



## Schools Use Creative Accounting to Exaggerate Fiscal Challenges

By Michael Van Beek

### Summary

Michigan public school districts have been claiming they've cut expenses by millions of dollars, but a closer look at their budgets reveals just the opposite.

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The public school establishment is united in opposing Gov. Rick Snyder's proposed \$300 per-pupil school aid cut, and many districts are using their taxpayer-funded websites to urge residents to join the opposition. Unfortunately, many of their exhortations employ misleading claims and creative accounting to exaggerate past and future budget challenges.

For example, it has become commonplace for school districts to claim funding reductions they've allegedly already incurred, even as their budgets increase. Saline schools told AnnArbor.com they cut expenses by \$6.8 million over three years, yet records show the district's total general fund budget actually grew by \$600,000. East Grand Rapids sent a letter to legislators claiming to have cut \$3.5 million since 2006; in fact its budget grew from \$23.8 million to \$28.1 million. The Godfrey-Lee schools superintendent claimed to have just cut \$1.4 million, yet the district's website shows it spent \$2.3 million more in 2011 than in 2010.

Other districts have made even wilder claims. Bay City schools told The Bay City Times it had reduced spending by \$24.6 million since 2000, but records show the district actually spent \$5 million more in 2011 than in 2000. Utica Community Schools said they cut \$65 million since 2002, but audit reports say they will spend \$53.5 million more in 2011 than in 2002. Lake Orion claimed the district reduced its budget by \$16 million over 11 years, but total spending actually grew by \$31 million. The Mackinac Center has chronicled a number of similarly misleading claims in the last few months.

An even more common ploy is inflating Gov. Snyder's proposed budget cuts. Rather than a \$300 per-pupil cut, schools claim the amount is actually \$470. To get the higher figure, they tack on a \$170 reduction from last year, which had been temporarily backfilled by one-time federal funding. This situation may represent a genuine challenge for schools, but it's one they've known about and should have planned for long before Gov. Snyder was elected.

Some districts also use expected cost increases to inflate the proposed cuts. Schools are assessed a percentage of payroll to pay for a state-run pension program, and this is expected to rise next year. By adding that increase to the state budget proposal, schools misleadingly claim that Gov. Snyder is cutting their funding by over \$700 per pupil.

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Source: Senate Fiscal Agency

In addition, in the past the state School Aid Fund was used only for K-12 spending. Since it is expected to have a surplus this year, the Snyder budget would tap the fund to cover some college and university spending — money the K-12 establishment claims should be only for them.

Local schools may deserve empathy for increased pension costs, but this does not justify labeling them as “funding cuts.” On the pensions, the Legislature could immediately reduce schools’ burden by simply requiring greater employee contributions, or reducing or eliminating health care benefits for retirees (who all get Medicare at age 65 anyway).

Some districts are claiming even larger “cuts” and blaming Gov. Snyder’s budget for all sorts of unrelated issues. Rochester Community Schools and Walled Lake Consolidated School District, for example, include funding they will lose due to decreased enrollment as part of the money the state will “cut” from their budgets. (Rochester even tossed in revenue it will no longer receive from a church that formerly rented space in a high school.)

In 1994, voters statewide chose a system that allocates funding on the basis of how many students enroll in a particular school district. Few would replace that with one that gives more money to schools with fewer students, so this particular mischaracterization is particularly egregious.

Michigan taxpayers contribute more to K-12 schools than any other government function — around \$12 billion — and they have a right to expect honesty from school officials. These creative accounting gimmicks are cheating taxpayers out of necessary information, and among other things highlight the need to strengthen government transparency and accountability. While the state has taken small steps in this direction, more can and should be done to enable taxpayers to quickly and easily uncover the truth about school and other government spending.

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