

The Center for Local, State, and Urban Policy

Gerald R. Ford School of Public Policy >> University of Michigan

Michigan Public
Policy Survey May 2010

Local Officials Say Federal Stimulus Package Mostly Ineffective for Helping Local Economies

This report presents Michigan local government leaders' opinions on the impact of the American Recovery and Reinvestment Act (ARRA)—also known as the Federal Stimulus Package—based on statewide surveys in the Spring 2009 and Fall 2009 waves of the Michigan Public Policy Survey (MPPS). Respondents for the MPPS include county administrators and board chairs, city mayors and managers, village presidents and managers, and township supervisors, clerks, and managers from over 1,300 jurisdictions across the state.

>> The **Michigan Public Policy Survey (MPPS)** is conducted by the **Center for Local, State, and Urban Policy (CLOSUP)** at the University of Michigan in partnership with the **Michigan Association of Counties, Michigan Municipal League, and Michigan Townships Association**. The MPPS takes place twice each year and investigates local officials' opinions and perspectives on a variety of important public policy issues.

For more information, please contact:
closup-mpps@umich.edu / (734) 647-4091.

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Center for Local, State, and Urban Policy
University of Michigan | Gerald R. Ford School of Public Policy

Gerald R. Ford
School of Public Policy
UNIVERSITY OF MICHIGAN

Key Findings

- A majority of Michigan local officials think the Federal Stimulus Package has not helped yet and will not help in the long term to improve local economic conditions in their communities.
 - » In the spring of 2009, 61% of local officials predicted that funding from the Stimulus Package would not significantly help improve their communities' economic conditions, while only 14% predicted that it would help.
 - » By the fall of 2009, when asked how much the Stimulus Package had helped improve their communities' economic conditions to date, 67% of officials reported "not at all" while only 1% reported "very much" and 21% reported "somewhat."
- Local officials' opinions about the impact of the Stimulus Package on their local economies are strongly associated with whether or not their jurisdiction had received Stimulus funds by the time of the survey, with the size of their jurisdiction, and with their political party identification.
 - » Local officials from the state's smallest communities are more likely to say that the Stimulus Package has not yet and may never help improve their local economies, while officials from the largest communities are more likely to say it has already and/or will eventually help at least somewhat.
 - » Local government officials who identify themselves as Republicans are significantly more likely to say that the Stimulus Package has not helped improve either local or state economic conditions. While only 16% of Republican local officials say the Stimulus has had a positive impact on their local economic conditions, 36% of Democrats believe it has.
- Local officials are somewhat more optimistic about the eventual impact of the Stimulus Package on the state of Michigan as a whole.
 - » While only 32% of all officials say that Stimulus funds will help to improve their local conditions in the long run, 44% predict that the Stimulus funds will eventually help improve statewide economic conditions.

How did local officials first view the Stimulus Package?

In response to the 2008 financial crisis, the federal government passed the American Recovery and Reinvestment Act (ARRA)—a stimulus package of approximately \$787 billion—in February 2009.

The 2009 spring wave of the MPPS asked Michigan’s local government leaders how informed they felt about opportunities available to their jurisdictions through the Stimulus Package. At that early point in time, officials from larger jurisdictions were more likely to report feeling somewhat or completely informed about funding opportunities compared to officials from the state’s smaller jurisdictions. Over half of local officials (51%) in jurisdictions with populations of 1,500 or less reported feeling “somewhat uninformed” or “not at all informed” about Stimulus Package opportunities. In comparison, 74% of officials from Michigan communities with more than 30,000 residents reported feeling “somewhat” or “completely” informed (see *Figure 1*).

Did officials think the Stimulus Package would help improve local conditions?

That spring the MPPS also asked Michigan local officials whether or not they believed the Stimulus Package would significantly help improve economic conditions in their communities. While 25% of these officials were unsure, fully 61% said they did not believe the Stimulus Package would help improve their local economies (see *Figure 2*). Despite differences in how informed they felt, officials’ predictions about the Stimulus Package’s future effects tended to be consistent across jurisdictions of different sizes.

The most common reasons given for believing that the Stimulus Package would not help included concerns that the respondent’s jurisdiction would not receive funds, that stimulus money would go primarily to the state government and to bigger cities, and, overall, that the Stimulus Package was a temporary solution to a structural economic problem.

Figure 1
Spring 2009: Local officials report how informed they feel about opportunities available through the Stimulus Package

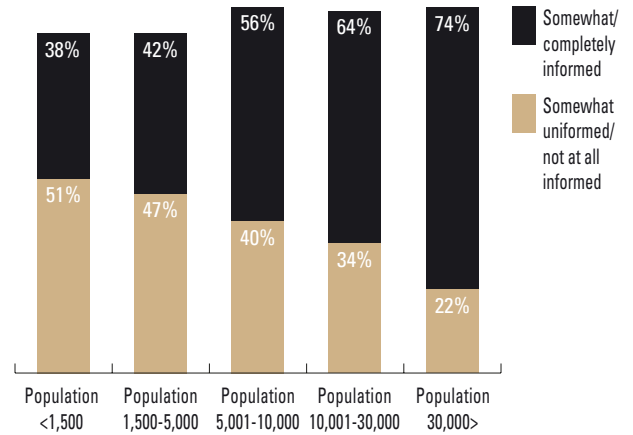


Figure 2
Spring 2009: Local officials predict whether the Stimulus Package will improve local economic conditions

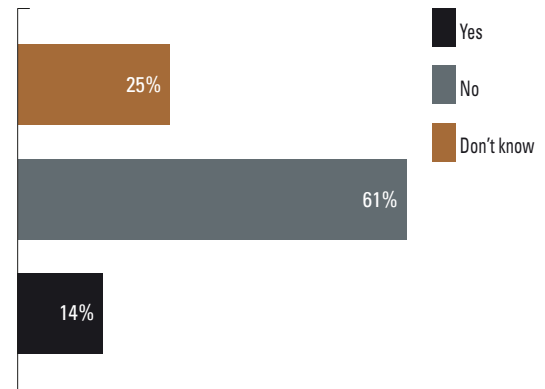




Figure 3
Fall 2009: Local officials report receiving Stimulus Package funding through formulas for existing programs

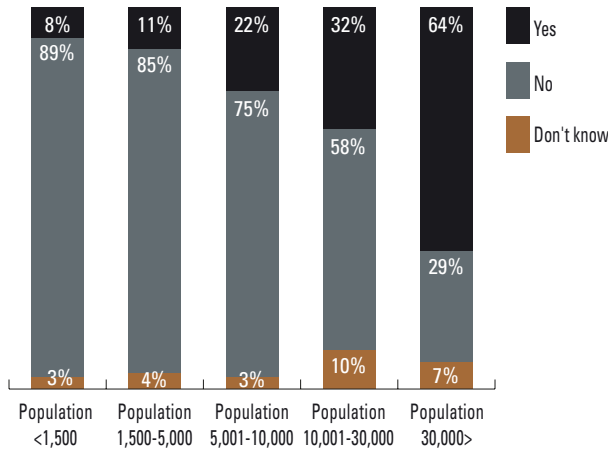


Figure 4
Fall 2009: Local officials report applying for Stimulus Package funding through competitive grant programs

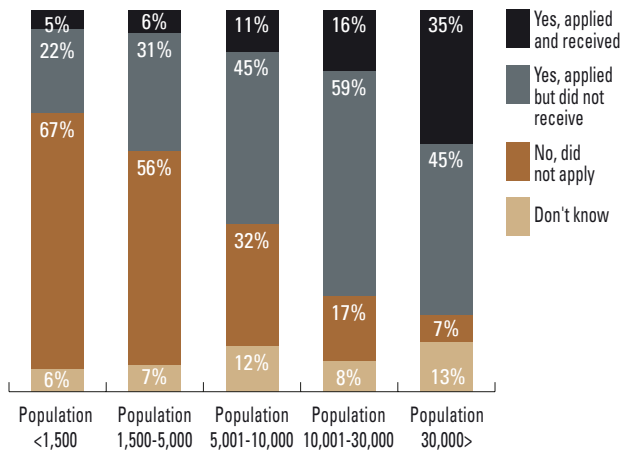
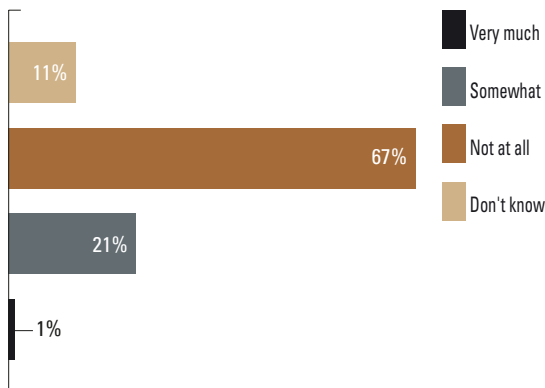


Figure 5
Fall 2009: Local officials report whether the Stimulus Package has improved local economic conditions to date



Six months later, which jurisdictions had received Stimulus funding?

Stimulus Package funding was made available both through existing federal funding formulas as well as through competitive grants. In the Fall 2009 MPPS survey, local officials reported about their experiences with the Stimulus Package from both funding sources. Overall, 80% of all Michigan jurisdictions reported receiving no Stimulus funding through existing formulas by the fall of 2009. However, significant differences were found when looking at these responses by the size of the communities. Among the state’s smallest communities (with 1,500 or fewer residents), only 8% of officials reported receiving formula-based funds. Meanwhile, among the state’s largest communities (with 30,000 or more residents), 64% of officials reported receiving these kinds of funds (see *Figure 3*).

When asked whether their jurisdictions had received Stimulus funding through competitive grant programs, larger jurisdictions were more likely than the state’s smaller jurisdictions to say they had both applied for and subsequently received competitive grant funds. Among the state’s smallest communities, only 27% reported applying for grant-based funds and only 5% reported receiving such funds. In comparison, among the state’s largest communities, 80% applied for grant-based funds and 35% received such funding (see *Figure 4*).

Among those local officials who reported that their jurisdictions had not applied for competitive grant funding, the most frequently given reasons for not applying include that: the jurisdiction did not have the resources to apply (37%); there were too many strings attached (28%); it was too complicated to apply (20%); the jurisdiction was not aware of opportunities to apply (17%); and there was not enough funding to justify the effort (17%).

Do officials believe the Stimulus Package has helped to improve their local economies?

Overall, when Michigan local officials were asked in the fall of 2009 about the impact of the Stimulus Package in their communities to date, 22% of officials reported that the Stimulus Package had helped to improve local economic conditions at least “somewhat,” while two-thirds (67%) said the Stimulus had not helped “at all” to improve their local economies (see *Figure 5*).

Who thinks the Stimulus Package has helped to improve their local economies?

The factors most strongly associated with opinions about the Stimulus Package include: 1) whether or not a jurisdiction received Stimulus funds, 2) the size of the jurisdiction, and 3) the responding official's party identification.

Not surprisingly, when Michigan local officials report having received Stimulus Package funding they are more likely to say that the Stimulus has helped improve their local economies (see *Figure 6*). In communities that did not receive funding, only 17% of officials believed the Stimulus Package had helped improve their local economies to date. By comparison, in communities that had received funding, 46% of officials believed the Stimulus Package had helped.

Even after taking into account the funding received, differences regarding the Stimulus Package's perceived local impact exist among officials from smaller and larger jurisdictions. Officials from the state's smallest communities were more likely to report the Stimulus Package had not yet helped their local economies. For instance, only 20% of officials from the smallest communities said the Stimulus Package had helped to improve their local economies. By comparison, 44% of officials from Michigan's largest communities believed the Stimulus Package had helped locally (see *Figure 7*).

Views about the effects of the Stimulus Package on local economic conditions also vary strongly by respondents' party identification, with Democratic party identifiers more likely to report that the Stimulus has at least "somewhat" helped their local economies. For example, while only 16% of Republican local officials said the Stimulus had a positive impact on their communities' economies, 36% of Democratic officials believed it had a positive effect (see *Figure 8*).

The MPPS also asked whether or not local officials think the Stimulus Package will help their local economies in the long term. The patterns shown above remain essentially the same when officials predict the long-term impact of the Stimulus Package. Officials were more likely to believe the Stimulus will help locally in the long term if their jurisdiction had already received Stimulus funds, if they are from a larger community, or if they are an Independent or a Democrat.

Figure 6
Fall 2009: Whether the Stimulus Package has helped improve local economic conditions to date, by reported funding received

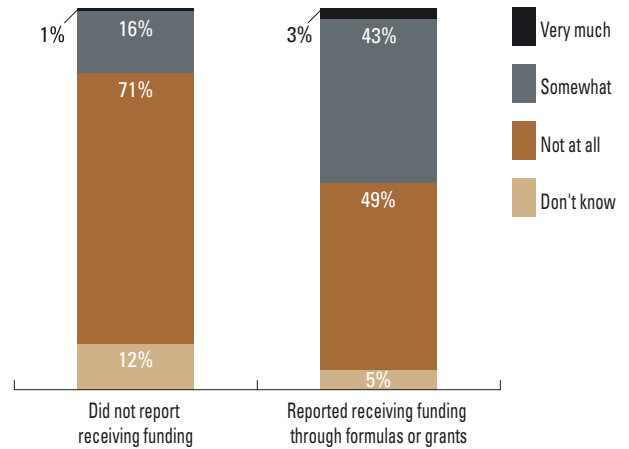


Figure 7
Fall 2009: Whether the Stimulus Package has helped improve local economic conditions to date, by community size

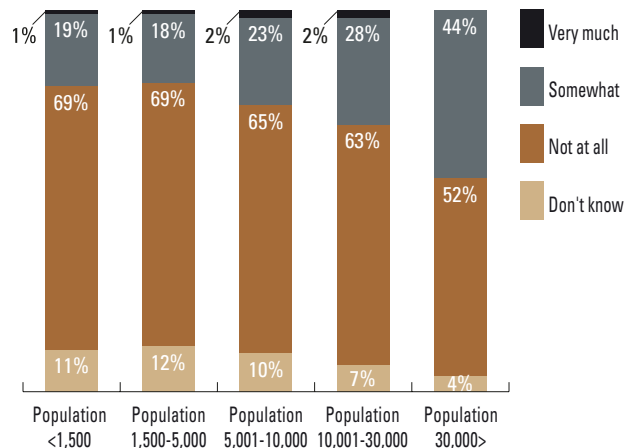


Figure 8
Fall 2009: Whether the Stimulus Package has helped improve local economic conditions to date, by party identification

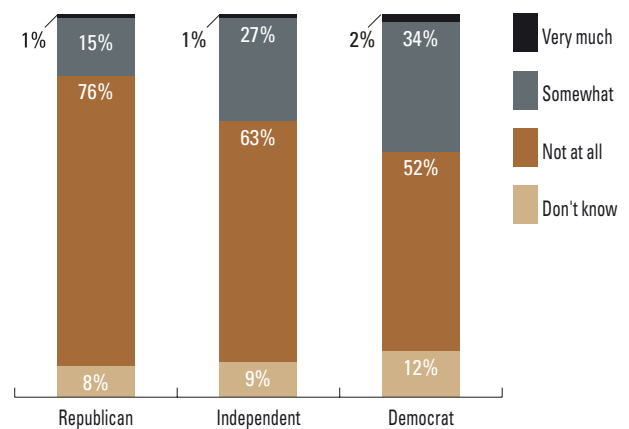
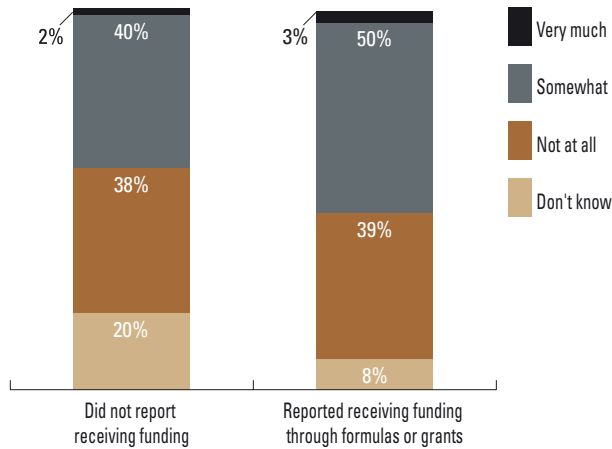




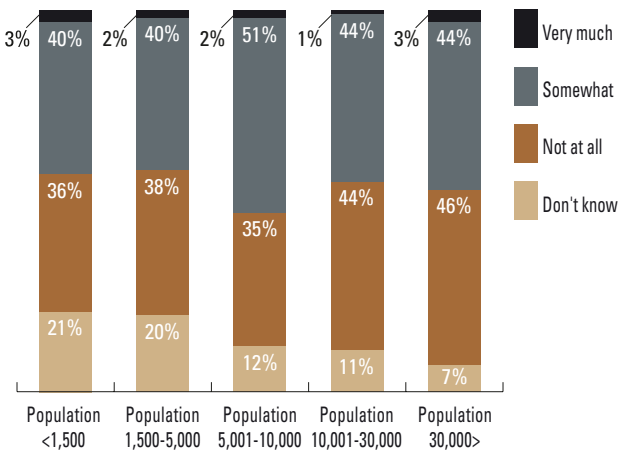
Figure 9
Fall 2009: Whether the Stimulus Package will help improve Michigan's economic conditions in the long term, by reported funding



Who thinks the Stimulus Package will eventually help improve Michigan's economy as a whole?

In addition to asking about the impact of the Stimulus Package on local economies, the MPPS asked about its expected impact on the overall economy of Michigan. Overall, local officials are more optimistic about the positive impact the Stimulus Package may eventually have on Michigan's economy as a whole than they are about the impact on their local economies. While only 32% of all officials surveyed in the fall believed that Stimulus funds will help to improve their local conditions in the long run, 44% predicted that the Stimulus funds would eventually help improve statewide economic conditions.

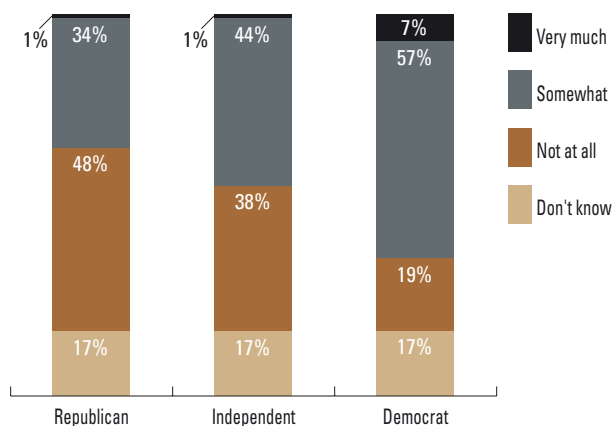
Figure 10
Fall 2009: Whether the Stimulus Package will help improve Michigan's economic conditions in the long term, by community size



Whereas three main factors affected opinions regarding local economies, things change when looking at the state economy overall. For instance, differences among officials who report receiving or not receiving Stimulus funding is less pronounced when looking at predictions about Michigan's economy as a whole (see *Figure 9* compared to *Figure 6*).

In addition, differences are also much less pronounced when looking at community size. In fact, opinions among officials based on the size of their jurisdiction are relatively similar when it comes to predicting the effect of the Stimulus Package on long-term improvement in Michigan's economy as a whole, with relatively small differences in percentages that are not statistically significant (see *Figure 10* compared to *Figure 7*).

Figure 11
Fall 2009: Whether the Stimulus Package will help improve Michigan's economic conditions in the long term, by party identification



However, differences in predictions remain when looking at the party identification of the local official. For instance, 48% of officials who identify themselves as Republicans predict that the Stimulus Package will not help improve Michigan's economy "at all" over the long term, compared to only 19% of officials who are Democratic identifiers (see *Figure 11*).

Conclusion

As of the fall of 2009, a large majority of Michigan's local officials do not believe that the Federal Stimulus Package has helped improve their local economies, and most believe Stimulus funds will not help their local economies in the future. Even among those officials whose communities had already received funding in the fall of 2009, as well as among officials from larger jurisdictions, and among Democratic party identifiers—all of whom are more likely to believe in the efficacy of the Stimulus Package—fewer than half believe that it has helped improve their local economies.

Local officials tend to be more optimistic about the long-term impact of the Stimulus Package on the state economy as a whole. But still, fewer than half predict that the Stimulus Package will eventually even somewhat help improve the state's overall economic conditions.

One of the contributing factors to officials' doubts about the Federal Stimulus may be a widespread lack of information about the programs and funding streams involved. Early in the Stimulus' implementation, nearly half of Michigan officials reported that they felt uninformed about opportunities available to their communities, and among officials who did not apply for Stimulus Package grants, many indicated lack of information as a primary reason.

Survey Background and Methodology

The MPPS is a biannual survey of each of Michigan's 1,856 units of general purpose local government. Surveys were sent via the internet and hardcopy to top elected and appointed officials in all 83 counties, 274 cities, 259 villages, and 1,240 townships. A total of 1,204 jurisdictions in the Spring 2009 wave and 1,303 jurisdictions in the Fall 2009 wave returned valid surveys, resulting in 65% and 70% response rates by unit, respectively. The key relationships discussed in the above report are statistically significant at the $p > .05$ level or above, unless otherwise specified.

Missing responses are not included in the tabulations, unless otherwise specified. Data are weighted to account for non-response.

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University of Michigan
Center for Local, State, and Urban Policy
Gerald R. Ford School of Public Policy
Joan and Sanford Weill Hall
735 S. State Street, Suite 5310
Ann Arbor, MI 48109-3091

The **Center for Local, State, and Urban Policy (CLOSUP)**, housed at the University of Michigan's Gerald R. Ford School of Public Policy, conducts and supports applied policy research designed to inform state, local, and urban policy issues. Through integrated research, teaching, and outreach involving academic researchers, students, policymakers and practitioners, CLOSUP seeks to foster understanding of today's state and local policy problems, and to find effective solutions to those problems.

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