The (Cap)ability to Act Today and Prepare for Tomorrow

Local Government Capacity and the Future of Michigan Communities







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CITIZENS RESEARCH COUNCIL OF MICHIGAN

CENTER FOR LOCAL, STATE, AND URBAN POLICY

Executive Summary: Communities at their Limits

In joint research by MSU Extension, the U-M Center for Local, State, and Urban Policy, and the Citizen's Research Council, local government capacity shows up as the ability to:

- Deliver core services today while preparing for tomorrow.
- Turn people, funding, and knowledge into public outcomes.
- Adapt to changing conditions and constraints.
- Navigate complex state and local relationships.

Clear evidence shows that Michigan's current system of support for local governments, from structure to mandates and municipal finance, is unsustainable. Michigan's ability to grow its population, attract businesses, and maintain reliable infrastructure depends on the 1,850+ local governments delivering those services on the ground. Yet our research shows, just 13% of Michigan local governments report having sufficient capacity to meet current needs and future challenges.

To better understand these challenges and possible solutions, we gathered a group of practitioners and experts from across the state who work in and with local governments for a symposium to more clearly understand what shapes local government capacity. What emerged is a view of capacity challenges shaped by Power, People, and Resources.

Discussions with participants revealed a broad set of ideas, ranging from incremental improvements to more transformative changes focused on how state, local, educational, and regional partners can better support local capacity. A strong consensus emerged that our current band-aid approach is not working and the time has come to think more broadly about the underlying causes of local capacity challenges.

Priorities included proposals for how to:

- Build and retain a stronger local government workforce.
- Support regional approaches to service delivery and problem-solving.
- Increase access to shared technical expertise and coordinated state support.
- Modernize systems and structures that shape local operations and intergovernmental partnerships.
- Address fiscal and structural constraints.

Local officials were clear in their call for strong state partnership: 45% of local officials said the state should do much more to expand local capacity, while only 16% believe the state is doing enough. Yet Michigan currently lacks a dedicated state-level structure for local government oversight and support. Participants stressed that Michigan's local government system as a whole requires urgent attention. Because these challenges span governance, structure, and finance, short-term band-aids are not sufficient.

We encourage the incoming administration to treat local capacity as an urgent, imperative issue and partner with local leaders to move past short-term solutions towards lasting investment in local government structures and supports. Without real prioritization at the state level, communities in Michigan will continue struggling to deliver basic services residents and businesses rely on every day.

In line with our mission to support effective local governance in Michigan, the three institutions represented here are committed to supporting policymakers and local leaders through nonpartisan research, data, and education.

Local government capacity is the durable ability of a government to turn its people, resources, authority, relationships, and technology into public outcomes and adapt how it does so as needs, risks, and conditions change.

About the Project: Communities and Research in Partnership

The Citizens Research Council of Michigan, the MSUE Center for Local Government Finance and Policy, and U-M's Center for Local, State, and Urban Policy (CLOSUP) each have a long history of applied research conducted to support the operations and knowledge of Michigan's local government officials. As each of us observed the impact of capacity challenges, we knew we needed to bring the strengths of our organizations together to collectively address this urgent issue.

The plight of Michigan's demographic, economic, educational, and health condition has drawn growing attention, including in the recent election. Newly elected leadership must address issues related to stagnant population growth, the fact that Michigan is losing economic ground to other states, the educational aptitude of our students, and the ability and willingness of residents to participate in the workforce. Many of the issues related to retaining and attracting people and businesses to Michigan stem from the quality-of-life people experience in their personal and work lives.

While state policies play a role in some of these issues, ultimately it is local governments that create vibrant communities that meet the needs of residents. We rely on local governments to provide public safety, clean and safe environments for recreation, business districts that are inviting for businesses and their patrons, and quality infrastructure for such things as transportation and water and sewer. We've heard directly from local governments and indirectly through news accounts of local governments' challenges to provide those quality-of-life services.

Some frequently discussed factors include Michigan's lack of population growth and aging workforce, especially in rural areas, limiting the pool of workers to draw from. The scarcity of resources related to constitutional property tax limitations, the lack of tax alternatives, and the underfunding of statutory state revenue sharing has limited resources available to fund staff and services. The toxic political environment also deters people from seeking employment in government, serving on boards and commissions, or running for public office.

While we have a general understanding of many of the factors limiting the capacity of local governments, we know less about how those factors are affecting service delivery and the operations of local governments at the ground level. We can't align our research to add more to the discussion without a clearer understanding of how local communities think about capacity and feel it in their daily work. If there is a lack of capacity, how does it affect what services are provided, how they are provided, and residents' perceptions of those services?

As a first step toward creating that understanding we hosted a symposium to hear from representatives of local government. On October 13, representatives from county, city, and township governments, the local government associations, consultants, and others spent the day sharing experiences and ideas.

We present this paper as both a summary of the symposium and a call to action. This paper describes findings from that day and a survey of local officials. While there were many ideas for changes and improvements, one theme that emerged is that Michigan's structure of local government, its assignment of responsibilities, and the financial model that fuels them are not sustainable. Under existing constraints, local government officials are innovating and improvising to maintain services important to their constituents, but most felt that systemic reforms are required.

Our organizations are committed to collectively producing research and convening discussions to inform and address capacity issues facing local communities in our state.

How Local Governments and Partners Think About Capacity

We know that capacity means different things in different communities, so we started by asking participants what capacity, or a lack of it, means to them. The examples looked different depending on where participants came from, but the answers were strikingly consistent. **Capacity is like breathing room for local governments – it means they have the agility to respond to developing needs, crises, and opportunities in their communities.**

They also think about capacity over the medium- to long-term. For example, it is often difficult to recruit and hire talented people when roles are open, and the upcoming wave of retirements is a looming concern. We organized the discussion into three major themes of capacity in order to target solutions: Power, People, and Resources. These dimensions are not mutually exclusive, and we provide some examples of each below.

POWER

One of the clearest challenges noted by local leaders was in how power is allocated and used in local government. This is the dimension of capacity that captured many of the big challenges of modern governance: the loudest voices driving the agenda, divisions created by polarization, difficulty in communicating with the public and encouraging civic engagement, and missing local media coverage. These conditions combine to decrease trust between elected officials, staff, and residents and hinder relationships between state, federal, and local governments. The more energy expended to overcome these challenges, the less capacity is available to address community needs, long-term plans, and the day-to-day business of governing. Participants noted that stopping things is often easier than doing things, because the structures of power in local government are designed to preserve the status quo rather than solve problems.

PEOPLE

Capacity challenges connected to people range from not having enough staff to deliver basic services, to not being able to hire people when positions are open due to a lack of competitive compensation and benefits, to a broken talent pipeline and lack of pathways to government work for young people. Participants noted an increasing difficulty in finding people to serve in elected roles or on appointed boards like planning commissions. These difficulties are compounded by divisive community rhetoric that can be especially harmful in smaller communities. Participants also noted that after years of belt-tightening and eliminating positions, many governments are missing the capacity for medium- to long-term planning or to build relationships necessary to share services or establish new partnerships.

RESOURCES

The resources dimension is straightforward: Michigan's system of financing local government limits the ability of municipalities to meet community needs in a fiscally sustainable way. Participants mentioned long-standing issues like unfunded mandates and declining revenue sharing, but they also identified access to funding and proactive maintenance of infrastructure as major challenges. Much of the other discussion around resources and capacity centered around complexity. As more funding shifts to grants, new problems have emerged. First, communities need people to identify resources, develop applications and plans, and administer grants. Second, communities face administrative burdens in accessing funding, needing time and expertise just to apply for many programs or navigate regulatory environments. Even when communities do have funds available, they face challenges in finding contractors or outside expertise like legal or technical assistance. Finally, programs that provide one-time dollars are particularly limiting, as actual needs are often recurring.

Examples offered by symposium participants are noted below to illustrate the types of challenges they are seeing that affect local capacity. Some of the challenges are acute and technical, like challenges in information technology and cybersecurity, and others are existential, like devolving public discourse. and declining civic education. Themes of technology, knowledge or expertise, and the speed and complexity of governing were noted across all three dimensions.

POWER

- Unfunded mandates limit flexibility
- Lack of requirements or training for elected officials creates gaps and mistrust between staff and elected officials
- Uncertainty from state and federal government makes planning difficult
- Requirements with grants and state/federal dollars limit the ability to use additional funds for community needs
- Lack of local media and resident engagement elevates the loudest voices

PEOPLE

- Lack of civic education makes public engagement difficult
- Challenging working conditions make it difficult to attract talent at current salaries and benefit levels, especially for certain skills (e.g. public works, IT)
- Cuts during difficult times have left communities with few mid-level positions that provide capacity and professional growth opportunities
- Broken talent pipeline: mismatch between what young people want/are trained for and local government work

RESOURCES

- Processes to get additional resources are too complicated and there's no central place for information
- Cooperation takes time and people available to build relationships
- State funding of local governments is broken
- Chasing grants takes people and time. Money is available for one-time expenses but there are limited funds for ongoing maintenance and operations
- Incentives to compete for dollars and development rather than to cooperate

What We Currently Know About Local Government Capacity in Michigan

Coinciding with the symposium, we inquired about the sense of capacity and challenges all local government officials are feeling throughout Michigan. In fall 2026, U-M's Center for Local, State, and Urban Policy (CLOSUP) devoted one of its regular waves of the statewide Michigan Public Policy Survey (MPPS) of local government officials to ask about current government capacity in a variety of areas. Although data collection is not yet complete, preliminary responses indicate that:

45%

of local officials believe state government should be doing much more or "the most" to expand local government capacity

13%

of governments say they have sufficient capacity to meet their important needs and future challenges

4.8

mean assessment of capacity on a 7-point scale. Cities & villages on average report lower capacity than counties & townships

More details about the survey and preliminary findings are available in Appendix A.

What's Happening Now and Risks on the Horizon

Local governments reported that they are trying to be creative in addressing capacity challenges, pursuing strategies such as regional collaboration and shared services, contracting and outsourcing specialized functions, and technological investments to support efficiency. While these sometimes prove helpful, local government officials describe these largely as band-aids that fall short of addressing the root causes of capacity challenges. Participants discussed: how they're trying to plug capacity gaps; risks associated with capacity challenges; and promising opportunities for further exploration. Facing resource capacity challenges, such as lack of growth in property tax revenue, local units often turn to grants, which offer only short-term solutions through one-time revenue and limit their ability to develop sustainable solutions to the problems they face.

Why it matters: Relying on temporary funding can make it difficult to sustain service levels, adequate staffing, and plan for long-term investments.

Technological investments offer opportunities to streamline work and reduce costs, but can require significant up-front investment, and local units often face limited vendor options that may not meet their particular needs or available budget.

Why it matters: Limited capacity to invest in or implement technology may hurt efforts to improve efficiency and service delivery.

Regional collaboration and information sharing are viewed by local officials as an effective tool in some cases, but often local responsibilities are siloed in ways that make collaboration complex. Local units with limited staff or expertise may not have the capacity to spend time developing and managing complex shared service arrangements. Participants did identify several areas where regional approaches are being tried or could be explored, including courts, public health, and fire and public safety services, but leadership from the regional or state level would help to facilitate enhanced levels of collaboration.

In some areas, county governments are effectively serving both as conveners and regional service providers. In our conversations, local leaders described counties as effectively placed to convene efforts at collaboration and idea sharing. Multiple examples included local governments contracting with counties for services from the county sheriff, assessors, blight enforcement, and counties convening intergovernmental gatherings to share information and expertise.

Why it matters: Barriers to collaboration can limit opportunities to reduce costs and share expertise and specialized services.

To address human capacity challenges, some local units described using interns and short-term employees to plug capacity gaps, but their experiences were mixed. Discussions identified fellowships and direct-placement programs as potentially promising approaches for connecting students and early-career professionals with local government opportunities, but the ability to offer competitive compensation remains a challenge.

Why it matters: Ongoing workforce shortages contribute to leadership gaps, loss of institutional knowledge, and reduced ability to respond to new challenges.

While many of these strategies have provided incremental or temporary relief, efforts have been sporadic and uncoordinated, generally limited to addressing specific urgent problems rather than making comprehensive long-term investments in local capacity. Across discussions of how capacity is impacted by people, power, and resources, participants noted significant risk that capacity constraints hurt their ability to be responsive to residents, pursue community priorities, and govern effectively in the long-term.

Communities in Crisis: A Call to Action

The October 2026 Symposium on Local Government Capacity confirmed the need for a comprehensive dialogue about the governance of Michigan's counties, townships, cities, and villages. While there is widespread agreement that municipal finance reforms should be on the table, local governmental officials also emphasized the importance of supporting the capacity of local governments to improve relationships and increase coordination of services at the state, regional, and local level, to retain and develop talent in local government leadership and personnel, to modernize technological systems, and to grow community civic engagement.

Participants were clear in their belief that lasting progress requires moving beyond local band-aid solutions toward systemic reforms to address workforce, governance, and municipal finance challenges. Local leaders were clear in wanting the state to be a partner that shares expertise, removes barriers to collaboration, and helps modernize systems and structures for information-sharing and problem-solving.

Given the complex nature and requirements of Michigan's over 1850 local governments and special authorities, strategies to improving local government capacity to deliver quality, cost-efficient community services must be designed with the collaboration of our counties, cities, villages, and townships. Leadership from the state level and across the whole of state government is a necessary first-step to helping Michiganders build strong, healthy, and sustainable communities.

Participants

Participants in the October 13 Symposium included: state associations representing local governments; township, city, county, and village managers and administrators; early career professionals; state officials who work frequently with local governments; private sector companies who work with local governments; local elected officials; across local government service sectors (e.g. public health, mental health, finance, public works-infrastructure, etc.); higher education leaders of public sector-related programs; communities previously under emergency management; and representatives from urban, rural, and suburban communities.

The work above is a summary of symposium discussions and does not represent the views of any individual participant. There may be disagreement on details of how to address capacity, but there was universal agreement on the need to collectively act to better support local capacity. The report title and quote on page 1 are definitions of capacity created by participants.

Research Team

The research team represents a partnership of three of Michigan's leading public policy research organizations: Citizens Research Council of Michigan, MSUE Center for Local Government Finance and Policy, and U-M Center for Local, State, and Urban Policy. We are committed to work on local government capacity because it is a theme that we consistently see across our work with state and local governments. We are collectively committed to aligning our work to provide better information to decisionmakers on this issue.

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Appendix A: Michigan Public Policy Survey (MPPS) Fall 2026 Preliminary Data

Local officials' assessments of their jurisdiction's problem-solving capacity

Includes responses from:

1,006 county, city, village, and township top elected and appointed officials

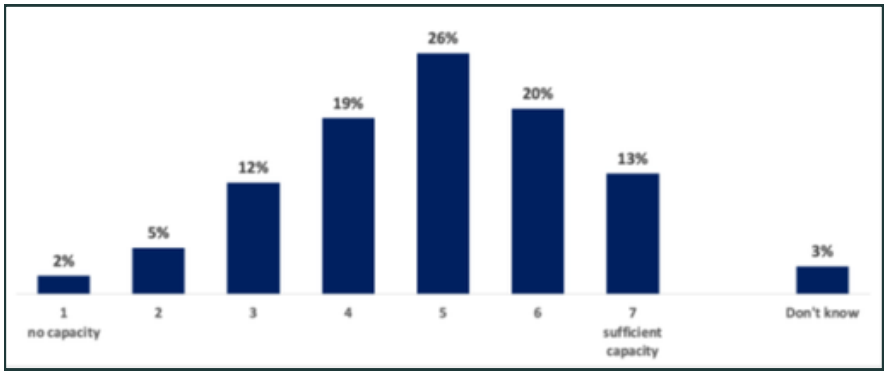
From September 28 to November 2, 2026 (data collection will close November 16)

Note: these preliminary data are not yet cleaned and weighted, and so should be taken as illustrative until the final dataset is available

Assessments of overall capacity

Statewide, just 13% of local governments say they have sufficient capacity to meet their important needs and future challenges. On a 7-point scale, the mean assessment is above the midpoint at 4.8, suggesting that the average local government has only about 68% of the capacity they think they need.

"Overall, how would you rate your jurisdiction's government's capacity on a scale from 1 to 7, where 1 is no capacity to address your important needs or future challenges and 7 is sufficient capacity to address your important needs or future challenges?"



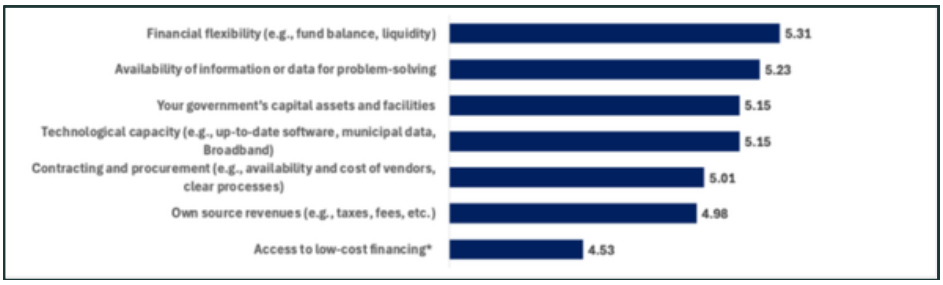
Cities and villages on average report lower capacity than counties and townships.



Appendix A: Michigan Public Policy Survey (MPPS) Fall 2026 Preliminary Data

Assessments of resource capacity

When asked about seven different types of resources that local governments rely on for capacity, local governments are significantly more likely to say they have capacity when it comes to financial flexibility than when it comes to their own source revenues or low-cost financing. And while around a quarter (25%) of local officials rate governments as having sufficient (7 on the 7-point scale) financial flexibility, fewer than one in five say that they have sufficient capacity in any of these other categories.



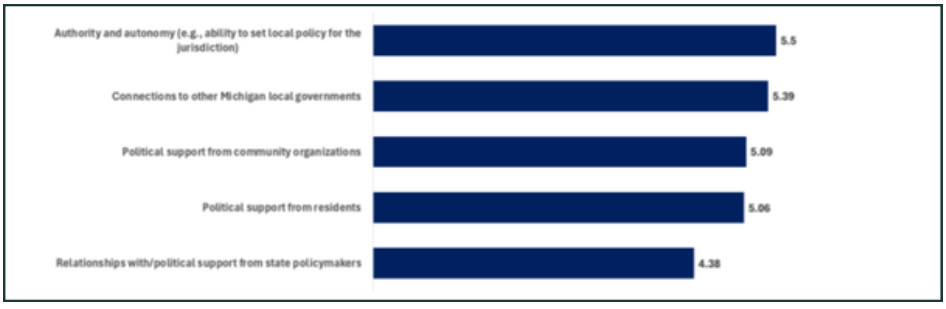
Assessments of people capacity

In terms of the different ways people and personnel provide local governments capacity to achieve their goals, local government leaders are most likely to express concerns around future hiring and around community participation. But again, only approximately a quarter statewide report that they have fully sufficient capacity in any of these areas.



Assessments of power capacity

Assessments of the ways that formal and informal political and policymaking power provide local governments capacity are among the lowest of all the dimensions. Of particular concern to state officials should be the low-capacity scores assigned to local governments' perceived relationships and political support from state policymakers.



Appendix A: Michigan Public Policy Survey (MPPS) Fall 2026 Preliminary Data

Which dimensions best explain overall capacity for different jurisdiction types?

To better understand which dimensions of capacity are the most important drivers of local officials' ratings of their overall capacity, we performed a statistical analysis to rank each of the dimensions for different types of jurisdictions. The table below shows those rankings, with the most important dimensions highlighted in green and those of secondary importance highlighted in yellow. A higher ranking means that dimension has a stronger influence on how local officials rate their overall capacity.

For counties, political leadership is the most important dimension of capacity, followed by low-cost financing and contracting/procurement capacity. Townships and cities both rank financial flexibility and own-source revenue highly, and cities also place high emphasis on current and future personnel. Villages emphasize data availability, political leadership, and contracting/procurement as the top drivers of their overall capacity.

Dimension rankings, by jurisdiction type

	Counties (N=41)	Townships (N=309)	Cities (N=141)	Villages (N=82)
Financial flexibility	7	1	2	4
Own-source revenue	12	4	1	9
Low-cost financing	2	2	13	17
Capital assets	8	3	4	6
Technology	9	12	9	8
Contracting/procurement	3	8	15	3
Data	4	11	10	1
Expertise	10	10	6	5
Current personnel	6	7	3	10
Future personnel	17	9	5	16
Community participation	16	13	14	14
Political leadership	1	6	16	2
Authority and autonomy	15	5	12	13
Resident support	11	16	17	11
Community org support	5	14	8	12
Connections other local govs	13	15	7	15
State policymaker support	14	17	11	7

Appendix A: Michigan Public Policy Survey (MPPS) Fall 2026 Preliminary Data

Which dimensions best explain overall capacity for communities with low/medium/high capacity?

We can also perform a similar analysis to understand the most important drivers of capacity for local governments that rate their capacity as low (1-3), medium (4-5), and high (6-7). For low-capacity governments, by far the most important dimension is authority and autonomy, followed by political leadership, which together explain over 70% of the variation in their overall capacity scores.

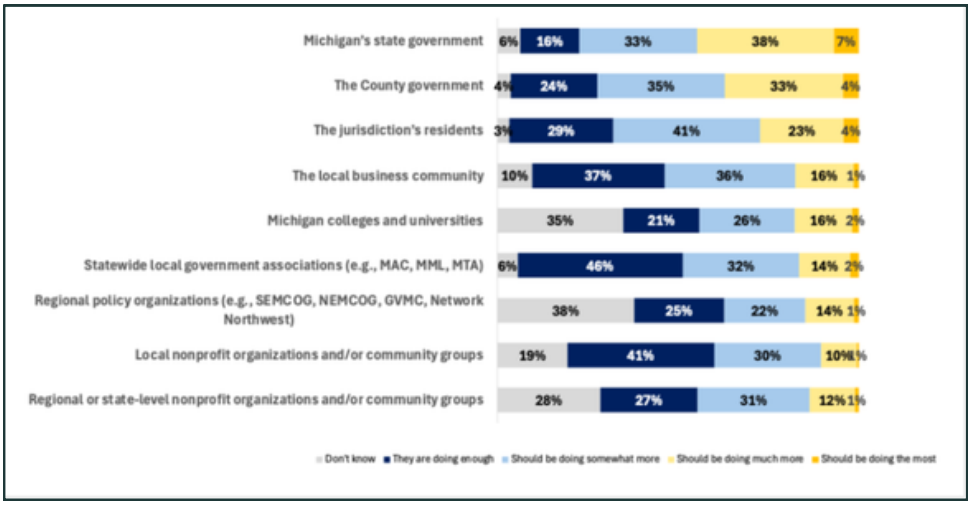
Medium capacity governments, almost half of the total, are strongly driven by resource capacity constraints, with financial flexibility, own-source revenue, capital assets, and current personnel among the most important dimensions. High-capacity governments have a wider variety of dimensions that influence their overall capacity, with particular emphasis on political leadership, capital assets, and connections to state policymakers and other local governments as contributing to their relatively high overall capacity.

Dimension rankings, by overall capacity score			
	Low capacity (1-3, N=115)	Med capacity (4 or 5, N=278)	High capacity (6 or 7, N=180)
Financial flexibility	16	1	5
Own-source revenue	17	2	6
Low-cost financing	12	6	17
Capital assets	11	4	2
Technology	15	12	13
Contracting/procurement	8	8	14
Data	14	7	8
Expertise	6	9	15
Current personnel	13	3	10
Future personnel	3	11	16
Community participation	7	13	7
Political leadership	2	5	1
Authority and autonomy	1	10	12
Resident support	5	15	9
Community org support	9	14	11
Connections other local govs	10	16	3
State policymaker support	4	17	4

Appendix A: Michigan Public Policy Survey (MPPS) Fall 2026 Preliminary Data

Who should be helping to expand local government capacity?

- Nearly half (45%) of local officials believe the state government should be doing much more or "the most" to expand local government capacity. Only 16% believe the state is doing enough.
- County governments (according to city, village, and township officials) and community residents are two other groups who local leaders believe should have a prominent role in expanding local government capacity.



The findings in this summary are still preliminary and may change once the survey field period is finished. The complete data from this survey will be available before the end of the year, and a full CLOSUP findings report is forthcoming.

For more information, contact MPPS staff by email at closup-mpps@umich.edu or by phone at 734-647-4091. More information is also available on the CLOSUP website at: http://closup.umich.edu.