

# **Bond Case Briefs**

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## **WSJ: Pitch for Detroit Bailout Could Include Other Municipal Pensions.**

DETROIT—Michigan Gov. Rick Snyder's talks with state legislators about a possible funding plan for the bankrupt city of Detroit could be part of a much broader push to shore up municipal pensions statewide, a person familiar with the matter said Thursday.

"I think it is going to be bigger than just Detroit," this person said. "You can't just sell a Detroit-only bailout."

People familiar with the matter said that the governor told legislative caucuses in the state capital of Lansing Wednesday that the state could speed Detroit out of its bankruptcy by at least matching the \$330 million by local and national foundations to preserve public access to the collection of the city-owned Detroit Institute of Arts while helping to fund the city's pension obligations.

Last week, the federal mediator in the city's municipal bankruptcy case—the nation's largest—had several long conversations with Gov. Snyder, hoping to convince him that the state should consider a direct aid. Sources said that time is now running low because Detroit Emergency Manager Kevyn Orr, appointed by Gov. Snyder in March, plans to issue by Feb. 1 his plan to the bankruptcy court for cutting the city's estimated \$18 billion in long-term debt.

The governor "thought it was important to start dialogue and discussion with lawmakers," Sara Wurfel, the governor's spokeswoman, said in an email Wednesday night. She added that any additional funding from the state for Detroit "would be in partnership with the Legislature."

Pushing for a bailout through the GOP-led state legislature could be a tough task for Gov. Snyder, a first-term Republican governor likely to run for a second term this year. Sources said that the governor has to straddle competing political interests wanting to limit the state's spending in cash-poor Detroit versus those expecting Detroit to be out of bankruptcy by the time of the gubernatorial election in November.

The governor and his advisers had hoped to keep the confidential briefings under wraps. But with its disclosure Wednesday night, Gov. Snyder may be more inclined to provide details about his idea during his state of the state address scheduled for Thursday evening.

In talks with legislators, the governor floated the idea of using part of the state's tobacco-litigation settlement fund as a way to pay for the bailout without new appropriations, according to the person familiar with the matter. Michigan received \$256 million in fiscal year 2012 from a 1998 settlement Michigan and other states reached with tobacco manufacturers, but that annual payment is expected to decline in part due to declining cigarette sales, according to a state legislative report.

Until now, the governor has been noncommittal about whether he would financially support a rescue plan unveiled earlier this week designed to preserve the holdings of the Detroit Institute of Arts and to help reduce the city's obligations to its municipal pension funds.

On Monday, nine local and national foundations said they pledged \$330 million to help pay the city for its art and place its holdings at the Detroit Institute of Arts into the hands of a new nonprofit public trust. In turn, the city could use the proceeds to help make up the shortfall in its municipal pension system, estimated by Detroit's emergency manager at \$3.5 billion.

Without a bailout, there is growing fear that potential lawsuits over a possible sale of the art and a dispute over cuts to pension payments would tie up the Detroit bankruptcy case for months, if not years, people familiar with the matter said.

Originally, the federal mediator in the bankruptcy case estimated that the art deal required \$500 million in outside support. But since confidential meetings began in November, the judge has indicated that the number is expected to grow, according to two people familiar with the matter.

In fact, in order for the city to be able to satisfy union and pension funds, Detroit may need to come up with close to \$1 billion to help fill the pension shortfall, according to a person familiar with the matter. Then unions and pension funds would be asked to help make up the difference by accepting cuts or agreeing to benefit reductions to save money, this person said.

By MATTHEW DOLAN

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