Michigan governor announces state money for Detroit bankruptcy settlement

Thomas Gaist
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Michigan Governor Rick Snyder announced a state funding plan Wednesday to transfer as much as $350 million over 20 years to Detroit "to help resolve the bankruptcy case" and to "reduce and mitigate the impact [of planned reductions in pensions] on retirees." The funds would also ostensibly be used to prevent the sell-off of artwork of the Detroit Institute of Arts (DIA).

The state money would be matched by some $330 million in contributions from a coalition of ultra-wealthy foundations headed up by New York's Ford Foundation and Michigan's Kresge Foundation.

Snyder stressed that this money will be made available "only if there is a settlement," saying that such a deal must involve "the city, the state, the unions, and the retirees." Any deal, he continued was contingent on the unions dropping their legal challenges. "Let's put this behind us so we don't have ongoing lawsuits," Snyder said, "so we all can focus on growing Detroit."

Snyder continued, "This is a settlement; this is not a bailout," echoing Vice President Joseph Biden's recent assertion that there will be no federal bailout for Detroit.

Retired Detroit city workers are facing the confiscation of large portions of their retirement benefit packages as part of Emergency Manager Kevyn Orr's "adjustment plan," due out in the weeks ahead. Orr has threatened to pay as little as 16 percent of what the city still owes to pension funds; meanwhile, he has cancelled city-paid retiree health care benefits forcing retirees over 65 onto Medicare and those under 65 to buy their own plans with a $125 per month stipend.

As Snyder made clear in his remarks Wednesday, under his "rescue" package retiree pensions and health benefits will not be fully secured and/or restored. Instead, their reduction will be "minimized" to some as yet unknown degree. The money "will not make retirees whole but it will significantly reduce the burden they would otherwise face," Snyder said.

The plan also includes ending the century-old city ownership of the Detroit Institute of Arts and handing over control of its priceless collection to private foundations. At the same time, Orr has demanded that the DIA come up with $100 million, a figure that would either drive the museum into insolvency or force it to introduce fees and other profit driven measures that would restrict public access.

Larry Porter, the assistant national secretary of the Socialist Equality Party and chairman of the Workers Inquiry into the Bankruptcy of Detroit and the Attack on the DIA and Pensions, condemned Snyder's plan, saying it "would neither defend pensions or art." Pointing to the fact that the Republican governor had led the charge to install an unelected emergency manager to throw the city into bankruptcy in the first place, Porter warned that the plan "was aimed at throwing sand in the eyes of workers while the Wall Street banks and both big business parties privatize the DIA, strip workers and youth of the right to culture, and loot billions from the hard-earned pensions of retirees and their families."

Porter said that the plan being worked out by Snyder, the bankruptcy court and the private foundations was essentially aimed at bringing the trade unions on board for this attack on the working class, like the United Auto Workers had done during Obama's 2009 bankruptcy of GM and Chrysler. Urging workers and young people to attend the February 15 Workers Inquiry (detroitinquiry.org), Porter said, "Workers need the truth in order to carry out a fight to defend pensions and the right to art. This must be carried out independently of all of these political conspirators, from Snyder and the Republicans, to Obama and the Democrats, to their servants in the trade union bureaucracy."

Up until now, the American Federation of State, County and Municipal Employees (AFSCME), the UAW and other unions have objected to the Chapter 9 filing because they have been cut out of negotiations and Orr has threatened the multi-billion dollar pension funds, which are overseen by the unions and are essential to the income and privileges of the union executives.

Modeling his efforts on the "structured bankruptcy" of GM and Chrysler—in which the Obama administration paid tens of billions into UAW-controlled retiree health care trust funds in exchange for slashing of the wages and benefits of current and retiree UAW members—US Bankruptcy Judge Steven Rhodes is looking to come up with sufficient resources to buy off the city unions.

Together with his mediator, Judge Gerald Rosen, Rhodes has been promoting a deal to end the unions' legal challenges and back an "adjustment plan" that will allow the restructuring of the city in the interests of big business—and on the backs of its workers.

Once they are satisfied with the terms, the unions will no doubt present the "grand bargain" being spearheaded by Snyder, Orr, and Rhodes as a great victory for Detroit workers.

Also on Wednesday, Judge Rhodes issued rulings on two motions, one relating to the DIA collection, and the other to retiree health benefits. Both rulings helped clear the way for crafting what Rosen called an "agreed-upon Plan of Adjustment."

With regard to the first motion, which sought court authorization to conduct a new appraisal of the DIA collection, Rhodes rejected the legal action brought by the unions in conjunction with other major creditors, including the big bond insurers. The creditors claimed that the appraisal by Christie's auction house, which estimated that between $452 million and $866 million could be extracted from a portion of the collection, was far too low and failed to evaluate the majority of the pieces in the collection. Rhodes said that while he was "not unsympathetic" to the creditors' wish to monetize a larger portion of the collection, the Christie's appraisal "went a long way towards addressing these concerns."

AFSCME and the union-controlled retiree associations submitted a second motion seeking a stay on cuts to retiree health benefits. Well aware that retiree health care was simply another bargaining chip for the union executives, who had previously dropped a similar motion, Rhodes said he could not issue a ruling at this time. He concluded by urging the parties to reach a negotiated settlement over the next month, saying, "These issues must be negotiated in good faith now, with all the creativity that the parties can muster."

"I don't want any depositions between now and the hearing. I want you to spend your time negotiating…Much more important than spending your time preparing for this preliminary hearing, is negotiations. I can't implore that to you strongly enough," Rhodes said.