

MASB Headlines

A News Report for Michigan Education Leaders



Extraordinary leadership in challenging times

A message from Executive Director Kathy Hayes

History tells us that leaders emerge to meet the challenges of their times. With the current economic landscape that Michigan school districts face, there has never been a more vital time for school board leaders to be bold and hold tight to their vision for students. It's a time to show strength of character, clarity of purpose and decisiveness. Your course may change, but your destination shouldn't.

It's very easy to fall into the trap of victim behavior as we desperately try to survive in the present economic realities. But what your communities are looking for in each of you is the kind of leadership that will see them through this challenging time. They want leaders who are honest and transparent, who demonstrate competence as well as confidence and have the mental flexibility and the foresight to respond to the unexpected. The last

thing they want to see is their leaders faltering and becoming immobilized by external events they can't control.

Opportunities come in many forms during times of crisis. These times are like a forest fire—even as they destroy, they create the conditions for new growth. Right now, board members across the state are poised to make significant, historical changes in education. Our current funding reality forces us to look at new ways to save costs without jeopardizing the quality of education for our students. While these economic realities have already forced us to make unpopular, controversial decisions, I would like all of us to look at our situation as an opportunity to change the way we do things for the better—an opportunity to reform education in a way that puts students first and adults second.

The stimulus dollars won't last long and it's important that we don't rely

on these dollars for long-term sustainability of programs. Our reform efforts must include ways to re-invent our educational system that results in every child graduating prepared for college and the workplace. The times of thinking about one-time fixes and small-scale programs are over. Now is the time to use our talents, strengths and courage to implement systemic change.

As you read this issue of *Headlines*, please take note of Michigan's new funding realities as expressed at the May revenue estimating conference, the history of school funding and why dollars are so limited, and other resources that truly solidify why we must be bold in our thinking and united in our cause.



Preparing for the worst with urgency and thoughtfulness

Michigan's economy is among the worst in the nation—we have the highest unemployment rate and are most heavily dependent on the auto industry, which is suffering significantly. These factors result in reduced revenue to the state and schools, and under Proposal A, schools are dependent on the state for 80 percent of our revenues. On top of it all, around 80 percent of districts in the state have declining enrollments and our funding

formula is based on our pupil count.

The American Recovery and Reinvestment Act (ARRA) will provide some short-term relief, but we have to deal with the brutal facts—while ARRA dollars can replace part of our revenue losses in 2008-09 and 2009-10, the following year we face a funding cliff for public education.

How close your district is to that

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MASB-SEG Property/Casualty Pool returns surplus; remains fiscally strong

The MASB-SEG Property/Casualty Pool recently announced that it will once again return surplus funds to Pool members. Thanks to its conservative investment strategy and strong financial health, the Pool's Board of Directors has declared a \$5 million surplus. Eligible members will receive their share of the return after renewing their coverage and submitting their annual premium contributions.

How the Pool is unique

This is the 18th consecutive year the Pool has returned surplus or dividends to members. Including this year's return, the Pool has returned \$96 million since its inception. In contrast to those Michigan businesses that are struggling to survive, the Pool remains a strong, stable partner for the educational organizations we protect. The Pool is a non-profit, member-owned and -operated organization, which means we work in consultation with our members to ensure all their needs are met.

What our members appreciate

Sharing surplus funds is only one of the many benefits our more than 460 members enjoy. Other significant benefits include:



- Comprehensive coverages;
- Loss Control services from our professional staff of experts;
- Free access to SafeSchools online employee safety and compliance training courses;
- Participation in the Pool's free Property Valuation Program; and
- Premium stability.

To learn more about the Pool, contact your SET SEG Account Executive today!



School Insurance Specialists

415 W. Kalamazoo

Lansing, MI 48933

<http://www.setseg.org>

1-800-292-5421

Legislative Update



Washington, D.C. – A stimulating destination

Highlights

- Budget stabilization fund intended to protect jobs and maintain funding for education.
- Reforms and new programs were intended to be secondary.

MASB Deputy Director Don Wotruba and Assistant Director of Government Relations Peter Spadafore recently returned from Washington, D.C. where they met with members of the Michigan Congressional Delegation and officials from the U.S. Department of Education to glean a better understanding of the American Recovery and Reinvestment Act (ARRA).

With all the questions and concerns swirling in the minds of board members, we want answers directly from the source. With that in mind we left Michigan and traveled to our nation's capital to meet with Michigan's Congressional Delegation and officials from the U.S. Department of Education (USDOE) to pose the questions we have received most often from members.

The ARRA resembles a large book or small encyclopedia, so it's only natural that many parts will be unclear or confusing. But the speed and scope of this act require answers and clear understanding in order to ensure that the goals are met.

First, it's the understanding of MASB that the dollars appropriated under the budget stabilization fund were to be used first to fill any holes that exist in the state budget for K-12 and higher education. If one were to only listen to the messages from the Michigan Department of Education

(MDE) and the USDOE, filling the holes to preserve classroom teaching jobs is the secondary goal of the ARRA and that new programs and reform should be the primary concern of education leaders.

After meeting with several members of Congress and the offices of both Michigan's U.S. Senators, it's obvious that the intent of Congress when designating the budget stabilization fund was to protect jobs and ensure that education funding was maintained. If reforms and new programming were also possible, there's room in the law for using those funds in that manner. There are states that aren't in such dire need as Michigan and will likely have a surplus to use for reform measures. But, the primary objective of the near \$1.3 billion in budget stabilization fund dollars heading to Michigan is to protect education funding.

This is good news and bad news for Michigan's schools. The good news is this money can be used to preserve funding to prevent layoffs. Schools shouldn't fear using these dollars to maintain current programming. The bad news is that Michigan's budget deficit in fiscal years '09 and '10 will completely eat up the \$1.3 billion and then some. Therefore it's still likely that school funding will see a cut (*see page 4 for a detailed look at revenue for schools in Michigan*).

In Michigan, we have legislation in the works and policies from MDE that encourage reform and innovative ways to save money and improve delivery. With the eventual funding cliff looming in the future, it's wise to look at school budgets to see where cost sav-

ing measures can be implemented and where reforms can be instituted to help soften the landing in two years.

Another question concerns the special dollars sent to schools to provide a boost to Title I and IDEA funding. With an infusion of so much new Title I money, schools are concerned with spending that money properly and avoiding the maintenance of effort (MOE) requirements under the current Title I provisions. We've received assurances from the USDOE that refusing this money for fear of MOE requirements would be unwise. There will be a waiver process for the MOE requirements and it's expected that Michigan school districts will have a good case to make when applying for a local waiver.

As for the option for districts to supplant 50 percent of their general fund contribution to IDEA programs, this answer was less clear. If schools are designated as "needs assistance" or "needs intervention" under accreditation standards, they aren't eligible for the IDEA waiver. With Michigan gearing up to adopt a new accreditation standard (MI-SAS), there's a growing concern that the number of schools to fall under this designation will be large as is the case any time a new standard is adopted or requirements modified. MASB will work with the Michigan Department of Education to attempt to resolve this concern.

Another issue that we addressed while in Washington is the program known as Race to the Top. This is a \$5 billion pot of money that Secretary of Education Arne Duncan has complete

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How local schools are funded in Michigan

As school board members it's your responsibility to know how schools are funded in Michigan. The following information, excerpted from the Legislative Handbook, has been developed to provide a basic overview of school funding in the state.

Prior to 1994, public schools in Michigan were largely funded through a local property tax millage. Both the operations and infrastructure of a school district were funded when districts went to local voters and asked them for an increase or renewal of a millage. Proposal A, approved by the voters of Michigan, went into effect for the 1994-95 school year and drastically changed the way schools are funded. While many voters still believe Proposal A was largely property tax relief, for schools it was a new funding mechanism that distributes state funds on a per pupil basis to each district—also commonly called the school's foundation allowance.

Under Proposal A, schools still must raise local millage for building projects, but that's one of the few local options available for schools to raise money since Proposal A. Public schools are now largely funded through a statewide six-mil tax called the State Education Tax (SET), an 18-mil local tax on non-homestead property, and a combination of other taxes comprised of mostly the state income tax and the sales tax.

The six-mils are collected directly by the state, while the 18-mil tax is kept locally, but must be levied or districts face a reduction in their foundation allowance. The rough breakdown for school revenues on a statewide basis is 45 percent from sales tax, 20 percent from income tax, 20 percent from SET, and an additional 15 percent

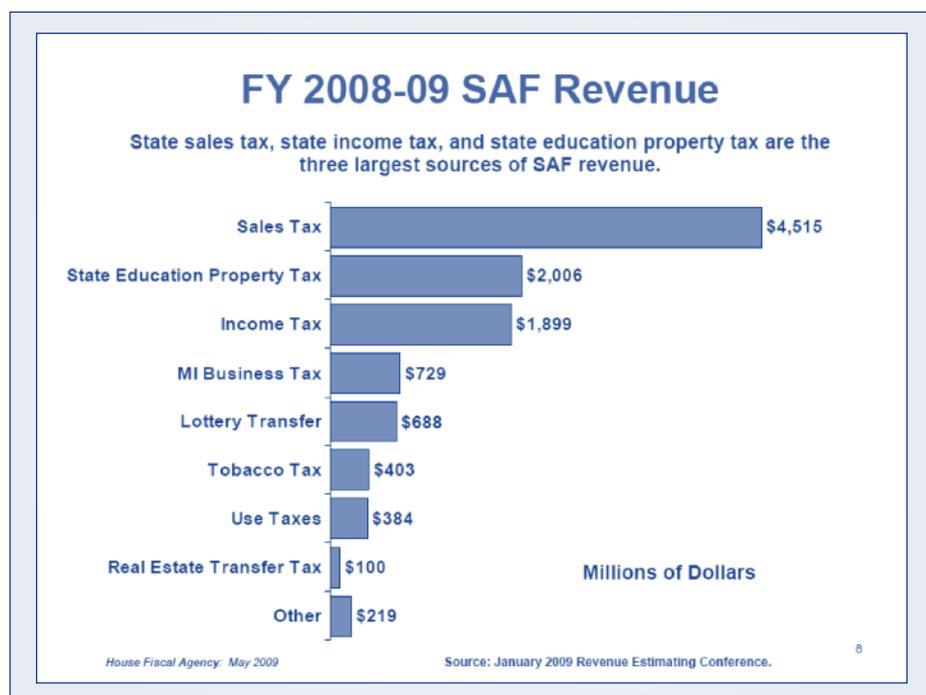
made up of other revenue sources including the lottery. These numbers fluctuate each year based on overall tax collections at the state level.

The foundation allowance for each school comprises approximately 90 percent of school district's general fund revenue. The remainder is from other state and federal programs and some local revenue related to interest earned, tuition and fund transfers. The money from state and federal programs is often called categoricals, meaning they are designated for a certain category of expenditure, such as at-risk students or for districts with declining enrollment.

As mentioned above, schools are funded based on their individual pupil populations. There's a specific formula that is a pupil enrollment blend of 25 percent of the previous year's February student count and 75 percent of the current year's September count. This blend has changed over the years from 50/50 to as high as 20/80. This formula is kept in place to help school districts

who are experiencing declining enrollment from one year to the next.

One last provision that should be mentioned is the Headlee Amendment to the Constitution. This isn't a specific school issue, but can have an impact on school funding. What Headlee does is limit the increase in the amount of money a unit of government (school district) can raise annually to whatever the rate of inflation is for that year. What this means is when a district is levying the 18-mils on non-homestead property, and property values go up faster than the rate of inflation, there will be a millage reduction so that your revenue doesn't grow at the higher rate. This causes a reduction in a district's foundation allowance because the state expects you to levy the full 18-mils. This situation forces local districts to go to their local voters after a millage rollback to ensure the millage remains at 18-mils. This may seem problematic, but it's a millage that regularly passes and is usually not a problem for districts.



The grim reality of recession

Highlights

- School Aid Fund has a \$732 million shortfall for 2009-10.
- This is added to current year short fall of \$425 million.
- Stimulus funds will fall short.

The budget news for Michigan schools couldn't get much worse than what we heard at the state revenue estimating conference on May 15. State economic officials confirmed what we all have feared: the state has a \$1.7 billion shortfall for the upcoming 2009-10 fiscal year, including a \$732 million deficit in the school aid fund. These numbers are in addition to shortfalls in the current year of approximately \$1.3 billion statewide with \$425 million in school aid revenue. The state has recently made cuts of over \$300 million to help

reduce the general fund deficit and the remainder, including the school aid portion, will be made up with federal stimulus dollars. To put these numbers in perspective, that's a \$265 per pupil shortfall for 2009 and a shortfall of approximately \$457 per pupil for 2010. A more stark reality is that the entire corrections/prison budget, or the higher education budget, or every state department budget other than human services and community health would have to be eliminated to make up the deficit the state is facing.

This year's shortfall may be taken care of, but we should be very concerned for the 2009-10 and 2010-11 budgets. Where we once believed that any shortfall in 2010 would be made up by federal stimulus money, we now know there isn't enough money to make up the shortfall. Recall that the

original intent of the federal stimulus dollars was to keep school budgets flat for the 2008-09, 2009-10 and 2010-11 fiscal years. Because some of the dollars earmarked for education must go to higher education, Michigan's \$1.3 billion pot of money is quickly absorbed this year and is completely used up for 2009-10 where the shortfall exceeds the amount of money available to back-fill the budget. This means there will be cuts in next year's budget for school districts.

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To put these numbers in perspective, that's a \$265 per pupil shortfall for 2009 and a shortfall of approximately \$457 per pupil for 2010.

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discretion over. This is a significant amount of money and we should be supportive of reforms that would peak the interest of Duncan while serving the interests of students. As the rules and applications for this money haven't been released, there's curiosity over eligibility and grant process. We've been told by department officials that true and holistic reform will be requirements for any grant recipient. Many reform proposals including the "Failing Schools" legislation in the Michigan House of Representatives appear to be heading in the right direction. USDOE officials relayed to us that there will only be a handful of states selected to receive any money under the Race to the Top program and that states that show eager motion toward reform would move to the front of the line. As these requirements and applications are

released, we will keep you informed.

While in Washington, we had the good fortune of attending a hearing of the U.S. House Committee on Education and Labor. During this hearing, Secretary of Education Arne Duncan presented to the members on President Obama's vision for education policy. In his testimony, Secretary Duncan relayed the need to invest massively in education and to reform the system. Several times he made mention of the need for longer school years and days, the need for alternative certification methods and the desire to see more students succeed after graduation. Ad-

dressing a standing room only committee hearing, Duncan illustrated the president's commitment to making education one of the big four pushes of his administration.

For questions, contact Peter Spadafore, pspadafore@masb.org, 517.327.5912 or Don Wotruba, dwostruba@masb.org, 517.327.5913.



Secretary Duncan

In his testimony, Secretary Duncan relayed the need to invest massively in education and to reform the system. He made mention of the need for longer school years and days, the need for alternative certification methods and the desire to see more students succeed after graduation.

Preparing, continued from front page

cliff will depend on your specific circumstances, but no districts are “safe.” Given what looks like long-term economic problems, all districts are in that line walking toward the cliff, for some it comes much sooner than others. Therefore, it’s essential your board and administrative team prepare for what’s coming. The ARRA has provided us a little time, a grace period of sorts, that we wouldn’t otherwise have. MASB encourages schools to engage in a deliberate planning approach to deal with this difficult situation. Our obligation to our communities is to provide the best possible education to our students within whatever environment we face, including one of declining resources. Following are some suggestions for you to consider when evaluating how your district should prepare.

Develop your facts and assumptions

Before you do anything else, get

your facts straight. Have your staff provide a detailed analysis of how your district will be affected by a decline of revenues in the next three to five years. Have it done in a way your public will understand—when talking about revenues and expenditures, put it in “per pupil” terms. Where there are unknowns, such as how much revenue you may lose in 2010-11, use a range based on the best available data, e.g., “Depending on what happens, between declining enrollment and less money from the state, we expect to have between \$450 and \$500 per pupil less in 2010-11 than we do now.” Remember to also explain the consequences of declining, local property values on your millages for construction.

Begin the planning process now

Ask your administration to prepare information and begin preparing for a formal strategic planning session for your board to be held no later than

fall 2009. (Look for a sample process in the next issue of *Headlines*.) Engage your community in the process, explaining the situation and the assumptions on revenues and expenditures, seeking their input before your strategic planning session. For the 2010-11 year, base your assumptions on a loss of 5 percent of revenues you’ve received, plus the effects of declining enrollment in your district, if any. For years beyond 2010-11, you may wish to either budget small reductions or zero growth in your overall revenues; a very modest increase of 1-3 percent at most.

Keep your staff and community engaged

Both your staff and community need to be your partners through this process to the extent it’s possible. Seek their input and provide regular communications about what you’re doing and why. Provide facts about your fi-

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What will MASB do to help?

MASB is your association, and as such we’ll do what we can to help school districts through this difficult time. Following are a few ways we’ll assist you.

- MASB, MASA and MSBO will host *Districts in Distress: Preparing for the Worst*, Aug. 14 in Lansing.
- MASB will make assisting our members and state our top priority. Future issues of *Headlines* and the workshops and conferences we offer, will have updated information on the economic situation. We’ll offer ideas for planning and saving dollars. Also, visit our Web site and use the “contact us” form to submit your requests for assistance, or suggestions for ideas for reducing costs and enhancing education in your district.

- MASB will aggressively pursue additional funding for K-12 education. It’s clear that the economic problems we face go beyond Lansing and the legislature’s ability to resolve. However, MASB will continue to find and promote ways to avoid and/or reduce the revenue losses we see coming. It will be our number one legislative priority. We’ll need your help in contacting legislators and having your community/school supporters also do so.

- MASB will work with other education leadership organizations to develop a legislative agenda that will enhance district’s powers and ability to manage the situation. Beyond finding new sources of revenue, MASB will work with MASA, ISDs and oth-

er organizations to pursue changes in law that will help reduce costs and allow more flexibility in managing our resources. For example, a state-wide health insurance pool could save hundreds of millions of dollars in public education funding. We’ll be generating many ideas in the coming weeks and months, and pursuing them this fall in the legislature.

- MASB will seek ways to provide assistance, support and leadership for local boards and school districts to deal with the many challenges before us. Tell us what else we can do. We’re all in this together. We are all facing an unprecedented challenge to public education. We’re all entering uncharted and dangerous territory. We can face and resolve these issues together.

It now seems likely that school aid will face close to \$200 million in cuts for the upcoming school year because of these revenue shortfalls. This is \$532 million less than the actual shortfall because of the stimulus money that will be used to fill the hole. Next year's cuts will likely come from categoricals and the per pupil allowance. This initial cut in school funding will be only that much worse in 2010-11 because the revenue picture isn't likely to improve and the stimulus money will be gone. The best case scenario is a possible 4 percent growth in school aid fund revenue for the 2010-11 budget and that would still leave schools being cut by an additional \$300 million. If that growth isn't met, which is likely, the following scenarios could happen:

- 4 percent growth—cut an additional \$300 million
 - 3 percent growth—cut an additional \$400 million
 - 2 percent growth—cut an additional \$500 million
 - 1 percent growth—cut an additional \$600 million
 - NO growth—cut the entire \$700 million, or \$450 per student
- Keep in mind that these estimates

were based on the Big Three all remaining in operation in some fashion.

There's some talk in Lansing about how to best spread these cuts to prevent the large cliff in the 2010-11 budget. Some have suggested that cuts for the 2009-10 budget be larger than the mentioned \$200 million so that next year's reduction be less painful. We'll keep you informed on these conversations and others as the budget moves through the Senate. This will be a long summer of budget negotiations and we likely won't see the state pass budgets until late summer or even September. Of course, this makes the process at the local level even more difficult.

As you can see, we'll be looking for legislative and administrative solutions, while also trying to get timely information to our members on ways that other districts are trying to address their funding problems. It's imperative that local districts start thinking about what they'll have to do locally to make the necessary changes in their operations to meet these new budget realities.

For questions, contact Don Wotruba, dwotruba@masb.org, 517.327.5913.

How did we get here?

- Michigan's unemployment rate is the highest in the nation.
- Income tax collection for the state is down over 20 percent this year.
- The sales tax revenue is down over 7 percent this year.
- People are seeing real reductions in their property tax bills.
- Michigan personal income has declined for the first time in decades.
- Over 17 million vehicles were sold in 2000; estimates for this year are less than nine million.
- Proposal A has been tweaked enough times to cost the school aid fund over \$500 million per year.

None of these things are going to change overnight. Economists believe that the economy will start moving in a positive direction by the end of 2009 or the first quarter of 2010. This is based on no other major economic problems coming up between now and then. As mentioned earlier, if one of the Big Three were to close down completely, or GM goes into bankruptcy, this could cause the recovery to be further away.

Table I: Year-End Fund Balances (Dollars in Millions)

Fiscal Year	General Fund	School Aid Fund	Budget Stabilization Fund	Total
2000	\$2,101.3	\$985.6	\$1,264.4	\$4,351.4
2001	1,908.5	704.1	994.2	3,606.8
2002	1,777.1	241.9	145.2	2,164.1
2003	1,310.8	115.1	0.0	1,425.9
2004	1,169.8	74.1	81.3	1,325.1
2005	1,453.4	98.0	2.0	1,553.3
2006	1,069.2	7.4	2.0	1,078.6
2007	982.0	94.0	2.1	1,078.1

Source: Comprehensive Annual Financial Reports as prepared by the Citizen's Research Council

Adopting deficit budgets

Highlights

- School districts are prohibited from adopting deficit budgets.
- Will be subjected to a reporting and monitoring process overseen by the Michigan Department of Education.

Under both the Uniform Budgeting and Accounting Act (Budgeting Act) and the School Aid Act, school boards are prohibited from adopting a deficit budget. Section 15 of the Budgeting Act provides that a school board's "total estimated expenditures, including an accrued deficit, in the budget shall not exceed the total estimated revenue, including an available unappropriated surplus and the proceeds from bonds." Likewise, the School Aid Act clearly states that a school district "shall not adopt or operate under a deficit budget [or] ... incur an operating deficit in a fund during a school fiscal year." A district is considered to have a deficit fund balance if: (1) Its general fund balance before reserves is negative, or (2) other funds have negative balances that in total exceed the general fund balance.

If a school board adopts a deficit budget or operates under a deficit fund balance, it will be subjected to a reporting and monitoring process overseen by the Michigan Department of Education (MDE). Districts are charged to notify the MDE, State Aid and School Finances Office as soon as they discover a deficit fund balance exists. Without such notice, the State Aid and School Finance Office will eventually identify, from the Comprehensive Annual Financial Report, districts reporting deficit fund balances. After a district has been identified as having a deficit fund balance, it will receive notification from the MDE of its obligation under the School Aid Act to eliminate the deficit.

Section 102 of the School Aid Act requires a district with a deficit fund balance to submit a plan for the elimination of the deficit to the MDE for approval in order to avoid the possible interruption in funding. The plan must project the elimination of the deficit not later than the end of the second school fiscal year after the deficit was incurred. The MDE normally requests submission of the deficit reduction plan within 30 days after a school district receives its notice of being identified as reporting a deficit fund balance. Failure to submit all elements of the plan will result in 100 percent withholding of state aid payments. Further, the deficit reduction plan form submitted must be the current form posted on the MDE Web site (www.michigan.gov/mde/0,1607,7-140-6530_6605-106599--,00.html). Out of date forms won't be considered for approval.

The plan is analyzed by the MDE for reasonableness. The checks for reasonableness likely include comparing the narrative explanation of the costs the district says it will cut against the numbers recorded in the plan; comparing MDE records related to the revenue against the district's plan estimates; and looking at the district's percent of increase or decrease in revenues and expenditures over the previous year. However, the MDE doesn't make suggestions or recommendations with respect to any specific budget cuts.

Once the plan is approved, budgetary control reports must be submitted for approval on a monthly basis. Failure to have the reports approved can result in withholding of state aid. Further, the submission of the monthly reports must be accompanied by the most recently approved monthly board meeting minutes. The minutes

must show discussion of budgeted vs. actual revenues and expenditures.

If a non-negative fund balance can't be achieved within the two year period, the school district must request an extension in writing, providing reasons why the two year period to eliminate the deficit is insufficient. If a school district continues to operate with a deficit fund balance, it may be subjected to the financial controls of the Local Governmental Fiscal Responsibility Act. Under the Act, if it's found that a school district has a "financial emergency," an emergency financial manager is appointed for the purpose of resolving the financial crisis.

For school districts, Section 33 of the Local Governmental Fiscal Responsibility Act, sets out the circumstances that could individually and separately amount to a serious financial problem (see box on next page).

Upon determining that a school district has a serious financial problem, the superintendent of public instruction notifies the governor and the state board of education of the determination and of the basis for and findings supporting the determination. Based on this notice, the governor must then appoint a team to review the financial condition of the school district. Within 30 days of its appointment, the review team will issue a report to the governor and the state board of education, which will include a determination of whether the school district is, in fact, experiencing a serious financial problem. After the report is received, the superintendent of public of instruction may then declare that the school district is in the state of a financial emergency. If a financial emergency is declared, an emergency financial manager is appointed to exercise authority under the Local Governmental Fiscal Responsibility

Act for the purpose of resolving the financial emergency. The emergency financial manager, in consultation with the school board, then develops a written financial plan. The financial plan is required to include guidance on (a) conducting the operations of the school district within the resources available according to the emergency financial manager's revenue estimate, and (b) paying in full the scheduled debt service requirements on all bonds and notes of the school district and all other uncontested legal obligations.

Ultimately, it's up to the superintendent of public instruction to determine that the conditions for revoking a declaration of financial emergency have been met after receiving a recommendation from the emergency financial manager. The emergency financial manager may condition his or her recommendation to the superintendent upon the school board's adoption of a resolution that ensures the adoption of a balanced budget, elimination of any remaining accumulated deficit and the prevention of additional negative fund balances.

While emergency financial managers are authorized to renegotiate labor contracts, they aren't authorized to abrogate such contracts or other obligations under the Local Governmental Fiscal Responsibility Act. The statute, however, permits the emergency financial manager to authorize a unit of local government to proceed under federal bankruptcy provisions after providing notice to the Local Emergency Financial Assistance Loan Board, which oversees the work of the emergency financial manager. Under Title 11 of the U.S. Bankruptcy Code, this would be the only way a school district could seek protection as a debtor under Chapter 9 of the Code.

For questions or more information, contact Brad Banasik, bbanasik@masb.org, 517.327.5929.

Determining when a district has a “financial emergency”

The process of receiving an emergency financial manager begins when the superintendent of public instruction determines that a school district has a “serious financial problem.”

- The school district ended the most recently completed school fiscal year with a deficit in one or more of its funds and the superintendent of public instruction hasn't approved a deficit elimination plan within three months after the district's deadline for submission of its annual financial statement.
- The school board of the school district adopts a resolution declaring that the school district is in a financial emergency.
- The superintendent of public instruction receives a petition containing specific allegations of a school district's financial distress signed by a number of registered electors residing within the school district equal to not less than 10 percent of the total vote cast for all candidates for governor within the school district in the most recent gubernatorial election.
- The superintendent of public instruction receives a written request from a creditor of the school district with an undisputed claim against the school district. The superintendent may honor this request only if the claim remains unpaid six months after its due date, the claim exceeds the greater of \$10,000 or one percent of the annual general fund budget of the school district and the creditor notifies

the school district in writing at least 30 days before he or she requests the superintendent to find that the district has a serious financial problem.

- The superintendent of public instruction receives written notification from a trustee, paying agent, note or bondholder, or the state treasurer of a violation of one or more of the school district's bond or note covenants.
- The superintendent of public instruction receives a resolution from either the Senate or the House of Representatives requesting a review of the financial condition of the school district.
- The school district is in violation of the conditions of an order issued pursuant to, or as a requirement of the Revenue Bond Act of 1933, the Revised Municipal Finance Act or any other law governing the issuance of bonds or notes.
- The school district is in violation of the requirements of sections 17 to 20 of the Uniform Budgeting and Accounting Act, which, among other requirements, prohibit a school district from operating in deficit.
- The school district fails to provide an annual financial report or audit that conforms with the minimum procedures and standards of the state board and is required under the Revised School Code and the State School Aid Act.
- A court has ordered an additional tax levy without the prior approval of the school board of the school district.

Submit your amendments for resolutions and bylaws

MASB Bylaws provide that any new or amended resolution(s) your board wants considered at the Annual Meeting of the Delegate Assembly must be submitted in writing on or before Friday, July 17. Any proposals for amendments to the MASB Bylaws must also be submitted by this date. Send all submissions to:

MASB • 1001 Centennial Way, Suite 400 • Lansing, MI 48917-8249.

For questions or more information, contact Cheryl Huffman, chuffman@masb.org, 517.327.5915.

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nances and describe the options you're considering and explain why. Ask them to help generate options given the facts of the situation you face. Be totally honest about what's happening. For example, "Given the reductions in revenue we expect to occur in the next three years, it's inevitable that we'll have to reduce our staff in some way. About 85 percent (insert your district's number here) of our budget is salaries and benefits for employees, and we can't see any way to respond to our budget situation without reducing staff. We'll be as thoughtful and humane as we can in the process, but to continue our educational programs for students, we may have to reduce current staffing levels." As part of your planning session described above, develop your key messages, based on

your district's situation, and communicate them to your staff and employees as appropriate.

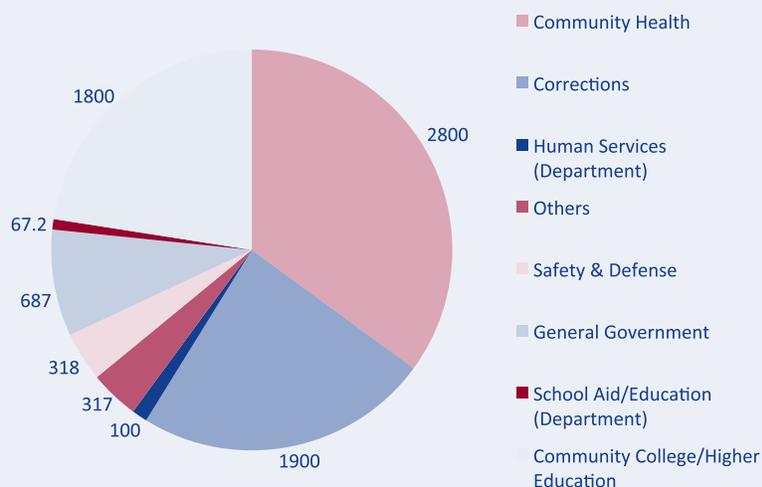
Reimagine how your district operates from top to bottom

When you look at the situation in front of us it appears inevitable that schools will have to find new ways to operate. Students are changing and our economic environment requires it. The Michigan Department of Education (MDE) is engaged in a grant process asking for demonstration districts to re-think education called Reimagining Education. Districts are submitting proposals on how they can dramatically change how education and services are provided. They're intended to provide examples for other districts to use. You may want to consider submitting a proposal (www.michigan.gov/mde); it's possible your district could receive funding for planning and/or implementation. Regardless of whether you're part of that process, your district needs to consider dramatic, radical changes in how students are educated, and how you provide all services from business and administration to support services and classroom teaching. Consider how your district can succeed providing a better education at a lower cost in this most challenging environment.

Take special care

It would be easy to lose hope and simply wait to walk off the cliff described above. For some districts that may be unavoidable. However, MASB encourages you to be actively engaged in solving the problems before us. Board members will need to provide support, hope and inspiration for their administrators, staff, communities and each other. Stay engaged with all stakeholders in your community and with other board members in your area. Continually seek information about what's happening and what others are doing. Educate yourself about options and new ideas. These are challenging times, we'll all be making difficult decisions in the next few years. The economics of Michigan and the nation have put us where we are, there's no reason to blame or point fingers. The situation is what it is and now it's critical for MASB and all school board members to **LeadStrong**.

FY 2009 General Fund Expenditure Estimates (in millions)



Communicating, continued from back page

ous district departments. Use this data for district planning and to help community stakeholders understand the district's challenges. Key areas to watch include:

- **Child nutrition**—Are more kids charging meals? Are there increases in free and reduced meals applications?
- **Student placement**—Are more private school kids enrolling? Is this impacting student-teacher ratios or creating overcrowding?
- **Transportation**—Are more students using the bus service? Does this strain existing resources?
- **Student services**—Are more students homeless? Is student mobil-

ity increasing? What about referrals to mental health services? Depression, suicide, domestic abuse all tend to spike when the economy tanks. Do employees know the warning signs and where to refer people for help?

- **After-school care**—Are more parents behind in their payments? Are more young children being left home alone with no adult supervision?

More and more community members are seeking to understand complicated school funding issues, and are seeking engagement in budget decision-making. In these difficult financial times, it's important to keep the lines of communication open.

Budget communication tips

The key to getting through the next 18 months of economic turmoil is strategic communication. Effective communication will keep your reputation intact and demonstrate that your district is in good hands during these stormy times.

Show that we're all in this together

- Engage staff and local leaders and carry through with the theme we're all in this together.
- Investigate the potential of public and private partnerships.
- Work with your employee groups to develop savings tactics.

Seize opportunities as they become available

- Strategically frame local school budget debates to stay focused on your children and their needs.
- Realize that your district needs a targeted communication plan dedicated to addressing financial issues. Budget debates are campaigns that need planning and monitoring.

- Use a number of different techniques to collect feedback, carry messages and buttress key ideas.

Make it personal. We're talking about their children and money.

- Do focus on messages about the economy but also weave in messages about individual children and neighborhood schools.
- Don't list proposed cuts generically, such as miscellaneous art materials. If planned cuts mean you'll no longer give art supplies to high school students, say it.
- Don't use millions. Do create images that people can visualize and relate to: cost per child, cost per household, cost per classroom and so on. Explain in terms of an average taxpayer.

Source: National School Public Relations Association. For help engaging your community, contact Jennifer Rogers, jrogers@masb.org, 517.327.5908.

MASB DATEBOOK

BOARD LEADERSHIP DEVELOPMENT

- **Promoting Strong Governance/Leadership Relationships for Board-Superintendent Teams: A Local and National Perspective**, June 11, Radisson Hotel, Lansing
- **Leadership for Achievement**, Aug. 5-7, Comfort Inn and Suites, Mt. Pleasant
- **Districts in Distress: Preparing for the Worst**, Aug. 14, Lansing Center, Lansing
- **New Board Member Institute**, Aug. 28, Pontiac

For the most up-to-date details, go to www.masb.org or call 800.968.4627.

MASB Headlines

A News Report for Michigan Education Leaders

A publication of the Michigan Association of School Boards

Mission Statement

To provide quality educational leadership services for all Michigan boards of education, and to advocate for student achievement and public education.

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LeadStrong

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Communicating about the budget in tough times

Adapted from National School Public Relations Association Network, May 2009.

Dealing with budget issues is a challenge during the best of times. And this year, budget discussions are particularly tough. As responsible stewards of taxpayer dollars, school districts across the country are discovering that demonstrating fiscal accountability is important to their residents. The top priority when communicating with the community is to be honest, open and direct. Open and honest communication includes sharing difficulties as well as sharing information illustrating how schools are spending their dollars.

It's important to remember that the community isn't only parents and staff, but non-parents, business leaders, legislators, students and parents with children not yet in school. Staff members are important because they often live in the community and become a source of information for their neighbors. When staff have the facts and are involved in budget

discussions, they can accurately communicate the district's struggles and decisions. Employees and the public need to be educated about where the money comes from and how it's spent. If community members don't believe your district is managing money well, it will be difficult for them to believe it has to make reductions.

Listen, listen, listen

Many districts have finance committees in place as part of the annual budget process, but extraordinary times call for extraordinary measures. Involve community stakeholders and employees in discussions that go beyond the annual budget meeting and hearings to look at short and long-term implications of the current economic conditions. Use community forums, strategically placed feedback forms, parent meetings, the district Web site and other two-way communication methods to gather input and feedback. Communicate face-to-face

with employees, parents and community stakeholders about difficult budget issues whenever possible.

Show the impact

Create comparative graphs or charts to show local, state, federal and other revenue sources. Be clear about what percentage of your budget supports school-based learning to show you're spending money where it matters most. Use descriptive headings to relate them to your primary mission. Use categories such as teaching, teaching supplies, contract services, teaching support, legal requirements, etc. This will clearly demonstrate the large percentage of funding that goes directly to support student learning. It also sends the message that it's impossible to reduce spending without affecting services to students.

Use data to illustrate the picture

Track economic indicators in vari-

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Worth Repeating does not necessarily reflect the views or positions of MASB. It is intended to spark dialogue and inform readers about what is being said about public education around the nation.