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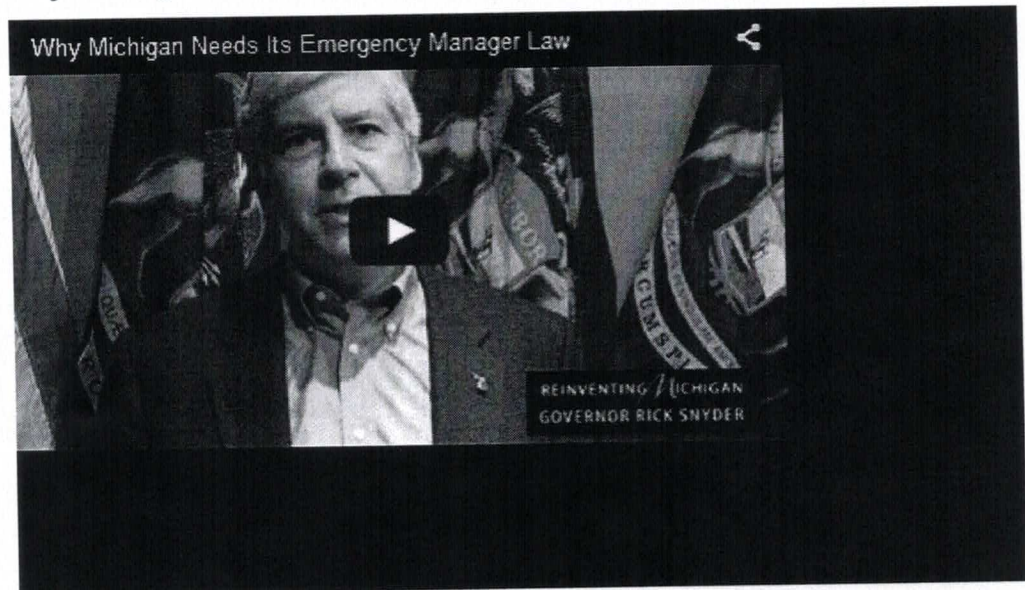
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Why Michigan Needs Its Emergency Manager Law



By Governor Rick Snyder
 August 2, 2012

Across the country, cities and school districts are facing financial crises that are bringing them to their knees. Michigan is no exception, but there's one thing that makes us different - instead of waiting until our local governments are past the point of no return, we have adopted a law that allows us to take early action to prevent total fiscal meltdowns.

This tool is known as the emergency manager law, and it creates an early-warning system that alerts us to potential fiscal problems in cities, villages and school districts. In a worst-case scenario, the law empowers the governor to appoint a manager to take actions to help get that local government get back on its feet.

The original law was signed back in 1990 by Governor James Blanchard, a Democrat. Since then, an emergency manager has only been put in place 10 times in more than 20 years by governors of both parties.

When I was elected, I took a look at that law and decided it needed to be changed and improved in order to give the people of Michigan more protection. The House and Senate passed legislation that allows the state to tackle financial crises before they spiral out of control while also giving emergency managers better tools to address financial emergencies.

Here's how it works:

If a local government has financial difficulties -- if it can't make minimum payments to a pension fund, if it is unable to pay its employees, or if other conditions are met as set forth in the law -- the Michigan Department of Treasury makes a preliminary review to determine if that government is facing a financial problem. (The Michigan Department of Education performs the review for school districts.)

If the state finds that a problem exists, it orders a financial review, and the governor appoints a team that will examine the books and records of the local government. Next, that team can negotiate and sign a consent agreement with the chief administrative officer of the local government (the mayor, for example) - or an emergency manager can be appointed right away. That agreement sets out a plan to get the local government back on track.

The review team will monitor the local government and report back to the governor. If the local government doesn't live up to its agreement and a financial emergency exists -- in other words, if the local government fails to act -- the governor can appoint an emergency manager who will be accountable to the governor and the legislature. The manager's job is to take steps to bring the financial emergency to an end and get the local government's fiscal house in order. Once that job is done, the emergency manager's term will be completed.

Appointing an emergency manager is the last thing I ever want to do. That's why this law provides a way to prevent a financial crisis from ever getting this far. But if worse comes to worse, the state has a responsibility to protect the health, welfare and safety of its citizens. We can't stand by and watch schools fail, water shut off, or police protection disappear. Without the emergency manager law, there is precious little that can be done to prevent those kinds of nightmare scenarios. But with it, we can take positive action on behalf of the people to quickly avert a crisis.

As governor, I will do everything I can to work with local governments to prevent problems before they reach a tipping point. But when financial disaster is upon us, I will not hesitate to take action under the law on behalf of the people of Michigan.

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