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STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING



MICHAEL P. FLANAGAN
SUPERINTENDENT OF
PUBLIC INSTRUCTION

November 12, 2009

TO: Local Superintendents and Public School Academy Directors

FROM: Mike Flanagan, Superintendent of Public Instruction *mlf*

SUBJECT: Michigan Department of Education Guidelines for Service Consolidation Plans

The Michigan Department of Education (MDE) Guidelines for Service Consolidation Plans (SCPs) have been developed in accordance with the State School Aid Act (MCL 388.1611D). They were also developed in partnership with key education stakeholder groups. My intent was to get these Guidelines out to you well before the legislative 60-day deadline of December 18 to give you maximum planning time. The Guidelines are attached.

While participation in service consolidation planning is voluntary, the intent of these Guidelines is to encourage all districts to reduce school operating costs by consolidating services. The Guidelines promote a collaborative planning process; provide helpful tools to assist districts in this process, including a checklist and examples of allowable cost-sharing arrangements; and require involvement of key stakeholders. They follow the law, reinforce flexibility, give districts credit for what they have already done, and challenge districts to explore doing more.

The Guidelines must be followed when a district wants to ensure maximum flexibility by applying the \$165 per pupil reduction to an allowable funding source under the State School Aid Act other than Section 22B. A signed Agreement with me pledging, through a local board of education resolution, that the district will develop a Service Consolidation Plan (SCP) is all that is required.

Although the law requires that Agreements must be signed no later than February 1, 2010, I am personally challenging each and every one of you to sign an Agreement as soon as possible to assure maximum flexibility in using

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608 WEST ALLEGAN STREET • P.O. BOX 30008 • LANSING, MICHIGAN 48909
www.michigan.gov/mde • (517) 373-3324

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your funds. We have not created a new bureaucracy for this process; it is simple and places the burden of accountability on the district. It is an Agreement built on trust.

We are in an unprecedented time in Michigan's economy – a fiscal crisis with a new permanent reality. At the State Board of Education meeting on October 26, 2009, Lou Glazer from Michigan Future, Inc. stressed that Michigan has gone from being one of the top 10 states to 34th in Four-Year Degree Attainment using 2008 data. Per capita income has gone from 16th to 33rd. If nothing is done, Michigan will end the decade as one of the 10 poorest states in the country. This sense of urgency cannot be ignored; the time to plan is now. Please embrace this opportunity.

Attachment

cc: Education Alliance
ISD Superintendents

MICHIGAN DEPARTMENT OF EDUCATION GUIDELINES FOR SERVICE CONSOLIDATION PLANS

STATUTORY REQUIREMENT

Section 11D of the State School Aid Act (MCL 388.1611D) states:

(1) For 2009-2010 only, the Department shall deduct an amount equal to \$165.00 per membership pupil from the total state school aid otherwise allocated under this Act to each district, except for money allocated under Sections 11G, 22A, 31D, 51A(12), 51C, and 53A. If a district complies with Subsection (2), a district may choose to apply this reduction to funding the district receives under any provision of this Act, other than Sections 11G, 22A, 31D, 51A(12), and 53A, even if the reduction chosen by the district results in a program being reduced or discontinued. If a district does not comply with subsection (2), the district shall apply this reduction to available funding under Section 22B first, up to the total amount of the reduction, before reducing other funding the district receives under this Act, other than Sections 11G, 22A, 31D, 51A(12), 51C, and 53A.

(2) Not later than February 1, 2010, a district shall enter into an Agreement with the Department to develop a Service Consolidation Plan to reduce school operating costs that is in compliance with Department guidelines. The Department guidelines may identify, but are not limited to, allowable cost-sharing arrangements for the provision of business services and instructional services and the creation of joint operating agreements between districts and intermediate districts. The Department shall establish guidelines for Service Consolidation Plans under this subsection not later than 60 days after the effective date of this section.

OVERVIEW

The intent of the Michigan Department of Education (MDE) Guidelines for Service Consolidation Plans (SCP) is to encourage districts to reduce school operating costs by considering the consolidation of services. The Guidelines promote flexibility and collaboration as determined by local needs and desired outcomes; and they assist districts in the planning process.

For those districts that want to ensure maximum flexibility and choose to apply the \$165 per membership pupil reduction in funding to an allocable funding source under the State School Aid Act other than Section 22B, an Agreement to develop a Service Consolidation Plan (SCP) to reduce school operating costs must be entered into with the Michigan Department of Education (MDE) on or before February 1, 2010. (See Attachment A)

(NOTE: Section 11D (1) stipulates that districts may choose not to enter into an Agreement with MDE, in which case districts lose flexibility in

sourcing their funding reduction until after Section 22B funds are exhausted. The language in no way mandates that a district enter into an Agreement to develop a SCP, regardless of a district's 22B funding.)

For those districts that develop a SCP and move to implementation, a Joint Operating Agreement with service consolidation partners should be developed as appropriate and necessary.

GUIDELINES

A participating district is required to:

- 1) engage stakeholders, including local school board members, administrators (at both the central and building levels); district employees (teachers, bus drivers, custodians, food service workers, etc.), union representatives, parents and community leaders; along with local school board members, administrators, and employees from other local and intermediate districts and public school academies (PSAs); and other local units of government including public libraries, etc. as appropriate;
- 2) assess and analyze the district's current instructional and business services; review prior consolidation of services implemented by the district to assure that school operating costs have been reduced;
- 3) based on data gathered in Guideline 2, identify business services or instructional services (if any) that will be considered for consolidation in which the consolidation will produce economies of scale, will be efficient and effective, and will ensure that all students impacted by the consolidation of services have equitable access to quality services;
- 4) use a checklist (Example 1) or another agreed upon planning tool to identify service consolidation efforts currently in place, consolidation efforts that may be expanded, additional consolidation efforts that will be considered for implementation in the future, and consolidation efforts that have been considered but determined to not be feasible or cost-effective at this time;
- 5) consider the Examples of Allowable Cost-Sharing Arrangements on the following pages in the planning process; and
- 6) include in the planning process consideration of other cost saving or efficiency generating non-consolidation activities (e.g. service cooperatives, etc.) and any reasons for non-consolidation (e.g. additional cost, contractual impediments, negative impact on instruction or service delivery, etc.).

DECISION MAKING PROCESS EXAMPLE

When using the checklist provided in Example 1 or another agreed upon planning tool, districts may consider using the decision making process outlined below, or a similar process that will provide the necessary data on which to base consolidation of services decisions.

Review data on consolidated services for the past 5 years to get a sense of the savings projected on an annual basis at the time of consolidation, the savings actually realized on an annual basis as a result of the consolidation, and the source of the savings.

Review services being considered for consolidation by projecting the savings from consolidation, the sources of the savings, any additional costs that could arise from consolidating services, and the source of the additional costs that may impact the projected savings.

Determine the process that will be used to track or measure actual savings when consolidation is implemented.

Example 1. (The following functional categories are taken from the *Michigan Public School Accounting Manual*. All Michigan public school districts are required to follow the common chart of accounts with standard definitions for the various functions and services they provide. Local school boards adopt budgets that at a minimum include these categories.) Definitions of the Function/Service are provided below.

Function/Service	Consolidation Fully Implemented	Consolidation Partially Implemented	Consolidation May be Expanded	Plan to Consolidate in the Future	Consolidation Considered but not Feasible or Cost Effective
1xx Instruction					
21x Pupil Support					
22x Inst. Staff Support					
23x General Adm.					
24x School Adm.					
25x Business Services					
26x Operation & Maintenance					
27x Transportation					
28x Other Central Adm.					
29x Food Services and Athletics					

DEFINITIONS OF FUNCTION/SERVICE AND EXAMPLES OF ALLOWABLE COST-SHARING ARRANGEMENTS

Instruction includes activities dealing directly with the teaching of students in the classroom or in a classroom situation. This function includes teachers and classroom aides. **Examples of allowable cost-sharing arrangements** could include, but would not be limited to, GenNet, International Baccalaureate, or career technical programs that involve pupils and teachers from multiple districts.

Pupil support services include, but are not limited to, speech therapists, guidance counselors, school nurses, and social workers. **Examples of allowable cost-sharing arrangements** could include, but would not be limited to, one or more districts providing a pupil service function(s) to another for an agreed upon fee.

Instructional staff support services include, but are not limited to, curriculum specialists, teacher professional development, instructional technology and media services. **Examples of allowable cost-sharing arrangements** could include, but would not be limited to, districts agreeing to develop a common curriculum, or common professional development opportunities for teachers.

General administration includes activities of the local school board and superintendent's office, lobbying, legal and audit services. **Examples of allowable cost-sharing arrangements** could include, but would not be limited to, utilizing shared legal counsel to develop common policies related to school operations.

Business administration includes budgeting, purchasing, payroll, financial accounting, and inventory control. **Examples of allowable cost-sharing arrangements** could include, but would not be limited to, paying another district to provide financial accounting and payroll services.

Operations and Maintenance includes those activities concerned with keeping the physical plant open, comfortable, and safe for use. Custodians, utilities, and routine maintenance of facilities would be included here. **Examples of allowable cost-sharing arrangements** could include, but would not be limited to, entering into energy conservation consortium with another governmental entity.

Pupil Transportation includes activities concerned with transporting pupils to and from school and school activities. **Examples of allowable cost-sharing arrangements** could include, but would not be limited to, the provision of bus maintenance or transporting pupils across district boundaries shared by two or more districts or another local unit of government.

Other Central Administration includes communication, staff/personnel (human resources) services, non instructional technology services (District-wide Computer Services), and pupil accounting. **Examples of allowable cost-sharing arrangements** could include, but would not be limited to, utilizing the data services of another district for a fee instead of maintaining separate systems; or utilizing a common source for temporary employee services, recruiting and screening new hires.

Food Service and Athletics includes those interscholastic athletic and food service programs administered by the school district. **Examples of allowable cost-sharing arrangements** could include, but would not be limited to, sharing food service directors and employees, or teams and coaches across school districts.

Questions related to these Guidelines should be directed to Glenda Rader at raderg@michigan.gov or by phone at (517) 335-0524. Signed Agreements and local board of education resolutions can be submitted electronically to Ms. Rader at the e-mail address above.

