

Michigan's Approach to Fiscal Crisis:

An Emergency for Democracy

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Allison Tse, Ashley Pryce, Bailey Gathany,
Charvi Gupta, Cory Mann, Kevin Murphy,
Pilar Delpino Marimon, and Imani Jasper

aet84@cornell.edu - abp72@cornell.edu - bkg37@cornell.edu - cg626@cornell.edu - clm327@cornell.edu -
km759@cornell.edu - md884@cornell.edu - irj5@cornell.edu



What's the matter with Michigan?



What is the ‘Emergency Manager Law’?

- Form of state takeover for cities and school districts in fiscal stress
- Long history with several iterations :
 - Public Act 101 1988
 - Public Act 72 1990
 - Public Act 4 2011
 - Public Act 436 2012
- Four remedial measures available under PA 436



Public Act 436: The Promise of Choice?

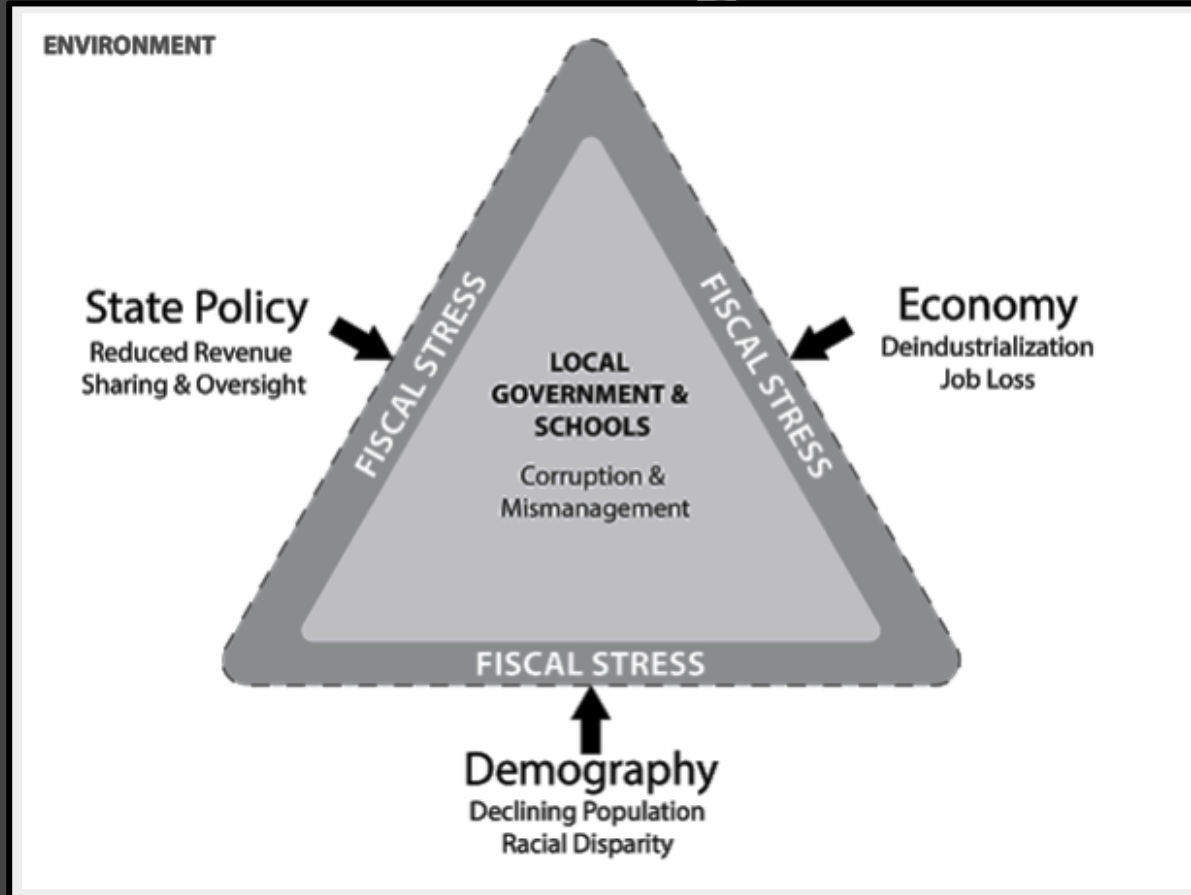
- After financial emergencies, cities and school districts can choose from:
 - Emergency Management
 - Bankruptcy
 - Consent Agreements
 - Mediation
- Choice is “constrained”
 - Must have state treasury approval



How Does it Work?



Fiscal Stress in Michigan



Research Questions

Why Emergency Management?

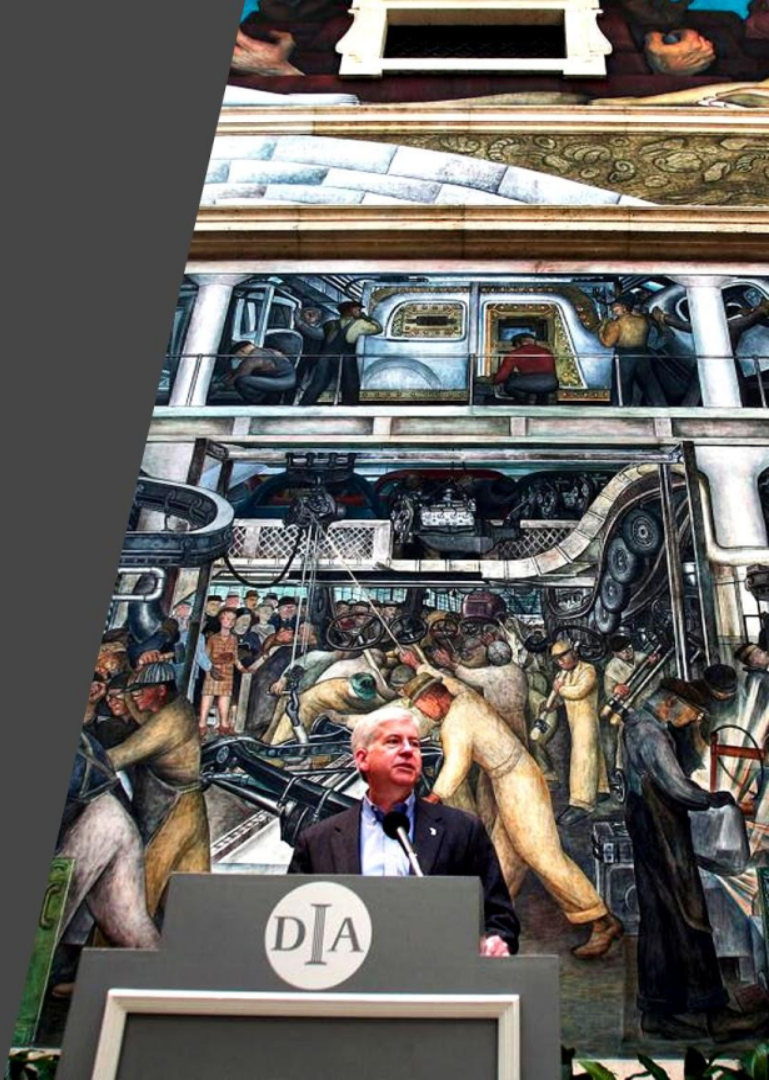
- False choice?

What do Emergency Managers do?

- Accountability
- Strategies

Implications for urban policy?

- Aftermath
- Urban agenda



Methodology

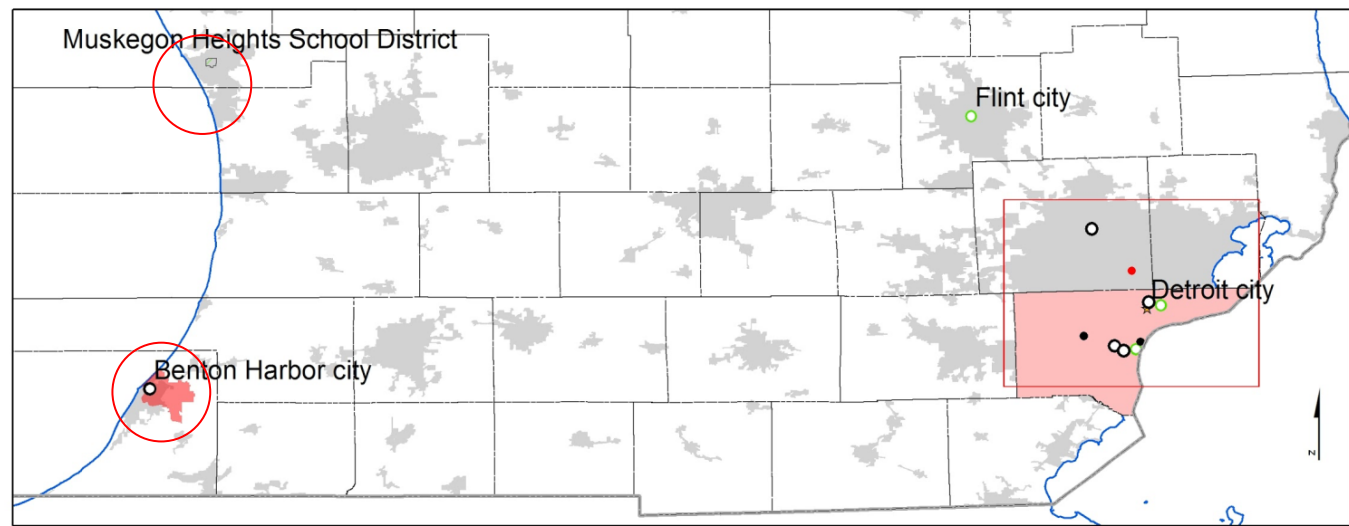
- Public records
 - Quarterly reports, financial review team reports, emergency manager orders, general fund revenue and expenditure reports
 - ACS
- Semi-structured interviews (16)
 - Local elected officials, community leaders, media, and academics



Where?

16 areas under
Emergency
Management

- Cities
- School districts



Cities

Status, PA 436 Method

- Active, Consent agreement
- Complete, Consent agreement
- Complete, EM
- ★ Financial Review Commission, EM bankruptcy
- ◊ RTAB, EM

General

Urban area

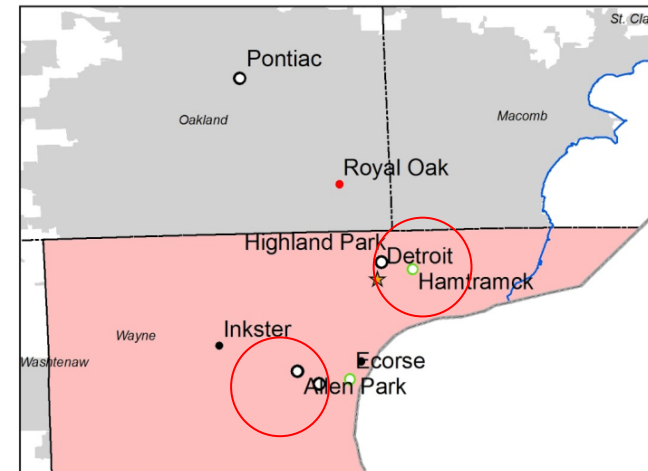
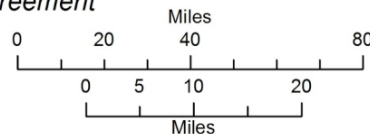
School districts

Status, PA 436 Method

- Active, Consent agreement
- RTAB, EM

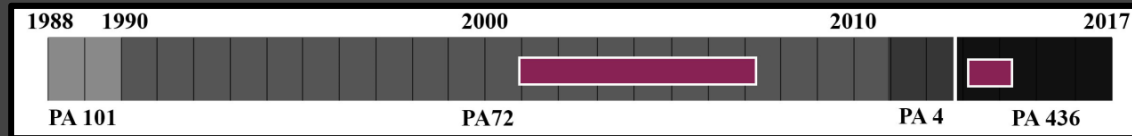
Counties

Wayne County



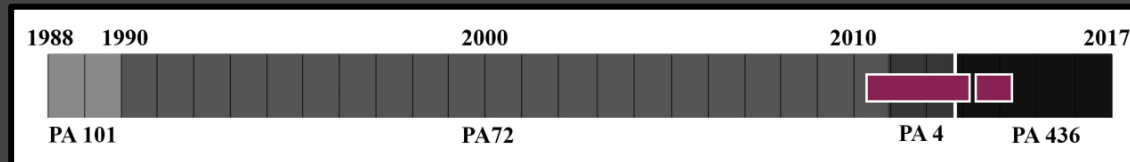
Case Study: City of Hamtramck

- **Sources of fiscal stress** → aging infrastructure, declining population, recession
- **How was the EM appointed?** → Requested
- **EM actions**
 - Renegotiated private city contracts like maintenance and legal services
 - Eliminated full-time positions for part-time
 - Renegotiated retiree benefits
 - Privatized services like snow removal & sewer
- **What was the outcome?**



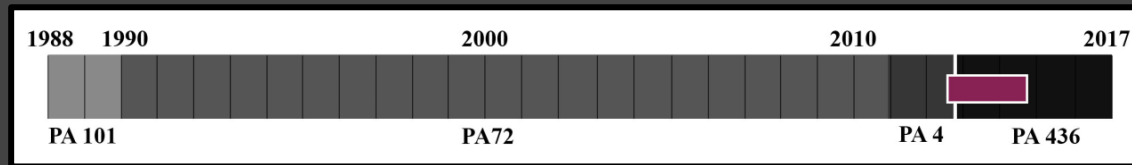
Case Study: City of Benton Harbor

- **Sources of fiscal stress** → high city expenses, failure to meet retirement payment, poor management
- **How was the EM appointed?** → Requested
- **EM actions**
 - Centralization of power
 - Privatized cemetery and park management
 - Re-negotiated labor contracts
 - Consolidated police and fire departments
 - Acquired state loan
- **What was the outcome?**



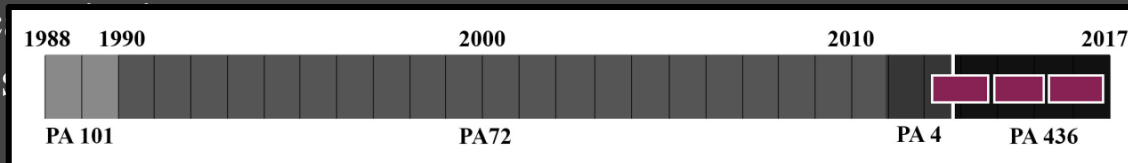
Case Study: Allen Park

- **Sources of fiscal stress** → Falling property values, state preemption, & a failed movie deal
- Cutting at the margins → slashing services
- **How was the EM appointed?** → Requested but appealed
- **EM actions**
 - Consolidating decision-making
 - Imposing contracts
 - Laying off staff
 - Millage Rate
- **What was the outcome?**



Case Study: Muskegon Heights School District

- **Sources of fiscal stress** → Funding reductions and declining enrollment, increasing costs (healthcare)
- **How was the EM appointed?** → Requested in 2011
- **EM actions**
 - Employee layoffs
 - Dissolved school district, replaces with charter district
 - Hired Mosaica Education to run schools
 - Sale of “surplus” school properties and supplies
- **What was the outcome?**
 - Mosaica
 - Now a s

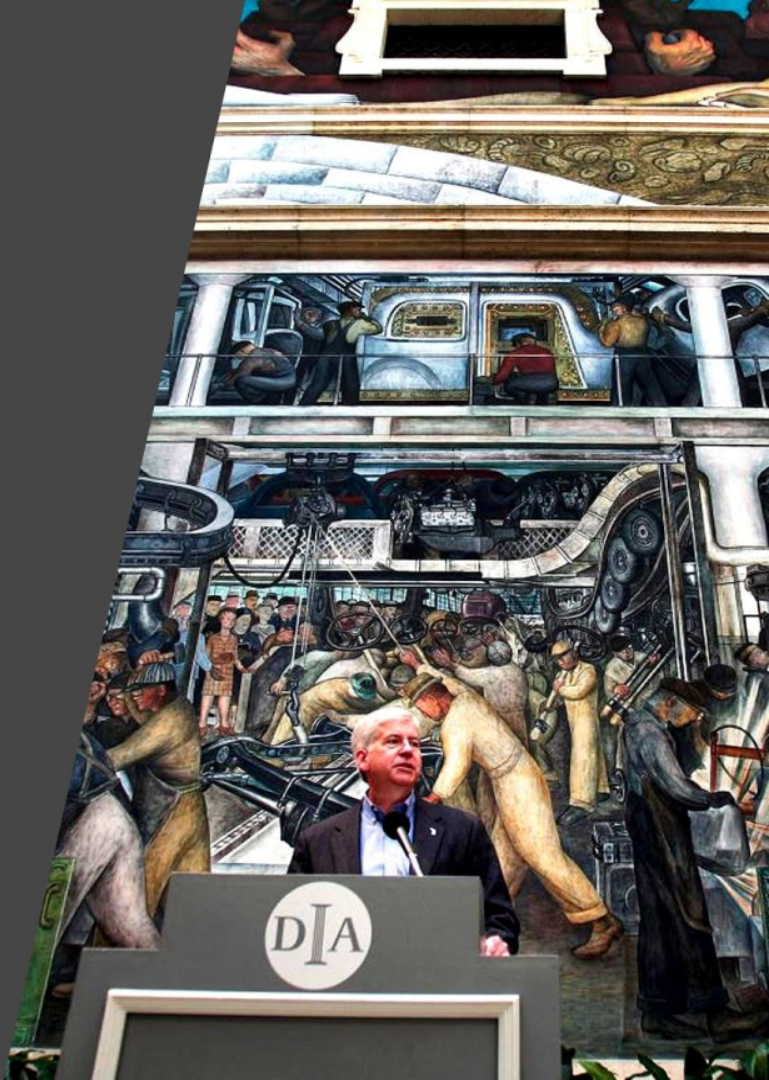


Research Questions

Why Emergency Management?

What do Emergency Managers do?

What are the implications for urban policy?



Why Emergency Management?

Why did cities choose emergency management instead of a different remedial measure? Was it really a choice?

- In most cases, cities or school districts requested fiscal review from the state.
- Local governments requesting review without realizing ramifications
- Emergency management appears as most viable option

Why Emergency Management?

“In Allen Park, what happened [...] is the city decided, ‘Hey, we’ll let the state do it and then they’ll have to pay for it.’ [...] In the city of Lincoln Park next door to us [...], I advised them the same thing, **‘You do not want an emergency manager.’** And Lincoln Park did the same thing. ‘Well, we’ll let the state pay for it.’ ”

- Robert Cady, Finance Director, City of Allen Park

What do Emergency Managers do?

- Rewrite union contracts to reduce pay and benefits
- Lay off public employees and implementing hiring freezes
- Take out emergency loans from the state
- Sell public assets
- Privatize services and outsource professional expertise

What do Emergency Managers do?

“It’s the usual plan of attack. Privatize, sell off property, cut services, and cut personnel in city hall. Frankly that did not work for us. [...] **It was a plan that hurt the city, that cost us [...] more money** [...] and it was done by an emergency financial manager who did not value the uniqueness and the assets of a city like ours.”

-Karen Majewski, Mayor, City of Hamtramck

Problems of Accountability

“If you have someone who comes in and nullifies and neuters and takes over your government, and now those who you elected have no authority to make decisions on your behalf—then now we’re talking about taxation without representation.

Well, the representation is from the emergency manager. The emergency manager was not elected. He was appointed. So, now the vote of the residents—the citizens—it means nothing.”

-Official from City of Benton Harbor

Schools Are Not the Same as Cities

“The nature of the finances and the mission of schools are sufficiently different than municipal governments. **They should come up with something separate and not a single law,** [or] intervention, that [covers] both municipal government and school districts.”

-Craig Thiel, Research Director,
Citizens Research Council of Michigan

Implications for Public Policy

- **Bad Implementation or Bad Policy?**
 - Is the problem that the professionals don't have the right skills or that the policy is tackling the wrong issues?
- **Shrinking State**
 - Reduced state revenue sharing and oversight contributed to the emergencies that lead to state takeover
- **Erosion of Democracy**
 - Lack of democratic accountability means local residents and leaders have little choice in financial solutions

Lessons from Emergency Management

A large, dark, abstract sculpture of a raised fist is the central focus in the foreground. The sculpture is made of thick, dark metal or stone, with the arm and hand clearly defined. It is set against a backdrop of modern city buildings with many windows, some of which are lit up. The sky is a deep blue, suggesting dusk or dawn. The overall scene is urban and dramatic.

- Cities and schools need support that prioritizes social equity, accountability, and long-term fiscal health
- They need help before financial emergencies occur
- States must address broader issues head on
- They should trust local officials with local knowledge

Thank You

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