Trends in local fiscal health and funding local government in Michigan

Presented at the Wayne County/WCCC Forum: Broken Municipal Funding Model
June 27, 2013
The Michigan Public Policy Survey

• **Census survey** – all counties, cities, villages, and townships

• **Respondents** – chief elected and appointed officials

• **Administered** – online and via hardcopy

• **Timing** – Spring and Fall each year

• **Topics** – wide range, such as fiscal health, budget priorities, economic development, intergovernmental cooperation, employee policies, labor unions, state relations, environmental sustainability, citizen engagement, much more.
Presentation Outline

• Era of Local Government Retrenchment
• A 2nd Retrenchment Looming?
• What Local Leaders Say Should Be Done
Challenge: Declining Revenues and Rising Costs
A Decade of Funding Cuts

Revenue sharing cuts

~ $4.2 Billion

9/22/2011
House Fiscal Agency
Declining Revenues
% of jurisdictions with declining state aid

[Bar chart showing percentage of jurisdictions with declining state aid by population size and year, with data for 2009, 2010, 2011, and 2012.]
Declining Revenues
% of jurisdictions with declining property tax revenues

Population Size

- < 1500
- 1500-5000
- 5001-10000
- 10001-30000
- > 30000

Year
- 2009
- 2010
- 2011
- 2012

CLOSUP Center for Local, State, and Urban Policy
Gerald R. Ford School of Public Policy
Response: Local Governments Take Action
Government Actions

% of jurisdictions increasing reliance on GF balance
Government Actions
% of jurisdictions cutting staff levels

Population Size

- < 1500
- 1500-5000
- 5001-10000
- 10001-30000
- > 30000

2009
2010
2011
2012

0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Government Actions

% of jurisdictions shifting health care costs to employees

<table>
<thead>
<tr>
<th>Population Size</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1500-5000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5001-10000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10001-30000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; 30000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Government Actions

% of jurisdictions increasing inter-gov’t cooperation

![Bar chart showing the percentage of jurisdictions increasing inter-government cooperation over time (2009-2012) for different population size categories (under 1500, 1500-5000, 5001-10000, 10001-30000, and over 30000). The chart illustrates an increase in cooperation across all population size categories over the years.]
Government Actions

% of jurisdictions cutting service levels

Population Size

- < 1500
- 1500-5000
- 5001-10000
- 10001-30000
- > 30000

Year

- 2009
- 2010
- 2011
- 2012

Population Size
Result:
Some Easing of Fiscal Stress
Spreading Fiscal Problems
2009: less able to meet fiscal needs, by county

Jurisdictions within County
- Green: < 25%
- Yellow: 25-50%
- Red: > 50%
Spreading Fiscal Problems

2010: less able to meet fiscal needs, by county

Jurisdictions within County

- Green: < 25%
- Yellow: 25-50%
- Red: > 50%
Easing Fiscal Problems

2011: less able to meet fiscal needs, by county

Jurisdictions within County

Green: < 25%
Yellow: 25-50%
Red: > 50%
Easing Fiscal Problems

2012: less able to meet fiscal needs, by county

Jurisdictions within County

- **Green:** < 25%
- **Yellow:** 25-50%
- **Red:** > 50%
Status of Fiscal Health Today

• General Fund Balance
  o 66% say levels are about right or even too high, but ...
  41% in largest jurisdictions say it's too low

• Cash Flow
  o 91% say not much of a problem or not a problem at all, but ...
  18% in largest jurisdictions say somewhat of a problem
Services Still Delivered
Satisfaction with package of services in 2012

Among all jurisdictions

- Very satisfied: 39%
- Somewhat satisfied: 39%
- Neither satisfied nor dissatisfied: 10%
- Somewhat dissatisfied: 9%
- Very dissatisfied: 2%
- Don’t know: 1%
Presentation Outline

- Era of Local Government Retrenchment
- A 2nd Retrenchment Looming?
- What Local Leaders Say Should Be Done
Concerns Going Forward
% that can **maintain services** in current system

<table>
<thead>
<tr>
<th>Population Size</th>
<th>Can Maintain</th>
<th>Neutral</th>
<th>Cannot Maintain</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1500</td>
<td>46%</td>
<td>16%</td>
<td>30%</td>
<td>8%</td>
</tr>
<tr>
<td>1500-5000</td>
<td>46%</td>
<td>21%</td>
<td>27%</td>
<td>6%</td>
</tr>
<tr>
<td>5001-10000</td>
<td>44%</td>
<td>17%</td>
<td>37%</td>
<td>2%</td>
</tr>
<tr>
<td>10001-30000</td>
<td>38%</td>
<td>13%</td>
<td>48%</td>
<td>1%</td>
</tr>
<tr>
<td>&gt; 30000</td>
<td>22%</td>
<td>10%</td>
<td>67%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Center for Local, State, and Urban Policy
Gerald R. Ford School of Public Policy
Spreading Fiscal Problems
Able to maintain services, by county

Jurisdictions within County
Red: < 50%
Green: > 50%
Concerns Going Forward
% of jurisdictions with increased infrastructure needs

![Bar chart showing population size and infrastructure needs percentages for different population size categories (2011 vs. 2012).](chart.png)
Concerns Going Forward

% that can **improve services** in current system

<table>
<thead>
<tr>
<th>Population Size</th>
<th>Can Improve</th>
<th>Neutral</th>
<th>Cannot Improve</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1500</td>
<td>25%</td>
<td>37%</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>1500-5000</td>
<td>27%</td>
<td>38%</td>
<td>9%</td>
<td>20%</td>
</tr>
<tr>
<td>5001-10000</td>
<td>27%</td>
<td>46%</td>
<td>3%</td>
<td>30%</td>
</tr>
<tr>
<td>10001-30000</td>
<td>21%</td>
<td>61%</td>
<td>1%</td>
<td>50%</td>
</tr>
<tr>
<td>&gt; 30000</td>
<td>14%</td>
<td>79%</td>
<td>1%</td>
<td>6%</td>
</tr>
</tbody>
</table>
Spreading Fiscal Problems

Able to improve services, by county

Jurisdictions within County

Red: < 50%
Green: > 50%
Presentation Outline

• Era of Local Government Retrenchment

• A 2nd Retrenchment Looming?

• What Local Leaders Say Should Be Done
Support for Funding Reform

% that believe significant reform is needed

<table>
<thead>
<tr>
<th>Population Size</th>
<th>Reform needed</th>
<th>Neutral</th>
<th>Reform not needed</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1500</td>
<td>52%</td>
<td>23%</td>
<td>17%</td>
<td>9%</td>
</tr>
<tr>
<td>1500-5000</td>
<td>56%</td>
<td>22%</td>
<td>16%</td>
<td>6%</td>
</tr>
<tr>
<td>5001-10000</td>
<td>61%</td>
<td>19%</td>
<td>17%</td>
<td>3%</td>
</tr>
<tr>
<td>10001-30000</td>
<td>70%</td>
<td>15%</td>
<td>14%</td>
<td>1%</td>
</tr>
<tr>
<td>&gt; 30000</td>
<td>77%</td>
<td>13%</td>
<td>13%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Support for Funding Reform

% that believe **significant reform** is needed

**Chart Description:**
- **Republican:** 55% Reform needed, 22% Neutral, 18% Reform not needed, 5% Don't know
- **Independent:** 63% Reform needed, 18% Neutral, 12% Reform not needed, 7% Don't know
- **Democrat:** 62% Reform needed, 19% Neutral, 14% Reform not needed, 5% Don't know
Support for Funding Reform

% that would target **specific funding elements** to reform

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Not Important at All</th>
<th>Somewhat Important</th>
<th>Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas tax</td>
<td>6%</td>
<td>35%</td>
<td>54%</td>
</tr>
<tr>
<td>Sales tax</td>
<td>12%</td>
<td>42%</td>
<td>41%</td>
</tr>
<tr>
<td>Headlee Amendment</td>
<td>9%</td>
<td>38%</td>
<td>44%</td>
</tr>
<tr>
<td>Proposal A</td>
<td>8%</td>
<td>36%</td>
<td>45%</td>
</tr>
<tr>
<td>Constitutional revenue sharing</td>
<td>15%</td>
<td>30%</td>
<td>50%</td>
</tr>
<tr>
<td>Personal Property Tax (PPT)</td>
<td>15%</td>
<td>37%</td>
<td>41%</td>
</tr>
<tr>
<td>Economic Vitality Incentive Program</td>
<td>12%</td>
<td>32%</td>
<td>32%</td>
</tr>
<tr>
<td>Local income tax</td>
<td>37%</td>
<td>27%</td>
<td>20%</td>
</tr>
<tr>
<td>Regional taxation</td>
<td>29%</td>
<td>26%</td>
<td>16%</td>
</tr>
</tbody>
</table>
A Broken Funding System?

key findings

• Long period of fiscal squeeze: falling revenues and rising costs.

• Local governments were very active in responding: have largely preserved fiscal health and tried to protect services.

• However, only 43% believe current system of funding will allow them to maintain their current package of services in the future; only 26% think it will allow improvements or provision of new services.

• 58% say significant reform is needed. Among them, overwhelming percentages say each major piece of the system needs reform.

• It’s time to discuss the system of funding local government.
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