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State's public schools have a cost problem, not a revenue shortage

OTHER VOICES

BY JOHN L. BOYLE

Earlier this summer, Ann Arbor News staff reporter Liz Cobbs wrote an article titled "Fiscal year ends with a sigh." The story pointed out that Michigan's school officials blame Proposal A for the financial difficulties experienced by most of the state's 553 K-12 school districts. This article is one of many recent articles that suggest Michigan's K-12 school systems are underfunded.

Proposal A is not the problem. This was documented in a June 2005 study prepared by state Sen. Valde Garcia, R-Howell, titled "Public Schools Education Funding – How School Education Funding Works." In Garcia's study, he documents that in the 10 years following the 1994 passage of Proposal A, total education funding in Michigan has increased by 41 percent vs. inflation of 27 percent. Thus, funding increases have outpaced inflation by over 50 percent. For the first eight years following Proposal A (1995-2003), per-pupil funding increased at 2.5 times the rate of inflation.

Even if funding increases for education continued at 1.5 times the rate of inflation, that would not prevent Michigan's K-12 school systems from imploding. Michigan's school systems (excluding those few with significant declining enrollments) do not have a revenue problem. What they do have is a serious cost problem.

The biggest problem facing Michigan schools is the fact that the state has a whopping 553 school districts to educate 1.76 million students – resulting in an average of 3,200 students per district. That means that each of these mostly small school districts must support its own superintendent and assistant superintendent(s); accounting, purchasing and human resource departments; security personnel, administrative support, bus and IT systems, etc., and all the brick and mortar needed to house this administrative overhead. By comparison, Maryland has only 24 school districts, with an average of 35,100 students per district.

About the writer

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Add to this already-unaffordable overhead the fact that the Michigan Public School Employees Retirement System has unfunded pension and retiree-medical liabilities of $22 billion (Citizens Research Council of Michigan Report 337, September 2004). An "unfunded liability" is a liability that is currently owed but for which no funds have been set aside to pay. Stated another way, an unfunded liability is the difference between the present value today of debts that must be paid and the amount of funds set aside to honor those debts.

If this $22 billion is amortized over 25 years, it would cost the state's taxpayers an additional $2.1 billion per year, or about $1,200 per student per year. Add this cost to an already-unaffordable cost structure and it becomes clear that the fundamental economics of the current K-12 school system in Michigan is not sustainable.

The present system of education in Michigan has not been affordable for many years. It was maintained on life support only by failing to fund $22 billion for pensions and retiree-medical benefits when due – and sending those bills to future generations of taxpayers who must now pay off $22 billion in debt plus pay for current obligations.

One definition of insanity is doing the same old things and expecting different results. The state of Michigan must move away from business as usual. What the state of Michigan must do is increase the number of students per school district to at least 20,000 students (reducing the number of school districts to about 90), reduce the bloated overhead per system and reduce the regal pension and medical benefits for school employees and retirees to a level that can be currently funded.

These challenges, clearly, will require new and bold leadership – leadership willing to challenge 553 entrenched bureaucracies and the teachers unions.

To contribute essays to Other Voices, contact Mary Morgan, opinion editor, at 734-994-6605 or mmorgan@annarbornews.com.