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

<table>
<thead>
<tr>
<th>Student Body Size</th>
<th>Number of Districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-500 Students</td>
<td>86</td>
</tr>
<tr>
<td>501-1,000 Students</td>
<td>90</td>
</tr>
<tr>
<td>1,001-2,500 Students</td>
<td>192</td>
</tr>
<tr>
<td>2,501-5,000 Students</td>
<td>111</td>
</tr>
<tr>
<td>5,001-10,000 Students</td>
<td>49</td>
</tr>
<tr>
<td>Over 10,000 Students</td>
<td>23</td>
</tr>
</tbody>
</table>

Total Number of Students Served by Various Size School Districts

<table>
<thead>
<tr>
<th>Student Body Size</th>
<th>Total Number of Students Served</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-500 Students</td>
<td>18,190</td>
</tr>
<tr>
<td>501-1,000 Students</td>
<td>68,922</td>
</tr>
<tr>
<td>1,001-2,500 Students</td>
<td>313,076</td>
</tr>
<tr>
<td>2,501-5,000 Students</td>
<td>379,038</td>
</tr>
<tr>
<td>5,001-10,000 Students</td>
<td>333,149</td>
</tr>
<tr>
<td>Over 10,000 Students</td>
<td>425,137</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>School</th>
<th>Year 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homer Community School District</td>
<td>-220.5</td>
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<tr>
<td>Springport Public Schools</td>
<td>-218.0</td>
</tr>
<tr>
<td>Mar Lee School District</td>
<td>-144.0</td>
</tr>
<tr>
<td>Concord Community Schools</td>
<td>31.0</td>
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<tr>
<td>Olivet Community Schools</td>
<td>-48.0</td>
</tr>
<tr>
<td>Western School District</td>
<td>-59.5</td>
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<tr>
<td>Tekonsha Community Schools</td>
<td></td>
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<tr>
<td>Harper Creek Community Schools</td>
<td></td>
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<tr>
<td>Battle Creek Public Schools</td>
<td></td>
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<tr>
<td>Pennfield Schools</td>
<td></td>
</tr>
<tr>
<td>Lakeview School District (Calhoun)</td>
<td></td>
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<tr>
<td>Bellevue Community Schools</td>
<td></td>
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<tr>
<td>Coldwater Community Schools</td>
<td></td>
</tr>
</tbody>
</table>

Residency Status
Multiple values

Direction
Incoming
Outgoing
Ypsilanti Community Schools

2018 Student Migration Analysis

School
- Ann Arbor Public Schools: -895.9
- Lincoln Consolidated School District: -284.7
- Van Buren Public Schools: 90.3
- Plymouth-Canton Community Schools: 92.0
- Milan Area Schools
- Saline Area Schools
- Wayne-Westland Community School District
- Dexter Community School District
- Oxford Community Schools
- Whitmore Lake Public School District
- Britton Deerfield Schools

Residency Status
- Multiple values

Year
- 2018

Direction
- All

Direction
- Incoming
- Outgoing

Munetrix
## 2018 Student Migration Analysis

<table>
<thead>
<tr>
<th>School</th>
<th>Year 2018</th>
<th>Residency Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tecumseh Public Schools</td>
<td>-40.0</td>
<td>Multiple values</td>
</tr>
<tr>
<td>Blissfield Community Schools</td>
<td>-61.0</td>
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<tr>
<td>Summerfield Schools</td>
<td>-39.0</td>
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<tr>
<td>Dundee Community Schools</td>
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</tr>
<tr>
<td>Clinton Community Schools</td>
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<td></td>
</tr>
<tr>
<td>Adrian School District</td>
<td>19.0</td>
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<tr>
<td>Milan Area Schools</td>
<td></td>
<td></td>
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<tr>
<td>Saline Area Schools</td>
<td></td>
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<tr>
<td>Whiteford Agricultural School District of th.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Madison School District (Lenawee)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ypsilanti Community Schools</td>
<td>4.0</td>
<td></td>
</tr>
</tbody>
</table>

### Direction
- **Incoming**
- **Outgoing**
Ferndale Public School

2018 Student Migration Analysis

Year 2018

Direction All

Direction

- Incoming
- Outgoing

School
- Oak Park School District
- Detroit Public Schools Community District
- Berkley School District
- Royal Oak Schools
- Hazel Park School District
- Southfield Public School District
- Highland Park City Schools
- Lamphere Public Schools
- Madison District Public Schools
- Clawson Public Schools
- Pontiac City School District
- Redford Union Schools
- Troy School District
- Farmington Public School District

Residency Status
- Multiple values

Year
- 2018

Direction
- All

Direction
- Incoming
- Outgoing

Oak Park School District

Detroit Public Schools Community District

Berkley School District

Royal Oak Schools

Hazel Park School District

Southfield Public School District

Highland Park City Schools

Lamphere Public Schools

Madison District Public Schools

Clawson Public Schools

Pontiac City School District

Redford Union Schools

Troy School District

Farmington Public School District

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Avondale School District

2018 Student Migration Analysis

School
- Pontiac City School District
- Troy School District
- Rochester Community School District
- Waterford School District
- Madison District Public Schools
- Lake Orion Community Schools
- Oxford Community Schools
- Royal Oak Schools
- West Bloomfield School District
- Birmingham Public Schools
- Clarkston Community School District
- Hazel Park School District

Residency Status
Multiple values

Year
2018

Direction
All

Direction
- Green: Incoming
- Red: Outgoing

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Wyoming Public Schools

2018 Student Migration Analysis

<table>
<thead>
<tr>
<th>School</th>
<th>Student Count (FTE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jenison Public Schools</td>
<td>-132.0</td>
</tr>
<tr>
<td>Grand Rapids Public Schools</td>
<td>-85.0</td>
</tr>
<tr>
<td>Hudsonville Public School District</td>
<td>-23.0</td>
</tr>
<tr>
<td>East Grand Rapids Public Schools</td>
<td>-9.0</td>
</tr>
<tr>
<td>Wayland Union Schools</td>
<td></td>
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<tr>
<td>Grandville Public Schools</td>
<td></td>
</tr>
<tr>
<td>Coopersville Area Public School District</td>
<td></td>
</tr>
<tr>
<td>Lakeview Community Schools (Montcalm)</td>
<td></td>
</tr>
<tr>
<td>Zeeland Public Schools</td>
<td></td>
</tr>
<tr>
<td>Wyoming Public Schools</td>
<td></td>
</tr>
</tbody>
</table>

Residency Status
Multiple values

Year
2018

Direction
All

Direction
Incoming
Outgoing

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