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Return to Metro

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Previous story Next story



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SITE INDEX

- Homepage
- Search
- CyberSurveys
- News Talk
- Autos Talk
- Sports Talk
- Lions Talk
- Pistons Talk
- Wings Talk
- Tiger Talk
- Tech Talk
- Horoscope
- Hot Sites
- Lottery
- Recommendations
- Weather
- Staff

NEWS

- Autos
- Insider
- Auto Show
- Consumer
- Joyrides
- Business
- Careers
- Census
- Columnists
- Commuting
- Detroit History
- Editorials
- Health
- Metro / State
- Livingston
- Macomb
- Oakland
- Wayne
- On Detroit
- Nation / World
- Obituaries
- Death Notices
- Politics / Govt.
- Real Estate
- Religion
- Schools
- Special Reports
- Technology

SPORTS

- Sports Home
- Lions/NFL
- Red Wings/NHL
- Pistons/NBA
- Shock/WNBA
- Tigers/Baseball
- MSU
- U-M
- More Colleges



Max Ortiz / The Detroit News

Unemployed workers fill out claims forms at the unemployment office in Detroit. State and federal spending on social programs has increased 25 percent since 1996 while road spending has climbed 90 percent in the same period.

State Funding

Taxpayers hit with costs for both core city, sprawl

State funding of services for poor, education and roads all increase

By Mark Hornbeck / Detroit News Lansing Bureau

The segregation of Detroit by race and income costs state taxpayers additional millions each year for city services, schools and roads that carry sprawl to outlying suburbs and rural townships.

At the same time, the flight



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[Red Wings](#)
[Lions](#)
[Autos](#)
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of middle- to high-income families and business investment to the suburbs has left behind a city that needs considerable outside help to stay afloat.

Seeing the suburbs expand while Detroit languishes bothers Loretta Jones, a former Detroit resident living in Farmington Hills.

"I find it appalling -- not surprising but appalling," said Jones, a Detroit resident from 1940-78. "Of course it's a perplexing problem for lawmakers, but we can't decide that the people in the city are of no consequence."

While Detroit is among many urban core cities in the nation that need assistance from the rest of the state, the problem is especially acute here because of the degree of segregation and the poverty in the state's largest city, experts say.

"Absolutely, people outside the city have to make up for the fact that Detroit has a lower tax base and suffers from the many problems of poverty -- and probably correctly so from a social justice and efficiency point of view," said Edward Glaeser, an economics professor at Harvard University who has extensively studied the effects of segregation on cities.

Detroit's share reduced

Largely because outstate Republicans have controlled the Legislature and the governor's office for much of the past decade, Detroit's share of the state budget has generally been reduced from prior levels.

Detroit's chunk of the state's \$1.5 billion revenue sharing pot -- which goes to local governments for police and fire protection, road repairs



Max Ortiz / The Detroit News

Building new streets, sewers and other infrastructure, such as the Twelve Towns Drain improvements in Oakland County, to accommodate growth has suburban officials calling for increased state and federal aid.

Taxpayer costs

* The state budgeted \$89.3 million for at-risk programs in Detroit Public Schools last year, \$8.7 million for school readiness programs, and \$9.2 million for summer school for students falling behind. The district also has received a \$15-million state grant the last three years as part of the school board takeover package.

* Detroit's portion of the state revenue sharing funds (for police, fire, road repairs and other services) has been frozen at \$333.9 million until 2007. That represents about one quarter of the states' total, even though the city's population makes up 9 percent of Michigan's total.

* Taxpayers are funding hundreds of millions of dollars worth of sewer and water projects in the sprawling suburbs while, at the same time, maintaining underused facilities in the city.

* State and federal spending on welfare and public and mental health programs increased 25 percent since 1996. But road spending increased over 90 percent in the same period.

Sources: House and Senate Fiscal Agencies

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and other services -- at one time eclipsed 30 percent, even when its population plummeted to around 10 percent of the state's total.

Today, Detroit's population is 9 percent of Michigan's total, yet the city still gets one-quarter of the state's revenue sharing money.

Allowances have been made in recognition of Detroit's dwindling tax base, which no longer allows the city to collect enough to cover services.

"The tax base has been weakened tremendously," said Paul Hillegonds, executive director of Detroit Renaissance and former Republican speaker of the House from Holland. "And that has been a public policy reason for revenue sharing helping a city like Detroit even though its population has declined."

That thinking has changed somewhat in recent years. The revenue sharing formula was altered two years ago to more closely reflect population. Negotiations between West Michigan Republicans and former Detroit Mayor Dennis Archer over a new formula for distributing the money led to the city's share being frozen at \$333.9 million from 1999 until 2007.

Had the state formula been allowed to work in Detroit as it does in other cities, Detroit would be getting more than \$3 million less this year, state fiscal analysts estimate. The city made out especially well in the current budget, because state cuts caused revenue sharing to be slashed by 1 percent to 2 percent in most cities.

"We don't want to hog the money and we don't want to hurt Detroit. We just want our fair share in Grand Rapids and other communities," said Sen. Glenn Steil, R-Grand Rapids, a key player in the revenue sharing agreement.

State House Minority Leader Samuel "Buzz" Thomas, D-Detroit, takes issue with that reasoning.

"The original purpose of revenue sharing was to help aging cities going through shifts in demographics," he said. "Now lots of cities will be balancing their books in future years off of Detroit's share of the growth in the revenue-sharing pot."

According to the most recent federal census of municipal governments, Detroit actually receives more state aid, including state revenue sharing, than comparable cities. The survey, from 1997, showed state aid funded 15.1 percent of Chicago's budget, 9.2 percent of Cleveland's budget and about 17.8 percent of Philadelphia's budget.

During the same time period, state aid supplied almost 22 percent of Detroit's budget.

Outstate grouching

Resentment in the state capital toward state spending in the city remains strong.

"Quite frankly, Detroit still gets an unfair share of the state bucks we take in," said Steil. "It's a hangover from the days when the city had about 2 million people. Now, even though Detroit has less than a million people, the old spending habits in the capital are ingrained."

Thomas agrees that Detroit lawmakers "have had some difficulty in adjusting to the new reality that we're not 30 percent of the state's

adjusting to the new reality that were not 50 percent of the state's population anymore."

But Thomas bristles at the notion that the city is a costly drain on the state.

"Detroit has communities with high poverty and there will be costs associated with high poverty," Thomas said. "The state as a whole is held back when there are too many folks in poverty. State progress depends on a thriving central city."

Hillegonds said the alarming trend identified by the U.S. census is segregation by income level.

"There does appear to be a trend of increased concentration of poverty in our core areas, like Detroit," he said. "And that does show up as added cost in a variety of ways: health care, Medicaid, corrections costs and in categorical for education such as preschool, after-school and summer school programs."

"Personally, I'd rather see investment in revenue sharing and education to help rebuild the tax base and create more opportunities in our cities. A couple decades ago, the higher priority was on addressing the symptoms, that being welfare."

Clearly, the spending trend has not been toward paying for human services that aid the city's poor. While state and federal spending on welfare and public and mental health programs increased 25 percent since 1996, road spending, for example, increased more than 90 percent. While the money for human services and roads doesn't come out of the same pot, the numbers reflect changing priorities in Lansing and Washington.

Schools takeover costly

Flight to the suburbs also has left the Detroit Public Schools with a huge population of students at risk of failing. And there are costs attached to that for state taxpayers.

The city schools received nearly \$90 million for at-risk programs last year, a total that exceeds the total budget in most school districts.

In addition, the state's largest school district was getting \$8.7 million for school readiness programs, and \$9.2 million for summer school for students falling behind. This is largely because the district's students are poor. More than two-thirds of Detroit's students qualify for subsidized lunch programs, compared to the state average of about 31 percent.

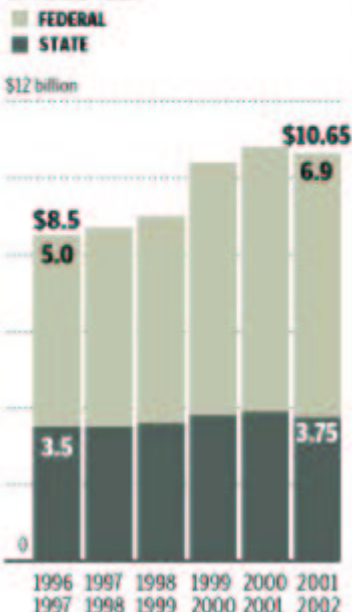
Poor performance by Detroit students led to a state-city takeover of the district three years ago. The last three years, the district has received a \$15 million grant for "student performance improvement." That money was in dispute in this year's school aid budget, with Republican lawmakers contending it was supposed to be a one-time payment. Detroit lawmakers eventually won that battle, but the money is uncertain for next year.

"I don't think rolling that \$15 million into their funding base is appropriate," said Sen. Leon Stille, R-Spring Lake, who chairs the Senate subcommittee on school spending. "Detroit should be funded on the same concept as everybody else."

Human services spending

State spending on human services has increased slightly over the past six years as the federal government spent a larger share:

SPENDING FOR SOCIAL SERVICES, BY FISCAL YEAR



Roads spending

State and federal spending for roads and bridges increased sharply in the last six years, the state portion paid primarily through the state gas tax:

SPENDING FOR ROADS AND BRIDGES, BY FISCAL YEAR



Sources: State budget documents, Senate Fiscal Agency, transportation analysts
The Detroit News

Financing sprawl

If Detroit is taking in more money than some believe it deserves, there is no doubt the suburban boom, fueled largely by whites leaving denser areas, continues to cost taxpayers millions.

Road construction is just one example: The Southeast Michigan Council of Government's transportation plan for 2002-2004 calls for nearly \$200 million in state spending in suburban Oakland and Macomb counties. That doesn't include spending from federal or local sources.

Flight to the far-flung suburbs has added stress to state roads, such as M-59 in Macomb County. The highway was recently widened west of Utica to I-94 at a cost of more than \$300 million in state and federal funding to accommodate heavier traffic in mushrooming suburbs. As development headed further north and west, taxpayers footed the bill for even costlier projects in recent decades to complete major suburban thoroughfares, such as I-696 and I-275.

Mark Wyckoff, a Lansing-based land-use expert and critic of suburban development policies, said the flight of population from Detroit and other urban centers has meant taxpayers must pay twice

Detroit and other urban centers has meant taxpayers must pay twice, building new streets, sewers and other infrastructure in the suburbs while maintaining underused facilities in the city.

In the 1950s, Detroit's roads and sewers were built for a city of about 2 million people. "Now you have less than 1 million people having to pay for an infrastructure built for twice that many," he said. "It's not like you can close whole neighborhoods and say, 'We won't run sewer lines there anymore.' No corporation could survive with excess capacity like that."

Whether through federal, state or local taxes -- or even simply their water rates -- Michigan taxpayers also are funding hundreds of millions of dollars worth of sewer and water projects in the suburbs.

Oakland County officials have warned for three years that water bills in some communities could double because sewer construction needs to catch up to decades of development. Projects such as the Twelve Towns Drain improvements, which will cost residents more than \$140 million dollars, have municipal and county officials calling for increased state and federal aid to meet the demand.

Critics such as Wyckoff argue that if not for the push to the suburban fringe, taxpayers wouldn't face those double costs.

Wyckoff said the complexities of state budgets make it difficult to decipher just how much state money goes to aid development in the suburbs, and how much to redeveloping blighted cities. But a group of economists and experts his firm recently assembled was astounded when members began listing state laws and programs that do one or the other.

There are more than 100 statutes, Wyckoff said, that deal with suburban or urban development; roughly 80, his group found, contribute to suburban growth, and about 20 to city redevelopment. The list led him to believe that, while outstate officials often complain about subsidies to Detroit, the situation might be just the reverse: "It makes you suspect it's urban residents subsidizing the suburban."

Detroit News Staff Writers Gordon Trowbridge and Cameron McWhirter contributed to this report. You can reach Mark Hornbeck at (517) 371-3660 or <mailto:mhornbeck@detnews.com>

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