The MPPS and Michigan Local Government Fiscal Health Tracking

Presentation to the Municipal Finance Restructuring Concepts Workgroup
February 19, 2015
The Michigan Public Policy Survey

- **Census survey** – all 1,856 counties, cities, villages, and townships
- **Response rates** – 70%+ at the jurisdiction level
- **Respondents** – chief elected and appointed officials
- **Timing** – Spring and Fall each year
- **Key MPPS Topics Addressing Fiscal Health** – improving/declining ability to meet financial needs; cash flow problems; general fund balance and concerns; self-assessed fiscal health/stress scale; intergovernmental cooperation and consolidation; pension and OPEB debt; revenue flexibility; and more.
Data on:

- fiscal health
- Intergovernmental cooperation and consolidation
- Pension and OPEB debt
- Revenue flexibility
Slowly Improving Fiscal Health

% of Michigan jurisdictions **better or less able** to meet fiscal needs

<table>
<thead>
<tr>
<th>Year</th>
<th>Better able</th>
<th>Less Able</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>11%</td>
<td>52%</td>
</tr>
<tr>
<td>2010</td>
<td>9%</td>
<td>61%</td>
</tr>
<tr>
<td>2011</td>
<td>16%</td>
<td>48%</td>
</tr>
<tr>
<td>2012</td>
<td>24%</td>
<td>34%</td>
</tr>
<tr>
<td>2013</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>2014</td>
<td>36%</td>
<td>24%</td>
</tr>
</tbody>
</table>
Spread and Easing of Fiscal Problems

Net fiscal health yearly change: % of jurisdictions reporting improving fiscal health minus % reporting declining health, by county
Intergovernmental cooperation and consolidation
% of jurisdictions planning to increase inter-gov’t cooperation
Other data on cooperation from 2010

• Partners in current intergovernmental cooperation
• Extent of collaboration for provision of specific services
• Factors encouraging or discouraging decisions about collaboration
• Perceived effectiveness of state mandates and incentives regarding intergovernmental cooperation
Pension and OPEB debt
Pension Obligations

% of jurisdictions (among those that offer retirement benefits) where pension obligations are a significant/somewhat of a problem for fiscal health

![Bar chart showing the percentage of jurisdictions with pension obligations as a problem for fiscal health across different population sizes in 2010 and 2011.](chart)

- <1,500
- 1,500-5,000
- 5,001-10,000
- 10,001-30,000
- >30,000

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CLOSUP
Center for Local, State, and Urban Policy

GERALD R. FORD SCHOOL OF PUBLIC POLICY
UNIVERSITY OF MICHIGAN
Other data on OPEB/pensions from 2010-11

- Whether jurisdictions shifting from defined benefit to defined contribution retirement plans

- Actions jurisdictions are taking to address OPEB liability (e.g., increased cost-sharing for retirees, negotiating with unions to reduce benefits, increased the age/years of service at which retirement benefits are available, etc.)
Revenue Flexibility
Revenue Flexibility

In general, do you agree or disagree with the idea of tying state revenue sharing to certain base-level local services while allowing local governments to raise additional taxes for additional services?

<table>
<thead>
<tr>
<th>% within Jurisdiction Type</th>
<th>Jurisdiction Type</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>County</td>
</tr>
<tr>
<td>In general, do you agree or disagree with the idea of tying state revenue sharing to certain base-level local services while allowing local governments to raise additional taxes for additional services?</td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>5%</td>
</tr>
<tr>
<td>Somewhat Agree</td>
<td>15%</td>
</tr>
<tr>
<td>Neither</td>
<td>9%</td>
</tr>
<tr>
<td>Somewhat Disagree</td>
<td>21%</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>36%</td>
</tr>
<tr>
<td>Don't Know</td>
<td>14%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>
How else can the MPPS help inform state policy and planning going forward?
A Secondary Check on Audit-Based Data

• A complementary fiscal health index: MPPS asks what the jurisdictions’ fiscal health is today on a 10 point scale, and then what it is expected to be in the future.

• Two indices are better than one: any single index--objective or subjective--will likely be incomplete, or even flawed in some way.

• Compared to Munetrix’s index, the MPPS index:
  -- Reports somewhat worse fiscal health scores
  -- Is more volatile, year over year

• Understanding the MPPS index:
  -- Regression analysis shows it has internal logical consistency with other fiscal health indicators
  -- In 2015, MPPS will ask what local leaders are thinking of when they evaluate their jurisdictions’ fiscal health. Valuable insight beyond numbers.
Understanding State Fiscal Policy Implementation: MPPS data and the roll-out of EVIP

• Spring 2011: the Economic Vitality Incentive Program (EVIP) introduced

• Fall 2011: MPPS survey on EVIP, including leaders’ views, jurisdictions’ responses

• January 2012: CLOSUP report -
  -- Awareness of EVIP policy innovation rolled-out unevenly among across the state. Confusion about eligibility.

  -- Dashboard incentives worked: 90% of EVIP-eligible jurisdictions created performance dashboards, compared to just 26% of jurisdictions not eligible for EVIP incentive funds.

  -- But local skepticism: Only 10% thought dashboards would be very effective at improving accountability and transparency; 8% believed they would be very effective at improving their government’s performance.

  -- Unintended consequences: intergovernmental collaboration incentives may have lead to underbidding, dissolution of some projects to launch new ones just to get incentive funds.
Benefits of using MPPS to help understand local government

- Unique in the nation: the only ongoing census survey of all local governments in an entire state

- Provides forward-looking data: jurisdictions’ expected actions; opportunities; challenges and barriers

- Flexibility: can add new measures quickly and track them over time

- Can provide officials’ insights into the severity of ‘objective’ measures, providing a check on audit data

- Can gauge support, opposition, and evaluations by local officials regarding new state policies (EVIP, PPT reform, etc.)

- Can act as program evaluation for whatever fiscal stress indicator program the state develops
The Michigan Public Policy Survey (MPPS)

Web: www.closup.umich.edu
Email: closup-mpps@umich.edu
Twitter: @closup