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A Neoliberal Response to an Urban Crisis: Emergency Management in Flint, MI

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Abstract
The fiscal crisis faced by municipalities is the product of a range of structural and political factors that leave communities unable to meet their obligations. To deal with this crisis, the State of Michigan turned to a program of Emergency Managers who were given the power to overrule locally elected officials, abrogate existing contracts and arrangements, sell public property, and in short do whatever they wished to address the problem. Emergency Managers imposed austerity-based neoliberal policies with little regard for underlying structural forces that left communities impoverished, and which in the end protected bond holders. As the case of Flint, Michigan, demonstrates, these actions did little to alter the long-term prospects of cities, and inflicted real harm on Flint's residents when the EM embarked on a 'money saving' plan to terminate an agreement to use safe Detroit water. In the interim, Flint began drawing drinking water from the Flint River, resulting in high levels of lead in their water, producing a health crisis. At the end of the day, cities where Emergency Managers were in charge were left in unsustainable positions, burdened by new long-term debt, with every likelihood they would find themselves in another fiscal crisis in the coming decades.

Keywords
neoliberalism, austerity, urban fiscal crisis, Emergency Managers, Flint, MI

> … the ability to define a set of circumstances as constituting a crisis creates a political opportunity for more substantial change than would otherwise happen. (Hay, cited in Walby, 2015: 16)

Introduction

Michigan cities have had a long history of economic hardships and social struggles over the past half-century (Sugar Law Center, 2015), and the results have been the hollowing out of formerly industrial cities, population loss to accompany job loss, and for many parts of the state a

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persistent and severe downturn in the quality of its infrastructure and increasing pessimism over its outlook. Clearly, many cities have experienced stress, and as a result elected officials continue to deal with deficits; they try to balance the needs of their citizens for a range of services from public safety to city lights and snow removal with their inability to generate sufficient revenues to meet those needs. These problems have come about for many reasons, and for each city circumstances vary.

Cities have generally been left to fend for themselves on how to address their shortfalls, and most have resorted to a variety of financial instruments ranging from bond issues to credit default swaps to long- and short-term loans to balance budgets. However, over time the debt service on these instruments outpaced an economically depressed community's ability to raise the funds necessary to cover costs. Generally, what is absent has been any regional or state-wide effort to understand why these problems emerged in the first instance (Crosby and Robbins, 2013), and how cities arrived at the situation of fiscal stress they now faced.

Few of the solutions proposed or created by state government address the problem. Rather, broad assumptions are made about municipal mismanagement without a careful examination of the causes of this stress. In Michigan, these assumptions have led to the state stripping local elected officials of their governing power and installing Emergency Managers (EMs) who usurp local control, empowered with the ability to break collective bargaining agreements, disrupt pension payments, and eliminate whole government departments.

Urban Neoliberalism

Neoliberal policies arose in the 1970s because uncoordinated market economic activities and policies, primarily in the US and UK, were unable to manage tendencies toward crisis by Fordist capitalist regimes. The neoliberal agenda heralded new ways to secure capital accumulations tied to the increasing financialization of capitalism (see Jessop, 2002). Cities were 'regarded as engines of economic growth, key centers of economic, political, and social innovation, and key actors in promoting and consolidating international competitiveness' (Jessop, 2002: 465). Much as individuals were seen as profit centers encouraged to take on more and more debt (Sassen, 2014), so too were local governments from municipalities to counties treated as financial sites that would generate profits, encouraged to participate in a range of financial instruments they did not understand. For over three decades leading up to the financial crisis of 2007–8 neoliberalism was creating vast profits for multi-nationals, investment institutions, and venture capitalists through a set of policies that included greater levels of what turned out to be toxic debt (Hall et al., 2013). As the crisis spread, governments at all levels used this as an opportunity to entrench the neoliberal model even further through austerity measures undercutting social policies and attacking the public sector, all in the name of protecting existing debt and reducing deficits. As Aalbers (2013) points out: 'The forced introduction of market models and regulation in most sections of life is a central point of neoliberalism' (p. 1054). The result has been an assault on the poor and an ideological shift, focusing solutions to a deepening crisis on economic policies. Specifically,

> … financial capitalism has created a state of emergency by which the life of the poor has been incorporated in the socioeconomic order of neoliberalism under exceptional conditions of reduced … rights and guarantees. (Aalbers, 2013: 1055)

Broadly stated, policy goals reflect tax cuts and incentives for the wealthy, social service cuts under the guise of austerity and increasing competitiveness, de-regulation of rules that protect workers, the environment, and consumers, and perhaps key in this urban context, privatization as a way to provide entrée as capital appropriates public assets. As a result, neoliberalism at all levels concentrates wealth at the expense of the public weal while it undermines the public sector and democratic impulses.

We must understand the imposition of EMs for select cities in Michigan as neoliberalism policies acting upon communities suffering from the negative consequences brought on by structural changes. In effect, these EMs proceeded by imposing a set of practices used to solve a problem of its own making. In response to revenue shortfalls, communities were encouraged to take on increasing levels of debt and embrace esoteric financial instruments like credit default swaps, with little understanding of how those worked; in the end those decisions left local communities even more vulnerable to structural and systemic decline. 'Analyses of the neoliberalisation of local government point to … the recreation of the local state in ways that diminish the power of the location political leadership' (Newman, 2014: 3291). In short, Newman points out, neoliberal policies can be viewed as instituting technologies for governing populations by installing economic 'logics of calculation' (p. 3292).

The result has been a broad application of a single basic tool used by each EM to solve a range of diverse issues facing cities. Through a legislated process detailed below, some cities are assigned an EM, but others that might have also been designated escaped the trauma of the loss of democratic rights. For the most part, cities with an EM had majority non-white populations, raising a question as to why almost half of the state's African-American population were relegated to living under a form of political martial law (Kirkpatrick and Breznau, 2016). More pointedly, the Michigan Civil Rights Commission noted that:

> If you live in Michigan there is a 10% chance that you have lived under emergency management since 2009. But if you are a black Michigander, the odds are 50/50. (2017: 109)

It is, therefore, worth considering how specific policies aimed at redressing fiscal stress invariably reflecting extreme conditions of poverty seem to be implemented in communities of color. While the negative life-course impacts of poverty are well-rehearsed, the impact of the EM actions in Flint and its ensuing water crisis puts into sharp relief the health disparities that accompany residential segregation (Riley, 2017). Events in Flint drew national attention to the health impact of lead in the water,[1] but the fact that EMs were disproportionately imposed on poor minority populations in Michigan raises the concern that the effort to resolve fiscal stress in this manner worsened the quality of life for its residents (Lee et al., 2016) and increased the detrimental consequences of racialized poverty.[2]

The Problem with Emergency Management

The problems associated with Michigan's EM laws and tactics mentioned above have been well documented (Peck, 2012; Stampfler, 2013).[3] A myriad of scholars, activists, and political leaders have brought into question its legal merit, effectiveness, and fairness. The imposition of EMs relies on a system of assessment and reviews to determine whether a community needs to have that form of oversight. Crosby and Robbins (2013) point out that this approach is reactive, not proactive, as a way to avoid fiscal stress or anticipate and rectify situations that could lead to the kinds of stress EM designations are designed to solve, noting: 'do local decision-makers use the system to monitor and plan for probable fiscal crises and does the State rely on its own scorecard method as evidence enough to appoint an emergency manager? In Michigan, the answer to these questions is no' (p. 523). Rather, state actors assume mismanagement of local governments in deciding to appoint EMs, but instead should strive to understand and address factors leading to fiscal distress before they materialize (Kasdan, 2015). The decline of cities in Michigan, especially Detroit, should not have come as a surprise. As Neill (2015) has detailed, notice of the decline has come 'at regular intervals for decades previously' (p. 3). Report after report, starting in the mid-1960s, has highlighted the problems faced by cities when regional considerations are ignored: each time their recommendations were set aside, cities like Detroit were allowed to fall further down the rabbit hole of decline and despair.

Furthermore, Crosby and Robbins raise serious doubts about a process that relies on measurements that, at best, are suspect. 'In addition, [w]e question the validity and reliability of the state's numbers because when we measure these indicators, we could not obtain the same results. Michigan's system … is not explanatory, replicable, descriptive, or predictive' (2013: 532). Increasingly, the production of economic knowledge can be viewed as the result of the politics of representation (De Goede, 2006). This article adds to the discussion on state-controlled emergency management in Michigan by taking a broad look at the EM process from 2009 to 2015.

An evaluation of when and how state governments should intervene in dealing with fiscal distress facing local governments (PEW, 2013) notes that there are 20 states (for a listing of states and the range of strategies employed, see Table 2: PEW, 2013: 17) with a range of legislated powers that allow for some sort of state intervention. Those vary from very permissive and hands-off guidance to extremely invasive practices that include taking over local governance and suspending democratic participation. Best practices, they conclude, are when states use oversight to anticipate fiscal distress, and are proactive when dealing with challenges these local governments face creating the conditions that would result in distress. Many states, they note, use state funds to support, address, and, in the end, anticipate problems. Overall, if a state decides to intervene, they should do so by designing the intervention in a way that engages all stakeholders, to be transparent, and to return control to local governments as quickly as possible (PEW, 2013: 2–3). The PEW report goes on to assess each state, and the fiscal indicators developed in Michigan are revealing. The reliance on trends relative to property tax values (increasing or decreasing, general fund spending as a percentage of those values, and long-term debt as a percentage of property tax values) is instructive in predicting the actions of Michigan's EMs. The focus of EM actions was to enable communities to both clear existing debts by any means, and then to be able to borrow new debt to meet budgetary requirements.

EM laws reflect a singular approach; specifically, the application of austerity policies that privilege financial rather than a social solution to a community's ills. Austerity measures applied by EMs, broadly stated, achieve two objectives: a) preserve the financial interests of lenders and bond holders without exploring how those interests may have created the problem in the first instance, and b) seek solutions that implicitly involve the privatization of public assets and explicitly turn to the very same financial instruments that are likely culpable for causing the situation in the first instance.

Flint and Detroit, unlike the other cities in Michigan initiating the EM designation process, had an EM imposed upon them. Detroit has become the poster child for industrial decline and increasing despair as the city was turned into a non-white enclave of entrenched poverty living amidst a crumbling infrastructure. Flint, now the victim of a neoliberal urban agenda, has also become the poster-child (Fasenfest and Pride, 2016) representing what happens when resources are extracted and decisions are made with apparently little regard for the people who live there. Recent revelations about how the city's residents have been subjected to environmental hardship as a result of decisions about its water system, driven solely by cost considerations, exposes the EM process for what it ended up being. In the final analysis, the residents of these communities (and other EM cities) were not the beneficiaries of actions purported to return their city to fiscal health.

Emergency Management: A Brief Legislative Overview[4]

In 1986, the City of Ecorse was placed in receivership by Judge Richard Dunn of the Wayne County Circuit Court due to the city's failure to make payments to the pension funds of its firefighters and police officers and its electricity provider. This marked the first time in Michigan that the authority of elected municipal officials was suspended and replaced by a receiver. Judge Dunn appointed Louis Schimmel, then the executive director of the nonprofit Municipal Advisory Council of Michigan, to oversee the day-to-day operations of Ecorse.

Armed with immense power to make a wide array of changes, Schimmel eliminated the annual salaries of Ecorse's elected officials and their benefits package, eliminated public services, such as the ice arena and the community center, closed libraries and parks, and contracted out the major functions of the city's department of public works. This style of fiscal austerity and cutback management would later become the normative panacea prescribed by state officials to address municipal financial distress.

Judge Dunn returned control of Ecorse to the mayor and city council in 1990, but Ecorse's finances were monitored by the state for the remainder of the decade. Ecorse's experience prompted the state in 1988 to enact Public Act 101, seen as a way of preventing courts from intervening in cases where municipalities were experiencing financial problems. The new law would leave it up to state officials to determine fiscal distress and devise appropriate solutions.

PA 101 first introduced the financial emergency status, along with the Emergency Financial Manager (EFM) position, allowing the state to appoint EFMs over cities experiencing a financial emergency and establishing triggers that allowed the state to review the finances of a municipality. These triggers included failure to pay debts, failure to pay employee salaries, a request by local residents or officials, or request by a state legislator or state treasurer. Similar to the authority vested in the receiver appointed to Ecorse by Judge Dunn, PA 101 gave EFMs broad decision-making control over municipal corporations. PA 101 was amended in 1990 by Public Act 72 (PA 72), which extended the state's power. Under PA 72, the EFM possessed complete control over the city's finances, including spending and budgetary decisions, but it was generally understood that local officials would remain in office and retain power over policy and administrative matters outside the scope of the EFM's fiscal authority.

In March 2011, Gov. Rick Snyder signed into law the Local Government and School District Fiscal Accountability Act, also known as Public Act 4, stating: 'For too long in this state, we've avoided making the tough decisions.' PA 4 would now allow the governor and the state to make those 'tough decisions'. The newly revised financial emergency law changed the EFM position to an EM, and included some substantial alterations that eased the requirements necessary for the state to place a municipality under state receivership. PA 4 permitted the state to appoint an EM without evidence of fiscal distress. That is, a state takeover of a municipality, which suspends the decision-making authority of a local government's elected leaders, could be initiated based on the sole discretion of the governor and other state officials.

PA 4 also upgraded the governing authority of EMs, transferring all governing power of elected officials to the EM, stating that EMs will 'act for and in the place and stead of the governing body and the office of chief administrative officer'. This law further specified that throughout the 'pendency of receivership, the governing body and the chief administrative officer of the local government may not exercise any of the powers of those offices except as may be specifically authorized in writing by the emergency manager and are subject to any conditions required by the emergency manager'. In effect, EMs essentially became a fourth branch of government, one unelected and unaccountable to anyone save the governor who appointed them. The law substantially reduced the governing powers of local officials – or, in many cases, removed those powers altogether.

Expanded authority EMs power is far beyond the normal legal capacity of local governing units, including the ability to unilaterally enact new laws, disregard existing local law as contained in municipal charters and ordinances, terminate collective bargaining agreements and contracts, dismiss elected officials, privatize or sell public assets, and dissolve the local municipality all together. In 2011 and 2012, EMs were appointed to Flint, Allen Park, the Muskegon Heights Public School District, and the Highland Park Public School District.

The expanded powers granted to EMs were met with strong public resistance. By May 2011 Michigan residents circulated a petition to repeal PA 4, and the Michigan Supreme Court ordered the question to appear on the 6 November 2012 ballot. Residents overwhelmingly voted to repeal PA 4 and reinstate PA 72. In response, a bill amended to reenact elements that had been part of PA 4 was passed on 13 December 2012, and was signed into law on 26 December as the Local Financial Stability and Choice Act or Public Act 436 (PA 436), effective 28 March 2013. In other words, the legislature and governor re-imposed these unpopular measures, adding budgetary provisions that made it referendum proof.[5] PA 436 gave municipalities more latitude on how to address their financial situations.[6] If a financial emergency is declared by the state, the municipality can choose one of four options: 1) consent agreement, 2) emergency manager, 3) neutral evaluation, or 4) Chapter 9 bankruptcy. Under PA 436 emergency managers, once more called EMs, are vested with all the powers previously given to them by PA 4. As of this writing, PA 436 is the current EM law in effect.

Since 2009, the state of Michigan has used its financial emergency law to assume control of eight different municipalities – Allen Park, Benton Harbor, Detroit, Ecorse, Flint, Hamtramck and Pontiac – more than any state at the time. The charge of the state-appointed ‘emergency managers’ (EMs) was to mitigate severe fiscal distress. Michigan’s ‘municipal takeovers’ are a form of what Michelle Anderson (2011) calls ‘democratic dissolution’, in that a takeover eliminates government without terminating the city’s corporate form. This contrasts with a true dissolution, which is the termination of a charter without local consent. In addition, the complete disempowerment of local governing bodies by the state during receivership also works to deprive its residents of their legally protected political rights at the local and community level.[7]

The state’s approach to managing municipal fiscal distress blindly assumes that sacrificing the rights of voters and the American democratic political process will inevitably rescue cities from self-inflicted financial implosion. Although it may be unintended, such political disenfranchisement (not to mention disciplining; see Soss et al., 2011) at the local level has disproportionately impacted communities of color, as nearly half of the state’s African American population was under emergency manager (Niquette and Christoff, 2013).

Structural problems – e.g. the loss of revenue through lower tax rates, a declining tax base from outmigration and declining property values, and changes in a complex set of programs and requirements for state revenue sharing[8] – are ignored in favor of cost savings incurred through the reduction or elimination of public employee wages, post-employment benefits, and public services. These cutback management tactics adversely impact the financial well-being of public employees while protecting corporate investors and elite financial institutions. Moreover, because of the racial and class disparities associated with the EM process, poor black and brown communities bear the brunt of the deleterious outcomes caused by Michigan’s EM laws.

Shortchanging Michigan Cities

The Michigan Constitution provides a system of revenue sharing through which a portion of collected sales taxes are returned to cities, villages and townships across the state. Beginning in 2002, under the leadership of both parties, the State of Michigan appropriated over $6.2 billion of sales tax revenues to fill state budgetary shortfalls rather than redistribute those funds back to local communities. According to data from the US Census of Governments, Michigan led all states in revenue sharing cuts from 2002 to 2012 as municipal revenue from state sources fell by 56.9 percent (Michigan Municipal League, 2014). Only four states reduced local funding from 2002 to 2012: California, Minnesota, Kansas and Kentucky. To put things into perspective, Kansas had the second largest decline at only 14.3 percent. The Michigan Department of Treasury (n.d.) reports that EM cities were significantly impacted by the revenue sharing reductions over the last 15 years, essentially starving (as Bean, 2016, points out) communities when they needed these funds the most.[9] From 2000 to 2012 municipal revenue from the state declined for EM cities, falling by an average of 42.43 percent from 2000 to 2012.

The state redirected revenue sharing funds to cover state budget shortfalls, all to the detriment of struggling local governments, and especially the EM cities. For the past 15 years the state has shortchanged its cities: Detroit revenue sharing fell between 2011 and 2012 by almost 30 percent while Flint experienced a 20 percent decline. These reductions came precisely at a time when cities were in the throes of dealing with serious budgetary shortfalls. One is hard-pressed not to conclude that the fiscal crisis of these Michigan cities was, in large part, precipitated by if not a consequence of this significant loss in revenue sharing. Clearly, the State of Michigan addressed its budgetary needs at the expense of people in its cities.

Flint under Emergency Management

If there's any city whose recent history serves as an outright stinging rebuke to the state's notion of emergency management, it's Flint. As a result of decisions by the state-appointed EM, Darnell Earley, Flint finds itself grappling with the reverberations of a water crisis that exposed the entire city to lead-poisoned water for two years – all while government officials claimed the water was safe.

But long before the Flint Water Crisis unfolded, the city had already been struggling to right itself. Once a major ventricle in the region's manufacturing heart, Flint endured historic travails as it grappled with the consequences of de-industrialization that hit the city hard beginning in the 1970s. Staggering under the weight of plant closings, population loss and aging infrastructure, Flint found itself in a decades-long spiral that made it a prime target for emergency management by the time the state had begun to vigorously exercise PA 4 and, later, PA 436.

In the late summer of 2011, the state conducted a preliminary review of Flint's finances as a result of ongoing deficits and the city's failure to give the state a deficit-elimination plan. Among its findings, the review determined that Flint had operated in a deficit since 2007, that transfers from the city's water supply fund and sewage accounts were covering a disproportionate amount of general city operational expenses, and that the public-sector pension account was underfunded by at least 60 percent of necessary levels. The result was a recommendation that an emergency manager for Flint should be appointed.

Unlike other cities, the Flint EM appointments became something of a revolving door. From December 2011 to April 2015, with the city under state receivership, four different EMs were appointed to Flint. First, Gov. Snyder appointed Mike Brown – who had briefly served as Flint's interim mayor in 2009 – EM of Flint in December 2011 under PA 4. After a change in state law forced Brown to step down in 2012, Ed Kurtz was appointed to take over and was reappointed under PA 436. Darnell Earley took over for Kurtz in October 2013, and Jerry Ambrose replaced Earley at the start of 2015.

As the first EM of Flint, Brown executed approximately 34 EM orders, most of them aimed at reducing the salary and other compensation of city employees and local officials, curtailing local governing powers, raising city fees and renegotiating city employment contracts. He restored some of their governing power so they could specifically focus on city matters related to economic development, master planning, intergovernmental affairs, and community engagement. However, Brown eliminated approximately 115 positions, or 16 percent of the workforce, including the City Administrator, Director of the Human Resources and Labor Relations Department, Director of the Civil Service Commission, and the city's Ombudsman.

Brown also reduced the compensation for retirees, modified retiree benefits for existing employees, changed health care plans for active and retired employees, and eliminated retiree health care for new employees. He renegotiated collectively bargained contracts for police officers, firefighters and other city employees, leading to significant pay and benefit reductions. Brown also changed the health care plan offered to non-union city employees, which led to non-union employees paying higher deductibles and co-pay fees. Brown reported in his July 2012 Quarterly Report that these changes would reduce Flint's salary cost by 20 percent. To address the costs of city services, Brown raised some fees and rates. As a result, Flint residents pay, on average, 3.5 times more for waste collection services, while the rates for water and sewage were increased by 25 percent.

From August 2012 to October 2013, Ed Kurtz served as Flint's second EM, executing 15 EM orders. Most involved the approval of procedures for certain city functions, scheduling city council meetings, and overseeing the adoption of budgets. His most significant order involved the proposal of a city-wide special assessment district for the purpose of covering the cost of operating, maintaining, and improving street lighting. The added cost for the street lighting assessment will increase property taxes annually by approximately 2.72 percent.[10]

On 25 March 2013, the Flint City Council, by a vote of 7–1, approved the switch from Detroit Water and Sewer Department (DWSD) to the Karegnondi Water Authority (KWA) to provide water to the city. This was endorsed by Kurtz and Mayor Dayne Walling, and then the State Treasurer. The DWSD sent out a press release demanding that the state block Flint's request, stating it would hurt Detroit Water and start a jurisdictional 'water war'. Genesee County Drain Commissioner Wright replied that:

> It would be unprecedented for the state to force one community to enter into an agreement with another, simply to artificially help one community at the other's expense. This is exactly what the (Detroit Water and Sewerage Department) is arguing should be done. If the DWSD was serious they would contact the appropriate officials instead of negotiating through the media.

In April 2013, State Treasurer Andy Dillon gave EM Kurtz approval for the water purchase contract with the KWA. This eventually resulted in Flint's water being contaminated with dangerous amounts of lead because Darnell Earley, serving as EM from October 2013 to January 2015, authorized the temporary use of the Flint River in preparation to the switch to KWA (see below). The contract renegotiations initiated by Brown in 2011 and 2012 were completed and accepted by Earley in 2014, reducing the benefits of police and fire employees and forcing many to retire early to reduce staffing. Retiree pensions and compensation for city employees were reduced as well. Just like the health care changes for the other EM cities, out-of-pocket costs to city employees increased.

Water from the Flint River was not properly treated; this caused conduits carrying water to homes throughout Flint to corrode, leaching lead into Flint's water, precipitating what is known as the Flint Water Crisis. In addition, in June 2014 Earley approved the sale of 9 feet of water transmission pipe, used to connect Flint to Detroit's water pipeline, to Genesee County for $3.9 million. Since Flint was drawing its water from the Flint River, Earley felt it was a marketable city asset, stating 'the pipeline is of no use to the city' (Fonger, 2014). The sale to Genesee County was made even though, in May 2014, Flint's City Council voted 7–2 not to sell the pipe. Usurping or ignoring the democratically elected representatives of the residents of Flint ended up having dire consequences, and, in the end, Flint needed to lease back that conduit after it was ordered to reconnect to DWSD water.

Only serving as EM for three months, Jerry Ambrose, Flint's last EM, executed eight more EM orders from February 2015 until April 2015. These included the restructuring of outstanding water supply system revenue bonds, empowering the City Administrator position to serve as Flint's Chief Administrative Officer, and adoption of budgets for the 2015 and 2016 fiscal years (Order No. 7). He also obtained a $7 million Emergency Loan from the state before exiting as EM in April 2015.

The 2013 state audit showed some improvements to Flint's finances. According to Flint's 2013 state audit, the fiscal year 2013 budget was balanced through a mixture of significant revenue increases, significant expenditure decreases, and steps taken to reduce legacy costs. The report cited the various actions taken by the EM as contributing factors in Flint's improved financial situation, including a 2 percent increase in water and sewer rates, passage of a $6 million property tax increase to fund police and fire services, establishment of a special assessment district for street lighting, elimination of 20 percent of the city's workforce, compensation decreases equivalent to a 20 percent wage reduction for remaining employees, and the restructuring of health and retirement benefits for current employees and retirees. These changes led to a 33 percent reduction of Flint's deficit. The report attributed the deficit reduction to the revenue enhancements and expenditure reductions made by Flint's EM. By 2015, when the EM rule ended, the city's deficit was eliminated, leaving a surplus of $3.2 million. On leaving, Ambrose recommended Flint be put under a Receivership Transition Advisory Board. Interestingly, Ambrose's final order restricts Flint's elected officials from revising any of his past actions for at least one year after Governor Snyder terminates the receivership.

Obviously, the worst EM outcome was the poisoning of the city's water supply. However, a look back on other decisions – setting aside some comedic fundraising efforts like the auctioning off of Christmas decorations used at City Hall – several other deals were reported that cost the city more than it gained. For example, in 2014 Flint's Emergency Manager Darnell Early, and then Financial Manager Jerry Ambrose, signed off on a deal to lease several vehicles for five years at a cost of $2 million. The city didn't even lease the vehicles from local dealers and ignored possible additional savings if they had used local dealership to get vehicles that were manufactured in Flint (Goheen, 2015).

Two tax-related deals are worth noting. First, EM Mike Brown approved tax incentives for two new economic development districts under Michigan's Obsolete Property Rehabilitation Act (OPRA). For one, the Uptown Reinvestment Corporation will largely benefit because it owns most of the land and buildings in the areas scheduled for redevelopment (Longley, 2012). Second, Early approved a tax abatement to GM to build a new $125 million paint factory. Under the abatement, GM would only pay taxes based on 50 percent of the calculated true cash value of the potential new facility, or about $2 million in property taxes forgiven during the first year of operation. The abatement will allow for a 50 percent tax break for 12 years starting from the date of occupancy after the new facility is constructed.[11]

Who Benefits, Who Pays?

It is unclear what benefits accrue to a community due to the disposition of property, the various lease agreements, the outsourcing of city services, or the tax incentives to private sector actors offered or proposed. More often than not, the long-term benefits are not certain while the short-term costs are clear. But who can fault public officials in trying to generate jobs and revenues by offering a range of incentives? Based on the evidence, the enduring skepticism that many hold toward the decision to provide concessions, tax breaks and other incentives without carefully stating conditions that benefits will accrue to the community seem justified.[12]

More importantly, however, we must recognize that under normal conditions decisions made by elected officials have the potential, whatever one may think about the electoral process, to hold these officials accountable if outcomes don't reflect promises. Under an appointed EM, the decisions, actions and proposals are made by officials acting without public support or endorsement, actors who have a clear mandate to restore fiscal health, whatever that may mean and at whatever cost to the citizens of the community. In Flint, the EM granted a major abatement to GM during a financial crisis (Allen, 2013) with no clear indication or assurances that benefits will necessarily flow to the city over time. Rather, the premise is that by benefiting the corporation the city may keep jobs, a premise that has not panned out in the past in other cities.

Without details and specifics, it is nearly impossible to come up with a metric to measure net benefits. What we know, however, is that Emergency Managers in each Michigan city followed a neoliberal blueprint to deal with and resolve immediate financial short-comings, without either assessing what transpired in the past creating the crisis, or a projection of the future capacities of these communities to generate necessary revenues that support services ensuring the quality of life in the community.

Cumulative Impacts of Local Austerity

The austerity measures implemented in Flint from 2009 to 2015 resulted in a significant reduction of public assets[13] and the loss of public sector jobs. Job loss is particularly devastating for communities that have a high proportion of non-white residents. The public sector offered steady improvement of job prospects for women and minorities at all levels of government. But the shrinking of government services in EM cities has had a bigger impact on women (Abramovitz, 2012) and blacks (Cooper et al., 2012). A Brookings Report (Harris et al., 2014) indicates that while the private sector continues to hire, the public-sector job market is stagnant in general, and declining in some areas. The public-sector is essential for the maintenance of a viable black middle class (Cohen, 2015), where '[r]oughly one in five black adults works for the government, teaching school, delivering mail, driving buses, processing criminal justice, and managing large staffs … about 30 percent more likely to have a public-sector job than non-Hispanic whites' (Public Works, 2015). The result is downward mobility (Wilson et al., 2013) that has a crushing impact on cities like Pontiac and Flint, which lost 482 and 115 jobs respectively.

It is not just the loss of jobs in the city, it is the loss of futures for families living in a city with shrinking opportunities, undermining the ability of formerly middle-class people of color to be able to afford their homes, pay taxes, and sustain the revenue base of the city. Other consequences of state imposed austerity include higher costs for local residents through increased property taxes, city service fee and fines. These budgetary and financial changes typically occur in low income and minority Michigan cities. Thus, the overall negative impact of austerity is a disproportionate one, and will decrease the social and economic well-being of most of Michigan's poor communities of color.

Reducing the workforce of a municipality can also lead to a decline in the quality of public service delivery for residents. Such a loss of services may make neighborhoods less attractive to homebuyers leading to depreciated home values and depressing local property tax revenues. Furthermore, many of the city jobs lost were public safety jobs in the fire and police departments. In cities with relatively high crime rates, like Flint and Detroit, a reduction in police officers presents serious public safety issues for residents. Similarly, many city properties were sold under market value, underestimating the real costs incurred by EMs selling off city-owned assets.[14] Although unused and vacant property can be a financial burden to cash-strapped municipalities, the massive 'fire sale' of city assets below fair market value tend to benefit private investors and real estate corporations while shortchanging fiscally distressed cities. The increased privatization of public space also impoverishes the social economy and diminishes the level of control local residents have over how the spaces and places in their communities are used. The fiscal conditions of struggling cities with large low-income and non-white populations have led to decisions that opened the door for private investors to come in and assume more and more control over public space throughout Michigan, limiting the ability of poor and minority communities to shape and influence the process of place-making at the local level.

The fiscal austerity imposed on cities creates higher direct costs for residents. To increase revenue, EMs raised property taxes, and increased city fines, fees and property taxes. These cost increases essentially function to transfer the financial deficits of cities onto their residents, who are then forced to bear the burden of municipal fiscal distress, a problem created not by residents but primarily by structural forces largely outside of the control of individuals and even municipalities dealing with reductions in local funding from and revenue sharing by the state.

The desire to impose emergency management on cities reflected the State of Michigan's struggle to protect bond rating essential to meet all its financial obligation. Rising debt service costs for cities forced to rely on debts or financial instruments placed burdens on EM communities, driving them to fall behind on payments and otherwise threaten the municipal bond ratings (thereby affecting the ability to borrow and the rate they will be charged), ultimately negatively impacting the State of Michigan's bond ratings. Therefore, appointed EMs in each city focused on clearing the existing delinquent debt to bring 'fiscal health' back to these cities. Once that was done, EM cities resumed borrowing to cover future expenses and obligations. The problem was debt delinquency, not the conditions that led to each community's inability to service that debt in the first instance.

EM cities managed to reduce their immediate debt burden, but collectively overall levels of long-term debt remained constant. At first, long-term increased somewhat as cities immediately borrowed to meet employee pension and benefit fund obligations. Over time, however, cities traded current debt for future debt as EMs cleared city accounts of delinquent obligations and improved municipal bond ratings. When the fiscal dust settled, long-term debt remained on EM each city's ledgers, though no longer delinquent. Debt is, in effect, an exchange of future consumption (in terms of services and employment) in return for present expenditures. In some instances, these debts were structured so that debt service came before any other municipal expenditures potentially curtailing service provision at a later date. These new debts leave cities facing problematic futures as they will once again contend with an inability to meet debt payments because of declining local revenues. Underlying structural issues remain, and community fiscal outlook remains bleak due to population loss and out-migration of residents, falling property values, and a struggling local economy.

Conclusion

Sadly, most, if not all, of the EM cities are resolving their immediate financial problems without significant structural changes. A problem of unsustainable debt levels was addressed by clearing those debts cannibalizing public resources and reducing staffing that provides essential services. In its place, cities now face a long-run situation that is not sustainable due to a range of problems: reductions in local funding from the state (in the form of revenue sharing; see Minghine, 2014), falling property values, unattractiveness due to cuts in services (see Donald et al., 2014), a greater burden of fees and costs on the remaining residents, and the prospect of a crippling debt service on new loans issued to meet current budgetary requirements. The crisis faced by communities today will just be revisited upon them in the coming decades.

Economic and social viability of communities have been undermined by a system of debt driven budget mechanisms. This creates a vicious cycle of debt used to fund current municipal budgets, which in turn require communities to effectively mortgage their future consumption by committing revenues that will not be realized. The outcomes of EM practices have stripped communities of valuable assets resources to produce anticipated revenue streams. This has been a problem delayed, not a problem solved.

This 'one size fits all' basic model follows a neoliberal governing logic, one that situates the problem as poor management, consequently advocating policies that do not effectively address the unique and specific challenges of fiscally distressed local governments. In his final report to Governor Snyder, Ambrose noted that EM actions provided at best a short-term stopgap to Flint's fiscal woes, but any budgetary success would be in jeopardy without sustainable revenue sources. He went on to state that the 'low level of services that Flint currently provides is not at the level which will help the City become an attractive place to live, work study and play' (Flint City Profile in Fasenfest, 2017). Ultimately, all that was accomplished in Flint (aside from creating the calamitous water problem) was securing the financial interests of bond holders and bank lenders, while placing the city in jeopardy over the long run as it once again took on long-term debt with no regard for how a declining tax base and population loss will enable Flint to honor those obligations in the coming decades.

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Notes

1. This resulted in several poor communities around the country pointing to similar if not worse lead levels in their drinking water, poisoning young and old alike.
2. Peter Hamer, in this issue, explores the role of institutional racism that intersects with neoliberalism to understand the logic of how cities came under Emergency Management rule.
3. See also Loh (2015), Anderson (2011) and Donald et al. (2014) on the abrogation of democratic rights and the imposition of neoliberal austerity; Clement and Kanai (2015) on the reliance on market mechanisms and the negative impact on communities of color; Kasdan (2015) on how EMs rely on cutbacks, consolidation and service reduction to address fiscal stress.
4. The author is indebted to Theodore Pride, who provided invaluable assistance in assembling the information that resulted in this article, and to the staff of the ACLU of Michigan for their input in finalizing a larger report on the overall impact of Emergency Managers in Michigan (Fasenfest, 2017). All errors remain the author's.
5. The Michigan Constitution allows for challenges to laws through the referendum process. The only exception is on bills that also appropriate funds. In this case, by adding a minor budgetary component to PA 436 no more voter challenges were permitted.
6. This is the element of 'choice' in the title of the act. However, what was not a choice was the terms under which the state implemented a fiscal review leading to a declaration of fiscal emergency and offering these options.
7. To say residents of these cities are angry about these arrangements is an understatement (see (Davey, 2014; Bosman and Davey, 2016).
8. The various revenue sharing programs and requirements are available from the Michigan Department of Treasury at: http://www.michigan.gov/treasury/0,4679,7-121-1751_2197—,00.html
9. Estimates are that up to $6.2 billion in revenues were not turned over to cities when most in need (Oosting, 2014a, 2014b).
10. Average percent increase of property tax as caused by Street Lighting Assessment was obtained by calculating the property tax for the median value of a home in Flint for 2014 ($49,581, US Census) using

the Michigan Department of Treasury's Property Tax Estimator. The additional fee from the 2014 assessment ($67.87) was then added to the average property tax figure to determine percent increase.

11. Fasenfest (1986) shows the folly of deferring current revenues in the hope of anticipated benefits at a later date of a planned production facility, with no performance guarantees in the arrangement.
12. Whirlpool, in Benton Harbor, routinely reported profits while at the same time seeking tax relief from the city and EM. Yet, Whirlpool did not deliver on promised new job growth – perhaps even failing to deliver precisely because of those tax breaks. Failure to deliver on promised jobs in return for public support for a project is not a new phenomenon (see Fasenfest, 1986, 1989, concerning Detroit's experiences with GM on that score).
13. The EM of Flint even tried to sell the city's Christmas decorations (Miller, 2013).
14. Three examples will suffice: 1) In 2009, Pontiac's EM auctioned the Pontiac Silverdome for $580,000 to investor Andreas Apostolopoulos of Triple Properties, Inc. at a price significantly lower than the $18 million bid for the property made in the previous year by United Assurance, and lower than the assessed market value of around $7 million. 2) Detroit's EM contemplated the sale of the artwork of the Detroit Institute of Art to reduce Detroit's debts, and considered a proposal to sell land for a new US-Canada bridge, a decision only blocked by organized opposition (see CBS Detroit, 2014). 3) Benton Harbor, a public park, is sacrificed for the benefit of private developers. Intangible benefits residents may enjoy using that public space are not part of the calculus; the only measure that seems to matter is what developers will pay into the coffers of Benton Harbor. EMs in these cities ignored long-term impacts of the loss of social capital or recovering the market value of the land simply to reduce debt.

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