

Stanton, Terry A. (Treasury)

From: Weiss, Kurt (DTMB)
Sent: Monday, February 08, 2016 3:32 PM
To: Stanton, Terry A. (Treasury)
Subject: RE: 436 info

Thanks Terry. Perfect!

Kurt Weiss
State Budget Office
517-335-0050



From: Stanton, Terry A. (Treasury)
Sent: Monday, February 08, 2016 3:26 PM
To: Weiss, Kurt (DTMB)
Subject: 436 info

Kurt...

Attached is the piece we discussed briefly this afternoon. We crafted this as a run-up to possible SoS pieces.

Also, below is some information I am going to be sharing with a writer with Pew Charitable Trust's "State and Local Fiscal Health" section shortly.

The unfortunate situation in Flint is not an indictment of Public Act 436. Discussions about the possible development of a Flint-area/Genesee County water system had been on-going since the early 2000's, long before a manager was appointed (Dec. 2011). Additionally, it was not a situation where elected officials (Mayor & City Council) wanted to utilize one system with the EM reversing course. All involved in the decision-making process agreed KWA was the best long-term option for the City of Flint. Unfortunately, once the City was cut-off from DWSD, the correct anti-corrosives (or amount of anti-corrosives) were not added to the water as it was treated, which allowed lead to leach into the system.

As for DPS, emergency manager statutes have had less success in addressing the financial emergency there, than in municipalities. A significant decline in enrollment over the last decade has made the situation very difficult. That's why Governor Snyder has proposed a comprehensive restructuring of education in Detroit, to address both academic and financial struggles. The plan would get DPS out from under crushing debt and drive academic success at all schools in Detroit. The MI Legislature has begun hearings on the Governor's proposal.

As for municipalities, there has been real progress: In mid-2015, six cities in Michigan had emergency managers. With the departure of Brad Coulter as manager in Lincoln Park in December, **no Michigan City** is being run by an emergency manager for the first time in some 15 years. In those communities, deficits have been eliminated, sound accounting practices have been restored, and advisory boards are in place to ensure a smooth transition to full home rule.

Certainly, the City of Detroit is a success story. There is work yet to do, but, for the first time in many years, optimism about Detroit's future has returned. Another success story is Wayne County's decision to address critical financial issues through cooperative county leadership and avoid further State intervention.



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

R. NICK KHOURI
STATE TREASURER

State of the State
2015 Treasury/Local Government Highlights
DRAFT

Municipalities

- We know some of our local communities have experienced financial difficulties over the years. In some extreme cases, it has been necessary for the State to step in to address financial emergencies. Today, we can report real progress: Eighteen months ago, six cities in Michigan had emergency managers. With the departure of Brad Coulter as manager in Lincoln Park in December, **no Michigan City** is being run by an emergency manager.
- In all of those communities, deficits have been eliminated, sound accounting practices have been restored, and advisory boards are in place to ensure a smooth transition to full home rule. We look forward to a day when state oversight in these communities is no longer necessary.
- The City of Detroit is a success story. Yes, there is a lot of work yet to do, but, for the first time in many years, optimism about Detroit's future has returned. (insert positive data telling the Detroit success story)
- Another success story is the decision by Wayne County to address critical financial issues through cooperative county leadership and avoid further State intervention. Our preferred model in situations like this, is to work collaboratively with local communities and leaders to overcome local financial challenges with limited state intervention.
- In the coming year, we will be working to gather data from communities throughout Michigan in order to develop a proactive early warning system to identify critical factors of financial stress. We know other communities in Michigan may run into financial difficulties. Our goal is to act sooner when certain factors arise, in cooperation with local communities and interested participants.
- As an extra boost to communities facing serious financial challenges, the legislature appropriated \$5 million in fiscal year 2016 to provide special funding to our hardest hit communities as they provide and support critical services.