



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING



MICHAEL P. FLANAGAN
SUPERINTENDENT OF
PUBLIC INSTRUCTION

February 8, 2011

Mr. Robert Bobb
Emergency Financial Manager
Detroit Public Schools
3011 West Grand Blvd.
14th Floor, Fisher Building
Detroit, Michigan 48202

Dear Mr. Bobb:

Thank you for the submission of your district's Deficit Elimination Plan (DEP) received under transmittal dated January 10, 2011. We appreciate the additional information and clarification provided by your staff during our review of the plan. As a result, the Michigan Department of Education (MDE) is granting approval of your DEP with the following standard contingencies and special conditions:

- The district is required to submit any revisions made to the current year budget that you authorize. If the budget revision impacts the DEP, the DEP should be revised and submitted as well. The revisions must be submitted immediately after they are adopted.
- The district is required to submit Monthly Budgetary Control Reports to the MDE. Use the last tab labeled "Month Summary" of the electronic DEP form for this purpose; the electronic DEP form can be located at the following URL:

http://www.michigan.gov/documents/ds4511c2005_135316_7.xls

The Monthly Budgetary Control Report must include a narrative and data that provide the following information at a minimum:

-The number of staff layoffs year to date (i.e. the number of people laid off minus any called back and minus any new hires). The narrative must include budget impact and timing of saving (i.e. when will the savings be realized in the cash flow documents).

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-Confirmation of the number of schools closed during the school year and an update on planned closures. Include an estimate of related cost savings and staff reductions.

-Progress on negotiations with the City of Detroit, Wayne RESA, etc. regarding the consolidation of services outline in the DEP.

- The district is required to submit an updated DEP by December 15, 2011.
- The district is required to submit a draft FY 2012 budget by May 31, 2011 and a final budget is due June 30, 2011 as required by law.
- The district is required to submit its pupil count information as soon as possible after the fall count date (September 28, 2011) but no later than November 1, 2011.

In addition to the standard contingencies above, the plan will not be officially approved until the following special conditions are met. These special conditions are required pursuant to language in Section 102(5) of the State School Aid Act (MCL 388.1702). These special conditions are critical to the contingent approval and must be adhered to if the DEP is to be fully approved.

- The district must complete and submit documentation/evidence (e.g. written/signed agreements) with the City of Detroit, Wayne County, Wayne RESA, or other entity by May 31, 2011, for implementation no later than July 1, 2011, for the consolidation of services strategies identified by the district in the DEP related to, but not limited to, the following:
 - Financial Services
 - Physical Plant Operations
 - Inspector General
 - Human Resources
 - Legal Services
 - Public Safety
 - Academic Accountability
 - Research, Evaluation and Assessment
 - Pupil Accounting/Management
 - State and Federal Grant Management
- The DEP and the contingencies detailed in this letter must be implemented immediately. If at any time during the course of the DEP the governance of the district changes to another Emergency Financial Manager or an elected school board, the DEP as approved must continue to be implemented.

Robert Bobb
February 8, 2011
Page 3

- If the agreements reached on the strategies in the plan including those above do not result in the projected savings, the district must immediately reduce expenditures in other areas in order to meet the level of deficit reduction included in the plan.
- As the EFM, you are not allowed to declare the district in bankruptcy during the remaining tenure of your contract.
- The district must notify MDE within 5 business days of any payroll related (i.e. salary and wages, fringe benefits, retirement, etc.) payments that will not be made on time.
- The district may not request preliminary state bond qualification until the financial audit is submitted to MDE by November 15, 2011 as required by law.
- The district must obtain prior approval from the Michigan Departments of Treasury and Education before drawing funds from the proceeds from the district's March 2011 State Aid Note(s).

Please notify us immediately if significant changes occur which would invalidate this plan as conditionally approved. If you have any questions related to the DEP, contact Glenda Rader, Office of State Aid and School Finance, at (517) 335-0524.

Sincerely,



Michael P. Flanagan
Superintendent of Public Instruction

cc: Andy Dillon, State Treasurer
Tom Saxton, Deputy Treasurer
John Nixon, State Budget Director
Robbie Jameson, State Budget Office
Carol Wolenberg, Deputy Superintendent
Glenda Rader, State Aid and School Finance
Christopher Wigent, Superintendent, Wayne RESA
Michigan Department of Treasury, Local Audits Unit