative bodies governing counties, boards of supervisors have been replaced by boards of commissioners. Section 7 has been ruled violative of federal constitutional provisions as interpreted by the United States Supreme Court in *Reynolds v Sims* and other cases. Although the state Constitutional provision has never been amended, Public Act 261 of 1966, as amended, provides for the election of county commissioners from single member districts.

The first state Supreme Court advisory opinion on the constitutionality of Public Act 261 of 1966 (379 Mich 55) held that the statute violated Section 7, Article VII, of the State Constitution, but that advisory opinion was superseded by another (380 Mich 736) which held Public Act 261 of 1966 to be in compliance with the State Constitution since in the court's opinion, federal Constitutional provisions invalidated the state Constitutional requirement that county boards be comprised of one supervisor from each organized township.

Legislative powers include setting policy, passing regulations and ordinances, and responding to constituents. Administrative powers include developing the budget, overseeing department operations, and personnel decisions.

The commissions' administrative powers are shared with a number of other elected officials. Executive powers rest with a county treasurer, a county clerk, a register of deeds, a prosecuting attorney, and a sheriff, in dealing with the administrative of the staff within their domain. This arrangement of shared administrative responsibilities creates problems in establishing a clear chain of command. While these elected officials oversee their own administrations, budget power ultimately rests with the commission.

The actions of general law county boards in the provision of services have had to conform to restrictive provisions of state enabling legislation. Many statutory provisions have required the establishment of a board or commission to administer the service or function to be provided. This practice has produced a proliferation of boards and commissions and resulted in: (a) a diffusion of executive authority; (b) a dissipation of legislative effectiveness; and, (c) confusion on the part of the citizen relative to the determination of accountability and redress of grievances.

**Optional Unified Counties.** The optional unified form of county government addresses this issue by abolishing all appointed boards, commissions, authorities, and elective offices except those specified in the statute. It terminates the tenure of those holding the office or appointment, regardless of whether it coincides with the end of a term of office or appointment.<sup>6</sup>

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<sup>6</sup> The appointed boards which are protected are: apportionment commission; airport zoning board of appeals; board of county canvassers; board of determination for a drainage district civil service commission; county drainage board; county department of veterans' affairs administrative committee or soldiers' relief commission; concealed weapons licensing board; election commission; jury commission; library commission; parks and recreation commission; social

Any county that has not adopted a charter and does not have an active charter commission may adopt an optional unified form of county government. As in general law counties, boards of commissioners, elected under the same provisions and in the same numbers as under general law, serve optional unified counties. This structure presents counties with the option of appointing a manager or electing an executive, either of which has responsibility for most county agencies. Only the elected executive may veto commission actions. By providing for appointment of a manager or election of an executive, the optional unified form provides significantly greater executive coordination than is possible under the general law structure.

Because their positions are provided for in the state Constitution, the provisions for individually elected county officers – sheriff, county clerk, county treasurer, register of deeds and prosecuting attorney – that apply to general law counties pertain to optional unified county governments as well. In addition, the offices of drain commissioner and board of county road commissioners are protected and their powers are not minimized or divested by the act.

**Charter Counties.** The primary benefit of charter adoption is the establishment of an accountable county executive with greater power to coordinate the executive branch. Unlike the optional unified form, executive functions are removed from the county board of commissioners in charter counties. The powers and duties of the county executive, including veto powers and line and staff department control, may be defined in the charter, but must be consistent with the act. Because this structure has some of the attributes of the presidential or gubernatorial systems with which most people are familiar, this structure resembles the strong-mayor form adopted by many large cities. The major difference is that the constitutional provisions for individually elected county officers – sheriff, county clerk,

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services board; tax allocation board; a board established to oversee retirement programs; plat board; mental health board; hospital board; inter-county drainage board; building authority; board of county road commissioners.

county treasurer, register of deeds and prosecuting attorney – continue to apply to charter counties. Where all executive services are under the control of a strong mayor, not all executive services are under the control of the county executive.

A county charter must provide for a legislative county board of commissioners, for the board's authority, duties, and responsibilities, and for the number of county commissioners. It must provide for an executive official to manage the affairs of the county. In every county except Wayne (counties of less than 1,500,000 population), the charter must provide for a salaried county executive, elected on a partisan basis. In Wayne County (counties of at least 1,500,000 population), the voters may decide whether the county should be managed by an elected county executive or by an appointed chief administrative officer selected for a four-year term of office by the county board of commissioners. The charter may determine the veto power of the elected executive, and the removal of that official. The elected county executive or appointed chief administrative officer is responsible for supervision of all departments except those headed by elected officials – sheriff, county clerk, county treasurer, register of deeds and prosecuting attorney.

## 2. Townships

Regardless of whether the township is governed under general law or the Charter Township Act, the 1963 Constitution requires the election of a township board with the following officers: a supervisor, clerk, treasurer, and either two or four trustees. This system most closely resembles the weak mayor system described below, with the supervisor acting as the township equivalent of the city mayor or village president.

**Charter Townships.** Unlike the provisions for charter counties or home rule cities and villages, adopting charter township status does not allow townships to draft and adopt their own charters, but it allows them to operate under a separate state law that provides certain structural differences and additional powers. One

major structural difference is that although charter township boards maintain the same structure as general law townships, four trustees are elected to serve on the board instead of two. The other major difference is the optional appointment of a superintendent to serve as the township chief administrative officer.

## 3. Cities and Villages

The Michigan Constitution is one of 37 state constitutions that provide home rule for cities and one of 23 state constitutions that give home rule powers to counties. Home rule generally refers to the authority, provided under a state constitution and laws, for the citizens of each municipality to draft and adopt charters formulating their own government – local units of government are not sovereign entities, but political subdivisions of the state. Not only was it hoped that home rule would cause local officials to be responsible, but it was hoped that this vehicle would cause local government to be more responsive to the needs and wants expressed by local residents.

The Home Rule Acts of 1909 were very expansive, granting cities and villages a great deal of independence from state control. In light of this, Michigan courts have generally ruled in favor of cities and villages on home rule questions. "... It is clear that home rule cities enjoy not only those powers specifically granted, but they may also exercise all powers not expressly denied. Home rule cities are empowered to form for themselves a plan of government suited to their unique needs and, upon local matters exercise the treasured right of self-governance." *City of Detroit v. Walker*, 520 N. W. 2d 133 (Mich. 1994). While the Constitution provides for a liberal interpretation of the powers of municipalities, and such court opinions have opined that municipalities have all powers not expressly denied, the threat of a court challenge often has led municipal officials to seek legislative solutions clarifying the extent of their authority. Each of the directives and clarifications that have been amended to the Home Rule Cities Act and Home Rule Villages Act has had the general impact of reversing the inclu-

sive nature of the home rule powers toward an exclusionary approach.<sup>7</sup>

Michigan cities and villages have used the home rule provisions to organize their own governmental structure in a number of different ways. Seemingly opting to value efficiency and effectiveness over accountability and responsiveness, most Michigan cities utilize a council-manager form with the council either elected at large or elected in a combination of ward and at-large positions. Most mayors are elected from among council members. Larger Michigan cities have tended to employ a strong mayor-council form of government. Some Michigan cities experimented with independent commissions earlier in the century, but this form of government has largely disappeared from Michigan city government. Most villages, whether incorporated under a home-rule charter or general law, operate under the president-council form of government (See **Figure 1**).

**Weak-Mayor and Council.** The weak-mayor and council model draws heavily from the ideas of “Jacksonian democracy,” valuing representation and citizen control over efficiency.<sup>8</sup> Councils are elected, usually by wards on a partisan ballot, in sizes that vary with the population of the city or village. Mayors usually are separately elected, for relatively short terms, to preside over the council. They may vote in council, but are “weak” because they do not have administration or veto powers. Administrative appointments are made either directly by the council or by the mayor with council approval. Many charters chose to have several of the principal officers – the clerk, treasurer, assessor, etc. – directly elected, further promoting representative democracy, but fragmenting and hindering the policy and administrative efficiency of the unit. Councils also exert executive supervision through standing committees, including preparation of the budget. Most of the cities incorporated

through special acts during the 19<sup>th</sup> century had a form of weak mayor-council plan, as did cities incorporated under the Fourth Class City Act of 1895 and villages incorporated under the General Law Village Act of 1895. This form of municipal government is best suited to small, rural towns with little desire for innovative policy initiatives. It is not very well suited to the needs of the modern-day local government.

**Strong-Mayor and Council.** The strong mayor form most closely resembles the structure of government Americans know from the federal presidential system and state governor systems. Mayors are directly elected, usually for four-year terms, do not have a vote in council, do have veto powers, have appointment powers, and have budget preparation and control powers. All administrative departments report directly to the mayor. Councils have a lesser role in this form of government when compared to the weak-mayor form of government. Councils tend to be small, relative to the weak-mayor form, usually are elected at large, have few standing committees, and are left to play only a legislative role in policymaking.<sup>9</sup> With a greater separation of powers, this form of government provides greater executive and political leadership over municipal affairs.

**Council-Manager.** Where the strong-mayor form most closely resembles the presidential system, the council-manager form of government most closely resembles the parliamentary system. Councils, usually small in size with five to nine members, are elected at large, usually on a nonpartisan basis for staggered four-year terms. Councils exercise both policymaking and administrative authority. Typically, a mayor is selected from the council and has no powers beyond presiding over council meetings and acting for the city in an emergency, although some communities have separately elected mayors with some greater powers. The budget control and administration responsibilities rest with a manager who is hired by and serves at the pleasure of the council. The manager brings a professional background and is responsible

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<sup>7</sup> Verberg, p. 7.

<sup>8</sup> Susan B. Hannah, *Form and Function in Michigan Local Government*, WMU, presented at the 56<sup>th</sup> Annual Meeting of the Midwest Political Science Association, 1998, p. 4.

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<sup>9</sup> Hannah, p. 5.

**Figure 1  
Forms of Municipal Government in Michigan**

Population Range	Number in Range	Cities					Villages			
		Home Rule		Fourth Class City Act		Special Charter	Home Rule		General Law	
		Mayor/Council	Council/Manager	Mayor/Council	Council/Manager	Mayor/Council	President/Council	Council/Manager	General Law	General Law/Manager
Over 50,000	25	12	13							
25,000 – 50,000	20	6	14							
10,000 – 24,999	45	17	27							
5,000 – 9,999	53	15	36							
2,000 – 4,999	105	14	61	1			2	7	5	15
750 – 1,999	141	22	24	2	1		6	2	67	17
Under 750	145	3		4		1	27	1	108	1
<b>Total</b>	<b>535</b>	<b>89</b>	<b>175</b>	<b>7</b>	<b>1</b>	<b>1</b>	<b>35</b>	<b>13</b>	<b>180</b>	<b>33</b>

Source: Organization of Cities and Village in Michigan, MML 94-3.

for hiring all other city officers and department heads.<sup>10</sup> Because administration of the affairs of the city or village is integrated under a manager that must answer to the council, instead of directly to the electors, this form of government tends to be less responsive to citizens needs.

Some charters reflect a combination of these different forms of government. Flint, for instance, is the only large Michigan city to follow the lead of certain other large cities – San Francisco, New Orleans, Philadelphia, and New York City – in providing some kind of chief administration officer under a strong mayor.<sup>11</sup>

### **B. Special-Purpose Units**

Most of the special-purpose units in Michigan operate under structures that resemble the council-manager form of municipal government.

<sup>10</sup> Hannah, p. 6.

<sup>11</sup> MML 94-3.

### **1. Local School Districts**

Michigan school districts parallel the council-manager form adopted by many of the cities and villages in the state. Like the city council or village board of trustees, the school board represents the desires of the residents and provides policy direction for the district. Like the manager appointed by a municipal council or board, the superintendent is appointed by the board to bring professional management to running the district.

Prior to the 1995 revisions to the School Code, there were six kinds of local school districts in Michigan; first, second, third, and fourth class districts, a few primary districts, and a few special or charter districts. Each class of district was distinguished by such factors as the size and organization of the board of education and the terms of the members, the kinds of schools and the number of grades the district may operate, whether a superintendent and other subordinate school officials may be hired, conditions of incurring debt, and whether a community college and vocational education courses may be established.

Amendments to the School Code in 1995 repealed the primary, fourth, third, and second class school district provisions. Currently, the School Code provides for only first class districts, having a pupil membership of 120,000, general power school districts, and a few remaining primary districts.

Public school academies are organized as nonprofit corporations under the Michigan nonprofit corporation act and are governed by a board of directors. An academy is governed by an initial board of directors appointed by the authorizing body. Subsequent directors also are appointed by the authorizing body from a list of names supplied by existing directors. Academies also are subject to the general supervision of the State Board of Education to the same extent as are other public schools.

**Local Board of Education.** Each local school district is governed by a board of education. General power boards consist of between three and nine members elected at large, depending on the size of the board before 1995. First class districts, only Detroit, are governed by an 11-member board of education, with four members elected at large and seven members elected from districts. Public Act 10 of 1999 provides for a seven-member school board to be appointed by the mayor of the City of Detroit (six members) and the governor of the State (the Superintendent of Public Instruction). While the 11-member elected school board continues to serve in an advisory capacity, the powers normally vested with a school board are given to the reform board.

**Superintendents.** While the board is responsible for determining policies, the superintendent is responsible for executing the board's policies. The superintendent is responsible to the board for all phases of the operation of the schools, primarily for administering instructional programs. The superintendent is leader of the school personnel and liaison between the personnel and the board. The superintendent is responsible for preparing and submitting a budget to the board. While the superintendent does not have a vote, the person holding that position is considered a member of the board of education.

## 2. Intermediate School Districts

Like local school districts, intermediate school districts are governed by school boards. The standard means of selecting intermediate school board members is election by representatives of each constituent local school board. Constituent local school districts may also opt to have members of the intermediate school board popularly elected.

Single county intermediate school boards are composed of five members. Multi-county intermediate school boards are composed of seven members. The intermediate school board elects a president, vice-president, secretary, and treasurer. The president and vice president must be elected members of the intermediate school board; the secretary and treasurer need not be members of the board.

The intermediate school board is responsible for employing a superintendent, assistants, and other employees the board considers necessary.

## 3. Community Colleges

With a few exceptions, the boards of trustees of community college districts are organized in a uniform fashion. Whether organized by a county(s), school district(s), or intermediate school district(s), the board of trustees consists of seven-members, elected at large on a nonpartisan basis. Trustees serve six-year terms, expiring in alternating election years. If three or more counties organize a community college district, the board of trustees consists of nine members elected for six-year terms, with three members elected from each of the three counties.

If the community college district is organized by an intermediate school district with a population of more than 1.5 million (Wayne), the board of trustees consists of nine members elected from apportioned trustee districts. Trustees to these community college districts also serve six-year terms.

The board of trustees may appoint a chief executive officer of the community college for a term fixed by the

board, not to exceed five years. That person is not a member of the board of trustees. The board may delegate to the chief executive officer the board's authority to hire and employ personnel, pay claims against the community college, acquire personal property, invest community college funds, and accept contributions, grants, gifts, or other financial assistance.

The board of education of the local school district that establishes a community college department remains the governing body. If two or more school districts cooperate to jointly provide a community college, the districts may provide for governance by adopting mutually agreeable procedures and regulations.

#### **4. Special Authorities and Special Districts**

A board or commission governs each of the different types of authorities and districts. Most of the boards are composed of appointed representatives of the participating units of government. A few types of authorities provide for appointment or election of board members, and the statutes for a few authorities provide that it is up to the participating communities to agree upon the size of a board and selection to that board.

##### **C. Revising Archaic Governing Structures**

Michigan has experienced substantial urbanization and suburbanization during the past century. Even though the constituencies served by local governments have undergone tremendous changes and the breadth of services demanded from local government has expanded greatly, little has been done to make the structure of local government more efficient or effective. The governance structure for most of Michigan local government at the end of this century still looks

very much like it did at the beginning. Townships continue with the organization structure that they had at the turn of the century, even though many charter townships offer services very much like those offered by a city. Counties continue to operate with boards acting in the dual roles of the executive and policymaking legislative branches. Many cities and villages continue to operate with a weak-mayor/council form of government. While these governing structures may have been well suited to units of government delivering a minimal number of services, they are out of place in urbanized areas of the state.

Further exacerbating this issue has been the granting to villages and townships additional powers, such as enhanced taxing authority and greater boundary protection for townships. These additional powers have allowed villages and townships to survive in urban areas. While providing many of the same services as cities, many villages and all townships continue to operate with governing structures better suited to rural areas.

Specifically, counties, townships, and some villages continue to utilize the plural executive structure designed to promote representation and accountability. While these goals are generally achieved, they generally come at the expense of efficiency and effectiveness. Representative democracy requires inclusion of many people in decision-making processes, committee meetings, and task forces to explore alternatives. Operating a municipality like a business, with a manager or elected executive, streamlines decision-making processes. With a single person overseeing operations of the governmental unit, that person is able to make decisions and carry out those decisions. While representation is decreased, efficiency and effectiveness result in a more economical utilization of tax dollars.

### III. Powers of Local Government

While the powers of Michigan local government changed incrementally during the past century, the more significant trend is found in the way in which the powers of some levels of government have changed relative to other levels. All in all, the powers of local government have not changed dramatically. That is not to say that the powers of local government are the same as they were a century ago. Local governments have been granted additional powers over the past century, most significantly in the granting of home rule powers to cities, villages, and counties and the authorization for municipalities to engage in planning and zoning activities that affect how property owners can use their property. Local governments also have experienced infringements upon their powers over the past century. Tax limitations and open meeting and freedom of information requirements all granted more power to the citizens in their interactions with local government.

Also significant during the past century is the creation of new types of local units – intermediate school districts, community college districts, and special authorities and districts. Rather than creating these new types of governments to provide new services, these types of government have assumed powers already possessed by other types of government.

#### **The Overlapping Nature of Local Government.**

More significant than granting of new powers to local governments in aggregate or than the creation of new types of local governments, is the way in which legislative changes over the past century have increased the powers of some units relative to others. For instance,

villages and townships have gained some of the powers previously reserved only to cities. Rather than perpetuating a system in which increases in population density and greater demands for local government services cause a community to incorporate as a city, these changes have granted authority to villages and townships to perform many of the same services that had made cities unique. Similarly, counties have evolved from administrative arms of state government to regional local governments with increased authority to deliver local services, authority that previously had been reserved to cities, villages, and townships.

Rather than clearly delineating the powers and authority of each type of government, more than one type of government has been granted the same powers. For example, parks and recreation services and libraries are provided by the state and may be provided by a city, village, or township, by the county, by a special authority, or by a local school district. Roads and highway services are provided by the state, county road commissions, and by cities and villages. Additionally, one township also provides road service. Differentiating who is responsible for specific roads (interstates, arterial routes, collectors, and local access roads) minimizes the overlap. Besides causing confusion for residents of the state, this system of overlap causes the many layers of government to compete for powers and functions and for revenue sources in their geographical area. Often no level of government has the legal authority adequate to cope with urgent community needs. This impairs overall local freedom to deal with vital public affairs; the whole thus becomes less than the sum of its parts.

**Figure 2  
Duplicative Functions of Levels of Government in Michigan**

Function/ Unit	State	Counties	Municipalities			Special Authorities	School Districts
			Cities	Villages	Townships		
<b>Parks &amp; Recreation</b>	X	X	X	X	X	X	X
<b>Libraries</b>	X	X	X	X	X	X	X
<b>Roads &amp; Highways</b>	X	X	X	X	X/+		
<b>Water</b>		X	X	X	X	X	
<b>Sewerage</b>	+	X	X	X	X	X	
<b>Police</b>	X	X	X	X	X		
<b>Public Transportation</b>	+	X	X		+	X	
<b>Refuse Disposal</b>		X	X	X	X	X	
<b>Refuse Collection</b>			X	X	X		
<b>Fire</b>			X	X	X		
<b>Corrections</b>	X	X					

The pluses (+) show a role in financing or regulating specific services. Each type of governmental unit with an "X" has the authority to provide that governmental service.

Overlap also occurs in property taxation, where three levels of government – state, county, and city or township are involved in assessing and six or more local units – the state, a city, village, or township, county, local school district, intermediate school district, community college districts – levy property taxes. Additionally, in many areas one or more special districts or authorities also may levy property taxes.

In addition to the large number of local units, there is also a large number of locally elected officials – about 17,000 in the state. The number of officials of overlapping units elected by a citizen makes much more difficult the problems of informed voting and political accountability. Even the most well informed voter has difficulty assessing the contribution any one elected official has made, let alone monitoring the contribution of officials in governing all of the overlapping local units.

### **A. General-Purpose Units**

Because general-purpose local governments are authorized to provide a wide array of services, it is primarily among these levels of government that overlap occurs.

#### **1. Counties**

At the turn of the century, counties were governed by county boards of supervisors composed of representatives from the townships and cities within each county. The counties served primarily as administrative arms of the state. With local government representatives on the governing board, county services could be coordinated with local government services and overlap could be minimized.

Over the course of the century, counties were called upon to address additional local needs. At the time the legislature and the constitutional convention were

addressing the structure of county government – with the optional unified and charter forms – to better handle these expanded needs, federal court decisions eliminated the county boards of supervisors which were replaced by county boards of commissioners. With independently elected county commissioners under this new structure, the tie between city or township government and county government was lost. Any ability to avoid overlap in the delivery of services with an awareness of what was happening at the local levels was seriously diminished under this new system.

Today, regardless of their form of organization – general law, optional unified, or charter – modern Michigan counties perform dual roles. They act as agents of the state in providing some state mandated functions; and state law permits counties to provide services directly for the benefit of county residents.

Mandated functions have long been vested with county government. They include a role in the conduct of elections; enforcement of state criminal laws; the administration of justice; care of prisoners; examination, approval and recording of plats; registration of property deeds; issuance of birth certificates; and construction and maintenance of county roads. Because these functions are performed on behalf of the state, there is little overlap with other units of government in the delivery of these services.

The same cannot be said for the permissive functions counties are authorized to provide. Authorization for counties to provide these services is fairly recent. Cities, villages, townships, school districts, intermediate school districts, and special authorities all are authorized to provide some of the same services counties are authorized to provide, including: parks and recreation programs; water and sewerage services; solid waste disposal; planning and zoning; airports; port facilities; libraries; hospitals; and economic development efforts. Although the county is often the level of government best suited to provide many of these services because its wide geographical area creates a regional orientation, the ability of local levels of government to provide these services usually predominates. The

result is often struggles for power, overlap in the delivery of services, and inefficiency in the utilization of tax dollars.

## 2. Cities, Villages, and Townships

Nowhere can the failure to distinguish the powers and authority between types of government be observed more than among cities, villages, and townships. While few distinctions now exist among cities, villages, and townships, this has not always been the case. Until the 1950s and 1960s, these units could be distinguished based on the services mandated of them by the state and the services each was authorized to provide. Today, because many of the state mandates that separated local units have been eroded, and because additional powers have been granted to villages and townships, the differences between these units of government have been blurred.

**State-Mandated Services.** It was possible until the 1950s and 1960s to differentiate cities, villages, and townships based on the state-mandated services required of primary local units of government. These services included: 1) property assessment as a basis of county and school taxation; 2) tax collection for the counties and schools; 3) the conduct of municipal, school, county, state, and national elections; 4) serving as districts for the county board of supervisors; and 5) providing local court systems. As primary local units of government, cities and townships were required to provide these services. For cities, these services were to be in addition to any local services demanded by their residents. For townships, it was expected that few other services would be provided beyond these state-mandated services.

In accordance with this arrangement, the entire state is divided into non-overlapping cities and townships. Villages were not required to provide these mandated services, but were available for communities wishing a higher level of local services than townships could offer. Whenever a new city is incorporated, its geographical area is withdrawn from the township for all governmental purposes, but village incorporation does not remove its geographic area from the township.

## Home Rule

The home rule provisions in both the 1908 and the 1963 Constitutions have cast Michigan as a strong home rule state. Local units of government are not sovereign entities, but political subdivisions of the state. Home rule generally refers to the authority, provided under a state constitution and laws, for the citizens of each municipality to draft and adopt charters formulating their own government. This contrasts with legislative establishment of local charters by special act, which results in mandated charters from state capitols.

In the period of the Progressive Era, when Michigan initially adopted its home rule provisions, the goal was to give local governments a broad range of local discretion to act and adopt policies with minimal direction, influence, and interference from officials at the state capital. Not only was it hoped that home rule would cause local officials to be responsible, but it was hoped that this vehicle would cause local government to be more responsive to the needs and wants expressed by local residents. The 1908 Constitution left it up to the state legislature to implement the home rule powers. The Michigan legislature did this by enacting the Home Rule Act for cities and the Home Rule Act for villages, both in 1909. With 264 cities and 46 villages having adopted home rule charters, Michigan is one of the leading home rule states in the nation.

Court decisions and state laws have shortened the list of state-mandated activities. While cities and townships are still responsible for assessing property and collecting taxes for all local units of government, representatives of local government no longer make up the county governing board and state law now provides for courts of limited jurisdiction, including their boundaries and the local unit responsible for funding. While cities and townships continue to have some responsibility in conducting elections, responsibility for registering voters no longer rests exclusively with local units.

**Authorized Services.** At one point, the general plan for local government was to have urban areas governed by cities, emerging urban areas by villages, and rural areas by townships. With greater population densities and greater demand for government services, it was recognized that cities had to have certain powers in order to govern properly the people living in urban conditions and to meet the needs those people could not meet for themselves as individuals. Similarly, villages were given powers that were less than those of cities, but greater than those given townships. Since townships were limited to rural areas, their

powers were limited to the fundamental and basic functions of government.<sup>12</sup>

Over the course of the 20<sup>th</sup> century, this design for local government in Michigan fell asunder. Communities no longer feel the need to incorporate as cities or villages when population densities lead to increased service demands. Villages and townships have been granted additional powers to respond to needs, weakening the differences between these units and cities. For instance, villages and townships have full planning and zoning powers; they can provide police and fire protection; and they can construct, maintain and operate libraries, parks, and water and sewerage systems. The most visible example of these units' expanded powers is the Charter Township Act, which broadened the authorization of townships to provide services and gave townships greater taxing power to finance those services. With enhanced powers, villages and townships have come to serve urban areas of the state, providing much the same services as neighboring cities.

**Recent History.** It is interesting to note the nearly complete absence of incorporations of cities and villages in the past three decades (See **Chart 2** on page 5).

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<sup>12</sup> Gerald M. Church and Kenneth VerBurg, Toward the Resolution of Problems in Michigan Local Government, A Paper Prepared for Conferences on the Problems of Local Government in Michigan, (written around 1972 or 1973) p. 3.

A relatively large number of cities and villages incorporated in the 1950s and 1960s, and then there was a sharp decline in the 1970s. Several factors might explain this phenomenon. First, there has been a significant decline in population growth. Second, the so-called property tax revolt may have been a factor since city status normally involves a higher level of service and a higher level of taxes. Finally, there has been an increase in the powers of units that otherwise would have had to become cities to provide the services demanded by their residents. For instance, the number of charter townships experienced a major growth during this period, and many of the townships that adopted charter township status would have been likely candidates for incorporation as cities. With legislative changes providing additional powers and state revenue sharing providing additional revenues, many villages and townships have been able to provide city-like services without having to incorporate as a city.

## **B. Special-Purpose Units**

As might be expected given the definition of special-purpose units of government – local units of government limited to provision of the service for which they were authorized – there has been very little change in the powers of special-purpose units.

### **1. Local School Districts**

The primary responsibility of school districts is educating pupils in the kindergarten through 12<sup>th</sup> (K-12) grades. This function may include operation of preschool, lifelong education, adult education, community education, training, enrichment, and recreation programs for other persons. School districts may own and utilize property, facilities, equipment, technology, or furnishings, extending to operation of a public library, public museum, or community recreational facility.

### **2. Intermediate School Districts**

Although intermediate school districts are new to this century, their introduction did not extend the powers of

local government. Their role is to assist in providing education, a local government service that dates back to the Northwest Ordinance. Intermediate school districts assist local school districts in educating pupils and act as intermediaries between the districts and the state. They do not supersede or replace the local districts and are granted only very limited control over local district operations. In this capacity, they may operate preschools, special education, lifelong education, adult education, and community education programs, and training, enrichment, and recreation programs. They also may provide workforce development programs including vocational-technical education programs, job training and development programs, school-to-work initiatives, and work first programs. Many local school districts are re-acquiring the functions intermediate school districts were established to provide, and the future of these units is uncertain.

### **3. Community College Districts**

Community colleges are a new power for local governments relative to the beginning of the century, but it is not a new government power. In authorizing this service, some power was drawn from the state universities. Community colleges were established as a step toward having the freshman and sophomore years of college turned over to the secondary (local) schools. Instead of extending the high school to include a 13<sup>th</sup> and 14<sup>th</sup> grades, community colleges evolved as an alternative means of obtaining two years of collegiate and non-collegiate education.

Community college districts and community college departments are limited to courses that embrace no more than two years of collegiate work. The courses are structured in such a way that credits earned may be transferred to four-year colleges and universities and applied toward degrees of the baccalaureate level.

Community college districts have the power to own and operate a community college and an area vocational-technical education program. They may provide the necessary facilities to provide college programs; they may establish and carry on schools and departments or courses of study and other educational

programs; and they may establish, equip, and maintain agricultural, trade, and other vocational-technical departments.

### C. Sorting Out Local Government Powers

Like the need to reduce the number of local governmental units and to introduce single executive positions to the structure of some levels of local government, there also is a need to sort out the powers of Michigan local government. In the past, legislation has placated the different levels by granting powers to provide similar services to multiple levels of government, rather than clearly defining the powers and responsibilities of each level of government.

On its face, it does not appear that residents or taxpayers are worse off from the result. However, upon closer examination, it is clear that the result is duplicative functional responsibilities among the several levels of government and overlapping responsibilities in some cases. For instance, many urban counties continue to maintain a full sheriff's department even though there are no townships without a police department in need of county services. County residents pay for the police departments of their own city, village, or township and for the county sheriff, both largely providing the same services. Functional overlap such as this causes competition for resources, political power, and legislative empowerment.

In most instances, competition is a positive factor in creating efficiency and economies. In this instance, it works counter to efficiency and economy. Because

any one level of government will not necessarily "lose" as the least fit to provide a government service, the result is a perpetual provision of some services by more than one level of government. In the end, taxpayers foot the bill twice, paying to have the same service provided by more than one level of government.

Efficiency would be enhanced with greater specialization among the levels of government. As society evolves and government is called upon to deliver additional services, it must ultimately be decided which level is best suited for delivering those services. This can be accomplished in a number of ways. One clear means of achieving specialization, especially in metropolitan areas, is to give more powers to the level of government that includes the geographical area of several cities, villages, and townships – the county. Ultimately, if county governance is restructured, they could very well undertake and achieve the delivery of these services.

Specialization could also be achieved by addressing the number of levels of government. If cities were the only units delivering local government services to urban areas, there would be no need to vest duplicative powers in villages and townships. If the townships or counties were the only levels of government delivering services to rural areas, there would be little need to vest duplicative services in any other level of government. The powers of local government can be sorted out as much by addressing the characteristics that can describe any level of government as direct legislation describing the powers of each level.

## IV. Finances of Local Government

Michigan has a large number of local governments and very few local units are large enough – in population, area, or taxable resources – to take advantage of economies of scale in solving current and future problems. These limitations are compounded with the archaic governance structures of many units and the overlapping nature of the geographical boundaries, functional authority, and taxing powers of each level of government. The result is a system of local government, in aggregate, that does not operate as efficiently as it might under optimal conditions. For instance, the constrained nature of the resources available to most local units of government hampers the ability of many local units to acquire and utilize the latest technologies.

Over the years, Michigan local governments developed a heavy reliance on the property tax as a source of local revenues. As the only source of local revenue available to local governments throughout most of this century, overlapping layers of government were often left to compete with one another for tax resources in the form of escalating property tax rates. For property taxpayers, the result was a growing property tax burden led primarily by levies for school operating purposes.

The result was a series of developments in response to the growing property tax burden, the most immediate of which was tax limitations. A secondary response was the growth of state aid. State aid originated in Michigan as a means of compensating local governments for taxes collected at the state level that either were formerly collected at the local level or that preempted local collection of that tax. However, over the years it has grown into the role of supplementing the reduced property revenues resulting from the tax limitations and of enabling local governments to keep property tax rates lower than they otherwise might have been. Another response was enactment of legislation to authorize collection of taxes other than property taxes to ease the property tax burden. Few municipalities have adopted these alternate sources

and there has been little significant reduction of the property tax burden by those that have adopted them. Each of these developments is explored below.

### A. Tax Limitations

Since 1932, a number of tax limitations, most introduced by voter initiative, have been placed upon the property tax system. Of these limitations, none has fully recognized the interactions that prior provisions have with the property tax system, resulting in the evolution of a very complicated set of requirements. In addition to the complicated nature of the limitations themselves, the overlapping geographical organization of local government has meant that the provisions of these limitations are often difficult to apply.

**15/ 50-Mill Tax Limitations.** With economic depression gripping the state in 1932, a voter-initiated amendment to the State Constitution, limiting the aggregate rate of property taxation, represented the first time a limitation upon the general power of taxation was placed in the fundamental law of the state. The amendment placed a limitation of one and one-half per cent of the property's assessed valuation (15 mills) for all purposes – operations and debt – with one exception: taxes levied to pay principal and interest on existing debt could be levied without limitation as to rate or amount. The amendment provided that the 15 mill limit could be increased to a maximum of 50 mills for not to exceed five years at any one time, when approved by a 2/3 majority of the voters, or when provided for in the charter of a municipal corporation. This amendment was implemented by Public Act 62 of 1933, which provided for tax allocation boards within each county to allocate millage among participating local units.

On its face, it would seem that this limitation is uncomplicated and any overlap should not matter. Taxpayers should be able to tell from their property tax bill whether the aggregate millage levied by all local governments with taxing jurisdiction totaled to an

amount greater than 15 or 50 mills. However, the implementation of this amendment through the courts greatly complicated the provisions to the point that many other factors had to be taken into consideration before it could be decided whether these provisions were being violated.

Within six months of the 1932 amendment's adoption, a decision was handed down on the first of a series of cases regarding whether the 15-mill limitation extended to all purposes for which property taxation could be imposed. The Court concluded in *School District of City of Pontiac v City of Pontiac* (262 Mich 338; 1933) that the drafters of the amendment had intended the phrase "or when provided for by the charter of a municipal corporation" to constitute a third exception. As a result, operating millage imposed by any city or village is removed from these limitations. Subsequently, charter county, charter township, charter authority, or other authority, the tax limitations of which are provided by charter or by general law, were added to the list of types of government taxes that are removed from these tax limitations. These exclusions explain why aggregate property taxes levied in some jurisdictions exceed 50 mills.

With the limited application of the 15/ 50 mill tax limitations and the infrequency of changes in tax rate allocations from year to year, the 1963 Constitution revised the 15/ 50 mill provisions to permit the elimination of tax allocation boards. In lieu of the 15-mill limit, a separate property tax limit could be established by local vote for the county, the townships, and the school districts. If this option is adopted, a fixed millage allocation is established among each taxing entity, thus obviating the need for a tax allocation board. This provision allows the voters to adopt a millage limit of 18 mills rather than 15 mills. Voters in 74 of the 83 counties have adopted a fixed millage allocation under the local option provision as of 1998. It is noteworthy that in the majority of the counties, the allocation was fixed at less than 18 mills.

These provisions were further complicated by implementation of Proposal A of 1994 (which is described below). Allocated school operating millages were

eliminated and the 15/ 18/ 50 mill limitations were reduced throughout the state by the amount of millage each county had allocated to schools prior to 1994. Legislative changes attempted to avoid having other local units assume the levying property taxes previously allocated school. Now, the effective tax limitation for non-charter types of local government is in the area of seven or eight mills, varying from county to county, instead of the 15 or 18 mills provided for in the constitution.

**Headlee Amendment.** With the restricted application of the 15/ 18/ 50 mill tax limitations, the property tax burden continued to grow. At the November 1978 general election, a voter-initiated state constitutional amendment was ratified to limit state and local government revenues and require voter approval of new taxes. The amendment added Sections 25 through 33 to Article IX of the State Constitution and amended Section 6 of Article IX. The three provisions most significant to local government are a protection against unfunded state mandates, a requirement that local governments obtain voter approval to increase local taxes, and a limit on the rate of growth of the tax levy resulting from increased in the assessed value of a local government.

State Mandates. The Headlee Amendment seeks to prevent the state from controlling its own expenditures by shifting functions to local governments. This provision states that the state must maintain the state financed proportion of the cost of all existing activities and fund the full cost of all new activities mandated of local government.

Voter Approval. The Headlee Amendment provides that local governments are prohibited from levying any tax not authorized by law or charter as of 1978, or from increasing the rate of an existing tax above that rate authorized by law or charter as of 1978, without the approval of a majority of the qualified electors of the unit of local government. The aim of this provision was to ebb the increasing tax burden placed on taxpayers by giving the taxpayers a voice in what tax rate is acceptable.

Both of these seemingly straightforward provisions have experienced complications in their implementation. Defining what constitutes a state mandate and what costs must be paid have been issues of contention relative to the state mandates provisions. Such issues as whether a levy is a tax or a user fee, whether a tax is a local tax or a state tax, and the use of ad valorem special assessments have complicated the question of what is subject to voter approval.

Limit on Assessment Growth. The second provision attempted to control the property tax burden by limiting net growth in the tax yield. Section 31 included a provision stating that any increases in the total assessed valuation of property as finally equalized, excluding the value of new construction and improvements, above the rate of inflation for the previous year must result in a reduction of the maximum authorized tax rate applied by that local unit to yield the same gross revenue from existing property, as could have been collected at the existing authorized rate on the prior assessed value.

Because these provisions apply on a unit-wide basis, the individual taxpayers have found these provisions to be complicated. Creating greater frustration was the knowledge that besides being complicated, they did not achieve everything they were designed to accomplish. Despite the intention to limit growth in total property taxes, relatively large increases in property assessments on individual parcels continued to confront taxpayers after enactment of the Headlee Amendment.

**Proposal A of 1994.** In March of 1994, voters approved Proposal A, a property taxation-school finance proposal that amended several sections of the State Constitution. With the inadequacy of the Headlee Amendment in controlling growth in property taxes, a provision was included in Proposal A to cap property assessments. Unlike the Headlee requirements, which apply on a unit-wide basis, the cap applies to individual properties. Specifically, this provision holds that the taxable value of any property cannot increase in a single year by more than the lesser of the

rate of inflation in the previous year or five percent. Property is reassessed upon transfer of ownership.

Proposal A added further complexity to property taxes, rather than simplifying the system. First, the measure had the complicating affect of creating two measures of property value: the state equalized value and the taxable value. Second, it had the effect of eliminating the allocated millage to schools, thus replacing the 15/ 18/ 50-mill limitation with 83 limitations of different aggregate values. Finally, while the cap on assessments has the same consequence as Headlee, to limit growth of the property tax to the rate of inflation, it did nothing to repeal the Headlee Amendment provisions dealing with tax rate rollbacks.

## B. State Aid

State aid has grown to play a significant role in local government financing. In 1997, state governments in the U.S. spent on average more than one-third of general spending on local aid to their local units of government. In Michigan, 44 percent of all state spending was state aid in that year. This was the second highest share of any state, following only California.<sup>13</sup> The large variation in Michigan was primarily due to the very high proportion of public K-12 education funding coming from state taxes as a result of Proposal A of 1994.

State funding goes for school aid, unrestricted state revenue sharing to general-purpose units, transportation, community mental health, community colleges, courts, and some other services. Most of these programs are for services where a clear statewide interest exists in ensuring that specific functions receive adequate financial support, but it has also been decided that the programs supported by the grants are best delivered by local governmental units. While most grant programs are those aimed at specific purposes, the largest state aid programs are school aid and unrestricted

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<sup>13</sup> State Policy Research, *State Policy Reports* Volume 16, Issue 18, (September 1998), p. 9.

state revenue sharing in which the recipients are free to use the revenues for any general operating purpose.

**Negative Consequences of State Aid.** While the general effect of state aid has been to supplement local revenues and to subsidize certain programs that might be under-provided if local governments were left to their own resources, there are some negative consequences related to state aid. It has threatened local government accountability as the connection between the tax levy and the delivery of services has been lost. Local government officials are faced with a plethora of demands for services. Politically, it is desirable for these elected officials to provide as many government services as possible. However, the reality of providing government services is that someone has to fund them. Where providing government services is politically attractive, collecting taxes to fund government services is unpopular and people tend not to locate where taxes are high. The best means of maintaining the accountability of elected officials and of balancing the proper level of taxation with the proper level of spending is to have both tax imposition and service provision performed by the same unit of government. In separating these two actions, state aid hides the cost for specific programs from elected officials and from taxpayers.

Additionally, state aid may have allowed individual units of government to exist longer than they could if left to their own resources. Absent state aid, many local governmental units would not have sufficient resources to adequately deliver the services demanded of them. Under these circumstances, local governmental units would be forced to annex newly populated areas and consolidate with neighboring units to create greater economies and to allow them to more efficiently utilize the resources available to them.

State aid has meant that local units have not had to rely solely on local revenues to provide services. This is most significant for small local units. On average, cities, villages, and townships with populations less than 10,000 receive over 36 percent of their total revenues (property and local income tax revenues plus unrestricted state revenue sharing) from unrestricted

state revenue sharing. This ranges from almost half (47 percent) of total revenues for the average small township, to about a quarter (26 percent) of total revenues for the average city with a population below 10,000 people. When other state aid, such as transportation or court funding, is added in, these percentages increase.

Coincident with the growth in state revenue sharing has been a reduction in the number of new incorporations and annexations. Finally, there has been the near absence of consolidations between multiple units to take advantage of any economies of scale. State aid may have lessened the incentives for cities, village, and townships to consider more efficient ways to operate.

The history of the number of school districts provides an example of how these forces can affect consolidation and annexation. When the number of school children in each district was relatively low and districts were left to their own resources, the number of districts grew to 7,362 in 1912. As the state population continued to grow, and growth in the school age population during the baby boom caused crowded conditions, districts were forced to explore consolidations and annexations to achieve economies of scale and to best utilize their resources. By the early 1970s, the number of districts was reduced to about 600. Since the advent of major increases in school aid, school district consolidation has nearly come to a halt.

General-purpose local governments have not been subject to similar pressures to improve the efficiency of their operations by combining their efforts with neighboring communities. State revenue sharing may have at least partially insulated them from such pressures.

### **C. Local Government Finance by Level of Government**

Except for some special authorities, all types of local government in Michigan have authority to levy property taxes, and in aggregate, property taxes are the major source of revenue for local governmental units.

## 1. Counties

Unchartered county governments are either allocated a share of the apportioned millage available from the tax allocation board in each county or a separate voted tax limit applies to the county. Charter counties do not share in allocation of the apportioned taxes. Nor are they subject to the separate tax limitations adopted in most counties. Instead, they are subject to a 10-mill statutory limitation, with any millage above that allocated at the time of charter adoption requiring voter approval.<sup>14</sup> The State Tax Commission reports that counties levied an average of 6.32 mills in 1997.

**Real Estate Transfer Taxes.** Counties may impose real estate transfer taxes, imposed at a rate of 55 cents per \$500 (0.11 percent) or fraction thereof of total value. Wayne County is statutorily authorized to impose a rate of up to 75 cents per \$500 (0.15 percent) of total value.

## 2. Townships

**Property Taxes.** The State Tax Commission reports that townships, general law and charter, levied an average of 3.87 mills in 1997. Taxing authority differs between general law and charter townships. General law townships usually are allocated only one mill from the constitutionally limited 15 mills. Like charter counties, charter townships do not share in the 15-mill tax allocation.<sup>15</sup> Nor are they subject to separate tax limitations county voters may use to replace the tax allocation. Instead, they are authorized to levy up to five mills, without voter approval. This limitation may be increased up to 10 mills with voter approval. If the charter township status was adopted through voter referendum, voter approval comes with adop-

tion of charter township status. If charter township status was adopted by a resolution of the board, a separate vote must be held for voter approval by the township electorate.<sup>16</sup>

**Revenue Sharing.** Unrestricted state revenue sharing is more significant as a funding source for townships than it is for cities or villages, contributing about 42 percent of total revenues for townships. Nearly three-fifths of all townships receive more from revenue sharing payments than they do from their property tax collections. Because revenue sharing payments are sufficient, or nearly sufficient, to fund township services, nine townships and two villages do not levy any property taxes at all and 215 townships and two villages levy less than one mill.

**Special Assessments.** Special assessments typically are imposed to finance the construction and maintenance of public improvements that primarily benefit only a few close or adjacent properties. Cities, villages, and townships use special assessments to fund capital projects that benefit concentrated areas of their community. Because many types of special authorities and districts provide services that directly benefits properties within the encompassed area, many of these units have authority to levy special assessments as well.

**Ad Valorem Special Assessments.** Increasingly, local units of government, with legislative authorization, have abused the use of special assessments. Rather than imposing these assessments based on frontage, or another measure of the benefiting property, they are levied on the value of the property. Bending the meaning of benefit to the property, special assessment districts have been defined to include the entire geographic area of the local unit. In most instances, these unit-wide special assessments have been used to finance not improvements to infrastruc-

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<sup>14</sup> In 1980, the legislature statutorily transferred from the 15 mill limitation to Wayne County's charter the 6.07 operating mills then allocated to the county, thereby reducing the basic limitation governing school districts and unchartered townships in Wayne County to 8.93 mills.

<sup>15</sup> Attorney General Opinion, June 17, 1948, No. 795.

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<sup>16</sup> According to the state Attorney General, a township which incorporates after the effective date of the Headlee Amendment (December 23, 1978) solely by virtue of a resolution and without a vote of the people remains an unchartered township for constitutional tax limitation purposes.

ture but basic municipal services, such as police and fire protection, that historically have been financed from general taxes. In reality, unit-wide ad valorem special assessments are virtually indistinguishable from general property taxes, except that, being defined as “special assessments” rather than “taxes,” they have escaped the constitutional and statutory restrictions which govern general property taxes.

CRC calculations of 1995 Supplementary Assessment Reports filed with the State Tax Commission revealed that 90 percent of all units levying ad valorem special assessments were townships. Townships yielded over \$52.7 million in revenues from these assessments.

### 3. Cities and Villages

**Property Taxes.** The State Tax Commission reports that cities levied an average of 16.18 mills and villages levied an average of 12.57 mills in 1997. Two villages do not levy any property taxes and two other villages levy less than one mill.

Cities and villages are not subject to the 15/ 18/ 50-mill tax limitation. General law villages are limited in the levy of property taxes for general purposes to 12.5 mills. This limit may be increased by the village council by limited amounts for certain specific purposes, or may be increased to a maximum of 20 mills by a three-fifths vote of the electorate voting on the question. While a lower millage limit may be set in the charter, home rule cities and villages may provide in their charter for a tax rate of up to 20 mills for all purposes. General law villages also may levy an additional five mills for their general highway funds. In addition, charter cities may levy at least four other property taxes for specific purposes. Up to three mills may be levied for garbage services. Up to one mill may be levied for library services. Up to one mill may be levied to support activities and services for persons 60 years of age or older. Finally, an addi-

tional property tax may be levied for funding pension plans for city police and fire department personnel.<sup>17</sup>

**Income Taxes.** In general, cities are the only unit of government other than the state authorized to levy income taxes. The Uniform City Income Tax Act permits any city to levy an income tax. Cities are generally limited to rates of one percent on residents and corporations, 0.5 percent on nonresidents on income earned in the imposing city. As of 1998, only 22 cities levy a local income tax, with only Detroit, Grand Rapids, Highland Park, and Saginaw levying the tax at higher rates.

**Utility Users Tax.** Authorization was provided in 1970 for the levy of a Uniform City Utility Users Tax. Public Act 198 of 1970 and then Public Act 100 of 1990<sup>18</sup>, permits cities with populations of one million or more (Detroit) to levy a tax on the consumption of public telephone, electric, steam, or gas services. The yield from this tax is limited to the hiring and employment of police officers.

**Revenue Sharing.** Unrestricted state revenue sharing contributes about 30 percent of the total general operating revenues for cities and about 32 percent for villages. About 27 percent of all villages and 3.5 percent of all cities receive more from revenue sharing payments than they do from their property tax collections.

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<sup>17</sup> Attorney General Opinion No. 6998.

<sup>18</sup> The Uniform City Utility Users Tax was originally enacted in 1970, but it expired on June 30, 1988 and had to be re-enacted in 1990.

**Figure 3**  
**Michigan Local Government**  
**1997 Average Property Tax Rates and Tax Limitations**  
 (in mills)

	<b>Average Tax Rate</b>	<b>Tax Limitation</b>	
<b>Counties</b>	6.32		
General Law		--	15/ 18/ 50-mill tax limitations.
Optional Unified		--	15/ 18/ 50-mill tax limitations.
Charter		10	Voter approval required for millage greater than apportioned millage or separate tax limitation at time charter adopted.
<b>Cities</b>	16.18	20	plus additional millage for garbage services, library services, services to the aged, and police and fire pension funding.
<b>Villages</b>	12.57		
General Law		12.5	20 mills with voter approval; plus additional millage for general highway fund
Charter		20	
<b>Townships</b>	3.87		
General Law	2.82	--	15/ 18/ 50-mill tax limitations.
Charter	6.65	5	10 mills with voter approval.
<b>Average General-Purpose Tax Rate</b>	<b>16.40</b>		
<b>Schools -- Operating</b>	8.79	0/ 18	Homestead property exempt from local tax (6 mill State Education Tax levied on all property).
School Debt Service & Building	3.57		
<b>Local School Taxes -- Total</b>	<b>12.36</b>		
<b>ISDs/ Community Colleges</b>	4.48		
Intermediate School Districts		--	15/ 18/ 50-mill tax limitations.
Community Colleges		5	in independent districts
		2.5	in dependent districts (HFCC)
<b>Total</b>	<b>39.24</b>		

Source: Average tax rates from State Tax Commission.

#### 4. Local School Districts

**Property Taxes.** School funding experienced major changes as a result of enactment of Proposal A of 1994, which provided a shift from primarily local funds to a system in which state funds provide the major proportion of the funding. Most of these changes were driven by efforts to equalize per pupil

funding among school districts and to provide property tax relief.

**Operating Millage.** School districts are authorized to levy up to 18 mills for operating purposes, less if the district levied fewer than 18 mills in 1993. This millage is levied on non-homesteads, which are broadly defined as any property not serving as the primary residence of the taxpayer. Businesses, rental properties, second homes, and other such properties are not

eligible to receive a homestead property tax exemption and must pay this tax.

Hold Harmless Millage. A number of school districts are authorized to levy "hold harmless" millage to maintain the high level of spending by the district prior to 1994. This tax is levied first on homestead property, until the rate of millage is equalized with non-homestead property. Once equalized, the tax is levied equally on homestead and non-homestead property taxpayers.

Regional Enhancement Millage. Since 1997, an enhancement property tax of not more than three mills may be levied on an intermediate school district basis, with approval by a majority of the intermediate district voters. Revenue generated from the regional tax would be shared on a per pupil basis among local school districts. School districts in the Monroe intermediate school district are the only school districts to levy this tax.

Other Millage. School districts are authorized also to levy taxes for sinking fund, debt retirement, special or vocational education.

**State School Aid.** The School Aid Fund was created in 1955 by an amendment to the 1908 Constitution, and continued in the 1963 Constitution. The School Aid Fund serves to furnish aid to school districts for general operating purposes and to provide financing for the Public School Employees' Retirement System.

The fund receives State revenues from: Sales and Use taxes, the Personal Income Tax, the State Education Tax, a liquor tax, Tobacco Products taxes, the Real Estate Transfer Tax, industrial facility and commercial facility taxes, and Lottery Fund earnings. On occasion, general fund transfers are made to fund the difference between required payments and restricted revenue sources. Federal funds are also funneled to local school districts through the School Aid Fund. In Fiscal Year 1998, the State School Aid Fund received \$15,050 million in revenues from these sources.

Revenues from the School Aid Fund are distributed to the school districts based on a formula called a "foundation grant." Each district receives a per pupil grant based on a level of per pupil expenditures indexed to 1993, the year prior to adoption of Proposal A. The foundation grant provides the difference between the revenues raised from local operating millages and what each district is guaranteed as a foundation allowance. While the levy of local school taxes is not mandatory, state foundation grants are calculated based on the assumption that the local school districts collected these taxes.

## 5. Intermediate School Districts

Intermediate school districts have taxing authority, but their budgets must be approved by the underlying local school districts. In those counties that still operate with tax allocation boards, the intermediate school districts must file their budgets and itemized statements of their proposed expenditures and estimated revenues. Based on these documents, and similar documents from other local governmental units, the tax allocation boards allocate a share of the apportioned millage to the intermediate school districts. In those counties that have adopted separate tax limitations, intermediate school districts must operate within their tax limitations. In practice, the tax rates for intermediate school districts experience very little fluctuation, whether in a county with a tax allocation board or in a county with separate tax limitations.

Since 1995, intermediate school districts have been authorized to levy additional property taxes for general operating purposes. These taxes may be levied at a rate not to exceed 1.5 times the number of mills allocated to the intermediate school district for those purposes in 1993. They also can levy millages for special education and vocational education. The levy of these taxes requires voter approval.

In addition to these tax sources, intermediate school districts are authorized to levy regional enhancement millages for local school districts, with voter approval. The question of levying such a tax must be raised by one or more local school districts representing the majority of

the constituents in the intermediate school district. The intermediate school district does not benefit from the levy of this tax, since all revenues are divided among the local school districts on a per pupil basis.

## 6. Community Colleges

**Property Taxes** Community college districts levy just over two mills on average. Independent community college districts are authorized to levy property taxes at a rate determined by the voters, up to a maximum of five mills.

The levy for dependent community colleges was part of the local school district's overall operating levy prior to adoption of Proposal A of 1994. Because Proposal A shifted school funding to the state level, accommodations had to be made for dependent community colleges. Public Act 312 of 1993 amended the school code to provide that these school districts may

levy operating taxes at a rate not to exceed the number of mills that were levied to provide the community colleges prior to 1994.

**State Aid** Community colleges also receive state aid for their operations. About one-third of the community colleges' operating revenues are from state assistance distributed among them using a formula.

## 7. Special Authorities and Districts

About half of the statutes authorizing special authorities and districts grant taxing authority at rates ranging from one-quarter mill to four mills. Because the taxing authority is provided for statutorily, the taxing authority of these units also is removed from the constitutional tax limitations. These units also receive revenues from charges and fees collected for the service provided and from contributions from participating local units.

## V. Finances in the 21st Century

Michigan local government finances in the twentieth century were characterized by three complementary trends. First, local governments, primarily local school districts, came to depend in ever increasing degrees on property tax revenues. Second, voter-initiated property tax limitations were adopted in attempts to alleviate this property tax burden. Finally, state aid has grown to become a major source of local government revenues.

**Property Taxes.** The state assumption of the role as the primary funding source for schools, and the concomitant reduction in school property taxes, has lessened the property tax burden and freed up available property taxes that other local units of government have already begun to utilize.

Nevertheless, it is likely that the future also will be wrapped around these three issues. Property taxes have fallen into sufficient disfavor that it is unlikely that local governments would voluntarily return to sole dependence on this tax as a revenue source. However, cities have been slow to adopt city income taxes and few other tax sources loom on the horizon as alternatives to the property tax. Although local governments in some other states have enacted local sales taxes, constitutional and equity problems preclude the levy of local sales taxes in Michigan. Thus, property taxes remain the most viable source of local revenues in Michigan.

**Tax Limitations.** As long as this remains the case, tax limitations will continue to play a significant role in local government finance. Tax limitations were adopted on several occasions during this century, often because the previously adopted limitations allowed loopholes or otherwise failed to adequately limit property taxes. The result is a complicated system of tax limitations about which even the most knowledgeable about Michigan property taxes are confused. The system would benefit greatly from a codification and clarification of these constitutional and statutory provisions to remove any ambiguity

and to make the limitations more applicable to current circumstances.

**State Aid.** Finally, state aid has grown to play an ever-increasing role in local government finance. Three (school aid, revenue sharing, and community mental health) of the four (transportation being the fourth) major state aid programs have been amended to base distribution on a greater definition of need. It would serve both state and local governments for these efforts to continue.

One truism of government finance is that power begins with the purse strings. If state aid is to continue to play a major role in funding local government services, the accountability for use of taxpayer dollars that would normally fall upon locally elected officials will fall upon elected state officials. For state taxpayers dollars to be used effectively and efficiently, the distribution of those dollars must direct the greatest funding to those local units with the greatest needs.

**The Future.** Local governments need to consider the big picture relative to state aid. First, they need to promote circumstances that lead to efficiency and effectiveness in the use of taxpayer dollars. With the competition that local governments face for resources, the best chance for success might be to strengthen their hands by combining with other units.

Second, local governments need to consider the probable consequences to local finances should the state encounter fiscal pressures. Absent raising taxes, state governments have tended to adopt two responses to fiscal pressures: 1) divest themselves of some functions by passing them on to other levels of government, or; 2) reduce spending on activities for which alternate funding sources are available.

Because of the state spending requirements imposed by the Headlee Amendment, the first response would not be an option in Michigan. The State cannot cut state spending by passing unfunded mandates to local governments.

Thus, a more likely response to state fiscal pressures would be to reduce spending on activities for which alternate, independent sources of support exist. State aid is just such an activity. Local governments benefit from state aid, but they have their own taxing authority that would allow them to raise revenues independent of the state. With pledges made to provide state funding for schools, it is less likely that school aid funding that would be cut before unrestricted state revenue sharing. To position themselves financially so that any cuts in state aid do not devastate their budgets, local governments need to pursue the changes addressed throughout this paper:

- The number of local governments competing for limited resources could be reduced and small local governments could consolidate with other units to expand the base of local resources.
- By adopting governance structures led by an executive, economies and efficiencies could be pursued to operate in a more business-like prior to the occasion of any fiscal pressure.
- By rationalizing the functions of local government to eliminate overlap, state resources could be directed to those units providing the services the state determines to be most essential.
- By regionalizing whatever functions possible with county government, the resources of the region are best optimized to create the greatest economies.
- The distribution of state aid must direct the greatest funding to those local units with the greatest needs.

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