



**Detroit Public Schools
Office of the Emergency Manager**

FY 2011-12 Deficit Elimination Plan Narrative

1. For which employee groups have negotiations been completed for 2011-2012?

The District has completed negotiations with the following employee organizations:

- Detroit Federation of Teachers (DFT)
- International Union of Operating Engineers, Local 547 (NISP)
- American Federation of State, County and Municipal Employees (AFSCME), Local 345
- Detroit Association of Educational Office Employees (DAEOE)
- Detroit Federation of Paraprofessionals (School Service Assistants)
- Detroit Federation of Paraprofessionals (Food Service)
- Organization of School Administrators and Supervisors (OSAS)

2. For which employee groups have negotiations not been completed for 2011-2012?

The District is engaged in meet and confer sessions with the following employee organizations:

- Police Officers Association of Michigan (POAM) – This is a new union that represents the District’s Police Officers. The District was unable to begin negotiations with this union until completion of the representation vote as required under the Public Employees Relations Act. The District and POAM are currently engaged in meet and confer session related to non economic issues.
- Police Officers Labor Council (POLC) was legally required to suspend negotiations with the District pending the outcome of the members’ vote on new representation. The POLC represents the District’s LEIN Operators. The District and POLC are currently engaged in meet and confer session related to non economic issues.

3. For which employee groups have negotiations been completed for 2012-2013?

The District has completed negotiations with the following employee organizations:

- International Union of Operating Engineers, Local 547 (NISP)
- American Federation of State, County and Municipal Employees (AFSCME), Local 345
- Detroit Association of Educational Office Employees (DAEOE)
- Detroit Federation of Paraprofessionals (School Service Assistants)
- Detroit Federation of Paraprofessionals (Food Service)
- Organization of School Administrators and Supervisors (OSAS)

4. For which employee groups have negotiations not been completed for 2012-2013?

The District is engaged in meet and confer sessions with the following employee organizations:

- The contract for the Detroit Federation of Teachers (DFT) expires after the 2011-2012 fiscal year.
- Police Officers Association of Michigan (POAM) – This is a new union that represents the District’s Police Officers. The District and POAM are currently engaged in meet and confer session related to non economic issues.
- Police Officers Labor Council (POLC) - The District and POLC are currently engaged in meet and confer session related to non economic issues.

5. When is the next year employee negotiations will open?

The chart below lists the contract expiration date for each of the negotiated contracts.

Affiliation	Expiration Date of Contract
Detroit Federation of Teachers (DFT)	6/30/2012
International Union of Operating Engineers Local 547 (NISP)	6/30/2014
American Federation of State, County and Municipal Employees (AFSCME), Local 345	12/31/2013
Detroit Association of Educational Office Employees (DAEOE)	6/30/2013
Detroit Federation of Paraprofessionals (School Service Assistants)	6/30/2014
Detroit Federation of Paraprofessionals (Food Service)	6/30/2014
Organization of School Administrators and Supervisors (OSAS)	6/30/2013
Police Officers Labor Council (POLC)	N/A
Police Officers Association of Michigan (POAM)	N/A
Total Represented Employees	
Non Bargaining Units	
Organization of School Administrators and Supervisors (OSAS) Related	N/A
Detroit Association of Educational Office Employees (DAEOE) Related	N/A
Non-Represented Employees	N/A
Assistant Principals	N/A
Executive Staff	N/A
GRAND TOTAL	

6. Are projected savings from employee negotiations included in 2011-2012?

The projected savings are captured in the budget without being listed separately in Section A for 2011-2012. The FY 2011-12 Budget and DEP include \$81 million in projected personnel costs savings related to wage concession, changes in employee health care payments, and suspension of contractual economic drivers such as longevity pay, step increments, furlough days and bonuses.

7. Are projected savings from employee negotiations included in Section A for 2012-2013?

The projected savings are captured in the budget without being listed separately in Section A for 2012-2013.

8. What factors caused the school district's deficit?

Fiscal Year 2007-2008

A broad range of internal initiatives were undertaken during this and prior fiscal years, such as the following:

- Class Size Reduction;
- Full Day Kindergarten;
- Building Security;
- Full Special Education Compliance;
- Information Systems and Technology Improvements;

- Offering better insurance plans to employees; and
- Asbestos issues.

The District underestimated the cost and scope of these initiatives, and this resulted in a deficit.

Furthermore, the following external factors also contributed to the District's deficit:

- Declining enrollment;
- Increased charter school options in the City of Detroit; and
- Increased pension and health insurance obligations.

In order to compensate for the preceding factors, the Division of Finance recommended releasing staff. Unfortunately, DPS was unable to layoff the recommended number of staff members without interrupting education or support services.

These matters contributed to a General Fund operating deficit of approximately \$136 million for the fiscal year with a fund balance deficit of approximately \$140 million as of June 30, 2008.

Fiscal Year 2008-2009

Following FY 2008, DPS developed 21 budget reduction strategies to address the deficit. The following are some of the initiatives:

- Elimination of 818 instructional-related positions due to projected enrollment and revenue declines;
- Elimination of 700 non-instructional and central administration positions due to projected enrollment and revenue declines;
- The discretionary budgets for central administration offices were reduced by 50%; and
- Additional wage concessions.

DPS was not able to layoff the recommended number of positions without impacting the quality of service to students and staff. In addition, DPS was not able to cut the discretionary budgets for central administration without having a negative impact.

Furthermore, none of the bargaining unions agreed to additional concessions during FY 2009.

These matters contributed to a General Fund operating deficit of approximately \$79.2 million for the fiscal year with a fund balance deficit of approximately \$219 million as of June 30, 2009.

Fiscal Year 2009-2010

The FY 2010 Adopted Budget included a projected \$89.6 million in labor savings from the various bargaining units. The District completed negotiations with all but four of the organizations after April 2010 resulting in \$38 million in unrealized labor savings.

Several employee categories were slated to be terminated during 2009-2010. However, the decision was made to rescind these layoffs to avoid classroom disruption. The estimated cost to rescind these layoffs was \$19.3 million.

Based on estimates, DPS educated approximately 2,000 more students than it was actually funded for. As a result, DPS incurred an unfunded cost of approximately \$20.1 million to staff schools to enrollment rather than student FTE.

Approximately \$45 million in state stabilization stimulus funds was included in the original budget the District planned to use those funds to retain 443 teachers. The actual amount of state stabilization stimulus funds received was \$26.7 million. The \$19.1 million in expenses required to fund these teachers through the school year increased the District's general fund deficit.

In May of 2010, the District was informed by Wayne County of a \$7 million charge back in uncollected property taxes primarily attributable to the bankruptcies of Greektown Casino and General Motors.

DPS lost approximately \$8.1 million in per pupil funding due to the loss of 1,407 student FTEs in the fall 2009 count performed by Wayne RESA.

These matters contributed to the General Fund operating deficit of \$108.3 million for the fiscal year with a fund balance deficit of \$327.3 million as of June 30, 2010.

Fiscal Year 2010-2011

DPS anticipates ending FY 2011 with a balanced budget, and no increase to the current General Purpose Fund operating deficit. This is predicated on the District receiving its budgeted locally supported tax and state aid including state reimbursements.

9. What is the District's plan to eliminate the deficit?

The FY 2012 Budget assumes the reduction of \$200 million of the projected June 30, 2011 deficit balance through the issuances of long term revenue bonds. The following assumptions are assumed in the FY 2012 Budget to complete and meet the financial and operational objectives for the period of July 1, 2011 to June 30, 2012.

- A. **Student Enrollment Projections (FTE).** The FY 2012 Budget assumes that the per pupil funding from the State of Michigan changes to a formula based on 90 percent of the Fall 2011 projected enrollment and 10 percent of the Spring 2011 FTE enrollment which will equate to a FTE enrollment of 66,360 FTE.

In comparison, the FY 2011 budget is based on 75 percent of Fall FTE enrollment and 25 percent of Spring FTE enrollment.

Additionally, Pre-Kindergarten enrollment for fall 2011 is projected at 3,172 students.

B. State Aid Foundation Funding. For the 2011-2012 academic school year, DPS’s foundation allowance is budgeted to be \$7,390. The FY 2012 Budget assumes a benefit per pupil foundation amount from the base amount noted in the approved State of Michigan budget related to two items contained in the Michigan School Aid Bill:

- DPS receives \$100 per pupil incentive if certain criteria are met
- DPS receives approximately \$100 per pupil to offset the pension rate increase

C. Personnel Spending. The FY 2012 General Purpose Budget assumes a wage and compensation structure for all employee groups and non-union personnel that includes:

- *Salary & Wage Reductions.* All employees will take a wage reduction from the current agreement levels to reach a 10% reduction amount.
- *Health/Dental/Life/Vision (HDLV) Insurance.* The FY 2012 Budget assumes a revised negotiated employer paid health, dental, life and vision funding level with employees to an 80% to 20% payment structure. This cost sharing initiative follows the Governor’s Initiative that all public employees move to an 80-20 cost sharing plan.
- *State of Michigan Employer Pension.* The FY 2012 Budget reflects the State mandated pension rate of 24.46% which is an 18.4% increase over the current year rate of 20.66%.
- *Suspend Economic Wage Drivers.* The FY 2012 Budget includes the suspension of certain economic wage impacts.

D. School Teacher Staffing Levels. For FY 2012, school staffing is based on various models and scheduling assumptions to achieve the Academic Plan. Beginning in FY 2012, teachers and support staffing allocations are based on projected student FTE versus actual enrollment headcount. For FY 2012, class sizes were determined by the provisions of the current Detroit Federation of Teachers (DFT) collective bargaining unit agreement maximums.

Grade level	FY 2011 Teachers per classroom	FY 2012 Teachers per classroom
Grades Pre K	17	17
Grades K to 3	25	25
Grades 4 to 5	33	30
Grades 6 to 8	38	35
Grades 9 to 12	38	35

Additionally, adjustment factors were made for various high school teacher positions including vocational education, bilingual/ELA, and advanced placement students.

Please refer to the Detroit Public Schools adopted budget for additional information on the other key school staffing positions including Principals, Assistant Principals, Guidance Counselors, and Clerical positions on the District’s website at: http://detroitk12.org/data/finance/docs/FY2012_Adopted_Budget.pdf

E. Staffing for Pre Kindergarten (Pre K) Classrooms. Pre K classes are funded with Federal Grant funds. The teacher staffing ratio is 17 students to 1 teacher as in accordance with the current DFT collective bargaining unit agreement. The FY 2012 Budget includes increased financial resources for the expansion of the District’s Pre-Kindergarten efforts.

Investment in the expansion of a high-quality pre-kindergarten program can yield both academic and fiscal benefits. Research shows that children who are provided rich early learning experiences benefit both cognitively and socially. At the same time, the pre-kindergarten program provides a unique opportunity for the District to counter declining enrollment and build a constant pipeline of students, with a solid academic foundation, who are prepared to enter the District’s kindergarten program. Clearly, this enrollment strategy has the potential to increase District base funding and improve student readiness.

F. Staffing for Special Education Classrooms. Teacher service for all special education programs was developed using staffing ratios. Staffing ratios for all “low incidence” programs are established through the Wayne RESA (WRESA) budget and staffing criteria. In any case, the number of children assigned to Special Education classes shall be in accordance with the State recommended standards. Below is DPS’ 2010-11 staffing ratios and total headcount budgeted based on demographic projections of students by special education program. The FY 2012 General Purpose Budget is based upon the same student to ratio methodology.

	Student Headcount	Teachers	%	Ratio
Mild Cognitive Impaired	1,354	83		16
Moderate Cognitive Impaired	804	58		14
Severe Cognitive Impaired	189	12		16
Emotionally Impaired	421	47		9
Hearing Impaired	170	36		5
Visually Impaired	20	13		2
Physical/Other Impaired	194	32		6
Severely Multiple Impaired	252	38		7
Early Childhood (Classroom)	158	22		7
Severe Language Impairment	1	2		1
Autism Spectrum Disorder	699	131		5
Subtotal	4,262	473	51%	9

K-12 Level Resource Program	4,914	341		14
Learning Disabled	<u>2,307</u>	<u>95</u>		<u>24</u>
Subtotal	7,221	436	47%	17
Early Childhood Services	<u>352</u>	<u>22</u>	<u>2%</u>	<u>16</u>
Grand Total	11,836	931	100%	13

G. **Master Scheduling.** The master schedule has an impact on the final teacher staffing levels. The final teacher service allocations for the school year will be finalized in August 2011 based on the final approved school closures / charters and updated enrollment projections. The final allocations are anticipated to be within the proposed budget amounts based on the above assumptions.

H. **Facility/School Closure and School Charter Plan.** The School Closure Plan removes a net of 11 buildings from operation for FY 2012. A net reduction of five buildings will result through consolidation of a number of older schools into new buildings being built through the 2009 Bond Issue with the older buildings coming off-line:

- DTC East and West (completed – Spring 2011) renovated and moving into Drew
- Consolidate Gompers and Vetal with Brightmoor replaced by Brightmoor
- Webster replaced by Earhart
- Barton & Parker replaced by new Mackenzie Pre K - 8
- Logan & O.W. Holmes replaced with Munger Pre K-8

Buildings currently occupied but coming off-line through the closure/consolidation process include:

- Carstens Elementary School
- Hutchins Elementary School
- Hutchinson Elementary School
- Robeson/Malcolm X Middle School
- Sherrill Elementary School
- Van Zile Elementary School

The FY 2012 Budget assumes the chartering or third party management of eight elementary and high schools including:

- Edmonson Elementary
- Glazer Elementary
- Hamilton Elementary
- Loving Elementary
- White Elementary
- Barsamian High School
- Ferguson High School
- Hancock Middle School

The below chart summarizes the number of schools by type. The chart includes three school consolidations to be consolidated during FY 2012.

<u>Schools</u>	<u>Adopted Budget FY 2012</u>
Pre K	1
Elementary	83
Middle School	4
High School	34
Career Technical Centers	<u>5</u>
Total Schools	127

G. District wide Title I and Other Federal Funds School Reform Federal Funding Initiatives. The FY 2012 Budget assumes the use of projected carryover Title I funds for school reform initiatives.

I. Outsourcing and Proposed Shared Service Initiatives. DPS continues to pursue outsourcing opportunities. To date, successful outsourcing initiatives have been:

- School Transportation
- School Security
- School Housekeeping & Building Maintenance
- Grounds Maintenance
- Warehousing
- Benefits Administration
- Printing Services
- Information Technology Operations, Helpdesk, and System Support
- Supplemental Special Education Services

DPS is undertaking a detailed review and analysis of opportunities related to cost sharing initiatives related to various shared services with area local governments including the City of Detroit, Wayne County, Wayne County Community College, Wayne RESA, and the State of Michigan. The study and review of various shared services are under review by the newly appointed Emergency Manager. Some of the preliminary areas of study for financial and operational improvements with area local governments include:

- Information Technology. The District has had several productive meetings with regional entities regarding sharing IT services. Negotiations are ongoing.
- Human Resources/Payroll Process. The District has put out an RFP to outsource certain HR and payroll functions. Proposals are currently under review.
- Finance Reporting / Accounting System. Project teams are in place with a regional entity to consider the viability of adopting a shared services model for finance. Through these discussions the district is looking to streamline financial reporting and processing. Further analysis is underway and discussions are ongoing.

- Risk Management/Insurance. DPS has engaged in preliminary conversations with the local and regional officials to determine if there is a more efficient way to perform this function under a shared services model. Further analysis is underway and discussions are ongoing.
- Procurement. The District is considering opportunities to streamline its purchasing function by adopting a pooled purchasing model in collaboration with State, regional, and local entities. Further analysis is underway and discussions are ongoing.
- Student Transportation. The District has already outsourced this function. However, the District is exploring potential ways in which this service can more efficiently be performed under a shared services model. Further analysis is underway and discussions are ongoing.
- Special Education. The District is exploring several potential service sharing opportunities in the management of Special Education with regional entities. Further analysis is underway and discussions are ongoing.
- Adult Education. The District has had several meetings with a local community college regarding the operational efficiencies and academic improvements that could potentially be generated through a shared services model. Further analysis is underway and discussions are ongoing.

The following chart summarizes DPS' plan to eliminate its deficit over the next five years within the General Purpose Fund.

FY 2012 to FY 2016 Deficit Elimination Plan Assumptions - Financial Impact to the GENERAL PURPOSE FUND					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Beginning Year Projected Deficit - July 1	\$ (327,299,265)	\$ (127,299,265)	\$ (79,010,068)	\$ (45,293,704)	\$ (18,905,869)
Revenue:					
Annual General Purpose Fund Revenues	\$ 482,269,587	\$ 482,269,587	\$ 482,269,587	\$ 482,269,587	\$ 482,269,587
Revenues Increases or (Decreases) to FY 2012 Budget:					
One Time Revenues from Long Term Revenue Bonds	\$ 200,000,000				
[1] Loss in State Aid due to decline student FTE enrollment		\$ (14,780,000)	\$ (29,560,000)	\$ (36,950,000)	\$ (44,340,000)
Increased revenue from collection of delinquent Property Taxes		\$ 6,409,800	\$ 6,409,800	\$ 6,409,800	\$ 6,409,800
Net Changes in Revenues	\$ 200,000,000	\$ (8,370,200)	\$ (23,150,200)	\$ (30,540,200)	\$ (37,930,200)
Total Revenues	\$ 682,269,587	\$ 473,899,387	\$ 459,119,387	\$ 451,729,387	\$ 444,339,387
Expenses:					
Annual General Fund Purpose Expenses	\$ 482,269,587	\$ 482,269,587	\$ 482,269,587	\$ 482,269,587	\$ 482,269,587
Increases or (Decreases) to FY 2012 Baseline Budget					
(-) District Reorganization and Shared Services Initiatives		\$ (27,163,755)	\$ (26,294,061)	\$ (25,389,578)	\$ (24,448,917)
(-) Net Savings from the consolidation/closure of 5 Schools each year or 20 total		\$ (4,952,100)	\$ (9,904,200)	\$ (14,856,300)	\$ (19,808,400)
(-) Enrollment and Cost Containment Reserve		\$ (16,823,700)	\$ (16,823,700)	\$ (16,823,700)	\$ (16,823,700)
(-) Reduce Transportation costs by 20% with improved Student Routing		\$ (6,440,000)	\$ (6,440,000)	\$ (6,440,000)	\$ (6,440,000)
(-) Personnel cost savings through Attrition		\$ (10,000,000)	\$ (10,000,000)	\$ (10,000,000)	\$ (10,000,000)
(+) Future year personnel cost increases		\$ 8,720,158	\$ 12,595,397	\$ 16,581,543	\$ 20,682,485
Changes in Expenses:	\$ -	\$ (56,659,397)	\$ (56,866,564)	\$ (56,928,035)	\$ (56,838,531)
Total General Purpose Fund Expenses	\$ 482,269,587	\$ 425,610,190	\$ 425,403,023	\$ 425,341,552	\$ 425,431,056
General Purpose Fund Operating Surplus	\$ 200,000,000	\$ 48,289,197	\$ 33,716,364	\$ 26,387,835	\$ 18,908,331
Projected Ending Fund Balance - June 30:	\$ (127,299,265)	\$ (79,010,068)	\$ (45,293,704)	\$ (18,905,869)	\$ 2,463

J. FY 2013 to FY 2016 Revenue Adjustments

The FY 2013 to FY 2016 DEP includes the following revenue assumptions and adjustments:

- **State Foundation Aid/Enrollment Changes.** The five year DEP reflects the loss of a total of 6,000 student FTEs. The FY 2016 blended count is projected to be 60,360. For the period of 2013 to 2014 State Aid revenue is projected to decline by \$14,780,000 per year as student FTE declines by 2,000 FTEs in 2013 and 2014. With the recent building enhancements from the 2009-2010 bond programs and improved academic program focus, student enrollment is expected to stabilize in 2015 and 2016, resulting in student enrollment declines of 1,000 for each year. The resulting student FTE decline in 2015 and 2016 results in State Aid revenue reduction of \$7,390,000 in 2015 and 2016. The DEP assumes an enrollment and cost containment reserve of \$16,823,700 to cover any shortfalls in enrollment projections and negative variances in expenses.

Secondly, with the recent building enhancements from the 2009-2010 bond programs and improved academic program focus, DPS feels that the enrollment decline will begin to stabilize in the upcoming years. Secondly, DPS is making an investment in the expansion of a high-quality pre-kindergarten program that will yield both academic and fiscal benefits. Research shows that children who are provided rich early learning experiences benefit both cognitively and socially. At the same time, the pre-kindergarten program provides a unique opportunity for the District to counter declining enrollment and build a constant pipeline of students, with a solid academic foundation, who are prepared to enter the District's kindergarten program. Clearly, this enrollment strategy has the potential to increase District base funding and improve student readiness.

- **Property Tax Collections.** The five year DEP includes DPS collecting 100 percent of property tax collections for the period of 2013 to 2016 based on the County making up any shortfall in collections. While the budget includes a delinquency rate, DPS will receive the full revenue amount from the County delinquent tax note sales. This results in an annual increase of revenue of \$6.4 million.
- **Other General Purpose Fund Revenue** – Other revenue assumed to remain at FY 2012 Adopted Budget amounts.
- **Adult Education State Aid** – State Aid revenue for the period of 2013 to 2016 is \$4,422,252 per year, which is the amount forecasted in the FY 2012 Adopted Budget.

- **Federal and State Grants**

Title I / 31A At Risk / Title II / Great Start Readiness / Other Grants – All grants assumed to decline at the same rate as student FTEs. The five year DEP reflects the loss of a total of 6,000 student FTEs. The FY 2016 blended count is projected to be 60,360.

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	66,360	64,360	62,360	61,360	60,360
FTE YOY		2,000	2,000	1,000	1,000
FTE % YOY		3.01%	3.11%	1.60%	1.63%

The FY 2012 Budget includes Title I / Title II / Title III Carryover of \$101,375,533. The FY 2013 to FY 2016 DEP assumes no additional carryover of Federal Grant Funds. As a result, 744 positions will be eliminated in FY 2013. Additionally, the FY 2013 to FY 2016 revenue projections reflect the elimination of all one-time ARRA and State Fiscal Stabilization Grant Funds.

- **Special Education** - All Special Education revenues assumed to decline at the same rate as student FTEs.
- **Long Term Revenue Bonds.** The DPS FY 2012 budget includes a proposed restructuring of DPS existing short term debt obligations. The General Purpose Revenues include \$200 million in one-time debt restructuring net proceeds to reduce the current General Purpose deficit of \$327 million. The Long Term Revenue Bonds will reduce the projected June 30, 2012 accumulated deficit to \$127 million.

The below table summarizes the revenue increases and decreases for FY 2012 to FY 2016 by Major General Fund appropriation:

Fund	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Fund 11: General Fund					
Property Tax Net	\$ 81,639,761	\$ 88,049,560	\$ 88,049,560	\$ 88,049,560	\$ 88,049,560
State Aid					
22a Prop A Obligation	\$ 282,477,657	\$ 271,310,867	\$ 260,143,470	\$ 254,559,937	\$ 248,976,550
22b Discretionary Payment	77,068,458	73,455,249	69,842,643	68,036,273	66,229,567
152a Headlee Obligation - Adair & 94a.9	-	-	-	-	-
26a Renaissance Zone	2,037,609	2,037,609	2,037,609	2,037,609	2,037,609
29 Declining Enrollment	-	-	-	-	-
61a.1 Voc Education	1,465,212	1,465,212	1,465,212	1,465,212	1,465,212
Prior Year Adjustments	-	-	-	-	-
State Aid Net	\$ 363,048,936	\$ 348,268,937	\$ 333,488,934	\$ 326,099,031	\$ 318,708,937
Other					
Earnings on Investments	\$ 364,080	\$ 364,080	\$ 364,080	\$ 364,080	\$ 364,080
Medicaid Reimbursements	17,057,534	17,057,534	17,057,534	17,057,534	17,057,534
JROTC	1,990,535	1,990,535	1,990,535	1,990,535	1,990,535
Charter School Admin Fee	754,782	754,782	754,782	754,782	754,782
Misc. - Proceeds from Reimbursements	-	-	-	-	-
Proceeds from Real Estate Sales	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Other - Proceeds from Property Leases	3,002,009	3,002,009	3,002,009	3,002,009	3,002,009
Other - Community Use	267,000	267,000	267,000	267,000	267,000
Transfer From Food Service	2,126,039	2,126,039	2,126,039	2,126,039	2,126,039
Other - Misc	12,000	12,000	12,000	12,000	12,000
Other Net	\$ 28,573,979	\$ 28,573,979	\$ 28,573,979	\$ 28,573,979	\$ 28,573,979
Proceeds From Long-Term Revenue Bonds	\$ 200,000,000	\$ -	\$ -	\$ -	\$ -
Total Fund 11	\$ 673,262,676	\$ 464,892,476	\$ 450,112,473	\$ 442,722,570	\$ 435,332,476
Fund 13: Adult Ed					
State Aid	\$ 4,422,252	\$ 4,422,252	\$ 4,422,252	\$ 4,422,252	\$ 4,422,252
Deferred Revenue	13,657,378	-	-	-	-
Total Fund 13	\$ 18,079,630	\$ 4,422,252	\$ 4,422,252	\$ 4,422,252	\$ 4,422,252
Fund 14 : Grants					
Title I	\$ 146,115,045	\$ 141,040,882	\$ 136,680,422	\$ 134,484,324	\$ 132,298,804
Title I / Title II / Title III Carryover	101,375,533	-	-	-	-
31a At Risk	28,906,728	28,035,519	27,164,309	26,728,704	26,293,100
Title II	19,000,000	18,427,366	17,854,732	17,568,415	17,282,098
Great Start Readiness (Early Child Ed)	14,088,240	13,663,640	13,239,039	13,026,739	12,814,439
Other Grants	18,566,736	17,197,990	16,638,413	16,358,628	16,078,841
Total Fund 14	\$ 328,052,281	\$ 218,365,397	\$ 211,576,915	\$ 208,166,810	\$ 204,767,281
Fund 18: ARRA					
ARRA School Improvement	\$ -	\$ -	\$ -	\$ -	\$ -
Summer School Carryover	11,214,898	-	-	-	-
Total Fund 18	\$ 11,214,898	\$ -	\$ -	\$ -	\$ -
Special Education Funds & Grants (Funds 16 & 22)					
State Aid Grants	\$ 55,538,343	\$ 53,864,493	\$ 52,190,643	\$ 51,353,718	\$ 50,516,793
IDEA / Headstart Grants (a)	23,134,721	22,437,472	21,740,223	21,391,599	21,042,974
Act 18	60,150,117	58,337,274	56,524,431	55,618,010	54,711,589
Other Grants	617,039	598,442	579,845	570,547	561,249
Total Special Education	\$ 139,440,219	\$ 135,237,681	\$ 131,035,142	\$ 128,933,873	\$ 126,832,604
DEP Revenue	\$ 1,170,049,705	\$ 822,917,805	\$ 797,146,783	\$ 784,245,505	\$ 771,354,613
\$ YOY		-30.91%	-3.13%	-1.62%	-1.64%
Enrollment Decline		3.01%	3.10%	1.60%	1.62%
Memo: total State Aid Decline		\$ (14,780,000)	\$ (29,560,000)	\$ (36,950,000)	\$ (44,340,000)

Notes:

(a) For DEP reporting, IDEA / Headstart Grants included in Fund 14

(b) Fund 11 for DEP reporting purposes does not include transfer from Fund 14 to Fund 11

K. FY 2013 to FY 2016 Spending Adjustments

The following spending reductions are planned to be implemented over the next five years to reduce the current General Purpose Fund deficit. Expense reductions include:

- District Reorganization and Shared Service Initiatives.** The DEP reflects the efforts of the newly appointed Emergency Manager to undertake an extensive reorganization of all executive and administrative functions including potential shared service and/or outsourcing initiatives. Beginning in FY 2013, DPS will reduce its General Purpose Fund budget by \$24.4 - \$27.1 million as a result of these initiatives.

These cost savings initiatives will also include the elimination of transition consulting costs as full-time professional positions are filled. This initiative also includes the consolidation of administrative office operations into its own existing office space instead of leasing space; elimination of one-time contract costs and adjustments in utility costs

- **School Closures.** The DEP includes the closure of an additional 20 schools from 2013 to 2016. DPS will also examine the possibility of consolidating schools into combined facilities.
- **Enrollment and Cost Containment Reserve.** The DEP includes an enrollment and cost containment reserve of \$16.8 million to cover shortfalls in the projected enrollment projections and any unforeseen increases in expenses.
- **Improved Student Transportation Routing.** DPS projects annual savings of \$6.44 million from increased efficiency with internal overseeing the routing of student buses versus the current outsource provider.
- **Attrition Personnel Savings.** DPS projects annual attrition savings of \$10.0 million. The attrition savings will be generated from filling positions at lower salary levels and from the timing lag in replacing positions during the recruitment/hiring process.
- **Adjustments in Federal & State Grant Programs, Adult Education, and Special Education Program Appropriations.** Other General Fund programs have been reduced to reflect the changes in direct program revenues. The DEP reduces other General Fund revenues based on the decline in student enrollment and known revenue decreases due to the phase out of one-time grant funds.
- **Education Achievement Authority.** The District believes that the new Education Achievement Authority (EAA) solution will increase or off-set the declining enrollment in the District with its emphasis on increased support for struggling schools and focus on creating college ready students who will be able to capitalize on the proposed scholarships to be offered by the EAA. The submitted DEP does not reflect the financial impact of the new EAA at this time because neither final designation of the five percent recovery schools or nor the offsetting impact on the administrative and central support organization is known at this time. The fiscal impact of the new EAA will be effective with the FY 2013 budget or on July 1, 2012.

- **School Staffing Levels.** The FY 2013 to FY 2016 projections assumes school staffing levels at the current collective bargaining unit levels as budgeted for FY 2012.

	FY 2013 to FY 2016
Grade level	Teachers per classroom
Grades Pre K	17
Grades K to 3	25
Grades 4 to 5	30
Grades 6 to 8	35
Grades 9 to 12	35

All other related school staffing levels for Principals, Assistant Principals, Counselors, and Clerical support remain at the FY 2012 allocation levels.

- **Personnel Cost Adjustments.** While DPS will be undertaking major costs savings and efficiency measures, certain fixed costs will continue. The DEP assumes only the General Purpose Fund will experience cost increases. The other General Fund budgets will adjust spending priorities based on the availability of revenues. The DEP reflects the following spending increases only for the General Purpose Fund. Fixed cost increases factored into the FY 2013 to FY 2016 DEP include:
 - **Wage Adjustment.** The FY 2013 to 2016 projections include a 2.0% wage increase for all DPS employees.
 - **Employer Paid Health Plan Inflationary Increase (Health/Dental/Life/Vision).** DPS projects an annual inflationary increase of 5.0% for employer paid insurance plans from FY 2013 to FY 2016. The FY 2012 budget migrates to an 80-20 cost sharing plan.
 - **Pension Increase.** The FY 2013 budget assumes the pension rate will increase to 27.4%, based on preliminary information. We have assumed a flat pension rate of 27.4% from FY 2014 to FY 2016.
- **Adjusted Debt Service Payments.** The FY 2013 to FY 2016 Projections include the following principal and interest payments based on the issuances of the long term revenue bonds in the Fall of 2011. Annual principal and interest payments will include payment of the existing 2005B and the new 2011 Long-Term Debt bonds:

Debt	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
2005 B					
Principal	\$14,070,000	\$14,070,000	\$14,070,000	\$14,070,000	\$14,070,000
Interest	7,758,250	7,758,250	7,758,250	7,758,250	7,758,250
Total	\$21,828,250	\$21,828,250	\$21,828,250	\$21,828,250	\$21,828,250
2011 Long Term Rev					
Principal	\$14,734,875	\$18,935,000	\$20,450,000	\$22,085,000	\$23,855,000
Interest	16,621,125	18,916,400	17,401,600	15,765,600	13,998,800
Total 2011 LT Rev	\$30,996,000	\$37,851,400	\$37,851,600	\$37,850,600	\$37,853,800
Grand Total	\$52,824,250	\$59,679,650	59,679,850	59,678,850	\$59,682,050

10. What subjects or programs is the district proposing to eliminate or curtail?

The Emergency Manager is committed to producing an environment for high performance across the entire school system by creating a Master Education Plan for 21st century teaching and learning. The plan was released on March 15, 2010, and can be viewed at the following website:

http://www.detroitk12.org/admin/academic_affairs/docs/DPS_Academic_Plan.pdf

The FY 2012 budget addresses the primary goals of the academic plan to ensure equity of access to high quality instruction for all students while maximizing financial resources. Consistent with the core academic plan, DPS will remain vigilant to core instruction in mathematics and literacy across all grades.

DPS' core content areas will be supplemented by instruction to include science, social studies, foreign language, physical education, the arts and computer technology. In addition, DPS will ensure all enrolled students are provided the mandatory requirements to meet the requirements of the Individual Education Plan (IEP), the requirements for second language learners and the requirements in the State of Michigan for graduation.

11. What support services would be reduced or eliminated?

See Question 9. The newly appointed Emergency Manager will be undertaking an extensive review of this Division to determine the most efficient and accountable organizational structure to meet the academic vision and priorities of DPS. This may result in the consolidation and/or outsourcing of potential department functions to achieve long term financial and operational sustainability.

Secondly, DPS is undertaking a detailed review and analysis of opportunities related to cost sharing initiatives related to various shared services with area local governments including the City of Detroit, Wayne County, Wayne County Community College, Wayne RESA and the State of Michigan. The study and review of various shared services are under review by the newly appointed Emergency Manager.

12. What specific steps have been initiated to carry out the plan?

The newly appointed Emergency Manager will be undertaking an extensive review of the District to determine the most efficient and accountable organizational structure to meet the academic vision and priorities of DPS. This may result in the consolidation and/or outsourcing of potential department functions to achieve long term financial and operational sustainability. See question 14.

13. Please give the details of staff reduction for instruction, support services and community services.

During the FY 2012 to FY 2016 planning period the DEP reflects the elimination of 1,555 positions. The table below details the positions by category.

All Positions By Category						
	FY 2012 ¹	FY 2013	FY 2014	FY 2015	FY 2016	Change FY 2012- FY 2016
1XX Instruction	5,568.4	4,461.4	4,434.4	4,410.4	4,382.4	(1,186.0)
21X Support Services: Pupil	733.0	659.0	657.0	656.0	652.0	(81.0)
22X Instructional Staff	630.1	465.1	459.1	455.1	447.1	(183.0)
23x General Administration	34.0	34.0	34.0	34.0	34.0	-
24X School Administration	631.0	617.0	603.0	589.0	575.0	(56.0)
25X Business	99.0	66.0	66.0	66.0	66.0	(33.0)
26X Operations and Maintenance	155.0	155.0	155.0	155.0	155.0	-
27X Transportation	168.0	168.0	168.0	168.0	168.0	-
28X Central	101.8	85.8	85.8	85.8	85.8	(16.0)
29X Other	11.0	11.0	11.0	11.0	11.0	-
3XX Community Services	2.0	2.0	2.0	2.0	2.0	-
DEP Reporting Total	8,133.3	6,724.3	6,675.3	6,632.3	6,578.3	(1,555.0)
DEP YOY Change	N/A	(1,409.0)	(49.0)	(43.0)	(54.0)	(1,555.0)
Food Service	1,227.0	1,190.0	1,153.2	1,134.7	1,116.3	(110.7)
Total	9,360.3	7,914.3	7,828.4	7,766.9	7,694.5	(1,665.7)
YOY Change	N/A	(1,446.0)	(85.9)	(61.5)	(72.4)	(1,665.7)

Notes:

1 FY adopted budget included 33.5 less positions (9,326.8 positions) as positions added for Summer School have increased position count since FY Adopted Budget dated June 30, 2011.

14. Please give the details of any proposed employee wage concessions. Have any of those concessions been adopted?

Public Act 4 provides the Emergency Manager with authority to reject, modify, or terminate one or more terms and conditions of an existing collective bargaining agreement if the Emergency Manager and the State Treasurer determine that certain conditions are satisfied.

The Emergency Manager has satisfied those conditions and will exercise his authority, to implement the following concessions:

- Ten percent (10%) salary and wage concessions
- Twenty percent (20%) employees contribution to health care plan cost
- Various economic drivers

15. Please submit the most recent board approved budget along with the board resolution which with it was adopted or provide the URL at which it is located.

Pursuant to the provisions of the Local Government and School District Fiscal Accountability Act Public Act 4 of 2011, the Emergency Manager has assumed control over all fiscal matters of DPS.

The Emergency Manager's Order amending the FY 2011 Budget Order 2011-EMRR - 6 and adoption of the FY 2012 Budget Order 2011-EMRR - 7 can be viewed at:

http://detroitk12.org/admin/emergency_manager/orders

16. Please submit the Board Resolution showing approval of this Deficit Elimination Plan (DEP).

Pursuant to the provisions of the Local Government and School District Fiscal Accountability Act Public Act 4 of 2011, the Emergency Manager has assumed control over all fiscal matters of DPS and has approved this DEP.

17. List expected savings to be achieved by eliminating specific extra-curricular activities.

DPS has no plans to eliminate any extra-curricular activities. The FY 2012 budget includes a budget of \$3.6 million to provide stipends for coaches and umpires. In addition, this budget will be used to provide transportation for away games and public safety security.

18. Do you have a sinking fund? If so, what is it designated for?

DPS does not have a sinking fund.