



Budget Development #2

Recap/Update, Legislative Proposals and Current Challenges

Board of Education
Work Session Meeting
April 19, 2018



- A. Budget Recap/Update
- B. Local District Considerations
- C. State Historical and Current Economic Status
- D. Governor / Senate / House 18-19 Budgets
- E. Short-Term / Long Term Challenges

A. Budget Recap/Update

Budget timeline spans six months – contingent on:

- January & May Revenue Conference numbers
- Governor/Senate/House – compromises to original proposed budget differences
- Usually occurs late May/ early June

A. Budget Recap/Update

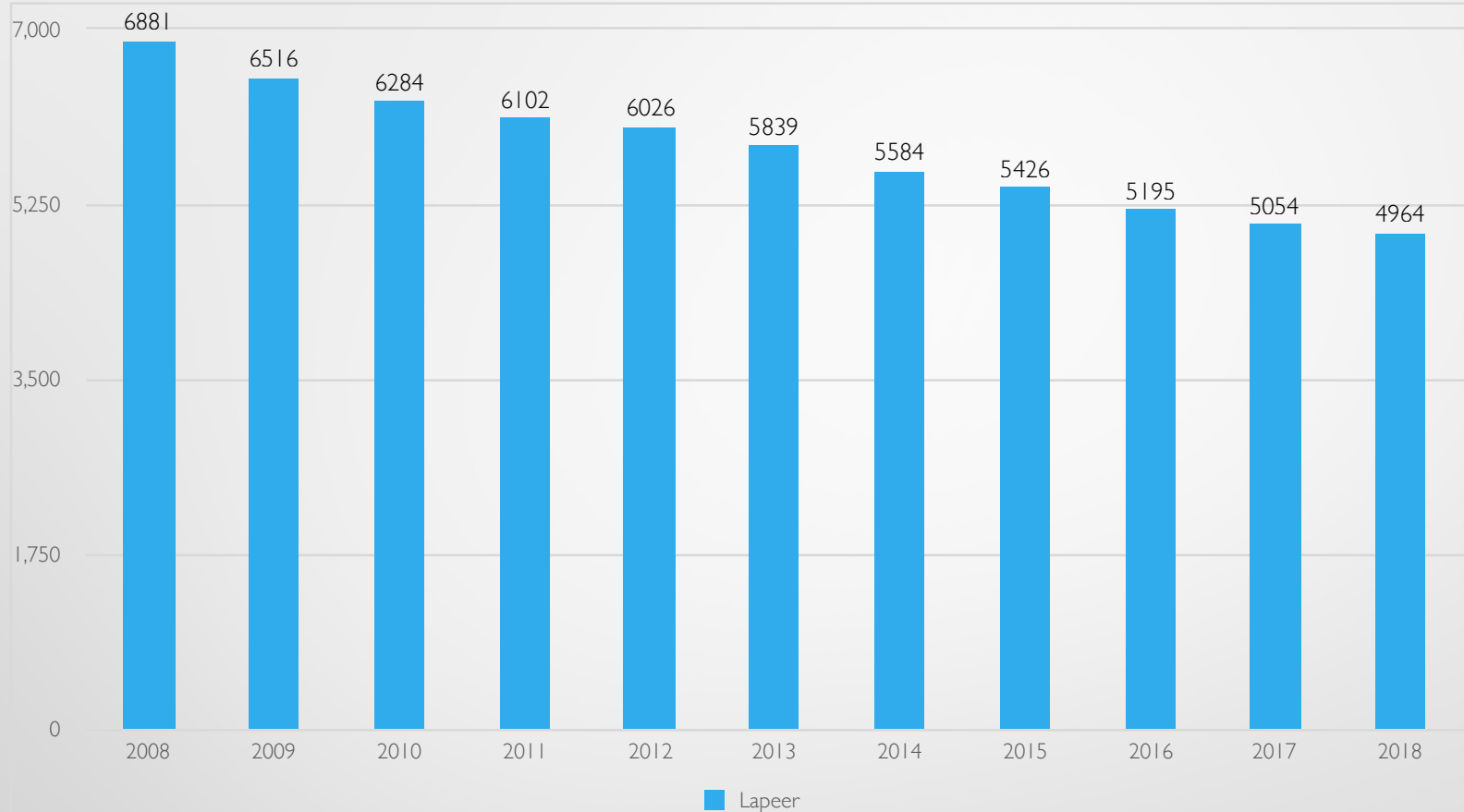
Specific Revenue Pressures/Concerns:

- MPSERS increasing cost - 36.88% to 38.39%
- Michigan General Fund @ \$0 fund balance 9-30-19
- FY 20' & 21' could see huge \$'s shifted to S.A.F. causing zero increase to a possible pro-ration of Foundation Allowance

Local District Considerations

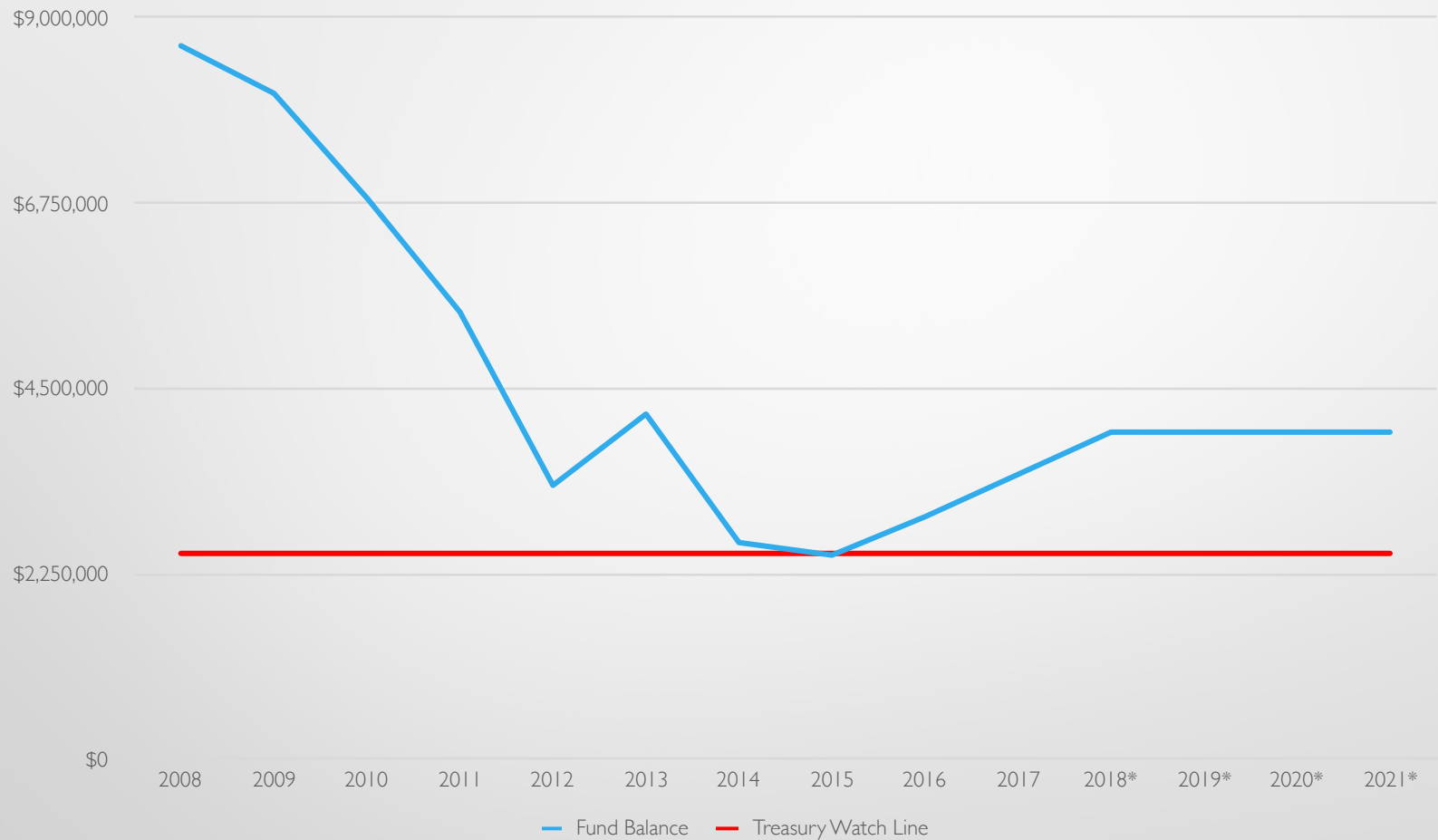
- Student Count
- Fund Balance
- Revenue to Expenditures
- Cash Flow Borrowing
- Investment Revenue
- Refunded Bonds

Student Count



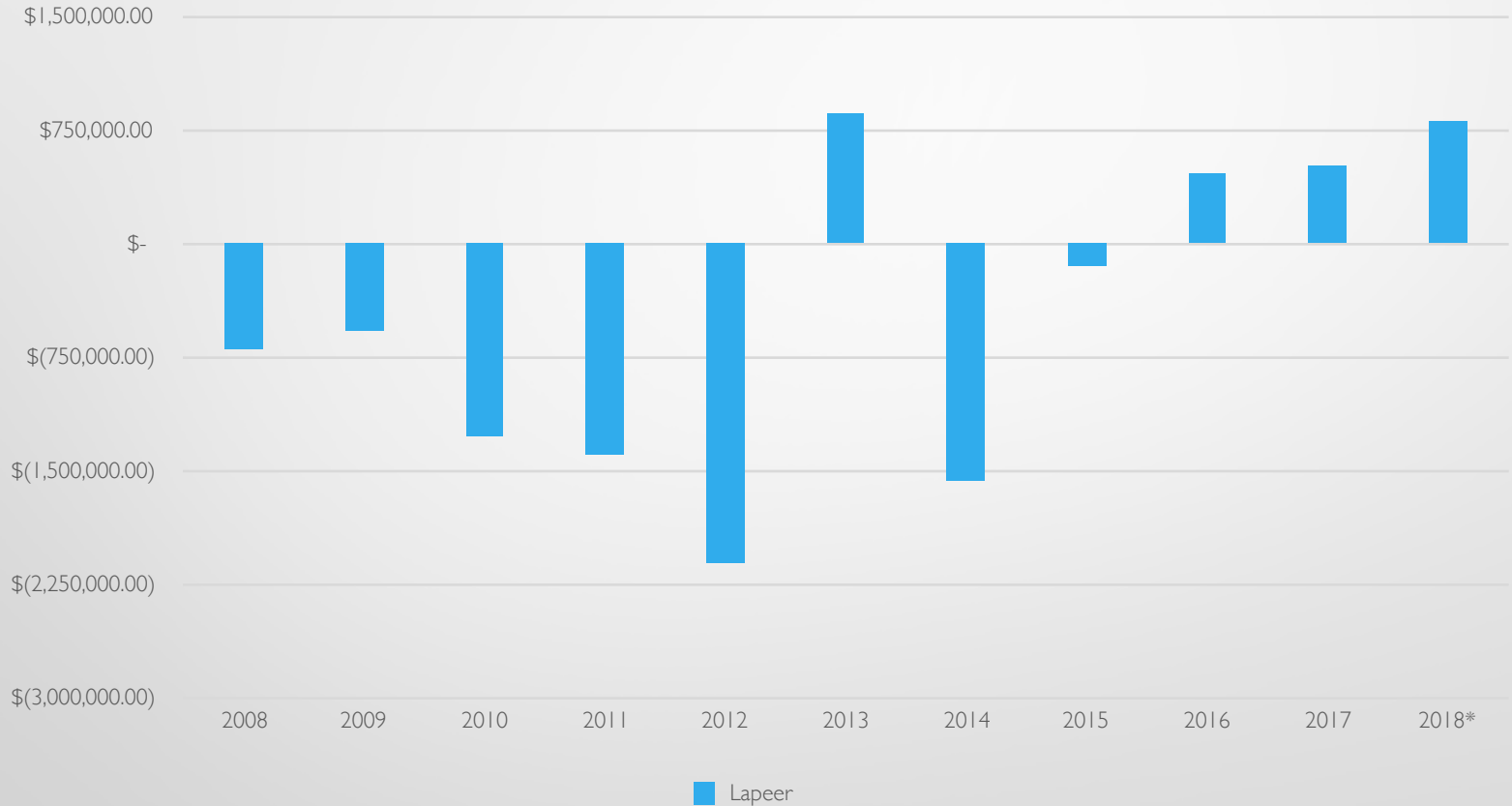
Student count continues to decrease approx. 180 students per year

Fund Balance Projection



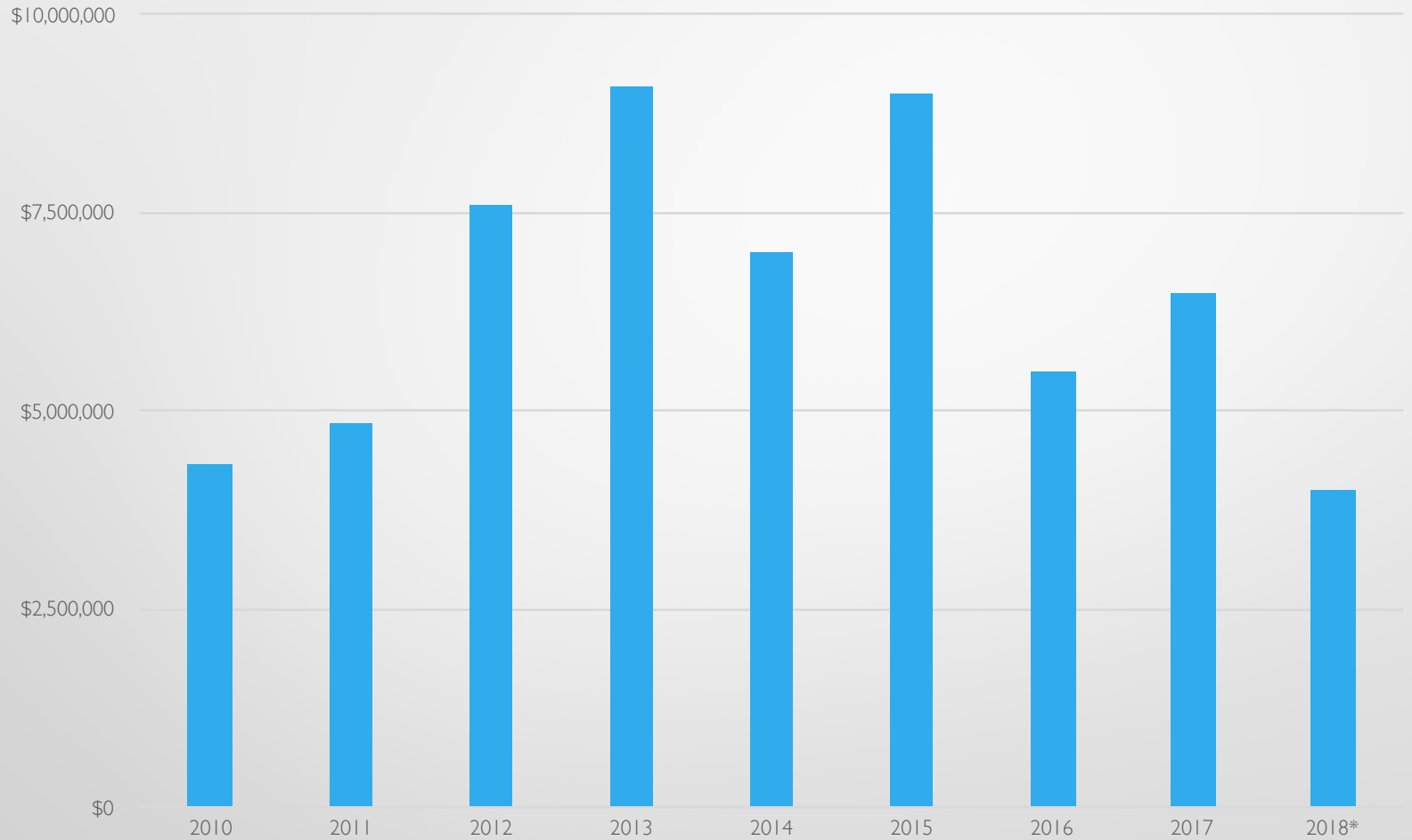
Added slightly over last three fiscal years

Revenues to Expenditures



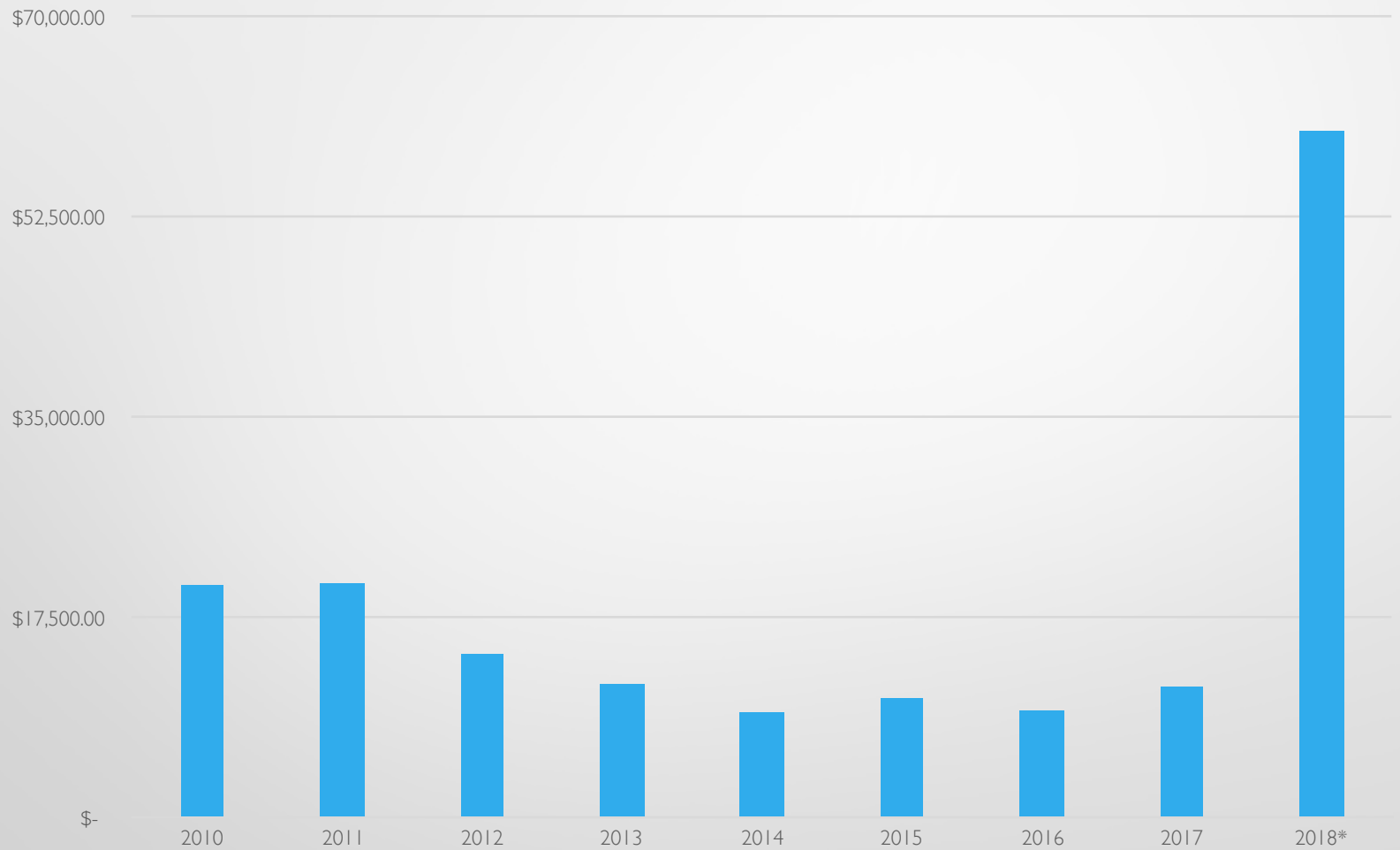
Balanced operating budgets last three fiscal years

Cash Flow Borrowing



Reduced from \$9 million to \$5 million - saving interest expense

Investment Revenue



Use of P-cards and managing cash flow have improved returns

C. State Historical and Current Status

- Foundation Allowance History Fluctuations
- Nov-2018 Mid-term elections
 - New Governor
 - House and Senate many seats changing including possibly control

Dollar Increases in the Basic Foundation Grant

- ❑ The amount of available State funding determines the increase in the BASIC foundation allowance.
- ❑ Every district at or above the BASIC foundation gets the same dollar increase as is given to the Basic.
- ❑ Between '95 and '00, districts at the minimum foundation got TWICE the dollar increase of the Basic Foundation grant, in order to partially close the funding gap. Between '01 and '07, all districts received the same dollar increase per pupil. The "2x" formula was reinstated in FY 2007-08 and the basic was increased to the hold harmless/"State max" level of funding.
- ❑ **In FY 2009-10, districts' State aid payments were reduced \$154 per pupil, and in FY 2010-11, they were reduced \$170 per pupil (when compared to FY '09 funding levels). However, these reductions did NOT statutorily roll back foundation allowances, until FY 2011-12 with an additional \$300 cut on top of the previous \$170, for a total decline of \$470.

Basic Foundation Allowance

| Fiscal Year | Dollar Increase |
|-------------|-----------------|
| 1994-1995 | n/a |
| 1995-1996 | 153 |
| 1996-1997 | 155 |
| 1997-1998 | 154 |
| 1998-1999 | 0 |
| 1999-2000 | 238 |
| 2000-2001 | 300 |
| 2001-2002 | 300 |
| 2002-2003* | 200 |
| 2003-2004* | 0 |
| 2004-2005 | 0 |
| 2005-2006 | 175 |
| 2006-2007 | 210 |
| 2007-2008 | 48 |
| 2008-2009 | 56 |
| 2009-2010** | 0 |
| 2010-2011** | 0 |
| 2011-2012 | -470 |
| 2012-2013 | 0 |
| 2013-2014 | 30 |
| 2014-2015 | 50 |
| 2015-2016 | 70 |
| 2016-17 | 60 |
| 2017-18 | 60 |

*Proration of approximately \$74 per pupil occurred in each of these years, which statutorily did not reduce the foundation allowance. Districts were allowed to choose how to absorb the cut. Funding was restored in 2004-2005.

D. Governor / Senate / House 18-19 Budgets

| | Current Law | Governor | Senate | House |
|---|-----------------|--|--|--|
| Foundation Allowance (F.A.) | B.F.A. -\$7,631 | \$120 - \$240 / 2X B.F.A. - \$7,871 | \$115 - \$230 / 2X B.F.A. - \$7,861 | \$120 - \$240 / 2X B.F.A. - \$7,871 |
| Sec 6 Pupil Membership-shared time | Caps @ .75 fte | No change | Reduces cap to .67 | No change |
| Sec 22n H.S. Per Pupil Bonus | \$25 | Maintains \$25 | Maintains \$25 | Maintains \$25 |
| NEW – Sec 22o Pupil Transportation | N/A | Not included | Not included | \$100 holding spot For GE transportation = \$25 per GE rider |

D. Governor / Senate / House 18-19 Budgets

| | Current Law | Governor | Senate | House |
|---|--|--|--|---|
| NEW – Sec 22p Partnership District Discretionary Payment | N/A | \$0 | \$400 million For Partnership Districts | \$0 |
| NEW – Sec 23f Shared Time Pupils | N/A | Eliminates Kindergarten, cap of 5% of district FTE | Eliminates Kindergarten, 10% cap going forward for year-over-year growth. | Not included |
| Sec 31a At-Risk | kept funding and eligibility as found in current law. However, numerous language changes are proposed for the program. | replaces the current formula, requiring the specific allocation of At Risk funds in the event a district fails demonstrate at least 50% proficiency in ELA by the end of 3rd grade | retains current law | retains current law added a third accountability metric of 50% of at-risk pupils must be proficient in math by the end of 8th grade |
| NEW – Sec 68 Competency Grants | | \$21.9 million for Talent Investment Funds | Not included | Not included |

E. Short-Term / Long Term Budget Challenges

Current Budget Development Status

- FY 18-19 need to cut \$250K – \$800K to maintain balanced budget
- Unsustainable financial structure
- Working with Budget Managers to address needed reductions

E. Short-Term Challenges

- Uncertainty in State Aid (Funding) Pressures
 - FY 20' & 21'
- Continued “Capital” improvement needs
- Declining Enrollment
- Economy related operational cost increasing
- New - District security considerations/measures

E. Long Term Challenges

- Uncertainty in State Aid (Funding) Pressures
 - State's new "Fiscal Cliff" in 19-20 and beyond
- Declining Enrollment – stability in 2025
- Building Capacity/Utilization as enrollment declines
- Identifying Best Structure for Changing Delivery Model

Deficit Reduction Considerations

- Departmental reductions
- Building budget reductions – i.e. 10% reduction
- Use limited amount of fund balance
- Other ideas

Stay Tuned for May Revenue Conference Details