June 20, 2019, Introduced by Reps. Sneller and Yaroch and referred to the Committee on Government Operations.

A bill to amend 2012 PA 436, entitled "Local financial stability and choice act," by amending the title and sections 2, 3, 7, 7a, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 24, 27, and 28 (MCL 141.1542, 141.1543, 141.1547, 141.1547a, 141.1548, 141.1549, 141.1550, 141.1551, 141.1552, 141.1553, 141.1554, 141.1555, 141.1556, 141.1557, 141.1558, 141.1559, 141.1560, 141.1561, 141.1562, 141.1564, 141.1567, and 141.1568), section 2 as amended by 2015 PA 110 and section 7a as added by 2015 PA 113.
THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

TITLE

An act to safeguard and assure the financial accountability of local units of government and school districts; to preserve the capacity of local units of government and school districts to provide or cause to be provided necessary services essential to the public health, safety, and welfare; to provide for review, management, planning, and control of the financial operation of local units of government and school districts and the provision of services by local units of government and school districts; to provide criteria to be used in determining the financial condition of local units of government and school districts; to authorize a declaration of the existence of a financial emergency within a local unit of government or school district; to prescribe remedial measures to address a financial emergency within a local unit of government or school district; to provide for a review and appeal process; to provide for the appointment and to prescribe the powers and duties of an emergency manager for a local unit of government or school district; to provide for the appointment and to prescribe the powers and duties of a financial management team for a local unit of government or school district; to provide for the modification or termination of contracts under certain circumstances; to provide for the termination of a financial emergency within a local unit of government or school district; to provide a process by which a local unit of government or school district may file for bankruptcy; to prescribe the powers and duties of certain state agencies and officials and officials within local units of government and school districts; to provide for appropriations; and to repeal acts and parts of acts.
Sec. 2. As used in this act:

(a) "Chapter 9" means chapter 9 of title 11 of the United States Code, 11 USC 901 to 946.

(b) "Chief administrative officer" means any of the following:

(i) The manager of a village or, if a village does not employ a manager, the president of the village.

(ii) The city manager of a city or, if a city does not employ a city manager, the mayor of the city.

(iii) The manager of a township or the manager or superintendent of a charter township or, if the township or charter township does not employ a manager or superintendent, the supervisor of the township or charter township.

(iv) The elected county executive or appointed county manager of a county or, if the county has not adopted the provisions of either 1973 PA 139, MCL 45.551 to 45.573, or 1966 PA 293, MCL 45.501 to 45.521, the county's chairperson of the county board of commissioners.

(v) The chief operating officer of an authority or of a public utility owned by a city, village, township, or county.

(vi) The superintendent of a school district.

(c) "Creditor" means either of the following:

(i) An entity that has a noncontingent claim against a local government that arose at the time of or before the commencement of the neutral evaluation process and whose claim represents at least $5,000,000.00 or comprises more than 5% of the local government's debt or obligations, whichever is less.

(ii) An entity that would have a noncontingent claim against the local government upon the rejection of an executory contract or unexpired lease in a chapter 9 case and whose claim would represent
at least $5,000,000.00 or would comprise more than 5% of the local
government's debt or obligations, whichever is less.

(d) "Debtor" means a local government that is authorized to
proceed under chapter 9 by this act and that meets the requirements
of chapter 9.

(e) "Emergency manager" means an emergency manager appointed
under section 9. An emergency manager includes an
emergency financial manager appointed under former 1988 PA 101 or
former 1990 PA 72 who was acting in that capacity on March 28,
2013.

(f) "Entity" means a partnership, nonprofit or business
corporation, limited liability company, labor organization, or any
other association, corporation, trust, or other legal entity.

(g) "Financial and operating plan" means a written financial
and operating plan for a local government under section 11,
including an educational plan for a school district.

(h) "Financial management team" means a financial management
team appointed under section 9a.

(i) "Good faith" means participation by an interested
party or a local government representative in the neutral
evaluation process with the intent to negotiate a resolution of the
issues that are the subject of the neutral evaluation process,
including the timely provision of complete and accurate information
to provide the relevant participants through the neutral evaluation
process with sufficient information, in a confidential manner, to
negotiate the readjustment of the local government's debt.

(j) "Interested party" means a trustee, a committee of
creditors, an affected creditor, an indenture trustee, a pension
fund, a bondholder, a union that under its collective bargaining
agreements has standing to initiate contract negotiations with the
local government, or a representative selected by an association of
retired employees of the public entity who receive income or
benefits from the public entity. A local government may invite
holders of contingent claims to participate as interested parties
in the neutral evaluation process if the local government
determines that the contingency is likely to occur and the claim
may represent at least $5,000,000.00 or comprise more than 5% of
the local government's debt or obligations, whichever is less.

(k) "Local emergency financial assistance loan board"
means the local emergency financial assistance loan board created
under section 2 of the emergency municipal loan act, 1980 PA 243,
MCL 141.932.

(l) "Local government" means a municipal government or a
school district.

(m) "Local government representative" means the person or
persons designated by the governing body of the local government
with authority to make recommendations and to attend the neutral
evaluation process on behalf of the governing body of the local
government.

(n) "Local inspector" means a certified forensic
accountant, certified public accountant, attorney, or similarly
credentialed person whose responsibility it is to determine the
existence of proper internal and management controls, fraud,
criminal activity, or any other accounting or management
deficiencies.

(o) "Municipal government" means a city, a village, a
township, a charter township, a county, a department of county
government if the county has an elected county executive under 1966
PA 293, MCL 45.501 to 45.521, an authority established by law, or a public utility owned by a city, village, township, or county.

(p) "Neutral evaluation process" means a form of alternative dispute resolution or mediation between a local government and interested parties as provided for in section 25.

(q) "Neutral evaluator" means an impartial, unbiased person or entity, commonly known as a mediator, who assists local governments and interested parties in reaching their own settlement of issues under this act, who is not aligned with any party, and who has no authoritative decision-making power.

(r) "Receivership" means the process under this act by which a financial emergency is addressed through the appointment of an emergency manager or a financial management team. Receivership does not include chapter 9 or any provision under federal bankruptcy law.

(s) "Review team" means a review team appointed under section 4.

(t) "School board" means the governing body of a school district.

(u) "School district" means a school district as that term is defined in section 6 of the revised school code, 1976 PA 451, MCL 380.6, or an intermediate school district as that term is defined in section 4 of the revised school code, 1976 PA 451, MCL 380.4.

(v) "State financial authority" means the following:

(i) For a municipal government, the state treasurer.

(ii) Except as otherwise provided in subparagraph (iii), for a school district, the superintendent of public instruction.

(iii) For a school district subject to a deficit elimination
plan under section 1220 of the revised school code, 1976 PA 451, MCL 380.1220, the state treasurer.

(w) "Strong mayor" means a mayor who has been granted veto power for any purpose under the charter of that local government.

(x) "Strong mayor approval" means approval of a resolution under 1 of the following conditions:

(i) The strong mayor approves the resolution.

(ii) The resolution is approved by the governing body with sufficient votes to override a veto by the strong mayor.

(iii) The strong mayor vetoes the resolution and the governing body overrides the veto.

Sec. 3. The legislature finds and declares all of the following:

(a) That the health, safety, and welfare of the citizens of this state would be materially and adversely affected by the insolvency of local governments and that the fiscal accountability of local governments is vitally necessary to the interests of the citizens of this state to assure the provision of necessary governmental services essential to public health, safety, and welfare.

(b) That it is vitally necessary to protect the credit of this state and its political subdivisions and that it is necessary for the public good and it is a valid public purpose for this state to take action and to assist a local government in a financial emergency so as to remedy the financial emergency by requiring prudent fiscal management and efficient provision of services, permitting the restructuring of contractual obligations, and prescribing the powers and duties of state and local government officials, and emergency managers, and financial management teams.
(c) That the fiscal stability of local governments is necessary to the health, safety, and welfare of the citizens of this state and it is a valid public purpose for this state to assist a local government in a condition of financial emergency by providing for procedures of alternative dispute resolution between a local government and its creditors to resolve disputes, to determine criteria for establishing the existence of a financial emergency, and to set forth the conditions for a local government to exercise powers under federal bankruptcy law.

(d) That the authority and powers conferred by this act constitute a necessary program and serve a valid public purpose.

Sec. 7. (1) Notwithstanding section 6(3), upon the confirmation of a finding of a financial emergency under section 6, the governing body of the local government shall, by resolution within 7 days after the confirmation of a finding of a financial emergency, select 1 of the following local government options to address the financial emergency:

(a) The consent agreement option pursuant to section 8.

(b) The emergency manager option pursuant to section 9.

(c) Beginning on the effective date of the amendatory act that added section 9a, the financial management team option pursuant to section 9a.

(d) The neutral evaluation process option pursuant to section 25.

(e) The chapter 9 bankruptcy option pursuant to section 26.

(2) Subject to subsection (3), if the local government has a
strong mayor, the resolution under subsection (1) requires strong mayor approval. If the local government is a school district, the resolution **shall** be approved by the school board. The resolution **shall** be filed with the state treasurer, with a copy to the superintendent of public instruction if the local government is a school district.

(3) If the governing body of the local government does not pass a resolution as required under subsection (1), the local government shall proceed under the neutral evaluation process pursuant to section 25.

(4) Subject to sections 9(6)(c) and (11) and 9a(15)(c) and (17), unless authorized by the governor, a local government shall not utilize 1 of the local options listed in subsection (1)(a) to (d) more than 1 time.

Sec. 7a. Notwithstanding section 7, if a school district is subject to an enhanced deficit elimination plan under section 1220 of the revised school code, 1976 PA 451, MCL 380.1220, and the state treasurer determines that the school district has failed to submit or comply with the requirements of the enhanced deficit elimination plan, the state treasurer may declare that a financial emergency exists within the school district and before the effective date of the amendatory act that added section 9a recommend that the governor appoint an emergency manager to address the financial emergency within the school district under section 9 or beginning on the effective date of the amendatory act that added section 9a recommend that the governor appoint a financial management team to address the financial emergency within the school district under section 9a.

Sec. 8. (1) The chief administrative officer of a local
government may negotiate and sign a consent agreement with the state treasurer as provided for in this act. If the local government is a school district and the consent agreement contains an educational plan, the consent agreement shall must also be signed by the superintendent of public instruction. The consent agreement shall must provide for remedial measures considered necessary to address the financial emergency within the local government and provide for the financial stability of the local government. The consent agreement may utilize state financial management and technical assistance as necessary in order to alleviate the financial emergency. The consent agreement shall must also provide for periodic financial status reports to the state treasurer, with a copy of each report to each state senator and state representative who represents that local government. The consent agreement may provide for a board appointed by the governor to monitor the local government's compliance with the consent agreement. In order for the The consent agreement to does not go into effect, unless it shall be is approved, by resolution, by the governing body of the local government and shall be is approved and executed by the state treasurer. Nothing in the The consent agreement shall must not limit the ability of the state treasurer in his or her sole discretion to declare a material breach of the consent agreement. A consent agreement shall must provide that in the event of a material uncured breach of the consent agreement, the governor may place the local government in receivership or in the neutral evaluation process as provided in section 25. If within 30 days after a local government selects the consent agreement option under section 7(1)(a) or sooner in the discretion of the state treasurer, a consent agreement cannot be agreed upon, the
state treasurer shall require the local government to proceed under
1 of the other local options provided for in section 7.

(2) A consent agreement as provided in subsection (1) may
require a continuing operations plan or a recovery plan if required
by the state treasurer.

(3) If the state treasurer requires that a consent agreement
include a continuing operations plan, the local government shall
prepare and file the continuing operations plan with the state
treasurer as provided for in the consent agreement. The state
treasurer shall approve or reject the initial continuing operations
plan within 14 days of receiving it from the local
government. If a continuing operations plan is rejected, the local
government shall refile an amended plan within 30 days of the
rejection, addressing any concerns raised by the state treasurer or
the superintendent of public instruction regarding an educational
plan. If the amended plan is rejected, then the local government
may be considered to be in material breach of the consent
agreement. The local government shall file annual updates to its
continuing operations plan. The annual updates must be
included with the annual filing of the local government's audit
report with the state financial authority as long as the continuing
operations plan remains in effect.

(4) The continuing operations plan must be in a form
prescribed by the state treasurer but must, at a minimum,
include all of the following:

(a) A detailed projected budget of revenues and expenditures
over not less than 3 fiscal years which demonstrates that the
local government's expenditures will not exceed its revenues and
that any existing deficits will be eliminated during the projected
budget period.

(b) A cash flow projection for the budget period.

(c) An operating plan for the budget period that assures fiscal accountability for the local government.

(d) A plan showing reasonable and necessary maintenance and capital expenditures so as to assure the local government's fiscal accountability.

(e) An evaluation of the costs associated with pension and postemployment health care obligations for which the local government is responsible and a plan for how those costs will be addressed within the budget period.

(f) A provision for submitting quarterly compliance reports to the state treasurer demonstrating compliance with the continuing operations plan, with a copy of each report to each state senator and state representative who represents that local government. Each quarterly compliance report **shall** must be posted on the local government's website within 7 days after the report is submitted to the state treasurer.

(5) If a continuing operations plan is approved for a municipal government, the municipal government shall amend the budget and general appropriations ordinance adopted by the municipal government under the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a, to the extent necessary or advisable to give full effect to the continuing operations plan. If a continuing operations plan is approved for a school district, the school district shall amend the budget adopted by the school district under the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a, to the extent necessary or advisable to give full effect to the continuing operations plan. The chief
administrative officer, the chief financial officer, the governing body, and other officials of the local government shall take and direct such actions as may be necessary or advisable to maintain the local government's operations in compliance with the continuing operations plan.

(6) If the state treasurer requires that a consent agreement include a recovery plan, the state treasurer, with input from the local government, shall develop and adopt a recovery plan. If a recovery plan is developed and adopted for the local government, the local government shall file annual updates to its recovery plan. The annual updates must be included with the annual filing of the local government's audit report with the state financial authority as long as the recovery plan remains in effect.

(7) A recovery plan may include terms and provisions as may be approved in the discretion of the state treasurer, including, but not limited to, 1 or more of the following:

(a) A detailed projected budget of revenues and expenditures over not less than 3 fiscal years that demonstrates that the local government's expenditures will not exceed its revenues and that any existing deficits will be eliminated during the projected budget period.

(b) A cash flow projection for the budget period.

(c) An operating plan for the budget period that assures fiscal accountability for the local government.

(d) A plan showing reasonable and necessary maintenance and capital expenditures so as to assure the local government's fiscal accountability.

(e) An evaluation of costs associated with pension and postemployment health care obligations for which the local
government is responsible and a plan for how those costs will be addressed to assure that current obligations are met and that steps are taken to reduce future unfunded obligations.

(f) Procedures for cash control and cash management, including, but not limited to, procedures for timely collection, securing, depositing, balancing, and expending of cash. Procedures for cash control and cash management may include the designation of appropriate fiduciaries.

(g) A provision for submitting quarterly compliance reports to the state treasurer and the chief administrative officer of the local government that demonstrate compliance with the recovery plan, with a copy of each report to each state senator and state representative who represents that local government. Each quarterly compliance report **shall** be posted on the local government's website within 7 days after the report is submitted to the state treasurer.

(8) The recovery plan may include the appointment of a local auditor or local inspector, or both, in accordance with section 12(1)(p).

(9) If a recovery plan is developed and adopted by the state treasurer for a local government, the recovery plan **shall supersede** the budget and general appropriations ordinance adopted by the local government under the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a, and the budget and general appropriations ordinance is considered amended to the extent necessary or advisable to give full effect to the recovery plan. In the event of any inconsistency between the recovery plan and the budget or general appropriations ordinance, the recovery plan **shall control**. The chief administrative officer, the chief
financial officer, the governing body, and other officers of the
local government shall take and direct actions as may be necessary
or advisable to bring and maintain the local government's
operations in compliance with the recovery plan.

(10) Except as otherwise provided in this subsection, the
consent agreement may include a grant to the chief administrative
officer, the chief financial officer, the governing body, or other
officers of the local government by the state treasurer of 1 or
more of the powers prescribed for emergency managers or financial
management teams as otherwise provided in this act for such periods
and upon such terms and conditions as the state treasurer considers
necessary or convenient, in the state treasurer's discretion to
enable the local government to achieve the goals and objectives of
the consent agreement. However, the consent agreement shall not include a grant to the chief administrative officer, the chief
financial officer, the governing body, or other officers of the
local government of the powers prescribed for emergency managers or
financial management teams in section 12(1)(k).

(11) Unless the state treasurer determines otherwise,
beginning 30 days after the date a local government enters into a
consent agreement under this act, that local government is not
subject to section 15(1) of 1947 PA 336, MCL 423.215, for the
remaining term of the consent agreement.

(12) The consent agreement may provide for the required
retention by the local government of a consultant for the purpose
of assisting the local government to achieve the goals and
objectives of the consent agreement.

(13) A local government is released from the requirements
under this section upon compliance with the consent agreement as
determined by the state treasurer.

Sec. 9. (1) Before the effective date of the amendatory act that added section 9a, the governor may appoint an emergency manager to address a financial emergency within that local government as provided for in this act.

(2) Upon appointment, an emergency manager shall act for and in the place and stead of the governing body and the office of chief administrative officer of the local government. The emergency manager shall have broad powers in receivership to rectify the financial emergency and to assure the fiscal accountability of the local government and the local government's capacity to provide or cause to be provided necessary governmental services essential to the public health, safety, and welfare. Following appointment of an emergency manager and during the pendency of receivership, the governing body and the chief administrative officer of the local government shall not exercise any of the powers of those offices except as may be specifically authorized in writing by the emergency manager or as otherwise provided by this act and are subject to any conditions required by the emergency manager.

(3) All of the following apply to an emergency manager:

(a) The emergency manager must have a minimum of 5 years' experience and demonstrable expertise in business, financial, or local or state budgetary matters.

(b) The emergency manager may, but need not, be a resident of the local government.

(c) The emergency manager must be an individual.

(d) Except as otherwise provided in this subdivision, the emergency manager serves at the pleasure of the governor. An emergency manager is subject to impeachment and
conviction by the legislature as if he or she were a civil officer under section 7 of article XI of the state constitution of 1963. A

Before the effective date of the amendatory act that added section 9a, a vacancy in the office of emergency manager shall must be filled in the same manner as the original appointment. Beginning on the effective date of the amendatory act that added section 9a, if a vacancy occurs in the office of emergency manager, the governor shall appoint a financial management team for that local government as provided in section 9a.

(e) The emergency manager's compensation shall must be paid by this state and shall must be set forth in a contract approved by the state treasurer. The contract shall must be posted on the department of treasury's website within 7 days after the contract is approved by the state treasurer.

(f) In addition to the salary provided to an emergency manager in a contract approved by the state treasurer under subdivision (e), this state may receive and distribute private funds to an emergency manager. As used in this subdivision, "private funds" means any money the state receives for the purpose of allocating additional salary to an emergency manager. Private funds distributed under this subdivision are subject to section 1 of 1901 PA 145, MCL 21.161, and section 17 of article IX of the state constitution of 1963.

(4) In addition to staff otherwise authorized by law, an emergency manager shall appoint additional staff and secure professional assistance as the emergency manager considers necessary to fulfill his or her appointment.

(5) The emergency manager shall submit quarterly reports to the state treasurer with respect to the financial condition of the
local government in receivership, with a copy to the superintendent of public instruction if the local government is a school district and a copy to each state senator and state representative who represents that local government. In addition, each quarterly report shall be posted on the local government's website within 7 days after the report is submitted to the state treasurer.

(6) The emergency manager shall continue in the capacity of an emergency manager as follows:

(a) Until removed by the governor or the legislature as provided in subsection (3)(d). If an emergency manager is removed, the governor shall within 30 days of the removal appoint a new emergency manager. Beginning on the effective date of the amendatory act that added section 9a, if an emergency manager is removed, the governor shall within 30 days after the removal appoint a financial management team for that local government as provided in section 9a.

(b) Until the financial emergency is rectified.

(c) If the emergency manager has served for at least 18 months after his or her appointment under this act, the emergency manager may, by resolution, be removed by a 2/3 vote of the governing body of the local government. If the local government has a strong mayor, the resolution requires strong mayor approval before the emergency manager may be removed. Notwithstanding section 7(4), if the emergency manager is removed under this subsection and the local government has not previously breached a consent agreement under this act, the local government may, within 10 days after the removal, negotiate a consent agreement with the state treasurer. If a consent agreement is not agreed upon within 10 days, that 10-day
period, the local government shall proceed with the neutral
evaluation process pursuant to section 25.

(7) A local government shall be removed from receivership when
the financial conditions are corrected in a sustainable fashion as
provided in this act. In addition, the local government may be
removed from receivership if an emergency manager is removed under
subsection (6)(c) and the governing body of the local government by
2/3 vote approves a resolution for the local government to be
removed from receivership. If the local government has a strong
mayor, the resolution requires strong mayor approval before the
local government is removed from receivership. A local government
that is removed from receivership while a financial emergency
continues to exist as determined by the governor shall proceed
under the neutral evaluation process pursuant to section 25.

(8) The governor may delegate his or her duties under this
section to the state treasurer.

(9) Notwithstanding section 3(1) of 1968 PA 317, MCL 15.323,
an emergency manager is subject to all of the following:

(a) 1968 PA 317, MCL 15.321 to 15.330, as a public servant.
(b) 1973 PA 196, MCL 15.341 to 15.348, as a public officer.
(c) 1968 PA 318, MCL 15.301 to 15.310, as if he or she were a
state officer.

(10) An emergency financial manager appointed under former
1988 PA 101 or former 1990 PA 72, and serving immediately prior to
the effective date of this act, shall be before March 28, 2013, is
considered an emergency manager under this act and shall continue
under this act to fulfill his or her powers and duties.
Notwithstanding any other provision of this act, the governor may
appoint a person who was appointed as an emergency manager under
former 2011 PA 4 or an emergency financial manager under former
1988 PA 101 or former 1990 PA 72 to serve as an emergency manager
under this act.

(11) Notwithstanding section 7(4) and subject to the
requirements of this section, if an emergency manager has served
for less than 18 months after his or her appointment under this
act, the governing body of the local government may pass a
resolution petitioning the governor to remove the emergency manager
as provided in this section and allow the local government to
proceed under the neutral evaluation process as provided in section
25. If the local government has a strong mayor, the resolution
requires strong mayor approval. If the governor accepts the
resolution, notwithstanding section 7(4), the local government
shall proceed under the neutral evaluation process as provided in
section 25.

Sec. 10. (1) An emergency manager or a financial management
team shall issue to the appropriate local elected and appointed
officials and employees, agents, and contractors of the local
government the orders the emergency manager or financial management
team considers necessary to accomplish the purposes of this act,
including, but not limited to, orders for the timely and
satisfactory implementation of a financial and operating plan,
including an educational plan for a school district, or to take
actions, or refrain from taking actions, to enable the orderly
accomplishment of the financial and operating plan. An order issued
under this section is binding on the local elected and appointed
officials and employees, agents, and contractors of the local
government to whom it is issued. Local elected and appointed
officials and employees, agents, and contractors of the local
government shall take and direct those actions that are necessary and advisable to maintain compliance with the financial and operating plan.

(2) If an order of the emergency manager or financial management team under subsection (1) is not carried out and the failure to carry out an order is disrupting the emergency manager's or financial management team's ability to manage the local government, the emergency manager or financial management team, in addition to other remedies provided in this act, may prohibit the local elected or appointed official or employee, agent, or contractor of the local government from access to the local government's office facilities, electronic mail, and internal information systems.

Sec. 11. (1) An emergency manager or a financial management team shall develop and may amend a written financial and operating plan for the local government. The plan shall have the objectives of assuring that the local government is able to provide or cause to be provided governmental services essential to the public health, safety, and welfare and assuring the fiscal accountability of the local government. The financial and operating plan shall provide for all of the following:

(a) Conducting all aspects of the operations of the local government within the resources available according to the emergency manager's or financial management team's revenue estimate.

(b) The payment in full of the scheduled debt service requirements on all bonds, notes, and municipal securities of the local government, contract obligations in anticipation of which bonds, notes, and municipal securities are issued, and all other
uncontested legal obligations.

(c) The modification, rejection, termination, and renegotiation of contracts pursuant to section 12.

(d) The timely deposit of required payments to the pension fund for the local government or in which the local government participates.

(e) For school districts, an educational plan.

(f) Any other actions considered necessary by the emergency manager or financial management team in the emergency manager's or financial management team's discretion to achieve the objectives of the financial and operating plan, alleviate the financial emergency, and remove the local government from receivership.

(2) Within 45 days after the emergency manager's or financial management team's appointment, the emergency manager or financial management team shall submit the financial and operating plan, and an educational plan if the local government is a school district, to the state treasurer, with a copy to the superintendent of public instruction if the local government is a school district, and to the chief administrative officer and governing body of the local government. The plan shall must be regularly reexamined by the emergency manager or financial management team, and the state treasurer, and may be modified from time to time by the emergency manager or financial management team with notice to the state treasurer. If the emergency manager or financial management team reduces his or her the revenue estimates, the emergency manager or financial management team shall modify the plan to conform to the revised revenue estimates.

(3) The financial and operating plan shall must be in a form as provided by the state treasurer and shall must contain that
information for each year during which year the plan is in effect that the emergency manager or financial management team, in consultation with the state financial authority, specifies. The financial and operating plan may serve as a deficit elimination plan otherwise required by law if so approved by the state financial authority.

(4) The emergency manager or financial management team, within 30 days of submitting the financial and operating plan to the state financial authority, shall conduct a public informational meeting on the plan and any modifications to the plan. This subsection does not mean that the emergency manager or financial management team must receive public approval before he or she implements the plan or any modification of the plan.

(5) For a local government in receivership immediately prior to the effective date of this act, before March 28, 2013, a financial and operating plan for that local government adopted under former 2011 PA 4 or a financial plan for that local government adopted under former 1990 PA 72 shall be effective and enforceable as a financial and operating plan for the local government under this act until modified or rescinded under this act.

Sec. 12. (1) An emergency manager or financial management team may take 1 or more of the following additional actions with respect to a local government that is in receivership, notwithstanding any charter provision to the contrary:

(a) Analyze factors and circumstances contributing to the financial emergency of the local government and initiate steps to correct the condition.

(b) Amend, revise, approve, or disapprove the budget of the
local government, and limit the total amount appropriated or
expended.

(c) Receive and disburse on behalf of the local government all
federal, state, and local funds earmarked for the local government.
These funds may include, but are not limited to, funds for specific
programs and the retirement of debt.

(d) Require and approve or disapprove, or amend or revise, a
plan for paying all outstanding obligations of the local
government.

(e) Require and prescribe the form of special reports to be
made by the finance officer of the local government to its
governing body, the creditors of the local government, the
emergency manager or financial management team, or the public.

(f) Examine all records and books of account, and require
under the procedures of the uniform budgeting and accounting act,
1968 PA 2, MCL 141.421 to 141.440a, or 1919 PA 71, MCL 21.41 to
21.55, or both, the attendance of witnesses and the production of
books, papers, contracts, and other documents relevant to an
analysis of the financial condition of the local government.

(g) Make, approve, or disapprove any appropriation, contract,
expenditure, or loan, the creation of any new position, or the
filling of any vacancy in a position by any appointing authority.

(h) Review payrolls or other claims against the local
government before payment.

(i) Notwithstanding any minimum staffing level requirement
established by charter or contract, establish and implement
staffing levels for the local government.

(j) Reject, modify, or terminate 1 or more terms and
conditions of an existing contract.
(k) Subject to section 19, after meeting and conferring with the appropriate bargaining representative and, if in the emergency manager's or financial management team's sole discretion and judgment, a prompt and satisfactory resolution is unlikely to be obtained, reject, modify, or terminate 1 or more terms and conditions of an existing collective bargaining agreement. The rejection, modification, or termination of 1 or more terms and conditions of an existing collective bargaining agreement under this subdivision is a legitimate exercise of the state's sovereign powers if the emergency manager or financial management team, and state treasurer, determine that all of the following conditions are satisfied:

(i) The financial emergency in the local government has created a circumstance in which it is reasonable and necessary for the state to intercede to serve a significant and legitimate public purpose.

(ii) Any plan involving the rejection, modification, or termination of 1 or more terms and conditions of an existing collective bargaining agreement is reasonable and necessary to deal with a broad, generalized economic problem.

(iii) Any plan involving the rejection, modification, or termination of 1 or more terms and conditions of an existing collective bargaining agreement is directly related to and designed to address the financial emergency for the benefit of the public as a whole.

(iv) Any plan involving the rejection, modification, or termination of 1 or more terms and conditions of an existing collective bargaining agreement is temporary and does not target specific classes of employees.
(l) Act as sole agent of the local government in collective bargaining with employees or representatives and approve any contract or agreement.

(m) If a municipal government's pension fund is not actuarially funded at a level of 80% or more, according to the most recent governmental accounting standards board's applicable standards, at the time the most recent comprehensive annual financial report for the municipal government or its pension fund was due, the emergency manager or financial management team may remove 1 or more of the serving trustees of the local pension board or, if the state treasurer appoints the emergency manager or financial management team as the sole trustee of the local pension board, replace all the serving trustees of the local pension board. For the purpose of determining the pension fund level under this subdivision, the valuation shall exclude the net value of pension bonds or evidence of indebtedness. The annual actuarial valuation for the municipal government's pension fund shall use the actuarial accrued liabilities and the actuarial value of assets. If a pension fund uses the aggregate actuarial cost method or a method involving a frozen accrued liability, the retirement system actuary shall use the entry age normal actuarial cost method. If the emergency manager or financial management team serves as sole trustee of the local pension board, all of the following apply:

(i) The emergency manager or financial management team shall assume and exercise the authority and fiduciary responsibilities of the local pension board including, to the extent applicable, setting and approval of all actuarial assumptions for pension obligations of a municipal government to the local pension fund.
(ii) The emergency manager or financial management team shall fully comply with the public employee retirement system investment act, 1965 PA 314, MCL 38.1132 to 38.1140m, 38.1141, and section 24 of article IX of the state constitution of 1963, and any actions taken shall must be consistent with the pension fund's qualified plan status under the federal internal revenue code.

(iii) The emergency manager or financial management team shall not make changes to a local pension fund without identifying the changes and the costs and benefits associated with the changes and receiving the state treasurer's approval for the changes. If a change includes the transfer of funds from 1 pension fund to another pension fund, the valuation of the pension fund receiving the transfer must be actuarially funded at a level of 80% or more, according to the most recent governmental accounting standards board's applicable standards, at the time the most recent comprehensive annual financial report for the municipal government was due.

(iv) The emergency manager's or financial management team's assumption and exercise of the authority and fiduciary responsibilities of the local pension board shall must end not later than the termination of the receivership of the municipal government as provided in this act.

(n) Consolidate or eliminate departments of the local government or transfer functions from 1 department to another and appoint, supervise, and, at his or her discretion, remove administrators, including heads of departments other than elected officials.

(o) Employ or contract for, at the expense of the local government and with the approval of the state financial authority,
auditors and other technical personnel considered necessary to 
implement this act.

(p) Retain 1 or more persons or firms, which may be an 
individual or firm selected from a list approved by the state 
treasurer, to perform the duties of a local inspector or a local 
auditor as described in this subdivision. The duties of a local 
inspector are to assure integrity, economy, efficiency, and 
effectiveness in the operations of the local government by 
conducting meaningful and accurate investigations and forensic 
audits, and to detect and deter waste, fraud, and abuse. At least 
anually, a report of the local inspector shall be submitted to the emergency manager or financial management team, the state 
treasurer, the superintendent of public instruction if the local 
government is a school district, and each state senator and state 
representative who represents that local government. The annual 
report of the local inspector shall be posted on the local 
government's website within 7 days after the report is submitted. 
The duties of a local auditor are to assure that internal controls 
over local government operations are designed and operating 
effectively to mitigate risks that hamper the achievement of the 
emergency manager's or financial management team's financial plan, 
assure that local government operations are effective and 
efficient, assure that financial information is accurate, reliable, 
and timely, comply with policies, regulations, and applicable laws, 
and assure assets are properly managed. At least annually, a report 
of the local auditor shall be submitted to the emergency 
manager or financial management team, the state treasurer, the 
superintendent of public instruction if the local government is a 
school district, and each state senator and state representative
who represents that local government. The annual report of the
local auditor shall be posted on the local government's
website within 7 days after the report is submitted.

(q) An emergency manager may initiate court proceedings in the Michigan court of claims or in the circuit court
of the county in which the local government is located in the name
of the local government to enforce compliance with any of his or
her emergency manager or financial management team orders or any
constitutional or legislative mandates, or to restrain violations
of any constitutional or legislative power or his or her emergency
manager or financial management team orders.

(r) Subject to section 19, if provided in the financial and
operating plan, or otherwise with the prior written approval of the
governor or his or her designee, sell, lease, convey, assign, or
otherwise use or transfer the assets, liabilities, functions, or
responsibilities of the local government, provided the use or
transfer of assets, liabilities, functions, or responsibilities for
this purpose does not endanger the health, safety, or welfare of
residents of the local government or unconstitutionally impair a
bond, note, security, or uncontested legal obligation of the local
government.

(s) Apply for a loan from the state on behalf of the local
government, subject to the conditions of the emergency municipal
loan act, 1980 PA 243, MCL 141.931 to 141.942.

(t) Order, as necessary, 1 or more millage elections for the
local government consistent with the Michigan election law, 1954 PA
116, MCL 168.1 to 168.992, sections 6 and 25 through to 34 of
article IX of the state constitution of 1963, and any other
applicable state law.
(u) Subject to section 19, authorize the borrowing of money by
the local government as provided by law.

(v) Approve or disapprove of the issuance of obligations of
the local government on behalf of the local government under this
subdivision. An election to approve or disapprove of the issuance
of obligations of the local government pursuant to this subdivision
shall must only be held at the general November election.

(w) Enter into agreements with creditors or other persons or
entities for the payment of existing debts, including the
settlement of claims by the creditors.

(x) Enter into agreements with creditors or other persons or
entities to restructure debt on terms, at rates of interest, and
with security as shall be is agreed among the parties, subject to
approval by the state treasurer.

(y) Enter into agreements with other local governments, public
bodies, or entities for the provision of services, the joint
exercise of powers, or the transfer of functions and
responsibilities.

(z) For municipal governments, enter into agreements with
other units of municipal government to transfer property of the
municipal government under 1984 PA 425, MCL 124.21 to 124.30, or as
otherwise provided by law, subject to approval by the state
treasurer.

(aa) Enter into agreements with 1 or more other local
governments or public bodies for the consolidation of services.

(bb) For a city, village, or township, the emergency manager
may recommend to the state boundary commission that the municipal
government consolidate with 1 or more other municipal governments,
if the emergency manager or financial management team determines
that consolidation would materially alleviate the financial
emergency of the municipal government and would not materially and
adversely affect the financial situation of the government or
governments with which the municipal government in receivership is
consolidated. Consolidation under this subdivision shall proceed as provided by law.

(cc) For municipal governments, with approval of the governor,
disincorporate or dissolve the municipal government and assign its
assets, debts, and liabilities as provided by law. The
disincorporation or dissolution of the local government is subject
to a vote of the electors of that local government if required by
law.

(dd) Exercise solely, for and on behalf of the local
government, all other authority and responsibilities of the chief
administrative officer and governing body concerning the adoption,
amendment, and enforcement of ordinances or resolutions of the
local government as provided in the following acts:

(i) The home rule city act, 1909 PA 279, MCL 117.1 to 117.38.
(ii) The fourth class city act, 1895 PA 215, MCL 81.1 to 113.20.
(iii) The charter township act, 1947 PA 359, MCL 42.1 to 42.34.
(iv) 1851 PA 156, MCL 46.1 to 46.32.
(v) 1966 PA 293, MCL 45.501 to 45.521.
(vi) The general law village act, 1895 PA 3, MCL 61.1 to 74.25.
(vii) The home rule village act, 1909 PA 278, MCL 78.1 to 78.28.
(viii) The revised school code, 1976 PA 451, MCL 380.1 to 380.1852.
The state school aid act of 1979, 1979 PA 94, MCL 388.1601 to 388.1896.

(ee) Take any other action or exercise any power or authority of any officer, employee, department, board, commission, or other similar entity of the local government, whether elected or appointed, relating to the operation of the local government. The power of the emergency manager shall be or financial management team is superior to and supersedes the power of any of the foregoing officers or entities.

(ff) Remove, replace, appoint, or confirm the appointments to any office, board, commission, authority, or other entity which is within or is a component unit of the local government.

(2) Except as otherwise provided in this act, during the pendency of the receivership, the authority of the chief administrative officer and governing body to exercise power for and on behalf of the local government under law, charter, and ordinance shall be is suspended and vested in the emergency manager or financial management team.

(3) Except as otherwise provided in this subsection, any contract involving a cumulative value of $50,000.00 or more is subject to competitive bidding by an emergency manager or financial management team. However, if a potential contract involves a cumulative value of $50,000.00 or more, the emergency manager or financial management team may submit the potential contract to the state treasurer for review and the state treasurer may authorize that the potential contract is not subject to competitive bidding.

(4) An emergency manager or a financial management team appointed for a city or village shall not sell or transfer a public utility furnishing light, heat, or power without the approval of a
majority of the electors of the city or village voting thereon, or a greater number if the city or village charter provides, as required by section 25 of article VII of the state constitution of 1963. In addition, an emergency manager or a financial management team appointed for a city or village shall not utilize the assets of a public utility furnishing heat, light, or power, the finances of which are separately maintained and accounted for by the city or village, to satisfy the general obligations of the city or village.

(5) An emergency manager or a financial management team appointed for a local government shall not change the public water supply that provides drinking water in that local government without the approval of a majority of the electors of that local government voting on the issue.

(6) An emergency manager or a financial management team must not use cost as the primary factor for any action or decision that directly impacts the public health, safety, or welfare of the residents of the local government in which that emergency manager or financial management team is appointed.

Sec. 13. Upon appointment of an emergency manager or a financial management team and during the pendency of the receivership, the salary, wages, or other compensation, including the accrual of postemployment benefits, and other benefits of the chief administrative officer and members of the governing body of the local government shall be eliminated. This section does not authorize the impairment of vested pension benefits. If an emergency manager has reduced, suspended, or eliminated the salary, wages, or other compensation of the chief administrative officer and members of the governing body of a local government before the effective date of this act, March 28, 2013, the reduction,
suspension, or elimination is valid to the same extent had it occurred after the effective date of this act. March 28, 2013. The emergency manager or financial management team may restore, in whole or in part, any of the salary, wages, other compensation, or benefits of the chief administrative officer and members of the governing body during the pendency of the receivership, for such time and on such terms as the emergency manager or financial management team considers appropriate, to the extent that the emergency manager or financial management team finds that the restoration of salary, wages, compensation, or benefits is consistent with the financial and operating plan.

Sec. 14. In addition to the actions otherwise authorized in this act, an emergency manager or a financial management team for a school district may take 1 or more of the following additional actions with respect to a school district that is in receivership:

(a) Negotiate, renegotiate, approve, and enter into contracts on behalf of the school district.

(b) Receive and disburse on behalf of the school district all federal, state, and local funds earmarked for the school district. These funds may include, but are not limited to, funds for specific programs and the retirement of debt.

(c) Seek approval from the superintendent of public instruction for a reduced class schedule in accordance with administrative rules governing the distribution of state school aid.

(d) Subject to section 19, sell, assign, transfer, or otherwise use the assets of the school district to meet past or current obligations or assure the fiscal accountability of the school district, provided the use, sale, assignment, or transfer,
or use of assets for this purpose does not impair the education of
the pupils of the school district. The power under this subdivision
includes the closing of schools or other school buildings in the
school district.

(e) Approve or disapprove of the issuance of obligations of
the school district.

(f) Exercise solely, for and on behalf of the school district,
all other authority and responsibilities affecting the school
district that are prescribed by law to the school board and
superintendent of the school district.

(g) With the approval of the state treasurer, employ or
contract for, at the expense of the school district, school
administrators considered necessary to implement this act.

Sec. 15. (1) Unless the potential sale and value of an asset
is included in the emergency manager's or financial management
team's financial and operating plan, the emergency manager or
financial management team shall not sell an asset of the local
government valued at more than $50,000.00 without the state
treasurer's approval.

(2) A provision of an existing collective bargaining agreement
that authorizes the payment of a benefit upon the death of a police
officer or firefighter that occurs in the line of duty shall must
not be impaired and is not subject to any provision of this act
authorizing an emergency manager or a financial management team to
reject, modify, or terminate 1 or more terms of an existing
collective bargaining agreement.

Sec. 16. An emergency manager or a financial management team
shall, on his, or her, or its own or upon the advice of the local
inspector if a local inspector has been retained, make a
determination as to whether possible criminal conduct contributed to the financial situation resulting in the local government's receivership status. If the emergency manager or financial management team determines that there is reason to believe that criminal conduct has occurred, the emergency manager or financial management team shall refer the matter to the attorney general and the local prosecuting attorney for investigation.

Sec. 17. Beginning 6 months after an emergency manager's or a financial management team's appointment, and every 3 months thereafter, an emergency manager or a financial management team shall submit to the governor, the state treasurer, the senate majority leader, the speaker of the house of representatives, each state senator and state representative who represents the local government that is in receivership, and the clerk of the local government that is in receivership, and shall post on the internet on the website of the local government, a report that contains all of the following:

(a) A description of each expenditure made, approved, or disapproved during the reporting period that has a cumulative value of $5,000.00 or more and the source of the funds.

(b) A list of each contract that the emergency manager or financial management team awarded or approved with a cumulative value of $5,000.00 or more, including the purpose of the contract and the identity of the contractor.

(c) A description of each loan sought, approved, or disapproved during the reporting period that has a cumulative value of $5,000.00 or more and the proposed use of the funds.

(d) A description of any new position created or any vacancy in a position filled by the appointing authority.
(e) A description of any position that has been eliminated or from which an employee has been laid off.

(f) A copy of the contract with the emergency manager as provided in section 9(3)(e), or a copy of the contract with each member of the financial management team as provided in section 9a.

(g) The salary and benefits of the emergency manager or the salary and benefits for each member of the financial management team.

(h) The financial and operating plan.

Sec. 18. (1) If, in the judgment of the emergency manager or financial management team, no reasonable alternative to rectifying the financial emergency of the local government which is in receivership exists, then the emergency manager or financial management team may recommend to the governor and the state treasurer that the local government be authorized to proceed under chapter 9. If the governor approves of the recommendation, the governor shall inform the state treasurer and the emergency manager or financial management team in writing of the decision, with a copy to the superintendent of public instruction if the local government is a school district. The governor may place contingencies on a local government in order to proceed under chapter 9. Upon receipt of the written approval, the emergency manager or financial management team is authorized to proceed under chapter 9. This section empowers the local government for which an emergency manager or a financial management team has been appointed to become a debtor under title 11 of the United States Code, 11 USC 101 to 1532, as required by section 109 of title 11 of the United States Code, 11 USC 109, and empowers the emergency manager or financial management team to act exclusively on the local
government's behalf in any such case under chapter 9.

(2) The recommendation to the governor and the state treasurer under subsection (1) shall must include 1 of the following:

(a) A determination by the emergency manager or financial management team that no feasible financial plan can be adopted that can satisfactorily rectify the financial emergency of the local government in a timely manner.

(b) A determination by the emergency manager or financial management team that a plan, in effect for at least 180 days, cannot be implemented as written or as it might be amended in a manner that can satisfactorily rectify the financial emergency in a timely manner.

(3) The emergency manager or financial management team shall provide a copy of the recommendation as provided under subsection (1) to the superintendent of public instruction if the local government is a school district.

Sec. 19. (1) Except as otherwise provided in this subsection, before an emergency manager or a financial management team executes an action under section 12(1)(k), (r), or (u) or section 14(d), he or she the emergency manager or financial management team shall submit his or her the proposed action to the governing body of the local government. The governing body of the local government, shall have within 10 days from after the date of submission, to shall approve or disapprove the action proposed by the emergency manager or financial management team. If the governing body of the local government does not act within 10 days, that 10-day period, the proposed action is considered approved by the governing body of the local government and the emergency manager or financial management team may then execute the proposed action. For an action under
section 12(1)(r) or section 14(d), this subsection only applies if the asset, liability, function, or responsibility involves an amount of $50,000.00 or more.

(2) If the governing body of the local government disapproves the proposed action within 10 days, the 10-day period, the governing body of the local government shall, within 7 days of after its disapproval of the action proposed by the emergency manager or financial management team, submit to the local emergency financial assistance loan board an alternative proposal that would yield substantially the same financial result as the action proposed by the emergency manager or financial management team. The local emergency financial assistance loan board shall have has 30 days to review both the alternative proposal submitted by the governing body of the local government and the action proposed by the emergency manager or financial management team and to approve either the alternative proposal submitted by the governing body of the local government or the action proposed by the emergency manager or financial management team. The local emergency financial assistance loan board shall approve the proposal that best serves the interest of the public in that local government. The emergency manager or financial management team shall implement the alternative proposal submitted by the governing body of the local government or the action proposed by the emergency manager or financial management team, whichever is approved by the local emergency financial assistance loan board.

Sec. 20. (1) An emergency manager, or each member of a financial management team, is immune from liability as provided in section 7(5) of 1964 PA 170, MCL 691.1407. A person employed by an emergency manager or a financial management team is immune from
liability as provided in section 7(2) of 1964 PA 170, MCL 691.1407.

(2) The attorney general shall defend any civil claim, demand, or lawsuit which challenges any of the following:

(a) The validity of this act.

(b) The authority of a state official or officer acting under this act.

(c) The authority of an emergency manager or a financial management team if the emergency manager or financial management team is or was acting within the scope of authority for an emergency manager or a financial management team under this act.

(3) With respect to any aspect of a receivership under this act, the costs incurred by the attorney general in carrying out the responsibilities of subsection (2) for attorneys, experts, court filing fees, and other reasonable and necessary expenses shall be at the expense of the local government that is subject to that receivership and shall be reimbursed to the attorney general by the local government. The failure of a municipal government that is or was in receivership to remit to the attorney general the costs incurred by the attorney general within 30 days after written notice to the municipal government from the attorney general of the costs is a debt owed to this state and shall be recovered by the state treasurer as provided in section 17a(5) of the Glenn Steil state revenue sharing act of 1971, 1971 PA 140, MCL 141.917a. The failure of a school district that is or was in receivership to remit to the attorney general the costs incurred by the attorney general within 30 days after written notice to the school district from the attorney general of the costs is a debt owed to this state and shall be recovered by the state treasurer as provided in the state school aid act of 1979, 1979 PA 94, MCL 388.1601 to
(4) An emergency manager or a financial management team may procure and maintain, at the expense of the local government for which the emergency manager or financial management team is appointed, worker's compensation, general liability, professional liability, and motor vehicle insurance for the emergency manager or any member of the financial management team and any employee, agent, appointee, or contractor of the emergency manager or financial management team as may be provided to elected officials, appointed officials, or employees of the local government. The insurance procured and maintained by an emergency manager or a financial management team may extend to any claim, demand, or lawsuit asserted or costs recovered against the emergency manager or any member of the financial management team and any employee, agent, appointee, or contractor of the emergency manager or financial management team from the date of appointment of the emergency manager or financial management team to the expiration of the applicable statute of limitation if the claim, demand, or lawsuit asserted or costs recovered against the emergency manager or financial management team or any employee, agent, appointee, or contractor of the emergency manager or financial management team resulted from conduct of the emergency manager or financial management team or any employee, agent, appointee, or contractor of the emergency manager or financial management team taken in accordance with pursuant to this act during the emergency manager's or financial management team's term of service.

(5) If, after the date that the service of an emergency manager or a financial management team is concluded, the emergency manager or financial management team or any employee, agent,
appointee, or contractor of the emergency manager or financial management team is subject to a claim, demand, or lawsuit arising from an action taken during the service of that emergency manager or financial management team, and not covered by a procured worker's compensation, general liability, professional liability, or motor vehicle insurance, litigation expenses of the emergency manager or financial management team or any employee, agent, appointee, or contractor of the emergency manager or financial management team, including attorney fees for civil and criminal proceedings and preparation for reasonably anticipated proceedings, and payments made in settlement of civil proceedings both filed and anticipated, shall be paid out of the funds of the local government that is or was subject to the receivership administered by that emergency manager or financial management team, provided that the litigation expenses are approved by the state treasurer and that the state treasurer determines that the conduct resulting in actual or threatened legal proceedings that is the basis for the payment is based upon both of the following:

(a) The scope of authority of the person or entity seeking the payment.

(b) The conduct occurred on behalf of a local government while it was in receivership under this act.

(6) The failure of a municipal government to honor and remit the legal expenses of a former emergency manager or financial management team or any employee, agent, appointee, or contractor of the emergency manager or financial management team as required by this section is a debt owed to this state and shall be recovered by the state treasurer as provided in section 17a(5) of the Glenn Steil state revenue sharing act of 1971, 1971 PA 140, MCL
141.917a. The failure of a school district to honor and remit the legal expenses of a former emergency manager or financial management team or any employee, agent, appointee, or contractor of the emergency manager or financial management team as required by this section is a debt owed to this state and shall must be recovered by the state treasurer as provided in the state school aid act of 1979, 1979 PA 94, MCL 388.1601 to 388.1896.

Sec. 21. (1) Before the termination of receivership and the completion of the emergency manager's or financial management team's term, or if a receivership transition advisory board is appointed under section 23, then before the receivership transition advisory board is appointed, the emergency manager or financial management team shall adopt and implement a 2-year budget, including all contractual and employment agreements, for the local government commencing with the termination of receivership.

(2) After the completion of the emergency manager's or financial management team's term and the termination of receivership, the governing body of the local government shall not amend the 2-year budget adopted under subsection (1) without the approval of the state treasurer, and shall not revise any order or ordinance implemented by the emergency manager or financial management team during his or her the term prior to before 1 year after the termination of receivership.

Sec. 22. (1) If an emergency manager or a financial management team determines that the financial emergency that he or she the emergency manager or financial management team was appointed to manage has been rectified, the emergency manager or financial management team shall inform the governor and the state treasurer.

(2) If the governor disagrees with the emergency manager's or
financial management team's determination that the financial emergency has been rectified, the governor shall inform the emergency manager or financial management team and the term of the emergency manager or financial management team shall continue or the governor shall before the effective date of the amendatory act that added section 9a appoint a new emergency manager or beginning on the effective date of the amendatory act that added section 9a appoint a new financial management team.

(3) Subject to subsection (4), if the governor agrees that the financial emergency has been rectified, the emergency manager or financial management team has adopted a 2-year budget as required under section 21, and the financial conditions of the local government have been corrected in a sustainable fashion as required under section 9(7) or 9a(16), the governor may do either of the following:

(a) Remove the local government from receivership.
(b) Appoint a receivership transition advisory board as provided in section 23.

(4) Before removing a local government from receivership, the governor may impose 1 or more of the following conditions on the local government:

(a) The implementation of financial best practices within the local government.
(b) The adoption of a model charter or model charter provisions.
(c) Pursue financial or managerial training to ensure that official responsibilities are properly discharged.

Sec. 24. The governor may, upon his or her own initiative or after receiving a recommendation from a receivership transition
advisory board, determine that the financial conditions of a local
government have not been corrected in a sustainable fashion as
required under section 9(7) or 9a(16) and **before the effective date**
of the amendatory act that added section 9a appoint a new emergency
manager or **beginning on the effective date of the amendatory act**
that added section 9a appoint a new financial management team.

Sec. 27. (1) The local elected and appointed officials and
employees, agents, and contractors of a local government shall
promptly and fully provide the assistance and information necessary
and properly requested by the state financial authority, a review
team, or the emergency manager or **financial management team** in the
effectuation of their duties and powers and of the purposes of this
act. If the review team or emergency manager or **financial**
management team believes that a local elected or appointed official
or employee, agent, or contractor of the local government is not
answering questions accurately or completely or is not furnishing
information requested, the review team or emergency manager or **financial management team** may issue subpoenas and administer oaths
to the local elected or appointed official or employee, agent, or
contractor to furnish answers to questions or to furnish documents
or records, or both. If the local elected or appointed official or
employee, agent, or contractor refuses, the review team or
emergency manager or **financial management team** may bring an action
in the circuit court in which the local government is located or
the Michigan court of claims, as determined by the review team or
emergency manager or **financial management team**, to compel testimony
and furnish records and documents. An action in mandamus may be
used to enforce this section.

(2) Failure of a local government official to abide by this
The act shall be is considered gross neglect of duty, which the review team or emergency manager or financial management team may report to the state financial authority and the attorney general. Following review and a hearing with a local government elected official, the state financial authority may recommend to the governor that the governor remove the elected official from office. If the governor removes the elected official from office, the resulting vacancy in office shall must be filled as prescribed by law.

(3) A local government placed in receivership under this act is not subject to section 15(1) of 1947 PA 336, MCL 423.215, for a period of 5 years from the date the local government is placed in receivership or until the time the receivership is terminated, whichever occurs first.

Sec. 28. This act does not give the emergency manager or financial management team or the state financial authority the power to impose taxes, over and above those already authorized by law, without the approval at an election of a majority of the qualified electors voting on the question.

Enacting section 1. This amendatory act takes effect 90 days after the date it is enacted into law.

Enacting section 2. This amendatory act does not take effect unless Senate Bill No.___ or House Bill No. 4752 (request no. 02951'19) of the 100th Legislature is enacted into law.