

SCHOOL DISTRICT ORGANIZATION IN MICHIGAN

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I. Introduction and Summary

The organization of Michigan school districts was a public policy issue before Michigan became a state and continues as an issue today. The number of school districts increased through 1912 and then began to decline, but there has been a continuing concern that there were too many school districts and that the number of districts should be reduced. This belief continues today, although the reasons for advocating reorganization have changed over time. For many years, the principal reason for reorganization was to locate all children in a K-12 district. The two major educational issues currently are the per pupil expenditure disparity among school districts and the overall quality of elementary-secondary education. Both issues could be addressed through consolidation of school districts. The desire for reorganization of school districts has been advocated by educators and other public officials, but has not had popular support among the general public.

School districts are creations of the state and have no inherent legal right to existing school district boundaries. This point was made forcefully by the Court of Appeals in **East Jackson Public Schools v State of Michigan**, (133 Mich App 132; 1984). The Court of Appeals indicated that:

School districts and other municipal corporations are creations of the state. Except as provided by the state, they have no existence, no functions, no rights and no powers. They are given no power, nor can any be implied, to defy their creator over the terms of their existence. (133 Mich App at 139).

There are a variety of reasons why school district boundaries are irregular. The principal reason, identified 120 years ago by the Superintendent of Public Instruction, was the desire of families to be close to the school house. This policy was the foundation of a local control system.

There never has been much structure to the system. In the early days, township officials created districts. As time went on, and society became more complex, no higher body was given responsibility for school district organization. Thus, no plan was developed that would result in the orderly development of school districts. Educators advocated reorganization, but they were a voice in the wilderness. Elected state officials were more responsive to local citizens, who generally opposed any major change in school district boundaries unless approved by a majority of the electorate.

Over time, a consensus was reached on one principle of school district organization. This consensus related to the desirability of having all students reside in a K-12 school district, and has resulted in the elimination of a large number of primary school districts in the last 75 years. This was accomplished primarily by annexing the primary districts to existing K-12 districts, which only contributed to the hodgepodge of school districts that exist today. However, 38 non K-12 districts remain today in addition to 524 K-12 districts. Between 1970 and 1990, the number of K-12 districts declined by three, while public school membership declined 525,000 pupils.

The existing statutory methods for major reorganization require voter approval - There has been little significant reorganization in the last decade and there is little reason to be optimistic that voluntary reorganization will occur in the foreseeable future. Reorganization at the intermediate school district level would be an effective method for reducing the existing per pupil expenditure disparity that exists between school districts. While this approach would result in 57 total local school districts state-wide, it is not the only reorganization configuration that could be used. An alternative approach would be to target smaller districts for consolidation. On June 30, 1990, there were 384 districts with fewer than 2,500 pupils. Thus, there appears to be ample opportunities for consolidation of existing districts.

For the foreseeable future, it appears Michigan's public school membership will level out or possibly continue to decline. There is no evidence that Michigan will experience a significant increase in the number of births or migration into the state. For the last nine years, the number of births in Michigan has stabilized between 135,000 and 140,000. Although there will be some districts that continue to grow in membership, there will be other districts that decline. The political leadership of Michigan should give serious consideration to undertaking the reorganization of school districts in order to meet the educational need of young people who will have to compete for jobs in the 21st century.

By statute, overall organization goals should be established at the state level and a process promulgated that provides an operating system to achieve these goals. Examples of possible goals include the reduction of the per pupil revenue disparity among school districts, and making a comprehensive educational program available in each public high school in the state. One model that could be used is the one established by Public Act 289 of 1964, that provided for the development of reorganization plans at the intermediate school district level. Either the Governor or State Board of Education would appoint a state level, multi-member commission to oversee the development of reorganization plans at the intermediate school district level. The intermediate district plans should be based on the goals included in the enabling law. This approach has the advantage of identifying statewide goals for improving education, but providing local involvement in developing a local organizational structure to meet these goals.

This paper provides background information useful for a serious discussion of school district reorganization by public officials and interested citizens. First, the paper provides an historical perspective of school district organization by tracing the evolution of school districts beginning with the period Michigan was a territory. It also describes the existing statutory methods for altering school district boundaries. Finally, the paper describes the shift in pupil membership to the smaller membership districts over the period 1970-1990, a period during which the total state membership declined in excess of 525,000 pupils.

II. The Evolution of Michigan School Districts

Local public school district boundaries today have little relationship to the boundaries of other local units of government. Rarely is a school district coterminous with another local unit of government (e.g., township, village, city or county). Instead, school districts meander across several local units and routinely cross county lines. For example, the City of Warren has parts of six different school districts within the city.

A key decision that affected the organization of school districts historically was use of the township as the focal point for the organization of school districts. Each township was divided into several school districts; thus, there were significant numbers of districts with the establishment of the first districts. It also meant that in most areas school districts were not township-wide. Once this precedent was established, it became difficult to modify as Michigan became a strong local control state for all local units of government. This phenomenon was recognized when the Superintendent of Public Instruction observed in his annual report for 1877 that, "There is, in Michigan, a feeling prevailing to a greater degree than in most other states. That abhors centralization and resents outside interference." Apparently, There was no effort to develop a school district organization plan that provided an orderly and rational basis for organizing school districts. Another factor was that suburban cities often were incorporated after the organization of school districts. The result was situations similar to that in the City of Warren described above.

Although Michigan historically has had a large number of school districts, there has been a nucleus of comprehensive school districts going back to the latter part of the nineteenth century (see **Table 1**). The attributes of these districts have changed as the needs and expectations of society evolved. While the one-room school was common in the early days, there were also a number of graded school districts that employed teachers for each grade as contrasted with one teacher teaching all grades. The next change was the formation of union districts usually from two or more operating districts. The union district might include a high school but there was no requirement that a union district operate a high school. The distinctive feature of a union school district was that it was comprised of two or more graded schools. This change was followed by the creation of comprehensive high school districts that operated a K-12 program. The reports of the Superintendent of Public Instruction, from which the 1935 and 1940 comprehensive districts data were obtained, compiled information in a different manner from earlier and subsequent reports. Districts with six or more teachers were considered to be comprehensive districts. Undoubtedly, a number of districts providing less than a K-12 program were included in the listing of comprehensive districts. This liberal definition accounts for the 939 districts reported in 1935 and 1,305 districts in 1940, while in 1945 only 629 districts were operating a K-12 program. This reduction does not represent a consolidation of high school districts, but rather a change in definition of what constitutes a comprehensive district.

Table 1
Number of School Districts and Pupil Enrollment

<u>Year</u>	<u>Total Number of Districts</u>	<u>Comprehensive Districts</u>	<u>Pupil Enrollment</u>
1840	1,560	NA	NA
1850	3,097	NA	110,478
1860	4,087	94	193,107
1870	5,108	231	278,686
1880	6,352	389	362,196
1890	7,168	513	427,032
1895	7,159	623	476,684
1900	7,163	711	504,985
1905	7,267	579	521,463
1910	7,333	591	541,501
1912	7,362	613	555,137
1915	7,337	631	598,159
1920	7,273	691	663,948
1925	6,890	764	845,118
1930	6,822	824	970,582
1935	6,692	939	1,011,498
1940	6,386	1,305	1,101,912
1945	6,029	629	1,066,318
1950	4,918	572	1,043,566
1955	3,855	547	1,315,238
1960	2,149	582	1,624,262
1965	1,227	545	1,917,890
1970	638	527	2,164,386
1975	590	530	2,139,720
1980	575	529	1,910,385
1985	567	525	1,678,458
1990	562	524	1,639,021

Source: Michigan Manual 1989-90 for column 2. For columns 3 and 4, Superintendent of Public Instruction Reports thru 1960, Department of Education Bulletin 1011, Bulletin 1012 and Bulletin 1014 for other years, except Department of Education unpublished data for 1990.

In summary, there have been 500-800 comprehensive districts for the last 100 years, but the number of other districts has declined from 6,655 to 38. The dissolution of school districts, essentially, has involved districts with few pupils often operating one-room school houses. Today, there are 524 K-12 districts and 38 other districts.

A. Early Days 1827-1850*

Michigan's first public school law was passed on April 12, 1827, by the Legislative Council of the Michigan Territory. Passage of this law was a recognition that education was a public responsibility rather than an individual responsibility. This act began a practice of organizing school districts within a township, with township officials responsible for drawing district boundaries, and requiring any township with 50 or more families to provide a schoolmaster.

A more comprehensive act was passed in 1829 known as "An Act to Provide and Regulate Common Schools." The electors of each township were required to elect five persons to serve for three years as commissioners of common schools. They were responsible for laying out the boundaries of individual school districts within the township, and adjusting boundaries as necessary. Thus, school districts emerged as a unit of local government. After the districts were established, each district held a public meeting to elect three members to serve as directors of the school district for one-year terms. The directors became the forerunners of the modern school board.

The 1829 act also authorized fractional school districts. A fractional district contained land from two or more townships when a homogeneous community crossed township lines. At the present time, several primary fractional school districts continue to exist.

After statehood, the Legislature passed a Primary School Law in 1837. Each district elected a three-member board: they were moderator, assessor, and director. The moderator presided at all meetings, the assessor was responsible for tax collections, and the director had general management responsibilities. The township clerk was an ex-officio member of the board. At the end of 1838, the Superintendent of Public Instruction reported there were 1,020 school districts with 28,764 students.

In 1843, Public Act 50, a new primary school district act, was passed. A township board of inspectors was created to replace the commissioners of common schools and was made responsible for the establishment of school districts within a township. The membership was fixed at three, including the township clerk. No school district could be larger than nine sections (usually nine square miles). A significant feature of Act 50 was its authorization for any township in which a village or city was located to consolidate two or more districts. This provided the basis for the creation of union districts. Detroit became the first union district in 1843, but this consolidation was the result of a specific statute passed by the Legislature. As of 1850, there were at least seven other union districts.

The provisions of Act 50 were limited as it related to the creation of union districts. Thus, many areas turned to the Legislature seeking the passage of special acts creating individual school districts. Special acts were passed in 1848 creating the Mackinac Island and St. Clair school districts. Adrian, Jackson, and Ypsilanti followed in 1849. In total, there were 157 special act districts. The special acts for all but two, Ann Arbor and Petoskey, have been repealed.

* For a comprehensive discussion of this period see Education in the Wilderness by Floyd R. Dain.

By 1850, there were 3,097 public school districts for 110,478 children enrolled in public schools (see **Table 1**).

B. Middle Years 1851-1900

The number of school districts continued to grow during the 50-year period to 1900 from 3,097 districts to 7,163 districts or an increase of 131%. Membership grew 357% during the same period. There was concern expressed about the proliferation of school districts by the education community. The Superintendent of Public Instruction in 1870 indicated there was a tendency to divide the area into smaller districts, because of a desire by parents to be near the school house.

Public Act 161 of 1859 authorized the establishment of a graded high school district for any district with more than 200 children between ages four and 18. For such a district, the board of education was enlarged to six trustees when approved by two-thirds of the voters attending an annual meeting. Any two or more districts could unite to form a graded high school district. In this instance, there was a requirement for two-thirds voter approval in each district to establish the new district.

In 1873, a significant public policy was established by Public Act 119 that required the approval of a majority of the resident taxpayers before an existing district could be divided into two or more districts, or before two or more districts could be consolidated into a single district. This was the beginning of a policy that continues to exist today requiring voter approval for consolidation and annexation. Such a policy inhibits the rational development of a school district organization system to meet changing needs.

Public Act 164 of 1881 consolidated all laws relating to elementary-secondary education. The system for organizing school districts remained unchanged. For primary districts, there continued to be a township board of school inspectors responsible for dividing the township into school districts, none of which could be more than nine sections. Once established, no district could be divided into two or more districts or consolidated with one or more other districts without the approval of a majority of the voters. The inspectors could alter the boundaries of a district, short of division or consolidation, but had to give 10-day public notice before modifying boundaries.

There were also provisions for any district with 100 or more children between the ages of five and 20 to organize as a graded school district. This required a vote of two-thirds of the electorate. The board was composed of six trustees. Graded school districts were not limited to nine sections. Its boundaries could not be altered without the approval of the school board.

Beginning in the 1860s, educational leaders advocated school districts be coterminous with townships. The strongest advocates were found in the upper peninsula, and resulted in the passage of Public Act 176 of 1891 that applied only to the upper peninsula. This statute authorized township residents to petition the township board to become a single school district. The township board was required to act if a majority of the qualified electors petitioned the board. By 1900 all townships in the upper peninsula were organized as township school districts. Single townships or a combination of townships remains the predominant organizational pattern in the upper peninsula today. There also were 23 such districts in the lower peninsula, but in the absence of general statutory authorization the 23 districts were special act districts.

By 1900, there were 7,163 school districts with 505,000 children enrolled in public schools. The vast majority of school districts, 6,452, were non-graded, primary districts. The system for organizing school districts essentially was unchanged from that in effect in 1850. Thus, the number of districts continued to grow.

C. The Twentieth Century

1900 to 1964 At the beginning of the twentieth century, the Superintendent of Public Instruction expressed concern with the number of school districts and recommended consolidation. The superintendent reported there were 1,004 districts in 1900 with fewer than 15 pupils.

Public Act 117 of 1909 extended the authorization for township school districts to the lower peninsula. All cities organized as school districts and graded school districts were exempt from the act. A significant change in school district organization occurred in 1909. Public Act 31 of 1909 abolished the township board of inspectors and transferred its responsibilities relating to the establishment of districts to the township board. The township board could not divide an existing school district into two or more school districts without the consent of resident taxpayers, nor could the consolidation of two or more school districts occur without the approval of a majority of the voters in both districts. The establishment of school districts by the township board, as it related to primary school districts, continued until 1935 when Public Act 117 transferred this responsibility to the county board of education for counties with a population in excess of 250,000. Public Act 217 of 1949 extended this authority to all county boards of education, and it was retained until 1955 when this provision was repealed through the adoption of Act 269, the school code of 1955.

Michigan continued to increase the number of school districts reaching a peak of 7,362 districts in 1912. A slow attrition followed, but as late as 1945 Michigan had in excess of 6,000 school districts.

In 1917, the Legislature passed the rural agricultural school act. Public Act 226 of 1917 authorized the consolidation of three or more rural schools into a rural agricultural school district. A district formed under this statute was required to teach agriculture, manual training, and home economics. Today, a number of school districts retain the agricultural designation in their official name. Public Act 166 of 1917 began the classification system of school districts as we know it today with the establishment of third and fourth class school districts. Also in 1917, Public Act 141 provided for the organization of school districts in cities of more than 100,000 population but less than 250,000. Public Act 65 of 1919 provided authorization for school districts in cities with a population over 250,000.

Although there were a number of studies and recommendations relating to school district reorganization, most of the formal action taken made it more difficult to achieve reorganization. Public Act 35 of 1923 provided that when territory was annexed to a city with a population over 10,000 (third class school districts) comprising a single school district, the school board could annex the territory to the school district by resolution. Public Act 229 of 1952 changed this process by requiring an affirmative vote in the area annexed.

Public Act 319 of 1927, the school code, established and defined first, second, and third class school districts, that were continued in subsequent recodifications of the school code. Other organizational designations such as graded, township, and rural agricultural districts, found in the 1927 school code, have been subsumed in the existing classifications of primary, fourth class, third class, second class, and first class school districts.

In January 1944, the Michigan Public Education Study Commission made recommendations concerning the reorganization of school districts. The Commission recommended the repeal of the charters for special act districts. Districts with a population of more than 10,000 residents would have become districts of the third class and smaller districts would have been reconstituted as districts of the fourth class. It was the belief of the Commission that fourth class school districts should have a minimum enrollment of 360 pupils in grades 7-12. There was a recommendation for a nine-member reorganization committee for each county to develop reorganization plans. These plans would have been subject to review at public hearings and ultimately to approval by popular vote. The Legislature took no action concerning these recommendations. However, the recommendation for county reorganization committees did serve as a model for legislation passed 20 years later.

The Superintendent of Public Instruction's report for the period 1943-46 indicated the number of school districts was substantially the same as 75 years earlier. Of 5,631 school districts in 1946, only 542 operated a K-12 system.

Reorganization continued to be voluntary, but it continued to occur. The Superintendent of Public Instruction reported that 46 rural agricultural districts were formed between July 1, 1946, and June 30, 1948. A total of 453 primary districts were involved in those consolidations.

Public Act 269 of 1955, the school code, included a significant provision relating to districts that had not operated a school for two years. Such districts had to operate their own school, annex themselves to a neighboring district or be annexed to a neighboring district or districts by the county board of education. At that time, there were significant financial incentives for a district to remain a non-operating district. This annexation provision resulted in the reduction of non-operating districts from 533 on June 30, 1956, to 45 on June 30, 1958.

An interesting situation developed in 1961 when the Carver School District, a primary district in Oakland County, experienced financial problems. The district was not able to make tuition payments to the Oak Park School District. Public Act III of 1961, a supplemental appropriation act, included a \$90,000 appropriation to Oak Park for the delinquent tuition. The Carver district was reorganized under a provision in the school code that required the county board of education to attach to one or more contiguous districts any district that became disorganized. The district became disorganized because there were not enough residents qualified to be members of the local board who would accept such offices. The district was divided between the Oak Park and Ferndale school districts.

There was no further concerted effort at school district reorganization until 1964. In 1960, there were 2,149 school districts in Michigan, which was a significant reduction from the peak year of 1912. For the most part the districts that had been reorganized were one-room school districts.

The School District Reorganization Act of 1964 The most recent effort to effect school district reorganization was in 1964 with the adoption of Public Act 289. This statute provided for the gubernatorial appointment of a seven-member committee on reorganization of school districts. The law required each intermediate school district, 60 at the time, to submit a plan of organization that resulted in all areas being part of a K-12 school district. Thus, the overriding objective was to eliminate primary school districts. The statute required the state committee to prepare plans for any intermediate district whose plan was not approved by the state committee. Ten plans were developed at the state level because the intermediate districts' plans did not meet state reorganization principles.

The intermediate district had two options for voting. All school districts within an intermediate district whose boundaries were proposed to be changed could vote collectively, or each proposed school district could vote separately as a unit. If the latter procedure were chosen, there was the potential for some reorganizations being approved and some rejected. There were seven approved intermediate district plans that did not require a vote because all primary districts had become part of a K-12 district. Eight intermediate districts voted collectively, and seven of the reorganization plans were approved by the electorate. The balance of the intermediate districts, or 45, voted on an individual district basis. For this intermediate district group, 12 adopted all of the reorganization plans, seven adopted none, and 26 approved some reorganizations and rejected some reorganizations.

The final report on the activities of the reorganization committee by the Superintendent of Public Instruction in December 1968 indicated that the number of school districts decreased by more than 50%. In 1964, there were 1,438 local school districts of which 893 were primary districts, and on July 1, 1968, there were 676 school districts including 147 primary districts. Not all of the reorganization that occurred can be attributed to the activities carried out under Act 289. In some situations, Act 289 served as a catalyst for reorganization. However, it is clear that most of the change was in the elimination of primary school districts. Although 762 districts had been abolished between July 1, 1964, and June 30, 1968, the number of high school districts was reduced by 16 from 545 to 529. If all intermediate district plans had been approved by the electorate, all primary districts would have been reorganized and the number of K-12 districts would have been reduced to 457. Instead, there were 147 primary districts and 529 K-12 districts in existence on July 1, 1968.

Reorganization After Act 289 of 1964 In 1967, the Legislature demonstrated its reluctance to reorganize school districts without a vote of the people. A situation developed in Wayne County involving two primary school districts (Sumpter and Nankin Mills), in which neither district could find neighboring districts to take their high school students as tuition pupils. In order to guarantee a high school education to students living in the two districts, the Legislature passed Public Act 239 of 1967, which provided a procedure to attach portions of the districts to neighboring districts without a vote of the residents in any of the districts involved. To limit the use of Public Act 239, it applied only to Wayne County. Ironically, if the situation had occurred a few years later when school districts began to experience declining enrollment, there would have been no difficulty in finding school districts willing to take the high school pupils in order to obtain additional state aid based on these students.

It is clear that elected officials have been reluctant to reorganize school districts without a vote of the people. Once a consolidation or annexation has occurred there has been a reluctance to allow districts to deconsolidate. There is no permanent statutory authority for disbandment of a consolidated school district. However, in 1976, the Legislature adopted Act 275 which allowed for the disbandment of a consolidated school in limited situations. The consolidated district had to exist for at least eight years, neither could have incurred bonded indebtedness of its own nor assumed any bonded indebtedness of the original constituent districts, and voting as a unit the voters in the consolidated district had to approve the deconsolidation. This act was approved October 14, 1976, and expired on January 1, 1978. Thus, there was a window period of less than 15 months for any district that wanted to disband.

Act 275 was fashioned to deal with a reorganization that occurred in the late 1960's in Charlevoix County combining the Boyne City and East Jordan school districts into the Twin Valley School District. It was not a happy "marriage." The two communities were not able to function in a harmonious manner. Reluctantly, the Legislature concluded that it was best to allow the Twin Valley district to vote on disbandment, which the voters approved, and reconstituted the former Boyne City and East Jordan school districts. No other district voted under the provisions of Act 275 during the 15-month window period.

As of June 30, 1990, there were 562 local school districts in Michigan, of which 524 were high school districts. The task of placing all school age children in a K-12 school district has been largely completed, but 38 districts providing less than a K-12 program continue to exist. Many educators, other public officials, and private citizens believe consolidation of high school districts should now receive serious attention from public officials.

III. Modifying School District Boundaries

Public Act 451 of 1976, the current school code, classifies school districts into five classes, and a sixth is derived from the creation of special act districts by the Legislature. Except for primary districts, the principal criterion for the classification system is pupil membership. The classification system and number of districts as of June 30, 1990, are as follows:

1. Primary (19 districts) - can not operate a grade above the eighth grade.
2. Fourth class (404 districts) - 75 pupils to 2,399 pupils.
3. Third class (133 districts) - 2,400 pupils to 29,999 pupils.
4. Second class (3 districts) - 30,000 pupils to 119,999 pupils.
5. First class (1 district) 120,000 pupils and above.
6. Special act (2 districts) act passed by the Legislature.

It is possible for a district operating less than a K-12 program to be classified other than a primary district if the district meets the membership criterion. Currently, there are 19 such districts classified as fourth class school districts. Assuming a district meets the membership criterion of a higher class, the electorate may vote to move to a higher classification. But there is no re-

quirement that they vote to change classification. Once a district meets all the requirements of a classification there is no statutory basis for the district to move to a lower classification. The Lansing school district remains a second class school district even though its membership has declined to 23,000 pupils.

There are five existing statutory methods for modifying the boundaries of local school districts. They are:

1. Consolidation
2. Annexation
3. Annexation and transfer
4. Dissolution
5. Transfer of property

With one minor exception under annexation, the first three methods require voter approval before reorganization can occur. Dissolution can occur without a vote of the people but it has had limited application. Property transfer generally relates to small parcels of property. If large amounts of territory are involved, 10% or more of a district's property valuation, a vote of the electorate is required. Consolidation and annexation are the principal means of achieving any meaningful reorganization under the existing school code.

A. Consolidation

Consolidation is a process used to merge two or more existing districts into a new district. Districts of the first and second class are prohibited from becoming involved in consolidation. Any consolidated district formed will be a third or fourth class school district. A request for a consolidation election can be made by as few as 10 electors in each district or the local boards of education. The request is directed to the intermediate school district superintendent. The intermediate superintendent is required to forward the request to the State Board of Education for its approval or rejection. The State Board may approve the request or deny one or more districts from inclusion in the proposed consolidation vote. The action of the State Board is final.

Before an election can be held, petitions prepared by the intermediate school superintendent must be signed by 50% of the registered general electors in primary district and five percent in other districts calling an election. The question of establishing a consolidated school district is submitted to the voters at a special election. Each K-12 school district votes as a unit, but any primary school districts vote together as a unit. In order for the consolidation to occur, it must be approved by a majority of the school electors voting on the question in each unit. Thus, a negative vote in one unit would prevent the consolidation from becoming effective. There also is need for an operating millage question to be presented to the voters. If no such question is presented and the consolidation is approved, no extra voted millage would be available. The practice is to tie-bar the consolidation issue and the extra voted millage issue in order that a consolidation is not approved without an adequate revenue base. The electorate also may vote for mutual assumption of debt by the consolidated district. If not voted on and approved, the territory of each school district remains as a distinct area for purposes of levying taxes to retire the debt. If mutual assumption of debt is approved, the new district assumes the consolidated debt three years after the consolidation. Within 10 days of the official canvass of the consolidation

election, the intermediate school board is required to appoint members to the new board. The appointed members have seven days to file an acceptance of the office, and at this point the new district begins to function.

B. Annexation

The process of annexation occurs when one district attaches another district to itself. The annexed district ceases to exist, and the annexing district becomes a larger territory. There may be more than one district annexed at the same time, but each procedure is separate. Thus, one annexation could be approved and another rejected. The annexing district must, by board resolution, approve the annexation, and a majority of the school electors in the annexed district must approve the annexation. The proposed annexation also must be approved by the State Board of Education. The annexation is effective on the day of the annexation election unless there is a question relating to assumption of bonded indebtedness. In this situation, the effective date is the date of the official canvass of the vote. The annexing district may require the annexed district to approve the same operating levy in effect in the annexing district in order for the annexation to become effective.

If an annexing school district without bonded indebtedness proposes to annex a school district with bonded indebtedness, the annexing district may require its voters to approve the assumption of debt of the annexed district in order for the annexation to become effective. A school district with bonded indebtedness annexing a district without bonded indebtedness may require the annexed district to approve assumption of the indebtedness. If both districts have outstanding bonded indebtedness, the annexing district may require the assumption of debt by both districts in order for the annexation to occur. This action would have to be approved by voters in both districts. If there is no requirement imposed for assumption of debt, each district remains a separate geographic area for purposes of levying property taxes for debt retirement. As in consolidation, the mutual assumption of debt becomes effective three years after the effective date of annexation.

The annexation process also includes a procedure for annexing a non-operating school district to one or more contiguous districts. A non-operating district is a district that did not operate school within the district during the preceding two years. A non-operating district must either attach itself to one or more operating districts or reopen and operate its own school. If a district fails to comply with the statutory requirement, the intermediate school district board is required to hold a public hearing and then issue an order concerning the attachment of the non-operating district to one or more operating school districts. The intermediate board decision is appealable to the State Board of Education, but the State Board's order has the full effect of law. At the present time, there are no non-operating districts, but there is the potential for such districts in the future.

Another facet of annexation known as division of a district was added to the annexation section of the school code by Public Act 119 of 1962. An intermediate school board may divide a local district which has no bonded indebtedness and attach the parts to two or more operating school districts. The request for division must be by resolution of the school board of the district to be divided, or by petitions signed by not less than five percent of the registered school electors of the district proposed for division. The division must be approved by the State Board of Education, and by a majority vote of the school electors in the district to be divided.

C. Annexation and Transfer

Annexation and transfer occurs when a portion of a district is annexed to a district and the balance of the annexed district's territory is transferred to one or more districts. Thus, this process is a combination of annexation and property transfer. This is a new procedure and was established by Public Act 154 of 1984. Under the annexation process, there is no provision for dividing an annexed district with bonded indebtedness between two or more districts. This act was passed to facilitate a reorganization involving the Cherry Hill, Wayne-Westland, and Crestwood school districts in Wayne County. The proposal involved annexing a major portion of the Cherry Hill District to Wayne-Westland and transferring the balance of the district to Crestwood. The reorganization was approved, and is the only time this reorganization method has been used.

The annexing district must receive at least 50 percent of the assessed value of the district being divided. The receiving districts have to approve the reorganization by board resolution, and the district being divided has to obtain approval of the electorate. Effective January 1, 1986, a majority of the electorate in any district receiving 25% or more of the state equalized valuation of the district being divided also must approve the annexation or transfer. The Superintendent of Public Instruction is required to hold a public hearing concerning the division of the school district, and is required to issue an order approving or disapproving the proposed division of the district.

The resolution adopted by the annexing district and the district being divided must specify the effective date of the annexation and transfer. The annexation and transfer process differs from consolidation and annexation in that there is no provision for mutual assumption of debt. The identity of the district being divided must be retained as a separate unit for the purpose of levying debt retirement millage until any bonded indebtedness has been retired.

D. Dissolution

This process occurs when a school district loses its organizational identity and its territory is attached, in whole or in part, to other school districts. A district loses its organization when there are not enough persons in the district qualified to hold office or who will accept the offices. The intermediate school district attaches the territory to another district or districts. There is no vote of the electorate involved in dissolution. The disorganized district is subject to all property taxes approved by the electors of the district or districts to which it is attached. Any disorganized district with a bonded indebtedness must be attached in whole to another district. There is a provision for mutual assumption of debt after three years. Although dissolution is not restricted to primary districts, it generally is used with such districts rather than K-12 districts.

E. Reorganizations 1981-1990

From July 1, 1981, through June 30, 1990, there were 22 reorganization attempts involving the four methods described above (see **Table 2**). All included a vote of the people except one instance involving the dissolution of a primary district in Huron County. Of the 21 elections, including one consolidation involving the Morrice and Perry school districts in Shiawassee County that was voted on and defeated twice by the electorate, 10 were successful. Clearly, there was little reorganization during the 10-year period.

Table 2
Summary of Reorganizations, 1981-1990

	Annexation	Consolidation	Annexation and Transfer	Dissolution	Total
Approved	9	1	1	1	12
Failed	<u>2</u>	<u>8</u>	<u>0</u>	<u>0</u>	<u>10</u>
Total	11	9	1	1	22

Source: Department of Education unpublished data.

F. Transfer of Property

A property transfer is the detachment of a portion of territory from one district and attaching it to another. An intermediate school board may detach territory from one district and attach it to another if requested by resolution of the board of one of the affected school districts, or by two-thirds of the persons who own and reside on the land to be transferred. If the property to be detached is 10% or more of the assessed valuation of the district losing the property, the transfer must be approved by a majority of the voters in the district from which the territory is to be detached. Most property transfer requests involve less than 10% of assessed value. The decision of the intermediate school can be appealed to the State Board of Education by one or more resident owners of land included in the transfer request or the school board of the district whose territory is proposed for transfer. The action of the State Board is final.

Territory attached to another school district remains as part of the district from which detached for levying debt retirement taxes for bonded indebtedness until the bonds are retired. For up to three years, the owners of the transferred property may not be responsible for debt retirement tax levies in the new district unless the bonded indebtedness in the former district is retired. This three-year moratorium is dependent on a resolution of the school board to which the property is attached.

From May 1, 1986, through July 18 1990, the State Board of Education issued 163 property transfer decisions. During calendar year 1988, 52 decisions were rendered, the highest number for any calendar year. Of the 163 total, 101 or 62% were approved. None of the cases during the 50-month period exceeded the 10% assessed valuation criterion.

G. Other Reorganization Legislation

There have been seven situations, beginning with the Inkster School District in 1968, involving school districts with severe financial problems where reorganization was used as a possible sanction to encourage the school districts to solve their financial problems. The financial problems were addressed through an emergency loan from the state. In each instance, a special statute was passed authorizing the loan and appropriating the funds for the loan. There were a number of requirements imposed on the districts including the adoption of balanced budgets, the levying of a minimum number of operating mills, meeting the loan repayment schedule, and submitting monthly financial reports to the Department of Education. Any district failing to meet the statutory requirements was to be reorganized by the State Board of Education with one or more contiguous districts. Reorganization would have occurred without a vote of the people.

The seven districts met the requirements of the various statutes including loan repayment; therefore, no reorganizations were required.

H. Reorganization Incentives

One of the methods adopted to encourage voluntary reorganization is the provision of financial incentives to districts that reorganize. Although Michigan has included incentives in the state school aid act for a number of years, they have not had much impact on reorganization efforts.

The first such incentive since World War II was included in Public Act 188 of 1956. This provision guaranteed, under consolidation and annexation, that the new district's total membership aid would be no less than the sum of the amount received by the separate districts in the fiscal year prior to the formation of the new district. A qualifying district received the guarantee for two years. The current version of this guarantee provides a one-year guarantee, but the guarantee is the amount that would have been received in the first year of the reorganization if the reorganization had not occurred. Thus, it is a guarantee based on the current year rather than the prior year.

A second and more lucrative guarantee was added in the state aid amendments of 1984 through the adoption of Public Act 239, the 1984-85 state aid amendments. This provision provided additional per pupil allocations to a district holding a successful reorganization election. For each pupil in the receiving districts coming from the reorganized district, the receiving district realized a per pupil allocation of \$375 in the first year, \$250 in the second year, and \$125 in the third year. The 1990-91 state aid act per pupil allocations are \$850 in the first year, \$600 in the second year, and \$350 in the third year. This supplement is in addition to general membership aid.

In terms of a two billion dollar annual state aid distribution, the amounts paid out as reorganization incentives have not been large (see **Table 3**).

Table 3

State Aid Reorganization Payments

Year	Amount	Year	Amount
1983-84	\$ 951,353	1987-88	100,000
1984-85	1,336,625	1988-89	231,625
1985-86	1,328,000	1989-90	27,625
1986-87	674,875		

Source: Department of Education unpublished data.

The majority of the funds were allocated under the provisions of the state aid amendments added in 1984 by Act 239. For example, the Wayne-Westland School District received \$875,000 in 1984-85, \$583,000 in 1985-86, and \$292,000 in 1986-87 based on Act 239. Incentive allocations have been modest the past three years, because the last consolidation or annexation election approved by the electorate was on September 29, 1987.

IV. Rationale for School District Reorganization

One argument for school district consolidation is to establish a student base adequate to provide a comprehensive instructional program. Related to this issue is a belief that the geographic area of school districts will become too large if significant consolidation occurs. This concern fails to recognize that school district size and size of school building attendance areas are not the same. If significant reorganization were to occur, there is little reason to believe that many elementary schools would be affected. The reorganization of a primary district would not mean that any elementary school in the district would have to be closed. It is, however, recognized that there would be an effect on high school attendance areas. One significant benefit from reorganization is the opportunity to reduce administrative overhead by eliminating duplicate support services. There is honest disagreement concerning the minimum size district necessary for a comprehensive instructional program, but a review of the range of school districts by membership provides a basis for discussing the educational advantages of school district consolidation. **Table 4** provides this information for 1970, 1980, and 1990.

This review uses 2,500 students as a reference point, but no argument is made that a different student figure such as 3,000 or 2,000 is not equally appropriate. The 2,500 figure is used to highlight trends that would be similar with a different threshold figure. In 1970, there were 433 districts with fewer than 2,500 students with a total membership of 428,116. The average pupil membership was 989. The 433 districts represented 68% of the total number of districts but educated only 20% of the public students in the state. By 1980, the number of districts below 2,500 pupils dropped to 370 and the number of students declined to 418,866. With an average pupil size of 1,132 the 370 districts represented 64% of all districts and the 418,866 pupil; represented 22% of membership. It is worth noting that there was a reduction of 63 districts between 1970 and 1980 but the majority were primary school districts, which is reflected in the reduction of 62 districts in the classification with fewer than 500 students.

Table 4
Number of School Districts and Pupil Membership by Size of District

Pupil Membership Size	1969-70				1979-80				1989-90			
	Districts	%	Pupil Membership	%	Districts	%	Pupil Membership	%	Districts	%	Pupil Membership	%
50,000 and over	1	--	293,822	13.6	1	--	224,358	11.7	1	--	184,420	11.3
20,000 - 49,999	12	1.9	336,818	15.8	8	1.4	224,998	11.8	4	.7	107,835	6.6
10,000 - 19,999	20	3.1	289,110	13.4	19	3.3	250,110	13.1	17	3.0	223,682	13.8
5,000 - 9,999	81	9.6	423,629	19.6	53	9.2	361,049	18.9	44	7.8	298,528	18.2
4,500 - 4,999	15	2.4	71,554	3.3	14	2.4	88,929	3.5	18	3.2	84,591	5.2
4,000 - 4,499	17	2.7	71,858	3.3	16	2.8	88,148	3.6	9	1.6	37,897	2.3
3,500 - 3,999	18	2.8	67,065	3.1	22	3.8	81,804	4.3	18	3.2	87,444	4.1
3,000 - 3,499	27	4.2	89,485	4.1	37	6.4	119,126	6.2	26	4.8	84,317	5.1
2,500 - 2,999	34	5.3	92,929	4.3	35	8.1	94,997	5.0	41	7.3	111,754	8.8
2,000 - 2,499	55	8.6	122,100	5.6	52	9.0	115,613	8.1	53	9.4	119,447	7.3
1,500 - 1,999	72	11.3	127,082	5.9	74	12.9	128,658	8.7	78	13.5	132,478	8.1
1,000 - 1,499	82	12.9	101,823	4.7	80	13.9	98,381	5.1	83	14.8	102,348	6.2
500 - 999	79	12.4	57,347	2.6	81	14.1	61,232	3.2	89	15.8	87,056	4.1
Below 500	145	22.7	19,964	.9	83	14.4	15,002	.8	83	14.8	17,424	1.1
Total	638		2,184,386		575		1,910,385		582		1,839,021	

Source: Department of Education [Bulletin 1011](#), except 1990 is Department of Education unpublished data.

By 1990, there were 384 districts with fewer than 2,500 pupils with a total student population of 438,753. The 384 districts represented 68% of all districts and the membership for those districts was 27% of total membership. The average membership was 1,143.

Michigan reached a peak public school membership of 2,212,505 in 1971-72 and has declined since that year. Over the 21-year period presented in **Table 4**, there was a membership decline of 525,365. There was a reduction of 76 districts, but with a handful of exceptions they were primary school districts. The trend over the 21-year period was for districts to move down the enrollment classification scale in **Table 4**. For example, in 1970 there were 12 districts with a membership between 20,000 and 49,999. By 1990, there were only four districts in this classification with the other eight having moved to a lower membership classification. This same phenomenon occurred throughout the other classifications. Districts in the medium classifications settled into the bottom classifications and those in the bottom classifications stayed there. Thus, more of the membership, in absolute numbers and percent of total membership, is found in districts below 2,500 membership (438,753 pupils in 1990 as compared with 428,116 in 1970, and 27% of the membership in 1990, and 20% in 1970).

The concern with the number of school districts with limited memberships is not confined to rural areas. Based on 1989-90 data, there were 14 counties each with a total membership in excess of 25,000 pupils (see **Table 5**). For purposes of this analysis the 25,000 pupil figure is used as a criterion to distinguish urban counties from non-urban counties. The 14 counties contain

216 school districts, 92 of which or 43% have memberships below 2,500 pupils. There are 18 urban county districts with a membership of fewer than 1,000 pupils, including two districts that provide less than a K-12 program. Wayne County has 28 school districts, 10 of which had fewer than 2,500 pupils.

Table 5

**Number of School Districts by Pupil Membership in
Urban Counties*, 1989-90**

County	Pupil Membership Size			Districts Subtotal	Districts 2,500 membership and over	Total Districts
	1-999	1000-1999	2000-2499			
Berrien	6	5	2	13	3	15
Calhoun	3	3	2	8	3	11
Genesee	1	7	1	9	12	21
Ingham	2	3	1	6	6	12
Kalamazoo	2	1	3	6	3	9
Kent	0	4	3	7	12	19
Macomb	0	3	1	4	17	21
Muskegon	1	5	0	6	6	12
Oakland	0	2	1	3	25	28
Ottawa	0	2	0	2	7	9
Saginaw	a	9	0	9	4	13
St. Clair	1	2	1	4	3	7
Washtenaw	1	2	2	5	5	10
Wayne	1	4	5	10	18	28
Total Districts Urban Counties	15	52	22	92	124	216
Total Districts Non-Urban Counties	154	107	31	292	54	346
Total Districts	172	159	53	384	178	562

Source: Department of Education 1990 unpublished data; CRC calculations.

*Counties with a membership in excess of 25,000 pupils.

If there is a valid educational argument for a minimum- or optimum-size school district, it appears that state policymakers should review the membership shift to small school districts. Based on the history of school district organization in Michigan, there is little reason to be optimistic that there will be any significant voluntary reorganization of school districts even though comprehensive educational programs are difficult to provide in small districts. This concern becomes more acute as a technically educated and trained workforce becomes a prerequisite for an industrial- and scientific-based economy.

Another reason for serious review of reorganization is the salutary effect it could have on the per pupil revenue disparity that currently exists. This has been a serious public education concern for over 20 years. In 1989-90, the K12 district with the highest state equalized valuation (SEV)

per pupil raised \$978 per pupil for each property tax mill levied in the district. The K-12 district with the lowest SEV per pupil raised \$22 per pupil for each mill levied, which was increased to about \$93 through the state aid membership formula. The most far-reaching reorganization proposal would be to establish one local school district for each intermediate school district. Thus, there would be 57 local districts. Parenthetically, it would appear that there would be no need to retain intermediate school districts.

Based on Department of Education 1989-90 data, the SEV per pupil difference would be reduced significantly if the state established local districts based on existing intermediate school district boundaries. The highest SEV per pupil district would raise approximately \$135 per pupil for each property tax mill levied and the lowest district about \$44. The equalization occurring through the state aid membership formula would almost eliminate the per pupil disparity that exists because of property tax wealth. It would not affect per pupil disparities that exist because of different millage rates. It would, of course, be possible to design a reorganization short of reducing the existing 562 districts to 57 districts and still reduce per pupil disparity.