
ANNUAL REPORT 2016

FROM THE FOUNDING DIRECTOR

To Our Stakeholders:

The Center for Local Government Finance and Policy is based on a nearly three-quarters of a century tradition at Michigan State University Extension and the Department of Agricultural, Food and Resource Economics and their engagement with Michigan's state and local governments. Over that time, numerous dissertations and theses have been produced regarding local finance and other state and local policy challenges. For example, in 1932, a master's thesis was written entitled, "A taxation study of representative farm townships in Lenawee County" by James Jacklin. MSU Extension has been engaged in a half century of education and training with Michigan local governments. Faculty and staff like Lynn Harvey, Ken VerBurg, Al House, Sandra Batie, Allan Schmid, Mark Skidmore, Soji Adelaja, Steven Miller, John Amrhein, Richard Wooten, Terri Gibb, Beth Moore, Julie Pioch, Kurt Schindler, Mark Wyckoff and many others have been engaged in these critical applied research and education efforts.

The center builds on the work of all of these folks and more. Our goal is to sustain and institutionalize a research, extension and outreach, and teaching focus on state and local governments in Michigan, nationally and internationally. Our simple mission is to be a leader in the production and dissemination of the best research and teaching on issues of local government finance and related policy issues. As the center builds, we will continue our work through a broad and diverse network of affiliates from within and without MSU. I also want to thank our key partners beyond MSU including the Mott Foundation and Pew Charitable Trust and the Michigan Association of Counties and our Advisory Board.

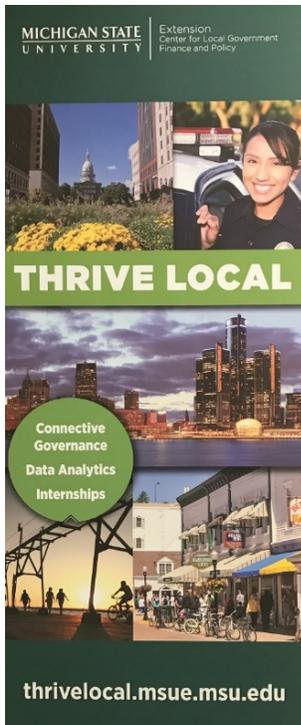
I am currently on leave from MSU to serve as Deputy State Treasurer for Finance at the Michigan Department of Treasury. This opportunity affords me a chance to give back to our state and provide leadership for our local government community. I want to thank Robert Kleine for stepping in to serve as interim director in my absence. I look forward to my return and for building the center into a long-term institution that can serve the residents of Michigan and beyond.

Eric Scorsone

Founding Director (on leave serving as Senior Deputy Treasurer for State of Michigan)

Why this Center is needed from former State of Michigan Treasurer Robert Kleine

In 2006, the Governor's Task Force on Local Government Services and Fiscal Stability issued a [report](#) that included a number of recommendation aimed at improving intergovernmental cooperation and the long-term fiscal stability of local governments. One of the recommendations was to create and



fund a State Commission on Local Government Sustainability and Intergovernmental Cooperation and a Center for Intergovernmental Cooperation that would serve as the staffing and research arm for the Commission. The Center would be created in cooperation with several universities and other interested parties. This recommendation was never acted on, but the need was clear then and is even clearer today as the fiscal health of many local governments has declined even further since 2006.

Many states have government agencies or independent organizations that conduct research on local government issues and develop recommendations for improving the delivery of services and the fiscal stability of these governments. In Michigan this role is mainly filled by the MSU Center for Local Government Finance and Policy. The Center not only provides independent, in-depth research but also responds to requests from local governments for financial and economic data and best practices information and provides training for county officials and state legislative staff. Recent research includes studies on Legacy costs, fiscal distress indicators, the ability of local governments to deliver services, county revenue sources in other states, county revenue sharing, and the impact of the Headlee millage rollback provision on county property tax revenues.

The Center does not have the resources to provide all the services recommended by the 2006 Task Force report, but the long-term plan is to expand the ability of the Center to largely fulfill the role envisioned for the Center for Intergovernmental Cooperation. It is my pleasure to serve as Interim Director of this new initiative.

Robert Kleine

Interim Director, Center for Local Government Finance and Policy

The success we have achieved in our first year could not have been achieved without:

- Our long-term MSU funders and partners – MSU Extension, MSUE Greening Michigan Institute, Department of Agricultural, Food, and Resource Economics, and the University itself.
- Our external funders and partners -- Mott Foundation and Pew Charitable Trusts

Thank you, all!

Inside this annual report you will find details of the exciting research and educational opportunities underway and still to come that support our five-year strategic goals for the Center for Local Government Finance and Policy. These include:

- Publishing the 5th Edition of the *Guide to Michigan County Government*
- Addition of a full time MSU Law Fellow focused on our portfolio of strategic research services

- Convening a multi-state Sustainable Local Government Workgroup that shares policies and strategies states use to address common concerns, including early fiscal stress warning systems for local units and schools
- Continuing and expanding all of our basic services –strategic planning, performance measurement, benchmarking, pension and OPEB analysis and financial trend analysis

Over the next five years, the center will focus on the following goals below that we believe will lead to substantial and measureable impact towards the Center’s overall vision and the vision and mission of our parent organization, MSU Extension. Each of these goals is designed to create a positive impact that improves the well-being of Michigan local governments.

LEADER IN STATE-LOCAL FISCAL POLICY

The state government is the architect of the system that defines the fiscal, operational, and legal framework within which local governments operate. Within this system, local governments have a variety of choices that they must make, as well as mandates they must follow to sustain operations and activities over time. These choices include tax options, revenue sharing, spending and service responsibilities, legacy cost commitments, and intergovernmental cooperation. Our research and educational programming is grounded in the goal of healthier fiscal relationships between the state of Michigan and its local governments.

Current applied research including *Service Solvency: An Analysis of the Ability of Michigan Cities to Provide an Adequate Level of Public Services* (2017), builds off of recent work including, *Beyond State Takeovers: Reconsidering the Role of State Government in Local Financial Distress, with Important Lessons for Michigan and its Embattled Cities* (2015), and *The Flint Fiscal Playbook: An Assessment of the Emergency Manager Years (2011-2015)* (2015) which was featured in *Time Magazine*. The impact and importance of the Center’s applied research, including an analysis of the *Consequences of Eliminating Michigan’s Individual Income Tax* (2017) and *County Revenue Options* (2016), is recognized by state and local leaders as well as the media.

The MSU Extension Center for Local Government Finance and Policy convened a steering committee of 11 universities and organizations from across Michigan and hosted a conference on Michigan’s Municipal Water Infrastructure: Policy Choices and Issues. Its goal was to bring a voice of academic research and analysis to the topic of municipal water policy in the state, especially in the wake of the Flint water crisis.

Center staff provided administrative support and topic area expertise to the *Flint Water Advisory Task Force* commissioned by Michigan Governor Rick Snyder. The task force was charged to report its findings and recommendations regarding the Flint water crisis, which began in April 2014 when the Flint River water was used as the drinking water source for residents of the City of Flint and was improperly treated, thereby exposing residents to high levels of lead in their drinking water.

The Sustainable Local Government Workgroup, comprised of approximately 15 different states’ officials responsible for oversight of their state’s local governments, was convened to share their state’s strategies for detecting, preventing and addressing local fiscal distress. The convening of this unique workgroup has been supported by the Mott Foundation and Pew Charitable Trusts for the past three years.

SEEKING SOLUTIONS FOR LEGACY COST CHALLENGES

Legacy costs are one of the biggest financial challenges facing local governments in Michigan. The two biggest legacy costs are pensions and other post-employment benefits (OPEB), specifically retiree healthcare. Current research on these challenges includes, *Legacy Costs Facing Michigan Municipalities (An Update to the 2013 MSU Report: Funding the Legacy – The Cost of Municipal Workers’ Retirement Benefits to Michigan Communities)* (2016)

The Center is currently hosting a MSU Law Fellow, funded by the Michigan State University Provost and MSU Extension. Later this year the Center will release a comprehensive and timely report on public pensions in Michigan and the myriad issues associated with these benefits.

Center staff are serving or have recently served as members of the East Lansing Financial Health Review Team, the Lansing Financial Health Team, the Governor’s Workgroup on OPEB and Pension Reform and the Governor’s Task Force on Responsible Retirement Reform for Local Government. Our role is to provide access and awareness of the latest applied research on Michigan legacy costs to assist public policy deliberation.

EXPAND MICHIGAN COUNTY GOVERNMENT PARTNERSHIPS

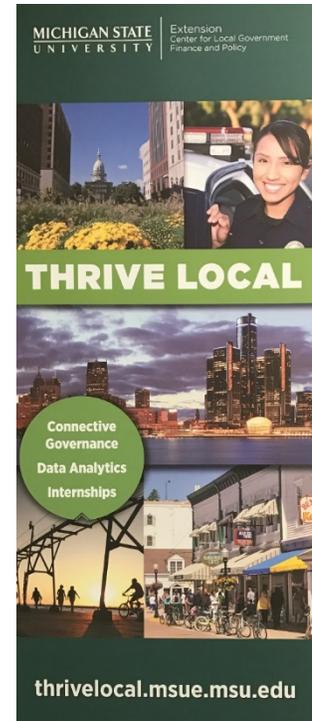
We are continuing our nearly 50-year partnership with the Michigan Association of Counties (MAC) to introduce newly elected commissioners to their role in county government through state-wide commissioner trainings. Nine extension educators across the state located in county MSU Extension offices delivered this extensive curriculum covering pertinent topics, including board operations, rules and parliamentary procedure, county administration and departments, courts, budget policy and process, planning and economic development.

The Center for Local Government Finance and Policy has inherited the responsibility of publishing the fifth edition of the *Guide to Michigan County Government*. It is an honor to maintain this seminal resource MSU Professor Kenneth VerBurg first published in 1972. The Guide provides both general information and serves as a reference manual with statutory references on county government in Michigan.

Building on the on-going budgeting and fiscal sustainability management workshops provided to county government officials, the Center is working to expand curriculum opportunities over time that provide an array of educational and applied research tools in such areas as law enforcement, courts, social and health services, general governance and meeting management.

FOSTERING STRATEGIC THINKING IN LOCAL GOVERNMENT

The Center has continued to provide technical assistance to governments on issues such as budgeting transparency, performance based budgeting, and the use of data in government decision-making. Governments continue to face pressure to be more transparent to their citizens and to encourage a more active and engaged citizenry.



MSU Government and Public Policy Extension team affiliates of the Center continue to work with local governments and their communities, facilitating processes that encourage strategic planning, civic engagement, and developing clear strategies for community and economic development. Programming examples include, in Mason, Lake, Oceana, and Newaygo counties an affiliate facilitated economic alliance development sessions which included a civic forum in which residents of the four counties identified priority areas for cooperation and developed action plans to achieve their goals collaboratively. In Emmet and Grand Traverse counties affiliates are assisting the County Board of Commissioners and department heads on developing a clear strategic vision for their county. In Lenawee County, an affiliate is facilitating a county-wide visioning process sponsored by the county government, and in partnership with many of the local government units; to date, almost 200 residents have participated in civic forums, sharing their visions for how to make Lenawee County a better place for all to live, work, and play. In Wexford and Antrim counties, an affiliate held workshops for the Wexford and Antrim County Board of Commissioners on components of extraordinary governance. These processes not only help engage the community in economic and community development efforts, but by engaging the public, trust is built between local government and their residents.

The Michigan Department of Treasury will soon launch a new local government financial dashboard, MI Community Financial Dashboard, to facilitate citizens' access to local government financial information. Center staff helped develop the original data portal that is the foundation for this new platform.

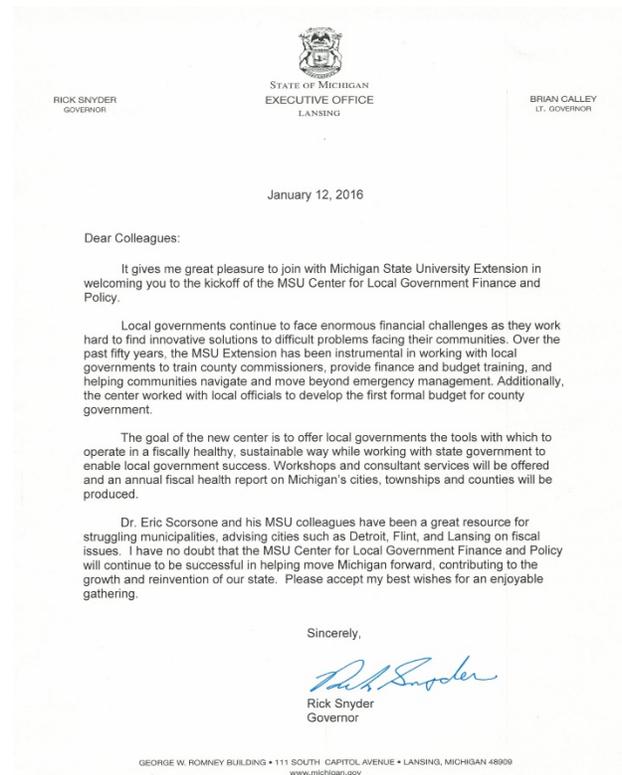
Acknowledgements

2016 Gordon Guyer Cross Institute Team Award

As a member of the Michigan State University Extension Flint Water Emergency Response Team, the center and various affiliates were recognized for their outstanding work in responding to the Flint water emergency.

2016 USDA Abraham Lincoln Honor Award

Director Eric Scorsone and his team members at the MSU Extension Center for Local Government Finance and Policy have been recognized by the U.S. Department of Agriculture for their work in the midst of the water crisis in Flint, Michigan. The team received the 2016 USDA Abraham Lincoln Honor Award, the most prestigious award presented by the Secretary of Agriculture, to recognize "exceptional leadership, contributions or public service by groups who support the mission and goals of USDA."



MSUE Center for Local Government Finance and Policy Staff

Robert Kleine, Interim Director

Mary Schulz, Associate Director

Samantha Zinnes, MSU Law Fellow

Rosa Soliz-McKelvey, Communications and Logistics Associate

Advisory Council members

John Elsinga, Manager, Delhi Charter Township

George Lahanas, Manager, City of East Lansing

Jody Lundquist, Finance Director, Grand Traverse County

Robert Showers, Chairperson, Clinton County Board of Commissioners

Janice Beecher, Director, MSU Institute of Public Utilities

David Ivan, Director, MSU Extension Greening Michigan Institute

Joshua Sopotichne, Associate Professor, MSU Department of Political Science

David Schweikhardt, Professor, MSU Department of Agricultural, Food and Resource Economics

Contact Us

For more information about the center, or how it can work with your community to improve its fiscal health, please contact Associate Director Mary Schulz at schulzm2@anr.msu.edu or (517) 355-2160.

Visit our website www.thrivelocal.msue.msu.edu to learn about our Government and Public Policy MSU Extension team affiliates and their areas of expertise.

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