Bond Case Briefs

Municipal Finance Law Since 1971

Michigan Cities Move Off the State's Critical List.

For the first time in 18 years, no city or school district is under the control of an emergency manager

It wasn't just Detroit and Flint. Dearborn, Pontiac, Benton Harbor—all were run by state-appointed emergency financial managers in recent years.

For the first time since 2000, no city or school district in Michigan is under such control, a sign the state has put the auto industry's downturn and other financial woes in the rearview mirror.

Gov. Rick Snyder, who appointed 22 emergency managers—more than all his predecessors combined—credits his use of emergency managers with controlling costs and resolving issues like unfunded liabilities of cities. Last week, he released the Highland Park School District from receivership, the most-recent case in which the state has handed control back to elected officials.

"The fact that the state now has no emergency managers in place for the first time in 18 years shows how well that commitment has worked," Mr. Snyder said.

Michigan has been more aggressive in its use of emergency managers compared with other states. The state law authorizing the governor to appoint emergency managers has existed since 1988 but became controversial after Mr. Snyder expanded their authority in 2011. After voters overturned the law in 2012, the governor signed another version that couldn't be challenged by referendum.

At the time, the state was still reeling from the 2007 financial crisis and the downturn of the auto industry, including the bankruptcy of Detroit-based General Motors in 2009. Most states allow for some fiscal oversight of municipalities, but Michigan grants managers the most authority, experts say.

Many credit the appointment of emergency manager Kevyn Orr with helping Detroit work through its fiscal emergency and bankruptcy. But Flint, which had four different managers between late 2011 and early 2015, also shows why some voters object to the use of emergency managers.

The state attorney general has charged two former emergency managers in Flint for their role in changing the city's water source, which caused lead to leach from aging pipes, making water unsafe to drink for nearly 100,000 residents and catapulting drinking-water contamination to a national issue.

A task force appointed by Mr. Snyder to investigate Flint's water crisis recommended revising the emergency-manager law, but no changes have been made.

The governor appointed an emergency manager in Highland Park in 2012 after annual budget deficits ballooned from lower revenues tied to declining school enrollment. A recovery plan will enable the district to pay off its debt, state officials said.

In many cases, the financial problems of cities and school districts stemmed from unsustainable

pension liabilities, financial mismanagement and troubles in the auto industry, which caused regional declines in jobs, population and revenue.

Michigan's unemployment rate, which now stands at 4.6%, hit 13.7% in 2009, its highest level since the early 1980s. Wayne County, where Detroit is located, lost 286,000 residents, or nearly 14% of its population between 2000 and 2013, the year the city filed for bankruptcy.

More recently, the auto sector's rebound, including the proliferation of high-tech companies that support the industry, has boosted jobs and tax revenue in and around Detroit.

"Like most policies, there's good and bad. In a lot of those communities, there still remain a lot of long-term challenges," said Eric Scorsone, a Michigan State University economics professor who recently served as the state's interim deputy treasurer overseeing the emergency-management program.

The Wall Street Journal

By Kris Maher

July 1, 2018 8:00 a.m. ET

Write to Kris Maher at kris.maher@wsj.com

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com