

**SCHOOL DISTRICT PLAN FOR ELIMINATING A DEFICIT BUDGET
Six Year Plan**

Legal Name of School District

City of Detroit Public Schools

Address:

3011 W. Grand Blvd., 11th Floor
Detroit, MI 48202

A. FINANCIAL DATA

					Actual	Actual	Actual	Estimated	Estimated	Estimated
					2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
	Beginning Fund Equity (See B.)				74,650,009	(48,687,349)	46,791,278	22,022,693	747,148	218,951
(1XX)	ADD: Revenues Local Sources				151,400,166	168,217,672	174,770,593	186,635,392	179,169,976	172,003,177
(2XX)	Other Political Subdivisions (Debt Conversion)				-	210,000,000	-	-	-	-
(3XX)	State Sources				1,119,522,326	1,024,334,845	972,484,297	886,322,385	858,583,649	827,403,212
(4XX)	Federal Sources				240,881,118	244,634,339	232,094,003	247,261,969	233,662,561	220,811,120
(5XX)	Incoming Transfers and Other Transactions				-	-	228,675	-	-	-
	TOTAL REVENUES, INCOMING TRANSFERS AND OTHER TRANSACTIONS				1,511,803,610	1,647,186,856	1,379,577,568	1,320,219,746	1,271,416,186	1,220,217,510
	TOTAL RESOURCES AVAILABLE				1,586,453,619	1,598,499,507	1,426,368,846	1,342,242,529	1,272,163,334	1,220,436,460
(1XX)	LESS: Expenditure Instruction Expense (Including Fringe Benefits)				943,731,984	880,636,202	774,709,827	697,349,459	651,872,762	625,328,885
(21X)	Support Services: Pupil				94,094,719	92,422,040	89,661,865	101,419,256	94,917,938	89,278,529
(22X)	Instructional Staff				46,219,051	56,382,353	73,493,456	74,933,474	72,634,660	69,069,512
(23X)	General Administration				16,860,052	18,580,518	9,578,564	8,792,250	9,037,317	8,877,791
(24X)	School Administration				137,831,706	128,841,235	110,680,160	96,104,245	83,400,182	79,645,361
(25X)	Business				52,378,243	57,614,256	44,330,670	42,896,467	43,769,610	43,845,896
(26X)	Operations and Maintenance				187,218,929	168,658,158	173,465,071	173,534,332	169,068,424	159,099,531
(27X)	Transportation				55,286,353	68,143,694	57,821,955	66,463,555	65,175,648	64,768,876
(28X)	Central				72,816,648	69,386,173	57,706,099	44,323,319	46,948,777	47,523,158
(29X)	Other				900,405	-	-	-	-	-
(3XX)	Community Services				6,922,133	5,812,500	4,805,508	7,351,163	6,791,791	6,398,960
(4XX)	Outgoing Transfers and Other Transactions				15,626,270	-	2,523,952	6,119,761	6,119,172	188,393
(5XX)	Debt Service				3,334,500	2,362,145	2,022,143	19,400,100	19,400,100	19,400,100
(6XX)	Fund Modifications				1,916,975	2,868,955	3,546,883	2,808,001	2,808,001	2,808,001
	TOTAL EXPENDITURES, OUTGOING TRANSFERS AND OTHER TRANSACTIONS				1,635,140,968	1,551,708,229	1,404,346,153	1,341,495,381	1,271,944,383	1,216,232,992
	Ending Fund Balance				(48,687,349)	46,791,278	22,022,693	747,148	218,951	4,203,468

B. FUND BALANCE

Year Ending June 30:		AMOUNT
25	2001	90,394,864
26	2002	103,603,001
27	2003	74,650,009

B. STATE SCHOOL AID MEMBERSHIP PROJECTIONS

Please list your State School Aid Membership **projection** as defined by State School Aid Act Section 6 (4):

YEAR:	2005-2006	2006-2007	2007-2008
ENROLLMENT:	130,718.76	119,133.00	113,133.00

C. S.E.V. AND MILLAGE DATA

	2005-2006	2006-2007 (Projected)
Homestead S.E.V.	3,189,470,510.00	3,300,701,557.00
Non-Homestead S.E.V.	5,254,573,864.00	5,676,218,274.00

MILLAGE ELECTION HISTORY	Date of Election	Proposal/Mills	RESULT OF VOTE	
Non-Homestead Property	November 2005	18	YES	<input checked="" type="checkbox"/>
			NO	
			YES	N/A
			NO	N/A
"Enhancement" (up to 3 mills)	N/A		YES	N/A
			NO	N/A
			YES	N/A
			NO	N/A
"Hold Harmless"	N/A		YES	N/A
			NO	N/A
			YES	N/A
			NO	N/A

D. SALARIES AND UNEMPLOYMENT BENEFITS

1. Estimated Gross Savings as a Result of Staff Reductions (FTE) reflected in Part A:

TITLE	STAFF REDUCTIONS in FTE		Amount of Savings Reflected in Part A	Additional Savings Projected in Part A
	2005-2006	2006-2007	2005-2006	2006-2007
	(1)	(2)	(3)	(4)
Instructional	1,385	740	\$ 81,160,000	\$ 46,381,587
Support Services	986	533	59,160,000	18,744,823
Community Services	2	0	120,000	0
TOTAL	2,373	1,273	\$ 140,440,000	\$ 65,126,410

2. Estimated Cost of Unemployment Benefits as a Result of Staff Reductions:

	2005-2006	2006-2007
TOTAL	\$16,956,750	\$9,096,478

E. OTHER REQUIRED DATA

Please answer the following questions on a separate sheet of paper.

1. 1. For which employee groups have negotiations been completed for 2006-2007?
2. 2. For which employee groups have negotiations not been completed for 2006-2007?
3. 3. For which employee groups have employee negotiations been completed for 2007-2008?
4. 4. For which employee groups have employee negotiations not been completed for 2007 -2008?
5. 5. When is the next year employee negotiations will be open?
6. 6. Are projected savings from employee negotiations included in the financial plan on page 1 for 2006-2007?
7. 7. Are projected savings from employee negotiations included in the financial plan on page 1 for 2007-2008?
8. 8. What factors caused the school district's deficit?
9. 9. What is the school district's plan to eliminate the deficit?
10. 10. What subjects or instructional programs is the district proposing to discontinue or curtail?
11. 11. What support services would be reduced or eliminated?
12. 12. What specific steps have been initiated to carry out the plan?
13. 13. Give the details of staff reductions for instruction, support services and community services.
14. 14. Please give the details of any proposed employee wage concessions? Have any of those concessions been accepted?
15. 15. Attach a copy of the most recent board approved budget along with the board resolution with which it was adopted.
16. 16. Attach a copy of the Board Resolution showing approval of the deficit elimination plan.
17. 17. List expected savings to be achieved by eliminating specific extra-curricular activities.
18. 18. Do you have a sinking fund? If so, what is it designated for?
19. 19. Explain any variances of 10% or more from section A.

NOTE: Please attach any other data that are pertinent to the school district's plan to eliminate its deficit.

F. CERTIFICATION I hereby certify as the responsible official of said school

district that the information contained in this deficit elimination plan is correct and has been board approved.

Signature of Superintendent or Authorized Official _____ Date _____

Contact Person (Type Name) _____

Telephone Number (Area Code/Local Number) _____

E. OTHER REQUIRED DATA

1. For which employee groups have negotiations been completed for 2006-2007?

Detroit Federation of Teachers

2. For which employee groups have negotiations not been completed for 2006-2007?

Contract negotiations remain ongoing.

3. For which employee groups have employee negotiations been completed for 2007-2008?

Negotiations have been completed for 2007-2008 for the Detroit Federation of Teachers.

4. For which employee groups have negotiations not been completed for 2007-2008?

Negotiations for all other bargaining units for 2007-2008 are not complete.

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

DFT 2009-2110, Negotiations for all other bargaining units are continuing.

6. Are projected savings from employee negotiations included in the financial plan on page 1 for 2006-2007?

Yes, projected savings are included.

7. Are projected savings from employee negotiations included in the financial plan on page 1 2007-2008?

Yes, projected savings are included.

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

As described in the deficit elimination plan dated February 3, 2005 there were many factors that caused the \$200 million deficit. In summary, there was a broad range of intrinsic initiatives that were undertaken whose scope and costs were originally underestimated and resulted in the deficit. For example, class size reduction, full day kindergarten, building security, full special education compliance, information systems and technology improvements, insurance and issues relating to asbestos.

In addition to the intrinsic initiatives, there were extrinsic factors such as declining enrollment, charter school options, increased pension and health insurance obligations all of which contributed to the District's deficit. Each of the factors and initiatives were quantified in the deficit elimination plan dated February 3, 2005.

In order to compensate for the intrinsic and extrinsic factors a specific number of staff were identified. Unfortunately, the District failed to release the recommended number of excess staff required to maintain a balanced budget as recommended by the Division of Finance.

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

Based upon the District's Fiscal Year 2006 Comprehensive Annual Financial Report (CAFR) the Detroit Public Schools was no longer in a deficit as defined by State definition. However, we are painfully aware of the need to reduce expenditures to prevent further erosion of our fund balance. We are also aware that by using the fund balance to balance our budget, we are functioning with an operational deficit. As a result, we are compelled to make severe operational changes in addition to those actions that have been taken during the 2005-2006 fiscal year.

Cost-saving measures that have been taken are:

- Eliminated the ability to double-slot positions
- Eliminated the ability to fill multiple positions beyond the authorized level
- Properly implemented effective voice mail / help desk systems to allow for the reduction of staff. Expanded the scope of the helpdesk

responsibilities to include payroll, human resources, technology issues and general concerns

- Eliminated 2,373 positions
- Redefined job functions to increase productivity and reduce positions
- Organized all schools with significant special education populations in one cluster.
- Closed 33 buildings, with plans to close an additional 25-75 buildings
- Consolidated schools with low enrollment
- Eliminated vacancies where possible, and placed a hiring freeze on central office positions
- Eliminated any new textbook adoptions for two years
- Reduced small and expensive copier contracts

Cost saving measures that must continue and/or be initiated will ultimately be driven by the reduction of staff. This will translate into additional school closures, departmental-job consolidations and/or elimination. Beyond the major cost saving measures there are many actions that may be taken immediately (freezing discretionary spending) while others may occur over an extended period. Achieving some saving measures may be difficult and in some cases unrealistic. Regardless, each will be explored to the fullest extent possible. Some may result in immediate savings while others are long term.

Aside from expenditure adjustments the District is also looking at revenue enhancement strategies. In some of our more successful schools there is a waiting list for future students. As we examine the components of the more successful schools, the District is attempting to apply those same features to schools that need improvement. These features include increased security to ensure safety in all schools as well as more custodial staff in buildings. Unfortunately, some of the key components are costly. Security and cleanliness efforts not only apply to the physical school building but also the surrounding neighborhood as well. School officials continue to work with city officials to achieve such common goals. Both entities must continue to maintain a harmonic relationship if either is to flourish.

Accountability has been recognized as a key component of organizational success. As the District continues its search for a Superintendent we are confident that the selected leadership will recognize and have a clear track record of establishing full District accountability. Accountability in itself is not a revenue generating instrument. It is a precursor to successful management and will cultivate and affect the overall success of a school. This feature will attract more students which will increase revenue.

Marketing strategies will be employed to enhance public awareness and recognition of all successful schools.

Other revenue enhancement efforts are directed toward maintaining and establishing new grants. Business partnerships and support are continually being sought for support of our revenue and programming. This is demonstrated by revenue from Leases, Cellular Towers and Sales of District Property:

- The District is actively seeking to generate revenue from its surplus real estate. Currently, the District leases eight school buildings and estimates revenue for FY 2007 from leases at \$373,228. One of these leases, however, allows the tenant to obtain rent credits for capital improvements, which could potentially reduce the rent received under that lease by \$194,000. The District is also under negotiations with several parties to lease additional space with potential revenue of up to \$400,000 annually.
- In addition, the District is a party to six cell tower license agreements which will generate \$93,900 in cell tower lease revenues in FY 2007. The District is in negotiations which may result in two additional cell tower licenses during the same period. These licenses could generate up to \$40,000 in up-front fees and \$48,000 annually in base rent.
- Finally, the District is under contract to sell a parcel of land for \$100,000 during FY 2007 and expects to execute and close on between 3 and 5 additional sales of buildings or parcels, generating between \$300,000 and \$1 million in revenue. In sum, the District will receive a minimum of \$273,900 in revenues from leases, real estate sales and cell tower licenses. This figure could rise to \$1.6 million, depending on prices obtained through sales and how quickly closings on transactions can occur.

In addition, the District is including the following assumptions to address the deficit issue:

- The student population will continue to decrease at the rate of 10,000 FTE per year for the next five years.
- Sec. 20 Foundation Grant will increase to \$7,469 this is a \$210 increase this trend will continue for the next two years.
- Sec. 20(20) the reform funds will no longer exist for Detroit Public Schools (\$15 million reduced to \$7 million and now reduced to zero)

- From the 2006-2007 fiscal year through the 2009-2010 fiscal year we are anticipating and assuming that revenue will decline nearly \$100 million per year approaching in total \$500 million by the fiscal year 2009-2010.
- Federal grants are expected to increase per pupil. However, these increases will be offset by declining enrollments until the 2009-2010 school year. The net effect to Detroit will be a 6% decline in grant funding.
- Sec. 32d MSRP should increase from \$3,300 to \$3,400 per student slot. This is expected to continue through the 2010 school year.
- Sec. 51a and Sec. 51c (special education) will reduce funding to Detroit for special education. The reduction is expected to be reflected on both the federal and state side for a total of about \$2,000,000 to Detroit.
- Sec. 99c is new and projects a potential \$51 per pupil for middle school math and science programs. We assume this will continue for through 2010. For Detroit this may mean another \$1,200,000 for Detroit.
- A total of \$2,337,628 in revenue has been projected from the sales and leases of properties owned by the District for 2007. Lease amounts are \$462,628 which may be ongoing revenue; and sales amount to \$1,875,000 which is expected to continue for the next five years.
- 2007-2008 the District will be closing at least 50 schools, additional closures will be dictated by the condition of the District after FY10.
- Sec. 20 (18) Foundation allowance adjustments will provide an additional \$6.4 million for the next five years (for Districts that had a 1993 millage adjustment). Sec. 20b (1) will increase slightly but only as a shift from Sec. 20(18)—net effect to Detroit is counted in the \$6.4 million above.
- Sec. 29 is the declining enrollment grant in the amount of \$7.0 million for Detroit for 2006-2007. Although this was intended for 2006-2007, we are assuming that this will continue in some form through 2009-2010.

- Sec. 31c provides \$150,000 for Detroit to counsel children of incarcerated parents. We assume that this type of soft money will enhance our current school social work program.
- Sec. 64 is a new health and science funding for Independent School Districts or Detroit Public Schools for a consortium with a community college. This funding can range from \$1,000,000 to \$2,000,000 for the 2006-2007 school year.
- The District anticipated concessions amounting to \$105 million, after conclusion of DFT negotiations the District projects saving in the amount of \$56 million for fiscal year 2006-2007. For fiscal year 2007-2008 and 2008-2009, the expiration of full concessions will result in the need for an additional reduction of 1,390 FTEs.
- The final payment for Durant Settlement is expected to be received in fiscal year 2007-2008. Therefore it is not included in subsequent years.
- It is anticipated that the District will have a 3% annual decline in special education expenditures.

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

As indicated in the Deficit Elimination Plan submitted February 3, 2005, all non-essential programs (gym, art, etc.) have been reduced or eliminated.

11. What support services would be reduced or eliminated?

For fiscal year 2005-2006, support services were reduced in work force, purchased services, supplies and worker's compensation.

For fiscal year 2006-2007 the District has eliminated 414 FTEs resulting in \$14,559,767. Unfortunately, increased costs and other factors offset the reductions.

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

Support services continue to be reduced and/or eliminated through the teacher service leveling process and the closing of schools.

13. Give the details of staff reductions for instruction, support services and community services.

Fiscal Year 2006-2007		
Functional Category	# of Positions Reductions	Position Values
1xx Instruction	740	\$46,381,587
21x Support Services - Pupil	35	3,050,795
22x Support Services - Instructional Staff	39	780,376
23x Support Services - General Admin	3	17,082
24x Support Services - School Admin	456	14,896,570
	<u>1,273</u>	<u>\$65,126,410</u>

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

During the 2005-2006 fiscal year, the District engaged in negotiations with all of its bargaining units. Employees of all of the units, other than the Detroit Federation of Teachers were awarded increments. The total cost of the increments in the 2005-2006 fiscal year was approximately \$1,500,000.

The District negotiated complete agreements, including concessions, for three (3) of its bargaining units for the 2005-2006 fiscal year, including Detroit Federation of Teachers, Detroit Association of Educational Office Employees, and International Union of Operating Engineers. Additionally, the district reached concession agreements with seven (7) other unions, including, AFSCME Local 345, Non-Instructional Supervisory Personnel, Teamsters (3 units) and Building and Trades (2 units). All of the concessions expired on June 30, 2006.

The District is currently negotiating with all of its unions regarding continuing concessions. Thus far five (5) unions, Teamsters (3 units), DFT, DAEOE, and AFSCME, Local 345 have agreed to concessions. For the remaining units, negotiations for continued concessions are ongoing.

The District is currently scheduling meetings to complete the negotiations process for all unions. It is the District's intention to bargain in good faith in accordance with the law developed by the Michigan Employment Relations Commission to achieve concessions. Unilateral implementation of the District's last best offer following mediation, fact-finding, and any

additional bargaining must be done in accordance with this law. This process was described by the Michigan Court of Appeals in *AFSCME v Wayne County* (152 Michigan App 87 1988).¹

15. Attach a copy of the most recent Board adopted budget along with the Board resolution with which it was adopted.

See attached. The Detroit Public Schools' fiscal year 2007 adopted budget is located at www.detroitk12.org.

16. Attach a copy of the Board Resolution showing approval of the deficit elimination plan.

See attached.

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

The District continues to reduce or eliminate extra-curricular activities such as intramural athletic, spelling bee and cheerleading. The majority of these savings are reflected in function 1XX and are difficult to separate from other savings in that functional category .

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

No

19. Explain any variances of 10% or more from section A.

A. **1XX** - The reduction in this functional category is due to concessions (of \$56 Million) being budgeted in this function, staffing reductions based on the student count in this function estimated at \$10.5 which reflects a half year savings on 270 FTEs, and the freezing of central vacancies.

B. **21X** – The increase in this functional category is due to the special education vacancies not being filled in 2005-2006. These positions

¹In this ruling the Court cited the general principle of law as follows: "At the expiration of a labor contract, a public employer is charged with the duty to bargain in good faith pursuant to a proposed new contract with regard to 'wages, hours and other terms and conditions of employment'. MCL 423.215;MSA 17.455(15) Subjects of bargaining included in this phrase are referred to as 'mandatory subjects' of bargaining. At contract expiration, those 'wages, hours and subjects' or bargaining survive the contract by operation of law during the bargaining process. The public employer thus, has the continuing obligation during the bargaining process to apply those 'wages, hours and other terms and conditions of employment' so designated as 'mandatory subjects' until such time as impasse is reached in the bargaining process.

"Neither party may take unilateral action on a 'mandatory subject' of bargaining absent an impasse in negotiations. An employer taking unilateral action on a 'mandatory subject' of bargaining prior to impasse in negotiations has committed to unfair labor practice. MCL 423.210(1)(e); MSA 17.455(10)(1)(e). This prohibition against unilateral action prior to impasse serves to foster labor peace and must be liberally construed, particularly in light of the prohibition against striking by public employees set forth in MCL 423.202; MSA 17.455(2). [Citations and footnote omitted. See also, *Ottawa Co v Jaklinksi*, 423 mich 1, 12-13 NW2d 668 (1985).]

include; Instructional consultants, Speech language therapists, psychologist, social workers, nurses, physical and occupational therapists.

- C. **24X** – The reduction in this functional category is due to the FID reclassification of special education aides to the appropriate category, staffing reductions based on the student count in this function estimated at \$1.4 million which reflects a half year savings on 38 FTEs, and the freezing of central vacancies in this function totaling \$2.8 million.
- D. **27X** - The increase in this functional category is due to NCLB funds previously budgeted in transportation for Choice in 05/06 being re-classified and used for contracted learning for Supplemental Educational Services Providers (SES).
- E. **28X** – The decrease in this functional category is due to central offices vacancies being reduced to 50% of their value (and prohibiting the filling of these positions until January 2007) and central office discretionary reductions.
- F. **3XX** - The increase in this funding source is due to additional allowable expenditures in this function for Safe and Drug Free schools grant.
- G. **4XX** - The increase in this functional category is due to the project budgets in the 2005-2006 fiscal year for the Durant Settlement funds are currently projected to come in under budget.
- H. **5XX** – The increase in this functional category is due to the repayment of the \$200 million loan beginning in 2006-2007.

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