



Written by [Raven Clabough](#) on June 30, 2011

New Mich. Law for City Deficits: Overreach or Good Idea?

President Obama's former Chief of Staff Rahm Emanuel once said, "Never let a good crisis go to waste." Some wonder if that is what is taking place in Michigan. A new state law, Public Act 4, signed earlier this year, grants much wider powers to emergency financial managers (EFMs) who are assigned to fiscally troubled cities and school districts. Though the measure has drawn the criticism of political analysts as well as interest groups, proponents say it will prove to be beneficial to struggling cities, as drastic times call for drastic measures.



While the law provides EFMs increased authority, the EFM program was not established under the new law. *The Blaze* [explains](#):

The authority for the EFM program was established by Michigan's [Public Act 72](#) that was signed into law by Democratic Gov. Jim Blanchard in 1990. If the state determined that a serious financial problem existed in a municipality or school district, Public Act 72 granted the governor's office authority to intervene in local government administration as a last resort means of shoring up budget deficits. But as the state's budget problems only continued to grow, it became clear that while well-intentioned, the EFM would not have the [necessary tools](#) to be successful.

The law signed into effect by Republican Governor Rick Snyder (pictured above) permits the EFM to avoid bureaucratic red tape in order to expedite financial efficiency. The legislation also outlines early warning systems for local municipalities which are running the risk of triggering events that would ultimately lead to EFM action. *The Blaze* sums it up: In essence, if the city is repeatedly unable to pay its own bills, the state may be forced to step in to act to avoid defaults to creditors and interruptions in taxpayer services.

The new law has drawn a number of opponents, including the Sugar Law Center for Economic and Social Justice, which has gone so far as to sue for repeal of the legislation calling it a usurpation of democracy.

Even civil rights activist Jesse Jackson demonstrated in Detroit against the measure.

The political Left in Michigan has used the EFM program to recall elected Republicans, but *The Blaze* notes the irony in this:

[Russia Today](#) described the debt climate gripping Benton Harbor, a city that [had been in debt for years](#) and yet continued to dig itself into a deeper hole. The EFM appointed to work with the city to manage its obscene debt [Joseph Harris](#) was actually [appointed by Snyder's predecessor](#), Democrat Jennifer Granholm. In fact, Snyder chose budget hawk and former House Speaker Andy Dillon, a Democrat and [fellow supporter](#) of the EFM program, to serve as his Treasury Secretary.

Still, those on the Left are using the EFM program, which was established by a Democrat, to target



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Governor Snyder.

While there are legitimate concerns raised by the plan and the new law signed by Governor Snyder such as whether the state officials should have the authority to intervene and usurp the power of local authorities to maintain fiscal affairs most of the outspoken critics of the law and program are concerned by the impact it has on unions.

The new law limits union negotiating power by forcing local policymakers to take responsibility for their city's bankruptcy and make the necessary reforms. For example, Robert Bobb, the EFM head of the Detroit Public Schools, discovered that the schools budget was out of control. The new law now allows him the authority to void union contracts, lay off ineffective educators, close failing schools, and authorize charter schools.

Analysts ask, is it any wonder the Left stands opposed to the law?

Meanwhile, according to a [poll](#) conducted by the Glengariff Group, Inc., 50 percent of residents of Benton Harbor, Michigan place greater trust in the EFMs to balance city budgets than in the mayor or city council (27 percent). Furthermore, 52 percent support those EFMs voiding union contracts to reduce city deficits.

Notably, there has been evidence of [success](#) with the EFM program in the city of Benton Harbor.

But some observers say the program and law certainly raise interesting questions. Should cities be permitted to go under, particularly if it means they would likely be bailed out with taxpayer dollars? Should the state have the power to intervene? Is it a slippery slope?



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