

Behind the Detroit Public School's debt numbers

## How banks, privatizers and politicians bankrupted the schools

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While the reports are still emerging regarding the DPS's financial crisis, a few examples follow explaining how the financial industry has profited from DPS and worked with privatizers to dissolve the school district. This agenda has been implemented with ferocity by both Democrats and Republicans, with special praise and assistance from the Obama administration.

\*In 2015 debt service cost the deficit-ridden district \$53 million, including a massive \$13 million in interest payments. Much of this debt goes back a decade or more and substantial amounts have been used to renovate buildings, which have been subsequently handed over to charter operations. In 2016, the district is scheduled to pay \$191.3 million on long-term debt out of an annual budget of about \$660 million.

\*According to a Citizens Research Council (CRC) report published this week, last August the district, no doubt through the state-appointed emergency manager, decided that DPS would make debt payments rather than paying its pension liabilities for seven months last year. The penalties accruing to the state were staggering: \$7,600 a day, with \$78,000 in fees for each additional month the DPS was delinquent, according to the *Detroit News*. The DPS is now \$114 million behind on the pensions, an amount which is expected to top \$157 million by July.

\*DPS has \$1.5 billion in general obligation bonds outstanding—which are structured to generate \$1.0 billion in interest over the next 25 years, according to the CRC report. In this regard, they also note that a whopping \$1.5 billion was paid in debt service in 2015 collectively by Michigan school districts.

\*Like public schools throughout the state of

Michigan, DPS has suffered from stagnant state foundation grants, a decline in federal aid and the greater demands necessary for a school population in poverty. The district has borrowed to cover operating expenses since 2007-08.

\*Under the Obama administration, Title I funds that are legally earmarked for impoverished districts like Detroit have been cut by 11 percent, while special education funding was cut 9 percent. Special-needs children in the impoverished city of Detroit are 17 percent of the school population, a much higher percentage than statewide or nationally.

\*Under emergency management, DPS lost more than half of its students to charters. The district handed over buildings, teachers and resources to the charters and even authorized some of its own. All of the district's emergency managers, privatization advocates to a man, have been highly-paid and highly-connected financial frontmen for private interests. Robert Bobb, the first EM, appointed in 2009 by Democratic Governor Jennifer Granholm—earned \$425,000 annually. He explained from the beginning that his goal was “to create a purely market driven school district” and work toward “partnerships with the business community.” He closed dozens of schools during his tenure and “predicted” that thousands of students would leave the district. By the end of his tenure, he had accomplished that goal.

\*Bobb also worked with the Detroit Federation of Teachers president Keith Johnson to force teachers to “loan” the DPS \$9,000 each, interest-free, under the Termination Incentive Plan (TIP) between 2009-12. Under the plan, \$250 was deducted from each paycheck beginning in 2010, supposedly to be repaid when the

teacher left the district. However, since that time, the DPS has failed to fund the liability and now owes the TIP account over \$16.6 million.

\*In 2011, the State of Michigan removed the charter school cap, allowing the unlimited proliferation of charters. That year, Arne Duncan, Obama's former education secretary, was so impressed that he praised Detroit as "ground zero" in education reform and the growth of charters.

\*In 2012, Governor Rick Snyder, working with EM Roy Roberts, a former GM executive, drained funds from the Michigan School Aid Fund to create the Education Achievement Authority of Michigan (EAA), imposing lower wages and benefits for teachers and opening the doors for no-bid vendored services (later to be the subject of an FBI investigation and several indictments). The "turnaround district" operations were designed by the pro-privatization Broad Foundation, bringing on board a Broad Academy graduate, John Covington, to run it with a \$1.5 billion four-year contract. The EAA was the only finalist for Obama's Race to the Top funding in Michigan that year. It is also notable that Duncan described EAA's Brenda Scott Academy as a "spotlight of success"—a school which one year later put 100 five-year-olds in one kindergarten class.

\*The drop in DPS enrollment from 2011 to 2015, largely attributable to the post-2008 economic crisis and the sharp growth of charters and the EAA, reduced state aid to the DPS from \$591 million to \$394 million.



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