

# Michigan's anti-democratic emergency financial manager law takes effect

Janel Flechsig  
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On March 16, Michigan Governor Rick Snyder signed Public Act 4 of 2011 into law. The bill, also called the Local Government and School District Financial Accountability Act, extends the powers of appointed Emergency Financial Managers (EFMs), to institute fiscal reform of local and municipal government.

Less than a month after the passage of the new law, on April 14, Benton Harbor's EFM, Joseph Harris, issued an order suspending the decision-making powers of the city commission, effectively barring them from taking any action without his permission.

The population of Benton Harbor is approximately 11,000, which, according to the 2000 Census is 92 percent black, with a median household income of \$17,471. Home to the corporate headquarters of appliance manufacturer Whirlpool, Benton Harbor's last remaining manufacturing plant closed this year.

Benton Harbor has also been the scene of a litigious and explosive fight over the use of Jean Klock Park, Benton Harbor's only public lakefront park. Part of the park was leased to a private developer for a luxury golf course and residential development. The development of Jean Klock Park was partially backed by the Whirlpool Corporation and promoted by a bipartisan group of Michigan legislators and government officials, including former Democratic Governor Jennifer Granholm; Fred Upton, Republican congressman, grandson of Whirlpool co-founder Frederick Upton; current Republican Governor Rick Snyder; and Republican Representative Al Pscholka, a former staffer for Upton, who now represents Benton Harbor's district.

Significantly, Pscholka sponsored the legislation that enabled the Emergency Financial Manager bill. With the

adoption of PA 4, EFM Joseph Harris could dispense with the remaining acres of Jean Klock Park for private development under the guise of "economic redevelopment," and there would be no public recourse. With PA 4, such an action of public plunder for private gain has been sanctioned. Indeed, that is its object.

Benton Harbor is not the only city targeted by the new law. On the same day as EFM Harris's action in Benton Harbor, Robert Bobb, EFM for Detroit Public Schools, issued layoff notices to all 5,466 Detroit Public School members of the Detroit Federation of Teachers and 248 DPS administrators. The remaining 2,500 DPS workers are also expected to receive layoff notices. Bobb plans to close up to 41 public schools in Detroit, which he says could reopen as privately funded charter schools if sold by June 1.

"I fully intend to use the authority that was granted," Robert Bobb asserted after the passage of PA 4. He cited the school district's and state's significant budget deficits as the rationale for the bill and the measures undertaken by Emergency Financial Managers.

A fact sheet released by Governor Rick Snyder's office on the Emergency Financial Manager law justifies the dictatorial powers of the EFM bill on the grounds that "we are in a crisis." This fact sheet, which is light on data and pregnant with platitudes, fails to explain the nature or origin of the crisis, which was created by the same parasitic social layers that will gain from any municipal or district takeover.

According to the Department of Treasury, under the new law an Emergency Financial Manager has "broad statutory authority" and "acts for and in the place and stead of the governing body and the office of chief

administrative officer of the unit of local government.”

The powers endowed to an EFM include the ability to dissolve local government; declare bankruptcy; hire, fire, and direct staff; eliminate positions or create new ones; consolidate or otherwise eliminate departments; reject, modify or terminate existing labor contracts; amend the budget of the local unit of government at will; sell community assets, including publicly held property; adjust salaries and benefits for elected and governing officials; and issue and approve vendor contracts.

The law does not require that the governor-appointed EFM be a citizen or taxpayer of the municipality. There is also no cap on the EFM’s salary, which is paid for by the local unit of government, and there are no term limits.

The EFM law replaces an earlier act, Public Act 72 of 1990, which was signed into law by Democratic Governor James Blanchard. In the 21 years since the earlier act was put in place, there were seven declarations of a Financial Emergency for a local unit of government, and one for a public school system. In all, a total of 10 Emergency Financial Managers were appointed. The seven communities and school district in which a Financial Emergency have been declared are:

- \* City of Hamtramck - December 2000 under Republican Governor John Engler
- \* City of Highland Park - July 2001, Governor Engler
- \* City of Flint - July 2002, Governor Engler
- \* Village of Three Oaks - December 2008, under Democratic Governor Jennifer Granholm
- \* Detroit Public Schools- March 2009, Governor Granholm
- \* City of Pontiac - March 2009, Governor Granholm
- \* City of Ecorse - October 2009, Governor Granholm
- \* City of Benton Harbor - April 2010, Governor Granholm

Benton Harbor, Ecorse, Pontiac and the Detroit Public Schools currently remain under the control of an EFM, all of which were appointed by Democrats. The new legislation has emboldened the EFMs of these cities.

Various “left” political commentators have criticized the new law, but from the standpoint of redirecting public anger into safe channels. Rachel Maddow, for example, has covered the EFM takeover of Benton Harbor

extensively, but her commentary has presented it as a largely Republican phenomenon, which it is not.

Andy Dillon, Democratic state treasurer and former speaker of the house, has spearheaded the push for PA 4. He has been aided by a number of state and local Democrats.

Among the Democratic Party advocates of austerity is Detroit’s Mayor David Bing, who, while voicing some tepid concern about the powers of EFMs, hinted that if he were appointed EFM, his plan to shrink Detroit could be undertaken more efficiently. Bing has threatened to request an EFM for the entire city if its employee unions do not agree to significant health care concessions, or if the state does not agree to extend the city’s special allowance for income and utility taxes.

In an editorial in the *Chicago Sun Times*, Jesse Jackson compared the situation in Benton Harbor to the battles of the civil rights movement, implying that the EFM issue is essentially a matter of race, not class. This is aimed at obscuring its real purpose, which is targeted at workers of all races.

Jackson’s Rainbow PUSH Coalition is working closely with Rep. John Conyers (D-Detroit) and the Michigan Legislative Black Caucus on a legal challenge to the EFM law. In a recent statement, Conyers said that PA 4, “implicitly targets minority communities that are disproportionately impacted by the economic downturn, without providing meaningful support for improved economic opportunity.” He also characterized the EFM law as a “Republican power grab,” despite the fact that it has been promoted and aided at every stage of its 20-year development by Democrats.



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