



# East Grand Rapids Public Schools

February 10, 2012

## EGRPS Budget Trends, Ratios and Staffing Levels

Dear EGRPS Families,

The first two budget communications shared the district's projected budget deficit for 2012-2013 and provided a detailed analysis of projected expenses for 2012-2013. Our goal with the first two communications was to inform you of the significant budget deficit for 2012-2013 and explain in detail the projected expenses for 2012-2013. The goal of this third communication is to highlight the major budget trends, staffing, and student/teacher ratios. We hope this third communication will further explain how the district has prioritized its spending the past several years and the impact of the changes in state funding and legacy costs.

### EAST GRAND RAPIDS REVENUE TRENDS

District revenues can be grouped into four main categories. The four categories are 1) state revenues, 2) federal revenues, 3) county revenues, and 4) local revenues. State revenues provide the majority of revenue, on average 85% of total district revenues annually. Descriptions of the four revenue categories are below.

State Revenues: State revenues are provided primarily through a per pupil foundation allowance. The allowance amount is multiplied by the number of students in the district to calculate base state funding. The district also receives funding for a portion of its special education costs, an additional 11% of the foundation allowance for at-risk students, and a portion of costs incurred to comply with reporting requirements to the state.

Federal Revenues: The district receives stipends for each student receiving special education services, stipends for each student who is defined to be below the federal poverty level, funding for professional development, and in the last few years, one-time funding to offset reductions in state funding.

County Revenues: The district receives funding from the county via a county wide special education millage.

Local Revenues: The district's local revenues are received in a variety of ways; from child care and preschool fees, revenue from athletic programs, reimbursement from the city for Wealthy pool and 50% of the high school community pool, and cell tower leases.

In the first budget communication, we discussed the trends in per pupil funding over the last few years, and what is anticipated for next school year. The other variable that influences the level of revenue the district receives is the number of students enrolled. The table on per pupil funding is provided below along with the student enrollment.

	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012 (B)</b>	<b>2012-2013 (F)</b>
Per-Pupil Amt.	\$7,867	\$7,697	\$7,697	\$7,397	\$7,397
State one time	\$0	\$0	\$0	\$198	\$0
Fed one time	\$0	\$278	\$155	\$150	\$0
<b>Total Funding</b>	<b>\$7,867</b>	<b>\$7,975</b>	<b>\$7,852</b>	<b>\$7,745</b>	<b>\$7,397</b>
Kindergarten Funding*	\$7,867	\$7,975	\$7,852	\$7,745	\$3,699
<b>Students Enrolled</b>	<b>2,977</b>	<b>2,998</b>	<b>3,005</b>	<b>2,992</b>	<b>3,000</b>
				(B) Budget	(F) Forecast

\* New language was included in the 2011-2012 State School Aid Act which states that for the 2012-2013 school year half day kindergarten programs will only receive half the per-pupil funding.

We hope that by understanding the state foundation allowance, the one-time state and federal grants, and our student enrollment numbers over the last few years it is easier to understand the changes in the overall revenues. The consolidated total revenues are shown in the chart below.

	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012 (B)</b>	<b>2012-2013 (F)</b>
State Revenues	\$23,729,519	\$22,655,425	\$23,099,554	\$23,137,873	\$21,634,190
Federal Revenues	\$555,866	\$1,575,618	\$1,100,176	\$938,525	\$466,760
County Revenues	\$1,460,939	\$1,453,512	\$1,355,690	\$1,314,605	\$1,314,605
Local Revenues	<u>\$2,103,783</u>	<u>\$2,149,598</u>	<u>\$2,449,942</u>	<u>\$2,478,329</u>	<u>\$2,497,103</u>
<b>Total Revenues</b>	<b>\$27,850,107</b>	<b>\$27,834,153</b>	<b>\$28,005,362</b>	<b>\$27,869,332</b>	<b>\$25,912,658</b>

You will notice that county revenues have decreased throughout the years. This is the result of decreasing taxable values in Kent County during this timeframe. Local revenues increase substantially from 2009-2010 to 2010-2011 and then remain constant. This is the result of a change in federal accounting practices that require the district to show athletic revenues and expenses within the general fund instead of maintaining a separate athletic fund. Athletic revenues average approximately \$280,000 annually. The accounting change was implemented for the 2010-2011 fiscal year.

### EAST GRAND RAPIDS EXPENSE TRENDS

District personnel expenses are approximately 85% of total expenditures, with an additional 5% representing contracted personnel costs. The remaining 10% of district expenditures are non-personnel costs that include utilities, classroom supplies, textbooks, business expenses, and custodial/maintenance supplies. This section will focus on the most prevalent expenses that influence the budget each year. After providing the history of total expenses, we will focus on salaries and benefits, then the major non-personnel expenses.

#### Total Expenses:

	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012 (B)</b>	<b>2012-2013 (F)</b>
Total Salaries	\$15,463,413	\$15,773,478	\$16,001,020	\$15,358,741	\$15,348,975	\$15,620,642
Total Benefits	\$7,226,667	\$7,221,295	\$7,271,210	\$7,567,998	\$8,348,450	\$8,650,992
Other Expenses	<u>\$4,577,449</u>	<u>\$4,698,225</u>	<u>\$5,054,640</u>	<u>\$5,266,861</u>	<u>\$4,920,610</u>	<u>\$4,959,142</u>
<b>Total Expenses</b>	<b>\$27,267,529</b>	<b>\$27,692,998</b>	<b>\$28,326,870</b>	<b>\$28,193,600</b>	<b>\$28,618,035</b>	<b>\$29,230,776</b>

#### Salary Trends:

When reviewing the district's trend in salaries, two different analyses need to be considered. The first is the overall percentage increases or decreases given to each employee category annually, and the dollar value of salaries for each major employee category. Due to the reduction in employees as a result of budget cuts the past few years, the two analyses will look different. We will start with the percentage change by employee category first, followed by total dollars by category.

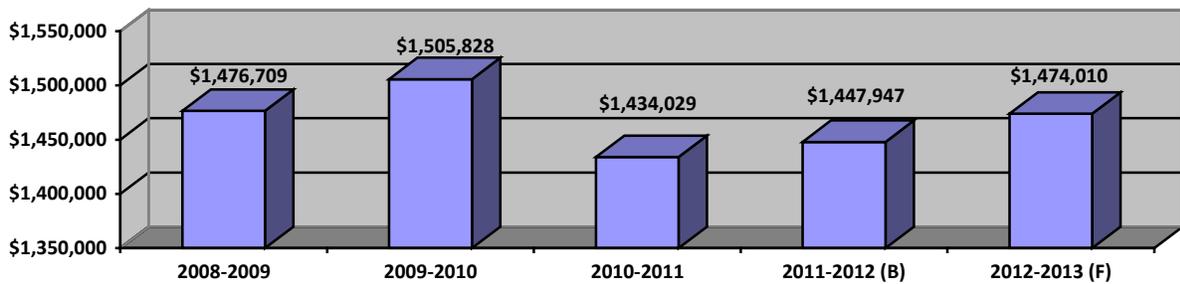
Changes to an employee's rate of pay have two components. Each employee category has a base salary or hourly wage scale, and increases or decreases are made to the overall scale. The scales have a range of salary/wage which reflects rate of pay at the bottom of the scale, with progression as experience is gained. This progression on the scale is referred to as "step increases." Step increases average about 1.8% district wide, so that figure will be used for all employee groups. To understand the overall change in salary/wage for each employee group, both components are highlighted in the following chart.

**Increases/Decreases in Employee Category Salary/Wages**

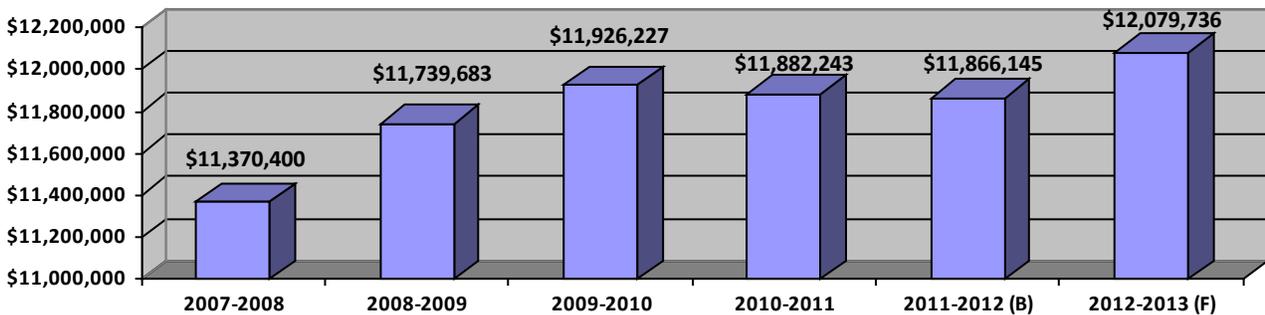
	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>Avg/Year</b>
Teacher Base	2.50%	2.50%	2.25%	1.00%	0.00%	1.65%
Teacher Step	<u>1.80%</u>	<u>1.80%</u>	<u>1.80%</u>	<u>1.80%</u>	<u>1.80%</u>	<u>1.80%</u>
<b>Teacher Total</b>	<b>4.30%</b>	<b>4.30%</b>	<b>4.05%</b>	<b>2.80%</b>	<b>1.80%</b>	<b>3.45%</b>
Admin Base	2.50%	2.25%	1.75%	(2.00%)	1.00%	1.10%
Admin Step	<u>1.80%</u>	<u>1.80%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.80%</u>	<u>1.08%</u>
<b>Admin Total</b>	<b>4.30%</b>	<b>4.05%</b>	<b>1.75%</b>	<b>(2.00%)</b>	<b>2.80%</b>	<b>2.18%</b>
Support Base	2.75%	2.50%	2.25%	1.00%	0.00%	1.70%
Support Step	<u>1.80%</u>	<u>1.80%</u>	<u>1.80%</u>	<u>1.80%</u>	<u>1.80%</u>	<u>1.80%</u>
<b>Support Total</b>	<b>4.55%</b>	<b>4.35%</b>	<b>4.05%</b>	<b>2.80%</b>	<b>1.80%</b>	<b>3.50%</b>
Custodial Base	2.75%	2.50%	2.25%	(15.00%)	0.00%	(1.50%)
Custodial Step	<u>1.80%</u>	<u>1.80%</u>	<u>1.80%</u>	<u>0.00%</u>	<u>1.80%</u>	<u>1.44%</u>
<b>Custodial Total</b>	<b>4.55%</b>	<b>4.30%</b>	<b>4.05%</b>	<b>(15.00%)</b>	<b>1.80%</b>	<b>(0.06%)</b>
Non-Union Support Base	2.50%	2.25%	1.75%	0.00%	1.00%	1.50%
Non-Union Support Step	<u>1.80%</u>	<u>1.80%</u>	<u>1.80%</u>	<u>0.00%</u>	<u>1.80%</u>	<u>1.44%</u>
<b>Non-Union Support Total</b>	<b>4.30%</b>	<b>4.05%</b>	<b>3.55%</b>	<b>0.00</b>	<b>2.80%</b>	<b>2.94%</b>

Two additional points should be noted when considering the data on this scale. In addition to taking a 15% base salary reduction in 2010-2011, the custodial group also made other financial concessions including seven days of furlough each summer. The administration in 2011-2012 agreed to pay for 20% of their medical, dental, and vision premiums. The 20% contribution offsets the 1.00% base increase and step increase equating to no change in compensation for 2011-2012.

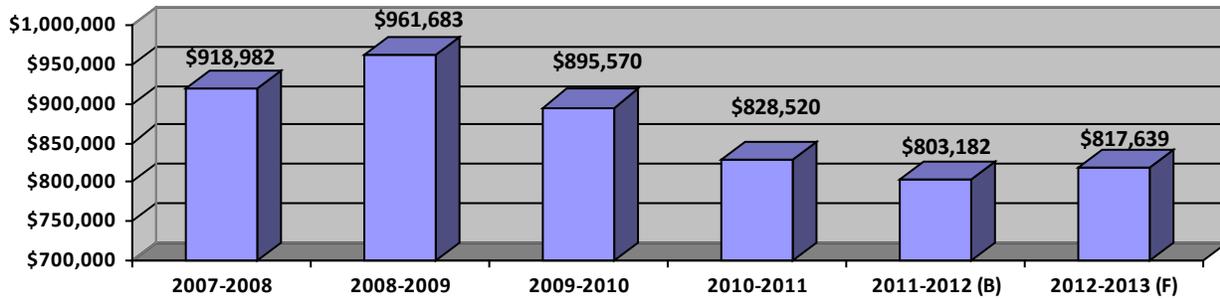
**Total Administrative Salaries:**



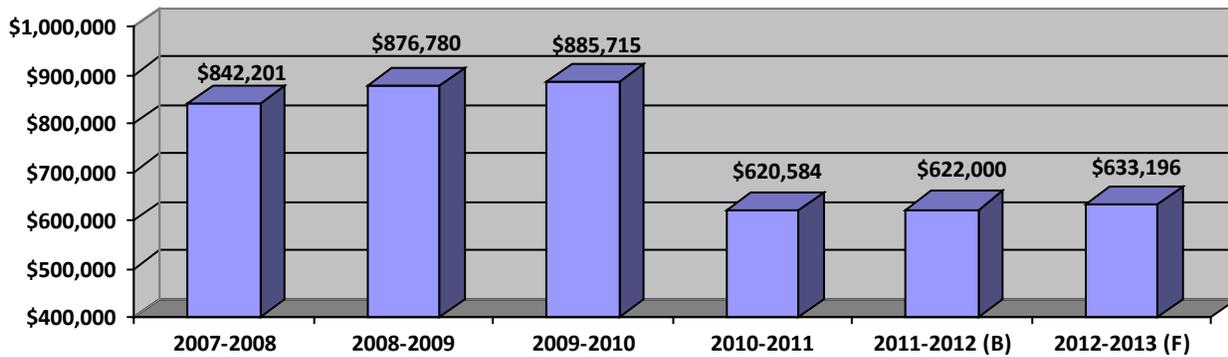
**Total Teaching Salaries:** Includes teachers, counselors, social workers, speech therapist, occupational therapist and psychologist positions.



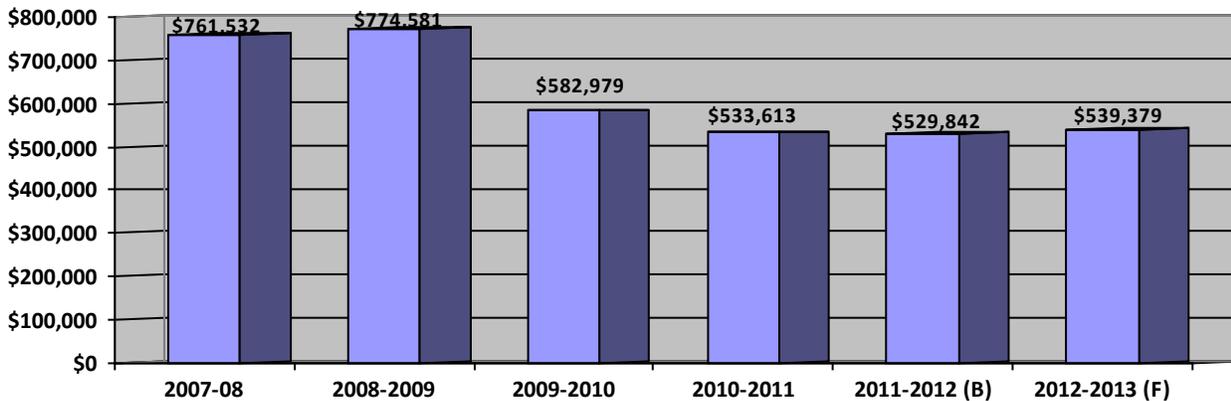
**Total Secretarial Wages:** Includes building secretaries and all support personnel at central office.



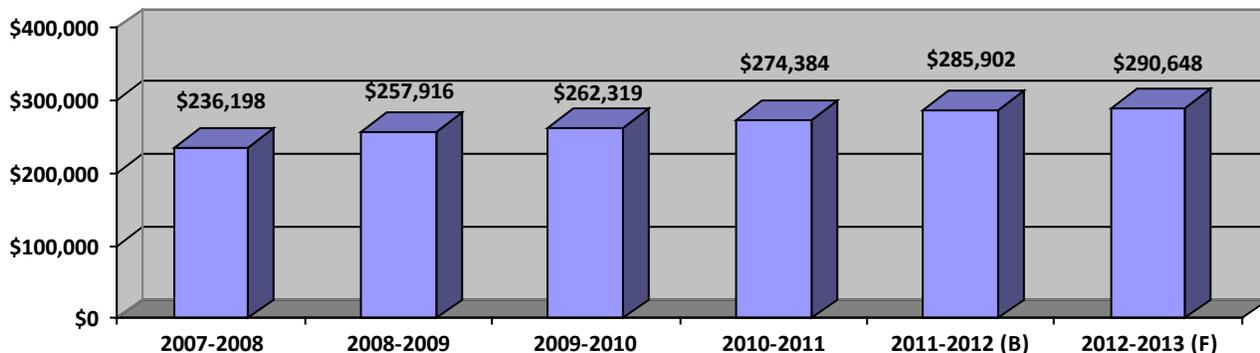
**Total Custodial/Maintenance Wages:** Includes custodial and maintenance employees.



**Total Paraeducator Wages:** This group includes classroom (Young 5's, Kindergarten, and 1<sup>st</sup> grade), special education, media center, and lunchroom/playground paraeducators.



**Total Technology Support Wages:** Includes all technology support positions. The Director of Technology & Assessment is included in administration salaries.

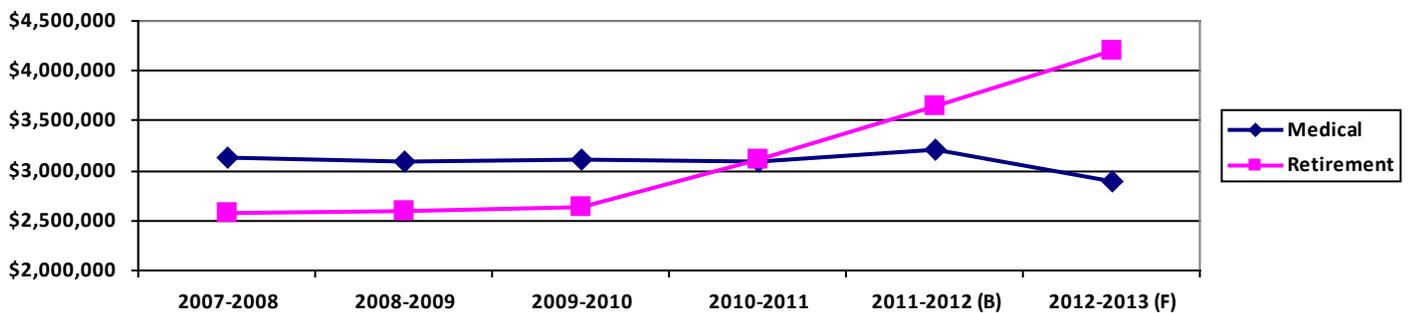


**Employee Benefit Trends:**

Employee benefits include medical, dental, vision, life insurance and long term disability benefits as well as the state mandated cost for the school employee retirement program and federally mandated social security and medicare taxes. The cost of these benefits over the past several years is shown in the following chart.

	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012 (B)</b>	<b>2012-2013 (F)</b>
Medical/Vision	\$3,124,599	\$3,097,767	\$3,107,477	\$3,086,432	\$3,203,211	\$2,886,368
Dental	\$244,241	\$259,934	\$271,348	\$266,406	\$278,520	\$293,496
Life/LTD	\$68,431	\$60,539	\$54,670	\$49,639	\$51,884	\$54,646
Retirement	\$2,568,453	\$2,594,430	\$2,634,789	\$3,101,768	\$3,575,906	\$4,181,636
Social Security	\$1,159,663	\$1,191,118	\$1,191,355	\$1,184,883	\$1,173,365	\$1,196,102

The trends that stand out are the slight decrease in medical expenses, and the dramatic increase in the state mandated retirement contributions. The figures include the effect of the recently enacted Public Act 152, which limits employer contributions to medical insurance for all employees. It also needs to be stated that the district cannot opt out of the school employee retirement system. The change in these costs over the past several years is shown graphically on the following chart.



**Other Expense Trends:**

The trend in other significant expenditures is provided in the chart below.

	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012 (B)</b>	<b>2012-2013 (F)</b>
Utilities	\$1,048,200	\$1,131,275	\$979,869	\$969,588	\$982,250	\$1,038,438
Net Cost of Athletics	\$508,185	\$540,000	\$586,000	\$540,919	\$470,093	\$478,840
Contracted Maintenance	\$140,136	\$185,833	\$215,074	\$250,232	\$240,000	\$240,000
Contracted Grounds	\$128,869	\$131,163	\$138,154	\$132,657	\$135,000	\$135,000
Teaching Supplies	\$237,156	\$164,457	\$184,274	\$181,469	\$218,959	\$177,845
Textbooks (New/Replace)	\$87,996	\$50,997	\$321,116	\$86,378	\$100,638	\$100,233
Risk Mgmt. Insurance	\$81,232	\$81,297	\$84,124	\$86,525	\$75,274	\$79,038
Worker's Comp.	\$90,306	\$86,014	\$86,570	\$59,101	\$45,016	\$47,250
Special Education Tuition	\$98,711	\$105,444	\$83,552	\$113,224	\$153,500	\$170,000
Spec Education Transp.	\$133,561	\$131,249	\$115,088	\$169,100	\$170,000	\$170,000
Technology Licenses/Fees	\$98,706	\$74,217	\$90,821	\$100,713	\$112,000	\$95,000
Joint Facilities Expense	\$38,160	\$68,091	\$89,576	\$229,500	\$173,000	\$120,000
State Aid Note Interest	\$57,889	\$22,389	\$11,205	\$6,287	\$4,700	\$20,000

To assist with the understanding of the Expense Trends table above, some of the line items are further explained below.

**Risk Management Insurance:** Represents general liability and property insurance for the district.

**Special Education Tuition:** The cost of educating students who are district residents but receive their education in a specialized county program.

**Technology Licenses/Fees:** The cost of maintaining all of our servers, software systems, and network security. The amount fluctuates annually due to some fees being paid for multiple years at a time.

Joint Facilities Expense: The expenditures to maintain outdoor recreational facilities, which is shared equally between the district and city. The district incurs all of the expenses, and the city reimburses the district for their share.

State Aid Note Interest Expense: The interest cost of borrowing money to cover operational expenses due to the district not receiving state funding between August and October. In general, a district needs to have a fund balance percentage of 16% or higher to avoid borrowing. The lower a district's fund balance, the greater the level of required borrowing, therefore, increased interest expense costs.

**DISTRICT STAFFING LEVELS**

Current district staffing levels by employee category compared to the 2008-2009 school year in the table below:

<b>Employee Group</b>	<b>2008-2009</b>	<b>2011-2012</b>	<b>Change</b>
Administration	15	15	0
Teachers	183	171	(12)
Secretarial	18	16	(2)
Custodial/Maintenance	22	20	(2)
Paraeducators	37	34	(3)
Technology	7	6	(1)
Non-Union Support Staff	30	22	(8)
Food Service	13	10	(3)
Child Care (a)	12	0	(12)
Transportation	<u>3</u>	<u>3</u>	<u>0</u>
<b>Total Employees (b)</b>	<b>340</b>	<b>297</b>	<b>(43)</b>

- (a) Child Care Workers were outsourced for the 2009-2010 school year to a private company
- (b) Figures shown above represent total employees [full time and part time equivalent employees (FTE)]

**STUDENT-TEACHER RATIOS**

Student-teacher ratios are provided in the table below for each grade at the elementary level, middle and high school in total. At the middle and high school, some classes will be above the average, some will be below. The chart reflects the average. Attempting to accommodate students in high school courses they wish to be enrolled in causes inefficiencies in the schedule that brings the overall student/teacher ratio down. In general, middle and high school core academic classes, physical education, and music classes tend to be above the average number while other electives and advanced placement courses are below the average.

	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>
Kindergarten	20.0	21.1	21.0	20.0	18.6
1 <sup>st</sup> grade	20.8	20.9	22.2	21.8	21.6
2 <sup>nd</sup> grade	20.2	21.3	22.1	22.2	21.8
3 <sup>rd</sup> grade	21.7	22.9	22.1	24.2	22.8
4 <sup>th</sup> grade	21.5	22.7	24.6	25.9	25.0
5 <sup>th</sup> grade	25.9	25.6	25.3	25.4	25.9
Middle School	26.1	26.3	26.5	25.8	26.6
High School	25.4	25.3	25.9	26.8	26.5

Thank you for taking the time to read this communication and gaining a better understanding of how our district finances and staffing have trended over the past several years. In the next communication, we will be sharing compensation expenses for all of our employee classifications.

Sincerely,



Sara Magaña Shubel, Ph.D.  
Superintendent



Kevin Philipps  
Assistant Superintendent of Business