

School District Consolidation Issues in Michigan

May 21, 2018

Eric Lupher, President
Citizens Research Council of Michigan

www.crcmich.org

About Citizens Research Council of Michigan

- Founded in 1916
- Statewide
- Non-partisan
- Private not-for-profit
- Promotes sound policy for state and local governments through factual research – accurate, independent and objective
- Relies on charitable contributions from Michigan foundations, businesses, and individuals
- *www.crcmich.org*

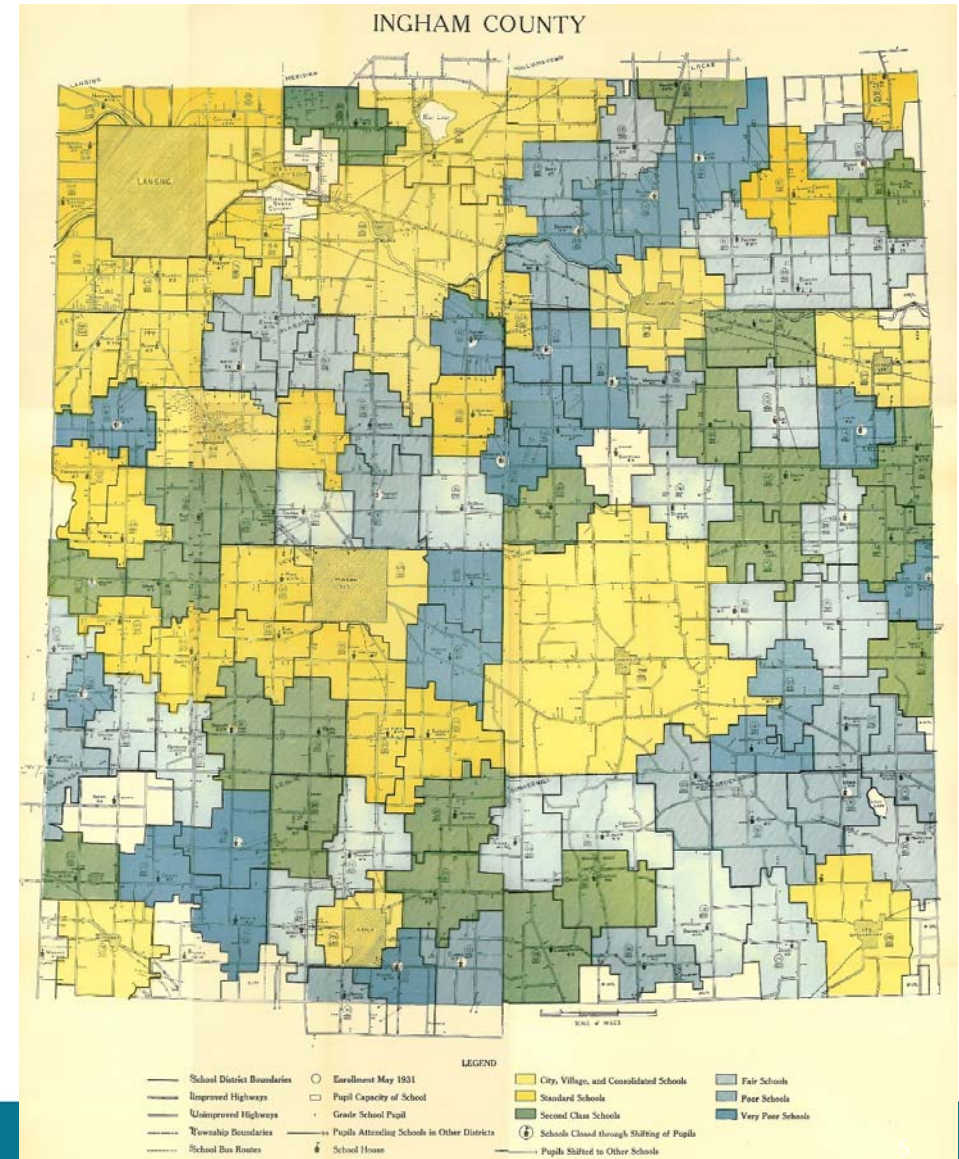
Eric Lupher, President



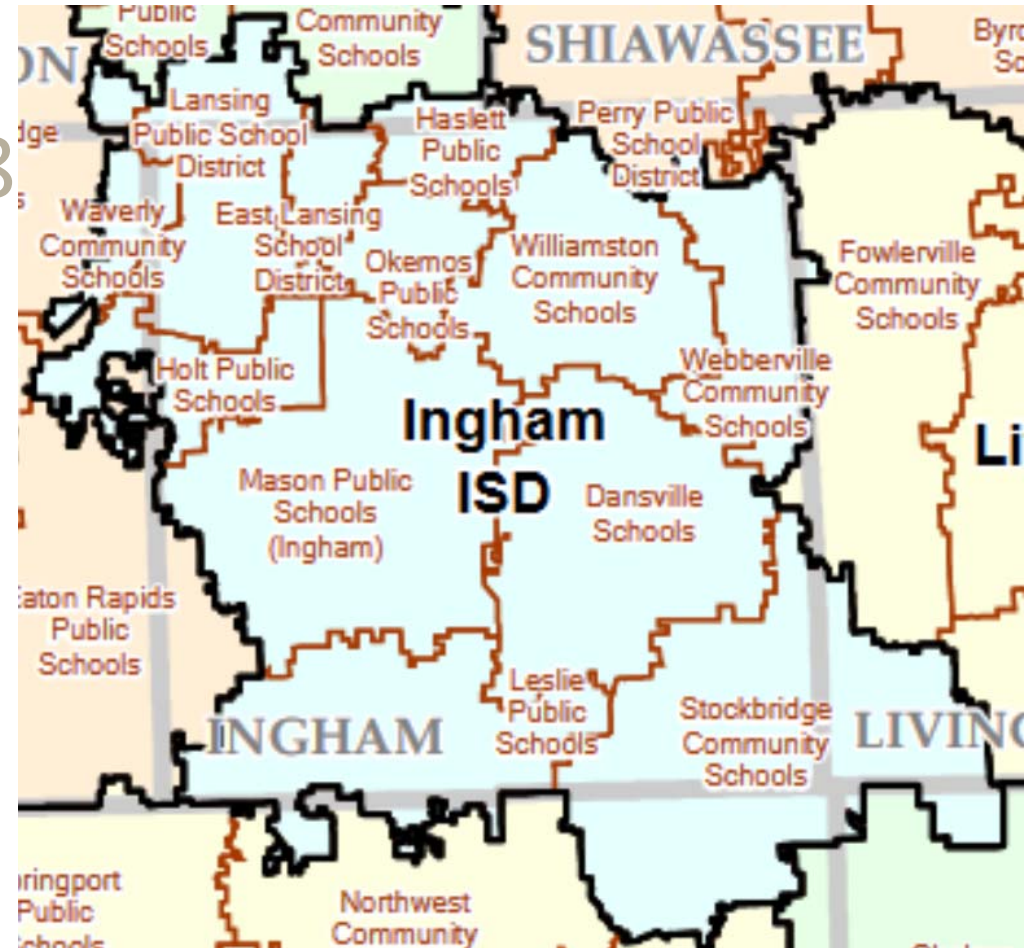
- 32 years at the Citizens Research Council of Michigan
- Generalist
 - Taxation
 - Constitutional Issues
 - Intergovernmental Finance
- Local government
 - Finance
 - Organization
 - Charter Issues
 - Consolidation

Historical Context

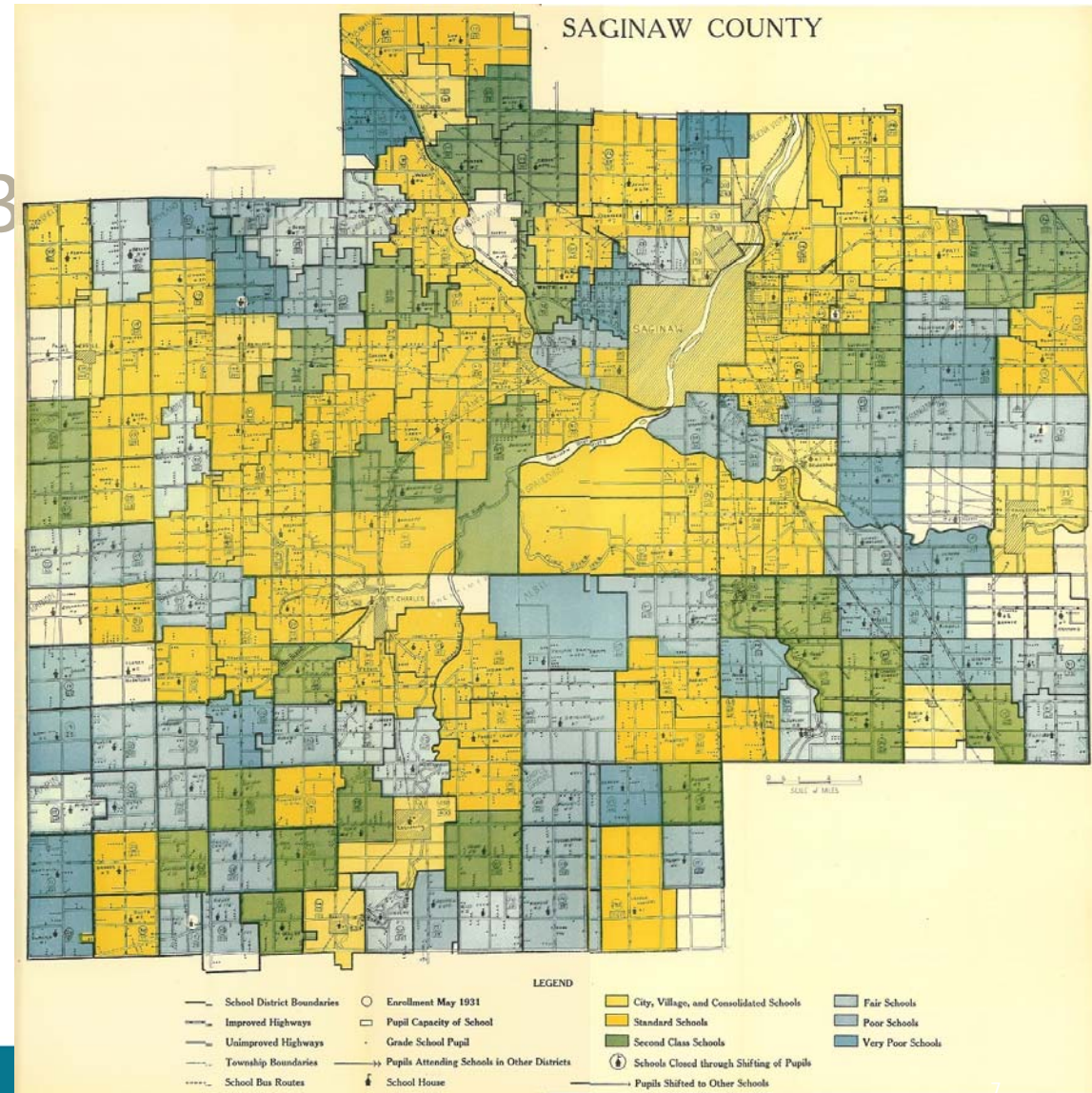
Ingham County School Districts in 1933



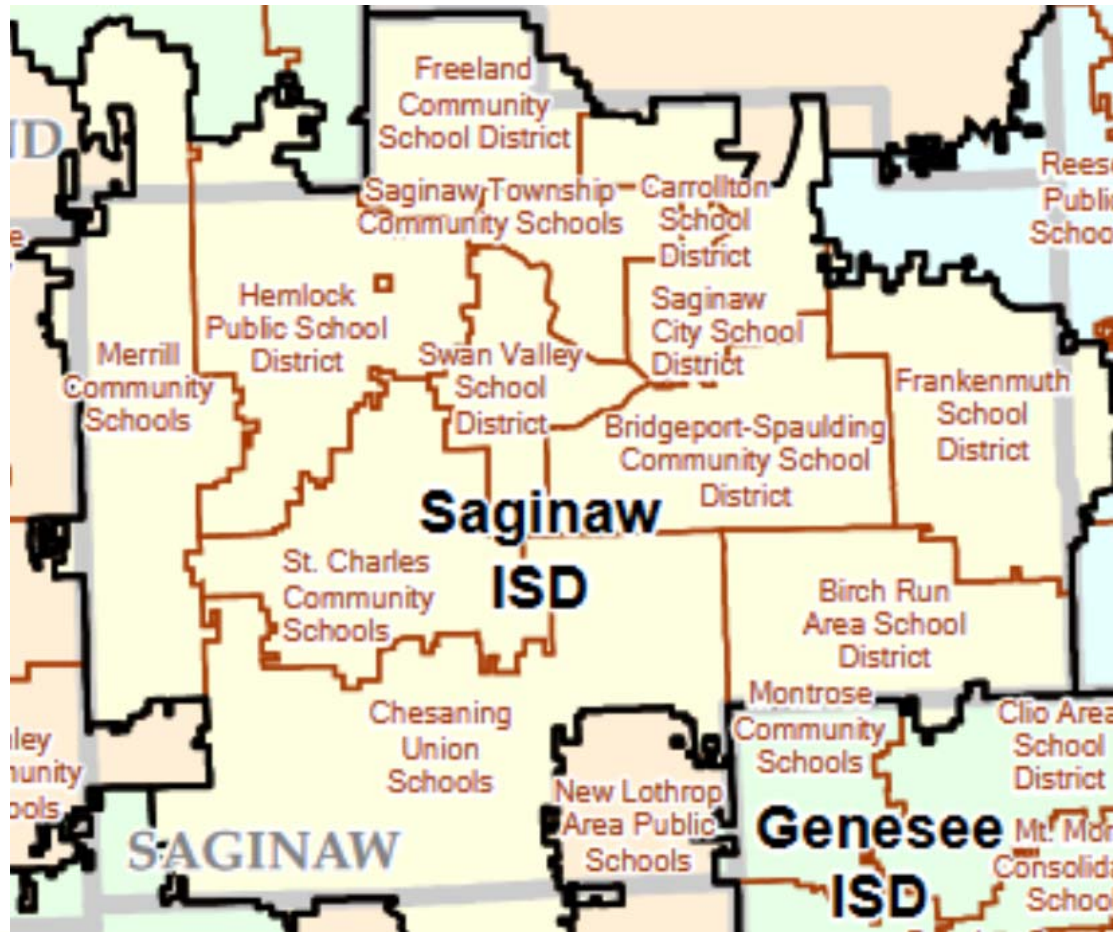
Ingham County School Districts in 2018



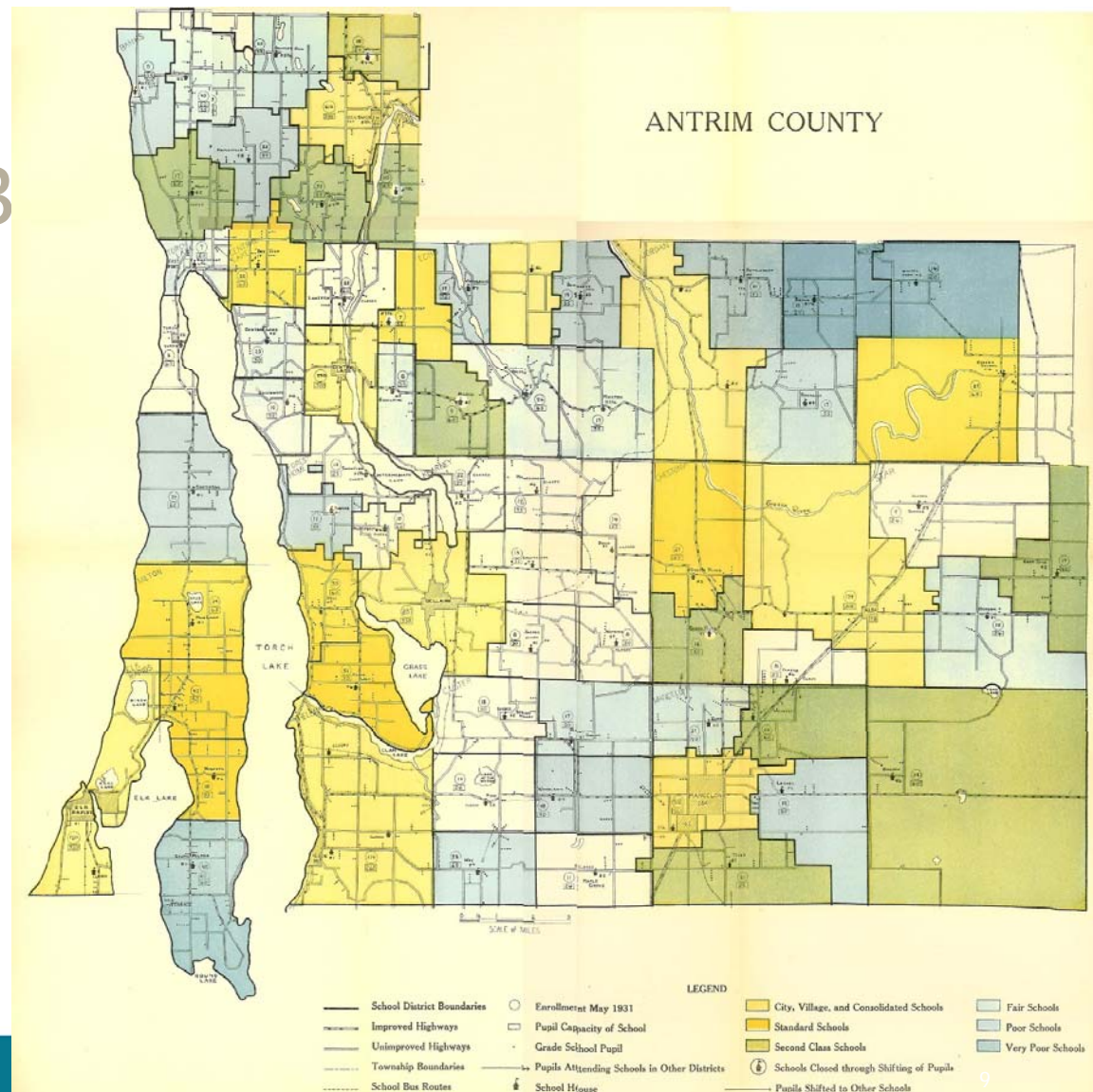
Saginaw County School Districts 1933



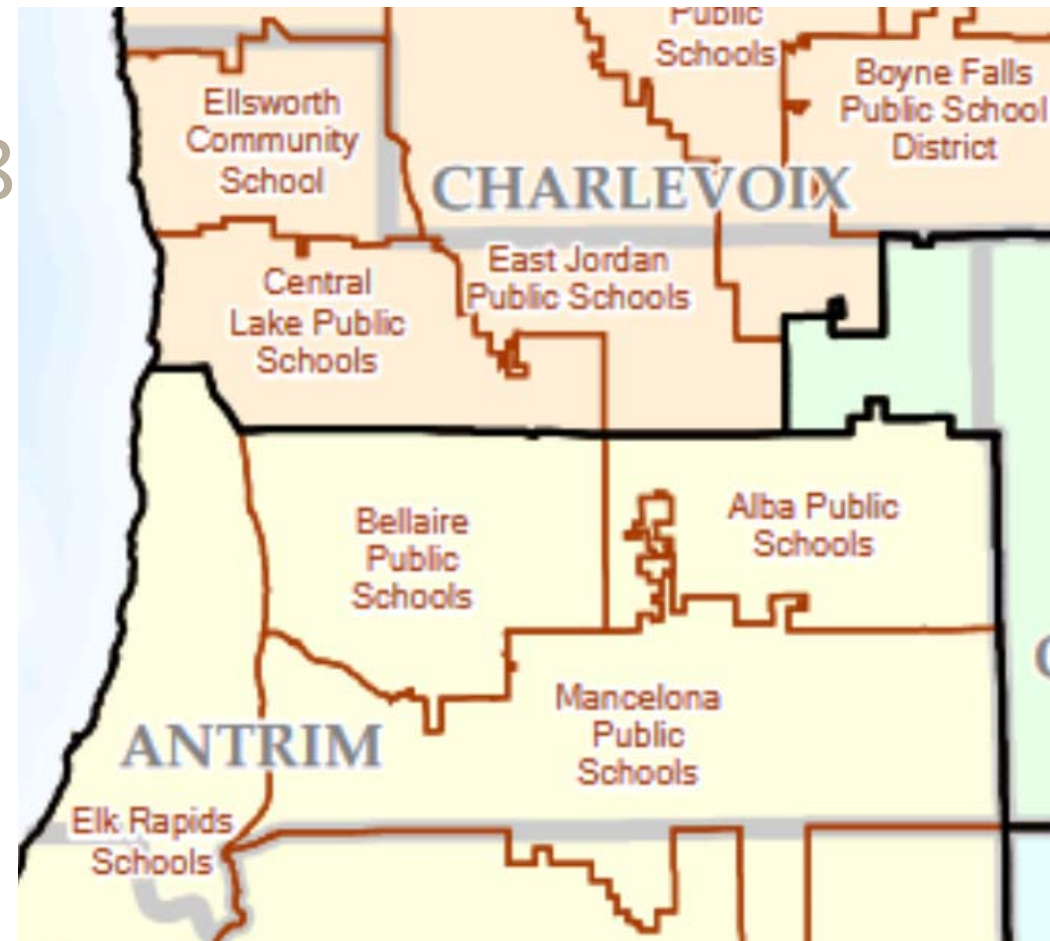
Saginaw County School Districts 2018



Antrim County School Districts 1933



Antrim County School Districts in 2018



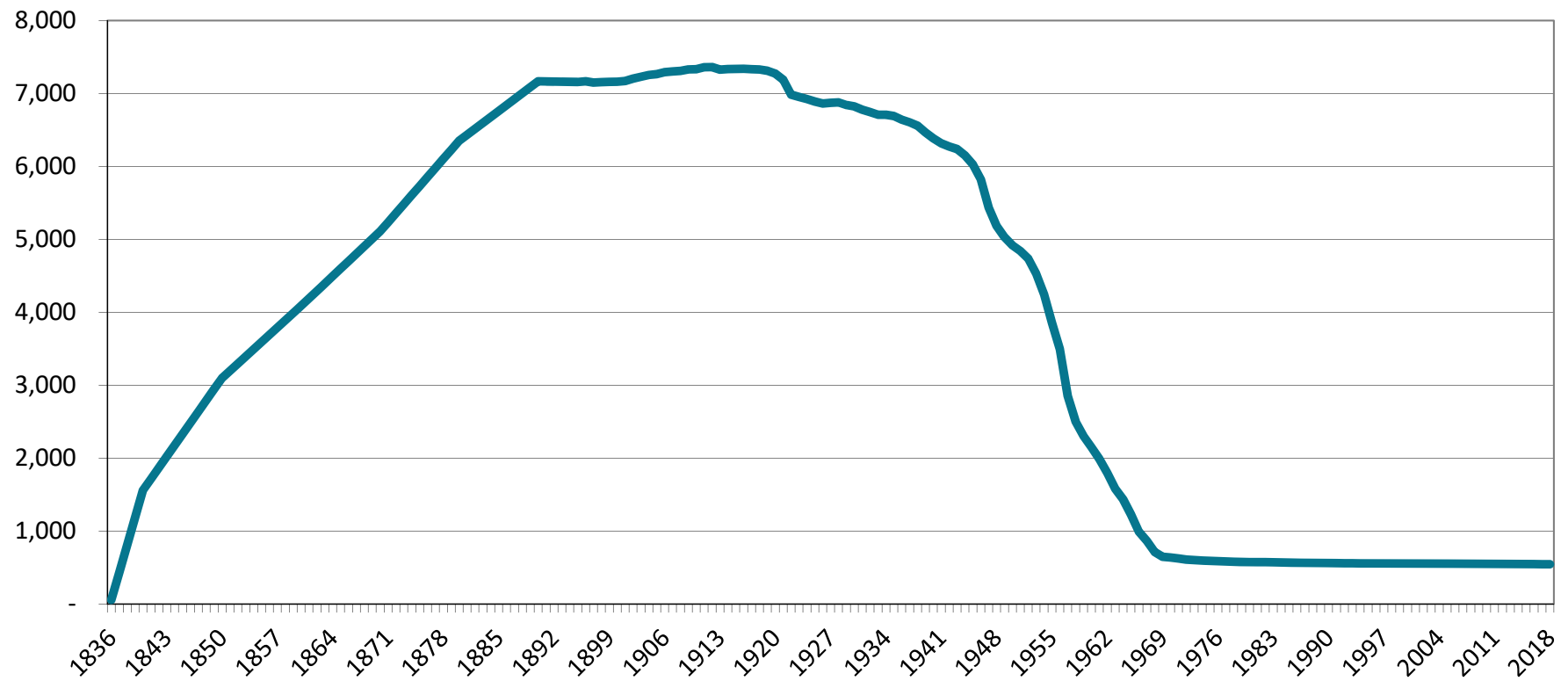
How we got from peek to today

- Although education always has been a state responsibility, organization of school districts always left to local discretion.
 - Township officials created districts
 - No regional or state body responsible for organization
- Although state officials have long recognized the need to rationalize school district organization, generally left to discretion of local citizens.

Rudiments of Change

- Consolidations/Annexations eliminated districts serving a subset of grade levels (K-6, HS, etc.)
 - Primary Districts – parts of a township
 - Fractional Districts – homogenous community crossing 2 or more townships
 - Graded High School Districts – only HS serving growing areas
- Serious reduction efforts didn't happen until 1940s
 - Voluntary in nature
 - Push for K-12 districts – primary districts told to find a K-12 district to adjoin themselves to
 - Politics, race, economics played roles in who married who
 - Inner city districts & small tax base districts couldn't find partners
- Since 1950s, number of K-12 school districts has remained largely unchanged

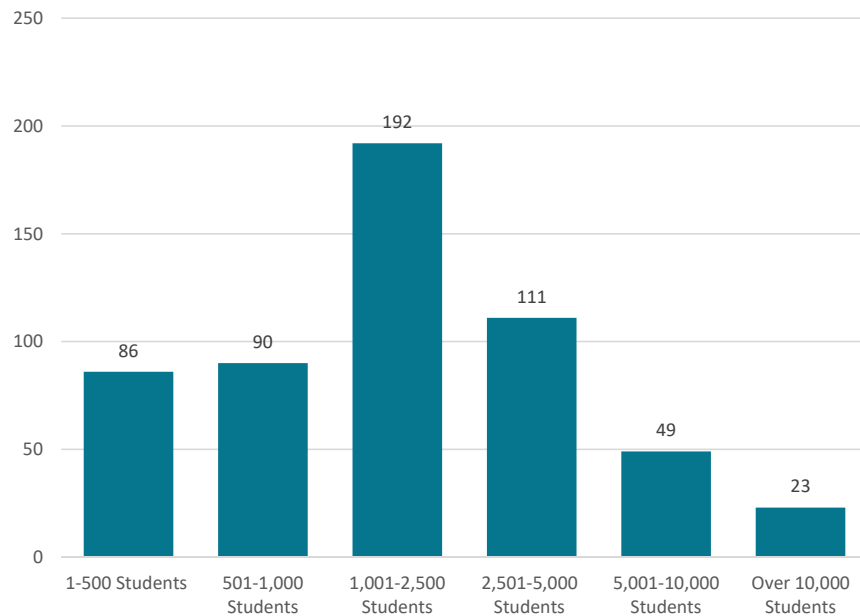
Number of Michigan School Districts, 1836-2018



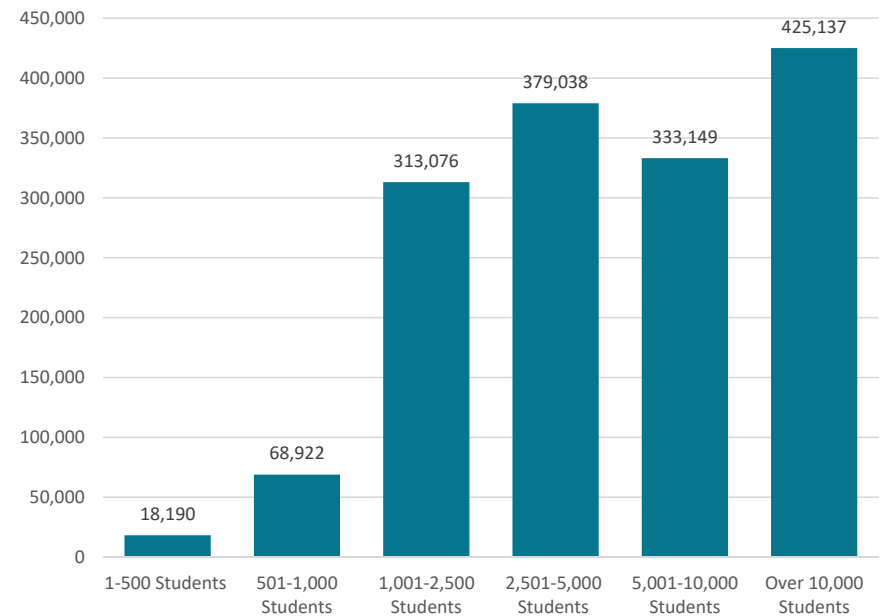
Modern Context that Drives School Boards and Local Communities to Consider Merging with Neighboring Districts

Two-thirds of School Districts Serve Small Student Bodies

Number of School Districts Serving Various Size Student Bodies

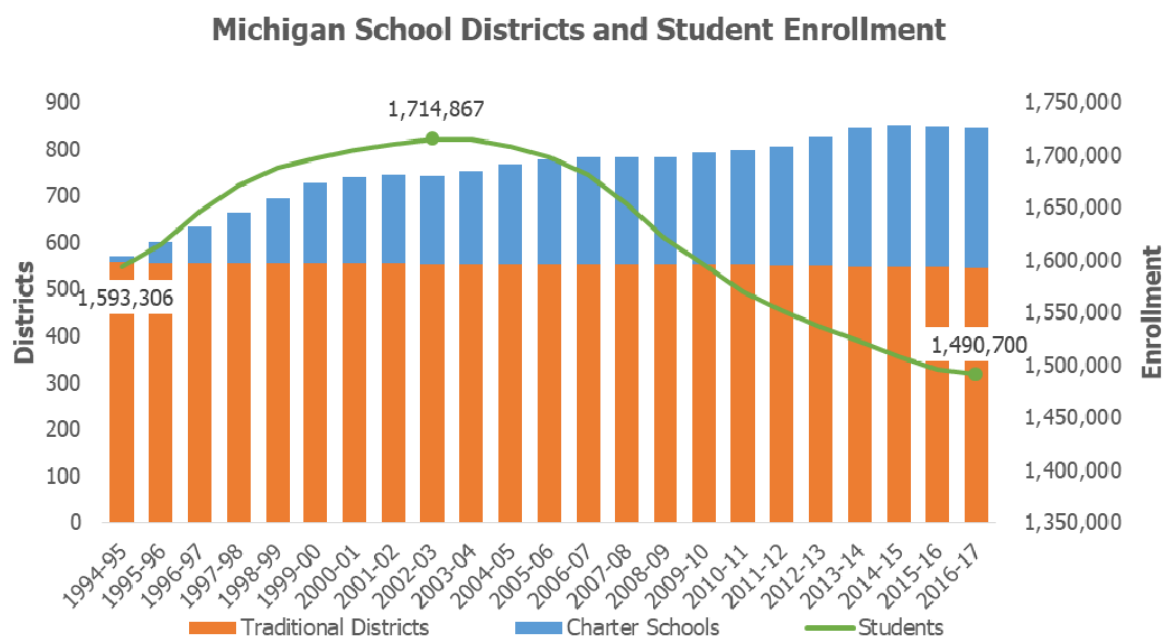


Total Number of Students Served by Various Size School Districts



Student Enrollment and Increased Competition

Era of declining student enrollment since 2002-03



Source: Michigan Department of Education

Note: Excludes Intermediate School Districts (56); 2016-17 projected

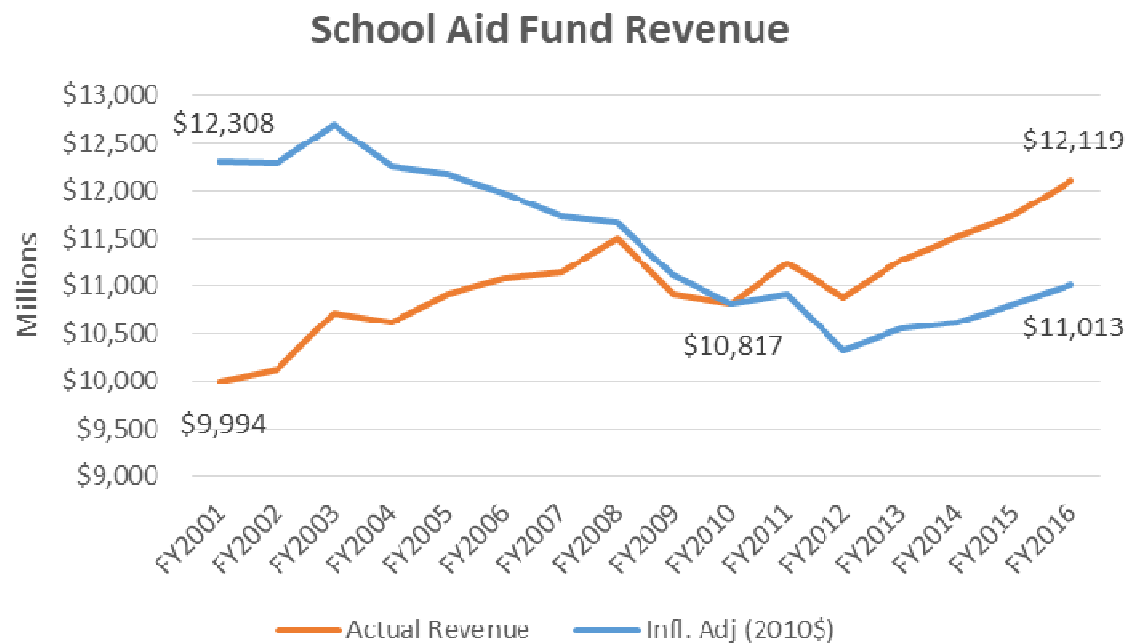
Effects of Declining Enrollment

Two narratives

- State-level effects
 - Fewer students in the system allows the per-pupil foundation grant to increase
 - Even if there are no new dollars in the system
- District-level effects
 - Per-pupil foundation grant might increase, **BUT**
 - Effects of grant increase are offset by the loss of students – result in fewer resources overall
 - Challenges of “managing down” when majority of costs are relatively fixed in near term
 - Mix of fixed and variable costs in K-12 education setting

SAF Revenue Growth and Inflation

Since FY2010, revenue growth has outpaced inflation



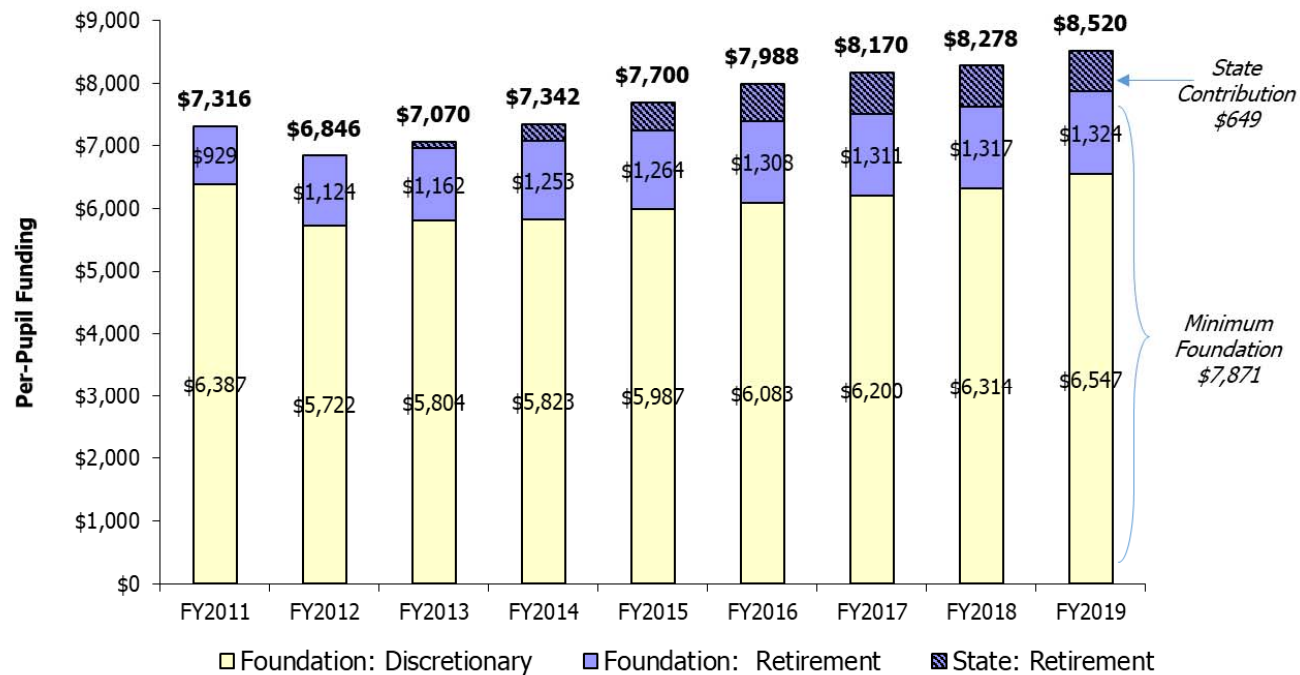
Adjusted for Inflation, SAF Revenue Down 11% Compared to FY2001

Retirement Cost Growth

Crowds out other spending

- Primarily a problem for traditional public schools, most charters not members of system
- Funding for legacy costs – “catch up” funding
- Increases in state funding have been eroded by growing retirement contributions
 - Employer costs have stabilized because of various system reforms
 - State picking up portion of the cost (\$1.3B in FY2018) – these funds unavailable for other purposes
- Crowds out other school spending
- Results in flat per-pupil classroom funding

Legacy Costs – Employer and State Share



Notes: Includes retiree health payments funded on a cash basis in FY2011 and FY2012.

Source: Senate Fiscal Agency and House Fiscal Agency Reports; Office of Retirement Services

Financing School Infrastructure

The unfinished business of Proposal A

- Significant per-pupil inequities exist in the financing of school construction and capital spending
- The division is along economic lines
 - Poorer communities (urban districts) – avg. capital stock equal to \$15,000 per pupil
 - Wealthier communities (high-income suburban districts) – avg. of \$25,000 per pupil
- Responsibility for capital spending remains at the local level
 - For wealthy districts – raise considerable revenue with little tax effort
 - For poor districts – raise very little revenue with very high tax rates
- State plays virtually no direct financial role

What Does it Cost to Educate a Student?

Efforts to answer question is underway

- What is a school funding “adequacy study”?
 - Resources needed to meet expected outcomes (usually set by the state)
 - Origins linked to standards-based reforms at state and federal level
 - Study goals: To determine 1) base cost (statewide) of educating a student, and 2) adjustments related to local cost variations (e.g., factors outside control of local schools)
 - Studies conducted in more than 35 states (some multiple studies)
- Michigan’s current school finance system not based on results from an adequacy study

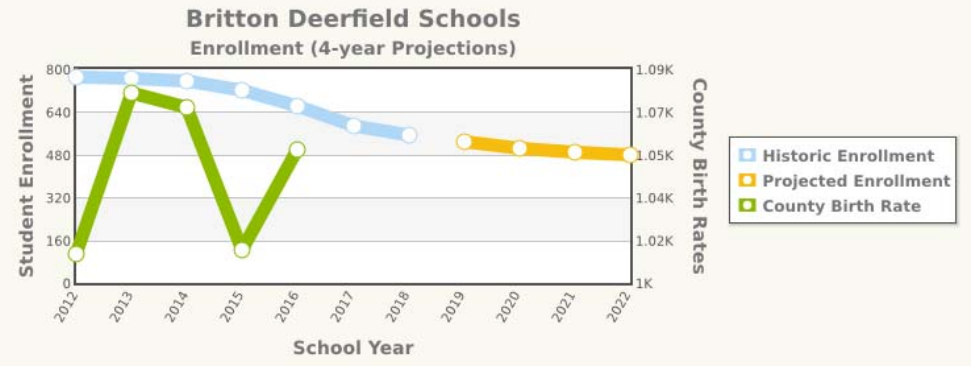
Why do school districts consider merger?

Objectives of School District Merger

- Economies of Scale/Skill
- Cost centers must be weighed individually
 - Administrative efficiencies
 - Educational improvements
 - Transportation
- School District merger may/may not involve consolidation of student bodies into single building(s)

Unless Michigan has Major Reforms, Consolidation is Not a Silver Bullet

- Economics of school districts unchanged by consolidation
 - Short-term solution for a long-term problem
- Districts are still dealing with declining student enrollment
- The districts that have consolidated have been relatively small in size so little opportunity to achieve economies of scale

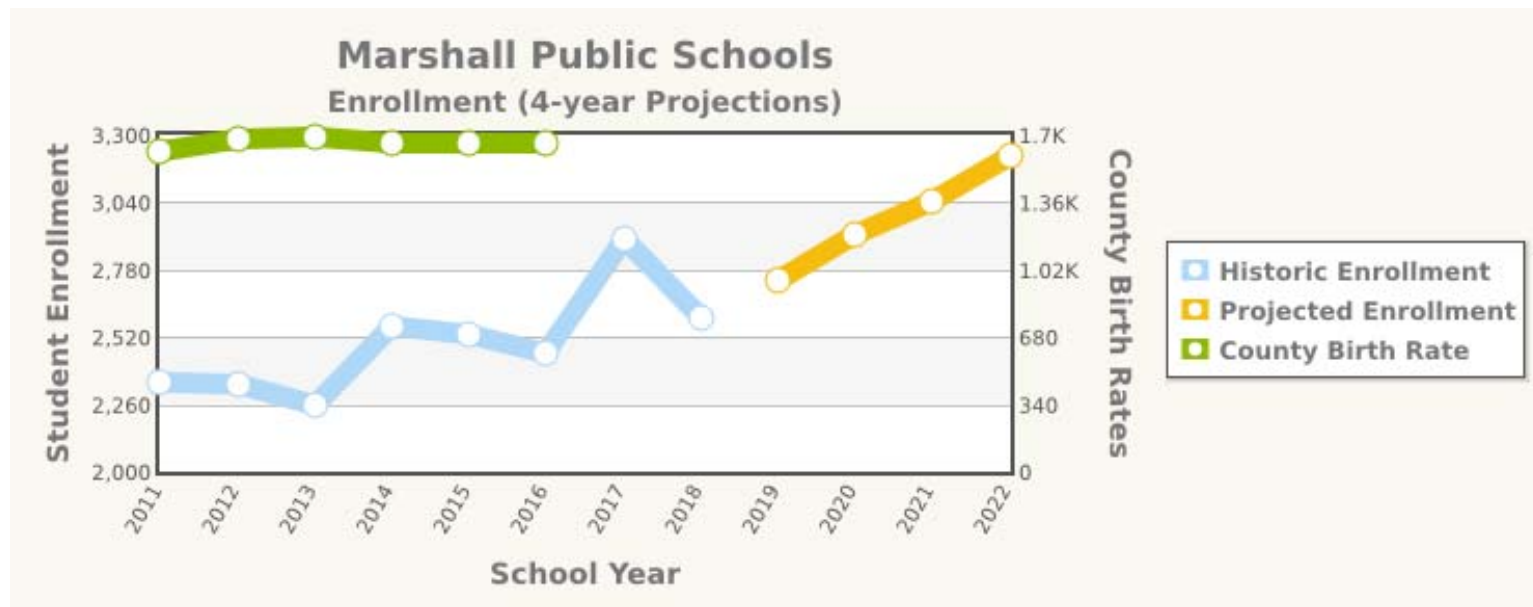


Current Policies Allow Students to Self Sort

- Students are self sorting
 - By race
 - By socio-economic status
- Sorting with
 - School Choice
 - Charter Schools
- Issues of governance
- Solution is school districts covering wider geographic areas

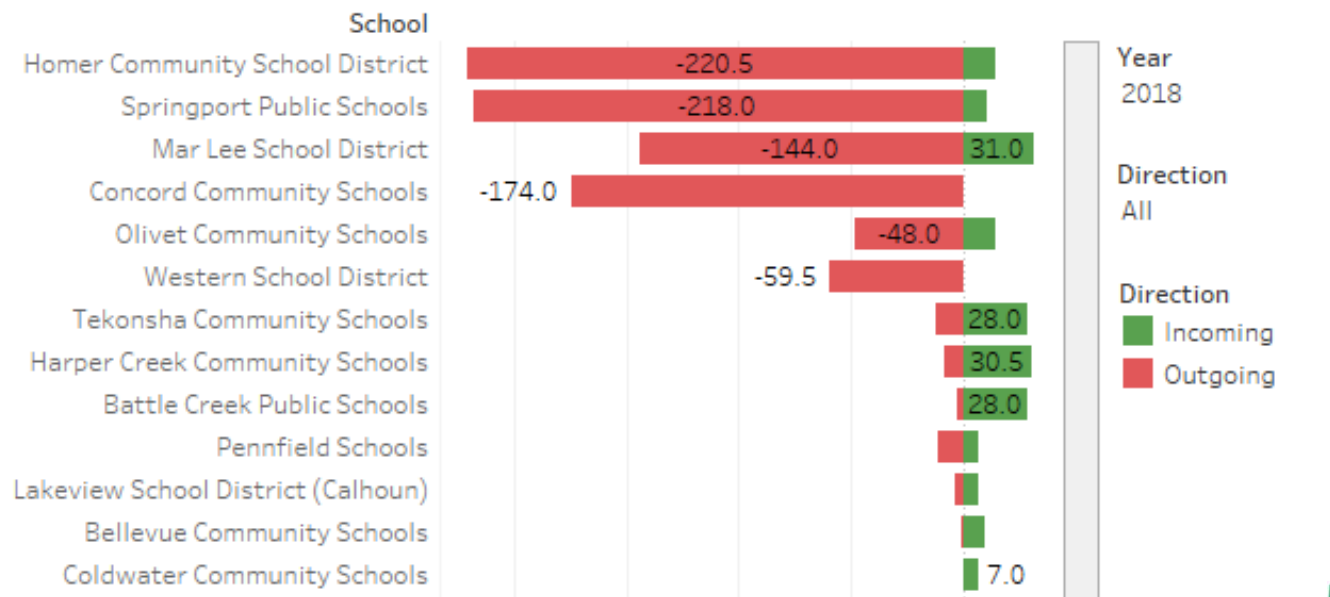
Marshall Public Schools

Recent and Projected Enrollment

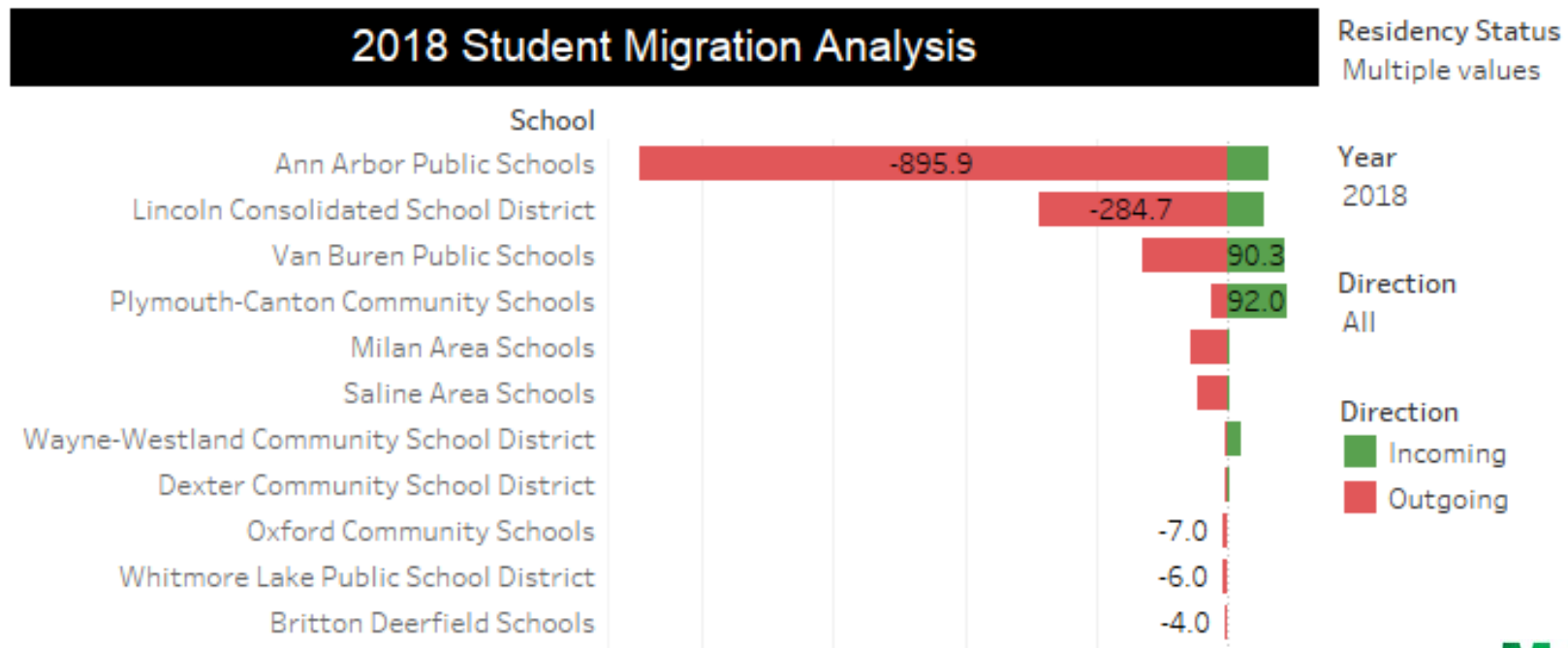


Marshall Public Schools

2018 Student Migration Analysis

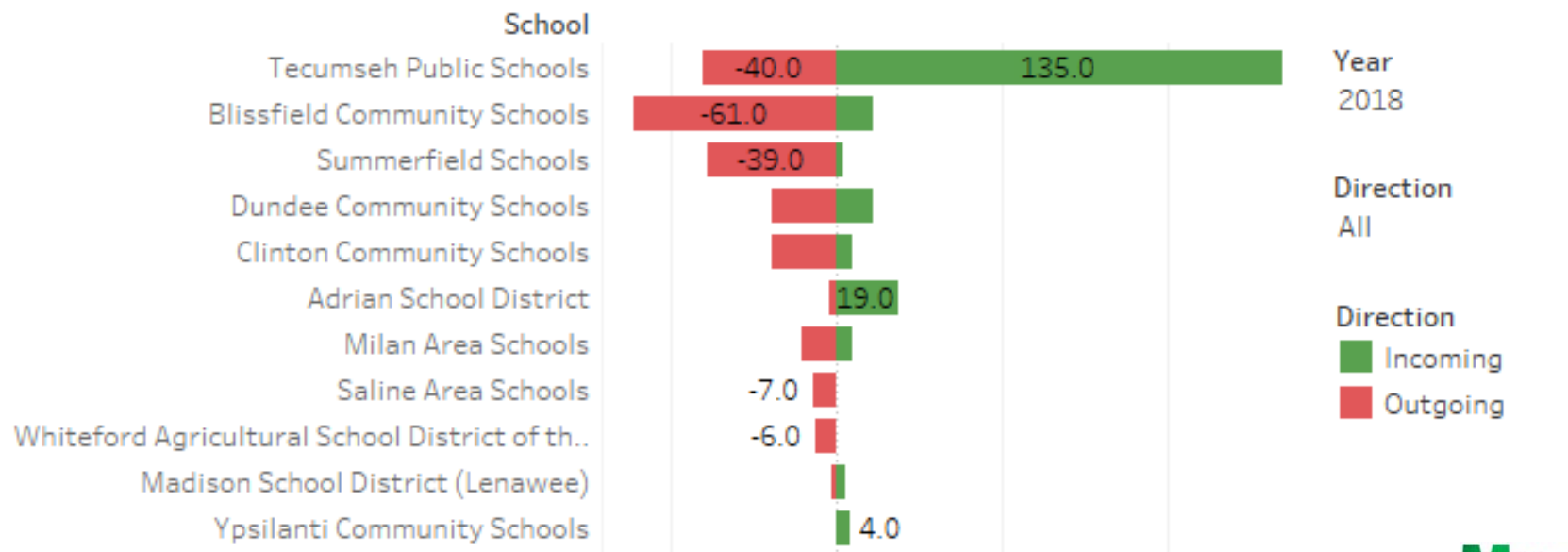


Ypsilanti Community Schools



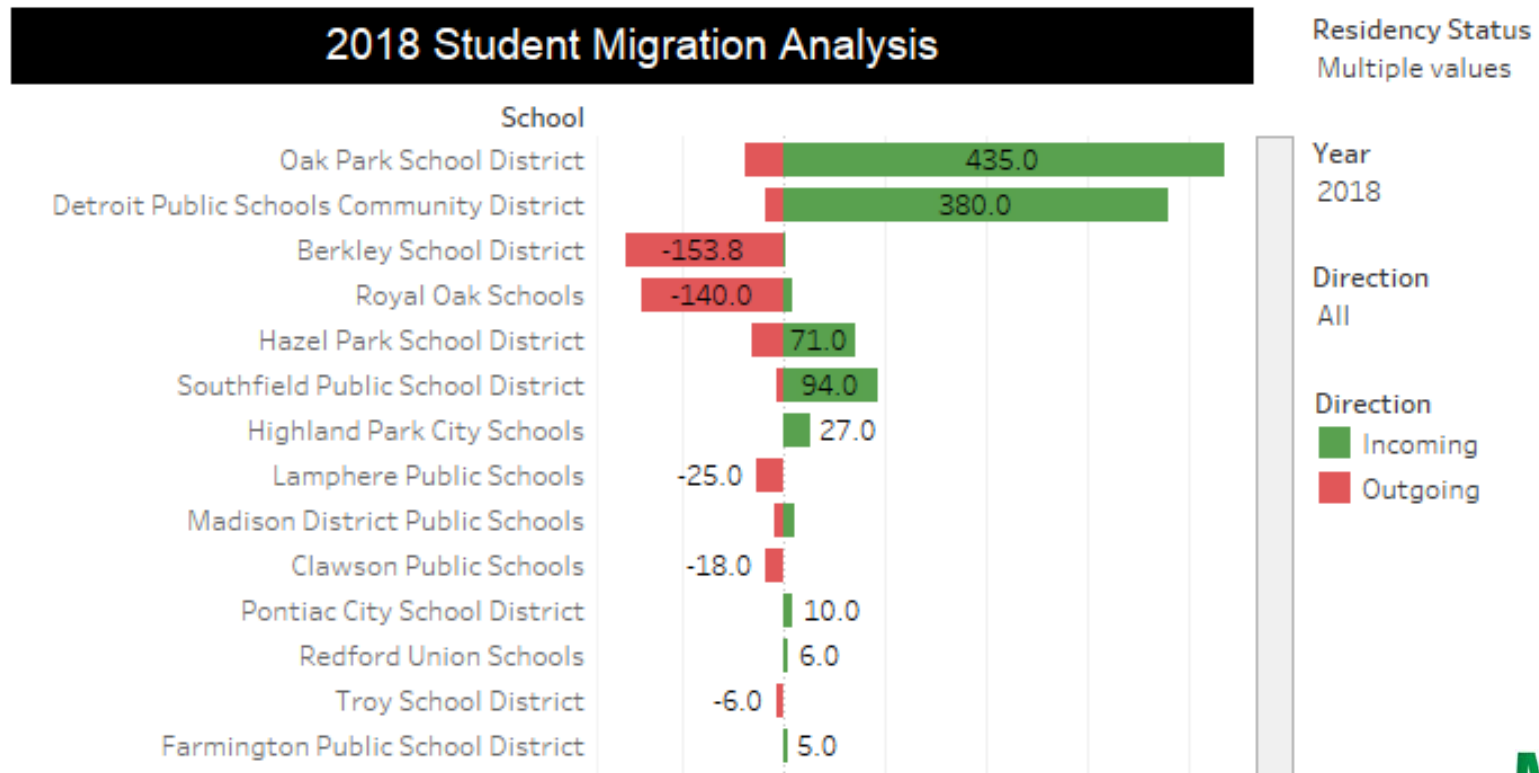
Briton Deerfield Schools

2018 Student Migration Analysis

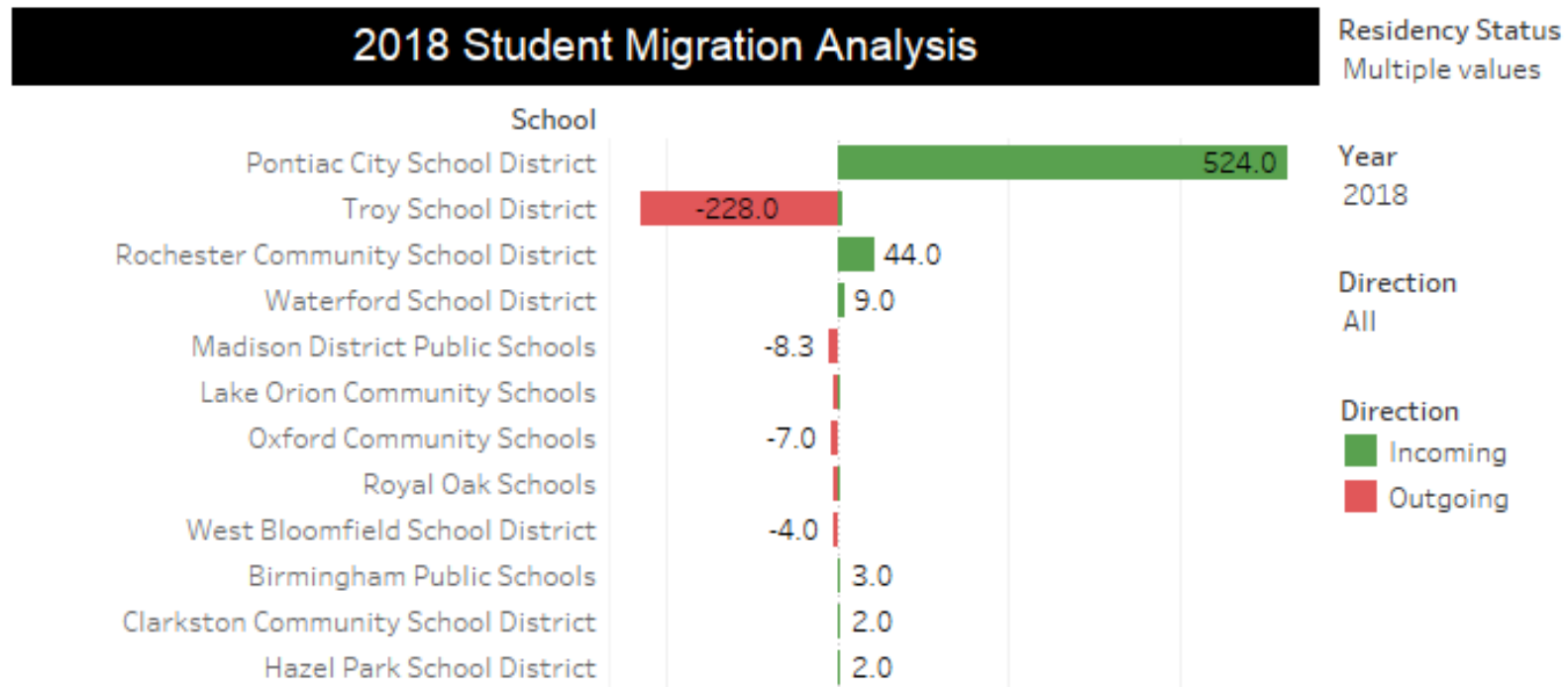


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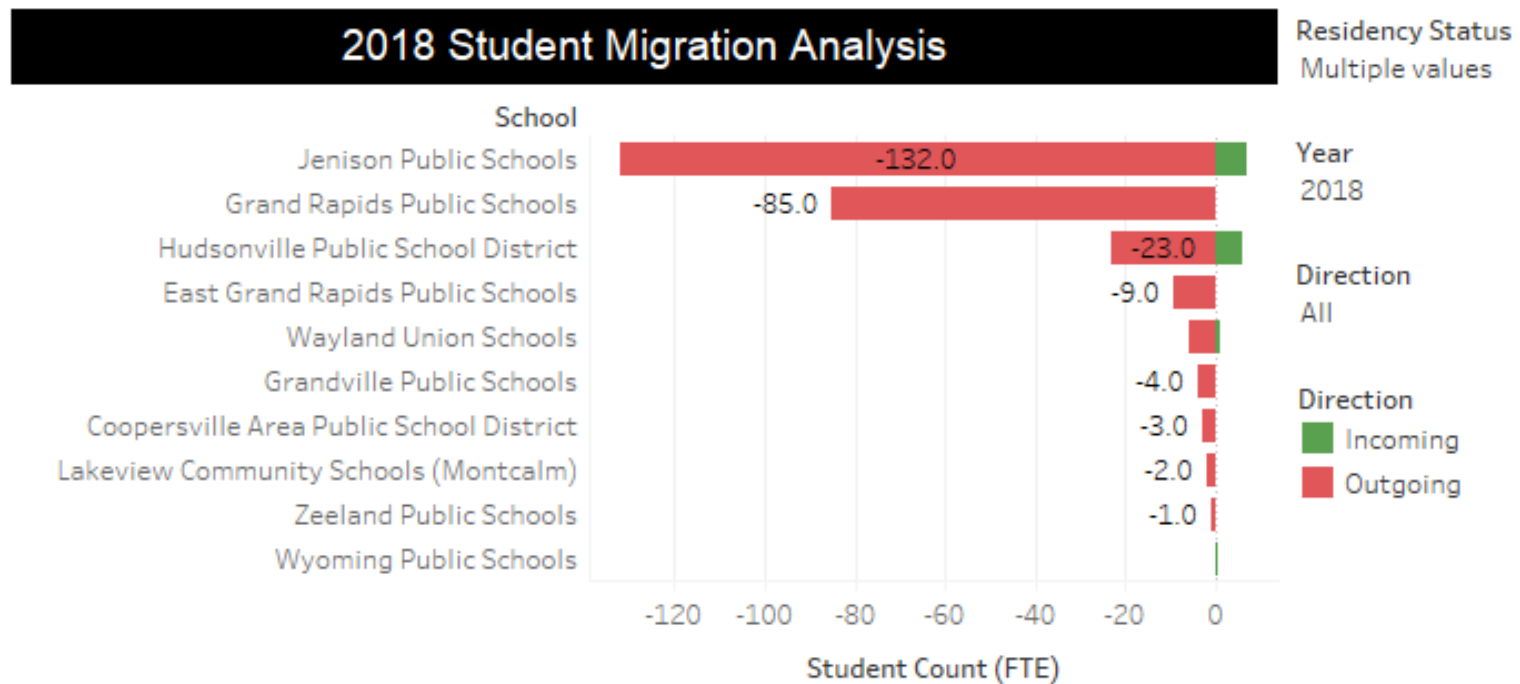
Ferndale Public School



Avondale School District



Wyoming Public Schools



Questions

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