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Seeking Accountability through State-Appointed Emergency District Management

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Abstract

Michigan's Local Government and School District Accountability Act of 2011 empowers the governor to appoint emergency managers (EMs) in financially-troubled school districts. EMs assume all powers of the superintendent and school board. They can reshape academic programs, nullify labor contracts, and open and close schools. This paper analyzes the law's political origins and early implementation. Relative to prevailing accountability mechanisms applicable to all school districts, in what respects are EM districts more accountable, and in what respects are they less accountable? Our analysis reveals that although the law concentrates control over school operations, it weakens most standard dimensions of district accountability.

Key words: accountability, state takeover, district leadership, governance, politics of education

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Standards-based reforms and market-based reforms, the two major strands of the modern school accountability movement, share a common political feature: they both diminish the control of teacher unions and local school boards over school operations. It is widely recognized that standards-based accountability has extended state and federal control over local school districts (Corcoran & Goertz, 2005; Debray-Pelot & McGuin, 2009; McGuin, 2005; Murphy, 2000). This centralization of authority has weakened the power of teacher unions and local school boards who once dominated decision-making at the local level. Meanwhile, by establishing alternative suppliers of education services, market-based reforms, such as charter schools, also weaken the power of these traditionally influential actors. For those who view conventional governance arrangements in local school districts as a major cause of poor student performance and an obstacle to improving outcomes, these are promising developments (Chubb & Moe, 1990; Committee for Economic Development, 1994; Danzberger, 1992).

Although a number of scholars advocate the potential benefits of enhancing democratic or professional authority in schools, there is now considerable momentum behind a wide range of state and federal policy initiatives that would further diminish the influence of local school boards or school employee unions in the name of accountability. But this accountability movement faces resistance from parents and educators. Indeed, despite growing state and federal activism, there continues to be broad popular support for local control of public schools (Jacobsen & Saultz, 2012). Challenges to the accountability movement's effectiveness and legitimacy are also becoming more coherent and more broadly disseminated (Ravitch, 2010).

In this context, a recent development in Michigan provides a unique opportunity to study a policy initiative that completely supplants the influence of school employee unions and elected school boards in

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selected local school districts. In March 2011, Michigan's Governor Rick Snyder signed into law the Local Government and School District Accountability Act (PA 4; 2011). PA 4 has attracted national attention because of its strong provisions. It draws on long-standing forms of district financial accountability, broadly common to all states, to facilitate sweeping academic changes. Specifically, for districts deemed to be in financial emergencies, it empowers the governor to appoint an emergency manager (EM). All powers and duties of the district superintendent and school board are transferred to the EM, and the EM has discretion to reshape academic programs, to nullify labor contracts, to open and close schools, and to sell district assets.

PA 4 changes the politics of state intervention and governance reforms by providing politicians greater legitimacy and authority to intervene in local districts. Thus far, three Michigan districts, each predominantly African-American, have been placed under an EM's control, including the state's largest district, Detroit Public Schools (DPS). State takeovers of "academically failing" districts can be criticized as unfairly targeting districts that face the greatest educational challenges or, in other words, "blaming the victims" (McDermott, 2007). The legitimacy of politicians to act authoritatively on educational issues is also typically checked by that of educators whose legitimacy is derived from professional training and experience. By framing school failure in terms of financial accountability, however, state policy makers can undermine the education establishment's legitimacy over academic affairs and establish politically salient grounds for changes in the control and operation of local schools.

In this paper we analyze how PA 4 has reshaped school accountability in Michigan. We document features of the law, discuss its political origins, and examine its early implementation. We direct our primary attention to the following question. Relative to prevailing mechanisms of financial and academic accountability for all Michigan school districts, in what respects are districts placed under the authority of an EM more accountable, and in what respects are they less accountable?

Our analysis reveals, paradoxically, that although PA 4 clearly concentrates control over school operations, it weakens most standard dimensions of district accountability. Although it is too early to

draw firm conclusions, the Michigan experience suggests that, in the absence of additional state support, simply shifting authority to an EM may be insufficient to resolve districts' underlying financial problems. Michigan EMs have, however, scaled back employee compensation and privatized service delivery.

Technical and Democratic Accountability

In order to evaluate PA 4 as accountability policy, it is necessary to establish a working definition of accountability. Despite the pervasiveness of accountability as a rationale for contemporary education policies, there is surprisingly little consensus on the principles and elements that undergird the concept (e.g., Kuchapski, 1998; Ladd, 1996; Rothstein, Jacobsen & Wilder, 2008). While conceptions of accountability in the NCLB era have become quite narrow, we appeal to broader traditions.

Though conceptions of accountability can differ, they generally have three essential components: (a) goals for which schools are to be held accountable; (b) transparency to assess progress toward those goals; and (c) redress so that interested parties can ensure that the goals are appropriately pursued. While there are many different approaches to accountability in practice, we consider these components in two particular conceptions of public education accountability.

We designate the first conception **technical accountability**, and the second one **democratic accountability**. Technical accountability entails the basic policy features that have become the hallmark of present day measures to control and improve the behavior of those in public schools. This approach has been written into law across the country, with the most obvious example being the No Child Left Behind Act (NCLB). Technical accountability narrowly defines the three essential components of accountability as: **standards** for performance, **information** on performance measures, and **consequences** for failure to meet performance standards.

A number of observers have criticized current accountability policies as being too narrow in terms of what schools are held responsible for and for failing to assure that schools receive resources adequate to the task (Ravitch, 2010; Rebell & Wolff, 2008; Rothstein, et al., 2008). In contrast, democratic accountability adheres to these essential components in their broadest sense. It embraces

multiple and sometimes competing goals; transparency of both school performance and decision-making processes; and multiple avenues of redress, including access to decision-makers, citizen elections, and the courts. In fact, these principles of democratic accountability are enshrined in state constitutions and laws.

With technical accountability, to the extent that public goals are not reflected in the technical standards, they may be considered irrelevant. Technical accountability allows, even encourages, schools to set aside other goals in order to meet the technical standards. Rothstein and colleagues (2008) argue that Americans today, as in the past, expect a much wider range of cognitive and non-cognitive outcomes from schools than is reflected in NCLB-style policies, and that accountability policy should require schools (and other public institutions) to prepare youth to pursue those goals as established by the people and their representatives through democratic processes.

Such arguments appeal to a long tradition of **democratic accountability** in education theory and practice (Gutmann, 1987). Democratic accountability holds that since public education has both public and private aspects, families and the state should each have influence over it. Gutmann adds that an essential dimension of democratic accountability is that professional educators be allowed to make judgments that are independent from the judgments of parents and the state. From this perspective, educators do not just respond to a set of goals and standards given to them by someone else, but take responsibility for participating in the establishment of those goals and standards.¹ They draw on their expertise and professional knowledge to engage in the ongoing democratic process of defining what public education should be. For advocates of democratic education, this deliberative process is itself a primary benefit of public education. Democratic accountability and technical accountability are at odds in their purposes, and thus represent very different approaches to accountability. Democratic accountability is based on deliberation and give-and-take which by its nature cannot be easily controlled. In contrast, technical accountability is based on certainty, with clear standards and consequences established and controlled by a central authority.

¹ Darling-Hammond (1989) presents a detailed conception of professional accountability in education.

The growing dominance of technical accountability has diminished traditional avenues for citizens, families, and educators to influence American public schools through institutional arrangements established during the Progressive Era (Murphy, 2000; Tyack, 1974). Progressive reformers intended citizen control to be exercised through the election of local school boards. The boards would serve as legislative bodies, raising and allocating revenues, setting policy, passing regulations, appointing the chief administrative officer, and responding to constituent concerns. The appointed superintendent and central office staff, experts in education administration, would be responsible for implementing board policy. Meanwhile, professional accountability was based on the training and norms of school administrators and teachers. Education professionals were largely responsible for decisions over how schools and classrooms are structured and run, the choice of curriculum, and the selection of teachers and other personnel (Corcoran & Goertz, 2005).

A number of scholars have noted an inherent contradiction between state and federal standards-based accountability policies and these traditional institutions of local democratic control (Moynihan, et al., 2011; Murphy, 2000; Snauwaert, 1993). In view of this tension, Moynihan and his colleagues propose that policy makers redesign performance regimes so they are more consistent with the institutions of democratic governance. In contrast, initiatives such as Michigan's PA 4 take the opposite approach to resolving this tension—they simply eliminate local democratic and professional control.

We do not assess PA 4 against a benchmark of democratic accountability, since a conclusion that it performed poorly by this measure would be expected; PA 4 is explicitly designed to weaken democratic accountability. The more interesting question is whether it enhances technical accountability. If so, the relevant policy question is whether the law represents an acceptable trade-off between enhancing technical accountability at the expense of democratic accountability.

Although it has received very little attention, financial accountability could assume growing prominence in the accountability movement for several reasons. First, over the last half century control of school funding in most states has progressively shifted from local districts to state governments. The

long-term decline in state tax effort (share of income devoted to state taxes) in the U.S. will constrain future growth of state education revenues compared to the past. Second, in highly politicized struggles over the performance and control of public schools, financial accountability represents an appealing ground for ending prevailing local governance arrangements. To be viewed as legitimate, it is necessary to define the heart of the educational problem as administrative incompetence and the failure of local democratic governance structures. The legitimacy of state takeovers on academic grounds is typically undermined by the charge that test-based accountability penalizes schools for failing to overcome disadvantages related to students' poverty over which schools have little control. In contrast, administrators and elected representatives in any local community, rich or poor, can be expected to handle public funds honestly and competently. If, however, local officials lack the basic administrative competence to balance their budgets (like everyone else), it is hardly surprising that they also lack the capability to educate their students.

The legitimacy of politicians to act authoritatively on educational issues is typically checked by that of educators whose legitimacy is derived from professional training and experience. By defining the problem in terms of financial accountability, however, politicians, the business community, and other external parties can readily undermine the education establishment's legitimacy over academic affairs and, as in the case of Michigan's PA 4, enact sweeping changes in the control and operation of local schools.

Methods and Data Sources

Our case study is based on publicly available information. We closely analyzed PA 4 and the law it replaced, the Local Government Fiscal Responsibility Act (PA 72; 1990). Our analysis of the law's political origins and early implementation relies on a review of government documents, news releases, and newspaper articles. Government documents include the legislative history of PA 4 and other state laws. Other documents include reports and orders issued by school districts and emergency managers, lawsuits, and state administrative data on district finances.

Changing the Rules for State Intervention in Troubled Districts

When PA 4, Michigan’s Local Government and School District Fiscal Accountability Act (2011),² was signed into law, it replaced PA 72, the Local Government Fiscal Responsibility Act (1990). The change in titles of these laws is noteworthy. First, although PA 72 applied to school districts as well as other local governments, by 2011 lawmakers’ growing concerns about school district finances warranted giving them more prominent billing.³ Second, whereas the goal of the former law was fiscal “responsibility,” by 2011 the objective was framed as “accountability.” This change reflects the growing national salience of accountability as a framing idea for government reform and aptly symbolizes a meaningful shift in the principles that guide the policy. Although many features of PA 4 are similar to those of PA 72, the new law differs dramatically in extending increased authority and power to EMs. In this section, we briefly summarize PA 4’s key features.

PA 4 specifies a multi-stage process for an EM’s appointment. It begins with (a) identifying financial problems that trigger state intervention, then proceeds to (b) a preliminary financial review by the state superintendent with a determination of a serious financial problem, (c) appointment by the governor of a review team which reports its findings to the governor and state superintendent, (d) determination of financial emergency, and (e) appointment of an EM to take over functions of the local school board and superintendent.⁴

Increased EM Authority

PA 72 granted the state-appointed emergency financial manager (EFM) responsibility only for school district finances. EFMs were obliged to consult with the local school board regarding their planned financial reforms, but did not need the board’s approval for their actions. The local board retained authority for all other operations of the district, including academics. In contrast, PA 4 shifts

² The legislation was a package of bills, adopted as 2011 Public Acts 4, 5, 6, 7, 8 and 9. For convenience, we use the main bill, PA 4, to refer to all.

³ Although PA 4, like PA 72, addresses general purpose local governments, special authorities and publicly owned utilities, in this paper we focus only on the provisions that apply to school districts.

⁴ The laws provide other options, including consent agreements; we consider only emergency managers.

authority for *all* district operations to the EM. While the EM's financial powers are specified in detail, the academic powers are not. This broad authority implicitly covers, among other things, decisions regarding curriculum and academic programs, teacher hiring and assignments, professional development, teacher evaluation, student assessment, and the opening and closing of school buildings.

Not only are the local board and superintendent stripped of all power, their compensation is immediately suspended. Whether any compensation is restored is left to the EM's discretion. PA 4 also grants powers that are not available to local boards. The EM may unilaterally modify or terminate existing contracts including union contracts. Collective bargaining rights are suspended for five years. The EM is empowered to modify employees' salaries and benefits, work rules, job responsibilities, due process rights, and seniority rights. An EM also has the authority to fire any or all employees, hire replacements, or outsource provision of any district service to private contractors.

The EM may issue orders necessary to implement his or her financial and operating plans and those orders are binding on local elected and appointed officials, employees, agents, and contractors. If any of these parties fail to implement an order, the EM may deny that person access to facilities, electronic mail, and internal information systems. The EM may issue subpoenas to obtain answers to questions, and to obtain documents and records. The EM may also initiate court proceedings to enforce compliance with his or her orders.

While PA 4 empowers the EM to modify or terminate existing contracts with district employees and external vendors, it obliges him or her nevertheless to honor payments on the district's outstanding bonds, notes or other securities. An EM can order tax millage elections. Additionally, PA 4 empowers EMs to transfer or sell assets, including closing schools and selling school buildings. Finally, the EM can "take any other action or exercise any power or authority of any officer, employee, department, board, commission, or other similar entity of the local government, whether elected or appointed, relating to the operation of the local government" (Section 19(1)(ee)). In short, an EM appointed under PA 4 immediately becomes the unequivocal ruler of a school district.

Triggers for State Intervention

PA 4 greatly expands the events that can trigger state takeover, yet the criteria for determining whether or not intervention is necessary are left to the discretion of state officials. All of the triggers are financial. None refer to academic issues, despite the grant of academic authority. The state may, but is not required to, conduct a preliminary review of district finances if any of 18 conditions occurs, including defaults in payments or other financial obligations, budget deficits, violations of financial regulations or reporting requirements, or poor debt-ratings. PA 4 also adds the general and open-ended trigger “other facts or circumstances that . . . in the state financial authority’s sole discretion . . . are indicative of school district financial stress” (Section 12(1)(r)). If the state superintendent finds “probable financial stress,” the governor is required to appoint a financial review team which reports on the existence or likely occurrence of any of 12 conditions. Based on the findings of the review team, the governor then determines whether there is a “financial emergency” and, subject to due process, appoints an EM (Section 15). The specified conditions in the review team’s report are all indicative of situations where district expenditure obligations exceed revenues (e.g., budget deficits, delayed payment of wages, salaries, benefits or loans, failure to implement a deficit elimination plan).

EM Qualifications and Required Actions

The only required qualifications for an EM are financial. The EM must have at least five years’ experience and demonstrable expertise in business, financial, or state budgetary matters” (Section 16(5)). No training or professional experience in education, either financial or academic, are required. Within 45 days of appointment, an EM must develop financial and academic plans for the district. The plans must include full payment of scheduled debt service and all other uncontested legal obligations. PA 4 specifies no conditions for the academic plan other than the financial constraint that the district can conduct operations with available revenues. It expands an EM’s required reporting, mandating quarterly, rather than semi-annual, reports to the governor and state superintendent.

A school district remains in receivership until the EM declares the financial emergency to be remedied and the state treasurer and state superintendent of public instruction concur. Before leaving, the EM must draw up a two-year district budget, including all contractual and employment agreements, which will go into effect at the end of the receivership. The local district is prohibited from amending that budget without the approval of the state treasurer, or from revising any order or ordinance implemented by the EM for a period of one year.

Is Michigan's EM Accountability Accountable?

The term "accountability" is invoked in the title and throughout the text of PA 4, and the term has been widely used by public officials and the media to characterize the law's purpose and consequences. Remarkably, however, there has been no serious consideration of whether and in what respects PA 4 actually increases school district accountability. In this section, we evaluate PA 4 as an instrument of technical accountability for both the academic and financial performance of school districts.

Technical accountability entails three essential dimensions: standards, information, and consequences. Without question, PA 4 is exceptionally weak as an instrument of academic accountability; indeed it diminishes academic accountability. One of the most striking features of PA 4 is that it assigns complete academic power to EMs, yet the law contains no accountability components pertaining to school district academic performance. The law neither identifies standards for academic performance nor assigns any role for academic considerations in the decisions regarding the appointment or termination of an EM. Indeed, the law conveys disinterest in academic outcomes. While the EM is required to make quarterly reports of finances, there are no reporting requirements for academic results. If academic outcomes deteriorate in a district under EM control, the law contains no consequences for the EM or avenues for redress by the affected students, families and educators.

But for anyone who cares about teaching and learning, the problems with PA 4 run much deeper than its failure to explicitly address academic performance. For it is quite possible that academic outcomes will deteriorate under emergency management. First, the law's timeframe for developing a

comprehensive academic plan, 45 days, is unrealistically short given that EMs need not have prior experience working in schools.⁵ Second, because the law specifies no academic standards or consequences, it creates powerful incentives for financial strategies to dominate academic considerations. District administrators always face difficult trade-offs between instructional programs and financial constraints (e.g., class size, early childhood education programs). PA 4 induces EMs to ignore or downplay the adverse consequences of budget cuts to instructional programs in their decision-making. In the haste to balance a budget, an EM could readily upend effective academic programs or make educationally dubious decisions.

Third, PA 4 blocks key elements of Michigan's statewide academic accountability policies from being applied in districts under emergency management.⁶ State performance standards still apply to EM districts but all authority to reward and sanction schools has been given to the EM. This is especially evident for the state's lowest performing schools. The Education Achievement Authority (EAA), established in 2011, is Michigan's strategy for taking over and turning around academically "failing" schools. It represents the state's ultimate sanction and consequence for holding schools academically accountable. But it does not apply to EM-run school districts. While the state decides which schools to transfer to the EAA, in EM districts the EM decides. Thus, another power of the EM is the ability to choose whether and to what extent to use state turnaround mechanisms.

If PA 4 is deeply flawed as an instrument of academic accountability, one might hope nonetheless that it works well as an instrument of technical accountability for district finances. Yet, even in the case of finance it rates poorly on conventional dimensions of technical accountability.

All public school districts are subject to very detailed financial accounting and reporting standards. Their books must be audited annually by an independent certified public accountant against these standards. The audit results and a comprehensive set of data must, in turn, be reported annually to

⁵ None of Michigan's first three school district EMs has had any prior work experience in schools.

⁶ It is 2011 Public Act 8 that applies here, but for simplicity, as noted above in footnote 2, we use PA 4 to designate the entire package of legislation.

the state. If districts do not report this information as required, the state may withhold state aid payments. PA 4 introduces a range of additional standards that may signal financial emergencies. Yet, as noted, the law includes no guidelines for the implementation of these standards but does include broad general qualifying clauses. Consequently, the standards for declaration of a financial emergency and appointment of an EM allow for wide discretion and uncertainty.

The provision of information is an essential dimension of technical accountability, and on this count PA 4 contains elements that both increase and decrease financial accountability. On the one hand, the law requires that more financial information be made public than did PA 72, including a quarterly report on the district's financial condition, contracts, loans, personnel positions, the EM's contract and compensation, and the financial and operating plan. On the other hand, many aspects of an EM's appointment and actions on the job are not transparent; indeed they are less transparent to the general public than the operations of districts not under emergency management because PA 4 in effect limits the amount of information available through other means. The Open Meetings Act (1976) is the primary vehicle ensuring transparency and public access to information in the decision-making process of public bodies. PA 4 review teams conduct their meetings in private. The state Court of Appeals has ruled that review team meetings are not subject to the Open Meetings Act (*Davis v. Detroit Financial Review Team*, 2012). As a result, there is no public access to information on the deliberations of financial review teams or the district financial information they compile.

The availability of information is a particular concern where a governing board is replaced by a governing individual—the EM—whose decision-making process is closed to public scrutiny and not subject to the Open Meetings Act. The same is true of the decisions themselves except to the extent the EM discloses them. An EM, for example, could contract with a private management company to run district operations without soliciting public comment or publicly revealing in any detail why a particular contractor was selected. Again, PA 4 limits the information that is available to the public.

PA 4 also has mixed effects with respect to consequences (sanctions and rewards) in the case of finances. On the one hand, the law powerfully increases districts' incentive to limit spending to avoid state takeover. Although not explicitly noted in PA 4, this objective has been highlighted by state officials since the law's passage.⁷ It stands to reason that local school boards and educators will be responsive to this threat, although it is too early to assess this prediction. Insofar as it works to reign in school district spending, this is surely the law's most notable accomplishment. On the other hand, once a district falls into financial trouble, PA 4 is a blunt instrument for financial accountability. First, the lack of enforceable standards and the broad discretion of state officials preclude clear consequences. The only potential consequence for the EM is discretionary—removal from office by the governor or impeachment by the Legislature. Other consequences might be imposed by the governor or the state treasurer, who approves the EM's contract, but none are imposed by law.

Meanwhile, students, citizens, educators, or other parties who are unhappy with an EM's actions have very limited opportunities for redress. Because the EM acts unilaterally, there are no public meetings where citizens can express their opinions. The EM is not subject to voter approval or disapproval at the ballot box. And PA 4 explicitly limits the liability of the EM and the people he or she hires. Further, it requires the school district to pay the costs for the state attorney general to defend against claims that challenge PA 4 or an EM. Not only, then, does PA 4 fail to establish consequences that are essential to technical accountability; it also limits other, more traditional, avenues of redress.

In sum, on most dimensions of technical accountability pertaining to both academic and financial performance, PA 4 is strikingly underdeveloped while at the same time eliminating traditional forms of democratic accountability. PA 4's broad discretion with minimal standards or consequences clearly invites something that the accountability movement is purported to avoid—the influence of politics on school operations. PA 4 merely shifts these political influences from the local to the state level, while

⁷ According to the State Treasurer, Andy Dillon (2011), the goal of the legislation is “to give local executives and their partners the tools and incentives they need to avoid financial emergencies and maintain local control.”

nullifying traditional democratic and professional accountability. And despite its financial origins, it has broad yet entirely unconsidered implications for academic performance.

PA 4 is not so much about accountability as it is about shifting power over schools. For financially troubled school districts, it continues the long term centralization of control over schools from the local to state level. It not only eliminates local democratic and professional accountability, it also renders state control less democratic. The Michigan constitution assigns the state board of education (elected statewide) the authority to oversee public education. Under PA 72 the state board played a role in determining when financial emergencies occur, in appointing and monitoring the EM, and in deciding when the financial emergency has ended. PA 4, however, eliminates the state board from the process, while shifting considerably more authority and discretion to the governor and his or her appointed state treasurer. It not only moves power further from citizens and local communities, but also shifts the responsibility from elected state education officials to the governor for whom education is but one of many responsibilities.

The Political and Policy Context of PA 4's Origins

An examination of PA 4 naturally raises the question: Why did Michigan policymakers pass such a dramatic and underdeveloped law? Despite strong opposition and highly contentious legislative hearings, the law was passed and became effective in March 2011, just five weeks after it was introduced. It was one of the first issues tackled by a newly elected governor and legislature. In the November 2010 general election, control of the Michigan House of Representatives and the governor's office shifted from the Democratic to the Republican Party. Republicans also maintained control of the Michigan Senate. What motivated the newly elected governor and Legislature to so quickly embark on such a contentious path? What was the problem they thought they were solving?

By 2009 a growing number of municipalities and school districts across Michigan were in financial deficit. Many legislators and state officials, in both parties, did not believe that local officials were taking necessary steps to avoid financial crisis. With declining revenues and no expectation of

improvement (Governmental Work Group, 2010), many felt that state action was imperative. Yet, despite extensive attention to the problem in 2010, the Legislature was unable to agree on appropriate measures.

The design of state policies to address local government deficits depends on the underlying causes of the problem. The genesis of local district financial problems could lie primarily in forces largely beyond the control of local officials (e.g., state school finance policies, urban poverty, and population decline). Alternatively, the heart of the problem could reside in misguided or ineffective actions of local officials themselves, perhaps in response to broader forces. Of course, some combination of these two explanations could be at play.

Between the two interpretations, PA 4 would seem to be a more appropriate solution if local officials are largely responsible for their jurisdictions' financial problems. Insofar as state policy makers embraced this view at the time of PA 4's passage, it was surely influenced by their perceptions of the intractable resistance Robert Bobb, the EFM for Detroit Public Schools (DPS), encountered from the board and unions while attempting to reform the district under the limited powers of PA 72.

Michigan School Finance and School Choice Policies

State education policies have strongly shaped the circumstances of financially troubled school districts in Michigan. Like many other states in recent decades, control of school funding in Michigan has shifted from local districts to the state. Under Michigan's highly centralized system of school finance, local districts receive nearly all their discretionary operating revenue from the state in the form of per-pupil foundation grants. Districts have essentially no authority to raise additional revenue from local tax sources. Local districts' discretionary revenue is determined by their per-pupil foundation grant (set each year in state budget appropriations) and district enrollment.⁸

This system does a very poor job of matching revenues to the cost of providing services. The failure to adequately reflect cost differences associated with concentrations of high-cost special-needs students, regional cost of living, and declining-enrollment is particularly damaging to urban districts

⁸ Districts also receive state and federal categorical grants. Michigan, meanwhile, is one of a few states in which school capital facilities are funded entirely by local property taxes (Arsen & Davis, 2006; Mason & Arsen, 2010).

(Arsen & Plank, 2003; Citizens Research Council, 2011). Funding for Michigan schools has been very tight for a decade. Statewide, real state plus local general fund revenue per pupil fell by 20% between 2002 and 2011 (Michigan Department of Education, 2003, 2012). The state's economic decline constrained sales, income and property tax revenues earmarked for the state's school aid fund. Revenues were also constrained by a number of state tax cuts.

District enrollment growth (or decline), then, profoundly shapes the trajectory of local districts' revenues since all funding follows students. But this feature poses dreadful budgetary choices in declining-enrollment districts, since their revenues decline faster than their costs. This is because some costs are fixed in the short run. Consequently, declining-enrollment districts must cut programs available for remaining students or else deplete accumulated savings, or both. In a setting where families have many school choice options, program cuts, teacher layoffs, and school closures can create negative perceptions that enhance the prospect that additional families will leave a district, creating a self-reinforcing cycle of decline (Arsen & Plank, 2003).

Between 2002 and 2010, enrollment in Michigan's 14 central city districts declined by 36%, translating into a staggering foundation revenue decline of 30% in nominal terms or 47% in real terms. In 2009, when DPS was declared in financial emergency, its enrollment was only 54% of its 1999 level. The district's \$127 million budget deficit was equivalent to roughly 10% of its annual revenues. Over a span of just four years before the emergency declaration, the district's total revenue declined by 31%. Even the most capable administrators would be exceptionally hard pressed to cut spending fast enough to match revenue declines of this magnitude without damaging educational services available for students.

District enrollment change is significantly influenced by the state's two school choice policies. Nearly a third of the public school students residing in Michigan's 14 central city districts attend either a charter school or a traditional public school in a another district. A December 2011 change in Michigan law that lifts the cap on charter schools could accelerate this trend. Arsen and Ni (2012) find that high levels of charter competition generate significant declines in the fund balances of school districts losing

students to charters, as district revenues decline faster than expenditures. Meanwhile, inter-district choice students transfer mostly from lower- to higher-socioeconomic status communities, which disproportionately reduces enrollment in low-income urban districts (Ni & Arsen, 2011).

Academic effectiveness and efficiency are the key outcomes over which successful district administrators are expected to exercise control, yet participation rates in both of Michigan's school choice policies are unrelated to those measures of school district performance (Ni & Arsen, 2011). Instead, participation rates in both programs increase with the share of a district's students who live in poverty. In short, Michigan's school choice policies are promoting sustained outflows of students and revenue from districts, particularly central cities, charged with educating the highest-need children.

Michigan's emergency manager law presumes that competent and conscientious school district administrators will be able to run academically effective schools and balance their budgets. The state's school finance and choice policies, however, render this a tenuous assumption for many struggling districts.

Mr. Bobb's Turbulent DPS Experience and the Legislature

Democratic Governor Jennifer Granholm appointed Robert Bobb as Emergency Financial Manager (EFM) for DPS under PA 72 in March 2009. Bobb, a forceful African-American administrator from Washington, D. C. trained in the Broad Superintendent Academy, did not hesitate to lay blame for DPS's academic and financial problems squarely on the district's board, administrators and teachers. He was a daily presence in the overwhelmingly supportive Detroit media, alternately identifying malfeasance of DPS employees and announcing new administrative procedures and plans. His message was well received by U.S. Education Secretary Duncan and many state policy makers and residents of metropolitan Detroit.

Bobb's charge was to get control of DPS's finances, balance the budget, and pay off the debt. Under PA 72, the school board remained responsible for everything else, including academics. But from the start Bobb (with the governor's tacit approval) seized full authority for academics as well as all other

district functions, arguing that the district's financial crisis was inextricably linked to its poor academic performance. Bobb refused to fund the board or to consult with them, as the law required, prompting a highly publicized political struggle that pitted him against the DPS board and employee unions and a variety of community activists. In August of 2009, the DPS board filed a lawsuit charging Bobb with overstepping his authority.

While the lawsuit was pending, Bobb took action to weaken employee unions, sharply reduce central office staff and contract out a wide range of administrative, support, and instructional services. He aggressively renegotiated union contracts, securing financial concessions and work rule changes. As school board members seethed, he rolled out a stream of academic and facilities plans, fired principals, and closed, or threatened to close, over 100 schools. Bobb also mounted sustained and highly publicized efforts to identify and prosecute instances of fraud in DPS operations (Dawsey, 2009; Riley, 2009). Without question, his audits and reports of past financial improprieties shaped the public's understanding of why the district was in financial trouble, while simultaneously undermining the board's legitimacy.

Nevertheless, Bobb was vulnerable to the board's legal challenge. He was plainly assuming powers not explicitly granted to him under PA 72. During 2009 and 2010, Bobb approached the Legislature several times asking for amendments to PA 72 to clearly grant him authority over academics and to carry out the administrative actions he was already taking. Many observers, inside and outside of Detroit, fully supported his requests. In December 2009, a *Detroit News* columnist captured the sentiment of the newspaper's editorial board and many others: "OK, we're outraged. But enough with outrage—and democracy. Bobb's financial autocracy is working: Expand it to academic dictatorship. The school board has proved itself excellent only at contention and making noise, power grabs and corruption. Eliminate it" (Berman, 2009, p. 4A).

Under pressure to take action, in January 2010 the House Education Committee, controlled at the time by Democrats, took up the question of amending PA 72 to provide for academic control. Governor Granholm was in favor of granting academic authority to EFMs, saying, "Robert Bobb is pursuing

dramatic reforms to repair the district's finances and academics, for the two are inextricably bound” (Granholm, 2010). Committee hearings were highly contentious and acrimonious, with “accusations of racism and outside influence” (Warikoo, 2010, p. 1A). At the first hearing, “more than 100 Detroiters flooded a Lansing hearing room . . . for impassioned testimony on what to do about the city's failing schools” (Bouffard, 2010, p. 1A). The vast majority of the crowd was from Detroit, some well-organized and coming in buses. Frustrated and angry, many Detroit citizens were anxious to make their voices heard in the only forum they had. Complaints about Robert Bobb came from the audience and in official testimony (M. L. Mason, personal observation).

In the end, revising PA 72 proved too politically divisive for the committee, which passed it to a subcommittee chaired by Representative David Nathan, an African-American Democrat from Detroit. The subcommittee issued a report ([Education Subcommittee, 2010](#)) recommending that EFMs not be granted authority over academics and for independent oversight of all emergency managers. The report was not taken up by the full committee. With Democrats in control of the House, opposition from Democratic constituencies, including Detroit legislators, citizens and community groups, effectively blocked efforts to expand the powers of emergency managers.

In December 2010, the Wayne County Circuit Court ruled in favor of the DPS board in a decision that put authority for academic decisions squarely with the elected board (Detroit Board of Education v. Robert Bobb, 2010). The ruling came just as Republicans were preparing to take control of the governor's office and both houses of the Legislature. Governor Snyder and legislative leaders came into office with resolving Bobb's problems with DPS high on their agenda. In February 2011, Republicans introduced comprehensive legislation to replace PA 72. It addressed the three problems persistently raised by Bobb: academic control, interference of local officials, and protected employee compensation.

In committee testimony, opposition was strong. Of more than 110 people expressing views at the House and Senate hearings, 72% were opposed and 3.5% supported the legislation. The rest officially took no position (Committee on Local, 2011a, 2011b, 2011c; Senate Committee, 2011a, 2011b, 2011c).

Some who testified and took no position were nonetheless critical of key elements while recognizing the need for state assistance (e.g., Bouffard, 2011; Governmental Work Group, 2010; Michigan Suburbs Alliance, 2011).

Despite this opposition, the legislation quickly passed along party lines, with key provisions virtually unchanged. State Representative Lisa Howze, a Democrat from Detroit, called passage “a sad day for democracy.” The bill will,

. . . essentially take away our citizens' right to vote and transfer local control away from our duly elected officials Creating a system with no checks and balances, this legislation gives outsiders total control over our municipalities and school districts. (Bouffard, 2011, p. 1A).

Early Operation of EM Accountability in Michigan

We consider three dimensions of how state-appointed emergency management has functioned in Michigan school districts. First, we note which districts have EMs. Second, we examine the actions taken by these EMs. And third, we offer some tentative overall assessments of how Michigan’s emergency school district management is working out.

Which Districts Are under EM Authority?

Despite the fact that Michigan requires school districts to annually balance their budgets, over 40 districts ended fiscal year 2011 with general fund deficits. Under the broad language of PA 4, any of these districts could be candidates for state takeover. Central city and low-income suburban communities were disproportionately represented among the deficit districts, although roughly a third were middle-income suburbs and a quarter were rural districts.

During PA 4’s second year in effect, only three Michigan school districts were under the control of state-appointed EMs. DPS has had an EFM or EM since early 2009. In 2012, Governor Snyder named EMs for Highland Park Public Schools and for Muskegon Heights Public Schools. These three school districts have striking similarities. The student enrollment and resident population in each is predominantly African-American and low-income. Each has suffered a huge exodus of local businesses,

employment and population over the last 30 years. The physical landscape of each is permeated by empty, dilapidated structures and vacant land. Each is also characterized by high rates of crime and incarceration. Basic municipal services are severely lacking. School enrollment in all three districts has fallen by at least half over the last decade. Declines due to population loss have been compounded by a growing loss of students to charter schools and to other districts through inter-district school choice, producing corresponding large reductions in state funding. None of the districts has managed to cut expenditures fast enough to keep pace with declining revenues. In each community, district administrators have faced allegations of mismanagement and corruption in the local media.

So far, EMs have been appointed in Michigan communities where the material conditions and security of most local residents fall far below those of most state citizens. Advocates have advanced Michigan's EM law as part of a strategy to improve such conditions by improving local public schools. We cannot yet know whether that objective will be realized. We do know that, in the short run, the law further disempowers many of the state's most vulnerable citizens by suspending traditional rights of democratic participation.

What Do EMs Do?

Though PA 4 grants EMs very broad powers, in practice it is possible they might not exercise their full authority. In each district, however, the EMs have made aggressive use of their powers from the start. Each EM has laid off all district teachers and modified compensation policies. Each has privatized services, establishing arrangements under which instructional and non-instructional personnel are no longer district employees. Each has simply announced important decisions without public input and then (in some cases) held public information sessions to provide a rationale for their actions.

Despite these common features, the emergency management in Detroit differs from that in the two smaller districts. Compared to Detroit, Muskegon Heights and Highland Park are very small districts, with approximately 1400 and 800 students respectively.⁹ The small size makes possible the

⁹ Highland Park is surrounded on all sides by Detroit.

EM's decision to turn over management of the entire district to a charter management organization (CMO) (Chambers, 2012a; Higgins, 2012). Muskegon Heights received offers from only two CMOs (Mosaica Education and the the Leona Group);¹⁰ Mosaica received the contract. Leona was awarded the Highland Park contract; the EM did not publicly announce any other CMO proposals. Both EMs transferred responsibility for the design of the district's academic plan, required by PA 4, to the CMO. Both EMs terminated the employment of all district employees. At the start of the 2012-13 academic year all personnel working in district schools are employed by the CMO or other private contractors. Teachers do not have tenure or union representation. Employees have more modest health and retirement benefits than former district employees. Both EMs stated that their plan represented the only feasible option (Chambers, 2012a; Moore, 2012).

Detroit, the state's largest school district, is a unique case. The district's size and the scope and complexity of its educational and socioeconomic problems are overwhelming. The local political landscape is very complex and tough, with many sophisticated and engaged interest groups competing for power including those representing both grass roots and elite interests.

When PA 4 gave Robert Bobb full control of DPS in March 2011, just two months before the end of his term, he wasted no time in establishing his authority. He revealed his disposition toward the school board, saying, "Everyone knows the new law. If you have the club, you don't have to use it, but you know the time when to use it" (Chambers, 2011b, p. 4A). Bobb sent lay-off notices to all salaried employees, and imposed additional concessions. He barreled ahead with his latest plan which called for closing roughly 50 more schools and quickly converting 41 of the remaining schools into charters before the start of the 2011-12 academic year (Detroit Public Schools, 2011). A shortage of promising CMO proposals slowed implementation, and Bobb departed DPS before he could follow through (Dawsey, 2011b).

¹⁰ A third CMO withdrew its proposal.

In May 2011, Governor Snyder appointed Roy Roberts, a retired African-American General Motors executive, to replace Bobb. With his authority fully established by PA 4, Roberts need not repeat Bobb's high-profile combative behavior. He took a more conciliatory stance towards the school board and unions in his public comments. But, like Bobb, he exercised his authority without hesitation. Early in his tenure, Roberts closed more schools and imposed wage and benefit cuts and staff reductions (Dawsey, 2011c). In July 2012, Roberts imposed a new three-year teacher contract that extended the previous 10% pay cut, increased employee payments for health care, suspended annual raises and certification bonuses, and reduced teachers' planning periods. The new contract also increased class size from 30 to 33 in grades 4-5 and from 33 to 38 in grades 6-12.¹¹ He cut overall district employment by about 20% (Dawsey, 2012a).

While imposing these major changes in DPS, Roberts simultaneously played a central role in the establishment of the Education Achievement Authority (EAA), whose purpose is to turn around the state's lowest-performing 5% of schools.¹² This parallel system of schools, starting in the 2012-13 academic year, competes with DPS for students. For schools assigned to the EAA, governance and administrative authority shifts from their local district to the EAA. The EAA board is appointed, not elected. Reflecting his confidence in Roberts scarcely a month after his appointment as DPS's EM, the governor appointed him chair of the EAA's five-person executive committee. After using the 2011-12 academic year for planning, 15 schools were shifted from DPS to the EAA in July, marking the start of the EAA's formal operations.¹³

¹¹ Significantly, in view of continuing DPS budget uncertainty, the teacher contract also allows class sizes to go as high as 41 in grades K-3, 46 in grades 4-5, and 61 in grades 6-12 before class reorganization is required (Detroit Public Schools, 2012a; Chambers, 2012b).

¹² As described above, in *Is Michigan's EM Accountability Accountable?*, the EAA is Michigan's strategy for taking over and turning around academically "failing" schools. It is a statewide system, but in its first year all schools transferred to it are from DPS.

¹³ These 15 schools represent a subset of the DPS schools falling in the bottom 5% of schools statewide. Announced plans call for low-performing schools outside Detroit to be shifted to the EAA in the future.

In keeping with the state's insistence that there was no more money for schools, the EAA's planning year was entirely privately funded. While the Broad Foundation publicly played a lead role, the requests of other donors for anonymity were respected (Dawsey, 2011d). State Representative Bert Johnson, a Democrat from Highland Park, stated that the "private funding of a public school system should concern parents and taxpayers. . . . Behind money, there is always an agenda . . . and the citizens need to know the agenda." (Dawsey, 2011d, p. 2A).

In the summer of 2012, the EAA hired staff for the 15 former DPS schools.¹⁴ As in the Highland Park and Muskegon Heights charter districts, EAA staff are not represented by a union, do not have tenure, pay more for medical benefits, and are offered a 401(k) plan instead of the state school employee pension (Dawsey, 2012b). Parents and local activists complained that several EAA schools had recently been renovated or constructed with bond money approved by voters for DPS schools. "The buildings will remain DPS property, and the EAA will lease them for a minimal amount" according to the EAA's deputy chancellor for business and fiscal affairs (Dawsey, 2012b, p. 10A).

The set of students enrolled in EAA schools differs from those enrolled in the same schools when they were under DPS control. The EAA hopes to increase enrollment in its schools. The EAA's marketing campaign indicates that students will have a longer school day and year, and three daily meals (at elementary and middle schools). In his dual role as DPS EM, Roberts has not made the same promises to students enrolled in DPS schools.

How Is Emergency Management Working Out?

What are the early results of Michigan's experiment with state-appointed emergency district management? It is much too early to assess academic outcomes. In the case of finances, however, a few results are emerging. Perhaps most noteworthy is that none of the EMs has been able to eliminate the financial debts, the grounds for their initial appointment, without additional state support.

¹⁴ The EAA's hiring took place when DPS teachers were laid off and uncertain about their employment status for the 2012-13 academic year. Roberts required all teachers to reapply for jobs with DPS.

DPS's two-year experience with Robert Bobb is instructive. Bobb acted as if he possessed the powers assigned to EMs under PA 4, even though he did not legally possess those powers until the very end of his term. Yet during his term, DPS finances deteriorated sharply. Despite securing employee concessions, contracting out many services, reducing employment and closing 69 school buildings, DPS's deficit increased by about 50%, from \$219 million in fiscal 2009 to \$327 million in fiscal 2010. The fundamental reason is that the district's longstanding enrollment decline accelerated during Bobb's tenure, hardly surprising given the program cuts he imposed. So even though he cut spending, revenues declined even faster and the deficit grew, the same problem experienced when budgeting was under the board's control.

Obligated to submit a deficit elimination plan to the state, in October 2010 Bobb announced two alternative plans. Plan B which he termed draconian and undesirable but the only way to cut the district's way out of the deficit, called for high school class sizes of 62, sharing high school principals across four schools, closing almost half of the remaining 142 schools, and other extreme measures. His preferred Plan A was never specified, but would require substantial additional state revenue. In November 2010, Bobb made an unsuccessful request to the Legislature to use \$400 million in tobacco settlement funds to wipe out the deficits of DPS and other districts (Chambers, 2011a). When the Legislature balked, Bobb was forced to submit his draconian Plan B. In February of 2011 the state superintendent ordered Bobb to implement the plan immediately, and cautioned him to not declare bankruptcy (Dawsey, 2011a).

Owners of DPS's outstanding bonds grew concerned about Bobb's failure to stabilize the district's finances and his draconian plan did not reassure them (Devitt, 2011a). Consequently, creditors blocked DPS's access to new (essential) short-term borrowing (Devitt, 2011a). Because of this, on February 9, before a joint hearing of the Senate and House Education Committees, in which he again claimed success in banishing "a rampant culture of waste, corruption and abuse" from DPS, Bobb had to plead for the state to insure repayment of DPS's past borrowing, just to meet near-term payroll

obligations (Bobb, 2011). After two years, it was clear to serious observers that the wheels were coming off the cart in DPS.

Events moved swiftly thereafter. On the same day Bobb made his appeal to the Legislature, Republicans introduced the legislation that became PA 4 in March. In May, the governor replaced Bobb with Roy Roberts and in June announced the EAA. While public attention focused on these events, the decisive actions took place behind the scenes as the state took bold steps to reassure financial markets so DPS could continue borrowing. First, PA 4 included language eliminating the EM's authority to declare bankruptcy without the governor's approval. But that alone was insufficient. To restore the bond market's confidence, the Legislature also passed laws giving creditors a statutory lien and trust superior to all other liens and interests on school districts' required debt service payments. Under the new law, the state intercepts district state aid revenue necessary to repay borrowing obligations and makes those payments on behalf of the district (Devitt, 20011b; House Fiscal Agency, 2011).

In October 2011, the Michigan Finance Authority, part of the state Department of Treasury, issued \$238 million in 10-year revenue bonds and loaned the proceeds to DPS. The structure of the bond sale was modeled after a 2005 DPS transaction by the school board that converted \$213 million of short-term notes into 15-year bonds (Devitt, 2011b). Roberts applied \$200 million of the proceeds, representing roughly 20% of the district's budgeted expenditures to reducing the legacy deficit by two-thirds. While providing significant short-term relief, the new bond issue simultaneously increased annual debt service expenditures by over 100%. Whether this strategy of refinancing the debt will be any more successful than it was in 2005 depends crucially, as before, on the district's future enrollment trajectory.

For this reason, the question of whether DPS schools transferred by Roberts to the EAA will be responsible for repaying their share of DPS's accumulated debt obligations is crucial and presently unclear. Roberts stated that the EAA schools would be responsible for repaying their share of DPS's staggering debt obligations (Riley, 2012), estimated by the district to be \$1,029 per student annually

(Dawsey, 2012b). If EAA schools do not pay their share of the borrowing costs, that burden will increase as a share of spending for the remaining DPS schools.¹⁵

Meanwhile, the EMs in Highland Park and Muskegon Heights clearly received increased state funding in order to implement their CMO contracting arrangements. Without it, the EMs (or CMOs) would have had to devote a significant portion of their revenue to deficit elimination, leaving less for the CMOs to pay for current operations and their own management fees. In Michigan, part of the state foundation grant comes from a required local property tax. The state permitted both EMs to devote this local portion to deficit elimination, and then fully replaced this revenue with additional state funds (Citizens Research Council, 2012). For Muskegon Heights this amounts to about a 12% funding increase.

The premise behind PA 4 is that a competent manager can take over a financially-troubled school district, resolve the problems and return it in good order to the traditional governance structure. It is too early to know whether Michigan's EMs will be able to stabilize their districts' finances. But with the recent lifting of the state cap on charter schools, the challenge will increase. (For example, 12 new charter schools opened in Detroit, Highland Park and Hamtramck in fall 2012, directly competing with DPS and Highland Park for students.) Yet two things are clear. First, EM districts have already needed additional state support in the form of either increased state funding or new guarantees to creditors. Second, if, despite this support, the EMs fail to stop their districts' enrollment decline (and in the absence of additional state funding), they will have to further cut academic programs and employee compensation. PA 4 gives them the power to do so.

The Future of PA 4 – Continuing Turmoil

The future of PA 4 is uncertain given sustained opposition from citizen, union and community groups. Citizens have sought redress by filing lawsuits, including constitutional claims. The most serious threat is posed by a referendum initiative which gathered more than 200,000 petition signatures to repeal

¹⁵ EAA's fiscal 2013 budget (Education Achievement Authority, 2012), approved in July, 2012, did not include payments to DPS for the district's outstanding debt. Yet Robert's fiscal 2013 DPS budget (Detroit Public Schools, 2012b) indicates a transfer of \$10 million from EAA for debt service offset.

the law. The initiative's proponents include the NAACP, unions, and religious and community organizations across the state. PA 4 proponents challenged the petitions on technical grounds, and the state Board of Canvassers, voting along party lines (Republicans opposed placing the initiative on the ballot), rejected the petitions. But the Michigan Court of Appeals and then the Michigan Supreme Court ruled that the petitions must be certified for the November 2012 ballot (*Stand up for Democracy v. Secretary of State*, 2012a, 2012b; Egan, 2012).

At this writing, the fate of PA 4 is uncertain. On certification of the referendum, PA 4 was immediately suspended pending the election result. Until then, EM authority reverts back to the more limited PA 72 powers. On August 4, 2012, the *Detroit Free Press* reported the state supreme court's decision to let voters decide PA 4's fate under a front-page spanning, single-word headline: "CHAOS." Whatever the vote outcome, it is unlikely to put an end to the underlying political struggles that gave rise to PA 4 in Michigan.

Conclusion

Michigan's PA 4 was specifically designed to diminish democratic accountability in school districts with state-appointed emergency managers by eliminating the opportunity for citizens and educators to shape public school goals and operations. The law triggered opposition precisely because many people, both inside and outside of schools, want traditional mechanisms for input and democratic accountability preserved. From a public policy standpoint, however, it is pertinent to ask to what extent these perceived losses are offset by improved technical accountability of districts under EM management. One's answer to this question surely depends in part on personal values, and in particular the priority one assigns to democracy as a normative goal in public affairs.

Nevertheless, the existence of a trade-off between improved technical accountability at the expense of democratic accountability is far from clear. This is because Michigan's emergency manager law does not unambiguously improve the technical accountability of EM districts in comparison to other districts. The law is particularly weak as an instrument of academic accountability. It contains no

components related to academic performance, yet it assigns complete control of academics to an EM based on a district's financial status. The law creates incentives for EM's to elevate financial over academic considerations in decision making. Even in the specific case of finances, Michigan's state-appointed emergency management has features that both increase and decrease technical accountability. One potential benefit of PA 4 is that it may provide an incentive for local districts to cut spending before the point of state intervention. PA 4 also provides other ways for the state to intervene short of appointing an EM. These issues are worthy of future research.

Despite its title, PA 4 is more about changing the control of financially-troubled school districts than accountability. It presumes that financial problems arise solely from district mismanagement, while ignoring the contribution of state policies that place districts serving low-income children at a serious disadvantage. Thus far, EM actions have relied heavily on imposing substantial reductions in employee compensation and the privatization of education services. Whether such measures will ultimately eliminate financial deficits or improve academic outcomes remains to be seen.

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