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**What More Funding Can and Can’t Do**

The fiscal problems that afflict Detroit's schools and Illinois' pensions show what happens when elected officials wait too long to act.

BY [CHARLES CHIEPPO](http://www.governing.com/authors/Charles-Chieppo.html) | MAY 12, 2016

Schools and public pension systems don't have much in common. But as Detroit's public schools teeter on the edge of bankruptcy, it's clear that at least one rule applies to both: Problems that aren't addressed in a timely manner grow exponentially worse.

Illinois is the poster child on the pension side. Even though it was clear not long after World War II that [the state's pension system wasn't sustainable](http://www.governing.com/blogs/bfc/col-real-culprits-illinois-pension-underfunding-voters.html), it was not until 2013 that elected officials passed a reform plan. But in 2015 the state Supreme Court unanimously [struck down](http://www.governing.com/blogs/bfc/col-real-culprits-illinois-pension-underfunding-voters.html) the desperate solutions that had been enacted by the legislature and governor, ruling that they violated the state's constitution.

Detroit's school woes also aren't new. [A recent report](http://www.freep.com/story/news/education/2016/05/09/moodys-dps/84142064/) from Moody's Investors Service chronicles how Detroit Public Schools' finances have been steadily deteriorating despite being under direct state oversight since 2009. Even after $48.7 million in emergency state funding, DPS officials say they only have enough money to operate through June, which has already triggered two sickouts by teachers who fear that they won't receive paychecks after June 30 for work performed before that time.

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The Moody's report says Michigan leaders have less than two months to agree on a plan if DPS is to avoid bankruptcy. Yet with so little time remaining, the state House and Senate have passed dramatically different plans.

Recent House legislation would split the district in two, with one entity to pay off debt and the other to handle day-to-day educational operations. It would provide $500 million to pay off an operating deficit estimated at $515 million and extend a $33 million loan to assist the transition to the new arrangement. Teachers' union contracts would not transfer to the new district, and some district staff would be required to reapply for their jobs.

A Senate restructuring bill passed in March would also split the district in two, but it provides $720 million in funding and includes none of the House's labor provisions.

While the failure to act only worsens both pension and school-district finances, there is at least one important difference between the two: Appropriating enough money to meet obligations generally solves pension problems, at least in the short term. But money is only part of what ails Detroit's schools.

On the 2013 National Assessment for Educational Progress, just 4 percent of DPS fourth graders were proficient in math, and 7 percent were proficient in reading. And based on 2013-2014 ACT test scores, just 3.5 percent of the district's high school juniors were college-ready.

It's understandable that many state-level elected officials are reluctant to appropriate hundreds of millions of dollars for a city with as many self-inflicted wounds as Detroit, which is emerging from the largest municipal bankruptcy in American history. But the finances of the city's schools are long past the point of no return. And until the district is solvent, there's no hope of addressing the even more serious educational problems that afflict its nearly 52,000 students.

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