

As teachers narrowly ratify concessions deal

Billionaire's Detroit sports arena to take \$34.5 million in school tax money

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Last week, a federal judge paved the way for millions of dollars in tax money earmarked for the Detroit public schools to be used instead to subsidize the projects of the city's billionaire developers.

While this legal robbery was taking place, the Detroit Federation of Teachers (DFT) pushed through another concessionary contract on educators based on the claims that the restructured school district lacked the money to restore years of union-backed wage and benefit concessions.

On July 24, a federal judge in Detroit ruled that a lawsuit filed to enable Detroit voters to approve the use of \$34.5 million in state education funds for the new Downtown Development Authority (DDA) sports arena "lacked standing." The proposed move of the Detroit Pistons basketball team to the arena, set to open next month, had been delayed by the lawsuit. These funds are in addition to over \$250 million already "captured" to pay for the building of the arena, which will also house the Detroit Red Wings hockey team, owned by the Ilitch family, whose net worth is over \$6.1 billion.

Teachers narrowly ratified the three-year contract, which was revealed to a small membership meeting just before the July 4 holiday weekend. The result of the mail ballot was 515 to 474. The contract with the newly formed Detroit Public Schools Community District (DPSCD) provides a three percent increase the first year, a 4.13 percent increase the second, and a "wage reopener" in the third year. Teachers will not be repaid the \$10,000 "loan" extorted from them in 2009 and their pay will remain thousands, if not tens of thousands of dollars, below the national average.

In preventing voters from approving the transfer of funds in a ballot referendum in November, US District

Judge Mark Goldsmith maintained that the plaintiffs, Robert Davis and City Clerk candidate D. Etta Wilcoxon, "allege no injury, apart from that suffered by all school electors in Detroit... But having made a demand [to put the issue on the ballot in November] does not show any special injury." In other words, because the two individual plaintiffs could not demonstrate that they, personally, had been injured by the decision to divert the \$34.5 million, the issue lacks legal standing to appear on the ballot.

The judge's decision in favor of the DDA, Olympia Entertainment and Palace Sports follows similar legal rulings over the last several years, which, in the name of "economic development," have handed over the meager public resources allocated for schools to private business interests. Under the current agreement to fund the new downtown arena, property tax money will cover about 58 percent of the bill. The DDA is expected to collect \$726 million in school property tax revenues through 2051.

Among the counts the judge allowed to move forward against the DPSCD included one challenging Davis's right to speak for more than two minutes at a school board meeting. Goldsmith will also permit Davis and Wilcoxon to seek court costs and attorney fees, and to be awarded nominal damages.

The plaintiffs' motives in the case are far from pure. Davis is a career litigator, and spent two years in federal prison after admitting to embezzling \$200,000 from the Highland Park, Michigan school district while he served on its board. Wilcoxon, in seeking public office, is looking to make a name for herself.

The deal to finance Ilitch's Little Caesars Arena was worked out during the 2013-14 bankruptcy

restructuring of the city. In December 2014, the same week the city emerged from bankruptcy and the Ilitches announced the building of their \$450 million arena, Michigan Attorney General Bill Schuette issued an opinion reiterating that state taxes for schools can legally be used to fund the arena's construction. The cynically worded opinion argued that school taxes are captured by the DDA *before* being deposited into the School Aid Fund; therefore, "those captured school taxes were never dedicated to the School Aid Fund."

This sleight of hand and the current lawsuit by Davis and Wilcoxon have their origins in the backdoor negotiations surrounding the city of Detroit bankruptcy between 2012 and 2014. In November 2012, Detroit voters approved a millage continuing the taxation "on non-homestead property (mainly industrial, commercial and rental property)." Detroit voters were urged at the time by the Detroit Public Schools to approve the measure, assuring them that the tax would be used for "classroom instruction, technology, intercollegiate athletics, music and arts programming." It is these revenues that are being redirected to the DDA and the gentrification of downtown Detroit.

On December 5, 2012, the state legislature passed a bill specifically allowing these state funds to be diverted to the DDA and the Ilitches' project, as it was considered "a catalyst development project." On December 13, the state legislature ran an end run around Michigan voters and approved Public Act 436, enabling Governor Rick Snyder to appoint emergency managers, when voters had rejected the emergency manager law barely six weeks earlier. Emergency Manager Kevyn Orr, appointed by the Republican governor, rammed through the city's bankruptcy with the support of the Obama administration. This resulted in the tearing up of city workers' contracts and pensions, the closure of over 100 public schools and the ongoing assault on teachers.

The new three-year DPSCD-DFT contract coincides with the announced layoff of 70 instructional specialists and administrators by recently appointed Superintendent Nikolai Vitti; the termination of a 20-year-old literacy program aimed at ensuring that all Detroit pupils are at grade level in reading by third grade; and the ending of traditional pension contributions for new hires and the introduction of merit pay for new teachers. Under the deal the district

will also slash the salaries of educators transferred from the dissolved Educational Achievement Authority, categorizing them as new hires.

Detroit has been the model for the national policy to eviscerate public education pursued by both big-business parties and the handing of billions to charter schools and voucher programs.



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