

POLICY BRIEF

Michigan Association of School Administrators
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Issue: Senate Bills 951, 952, 953, 954, 957 & 958

Position: Opposed

Senate Bills 951, 952, 953, 954, 955, 957 & 958 amend various statutes to prescribe measures for financially stressed districts. This legislation casts too wide of a net, requires limitless reporting requirements, circumvents the emergency manager process and includes too many unfunded mandates. A recent Treasury document reviewing 2 of the proposed 19 financial triggers indicates that 254 schools would be captured. We are alarmed that full analysis of the number of schools impacted has not been completed. We have the following concerns:

1. **Too Wide of a Net.** There are 19 different triggers that could require a school district to comply with limitless reporting requirements. Data has not been released on how many districts would be captured under all 19 triggers. However, a recent Treasury document reviewing 2 triggers (per-pupil change and percentage change from per-pupil spending) captured over 224 School Districts. This allows Treasury to have complete subjective control over determining which school districts are exposed to reporting and ultimately could be placed under an emergency manager.
2. **Limitless Reporting Requirements.** If a school district triggers one of the 19 criteria, the proposed legislation provides the Department of Treasury with the ability to call for limitless reports from a school district. The legislation stipulates that the school district is required to submit periodic financial status reports in the form and manner and on the periodic basis prescribed by the Department of Treasury. Unchecked reporting requirements are excessive and will create more work and bureaucracy for schools.
3. **Circumvents the Emergency Manager Process.** The legislature passed PA 436 of 2011 which puts into statute a process for placing an emergency manager into a school district. The proposed legislation seeks to bypass the review, local meetings, posting, finding of facts, hearing, consent agreement and governance provisions.
4. **Violates the Michigan Constitution.** The proposed legislation requires districts to produce information at the digression of the Department of Treasury. Proposed mandates will direct districts to comply with several new recordkeeping and reporting requirements which will utilize staffing time and take valuable resources away from already financially stressed schools district. A new requirement also stipulates that ALL districts, regardless if they are in deficit, must file a "budget assumptions" report with their Intermediate School District. These new requirements likely violate the Headlee Amendment's prohibition against unfunded mandates.

* The attached legal opinion further articulates our concerns

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We are supportive of an effective early warning system and providing school districts and the state with data they need to avoid deficit. The current proposal omits key components necessary to an efficient and effective early warning and deficit elimination system. Components for an effective early warning system should include:

Component 1: Efficient use of existing data

Create an information system that allows for earlier access to data that will allow districts to address budget problems sooner. The creation of a state and/or regional data system will afford more timely access and analysis at the state level while providing for more collaboration at the regional and county levels. An enhanced data system will also reduce administrative bureaucracy and reporting requirements proposed under current changes. At a minimum, districts can utilize the current budget forecasting systems available rather than creating unnecessary government bureaucracy.

Component 2: Streamlined and transparent process that promotes collaboration

Develop a system that notifies school districts of impending financial deficits and encourages assistance and collaboration at the local level prior to state interventions. Additionally, the current deficit elimination process must be enhanced to support collaboration between the MDE and Treasury.

Component 3: Provide budget stability in forecasting

Over 2/3 of all Michigan school districts are experiencing declining enrollment. Declining student population and student mobility through schools of choice and charter expansion make projecting accurate student populations difficult. Allowing districts to more accurately account for dramatic swings in student population will provide budget stability.