

Public Finance Review of City of Williamston, Michigan

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Introduction

Public finance considers the role and impact of government on the economy, people, and places (Wilson, 2021). It is made up of revenues and expenditures detailed in a budget. At the local level, the revenues come from taxes (property, sales, and income) as well as grants from state and federal sources which then pay for public goods such as schools, police, roads, water and sewer systems, and fire departments. “Public capital investment creates very powerful economic forces that shape development” and they have long term ramifications (Levy, 2017). This review investigates the finances of the City of Williamston, Michigan, population 4,000, located about 20 miles east of Lansing and covering 2.4 square miles. The revenue sources and how funds are spent are explored for the 2018-2019 fiscal year. The sources of the data presented come from the City of Williamston Department of Finance/Treasurer and the Michigan Department of Treasury – Local Government Financial Services via the MI Community Financial Dashboard.

Analysis

The City of Williamston collects taxes for other taxing jurisdictions. There are two types of property owners, those that qualify for the Michigan Primary Residential Exemption (PRE) and those that don't. PRE owners enjoy an 18 mill exemption from the tax levied by the school district for school operating purposes. The 2019 PRE tax millage breakdown is shown in Figure 1. For every dollar paid, 27.58 cents remain with The City, the remainder is sent to the other

taxing jurisdictions. Education, encompassing Schools, State Education, Ingham ISD, Lansing Community College, was the major expenditure at nearly 44% (PRE). Glaeser said about 40% of local governments spending goes towards primary and secondary education so this is not an unusual percentage (2012). Education is important to the overall skill level of the local labor force which is a key driver of local job and wage growth. The following two subsections explore the details of City of Williamston's 2019 budget, where the money comes from (revenues) and how the money is spent (expenditures).

Revenues

The 2019 revenues were \$6.09 million, see Figure 2. The City of Williamston does not have an income tax. It received 36.4% of total revenues from Property Taxes which corresponds to the 27.58 cents per tax dollar paid discussed above, plus 20.76 cents per tax dollar paid from the non-PRE payers. The next major source, 33.2%, was All Other Services Rendered Charges which consisted of sewer and water revenues. The other 1/3 came from state appropriations like Act 51 (6.4%), State Revenue Sharing (6.1%), and other small sources.

Expenditures

The 2019 expenditures were \$5.50 million, see Figure 3. Water and Sewer Systems were the largest expenditures by far, accounting for 33.4% of the total followed by Police at 13.6%. Public investment in water and sewer lines is a major shaper of the pattern of development. Without them, residential development is generally limited to single-family houses on large lots. Commercial development is also restrained. Thus, the extension of water and sewer service can produce great changes in the intensity of development (Levy, 2016). The EPA lists several economic benefits of effective water infrastructure on local communities:

- A secure, reliable water infrastructure system and a well-thought-out plan for the future are essential to sustaining growth and business investment in a community.
- A solid, sustainable water infrastructure approach can result in better bond ratings that help the community when it needs financing.
- Effective stormwater and wastewater practices protect industries such as fishing, tourism, and recreation.
- Cities and communities showcase their waterfront areas and commitment to clean water through effective infrastructure, which is critical to new development and related commerce.

On the other hand, neglecting water infrastructure can have disastrous economic impacts as Michigan learned the hard way with the Flint Water Crisis. Only a few weeks ago the state of Michigan was ordered to pay a \$626.25 million settlement to the victims (Egan, 2021). Not to mention the high social cost paid. The importance of this infrastructure is globally recognized from ancient civilizations to the present. Of the \$1 trillion infrastructure bill recently passed, \$55 billion will go towards it with Michigan slated to receive \$1.3 billion (House, 2021).

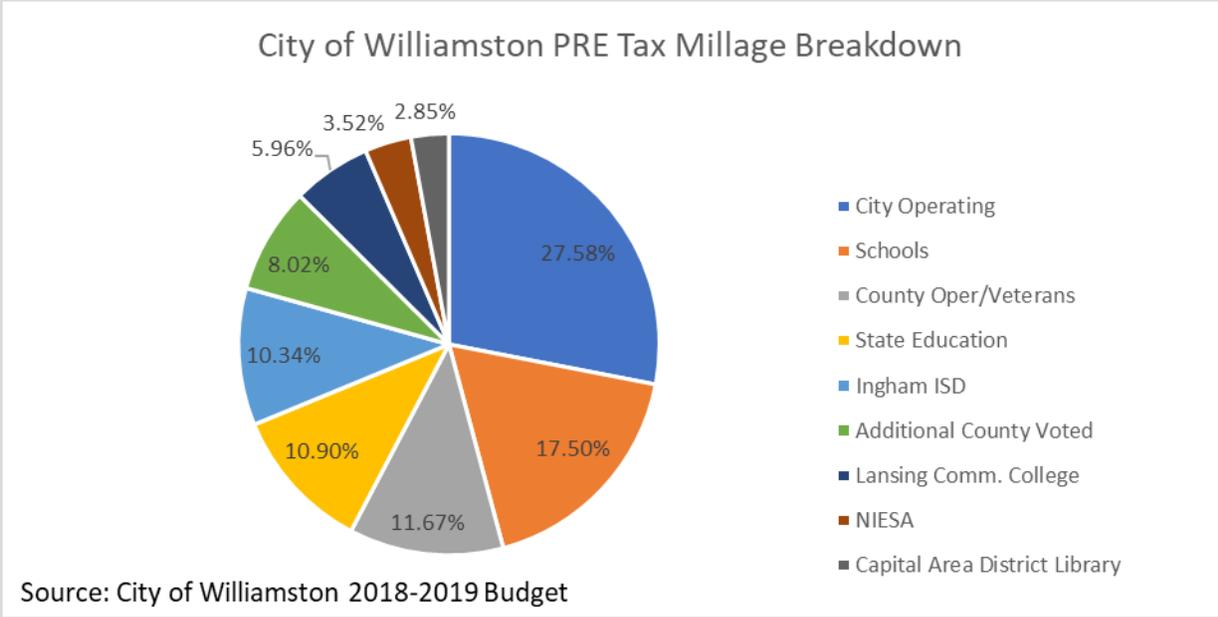


Figure 1: City of Williamston PRE Tax Millage Breakdown

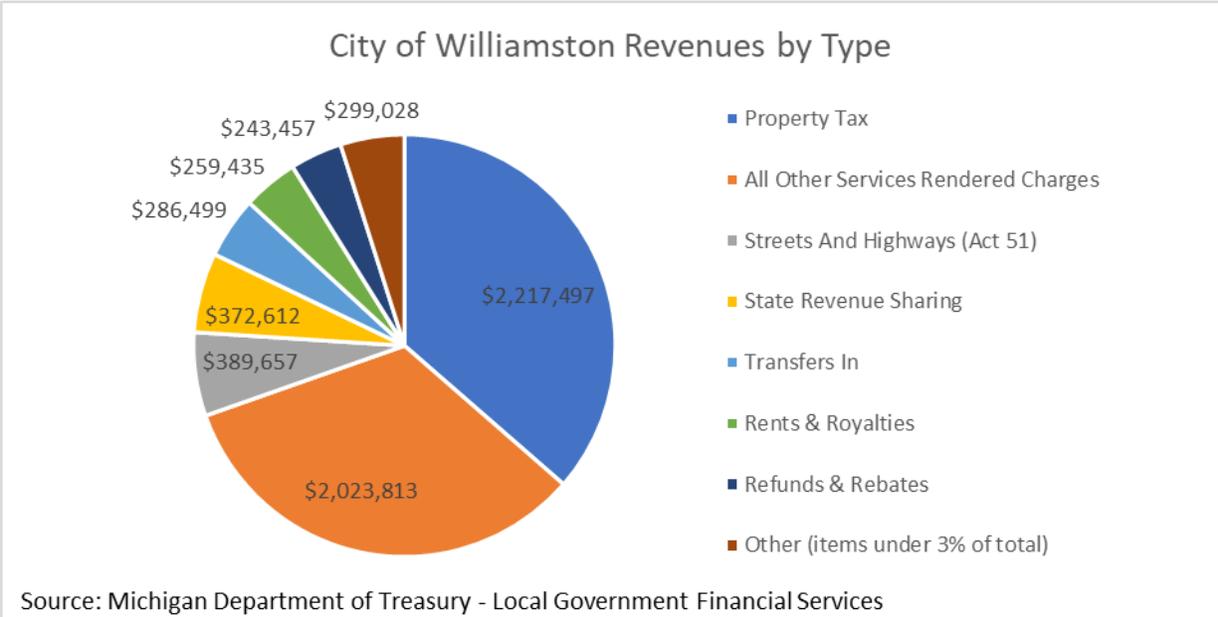


Figure 2: City of Williamston 2019 Revenues by Type

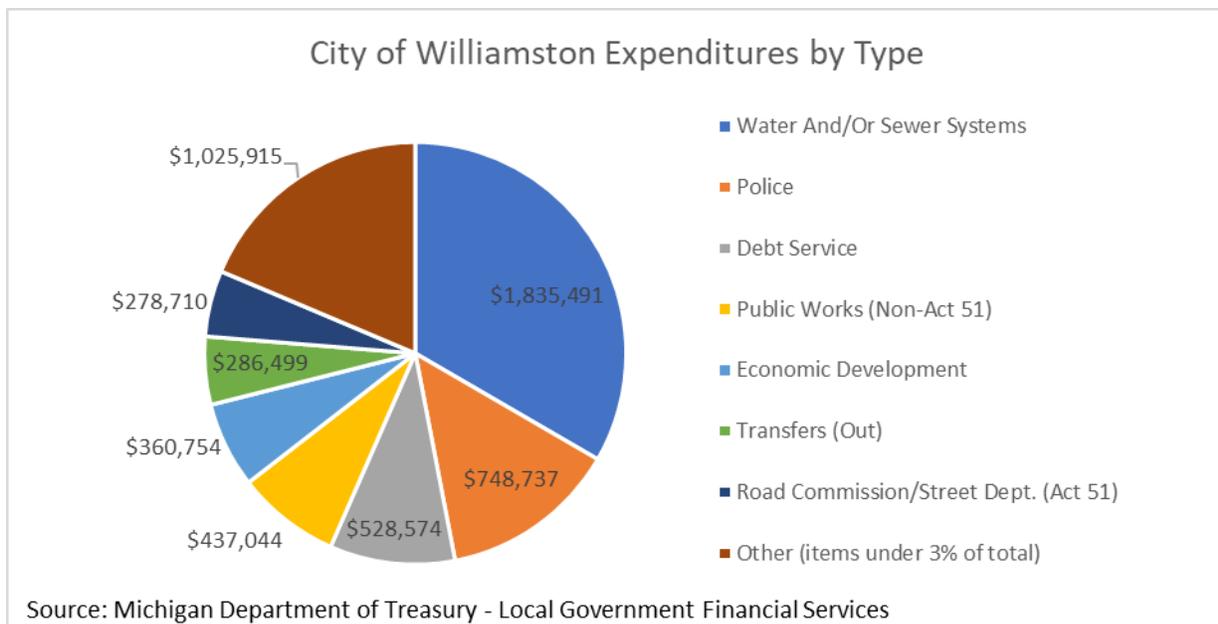


Figure 3: City of Williamston 2019 Expenditures by Type

Conclusion

America's local governments spend about 1/8th of our national gross domestic product (GDP), account for a quarter of the total government spending, and employ over 14 million people (Glaeser, 2012). The City of Williamston is a typical local government financially. 72.42% of collected PRE taxes and 79.24% of non PRE taxes go to other taxing jurisdictions which are used for education, county operations, fire department, and library. The City's revenues primarily come from the remaining property taxes, water and sewer service charges, state revenue sharing, and state grants. Expenditures go to providing water and sewer systems, police, roads, and a host of other conventional services. The largest expenditure was water and sewer systems, critical infrastructure with significant economic impacts.

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