

Funding local government in Michigan: a broken system?

MLGMA 2013 Summer Workshop
July 24, 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.

What does the MPPS aim to do?

- **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, budget priorities, etc.)
- Foster **academic research and teaching** on local government issues

MPPS is not a typical opinion poll

- **70+% response rates**
- **Census-style approach**
- **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**

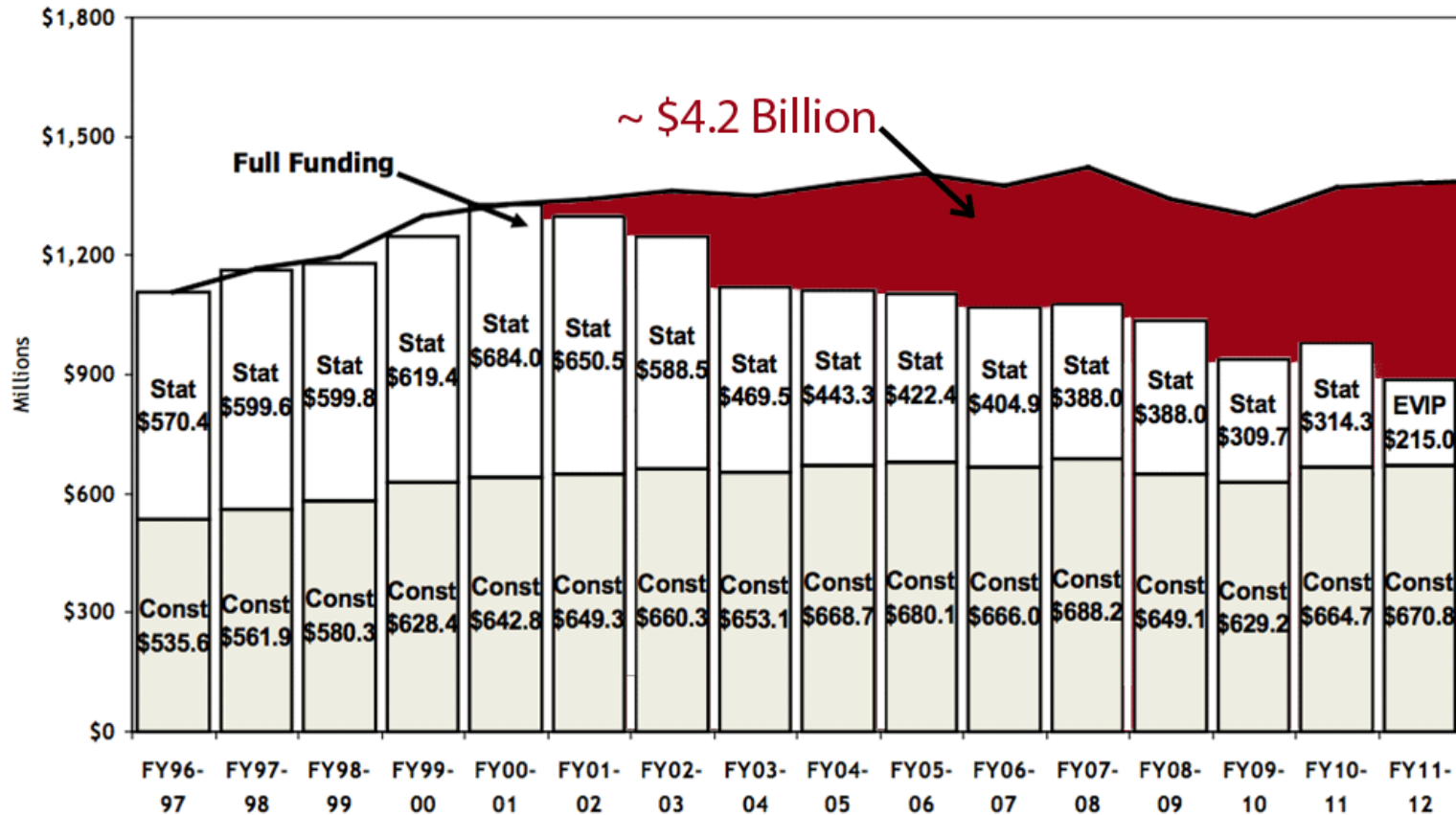
Presentation Outline

- 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

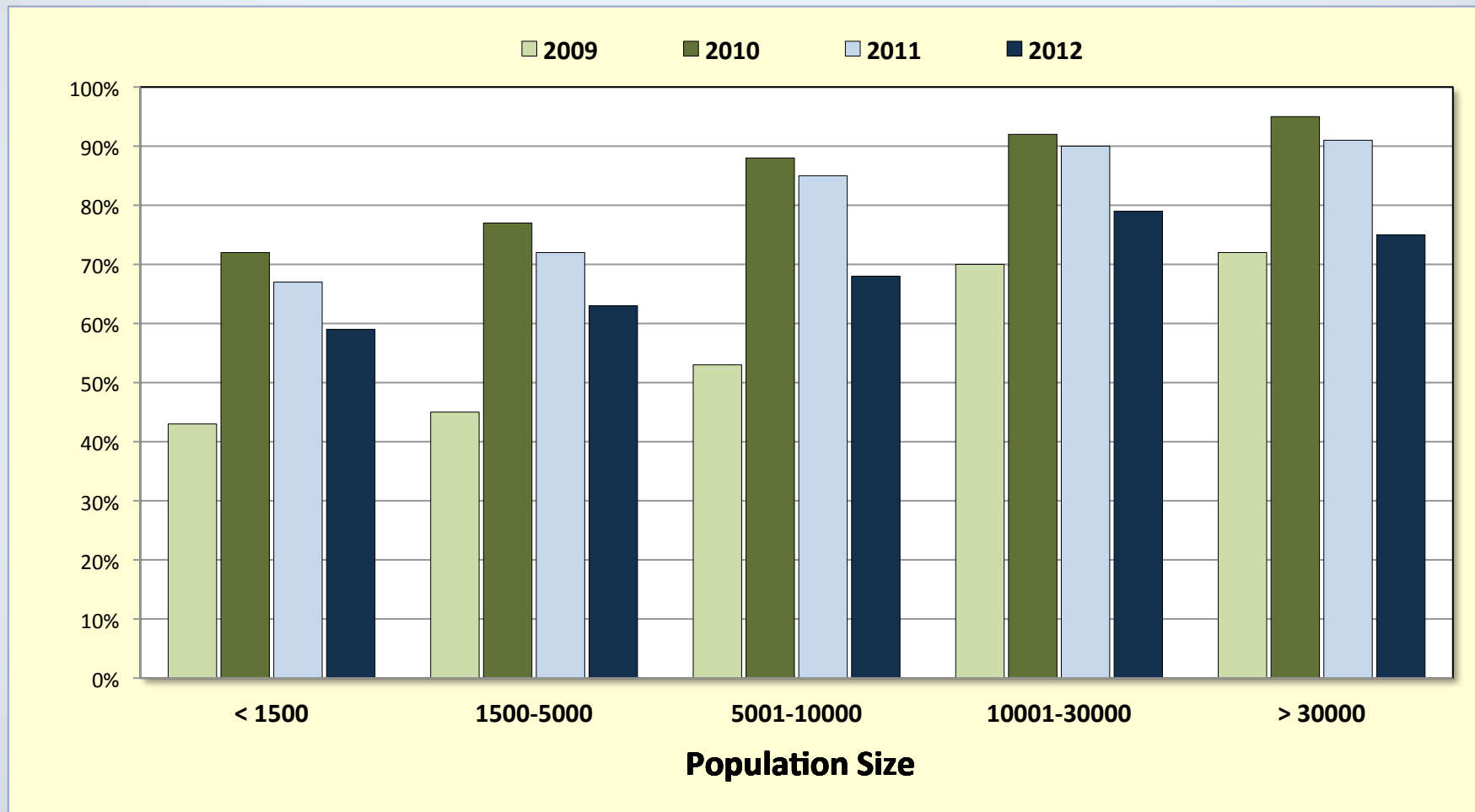


9/22/2011

House Fiscal Agency

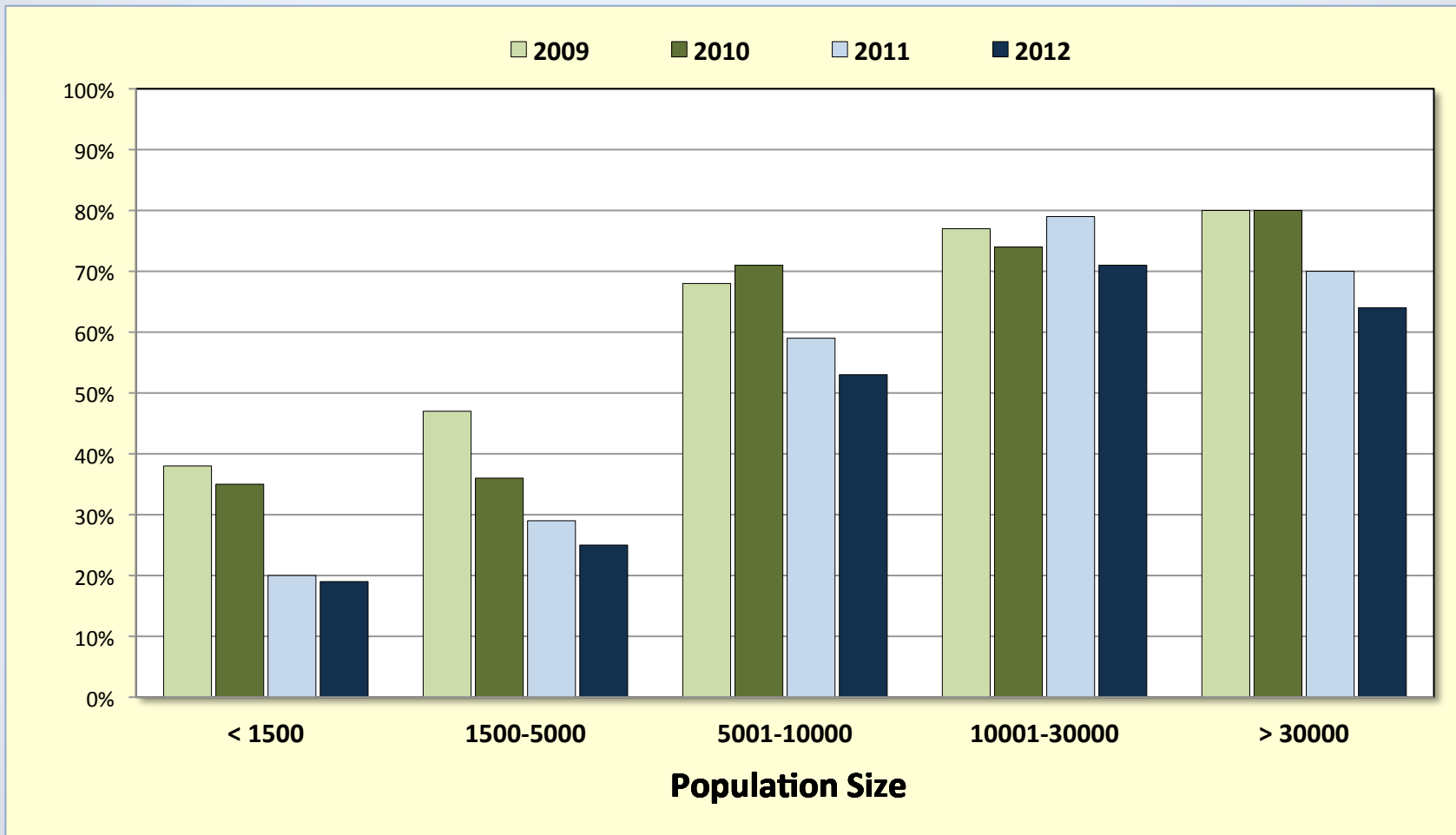
Declining Revenues

% of jurisdictions with **declining property tax revenues**



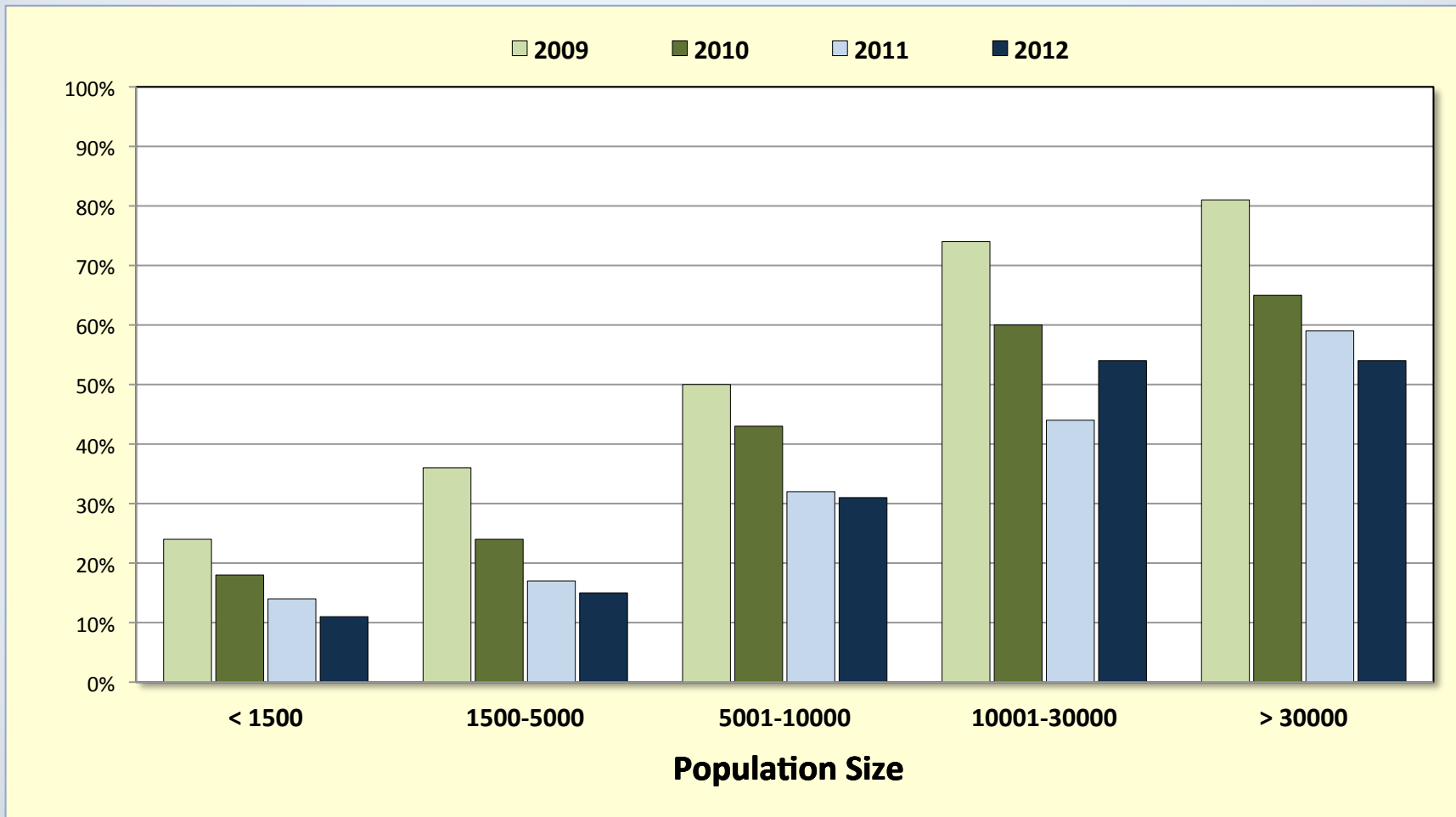
Rising Costs

% of jurisdictions with **rising health care costs**



Rising Costs

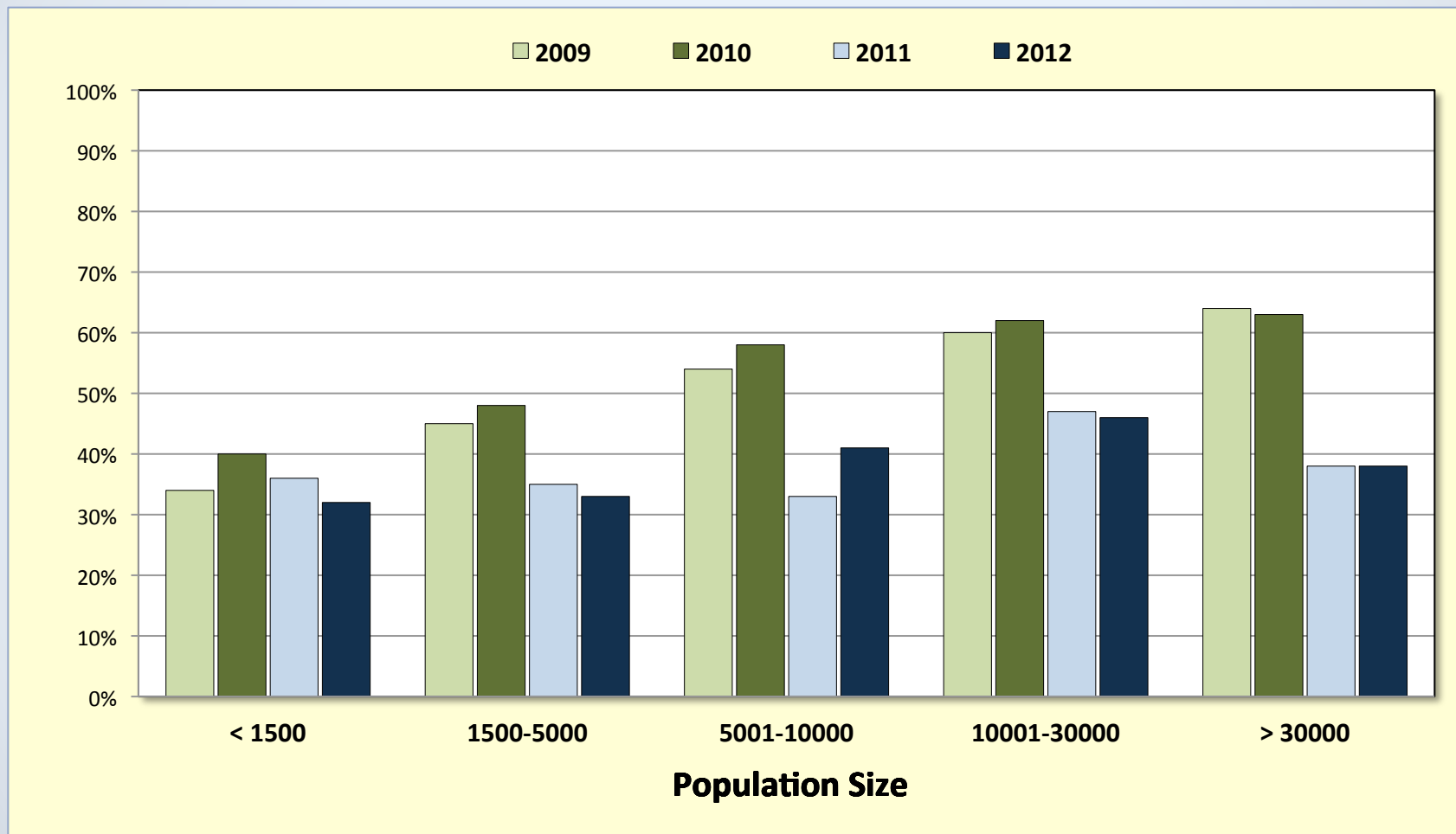
% of jurisdictions with **rising pension costs**



Response: Local Governments Take Action

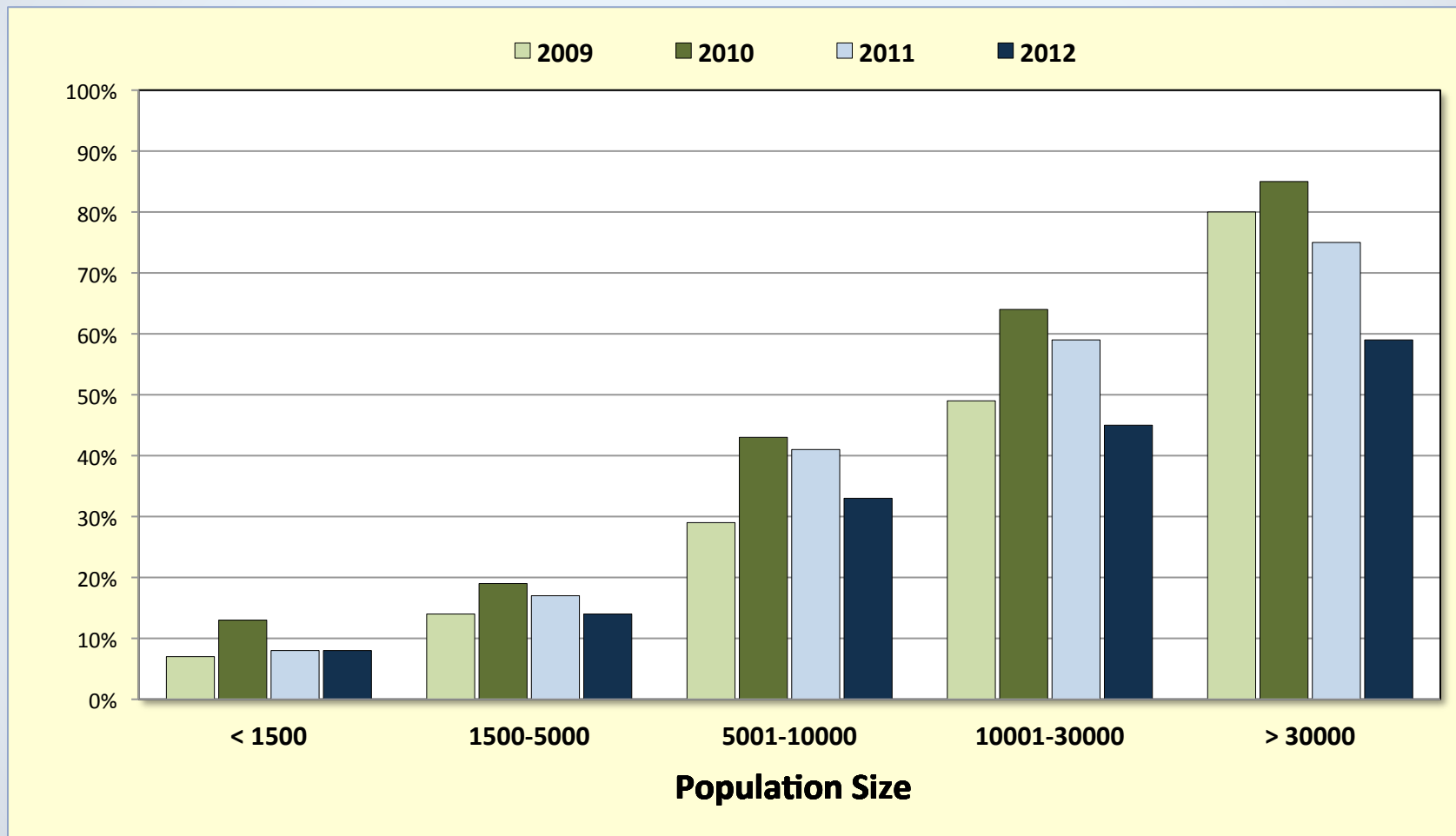
Government Actions

% of jurisdictions **increasing reliance on GF balance**



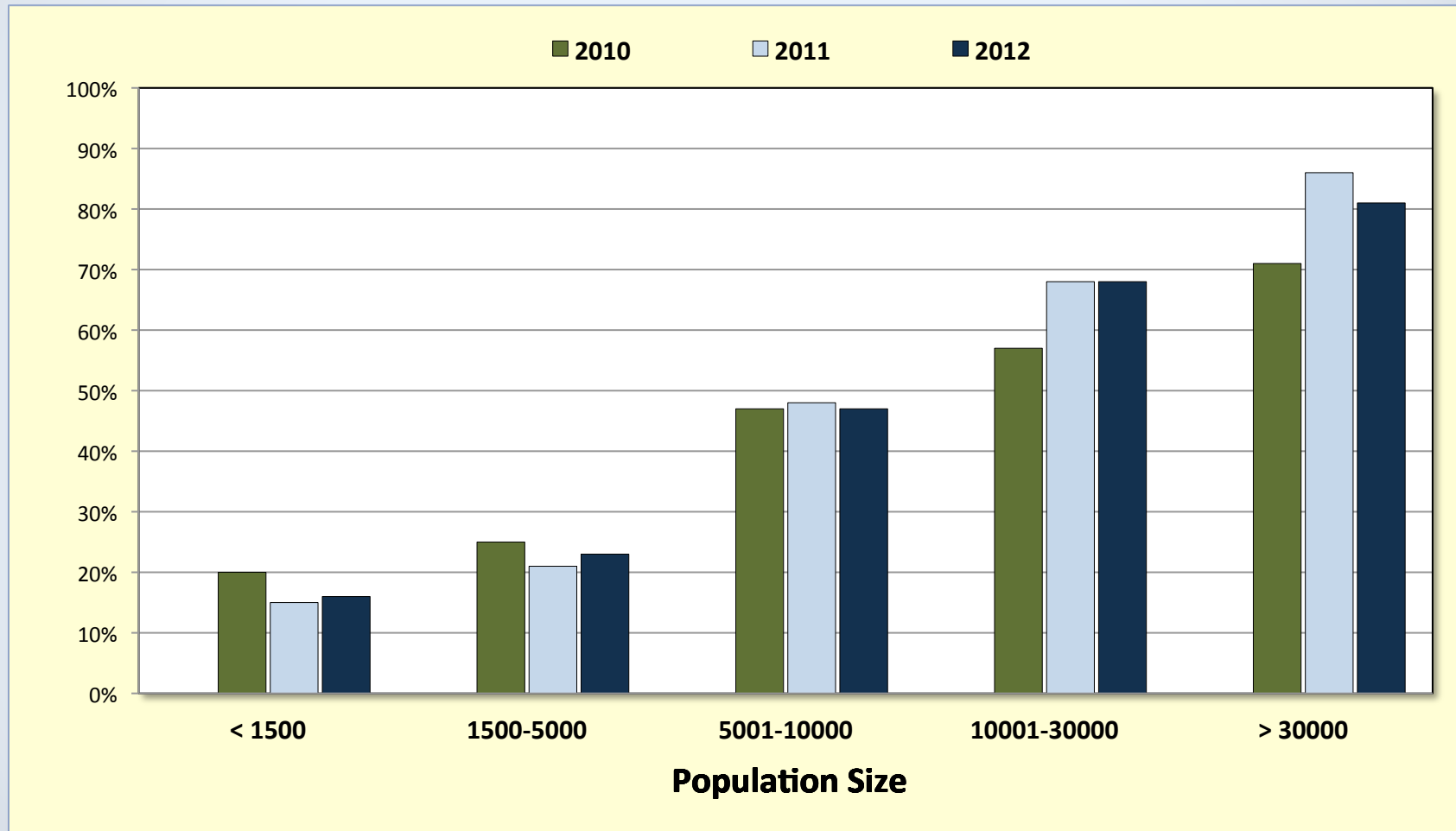
Government Actions

% of jurisdictions **cutting staff levels**



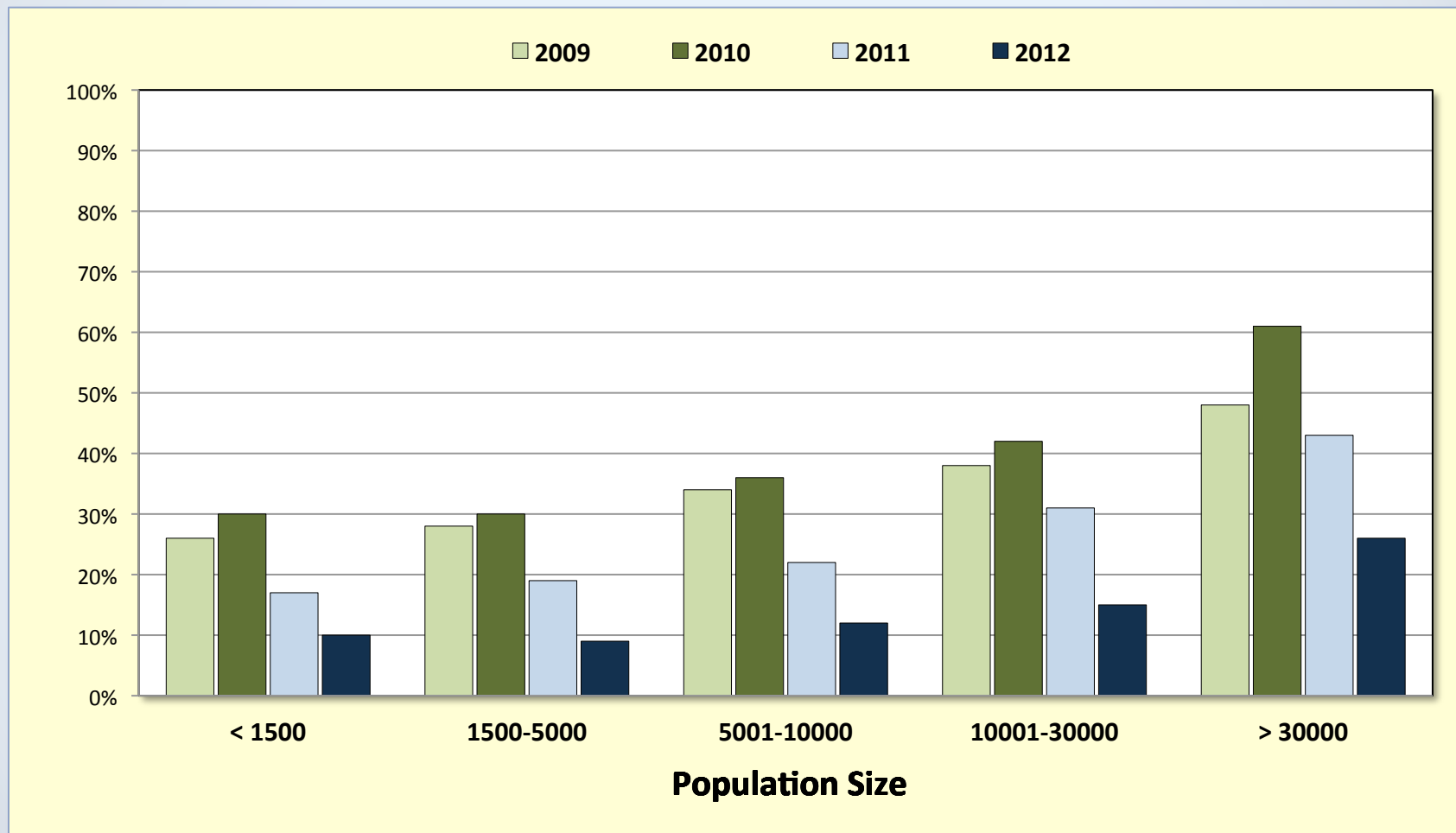
Government Actions

% of jurisdictions **shifting health care costs** to employees



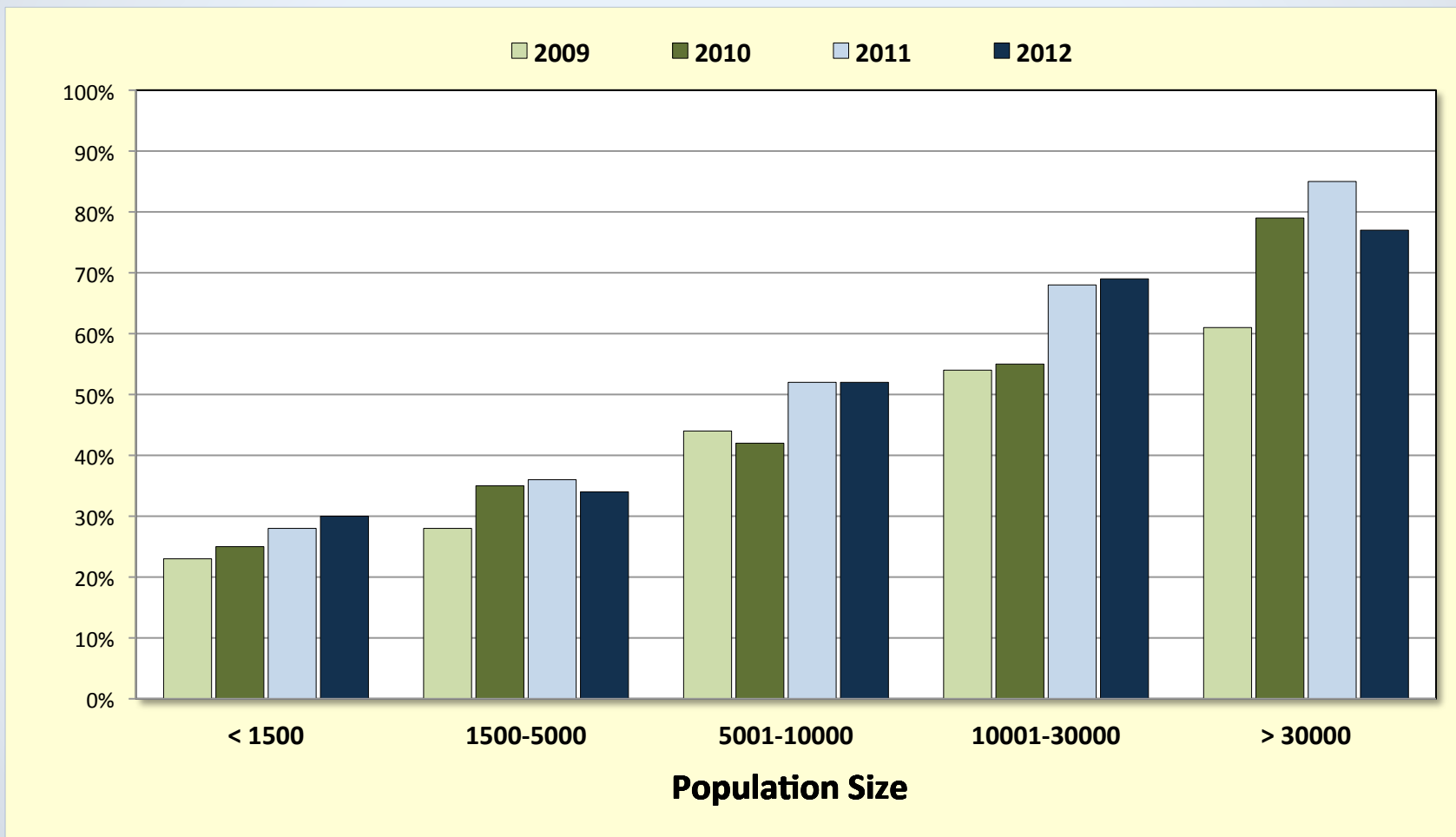
Government Actions

% of jurisdictions **cutting infrastructure spending**



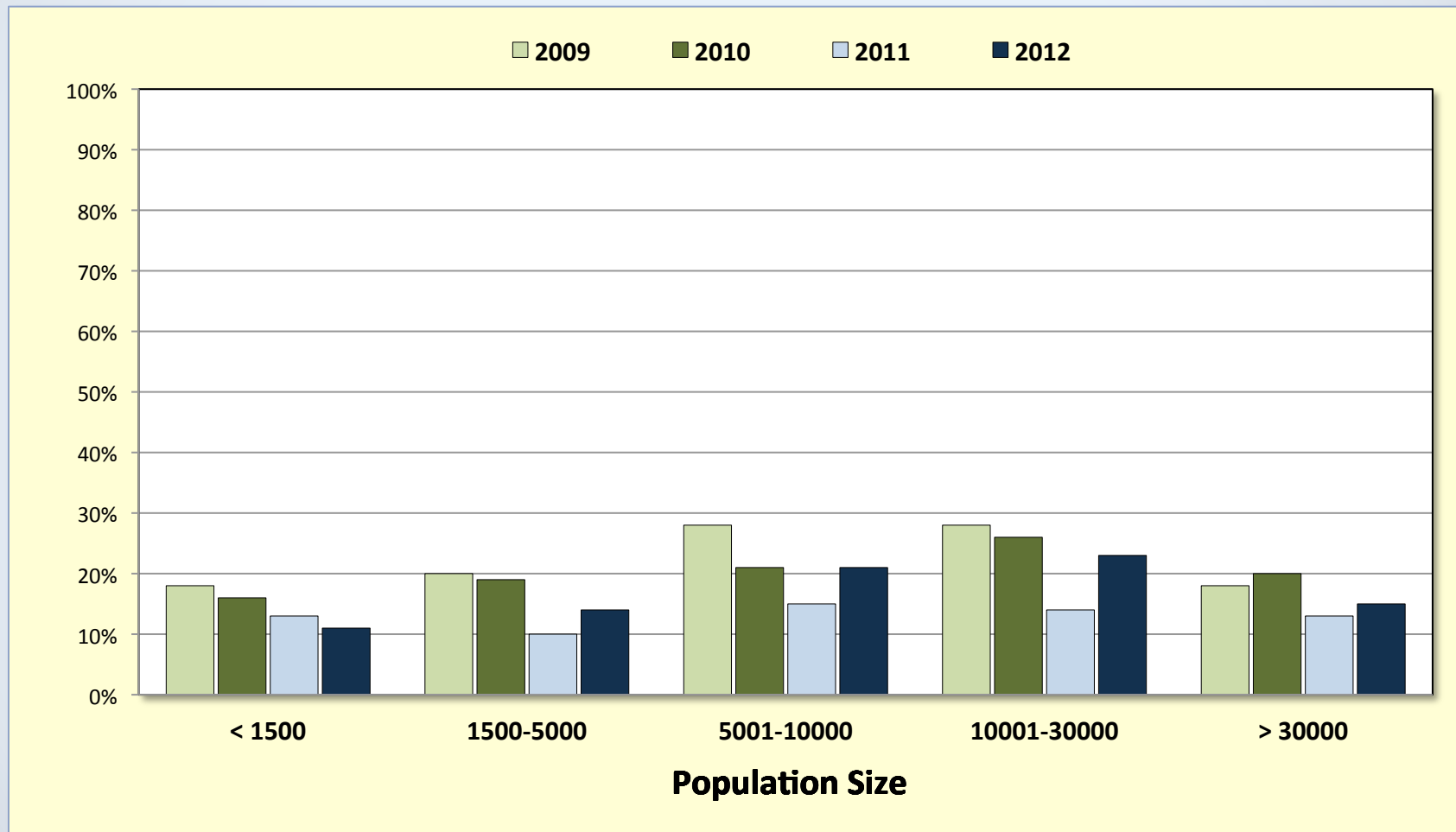
Government Actions

% of jurisdictions **increasing inter-gov't cooperation**



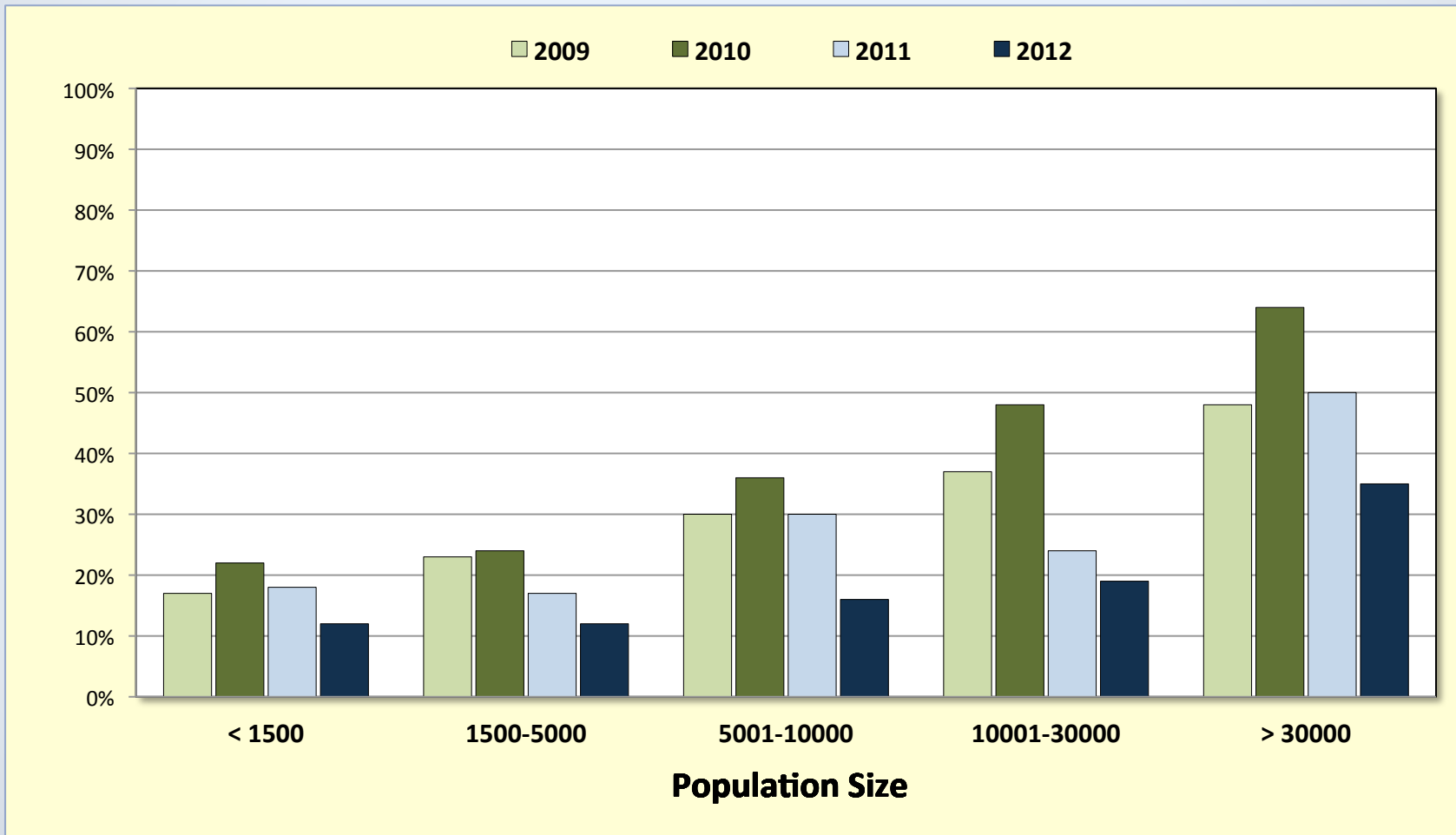
Government Actions

% of jurisdictions **increasing debt**



Government Actions

% of jurisdictions **cutting service levels**

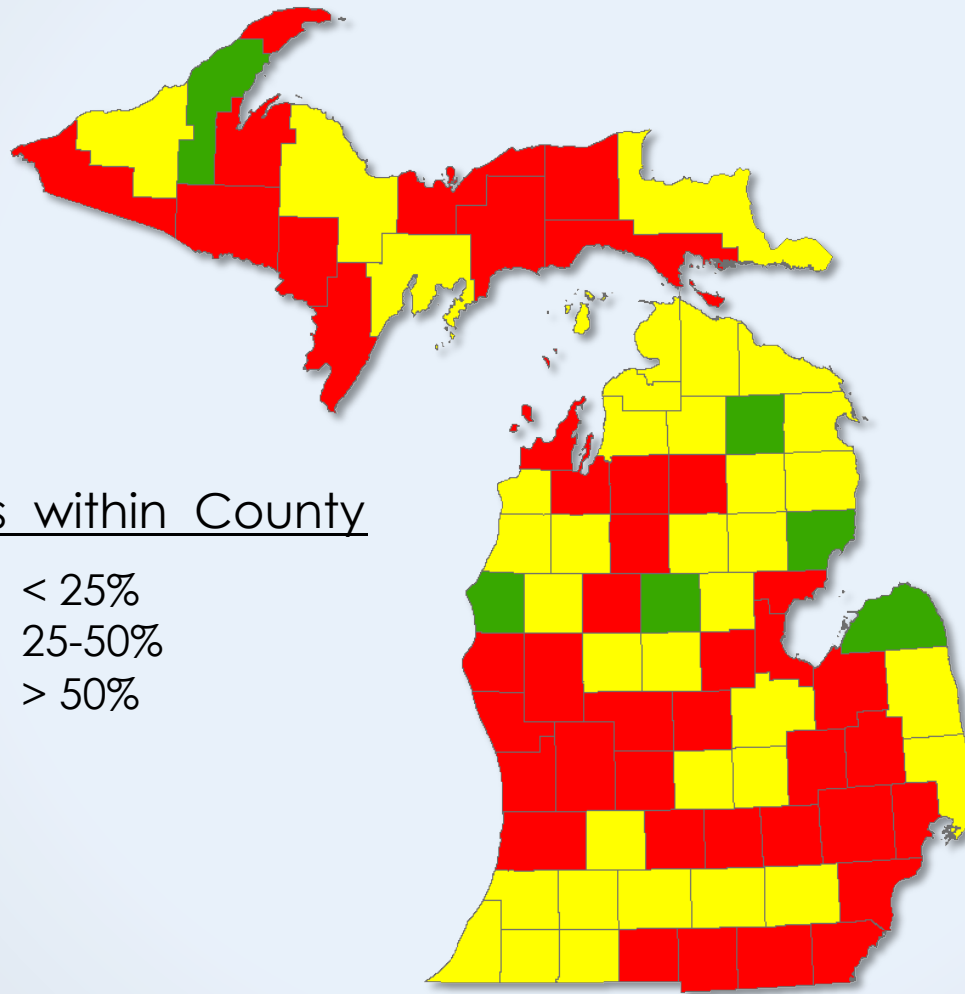


Result:

Some Easing of Fiscal Stress

Spreading Fiscal Problems

2009: **less able to meet fiscal needs**, by county



Jurisdictions within County

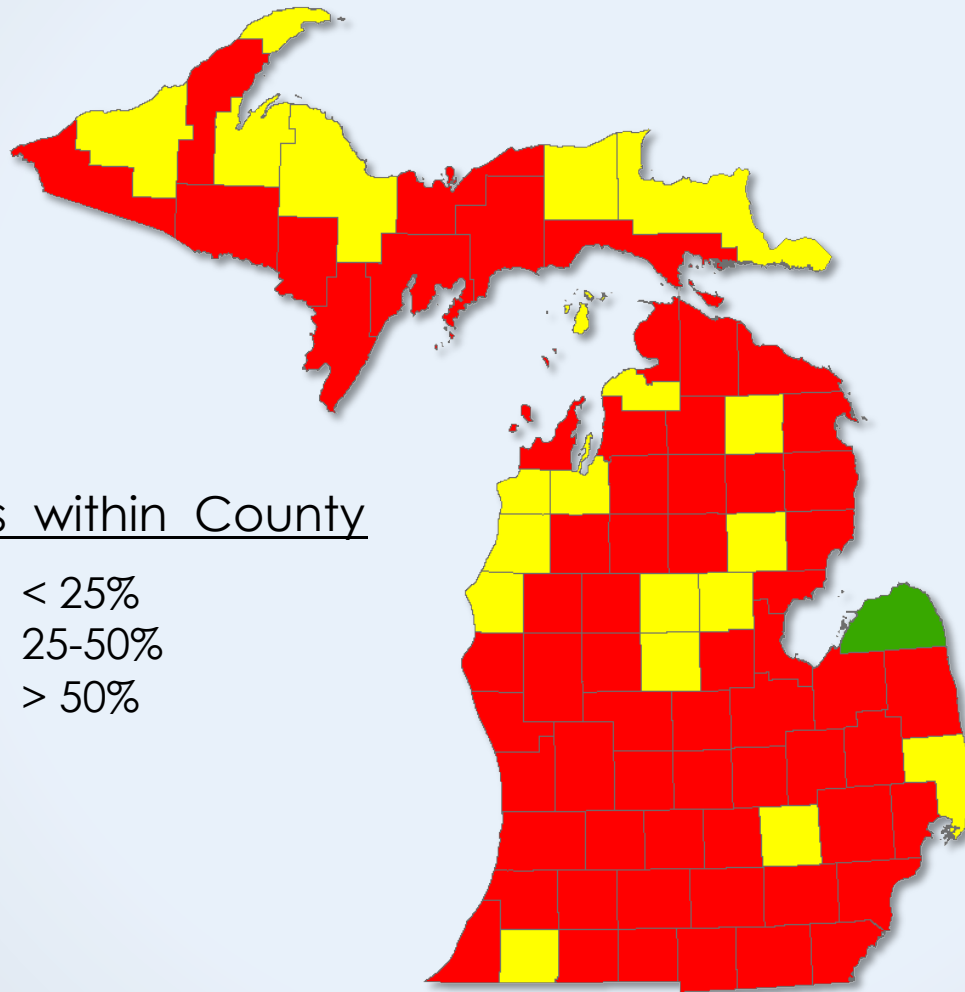
Green: < 25%
Yellow: 25-50%
Red: > 50%

Spreading Fiscal Problems

2010: **less able to meet fiscal needs**, by county

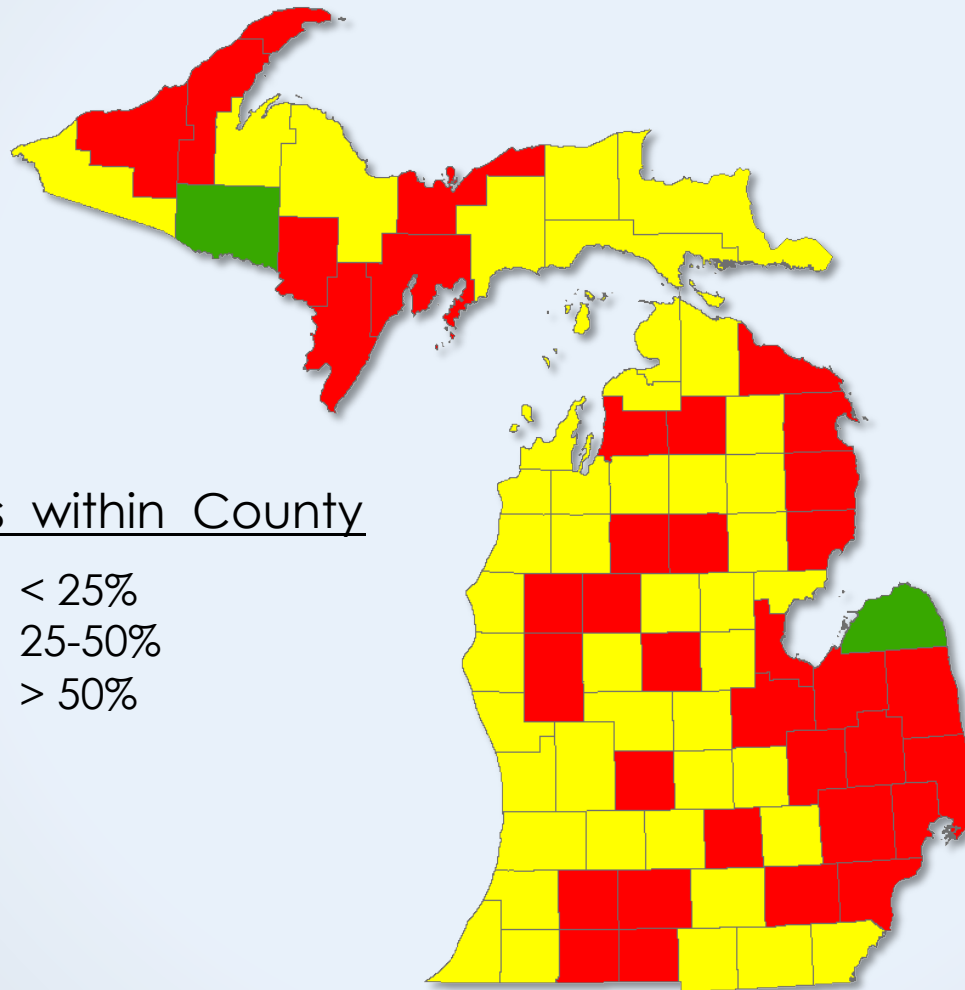
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Easing Fiscal Problems

2011: **less able to meet fiscal needs**, by county



Jurisdictions within County

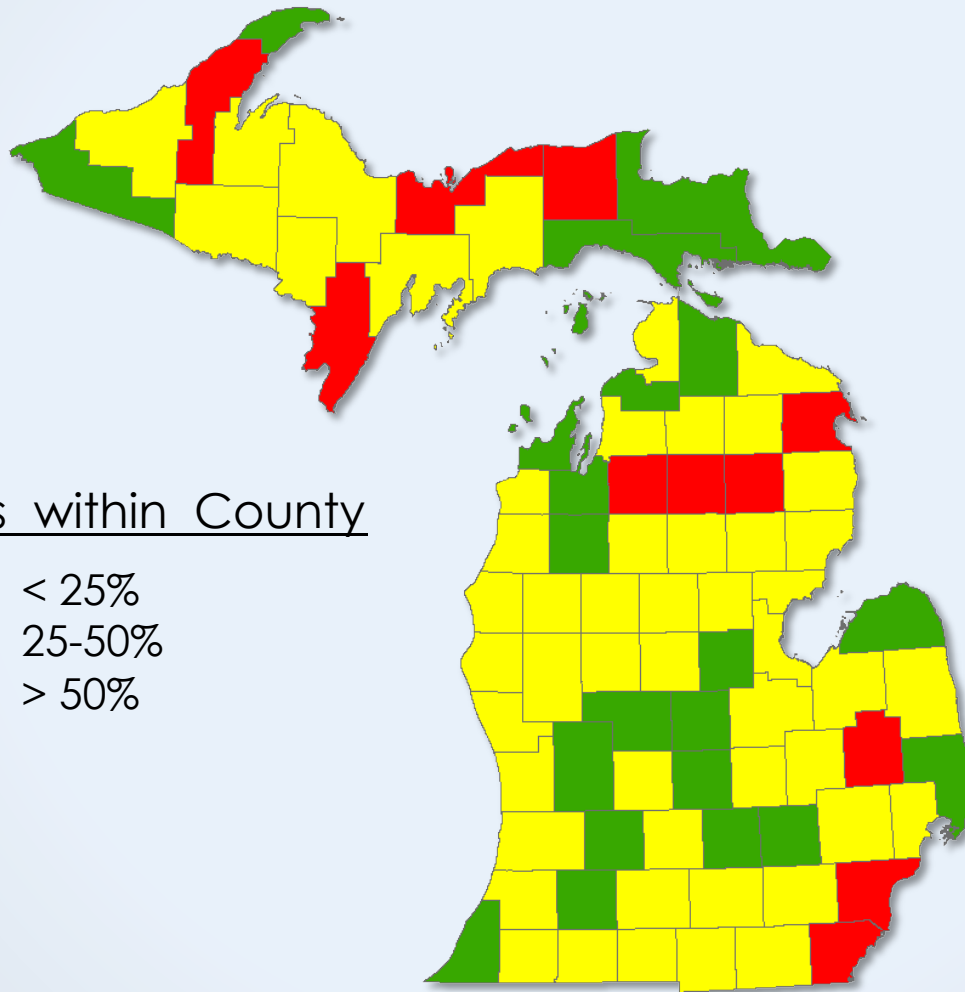
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Easing Fiscal Problems

2012: **less able to meet fiscal needs**, by county

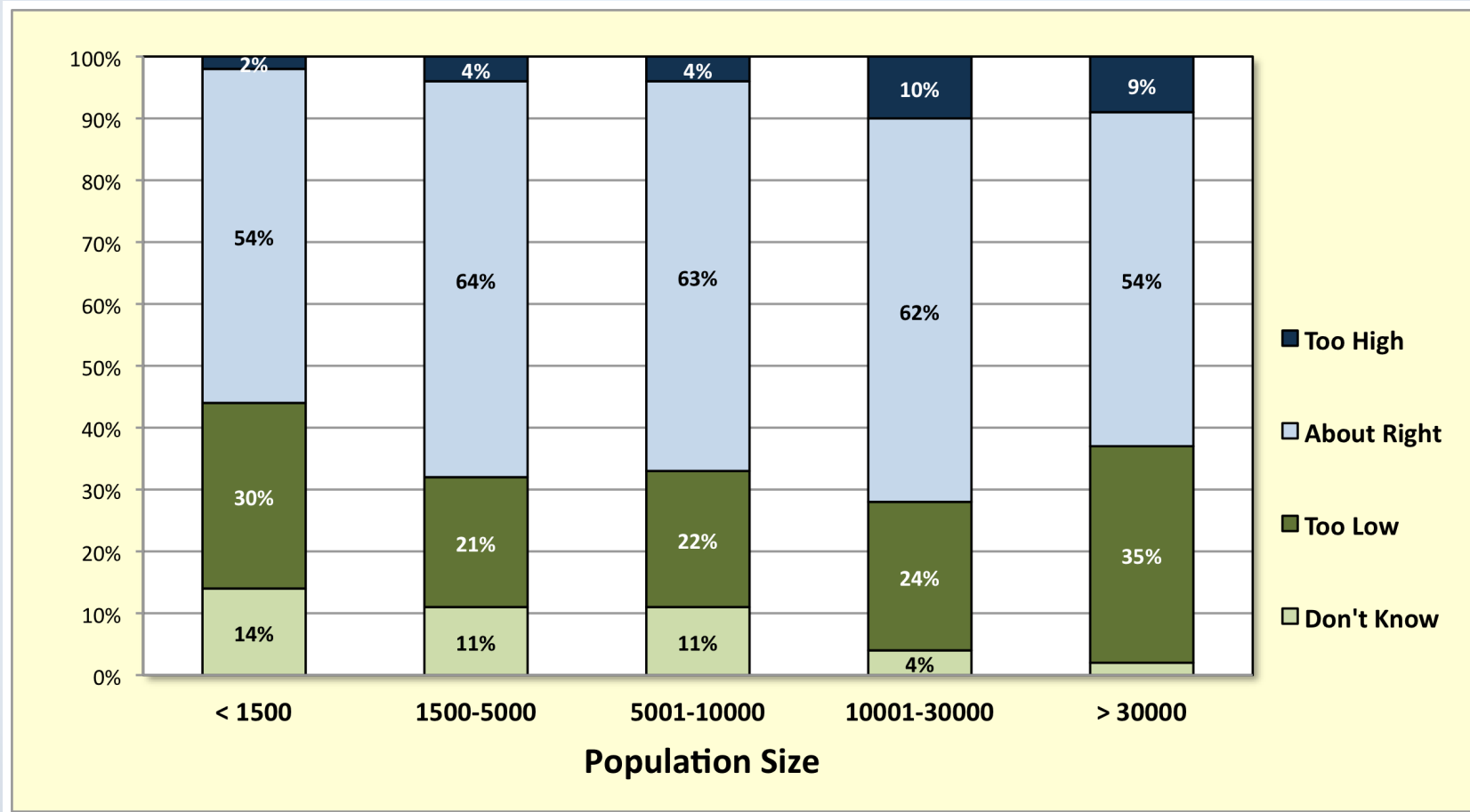
Jurisdictions within County

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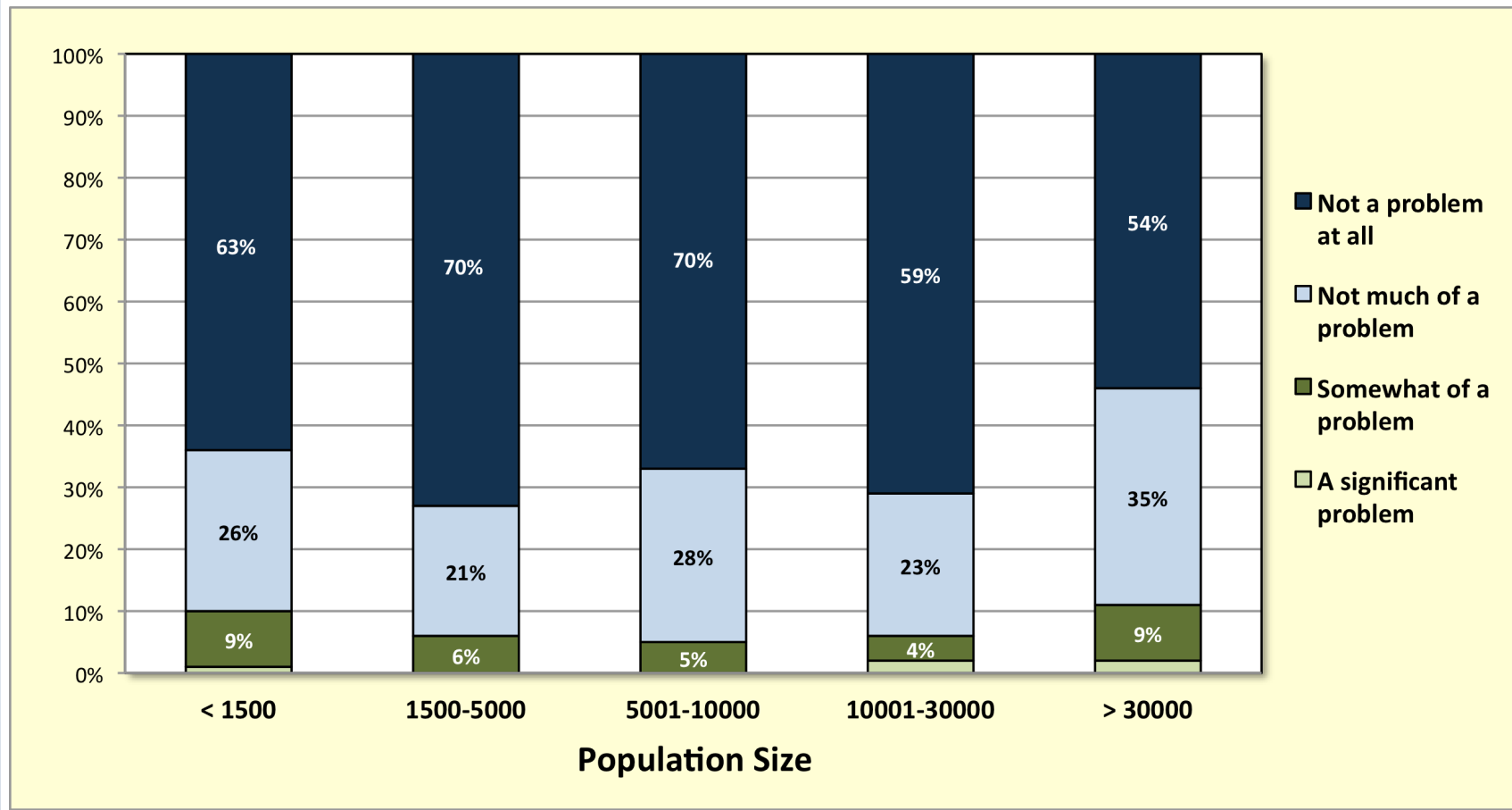
Status of Fiscal Health

General fund balance levels in 2013



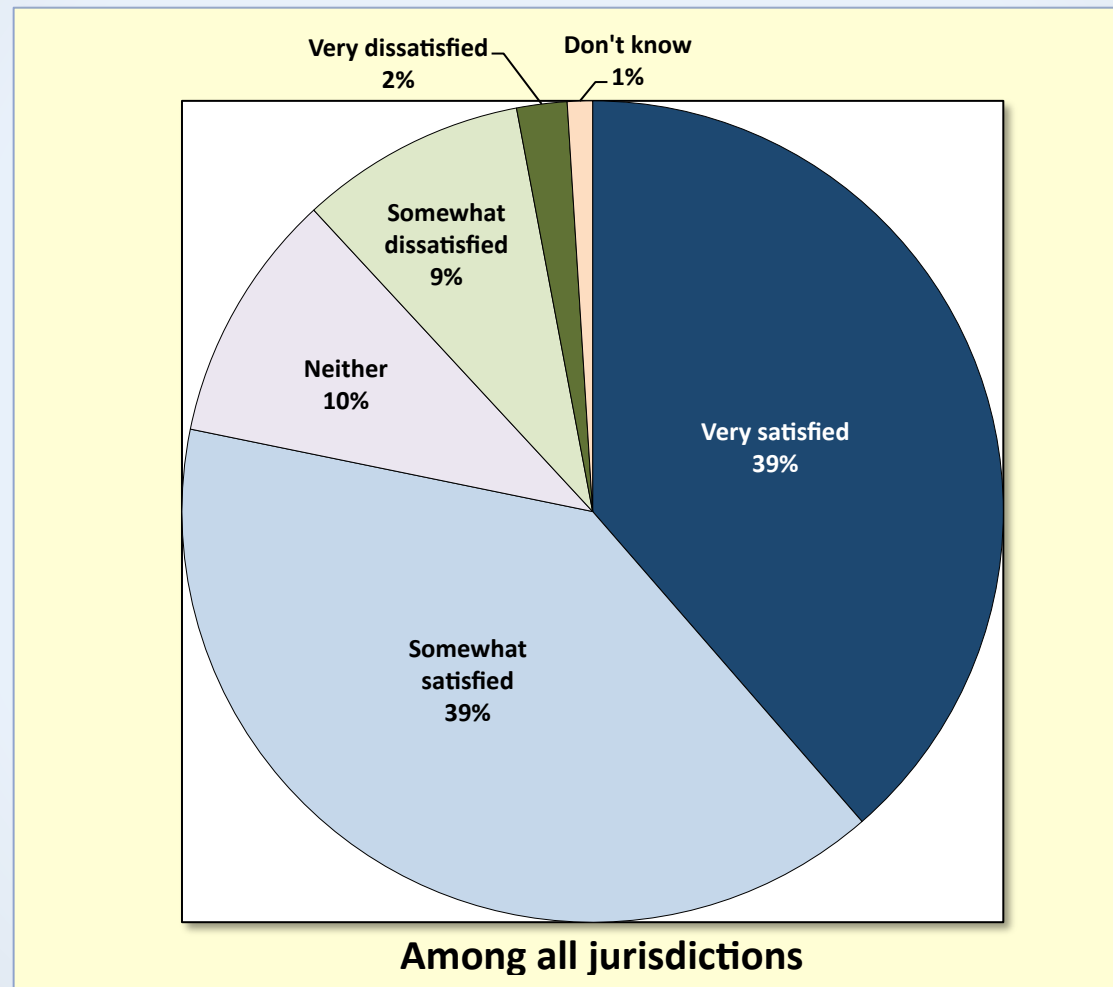
Status of Fiscal Health

Cash flow in 2013



Services Still Delivered

Satisfaction with **package of services** in 2012

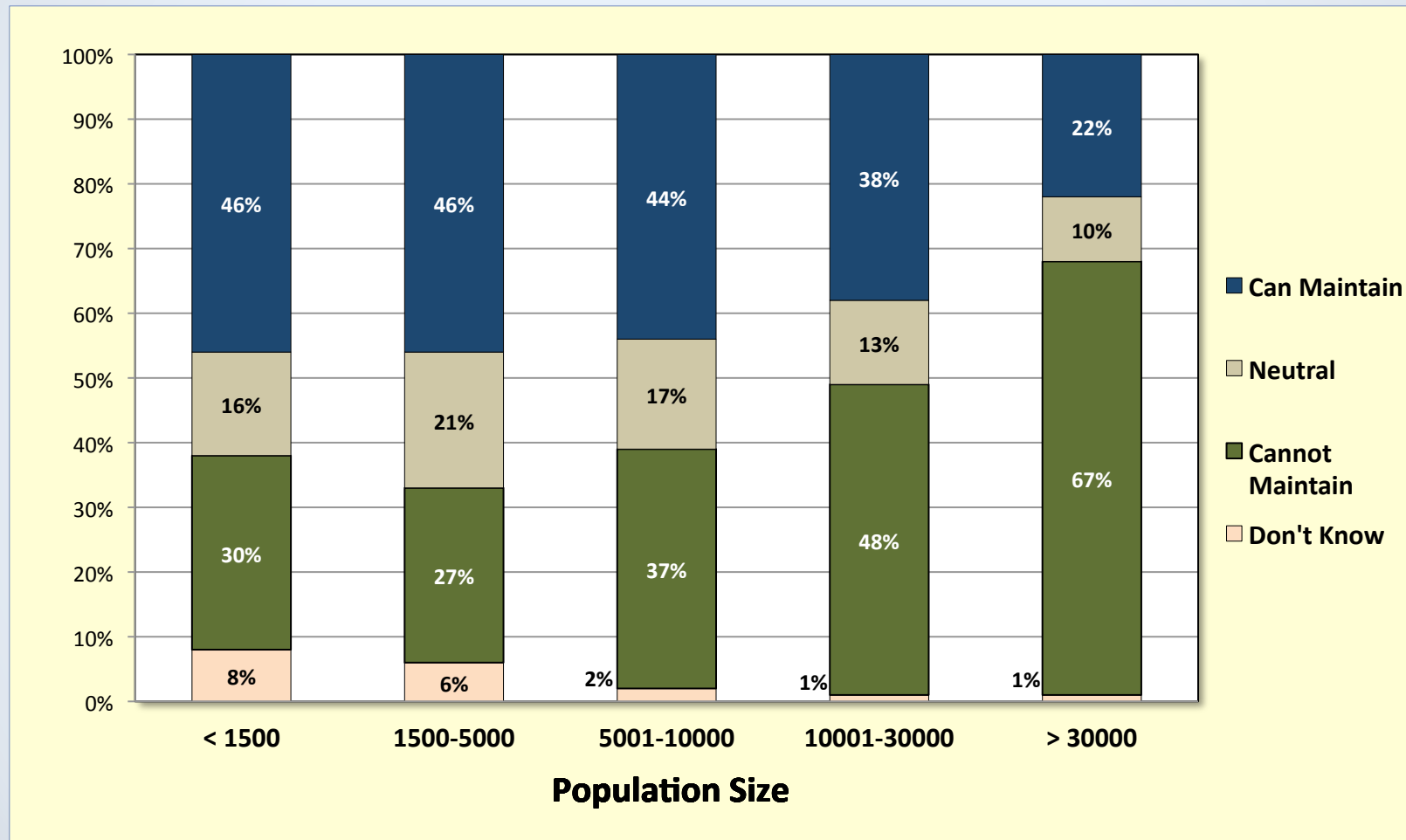


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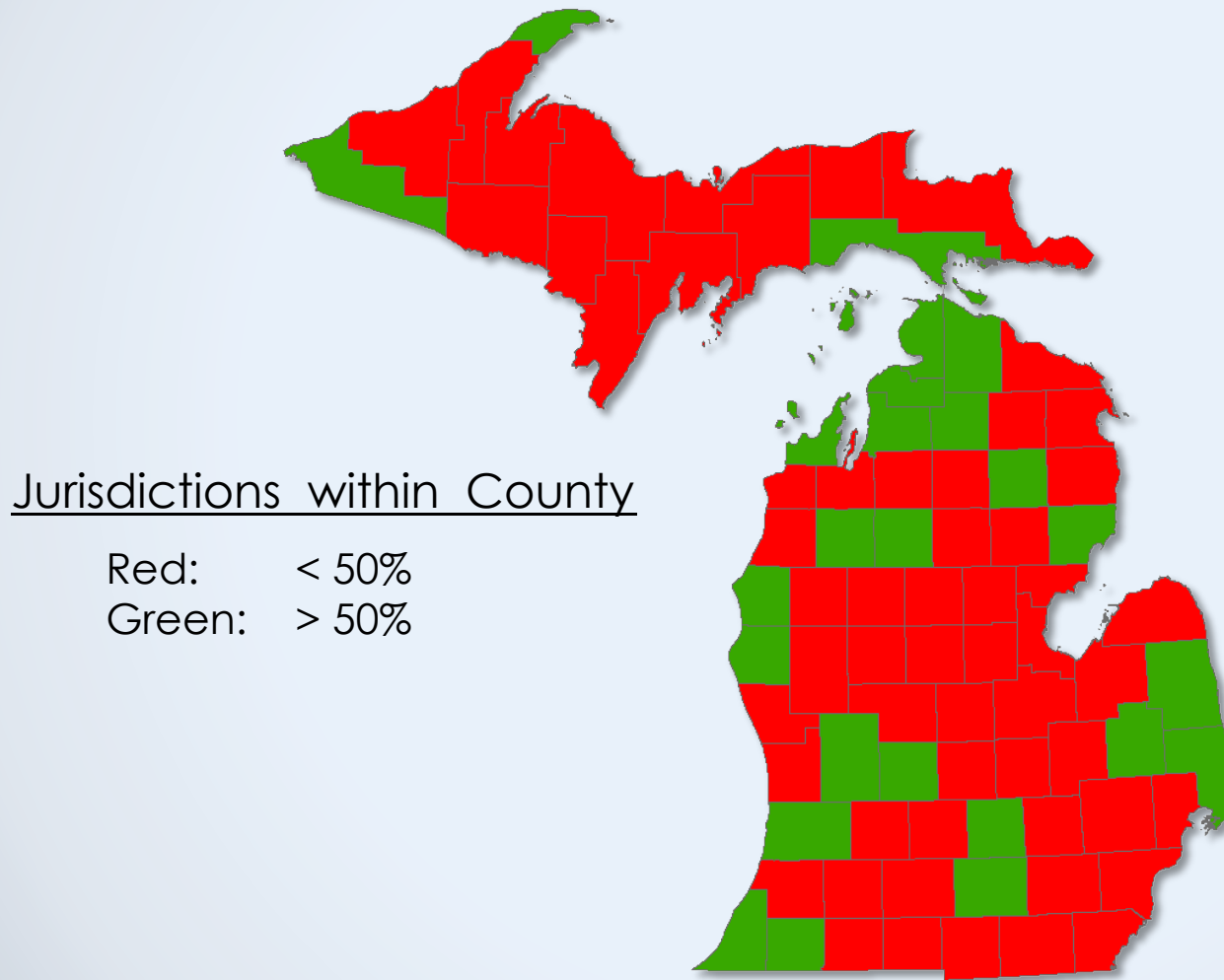
Concerns Going Forward

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



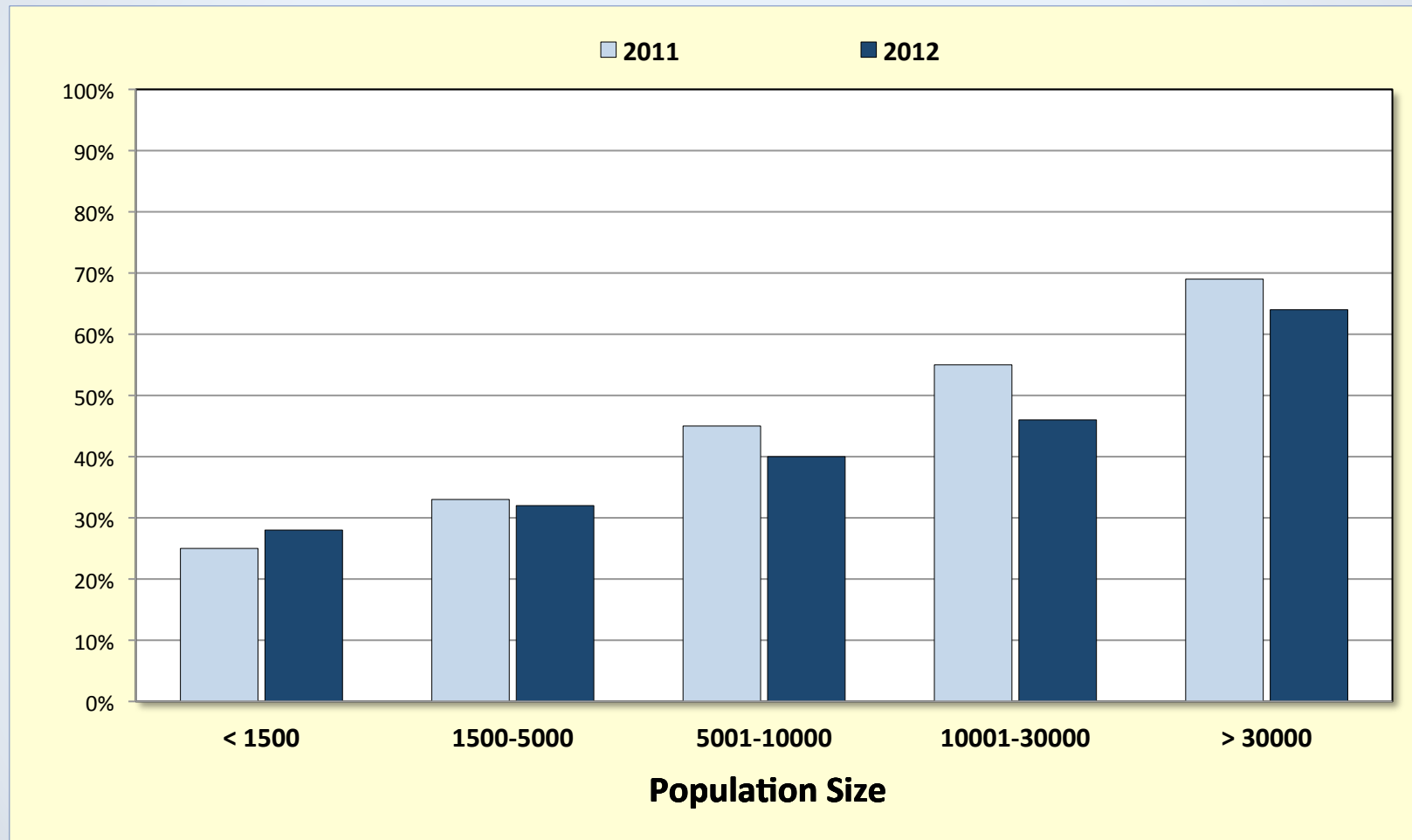
Spreading Fiscal Problems

Able to **maintain services**, by county



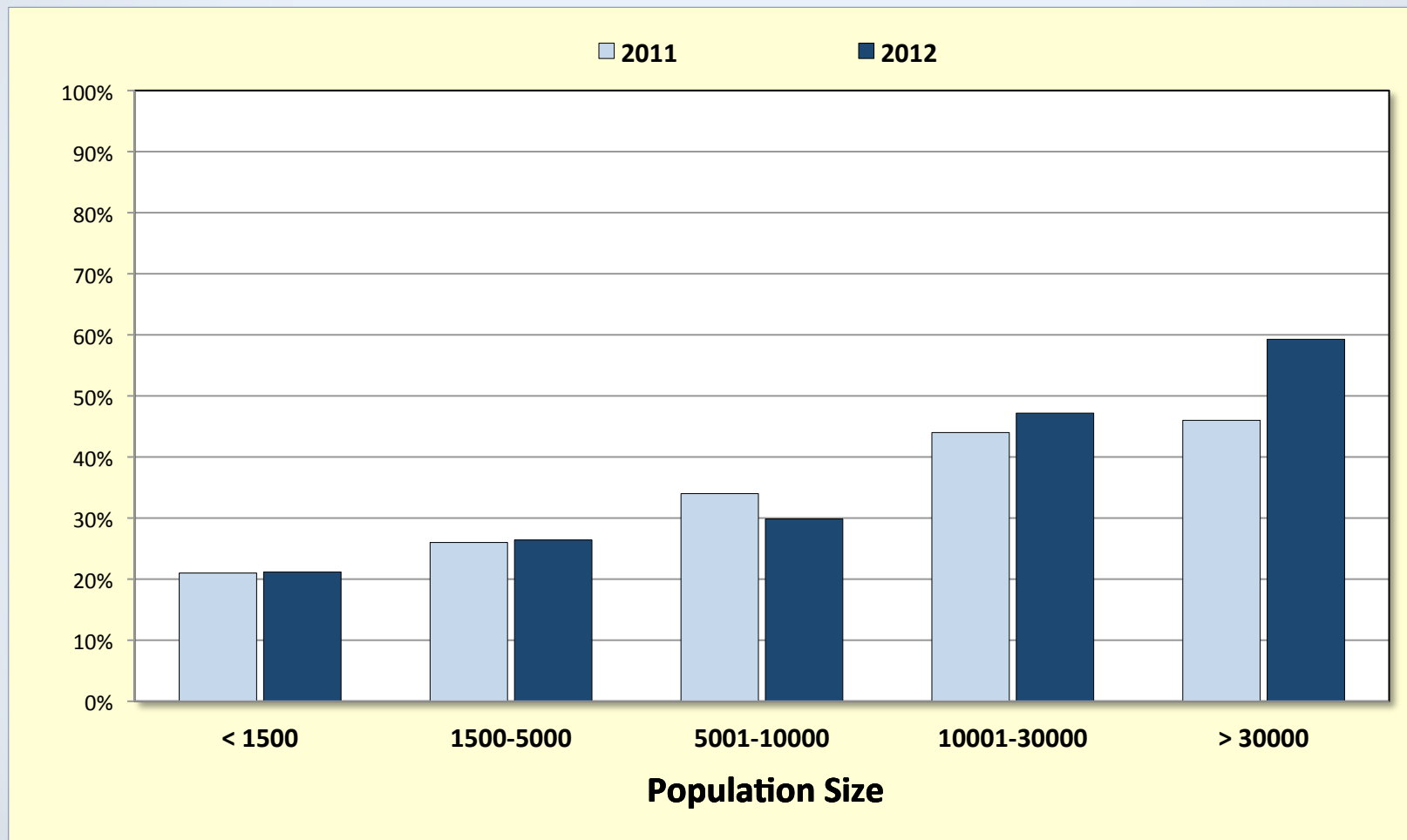
Concerns Going Forward

% of jurisdictions with increased **human service** needs



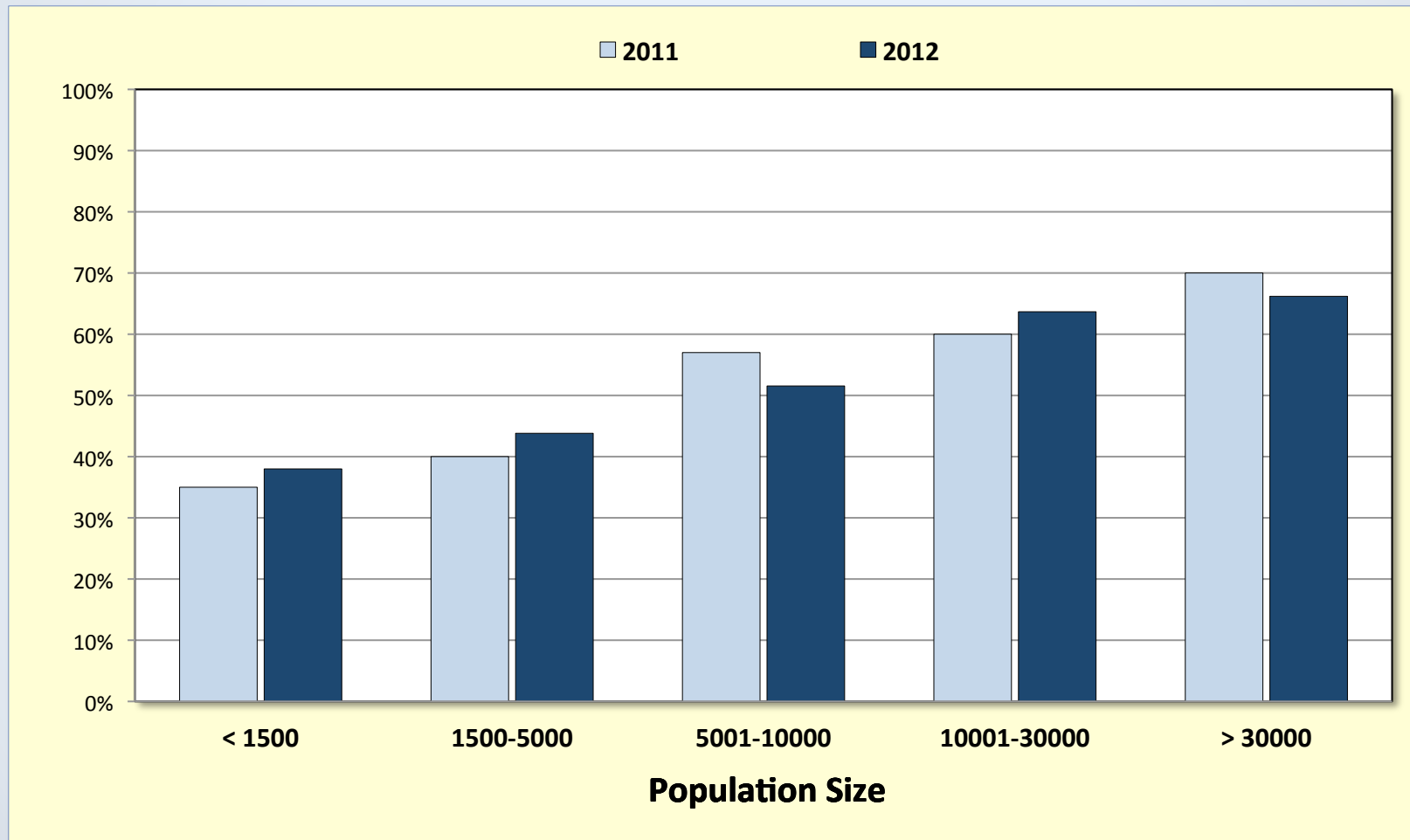
Concerns Going Forward

% of jurisdictions with increased **public safety** needs



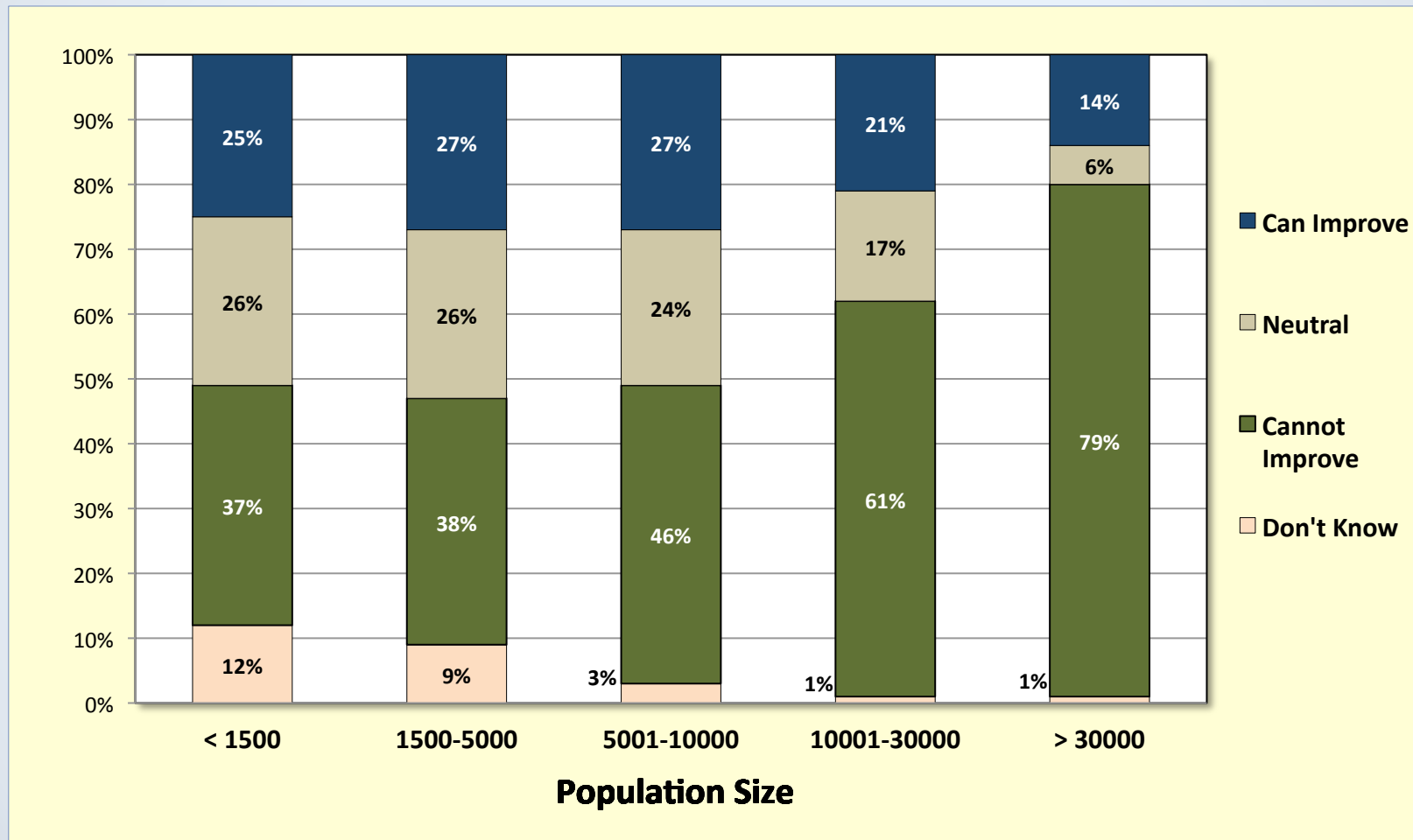
Concerns Going Forward

% of jurisdictions with increased **infrastructure** needs



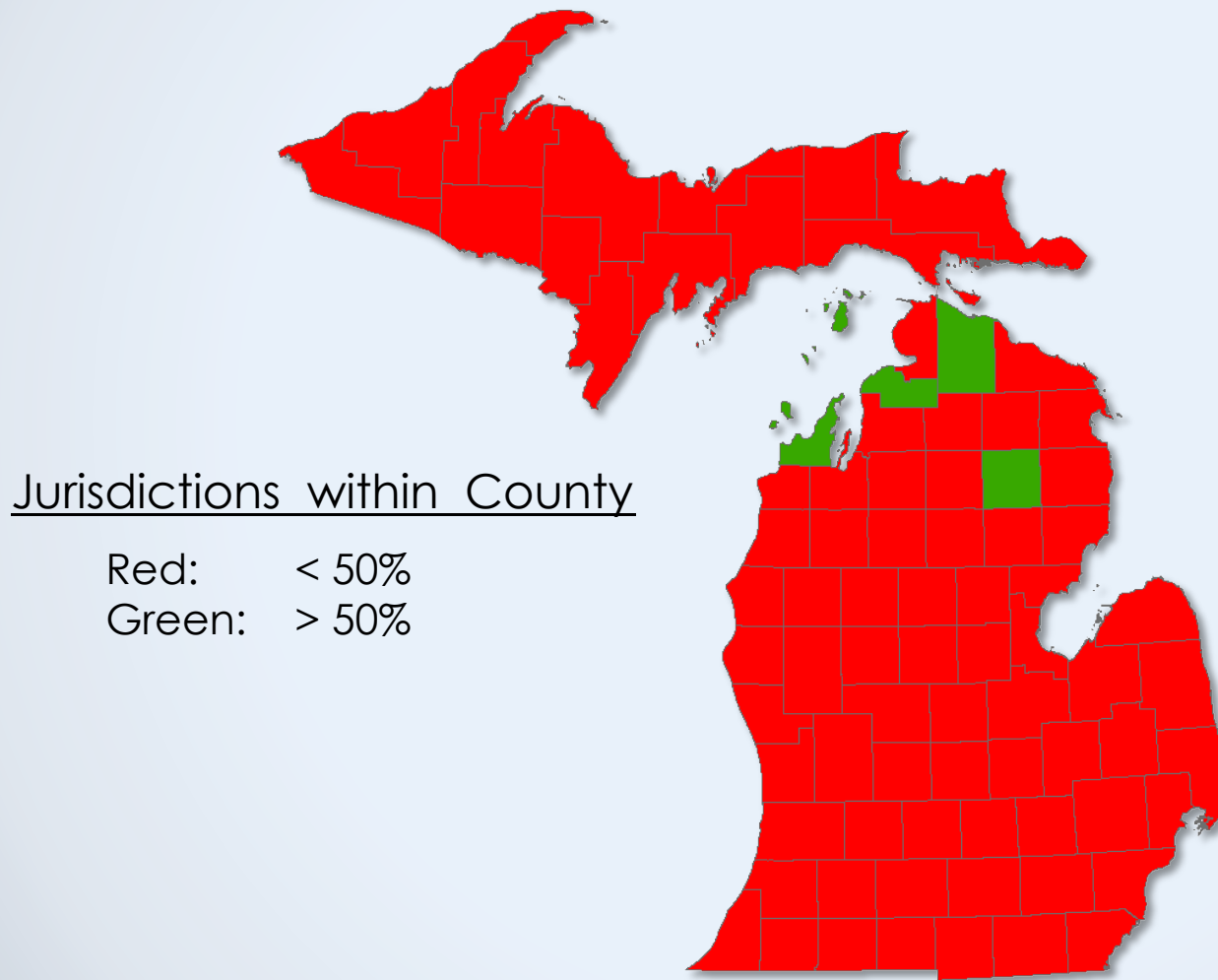
Concerns Going Forward

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



Spreading Fiscal Problems

Able to **improve services**, by county

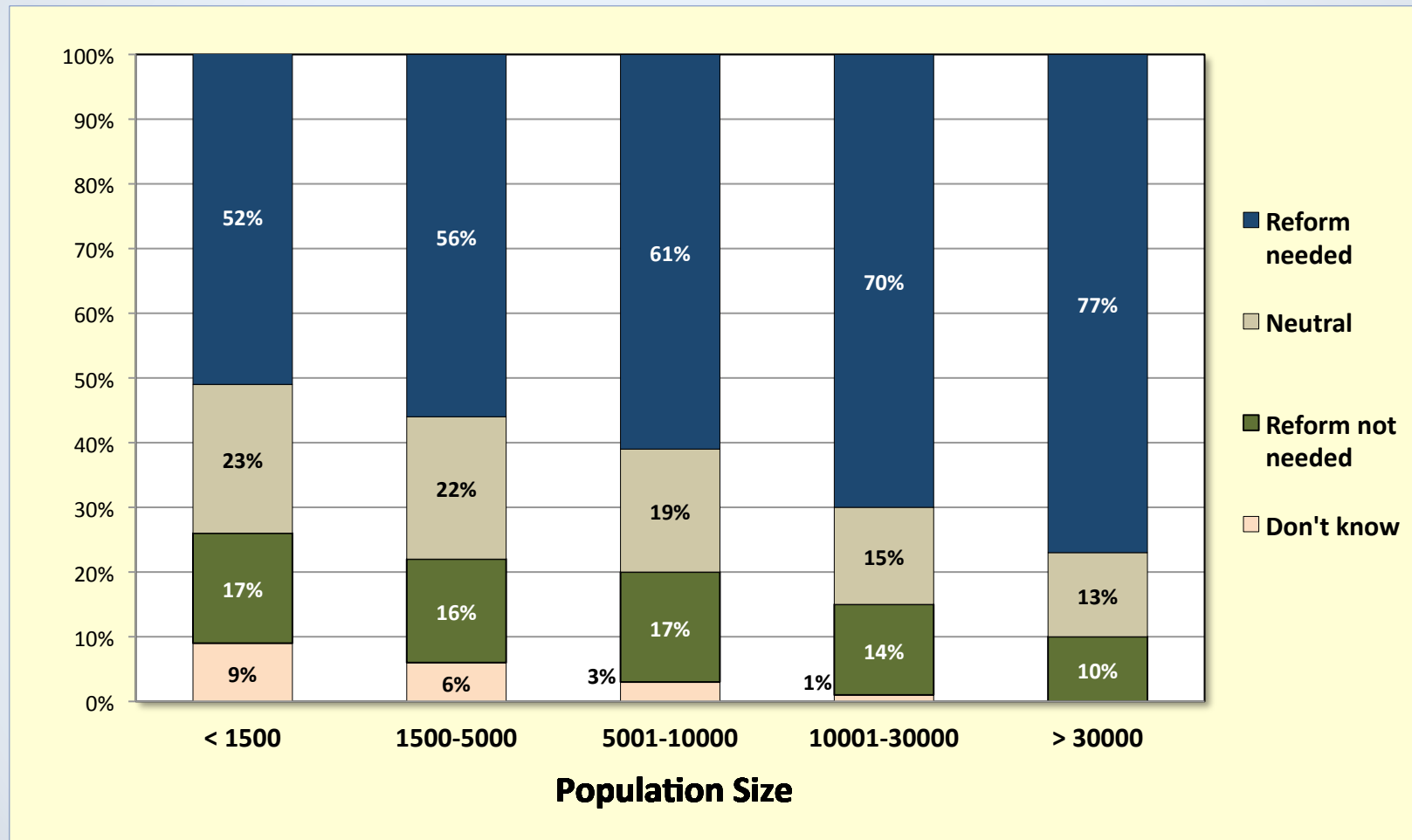


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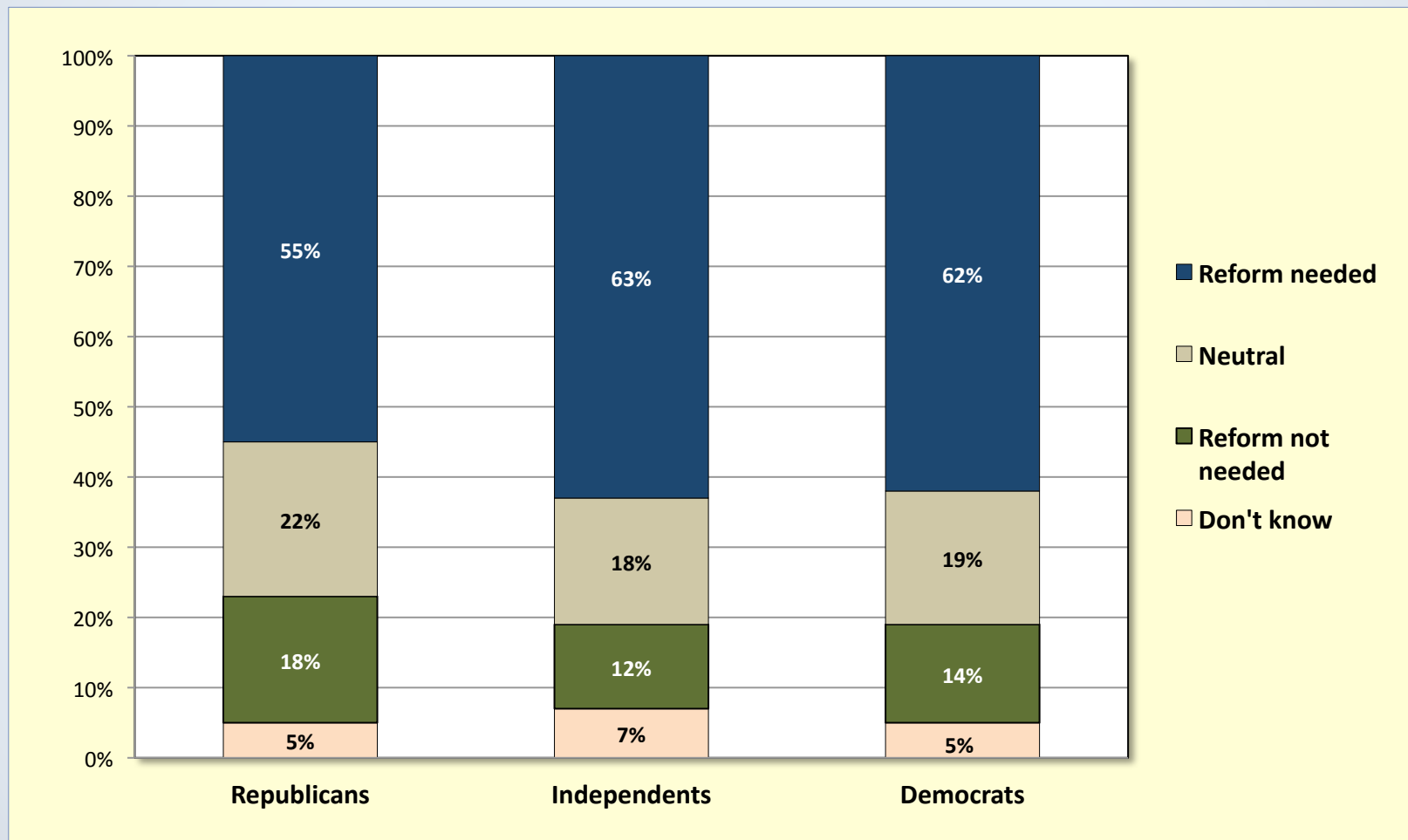
Support for Funding Reform

% that believe **significant reform** is needed



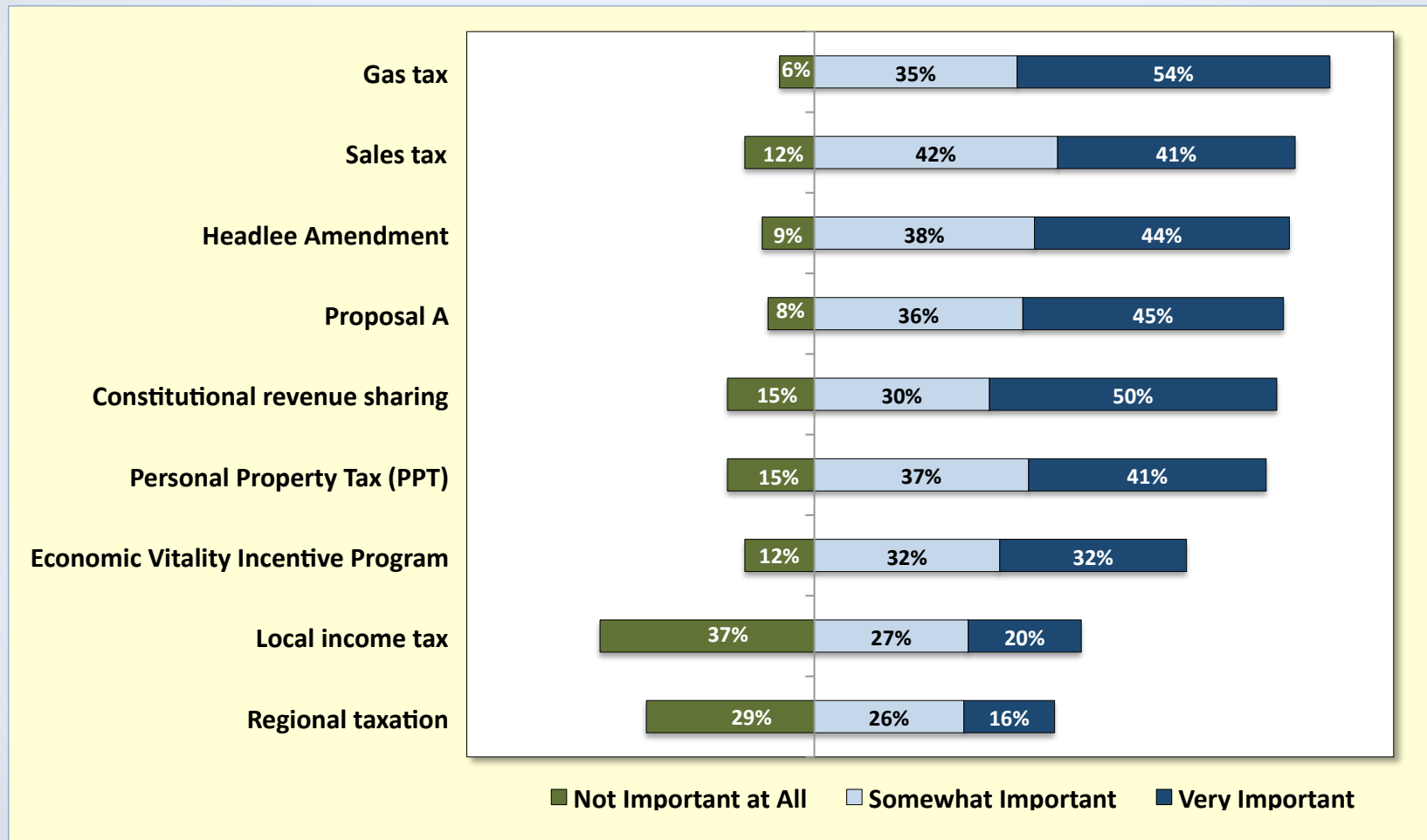
Support for Funding Reform

% that believe **significant reform** is needed



Support for Funding Reform

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



Support for Funding Reform

Suggested reforms to **Property Taxes**

- Eliminate Headlee and Proposal A
- Ease revenue caps
- Lower/ease the automatic millage rollbacks
- Allow automatic millage rollups

“I would revise Proposal A to get rid of the tax rate differences between homestead and non-homestead and eliminate the caps. I would revise the Headlee amendment so that millage rates could both be rolled back and rolled up without a vote of the people.”

Support for Funding Reform

Suggested reforms to **Sales Taxes**

- Increase the sales tax rate
- Increase the sales tax base (add services, food, internet sales, etc.)
- Allow local sales taxes, or local control of state sales tax

“It’s a bit like a three-legged stool. Right now we only have the ability to collect revenues from one leg of the stool and as a result the whole system is unbalanced. Making it possible to levy a local sales tax – or easier to levy an income tax – would re-balance the stool and allow us to reduce property tax rates.”

Support for Funding Reform

Suggested reforms to **Revenue Sharing, PPT, and the Gas Tax**

- Revenue Sharing:
 - Stop the cuts; provide more stability and predictability
 - Eliminate EVIP and move all funds into Constitutional program
 - Make more jurisdictions eligible for EVIP
 - Stop penalizing jurisdictions through EVIP that already took “best practices” actions in the past
- Personal Property Tax:
 - Provide full replacement funding
- Gas Tax:
 - Base the tax on sales price, not volume
 - Change distribution formulas among local governments

Support for Funding Reform

Suggested reforms to **Revenue Sharing** (including EVIP)

“The legislature has shown a willingness over the last decade to de-fund statutory revenue sharing in order to balance the state's budget. There is an implicit assumption that local governments are inefficient in their use of resources, hence the structure of EVIP. The result is the creation of a system of hurdles that government administrators must cross in order to qualify for a level of funding inadequate to accomplish what it needs.”

A Broken Funding System?

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.
- 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.
- But there is no particular consensus on the fixes.
- It is time to discuss the system of funding local government.

Future waves of the Michigan Public Policy Survey:

- Types of questionnaire items? Other survey topics?
- Targeted analysis by subgroup or region?
- How should MPPS data and reports be distributed to reach the widest audience?

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