



MPPS Policy Brief

Challenges to Michigan local government budgeting

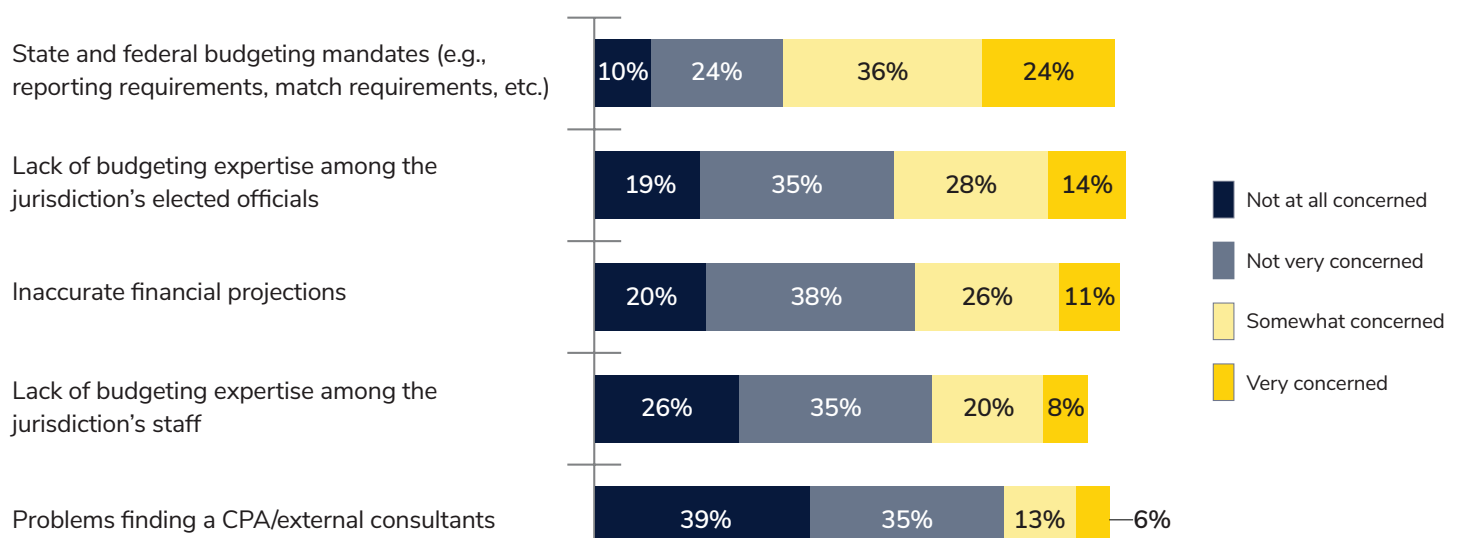
By Debra Horner and Stephanie Leiser

Michigan has hundreds of small communities and counties with relatively simple budgets, as well as many larger local governments with complex budgets and budgeting practices. The Spring 2025 Michigan Public Policy Survey (MPPS) asked Michigan local government leaders from 1,328 counties, cities, villages, and townships statewide about a set of eight specific challenges that they might be facing in their jurisdiction's budgeting process.

When it comes to common technical/procedural challenges to how local governments conduct their budgeting, a top concern among local leaders is meeting state and federal budgeting mandates, such as reporting requirements, match requirements, etc., with 60% saying they are somewhat (24%) or very (36%) concerned about this aspect of budgeting (see Figure 1). Meanwhile, nearly half statewide are worried about lack of budgeting expertise among their jurisdiction's elected officials. Other common concerns include worries about inaccurate financial projections (37% somewhat or very concerned) and staff's lack of budgeting expertise (28% somewhat or very concerned). More than one in five statewide (21%) highlight their difficulty in finding external financial consultants.

Figure 1

Local officials' concerns regarding various technical factors affecting their jurisdiction's budgeting process



Note: Responses for "not applicable" and "don't know" not shown.

Concerns about procedural mandates are common among jurisdictions of all types

Figure 2a
Percentage “somewhat” or “very” concerned about state and federal budgeting mandates, by jurisdiction type

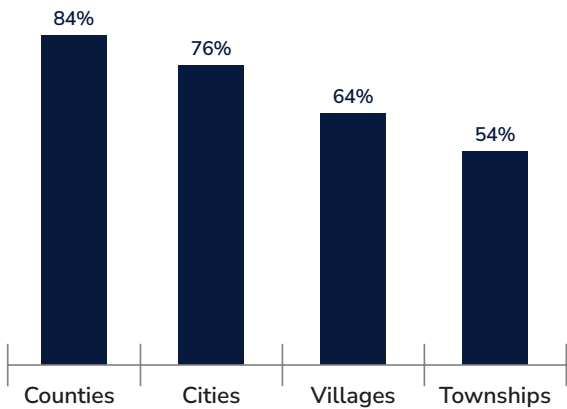


Figure 2b
Percentage “somewhat” or “very” concerned about state and federal budgeting mandates, by population size

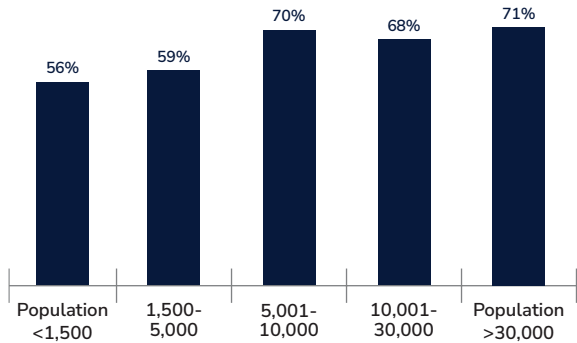
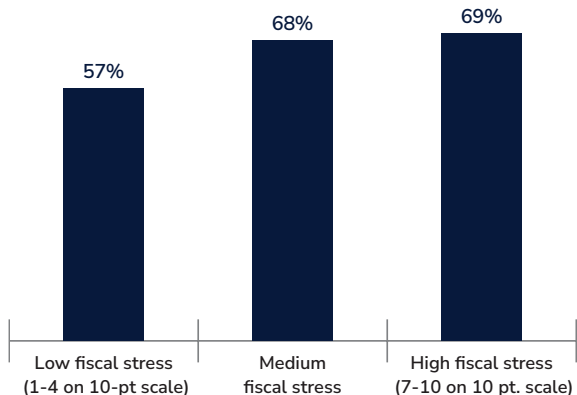


Figure 2c
Percentage “somewhat” or “very” concerned about state and federal budgeting mandates, by jurisdiction fiscal stress



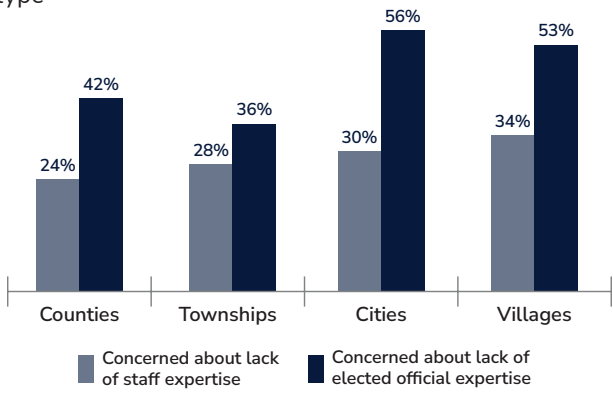
Taking more detailed look at concerns about state and federal budgeting mandates (such as reporting requirements, match requirements, etc.) shows some interesting variation. Although jurisdictions with larger or more sophisticated budgets are most likely to express concern about budget mandates, smaller jurisdictions are not immune. For example, breaking the data down by jurisdiction type, county officials (84%) are the most likely to express concern about state and federal mandates on their budget process, as are three-quarters of city officials (see Figure 2a). Majorities of village (64%) and township (54%) officials also worry about this challenge.

As shown in Figure 2b, officials from jurisdictions of all sizes are concerned about budgeting mandates, with those in medium-sized jurisdictions (68%-70%) just as likely to see this as a challenge as those in the state’s largest local governments (71%).

Each year, the MPPS also asks local leaders to assess their jurisdiction’s current and future levels of fiscal stress.¹ And while 69% of local officials who report that their jurisdiction is experiencing high fiscal stress express concern about state and federal budgeting mandates, so do 68% of those with only medium levels of stress, and 57% of those reporting low stress (see Figure 2c).

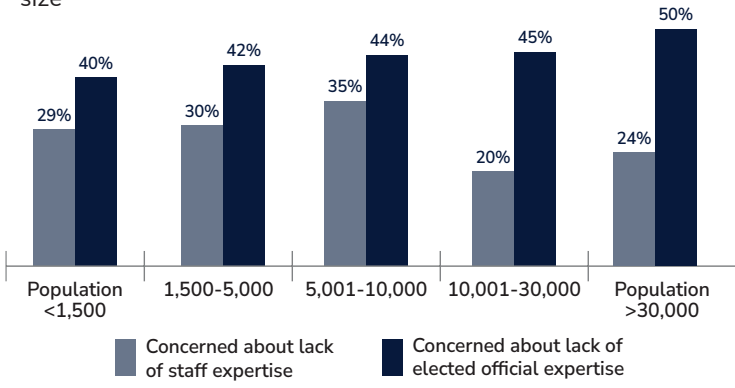
Concerns about elected leaders' lack of budgeting expertise highest among cities and villages, communities with fiscal stress

Figure 3a
Percentage “somewhat” or “very” concerned about lack of budgeting expertise in the jurisdiction, by jurisdiction type



When looking at expertise concerns broken out by jurisdiction type, what stands out the most is that a majority of Michigan city officials (56%) and village officials (53%) express concern over lack of budgeting expertise among their municipality’s elected officials (see Figure 3a). Around a third of both cities and villages also express concern about lack of staff expertise.

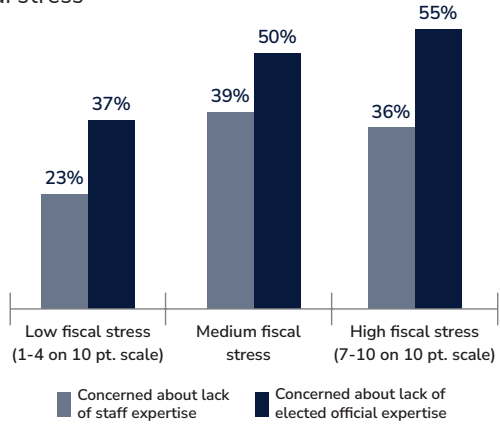
Figure 3b
Percentage “somewhat” or “very” concerned about lack of budgeting expertise in the jurisdiction, by population size



Looking at expertise concerns by population size, officials in the state’s largest jurisdictions, those with over 30,000 residents, are most likely to be concerned about lack of budgeting expertise among their elected officials (50%) but among the least likely to be concerned about staff expertise (24%) (see Figure 3b). More than a third (35%) of small jurisdictions with between 5,001-10,000 residents are concerned about lack of staff budgeting expertise.

Perhaps unsurprisingly, jurisdictions that are experiencing high fiscal stress are more likely to report concerns about budgeting expertise. However, even in places that report low fiscal stress, 24% are concerned about staff expertise and 37% are concerned about the budgeting capabilities of their elected officials. (see Figure 3c).

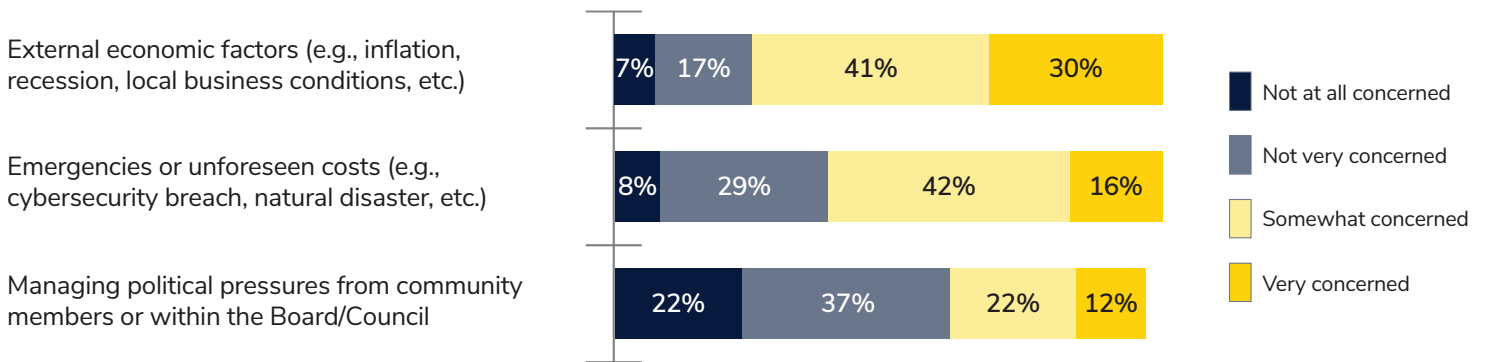
Figure 3c
Percentage “somewhat” or “very” concerned about lack of budgeting expertise in the jurisdiction, by jurisdiction fiscal stress



More significant concerns regarding the broader economy, federal and state mandates, and unforeseen emergencies

In general, local leaders are more worried about the budget impacts of external factors outside of their control than technical/procedural financial management challenges. Economic concerns about a downturn in the local and wider economy or about continuing inflation are top-of-mind for most local officials, with 71% statewide saying they are somewhat (41%) or very (30%) concerned (see Figure 4). Another 58% cite worries about emergencies or unforeseen expenses as significant challenges to their budgeting process. Somewhat less common, but still worrisome, is the problem of managing political pressures from the community or among members of the local Board or Council, with 34% statewide somewhat or very concerned.

Figure 4
Local officials' concerns regarding external factors affecting their jurisdiction's budgeting



Note: Responses for “not applicable” and “don’t know” not shown.



The MPPS also asked local government officials to describe in their own words what their top priority for improving their jurisdiction's budgeting process would be, if they had additional resources such as more time, funding, or capacity.

The most frequently mentioned priority is long-term planning and forecasting, as well as the hiring of specialized personnel, external support, or the allocation of more staff time to budgeting. These priorities relate to underlying concerns about lack of training and understanding of budgeting processes for elected official and staff. Meanwhile, others note the need for updates to local government budgeting software and technology to both enhance internal processes and improve transparency with residents.

Voices Across Michigan

Examples of local government officials' top priorities for improving their jurisdiction's budgeting process

"Improved software for more readily available reports for our board."

"Tech help in drawing up documents (excel sheets or whatever) that helped plug numbers into a very constituent-friendly packet to be presented to the public. Board and the persons they serve are woefully uneducated about numbers and reading financial documents, so would love to know how to create better information that everyone would easily understand."

"Community Engagement. While we do attempt to do some community education there is a misunderstanding about taxes in general in the entire state not just [in our city]... If we had enough funding for a budget staff person we could also do more analytics on budget monitoring and follow-up with departments in closer to real-time instead of looking back to the last month or quarter."

"Implementing a finance department. Hiring a certified professional would eliminate the risk of elected officials not having the proper understanding of all of the financial aspects faced by the local governing body."

"Start incorporating more AI tools for forecasting/projections. We utilize AI a lot, but haven't incorporated it down the chain. As costs for AI is minimal, it's really a time-issue to be able to spend the time to build the components to make it run smoother."

"More time spent on long term planning... More time, more analysis of historical data to generate projections."

"Education for utilizing the tools we have as a small government body for budgeting, and more easily understandable resources for lay persons (people who are elected and have zero accounting knowledge) to do their job well... As a Clerk the BOE pours out all sorts of training to manage the Election and Voter end of the job. But, when it comes to financial training to manage budgets, how to use software like QuickBooks, we are lost."

"An ability to foresee unexpected expenditures, example: the increasing costs associated with refuse and recycling - especially with state mandates. This is our biggest and costliest unknown with prices increasing monthly at times. Add in the state mandates and more unexpected costs."

"A crystal ball? We don't have much trouble with putting our budget together or adopting it as we have two or three posted Board Work Sessions in which we gather input from all that attend in formulating our budget. What concerns me, is our unsettled State and Federal Governments as to what unfunded mandates or cuts they will come up with."

Voices Across Michigan (con't)

“Financial expertise in government has increased greatly in cost, and staff to perform these functions are more rare. Additional funds for higher level private services are lacking. We now manage finances with new staff that we are training at lower compensation levels and very limited private assistance. This combined level of expense is not sustainable and is still below a competitive finance director/treasurer level. Reporting and filing mandates apply to all municipalities, large and small. This requires a comprehensive skill set that covers the full scope of financial forecasting, bookkeeping, reporting, treasury (tax) duties, investing, journal entries, audits, and analytics. Employees that can manage this are simply out of the price range for a smaller city during strong economic times when the private sector is competitive for such talent. Much of the job in finance was managing the city’s finances to address existential and service issues, as well as to present the financial narrative to the public and council in a manner that is transparent and useful for decision making. There has been a heavy burden in the form of mandates and reporting requirements, presumably because a limited number of municipalities have failed in their obligations, e.g., because some municipalities choose to ignore their post-retirement benefit obligations, everyone must engage in further OPEB studies on an annual basis. We now spend about 5% of our annualized OPEB expense demonstrating that we do not have a significant OPEB expense. With that said, I also support validated exemptions for governments with a track record of fiscal solvency and procedural correctness. E.g. Since we find that you have not committed any crimes, I don’t think you need this probationary ankle monitor that you are paying for any longer! Yay!”

Notes

1. Fitzpatrick, N., Horner, D., and Leiser, S. (December 2025). Smaller and more rural Michigan local governments are struggling with increased fiscal stress. Ann Arbor, MI: Center for Local, State, and Urban Policy at the Gerald R. Ford School of Public Policy, University of Michigan. Retrieved from: <https://closup.umich.edu/michigan-public-policy-survey/139/mpps-smaller-and-more-rural-michigan-local-governments-struggling-increased-fiscal-stress>

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, are available at <http://mpps.umich.edu>.

The survey responses presented here are those of local Michigan officials, 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.