***The State Role in Municipal Distress is in a field of seeming constant flux: last week, we experienced the uncertain governance situation in New Jersey in the wake of Wednesday's yesterday's granting of authority for a state takeover of the City of Atlantic City—a state takeover in which the process and how it will play out could be further impacted by the potential selection by President-elect Trump, because New Jersey Governor Chris Christie appears to be a potential Cabinet or other senior advisor to the President-elect. Actual governance will shift from local accountability to the state's Division of Local Government Services—but with the state already having imposed a state emergency manager in the city, what the new state takeover means continues to be uncertain. In contrast, in California, the state played absolutely no role in Stockton or San Bernardino's respective chapter 9 bankruptcies. But, in post-chapter 9 Detroit, the state has been deeply enmeshed in municipal fiscal distress—albeit not necessarily in a constructive manner.***

In the wake of recovery from the Great Recession, one would have assumed severe municipal fiscal distress and insolvency would have dissipated. It has not. States are not reacting in a uniform fashion. With only 18 states permitting municipal bankruptcy, what state models exist which offer a clearly defined legal or legislated route to address not just insolvency, but also to avoid the spread of fiscal contagion? What is a state's role in recovery from a chapter 9 municipal bankruptcy? What is a state's role in addressing increasing fiscal disparities?

**Understanding Municipal Fiscal Stress**
*Assessing State Responses to Growing Municipal Fiscal Distress and Insolvency*. Frank Shafroth, George Mason University.

- ***The Ostriches*** *(head in the sand): Do Nothings/modified harm*: e.g. Illinois
- ***The Denigrators*** *(Alabama is a prime example: when Jefferson County requested authority to raise its own taxes, the Legislature refused, forcing the county into chapter 9 bankruptcy);*

- ***The Learners*** *(Rhode Island is a very good candidate here—in the wake of Central Falls, the state evolved into a much more constructive partnership;*
- ***The Thinkers*** *(I put Colo. & Minn. here—especially because both seem to recognize potential benefits of tax sharing & innovation in intergovernmental fiscal policy);*
- ***The Preemptors*** *(Michigan, because it provides for the usurpation of any local authority through the appointment of an Emergency Manager); New Jersey seems to be fitting in with that category re: Atlantic City;*
- ***The Substitutors****: Pa.: Act 47*
- ***The Maybe Do-Nothings****: Ohio, even though it authorizes municipal bankruptcy, appears to have been totally non-responsive the petition by East Cleveland to file—and has appeared to play no role in the so-far dysfunctional discussions between Cleveland and East Cleveland).*