

March 31, 2016

Dear Dexter Community Schools Staff and Parents,

We want to share important information with you regarding budget projections for the 2016-17 school year and the implications of those projections on District programs and staffing.

School Funding Has Stagnated

Dexter Community Schools' per-pupil funding from the State of Michigan has stagnated for the past seven years – zero increase (2009-10, 2010-2011, 2012-2013), a decrease of \$470 (2011-2012), and minimal increases of \$51 (2013-2014), \$50 (2014-2015), and \$124 (2015-16). Our per-pupil foundation allowance in 2015-16 is \$245 *less* than it was in 2009-10 resulting in a loss of \$870,000/year (not adjusted for inflation). During these same fiscal years, the district experienced dramatic increases in expenses for the State-mandated employee retirement program (MPERS) which increased from \$3.7M (2009-2010) to \$8M (2015-2016) although the State is providing a supplemental payment to reduce our liability this year to \$5.3M.

District Efforts to Contain Costs

Over the last seven years, due to the magnitude of the budgetary pressures, the district has made a number of difficult decisions to contain costs. These include eliminating or privatizing staff, reducing salaries, shifting a greater percentage of health care costs to employees, as well as operational changes such as moving to a single-tier bus system, increasing pay to participate fees, and increasing class size limits. These changes have been difficult for the Board and administration to make and we recognize the burden borne by our staff, as well as our students and families. But the lack of funding for public education over the last decade has left us with few options.

District Investments in Improving Education

In spite of these fiscal challenges, our goal is to provide a quality educational program for our students. We have focused on strengthening the district's curriculum (e.g., Everyday Math and Making Meaning implemented in grades K-6), expanding course offerings for grades 7-12 (e.g., AP, IB, and dual enrollment classes at the HS, as well as HS classes at Mill Creek), and providing instructional supports for struggling students. Additionally, we have invested in teacher training, implemented an instructional coaching model, and utilized data to assess student growth.

Gains in Student Achievement

As a result of these efforts, our students are among the top performing students in the county, state and nationally. Last spring, Dexter was the top ranked district in Washtenaw County on the State's new M-STEP assessment in 12 of the 20 subjects/grades tested. Dexter was also one of 15 districts in the state to be recognized by the College Board for increasing student participation and exam scores on the college-level Advanced Placement test. Additionally, an impressive 94% of Dexter's IB Diploma candidates successfully earned an IB Diploma in 2015 exceeding the national average of 72%.

Budget Challenges for 2016-17

In spite of these academic achievements, financial challenges remain. The district is now in the early stages of developing a budget for the 2016-2017 school year which, by law, must be approved by June 30. We have developed two budget scenarios. Scenario A assumes 100% special education reimbursement (based on 2014-15 special education costs) if the May 3rd special education millage passes. Scenario B assumes 62% reimbursement if the millage does not pass.

Special Education Funding

Here is a brief overview of special education funding. Dexter Schools currently spends \$6.9M on special education services. State and federal funding, along with the current special education millage, cover \$5.2M or 75% of the cost. The balance, \$1.7M, is paid from the district's General Fund. The 1.5 mill special education enhancement millage on the May 3rd ballot would generate an additional \$1.3-\$1.5M annually for Dexter Schools which would cover nearly all unreimbursed costs. The General Fund dollars diverted to cover the cost of mandatory special education services would be available to fund programs for all students.

Impact of Special Education Millage on 2016-17 Budget

Scenario A (millage passes) projects a \$25K deficit for next year. Scenario B (millage doesn't pass) projects a \$1.5M deficit. The Board of Education has directed the administration to develop a list of possible budget cuts (or revenue enhancements) to close the deficit to \leq \$500K. In past years, due to careful management of departmental budgets, unfilled positions, and lower health insurance costs, the district has ended the year approximately a half million more favorable than budgeted. Under Scenario A, no reductions will be needed. Under Scenario B, \$1M in budget cuts will be necessary. This anticipated deficit will require collaboration on all our parts to make the difficult decisions that will be necessary to determine which reductions will be needed for 2016-2017.

Community Forum on April 13

The district will hold a Community Forum at 7:00 pm on Wednesday, April 13 in the Mill Creek cafeteria to solicit the community's input on how the district's financial resources should be allocated in order to maintain the programs and services that are most essential for our students. The forum will be co-hosted by E4DS (Excellence for Dexter Students), a new 501(C)3 created to provide financial support for the district's core educational program. E4DS will co-facilitate a discussion on program enhancements which the community desires and would be willing to fund. As a district, we welcome this opportunity to not only look at program cuts, but potential program enhancements as well.

On behalf of the Board of Education, we thank you for your continued support of Dexter Community Schools and for the opportunity to serve you and your students.

Sincerely,

Michael Wendorf
Board President

Julie A. Schumaker, Ph.D.
Board Vice President and Finance Committee Chair