

What do local government officials think about their financial policies and practices?

Evidence from a census survey of Michigan local governments

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Digging deeper into local government financial practices

GFOA sample

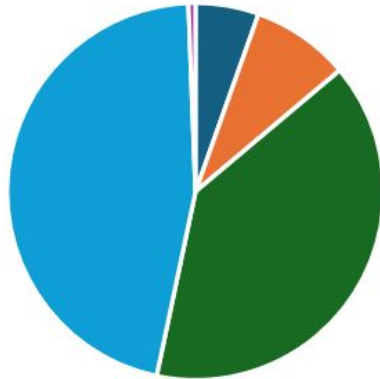
- Nationwide sample compiled by Civic Pulse
- N = 497
 - 87% cities/towns/villages
 - 13% counties
- Median population = 10,000

MPPS sample

- Census survey of all 1,856 general purpose local governments in Michigan
- N = 1,321 (71% response rate)
 - 15.6% cities
 - 13.1% villages
 - 66.9% townships
 - 4.5% counties
- Median population = 2,087

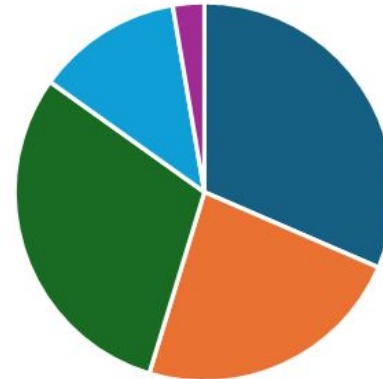
Operating budget size

GFOA Sample - Operating Budget Size



- Less than \$500,000
- \$500,000 - \$1,000,000
- \$1,000,000 - \$15,000,000
- Over \$15,000,000
- Don't know

MPPS Sample - Operating Budget Size



- Less than \$500,000
- \$500,000 - \$1,000,000
- \$1,000,000 - \$10,000,000
- Over \$10,000,000
- Don't know

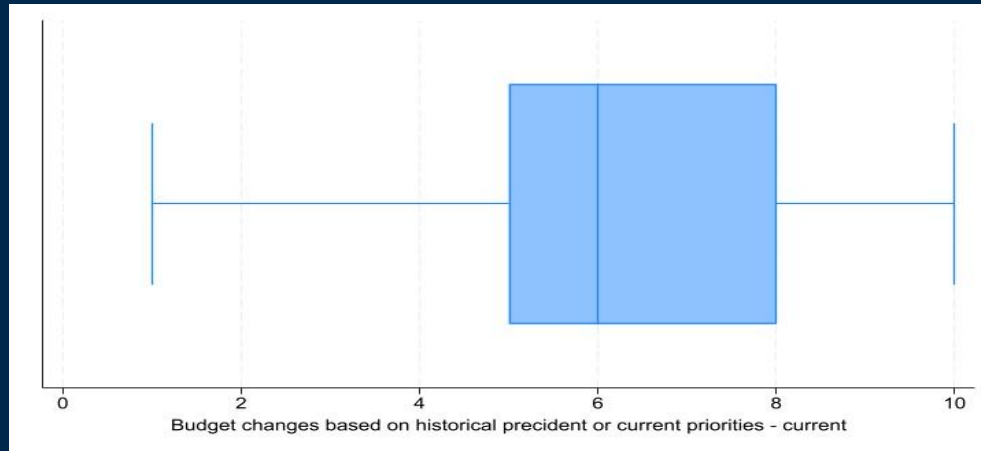
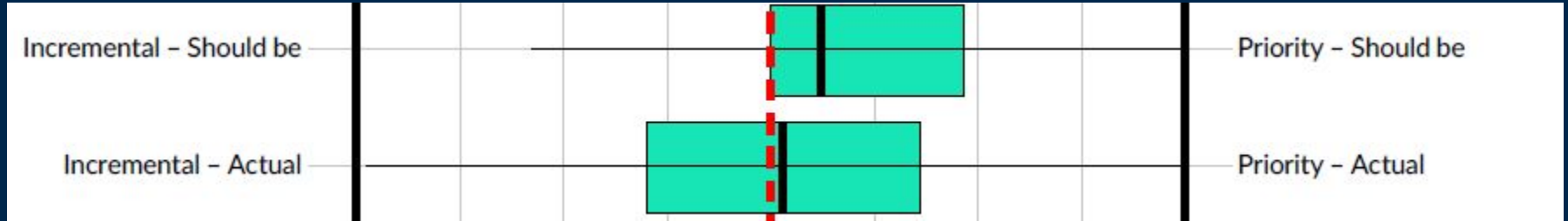
Budget practices of Michigan local governments

Does your local government have ...	
Multi-year operating budget	4.96%
Balance budget policy	57.96%
One-time revenues policy	12.34%
General Fund balance policy	43.31%
Reserve or stabilization account policy	22.43%
Asset inventory policy	32.27%
Debt capacity policy	10.25%
Risk assessment program/policy	17.38%

Which of the following elements are part of long-term planning?	
Projections of capital costs	62.94%
Projections of operating costs	69.65%
Projections of revenue	68.07%
Assumptions and/or explanations behind projections	36.54%
Strategies for improving or maintaining financial health	31.46%
Strategies for addressing risks posed by long-term liabilities	28.63%

Current practices vs. aspirations

Incremental budgeting vs. current priorities



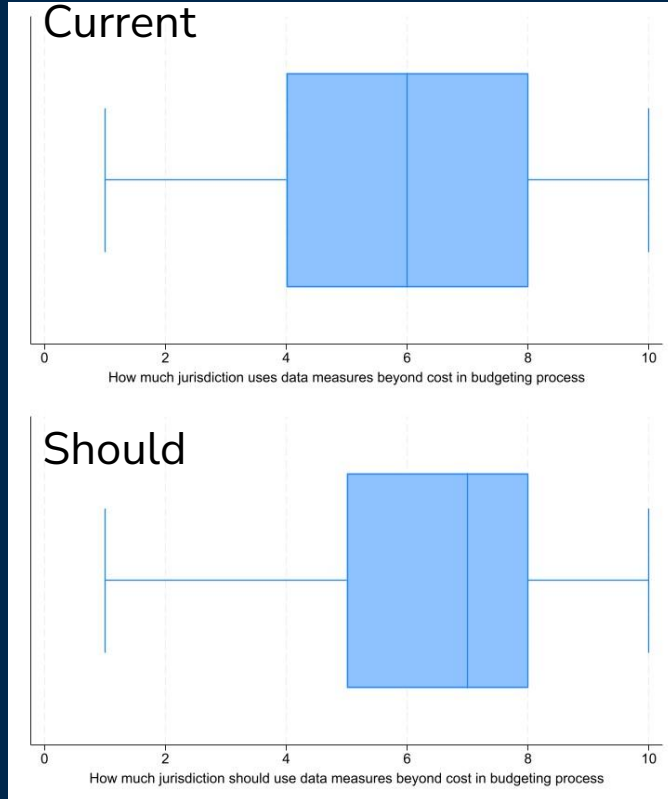
MPPS Sample:

Mean "current" = 5.82

Mean "should" = 6.43

Mean difference = 0.62

Use of data measures in budgeting



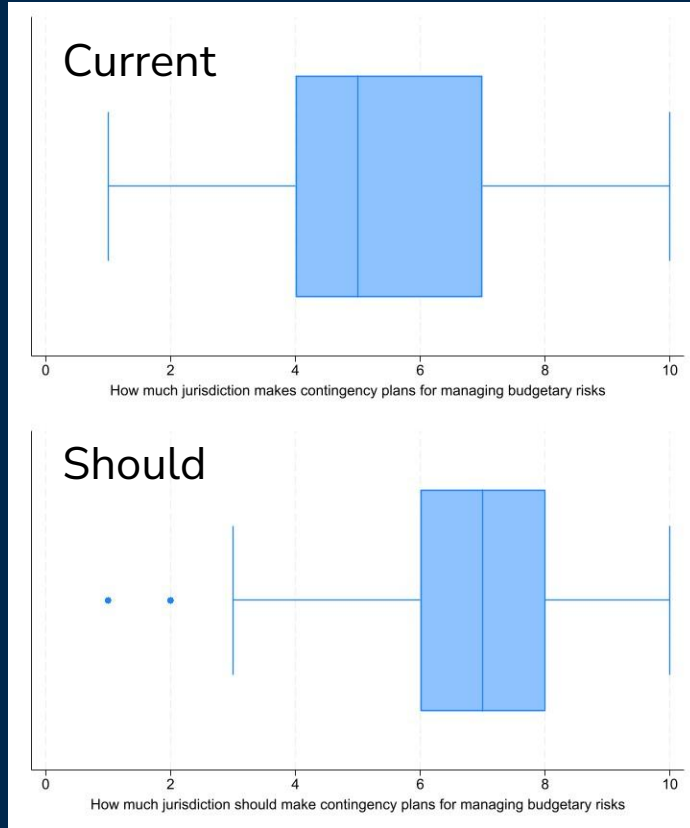
Mean “current” = 5.84

Mean “should” = 6.97

Mean difference = 1.15

Note: 0 = “not at all” 10 = “a great deal”

Making contingency plans for managing budgetary risks



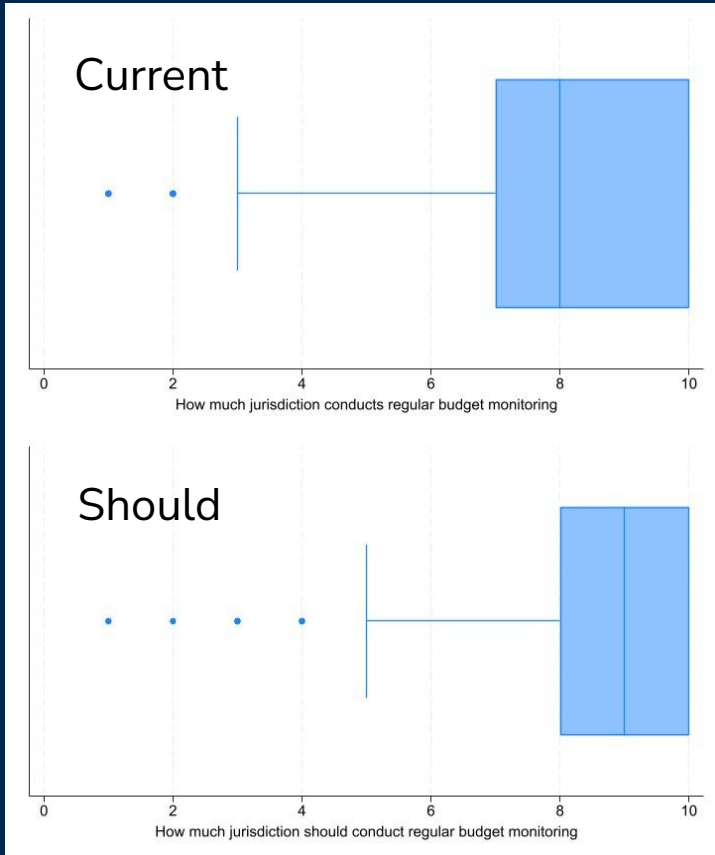
Mean “current” = 5.49

Mean “should” = 6.99

Mean difference = 1.50

Note: 0 = “not at all” 10 = “a great deal”

Conducting regular budget monitoring



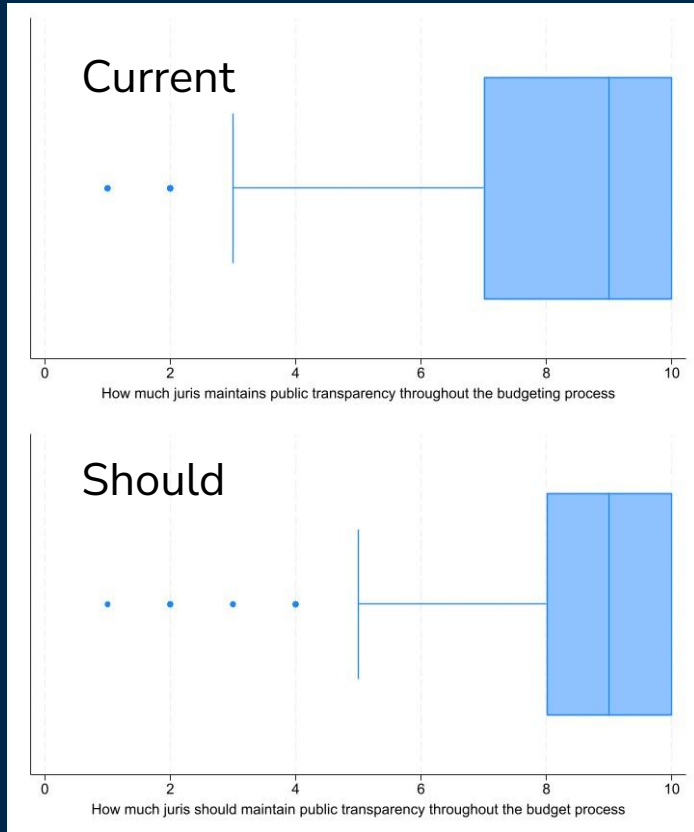
Mean “current” = 7.71

Mean “should” = 8.43

Mean difference = 0.70

Note: 0 = “not at all” 10 = “a great deal”

Maintaining transparency throughout the budget process



Mean “current” = 8.36

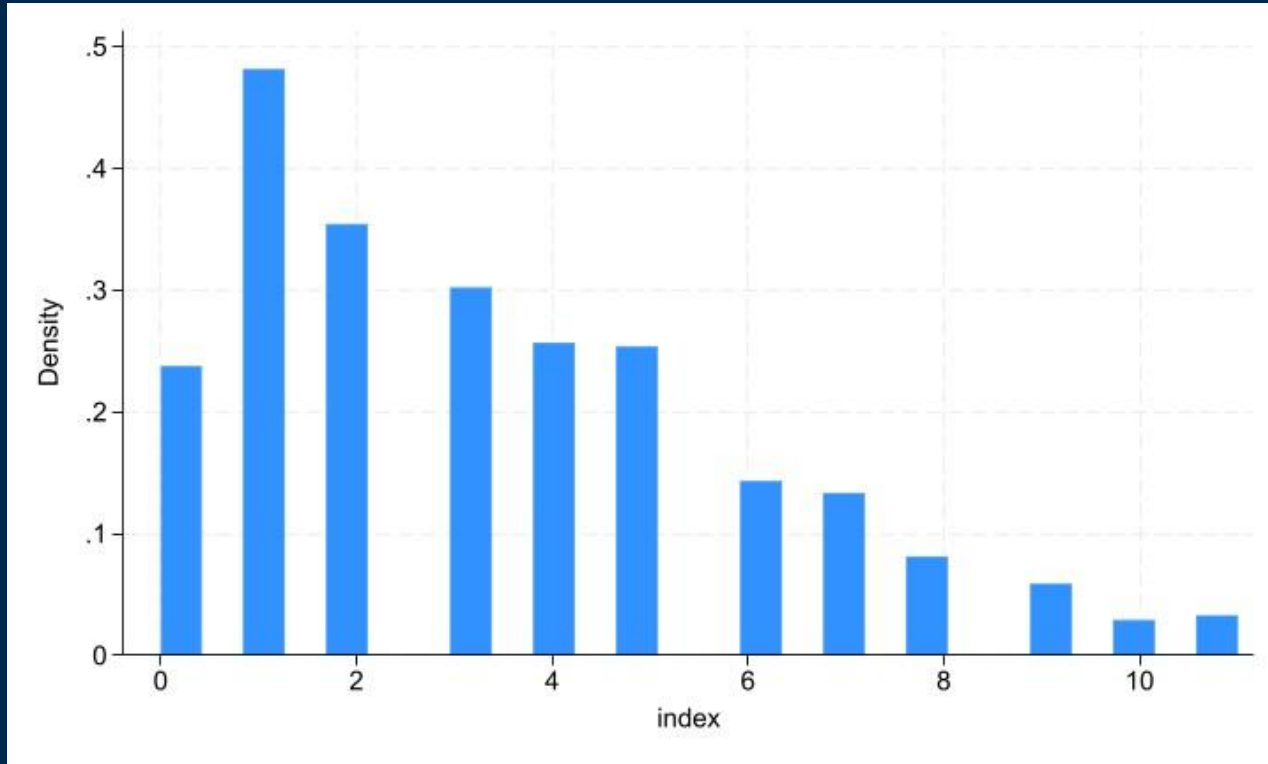
Mean “should” = 8.83

Mean difference = 0.46

Note: 0 = “not at all” 10 = “a great deal”

What characteristics are associated with using better financial practices?

Index measure of financial sophistication



	Index	Q20a	Q21a	Q22a	Q23a	Q24a
Township	-0.66771	0.49053	1.08812	0.00319	-0.56338	-0.50495
City	1.18557	0.06975	1.24115	0.11553	-0.11103	-0.65125
Village	1.00227	0.28864	1.17296	0.42076	-0.37736	-0.55579
500k-1m	0.11349	-0.25355	0.14911	-0.38572	-0.17599	0.22568
1m-10m	0.14666	0.00761	0.24692	0.18087	0.22247	0.42479
10m+	0.11776	-0.34565	-0.19732	0.10787	0.26674	-0.09742
Mostly rural	-0.1392	-0.22642	-0.04179	-0.28032	0.00771	-0.0173
Mostly urban	-0.00889	-0.31493	-0.21315	-0.21206	-0.23341	0.02744
Urban	0.08468	-0.65792	0.09325	-0.13164	0.24176	0.74579
Population (ln)	0.5152	-0.06052	0.25361	0.16825	-0.00167	-0.16113
Fiscal stress index	-0.09241	0.07159	-0.02071	-0.10423	-0.13554	-0.09057
Functioning of democracy	0.12808	0.16141	0.188	0.25122	0.18939	0.25642
Percent GOP	0.00703	-0.39823	0.39058	0.11977	0.42939	1.20404
Rural capacity index	0.01922	0.01637	0.01474	0.01974	0.01062	0.00713

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Now we're asking more broadly about your opinion of the state of our democracy as a system of government. Think about things like free and fair elections, rule of law, an unbiased free press, balanced relationships between levels and branches of government, ethical and transparent governance, an informed and engaged electorate, etc.

On a scale from 1 to 10, where 1 is a total breakdown of democracy and 10 is perfectly functioning democracy, how would you rate the functioning of democracy today in...

... your jurisdiction?	Total breakdown of democracy									Perfectly functioning democracy	Don't know
	1	2	3	4	5	6	7	8	9	10	<input type="checkbox"/>

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Next steps:

Exploring the connection between financial sophistication and functioning of democracy

- Robustness checks on subsamples
- Testing models with individual financial practices
- Unpacking “functioning of democracy”
 - Level/type of resident engagement
 - Opportunities for engagement
 - Trust in residents to be “responsible participants”
 - State of discourse among elected officials, between elected officials and residents, among residents

Contact and additional information

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Michigan Public Policy Survey

<https://closup.umich.edu/michigan-public-policy-survey>