

# Michigan's Local Financial Emergency Law

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# Michigan Financial Emergency Laws

- PA 101 of 1988
- PA 72 of 1990
- PA 4 of 2011
- PA 436 of 2012

## State-Local Financial Oversight

- Every state imposes law with regards to financial oversight of local governments & school districts
- Policies include:
  - Debt limits and debt issuance oversight
  - Tax and spending limits
  - Auditing and accounting requirements
  - Budgeting requirements

## State-Local Funding Policies

- State aid and revenue sharing
- Local tax options
- Unfunded mandate laws
- Fiscal note/fiscal impact on state legislation
- Funding formulas for infrastructure and other public services

## State Control/Takeovers

- Generally targeted at fiscal crisis situation
- Origins go back to early 20<sup>th</sup> century
  - Three state takeovers in Mass. (Falls River, Wooster and Boston) in 1910'2 and 1920's
  - State control of NYC in 1970's, Philly and DC in 1990's

## Current Status - RTAB

- Allen Park
- Ecorse
- Hamtramck
- Pontiac
- Flint
- Lincoln Park
- Detroit (FRC)

## Current Status-Consent Agreement

- Wayne County
- Royal Oak Township
- Benton Harbor Area Schools
- Pontiac Public Schools

## Current status – EM's

- Highland Park School District
- Detroit Public Schools
- Muskegon Heights School District



## Historical (PA 101/PA 72)

### EFM appointments

- 1990 Royal Oak Twp. (back in process)
- 2000 Hamtramck (back in process)
- 2001 Highland Park (back in process)
- 2002 Inkster schools
- 2008 Three Oaks
- 2002 Flint

# EM Order by Category

City	Months in	Total	Revenue	Expenditure	Administrative	Union	Council
Allen Park	23	56	15	21	24	3	7
Benton Harbor	48	227	50	27	141	0	21
Ecorse	43	92	16	54	61	3	8
Flint	46	89	15	30	22	22	33
Hamtramck	18	20	2	8	11	0	3
Lincoln Park	17	49	11	21	15	11	8
Pontiac	38	333	54	107	211	41	12

State	Legislative Status*	Type of State Oversight
Connecticut	SL	Local control board
Florida	GL	Control Board
Illinois	GL	Local Control Board
Indiana	GL	Receiver
Maine	GL	State Control Board
Massachusetts	SL	Local Control Board
Michigan	GL	Receiver
Nevada	GL	State Department
New Jersey	GL	Control Board and Receiver
New York	SL	Local Control Board
North Carolina	GL	State Control Board
Ohio	GL	Local Control Board
Pennsylvania	GL	Receiver
Rhode Island	GL	Receiver or Local Control Board
Tennessee	GL	State Control Board
Texas	GL	Judicial process

State	Unilateral Contract changes or Termination	Union Contract approval	Personnel hiring and Firing
Florida	No	No	No
Illinois	No	Yes	No
Indiana	No	Yes	Yes
Maine	No	No	Yes
Michigan	Yes	Yes	Yes
Nevada	No	Yes	Yes
New Jersey	No	Yes	Yes
North Carolina	No	No	No
Ohio	No	No	No
Pennsylvania	Yes	Yes	Yes
Rhode Island	No	Yes	Yes
Tennessee	No	No	No
Texas	No	No	No

State	Financial Recovery Plan Required	Who develops Plan?	Approval
Florida	Optional	Local officials	Governor
Illinois	Yes	Local officials	Financial Assistance Board
Indiana	Yes	Local officials and Emergency Manager	No discussion
Maine	No	N/A	N/A
Michigan	Yes	Local officials or Emergency Manager	State Treasurer
Nevada	Yes	State Department of tax	No discussion
New Hampshire	No	N/A	N/A
New Jersey	Yes	Chief Operating Officer	No discussion
North Carolina	Optional	Local officials	Local Government Commission
Ohio	Yes	Local officials	Financial Supervisory Commission
Pennsylvania	Yes	Local Officials, Coordinator or Receiver	Secretary or Commonwealth Court
Rhode Island	Yes	Fiscal Overseer	No discussion
Tennessee	Yes	Local officials	State Funding Board
Texas	No	N/A	N/A

State	Taxing Authority	New Taxing Options
Florida	No Discussion	No new taxing powers
Illinois	Board has authority over existing taxes	No new taxing powers (provision to ensure tax effort)
Indiana	Prohibited	Possible extension with DUAB approval
Maine	No discussion	No new taxing powers
Michigan	Only via voter approval	No new tax options
Nevada	Department and Commission have authority	New tax options provided; Nevada Tax Commission authority
New Hampshire	No discussion	No new taxing options
New Jersey	Chief Operating Officer	No new taxing powers
North Carolina	No discussion	No new taxing powers
Ohio	Only oversight and approval of local officials actions	No new taxing powers
Pennsylvania	Court approval for override of maximum tax rate	New tax options via court of common pleas; can set rates above maximum allowed by law
Rhode Island	Receiver, Commission or Overseer have authority	No new taxing powers
Tennessee	No discussion	No new taxing powers
Texas	No discussion	No new taxing powers

State	Authority to End Emergency	Triggers Specified
Florida	No discussion	N/A
Illinois	Financial Advisory Authority	Yes
Indiana	Distressed Unit Appeal Board	Yes
Maine	Opinion of commission	No
Michigan	Emergency Manager or Governor	No
Nevada	Nevada Tax Commission	Yes
New Hampshire	No Discussion	N/A
New Jersey	Chief Operating Officer; Governor	Yes
North Carolina	Local Government Commission	No
Ohio	Financial Commission or State Auditor	Yes
Pennsylvania	Secretary of the Department of Community and Economic Development	
Rhode Island	No explicit discussion for Receiver	No
Tennessee	No discussion	N/A
Texas	No discussion	N/A

- Thank you!