

Michigan governor declares financial emergency in Wayne County

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On Wednesday, Michigan Governor Rick Snyder declared a financial emergency in Wayne County, Michigan's most populous county and the home of the city of Detroit. The move follows only one day after a state-appointed review team came to the same conclusion.

Wayne County Executive Warren Evans requested the declaration of financial emergency last month to help him impose a "Recovery Plan," which aims to slash \$230 million from the county budget over the next four years.

Snyder's announcement signals a new attack on the living standards of the county's 1.7 million residents, a quarter of whom already live in poverty.

The declaration of a "financial emergency" is firmly in line with the methods used by state officials in setting in motion the process that led to the Detroit bankruptcy. After the declaration of a "financial emergency" in Detroit in 2013, Snyder appointed an Emergency Manager, Kevyn Orr, who subsequently took the city into bankruptcy.

The bankruptcy slashed retiree pensions and health care benefits. The city laid off hundreds of Detroit Water and Sewerage Department workers while hiking up water rates, and attempted to sell the artwork in the Detroit Institute of Arts.

Dozens of Detroit Public Schools were shuttered and charters opened in their place. In the process, hundreds of millions were given to Wall Street banks, hedge funds and bond insurers involved in interest rate swaps and other financial schemes, and to lawyers and consultants.

The Detroit bankruptcy set a nationwide precedent for using the bankruptcy courts as a means to bypass constitutional protections of pensions.

The declaration of a "financial emergency" takes

place in accordance with Michigan's Public Act 436, more commonly known as the "Emergency Manager law." The act was passed by the Michigan state legislature in 2012 after a nearly identical law was voted down in a statewide referendum just weeks prior to its passage.

The review team for Wayne County took less than three weeks to declare the highest state of financial insolvency. PA 436 gives the governor ten days to declare whether an emergency exists after the review team produced its findings. Snyder took only one day.

Wayne County now has one week to decide from four options outlined by PA 436. These options include working with the state under a consent agreement, receiving a neutral evaluation of its finances, having an emergency manager appointed, or filing for Chapter 9 bankruptcy.

Evans' "Recovery Plan" calls for a fire sale of county assets to private companies, releasing county work to low-paid contract workers, ending health care benefits for retirees and active workers, raising the retirement age, and restructuring pensions. Evans has repeatedly pointed to the county's "too-generous" pensions as the root cause of the debt.

The state review team, consisting of state representatives and business interests, highlighted minor issues in proper document submission, a "cash flow problem", the county's \$52 million structural deficit, and an underfunded pension plan as evidence that the county was insolvent.

"Chronic financial crises will only grow worse, and the possible solutions will be far more difficult, if the crisis is not addressed immediately," Snyder declared, "restoring Wayne County to a secure financial foundation will ensure residents will continue to get the services they need."

During the Detroit bankruptcy, city employee unions played a major role in imposing wage and benefits cuts onto workers. The same process is now being repeated on the county level.

Last month, the American Federation of State, City and Municipal Employees accepted a settlement in a county lawsuit on retiree healthcare benefits. The deal accepted an ending of retiree healthcare benefits for future retirees and cuts of \$20 million per year to current retirees. Even with the \$20 million cut, Evans promptly requested a financial review by the state, setting the stage for even more sweeping attacks on workers' pensions and benefits.



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