

CASE STUDY: INTEGRATION AND DEMOCRATIC IDEALS¹

The city of Shelby Heights, Michigan has been in dire financial straits for much of the last decade, ever since the local General Motors assembly plant was closed as part of the automaker's 2009 bankruptcy proceedings. Just over a month ago the crisis reached a nadir and Shelby Heights became insolvent. Under Michigan's Public Act 436 of 2012, this triggered a series of audits that ultimately empowered the state's recently elected Democratic governor, Gretchen Whitmer, to declare a local financial emergency and appoint an Emergency Manager (EM) to develop a plan for restoring the municipality's finances. Governor Whitmer appointed Eliza Anders, a 55-year-old law professor at the University of Michigan. Anders specializes in bankruptcy law and served two terms on the Ann Arbor city council, as well as one term as the city's major.

Emergency managers play a controversial, but not uncommon, role in Michigan municipal government. Sometimes referred to as "dictatorships for democracy," EMs are individuals appointed by the governor to develop and implement a financial and operating plan for a local government in crisis. EMs possess a broad suite of powers that allow them the flexibility to "do what needs to be done" to bring a financial emergency under control and place the municipality on sound financial footing going forward. In addition to the power to act in the place of the local government, extraordinary EM powers include the ability to break union contracts, take over pension systems, set school curriculums, and even dissolve or disincorporate school districts and municipalities. Their mandate is to ensure that the local government is able to provide governmental services essential to the public health, safety, and welfare and to secure the fiscal sustainability of the local government.

Michigan's most notable case of a local government financial emergency occurred in the city of Detroit when it declared bankruptcy in 2013 while under the control of a state-appointed emergency manager. Many see this as an example of a case of the successful application of the emergency manager law and its ability to restore balance to local finances. In 2015 and 2016, however, the city of Flint, while under a state-appointed emergency manager, experienced a catastrophic failure of water infrastructure leading to the introduction of lead poisoning into its drinking water. Opponents hold this up as the most significant failure of the emergency manager law.²

According to the terms of PA 436, the EM must submit a financial and operating plan to the state treasurer and the (displaced) city council within 45 days after appointment. The city council has an opportunity to formulate a counter-plan of their own. Then the local emergency financial assistance loan board—composed of the state treasurer, the director of licensing and regulatory affairs, and the director of technology, management and budget—will review both plans, select one, and task the emergency manager with implementing it.

Emergency Manager Anders has just submitted her diagnosis and proposal to the ELB, and the City Council has responded with their own alternative plan.

¹ Created by Brian Palmiter, 2019.

² https://www.canr.msu.edu/uploads/resources/pdfs/michigan_em_law_review.pdf

Emergency Financial Management Plan for the City of Shelby Heights
Prepared by Eliza Anders, Emergency Manager

Diagnosis:

The proximate cause of Shelby Heights' financial woes is falling tax revenues for the last several decades. The decline has been produced by a vicious circle of deeper causes:

1. High unemployment, especially since the GM plant closure
2. Declining city services and schools in the face of budget cuts
3. A shrinking population as those who can get out move to more prosperous areas, including to the Township (a decline of over forty-five percent since the 2000 census)
4. Rising taxes to offset the shrinking tax base
5. Rising crime as residents struggle to make ends meet
6. Business closures in response to higher taxes, worsening services, a declining customer base, rising crime, and a low-skill labor pool

All of these problems have been compounded by the de facto racial segregation that exists between the City of Shelby Heights and the surrounding Township.

Proposed Solution:

To address Shelby Heights' current budget crisis and place the city on firm financial footing going forward, I propose that the city's charter be dissolved. This would result in Shelby Heights merging with the surrounding Charter Township. In effect, this would mean the creation of a new, Unified Charter Township (UCT) that is responsible for all public services (fire, police, water, waste management, etc.), a unified school district, and a new municipal government representing the UCT.

In addition to formally combining the political jurisdictions of Shelby Heights and the Township, I propose that the state provide incentives aimed at encouraging the full integration of the two communities. Specifically, three forms of incentives would encourage residential, professional, and educational integration:

1. Housing vouchers and/or tax breaks will be provided for anyone willing to live in a neighborhood where they are a racial minority. The size of the voucher is inversely proportional to the recipient's race's current representation in the neighborhood. In other words, the bigger the racial imbalance in a neighborhood, the larger the voucher provided for helping to integrate it. Vouchers would be provided on a colorblind basis, thereby incentivizing white residents to move to predominantly non-white neighborhoods and non-white residents to move to predominantly white neighborhoods.
2. A parallel program would provide tax credits to employers willing to hire members of underrepresented racial groups. These, too, would be provided on a colorblind basis.
3. The unified school district created by the merger of the two communities would include a mandate for affirmatively integrated schools to overcome the de facto segregation caused by residential segregation.

I believe this plan, radical though it may seem, is the only way to attack the problems of Shelby Heights comprehensively. The dissolution of the city and merger with the township eliminates many of the drivers of the present budgetary crisis and places the combined municipality on healthy financial footing, promising current Shelby Heights residents better services, better schools, and a better future.

The Township has a robust tax base that is more than capable of supporting high quality schools and services for the combined communities. Combining the services of both jurisdictions will result in substantial per-person savings due to efficiencies of scale, and the UCT will be able to pay teachers and service providers more than Shelby Heights does at present, thereby increasing the pool of good paying jobs for residents.

Merging the school districts will offer similar efficiency gains. Additionally, the quality of education should improve for students from both communities. Current students in the Township will benefit from the increased diversity integration will bring. Current Shelby Heights students will benefit from better funded schools. All students will benefit when the combined school district keeps only the best teachers from each of the current school districts. A high quality joint school district will have the added benefit of helping to raise property values in what is now Shelby Heights and make the area more attractive for potential residents.

The incentives to integration will provide further benefits for the community. Tangible immediate benefits include an increase in employment opportunities for Shelby Heights residents as employers seek to diversify in order to take advantage of the integration tax credit. In the medium term, as residents integrate spatially access to employment, retail and commercial services, health-related goods, and professional services should become more evenly distributed. Less tangibly, but more importantly, increased integration of schools, neighborhoods, and the workplace will provide all residents with increased access to the financial, human, social, and cultural capital necessary to rejuvenate the area's economy. Most significant of all, increased integration will prepare residents of both current communities for democratic life in a pluralistic society.

Counter Proposal of the Shelby Heights City Council
Prepared by Tommie Smith, Mayor

We strongly object to the State's takeover of Shelby Heights, and Emergency Manager Anders' proposal to dissolve of our proud community adds insult to injury. A radical plan like this, even if it were well conceived, should not be implemented by unusual, anti-democratic means. It has not escaped our attention that emergency managers are used disproportionately in non-white communities. Over half of Michigan's black residents have lived under an EM.

Beyond this objection on principle, we believe the specifics of EM Anders' proposal are problematic on their merits. The merged services under the UCT might be more efficient, as Anders argues, but in practice "efficiency" means eliminating public jobs. Only some of the current service providers will be hired by the unified township, and we expect that a disproportionate number of those cut will be minority employees from the city. We expect the same will prove true when the school districts merge. If the UCT keeps only the "best" teachers, this will likely mean keeping mostly teachers from the Township, who appear higher quality since they teach in schools with fewer barriers to student success. In addition to many current Shelby Heights teachers losing their jobs, we expect that any schools closed in the name of efficiency will be schools in Shelby Heights. This is understandable, since the facilities are far superior in the Township, but it also means the loss of local sources of culture and civic pride.

Politically speaking, the merger of the City and the Township governments will likely have several negative effects. For one, the combined council will have 7 seats and, depending on districting, one can expect somewhere between 0 and 3 seats to go to non-white council members. Similarly, we expect the township manager to be white (assuming racial solidarity in voting). Shelby Heights has long been a majority minority community and this has been reflected in our political leadership. The merger will change that, and it does so in a way that cannot help suggesting our community is incapable of self-governance and requires management by the (white) EM and a (white) township council to get things sorted out.

Finally, we worry that incentivizing integration is not what our community needs. What we need are more public resources and job opportunities. These should not be tied to racial integration, especially since the largely non-white residents of Shelby Heights are the ones who will bear the higher costs of actually integrating. Specifically, the proposed housing vouchers for anyone willing to live in segregated neighborhoods sounds like a subsidy for gentrifiers that encourages the breakup of communities that serve as sources of longstanding social capital. It also is likely to expose black residents in both communities to increased racism. Many white residents of the township are already complaining the plan expects them to “subsidize” Shelby Heights; this suggests the merger will take place in an atmosphere of resentment.

As an alternative, we begin by stressing the importance of retaining separate status political communities and school districts. Instead, we propose that the State allow the city to tax the property of Township residents as well as city residents to bring performance (of students and public services) to the same adequate level. Bringing Shelby Heights *performance* up to par with the Township’s will likely require more than an equal share of resources (i.e. outcome egalitarianism). This is only just since the township was created to block Shelby Heights from expanding, school district lines are gerrymandered, and historical redlining and hostile racism kept Shelby Heights residents from moving to the Township when times were good.

Next, instead of providing incentives for integration, we propose that the money go to funding job training and placement services for Shelby Heights residents. Additionally, the State should bring new, high quality affordable housing to Shelby Heights *and* the Township, and then allow residents to move where they wish, without “nudging” them to choose integration over self-segregation.

In sum, we argue that our plan will meet the practical demands of improving Shelby Heights’s economic situation while also maintaining the communal solidarity of both communities. Our plan requires less infringement on individual choices and better respects freedom of association. Finally, our plan does not ask the disadvantaged residents of Shelby Heights to be the ones making substantial sacrifices to improve their situation. Even if Anders is correct in believing that integration is desirable for democratic egalitarian reasons, it is unfair to force the oppressed to do most of the heavy lifting to make it happen.

The ELB must return their decision by the end of the week. What is the right call?

APPENDIX

Table 1: Population

	Shelby Heights	Township	<i>Unified Township</i>
Population	37,660	45,302	82,962
White	27.4	70.4	45,881 (55.3)
Black or African American	65.8	7.7	27,362 (33.0)
American Indian or Alaska Native	0.0	0.1	45 (<0.1)
Asian	4.2	14.4	8,105 (9.8)
Other	2.6	1.0	1,568 (1.9)
Hispanic or Latino of Any Race*	9.8	4.1	5,548 (6.7)

*Total will exceed 100% due to double counting in this category.

Table 2: Income

	Shelby Heights	Township	<i>Unified Township</i>
Mean Household Income	\$28,099	\$169,265	\$105,183
Mean Property Value	\$43,500	\$494,600	\$289,826
Unemployment Rate	28.0	4.1	14.9
Poverty Rate	35.7	2.7	17.7

Table 3: Educational Attainment

	Shelby Heights	Township	<i>Unified Township</i>
Higher Degree	20.7	74.9	50.3
High School	58.3	21.2	38.0
No HS Diploma	21.0	3.9	11.7