



SEE IT BELIEVE IT
DETROIT PUBLIC SCHOOLS



**PROPOSED OPERATING BUDGET
YEAR-ENDING JUNE 30, 2017**

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DETROIT PUBLIC SCHOOLS



**Judge Steven Rhodes,
Transition Manager**

Dear Detroit Community:

This document proposes a budget for Detroit Public Schools. As a result of the State legislation passed at the beginning of June, what was one entity is becoming two separate ones on July 1, 2017: Detroit Public Schools ("DPS") and Detroit Public Schools Community District ("DPSCD").

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. The budget for this entity follows below.

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 budget for DPSCD has been created and presented separately.

The legislation helps usher in a new era. It enables DPSCD to have a fresh start with a focus on providing the best education for students in a financially sustainable way. The former entity (DPS) is retained to ensure past obligations are met over the course of the coming years. We look forward to this transition and the step forward that it represents.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven Rhodes".

Judge Steven Rhodes
Transition Manager



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II. MAJOR PLANNING ASSUMPTIONS

REVENUES

The FY 2017 General Fund budget reflects total revenues of \$66.0 million from property taxes based on the 18 mills in non-homestead property taxes and commercial personal property taxes that DPS will collect.

Other Sources:**Loan Proceeds**

DPS will also receive \$150.0 million in transitional operating funds (a loan from the State of Michigan).

EXPENDITURES

The FY 2017 General Fund budget reflects \$1.0 million in support services. \$700 thousand of that total is for accounting services and for the independent audit of DPS FY 2016 finances that is required by the State of Michigan. There is also \$300 thousand in the budget for legal costs associated with transitioning from DPS to DPSCD.

Debt Service

DPS will have \$65.0 million in Debt Service for FY 2017 to pay the coming year's portion of the \$617 million in funding that the recent legislation approved (\$467.0 million of old obligations plus \$150.0 million in State-provided transitional operating funds).

Other Uses:**Transfer to Other School Districts**

DPS will transfer \$25.0 million of the \$150.0 million in State-provided transitional operating funds to the Detroit Public Schools Community District for investment in academic programs, safety enhancements, and facilities maintenance. The remainder (\$125.0 million) will remain with Detroit Public Schools to pay legacy DPS obligations, such as 26-pay, June 2016 payroll, and vendor liabilities.



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III. PROPOSED BUDGET FOR DETROIT PUBLIC SCHOOLS

The Detroit Public Schools Budget is presented below¹:

**DETROIT PUBLIC SCHOOLS
GENERAL FUND
PROPOSED BUDGET
YEAR ENDING JUNE 30, 2017**

	FY 2015	FY 2016 - 2nd Amendment	FY17	FY 2017 - Proposed Increase (Decrease) Over FY 2015 - Actual	FY 2017 - Proposed Increase (Decrease) Over FY 2016 - Amended
Revenue:					
Local sources					
Special education millage	\$ 30,085,680	\$ 31,777,479	\$ -	\$ (30,085,680)	\$ (31,777,479)
Property Taxes	65,981,648	68,909,286	66,000,000	18,352	(2,909,286)
Other	9,255,286	13,934,450	-	(9,255,286)	(13,934,450)
Total local sources	105,322,614	114,621,215	66,000,000	(39,322,614)	(48,621,215)
State sources	385,812,644	429,660,056	-	(385,812,644)	(429,660,056)
Federal sources	169,259,155	160,941,659	-	(169,259,155)	(160,941,659)
Total Revenue	660,394,413	705,222,930	66,000,000	(594,394,413)	(639,222,930)
Expenditures:					
Instruction					
	335,669,369	339,505,433	-	(335,669,369)	(339,505,433)
Support services					
Pupil services	52,375,223	57,706,830	-	(52,375,223)	(57,706,830)
Instructional staff support	62,830,196	71,701,361	-	(62,830,196)	(71,701,361)
General administration	7,583,101	4,464,900	300,000	(7,283,101)	(4,164,900)
School administration	35,378,176	37,594,136	-	(35,378,176)	(37,594,136)
Business office	16,031,649	8,994,005	700,000	(15,331,649)	(8,294,005)
Operations & maintenance	79,307,554	74,835,192	-	(79,307,554)	(74,835,192)
Transportation	32,840,089	37,194,522	-	(32,840,089)	(37,194,522)
Central support service	29,780,386	29,522,183	-	(29,780,386)	(29,522,183)
Other support service	2,023,495	885,007	-	(2,023,495)	(885,007)
Total support services	318,149,869	322,898,136	1,000,000	(317,149,869)	(321,898,136)
Community service	3,301,079	4,596,346	-	(3,301,079)	(4,596,346)
Facilities acquisitions and improvement	14,721	577,896	-	(14,721)	(577,896)
Debt service	56,895,055	63,849,494	65,000,000	8,104,945	1,150,506
Total Expenditures	714,030,093	731,427,305	66,000,000	(648,030,093)	(665,427,305)
Other Financial Sources (Uses)					
Sources					
Proceeds from sale of capital assets	5,401,970	3,046,000	-	(5,401,970)	(3,046,000)
Loan Proceeds	-	-	150,000,000	150,000,000	150,000,000
Transfers In	1,762,100	2,256,058	-	(1,762,100)	(2,256,058)
Total Sources	7,164,070	5,302,058	150,000,000	142,835,930	144,697,942
Uses					
Transfer to DPS Community District	-	-	(25,000,000)	(25,000,000)	(25,000,000)
Total Uses	-	-	(25,000,000)	(25,000,000)	(25,000,000)
Total Other Financial Sources (Uses)	7,164,070	5,302,058	125,000,000	117,835,930	119,697,942
Excess (deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses					
	(46,471,610)	(20,902,317)	125,000,000	171,471,610	145,902,317
Beginning Fund Balance	(169,460,307)	(215,931,917)	(236,834,234)		
Ending Fund Balance	\$ (215,931,917)	\$ (236,834,234)	\$ (111,834,234)		

¹ Assumes levy of 18 mills and receipt of personal property tax replacement revenues.



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**IV. PROPOSED BUDGET FOR
DETROIT PUBLIC SCHOOLS
OTHER GOVERNMENTAL
FUNDS**

Food Service

The District records food service economic transactions in Fund 25, which is a special revenue fund that is not a part of the General Fund and as such is presented separately. This Fund has historically had a positive fund balance, which will be transferred to Detroit Public Schools Community District in FY 2017.

**DETROIT PUBLIC SCHOOLS
FOOD SERVICE FUND
PROPOSED BUDGET
YEAR ENDING JUNE 30, 2017**

	FY 2015 - Actual	FY 2016 - 2nd Amendment	FY 2017 - Proposed	FY 2017 - Proposed Increase (Decrease) Over FY 2015 - Actual	FY 2017 - Proposed Increase (Decrease) Over FY 2016 - Amended
Revenue:					
Local sources					
Other	\$ 906,280	\$ -	\$ -	\$ (906,280)	\$ -
Total local sources	906,280	-	-	(906,280)	-
State sources	1,653,364	2,800,000	-	(1,653,364)	(2,800,000)
Federal sources	43,044,669	43,570,897	-	(43,044,669)	(43,570,897)
Total Revenue	45,604,313	46,370,897	-	(45,604,313)	(46,370,897)
Expenditures:					
Support services					
Personnel	13,529,815	15,674,477	-	(13,529,815)	(15,674,477)
Purchased Services	2,914,962	3,865,065	-	(2,914,962)	(3,865,065)
Supplies	24,424,489	23,356,646	-	(24,424,489)	(23,356,646)
Equipment & Capital	1,798,665	1,218,651	-	(1,798,665)	(1,218,651)
Total support services	42,667,931	44,114,839	-	(42,667,931)	(44,114,839)
Total Expenditures	42,667,931	44,114,839	-	(42,667,931)	(44,114,839)
Other Financial Sources (Uses)					
Uses					
Transfers Out	(1,762,100)	(2,256,058)	-	(1,762,100)	(2,256,058)
Transfers to Other School Districts	-	-	(6,146,057)	6,146,057	6,146,057
Total Uses	(1,762,100)	(2,256,058)	(6,146,057)	4,383,957	3,889,999
Total Other Financial Sources (Uses)	(1,762,100)	(2,256,058)	(6,146,057)	(4,383,957)	(3,889,999)
Excess (deficiency) of Revenue Over (Under) Expenditures	1,174,282	-	(6,146,057)	(7,320,339)	(6,146,057)
Beginning Fund Balance	4,971,775	6,146,057	6,146,057		
Ending Fund Balance	\$ 6,146,057	\$ 6,146,057	\$ -		