



Detroit Past and Present: Can Regional Governance Restart the Motown Engine?

IMFG Graduate Fellow Presentation
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Zachary Lewsen

IMFG Graduate Fellow in Municipal Finance and Governance
MPP Candidate, School of Public Policy and Governance, U of T

IMFG
Institute on Municipal
Finance & Governance

at the

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Key Takeaways:

- Since 1950, much of Detroit's wealth and economic activity has migrated to the outer suburbs
- This migration exacerbated the 2013 bankruptcy, as Detroit's inability to take advantage of suburban economic activity further weakened the city's fiscal capacity
- To resolve the inequity between Detroit and its outer suburbs, policy makers should look to regional governance and, in particular, fiscal equalization

Presentation Outline

- Discussion of Government Roles and Responsibilities in Detroit's Tri-County Region
- Brief History of Detroit
- Demographic and Industrial Shifts in the Late 20th Century
- Options for Regional Governance
- Concluding Remarks

Detroit Tri-County Area

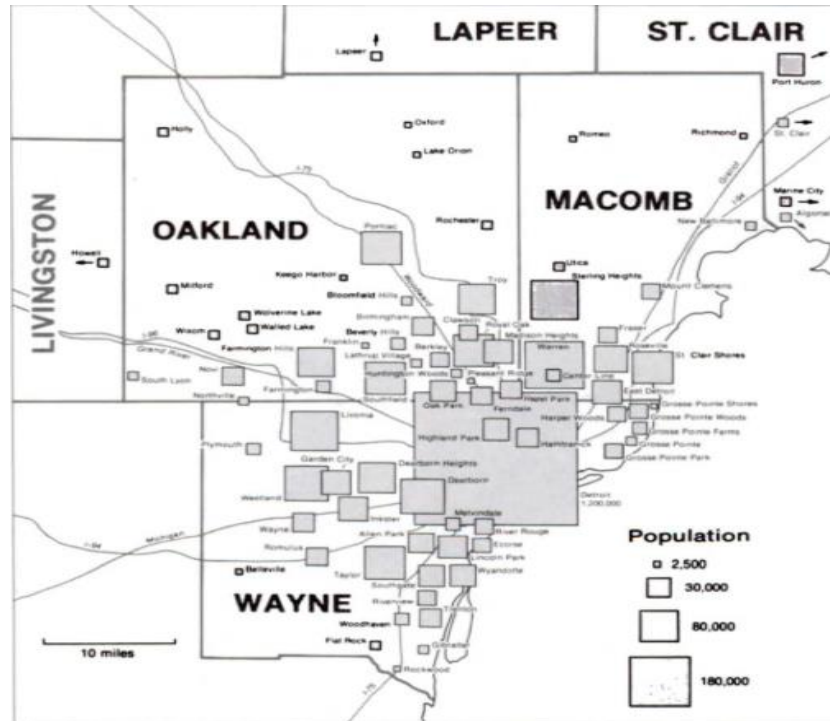


Image: Darden, Joe T., Richard Child Hill, June Thomas, and Richard Thomas, *Detroit: Race and Uneven Development* (Philadelphia, PA: Temple University Press), 20.

Michigan Division of Powers

Level of Government	Primary Responsibilities
State	Medicaid, State Police, Higher Education, Highway System, and Schools*
County	Circuit Courts, Community Corrections
City	Police, Fire, Recreation, Schools*

* In the US, schools are traditionally under the purview of the local government. However the Detroit School Board has been under the supervision of a state-appointed emergency manager since 2008.

City of Detroit – Expenditures

City of Detroit
Triennial Budget by Major Summary Objects (General Fund - 1000 and 1002)
Expenditures

	2012-13	2013-14	2014-15	2015-16	2016-17
	Actuals	Redbook	Recommended	Recommended	Recommended
Salary and Wages	\$ 316,717,631	\$ 341,313,529	\$ 323,327,843	\$ 334,723,565	\$ 350,711,911
Employee Benefit	345,367,485	471,989,234	144,896,505	150,805,295	160,345,991
Professional and Contractual Services	50,423,665	50,474,714	52,126,289	49,504,236	52,900,106
Operating Supplies	59,062,842	59,150,692	21,325,353	21,120,968	21,383,260
Operating Services	101,382,266	143,556,591	112,233,279	111,481,087	114,335,641
Capital Equipment	5,959,385	1,491,706	3,067,589	3,146,135	3,023,443
Capital Outlays	912,061	320,487	301,047	301,047	301,047
Other Expenses	152,659,071	(142,903,519)	175,787,413	201,260,366	174,617,907
Fixed Charges	4,182,644	70,931,008	104,115,838	49,722,562	49,725,063
Total	\$ 1,036,667,050	\$ 996,324,442	\$ 937,181,156	\$ 922,065,261	\$ 927,344,369

Image: "Triennial Executive Budget" last modified April 25, 2014, City of Detroit,
<http://www.detroitmi.gov/Portals/0/docs/budgetdept/City%20of%20Detroit%20FY%202015-17%20Triennial%20Budget.pdf>

City of Detroit – General Revenues

City of Detroit
Triennial Budget by Major Summary Objects (General Fund - 1000 and 1002)
Revenues

	2012-13 Actuals	2013-14 Redbook	2014-15 Recommended	2015-16 Recommended	2016-17 Recommended
Taxes/Assessment	\$ 639,740,880	\$ 591,754,064	\$ 558,424,000	\$ 554,990,180	\$ 553,613,794
Licenses/Permits	10,697,671	8,981,687	9,027,450	9,204,398	9,388,192
Fines/Forfeits/Penalties	20,776,642	18,792,800	24,211,175	25,411,175	25,411,175
Revenue from Use of Assets	4,755,645	13,026,630	2,097,681	2,106,513	2,115,702
Grants/Shared Taxes	183,842,021	184,252,124	194,600,000	198,500,000	202,458,000
Sales and Charges	160,351,859	141,783,081	121,996,906	105,070,247	107,475,639
Sales of Assets	8,287,233	7,155,400	5,494,000	5,644,100	5,798,701
Contributions/Transfers	13,572,238	21,004,456	16,030,898	15,761,858	15,612,427
Miscellaneous	156,799,680	9,574,200	5,299,046	5,376,790	5,470,739
Total	\$ 1,198,823,869	\$ 996,324,442	\$ 937,181,156	\$ 922,065,261	\$ 927,344,369

Image: "Triennial Executive Budget" last modified April 25, 2014, City of Detroit,
<http://www.detroitmi.gov/Portals/0/docs/budgetdept/City%20of%20Detroit%20FY%202015-17%20Triennial%20Budget.pdf>

Funding for Detroit's Public Schools

- Approximately half of the school board's funding comes from the state, with a quarter from the federal government and a quarter from the municipality.
- “In Bloomfield Hills...the average home value is about \$400,000. In Detroit, the average home value is closer to \$40,000. As a result, Detroit must levy a property tax ten times higher than Bloomfield Hills to raise the same amount, per home, for a school maintenance or improvement project.”
Eli Savit, Education Attorney

Quote: Eli Savit, “Why Detroit Schools are crumbling – look at state's funding foundation,” *MLIVE*, February 1, 2016,
http://www.mlive.com/opinion/index.ssf/2016/02/why_detroit_schools_are_crumb.html

The Founding of Detroit

- Detroit became a key auto-manufacturing centre for a variety of reasons: natural terrain, proximity to railroads, and access to shipping routes along the Great Lakes



Image: “History of Detroit”, *Wikipedia*, March 29, 2016 https://en.wikipedia.org/wiki/History_of_Detroit

Detroit 1960 - 2013

- Throughout the 1960s, 70s, and 80s, Detroit faced a variety of macro-economic adjustments—trade liberalization and the 1973 Oil Crisis—that rendered the city’s main industry, auto-manufacturing, uncompetitive
- The decline of the auto industry, combined with construction of the inter-state highway system, enabled mass migration to the suburbs



Images: “Stevie Wonder”, last modified, April 20, 2016 *Wikipedia*, https://en.wikipedia.org/wiki/Stevie_Wonder; “History of Detroit”, *Wikipedia*, March 29, 2016 https://en.wikipedia.org/wiki/History_of_Detroit

2013 Bankruptcy

- In 2013, Detroit became the largest North American city to declare bankruptcy
- In 2014, after being under emergency manager Kevin Orr for a year, Detroit “ended” its official bankruptcy. Yet, the city’s fiscal challenges prevail.



Image: “Decline of Detroit,” last modified April 10, 2016, *Wikipedia*, https://en.wikipedia.org/wiki/Decline_of_Detroit

Population Shift in Metro Detroit: 1960-1980

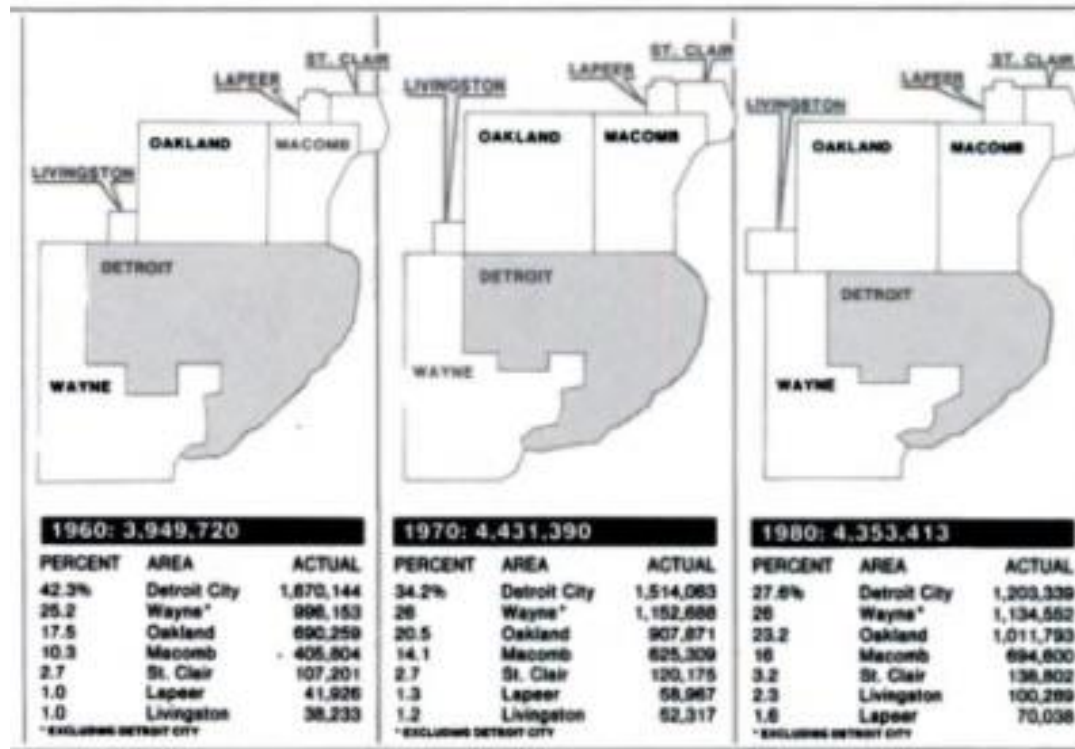


Image: Darden, Joe T., Richard Child Hill, June Thomas, and Richard Thomas, *Detroit: Race and Uneven Development* (Philadelphia, PA: Temple University Press), 21.

Racial Segregation in Metro Detroit

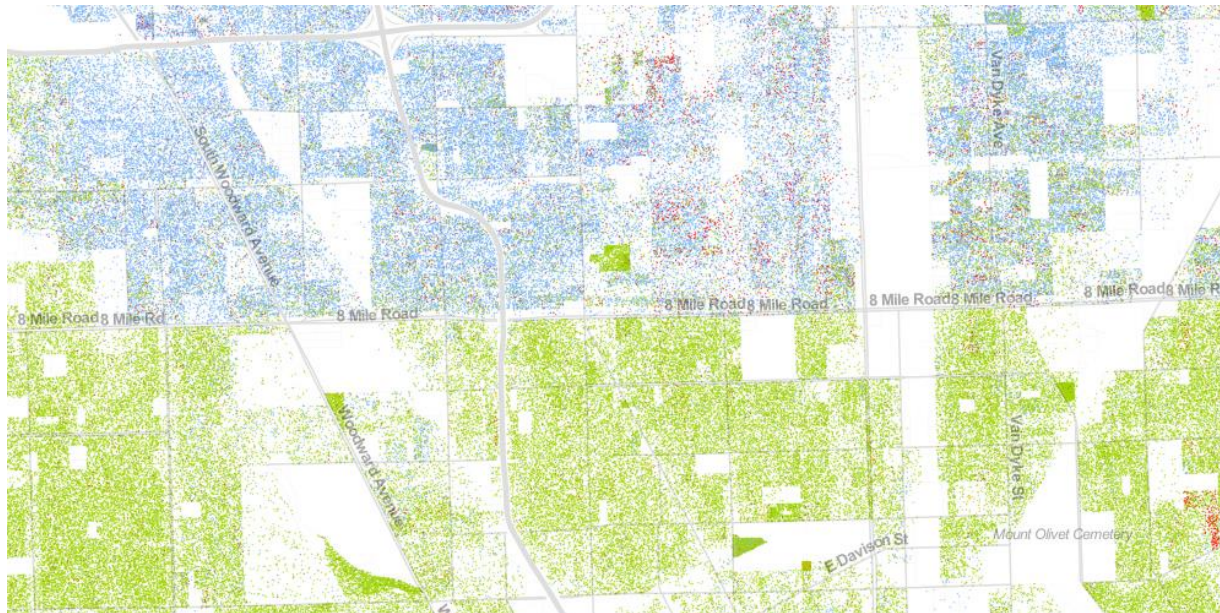


Image: Dustin Cable, "The Racial Dot Map," last modified August 26, 2013, *University of Virginia Weldon-Cooper Centre for Public Service*, <http://demographics.coopercenter.org/DotMap/index.html>

Property Valuation in Metro Detroit: 1960 to 1980

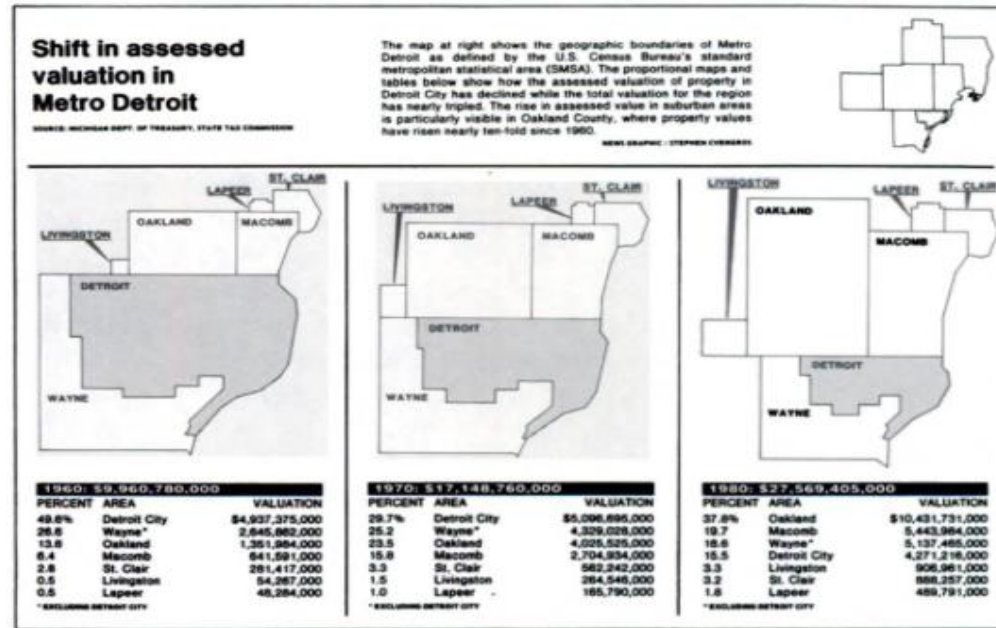


Image: Darden, Joe T., Richard Child Hill, June Thomas, and Richard Thomas, *Detroit: Race and Uneven Development* (Philadelphia, PA: Temple University Press), 21.

Property Value Assessment Decrease: 2013-2014

Property Value Assessment Change for the Tri-County Area of Detroit at the County Level

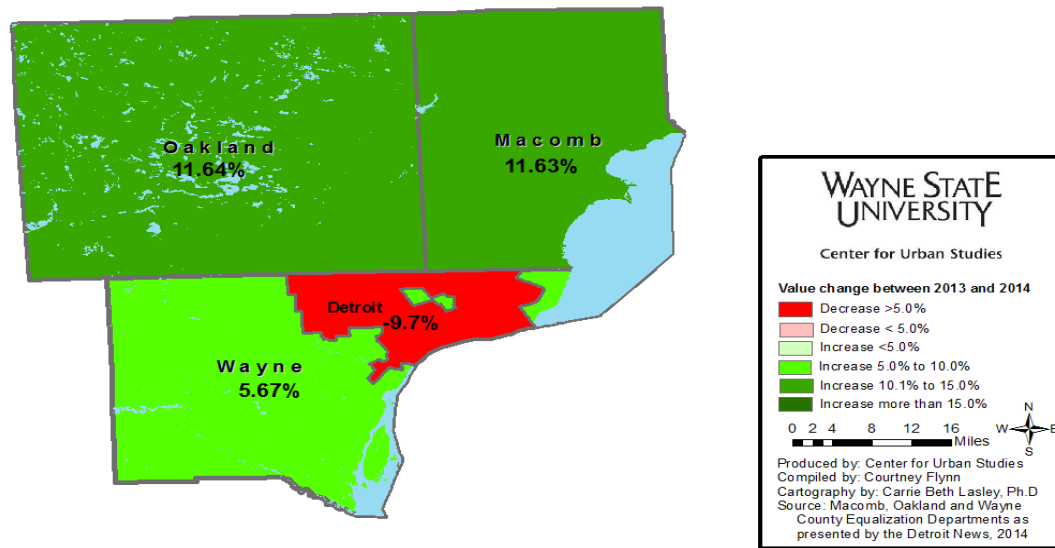


Image: "Property Value Assessment Change, last modified 2016, *Drawing Detroit*,
<http://www.drawingdetroit.com/>

Industrial Shifts

- Between 1958 and 1982, Detroit's share of the Tri-County region's manufacturing employment declined from 50 per cent to 25 per cent
- During the same period, the city's share of retail employment fell from 54 per cent to 15 per cent, while service sector employment fell from 75 per cent to 23 per cent

Detroit and the Outer Suburbs

“In the past sixty years, the population of Detroit has shrunk from two million to fewer than seven hundred thousand. Oakland’s population has followed the reverse trajectory. In 1960, its population was just under seven hundred thousand. About 1.2 million people live there now. If suburbs are parasites, this one is consuming its host.”

Paige Williams, The New Yorker - January 27, 2014 issue

Quote: Paige Williams “Drop Dead, Detroit” last modified January 27, 2014, *The New Yorker*, <http://www.newyorker.com/magazine/2014/01/27/drop-dead-detroit>

Sub-Standard Services

- At the time of Detroit's bankruptcy, 40 per cent of the city's streetlights did not work, and 1/3 of ambulances were broken
- In 2013, average police response times were 58 minutes (far above the 11-minute national average)



Image: "Derelict Detroit" Last Updated October 2, 2012, *Dailymail UK*, <http://www.dailymail.co.uk/news/article-2211498/Detroits-amazing-transformation-captured-camera-loses-ONE-MILLION-residents-60-years.htm> |

Regional Governance

- Defined as a “deliberate effort by multiple actors to achieve goals in a multi-jurisdiction environment,” (Barnes and Foster)
- This form of governance can take place across municipal boundaries
- Regional Governance can cut across sectors (public, private, or non-profit)
- Type of governance that is used to solve a region-wide issue or tap into a region-wide opportunity

Quote: Barnes, William R. and Kathryn Foster, “Toward a More Useful Way of Understanding Regional Governance” last updated September 2012, Macarthur Foundation Research Network, <http://brr.berkeley.edu/wp-content/uploads/2012/10/Barnes-Foster-Toward-a-more-useful-way-of-understanding-regional-governance.pdf>

Current Regional Governance Initiatives

Since the 2013 bankruptcy, Metro Detroit has seen significant regional governance initiatives. These include:

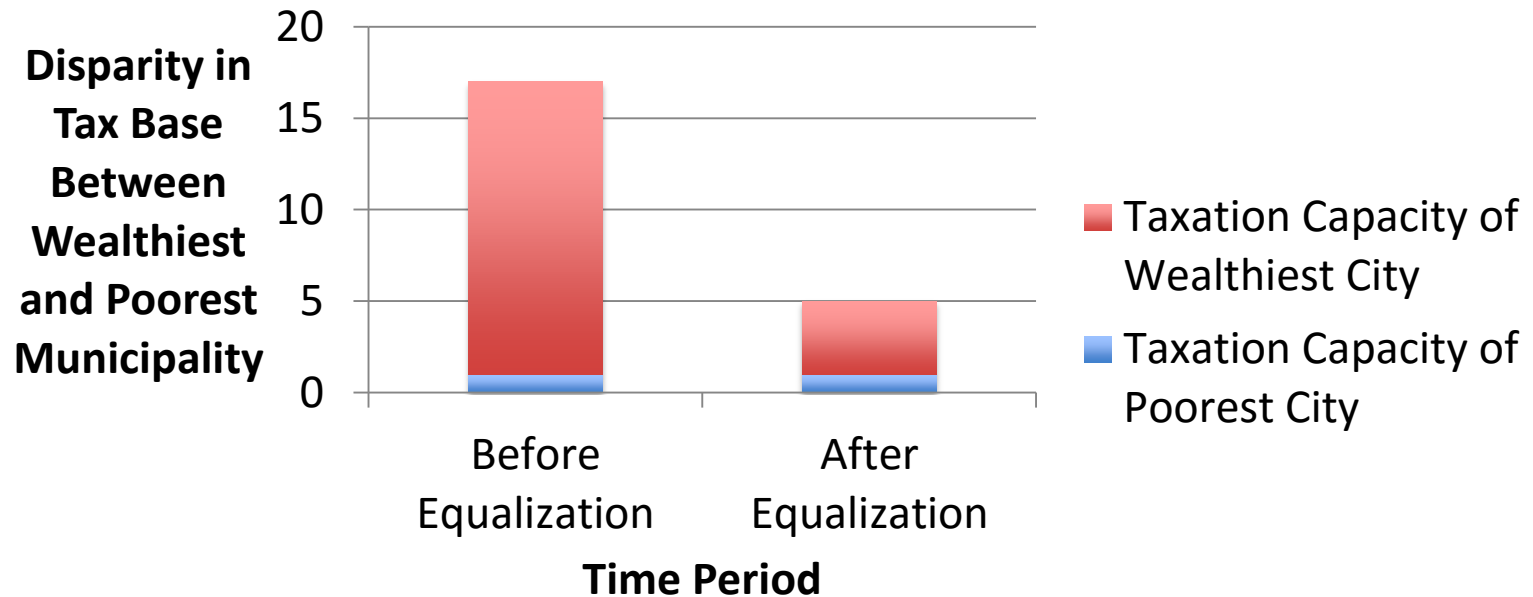
- State-mandated joint responsibility between the city and the suburbs for water and wastewater maintenance
- Establishment of a body to coordinate transportation throughout Metro Detroit
- Suburban residents voted to raise their property tax rate to help maintain the Detroit Institute of Art

Yet, none of these tackle underlying fiscal capacity issues

Regional Governance Option: Fiscal Equalization

- Fiscal Equalization: A scheme in which all participating regional municipalities pool a portion of their revenue, while poorer municipalities receive a larger chunk of the common pool
- Since 1971, every municipality in Minnesota's 8-county Twin Cities Region (Minneapolis-St. Paul) has been required to contribute 40 per cent of the value of its annual commercial tax-base growth to a common pool.

Impact of Equalization on Tax Base, Percentage Comparison Between Wealthiest and Poorest Municipality, Year 2000



Potential Downside: Tiebout

- Tiebout Impacts: local governments are forced to “compete for residents”, giving these governments the incentive to keep taxes low and service delivery high
- Fiscal Equalization undermines these impacts
- Yet, municipalities could regain accountability through performance measures

Presentation Recap

- Since 1950, much of Detroit's wealth and economic activity has migrated to the outer suburbs
- This migration exacerbated the 2013 bankruptcy, as Detroit's inability to take advantage of suburban economic activity further weakened the city's fiscal capacity
- To resolve the inequity between Detroit and its outer suburbs, policy makers should look to regional governance and, in particular, fiscal equalization

Question and Answers



Image: "The Remnants of Detroit" Last Updated 2014, *Time Magazine*,
http://content.time.com/time/photo-gallery/0,29307,1864272_1810111,00.html

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