

# The reason Wayne County has serious budget problems

**It's not because of bloated pensions or bad practices, it's because annual tax revenue has fallen over \$100 million, nearly one-third, in the last five years**

Presented by Gary Woronchak, chairman, Wayne County Commission, Aug. 2013

Wayne County has run up an accumulated budget deficit of around \$160 million in the past several years and, as some departments continue to spend more than is in their budgets, that deficit is growing.

When people hear of the county's budget problems, it is natural to blame the negative things that have occurred within the county, as frequently reported in the news media. Projects that are over budget, "sweetheart deal" pensions, the criminal indictment of some former employees and other unfortunate and sometimes outrageous occurrences have harmed the county's reputation and shaken the public's confidence in county government.

However, while management errors and ill-advised deals and practices do nothing to help the financial picture, they are not the main reason Wayne County is in trouble with its budget.

More than anything, **it is the decrease in property values, and thus property tax revenue**, that has caused the county to run budget deficits.

## Wayne County depends on property tax revenues

All municipalities depend almost entirely on property taxes for their operating revenue.

Over the last half-dozen years, property tax revenue in Wayne County (and elsewhere) has dropped dramatically as the value of property in the county has decreased. A property tax bill is determined by a formula that includes a property's value and the tax rate (millage rate).

**Many cities and school districts have kept their tax revenues from falling, and compensated for lower property values, by asking voters to approve new taxes or higher property tax rates.**

In my hometown, the city of Dearborn got 3.5 new mills for city services and one for libraries; Dearborn Public Schools and Henry Ford Community College have tax votes in November.

However, the Wayne County tax rate has not gone up during that period. The result is a huge loss of revenue for the county. **Wayne County is collecting \$105 million LESS** in property taxes in 2013 compared to just five years ago, in the 2008 fiscal year, a drop of nearly 30 percent.

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This chart shows how quickly the county's tax base dried up with the housing market crash.

Wayne County property tax collections year by year

<b>2007-08</b>	<b>\$370 million</b>
2008-09	\$354 million
2009-10	\$325 million
2010-11	\$292 million
2011-12	\$278 million
<b>2012-13</b>	<b>\$267 million</b>
2013-14	\$256 million (forecast)

### **The effect of less tax revenue on the operation of county government**

Property taxes are the main funding source (roughly 80 percent) of the county's general fund (also known as General Fund/General Purpose, or GFGP), which is a finite pool of dollars earmarked for the general operation of government, including Sheriff, Courts, Clerk, Treasurer, Prosecuting Attorney, CEO functions, Commission and other general governmental obligations required to operate a government. The rest of the General Fund comes from various sources, including state revenue sharing and other payments.

General Fund dollars are not fully discretionary for the county's use. Some are automatically claimed by debt service, obligations to the pension system, and other areas. However, they are unrestricted, in that the level of appropriation to the various governmental functions is decided by the governing body (Commission). Unlike restricted funds, such as grants that are usually restricted to a specific purpose, GFGP can be shifted from one function or program to another.

The drop in property tax collections over the years has, of course, also decreased the General Fund, the funding for general government operations, as this chart demonstrates.

Wayne County General Fund year by year

<b>2007-08</b>	<b>\$475 million</b>
2008-09	\$423 million
2009-10	\$401 million
2010-11	\$391 million
2011-12	\$364 million
2012-13	\$371 million
<b>2013-14</b>	<b>\$372 million (forecast)</b>

So, while bad practices and high-profile controversies are problematic and unwanted, the **loss of over \$100 million in revenue each year** is most responsible for the county's budget crisis.