

**MICHIGAN DEPARTMENT OF EDUCATION  
AMENDED GUIDANCE  
FOR SERVICE CONSOLIDATION PLANS (October 22, 2014)**

STATUTORY REQUIREMENTS

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.*

In addition, MCL 388.1622f states:

*From the appropriation in Section 11, there is allocated for 2011-12 only an amount not to exceed \$154,000,000 to provide incentive payments to districts that meet financial best practices under this section. The money allocated in this section represents a portion of the year-end state school aid fund balance for 2010-11. The amount of the incentive payment is an amount equal to \$100.00 per pupil. A district shall receive an incentive payment under this section if the district satisfies at least 4 of the following requirements not later than June 1, 2012:*

One of those requirements related to Service Consolidation plans is found in MCL 388.1622f(1)(c)

*If a district did not enter into an agreement with the department to develop a service consolidation plan to reduce school operating costs under former Section 11d as it was in effect for 2010-11, the district enters into an agreement with the department to develop a service consolidation plan that is in compliance with department guidelines described in subsection (2). If a district entered into an agreement with the Department to develop a service consolidation plan under former section 11d, the district continues to implement that plan and report to the Department not later than February 1 of each fiscal year the district's progress in implementing that plan.*

OVERVIEW

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

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.

## GUIDANCE

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 this Guidance should be directed to John Hayner at [haynerj1@michigan.gov](mailto:haynerj1@michigan.gov). Signed agreements and local board of education resolutions can be submitted electronically to Mr. Hayner at the e-mail address above.

**SERVICE CONSOLIDATION PLAN AGREEMENT**

BETWEEN

THE MICHIGAN DEPARTMENT OF EDUCATION  
AND

\_\_\_\_\_Name of Local District or Public School Academy (PSA)\_\_\_\_\_

Our district (**Name of District**) agrees to develop a Service Consolidation Plan to reduce school operating costs that is compliance with MDE Service Consolidation Guidance distributed on June 30, 2011.

The \_\_\_\_\_(**Name of District/PSA**)\_\_\_\_\_ Board of Education resolution approving this agreement is attached.

\_\_\_\_\_  
District Superintendent Date

\_\_\_\_\_  
Local Board President Date

MDE has received the board resolution and district certified agreement that the district will develop a Service Consolidation Plan to reduce school operating costs in compliance with MDE guidance. As a result, I will consider that the district has met the initial criteria in MCL 388.1622f(1)(c); one of four practices necessary to receive the 2011-12 State School Aid Best Financial Practice Incentive Funds. I reserve the right to have my staff subsequently review the actual service consolidation plans and financial records of the district as part of another MDE onsite fiscal monitoring visit to assess the efficiency and effectiveness of the service consolidation plan.

\_\_\_\_\_  
Superintendent of Public Instruction Date

Cc: Intermediate School District Superintendent