

State of Michigan threatens cutoff of funds to Detroit

Shannon Jones
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The state of Michigan is threatening to cut off revenue sharing funds to Detroit if the city's top legal officer does not drop a lawsuit challenging the recent consent agreement mandating massive budget cuts and layoffs. The loss of the revenue sharing money would quickly confront the city with bankruptcy, since a \$34 million bond payment is due this week.

A divided city council approved a consent agreement with the state of Michigan in April that mandated savage cuts. It created a financial advisory board to oversee city finances while giving city officials dictatorial powers to rip up union contracts and impose massive reductions in social spending. The alternative given to the city by the administration of Republican Governor Rick Snyder was the appointment by the state of an Emergency Manager, who would impose the cuts while sidelining elected city officials.

In remarks before the city council Monday Detroit Democratic Mayor Dave Bing warned council members that without money from the state "we're dead." He demanded that Krystal Crittendon, the city's corporation counsel, drop her lawsuit challenging the consent agreement. Crittendon's lawsuit contends that the consent agreement violates the city charter because the state owes the city more than \$200 million in revenue sharing payments. The Detroit charter does not permit the city to enter into contracts with debtors.

If Crittendon does not withdraw her lawsuit Bing has asked that the city council force her to do so. That would likely require the council to fire Crittendon, since the city charter gives the corporation counsel a degree of independence from elected officials.

The lawsuit against the consent agreement has evoked a firestorm of opposition in the big business media. An editorial in the *Detroit Free Press* compared the lawsuit to an act of treason in wartime. It called on the mayor

and city counsel to dismiss Crittendon immediately if she does not knuckle under and withdraw her lawsuit.

Crittendon's legal challenge to the consent agreement is backed by a minority faction of the city council that opposed the deal on the grounds that it ceded too much unilateral authority to the state. They advocate instead that the city work in a more direct alliance with the trade union bureaucracy to impose the cuts.

The consent agreement established what amounts to a bankers' dictatorship over Detroit. It stripped city workers of collective bargaining rights, mandating city officials to impose their own terms after current contracts expire June 30. It required the city to scrap tentative concessions agreements reached earlier this year with its unions and carry out even deeper cuts. These include pay cuts, drastic changes in work rules, outsourcing of work and the elimination of the defined pension plans for new hires and the imposition of an inferior 401k-type plan. The pensions and health benefits of current retirees are also being targeted.

Last month the Detroit City Council approved a fiscal budget for 2012-13 that imposes some \$250 million in cuts. These include the layoff of 2,566 city workers out of a workforce of 11,000. The lighting department and the Detroit Department of Transportation are to be privatized and the Department of Human Services eliminated. The fire department, already severely short of resources, will be cut by another 13 percent.

The new round of cuts take place against a background of social devastation in Detroit, already the poorest big city in America. The city is littered with tens of thousands of vacant homes and businesses while basic infrastructure such as street lighting hardly functions. Bus service is in a shambles after round after round of cuts and the fire department is dangerously undermanned and underfunded.

The financial advisory board established by the consent agreement to oversee Detroit's budget is stacked with wealthy businessmen and political insiders. Among those on the panel is Sandra Pierce, an executive at Charter One Bank. It also includes Glenda Price, former president of Marygrove College and a member of the board of directors at Compuware Corporation; former state treasurer Bob Bowman; Ron Goldsberry, a former Ford executive; Darrell Burks, a senior partner at PricewaterhouseCoopers and Ken Whipple, chairman of the board of Korn/Ferry International and former chairman and CEO of CMS Energy.

Mayor Bing appointed Jack Martin as the city's chief financial officer, another position created by the consent agreement. Martin served as chief financial officer of the US Department of Education in the administration of George W. Bush. He recently served as Emergency Manager of the Highland Park Michigan schools, where he carried out massive cuts.

Facing a June 30 contract expiration, leaders of the American Federation of State, County and Municipal Employees (AFSCME) are preparing the way for a capitulation to the state-mandated concessions. The only action by AFSCME has been to file a toothless complaint with the pro-business Michigan Employment Relations Commission on behalf of 20 bargaining units alleging that the city failed to execute earlier concessions agreements offered by the unions.

In remarks quoted in the *Detroit News*, Ed McNeil, a spokesman for AFSCME Council 25, warned that enormous anger is building up among city workers over the threatened cuts. "People are saying if (the city) goes to bring somebody in here to take their jobs that there is going to be hell to pay." At the same time he rushed to assure city officials that the union would do everything it could to suppress a social explosion: "When you start to roll over people you are going to get a lot of push-back in this town, which I don't want to see."



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