Municipal Distress, Spatial-Structural Racism, & the Failings of Emergency Management

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EM and Spatial-Structural Racism

- Spatial-Structural Racism is the root cause of municipal distress in Michigan mediated by
  - Collapse of property markets and property tax revenue
  - Regional division, deindustrialization, the collapse of manufacturing base and income tax revenue
- Emergency Management was a fatally misguided response to spatial-structural racism
- Emergency Management creates economically deprived, second class “minimal cities”
Diagnosing Detroit’s Ills

- Largest economic and political market failure in American history (not business as usual)
- Root cause analysis:
  - 100 years structural racism + 40 years of fiscal austerity
- Understanding race, space and place
  - Spacialization of race
  - Racialization of space
- Three R’s
  - Race, Regionalism & Reconciliation
Structuralized Racialization (verb)

- Intent
- White Supremacy (Privilege)
- Structural Racism
- Implicit Bias
Spatial Racism: Segregation of Race and Wealth in Detroit

- Michigan Roundtable-Kirwan Institute Opportunity Mapping
- Defining Opportunity
  - Housing
  - Employment
  - Schooling
  - Health
  - Transportation
  - Food security
  - Living environment
Mapping Opportunity in Detroit
Spatial racism in Southeast Michigan


Legend:
- Neighborhoods (Census Tracts)
- Opportunity Index Ranks:
  - Very Low Opportunity
  - Low Opportunity
  - Moderate Opportunity
  - High Opportunity
  - Very High Opportunity

Source: Neighborhood Opportunity Analysis by the Kirwan Institute and the U.S. Census Bureau
Author: The Kirwan Institute, The Ohio State University
Date: July 16th, 2010
Note: Opportunity Analysis based on assessment of 15 neighborhood based indicators of opportunity. Please review report for full list of indicators.
Flint Job loss 1998-2013
(Henderson and Tanner 2016)
What are implications of spatial racism for municipal revenue?

- What are structural effects of spatial racism on . . .
  - Property markets and property tax revenue?
  - Manufacturing tax base?
  - Income tax revenue?
- What are state obligations in terms of state revenue sharing?
- How are budget deficits with rising revenues different from budget deficits with falling revenues?
Falling Detroit income tax revenue

Income tax revenue has declined ~40% since 2000

- Jun-98: $362
- Jun-00: $378
- Jun-02: $324
- Jun-04: $291
- Jun-06: $284
- Jun-08: $276
- Jun-10: $217
- Jun-12: $233

(Millions of Dollars)
How does the State respond?
Revenue sharing and failed regionalism . . .

Percentage change in Constitutional revenue sharing 2003-2012 in Southeast Michigan
How does emergency management address spatial racism?

- State imposed, anti-democratic regime
- EM Mandate: Fiscal Austerity
  - Shrink size of government
  - Privatize public assets
  - Cancel labor contracts and reduce workforce
  - Take the city into bankruptcy
- Flint Task Force
  - Narrow, balanced budget, accounting frame
  - No social policy expertise
  - Huge social policy risks
Emergency Management is a racially blind and fiscally flawed response

- Rather than addressing root causes of spatial-structural racism and root causes of municipal distress, the State imposed Emergency Management
  - Emergency Management disproportionately targets African American communities
  - Emergency Management imposes strict policies of fiscal austerity
  - Emergency Management established the preconditions of problems like the Flint Water Crisis
THE REAL SOURCES OF DWSD'S STRUCTURAL DEFICIT

More than $1.1 billion of their deficit is "swap losses", asset write-offs, and changes in accounting rules. The remaining $365 million is overestimated water sales revenues, uncollected wastewater fees, and finally, unaffordable water bills for people living in poverty. ("DWSD Equity Analysis" by The Foster Group, LLC dated May 1, 2015). Poor People who can’t afford to pay rising costs for water and sewer services are NOT the cause of DWSD’s problem!

OLD INFRASTRUCTURE AND OLD DEBT
DWSD owes $576.9 million in debt and losses from infrastructure projects cancelled between 2007-2014.

BAD INTEREST RATE SWAPS
DWSD paid $561.1 million to get out of interest rate "swaps", or lost bets that interest rates on their debt would rise. When the rates went down instead, Wall Street ripped us all off!

CHANGES IN ACCOUNTING RULES

UNCOLLECTED DRAINAGE FEES
Businesses and institutions owe DWSD for unpaid wastewater fees.

OVERESTIMATED WATER SALES
Suburban wholesale customers are buying less water than DWSD projected, resulting in significant lost revenue.

UNAFFORDABLE WATER BILLS

DWSD violates human rights by shutting off water to the most vulnerable people, who can’t afford to pay their rising rates.
And this is really only a small part of the system’s overall financial problem!
The Original 2005 Water Affordability Plan would keep water and revenue flowing.

STOP THE SHUTOFFS! WATER AFFORDABILITY NOW!

Narratives, beliefs & blame

- Narrative and blame on interest rate swaps?
  - 561 million dollars
- Narrative and blame on cancelled infrastructure projects?
  - 577 million dollars
- Narrative and blame on unpaid commercial-industrial accounts?
- Narrative and blame on unpaid residential accounts?
  - “culture of poverty” => blame => punish
Water Shutoff Crisis

- Detroiters pay disproportionately high water and sewer rates
- Detroit has some of the **highest poverty rates** in the country
- Water shutoffs
  - 2014 – 3000/week => 30,000 households
  - 2015 – 800/week => 24,000 households
Focus on Spatial-Structural Racism

- Spatial-Structural Racism is real
- Emergency Management was a fatally misguided response to spatial-structural racism
- We need new values and new policies that get to the root causes of racial inequality
- The time to act is now
Thank you