

Mackinac Center for Public Policy

Posted: Friday, October 08, 2004

Fewer Students = More Money?

By [John R. LaPlante](#)

School districts across the state are confronting fiscal challenges in the face of declining student populations. From 2000 through 2003, the number of preschool children rose in seven counties and fell in the other 76.

This statistic caught the attention of the Oct. 1 [Detroit Free Press](#). Here's the first paragraph of the story: "As if lagging revenues and soaring costs weren't enough, many Michigan public school districts have another problem on the horizon: too few children." The story went on to quote Margaret Trimer-Hartley of the Michigan Education Association, who observed, "Just because you lose students doesn't necessarily mean your costs go down." Don Wotruba of the Michigan Association of School Boards was cited as calling for a minimum funding level for schools, given the drops in enrollment. The article summed up their statements: "Some advocates say the decline shows a flaw in Michigan's school financing system, which parcels out funding on the basis of enrollment."

But this complaint raises an obvious question: If funding is not going to be based on enrollment, what will it be based on? The students behind the enrollment numbers, after all, are the justification for financing schools in the first place. The complaints imply that schools should retain money even if there is less reason to give it to them.

There is some logic to school advocates' concerns. A school building must be heated in the winter, whether it holds 200 students or 150. But preparing for and adjusting to demographic shifts is the responsibility of any manager, whether in the private or public sector. And there are many ways that schools can respond to demographic trends.

The first step is to be aware of the trends. Russ Bailey, a school superintendent in Ontonagon County, remarked to the Free Press about the shortfall in students: "It's not a surprise at all. We've had declining enrollment for the last 10 years."

A further step is to maximize the percentage of money in the school budget that is spent in the classroom — a school's core business — by reducing expenses in other areas.

Contracting with private firms for noninstructional services and staff is one sure way to maximize instructional dollars. Saving money on janitorial service or food service, for example, means that more of the money the schools receive can be used in the classroom. The MEA, whose ranks include public school cooks and janitors, has been [a consistent foe](#) of such practices, even though some schools have used these techniques to [save teachers' jobs](#).

Of course, cost savings will involve white-collar jobs, too. As noted in a [Mackinac Center analysis](#) in 2003, "Michigan has one of the lowest proportions of teachers to school administrative personnel of any state in the union, suggesting that significant savings could be realized by cutting bureaucratic overhead." The analysis also observes, "Further savings could be gained by seeking alternative health care insurance for teachers," rather than relying on the overpriced insurance provided by MESSA, a health insurance organization originally established by the MEA.

Sometimes the appropriate action may involve Lansing. The Legislature, for example, could reduce the operating costs of schools by requiring local districts to [introduce competition](#) into the purchase of employee health insurance. Repealing the prevailing wage requirement on school construction and renovation projects would be another positive step. This union-biased requirement inflates wages; purchasing physical plant improvements based on market wages rather than a state mandate would save more than [\\$150 million](#) annually.

There is room for savings on the instructional side, as well. One simple measure would be to use sensible hiring practices. For example, as Mackinac Center Senior Fellow in Education Policy Andrew J. Coulson discovered in July, the Detroit public school district has in recent years [hired additional personnel](#) even as its student enrollment was in a long-term decline. Unrealistic hiring is a bad management practice abetted by the government [monopoly](#) in public schooling.

Calls for changing the school funding formula and increasing education money yet again must be reconciled with the effects of Proposal A. This 1994 law already recalculated the funding formula in ways that benefit poorer districts. As the Mackinac Center noted in a publication on Prop A, "Operating expense grants to poorer districts were set at a minimum level [much higher](#) than what the districts had spent previously, when they relied on smaller local tax bases to cover these costs."

For some schools, getting more students — and thus, more student aid — simply isn't going to happen. As Wotruba also observed to the Free Press, "You're not going to get back to the point where the average family is having six kids."

In that case, schools should not, and cannot, attempt to maintain the practices and infrastructure required to support families of six children. If such patterns are visible at this early stage, schools should make adjustments now — not demand more money to support buildings, staff and bad policy, rather than students.

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John R. LaPlante is an adjunct scholar with the Mackinac Center for Public Policy, a research and educational institute headquartered in Midland, Mich. Permission to reprint in whole or in part is hereby granted, provided that the author and the Center are properly cited.