Trends in local fiscal health and funding local government in Michigan

Presented at the MML Capital Conference
March 19, 2014
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.
MPPS is not a typical opinion poll

- 70+% response rates
- Transparency
  -- Questionnaires online
  -- Pre-run data tables online
  -- Sharing of (anonymized) datasets with other researchers
- Expert advisors on questionnaire content
- Borrow from other proven sources such as NLC and ICMA
- Quality control such as double blind coding of open-end responses
What does the MPPS aim to do?

• **Improve understanding** of local government to help improve policymaking and quality of life

• **Inform local leaders** about peers across the state: challenges and responses

• **Inform state policymakers** and other stakeholders with data about local level challenges and responses not available from any other source

• **Build a longitudinal data archive** to allow tracking of fundamental changes (such as the economic transition, aging population, etc.)

• Foster **academic research and teaching** on local government issues
Presentation Outline

• Findings on fiscal trends and budgetary health from the 2009-2013 Waves of the MPPS

✓ Continuing fiscal challenges facing Michigan’s local governments

✓ How local governments are responding

✓ Prospects for the coming year
Challenge: Declining Revenues and Rising Costs
A Decade of Funding Cuts

Revenue sharing cuts

~ $4.2 Billion
Declining Revenues
% of jurisdictions with declining state aid

Population Size

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Declining Revenues

% of jurisdictions with declining property tax revenues

![Bar chart showing declining revenues by population size and year.](chart.png)
Rising Costs

% of jurisdictions with rising health care costs

Population Size

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

2009
2010
2011
2012
2013

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Rising Costs

% of jurisdictions with rising pension costs

Population Size

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

% of jurisdictions with increasing infrastructure needs
Response: Local Governments Take Action
Government Actions

% of jurisdictions increasing reliance on GF balance

[Bar chart showing percentage of jurisdictions increasing reliance on GF balance by population size and year (2009-2013).]
Government Actions
% of jurisdictions cutting staff levels

[Bar chart showing percentage of jurisdictions cutting staff levels across different population sizes and years from 2009 to 2013.]
Government Actions

% of jurisdictions shifting health care costs to employees
Government Actions

% of jurisdictions increasing inter-gov’t cooperation

Populate Size

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

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Government Actions

% of jurisdictions increasing debt

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Government Actions

% of jurisdictions cutting service levels

Population Size

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

2009
2010
2011
2012
2013

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Result:
Gradual Trend
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%
Easing Fiscal Problems

2013: less able to meet fiscal needs, by county

Jurisdictions within County

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

**net fiscal health change:** percentage of jurisdictions with improving fiscal health minus percentage with declining health

![Graph showing net fiscal health change by population size](image-url)
Easing Fiscal Problems

% of jurisdictions in 2013 that say **general fund balance** is too low

<table>
<thead>
<tr>
<th>Population Size</th>
<th>Too High</th>
<th>About Right</th>
<th>Too Low</th>
<th>Don't Know</th>
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<tr>
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<td>14%</td>
<td>30%</td>
<td>54%</td>
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<td>1500-5000</td>
<td>11%</td>
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<td>5001-10000</td>
<td>11%</td>
<td>22%</td>
<td>63%</td>
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<td>4%</td>
<td>24%</td>
<td>61%</td>
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<td>2%</td>
<td>35%</td>
<td>54%</td>
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Easing Fiscal Problems

% of jurisdictions in 2013 that say cash flow is a problem

Population Size

- Not a problem at all
- Not much of a problem
- Somewhat of a problem
- A significant problem

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<th>Not a problem at all</th>
<th>Not much of a problem</th>
<th>Somewhat of a problem</th>
<th>A significant problem</th>
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28% of jurisdictions in 2013 that say cash flow is a problem
Looking Ahead:
Plans for the coming year
Plans Going Forward

% of jurisdictions planning changes to staffing levels

- decrease workforce hiring
- decrease filling vacant positions
- increase workforce layoffs

Population Size

- < 1500: 6% decrease, 8% hiring
- 1500-5000: 6% decrease, 8% hiring
- 5001-10000: 14% decrease, 17% hiring
- 10001-30000: 14% decrease, 20% hiring
- > 30000: 24% decrease, 30% hiring

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Gerald R. Ford School of Public Policy
University of Michigan
% of jurisdictions planning changes in employee pay

- 38% for <1,500 population
- 42% for 1,500-5,000 population
- 46% for 5,001-10,000 population
- 55% for 10,001-30,000 population
- 44% for >30,000 population

Increase employee pay
Decrease employee pay
% of jurisdictions planning increases in employees’ share of contributions to benefits

- Increase employees' share of health care costs
- Increase employees' contribution to retirement funds
- Increase retirees' share of health care costs

Population Size

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

30% 41% 56% 59% 77%
11% 16% 26% 28% 48%
22% 27% 37% 39% 48%
3% 16% 26% 28% 55%

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Plans Going Forward

% of jurisdictions planning changes in property tax rates

- Increase property tax rates
- Decrease property tax rates
Plans Going Forward

% of jurisdictions planning increases in intergovernmental cooperation and privatization of services

Population Size

- < 1500: 22% increase in cooperation, 8% increase in privatization
- 1500-5000: 32% increase in cooperation, 8% increase in privatization
- 5001-10000: 45% increase in cooperation, 17% increase in privatization
- 10001-30000: 58% increase in cooperation, 27% increase in privatization
- > 30000: 72% increase in cooperation, 34% increase in privatization
Looking Ahead:
Predictions about
future fiscal health
Forecast for Michigan communities

% of officials predicting **good or bad times** for their communities financially in 2014

![Bar graph showing the percentage of officials predicting good or bad times for communities of different population sizes.](image)

- **Good times ahead**
- **Bad times ahead**

Population Size:
- < 1500
- 1500-5000
- 5001-10000
- 10001-30000
- > 30000
Forecast for Michigan local governments

% of officials predicting their governments will be better or less able to meet fiscal needs in 2014

![Bar chart showing the percentage of officials predicting their governments will be better or less able to meet fiscal needs next year, categorized by population size.](image)
Michigan Local Government Fiscal Health Trends

key findings

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

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

• As of 2013, 29% of Michigan jurisdictions say they are better able to meet their financial needs this year, but another 29% still say they are less able to do so. This is a significant improvement from the low point in 2010, when just 9% were better able, and 61% were less able.

• Local governments continue to pursue a variety of actions to improve their fiscal status, including shifting health care costs to employees, increasing intergovernmental cooperation.

• Looking to the future, more officials predict that their communities will have good times financially in the coming year (36%) than predict bad times (18%). Highest levels of optimism found in Michigan’s larger jurisdictions.
Rising Costs

% of jurisdictions with increasing infrastructure needs
Future waves of the Michigan Public Policy Survey:

• Fall 2014: Infrastructure

• Other survey topics?

• How should MPPS data and reports be distributed to reach the widest audience?
The Michigan Public Policy Survey (MPPS)

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