

# Wall Street presses for Detroit school restructuring deal

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In an effort to accelerate the passage of a Detroit school restructuring deal that will close more schools and attack teachers, Wall Street credit rating agency Moody's Investor Service wrote Monday that the school district was perilously close to a possible default or Chapter 9 bankruptcy.

Bondholders faced "increased risk" because of the legislative impasse in Lansing, the agency warned. The purpose of the statements was to instruct Michigan politicians to get the Detroit Public Schools (DPS) reorganization deal done in short order and adequately safeguard hedge funds and other large investors.

Moody's also explained why teachers and students were threatened with payless paydays and the cancellation of summer programs. Because the banks and bondholders have a "senior lien on state aid," the statement said, emergency manager Steven Rhodes had concluded, "the district may not be able to make payroll after 30 June."

Indicating the extraordinary level of financial duress faced by the Detroit Public Schools, Moody's noted that 2017 debt service will amount to \$105.3 million, whereas the entire state aid in 2016 was only \$380 million.

All of the official organizations—Democrats, Republicans, unions and political formations like the Coalition for the Future of Detroit Schoolchildren—involved in the ongoing conflict over the DPS reorganization likewise insist that the debt to Wall Street is inviolable. Their role is to push through a deal, essentially a debt collection operation, while enforcing draconian costs on teachers and what remains of public education in the city.

DPS "transitional manager" Judge Steven Rhodes was appointed by Republican Governor Rick Snyder under the state's notorious emergency manager law precisely for this purpose. The mandate is to close the nearly 175-year old educational institution, transform it into an agency to levy taxes and repay existing bonds, and in the process create a new school district, largely made up of for-profit charter schools, whose funding is directly tied to state legislature appropriations.

Rhodes was selected for this unprecedented assault on

public education as a result of his "success" in the Detroit municipal bankruptcy. His "Grand Bargain" was primarily attributable to his close collaboration with the unions in forcing through massive cuts on jobs, pensions and city services. The former federal bankruptcy judge is deft in utilizing both the "carrot and the stick."

On Thursday, Rhodes announced he had reversed his decision to begin negotiations for new labor agreements with the Detroit Federation of Teachers and six school workers' unions. Current contracts expire June 30. The EM told the media he will not begin talks until the legislative package is passed in Lansing.

DFT interim president Ivy Bailey called the news "disappointing." Bailey, along with American Federation of Teachers (AFT) national president Randi Weingarten, has been mobilizing a virtually nonstop series of activities to back the Snyder-Rhodes Senate bill. Replying to the news of the latest provocation from Rhodes, she predictably said, "We believe now is the time for greater collaboration between the district, educators, parents, the community and all the stakeholders in the city of Detroit," reported the *Detroit Free Press*.

On the previous Tuesday, the emergency manager held a public "informational meeting" as mandated by law—regarding his Financial and Operating Plan for the Detroit Public Schools, with only several hours' notice. Both the 30-page plan and the public meeting demonstrate, once again, that the state is managing a rescue, not of the schools, but of the bondholders.

The plan specifies Rhodes' "Transition Team"—area businessmen representing the ubiquitous Quicken Loans and Rock Ventures [owned by billionaire developer Dan Gilbert], Ford Motor Co., and auto parts producer Masco. It also includes three public relations firms and, significantly Jimmy Settles, UAW-Ford vice president, widely believed responsible for the ballot fraud used to force last year's sellout contract past the opposition of Ford workers.

Rhodes goes out of his way to laud the Detroit Federation of Teachers for its support to the "reform" legislation and its

willingness to design and implement “valuable budget and cost cutting advice and assistance.” Among them, he specifically mentions the notorious Termination Incentive Program under which teachers were forced to provide \$10,000 each from their salaries in interest-free “loans” to the district. This rotten deal, pushed through by former DFT President Keith Johnson and AFT national president Randi Weingarten still owes teachers \$31 million, according to Rhodes. With cold comfort for teachers, Rhodes claimed the DPS “remained committed” to repayment.

Giving a taste of what is to come should the Snyder-Rhodes plan be enacted, the document refers favorably to the fact that 10,000 Detroit school workers’ jobs have been cut since 2005 and 150 schools closed. These cuts resulted, Rhodes said, in DPS making “impressive progress in its financial performance.”

About 200 teachers, students and residents appeared at the late afternoon venue at Martin Luther King Jr. High School. Not unsurprisingly, Rhodes was met with widespread skepticism and general hostility.

The *World Socialist Web Site* spoke to parents attending the meeting. “It was a set-up,” said Yolanda Peoples. “It was not something to address our concerns or issues as parents or as city residents. It was just something for Rhodes to come in here and provide us with a piece of paper that doesn’t answer any of our questions.

“It’s illegal, Rhodes should know that, he’s a judge, but he also did the bankruptcy which was also illegal. I believe he wanted to provide the ‘appearance of democracy’ not actually democracy.

“I have two children in DPS. They took all the programs away. My son goes to a performing arts school but they have no performing arts, except for vocal. They have no band, no orchestra. They are supposed to have drama, debate, but they lost all of those things because they said they are too costly to run.

“A school district cannot be run like a business. A debt is not supposed to exist, but that’s how they run the school. So they make us think that that’s something that is supposed to be done, but it’s not. If you privatize, the charter schools are utilizing public funds but act as a private school.

“I fully back the teachers and what they did. The money they are fighting for is money they have already earned. The conditions they work under with no support and having to reapply for their jobs each year are horrible. Nobody should have to work like that. We must support our teachers.”

Brenda Watson, another parent, said, “The ‘oldco-newco’ program they are trying to implement is simply transferring the state debt back to the DPS. We are now not only going to be an underfunded system, but a system operating in the hole. With that, it means we’re going to be losing teachers.

Rhodes claimed that they are not closing schools, but he knows that isn’t true.

“In fact, some of these schools are not healthy to be in. Do you understand lead poisoning? The teachers think there are behavior problems now—what are they going to be dealing with in the next three or four years when these children are in junior and high school? There are going to be behavior issues, but there is no additional funding for these children. Not even an apology to the parents. These children will be damaged for the rest of their lives.

“Of course, Judge Rhodes supports the emergency management law. At \$18,000 a month in salary, who wouldn’t support it? He’s going to keep his job as long as he’s being paid. He is an emergency manager.

“The teachers elected to have their pay spread over the summer, then they were told they might not get paid even though they have performed the work. If the plan goes through, if they protest, they take away their certification. That’s ludicrous! Is it even legal? We have a judge saying this is OK? A man who took an oath to uphold the law?

“Our children in the DPS system are going to continually fall further and further behind. Pay a math teacher \$36,000 a year and then ask her to take a \$10,000 cut in pay? And we wonder why the children are falling further behind?

“The purpose of the charter schools is to dismantle the public school system. They are privately owned. They keep infiltrating the charters, simply to bankrupt the school district. Parents are left being forced to send their children to charters.

“It is a have and have-not system. The haves are getting an education, but the have-nots are expected to compete with them in the global system. You are fighting a losing battle.

“Follow the money. How much money is being made in war, how much in missile contracts? Our children are not in the money but you sure can make money educating them.”



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