Following the Municipal Money

Seven Steps for More Effective Local Transparency in Michigan

Meghan Hess,
PIRGIM Education Fund

Ryan Pierannunzi,
U.S. PIRG Education Fund

March 2012

Acknowledgements

With public debate around important issues often dominated by special interests pursuing their own narrow agendas, the PIRGIM Education Fund offers an independent voice that works on behalf of the public interest. The PIRGIM Education Fund works to protect consumers and promote good government. We investigate problems, craft solutions, educate the public, and offer citizens meaningful opportunities for civic participation. For more information, please visit our website at pirgimedfund.org.

Cover photo: John Beutler, www.senate.michigan.gov
Cover design: Maria Figliola, Public Interest GRFX

Following the Municipal Money:

Seven Steps for More Effective Local Transparency in Michigan

Transparent spending is vital for local governments. Transparency promotes fiscal responsibility, bolsters public confidence and checks corruption. These benefits are particularly needed for local government because residents depend so directly on everyday programs such as schools, sidewalks and police. Access to spending information empowers citizens to hold local governments accountable and to better understand where tax dollars are invested.

PIRGIM (the Public Interest Research Group In Michigan) produced this study to analyze the state's efforts to encourage current trends toward local government transparency in Michigan. We offer seven recommendations for future improvement so that transparency mechanisms can be more useful for public officials and make a greater difference in improving the lives of citizens.

The analysis is released in concert with PIRGIM's third annual *Following the Money* report, ranking of how well each of the 50 states make checkbook-level data on government spending available online to the public.

State Programs to Encourage Local Transparency

In 2011, the state of Michigan launched the Economic Vitality and Incentive Program (EVIP), designed to encourage local governments to improve transparency and performance to be eligible for incentive grants from the state.[1] Currently, 486 local jurisdictions in Michigan are eligible to participate in EVIP.[2] The program requires eligible local governments to create and make accessible two documents: a "Citizens' Guide" containing data and graphs on "the most important financial measures," including unfunded liabilities such as undercapitalized pension programs, and a "dashboard," which details the municipality's current financial health by reporting data on "fiscal stability, economic strength, public safety, [and] quality of life."[3]

Spurred by EVIP's requirements, local governments across the state have posted information about annual revenues and expenditures as part of their Citizens' Guides, providing citizens with a one-stop location for information on their city's financial health. The Citizens' Guides are good first steps to encourage local governments to consolidate information that was previously scattered across many websites, if available at all.

---

[1] State of Michigan Department of the Treasury, *Economic Vitality Incentive Program (EVIP) - Incentive Program*, downloaded from www.michigan.gov/treasury/0,1607,7-121-1751_2197-259414--,00.html, 29 February 2012.

[2] Thomas Ivacko, CLOSUP Administrator, Gerald R. Ford School of Public Policy, University of Michigan, personal communication, 7 March 2012.

[3] State of Michigan Department of the Treasury, *NUMBERED LETTER 2011-1*, downloaded from http://www.michigan.gov/treasury/0,1607,7-121-1751_2197_58826-259606--,00.html, 21 February 2012.

Cities such as Sterling Heights, which has been displaying transparency data on its website for several years, have also found that the new format helpful to help officials rethink how to display data in a more user-friendly way.[4] The inclusion of data from both the current and past fiscal years in the Citizens' Guides is useful because it allows the public to track the government's performance and financial standing over time.

Each jurisdiction participating in the EVIP program is given the ability to choose which performance standards it would include in its dashboard.[5] This adaptability is helpful for allowing local governments to determine the best way to measure their own progress, but creates a lack of consistency in the quality and usefulness of local transparency information.

The Treasury Department has partnered with Michigan State University Extension to aid in comparisons between localities by integrating the information local governments submitted in their Citizens' Guides.[6] This so-called "F65 Government Fiscal Data Portal" allows users to compare two jurisdictions by their revenues and expenditures in a given fiscal year, dating back to 2005.[7] Visitors can also search for information on local government pensions and debt. By making the data downloadable as an Excel spreadsheet, visitors can evaluate and analyze the finances of a local government in relation to its peers. [8]

The Need to Make Local Transparency More Useful

Local budget transparency should be enhanced not merely for its own sake, but because of the benefits it can deliver. A recent survey conducted by the Center for Local, State, and Urban Policy at the University of Michigan (CLOSUP) that investigated local officials' opinions of EVIP found that only 8 percent of local leaders "think a dashboard would be very effective at improving their local government's overall performance."[9] The state should utilize feedback from local officials to make EVIP requirements more useful to local governments.

Both government officials and independent observers have noted that in order to be useful to governments and citizens alike, transparency information must include more context than the dashboards and Citizens' Guides currently provide.[10] In order to be an accurate measure of government efficacy, statistics from one government should be compared with appropriate benchmarks. Depending on the data point in question, this benchmark might be the average score of similarly-sized local units in Michigan, local units with a comparable level of general fund expenditure, or local units in the same geographic region. Currently, these kinds of "apples to apples" comparisons can be

---

[4] Mark Vanderpool, City Manager, Sterling Heights, Michigan, personal communication, 29 February 2012.

[5] See note 2.

[6] See note 2.

[7] State of Michigan Department of the Treasury, *F65 Government Fiscal Data Portal*, http://f65.mitreasury.msu.edu, accessed 22 February 2012.

[8] See note 6.

[9] Center for Local, State, and Urban Policy, *Michigan Public Policy Survey, January 2012*, downloaded from http://closup.umich.edu/michigan-public-policy-survey/, 21 February 2012.

[10] Paul Sachs, Assistant Director, Planning and Performance Improvement Department, Ottawa County, Michigan, personal communication, 27 February 2012.

difficult to make as local governments have differing levels of data quality and availability.

Local governments face difficult challenges and are a far distance from the best possible systems for providing citizens with easily accessible information that is usable, timely and relevant. Toward bridging that gap, we offer a set of guidelines informed by states' experience with online transparency portals across the nation and from a series of interviews with local government experts in Michigan.

Seven Steps to Improving Local Transparency

Taking the limited resources of many local governments into consideration, there are still several ways in which EVIP criteria can be extended to require more comprehensive information. There are seven ways the dashboard and Citizens' Guide would be more useful.

1. **They should include revenues and expenditures from more than just two fiscal years.** Doing so would make longer term comparisons possible, allowing visitors to understand patterns over time and understand where spending or contracting has changed.

2. **Make data downloadable as spreadsheets**, such as Excel or other commonly used formats that can be searched and provide tools to increase citizens' ability to analyze the data. Currently, local governments can choose to post their dashboards and Citizens' Guides in either spreadsheet or PDF format.[11]

3. **Require municipalities to post spending information on grants as well as on economic development incentives to private and non-profit entities.** Increasing transparency for public expenditures on economic development subsidies can be particularly helpful to ensure public dollars provide the best bang for its buck. Some Michigan's local units have already taken the initiative to provide this information. For example, Lansing's website links to the Lansing Economic Development Corporation's (LEDC) site, which has "Project Summaries" from Fiscal Years 2006 to 2010. These reports give detailed information on each project LEDC has provided incentives to, including the title and address of the project, the incentive program it qualified for, the amount of public investment compared with the commensurate private investment, and the number of jobs to be created by the project.[12] Another tab on the LEDC's website contains the description, requirements, and purpose of each incentive program.[13] Lastly, the website provides a map that details each project's location. (See Figure 1).
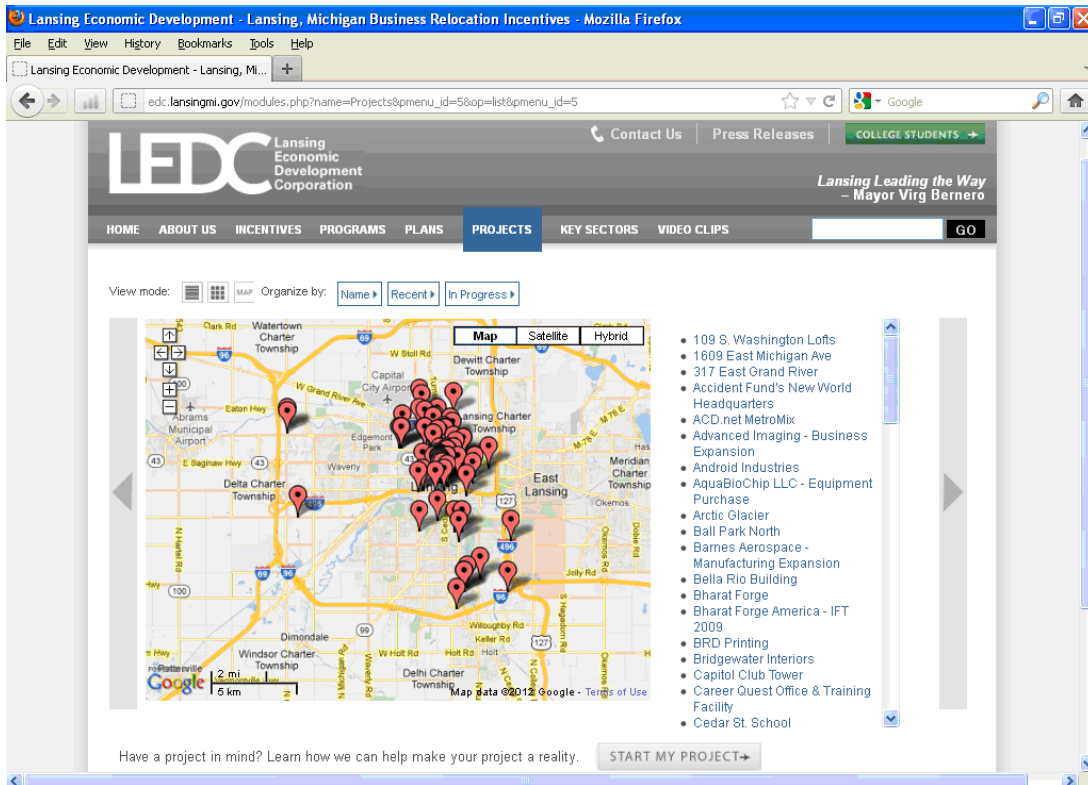
[Figure 1: Lansing Economic Development Project Map[14]]

---

[11] See note 2.

[12] Lansing Economic Development Corporation, *2010 Project Summary*, downloaded from http://edc.lansingmi.gov/modules.php?name=Pages&sp_id=207&smenu_id=142, 21 February 2012.

[13] Lansing Economic Development Corporation, *Incentives*, downloaded from http://edc.lansingmi.gov/modules.php?name=Pages&sp_id=59&pmenu_id=3, 21 February 2012.

[14] Lansing Economic Development Corporation, *Projects*, downloaded from http://edc.lansingmi.gov/modules.php?name=Projects&op=list&pmenu_id=5, 21 February 2012.

4. **Require local governments to provide information on contracts with private vendors.** This feature can be beneficial for businesses that want to compete for government contracts, as well as for the local government, which can save on procurement when there is increased competition for government contracts. For example, the City of Kalamazoo's website provides visitors with the city's current and past contracts going back to 2008. The site includes each contract's cost, award date, and expiration date.[15]

---

[15] City of Kalamazoo, *Bid Opportunities*, downloaded from http://www.kalamazoocity.org/portal/government.php?page_id=31, 21 February 2012.

5. **Don't treat all government spending as the same.** Currently, the dashboards register every reduction in government spending as a positive indicator, usually with green checkmarks or upward arrows. This simplistic rule of thumb ignores the adverse effects that spending cuts may have on service quality, reduced protection against risks, or creating greater costs and reduced revenue in the future. The Citizens Research Council (CRC) of Michigan, a nonprofit public affairs research organization, highlighted this concern in their publication *Local Government Performance Dashboards and Citizens' Guides*, which analyzed the strengths and weaknesses of EVIP's performance dashboard and citizens' guides.[16] Spending cuts may be necessary, and when they are, local governments must implement them in a way that minimizes their impact on public services and reinforces long term financial health. Dashboards should take these factors into account or otherwise consider the long-term sustainability of budgets. From an accounting point of view, local governments that address their budget shortfalls through revenue increases do just as good a job of balancing their books as those that institute spending cuts. Moreover, an increase in spending in a particular area may not even reflect increased municipal expenditures. For instance, the city of Saginaw's 2010 Financial Summary notes a 77.07 percent increase in community and economic development, but the extra spending came as a result of a federal grant.[17]

6. **Keep information up to date.** Tracking and displaying data promptly allows governments to address budgetary issues before they become problems, and gives a more accurate picture of whether recent policy changes are having their intended effect. Unfortunately, the CRC points out that many dashboards and Citizens' Guides provide outdated information.[18] For example, cities like Flint and Livonia have failed to update their dashboards and citizens' guides to include Fiscal Year 2011.[19] As one local government official

---

Resources for Local Governments

Small local units often lack staff or resources to dedicate to creating online transparency resources. There are some options available to assist governments in creating these tools:

- Private companies sell software and other services that make it easier for governments to create transparency resources. Local governments should be careful that they still retain the right to their own data if they decide to terminate these contracts. By joining together, local governments may also be able to leverage more favorable contracts.
- A pilot program at Eastern Michigan University School of Business paired municipal governments with graduate accounting students who assisted in the creation of EVIP dashboards and Citizens' Guides, a program that could be emulated by other colleges and universities in Michigan.[21]

---

[16] Citizens Research Council of Michigan, *Local Government Performance Dashboards and Citizens' Guides*, September 2011, downloaded from http://www.crcmich.org/PUBLICAT/2010s/2011/memo1108.html, 20 February 2012.

[17] Bernice Butler, Administrative Budget Analyst, City of Saginaw, Michigan, personal communication, 29 February 2012.

[18] Citizens Research Council of Michigan, *Local Government Performance Dashboards and Citizens' Guides*, September 2011, downloaded from http://www.crcmich.org/PUBLICAT/2010s/2011/memo1108.html, 20 February 2012.

[19] Flint: City of Flint, *City of Flint Performance Dashboard and Citizens Guide*, downloaded from http://www.cityofflint.com/dashboard/dashboard.asp, 22 February 2012; Livonia: City of Livonia, *Livonia*

noted, the utility of the dashboards is limited when they are not regularly updated.[20] To optimize their usefulness, dashboards and Citizens' Guides should contain the most current information possible; at the very least they should be updated promptly at the end of each fiscal year.

7. **Focus on what can be most readily changed**. Just as outcomes can only be managed if they can be measured; it also makes most sense to focus limited resources on measuring what local governments will be likely to manage. The performance data displayed in local government dashboards should reflect factors that government can actually be held accountable for. The CRC report mentions that while information such as the percentage of residents with a college degree "may be useful to citizens in choosing a community to reside in, [they do] not represent a measure within the control of general purpose local governments."[21]

By adopting these proposals, the state can improve EVIP to more effectively spur local governments to adopt meaningful and useful transparency measures.

Performance Dashboard and Citizens Guide, downloaded from http://www.ci.livonia.mi.us/Home/LivoniaDashboard/tabid/2056/Default.aspx, 22 February 2012.

[20] James Hartley, CitiStat Coordinator, City of Warren, Michigan, personal communication, 28 February 2012.

[21] Citizens Research Council of Michigan, *Local Government Performance Dashboards and Citizens' Guides*, September 2011, downloaded from http://www.crcmich.org/PUBLICAT/2010s/2011/memo1108.html, 20 February 2012.