

Detroit Public Schools' Fiscal Crisis: Legislation and Litigation

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Overview

- Detroit Public Schools' debt & deficit at a glance
- Evaluating options
- Education litigation in Michigan
- The importance of statutory reform

Detroit Public Schools at a Glance: Then and Now

2004-05

- 141,400 students
- 18,600 employees

2014-15

- 48,000 students
- 6,500 employees

Detroit Public Schools at a Glance: Fiscal Health

- Total debt in FY 2015: \$3.5 billion
 - \$1.9 billion unfunded legacy costs
 - \$1.7 billion in capital liability debt
- General Fund Deficit
 - FY 2014: \$169.5 million
 - FY2015: \$215.9 million
 - FY 2016 (projected): \$312 million

Fiscal Health: Evaluating Options

- Debt
 - Legacy costs
 - Capital liability
- “Old GM, New GM” potential complications
- Bankruptcy?

Education Litigation in Michigan

Right to education

- ▣ 1963 Michigan Constitution, “strong” language
- ▣ 1972 & 1973 Michigan Supreme Court decisions
- ▣ Conventional wisdom emerges
- ▣ Highland Park “Right to Read” litigation

Emergency Manager

- ▣ PA 72 (1990)
- ▣ PA 4 (2011)
- ▣ PA 436 (2012)
- ▣ Handful of lawsuits, most significant “victory” for EM opponents resulted in getting the recall question on the ballot



Education Litigation in Michigan

The Importance of Statutory Reform

- School funding, unusually centralized
- School capital improvements, 11 other states take our approach
- Schools of choice, relatively unique
- Charter schools, common policy but especially permissive
- EAA, relatively unique
- Emergency Manager system, relatively unique

Where do we go from here?

- State provides financial relief for DPS's debt
- Reconsider long-standing state policies that contribute to districts' fiscal crises
- Rebuilding DPS is an integral part of rebuilding Detroit

Discussion