

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

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## **Moore: Michigan Cities Not Ready to Endure Another Long-Lasting Recession**

Are Michigan's cities ready for the next recession? Simply put, no. For several years now the Michigan Municipal League, through our [SaveMICity](#) initiative has been sounding the alarm that we need to take steps to fix our municipal finance system.

It is an obsolete and dysfunctional system that doesn't track with the economy, and we need to take some major strides soon to build a system that works before the next recession hits.

Historically Michigan is the first in and the last out of a recession, but what we never experienced before was the apocalyptic declines that occurred during the last recession. It exposed the flaws in our system in a deep and painful way, and we have done nothing to correct it.

The fact is that Michigan was already hurting from the effects of a national downturn before the last recession. Median household income in the Great Lakes State was at its highest point in 1999, where the average household was earning approximately \$67,000 per year.

Michigan's median household income has never truly recovered — in 2018, median household income in Michigan is still only \$57,000 per year — and shows no signs of returning to its previous high in 1999.

Like it or not, an economic recession in Michigan is inevitable. The short and long-term effects damage our communities, and by extension negatively impact our residents and business.

Attraction and retention is ever more difficult if communities aren't thriving. Michigan's leaders need to cut through the partisan gridlock and realize that our cities are not prepared to endure another long-lasting recession.

Our lack of preparation could be a fatal mistake for our state's economy. We need to be focused on real solutions to solve the financial stresses facing our own backyards.

Our challenges are many, but not insurmountable. We believe Michigan and its economy can only be as strong as its communities. It is the very foundation of everything from schools to neighborhoods, storefronts to offices. They all need a strong and vibrant community to thrive.

We must act now to position ourselves differently. Not just for the next recession but for generations to come. Our current system cannot do that.

Aging infrastructure and skyrocketing growth in legacy costs, such as health and retirement benefits for current employees and retirees, constrain a community's ability to invest in critical services that are important to current and prospective residents.

We should change existing laws to discourage wasteful duplication of infrastructure and services and equip local governments with tools to modernize the delivery of legacy benefits.

The state must reverse nearly two decades of disinvestment in our communities and begin restoring revenue sharing. The \$8.6 billion diverted to state programs and away from local services is a bad investment.

Additionally, Michigan places far too many restrictions on local municipalities' revenue-generating options. These rules significantly limit a community's ability to invest in itself.

We should provide more options for communities to fund critical services, including additional special assessment authority, expansion of local taxing authority and grants for public safety.

Property taxes are the largest source of revenue for local government services, but Michigan's current system doesn't allow for property taxes to rebound after a recession.

We need lawmakers to decouple Proposal A and Headlee to allow local governments to grow with the economy when times are good. These laws are antiquated and are our single biggest vulnerability in a recession.

More importantly, they no longer work or deliver value to cities, townships and counties across Michigan and are an impediment to a strong Michigan.

We're encouraging leaders across Michigan to take action, such as the possible solutions mentioned above to ensure that a future impending recession doesn't have a catastrophic impact.

It is a problem we can solve, but only if we come together and are willing to admit the status quo is our enemy and we begin to invest in a better future for Michigan.

## **Crain's Detroit Business**

by Brenda F. Moore

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