



MPPS Policy Brief

Many Michigan communities concerned about the loss of federal and state funding, but uncertain how to prepare

By Natalie Fitzpatrick, Debra Horner, and Stephanie Leiser

Many Michigan local governments are facing the end of several short-term federal funding streams, such as the 2021 American Rescue Plan Act (ARPA),¹ the 2022 Infrastructure Investment and Jobs Act (IIJA),² and the Inflation Reduction Act (IRA),³ as well as possible cuts to ongoing federal support for services such as housing or transportation.⁴ The Spring 2025 Michigan Public Policy Survey (MPPS) asked local leaders for their views on whether the winding down of funds may affect their governments' fiscal health.

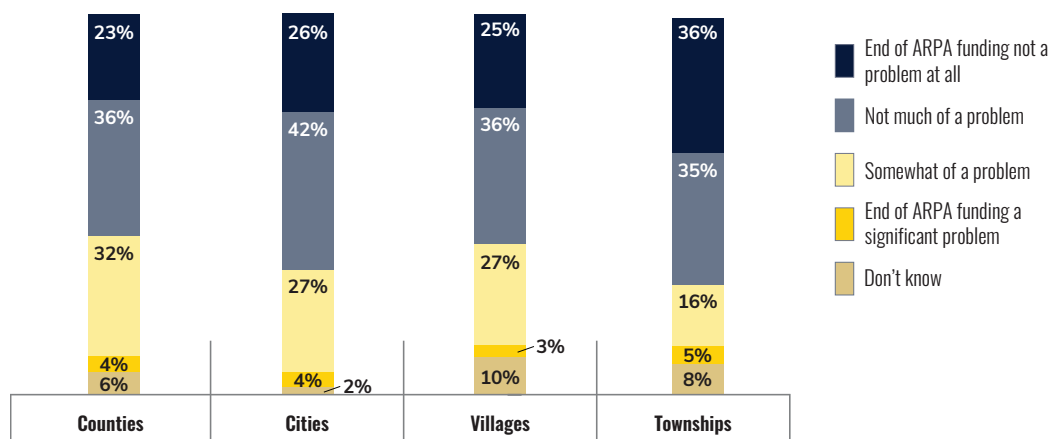
Overall, among all jurisdictions statewide, 40% say the loss or pause of at least one type of federal or state funding source would be a problem for their jurisdiction's fiscal health. This includes 72% of cities, 68% of counties, 46% of villages, and 30% of townships.

For example, through ARPA grant programs, Michigan communities received a huge infusion of funding in 2021 and 2022. Michigan's 83 counties received a total of \$1.93 billion, 49 metropolitan cities and townships received \$1.8 billion, and a collection of smaller Michigan cities, townships, and villages received a total of \$664 million. Local governments were required to commit the funds to specific purposes by December 2024 and spend them down by December 2026.⁵ However, as reported previously on the MPPS, many communities have faced challenges with ARPA administration, such as procurement and navigating funding bureaucracies.⁶

When surveyed this spring, among the 90% of jurisdictions that say ARPA funding is applicable to their government, approximately one-third of county (36%), city (31%) and village (30%) officials say the upcoming end to ARPA funding will be a problem for their jurisdiction's fiscal health over the next five years (see *Figure 1a*). Township officials (21%) are significantly less likely to expect the end of ARPA funding to be a fiscal problem for their government.

Figure 1a

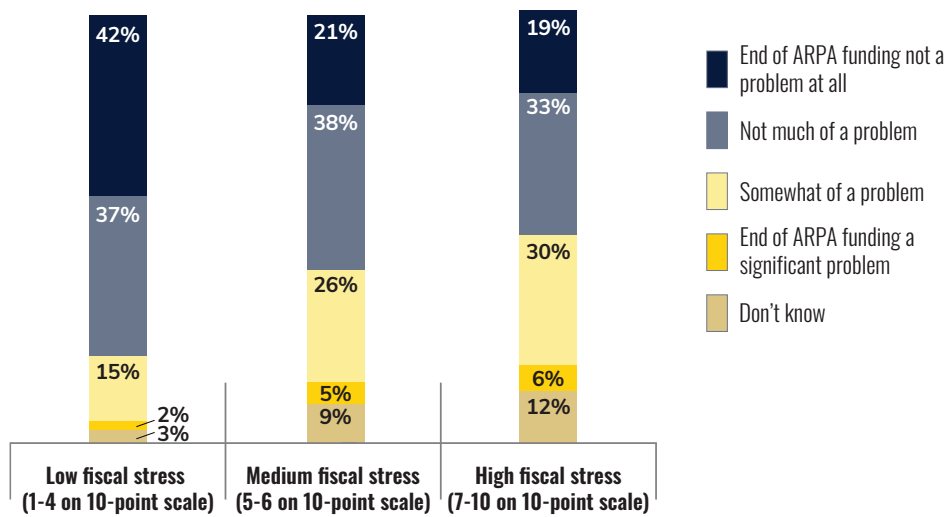
Local officials' assessments of end to ARPA funding on jurisdiction fiscal health (among those who say ARPA funding is relevant to their jurisdiction), by jurisdiction type



The end of ARPA funding may exacerbate financial challenges in jurisdictions already experiencing some level of fiscal stress. As shown in *Figure 1b*, among officials who say their jurisdiction is currently experiencing high levels of fiscal stress, 36% say the end of ARPA funds will be a problem for their fiscal health over the next five years, along with 31% of jurisdictions reporting medium levels of fiscal stress. In contrast, just 17% of jurisdictions who say they are experiencing low levels of fiscal stress say the end of ARPA funding will be a problem.

Figure 1b

Local officials' assessments of end to ARPA funding on jurisdiction fiscal health (among those who say ARPA funding is relevant to their jurisdiction), by current jurisdiction fiscal stress



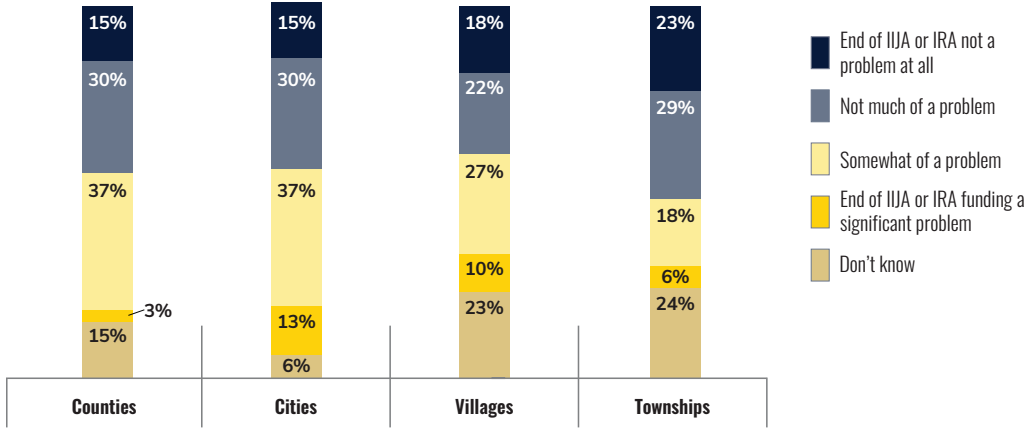
Concerns about the end of short-term federal funding programs for transportation, energy, and other infrastructure

Other recent sources of federal short-term grant funding for Michigan local governments include the Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act (IRA), both passed in 2022. As of January 2025, both IIJA and IRA funding were paused by executive order, leaving any future disbursement of funds uncertain.⁷

When asked about these short-term funding sources, Michigan local leaders from 71% of jurisdictions statewide say that grant funding from the IIJA or IRA are relevant to their jurisdiction. This includes 65% of Michigan townships and 70% of villages, and fully 88% of counties and 92% of cities.

Among those jurisdictions that consider IIJA or IRA funding to be applicable, 50% of cities believe the end of such funding will be a problem for their jurisdiction’s fiscal health in the next five years, including 13% who say it will be a significant problem (see *Figure 2*). Among villages, 37% say it will be a fiscal problem, including 10% who say it will be a significant problem. Meanwhile, 40% of counties say it will be a problem, but only 3% say it will be significant. Townships (24%) are much less likely to say the end of IIJA or IRA funding will be a problem for their fiscal health over the next five years.

Figure 2
Local officials’ assessments of end to IRA or IIJA funding on jurisdiction fiscal health (among those who say IIJA or IRA funding is relevant to their jurisdiction), by jurisdiction type



Like the patterns for ARPA funding, the end of IIJA and IRA funding may pose a larger problem for jurisdictions already experiencing higher levels of fiscal stress. Among those experiencing low levels of fiscal stress, 29% say the end of IRA and IIJA funding would be at least somewhat of a problem for their fiscal health, compared to 35% of jurisdictions experiencing medium fiscal stress and 39% of jurisdictions experiencing high fiscal stress (not shown).

Greater worries about the potential loss of ongoing state and federal funding sources

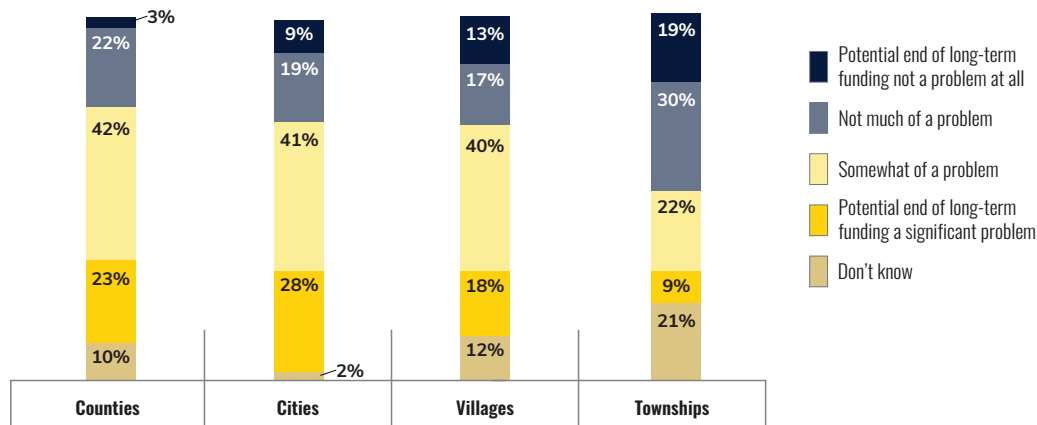
Many Michigan local governments also rely on ongoing funding from the state and federal governments to support services. This can include categorical funding for specific purposes such as housing, environmental remediation, and roads, as well as general aid such as state revenue sharing. Officials from 69% of Michigan jurisdictions say that long-term ongoing funding sources from the state or federal government is applicable to their government, this includes 88% of counties and 94% of cities.

Among jurisdictions that consider long-term ongoing funding from the state or federal government relevant to their government, a majority of cities (69%), counties (65%), and villages (58%) say the pause or loss of such funding would be a somewhat or significant problem for their jurisdiction’s fiscal health in the next five years, while fewer townships (31%) say it would be a problem (see *Figure 3*).

Notably, more than a quarter of cities (28%) and counties (23%), along with 18% of villages, say the pause or loss of these funds would be a significant problem.

Figure 3

Local officials’ assessments of pause or end to state or federal long-term funding on jurisdiction fiscal health (among those who say long-term funding is relevant to their jurisdiction), by jurisdiction type



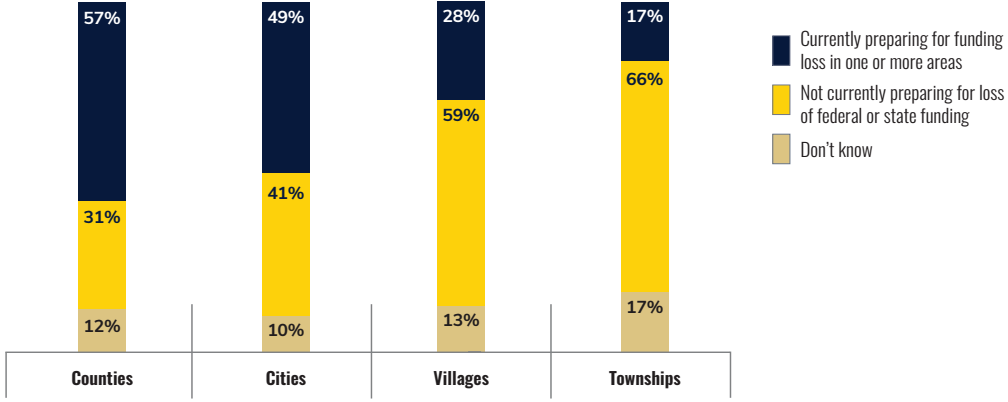
Among jurisdictions currently reporting high levels of fiscal stress, a majority (53%) say the end or pause of ongoing long-term funding would be a somewhat (29%) or significant (24%) problem for their fiscal health, compared to 47% of jurisdictions with medium levels of fiscal stress and 41% of those with low levels of fiscal stress (not shown).

Most local governments are not preparing for a loss in federal or state funding

As of Spring 2025, 25% of Michigan local governments report preparing for the loss of federal or state funding, but most (60%) say they are not currently preparing. As shown in *Figure 4*, counties (57%) and cities (49%) are more likely to say they are preparing. However, substantial majorities of villages (59%) and townships (66%) say they are *not* currently preparing for a loss of state or federal funding. Across all types of jurisdictions, 10 to 17% of respondents are unsure if their community is preparing for funding losses.

Some of this lack of preparation may be due to low levels of concern about the impacts of such a loss in funding. However, even among jurisdictions who say the end or pause of one or more types of funding would be a somewhat or significant problem, 44% are not currently preparing for loss of federal or state funding (not shown).

Figure 4
Percentage of jurisdictions that report making plans or taking specific actions to prepare for a potential loss of federal or state funds, by jurisdiction type



For local governments that are preparing for a loss of funding, the most common categories they are focused on are water and sewer infrastructure (12% of jurisdictions statewide) and other capital improvements (14%), two of the most commonly reported uses of ARPA funds.⁸ Additionally, 11% of jurisdictions statewide are preparing for a loss of funding for public safety and economic development. Although many of the now-suspended tax credits and funding programs from the IRA and IIJA were devoted to energy programs and infrastructure, just 5% of jurisdictions are preparing for a loss of funding in this area.

However, there are important differences by jurisdiction type, reflecting their different service area responsibilities. One third (37%) of counties are preparing for loss of federal or state funding for health and social services and 25% are preparing for loss of funding for economic development (see *Table 1*). Meanwhile, in cities, 33% are preparing for a loss of funding for water and sewer infrastructure and 31% are preparing for a loss of funding for other capital improvements.

Table 1
Target areas of plans or specific actions local governments are taking to prepare for a potential loss of federal or state funds, by jurisdiction type

	Statewide	Counties	Cities	Villages	Townships
Not currently preparing for loss of federal or state funding	60%	31%	42%	59%	66%
Preparing for loss of federal or state funding for housing	4%	16%	15%	3%	1%
Preparing for loss of federal or state funding for transportation	5%	13%	15%	4%	3%
Preparing for loss of federal or state funding for water & sewer infrastructure	12%	4%	33%	19%	5%
Preparing for loss of federal or state funding for energy program/infrastructure	5%	13%	12%	6%	3%
Preparing for loss of federal or state funding for other capital improvements	14%	20%	31%	17%	8%
Preparing for loss of federal or state funding for economic development	11%	25%	25%	9%	7%
Preparing for loss of federal or state funding for public safety	10%	25%	24%	9%	7%
Preparing for loss of federal or state funding for health and social services	4%	37%	6%	3%	1%
Preparing for loss of federal or state funding in other areas	7%	15%	13%	10%	4%
Don't know if preparing for loss of federal or state funding	15%	12%	10%	13%	17%



The MPPS also asked local government officials to describe specific actions their government is planning or taking to prepare for the loss of federal or state funding. Many governments report being in a “wait and see” mode, monitoring the situation, or reviewing current spending and their reliance on grants. Meanwhile, others say they are already restricting spending. Several report accelerating projects while there is still funding and before costs potentially increase (e.g., from tariffs). Local governments also say they are working to increase revenues, such as increasing fees or new millages, and that they are looking for grant funding from other sources such as the state government and private grants. Still others describe looking for partnerships including intergovernmental collaboration and public-private partnerships to help spread out project and service costs.

Voices Across Michigan

Local government officials' examples of actions their jurisdiction is planning or taking to prepare for a potential loss in federal or state funding

“We are increasing our park and public safety millage asks and we will have to bond due to federal funds that were allocated but not received when the budget was approved bare bones and community funds grants were removed. We will have to scale back on spending in the next few years and focus on sustainability and planning.”

“We are laying low in hopes of continued funding at current levels.”

“We are working to maintain self-reliance. We have prepared our council during budget work sessions to understand that the days of those funding sources just ‘rolling in’ are numbered and we have to take care of ourselves with the resources we have.”

“A mix of accelerating some capital improvement projects to make sure they get done within the current funding environment/parameters and putting some planned future projects on hold or otherwise not progressing.”

“Capital improvements in Public Safety and general government operations will be reduced, limiting our capacity to meet all requirements.”

“Budgeting less ambitious capital improvements using existing revenue sources.”

“Limiting discretionary spending in all areas.”

“Where we might have otherwise sought federal grants for some energy efficiency upgrades (i.e. incorporation of solar arrays to defray our energy consumption) we plan to request state appropriations and/or elect to pay for it with our capital projects fund.”

“Increasing utility rates to keep an adequate fund balance to provide for future replacement costs and funding stability.”

“For social service spending cuts, we have begun discussions with non-profit funders to gauge the appetite for making up cuts to housing and food supports for the indigent.”

Notes

1. Michigan Department of Treasury. (2023). American Rescue Plan Act (ARPA): Coronavirus Local Fiscal Recovery Fund. Retrieved from: <https://www.michigan.gov/treasury/local/share/arpa/american-rescue-plan-act-arpa-coronavirus-local-fiscal-recovery-fund>
2. Bipartisan Infrastructure Law (2025). Retrieved from: <https://www.michigan.gov/whitmer/issues/michigan-infrastructure-office>
3. National Governors' Association (2025, March 17). Inflation Reduction Act: Infrastructure Implementation Resources. Retrieved from: <https://www.nga.org/ira-resources>
4. Berndt, C., Martinez-Ruckman, S., et al. (2025, July 11). Local Impacts from Congress' One, Big, Beautiful Bill. National League of Cities. Retrieved from: <https://www.nlc.org/article/2025/07/11/local-impacts-from-congress-one-big-beautiful-bill>
5. Michigan State Budget Office. (2025). American Rescue Plan Funding: State Fiscal Recovery Funds (FRF). Retrieved from: <https://www.michigan.gov/budget/covid-federal-funding/american-rescue-plan-funding>
6. Horner, D., Fitzpatrick, N., & Ivacko, T. (2023, June). Challenges for Michigan local governments with ARPA spending continue, particularly in project costs and procurement. Center for Local, State, and Urban Policy. Retrieved from: <https://closup.umich.edu/sites/closup/files/2023-06/mpps-spring-2023-ARPA.pdf>
7. Longley, K. (2025, January 30). Trump signs executive orders to begin second term, creating uncertainty for IJJA spending. ASCE's 2025 Infrastructure Report Card. American Society of Civil Engineers. Retrieved from: <https://infrastructurereportcard.org/trump-signs-executive-orders-to-begin-second-term-creating-uncertainty-for-ijja-spending>
8. Horner, Fitzpatrick, Ivacko. (2023, June).



Survey Background and Methodology

The Michigan Public Policy Survey (MPPS) is an ongoing census survey of all 1,856 general purpose local governments in Michigan conducted since 2009 by the Center for Local, State, and Urban Policy (CLOSUP) at the University of Michigan's Gerald R Ford School of Public Policy. The program is a partnership with Michigan's local government associations. The Spring 2025 wave was conducted April 7 – June 12, 2025. Respondents include county administrators, board chairs, and clerks; city mayors, managers, and clerks; village presidents, managers, and clerks; and township supervisors, managers, and clerks from 1,328 jurisdictions across the state, resulting in a 72% response rate by unit. More information is available at <https://closup.umich.edu/michigan-public-policy-survey/mpps-2025-spring>

See CLOSUP's website for the full question text on the survey questionnaire. Detailed tables of the data in this report, including breakdowns by various community characteristics, will be available soon at <http://mpps.umich.edu>.

The survey responses presented here are those of local Michigan officials and residents, while further analysis represents the views of the authors. Neither necessarily reflects the views of the University of Michigan, or of other partners in the MPPS.



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