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In Michigan, Mixed Feelings on Aid to Detroit

By Matthew Dolan

GRAND LEDGE, Mich.—As Michigan legislators prepared to debate a \$200 million aid package to speed Detroit out of bankruptcy, minds were mostly made up at a coffee shop in this town of 7,700 some 100 miles northwest of the Motor City.

Lingering over empty coffee mugs at a table Monday morning, four men—a retired auto worker, a farmer, a postal employee and a retired public-sector IT chief—all said they don't want the state to chip in tax dollars, arguing that long-declining Detroit hasn't made tough political choices to help reverse decades of population loss and economic hardship.

"The people themselves need to show that they really want change," said Dave Kosbar, a 59-year-old corn and soybean farmer.

But when asked how to fix Detroit without state aid, the men at the A&W coffee shop, who all attend Oneida Gospel Church just south of Grand Ledge, said they couldn't come up with any good ideas. "Where else are they going to get the money? I don't know," said Larry Martzke, 75, a retired General Motors draftsman.

The conflicting currents reflect Michigan's feelings about its largest city, the nation's biggest municipal bankruptcy case.

The measures under consideration Tuesday would appropriate almost \$200 million from the state's rainy-day fund, which would then be replenished by money from a tobacco settlement over the next 20 years. The city's financial operations would also be overseen by a seven-member commission, similar to New York City's financial control board established in the 1970s.

A special legislative committee on Detroit is expected to hear Tuesday from the city's emergency manager, Kevyn Orr.

Time is tight. Detroit started sending out ballots this week to more than 170,000 creditors to vote on the city's debt-cutting plan to restructure an estimated \$18 billion in long-term obligations. Pension holders will likely see smaller cuts if the state-aid package is successful. The final decision on the plan will be up to a



Neil Blake for The Wall Street Journal

Grand Ledge resident Larry Martzke, 75, a retired auto worker, says Detroit shouldn't get state aid.

federal bankruptcy judge, who has scheduled a trial on the plan in late July.

Gov. Rick Snyder brought Detroit's long-brewing collapse to a head last year, appointing an emergency manager for the city in March and approving the bankruptcy filing in July.

The first-term Republican has said the state aid isn't a bailout but a one-time hand-up to help Detroit preserve its municipal pensions and protect its city-owned art collection as part of a complex deal using outside funding from private donors and foundations valued at about \$816 million over 20 years.

Recent polls show a divided electorate, though voters won't have a direct say on the state aid. Almost half of likely Michigan general-election voters oppose the governor's proposal, according to public-opinion polls commissioned in early April by the conservative Mackinac Center for Public Policy. A more recent poll from a statewide business-leaders group that supports the state aid found the governor's plan had wider backing, with 66% of Michigan voters polled in favor.

Several conservative Republicans have said they oppose a "bailout" of Detroit, criticizing the city's past management as inept and voicing concerns about the possibility of other financially troubled cities attempting the same solution.

"I don't think it encourages responsible behavior," said state Sen. Rick Jones, a Republican who represents a

mid-Michigan district including Grand Ledge.

Other elected officials, like Kalmin Smith, a Republican who has been Grand Ledge's mayor for seven years, supported state aid for Detroit.

"If it were a perfect world, we wouldn't need to do this," Mr. Smith said in an interview. "But it's our largest city. If we don't salvage Detroit, it affects us all."

It's unclear how the state-aid package for Detroit might affect the political fortunes of Mr. Snyder and others up for re-election this fall. The conservative group Americans for Prosperity-Michigan sent a legislative alert this month opposing the proposed state aid, arguing the city's share of state dollars was already disproportionate to funding in other parts of Michigan.

But the plan has powerful backers, including some of the nation's largest foundations, which have pledged more than \$300 million in a bid to keep the city-owned Detroit Institute of Arts intact and place it in private trust. Several retiree groups, unions and pension funds in the city have shown preliminary support for the governor's plan but some have also voiced concern about the legislative package introduced last week that phases out city pensions in favor of 401(k)-style retirement plans and demands stricter oversight.

Michigan House Speaker Jase Bolger, a Republican, said last week that a drawn-out bankruptcy would be costly for the whole state. "We cannot miss this one-time opportunity to help Detroit while guaranteeing taxpayers are protected from paying billions of dollars in future obligations," he said.

Here in Grand Ledge—just west of the state capital, Lansing, and best known for the sandstone rock ledges that rise roughly 60 feet along the banks of the Grand River—opinions remain divided over Detroit. The city's economy has been sustained by public employers, including the state and Michigan State University, as well as General Motors, with a plant in nearby Delta Township that survived the company's 2009 bankruptcy.

Torre Miller, 48, who owns a local business serving large-scale users of diesel and biodiesel fuels, said Michigan residents outside metropolitan Detroit have long been bitter about special treatment they see afforded to the state's largest city.

"The rest of the state feels as though we have to hold these guys up," Mr. Miller said. "But in the end, we're all Michiganders. I don't like it, but we'll have to support them again because there is no other way."