



DPS Reform Legislation

Quality, Accountability, and Governance

House Appropriations Committee | March 2, 2016

GLEP's K-12 Education Policy Priorities

GLEP strongly supports efforts to:

- ✓ Expand parental choice
- ✓ Improve academic quality, and
- ✓ Increase accountability

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 MPSERS for a solid future while keeping promises to retirees



A long history of DPS failure

- ✓ In the city of Detroit, 47 percent of adults are functionally illiterate.
- ✓ Half of Detroit's illiterate population received a high school diploma from DPS.
- ✓ Total revenue:


\$17,994
 Revenue Per Pupil

Nearly Half Of Detroit's Adults Are Functionally Illiterate

Posted 05/07/2011 12:58 pm EDT | Updated 07/08/2013 7:03 pm EDT

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Detroit's population fell by 25 percent in the last decade. And of those that stuck around, nearly half of them are functionally illiterate, a new report finds.

According to estimates by The National Institute for Literacy, roughly 47 percent of adults in Detroit, Michigan -- 200,000 total -- are "functionally illiterate," meaning they have trouble with reading, speaking, writing and computational skills. Even more surprisingly, the Detroit Regional Workforce finds half of that illiterate population has obtained a high school degree.



This didn't happen overnight.

Audit: More than 250 ghost workers on payroll of Detroit Public Schools

5 Detroit Public Schools employees charged with embezzlement

DPS: Scam cost \$57M

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 wails you heard across the city were the sounds of hope dying.

Robert Bobb, the district's emergency financial manager, said in a statement that the case is another example of how "DPS has been a place where people use the district as their personal banker and where there has been a cesspool of corruption, and in cases such as this one, both national corporations and local individuals took advantage of Detroit Public Schools."



And it's still happening.

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

More than 80 Detroit Public Schools closed due to massive teacher sick-out
POSTED: 8:31 PM EST on 3/1/16
UPDATED: 1 hour ago

Another teacher sick-out closes more schools

More than 80 Detroit Public Schools closed due to massive teacher sick-out

Another teacher sick-out closes over 60 public schools in Detroit

Detroit 'Sick Out' by Teachers Shuts Down 60 Public Schools

SCHOOL CLOSED

Sickouts close most Detroit schools
James David Dickson, The Detroit News 6:39 a.m. EST March 2, 2016

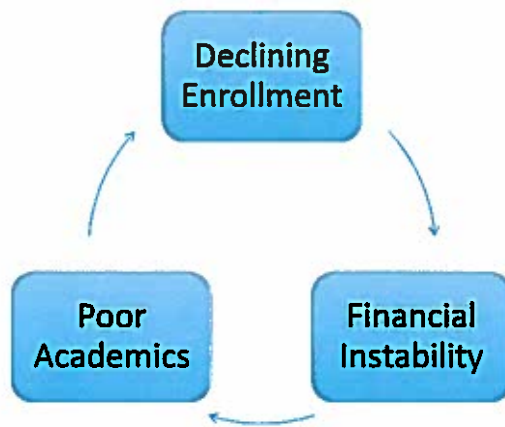
Detroit — Fifty-six Detroit public school buildings are closed for instruction on Wednesday due to another teacher sickout. DPS said that more than 80 percent of the 104 schools in the district, which serves about 47,000 students total.

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 Carr, 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 spokeswoman Michelle Zardowski in a statement. Teachers at closed schools are required to either show up to their buildings or take a leave day, the district said.

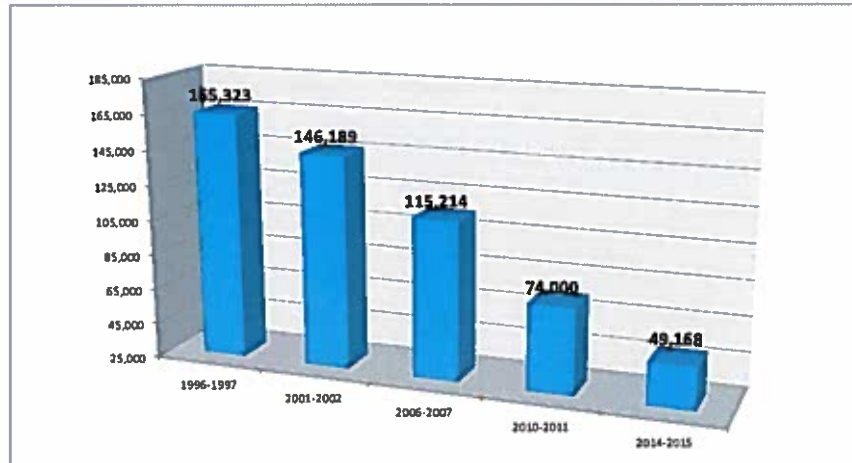


The DPS Death Spiral



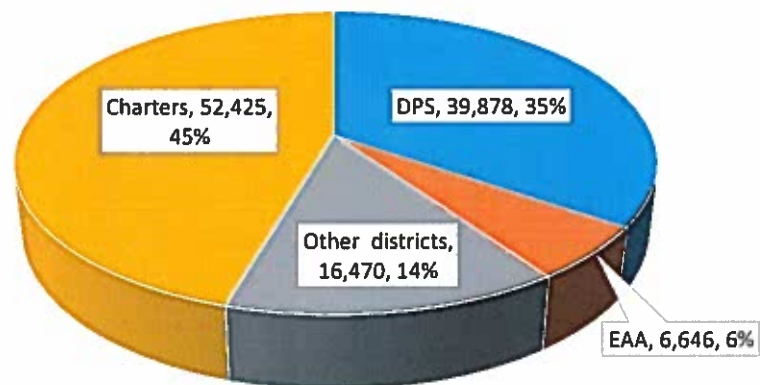
The DPS Death Spiral: Declining Enrollment

- ✓ DPS lost nearly 75% of their students in the past decade.
- ✓ During the same time period, statewide enrollment is down by only 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 capital and operational debt.
- ✓ \$1.5 billion in capital debt is secured by millages, even if DPS disappears.
- ✓ \$1.3 billion in MPSERS liability is already being spread across the entire state, since DPS hasn't been making their payments. (\$700K per month against their \$6 million bill)
- ✓ Cap on district liability means School Aid Fund will pay this bill, costing each student \$9,000 per pupil in lost foundation grants.



DETROIT PUBLIC SCHOOLS' LEGACY COSTS AND INDEBTEDNESS

Table 1
Detroit Public Schools Legacy Costs and Other Liabilities, 2015
(Dollars in millions)

Operating Liabilities	Amount
MPSERS - Pension Unfunded Actuarially Accrued Liability (UAAL)	\$872.7
MPSERS - Retiree health Unfunded Actuarially Accrued Liability	443.8
Delinquent MPSERS payment (principal and interest)	80.9
Termination Incentive Plan - UAAL	16.6
Refinanced 2005 and 2011 cash flow borrowings	259.2
Refinanced 2014 cash flow borrowing	82.8
2015 cash flow borrowing	121.0
Subtotal - operating liabilities	\$1,877.0
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

As reported in Table 1, DPS has over \$3.5 billion in combined operating and capital liabilities. This includes nearly \$1.9 billion in operating legacy costs and cash flow borrowings and most \$1.7 billion in multi-year bonds/notes etc loans.



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



Guess what? It's TUESDAY!!!



The DPS Death Spiral: Poor Academics

- ✓ Detroit had the lowest NAEP scores in the country in 2009, 2011, 2013 & 2015.
- ✓ 4% of DPS students are proficient in Math
- ✓ 7% of DPS students are proficient in Reading

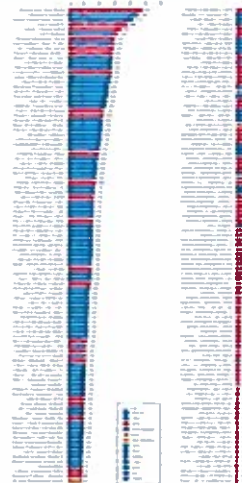
Detroit worst in math, reading scores among big cities

Shawn D. Lewis, *The Detroit News* 4:40 p.m. EDT October 28, 2015



For a fourth straight time, Detroit students have scored the lowest among big-city districts in math and reading, according to national test results released Wednesday.

Detroit Public Schools' fourth- and eighth-graders lagged students in 20 other districts included in the National Assessment of Educational Progress Trial Urban District Assessment. **DPS also ranked lowest in 2009, 2011 and 2013.**



2014-15 MSTEP PROFICIENCY FOR ALL DETROIT SCHOOLS ALL GRADES & SUBJECTS

- 18 of the Top 25 schools in Detroit are Charter schools.
- 22 of the Bottom 25 schools in Detroit are DPS schools.
- Charter average: 14.6%
- DPS average: 9.0%
- Charters are 62% more proficient than DPS.
- 71 charters (79%) perform ABOVE the DPS average and 19 charters schools (21%) perform BELOW the DPS average.
- 20 DPS schools (30%) perform ABOVE the DPS average and 46 DPS schools (70%) perform BELOW the DPS average.
- 12 DPS schools (18%) perform ABOVE the charter average and 54 DPS schools (82%) perform BELOW the charter average.
- 40 charter schools (44%) perform ABOVE the charter average and 50 charter schools (56%) perform BELOW the charter average.

Compiled by the Great Lakes Education Project



What to do about DPS?



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

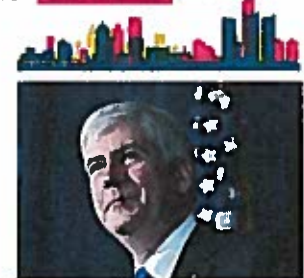
- ✓ In each case, the traditional public school district is no longer responsible for educating children.



Key issues in proposals from Coalition & Governor

- ✓ Retire DPS and state pays \$515 million in operational debt
- ✓ Create new district and provide \$200 million in seed money
- ✓ Repay \$715 million from the School Aid Fund (\$50 per pupil x 10 years)
- ✓ Govern district with an appointed/elected School Board over 8 years
- ✓ Create "Detroit Education Commission" to manage:
 - ✓ academic standards
 - ✓ opening, closing and locating all schools in city
 - ✓ student enrollment & school choice
 - ✓ transportation

THE CHOICE IS OURS



Senate Bills: Key Features

- ✓ Retire DPS and state pays \$515 million in operational debt (via 18 mill n/h property tax)
- ✓ Create new district and provide \$200 million in seed money
- ✓ Use **Tobacco Settlement** funds to replenish the School Aid Fund (hold districts harmless)
- ✓ Govern district with an appointed/elected School Board, **full conversion in 2017**
- ✓ Advisory group to develop a “Master Education Plan” for the city (No DEC)
- ✓ New district under Financial Review Commission
- ✓ Use State Reform Office to address failing schools (assuming EAA is absorbed in SRO)
 - ❑ Protect DPS 2.0 schools from closure by SRO
 - ❑ Mandatory closure of chronically-failing charter public schools (3 of 5 years in lowest-performing 5% of schools)



House Bills: Key Features

- ✓ Retire DPS and state pays \$515 million in operational debt (via 18 mill n/h property tax)
- ✓ Create new district and provide \$200 million in seed money
- ✓ Use **General Fund** dollars to replenish the School Aid Fund (hold districts harmless)
- ✓ Govern district with an appointed/elected School Board, **final conversion in 8 years**
- ✓ Advisory group to develop a “Master Education Plan” for the city (No DEC)
- ✓ New district under Financial Review Commission
- ✓ Use State Reform Office to address failing schools (assuming EAA is absorbed in SRO)
 - ❑ Closure of chronically failing District and Charter schools
 - 3 of 5 years in lowest-performing 5% of schools
 - 3 consecutive years with D/F grade on A-F system



House Bills: Additional Features – Only in Detroit

- ✓ Require specific programs to address early literacy and 3rd Grade reading proficiency
- ✓ Implement an A-F letter grading system for school accountability
- ✓ Follow a balanced academic calendar throughout the year
- ✓ Provide 401(k) style retirement plan for new school employees
- ✓ Use alternative certification to broaden pool of qualified teachers
- ✓ Implement performance pay for the most effective teachers
- ✓ Strip teaching certificates for those participating in illegal strikes or “sick outs”
- ✓ Cap administrative expenses at 6.3% of district’s annual operating budget



GLEP recommendations:

DETROIT SPECIFIC

- ✓ Ensure that all school districts don’t pay for \$715 million DPS bailout
- ✓ Allow parents in each building to vote to remain in the new district or become a charter school
- ✓ Allow Mayor Duggan to become a charter school authorizer (Indianapolis)
- ✓ Put Mayor Duggan in control of the Detroit School District and the buck will stop there (NY & Chicago)
- ✓ Provide scholarships to Detroit residents to use at any non-failing public or private school

STATEWIDE

- ✓ Pass HB 4822 to improve early literacy and K-3 reading proficiency (Thank You!!)
- ✓ Adopt A-F Letter Grading for school accountability that measures proficiency & growth
- ✓ Eliminate the EAA and use the State Reform Office to intervene in failing schools
- ✓ Chronically-failing public schools should be closed or put in the State Reform District
- ✓ Provide equitable foundation grant for every student, w/targeted funds for special needs
- ✓ Close MPERS and use 401(k) style retirement plan for all school employees
- ✓ Implement “alternative certification” to provide the best and brightest teachers



GLEP opposes the Detroit Education Commission

- ✓ It's additional and unneeded bureaucracy (at a cost of at least \$5 million per year)
- ✓ Why have different standards and expectations on opposite sides of 8 Mile Road?
- ✓ Don't need a 3rd entity to address poor-performing schools (EAA, SRO & DEC)
- ✓ It consolidates all school-related decision-making in a single political appointee
- ✓ A Master Plan for Detroit education can be achieved through voluntary cooperation
- ✓ Common enrollment processes can be achieved through voluntary cooperation
- ✓ Transportation solutions can be achieved through voluntary cooperation
- ✓ Primary goal of DEC is to ensure minimum enrollment for DPS 2.0



Questions?

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