



The Fiscal Health of Michigan Local Governments 2024

Executive Summary

This report provides an overview of Michigan local government fiscal health using financial data reported to the State of Michigan from 2022 to 2024. This analysis evaluates cash, budgetary, long-term, and service solvency indicators for counties, cities, villages, and townships in Michigan. This report finds that Michigan local governments remain fiscally stable, though signs of emerging strain are becoming more evident. While fund balances and operating performance remain solid overall, cash reserves are declining as pandemic-era federal aid winds down. Indicators of long-term solvency show modest improvement, but rising debt per capita and persistently underfunded pension and retiree health obligations continue to weigh on many jurisdictions. Fiscal conditions remain uneven across government types and sizes, underscoring the importance of continued monitoring as revenue constraints and expenditure pressures evolve.

Introduction

Michigan's local governments provide essential services, maintain public infrastructure, and safeguard community well-being. Their ability to carry out these responsibilities depends on their fiscal health, which is shaped by their revenue structures, expenditure demands, debt obligations, and long-term liabilities. In recent years, local governments have operated in a shifting fiscal environment marked by inflationary pressures, workforce constraints, moderating revenue growth, and the winding down of federal pandemic relief funds. In response, many jurisdictions strengthened their reserves and adopted cautious financial management strategies to improve resilience against uncertainty.

Per the spring 2025 Michigan Public Policy Survey (MPPS), there continues to be a small minority of Michigan local governments (8%) who reported high levels of fiscal stress, unchanged from 2023. More concerning, the percentage of jurisdictions that report low fiscal stress has declined from 63% in 2023 to 56% in 2025, while the percentage of jurisdictions reporting medium stress increased from 26% to 31% in the same time period.¹

Although Michigan's broader economic outlook remains relatively stable, structural challenges continue to make local governments particularly susceptible to fiscal stress and less able to maintain economic agility compared to local governments in other states. Ongoing monitoring of fiscal trends is therefore critical to identifying emerging pressures and potential warning signs before signs of a crisis begin to emerge.

To monitor these trends, this report analyzes key indicators of local fiscal health using three years of financial data (FY 2022 through FY 2024) to assess liquidity, budgetary solvency, long-term obligations, and service-level capacity across counties, cities, villages, and townships. By examining financial performance, debt and retirement liabilities, spending priorities, and revenue composition, this report provides a comprehensive overview of the strengths and challenges facing Michigan's local governments as they navigate an evolving fiscal landscape.

Data and Methods

The data used in this report are from the FY 2024 Annual Financial Report (F-65) submitted by local units of government and compiled by the Michigan Department of Treasury, with comparisons to FY 2023 and FY 2022 data.² The data were downloaded in September 2025 and include the following number of observations:

Table 1
Available F-65 reports by fiscal year and jurisdiction type

	FY 2022	FY 2023	FY 2024
Cities (275 total)	253	273	274
Villages (258 total)	218	242	241
Townships (1,240 total)	1,077	1,193	1,191
Counties (83 total)	83	79	79

Data were cleaned to remove any obvious errors (e.g., values were reported as negative instead of positive) and merged with 2020 Census population data. Not every local unit included in the dataset reports complete data, so they may not be reflected in all ratios and measures calculated in this report.

For each financial indicator, median values are reported, broken down by jurisdiction type and population size. Medians are reported instead of means (i.e., averages) to minimize the influence of outliers that have very high or very low values. While outliers may reflect accurate values, they also can, at times, reflect errors. For this analysis, therefore, median values better reflect a “typical” local government than mean values. For some indicators, the entire distribution of values is shown so readers can get a sense of the shape of the distribution and range of values.

Liquidity remains adequate in most jurisdictions, but has softened, especially in larger jurisdictions

Understanding how well a government can cover any immediate emergencies in addition to its current obligations is a key indicator of its short-term financial stability. Analyzing both the General Fund Balance Ratio and the Governmental Funds Days of Cash on Hand suggests that Michigan local governments have remained stable over the past three years with little change, as outlined further below.

Unrestricted General Fund Balance Ratio

The ability to financially cover an emergency without having to siphon off money from other priorities is a key indicator of how well an entity can stand up to financial turmoil. The unrestricted general fund balance often represents the “emergency reserves” or “rainy day” fund for many governments and can be drawn down to respond to emergencies, fill unexpected budgetary shortfalls, or save up funding for large purchases. The Government Finance Officers Association recommends that governments maintain an unrestricted general fund balance of at least two months of regular operating revenues or expenditures, or about 15 to 20% of annual revenue. Median values of this ratio for each jurisdiction type are shown below in *Table 2* and are each in line with GFOA’s recommendation.



Counties and cities continue to have the lowest median at 33.2% and 38%, respectively, while villages and townships have the highest at 81.5% and 141.6%. Since FY 2022, the county median has grown by 37.8%, while the median village has seen very little growth, of just 0.8%. Median townships and cities each saw a decrease of 3.5% and 3%, respectively.

Additionally, jurisdictions with the smallest number of residents have the highest medians, while larger jurisdictions have smaller medians. Jurisdictions with less than 1,500 residents had a median unrestricted general fund balance ratio of 138.2% while the largest jurisdictions (over 30,000 residents) had a median of 32.2% in FY 2024.

Table 2

Unrestricted general fund balance ratio (median), by jurisdiction type and population size

	FY 2022	FY 2023	FY 2024
Counties	0.279	0.312	0.332
Cities	0.390	0.384	0.380
Villages	0.808	0.812	0.815
Townships	1.468	1.379	1.416

	FY 2022	FY 2023	FY 2024
< 1,500 residents	1.37	1.338	1.382
1,500 - 5,000	1.136	1.16	1.141
5,001 - 10,000	0.718	0.741	0.779
10,001 - 30,000	0.458	0.468	0.496
> 30,000	0.256	0.304	0.322

Local government officials say:

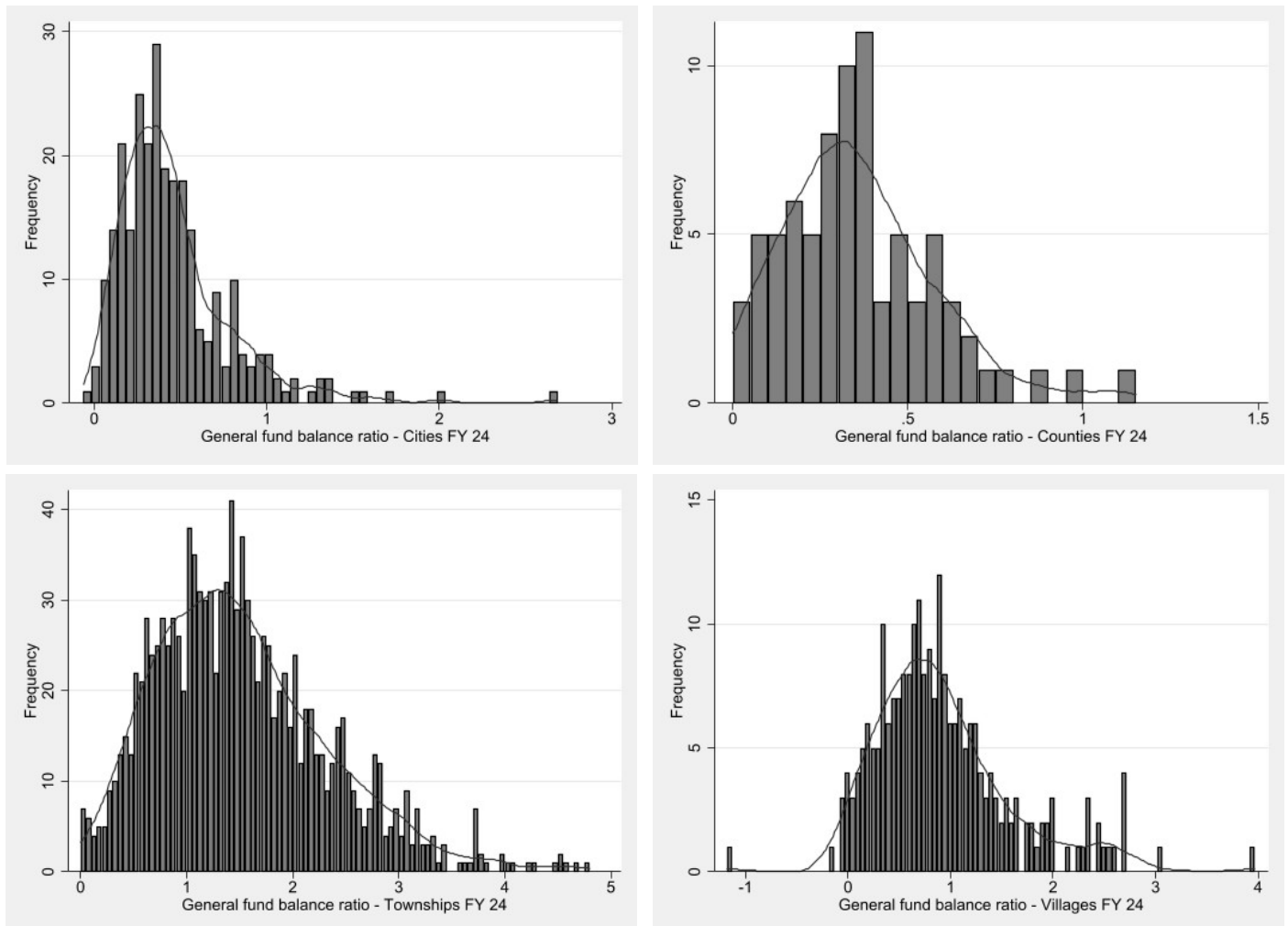
Statewide, almost half (43%) of local governments say the jurisdiction has a formal policy that specifies the level of unrestricted fund balance that should be maintained in the general fund. These are particularly common in counties (65%) and cities (73%), along with 42% of villages and 34% of townships.³

Figure 1 includes histograms that show the full range of values for all jurisdictions for the ratio of unrestricted general fund balance to revenues. While each jurisdiction type shows positively skewed distributions, cities and counties are much more condensed and centered between 0.2 and 0.5, while villages and townships have a wider distribution (centered around 0.9), indicating outliers with very high fund balance ratios. While many factors may affect these distributions, this pattern may suggest that cities and counties tend to opt for a more formalized structure surrounding their unrestricted fund balance, while villages and townships have less formal policies surrounding their unrestricted fund balance, creating more diversity in reserves.

At the low end of the distribution, some jurisdictions fall below the GFOA’s recommended 15% ratio value. In FY 2024, 30 cities (11.1%), 13 counties (16.5%), 17 townships (1.4%), and 18 villages (7.5%) had fund balance ratios at or below the threshold, a potential indicator of fiscal stress. Compared to FY 2023, the number of cities, townships, and villages below the threshold has increased, while counties saw a notable decline. In FY 2023, 26 cities (9.4%), 19 counties (24.1%), 15 townships (1.3%), and 17 villages (7%) fell at or below this threshold (see Appendix).

Figure 1

Unrestricted general fund balance to revenue ratios, by jurisdiction type





Days of Cash on Hand

Another measure of liquidity uses the days of cash on hand indicator, which calculates the number of days a jurisdiction can cover its expenditures with available cash in case revenue flows were disrupted. This indicator includes all governmental funds, not just the general fund, so it reflects the full scope of governmental activities. It is generally advised for governments to have enough cash on hand to cover expenses for at least 90 days.

Table 3 shows that while median values for each jurisdiction type continue to be well above the 90-day threshold, there has been a significant decline over the past three years. While townships continue to have the largest cushion, having enough cash on hand to cover expenses for 580 days. However, this is a slight decline of 16.1% from FY 2022, when they were able to cover expenses for almost 692 days. Additionally, counties' capacity to cover expenses decreased by 24.7% from FY 2022 (193) to FY 2024 (168), while cities and villages decreased by 11.5% and 7.3%, respectively.

Similarly, when looking at jurisdictions based on population size, each category has seen a decline in the past years, although small to medium-sized jurisdictions have had the steepest decline. Overall, smaller jurisdictions have more days of cash reserves in case of an emergency than larger jurisdictions.

Table 3

Days of cash on hand for governmental funds (medians), by jurisdiction type and population size

	FY 2022	FY 2023	FY 2024
Counties	213.47	193.06	167.89
Cities	257.1	245.76	226.47
Villages	490.2	508.31	454.28
Townships	691.7	620	580.17

	FY 2022	FY 2023	FY 2024
< 1,500 residents	657.24	631.72	593.64
1,500 - 5,000	569.91	552.42	488.96
5,001 - 10,000	397.05	322.12	313.63
10,001 - 30,000	265.5	244.61	255.23
> 30,000	229.87	231.18	209.52

Overall Cash Solvency

While fund balances for many Michigan local governments have remained stable or grown over the last three years, their cash reserves appear to be declining, perhaps reflecting a spending decline of ARPA and other one-time funding sources. Nonetheless, most local governments continue to exceed recommended reserve and cash levels, with townships and villages maintaining the strongest buffers and counties and cities having thinner cushions.

Despite the overall strength of fund balances, compared to FY 2023, more jurisdictions (particularly cities, townships, and villages) now fall at or below the 15% reserve threshold, possibly indicating emerging fiscal stress. Days of cash on hand also declined across all jurisdiction types, with townships experiencing the steepest drop. These trends suggest a gradual realignment to typical liquidity and highlight the need for continued monitoring, particularly among larger governments.

Key Findings:

- Emergency cash reserves have declined in recent years, particularly for townships
- Cities and counties tend to have more formalized policies surrounding unrestricted general fund balances than villages and townships

Budgetary solvency has declined for many Michigan local governments, except cities and mid-sized communities

Budgetary solvency indicators are used to better understand how governments are able to cover their operating expenditures without relying on borrowing, reserves, or one-time fixes. We can get more detailed insights by separating governmental activities, which are funded from general revenues like property taxes and state revenue sharing, from “self-funding” business-type activities such as water/sewer systems, parking, and recreation centers. Budgetary solvency measures reflect both how governments are dealing with external conditions, such as economic pressures that slow tax base growth, and formulating internal policy and management responses, like trimming expenditures or increasing revenue.

General Fund Margin

The general fund margin ratio is analogous to the general fund’s “profit margin.” The percentage by which revenues exceed expenditures can be used to capture how well general revenues like property taxes and state revenue sharing funds are able to cover expenses. *Table 4* shows that the median county and city continue to operate with healthy margins of 3.9% and 4.6%, respectively, while the median township has the highest median operating surplus at 11.7%. However, this surplus in townships has declined by 39.3% since FY 2022, while cities saw a modest increase of 27.8%.

Local government officials say:

Most local government officials are satisfied with their general fund balances. In 2025, on the MPPS, 72% consider the jurisdiction’s unreserved/unassigned general fund balance to be about right, while 19% say it is too low. However, officials from villages and jurisdictions with fewer than 1,500 residents are more likely to express concern.⁴



In FY 2024, 27.3% of jurisdictions reported negative margins or general fund deficits. This includes 35% of villages, 26.5% of townships, 26% of cities, and 22% of counties. The number of villages with negative margins rose from 74 in FY 2023 to 84 in FY 2024, while the number of townships rose in the same time period from 252 to 315. In contrast, cities experienced a slight decline in the number of jurisdictions with negative margins (from 74 in FY 2023 to 70 in FY 2024), as did the number of counties with negative margins, declining slightly from 18 to 17.

When looking at this by jurisdiction size, the smallest and largest jurisdictions have higher proportions of jurisdictions with general fund deficits. In FY 2024, 31% of jurisdictions with less than 1,500 residents and 29% of jurisdictions with more than 30,000 residents held general fund deficits, while only 22% of both mid-sized jurisdictions (those with 5,001-10,000 and 10,001 - 30,000 residents) held general fund deficits.

General Fund Balance Growth

Along with largely comfortable margins, many jurisdictions experienced fund balance growth in FY 2024. Growth rates for the median city, county, township, and village were 10%, 7.9%, 7.5%, and 8.2%, respectively. While the growth continues to be positive for each jurisdiction type, counties, villages, and townships have seen a decline in their growth since FY 2022, with their growth declining by 22.5%, 31.7%, and 38.5%, respectively. Cities are the only jurisdiction type that saw an increase in growth since FY 2022, climbing by 23.2%.

Jurisdictions with the smallest (less than 1,500 residents) and largest (more than 30,000 residents) populations appear to be growing their fund balances more slowly (6.2 - 6.7%) than mid-sized jurisdictions (8.3 - 11%), as shown in *Figure 2*. This slight growth for the smallest jurisdictions is more concerning, considering that their median general fund margin is also declining, suggesting growth will continue to slow and fall further behind larger jurisdictions.

Local government officials say:

A large majority (71%) of Michigan local governments report increased property tax revenues in 2025 compared to the previous year. However, jurisdictions with under 1,500 residents are significantly less likely to report increasing property tax revenues (60%).⁵

Figure 2
General fund balance growth (median), by population size, FY 2024

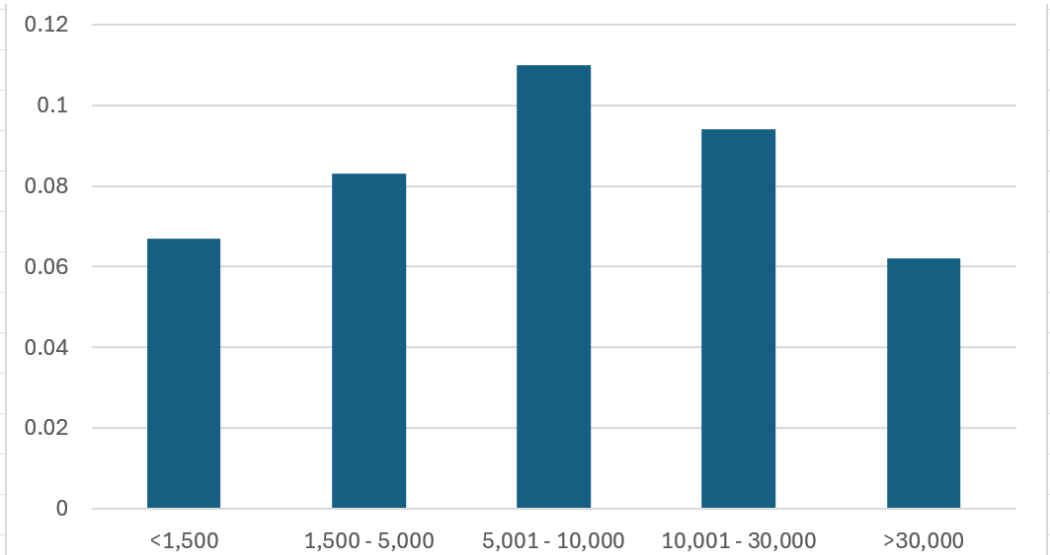


Table 4

General fund indicators (medians), by jurisdiction type and population size

	Median General Fund Margin			Median General Fund Balance Growth		
	FY 2022	FY 2023	FY 2024	FY 2022	FY 2023	FY 2024
Counties	0.036	0.052	0.039	0.102	0.146	0.079
Cities	0.036	0.04	0.046	0.082	0.086	0.101
Villages	0.103	0.09	0.071	0.12	0.105	0.082
Townships	0.193	0.138	0.117	0.122	0.091	0.075

	Median General Fund Margin			Median General Fund Balance Growth		
	FY 2022	FY 2023	FY 2024	FY 2022	FY 2023	FY 2024
< 1,500 residents	0.167	0.11	0.097	0.11	0.083	0.067
1,500 - 5,000	0.152	0.121	0.095	0.129	0.096	0.083
5,001 - 10,000	0.101	0.078	0.096	0.114	0.095	0.11
10,001 - 30,000	0.053	0.069	0.053	0.11	0.114	0.094
> 30,000	0.029	0.056	0.029	0.088	0.131	0.062

Enterprise Fund Margin and Fund Balance Growth

Enterprise funds cover business-type activities, such as water and sewer systems, senior housing, parking, and airports that rely on fee-for-service revenue and are intended to be financially self-sustaining. The margin ratio functions like a profit margin for these combined activities for each local government. While generating profit is not the goal, maintaining modest margins helps keep fees stable, builds reserves, supports infrastructure investment, ensures service quality, and prevents financial problems from spilling over to the general fund.

Median enterprise fund margins among counties and cities remain strong in FY 2024, with counties having a median margin of 19.4% and cities having a median margin of 20.5%, as shown in *Table 5*. Villages and townships are not included since it is less common for them to have enterprise funds. Cities grew significantly by 105%, and counties grew by 36.6%, respectively, since FY 2022.

Table 5

General fund indicators (medians), by jurisdiction type

	Median Enterprise Fund Balance Growth			Median Enterprise Fund Margin		
	FY 2022	FY 2023	FY 2024	FY 2022	FY 2023	FY 2024
Counties	0.039	0.045	0.061	0.142	0.154	0.194
Cities	0.027	0.044	0.067	0.1	0.116	0.205



Overall Budgetary Solvency

Michigan local governments continue to exhibit generally stable budgetary solvency, but signs of strain are emerging across both general governmental and enterprise operations. While most jurisdictions still report positive general fund balance growth and healthy enterprise fund margins, operating surpluses are narrowing, and an increasing share of localities, especially villages and townships, are recording negative general fund margins. Larger jurisdictions also show greater volatility in budget performance, suggesting increased sensitivity to both economic conditions and internal management decisions.

Trends differ across fund types. Cities are strengthening their general fund margins, while counties, villages, and townships are experiencing declines. In contrast, enterprise funds remain strong statewide, with especially notable margin growth among cities and counties. Overall, budgetary conditions remain stable but are becoming more uneven, highlighting the need for closer monitoring as fiscal pressures evolve.

Key findings:

- Since FY 2022, cities have increased their general fund margins, but counties, villages, and townships experienced declines, although a few jurisdictions experience negative margins or deficits.
- General fund balance growth rates for counties, villages, and townships have slowed, with an average decline of 22.5-38.5%
- The smallest cities (less than 1,500 residents) may be falling behind with declining general fund margins and weak fund balance growth compared to larger jurisdictions.
- Enterprise fund margins and fund balance growth are robust, especially for larger jurisdictions, with median enterprise fund margins around 19-20% in FY 2024.

Local government officials say:

Almost half of Michigan local government officials say their overall financial health is stable. Statewide, in 2025, 47% of local officials said their government was neither better nor less able to meet its financial needs compared to the previous fiscal year. Meanwhile, 32% say their financial health has improved, while 19% say it has worsened.⁶

The long-term forecast of Michigan local governments' financial health appears more strained, mainly due to debt

Long-term solvency assesses a government’s ability to meet obligations over several years by focusing on the burden of balance sheet liabilities, including debt and unfunded pension and other post-employment benefits (OPEB) obligations (e.g., retiree healthcare benefits). A heavy burden of long-term liabilities can exacerbate fiscal stress for governments as it may pressure them to redirect resources away from current services and toward the fixed costs of debt service and pension/OPEB costs.

Debt to Revenue

Focusing first on ordinary debt (e.g., bonds), the debt-to-revenue ratio (“debt load”) shows how much total debt a government has compared to its annual revenue base. A lower ratio generally suggests a smaller debt burden and a stronger fiscal position.

Cities and villages both lessened the relative size of their debt from around 48-49% of annual revenues in FY 2022 to 44% of revenues in FY 2024, as shown in *Table 6*. Counties also decreased their debt from about 10-11% of annual revenues to 9%. With 65% of townships reporting no debt, their median ratio continues to be zero.

Table 6

Debt indicators (median), by jurisdiction type

	Median Debt to Revenue Ratio		
	FY 2022	FY 2023	FY 2024
Counties	0.107	0.108	0.094
Cities	0.496	0.493	0.444
Villages	0.481	0.486	0.444
Townships	0	0	0

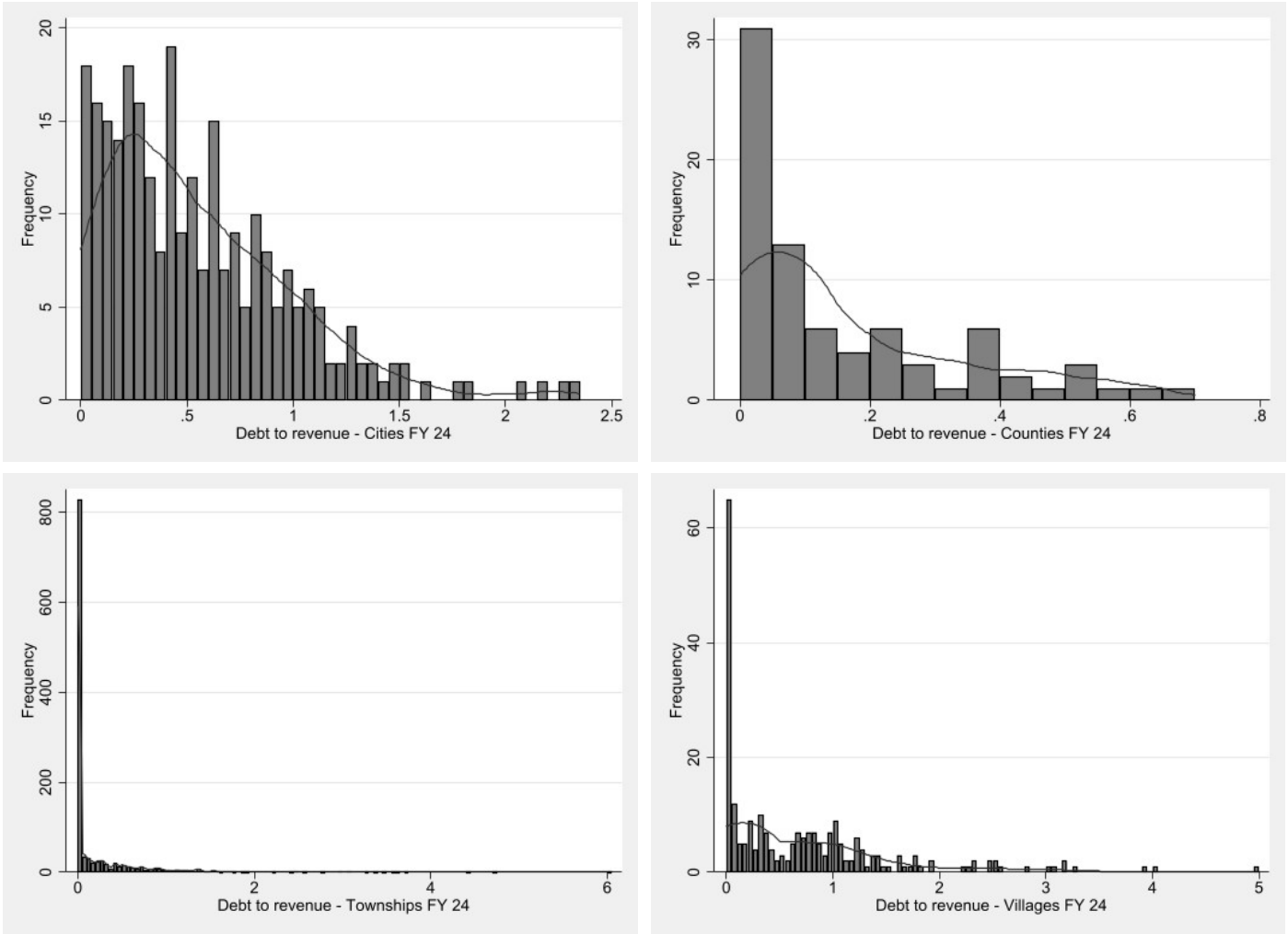
	Median Total Debt Per Capita			Median Total Debt Per Capita Adjusted for Inflation		
	FY 2022	FY 2023	FY 2024	FY 2022	FY 2023	FY 2024
Counties	\$135.88	\$167.05	\$167.03	\$108.44	\$130.77	\$128.26
Cities	\$1205.53	\$1214.24	\$1244.80	\$962.07	\$950.53	\$955.84
Villages	\$823.90	\$887.71	\$901.98	\$657.52	\$694.91	\$692.06
Townships	\$0	\$0	\$0	\$0	\$0	\$0

Local government officials say:

While only 15% of Michigan local governments report having a formal long-term financial plan, one-third (32%) would like to develop such a plan. Cities (29%) and counties (24%) are the most likely to already have a formal plan. Although fewer villages currently have a long-term financial plan (17%), many would like to develop a plan (42%). By comparison, only 11% of townships have a formal plan, and 27% would like to develop one. By population size, larger jurisdictions (with more than 10,000 residents) are more likely to already have a plan and more likely to be interested in developing a plan, compared to smaller jurisdictions.⁷

While the decline in median debt loads is encouraging, there is wide variation in debt loads across different jurisdictions, as shown below in *Figure 3*. For each jurisdiction type, the distribution is right-skewed with a heavy concentration at very low debt levels and outliers with much higher debt. While 77% of jurisdictions have debt as less than half of annual revenue (debt to revenue ratio below .5), there still are a small number of cities, townships, and villages with very high debt burdens above 200%: 18 villages (7.5% of total villages), 19 townships (1.6%), and 4 cities (1.5%).

Figure 3
Debt to revenue, by jurisdiction type



Total Debt Per Capita

Examining debt on a per-resident basis illustrates the share of financial responsibility each resident carries for the total (ordinary) debt. As shown in *Table 7*, cities continue to carry the largest debt per capita burden of \$1,244.80, with villages coming next with a debt per capita burden of \$901.98, and counties only carrying \$167.03 per capita debt, while the median townships continue to have \$0.00 debt per capita. Since FY 2022, the per capita debt burden has increased the most for counties, rising by 22.9%, while villages increased by 9.5% and cities only increased by 3.3%. However, when factoring in inflation, that change diminishes; under that adjustment, median debt per capita for counties increased by only 18.3%, and the median village increased by only 5.3%, while cities actually decreased by 0.6%.

Long-Term Liabilities per Capita

A more comprehensive measurement of the future burden placed on taxpayers to cover all long-term obligations adds pension and OPEB liabilities to debt totals. In FY 2024, pension and OPEB liabilities comprised about 62.3% of counties' total long-term liabilities, with smaller proportions for cities (51.8%), townships (48.9%), and villages (35.5%).

As cities and villages tend to have more debt, it is unsurprising that they also carry the highest long-term liabilities per capita at \$2,908.70 and \$2,609.14, respectively, while townships and counties have lower amounts at \$1,116.83 and \$667.25, respectively. Since FY 2022, the median for each jurisdiction type has changed very little, with villages and cities increasing by only 3.7% and 0.6%, respectively, as shown in *Table 7*. Townships and counties, on the other hand, decreased by 8.8% and 2.3%. However, the picture changes significantly when adjusting for inflation; the median long-term liabilities per capita burden decreased in each jurisdiction type, with townships decreasing the most at 12.2%, counties decreasing by 6%, cities decreasing by 3.2%, and villages decreasing by only 0.2%.

When looking across population categories, an interesting story unfolds, showing that jurisdictions with the smallest populations (with fewer than 1,500 residents) tend to carry the most debt per person at \$6,455.53, while the largest jurisdictions (with more than 30,000 residents) tend to carry the least at \$1,152.51 per person. In addition, since FY 2022, liabilities per capita have grown by 27.5% in the smallest jurisdictions but fallen significantly by 60.5% in the largest since FY 2022. As a result, the disparity between small and large jurisdictions has significantly widened since FY 2022, while mid-sized jurisdictions saw little change. When adjusting for inflation, while we see changes in amounts, the percentage of change for each population group does not show a significant difference. Some of these disparities may reflect challenges due to ongoing population loss in many small jurisdictions.



Table 7

Long-term solvency indicators per capita (medians), by jurisdiction type and population size

	Median Long-Term Liabilities Per Capita			Median Long-Term Liabilities Per Capita Adjusted for Inflation		
	FY 2022	FY 2023	FY 2024	FY 2022	FY 2023	FY 2024
Counties	\$682.75	\$722.81	\$667.25	\$544.87	\$565.82	\$512.36
Cities	\$2892.38	\$2976.73	\$2908.70	\$2308.27	\$2330.23	\$2233.49
Villages	\$2516.59	\$2410.30	\$2609.14	\$2008.37	\$1886.82	\$2003.47
Townships	\$1224.49	\$1072.68	\$1116.83	\$977.21	\$839.71	\$857.58

	Median Long-Term Liabilities Per Capita			Median Long-Term Liabilities Per Capita Adjusted for Inflation		
	FY 2022	FY 2023	FY 2024	FY 2022	FY 2023	FY 2024
< 1,500 residents	\$5061.68	\$5203.70	\$6455.53	\$4039.49	\$4073.54	\$4956.98
1,500 - 5,000	\$2327.22	\$2511.71	\$2546.02	\$1857.24	\$1966.21	\$1955.00
5,001 - 10,000	\$2121.30	\$2311.00	\$2071.08	\$1692.91	\$1809.09	\$1590.31
10,001 - 30,000	\$2332.42	\$1904.65	\$1723.85	\$1861.39	\$1490.99	\$1323.68
> 30,000	\$2918.86	\$1139.40	\$1152.51	\$2329.41	\$891.94	\$884.97

Pension and OPEB-Funded Ratio

Looking in more detail at the obligations related to employee retirement benefits, pension, and OPEB-funded ratios measure the percentage of the estimated total future obligation that has already been set aside in, for example, a trust fund account. The greater the ratio, the more the jurisdiction has set aside to cover all future promised benefits, with a ratio of 100% or “fully funded” meaning that the current assets should be sufficient to cover all expected benefits. When plans are less than fully funded, jurisdictions need to spend more of their current resources to provide benefits and catch up.

Since FY 2022, the median pension funded ratios declined the most for villages and townships, decreasing by 5.2% and 4%, respectively, while counties and cities decreased by 2.6% and 2.2%, respectively, as shown in *Table 8*.

Overall, the OPEB-funded ratios are significantly lower than the pension-funded ratios, reflecting stronger commitments and protections for pension plans. In particular, cities and villages have significantly underfunded OPEB ratios of 38% and 22.73%, respectively (compared to pension ratios of 70% and 74.8%). Townships and counties have higher ratios, of 63.6% and 62.5% (compared to pension ratios of 74.9% and 72.5%). Since FY 2022, townships and counties have increased their OPEB funded ratios significantly – by 39% and 30.5% respectively, whereas cities and villages grew by only 13% and 3.2% respectively.

Local government officials say:

Beyond state requirements, only 10% of Michigan local governments report having policies on the maximum amount of debt and debt service that should be outstanding at any time. Such policies are most common in cities (32%) and counties (27%), and in jurisdictions with more than 30,000 residents (39%).⁸

Table 8

Pension and OPEB funded ratios (medians), by jurisdiction type

	Median General Employee Pension Funded Ratio			Median OPEB Funded Ratio		
	FY 2022	FY 2023	FY 2024	FY 2022	FY 2023	FY 2024
Counties	0.751	0.712	0.725	0.32	0.405	0.625
Cities	0.722	0.666	0.70	0.25	0.316	0.38
Villages	0.80	0.712	0.748	0.195	0.198	0.227
Townships	0.79	0.729	0.749	0.245	0.71	0.636

Overall Long-Term Solvency

While Michigan local governments show modest improvement in long-term solvency, significant challenges remain, particularly in relation to debt levels and unfunded pension and OPEB obligations. Since FY 2022, jurisdictions have steadily reduced their debt relative to revenues, suggesting improved capacity to manage debt within current fiscal resources. At the same time, however, debt per capita has continued to rise, indicating that the burden on residents remains substantial, especially in smaller communities with limited tax bases. A small group of cities, villages, and townships continues to carry especially high debt loads, raising concerns about the fiscal resilience of the smallest jurisdictions.

Long-term liabilities continue to exert pressure on local budgets. Although pension-funded ratios have improved slightly over the past year, progress remains slow, and OPEB liabilities, particularly among cities and villages, remain significantly underfunded. These obligations continue to constrain financial flexibility and represent an ongoing drag on many budgets. Continued monitoring of pension and OPEB funding, along with targeted support for jurisdictions facing high debt burdens, will be essential to ensuring the long-term financial sustainability of Michigan’s local governments.

Key findings:

- Overall, long-term burdens are improving, with counties seeing the sharpest decline in debt-to-revenue ratios
- Despite overall declines, a small group of cities, villages, and townships maintains significantly high debt-to-revenue ratios
- Residents in the smallest jurisdictions face the highest long-term liability burden, highlighting disparities based on population size
- Pension and OPEB obligations continue to bring jurisdictions long-term fiscal stress

Local government officials say:

Looking ahead, Michigan local officials predict deteriorating fiscal health. Just under half of Michigan local officials (49%) expect their jurisdictions will have relatively good fiscal health in 2030, compared to 56% who report good health in 2025. Meanwhile, 14% predict high fiscal stress (compared to 8% who currently have high stress). Concerns about long-term fiscal stress have consistently increased since 2021. These concerns exist in jurisdictions of all sizes, but are particularly pronounced in communities with over 30,000 residents, where 73% of local leaders say they currently have good fiscal health, but only 54% predict they will have good health in 2030.⁹



Most jurisdictions continue to be able to deliver core services, however reliance on property tax revenue and revenue sharing could create possible future funding challenges

A core function of local government is delivering quality public services. Although financial data does not directly measure service performance or quality, it can offer insight into a government’s capacity to provide those services. For example, high expenditures per capita may indicate robust service provision and strong fiscal capacity, but they can also signal fiscal stress driven by high fixed costs or structural spending pressures.

Expenditures Per Capita

One indicator that helps us better understand both resident demand and government capacity is looking at expenditures per capita. As expected, cities, which often have more complex and diverse needs, had the highest median at \$1,482.40 per capita in FY 2024, followed by villages (\$958.65), counties (\$911.12), and townships, with fewer service needs, spending only \$408.86 per capita. As shown in *Table 9*, since FY 2022, median spending has increased across all jurisdiction types, particularly among townships (31.8%) and counties (29.6%), with villages and cities increasing by 23.5% and 20.8%.

Expenditures per capita vary significantly by population size. The largest jurisdictions (over 30,000 residents) reported the highest median expenditures of \$1,033.01 per capita in FY 2024, while jurisdictions with 1,500-5,000 residents have the lowest median at \$428.90. These smaller jurisdictions (1,500-5,000 residents) also have experienced the fastest growth since FY 2022, with the median increasing by 30.1% and the smallest jurisdictions (with fewer than 1,500 residents) increasing by 18%. In contrast, the largest municipalities decreased spending by 6.2%, reflecting a decline in FY 2023 and a partial rebound in FY 2024.

Table 9

Service-level solvency indicators (medians), by jurisdiction type and population size

	Median Expenditures Per Capita			Median Capital Assets Per Capita		
	FY 2022	FY 2023	FY 2024	FY 2022	FY 2023	FY 2024
Counties	\$702.85	\$873.84	\$911.12	\$285.58	\$367.09	\$449.28
Cities	\$1227.30	\$1302.15	\$1482.40	\$1688.80	\$1938	\$1951.05
Villages	\$776.17	\$847.03	\$958.65	\$1158.21	\$1185	\$1373.42
Townships	\$310.11	\$380.46	\$408.86	\$183.92	\$205.83	\$253.52

	Median Expenditures Per Capita			Median Capital Assets Per Capita		
	FY 2022	FY 2023	FY 2024	FY 2022	FY 2023	FY 2024
< 1,500 residents	\$512.30	\$592.76	\$604.77	\$273.99	\$330.82	\$362.93
1,500 - 5,000	\$329.66	\$395.80	\$428.90	\$247.80	\$264.87	\$311.83
5,001 - 10,000	\$581.37	\$651.25	\$626.30	\$449.88	\$462.88	\$488.91
10,001 - 30,000	\$951.57	\$870.22	\$937.65	\$672.94	\$546.84	\$750.25
> 30,000	\$1101.58	\$980.02	\$1033.01	\$994.72	\$712.55	\$719.07

Governmental Capital Assets Per Capita

Examining a government's capital assets per capita provides insights into its longer-term capacity to provide service delivery, as governmental assets mainly consist of roads, infrastructure, land, and other equipment used to deliver services. As shown in *Table 9* (above), from FY 2022 to FY 2024, median capital assets per capita increased substantially across all jurisdiction types, with the largest gains among counties (57.3%) and townships (37.8%). Cities and villages continue to have the largest median, coming in at \$1951.05 and \$1373.42, though their growth was more modest over the period, increasing by 15.5% and 18.6%.

Capital asset values vary by population size, with larger jurisdictions reporting higher medians and smaller jurisdictions reporting lower medians. However, in recent years, smaller jurisdictions have been narrowing this gap. In FY 2024, jurisdictions with 10,000-30,000 residents reported the highest median value at \$750.25 per capita (an increase of 11.5% since FY 2022), followed by the largest jurisdictions (over 30,000 residents) with a median of \$719.07, which was a decline of 27.7% since FY 2022. From FY 2022 to FY 2024, smaller municipalities tended to experience consistent increases, with the smallest jurisdictions growing by 32.5%.

Public Safety Expenditures

Public safety remains the largest general fund expenditure for many municipalities. For FY 2024, cities allocated 38.6% of their general fund spending to public safety, with counties spending 31%. Villages devoted 10.5%, and townships just 5.5%, reflecting their smaller service scope.

Since FY 2022, cities, villages, and townships all reduced the share of spending dedicated to public safety services, as shown in *Table 10*. Cities reduced their public safety share from 40.8% to 38.6%, villages from 12.8% to 10.5%, and townships decreased from 6.1% to 5.5%. In contrast, counties increased their allocation from 28.9% to 31%.

The allocation to public safety increases with population size. In FY 2024, the largest jurisdictions (over 30,000 residents) dedicate 34.4% of their general fund to public safety, compared to just 3.6% in the smallest (under 1,500 residents). Between FY 2022 and FY 2024, the medians dropped across all population categories, with the steepest drop among the largest jurisdictions, 46.2% to 34.4%. Mid-sized municipalities (10,000-30,000 residents) reduced their share from 38.4% to 33% at the median, while smaller municipalities saw more modest declines from already low baseline levels.

**Table 10**

Public safety share of general fund spending (medians), by jurisdiction type and population size

	Median Public Safety Share of General Fund Spending		
	FY 2022	FY 2023	FY 2024
Counties	0.289	0.304	0.31
Cities	0.408	0.398	0.386
Villages	0.128	0.101	0.105
Townships	0.061	0.061	0.055

	Median Public Safety Share of General Fund Spending		
	FY 2022	FY 2023	FY 2024
< 1,500 residents	0.043	0.037	0.036
1,500 - 5,000	0.127	0.114	0.111
5,001 - 10,000	0.256	0.249	0.232
10,001 - 30,000	0.384	0.307	0.33
> 30,000	0.462	0.334	0.344

Reliance on Property Taxes

Michigan local governments fund services primarily through property taxes, charges for services, and revenue sharing. Property taxes are typically the largest and most stable revenue source, contributing to fiscal stability, though statutory limits constrain local revenue flexibility.

In FY 2024, counties continue to be the most reliant on property taxes, with 58.8% of their general fund revenue coming from this source, as shown in *Table 11*. Cities and villages derived almost half of their general fund revenue from property taxes (48.2% and 42.6%, respectively), while townships relied the least at 28.2%. Since FY 2022, reliance has declined slightly across most jurisdiction types except counties.

The largest municipalities (over 30,000 residents) derived 47% of their general fund revenue from property taxes, compared to 36.3% for those under 1,500 residents and 29.5% for those with 1,500-5,000 residents. Each population group saw modest declines since FY 2022, with the sharpest drop among municipalities with 10,000-30,000 residents (from 46.8% to 41.3%).

Table 11

Share of general fund revenue (medians), by jurisdiction type and population size

	Median Share of General Fund Revenue								
	Property Tax			Charges			Revenue Sharing		
	FY 2022	FY 2023	FY 2024	FY 2022	FY 2023	FY 2024	FY 2022	FY 2023	FY 2024
Counties	0.58	0.563	0.588	0.108	0.088	0.089	0.052	0.052	0.053
Cities	0.51	0.487	0.482	0.075	0.08	0.071	0.165	0.155	0.139
Villages	0.427	0.435	0.426	0.053	0.037	0.036	0.236	0.222	0.206
Townships	0.296	0.279	0.282	0.026	0.02	0.021	0.461	0.416	0.389

	Median Share of General Fund Revenue								
	Property Tax			Charges			Revenue Sharing		
	FY 2022	FY 2023	FY 2024	FY 2022	FY 2023	FY 2024	FY 2022	FY 2023	FY 2024
< 1,500 residents	0.368	0.356	0.363	0.025	0.017	0.019	0.339	0.297	0.285
1,500 - 5,000	0.306	0.289	0.295	0.031	0.027	0.026	0.444	0.398	0.372
5,001 - 10,000	0.328	0.316	0.32	0.046	0.046	0.042	0.342	0.307	0.283
10,001 - 30,000	0.468	0.394	0.413	0.082	0.068	0.059	0.172	0.212	0.185
> 30,000	0.492	0.467	0.47	0.077	0.075	0.076	0.16	0.13	0.125

Local government officials say:

On the Spring 2025 MPPS, local officials reported high levels of concern about Michigan’s system of funding local government. Just 29% of local officials statewide say Michigan’s current system of funding local government will allow them to at least maintain their jurisdiction’s current services.¹⁰ Only 16% believe they will be able to improve or expand services in the future under the current system. These concerns are highest in cities and counties, as well as in large jurisdictions.¹¹



Reliance on Revenue Sharing

Revenue sharing plays a vital role in Michigan local government finances, as it distributes a proportion of state sales tax collections largely as unrestricted aid on a per capita basis.

As shown in *Table 11* (above), townships receive the largest share of their general fund revenue from revenue sharing, at 38.9% in FY 2024. This represents a decline from 46.1% in FY 2022. The median village obtains 20.6% of general fund revenue from revenue sharing in FY 2024, down from 23.6% in FY 2022. Cities rely on revenue sharing for 13.9% of general fund revenue, down from 16.5% in FY 2022. Counties depend least on revenue sharing at 5.3%, virtually unchanged from 5.2% in FY 2022.

Revenue sharing accounts for a larger share of general fund revenue in smaller municipalities. In FY 2024, municipalities with 1,500-5,000 residents received 37.2% of their general fund from revenue sharing, down from 44.4% in FY 2022 (a 16.2% decline). The smallest municipalities (under 1,500) obtain 28.5%, down from 33.9% in FY 2022 (a 15.9% decline).

The largest municipalities depend far less on revenue sharing. Those with 10,000-30,000 residents receive 18.5% of their general fund revenue this way in FY 2024, up from 17.2% in FY 2022 (a 7.6% increase), the only category to see increased reliance. The largest municipalities (over 30,000 residents) derive only 12.5% of their revenue from revenue sharing, down from 16% in FY 2022 (a 21.9% decline). This was the steepest percentage decline of any population category.

Overall Service Solvency

Service-level solvency indicators suggest that Michigan local governments generally retain the capacity to deliver services, though trends vary by type and size. Expenditures per capita increased across all jurisdiction types between FY 2022 and FY 2024, with the largest gains among townships and counties. Cities continue to spend the most per capita, reflecting broader service responsibilities, while smaller municipalities experienced some of the fastest recent growth. Capital assets per capita also rose across most jurisdiction types, with particularly strong gains among counties and smaller communities, even as the largest municipalities saw more modest growth or declines. Public safety remains a major expenditure priority, especially for cities and counties, though most municipalities reduced their share of general fund spending over the period.

Property taxes remain the largest and most stable revenue source, particularly for counties and larger municipalities, though reliance has slightly declined. In contrast, smaller municipalities depend far more heavily on state revenue sharing, making them most vulnerable to shifts in state funding. Overall, service-level solvency appears stable but increasingly uneven, with smaller jurisdictions both expanding investment and facing greater structural sensitivity to revenue changes.

Key findings:

- Smaller municipalities rely heavily on revenue sharing (28-37% of general fund revenue) compared to larger municipalities (13-19%). This suggests they are more vulnerable to changes in state funding.
- Public safety spending as a share of the general fund declined across municipalities of all population sizes from FY 2022 to FY 2024, with the most significant decreases in the largest municipalities (a 25.5% decline from 46.2% to 34.4%). Counties, however, saw a 7.27% increase in this spending type.
- Capital asset growth patterns varied significantly across municipalities of different types and sizes. Smaller municipalities (under 5,000) experienced 32.4% growth from FY 2022 to FY 2024, while the largest municipalities saw a 27.7% decline. At the same time, median capital asset growth per capita increased between 16-57% for all municipality types.

Conclusion

Overall, Michigan's local governments remain fiscally stable, but conditions are becoming more uneven across jurisdiction types and population sizes. Budgetary solvency indicators point to generally strong short-term financial health, with most jurisdictions maintaining fund balances above recommended levels. However, declining cash reserves, narrowing operating margins, and a growing share of jurisdictions with deficits signal emerging pressures.

Long-term solvency remains a structural concern. Although debt relative to revenues has declined in many places, per capita liability burdens (especially in smaller jurisdictions) remain substantial. Pension and OPEB obligations continue to constrain fiscal flexibility and will require additional monitoring. Service-level indicators suggest that most jurisdictions continue to have the capacity to deliver core services, supported by growing capital assets and stable property taxes. However, with smaller jurisdictions continuing a heavy reliance on revenue sharing, there are increasing possible funding challenges based on state funding. Most Michigan local governments are not in immediate fiscal distress, but emerging trends (i.e., declining cash reserves, slowing growth, long-term liability burdens, and revenue structure constraints) warrant continued monitoring and proactive financial planning. Moving forward, local governments will need to balance cautious financial management with ongoing service demands. Continued monitoring of fiscal trends will be critical to maintaining financial stability across Michigan.

NOTES

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Appendix

Number of jurisdictions that fall below financial indicator thresholds, by jurisdiction type

	General Fund Balance Below 15%		General Fund Margin Below 0		Debt to Revenue Above 200%	
	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024
Counties	19	13	18	17	0	0
Cities	26	30	74	70	4	4
Villages	17	18	74	84	20	18
Townships	15	17	252	315	16	19