

MEMO

TO: Michigan Superintendents
Michigan School Board Members
Michigan School Business Officials

FROM: Michael F. Rice, Ph.D., Michigan Department of Education
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RE: Budgeting in Uncertain Times

So much has changed since Gov. Whitmer released her budget in February. Arguably, it was one of the most education-friendly budgets we've seen in many years, investing heavily in K-12 schools with a firm commitment to the tenets of equity and student-based funding. There have been so many significant changes over the past months and the reality is, the budget you will adopt this year will be vastly different from the one you had planned to adopt pre-pandemic.

Short of an enormous additional federal appropriation from Congress, school districts will likely have to make deep cuts to their budgets for the next fiscal year (FY2020-21). It's important to also recognize that a cut in this fiscal year (FY2019-20) is still possible, even though the fiscal year is two months from conclusion. While there is no clarity yet about the extent of deterioration in the state's revenue base, the administration has said that our revenues combined in the General Fund/School Aid Fund could be below budgeted estimates by \$1-\$3 billion this fiscal year and between \$1-\$4 billion next fiscal year. For illustration purposes only: all else being equal, a \$1 billion decline in revenue in the School Aid Fund translates to a cut of approximately \$685 per student.

We recommend the following:

- Prepare several budget scenarios for FY2020-21 that recognize the severity of the situation with a per pupil cut (for example, \$200, \$350, \$500 and \$650). Please note that it is possible that the worst-case scenario could result in a cut larger than \$650 per pupil.
- Monitor and keep track of all expenses associated with COVID-19 response and instruction.
- District leadership needs to work quickly. Only nine weeks remain between now and June 30.

In 2011, when the state legislature cut \$470 per student, districts had several months to work with internal and external stakeholders to plan for the cuts. This year, with the possibility of a substantially greater cut, districts have less than half that time, by law, to prepare.

You need to begin now. If mid-May revenue estimating conference numbers suggest the need for lower cuts, all the better. If they suggest substantial cuts, however, you will already have begun the difficult work. Please keep in mind that although the timeline is very short, it is critical that, to the extent possible, you involve stakeholders in this budget discussion (e.g. labor, community leaders, and parent groups).

We continue to ask that you help us in our efforts at the state and federal level. We ask that each of you reach out to your congressional and legislative delegation to articulate the dire situation and the reality of these cuts. You should stress the need for new federal dollars to protect educational services for children.

Finally, know that we are all here for you. Your associations and the Department of Education are working hard with elected officials in Lansing and Washington to advocate on your behalf and get you the most critical and up-to-date information as you navigate these unfamiliar waters. Thank you for your work on behalf of our 1.5 million public school children.