

Hamtramck latest Michigan city declared in “financial emergency”

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Michigan Governor Rick Snyder has agreed with the assessment of Hamtramck’s state-appointed financial review board and declared the city to be in a “financial emergency.” This is the first step toward installing an emergency manager over the city.

The financial review board found that Hamtramck—a small enclave of 22,000 people surrounded by Detroit—has a general fund deficit of \$3.3 million, which is greater than 5 percent of the total general fund of just above \$16 million. The city also has a reported \$1.6 million in delayed pension fund contributions.

This is now the second time that Hamtramck has faced a financial emergency since the first emergency financial manager law, Public Act 101, was put in place in 1988 under Democratic Governor James Blanchard. Hamtramck was first placed under state receivership for seven years starting in 2000.

Now Hamtramck faces being placed under an emergency manager under Public Act 436. The law, which replaced the old Public Act 4, grants the governor the power to place fiscally ailing cities under the auspices of a financial dictator, a single person that “shall act for and in the place ... of the local government.” An emergency manager has total control over city assets, local legislation and finances, and can rip up collective bargaining agreements.

The only recourse for the city is for the local administration, which invited the financial review in the first place, to request a hearing by next Monday. Otherwise, they will be faced with four “choices”: an emergency manager; a consent agreement between the governor and local government; a “neutral” evaluation process; or Chapter 9 bankruptcy. Ultimately, all of these measures, which must be approved by the governor, will mean savage cuts in essential services and attacks on city workers.

If an emergency manager is appointed for Hamtramck, it will be added to Detroit, Pontiac, Benton Harbor, Flint, Allen Park and other Michigan cities currently under an emergency manager. Ecorse recently emerged from being under an emergency manager. In addition, Detroit Public Schools, Highland Park Public Schools and Muskegon Heights Public Schools have an emergency manager. All told, just under ten percent of the state’s population is currently governed by emergency managers.

The city’s current financial crisis has a long history bound up with the deindustrialization of Detroit. A particularly critical event was the final shutdown of Chrysler’s Hamtramck Assembly Plant, known locally as “Dodge Main,” in 1979. At its height in the 1930s, the plant, which was demolished in 1981, employed 35,000 workers.

The factory, which had 5,000 workers at the time of its closure, was shuttered as part of the first bailout and restructuring of Chrysler, overseen by the Democratic Carter administration, which eliminated 35,000 jobs, mostly in Detroit.

There has been a decline in population corresponding with the destruction of the auto industry in Hamtramck. In 1950, the population was more than 43,000. In 1970 it was only 27,000. Its low point was 18,000 in 1990. The loss of revenue from the plant and the declining population were part of broader processes in Michigan and nationally resulting from the deindustrialization of the United States.

Since the 1980s, this largely working class enclave within Detroit has been further devastated. When General Motors built Detroit/Hamtramck Assembly, the “Poletown plant,” in 1981, it displaced 4,200 residents, razing 1,400 homes and demolishing 140 businesses, several churches and a hospital. It bought

the land after local leaders, including Detroit Mayor Coleman Young, used eminent domain to seize the property from the residents. GM also received tax abatements to build the plant. The destruction provoked angry protests in Hamtramck. Despite that, the first Cadillac Eldorado rolled off the assembly line in 1985.

After the dismantling of most of the auto industry in the city, Hamtramck has never had its needed revenue streams. Both Chevy Gear & Axle—one of GM’s largest plants—and Kowalski Sausages received tax abatements in the name of “job creation” to keep the companies from seeking to move production to other areas. In the late 1990s, GM sold its plant to American Axle. After two bitter strikes, the company shuttered its operations in 2012.

In 2000, a financial emergency was declared and Emergency Financial Manager (EFM) Louis Schimmel—who is currently Pontiac’s emergency manager—took over the city for five of the next seven years. During that time, he sold city assets and privatized city services.

This led to sweeping cuts in city services, particularly the fire department. Last year, 12 of 27 of the city’s firefighters were laid off and the union accepted concessions, including a 10 percent wage cut and cuts to health care benefits.

As in Detroit, what is happening to Hamtramck is a class policy. Whether an emergency manager is appointed or not, Hamtramck is seen as another municipality that has assets that must be stripped and sold to pay off the banks and wealthy bondholders.



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