Detroit Public Schools Community District

Public Budget Hearing for Fiscal Year 2017 (School Year 2016-2017)

June 23, 2016
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<thead>
<tr>
<th>Activity</th>
<th>Presenter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welcome</td>
<td>Principal Anita Williams</td>
</tr>
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<td>Ground Rules/Meeting Norms</td>
<td>Rep. Sherry Gay-Dagnogo</td>
</tr>
<tr>
<td>Remarks</td>
<td>Rep. LaTanya Garrett</td>
</tr>
<tr>
<td>Remarks</td>
<td>Rep. Brian Banks</td>
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<tr>
<td>Legislative Update</td>
<td>Rep. Sherry Gay-Dagnogo</td>
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<td>Judge Steven Rhodes</td>
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<td>Interim Supt. Alycia Meriweather</td>
</tr>
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<td></td>
</tr>
</tbody>
</table>
Meeting Norms

• Every individual present deserves an equal opportunity to hear the information being shared, so please be respectful of your fellow speakers and audience members.

• Any individual conducting him or herself in a disorderly manner will be given a warning regarding their unacceptable behavior.

• If the behavior continues, the individual will be ordered to leave the meeting.

• If the individual does not agree to leave, they will be escorted from the meeting and subject to arrest for disorderly conduct.
Questions and Answers

• There is a hard stop at 7:00 PM
• Please fill out a comment card with a concise question related to one of the following topic areas:
  – FY 2017 Budget
  – Academics
  – Legislation
  – Employment
• Write the topic area of your question at the top of your card
• If you have unanswered questions, please send them to:
  sgay-dagnogo@house.mi.gov
  communications@detroitk12.org
HB 5383 / Public Act 193 – Creates trust fund mechanism and revenue stream from tobacco settlement of $72 million annually capped at $617 million overall with additional caveat that any overage of the $617 million to the community district must be paid for from general fund dollars and not school aid.
HB 5384 / Public Act 192 – Establishes structure for “Old Co/New Co” and:

• Schedules November school board election, seating in January of 2017. In the interim, the district will be managed by the current transition manager.

• Includes a plan on closing of schools in Detroit (charter and traditional) in the bottom 5 percent of schools for 3 of the past 4 years.

• Requires State School Reform Officer to establish and administer an A-F accountability system to begin in the 2017-18 school year for all public schools located in the city of Detroit (DPS and charter).

• Establishes traditional/charter advisory board to produce a report on where schools are most needed. Also charged with looking at potential transportation systems.

• Allows community district to hire uncertificated teachers and institutes merit pay.

• Provides grant funding for training for new community district board.

• Requires DPS to withdraw from the EAA as soon as possible.
HB 5387 / Public Act 194 – Shortens timeframes for process hearings, provides more avenues for people to report potential strikes, and empowers the superintendent of public instruction and attorney general to bring suit for injunctions against strikes in court.
SB 711 / Public Act 195 – Amends the Michigan Financial Review Commission Act with the additional requirement that the community district must get sign off from the FRC before terminating its superintendent. Prohibits funding for out of state travel reimbursements without FRC approval.
SB 820 / Public Act 196 – Amends the Incompatible Public Offices Act to:

- Allow the superintendent and chairperson of the district to serve on the financial review commission.
- Creates an allowance for an appointed emergency manager to serve as a transition manager.
SB 822 / Public Act 197 – Authorizes a separate $150 million loan of which no more than $25 million is to go to deferred maintenance.
Legislative Impact on Collective Bargaining and Employment Contracts

Reggie Turner, Esq.
Clark Hill
Agenda

Legislation

- Transition Funds
- FY17 Budget Overview
- Academic Update
Legislation
For the purposes of this presentation, we will refer to the current school district as DPS and the new district as DPSCD

Current School District
- **Formal Name**: School District of the City of Detroit
- **Public Name**: Detroit Public Schools or “DPS”
- *For the purposes of this presentation*: DPS

New School District
- **Formal Name**: Detroit Public Schools Community District
- **Public Name**: To be determined
- *For the purposes of this presentation*: DPSCD

We will give the public an opportunity to submit input about what the public name will be for the new school district
- *More details to come*
Due to declining enrollment and other challenges, DPS has struggled with large debt obligations that made responsibly balancing the budget impossible.

Legislation was passed in early June to create a new school district:

- **Detroit Public Schools** (“DPS”) will be funded by local property taxes and absorb DPS’ existing financial obligations. It is not tasked with educating students and will cease to exist once DPS’ debt is completely paid.

- **Detroit Public Schools Community District** (“DPSCD”) is charged with educating students moving forward. It assumes all the existing employees, property, and assets of DPS.

The new district can once again focus on providing the best education for our students in a financially sustainable way.
The recent state legislation:

- Helps DPS meet past obligations to employees, lenders, vendors and others.

- Allows DPSCD to balance the FY 2017 budget based on realistic assumptions without the necessity of incurring debt.

- Provides approximately $25 million that will be invested in academic programs, safety enhancements, and facilities maintenance and improvements.
Agenda

Legislation

Transition Funds

FY17 Budget Overview

Academic Update
Transition Funds
The State has approved $617M for the District, most of which must be used to pay past obligations

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2011/2012 bonds</td>
<td>$214</td>
</tr>
<tr>
<td>Deferred pension (through FY 2016)</td>
<td>$157</td>
</tr>
<tr>
<td>Deferred accounts payable (&gt;90 days past due)</td>
<td>$47</td>
</tr>
<tr>
<td>Year-end cash shortfall covered by emergency appropriation (March, 2016)</td>
<td>$49</td>
</tr>
<tr>
<td><strong>Total before transitional operating costs</strong></td>
<td><strong>$467</strong></td>
</tr>
<tr>
<td>Transitional operating cost</td>
<td>$150</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$617</strong></td>
</tr>
</tbody>
</table>

Note: Exact amounts are subject change based on final reconciliation
Transition Funds
Most of the $150M provided for transitional operating costs must be used to meet past obligations; approximately $25M is available for investments

**Distribution of $150M in Transitional Operating Funding for the District**

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Payroll (26 Pay)</td>
<td>$38</td>
</tr>
<tr>
<td>Accrued Payroll (June Pay for All Employees)</td>
<td>$17</td>
</tr>
<tr>
<td>Accounts Payable (Vendors, 0 to 90-Day)</td>
<td>$50</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>$20</td>
</tr>
<tr>
<td>Investment in New Programs &amp; Min. Cash Balance</td>
<td>$25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$150</strong></td>
</tr>
</tbody>
</table>
Transition Funds

The $25M in state-provided transition funds that will go to DPSCD will be invested in academic, safety, and facilities initiatives over a multi-year period.

DPSCD FY17 Proposed Budget for $25M State-Provided Transition Funds

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17 Academic Initiatives</td>
<td>$1.9</td>
</tr>
<tr>
<td>FY17 Facilities Maintenance and Improvements</td>
<td>$5.0</td>
</tr>
<tr>
<td>FY17 Safety Improvements</td>
<td>$0.8</td>
</tr>
<tr>
<td>Reserved for Future Investments and Minimum Cash Balance</td>
<td>$17.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$25.0</strong></td>
</tr>
</tbody>
</table>

*Note: Total investments in each category will be $8M in academic initiatives, $10M for facilities, $2M for safety, and $5M for minimum cash balance.*
Agenda

Legislation

Transition Funds

**FY17 Budget Overview**

Academic Update
FY17 Budget Overview
The proposed FY17 budget reflects five major DPSCD priorities

• Meet financial obligations
• Balance the budget in a realistic way
• Support academic innovation
• Improve student safety
• Improve facilities
Meet Financial Obligations

**Why important?**

By paying money owed to employees, vendors and others, the District can regain the public’s trust and attract and retain the best people to work in and support schools.

**How reflected in the budget?**

Many legacy obligations will be satisfied with State-provided funding. The FY 2017 DPSCD budget does not include debt payments. It is focused on using current year revenues to pay current year obligations on a timely basis without borrowing.
Balance the Budget in a Realistic Way

Why important?
A realistic balanced budget will set the District on a fiscally responsible path and allow the District to continue to meet financial obligations in the future.

How reflected in the budget?
Revenues in FY 2017 are projected to equal expenditures based on a set of reasonable assumptions.
Support Academic Innovation

Why important?
Business as usual at the District won’t improve student achievement; we will work in innovative ways to educate students.

How reflected in the budget?
A portion of State-provided transition funds will be dedicated to the most innovative academic programs proposed by our educators.
Improve Student Safety

Why important?

Students have the right to learn and learn best in a safe and secure environment.

How reflected in the budget?

A portion of State-provided transition funds will be invested in additional security personnel, technology, and capital needs.
Improving Facilities

Why important?

Many buildings are in need of repair.

How reflected in the budget?

A portion of State-provided transition funds will be invested in the most urgent building maintenance needs.
FY17 Budget Overview
Prior to the inclusion of state-provided transition funds, revenues are projected to equal expenditures in the DPSCD FY17 Budget

DPSCD FY17 Proposed Budget
(with $25M State-Provided Transition Funds)

<table>
<thead>
<tr>
<th></th>
<th>Revenue ($ millions)</th>
<th>Expenditures ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Operating Budget</td>
<td>646.6</td>
<td>646.6</td>
</tr>
<tr>
<td>State-Provided Transition Funds in FY17</td>
<td>25.0</td>
<td>7.7</td>
</tr>
<tr>
<td>Subtotal</td>
<td>671.6</td>
<td>654.3</td>
</tr>
<tr>
<td>Designated for Future Investments</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>671.6</td>
<td>671.6</td>
</tr>
</tbody>
</table>
After years of rapid decline, DPSCD’s enrollment is stabilizing; the ~1.8% enrollment drop forecast for FY17 continues the trend seen in FY16

**Detroit Public Schools, Total Student Enrollment**

**FY06 – FY17**

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Enrollment</th>
<th>Year on Year % Change</th>
<th>Number of Active Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>130.7K</td>
<td>-7%</td>
<td>233</td>
</tr>
<tr>
<td>2007</td>
<td>118.4K</td>
<td>-9%</td>
<td>227</td>
</tr>
<tr>
<td>2008</td>
<td>106.5K</td>
<td>-10%</td>
<td>195</td>
</tr>
<tr>
<td>2009</td>
<td>95.5K</td>
<td>-10%</td>
<td>194</td>
</tr>
<tr>
<td>2010</td>
<td>84.9K</td>
<td>-11%</td>
<td>165</td>
</tr>
<tr>
<td>2011</td>
<td>75.2K</td>
<td>-11%</td>
<td>139</td>
</tr>
<tr>
<td>2012</td>
<td>66.7K</td>
<td>-23%</td>
<td>123</td>
</tr>
<tr>
<td>2013</td>
<td>51.3K</td>
<td>-5%</td>
<td>97</td>
</tr>
<tr>
<td>2014</td>
<td>48.5K</td>
<td>-3%</td>
<td>97</td>
</tr>
<tr>
<td>2015</td>
<td>47.2K</td>
<td>-2%</td>
<td>97</td>
</tr>
<tr>
<td>2016</td>
<td>46.3K</td>
<td>-2%</td>
<td>97</td>
</tr>
<tr>
<td>2017F</td>
<td>45.5K</td>
<td></td>
<td>97</td>
</tr>
</tbody>
</table>

Source: DPS Comprehensive Annual Financial Reports; April 2016 State Aid Membership Report
FY17 Budget Overview
DPSCD is projected to receive $671.6 million in FY17, which includes $25 million in State-provided transition funds

Revenue Assumptions
• Projects enrollment of 45,511 students for FY17
• Assumes a $7,552 Foundation Allowance from the State of Michigan ($118 increase in per pupil funding)
• Includes a projected $6M in asset sales
• Includes $25M in state-provided transition funds
FY17 Budget Overview

DPSCD is budgeting to spend $654.3 million in FY 2017, including $7.7 million of the $25 million in State-provided transition funds.

DPSCD FY17 Proposed Budget (including State-Provided Transition Funds)

- 75% for Instruction & Student Support ($10.7K per student)
- 18% for Operations, Maintenance, Safety & Transportation ($2.6K per student)
- 7% for IT, HR, Grants, Business & Other Central Support Services ($1.0K per student)

Expenditure Assumptions

- Personnel spending is subject to upcoming Collective Bargaining Agreements
- Non-personnel budgets are based on reduced proposed budgets for each office
- Includes $7.7 million in spending related to state-provided transition funds
- Assumes no school closures in 2016/17
With this budget, we can:

- Meet our past obligations to employees, lenders, vendors and others
- Balance the FY 2017 budget based on realistic assumptions
- Make enhancements in academic programs, safety, and facilities
In the months and years to come, all stakeholders must work together creatively to build the district that our students deserve.
Agenda

Legislation

Transition Funds

FY17 Budget Overview

Academic Update
Alycia Meriweather, Interim Superintendent
DPS Celebrates!
2,592 graduates
$164,518,555 in scholarships!

$65,886/per student
14-15: $164,469,737
BREAKING NEWS FROM WORLD LANGUAGES

Hiring teachers from Spain
Over 200 students passed their language proficiency exams!
The Central Office Reorganization that took effect in January 2016 will continue to apply for FY 2017.
Academic Update: Priorities

For the upcoming academic year, there are five areas in which DPSCD will invest to lead to improved outcomes for students and the District:

1. **Literacy**
   - The District will have an intentional focus on leveraging multiple resources to increase literacy proficiency at all levels.

2. **Supporting Innovation**
   - The District will challenge the status quo by looking at new ways of teaching and learning in every classroom along with efforts to implement brand new programs.

3. **Enhancing Career Pathways**
   - The District will work to provide all students with increased exposure to college and career options, equipping them to excel after graduation.

4. **Engaging Parents and Community**
   - The District will look for ways to partner with parents and the community, knowing that success is only possible if we all work together.

5. **Increasing Wraparound Services**
   - The District will identify the challenges that students face outside the classroom and seek creative solutions to address those challenges.
Academic Update: Academic Plan

There will be a new Academic Plan for FY17; the Academic Advisory Council has helped to shape the direction for the future.

Academic Advisory Council

Phase I: Internal

- 15 Committees
- 150 participants
- Research articles, best practices, and recommendations
- Public Presentation
  - Wednesday, June 29, 2016
  - 3-6pm

Promotion & Retention

- # of articles: 12
- Best Practice Models:
  - Bloomfield
  - Grosse Pointe
  - Milwaukee
  - Baltimore

Considerations:

- Standards-based report cards and progress reports
- Increase resource allocations for Summer School and RTI programs
• Review public comment
• Invite public to assist in next phase of Academic Planning process
• Academic Plan must be completed by August 1, 2016.
• If you are interested in assisting, please contact paula.evans@detroitk12.org

SUBJECT: AAC Public
Academic Update: Investing in School Based Staffing
The baseline teaching staffing formula for FY17 is similar to past years; DPSCD will actively work with schools to maintain the smallest class size possible

General Education Targeted Class Sizes, FY16-FY17
(Excludes Special Education, Specialty Teachers, and Grant Funded Teachers)

<table>
<thead>
<tr>
<th>Grade</th>
<th>Class Size FY 2016</th>
<th>Class Size FY 2017</th>
<th>Prep Periods FY 2016</th>
<th>Prep Periods FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-3</td>
<td>25</td>
<td>25</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>4-5</td>
<td>33</td>
<td>33</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>6-8</td>
<td>38</td>
<td>38</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>9-12</td>
<td>38</td>
<td>38</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

The District has intentionally invested in classrooms by:
• Granting over 95% of the appeals for additional teachers
• Increasing prep periods for the lower grades

PROPOSED
Academic Update: Investments

To support innovation, DPSCD has specific plans for investing a significant portion of the state-provided transition funds in new academic initiatives.

- A.L. Holmes Academy of Blended Learning
- Accelerated Program at Mark Twain
- Additional STEM Academies
- Arabic Dual Language Immersion
- Learning Communities at DCP at Northwestern
- Montessori / Open Schools
- Over-Aged ELL Classroom
- Project Lead the Way
- Increased Bus Pass Eligibility Radius
Academic Update: Community Engagement

DPSCD plans to increase parent engagement and community involvement in FY17

Goals:

Equipping a parent space at each school

Encourage parents to be involved directly at their individual schools

And responding to what parents say…

• More training
• Timely communication
# Summer Enrollment and Education Opportunities

<table>
<thead>
<tr>
<th>DATE</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>MID JULY</td>
<td>RECRUITING OF AMBASSADORS…HELP US WALK THE BLOCKS! Interested in helping?</td>
</tr>
<tr>
<td></td>
<td>Call: 313-873-6345</td>
</tr>
<tr>
<td></td>
<td>Email: <a href="mailto:enrollment.growth@detroitk12.org">enrollment.growth@detroitk12.org</a></td>
</tr>
<tr>
<td>AUGUST 13</td>
<td>FREE EDUCATION AND ENROLLMENT DAY @ MICHIGAN SCIENCE CENTER</td>
</tr>
<tr>
<td></td>
<td>LEARNING + IMMUNIZATIONS AVAILABLE</td>
</tr>
<tr>
<td>MID AUGUST</td>
<td>FREE WAYNE COUNTY AQUATIC CENTER</td>
</tr>
<tr>
<td>AUGUST 27</td>
<td>DPS OPEN DOORS DAY</td>
</tr>
<tr>
<td>IN PLANNING</td>
<td>DNR OUTDOOR ADVENTURE CENTER, DPS DETROIT CHILDREN’S MUSEUM, SUMMER DAY @ BRENNAN POOL</td>
</tr>
</tbody>
</table>
Looking Forward

Financial Update

• DPSCD will meet existing financial obligations
• The FY17 budget is balanced based on realistic assumptions
• The FY17 budget includes investments in academics, safety, and facilities

Academic Update

• The major priorities for FY17 are literacy, innovation, career pathways, community engagement, and wraparound services
• The District is committed to investing resources in the classroom
Questions and Answers

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  - Legislation
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