

WALL STREET JOURNAL

MICHIGAN GOVERNOR LOOKS TO IMMIGRANT INJECTION TO AID DETROIT

By Matthew Dolan and Miriam Jordan
January 23, 2014

Michigan's governor is looking overseas in an attempt to reverse Detroit's rapidly shrinking population and give the bankrupt city an economic boost.

Under a plan to be unveiled Thursday, Gov. Rick Snyder will request 50,000 special federal immigration visas over the next five years to attract foreign professionals who are willing to work and live in the city.

Mr. Snyder, in an interview Wednesday, said that "this is one way for the federal government to step up to provide significant value without cost that could have a huge impact on the city's future."

The visas could be scooped up by Detroit businesses seeking foreign employees, by individuals from overseas and by immigrants already in the U.S. on temporary visas, especially in the auto, information technology, life-sciences and health-care industries, Mr. Snyder said.

State officials said they hope it could help turn the tide in Detroit's population exodus over the last 60 years, especially between 2000 and 2010, when the city lost 25% of its population, according to the U.S. Census.

The proposal, which will be announced with Detroit Mayor Mike Duggan and other local officials, comes a day after Mr. Snyder asked the state legislature for as much as \$350 million over the next 20 years to secure Detroit's world-class art collection and help the shortfall in its pension system.

After weeks of negotiations with state legislative leaders, Mr. Snyder said the plan was a settlement and not a bailout.

"A bailout in my view is just contributing dollars toward paying debt without getting anything in return," he said at a news conference Wednesday.

But Mr. Snyder put several conditions on the proposed funding. The state would only contribute if there were a settlement with unions, pension funds and retiree groups in the city's municipal bankruptcy case, the nation's largest. The funds would have to be targeted specifically to aid retired city workers and their families who stand to be affected by underfunded pensions. Bondholders, for example, wouldn't receive the same consideration.

In a move that is likely to raise concerns from the pension funds, the governor also said state funding would come only if there was "independent fiduciary management of the pension resources." Mr. Snyder said this wouldn't mean a takeover of the city's two pension funds, but the installation of financial professionals to make sure that the funds – which have been criticized for poor management – are well run.

The Republican governor said the state could speed Detroit out of bankruptcy by at least matching the \$330 million promised by 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.

The roughly \$680 million raised by the foundations and state would be used to pay the city in exchange for selling its art collection to a new nonprofit that would keep the art in public view. The city would be required to use the proceeds to shore up its pension funds. The museum's management called the proposed aid package "good news" in a statement.

The announcement was also welcomed by Detroit Emergency Manager Kevyn Orr, who was appointed by Mr. Snyder in March.

So far, unions and pension funds have been locked in talks with the city in court-ordered mediation, but haven't reached an agreement on how much the city still needs to pay into its pensions. Tina Bassett, spokeswoman for Detroit's General Retirement System, said the funds appreciated the effort. "However, it is our fundamental belief that the pensions are protected by the Michigan Constitution and should not be a part of these bankruptcy proceedings," she said.

In a separate but related hearing in federal court, a bankruptcy judge rejected the effort by a group of creditors who have argued the valuation of the city-owned art collection is undervalued and incomplete. U.S. Bankruptcy Judge Steven Rhodes said that a debate over the art's value and whether it could be sold should be done after the city submits its plan to cut an estimated \$18 billion in long-term obligations.

The judge exhorted all parties in the continuing mediation to try to settle their differences and reach agreements by March 1, the date he ordered Mr. Orr to submit his restructuring plan to cut the city's debt and map out its road to economic recovery.

Mr. Snyder's plan to increase immigration to the city of about 700,000 would be staggered, with 5,000 visas requested in the first year and 15,000 in the last. He said he hasn't yet broached the idea specifically with Obama administration officials but has spoken generally to them about repopulating the city of roughly 700,000 with mass immigration.

Asked to comment on the plan, Katherine Vargas, a White House representative, said that "President Obama is committed to honoring our nation's legacy of innovation and competitiveness by attracting the world's best and brightest students and entrepreneurs."

The visas, known as EB-2s, are available to professionals with advanced degrees and individuals with exceptional ability in the sciences, arts or business. Generally, applicants require a job offer and proof that they aren't taking a position that could be filled by a U.S. worker.

Because it is an "immigrant" visa, those who obtain it become eligible for a green card, or permanent legal residency. Typically, the U.S. makes 140,000 such visas available each year. Many years, that cap isn't exhausted. But it isn't clear whether the federal program could be redesigned to target a city's specific needs, immigration attorneys said.