Improving Delivery of Local Government Services

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Executive Summary

The industries that built Michigan are in decline, and they will not likely be the source of economic revitalization in the state. Michigan must transition to a diverse economy, attractive to new industries, where the application of knowledge by highly educated people—not mass-production manufacturing—drives growth and prosperity. Local units of government, including counties, school districts, cities, villages, and townships, are responsible for delivering the services that shape the business environment and quality of life in their jurisdictions. They have a significant role to play in building a state that is once again an area of prosperity and opportunity.

Unfortunately, Michigan's local governments are struggling to provide basic services, let alone a level of services that inspires the confidence of investors and the loyalty of potentially transitory residents. Limiting local governments are (1) an organizational structure that narrows the decision-making scope and authority of local leaders and (2) a chronic decline in revenue. To overcome these challenges, officials often seek to either increase tax rates or cut service provision, neither of which is a sustainable solution. To transform shrinking communities into growing economies, state and local leaders need to adopt a regional perspective. Strong regional planning authorities should direct development activities for coordinated, not competitive growth. And local government should provide services at a multi-community level in order to eliminate redundant costs. Improving services through inter-local collaboration will improve the development environment, making whole regions more prosperous, relieving fiscal pressure, and allowing the level of service provision that residents and business owners expect.

This report identifies many ways in which the state can help local units of government develop regional identities and increase collaboration. Solutions include:

- Restructuring state government to better facilitate a regional approach to development by combining the local government–focused functions of several state agencies into a single Michigan Department of Regional Planning and Support
- Adopting a vision and goals for economic competitiveness so regional entities have a framework for coordinating their development plans
- Increasing consistency in the economic and community development process among local units of government
- Restructuring and expanding the role of regional governance entities
- Providing incentives for regional collaboration
- Providing incentives and assistance to increase collaboration among cities, villages, and townships on provision of capital-intensive services
- Providing incentives to encourage local governments to contract with a higher level of government to perform technical services
- Removing legal barriers to functional consolidation for the provision of services

This report challenges state leaders to take bold steps to support and empower local decision makers so they can lead Michigan toward a brighter future.

Introduction

In the last century, a booming automotive industry built factories and jobs in Michigan. People moved here from across the country to create a thriving state. There was little discussion of fostering economic growth and controlling development because the economic future of Michigan appeared to be self-evident. But the industries that built Michigan are now struggling, and they will never return to their twentieth century glory. Nor is it likely that any single major industry will appear to fill the void. Instead, the state must begin to foster an economy that is multisectoral, that requires a broader array of labor skills and community resources than in previous decades, and that varies from one metropolitan area to another. This places local units of government, including counties, school districts, cities, villages, and townships, on the front lines of Michigan’s fight to rebuild. Local governments are in a position to foster new industries, support new entrepreneurs, and create the kind of living environment that will attract new workers. To accomplish this they need leadership and support from the state in order to be successful.

Unfortunately, Michigan’s local governments are struggling to provide basic services; let alone a level of services that inspires the confidence of investors and the loyalty of potentially transitory residents. Local governments are being undermined by two related and important problems. The first is an organizational structure that limits the decision-making scope and authority of local leaders, and thus limits their ability to make innovative, forward-looking decisions about resource management and service delivery. Many critical services that cannot be properly executed at a small scale are currently provided in an uncoordinated fashion by independent units. These include providing multimodal transportation options, attracting tourism and trade, land use planning that results in thriving urban centers and protection of rural and natural areas, and effective education systems. Such services and issues cross jurisdictional boundaries and need to be addressed at an appropriate level.

The second problem facing local governments is a chronic decline in revenue. Once thought to be insulated from sharp downturns in economic cycles, Michigan’s local governments have lost more than $3 billion from state shared revenues over the past eight years and, in many urban parts of the state, have suffered another blow from declining property tax revenues (Strolarz 2009). Property values in some urban parts of the state have declined by double-digit rates for multiple years, and the surplus of foreclosed properties yet to come back on the market will continue to keep property values from recovering anytime soon. Even when housing prices begin to recover, property tax limitations will retard the ability of local governments to fully realize gains.

The independent approach to providing local services is expensive and inhibits growth over the long term, leaving communities prone to recurring episodes of financial stress and making them unattractive places to do business. In order to inspire confidence in the private sector, Michigan needs to demonstrate that it understands the way modern economic clusters grow and prosper. The fastest-growing economies in the United States in recent years, including California, Florida, and New York have already adopted a regional approach to managing their economies. Closer to home, states like Indiana and Minnesota are also moving toward regionally managed economies. Like those states, Michigan has several integrated metropolitan areas, each spanning several communities, which are driven by different industries with different needs. The regional planning and development organizations that exist in Michigan need to correspond to those naturally integrated areas. These entities should have the appropriate jurisdiction and authority to manage resources, direct road, water, and energy infrastructure maintenance and expansion, and provide regional-level development plans that act as the planning roadmap for local entities. In addition, regional bodies should coordinate agreements among local governments to share resources, services, and financial strategies that can improve local service delivery and reduce waste.

Our vision is not to replace local governments with regional ones, but to build an environment in which local governments work together, rather than wasting effort and opportunity through competition and redundant development. According to a 2005 Citizens Research Council of Michigan (CRC) report, Michigan is already a state in which local governments collaborate by consolidating functions in many areas. Michigan has more than 75 laws that authorize local governments to collaborate in the provision of services. Those laws have been used in various instances to jointly provide nearly every type of local government service. The survey found that the extent of collaboration varies among types of local governments and between urban and rural areas of the state, but on the whole, local governments collaborate most frequently for the provision of fire protection, libraries, water and sewer, and transit.

Michigan needs a vision that turns these examples of cooperation into the rule. A statewide transition to consolidated service delivery—as opposed to consolidated jurisdictional authority—especially in more densely developed areas, will lead Michigan to a more profound change: adopting a generally collaborative approach to economic development. This realignment of services need not threaten the boundaries that define Michigan's local governments or the school districts that create community identity for many. This report recommends promoting voluntary collaboration among government units to take advantage of coordinated and effective approaches to build strong, vibrant communities that are attractive to the knowledge-based businesses that thrive in the New Economy. To achieve such an arrangement, structures for collaboration must be created, incentives to spur interest put in place, and barriers to collaboration removed. Details regarding these policies are described separately in the following two sections.

The recommendations presented in this report focus on creating new incentives for restructuring relationships among local governments within defined economic regions, and an innovative restructuring of the relationships between local and state government. A requirement that services be provided by a level of government different than is currently the case could necessitate a change in state funding. In most cases, this report recommends reforming statutory spending regulations or seeking outside funding to establish revolving loan funds or other conservative funding mechanisms. However, if the changes recommended in this report do not lead to the improvements envisioned, state and local government officials should consider constitutional and statutory changes to reform the institutional structure of local government and the state's ability to direct the flow of funding.

This report was developed based on research conducted by Public Sector Consultants (PSC) and the Citizen's Research Council of Michigan on existing local government efficiency efforts both in Michigan and in other states with similar government structures (such as Indiana, Maine, New Jersey, and New York). A summary of this research is provided in Appendix A. To further inform the report, PSC and CRC twice convened a panel of local government experts to brainstorm and recommend structural reforms that will increase the efficiency and effectiveness of local government through legislative (not constitutional) action. This report has been modified, to some extent, to reflect the comments received from the panel of local government experts, but has not been formally approved by them or their respective institutions. In addition to PSC staff (Bill Rustem, Ken Sikkema, Julie Metty Bennett, Laura James, and Krishnan Sudharsan) and CRC staff (Bettie Buss and Eric Lupher), experts who participated in the meeting were:

- John Czarnecki, Clinton County Economic Alliance
- Liz Gerber, University of Michigan
- Greg Northrup, West Michigan Strategic Alliance
- Eric Scorsone, Michigan State University
- Conan Smith, Michigan Suburbs Alliance
- Mark Wyckoff, Michigan State University

Research reports and other materials distributed at the meetings can be found on the Public Sector Consultants website at *https://janus.pscinc.com/DetroitRen/*.

A Regional Approach to Development

Michigan's system of local government involves more than 1,850 jurisdictions planning and acting independently, which creates challenges for economic growth. Individual units lack the authority, scope, and resources necessary to address many of the major challenges and opportunities related to economic prosperity, such as determining the framework for regional multimodal transportation systems or effective education systems. These pressing issues cannot be solved by independent jurisdictions acting alone. To overcome the challenges of our fragmented governance structure, changes are needed in state policy to encourage regional collaboration.

Recognition of regions as competitive units is already occurring—both within and outside of Michigan. This transformation is occurring on different levels and at different speeds. Within Michigan, public and private sector stakeholders have recognized the strategic benefits of collaboration, and have already formed natural regional economic units. Examples include Automation Alley in Southeast Michigan, the Lansing Economic Area Partnership, Northern Initiative in the Upper Peninsula, the Grand Vision being developed in the Traverse City area, and the Western Michigan Strategic Alliance in the Grand Rapids area. Elsewhere, Indiana, Maine, New Jersey, and New York are among the states that have local government structures similar to Michigan's and are making efforts to move toward more regional provision of governmental services. The changes recommended in this report attempt to learn from and build on the successful efforts that have already taken place to create new opportunities to create an effective and efficient structure for providing local government services.

To encourage a regional approach to economic development, the state must:

- Restructure state government to better facilitate a regional approach to development
- Adopt a vision and goals for economic competitiveness to guide and coordinate regional efforts
- Encourage a coordinated and consistent development process
- Expand the role and authority of regional governance
- Provide incentives for regional collaboration

RESTRUCTURE STATE GOVERNMENT TO BETTER FACILITATE A REGIONAL APPROACH TO DEVELOPMENT

The way the state interacts with local governments can have a persuasive effect on how local officials approach collaboration with neighboring or overlapping governments. Although there are instances of collaboration between local governments, the practice has not occurred at the scale necessary to tackle the critical issues that will move us toward economic prosperity. Many different state agencies have technical and financial assistance programs that support economic development at the local level, such as the Michigan State Housing Development Authority (MSHDA) technical assistance program, the Michigan Department of Environmental Quality (MDEQ) State Revolving Fund, or the Michigan Department of Transportation (MDOT) road funding/planning. Combining the local government–focused functions of these agencies along with those of

Treasury, and the Michigan Department of Energy, Labor & Economic Growth into a single Michigan Department of Regional Planning and Support (MDRPS) would help focus state assistance to local governments and coordinate the relevant investment and technical assistance programs at the state level.

This new state agency would be tasked with achieving many of the recommendations in this report as well as identifying and pursuing outside sources of funding for regional initiatives. Federal grants and private investment funds for community development initiatives and infrastructure are increasingly being directed toward areas that show improved governance, especially in terms of future planning. The federal Economic Development Administration has hundreds of millions of dollars available each year through seven established funding mechanisms—not including stimulus funding recently added to its budget—that are targeted to regions across the country trying to emerge from economic hardship. If Michigan does not adopt a regional approach to economic planning, the state is doing itself a general disservice and at the same time neglecting a simple way to qualify for much-needed capital investments. Such funding is being overlooked by Michigan largely because the appropriate body to pursue and receive it does not exist.

ADOPT A VISION AND GOALS FOR ECONOMIC COMPETITIVENESS

Coordination must begin with state leadership. It is important for regional efforts to be grounded in and guided by a carefully and strategically crafted vision for Michigan, based on the state's assets and strengths. Without a common vision and goals, the state and its regions, counties, cities, villages, and townships continue to work independently and miss out on the benefits of joining together for a common purpose. To achieve coordinated economic development at the regional level, Michigan must adopt a vision for the state's future and specific goals for development and growth. Once a vision for development is outlined at the state level, regional entities have a framework for coordinating their development plans. Many states have adopted a common vision and goals, and many Michigan legislative and gubernatorial commissions have suggested a vision and goals for the state. Examples can be found in Appendix B.

INCREASING CONSISTENCY IN THE DEVELOPMENT PROCESS

The planning and development approval process is an integral part of economic development. As an initial step toward a regional approach to economic development, the state should make the development process consistent among all local governments, while still allowing them to play a major role. Creating a process that minimizes uncertainty and is timely and easy for prospective new or expanding businesses to navigate will build investor confidence and make Michigan's communities more attractive for economic development. Changes to state policy that would improve the development process are described below.

Establish Statewide Content and Definition for Zoning Codes

One way in which to increase the efficiency of the development process in Michigan is to create consistency in zoning across jurisdictional boundaries. Currently, Michigan's Zoning Enabling Act neither provides for nor requires the use of standardized contents and definitions within a zoning ordinance. As a result, terms used in zoning codes, like "density," are often defined differently from community to community or not defined at all. This requires developers to learn and adapt to different zoning ordinances and requirements. It also results in ambiguity and the involvement of the judicial system to establish clarity. Michigan has long been among the states with the largest number of appellate court decisions on local planning and zoning issues (PSC 2003). Appellate courts are commonly called upon to interpret the law in land use disputes between the public and private sectors. This results in significant delay, uncertainty, and added expenses for local governments, developers, and residents. Requiring common content and definitions for zoning codes would help streamline the development process.

Encourage Use-by-Right Zoning

Under use-by-right zoning, projects that meet a community's zoning and development standards are expeditiously approved by the zoning administrator, typically within a day or two. This process differs from special use zoning, which for all projects requires that the zoning administrator review the project, notify the public about the project, and forward it to the body specified in the zoning ordinance for review and decision (planning commission, governing body, etc.). In addition, nearby residents and property owners can petition for a public hearing on the application if the ordinance doesn't already require one. State incentives that encourage use-by-right zoning for industrial and business uses would streamline the development approval process. Speeding up the approval processes is a better reflection of and more conducive to the operations of the development community, and areas that have a timely approval process are more attractive for development.

The Michigan Association of Planning, at the request of MDOT, has convened a multistakeholder group to design a new, streamlined process for review of large development that balances public and private interests. It should be more widely examined and, if beneficial, widely promoted.

Encourage "Redevelopment Ready Community" Certification Program

Because of the complications associated with redeveloping properties and the misperception that redevelopment is overly bureaucratic, many investors choose to avoid these areas (Swarz 1994). For Michigan to grow economically, communities that have a significant pool of redevelopment sites need to be able to engage in dialogue and make prompt decisions with a potential investor. Redevelopment Ready Communities (RRC) is a program developed by the Michigan Suburbs Alliance (MSA) that certifies cities for incorporating redevelopment best practices into their daily development processes. RRC helps cities address zoning regulations that may prohibit new types of opportunities, review internal procedures, and encourage more proactive actions that articulate a vision for growth by engaging the community earlier in the planning process. Communities in the RRC program move through an eight-step process, supported with technical assistance from the MSA. The redevelopment processes of participating cities are evaluated for a score and narrative report. Communities must earn 80 of 100 points to be certified Redevelopment Ready, a brand recognized by developers that signals that decisions in the community will be predictable, fair, and efficient. These concepts should be incorporated at the state level and communities across Michigan should be encouraged to implement this program.

RESTRUCTURE, EXPAND, AND SUPPORT THE ROLE OF REGIONAL GOVERNANCE ENTITIES

No single existing unit of government has the scope, information, or power to prepare an informed, effective development plan to help Michigan overcome the economic stagnation that is the root of most of the governance issues in the state. Empowering regional authorities, especially in urban regions, allows a single planning agency to pull from assets scattered across a broader area. Michigan does have 14 regional planning organizations (RPOs), but they are not as effective as they could be. One of the reasons for this is that the geographic areas these organizations serve do not always correspond with the way "natural" economic regions and metropolitan communities actually interact and function. The boundaries of Michigan's 14 planning and development regions, now 40 years old, should be redrawn to reflect geographies that have similar economic structures and characteristics.

Another challenge for RPOs is that they are not genuinely elected governments accountable to their constituents. They are planning and technical assistance bureaucracies operating under governing boards composed of elected local officials (sometimes supplemented by citizen appointees and state officials). This composition results in a tendency among board members to defend the interests of their specific jurisdiction, rather than what is best for the region. In addition, core community and minority populations can be under-represented on RPO boards. To overcome this challenge, the governing boards of Michigan's RPOs must be directly elected by the residents of their region.

RPOs in Michigan are not given sufficient authority, resources, or responsibility to conduct the activities and deliver the services required to support regional economic development. The state should empower RPOs to define and implement all regional resource use and management plans. Specifically, these entities should prepare regional plans, known as comprehensive economic development strategies,[1] that reflect regional assets while promoting consistency with state goals (see section above regarding goals). The regional organization should also oversee the economic development functions to implement plans, including data gathering and management, job retention/creation/recruitment, entrepreneurial development, business incubation, venture capital formation, etc.

It is logical that RPOs should also oversee other regional resource management planning, including environmental protection plans; greenways plans; transportation, sewer, and

[1] A comprehensive economic development strategy (CEDS) is an economic planning process undertaken in a defined geographic region to create a blueprint for economic growth in that area through job creation, economic diversification, and utilization of regional assets and resources. A CEDS is required by the U.S. Economic Development Agency (EDA) as a precondition for public works and economic adjustment grants, Economic Development District designations, and eligibility to receive ongoing EDA planning grants. A summary of the CEDS requirements can be found at *http://www.eda.gov/PDF/CEDS_Flyer_Wht_Backround.pdf* (accessed 12/16/09).

water service plans (wastewater treatment, wellhead protection, and septic system approval); energy conservation plans; affordable housing plans; emergency preparedness plans; and methods to deal with other issues of greater than local concern. This unit is also naturally placed to provide maps (such as local future land use maps and local zoning maps), data, education, and technical assistance to units of government, residents, and the private sector within its regional service area. Finally, the regional authority should be responsible for compiling and reporting all community capital improvement programs within the region.

For these regional plans to have an effect, they must be implemented at the local level. Local units of government should include an economic development and infrastructure component in their local master land use plan that reflects the regional plan. The threshold of cooperation would be limited in rural townships to not much more than explaining their role in helping to implement a regional economic development plan; but would be more expansive in urban and metro areas. While local plans should reflect local priorities and assets, they must be consistent with the strategic regional economic development plan. Once the local master land use plan is prepared and adopted, local zoning should be consistent with the master plan.

The state could further support the restructured and empowered RPOs by aligning relevant state agency functions, services, and resources to reflect regional boundaries.

PROVIDE INCENTIVES FOR REGIONAL COLLABORATION

Given Michigan's economic condition, particularly the grim state budget situation, financial incentives for regional collaboration are difficult to propose in this report. That said, two incentives that do not require new revenue but would instead redistribute existing revenue, are recommended: allowing for regional tax-base sharing and changing the distribution formulas for all restricted revenue-sharing programs.

Improve Ability to Engage in Tax Base Sharing

Implementing a regional vision at the local level in Michigan is nearly impossible with the state's current property tax structure. In Michigan, local governments are funded primarily through property taxes. Income taxes are levied by 22 cities, and a few other taxes help bring in revenues, but cities, villages, and townships all depend on property taxes for the bulk of their funding. Because governments levy property taxes individually, these local governments are pitted in a battle to attract development to maintain the strength of their property tax bases. Interlocal collaboration for the provision of services runs contrary to each local government's self-interest in taking actions to develop its own property tax base.

Tax base sharing is a mechanism that can be used to shift the priority of local government officials from their own community's advantage to that of the region. Instead of offering tax abatements and other incentives to ensure that the development occurs within their own borders, these officials can shift their interest to bringing the development to the region because tax base sharing would allow all participating communities to benefit from growth in the regional tax base. The technique involves designating some part of the assessed value base of local units of government, or of a stream of tax revenues, for inclusion in a regional pool of assessed values or tax revenues that is then divided among all localities in the pool by some formula, usually involving total population and perhaps other variables. Regional tax-base sharing reduces competition among communities for development projects to increase property value and add to their tax bases, since an increase in property value in any one community adds value to the revenue pool shared by all communities. It also creates a fairer distribution of tax benefits from properties created in each community that impose costs upon surrounding communities.

Tax base sharing can take several forms. In some regions, all local governments in the region actually share portions of the tax base. Others regions have moved certain services to a regional body and taxes are levied across the whole region to support those services.

In Minnesota, for example, with the cities of Minneapolis and St. Paul in close proximity and dozens of suburban communities surrounding these cities, efforts to attract development became so competitive that the region was beginning to suffer. The Twin Cities Fiscal Disparities Plan of 1971 (Heinz 2005) was enacted to resolve this competition and over the years has become the nation's largest regional tax-base sharing program. The program pools 40 percent of the increase in all participating communities' commercial and industrial property valuation. Each of the 188 municipalities keeps its pre-1971 tax base and 60 percent of the annual growth of the base since 1971. The balance is shared across the region and is used in part to fund regional programs.

Portland, Oregon, is most widely noted for the growth boundaries that keep development within a defined area. An attribute of the Portland plan significant to this discussion is that Oregon's Statewide Land Use Planning Act enabled the creation of the Portland Metropolitan Service District. A regional tax is levied to support services for which the Metro assumes responsibility, including protecting open spaces; caring for a regionwide park system; managing the garbage disposal and recycling program; operating the zoo, convention center, and other regional facilities; managing transportation planning and the distribution of federal highway funds; and issuing multijurisdictional contractor and landscaper licenses (Metro 2009).

Michigan has some aspects of tax base sharing, but none of them are strong enough to overcome the self-interest in local governments working to attract development to their own communities. Some special authorities, single-purpose local governments that serve two or more communities, are authorized to levy taxes to fund service provision. Whether these special authorities cover wide geographic areas, such as the Huron-Clinton Metropolitan Authority or the several public transportation authorities, or only a few cities, villages, and townships, such as a fire or library district, the revenue from taxes levied by these special authorities benefits all residents when development occurs in any single area within the authority's boundaries.

Michigan also has conditional land transfers that temporarily share growth caused by new development among two municipalities, usually a city and a township. These conditional land transfers are designed to lessen the tension created over threats of annexation that are often caused when developers seek green space that is beyond a city's boundaries but desire city services.

Michigan's laws should be amended to facilitate greater tax-base sharing. As long as local government officials are driven by the need to expand the tax base, the goal of new development will outweigh the benefit of collaboration. A system of tax base sharing similar to the Twin Cities Fiscal Disparities Plan would make development (ideally commercial and industrial) in the mutual interest of all local governments in a region, allowing them to concentrate on achieving economies of scale without regard to how enhanced service delivery would benefit neighboring communities that are now their competitors for development.

Another potential incentive is what John Logie proposed when he was mayor of Grand Rapids: The Metropolitan Rebate. Under this proposal, if residents in a region agree to consolidate local government services they would be eligible to keep a portion of the income tax revenue generated within the region. Eligibility to capture income tax could also be dependant on local units of government adopting and implementing master plans and zoning that adhere to a regional economic development plan.

Create Incentives in Restricted Revenue Programs

In addition to the unrestricted state revenue-sharing program, state funds also are distributed to local governments through restricted revenue-sharing programs. The formulas that distribute funding for the provision of schools, libraries, highways, public transit, courts, and mental health services are designed to equitably provide funds to all local governments engaged in those services. An alternative approach could be structured to create incentives for collaboration in these funding programs. Over the years, structural changes have already transferred responsibility for township roads to county road commissions and combined mental health departments into county-based units. Collaboration already exists among some local governments for the provision of each of these services. Changes to the distribution formulas for all restricted revenue-sharing programs would create incentives for local governments to reevaluate their current service delivery methods and seek opportunities to achieve economies through collaboration.

Functional Consolidation within Regions[2]

Establishing a regional structure with the strength and vision to begin steering regional growth is a critical step toward developing a better business environment and more livable communities. Once in place, regional governance can support local governments as they seek to restructure their service provision to be more efficient, and to cope with growth and demographic change. However, under the umbrella of a regional coordinating body, local governments and school districts will still be responsible for administering local services and ensuring that they are as cost-effective as possible. A proven strategy for coping with change and growth in the need for local services is for two or more units of government to enter into an agreement to provide services jointly. Although regional authority is needed to support and coordinate widespread adoption of such agreements, the legal sanction to restructure service provision already exists at the local level.

In Michigan, local governments have the flexibility to collaborate with other entities in the provision of services when doing so will deliver services more effectively or in a more cost-effective manner. This approach, which allows each collaborator to maintain its identity, is known as *functional consolidation*, and is distinct from a more rigid structural consolidation that involves merging jurisdictional units. In addition to the provisions in dozens of single-topic state laws that authorize local governments to collaborate, Public Act 35 of 1951 and Public Acts 7 (Urban Cooperation Act) and 8 (Intergovernmental Transfer of Functions and Responsibilities Act) of 1967 (Extra Session) provide broad authorization for local governments to collaborate in the provision of any service that they are authorized to provide individually.

By and large, Michigan local governments have recognized the need to become more efficient. The 2005 CRC survey of local government service-delivery methods found that collaboration is used extensively to provide nearly every category of government service (CRC 2005). In many cases, it makes good economic sense for local units of government to collaborate in service provision. They can avoid duplication, benefit from economies of scale and economies of skill, and increase the level of services above what would be possible if the services were provided independently. Despite these apparent benefits, functional consolidation remains the exception rather than the rule. This report identifies several measures the state can take to encourage local governments to pursue consolidation, and to remove obstacles that prevent or discourage consolidation.

To promote functional consolidation among local units of government, the state must

- Provide incentives for horizontal collaboration on capital-intensive service provision
- Provide incentives for vertical collaboration on specialized and technical service provision
- Remove barriers to functional consolidation for the provision of all services
- Empower local officials to participate in functional consolidation

[2] This section is adapted from the November 2008 CRC report, *Approaches to Consolidating Local Government Services*.

HORIZONTAL COLLABOARATION ON CAPITAL-INTENSIVE SERVICE PROVISION

The 2005 CRC survey of local government service delivery methods found that horizontal collaboration (when two or more local governments at a similar level—for example, two school districts, a city and a township; three townships and a city—jointly provide a service) most commonly occurs for capital-intensive services such as fire protection, libraries, mass transit, or water and sewer (CRC 2005). This is likely because the cost of the capital-intensive land, buildings, vehicles, or other items is often prohibitive for single governments but once the service is in place, the marginal cost to provide that service to additional properties is relatively low.

Interlocal collaboration for the provision of capital-intensive services currently occurs throughout Michigan. Many rural areas of the state have made frequent use of fire authorities, library districts, water and sewer authorities, and other interlocal collaboration for capital-intensive services, but this approach to collaboration needs to grow in urban areas as well. In order to encourage local governments to participate in horizontal collaboration, the state should:

- Create common-understanding cost structures
- Allow joint output reporting
- Provide grants for local governments considering consolidation of services
- Allocate statutory revenue-sharing to reward collaboration
- Assist in financing capital assets

Create Common-Understanding Cost Structures

One of the primary obstacles to local governments looking to share services is the lack of consistency in financial accounting. Michigan laws provide for a standard chart of accounts to which local governments are supposed to adhere for financial reporting, and all local governments—general and special purpose—are required to conform to generally accepted accounting principles. Nevertheless, local governments have enough latitude in financial reporting that as a first step in initiating collaboration, before government officials can begin to discuss service levels or staffing and equipment needs, government accountants and sometimes hired consultants have to translate the finances of potential participants so that all financial discussions begin from a uniform understanding.

In Michigan, the state and/or the local government associations may wish to revisit the standard chart of accounts to investigate whether greater uniformity in financial reporting would help to facilitate the process of consolidating government services. Meanwhile, there are other options for making information sharing easier.

For example, Oakland County initiated the Capital and Cooperative Initiatives Revolving Fund (CCIRF) program to cover the professional service costs of independent, third-party consulting agreements to evaluate the business case for each proposed collaborative endeavor. The county is not in a position to require standard reporting, so it enabled a process of performing feasibility studies to create common-understanding cost structures, service levels, and ability of each participating government to contribute to the costs. This program should be expanded and replicated throughout Michigan.

Allow Joint Output Reporting (Caseloads, Responses, etc.)

Joint reporting for services that are provided collaboratively could ease the burden of local government officials. The state requires local governments to report on a number of service levels—such as student activities in schools, police and fire call responses, and environmental actions. The state should adjust reporting needs and processes to allow the collaborating local governments to file a single report, making the administration of these programs more efficient.

Provide Grants for Local Governments Considering Consolidation of Services

Local governments often find that the cost of providing a governmental service can increase in the initial years following functional consolidation rather than decreasing as was the intent. Quite simply, the act of merging service delivery systems can be expensive, with extra costs incurred during negotiation and structuring of the consolidation, and dealing with excess supplies, equipment, and personnel once the consolidation has begun. A grant program could be designed to assist local governments through the difficult transition of consolidating existing services. Policymakers awarding grants could target specific local government services based on the opportunities for savings through horizontal collaboration in capital-intensive services. Grant programs such as this are offered in Maine, New Jersey, and New York and offer the potential to achieve savings through collaboration. Application criteria are tied to specific services. Grant funds should not be tied to implementation, since some studies may conclude that collaboration is not likely to achieve substantial cost savings or enhanced services.

The difficulty in creating a grant program is finding the funding. As most are already aware, the state has spent most of the last decade attempting to stay one step ahead of structural budget deficits and, in recent years, has been hit hard by the national recession. There are no unreserved funds that can readily be redirected to a grant program. Redirecting reserved funds for this purpose, such as funds appropriated for unrestricted state revenue sharing, would necessitate taking funds away from local governments that rely on those funds for their operations. State revenue-sharing funds make up a significant proportion of the funding for these municipalities that cannot be easily replaced from other sources. Thus, a grant program such as this could be designed now for future use when funding becomes more readily available.

Allocate Statutory Revenue Sharing to Reward Collaboration

The State of Michigan shares some of its tax revenue with local units of government. Funding for the revenue-sharing program is based both in the constitution and in law. The statutory portion grew over many years as the state displaced or preempted the ability of local governments to levy taxes. In recent years, as the state has struggled to balance its budget, it has diverted state revenues that statutorily are shared with cities, villages, and townships for other state functions. In the last fiscal year, the statutory program was funded at less than half of what was intended in law: less than $400 million in statutory revenue sharing remains.

There is very little statutory money to share and diverting funds to induce more cooperative ventures would be threatening to many larger local governments. Rather than diverting existing funds, the legislature should set aside a portion of the growth in funds available for state revenue sharing as the budget returns to health. The growth of funding should be used to encourage local governments to cooperate in the provision of functions and services.

Create Incentives in Existing State Funding Programs

The state currently has several economic development investment programs administered by the Michigan State Housing Development Authority (MSHDA), the Michigan Economic Development Corporation (MEDC), the Michigan Department of Transportation (MDOT), and other state agencies. Examples of these include Cool Cities/Centers of Regional Excellence; Transportation Economic Development Fund; MEGA program; Brownfield Redevelopment Grants; Revitalization Revolving Loans; Empowerment, Enterprise, and Renaissance Zones; and the Tax Increment Financing/Downtown Development Authority programs. The formulas that distribute funding for the provision of schools, libraries, highways, public transit, courts, and mental health services are designed to equitably provide funds to all local governments engaged in those services. These programs could be redesigned to create incentives for regional cooperation.

Assist in Financing Capital Assets

Given the frequent use of horizontal collaboration for the provision of capital-intensive services, state policymakers can promote collaboration by reducing the cost of capital items for local governments that collaborate in the provision of such services. One method to accomplish this would be for the state to create a loan fund or revolving fund to reduce the cost of borrowing to acquire or construct capital-intensive items when local governments collaborate.

A loan program could be modeled after Michigan’s School Bond Loan Fund, which allows school districts to take advantage of the state’s bond rating to lower the cost of bonding and to extend the repayment period on bonds approved by local voters. The School Bond Loan Fund thus reduces the cost of capital for participating school districts, but all capital expenditures must still be financed locally. A loan program would allow local governments working in tandem to bond for the acquisition of capital-intensive items using the lowest available credit rating, either their own or the state’s rating.

Similarly, governments coming to a revolving capital fund could borrow for the amounts needed to build or purchase capital-intensive items. The only cost to the state would be for the initial investment in creating the fund. After that the fund should be self-sustaining, with the repayments of local governments providing new funding for future borrowing.

To qualify for these programs, local governments would have to be engaged, or proposing to engage, in collaboration for the provision of services. Some local governments might have bond ratings equal to or better than the state’s, in which case they would have little incentive to participate in such a program. These local governments are likely to engage in interlocal collaboration because of the efficiencies to be gained regardless of incentives. This incentive program should be directed at communities with less taxing capacity that would become more competitive in providing services through collaboration.

VERTICAL COLLABORATION ON SPECIALIZED AND TECHNICAL SERVICE PROVISION

Vertical collaboration occurs when units at varied levels of local government contract to have the higher level of government perform a function for the lower levels of government. This form of collaboration is often employed to share the services of a person(s) with technical skills that warrant a relatively high wage, both in the private and public sectors.

In the private sector, vertical collaboration is common. Corporations are typically structured to have single human resource, information technology, and accounting departments. Divisions, branch offices, franchises, and other arrangements can divide a corporation, but a common administrative structure is in place to handle common functions. In contrast with this streamlined administrative design, Michigan’s local governments operate with their own administrative officials—human resources, assessing, treasury, etc. Each acts as a silo, independently providing these functions.

Vertical collaboration is already occurring for some government services. County road commissions maintain local access roads in townships, and intermediate school districts (ISDs) play a role in provision of special education on behalf of local school districts. These forms of collaboration have become so ingrained in the fabric of service provision that credit is rarely given for the economies gained from these arrangements. Not only should they be recognized, these arrangements should be used as models for other services. Counties and ISDs are well positioned to provide services and functions for lower levels of government.

The state should provide incentives for vertical collaboration. Because counties and ISDs tend to have staff with technical specialties, state programs should create incentives for the higher levels of government to extend such functions to lower levels of government. The state can encourage appropriate collaborative reforms by:

- Restructuring state statutory revenue sharing to reward communities that set collaborative policies
- Encouraging ISDs to provide services and coordinate service-sharing by local districts

Apply County Revenue-Sharing Dollars to Vertically-Integrated Services

Counties are well positioned to perform many functions on behalf of cities, villages, and townships. Counties can provide information technology management, and serve as a single platform and host for municipal websites. They can also contract with local units to perform financial transactions, accounting services, treasury functions, payroll and benefit services, property assessing and property tax collections, elections, maintenance of records and archives, and many other functions. Elevating these services to the county level can also result in more streamlined and similar processes, making it easier for local businesses and residents to interact with government.

A few counties have been progressive in developing programs to perform functions on behalf of cities, villages, and townships. However, because most counties have a diffused administration under the commissioner system, they lack the central leadership to recognize the potential role they can play with local governments. Relationships are developed with local governments on an ad hoc basis, with little continuity. The more urban counties, with elected county executives or appointed county administrators, are best suited to recognize this potential role and regularize relationships, but local governments in rural counties that tend to provide fewer services would also benefit if their counties extended offers to perform functions on their behalf.

The challenge is to change the focus of the county leadership to recognize that counties can and should be doing more for the local governments within their boundaries. Other states have achieved this recognition with financial rewards. In particular, New York's Shared Municipal Services Incentive program recently added priority funding for applicants developing countywide shared services plans involving half or more of a county's municipalities and school districts. Concentrating on the reduction of duplicative layers of government and service delivery improvement, the grants encourage collaboration between counties and lower levels of local governments in projects such as public safety, purchasing, payroll, tax assessment, and administration, among others.

Since Michigan has few unrestricted resources that can be directed to incentives such as these, growth in funding available for state revenue-sharing to counties should be used to capitalize on the benefits of vertical cooperation. The state should legislatively reassign responsibility for certain services from cities and townships to counties. Property assessing for taxation purposes, collection of property taxes, and the conduct of elections are three governmental functions for which uniformity is valued over local accountability. These three functions could be made county responsibilities. Growth in funding that would otherwise be used for state revenue-sharing funds could be used to compensate counties for the increased costs and to meet the requirements in the Michigan Constitution that the state fund any new mandates on local governments. Reducing the growth in state revenue-sharing funds is justified by shifting performance burdens from local governments to the counties.

Encourage ISDs to Provide Services and Coordinate Service Sharing by Local School Districts

As noted earlier, Michigan's 57 ISDs have already pooled district costs to some extent by providing general services at a regional level. Still, there are likely areas where further consolidation or cost-sharing could be achieved.

PA 63 of 2007 required a survey of all ISDs to discover opportunities for cooperation and further cost-sharing among districts within ISD boundaries and among ISDs. According to a report issued by the Michigan Department of Education, for all of the 12 service categories surveyed except legal services, 60 to 90 percent of ISDs self-identified as having well-established efficiencies within the ISD. However, given the breadth of the categories in the survey, well-established efficiencies in one area may obscure an opportunity for efficiency in a different area. For example, an ISD reporting that its constituent districts have established efficiencies in transportation may be reflecting the fact that districts share special education busing costs, but overlooking the fact that they don't share bus maintenance costs (MDE 2008).

It is often difficult for districts to expend the time and money required to find ways to operate more efficiently. To address this problem, the state of Virginia instituted the School Efficiency Review Program, through which school districts can elect to receive funding for a third-party review of existing systems to identify possibilities for greater efficiency. Participating districts share some of the review cost, ensuring that the district is committed and cooperates with reviewers. At the same time, districts are under no obligation to adopt the recommendations, making the process a less risky prospect for the districts. Since the program's launch in 2005, 30 reviews have been completed, identifying potential savings of over $25 million annually (VDPB, n.d.). The state should investigate grant funding available to support a similar program for Michigan.

More concrete incentives and penalties linked to state funding for education would likely have a greater impact on district efforts to share costs. Allocation of state and federal money known as "categorical" funding is conditional on the districts fulfilling certain requirements. The state should modify allocation formulas to require efficiency-seeking or cost-sharing, so that the formulas serve as an incentive to district administrators.

REMOVE BARRIERS TO FUNCTIONAL CONSOLIDATION FOR THE PROVISION OF ALL SERVICES

Before local government officials can take the steps necessary to consolidate service delivery with neighboring communities, legislative change is needed to remove legal impediments to interlocal collaboration. Significant barriers to functional consolidation must be addressed, including the employee compensation determination clauses in several state laws and the binding arbitration provisions of Public Act 312.

Increase Flexibility in Employee Compensation Determinations

Unfortunately, several of the very laws that were put in place to facilitate collaboration have provisions that serve as impediments. The Urban Cooperation Act and the Intergovernmental Transfer of Functions and Responsibilities Act and others, including the Metropolitan Transportation Authorities Act, Conditional Land Transfer Act, Emergency Service Authorities Act, and Metropolitan Councils Act, have employee protection clauses that severely restrict the ability of local government officials to achieve savings by consolidating service provision.

In essence, clauses in these laws state that two or more local governments that are attempting to consolidate provision of a service cannot eliminate workers that are currently employed to provide that service or reduce the wages, benefits, and other means of compensation of those workers. For example, the Urban Cooperation Act[3] provides:

[3] MCL 124.505, (g)(ii), Act 7 of 1967 (Ex. Sess.), available online at *http://www.legislature.mi.gov/(S(fwi0iuy0uz021x45um5yqfb2))/mileg.aspx?page=getobject&objectname=mcl-124-505&query=on* (accessed 12/16/09).

> An employee who is transferred to a position with the political subdivision shall not, by reason of the transfer, be placed in any worse position with respect to workmen's compensation, pension, seniority, wages, sick leave, vacation, health and welfare insurance or any other benefits that he enjoyed as an employee of the acquired system.

It is doubtful that mergers or acquisitions in the private sector would ever occur if laws such as these applied to those outside of government. Local governments that have conducted feasibility studies for the consolidation of services have found that instead of reducing costs through collaboration, these employee protection clauses cause the aggregate cost of wages and benefits to increase. This increase is the result of interpretations of the law that require retention of all employees currently on staff, and raise all salaries to the highest level of those paid by the areas included in the collaboration. Such impediments essentially limit the choices open to local government leaders, allowing them only the options of turning to the private sector, scaling back service, or raising additional revenue.

For local officials working to consolidate provision of services, employee protection clauses create significant disincentives. To address this problem, these clauses must be deleted from state laws. Local governments would then have the flexibility to work with other local governments to determine the optimal personnel structure to provide joint services. Removing these clauses does not mean that local governments will use interlocal collaboration to drastically cut wages and benefits or to otherwise impair the employment of government workers. Governments that propose joint service provision through an interlocal agreement can negotiate new wage and benefit levels and determine necessary employment levels as part of the process of consolidation. It is reasonable to expect that workers' interests will be represented in that process as they are in any reconsideration of salary and benefit levels. Removal of these impediments would simply offer Michigan local governments the same opportunity to benefit from collaboration that local government in other states and companies in the private sector enjoy.

Reform Public Employment Relations Act

Section 15 of the Public Employment Relations Act (Public Act 379 of 1965, known as PERA) requires public employers and representatives of public employees to "…confer in good faith with respect to wages, hours, and other terms and conditions of employment…" This wording has been interpreted to mean that the duty to bargain extends to the diversion of work by public employers to non-unionized employees or to outside contractors. Public employers cannot unilaterally decide to alter the method of service provision, changing from their own employees to collaboration with another unit of local government. Local governments currently engaged in the provision of a service must submit potential actions to provide that service collaboratively with another governmental unit or through nongovernmental contractors to collective bargaining. The state legislature should amend PERA to allow all parties to negotiate during consolidation of an existing service without subjecting the process to collective bargaining.

Reform Public Act 312: Binding Arbitration

Public Act 312 of 1969 was intended to create an alternative to strikes by local police and fire fighters during periods of collective bargaining. When local officials and the public safety unions (police or fire) are not able to come to a contract agreement during collective bargaining or mediation, they can then go to mandatory binding arbitration. The arbitration panel is made up of three arbitrators—one from the union, one from the employer, and one assigned by the Michigan Employment Relations Commission (MERC).

The Task Force on Local Government Services and Fiscal Stability reviewed labor economic literature on the fiscal impact of binding arbitration under PA 312. It found "strong and consistent evidence" that public sector union presence, particularly the existence of compulsory binding arbitration statutes (typically for public safety employees), leads to higher average wage and benefit levels for public safety and other public sector employees. The task force also found that the presence of binding arbitration leads to slightly higher public sector employment. The result of these wage and employment effects is that municipalities in binding arbitration states show expenditures 3 to 5 percent higher than municipalities in other states (MSU/SLGT and MDOT, 2006).

For local officials working to consolidate provision of services, these costs create significant disincentives. Act 312 specifies that the terms and conditions of employment that are a subject of collective bargaining under PERA can be deferred to binding arbitration. Consolidating city, village, or township police or fire departments into a multijurisdictional or regional force would constitute a change in the terms and conditions of employment, leaving local government officials in the position of not only seeking authorization from the public safety unions through collective bargaining before they can negotiate a merger with neighboring local governments, but also potentially subjecting that issue to binding arbitration.

Critical services need to be managed to best serve the community, but they are very expensive. The Michigan Municipal League reports that public safety labor costs make up over 50 percent of a municipal budget (Harkins 2009), meaning that any successful attempt to provide police and fire services more efficiently can represent a significant reduction to municipal costs. The state legislature should enact an amendment to allow all parties to negotiate during a consolidation of public safety service provision without subjecting the process to binding arbitration.

Reform Recall Provisions in Michigan Election Law

A fundamental precept of democracy is that majority rules. Indeed, elections in a representative democracy are among the most precious of democratic events, charting a course for the future at the national, state, and local levels. At the same time, the right to remove an elected official who has breached the public trust or failed to represent the interests of a majority of his or her community is critical. Michigan and Oregon were the first states to adopt a recall provision in a state constitution, doing so in 1908. According to the National Council of State Legislatures, 18 states now provide for the recall of state officials, and in 36 states, recall elections may be held for local officials (NCSL 2006).

Locally elected leaders are chosen by the public and entrusted by voters with managing local governmental units in a way that best benefits the community. However, the recall provisions in Michigan's election law, which create a "yes/no" decision about the competency of an elected official with no comparison with another candidate, result in a process where a small number of disenchanted residents can recall elected officials with relative ease. This provokes fear among elected officials about making tough decisions, leaves citizens unrepresented, and wreaks havoc with the notion of majority rule.

For example, in 2004, recall petitions were filed to remove Northville city council members that had voted to proceed with a consolidation of dispatch services with neighboring Northville Charter Township. Eventually the consolidation occurred and the recall efforts were unsuccessful, but this example illustrates the impact that a vocal subset of the residents of a community can have when they feel threatened by efforts to consolidate service providers or otherwise alter the status quo in search of efficiencies.

The right to recall both state and local officials should be retained in Michigan, but the process should be fair to both elected officials and the public, and it should respect the rights of the majority of voters. There are three basic models of recall across the country. For the purposes of this report, they are labeled here as the Michigan, California, and Wisconsin models.

In Michigan, for any elected official to be recalled, signatures exceeding 25 percent of the last vote for governor in the electoral district must be certified and then the recall question is submitted at the next election. The recall ballot contains only the question of whether the official should be recalled. If the majority vote is "yes" for recall, the office is declared vacant and another separate, special election for a successor is called by the governor. The recalled official cannot run for the office in the special election.

In California, the recall election and the vote for a successor occur on the same ballot. The first question on the ballot is whether the official should be recalled. Voters are then asked on the same ballot to vote for a candidate for the office; the official who is subject to the recall vote may not be listed among the candidates. The results of the candidate election are counted only if electors vote in the affirmative on the recall question.

In Wisconsin, the two decisions also appear on the same ballot, but are included in a single question. If a petition for recall is certified, the current officeholder automatically appears on a special election ballot unless that person resigns. This prompts what amounts to a special election where candidates for office, including the target of the recall, are judged on their merit as candidates. Notably, both the California and Wisconsin models require decisions on recall and successor to be made simultaneously, so that citizens are never unrepresented.

The greatest advantage of the Wisconsin model is that it provides that officials subject to recall automatically run against a real opponent rather than an abstract, nameless challenger. This model is potentially less divisive than a "yes/no" vote on one person. It requires opponents to put forward a workable solution, rather than simply highlighting a perceived problem. Citizens are then required to choose among real options. Simply put, this method is more equitable to the elected official who is the target of recall, and to the majority of voters who have the chance to either retain the current official or immediately fill the office with another candidate.

Michigan's recall procedures should be amended to provide greater fairness, to assure that elected officials are better able to make the tough decisions that tough times require, and to eliminate opportunities for manipulation of the electoral process. The state legislature should amend Public Act 116 so that in order to trigger a recall election, the petition must nominate at least one alternate candidate who is willing to stand for election. If a petition for recall is certified, a special election should be triggered, with the current officeholder automatically on the special election ballot, unless that person resigns. Finally, this process should only be allowed once in a term, and only after the official has served at least one year of his or her term.

Conclusion

Michigan's economic troubles have been both deeper and longer than other states around the country. The high unemployment rate, shrinking population, and budget deficit are primarily the result of our reliance on a dying industry. Michigan is a state full of resources and potential, though, with the eighth largest population among the 50 states, excellent institutions of higher learning, abundant recreation, and several large metropolitan areas. To capitalize on these assets, we need a governmental structure that can support a different economy.

This report provides recommendations to restructure state regulations, regional authorities, and local patterns of administration so that institutions in Michigan can take a more active and meaningful role in economic development. Some of these changes are long overdue, and are justifiable simply on the grounds of being best practices in governance. Other changes are more specific to Michigan's unique situation, and could help the state turn around its economic decline.

Recommendations are useful only if they are acted upon. Making deep changes to the regulatory and institutional structures requires the commitment of the interested parties, which in this case should include all residents of Michigan. Organizations that represent taxpayers, businesses, local government, schools, and other relevant institutions should reach out to elected officials to voice their support for more effective and efficient government. Effecting the recommendations in this report can lead Michigan to a brighter future.

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Appendix A:
Summary of Local Government Efficiency Efforts in Other States

BACKGROUND

Studies conducted in various states have reported on ways to improve local government efficiency. By reviewing examples from other states, Business Leaders for Michigan, with its focus on economic transformation at all levels of government (state, regional, and local), can gain insight into methods suitable for improving government efficiency within Michigan. The examples are meant to provide ideas to Business Leaders for Michigan on how opportunities for collaboration and consolidation may be achieved among Michigan's 83 counties, 1,242 townships, 533 cities and villages, and 551 local school districts. The list of examples is not comprehensive but rather provides a spectrum of possibilities based on the experience of other states. The states examined in this report are Indiana, Maine, Maryland, New Jersey, New York, and Pennsylvania.

CASE STUDIES FROM OTHER STATES

Indiana

A 2007 report released by the Indiana Commission on Local Government Reform provided 27 recommendations to improve government efficiency. The Commission was created by Governor Mitch Daniels whose vision was to "reform and restructure local government in Indiana in order to increase the efficiency and effectiveness of its operations and reduce its costs to Hoosier taxpayers."[1] The recommendations provided by the commission within seven broad categories were:

- Counties
  - Establish a single-person elected county chief executive
  - Create a single, unified legislative body for county government. The membership to this body must be representative of rural, suburban, and urban populations
  - Transfer the responsibility for administering the works performed by the county auditor, treasurer, recorder, assessor, surveyor, sheriff, and coroner to the county executive; establish objective minimum qualifications and standards for certain administrative functions
  - Property tax assessment under a county assessor should be maintained; the county assessor will have to meet required professional qualifications and will be appointed by the county executive
  - The provisions of all public safety services should be overseen by a newly created countywide entity

[1] Indiana University Center for Urban Policy and the Environment, *Indiana Commission on Local Government Reform*, *Streamlining Local Government: We've Got to Stop Governing Like This*, December 11, 2007 (Version 1.0), 4. [Online, accessed 12/16/09.] Available: *http://indianalocalgovreform.iu.edu/assets/docs/Report_12-10-07.pdf*.

- Emergency public safety dispatch should be consolidated at a county or at a multi-county scale
- All funding of the state's trial court system should be transferred to the state, including public defenders and probation
- Transfer the funding of children's welfare from counties to the state

■ Townships
- Transfer the responsibility for administering the works performed by assessment, poor relief, fire protection, emergency medical services (EMS), cemeteries, and any other remaining responsibilities to the county executive; create a countywide poor relief levy
- Transfer the responsibilities of township small claims courts to superior courts where applicable

■ Schools
- Restructure school districts to meet a minimum threshold population of 2,000 students
- Provide a directive that school corporation bonds be approved by the fiscal body of the municipal or county government that has the greatest proportion of assessed value in the school district
- Prompt joint purchasing of schools
- All nonpartisan school elections are to be conducted during November of even years

■ Cities and Towns
- Permit the city council to appoint the city clerk in second-class cities
- All municipal elections should be conducted in an even-year cycle
- Municipal health department responsibilities should be transferred to the county health department

■ Libraries and Special Districts
- Restructure library systems by county and provide permanent library services to all citizens
- Provide a directive that the budgets and bonds of library and all other special districts be approved by the fiscal body of the municipal or county government containing the greatest proportion of assessed value in the school district
- Reinforce the current joint purchasing infrastructure for libraries

■ All Local Governments
- Expand the voluntary coordination and consolidation of units and services; strengthen the capacity of voters to decide the consolidation of units and services
- Permit local governments to create service districts with differentiated levels of services and corresponding tax rates
- Local improvement efforts must be supported by using best management and business practices where applicable
- Prohibit employees of a local government unit from serving as elected officials within the same local government unit

- Support and Monitoring
  - The Indiana Advisory Commission on Intergovernmental Relations is to monitor progress toward these recommendations and produce annual reports on progress through 2011
  - Implement a statewide benchmarking system to provide the public and policymakers with informational tools to monitor the productivity and progress of local governments
  - Designate a state office to serve as technical advisor to local governments

Maine

Although Maine does not have a comprehensive report evaluating its reform efforts, a few of Maine's local government reform efforts are listed below:[2]

- **School District Restructuring**

Maine implemented a major restructuring program for its schools in 2007. Under this effort school districts had six months to submit a reorganization plan to be approved by the state's education commissioner. School districts had to contain at least 2,500 students with a few exceptions, such as if surrounding school districts would not merge with them or they were efficient and high performing. In instances where consolidation was impractical, schools had to weed out administrative inefficiencies to reduce costs. The goal of the restructuring effort is to reduce the number of school districts from 290 to no more than 80. Consequences for a school district not adopting a reorganization plan include cuts in aid streams and in aid for buildings. Under the plan all school districts have to be restructured by July 1, 2009.

- **Statewide Prison System**

Due to overcrowding in some prisons, excessive costs to taxpayers, and failing services, the governor and representatives from sheriff and county departments are working to create legislation for comprehensive prison consolidation. The purpose of the legislation is to create a unified system with space management oversight added to the Department of Corrections, while preserving local control of daily operations by county sheriffs. The new jail plan would create a State Board of Corrections that would decide on the best use of county facilities.

- **Consolidating Emergency Dispatch**

The Emergency Services Communication Bureau within Maine has been working since 2003 to reduce the number of dispatch centers from 48 to between 16 and 24 statewide. A proposal put forward by the bureau recommends how specific consolidations can be implemented in various communities. Communities with low call volumes that wish to operate a dispatch center would have the ability to do so but would not receive any state-level funding.

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[2] New York State Commission on Local Government Efficiency & Competitiveness, *Local Government Reform Efforts in Other States*, October 2008. [Online, accessed 12/16/09.] Available: *http://www.nyslocal gov.org/pdf/Reform_Efforts_Other_States.pdf*.

Maryland

In 2004, the State of Maryland and local governments within the state agreed to conduct a development capacity analysis of local jurisdictions in the state. While the local governments agreed to include development capacity analyses in their comprehensive plan updates, the state, under an executive order from Governor Robert L. Ehrlich Jr., was instructed to perform the work needed to prepare such a development capacity analysis. A Development Capacity Task Force was created to implement the executive order.

A development capacity analysis, also known as "build-out analysis" or "buildable lot inventory," is "an estimate of the total amount of development that may be built in an area under a certain set of assumptions, including applicable land-use laws, policies (e.g., zoning) and environmental constraints."[3] The focus of most development capacity analyses is on residential development, but they may also be used to meet commercial and industrial needs, recreational needs or other land use goals. The final report of Development Capacity Task Force included the following recommendations (a subset of the total) aimed at both the Maryland Department of Planning (MDP) and local governments:[4]

- Zoning Yield
  - Where possible, local governments should calculate and report allowable density and average density of development
  - Where yields are not used, an explanation should be given
  - Local governments should determine what prevents developments from obtaining a zoning yield of 100 percent of allowable density per zoning
  - Local governments should indicate if yields are likely to change across time
  - When better information is lacking a 75 percent yield rate is acceptable

- Estimating Infill Development and Underdevelopment
  - Infill and underdevelopment should be accounted for in all capacity analyses
  - The MDP should continue to look for methods to improve the estimation of infill and underdevelopment

- Estimating Redevelopment
  - Jurisdictions should provide an estimate of redevelopment potential
  - The MDP, local governments, and other parties should continue to coordinate to improve and implement methods that conduct capacity analyses

- Environmental Constraints
  - Capacity analyses should include and account for environmental aspects

[3] Maryland Department of Planning, *Models and Guidelines Summary: Development Capacity Analyses*, July, 2005. [Online, accessed 12/16/09.] Available: *http://planning.maryland.gov/pdf/OurWork/dev_cap/MG_DevCap.pdf*.

[4] Maryland Department of Planning, *Final Report of the Development Capacity Task Force*, July 1, 2004, 1–191. [Online, accessed 12/16/09.] Available: *http://planning.maryland.gov/OurWork/pdf/dctf/DCTF-Final.pdf*.

New Jersey

In 2006 the Joint Legislative Committee on Government Consolidation and Shared Services was given the task of "reviewing and formulating proposals that address the sharing of services and regionalization of functions at all levels of government."[5] The Joint Legislative Committee on Government Consolidation and Shared Services issued close to 20 recommendations in its final report. The recommendations were not aggregated under any broad areas—they were simply a list. The recommendations were:

- Establish a permanent commission for unit reorganization and consolidation to make possible municipal mergers and shared services
- Make the process for sharing services and municipal consolidation more efficient; remove barriers and introduce flexibility in the system by allowing municipalities to design their own procedures
- Establish a contemporary, county-level system for property tax assessments
- Link state aid to the efficient operation of local governments
- Conduct all fire district elections in November, encourage greater voter participation, and eliminate the need for a budget vote
- Allow the coordination of capital purchasing between municipalities to avoid duplication of effort
- Extend powers of 21 "Executive County" superintendents in order to facilitate the oversight of local district administrative spending
- Conduct all school board elections in November and eliminate the April budget vote except where budgets exceed the cap
- Adopt "user-friendly" county, municipal, and school district budgets
- Increase the array of options for local units to jointly insure and self-insure for expanded range of life, health, and liability coverages
- Advocate shared municipal courts
- Ensure that the public safety answering points are consistent with the state's 9-1-1 Commission recommendations
- Allow counties to assume state road maintenance in certain situations
- State risk management should be centralized
- All defunct state boards and commissions must be eliminated
- Implement pilot programs for the administration of school districts
- Abolish the New Jersey Commerce, Economic Growth, and Tourism Commission and transfer specific functions to other state agencies

New York

In April 2007 the Commission on Local Government Efficiency and Competitiveness was established in New York to examine methods "to strengthen and streamline local government, reduce costs and improve effectiveness, maximize informed participation in

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[5] Joint Legislative Committee on Government Consolidation and Shared Services, *Government Consolidation and Shared Services, Final Report*, December 1, 2006, 1. Online, accessed 12/16/09.] Available: *http://www.njleg.state.nj.us/PropertyTaxSession/OPI/jcgo_final_report.pdf*.

local elections, and facilitate shared services, consolidation and regional governance."[6] The commission provided recommendations within seven broad areas to meet its goal. The broad areas and associated recommendations were:[7]

- Regional Services
    - Centralize services such as assessing, tax collection, emergency dispatch, civil service commissions, and vital records at the county level
    - Enable the sharing of jail facilities and management of the jail population between counties
    - Expand the ability of local governments to share services
    - Support the consolidation of the justice court
    - Consolidate Industrial Development Agencies (IDAs) at the county or regional level
    - Facilitate the sharing of functions like weights and measures and duties of health directors among multiple counties
    - When consolidations do occur, provide for the renegotiation of collective bargaining agreements
- Modern Municipal Structures
    - Necessitate town-wide approval for new villages and local reconsideration of small villages
    - Alleviate the difficulty associated with procedures for consolidation, citizen petitions, and coterminous town-villages
    - Require local consideration of county-level management for fire protection
    - Terminate the compensation for special district commissioners, turn over management of sanitation districts to towns, and necessitate local reconsideration of all commissioner-run districts
    - Permit local governments to formulate property tax-sharing agreements
    - Prohibit the judicial doctrine of "implied preemption," thereby strengthening home rule
    - Reclassify some cities, towns, and villages, and re-examine powers for each class
- School District Restructuring
    - Provide powers to the Commissioner of Education to enable consolidation
    - Examine service sharing and consolidation by setting up local school restructuring committees
    - Give permission for regional collective bargaining contracts for new hires
    - Provide back offices and regional high schools opportunities for consolidation
- Informed and Active Voters
    - All local elections be held either on November or May dates

[6] *21st Century Local Government, Report by the New York State Commission on Local Government Efficiency and Competitiveness,* April 2008, 1. [Online, accessed 12/16/09.] Available: *http://www.nyslocalgov.org/pdf/LGEC_Final_Report.pdf.*

[7] Recommendations for this and the other case studies were taken directly from the final reports cited and paraphrased in the majority of cases.

- Convert certain positions to appointive, thereby decreasing number of elective offices
  - Provide better information for voters
  - Improve local financial data for benchmarking
- Aid and Incentives
  - Provide for Local Government Efficiency Grants and 21st Century Demonstration Projects
  - Create funding streams for efficient assessments using contemporary professional standards
  - Promote regional solutions, cooperative services, and consolidation
- Addressing Cost Drivers
  - Make minimum employee contributions for health insurance mandatory
  - Relax the rules for municipal cooperative health plans
  - Re-examine public employee pension benefit options
  - Reform rules for procurement
- Sustaining Local Efficiency
  - Have a long-term vision for local efficiency at the state level, using existing state agency resources organized through a Center for Local Government Efficiency that supports initiatives, promotes cost-savings, and implements commission recommendations

Pennsylvania

The 2007 report released by the Brookings Institution, "*Committing to Prosperity: Moving Forward on the Agenda to Renew Pennsylvania*," outlines the current state reform strategy and implications of this strategy in Pennsylvania. The three main reasons for adopting a state reform strategy were the statewide municipal financial crisis, the emptying out of Pennsylvania's metropolitan regions, and the changing dynamics of the workforce and state economy. The report outlined primary steps and deeper reform recommendations (a two-tier recommendation) that would have to be implemented within three broad goals/areas to improve the state.[8] The three broad goals and two tiers of recommendations were:

- Empower Local Governments
  - Primary Steps
    - Ease intergovernmental cooperation on service delivery
    - Facilitate intergovernmental service provision, such as quality local and regional land use planning and provide enhanced financial and technical assistance
    - Permit changes to boundaries
    - Make planning mean more

[8] The Brookings Institution, Metropolitan Policy Program, *Committing to Prosperity: Moving Forward on the Agenda to Renew Pennsylvania*, March 2007, 1–45. [Online, accessed 7/30/09.] Available: *http://www.brookings.edu/~/media/Files/rc/reports/2007/03pennsylvania_metro/committingtoprosperity.pdf*.

- Deeper Reforms
  - Aid municipalities to reduce costs associated with healthcare and pension liabilities, tax collections, and other activities
  - Create a toolbox for tax-related items within counties and municipalities
  - Further develop the role of counties

- Continue to Make Reinvestment a Priority
  - Primary Steps
    - Propagate the diffusion of keystone principles and criteria throughout all state agencies
    - Have the Economic Development Cabinet review all community and economic development programs to ensure their agreement with state priorities
  - Deeper Reforms
    - Link the use of transportation monies to land use and economic development planning
    - Bridge the gaps between water and sewer development and land use planning
    - Create a culture that fixes things first and then reinvests

- Continue to Build a Competitive Economy
  - Primary Steps
    - The role of the state's Industry Partnership Grants should be enhanced
  - Deeper Reforms
    - Remove barriers that hinder economic and workforce development
    - Ensure that economic development activities occur in conjunction with land use planning

Appendix B:
Examples of State Goals for Land Use and Development Planning

A broad range of approaches to long-term resource planning can be seen in the regulation of land use and development planning across the 50 states. As of 2006, 23 states had formally adopted state guidelines for policy planning, and of those, 15 mandated local plans as well.[1] Other states mandate local planning but give little to no guidance on the planning agenda or priorities. And other states neither offer guidance nor require planning. Local governments tend to plan more thoroughly in states where planning required.[2]

Coordinated long-term planning can help a region better manage its limited resources to optimize economic growth, conservation, and quality of life. However, a top-down approach can benefit local initiatives in one area to the detriment of those in another. Oregon, a pioneer in state-level planning, recently commissioned a task force to evaluate its existing planning statutes. The findings demonstrate that the state's strict regulations were not meeting the long-term needs of all areas equitably, and that a more flexible regime is in order.[3] Careful, long-term analysis and planning at a state or regional level, with flexible parameters for participation at the local level, offer the best chance for sustained growth and improved quality of life.

While early efforts at statewide planning goals tended to focus on natural resource protection, more recent initiatives attempt to coordinate a range of state priorities including environmental protection, economic growth, and quality of life. Smart Growth, a broad-view planning strategy supported by the U.S. Environmental Protection Agency (USEPA), takes a balanced approach to economic growth, cultural development, and resource conservation. Smart growth "goals" include concentrated development and preservation of open spaces, as well as quality-of-life objectives designed to make people happier, more productive, and less likely to move. The basic Smart Growth principles are as follows[4]:

1. Create a range of housing opportunities and choices
2. Create walkable neighborhoods
3. Encourage community and stakeholder collaboration
4. Foster distinctive, attractive communities with a strong sense of place
5. Make development decisions predictable, fair, and cost effective

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[1] Institute for Business and Home Safety, *Summary of State Land Use Planning Laws*, 2007. [Online, accessed 12/16/09.] Available: *http://www.ibhs.org/publications/downloads/20080214_140118_28574.pdf*.
[2] Institute for Business and Home Safety, *Survey of State Land Use and Natural Hazards Planning Law* 2007, 2007. [Online, accessed 12/16/09.] Available: *http://www.ibhs.org/publications/view.asp?id=302*.
[3] Oregon Task Force on Land Use Planning, *Final Report to the 2009 Oregon Legislature*, January 2009. [Online, accessed 12/16/09.] Available: *http://www.oregonbiglook.org/*.
[4] See the Smart Growth Online website, About Smart Growth. [Online, accessed 12/16/09.] Available: *www.smartgrowth.org/about/default.asp*.

6. Mix land uses
7. Preserve open space, farmland, natural beauty and critical environmental areas
8. Provide a variety of transportation choices
9. Strengthen and direct development towards existing communities
10. Take advantage of compact development design

Several states have adopted state-level goals, or "visions," that closely correspond to smart growth recommendations. [5]

The following report gives examples of how Michigan and other states have set goals and regulated compliance. Each state is briefly compared to Michigan.

MICHIGAN

Recent legislation, including the Michigan Planning Enabling Act (PA 33 of 2008) and the Michigan Zoning Enabling Act (PA 110 of 2006) has taken steps to streamline local planning requirements. Nevertheless, there is no statewide development plan in place.

Over the past few decades, there have been several attempts to streamline Michigan's development and resource planning. In 1994, Gov. John Engler responded to a report funded by the USEPA stating that lack of land-use planning was the biggest threat to Michigan's natural resources by convening a Task Force on Integrated Land Use. The task force issued a report in 1996 recommending a more coordinated approach to land use regulation, including a review of zoning and planning laws, and adoption of growth management tools.

Later, in 1999, 2002, and 2000, reports[6] on land use trends in Michigan highlighted the environmental damage caused by uncoordinated growth and the shift of population and economic opportunity out of the urban cores to new suburban developments

In 2001, the Michigan House Democrats commissioned a Land Use Task Force to address use and planning issues in Michigan. This was followed by the bipartisan Michigan Land Use Leadership Council's review of planning issues in Michigan in 2003. The final report provided over 150 recommendations on how to improve land use planning in the state, including a state-level set of land use goals, and requiring local, regional, and state coordination in land use planning.[7] The Council based its recommendations on the basic tenets behind the Smart Growth framework for development planning.

[5] More information on Smart Growth is available at *www.smartgrowth.org.*
[6] Public Sector Consultants Inc., *Status of Michigan Cities, An Index of Urban Well-Being* (Lansing, Mich.: PSC, August 1999 and April 2002), prepared for the Michigan Bipartisan Urban Caucus and the Michigan Economic and Environmental Roundtable; Public Sector Consultants Inc., *Michigan Land Resource Project* (Lansing, Mich.: PSC, November 2001), prepared for the Frey Foundation and W. K. Kellogg Foundation on behalf of the Michigan Economic and Environmental Roundtable.
[7] Public Sector Consultants Inc., *Michigan's Land, Michigan's Future, The Final Report of the Michigan Land Use Leadership Council* (Lansing, Mich.: PSC, August 2003), prepared for Governor Jennifer Granholm and the Michigan Legislature. [Online, accessed 12/16/09.] Available: *http://www.michiganlanduse.org/MLULC_FINAL_REPORT_0803.pdf.*

OTHER STATES

Maryland

As in Michigan, Maryland's economy is closely tied to iconic bodies of water. The Atlantic Ocean has served the state economy as a thoroughfare for trade and a source of fisheries and recreation areas. The Chesapeake Bay is a cultural icon, and the source of fishing and related industries, as well as a significant tourism generator. Maryland also has still-important rural economic activities, with over two million acres in farmland.[8] The Bay is seriously threatened, however, by agriculture and industry in Maryland and neighboring states, and the persistent spread of suburban development.[9] Although the state's economy is performing better than the national average, managing seemingly conflicting industries—tourism and fisheries against agriculture and urban industry—for their continued growth is a present challenge for state administrators.

Spurred by rapidly increasing and spreading urban growth, and related deterioration of the Chesapeake Bay, Maryland passed a "Smart Growth" Planning Act in 1992, requiring local governments to establish development plans, and review those plans every six years. Plans were to be responsive to designated "sensitive areas" and incorporate "7 visions" (later 8) of smart growth, to address issues including natural resource conservation, concentrated development, and sufficient funding and administrative planning to implement plans. In 2009, the state adopted a revised planning act, establishing a new, significantly broader, 12-vision list of planning directives.[10]

Maryland's 12 Visions

1. **Quality of life and sustainability**: A high quality of life is achieved through universal stewardship of the land, water, and air resulting in sustainable communities and protection of the environment;
2. **Public participation**: Citizens are active partners in the planning and implementation of community initiatives and are sensitive to their responsibilities in achieving community goals;
3. **Growth areas**: Growth is concentrated in existing population and business centers, growth areas adjacent to these centers, or strategically selected new centers;
4. **Community design**: Compact, mixed–use, walkable design consistent with existing community character and located near available or planned transit options is encouraged to ensure efficient use of land and transportation resources and preservation and enhancement of natural systems, open spaces, recreational areas, and historical, cultural, and archeological resources;

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[8] Maryland State Archives, Maryland at a Glance, March 18, 2009. [Online, accessed 12/16/09.] Available: *http://www.msa.md.gov/msa/mdmanual/01glance/html/economy.html*.
[9] Chesapeake Bay Foundation, State of the Bay 2008, July 29, 2009. [Online, accessed 12/16/09.] Available: *http://www.cbf.org/Page.aspx?pid=936*.
[10] Maryland Department of Planning, *Smart, Green and Growing Maryland Planning Guide*, 2009. [Online, accessed 12/16/09.] Available: *http://www.mdp.state.md.us/SGG_Guide_09_Web.pdf*.

5. **Infrastructure**: Growth areas have the water resources and infrastructure to accommodate population and business expansion in an orderly, efficient, and environmentally sustainable manner;
6. **Transportation**: A well–maintained, multimodal transportation system facilitates the safe, convenient, affordable, and efficient movement of people, goods, and services within and between population and business centers;
7. **Housing**: A range of housing densities, types, and sizes provides residential options for citizens of all ages and incomes;
8. **Economic development**: Economic development and natural resource–based businesses that promote employment opportunities for all income levels within the capacity of the state's natural resources, public services, and public facilities are encouraged;
9. **Environmental protection**: Land and water resources, including the Chesapeake and coastal bays, are carefully managed to restore and maintain healthy air and water, natural systems, and living resources;
10. **Resource conservation**: Waterways, forests, agricultural areas, open space, natural systems, and scenic areas are conserved;
11. **Stewardship**: Government, business entities, and residents are responsible for the creation of sustainable communities by collaborating to balance efficient growth with resource protection; and
12. **Implementation**: Strategies, policies, programs, and funding for growth and development, resource conservation, infrastructure, and transportation are integrated across the local, regional, state, and interstate levels to achieve these visions.

Oregon

Oregon's economy depended on its natural resources until the late 1980s, when timber, fishing, and agriculture experienced different degrees of slowdown. At that time, the state began focusing on other industries, including tourism and its nascent high-technology sector. Today, Portland is home to corporate headquarters for Nike, Intel, and a host of smaller firms. Still, over the last decade, Oregon's rural counties have failed to benefit from economic growth in the Portland area, and the entire state has suffered from falling prices for commodities such as timber, loss of manufacturing jobs, and competition from foreign industry.[11]

Oregon's core state goals for development have been in place since 1973, with periodic updates on a goal-by-goal basis. State law requires each city and county to adopt a comprehensive plan and the zoning and land-division ordinances needed to put the plan into effect. This plan is reviewed and "acknowledged" by the state Department of Land Conservation and Development, and then becomes the controlling document for

[11] Oregon Blue Book, *Facts, Oregon Economy: Overview*. [Online, accessed 12/16/09.] Available: *http://bluebook.state.or.us/facts/economy/economy01.htm*.

development in the area. Each goal has supporting "guidelines" for implementation, which are not mandatory.[12]

In 2005, Oregon commissioned a task force to asses the success of the land use planning system given economic and demographic changes since the plan was adopted. The task force's report was released in 2009. Basic conclusions were as follows:

- Oregon needs a more flexible plan.
- The state should foster greater regional cooperation among cities and counties.
- The state needs coordinated planning for land use, economic development and transportation, with clearly articulated outcomes and a plan for monitoring progress.
- The plan should be simplified.

Oregon's 19 Statewide Planning Goals (last updated 2005)[13]

1. **Citizen Involvement:** Requires each city and county to have a citizen involvement program that insures the opportunity for citizens to be involved in all phases of the planning process.
2. **Land Use Planning:** Land use decisions are to be made in accordance with a comprehensive plan, and suitable "implementation ordinances" to put the plan's policies into effect must be adopted.
3. **Agricultural Lands:** Requires counties to inventory such lands and to "preserve and maintain" them through farm zoning.
4. **Forest Lands:** Requires counties to inventory forest lands and adopt policies and ordinances that will "conserve forest lands for forest uses."
5. **Natural Resources, Scenic and Historic Areas, and Open Spaces:** Establishes a process for each resource to be inventoried and evaluated. If a resource or site is found to be significant, a local government has three policy choices: preserve the resource, allow proposed uses that conflict with it, or strike some sort of a balance between the resource and the uses that would conflict with it.
6. **Air, Water, and Land Resources Quality:** Requires local comprehensive plans and implementing measures to be consistent with state and federal regulations on matters such as groundwater pollution.
7. **Areas Subject to Natural Hazards:** In places subject to natural hazards such as floods or landslides, requires that jurisdictions apply "appropriate safeguards" (floodplain zoning, for example) when planning for development there.
8. **Recreational Needs:** Calls for each community to evaluate its areas and facilities for recreation and develop plans to deal with the projected demand for them. It also sets forth detailed standards for expedited siting of destination resorts.

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[12] Oregon Department of Land Conservation and Development, Statewide Planning Goals, November 5, 2008. [Online, accessed 12/16/09.] Available: *http://www.oregon.gov/LCD/goals.shtml*.

[13] Adapted from Oregon Department of Land Conservation and Development, *A Summary of Oregon's Statewide Planning Goals*, November 5, 2008. [Online, accessed 12/16/09.] Available: *http://www.oregon.gov/LCD/docs/goals/goalssummary.PDF*.

9. **Economic Development:** Calls for diversification and improvement of the economy. It asks communities to inventory commercial and industrial lands, project future needs for such lands, and plan and zone enough land to meet those needs.
10. **Housing:** Specifies that each city must plan for and accommodate needed housing types, such as multifamily and manufactured housing. It requires each city to inventory its buildable residential lands, project future needs for such lands, and plan and zone enough buildable land to meet those needs. It also prohibits local plans from discriminating against needed housing types.
11. **Public Facilities and Services:** Calls for efficient planning of public services such as sewers, water, law enforcement, and fire protection. The goal's central concept is that public services should to be planned in accordance with a community's needs and capacities rather than be forced to respond to development as it occurs.
12. **Transportation:** Aims to provide "a safe, convenient and economic transportation system." It asks for communities to address the needs of the "transportation disadvantaged."
13. **Energy Conservation:** States that "land and uses developed on the land shall be managed and controlled so as to maximize the conservation of all forms of energy, based upon sound economic principles."
14. **Urbanization:** Requires cities to estimate future growth and needs for land and then plan and zone enough land to meet those needs. It calls for each city to establish an "urban growth boundary" (UGB) to "identify and separate urbanizable land from rural land." It specifies seven factors that must be considered in drawing up a UGB. It also lists four criteria to be applied when undeveloped land within a UGB is to be converted to urban uses.
15. **Willamette River Greenway:** Establishes procedures for administering the 300 miles of greenway that protects the Willamette River.
16. **Estuarine Resources:** Requires local governments to classify Oregon's 22 major estuaries in four categories: natural, conservation, shallow-draft development, and deep-draft development. It then describes types of land uses and activities that are permissible in those "management units."
17. **Coastal Shorelands:** Defines a planning area bounded by the ocean beaches on the west and the coast highway (State Route 101) on the east. It specifies how certain types of land and resources there are to be managed: major marshes, for example, are to be protected. Sites best suited for unique coastal land uses (port facilities, for example) are reserved for "water-dependent" or "water related" uses.
18. **Beaches and Dunes:** Sets planning standards for development on various types of dunes. It prohibits residential development on beaches and active foredunes, but allows some other types of development if they meet key criteria. The goal also deals with dune grading, groundwater drawdown in dunal aquifers, and the breaching of foredunes.
19. **Ocean Resources:** Aims "to conserve the long-term values, benefits, and natural resources of the nearshore ocean and the continental shelf." It deals with matters such as dumping of dredge spoils and discharging of waste products into the open sea. Goal 19's main requirements are for state agencies rather than cities and counties.

New Hampshire

New Hampshire has strong manufacturing sector, making up 14.6 percent of the gross domestic product in 2008.[14] While the state lost a lot of manufacturing jobs in the early part of the decade, manufacturing contributions to the state economy grew by several billion dollars over the same period.[15] Other key economic sectors are retail trade, professional services and healthcare.

New Hampshire's state planning is based on smart growth principles adopted as state goals in 2002 legislation, RSA 9-A. The mandated four-year cycle for developing a new plan begins with a series of stakeholder meetings, and results in an updated vision for the state, including expected outcomes stated as goals and detailed strategies for achieving those outcomes. The plan is intended to be the coordinated planning document for state agencies, and a reflection of planning at the local level (ground-up approach.) Local-level planning is not mandated.

New Hampshire's 2007 State Development Plan[16]

1. **Foster the traditional character of New Hampshire downtowns, villages, and neighborhoods** by encouraging mixed-use development that is walkable, sustainable, and conducive to community life.
2. **Protect and preserve New Hampshire's land and water resources** including farms, forestlands, wildlife habitats, water resources, air quality, and other critical environmental areas. Rev 10/2/2007 3
3. **Seek innovative approaches in transportation** to address safety, diverse geographic needs, accessibility for people of all ages, preservation of environmental quality, and alternatives that reduce energy consumption.
4. **Promote stewardship of New Hampshire's resources** for recreation and other activities that contribute to the health and quality of life for citizens and visitors in New Hampshire.
5. **Advance state, regional, and local partnerships** that create economic opportunities in a manner consistent with community master plans.
6. **Preserve New Hampshire's historic and cultural resources** that are an integral part of the state's quality of life, economy, and visual character.
7. **Create a range of quality housing opportunities** and choices for people of all income levels to ensure that communities maintain a diverse population.
8. Develop polices and actions necessary to **assure safe and reliable utility services** to better account for New Hampshire's changing demographics, and promote energy efficiency.

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[14] New Hampshire Economic and Labor Market Information Bureau (Economic and Labor Market Information Bureau), *New Hampshire Economic Conditions*, June 2009. [Online, accessed 12/16/09.] Available: *http://www.nh.gov/nhes/elmi/pdfzip/econanalys/econcond/EC_0609.pdf* .

[15] Jon Greenberg, Manufacturing in NH: The Quiet Leader, New Hampshire Public Radio, August 16, 2005. [Online, accessed 12/16/09.] Available: *http://www.nhpr.org/node/9539*.

[16] New Hampshire Office of Energy and Planning, *2007 State Development Plan: Shaping New Hampshire's Future*, 2007. [Online, accessed 12/16/09.] Available: *www.nh.gov/oep/programs/ SDP/index.htm.*

9. **Link State investments in public facilities** in a manner that fosters community vitality and efficient use of resources and energy.
10. **Reduce the potential impact of natural hazards** on the State's citizens and guests, critical support services and facilities, infrastructure, historic resources, economy, and natural resources.

New Jersey

New Jersey adopted state planning in 1985 in order to control development and mitigate environmental damage. Since then the plan has been revised periodically, based on a formal process to draw in citizen participation known as "cross-acceptance." The last plan was accepted in 2001. New Jersey is currently revising its state plan, and has issued a draft final plan with the goals listed below.[17] The state plan is to be a guideline for local government planning. Reflecting a ground-up approach, the state plan is drafted from a review of local plans, and regional and state agency plans. Once a state plan is adopted, local plans must be approved by the State Planning Commission to be considered consistent, but consistency is not required by law. The State Planning Commission offers local governments technical and financial assistance to facilitate their planning. Achieving consistent plans for 100 percent of local governments by 2020 is a formal indicator of success for New Jersey's state plan. Planning is coordinated by a dedicated state agency, the Office for Smart Growth.[18]

New Jersey State Plan 2009 Goals

1. **The State's Cities and Towns –** Revitalize New Jersey's cities and towns by investing wisely and sufficiently in improvements in their infrastructure systems, public spending programs, tax incentives and regulatory programs to leverage private investment and to encourage infill and redevelopment in ways that are consistent with the State Plan's vision and goals.
2. **Conserve the State's Natural Resources and Systems –** Conserve the State's natural resources and systems by planning the location and intensity of growth to maintain natural resource and systems capacities and make the necessary infrastructure investments to protect natural resources and systems in ways that guide growth and development in ways that are consistent with the State Plan's vision and goals.
3. **Promote Beneficial Economic Growth –** Promote beneficial economic growth in locations and in ways that improve the quality of life and the standard of living for all New Jersey residents by providing infrastructure in advance of, or concurrent with, the impacts of new development sufficient to maintain adequate facility standards, by encouraging partnerships and collaborative planning with the private sector and by capitalizing on the State's strategic location, economic strengths including its existing business enterprises, entrepreneurship, the research and development capacity of its

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[17] New Jersey Department of Community Affairs, *Draft Final Plan Text – Volume I,* 2009. [Online, accessed 12/16/09.] Available: ***http://www.nj.gov/dca/divisions/osg/plan/df.html***.

[18] New Jersey Department of Community Affairs, State Plan, 2009. [Online, accessed 12/16/09.] Available: ***http://www.nj.gov/dca/divisions/osg/plan***.

institutions of higher learning, skilled workforce, cultural diversity and logistic facilities in ways that are consistent with the State Plan's vision and goals.

4. **Protect the Environment, Prevent and Clean up Pollution –** Protect the environment, prevent and clean up pollution by planning for growth in compact form at locations, densities and intensities that protect land, air and water quality, allow expeditious regulatory reviews and encourage multi-modal transportation alternatives to the automobile more feasible to help achieve and maintain acceptable air quality standards. Develop performance standards to create incentives to prevent and reduce pollution and toxic emissions at the source, to conserve resources and protect public health. Promote development at the locations and in ways to promote environmental protection and reduce pollution that are consistent with the State Plan's vision and goals.
5. **Provide Adequate Public Facilities and Services at Reasonable Cost –** Provide adequate public facilities and services by supporting investments based on comprehensive planning and by providing financial incentives for jurisdictions that cooperate in providing public infrastructure and shared services. Encourage the use of infrastructure needs assessments and life cycle costing. Provide adequate public facilities in ways that are consistent with the State Plan's vision and goals.
6. **Provide Adequate Housing at Reasonable Cos**t **–** Provide adequate housing at reasonable cost through public/private partnerships that create and maintain a full range of attractive, affordable, and environmentally sensitively-designed and developed housing, particularly for those most in need, at densities and locations that provide greater efficiencies and serve to support public transportation alternatives and reduce commuter time and expense and easily accessible to employment, retail, cultural, civic and recreational opportunities to reduce housing and commuting costs in ways that are consistent with the State Plan's vision and goals.
7. **Preserve and Enhance Areas with Historic, Cultural, Scenic Open Space, and Recreational Value –** Preserve, enhance, and use historic, cultural, scenic and recreational assets by collaborative planning, design, investment and management techniques. Locate and design development and redevelopment and supporting infrastructure to improve access to and protect these sites. Support the important role of the arts in contributing to community life, civic beauty and redevelopment in ways that are consistent with the State Plan's vision and goals.
8. **Ensure Sound, Coordinated and Integrated Statewide Planning –** Ensure sound, coordinated and integrated statewide planning by using the State Plan as a guide to planning and growth-related decisions at all levels of government in ways that are consistent with the State Plan's vision and goals.
9. **Increase Energy Efficiencies and Reduce Greenhouse Gas Emissions –** Increase energy efficiencies and reduce greenhouse gas emissions by promoting the improved coordination and integration of transportation planning and land-use planning and decision-making to reduce vehicle miles traveled (VMTs); and by the siting, development, design and use of green-building construction materials in ways that are consistent with the State Plan's vision and goals.

Utah

Utah is widely recognized for its effective management of growth and development. It is one of only three states graded "A" by the Pew Center for the States for fiscal management,[19] and was ranked number 2 for friendly business environment in Pollina Corporate Real Estate Inc.'s 2009 list of top pro-business states.[20] Coordinated planning in Utah by the Office of Planning and Budget draws on the efforts of Envision Utah (EU), a public/private partnership dedicated to coordinated planning in the Greater Wasach Area of Utah, in which nearly 80 percent of the state's population lives. EU offers a comprehensive model for planning the state's future based on years of research, public workshops and interviews. The EU plan, known as the Quality Growth Strategy, encompasses seven goals that will maintain or enhance the economic, environmental and cultural integrity of Utah.

Envision Utah's Seven Goals[21]

1. Protect Air Quality
2. Create Transportation Choices
3. Preserve Critical Lands
4. Encourage Water conservation
5. Promote Housing Options for Everyone
6. Support Efficient Infrastructure
7. Explore Community Development

Maine

When Maine adopted its land use planning regime in 1989, its economy looked quite different. In 1990, manufacturing accounted for over 17 percent of all jobs in the state. That number was down to 9.6 percent in 2007, and declining. Meanwhile, tourism and professional services are increasing.[22] These industries require pleasant cities to attract and retain educated employees and carefully managed lakes, forests and coastlines to preserve a beautiful setting for recreation. Some goals were revised in 2001 to better suit the changing economy.

Maine's Comprehensive Planning Law, MRS Title 30-*A*, Chapter 208, requires that all local government design and submit for review a land use plan. Title 30-A, Chapter 187 set forth the state goals for Maine. Local plans are to be developed by an appointed board of local citizens and required to incorporate broad public feedback. The plan must include an inventory of local demographic, economic, and resource information, including ten-year projections on growth, a policy development section based on the inventory that

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[19] Pew Center on the States, Grading the states 2008. [Online, accessed 12/16/09.] Available: *http://www.pewcenteronthestates.org/gpp_report_card.aspx*.
[20] Pollina Corporate Real Estate Inc., Pollina Corporate Top 10 Pro-Business States, 2009. [Online, accessed 12/16/09.] Available: *http://www.pollina.com/publications/probiz~1.htm*.
[21] Envision Utah, Quality Growth Strategy. [Online, accessed 12/16/09.] Available: *http://www.envisionutah.org/eu_about_eumission.htm*.
[22] Maine Economic Growth Council, *Measures of Growth in Focus*, 2009. [Online, accessed 12/16/09.] Available: *http://www.mdf.org/publications/Measures-of-Growth-in-Focus-2009/84/*.

promotes the state goals, an implementation strategy, and an implementation program. For regional resources, such as rivers, municipalities must work together to establish a regional growth plan.

Maine's State Planning Goals[23]

1. To encourage orderly growth and development in appropriate areas of each community and region while protecting the State's rural character, making efficient use of public services and preventing development sprawl
2. To plan for, finance and develop an efficient system of public facilities and services to accommodate anticipated growth and economic development
3. To promote an economic climate that increases job opportunities and overall economic well-being
4. To encourage and promote affordable, decent housing opportunities for all Maine citizens
5. To protect the quality and manage the quantity of the State's water resources, including lakes, aquifers, great ponds, estuaries, rivers and coastal areas
6. To protect the State's other critical natural resources, including without limitation, wetlands, wildlife and fisheries habitat, sand dunes, shorelands, scenic vistas and unique natural areas
7. To protect the State's marine resources industry, ports and harbors from incompatible development and to promote access to the shore for commercial fishermen and the public
8. To safeguard the State's agricultural and forest resources from development which threatens those resources
9. To preserve the State's historic and archeological resources
10. To promote and protect the availability of outdoor recreation opportunities for all Maine citizens, including access to surface waters

[23] Maine Revised Statutes, Section 4312, Title 30-A: MUNICIPALITIES AND COUNTIES HEADING: PL 1987, C. 737, PT. A, §2 (NEW). [Online, accessed 12/16/09.] Available: *http://www.mainelegislature.org/legis/statutes/30-a/title30-Asec4312.html.*