Robert Bobb And The Failure Of Public Act 72: A Case Study

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First Edition

This work is Dedicated
to

Dr. Irene Norde

head of DPS curriculum who was subpoenaed and testified in court under oath about the truth concerning Robert Bobb's activities and was thereafter singled out for termination.

Dr. Norde has since been selected by her peers as President-Elect of the Michigan Council of Teachers of Mathematics. MCTM includes teachers and administrators from Pre-K to College, and

Walter Esaw

who was the DPS executive budget director that tried to show Bobb fiscal realities and a real deficit reduction plan and lost his job as a result

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The Other Side of Robert Bobb

The well-crafted image of Robert Bobb in Detroit is compelling. He is an anticorruption crime buster, dedicated to redirecting resources to the education of our children. He is a trustworthy figure fighting a self-perpetuating system of corruption that is trying to block change for the education of our children. As a tireless, dedicated, incorruptable agent of the Governor, he is like the Marshall of the old West, coming into town in cowboy boots to right wrongs and then will move on to other challenges.

Little of this image, however, is true.

Since Mr. Bobb has become Emergency Financial Manager (EFM) at Detroit Public Schools, he has repeatedly made and left on the record recklessly false claims, has abused his contracting authority and has been in continuous violation of state laws and possibly federal law. He let it be known to DPS employees that their jobs are on the line if they cooperate with the former General Superintendent or the elected Board of Education. Some contracts are let to family and friends of Mr. Bobb and his top appointees, many of whom are living high on the hog at the expense of DPS.

By telling the underreported side of Robert Bobb and his network that is exploiting Detroit Public Schools, this report is also looking at the failure of the EFM model under Public Act 72, which legally created the EFM in 1990. The law assumes a well-intentioned and attentive Governor with the ultimate responsibility for EFM accountability. There is no recourse when that oversight fails.

In order to understand the context in which this takeover is understood in Detroit, this report begins with a brief look at the 1999 state takeover of Detroit Public Schools. The failures of the first takeover created the conditions for it to happen again under the EFM law.

The First State Takeover

On March 26, 1999, Public Act 10 was approved in Lansing to give all the powers of an elected Board of Education and the Superintendent combined in one person, a CEO. Spelled out in the list of enumerated powers was authority over bonds and capital projects, as well as all other District funds. The elected Board model that had existed since 1842 was disestablished.

This Public Act initiated a massive abuse of District finances created by a one-man system with no board to oversee contracts or operations. It was a model of unaccountability.

When the 1999 takeover was implemented, DPS had modestly increasing student enrollment (see Appendix A). The District had a $100 million positive fund balance (see Appendix B) and academic scores in the broad mid -range of districts in the state. There was no performance justification for the takeover. The conventional wisdom is that the actual reason for the takeover was to take control of $1.2 billion remaining from the $1.5 billion bond approved by voters in 1994. It was a golden egg that tempted too many in Lansing and Detroit.

The abuses of that bond under the CEO are legend: three high schools were built at $130-$140 million each that were overpriced and, in the case of Cass Tech, had ongoing building systems problems. A contractor estimated that the new Renaissance High School could have been built for $72 million, not $130 million that was its actual price tag. Early childhood centers were built for $20 million that should have been built for $5 million.

Additionally, the $100 million surplus disappeared. In April, 2004, only two months before the end of the fiscal year, then-CEO Kenneth Burnley announced a deficit projection of $200 million. Governor Jennifer Granholm did not declare the state takeover a failure or impose discipline on Burnley. Instead she approved the sale of $210 million in deficit bonds, giving Burnley another pot of money to spend while saddling the future elected Board with $21 million a year in debt for the next 15 years. Hence DPS is paying $315 million for the $210 million state-approved loan, or 50% in loan costs.

Burnley commenced the closing of 27 schools and the layoff of thousands of employees, creating a panic among parents that caused the immediate loss of over 9,000 students. The enrollment loss in the next two years was 19,697 students, exceeding the loss of the previous four years by several thousand.

Those consequences could have been ameliorated by prudent planning early in the fiscal year. The DPS Coalition of Unions, for instance, gave Burnley a plan in December 2003, five months into the fiscal year, that would have saved the District $150 million, but Burnley remained silent on the deficit, repeatedly refusing to acknowledge the coming deficit or even receipt of the savings plan.

By waiting until ten months into the fiscal year, Burnley stated that he needed to perform radical surgery on DPS in order to save a lot of money in the remaining two months. Even some on the appointed board, such as businessman Bill Brooks, felt that he let the situation get out of control and that Burnley should be fired. Then-Mayor Kwame Kilpatrick squelched that talk.

The takeover system was supposed to improve DPS, according to the 1999 justifications for Public Act 10. The law even set up a School District Accountability Board to review its operations. It was a high-powered group, composed of the State Budget Director, State Treasurer, the State Superintendent of Public Instruction and two appointees of the Governor. They failed to catch the failure.

In one quick season, the wisdom of a one-man system of unaccountability and the notion of mayoral control were both discredited. On the Proposal E 2004 referendum, voters decided by a 2 to 1 margin to not support permanent Mayoral control of the school system, even though the pro-Mayor forces outspent their opponents 20 to 1 on the ballot issue.

The State of Michigan, Governor Granholm, and those who supported the failed CEO/Mayor system never published a study of the 6½ year CEO project. No audits were done, no indictments were drawn up, no in-depth media probes were reported. Everyone let it die quietly, privately conceding that it failed. They passed the legacy debt burden and the dropping enrollment crisis to the newly elected Board of Education.

For the next three years the elected Board struggled with the debt, closed lots of schools and were, especially in 2008, in continuous dialogue with the Michigan Department of Education over the deficit elimination plan. At the end of 2008, the State Superintendent of Public Instruction, Mike Flanagan, declared that a financial emergency existed at DPS. Granholm then selected Robert Bobb to be the Emergency Financial Manager with little apparent review of his background.

Enter Robert Bobb

Governor Granholm imposed a second State takeover. While the 1999 takeover came through the front door with explicit legislative authority, Granholm avoided seeking direct legislative approval. She used the emergency financial statute to give power to Robert Bobb to not only take over finances, which the law allows, but she approved use of that power to unlawfully control academics and thus all spending of the District. She thus effected a total State takeover under her direct authority without legislative or voter approval. This gave her direct but behind-the-scenes control over Bobb's actions, as Bobb's contract says that he can be fired by the Governor at any time without cause.

When making this appointment, Granholm and Bobb promised a cooperative relationship with the Board over academic authority. As Bobb prepared to come to Detroit, he and Granholm clearly promised that the Board would retain academic authority. Once on the scene, however, those commitments were broken. Hence there is even less accountability under the Granholm arrangement than there was during the Burnley era.. There is no oversight body with the legal authority to review or evaluate Bobb's conduct.

Until the Board of Education took Bobb to court , he did not share information with the Board or the General Superintendent, whom he referred to in public as the Acting Superintendent. He has cut the Board's small staff to only two people and the Superintendent had only one person reporting to her until Bobb fired her. While the law does not give him the power over the academic plan of the District, Bobb has used the threat of job loss to effectively stop anyone from helping the Board carry out its lawful duties, with the encouragement of the Governor Granholm.

Robert Bobb's Background

Before coming to Detroit in March, 2009, Robert Bobb had just vacated the seat of President of the Washington, D.C. school board that he been elected to in 2006. Back then the shoe was on the other foot. Just as he was being seated, newly elected Mayor Adrian Fenty engineered a takeover of the school board. Bobb fought for the independence of the board, as well as his own power. One headline in the Washington Post read "Bobb opposes Mayoral control of DC schools", in marked contrast to his position in Detroit two years later. He even invoked voters rights as a reason for opposing mayoral control of the schools. Two years before that, however, when his boss Mayor Williams wanted to take control of the schools, Bobb was helping him do so. Since Mayor Anthony Williams was in his last term and letting Bobb manage the City, this would have given Bobb effective control over the schools as well. The only consistent pattern in all of this is that Bobb took the public policy posture that been suited his personal power goals.

Control of the schools included control of $2.3 billion dollars in construction activity for the DC Public Schools. After pledging cooperation with newly elected Mayor Fenty, however, Bobb, then President of the School Board, tried to secretly arrange to kill Fenty's takeover by having U.S. Senator Mary Landrieu block the authorizing legislation, since Congress still controlled the DC City Charter. When this was exposed, Bobb lost the fight and his full time job with McFarlane Associates, a major commercial developer that had supported the election of both Bobb and Fenty. He was thereafter dubbed "back door Bobb" in the press. (A Civics Lesson for Schools to Skip, Colbert I. King, Washington Post, May 26, 2007).

The school board had been attractive to Bobb in part because of the big construction contracts, an activity that has marked Bobb's efforts in every city that he has worked in. With his reputation as a deal maker, the construction industry, real estate, banking, architecture and engineering interests bankrolled his campaign. He raised six times the amount of his nearest competitor, who was on City Council. In fact, most of his contributors gave the maximum allowable contribution, with relatively few small donors. A review of his donors shows that Bobb had only 70 donors who gave $50 or less, but 367 donors gave the $500 maximum, indicating Bobb's real base of support were commercial interests far from Washington, DC, not local taxpayers and parents seeking reform.

In one glaring example, the Thompson Cobb Bazilio & Associates (TCBA) accounting firm partners, relatives and a related corporation gave at least $12,250 to Bobb's school board campaign. The related firm, DC Chartered Health, had as its sole client the Washington DC city government that Bobb was running. Their contract was for distributing medicaid services, for which they earned very low performance ratings.

When Bobb took control of Detroit Public School finances, he gave TCBA three short term contracts worth $553,170, although they were actually paid $672,344.05. This despite the fact that there are many accounting firms in metro Detroit or Michigan that could have done this work.

Bobb also had several entities in the Philadelphia area that put together 15 maximum donations for $7,500, even though they are all more than 100 miles from Washington, D.C., unusual fundraising for a school board seat. Two of the corporations involved had no corporate filings with the State of Pennsylvania.

One maximum contribution came from the firm that would later fire him, McFarlane Partners, but McFarlane interests made substantial contributions through indirect routes. McFarlane Partners is engaged in commercial real estate projects. Victor McFarlane, principal of McFarlane Partners of San Francisco, had a 25% interest in Forest City enterprises, from which came $8,000 in maximum donations from employees and relatives in Ohio, California, Colorado and Maryland. There were no contributions in Victor McFarlane's name.

Although the fight with the new Mayor was on over control of the D.C. school district, Bobb focused on his first priority - getting contracts approved. He and the superintendent bundled together a billion dollars in contracts within two months of Bobb taking office and tried without success to get the Mayor to approve them.

Bobb's deal making in the nation's capitol in prior years as City Manager hit a snag in 2005 when the independent DC Auditor General found that Bobb had abused DC policies for four contracts that he arranged. Due to the billions that Granholm has given him control of over a two year period and the failure to vigorously monitor his activity to date, it is necessary to look at length how he operated in Washington, DC when he was given a free hand to run affairs in that city.

One contract was for an acquaintance from Oakland, California that was allowed to "begin rendering services to the District government based only on a verbal agreement," according to the AG report. Improper payments of $10,000 each were made without a contract in place, based on invoices that did not detail services rendered.

Another Oakland acquaintance was paid $26,500 without a written contract in three invoices split to avoid a $25,000 reporting requirement. There was no proposal outlining tasks and their projected costs and no justification for sole-sourcing the contract.

The same vendor was also given a $75,000 contract for developing a baseball legislative strategy activity. The Auditor General found that the contract was not in compliance with procurement practices and that Bobb's statement of justification was "inaccurate."

Jane Brunner was an Oakland, California City Council member who had supported Bobb when he was fired as City Manager there in 2003. She was given a contract by Bobb to develop apprenticeship and pre apprenticeship programs for a Washington, D.C. baseball stadium construction project. These are services that the US Department of Labor, Office of Apprenticeship provide for free. Yet Bobb gave her a $90,000 contract although he only had authority to approve contracts up to $25,000.

The AG found that there was "circumvention of internal controls that were in place and an official flouting of procurement law, regulations and ethical standards." Bobb was the sole signer on the contract.

Brunner also drafted a Project Labor Agreement (PLA) that was outside the scope of her contract. The actual PLA was found to have been a word-for-word plagiarization of an agreement draft that had been written by the area's building trades council.

The AG concluded that "The City Administrator's (Robert Bobb) action of identifying friends and associates, principally from Oakland, California, for non-competitive, sole source 'deals' with the District government resulted in transactions that were not: above reproach, arms length, completely impartial and free from the appearance of preferential treatment."

DC Watch, a watchdog group, said that "Mayor Williams and Bobb's response to the exposure has been arrogant defiance and promises of more of the same to come in the future." They also noted that Bobb maintained investments, real estate and consulting firms in Oakland. Bobb told the local WTOP radio that "I make no apologies for it at all. None. Zero. Zilch."

After Bobb left office, the Washington, D.C. Auditor General also found that Bobb collected a $31,200 "bonus" as he was leaving City government that was part of a pattern with others that violated a number of City rules (DC Auditor General Report DCA252007) . While he was City Manager during the last months of his administration, over $528,000 was paid out improperly as “bonuses.” The rules that were violated included limits on bonus amounts, requirements that the bonuses be tied to documentable performance and that they have proper approvals. Bobb’s unauthorized “bonus” was far higher than any other D.C. official.

The AG also found that Bobb allowed “bonuses” to be paid to 10 staff members based only on those employees opinion of their own work performance and that those bonuses equaled 7% to 8% of their salaries (P. 13). Appended internal memoranda to the AG report stated that Bobb had approved 27 of 28 of the bonuses and that the payments were to be made expeditiously, as it was noted by the AG that many were leaving office. Bonuses, of course, are incentives to long term employees and are not to be used as parting gifts. One “bonus” of $15,600 was paid to an employee who had left city government (p.14), what Bobb in Detroit would have called a ghost employee. Although unnamed in the report, an accompanying table of the payouts shows that the ex-employee (or ghost employee) that received a government bonus after he left government was Robert Bobb.

As a result of the above abuses, the DC government rewrote the bonus pay process after Bobb left.

Bobb was also found to have approved in September 2006 a request to allow a city appointee, E. Veronica Pace, to keep $75,000 in payroll overpayments that she was not entitled to. Rather than notify the city of the payroll error, Pace collected the excess pay for eight months and then asked Bobb to let her keep those unearned payments. Two months later Bobb was overruled, with the notice that he did not have the authority to allow her to keep that money. (Washington Times, June 17, 2007)

Bobb was also a salesman for building a baseball stadium under terms that committed the residents of Washington, D.C. to pay $611 million in construction costs, a proposal he helped push through City Council despite overwhelming voter opposition.

Bobb in Oakland

Robert Bobb was City Manager in Oakland, California from November 17, 1997 until he was fired by the Mayor on July 1, 2003. The cause for firing was his campaigning for building a stadium for the Oakland Athletics baseball team, a project that the Mayor opposed. After the termination, he suggested in the media that the Athletics hire him, but no offer materialized. He then formed LAPA Group LLC as his private consulting company.

Bobb in Richmond

Prior to Oakland, Bobb was City Manager of Richmond, Virginia from July 1986 to November 1997. After he left city government his Robert Bobb Group became partner in a nearly one billion dollar contruction project for Richmond that would include a baseball stadium. He was working this project while he was City Manager in Oakland, California.

When he ran for office in 2006 in Washington, D.C., a law firm in Richmond bundled $4,000 in contributions for his campaign for a school board seat over a hundred miles away.

Bobb in Santa Ana

Robert Bobb was hired in January 1984 as City Manager in Santa Ana, California and worked there until July 1986.. He planned a major development project in downtown Santa Ana that was opposed by a real estate association and the UCLA School of Architecture, both of whom had been commissioned by the city to study the matter (*Project Set to Move Forward Despite Recommendations to Contrary. Santa Ana Appears Set to Build Downtown Offices and Hotel,* L.A. Times, 2-28-1985).

The Times also reported that Santa Ana had more construction projects than any City except San Diego and Los Angeles (*Santa Ana's Departing Manager Predicts Racial Tensions*, L.A. Times, 7-5-1986). During Bobb's tenure, citizens mounted an initiative to disband the City Manager position and restore a full time Mayor (*Group Proposes Shake-Up in Santa Ana, Urges Vote*, L.A. Times 12-28-1985). This focus on construction would mark Bobb's career, including at Detroit Public Schools, where the new construction was not the priority as so many good buildings lay empty.

Bobb Schools With Broad

In 2005 Bobb underwent a ten month training program sponsored by the Edyth and Eli Broad Foundation and was anointed a Broad Fellow. This was at a time when he had no education background and was still City Manager in Washington, D.C. The foundation, based in Los Angeles, developed a program in 1999 targeting public school districts. Because Broad trained Bobb and pays him $56,000 beyond his public salary, some understanding of Broad is needed to understand Bobb's assignment over our school District.

Eli Broad made his billions by home building (Broad and Kaufman), starting in Michigan 50 years ago. He later moved to Los Angeles, got in the insurance business and retired. He set up foundations that helped spread his influence and wealth. In 1999, the year that then-Governor John Engler took over Detroit Public Schools, Broad set up a foundation to change public education, targeting public school districts.

On November 16, 2001, Broad and John Engler set up the Broad Center for Superintendents (now the Broad Center for the Management of School Systems) in Washington, D.C. It was announced in the U.S. Capitol Building, suggesting the ultimate target of political power that Broad was trying to reach. The goal of the Broad Center was to bring non-educators into leadership of school districts in order to restructure them. In 2002 the Broad Center launched the Broad Superintendent's Academy to specifically target vulnerable urban districts.

In 2005 Robert Bobb graduated from the Broad Superintendent's Academy while he was still a City Manager in Washington, D.C. When Governor Jennifer Granholm was in Washington, D.C. for the January 20, 2009 presidential inauguration, she met Bobb at the recommendation of Eli Broad and began the process that resulted in his selection. Since his hire in Detroit, the Broad Foundation has been paying Bobb to carry out its agenda and DPS has being paying some costs of bringing Broad Foundation staff to work on temporary assignment in Detroit, according to contracts and reports on the DPS and Broad websites. Bobb received $28,000 directly from Broad in his first year at DPS, plus up to $15,000 in moving expenses. In the second year contract Bobb was paid $56,000 by the Los Angeles foundation. All of this was approved by the Governor, whose office actually assisted in identifying funders for Bobb's paycheck, according to interoffice emails from the Governor's office.

The idea that public officials are partially paid by private parties who seek to influence officials to use public positions to serve their private ends is boldly unethical. At the federal level, such a contract is felonious. If private groups have a compelling agenda that serves the public interest, they do not have to pay officials to implement their recommendations. In the case of Broad, their policies are clearly contrary to the stimulation of a more robust Detroit Public School system.

Bobb's Record in Detroit

When Bobb came to Detroit, he pledged to work with the elected school Board over their shared responsibilities, as the emergency financial manager law, PA 72 of 1990, requires. Governor Granholm also made such pledges. Bobb wrote a letter to the Board of Education President, Dr. Carla Scott, reaffirming such cooperation in April 2, 1999, saying that "I fully appreciate and understand your role and function as President and that of your Board of Education colleagues, based particularly on my own service as an elected Board member and Board President."

He also wrote that "there is a pressing need for *the community at-large to be involved* in creating a Master Education Plan for the 21st Century Teaching and Learning (author's emphasis), a sentiment that never would be acted on in the following months.

But in the addendum to the letter Bobb negated the community and Board cooperation that was promised in the body of the letter. State Superintendent of Instruction Michael Flanagan told this writer and others in early 2010 that PA 72 did not give Bobb academic power, adding that if that had been the intention of the Legislature, it would have been clearly stated in the law. It was the Governor pushing that issue, he said. When a judge agreed with that interpretation of the law, Flanagan urged Bobb to not appeal the decision.

After Bobb came to Detroit, he fired central staff and brought in mostly out of state contractors to run the district, contractors with no previous connection to DPS operations. This is a short list of some of those contractors:

<u>William V. Roberti</u> - Roberti is a "Special Advisor" to Bobb and a long time employee of Alvarez & Marsal. The company had a four month contract, from June to October, for $500,000 that included Roberti and several other A & M staff. Roberti and his company continue to operate at DPS. They have been paid over $2.6 million, however.

Roberti was the lead person sent in to dismantle New Orleans Public Schools after Katrina, creating a charter school network in its place. Prior to Katrina he was the $425 an hour (plus expenses) contract Superintendent of the St. Louis Public Schools through Alvarez & Marsal. The Missouri education department concluded in 2004 that the college placement rate dropped and the dropout rate had risen under Roberti's policies, resulting in over a 20 point drop in the State of Missouri's evaluation of the District under Roberti.

Prior to his St. Louis job, Roberti had been the CEO of Brooks Brothers, the men's clothing retailer.

Barbara Byrd-Bennett: She was hired on a contract basis as the Chief Academic and Accountability Auditor. Pay was set at $16,828 per month, plus $1,683 monthly for expenses for a total of $18,511 per month. For the nine month contract that expired February 28, 2010, she was to be paid $160,000, equivalent to over $213,000 per year. Her new contract has not been made public. The Six Month Report On Expenditures, Contracts, Loans and Employment Actions dated October 14, 2010 (hereafter Six Month Report) sent to the Legislature shows a compensation rate of just over $260,000 per year, which was the salary of the DPS Superintendent under the elected Board. Despite this high pay level, she works only part time for DPS.

Byrd-Bennett was the CEO of Cleveland Public Schools for seven years, hired by the Mayor after a quick and intense campaign was conducted through the media to convince the state that Cleveland voters could not be trusted to elect a school board and power was given to the Mayor. Cleveland business groups set up a fund to embellish the compensation to the CEO, funds which caused official scrutiny and public criticism for her lavish spending on meals, travel and lodging for herself. She was also criticized for having her son-in-law on the District payroll, but he was on the payroll before he became her son-in-law.

The same justification cannot be made, however, for her son-in-law, Edmenson Suggs, an attorney who lives in Ohio, who was given a $71,500 DPS contract for an eight month period, equal to an annual rate of $107,250 for analyzing the athletic program. The contract was signed by a deputy of Byrd-Bennett. The pay rate for her son-in-law is equivalent to the amount paid to experienced DPS Assistant Superintendents who supervise daily school operations. Bobb listed Suggs' name as a contributor to his so-called academic plan, but no work product has been placed on the DPS website. The contract was from July 7, 2009 to March 2, 2010. A March 30, 2010 Freedom of Information request for this report has not produced the report as of February 10, 2011. Knowledgeable sources at DPS say that he was virtually unseen in DPS. In order for Bobb and Byrd-Bennett to show that this was not a no-work, no-show award to a family member, a substantive work product needs to be produced that was provably created within the contract deadline.

After leaving the Cleveland job, Byrd-Bennett became "Superintendent-in-Residence" at Houghton-Mifflin publishers. Within a few months of settling in at DPS, Bobb and Byrd Bennett made the largest book purchase in US history with a $40 million contract with Houghton-Mifflin.

Byrd-Bennett was also Executive Officer of the Broad-funded New Leaders for New Schools in Washington, D.C. while she was working at full time pay for DPS.

Byrd-Bennett's tenure in Cleveland did not produce marked academic improvements, according to a number of commentators. The 2009 NAEP math scores, widely used to discredit DPS education, showed in the math scores that Cleveland was the only urban district to go backwards since 2007 in both 4th and 8th grades.

Last year Bobb required employees and vendors to complete disclosure statements that reported any employment or business relationships outside DPS. Such information is supposed to insure that conflicts of interest are avoided. In response to a FOIA request for her disclosure statement, Byrd-Bennett's office stated that she did not complete the report, even though Bobb did. Well placed DPS sources say that she completed the form but is declining to release it.

Annette Knox: Knox was looking for work for a long time before her friend Barbara Byrd-Bennett hired her in Detroit. Both were associated with New Leaders for New Schools in Washington, D.C.

Prospective employers turned her down after background checks went back to her work as Superintendent in Camden, New Jersey. There she resigned in 2006 under pressure from a criminal investigation that focused on rigged scores for statewide exams and for unauthorized bonuses. A court-ordered audit also found irregular spending problems, including ongoing paychecks for 10 dead former employees. In total, $13 million in "questionable expenses" were identified in the audit of the district with only 18,000 students.

The rigged test scores investigation focused on three schools where test results were near perfect in a district that was highly challenged by low testing results in previous years. One principal told the state that he was pressured to rig scores by a "high administration official" and the rigged results partly justified Knox taking $17,690 in bonuses, payments which were not approved by the Camden school board. After the results were public and before the rigging was known, Knox held a $15,000 gala celebration of the District's phony results.

Knox chose to resign and applied for jobs outside New Jersey, but was unsuccessful in being selected. When Byrd-Bennett brought her to Detroit, Bobb awarded her a contract for $110,000 for an eight month period, a yearly rate of $165,000. Her duties were to serve as an "executive coach" and other academic duties under Barbara Byrd- Bennett. Her new contract has not been made public. She now holds the title of Assistant Superintendent.

Tracy Martin and Sherry Ulery: Both worked for Barbara Byrd-Bennett in Cleveland, went to work together in the Washington, D.C. schools when Bobb was board president, were separated from employment by Michelle Rhee after a short tenure in D.C. and reunited with Bobb and Byrd- Bennett in Detroit after a period of unemployment. Both were given Deputy Chief of Academic Affairs titles and both were given nine month contracts at $15,888 per month, a yearly equivalent of over $190,000 a year. Both are alleged to work part time for many weeks of the year. Their new contracts have not been made public.

Kathy Freilino: Another Barbara Byrd-Bennett associate from the Cleveland schools, hired as a consultant to Byrd-Bennett at a monthly rate of $11,000 monthly, equal to a yearly rate of $132,000, considerably higher than DPS assistant superintendents were receiving at the time of her hire.

Leaura N. Materassi: Another Barbara Byrd-Bennett associate from the Cleveland schools, hired as an "executive coach" for $13,750 a month, or a $165,000 yearly rate. She has worked with Byrd-Bennett for more than 20 years in New York as well as Cleveland. She was also a Broad program participant

Gloriane Allen: Another Barbara Byrd-Bennett associate from the Cleveland schools who has become an Assistant Superintendent over the English Arts curriculum. She was hired at a rate of $132,000 a year, but her current rate is unknown. No contract for her has been published.

Rosemary Herpel: Another Barbara Byrd-Bennett associate from the Cleveland schools who was hired June 1, 2009 as a consultant to develop a leadership academy for principals at DPS to replace the one that was shut down. She was paid at the rate of $132,000 a year. No renewal contract for her has been published, nor is her name on the list of vendors that Bobb was required to supply to the Legislature in his Six Month Report of Expenditures, Contracts, Loans and Employment Actions. No leadership academy was ever implemented.

Barbara Coleman: Another Barbara Byrd-Bennett associate and friend who sources say was brought to DPS as a consultant but there is no reported contract for her, nor is she listed in the Six Month Report to the Legislature cited above.

Debra Linn Talley: Another friend of Barbara Byrd-Bennett who was brought from Cleveland to monitor the intake of books from the $40 million Harcourt purchase that Barbara Byrd Bennett arranged. Although she is listed as a contractor, her vouchers are not reported in the Six Month Report. She was in charge of the Office of Equal Opportunity in Cleveland until she was demoted by the Mayor and resigned in 2009, according to the Cleveland Plain Dealer of March 23, 2009. Also see Integrity section .

Kevin Clinton: Clinton was a former official in the Washington, D.C. school system that Bobb brought to Detroit, not as a contractor, but as a DPS staff administrator over the state and federal grants office. He was recently moved into Bobb's executive office. Clinton was given a pay rate $145,000 a year, $30,000 a year higher than the highest paid Assistant Superintendent. His good standing with Bobb may also stem from the fact that he was his $5,000 per month deputy campaign manager when Bobb ran for school board in D.C. (also see page 22).

Angela Joyner: Joyner has worked under Bobb in Oakland and in Washington, D.C. She is currently the Deputy Chief Financial Officer, a DPS staff position, paid $125,000 a year. According to knowledgeable sources at DPS, Joyner knows practically nothing about school budgets and has to ask for help on basic budget matters. She was hired in Buffalo in a senior finance position and was not retained after four months. She left DPS in early February but is on the DPS payroll until March. Her departure was not announced by DPS.

In addition to these individuals, questions have been raised by Bobb's selection of:

Public Financial Management, Inc.: This Philadelphia-based company once employed Bobb as Director of Strategic Consulting. Even after he signed a $972,000 DPS contract with them, the Detroit Free Press reported that he was listed as an employee and still had an active telephone at the company. Their contract was to provide budget development and financial reporting services to the Michigan Department of Education on behalf of DPS.

Bobb also personally selected this firm to provide the financial services for the bond program that he and the Governor created. That contract has not been made public.

Bobb's Financial Failure

When Bobb came to Detroit in March, 2009, the district had a negative fund balance from the previous 2008 fiscal year of over $139 million. He was expected to stem the red ink and begin slowly reverse the deficit conditions at the District. When the fiscal year 2009 data was reported, however, the new fund balance was a negative $219 million (see Appendix B). Since Bobb had been at the district the last four of those months of FY 2009, he was not criticized for the deficit leap. He had increased spending in those four months with millions of dollars in consultant contracts, but was claiming that those expenditures would produce a positive balance in the next fiscal year, FY 2010.

When Bobb reported his budget in June 2009 for FY 2010, which would begin July 1, 2009 and end June 30, 2010, he said that he would have a surplus in that fiscal year of $17 million. But he continued to add contractors and consultants to his spending activity to such an extent that the Detroit Free Press reported in October 2009 that Bobb had $40 million in consultant spending in place.

Generally, Bobb's spending practices were not given much attention. In May 2009 he and Granholm had decided that they would plan for a construction bond program. Bobb was also making headlines with unfounded statements of "ghost employees" and other false allegations of abuse. He was riding high and few noticed that he had posted his five priorities and the last priority was developing a financial plan. A state legislator, in a hearing on January 21, 2010, told him that he should reverse his priorities and put finances first, since that is what he was hired to do. Bobb did not respond.

In later 2009 he began asserting that the FY 2009 deficit of $219 million was really $305.8 million. Also though this was stated as fact, it was never given a documented foundation. Further, the 2009 Comprehensive Annual Financial Report (CAFR) created by outside auditors that established the deficit at $219 million was never recalculated. The 2010 CAFR reported that the 2009 deficit was still determined to be $219 million and Bobb never proved to the outside auditors that the figure should be recalculated.

This matter becomes relevant because Bobb has made several versions of history around this issue. In 2010 he asserted that the real deficit when he arrived was about $305 million but his quick and prudent actions cut $86 million in the last four months of the fiscal year and brought the actual deficit down to $219 million. The only problem with this story is that he did not make any major spending cuts in his first four months. He made announcements that would go into effect for the next fiscal year but not reductions that would come anywhere near $86 million in the 2009 fiscal year ending June 30, 2009.

After his FY 2010 deficit ballooned by $108 million to $327 million (the general fund portion of the deficit in FY 2010 was over $112 million), Bobb began saying that the actual deficit for FY 2009 was $305 million, period. That meant that he was no longer making his earlier assertion that he cut $86 million and brought it down to $219 million in 2009. Again, there was no evidentiary foundation for either claim.

The advantage of asserting the higher 2009 deficit was that it made it appear that the deficit went from $305 million in 2009 to $327 million in 2010, an increase of $22 million. That looks much better than the $108 million that the outside auditors asserted that is still the official number to date.

Interviews conducted with DPS staff and former staff and Bobb's staff over the last year, as well as published financial data, inform the above discussion. DPS staff that know what is going on in the finance area of the District see Bobb's deficit failure as driven not just by the school finance realities but by bringing in many vendors and putting people in positions that were incapable of functioning in the positions they were in.

Additionally, companies that were brought in from out of state, such as TCBA and PFM (see earlier discussion) due to Bobb's personal connections to them, did not understand Michigan school finance, so they had a steep learning curve.

Another factor in the deficit was Bobb's hiring of friends and generous compensation to favored individuals, as well as pay raises and the awarding of higher titles to people who continue to do the same work. He expanded the number of Assistant Superintendents from three under the elected Board to ten, adding about one million dollars to the payroll.

Bobb has also used federal funds for multimillion dollar projects, such as the awarding of $20 million to four out of state vendors to supposedly manage 17 high schools in 2009. The vendors are in varying degrees present in the buildings but the DPS staff continue to run the schools. The stimulus dollars given to these companies have not stimulated any growth activity and appear more as a waste of money that could have been used for a vital purpose.

Unreported Financing

Bobb has been conducting short term loans that have not been open to the public that is paying for them, even though these loans cost taxpayers millions of dollars. HB 4214 and SB 153 propose that these loans be conducted without public notice, even though the Michigan Treasury is a party to the loan process. This means that activities of government that place a direct cost on taxpayers and critically affect local government operations would not be reported to the public.

Last October Bobb had $445 million in short term financing loans that were not reported to the public. The loans resulted in reductions of payments to DPS of $45 million per month until August 2011, when these loans will be repaid.

When Bobb borrowed $230,000,000 on August 18, 2009 for a one year, short term loan, the interest rate was 9.5%, according to the Six Month Report. That means DPS paid $21,850,000 in interest for the loan, money that could pay for a lot of educational capacity. All that should be public.

Afterwards he borrowed $256,235,000 at 4.9%, costing $12.6 million and $188,730,000 at 3.875%, costing $7.3 million. Those interest costs together total $41,750,000, another factor in the DPS deficit. While these types of loans are used to some degree by school districts to cover uneven state aid payment schedules, the amount and costs bear examination. If the current legislation passes, it will be harder for citizens to know this data.

Bobb's Deficit Justifications

In trying to explain why DPS has a deficit in 2010, the District has offered the following explanations:

--*A property tax charge-back of $7 million from the Wayne County Treasurer due to the bankruptcy filings of Greektown Casino and General Motors*. This explanation suggests that the charge-back was sudden and unavoidable. In fact, charge-backs began in FY 2009 due to the declining tax revenues due to the acceleration of foreclosures and property abandonment. This continued in FY 2010. Property tax officials warned millage-funded institutions for several years to anticipate a charge-back and prudent financial officers budgeted accordingly.

– *Increased expenses of over $23 million due to recalling employees due to be laid off.* This explanation means that they budgeted payroll reductions of essential employees that they could not do without. This speaks to a confused budget process and lack of competencies.

– *Unrealized labor savings of $72.2 million*. When Bobb signed each union contract, he praised the concessions. The custodian's union, for instance, gave up wage, health care concessions and work rule changes that lowered payroll costs. The teachers union made many concessions and also agreed to a loan program whereby each teacher forwarded to DPS

$10,000 per year to be banked by the District until the teacher retires. This resulted in over $40 million that Bobb used to help his cash flow problems. Every other Union gave concessions that Bobb was signatory to, meaning that the concessions were within the range of the District's savings goals.

– *Cancelled school closings cost $9.1 million.* The problem with this claim is that closing schools does not save money in the year of the closing, due to costs of demobilizing the building and securing the property. Further, there is evidence that whatever savings from staff and utility costs are realized are more than offset by the loss of student enrollment. When CEO Ken Burnley closed a large number of schools in 2004, the enrollment rate dropped dramatically (see Appendix A). When the elected Board of Education did an even larger closing program in 2007, another precipitous decline occurred. An academically successful elementary school testified last year that when they were relocated, they lost about 250 students of their 300 students to other school systems. So the hundreds of thousands of dollars saved by closing their building caused the District to lose $1.9 million in revenue.

A staff memo from Bobb's Deputy Chief Financial Officer, Angela Joyner, who drafted a memo to Bobb for a budget amendment on February 17, 2010 stating that the prior year's deficit FY 2009 was $219 million and the projected budget deficit for FY 2010 was $113 million, which, she said, was "not a cause for concern because it is a result of decisions that were made in the best interests of students..." The document showed no reduction in property tax revenues. In fact, the FY 2010 revenues rose $160.8 million due to stimulus dollars.

Another Explanation for the Deficit

Bobb did not put forward the obvious factors that contributed to the deficit when the size of the imbalance was reported last year. This report argues that the deficit was greatly exacerbated by:

– The hiring of dozens of contractors and vendors, not all of whom have been made public or even reported to the state, as required by law. This includes Bobb himself, whose compensation package is $505,000, of which $360,000 comes from the District general fund. His total contractual pay is nearly three times that of the Governor, which in turn is the third highest Governor's pay in the U.S. It also exceeds the base salary of the president of the United States. Bobb's pay is emblematic of the compensation mentality among the EFM team at DPS.

– The expansion of positions, promotions and job title inflation of favored staff.

– The huge unreported and misreported debt service from Bobb's hidden borrowing activity.

– Paying employees who are not in budgeted positions. Bobb has hundreds of people who are not in the official budget, which makes his budget numbers look better to Lansing, but show in the bottom line at CAFR time.

– Incompetent budget workers brought in through relationships.

2011 Budget

Bobb is operating on a current budget that he projects will be perfectly balanced on June 30, 2011. It will not be balanced. All of the faults described above are still in place. The budget was not balanced from the first day of the fiscal year.

Bobb reported various numbers ranging from $21 million to $66 million in debt service costs for the 2011 budget. In his online budget, he projects a debt service of $21,850,000. But when he presented this budget to the public on June 30, 2010, he stated that the debt service would be $66 million. He declined to discuss the debt service numbers when he made the public presentation of budget only six hours before it went into effect, in violation of state law. He also would not answer questions on the size and cost of the short term loans to DPS. ....

Bobb has taken one dramatic step to improve the 2011 bottom line. He announced in early February that he was outsourcing 823 positions (699 were filled) effective February 21. Hence over four months of payroll for these employees will disappear, reducing payroll costs for the District. Although this would normally be offset by vendor costs, Bobb has an agreement with the vendor to float those costs for the rest of the fiscal year. While this may be a side note when the 2011 CAFR is reported, the budget actuals will work in Bobb's favor. With the costs passed to the FY 2012 budget will also be 66 new employees that the vendor will be adding to the workforce.

The next EFM will have to deal with all of those deferred costs that make Bobb look good for his moment.

Bobb's Academic Failure

Bills HB 4214 and SB 153 propose to give school EFMs power over academics. DPS is the only school District that has had an EFM, one who has also exercised academic power.

Bobb hired "Dr."Barbara Byrd-Bennett to lead the academic work at DPS, even though the law did not give him the power to do so. Bobb only assumed the posture of controlling academics because of the direction given to him by former Governor Jennifer Granholm, according to no less an observer than State Superintendent of Instruction Michael Flanagan. A member of Bobb's staff also told this writer that Bobb's actions were closely coordinated with the Governor's staff.

At a public forum on June 30, 2010, Bobb was asked how it was that all of the top academic positions and functions at DPS were staffed by friends and a family member of Barbara Byrd-Bennett. He declined to answer. But staff, former staff and parents have watched and drawn their opinion of this group's impact on academics.

One former senior administrator who requested anonymity to avoid problems with a current employer nevertheless noted that Bobb "failed to get experts. Instead he got people who are connected to each other that have failed records elsewhere and could not get jobs until Bobb hired them. They did not have a clue as to how to even write a graduation plan."

When Bobb closed schools in the spring of 2010 and teachers took state incentives to retire, DPS knew that it had to create a staffing plan to ensure that students had qualified teachers in the Fall. Bobb was advised by DPS veterans to begin hiring teachers in May due to the shortage at DPS. Bobb began the hiring process in the last week of August, a week before classes were to begin.

When the first day of classes began, students were short hundreds of teachers. Further, Bobb had inexplicably pulled certified special education teachers experienced in dealing with special needs students out of their classrooms and put them in general education classes, while putting general education teachers in special needs classrooms. In general, there was chaos in the schools due to Bobb's failed approach to staffing.

Students were sitting in classrooms with engineers, custodians and clerical staff babysitting them. Students were told that they would get passing grades because their plight was not of their own making, which gives the wrong message about grades as gifts. The education expected by parents and students was not occurring.

On November 6, 2010, two months into the school year, Bobb told a public meeting that he was still short 115 teachers. Thousands of students were not receiving their full education.

Bobb's staff have been pulling teachers from their classrooms and merging students with other classes, creating overcrowding. During February, students have marched in protest against their loss of teachers at their school sites. At least one class of students from the Communications and Media Arts High School, one of the top schools in Detroit, protested at DPS administration offices over the lack of teaching staff. About 95% of CMA graduates go on to college and some students feel that their admissions chances are being harmed by Bobb's practices.

When Bobb expanded the Assistant Superintendent ranks from three under the old Board to ten, he placed people with few qualifications into positions. Two were associated with the Broad Foundation that in turn paid Bobb $99,000 over two years for furthering their aims.

One of them, Jack Elsey, taught for two years in the South Bronx but has no other classroom or school building leadership experience. The second Broad person is Jeron Campbell, whose background is in manufacturing and has no classroom of school building experience. Both of them supervise seasoned school principals.

A third Assistant Superintendent is Annette Knox, who had a troubled history at Camden Schools (see p. 13) and comes to the job as a friend of Byrd-Bennett, as does Leaura Materassi. Both deputy leaders of academics under Byrd-Bennett, Sherry Ulery and Tracy Martin, are friends of the chief from Cleveland, while another Assistant Superintendent, James Ray, retired from Flint Schools, now has a small side consultancy with the Cleveland schools.

Bobb has also placed Cedric Thompson, son of TCBA principal Jeffrey Thompson, Bobb's largest campaign donor, as head of all the career technical high schools. He does not have the experience or certifications for the job.

Until she recently separated from the DPS, Erin Troy was chief of staff to Byrd Bennett. She was an attorney in Washington, D.C. with no academic background prior to her placement. Her route to the consultancy was through her fiancé (now spouse), Kevin Clinton, Bobb's former deputy campaign manager in D.C. and grant program manager until he moved into the executive office (see p.15)

Together Byrd-Bennett, Ulery, Martin and Ray occupy the top four positions in DPS academics, positions filled based on relationships rather than a merit-based selection process, a result that mirrors Bobb's practices on the finance side of DPS.

Integrity and Accountability Failures

Ghost Employees

Wall Street Journal, August 13, 2009: A probe launched by Mr. Bobb uncovered paychecks going to 257 "ghost" employees who have yet to be accounted for."

Mackinac Center Education Policy Director Michael van Beek: "the District has already discovered more than 250 "ghost" employees"

Mlive headline, June 24, 2009: "Audit: More than 250 ghost workers on payroll of Detroit Public Schools"

Michigan Public Radio, May 17, 2010: "Ghost employees on payrolls, employees stealing cash...." - referring to DPS

Eli Broad on a Huffington Post commentary, November 29, 2010: "Detroit Public Schools had been distributing paychecks to hundreds of people who were deceased. Those paychecks were being cashed."

DPS Auditor General, Annual Report, June 20, 2010, pp. 6-7: "The District had no "Ghost Employees" on its payroll."

Bobb's signal accomplishment in the public's mind was his perceived fight against "waste, fraud and abuse" at DPS. And the biggest story was the "ghost employee" image. It raised Bobb's profile nationally and his political stock locally. It helped him fashion an image that he could be trusted with a new $500.5 million construction bond he was seeking voter support for.

In an early briefing on issues at DPS, Bobb was told of two incompatible employee databases and that data from one was being transferred to the other. According to a senior DPS official in the discussion, Bobb saw this as evidence of ghost employees and would not, or did not want to be dissuaded.

He held a press conference to announce a probe into ghost employees, even though no concrete evidence existed of such. It went, as they say, viral. Soon he was telling the story everywhere. He held a second press conference, where he put out the number of ghost employee suspects at 257. In some accounts the allegation became fact. Bobb never corrected that. The false tale was found in newspapers in Livingston County, Port Huron and metro Detroit. Bobb never admitted he started a furor over nothing, even though he besmirched the image of the DPS workforce in the process. For someone contemplating the outsourcing of many DPS jobs, breaking any bond between the employees and the public was not a bad thing. He continues to reference the ghost employee investigation-into-nothing as his calling card.

Greedy Engineers

In May 2009 at a community event at Wayne State University Bobb had a large printed sign on stage stating that 122 DPS building engineers made over $100,000 a year through "overtime abuse" and a couple dozen made $150,000 a year. Their Union protested that claim and asked for proof. A Union Steward filed a Freedom of Information request asking for a list of names of anyone making the amount that Bobb asserted. He never received a reply. And Labor Relations never offered proof either. But Bobb continues to maintain this unsupported assertion on the DPS website even after it was clear that he could not back it up....................

2009 Enrollment Data

The day that Bobb posted enrollment data for 23 schools he was contemplating closing in the Spring of 2009, this writer sent him an email that said that the student enrollment numbers for every school was 10% to 15% lower that actual enrollment. The lower numbers made the schools appear underutilzed compared to their capacity, which was also overstated in some cases. Hence, these numbers helped justify school closings. Bobb professed concern, a conference call was arranged, the errors acknowledged privately, but the website data remained posted and unchanged and was subsequently used in news reports that mislead the public.

Lack of Public Information

When Robert Bobb took control of the District, one of the early warning signs of trouble was his practice of rewriting employment contracts that placed gag order conditions on employees of the District. They required non-union employees to obtain Bobb's permission to speak publicly about DPS matters.

On March 30, 2010, this writer submitted 32 Freedom of Information requests for financial information, contracts and personnel disclosure forms. Most have been ignored by Bobb, or in some cases the responses have been untruthful.

On the matter of the disclosure forms, for instance, each DPS employee and each consultant was to report any other gainful employment or relationships that they may have so as to avoid conflicts of interest. Bobb released his, but it had no other employment at all, even though when he speaks in certain forums he promotes the fact the he is the owner, President and CEO of Lapa Group, LLC. He did this at Eastern Michigan University in early 2010, in San Diego and at Western Michigan University earlier this month. In fact he said last year that his EFM job helps promote Lapa, a development company.

Barbara Byrd-Bennett went even further, stating that no such form for her was completed, although a well placed staff person said that she and her staff completed conflict of interest forms. At the time it was widely believed that Byrd Bennett was working for other employers, but she has declined to be forthcoming on the matter.