

## — THE — ANN ARBOR NEWS

### **Is Proposal A a bust in bad times? Educators calling for more stable funding**

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#### **News Staff Reporters**

Van Buren Superintendent Pete Lazaroff lately finds himself considering whether he can keep his district solvent while still offering good programs for his students.

The question to him isn't if his district - like every other in Michigan - is going to run out of money, but when.

"It's a matter of how quickly you're going to get to zero," he said. "I'd rather get to zero quicker doing good things for kids than buy six months of time by dismantling programs."

He said cutting initiatives the district has just started, like a restructured high school program to identify and help struggling students and an all-day kindergarten, are "not even near being on my list."

Other area school officials pondering the bleak budget outlook say classrooms will suffer. Even without a mid-year reduction in state school aid the governor is expected to announce this week, districts are looking at making cuts of between 4 percent and 10 percent in their 2007-08 budgets.

"There's no way we're going to be able to make those large-scale cuts without impacting the educational process severely," said Tom Wall, Saline's assistant superintendent of administrative services.

The prospect of dire cuts has school officials calling for the state to provide a more stable funding source for schools, one that isn't so dependent on the state's economy.

Even districts once considered prosperous, like Ann Arbor, are facing budget crunches. Because they face structural deficits, with locked-in expenditures climbing while revenues shrink, there's no way for school officials to cut their way out of the holes, they say.

In other words, brace yourself for year after year after year of cut after cut. That could mean everything from closed schools to teacher layoffs and the elimination of programs.

Ann Arbor is looking at a \$20.5 million shortfall over the next three years after making \$6.46 million in cuts for this school year. Such cuts could put the district in a downward spiral, said Robert Allen, the district's deputy superintendent of operations.

"At some point, you'll start to affect the quality of education," he said. "Then you'll see your constituents looking elsewhere. If you lose kids, you lose revenue. All that (budget cutting) will do is to speed up the demise of a district."

#### **How did we get here?**

School officials say the problems actually started more than a decade ago, when state voters passed

Proposal A, a constitutional amendment that reformed property taxes and changed the way schools are funded. Schools went from a funding base predominantly generated by local property taxes to one predominantly generated by the state sales tax.

"Proposal A works really well in good economic times, but when economic times are bad, Proposal A cannot generate the necessary funding for schools because sales tax is not a stable funding source. Sales tax fluctuates with the economy," Allen said.

In the last several years, the problems have grown and district after district has found itself in financial trouble.

Now districts are waiting for another blow. The state's school aid fund is \$224-per-pupil short this year. Gov. Jennifer Granholm is expected to announce Tuesday in her State of the State speech how much of that money will be taken back from districts.

Doing so would cause all kinds of problems for schools, the Michigan School Business Officials association said.

In a survey taken last month, 120 districts, or 20 percent of those in Michigan, said they would find themselves with no fund balance, or in deficit, if the full \$224 is cut.

"Our members are more frustrated than I've seen them," said Tom White, MSBO's executive director. "They're frustrated because before the elections we were told we would be receiving a \$210-per-pupil (increase). But after the elections, we're being told to expect significant cuts. The Michigan Legislature has been unwilling or unable to address the structural problems with our state and school revenue sources that we've known about for five years."

Local school officials want to see the rules change somehow.

At a recent Ann Arbor school board meeting, frustrated school board member Randy Friedman called for the Legislature to change Proposal A to let local school districts raise money for operations.

A few days later, Friedman had realized that can't be done - voters would have to approve any changes to Proposal A - but still wanted the state to look at funding mechanisms that could help local districts.

"I was struck by the irony that the same institution that is bleeding us dry is at the same time outlawing us from doing anything to help us," he said. "There may be some other funding mechanisms that can work, or some way they can amend the law to allow us to provide some emergency relief."

Greg Bird, communications director for the state budget office, said that some type of cut to school funding this year may be unavoidable. Bird added that since the passage of Proposal A, state funding for education has

increased more than the rate of inflation in the same

period.

Bird said that Granholm's budget, which will be presented Thursday, will be a comprehensive plan to solve both short-term and long-term fiscal problems in Michigan.

### **What's on the table**

While districts await news from the state, they are looking at a number of possible ways to cut costs.

In Dexter, officials are looking at possibly reducing the number of bus stops or creating no-transportation zones around schools, said Robert Poor, the district's transportation director. In December, a community task force presented recommendations in 11 areas to the Dexter school board.

"As we have done in the past, we will continue to try to keep cuts away from the classroom," said

Superintendent Evelyn Shirk. "This, however, becomes more difficult as funds are reduced."

In Whitmore Lake, which is looking at a \$1.2 million deficit, or 9.5 percent of the budget, everything is on the table, said Superintendent Scott Menzel.

"This will likely include the elimination of positions, staff reduction through attrition, potential implementation of pay-to-participate for sports (and) possible elimination of some programs," he said.

In Ann Arbor, a middle school restructuring committee will present its recommendations to the school board this week on how to save more than \$2 million. That will likely mean a reduction in staff and programming cuts.

Even without a mid-year state aid cut, Ypsilanti is projecting a \$4.2 million shortfall next school year, said Chief Financial Officer Alan Dowdy. "It's next to impossible to cut that much from our budget without having some type of impact on children," Dowdy said. He declined to say what cuts the district administration will recommend.

The situation is worse in the neighboring Willow Run school district, which entered this school year \$1.8 million in the red. That meant the district had to file a deficit elimination plan with the state, a plan district officials have yet to implement.

The district must find a way to save money in next year's budget to pay off the debt, said David Houle, finance director. Cost savings could come from reductions in health benefit costs, reducing staff to match the district's lower enrollment and perhaps closing a building, he said.

Some districts are in better financial shape than others.

The Clinton Community Schools district has one of the healthiest fund balances in the area. The \$2.2 million savings account is about 24 percent of the district's operating budget. Superintendent David Pray credited the staff and community with helping preserve the fund balance, although the district has had to dip into it in recent years. Staff members have been willing to take lower pay increases during lean economic times, he said.

But healthy fund balances are the exception rather than the rule.

In Hartland, where the fund balance has dwindled to \$650,000, the district has cut \$5.2 million over the past six years, including privatizing the custodial staff, said Scott Bacon, the assistant superintendent for business and operations.

"There is not much left we can reasonably do," he said.

News reporter Liz Cobbs contributed to this story.

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