Detroit Public Schools
FY 2011 Budget

Creating Centers of Excellence at Every School, Every Day, for Every Child in Every Neighborhood

June 30, 2010
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Emergency Financial Manager
The Legacy Deficit – A Multi-Year Challenge

If the District eliminated the $363M legacy deficit in one year, the academic impact would be devastating.

☑️ Only 9,167 students (12% of our total students) could be educated

Consequently, a multi-year deficit elimination plan will be addressed in the 2011 Transition Plan to be presented in November 2010.
FY 2011 Budget Overview

- All Funds:
  - Revenue – $1,025,563,700
  - Expenditure – $1,025,563,700

- General Fund
  - Revenue – $558,138,892
  - Expenditure – $558,138,892
This is a balanced budget for FY 2011.

- General Fund Revenues = General Fund Expenditures = $558M
- We have eliminated the District’s historical overspending by permanently reducing expenditures $197M (26%) from FY2010.

How was this done?

- Extreme cuts in all administrative areas were made before impacting the classroom.
Major Budget Savings

- $89M in labor and benefits savings
- $8M in IT reorganization
- $8M from the outsourcing of transportation
- $5M from the mid-year managed competition of physical building operations.
- $3M in finance from retirements, vacancy elimination and reorganization
Major Budget Savings

- $4M Central Academic Office Restructuring
- $23M from closing 30 schools
- $3M through outsourcing of school security
- $9M from increasing maximum class size by 3 in grades 4–12

Note: No change to maximum class size in grades K–3 (remain at 25 max)
Transforming the DPS – A Dual Challenge

- **Stop the Deficit Growth**… cut non-critical spending to create a smaller, more agile system of schools with increased flexibility, credibility, and accountability

**WHILE**

- **Investing in the future**… 21st Century teaching and learning to develop safe, high quality learning environments so that our children can learn

- While there is inherent tension between these dual goals, both are fundamental to providing for the District’s children and both are being pursued aggressively

- In balancing these goals, we will focus on what is good for kids
While the 2011 forecasted budget is balanced (i.e. no deficit growth), for the year ending June 30, 2010 the deficit is expected to grow by $143M. Why?

Numerous cost cuts implemented in 2010 did not have a full year’s worth of savings in FY 2010.

- $38M – Unrecognized labor savings
- $47M – Healthcare plan redesign (higher office visit, pharmacy co-pays and employee cost sharing)
- $23M – Long term savings from closing 30 schools
- $10M – De-enrolled 2,802 ineligible dependents enrolled in District sponsored health plans
Results year ending June 30, 2010

- DPS could not control the timing or amount of these items
  - $9M – state retirement incentive payouts
  - $7M – property tax charge-back
  - $19M – property tax/state aid loss

- Finally, DPS will save $20M in FY 2011 by staffing classrooms to FTEs instead of actual enrolment
FY 2011 Revenues
FY 2011 Projected Revenue

- All Funds $1,025,563,700
  - General Fund $558,138,892
  - State and Federal Grants $266,566,659
  - Special Ed $165,119,415
  - Adult Ed $4,422,252
  - Food Service $31,316,482
FY 11 General Fund Revenue

- General Fund – $558M
  - State Foundation Aid – $438M
  - Property Tax – $92M
  - Other State Aid – $10M
  - Other Revenue – $19M
An independent demographer has projected a continued decline in DPS student enrolment, forecasting a decline to 58,570 students by 2014.

The District will again mount an aggressive enrollment marketing campaign to attract and retain students.
FY 2011 Expenditures
Expenditures: What’s in the FY11 Budget

- The FY2011 budget supports a broad range of activities and infrastructure:
  - 142 schools and their staff
  - District-wide safety and security system including 69 sworn police officers
  - Transportation for 23,200 general and special education students
  - Over 15M meals will be served in 2011
  - Early Childhood (pre-K) programs for 7,200 children in 85 schools
  - Athletic teams and extra-curricular programs
  - Full implementation of new student information system and a new academic technology platform for students, parents and teachers
## FY 2011 Expenditures

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Total</td>
<td>$558M</td>
</tr>
<tr>
<td>Schools</td>
<td>$223M</td>
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<tr>
<td>Facilities</td>
<td>$ 82 M</td>
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<tr>
<td>Debt Payments</td>
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<td>Special Ed Transfer</td>
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<td>Transportation</td>
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<td>Utilities</td>
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<td>Public Safety</td>
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<td>IT</td>
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<td>Finance</td>
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<td>Central Academics</td>
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<tr>
<td>HR</td>
<td>$  7 M</td>
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<tr>
<td>Other Admin Overhead</td>
<td>$ 19 M</td>
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</tbody>
</table>

| Total                | $486M   |
|                      | (87%)   |
|                      | $ 72M   |
|                      | (13%)   |
Cost Drivers: Debt Service

- Five years ago, the District issued $210 million in bonds to retire its FY 2005 deficit.

- As a result, before DPS spends one penny for the classroom, it must first set aside **$22M** for this debt service payment.
  - This cost is equivalent to the compensation for 242 teachers

- DPS must set aside this annual payment every year till 2020.
Two-thirds of the FY2011 spending is on personnel including teachers, principals, custodians, and security officers.

- $96M – Employer contribution to the Michigan Public Schools Employees Retirement System (this represents a 15% rate increase from FY 2010)
- $46M – Savings from the redesign of the district’s healthcare benefits plan
Historically transportation costs have been high due to outdated and inefficient routing practices and the widespread use of taxis for special education students.

In FY2011, student transportation including scheduling, routing, drivers, buses and bus maintenance will be outsourced to three companies which will reduce costs by $8M.

23,200 general and special education students will ride yellow buses, taxis, or receive bus passes at a projected cost of $30M in FY2011.
Cost Drivers: Special Ed

- **Less Restrictive Environment** – More Special Education students are being educated alongside their General Education peers. Next year, 60 high school Special Ed only classrooms will be closed as a result.

- **Student Information System** – All special education student records are now tracked electronically in the Wayne RESA SIS allowing for better tracking of the key services our special education students are entitled to.

- **Reorganization** – We have aligned Special Education administratively with General Education resulting in the seamless management of every child’s academic needs.
Transition Plan

- November 15, 2010 present to the Governor, the Legislature and the State Superintendent of Public Instruction:
  - Restructured School District to create a more powerful academic environment for students
  - Implementation plan for restructuring
  - Roadmap for elimination of the legacy deficit (estimated $363M)
  - Permanent offices of Auditor General and Inspector General will ensure ongoing fiscal accountability and transparency