



**GERALD R. FORD SCHOOL
OF PUBLIC POLICY**
UNIVERSITY OF MICHIGAN

Fiscal Health in Michigan Counties

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Fiscal health - growing more important

- Counties are on front lines of major events/trends
 - COVID/pandemic response + federal aid administration
 - Opioid epidemic + settlement funds administration
 - Election administration
- Requires long-term planning and understanding of internal/external fiscal environment
 - It's not enough to just balance the budget year-to-year

Our study

- Examines F-65 data from 2021 and 2022
 - County results reflect mainly 2021 since 2022 data were incomplete when data were downloaded and cleaned
- Calculate common financial indicators to measure various aspects of fiscal health
- Results supplemented with findings from Michigan Public Policy Survey of county and other local officials

Main findings

- Short-term indicators - healthy reserves, adequate cash, balanced budgets - are looking pretty good
- Long-term indicators - debt burden, pension/OPEB, per capita spending - show a lot more variability

Fiscal Health in the Short-Term

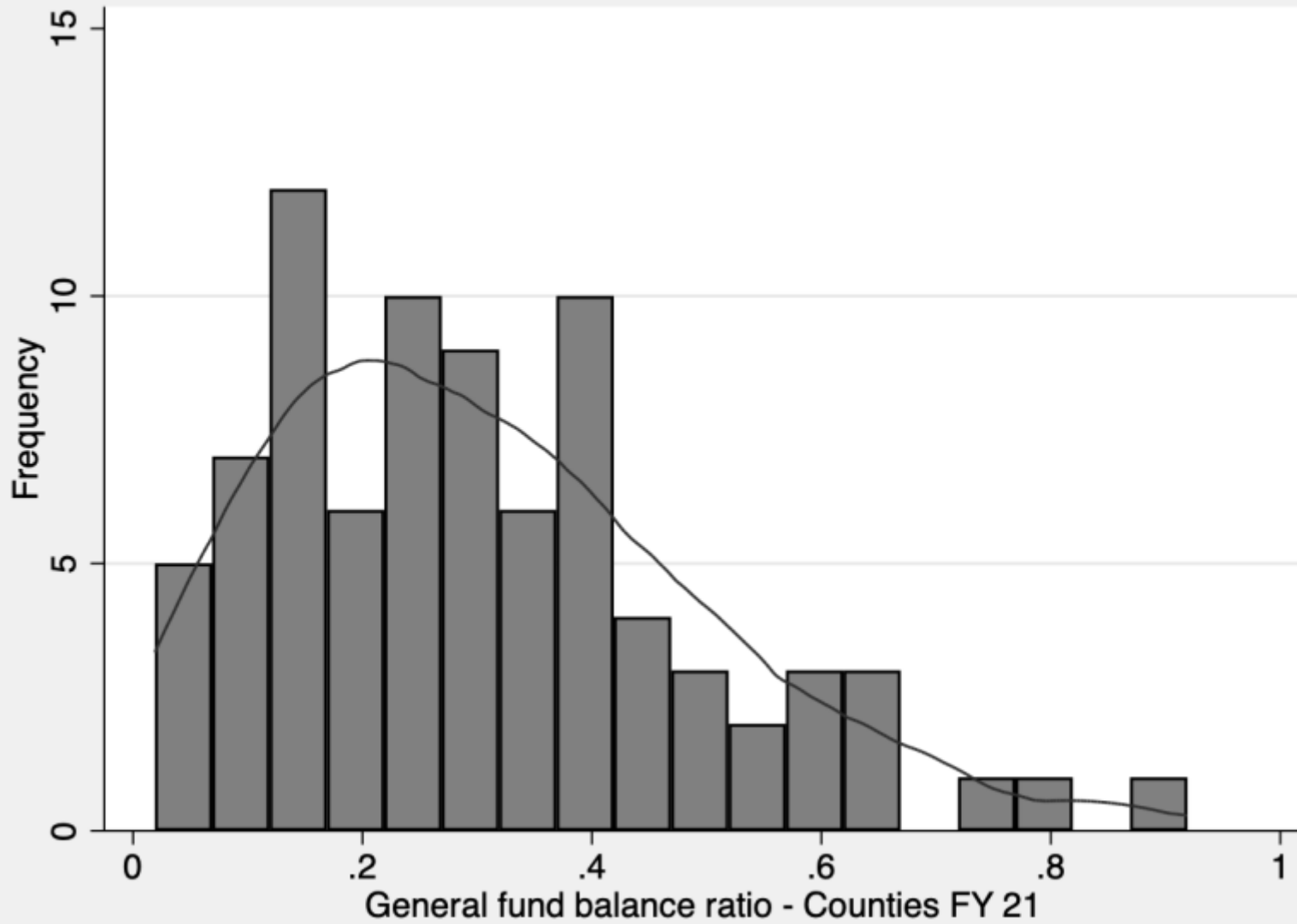
Cash and Budgetary Solvency Indicators

Cash solvency indicators

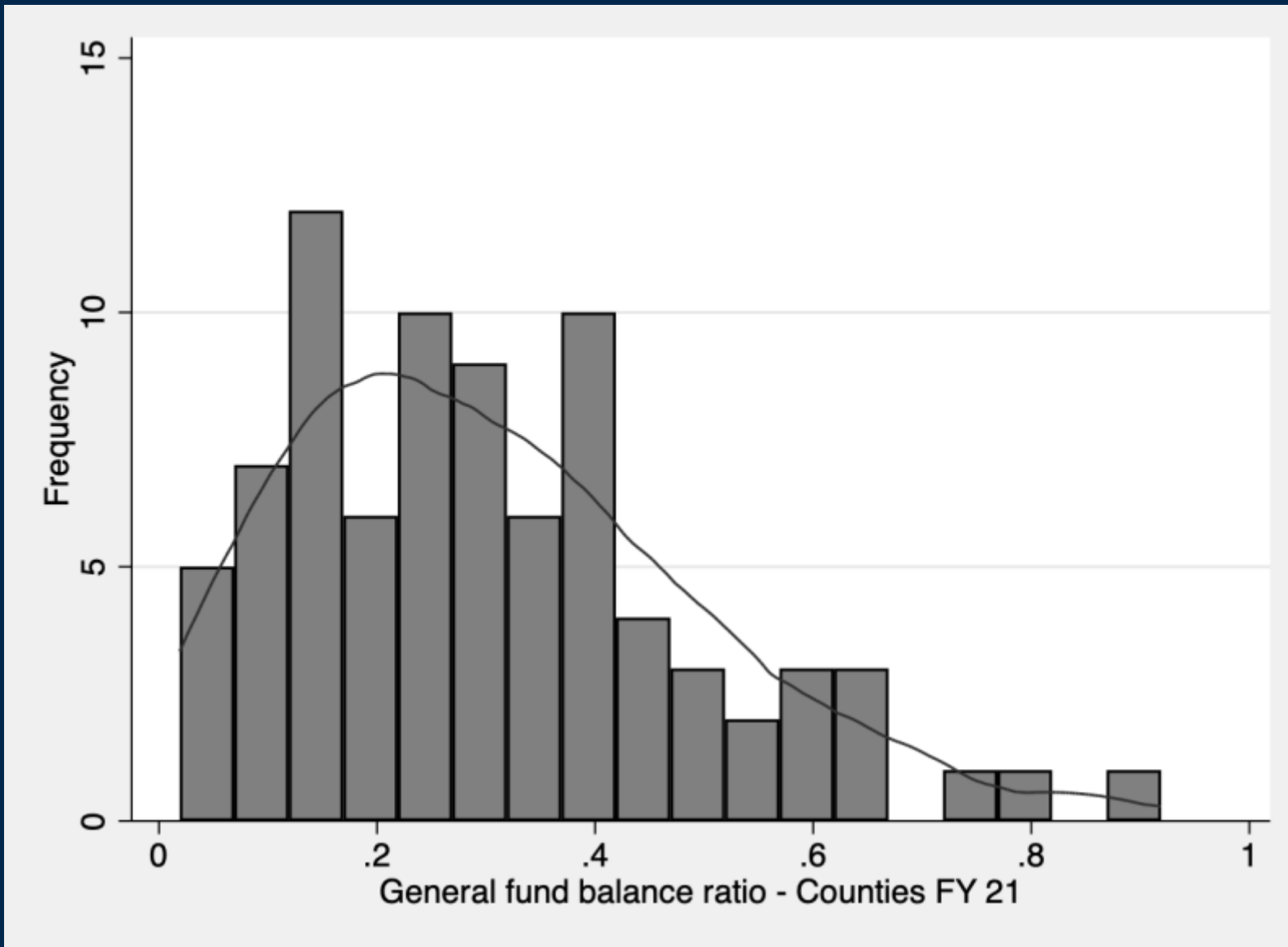
Table 2

Cash solvency indicators (medians) by jurisdiction type and year

	Median general fund balance ratio		Median days of cash on hand: Governmental Funds	
	2021	2022	2021	2022
Counties	0.273	0.241	200.20	222.91
Cities	0.378	0.390	232.78	257.10
Villages	0.784	0.808	454.84	691.70
Townships	1.431	1.468	585.95	490.20



Most counties are at or above the GFOA recommended unrestricted general fund balance minimum of 15 - 20% of revenue. Nineteen counties (23%) are below the minimum.



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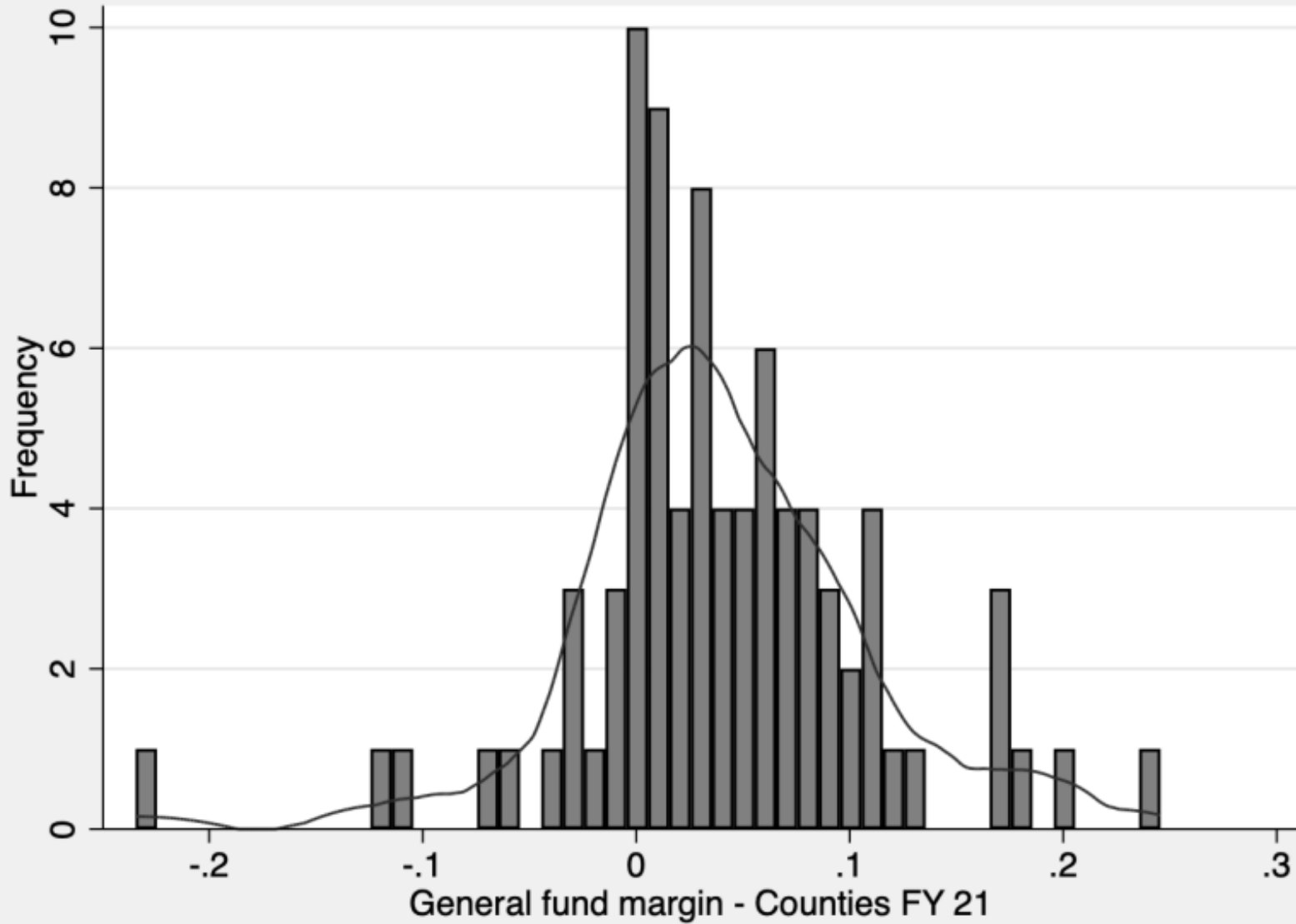
MPPS 2023: 72% of counties believe their fund balance is “about right” while 20% believe it is “too low.”

Budget solvency indicators

Table 3

Budgetary solvency indicators (median), by jurisdiction type and year

	Median general fund margin		Median general fund balance growth		Median enterprise fund margin		Median enterprise fund balance growth	
	2021	2022	2021	2022	2021	2022	2021	2022
Counties	0.030	0.036	0.08	0.10	0.180	0.142	0.05	0.04
Cities	0.064	0.036	0.14	0.08	0.102	0.100	0.03	0.03
Villages	0.094	0.103	0.11	0.12	-	-	-	-
Townships	0.130	0.193	0.08	0.12	-	-	-	-



Margins between zero and 5% are typical, although the range is wide. The important thing is that fluctuations in fund balance are planned and understood.

Summary of short-term solvency

- General fund balances and cash on hand are generally healthy
- Most counties have been able to balance their budgets and grow fund balances
- 65% of counties are using ARPA funds for revenue replacement

Fiscal Health in the Long-Term

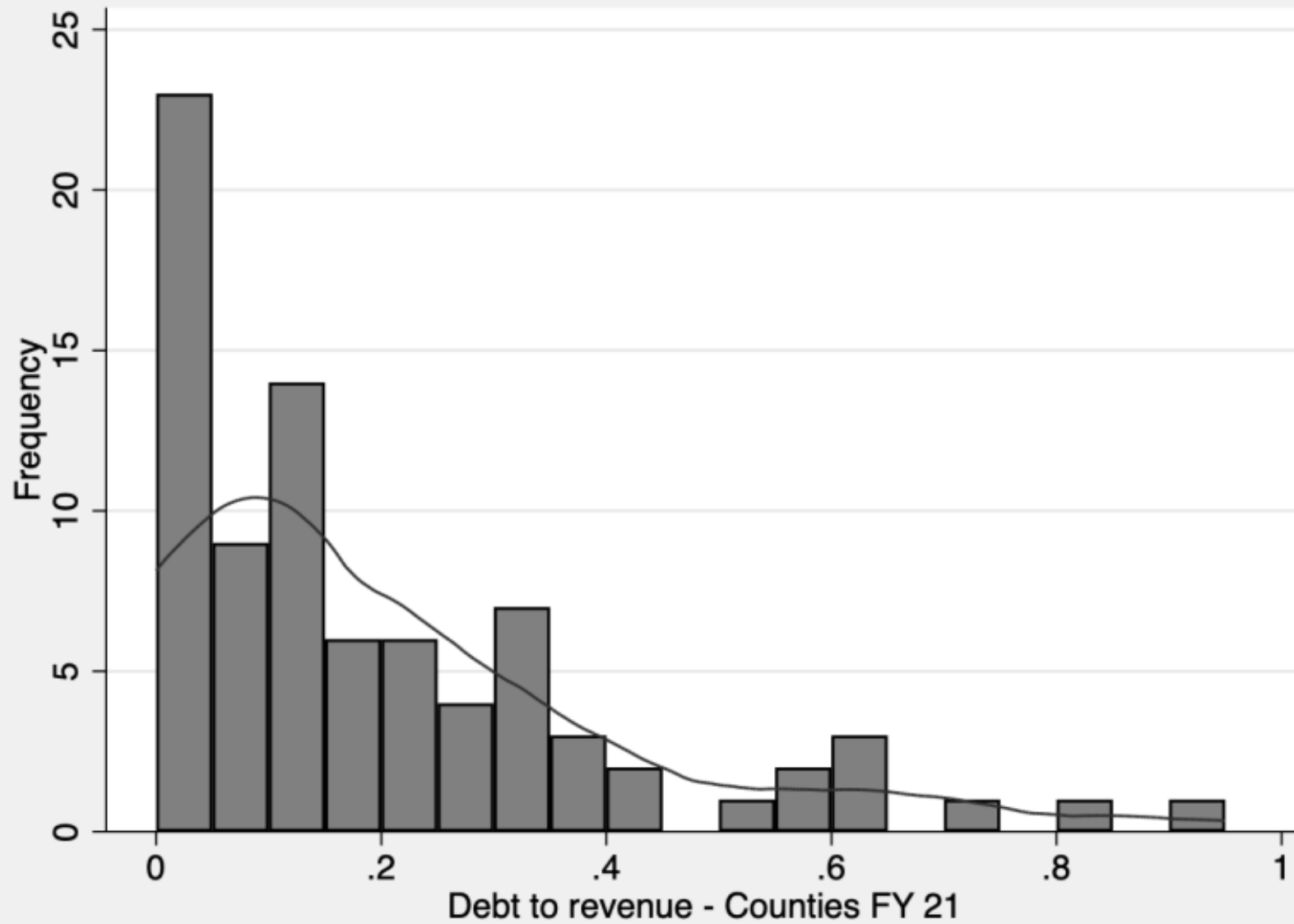
Long-Term and Service Solvency Indicators

Long-term solvency indicators

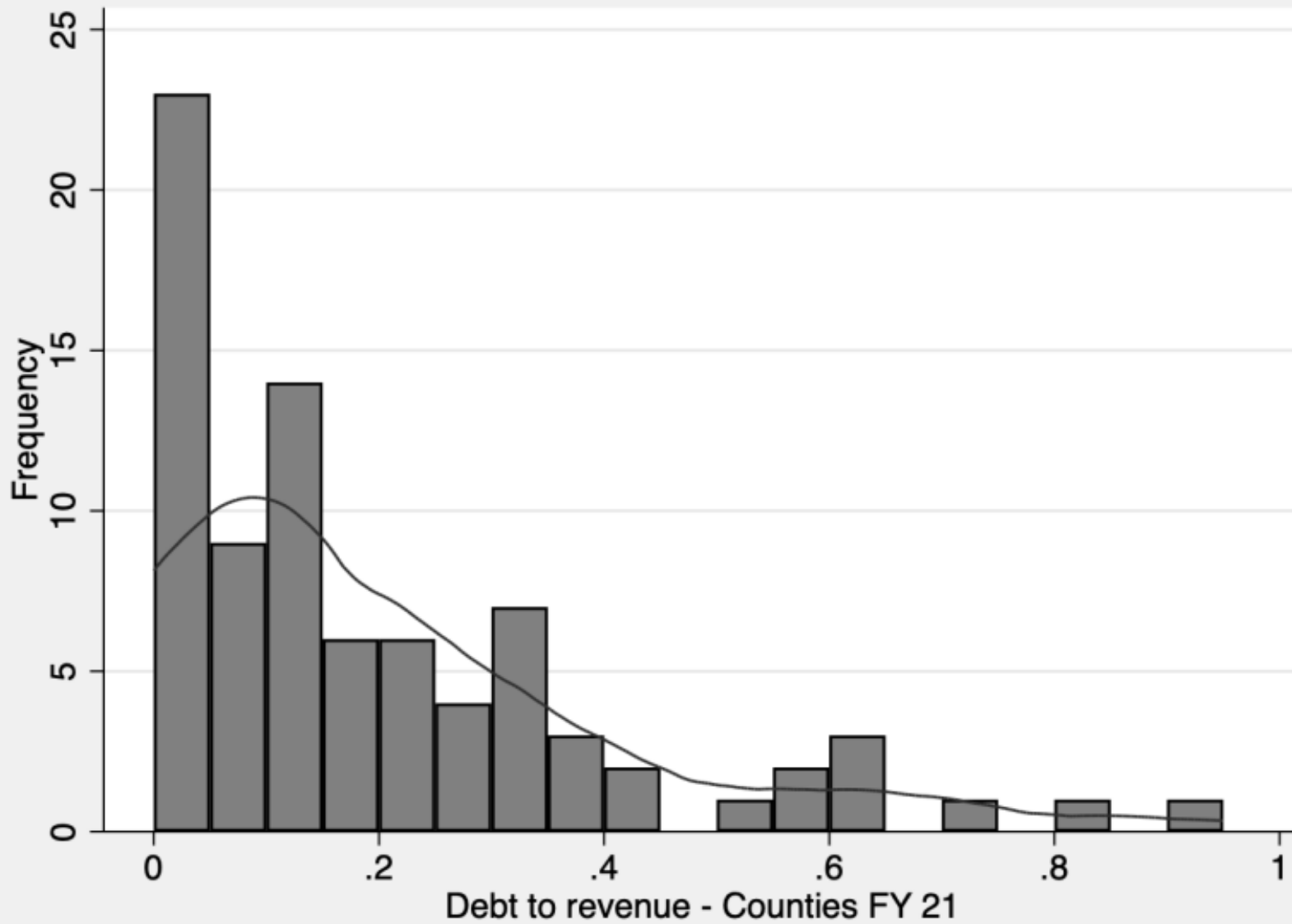
Table 4

Long-term solvency indicators (medians), by jurisdiction type and year

	Median debt to revenue		Median debt per capita		Median long-term liabilities to revenue		Median long-term liabilities per capita	
	2021	2022	2021	2022	2021	2022	2021	2022
Counties	0.135	0.095	\$196.95	\$135.88	0.361	0.289	\$692.84	\$682.75
Cities	0.489	0.496	\$1,137.84	\$1,205.43	1.192	0.402	\$2,816.07	\$2,888.71
Villages	0.564	0.481	\$841.37	\$823.90	-	-	-	-
Townships	0.000	0.000	\$0.00	\$0.00	-	-	-	-

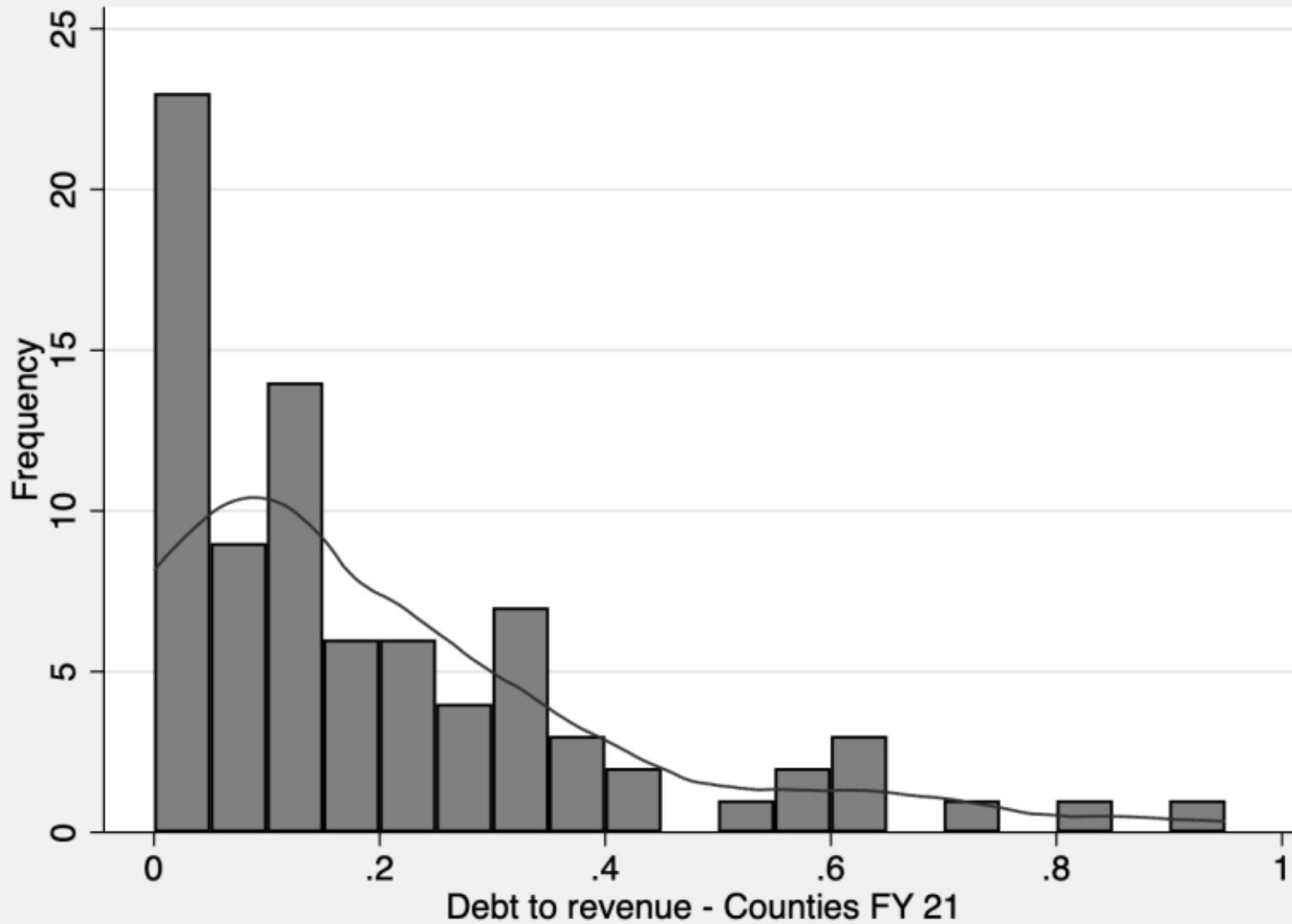


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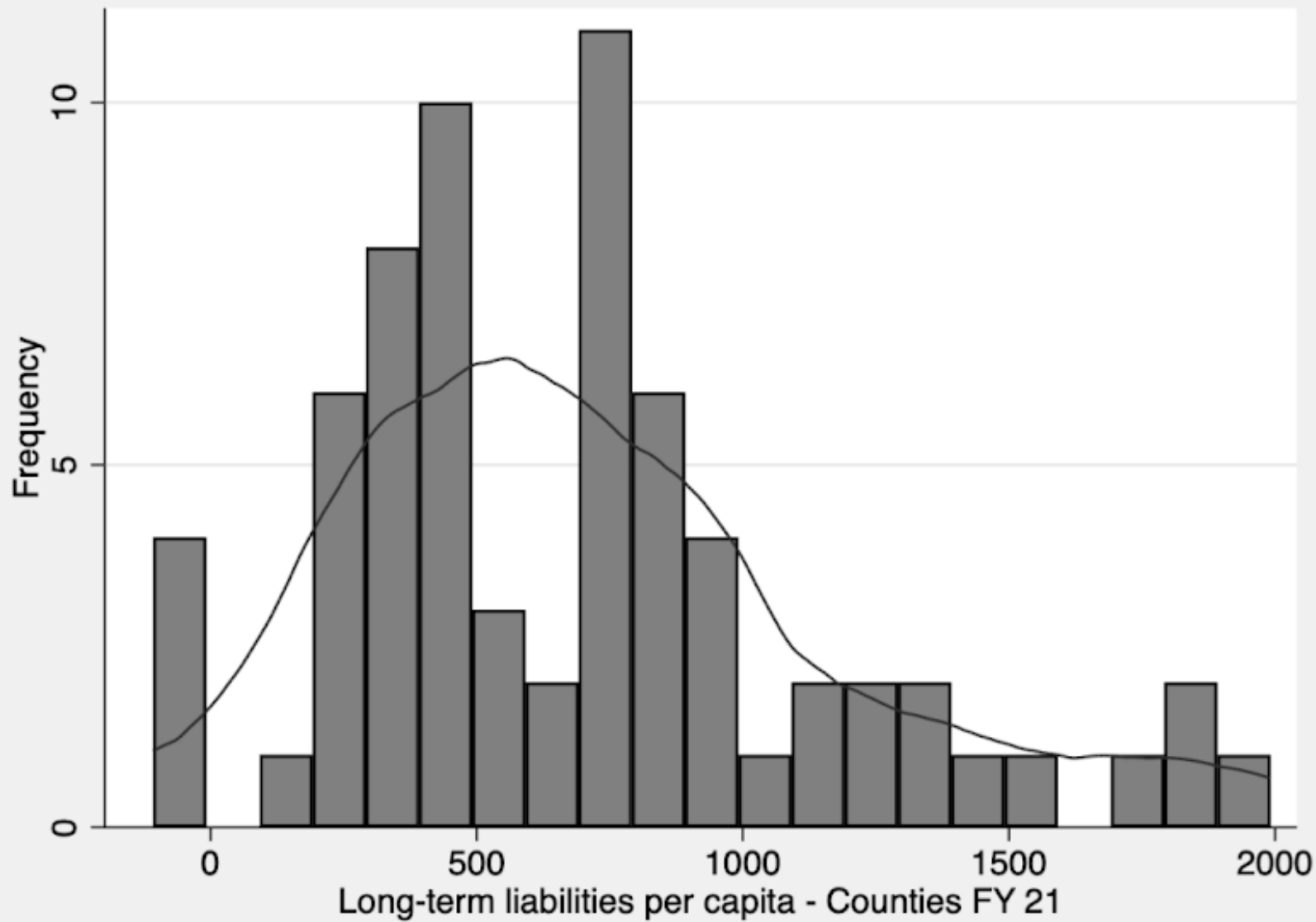
59% of counties report no change in ability to repay debt, with 30% reporting an increase

Long-term solvency indicators

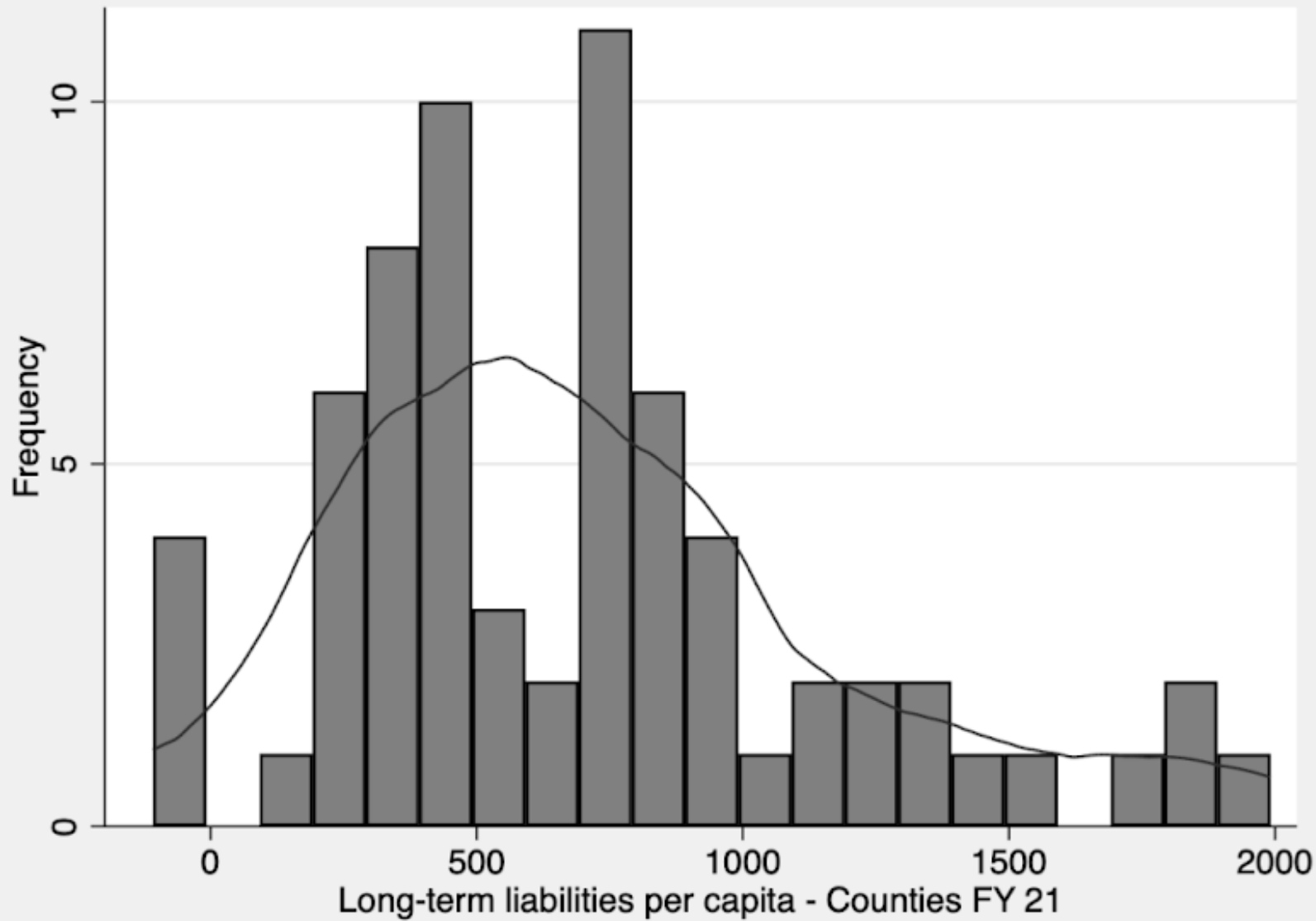
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A few outliers have large amounts of long-term liabilities per capita.

Pension and OPEB funded ratios 2021

Table 5

Pension and OPEB indicators (medians), by jurisdiction type and year

	General employees pension funded ratio		OPEB funded ratio	
	N	Median	N	Median
2021				
Counties	78	74.50	68	34.20
Cities	218	68.30	182	19.60
Villages	72	76.95	84	37.13
Townships	73	75.75	26	13.79

Pension and OPEB - MPPS findings

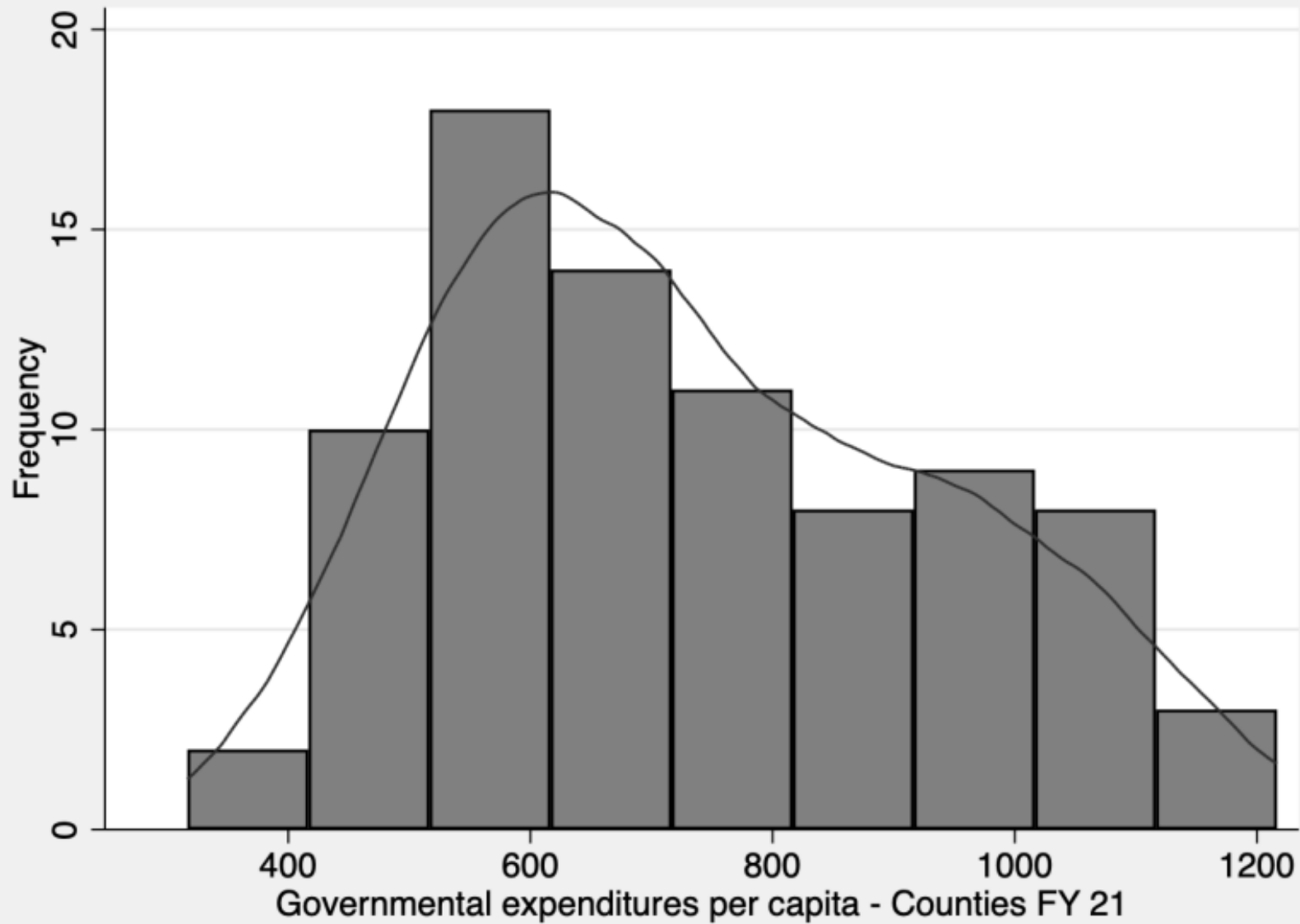
- 70% of counties report that pension costs have increased
- 51% of counties report that retiree health benefit costs have increased

Service solvency indicators - Spending

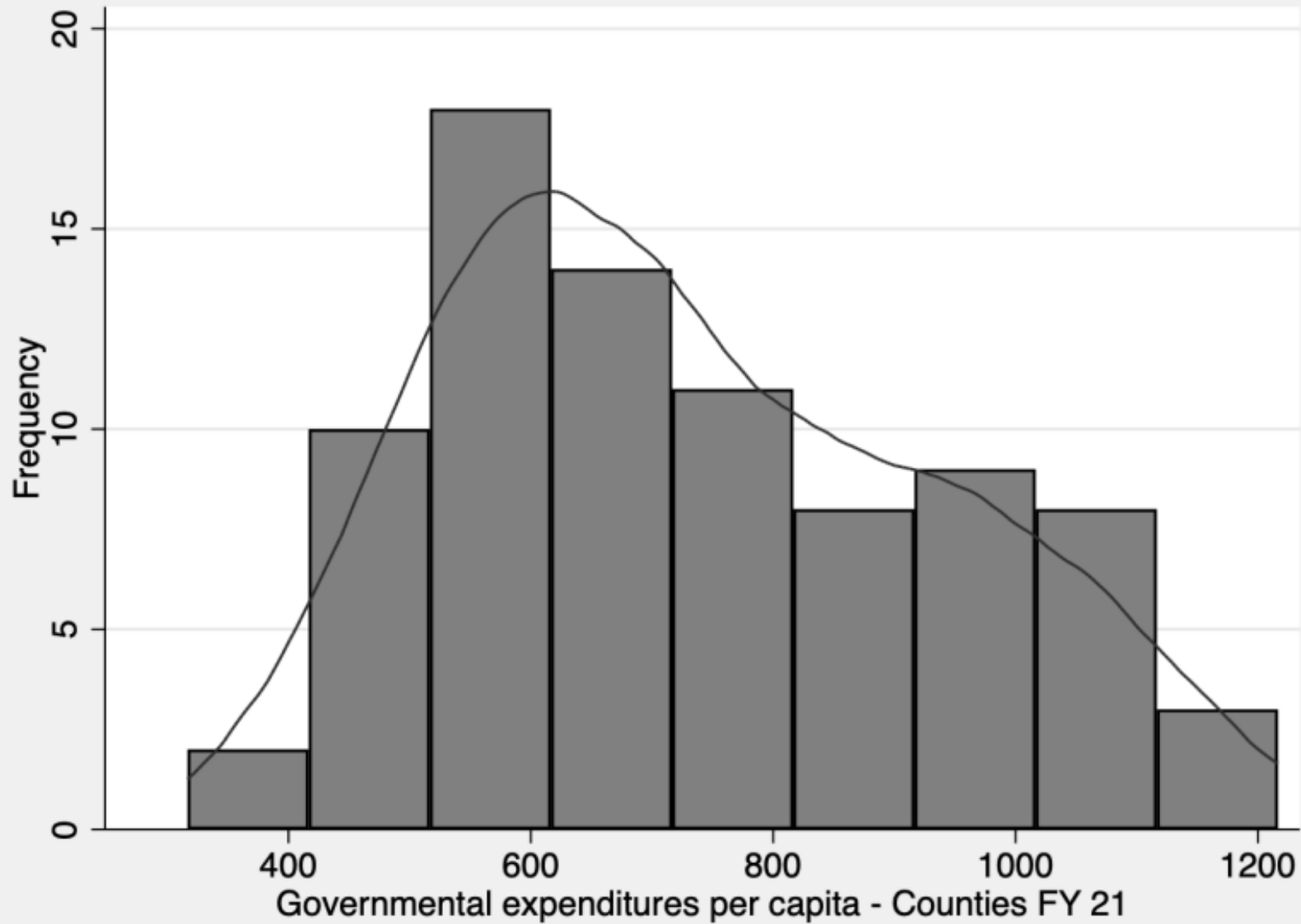
Table 6

Service Solvency Indicators (medians), by jurisdiction type, population category, and year

	Median governmental expenditures per capita		Median governmental assets per capita		Median public safety share of general fund spending	
	2021	2022	2021	2022	2021	2022
Counties	\$708.75	\$702.85	\$323.21	\$285.58	0.319	0.289
Cities	\$1,207.15	\$1,212.19	\$1,581.90	\$1,651.24	0.420	0.402
Villages	\$698.37	\$776.17	\$1,090.48	\$1,158.21	-	-
Townships	\$307.70	\$310.11	\$180.46	\$183.92	-	-



The median county spends around \$700 per capita.

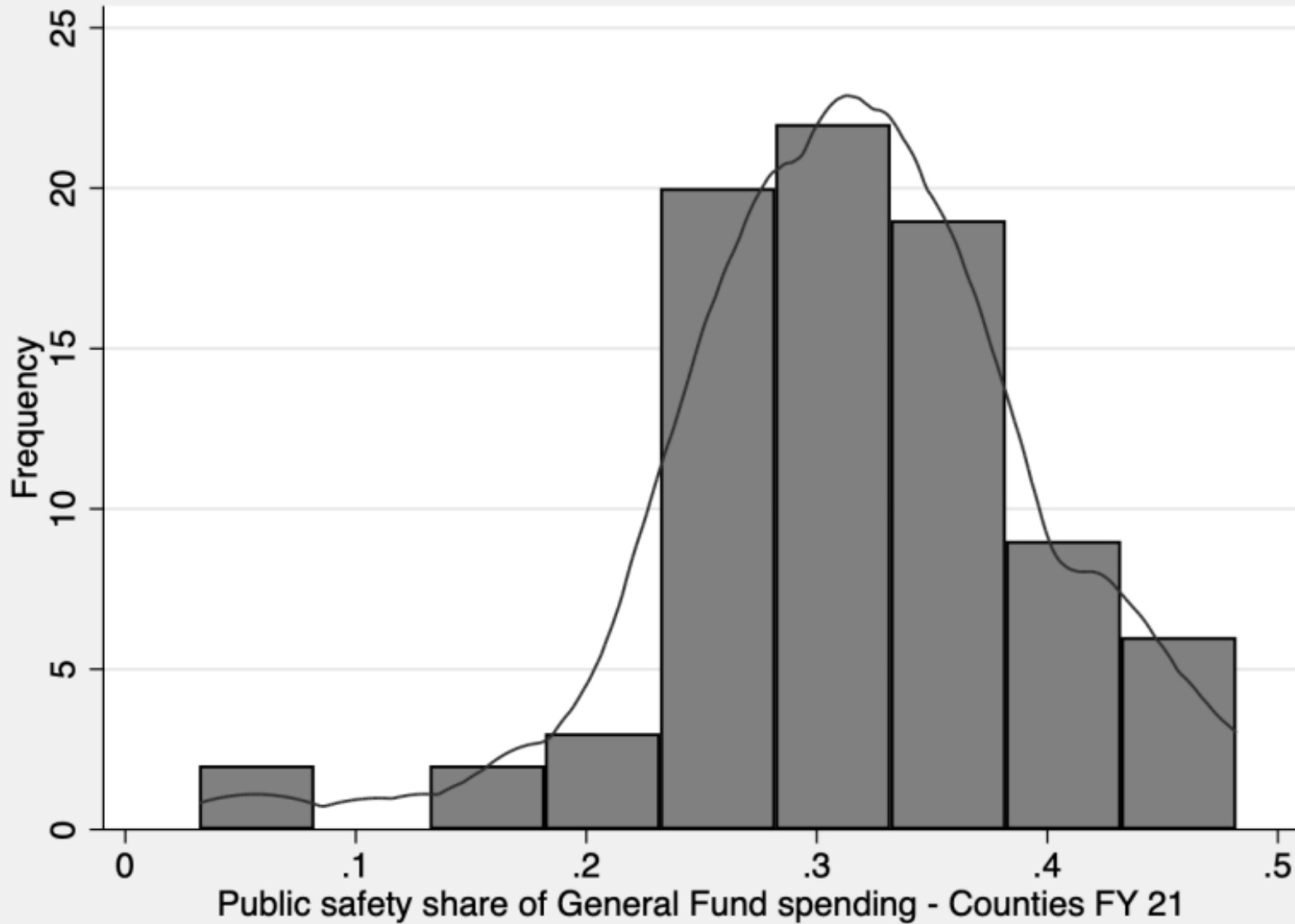


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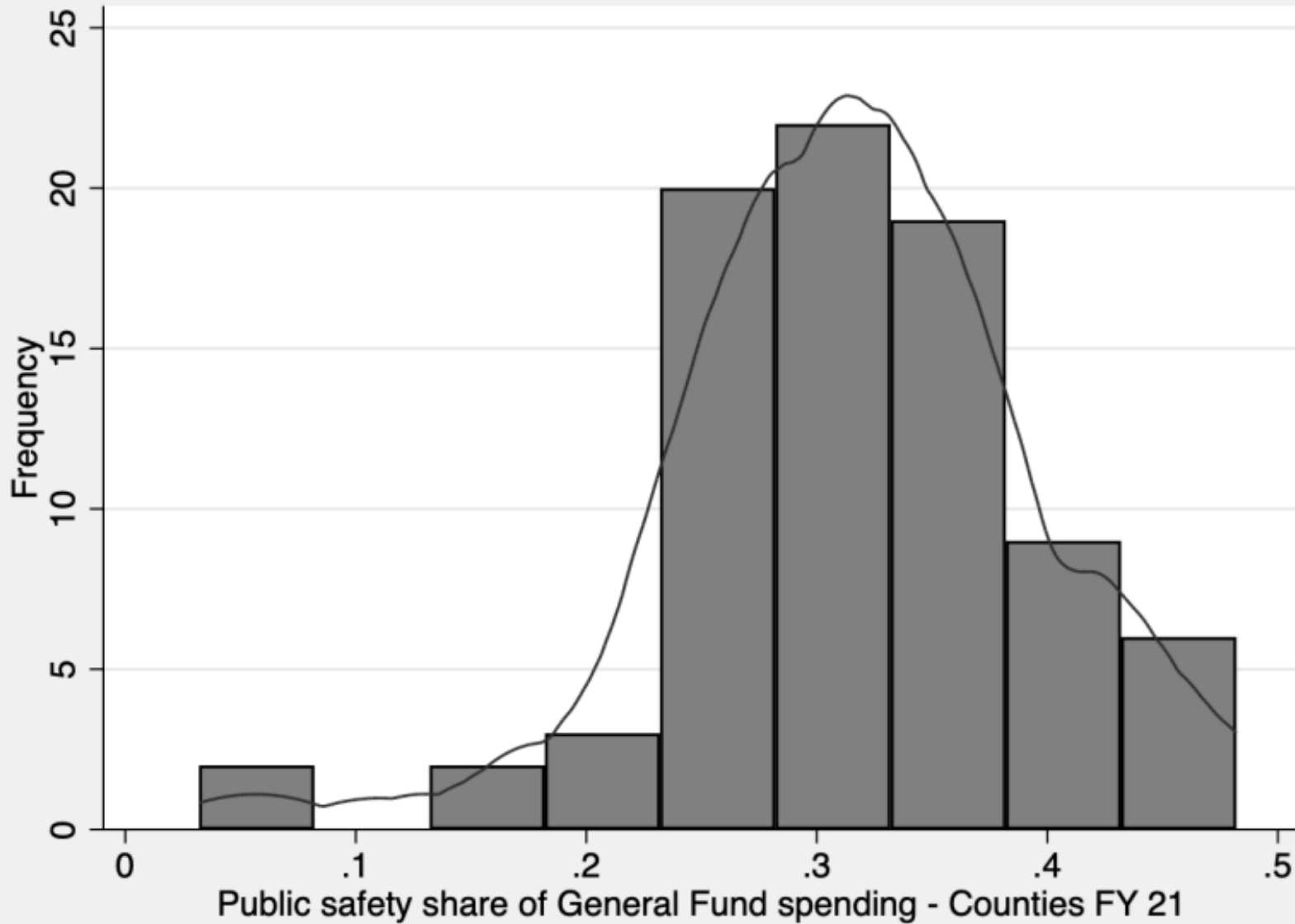
55% of counties project no change in the amount of services they provide, while 30% expect a modest increase and 12% expect a modest decrease.

For counties, median governmental expenditures per capita decline with population

	Median governmental expenditures per capita				
Population	< 1,500	1,500 - 5,000	5,001 - 10,000	10,001 - 30,000	> 30,000
Counties FY 21	-	\$1,082.30	\$864.92	\$776.71	\$623.71
Cities FY 22	\$1,062.03	\$1,060.29	\$1,293.28	\$1,269.39	\$1,374.66
Villages FY 22	\$733.83	\$850.99	\$925.96	\$1,212.39	-
Townships FY 22	\$360.86	\$282.57	\$306.83	\$368.99	\$578.73



Public safety is the largest expense category for many local governments. Most counties spend between 25 - 35% of their budgets on public safety.



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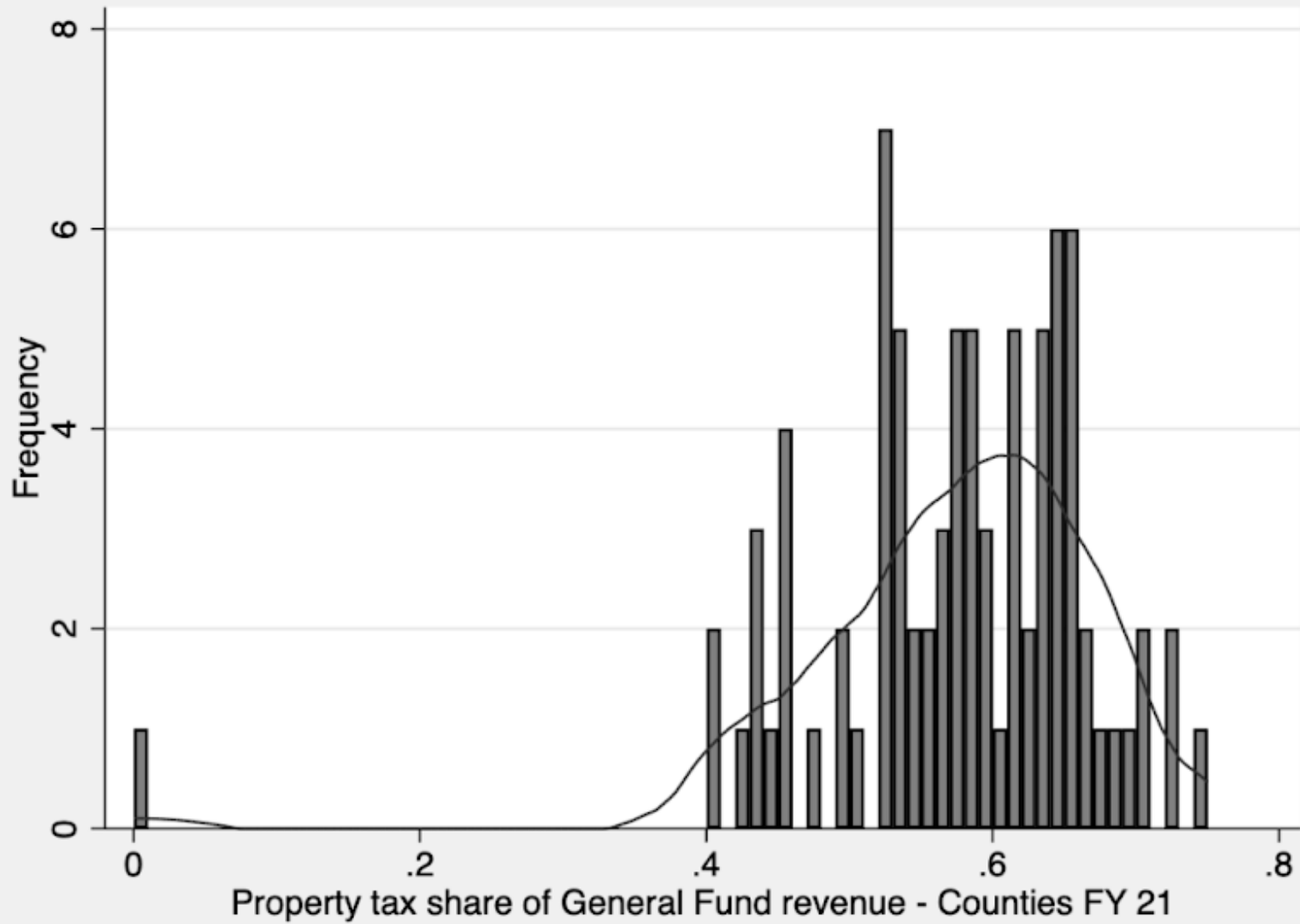
About 91% of counties provide public safety services to other local governments.

Service solvency indicators - Revenue

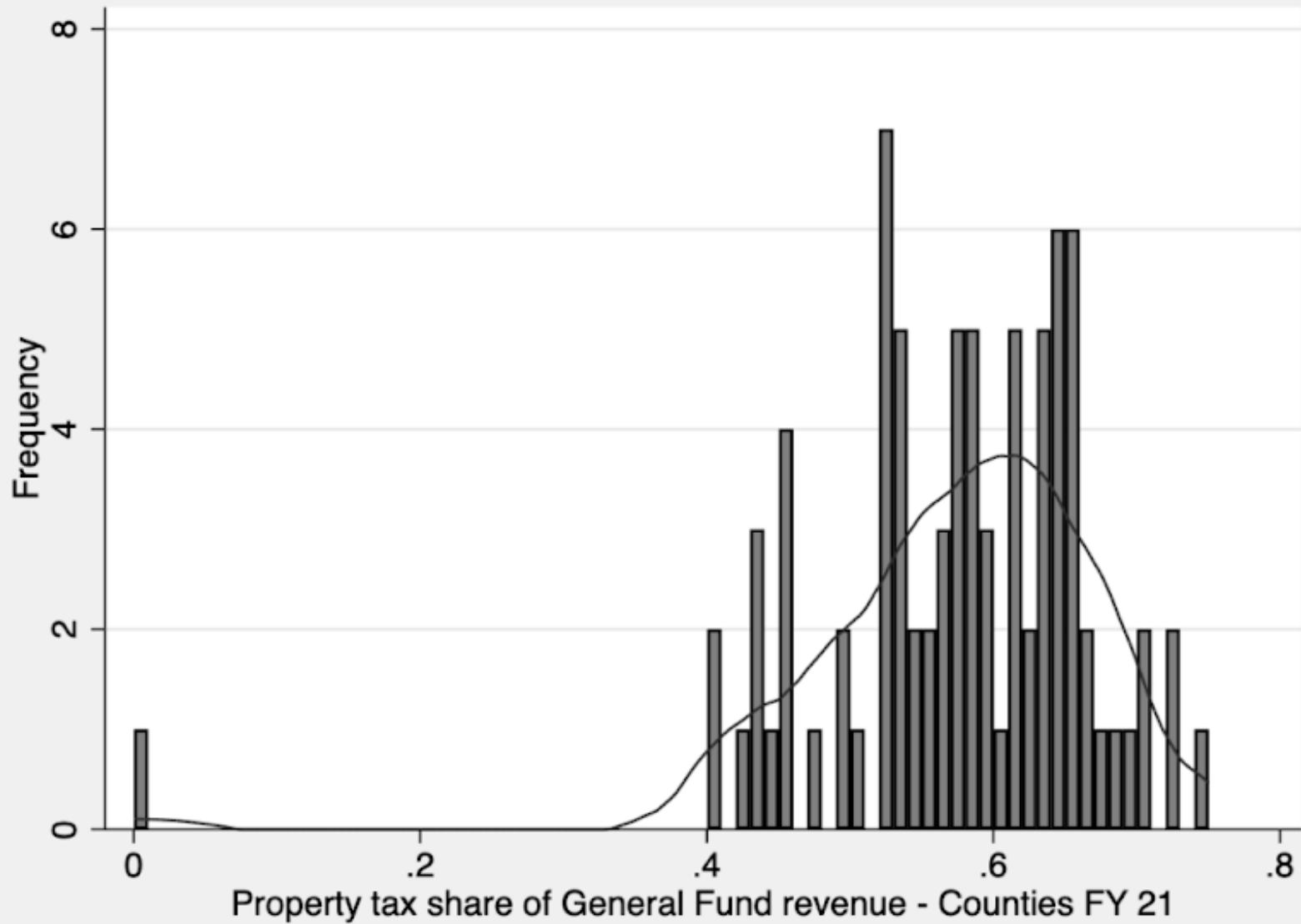
Table 7

Service Solvency Indicators - Revenue (medians), by jurisdiction type and year

	Median property tax share of general fund revenue		Median revenue sharing as a share of general fund revenue		Median charges as a share of general fund revenue	
	2021	2022	2021	2022	2021	2022
Counties	0.584	0.580	0.055	0.052	0.113	0.108
Cities	0.504	0.520	0.155	0.166	0.075	0.078
Villages	0.450	0.427	0.220	0.236	0.039	0.053
Townships	0.323	0.296	0.438	0.460	0.026	0.026

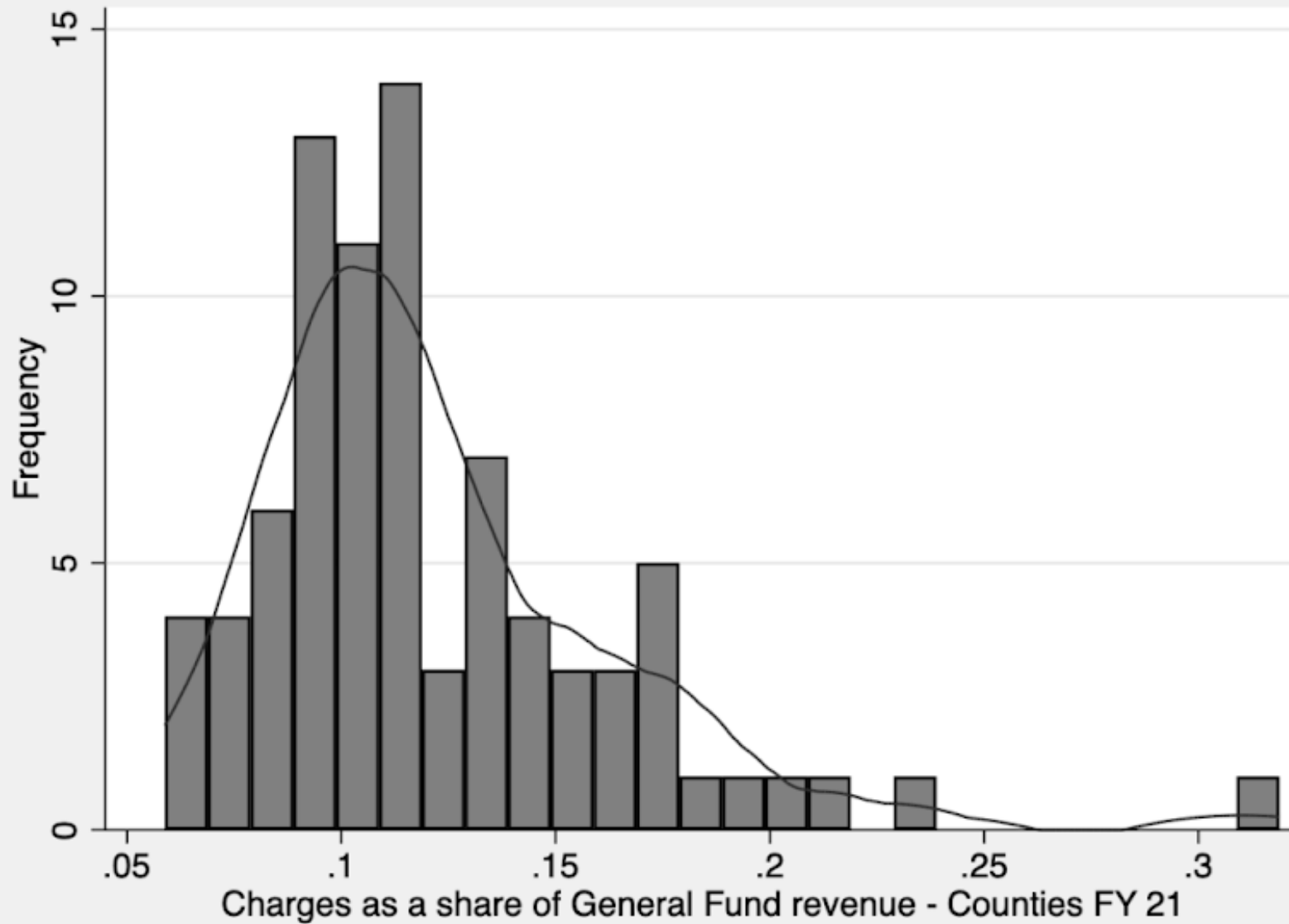


Property taxes are the largest share of general fund revenue for most counties.

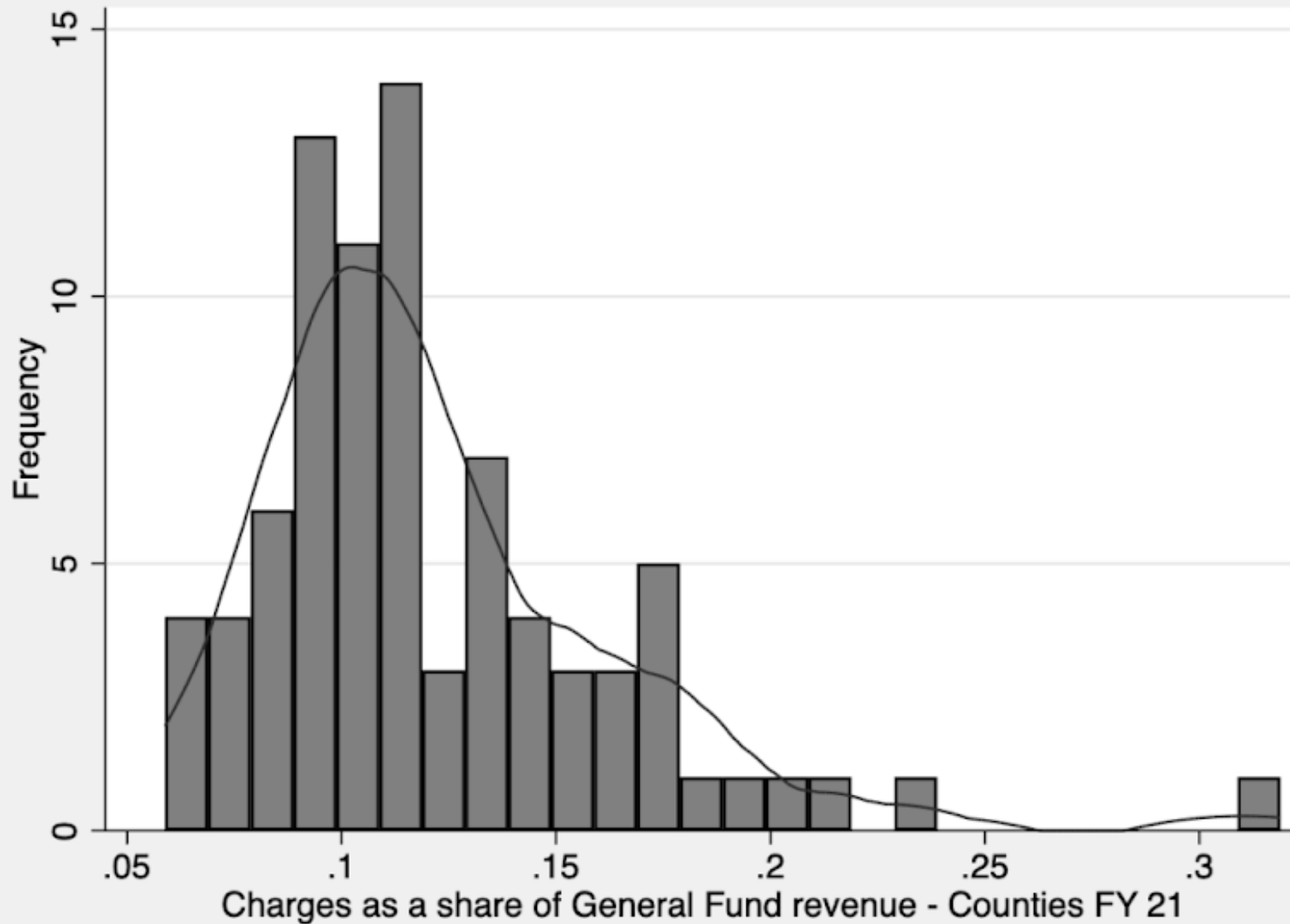


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MPPS 2023: 74% of counties report that property tax revenues have “somewhat increased” in the past year.



Charges make up about 11% of general fund revenue for a typical county.



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MPPS 2023: One-third of counties report increasing charges and fees between 2022 and 2023.

Summary of long-term solvency

- For most counties, debt levels are relatively low
- Pension and OPEB liabilities make up about two-thirds of total long-term liabilities for the typical county and costs are increasing
- Counties vary widely in spending patterns
- High reliance on property taxes provides stability but limits revenue growth

Long-term solvency - issues to watch

- Pension/OPEB costs
 - Protecting MI Pension Grant Program - 4 counties and 25 CRCs received funds
 - MERS GovInvest modeling tools
 - Market/economic factors
- Capacity/staffing issues
 - A quarter of counties say a lack of staff/expertise/resources is a problem for deploying ARPA funds
 - Frustrations with delayed deployment of opioid settlement funds

Long-term solvency - issues to watch

- Revenue constraints
 - Property tax limitations and lagging response to economic growth and inflation
- Revenue sharing reform
 - Revenue Sharing Trust Fund proposal - state budget

MPPS: County leader predictions

- 7% of counties report having high levels of fiscal stress in 2023, but 13% expect to have high fiscal stress in five years.
- While 45% of counties report low levels of fiscal stress in 2023, slightly fewer (43%) expect to have low stress in five years.

Contact and additional information

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[The Fiscal Health of Michigan Local Governments 2021 - 2022](#)

[Michigan Public Policy Survey](#)

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