



## **District Restructuring Q&A**

**April 13, 2016**

### **How are Michigan's public schools funded?**

Proposition A, passed by state voters in 1994, reduced people's property taxes but changed the way public school districts are funded. Rather than individual communities paying taxes to almost entirely fund their schools, much of this funding is now managed by the State of Michigan. The state collects tax dollars and the Department of Education uses a complex formula to determine each district's full-time equivalent (FTE) per-pupil funding allowance. There is a minimum amount, but some districts receive more, based on a number of factors. This figure tends to be adjusted each year. Under this approach, the funding a school district receives for its operating budget is directly correlated to the number of students enrolled.

### **What is driving the need for Lake Orion Community Schools to restructure?**

During the 2012 school year, the State of Michigan cut our per-pupil funding by an unprecedented \$471 per student. While public school districts have received a small amount of it back, our current funding is well below what we received per pupil in 2007 while the costs to operate the district continue to rise. We do not expect the state to adjust its school-aid funding formula anytime soon. In addition, Lake Orion, like most districts across the state, has seen student enrollment decrease annually over the past several years. This is due primarily to the fact that families are smaller with less school-age children. Our graduating classes are significantly larger than our kindergarten classes. Enrollment projections indicate this will not change in the foreseeable future. These factors have led to the district to project it will operate with long-term deficits if changes are not made. In order to balance the budget, remain financially viable and among the best districts in the state, we need to adjust the district's footprint. We have to shrink.

**What factors led to the current budget deficit?**

Enrollment projections from early last summer and the number of students actually in class last fall were off, resulting in 80 less students than originally planned and budgeted for. More families and students left the district than expected. Even more impactful has been the trend of kindergarten enrollment shrinking because families are smaller. Fewer students means less funding from the state. Combine this with higher than expected healthcare costs and retirement program payments required by the State of Michigan, plus the need to maintain staffing in certain buildings to avoid split-grade classrooms, and the district is faced with projected deficit of \$1.9 million for the current school year. Next year's deficit is expected to approach \$3.9 million before planned changes are made.

**Why does the district have to have a balanced budget every year?**

State law dictates every district has to have a balanced budget by the end of the school year. If a district does not have a balanced budget, then it is placed on a "watch list". If a district does not take adequate steps to eliminate the deficit effectively, it could eventually be subject to a state-appointed emergency manager taking control.

**What steps has the district taken to reduce the deficit?**

The School Board has agreed to make some initial cuts to help close the \$1.9 million deficit for this school year, but the district will still have to use money in its fund equity account to balance the budget. Unfortunately, we have had to tap into the fund equity account in previous years, reducing it well below our auditor's recommendations of 10 percent of our operating budget. This is not sustainable. In addition to short-term budget cuts, the district also is evaluating the benefits of restructuring to improve its operational efficiency.

**There are new neighborhoods being built around Orion Township – won't these positively impact our enrollment numbers and state funding in the future?**

It is true new homes are being built in the Township and existing neighborhoods are seeing an increase in homes being sold, many to families with school-age children. But we cannot assume all of these students will be attending public schools or when they may enroll. Using projected enrollment data, we see student numbers continuing to decline in the short-term before leveling off in about five years, necessitating the restructuring of the district now.

**Can't the school district balance its budget by simply making more staff and program reductions?**

Over the past decade, Lake Orion Community Schools has reduced and/or eliminated more than \$26 million in costs from its annual budget. Every person and department within the school district has been affected, with as minimal impact on classroom instruction and our award-winning curriculum programs as possible. The staff reductions have included administrative, instructional and support personnel. We currently employ nearly 1,000 people in 14 buildings across the district with 7,600+ students. Base pay freezes have been in effect for a number of years and all employees, both those represented by a union and those classified as at-will positions, are now contributing more to the district's healthcare and retirement programs than ever before. At this point, the district has little choice but to make significant changes to its infrastructure and footprint to become more efficient.

**Why did the school district decide to not pursue the privatization of transportation services?**

After a thorough review and multiple follow-up clarification meetings focusing on the three proposals submitted by private transportation companies, the district concluded it would not realize the anticipated operational cost savings from outsourcing the function at this time. Additional considerations weighing into the decision process were the transportation services department's willingness to discuss further ways to help address the district's budget issues and how student transportation needs may indeed change upon completion of the planning redistricting and operational restructuring. The decision to suspend privatization now does not preclude us from pursuing such a move in the future.

**When was the long-term planning committee established? How were these people chosen?**

The school district formed the long-range planning committee late last spring to evaluate, discuss and present a number of ideas for addressing our projected short- and long-term deficit issues. It is made up of 40 people, representing various demographic groups in Orion Township and all considered stakeholders in our school district. Most were selected to participate through an invitation from the district. The committee met several times over the summer and fall, plus work groups met individually. Their ideas were presented to the School Board in December.

**What is the Board of Education doing with the ideas generated from the long-term planning committee?**

The district's administrative team and School Board are taking the ideas from the long-range planning committee into consideration when developing actions for addressing both the short- and long-term budget deficits, including the potential restructuring of the school district.

**What is the difference between the Phase 1 and Phase 2 reductions referred to during the past several School Board meetings?**

The school district originally presented a number of Phase 1 reductions, primarily to staff positions, that could have been implemented mid-year or at the end of the current school year to help reduce the projected \$1.9 million deficit. The School Board decided it made most sense to delay making these cuts until June. The Phase 2 reductions are more long-term in nature and designed to change the structure and footprint of the district to make operations more efficient. The current plan is for Phase 2 changes to be implemented for the start of the 2017-2018 school year.

**How were the Phase 1 reductions determined? Have these been finalized?**

The Phase 1 reductions, primarily involving staff positions, were identified to minimize the impact on classroom instruction as much as possible. They were all tough choices, made with careful consideration by district administrators and approved by the School Board.

**Why is the district considering the closure of one or more schools as part of the restructuring?**

Our district's resident enrollment numbers are expected to continue to decline, primarily because families are smaller today with less school-age children. Today, we have 660 less resident students than in 2007, when our district's enrollment peaked. There are some classrooms that have a noticeable number of empty seats. Some of our elementary schools are significantly below capacity, in large part because families send children in the area to the district's focus schools. Given our budget challenges and the need to become even more operationally efficient, the long-range planning committee, district and School Board agree we have little choice but to seriously consider closing one or more elementary schools. Closing one building could save the district up to \$500,000 annually.

**What criteria are being considered when identifying which school(s) should be closed?**

We have hired the Plante Moran consulting firm to conduct a study of our buildings to determine which building(s) should be considered for closure. Plante Moran has considerable experience in such work and can make recommendations in an objective, unbiased manner. We will share the general criteria it uses when making such recommendations as soon as possible. Plante Moran is launching this work on our behalf very soon. It will take 2-3 months to complete the study. Rather than speculate on which building(s) may close and risk spreading misinformation throughout the community, we strongly recommend people wait for the study results.

**Why is the district considering the elimination of the Focus School concept?**

Lake Orion's two primary focus schools – Stadium Drive Elementary and Orion Oaks Elementary - have been successful, but our remaining neighborhood elementary schools are not optimally located to support the current population centers across the school district. As a result, our youngest students are not spread evenly throughout the district's elementary buildings. Lake Orion's focus school options have contributed to this dilemma. Given the enrollment decline, the School Board has decided to pursue the possibility of closing one or more of the seven elementary schools and then adjusting the boundaries of the others to equitably distribute students in the district. In order to accomplish this fairly and most efficiently, all of the elementary buildings with the exception of Carpenter would be treated as neighborhood schools. By doing so, building populations could be optimized, plus the district would be able to realize budget savings by closing a building, adjusting staff as needed and reducing transportation costs.

**Why is Carpenter Elementary not being treated as a focus school?**

The balanced-calendar concept provides a unique service to families, much different than a fine arts focus or multi-age learning. It should be noted, however, depending on how the district restructuring proceeds the balanced-calendar school could move to another building within the district if it makes most sense.

**How much money would Lake Orion save if the focus school concept is eliminated?**

It is anticipated that the district would save at least \$500,000 annually in transportation and staffing costs if the focus school concept were eliminated. This figure would be verified before any final decisions regarding the focus schools are made.

**What are the benefits of changing the boundaries of our elementary and middle schools?**

Changing the boundaries of our schools will help spread the 3,500 elementary students evenly throughout the district and improve the efficiency of our operations. It also makes sense to evaluate the boundaries of the three middle schools at the same time to assure these students also are equitably dispersed amongst our three buildings.

**Why is the school district considering the elimination of middle school teaming and/or block scheduling at Lake Orion High School as part of the restructuring?**

Middle school teaming and the high school's block scheduling both provide proven benefits to students, but it does take more instructional staff and resources to offer them. District administrators and the School Board have an obligation to evaluate these programs to make sure the benefits continue to justify the costs, or they could be eliminated.

**What is the timeframe for making these significant changes to the Lake Orion school district?**

Phase 1 budget reductions will go into effect at the end of this school year. We want to make Phase 2 restructuring decisions, including the possible closure of one or more schools, the potential elimination of focus schools and changing the boundaries of schools, by this fall. They would not go into effect until the start of the 2017-18 school year.