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From the front page

Mich. EM statute is strictest in nation

Other states look at law, which allows voiding union contracts, removing elected officials' powers

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Detroit — Michigan's controversial emergency manager law is among the most sweeping of its kind in the country, experts say, leading opponents to fear it could be used as a model for other states.

Known as Public Act 4, the law already has garnered interest in neighboring Indiana and possibly other states, even as opponents are gathering signatures here to repeal it.

Civil rights leaders such as the Revs. Jesse Jackson and Al Sharpton have spoken out against Michigan's law, which they say unfairly targets urban cities in distress and strips communities of their right to self-govern. The law allows emergency managers the unprecedented power to throw out union contracts, among other actions.

"This precedent must be stopped in Michigan, because as goes Michigan, will go the rest of the country if we don't stop it," Sharpton said during a recent visit to Detroit.

Detroit's financial crisis could play out in other cities across the country amid the struggling national economy, and states will be looking for a model to follow, experts say.

"Nobody's done anything identical to Michigan, and I think to be frank most states probably would avoid that until some of these lawsuits and the petition drive have been settled," said Ed Scorsone, a governmental policy professor at Michigan State University who has advised government officials in Lansing on the law.

"I think (Detroit's troubles) definitely could spread, especially if we continue to see kind of federal retrenchment if the economy continues to be fairly stagnant. States are going to be interested if there's a model out there and people are going to say hey, this is a good model."

Labor fight: Ind. House OKs right-to-work bill. **12A**

Howes: Mich. businesses balk. **4B**

Gov. Rick Snyder in December appointed a 10-member team to review Detroit's troubled finances. The team could recommend several options for further state intervention, including takeover by an emergency manager, if the city does not present a viable plan to resolve its fiscal crisis.

Passed in spring 2011, Public Act 4 toughened up a previous law by giving emergency managers the power to terminate union contracts, sideline elected officials and sell of assets to bring finances into line.

So far, Benton Harbor, Pontiac, Ecorse, Flint and Detroit Public Schools are now under emergency managers.

Indiana vote expected soon

At least 28 states have some form of fiscal sustainability laws on the books, ranging from the "extreme end of Michigan having an emergency manager to other states that adopt a committee-like approach," said Michael Imber, a principal in the New York accounting firm of Grant Thornton LLP, which specializes in advising municipalities on financial issues.

Imber said Michigan's law seems to be the most far-reaching, but other states — such as Rhode Island and Pennsylvania — also are creating or improving laws to address financial calamities in their cities.

Last year, the Indiana Legislature failed to pass a bill somewhat modeled after Public Act 4 that would have allowed for the appointment of emergency managers to curtail spending in struggling communities.

But a provision of the law allowing cities to file for Chapter 9 bankruptcy met with resistance. A weaker version of the bill was expected to be voted on in Indiana's Senate this week without the bankruptcy provision.

Indiana State Sen. Ed Charbonneau said he considered presenting a bill similar to Michigan's emergency manager law last year, but he knew its sweeping powers were too radical for conservative Indiana.

"I don't think we're ready for that kind of step for a lot of folks," he said. "I don't believe that there would be a whole lot of support for the government coming in and taking over someplace. My intent of the bill was to help local governments avoid the need for bankruptcy."

Officials in other states have looked to craft laws that would allow the state to take over struggling communities, but they did not go as far as Michigan.

In Rhode Island, for example, the state took over financially strapped Central Falls in 2010, and the state Legislature then passed the Fiscal Stability Act to give the state receiver the authority to file for bankruptcy.

Petition drive proceeds

In Michigan, opponents of Public Act 4 say they are optimistic they will gather enough signatures to allow voters to kill the law in November. The group organizing the petition drive says it has some 190,000 signatures, more than the 161,000 required.

The signatures must be turned in by March 27, petition drive organizer Herbert A. Sanders said.

"There is no similar law across the country," said Sanders, an attorney with the American Federation of State, County and Municipal Employees Council 25. "I have a great concern that this process of denying officials their voting rights could spread across the nation. I think we are ground zero and the nation, in fact the world, is watching us."

Sharpton, in town recently to promote the petition drive, said Public Act 4 sets a dangerous precedent that other states may seek to duplicate.

"If Snyder gets away with it here, it will spread nationally," Sharpton said. "We must remember we romanticized civil rights during the '60s. It was a state-by-state crisis. Just like Wisconsin started union busting and then it went to Ohio and Indiana. ... This will be the beginning of governors nullifying the rights of people

"They will say municipal elections don't mean anything. You can vote for who you want but the governor will remove them if he wants to."

But not everyone believes the law is without merit.

Many municipal turnaround experts such as James T. McTevia argue the emergency manager law helps cities avoid bankruptcy filings, which would be expensive for taxpayers.

"I see the emergency manager position as a very good thing for the state of Michigan and for all the governmental agencies that the state may choose to put on in place of because they are, in essence, the bankruptcy trustees out of court," McTevia said. "They have tremendous power to solve financial problems. It's unique."

But noting the reaction to Public Act 4, McTevia said he would never want to serve as an emergency manager himself.

"Whenever you tell somebody that they can't have what they are used to having, regardless of whether than can pay for it or not, you're going to be hated," he said.

"It's very offensive to the taxpayers, it's very offensive to the municipalities. It's still something that's always going to be resisted but in the final analysis, it's better than any alternative."

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