

# Emergency Manager

## Background:

Under Public Act 72 of 1990, the state is authorized to intervene in units of local government that experience financial emergencies.

The House and Senate recently passed legislation that allows the state to intervene at an earlier stage. The new law also expands the power of emergency managers in order to better equip them with the tools needed to address a local unit's financial emergency.

Some are spreading misinformation about the legislation and trying to use this issue to provoke the kind of fighting seen in Wisconsin.

Half of all jobs lost in the entire United States over the past decade were lost in Michigan. Dozens of local units of government are experiencing serious financial challenges. We are in a crisis.

## Setting the record straight:

The Emergency Manager legislation is a proactive approach to preventing a local unit of government from experiencing a financial emergency.

- An Emergency Manager would be appointed only in the event of a municipal financial emergency.
- By allowing the state to intervene at an earlier stage, the need for an emergency manager can be avoided.
- Appointing an emergency manager would minimize the likelihood that a local unit of government would be unable to provide basic services to its citizens.

State intervention on local unit financial emergencies is not new, nor is only supported by Republicans:

- Michigan has had an emergency financial manager law on the books since 1988.
- The original law was signed by Democrat governor James Blanchard.
- An emergency financial manager has only been put in place a total of 10 times in more than 20 years. Emergency financial managers have been utilized by both Republican and Democrat governors.
- State Treasurer Andy Dillon, who previously served as the Democrat Speaker of the House, is leading the administration's effort to ensure emergency managers that may be necessary in the future are properly trained.

Despite the misinformation being spread by the media and on the Internet, the legislation does not give the governor the ability to remove elected officials at will. Claims that it does are simply not true.

- The legislation includes a series of triggers, one of which must occur before a review of a local unit's finances is even conducted, such as failure by the local unit of government to pay creditors or make timely pension contributions.
- Even if an emergency manager is put in place, local elected officials can only be removed from office if they refuse to provide information or assistance.
- The governor already has – and has had – the ability to put an emergency financial manager in place since 1988.
- The governor already has – and has had – the ability to remove elected officials for failing to do their duty or for corruption. This power was established in Michigan's 1963 constitution.

Former Democrat Governor Jennifer Granholm used this power to conduct removal hearings for Kwame Kilpatrick, the former Detroit mayor who stepped down from office and was then later convicted of corruption.

An Emergency Manager can only be put in place if local elected officials fail to take the steps necessary to prevent a financial emergency.

- Emergency managers are accountable to both the governor and the Legislature, which in turn are both accountable to voters.

The goal is to give emergency managers the tools they need to protect residents and address local government financial emergencies.

- Labor contracts make up the bulk of local government expenses. Because emergency financial managers do not currently have power to adequately address these issues, long-term financial problems are not solved.

This legislation does not eliminate collective bargaining:

- Although an emergency manager may void contracts to prevent the local unit of government from going into bankruptcy, new agreements still could come through the collective bargaining process.
- If the municipality was to enter bankruptcy, a judge would have sweeping powers to undo contracts. Bankruptcy is a much bigger threat to collective bargaining.
- The governor has repeatedly said he will work within the collective bargaining system.

For further reading:

[Editorial: New state financial tools will help fix budgets, not bust unions](#) (Detroit Free Press)

For too long, Michigan has had too few tools to keep school districts and cities from wallowing in financial trouble.