

The Lansing-East Lansing Metro Region Fiscal Scorecard



By:

Eric Scorsone, Ph.D.

Christina Plerhoples, Ph.D.c.

Shane Litchey

Nilutpol Basumatari

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Executive Summary

Global economic change continues at an unabated pace. In such an environment, metropolitan areas and urban regions are at the crossroads of critical decisions that will affect their futures. Regional leaders need data and information from which they can base decisions that will benefit citizens and enhance economic opportunities.

The cost and value provided by government services is one of the factors that matters to the location decisions of people and capital. It is by no means the only factor, but it can make a difference in some cases. The research presented here is a first attempt to quantify and benchmark the cost and value of government services provided by local governments in the Lansing-East Lansing Metro region.

The Lansing-East Lansing metro region is the home of 77 general purpose local governments including cities, townships, villages and counties. These entities provide a variety of public services such as police and fire protection, courts and prosecutors, recreation and cultural services, public works and many other items that affect us on a daily basis. Collectively, these governments' core functions represent a \$500 million enterprise.

The metro region was compared to four other peer metro regions including Canton, Ohio, Ogden, Utah, Grand Rapids, Mich. and Des Moines, Iowa. The findings from this analysis indicate that the Lansing-East Lansing metro region is in the middle of five peer metro regions. It is likely that this type of result would be replicated with more metropolitan areas. This implies that the region as a whole may be cost effective in terms of government services. However, these initial cost estimates do not control for quantity or quality of government services

The city of Lansing, being the core city, its economic and fiscal health is

of critical importance to the whole region. The city government was benchmarked against 22 similar cities from across the country. The results indicate that Lansing is on the slightly higher side of that comparison in terms of overall spending and in some specific service areas in 2008 and 2009. These results serve as a baseline from which the city can continually assess its own cost and value performance against peer governments. The city has undergone many changes since that timeframe. Future updates will be able to assess the city of Lansing's ongoing performance.

Finally, the region as whole has some assets and weaknesses in regards to its completion with other metro regions. Educational attainment is clearly strength for the region, while underlying economic weaknesses remain with a higher rate of unemployment. These factors reinforce that the cost of government, and those service specially provided only by general purpose local governments, are only part of the larger story of regional competitiveness. The overall cost of government in the region has some strengths and weaknesses. Much of the data here are from a previous period and thus the study is illustrative of trends and not meant to be definite. This research should be ongoing and a living and dynamic process. In a globally competitive world, the region is probably well advised to seek new service arrangements and strategies for maintaining and lowering governmental costs while maintaining critical services. It may no longer be good enough to be average.

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INTRODUCTION

The Lansing-East Lansing metro region is a three-county metropolitan area in central Michigan. It is Michigan's third-largest metropolitan area and it houses the state capital. The region is an integral part of the state, both economically and politically. It is important that the region maintains competitiveness in terms of government efficiency and firm attraction and retention. In this report we analyze the efficiency of the local governments in the Lansing-East Lansing metro region by comparing them to the governments in other similar metropolitan statistical areas (MSAs) throughout the United States. We also compare the city of Lansing to other similarly sized cities and the region to itself over time. This report will be located at <http://slg.anr.msu.edu>.

This report tackles several related research questions. First, how does the Lansing-East Lansing metro region compare to other similar MSAs in terms of the cost of government services? Specifically, do the governments in the region spend more or less compared to other governments? This question is important in an era of regional and global economic competitiveness.

A second question that is addressed is the relative competitiveness of the Lansing-East Lansing Metro region in terms of the attraction and retention of businesses? How does the region compare on a number of characteristics that are thought to attract and retain firms? This second part of the analysis reflects that the cost of government is only part of the location decision equation. The quantity and quality of services, or in other words, the value of governments services matters as well. Many factors other than governments also matter.

Comparable metro regions were chosen based on characteristics that would make them similar to the Lansing metro region. This includes MSAs that have similar populations and, like Lansing, have a central city that is fairly large compared to the metro region. We also chose MSA's that do not cross state boundaries and that are in the Northern United States because the local government structure and culture are more similar than those in the south. We also dropped MSAs that are on the ocean and or have natural amenities such as mountains that are dissimilar to this region.

Based on these criteria, we chose the following metro regions as benchmarks for the Lansing metro region:

- ▶ Des Moines-West Des Moines, Iowa
- ▶ Canton-Massillon, Ohio
- ▶ Odgen-Clearfield, Utah
- ▶ Grand Rapids, Michigan

We also chose 22 benchmark cities based on population alone. A full list of these cities may be found in the Appendix.

There are officially three counties in the Lansing-East Lansing metro region: Ingham, Eaton and Clinton. There are also 12 cities, 14 villages and 48 townships, for a total of 77 general purpose governments. Because of our size criteria, only 45 of the 77 local governments in this region are included in the analysis.

The cities and townships do not overlap and generally provide similar services such as police and fire protection, water and sewer services, code compliance and neighborhood development, and in some cases, parks and recreation, land use planning and zoning and others that vary to some extent by size of jurisdiction. Counties that contain and overlap villages, cities and townships provide courts,

¹ Christina Plerhoples is a PhD Candidate at Michigan State University in the Department of Agricultural, Food, and Resource Economics. Eric Scorson, Ph.D. is an Extension Specialist and faculty member at Michigan State University in the Department of Agricultural, Food, and Resource Economics. Shane Litchey and Nilutpol Basumatari are undergraduate students at Michigan State University.

prosecution, judicial, health department, parks and recreation and other state mandated services that also vary across the three. Finally, villages, which do not overlap cities but do coincide with townships, provide some level of urban services.

A few points are important when considering comparison across the country. The Michigan system is similar to other Midwest states such as Ohio, Indiana and Wisconsin. They are all based on the New York system of local govern-

ment, which includes townships for traditionally more rural areas, cities and overlapping counties. The Virginia plan of government is used in the south and west. In this system, townships do not exist and counties play a larger role, particularly in rural areas. Cities provide urban services to large populations. In some more rural and suburban areas, special district governments provide infrastructure services. These differences are important when considering comparability across the country. By comparing

total metropolitan areas, we will void some of these interregional government differences.

This report is not meant to produce solutions or policy recommendations, but rather to help identify areas where the governments in the Lansing-East Lansing Metro Region can improve, and where they can continue to perform well. The region's vitality depends on the performance of its local governments and the state's vitality depends on the health of this region.

Cost of Local Government: Lansing-East Lansing Metro Region

The first area that we explore is the cost of the local governments in the Lansing-East Lansing Metro region. The cost of local government has become a critical variable as the globalizing marketplace intensifies competition for jobs and people. Part of the equation that a firm or household looks at is the value equation between the cost of government services and the quality and quantity of services provided. For example, how much am I willing to pay for what level of public safety response? If one region can provide an equal response time at a lower cost it may be more attractive as a location for business.

Given these challenges, some ideas may be useful in thinking about the government value equation. Efficiency refers not only to the amount of money that a government spends, but also to the quantity and quality of its service provision. We typically think of an inefficient government as one that provides a lesser amount and quality of services than it should at its current spending level. However, a government that spends very little money but provides fewer and lower quality services than its constituents require is also an inefficient government. At the same time, a government that spends a large amount of money, but provides the quality and quantity of services that its constituents desire may be an efficient government. This report begins to provide some of the data necessary to engage in a dialogue about government spending and efficiency. It represents

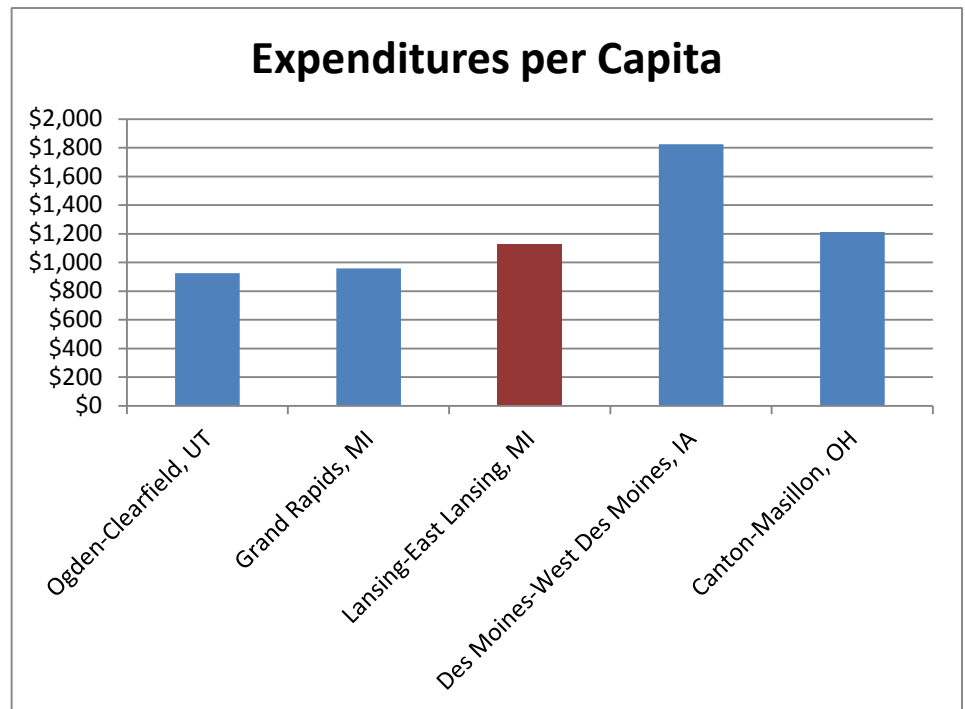
the beginning, not the end of the conversation.

To examine the cost of the local governments in the region, we collected financial data from the audits of each local government with a population of 5,000 or more residents in each benchmark metro region for the fiscal year 2010. Within each audit, we collected data from the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance. For our report, we focus on governmental accounts. This generally excludes enterprise functions such as water and sewer systems.

Figure 1 shows the total expenditures per capita for each of the five metro regions in FY 2010.² Out of the five MSAs selected for comparison, the Lansing-East Lansing metro region ranked third in terms of expenditures per capita. This region is very close to Canton, Ohio and higher than Ogden, Utah and Grand Rapids, Mich.

Normally, we would expect that revenues per capita and spending per capita would be similar in rank. Most local governments across the United States are required to maintain a balanced budget. However, some difference may appear if borrowing or other forms

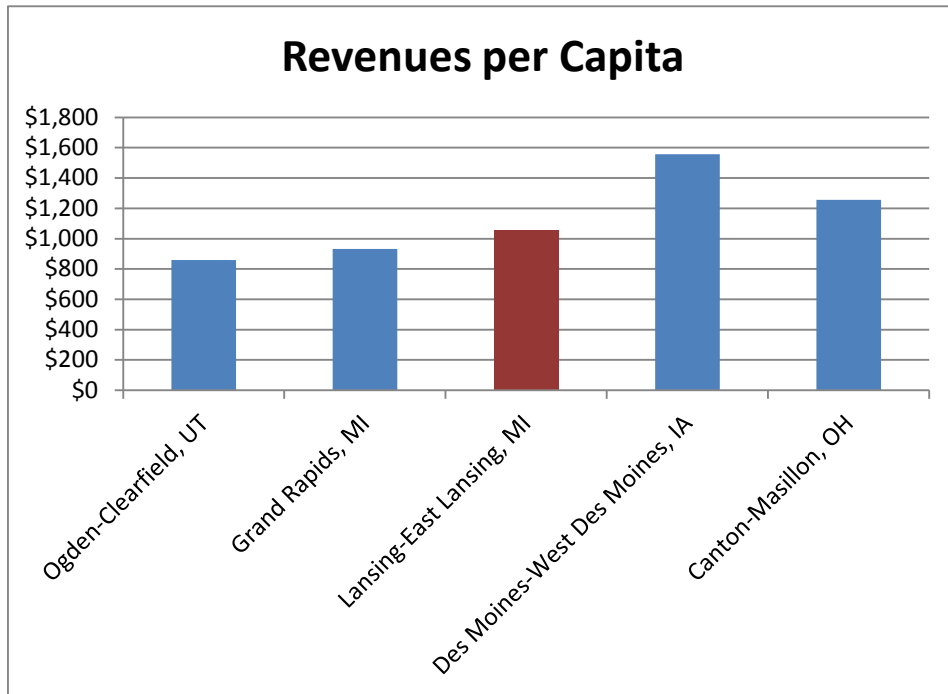
Figure 1: Expenditures per Capita for Benchmark MSAs



Data Source: Local Unit Audit Reports, 2010

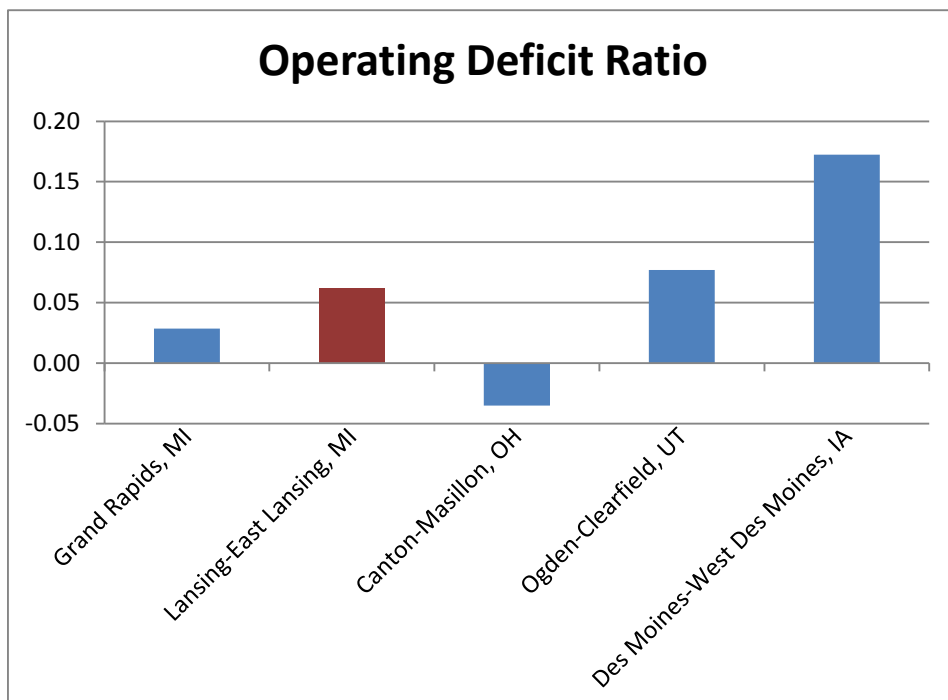
² MSA data includes all local governments with a population of 5,000 or more and with data available on their website.

Figure 2: Revenues per Capita for Benchmark MSA's



Data Source: Local Unit Audit Reports, 2010

Figure 3: Operating Deficit Ratio for Benchmark MSAs



Data Source: Local Unit Audit Reports, 2010

of financing are relied upon. Also, during this period of fiscal stress, it may be that at least some governments may be running deficits. First, we review the revenue per capita ranking. The Lansing-East Lansing metro region ranked third in terms of revenues per capita, which can be seen in **Figure 2**. This matches with the ranking from expenditures per capita.

To understand how these expenditure and revenue numbers fit into a fiscal health framework, we calculated the operating deficit ratio for each of these MSAs, which is equal to the (Total Expenditures - Total Revenues) / Total Revenues. Given this ratio, a positive number means the region is running a deficit.

Figure 3 shows the operating deficit ratios for each of the five metro regions. The Lansing-East Lansing MSA, along with four other regions, has an operating deficit ratio which indicates potential problems in short term fiscal health as of FY 2010. This ratio may be driven by larger deficits in some governments as compared to others. However, it does provide an overall view of where the entire metro region stands.

Digging down, we can begin to compare the benchmark metro regions on a number of cost variables across functional areas. Given the differences across states, these cost comparisons should be taken as a rough approximation of differences. Nevertheless, they begin to point us in the direction of understanding the relative cost differentials. **Table 1** shows that the Lansing-East Lansing metro region is higher in some categories than

Table 1: Spending by Service Area Category

	Gen. Govt.	Public Safety	Public Health	Public Works/ Infrastructure	Community Development	Culture and Recreation	Total
Des Moines	\$109	\$430	\$126	\$281	\$88	\$106	\$1,824
Ogden-Clearfield	\$205	\$292	\$45	\$60	\$40	\$46	\$924
Canton-Massillon	\$208	\$291	\$235	\$290	\$33	\$18	\$1,212
Grand Rapids	\$139	\$214	\$80	\$87	\$16	\$46	\$959
Lansing-East Lansing	\$258	\$429	\$95	\$116	\$23	\$66	\$1,123

Data Source: Local Audits, FY 2010

other regions and lower in other categories. Again, from this data, we cannot tell the relative efficiency or level of quality of service being provided.

As stated previously, the governments of the Lansing-East Lansing metro region are a \$500 million enterprise. These per capita numbers translate into the following total spending by category for the Lansing-East Lansing metro region compared to the other MSAs (Table 1). This allows us to understand the total spending by this region across those functional categories. To some extent, these differences reflect different priorities across the country. At the same time, these differences may also indicate areas where governments can seek new options for delivering services that may reduce costs and maintain quality.

For the Lansing-East Lansing metro region several possibilities are borne out in Table 1. This region has relatively high costs in general services and in public safety. These may be areas for further investigation and analysis. Other areas may need analysis for whether further investment and spending is appropriate.

The region spends almost \$200 million a year across 45 government entities in the provision of public safety (Table 2). This includes police, fire and EMS protection, courts and 911 dispatch. The Lansing-East Lansing metro region ranked 185th out of 347 metropolitan areas in the United States. The lower the ranking, the safer the city.

This ranking compared to 248th for Des Moines, Iowa, 321st for Ogden, Utah and 190th for Grand Rapids, Mich. (CQ Press, 2011). These rankings are only for crime and not the only way to assess the efficiency or effectiveness of public safety spending. Ultimately, the residents of communities and the overall region are the judges of the right level of service quality.

Based on these statistics, the question arises as to what pattern can be discerned from these statistics. The basic story is that the metropolitan region hovers in the middle of a robust peer group. However, once these aggregate figures are broken down, a slightly different story emerges. Lansing-East Lansing metro region spending is on the high side of some categories (such as public safety) and on the low side of other categories (such as culture and recreation). These findings may point to where future in-depth research and feasibility studies should be targeted to determine if new service delivery forms are required or if new investments in certain service areas are needed. The investigation will now turn its focus to the city of Lansing

Table 2: Lansing-East Lansing Total Spending across Service Areas

Service Area	Spending
General Government	\$119.8 mil.
Public Safety	\$199.2 mil.
Public Works	\$53.9 mil.
Community & Economic Development	\$10.9 mil.
Park & Recreation Services	\$30.7 mil.
Other	\$106.9
TOTAL	\$521.4 mil.

Data Source: Local Audits, FY 2010

as the core of the region and the largest local government in the metro area.

More worrisome in the short term is the fact that several large local governments in the region are

running operating deficits. If not addressed, these operating deficits may threaten the economic and fiscal health of the entire region, as evidenced by what has happened in Flint, Mich. Addressing these fiscal challenges will require a

concerted from local governmental leaders from across the region.

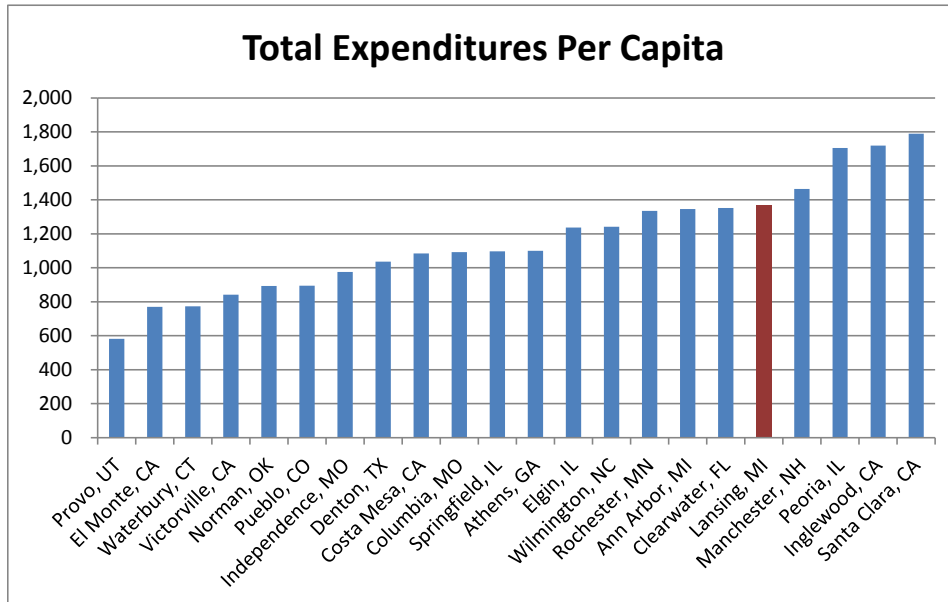
City of Lansing Fiscal Analysis

The city of Lansing is the core city of the metropolitan area. Its size and overall history make it a key linchpin of the region's fiscal and economic future. The city has faced very difficult fiscal stress during the past decade. Employee layoffs and other cost-cutting measures have already been instituted by the city government. Even with these changes, the city still faces difficult financial challenges going forward. The city must also compete against other cities in the global marketplace. Like any firm, part of this competitiveness analysis consists of cost comparisons.

Given existing data, we were able to provide some additional analysis for the city of Lansing. These data were not available for other cities or governments in the region. The following charts review the city's spending and revenue per capita, operating deficit and employees per capita. Again, it should be emphasized that there is complex relationship between cost and efficiency.

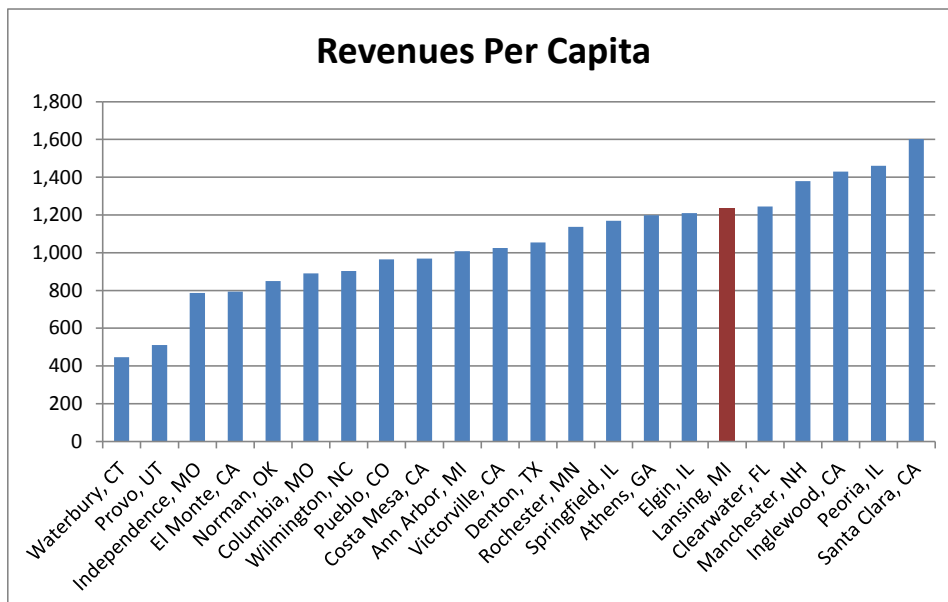
Lansing ranked 18th out of 22 benchmark cities in terms of expenditures per capita (see **Figure 4**). This implies that its spending is slightly above average as compared to other city governments of similar size. In fact, Lansing is only slightly above some of the governments ranked below it. This ranking partially reflects managerial cost-cutting implemented during the last few years. Again, the overall ranking does not imply

Figure 4: Expenditures per Capita for Benchmark Cities



Data Source: Local Unit Audit Reports, 2010

Figure 5: Revenues per Capita for Benchmark Cities



Data Source: Local Unit Audit Reports, 2010

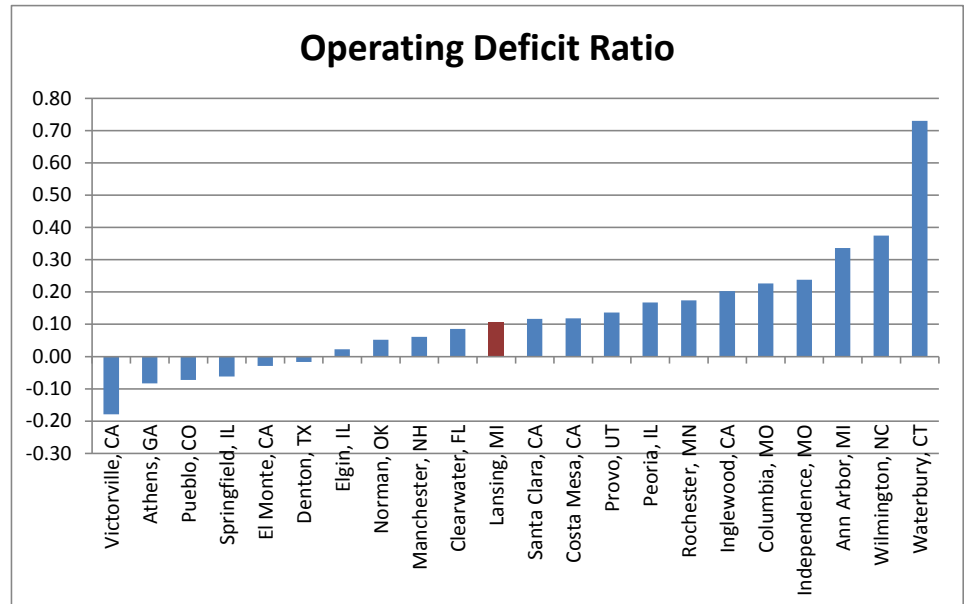
inefficiency per se, only that further investigation may be warranted. The city of Lansing may have a different set of functions or responsibilities. However, in general, given the similarity in size, these cities should be relatively comparable.

Figure 5 shows revenues per capita for these same benchmark cities. In this case, Lansing ranked 17th out of 22. Again, as we would expect, these numbers are similar in magnitude. In terms of operating deficits, Lansing ranked 11th out of 22, with a positive operating deficit which can be seen in **Figure 6**. Thus, in FY 2010, Lansing needed to expend more than it brought in for all government funds. This has and will continue to put pressure on the city’s budget into the future.

Like many of its peer cities, Lansing ran an operating deficit in FY 2010. Given the depth of the U.S. recession this is not unexpected and reflects declines in local taxes and state aid. **Figure 6** reveals a majority of the benchmark city governments ran deficits. While this is not unexpected, in the longer term, deficit reduction and control remain critical for Lansing to regain its financial footing and play a role in the region’s overall economic health.

To explore these cost numbers further, we collected data from the U.S. Census 2008 Annual Survey of Public Employment and Payroll, which can be seen in **Table 3**. Lansing ranked 18th out of the 22 benchmark cities with 1.51 Total Municipal Employees per 100 Residents. In terms of gross payroll, \$73.47 is spent each month on employee salaries for every Lansing resident.

Figure 6: Operating Deficit Ratios for Benchmark Cities



Data Source: Local Unit Audit Reports, 2010

Table 3: Government Employment Data for Benchmark Cities

City	State	Total Municipal Employees Per 100 Residents	Full Time Pay Per Capita
El Monte	California	0.22	\$16.37
Victorville	California	0.36	\$20.42
Costa Mesa	California	0.48	\$23.02
Provo	Utah	0.54	\$33.79
Elgin	Illinois	0.57	\$35.58
Inglewood	California	0.62	\$38.97
Peoria	Illinois	0.73	\$39.76
Ann Arbor	Michigan	0.73	\$42.45
Pueblo	Colorado	0.76	\$43.99
Rochester	Minnesota	0.76	\$44.72
Santa Clara	California	0.78	\$45.27
Wilmington	North Carolina	0.90	\$46.07
Independence	Missouri	0.96	\$47.22
Denton	Texas	1.04	\$50.72
Columbia	Missouri	1.13	\$52.43
Athens-Clarke County	Georgia	1.38	\$62.04
Springfield	Illinois	1.40	\$63.56
Lansing	Michigan	1.51	\$73.47
Clearwater	Florida	1.51	\$77.17
Norman	Oklahoma	2.57	\$116.30
Manchester	New Hampshire	3.02	\$120.51
Waterbury	Connecticut	3.28	\$155.10

Data Source: Census of Governments, 2008

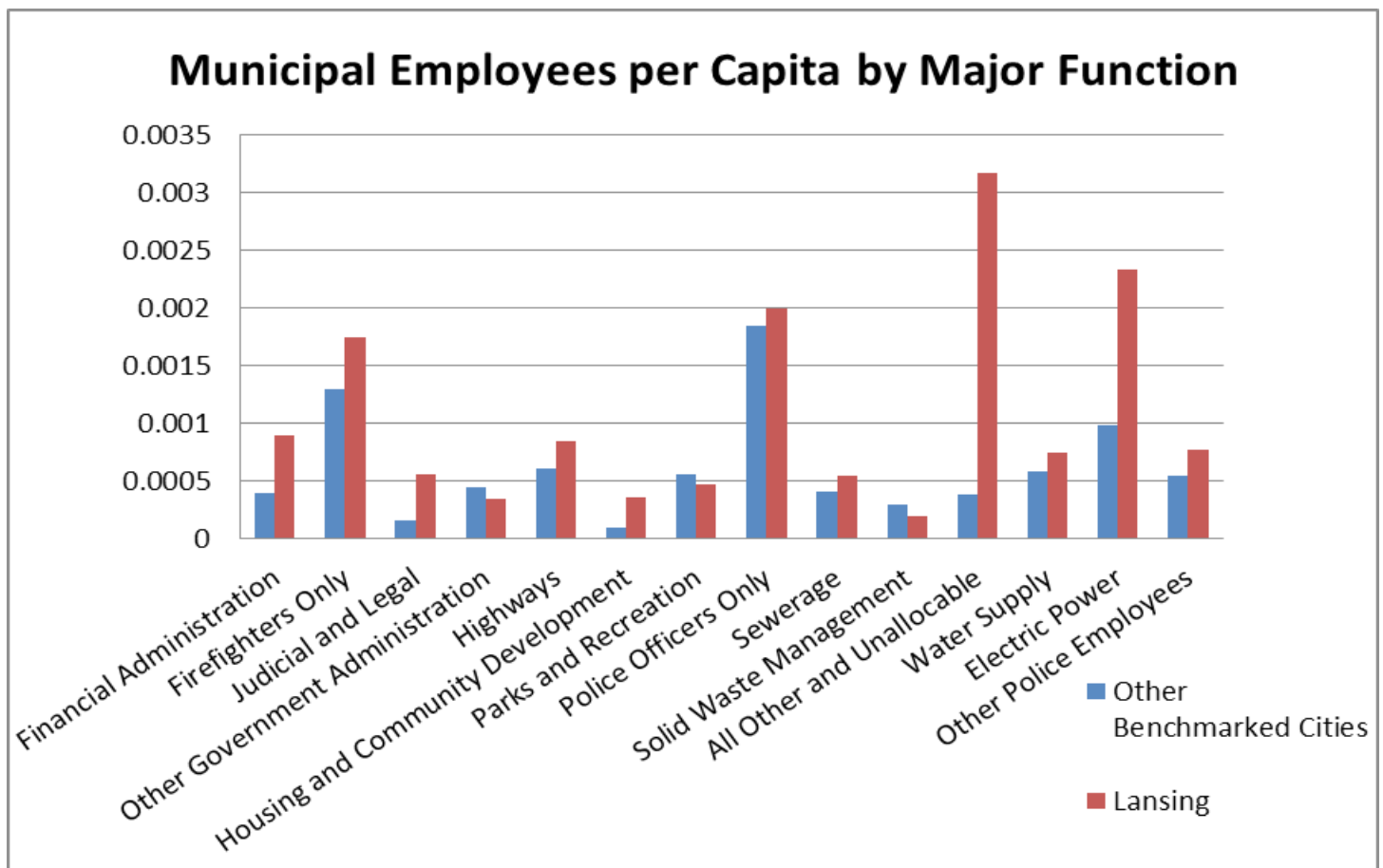
This figure is based on gross payroll amounts for the one-month period of March for full-time employees. Gross payroll includes all salaries, wages, fees, commissions and overtime paid to employees before withholdings for taxes, insurance, etc. It also includes incentive payments that are made at regular pay intervals. It excludes the employer share of fringe benefits like retirement, Social Security, health and life insurance, lump sum payments, and so forth. The exclusion of legacy costs is potentially a ma-

ajor factor that needs to be factored in at a later date. It should also be noted that Lansing and many other of these cities have laid off employees and made changes to wages and benefits during this timeframe. Therefore, these numbers should be taken as illustrative of potential trends and not definitive in nature. When broken down by major function, Lansing has a higher number of employees per capita than the average of the benchmark cities.³ This can be seen in **Figure 7**.

These figures may require further investigation regarding efficient practices. Given the predominance of personnel costs in municipal budgets, these figures likely help explain the higher cost of Lansing city government. In some cases, more employees may reflect a different set of functions as opposed to an efficiency issue.

³ The employee data above for Lansing does not include state government employees. It does include the Lansing Board of Water and Light.

Figure 7: Municipal Employees per Capita by Major Function



Data Source: US Census of Governments, 2007

Efficiency and the Attraction and Retention of Firms

The cost of local government may help determine a locality’s attractiveness to firms. Though much research has been conducted on firm location choice, no consensus has emerged on what the central location factors are or what is the best way to estimate their importance.⁴ However, there are many commonly studied determinants of firm location choice that can be examined in the context of the Lansing-East Lansing metro re-

gion. This section highlights only a few of the characteristics that may matter in location choices. Many of these characteristics are not in the direct control of local governments. This highlights that the cost of government is only one factor in explaining a region’s economic competitiveness.

One of the determinants in firm location is agglomeration economies.⁵ Agglomeration economies are the benefits that firms obtain

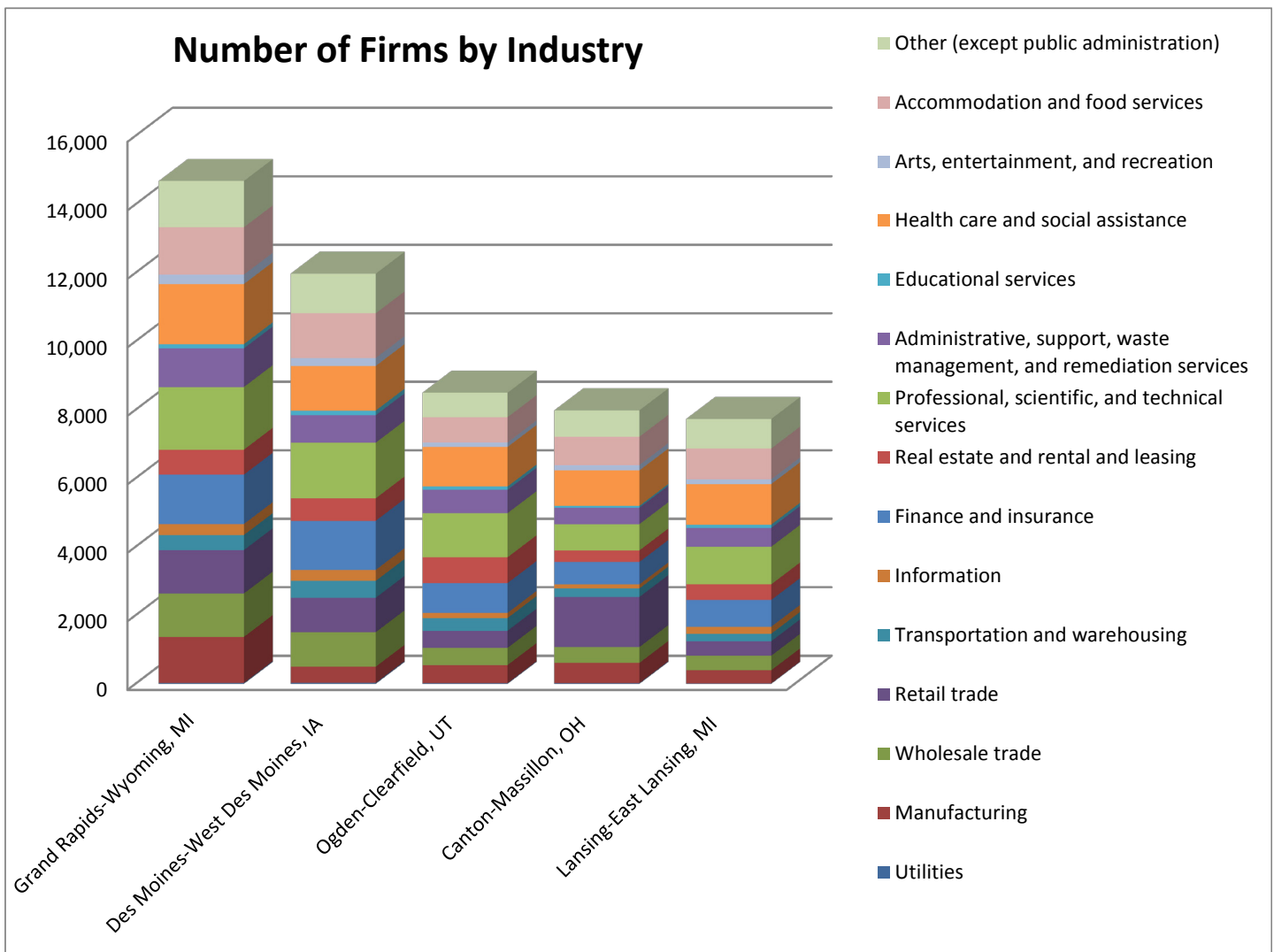
by locating near each other. It is now well established that the geographic distribution of plants is concentrated, both across sectors and within individual industries.⁶ Agglomeration economies are thought to form an inverted U

⁴ Arauzo-Carod et al., 2010

⁵ Marshall, 1980; Hoover, 1936

⁶ Devereux, Griffith and Simpson, 2004; Combes, Duranton, and Overman, 2005; Holmes and Stevens, 2004; Combes and Overman, 2004; Fujita et al., 2004

Figure 8: The Number of Firms by Industry for MSA's



Data Source: Economic Census, 2007

shape when economic concentration is compared to the degree of attraction – i.e., that spatial concentration of firms at low levels encourages more firms to locate in a region. After a point this relationship changes and density becomes a diseconomy. The literature also seems to agree that urbanization economies (the cost savings associated with a good being produced in a large city) outweigh the effects of industry-specific localization economies (the number of the firms of the same industry in a location). This seems to imply that input and output markets, as well as labor pools, are more important than being located near a competitor. However, service agglomeration

economies seem to have a stronger effect than industry-level localization economies.⁷

One way to measure the agglomeration rates in the Lansing-East Lansing metro region is to count the number of firms. **Figure 8** shows the number of firms in the Lansing-East Lansing metro region as compared to the benchmark MSAs for 2007. Firms are broken down into major industries. The Lansing-East Lansing metro region has the lowest number of overall firms out of the five benchmarks. Details of number of firms by type can be found in the Appendix.

Figure 9 shows the same data for the benchmark cities rather than

the MSAs. Here Lansing ranks 12th out of the 22 cities on the list.

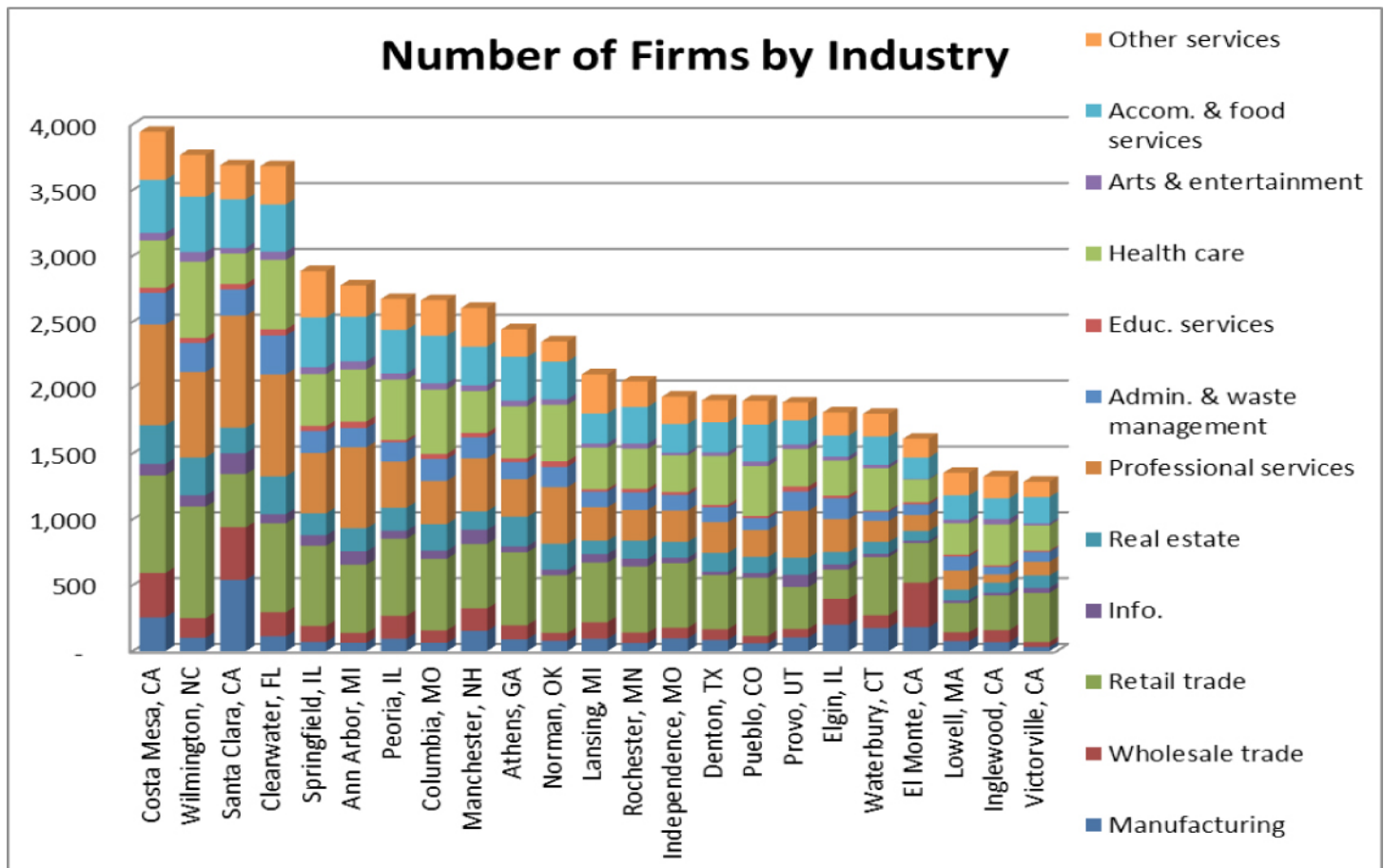
There have also been a number of empirical studies examining the effects of taxes and subsidies on location decisions.⁸ These studies have had mixed results. Some have found that tax levels have no significant effect on location decisions. Others have found that taxes have a negative effect on location.⁹ Papke (1991), for instance, finds that a high state marginal effective tax rate reduces the number of firm births for half of the industries

⁷ Head et al., 1995; Guimaraes et al., 2000

⁸ Carlton, 1979; Carlton, 1983

⁹ Bartik, 1985; Coughlin et al., 1991; Friedman et al., 1991; Woodward, 1992; Deveraux and Griffith, 1997; Coughlin and Segev, 2000

Figure 10: The Number of Firms by Industry for Benchmark Cities



Data Source: Economic Census, 2007

Table 4: Corporate Tax Burdens for Benchmark MSAs

Metro Area	State	Households in MSA	Average Corporate Income Tax Burden by Household	Rank	Total Corporate Tax Burden by MSA (\$thousands)
Des Moines-West Des Moines	IA	204,988	\$3,286	38	\$673,530
Ogden-Clearfield	UT	138,945	\$2,926	73	\$1,433,048
Grand Rapids	MI	443,357	\$2,678	101	\$1,187,269
Lansing-East Lansing	MI	184,608	\$2,303	185	\$425,209
Canton-Massillon	OH	173,282	\$2,110	230	\$365,676

Data Source: Tax Foundation, 2005

examined. Devereux, Griffith, and Simpson (2007) find that discretionary government grants have a small effect in attracting plants to specific geographic areas, but that firms are less responsive to government subsidies in areas where there are fewer existing plants in their industry. Others have argued that there is a trade-off between taxes and the provision of public goods and services. Gabe and Bell (2004) argue that high taxes can be attractive as long as they are spent on the provision of public goods and services.

Therefore, both the tax rate and the provision of public goods are important characteristics that are included in this analysis. According to the Tax Foundation, Michigan ranked 18th in terms of its overall business tax climate in 2012 and 49th in terms of its corporate tax climate.

Corporate tax rates, however, are not the only tax rates that affect firm location decisions. Corporations make up a surprisingly small portion of businesses in the US. Therefore, individual tax rates are also an important factor firm location choice. Property taxes and income taxes will also vary across states and location and affect firm location choices. Michigan ranked

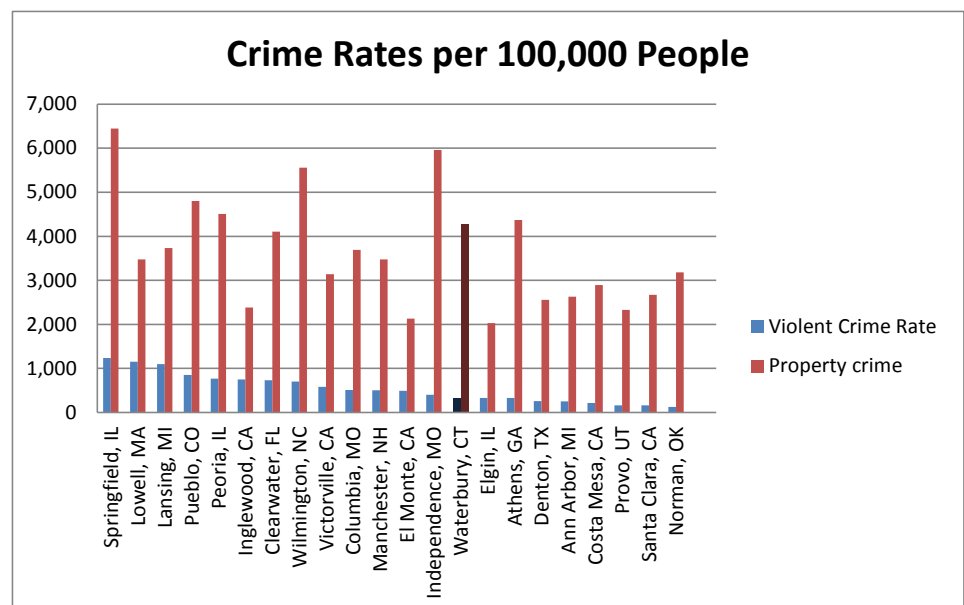
11th in terms of individual tax rates, seventh in terms of sales taxes, and 30th in terms of property taxes in 2012.

Table 4 shows the corporate tax burden for our benchmark MSAs. The Lansing-East Lansing metro region has the second lowest corporate income tax burden by household amongst our five benchmark MSAs. It ranked 185 out of 331 metro regions where having a higher number is better. From one perspective, this is good news in that tax burdens are low. Of

course, this does not address the quantity or quality of public services relative to this tax burden.

As previously mentioned, higher tax rates may be appropriate if service levels are high and of good quality. One possibility in examining service quality is to look at crime rates. Crime is partially related to the provision of police and public safety services. **Figure 10** shows the property and violent crime rates per 100,000 people for the 22 cities in our benchmark group. Lansing had the ninth-

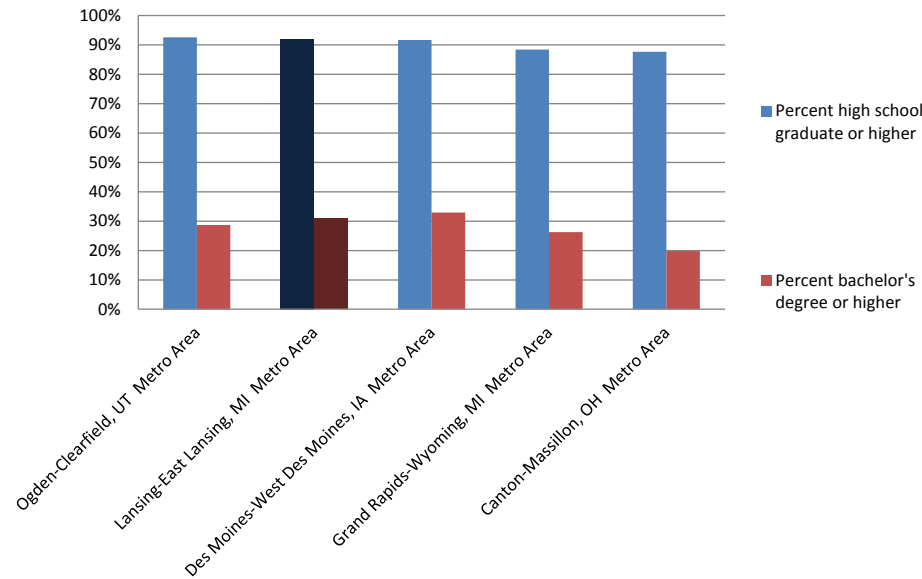
Figure 10: Crime Rates per 100,000 People for Benchmark Cities



Data Source: FBI Uniform Crime Reports, 2010

Figure 11: Percent High School and Bachelor's Degree Attainment for Benchmark MSAs

Percent High School and Bachelor's Degree Attainment



highest property crime rate and the third-highest violent crime rate amongst these cities. This indicates that the region may need to address crime strategies to seek a lower benchmark rate. Public spending in itself may or may not be the only answer to address crime prevention strategies. It is difficult to assess the comparable quality of other public services.

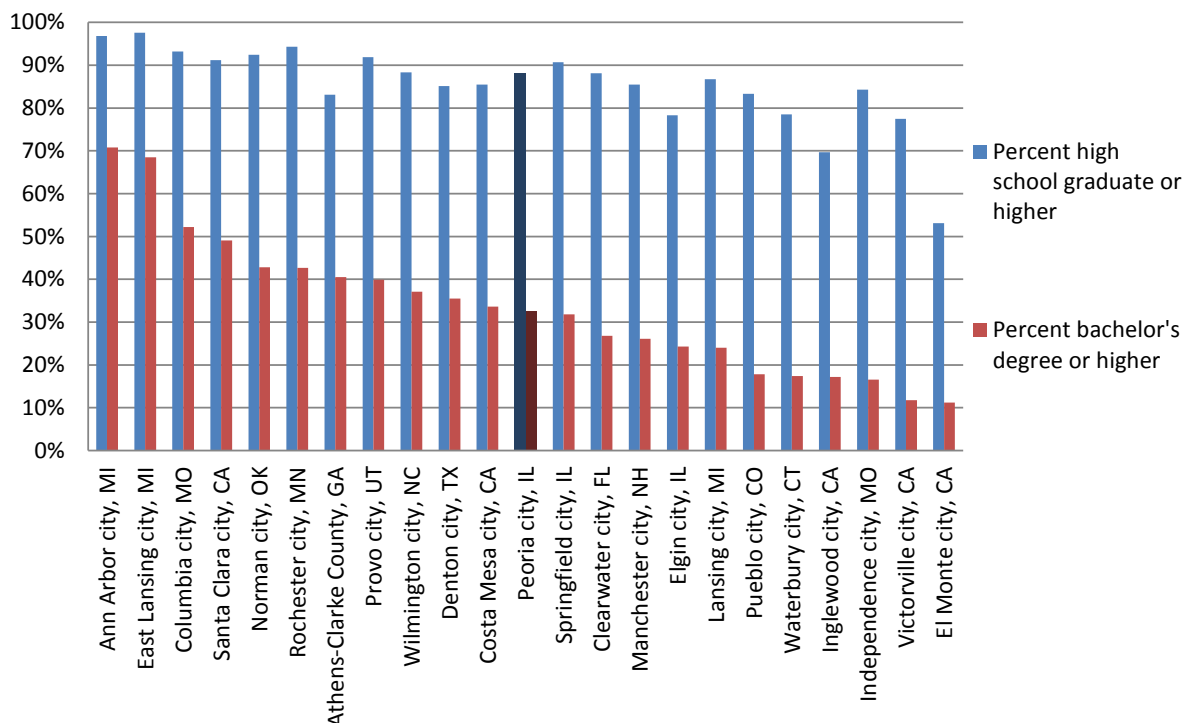
Human capital also influences firm location choice. Previous research has shown that firms are attracted to areas with a higher mean level of education among the population.¹⁰ **Figure 11** shows the percent of residents in each of the five MSAs with at least a high school degree

¹⁰ Coughlin et al., 1991; Woodward, 1992; Smith and Florida, 1994; Coughlin and Segev, 2000

Data Source: US Census, 2010

Figure 12: Percent High School and Bachelor's Degree Attainment for Benchmark Cities

Percent High School and Bachelor's Degree Attainment



Data Source: US Census, 2010

and the percent of residents with at least a bachelor’s degree. The Lansing-East Lansing MSA ranked second in terms of both residents with high school diplomas and those with bachelor’s degrees.

Figure 12 shows the same percentages but for the benchmark cities. Here, Lansing ranked 12th highest in terms of high school graduates and 17th highest in terms of bachelor’s degree earners.

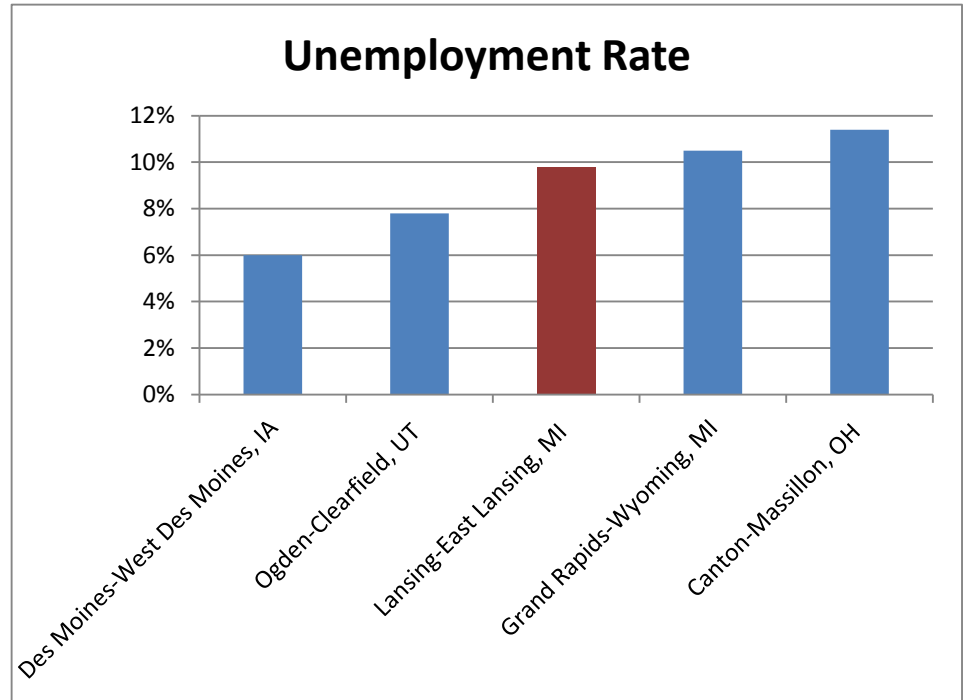
Unemployment rates are another indicator of municipal health.

Figure 13 shows the unemployment rates for the five benchmark MSAs. The Lansing-East Lansing MSA ranks third with an unemployment rate of 10 percent.

Figure 14 shows unemployment rates for the 22 benchmark cities. Lansing has the fifth-highest unemployment rate at 14 percent. Although this may be an indicator of a weak economy, it also suggests that there is a large pool of workers from which to choose who are seeking employment.

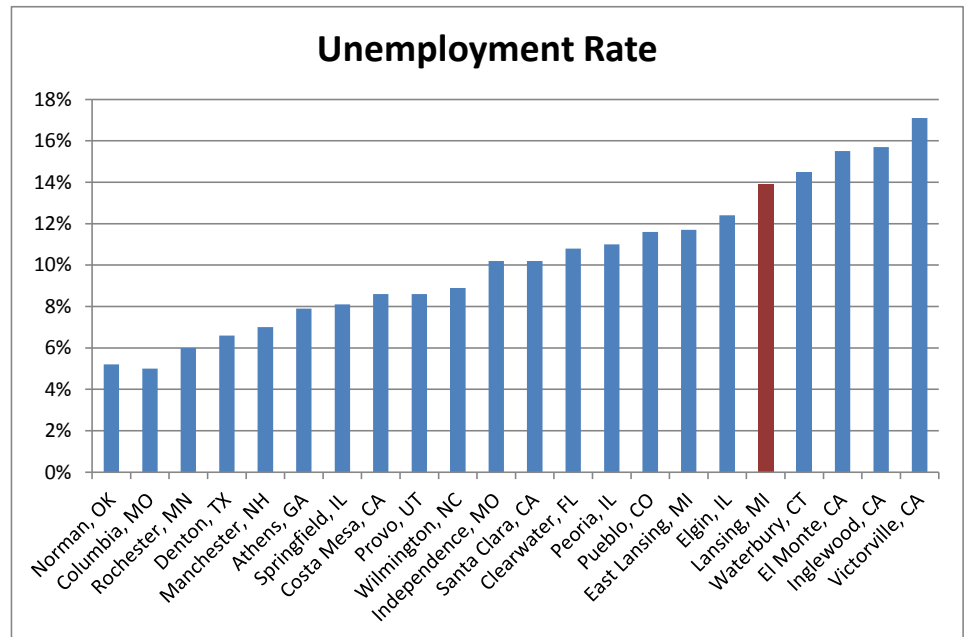
All in all, it is a mixed story for the Lansing-East Lansing metro region in terms of the general features of public services, public costs and business attraction. The region has strengths with regards to labor skills and education and does not carry a high corporate tax burden, at the time still it has some important weaknesses that need to be addressed. High unemployment may signal that, along with a labor skilled workforce, there are also workers who require significant degrees of retraining, further job training and new opportunities.

Figure 13: Unemployment Rate for Benchmark MSAs



Data Source: BLS, 2010

Figure 14: Unemployment Rates for Benchmark Cities



Data Source: BLS, 2010

Conclusion and Areas for Further Investigation

This report has sought to understand the relative ranking of the Lansing-East Lansing metro region and the city of Lansing compare relative to peer regions in government spending and efficiency. Government efficiency is an often sought-after goal, yet it remains an elusive goal and a complex or wicked problem. This means that we do not have a clear idea of how to measure and completely assess what drives government cost efficiency and the importance of government efficiency relative to residential and business location decisions. However, we do have some ideas for how to proceed. One manner in which to measure government efficiency is to look at cost per capita or cost per person. Comparing regions by total cost may be misleading. Cost per person adjusts for population and a region's size. This is a better way to compare across regions. As we have seen, the Lansing-East Lansing metro region ranks slightly above average and is above average in a number of specific categories. These may be areas for exploration in terms of service restructuring. There may or may not be good reasons for a region or city have a higher cost per person. One of those reasons may be inefficiency which can be addressed via service restructuring.

Lansing, as compared to some of its peers, faces some significant potential cost issues. The city has slightly higher average costs than some peer cities. This indicates that despite some of the management changes in the past, more work may need to be done. Again, the question of efficiency and quality must be raised. Is the difference explained by the fact that Lansing provides a higher level of service or more services than comparable cities? Another possibility is that Lansing is inefficient in its provision of services. If so, measures should be taken to address these issues immediately. There is some evidence that high costs can inhibit a city's business and economic growth without corresponding higher public service quantity and quality.

What can be done to address potential cost gaps or inefficiencies if they do exist? There are several mechanisms for cost reduction or service restructuring. One option would be to restructure business operations internally in a city or township government using tools such as Six Sigma certification, adoption of lean practices or other interventions. Another possibility is to seek out external partners like private companies who may be able to perform certain services at lower costs. A final option may

be intergovernmental cooperation or consolidation. Government departments may share personnel and equipment, departments may be merged or an authority may be formed for regional provision of a service. If it is determined that inefficiencies or cost gaps do exist in a certain service area, each of these options should be explored.

This report is designed to stimulate dialogue and discussion in the Lansing-East Lansing metro region regarding the cost and efficiency of government services. It is at a high level and does not purport to provide definitive answers. However, it should encourage dialogue that will be productive in moving the region forward and ensuring the highest level of quality and efficiency in local government service provision. That said, the report does hint at certain facts about government's costs that need to be examined and possibly addressed.

Most importantly, the region's overall operating deficit must be addressed in a timely fashion. Failure to address this issue could lead to increased state oversight and a potential impact on the region's economy. This fiscal deficit, while confined to certain governments, should be a concern to all regional leaders.

Appendix

Detailed Tables

City	Total Revenues Per Capita	Cities	Total Expenditures Per Capita
Waterbury, CT	447	Provo, UT	581
Provo, UT	511	El Monte, CA	771
Independence, MO	787	Waterbury, CT	773
El Monte, CA	793	Victorville, CA	842
Norman, OK	849	Norman, OK	893
Columbia, MO	891	Pueblo, CO	895
Wilmington, NC	903	Independence, MO	975
Pueblo, CO	964	Denton, TX	1,036
Costa Mesa, CA	970	Costa Mesa, CA	1,084
Ann Arbor, MI	1,008	Columbia, MO	1,093
Victorville, CA	1,025	Springfield, IL	1,097
Denton, TX	1,054	Athens, GA	1,100
Rochester, MN	1,137	Elgin, IL	1,237
Springfield, IL	1,169	Wilmington, NC	1,242
Athens, GA	1,199	Rochester, MN	1,336
Elgin, IL	1,210	Ann Arbor, MI	1,346
Lansing, MI	1,238	Clearwater, FL	1,352
Clearwater, FL	1,245	Lansing, MI	1,371
Manchester, NH	1,380	Manchester, NH	1,463
Inglewood, CA	1,430	Peoria, IL	1,705
Peoria, IL	1,460	Inglewood, CA	1,720
Santa Clara, CA	1,602	Santa Clara, CA	1,789

MSA	Total	Manu- facturing	Wholesale trade	Retail trade	Info.	Professional services	Admin. and remediation services	Health care	Food services
Grand Rapids-Wyoming, MI	10,294	1,344	1,267	1,267	321	1,829	1,129	1,755	1,382
Des Moines-West Des Moines, IA	7,841	471	1,007	1,007	319	1,625	803	1,302	1,307
Ogden-Clearfield, UT	5,545	529	502	502	150	1,289	682	1,154	737
Canton-Massillon, OH	5,744	591	462	1,463	118	768	480	1,035	827
Lansing-East Lansing, MI	5,170	385	424	424	205	1,098	551	1,182	901

City	Total Expenditures	Total Revenues	Operating Deficit Ratio
Victorville, CA	97,575,051	118,819,130	-0.18
Athens, GA	128,345,439	139,933,429	-0.08
Pueblo, CO	95,386,020	102,805,747	-0.07
Springfield, IL	128,814,362	137,272,436	-0.06
El Monte, CA	87,450,952	90,034,981	-0.03
Denton, TX	117,514,335	119,539,392	-0.02
Elgin, IL	133,813,198	130,901,470	0.02
Norman, OK	99,100,811	94,220,121	0.05
Manchester, NH	160,338,535	151,168,400	0.06
Clearwater, FL	145,540,617	134,056,887	0.09
Lansing, MI	156,694,877	141,480,936	0.11
Santa Clara, CA	208,329,010	186,605,766	0.12
Costa Mesa, CA	119,209,826	106,620,366	0.12
Provo, UT	65,365,907	57,517,884	0.14
Peoria, IL	196,055,910	167,951,994	0.17
Rochester, MN	142,599,634	121,449,582	0.17
Inglewood, CA	188,615,029	156,862,931	0.20
Columbia, MO	118,556,103	96,684,314	0.23
Independence, MO	113,875,467	91,984,036	0.24
Ann Arbor, MI	153,411,507	114,841,375	0.34
Wilmington, NC	132,198,313	96,176,344	0.37
Waterbury, CT	85,310,800	49,309,600	0.73

MSA	Total	Manu- facturing	Whole- sale trade	Retail trade	Info.	Profes- sional services	Admin. and remediation services	Health care	Food services
Grand Rapids-Wyoming, MI	10,294	1,344	1,267	1,267	321	1,829	1,129	1,755	1,382
Des Moines-West Des Moines, IA	7,841	471	1,007	1,007	319	1,625	803	1,302	1,307
Ogden-Clearfield, UT	5,545	529	502	502	150	1,289	682	1,154	737
Canton-Massillon, OH	5,744	591	462	1,463	118	768	480	1,035	827
Lansing-East Lansing, MI	5,170	385	424	424	205	1,098	551	1,182	901

Rank	City	Total	Man- u- fact- uring	Whole- sale trade	Retail trade	Infor- mation	Professional, scientific, and technical services	Admin. and remediation services	Health care and social assistance	Food services
1	Costa Mesa, CA	3,190	258	336	740	87	765	242	360	402
2	Wilmington, NC	3,049	102	150	845	86	648	221	579	418
3	Santa Clara, CA	3,152	542	399	403	159	851	199	230	369
4	Clearwater, FL	2,995	112	184	675	71	774	295	526	358
5	Springfield, IL	2,276	71	120	608	81	457	167	393	379
6	Ann Arbor, MI	2,251	64	73	518	102	617	144	395	338
7	Peoria, IL	2,199	95	173	585	61	351	146	456	332
8	Columbia, MO	2,107	63	96	542	62	328	165	489	362
9	Manchester, NH	2,092	153	171	489	108	403	157	317	294
10	Athens, GA	1,935	91	106	553	46	286	128	394	331
11	Norman, OK	1,915	80	58	437	44	429	155	427	285
12	Lansing, MI	1,653	95	125	451	67	253	120	315	227
13	Rochester, MN	1,652	62	78	503	60	233	134	304	278
14	Independence, MO	1,559	97	81	490	41	238	117	278	217
15	Denton, TX	1,550	85	83	408	28	234	111	372	229
16	Pueblo, CO	1,550	59	57	441	38	203	91	379	282
17	Provo, UT	1,550	104	66	316	93	357	147	285	182
18	Elgin, IL	1,489	201	196	223	37	249	158	266	159
19	Waterbury, CT	1,506	177	95	442	26	160	70	321	215
20	El Monte, CA	1,377	182	339	300	18	123	80	174	161
21	Inglewood, CA	1,033	69	91	263	21	60	60	310	159
22	Victorville, CA	1,051	31	39	372	39	105	74	192	199

City	Violent Crime Rate	Murder and non-negligent manslaughter	Forcible rape	Robbery	Aggravated assault	Property crime	Burglary	Larceny	Motor vehicle theft	Arson
Norman, OK	124	2	42	32	48	3,184	727	2,356	100	5
Santa Clara, CA	161	2	6	55	98	2,671	426	1,957	288	14
Provo, UT	165	2	39	23	101	2,326	314	1,925	87	14
Costa Mesa, CA	217	1	31	84	101	2,892	415	2,222	255	9
Ann Arbor, MI	254	0	38	68	148	2,628	469	2,044	115	20
Denton, TX	256	2	53	51	150	2,559	443	1,992	123	17
Athens, GA	329	4	26	97	201	4,369	1,182	2,923	264	13
Elgin, IL	330	4	80	92	154	2,029	395	1,534	100	6
Waterbury, CT	337	5	6	162	165	4,282	720	3,172	391	3
East Lansing, MI	368	2	16	58	293	2,417	604	1,711	102	49
Independence, MO	400	7	35	102	256	5,962	1,029	4,327	607	18
El Monte, CA	492	2	22	217	250	2,132	498	980	654	11
Manchester, NH	503	1	57	142	302	3,473	839	2,486	148	55
Columbia, MO	512	3	36	127	347	3,690	534	3,026	131	7
Victorville, CA	582	5	32	219	325	3,139	1,088	1,678	372	22
Wilmington, NC	705	5	46	275	380	5,559	1,410	3,683	466	13
Clearwater, FL	734	5	33	232	464	4,106	735	3,180	190	11
Inglewood, CA	752	18	29	340	366	2,384	559	1,197	627	14
Peoria, IL	766	19	27	267	453	4,507	1,274	2,999	233	53
Pueblo, CO	854	1	29	152	663	4,799	1,565	2,798	435	49
Lansing, MI	1,101	9	86	233	772	3,735	1,256	2,266	213	30
Lowell, MA	1,156	1	49	184	921	3,477	866	2,217	394	26
Springfield, IL	1,237	6	89	288	854	6,446	1,846	4,396	204	49

MSA	Percent high school graduate or higher	Percent bachelor's degree or higher
Canton-Massillon, OH Metro Area	88%	20%
Des Moines-West Des Moines, IA Metro Area	92%	33%
Grand Rapids-Wyoming, MI Metro Area	88%	26%
Lansing-East Lansing, MI Metro Area	92%	31%
Ogden-Clearfield, UT Metro Area	93%	29%

City	Percent high school graduate or higher	Percent bachelor's degree or higher
East Lansing city, MI	98%	69%
Ann Arbor city, MI	97%	71%
Rochester city, MN	94%	43%
Columbia city, MO	93%	52%
Norman city, OK	92%	43%
Provo city, UT	92%	40%
Santa Clara city, CA	91%	49%
Springfield city, IL	91%	32%
Wilmington city, NC	88%	37%
Peoria city, IL	88%	33%
Clearwater city, FL	88%	27%
Lansing city, MI	87%	24%
Costa Mesa city, CA	86%	34%
Manchester city, NH	86%	26%
Denton city, TX	85%	36%
Independence city, MO	84%	17%
Pueblo city, CO	83%	18%
Athens-Clarke County, GA	83%	41%
Waterbury city, CT	79%	17%
Elgin city, IL	78%	24%
Victorville city, CA	78%	12%
Inglewood city, CA	70%	17%
El Monte city, CA	53%	11%

City	Labor Force	Employment	Unemployment	Unemployment Rate
Norman, Oklahoma	54,414	51,561	2,853	5%
Columbia, Missouri	58,039	54,666	3,373	6%
Rochester, Minnesota	58,125	54,610	3,515	6%
Denton, Texas	64,389	60,144	4,245	7%
Manchester, New Hampshire	61,993	57,670	4,323	7%
Athens, Georgia	63,278	58,283	4,995	8%
Springfield, Illinois	66,033	60,654	5,379	8%
Costa Mesa, California	65,443	59,830	5,613	9%
Provo, Utah	69,156	63,230	5,926	9%
Wilmington, North Carolina	51,018	46,480	4,538	9%
Independence, Missouri	58,616	52,608	6,008	10%
Santa Clara, California	56,214	50,461	5,753	10%
Clearwater, Florida	52,597	46,902	5,695	11%
Lowell, Massachusetts	51,631	46,069	5,562	11%
Peoria, Illinois	58,449	52,015	6,434	11%
Pueblo, Colorado	52,109	46,074	6,035	12%
East Lansing, Michigan	20,162	17,794	2,368	12%
Elgin, Illinois	58,632	51,374	7,258	12%
Lansing, Michigan	65,511	56,412	9,099	14%
Waterbury, Connecticut	50,987	43,579	7,408	15%
El Monte, California	52,083	43,992	8,091	16%
Inglewood, California	54,383	45,826	8,557	16%
Victorville, California	29,989	24,872	5,117	17%

MSA	Labor Force	Employment	Unemployment	Unemployment Rate
Des Moines-West Des Moines, IA	315,869	296,759	19,110	6%
Ogden-Clearfield, UT	264,298	243,801	20,497	8%
Lansing-East Lansing, MI	241,779	218,048	23,731	10%
Grand Rapids-Wyoming, MI	387,532	347,003	40,529	11%
Canton-Massillon, OH	202,929	179,858	23,071	11%

*MSU Extension
Greening Michigan Institute
Government and Public Policy Work Team*