**Banks take 90 cents of every state aid dollar, DPS schools get a dime**

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DETROIT — Former Detroit Public Schools CEO Kenneth Burnley, Jr. and current Emergency Financial Manager Robert Bobb have enslaved the Detroit Public Schools by borrowing hundreds of millions of dollars.

This year alone, DPS debt service amounted to $438.8 million by June, according to district documents. That amount equals 71.2 cents of every dollar of state per-pupil aid. However, to service that debt in a year, by June 2011, the district will need $523.8 million. That amount is 90.7 percent of state per-pupil aid for that year.

"In other words, whatever's coming to Detroit from the state, stays with the state," commented CPA Greg Frazier, former deputy auditor for the City of Detroit and an advocate for financial transparency in DPS, who waged a two-year legal battle to win a Freedom of Information Lawsuit for the district's spending information.

"Under state takeovers the debt has ballooned. It's like a plan, [run up DPS debt] and we get out of paying Detroit anything."

As the amount of money needed monthly to pay the bank grows, the amount the state owes the district is declining. Next school year it is expected that the state aid to DPS will drop by $12.1 million.

## In plain sight

DPS debt information is hidden in plain sight on the Detroit Public Schools website. (See www.detroit.k12.mi.us/data/finance/docs/2010.06_Certain_Reimbursement_Agreement_and_Certificate_of_Set_Aside_Requirements.pdf)

"The Emergency Financial Manager was supposed to eliminate the $219 million DPS deficit when he came in," said Frazier. "But since the Emergency Financial Manager has come to manage the emergency, we are drowning in more debt. We are spiraling to the bottom, and he is helping us to get there real quick."

According to monthly DPS reports to the Bank of New York Mellon Trust Company N.A., a Bank of New York Mellon subsidiary, the district set aside over $438.8 million to cover its debt payments from July 2009 to June 2010. That is 71.2 percent of the nearly $600 million the district received in state per pupil funding in the same period, and nearly 30 percent of the district's total cash receipts of nearly $1.5 billion for the year.

The Bank of New York Mellon is the nation's oldest bank, with $23 trillion in assets. It is also custodian of the government's $700 billion Troubled Assets Relief Program (TARP), according to articles in The Street and Bail-Out Sleuth.

DPS borrowing began when former schools CEO Kenneth Burnley, Jr. first purchased $210 million in "deficit reduction bonds" guaranteed by state school per-pupil payments in March 2005, according to monthly letters to the Bank of New York from DPS Chief Financial Officer Ricardo Kisner and Chief Accounting Officer Delores A. Brown. State law had to be changed to resurrect such "deficit reduction bonds," which had been outlawed in 1994, according to a 2004 memo from Gary Olson, then director of the Senate Fiscal Agency.

Since state Emergency Financial Manager Robert Bobb took over, the district has borrowed millions more. Notes dated 2009, 2010, and 2011 account for $515.5 million of $523.8 million debt set-aside for 2010-2011.

**No way out**

At Bobb's hastily called budget hearing held at Renaissance High on June 30, activist Russ Bellant asked Bobb how he intended to repay the money that he borrowed since none of Bobb's documents indicated any repayment plan. Bobb did not respond. In fact, Bobb has admitted publicly that the debt is structural and cannot be fixed.

Calls to State Treasury representative Terry Stantion, Kisner and Brown for a copy of the March 2005 agreement and further information had not been answered by press time.

Attorney George Washington, who currently represents the Detroit Board of Education in the lawsuit against Bobb for usurpation of academic authority, said, "The state is deliberately starving the school district by freezing state aid and sending it to charter schools, while Bobb is covering it up with more borrowing, as Burnley did.

"When the new elected board takes office, it will have a huge concrete block around its neck. The two state takeovers have been the greatest financial boondoggle ever seen, but Bobb has tried to cover it up by blaming a few workers on the bottom for taking a few hundreds of dollars, while he pays millions to his consultant friends. Everybody is getting their cut except the students."

Ironically, the Bank of New York was founded in 1784 by slave-owner Alexander Hamilton, whose face is displayed on the country's ten-dollar bill. It merged with the Mellon Corporation in 2007. The Mellon family is ranked number five by wealth in America's 60 Families.