CITIZENS RESEARCH COUNCIL OF MICHIGAN

"The right to criticize government is also an obligation to know what you're talking about."

Lent Upson, First Director of the Citizens Research Council

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To Better Understand Detroit's Post-Bankruptcy Fiscal Health, Adjust for Inflation and Population

In a Nutshell

- On an inflation- and population-adjusted basis Detroit's General Fund revenue has increased by 0.8 percent post-bankruptcy.
- With these adjustments Detroit has $15 per resident more in revenue than it did pre-bankruptcy to spend on services.
- Today, Detroit spends more on a per capita basis and has more employees per 1,000 citizens than it did pre-bankruptcy.

The past month marked a little over a decade since Detroit declared bankruptcy in 2013, and local newspapers have run commentaries on where the city stands. Services have improved. There has been development downtown. Still, when adjusted for inflation, some financial metrics look less impressive and some commentaries have pointed to this to curb enthusiasm over the city's supposed turnaround.

However, while these commentaries have smartly adjusted for inflation, they have not made another necessary adjustment: population size. Today's Detroit has fewer people than when it filed for bankruptcy. When adjusted for population size, General Fund revenue has increased, and more is spent on Detroiters on a per capita basis. So while diminished in population size, the city as it stands today is better positioned to provide services than pre-bankruptcy.

General Fund revenue adjusted for inflation and population

In Fiscal Year (FY)2013, the fiscal year that immediately preceded bankruptcy, total General Fund revenue was $1 billion: $1.4 billion in today's dollars. If we assume the forecasted $1.2 billion in FY2023 General Fund revenue was collected, the city will have experienced a 9.8 percent decline in General Fund revenue in real terms. On its face, this is bad. Less revenue means less money is available to provide services to citizens.

In 2013, public monies were used to service the city's estimated population of 706,663. As of the most recent estimates provided by the Census Bureau's American Community Survey (the mayor's protests aside), the city's population has shrunk to 632,464. Of course, cities provide services to non-residents, and some of what is appropriated is spent on fixed assets rather than directly on people. But if you were, for the sake of a comparison in population and inflation adjusted-revenue, to say that collected revenue was expended equally across the citizenry, then each of today's Detroiters have more dollars available for their benefit than those in 2013.

In FY2013, inflation-adjusted revenue per capita was $1,929 compared to $1,944 in FY2023, an increase of $15—or an unimpressive 0.8 percent over the span of a decade. Factoring in the city's shrinking population, real revenue growth of 0.8 percent is better than the 9.8 percent decline when only the rise in prices is considered.

General Fund expenditures and the number of employees per 1000 citizens

To better understand the city's current fiscal health, adjustments for population size must be made in addition to inflation. Between 2013 and 2023, population declined by an estimated 74,199 (10.5 percent). Yet, inflation-adjusted General Fund expenditures increased by 10.9 percent. On a per capita basis, inflation-adjusted General Fund expenditures increased from $1,463 in FY2013 to $1,813 in FY2023—an increase of $350 (29.2 percent).

In addition to an increase in inflation-adjusted per capita General Fund expenditures, the number of city employees has increased too—in absolute terms and per 1,000 citizens. In FY2013, Detroit had 8,912 employees or 13 employees per 1,000 citizens. Per the FY2023–FY2026 adopted four-year financial plan, the city funded 10,513 employees or 17 employees per citizen.

More employees, more money spent—this could be indicative of inefficiency in the provision of city services. However, when Detroit filed for bankruptcy it was not merely insolvent in the sense that it could not pay its debts as they came due, it was "service delivery insolvent." In FY2010, Detroit had 12,302 employees or 17 employees per 1,000 citizens. Between FY2010 and FY2013, Detroit reduced its labor force by 3,390.

Inefficiency was not the central issue when the city filed for bankruptcy, inadequacy was. Inadequate resources and inadequate staff left the city unable to pay what it owed or perform on its end of the social contract. Most infamously, this service delivery insolvency could be observed by public safety response times that were said to be over an hour.

Today, Detroit spends more from its General Fund in absolute terms and more per-citizen for those remaining in the city. Moreover, there are more public servants per 1,000 citizens than when the city filed for bankruptcy. So while serious concerns remain with the city's fiscal and economic health, when adjusted for population, the city is more able to address those concerns.

Conclusion

Today, there are fewer Detroiters than before bankruptcy. That in and of itself should curb enthusiasm about the city's turnaround as advertised by the mayor. But while fewer, today's Detroit collects more in revenue on a per capita basis, and Detroiters have more public resources spent on their behalf than pre-bankruptcy.

ABOUT THE AUTHOR

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James L. Tatum III is the Researcher for the Detroit Bureau of the Citizens Research Council. Previously, he served as an analyst in the City of Detroit's Office of the Chief Financial Officer (OCFO) where he prepared cost-benefit analyses of City projects, asset sales and labor contracts, forecasted city revenues and expenditures, and conducted scenario analyses for the City's pension plans. In addition to his practical experience, he is an accomplished academic. His research on debt, pensions, insolvency, Chapter 9 bankruptcy, and dissolution has been published in trade, law, and academic journals.

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