

# Detroit bankruptcy judge appointed to restructure public schools

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15 February 2016

Last week it was announced that Michigan Governor Rick Snyder has tapped Judge Steven Rhodes as his point man in the reorganization of the Detroit Public Schools (DPS). As the federal judge overseeing the 2013-14 Detroit bankruptcy, Rhodes provided a pseudo-legal cover for the gutting of constitutionally protected public employee pensions and the selloff of city assets.

Rhodes is particularly well suited for the antidemocratic task of undermining and destroying public education in the city. He has been specifically tasked with guiding the Snyder's DPS legislation, Senate Bills 710 and 711 sponsored by Republican State Senator Goeff Hansen, through the state legislature and then implementing the changes.

"Rhodes would have a transitional role," according to the *Detroit Free Press*, "steering the district until it can return to local control under an elected school board and superintendent, sources said." Details of the arrangement have yet to be finalized, the newspaper reported.

The pending legislation dissolves the existing school district into a "good DPS" and a "bad DPS." The latter would exist only to collect taxes and pay down debt, while a new entity, the Detroit Community Schools, would inherit the buildings, employ teachers, select vendors and have responsibility for education.

This school district reorganization will dramatically increase the class divide within education. The plan is devised to pave the way for a vast expansion of charters and other private educational companies and impose massive cuts on public education overall through the establishment of a dictatorial finance commission with veto power over all school spending. It is also aimed at destroying or further undermining teacher pensions, health benefits and other gains built up over decades, and to criminalize protests by teachers and other school employees. (Senate Bills 713, 714 and 715).

The confirmation that Rhodes began meeting with the governor and state legislators on the contentious legislation "last December or early January" brings the political conspiracy surrounding Detroit's schools sharply in focus.

"We need to get the governor's plan, or a plan like it, in place as promptly as possible because there's a new school year coming up soon," Rhodes said last Thursday. "I certainly

plan to try to work with the Legislature on resolving their various differences so that the city's school system can move forward without this crushing debt that it has."

In other words, the very same players who used "crushing debt" in the city's municipal bankruptcy as a pretext to slash city workers' pensions, deprive retirees of their hard-earned health and death benefits, eliminate thousands of jobs, hive off public assets for privatization, undermine the Detroit Water and Sewerage system and move the Detroit Institute of Arts from public ownership to foundation-control are now hard at work pushing through similar plans for the city's schoolchildren.

The Republican governor and legislators have been in negotiation with the Coalition for the Future of Detroit Schoolchildren, heavily comprised of Democrats and union officials, over the course of the last year on a variant of this plan, but have repeatedly been stymied. Tea Party-style Republicans in the legislature have also opposed the plan, calling for immediate privatization of the schools and the creation of a voucher system.

Last January, however, it was suddenly announced that the schools would likely run out of money in April. The overnight appearance of this doomsday prediction turned out to be the result of debt refinancing quietly conducted by DPS Emergency Manager Darnell Earley last fall.

The debt agreement meant that monthly payments for the impoverished district would balloon from \$6.6 million to \$26.8 million as a February 2016. These numbers translate into payments of over \$3,000 per pupil debt—under conditions when the state's foundation grant per student is \$7,296.

This highly manipulated emergency was then used as the basis of Snyder's insistent demand to pass the reorganization plan. "The time to act is now," he said during last month's State of the State, "I ask you to move with great haste."

As a result, negotiations among state Democrats, the Detroit Federation of Teachers/American Federation of Teachers, the Skillman Foundation and assorted businessmen and politicians intensified over "local control" as well as the ill-fated Snyder initiative, the Education Achievement Authority (EAA). The unions and Democratic Party establishment figures used the call for ending emergency management and "reestablishing local control," with its democratic overtones, to conceal the

nature of the squabble—a self-serving internal power play over the allocation of positions and proceeds from the destruction of public education.

These plans were, however, disrupted as Snyder and Earley—the former emergency manager in Flint, Michigan—began to face mass opposition over their roles in the poisoning of Flint residents. In addition, DPS teacher “sickouts,” supported by parents and students, signaled near universal and deep-seated popular opposition to the attacks on public education. The ruling elite was particularly troubled by the fact that teachers acted independently, out of the control of the unions.

Earley was forced to announce his resignation, and now Snyder and the powers-that-be have turned to Judge Rhodes to assume responsibility for implementing the attacks on Detroit public education.

The Detroit municipal bankruptcy of 2013-14 established Rhodes’ ability to bring Democrats, Republicans and unions to the table and devise legal stratagems to enforce the brutal demands of Wall Street. In the lead-up to the final agreement, Rhodes postured as a “neutral arbiter,” and unlike the initial ham-fisted actions of Emergency Manager Kevyn Orr he fully engaged the services of the trade unions to contain social opposition and impose the dictates of the hedge funds and bondholders. Rhodes infamously sanctioned the mass shut-off of water to impoverished Detroit residents, stating that there was no “fundamental right” to water service. A staggering 50,000 households felt the brunt of this state of affairs.

As part of Rhodes’ “Grand Bargain” some \$7 billion in debt was wiped out, the vast majority of it from slashing benefits owed to active and retired city workers. Most brutal was the elimination of health care and death benefits to 23,500 retirees and dependents, which Rhodes said were the “city’s largest single liability,” estimated to be between \$3.8 and \$5 billion.

Rhodes was careful, however, in his dealings to look after the material interests of the union bureaucracy, which was handed two Voluntary Employees’ Beneficiary Association (VEBA) funds worth \$524 million to manage. They were also allocated a \$195 million payment to the pension funds and, in return, agreed to drop lawsuits against the emergency manager law and the violation of the state constitution’s pension protection clause.

In the course of this nationally precedent-setting looting of workers’ pensions and benefits, city EM Kevyn Orr acknowledged that his greatest fear was “civil unrest.” For his part, Rhodes confided that he felt the main difficulty was maintaining “his legitimacy” in the face of a “skeptical and angry public” adding that it had been “as much a political case as a legal case.”

Such political skills are now in demand as the financial elite place their hopes in Rhodes to push through the legislative and political logjam and impose what will prove to be a deeply hated plan to gut public education in Detroit and create vast

new and lucrative edubusiness opportunities.

Additionally, public school workers should be warned that Rhodes and financial elite are specifically aiming their sights on both Detroit teacher pensions and entire statewide system Michigan Public School Employees’ Retirement System (MPSERS).

Rhodes—whose violation of the state constitution set a national precedent to use US bankruptcy court proceedings to attack public employee pensions—said his biggest regret in the Detroit bankruptcy was not entirely eliminating city’s defined benefits pension program. It appears that Snyder is giving him another go at accomplishing the overall mission of abolishing public sector pensions.

A recent change in reporting requirements seems designed to facilitate this aim. Starting in fiscal year 2015, each school district is required to calculate its actuarially accrued pension liabilities and place these alarmingly large figures on their balance sheet. According to the Citizens Research Council report issued in January, the DPS owed nearly \$873 million in actuarially accrued pension payments and \$81 million in delinquent MPSERS payments (including hefty interest costs).

Pension funds have been hard hit by the systemic pay cuts endured by DPS teachers coupled with the fact that new teachers are no longer eligible for the defined-benefit plan. The proliferation of charter schools and Teach for America employees means that a declining minority of teachers in Michigan are paying into the system or will be eligible upon retirement.

As Snyder’s press secretary David Murray ominously explained last week, Rhodes “has been working with us as a consultant. It started as he was helping us explore long-term pension liability and pension debt around the state and challenges that could cause.” Last December a *Detroit News* editorial openly characterized “addressing retiree cost” as “the whole point of the EM law ... and **why Snyder has proposed a legislative fix for DPS**” [emphasis added].



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