



Testimony Presented to the House Appropriations Committee Detroit Public Schools

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March 7, 2016

Hello Chairman Pscholka and members of the House Appropriations Committee. I am Gilda Jacobs, President and CEO of the Michigan League for Public Policy. I thank you for the opportunity to weigh in on the important legislation on Detroit Public Schools before you.

We are pleased that the state is finally looking at addressing the long-term financial and academic struggles of the school district. The recent news of the unsafe conditions of some schools has been particularly alarming, and it underscores the need for urgency on this issue. Kids need a school environment where they can thrive, not where they are uncomfortable or even in danger.

We all know how important an education is to future self-sufficiency, and helping ensure this stability in our largest school district is vital to this end. However, we are concerned that addressing state crises will come at a cost to other important services provided to our most vulnerable residents. What this package—and other state struggles like the Flint water crisis—have shown us is that Michigan needs more revenue.

While in nominal dollars, the state General Fund and School Aid Fund are growing, purchasing power has decreased. When adjusted for inflation, the General Fund is about 29% below 2000 levels, and the School Aid Fund is about 6% below budget year 2000. Furthermore, as you know, more than 4 of every 5 General Fund dollars go to health and human services, public safety, education, and debt service. This leaves fewer dollars to spend on the mounting pressures on Michigan's state budget.

We are not just concerned about this year's budget but also the ones that follow. A number of recent tax policy changes, including the Personal Property Tax repeal and road funding plan, will have significant and growing impacts on the state General Fund for years to come. Foregone revenue due to some of these larger changes nears \$1 billion by budget year 2020.

You can only slice a pie into so many pieces. As the size of the pie fails to keep up with the needs of the state, we worry that the programs that will be cut are those that help our most vulnerable populations. Recent history has shown that lawmakers have harmfully restricted access to these public services—such as the implementation of asset tests and truancy policies and more stringent lifetime cash assistance limitations—as well as the reduction of Michigan's EITC. As you know, the

EITC helps pull families closer to or above the poverty line. Additionally, we have vastly underfunded our local communities through reductions in revenue sharing and have failed to adequately fund our schools that are educating the students most at risk of educational failure. Part of the problem we are discussing today is because of the state's history of disinvestment in our schools and infrastructure.

Instead of restricting access and cutting the programs that Michigan residents need, we need to make sure that the state has the revenue necessary to make investments in our residents and in our state. Michigan should consider increasing the size of the pie, perhaps implementing a graduated income tax, revisiting the \$1.6 billion tax cut provided to businesses half a decade ago, or reviewing our sales tax to see if there are opportunities to modernize it to current purchasing trends. This also gives us the perfect opportunity to review Proposal A and figure out where it has failed to adequately provide for our children's education. Long-term fixes to the problems that plague the state that are achieved by dividing up an already shrinking "budget pie" only sets the stage for more, and more expensive, crises down the road.

Thank you for the opportunity to testify today and provide our concerns.