NORTH DICKINSON COUNTY SCHOOL

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Testimony on Sinking Fund for House Committee on Education
May 24, 2006

RE: HB 4575 (Vander Veen) Sinking Fund
HB 5709 (Casperson) Sinking Fund
HB4975 (Hoogendyk) Classroom Instruction Expenditures

Thank you for taking a moment of your time to hear my testimony on these three bills before you. I would like to talk about the Sinking Fund proposals first. I support both bills before you. Certainly Rep. Vander Veen's bill provides the most latitude for districts to use their sinking funds to enhance instruction. However, if at the end of the day you find that you need an alternative proposal; Rep. Casperson's bill goes a long way toward helping local school districts deal with two major budget issues, transportation and technology.

I will speak to transportation first. We like many of our fellow small and rural schools above and below the bridge must spend a significant portion of our operating budgets on transportation. We cover 500 square miles in the northern 2/3's of Dickinson County. For us that is 7% this year and 9% next year of our operating budget. The difference is a bus purchase that increases our overall operating expenditure by 2% in one year. We must replace a bus every 1-2 years. However, we operate one of the least expensive school transportation systems in the Upper Peninsula. We transport our students at less than $2.00 per mile. We have considered and put out on bid our transportation system and could not get bids lower than our operating costs. Current contracts for busing in our area are above $2.00 per mile.

Clearly we are operating efficiently. However buses must be replaced to maintain a safe and cost effective fleet. Some districts have eliminated busing in very difficult times. School transportation systems are mass transit systems. You nor I do not want every parent in our remote areas to have to transport their students to and from school every day. That would be a terrible waste of energy and money.

Here is another way to look at it. Each bus we purchase out of our general fund is the cost of one teacher or three aides that can provide direct instruction to students. There are schools across this state that spend less than 1% of their operating funds on transportation because they are in more densely populated

areas where many or most students can walk to school. We get the same $6,875 per pupil foundation allowance, but we spend a much higher percentage of our operating budget on just getting kids to school.

You might ask what about using your fund equity for bus purchases? Six years ago when I came into the district we had a negative fund equity of $330,000. Today our fund equity is around $65,000. This amounts to a little over one week of operating expenses. Our auditors and most auditors recommend a fund equity of at least three months of operating expenditures. Allowing schools that have sinking funds to use those funds for purchasing buses frees up scarce dollars for direct instruction.

Let me now turn to the use of Sinking Funds to pay for technology. We are a small school with big results. Part of our success has been the use of technology to support instruction. We were one of the first and a major user of the Michigan Virtual High School online courses in the Upper Peninsula and continue to use this resource as a major supplement to our high school curriculum. We have been fortunate to receive three rounds of Freedom to Learn grants to place six wireless mobile laptop labs in our school. Our student population is about 380. With two additional stationary labs and other dedicated computers, we have about 300 computers available for student instruction in our K-12 building. It is a very rich technology environment. Our teachers and students are using this resource effectively.

Even though we have received a great deal of help for this initial investment in technology it must be maintained, upgraded and replaced. We have no assurance of grants for the replacement of this equipment. The cost will be huge in comparison to our resources. Our sinking fund can help us keep this vital resource for our students. In fact, your recently passed high school graduation requirements that require all high school students are proficient in the use of technology and have at least one online experience. Our voter passed our sinking fund proposal with the knowledge that if the legislature would permit it, the funds could be used to pay for technology and buses. They overwhelmingly passed our millage.

I have been told that some oppose these changes on the use of sinking funds because they see it as an increase in taxes. I can understand their concern. However, sinking funds have been a legal avenue for districts to pay for major expenditures for many years. This is not a new tax. It is simply allowing districts to pay for major ticket items, some of which were not even a consideration when the law was first implemented, including computers, wireless connections and the internet.