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Avoiding Local Government Financial Crisis: The Role of State Oversight

In Brief

Over the years, the State of Michigan has enacted a number of laws to prevent or react to local government fiscal distress. Despite these laws, the state has remained relatively inactive in the oversight of local government finances and a few units of local government have experienced fiscal distress. Through proactive monitoring of local government finances, it could identify local units with management policies, financial practices, or debt management practices that allow financial conditions to erode. By continuously working with local governments, the state could assist in changing the course of those unit's finances. Based on the experiences of other states, the likely result of such actions is tax savings for residents of those units likely to get into fiscal distress, improved management practices by officials of those units, and reduced interest costs for all Michigan residents.

This **Memorandum** summarizes *Avoiding Local Government Financial Crisis: The Role of State Oversight*, Citizens Research Council Report #329 (available from the CRC website or upon request). The following discussion:
- considers the causes of local government fiscal distress and the state interest in addressing that distress;
- considers the range of state responses available and how current Michigan laws fit into that range; and,
- makes a number of recommendations for how the state could redirect its efforts to positively affect the finances of Michigan local governments and prevent the occurrence of fiscal distress.

I. Introduction

Local governments are created by, and derive their authority from, the state, creating an implied supervisory relationship between the state and its subdivisions. That is, the state is, in a general way, responsible for what its subdivisions do. Set against this relationship is local home rule, which implies wide latitude for local governments to set their own courses. Various sections of Article VII of the 1963 Michigan Constitution specify the rights of citizens in cities, villages, and counties to adopt charters that define their preferred form of local government. In creating a policy to deal with the handful of units that get into fiscal distress, the state's interest in the finances of local units must be balanced with the home rule powers of local government.

Origins of Local Government Fiscal Distress. Fiscal distress is an imbalance between the level of resources a unit of government has committed and potential available revenue. In practical terms, fiscal distress can result from several origins, including:

- Erosion of the economic base leaving the local unit with insufficient resources to fund the needed or desired level of government services;
- The territory remaining as an artifact of incorporation having insufficient economic base to support a unit from local revenue sources;
- Management restrictions that hamper sound budgeting policies or require a level of services that cannot be met from current revenue sources;
- Unforeseen events such as a natural disaster or a lawsuit that adversely affect the tax base or create a necessary unbudgeted expenditure; or,
- Mismanagement in the form of corruption, embezzlement, or any other form of malfeasance.

Implications of Local Government Fiscal Distress. Because governments are defined geographically, the failure of local units of government would create voids where no entities exist to provide local government services. Distressed units must be returned to fiscal health or become part of another fiscally healthy unit that can assume delivery of those government services.

The Role of Local Home Rule. Michigan is one of 37 states with constitutions that provide for home rule for municipalities and one of 23 state constitutions that give home rule powers to counties. A longstanding, perhaps in-

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herent, tension between state control and local self-governance exists under these home rule provisions. This tension is expressed in Michigan by two opposing legal precedents, referred to as Dillon's Rule and the Cooley Doctrine. The former, set forth in *Clinton v Cedar Rapids and the Missouri River Railroad,* (24 Iowa 455, ___; 1868), held that "[m]unicipal corporations owe their origin to, and derive their powers and rights wholly from, the legislature. It breathes into them the breath of life, without which they cannot exist. As it creates, so may it destroy. If it may destroy, it may abridge and control." In direct contrast to Dillon's Rule is the Cooley Doctrine, which stands for an inherent right to local governance. That doctrine, as enunciated by Michigan Supreme Court Justice Thomas M. Cooley in *People v Hurlbut,* (24 Mich 44, 95; 1871), held that "[l]ocal government is a matter of absolute right, and the state cannot take it away."

The delegates who drafted the 1908 and 1963 Michigan Constitutions addressed these opposing views in a manner that gave complete ascendancy to neither. The state constitutional and statutory provisions that have sought to reconcile this tension place both legal and practical limitations upon the extent to which state government can effectively intervene in the affairs of local units of government to resolve fiscal difficulties. Under the constitutional provisions, counties, cities, and villages are accorded broad home rule powers. However, these provisions are not self-executing; they require statutory implementation. The fact that such implementation requires enactment of *general* law precludes the legislature from directly adopting special legislation aimed at particular home rule governments.

State Interest in Local Government Fiscal Health. The state's interest derives from the need to

- protect the state's own credit and the credit of its subdivisions;
- assure the performance of contractual obligations by local units; and
- assure the continuation of necessary public services, including property assessment and taxation, conducting and certifying elections, and providing for the health and safety of residents.

Additionally, the state must act to

- protect the finances of local units of government that overlap the fiscally distressed unit;
- assure efficient use of state resources, since most state taxes are ultimately spent at the local level through a high level of state revenue sharing; and
- assure the success of home rule.

II. Reacting to Fiscal Crisis

The range of options at the disposal of state government for addressing local government fiscal distress fall into five broad themes:

(1) a hands-off, nonintervention approach;
(2) intervention for the purpose of dissolving such local units;
(3) intervention for the purpose of restoring such local units of government to some degree of fiscal vitality; and
(4) intervention to give local officials the technical or policy skills necessary to alleviate fiscal distress and avoid future distress.

The fifth option, continuous monitoring of local government finances, attempts to keep governments from falling into financial distress, rather than addressing their needs after they enter financial distress.

1. Non-Intervention

The state could choose to do nothing. As long as the cause of the fiscal distress was not a state policy, state interest in the way the unit resolves its problems may be limited. The rationale in support of non-intervention flows directly from the concept of home rule. Notwithstanding the axiom that local units of government are creatures of the state, the home rule provisions of the state Constitution, implementing statutes, and case law make clear that home rule local units of government are to enjoy broad latitude with respect to self governance, insofar as that latitude does not contravene the Constitution or general laws of the state.

Home rule may be viewed not only as a set of rights that local units of government enjoy, but also as a set of responsibilities that local units of government must accept. While it is generally assumed that the state must "do something" when a unit of local government experiences financial difficulty, the basis for such an assumption is not readily apparent. Assuming that the state did nothing directly or indirectly to contribute to the fiscal plight of the unit of local government, a persuasive argument could be made that the state should have no direct interest in, or involvement with, the way that financial difficulty is resolved. However, such an argument would be subject to two qualifications: (1) it would be necessary to assure that contractual obligations are satisfied;

and (2) it might be that a policy of non-intervention could apply only to smaller units.

If a local unit experienced a number of financial crises, citizens presumably would vote to replace the officials that allowed those circumstances to arise or would vote with their feet by moving to communities where such circumstances do not arise. If the problems persisted, state and local policymakers eventually would have to decide whether the governmental unit is sustainable as an independent unit of government. If not, the state could choose to intervene – either by facilitating a merger with another unit of government or, if the unit is a city, by forcing the entity to revert to township status – or not to intervene, thus allowing the unit to settle debts with its creditors on its own terms.

2. Dissolve the Local Unit

The state may choose intervention for the express purpose of dissolving a local unit of government as an autonomous entity. The rationale in support of this approach is similar to that mentioned in regard to non-intervention, namely that home rule consists not just of rights, but responsibilities. Indeed, the very notion of home rule presupposes some minimum ability on the part of the residents to govern themselves. However, when a local government reveals by its conduct over an extended period of time, that it is incapable of responsible self government, the state would seem justified in concluding that home rule was not appropriate for that particular unit.

This option presupposes something about that unit precludes it from operating in a fiscally stable manner. Dissolving the unit under such circumstances would force realization of this problem. The people of the community should be given the opportunity to rectify the situation themselves with a charter amendment or adoption of a new charter. However, failing such actions, consideration could be given to revoking the home rule charter.

One means of dissolving a local unit of government is to encourage consolidation with one or more of the surrounding, stronger local governments. This option would address the need to continue service delivery, and create a larger pool of potential residents from which to draw elected and non-elected officials. In many cases, it would create greater economies of scale to reduce the unit cost of delivering government services. However, it is worth noting that mergers and consolidations do not take place regularly, even when economic conditions seem to indicate that all involved would benefit from such actions.

3. Financial Intervention

Financial intervention would give the state a direct say into the revenue raising and spending affairs of the local unit. If local officials cannot manage their finances on their own, the state could do it on their behalf.

Any state efforts to raise local taxes must consider the Headlee Amendment restrictions on local taxation. If a local unit of government at its statutory or charter limit got into a financial crisis, the only option available without a vote of the people would be to cut expenditures.

A second level of financial intervention would be to affect the amount of money distributed to the local unit from the state. The state could attempt to address the financial problems of a financially distressed unit by providing more money to make revenues equal to expenditures. This approach would offer a carrot – in the form of more money – for some level of changes, assuming the financial problem could, in fact, be solved by making those changes, but it would risk having the unit in the same condition a few years down the road.

On the other hand, the state also could use a stick. Money that otherwise would be paid to the local unit in state aid could be withheld unless changes are made. This approach likely would only make the financial situation a little worse. If the local unit budgets for a certain level of state aid, providing less aid would only give that unit fewer resources with which to meet obligations when it did not have enough be begin with.

A third level of financial intervention has the state assume some control, but minimizes the level of intrusion into local home rule. State-shared revenues could be used to meet obligations on a municipality's behalf. If a local unit began experiencing pension problems, unpaid employee paydays, revenue shortfalls, or if other situations arose where others stood to suffer because of the financial dealings of a single unit, the state could direct that unit's share of state aid to those purposes.

4. Technical Intervention

Intervention to provide technical assistance and policy direction to local governments falls on the scale somewhere between non-intervention and full financial intervention. While the state government does not make financial decisions for the local unit of government – such as dictating tax rates or budgetary choices, or managing the books – this type of intervention allows the state to assist in restoring the unit to financial health and keeping it out of financial distress. To a great extent, Michigan has adopted this approach with enactment of the laws that currently provide for state oversight of local government finances, including: the Uniform Budgeting and Accounting Act, the Municipal Finance Act, the Emergency Municipal Loan Act, and the Local Government Fiscal Responsibility Act.

III. Avoiding Fiscal Crisis Through Monitoring

It is possible for the state to take on a greater oversight role in the finances of local government without interfering in the decision-making inherent in local home rule. Such a role would not imply state control, where financial responsibility rests primarily with the state, and the local units are mere agents. State oversight recognizes that the primary responsibility lies with the localities and that the state is responsible for aiding in the improvement of local administration, but not for the detailed acts of that administration.

A proactive approach to monitoring and early intervention could expand the current state role without crossing into state control. A state oversight approach based on monitoring and early intervention could use the tools developed for providing technical and policy intervention to continuously track local government finances. The aim would be to provide the guidance to keep local governments financially healthy and to identify potential problems before they become serious. By identifying indicators of potential future fiscal distress, the state could assist local government officials in making positive changes to avoid imposing the Local Government Fiscal Responsibility Act process or some other means of financial intervention at a later date.

Two issues complicate any state efforts to oversee local government finances: (1) the number of local units, and; (2) the measures to monitor as indicators of future fiscal distress.

Number of Units. Michigan has 1,859 general-purpose units of government and 555 local school districts that are covered by the Local Government Fiscal Responsibility Act. Additionally, 57 intermediate school districts, 28 community college districts, and over 250 special districts and authorities require some level of state oversight. Overseeing the finances of all of these units would require much higher levels of staffing than are currently assigned to such tasks.

A "triage" strategy would reduce the number of units requiring active state oversight. A triage strategy for handling this number of local units would begin with an assumption that the great majority of units do very well in managing their finances. Under this method, the forms of local government are clustered into three groups.

1. Units that are assumed to be financially healthy based on past experience. This group should receive minimal attention.
2. Units that consistently experience fiscal distress. This group should receive the lion's share of the attention in the state oversight efforts.
3. The remaining units should receive a fair amount of attention, but oversight efforts will begin with the assumption that they are healthy and will remain healthy.

Indicators of Fiscal Distress. The state already possesses some means to identify local units which are experiencing fiscal distress. For example, local units must adopt balanced budgets and file audit reports, file deficit recovery plans that must be approved and certified by the state treasurer, and implement those plans.

The problem for the state is how to make these tools work to achieve a more proactive level of oversight, in order to identify units before it is necessary to take emergency actions. Some states use a system of fiscal benchmarking to track the financial condition of a number of local units. Benchmarking is, to put it simply, a system of comparing a number of units, 1) relative to themselves at another point in time, 2) to each other at that same point in time, and 3) to a standard measure that is considered critical, to identify strengths and weaknesses in their operations.

Fiscal benchmarking can overcome the lack of uniformity and the analytical difficulties of local governments. Ideally, fiscal benchmarking would create ratios from information about revenues, expenditures, operating policies, debt structure, the liability structure, condition of the capital plant, demographic data, and management and data-reporting practices.

IV. Recommendations

The state should position itself to prevent local government finances from deteriorating to the point of fiscal distress. By increasing staff from the three persons presently dedicated to these tasks and giving them the tools to regularly assess local government finances, the state can share best practices of the fiscally healthy units, identify potential problems early enough to make meaningful changes, and attempt to prevent local government finances from deteriorating to the point of fiscal distress. If Michigan has experiences similar to other states, the net effect of such efforts should be a saving to taxpayers.

The ability of states to successfully monitor local government finance is a function of both the commitment made to monitoring local government finances and the working relationship state oversight bodies develop with local government staff and elected officials.

State oversight efforts should extend to the economic and management policies, fiscal management practices, and debt management practices of local units, making the state aware of such indicators of fiscal distress as: tax rates, debt levels, and pension obligations. The state should work with local units continuously to create familiarity with local government practices, and to create a comfort level for local officials in contacting the state for assistance. The following recommendations would strengthen the ability of the state to monitor local government finances and intervene early should circumstances dictate.

1. Emulate the North Carolina Local Government Commission.

Bond rating agencies and others agree that North Carolina is one of the leading states in providing state supervision of local government finances. By performing frequent and thorough reviews of each local unit of government's finances, the financial oversight performed by the Local Government Commission of the North Carolina Department of Treasury has been successful at keeping units from getting into fiscal distress. Furthermore, the activities of the Local Government Commission help to keep local government tax rates low and save taxpayers money. Ratings on North Carolina local government bonds are upgraded primarily because of the confidence bond raters have in the Local Government Commission.

Programs that work well in one state sometimes cannot easily be transferred to another state. That does not appear to be the case with Michigan relative to North Carolina's Local Government Commission.

The primary difference between the two states in the responsibility for delivery and funding of government services is that North Carolina transferred directly to state control several functions, such as highway maintenance and court operations, whereas they remained a local responsibility in Michigan with the state providing revenues to fund their delivery. It can be argued that such an arrangement increases the need for a strong state oversight above what it should be if the state were overseeing only local expenditure of local tax revenues. It is incumbent upon the state to ensure an economic and efficient use of state aid, not only in how funds are distributed to the local units, but also in the actual expenditure of dollars by the local units.

Increased state supervision of local government finances might be viewed as an infringement on local home rule, but the alternative of state intervention in the affairs of a financially failing local unit almost certainly has greater negative long-term consequences for the concept of home rule in Michigan. With several Michigan laws already on the books providing the state power to oversee local government finances, increased state supervision is likely to be incremental. Moreover, fewer than one-third of the 1,800 general purpose local units of government even have home rule powers in Michigan.

North Carolina municipalities are afforded only slightly less home rule power than that enjoyed by Michigan municipalities, yet the state government in North Carolina provides one of the strongest levels of financial supervision. Almost 20 years ago, the U.S. Advisory Commission on Intergovernmental Relations (ACIR) studied the degree of local discretion state constitutions and state laws afford local governments. Michigan cities ranked as the third highest degree of local discretion; North Carolina cities ranked fifth. North Carolina counties ranked third among all of the states in their degree of local discretion; Michigan ranked 28th. Local governments in North Carolina have relatively great discretion in governmental structure, function, and personnel, but have less freedom in financial matters.

2. Assign monitoring responsibility to the Bureau of Local Government.

Responsibility for monitoring the finances of local government should rest with the Local Audit and Finance Division within the Bureau of Local Government in the Michigan Department of Treasury. Strengthening the role of the Bureau will involve many of the same tasks that are currently performed, but at a level that more proactively investigates signs of fiscal distress. The Bureau should have immediate information on local government finances, tax rates, debt, and pension status. Other units that directly relate to local government finance, such as the Local Government Claims Review Board, the State Tax Commission, and the Office of Revenue and Tax Analysis staff responsible for administering state revenue sharing all should either be located in the Bureau of Local Government, or maintain a strong working relationship with that division. The Bureau also will have to perform additional tasks to investigate and monitor local government finances. The ensuing recommendations identify those tasks.

3. Create an oversight body to monitor the actions of the Bureau of Local Government.

Increasing the oversight role of the Bureau will mean the exercise of greater discretion in dealing with local governments. As an administrative body without policymaking authority, it is important the Bureau have sufficient discretion to carry out the tasks assigned to it. A supervisory body to monitor the actions of the Bureau of Local Government, such as the body that oversees the Local Government Commission in the North Carolina Department of Treasury, would ensure that it keeps to its charge, and is evenhanded in its dealings with local government helping to increase the confidence of local units in its actions. A supervisory board for the Bureau of Local Government oversight body could be composed of:

- The state treasurer;
- The director of the Department of Management and Budget;
- The legislative auditor general;
- One appointee of the majority leader of the senate;
- One appointee of the speaker of the house;
- Five appointees of the governor, to represent (1) cities and villages, (2) townships, (3) counties, (4) school districts, (5) special authorities and districts.

4. Develop a program for educating local government officials and employees.

It is not enough to tell local government officials and employees what is expected of them, education must be made available so as to leave no ambiguity in how to perform financial tasks. This should be accomplished by developing a full-time educational program, with a wide range of expertise in all matters of local government.

The North Carolina Local Government Commission does not operate in a vacuum. The Institute of Government was established at the University of North Carolina at Chapel Hill in 1931 to provide expert opinion on difficult issues and to help local and state officials to hone the skills needed to conduct public business. The Institute of Government is a large university-based local government training, consulting, and research organization. Moody's has commended the Institute's "rigorous and highly respected certification programs," calling it "a university for public officials." Similar institutes in Georgia and New York have modeled themselves after the University of North Carolina program, which attracts continuing national and international interest.

Institute faculty teach primarily in two settings: (1) the Master of Public Administration program, and (2) continuing education programs for North Carolina's public officials. For public officials, the Institute's annual offering of more than 200 classes, seminars, schools, and specialized conferences cover topics such as:

- Legal requirements and obligations of public-office holders;
- State-of-the-art management techniques for departments and agencies;
- Ensuring fiscal soundness and preparing useful financial reports;
- Effective land-use planning tools and techniques;
- Review of current law in specialized fields ranging from conservation and environment to taxation, annexation, and gun control;
- Making informed policy decisions.

In a given year, the Institute will host city and county managers, county commissioners, city mayors, registers of deeds, public defenders, state judges, social services employees, city and county attorneys, planners, recreation directors and budget officers, among many other types of officials and community leaders.

Any of several public Michigan universities could create an academic program, or alter an existing program, to carry out this function.

5. Provide oversight of local government finances.

Oversight of local government finances would encompass monitoring economic and management policies, monitoring fiscal management practices, and monitoring debt management practices.

Monitor economic and management policies. In part, doing more to monitor the economic and management practices of local governments simply means doing a better job of enforcing the laws that are already on the books: the Uniform Budgeting and Accounting Act and the Uniform System of Accounting Act. Beyond enforcing those laws, the Bureau should ensure that local units are

- Using accounting practices that conform with generally accepted accounting principles;
- Submitting balanced budgets;
- Levying taxes sufficient for debt and budgetary requirements; and
- Investing governmental operating and capital funds prudently.

Working more closely with local government finance officials will make Local Audit and Finance Division staff more aware of budget devices that might mask fiscal distress. State oversight efforts should investigate the use of unrealistic economic assumptions for the projection of future revenues; the use of one-time revenues for budget balancing purposes; the use of inter-fund transfers; and inadequately funded pension obligations. Other management practices that have led to fiscal problems, such as the use of short-term borrowing to fund current operations, should raise red flags leading to further investigation. Oversight efforts should allow the Bureau to work with the State Tax Commission to identify authorized tax rates for each type of unit of government, and be prepared to identify tax levies that do not have statutory or constitutional authority. Again as is the practice in North Carolina, the Bureau should also be authorized to set auditing standards, perhaps going so far as accreditation of municipal auditors.

The Local Government Commission in North Carolina is a party to all auditing contracts. While local units are free to contract with a firm of their own choosing, by making the state a contractual party, it is clear that the auditor is answerable to the state as well as the local government officials. The Local Government Commission reviews auditors' management letters dealing with internal controls and potential weaknesses in financial management systems. Upon their review, the Commission corresponds with the unit to advise of a "clean" review or outlining improvements to operations recommended by the Local Government Commission or the auditors in their management letters, or both.

Monitor fiscal management practices. The strength of the North Carolina's oversight efforts stem from the significant powers of the Local Government Commission. However, the absence of North Carolina local governmental units in fiscal distress relates directly to the frequent and thorough reviews of each local unit of government's finances performed by the Local Government Commission. Local governments are required to submit statements of finances semi-annually and audited financial statements annually.

The process to trigger the Local Government Fiscal Responsibility Act could be shortened to acknowledge that the state is providing active fiscal oversight. That act currently requires that one of the triggers initiate the process, that the governor's office find evidence of fiscal distress, and then that a review team report back to the governor the existence of fiscal distress. The idea would be to keep units from getting too far into fiscal distress, but because the state would be actively providing oversight, that process could be shortened so that in those instances when distress is evident, a single finding of fiscal distress could trigger appointment of an emergency financial manager.

Monitor debt management practices. Public Act 202 of 1943, the Municipal Finance Act, requires the state to review the applications for the issuance of bonds and notes by all local units of government. The Municipal Finance Section in the Local Audit and Finance Division currently requires a cursory review of applications for the issuance of bonds and notes for most units. This review generally checks to see that the forms are filled out properly, makes sure no accounts are in a deficit position, and checks that the issuance of debt would not exceed the unit's debt limitation. Units with questionable credit are required to file longer applications that are given more scrutiny. With limited resources available, this dichotomous approach of giving greater attention to units with questionable credit should be continued, with some modification.

The applications could be modified to request summary financial and debt information, projected tax rates required to fund the debt, and forecast enterprise operations if the debts are to be paid from enterprise earnings. Just as the Local Government Commission does in North Carolina, the Municipal Finance Section could consider

- Is the bond issue necessary?
- Is the proposed amount adequate?
- Are the applicants' debt management policies and procedures acceptable?
- Will the tax increases needed to repay any debt be excessive?
- Can the proposed bonds be marketed at reasonable interest rates?

The review should also consider how a proposed indebtedness would interact with the indebtedness of overlapping units of government, by asking if the tax base is relied upon to high levels to fund repayment of debt incurred by overlapping units.

6. The state should create a system of fiscal benchmarking.

By creating ratios of government finance, the state can monitor each unit's fiscal health unobtrusively. Ratios allow the state to oversee nearly two thousand governmental units in an efficient manner. Because the measures can be plotted in a grid, the finances of units that are seemingly out of line are easily identified. By making the database available to local gov-

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ernment officials, those officials can use the results to identify their own problems, strengths, or weaknesses and make changes accordingly.

Development of a database should follow the example of Washington and Montana. By consulting with local government in developing the database, measures that are of use to local government officials were included that would not have been included if the state were developing the database unilaterally. By reaching out in this manner, the state was able to turn development into a bottom-up process, resulting in the development of databases that are of use to both the state and to local government officials.

Because there are inherent problems with any system of using ratios to identify fiscal problems, actions of the state or another unit of government should not be triggered by the benchmarks. Rather, fiscal benchmarking should be a tool to assist the state in oversight of such a large number of units.

7. Adopt a triage strategy.
Creation of three groups would allow staff to concentrate their efforts on the oversight on the governmental units that have become dangerously close to fiscal distress. The first group of property rich well run units needs little oversight. The second group are those units that have no history of financial problems. They will receive minimal oversight. The third group consists of units that have experienced trouble from time to time. They will receive the lion's share of the attention.

8. The state should look for "big picture" opportunities for savings.
Beyond oversight of the financial affairs of each individual local unit of government, the Bureau of Local Government should be able to identify opportunities for efficiencies among governmental units. In some cases, savings might result from the identification of two or more units that are providing identical services. The Bureau might be well suited to bringing those units together to pursue intergovernmental cooperation in the provision of those services. It also might be able to identify instances where consolidation of local units of government would make sense. A more intensive role in state oversight might allow the Bureau to identify units that will have difficulty surviving with the resources available to them. Consolidation with a neighboring unit would broaden the resources available and create economies that result in savings. The Bureau and a university center will be in a position to study which laws work and to make suggestions to the legislature on ways in which those laws might be improved. As a collector and user of financial data on all local units of government, the Bureau of Local Government will be put in a strong position to study the overall environment local governments operate within and suggest changes to improve that environment.

V. Conclusion

These recommendations attempt to position the state so it can address fiscal problems before they reach crisis proportions. They also attempt to address some of the animosity between state and local government officials that is so prevalent in Michigan. By facilitating a collegial relationship, the state will not be viewed in unfriendly terms if state assistance is required. Most of the laws are already in place to allow the state to be more proactively involved in oversight of local government finances. By adopting a cooperative approach to monitoring local financial conditions, fiscal crises could be avoided with minimal loss of local home rule.