



# CRC MEMORANDUM



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## DETROIT BALLOT ISSUES PROPOSAL S: DETROIT PUBLIC SCHOOLS BOND PROPOSAL

On November 3, 2009, electors in Detroit will vote on Proposal S, which would allow Detroit Public Schools (DPS) to borrow \$500.5 million. Proposal S is a bond referendum placed on the ballot by the emergency fi-

ancial manager of DPS. The federal American Recovery and Reinvestment Tax Act of 2009 would reduce the borrowing costs of these bonds to taxpayers by lowering the interest costs.

### Bond Proposal

Shall the School District of the City of Detroit, County of Wayne, Michigan, borrow the principal sum of not to exceed Five Hundred Million Five Hundred Forty Thousand Dollars (\$500,540,000) and issue its unlimited tax general obligation bonds for the purpose of defraying the costs of:

- Constructing new replacement buildings and/or additions to existing buildings;
- Remodeling existing buildings, including energy conservation, safety and security improvements;
- Acquiring, improving and developing sites, including playgrounds, playfields and outdoor athletic facilities in the School District;
- Furnishing, refurbishing, equipping and reequipping School District buildings; and
- Acquiring and installing instructional technology equipment in and connecting School District buildings?

Yes    —

No     —

The estimated millage to be levied in 2010 to service this issue of bonds is 3.82 mills (\$3.82 per \$1,000 of taxable value) and the estimated simple annual average millage rate required to retire the bonds of this issue is 2.56 mills (\$2.56 per \$1,000 of taxable value). The debt millage levy required to retire all bonds of the School District currently outstanding and proposed by this ballot proposal is currently estimated to remain at or below 13.0 mills. The bonds may be issued in multiple series, payable in the case of each series in not to exceed thirty (30) years from the date of issue of each series. If the School District borrows from the State to pay debt service on the bonds of this issue, the School District may be required to continue to levy mills beyond the term of the bonds to repay the State.

*(Under State law, bond proceeds may not be used to pay teacher or administrator salaries, routine maintenance or repair costs or other School District operating expenses.)*

## Programs and Definitions

A **general obligation bond** is a municipal bond in which the issuing government pledges to use all available revenues at its disposal to repay bondholders, including raising property taxes. If property tax revenues fall short of the required bond payments, the terms of a general obligation bond require the local government to raise property taxes to make up the shortfall. A **limited tax general obligation bond** al-

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lows a local government to raise property taxes within constitutional, statutory, or charter limits. An **unlimited** tax general obligation bond allows a local government to levy taxes of up to 100 percent of a property's value if necessary. Both types of general obligation bonds are generally rated highly by credit ratings agencies with unlimited tax bonds almost always rated higher because they require voter approval and have a stronger tax pledge backing them.<sup>1</sup>

As part of the American Recovery and Reinvestment Tax Act of 2009, the federal government allocated authority for **Qualified School Construction Bonds (QSCBs)** and **Build America Bonds (BABs)**.<sup>2</sup> QSCBs, a new type of tax credit bond, allow state and local governments to issue up to \$22 billion (\$11 billion in 2009 and \$11 billion in 2010) for the construction, rehabilitation, and repair of public school facilities. This includes the acquisition of land, work on existing schools, and new construction. No more than two percent of the available proceeds may be used for issuance costs, and 100 percent of the proceeds must be reasonably

expected to be spent within three years with a binding commitment from a third party that 10 percent of the proceeds will be spent within the first six months. This program reduces school borrowing costs by providing tax credits to bondholders in lieu of interest giving school districts interest-free loans. On large projects, savings can be 50 percent. The federal government has allocated up to \$246.5 million in total QSCBs to DPS for years 2009 and 2010. State law requires voter approval before the bonds can be issued.

BABs are "taxable tax credit bonds" and are designed for subsidizing state and local government obligations, including school construction. BABs provide an issuer with a direct subsidy of 35 percent of the interest cost. These bonds can also be used for school construction.<sup>3</sup> If Proposal S passes, DPS plans to issue \$246.5 million in QSCBs and \$254 million in BABs.

The Michigan Department of Treasury houses the **School Bond Qualification and Loan Program (SBQLP)**. The SBQLP provides a

state credit enhancement and loan mechanism through the **School Loan Revolving Fund (SLFR)** for school district bond issues. State qualified bonds must be approved by the state treasurer and bond proceeds must be used for capital expenditures. Districts that receive qualification from the State get 1) a rating on the bonds equal to the State's credit rating, which will often result in a lower interest rate and cost, and 2) the ability to borrow from the State an amount sufficient to enable the district to pay principal and interest requirements on its outstanding qualified bonds in the short-run if its property tax levy is insufficient to pay the full debt service (a minimum debt millage of seven mills must be levied before a district can borrow from the State). Once the district retires earlier debt and taxable value growth becomes sufficient to meet the district's total annual debt service, the district will stop borrowing from the State and begin to use its surplus revenue to repay the loan principal and accrued interest. Bonds must be qualified before districts put them in front of electors for a vote.<sup>4</sup> The bonds that would be

<sup>1</sup> *The Free Dictionary: Financial Dictionary*, "General Obligation Bond." <http://financial-dictionary.thefreedictionary.com/General+Obligation+Bond+-+GO> (accessed 28.Sep.09).

<sup>2</sup> See Internal Revenue Bulletin 2009-17 for more information on QSCBs ([http://www.irs.gov/irb/2009-17\\_IRB/ar08.html](http://www.irs.gov/irb/2009-17_IRB/ar08.html)) and Internal Revenue Bulletin 2009-16 for more information on BABs ([www.irs.gov/irb/2009-16\\_irb/ar08.html](http://www.irs.gov/irb/2009-16_irb/ar08.html)).

<sup>3</sup> "Recovery Act Funding for School Construction." *National Clearinghouse for Educational Facilities* website: [www.edfacilities.org/school-modernization/](http://www.edfacilities.org/school-modernization/) (accessed 20.Sep.09); and Mark Prussing, Roan Blacker, and Duncan Brown. *Recovery Act Bond Finance: Qualified School Construction Bonds*. July 31, 2009. [www.commerce.wa.gov/DesktopModules/CTEDPublications/CTEDPublicationsView.aspx?tabID=0&ItemID=7675&Mid=484&wversion=Staging](http://www.commerce.wa.gov/DesktopModules/CTEDPublications/CTEDPublicationsView.aspx?tabID=0&ItemID=7675&Mid=484&wversion=Staging) (accessed 29.Sep.09).

<sup>4</sup> *State of Michigan: School Loan Revolving Fund Process*. Michigan Department of Treasury, School Bond Qualification and Loan Program. [www.michigan.gov/documents/3272\\_2816\\_7.pdf](http://www.michigan.gov/documents/3272_2816_7.pdf) (accessed 30.Sep.09); and *State of Michigan: Bond Qualification Process Overview*. Michigan Department of Treasury, Bureau of Bond Finance, School Bond Qualification and Loan Program. [www.michigan.gov/documents/3160\\_2815\\_7.pdf](http://www.michigan.gov/documents/3160_2815_7.pdf) (accessed 30.Sep.09).

authorized by the passage of Proposal S have received preliminary qualification and should receive final qualification if the bond proposal passes.<sup>5</sup> This means that the loans would be backed by the State and DPS would be approved to borrow money from the State if its property tax levy does not cover its total debt service requirements. The 2010 operating budget suggests that the current capital budget anticipates State

loan fund revenues combined with direct federal stimulus funding.<sup>6</sup>

If the proposal passes, DPS plans to use the bond proceeds to build eight new schools and modernize or renovate 10 schools. The evaluation criteria used to determine which schools to build and renovate include academic performance, utilization (student per square foot), demographic forecasts, facility condition, building age, past investment, and building needs. The District states that the

bond proceeds would allow it to build new state of the art facilities with 21<sup>st</sup> century technology, overhaul safety and security infrastructure, move DPS to a standardized pre-kindergarten through eighth grade model, develop flexible learning environments, and explore opportunities to use decommissioned spaces for community services and activities.<sup>7</sup> **Table I** details the project list and budget.

<sup>5</sup> State Qualified Bond Election Results, Wayne County: Detroit City School District. [treas-secure.state.mi.us/apps/findschoolbondelectinfo.asp?countyname=82&schooldistrictname=82010](http://treas-secure.state.mi.us/apps/findschoolbondelectinfo.asp?countyname=82&schooldistrictname=82010) (accessed 30.Sep.09).

<sup>6</sup> DPS FY2010 Operating Budget: pg. 33. [www.detroitk12.org/admin/finance/manager/docs/2009.07.31\\_DPS\\_Budget\\_Book.pdf](http://www.detroitk12.org/admin/finance/manager/docs/2009.07.31_DPS_Budget_Book.pdf) (accessed 30.Sep.09).

<sup>7</sup> Detroit Public Schools. *I'm in. Creating Centers of Excellence: 2009 Bond Referendum.* [www.detroitk12.org/admin/communications/docs/2009.09.18\\_ProposalS\\_description.pdf](http://www.detroitk12.org/admin/communications/docs/2009.09.18_ProposalS_description.pdf) (accessed 29.Sep.09).

**Table I**  
**Proposal S Project List**

<u>School Name</u>	<u>Project Budget</u>	<u>Recommendation</u>
Bethune Academy	\$8,605,811	Renovated Facility
Brightmoor PK-8	\$32,180,556	New Facility
Chadsey High School	\$41,488,148	New Facility
Cooley High	\$8,306,132	Renovated Facility
Denby High School	\$24,819,339	Renovated and/or New Facility
Duffield PK-8	\$8,578,108	Renovated Facility
Finney High School	\$53,467,428	New Facility
Ford High School	\$20,594,893	Renovated and/or New Facility
JR King PK-8	\$15,896,250	Renovated Facility
Marcus Garvey PK-8	\$11,271,996	Renovated Facility
Mark Twain PK-8	\$8,597,281	Renovated Facility
Martin Luther King Jr., High School	\$54,469,031	New Facility
Maybury PK-8	\$37,406,135	New Facility
McNair PK-8	\$21,979,291	New Facility
Mumford High School	\$54,746,160	New Facility
Munger PK-8	\$18,374,295	New Facility
Northwestern High School	\$26,870,380	Renovated and/or New Facility
Western International High School	\$28,610,966	Renovated and/or New Facility

Source: Detroit Public Schools. *I'm in. Creating Centers of Excellence: 2009 Bond Referendum.*

Issues Related to the Bond Proposal

**Detroit Public Schools Finances**

School district operating revenues and expenditures are budgeted separately from capital revenues and expenditures. Operating expenses are those incurred through the normal daily business of the school district; operating revenues fund those expenditures. Debt service on bonds to finance capital expenditures is funded by a dedicated property tax levy; voters approve the sale of bonds and authorize the local unit to levy property taxes without limit to pay the principal and interest on those bonds.

**Operating Budget.** Data from DPS financial reports show that in a 13-year period from Fiscal Year (FY) 1995 to FY2007, actual DPS revenues exceeded expenditures in only four fiscal years, the most recent being FY2002.<sup>8</sup> **Table 2** shows budgeted operating revenues and expenditures for FY2008 to

<sup>8</sup> Gary S. Olson and Kathryn Summers-Coty. *A Review of the Financial Status of the Detroit Public Schools*. Senate Fiscal Agency: State Notes. September/October 2008.

FY2010. At the end of FY2008, DPS had a budget deficit of \$142.4 million. Further spending in excess of revenues in FY2009 is projected to increase the deficit to \$279.5 million (these numbers come from the FY2010 Operating Budget and may vary somewhat from audited CAFR results, which put the FY2008 deficit at \$139.7 million). The FY2010 current operating budget projects a \$174 million positive ending operating balance. However, this positive ending balance is based on the district having 83,777 students and receiving a cut of only \$110 per pupil in state aid. The State Legislature recently passed a FY2010 School Aid budget that cuts state aid \$165 per pupil, so DPS will be forced reduce its expenditures to make up for the additional cut of \$55 per pupil. Enrollment numbers for FY2010 are not yet known, but student enrollment has declined from over 173,000 students in FY1999 to 94,000 students in FY2009. This represents a 46 percent decline in the student body in 11 years. The District estimated that if current trends continue, it should have

approximately 83,777 students in FY2010.<sup>9</sup>

The DPS operating budget accounts for some debt service expenditures out of the General Purpose (GP) Fund. In April 2005, DPS refinanced \$210 million in short-term State Aid Anticipation Notes into long-term debt payable over 15 years as part of an overall deficit elimination plan approved by the State in February 2005. This created an annual obligation through FY2020 for debt service payments out of the GP Fund. Debt service payments are projected at \$37.3 million in the FY2010 budget. One of the terms of this long-term debt issuance was that DPS had to maintain a positive GP Fund balance. As of the end of FY2008, DPS had a fund deficit in the GP Fund and was therefore not in compliance with the agreement.

<sup>9</sup> Robert Bobb. *Detroit Public Schools: FY2010 Budget presentation*. June 29, 2009. [www.detroitk12.org/admin/finance/manager/docs/2009.06.29\\_DPS\\_FY2010\\_Budget.pdf](http://www.detroitk12.org/admin/finance/manager/docs/2009.06.29_DPS_FY2010_Budget.pdf) (accessed 1.Oct.09).

**Table 2**  
**Detroit Public Schools Operating Revenues and Expenditures**  
**(\$ in Millions)**

	<u>FY2008 Actual*</u>	<u>FY2009 Revised</u>	<u>FY2010 Budget</u>
Revenues	\$1,274.5	\$1,288.2	\$1,195.0
Expenditures	\$1,416.9	\$1,425.3	\$1,177.6
Difference	\$(142.4)	\$(137.1)	\$174

\* Numbers are from unaudited General Ledger reports and may vary somewhat from audited CAFR reports.

Source: Detroit Public Schools FY2010 Operating Budget.

**Table 3**  
**Detroit Public Schools Total Revenues and Expenditures**  
 (\$ in Millions)

	<u>Total Revenues and Financing Sources</u>	<u>Expenditures</u>			<u>Total</u>
		<u>Operating Expenditures</u>	<u>Debt Service and Capital Outlay</u>	<u>Other</u>	
FY1999	\$1,809.1	\$1,133.5	\$167.4	\$261.9	\$1,562.8
FY2004	\$1,724.2	\$1,664.4	\$400.3	\$70	\$2,071.6
FY2008	\$1,350.5	\$1,329.8	\$168.9	\$0.4	\$1,499.1

Source: Detroit Public Schools, *Comprehensive Annual Financial Report, June 30, 2008*. Ten-Year Summary of Governmental Funds Revenues and Expenditures: pgs. 91-92.

Analyzing revenues and expenditures per pupil highlights the effect of an increasing spending gap coupled with a declining enrollment. From FY 1995 to FY2007, the DPS foundation allowance increased from \$5,584 per pupil to \$7,565 per pupil, a 25.1 percent increase. At the same time, expenditures per pupil in DPS increased 80.2 percent from \$7,229 to \$13,382.<sup>10</sup> Like other school districts in Michigan, DPS has faced rapidly increasing costs for employee and retiree health care and benefits. However, DPS faces some spending pressures that are distinct from many other Michigan districts, including having a high percentage of low-income students (in fall 2008, 74 percent of DPS students were eligible for free or reduced price lunch compared to 41 percent of students state-

wide<sup>11</sup>) and greater security needs.<sup>12</sup>

Even if the FY2010 budget remains balanced, the district must address the legacy deficit created by years of expenditures exceeding revenues. The deficit elimination plan submitted to the State in April 2009 proposes eliminating this deficit over multiple years and adopting a multi-year perspective when budgeting. Actions taken by the District to reduce the deficit in FY2009 included strengthening vendor controls and negotiating 25 percent contract reductions with some vendors, instituting limits on hiring and personnel costs, and improving grant compliance. Actions planned for the FY2010 budget and beyond include transforming central administration to sharply re-

duce overhead costs; taking a new approach to technology; developing new operational strategies, including reviewing transportation and physical plant needs; focusing on increasing safety and security in schools; focusing on core district responsibilities; competitively bidding non-academic services (e.g., transportation); and containing workforce costs by eliminating non-essential positions and restructuring costs. Options to address the budget deficit identified in the FY2010 budget presentation include bankruptcy and asset liquidation, expanding the number of DPS charter schools, and developing a multi-year deficit reduction plan.<sup>13</sup>

**Debt Service.** The DPS Comprehensive Annual Financial Report (CAFR) compares total revenues (operating and debt service) with expenditures broken down by current operating expenditures, debt service and capital outlay expenditures, and other expenditures. As **Table 3** shows, in FY2008 expendi-

<sup>11</sup> Center for Educational Performance and Information (CEPI) Data and Reports. Free and Reduced Lunch Counts, District Level Data, Fall 2008-09. [michigan.gov/documents/cepi/FRLDistFall08\\_270278\\_7.xls](http://michigan.gov/documents/cepi/FRLDistFall08_270278_7.xls) (accessed 6.Oct.09).

<sup>12</sup> Robert Bobb. *Detroit Public Schools: FY2010 Budget presentation*: pg. 39.

<sup>13</sup> Robert Bobb. *Detroit Public Schools: FY2010 Budget presentation*: pgs. 13, 48-57, 61.

<sup>10</sup> Olson and Summers-Coty, SFA, October 2008.

tures continued to outpace revenues. Debt service expenditure levels in FY2008 were comparable to what they were in FY1999 and less than half of FY2004 debt service spending. Detroit residents face higher capital costs than residents of many other school districts across the state because DPS has one of the lowest taxable value per pupil rates in the state. In 29 of Michigan's wealthiest districts, the value of taxable property in 2005 was more than \$500,000 per pupil; in Detroit, the value of taxable property was less than \$50,000 per pupil.<sup>14</sup> This results in higher taxes and lower quality facilities in Detroit.

School debt property tax millage rates have increased from 5.9 mills in FY2000 to 13 mills in FY2008 (they have been at that level since FY2004). Debt retirement millage rates for other districts throughout the state ranged from 0 mills to 12.65 mills with the majority of districts levying under 10 mills for debt retirement.<sup>15</sup>

The District claims that passage of Proposal S will not increase taxes for district residents. This is technically true. DPS is at its debt mill-

age limit of 13 mills and it can borrow money from the SLRF to help pay its debt service. However, if the District does not borrow any more money (i.e., the bond proposal does not pass), DPS will pay less in debt service and debt millage rates will begin to go down sooner than if the proposal passes and the district borrows more money. The estimated annual average millage rate required to retire the bonds of this issue is 2.56 mills; this means that it is projected to cost \$2.56 per \$1,000 of taxable value to pay off the debt that would be incurred as a result of passage of this proposal. This projected millage rate would extend until the debt is retired (30+ years depending on when the debt is issued and if debt service payments are extended through the SBLQP). This rate is only a projection because the required millage rate will fluctuate with taxable value levels and the cost of borrowing at the time the debt is issued. The fact that passage of Proposal S would extend the length of time residents are required to pay debt service taxes is not an argument against the proposal; it is simply an acknowledgement that residents will be required to repay the debt.

As of FY2008, DPS had \$1,309.9 million in outstanding debt for school building and site improvements. This proposal would add \$500.5 million to that amount. From FY1999 to FY2008, total bonded debt increased from \$510.7 million to \$1,500.9 million

and the ratio of bonded debt to state equalized valuation/taxable value of property went from 7.7 percent to 15.64 percent. The amount of bonded debt per capita increased from \$528 to \$1,637.<sup>16</sup>

## Detroit Public Schools Governance

In December 2008, the Michigan Superintendent of Public Instruction declared DPS to be in a state of financial emergency and the Governor appointed Robert Bobb as the emergency financial manager in March 2009. His initial appointment lasts until March 2010; the law allows his contract to be renewed on an annual basis for not more than one year.<sup>17</sup>

Until recently, DPS has been the state's only first class school district, which gave it all the powers enjoyed by other school districts in the state (general powers districts) along with some additional requirements and powers. One of the biggest distinctions is the school board and governing structure is set up differently for a first class district. The school code defines a first class district as one with at least 100,000 pupils enrolled on the most recent pupil membership count day and DPS now has fewer than 100,000 pu-

<sup>14</sup> The Citizens Research Council of Michigan and the Education Policy Center at Michigan State University. *Adequacy, Equity and Capital Spending in Michigan Schools: The Unfinished Business of Proposal A*. May 2005: pg. 4.

<sup>15</sup> LEA Millage Rates. [michigan.gov/documents/lea\\_millage\\_39045\\_7.pdf](http://michigan.gov/documents/lea_millage_39045_7.pdf) (accessed 29.Sep.09); some districts levy additional mills for sinking funds to help pay debt service expenditures (DPS does not levy sinking fund mills).

<sup>16</sup> *Detroit Public Schools, Comprehensive Annual Financial Report, June 30, 2008. Ten-Year Summary of Governmental Funds Revenues and Expenditures*: pgs. 96-106.

<sup>17</sup> *Local Government Fiscal Responsibility Act*. Michigan Public Act 72 of 1990, MCL 141.1238.

pils.<sup>18</sup> The Michigan Attorney General issued an opinion stating that “the Detroit Public Schools does not qualify as a first class district under the [Revised School] Code and is, therefore, a general powers district.”<sup>19</sup> This opinion has the power of law until a court rules on the issue. The Attorney General’s ruling determined that the limitation preventing community colleges from opening charter schools in first class districts no longer applies to DPS. However, the school code does not address how a district should transition from a first class district to a general powers district. The ruling says that board and district restructuring needs to be addressed by the State Legislature, but the current DPS board is advised to exercise only the powers of a general powers district.

The School Aid Act, which governs the appropriation, allocation, and distribution of state funds to local districts, defines a first class district as one that “had at least 60,000 pupils in membership for the immediately preceding fiscal year.”<sup>20</sup> This definition does not affect the revised school code, which governs the organization, regulation, and maintenance of local and intermediate school districts. The School Aid Act definition applies only for the purpose of determin-

<sup>18</sup> *The Revised School Code*. Michigan Public Act 451 of 1976, MCL 380.402.

<sup>19</sup> Michigan Attorney General Op. No. 7234 (July 20, 2009).

<sup>20</sup> *The State School Aid Act of 1979*. Michigan Public Act 94 of 1979, MCL 388.1606(11).

ing school aid and first class status does not impact the level of state aid received by a district.<sup>21</sup>

Right now, it is unclear what form of governance the district will be operating under after March of next year. This is important because if the bond proposal passes, whoever is governing the district will have control over how the funds are spent. The possibilities include an emergency financial manager, a first class school board, a general powers school board, or the mayor, among other options. Putting control of DPS under the mayor or another governmental actor would require action by the legislature and may require a vote of the people of Detroit.

## Declining Enrollment

As discussed above, DPS has lost almost half its students in the last decade. This raises questions about the viability of the district and the necessity of funding for new buildings and renovations. On the other hand, it does cost money to close and/or demolish buildings and to right-size a district with declining enrollment. A 2005 report found that more than half of all DPS schools were built before 1930 and the average school is 60 years old.<sup>22</sup> Improved facilities may make DPS a more attractive choice for Detroit parents and improve the quality of the educational experience for DPS students.

<sup>21</sup> Mich. At. Gen. Op. No. 7234 (July 20, 2009).

<sup>22</sup> The Citizens Research Council of Michigan and the Education Policy Center at MSU: pg. 4.

## Fiscal Mismanagement

Audits done since Robert Bobb took over as financial manager have found widespread waste, including paying ghost employees, providing health coverage for ineligible dependents, and unused supplies and equipment.<sup>23</sup> A \$1.5 billion bond passed in 1994; recent investigations by the District’s inspector general found overspending for land and building purchases and “a gross lack of due diligence in looking after taxpayers’ dollars.”<sup>24</sup> Questionable transactions included:

- Paying \$24.1 million in 2002 for five floors of a building from a company that paid \$21.7 million for the whole building in 2001;
- Paying \$5.6 million for properties in 2001 and 2002 that were appraised by the City of Detroit at \$812,800;
- Paying \$11.9 million in 2003 for a property that sold for \$1.3 million two years earlier;
- Paying \$114.9 million (\$286 per square feet) for the construction of the new Cass Tech High in 2004 (the cost per square feet allowable as of June 30,

<sup>23</sup> “DPS Audits Find Millions in Waste.” *ClickOnDetroit.com*, 5.Aug.09. [www.clickondetroit.com/print/20287494/detail.html](http://www.clickondetroit.com/print/20287494/detail.html) (accessed 28.Sep.09); and Jennifer Mrozowski. “Two resign as DPS sends sick-time fraud cases to prosecutor.” *The Detroit News*, 28.Apr.09.

<sup>24</sup> Marisa Schultz. “Inquiry shows DPS overpaid millions on real estate deals.” *The Detroit News*, 24.Sep.09.

2009, under the state's SBQLP for districts in the Detroit-Warren-Flint Combined Statistical Area is \$190 per square foot; projects exceeding this amount require additional documentation<sup>25</sup>);

- Paying \$13 million for a 99-year lease of property from the City of Detroit and spending nearly \$100 million to build schools on the property (the City will own the schools and property when the lease expires);
- Paying \$121.8 million (\$399 per sq ft) for the construction of the Detroit School of Arts in 2004; and,
- Paying \$3.8 million for 200 additional parking spaces that were never used.

If Proposal S passes, the District plans to appoint a DPS Bond Advisory and Fiscal Committee to address concerns with how the money will be spent and provide transparency. The committee would be composed of parents and political, industry, labor, and community leaders. It would be tasked with conducting regular reviews of ongoing construction and funding and ensuring project goals, budgets, and schedules are met.

## City and District Revitalization

DPS states that the proposal would result in the creation of 11,000 jobs using the state's job creation formula. This includes 3,725 direct jobs and over 7,000 indirect jobs. It would not include a direct tax increase (though it would increase the amount of time debt service taxes are paid) and would lead to a \$500.5 million investment in Detroit. This increased debt would come with federal stimulus benefits allowing the district to repay half the bonds with 0 percent interest. DPS has recently closed 21 schools and this bond funding would allow it to modernize and renovate 10 schools and build eight new schools.

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<sup>25</sup> 2009 Cost per Square Foot Parameters. Michigan Department of Treasury. [www.michigan.gov/documents/treasury/Cost\\_per\\_SqFt\\_SBQLP\\_199474\\_7.pdf](http://www.michigan.gov/documents/treasury/Cost_per_SqFt_SBQLP_199474_7.pdf) (accessed 30.Sep.09).