STATE OF MICHIGAN
EXECUTIVE OFFICE
LANSING

RICK SNYDER
GOVERNOR

BRIAN CALLEY
LT. GOVERNOR

May 21, 2012

Hon. John Conyers, Jr.
Hon. Hansen Clarke
Hon. Gary Peters
House of Representatives
Washington, D.C.

Dear Congressmen:

In your letter of March 22, 2012, you expressed concerns and reservations regarding a number of actions of my Administration, in particular the implementation of the Emergency Manager Law. I delayed in responding to you until the completion of the Detroit Mayor and the Detroit City Council's work on the Financial Stability Agreement.[1]

Your concerns seem to revolve mainly around our "unilaterally appointing" an Emergency Manager or "coercing" the city to enter into a consent agreement. You suggested by inference that such an agreement was not proper as it must be "fair, balanced, financially realistic and consistent with our laws and core values". Under the present scenario, we believe that forging an agreement to rein in the financial crisis keeping the City of Detroit from growing and providing its 714,000 citizens with the quality of life they deserve is not only consistent with our values but essential to the health of the state. For a third-party comprehensive study of Detroit finances I refer you to the recent Citizens Research Council Report.[2] Additionally, as I am charged with also protecting and supporting the quality of life of the remaining 9.17 million citizens of the state, each of their communities need to see the health and stability of the state's largest city is of vital concern to me, and that a forged agreement allows the partnerships we need to succeed.

Let me briefly respond to a few of the points noted in your letter. You suggested that other major jurisdictions in financial distress have been able to restructure their finances through a bipartisan and cooperative approach involving a combination of state financial assistance and increased state oversight. A cooperative approach is indeed what we have offered.

I am sure that you are well aware that I have only initiated the Emergency Manager statute in two instances, Flint and Highland Park schools. In Flint, the community sought our assistance and after a lengthy process an Emergency Manager was appointed, and in Highland Park, the children of an urban school district were threatened with the loss of their school year because some officials stood by wondering what "political" position they could support or took

[1] Financial Stability Agreement, concurred in by Governor, Mayor and City Council of Detroit, April 5, 2012
[2] City of Detroit Finances, Bettie Buss, Citizens Research Council of Michigan

advantage of the financial distress to advantage themselves. Nearly my entire executive staff and several members of the legislature (without assistance from the local delegation) spent weeks feverishly working around the clock to ensure that 966 students would not be denied the right to finish their school year. Had it not been for our action, the employees who continued to work amid payless paydays (we thank and honor the employees who endured this experience) would not have been paid at all after February, 2012, nor would the kids have had classrooms even open to them.

Emergency managers remain today in Ecorse, Benton Harbor, Pontiac, and the Detroit Public Schools, all of which were initiated responsibly by my predecessors due to financial distress. The City of Highland Park has had three EFM's but none under our guidance. In fact, we continue to support the Mayor of the city in his efforts to bring the budget under control without an Emergency Manager. River Rouge still operates under a Consent Agreement but not a Manager and has made significant steps in reducing its debt. Inkster has recently developed a very strong deficit elimination plan and a Consent Agreement that we continue to support. Muskegon Heights School district has specifically requested our assistance and an Emergency Manger has been appointed to get control of its financial situation. Our continuance of those management decisions is not only wise, but very prudent in light of their circumstances.

As for your assertion that Michigan has previously "reneged on more than $200M in revenue sharing commitments" to Detroit, I am certain that both Governor Engler and Governor Granholm would have continued the payments under PA's 500 and 532 of 1998 if the economics of the state had allowed it. But, as both Congressman Peters and Congressman Clarke are well aware, because they served in the legislature during the time the so-called "revenue sharing deal" was in place, there were limited opportunities that they as legislators or the then Governors had to follow through with the "deal." Whether there was a deal with previous Governors or not, I would be remiss if I did not point out that during this period Detroit received $616MM from Act 51, MNRTF contributions of $49MM (not including a significant 2012 investment), a state payroll of $465MM, 36 leases of over $32MM, and so on. As it relates to revenue sharing, consider the attached analysis of relative contribution showing the return to the City of $121MM as opposed to $289MM for the rest of the state, a per capita contribution of $170 for each Detroiter and $21 for each of the other nine million citizens of the state.[3]

All things considered, it is well understood that the argument that the state "reneged" on a deal that constitutionally the state cannot guarantee on a continuing basis does not hold water.[4] It should go without saying that both Congressman Peters and Congressman Clarke could have voted to make up this "difference" when they served in the State House and State Senate were they to champion the effort during their terms of office.

As for point 2, the unconstitutionality of the limitations on collective bargaining, nothing of the kind has been found to be the case. We are confident that the constitutionality of the Emergency Manager law will be upheld.

As to your point 3, the Attorney General of the State of Michigan does not agree with your assertion, and his reading is that if the attempt by AFSCME to repeal PA4 is certified and stayed until November, 2012, PA 72 would in fact return and be applied. Frankly, we

[3] Relative EVIP contributions, March 16, 2012, Email from Brom Stibitz, Department of Treasury
[4] Refer to the Michigan Constitution

appreciate his analysis, but at this point, PA4 continues to be the law and we suspect will remain so. Under any circumstances the repeal of PA4 is purely a hypothetical political discussion, and has no bearing on our actions. We suspect the question of the repeal of PA4 will remain simply conjecture.

I could continue on with a point by point response but we have a state to manage, cities to assist, and citizens to protect and serve. We have spent considerable time and attention on the problems facing Michigan cities, and have met with each of you, some of you numerous times in the past months. Several times meetings we have set with one or another of you have been cancelled, not by me or my staff, but by you, so the accusation we're not listening to you or willing to talk is simply untrue. I stand willing to meet with each of you. I've always enjoyed a positive relationship with all the members of our Congressional delegation and expect that to carry on. We will continue to work with you to solve Michigan's problems if you are working with me for the betterment of the State of Michigan, but it is a two-way street. We have a rule in my office - we don't complain, we don't seek credit, we don't blame. It is up to each of us to come forward with solutions to the problems our municipalities face rather than accusatory letters that really do not serve to move Michigan forward.

Sincerely,

Rick Snyder
Governor