



Michigan local governments making progress on best practices in budgeting

By Debra Horner, Natalie Fitzpatrick, Stephanie Leiser, Margaret Walthall, and Morgan McKimmy

This report presents the assessments of Michigan's local government leaders on local budgeting processes, including the prevalence of multi-year budgeting, capital improvement plans (CIPs), long-term financial planning, and views on the appropriate levels of data use, contingency planning, regular budget monitoring, and public transparency. The survey also asked a series of questions about the use of best practices in financial management according to the Government Finance Officers Association (GFOA), a leading non-profit organization that promotes professional management of governments. These findings are based on statewide surveys of local government leaders in the spring 2025 wave of the Michigan Public Policy Survey (MPPS) with comparisons to the fall 2014 survey wave.

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). Respondents for the Spring 2025 wave of the MPPS 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 local jurisdictions across the state.

Key Findings

- Most Michigan local governments (especially villages and townships) manage annual operating budgets under \$1 million, while just 12% of jurisdictions (mostly counties) oversee budgets over \$10 million.
- The vast majority of local governments adopt operating budgets one year at a time: 93% adopt one-year operating budgets, and multi-year operating budgets are rare (5%).
- Statewide, 41% of local governments report having a multi-year Capital Improvement Plan (CIP), typically spanning 4–5 years. Around three-quarters of jurisdictions over 10,000 residents report having a CIP, versus one-quarter of jurisdictions with under 1,500 residents.
- Relatively low percentages of local governments report using various types of long-term financial planning: Master plan that includes financial planning (29%), revenue forecasting (24%), strategic plans (23%), and formal long-term financial plans (15%). However, many local leaders say they'd like to adopt these tools.
 - » Among jurisdictions doing any long-range planning, most include expenditure, revenue, and capital-cost projections, but fewer include explicit assumptions (37%) or concrete strategies to plan for financial health (31%) or liabilities like pensions/debt (29%).
- The adoption of formal budgeting policies has expanded since 2014.
- Local leaders generally believe their government's budgeting approach should be more priority-driven than incremental, and would support the expanded use of performance data, contingency planning, monitoring, and transparency.



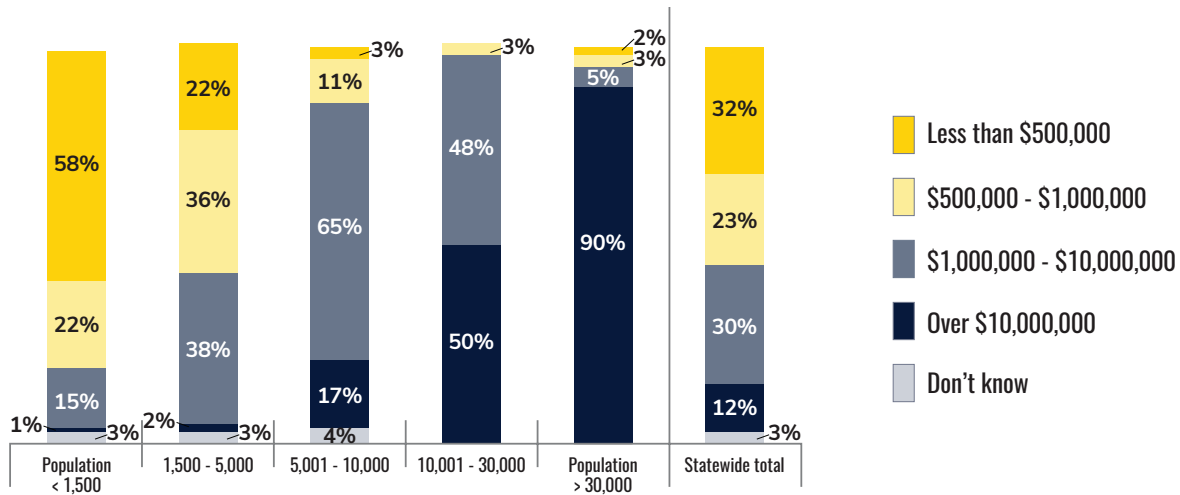
Center for Local, State, and Urban Policy

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Most local governments in Michigan manage annual budgets under \$1 million

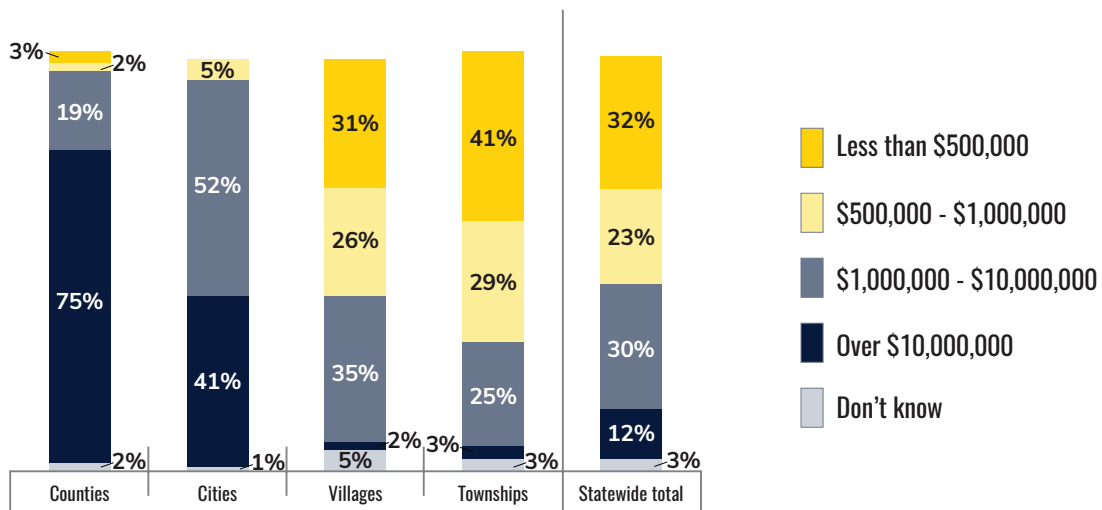
The Spring 2025 MPPS asked local leaders a series of questions about their governments' budgets and the policies and practices they use when developing those budgets. Across the whole state, most Michigan local governments consider themselves rural or mostly rural and have populations of under 5,000 residents, so their budgets are relatively small. As shown in *Figure 1a* below, a majority of local jurisdictions statewide have annual operating budgets of less than \$1 million. Meanwhile, 12% of Michigan jurisdictions are at the other end of the spectrum, with annual operating budgets of more than \$10 million.

Figure 1a
Distribution of Michigan local government annual operating budgets, by population size



Budget sizes are also different for cities, townships, villages, and counties because they have different service responsibilities. Michigan counties are the most likely to manage large, complex budgets, with 75% reporting their annual operating budgets exceed \$10 million (see *Figure 1b*). By contrast, 57% of villages and 70% of townships report overseeing annual operating budgets of less than \$1 million.

Figure 1b
Distribution of Michigan local government annual operating budgets, by jurisdiction type



Relatively few adopt multi-year budgets, even among the largest jurisdictions

While Michigan law only requires local governments to budget one year at a time, some communities opt for multi-year budgeting to better align spending plans with medium-term strategic objectives. Statewide, 93% of communities say they adopt a single-year operating budget, while only 5% engage in multi-year budgeting (see *Figure 2a*). The largest jurisdictions are most likely to report adopting multi-year budgets, with 8% reporting they have two-year operating budgets and 13% saying their budgets project three or more years into the future. Compared to other jurisdiction types, cities (16%) are the most likely to adopt multi-year budgets (see *Figure 2b*).

These numbers are essentially unchanged compared to previous MPPS waves that asked about single vs. multi-year budgeting in 2011 (95% had a single year budget), 2012 (92%), and 2014 (93%).

Figure 2a
Percentage of Michigan local governments that adopt multi-year budgeting, by population size

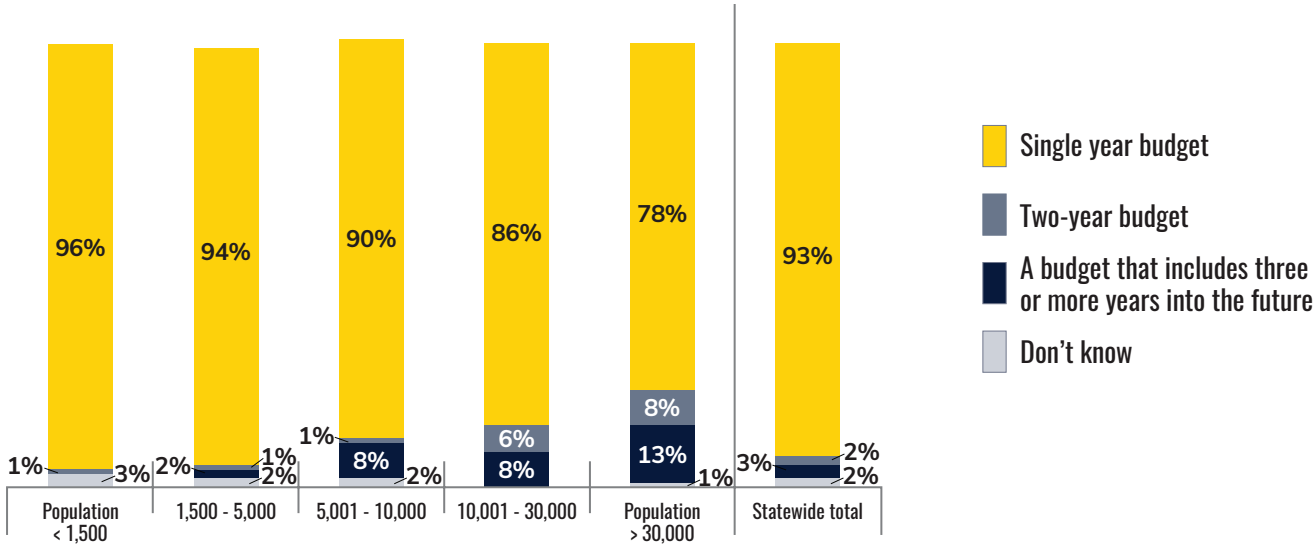
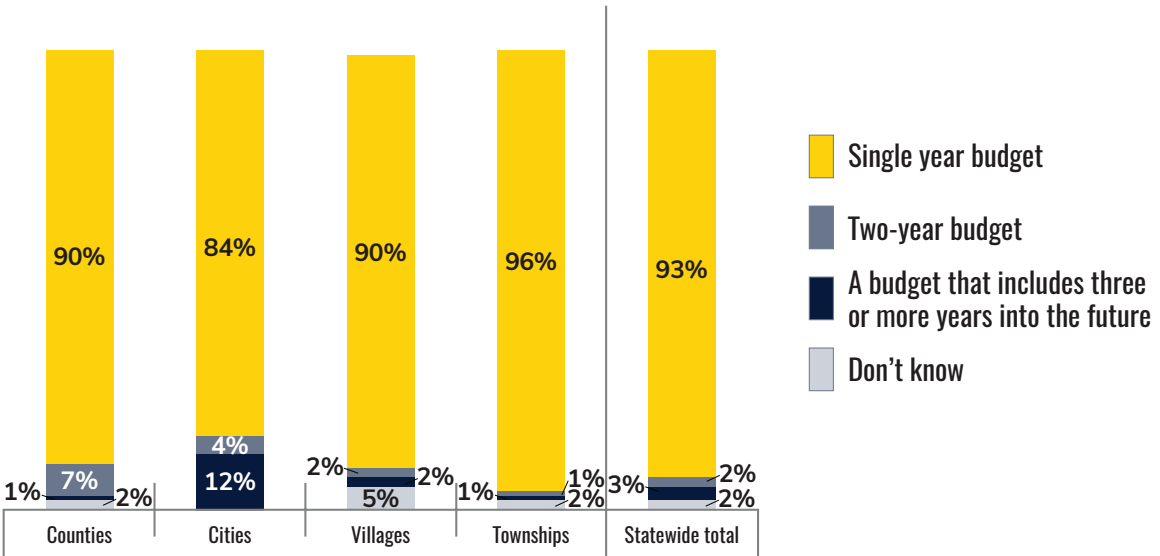


Figure 2b
Percentage of Michigan local governments that adopt multi-year budgeting, by jurisdiction type



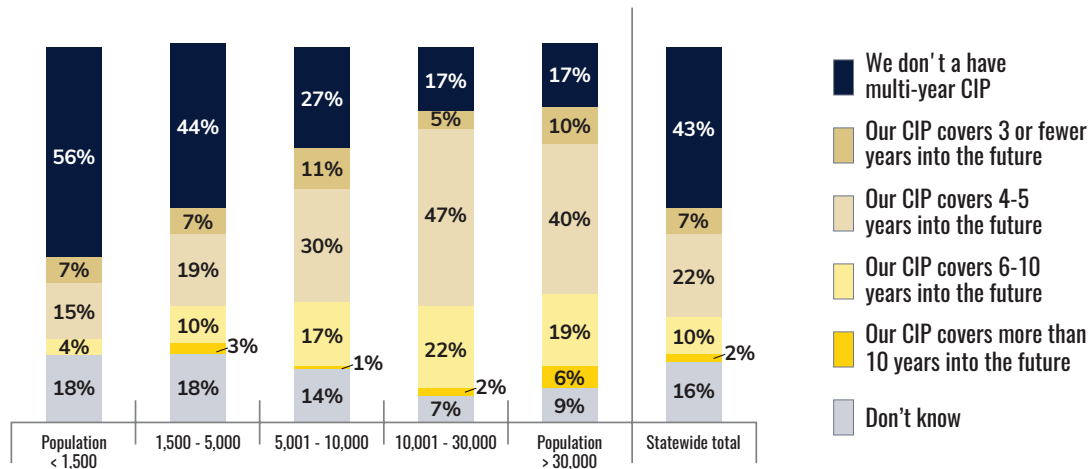
Most mid-sized and large jurisdictions have multi-year Capital Improvement Plans

One way that communities engage in longer-term planning is by using a multi-year capital improvement plan (CIP, a plan for investing in large projects or capital assets like constructing new buildings or improving drinking water infrastructure. Use of CIPs among Michigan local governments is widespread, with 41% reporting that they have at least one long-term CIP (see Figure 3a). The most common time horizon for CIPs is 4-5 years (22% of jurisdictions), while 12% have a time horizon of 6 or more years.

Unsurprisingly, larger jurisdictions are more likely to report having a CIP and to use longer time horizons. Around three-quarters of mid-sized and larger local governments (with over 10,000 residents) have a CIP, compared to just one-quarter of local governments in places with fewer than 1,500 residents.

Figure 3a

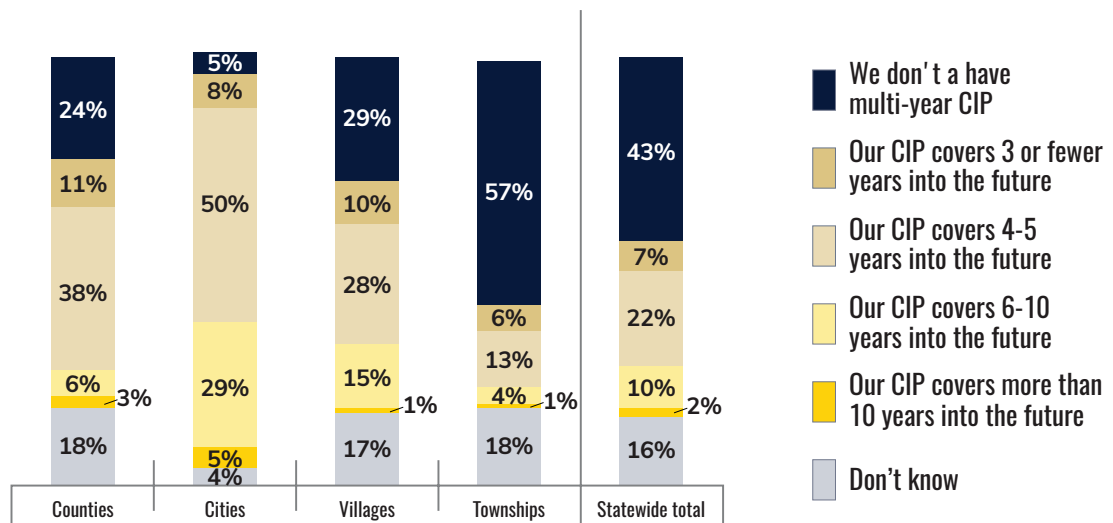
Percentage of Michigan local governments that have multi-year capital improvement plans (CIPs), by population size



By jurisdiction type, 92% of cities, 58% of counties, 54% of villages, and 25% of townships have a CIP (see Figure 3b). However, these percentages may be low for counties, townships, and villages because around 17-18% of respondents in these communities reported that they did not know whether they had a CIP.

Figure 3b

Percentage of Michigan local governments that have multi-year capital improvement plans (CIPs), by jurisdiction type

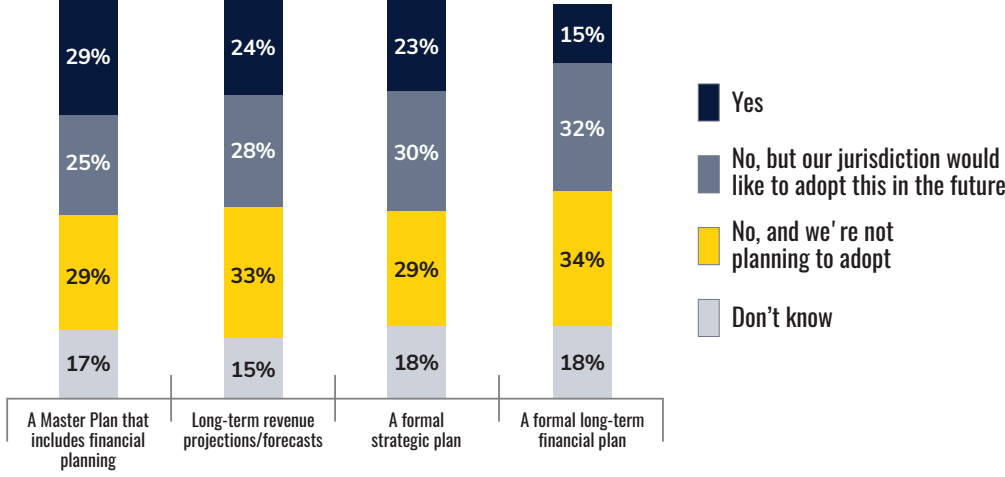


Long-range planning tools are more likely to be used in larger jurisdictions, but many express interest in adopting more tools

In addition to CIPs, there are a variety of other strategies local governments can use for long-range fiscal planning: incorporating financial planning into a Master Plan, long-term revenue projections or forecasts, formal strategic plans that provide a roadmap for achieving the community’s long-term goals, or formal long-term financial plans for maintaining financial health.

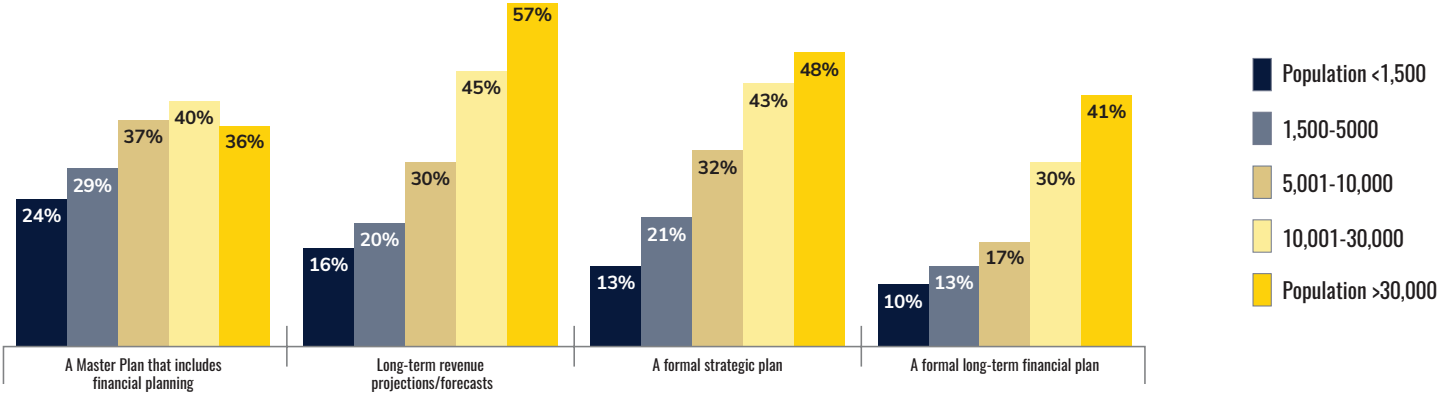
Statewide, 29% of local governments report having a Master Plan that includes financial planning, and another quarter say they don’t currently use this strategy but would like to have one in the future (see Figure 4a). Slightly smaller percentages use long-term revenue projections (24%) or formal strategic plans (23%), and just 15% currently have a formal long-term financial plan. However, significant proportions of local governments express interest in adopting each of these practices.

Figure 4a
Percentage of local governments conducting various types of long-term financial planning



Inclusion of financial planning in government Master Plans is most common among mid-sized jurisdictions with 10,001-30,000 residents, while the state’s largest jurisdictions are most likely to make use of the other long-range planning approaches (see Figure 4b). However, even in the largest places, the only tool used by more than half of governments is long-term revenue forecasting (57% of communities with over 30,000 residents).

Figure 4b
Percentage of local governments reporting “yes” for various types of long-term financial planning, by population size

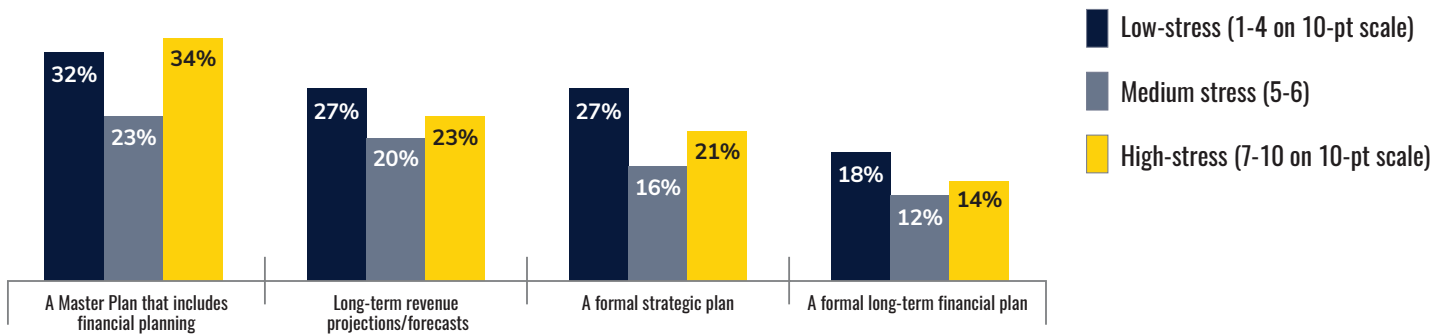


Use of long-term planning also appears to vary by how fiscally stressed a community is. The MPPS captures this in the Fiscal Stress Index, which asks local leaders to rate their jurisdiction’s overall fiscal condition on a scale of 1-10, where 1 is perfect fiscal health and 10 is fiscal crisis. Reports of 1-4 on the scale are considered “low fiscal stress” or “good fiscal health,” while ratings of 5-6 are considered “medium fiscal stress”, and ratings of 7-10 are considered “high fiscal stress” or “poor fiscal health.”

As shown in *Figure 4c*, jurisdictions on both the low end of the scale and the high end of the scale are more likely to report using the various types of long-term financial planning than are those who report medium amounts of fiscal stress. For example, among jurisdictions that report currently having low fiscal stress, 32% have a Master Plan that includes financial planning, as do 34% of those with high fiscal stress. Meanwhile, 23% of jurisdictions with medium levels of stress indicate they have a financial planning element in their Master Plan.

This analysis does not establish causality, but it suggests that there may be some relationship between long-term financial planning and fiscal health. For example, the fact that low-stress jurisdictions are more likely to use long-term financial planning may indicate that long-term financial planning helps keep fiscal stress low. On the other hand, jurisdictions experiencing high levels of fiscal stress may feel more of a need to engage in long-term planning to improve their financial situation (or to signal that they are *attempting* to improve their finances) compared to jurisdictions with medium fiscal stress.

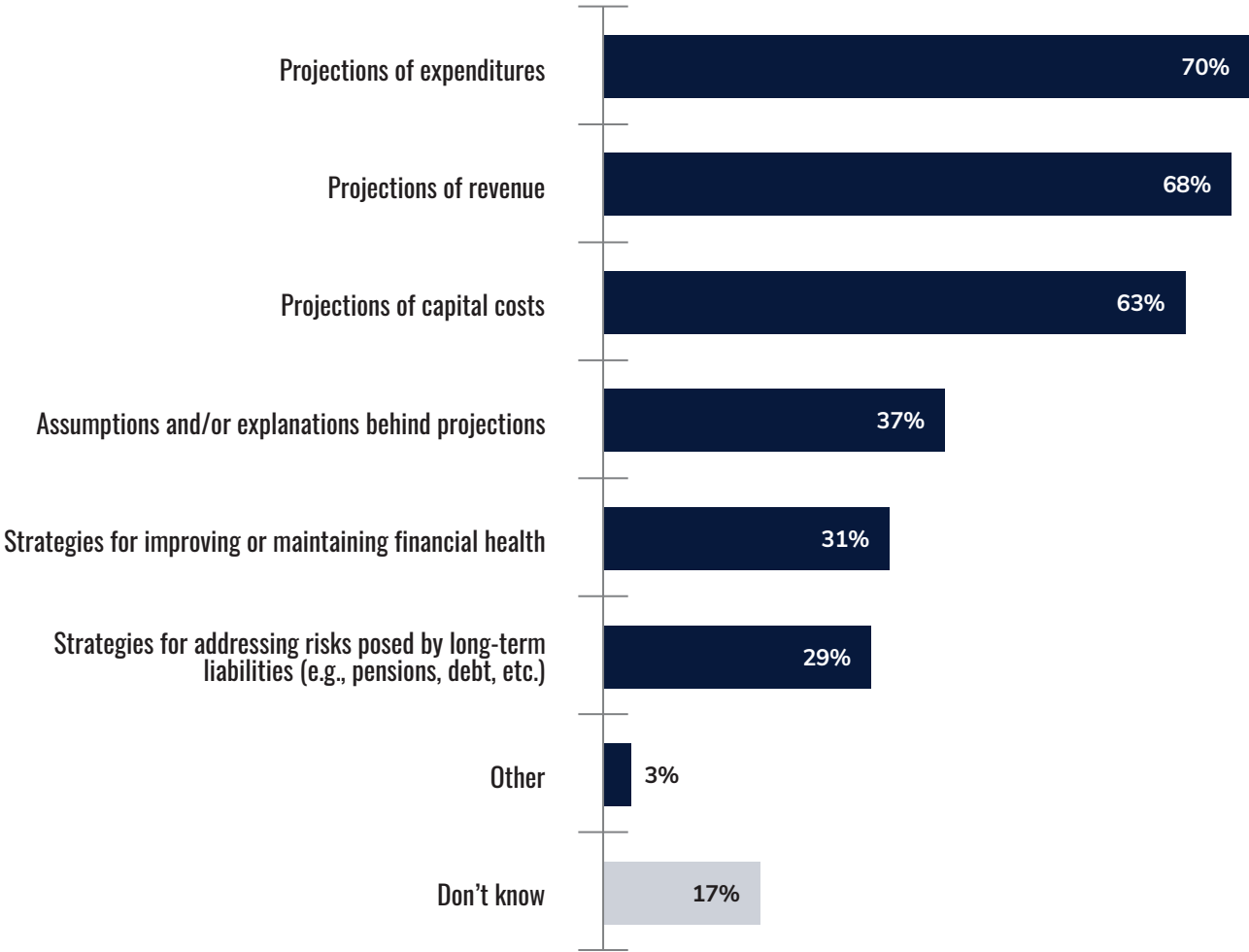
Figure 4c
Percentage of local governments reporting “yes” for various types of long-term financial planning, by jurisdiction fiscal stress



Most long-term plans include projections, but fewer include specific strategies

Among the 57% of Michigan local governments who report they engage in some type of long-range financial planning, most indicate they include projections of expenditures (70%), revenues (68%), and capital costs (63%) in their analyses (see *Figure 5*). However, only 37% report that long-term plans include explicit assumptions or explanations behind those projections. In addition, less than a third incorporate strategies for improving or maintaining financial health (31%) or for addressing long-term liability risks like pensions or debt (29%).

Figure 5
Elements of Michigan local government long-term financial planning (among those that engage in any long-term planning)



Local government adoption of formal budgeting policies and practices has grown over the past decade

The Government Finance Officers Association (GFOA) is a nonprofit professional organization dedicated to advancing excellence in public finance. GFOA represents over 30,000 finance officials from federal, state, provincial, and local governments throughout the United States and Canada. One of GFOA’s main functions is to research and develop best practices for budgeting and financial management, and it provides many training and professional development opportunities for its members.

The Spring 2025 Michigan Public Policy Survey (MPPS) asked local officials about a list of seven GFOA-recommended policies addressing financial planning and management (see *Table 1*).

Table 1
GFOA financial planning and management policy recommendations included on the Spring 2025 MPPS

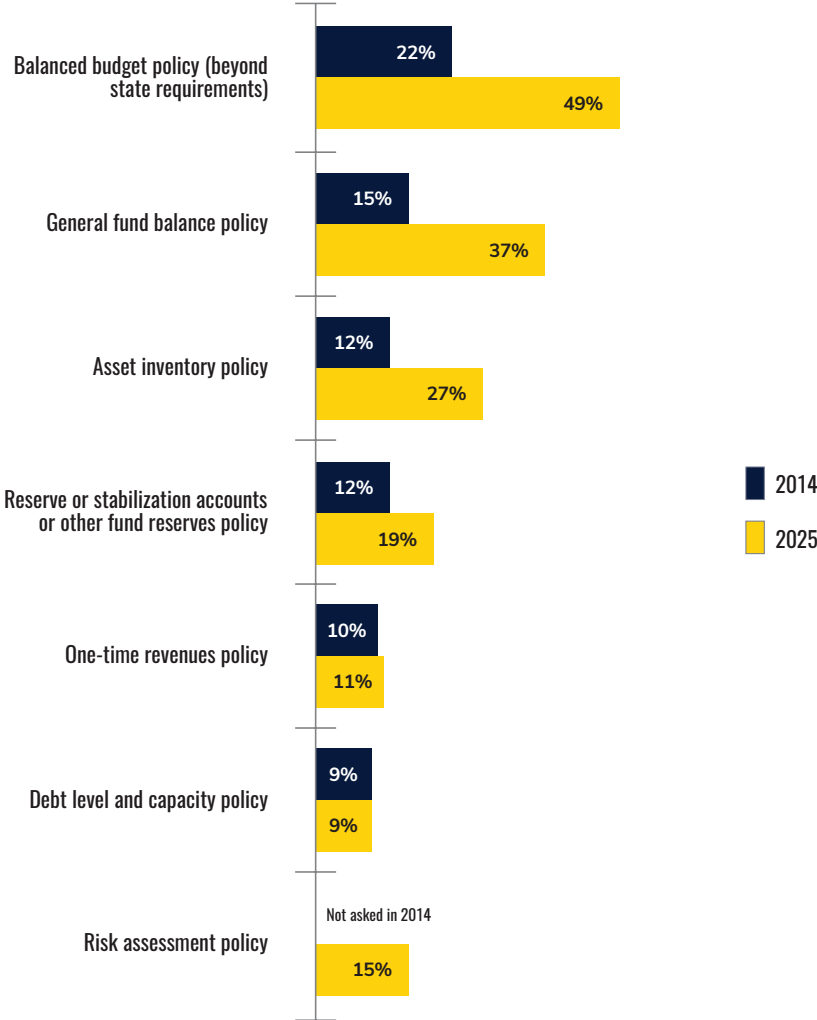
<p>Balanced Budget Policy: commitment to a balanced budget and disclosure when deviations occur (beyond state requirements)</p>
<p>One-Time Revenues: policy(s) directing the use of one-time revenues (e.g., from sale of government assets, grant monies, etc.)</p>
<p>General Fund Balance: policy(s) that specify the level of unrestricted fund balance that should be maintained in the general fund</p>
<p>Reserve or Stabilization Accounts or Other Fund Reserves: policy(s) to maintain a prudent level of financial resources to weather temporary revenue shortfalls or one-time expenditures</p>
<p>Asset Inventory: regularly updated inventory and assessment of the condition of all major capital assets (e.g., buildings, major equipment, etc.)</p>
<p>Debt Level and Capacity: policy(s) on the maximum amount of debt and debt service that should be outstanding at any time (beyond state requirements)</p>
<p>Risk Assessment: program(s) designed to identify potential events that may affect the government and to protect and minimize risks to the government’s property, services, and employees</p>

Six out of these seven policies were also asked about on the Spring 2014 MPPS. Comparison between answers on the two surveys is complicated by a change in the question wording. Although [the 2014 survey](#) distinguished between “strictly” and “loosely” followed written policies, [the 2025 survey](#) simply asked whether the local government has “formal policies”. Nevertheless, there are still insights to be gained from comparing responses from 2014 and 2025.

Currently, almost half (49%) of Michigan local governments have a formal balanced budget policy that goes beyond state requirements (see Figure 6). This is a significant increase over the 22% who said they “strictly followed” a balanced budget policy back in 2014. There were similar increases in the percentage of local governments that report having policies regarding unrestricted general fund balance levels (37% in 2025 vs. 15% in 2014) and regular capital asset inventories (27% in 2025 vs. 12% in 2014).

Formal policies addressing one-time revenues (11%) and debt level and capacity (9%) are the least widely used policies among local governments across the state and their prevalence is essentially unchanged since 2014.

Figure 6
Percentage of jurisdictions that have adopted formal policies regarding specific areas of government financial planning and management, 2014 vs. 2025



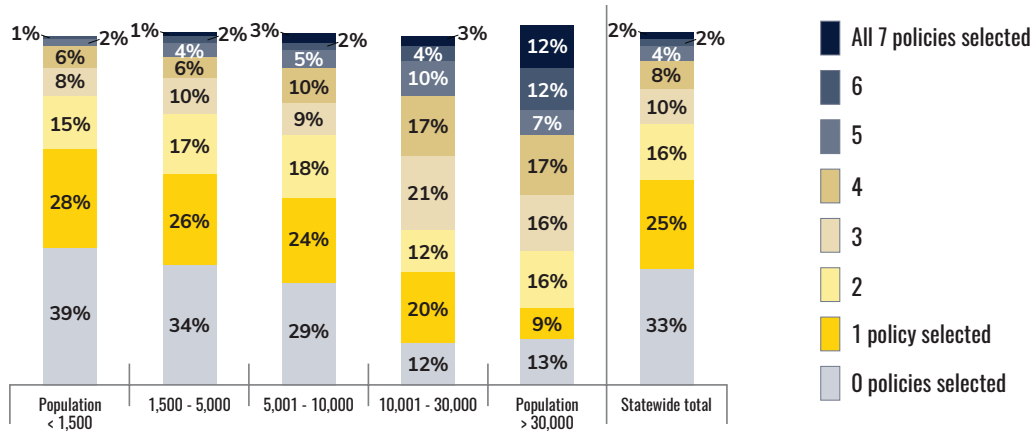
Note: Different questions were asked on the two survey waves. Percentages for 2014 show respondents who checked “written policy, strictly followed” while 2025 shows respondents who checked they have a “formal policy” for each item.

Statewide, 67% of local governments say they use at least one of these seven formal GFOA-recommended financial planning and management policies. Only a few jurisdictions (2% statewide) report using all seven, while 25% of jurisdictions use only one (see *Figure 7a*).

Larger jurisdictions, which typically have more complex budgets, are more likely to report use of a variety of GFOA-recommended policies. Among jurisdictions with over 30,000 residents, almost a third (31%) use five or more.

Figure 7a

Percentage of jurisdictions that currently have formal policies on specific areas of government financial planning and management, by population size

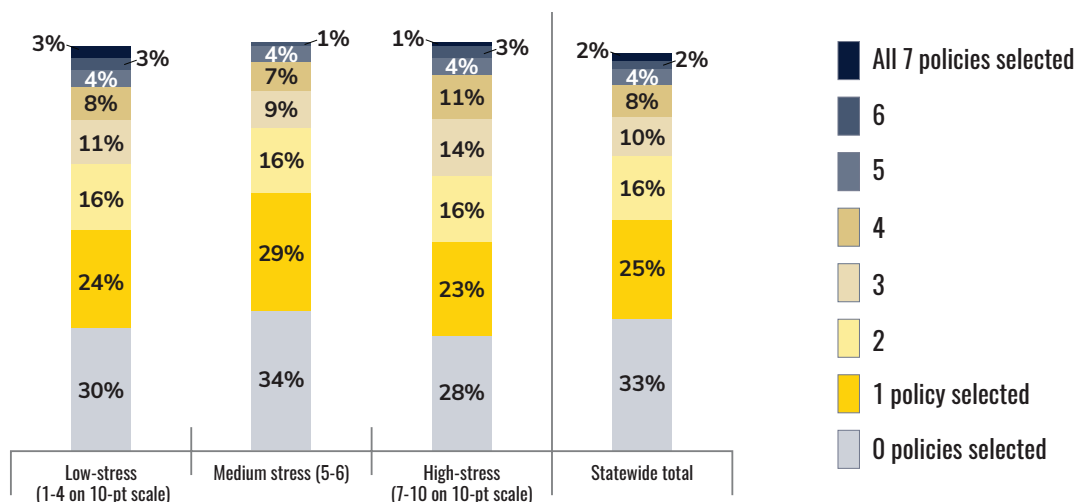


As found in the patterns of long-term financial planning, use of GFOA-recommended policies differs by local governments' levels of fiscal stress. As shown in *Figure 7b*, jurisdictions reporting low stress (1-4 on the 10-point scale) or high fiscal stress (7-10 on the scale) report slightly more use of GFOA-recommended policies, compared with those jurisdictions experiencing medium levels of fiscal stress (5-6 on the scale).

As with the use of long-term financial planning, it is impossible to establish cause and effect. However, the use of more advanced budgeting practices may promote fiscal health, or jurisdictions with high stress might implement rigorous policies to help them get their financial house in order. Meanwhile, jurisdictions experiencing medium stress may be less likely to use formal policies simply because they face little pressure to do so.

Figure 7b

Percentage of jurisdictions that currently have formal policies on specific areas of government financial planning and management, by jurisdiction fiscal stress



Local leaders would generally prefer a more priority-driven, less incremental approach to budgeting

Finally, the MPPS asked a series of more reflective questions about local officials' views on how their jurisdictions approach the budgeting process. These questions first ask them to characterize their government's current approach and then follow up by gauging what they think that approach *should be*.

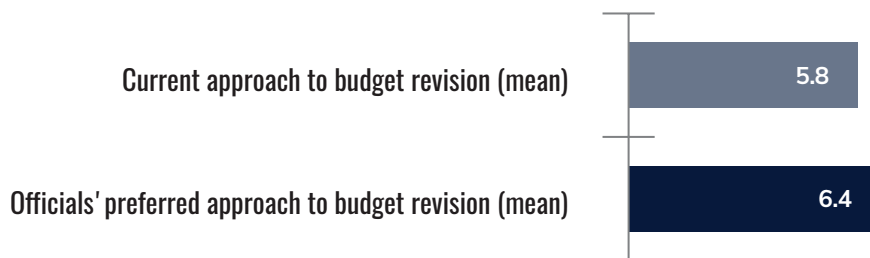
The first question addressed potential tensions when making changes to a budget. Local leaders were asked to compare making incremental changes in their budget based on historical precedent versus making larger changes based on current priorities.

Local officials were asked to rate their jurisdiction's current approach, and their preferred approach, on a scale of 1 to 10, where 1 indicates an approach more based on historical precedent, and 10 indicates an approach more based on current priorities. As shown in *Figure 8a*, when it comes to assessments of how budgeting is *currently* conducted, the average assessment is 5.8, meaning local governments give slightly more weight to current priorities.

When asked how they think their government *should* approach budgetary changes, using the same scale, the average increases to 6.4, meaning that on average local officials believe more weight should be given to current priorities and less to historical precedent.

Figure 8a

Local leaders' assessments of incremental vs. large-scale budget revisions in their jurisdiction and preference for how revisions should be conducted, mean score on 1-10 scale

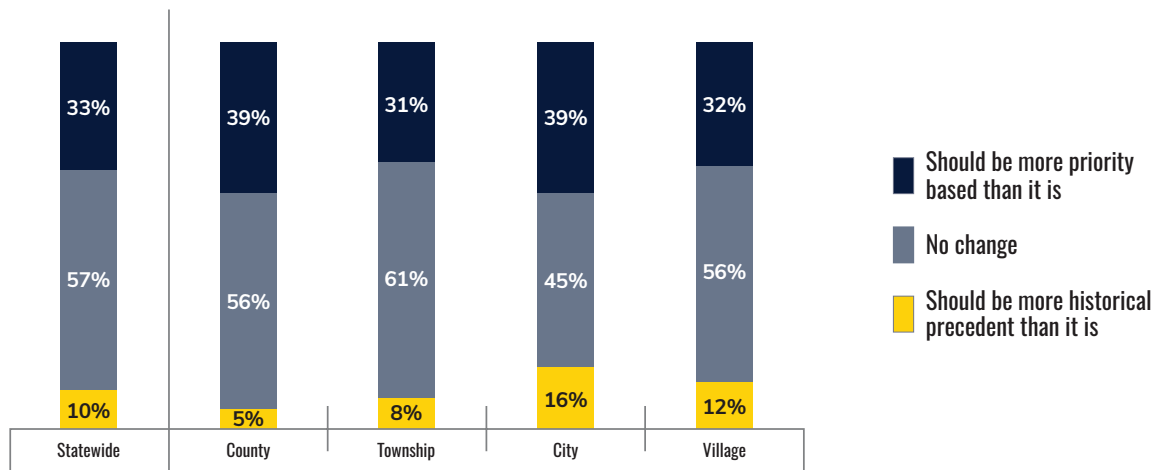


Note: Responses for "don't know" excluded.

But just looking at averages masks some variation. Statewide, 33% of local government leaders would like their government to increase the weight given to current priorities, while 10% say they should move towards a more incremental process, and 57% say they already strike the right balance (see *Figure 8b*). There are also differences by jurisdiction type in how local officials feel their budget process should change. For example, townships are the most content with their current balance (61% want no change). By contrast, city officials are more likely than other jurisdiction types to want some kind of change, either a move towards basing budgeting decisions on current priorities (39%) or a move towards a more incremental process (16%).

Figure 8b

Local leaders' assessments of how their jurisdiction's use of incremental vs. large-scale budget revisions should change, by jurisdiction type



Note: Responses for "don't know" excluded.



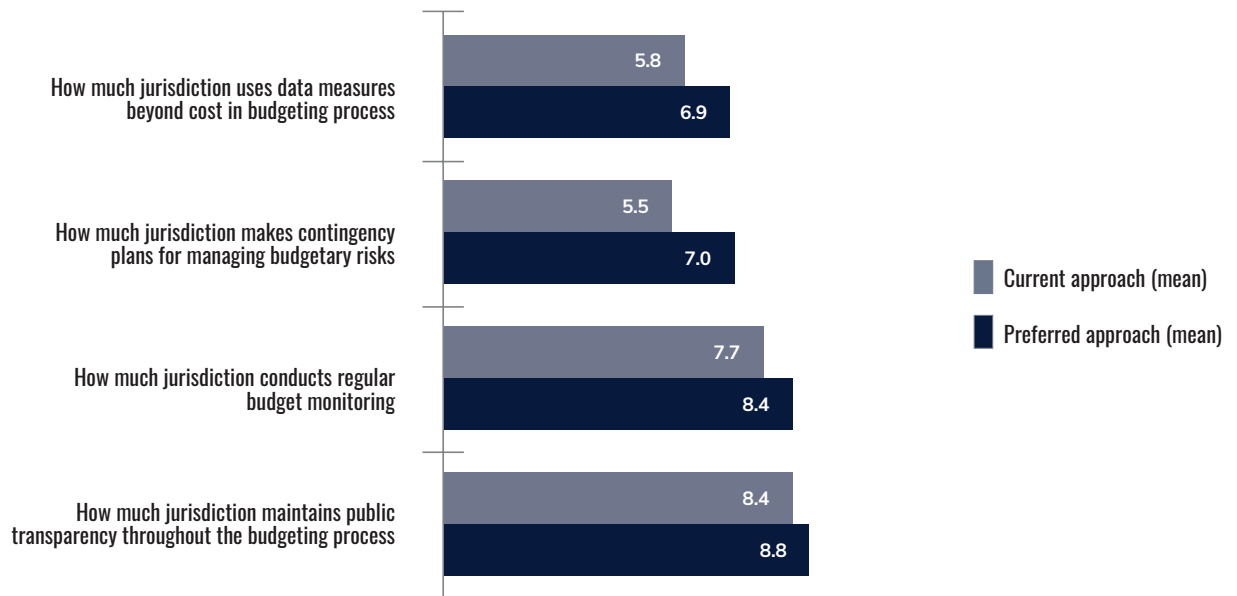
Aspirations for the greater use of various budgeting practices

Local leaders also reported about four specific budgeting practices— how much they currently use them and how much they think they *should* use them.

As shown in *Figure 9*, for each of the four practices the MPPS listed, leaders consistently wish their governments were doing more.

Figure 9

Local officials average (mean) assessments of their current use of budgeting practices and how the practices should be used, mean score on 1-10 scale



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

Respondents were first asked to think about how much they rely on data measures beyond cost (e.g., number of fire runs, number of water main breaks, community demand for services) in their government’s budgeting process. On a scale of one (“not at all”) to ten (“a great deal”), local officials rate their current practice at an average score of 5.8. Yet when asked how much their jurisdiction *should be* incorporating data measures, the average rises to 6.9.

When it comes to making contingency plans for managing budgetary risk, local officials rate their current practice at an average score of 5.5, and when asked how much their jurisdiction *should be* incorporating contingency planning, the average rises to 7.0.

Compared to their current use of data and risk planning, local officials’ reports of their current practice of regular budget monitoring is significantly higher, at an average score of 7.7 out of ten. However, they believe there is still some room for improvement, with an average “should” score of 8.4. This includes 36% of local governments who say their local government should be doing “a great deal” (10) of regular budget monitoring.

Finally, when it comes to public transparency in their government budgeting, local leaders give their current practices relatively high scores and there is a smaller gap between the current approach and what local leaders would like to see. Local leaders give an average score of 8.4 out of ten to their current process of maintaining public transparency throughout the budgeting process. There is still some room for growth, with average aspiration at 8.8. Overall, 45% of local governments say they should be at a 10 for public transparency.

Survey Background and Methodology

The MPPS is an ongoing survey program, interviewing the leaders of Michigan's 1,856 units of general-purpose local government, conducted by the Center for Local, State, and Urban Policy (CLOSUP) at the University of Michigan in partnership with the Michigan Municipal League, Michigan Townships Association, and Michigan Association of Counties. Surveys are conducted each spring (and prior to 2018, were also conducted each fall). The program has covered a wide range of policy topics and includes longitudinal tracking data on "core" fiscal, budgetary and operational policy questions and is designed to build up a multi-year time series.

In the Spring 2025 iteration, surveys were sent by the Center for Local, State, and Urban Policy (CLOSUP) via email and hardcopy to top elected and appointed officials (including county administrators and board chairs; city mayors and managers; village presidents, clerks, and managers; and township supervisors, clerks, and managers) from all 83 counties, 280 cities, 253 villages, and 1,240 townships in the state of Michigan. More information is available at <https://closup.umich.edu/michigan-public-policy-survey/mpps-2025-spring>.

The Spring 2025 wave was conducted from April 7 – June 12, 2025. A total of 1,328 local jurisdictions returned valid surveys (72 counties, 208 cities, 162 villages, and 886 townships), resulting in a 72% response rate by unit. Quantitative data are weighted to account for nonresponse. Missing responses are not included in the tabulations unless otherwise specified. Some report figures may not add to 100% due to rounding within response categories. "Voices Across Michigan" verbatim responses, when included, may have been edited for grammar and brevity.

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 jurisdiction characteristics such as community population size, region, and jurisdiction type, 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.