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Michigan Lawmakers Approve Detroit School Rescue Package.

(Reuters) - Legislation approved by Michigan lawmakers on Thursday to bail out the Detroit Public Schools (DPS) will keep the district operating, but falls short on funding to fix its crumbling buildings, according to school officials.

The bill package, approved over objections by Democratic lawmakers, creates a new, debt-free district governed by an elected school board, while leaving the current district in place solely to levy property taxes to pay off outstanding debt.

DPS, which has nearly 46,000 students, has been under state control since 2009 because of a financial emergency.

The American Federation of Teachers-Michigan and Detroit Federation of Teachers criticized the lack of a bipartisan compromise in a joint statement on Thursday.

"These bills are a statement by non-Detroit Republicans that they know what is best for Detroit, a city that is overwhelmingly people of color," the groups said. "It has been this attitude that resulted in Detroit Public Schools' massive debt, low academic performance and a 'wild west' system of school openings."

Under the measures approved on Thursday, Michigan would commit \$617 million from the state's share of a tobacco settlement in annual increments of \$72 million for the new Detroit Community School District. An emergency state loan for transition costs was capped at \$150 million, with only \$25 million of that amount available for capital improvements, less than the overall \$200 million sought by DPS.

"We also look forward to working creatively with the governor's office, the state superintendent, and the Michigan Department of Education to identify the remainder of the critical resources necessary to educate our students," DPS state-appointed transition manager Steven Rhodes said in a statement.

A smaller bailout passed by the House in May raised concerns that DPS would run out of cash later this summer.

Republican lawmakers contended the final \$617 million bailout legislation would prevent DPS from filing for municipal bankruptcy even though Rhodes, a former federal bankruptcy judge, has said such a move would be ineffective because much of the district's debt is guaranteed by the state.

Democrats objected to the absence of a Detroit Education Commission to oversee the opening and closing of public and charter schools in Detroit.

The House and Senate approved the package with a series of votes late Wednesday and early Thursday, sending the legislation to the desk of Republican Governor Rick Snyder, who signaled in a

statement that he supports it.

By REUTERS

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(Reporting by Brendan O'Brien in Milwaukee and Karen Pierog in Chicago; Editing by Dominic Evans and Matthew Lewis)

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