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Barry County Financial Analysis and Forecast Report

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Executive Summary

This report is designed to provide the Barry County decision makers with an overview of the county's general fund finances from 2004 to 2009 and a prospective view, or forecast, of finances through 2015. The report and analysis should serve to provide county elected officials and employees with guidelines for future planning. Summarized below are the main points included in this report:

- The county receives around 70 percent of its revenues from property taxes. The state equalized value (SEV) for the county has grown 21.09 percent ($2.16 billion to $2.61 billion) over the 2004 to 2009 period, but the county taxable value (TV) in 2009 was $1.96 billion, or 74.88 percent of the 2009 SEV. The largest increase in SEV was in industrial property (218.16), while residential property, which makes up over 81 percent of the taxable value in the county, grew by 22.46 percent. As a result of Proposal A, $656 million in property value was not subject to taxation in 2009 which translates to $3.55 million in non-collectable property tax revenue.

- With the exception of 2006, Barry's SEV tax base growth has been above the state average but generally lower than other similar counties in location, population, and SEV (Cass, Clinton, Ionia, St. Joseph, and Van Buren). By 2007 and the years following, Barry paralleled the trends throughout the rest of the state but with a higher rate of change. By 2009, Barry was experiencing no change in SEV while the average change statewide was negative.

- In Barry County, 89 percent of the county's tax base resides in townships and the remaining percentage is with the lone city. While the City of Hastings accounted for 9.57 percent of total county SEV in 2004, their percent share decreased to 8.77 percent in 2009 indicating Barry County parallels a statewide trend of tax base increases occurring in areas outside of incorporated cities.

- The county millage rate for Barry increased by 2.58 percent (7.75 to 7.95) from 2004 to 2009. Throughout this entire period, Barry County's levied millage rates were above the state average, which was 7.39 in 2005 and 7.34 in 2009. Additionally, Barry's millage rates are high when compared to those of its neighbors and counties of a similar size.

- The current trend in Michigan is that counties are increasing their reliance on extra-voted millages because of rollbacks as a result of the 1978 Headlee Amendment. In 2009, Barry levied 5.4230 mills allocated, 1.8397 mills extra voted, and 0.6841 mills for a debt levy. The county has an allocation board that determines how the general 15-mill tax limit is distributed among the county, townships, and intermediate school district. There are several options for the county board if they want to obtain any rolled back millage amounts.

- In 2009, property tax revenue accounted for 71.32 percent of total general fund revenue, where total tax revenues provided 71.88 percent of total general fund revenues. The total contribution of taxes to the general fund is up over 12 percentage points from 2004 when 59.45 percent of general fund revenue was derived from taxes, totaling a 31.97 percent increase in tax revenues from fiscal years 2004 to 2009.

- Revenue derived from county charges and fees for service represent the second largest general fund revenue source in 2009, however, county dependence on charges for services has declined from 13.36 percent of the general fund in 2004 to the 2009 level of 8.84 percent. Other notable revenue categories to watch are federal and state grants and contributions which declined 53.51 percent over the period, transfers in which rose 47.58 percent (partially due to the 2005 statutory switch to a revenue sharing reserve fund), and capital and debt which rose 72.32 percent. In 2009, property taxes, other taxes, federal and state grants and contributions, and charges for services together represented 88.1 percent of total revenue.

- General fund expenditures have increased 9.14 percent for the fiscal years 2004-2009 or on average 2.4 percent per year. Three categories of expenditures accounted for 85.42 percent of total general fund expenditures: Justice and Public Safety (59.23), Records, Administrative, and Legislative (15.07) and Physical and Economic Development (11.11).

- The county has maintained a healthy fund balance through this period as well as percent fund equity (unreserved fund balance divided by total general fund expenditures) above the recommended 12-14 percent, or roughly two months operating dollars. The percent fund equity ranges from 17.33 percent in 2004 to 13.52 percent in 2006.

- Barry County maintained 42 nonmajor special revenue funds in 2004 and 40 nonmajor funds in 2009. Total revenue designated for the funds in 2004 totaled \$3.84 million and \$3.19 million in 2009. Total expenditures from the funds totaled \$4.75 million in 2004 and \$4.68 million in 2009. Intergovernmental revenue provided 57.23 percent of all special fund revenues in 2004 and 74.72 percent in 2009. Expenditures from special revenue funds are dominated by those for health and welfare (50.80 percent) in 2004 but decline so that the largest expenditure category is general government (29.98 percent) in 2009.

- Using residential parcel level assessment data, projections for county property tax revenues through 2015 were made based on an optimistic and pessimistic property value scenario. Property values are projected to decline through 2014 under both scenarios but optimistically by 4 percent in 2011 and 2012 and by 2 percent in 2013 and 2014. Pessimistically, property values will decline by 10 percent in 2011 and 2012 and by 5 percent in 2013 and 2014. Both scenarios project no change in 2015.

- Based on the property value change projections, property taxes under the upper-bound or optimistic scenario are forecasted to decline 0.46 percent in 2011, 1.05 percent in 2012, 0.13 percent in 2013, and 0.31 percent in 2014 and then rise 0.94 percent in 2015. The pessimistic, or the lower-bound scenario projects that property taxes will decline 4.04 percent in 2011, 5.61 percent in 2012, 2.83 percent in 2013, 3.18 percent in 2014, and then rise 0.63 percent in 2015.

- Based on certain forecasting assumptions, total revenues are optimistically forecast to drop in 2010 and begin rising slowly thereafter. In the pessimistic outlook, total revenues are projected to decline through 2014 then begin to rise again in 2015. In either projection, the rise in revenues is moderate and below the projected three percent inflation rate each year.

- If Barry County mirrors the revenue trends in its region, over the next five years future revenues from federal and state grants will continue to decline and revenues from charges for services will rise.

- On the expenditure side, beginning in 2011 expenditures will rise at or above the rate of inflation through 2015, with the main driver of costs being benefits. Consequently, expenditures are projected to be greater than revenues for every year beginning in 2011 if no other changes are made to the annual budget.

- The largest category of expenditures is Justice and Public Safety of which 43.7 percent is payroll, 24.46 is benefits, and 31.84 is in other expenses.

- Unless County action is taken to either increase revenues or decrease expenditures, based on the current outlook, the lower-bound scenario shows that the fund balance will be depleted by 2013 with the optimistic scenario showing a negative fund balance in 2014.

- This report provides considerations in several areas to alleviate the predicted fiscal strain. It is suggested that the county board examine various alternatives to recouping the taxes lost by the Headlee Amendment. Additionally, considerations are provided regarding fee structures within the county. Finally, more information about mandated versus non-mandated services is provided.

Part I

Barry County
Financial Analysis, 2004-2009

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Part I: Barry County Financial Analysis, 2004-2009

Introduction

The financial trend analysis is designed to provide county elected officials and employees with insight as to the changing fiscal conditions of the county over a six year-period. The analysis is organized into seven sections: property tax base changes, millage rate changes, analysis of trends in general fund revenues and expenditures, general fund balance changes, and analysis of special revenue funds. The period covered by the financial analysis is fiscal years 2004 to 2009. County financial data was compiled from the Barry County Annual Budgets and the Barry County Annual Financial Reports made available by the Michigan Department of Treasury. Property tax base information comes from annual reports of the Michigan Department of Treasury. The appendices contain detailed information related to the state equalized value, taxable value, and millage rates.

I. Property Tax Base

Property taxes represent the single largest revenue source for county governments in Michigan, thus changes in the property tax base significantly affect revenue flows. Adoption of Proposal A in March 1994 required that a property tax millage be levied against the "taxable value" (TV) of property rather than the assessed, or state equalized value (SEV). Proposal A limits the annual increase in taxable value of individual parcels of property to the lesser of 5 percent or the rate of inflation. Thus a differential occurs between the taxable value and SEV over time. For example, the SEV of property in Barry County increased 21.09 percent ($2.16 billion to $2.61 billion) between 2004 and 2009, but the county taxable value in 2009 was $1.96 billion, or 74.88 percent of the 2009 SEV as shown in Table 1.

Table 1: Barry County SEV and Taxable Value 2004-2009

Tax Class	2004		2009		2004-09	2004-09	2009
	SEV	TV	SEV	TV	SEV % Chg	TV % Chg	TV/SEV
Agriculture	270,599,726	105,997,249	299,262,925	115,075,859	10.59%	8.56%	38.45%
Commercial	136,613,273	93,189,460	154,457,471	119,317,143	13.06%	28.04%	77.25%
Industrial	17,168,174	15,998,242	54,622,607	45,188,937	218.16%	182.46%	82.73%
Residential	1,644,773,142	1,211,193,178	2,014,264,230	1,588,625,644	22.46%	31.16%	78.87%
Timber	0	0	0	0	0.00%	0.00%	0.00%
Developmental	3,712,367	2,061,962	3,384,200	1,641,983	-8.84%	-20.37%	48.52%
Personal	84,227,785	84,227,785	85,953,081	85,952,177	2.05%	2.05%	100.00%
Total	**2,157,094,467**	**1,512,667,876**	**2,611,944,514**	**1,955,801,743**	**21.09%**	**29.29%**	**74.88%**

Among property tax classes, excluding timber, the ratio of taxable to state equalized property value was lowest among the agricultural property (38.45 percent) and highest for industrial and personal property classes (82.73 and 100.0 percent). The residential class of property mirrored the commercial class in terms of the taxable versus state equalized value ratio. The combined impact and interaction of Headlee[1] and Proposal A results in $656 million in value not subject to property taxation in 2009. Legislative action is needed on the part of the Michigan Legislature to correct the administrative rule on recaptured value resulting from property re-sale. Currently, when property is sold, the additional captured value is counted against the unit's Headlee rollback calculation. Thus while the new property owners bear 100 percent of the increase in property taxes due to the capturing of rolled back value, if enough property sales occur in a unit, the net impact of the added value due to recaptured value rolls back millage rate for the unit. This increases the relative differential between new property owners and those who have owned property in the same community for a period of years. It is imperative that local city and township assessors keep the assessed (SEV) values up-to-date to reflect changes in the real estate market.

While the county's overall increase in SEV between 2004 and 2009 totaled 21.9 percent, valuation increases for the residential class increased 22.46 percent, agricultural 10.59 percent, industrial 218.16 percent, and commercial 13.06 percent. Taxable value increases were moderated due to the constitutional constraint on assessment increases. The taxable value for Barry County increased 29.29 percent between 2004 and 2009 led by the industrial class with an increase of 182.46 percent. Over this same time period, developmental property was the only property class to see negative actual valuations as well as a decline in taxable value.

Figure 1 compares Barry County's SEV growth rate to the state average growth rate. In this 6-year period, Barry County experienced a growth rate higher than the state in in all years except for 2006. From 2004 to 2005 the SEV stayed relatively the same compared to a small negative decrease throughout the state. SEV dropped more sharply in 2006 than the average in the rest of the state but grew slightly in 2007, whereas the SEV statewide continued to decline. By 2007 and the years following, Barry paralleled the trends throughout the rest of the state but with a higher rate of change. By 2009, Barry was experiencing no change in SEV while the average change statewide was negative.

Figure 2 shows the SEV growth rate for Barry County alongside other county's with similar population and/or SEVs. Barry County's rate of change in SEV is about the median rate of change compared to these counties in 2004 and 2005. However, by 2006 the rate of change in SEV for Barry County drops compared to the other County's such that Barry County's percent change in SEV is second lowest by 2006, lowest by 2007 and 2008, and second lowest again in 2009. There were some counties, such as St. Joseph and Van Buren, that experienced great fluctuations in SEV growth over this period, especially compared with Barry County.

It will be difficult for counties with a significant portion of their tax base associated with agriculture and a slow turnover of residential property base to make gains in revenue associated with property tax. Communities with an expanding residential base spawned by new developments will be able to increase property tax revenue without changes in the millage rates.

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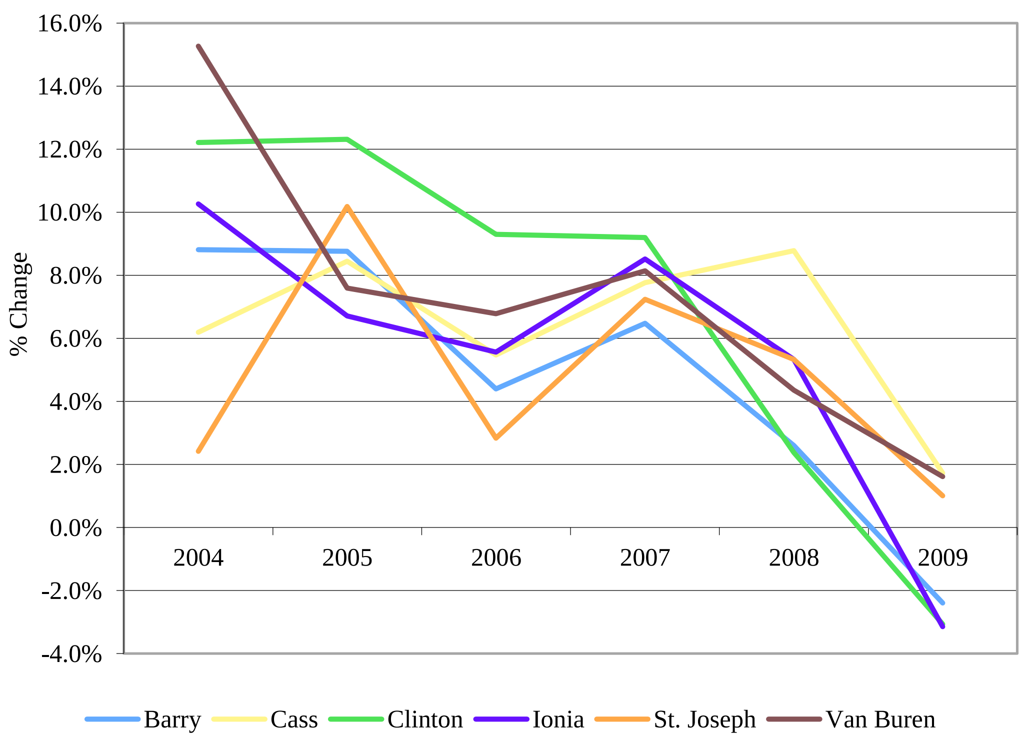
[1] The Headlee Amendment was approved in 1978 and requires that tax rates be rolled back if the increase in a taxing unit's equalized valuation, with the exception of changes from new construction, improvements and losses, is greater than the rate of increase in the Consumer Price Index. The amendment was intended to keep a taxing unit from benefiting from growth in the existing tax base because of economic inflationary factors (Source: Guide to Michigan County Government, 4th Edition, VerBurg).

Figure 1: Barry Co. SEV Growth vs. State Average SEV Growth

Figure 2: Barry County SEV Growth vs. Other Similarly Sized Counties



Barry County has a total of 16 townships and 1 city. In Barry County, 89 percent of the county's tax base resides in the townships. Table 2 provides a listing of all the townships and cities in Barry County. As noted, the Thornapple Township has the largest tax base of the 17 municipalities accounting for 12 percent ($256 million) of the county SEV in 2009. The next largest tax base is Yankee Spring Township ($228 million) representing nearly 11 percent of county SEV for the same period. Overall, the county's SEV increased 21.09 percent between 2004 and 2009, which is noted earlier. Woodland Township had exceptional growth (57.23 percent) in SEV, more than twice the average, over the period. The lone city, Hastings, had growth equal to just above half the average growth rate and had the slowest growth rate of any municipality in the county between 2004 and 2009. Hastings also saw a modest decline in its contribution to the total SEV (9.57 percent in 2004 to 8.77 percent in 2009), indicating that Barry County parallels a statewide trend of tax base increases occurring in areas outside of incorporated cities.

Table 2: SEV and Taxable Values Sub-County Units

Unit	2004		SEV % Total	2009		SEV % Total	2004-09 SEV % Chg
	SEV	TV		SEV	TV		
Township							
Assyria	68,346,300	42,915,229	3.17%	76,721,400	53,665,581	2.94%	12.25%
Baltimore	59,550,700	39,352,557	2.76%	78,982,600	49,697,136	3.02%	32.63%
Barry	146,747,900	87,804,735	6.80%	164,587,125	115,614,803	6.30%	12.16%
Carlton	86,650,500	56,297,474	4.02%	97,638,100	69,996,185	3.74%	12.68%
Castleton	75,866,319	51,358,211	3.52%	94,074,636	65,400,043	3.60%	24.00%
Hastings	93,072,400	63,617,979	4.31%	109,467,400	79,752,006	4.19%	17.62%
Hope	121,499,575	85,182,026	5.63%	159,453,291	113,026,536	6.10%	31.24%
Irving	102,922,700	70,648,115	4.77%	121,757,092	92,311,281	4.66%	18.30%
Johnstown	100,708,900	75,909,913	4.67%	130,581,400	95,377,771	5.00%	29.66%
Maple Grove	56,982,718	32,082,447	2.64%	69,227,252	45,261,088	2.65%	21.49%
Orangeville	138,233,200	96,435,546	6.41%	164,547,738	125,551,614	6.30%	19.04%
Prairieville	163,675,307	108,438,293	7.59%	205,323,142	139,610,488	7.86%	25.45%
Ruthland	149,287,800	109,289,445	6.92%	183,892,600	139,173,253	7.04%	23.18%
Thornapple	265,857,300	202,197,219	12.32%	313,308,505	255,984,481	12.00%	17.85%
Woodland	80,526,150	51,895,489	3.73%	126,681,133	87,305,978	4.85%	57.32%
Yankee Spring	240,693,250	172,848,180	11.16%	286,525,000	227,501,015	10.97%	19.04%
City							
Hastings	206,473,448	166,395,018	9.57%	229,176,100	200,572,484	8.77%	11.00%
County							
Total	2,157,094,467	1,512,667,876	100.00%	2,611,944,514	1,955,801,743	100.00%	21.09%

Source: State Tax Commission Annual Reports

The discussions of local unit tax base growth have focused on changes in the state equalized value instead of taxable value changes. While taxable value represents the base for levying millage rates, the taxable values are capped by the CPI thus do not give a picture of what is really happening with the tax base in units. Another way to examine a county's tax base is to examine the ratio of homestead to non-homestead values as displayed in Table 3. Proposal A mandated that for K-12 financing purposes homestead property would be assessed a six mill state education tax and non-homestead an additional 18 mills for a total of 24 mills. Homestead property includes the declared principal homestead as well as qualified agricultural land. Thus the higher the ratio of the "homestead v. non-homestead," the higher the proportion of funding for K-12 education comes from the state. For the county as a whole, 74.02 percent of the total taxable value is classified as homestead property with ranges from a high of 90.61 percent in Assyria Township to a low of 56.75 percent in the city of Hastings. Units with a significant portion of their tax base attributed to commercial, industrial and residential second homes will have by definition a lower homestead versus non-homestead ratio. For example, in Woodland Township 32.5 percent of the taxable value is assigned to the agricultural class, thus when the residential base is combined with the agricultural base, 77.3 percent of the township's property qualified as homestead and is subject to the six mill state education tax levy.

Table 3: Homestead v. Non-Homestead Taxable Value 2009

Unit		Homestead	Non-Homestead	Hmstd % of Total TV
Assyria	TWP	48,627,814	4,976,167	90.61%
Baltimore	TWP	42,678,384	6,806,152	85.88%
Barry	TWP	84,528,172	30,229,181	73.11%
Carlton	TWP	59,138,052	10,434,733	84.49%
Castleton	TWP	48,096,768	16,766,251	73.54%
Hastings	TWP	64,454,499	14,237,707	80.82%
Hope	TWP	75,831,061	36,565,975	67.09%
Irving	TWP	80,255,633	11,105,148	86.94%
Johnstown	TWP	77,174,396	18,017,075	80.91%
Maple Grove	TWP	40,493,227	2,855,914	89.47%
Orangeville	TWP	84,032,766	40,297,748	66.93%
Prairieville	TWP	105,701,277	33,557,963	75.71%
Ruthland	TWP	107,913,613	26,307,840	77.54%
Thornapple	TWP	208,266,497	32,276,084	81.36%
Woodland	TWP	53,162,855	32,535,320	60.89%
Yankee Spring	TWP	153,495,542	71,117,673	67.47%
Hastings	City	113,829,893	69,853,091	56.75%
County Total		1,447,680,449	457,940,022	74.02%

Source: State Tax Commission Annual Reports

In summary, Barry County's SEV growth for the 2004-2009 (21.09 percent) ranks the county 30th of Michigan's 83 counties. For comparison, the statistical average SEV growth for all 83 counties for the past five years was 19.9 percent. Comparable counties all had higher growth rates during this period: Cass, 36.4 percent and ranked 9th; Clinton, 33.0 percent and ranked 12th; Van Buren, 31.8 percent and ranked 14th; Saint Joseph, 29.3 percent and ranked 17th; and Ionia, 24.7 percent and ranked 23rd.

II. Millage Rates

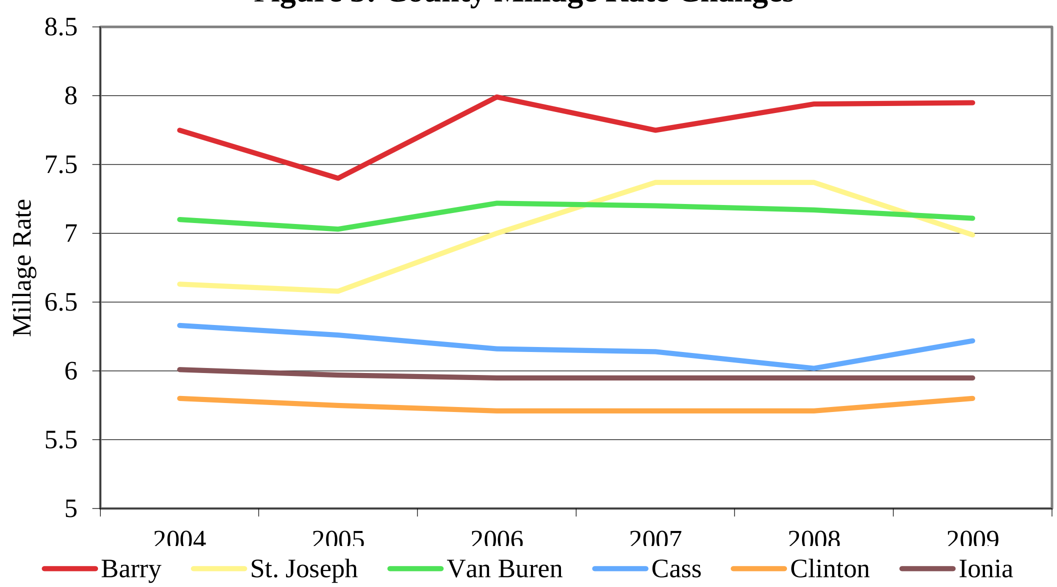
Section I examined changes in the property tax base of the county and sub-units of government, while section II will focus on changes in millage rates. Barry County's 2009 millage rate of 7.95 mills is high when compared to counties displayed in Table 4, which includes allocated and extra-voted millages. The counties displayed in Table 4 represent those considered comparable to Barry in location, population, and/or SEV.

Table 4: County Millage Rates

County	2004	2005	2006	2007	2008	2009
Barry	7.75	7.40	7.99	7.75	7.94	7.95
Cass	6.33	6.26	6.16	6.14	6.02	6.22
Clinton	5.80	5.75	5.71	5.71	5.71	5.80
Ionia	6.01	5.97	5.95	5.95	5.95	5.95
St. Joseph	6.63	6.58	7.00	7.37	7.37	6.99
Van Buren	7.10	7.03	7.22	7.20	7.17	7.11

Over the period, half of the counties shown in Table 4 saw millage rate increases: Barry, St. Joseph, and Van Buren. The largest increase was in St. Joseph where the millage rate grew in the six-year period by 5.4 percent, followed by 2.58 percent in Barry and 0.14 percent in Van Buren. Cass County saw their millage rate decline by 1.74 percent and Ionia County by one percent, though there were fluctuations from year to year. Clinton County had the same millage rate in 2004 as in 2009 even though there were fluctuations from year to year. These changes are displayed in Figure 3. In 2005 the average statewide millage rate, allocated and extra-voted, was 7.39 and fell 0.68 percent to a rate of 7.34 in 2009. Barry is above the average statewide millage levy over the entire period studied.

Figure 3: County Millage Rate Changes



In 2009, Barry levied 5.4230 mills allocated and 1.8397 mills extra-voted in addition to a 0.6841 mill debt levy. The current trend in Michigan is that counties are increasing their reliance on extra-voted millages due to what is known as the "Headlee Rollback". The county has several options if they desire to restore the rolled back millage amount. First, the county board could call for a Headlee over-ride vote and recapture that portion of the allocated and extra-voted millage that has been fractionally reduced by Headlee rollbacks. Second, since Barry County has an allocation board that divides the 15-mill constitutional tax limit among the county, townships, and intermediate school district, it can petition the board to increase the county's portion of the 15-mills. Third, the county board could call for an election to establish a fixed millage allocation and by doing so potentially change the distribution of the allocated amounts between the township, intermediate school district and the county. Because of the 1978 Headlee amendment, it is probably advisable to fix the allocated portion at a time length not to exceed five to eight years. By having the allocated millage come up for a vote every five to eight years the county has the opportunity to negate the impact of Headlee rollbacks by re-establishing the full, allocated rate. See Appendix A for full listing of all Michigan counties fixed and extra-voted levies and Appendix C for the 2009 allocation tax rates prior to any Headlee rollbacks.

The county's extra-voted millages as of 2009 are levied to senior programs (0.4907 mills), transit (0.2481 mills), parks and recreation (0.2259 mills), central dispatch/911 services (0.8750 mills), and debt (0.6784 mills). Barry is one of only 11 counties to levy a millage for debt in Michigan. Barry County is the only county to levy a millage for parks and recreation or debt among those counties identified above as comparable. See Appendix B for a listing of the various uses of extra-voted millage by Michigan counties.

A discussion on millage rates would not be complete without an examination of millage levies by sub-county units of government. The total property tax liability of Barry County residents is the aggregation of local levies, county levy plus the state education tax. Table 5 provides a comparison of millage rates and changes from 2004 to 2009.

In 2004, the average millage rate for all Michigan's 1,242 townships was 4.58 mills and by 2009 the average rate was 4.71 mills. Nearly all of Barry's 16 townships were below this average with the exception of the townships of Woodland in 2004 and Maple Grove in 2009. The degree of change in millage rates by 2009 varies across the townships in Barry County. Castleton Township saw the largest increase among the townships with a millage of 2.37 in 2004 and a 30.38 percent rise to 3.09 mills in 2009. Likewise, Maple Grove and Thornapple experienced large millage rate increases of 27.62 percent and 28.87 percent, respectively. On the other hand, six of the county's townships had decreasing millages rates of the period. This trend was led by Hope Township and Woodland Township with millage rate decreases of 27.59 percent and 26.13 percent, respectively.

The average statewide city millage rate was 16.12 in 2004 mills and 16.60 by 2009. Barry's only city, Hastings, is below the statewide average city tax levy for the entire period examined and actually decreased its millage by 0.06 percent over the period.

Table 5: Millage Rates Barry County Governments

Unit	2004	2005	2006	2007	2008	2009	2004-09 % Change
Township							
Assyria	1.08	1.07	1.05	1.02	1.02	1.02	-5.56%
Baltimore	1.22	1.21	1.20	1.19	1.19	1.19	-2.46%
Barry	4.90	4.82	4.82	4.76	3.87	3.87	-21.02%
Carlton	2.89	2.86	2.89	2.86	2.86	2.90	0.35%
Castleton	2.37	2.37	2.33	2.32	3.35	3.09	30.38%
Hastings	2.26	2.25	2.23	2.22	2.22	2.33	3.10%
Hope	2.90	2.83	2.77	2.75	2.85	2.10	-27.59%
Irving	2.66	2.58	2.84	2.80	2.79	2.85	7.14%
Johnstown	2.46	2.75	2.74	2.75	2.74	2.74	11.38%
Maple Grove	3.44	3.35	3.31	3.28	4.39	4.39	27.62%
Orangeville	2.35	2.38	2.38	2.38	2.37	2.41	2.55%
Prairieville	3.88	3.91	3.89	3.85	3.82	3.92	1.03%
Ruthland	3.27	3.22	3.18	3.18	3.16	3.78	15.60%
Thornapple	2.84	2.88	3.57	3.57	3.58	3.66	28.87%
Woodland	4.86	4.82	4.63	3.43	3.42	3.59	-26.13%
Yankee Spring	1.42	1.40	1.38	1.40	1.39	1.39	-2.11%
City							
Hastings	16.03	16.03	16.03	16.03	16.02	16.02	-0.06%

Source: Michigan Department of Treasury

III. General Fund Revenue

The previous two sections have focused on the county's tax base and millage rates and since the county generates approximately 70 percent of its general fund revenue from property taxes, any changes in the tax base or rate impacts the county's revenue stream. This section will examine the sources of county revenue over a period of six years and identify trends or changes in the relative shares attributed to each revenue source.

The information presented is taken from the county's annual audits and annual budget and is displayed in various tables and graphs to give a picture of the trends and changes that have occurred since 2004. The county general fund revenue has increased from $13.1 million in 2004 to a high of $16.1 million in 2006. From 2004 to 2009 the general revenues rose 9.1 percent overall. Table 6A provides a listing of the revenue categories which are standard accounting categories and the associated nominal revenue for the years 2004 through 2009. Table 6B displays the same general revenue fund data but as a percent share. In the discussion that follows related to revenue and expenditures, both the actual nominal amounts and percent share or changes will be presented. The percent share is important from the standpoint of examining changes over time. Presenting just the nominal dollars doesn't pickup the changes that may be occurring in a revenue or expenditure item. For example, a line item may be showing an actual increase in nominal dollars but as a percent share of total be declining.

Table 6A: General Fund Revenue by Source 2004-2009

Source	2004	2005	2006	2007	2008	2009
Taxes	7,800,928	11,097,622	11,792,816	9,608,400	9,966,884	10,295,168
License/Permits	165,181	162,892	161,355	143,992	128,149	128,580
Federal/State	2,259,627	1,761,112	1,699,606	1,028,389	1,080,325	1,050,576
Charges for Services	1,753,303	1,662,945	1,517,465	1,649,504	1,445,094	1,265,435
Fines/Forfeitures	27,763	25,835	28,902	21,842	25,293	26,881
Rentals/Interest	216,408	268,874	465,430	627,456	342,273	193,037
Other	141,143	113,685	96,016	111,951	203,095	243,217
Sub-total	12,364,353	15,092,965	15,761,590	13,191,534	13,191,113	13,202,894
Transfers In[2]	758,250	988,284	1,010,370	1,048,338	1,068,751	1,119,013
Transfer In-Rev. Sharing	618,250	978,093	1,010,370	1,048,338	1,068,709	1,119,013
Transfer from Abstract	-	-	-	-	-	-
Transfer in BIP Tech Grant	-	155	-	-	-	-
Transfer in Twp Police	-	3,471	-	-	-	-
Transfer from Jail Exp.	-	6,116	-	-	-	-
Transfer in from FOC Constr.	-	24	-	-	-	-
Transfer in from Health Ins	-	425	-	-	-	-
Transfer in From Parks & Rec	-	-	-	-	42	-
100% Umbrella Tax Fund	140,000	-	-	-	-	-
Total	**13,122,603**	**16,081,249**	**16,771,960**	**14,239,872**	**14,259,864**	**14,321,907**

Table 6B: General Fund Revenue as a Percent of Total

Source	2004	2005	2006	2007	2008	2009	2004-09
	% Total	% Total	% Total	% Total	% Total	% Total	% Change
Taxes	59.45	69.01	70.31	67.48	69.89	71.88	31.97
License/Permits	1.26	1.01	0.96	1.01	0.90	0.90	(22.16)
Federal/State	17.22	10.95	10.13	7.22	7.58	7.34	(53.51)
Charges for Services	13.36	10.34	9.05	11.58	10.13	8.84	(27.83)
Fines/Forfeitures	0.21	0.16	0.17	0.15	0.18	0.19	(3.18)
Rentals/Interest	1.65	1.67	2.78	4.41	2.40	1.35	(10.80)
Other	1.08	0.71	0.57	0.79	1.42	1.70	72.32
Transfers In	5.78	6.15	6.02	7.36	7.49	7.81	47.58
Total	100.00	100.00	100.00	100.00	100.00	100.00	9.14

Taxes remain the dominant source of revenue for the county. In 2009, property tax revenue accounted for 71.32 percent of total general fund revenue, where total tax revenues provided 71.88 percent of total general fund revenues. The total contribution of taxes to the general fund is up over 11 percentage points from 2004 when 59.45 percent of general fund revenue was derived from taxes, totaling a 31.97 percent increase in tax revenues in the time period examined. Revenue derived from county charges for services represent the second largest general fund revenue source in 2009 (8.84 percent). County dependence on charges for services has declined

[2] Transfers in were manually segregated from other budget categories provided by Barry County for the purposes on analysis in this report. Therefore, some of the budget categories will not add up to what is reported in the Barry County budget but the bottom line totals are still correct and match what is reported in the budget and CAFR.

27.83 percent from 13.36 percent of the general fund in 2004. In 2004, the second largest revenue source was federal and state grants and contributions (17.22 percent) but dropped 53.51 percent to 7.34 percent of the general fund in just five years. Because of this drop in receipts from federal and state grants and contributions, the categories “other” and “transfers in” rose over the time period by 72.32 percent and 47.58 percent, respectively. Transfers in is revenue earned or accumulated over previous fiscal years, that is, transfers in do not represent revenue generated during the current fiscal year. The monies may also represent transfers from the budget stabilization fund or delinquent tax revolving fund. This revenue source also grew, in part, from the 2005 switch from state revenue sharing to a revenue sharing reserve fund.

In 2009, property taxes, other taxes, federal and state grants and contributions, and charges for services together represent 88.1 percent of total revenue, thus changes in any of the three revenue categories will have an impact on the county’s general fund budget. Over the 2004 to 2009 fiscal years, income from rentals and fines and forfeitures dropped 10.80 percent and 3.18 percent, respectively. While neither of these categories are major contributors to general fund revenues, the detail level of the Treasury audits does not permit a closer look at specific revenues which are contributing to this trend. Figures 4A and 4B provide an alternative view of general fund revenue by source.

Figure 4A: General Fund Revenue by Source, 2004

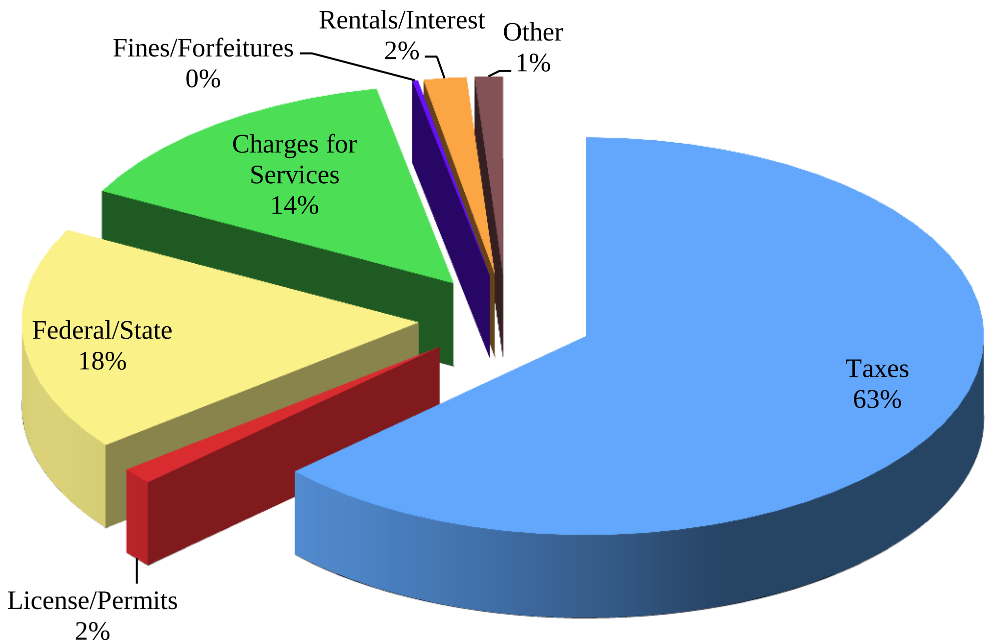
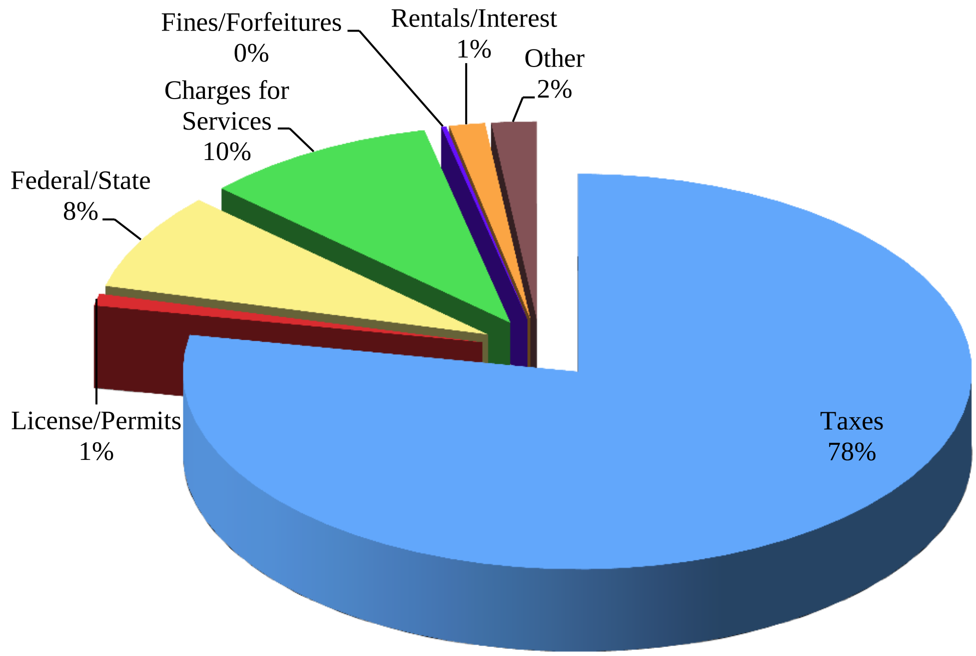


Figure 4B: General Fund Revenue by Source, 2009



Source: Department of Treasury

The transfers in to the general fund, a main source of which is the from the revenue sharing reserve fund, are converted to "millage equivalents" in Table 7. Transfers in have ranged from a low of 0.501 millage equivalent (2004) to a high in 2005 of 0.613 mills; that is, in 2005 in order to generate the same amount of revenue as the transfer, the county would need to levy 0.613 mills.

Table 7: General Fund Revenue Transfers 2004-2009

	2004	2005	2006	2007	2008	2009
Transfers In	758,250	988,284	1,010,370	1,048,338	1,068,751	1,119,013
Millage Equivalent	0.501	0.613	0.592	0.572	0.562	0.572

State Revenue Sharing

The Michigan Legislature in 2004 as part of the State's budget balancing exercise eliminated state revenue sharing payments to county government beginning October 1, 2004. As a substitute for the lost state revenue, the legislature authorized through statute the establishment of a county revenue sharing reserve fund (RSRF). The RSRF was financed by advancing the collection date of the county's general operating millage to July. The change was phased in over three fiscal years and 1/3 of the collection for each of the next three years was set aside or designated for the RSRF. Extra-voted millage continued to be collected in December.

To replace the lost state revenue sharing payments, the county was able to draw from the fund an amount equal to what the county had received from the state for their revenue sharing payment for fiscal year 2004 indexed to inflation as measured by the consumer price index. Therefore, in the short run, between advancing the county property tax collection and withdrawing monies from the RSRF counties had relatively the same amount of revenue to fund the general fund. According to the Michigan Department of Treasury, Barry County is projected to resume fiscal year revenue payments in 2012.

Table 8 shows the actual amount withdrawn from the RSRF after this statutory change and its percent of current general fund revenue contribution. Again, the millage equivalent is calculated in order to indicate the millage that would have to be levied to recoup the funds from the RSRF should they become unavailable. Because most of the transfers in to the general fund are from the RSRF during this period, this table closely resembles Table 7.

Table 8: State Revenue Sharing Reserve Fund (RSRF) and Equivalent

Year	RSRF	RSRF % of GF Rev.	Millage Equivalent
2004	618,250	4.71%	0.409
2005	978,093	6.08%	0.606
2006	1,010,370	6.02%	0.592
2007	1,048,338	7.36%	0.572
2008	1,068,709	7.49%	0.562
2009	1,119,013	7.81%	0.572

IV. General Fund Expenditures

General fund expenditures have increased 9.14 percent for the period 2004-2009 or on average, 2.5 percent per year. Throughout this period there was one fiscal year where expenditures fell (2007) and one year (2005) that had an unusually large increase in spending (22.5 percent) due to a 131.7 percent jump in Records, Administrative, and Legislative expenses. Expenditures have risen from $13.12 million in 2004 to a high of $16.08 million in 2005, although expenditures in 2009 totaled $14.32 million. Tables 9A and 9B provide general fund expenditure amounts by standard accounting categories for six years and expenditure share changes over the same period.

While the overall increase in expenditures was 9.14 percent over the six years examined, expenditure share changes occurred for several of the categories. Expenditure increases above the average 2004 to 2009 change of 5.2 percent were noted for Physical and Economic Development (62.47) and Records, Administrative, and Legislative (43.08 percent). Share decreases occurred in Justice and Public Safety (2.37 percent) and Capital and Debt (23.54 percent) and a large decline was seen in Health and Human Service (53.92 percent).

Table 9A: General Fund Expenditures 2004-2009

Source	2004	2005	2006	2007	2008	2009
Justice & Public Safety	7,961,353	7,930,829	8,085,229	7,924,654	8,174,185	8,483,070
Health & Human Services	1,654,110	1,709,196	1,859,139	955,623	1,636,573	831,943
Physical & Economic Development	897,314	1,024,051	1,027,516	1,456,744	1,517,329	1,591,148
Records, Administrative & Legislative	1,382,513	4,048,908	4,362,328	2,068,529	2,012,442	2,158,948
Capital & Debt	489,276	543,702	542,068	508,407	335,100	408,264
Subtotal	12,384,566	15,256,686	15,876,280	12,913,957	13,675,629	13,473,373
Transfers Out	738,037	824,563	895,680	1,325,915	584,235	848,534
Data Processing Approp	280,325	256,502	223,920	254,448	-	265,307
Vehicle Replacement Approp	220,883	222,290	223,920	254,448	102,125	265,307
Building Rehab Approp	215,589	336,369	447,840	763,346	432,606	265,306
Transfer to School Liaison	21,240	7,122	-	53,673	49,504	52,614
Transfer to Health Ins. Fund	-	-	-	-	-	-
Transfer to Disability Fund	-	-	-	-	-	-
Transfer to Life Ins. Fund	-	-	-	-	-	-
Transfer to Retirement Fund	-	-	-	-	-	-
Transfer to Veterans Trust	-	2,115	-	-	-	-
Transfer to Victim Services	-	165	-	-	-	-
Total GF Exp.	**13,122,603**	**16,081,249**	**16,771,960**	**14,239,872**	**14,259,864**	**14,321,907**

Table 9B: General Fund Expenditures as a Percent of Total

Source	2004	2005	2006	2007	2008	2009	2004-09
	% Total	% Total	% Total	% Total	% Total	% Total	% Change
Justice & Public Safety	60.67	49.32	48.21	55.65	57.32	59.23	(2.37)
Health & Human Services	12.61	10.63	11.08	6.71	11.48	5.81	(53.92)
Physical & Economic Development	6.84	6.37	6.13	10.23	10.64	11.11	62.47
Records, Administrative & Legislative	10.54	25.18	26.01	14.53	14.11	15.07	43.08
Capital & Debt	3.73	3.38	3.23	3.57	2.35	2.85	(23.54)
Transfers Out	5.62	5.13	5.34	9.31	4.10	5.92	5.34
Total	100.00	100.00	100.00	100.00	100.00	100.00	9.14

In 2009, three categories of expenditures accounted for 85.42 percent of total general fund expenditures: Justice and Public Safety (59.23 percent), Records, Administrative, and Legislative (15.07 percent) and Physical and Economic Development (11.11 percent). “Transfers out” represent transfers from the general fund to accounts outside of the general fund and generally represent one way transfers, thus once the monies are transferred to cost centers outside of the general fund and are captured by a series of accounts such as special revenue funds, the monies do not find their way back to the general fund even if the resulting transfer generates added fund balance to the account. The main destinations for transfers out in throughout the period were Data Processing, Vehicle Replacement, and Building Rehabilitation.

V. General Fund Balance

The combined balance sheets at the beginning of the county's annual audits provide a statement of assets and liabilities as well as display the fund balance. This section will regroup the combined information to present a more dynamic view of the general fund. Table 10 restates the fund balance information.

Table 10: General Fund Combined Balance and Changes, 2004-2009

Category	2004	2005	2006	2007	2008	2009
Current Revenue	12,364,353	15,092,965	15,761,590	13,191,534	13,191,113	13,202,894
Transfers In	758,250	988,284	1,010,370	1,048,338	1,068,751	1,119,013
Total GF Revenue	13,122,603	16,081,249	16,771,960	14,239,872	14,259,864	14,321,907
GF Expenditures	12,384,566	15,256,686	15,876,280	12,913,957	13,675,629	13,473,373
Transfer Out	738,037	824,563	895,680	1,325,915	584,235	848,534
Total GR Expenditures	13,122,603	16,081,249	16,771,960	14,239,872	14,259,864	14,321,907
Difference	0	0	0	0	0	0
GF Balance BOY	2,145,917	2,145,917	2,145,917	2,145,917	2,145,917	2,145,917
GF Balance EOY	2,145,917	2,145,917	2,145,917	2,145,917	2,145,917	2,145,917
Unreserved Fund Balance	2,074,092	2,144,917	2,144,917	2,145,917	2,145,917	2,145,917
Percent Fund Equity	17.33%	14.07%	13.52%	16.62%	15.69%	15.93%

Table 10 provides insight to the dynamics of the county's general fund. Total general fund revenue is broken down into two categories: current revenue and transfers in. Current revenue represents monies to the general fund collected or earned during the fiscal year, January to December. Transfers in represent revenue earned or generated in a previous fiscal year or revenue from a fund outside of the general fund, a major source being the RSRF. Most counties support general fund activities but by comparing current revenue to total GF expenditures, policymakers are able to understand the revenue gap that would occur should such transfers from other sources not be possible.

Also included in Table 10 is the beginning of year (BOY) and end of year (EOY) fund balances, which represent both reserved and unreserved monies in the general fund. Percent fund equity is calculated using the unreserved fund balance and dividing by the total general fund expenditures (expenditures plus transfers out). This calculation provides a more accurate picture of the funds available for general use at any time.

The county's fund balance has remained fairly constant from 2004 through 2009 because of their practice of transferring any surplus funds for the general fund into the Data Processing, Building Rehabilitation and Vehicle Replacement funds. The county's fund equity (unreserved fund balance divided by total general fund expenditures) has fluctuated between a low of 13.52 percent in 2006 to a high of 17.33 percent in 2004. As of 2009, the percent fund equity was 15.93 percent. The target for counties in terms of fund equity is 12-14 percent or roughly two months operating. It is unlikely that given the constraint on property tax revenues, future property value concerns, the elimination of state revenue sharing, and voter resistance to tax increases, Michigan counties will easily maintain a fund equity at the target level in the future.

VI. Special Revenue Funds

The Uniform Accounting and Budget Act requires the county board of commissioners to annually approve three budgets: general fund, special revenue fund and debt fund. The special revenue fund as the name implies represents restricted revenues. The fund is the recipient of extra-voted property taxes, state and federal grants and charges and fees levied by agencies or functions designated as special revenue. The special revenue funds also receive transfers from the general fund as pointed out in the discussion on the general fund section of report. Barry County maintained 42 non-major special revenue funds in 2004 and 40 non-major funds in 2009. Total revenue designated for the funds in 2004 totaled $3.84 million and $3.19 million in 2008. Total expenditures from the funds totaled $4.75 million in 2004 and $4.68 million in 2009. Figures 6A and 6B show revenue and expenditure allocations according to standard accounting and reporting categories.

As shown in Figures 6A and 6B, the major sources of revenue for the special revenue funds are intergovernmental federal and state revenue (46.54 percent) and charges for services (20.99 percent) in 2004 and intergovernmental revenues (74.72 percent) in 2009. Because the reporting of these sources changed from 2004 to 2009 we cannot break out the intergovernmental sources for which the 2009 dollars were received[3]. Aggregating the intergovernmental dollars from 2004 to a total of 57.23 percent of the special revenue funds provides a better comparison to show that reliance on state and federal sources for these funds grew nearly 17.5 percent over this period. As shown in Figures 7A and 7B, expenditures from special revenue funds are dominated by those for health and welfare in 2004 (50.08 percent) but have a much more even distribution by 2009 where the largest percentage of funding goes to general government (29.98 percent).

The role of the county board of commissioners in addition to the adoption of a special revenue fund budget each year is to set in place a system that will monitor activity in the various special revenue funds as well as track fund balances. Since a portion of special revenue funding is derived from transfers from the general fund, policymakers need to insure that such transfers are needed since withdrawing the money back to the general fund may not be an option. For those activities funded by extra-voted millage, the county board prior to approving the millage apportionment reports needs to be confident that the yield from the requested levy is indeed needed and not just further enhancing fund balances.

[3] In the 2004 CAFR, there were two intergovernmental categories: Federal and state, and local. In 2009 the same level of detail is not provided.

Figure 6A: Special Revenue Fund by Source 2004

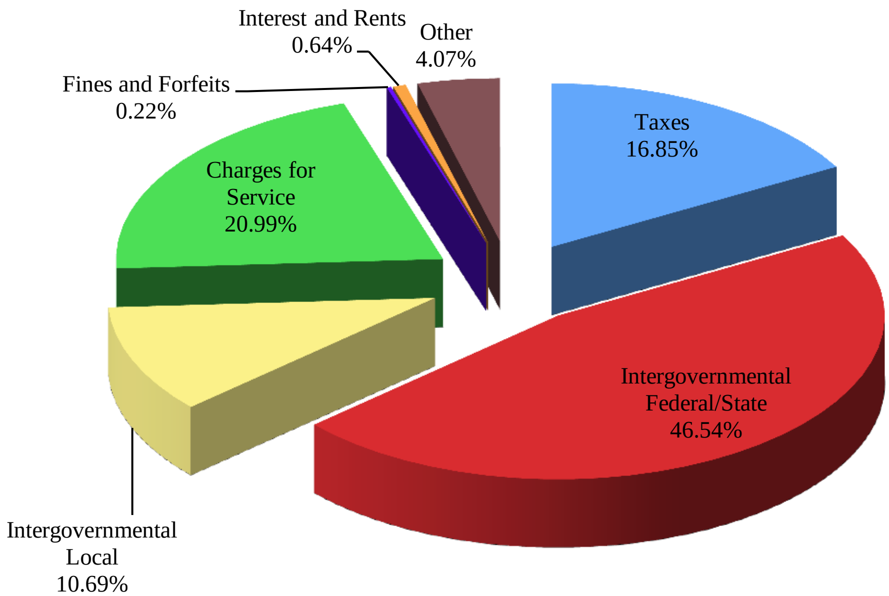


Figure 6B: Special Revenue Fund by Source 2009

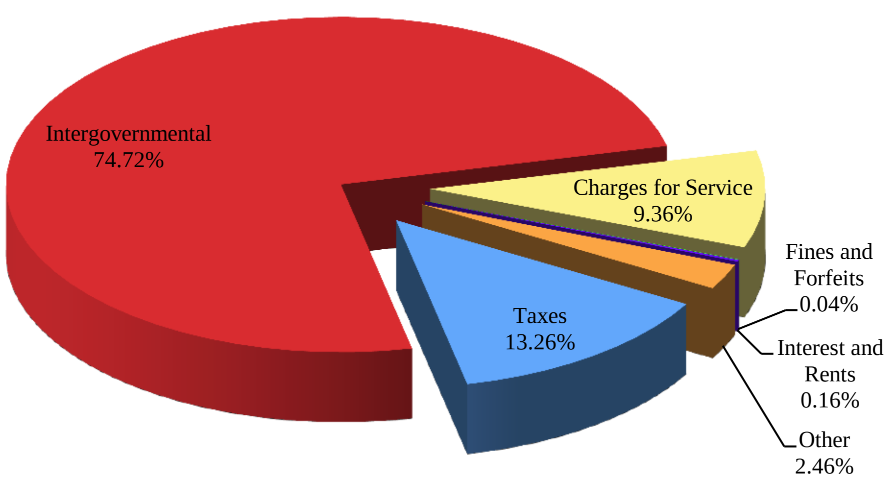


Figure 7A. Special Revenue Fund Expenditures by Category 2004

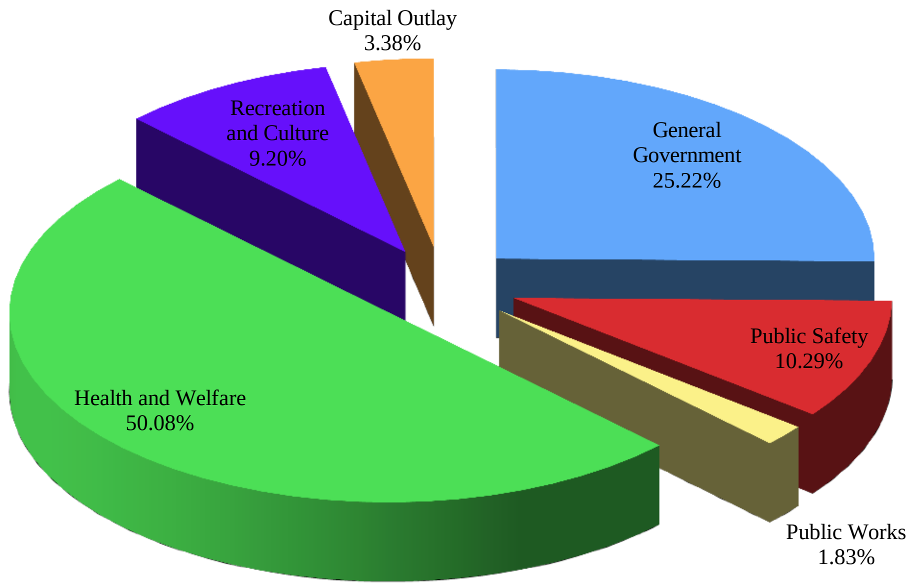
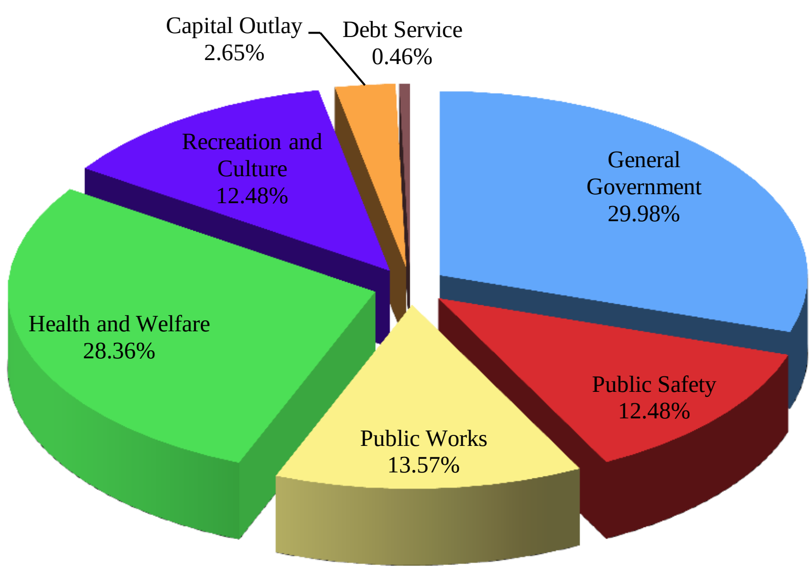


Figure 7B. Special Revenue Fund Expenditures by Category 2009



VII. Summary and Conclusions

The review of Barry County finances and trends in both revenue capacity and fund balances leads to the observation that the county appears to be fiscally secure as of 2009. Barry County has seen revenues from state and federal grants and contributions and charges for services declining over the past six years. This source of funding was nearly 17.22 percent of its revenues in 2004 and dropped to 7.34 percent in 2009. Charges for services have dropped from 13.36 to only 8.84 percent of general fund revenues. Because of these and other changes, the reliance on property tax revenues increased by 31.97 percent from 59.45 percent of the general fund to 71.88 percent. While transfers in have only provided from 5.81 to 7.81 percent of revenues to the general fund, the contribution rate has increased 47.58 percent from 2004 to 2009 (in part, due to the revenue sharing reserve fund) and should be watched carefully to ensure that if the source of these funds should go away, this revenue could be replaced.

General fund expenditures in Physical and Economic Development and Records, Administrative, and Legislative grew significantly over the period: 62.47 percent and 43.08 percent, respectively. Much of the rise in these and other categories is driven by benefits costs, which at the national level grew over six percent per year in the first half of the decade. Inflation and retirement costs are all external components that will affect the bottom line of the county and are expected to rise faster in the future.

The next two part of this report provide a prospective of the county's finances. Part II will examine the housing market more specifically and how various changes will impact the revenues that the county will expect to receive. Part III looks at all aspects of county finances and makes projections on the trends that revenues and expenditures will follow through fiscal year 2015.

November 2010

Part II

Residential and Commercial Property Tax Forecast
Barry County, 2010 - 2015

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Part II: Property Tax Forecast for Barry County

Introduction

Because of the importance of property tax revenues to the operations of county government, this part of the report is designed to preface the financial forecast and provide more details about the calculation and projection of these revenues. It focuses on the importance of looking at parcel level property valuation data rather than countywide data to procure the most accurate estimate of revenues based on changes in property values. Much speculation has been given to the projection of property values. Residential property values plummeted during the recession of 2007 and it is believed that commercial property values will fall in the coming years as well. This analysis considers two different scenarios to account for an optimistic and pessimistic outlook for both of these types of properties as well as for the rest of the property types in Barry County. For each parcel in each year, we create an upper-bound and a lower-bound projection that are then summed and used throughout the forecasting model in Part III.

Methodology

Property tax revenues in Michigan are calculated and collected based upon the taxable value (TV) rather than the actual value or state equalized value (SEV) of each parcel of land. Since the introduction of TV with Proposal A in 1994, SEV had been consistently higher than TV until the housing crisis of 2007. This was because property values rose faster than five percent or the rate of inflation[1], creating a gap between the SEV and TV which prevented local governments from collecting taxes on the full market value of the property. However, since the current housing and employment crisis began, SEV has been trending downward with home values. Despite these declines, some longtime homeowners are seeing their tax bills rise because there remains a gap between their parcel's SEV and TV. The problem for local governments occurs when SEV trends downward, meets with TV, and then TV begins to decline as well since TV cannot be higher than the actual value of the property. While estimates can be done to project when the total taxable value of the county may decline, the most accurate method of calculation is to examine each individual parcel to determine when its SEV will meet its TV and then aggregate the results to the county level. By performing this analysis at the parcel level, the most accurate predictions of revenues will be formulated.

Therefore, individual parcel level data was used to predict Barry County's property tax revenues through 2015. This data contains four variables – parcel identification number, property class, SEV for 2010, and TV for 2010.

As mentioned previously, this section forecasts property tax revenue for Barry County based on two different property value scenarios: an optimistic and a pessimistic projection. Analysts are divided over the future of the real estate market, with some projecting a more positive outlook in Michigan, and other projecting further gloom. To create our optimistic (upper-bound) and pessimistic (lower-bound) scenario assumptions, we draw on these different analyses to create a lower and upper bound for property tax receipts in Barry County.

[1] Proposal A capped the taxable value of properties at 5% or the rate of inflation, whichever is higher.

Optimistic (Upper-bound) Scenario

For the optimistic scenario, the first two forecasts (for 2011 and 2012) are based on projections from the county itself for property values over the next two years. The subsequent optimistic projections are based on various news and other articles claiming that the market in Michigan is soon to rebound. A recent Free Press article, for instance, claims that with jobs coming to Michigan, the outlook is brighter for home sales. Linda Scope from Center 21 Town & County in Clinton Township believes that "we bottomed out and are coming back up".

Based on these beliefs, we forecast for the optimistic scenario that property values in Barry County will reach their highest decline in 2011 and 2012 (with a -4% change each year) and then begin to decrease at a slower rate in 2013 and 2014 at -2% and then 0% the following year (2015).

These values appear to correspond to the trend in historical rates of change for property values in Barry County as can be seen in the following three figures.

Figure 1: Change in Actual Residential and Commercial Real Estate Values in Barry County from 2004-2010

Years	Residential SEV % change	Commercial SEV % change
2004-2005	9.06%	7.05%
2005-2006	7.02%	0.32%
2006-2007	5.56%	4.29%
2007-2008	2.25%	-1.00%
2008-2009	-2.78%	1.96%
2009-2010	-4.82%	-4.68%

Figure 2: Barry County Residential Property SEV, 2004-2010

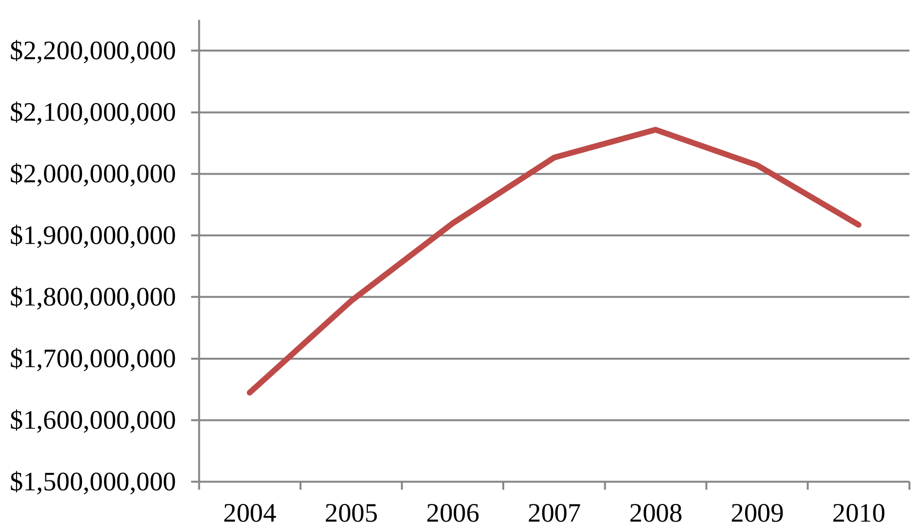
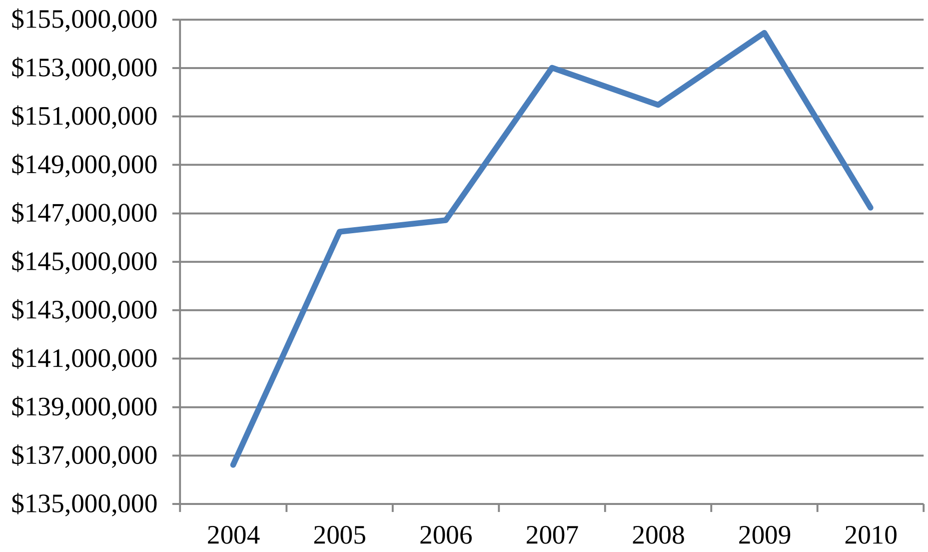


Figure 3: Barry County Commercial Property SEV, 2004-2010

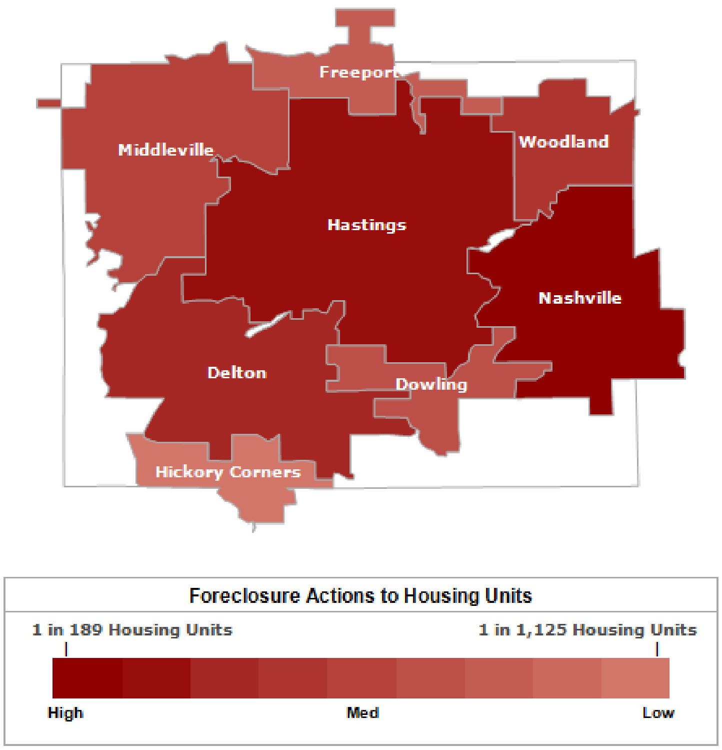


Pessimistic (Lower-bound) Scenario

Some economists believe that the previous projections are too optimistic and that the market still has further to fall. To account for this possibility, a pessimistic or lower-bound projection was also devised which draws upon these more negative projections. For instance Fiserv, a financial information and analysis firm, predicted that national median home prices would fall 11.3% by the summer of 2010 and then continue to fall for years.[2] Foreclosures, they argue, are still rising as defaults rise in prime mortgages, which were once viewed as immune to the high defaults hitting subprime loans. Barry County is no exception to these continued high foreclosure rates. In fact, in December 2010, one in every 275 housing units in Barry County received a foreclosure filing.[3] This ranks Barry County as very high on the foreclosure actions to housing units scale as can be seen in Figure 4 below. This figure shows a map of Barry County broken down into high, medium, and low rates of foreclosure. However, because this map is only for one month and because some of the areas are lowly populated, some of the villages in particular had only a few foreclosures in the month of July. However, the overall rate of one in 225 houses holds for the county as a whole.

[2] http://www.dailyfinance.com/story/housing-prices-forecast-to-fall-in-2010-and-could-keep-fallin/19202847/
[3] http://www.realtytrac.com/trendcenter/mi/barry+county-trend.html

Figure 4: December 2010 Foreclosure Rate Heat Map for Barry County, MI



Forecastchart.com also predicts high rates of depreciation for Michigan real estate values over the next year. They forecast that Michigan home prices will decline by 9.52% in 2011 with a range anywhere from -6.66% to -12.39%.

Based on these analyses, the pessimistic projection for Barry County whose property values in Barry County will still reaching their greatest decline in 2011 and 2012 but at a more severe low than the optimistic projection (with a -10% change each year) and then beginning to decrease at a lower rate in 2013 and 2014 of -5% and then 0% in 2015. These projections can be seen in figure 5 below.

Commercial Property

Although commercial property did not experience the early lows that residential property felt during the Great Recession, it is believed that commercial property values will not only be the next shoe to drop, but that they have already begun to fall in some areas. Wealth Daily, for instance, argues that commercial real estate is a disaster in the making. FDIC Chair Shelia Bair says that the rates of delinquent commercial real estate loans will continue to rise in the coming quarters and that many more bank failures will occur as a result. Commercial real estate losses were responsible for the majority of bank closures in the recent past. In the past year alone, delinquent commercial real estate loans on income-producing properties have risen by 250%. All these statistics point to the fact that the commercial real estate market is headed downwards and is not likely to recover any time soon.[4] Robert Simons, a Cleveland State University urban studies professor and real estate specialist, also expects lending woes associated with commercial real estate over the next few years.

Based on these facts and the trends likely to occur, our analysis uses the same forecast for residential property values as it does for commercial real estate values because neither are believed to have hit the bottom and that more depreciation is yet to come. It also uses these same forecasts for the remaining properties in Barry County which includes agricultural and industrial properties. Exempt properties are dropped from the data. Each of these projected property value scenarios is summarized in Figure 5 below.

Figure 5: Forecast Predictions

Year	Change in Residential Real Estate		Change in All Other Real Estate	
	Optimistic	Pessimistic	Optimistic	Pessimistic
2011	-4%	-10%	-4%	-10%
2012	-4%	-10%	-4%	-10%
2013	-2%	-5%	-2%	-5%
2014	-2%	-5%	-2%	-5%
2015	0%	0%	0%	0%

Inflation Rate

To calculate each parcel's TV, a projected rate of inflation must also be assumed. Based on historical inflation rates as well as discussions with the State of Michigan's Senate Fiscal Agency, a rate of 3% per year was chosen for this analysis[5]. The TV for each parcel was then calculated by multiplying the previous year's TV by the CPI (as per Proposal A). The SEV for the different scenarios was calculated by changing the previous year's SEV by the projected changes in property values discussed above. To account for the specific property value tax system in Michigan, if the calculated TV is greater than the calculated SEV for a given parcel and year, the TV was altered to equal the SEV.

Results of Projection Analysis

Full results for the property tax projections can be found in Appendix D. Figure 7 shows the optimistic projection for the mean TV and SEV for all parcels in 2010 through 2015 for Barry County. Figure 8 shows the pessimistic estimate. Notice that even after the mean SEV begins to increase, TV still lags far behind under both scenarios. Also note that the large decreases in SEV are more drastic than the same period's changes in TV.

[4] http://www.wealthdaily.com/articles/2010-commercial-real-estate-forecast/2293
[5] The three percent inflation rate projection was provided by David Zin of the Michigan Senate Fiscal Agency.

Figure 7: Optimistic Property Value Projection Calculated at Parcel Level

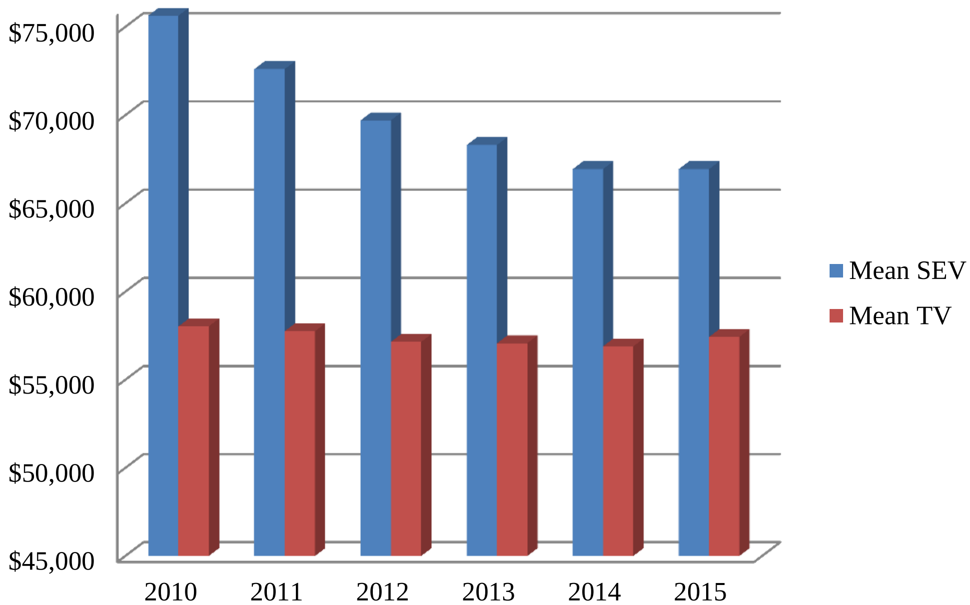


Figure 8: Pessimistic Property Value Projection Calculated at Parcel Level

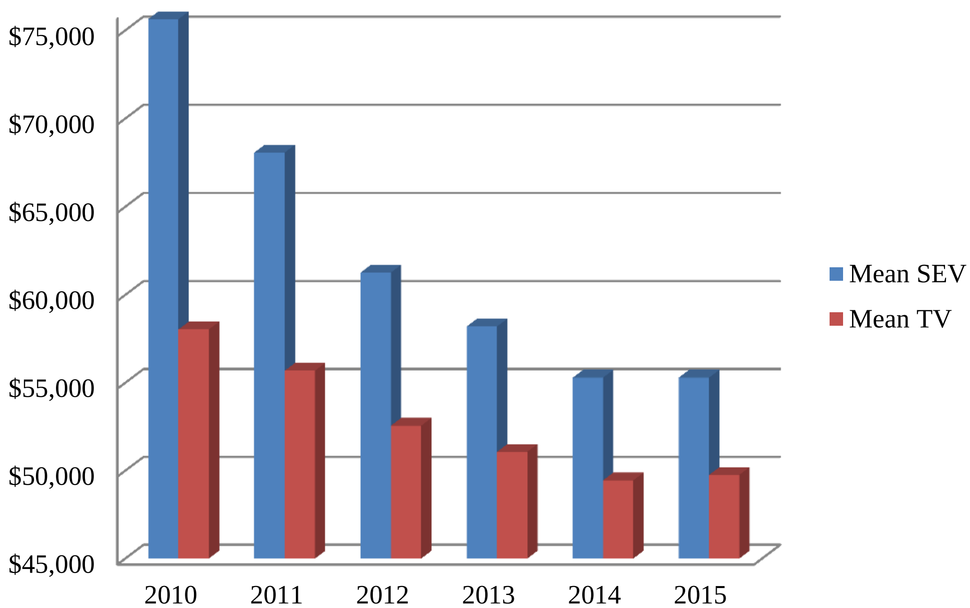
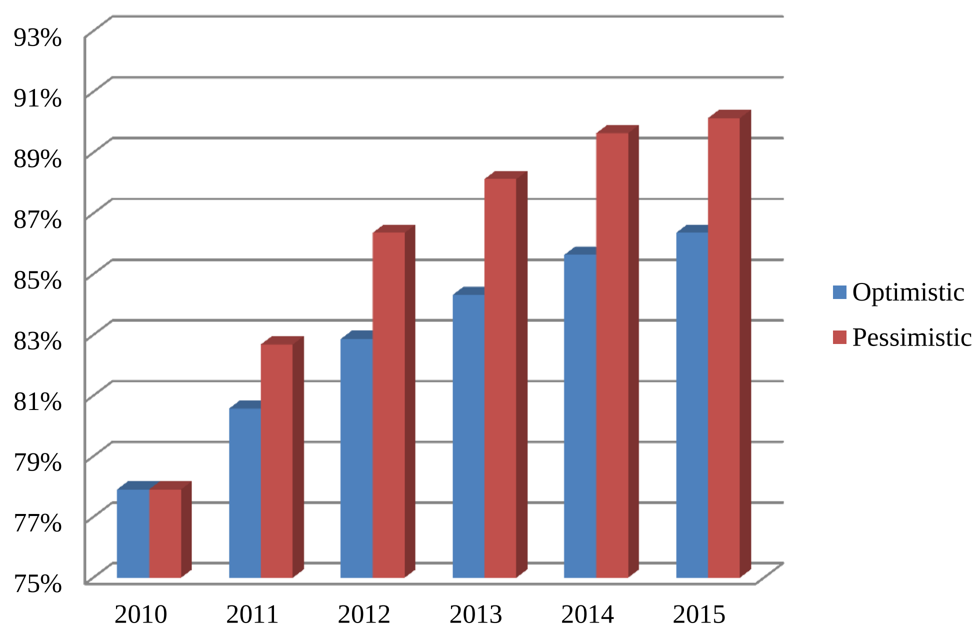


Figure 9 shows TV as a proportion of SEV under both the optimistic and pessimistic scenarios. You can see that under the pessimistic scenario the gap between SEV and TV is smaller than under the optimistic projection. This reflects the fact that when property values do eventually increase, the taxable value will not respond as quickly.

Figure 9: TV as a Proportion of SEV Calculated at Parcel Level



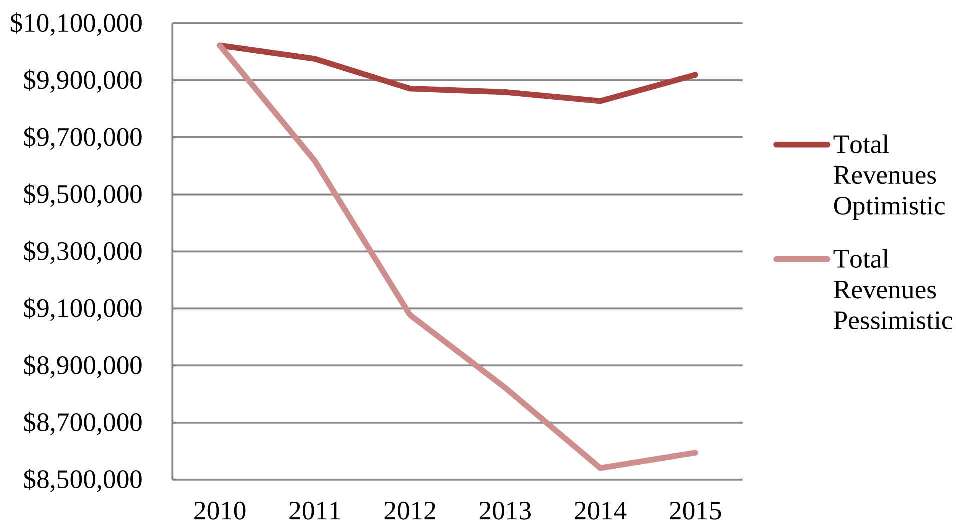
Implications for Barry County Revenues

Total revenues for Barry County were calculated by multiplying the taxable value by the allocated millage rate for the county (5.4230) and then dividing by 1000. Results of this projected millage calculation under both the optimistic and pessimistic scenario can be seen in Table 10. As is shown, revenues are projected to decline throughout the period and in both scenarios will see positive growth in tax revenue in 2015. The declines in the optimistic scenario are less severe but under both scenarios the largest negative growth will be seen in 2012 and then the decline in tax revenues will ease in severity. Table 10 also includes a column indicating the "millage equivalent" which is included to show the millage rate that would need to be levied in order to compensate for the revenue loss from the previous year. Appendix E contains similar results for an average of the optimistic and pessimistic scenarios. One important note is that this analysis does not account for parcels that will be foreclosed upon or new construction that will take place. The economists at Michigan State University believe that over the next several years, the impact of foreclosures will erode any gains in SEV and TV provided from new construction.

Figure 10: Property Tax Revenue and Change Projections, Barry County, MI[6]

Year	Total Revenues Optimistic (Upper-bound)	% Year-over-year Change	Optimistic Millage Equivalent	Total Revenues Pessimistic (Lower-bound)	% Year-over-year Change	Pessimistic Millage Equivalent
2010	$10,022,079	-	-	$10,022,079	-	-
2011	$9,975,830	-0.46%	0.02514	$9,617,473	-4.04%	.2281
2012	$9,871,447	-1.05%	0.05734	$9,078,040	-5.61%	.3222
2013	$9,858,469	-0.13%	0.0071	$8,821,427	-2.83%	.1578
2014	$9,827,466	-0.31%	0.0171	$8,540,808	-3.18%	.1782
2015	$9,919,779	0.94%	-	$8,594,236	0.63%	-

Figure 11: Property Tax Revenue Projections, Barry County, MI



Conclusion

Even if property values begin to increase over the next few years, many parcels throughout Barry County will have already had their TV ratcheted downwards by the SEV falling below TV, decreasing future revenues. Proposal A makes it such that property taxes will not be able to rebound with property values because they will only be able to increase again at the lesser of 5% or the rate of inflation. When Proposal A was designed, it was not predicted that SEV would fall below TV. This should be taken into account when creating a strategic plan for Barry County.

In the past, property values were a consistent source of growing revenue for local governments. This is no longer the case. It is imperative that Barry County is aware of and prepared for this revenue decline and can seize opportunities to nurture and maintain future growth. These issues are continued and expanded upon in the next section of this report.

[6] Note: Total revenues have been calculated to account for tax exempt properties by subtracting out the percentage of total taxable value that was exempt in 2010 from each subsequent year.

Part III

General Fund Financial Forecasting Model

Barry County, 2011-2015

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Part III: General Fund Financial Forecasting Model –

Barry County

Introduction

Current economic conditions are more turbulent and uncertain than has been seen in over a generation. Individuals and families are hard pressed as personal assets, including homes and retirement accounts, have lost significant value since 2008. The nation as a whole is dealing with high unemployment rates and foreclosures, and Michigan has been most severely affected. The success of the auto industry in the past served as the economic base for states throughout the Midwest. However, as domestic automakers struggle to survive, the state of Michigan, local governments, businesses, and individuals are experiencing unique troubles that are exacerbated by the historically heavy reliance on the manufacturing sector.

Since the beginning of the Great Recession in late 2007, economists have struggled with forecasts for many reasons. First, this recession is unique from others in its causes and its severity. Second, federal, state and local governments are taking unprecedented legislative actions to balance budgets, create jobs, and maintain the quality of life for their residents. These actions have economic impacts that are difficult to predict at the state, regional and national levels. Third, the interrelationships among the variables used in forecasting may be either difficult to accurately model or difficult to assess without the benefit of hindsight. Fourth, the global economy provides distinctive challenges in modeling variables prone to outside influence such as investments and debt. Last, as we discuss later property taxes are particularly difficult to forecast because of the complex interactions between falling home values and the complexity of Michigan's property tax policies.

However difficult economic and financial forecasting may be, it is a useful exercise and can inform decision making. At the microeconomic level, families contemplate investment strategies as they worry about the potential for inflation to devalue savings or the exposure of their retirement accounts to stock market volatility. Households struggle with the consequences of declining home values and worry about pending foreclosures or how foreclosures are affecting their neighborhoods. In the end, these concerns affect local governments, including counties. Michigan counties derive the bulk of their general fund revenues from property taxes. While Proposition A may have created an unanticipated buffer for property tax revenues during times like these, some counties, mainly those who have seen a lot of growth over the last decade, are finding that their primary source of revenue is declining.

This section of the report provides the County of Barry with a general fund revenue and expenditure forecast for years 2011 through 2015. The heart of any forecasting model is the set of assumptions used to drive the estimations of expenditures and revenues. These assumptions are discussed in more detail in the next section. Following the outline and description of assumptions are the forecasts for Barry County for both revenues and expenditures.

Assumptions

This forecasting model is based on a series of assumptions that are based on data and projections from the state and national levels as well as historical financial data from Barry County and other counties in the region. On the expenditure side, the main cost drivers are payroll and benefits. Payroll forecasts are based on future payroll information provided by Barry County. Employee benefit cost forecasts were designed using a combination of historical total benefits compensation for state and local government employees from the employment cost index reports of the U.S. Bureau of Labor Statistics (BLS) and medical insurance rate increase expectations reported from the County. All other non-personnel expenditures are assumed to grow at the rate of inflation, calculated by using a projected consumer price index (CPI) obtained by the Michigan Senate Fiscal Agency. Anticipated growth in payroll, benefits and other expenditures are presented in Table 1.

Table 1. General Fund Expenditure Growth Assumptions
(in year-over-year percent change)

Expenditures Type	2011	2012	2013	2014	2015	Driver Source
Payroll	2.63	0.63	0.63	0.63	0.63	Barry County[1]
Benefits	5.93	5.98	7.30	6.90	7.48	Barry County & BLS Employee Cost Index[2]
Other (CPI)	3.00	3.00	3.00	3.00	3.00	MI Senate Fiscal Agency

On the revenue side, a combination of regional statistics and historical trends from Barry County are utilized. Since property taxes provide approximately 70 percent of the revenue to the general fund, more attention is given to these assumptions. The drivers for property taxes are derived from the analysis in Part II of this report. As introduced in Part II of this report, we have implemented an upper-bound, or optimistic estimate and a lower-bound, or pessimistic estimate for determining a range of expected property tax revenues. The optimistic projection is that property values in the state will continue to decrease through 2012 at a rate of 4% and then begin to decrease at a slower pace of 2% in 2013 and 2014 and then level off in 2015 (with a 0% change). A more pessimistic projection is also shown in which property values in Michigan decrease at a rate of 10% in 2011 and 2012, then 5% in 2013 and 2014, and bottom out in 2015 (change of 0%)[3]. The impact of these changes on property values and the county's property tax revenues are shown in Table 2 along with the assumptions for all revenue categories.

[1] Employee bargaining unit agreements expire on 12/31/11. The assumption beginning in 2012 is that there will be no bargained wage increases through 2015. Only new hires will receive wage increases in accordance with the step progression on the pay scale.
[2] http://data.bls.gov/cgi-bin/surveymost?ci
[3] Citations for these projections are available in Part II of this report.

Table 2. General Fund Revenue Growth Assumptions
(in year-over-year percent change)

Revenue Type	2011	2012	2013	2014	2015	Driver Source
Property Taxes						Property Tax Report[4]
Upper-bound (Optimistic)	(0.46)	(1.05)	(0.13)	(0.31)	0.94	
Lower-bound (Pessimistic)	(4.04)	(5.61)	(2.83)	(3.18)	0.63	
Other Taxes	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	Regional Trend[5]
Licenses and Permits	5.15	5.15	5.15	5.15	5.15	Regional Trend
Federal and State Grants	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	Regional Trend
Charges for services	3.57	3.57	3.57	3.57	3.57	Regional Trend
Fine and Forfeitures	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	Regional Trend
Interest and Rentals	1.50	1.50	1.50	1.50	1.50	Regional Trend
Other Revenues	7.89	7.89	7.89	7.89	7.89	Regional Trend

The following forecast model is a good indicator of what may occur in the economy over the next five years. Unanticipated economic change or specific policy reactions may take place and these would alter the forecast. Actions spurred by the county, such as budget cuts or tax increases, will also affect the accuracy of the forecasts once the change is implemented. Also, counties are facing many unknowns when attempting to predict future spending and revenues. The drivers mentioned above in Tables 1 and 2 attempt to deal with these unknowns in a reasonable way. Other issues, such as those determined by legislature can have profound impacts on the budgets of local units, but there is no way to anticipate these potential actions. One critical example of this is state revenue sharing. The Michigan legislature has indicated that once money from each county's revenue sharing reserve fund has been depleted, they will restore money to the fund. While many speculate whether or not this will occur, the forecasting model assumes an optimistic stance and presumes that revenue sharing continues to be provided to counties.

Financial Forecast

Figure 1 provides a graph of the forecast and will be referred to throughout the rest of this report. With an optimistic outlook (upper-bound, as defined above), revenues are forecast to continue to rise at a moderate pace throughout the entire period, except between 2009 and 2010. In the pessimistic outlook (lower-bound), revenues are projected to decline through 2014 and then begin to rise again in 2015. In both cases, the rise in revenues is modest and below the projected CPI each year.

On the expenditure side, the Barry County budget projected a decline of about one percent from 2009 to 2010, which is accounted for here. Actions spurred by the county, such as budget cuts or tax increases, will also affect the accuracy of the forecasts once the change is implemented.

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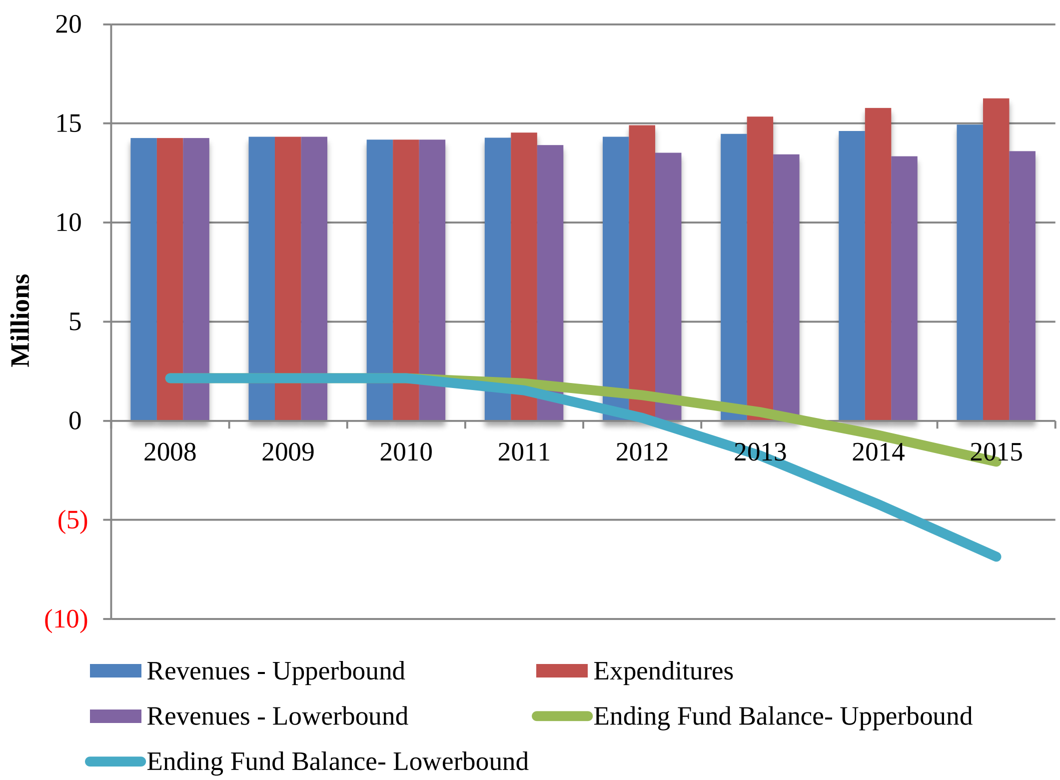
[4] See Part II in this report for a more detailed description of how these numbers were derived.
[5] Regional trends are derived using F-65 data from the Michigan Department of Treasury for 19 regional counties.

Assuming no other changes to the general fund, beginning in 2011 expenditures will rise at or above the rate of inflation over next five years. Consequently, absent any further actions taken by county officials, expenditures are projected to be greater than revenues for every year beginning in 2011.

From 2008 through 2010, Barry County has maintained a fund balance equal to $2,145,917. Based on the current outlook, the lower-bound scenario shows that the fund balance will be depleted by 2013 with the optimistic scenario showing a negative fund balance in 2014. The next section of this report provides more detail regarding the revenues, expenditures and fund balance forecast.

Figure 1: Barry County Financial Forecast Overview, 2009-2015



Impacts and Analysis

This section provides an interpretation of the data presented above. The discussion will highlight important trends that are subject to variation depending on future actions, and other important factors in the model that were subject to the discretion of the researcher. This analysis provides a broad overview and is not intended to be comprehensive. It is recommended that Barry County examine the data presented and develop their own conclusions in addition to those provided here.

Revenues

In Michigan, revenues are perhaps the most difficult to predict given that they are largely outside the control of the local government. Tables 3a and 3b show the weight of the primary revenue categories in their contribution to general fund. In 2008, the largest share of revenue came from taxes (69.9 percent), while charges for services provided the second largest source of funding (10.13 percent). With tax revenues projected to decline over the coming years, it may be important to consider other sources of funding. As shown in Table 1 above, regional trends show an increase in charges for services over the next five years.

Table 3a. Percent Share of General Fund Revenues - Upper Bound

	2008	2009	2010	2011	2012	2013	2014	2015
Taxes	69.89	71.88	70.93	70.12	69.15	68.32	67.41	66.62
Licenses and Permits	0.90	0.90	1.02	1.07	1.12	1.16	1.21	1.25
Federal and State	7.58	7.34	6.75	6.50	6.28	6.03	5.79	5.67
Charges for Services	10.13	8.84	9.74	10.02	10.34	10.60	10.86	11.02
Fines and Forfeitures	0.18	0.19	0.17	0.17	0.17	0.17	0.16	0.16
Interest and Rentals	2.40	1.35	1.45	1.46	1.48	1.48	1.49	1.48
Other	8.92	9.51	9.95	10.66	11.46	12.24	13.07	13.80
Percent Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Table 3b. Percent Share of General Fund Revenues - Lower Bound

	2008	2009	2010	2011	2012	2013	2014	2015
Taxes	69.89	71.88	70.93	69.36	67.34	65.88	64.27	63.37
Licenses and Permits	0.90	0.90	1.02	1.10	1.18	1.25	1.33	1.37
Federal Grants	7.58	7.34	6.75	6.67	6.65	6.49	6.35	6.22
Charges for Services	10.13	8.84	9.74	10.28	10.95	11.41	11.91	12.09
Fines and Forfeitures	0.18	0.19	0.17	0.17	0.18	0.18	0.18	0.18
Interest and Rentals	2.40	1.35	1.45	1.50	1.56	1.60	1.63	1.63
Other	8.92	9.51	9.95	10.93	12.13	13.18	14.33	15.15
Percent Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

The category titled "other" shows more than a six percent gain in the lower-bound scenario and an almost five percent gain in the upper-bound scenario over the eight-year period displayed. The growth in this category is estimated based on regional trends and should be carefully considered. The general fund line items included in this category are mainly reimbursements and refunds. While general trends translate to an approximate gain of $0.75 million over the 2008-2015 period in this category, the County needs to determine whether or not this is realistic based on the outlook for these funds. While it is growing in importance, the overall impact on the general fund to changes in this category will be minimal. Similarly, licenses and permits and charges for services are expecting large growth in the next five years, but their overall contribution will do little to provide any fiscal relief.

Another funding source, federal grants, has shown a sharp decline at the regional level. From 2005 to 2008, revenues received from federal grants dropped over 25 percent. This analysis does not include past nor current stimulus money that has or may be received by the county. As noted earlier, federal legislative actions are too difficult to anticipate and are therefore not included here. It should be pointed out however, that any receipt of stimulus money would likely have little impact on the general fund. Due to fiscal strain on both the state and federal governments, increases in grants received from these sources are unlikely within the period examined. Appendix F shows the actual dollar values that correspond with the percentages in the Tables 3a and 3b.

In this analysis, the main driver of the revenue forecast is the property tax revenue assumptions. The forecasts for property tax revenues were derived using the residential and commercial property tax analysis provided in Part II of this report. Using statistical analysis, this study found that when projecting revenues based on parcel level taxable values, rather than the overall taxable value at the county level, property tax revenues would begin to grow again in 2015, regardless of the optimism of the outlook. Table 4 shows the percent of general fund revenues that come from property taxes under both scenarios. Clearly, property taxes play an important role in the operations of county government. The lower-bound and upper-bound scenarios, neither of which is overly optimistic, provide a reasonable revenue outlook. Even in the worst scenario, where property values fall 10 percent in 2011 and 2012, residential property tax collections will only decline by 2.77 percent. This is an important perspective to consider as local governments brace for continued declines in home values. Other considerations are the tax collection rate and the rate of foreclosures that will continue to affect the revenue figures as the economy continues to struggle.

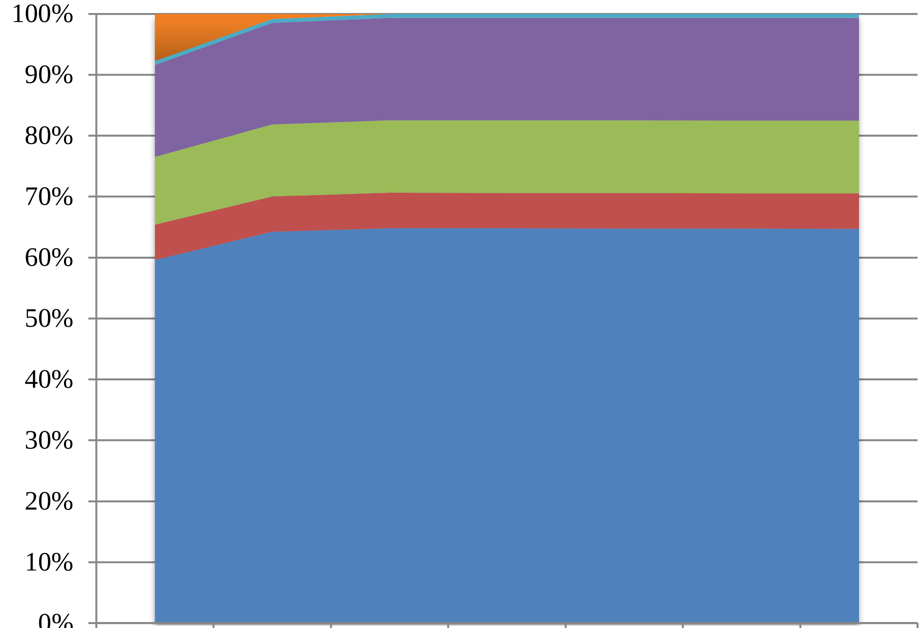
Table 4. Property Taxes as a Percent of Total Revenues, 2008-2015

	2008	2009	2010	2011	2012	2013	2014	2015
Lower-bound	69.50%	71.45%	70.58%	69.79%	68.82%	68.00%	67.10%	66.32%
Upper-bound	69.50%	71.45%	70.58%	69.01%	66.99%	65.54%	63.93%	63.05%

Expenditures

In all foreseeable scenarios, absent explicit decisions to make cuts, general fund expenditures are projected to rise over the next five years by an amount greater than the rate of inflation, or just over three percent on average per year beginning in 2011, as shown in the expenditures table in Appendix F. Figure 2 offers an illustration of expenditure proportions in each major category. The largest category of expenditures is Justice and Public Safety, and makes up nearly 65 percent of the county's general fund budget from 2010 to 2015. The predominant expense in the Justice and Safety category in 2010 is the Sheriff's Department ($2.31 million), followed by the jail ($1.76 million), and the criminal/civil trial court ($1.61 million). The proportion of these expenses as part of the general fund are expected to rise by 2015 because 20.8 percent ($1.9 million in 2010) of these expenditures go toward current and past employee benefits. Table 5 provides a more detailed breakdown of payroll, expenditure and other costs by functional category.

Figure 2: General Fund Expenditures, by Functional Category
As a percent of total general fund expenditures



	2009	2010	2011	2012	2013	2014	2015
Capital Outlay	1,111,575	125,141	0	0	0	0	0
Debt	92,563	90,363	93,074	95,866	98,742	101,704	104,755
Records, Administrative, & Legislative	2,158,991	2,360,867	2,443,097	2,509,207	2,585,715	2,663,786	2,749,417
Physical and Economic Development	1,591,144	1,675,025	1,732,191	1,776,925	1,828,382	1,880,896	1,938,316
Health and Human Resources	831,943	817,689	842,273	866,981	892,521	918,816	945,954
Justice and Public Safety	8,535,685	9,107,944	9,421,022	9,660,043	9,937,425	10,220,299	10,530,953

The second and third largest expenditure categories are Records, Administrative, and Legislative and Physical and Human Resources. Costs in these categories are expected to grow steadily over the next five years because about 20 percent of the costs are from benefits and 42 percent are from payroll; both of which are expected to increase.

Payroll expenses are expected to rise two percent per year over the next five years. Payroll costs are the largest single expenditure within each functional category, other than Health and Human Resources[6]. Payroll consumes 42 to 48 percent of the costs of Justice and Safety, 39 to 43 percent of Physical and Economic Development, and 36.6 to 43 percent of Records, Administrative, and Legislative expenditures through 2015. These figures are not out of line considering the functions of these categories are highly labor intensive. However, employee benefit costs are slightly higher in the Records, Administrative, and Legislative category as a

[6] The Health and Human Resources category consists mainly of transfers and appropriations to other funds. Based on the recipients of these funds it is probable that there is actually a high percentage of the funding going to payroll and benefits. However, this is not directly taken out of the general fund and therefore is not examined here.

percent of total category expenditures (See Table 5). This category also is projected to experience the largest gain in the share of benefits expenditures relative to payroll by 2015, from 19.8 percent of expenditures in 2009 to 25.3 percent in 2015. The information included in Table 5 under the Health and Human Resources category is misleading because the items included in this category are mainly transfers and appropriations to other programs and departments and it is unknown how those dollars are used.

Table 5: Expenditures as a Percent of Category, 2009 - 2010

	2009	2010	2011	2012	2013	2014	2015
Justice and Public Safety							
Payroll	48.10%	46.72%	46.35%	45.49%	44.50%	43.54%	42.52%
Benefits	19.66%	20.86%	21.37%	22.08%	23.03%	23.94%	24.97%
Other	32.24%	32.42%	32.28%	32.43%	32.47%	32.52%	32.51%
Health and Human Resources							
Payroll	3.92%	3.71%	3.70%	3.61%	3.53%	3.45%	3.37%
Benefits	0.78%	0.69%	0.71%	0.73%	0.76%	0.79%	0.83%
Other	95.30%	95.60%	95.59%	95.66%	95.71%	95.76%	95.80%
Physical and Economic Development							
Payroll	42.03%	43.10%	42.77%	41.96%	41.03%	40.14%	39.20%
Benefits	18.30%	19.57%	20.04%	20.70%	21.59%	22.44%	23.40%
Other	39.66%	37.34%	37.19%	37.34%	37.38%	37.42%	37.40%
Records, Administrative, & Legislative							
Payroll	42.97%	40.55%	40.22%	39.40%	38.48%	37.59%	36.65%
Benefits	19.77%	21.64%	22.16%	22.86%	23.80%	24.70%	25.72%
Other	37.26%	37.80%	37.63%	37.74%	37.72%	37.71%	37.63%

Fund Balance

As of the 2010 budget, the projected 2009 general fund balance was $2,145,917. The practice of Barry County over the past several years has been to transfer any positive end of year balances to other funds. This has resulted in an unchanged fund balance for several years. Based on the current outlook, the lower-bound scenario shows that the fund balance will be depleted by 2013 with the optimistic scenario showing a negative fund balance 2014. Beginning in the 2010 fiscal year, the fund balance will begin to decline as expenditures exceed revenues. These estimates are shown in Tables 6a and 6b. Without explicit action from the County to either increase revenues or decrease expenditures, the County will be unable to meet its financial obligations in the near future. Options are discussed in the next section.

Table 6a: Fund Balance- Upper-bound (in dollars)							
	2009	2010	2011	2012	2013	2014	2015
Revenues	14,321,907	14,177,029	14,272,423	14,321,111	14,474,171	14,622,937	14,934,133
Expenditures	14,321,901	14,177,029	14,531,656	14,909,022	15,342,785	15,785,501	16,269,396
Difference	6	0	(259,233)	(587,911)	(868,614)	(1,162,564)	(1,335,263)
Ending Fund Balance-Upper-bound	2,145,917	2,145,917	1,886,684	1,298,773	430,159	(732,405)	(2,067,668)

Table 6b: Fund Balance- Lower-bound (in dollars)							
	2009	2010	2011	2012	2013	2014	2015
Revenues	14,321,907	14,177,029	13,914,190	13,528,778	13,438,152	13,337,368	13,610,045
Expenditures	14,321,901	14,177,029	14,531,656	14,909,022	15,342,785	15,785,501	16,269,396
Difference	6	0	(617,466)	(1,380,244)	(1,904,633)	(2,448,134)	(2,659,351)
Ending Fund Balance-Lower-bound	2,145,917	2,145,917	1,528,451	148,207	(1,756,426)	(4,204,559)	(6,863,910)

Considerations

Counties are constrained in their ability to raise revenues and are still under pressure to meet spending obligations. Michigan's constitution and statutory laws provide little leeway in raising revenues without voter approval. Part I of this report discusses three options for collecting any property taxes that are unavailable to the county because of the Headlee Amendment and the subsequent millage rollbacks. First, the county board can call for a Headlee override vote; Second, since Barry County has an allocation board that divides the 15-mill constitutional tax limit among the county, townships, and intermediate school district, it can petition the board to increase the county's portion of the 15-mills; Third, the county board can call for an election to establish the allocated millage rate and could recapture rolled back millage rates and fix the rate for a specific number of years in the future. If Barry County chooses to raise revenues, these three potential solutions should be more carefully considered to determine which avenue might be most appropriate for the county.

Other revenue strategies include ensuring that fees are consistent with the actual cost of the service provided, as allowed by law. By reevaluating current rates and the actual costs of providing the related services, the county may be able to attain some budget relief without raising taxes. The county should consider reassessing these fees every two years or peg the fees to an index. For example, the portion of the fees that account for personnel costs should be pegged to the employee cost index from the U.S. Bureau of Labor Statistics or other internal standards and rates.

While revenue generating capacities are constrained, the county board may also view expenditures as inflexible; however, there are some options. County services are often mandated by the state and federal governments and as the administrative arm of the state, the county has no other option but to provide the services regardless of the strain to the budget. However, it is important for the county board to understand the "mandated service argument." The mandated service argument encourages the county board to examine which of their services are currently mandated by court cases or the federal, state or county governments and which services are purely discretionary. Many options exist when dealing with discretionary services, but the county may still be able to make adjustments to "mandated" services and thus reduce the strain on the county budget. Mandated services can be reevaluated to determine how much or at what quality level of service is actually mandated versus how much is being provided. A more in-depth analysis of this argument by Dr. Eric Scorsone can be found in Appendix G.

Conclusion

This analysis is designed to assist the Barry County decision makers with guidelines for future planning. The assumptions made within this forecast are based on the most accurate and up-to-date information and provide key baseline indicators for future budgetary preparations. As previously discussed, any major legislative actions or economic changes are not accounted for in these scenarios. The forecasts presented here can be revised to include other scenarios as proposed by county officials.

The financial forecast for Barry County is not unlike those of other counties that are predicted to experience continued drops in property tax revenues and negative fund balances over the next few years. Several solutions have been proposed at the national and state level to help local governments maintain the current quantity and quality of services provided to their residents and provide some budgetary relief. Without such assistance, Barry County elected officials and employees will need to make critical decisions regarding the size and scope of services provided by Barry County government. This report provides one piece to the decision-making process.

Michigan State University Extension
State and Local Government Program
Michigan State University
November 2010

Appendix A

2009 Allocated and Extra-Voted Millage Rates

Rank*	County	Allocated	Ex-Voted	Alloc + EV	Debt Levy	Total Mills w/Debt
53	ALCONA	4.1782	2.0792	6.2574	0.0000	6.2574
51	ALGER	5.0781	2.0417	7.1198	0.0000	7.1198
37	ALLEGAN	4.6577	1.2397	5.8974	0.0000	5.8974
35	ALPENA	4.8004	3.2457	8.0461	0.0000	8.0461
36	ANTRIM	5.0000	1.2000	6.2000	0.0000	6.2000
19	ARENAC	4.9176	3.0385	7.9561	0.0000	7.9561
4	BARAGA	8.3527	2.9098	11.2625	**3.3787**	14.6412
12	BARRY	5.4230	1.8397	7.2627	**0.6841**	7.9468
3	BAY	5.7257	4.3405	10.0662	0.0000	10.0662
58	BENZIE	3.5144	3.7014	7.2158	0.0000	7.2158
47	BERRIEN	4.7723	0.9000	5.6723	0.0000	5.6723
43	BRANCH	4.7562	3.0171	7.7733	0.0000	7.7733
62	CALHOUN	5.3779	0.9934	6.3713	0.0000	6.3713
44	CASS	4.6359	1.5811	6.2170	0.0000	6.2170
61	CHARLEVOIX	4.7000	2.5464	7.2464	**0.5400**	7.7864
32	CHEBOYGAN	5.6592	0.7330	6.3922	0.0000	6.3922
25	CHIPPEWA	6.1327	3.0156	9.1483	0.0000	9.1483
79	CLARE	4.7072	1.1253	5.8325	0.0000	5.8325
40	CLINTON	5.8000	0.0000	5.8000	0.0000	5.8000
17	CRAWFORD	6.0925	3.0629	9.1554	0.0000	9.1554
31	DELTA	5.0317	1.8080	6.8397	0.0000	6.8397
13	DICKINSON	6.1203	2.6000	8.7203	0.0000	8.7203
42	EATON	5.2149	2.3719	7.5868	0.0000	7.5868
45	EMMET	4.8500	1.2282	6.0782	0.0000	6.0782
5	GENESEE	5.5072	2.6694	8.1766	0.0000	8.1766
16	GLADWIN	4.4052	4.7052	9.1104	0.0000	9.1104
30	GOGEBIC	6.6800	1.8747	8.5547	0.0000	8.5547
68	GRAND TRAVERSE	4.9838	1.1453	6.1291	0.0000	6.1291
50	GRATIOT	5.5373	1.4498	6.9871	0.0000	6.9871
22	HILLSDALE	4.8992	1.6140	6.5132	**0.3500**	6.8632
7	HOUGHTON	6.3000	3.9743	10.2743	0.0000	10.2743
41	HURON	4.3807	1.9791	6.3598	0.0000	6.3598
26	INGHAM	6.3512	2.5001	8.8513	0.0000	8.8513
69	IONIA	4.6434	1.3089	5.9523	0.0000	5.9523
48	IOSCO	3.9129	1.6219	5.5348	0.0000	5.5348
8	IRON	6.5300	3.1063	9.6363	**2.6980**	12.3343
28	ISABELLA	6.4700	2.5429	9.0129	0.0000	9.0129
72	JACKSON	5.1187	0.8722	5.9909	0.0000	5.9909
66	KALAMAZOO	4.6871	1.4491	6.1362	**0.1850**	6.3212
59	KALKASKA	5.4562	1.4988	6.9550	**0.7300**	7.6850
77	KENT	4.2803	1.1137	5.3940	0.0000	5.3940
11	KEWEENAW	5.6976	0.6000	6.2976	0.0000	6.2976
9	LAKE	6.0397	5.4787	11.5184	0.0000	11.5184
81	LAPEER	3.7886	0.5756	4.3642	0.0000	4.3642
82	LEELANAU	3.5393	1.1500	4.6893	0.0000	4.6893
78	LENAWEE	4.9412	0.6716	5.6128	0.0000	5.6128
76	LIVINGSTON	3.3897	0.2945	3.6842	0.0000	3.6842
39	LUCE	5.3381	2.4444	7.7825	0.0000	7.7825
80	MACKINAC	4.4631	1.1818	5.6449	0.0000	5.6449
71	MACOMB	4.5685	0.0400	4.6085	**0.0050**	4.6135
21	MANISTEE	5.4615	2.9147	8.3762	0.0000	8.3762
34	MARQUETTE	5.2965	2.1997	7.4962	0.0000	7.4962

Appendix A

Rank*	County	Allocated	Ex-Voted	Alloc + EV	Debt Levy	Total Mills w/Debt
70	MASON	5.0997	1.7666	6.8663	0.0000	6.8663
54	MECOSTA	5.9299	0.6984	6.6283	**0.5764**	7.2047
6	MENOMINEE	7.0612	1.6623	8.7235	0.0000	8.7235
15	MIDLAND	4.8955	3.9400	8.8355	0.0000	8.8355
67	MISSAUKEE	4.9005	2.2130	7.1135	0.0000	7.1135
75	MONROE	4.7952	0.5000	5.2952	0.0000	5.2952
64	MONTCALM	4.4082	1.4040	5.8122	0.0000	5.8122
63	MONTMORENCY	5.1553	2.0901	7.2454	0.0000	7.2454
60	MUSKEGON	5.6984	0.6973	6.3957	**0.3000**	6.6957
74	NEWAYGO	5.3685	1.5951	6.9636	**0.4360**	7.3996
46	OAKLAND	4.1900	0.2415	4.4315	0.0000	4.4315
18	OCEANA	5.6760	4.2873	9.9633	0.0000	9.9633
2	OGEMAW	6.1035	0.9250	7.0285	0.0000	7.0285
1	ONTONAGON	6.4932	7.0050	13.4982	0.0000	13.4982
10	OSCEOLA	6.4035	2.7984	9.2019	0.0000	9.2019
14	OSCODA	5.8717	2.7372	8.6089	0.0000	8.6089
73	OTSEGO	4.0502	2.4500	6.5002	**1.2033**	7.7035
83	OTTAWA	3.6000	0.7565	4.3565	0.0000	4.3565
49	PRESQUE ISLE	5.7141	0.4922	6.2063	0.0000	6.2063
55	ROSCOMMON	3.5830	2.3972	5.9802	0.0000	5.9802
38	SAGINAW	4.8558	2.2792	7.1350	**0.4698**	7.6048
52	SANILAC	4.0482	3.4205	7.4687	0.0000	7.4687
56	SCHOOLCRAFT	5.1343	0.8684	6.0027	**0.4000**	6.4027
20	SHIAWASSEE	5.1146	2.2167	7.3313	0.0000	7.3313
29	ST CLAIR	5.3265	1.9757	7.3022	0.0000	7.3022
23	ST JOSEPH	4.5482	2.4932	7.0414	0.0000	7.0414
27	TUSCOLA	3.9141	3.5022	7.4163	**1.0000**	8.4163
57	VAN BUREN	4.4719	2.7002	7.1721	0.0000	7.1721
65	WASHTENAW	4.5493	0.9779	5.5272	0.0000	5.5272
24	WAYNE	5.6483	2.1737	7.8220	0.0000	7.8220
33	WEXFORD	6.7797	2.5000	9.2797	0.0000	9.2797
	County Average	**4.7719**	**1.3142**	**6.0861**	**na**	**na**

* Rank by Total Mills (high to low

Source: Michigan Department of Treasury

Compiled by: Dr. Lynn R Harvey
August 1, 2010

Appendix B

County Extra-Voted Millage By Type 2008

Seniors	
County	Millage
Alcona ++	0.4930
Alger	0.4958
Allegan	0.2399
Alpena	0.5500
Antrim	0.3803
Arenac	0.7392
Baraga	0.9572
Barry	0.4907
Bay	0.5000
Benzie	0.6536
Berrien	0.2963
Branch ++	0.7333
Calhoun	0.7452
Cass	0.9036
Charlevoix	0.4000
Cheboygan	0.4830
Clare	0.4725
Crawford	0.4685
Dickinson	0.4000
Emmet	0.4990
Genesee	0.7000
Gladwin	0.5000
Gogebic	0.6000
Grand Traverse	0.4858
Gratiot	0.6500
Hillsdale ++	0.9968
Huron	0.1191
Ionia	0.3750
Iosco	0.2910
Iron	0.2546
Isabella	0.6500
Jackson	0.2473
Kalkaska	0.4988
Kent	0.3244
Lake	0.6507
Lapeer	0.2456
Leelanau	0.2750
Lenawee	0.4820
Manistee	0.2906
Marquette	0.4379
Mason	0.2220
Mecosta	0.4984
Menominee	0.5645
Midland	0.7000
Missaukee	0.4982
Monroe	0.5000
Montcalm	0.2433
Montmorency ++	0.4971
Newaygo	0.4983
Oceana	0.7155
Ogemaw	0.5000
Ontonagon	0.4840
Osceola	0.8000

Seniors (cont'd)	
County	Millage
Oscoda	0.4904
Otsego	1.0000
Presque Isle	0.4922
Roscommon	0.5000
Saginaw	0.3295
St. Clair	0.5000
St. Joseph	0.7500
Sanilac	0.2000
Schoolcraft	0.4684
Shiawassee	0.1667
Tuscola	0.1989
Wexford ++	0.9976
Count	**65**

Transit	
County	Millage
Barry	0.2481
Bay	0.7476
Benzie	0.4912
Branch	0.3436
Charlevoix	0.2408
Clare	0.2953
Crawford	0.7027
Eaton	0.2469
Genesee	0.7998
Gladwin	0.5000
Gogebic	0.3232
Grand Trav.	0.3272
Huron	0.2000
Ingham ++	0.4768
Iosco	0.0967
Isabella	0.9929
Kalkaska	0.2500
Lake	0.3828
Leelanau	0.3272
Macomb	0.5900
Manistee	0.3276
Marquette	0.5738
Midland	0.2500
Ogemaw	0.3000
Ontonagon	0.9441
Otsego	0.2500
Roscommon	0.5000
St. Joseph	0.3300
Schoolcraft	0.4684
VanBuren	0.2480
Wexford	0.3000
Count	**31**

(++) = Two or more separate levies but combined in table

Source: Department of Treasury
Compiled by: Dr. Lynn R. Harvey, MSU
08/19/09

Med. Care Facility	
County	Millage
Alpena	1.0000
Baraga	2.5000
Bay	0.5000
Benzie	0.9904
Calhoun	0.2482
Charlevoix	0.7464
Eaton	0.1250
Emmet	0.4792
Gogebic	0.3863
Grand Traverse	0.6595
Hillsdale	0.9800
Houghton	2.5531
Huron	0.4887
Iosco ++	0.7812
Iron	1.4154
Isabella	0.9000
Jackson	0.1398
Lapeer	0.3300
Lenawee	0.1896
Mackinac	1.1818
Manistee	0.4965
Marquette	0.5261
Mason	0.9646
Midland	0.3700
Newaygo	0.3900
Oceana	2.4870
Saginaw	0.2496
Sanilac	0.1972
Schoolcraft	0.2500
Shiawassee	2.0000
Tuscola	0.2500
Count	**31**

Library	
County	Millage
Alcona	0.4661
Alger	0.3000
Alpena	0.7457
Arenac	0.4912
Bay	1.8853
Branch	0.6050
Crawford ++	0.6858
Dickinson	0.4965
Gladwin	0.4965
Grand Traverse	0.9548
Ionia	0.9339
Iosco	0.4912
Jackson	1.2593
Kalkaska	0.2488
Manistee	1.0000
Mason	0.4947
Monroe	1.0000
Montcalm	0.4407
Montmorency	0.5930
Otsego	0.3500
Presque Isle	0.7500
St. Clair	0.7000
Wexford	0.7500
Count	**23**

Central Dispatch/911	
County	Millage
Arenac	0.7885
Barry	0.8750
Bay	0.7000
Berrien	0.2468
Branch	0.7500
Clare	0.3445
Delta	0.5000
Eaton	0.9438
Gladwin	0.7447
Ingham	0.8431
Lake	1.7500
Manistee	0.8000
Marquette	0.4865
Mecosta	0.5000
Midland	0.5000
Missaukee	0.4899
Muskegon	0.3000
Osceola	1.0000
Ottawa	0.4407
Roscommon	0.6506
St. Joseph	0.7500
Washtenaw	0.2000
Count	**22**

Ambulance	
County	Millage
Alcona	0.9704
Alger	0.9520
Alpena	0.9720
Arenac	0.5000
Benzie	0.5796
Cheboygan	0.2500
Chippewa	0.4280
Emmett	0.2500
Genesee	0.4847
Gladwin	0.9605
Hillsdale ++	0.4000
Iosco	0.4431
Lake	0.6184
Livingston	0.2799
Luce	0.9537
Midland	0.5700
Montcalm	0.4959
Oceana	0.9948
Ogemaw	0.9863
Oscoda ++	0.9979
Otsego	0.4000
Sanilac	0.1972
Van Buren	0.9402
Count	**23**

County Zoo	
Macomb	0.1000
Oakland	0.1000
Wayne	0.1000
Count	**3**

Appendix B

County Extra-Voted Millage By Type 2008

Parks & Recreation*

County	Millage
Barry	0.2259
Crawford	0.4845
Genesee	0.4847
Gratiot	0.3498
Ingham	0.4600
Iron	0.4911
Kalkaska	0.7300
Livingston	0.2146
Luce	0.4969
Macomb	0.2146
Oakland ++	0.4561
Otsego	0.5000
Ottawa	0.3165
Saginaw	0.8105
St. Clair	0.4954
Sanilac	0.2000
Washtenaw +++	0.6866
Wayne ++	0.4605
Wexford	0.2500
Count	**19**

Roads & Streets

County	Millage
Allegan	0.9998
Baraga	1.9526
Chippewa	0.9890
Gladwin	2.0000
Houghton	1.3220
Huron	0.9971
Leelanau	0.5000
Midland	1.0000
Ontonagon	5.0000
St. Joseph	0.9932
Sanilac	2.0000
Tuscola ++	1.4464
Van Buren	0.9769
Count	**13**

Animal Shelter/Control

County	Millage
Benzie	0.0982
Gogebic	0.1986
Kalkaska	0.1250
Luce	0.5000
Otsego	0.3000
Roscommon	0.2466
Wexford	0.3000
Count	**7**

Insect Control

County	Millage
Bay	0.5500
Midland	0.4200
Saginaw	0.4993
Tuscola	0.3900
Count	**4**

Sheriff

County	Millage
Arenac	0.9857
Crawford	0.8917
Delta	0.8749
Gratiot	0.4500
Kalamazoo	1.4491
Keweenaw	0.4454
Lake	2.6952
Marquette	0.1492
Menominee	1.0978
Missaukee	1.2249
Newaygo	0.9968
Osceola	0.9984
Oscoda ++	1.2489
Roscommon	0.9661
Saginaw	0.3394
Tuscola	0.8953
Van Buren	0.5351
Wexford	0.9500
Count	**18**

Jail

County	Millage
Baraga	0.8787
Benzie	1.2430
Branch	0.4852
Chippewa	0.6000
Eaton	0.7000
Jackson	0.4851
Kent	0.7893
Mason	0.5800
Wayne	0.9381
Count	**9**

Veterans

County	Millage
Benzie	0.0500
Branch	0.1000
Houghton	0.0992
Huron	0.0800
Keewenaw	0.1000
Macomb	0.0400
Montcalm	0.0200
Muskegon	0.0752
Newaygo	0.1000
Ogemaw	0.0490
Sanilac	0.1233
Schoolcraft	0.1000
Shiawassee	0.1000
Washtenaw	0.0250
Wayne	0.0368
Count	**15**

Drug Enforcement

County	Millage
Alcona	0.1458
Cass	0.4775
Presque Isle	0.3000
St. Clair	0.2803
Sanilac	0.5000
Count	**5**

Airport

County	Millage
Genesee	0.4847
Ingham	0.6990
Luce	0.4969
Count	**3**

Debt

County	Millage
Barry	0.6784
Charlevoix	0.5400
Gogebic	0.3972
Grand Trav	0.1450
Iron +++	2.6480
Kalamazoo	0.1950
Mecosta	0.4517
Presque Isle	0.2460
Saginaw ++	0.4367
Schoolcraft	0.6500
Tuscola	1.0000
Count	**11**

Community Action

County	Millage
Delta	0.5831
Ontonagon ++	0.2831
Count	**2**

MSU Extension

County	Millage
Alger	0.2459
Luce	0.4969
Count	**2**

Conservation

County	Millage
Schoolcraft	0.0535

Health Dept.

County	Millage
Dickinson	0.2000
Genesee	1.0000
Iron	0.2408
Count	**3**

Bay de College Ext

County	Millage
Dickinson	1.0000

M-TEC Univ Ctr

County	Millage
Otsego	1.2033

EV Operating

County	Millage
Leelanau	0.3750
Wayne	0.9529
Count	**2**

Historical

County	Millage
Bay	0.0952

Museum

County	Millage
Muskegon	0.3221

Recycling

County	Millage
Charlevoix	0.1500
Chippewa	0.4986
Kalkaska	0.1250
Tuscola	0.3900
Count	**4**

Juvenile

County	Millage
Eaton	0.3973
Ingham	0.6000
Count	**2**

Drains

County	Millage
Macomb	0.0055

Land Preserv

County	Millage
Ingham	0.1400
Washtenaw	0.2409

Retirement Center

County	Millage
Alpena	0.6000

Quality of Life

County	Millage
Muskegon	0.3000

Drug Abuse

Berrien	0.3456

Appendix C

2009 Allocated Tax Rates Before Headlee Applied

COUNTY	DATE * FIXED	COUNTY ALLOC.	TOWNSHIP ALLOC.	ISD ALLOC.	TOTAL ALLOC.	93 SD ALLOC.	TOTAL W/SD
ALCONA	09/11/69	5.2500	0.7000	0.2500	6.2000	8.8000	15.0000
ALGER	08/02/84	6.1500	1.0000	0.2350	7.3850	7.6150	15.0000
ALLEGAN	11/02/65	5.7000	1.0700	0.1400	6.9100	9.0900	16.0000
ALPENA	08/03/76	5.4800	1.2900	0.2500	7.0200	7.9800	15.0000
ANTRIM	08/03/04	5.4000	1.0000	0.2700	6.6700	8.3300	15.0000
ARENAC	Alloc'n Bd	5.2000	1.0000	0.2000	6.4000	8.6000	15.0000
BARAGA	11/08/05	8.6000	1.0000	0.4000	10.0000	7.3000	17.3000
BARRY	Alloc'n Bd	5.8700	1.0000	0.1300	7.0000	8.0000	15.0000
BAY	08/05/86	6.0000	1.3500	0.2000	7.5500	8.4500	16.0000
BENZIE	08/10/82	5.2900	1.2100	0.2700	6.7700	8.2300	15.0000
BERRIEN	11/07/78	5.4250	1.0000	0.1990	6.6240	8.3700	14.9940
BRANCH	08/04/92	5.5000	1.1000	0.2000	6.8000	8.2000	15.0000
CALHOUN	11/07/72	5.5600	1.0000	0.2600	6.8200	8.1800	15.0000
CASS	03/30/65	5.7500	1.0000	0.2500	7.0000	9.0000	16.0000
CHARLEVOIX	08/03/04	4.7000	1.0000	0.2000	5.9000	9.1000	15.0000
CHEBOYGAN	08/08/06	5.7400	1.0000	0.2600	7.0000	8.0000	15.0000
CHIPPEWA	08/08/06	6.1500	1.6500	0.2000	8.0000	7.0000	15.0000
CLARE	11/05/74	5.5000	1.0000	0.5000	7.0000	8.0000	15.0000
CLINTON	08/03/04	5.8000	1.0000	0.2000	7.0000	8.0000	15.0000
CRAWFORD	11/03/92	6.5000	1.0000	0.3000	7.8000	7.2000	15.0000
DELTA	08/05/76	5.4500	1.0000	0.1500	6.6000	8.4000	15.0000
DICKINSON	08/04/92	6.1800	1.4000	0.1700	7.7500	7.2500	15.0000
EATON	11/07/78	5.5000	1.0000	0.2000	6.7000	8.3000	15.0000
EMMET	08/03/04	5.6000	2.0000	0.2000	7.8000	8.2000	16.0000
GENESEE	08/08/78	5.6800	1.0400	0.1700	6.8900	8.1100	15.0000
GLADWIN	08/03/76	5.7500	1.0000	0.2500	7.0000	8.0000	15.0000
GOGEBIC	11/02/04	6.6800	2.0000	0.3200	9.0000	SEE 1993	
GRAND TRAVERSE	11/05/74	6.2000	1.0000	0.2700	7.4700	7.5300	15.0000
GRATIOT	Alloc'n Bd	5.9800	1.0800	0.2800	7.3400	8.4800	15.8200
HILLSDALE	11/02/76	5.7500	1.0000	0.3000	7.0500	7.9500	15.0000
HOUGHTON	08/03/04	6.3000	1.3000	0.4000	8.0000	7.0000	15.0000
HURON	03/28/66	4.8200	1.3000	0.1300	6.2500	9.2500	15.5000
INGHAM	11/03/70	6.8000	1.0000	0.2000	8.0000	9.0000	17.0000
IONIA	Alloc'n Bd	5.2500	1.0000	0.1500	6.4000	8.6000	15.0000
IOSCO	Alloc'n Bd	4.5000	1.0000	0.2500	5.7500	9.2500	15.0000
IRON	Alloc'n Bd	6.5300	1.1500	0.1700	7.8500	7.1500	15.0000
ISABELLA	08/03/04	6.6100	1.0000	0.2800	7.8900	7.1100	15.0000
JACKSON	11/03/70	5.9500	1.0000	0.4000	7.3500	7.6500	15.0000
KALAMAZOO	09/05/66	4.8500	1.0000	0.1500	6.0000	9.0000	15.0000
KALKASKA	Alloc'n Bd	6.0000	1.0000	0.2700	7.2700	7.7300	15.0000
KENT	08/10/82	4.8000	1.1000	0.1000	6.0000	9.0000	15.0000
KEWEENAW	08/08/06	6.2500	1.3-1.35-2.35	0.4000	9.5500	SEE 1993	
LAKE	11/06/84	7.3200	1.0000	0.3000	8.6200	6.3800	15.0000
LAPEER	12/10/85	4.5480	1.8520	0.2250	6.6250	8.3700	14.9950
LEELANAU	11/04/69	6.2000	1.0000	0.2700	7.4700	7.5300	15.0000
LENAWEE	11/05/68	5.7500	1.0000	0.3000	7.0500	8.5000	15.5500
LIVINGSTON	Alloc'n Bd	5.0000	1.3000	0.1000	6.4000	8.6000	15.0000
LUCE	11/07/00	5.9000	1.0000	0.2000	7.1000	8.0000	15.1000

Appendix C

2009 Allocated Tax Rates Before Headlee Applied

COUNTY	DATE * FIXED	COUNTY ALLOC.	TOWNSHIP ALLOC.	ISD ALLOC.	TOTAL ALLOC.	93 SD ALLOC.	TOTAL W/SD
MACKINAC	08/08/06	4.5000	1.5000	0.2000	6.2000	8.8000	15.0000
MACOMB	08/08/00	5.1900	1.0000	0.2300	6.4200	SEE 1993	
MANISTEE	08/08/06	5.5000	1.5000	0.3000	7.3000	7.7000	15.0000
MARQUETTE	11/08/88	6.0000	1.4000	0.2350	7.6350	7.3650	15.0000
MASON	Alloc'n Bd	5.3000	1.0000	0.3000	6.6000	8.4000	15.0000
MECOSTA	08/03/04	6.0000	1.2500	0.2500	7.5000	8.0000	15.5000
MENOMINEE	08/05/80	7.5000	1.5000	0.4000	9.4000	6.1000	15.5000
MIDLAND	11/05/68	5.0000	1.5000	0.2000	6.7000	11.3000	18.0000
MISSAUKEE	08/03/04	5.0000	1.5000	0.3000	6.8000	9.0000	15.8000
MONROE	11-00-96	4.9500	1.0000	0.3000	6.2500	SEE 1993	
MONTCALM	11/05/74	5.0000	1.0000	0.2000	6.2000	8.8000	15.0000
MONTMORENCY	Alloc'n Bd	5.7500	1.0000	0.2500	7.0000	8.0000	15.0000
MUSKEGON	11/05/74	6.2000	1.3000	0.5000	8.0000	7.0000	15.0000
NEWAYGO	Alloc'n Bd	5.8500	1.0000	0.1500	7.0000	8.0000	15.0000
OAKLAND	08/08/78	5.2600	1.4100	0.2500	6.9200	9.5400	16.4600
OCEANA	08/08/06	5.7500	1.2500	0.4500	7.4500	8.5500	16.0000
OGEMAW	05/11/65	7.2000	1.0000	0.3000	8.5000	9.5000	18.0000
ONTONOGON	08/03/04	6.5200	1.0000	0.3200	7.8400	7.1600	15.0000
OSCEOLA	08/07/84	6.7500	1.0000	0.2500	8.0000	8.0000	16.0000
OSCODA	08/03/76	7.0000	1.0000	0.0000	8.0000	7.0000	15.0000
OTSEGO	08/00/87	4.3000	1.0000	0.2600	5.5600	7.5000	13.0600
OTTAWA	Alloc'n Bd	4.4400	1.0510	0.1220	5.6130	9.3870	15.0000
PRESQUE ISLE	08/08/06	5.7400	1.0000	0.2600	7.0000	8.0000	15.0000
ROSCOMMON	11/07/78	4.6000	1.5000	0.3000	6.4000	8.6000	15.0000
SAGINAW	11/05/74	5.0000	1.0000	0.1500	6.1500	9.0500	15.2000
ST. CLAIR	11/07/78	5.7700	1.0000	0.2100	6.9800	8.0200	15.0000
ST. JOSEPH	11/03/98	4.7600	1.0000	0.2400	6.0000	9.0000	15.0000
SANILAC	11/05/74	5.0000	1.0000	0.2500	6.2500	9.0000	15.2500
SCHOOLCRAFT	10/24/91	6.5000	1.4000	0.1000	8.0000	7.0000	15.0000
SHIAWASSEE	08/06/96	5.5550	1.0000	0.2450	6.8000	8.2000	15.0000
TUSCOLA	11/03/64	4.2000	1.6500	0.1500	6.0000	9.0000	15.0000
VAN BUREN	11/07/78	5.2500	1.0000	0.1700	6.4200	8.5800	15.0000
WASHTENAW	Alloc'n Bd	5.5000	1.1600	0.1200	6.7800	11.2200	18.0000
WAYNE	11/03/98	6.0700	.6486-1.3592	0.0984	7.5276	8.8300	16.3576
WEXFORD	11/07/71	7.5000	1.0000	0.3000	8.8000	8.0000	16.8000

Counties with Tax Allocation Boards 13
Counties with Voted Fixed Millage 70

Source: Department of Treasury

Appendix D: Taxable Value Projection Details

Year	Forecast	Forecasted Change	Total Obs	Mean SEV	Mean TV	Total SEV=TV	Percent TV/SEV	Total Mills	Allocated millage rate	Revenues using Allocated Millage Rate
2010	Actual	n/a	33,048	$ 75,632	$ 58,030	11,412	78%	1,917,774	5.423	$10,398,603
2011	Optimistic	-4%	33,048	$ 72,607	$ 57,755	15,115	81%	1,908,687	5.423	$10,350,616
	Pessimistic	-10%	33,048	$ 68,069	$ 55,680	17,129	83%	1,840,121	5.423	$9,978,796
2012	Optimistic	-4%	33,048	$ 69,703	$ 57,150	17,318	83%	1,888,702	5.423	$10,242,311
	Pessimistic	-10%	33,048	$ 61,262	$ 52,557	20,690	86%	1,736,909	5.423	$9,419,097
2013	Optimistic	-2%	33,048	$ 68,309	$ 57,074	18,688	84%	1,886,173	5.423	$10,228,846
	Pessimistic	-5%	33,048	$ 58,199	$ 51,070	22,439	88%	1,687,771	5.423	$9,152,843
2014	Optimistic	-2%	33,048	$ 66,942	$ 56,896	19,965	86%	1,880,299	5.423	$10,196,678
	Pessimistic	-5%	33,048	$ 55,289	$ 49,446	23,930	90%	1,634,092	5.423	$8,861,681
2015	Optimistic	0%	33,048	$ 66,942	$ 57,430	20,690	86%	1,897,961	5.423	$10,292,460
	Pessimistic	0%	33,048	$ 55,289	$ 49,755	24,347	90%	1,644,314	5.423	$8,917,116

Appendix E: Average Risk Projection

This addendum provides the property tax revenues associated with an approximate average risk projection for Barry County. The content of this section is not included in the main report because the researchers wanted to focus on the risk within the range of possible outcomes, referred to as the upper (optimistic) and lower (pessimistic) bounds. By providing an average risk projection we are not implying that this scenario is more likely than any other scenario within the range. These figures are included for the purpose of planning so that the Barry County Board of Commissioners knows the property valuations that lie in the middle of the two extreme bounds in the range provided earlier.

For the average risk projection, we use an average of the optimistic and pessimistic projections for every year but the first. The first year was chosen to be slightly more pessimistic in order to provide a cushion in the event that actual revenues tend more toward the pessimistic. However, this first year for the average risk projection is only slightly skewed towards the pessimistic projection and therefore actual revenues could be even lower. Therefore, it is recommended that the county prepare for the entire range of possibilities rather than solely the average risk projection. Forecast predictions can be seen below.

Forecast Predictions

Year	Change in Residential Real Estate			Change in All Other Real Estate		
	Optimistic	Average	Pessimistic	Optimistic	Average	Pessimistic
2011	-4%	-8%	-10%	-4%	-8%	-10%
2012	-4%	-7%	-10%	-4%	-7%	-10%
2013	-2%	-3.5%	-5%	-2%	-3.5%	-5%
2014	-2%	-3.5%	-5%	-2%	-3.5%	-5%
2015	0%	0%	0%	0%	0%	0%

Results

The results can be seen in the following two figures. Once again, these should only be used as a point of reference and not as a most likely scenario.

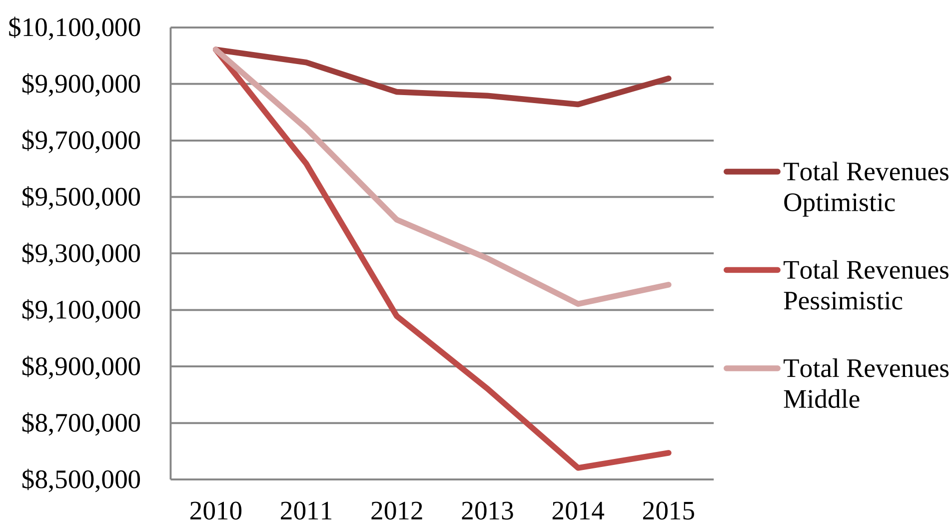
Property Tax Revenue and Change Projections, Barry County, MI[7]

Year	Total Revenues Optimistic	% Year-over-year Change	Total Revenues Average Risk	% Year-over-year Change	Total Revenues Pessimistic	% Year-over-year Change
2010	$10,022,079	-	$10,022,079	-	$10,022,079	-
2011	$9,975,830	-0.46%	$9,742,466	-2.79%	$9,617,473	-4.04%
2012	$9,871,447	-1.05%	$9,419,876	-3.31%	$9,078,040	-5.61%
2013	$9,858,469	-0.13%	$9,282,547	-1.46%	$8,821,427	-2.83%
2014	$9,827,466	-0.31%	$9,121,677	-1.73%	$8,540,808	-3.18%
2015	$9,919,779	0.94%	$9,189,426	0.74%	$8,594,236	0.63%

Average Risk Millage Equivalents

Year	Total Revenues Average Risk	% Year-over-year Change	Average Risk Millage Equivalent
2010	$10,022,079	-	-
2011	$9,742,466	-2.79%	0.1500
2012	$9,419,876	-3.31%	0.1790
2013	$9,282,547	-1.46%	0.0773
2014	$9,121,677	-1.73%	0.0922
2015	$9,189,426	0.74%	-

Property Tax Revenue Projections, Barry County, MI



[7] Note: Total revenues have been calculated to account for tax exempt properties by subtracting out the percentage of total taxable value that was exempt in 2010 from each subsequent year.

Appendix F: Barry County Financial Outlook Detail (in dollars)								
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Revenues: Upper-bound								
Property Taxes	9,910,706.00	10,233,497.00	10,006,497.00	9,960,467.11	9,855,882.21	9,843,069.56	9,812,556.05	9,904,794.07
Other Taxes	56,178.00	61,671.00	49,027.00	48,046.46	47,085.53	46,143.82	45,220.94	44,316.52
Licenses and Permits	128,149.00	128,580.00	144,960.00	152,425.44	160,275.35	168,529.53	177,208.80	186,335.05
Federal and State	1,080,325.00	1,050,576.00	956,281.00	927,592.57	899,764.79	872,771.85	846,588.69	846,588.69
Charges for services	1,445,094.00	1,265,435.00	1,380,635.00	1,429,923.67	1,480,971.94	1,533,842.64	1,588,600.83	1,645,313.87
Fine and forfeitures	25,293.00	26,881.00	24,000.00	23,990.40	23,980.80	23,971.21	23,961.62	23,952.04
Interest and rentals	342,273.00	193,037.00	205,400.00	208,481.00	211,608.22	214,782.34	218,004.07	221,274.13
Other Revenues	1,271,846.00	1,362,230.00	1,410,229.00	1,521,496.07	1,641,542.11	1,771,059.78	1,910,796.40	2,061,558.23
Total Revenues	**14,259,864.00**	**14,321,907.00**	**14,177,029.00**	**14,272,422.72**	**14,321,110.95**	**14,474,170.74**	**14,622,937.40**	**14,934,132.63**
% y-o-y change		0.44%	-1.01%	0.67%	0.34%	1.07%	1.03%	2.13%
Revenues: Lower-bound								
Property Taxes	9,910,706.00	10,233,497.00	10,006,497.00	9,602,234.52	9,063,549.16	8,807,050.72	8,526,986.51	8,580,706.53
Other Taxes	56,178.00	61,671.00	49,027.00	48,046.46	47,085.53	46,143.82	45,220.94	44,316.52
Licenses and Permits	128,149.00	128,580.00	144,960.00	152,425.44	160,275.35	168,529.53	177,208.80	186,335.05
Federal and State	1,080,325.00	1,050,576.00	956,281.00	927,592.57	899,764.79	872,771.85	846,588.69	846,588.69
Charges for services	1,445,094.00	1,265,435.00	1,380,635.00	1,429,923.67	1,480,971.94	1,533,842.64	1,588,600.83	1,645,313.87
Fine and forfeitures	25,293.00	26,881.00	24,000.00	23,990.40	23,980.80	23,971.21	23,961.62	23,952.04
Interest and rentals	342,273.00	193,037.00	205,400.00	208,481.00	211,608.22	214,782.34	218,004.07	221,274.13
Other Revenues	1,271,846.00	1,362,230.00	1,410,229.00	1,521,496.07	1,641,542.11	1,771,059.78	1,910,796.40	2,061,558.23
State Revenue Sharing								
Total Revenues	**14,259,864.00**	**14,321,907.00**	**14,177,029.00**	**13,914,190.13**	**13,528,777.91**	**13,438,151.90**	**13,337,367.87**	**13,610,045.08**
% y-o-y change		0.44%	-1.01%	-1.85%	-2.77%	-0.67%	-0.75%	2.04%

Appendix F: Barry County Financial Outlook (continued)							
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Expenditures							
Justice and Public Safety	8,535,685.12	9,107,944.00	9,421,021.68	9,660,043.18	9,937,424.86	10,220,298.52	10,530,952.84
Health and Human Resources	831,942.78	817,689.00	842,272.72	866,981.30	892,521.16	918,816.07	945,954.46
Physical & Econ Development	1,591,144.49	1,675,025.00	1,732,190.56	1,776,924.68	1,828,381.66	1,880,896.21	1,938,315.62
Records, Adm, & Legislative	2,158,990.79	2,360,867.00	2,443,097.30	2,509,206.51	2,585,714.78	2,663,786.23	2,749,417.28
Debt	92,563.00	90,363.00	93,073.89	95,866.11	98,742.09	101,704.35	104,755.48
Capital Outlay	1,111,574.86	125,141.00	0.00	0.00	0.00	0.00	0.00
Total Expenditures	14,321,901.04	14,177,029.00	14,531,656.15	14,909,021.77	15,342,784.55	15,785,501.39	16,269,395.69
% y-o-y change		-1.01%	2.50%	2.60%	2.91%	2.89%	3.07%

Appendix F

MANDATED SERVICES AND OFFICES IN MICHIGAN COUNTY GOVERNMENT

STATE AND LOCAL GOVERNMENT PROGRAM, MICHIGAN STATE UNIVERSITY, APRIL 2009

DR. ERIC A. SCORSONE

This is an updated version by of the mandated services argument as developed over the years by the State and Local Government Program, including Professor Lynn Harvey, Professor Ken Verburg and Specialist Gary Taylor.

Introduction

During tight budgetary times, elected and appointed county officials often resort to a discussion of mandated versus non-mandated services as a formula for making difficult funding choices. The concept has evolved through the application of court cases and other state and federal laws to the wide range of activities carried out by Michigan's counties. County commissioners must understand the mandated versus non-mandated concept to appreciate the important role that mandates play in county government policy-making. This paper is provided to help commissioners unravel the complex issues surrounding mandated services that arise during budget deliberations.

Sources of Mandates

In the context of intergovernmental relations, a mandate is a command by one level of government for a subordinate government to carry out certain functions. In Michigan, many of county government's functions are carried out in its role as an administrative arm of state government. As a result, the state is the source of various mandates for county government. The state constitution, for example, mandates that the citizens of each county shall elect a clerk, treasurer, sheriff and prosecutor "whose duties and powers shall be provided by law." State statutes require that county government provide a wide variety of facilities and resources including a courthouse, jailor lockup facilities, a health department, medical examiner, circuit court, and the family division within circuit court. State statutes also require the provision of various services such as the training of local elections officials, maintaining vital records, recording real estate transactions, and many others. Attorney general opinions and regulations of state agencies are also sources of mandates to county government.

For example, the attorney general has concluded that statutory language that a county "shall levy a tax not to exceed…." is a mandate to levy a tax (i.e., a levy of zero violates the mandate). The Office of State Registrar has promulgated rules concerning the storage and retention of vital records.

Over the years, federal mandates have also had an impact on local governments. Sometimes the source of a mandate is a federal court decision, such as the "one person, one vote" decisions that resulted in the abolition of the county board of supervisors in favor of a board of county commissioners elected by districts. Congressional action such as the Americans with Disabilities Act (ADA), civil rights legislation and labor laws all affect policy-making, and therefore budget choices, at the local level.

Mandates can also arise through the actions of the local government itself. An extra-voted millage for senior services mandates that the taxes levied may only be expended in the manner prescribed by the ballot proposal. County ordinances, resolutions and memoranda of agreement all create responsibilities of the county government to perform certain actions or carry out certain functions.

Services and actions that are not mandated by federal or state government or through the action of local governments are often referred to as non-mandated or discretionary programs. Many examples of non-mandated programs exist. State statutes permit, but do not require, county governments to provide water and sewer infrastructure and sanitation services, parks and recreation, fire and ambulance services, and mental health services are all examples of discretionary functions.

Frequently county controllers and administrators classify county functions into more or less the following categories:

1. Functions mandated by law – County functions performed because federal, state or local constitutions, charters, statutes, regulations or court orders mandate them. These functions must be carried out by county government unless and until the law is changed or repealed.

2. Functions mandated by agreement – County functions performed because the county is a party to a contractual agreement. These functions are mandated for the duration of the agreement.

3. Functions necessary, but not mandated –These are "support" services necessary to carry out the mandated services referred to in (1) and (2). Examples include accounting, payroll, central services, buildings and building maintenance.

4. Discretionary functions – County functions that do not meet any of the above criteria.

Sorting out Mandates

Although the basic concept of mandates is simple, it should be obvious that the everyday practice of carrying out mandates is complex. While the classification outlined above is useful, it can sometimes mask the intricacies associated with providing "mandated" services. The following circumstances underscore the need to dig deeper into the mandated services discussions that inevitably take place during budget deliberations.

•*State and federal mandates vs. local mandates*. While the board of county commissioners has no legal control over mandates handed down by the federal or state governments, it does have some degree of control over the mandates it imposes on itself. Ordinances and resolutions that require county government to carry out some function may be amended or repealed or, in some cases, simply go unfunded. Likewise, it may be possible to renegotiate some contractual agreements, or simply choose not to renew them upon their expiration. This means that locally self-imposed mandates are, in a practical sense, policy choices that remain within the discretion of the board.

•*Mandated office, non-mandated functions.* The Michigan constitution provides for the election of county clerks, register of deeds (although the board of commissioners may combine the offices of clerk and register of deeds into a single office), sheriffs and prosecutors; however, the mandate for elected county officials does not mean that every service provided or desired by the official is therefore a mandated function of the office. The requirement to provide a mandated service still must reside somewhere in law or contract. For example, Michigan court cases set forth the common law duties of the sheriff's department, including service of process, execution of court orders and arrest and detention of suspected criminals[1.] Michigan statutes define still other duties, including management of the county jail and the recovery of drowned bodies. Many of the other specialized functions commonly performed by sheriffs' departments (e.g. drug enforcement units, domestic violence units, DARE programs) are not mandated. Some functions are mandated as a condition of accepting grant funds (DARE, supplemental road patrol functions as described in MCL 51.76(2)) or reaching agreements with townships (dedicated deputy),but absent those grant funds or agreements the county is under no obligation to perform the functions.

•*Non-mandated office or department, mandated functions.* County Extension offices frequently enter into memoranda of agreement with county boards to partially or completely fund local positions. As a result, the county is mandated to carry out the terms of the agreement despite the fact that "Extension" in a general sense, is not a mandated function of county government.

•*Provision of service not mandated*. Counties are not mandated to act as the provider of mental health services. The Mental Health Code simply requires that the county pay 10 percent of the cost of mental health services provided to residents of the county (MCL 330.1302).Nevertheless, every county in the state has elected to organize to deliver community mental health services programs, either through its own county level agency, a multi-county community mental health organization, or through a single or multi-county legal entity known as a community mental health authority. These organization arrangements provide the local community a mechanism for controlling how monies are spent on services. With these arrangements, however, come a mandate to provide "a complete array of mental health services" which must include certain specific activities. An annual plan is submitted to the Michigan Department of Community Health. Once approved, the plan becomes the mandate.

How Much is Mandated? The Level of Service Question

In making budget decisions it is important for county commissioners to distinguish between a mandate to provide a specific service and the level of service that must be provided. The interrelationship of these two issues is also complex; however, there are essentially two considerations that will influence commissioners' thinking in making budget choices in response to mandates: whether the mandate relates to a specific function or to the level of service required to be delivered.

•*Mandated functions.* Most constitutional and statutory mandates take the form of a general mandate to provide a specific function or service. The county board must appropriate sums sufficient to allow these mandates to be carried out, whether it is a mandate directed at an elected county officer or at county government generally. But how efficiently must the county provide a service? Michigan court cases have set a "minimally serviceable level" standard.

"A serviceable level is not met when the failure to fund eliminates the function or creates an emergency immediately threatening the existence of the function. A serviceable level is not the optimal level. A function funded at a serviceable level will be carried out in a barely adequate manner, but it will be carried out. A function funded below a serviceable level, however, will not be fulfilled as required by statute." Cahalan, et al. v. Wayne County Board of Commissioners, 93 Mich App 114(1979).

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1 Refer to the Appendix for selected cases involving the common law duties of the sheriff.

A review of relevant Michigan court cases is provided in the Appendix. The "minimally serviceable level" standard still leaves county commissioners with considerable discretion to make decisions on the amount of funds to expend on any given mandated function. Commissioners need to be aware that any decisions on the level of service to be provided on a mandated function, beyond a minimum serviceable level, are policy choices on equal footing with decisions on spending on discretionary functions. Community expectations, efficiency and effectiveness of delivery and historical precedent all influence the degree to which various programs are funded. Commissioners should be ready to question levels of funding that they do not feel reflect the levels of service being provided. All of the following are policy choices, yet none are mandated:

- Community-based corrections programs provide rehabilitative alternatives to incarceration.
- Adding more computers in the clerk's office can reduce man-hours.
- Paved shoulders on county roads increase safety and provide bike lanes.
- Recreation and nutrition programs for senior citizens improve their quality of life.
- New software packages and accompanying training in the treasurer's office may speed the tax administration process.
- County planning and zoning programs protect property values and prevent incompatible neighboring land uses.
- Extension programs help communities, families, organizations, businesses, and individuals gain the knowledge and skills to increase their quality of life.
- Adding 1 FTE will improve circuit court case management.
- Economic development programs create jobs and improve the lives of families.

•*Mandated levels of service*. Some mandates actually define the required level of service with considerable specificity. A memorandum of agreement to fund an Extension Youth Development Agent is self-explanatory in terms of the money the county will expend to support the individual's salary. Frequently federal or state agency regulations provide specific guidelines on how a function must be carried out. The function may or may not be mandated, but once the county has made the policy choice to support the function it must be provided according to the law. The Public Health Code and the Michigan Department of Community Health detail numerous specific functions that must be carried out by county health departments, including vision and hearing screening, on-site septic system management and food service sanitation. There are specific regulations, medical protocol, etc. that accompany the provision of these services that, in effect, act as the determinant of the level of service to be provided. Counties are not mandated to build, maintain or operate a jail within their borders[2]; however, once the policy choice is made to do so the design and management of the facility are subject to strict regulation by the Department of Corrections. Commissioners must pay careful attention to the long-term implications of policy choices that will result in mandates to provide specific levels of service. The county often will be left with little discretion as to the level of funding required

2 Counties are required to maintain temporary lock-ups.

of these programs, yet their existence could necessitate budget cuts in other departments to balance the county budget.

County commissioners must review county departments' programs and budgets and stay informed about the mandates each department must meet. Commissioners must keep in mind that decision to fund mandated functions "beyond a barely adequate level" are policy choices within the discretion of the board. Commissioners must also think through the long-term budgetary consequences of policy decisions made today.

Levels of Service and "Quality of Life" Services

Closely related to the "level of service" issue is the "quality of life" issue. Occasionally, some local officials view the quality of life issue as one of providing unneeded luxuries to citizens. In lean revenue years these officials look at programs provided by parks and recreation departments, for example, as prime targets for budget cuts. Elected officials need to be aware of the role government plays in maintaining or improving the quality of life of citizens. By setting a higher level of service than required by mandate, and by providing non-mandated services, counties enhance the quality of life for their constituents. A significant share of the county budget, reflected across many department budgets, is devoted to enhancing the quality of life of its citizens, above and beyond levels required by mandates.

Serving the Many vs. Serving the Few

Another philosophy occasionally advanced during tight budgetary times is that functions that serve the broadest audience should be given priority; the belief being that "mandated" functions generally fit that description. The two functional areas that generally receive the bulk of county financial resources, human services (health and community mental health in particular) and law and courts (including enforcement, adjudication and corrections), however, run counter to this philosophy. Due to the nature of these services, many county citizens' lives are not directly affected by spending in these areas. For example, $224.5 million of the total $361.1 million operating budget for Kent County for 2002 is earmarked for these two functional areas. Community Mental Health, which has an $85 million operating budget, serves roughly 13,118 of Kent County's 575,000 residents.[3] In fact, the average taxpayer is sometimes hard pressed to say how he or she benefits from taxes paid to county government. To again use the earlier example, parks and recreation generally provides broad-based services that serve a much wider audience, and give citizens positive exposure to county government.

Another dimension the quality of life issue is that of providing services directed at prevention rather than remediation. It can be argued that a high quality of life is also maintained through preventing problems, such as juvenile crime, malnutrition, watershed degradation or community economic decline, from occurring in the first place. If this can be done successfully through cost-effective means, the need for expensive programs for reversing problems can be reduced.

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3 Daryl Delabbio and Al Vanderberg, "City Management. County Management. "Not so Similar After All." Michigan Municipal Review, Vol. 75, No. 8, p. 11 (September/October 2002).

Summary – Key Questions

When engaged in analysis and discussion of the county budget, county commissioners should consider the following questions about mandates, mandated functions and levels of service:

- What are the real mandates for each department?
  - What are the specific functions mandated?
  - Are levels of service mandated?
  - Is the decision to provide the service itself a policy choice? In other words, can the county avoid the mandate by its own action/inaction?
- Are departments protecting programs from potential budget cuts by claiming either that functions are mandated when they are not, or that they are mandated at current levels of service when they are not?
  - Can departments provide documentation for both functional and required level of service mandates?
  - Federal, state, local?
  - Statutes, regulations, ordinances, resolutions, agreements?
- What services does each department provide?
  - What constituencies are served?
  - How many citizens are directly affected by the services?
- Do budget requests reflect additional spending on manpower, technology, etc. when current service levels will be adequate over the short term?
- Is the board subjecting all non-mandated programs, and levels of service beyond "minimally serviceable" levels of service, to the same scrutiny?
- Are there long-term negative consequences of current policy decisions?
  - What obligations arise from accepting a grant, getting into a new service, entering into long-term agreements?
- Do partnering/cost-sharing opportunities between departments exist?
- Do leveraging opportunities exist?
  - Can county appropriations be used to bring outside (primarily state and federal) monies into the county?

Appendix

The appendix contains two sections. Section One contains a synopsis of the most important cases regarding mandated services provide by counties from the Supreme Court of Michigan or the appellate court of Michigan and also contains some provisions from Attorney General opinions.

Section Two contains information from state agencies, one from the Michigan Department of Community Health and one from the Michigan Supreme court, regarding various administrative orders or rules that have been passed by state agencies to guide county governments in the provision and administration of state mandates.

Section One: Review of Selected Court Cases Relating to Mandated County Services

A number of Michigan appellate court cases address the board of commissioner’s responsibilities to fund mandated services and the offices of elected county officials. The following three cases provide the essential points of law for commissioners to consider in making budgetary decisions. For highlights of other cases, particularly the evolution of the relationship between the courts, court funding and county appropriations for courts see Harvey and VerBurg, “Mandated vs. Non-Mandated County Services: Evolution of the Argument,” paper presented at the Management Training Workshop for County Extension Directors, June 16, 1992 and at New County Commissioner workshops, November-December 2000.

Each and every county service is backed by enabling statutory authority permitting the service to be funded by county monies. Thus, their evolves several types of mandates: constitutional; statutory; AG Opinions (which carry the weight of law); court orders; and community policy (services preferred by the community). Thus the water becomes murky when one tries to use a convenient designation of mandated versus non-mandated as the criteria for resource allocation.

In summary, the various court cases and AG opinions established the following principles:

1. The concept of mandated services does exist and constitutional officers must be provided funding to maintain a serviceable level, a level which is not optimum but barely adequate.

2. Courts may not issue administrative orders for budgets but must first utilize the arbitration system set forth in the Hillsdale/Cheboygan case.

3. In cases where judges and county officers have sued the county board, the officers may recover reasonable attorney fees if the court hearing the case finds that the county board acted in an arbitrary and capricious manner.

4. Burden of proof that appropriations are not adequate rests with the officer or judge seeking additional funding; there must be clear and convincing evidence that the denial of additional funding will inhibit the offices or courts ability to carry out required statutory duties.

5. Courts may set employee salaries but the court's operation must remain within the

appropriated amounts.

6. County board of commissioners may hire personnel to assist the county board and designate such individuals to assume the county purchasing function.

Brownstown Township v. Wayne County Board of Commissioners, 68 Mich. App. 244, 242 N.W.2d538 (1976)

Brownstown Township brought an action to compel the county board to provide the necessary funds to enable the county sheriff to continue road patrol service. The trial court entered summary judgment for the county board. The Court of Appeals affirmed.

The Court of Appeals stated that, as a constitutional office, the office of sheriff has a "known legal character." As such, the state legislature, in adopting statutes that define the duties of the office, "may vary the duties, but may not change the duties so as to destroy the power to perform the duties of the office. "The court concluded that the sheriff must perform the duties of the office as recognized at common law, as well as those statutory duties that do not destroy the sheriff's power to perform his/her common law duties. Citing an 1880 case, the court found the common law duties of the office to be:

"…[t]he execution of the orders, judgments, and process of the courts; the preservation of the peace; the arrest and detention of persons charged with the commission of a public offense; the service of papers inactions, and the like…."

Observing that the state legislature has codified the common law duties of the sheriff with little variance, the court concluded that neither common law nor Michigan statutes [at the time in 1976] imposed a mandate on the sheriff to supply road patrol.

> "A stricter duty is imposed upon the sheriff to maintain law and order in those areas of the county not adequately policed by local authorities. This does not mean that the sheriff must regularly patrol those areas. All that is minimally required is the sheriff exercise reasonable diligence to (1) keep abreast of those areas inadequately policed, which may require limited vigilance, (2) monitor criminal activity or unusual conditions in the county, and (3) respond professionally to calls for assistance from the citizenry."

Wayne County Sheriff v. Wayne County Board of Commissioners, 148 Mich. App. 702, 385 N.W.2d267 (1983)

The county board cut the sheriff's budget by eliminating the Patrol and Investigative Division. The sheriff appealed the trial court's ruling in support of the county board. The Court of Appeals quoted from a federal district court case from Ohio to paint a frank picture of the typical budgetary process in action at the local level:

> "Under the American system of constitutional government, it is the duty of the legislature, in this case the Board of County Commissioners, to raise the funds for governmental operation, and to distribute them among the various executive departments including, in this case, the Sheriff and his department. Since the public funds are not unlimited, and every executive always needs more money than he can get, the matter of appropriations is a highly politic alone…. No public official can provide all the services that he would like to provide, and it is for him to use his judgment as to how

he will make his money spread. If he is politically astute, he can perhaps make sufficient political capital of his inability to render services to create pressure upon the legislative branch to increase his appropriation. But no court can very well take a hand in that game."

In finding the sheriff could still perform mandated functions at a "minimally serviceable level" after the elimination of the Patrol and Investigative Division, the court considered it highly relevant that the services performed (1) were duplicated by other divisions or departments, including the State Police; (2) were back-up for non-mandated functions, or (3) were still being performed by personnel under the auspices of the Jail Division.

County of Oakland v. State, 432 Mich. 49, 438N.W.2d 61 (1989)

This case is included less for its implications for mandated services than for its explanation of the legislative and judicial actions concerning the function of road patrol by county sheriffs subsequent to the preceding three cases.

Partially in response to Brownstown Township v. Wayne County Board of Commissioners, supra, the Legislature adopted PA 416 of 1978, which provides grants to county sheriffs to enhance road patrol efforts beyond those that the sheriffs' offices were performing "immediately prior to October 1, 1978."The Legislature established a list of services to be provided by departments receiving grant monies.(MCL 51.76(2)) The grant monies were to be used only for those services, and those services were to be required only to the extent that state funds were provided. (MCL 51.77). If "county expenditures or road patrol" fell below that provided before October1978 then the county would lose its eligibility for the grant (the "maintenance of effort" clause), the thought being that the grants were being provided to supplement existing road patrol efforts.

Oakland County was notified in 1983 that it no longer met the eligibility criteria for the grants because the state Office of Criminal Justice would not count toward the maintenance of effort standard road officer positions funded through contracts with townships. The county employed 89 full time officers in 1983compared to 80 in 1978; however, only 25 of those were fully funded by the county's general fund in1983, compared to 48 in 1978. The other officers were funded by a combination of county, township and/city funds.

The Michigan Supreme Court determined that monies received for road patrol through contracts with townships should be counted as "county expenditures" for purposes of the maintenance of effort standard. Therefore, even if the amount of county general fund monies directed toward road patrol was reduced, the maintenance of effort standard was still met so long as total expenditures for, and number of officers directed to road patrol remained greater than or equal to the level immediately prior to October 1, 1978.

46th Circuit Court vs. Crawford, Otsego and Kalkaska County

This case involves the 46th circuit court versus its three funding units, Otsego, Crawford and Kalkaska counties. The court sued the county board of commissioners for refusing to provide funding per an increase in retiree, health and income benefits for court employees. In this case, the court argued, not specifically regarding mandates, but rather that without these increased benefits employee morale and productivity would falter and fall.

The court laid out several issues in decision this case. They were: (1) whether the appropriations sought for the enhanced benefits plan were "reasonable and necessary to achieve the court's constitutional and statutory responsibilities"; (2) whether the defendant counties were contractually obligated to fund the enhanced benefits plan at the level requested by the Trial Court; and (3) whether there was evidence to support the conclusion that the level of funding offered by the counties was insufficient to allow the court to fulfill its essential functions.

In this case, the Supreme Court ruled in favor of the counties finding that the 46th circuit court was unable to provide evidence that any of these conditions above were violated. Thus, the judiciary's "inherent power" to compel appropriations sufficient to enable it to carry out its constitutional responsibilities is a function of the separation of powers provided for in the Michigan Constitution. In essence, the court reaffirmed the legislative bodies right to set the budget and that the trial courts had to work with the local funding units to ensure that the judicial budget is set adequately but not unreasonably.

Charter Township of Ypsilanti, Township of Salem and Charter Township of Augusta

Ypsilanti, Salem and Augusta townships sued Washtenaw County over the claim that road patrol contracts with the Sherriff department were violated. Under existing agreements, the county subsidized the cost of deputies with .5 mills from the county general fund. After some analysis, the county decided that the townships would be responsible for some of the police service unit overtime as well as subject to a 6 percent increase in annual cost of the contract. In 2008, the county submitted a new four-year contract that would require each township to pay the full cost of the police service units with no subsidy from the county.

The Court of Appeals reiterated that there is no statutory or common law requirement that the Sherriff or Sherriff department provide road patrol.

All that is minimally required is that the sheriff exercise reasonable diligence to (1) keep abreast of those areas inadequately policed, which may require limited vigilance, (2) monitor criminal activity or unusual conditions in the county, and (3) respond professionally to calls for assistance from the citizenry.

Cahalan, et al. v. Wayne County Board of Commissioners, 93 Mich. App. 114, 286 N.W.2d 62 (1979).

The county board imposed an across-the-board 15% budget reduction for all county departments. The prosecuting attorney, treasurer, clerk, register of deeds and drain commissioner sought an injunction to prevent the board from implementing the budget cuts. The trial court concluded that an equal, across-the-board cut for all offices was arbitrary. The decision was appealed.

The Court of Appeals first stated, as a principle of separation of powers, that courts will not second-guess the legislative function of a county board in making appropriations decisions "unless the action taken is so capricious or arbitrary as to evidence a total failure to exercise discretion." The court concluded, however, that:

> "Where the Legislature has statutorily imposed on the county executive officers various duties and obligations, the county boards of commissioners must budget sums sufficient to allow the executive officers to carry out their duties and obligations."

Necessarily, then, the court turned to a discussion of what *level of service* was sufficient. The court adopted "serviceability" as the standard to be applied, and defined it as follows:

> "Serviceability must be defined in the context of …"urgent", "extreme", "critical", and "vital" needs. A serviceable level of funding is the minimum budgetary appropriation at which statutorily mandated functions can be fulfilled. A serviceable level is not met when the failure to fund eliminates the function or creates an emergency immediately threatening the existence of the function. A serviceable level is not the optimal level. A function funded at a serviceable level will be carried out in a barely adequate manner, but it will be carried out. A function funded below a serviceable level, however, will not be fulfilled as required by statute."

The court found that across-the-board cuts, in this case, were not arbitrary because the record demonstrated that the board had given serious thought to the issue, and that the board genuinely believed that all of the services were important enough that all should be treated alike. However, the court concluded that cuts to the offices of prosecutor and register of deeds would render those offices unable to perform their statutorily mandated functions.

Circuit Judge v. Wayne County Board of Commissioners 1971

A circuit court judge issued a court order to the county board in an attempt to increase the appropriation to the court. The ruling from the court case strengthened the claim by constitutional county officers of a claim on county resources. The courts stated "the judiciary must possess inherent powers to compel appropriations and expenditures to reasonable sums necessary to the exercise of its constitutionally assigned responsibilities".

Wayne County Prosecutor, Treasurer, Clerk, Register of Deeds, Drain Commissioners v. Wayne County Board of Commissioners, 93 Mich App 114, 1979

The Wayne County Board of Commissioners had imposed an across the board 15% budget reduction for all county departments. The aforementioned county officers sought an injunction to prohibit the county board from instituting the budget reductions. The case was appealed to the Michigan Court of Appeals.

The court found the following:

1. Judicial review of appropriation decisions of county boards is limited in scope and could only be undertaken where a county board fails to perform the duties imposed by the Legislature.

2. County Boards must appropriate sums sufficient to allow county executive officers to carryout the duties and obligations which have been statutorily imposed upon them by the Legislature.

3. Discretionary appropriations by county boards are subject to judicial review only when the action of the county board is so arbitrary and capricious as to evidence a total lack of discretion.

4. The uniformly applied fixed percentage was not arbitrary and capricious since the record demonstrates that the board believed that all funded services were

important enough to be treated equally.

5. County boards of commissioners must appropriate the funds necessary to permit county executive officers to carryout their statutorily mandated duties at a serviceable level. A serviceable level is not the optimal level, but is rather the level of funding which permits the duties to be carried out in a barely adequate manner.

6. The reductions in the budgets of the clerk, treasurer and drain commissioner did not result in funding below the serviceable level, since the reductions could be achieved by the elimination of unfilled previously budgeted positions.

7. Upheld the decision of the Trial Court.

8. The reduction in the budget of the register of deeds resulted in funding below the serviceable level, since such reduction would require elimination of six filled positions in a department that was chronically behind in its duties and would cause matters in that department to fall further behind.

9. The reduction in the budget of the prosecuting attorney resulted in funding below the serviceable level.

Wayne County Sheriff v Wayne County Board of Commissioners, 148 Mich App 702, 1983

The county board cut the sheriff's budget by eliminating road patrol and investigative division. The decision of the Court of Appeals held the findings of the Trial Court.

1. County board did not act arbitrary and capricious nor did their action involve malicious intent.

2. The elimination of road patrol and investigative divisions did not prevent the sheriff from carrying out mandated duties.

3. Circuit Court did not abuse its discretionary authority in excluding testimony of sheriff witnesses.

4. The circuit Court did not abuse its discretion in denying plaintiff's request for attorney fees.

County Board's Authority in Creating an Administrative Assistant Position To Serve As County Purchasing Agent, Attorney General Opinion No. 5816, November 1980.

The request for the AGO opinion also included whether or not county executive officers (elected) must submit purchase requests to the Purchasing Agent for approval.

1. County boards do have the statutory authority to create new positions and to assign the purchasing function.

2. County boards may not require prior approval of the chief administrative officer (purchasing agent, administrator) for expenditures by elected county officials

authorized line-item budget appropriations, except that the board may require pre-expenditure notification to such officer (1) to ensure that such expenditure is within authorized budgetary limits and (2) to effectuate centralized county purchasing functions.

Employees and Judge of the Second Judicial District Court v Hillsdale County and Board of Commissioners of Cheboygan County v Cheboygan Circuit Judge, 423 Mich 705, 1985.

District Court employees successfully litigated their right to withdraw from the county's retirement-pension system. An agreement was reached with court employees that the four percent county contribution would be paid directly to the employees. County board deleted the four percent direct payment. Court issued an administrative order to the county board directing the county to pay the increase. County refused employees and district judge brought action against the county.

The judge of the Cheboygan Circuit Court issued administrative orders directing the county clerk and treasurer to pay the wages of an provide benefits for a certain part-time employees in amounts greater than those provided for other county funded part-time employees and requiring the clerk and treasurer to refrain from efforts to reduce the court budget. The court argued that the order was enforceable through the court's contempt power. County board appealed to the Michigan Court of Appeals and was granted leave to appeal to the Supreme Court where the two court suits were handled together (Hillsdale and Cheboygan).

1. Court may not issue administrative orders to seek appropriations above those designated by the county board.

2. Court has the authority to set salaries within appropriations.

3. Court may order payment when necessary to perform statutorily designated duties and functions but the court did not prove that by not receiving their above appropriation request that the court's ability to carryout the statutory duties were impaired.

4. Procedures were established for the court to arbitrate budget conflicts. In cases where the court disagrees with the appropriation, the court must submit financial situation to the State Supreme Court Administrator. The SC administrator is required to investigate, hold a hearing between the court (judge) and a panel of three designated representatives (County, Michigan Association of Counties designee and one additional member. If it is determined that the budget request submitted by the court is reasonable, the court may begin legal action after a 30 day waiting period. Judge must pay own legal fees but may attempt to recover legal fees if sufficient proof is submitted that the request was reasonable.

5. The inherent power upheld but modified with respect to administrative orders related to budget requests.

Ottawa County Controller v Ottawa Probate Judge, 156 Mich App 594, 1986.

In 1983, the Ottawa Probate Court issued an administrative order directing the Ottawa County Controller to pay eight nonunion supervisory employees of the probate court salaries in the amount the probate court determined to be appropriate. The controller and county board filed suit in Ottawa Circuit Court seeking a declaration that plaintiff board had exclusive authority to set the level of compensation. Probate court filed a counter claim seeking determination that the plaintiff board was required to annually award a lump sum total budget for probate court operation.

1. Probate court carries the responsibility for providing burden of proof that seeking funds beyond those appropriated by the county board were necessary in order for the court to fulfill its statutory duties. Court officers must provide clear and convincing evidence that the appropriation is necessary in performance of statutory duties. Burden of proof not established by Probate Court.

2. A probate judge has the authority to set individual salaries of probate court employees as long as the judge remains with the court's total budget appropriation by the county.

3. The Uniform Accounting and Budget Act does not apply to probate court appropriations. The county board may not make the probate court's appropriation subject to segregated budget or detailed line item appropriations but must make a lump sum appropriation.

Seventeenth District Probate Court v Gladwin County Board of Commissioners and Seventeenth District Probate Court v Clare County Board of Commissioners, 155 Mich App 429, 1986.

The 17th District Probate Court filed a complaint for declaratory judgment in Gladwin Circuit Court claiming that the level of funding provided was inadequate for the proper operation of the court. In particular, it was claimed that the sums appropriated for the salaries of the employees of the court were inadequate.

1. Probate court has inherent power to require funds necessary to carry out its statutorily mandated functions but court bears the burden of proof including what constitutes reasonable salaries. Must be based on reasonable and necessary standards. Court carried its burden of proof.

2. Trial court's findings were not erroneous. (The trial court had denied the probate courts claim.)

3. The probate court may not raise questions at the Appeals level if the question was not raised at the trial court level.

4. A court pursuing its right to adequate funding may employ outside counsel and may recover reasonable attorney fees. The plaintiff has the responsibility of proving that the requested attorney fees were reasonable.

Branch County Board of Commissioners v Local 586, 168 Mich App 340, 1988

District Court employees requested and denied additional appropriations to cover salary increases for court employees. The denial by the board was based on facts presented that the additional appropriation would place the county in a deficit condition. District Judge argued that although turnover in staff was not a problem, it could become one if salary increases were not granted. The county board's witness argued that the terms of the collective bargaining agreement negotiated by the District Judge were "neither reasonable nor necessary".

1. District court had the responsibility of providing the burden of proof by presenting clear and convincing evidence that the wage increase was reasonable and necessary to the carrying out of the court's statutory duties. The Michigan Court of Appeals ruled that District Court had not done so, therefore upheld the trial courts findings.

Section Two: Administrative Rules, Orders and Statutes

Local Public Health Departments Administrative Rules, order and Statutes

The following citation is taken from Michigan law regarding the statutory mandates as passed in 1978 under the Michigan public health code. These statutory responsibilities have been further described and detailed in administrative rules promulgated by the Michigan Department of Community health.

333.2473 Specific objectives of required services; demonstrating provision of service; contracts.

Sec. 2473.

(1) Required services designated pursuant to part 23 shall be directed at the following specific objectives:

(a) Prevention and control of environmental health hazards.

(b) Prevention and control of diseases.

(c) Prevention and control of health problems of particularly vulnerable population groups.

(d) Development of health care facilities and agencies and health services delivery systems.

(e) Regulation of health care facilities and agencies and health services delivery systems to the extent provided by state law.

(2) A local health department and its local governing entity shall provide or demonstrate the provision of each required service which the local health department is designated to provide.

(3) The department may enter into contracts necessary or appropriate to carry out this section.

This list has been expanded into far greater detail by the Michigan Department of Community Health. The following matrix is based on a memo from the Michigan Department of Community health to the Local Health departments in regards to local health departments' plan of organization.

MATRIX DEFINITIONS

Name	Citation	Description
1. Required Service	MCL 333.2321(2); MCL 333.2408; R325.13053	Means: (A) a basic service designated for delivery through Local Public Health Department (LPH), (B) local health service specifically required pursuant to Part 24 or specifically required elsewhere in state law, or (C) services designated under LPHO.
1.A. Basic Service	MCL 333.2311; MCL 333.2321	A service identified under Part 23 that is funded by appropriations to MDCH or that is made available through other arrangements approved by the legislature. Defined by the current Appropriations Act and could change annually. For FY 2005: immunizations, communicable disease control, STD control, TB control, prevention of gonorrhea eye infection in newborns, screening newborns for 8 conditions, community health annex of the MEMP, and prenatal care.
1.B. Mandated Service	MCL 333.2408	The portion of required services that are not basic services, but are "required pursuant to this part [24] or specifically required elsewhere in state law."
1.C. LPHO	PA 349 of 2004 – Sec. 904	Funds appropriated in part 1 of the MDCH Appropriations Act that are to be prospectively allocated to LPH to support immunizations, infectious disease control, STD control and prevention, hearing screening, vision services, food protection, public water supply, private groundwater supply, and on-site sewage management.
2. Allowable Services	MCL 333.2403; R325.13053	"Means a health service delivered [by LPH] which is not a required service but which the department determines is eligible for cost reimbursement".
PA 349 of 2004		Fiscal year 2005 Appropriations Act for the Department of Community Health.

Services	Rule or Statutory Citation	Required =	Basic +	Mandated +	LPHO	Allowable	Notes
		1	1.A.	1.B.	1.C.	2	
Immunizations	PA 349 of 2004 – Sec. 218 and 904; MCL 333.9203, R325.176	X	X	X	X		
Infectious/ Communicable Disease Control	MCL 333.2433; Parts 51 and 52; PA 349 of 2004 – Sec. 218 and 904; R325.171 et seq.	X	X	X	X		
STD Control	PA 349 of 2004 -- Sec. 218 and 904; R325.177	X	X	X	X		
TB Control	PA 349 of 2004 – Sec. 218	X	X	X			
Emergency Management – Community Health Annex	PA 349 of 2004 – Sec. 218 MCL 30.410	X	X	X			Basic Service under Appropriations Act and Mandated Service, if required, under Emergency Management Act.
Prenatal Care	PA 349 of 2004 – Sec. 218	X	X				
Family planning services for indigent women	MCL 333.9131; R325.151 et seq.	X		X			
Health Education	MCL 333.2433	X		X			
Nutrition Services	MCL 333.2433	X		X			
HIV/AIDS Services; reporting, counseling and partner notification	MCL 333.5114a; MCL 333.5923; MCL 333.5114	X		X			
Care of individuals with serious Communicable disease or infection	MCL 333.5117; Part 53; R325.177	X		X			(4) Financial liability for care rendered under this section shall be determined in accordance with part 53.

Services	Rule or Statutory Citation	Required =	Basic +	Mandated +	LPHO	Allowable	Notes
		1	1.A.	1.B.	1.C.	2	
Hearing and Vision Screening	MCL 333.9301; PA 349 of 2004 – Sec. 904; R325.3271 et seq.; R325.13091 et seq.	X		X	X		
Public Swimming Pool Inspections	MCL 333.12524; R325.2111 et seq.	X		X			Required, if "designated"
Campground Inspection	MCL 333.12510; R325.1551 et seq.	X		X			Required, if "designated"
Public/Private On-Site Wastewater	MCL 333.12751 to MCL 333.12757 et. seq., R323.2210 and R323.2211	X		X	X		Alternative waste treatment systems regulated by local public health.
Food Protection	PA 92 of 2000 MCL 289.3105; PA 349 of 2004 – Sec. 904	X		X	X		
Public/Private Water Supply	MCL 333.1270 to MCL 333.12715; R325.1601 et. seq.; MCL 325.1001 to MCL 325.1023; R325.10101 et. seq	X			X		
Allowable Services						X	This category would include all permissive responsibilities in statute or rule that happen to be eligible for cost reimbursement.
Other Responsibilities as delegated and agreed-to	MCL333.2235(1)					X	This category is NOT connected to express responsibilities within statute, but refers entirely to pure delegation by the department as allowed. In addition to general provision, the Code allows delegations for specified functions.

LAWS APPLICABLE TO LOCAL PUBLIC HEALTH (LPH)

Public Health Code (PA 368 of 1978)

MCL § 333.1105 – Definition of Local Public Health Department

MCL § 333.1111 – Protection of the health, safety, and welfare

Part 22 (MCL §§ 333.2201 *et seq.*) – State Department

Part 23 (MCL §§ 333.2301 *et seq.*) – Basic Health Services

Part 24 (MCL §§ 333.2401 *et seq.*) – Local Health Departments

Part 51 (MCL §§ 333.5101 *et seq.*) – Prevention and Control of Diseases and Disabilities

Part 52 (MCL §§ 333.5201 *et seq.*) – Hazardous Communicable Diseases

Part 53 (MCL §§ 333.5301 *et seq.*) – Expense of Care

MCL § 333.5923 – HIV Testing and Counseling Costs

MCL § 333.9131 – Family Planning

Part 92 (MCL §§ 333.9201 *et seq.*) – Immunization

Part 93 (MCL §§ 333.9301 *et seq.*) – Hearing and Vision

MCL § 333.11101 – Prohibited Donation or Sale of Blood Products

MCL § 333.12425 – Agricultural Labor Camps

Part 125 (MCL §§ 333.12501 *et seq.*) – Campgrounds, etc.

Part 127 (MCL §§ 333.12701 *et seq.*) – Water Supply and Sewer Systems

Part 138 (MCL §§ 333.13801 *et seq.*) – Medical Waste

(Required to investigate if complaint made and transmit report to MDCH – 13823 and 13825)

MCL § 333.17015 – Informed Consent

Appropriations (Current: PA 349 of 2004)

Sec. 218 – Basic Services

Sec. 904 - LPHO

Michigan Attorney General Opinions

OAG, 1987-1988, No 6415 – Legislative authority to determine appropriations for local health services

OAG, 1987-1988, No 6501 – Reimbursement of local department for required and allowable services

Food Law of 2000 (PA 92 of 2000)

MCL §§ 289.1101 *et seq.*

Specifically:

MCL § 289.1109 – Definition of local health department

MCL § 289.3105 – Enforcement, Delegation to local health department

Natural Resources and Environmental Protection Act (PA 451 of 1994)

Part 31- Water Resources Protection

Specifically: MCL §§ 324.3103 powers and duties and 324.3106 (establishment of pollution standards)

Part 22 - Groundwater Quality rules (on-site wastewater treatment)

Michigan Supreme Court and Trial Courts Administrative Rules and Orders

Another area of state-local relations where a clear cut approach to mandating and budgeting has been adopted is the court system. The trial courts, probate, circuit and district are funded by county and state government. The State government covers the cost of the judges' salaries, federal and state taxes, retirement and a small travel stipend. The county is responsible for fringe benefits, clerks, court reporters bailiffs, legal assistants, support staff, computers and equipment, courtroom and judge's chambers. Counties are mandated by law to provide support staff, services and facilities to judges. However, there is a process for negotiation and bargaining that occurs between the trial courts and county commissioners. The Supreme Court of Michigan has laid down important rules that each trial court must follow as specified in administrative order 1998-5.

The administrative order is reported below. In summary, the order has a few key components:

1) Chief Judge or court may not enter into multiyear commitment regarding personnel economic issues with funding unit approval

2) Court or Chief Judge may not transfer funds between line items to create new positions or supplement wages or benefits or reclassify employees with funding unit approval

3) To the extent possible, noneconomic personnel issues should be consistent with non-court personnel

Thus, the order ensures that courts may not unilaterally make changes to issues surrounding the budget or economic issues f court personnel. This respects the right of the legislative branch of government to make and pass laws regarding the spending of public funds.

Michigan Supreme Court Administrative Order No. 1998-5

Chief Judge Responsibilities; Local Intergovernmental Relations

On order of the Court, the following order is effective immediately. This order replaces Administrative Order No. 1997- 6, which is rescinded.

I. APPLICABILITY

This Administrative Order applies to all trial courts as defined in MCR 8.110(A).

II. COURT BUDGETING

A court must submit its proposed and appropriated annual budget and subsequent modifications to the State Court Administrator at the time of submission to or receipt from the local funding unit or units. The budget submitted must be in conformity with a uniform chart of accounts. If the local funding unit requests that a proposed budget be submitted in line-item detail, the chief judge must comply with the request.

If a budget has been appropriated in line-item detail, without prior approval of the funding unit, a court may not transfer between line-item accounts to: (a) create new personnel positions or to supplement existing wage scales or benefits, except to implement across the board increases that were granted to employees of the funding unit after the adoption of the court's budget at the same rate, or (b) reclassify an employee to a higher level of an existing category.

A chief judge may not enter into a multiple-year commitment concerning any personnel economic issue unless: (1) the funding unit agrees, or (2) the agreement does not exceed the percentage increase or the duration of a multiple-year contract that the funding unit has negotiated for its employees. Courts must notify the funding unit or a local court management council of transfers between lines within 10 business days of the transfer. The requirements shall not be construed to restrict implementation of collective bargaining agreements.

III. FUNDING DISPUTES; MEDIATION AND LEGAL ACTION

If, after the local funding unit has made its appropriations, a court concludes that the funds provided for its operations by its local funding unit are insufficient to enable the court to properly perform its duties and that legal action is necessary, the procedures set forth in this order must be followed.

1. Legal action may be commenced 30 days after the court has notified the State Court Administrator that a dispute exists regarding court funding that the court and the local funding unit have been unable to resolve, unless mediation of the dispute is in progress, in which case legal action may not be commenced within 60 days of the commencement of the mediation. The notice must be accompanied by a written communication indicating that the chief judge of the court has approved the commencement of legal proceedings. With the notice, the court must supply the State Court Administrator with all facts relevant to the funding dispute. The State Court Administrator may extend this period for an additional 30 days.

2. During the waiting period provided in paragraph 1, the State Court Administrator must attempt to aid the court and the involved local funding unit to resolve the dispute.

3. If, after the procedure provided in paragraph 2 has been followed, the court concludes that a civil action to compel funding is necessary, the State Court Administrator must assign a disinterested judge to preside over the action.

4. Chief judges or representatives of funding units may request the assistance of the State Court Administrative Office to mediate situations involving potential disputes at any time, before differences escalate to the level of a formal funding dispute.

IV. LOCAL COURT MANAGEMENT COUNCIL OPTION

Where a local court management council has been created by a funding unit, the chief judge of a trial court for which the council operates as a local court management council, or the chief judge's designee, may serve as a member of the council. Unless the local court management council adopts the bylaws described below, without the agreement of the chief judge, the council serves solely in an advisory role with respect to decisions concerning trial court management otherwise reserved exclusively to the chief judge of the trial court pursuant to court order and administrative order of the Supreme Court.

A chief judge, or the chief judge's designee, must serve as a member of a council whose nonjudicial members agree to the adoption of the following bylaws:

1) Council membership includes the chief judge of each court for which the council operates as a local court management council.

2) Funding unit membership does not exceed judicial membership by more than one vote. Funding unit membership is determined by the local funding unit; judicial membership is determined by the chief judge or chief judges. Judicial membership may not be an even number.

3) Any action of the council requires an affirmative vote by a majority of the funding unit representatives on the council and a majority vote of the judicial representatives on the council.

4) Once a council has been formed, dissolution of the council requires the majority vote of the funding unit representatives and the judicial representatives of the council.

5) Meetings of the council must comply with the Open Meetings Act.MCL 15.261 et seq.; MSA 4.1800(11) et seq. Records of the council are subject to the Freedom of Information Act.MCL 15.231 et seq.; MSA 4.1801(1) et seq.

If such bylaws have been adopted, a chief judge shall implement any personnel policies agreed upon by the council concerning compensation, fringe benefits, and pensions of court employees, and shall not take any action inconsistent with policies of the local court management council concerning those matters. Management policies concerning the following are to be established by the chief judge, but must be consistent with the written employment policies of the local funding unit except to the extent that conformity with those policies would impair the operation of the court: holidays, leave, work schedules, discipline, grievance process, probation, classification, personnel records, and employee compensation for closure of court business due to weather conditions.

As a member of a local court management council that has adopted the bylaws described above, a chief judge or the chief judge's designee must not act in a manner that frustrates or impedes the collective bargaining process. If an impasse occurs in a local court management council concerning issues affecting the collective bargaining process, the chief judge or judges of the council must immediately notify the State Court Administrator, who will initiate action to aid the local court management council in resolving the impasse.

It is expected that before and during the collective bargaining process, the local court management council will agree on bargaining strategy and a proposed dollar value for personnel costs. Should a local court management council fail to agree on strategy or be unable to develop an offer for presentation to employees for response, the chief judge must notify the State Court Administrator. The State Court Administrator must work to break the impasse and cause to be developed for presentation to employees a series of proposals on which negotiations must be held.

V. PARTICIPATION BY FUNDING UNIT IN NEGOTIATING PROCESS

If a court does not have a local court management council, the chief judge, in establishing personnel policies concerning compensation, fringe benefits, pensions, holidays, or leave, must consult regularly with the local funding unit and must permit a representative of the local funding unit to attend and participate in negotiating sessions with court employees, if desired by the local funding unit. The chief judge shall inform the funding unit at least 72 hours in advance of any negotiating session. The chief judge may permit the funding unit to act on the chief judge's behalf as negotiating agent.

VI. CONSISTENCY WITH FUNDING UNIT PERSONNEL POLICIES

To the extent possible, consistent with the effective operation of the court, the chief judge must adopt personnel policies consistent with the written employment policies of the local funding unit. Effective operation of the court to best serve the public in multicounty circuits and districts, and in third class district courts with multiple funding units may require a single, uniform personnel policy that does not wholly conform to specific personnel policies of any of the court's funding units.

1. Unscheduled Court Closing Due to Weather Emergency.

If a chief judge opts to close a court and dismiss court employees because of a weather emergency, the dismissed court employees must use accumulated leave time or take unpaid leave if the funding unit has employees in the same facility who are not dismissed by the funding unit. If a collective bargaining agreement with court staff does not allow the use of accumulated leave time or unpaid leave in the event of court closure due to weather conditions, the chief judge shall not close the court unless the funding unit also dismisses its employees working at the same facility as the court.

Within 90 days of the issuance of this order, a chief judge shall develop and submit to the State Court Administrative Office a local administrative order detailing the process for unscheduled court closing in the event of bad weather. In preparing the order, the chief judge shall consult with the court's funding unit. The policy must be consistent with any collective bargaining agreements in effect for employees working in the court.

2. Court Staff Hours.

The standard working hours of court staff, including when they begin and end work, shall be consistent with the standard working hours of the funding unit. Any deviation from the standard working hours of the funding unit must be reflected in a local administrative order, as required by the chief judge rule, and be submitted for review and comment to the funding unit before it is submitted to the SCAO for approval.

Administrative Orders Last Updated 5/2/2007

VII. TRAINING PROGRAMS

The Supreme Court will direct the development and implementation of ongoing training seminars of judges and funding unit representatives on judicial/legislative relations, court budgeting, expenditures, collective bargaining, and employee management issues.

VIII. COLLECTIVE BARGAINING

For purposes of collective bargaining pursuant to 1947 PA 336, a chief judge or a designee of the chief judge shall bargain and sign contracts with employees of the court. Notwithstanding the primary role of the chief judge concerning court personnel pursuant to MCR 8.110, to the extent that such action is consistent with the effective and efficient operation of the court, a chief judge of a trial court may designate a representative of a local funding unit or a local court management council to act on the court's behalf for purposes of collective bargaining pursuant to 1947 PA 336 only, and, as a member of a local court management council, may vote in the affirmative to designate a local court management council to act on the court's behalf for purposes of collective bargaining only.

IX. EFFECT ON EXISTING AGREEMENTS

This order shall not be construed to impair existing collective bargaining agreements. Nothing in this order shall be construed to amend or abrogate agreements between chief judges and local funding units in effect on the date of this order. Any existing collective bargaining agreements that expire within 90 days may be extended for up to 12 months.

If the implementation of 1996 PA 374 pursuant to this order requires a transfer of court employees or a change of employers, all employees of the former court employer shall be transferred to, and appointed as employees of, the appropriate employer, subject to all rights and benefits they held with the former court employer. The employer shall assume and be bound by any existing collective bargaining agreement held by the former court employer and, except where the existing collective bargaining agreement may otherwise permit, shall retain the employees covered by that collective bargaining agreement.

A transfer of court employees shall not adversely affect any existing rights and obligations contained in the existing collective bargaining agreement. An employee who is transferred shall not, by reason of the transfer, be placed in any worse position with respect to worker's compensation, pension, seniority, wages, sick leave, vacation, health and welfare insurance, or any other terms and conditions of employment that the employee enjoyed as an employee of the former court employer. The rights and benefits thus protected may be altered by a future collective bargaining agreement.

X. REQUESTS FOR ASSISTANCE

The chief judge or a representative of the funding unit may request the assistance of the State Court Administrative Office to facilitate effective communication between the court and the funding unit.