CLOSUP
Center for Local, State, and Urban Policy

GERALD R. FORD SCHOOL OF PUBLIC POLICY
UNIVERSITY OF MICHIGAN

Local government fiscal health: Self-assessments vs. external evaluations

Presented at the
MLGMA Summer Workshop
July 22, 2015

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, roads, environmental sustainability, citizen engagement, much more.

MPPS is not a typical opinion poll

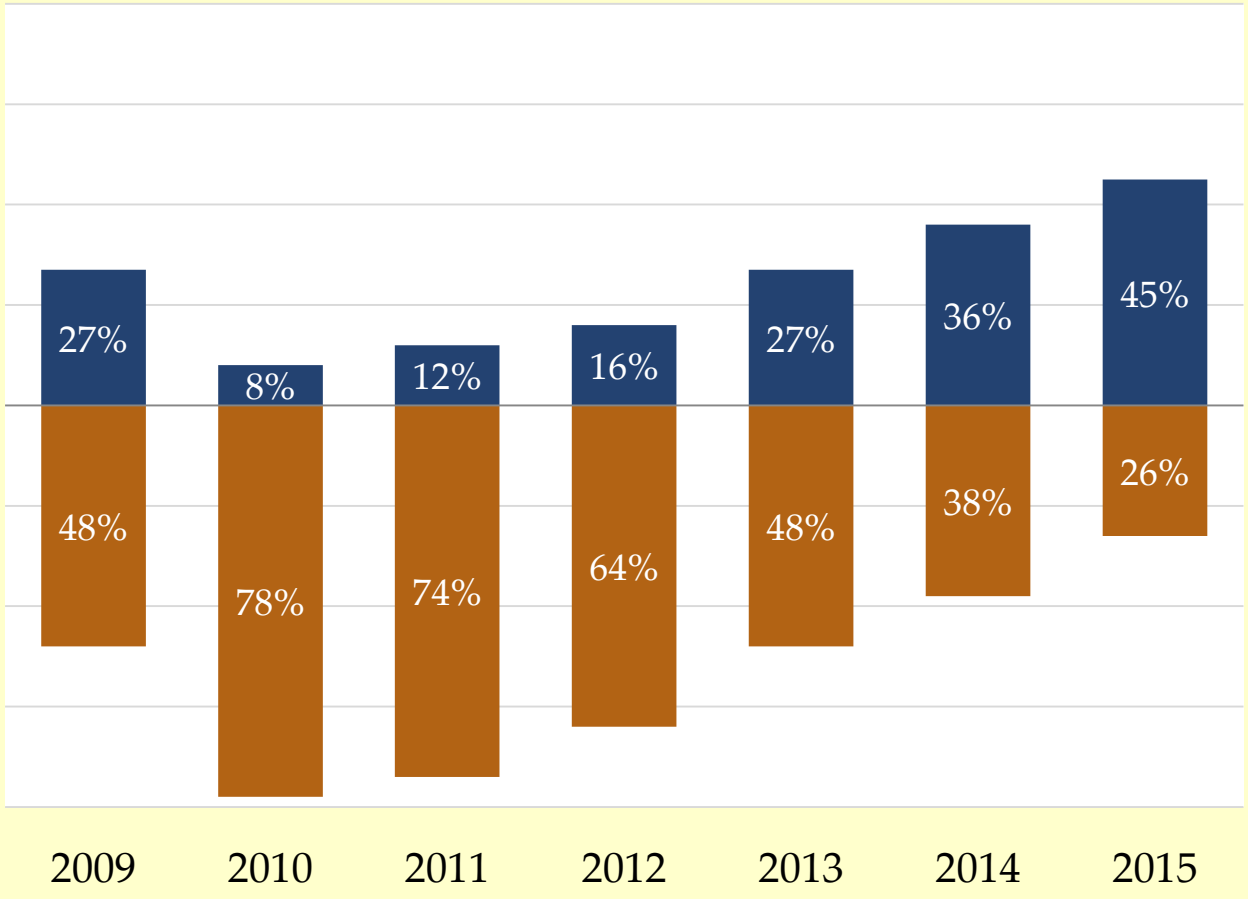
- **70+% response rates**
- **Transparency**
  - -- Questionnaires online
  - -- Pre-run data tables online
  - -- Sharing of (anonymized) datasets with other researchers
- **Expert advisors on questionnaire content**
- **Borrow from other proven sources such as NLC and ICMA**

What does the MPPS aim to do?

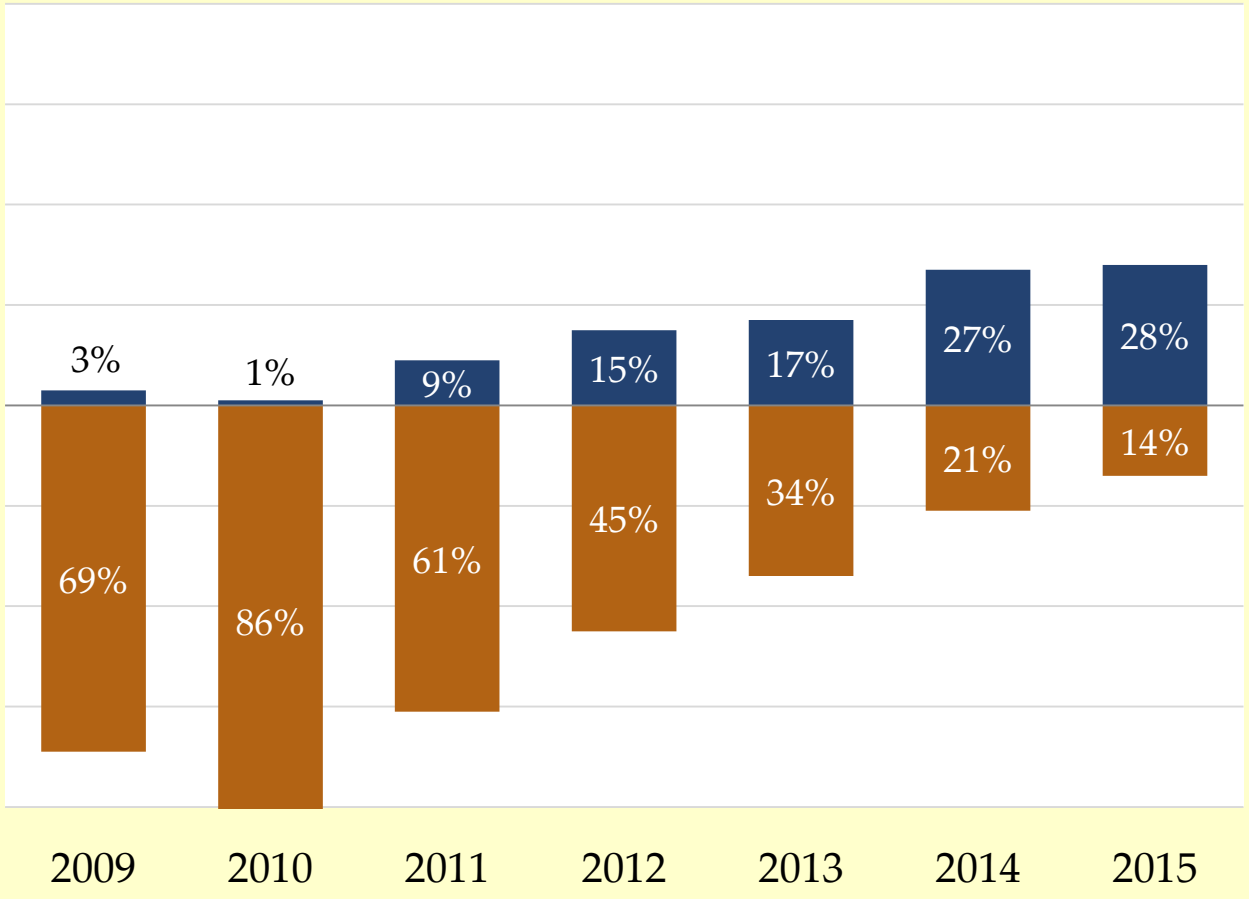
- **Improve understanding** of local government to help improve policymaking and quality of life
- **Inform local leaders** about peers across the state: challenges and responses
- **Inform state policymakers** and other stakeholders with data about local level challenges and responses not available from any other source
- **Build a longitudinal data archive** to allow tracking of fundamental changes (such as the economic transition, aging population, etc.)
- Foster **academic research and teaching** on local government issues

Local government fiscal health 2009 - 2015

Lag in Property Tax Revenues



State Aid Stalling



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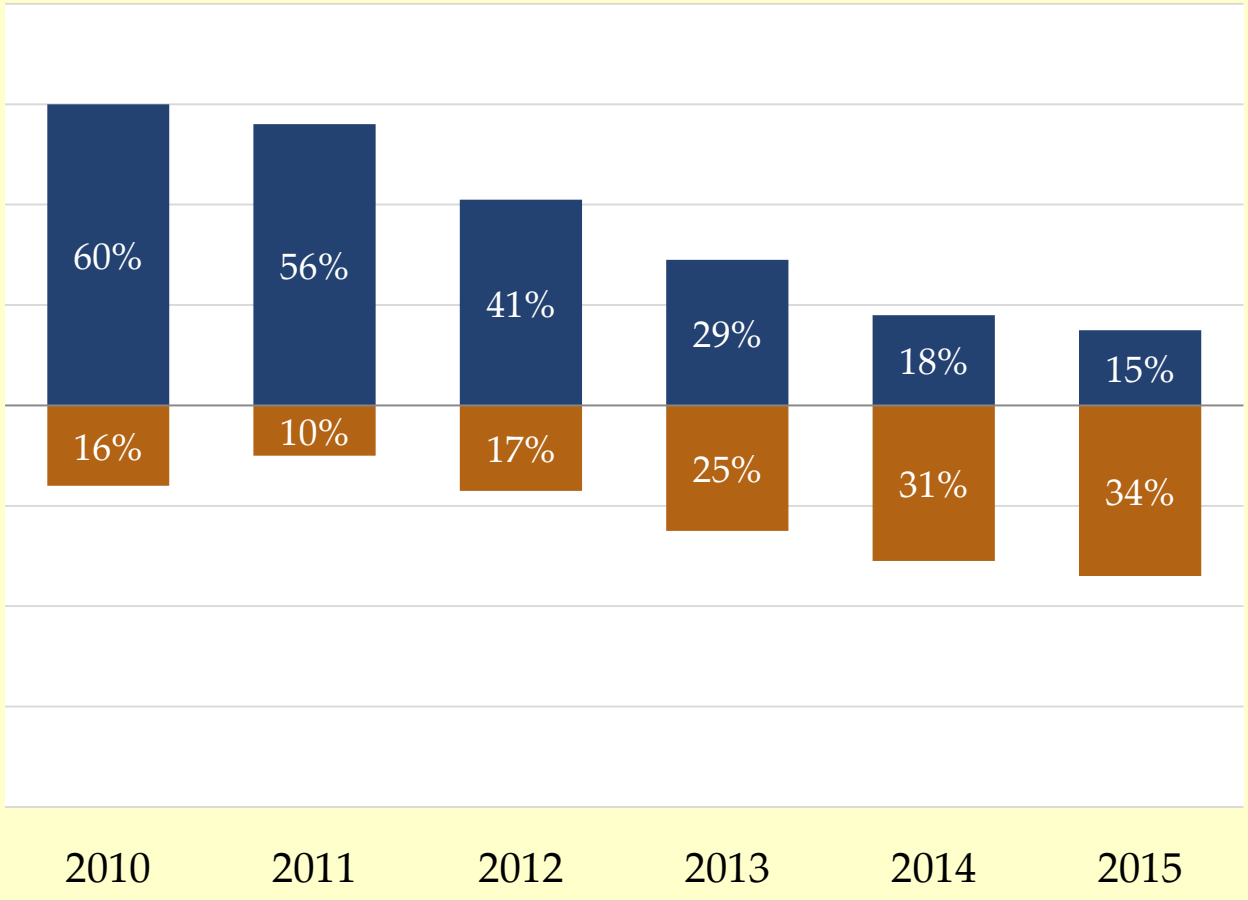
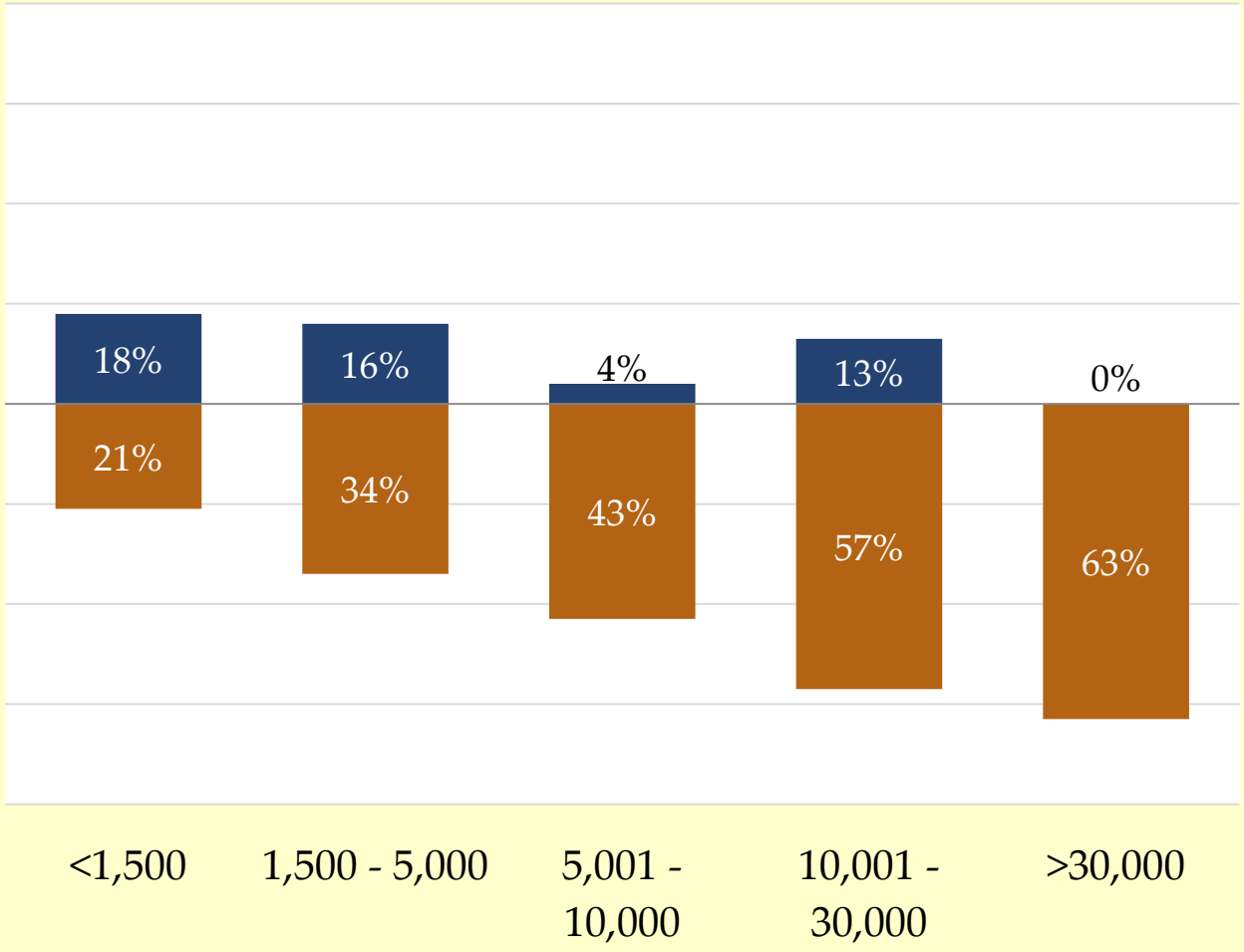
Home Foreclosures Slowly Decreasing



Home Foreclosures in 2015

by Jurisdiction's population size



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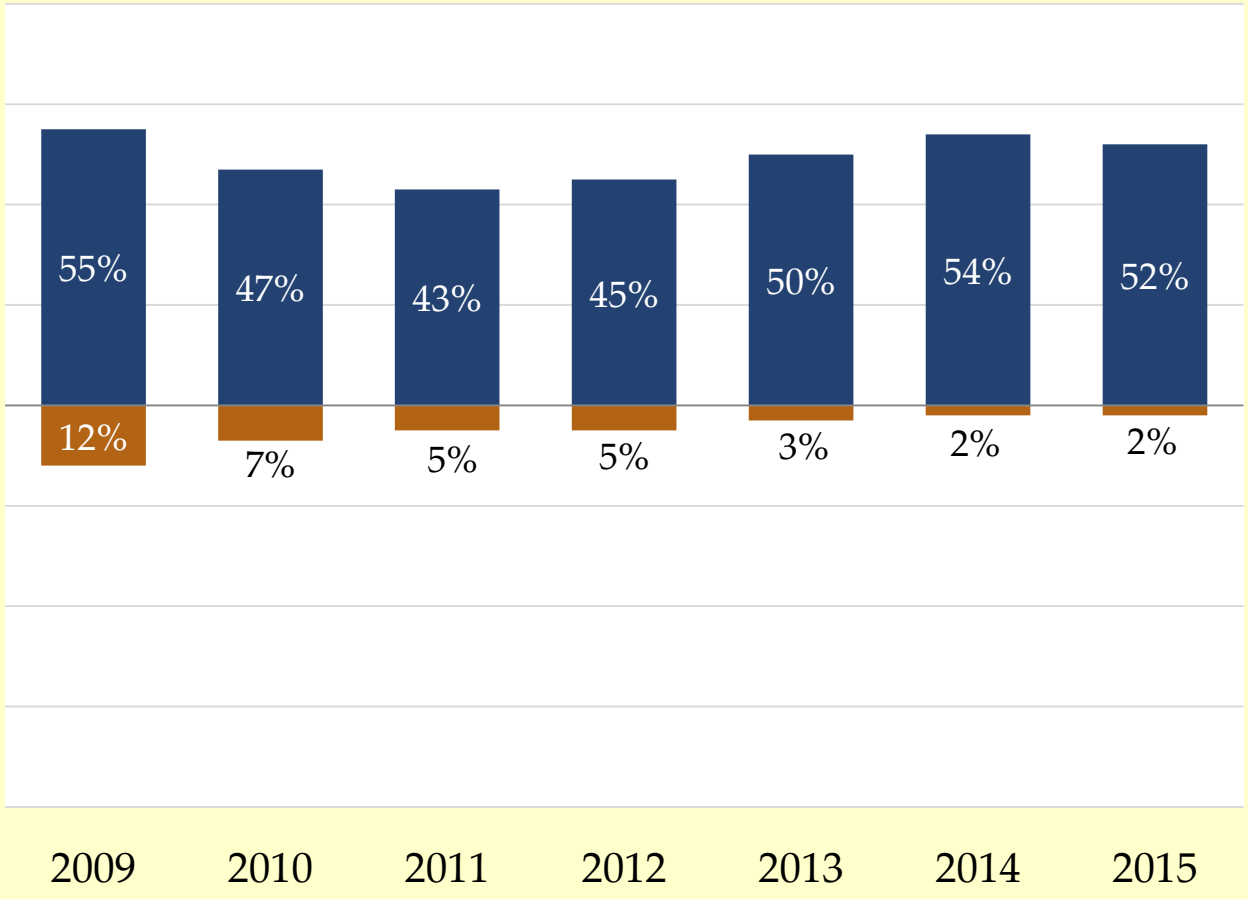
Infrastructure Needs Remain High

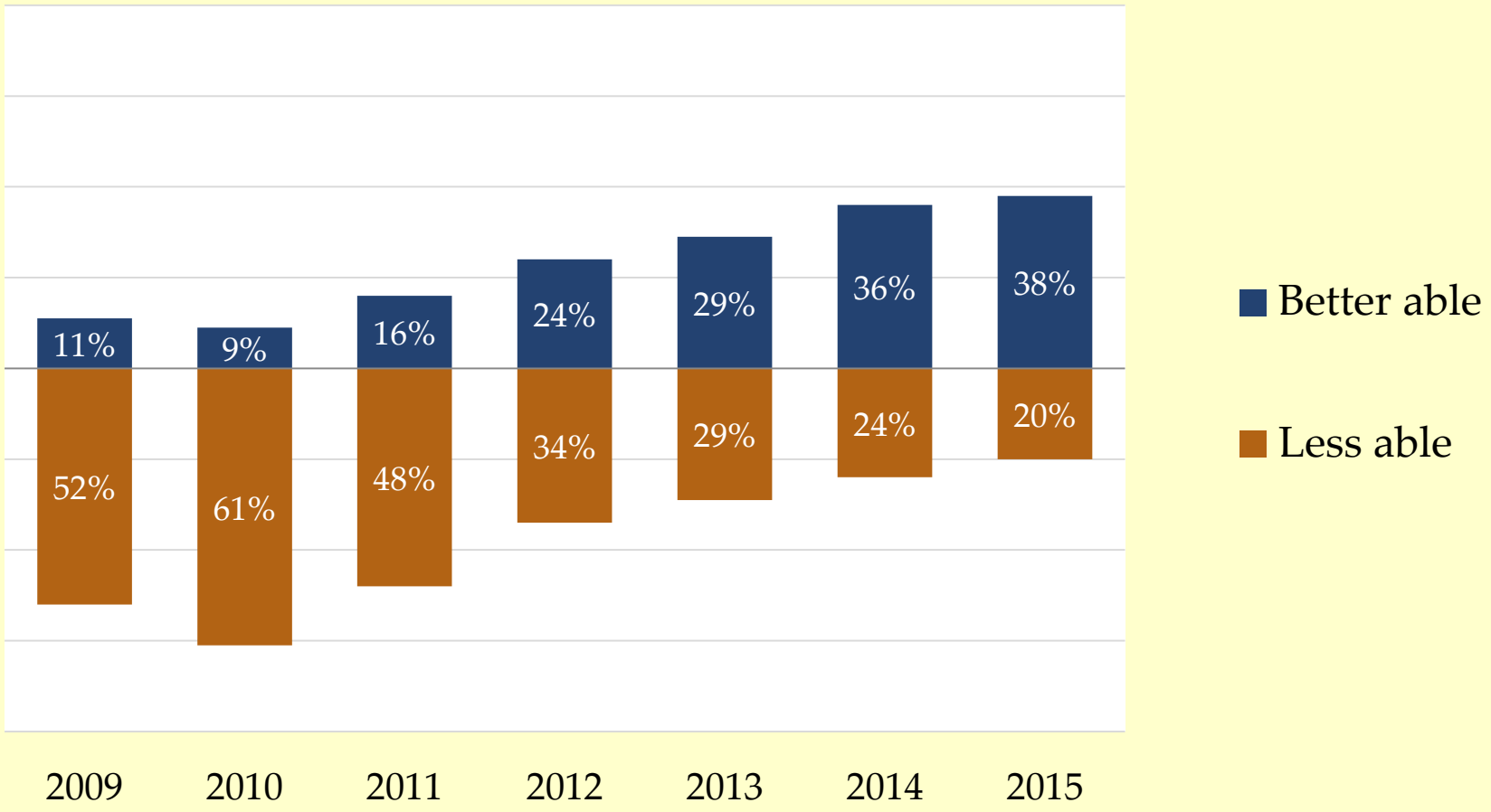


Result:

Gradual increase in ability to meet financial needs

Slowly Improving Fiscal Health

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



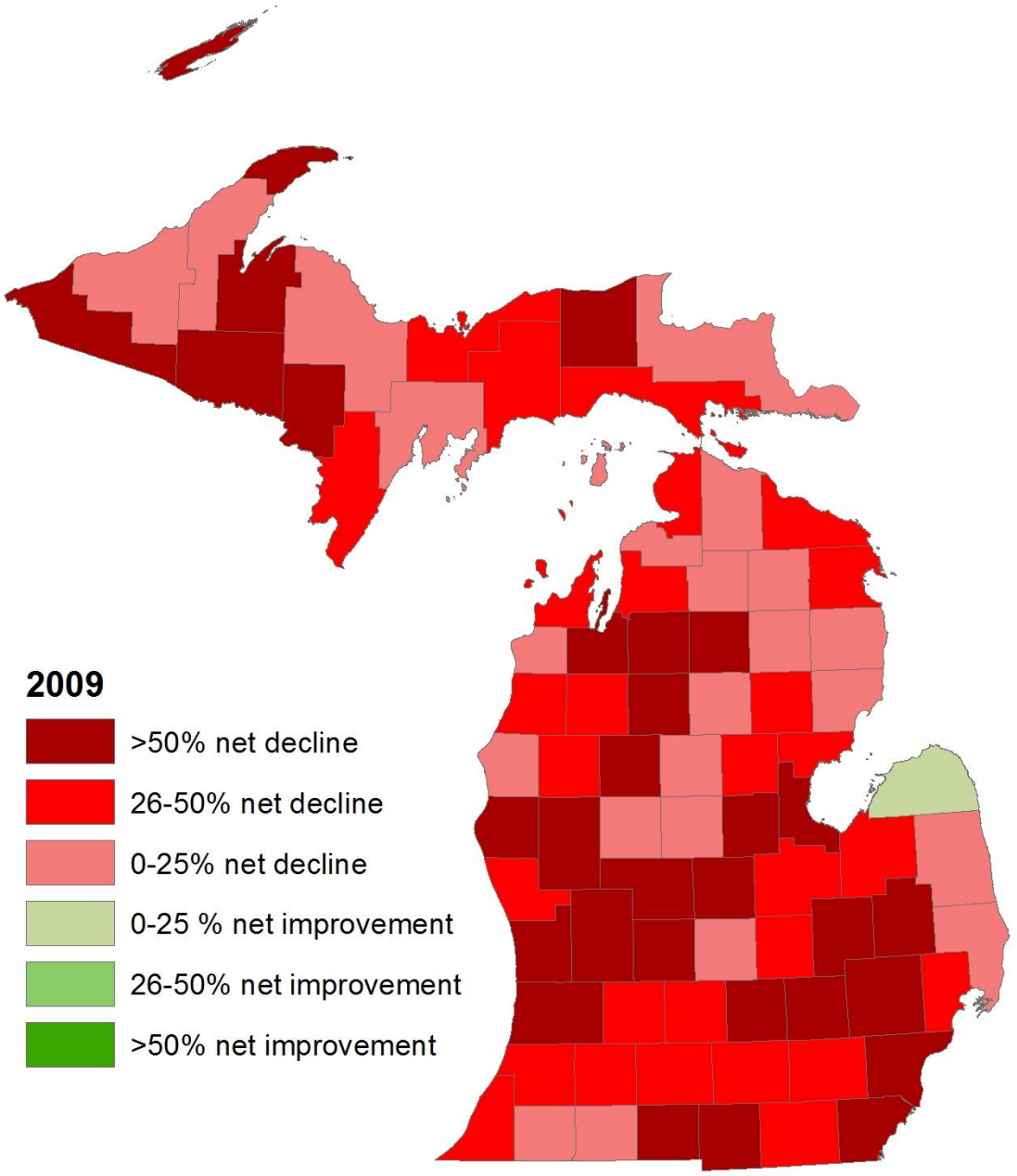
Spread and Easing of Fiscal Problems, by County

Net fiscal health:

% of local jurisdictions reporting better able to meet needs

minus

% reporting less able to meet needs



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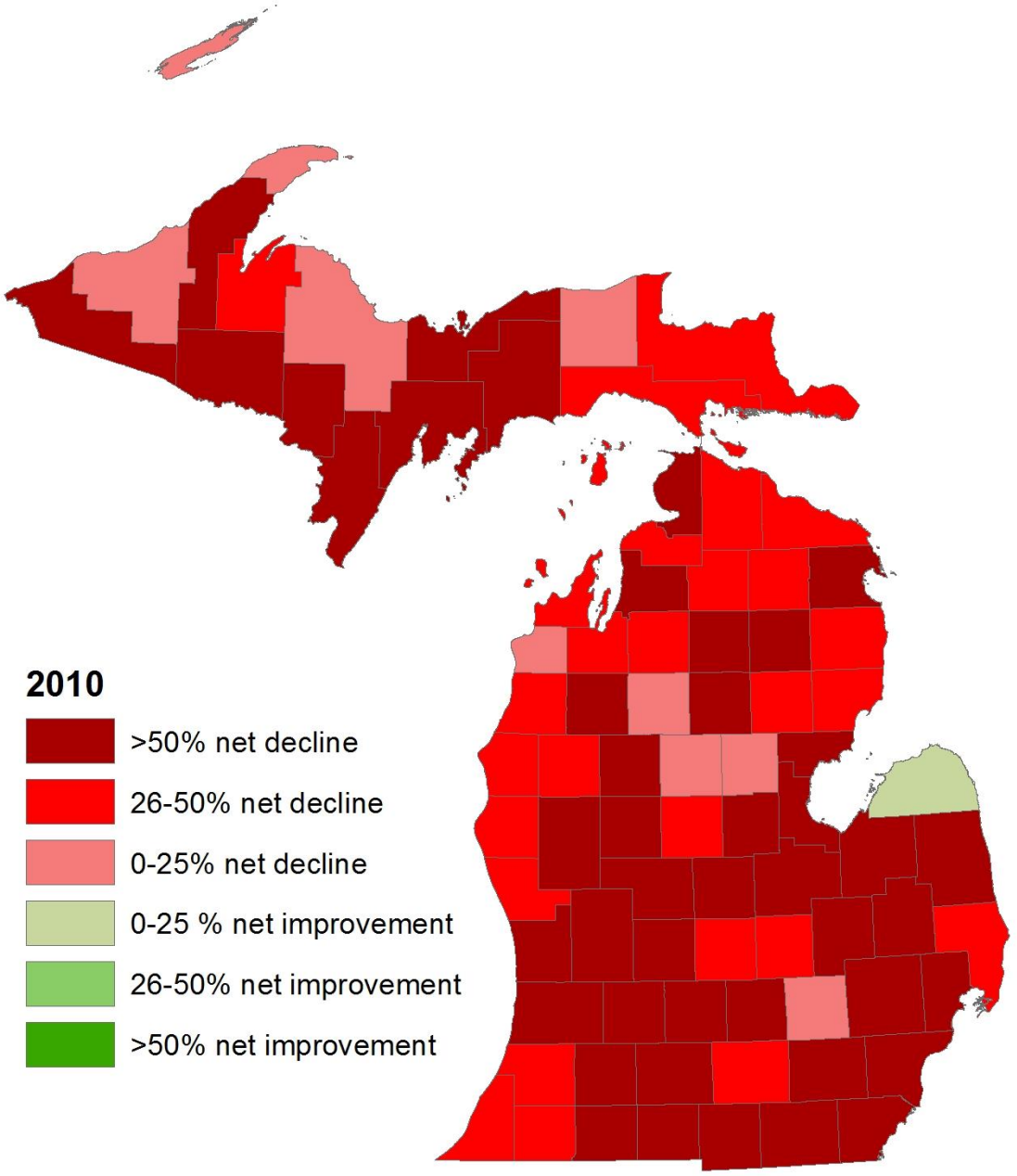

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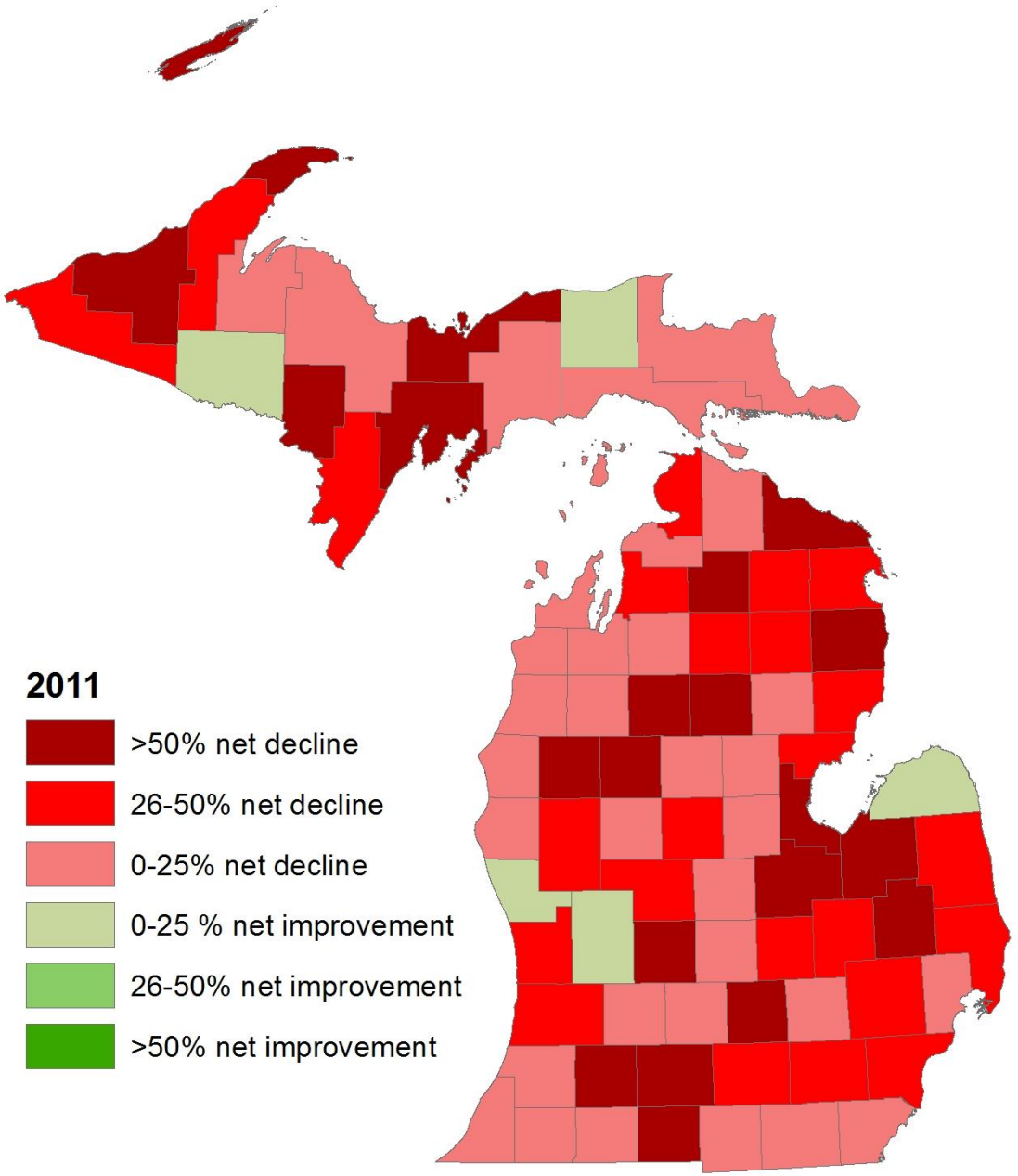

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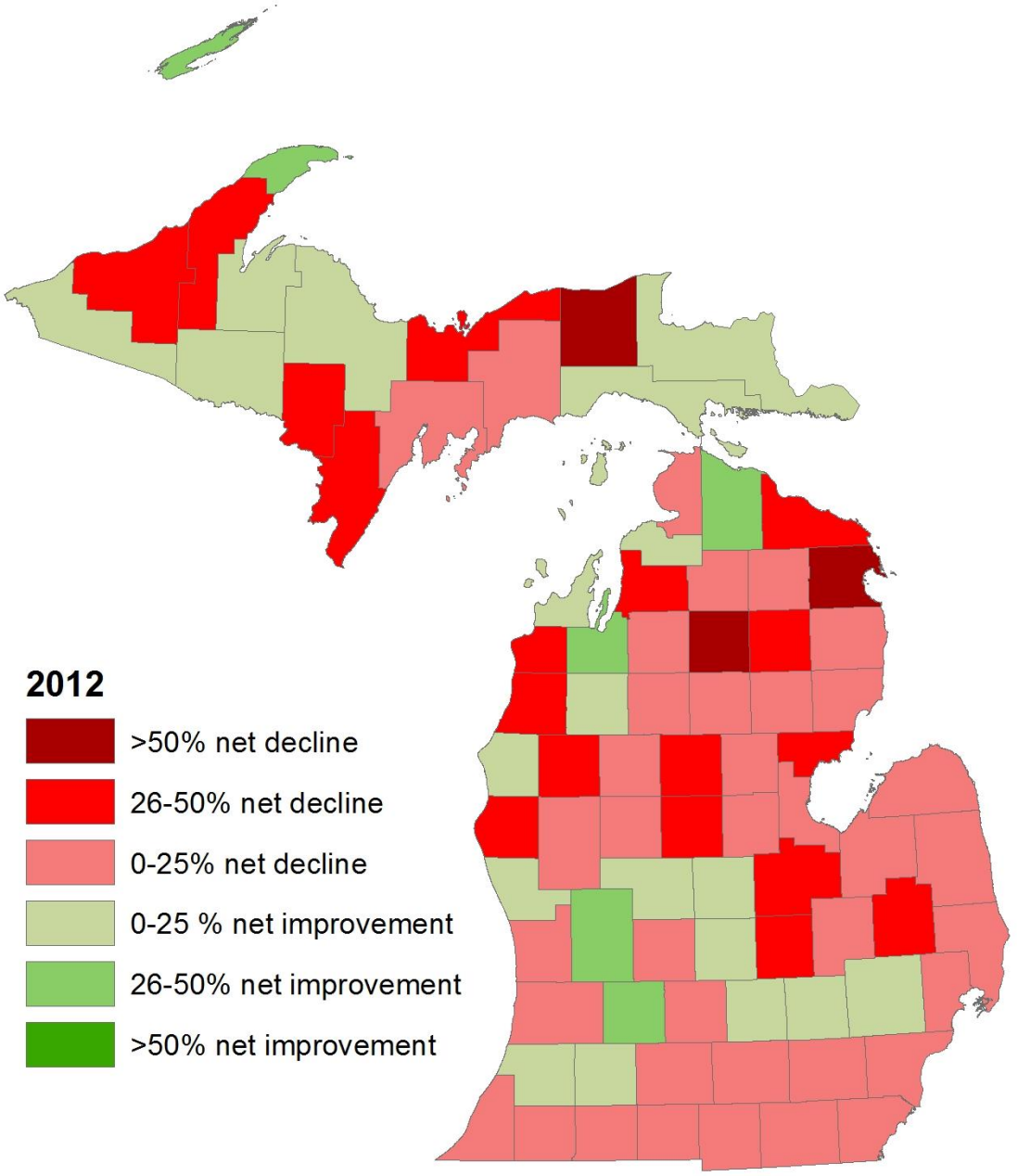

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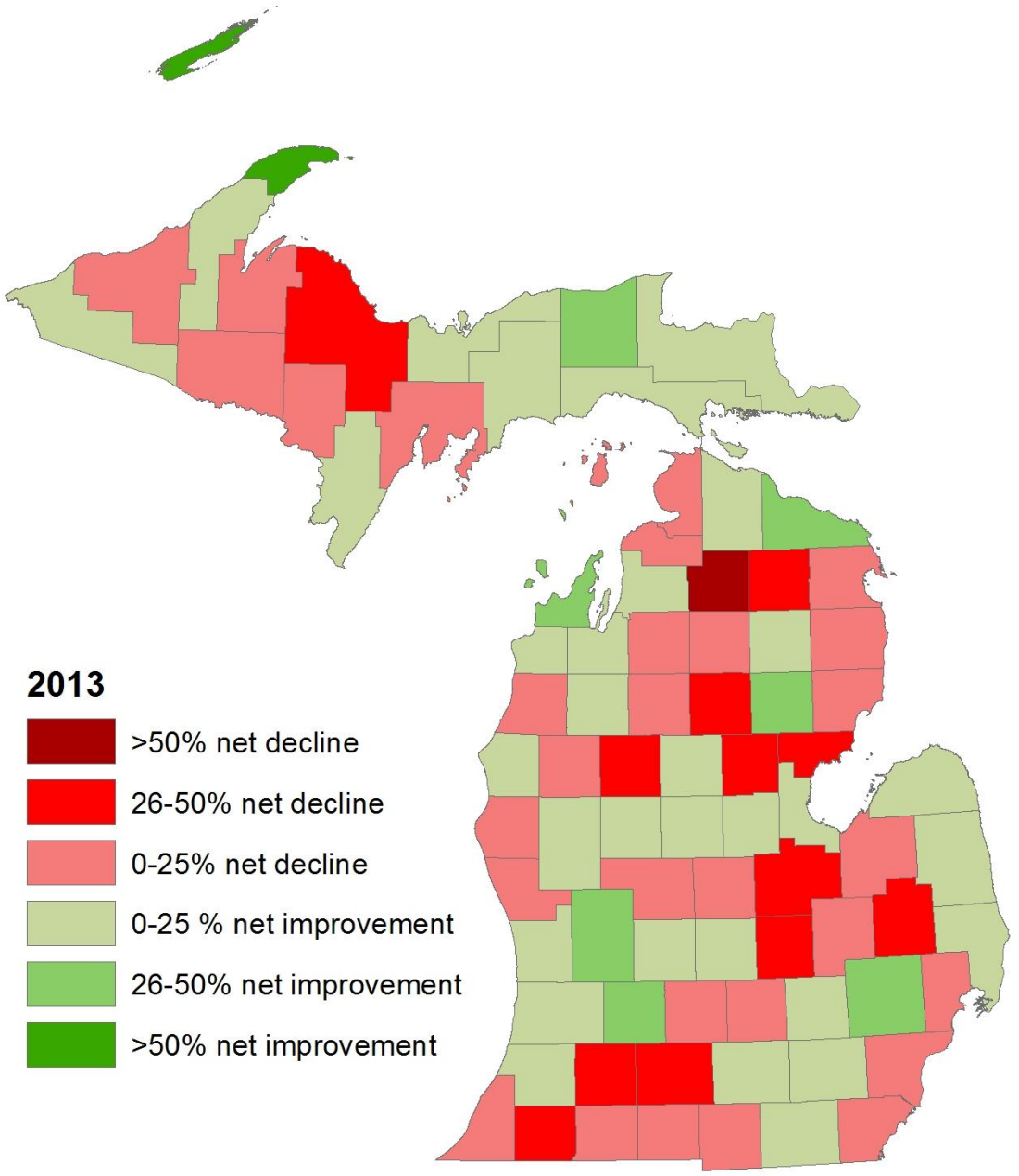

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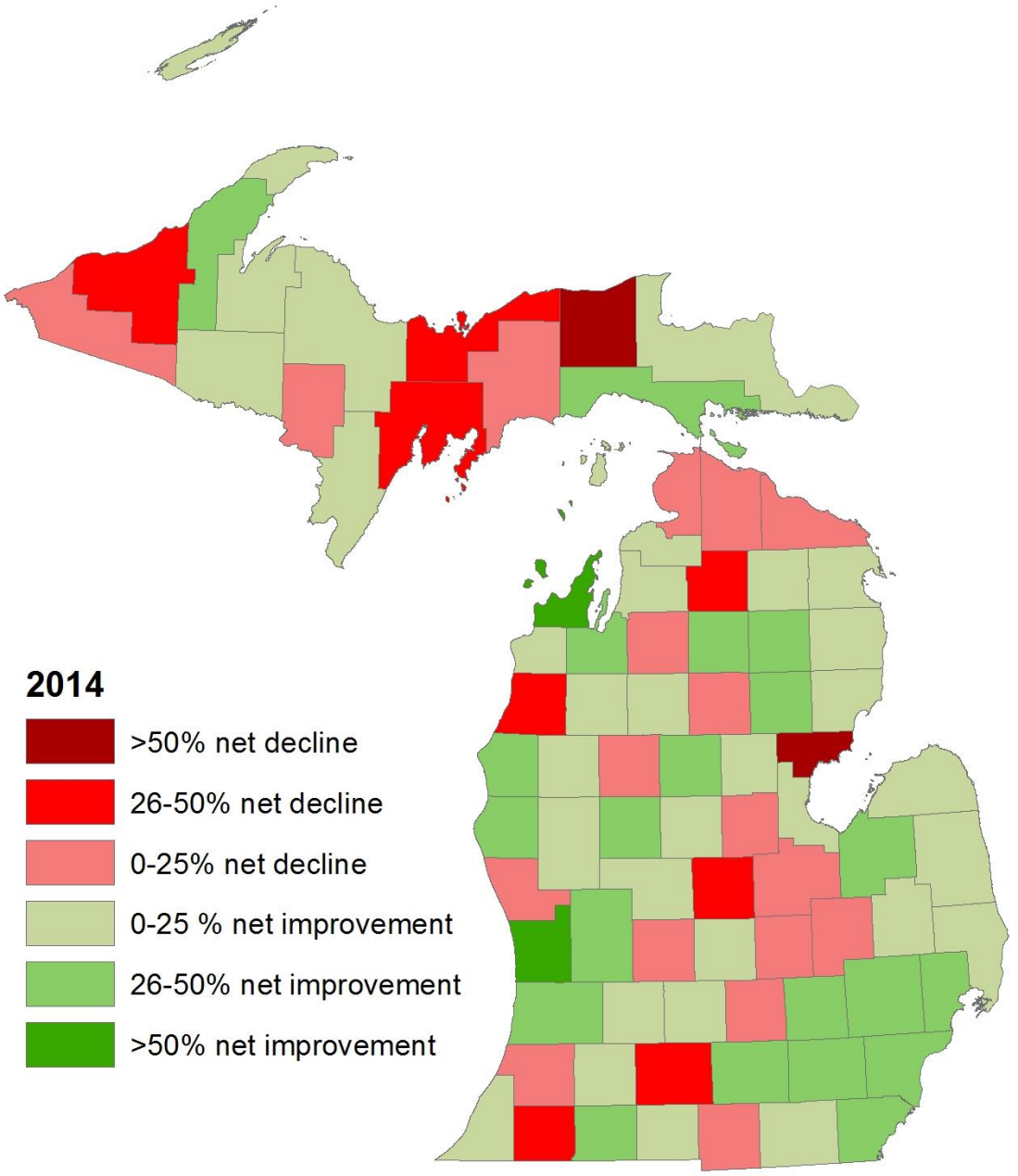

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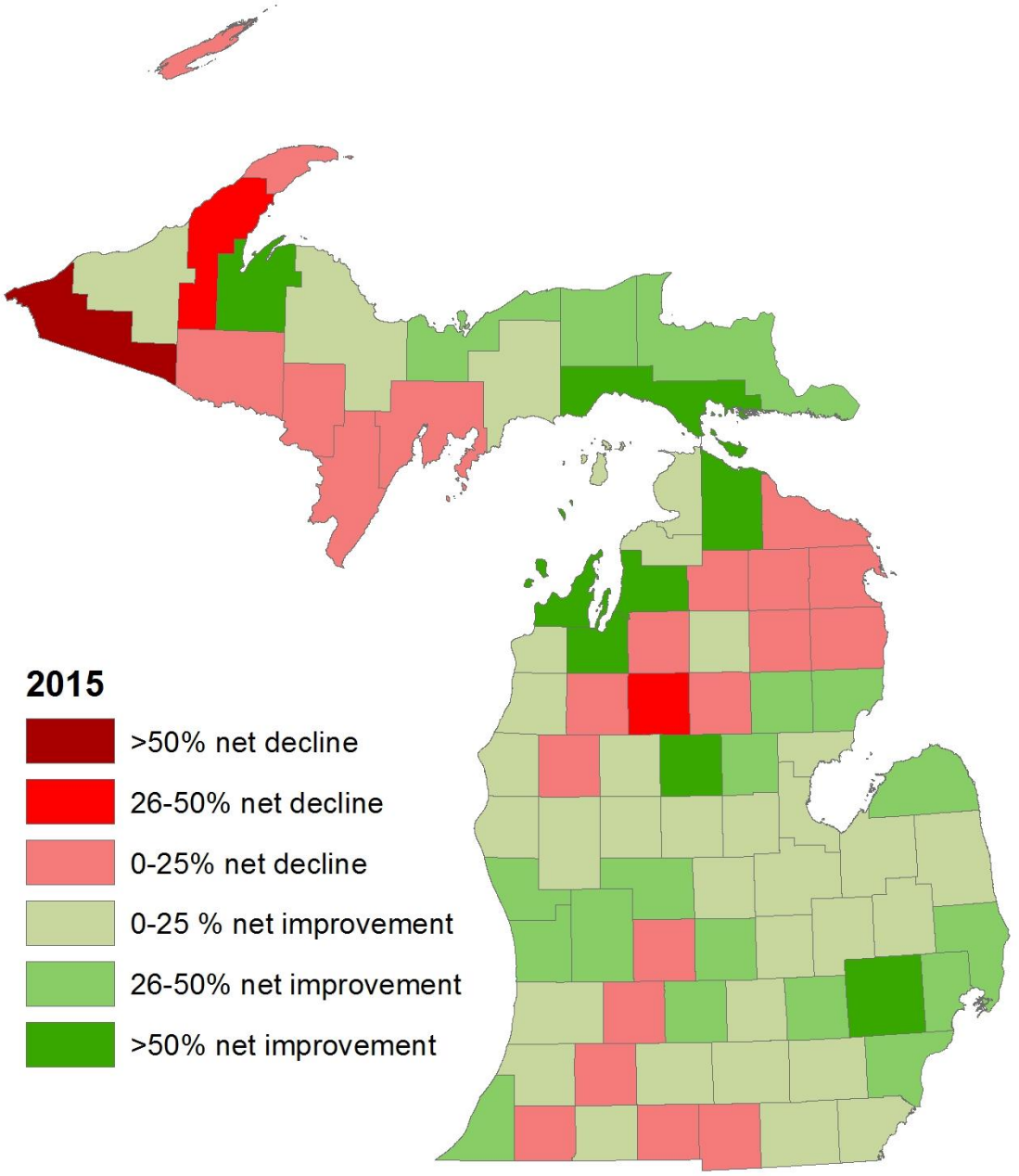


But does this equal Fiscal Health?

MPPS as a Secondary Check

- In 2013, MPPS introduced "fiscal stress index"
- 10 point scale: 1= "perfect fiscal health" 10 = "fiscal crisis"
- Asks about today, and what it's expected to be in 5 years

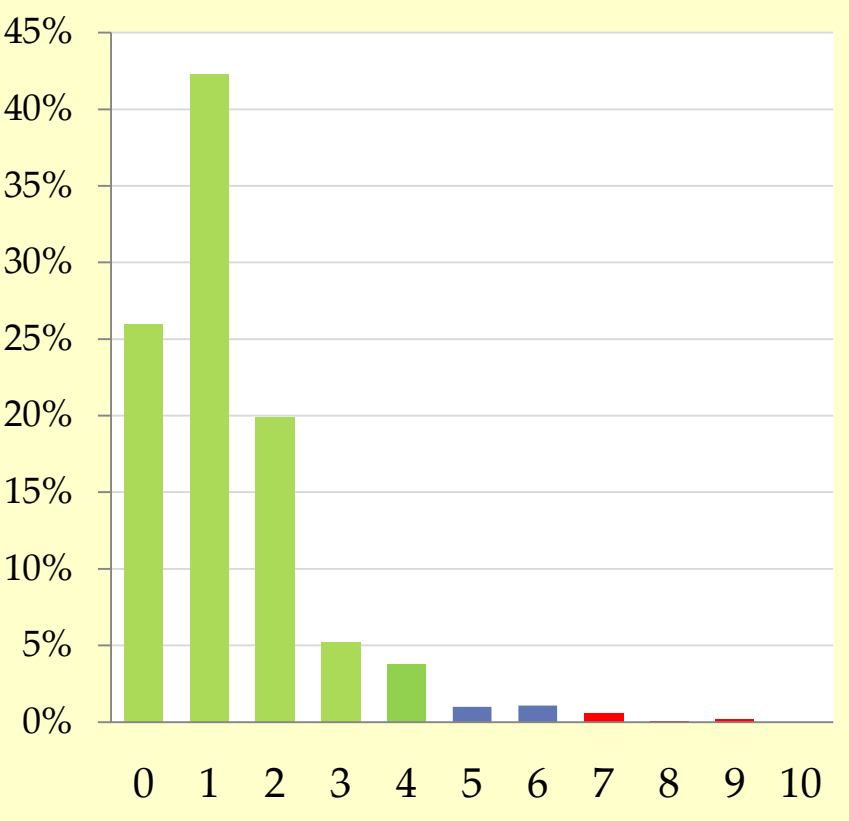
Audit-Based Fiscal Stress Indicators

- Origins in Michigan Dept. of Treasury
- A new version produced by Munetrix
- Index comprised of 10 categories; pass-fail
  - Population growth
  - Taxable value growth/decrease
  - General fund expenditures as % of taxable value
  - Current and prior general fund deficits
  - General fund balance
  - Long-term debt
- Scores range from 0 – 10
  - 0-4 = Low risk
  - 5-6 = Fiscal watch
  - 7-10 = High risk

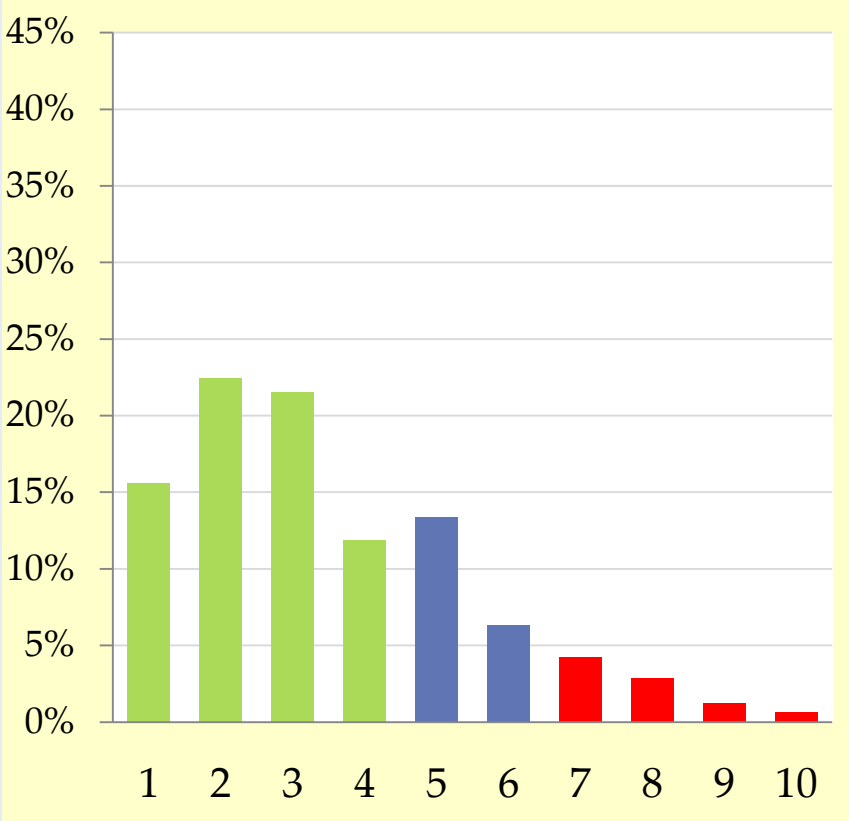
Comparison of distribution

2013: using all data

Munetrix



MPPS

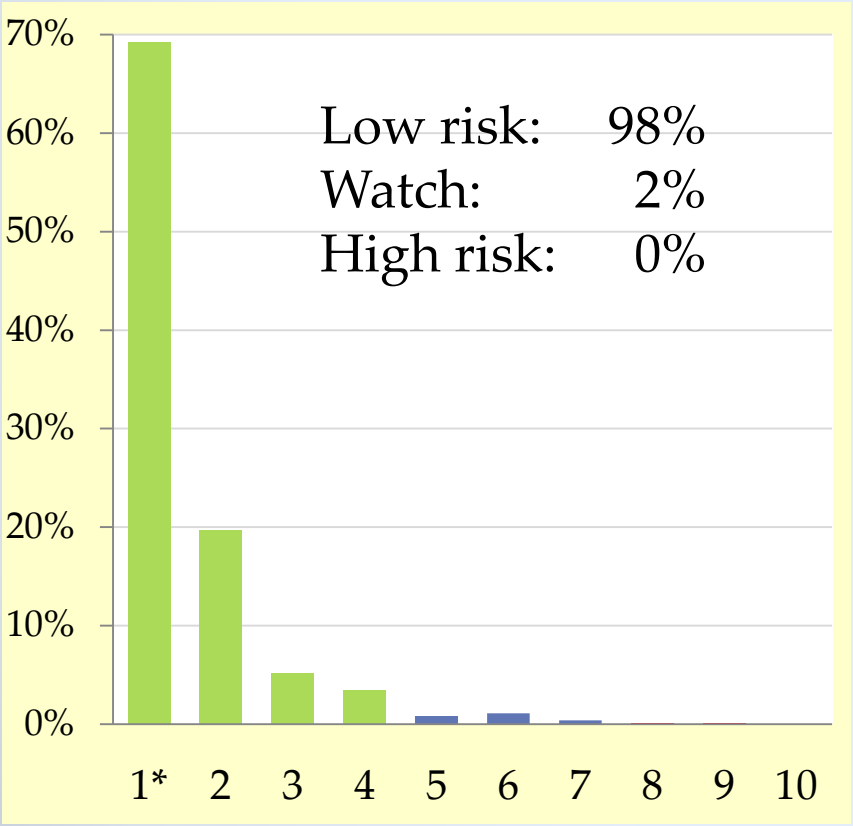


Comparing Munetrix and MPPS Fiscal Stress Scores

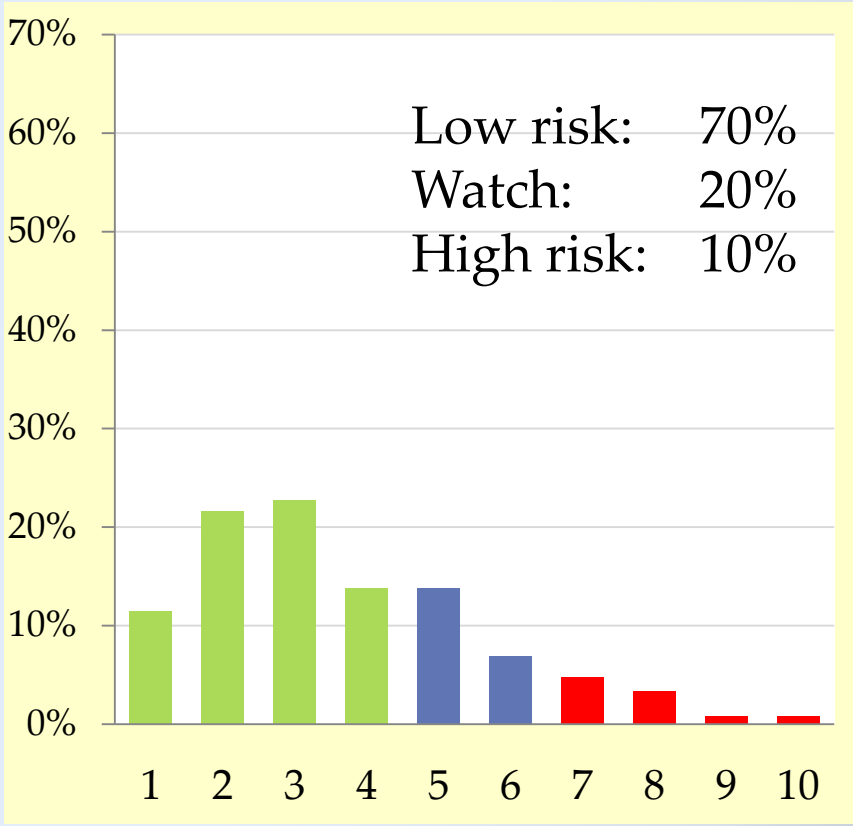
Distribution of scores

2013: using only matched pairs (835 js)

Munetrix

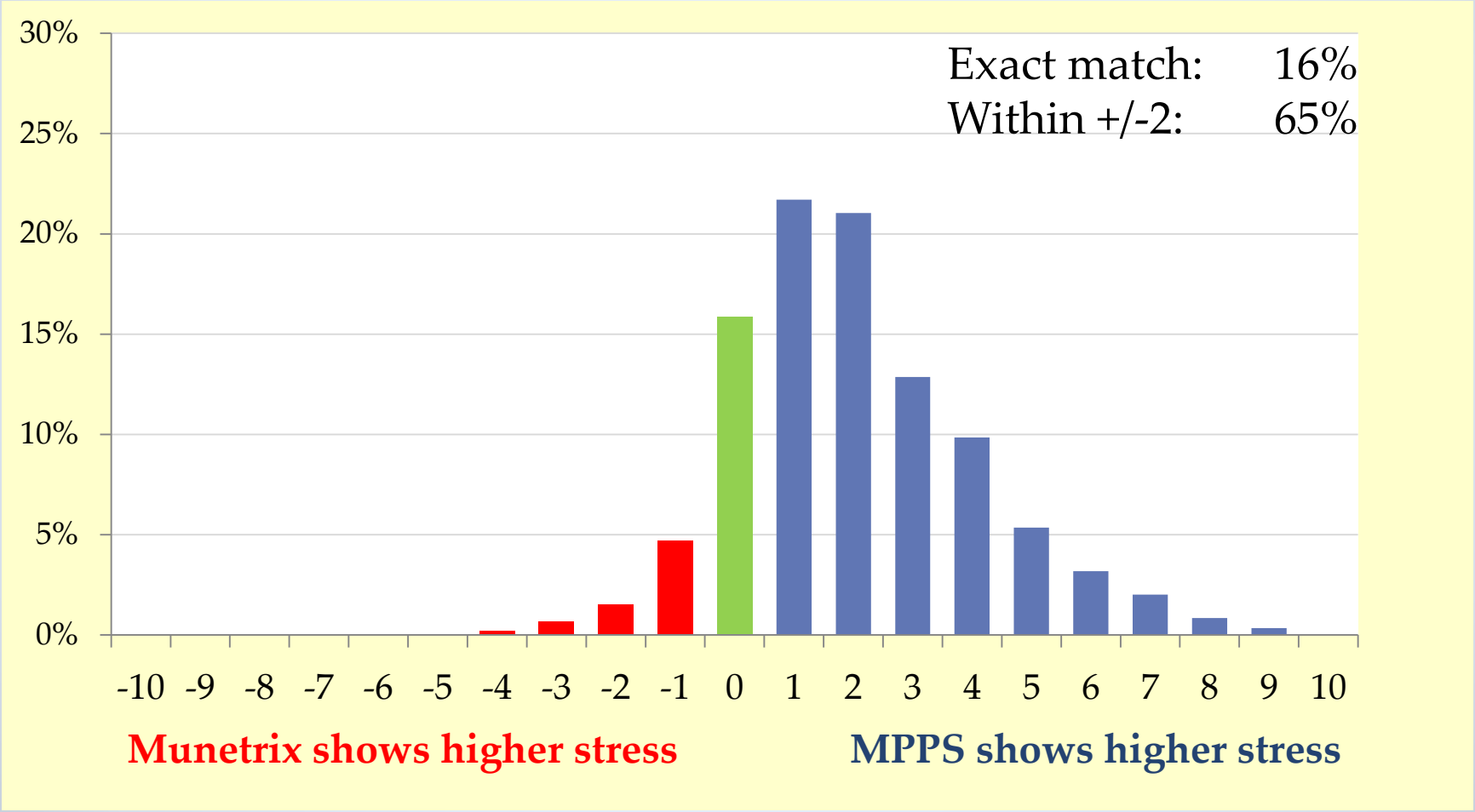


MPPS



Difference between scores

MPPS score (minus) Munetrix score – matched pairs



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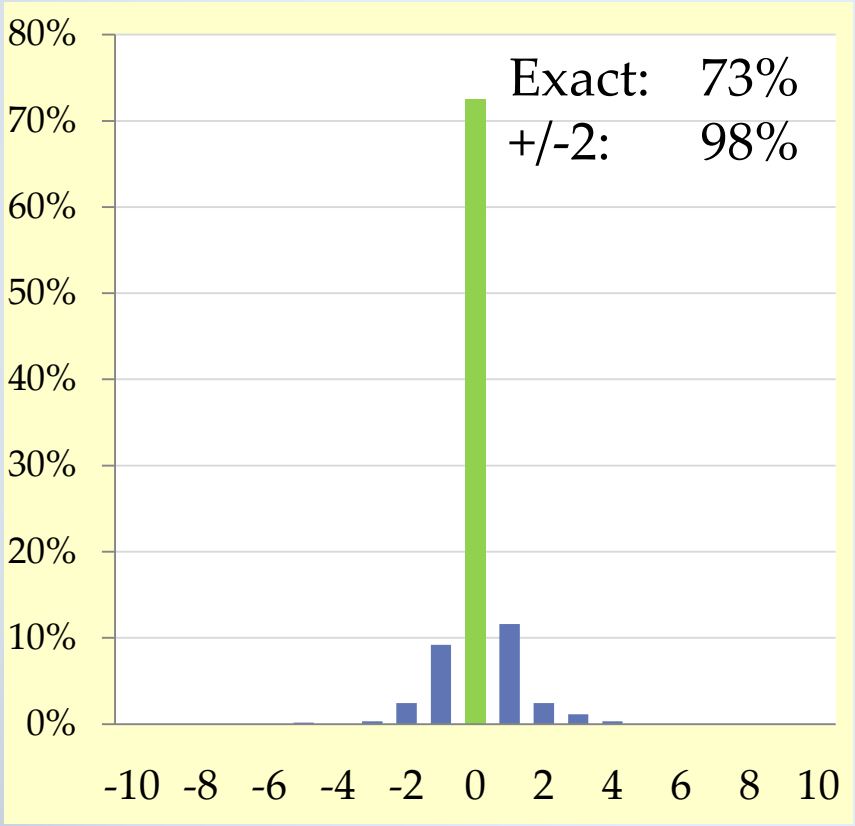
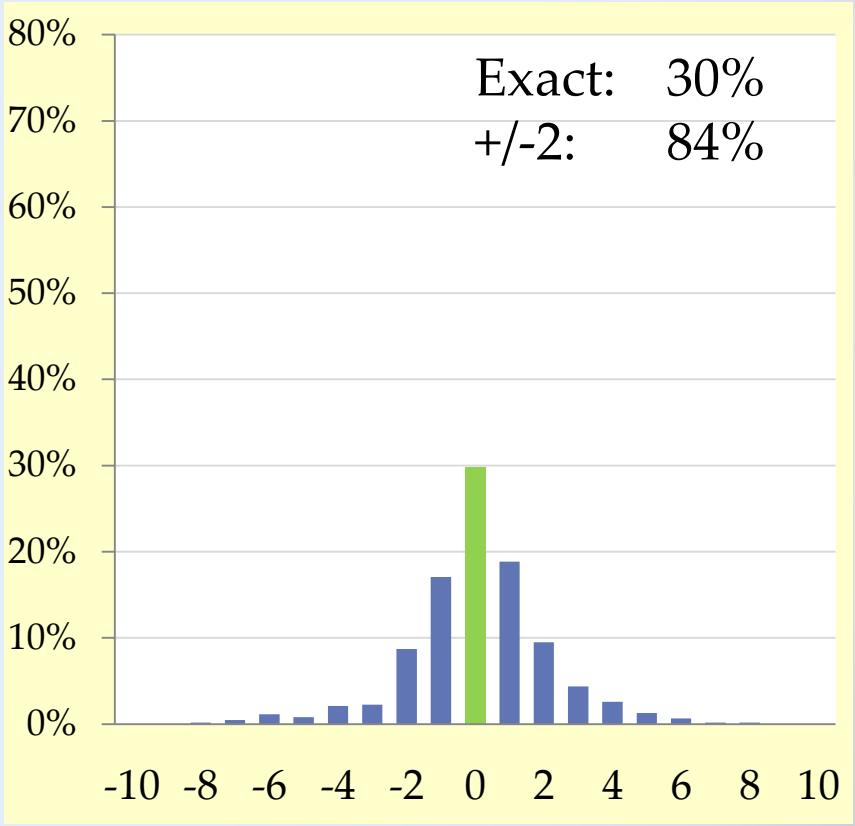
Yearly volatility

matched pairs with 2 consecutive years
of both Munetrix & MPPS scores (621 js)

Munetrix



MPPS



Why the differences?

Possible reasons for the differences

- Local officials **treating 5 as "average"** or other opinion research effects?
- Fluctuation in MPPS due to **different respondent answering?**
- Local officials naturally **cautious?**
- Local officials **consider different factors** than Munetrix, or assign different weight to these factors?

Explaining their self-assessment rating

Open-ended comments from 924 local officials

1. General fund **expenditures** (40%)
   - Especially road, infrastructure needs
   - Also public safety, employee wages/benefits

2. Taxable values
3. General fund deficits / Balanced budget
4. **State policies (revenue sharing, mandates)**
5. Long-term debt

6. General fund balance
7. Population growth / loss

The case for both self-assessments and audit-based evaluations

MPPS as a Secondary Check

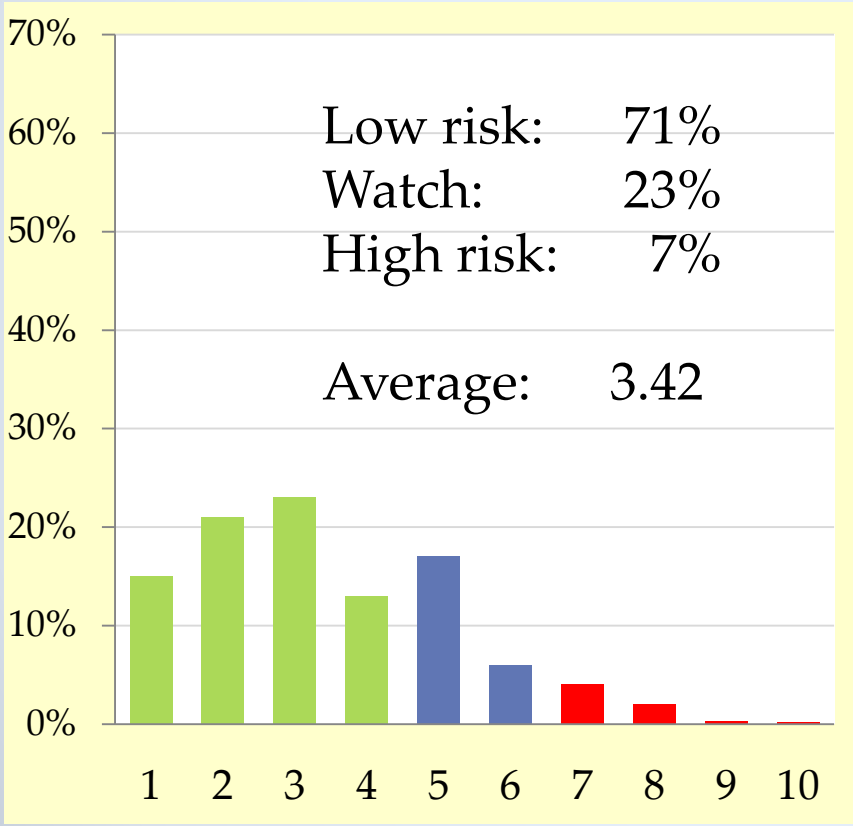
- Two indices are better than one: any single index-- objective or subjective– will likely be incomplete, or even flawed in some way.

MPPS Data	Audit-based Data
▪ Accounts for special circumstances not captured on financial reports ▪ May account for future expectations; not bound to retrospective data	▪ Allows for head-to-head comparison ▪ Data are factual as opposed to being based on perception ▪ Ability to identify specific jurisdictions

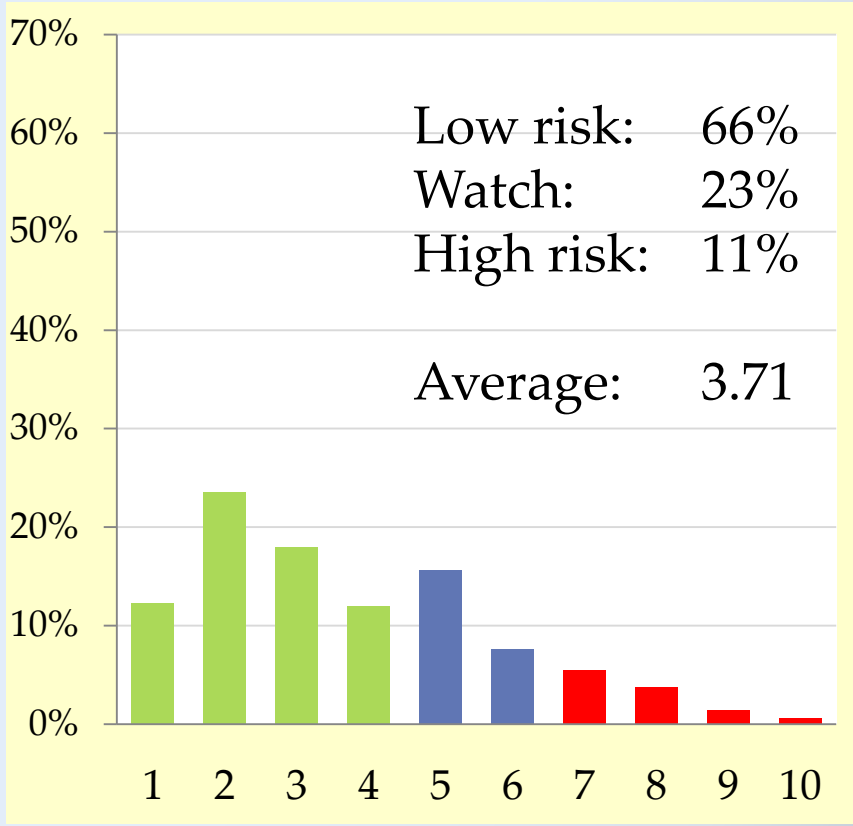
MPPS finds pessimism about the future

J's that answered both questions (1,016)

MPPS 2015 – current stress



MPPS 2015 – future stress



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More from the Michigan Public Policy Survey

Upcoming reports (Spring 2015 wave)

- Right track / wrong direction, job performance
- Fiscal health
- OPEB/Pensions
- Budget surplus / projected deficits

Future waves of the MPPS

- **Fall 2015:** Public Safety
- Other survey topics?
- How can MPPS better serve your jurisdiction?

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Email: closup-mpps@umich.edu
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