



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

ROBERT L. EMERSON
DIRECTOR

April 12, 2007

Dear Superintendent:

As you know, the current year school aid budget has a projected shortfall of approximately \$377 million. The Governor has submitted recommendations to the Legislature to make changes to the Michigan Public School Employees Retirement System, to refinance debt service payments, to eliminate new categorical programs not yet awarded, and to recognize additional lottery revenues. These combined actions, if adopted by the Legislature, would reduce the shortfall to \$62 million.

Unfortunately, I expect that 2007 school aid fund revenue estimates may further decline by \$100 - \$150 million at the May revenue estimating conference. The Governor continues to propose that any remaining shortfall be replaced with enhanced revenues in order to avoid proration of payments to schools.

To date, the Legislature has not enacted any legislation to address the problems in the school aid budget. While I remain hopeful that the Legislature will ultimately enact some changes to reduce the school aid budget shortfall, we cannot wait much longer for a solution to this serious problem. Therefore, I intend to issue a proration letter to the Legislature no later than May 1, 2007 informing them that remaining payments to school districts will be prorated, in compliance with section 11(3) of the State School Aid Act.

At this time, I estimate that school aid payments will need to be reduced by approximately \$90 - \$125 per pupil, subject to further revenue estimate refinements. Intermediate school districts could lose funding of \$5 - \$8 million. The proration would affect your June, July and August school aid payments.

I understand that reducing school aid payments so late in your fiscal year would have a devastating budgetary effect on your school district. This is why the Governor and I will continue to work with the Legislature in an effort to avoid a prorata reduction of school aid payments. But we need your help. You should contact your legislators and encourage them to work with us to avoid proration.

Sincerely,

A handwritten signature in blue ink that reads "Robert L. Emerson".

Robert L. Emerson
State Budget Director

cc: Governor Granholm
Mike Flanagan, Superintendent of Public Instruction