

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

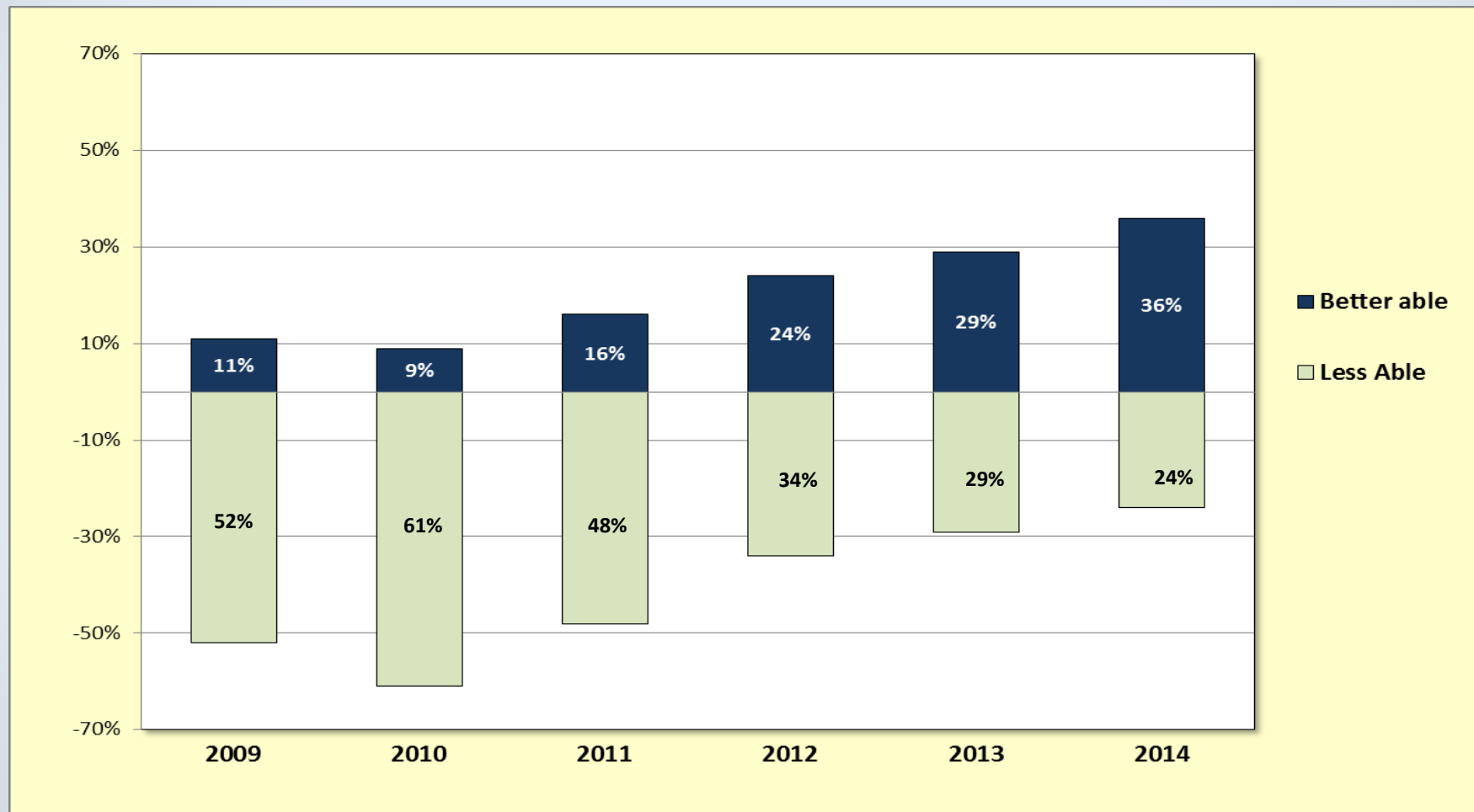
- **Census survey** – all 1,856 counties, cities, villages, and townships
- **Response rates** – 70%+ at the jurisdiction level
- **Respondents** – chief elected and appointed officials
- **Timing** – Spring and Fall each year
- **Key MPPS Topics Addressing Fiscal Health** – improving/declining ability 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

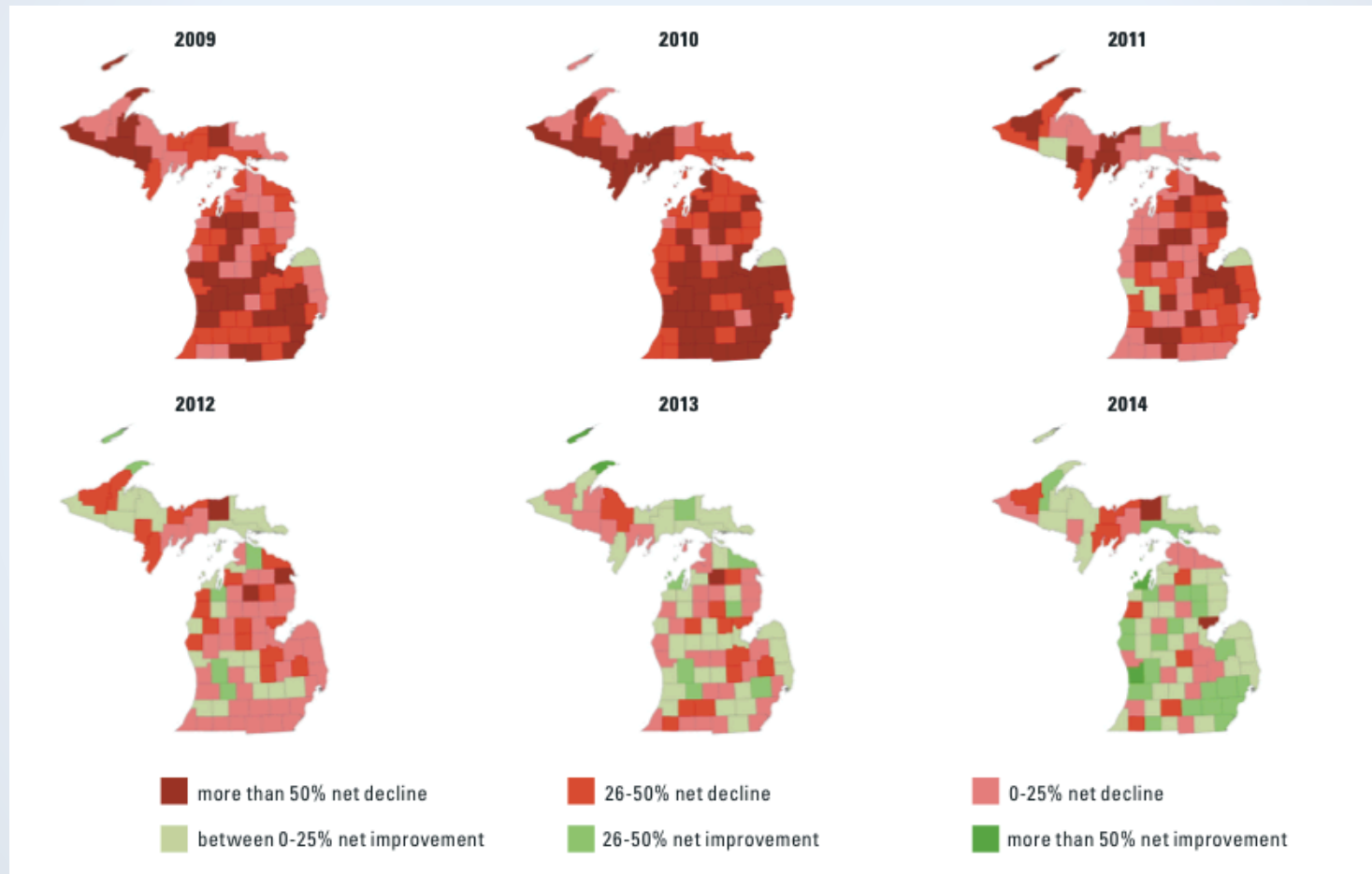
Slowly Improving Fiscal Health

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



Spread and Easing of Fiscal Problems

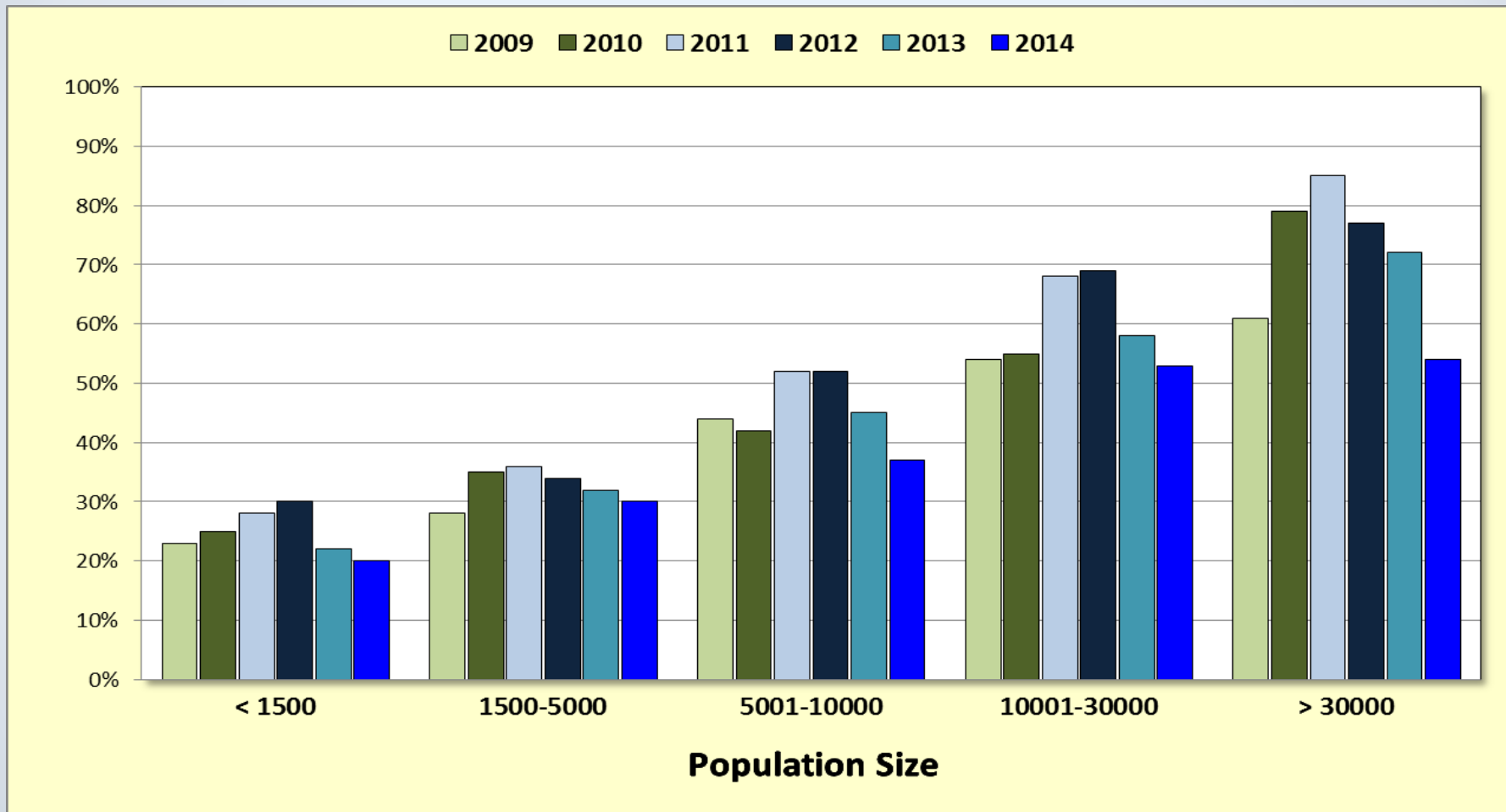
Net fiscal health yearly change: % of jurisdictions reporting improving fiscal health **minus** % reporting declining health, by county



Intergovernmental cooperation and consolidation

Plans Going Forward

% of jurisdictions planning to **increase inter-gov't cooperation**



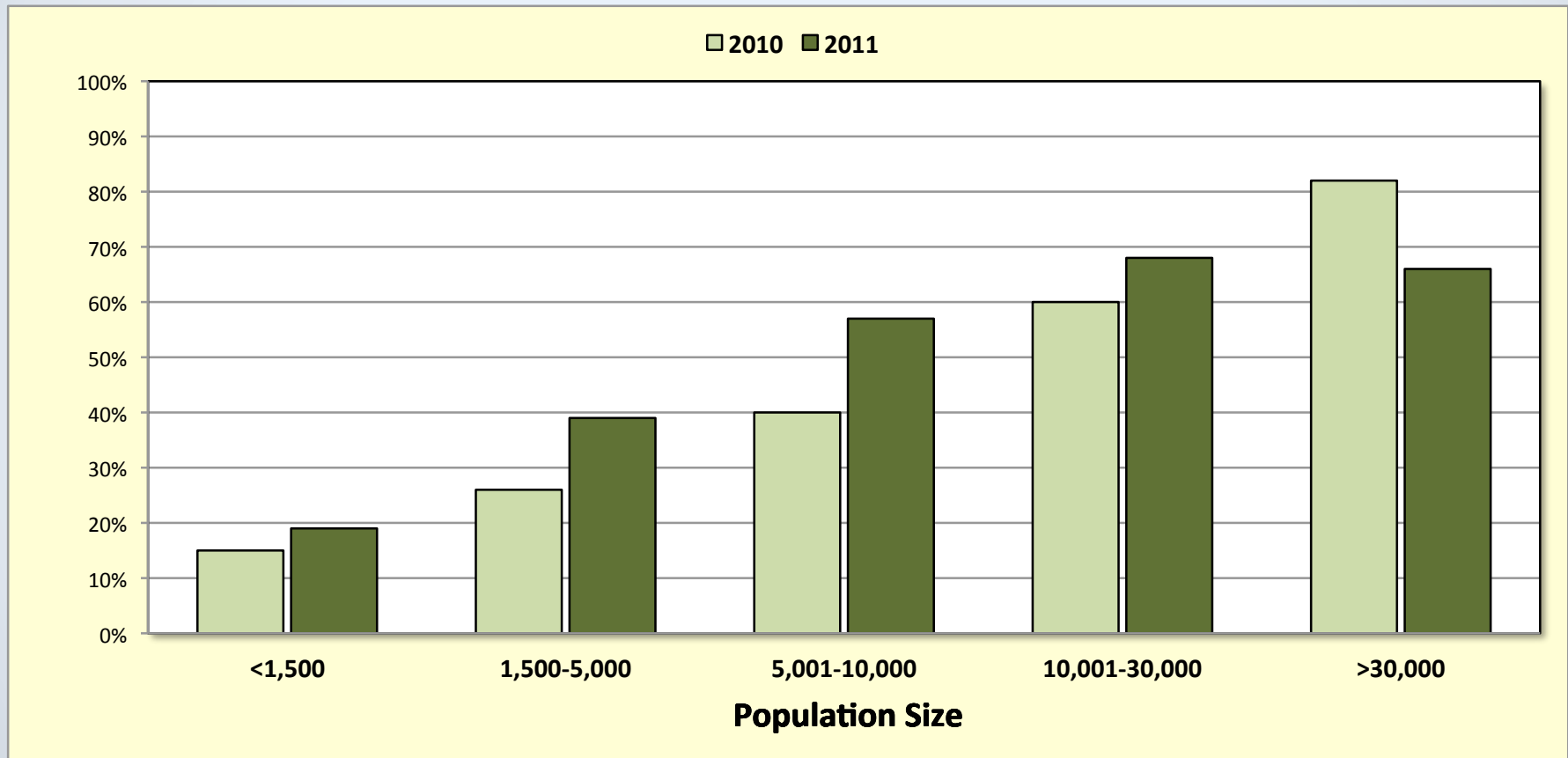
Other data on cooperation from 2010

- 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



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?

Jurisdiction Type Crosstabulation						
% within Jurisdiction Type						
		Jurisdiction Type				Total
		County	Township	City	Village	
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?	Strongly Agree	5%	1%	11%	4%	4%
	Somewhat Agree	15%	10%	32%	24%	16%
	Neither	9%	14%	16%	13%	14%
	Somewhat Disagree	21%	19%	13%	23%	18%
	Strongly Disagree	36%	42%	21%	25%	36%
	Don't Know	14%	14%	8%	11%	12%
Total		100%	100%	100%	100%	100%

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

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