Michigan will be keeping a closer eye on the long-term fiscal health of its local governments under legislation signed into law in late 2017. SB 686 aims to address concerns about unfunded liabilities in pension and retiree health care systems.

The state’s local governments will be required to conduct independent actuarial audits as well as regularly report on how well their retirement systems are being funded. With the new law, legislators also established criteria for when “corrective action” must be taken — for example, if accrued liability in the retirement system is less than 60 percent funded and more than 12 percent of the local government’s general-fund revenue is going to the system. A newly created Municipal Stability Board (housed within the Michigan Department of Treasury) must approve these corrective action plans.

Elsewhere in the Midwest, the Ohio auditor has begun issuing a “Financial Health Indicators” study, which calls attention to cities and counties showing signs of fiscal distress. According to The Pew Charitable Trusts, Ohio is one of four U.S. states that has recently begun conducting this kind of study and then publishing the results in a report or on a website.