

Michigan bill gives financial managers dictatorial power over cities and schools

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A bill likely to be signed into law this week by Michigan Governor Rick Snyder would give unelected emergency financial managers (EFM) dictatorial power to take over the affairs of any local government entity—counties, cities, and schools—strip democratically-elected representatives of their powers, abrogate any local law or ordinance, cancel collective bargaining agreements, seize and sell public assets, initiate draconian cuts to social services, and cut worker pay.

Like the anti-worker law recently put in place in Wisconsin and similar laws being advanced throughout the country, the express intent of Michigan's EFM law is to create an authoritarian legal framework to impose wage and spending cuts. It would establish rule by decree as the basic *modus operandi* of local government. As one Republican state senator put it, the law applies to areas that require "financial martial law."

If details are worked out between two different versions of the bill circulating in the Michigan House and Senate, Snyder said he would sign it into law this week.

The law would allow a financial manager, unelected and unaccountable to voters, the ability to simply dissolve units of government he or she deems to have failed. The EFMs may also eliminate laws and tax policies they find objectionable.

Alternately, the bill includes a "consent agreement" that would grant EFM authorities to local elected officials who are willing to impose cuts. One mayor who is likely to seek such authorities is Detroit's Dave Bing, who is demanding the power to abolish vital social services to large parts of the city of nearly one million. Flint Mayor Dayne Walling has also said he will seek consent agreement authority to impose massive pay cuts on firefighters and police.

The law is likely to come into far wider use. While currently only a handful of local government units are under the control of an EFM, including the Detroit public schools, the law will allow the state "preemptive" powers to take over cities and schools deemed to have entered a financial crisis.

The crisis facing the schools and local governments is being intentionally provoked by policies pursued at the state and federal levels. Michigan Governor Rick Snyder's budget finances \$1.8 billion in tax cuts for corporations and the rich by attacking funding for education and social services and by imposing new taxes on the elderly and on workers. Aid to local governments will be slashed by \$400 million, depleting \$178 million from Detroit's budget and \$8.1 million from that of Flint—or 40 percent of the city's entire expenses. Public school funding will be slashed by about \$250 per head. These cuts come after years of savage austerity measures from Snyder's Democratic predecessor, Jennifer Granholm. (see: "Michigan governor proposes massive cuts to fund business tax cut")

The net effect is that school districts, cities, and towns across the state are dangling by a thread. The EFM law will allow their takeover and the implementation of cuts without regard to their social impact.

Treasury Secretary Andy Dillon has said "he expects a large number of local governments to face insolvency in the coming year," according to one press account. He is in the process of training nearly 170 "future financial managers" at two-day sessions at Michigan State University. The EFMs are likely to be highly paid—an amendment to limit compensation to \$159,000 was voted down in the senate.

Those who claim that the bill is a purely Republican measure, such as trade union officials and film director Michael Moore, are either dishonest or delusional.

The driving force behind the measure is Dillon, formerly the Democratic speaker of the House who was appointed to the position of treasury secretary by Snyder. As put by *Detroit Free Press* columnist Stephen Henderson, a backer of the bill, “It’s also worth noting, for the benefit of those who characterize this effort as some right-wing attempt to take over the state’s cities, that most of these ideas come from Dillon, a Democrat, who was talking about them well before he was appointed to Republican Gov. Rick Snyder’s cabinet.” In fact, the bill is a right-wing conspiracy that is backed by both Republicans and Democrats.

The bill’s inspiration is the EFM of the Detroit Public Schools, Robert Bobb, who last year came into legal conflict with the city’s elected school board over his dictatorial methods. Granholm backed her appointee Bobb in the dispute, and legislators began to ponder ways in which EFMs could be given powers to ride roughshod over all opposition. The EFM bill is the outcome of this process.

Both New York and Illinois, whose legislatures and governor’s mansions are controlled by Democrats, are advancing legislation that would also allow government employers powers to dismantle contracts by citing financial duress. In those states, labor arbitrators would be legally required to consider immediate financial circumstances when resolving collective bargaining disputes between workers and government employers.

Where Democrats control statehouses, the unions are working with them to impose cuts, just as the United Auto Workers (UAW) worked hand-in-glove with the Obama administration to close plants, drive down the wages of auto workers, and tear up retirees’ benefits in the “reorganization” of General Motors and Chrysler in 2009.

The unions oppose Republican-led efforts to abolish collective bargaining not because they oppose wage-cutting or are committed to defending the democratic rights of workers, but because they insist they have a vital role to play in overseeing the cuts. In states dominated by Republicans, such as Wisconsin, Ohio, Arizona, and Tennessee, laws have been passed or are pending that will attack union dues, outlaw collective

bargaining for government workers, and grant extraordinary powers to the state to quash strikes, work slowdowns, and picketing.

None of these measures are accidents or improvisational responses to short-term budget crises. There is a growing recognition in ruling circles that the plundering of social wealth to the benefit of the financial elite—which has been spearheaded by the Obama administration and its Wall Street bailout—will inevitably provoke resistance in the working class.

The mass protests in Wisconsin and demonstrations in other states, including in Michigan, indicate that this has already begun.



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