

ARRA and Michigan's Schools

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Public Policy Forum
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Tricks or Treats Ahead?

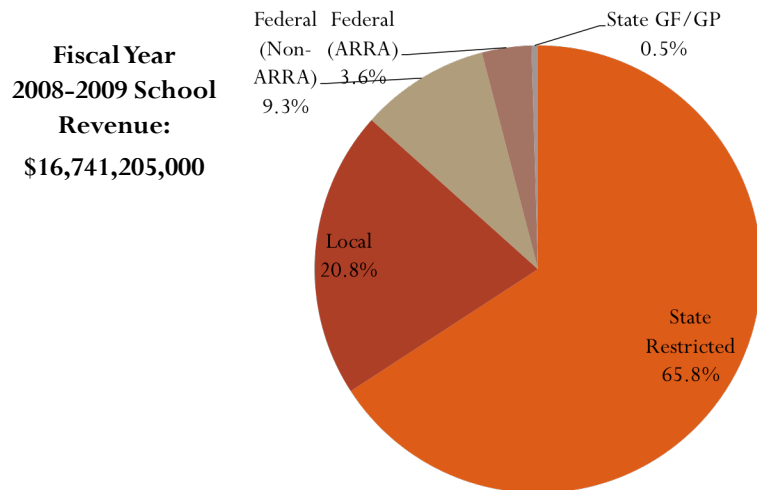
- Basics of K-12 Education in Michigan
- How Michigan Funds K-12 Education
- Recent Revenue Situation
- ARRA Hopes and Realities
- Looking Ahead



Basics of K-12 Education in Michigan

- There are approximately 1.6 million K-12 students in public education, down from a peak of 1.7 million students in 2002-2003.
- These students are served by 783 school districts, including 551 local districts and 232 public school academies.
- The State Legislature is required to, “maintain and support a system of free public elementary and secondary schools . . .”
– MI Constitution

How Michigan Funds K-12 Education



How Michigan Funds K-12 Education

- School Aid Fund (SAF) accounts for most of K-12 funding
- Some of our state's tax revenue is restricted and must go into the SAF
 - 73.3% of gross sales tax receipts
 - 100% of state education property tax
 - 25.95% of gross income tax revenue
 - 100% of net revenue from lottery sales
 - Plus other taxes

Recent Revenue Situation

- Collections down – sales tax, income tax, property taxes, etc.
- May 2009 consensus revenue estimate indicated that the SAF was in deficit by nearly \$400 million for FY 2008-2009.
- May consensus also projected a \$1.0 billion hole in SAF for the FY 2009-2010.
- State Treasurer indicated earlier this month that there will be an additional deficit of over \$200 million for FY 2009-2010, which led the Governor to issue a proration notice to schools, equaling another \$127 per pupil cut.

ARRA Hopes and Realities

- Passed in February 2009, ARRA had 3 major goals
 - Create new jobs and save existing jobs
 - Spur economic activity and encourage long-term growth
 - Increase accountability and transparency in government spending

ARRA Hopes and Realities

- ARRA – Education Funds – Phase I
 - States to use money to **save/create jobs and spur education reform**
 - MI Received \$600 million in State Stabilization Funds to shore up 2008-2009 budget
 - Extra funds for at-risk, special education, and other specific projects.

ARRA Hopes and Realities

- American Association of School Administrators (AASA) Survey
 - Goal – assess ARRA impact on schools
 - 875 school administrators from 49 states and DC responded
 - 50 administrators were from Michigan

From AASA October 2009

ARRA Hopes and Realities

- Did ARRA save or create jobs in Michigan's school districts?
 - 78% of respondents reported having to eliminate positions for the 2009-10 school year.
 - 92% anticipate having to do so again in 2010-11

From AASA October 2009

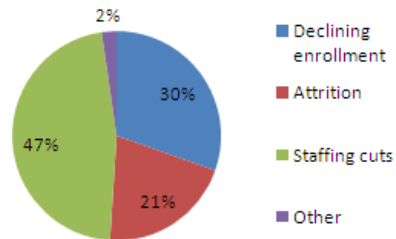
ARRA Hopes and Realities – Where are districts cutting back?

	2009-10	2010-11
Core subject classroom teachers	54%	50%
Art/music/phys ed teachers	12%	28%
Foreign language teacher	6%	10%
Special education teacher	24%	8%
Teacher aides/assistants	52%	58%
School secretaries	32%	24%
School librarians	30%	20%
School nurses	8%	6%
Main/Cafeteria/Transportation	44%	40%
Central office/admin	44%	28%

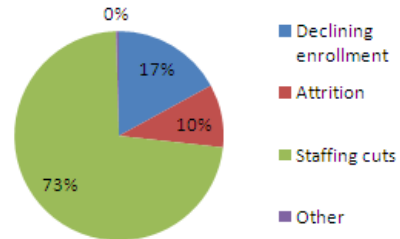
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ARRA Hopes and Realities

**Why Are Jobs Being Cut?
2009-10**



**Why Are Jobs Being Cut?
2010-11**



From AASA October 2009

ARRA Hopes and Realities

- Has ARRA spurred education reform?
 - The percentage of districts increasing class size quadrupled from 10% in 2008-09 to 42% in 2009-10 before falling to 26% in 2010-11, still almost three times the 2008-09 level.
 - The percentage of districts eliminating/delaying instructional improvement initiatives more than doubled from 12% in 2008-09 to 28% in 2009-10 before falling slightly, to 26% in 2010-11.
 - The percentage of districts deferring technology purchases fell from 24% in 2008-09 to 20% in 2009-10, only to increase to 28% in 2010-11.

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ARRA Hopes and Realities

- Has ARRA spurred education reform? (cont.)
 - 61% reported *'This does not apply. The ARRA funds simply fill budget cuts and do not represent enough funding for new innovations/reform.'*
 - 29% reported *'The ARRA funds represented a slight increase in funding levels, with much of the ARRA money simply filling budget cuts. Innovation/reform from the ARRA funds was limited.'*
 - 8% reported *that that funding was sufficient to implement innovations and reforms.*

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ARRA Hopes and Realities

- When asked how ARRA dollars impacted changes in state/local revenues:
 - 50% reported *'My district had a net loss before ARRA. ARRA dollars filled some, but not all, of the budget holes.'*
 - 32% reported *'My district had a net loss before ARRA. In light of ARRA, state leaders reassessed the budget situation and further cut state revenues. ARRA dollars were used to offset these cuts.'*
 - 2% reported *'My district had a net gain before ARRA. In light of ARRA, state leaders reassessed the budget situation, cutting our state revenue and using ARRA dollars to offset the cuts.'*
 - 8% reported *an increase in funding*

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Looking Ahead

- Senate Fiscal Agency assumes approximately 1.2 billion in total stabilization ARRA funds will be allocated to the SAF at the end of three years.
- 184 million remains for FY 2010-2011, but FY 2009-10 has yet to be resolved.
- Additional funds are available for specific initiatives:
 - Race to the Top – State-Level Reforms
 - Great Teachers and Leaders
 - Standards and Assessment
 - Turning Around Struggling Schools
 - Data Systems to Support Instruction

ARRA a success?

- Not exactly a treat, more of a necessity.
- Could prove to be tricky in the coming year.

