

# Editorial: Detroit's 'grand bargain' a grand piece of work

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Final legislative approval of the Detroit rescue package is a triumph for Gov. Rick Snyder, as well as a clear statement to city retirees and creditors that the state is committed to the “grand bargain” that will minimize pension cuts and spare the Detroit Institute of Arts.

This was not an easy hurdle to clear. Lawmakers from both parties began the debate with genuine concern about how the bailout was structured, whether the state’s investment would be protected, and how the nearly \$195 million election year subsidy for Detroit would be perceived in outstate and suburban districts.



But in the end, the nine-bill package moved swiftly to Snyder’s desk in resounding bipartisan votes. It is the critical piece in resolving Detroit’s bankruptcy. Had it not passed, it would have assured the process would be longer and more contentious.

Credit the persuasiveness of the governor’s argument that saving Detroit is essential to building a robust state economy.

“It’s a smart investment,” Snyder told The Detroit News. “Anytime you travel, the first five to 10 minutes of conversation with the people you meet is about Detroit’s problems. This takes that 10 minutes away and lets us focus on the positive.”

Credit goes to the leaders of the Legislature – Randy Richardville in the Senate and Jase Bolger in the House, who made the tough sell to their caucuses, along with the minority leaders, Gretchen Whitmer and Tim Greimel. Rep. John Walsh, R-Livonia, was particularly masterful in crafting legislation that took away most of the reasons for lawmakers to vote no.

In addition, chief federal Judge Gerald Rosen was instrumental in structuring the bargain, and in lobbying for its passage.

Central to winning approval was assuring lawmakers that there will be vigilant and ongoing state oversight of Detroit’s finances. A new commission will monitor financial decisions for at least 13 years.

While that’s a tough pill for Detroit’s elected leaders to swallow, the Legislature was right to protect the taxpayers’ investment.

Approval came at just the right moment. Pensioners are currently voting on the bankruptcy plan of adjustment submitted by Emergency Manager

Kevyn Orr. Ballots are due back to the court by July 11.

Retirees could not be expected to support the plan without knowing for certain the state would honor Snyder's commitment. Now, they can calculate how their benefits will be affected.

They should vote yes. "A no vote only has negative consequences," Snyder said.

Defeat of the proposal would scuttle the bargain and most likely lead to steeper cuts in benefits. It would also put the collections of the Detroit Institute of Art on the table.

This deal does not come without concerns. Chief among them is the precedent set by bailing out Detroit when so many other communities, most notably Flint, may also be headed toward bankruptcy. Will those cities expect the same sort of rescue?

"I expect people to ask, but the answer is no," Snyder said, adding that the unique nature of the bargain, which includes \$466 million in private funds contributed by charitable foundations, corporations and individuals, would make it impossible to replicate.

In addition, although lawmakers attempted to impose controls on future pension cost increases, the caps in the bills are not ironclad, and the taxpayer contributions to pensions could exceed the 7 percent limit if the funds are poorly managed.

A better approach would have been to move the city out of the pension business altogether and convert employees to a 401(k)-style system.

But this bargain is a remarkable piece of work. In a state with a long, divisive history, it was heartening to see suburban and outstate lawmakers rallying to the rescue of Detroit.

Opponents had argued correctly that Detroit was responsible for its own financial mess. But their solution – to let the city collapse – was not an answer at all.

As Snyder successfully argued, without a vibrant Detroit, Michigan can't reach its full potential. Lawmakers recognized that.

Now, the outpouring of support and the investment taxpayers are making in Detroit's future must be rewarded by unrelenting responsible financial management of the city.