

# Trends in local fiscal health and funding local government in Michigan

Presented at the  
What's After Bankruptcy? Lessons in Governance Reform  
Conference  
Detroit Branch of the Federal Reserve Bank of Chicago  
November 7, 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.

# 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**

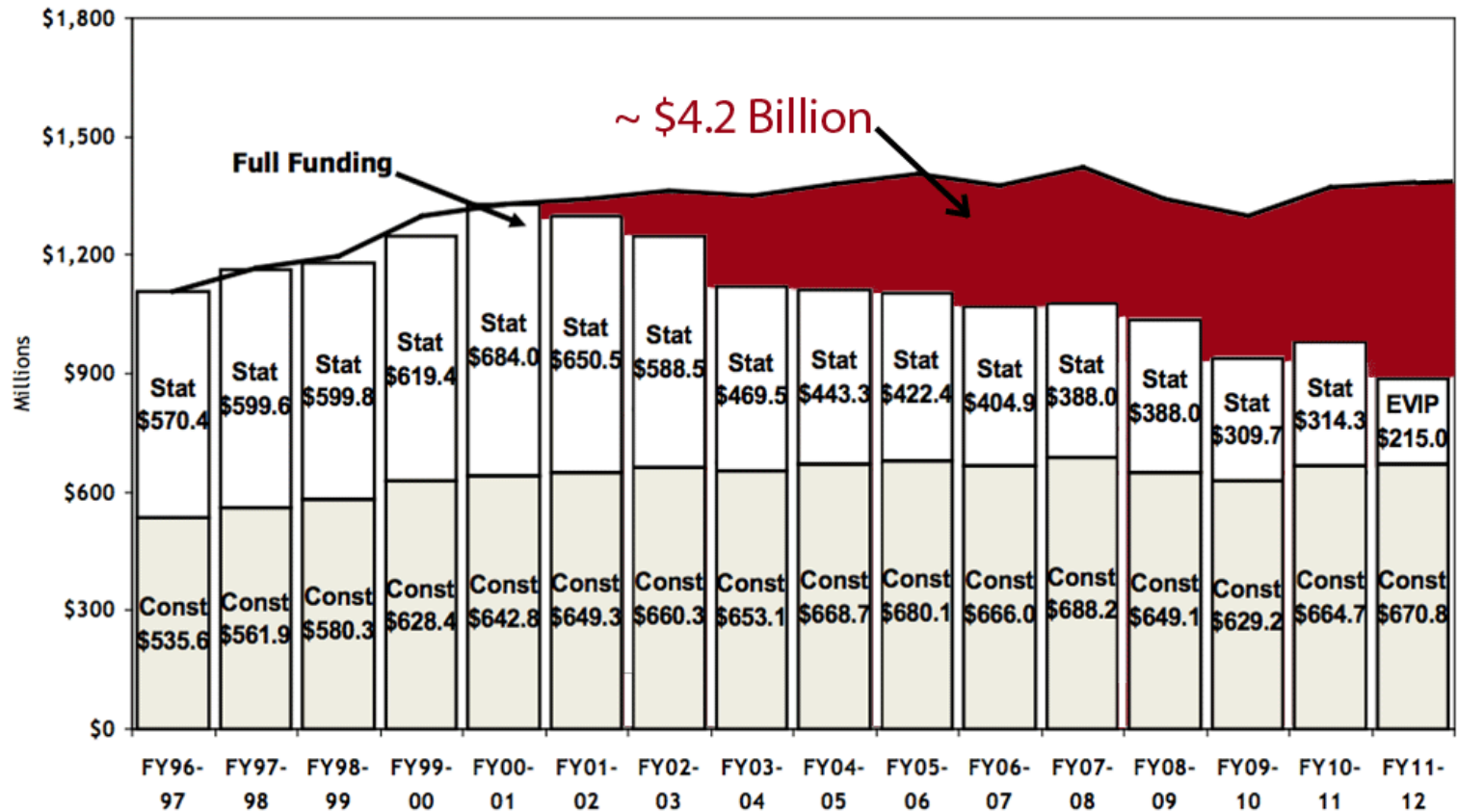
# Presentation Outline

- Findings on fiscal trends and budgetary health from the Spring 2013 Wave of the MPPS
  - ✓ Fiscal challenges facing Michigan's local governments
  - ✓ How local governments are responding
- Local officials' concerns for the future

# Challenge: Declining Revenues and Rising Costs

# A Decade of Funding Cuts

## Revenue sharing cuts

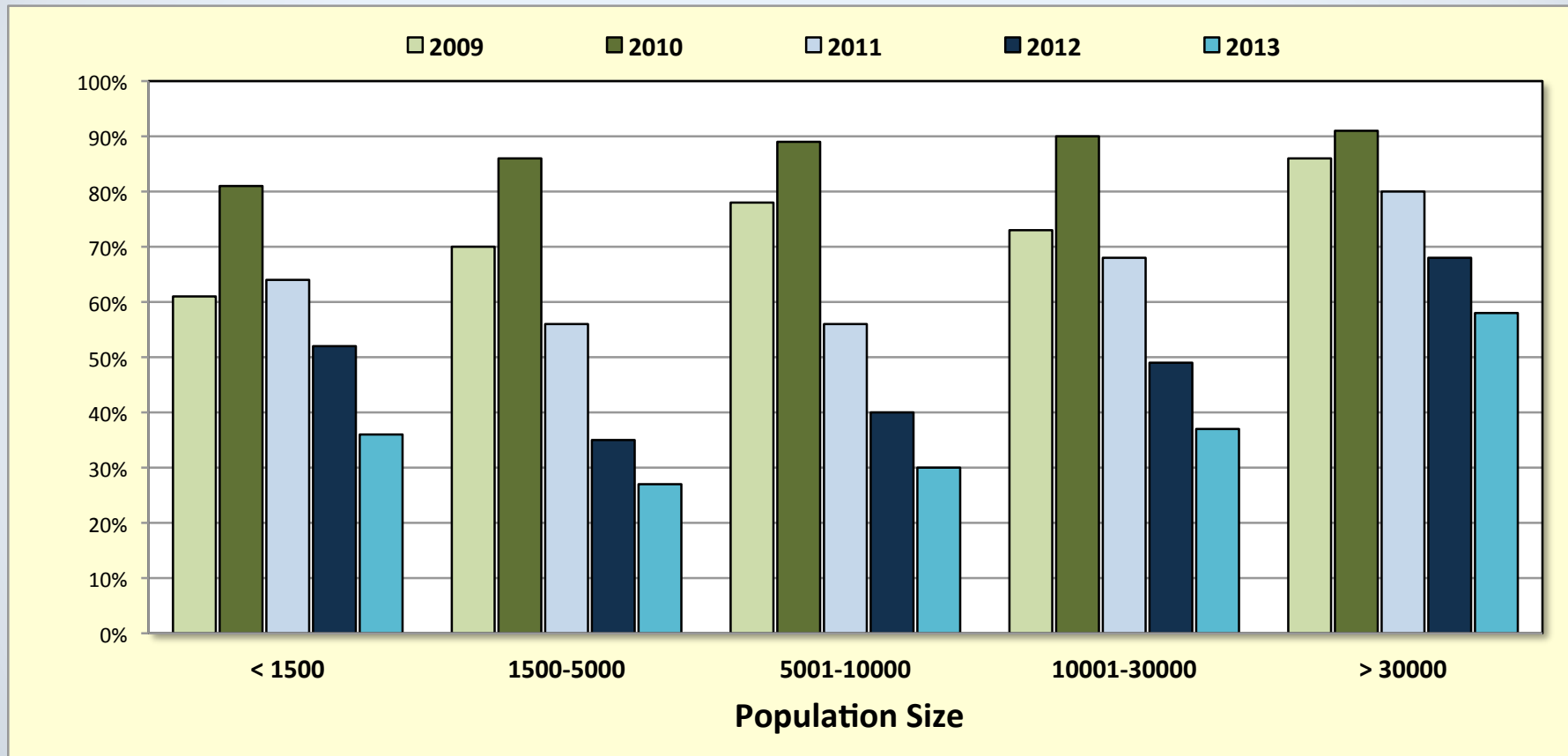


9/22/2011

House Fiscal Agency

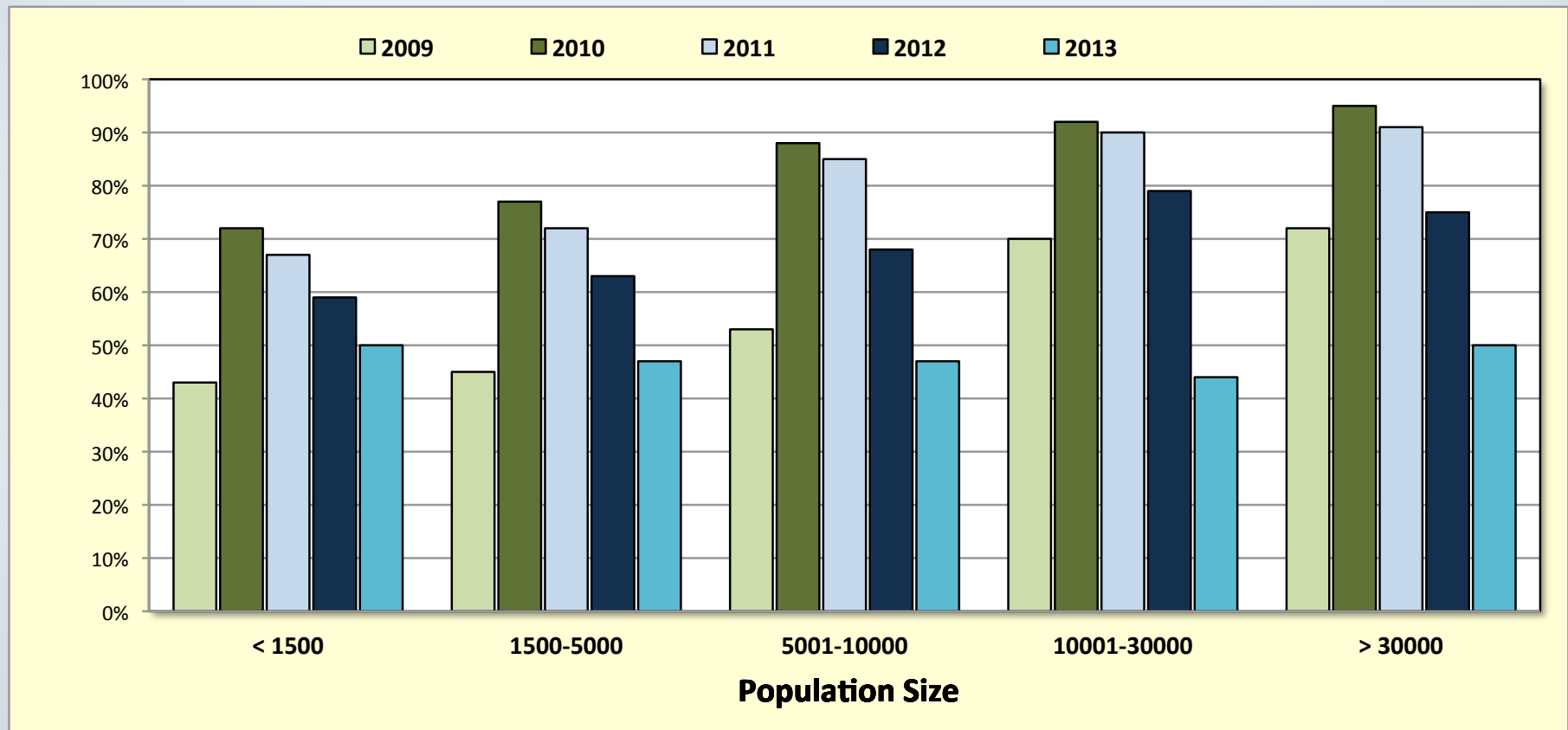
# Declining Revenues

% of jurisdictions with **declining state aid**



# Declining Revenues

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

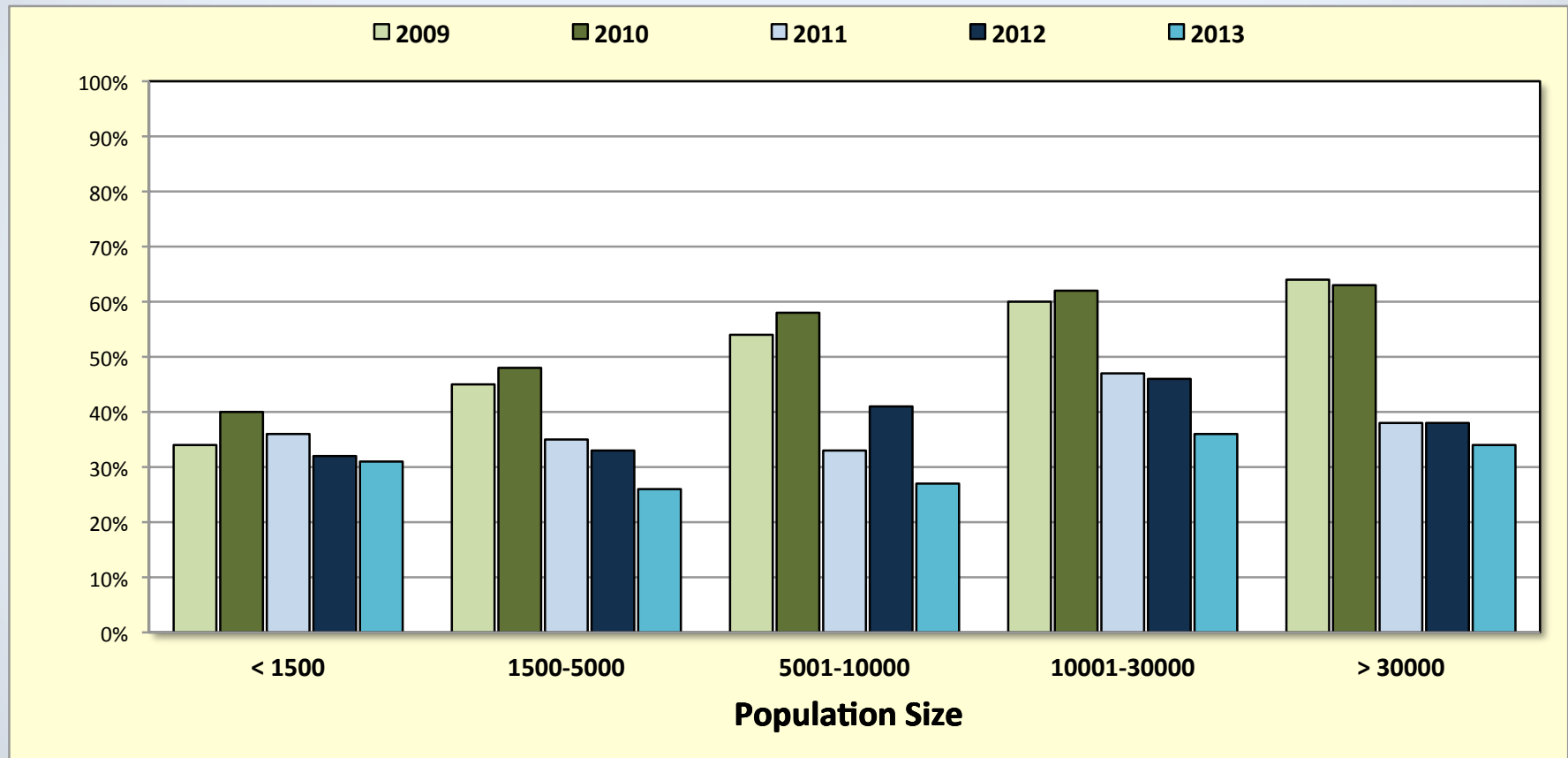




# Response: Local Governments Take Action

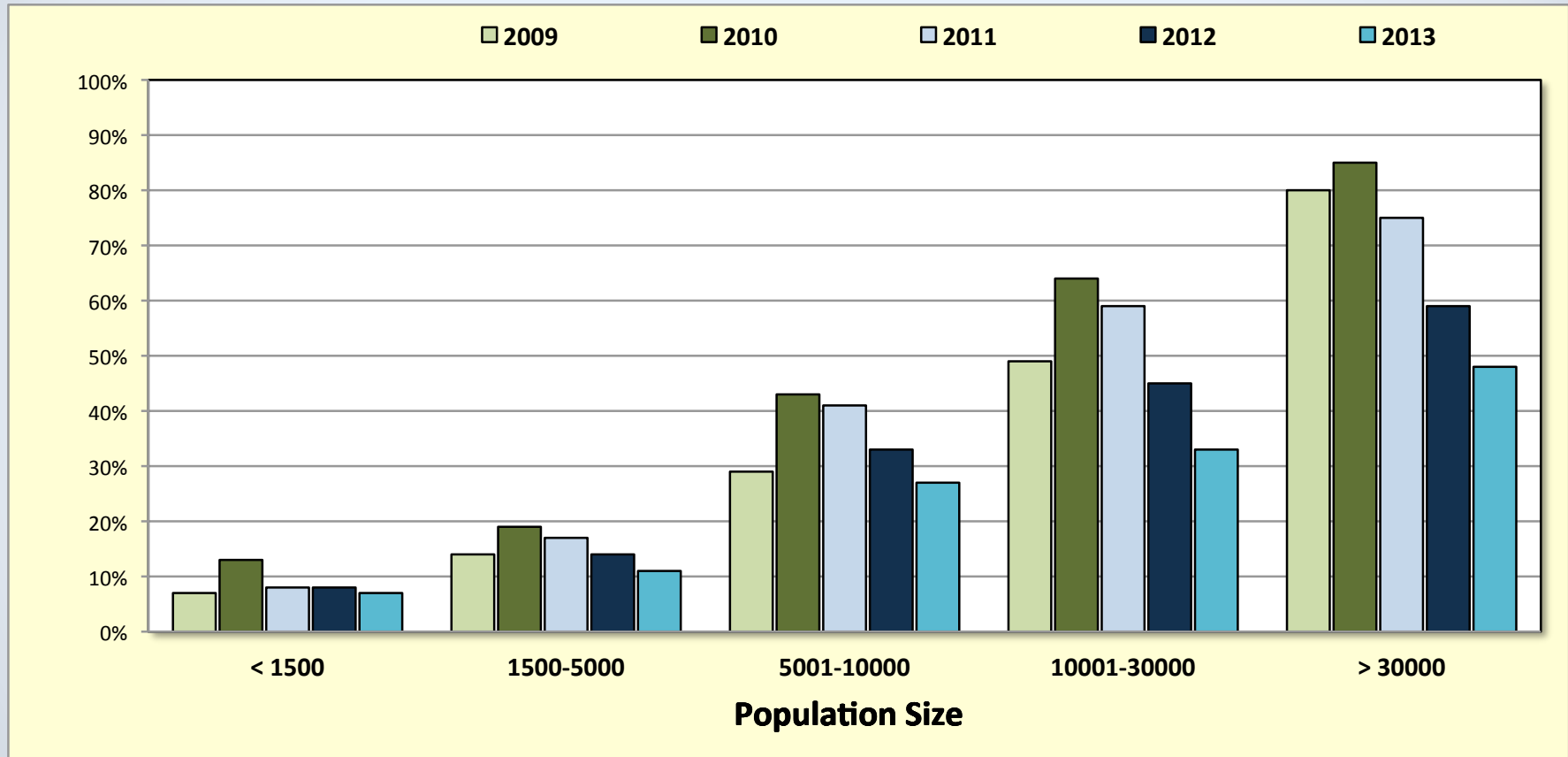
# Government Actions

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



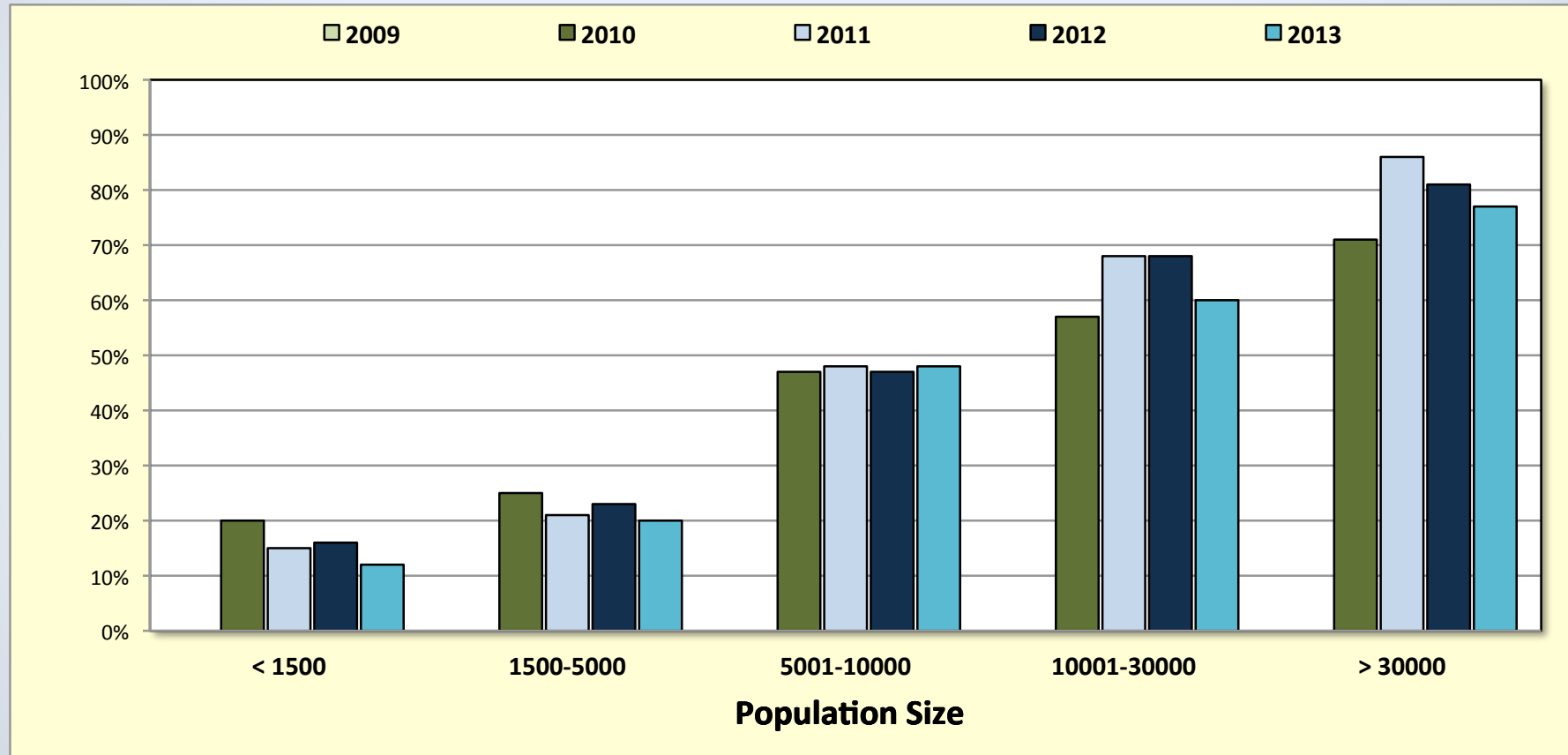
# Government Actions

% of jurisdictions **cutting staff levels**



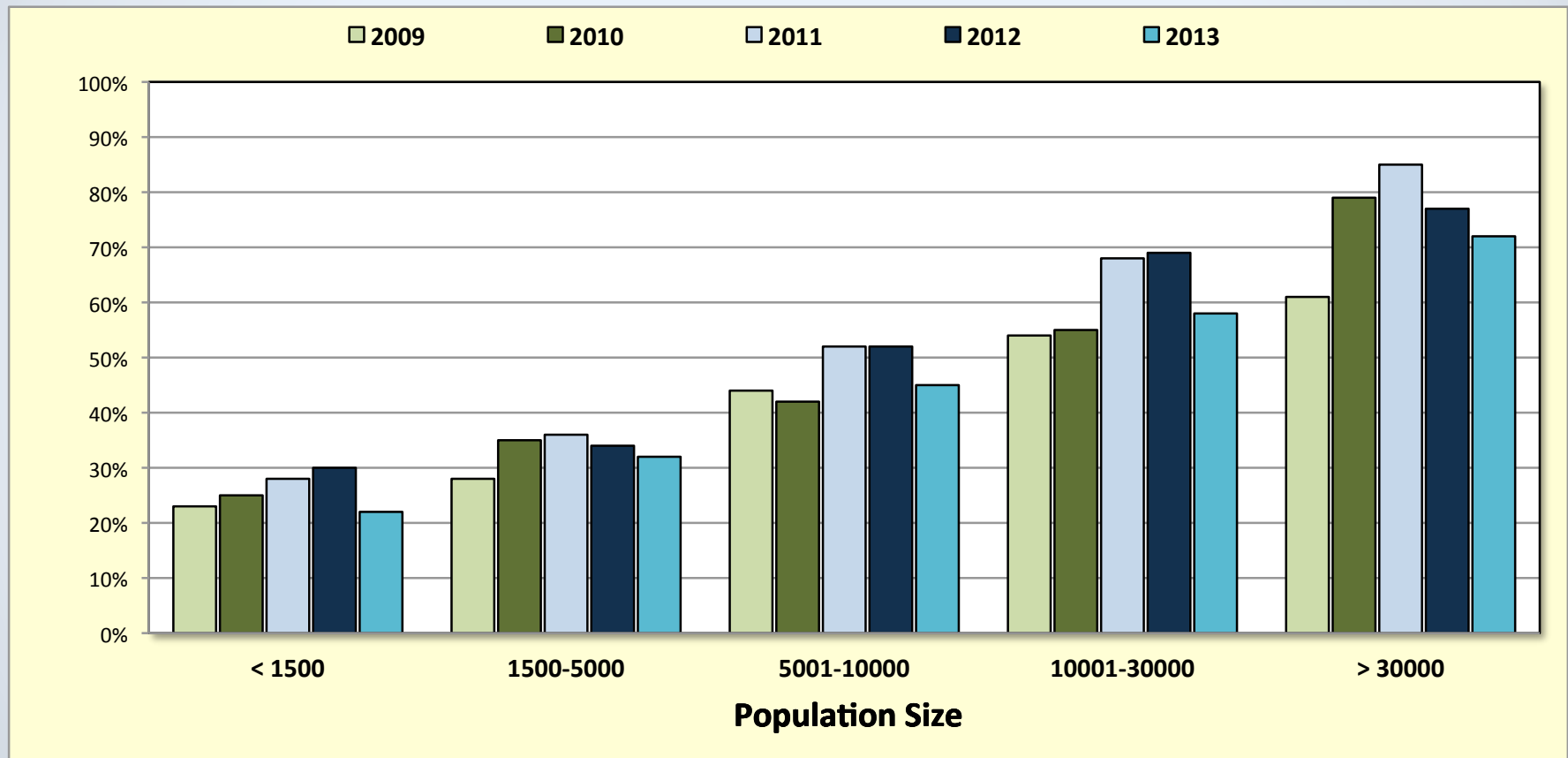
# Government Actions

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



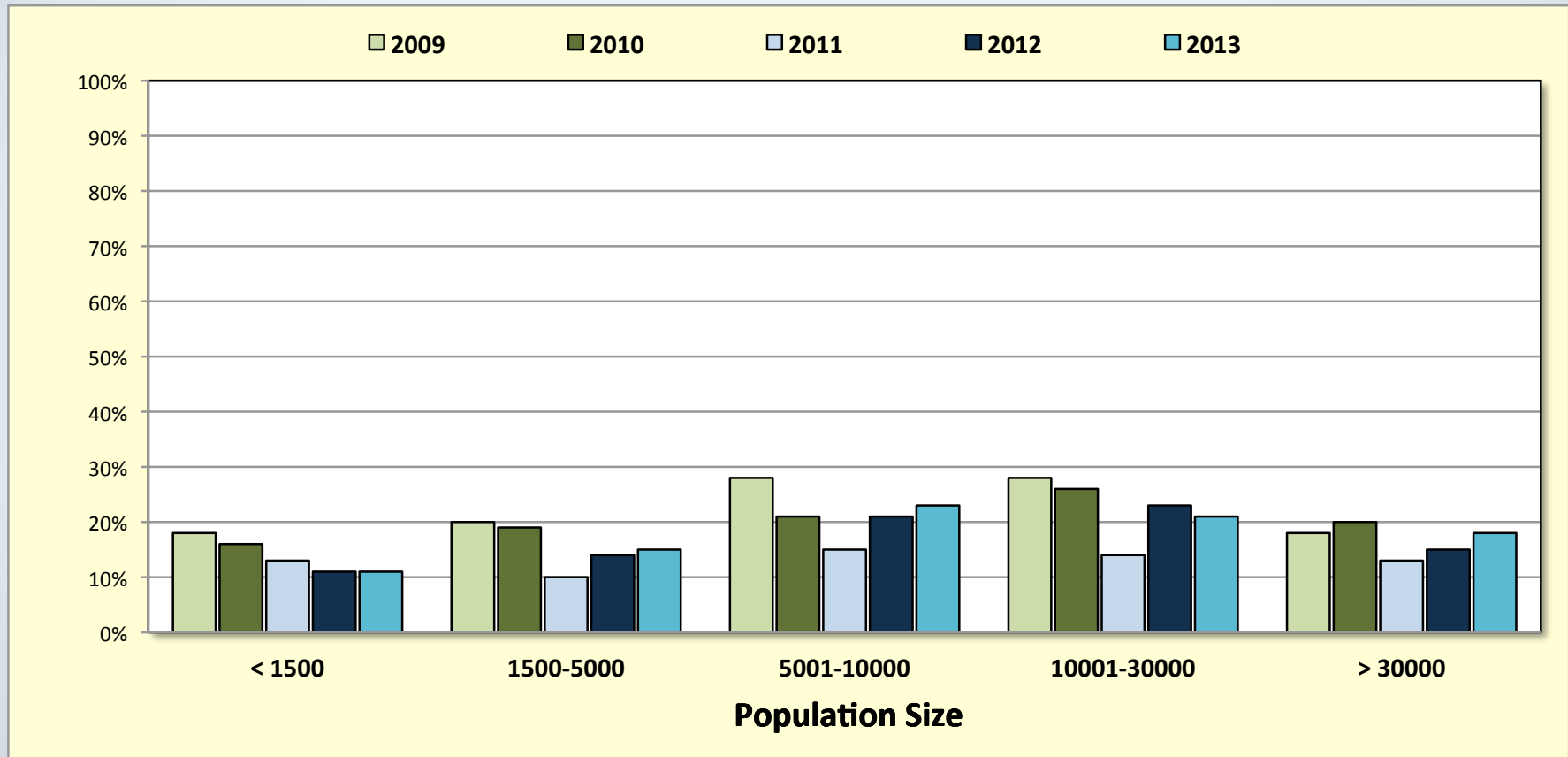
# Government Actions

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



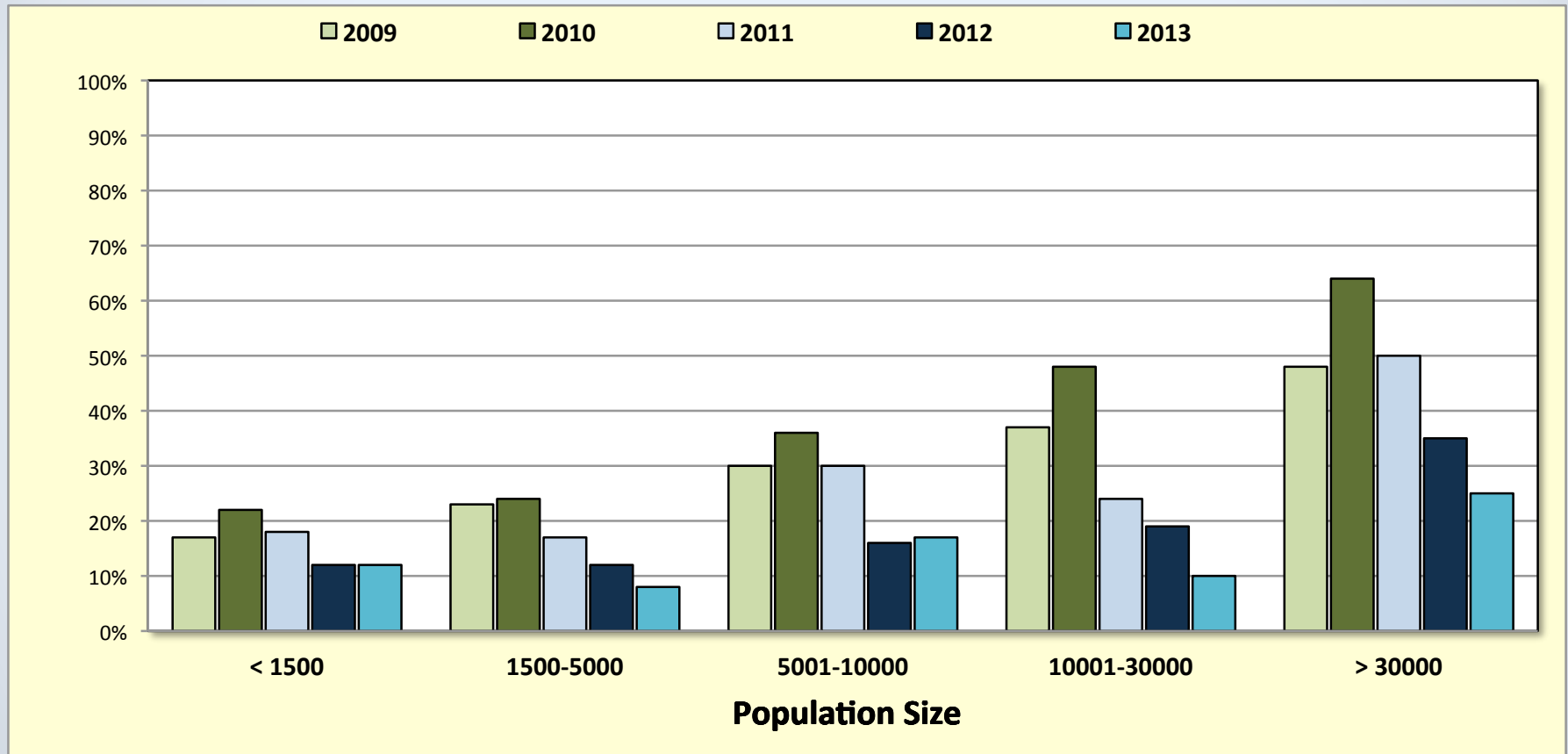
# Government Actions

% of jurisdictions **increasing debt**



# Government Actions

% of jurisdictions **cutting service levels**

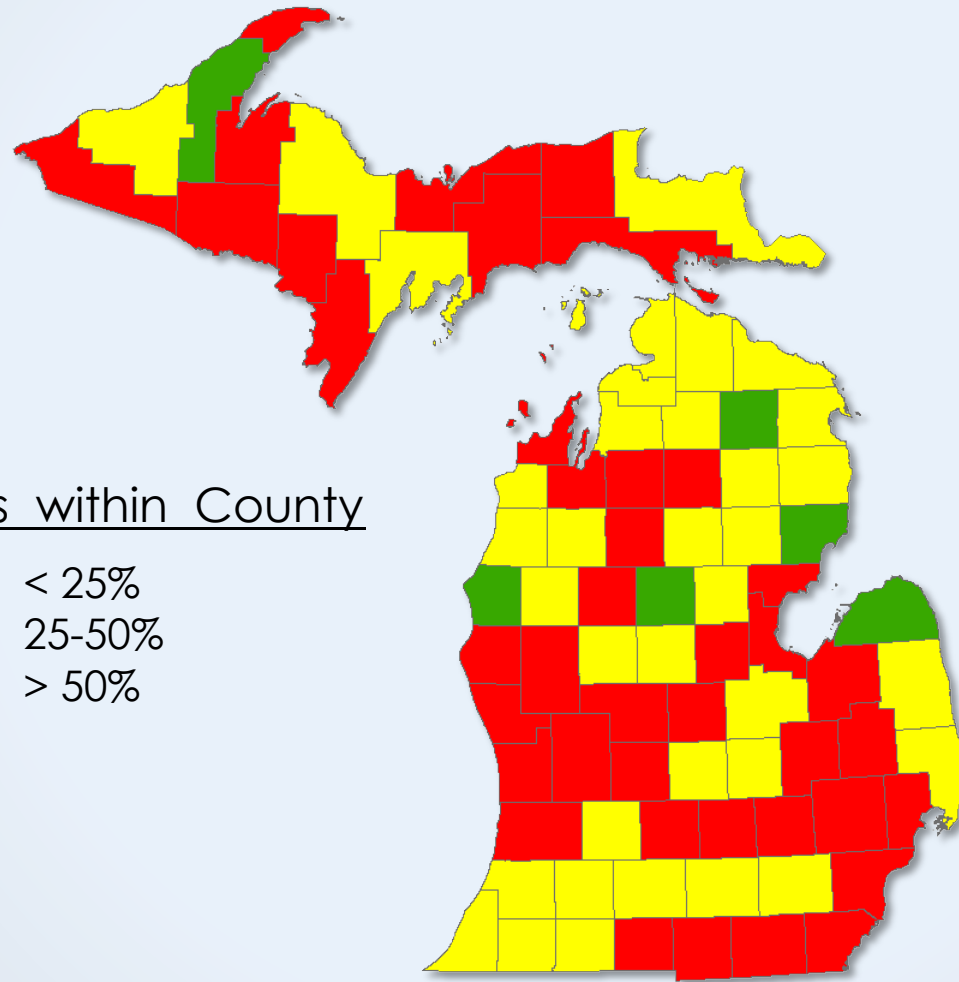


# Result: Gradual Trend Easing of Fiscal Stress



# Spreading Fiscal Problems

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



## Jurisdictions within County

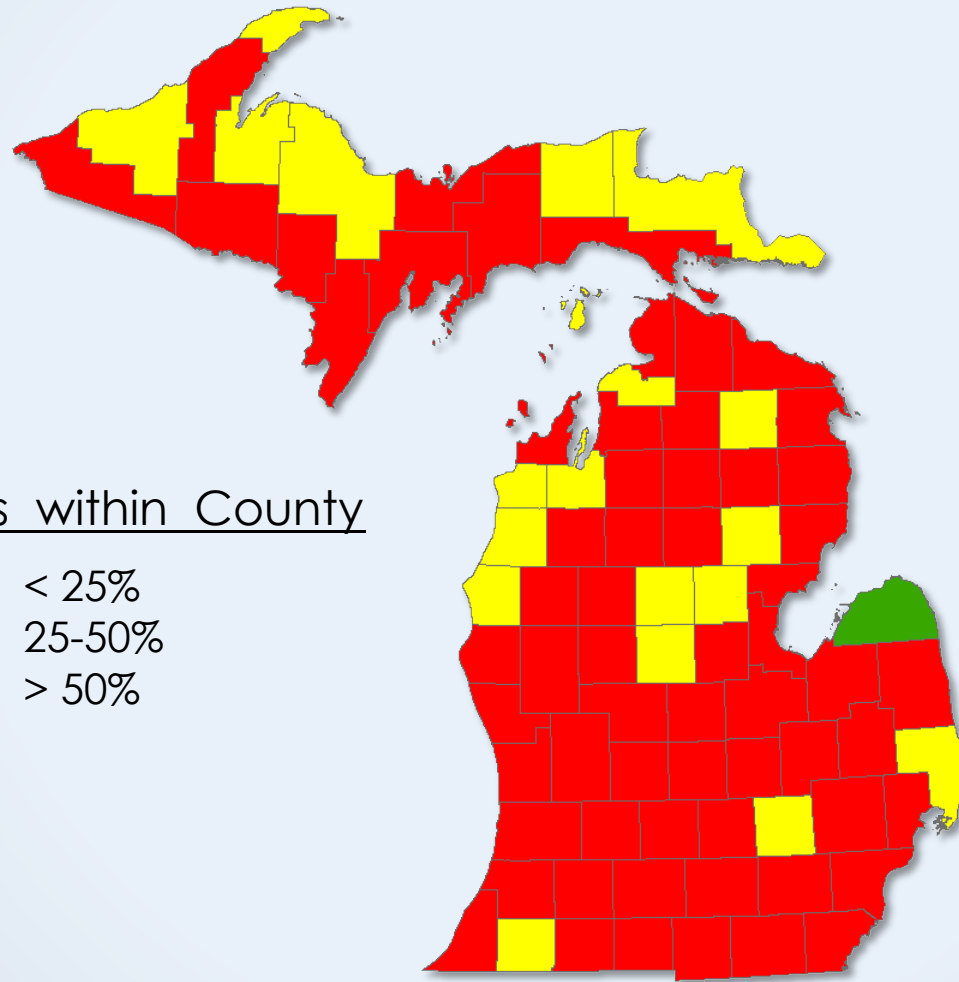
Green: < 25%  
Yellow: 25-50%  
Red: > 50%

# Spreading Fiscal Problems

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

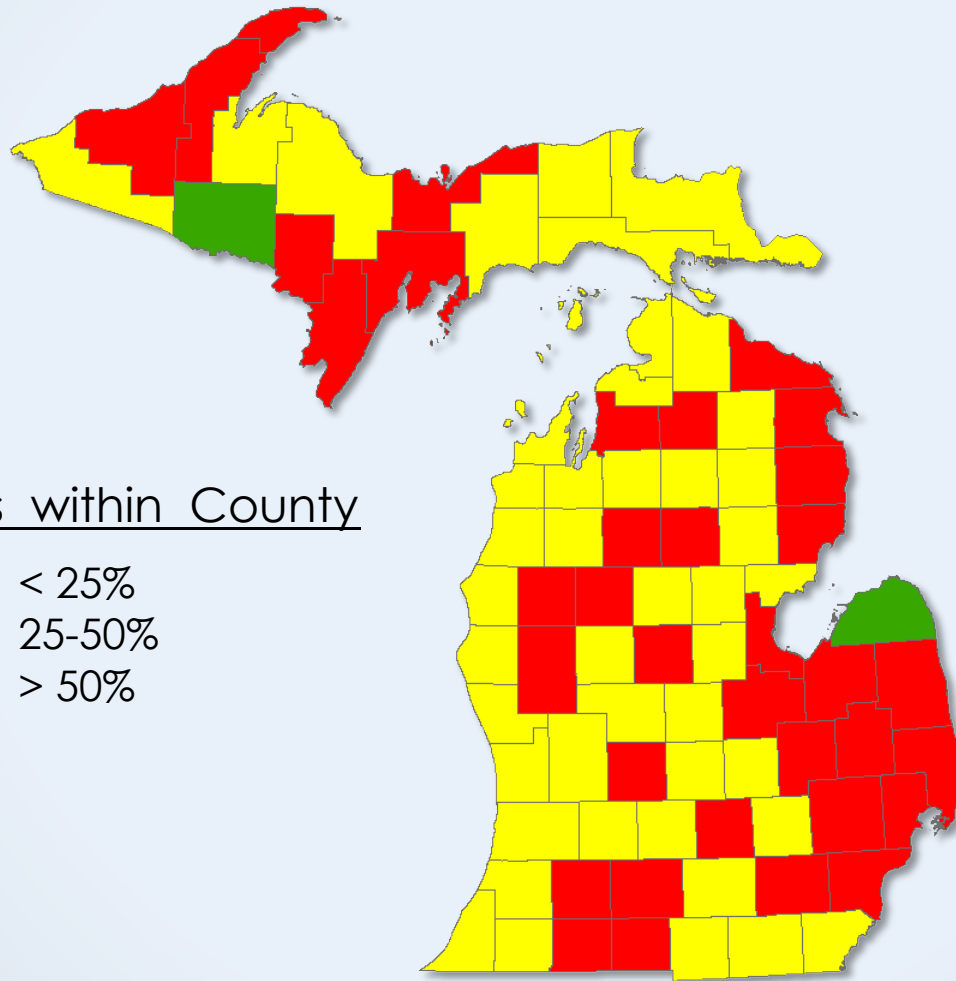
## Jurisdictions within County

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# Easing Fiscal Problems

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

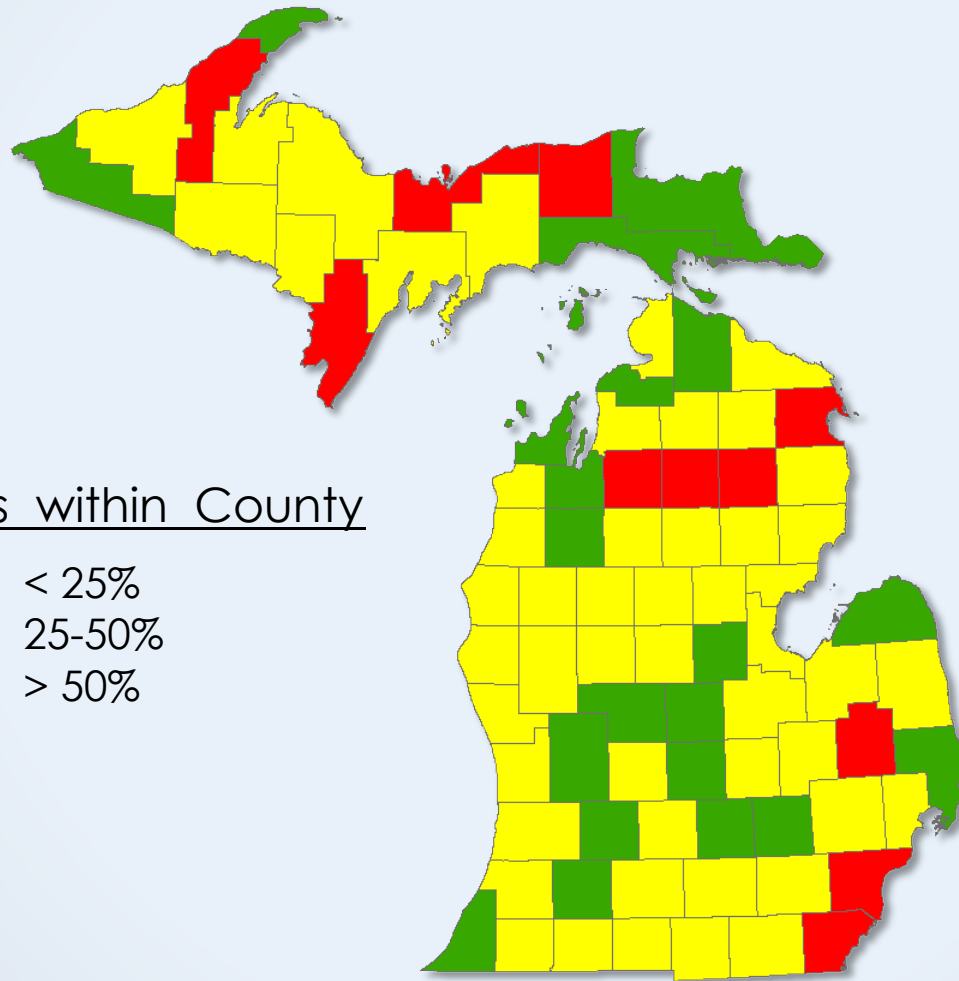


## Jurisdictions within County

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# Easing Fiscal Problems

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

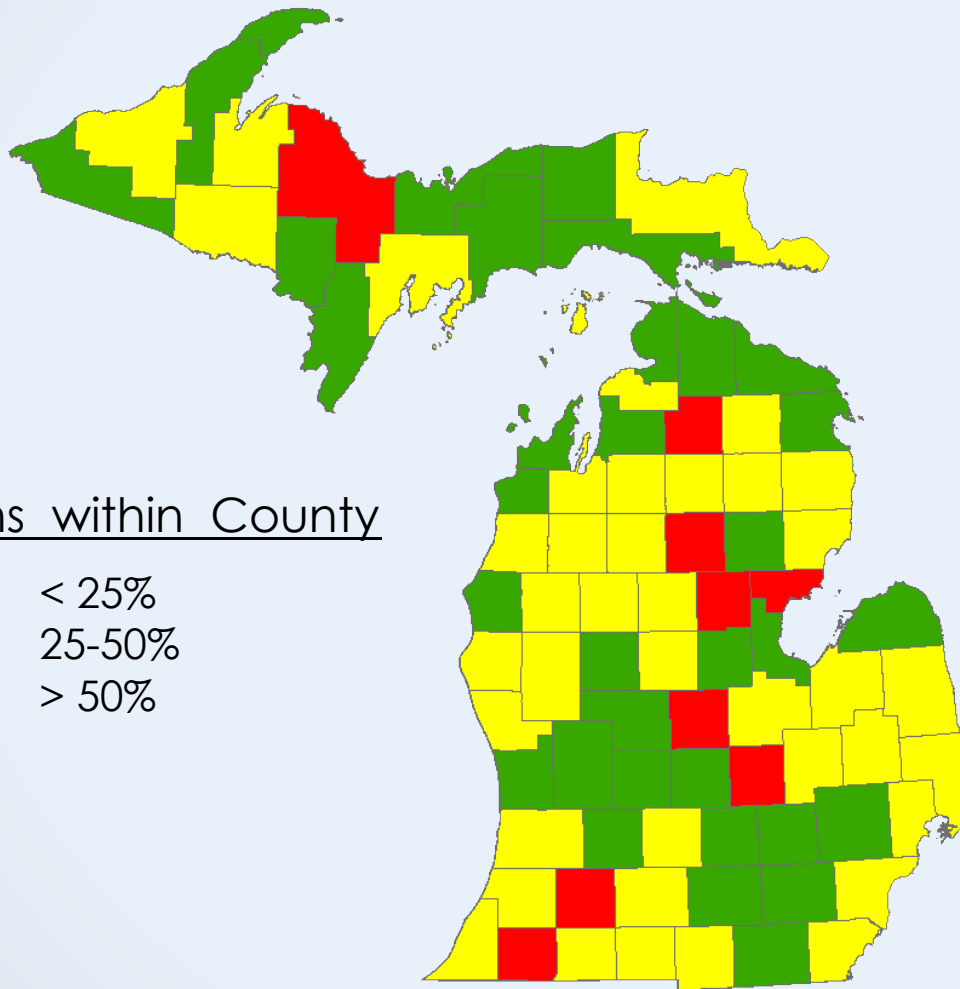


## Jurisdictions within County

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# Easing Fiscal Problems

2013: **less able to meet fiscal needs**, by county

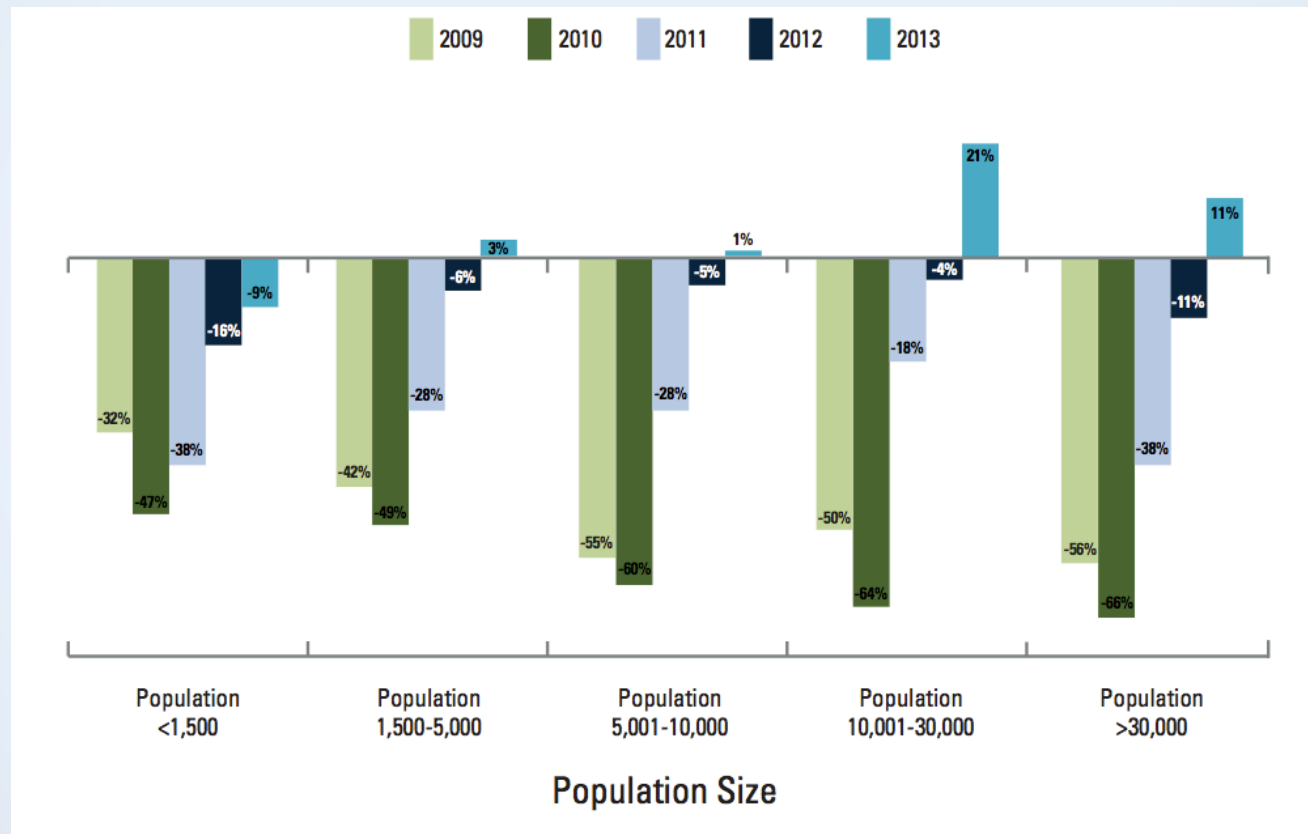


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# Easing Fiscal Problems

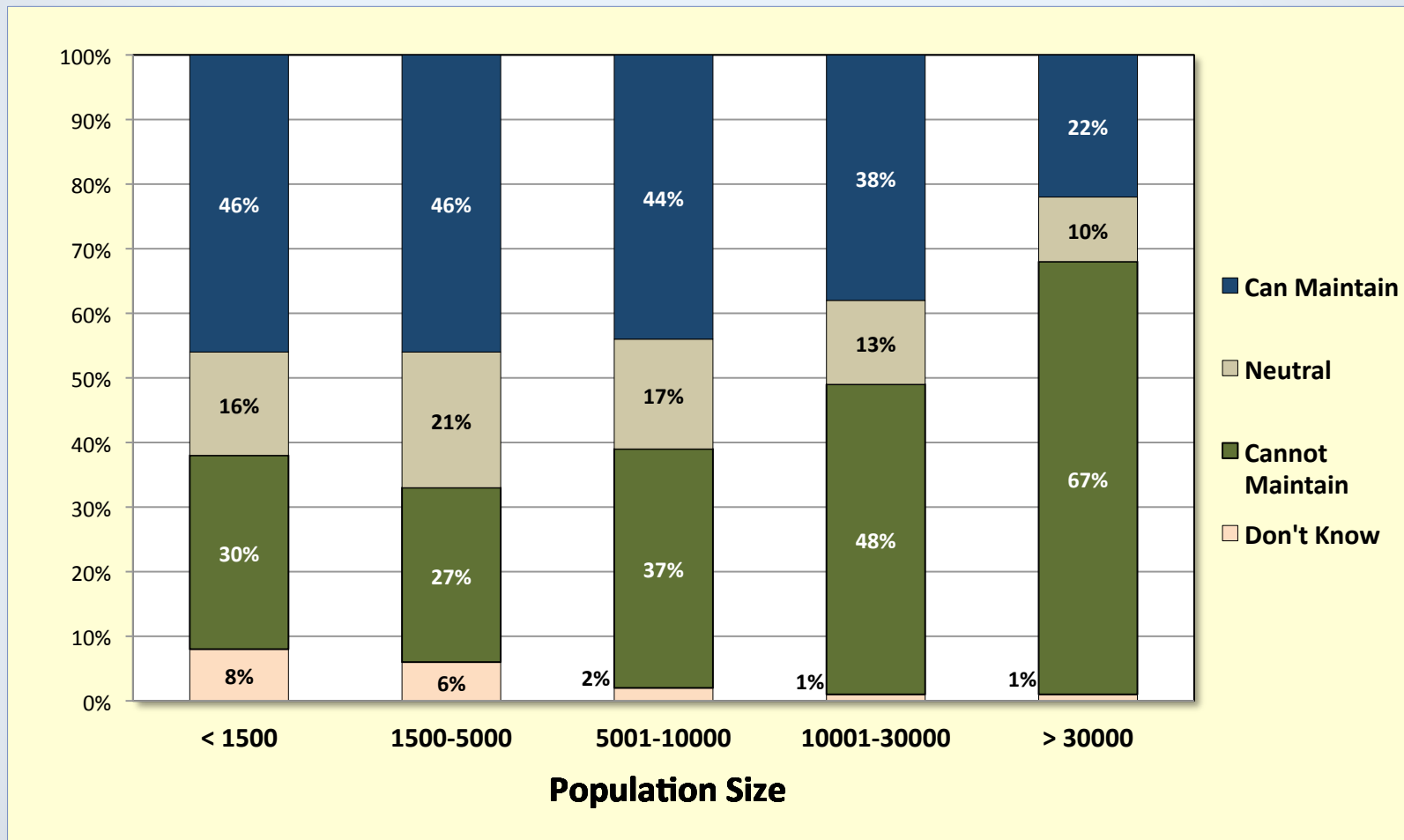
**net fiscal health change:** percentage of jurisdictions with improving fiscal health minus percentage with declining health



# Looking Ahead: Concerns about Michigan's Current System of Local Government Funding

# Concerns Going Forward

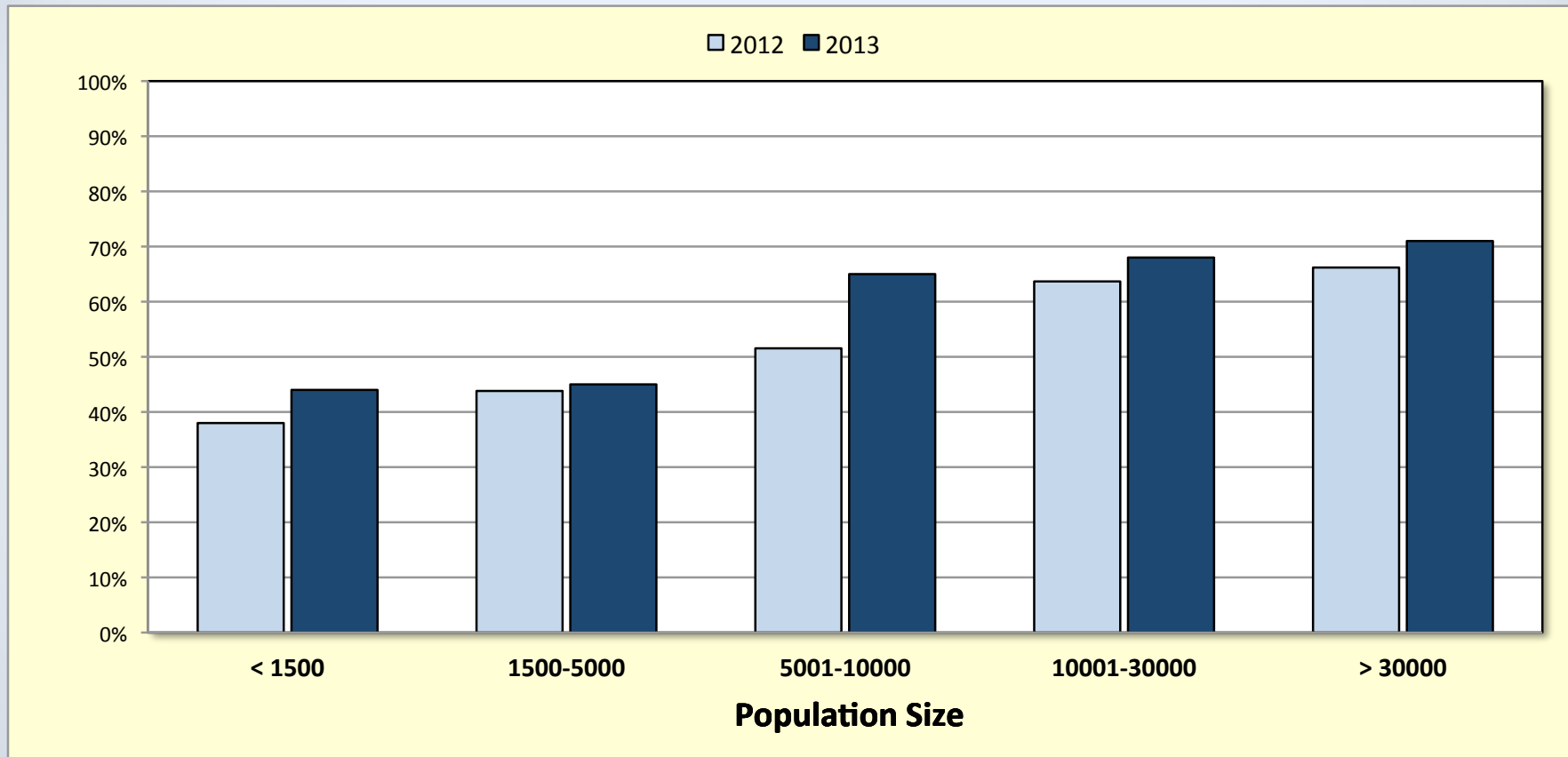
% that can **maintain services** in current system





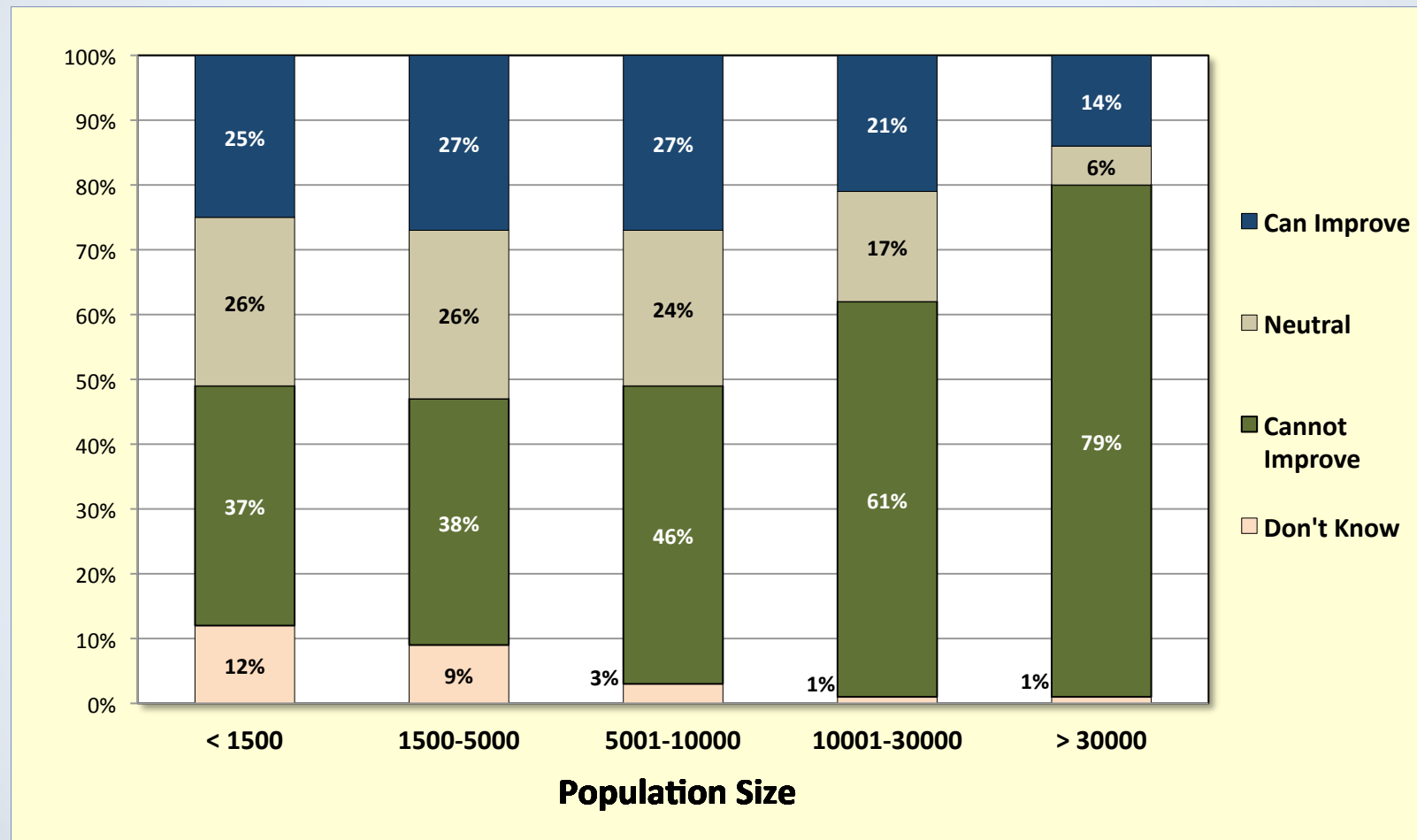
# Concerns Going Forward

% of jurisdictions with increased **infrastructure** needs



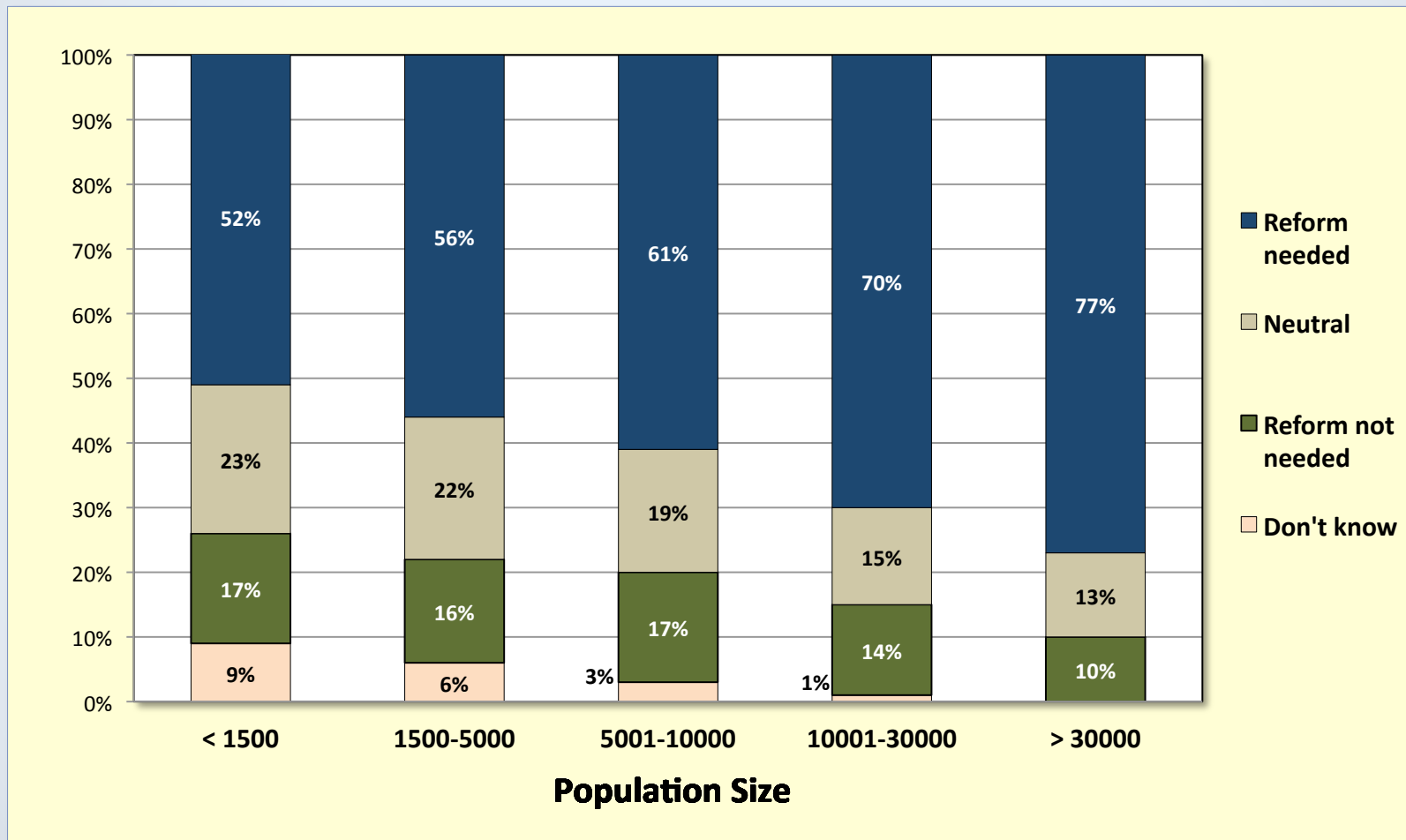
# Concerns Going Forward

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



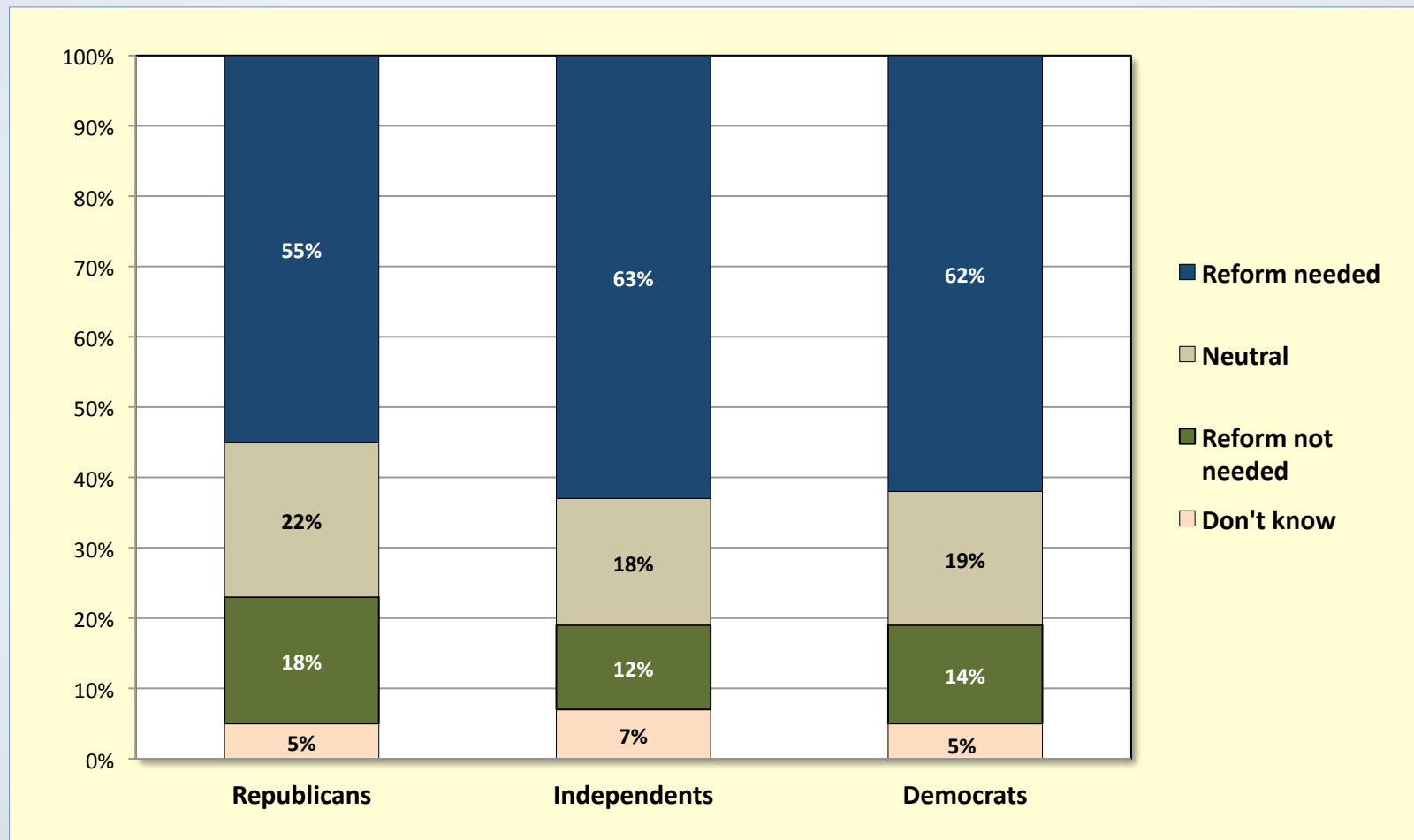
# Support for Funding Reform

% that believe **significant reform** is needed



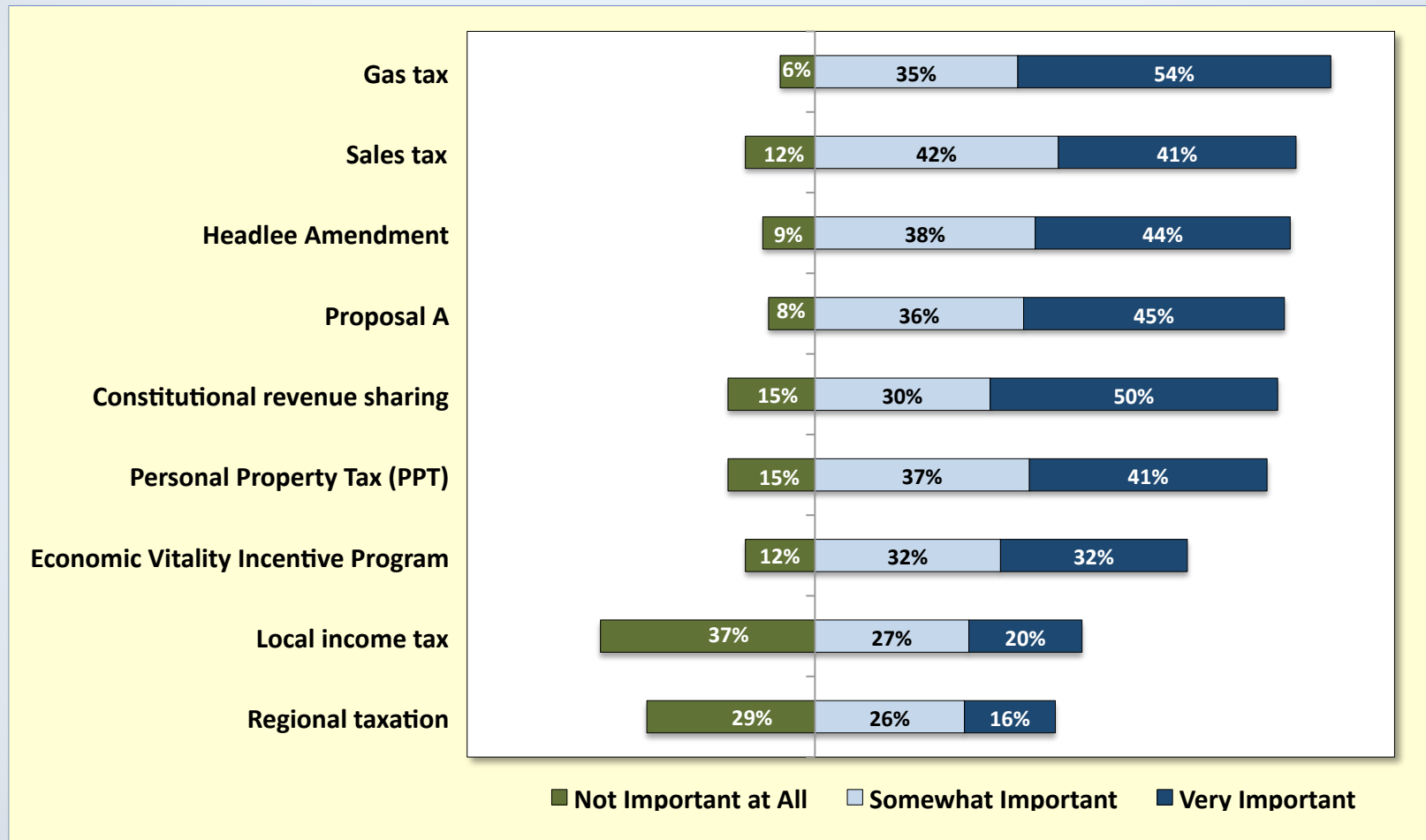
# Support for Funding Reform

% that believe **significant reform** is needed



# Support for Funding Reform

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



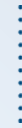
# Michigan Local Government Fiscal Health Trends

## key findings

- Long period of fiscal squeeze: falling revenues and rising costs.
- Local governments were 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, while another 29% say they are less able to do so.
- 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.



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