

Public Hearing
on the
2017-2018 General Fund Budget

June 5, 2017



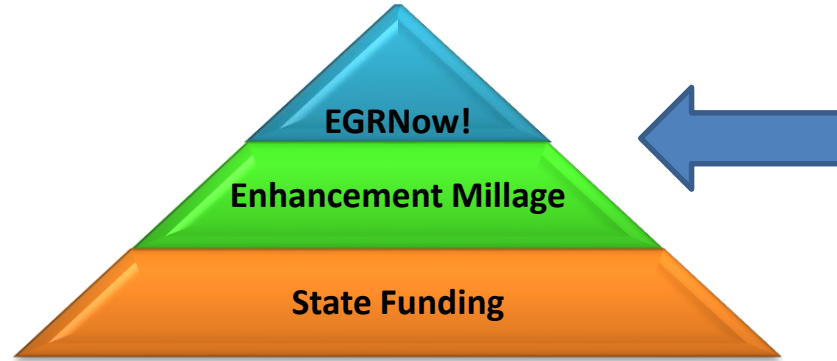
"Tradition of Excellence"

Budget Presentation

- **2016-2017 Final Proposed Budget Amendment**
 - Major changes since October
- **Proposed 2017-2018 Sinking Fund, Debt Retirement, Jt. Facilities budgets**
- **General Fund Budget Background and History**
 - Annual Budget History
 - Fund Balance History
 - State Revenue, Student Enrollment & Personnel Expense Trends
 - Bulletin 1014 Comparison & History
- **2017-2018 Proposed General Fund Budget & Budget Assumptions**
- **Future Year Budget Projections**
 - Budget Assumptions
 - Future Internal Challenges
 - Future External Challenges
- **Discussion/Questions**

2017-2018 General Fund Budget

- The Budget is a product of our Strategic Plan
 - *“Educating and inspiring each student to navigate successfully in a global community”*
- Budget is limited to the resources received



Three legs of our “funding stool”, without all three legs, we can’t provide the educational program our students deserve.

- Budget is a financial roadmap that changes daily
- Future years will bring additional financial challenges to overcome
 - State budget challenges
 - Internal budget challenges

2016-2017 Final Budget Amendment

2016-2017 Final Budget Amendment

	October Amendment	Proposed Final	Amended to Final Variance
Revenues	\$29,084,951	\$29,389,084	\$304,133
Expenses	<u>\$29,155,751</u>	<u>\$29,468,491</u>	<u>\$312,740</u>
Change in Fund Reserve	(\$70,799)	(\$79,407)	(\$8,608)
Beginning Fund Reserve	\$2,429,109	\$2,429,109	
Ending Fund Reserve	\$2,358,310	\$2,349,702	
Ending Fund Reserve %	8.1%	8.0%	

Variiances from Amended

- **Change in Revenues: Increase of \$304,133**
 - State Section 147(c) Funding: \$128,000
 - E-Rate Refunds: \$80,000
 - County Act 18 Funding: \$76,000
 - Title I & II Carryover: \$56,700
 - Others: (\$36,567)

- **Change in Expenses: Increase of \$312,740**
 - State Section 147(c) expenses: \$128,000
 - E-Rate Tech Capital Outlay & Prof Dev: \$80,000
 - Title I & II: \$56,700
 - Dental Claims: \$50,000
 - Others: (\$1,960)

2017-2018 Sinking Fund Budget

	<u>2016-2017</u>	<u>2017-2018</u>
Revenue	\$330,000	\$336,000
Expenses	<u>\$200,000</u>	<u>\$235,000</u>
Net Change	\$130,000	\$101,000
Unreserved Fund Bal.	\$433,725	\$534,725
Reserved Fund Bal. (Turf)	\$372,500	\$412,500

Long Term Sinking Fund Plan

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Beginning Balance	\$433,725	\$534,725	\$686,725	\$762,725	\$867,725	\$814,725	\$959,725
Revenues	\$336,000	\$342,000	\$348,000	\$355,000	\$362,000	\$370,000	\$377,000
Athletic Turf Fund	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
HS Gym Resurfacing	\$45,000						
Memorial Bleachers					\$250,000		
Parking Lot Resurfacing			\$82,000	\$60,000		\$60,000	
Others	<u>\$150,000</u>	<u>\$150,000</u>	<u>\$150,000</u>	<u>\$150,000</u>	<u>\$125,000</u>	<u>\$125,000</u>	<u>\$125,000</u>
Total Expenses	\$235,000	\$190,000	\$272,000	\$250,000	\$415,000	\$225,000	\$165,000
Ending Unreserved Bal	\$534,725	\$686,725	\$762,725	\$867,725	\$814,725	\$959,725	\$1,171,725

2017-2018 Debt Fund Budget

	<u>2016-2017</u>	<u>2017-2018</u>
Tax Collections	\$6,590,230	\$6,845,786
School Bond Loan Fund	<u>\$2,986,880</u>	<u>\$2,737,080</u>
Total Revenues	\$9,577,110	\$9,582,866
Expenses	<u>\$9,577,110</u>	<u>\$9,582,866</u>
Net Change	\$0	\$0
Ending Fund Balance	\$51,970	\$51,970
Millage Levied	9.95	9.95

2017-2018 Jt. Facilities Capital Budget

	<u>2016-2017</u>	<u>2017-2018</u>
Revenue – City	\$45,000	\$45,000
Revenue - Schools	<u>\$45,000</u>	<u>\$45,000</u>
Total Revenue	\$90,000	\$90,000
Expenses	<u>\$26,536</u>	<u>\$33,500</u>
Net Change	\$63,464	\$56,500
Ending Fund Balance	\$111,470	\$167,970

Long Term Jt. Facilities Plan

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Beginning Balance	\$111,470	\$167,970	\$127,970	\$155,470	\$72,970	\$136,470	\$111,470
Revenues	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000
Tennis Courts	\$13,500	\$15,000	\$47,500	\$7,500	\$11,500		
Playgrounds		\$100,000		\$100,000		\$100,000	\$100,000
Athletic Fields				\$40,000			
Pool Repair Reserve	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Others	<u>\$5,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$10,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Expenses	\$33,500	\$130,000	\$62,500	\$172,500	\$26,500	\$115,000	\$115,000
Ending Balance	\$167,970	\$127,970	\$155,470	\$72,970	\$136,470	\$111,470	\$86,470

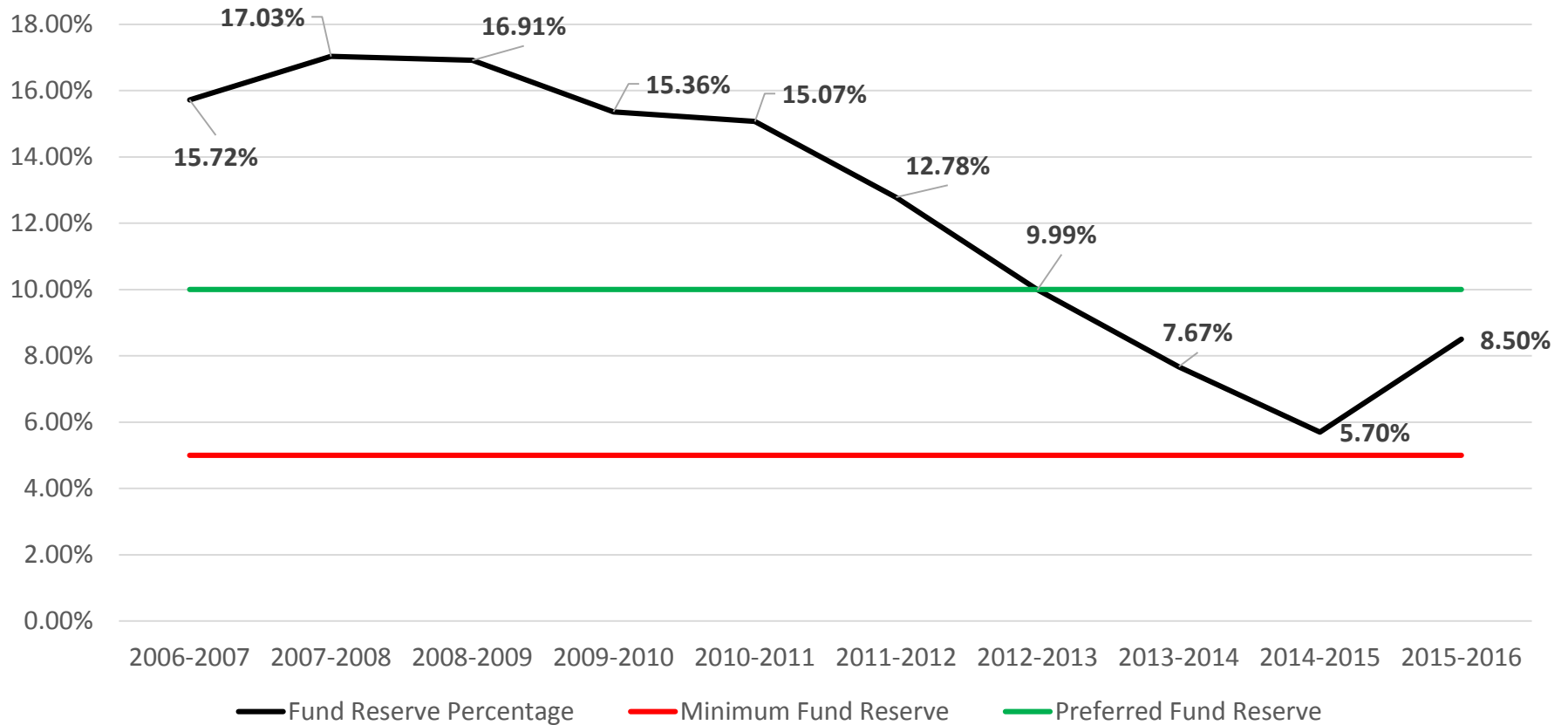
General Fund Budget Background & History

Annual Budget Results

	Revenues	Expenses	Change in Fund Reserve	Unreserved Fund Reserve
2006-2007	\$27,560,262	\$26,934,247	\$626,015	\$4,234,595
2007-2008	\$27,781,528	\$27,356,229	\$425,289	\$4,659,884
2008-2009	\$27,716,932	\$27,692,998	\$23,934	\$4,683,818
2009-2010	\$27,994,587	\$28,326,870	(\$332,283)	\$4,351,535
2010-2011	\$28,091,151	\$28,193,600	(\$102,449)	\$4,249,086
2011-2012	\$27,417,080	\$28,078,187	(\$661,107)	\$3,587,979
2012-2013	\$27,366,223	\$28,115,046	(\$748,823)	\$2,839,156
2013-2014	\$27,315,275	\$27,945,741	(\$630,466)	\$2,210,806
2014-2015	\$27,066,219	\$27,994,450	(\$928,231)	\$1,672,479
2015-2016	\$27,630,857	\$26,894,227	\$736,630	\$2,429,109

* Revenues and expenses from School Aid Fund contribution to MPSERS removed (Section 147c), which started in 2012-2013

Fund Reserve History



State Funding History

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2016-17 Vs 2008-09
Foundation Allowance	\$7,867	\$7,867	\$7,867	\$7,397	\$7,397	\$7,450	\$7,500	\$7,628	\$7,737	(\$130)
Section 147(a)	\$0	\$0	\$0	\$102	\$106	\$69	\$78	\$78	\$72	
Section 20(f) Hold Harmless	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17	\$17	
Best Practices Grant	\$0	\$0	\$0	\$100	\$52	\$52	\$50	\$0	\$0	
Performance Funding Grant	\$0	\$0	\$0	\$0	\$0	\$40	\$70	\$0	\$0	
Total State Funding	\$7,867	\$7,867	\$7,867	\$7,599	\$7,555	\$7,611	\$7,698	\$7,723	\$7,826	(\$41)

Student Enrollment History

1999-2000	2,646
2000-2001	2,700
2001-2002	2,778
2002-2003	2,854
2003-2004	2,878
2004-2005	2,893
2005-2006	2,972
2006-2007	3,009
2007-2008	3,010
2008-2009	2,977
2009-2010	2,998
2010-2011	3,005
2011-2012	2,992
2012-2013	2,987
2013-2014	2,996
2014-2015	2,940
2015-2016	2,952
2016-2017	2,938

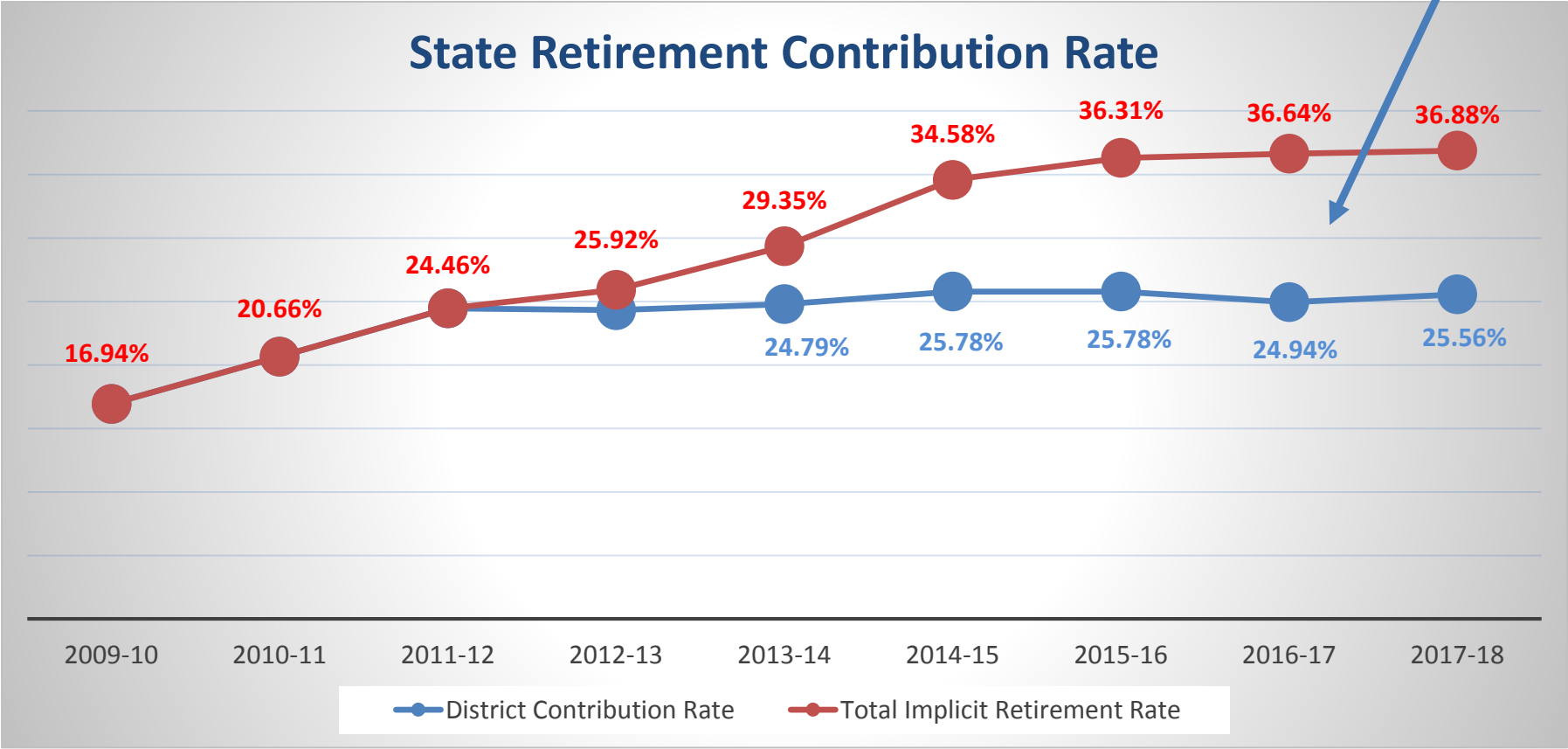
Blended Full Time Equivalent (FTE) is calculated using 10% of the prior spring count and 90% of the current year (fall count)

Personnel Expense Trend (2008-2009 to 2016-2017 Budget)

	Wages	Health	Total Retirement	Retirement Offsets	Net Retirement
2008-2009	\$15,773,478	\$2,890,277	\$2,594,430	\$0	\$2,594,430
2009-2010	\$16,001,020	\$2,925,490	\$2,634,789	\$0	\$2,634,789
2010-2011	\$15,792,998	\$2,908,473	\$3,101,768	\$0	\$3,101,768
2011-2012	\$15,824,414	\$3,092,473	\$3,734,246	\$304,634	\$3,429,612
2012-2013	\$15,764,475	\$2,471,727	\$4,145,622	\$618,763	\$3,526,859
2013-2014	\$15,533,137	\$2,509,419	\$4,628,377	\$1,058,811	\$3,569,566
2014-2015	\$15,430,045	\$2,720,728	\$5,429,796	\$1,687,786	\$3,742,010
2015-2016	\$14,517,593	\$2,741,005	\$5,397,475	\$1,721,212	\$3,676,263
2016-2017 (Budget)	\$14,812,605	\$2,783,298	\$5,423,616	\$1,847,823	\$3,575,793
Net Change since 2008-2009	(\$960,873)	(\$106,979)	\$2,829,186	\$1,847,823	\$981,363

MPERS State Retirement History

Difference between total cost and district cost is School Aid Fund contribution to MPERS



Bulletin 1014 – 6 year trend

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Total Sample	786	797	813	829	841	839
General Fund Revenues	282 nd	186 th	253 rd	288 th	304 th	295 th
Expenses:						
• Basic Program	101 st	52 nd	59 th	60 th	58 th	63 rd
• Added Needs	695 th	703 rd	706 th	735 th	735 th	767 th
• Instructional Support	148 th	147 th	192 nd	180 th	203 rd	278 th
• Operations & Maintenance	303 rd	309 th	658 th	638 th	675 th	648 th
• Business & Administration	386 th	476 th	482 nd	523 rd	498 th	589 th
Total GF Expenses	254 th	202 nd	236 th	241 st	242 nd	342 nd
Avg. Teacher Salary	47 th	44 th	53 rd	45 th	42 nd	52 nd

* 2012-13 drop in rankings for general fund revenues and operations & maintenance is the result of separating recreational millage revenue and related expenses from the General Fund

2017-2018 Proposed Budget & Assumptions

2017-2018 Budget Assumptions

- **Revenue Assumptions:**

- Foundation Allowance: \$7,837 (\$100/pupil increase)
 - House Budget Proposal (State budget not yet finalized)
- Student Enrollment: 2,935 FTE's (2,938 in 2016-2017)
- Enhancement Millage: \$211/pupil (\$617,000)
- EGRNow!: \$254,499

- **Expense Assumptions:**

- Salary Formula:
 - Step increase, 2016-17 1% base scale increase repealed
 - Overall increase: 1.1%
- Health Care: 3.3% state cap increase (MESSA), WMHIP 5.8%
- Retirement Rate: 25.56% (24.94% in 2016-17)
 - Offset by additional state Section 147(a) retirement offset funding
- Staffing: 2.5 FTE teaching increase
 - 1.5 FTE additional staff at high school
 - 1.0 FTE additional kindergarten (9 sections vs. 8 in 2016-17)
- Utilities: 5% increase

2017-2018 Proposed Budget

	2016-2017 Proposed Final	2017-2018 Proposed Original	Increase/ (Decrease)
Revenues	\$29,389,084	\$30,163,771	\$774,687
Expenses	<u>\$29,468,491</u>	<u>\$30,115,893</u>	<u>\$647,402</u>
Change in Fund Reserve	(\$79,407)	\$48,378	\$127,285
Beginning Fund Reserve	\$2,429,109	\$2,349,702	
Ending Fund Reserve	\$2,349,702	\$2,398,080	
Ending Fund Reserve %	8.0%	8.0%	

2016-17 to 2017-18

- **Increase in Revenues: Increase of \$774,687**
 - Enhancement Millage: \$617,000
 - State Funding: \$449,221
 - \$100 per pupil increase: \$293,500
 - Increase in Section 147(a): \$90,000
 - At-Risk Funding: \$25,000
 - EGRNow! (\$406,000 to \$254,499): (\$151,501)
 - County Act 18 Funding: (\$55,000)
 - Others: (\$85,033)
- **Increase in Expenses: Increase of \$647,402**
 - Teacher Staffing Increases (2.5 FTE): \$250,000
 - 1.5 FTE at high school, 1.0 FTE in kindergarten
 - Salary/Wage Increase (1.1%): \$200,000
 - Health Care (3.3%): \$90,000
 - Retirement (24.94% to 25.56%): \$90,000
 - Long Term Subs to Full Time Staff: \$40,000
 - Others: (\$22,598)

2017-2018 Budget Sensitivity Analysis

	2,900 stud. \$0/pupil	2,915 stud. \$50/pupil	2,935 stud. \$100/pupil	2,950 stud. \$140/pupil	2,965 stud. \$180/pupil
Revenues	\$29,880,550	\$30,001,930	\$30,163,771	\$30,285,151	\$30,406,531
Expenses	<u>\$29,881,884</u>	<u>\$30,115,393</u>	<u>\$30,115,893</u>	<u>\$30,327,674</u>	<u>\$30,327,674</u>
Change in Fund Reserve	(\$1,334)	(\$113,463)	\$48,378	(\$42,523)	\$78,857
Beginning Fund Reserve	\$2,349,702	\$2,349,702	\$2,349,702	\$2,349,702	\$2,349,702
Ending Fund Reserve	\$2,348,369	\$2,236,240	\$2,398,080	\$2,307,179	\$2,428,560
Ending Fund Reserve %	7.9%	7.4%	8.0%	7.6%	8.0%
Salary Formula	No increase	Step Increase, less 1% scale reduction	Step Increase, less 1% scale reduction	Step Increase (2.1%)	Step Increase (2.1%)

* Per pupil increase scenarios are based on 2,935 students at each change in increase

Future Years Budget Projections & Internal/External Challenges

State Funding Projection

(In Millions \$)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
School Aid Fund Revenues	\$11,747.1	\$12,118.7	\$12,609.9	\$12,970.5	\$13,330.5	\$13,703.6	\$14,088.3
Year over Year Growth	\$226.6	\$371.6	\$491.2	\$360.6	\$360.0	\$373.1	\$384.7
Growth %	2.0%	3.2%	4.1%	2.9%	2.8%	2.8%	2.8%
MPSERS Contribution	(\$274.0)	(\$216.5)	(\$90.0)	(\$27.0)	?	?	?
Net Incremental Funds	(\$47.4)	\$155.1	\$401.2.	\$333.6	\$360.0	\$373.1	\$384.7
Projected Students	1,500,000	1,496,000	1,490,700	1,486,500	1,482,000	1,482,000	1,482,000
Incremental Funds/student	(\$32)	\$104	\$269	\$224	\$243	\$252	\$260
Actual/Projected Increase in Funding/pupil	\$50	\$25	\$109	\$100	\$100	\$100	\$100
GF Contribution to SAF		\$45.9	\$226.0	\$215.0	?	?	?

EGR Schools Foundation

2012-2013	\$520,470
2013-2014	\$270,855
2014-2015	\$145,400
2015-2016	\$255,310
2016-2017	\$406,000
2017-2018	\$254,499
6-Year Average	\$308,755
2018-2019 (Budget)	\$150,000
2019-2020 (Budget)	\$150,000

Enrollment Projections

	2016-2017	2017-2018	2018-2019	2019-2020
Previous Year Enrollment	2,940	2,938	2,935	2,890
Graduating Seniors	226	240	267	244
Incoming K/Young 5s	157	180	180	180
Schools Of Choice	24	21	20	20
Community Growth	43	36	22	29
Actual / Projected Growth	2,938	2,935	2,890	2,875

- Grades K-5 = 206 per grade, Grades 6-12 = 244 per grade
- 206 per grade = 2,678 district wide, 244 per grade = 3,172 district wide

Expense Assumptions

- **Salary/Wages:**
 - 1.0% overall increase
 - \$150,000 in salary/wages, \$200,000 total cost with Ret/FICA
 - Salary formula will sunset June 30, 2018
- **Staffing:**
 - Staffing maintained at 2017-2018 levels
- **Health Insurance:**
 - 2.5% annual increase in state contribution cap
 - \$75,000 increase in cost
- **Retirement Rate: Maintained at 25.56%**
- **Utilities: 5% increase**

Future Years Projection

	2017-2018 Proposed Budget	2018-2019 Forecast	2019-2020 Forecast
Revenues	\$30,163,771	\$30,070,008	\$30,299,455
Expenses	<u>\$30,115,393</u>	<u>\$30,115,393</u>	<u>\$30,646,772</u>
Change in Fund Reserve	\$48,378	(\$302,735)	(\$347,317)
Beginning Fund Reserve	\$2,349,702	\$2,398,080	\$2,095,345
Ending Fund Reserve	\$2,398,080	\$2,095,345	\$1,748,028
Ending Fund Reserve %	8.0%	6.9%	5.7%
State Foundation Allowance	\$7,837	\$7,937	\$8,037
State Per-Pupil increase		\$100	\$100
Student Enrollment	2,935	2,890	2,875
EGRNow!	\$254,499	\$150,000	\$150,000
Salary/Wage increase	1.1%	1.0%	1.0%

State Budget Challenges

- **State General Fund Budget:**
 - Projected \$2 billion budget gap by 2023
 - Repeal of PPT: \$493 million
 - Dedicated road funding: \$600 million
 - Increased homestead exemption: \$218 million
 - MEGA tax credits: \$589 million
 - State's unrestricted general fund budget is \$10.3 billion
 - \$2 billion gap doesn't include a cyclical economic recession
- **How does that affect state K-12 funding?**
 - School aid fund projected to fund over \$600 million of community college and higher education costs in 2017-18. General fund transfers \$215 million to school aid fund. Net loss of \$400 million to school aid fund for K-12 in 2017-18.
 - Beyond the \$400 million in school aid fund support of higher education, \$1.3 billion of the general fund is allocated for higher education.
- **As the general fund budget gap grows, will the \$1.3 billion in higher education appropriations transfer to the school aid fund?**

State Budget Challenges

- **Closing of MPSERS Defined Benefit program to new employees:**
 - Political battle between legislature and Governor that is holding up completion of state budget
 - Major issue is the additional annual costs to make the transition
 - Additional costs of a defined contribution plan vs. normal cost of defined benefit
 - Additional cost of the unfunded liabilities of the program due to lowering the rate of return assumption
 - Estimated additional cost \$410 million in 2019, growing to \$669 million by 2027 (House Fiscal Agency)
 - \$46.4 billion over 40 years
- **Where will additional money come from?**
 - House and Senate budgets attempted to set aside \$300 million in 2017-18 budget to jumpstart the transition
 - May revenue conference lowered general fund revenues, impacting ability to set aside the \$300 million
 - Eventually, additional cost will be at the expense of K-12 schools, either through increased retirement rate, additional use of school aid fund dollars, or combination of both

Internal Budget Challenges

- **Student Enrollment:**

- Based on current data, next five years project a sizable decrease in student enrollment
- Birth rates have stabilized, but not returned to levels seen 10 years ago
- Expenses cannot be reduced at the same level as the loss of revenue from declining enrollment without affecting student programs

- **Employee compensation (recruiting & retaining talent):**

- Pay scales have increased 1% in the last six years
- Salary formula negotiated two years ago was a model of collaboration and equity, but state support hasn't been strong enough for employees to benefit as much as they deserve.
- Increasing difficulty to stay competitive, both within the K-12 industry and outside of K-12 to attract the talent we need to achieve our goals
- The budget challenges at the state level are going to increase our difficulty to be competitive going forward
- \$140 per student increase in foundation allowance to be able to pay employees a step increase
 - Last increase of \$140 per pupil or more was 2006-2007 (\$210/pupil)

Summary

- **General Fund budget is in a position of greater stability right now**
 - After 6 years of significant use of fund balance
 - 2015-16 – positive structural balance
 - 2016-17 – small budgeted deficit, hopefully balanced when year ends
 - 2017-18 – proposing positive structural balance
- **Local initiatives in place to support all budgets**
 - **General Fund:**
 - Recreational millage
 - County enhancement millage
 - EGRNow!
 - **Joint Facilities:**
 - Turf replacement fund
 - Community pool repair reserve
 - **Sinking Fund:**
 - Ability to ask community to include technology & security purchases in the future
- **Will we be able to weather the state’s likely future fiscal storm**
 - Potential devastating budget gap in state’s general fund in next five years
 - Cost of retirement system: What is right solution? How much will it cost?
 - Economic slowdown will eventually occur, but not included in financial scenarios
- **Student enrollment pressures**
 - Loss of revenue will be a significant budget pressure, as costs will not reduce at same pace

Questions/Discussion?