









2017-2018 Amended Budget

East Grand Rapids Public Schools



Discussion Topics

-  **Budget Assumption changes from June to October**
-  **Proposed 2017-2018 General Fund Budget Amendment**
- Review of June adoption, summary of changes since June
-  **Budget Forecast for 2018-2019 & 2019-2020**
-  **Student Enrollment Trend & State Budget Pressures**
-  **Summary**
-  **Discussion/Questions**



2017-2018 Amended Budget





Budget Assumptions: June to October

	June	October
Revenues:		
Foundation Allowance	\$7,837	\$7,845
High School per student supplemental	\$0	\$25
Student Enrollment	2,935	2,910
Enhancement Millage per student	\$211	\$211
EGRNow!	\$254,499	\$254,499
Expenses:		
Salary Formula:	Step Inc. less 1% base	Step Inc. less 1% base
Additional Staffing:	1.5 (HS), 1.0 Kinder	1.3 (HS), 1.0 HS Guidance, 1.0 Kinder
Health Care (% increase)	3.3%	3.3%
State Retirement	25.56%	25.56%
Utilities (% increase)	5.00%	5.00%



2017-2018 Amended Budget

	2017-2018 Original Budget	2017-2018 Amended Budget	Variance F/(U)
Revenues	\$30,163,771	\$30,014,252	(\$149,519)
Expenses	<u>\$30,115,893</u>	<u>\$30,050,552</u>	<u>\$65,341</u>
Change in Fund Reserve	\$48,378	(\$36,300)	(\$84,678)
Beginning Unreserved Fund Reserve	\$2,661,515	\$2,661,515	
Ending Unreserved Fund Reserve	\$2,709,893	\$2,625,215	
Ending Fund Reserve %	9.0%	8.7%	



Amended Budget – Change in Revenues

- **\$149,519 Overall Decrease from June**
 - **Student Enrollment** (\$211,815)
 - **Act 18 Funding** \$87,000
 - **HS Supplemental Funding** \$25,275
 - **Title I** (\$42,000)
 - **Others** (\$7,979)
- (\$149,519)**



Amended Budget – Change in Expenses

- **\$65,341 Overall decrease from June**
 - Overall personnel costs (\$98,000)
 - Special Services Trans. \$25,000
 - Utilities \$15,000
 - Others (\$7,043)
- \$65,341**



Future Year Budget Forecast



Future Year Budget Assumptions

	2017-18 Amended	2018-2019	2019-2020
Revenues:			
Foundation Allowance	\$7,845	\$7,945	\$8,045
HS per student supplemental	\$25	\$25	\$25
Student Enrollment	2,910	2,875	2,850
Enhancement Millage per student	\$211	\$215	\$218
EGRNow!	\$254,499	\$250,000	\$250,000
Expenses:			
Salaries:	Step less 1% base	1% overall	1% overall
Additional Staffing:	1.3 (HS), 1.0 HS Guidance, 1.0 (K)	(1.0) HS	(0.5) HS & MS
Health Care (% increase)	3.3%	3.4%	3.5%
State Retirement	25.56%	26.06%	26.06%
Utilities (% increase)	5%	5%	5%



Future Years Financial Forecast

	2017-2018 Amended Budget	2018-2019 Forecast	2019-2020 Forecast
Revenues	\$30,014,252	\$30,034,717	\$30,171,757
Expenses	<u>\$30,050,552</u>	<u>\$30,329,740</u>	<u>\$30,530,129</u>
Change in Fund Reserve	(\$36,300)	(\$295,023)	(\$358,371)
Beginning Unreserved Fund Reserve	\$2,661,515	\$2,625,215	\$2,330,192
Ending Unreserved Fund Reserve	\$2,625,215	\$2,330,192	\$1,971,821
Ending Fund Reserve %	8.7%	7.7%	6.5%



Future Forecast Highlights

- **Revenues up only \$150,000 over next two years:**
 - \$200 per pupil in foundation increase by second year: \$570,000
 - Loss of 60 additional students over next two years (\$465,000)
- **Expenses increase \$260,000 first year, \$480,000 by second year:**
 - 1% salary increase each year: \$200,000 each year
 - Health Care (3.4% & 2.5% increases): \$80,000 each year
 - 5% Utilities increase: \$40,000 each year
 - Staffing reduction:
 - 1.0 FTE in each of next two years
 - No budgeted cost savings from future retirements



Student Enrollment Trend

Past, present and future

	Student Enrollment	Graduating Seniors	Kinder/Y'5	Elementary Students	MS Students	HS Students
2011-2012	2,992	241	219	1,274	744	969
2012-2013	2,987	214	237	1,278	743	965
2013-2014	2,996	256	235	1,290	732	983
2014-2015	2,942	235	226	1,247	718	980
2015-2016	2,956	228	184	1,250	701	988
2016-2017	2,938	240	176	1,220	699	1,009
2017-2018	2,910	262	192	1,225	664	1,011
2018-2019	2,875	232	185*	1,194	690	970
2019-2020	2,850	243	185*	1,178	685	976
2020-2021	2,825	234	185*	1,171	701	942
2021-2022	2,810	222	185*	1,163	676	958

* Future Kindergarten classes assume 10 schools of choice students



Elementary Projected Sections

	Incoming K	K	1st	2nd	3rd	4th	5th	
Breton	21	24	21	26	22	22	25	
Breton	21	24	20	26	23	22	24	
Breton	20	25	21		23	22	25	
Lakeside	21	20	22	26	23	26	27	
Lakeside	21	20	22	25	23	25	28	
Lakeside	20	20	22	25	24	26	28	
Wealthy	21	20	25	23	23	24	27	
Wealthy	20	19	24	23	22	25	27	
Wealthy	20	20		23	22	25	26	
Total	185	192	177	197	205	217	237	
Total Sections		9	8	8	9	9	9	52

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Total Sections	52	52	52	53	54



State Budget Pressures

- **Citizens Research Council report from August 2017:**
 - “Tax credits and promises by previous legislatures and the governor to fund roads and personal property tax reimbursement are starting to come due to the tune of \$2 billion a year and possible federal cuts are on the horizon”
 - “Michigan could see \$2 to \$5 billion in diversions by FY2022, equal to 20 to 45% of the current General Fund budget. Moving into the next decade, this means that Michigan has the potential for a very challenging budget environment.”
- **General Fund contribution to School Aid Fund (FY2018):**
 - \$200 million for early payoff of state retirement incentive
 - \$23 million to cover district costs of 2017 pension reforms to shift to defined contribution plan (\$55 million over two years)
- **\$1.3 billion of general fund appropriations for higher education in 2018. Does it get shifted to School Aid Fund?**



State Budget Pressures

(In millions)	2015	2016	2017	2018	2019	2020	2021	2022
MBT Credits	(\$617.8)	(\$924.8)	(\$617.3)	(\$695.6)	(\$619.1)	(\$613.5)	(\$575.2)	(\$78.1)
Transportation	\$0	\$0	\$0	\$0	(\$150.0)	(\$325.0)	(\$600.0)	(\$600.0)
Homestead Credit	\$0	\$0	\$0	\$0	(\$205.8)	(\$205.8)	(\$205.8)	(\$214.0)
PPT Reimbursement	\$0	(\$59.7)	(\$347.9)	(\$374.9)	(\$397.9)	(\$421.9)	(\$442.4)	(\$469.7)
Income Tax Exemption	\$0	\$0	\$0	\$0	(\$18.3)	(\$42.7)	(\$67.1)	(\$91.5)
Healthy Michigan Plan	\$397.0	\$409.0	\$281.0	\$183.0	\$150.0	\$64.0	\$13.0	\$13.0
Other Costs	<u>\$0</u>	<u>\$0</u>	<u>(\$37.3)</u>	<u>(\$50.7)</u>	<u>(\$63.4)</u>	<u>(\$65.7)</u>	<u>(\$68.1)</u>	<u>(\$70.7)</u>
Total	(\$220.8)	(\$575.5)	(\$775.5)	(\$938.2)	(\$1,304.5)	(\$1,610.6)	(\$1,945.6)	(\$2,011.0)

* Data from the August 2017 Citizens Research Council Report



State Budget Pressures

- **2017 MPSERS Pension Reforms, projected cost to districts:**
 - \$23.1 million this year
 - \$168.2 million by year 10
 - \$810.7 million by year 30
- **MPSERS Dedicated Gains Policy:**
 - Policy approved in September 2017
 - In years when investment earnings exceed the assumed rate of return, the excess investment earnings would be used to buy down the rate of return permanently while holding the school aid fund support of MPSERS liabilities level.
 - 0.05% reduction in assumed rate of return would increase the district's retirement contribution rate by 0.15%.
 - If investment earnings exceed rate of return by 1% (8.5% vs. 7.5%), rate of return would be reduced by just under 0.10%.
 - End result is district retirement costs will only increase until unfunded liabilities are paid off in about 20 years



Summary

- **District Fund Balance has been stabilized**
 - Fund balance has increased from 6% to 9% in the last two years, strengthening our financial position and providing more flexibility for the next downturn in state funding
- **2017-2018 Budget Close to Structurally Balanced**
 - Goal is to efficiently spend resources so that small projected deficit is eliminated by the end of the fiscal year
- **Community support enhancing our educational program**
 - **EGRNow! (\$255,000):** Elementary world language and elementary classroom para-educators
 - **Enhancement Millage (\$617,000):** Elementary specials, elementary reading support, additional high school counselor, lower kindergarten class sizes, increased classroom tech support
 - **Recreational Millage (\$850,000):** Assists with community pool, performing arts center, custodial support, utilities
 - **Without these funding sources, district's general fund would not be able to support all of these programs**
- **Challenges in Future Years**
 - Loss of revenue from declining enrollment
 - Expenses cannot be reduced at the same rate as revenue without cutting programs
 - State budget pressures & how it affects K-12 funding
 - Attracting & retaining talented employees in current environment
 - Dramatic reduction in the number of students in college education programs



Discussion / Questions