

Assessing Michigan Local Government Fiscal Conditions

Presented at Reinvigorating Public Service in Michigan

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Overview

Fiscal and Economic Challenges:

A New Data Tool

Measuring and Evaluating Fiscal Challenges

Conclusions



National Issues

- High Unemployment
- Rising Federal Debt
- Troubled Housing and Financial Markets



Fiscal Conditions

- Property Values in Decline
- State Revenue Sharing
 - Flat or in Decline
 - [Linked to Intergovernmental Cooperation \(EVIP\)](#)
- How Can We Do More with Less?



EVIP

Economic Vitality Incentive Program (search “EVIP Michigan”)

- [Accountability and Transparency](#)
- Employee Compensation Plan
- Collaboration



New Source of Data

- The F65 Data Portal
 - Detailed Fiscal Data for Counties, Cities, Villages, and Townships
 - 2005, 2006, 2007, 2008, 2009, 2010, etc...
 - Easily Downloadable Excel Format
 - Citizen's Guide Feature



http://f65.mitreasury.msu.edu/



Available Reports

Comparison Report - Windows Internet Explorer

http://f65.mitreasury.msu.edu/Reports/ComparisonReport.aspx

State of Michigan labor statistics

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iffo Conferences and Events Regional and State Emplo... Comparison Report

Department of Treasury Michigan.gov The Official State of Michigan Website

Home Comparison Report TV, SEV and Population Report Data Summary Report Citizens' Guide Report Filing Report (administrative access only) Delinquency Report (administrative access only)

Help Video | Help

Fiscal Year: - Select -

Category: - Select -

Sub-Category: - Select -

Local Government 1: - Select -

Local Government 2: - Select -

Generate Report

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Citizen's Guide Tab

Citizens' Guide Report - Windows Internet Explorer

http://f65.mitreasury.msu.edu/Reports/CitizensReport.aspx

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Citizens' Guide to Local Unit Finances and Performance Download

INSTRUCTIONS

Select Local Unit using dropdown, wait for data to populate

Click on Download button when processing completes.

Local Unit:

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Select Local Unit

Citizens' Guide Report - Windows Internet Explorer

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Citizens' Guide to Local Unit Finances and Performance Download

INSTRUCTIONS

Select Local Unit using dropdown, wait for data to populate

Click on Download button when processing completes.

Local Unit: Barry County - Barry

Download

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Citizen's Guide Instructions

Microsoft Excel - Citizens_Guide_8252011[1].xls [Compatibility Mode]

INSTRUCTIONS FOR THE CITIZEN'S GUIDE SPREADSHEET

The spreadsheet is organized by tabs. The first tab to the right of the Instruction tab is titled "Data Input" and is the only tab where you should have to enter data or make modifications. The next four tabs contain the Citizens' Guide organized as follows:

- Revenues
- Expenditures
- Financial Position
- Other long-term obligations

To enter information in the data input tab, you will need to have copies of your financial statements, trial balances, or F-65 forms. To use the spreadsheet:

- The model requires 5 years of data, but allows for 10 years (10 years being preferable.) In order for the graphs to ignore the first five years, we have hidden those columns. If you want to use more than five years, just "unhide" columns C-G and the input areas will be available.
- Rows 4 through 29 present the revenues and expenditures from all governmental funds.
 - » This should include the General Fund plus all special revenue, debt service, capital project, and permanent funds (if you are using the F-65, this is the sum of columns (a) and (b).
 - » If you have any revenue or expenditure categories that are not being used by your local unit, please "hide" those rows on the data input sheet. This will remove them from the graphs so that the graphical presentation will be easier for the citizen to understand. This will be very common; for instance, row 27-extraordinary/special items, is quite uncommon to use.
- Rows 31 through 35 present the fund balance as of the balance sheet date;
 - » This should include the General Fund plus all special revenue, debt service, capital project, and permanent funds (if you are using the F-65, this is the sum of columns (a) and (b).
 - » If you have any fund balance categories that are not being used by your local unit (i.e., you have no reservations

Instructions | Data Input | F-65 Cross-walk | Rev | Exp | Position | Obligations

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Data Tab

Microsoft Excel - Citizens_Guide_8252011[1].xls [Compatibility Mode]

	A	B	H	I	J	K	L	M	N	O	P	Q	R	S	T	
1	CITIZENS' GUIDE TO LOCAL UNIT FINANCES - Barry County - Barry						Per capita information									
2	Date Input Page		2006	2007	2008	2009	2010	2009	2010							
3	<p>Instructions: Input all data on this page. The following pages will then provide the graphs and charts which comprise the Transparency tool (citizen friendly guide). This model requires 5 years of data, but allows up to 10 years. To use more than 5 years, unhide columns D-H.</p> <p>Before publishing to the web site, we recommend "hiding" this tab, and the "F-65 crosswalk" tab, so that the document will be</p>															
4																
5	Stmt. Of Rev & Exp - All governmental funds															
6	Revenue															
7	Taxes		13,193,168	14,448,422	13,413,561	13,793,999	14,523,707	233	245							
8	Licenses & permits		162,892	161,355	143,992	128,149	128,580	2	2							
9	from Federal Govt.		1,699,230	886,775	3,624,809	1,474,054	1,387,886	25	23							
10	from State Govt.		2,103,966	2,693,097	842,635	2,339,253	2,237,838	40	38							
11	Local contributions		673,048	697,627	35,300	694,344	760,108	12	13							
12	Charges for services		1,608,830	1,505,440	1,517,988	1,257,047	1,016,197	21	17							
13	Fines & forfeitures		883,983	841,532	860,665	868,458	717,320	15	12							
14	Interest & rent		386,712	891,864	1,423,030	607,761	232,503	10	4							
15	Other revenue		6,460,262	25,301,449	3,356,285	3,476,617	3,397,348	59	57							
16	total revenue		27,172,091	47,427,561	25,218,265	24,639,682	24,401,487	416	412							
17	Expenditures															
18	General government		6,390,268	6,744,110	6,787,430	7,149,884	6,862,274	121	116							
19	Police & fire		5,306,015	5,478,254	5,562,407	5,629,714	5,801,633	95	98							
20	Other public safety		203,813	201,001	522,918	502,624	522,486	8	9							
21	Roads		-	-	-	-	-	-	-							
22	Other public works		144,582	119,200	105,403	588,660	635,924	10	11							
23	Health & welfare		3,575,679	3,613,434	3,818,750	3,866,838	3,621,441	65	61							
24	Community & economic deve		313,471	321,246	356,809	389,365	386,125	7	7							
25	Recreation & culture		472,146	507,987	474,607	764,779	584,912	13	10							
26	Capital outlay		891,338	5,253,959	720,654	143,550	220,910	2	4							
27	Debt service		806,723	1,139,726	2,242,963	1,865,014	1,952,875	32	33							
28	Unallocated fringes & insuran		295,222	288,952	357,580	295,771	594,999	5	10							
29	Net Interfund transfers		6,575,520	6,758,664	13,639,299	7,536,394	4,443,483	127	75							
30	Extraordinary/ Special items		-	-	-	-	-	-	-							

Please "hide" any rows that are not being used.

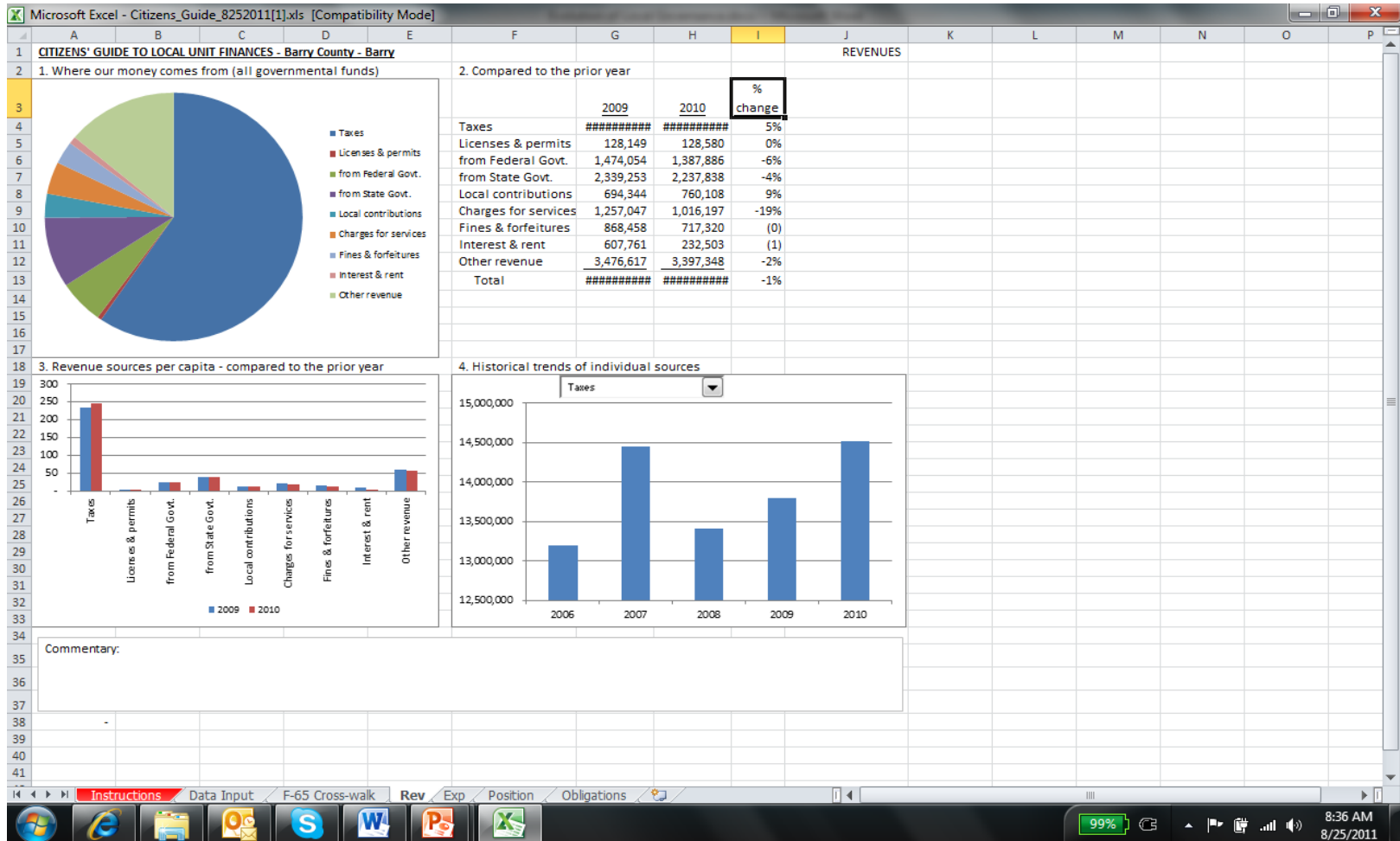
Instructions Data Input F-65 Cross-walk Rev Exp Position Obligations

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F65 Cross-walk

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	A	B	C	I	J	K	L	M	N	O	P	Q	R
1	F-65 line	Description	Aggregation	2006	2007	2008	2009	2010					
2		All Governmental Funds (col. A & b)											
3		REVENUE											
4	101	Property taxes	Taxes	#####	#####	#####	#####	#####					
5	102	Tax reverted property	Taxes	-	-	-	-	-					
6	103	Commercial facilities tax	Taxes	-	-	-	-	-					
7	104	Trailer taxes	Taxes	5,700	6,165	-	-	-					
8	105	Hotel/ motel tax	Taxes	-	-	-	-	-					
9	106	Industrial facilities tax	Taxes	135	87	-	-	-					
10	107	Income tax	Taxes	-	-	-	-	-					
11	108	Business licenses & permits	Licenses & permits	-	-	131,186	-	-					
12	109	Non-business licenses & permits	Licenses & permits	162,892	161,355	12,806	128,149	128,580					
13	110	Federal govt. grants - general governm	from Federal Govt.	789,699	544,466	1,330,611	618,306	701,407					
14	111	Federal govt. grants - public safety	from Federal Govt.	199,289	115,566	804,143	145,974	151,672					
15	112	Federal govt. grants - streets & highwa	from Federal Govt.	-	-	-	-	-					
16	113	Federal govt. grants - sanitation	from Federal Govt.	-	-	-	-	-					
17	114	Federal govt. grants - health and/or ho	from Federal Govt.	385,530	119,279	-	-	-					
18	115	Federal govt. grants - welfare	from Federal Govt.	101,287	76,319	1,473,845	532,150	318,646					
19	116	Federal govt. grants - culture & recreat	from Federal Govt.	-	-	16,210	-	-					
20	117	Federal govt. grants - housing & comm	from Federal Govt.	223,425	31,145	-	177,624	142,396					
21	118	Federal govt. grants - water	from Federal Govt.	-	-	-	-	-					
22	119	Federal govt. grants - electric	from Federal Govt.	-	-	-	-	-					
23	120	Federal govt. grants - transit	from Federal Govt.	-	-	-	-	-					
24	121	Federal govt. grants - other	from Federal Govt.	-	-	-	-	73,765					
25	122	State revenue sharing	from State Govt.	-	-	-	-	-					
26	123	State aid - general government	from State Govt.	793,773	1,035,986	559,780	1,001,423	824,779					
27	124	State payment in lieu of taxes	from State Govt.	-	-	-	-	-					
28	125	State swamp and land taxes	from State Govt.	-	-	-	-	-					
29	126	State aid - public safety	from State Govt.	521,722	536,871	101,026	302,193	353,769					
30	127	State pass-thru of act 51(Streets)	from State Govt.	-	-	-	-	-					
31	128	State aid - streets & bridges	from State Govt.	-	-	-	-	24,225					
32	129	State aid - sanitation	from State Govt.	-	602,476	-	-	-					
33	130	State aid - health and/or hospitals	from State Govt.	282,175	22,309	54	264,652	362,939					
34	131	State aid - welfare	from State Govt.	15,562	-	-	485,635	457,452					
35	132	State aid - culture & recreation	from State Govt.	-	-	-	96,221	27,651					

Revenues

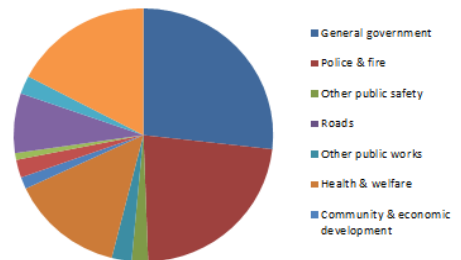


Expenditures

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CITIZENS' GUIDE TO LOCAL UNIT FINANCES - Barry County - Barry

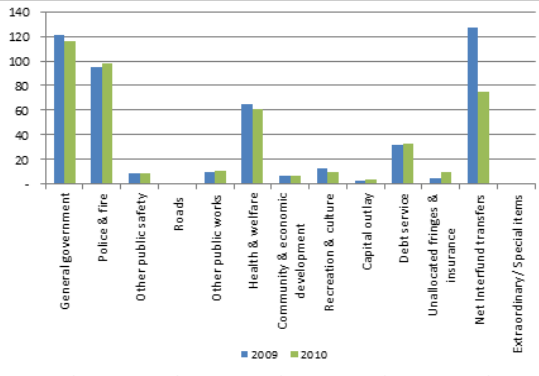
1. Where we spend our money (all governmental funds)



Category	2009	2010	%
General government	\$ 7,149,884	\$ 6,862,274	-4%
Police & fire	5,629,714	5,801,633	3%
Other public safety	502,624	522,486	4%
Roads	-	-	n/a
Other public works	588,660	635,924	8%
Health & welfare	3,866,838	3,621,441	-6%
Community & economic deve	389,365	386,125	-1%
Recreation & culture	764,779	584,912	-24%
Capital outlay	143,550	220,910	54%
Debt service	1,865,014	1,952,875	5%
Unallocated fringes & insura	295,771	594,999	101%
Net Interfund transfers	7,536,394	4,443,483	-41%
total expenditures	\$ 28,732,593	\$ 25,627,062	-11%

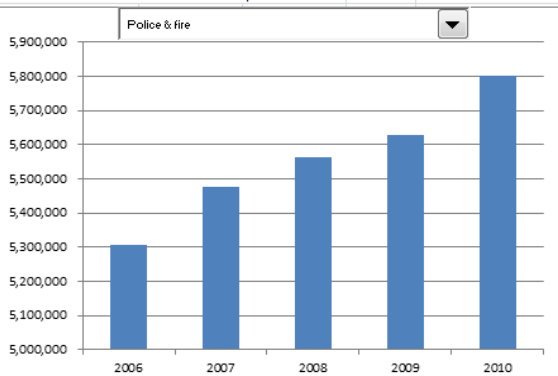
2. Compared to the prior year

3. Spending per capita - compared to the prior year



4. Historical trends of individual departments:

Police & fire

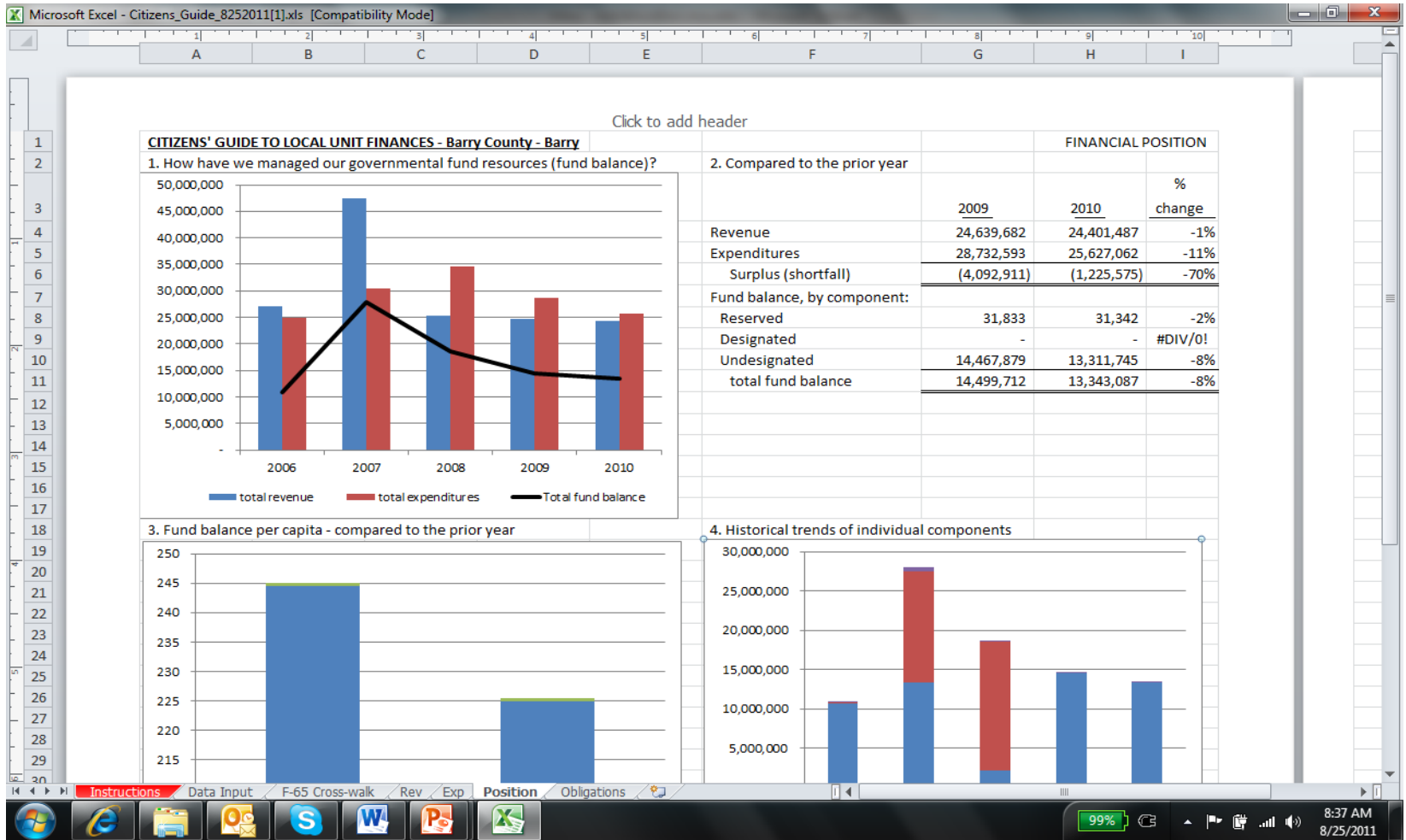


Commentary:

Instructions | Data Input | F-65 Cross-walk | Rev | Exp | Position | Obligations

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Position



Example of Data Analysis: Sources & Consequences of Fiscal Stress

- Internal vs. External
 - Internal
 - External
- Our Goal:
 - Create a measure of fiscal stress (cost index of service provision vs. revenue index) that is driven by external forces
 - Determine which functional spending categories are most responsive to fiscal stress



Fiscal Stress Framework

- Fiscal Stress = Gov't Services Cost Index – Gov't Revenues Index

Government Services Cost Index Depends on

-Bureau of Labor Statistics

(<http://data.bls.gov/cgi-bin/surveymost?ci>)

-Turner Building Cost Index

(http://www.turnerconstruction.com/corporate/files_corporate/CI4q2007.pdf)

Government Revenue Index = sum of all revenue sources (property tax, income tax, state and federal revenue sharing, and other revenues) and generating the percent change from the 2006 base year.



Evaluating Impacts on Budgets

- We examine the impact of fiscal stress by regressing a fiscal stress measure on various per capita expenditure categories:

$$\text{Expenditures} = f(\text{Fiscal Stress}, \text{Other Factors})$$

- General Government
 - Public Safety
 - Public Works
 - Health and Welfare
 - Community Economic Development
 - Recreation and Culture
 - Other Expenditures
- We also examine Capital and Non-capital Expenditures.



Data

- Years: 2005 and on
- Municipalities (2005-2009)
- Counties (2006-2010)
- Source: Michigan Department of Treasury
 - Web-based data input
 - Data downloading publicly available
 - Real-time data access



Methods

- Statistically Analysis to Map Fiscal Stress against Functional Spending Categories
- Identify which Functional Spending Categories Were most Responsive to Fiscal stress
- Details on Methods are Available in Report upon Request



Summary Statistics

Statewide Average City Fiscal Variables

Year	2005	2006	2007	2008	2009	%Δ '05-'09
Number of Cities	241	211	189	217	230	
Population						
Population	15,662.50	15,869.67	16,355.65	16,264.68	15,944.64	2%
Fiscal Data in Per Capita Terms						
Property Value Data						
Taxable Value	\$28,542.47	\$30,093.36	\$31,192.19	\$30,637.24	\$29,564.42	4%
State Equalized Value	\$40,129.55	\$41,773.43	\$42,739.26	\$40,059.78	\$35,125.59	-12%
Revenues						
Property Tax	\$499.68	\$514.75	\$543.02	\$536.02	\$535.16	7%
Income Tax ^a	\$194.06	\$190.08	\$192.90	\$196.95	\$182.96	-6%
Revenue Sharing from State Government	\$117.08	\$112.35	\$107.12	\$102.46	\$101.67	-13%
Other Intergovernmental Rev. from State Gov't	\$89.68	\$43.17	\$92.97	\$93.16	\$86.55	-3%
Intergovernmental Rev. from Federal Gov't	\$65.14	\$54.67	\$51.24	\$45.57	\$34.09	-48%
Total Revenues	\$1,721.42	\$1,686.59	\$1,747.26	\$1,749.45	\$1,698.67	-1%
Expenditures						
General Government	\$179.07	\$179.64	\$179.45	\$171.60	\$181.26	1%
Public Safety	\$268.35	\$276.44	\$282.60	\$282.10	\$283.38	6%
Public Works	\$571.48	\$608.65	\$601.79	\$614.02	\$631.38	10%
Health and Welfare	\$32.95	\$35.25	\$39.20	\$33.83	\$32.44	-2%
Community & Economic Development	\$56.81	\$54.52	\$50.80	\$51.57	\$56.11	-1%
Recreation & Culture	\$85.98	\$83.50	\$85.45	\$87.31	\$82.74	-4%
All Other Expenditures	\$481.22	\$487.25	\$459.25	\$455.80	\$456.54	-5%
Total Expenditures	\$1,675.87	\$1,725.09	\$1,697.56	\$1,696.23	\$1,723.85	3%

^a Only 22 cities have an income tax—of these only 15, 13, 11, 14 and 14 reported fiscal data in 2005, 2006, 2007, 2008 and 2009 respectively.

Summary Statistics: City Capital and Non-Capital Expenditures

Year	2005	2006	2007	2008	2009
Total Capital Outlay	\$2,987,604.14	\$3,610,337.16	\$3,480,235.63	\$2,739,351.71	\$2,772,408.49
Total Non-Capital	\$24,213,540.56	\$22,640,785.19	\$25,686,049.96	\$25,163,136.55	\$24,862,766.12



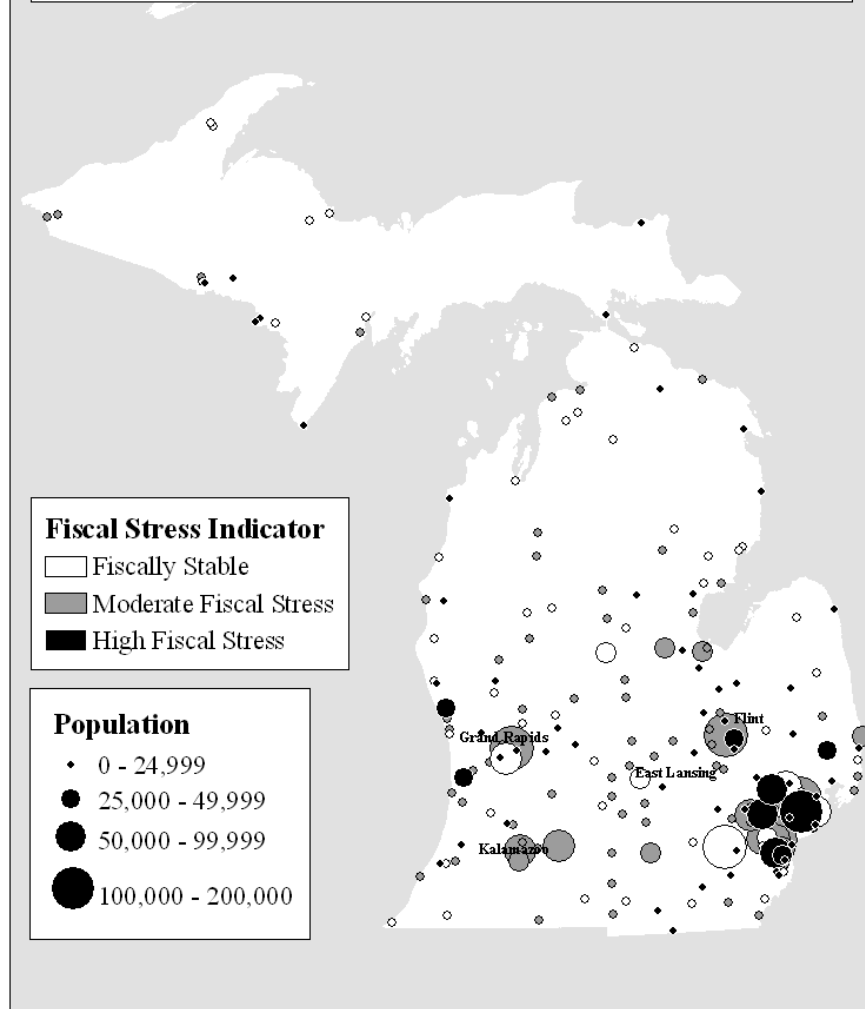
Summary Statistics: City Service Cost and Revenue Indices

(standard deviation in parentheses)

Variable	2005	2006	2007	2008	2009
Gov't service cost index (GCI)	100.00	104.59	109.60	113.65	115.39
	-	-	-	-	-
Gov't employee cost index (GECI)	100.00	103.97	108.40	111.60	115.33
	-	-	-	-	-
Capital cost index (CCI)	100.00	110.60	119.11	126.60	116.00
	-	-	-	-	-
Government Revenue Index (GRI)	100.00	100.87	104.99	109.81	106.77
	-	-	-	-	-
Fiscal stress (FS)	0.00	3.72	4.61	3.84	8.62
	-	(18.022)	(18.80)	(21.49)	(22.09)



Fiscal Stress in Michigan Cities, 2009



Magnitudes of Fiscal Stress Impact

Spending Category	Fiscal Stress=9	Fiscal Stress=30
General Gov't	-1.1%	-3.6%
Public Works	-1.5%	-5.1%
Parks and Rec.	-6.3%	-22%
Other	-11%	-39%
Capital	-16%	-54%
Non-capital	-3.5%	-11.4%



Concluding Remarks

- Local Governments Will Continue to Operate
 - Increasing Levels of Cooperation
 - Increasing Levels of Transparency
 - Recalibrating Services
 - Rebalancing Public Services Packages
 - Identifying Areas of Potential Efficiency Improvements
 - New Revenues (rate increases, fees)
 - **Anticipate and Make Decisions to Avert “Crisis”**
 - Information is a Powerful Tool

