Detroit Public Schools:
Quality, Accountability, and Governance

MSU IPPSR Forum | January 20, 2016
GLEP’s K-12 Education Policy Priorities

GLEP strongly supports efforts to:

✓ Improve academic **achievement**,
✓ Increase **accountability**, and
✓ Expand parental **choice**

Our current policy priorities are:

✓ Fulfill the promise of Proposal A & eliminate the per-pupil funding equity gap
✓ Increase early literacy (K-3 Reading) and end social promotion
✓ Adopt an A-F letter grading system for school accountability
✓ Reform MSPSERS for a solid future while keeping our promises to retirees
In the city of Detroit, 47 percent of adults are functionally illiterate.

Half of Detroit’s illiterate population has a high school degree.
The long history of DPS failure

✓ Total revenue is $17,994 per pupil.
This didn’t happen overnight.
This didn’t happen overnight.

Emergency Manager Robert Bobb uncovered millions in corruption.

The Washington Post

Opinions

Corrupt educators are threatening school reform

By Robert C. Bobb - April 25, 2013

Robert Bobb is a former D.C. city administrator, former president of the D.C. Board of Education and the D.C. State Board of Education, and the former emergency financial manager for Detroit Public Schools. His e-mail address is robertbobb@ymail.com.

Indeed, I found Detroit Public Schools to be a magnificent vessel of wholesale theft and fraud. Not one area of management escaped the thieves and defrauders. One high school food service worker stuffed as much as $2,000 daily from lunchroom sales into her apron and bra. A teacher and her mother, a contract accountant, placed $500,000 worth of orders for supplies from a sham company they had created. Ten people collectively stole more than 1,200 laptops. Even sworn police officers assigned to my security detail committed fraud, submitting phony overtime reports.
And it’s still happening.

DPS to award former student $350K in Pugh sex suit

Charles Pugh continues as defendant in lawsuit, DPS settles

In a surprise move, right in the middle of trial, the Detroit Public Schools today settled a sex-grooming lawsuit with a former student who says ex-Detroit City Council President Charles Pugh sexually pursued him through a mentorship program while school officials looked the other way.

The district settled the suit, which sought more than $1 million, for $350,000, court records show.

“Detroit Public Schools has reached a tentative agreement under which DPS and all defendants related to the district will be dismissed,” district spokeswoman Michelle Zbrodowski said. “The terms of the agreement will remain confidential until it is finalized by the parties involved.”

Rochelle Riley: Ex-star principal recalls fall from grace

When Snapp told the Free Press that she had funneled public school funds to nearly 1,000 consultants, local businesses, parents, family and friends, those muffled walls.

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And it’s still happening.

Poor spending decisions, plus teacher sickouts add up to more woes for DPS

Detroit — Eighty-six Detroit Public School buildings are closed for instruction on Wednesday due to another teacher sickout, DPS said. That’s more than 80 percent of the 104 schools in the district, which serves about 47,000 students total.

Wednesday is the second time in recent weeks that more than 50 percent of DPS schools were closed due to a high volume of teacher absences. Steve Conn, former head of the Detroit Federation of Teachers, the local union, is set to fight for his reinstatement at a hearing of the Detroit American Federation of Teachers office. The national union has placed the local union in trusteeship.

“DPS has no other option but to close schools when teachers do not report for work,” said DPS spokesperson Michelle Zdrojewski in a statement. Teachers at closed schools are required to either show up to their buildings or take a leave day, the district said.
Gov. Rick Snyder Announces Education Agenda
The DPS Death Spiral

- Declining Enrollment
- Poor Academics
- Financial Instability
The DPS Death Spiral: Declining Enrollment

- DPS lost nearly 75% of their students in the past decade.
- During the same time period, statewide enrollment is down 8%.
The DPS Death Spiral: Declining Enrollment

- DPS is the minority educator of 115,000 Detroiters.
- Detroit is #2 city in the country for choosing charter public schools.
The DPS Death Spiral: Financial Instability

- DPS has $3.5 billion in outstanding debt.
- $1.7 million in capital debt is secured.
- $1.3 million in MPSERS UAAL is being spread among the entire state.
- CRC Webinar at 2 pm on Jan 21 on this.

www.crcmich.org

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**Table 1**

<table>
<thead>
<tr>
<th>Detroit Public Schools Legacy Costs and Other Liabilities, 2015</th>
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<tbody>
<tr>
<td>(Dollars in millions)</td>
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<tr>
<td><strong>Operating Liabilities</strong></td>
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<tr>
<td>MPSERS – Pension Unfunded Actuarially Accrued Liability (UAAL)</td>
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<tr>
<td>MPSERS – Retiree health Unfunded Actuarially Accrued Liability</td>
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<tr>
<td>Delinquent MPSERS payment (principal and interest)</td>
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<tr>
<td>Termination Incentive Plan – UAAL</td>
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<tr>
<td>Refinanced 2005 and 2011 cash flow borrowings</td>
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<tr>
<td>Refinanced 2014 cash flow borrowing</td>
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<tr>
<td>2015 cash flow borrowing</td>
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<tr>
<td><strong>Subtotal – operating liabilities</strong></td>
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</tbody>
</table>

| **Capital Liabilities**                                      | **Amount** |
| “Qualified” general obligation bonds                         | $1,452.1    |
| School Loan Revolving Fund loan (principal and interest)    | $198.7      |
| **Subtotal – capital liabilities**                          | $1,650.8    |
| **Total**                                                   | $3,527.8    |
The DPS Death Spiral: Financial Instability

Outstanding operational debt:

- 2011 SAF notes: $24 million
- 2012 SAF notes: $236 million*
- 2014 SAF notes: $83 million
- 2015 SAF notes: $121 million
- MPSERS premiums: $157 million
- FY ‘16 cash flow: $92 million

TOTAL: $713 million

Average: $118 million/year

*2005 notes
The DPS Death Spiral: Poor Academics

- Detroit had the lowest NAEP scores in the country in 2009, 2011, 2013 & 2015.

- Only 4% of DPS students are proficient in Math and 7% of DPS students are proficient in Reading.

**Detroit Public Schools: 93% Not Proficient in Reading; 96% Not Proficient in Math**
The DPS Death Spiral: Poor Academics

- Detroit has the lowest MEAP scores of all Michigan cities.

- While Detroit charters outperform DPS schools, overall performance is still too low in the city.
The DPS Death Spiral: The Ultimate Question
School Aid Fund bailout of local district debt

✓ Has happened four (4) times:
  ▪ Inkster & Buena Vista were dissolved
  ▪ Muskegon Heights & Highland Park became all-charter districts

✓ In each case, the traditional public school district is no longer responsible for educating children.
The Proposals for DPS: Coalition to Save DPS

- State bailout of existing DPS operational debt, MSPERS liabilities and others debts
- Reinstate current DPS Board of Directors
- Detroit Education Commission to manage:
  - academic standards
  - open, close or re-locate schools
  - school choice
  - student enrollment
The Proposals for DPS: Governor Snyder

- OldCo: $515 million state bailout of existing DPS operational debt via 18 mill non-homestead property tax

- NewCo: DPS 2.0 w/$200 million in “seed money” to be repaid by 18 mill non-homestead property tax

- Elected Board of Directors for DPS 2.0 – via transition

- Detroit Education Commission to open, close & relocate schools

- A-F accountability system for Detroit only

- Universal/Mandatory Enrollment System
The Proposals for DPS: GLEP

✓ Retire DPS operational debt via 18 mill n/h property tax

✓ Create an “Education Improvement Zone” in Detroit

✓ Participating schools must meet annual academic standards for proficiency and growth, as set by their “accredited” sponsor/authorizer

✓ Allow Mayor’s Office, Wayne State University and Wayne County Community College to become sponsors

✓ Students receive $8,000 “Opportunity Scholarship” from the state to cover basic operational funding at any participating school in the zone, public or private.
The Proposals for DPS: Senator Hansen (SB 710+)

- OldCo: $515 million state bailout of existing DPS operational debt via 18 mill non-homestead property tax

- NewCo: DPS 2.0 w/$250 million in “seed money” from General Fund

- DPS 2.0 under Financial Review Commission, which includes the Superintendent and the President of the Board of Directors

- Appointed Board of Directors initially, elected in Fall 2016
- Advisory body to develop a “Master Plan” for the city
- Use State Reform Office and CEO to address failing schools
- Mandatory closure of failing charters (3 of 5 years in bottom 5%)
## The Proposals for DPS: Side-by-Side Comparison

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Coalition</th>
<th>Governor</th>
<th>GLEP</th>
<th>Hansen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eliminate DPS</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
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<tr>
<td>Retire DPS debt w/$70 mill per year</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
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<td>New Community School District</td>
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<td>Elected Board of Directors</td>
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<tr>
<td>Detroit Education Commission &amp; CEO</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
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<tr>
<td>Accountability via State Reform Office</td>
<td>NO</td>
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<tr>
<td>Mandatory Universal Enrollment System</td>
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<td>YES</td>
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<tr>
<td>Opportunity Scholarships</td>
<td>NO</td>
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<td>YES</td>
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State Board of Education Statement on Proposed Detroit Public Schools Legislation

John C. Austin
President, Michigan State Board of Education
January 14, 2016

President John Austin, joined by a majority of Members of the State Board of Education, expressed "deep disappointment" with proposed DPS schools legislation introduced today.

“A serious effort to lift the debt burden that is taking money away from DPS, class size, and other critical programs,” said John Austin, “resulting in a failed state takeover strategy.”

The legislation abandons creative options for sustaining DPS by returning to the elected officials of Detroit, where “the burden of failed state intervention will be placed on a school district, and the DPS will be a school district in the state that faces financial challenges.”

Coalition statement on Detroit education bills

January 14, 2016

FOR IMMEDIATE RELEASE

DETROIT – Detroit schools legislation – Senate Bills 710 and 711 – was introduced today. The Coalition for the Future of Detroit Schoolchildren welcomes this development so that the issues – finally – can be debated publicly. The Coalition is disappointed that the bills do not identify where funds to pay for Detroit Public Schools’ debt will come from, and that they omit key recommendations for stabilizing the troubled Detroit schools landscape and ensuring a quality education for all Detroit schoolchildren.

The bills also do not address the Coalition’s recommended Detroit Education Commission, a nonpartisan panel whose members would be appointed by the mayor, and be responsible for improving the accessibility and quality of school choice in Detroit. As outlined by the Coalition, the DEC would: (1) hold all schools to the same high academic standard; (2) ensure children in every neighborhood have quality choices by overseeing the opening and closing of all public schools in the city; (3) simplify enrollment for families; and (4) engage community members in planning.

Currently, Detroit has 14 different entities (authorizers and districts) that open and close schools. Not one of these entities is locally controlled. When so many are in charge, there is little coordination and no academic accountability. The DEC would provide locally based control and quality for all Detroit students – charter and DPS alike. Without it, Detroit children are forced to endure an education landscape every bit as threatening to their futures as the toxic water emergency imposes on children in Flint.
GLEP recommendations to improve education

- Improve K-3 reading and early literacy (HB 4822)
- Accountability for **ALL** schools via A-F Letter Grading; State Reform Office, and put chronically failing schools in State Reform District
- Equitable foundation grant for every student, with additional funding for special needs
- Reform MPSERS to address unfunded liability
Questions?

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