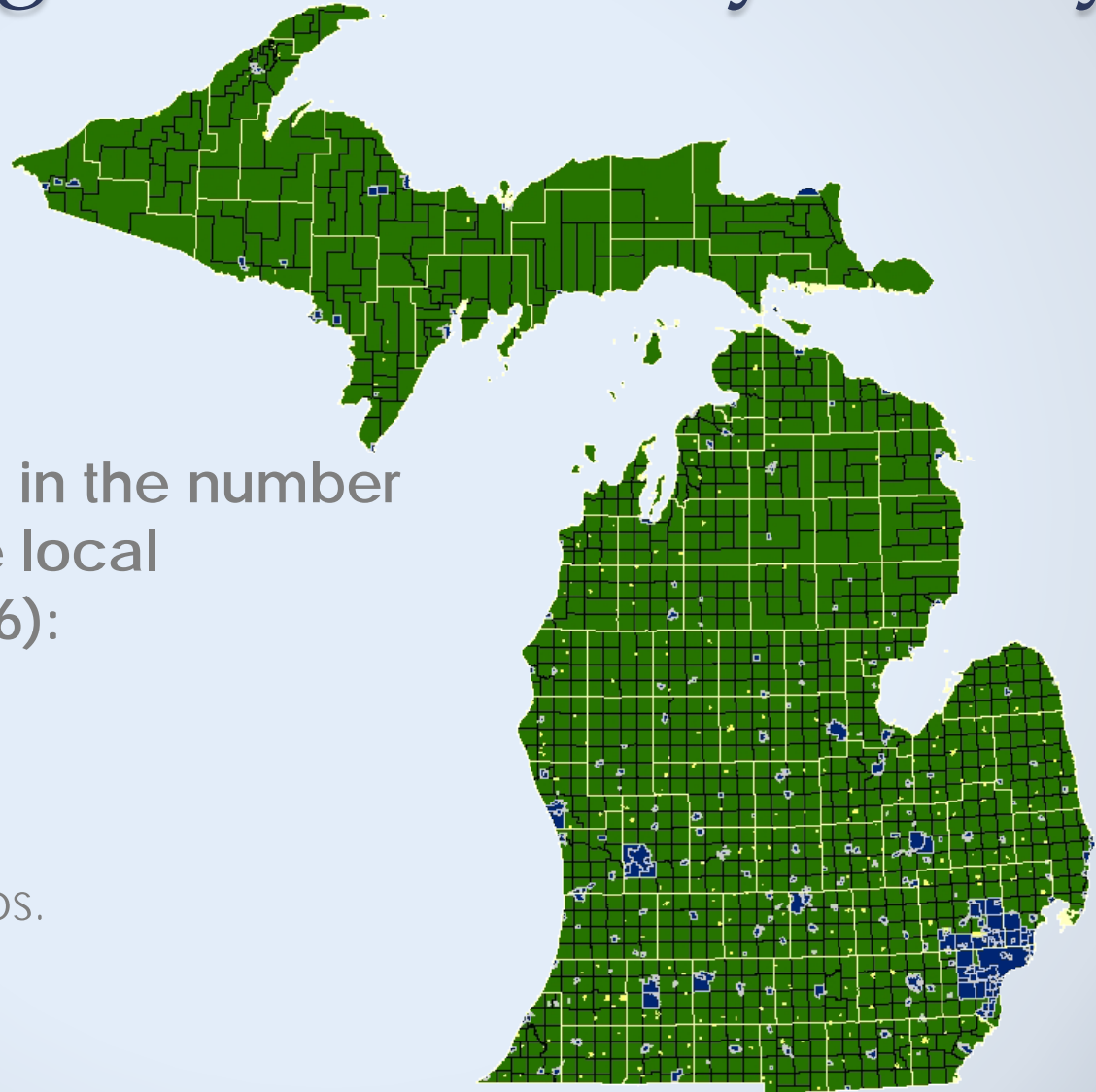


Trends in Michigan local government fiscal health

Presented at the
Federal Reserve Bank of Chicago Detroit Branch
October 06, 2014

The Michigan Public Policy Survey



Michigan ranks 7th in the number of general purpose local governments (1,856):

- 83 counties
- 256 villages
- 277 cities
- 1,240 townships.

The Michigan Public Policy Survey

- **Census survey** – all 1,856 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, privatization, employee policies, labor unions, state relations, energy, environmental sustainability, Great Lakes, citizen engagement, bankruptcy, much more.

The Michigan Public Policy Survey

Differences between MPPS and administrative sources like F-65

	MPPS	“F-65” Data
Pros	<ul style="list-style-type: none">73% response rate, by jurisdictionData available quicklyResponses submitted by high level officialsIncludes questions about future expectationsBroad range of policy topics covered	<ul style="list-style-type: none">Most jurisdictions submit dataData are “factual” as opposed to being based on opinions. For example, can analyze property tax revenue increase/decrease by specific percentages.No need to protect confidentiality, therefore these data can identify specific jurisdictions’ responses
Cons	<ul style="list-style-type: none">Data are opinion-basedNot all jurisdictions submit dataData best analyzed at a broad level, as opposed to fine-grained (e.g. “property tax revenue is decreasing somewhat” instead of “decreasing by x%”)Respondent confidentiality means we cannot identify specific responses for specific jurisdictions	<ul style="list-style-type: none">Delays in data availabilityNot all jurisdictions submit data as required; and some submit only every other year.Significant data errors (data are not “clean”)Forms may be interpreted differently by different submitters, resulting in “apples vs. oranges” data

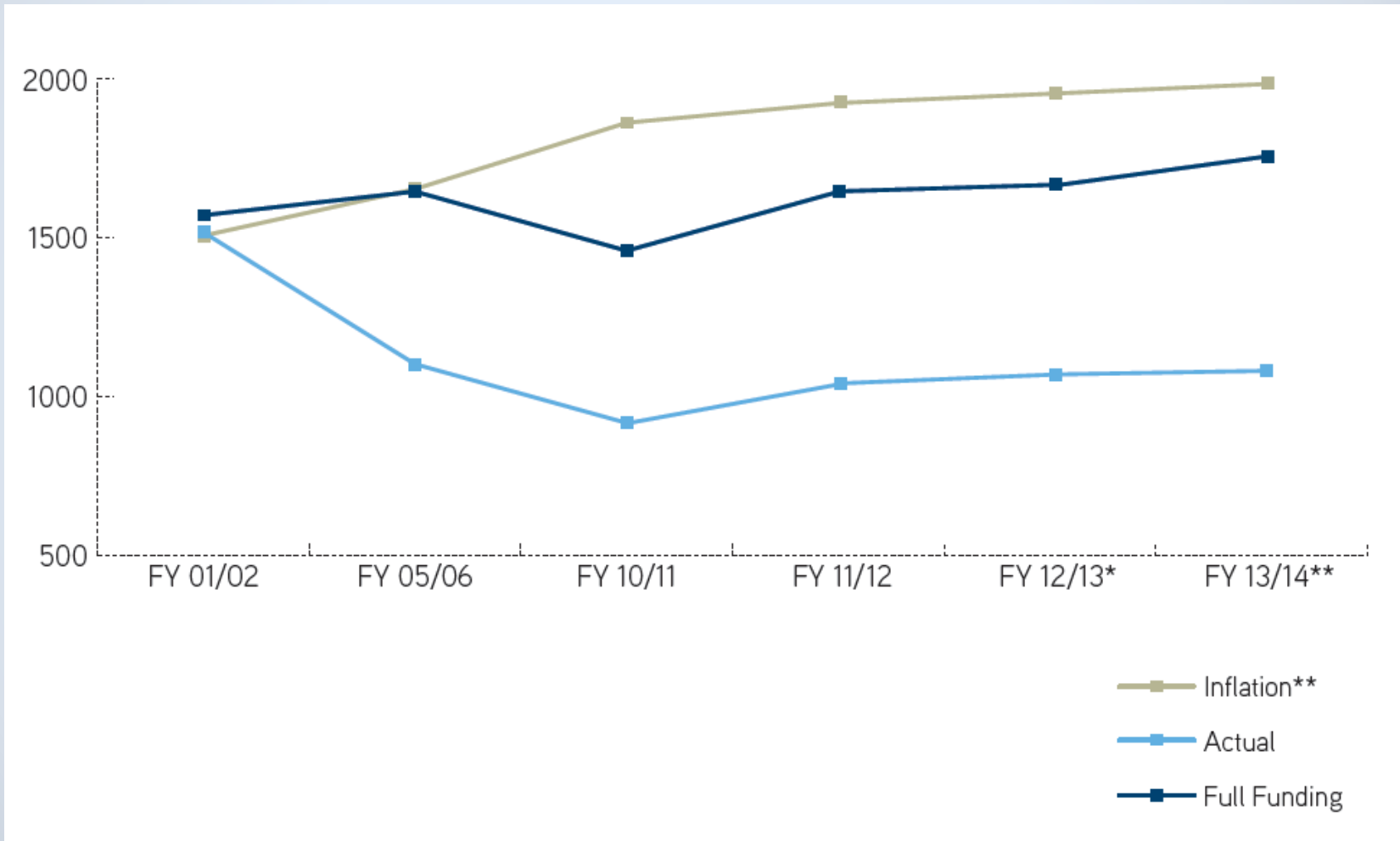
Presentation Outline

- Findings on fiscal trends and budgetary health from the 2009-2014 Waves of the MPPS
 - ✓ Fiscal challenges; how jurisdictions have responded
 - ✓ Fiscal health status today; changes since 2009
 - ✓ Looking ahead

Fiscal Challenges: Declining Revenues and Rising Costs

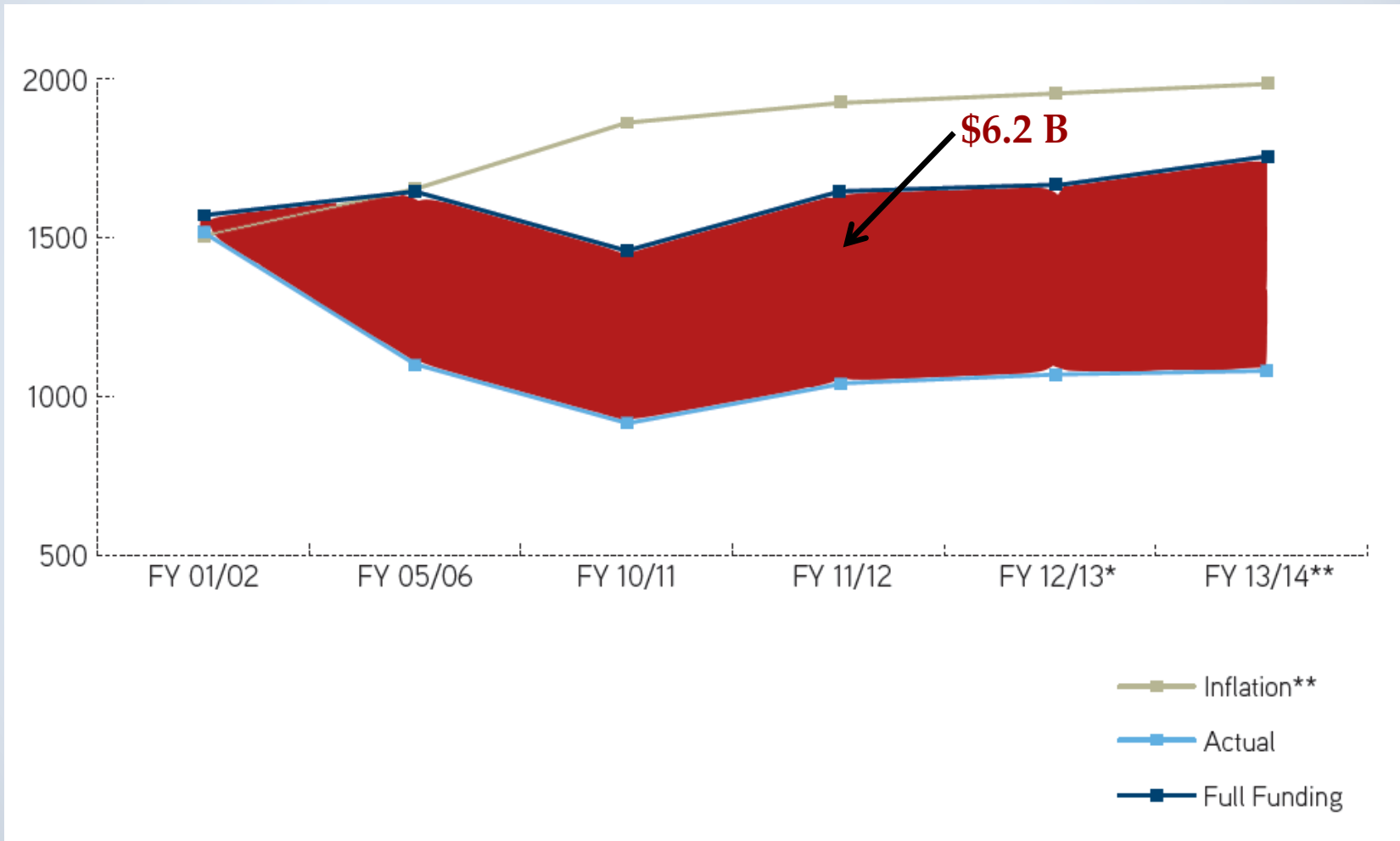
A Decade of Funding Cuts

State revenue sharing cuts



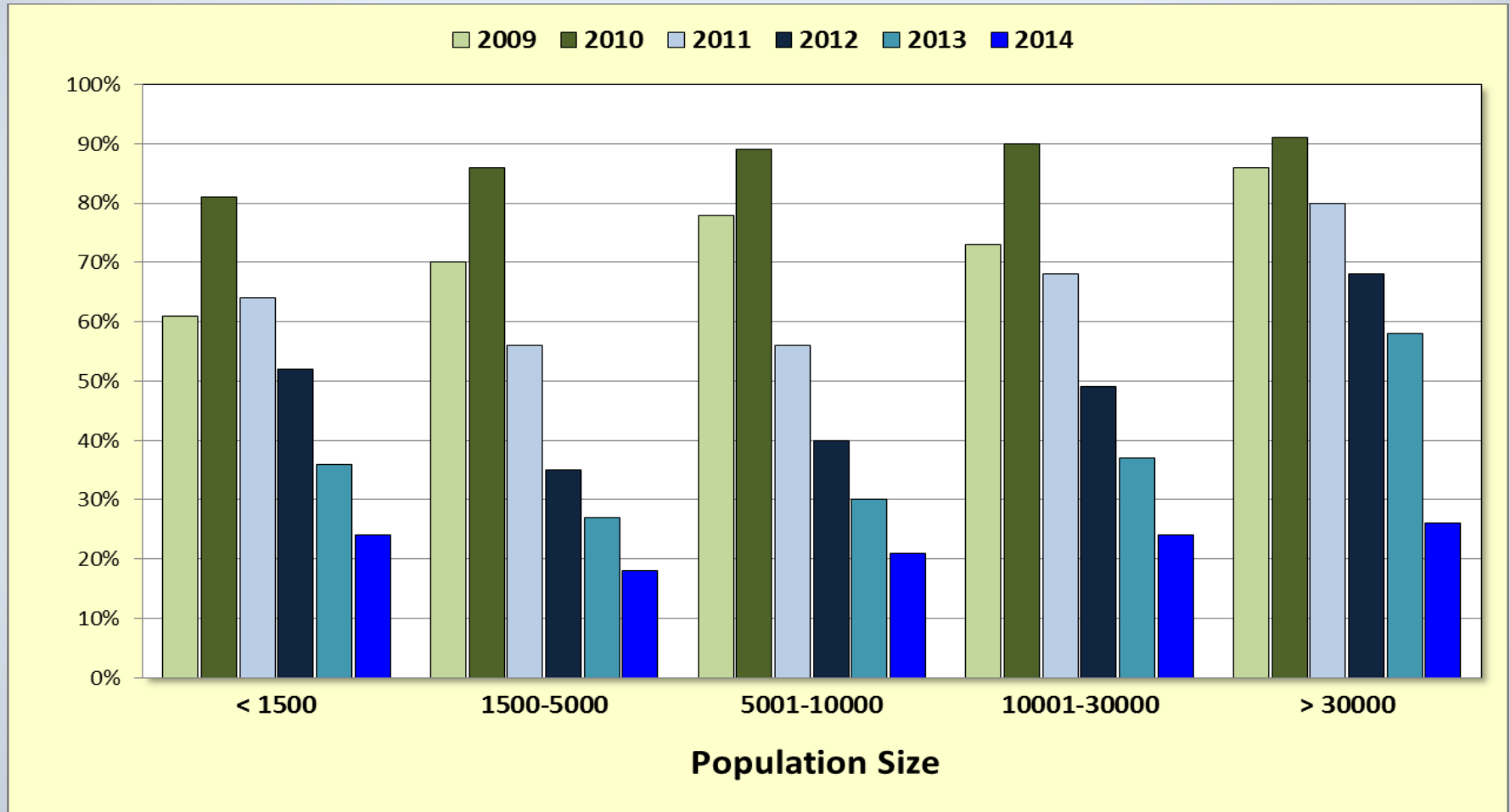
A Decade of Funding Cuts

State revenue sharing cuts



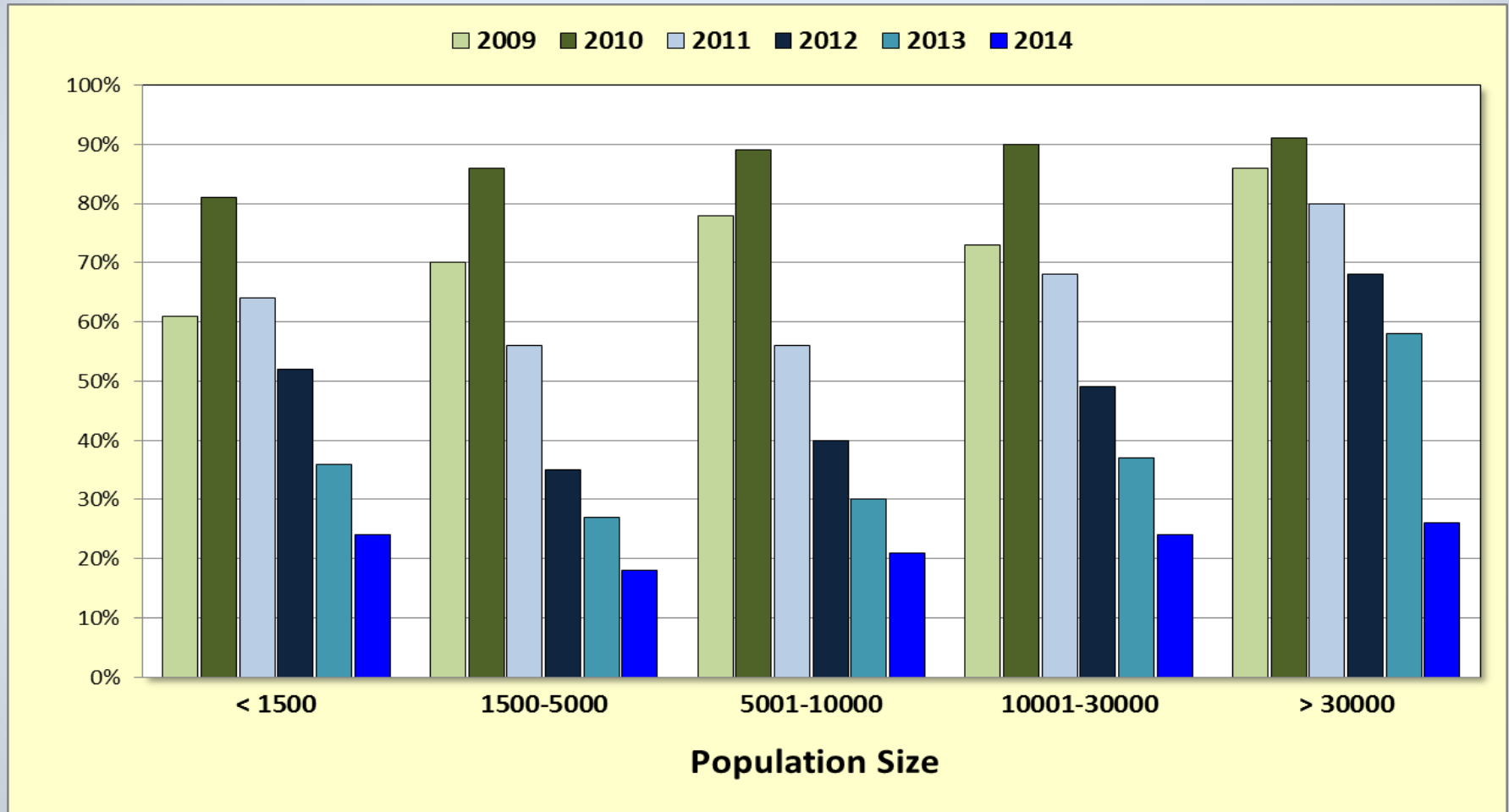
Declining Revenues

% of jurisdictions with declining state aid



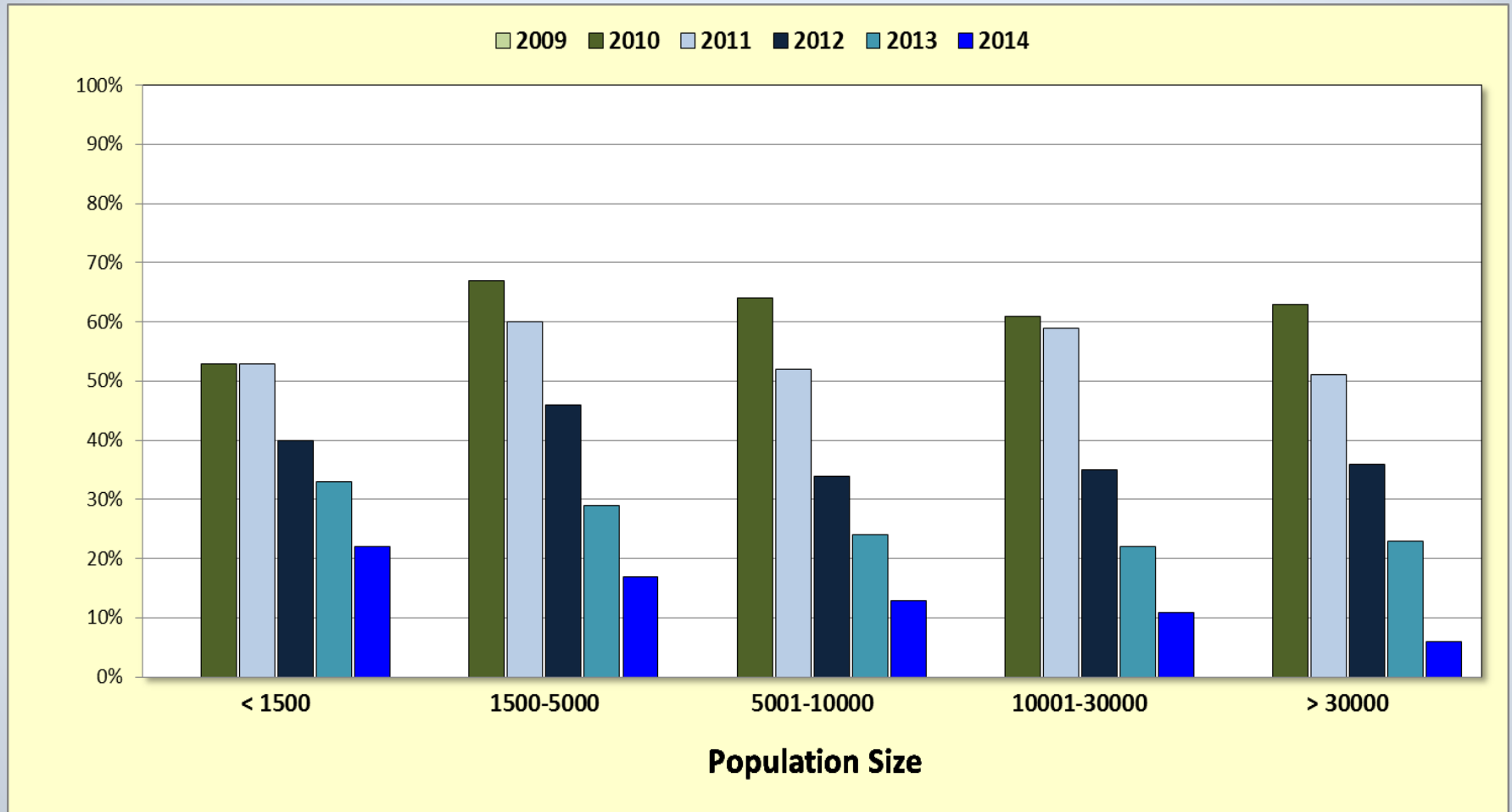
Declining Revenues

% of jurisdictions with declining property tax revenues



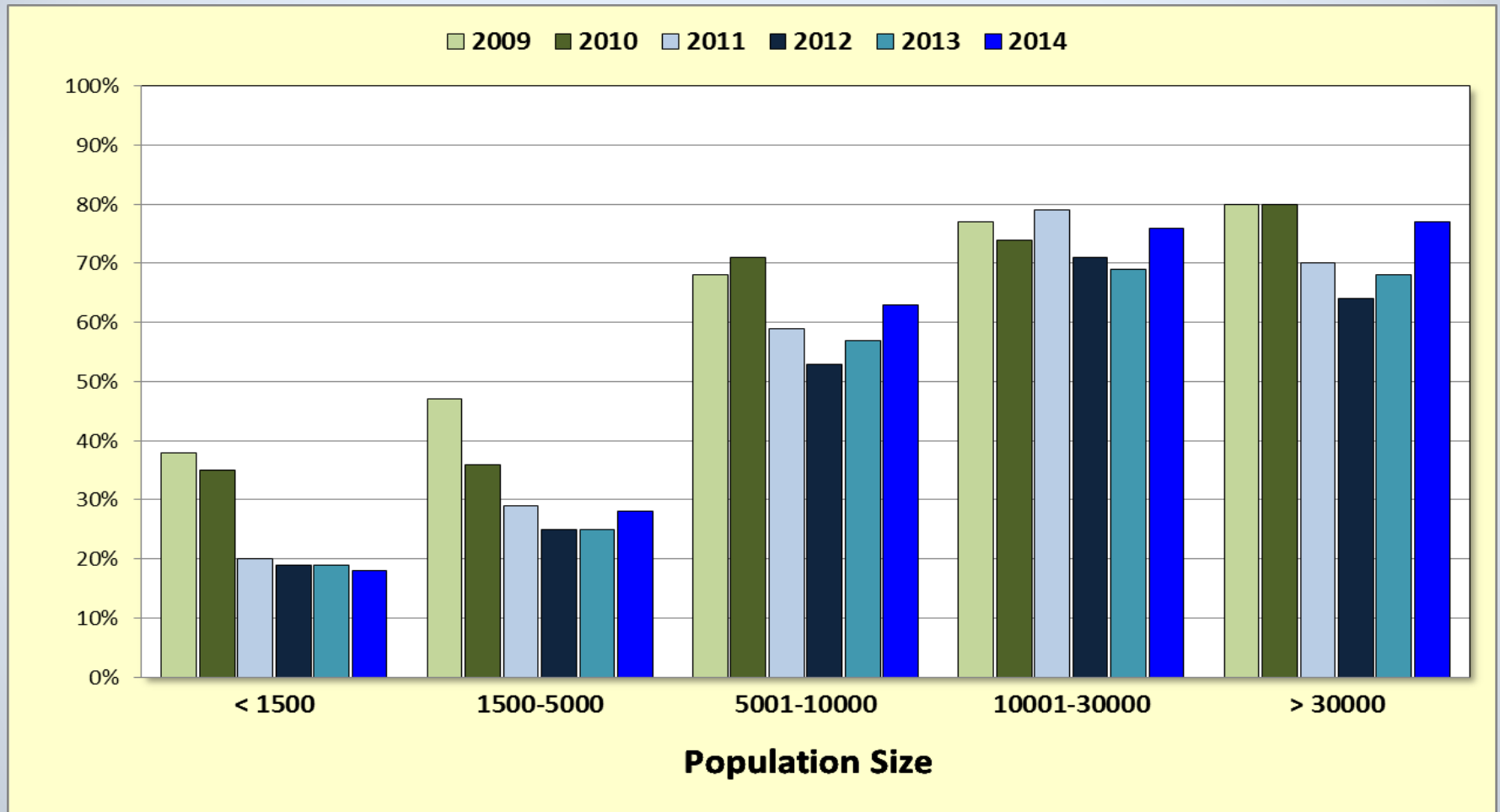
Declining Revenues

% of jurisdictions with **increasing home foreclosures**



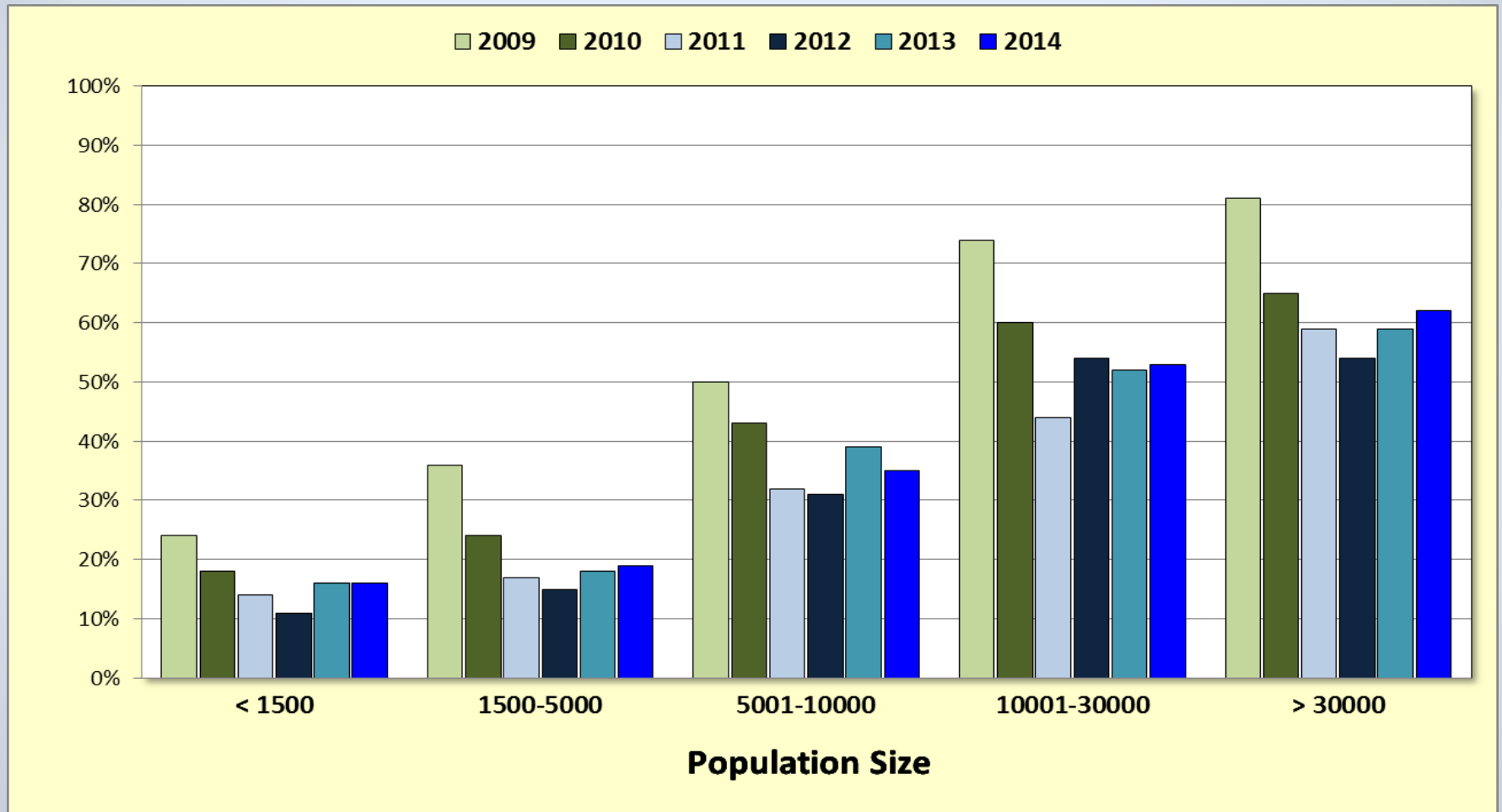
Rising Costs

% of jurisdictions with **rising health care costs** for current employees



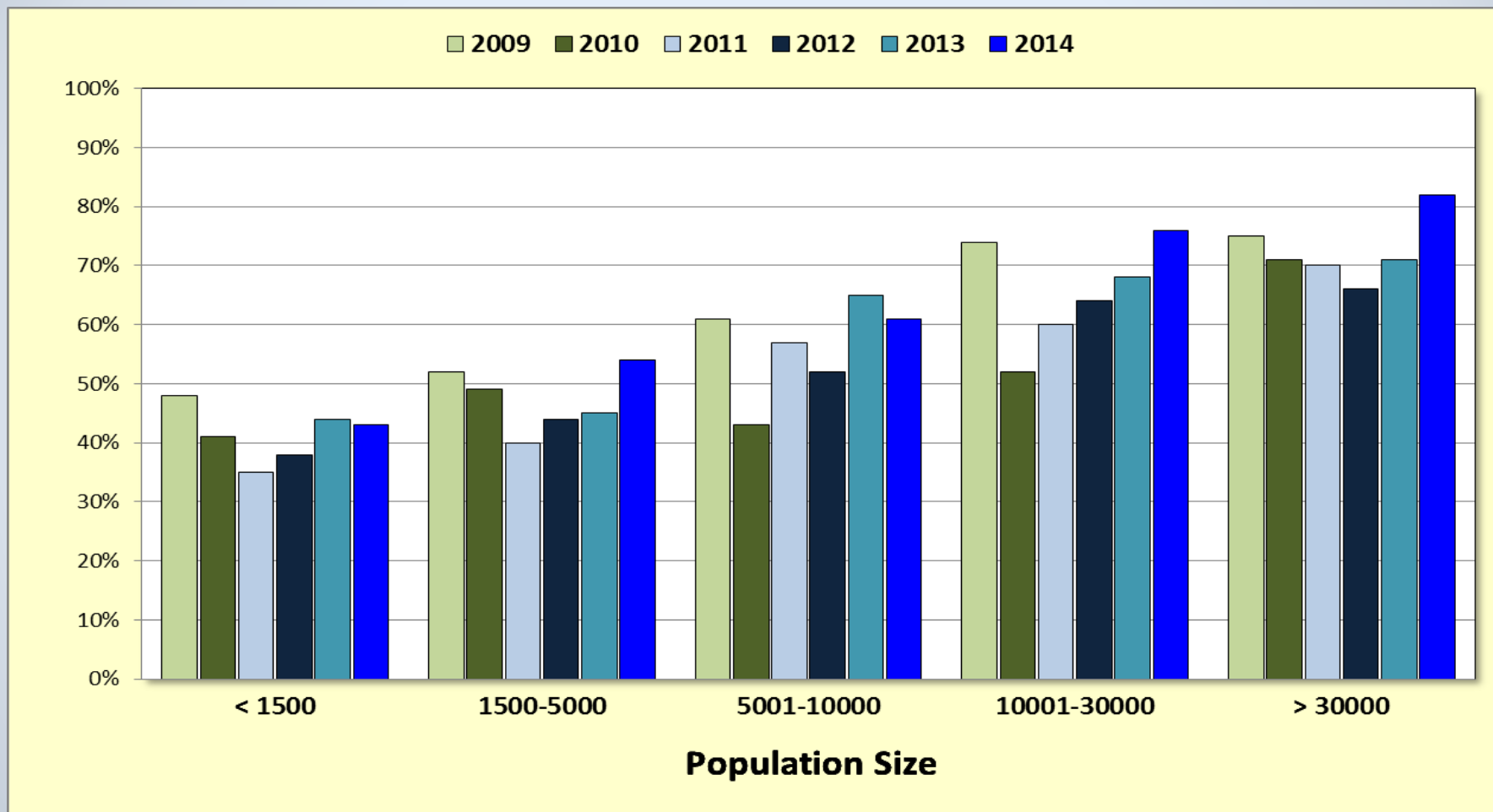
Rising Costs

% of jurisdictions with **rising pension costs**



Rising Service Demands

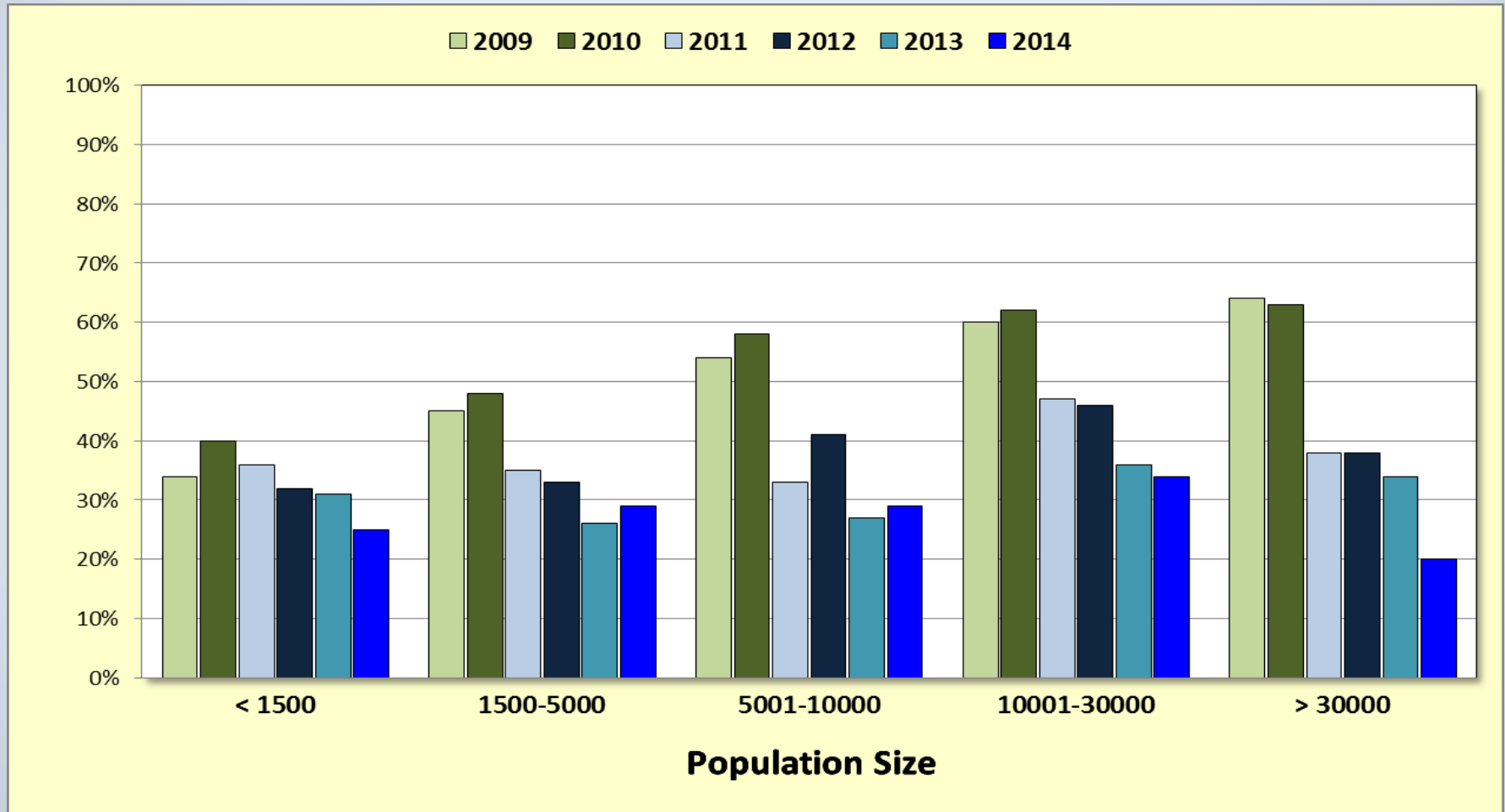
% of jurisdictions with **increasing infrastructure needs**



How Jurisdictions Have Responded to Fiscal Challenges

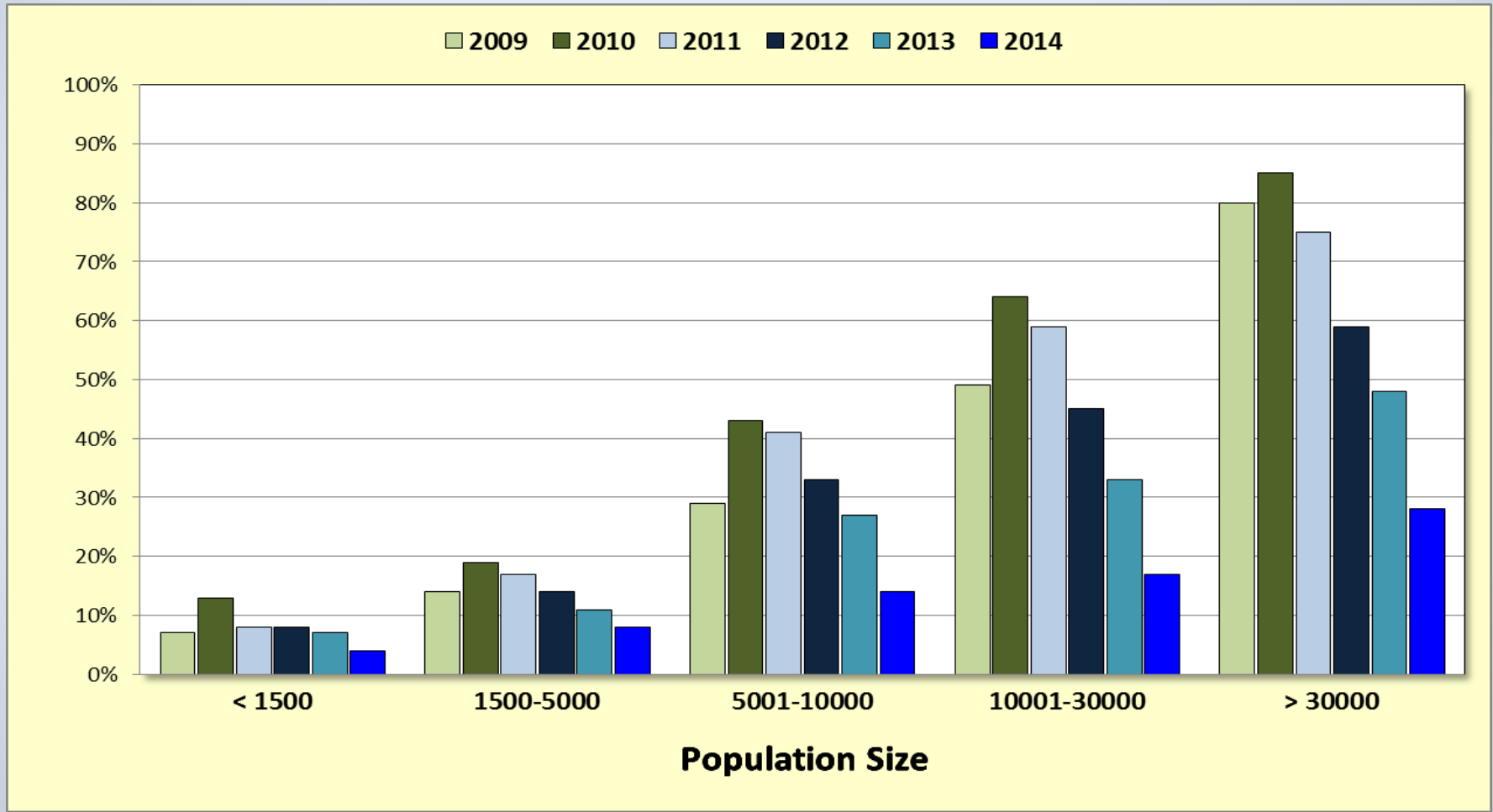
Government Actions

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



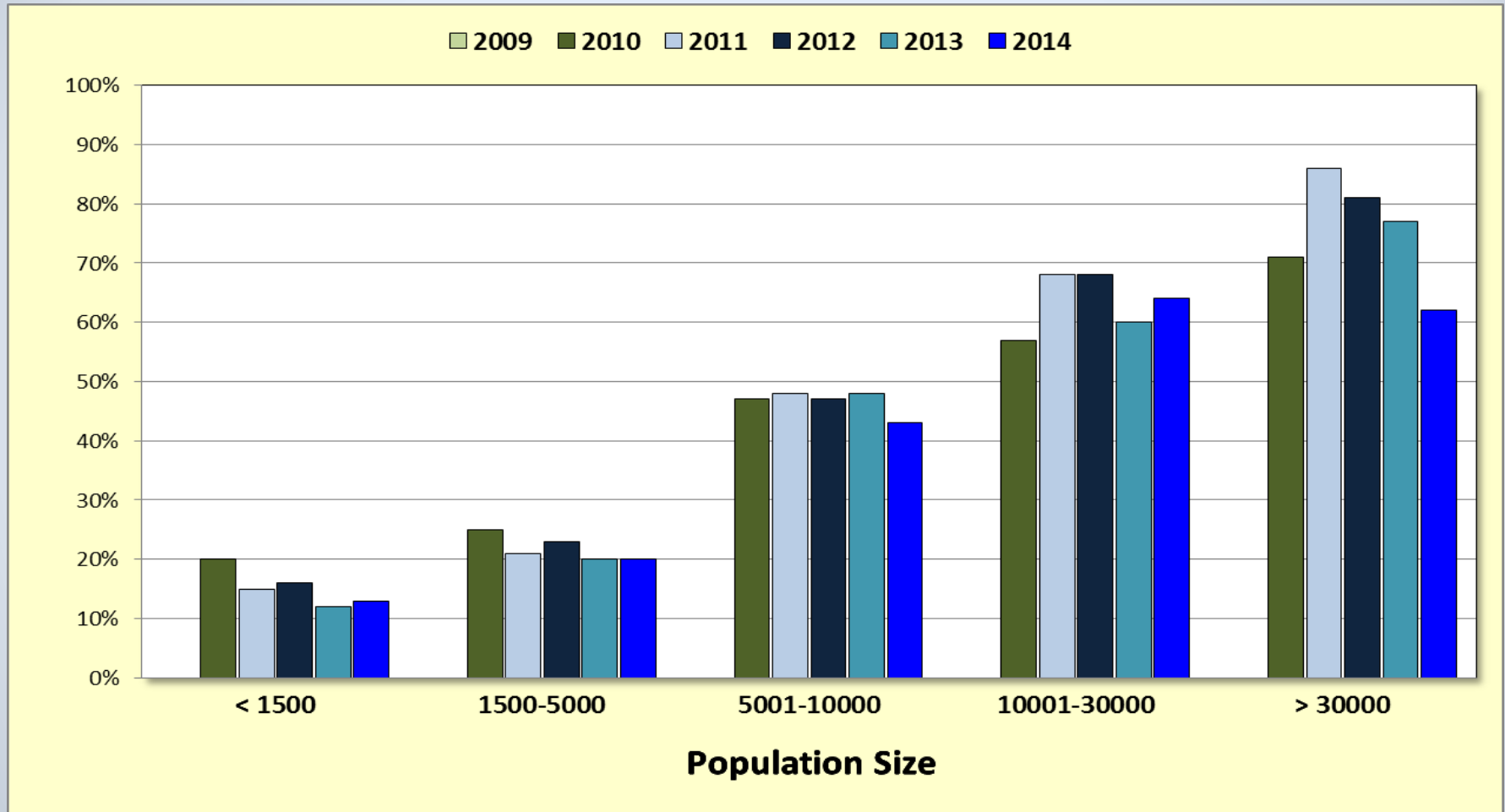
Government Actions

% of jurisdictions **cutting staff levels**



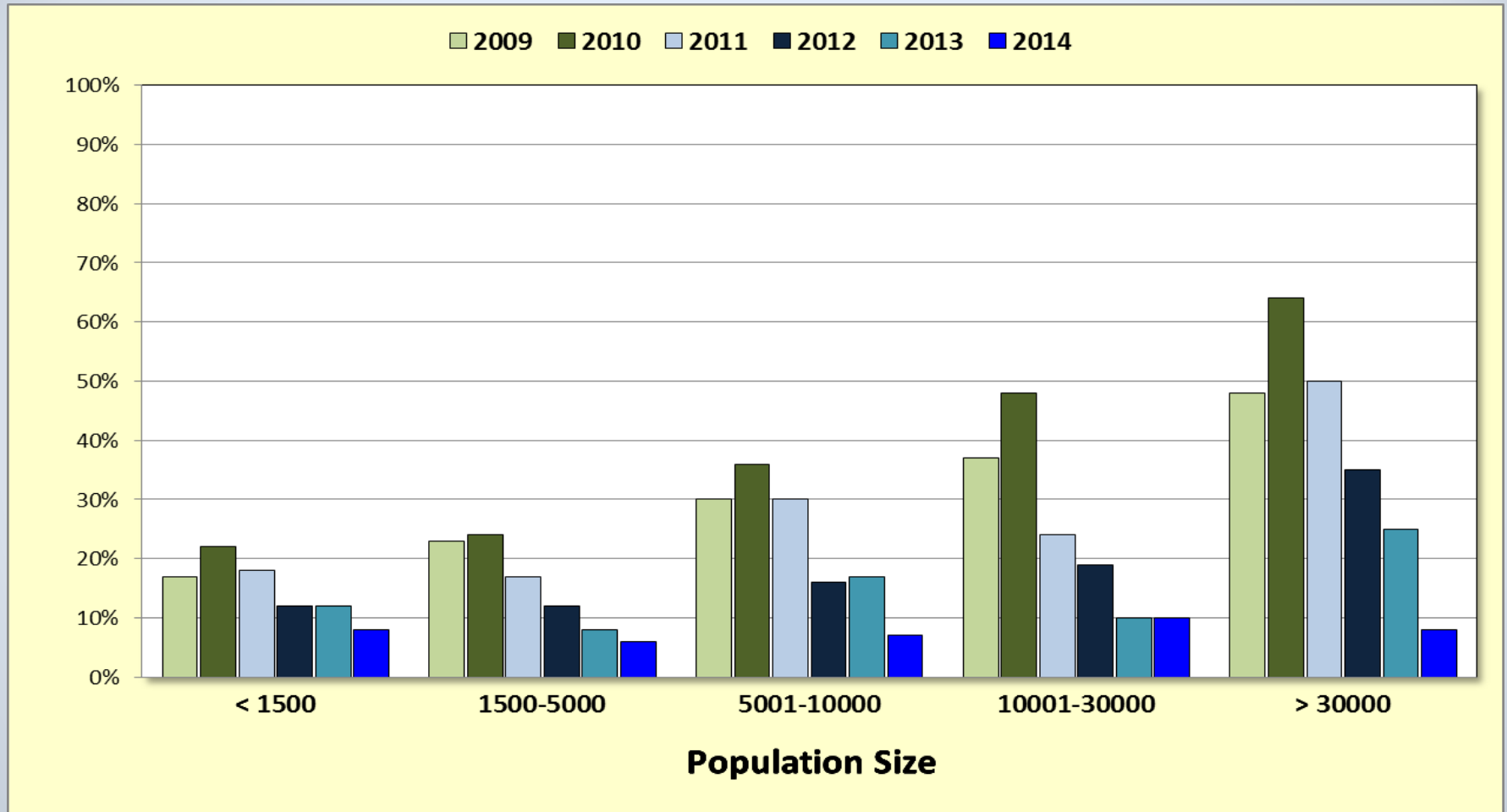
Government Actions

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



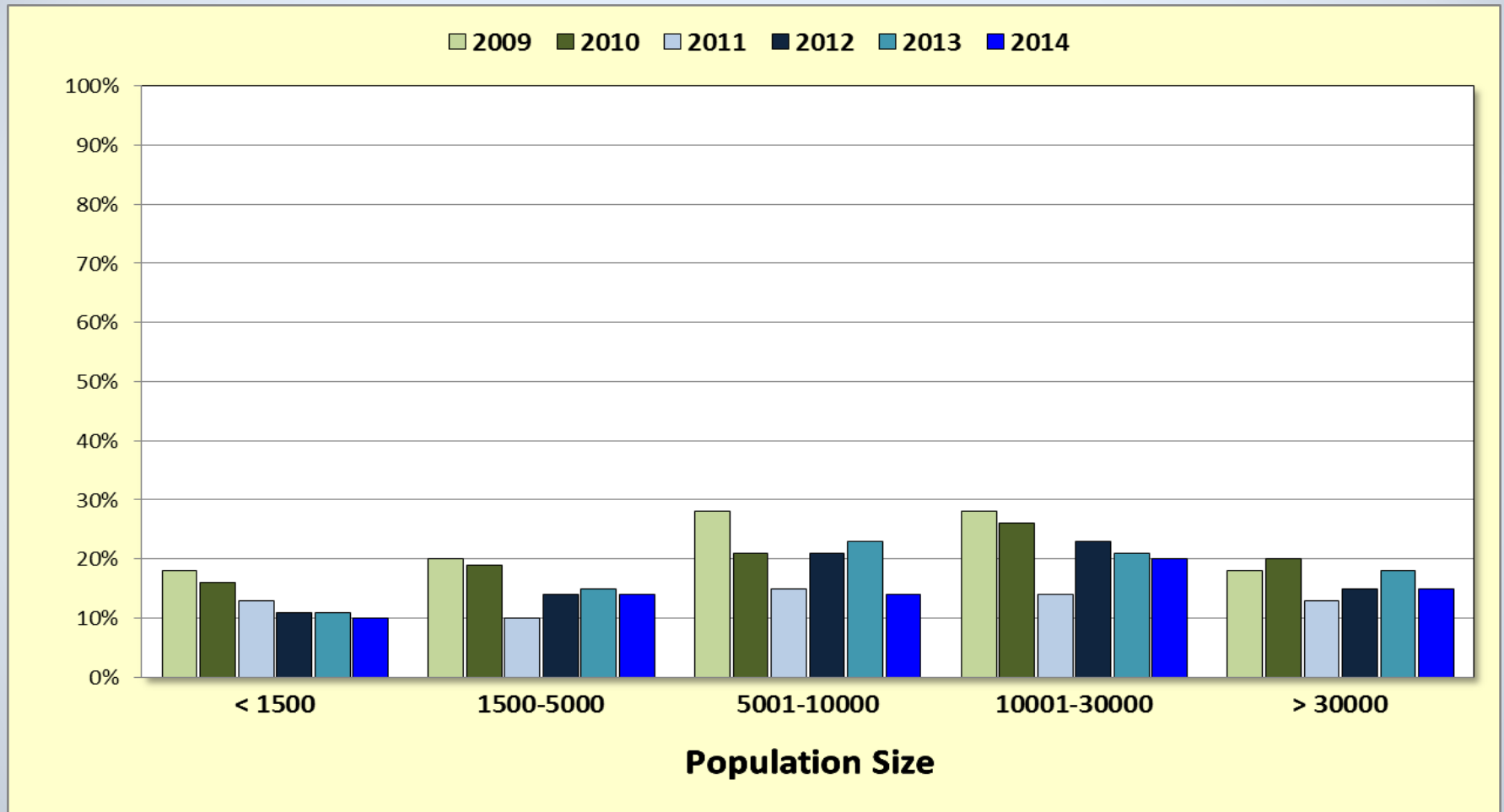
Government Actions

% of jurisdictions **cutting service levels**



Government Actions

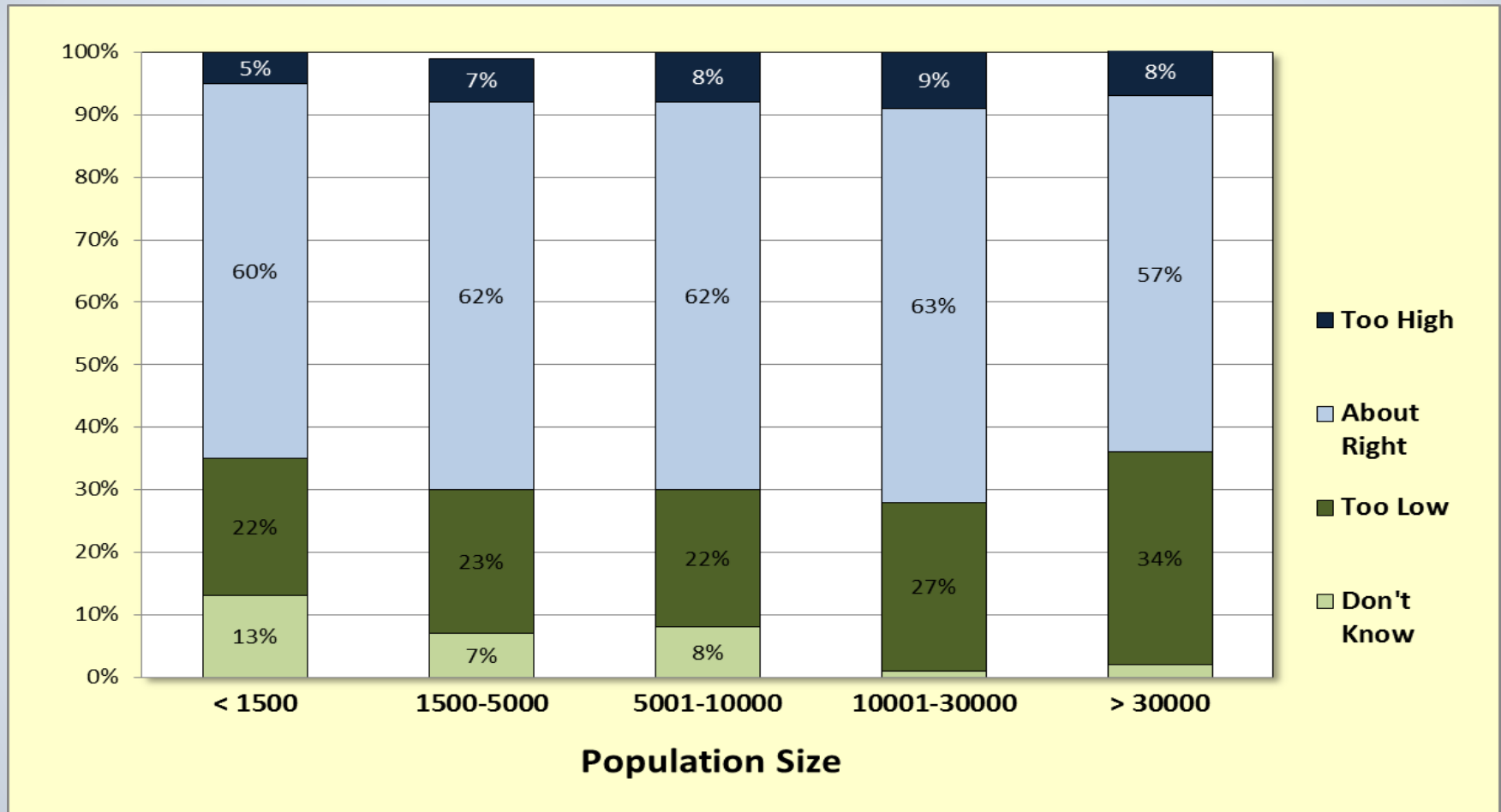
% of jurisdictions **increasing debt**



Result:
Despite Challenges,
Gradual Easing of Fiscal Stress

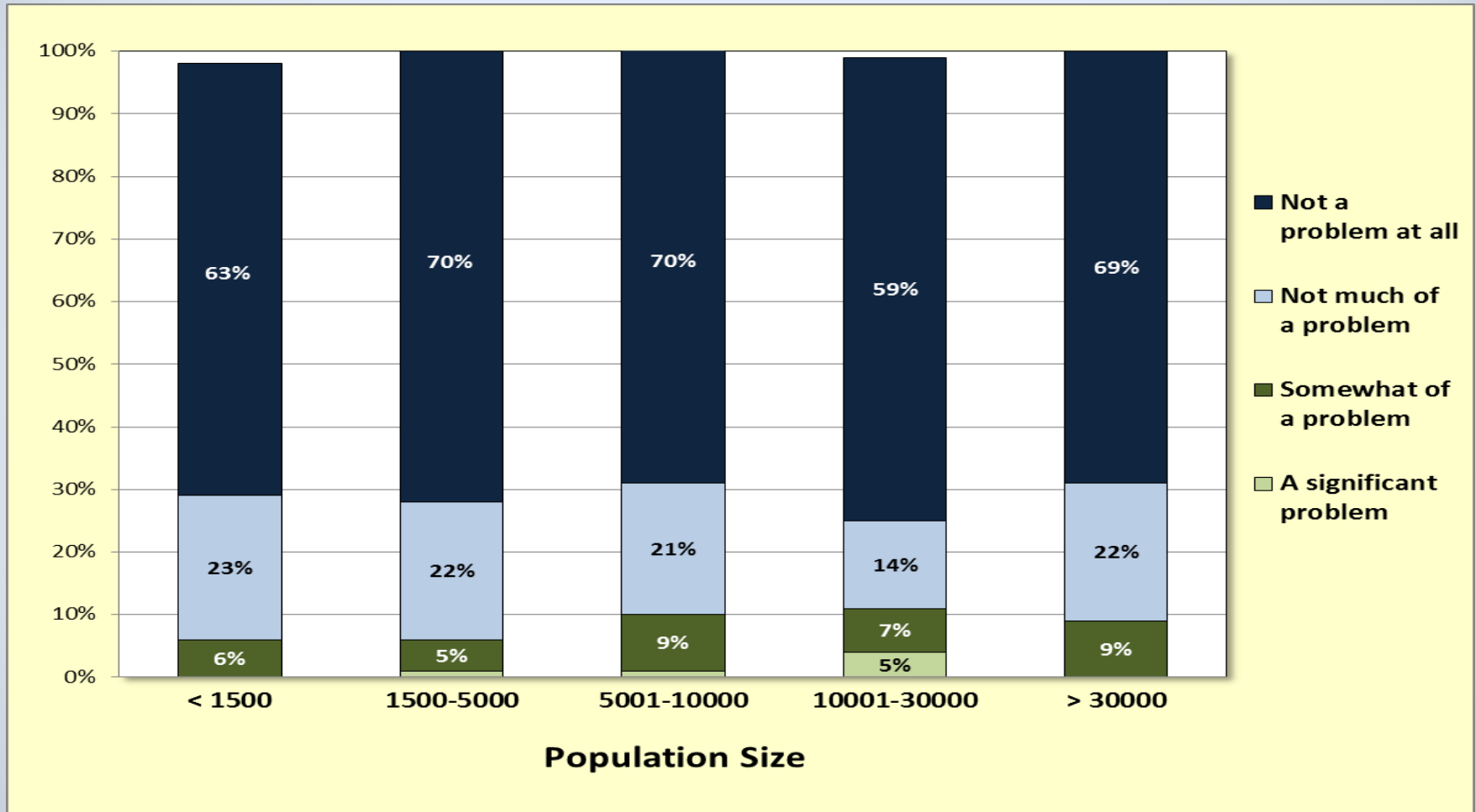
General Fund Balance Status

% of jurisdictions in 2014 that say **general fund balance** is too low



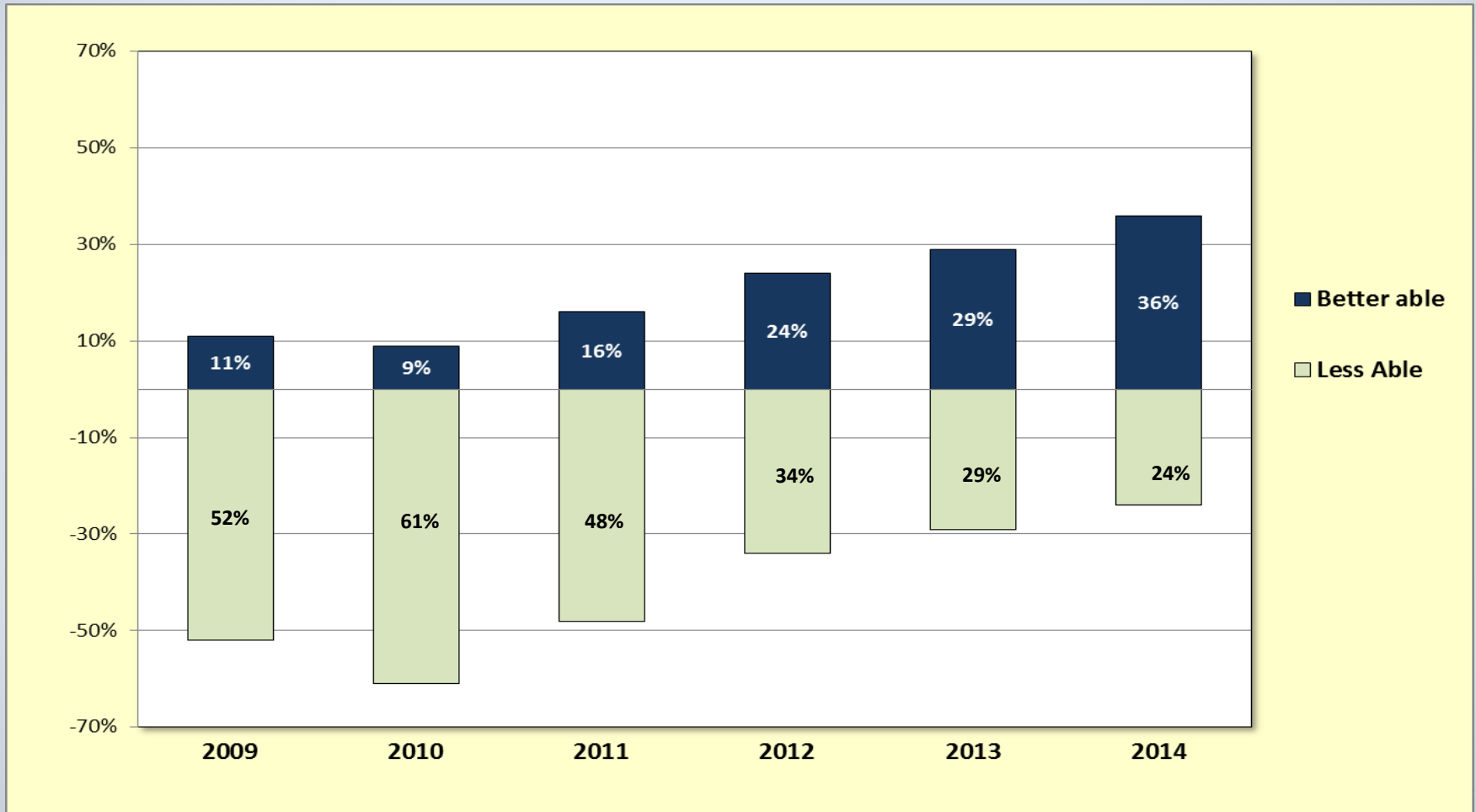
Cash Flow Status

% of jurisdictions in 2014 that say **cash flow** is a problem



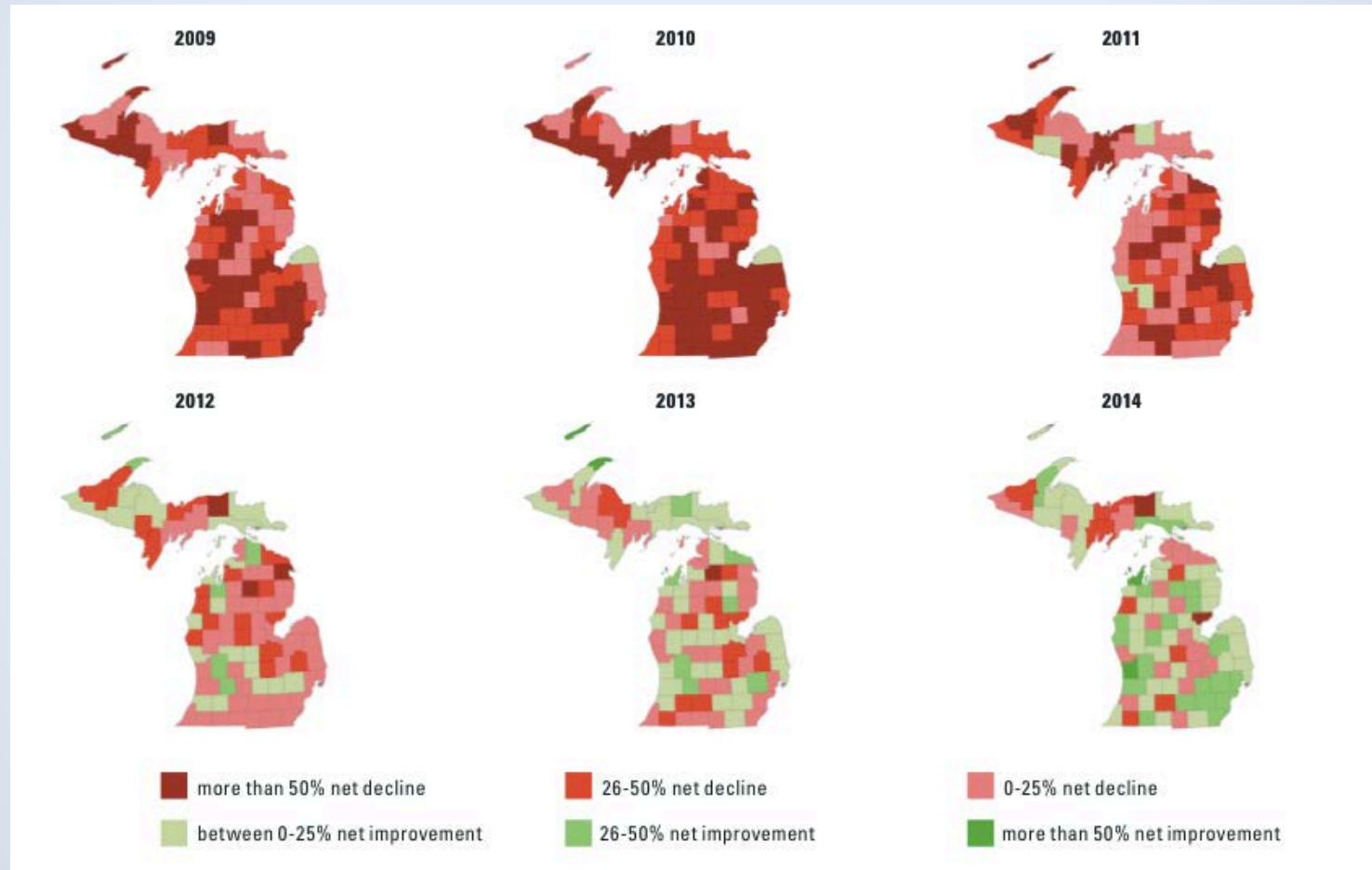
Slowly Improving Fiscal Health

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



Spread and Easing of Fiscal Problems

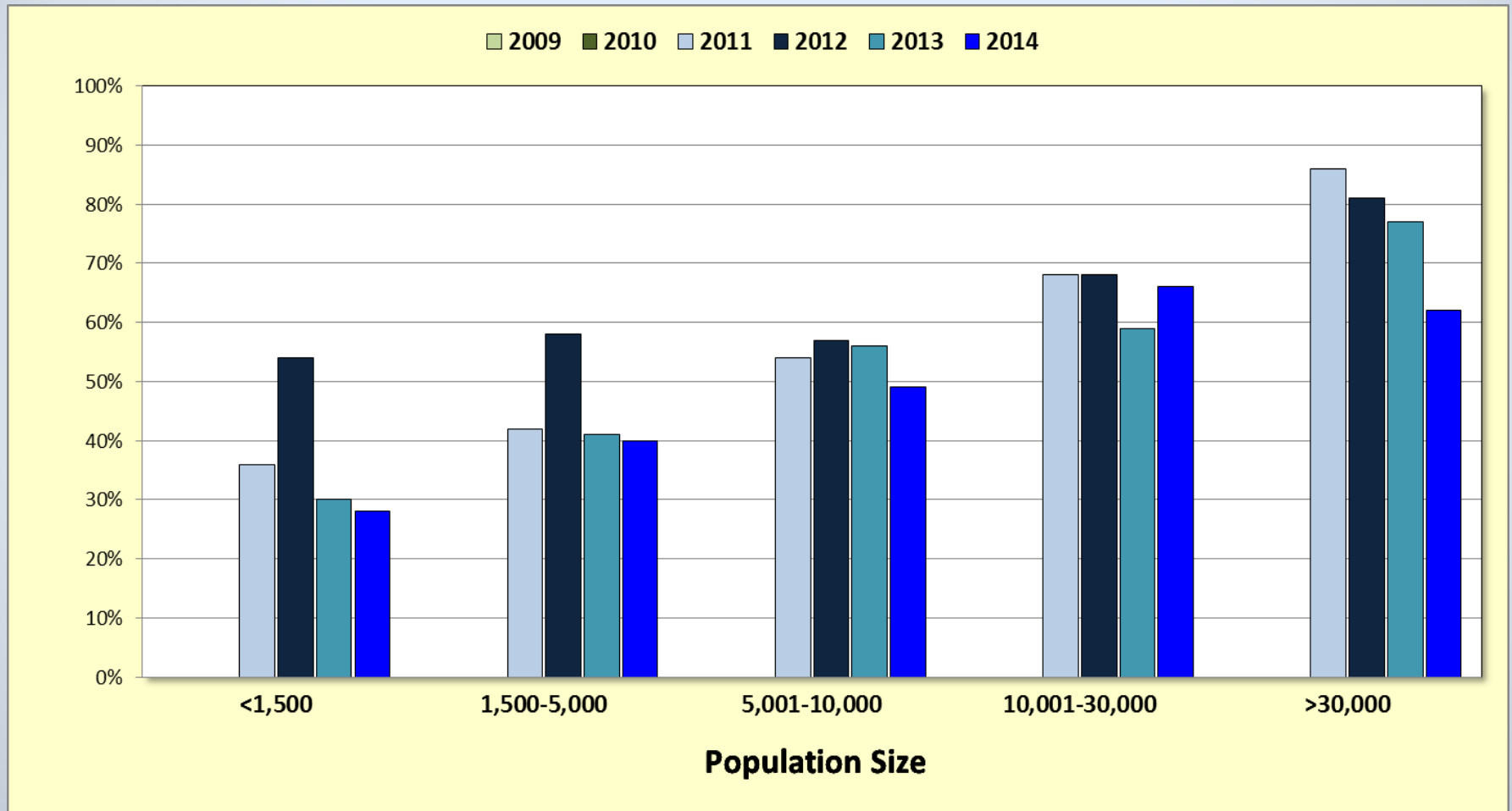
Net fiscal health yearly change: % of jurisdictions reporting improving fiscal health **minus** % reporting declining health, by county



Looking Ahead: Plans for the Coming Year

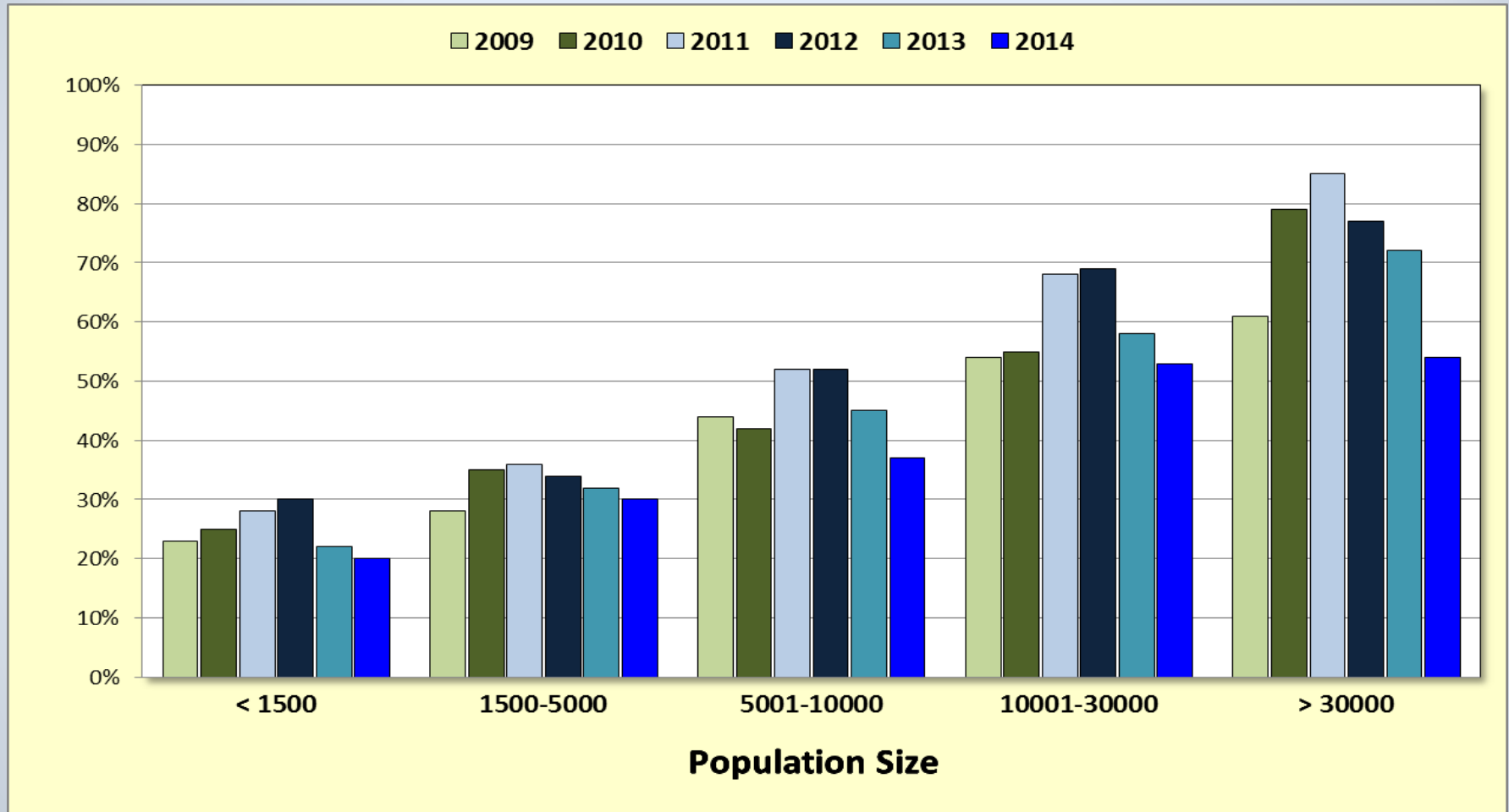
Plans Going Forward

% of jurisdictions planning to **increase**
employees' share of contributions to health insurance



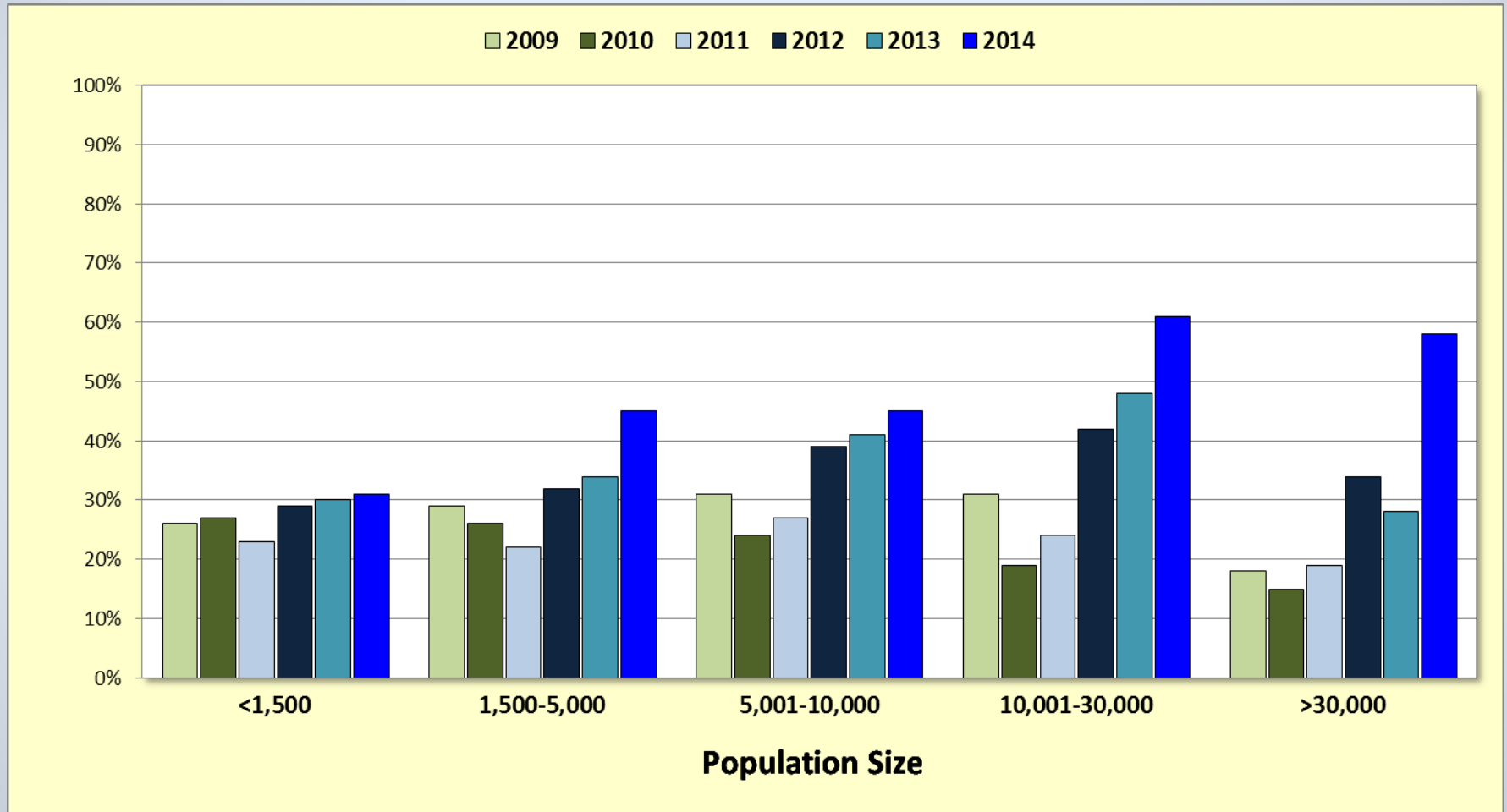
Plans Going Forward

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



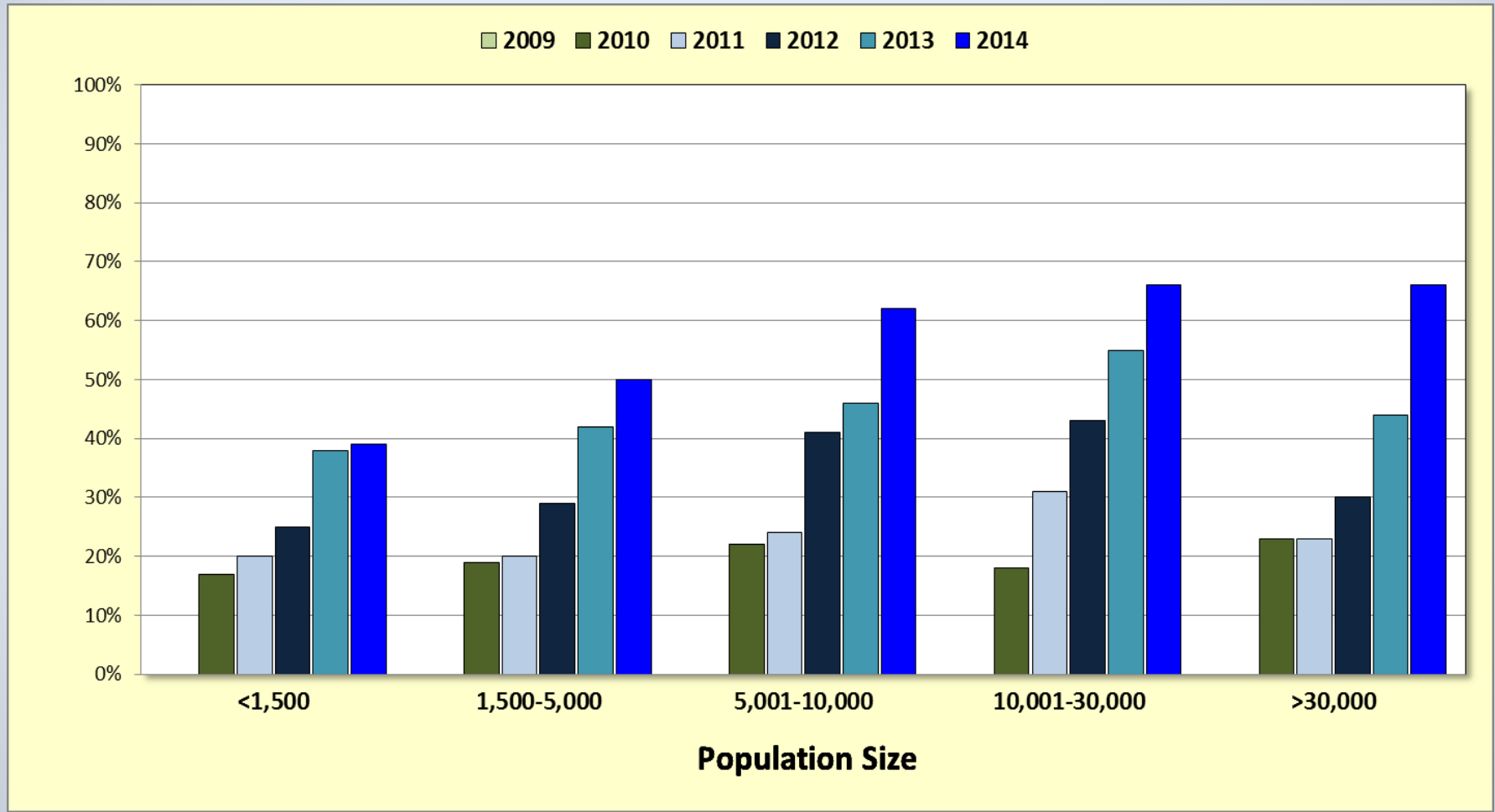
Plans Going Forward

% of jurisdictions planning to **increase infrastructure spending**



Plans Going Forward

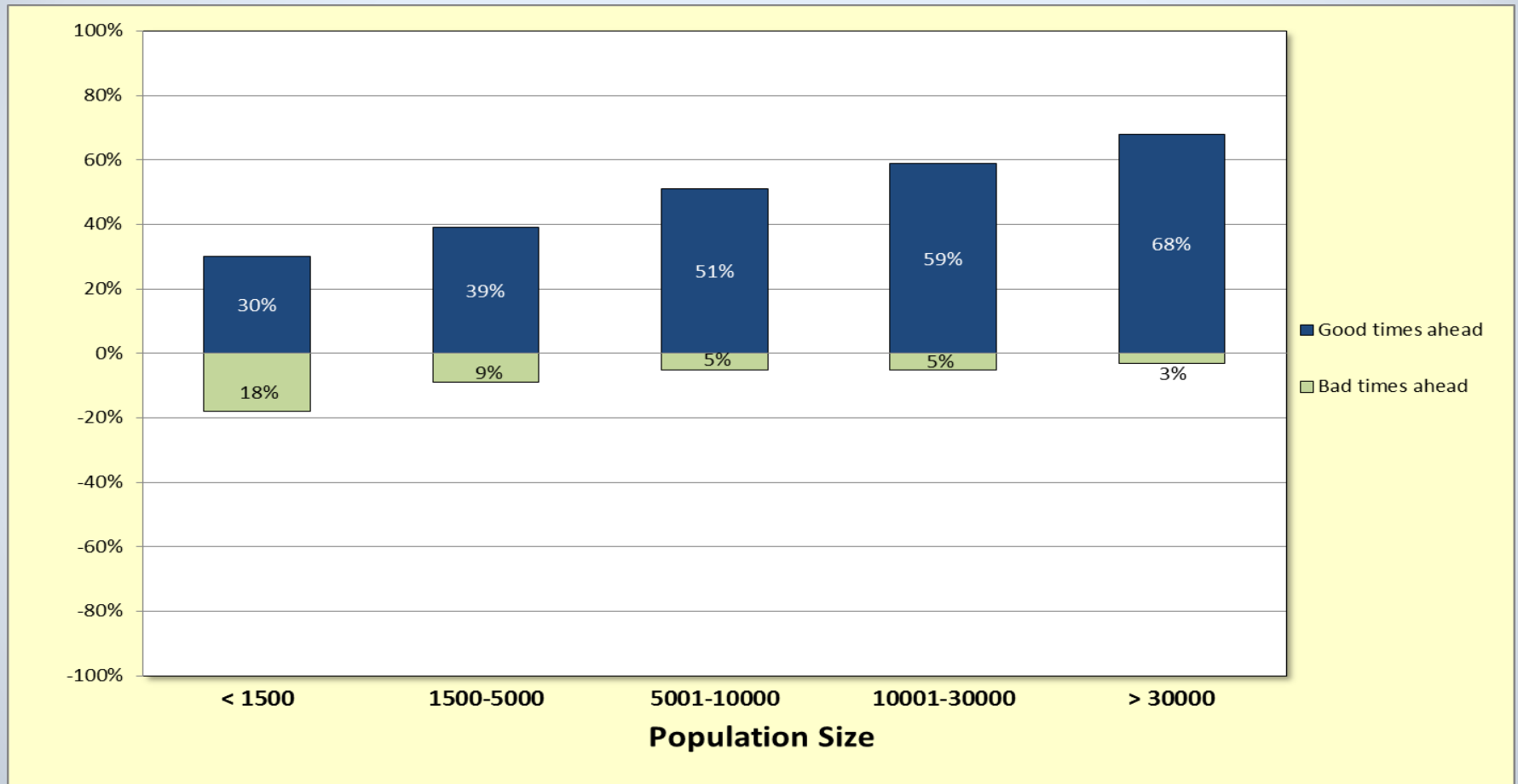
% of jurisdictions planning **increases in employee pay**



Looking Ahead: Predictions about Future Fiscal Health

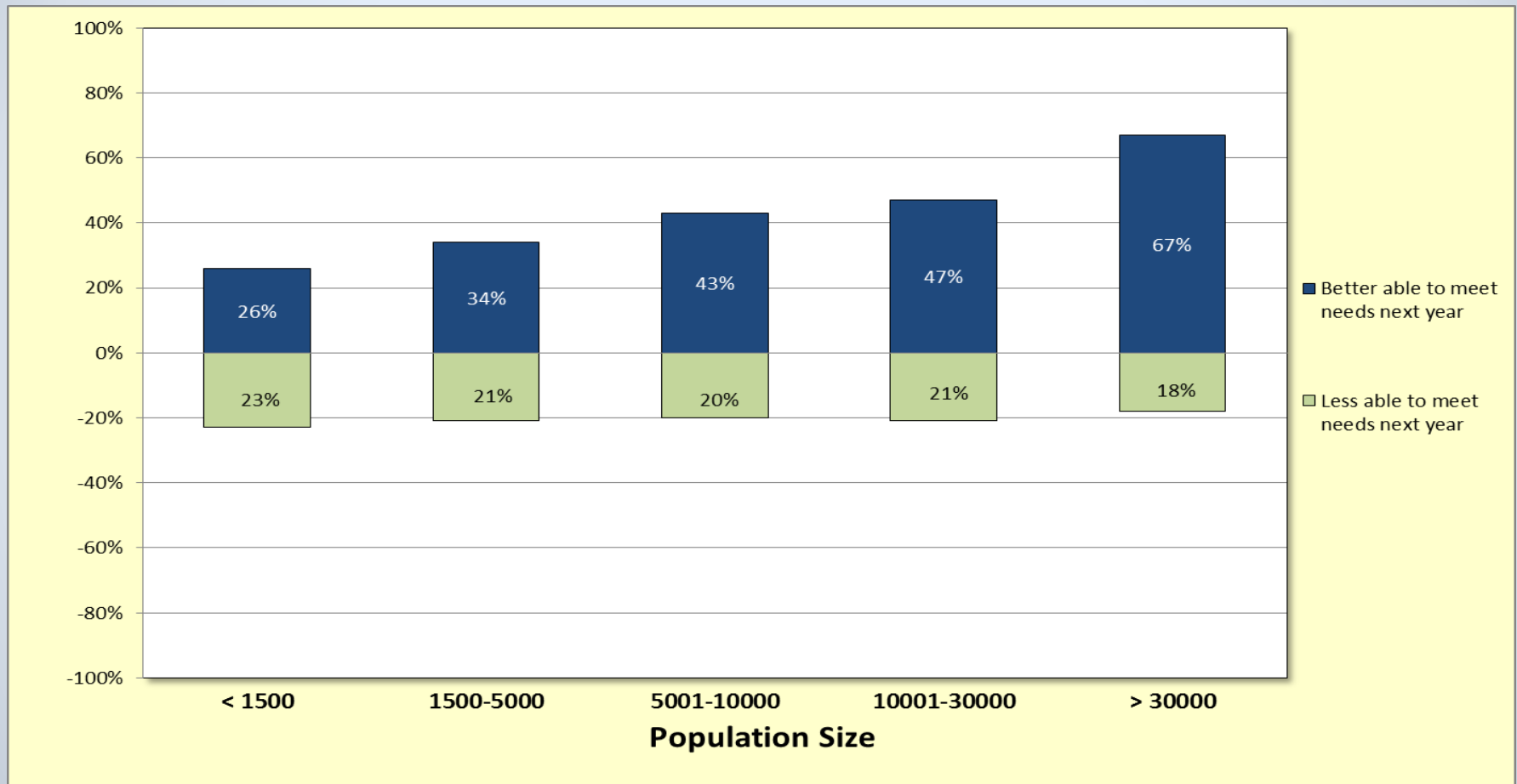
Forecast for Michigan communities

% of officials predicting **good or bad times**
for their communities financially in 2015



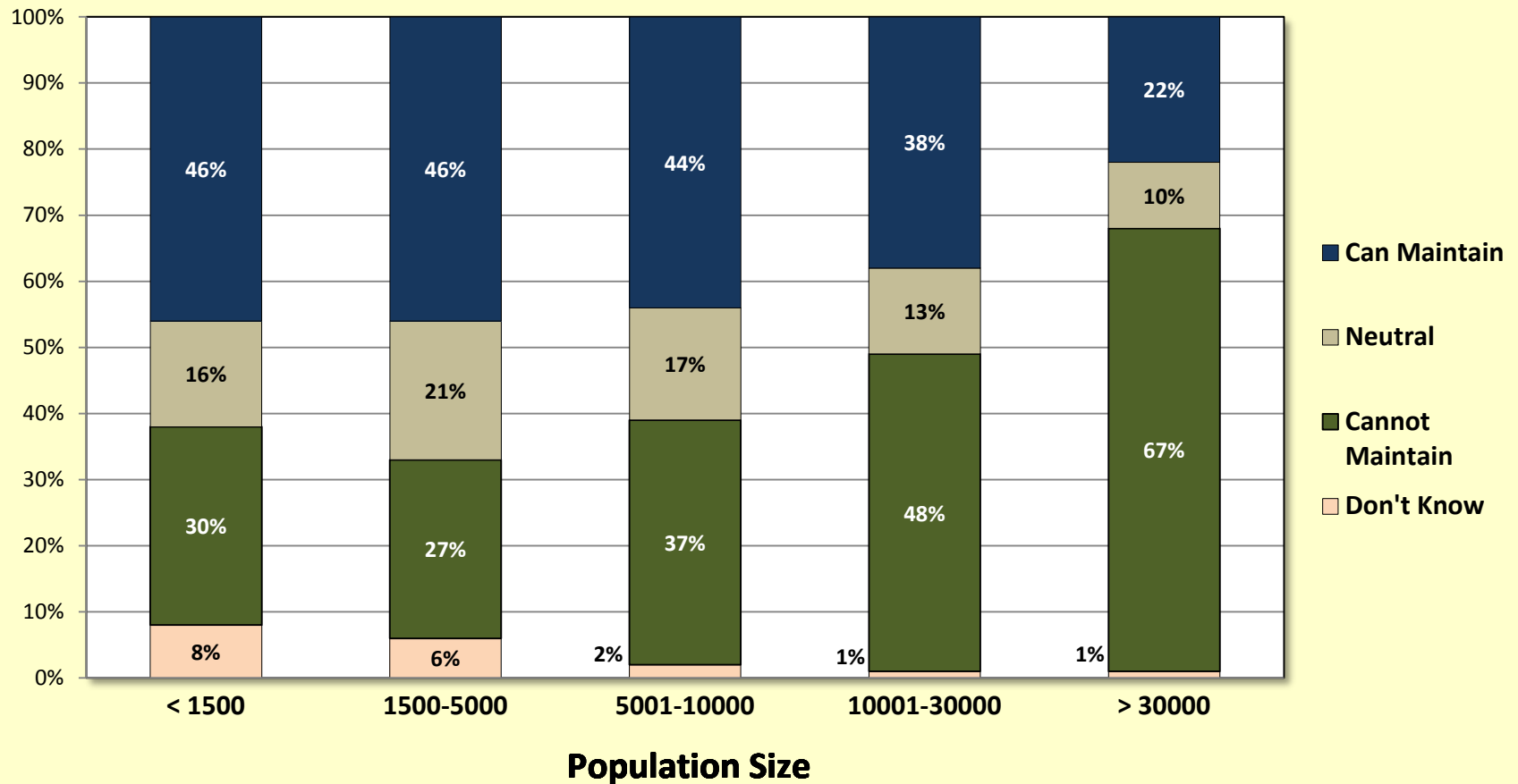
Forecast for local governments

% of officials predicting their governments will be
better or less able to meet fiscal needs in 2015



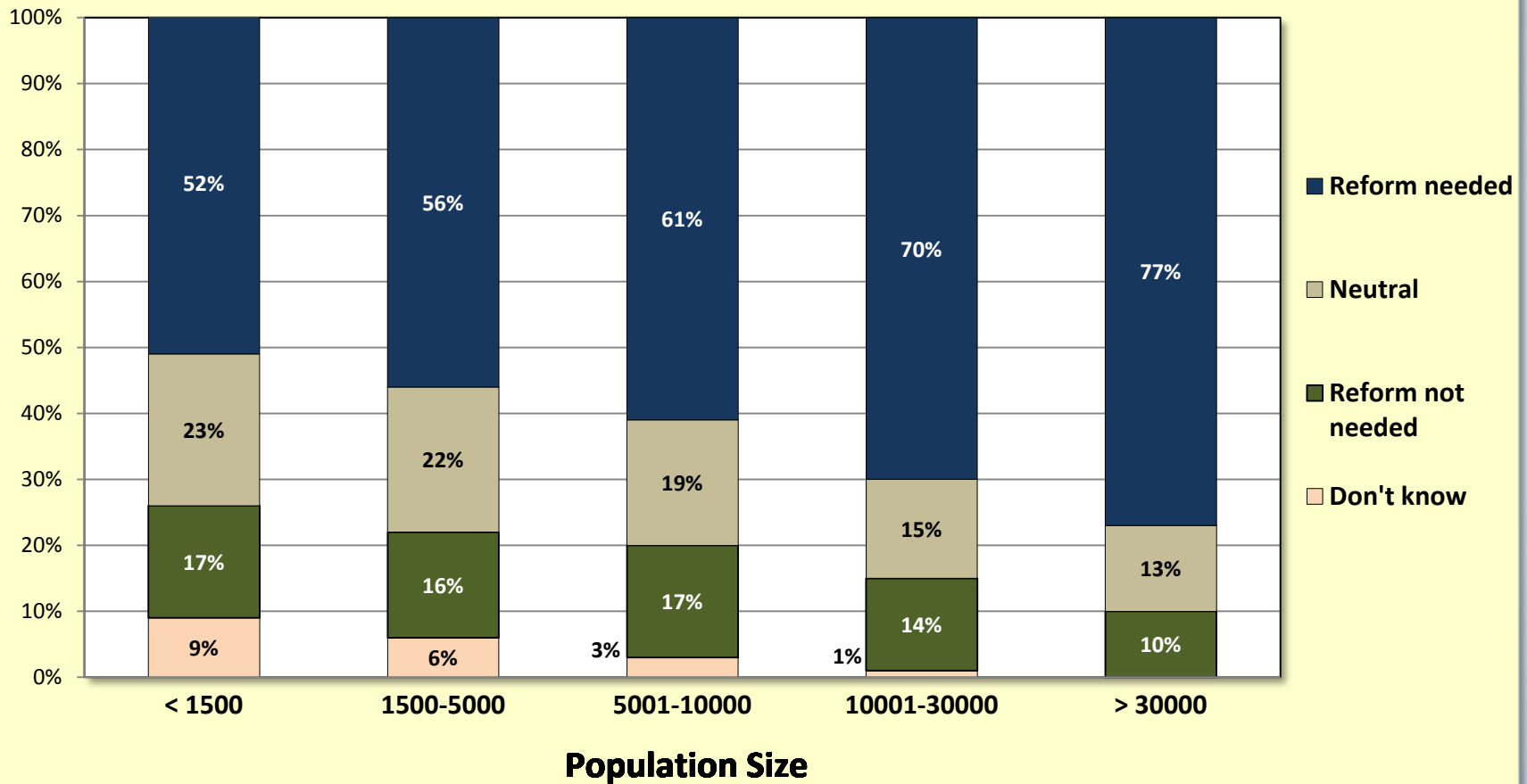
Concerns Going Forward

% of officials predicting they can **maintain services** in current system (2012)



Support for Funding Reform

% that believe **significant reform** is needed



Michigan Local Government Fiscal Health Trends

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.
- As of 2014, 36% of Michigan jurisdictions say they are better able to meet their financial needs this year, but another 24% still say they are less able to do so. This is a significant improvement from the low point in 2010, when just 9% were better able, and 61% were less able.
- Local governments continue to pursue a variety of actions to improve their fiscal status, including shifting health care costs to employees. However, they are also able to spend more on increased employee pay and infrastructure spending.
- Looking to the future, more officials predict that their communities will have good times financially in the coming year (40%) than predict bad times (12%). Highest levels of optimism found in Michigan's larger jurisdictions.

Future waves of the Michigan Public Policy Survey:

- Fall 2014: Roads, transit, and also ethics issues
- Other potential future survey topics:
 - Economic development
 - Aging demographic
 - Other infrastructure issues (water/sewer, IT, etc.)

The Michigan Public Policy Survey (MPPS)

Web: www.closup.umich.edu

Email: closup-mpps@umich.edu

Twitter: @closup

Jurisdictions Less Able vs. Better Able to Meet Fiscal Needs in 2014

	Among jurisdictions less able to meet needs		Among jurisdictions better able to meet needs	
	Decreased	Increased	Decreased	Increased
Revenue from property tax	63%	17%	25%	55%
Revenue from fees for services, licenses, transfers, etc.	31%	10%	11%	27%
Amount of debt	17%	21%	27%	11%
Amount of federal aid to jurisdiction	27%	5%	10%	7%
Amount of state aid to jurisdiction	38%	24%	14%	34%
Number of tax delinquencies	15%	36%	21%	14%
Home foreclosures in jurisdiction	24%	27%	39%	11%
Population in jurisdiction	28%	15%	13%	29%
Public safety needs	2%	37%	2%	29%
Infrastructure needs	4%	69%	1%	54%
Human service needs	2%	44%	0%	29%
General government operations needs	2%	52%	1%	32%
Number of employees	15%	4%	8%	12%
Pay rates for employee wages and salaries	4%	44%	4%	58%
Cost of government employee pensions	2%	36%	4%	38%
Cost of current government employee health benefits	5%	69%	10%	57%
Cost of retired government employee health benefits	3%	51%	7%	39%
	Too low	About right	Too low	About right
Jurisdiction's General Fund balance	42%	44%	19%	69%
	Somewhat/ significant problem	Not much/ not a problem	Somewhat/ significant problem	Not much/ not a problem
Jurisdiction's cash flow	17%	81%	5%	95%