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# Local governments struggle to maintain necessary services

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Of The Daily Oakland Press

About this series

In a two-day series that ends today, The Daily Oakland Press takes a look at the problem, effects and possible solutions.

Some Rochester Hills streets blanketed with snow didn't see plows for days.

The Waterford Township Police Department hasn't hired any new officers since July 2002.

And in communities across Michigan, recreation and other programs are taking hits as the state's cyclical and structural deficit deepens.

While there are a number of factors affecting local budget woes - such as a sluggish economy and restraints on property tax collection because of Proposal A and the Headlee Amendment - cuts in state revenue sharing are hitting some municipalities hard.

Arnold Weinseld, director of state and federal affairs for the Michigan Municipal League, said Michigan has lost 1,100 police officers from its streets since the Sept. 11, 2001, terrorist attacks because of cutbacks local communities have had to make.

"There are examples of communities all across the state, not just Oakland County but all over southeast Michigan, that have left positions unfilled ... they're cutting recreation programs," she said. "They're looking to maximize budgets as much as they can.

"It has a huge impact."

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In fiscal year 2000-01, Michigan doled out \$1.5 billion in revenue sharing funds. That figure, which had risen for years, has steadily declined since due to state revenue shortfalls.

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Revenue sharing is projected to be spared from cuts in fiscal year 2005-06 and remain at this fiscal year's amount of \$1.1 billion. Greg Bird, spokesman for the state budget office, said Gov. Jennifer Granholm did not reduce the funds in her budget proposal because of the cuts in past years, and because municipal funding is a priority.

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Through Michigan's revenue-sharing program, some sales tax collected by the state goes to local governments.

Many municipalities put the money into their general fund, which is used to help cover the costs of basic services and personnel.

Weinseld said state revenue-shared funds can make up 25 to 40 percent of a municipality's general fund.

The roughly \$400 million drop in shared funds over the last four years has meant consolidated or reduced services in many communities.

"For most units of local government, revenue sharing is their second largest source of revenue after property taxes," said Earl M. Ryan, president of the Citizens Research Council of Michigan. "When it does not grow, but is actually cut, it puts great strain on most local budgets. In many cases, it's resulting in cutbacks in local services."

Rochester Hills, for instance, is grappling with finding funding for local road maintenance, a problem compounded by the cuts. In 2001, the city received \$6,541,567 in state revenue shared funds. The amount for fiscal year 2004 dropped by more than \$1 million.

Local road maintenance has been largely funded in recent years by transfers from the general fund, as well as transfers from other funds and bonds. But as the city looks to operate more efficiently, the transfers to local roads from the general fund fell from \$500,000 in 2004 to \$25,000 in 2005. Meanwhile, residents voted down in November a 2.9213-mill proposal for local roads.

As a result, some road workers were moved to other areas within the Department of Public Services, and are only allowed overtime in an emergency. When several inches of snow fell just before Christmas, some neighborhood streets weren't plowed for six days.

In anticipation of cuts, Mayor Pat Somerville said she told department directors that they have to operate on the same amount of money allotted to them in 2004 and 2005, with some exceptions in the area of public safety. Also, some vacant positions remain unfilled.

In Troy, officials have started reducing the number of full-time city employees through attrition. Parks and recreation fees have risen over the last few years, and there will be another increase in building permit fees beginning May 1 that is expected to raise an additional \$300,000 to \$400,000.

The city so far has not had to chip away at public safety or other essential services, said John Lamerato, assistant city manager for finance and administration. Though no cuts are proposed, he said it is evaluating non-essential services, such as the library, museum and recreation programming.

Ron Fisher, an economics professor at Michigan State University, said part of the problem is communities' reliance on the state. He said the share of local government revenue that comes

from state aid here is slightly higher than the national average.

And while governments depend heavily on property taxes, Fisher said Michigan is one of the top five or so states where the collection of those taxes, due to Proposal A and the Headlee Amendment, is the most restricted.

No Michigan cities have local sales taxes like those in some other states.

"It's sort of a natural problem. If the rules say that local government is limited in being able to fund themselves, and at the same time, the state government is unable to fund local government services," then services suffer, Fisher said.

Cuts in state revenue sharing, plus caps on property tax collection and increased retirement and pension costs, have impacted Waterford Township. The police department, for instance, which would have been buoyed by a millage proposal that failed in November, has not replaced an officer in 21 □ 2 years, said Robert Seeterlin, director of fiscal and human resources. It has 78 sworn officers, compared with 96 in 2001.

Two employees in other departments have been laid off.

Seeterlin and other officials have said based on the budget, municipal funding seems to be a shrinking priority.

Bird disagrees.

"The governor believes that in these difficult budget times, we should maintain revenue sharing to local units of government because they provide services such as police and fire that are very important," he said.

"Obviously, we're hopeful that the health of Michigan's economy will improve," he said. "But again, we need to, as we do (with) all programs within the state's budget, we need to look at it on a year-to-year basis."

Weinseld said the Michigan Municipal League is expecting Granholm to issue an executive order soon announcing the formation of a municipal finance task force. He said it will work with the Legislature and local governments to shed light on funding problems.

"It's starting to really come down to crunch time," he said. "Communities have really done just about all they can."

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