Michigan school cuts highlight financial meltdown facing US states

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Lower than anticipated state tax revenues have intensified the crisis of funding for Michigan's publicly funded social programs. The state faces a shortfall of $450 million for the current (2005) fiscal year, largely from poor revenues in the state school fund.

A lagging state economy, high unemployment and the loss of thousands of industrial jobs, along with over a decade of state property and corporate tax cuts, have led to chronically anemic tax receipts in industrial heartland states like Michigan.

According to a recent report from the Center for Budget and Policy Priorities (CBPP), a liberal Washington think tank, at least 22 states now project shortfalls averaging six to seven and a half percent of their total general fund revenue for the upcoming (2006) fiscal year. The combined deficit adds up to approximately $25 billion to $30 billion, with even more states expected to report deficits in the coming weeks. They point out that deficits of this magnitude have plagued states since the downturn in the US economy in 2001.

Michigan and most other states require a balanced budget, and in the current anti-tax climate this invariably leads to cuts in vital programs and services. The Midwestern states of Ohio, Minnesota, Indiana, and Wisconsin and Michigan are expected to have deficits of over $500 million in the 2006 fiscal year. The projected deficit in Ohio could go as high as $2 billion. New York and New Jersey face deficits of 14 to 15 percent of their general fund, totaling between $3 and $6 billion.

Though the school fund is the most anemic of the state's revenue sources, Michigan lawmakers say cuts this year could be taken in other areas of social services by transferring funds around in the budget. This week some demanded further cuts in education funding be spared by instead scaling back Medicaid health services for the state's poor. In a Scrooge-like diatribe in the middle of the holiday season, Michigan Senate Majority leader, Republican Ken Sikkema, called for policies that will lead to unemployed and underemployed workers and their families being turned away from medical providers. He told Detroit Public Radio, "we simply can't be all things to all people."

The immediate crisis in Michigan results from tax receipts falling below the projections made when the state legislature formulated its 2005 budget earlier this year, but the current round of cuts will come on top of several years of cuts in vital social programs. Medicaid and education constitute the largest part of state expenditures and both have been targets of cost cutters in recent years.

One year ago after-budget state cuts resulted in promised state per pupil education funding being slashed. School district officials across the state imposed service cuts in elementary and secondary public schools following the imposition of last year's extraordinary state funding cuts. This led to the layoff of teachers and support staff in January 2004, substantially disrupting the school year in many districts.

So far threatened mid-year budget cuts in elementary and secondary school funding are on hold as the state considers a plan by Detroit to borrow $200 million to offset the extraordinary deficit in the city's schools budget. Detroit's school deficit is in addition to the state's $450 million current shortfall. At least ten other Michigan school districts outside Detroit are currently in deficit, even taking into account this year's initial funding promises.

There has been a systematic starving of education in the state over a period of decades, under both Republican and Democratic-controlled state governments. The Michigan State public school system is especially vulnerable to economic vagaries, relying heavily on highly volatile sales tax revenue since a 1994 overhaul in school funding revenue sources. The periodic funding crises were compounded after school "reform" was implemented in the state in the mid-1990's. Through a combination of misinformation, outright blackmail of voters, and the cooperation of Democratic politicians in the state legislature, right-wing anti-tax forces drove voters to pass the massive school funding reform bill named Proposal A in 1994.

Republican legislators first brought education funding "reform" to a head by spearheading a drive that abruptly abolished property taxes for schools in 1994. The public was then told by Democrats that relying more heavily on state-wide funding for schools, rather than primarily on traditional local property taxes, would lead to more tax relief for homeowners and an end to huge disparities in funding between individual school districts.

In the original "Proposal A" language, wealthy districts where incomes and property values were higher than the rest of the state had their higher per-pupil funding preserved under a "hold harmless" clause. All districts were promised a base grant from the state for education costs. While voters were led to believe Proposal A would gradually bring all school districts up to the per-pupil funding of more academically successful suburban Detroit districts, ten years after Proposal A great disparities in funding levels continue between districts.

Then, in September of this year, the state abruptly demanded these more adequately funded school districts suffer disproportionate cuts in per-pupil funding due them under the state's complicated funding formula. Parents and school administrators in these "wealthy" districts, along with sections of big business, balked, and the plan was hastily withdrawn. The move threatened to expose the real purpose of education "reform."

Rather than the fix for education that parents were looking for, education "reform" under Proposal A has been a framework for intensifying the assault on education, cutting taxes for big business, and opening the state school system to massive profiteering by private education management companies.

The trajectory of education in the state is clearly demonstrated by the financial woes threatening the International Academy in Oakland County. The prestigious public magnet school, named the nation's "top public high school" by *Newsweek* magazine, shelved plans to open another facility to accommodate its waiting list.

Earlier this year Rochester, a suburb of Detroit and one of the magnet school's component school districts, had to secure a one-time grant of

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$35,000 from Daimler-Chrysler. Without the outside help they would not have been able to provide the supplement to their per-pupil state grant. This supplement is required to allow their top students to attend the academy and pays for the rigorous academic program at the school.

Lawmakers are determined to offset the current loss of revenue with cuts in vital social programs. If maneuvering in the state capital holds off a major cut in school funding this time around, they vow to extract the cuts in other areas. They present their deliberations as stemming from an unfortunate Hobson's choice, rather than what it really is—a transfer tribute from the working class to the rich in the form of cuts in social programs. Furthermore, the severe cuts in education have already been built into the system through previous budget restrictions.

For the past three years, Democratic and Republican legislators in the state capitol in Lansing have joined with Democratic Governor Jennifer Granholm to freeze the official per-pupil base grant for K-12 education at $6,700. Most school districts report that personnel costs such as retirement benefits, which are now paid by local districts, increased rapidly during that period. Double digit increases in health care costs, added to spikes in energy prices, have disproportionately raised the cost of everything from paying personnel to heating schools to maintaining school bus routes.

Over the summer administrators in the state's 500-plus school districts targeted personnel costs again, in an attempt to stay solvent as inflation ate up resources. Prior to the beginning of the new school year in September, they eliminated teaching positions, laid off teachers and paraprofessionals, cut benefits and drove more experienced teachers into early retirement. In the same vein, some districts moved to privatize support services.

Children in the schools were adversely impacted by an array of cost cutting. Whole programs such as gifted and talented and alternative education classes were eliminated and some school libraries closed. Several districts initiated or drastically increased fees families must pay for their children to participate in school sports clubs. Schools now charge pay-to-play fees of up to $125 per student per sport annually.

Thus even if K-12 education is "saved" from cost cutting at the expense of other social programs this January, further gutting of services is guaranteed. The scope of current and potential future educational deprivation is vast as the state public schools educate upwards of 1.7 million students in kindergarten through twelfth grade.

Facing a $200 million deficit for the remainder of this year and the next fiscal year, Detroit, Michigan's largest school district, has already announced plans to close up to 40 of the city's 255 elementary and secondary schools. Four thousand more teachers and support staff face the ax. Several thousand Detroit teachers and other school workers lost their jobs over the past few years. Schools superintendent Kenneth Burnley, appointed by the former Republican governor John Engler, told state lawmakers last week that the very viability of the urban school system was in question.

With 140,000 students, the Detroit Public Schools (DPS) is much larger than other state districts—the next largest three have roughly 25,000 students each. The sheer numbers of students affected by the urban district's acute budget crisis will have a ripple effect of incalculable social proportions.

Detroit also has a dramatically higher number of poor and low-income students compared to most other school districts in the state. It also educates a high percentage of special education students. The cost of educating these students averages $22,000 a year, three times the state's per-pupil allocation. Schools receive little money from state or federal sources to offset disabled students' exceptional needs.

In Detroit, the statewide education crisis has been exacerbated by continuing enrollment declines. This year over 9,000 students left the district as the city's population declined again, by 36,000 residents. According to the 2000 Census, Detroit's population has fallen below the one million mark for the first time in the postwar era. Detroit schools officials estimate district enrollment is far below the 180,000 educated in the city just a few years ago.

Some of the loss of students was the result of migration of residents to inner ring suburbs in search of housing. But up to two-thirds of the loss may be the result of students who remain city residents but attend schools of choice or charter schools located within the city and in nearby suburbs.

Proposal A had another side that belied its promises of equality. In the name of competition, districts were allowed to open so-called schools of choice and children could attend schools in bordering districts that allowed such choice. With Proposal A, the state codified its charter schools law. In the past decade, the number of schools set up outside of the traditional school districts gradually increased. The number of charter schools nominally sponsored by state universities is currently capped at 150, but recent controversial interpretations of the law have resulted in blatant circumvention of the cap, allowing for-profit management companies to open up more schools and more locations in the state.

When Detroit's Democratic mayor, Kwame Kilpatrick, sent superintendent Burnley hat in hand to the state capitol last week to ask officials to allow the city to borrow money to partially offset its massive $200 million schools deficit, a cold reception was waiting. Burnley presided over the layoff of thousands of school workers in Detroit and the privatization of several departments in the city's school system, at the behest of a "reform" school board imposed on the city by big business. He is now leading a lame-duck school administration after city residents voted to dump the appointed board and return to an elected school board.

More importantly, despite dictating massive attacks on school workers and cuts in education during his four-year tenure, Burnley has failed to make cuts and privatize fast enough to suit the insatiable appetite of those who want to cut costs for business and realize even more profits in the "education market." They want to destroy the living standards of school workers, increase inequality in public education, and see the destruction of free public education for large numbers of children in Detroit and elsewhere.

Nevertheless, big business is insisting that the cuts be implemented in Detroit's schools and that similar levels of social devastation be imposed in other areas of the state and in other vital publicly-funded social services.

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