

Michigan governor links aid to cities with cuts to worker benefits

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Michigan Governor Rick Snyder on Monday announced a plan that would link paltry state aid for cities to local governments' implementation of cuts to the pay and benefits of municipal workers.

City governments are bracing for Snyder's budget cutting 30 percent out of a constitutionally mandated municipal aid fund currently totaling \$659 million. The distribution of a separate statutory fund of \$300 million is dependent on legislative negotiations. In the Snyder plan, the statutory fund would be cut by \$100 million and made available only to those localities that meet his budget-cutting proposals.

The plan is the latest salvo in a full-scale attack on Michigan public sector workers. It comes on the heels of the passage of a new law that allows the governor to appoint Emergency Financial Managers (EFM) to take over cities and schools he deems to be at risk of fiscal crisis. The EFMs would have the power to tear up contracts, impose wage cuts, and even dismiss elected officials.

The EFM law is closely linked to Snyder's recently passed budget, which drastically cuts aid to cities and schools, thus creating conditions in which fiscal emergencies can be declared at will. The budget also discontinued tax exemptions on private and public pensions and other working class retirement income, while giving \$1.8 billion in new tax giveaways to big business.

Now comes Snyder's proposed "incentive plan" that will reward cities that impose cuts to workers' benefits. Snyder has effectively presented city governments and unions with an ultimatum: push through a new round of

concessions on the workforce on your own, or the state will appoint an EFM dictator to do it.

The new proposal for localities, still pending legislation, is to cap public pension contributions at 10 percent of worker salary and eliminate the defined benefit pension for new hires in favor of a defined contribution 401(k) investment. This move effectively creates a "two-tier" system in local government mirroring that advanced in Detroit's Big Three auto companies.

All municipal workers would also be compelled to pay for 20 percent of their health insurance premiums, significantly more than current contractual agreements.

Snyder's claim that "we're not asking anyone to open any contracts" is belied by other provisions of the incentive plan. Proposed legislation would modify the Urban Cooperation Act and Public Employment Relations Act to encourage consolidation of city services, including the combining of police and firefighting into a single Department of Public Safety. In the event of merging or consolidation, the bill would allow the opening and renegotiation of contracts.

Furthermore, the binding arbitration agreement governing contracts of police and firefighters, who are banned from strike action, would be modified to compel arbiters to consider local governments' "ability to pay." Similar legislation is being advanced in New York and Illinois, whose statehouses and governors' mansions are controlled by Democrats.

The Democrats and the trade unions have offered even less resistance to the latest proposal than they did

to the EFM law.

In fact, Snyder's proposal is modeled on the Obama administration's "Race to the Top" education initiative, which pits states and school districts in competition against each other for scanty federal funding. The "winners" are those who go the farthest to tear up rules protecting teachers and to establish semi-private charter schools.

As yet the Michigan Professional Firefighters Union and Michigan Fraternal Order of Police have been the only unions to comment publicly. They issued a joint statement supporting the governor's plan.



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