



## Stabilization and Equity - Responses to Urban Fiscal Crisis in Flint, Michigan, and Beyond

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In January 2016, the State of Michigan declared a public health emergency in the city of Flint because the city's drinking water was contaminated with lead. This breakdown in public health happened following an earlier emergency declaration – a financial emergency – which led to the aggressive move by Governor Rick Snyder, who invoked authority enshrined in state law, to appoint an emergency manager to run Flint. Now activists are calling for the repeal of that state emergency manager law.

The crisis in Flint draws attention to ongoing conflicts in responses to U.S. urban crises. Is fiscal stability to be pursued at the expense of social equity, balancing budgets at the expense of helping people who live in a troubled city? Flint is hardly alone. Local governments across the United States are caught between increasing costs and shrinking revenues. From city to city, the proximate causes vary from loss of state revenues to rising costs for public services and underfunded public pensions, to outright fiscal mismanagement. But the difficulties are similar and hit poor, minority communities hardest, creating acute dilemmas of social equity.

### Varied State Approaches

Across the United States, states mandate different approaches to local fiscal breakdowns. Some allow local governments to file for bankruptcy, taking a hands-off approach as in California. Nineteen states have some form of intervention laws. Some states, such as North Carolina, monitor local fiscal conditions and step in with monetary or technical assistance, if needed. Others may place the local government under the supervision of a state agency or state appointed fiscal oversight board, as happened in the case of New York City. Finally, eight states, including Michigan, use emergency manager laws to institute municipal takeovers that give state-appointed managers broad authority. Depending on the state, emergency managers have sweeping powers to negotiate debt, supervise local finances, approve budgets, renegotiate contracts, restructure government, terminate employees, nullify collective bargaining agreements, consolidate government departments, or dissolve municipal charters. Local elected officials lose all or most of their authority.

### What is the Impact of Municipal Takeover?

When state-appointed managers focus only on fixing the fiscal bottom line, negative social and political effects are often overlooked. But it is important to understand these effects, as other states such as New Jersey and Wisconsin contemplate municipal takeover legislation similar to the Michigan model. Here are recurrent problems that have occurred under emergency managers:

- **Less access to key decisions makers** – continuing even after the municipal takeover is lifted. In Flint, for example, the state-appointed manager not only temporarily suspended public comments at city council meetings; he also eliminated the Office of the Ombudsman and citizen's advisory boards.
- **Redistributed and consolidated power.** In most instances, only a few local elites benefit from municipal takeovers, while most residents suffer ills like higher water bills and sharply reduced services and pensions.
- **Rising resentment and distrust of local government.** Municipal takeovers have been called the “death of democracy,” because they breed citizen anger, withdrawal, and distrust.
- **Increased racial tensions.** Reactions to stripping decision making powers from local elected officials are often racially charged. In 2013, for example, the majority of African Americans in Michigan lived in cities under state control. Many see the suspension of their duly elected local officials as an affront to hard-

won civil and voting rights.

- **Only short-term fiscal fixes.** Regardless of the draconian measures undertaken, some cities still face bankruptcy, as in the case of Detroit, MI, or require continued state help to fill budget shortfalls, as happened in Camden, NJ. Moreover, municipal takeovers do little to address long-term structural causes of the financial emergency.
- **Threats to public health and well-being.** As a worst case scenario, the Flint water crisis highlights the damage that can be done when emergency managers make budgetary decisions without regard for serious potential harm to residents.

## Recommendations for Improvements

In most municipal takeovers, the burdens placed on residents seem to outweigh any new gains in fiscal stability, which are, in any event, often temporary. Nevertheless, my research as well as research by other scholars, suggests that municipal takeover policies can be improved by placing greater emphasis on considerations of social equity.

States should find ways to respond to urban crises without imposing state-appointed managers. Giving sole authority to an unelected, state-appointed manager fosters resentment, anger, and distrust on behalf of many community residents. The result is often resistance – rising conflict about the managerial system itself– rather than cooperation or withdrawal. In my research, I found that residents who opposed municipal takeovers are not apathetic, but instead organize strong opposition: at the state-level, they organized a state-wide ballot initiative to repeal the emergency manager law; at the local-level, community activists pushing back on the Flint takeover helped to bring the water crisis to light.

Emergency policies should be designed to foster democracy, not undermine it. Democracy is messy, but short-sighted municipal takeovers policies have long-term political consequences. Reducing democratic access creates opportunities for unrepresentative local elites to influence the takeover agenda for their own purposes, undermining possibilities for effective governance. Fiscal crises must be addressed, but community representatives should have an active role in understanding the problems and devising solutions. Democratic deliberation and inclusion are essential to enable troubled cities, with state support, to find ways to address fiscal crises in socially equitable and sustainable ways.