

Michigan school districts impose job, wage and benefits cuts

Debra Watson
26 May 2007

Michigan Democratic Governor Jennifer Granholm ordered new funding cuts May 25 in the wake of reports that the state's budget deficit has doubled since January. The order includes the elimination of the Department of Civil Service and the consolidation of its functions with other departments.

Earlier this month, Granholm threatened to cut \$122 for each K-12 student from the state's school fund base grant and to cut 6 percent of payments to doctors and hospitals treating Medicaid recipients unless the governor and the legislature work out a budget agreement by the end of May.

These cutbacks come on top of two decades of cuts in public and social services in the state and numerous rounds of cuts in public education. Over the course of her previous term, Granholm cut \$4 billion in state expenditures, more than any previous governor. Particularly hard hit were primary and secondary education as well as healthcare.

On May 18, Michigan economists announced the state's budget deficit for the current fiscal year ending September 30 will exceed \$800 million—nearly \$400 million more than projected just a few months ago, when state officials began crafting a new round of budget cuts for state government programs.

Granholm and Republicans and Democrats in the state legislature have already agreed to far-reaching cuts totaling more than \$300 million this year. Granholm is demanding further cuts and new taxes that will take into account an even larger budget deficit, \$3.4 billion, looming for next year, \$1.9 billion alone due to the elimination of the Single Business Tax (SBT). The governor wants Republicans to agree to help close part of this year's deficit by imposing a 2 percent sales tax on services and other fees that will hit working people the hardest. Also under consideration is

a plan to raise the state's regressive flat income tax. Further, the governor is seeking agreement on the establishment of a new business tax to replace the SBT, which expires December 31, 2007.

The deficits are the product of a combination of factors. The Michigan economy is in a tailspin. The state's unemployment rate, already the second highest in the US, showed a further rise in April, jumping to 7.1 percent, up from 6.5 percent in March. From January to December 2006, about 53,300 jobs were eliminated statewide, 38,000 of them in manufacturing. The state is expected to lose an additional 46,000 jobs in 2007 and 32,000 more the following year. The loss of jobs is largely due to the collapse of manufacturing, especially in the auto sector, where all three major US-based carmakers are in the midst of carrying out huge layoffs.

As a result, revenues from state sales and income taxes are down and the state is losing tens of millions of dollars in lottery revenue. In addition, revenue from land sales tax is down precipitously, a result of the slumping housing market. This is under conditions in which the state's finances had already been eroded through years of tax cuts for businesses and wealthy individuals.

Meanwhile, due to the slumping economy, costs for entitlements such as welfare and Medicaid have increased beyond those projected earlier this year by a staggering \$170 million. This includes \$20 million in cost increases for Michigan's prisons.

School districts across the state are already cutting vital programs. In district after district, costs have outstripped income from the anemic base grant revenue stream from the state.

Michigan is the only state in the country where local districts must pay all the costs of pensions and

healthcare for employees. This system was set up in 1994 as part of the now-infamous Proposal A.

In Michigan each school district gets a base grant—presently valued at around \$7,000—for each public student enrolled. The state has kept this base grant low, and wealthy districts have been allowed to add supplementary funding from local property taxes.

In the state's largest school district, Detroit, dozens of schools are to be closed to solve the district's current and future budget shortfall. After months of protests by parents and students, the city is poised to close 35 schools. The total could go even higher, as the original proposal was to shut 51 schools over two years.

This is the first round of a plan by the city school board to close more than 100 schools. According to its "Preliminary Facilities Realignment Plan," the school district plans to have only eight high schools five years from now, a fraction of the current 26. A 2005 state-mandated deficit elimination plan projects the shutdown of 110 of the district's 232 schools by 2010.

Last fall, Detroit teachers conducted a 16-day strike against demands for concessions, defying a court injunction ordering a return to work. The leadership of the Detroit Federation of Teachers lined up with top Democratic Party leaders, including Governor Granholm and Detroit Mayor Kwame Kilpatrick, to isolate the strike, which had wide public support, and force a return to work.

Detroit has a particularly high percentage of children below the poverty level, but school districts are cutting vital programs and jobs across the state, in every type of neighborhood.

* In Birmingham, a relatively prosperous Detroit suburb, the school district faces a deficit of \$3.9 million, without taking into account the threatened \$122 per child reduction in this year's base grant.

A total of 49 full-time equivalent jobs are being eliminated, including seven teachers. As part of the deficit reduction plan, all of the 16 paraprofessionals who work in Kindergarten classes will be eliminated. Just a few years ago, the schools eliminated teachers' aides in First Grade. The Birmingham school district has cut a total of \$13.5 million over the past five years.

* Brighton Area Schools, located west of Detroit in Livingston County, have about 7,200 students in K-12 public schools. The district projects a \$2.1 million deficit for next year. If the district tried to eliminate a

deficit of this size with teacher layoffs alone, 35 teachers would lose their jobs.

* Pellston Public Schools, in the state's northern lower peninsula, have eliminated four teaching positions and increased high school class periods from six to seven. Littlefield School district must come up with \$400,000 to cover its deficit, and has already laid-off teachers. The two Emmet County school districts have a total enrollment of about 730 and 380 students, respectively.

* The Meridian Board of Education approved \$735,889 in budget cuts for the 2007-2008 school year at last Monday's regular meeting, eliminating seven-and-a-half teaching positions, and other cuts, to be rescinded if enough teachers accept an incentive to retire. There are about 1,500 students in this Midland County school district.

* The Charlevoix district, with about 1,300 students, reports a \$1.1 million deficit, with rising personnel, retirement and healthcare costs and a decline in enrollment of 60 students for next year.

* Jackson County school district, with nearly 2,500 students, faces a predicted \$1.4 million budget deficit next year. Northwest High School may lose up to 15 teachers.

Even the few school districts with some savings are expecting no help in the coming years, and are attempting to impose drastic cuts on workers, pointing to Granholm's threat. In the South Redford school district near Detroit, for example, officials are planning to reduce spending to cover a projected deficit of \$1.4 million for next year. A new contract with custodians, transportation workers and maintenance staff reduces their pay next year by up to \$3 an hour and adds health insurance premiums, saving the district \$400,000. School officials are subcontracting substitute teachers and raising pay-to-play fees for student athletes. Other money will come from the district's rainy day fund of \$3.6 million.



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