

Legislative Analysis



DETROIT SCHOOLS: FIRST CLASS DISTRICT

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House Bill 4047 (Substitute H-1)
Sponsor: Rep. Bettie Cook Scott
Committee: Education

First Analysis (3-23-09)

BRIEF SUMMARY: would amend the Revised School Code to specify that a school district having a first class school district designation as of September 1, 2008 would continue to have that designation until July 1, 2010, regardless of its pupil membership. (Currently, a school district needs 100,000 students to be classified as a district of the first class; only the Detroit Public Schools qualify.)

FISCAL IMPACT: The bill would have an indeterminate fiscal impact on the Detroit Public Schools and no fiscal impact on the state. The definition of a first class school district in the State School Aid Act was amended as part of the FY 2008-09 budget in PA 268 of 2008, to change the membership requirement from 100,000 to 60,000, thus avoiding any funding changes based on the current decline in DPS enrollment. However, there would likely be elections and administrative costs associated with the number of statutory changes that would occur if DPS lost first class status, but there is not enough available information with which to make an estimate of the extent of these costs.

THE APPARENT PROBLEM:

Under the Revised School Code a school district having at least 100,000 students is considered a "first class school district." All other school districts are called "general powers" districts. Michigan's only large school district qualifying as a "first class" district is Detroit Public Schools. (The next largest is Utica with 29,000 students, a distant second.)

As noted in its August 2008 report, "First Class Schools Analysis," prepared for the Skillman Foundation by Public Sector Consultants, Michigan law imposes greater regulation by the state on a "first class school district." For "first class districts," the law addresses school board composition, school board officers, school board compensation, school board meeting locations, board member personal interest in contacts, required annual audits, voting procedures, public communication, condemnation proceedings, bond sales, contracts, and public safety. The law also limits the creation of charter schools in such a district. There are also references in many other statutes to "first class" school districts. See *BACKGROUND INFORMATION*.

According to the fall 2008 student count, the Detroit Public Schools now enroll about 96,000 students, falling short of the 100,000-student threshold that defines the district as a first class district. Enrollment has been declining in the district since the 1999-2000 school year when the number of students reached 173,848. Over the past eight years, nearly 78,000 students have left Detroit schools. A table tabulating the enrollment decline is printed in *BACKGROUND INFORMATION*.

The decline in the Detroit Public Schools student population has led to a decline in state funding, and the district has had operating deficits averaging \$42 million during seven of the last nine years (ranging from \$7.1 million to \$112 million). The district reportedly will close 18 of its remaining 194 schools before fall 2009, and officials expect to continue right-sizing district facilities during the following four academic years.

Of the district's 184 schools measured for Annual Yearly Progress (AYP) under the federal No Child Left Behind Act, 119 have met with success —over 64 percent. Elementary schools fare best, and many demonstrate steady improvement. According to district spokesmen, local elementary school students outscore their charter school contemporaries on state achievement tests. In contrast, academic progress in high schools is poor: 22 of the district's 27 high schools do not make AYP. As a result, the district has begun working with a national intermediary, the Institute for Student Achievement, to redesign its high schools, following a "distributive counseling" model of reform that links a school-based adult (including but not limited to teachers) to every 12-15 students.

The reform model transforms large comprehensive high schools into semi-autonomous, self-contained, smaller "houses" within the same building, each having a thematic and career focus. This reform model has been adopted by officials in several large, urban, poor school districts, including those in New York City, Chicago, the District of Columbia, Providence, and Atlanta. See *BACKGROUND INFORMATION*.

As a result of its declining enrollment, the district reported a \$400 million deficit to the Michigan Department of Education in the fall of 2008, and the state superintendent of public instruction declared a financial emergency. The governor appointed a full-time financial administrator to lead the district beginning in March 2009. The financial administrator will work for to right-size the district, seeking advice from the elected 11-member school board.

Legislation has been introduced that would continue to categorize Detroit Public Schools as a "first class district" until July 1, 2010, regardless of the number of students who enroll in the school district.

THE CONTENT OF THE BILL:

House Bill 4047 (H-1) would amend the Revised School Code to specify that a school district having a first class school district designation as of September 1, 2008 would continue to have that designation until July 1, 2010, regardless of its pupil membership.

Currently a school district that is designated as a first class school district must have a pupil membership of at least 100,000. Detroit Public Schools is the only "first class" school district in Michigan. Under the bill it would remain so until at least July 1, 2010, even if its membership fell below 100,000 students.

In Michigan law "first class" districts operate under a different set of state regulations from all other school districts (known as "general powers" districts). The sections of the Revised School Code dealing with "first class" districts address school board

composition, school board officers, school board meeting locations, board member personal interest in contacts, required annual audits, voting procedures, public communication, condemnation proceedings, bond sales, contracts, and public safety. The law also limits the creation of charter schools in such a district. There are also references in many other statutes to "first class" school districts.

MCL 380.402

BACKGROUND INFORMATION:

First Class School District. To read the report "First Class Schools Analysis" prepared for the Skillman Foundation in August 2008 by Public Sector Consultants, visit www.pscinc.com

Enrollment Decline. To read the Senate Fiscal Agency's August 4, 2008 report entitled "Financial Status of Detroit Public Schools," visit www.senate.michigan.gov/sfa and click on "featured information." In the report, analysts note the following: "A significant decline in the number of pupils in the school district has contributed to the financial stress facing the DPS. This decline in pupils has an impact on the level of per-pupil state funding received by the DPS. Table 2 provides a summary of the pupil membership in the DPS for the period FY 1994-95 through FY 2008-09. The FY 2008-09 estimate is the estimate used by the State during the Consensus Revenue Estimating Conference held in May 2008. During this 15-fiscal year period, the DPS peaked at 173,871 pupils in FY 1997-98. By FY 2007-08, the number of pupils had declined to 106,485. This represents a decline of 67,386 pupils or 38.8%. During FY 2008-09, the number of pupils in the DPS is expected to drop again to a level of 96,194."

Table 2

Detroit Public Schools - Annual Pupil Memberships		
Fiscal Year	Pupil Memberships	Change from Prior Year
1994-95	167,481	549
1995-96	169,996	2,515
1996-97	173,080	3,084
1997-98	173,871	791
1998-99	173,848	(23)
1999-2000	168,213	(5,635)
2000-01	162,693	(5,520)
2001-02	159,694	(2,999)
2002-03	157,003	(2,691)
2003-04	150,415	(6,588)

2004-05	141,148	(9,267)
2005-06	130,719	(10,429)
2006-07	117,601	(13,118)
2007-08	106,485	(11,116)
2008-09 Estimated	96,194	(10,291)

Source: Senate Fiscal Agency, August 4, 2008

High School Reform. To learn more about the "distributive counseling" model of high school reform adopted by Detroit Public Schools and other large, urban, and poor school districts including New York City, Chicago, and Atlanta, visit the website of the Detroit Public Schools' national intermediary, the Institute for Student Achievement at <http://www.studentachievement.org>

ARGUMENTS:

For:

Proponents point out that Detroit Public Schools need and desire the extra regulation that comes from having "first class district" status.

Proponents of the bill note that the current financial administrator, appointed by Governor Granholm after the state school superintendent declared a financial emergency, has just begun his first year of work. It is expected that the financial administrator, Robert Bobb, will work closely with the Michigan Department of Education to conduct forensic audits, and also to develop a reorganization plan that right-sizes the school system. In conjunction with the U.S. Department of Education, the new leadership team will also likely pursue school reform initiatives designed for large, urban, and poor school districts whose officials and students are determined to meet the challenges of underachievement in high schools.

During the coming year, the Detroit Public Schools will be in transition. If they cannot increase their enrollment during the coming academic year, then under the bill, on July 1, 2010, the district will become a "general powers" school district like all others in Michigan. In Michigan law "first class" districts operate under a different set of state regulations from "general powers" districts. The sections of the Revised School Code dealing with "first class" districts address school board composition, school board officers, school board meeting locations, board member personal interest in contacts, required annual audits, voting procedures, public communication, condemnation proceedings, bond sales, contracts, and public safety. The law also limits the creation of charter schools in such a district. And, there are also references in many other statutes to "first class" school districts.

This bill is needed to allow the officials in the Detroit Public Schools to revise their plans, finding new ways to offer or renegotiate contracts for a broad array of services.

Against:

Opponents of the bill note that without "first class district" status, Detroit parents will have more educational alternatives —most especially, a choice of charter schools.

There are four ways to charter schools in Michigan: seek authorization from a K-12 school district, an Intermediate School District, a community college, or from a public university. Public universities are allowed to charter 150 schools—a limit they reached in 1999. And, under the law, Section 380.502 of the Revised School Code prohibits a community college from sponsoring a charter school in a "first class district;" that is, Detroit. So, in order to begin a new charter school in Detroit, either the school district or the intermediate school district must launch it. Neither indicates a willingness to do so, since a further decline in enrollment would further jeopardize the district's funding base.

Opponents of the bill believe that parents of school-age youngsters in Detroit should have a chance to leave their local neighborhood school if it is failing and attend a charter school. If the Detroit school district loses its "first class district" status, then community colleges, including Wayne County Community College and Bay Mills Community College (located in the Upper Peninsula west of Sault Ste. Marie on the Bay Mills Indian Reservation) could charter schools in the city of Detroit.

POSITIONS:

The Michigan Association of School Administrators supports the bill. (3-19-09)

The American Federation of Teachers - Michigan supports the bill. (3-19-09)

The Wayne County RESA supports the bill. (3-19-09)

Michigan's Children supports the bill. (3-19-09)

Michigan Association of School Boards supports the bill. (3-19-09)

The Michigan Education Association supports the bill. (3-19-09)

Several members of the Detroit Board of Education, as well as the acting Superintendent testified in favor of the bill. (3-19-09)

Legislative Analyst: J. Hunault
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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.