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

<table>
<thead>
<tr>
<th>Year</th>
<th>Students</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>141,400</td>
<td>18,600</td>
</tr>
<tr>
<td>2014-15</td>
<td>48,000</td>
<td>6,500</td>
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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
  - FY 2015: $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