

**Taking the Pulse of Local Government  
Leaders on Fiscal Health:  
Slow Recovery from the  
Great Recession Poses  
Concerns About the Future**

February 25, 2020  
Wolverine Caucus

# Presentation Outline

- **Brief overview** of the Michigan Public Policy Survey
- **Challenges** facing local jurisdictions leading up to and through the Great Recession
- **Trends** in local government fiscal health over the past decade
- **Concerns about the future**
- **Broken system of funding**, and support for fixes

# The Michigan Public Policy Survey (MPPS)

- **A census survey** – all 1,856 Michigan counties, cities, villages, & townships
- **Respondents** – chief elected & appointed officials
- **Wide Range of Topics** – examples include fiscal health, government operations and budget policies, energy, roads, poverty, public safety, economic development, intergovernmental cooperation, service privatization, employee policies, labor unions, housing, environmental sustainability, Great Lakes, citizen engagement, much more.

# MPPS is not a typical opinion poll

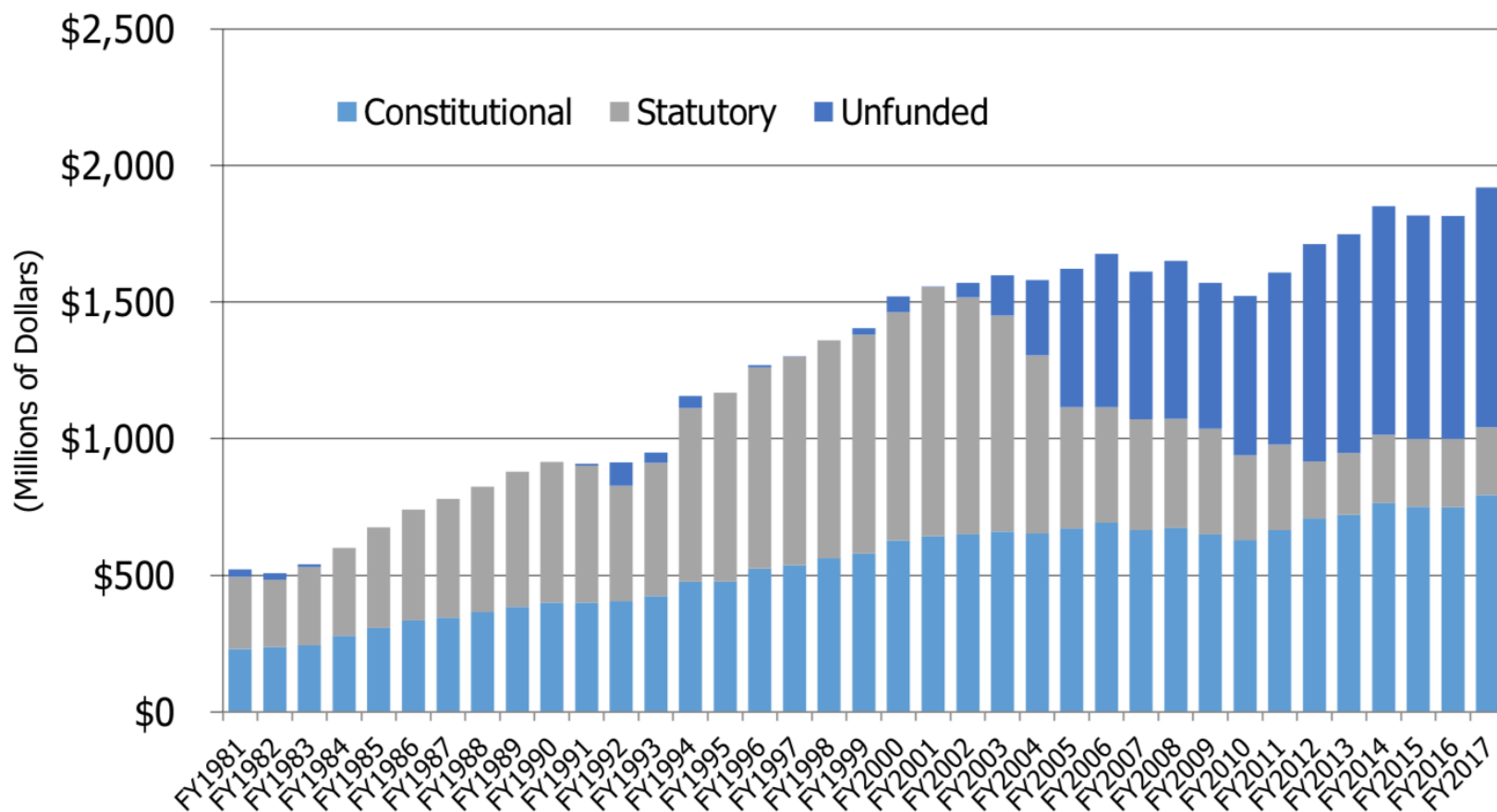
- **70+% regular response rates**
- **Transparency**
  - Questionnaires online
  - Pre-run data tables online
  - Sharing of (anonymized) datasets with other researchers
- **Research partnership with Michigan local government associations**
  - MAC, MML, & MTA

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# Historical under-funding of local government

Constitutional, Statutory, and Unfunded State Revenue Sharing, FY1981 to FY2017



Source: Citizens Research Council

# How have local governments coped?

- Reduced **number of employees**
- Reduced **pay and benefits**; shifted health care costs to employees; negotiated benefit reductions with employee unions
- Reduced **retiree benefits**
- Used up **rainy day funds**
- **Delayed infrastructure** maintenance
- Pursued **service sharing agreements** with other units
- **Reduced public service provision**

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# What are local officials' assessments of their current health?

## Two MPPS survey measures for tracking local fiscal health:

### 1) SHORT TERM YEAR-OVER-YEAR CHANGE

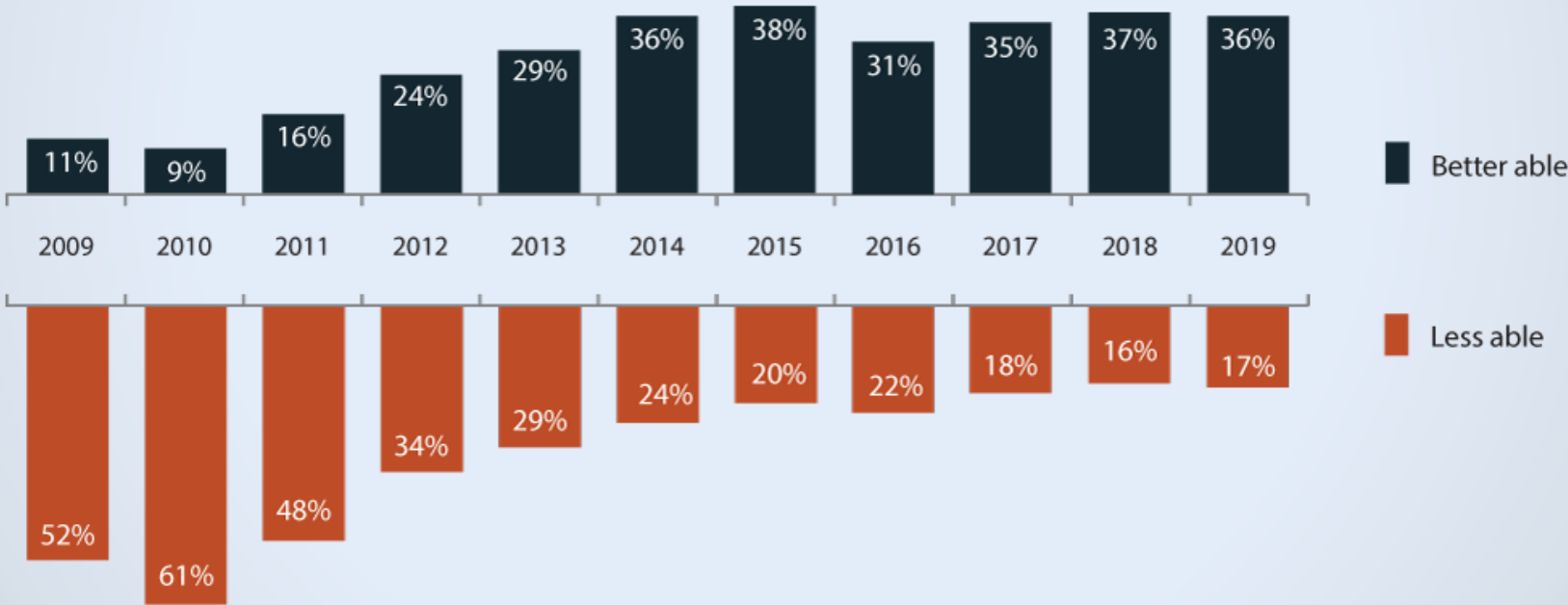
Would you say that your unit of government is less able or better able to meet its financial needs in this fiscal year compared to the last fiscal year? ... the next fiscal year compared to this one?

### 2) SNAPSHOT ASSESSMENT OF OVERALL CURRENT HEALTH (Fiscal Stress Index)

Thinking about the overall fiscal stress in your jurisdiction today and what you expect it to be down the road – including any future financial obligations it may have – on a scale from 1 to 10, where **1 is the best: perfect fiscal health** and **10 is the worst: fiscal crisis**, how would you rate your jurisdiction's overall fiscal stress today? ...as you expect it to be five years from now?

# Improvement has stagnated in 2<sup>nd</sup> half of decade

Short term year-over-year change:  
**better or less able** to meet fiscal needs this year compared to the last fiscal year?

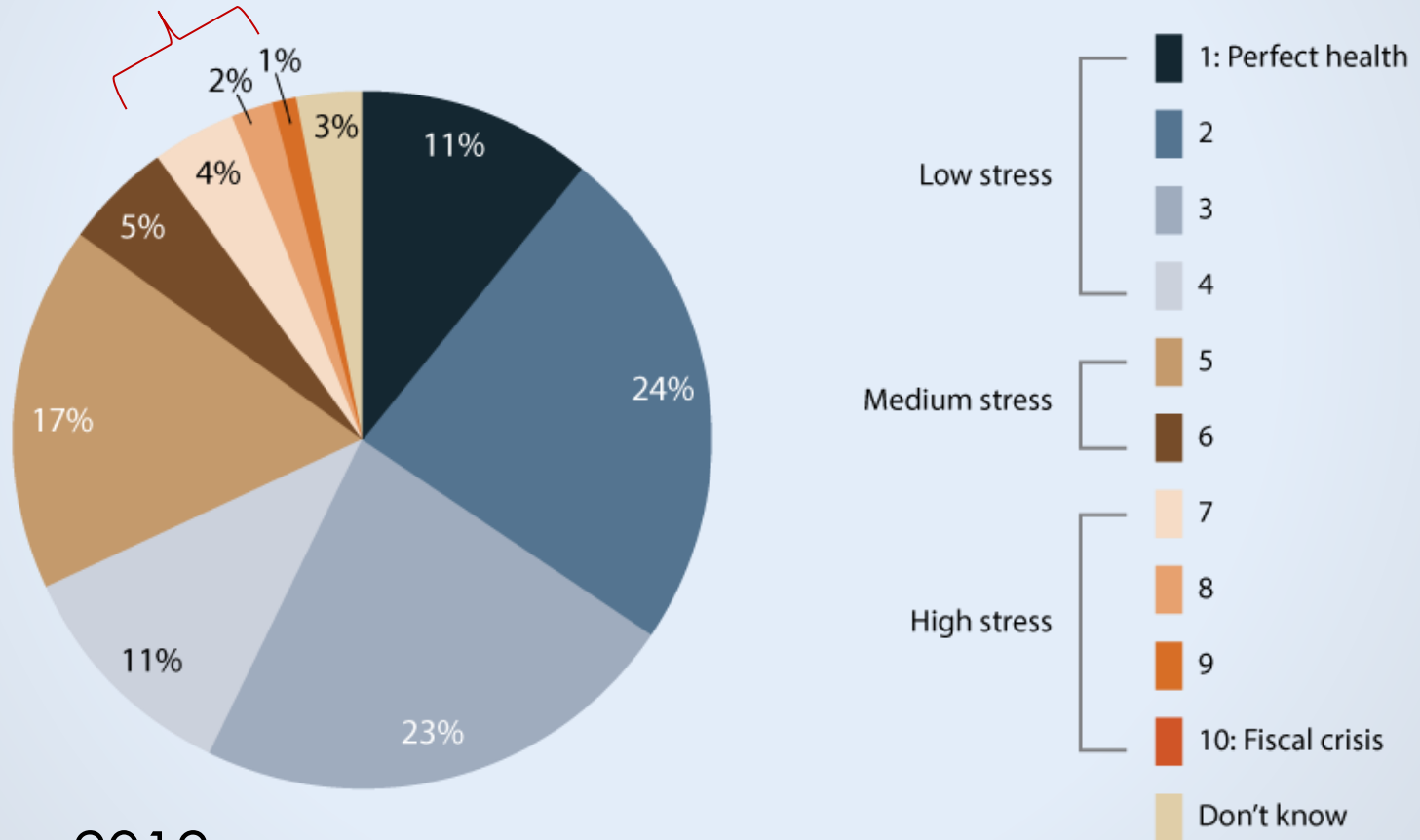


# But reports of overall stress are relatively low

Fiscal Stress Index today:

**1 = Perfect Fiscal Health, 10 = Fiscal Crisis**

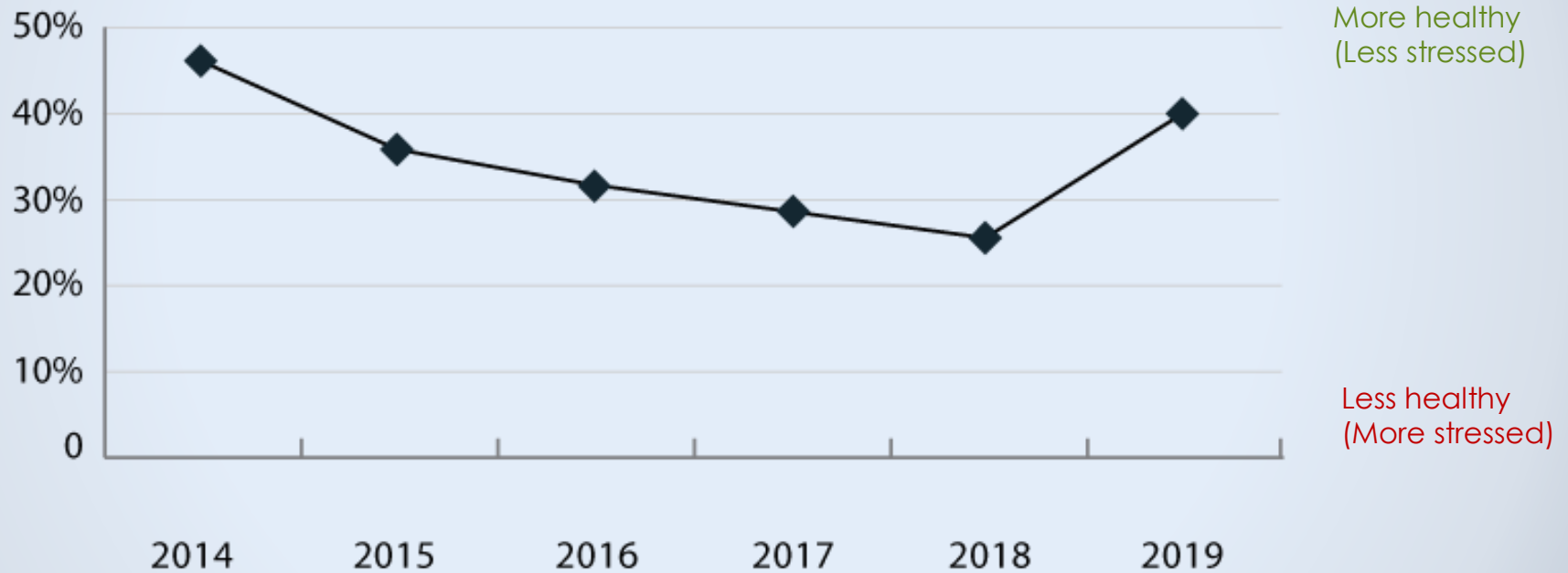
~ 130 jurisdictions



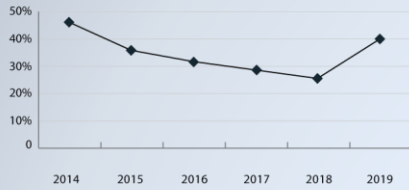
2019

# Fiscal Stress Index Improvement in 2019

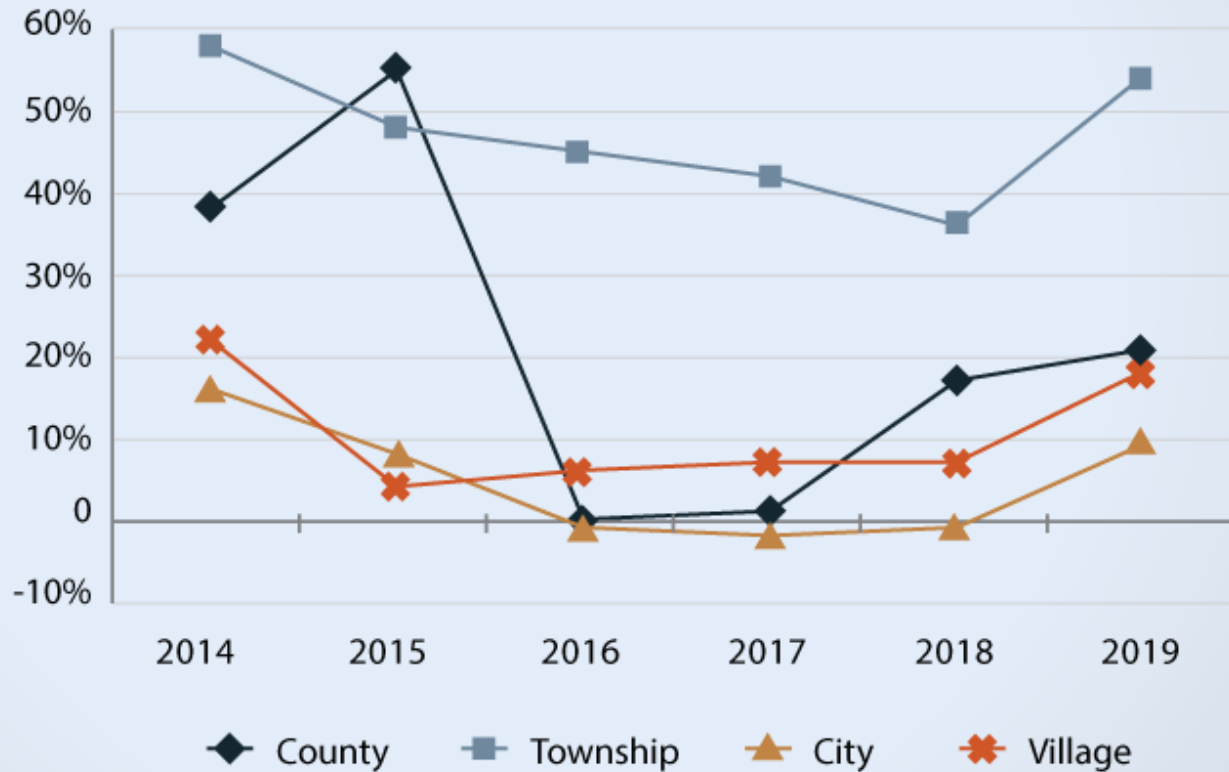
**Net** fiscal health:  
Percentage of **low stress** jurisdictions – (**medium + high stress** jurisdictions)



# Fiscal Stress Index improvement led by townships

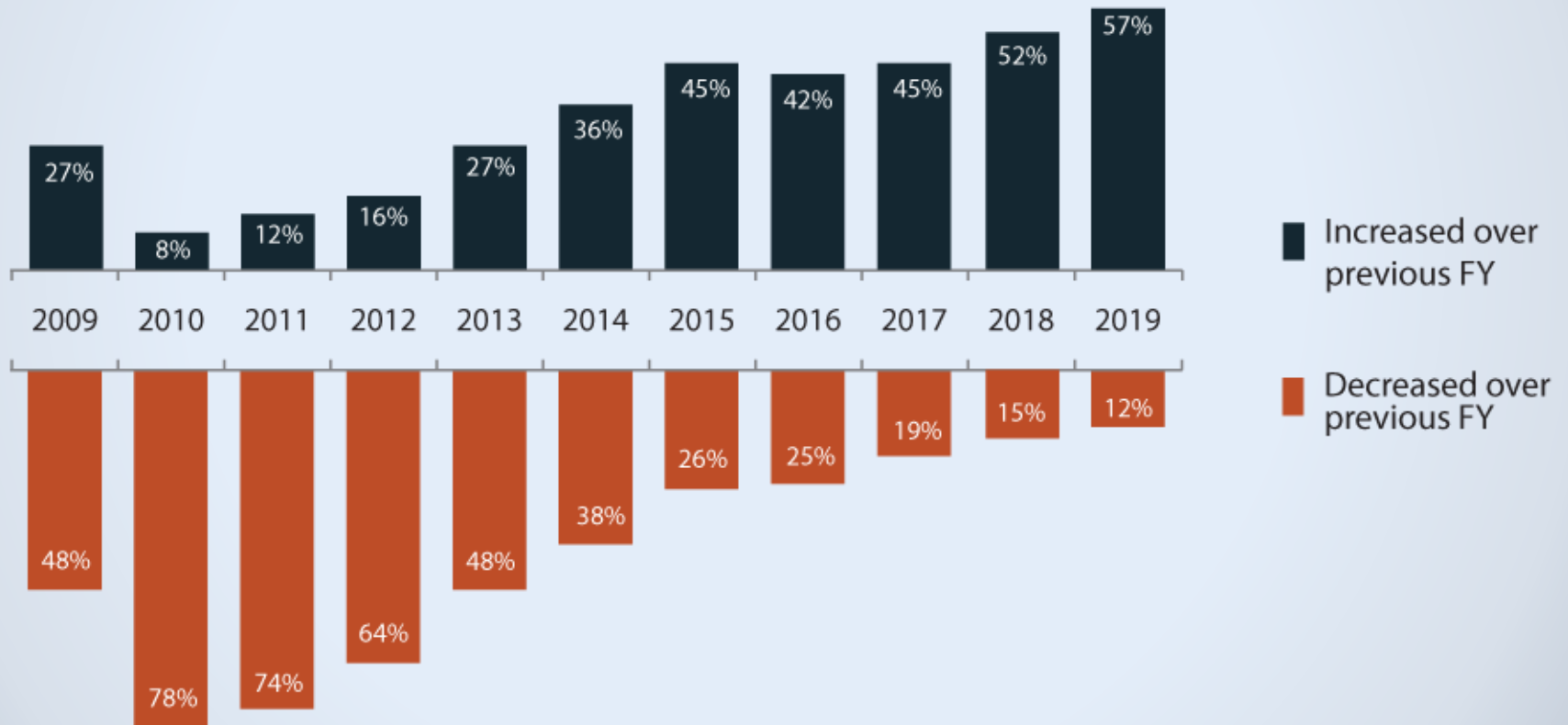


## Net fiscal health over time, by jurisdiction type



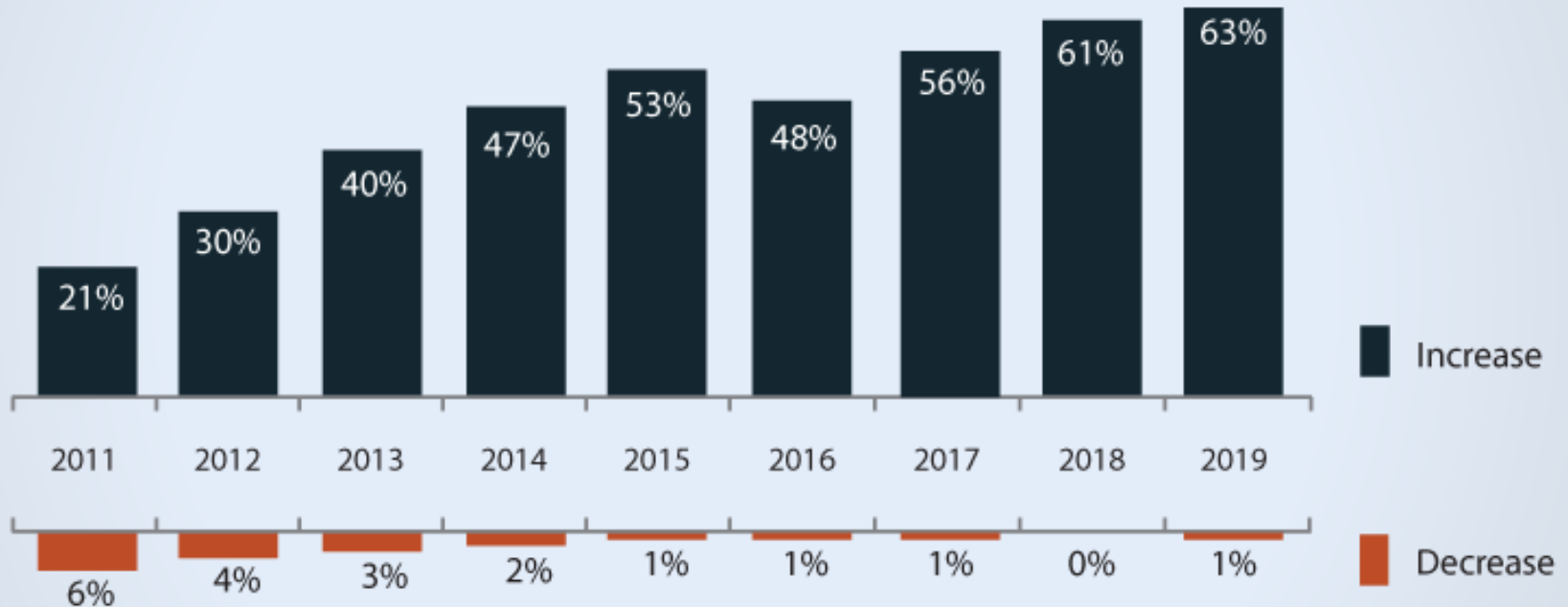
# Why mixed signals on local fiscal health?

On the one hand, consistent (although marginal) rise in local property tax revenues:



# Why mixed signals on local fiscal health?

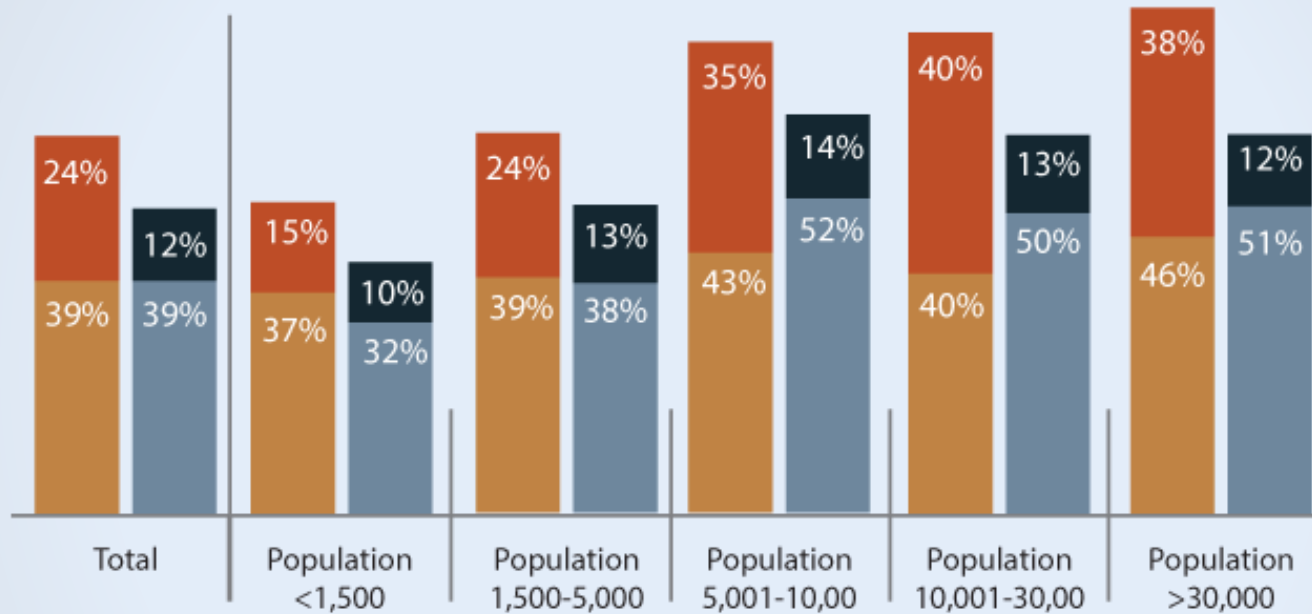
On the other hand, employee wages continue to rise (as do other costs, too):





# Why mixed signals on local fiscal health?

And plans for spending on services and infrastructure not keeping up with needs:



■ Infrastructure needs greatly increased vs. previous FY  
■ Infrastructure needs somewhat increased vs. previous FY

■ Plans to greatly increase infrastructure spending in coming  
■ Plans to somewhat increase infrastructure spending in coming FY

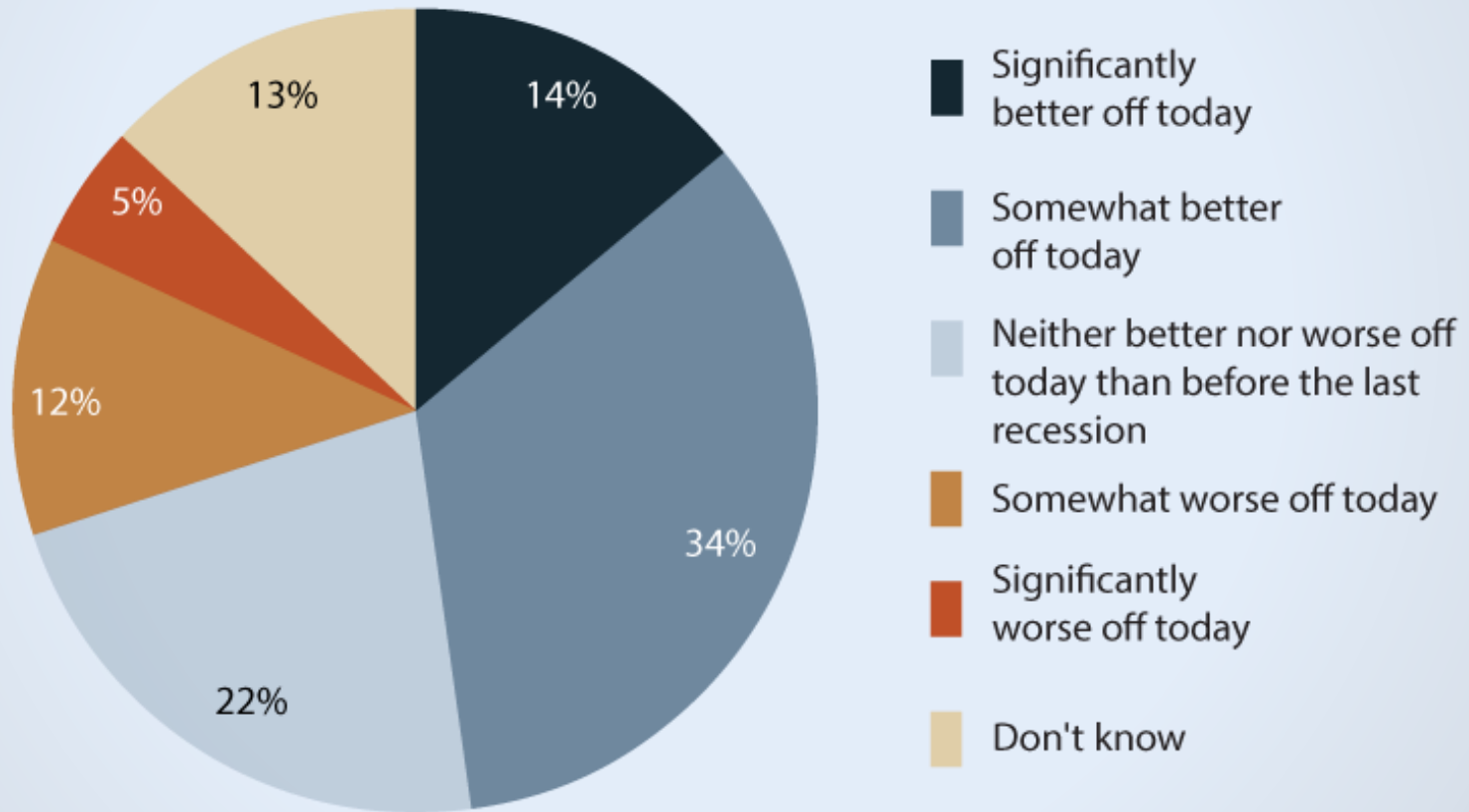


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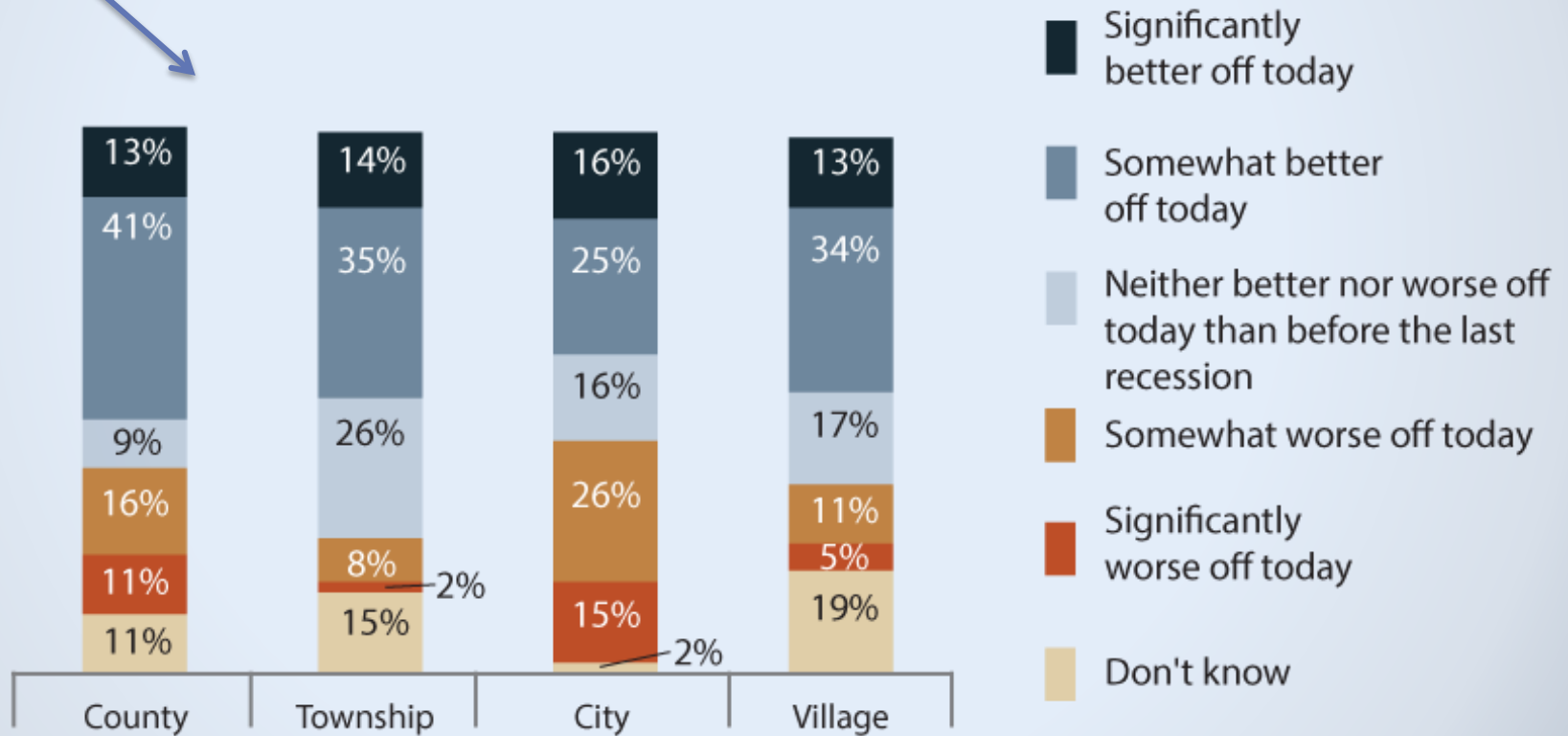
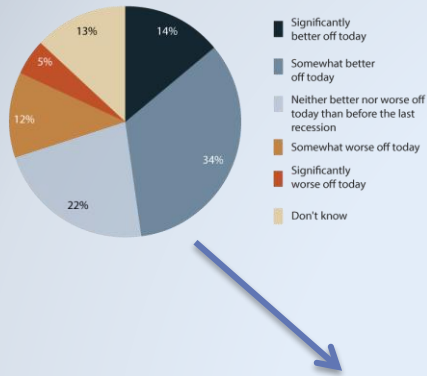
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# Have locals recovered from the last recession?

Looking back, how would you rate your jurisdiction's fiscal health today **compared to where it was** before the Great Recession of 2008-09?

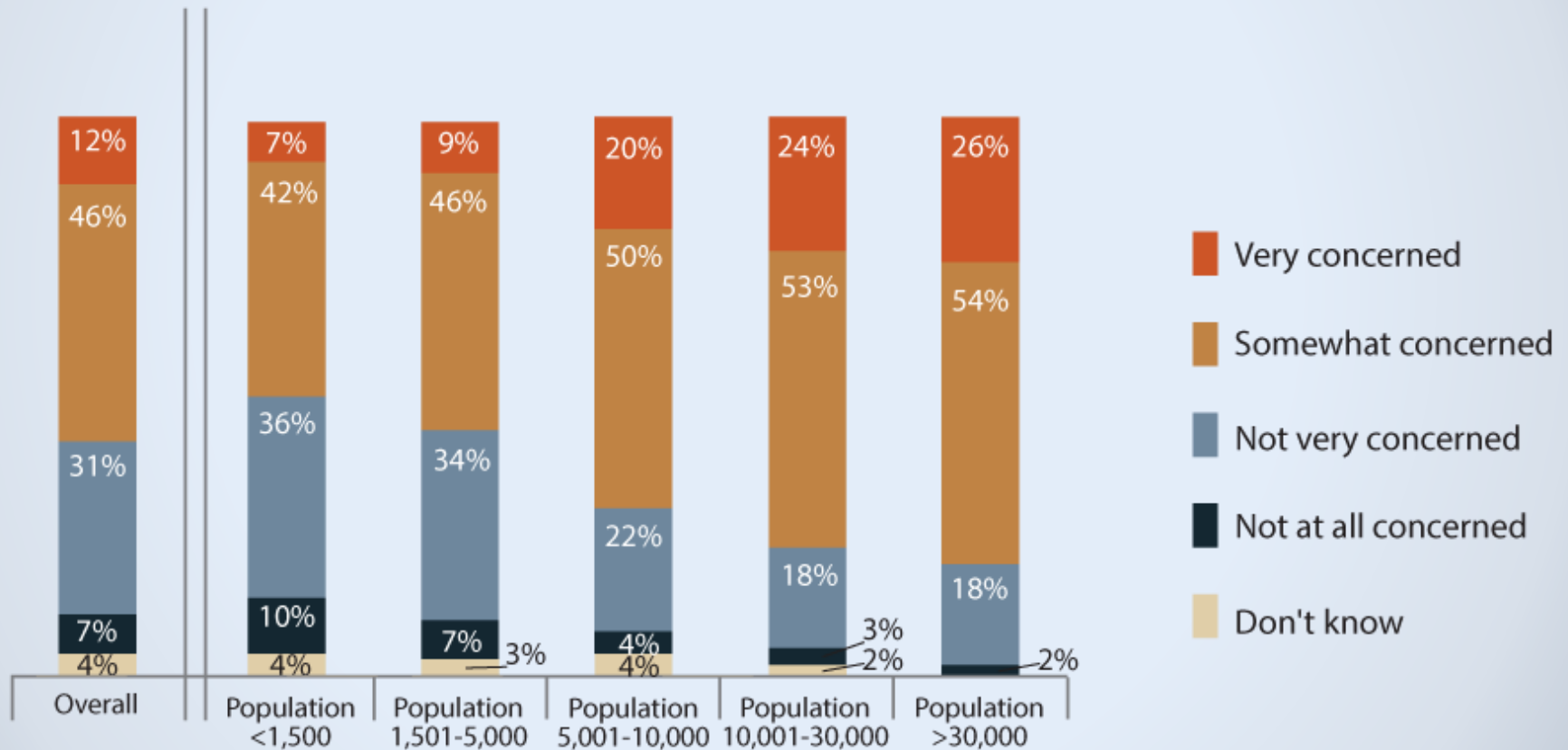


# Have locals recovered from the last recession?



# Are they concerned about the next recession?

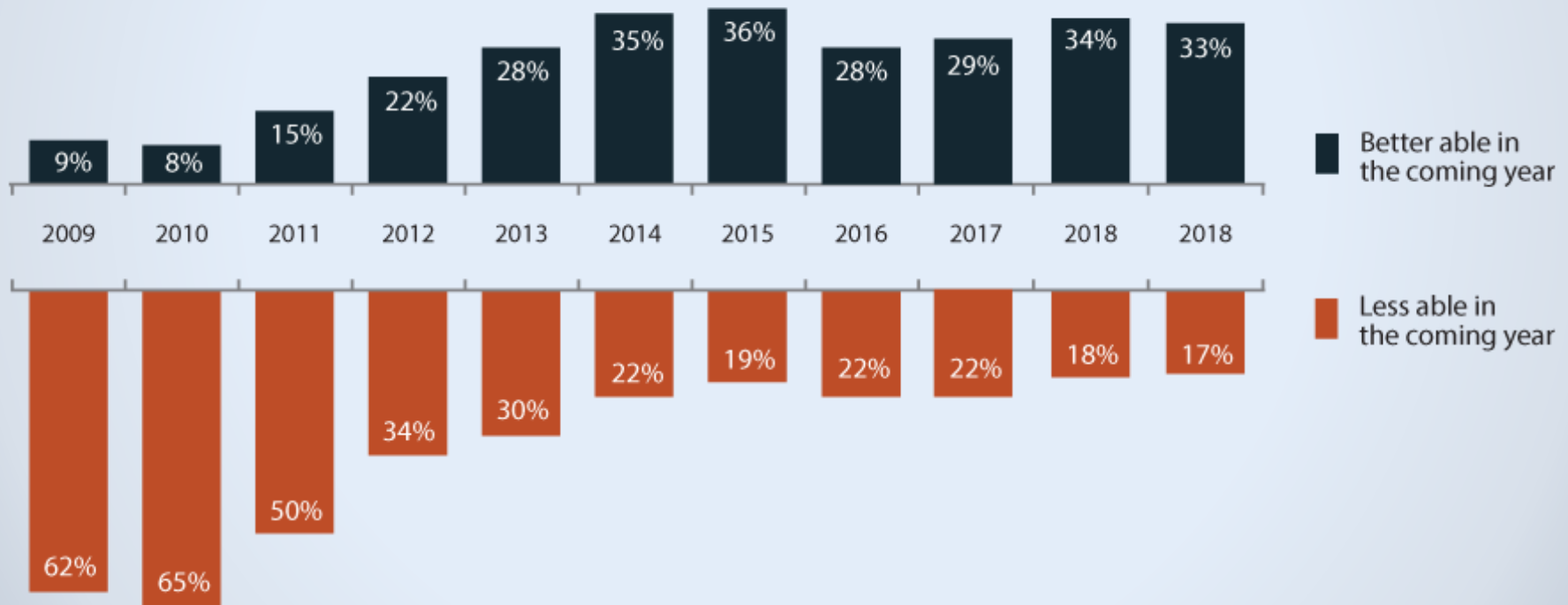
How concerned are you, if at all, about the **potential impact of the next recession** on your jurisdiction's quality and/or amount of services provided?



# Increasing doubts looking ahead

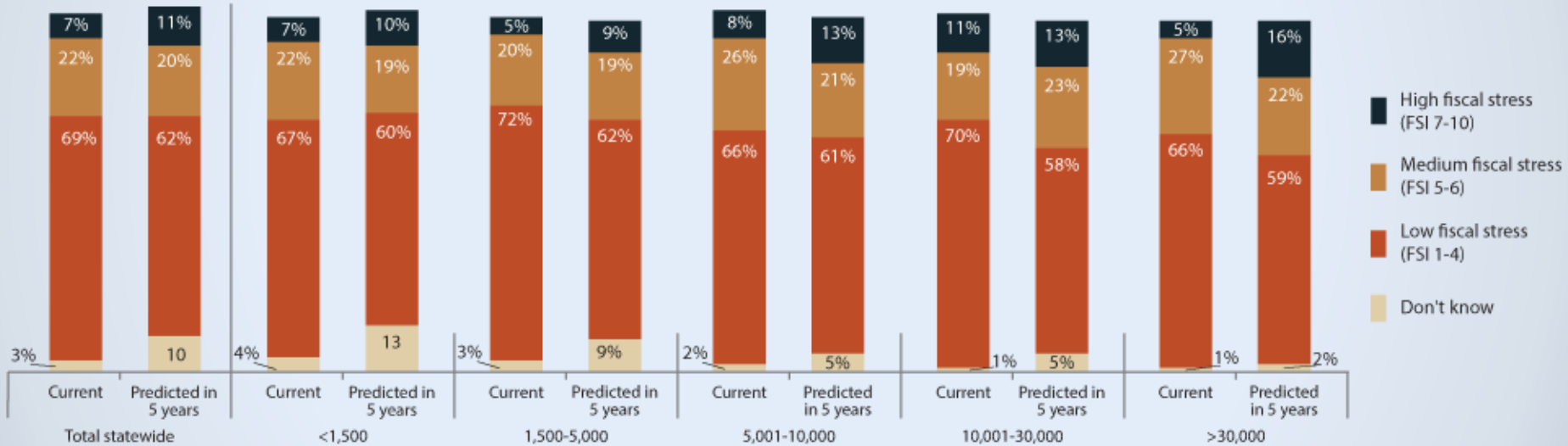
Short term year-over-year change:

**better or less able** to meet fiscal needs **next year** compared to this one?



# Increasing doubts looking ahead

Fiscal Stress Index in five years:  
**1 = Perfect Fiscal Health, 10 = Fiscal Crisis**



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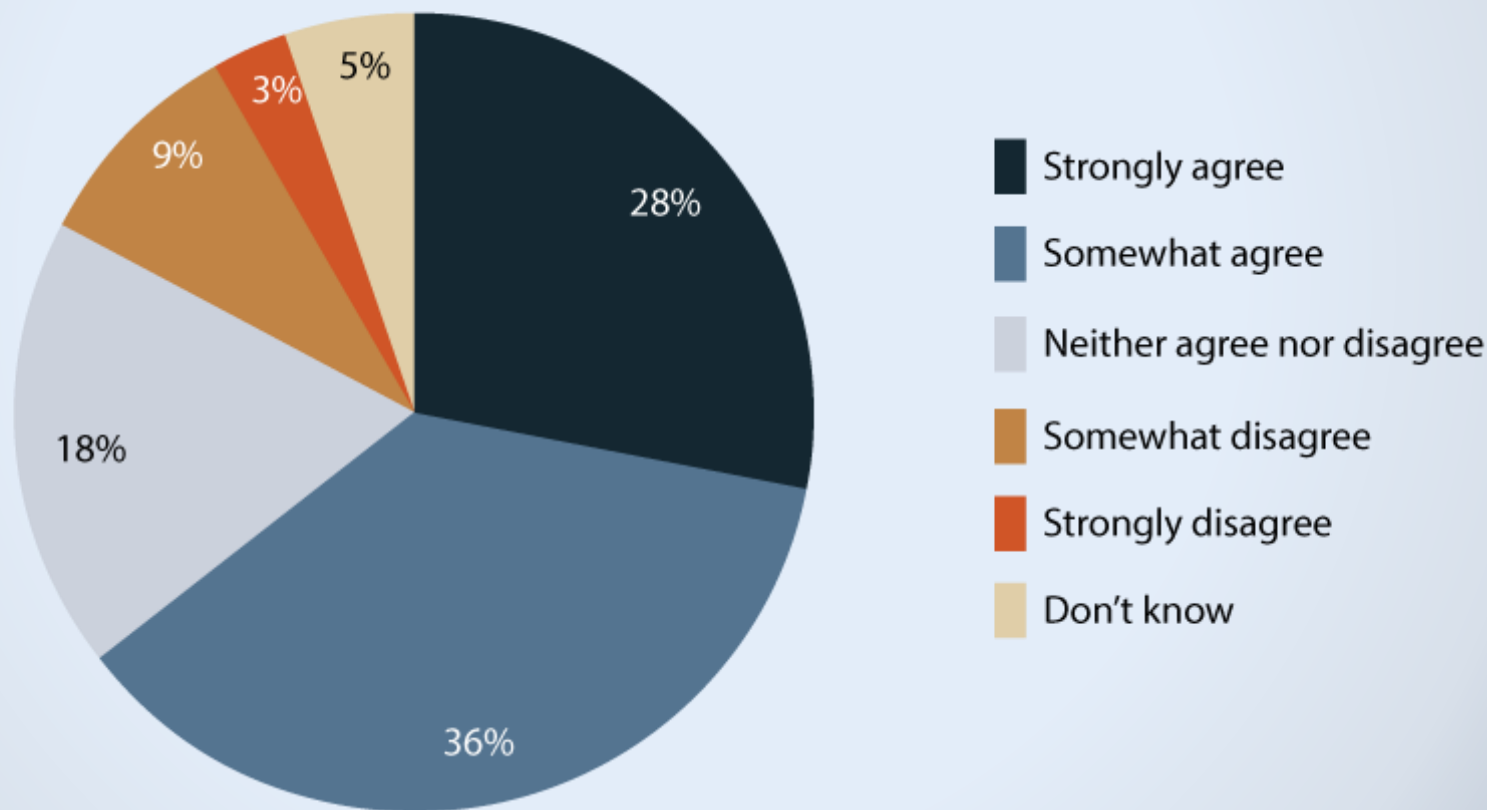
# Key elements of Michigan's System of Funding Local Government

- **Property taxes:** capped by Constitutional Amendment (Headlee; Proposal A)
- **State revenue sharing:** sales taxes collected at state level and disbursed as revenue sharing, underfunded since 2001
- **Other local revenue options:** among the most restrictive nationwide
- Plus **other cost drivers:** unfunded mandates and other costs imposed by state laws

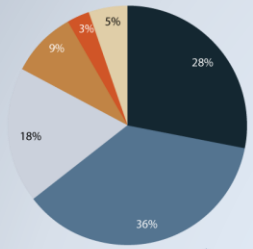


# Local leaders believe system of funding is broken

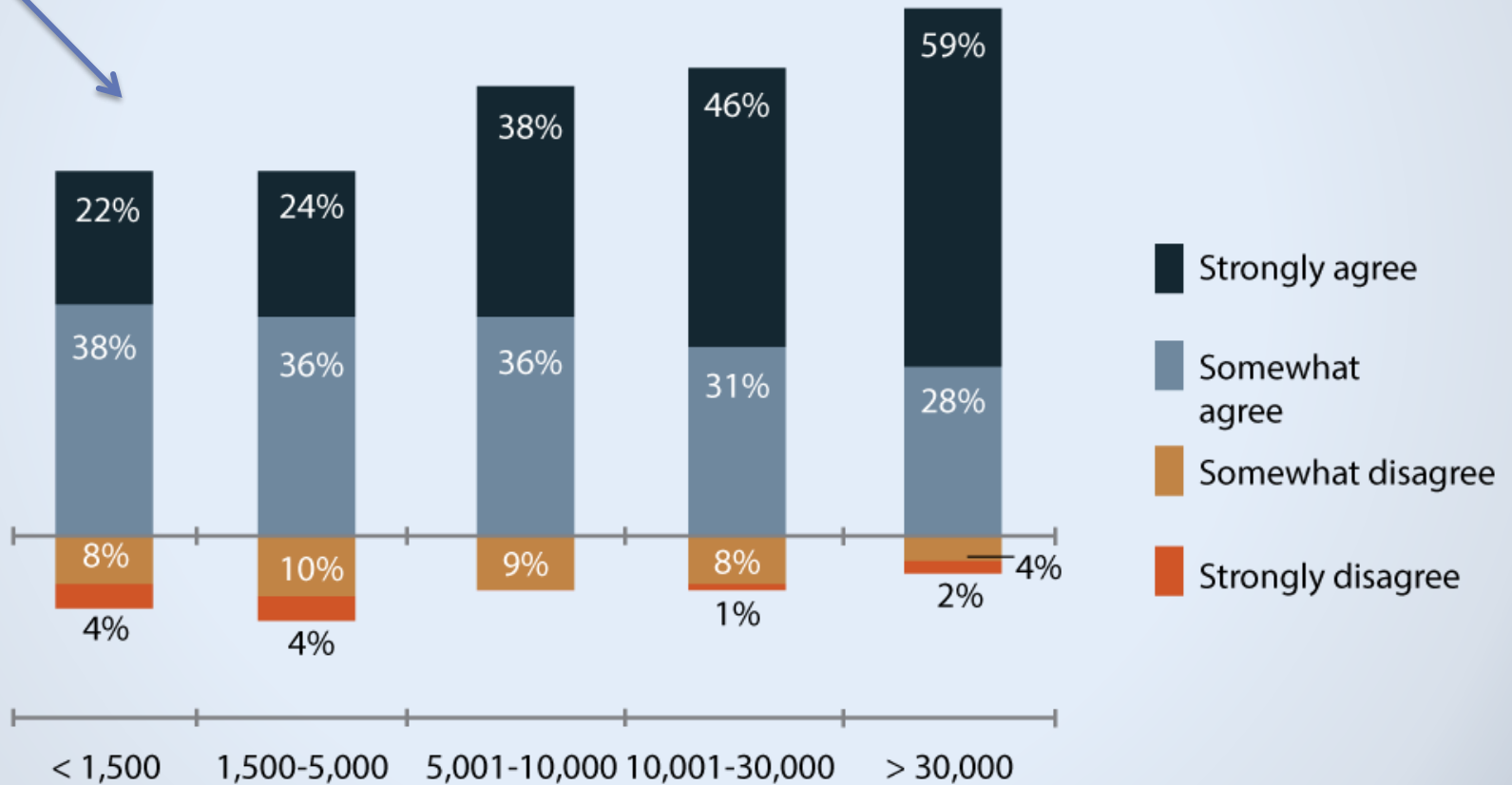
Percentage of local leaders that believe the **system of funding local government in Michigan is broken and needs significant reform**



# Belief that the system of funding is broken, by population size

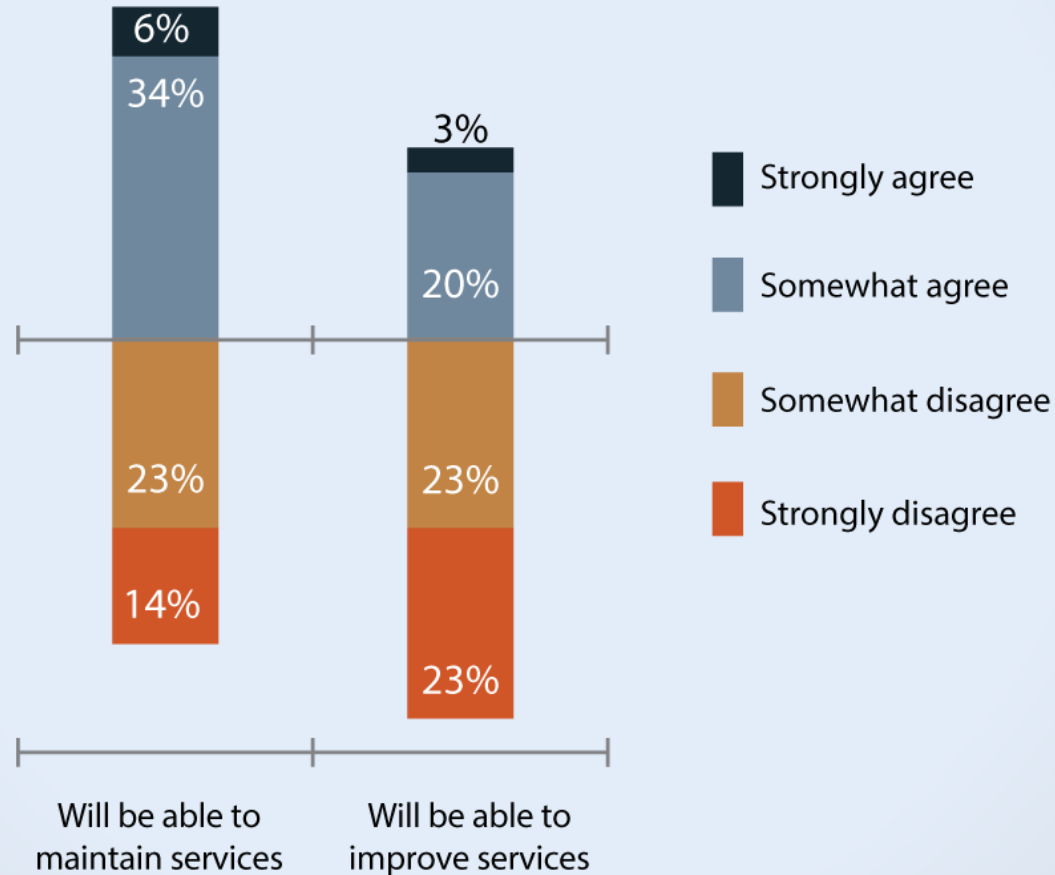


- Strongly agree
- Somewhat agree
- Neither agree nor disagree
- Somewhat disagree
- Strongly disagree
- Don't know



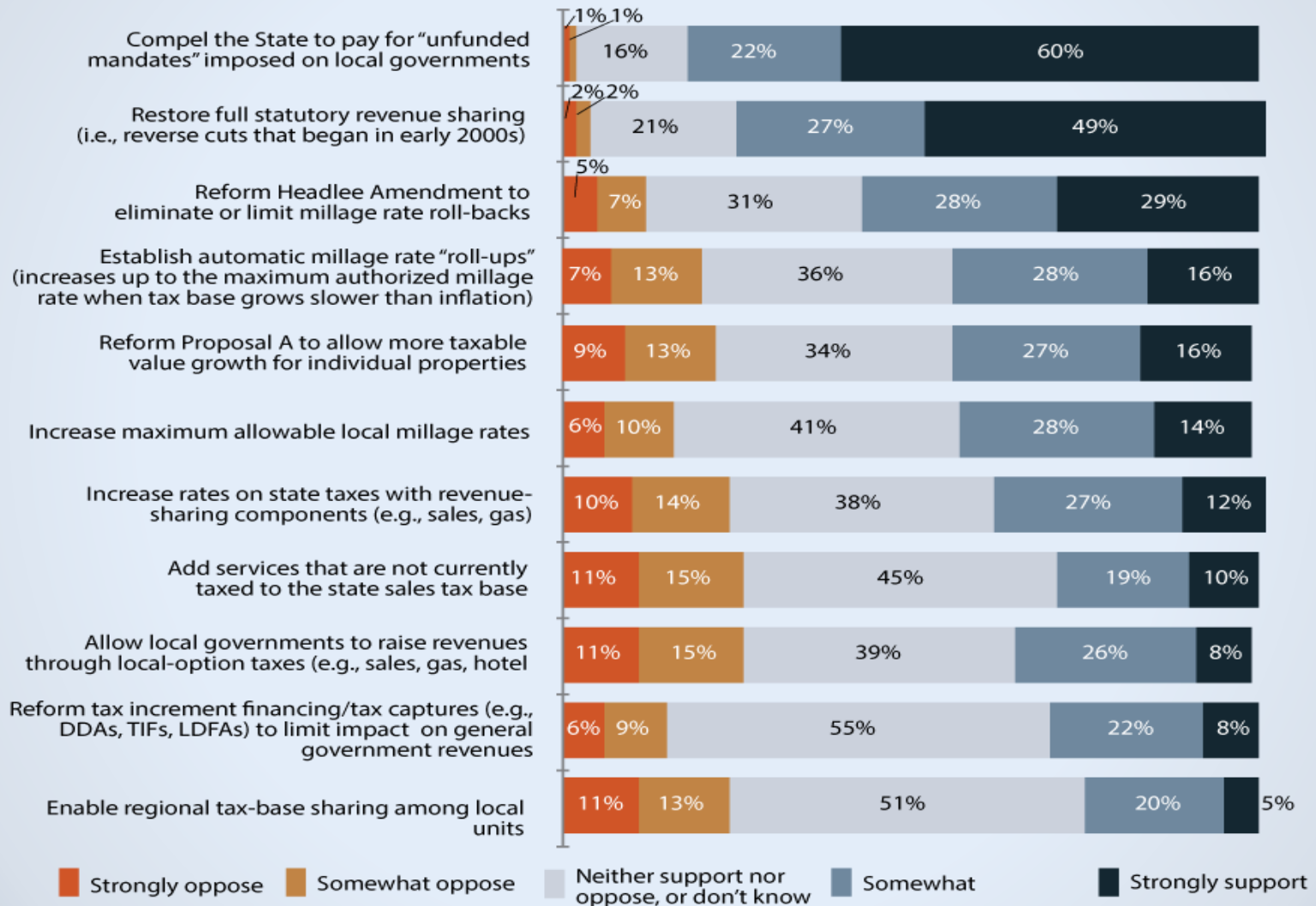
# Local leaders predict struggle to preserve services

Whether the system of funding **will allow** local governments to **maintain** services, and/or to **improve** them (assuming an improving economy)



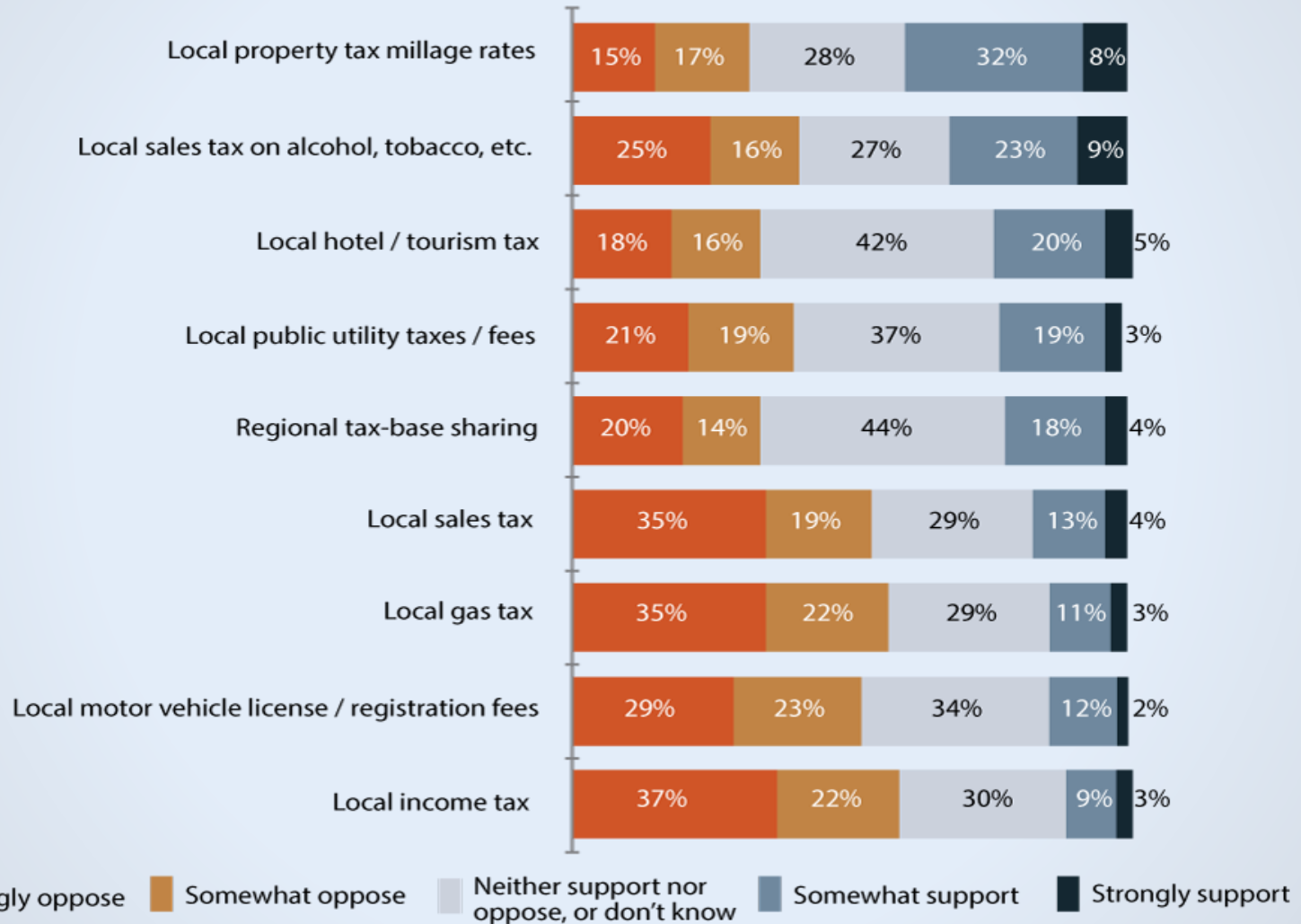
# What do they think needs to change?

Percentage that support/oppose **11 possible changes** to system of funding



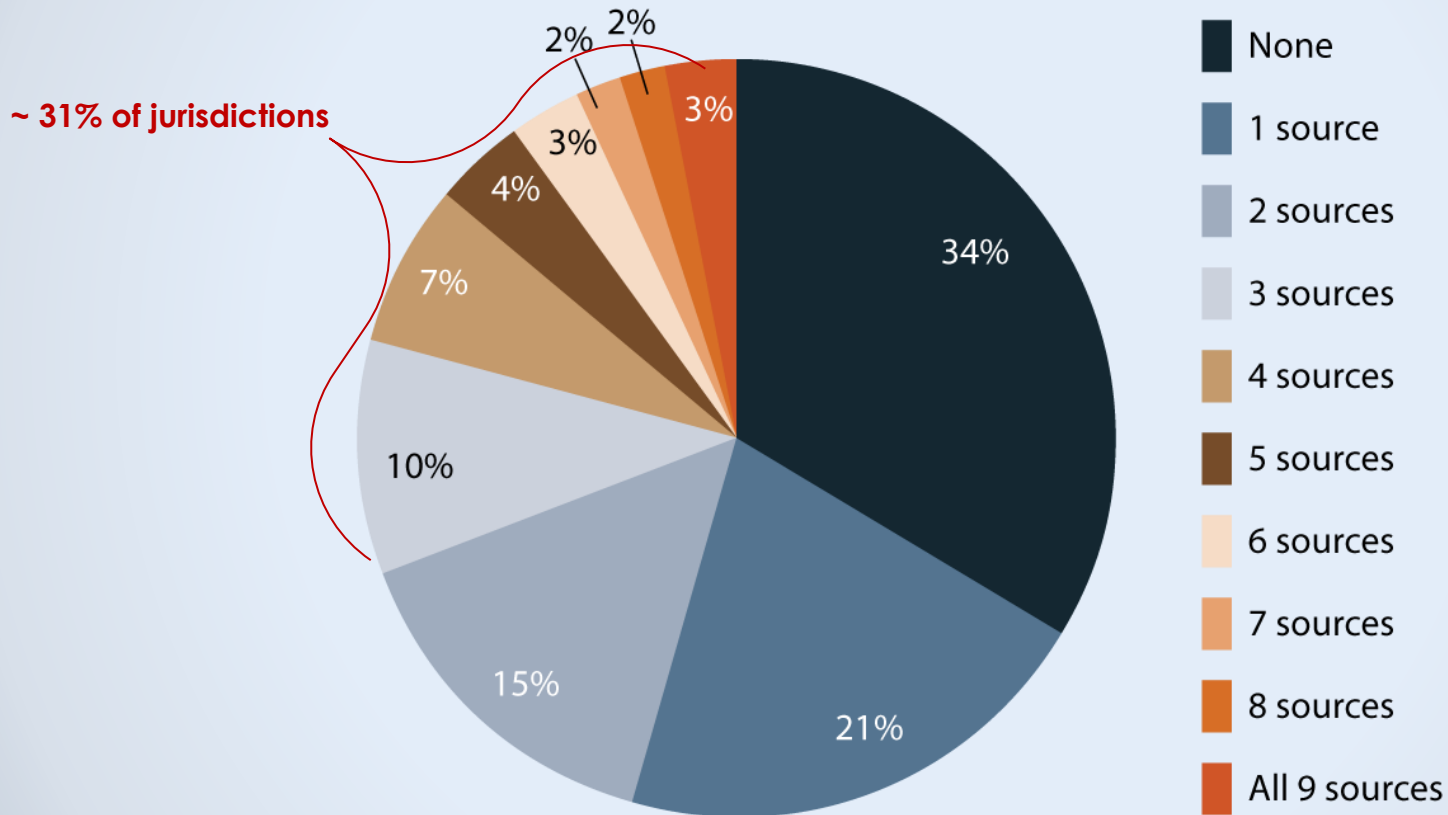
# What local revenue options would they support?

If given **new authority to raise local revenues**, which types would local officials support?



# How many of the options would they support?

If given **new authority to raise local revenues**, how many would local officials support?



# Summary

- **A slow, halting recovery** from the Great Recession, with recent stagnation.
- **Growing concerns** about fiscal health and ability to provide services in the future.
- Belief that the **system of funding local government is broken** in Michigan, and should be fixed at the state level. If the state won't do that, it's worth looking into more authority to raise more revenue at the local level.



# The Michigan Public Policy Survey (MPPS)

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