

How Are Michigan Local Governments Coping With Fiscal Stress?

Findings from the Spring 2010 Michigan Public Policy Survey (MPPS)

Presentation for the 11th Annual Lent Upson Lecture
October 21, 2010

Presentation Outline

- Overview of the Michigan Public Policy Survey (MPPS)
- Summary of findings on fiscal and budgetary health from the Spring 2010 Wave of the MPPS
 - Problems facing Michigan's local governments
 - How local governments are responding

Michigan Public Policy Survey: Overview

■ A Census Survey

- Targeted respondents are the **chief elected** and **chief appointed** official in every single Michigan county, city, township, and village
- Surveys administered online for $\sim 3/4$ of the sample, via hardcopy questionnaire for $\sim 1/4$ of the sample
- 65-70% response rate by jurisdiction
- Survey content is developed in close partnership with MML, MTA, and MAC, in addition to consulting other experts

Michigan Public Policy Survey: Overview

- Conducted twice per year (Spring and Fall)
 - Spring 2009: Fiscal and Economic Development Issues
 - Fall 2009: Workforce Development
 - Spring 2010: Fiscal and Economic Development Tracking
 - Fall 2010 (upcoming): Intergovernmental Cooperation

Michigan Public Policy Survey: Overview

■ Goals for the Survey Program

- Fill the critical information gap about the challenges of policymaking at the local level
- Provide information to local leaders about peers across the state, spread best practices and grass-roots innovative solutions
- Provide a voice for local-level concerns to policymakers in Lansing, foundations, community organizations, etc.
- Build longitudinal data archive to allow tracking of fundamental changes

Presentation Outline

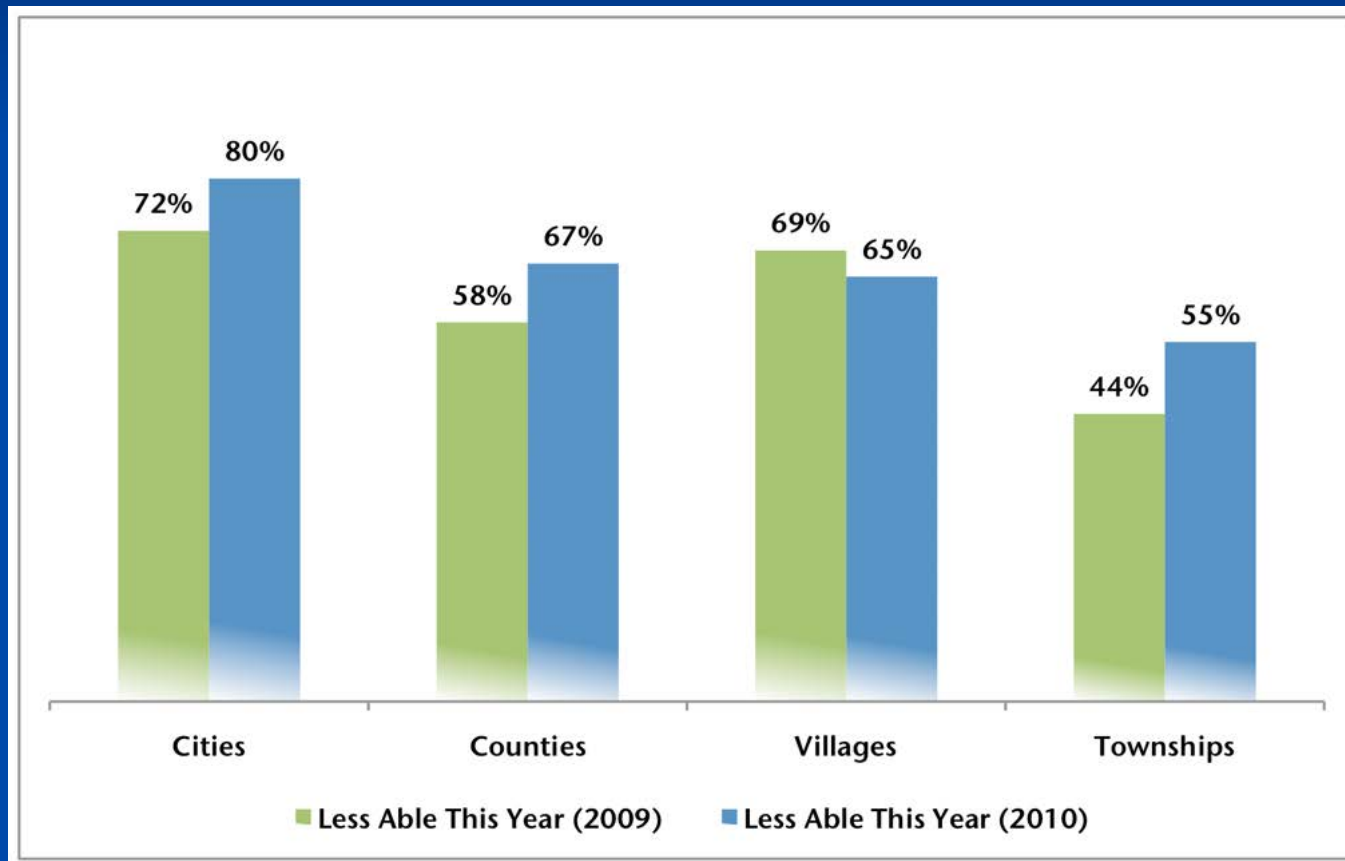
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MPPS: Spring Wave Questionnaire

- General topics covered in the Spring waves:
 - Evaluations of local economic conditions and fiscal health
 - Changes in budget and operational pressures
 - Corresponding changes in policy, including revenue generation, service provision, employment practices

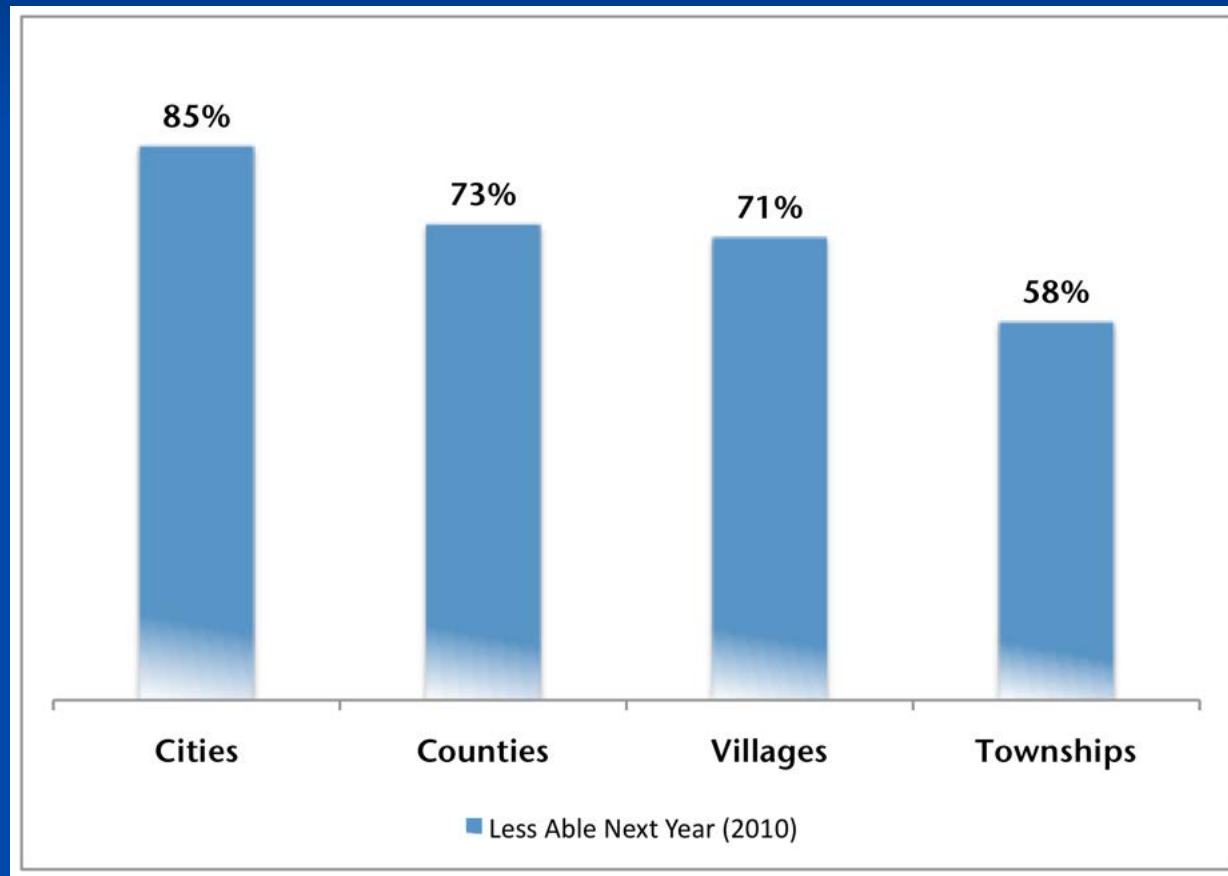
Problem: Ability to Meet Needs Now

- Thinking about the financial needs of your jurisdiction, would you say that your unit of government is less able or better able to meet its financial needs this fiscal year compared with the last fiscal year?



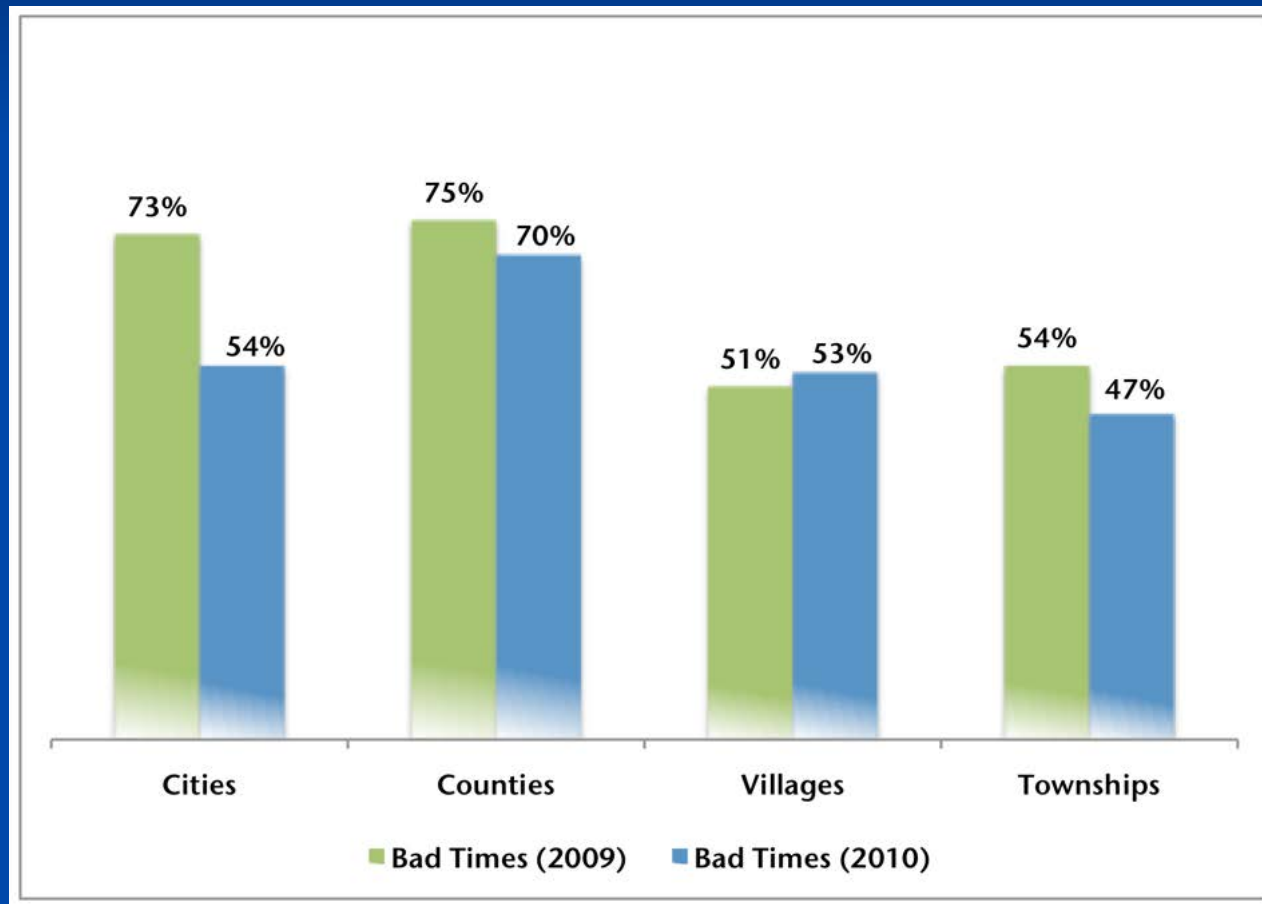
Problem: Ability to Meet Needs Next Year

- Thinking about the financial needs of your jurisdiction, would you say that your unit of government is less able or better able to meet its financial needs next fiscal year compared with this fiscal year?



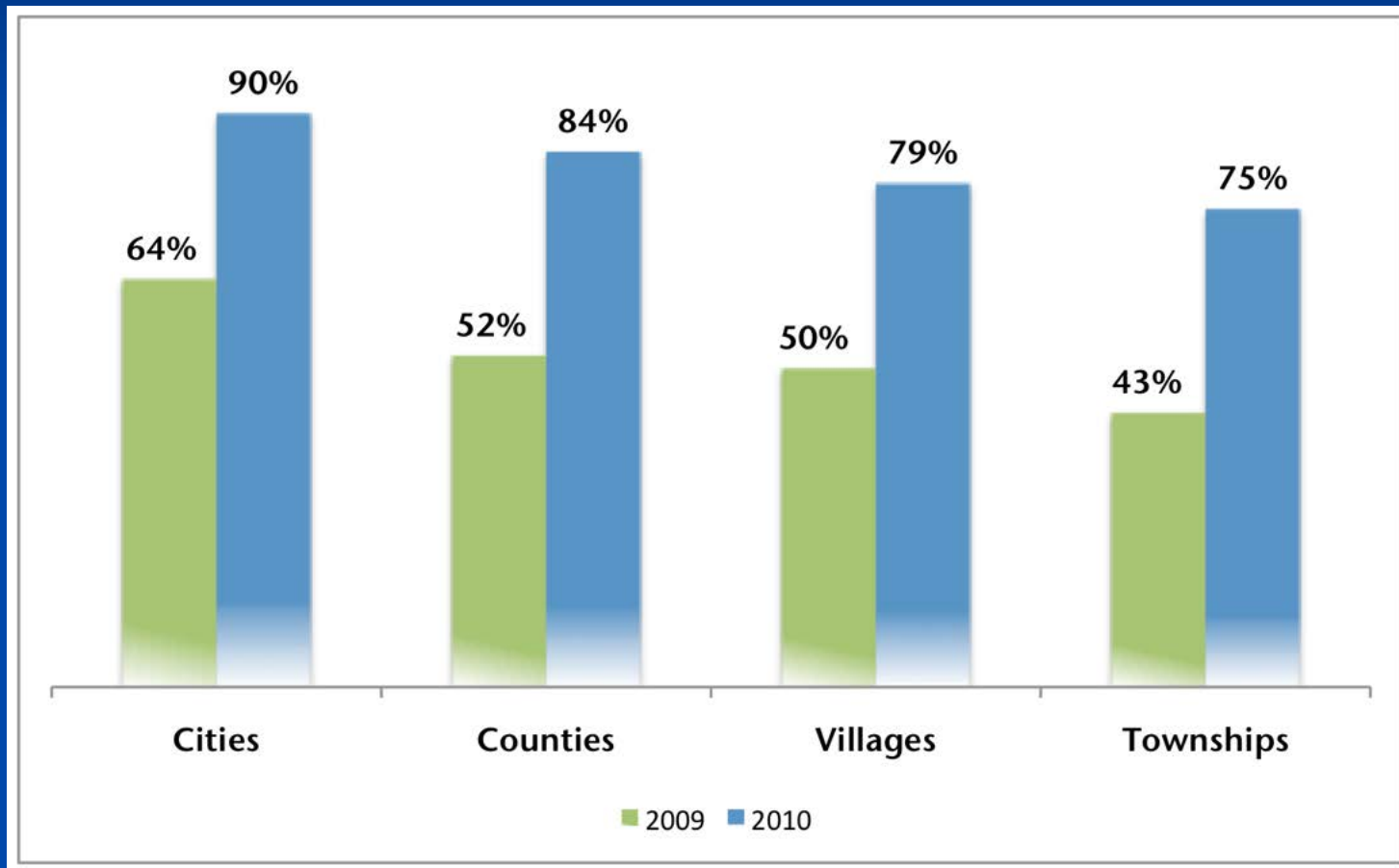
Predicting Economic Conditions

- Thinking about business conditions in your community, do you think that during the next twelve months your community will have good times financially, or bad times financially?



Problem: Declines in Property Tax Revenue

- Comparing your jurisdiction's current fiscal year to its previous fiscal year... indicate whether -- in your opinion -- there has been a decrease, an increase, or no change from the previous fiscal year in revenue from property tax.



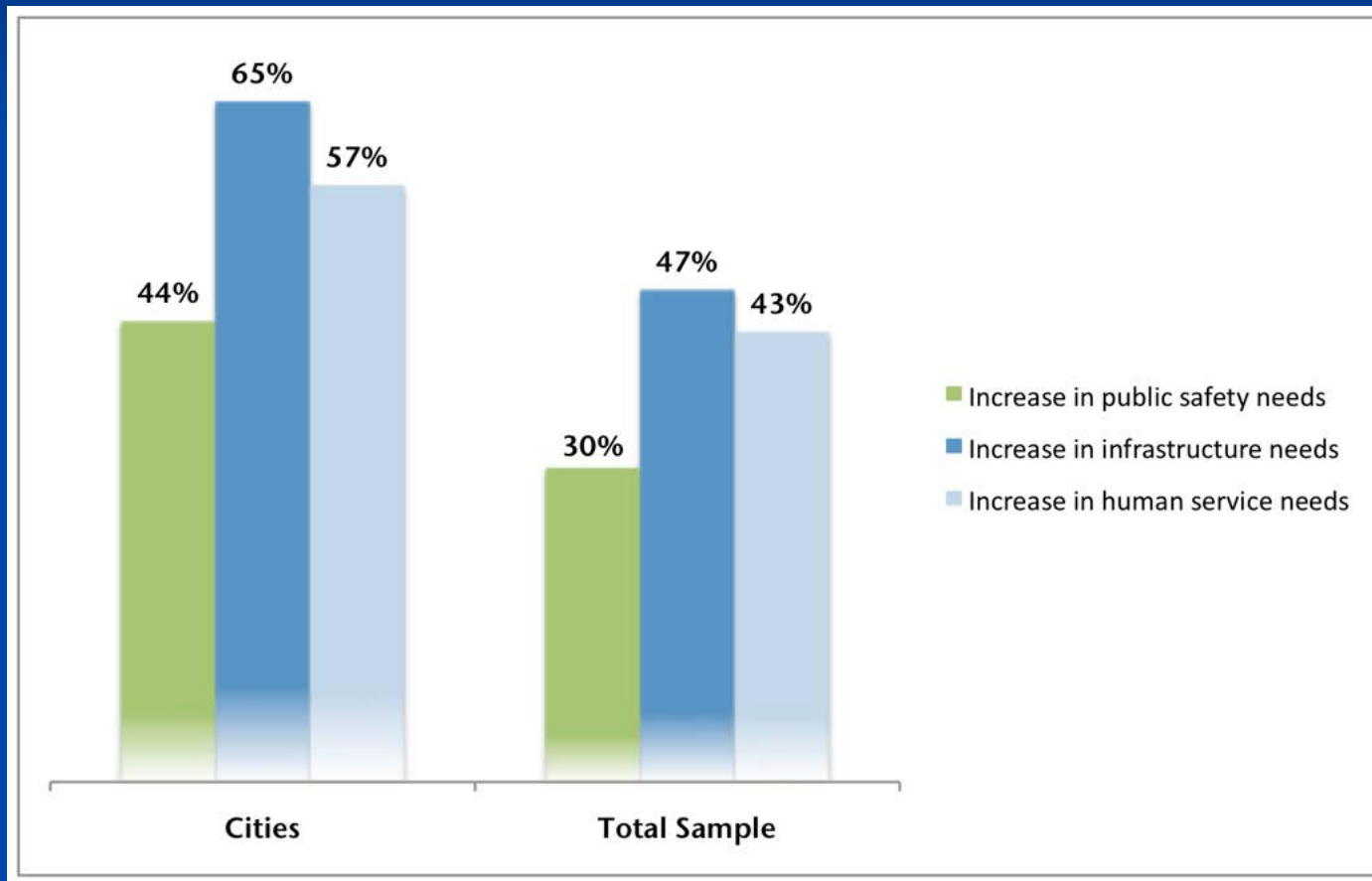
Problem: Declines in Other Revenue Sources

- Percentage of local Michigan officials reporting declines in various revenue sources compared with previous fiscal year:

	Cities	Total Sample
Decrease in state aid	90%	85%
Decrease in revenue from fees	64%	59%
Decrease in federal aid	45%	39%

Problem: Growing Demands

- Percentage of local Michigan officials reporting increases in service needs:



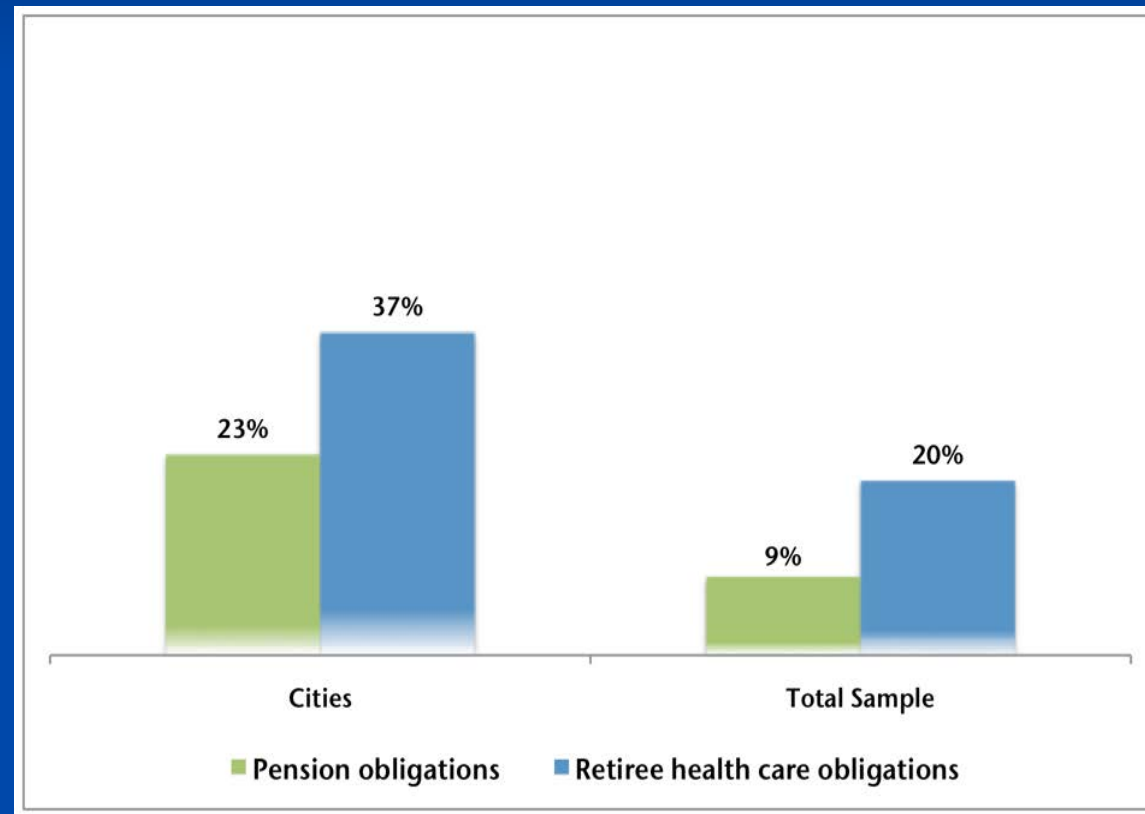
Problem: Growing Labor Costs

- Percentage of local Michigan officials reporting increases in employee costs:

	Cities	Total Sample
Increase in cost of current employee health benefits	78%	47%
Increase in cost of employee pensions	63%	30%
Increase in cost of retired employee health benefits	55%	24%
Increase in employee wages and salaries	32%	20%

Problem: Retiree Costs

- Percentage of local Michigan officials reporting retiree costs a “significant” fiscal problem:



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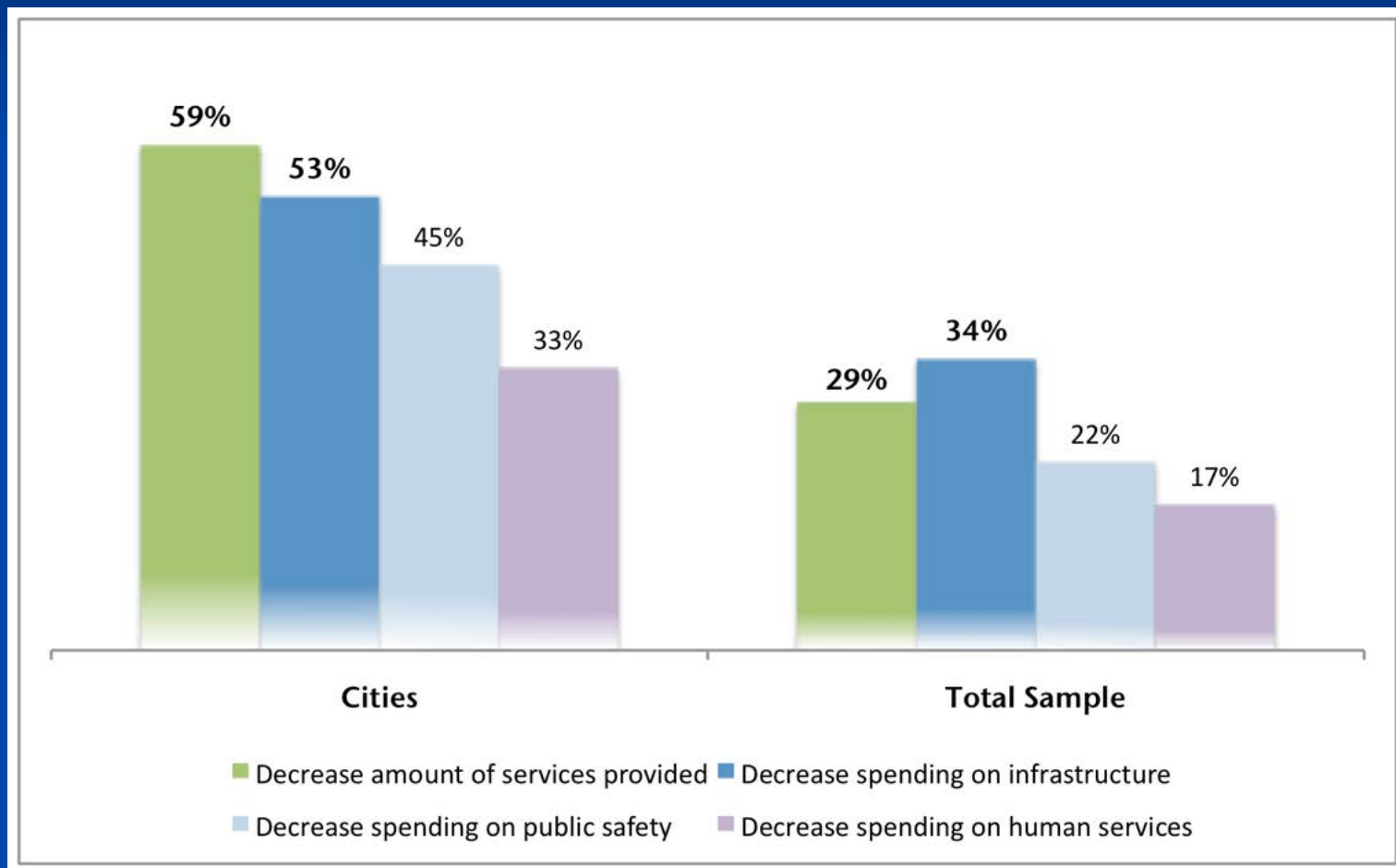
Responses: Budgetary actions

- Now, thinking about the next fiscal year, please indicate which actions your jurisdiction has taken or is likely to take.

	Cities	Total Sample
Increase reliance on general fund balance	60%	49%
Increase reliance on "rainy day" funds	44%	38%
Increase charges for fees, licenses, etc.	48%	22%
Increase property tax rates	19%	11%
Decrease property tax rates	27%	32%

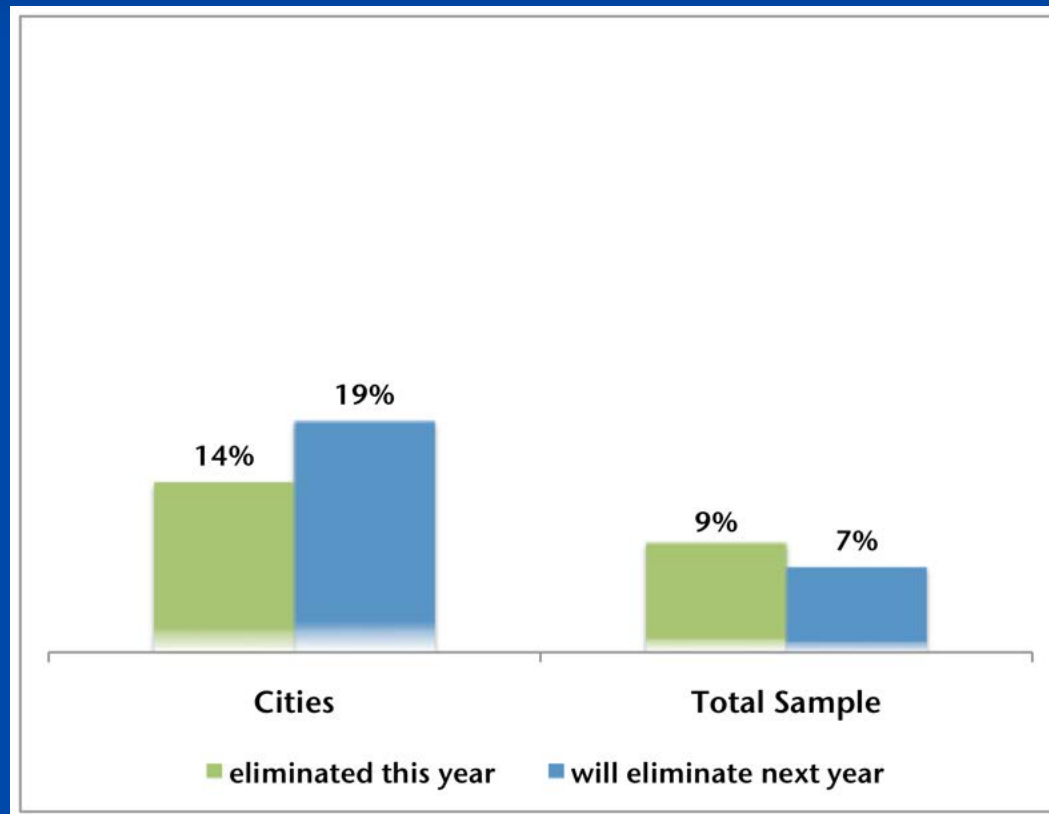
Responses: Service Provision Cuts

- Now, thinking about the next fiscal year, please indicate which actions your jurisdiction has taken or is likely to take.



Responses: Service Elimination

- Percentage of jurisdictions reporting having completely eliminated one or more services this year, or plans to completely eliminate service(s) next year:



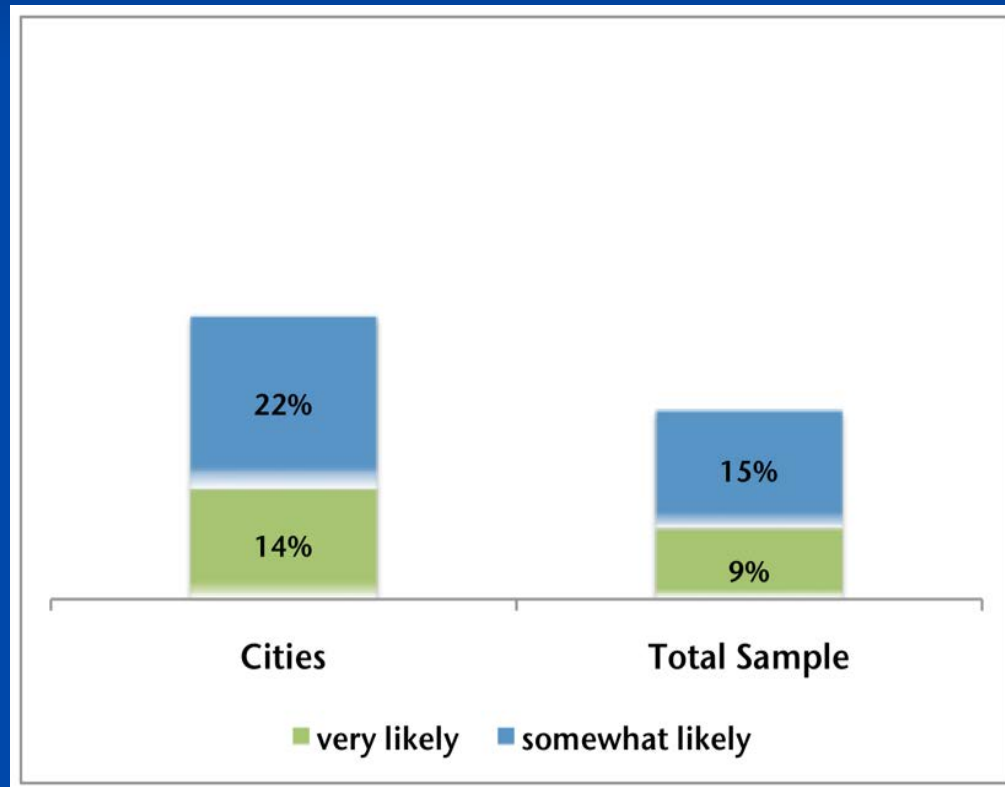
Responses: Changes in Employment Policies

- Now, thinking about the next fiscal year, please indicate which actions your jurisdiction has taken or is likely to take.

	Cities	Total Sample
Increase in employees' share of health benefit costs	56%	33%
Increase in not filling vacant positions	53%	23%
Increase in retirees' share of health benefit costs	50%	22%
Increase in employees' share of retirement contributions	31%	15%
Increase in layoffs	37%	14%

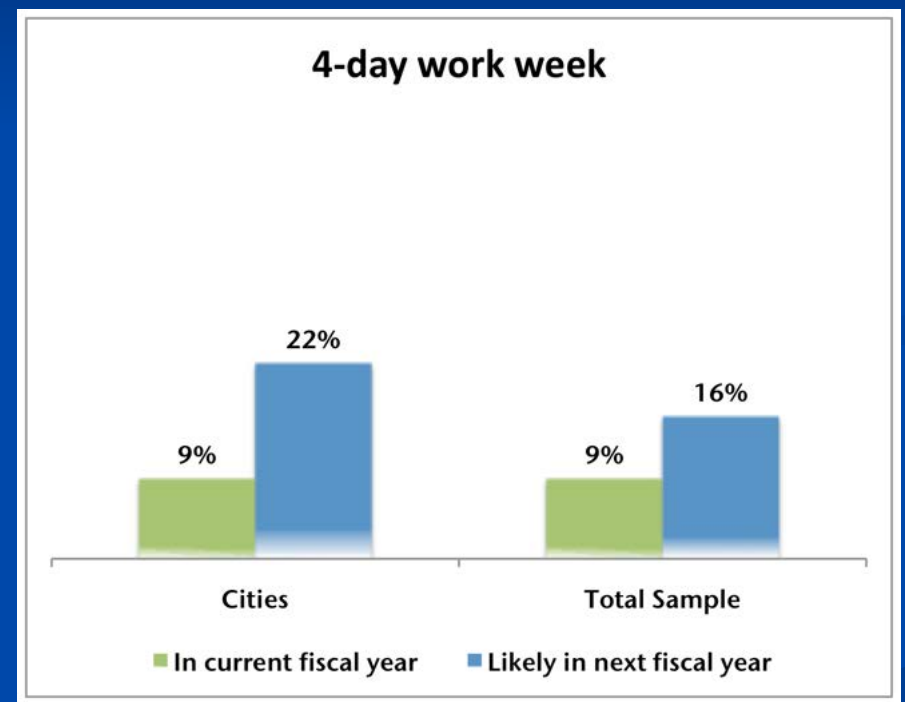
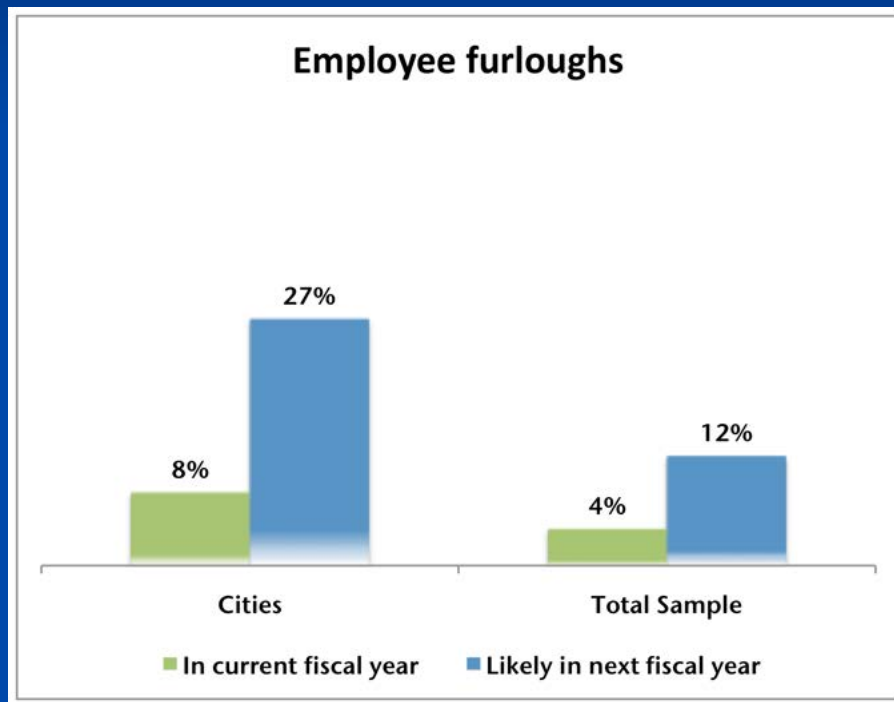
Responses: Changes in Employment Policies

- How likely is it that your jurisdiction will introduce a defined contribution plan for its employees and/or new hires within the next 12 months? (*Among those jurisdictions who currently offer defined benefit plan*)



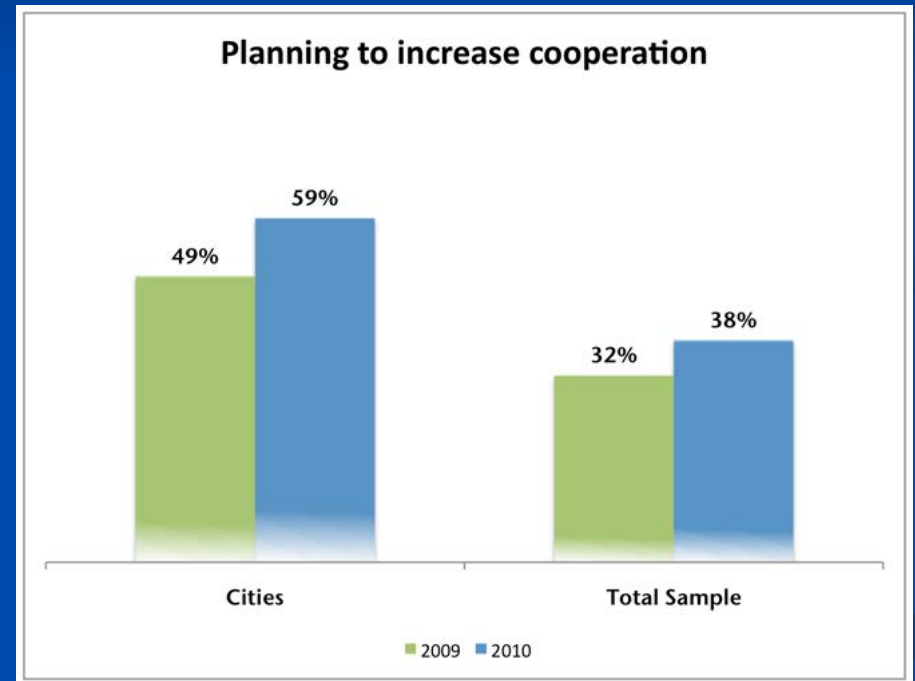
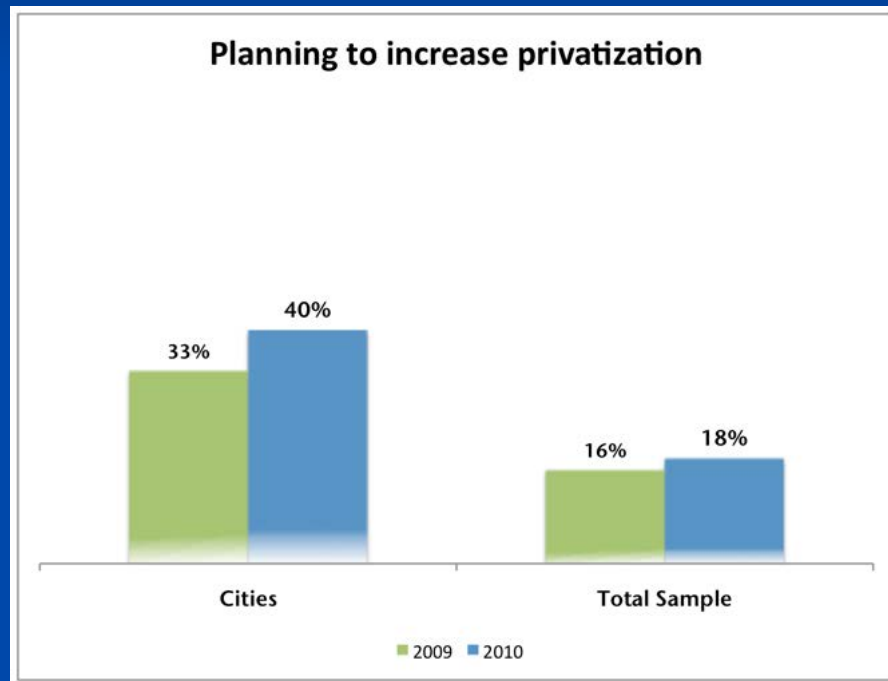
Responses: Changes in Employment Policies

- Thinking about the next fiscal year, how likely is it that your jurisdiction will institute the following policies?



Responses: Alternative Service Provision

- Now, thinking about the next fiscal year, please indicate which actions your jurisdiction has taken or is likely to take.



MPPS: Review of Key Findings

- A majority of Michigan's local government officials predict their fiscal health will continue to decline in the coming year, in communities of all sizes, in all regions of the state.
- Declining fiscal health is due in part to decreasing tax revenues. Overall, 78% of local officials report declining property tax revenue; 95% in the largest jurisdictions. Declining state aid, federal aid, and revenue from fees and licenses are also problems spreading across the state.
- Declining fiscal health also results from increasing costs, particularly related to personnel, and increasing demands for public services such as public safety, infrastructure, and human services.

MPPS: Review of Key Findings (con't)

- **What are some of the most common strategies Michigan local governments are implementing to deal with the fiscal challenges?**
 - Increasing reliance on general fund and “rainy day” fund balances
 - Increasing intergovernmental approaches to service delivery
 - Increasing the share of health care costs paid by employees
 - Increasing charges for fees, licenses, etc.
 - Decreasing spending on infrastructure
 - Decreasing the amount of services provided
 - And decreasing staffing levels primarily by cutbacks in hiring and leaving open positions vacant

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