

Stanton, Terry A. (Treasury)

From: Stanton, Terry A. (Treasury)
Sent: Tuesday, February 09, 2016 9:28 AM
To: Stephen Fehr
Subject: RE: Question from Pew please

Stephen...

For background, I thought I would share the link for the Local Financial Stability and Choice Act, PA 436 of 2012.

[http://www.legislature.mi.gov/\(S\(f5uawwsqvl0pse5k32cqdrpn\)\)/mileg.aspx?page=GetObject&objectname=mcl-act-436-of-2012](http://www.legislature.mi.gov/(S(f5uawwsqvl0pse5k32cqdrpn))/mileg.aspx?page=GetObject&objectname=mcl-act-436-of-2012)

On Treasury's website, you can also find "how a financial emergency works":

http://www.michigan.gov/treasury/0,4679,7-121-1751_51556-198770---,00.html

The most recent updates on local units under some piece of PA 436.

http://www.michigan.gov/treasury/0,4679,7-121-1751_51556_64472---,00.html

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.

Finally, I am not aware of any thoughts, discussions, etc. about amending PA 436.

I hope this is helpful.

Terry

From: Stephen Fehr [mailto:sfehr@stateline.org]
Sent: Monday, February 08, 2016 10:46 AM
To: Stanton, Terry A. (Treasury) <StantonT@michigan.gov>
Subject: Question from Pew please

Terry, you have helped us before with answering questions about Michigan's EM system. I wanted to reach out to you again. My boss has asked me to put together this week a brief report (5 pages) on the Michigan EM system in light of current news events in Flint and Detroit public schools. The idea is to explain to people what the EM system is and link to our previous work. I guess I need to ask you a few obvious questions:

1. What, if anything, do the setbacks in Flint and Detroit schools say about the effectiveness of the EM system?
2. Will Michigan now re-evaluate whether the EM system is worth keeping?
3. Depending on how you answer #1 and #2: Is the EM system something other states should consider implementing to assist distressed local governments?

Thanks for your help. I am around all week.

Stephen C. Fehr
Senior officer
State and Local Fiscal Health
The Pew Charitable Trusts
901 E St. NW
Washington, DC 20004
202-552-2189 (direct)
Twitter: @scfehr1