



What the Emergency Manager Referendum is About

By James M. Hohman

Summary

Proposal 1 on the Nov. 6 ballot is a referendum on the state's emergency manager law. If the proposal is defeated, Michigan would revert to its previous emergency financial manager law, which would hamper efforts to help financially distressed cities and school districts.

Main text word count: 471

Supporters of Proposal 1 on the Nov. 6 ballot, a referendum on the emergency manager law, believe that if the law is repealed, the state will not be able to appoint receivers to control fiscally distressed local governments. They are wrong. Instead, voters are choosing whether to support the emergency manager law or whether to revert to the state's older emergency financial manager law.

The idea of a referendum is to make sure that voters actually support a piece of recently passed legislation. Thus, it nullifies a legislative action. Voting "yes" on the referendum keeps the law while voting "no" stops the action.

PA 4, the emergency manager law, was signed in 2011 and repealed Public Act 72 of 1990, the emergency financial manager law. If PA 4 is repealed, that would automatically put PA 72 back in place.

This nullification is evident the last time a law was repealed via referendum. The state passed a law allowing for a straight-ticket voting option, meaning that voters could check a single box and vote for all of the members of their party automatically. This law was nullified handily in a referendum. But the referendum didn't get rid of the statutes guiding citizen voting, just the law that had been passed.

Thus, the emergency manager referendum is a choice between the state's emergency managers or emergency financial managers. While there are a number of fixes to the old law and some increased powers given to emergency managers, the main difference between an EM and an EFM is in labor relations. New emergency managers are not required to negotiate with the local government's unions (though as a practical matter they still do). In addition, the emergency manager may request that the state treasurer amend a union contract term if it is a reasonable and necessary fix to the government's financial problems.

These are important powers to a government facing a financial emergency. Labor costs are the primary expense in most local governments, and Michigan's municipalities and school districts are highly unionized. Loosening negotiating rules and being able to amend these agreements is an important power for local managers to quickly fix a financial emergency. Indeed, amendments in Flint, Pontiac and the Detroit Public Schools have saved taxpayers \$100 million.

continued on back



Read more about emergency managers at www.mackinac.org/16822

If supporters wanted to get rid of the emergency managers as a whole, they could propose a ballot initiative that prohibits the policy instead of a referendum that resurrects the old law. The referendum, however, maintains the same policy that supporters find most problematic. Either this referendum was a bad call on someone's part, or it's more about protecting unionized government.

Voters are being lied to when told by repeal proponents that this is about local vs. state control. This is a vote about whether emergency managers get the tools to fix a financial emergency.

#####

James M. Hohman is assistant director of fiscal policy at the Mackinac Center for Public Policy, a research and educational institute headquartered in Midland, Mich. Permission to reprint in whole or in part is hereby granted, provided that the author and the Center are properly cited.

Labor costs are the primary expense in most local governments, and Michigan's municipalities and school districts are highly unionized.

Attention Editors and Producers

Viewpoint commentaries are provided for reprint in newspapers and other publications. Authors are available for print or broadcast interviews. Electronic text is available at www.mackinac.org.

Please contact:

TED O'NEIL

Media Relations Manager
140 West Main Street
P.O. Box 568
Midland, Mich. 48640

Phone: 989-631-0900

Fax: 989-631-0964

Oneil@mackinac.org

www.mackinac.org

facebook.com/MackinacCenter

twitter.com/MackinacCenter