



East Grand Rapids Public Schools
Community Budget Guide
2015-2016 Fiscal Year

*Educating and inspiring each student to navigate
successfully in a global community*

www.egrps.org

Message from the Superintendent

December 2015

Dear East Grand Rapids Public Schools Community,

This updated Community Budget Guide for 2015-2016 is designed as a communication tool to provide continued transparency and information to community members regarding the complexities and challenges surrounding the development of the annual budget for East Grand Rapids Public Schools. The district originally published four financial communications in 2012, that outlined the budget process and historical trends, these communications can be found [here](#) or on the district website www.egrps.org. This Community Budget Guide includes updated information from the previous financial communications and it is our intent to update the guide on an annual basis.

The Community Budget Guide includes information regarding our current revenues and expenses, projections, as well as historical trends. It also includes several years' worth of data on actual budget performances, fund balance history, and student enrollment. A point of pride continues to be that the financial data denotes the emphasis that the Board of Education and administration have placed on prioritizing the allocation of resources directly into programs and services that impact teaching and learning (page 4). The Community Budget Guide includes a glossary of financial and educational terms (page 15) to assist the reader with understanding the budget terminology used throughout this guide.

Over the past seven years East Grand Rapids Public Schools has received minimal per-pupil foundation allowance funding from the state of Michigan; zero increases (2009-2010, 2010-2011, 2012-2013), a decrease \$470 (2011-2012), and minimal increases \$53 (2013-2014), \$50 (2014-2015). Although the foundation allowance was increased by \$128 in 2015-2016, other components of state funding were eliminated, resulting in an actual net increase in state funding of only \$25 per pupil. The 2015-2016 per-pupil foundation allowance still remains \$239 less per pupil than what was received in the 2008-2009 fiscal year. During these same fiscal years, the district experienced an increase in expenses in the mandated state employee retirement program (MPSERS) which increased expenses from \$2,634,789 (2009-2010) to \$5,479,796 (2014-2015), reflecting a 108% increase over a six-year period (page 4). Despite implementing significant budget reductions over these same fiscal years of \$4.4 million, \$3.0 million in fund balance, and close to \$1.2 million in EGRNow! contributions from our community, achieving a structural balance in the district's operational budget continues to be a challenge due to the overall funding received annually from the state. This past summer the Board of Education, administration, and district staff collaborated and made significant progress towards achieving a structural balance by negotiating a three-year teacher contract that takes into consideration the financial long-term viability of the district.

The goal of the Board of Education and administration as we prepare for the 2016-2017 budget process is to develop a structurally balanced budget without any additional fund balance reserves being used (pages 10 and 11). For the 2016-2017 fiscal year we are projecting a deficit of \$435,000 in our operational budget. This deficit amount is significantly lower than we have experienced in the past several years due to the reductions that have already occurred; however, the amount is not insignificant and it still presents a challenge as we work toward developing a structurally balanced budget. This projection is based on receiving no increase in state per-pupil funding and does not include any potential EGRNow! contributions the district may receive. If the district were to receive additional funding from either of these two sources it would positively impact the projected deficit and the development of a structurally balanced budget. This anticipated deficit will require collaboration on all our parts to continue making the difficult decisions that will be necessary in order to have a structurally balanced budget in place for the 2016-2017 school year.

We encourage you to learn more about the EGRPS budget and to be actively engaged throughout the development of the 2016-2017 budget priorities. The Board of Education and administration welcome recommendations on how the district's financial resources should be allocated in order to maintain essential programs and services that impact teaching and learning. On behalf of the Board of Education we thank you for your continued support of East Grand Rapids Public Schools and our Tradition of Excellence.

Sincerely,



Sara Magaña Shubel, Ph.D.
Superintendent
Email: sshubel@egrps.org

East Grand Rapids Public Schools has two primary budgets: Operational and Capital Projects

- The **Operational Budget** (General Fund) provides for personnel and program expenses as well as the day-to-day operations and maintenance of our schools. The majority of funding for the operational budget comes from the State of Michigan through the per-pupil foundation allowance.
- The **Capital Projects Budget** consists of two funds: the Building & Site Sinking Fund and the 2014 Bond Construction Fund. Both of the capital funds address building needs and repairs, and funds from these budgets **cannot** support ongoing operational or personnel costs. Capital projects are financed by millages approved by the residents of the district.

The Board of Education must annually approve a balanced budget by June 30. Currently the district is in the 2015-2016 Fiscal Year which runs from July 1 to June 30.

Property taxes align with the two primary EGRPS budgets in the following ways:

Operational Budget: (comprised of)

- 6 mill State Education Tax: Paid by all property owners statewide, these 6 mills are collected at the state level and are combined with a portion of state income and sales taxes, as well as state lottery profits and a portion of other taxes to fund the state School Aid Fund, which is allocated to school districts on a per-pupil basis.
- 18 mill Non-Homestead Millage: Paid by property owners without a homestead exemption, these 18 mills are collected locally and represent a portion of the per-pupil state foundation allowance.
- 1.4 mill Recreational Millage: Paid by all property owners in the East Grand Rapids Public School District. The monies collected by the millage are used to offset specific expenses incurred with recreational activities in the district.

Capital Projects Budget: (comprised of)

- 9.95 mill Debt Retirement Levy: This tax levy is used to repay the principal and interest on voter-approved construction projects and is paid by all property owners in the East Grand Rapids Public School District.
- 0.5 mill Building & Site Sinking Fund Levy: This tax levy is used to provide funding for ongoing capital repairs and improvements and is paid by all property owners in the East Grand Rapids Public School District. This levy is scheduled for renewal in 2016.

Based on current law the Board of Education can only ask the community to support tax requests for capital projects and cannot ask the community to support a tax increase for operational expenses. Funds raised through the sale of voter-approved bond issues, such as the 2014 Bond Construction Fund, as well as the district Building & Site Sinking Fund, **cannot** be used to support operational expenses such as employee salaries and benefits, school supplies, and textbooks. Operational expenses, such as employee salaries and benefits, school supplies, and textbooks, are funded annually through the state foundation allowance \$7,628 (2015-2016) received on a per-pupil basis.

EGRPS Revenue Sources

Foundation Allowance Per-Pupil

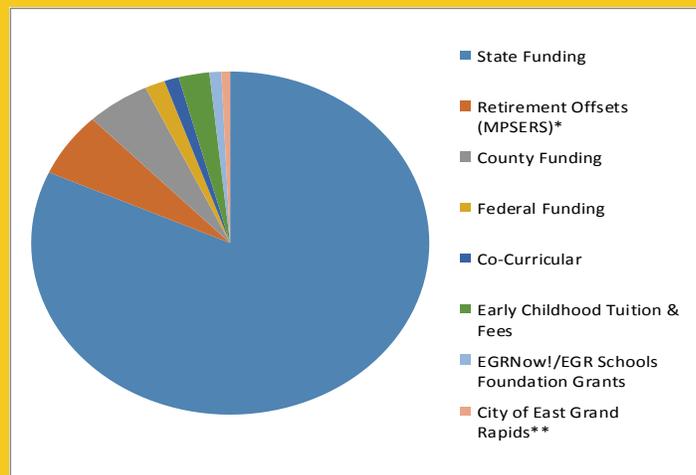
The state foundation allowance is the district's major source of funding which was created in 1994 with Proposal A. In the last few years, other sources of state funding have been provided in lieu of further increases to the foundation allowance. They include funding to offset the cost of the state retirement program, and grants for complying with best business practices and showing improvement in student testing performance. The best business practices and student test performance grants were eliminated for 2015-2016. Below is a history of the foundation allowance since the beginning of Proposal A.

Fiscal Year	Foundation Allowance	Total Increase/Decrease
1994-1995	\$5,800	N/A
1995-1996	\$5,953	\$153
1996-1997	\$6,108	\$155
1997-1998	\$6,262	\$154
1998-1999	\$6,262	\$0
1999-2000	\$6,500	\$238
2000-2001	\$6,801	\$301
2001-2002	\$7,101	\$300
2002-2003	\$7,301	\$200
2003-2004	\$7,301	\$0
2004-2005	\$7,301	\$0
2005-2006	\$7,476	\$175
2006-2007	\$7,686	\$210
2007-2008	\$7,770	\$84
2008-2009	\$7,867	\$97
2009-2010	\$7,867	\$0
2010-2011	\$7,867	\$0
2011-2012	\$7,397	(\$470)
2012-2013	\$7,397	\$0
2013-2014	\$7,450	\$53
2014-2015	\$7,500	\$50
2015-2016 *	\$7,628	\$128 *

* In 2015-2016, the Best Practices and Student Performance grants were eliminated. Despite the \$128 increase in the foundation allowance, the actual net increase in total state funding for 2015-2016 was \$25 per student.

EGRPS Revenue Sources 2014-2015 School Year

State Funding for Operations	\$22,948,674
Retirement Offsets (MPSERS) *	\$1,700,941
County Funding	\$1,454,232
Federal Funding	\$458,560
Co-curricular	\$333,236
Early Childhood Tuition & Fees	\$703,621
EGRNow!	\$145,400
EGR Schools Foundation Grants	\$121,077
City of East Grand Rapids **	\$202,263
Others	<u>\$414,251</u>
Total	\$28,482,254



Annual funding is determined by the state Legislature through the State School Aid Act. Funding for K-12 school districts is primarily a state funded model and 81% of EGRPS revenue comes from the state. Under the current system, local school districts can only request support from the community for tax initiatives for capital improvements. Local tax initiatives to support day-to-day operational expenses are not allowable.

* Retirement offsets (MPSERS) represents state funding that has been dedicated to reduce the increase in state mandated retirement.

** City of East Grand Rapids revenue represents the reimbursement of 50% of the expenses incurred to operate the community pool at the high school.

EGRPS Resource Allocation

EGRPS Expenses 2014-2015 School Year

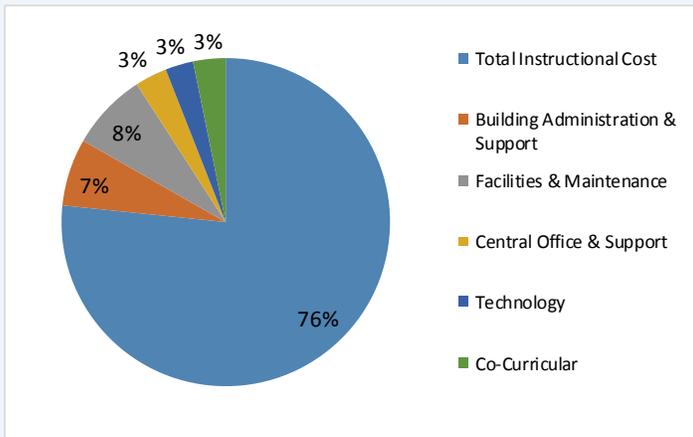
Instructional		
Elementary	\$7,538,726	25.6%
Middle School	\$4,192,954	14.3%
High School	\$5,311,927	18.1%
Special Education	\$2,935,194	10.0%
Instructional Support	\$1,521,181	5.2%
Early Childhood	<u>\$666,821</u>	<u>2.3%</u>
Total Instructional	\$22,166,803	75.4%
Non-Instructional		
Facilities & Maintenance	\$2,205,956	7.5%
Building Admin. & Support	\$1,916,727	6.5%
Central Office Admin. & Support	\$913,949	3.1%
Co-Curricular	\$927,400	3.2%
Technology	\$798,439	2.7%
Others	<u>\$481,209</u>	<u>1.6%</u>
Total Non-Instructional	\$7,243,681	24.6%
Total Expenses	\$29,410,484	100.0%

Personnel Expenses 2014-2015 School Year

Salaries	\$16,263,243	62.4%
Retirement (MPSERS)*	\$5,479,796	21.0%
Medical	\$2,724,906	10.4%
Soc. Sec./Medicare	\$1,211,194	4.6%
Dental	\$239,771	0.9%
Life/LTD/Worker's Comp	<u>\$162,108</u>	<u>0.6%</u>
Total Personnel	\$26,081,018	88.7%
Non-Personnel **	<u>\$3,329,466</u>	<u>11.3%</u>
Total Expenses	\$29,410,484	100.0%

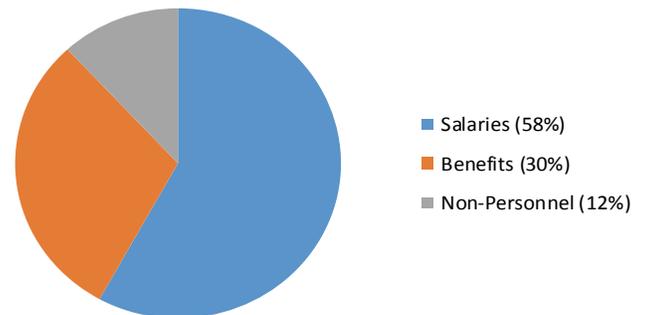
The majority (88.7%) of the district's budget is spent on personnel costs.

Instructional vs. Non-Instructional Expenses



The priority is to allocate resources directly to the classroom and other educational opportunities for students. When combining total instructional expenses and co-curriculars, which are school sponsored activities outside of the school day, the district spent 79% of its resources on educational opportunities for students.

Personnel Expenses 2014-2015



* The state mandated retirement (MPSERS) expenses have risen dramatically. **EGRPS retirement costs were \$2,634,789 in 2009-2010 and \$5,479,796 in 2014-2015 reflecting a 108% increase over the last five years.** To reduce the impact on the district, the state utilized \$1,700,941 of school funding resources to lower "net retirement costs" to \$3,778,855 or a "net increase of 43%" over six years.

** Examples of Non-Personnel Expenses:

- Utilities
- Teaching Supplies & Textbooks
- Business Expenses (Audit, Legal, Risk Mgmt. Insurance)
- Custodial & Maintenance Supplies
- Capital Outlay Purchases
- Technology License Fees

EGRPS Revenue Compared to Peers

Like Districts in Michigan Comparison Per-Pupil Revenue 2013-2014

Per-Pupil Funding	Local Sources*	State Sources**	Federal Sources***	Total
Bloomfield Hills	\$7,404	\$7,021	\$459	\$14,894
Birmingham	\$6,649	\$6,861	\$299	\$13,923
Grosse Pointe	\$3,511	\$8,054	\$313	\$11,879
West Bloomfield	\$2,413	\$7,373	\$314	\$10,156
East Lansing	\$3,403	\$6,426	\$258	\$10,089
Forest Hills	\$2,609	\$7,198	\$236	\$10,072
Okemos	\$2,722	\$6,870	\$123	\$9,801
East Grand Rapids	\$1,521	\$7,704	\$156	\$9,384
Spring Lake	\$2,147	\$6,741	\$233	\$9,174

* **Local:** All revenue produced within district boundaries, including non-homestead tax collections, early childhood, and building rentals

** **State:** All revenue received from the state

*** **Federal:** All revenue provided by the federal government, primarily special education, Title I and Title II programs

The data represented is from the state's [Bulletin 1014](#) report, which ranks school district spending in main budget categories.

The data reflects per-pupil spending for the 2013-2014 school year (most current data available).

Kent County Districts Comparison Per-Pupil Revenue 2013-2014

Per-Pupil Funding	Local Sources*	State Sources**	Federal Sources***	Total
Grand Rapids	\$3,088	\$6,583	\$1,811	\$11,636
Godwin Heights	\$2,470	\$7,321	\$667	\$10,458
Godfrey Lee	\$1,134	\$7,759	\$1,286	\$10,184
Kelloggsville	\$2,666	\$6,713	\$590	\$10,118
Forest Hills	\$2,609	\$7,198	\$236	\$10,072
Northview	\$2,461	\$7,100	\$372	\$9,971
Kent City	\$1,234	\$7,794	\$671	\$9,844
Wyoming	\$2,360	\$6,502	\$894	\$9,813
Kentwood	\$2,855	\$6,153	\$715	\$9,779
Kenowa Hills	\$3,592	\$5,497	\$414	\$9,595
Caledonia	\$2,396	\$6,804	\$273	\$9,479
Comstock Park	\$2,110	\$6,823	\$527	\$9,477
East Grand Rapids	\$1,521	\$7,704	\$156	\$9,384
Byron Center	\$2,073	\$6,828	\$260	\$9,309
Sparta	\$1,819	\$6,958	\$508	\$9,285
Grandville	\$2,739	\$6,020	\$365	\$9,226
Cedar Springs	\$1,368	\$7,391	\$409	\$9,193
Rockford	\$1,689	\$7,226	\$208	\$9,175
Lowell	\$1,413	\$7,171	\$282	\$8,980
Thornapple Kellogg	\$1,385	\$7,226	\$290	\$8,919

In 1994 Michigan voters approved Proposal A which revamped how schools would be funded and also provided educational reforms. Fundamentally Proposal A created a state school funding model to replace the local school district taxation model that was in place. Proposal A promised a minimum per-pupil foundation allowance, more equity among local school districts, lower property taxes, and more school accountability. It also eliminated the ability of a local community to raise taxes to provide additional operational funding for its school district once the foundation allowance was established.

To reduce funding disparities among school districts a minimum foundation allowance per-pupil was established for each district in the state. This allowance was influenced by the amount of funding a district received prior to the passage of Proposal A. This meant that districts with higher property values before Proposal A were assigned a higher foundation allowance. This is the reason many of the districts in the Like District comparison above receive a much larger foundation allowance than East Grand Rapids Public Schools. For 2015-2016 the minimum foundation allowance is \$7,391 per-pupil, and the maximum foundation allowance is \$8,169 per pupil. East Grand Rapids Public Schools received \$7,628 per-pupil. Districts that receive over \$8,169 per pupil are considered "hold-harmless districts" and allowed by law to levy additional mills with voter approval to meet their prescribed foundation allowance.

Proposal A dramatically decreased the amount of property taxes paid by Michigan residents and limited future increases. In 1994, on average, homeowners and businesses were paying 33 mills for school operating purposes. Proposal A reduced school operating mills levied on homeowners to 6 mills with the potential for an additional 18 mills to be levied on non-homestead properties. For additional school funding information, please see the Senate Fiscal Agency [The Basics of School Funding](#) or visit the [Michigan.gov website](#).

EGRPS Expenses Compared to Peers

Kent County Districts Comparison Per-Pupil Expenses 2013-2014

District Name	Basic Programs	Added Needs	Inst. Support	Admin.	Operations & Mgmt.	Total Gen Fund	Avg. Teacher Salary
Grand Rapids	\$4,373	\$1,700	\$2,043	\$1,453	\$1,181	\$11,659	\$51,899
Kelloggsville	\$5,007	\$1,643	\$811	\$1,297	\$757	\$10,310	\$71,214
Godwin Heights	\$5,381	\$1,356	\$1,022	\$1,047	\$997	\$10,301	\$68,173
Forest Hills	\$5,553	\$883	\$1,132	\$1,015	\$901	\$10,177	\$66,997
Northview	\$4,987	\$1,474	\$927	\$1,272	\$755	\$9,922	\$62,688
Wyoming	\$5,046	\$1,596	\$969	\$857	\$681	\$9,914	\$68,728
Godfrey Lee	\$4,608	\$1,265	\$1,318	\$1,080	\$664	\$9,855	\$55,507
Kent City	\$4,562	\$1,252	\$798	\$1,196	\$914	\$9,807	\$64,354
Kentwood	\$4,973	\$1,445	\$934	\$1,003	\$895	\$9,767	\$63,434
Comstock Park	\$4,819	\$1,573	\$970	\$985	\$633	\$9,695	\$62,313
East Grand Rapids	\$5,946	\$558	\$974	\$1,150	\$726	\$9,677	\$69,202
Caledonia	\$5,342	\$933	\$691	\$1,039	\$852	\$9,675	\$64,471
Kenowa Hills	\$4,955	\$1,266	\$814	\$1,035	\$736	\$9,571	\$63,431
Rockford	\$4,972	\$934	\$786	\$980	\$854	\$9,433	\$61,740
Sparta	\$4,724	\$1,413	\$810	\$1,029	\$633	\$9,321	\$68,856
Grandville	\$5,115	\$911	\$889	\$899	\$770	\$9,269	\$68,565
Cedar Springs	\$4,284	\$1,353	\$693	\$1,196	\$690	\$9,251	\$57,645
Byron Center	\$5,054	\$698	\$659	\$994	\$919	\$9,215	\$64,738
Lowell	\$4,843	\$938	\$713	\$879	\$867	\$9,126	\$61,674
Thornapple Kellogg	\$4,716	\$969	\$833	\$801	\$801	\$8,785	\$63,719

* The EGRPS basic program amount of \$5,946 spent per-pupil represents 61% of the total general fund expenses per pupil

Category Guide

Basic Programs

- The classroom costs related to basic instructional programs. Includes personnel & non-personnel costs.

Added Needs

- Special Education classroom and Federal programs

Instructional Support

- Curriculum, speech, media center, social work, guidance

Administration

- Building and central office administration & support

Operations & Management

- All building & maintenance costs, including utilities

Total General Fund

- All General Fund expenses

Average Teacher Salary

- The average total salary per teacher

Like Districts in Michigan Comparison Per-Pupil Expenses 2013-2014

District Name	Basic Programs	Added Needs	Inst. Support	Admin.	Operations & Mgmt.	Total Gen Fund	Avg. Teacher Salary
Bloomfield Hills	\$7,923*	\$1,293	\$1,822	\$1,681	\$1,327	\$15,286	\$69,732
Birmingham	\$7,068	\$1,451	\$1,960	\$1,443	\$1,129	\$13,949	\$74,919
Grosse Pointe	\$6,087	\$1,372	\$1,288	\$1,243	\$1,128	\$11,432	\$75,074
West Bloomfield	\$5,523	\$1,348	\$1,149	\$1,245	\$725	\$10,412	\$67,867
East Lansing	\$5,353	\$1,260	\$1,297	\$1,119	\$948	\$10,324	\$65,070
Forest Hills	\$5,553	\$883	\$1,132	\$1,015	\$901	\$10,177	\$66,997
Okemos	\$5,428	\$1,098	\$1,004	\$1,070	\$935	\$9,748	\$64,047
East Grand Rapids	\$5,946*	\$558	\$974	\$1,150	\$726	\$9,677	\$69,202
Spring Lake	\$5,313	\$1,084	\$735	\$1,096	\$705	\$9,339	\$67,751

* The EGRPS basic program amount of \$5,946 spent per-pupil represents 61% of our total general fund expenses per pupil. By comparison, Bloomfield Hills spent \$7,923 per-pupil on basic programs which represents 52% of their total general fund expenses per pupil.

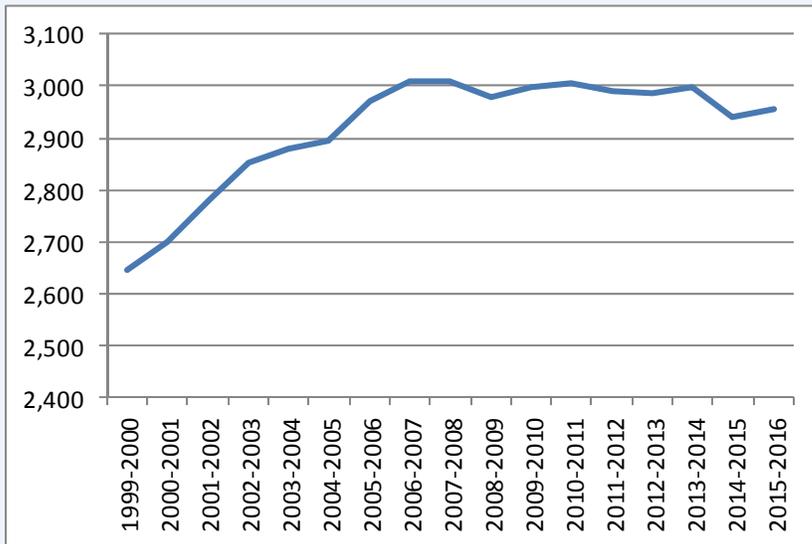
The data represented is from the state's *Bulletin 1014* report, which ranks school district spending in main budget categories.

The data reflects per-pupil spending for the 2013-2014 school year (most current data available).

The districts with the highest level of spending in each category are in **bold**.

EGRPS Student Enrollment History

Enrollment History



Blended Full Time Equivalent* (FTE)

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	2,957
2016-2017 (forecast)	2,945
2017-2018 (forecast)	2,915

Current 2015-2016 Enrollment

Grade Level	Enrollment
Early Childhood Sp Ed	19
Kindergarten	184
1st Grade	201
2nd Grade	218
3rd Grade	227
4th Grade	196
5th Grade	226
6th Grade	212
7th Grade	242
8th Grade	245
9th Grade	242
10th Grade	267
11th Grade	252
12th Grade	230
Total	2,961

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

District enrollment reflects an increase during the years from 2000 to 2006 and has since held constant around 3,000 students. The increase during 2000 to 2006 primarily reflects the introduction of Schools of Choice students. EGRPS continues to participate in Schools of Choice annually, and the administration takes a thorough approach to determine the number of available grade level openings, striving to keep the grade level placements equitable across the district. Schools of Choice openings over the last several years have been primarily limited to the elementary grade levels.

Based on decreased birth rate trends in Kent County and the state of Michigan, we are projecting a slight decrease in EGRPS enrollment over the next few years. Assuming a continuing trend of moderate Schools of Choice openings, the district expects enrollment to decrease to approximately 2,900 in the next five years, which will result in a loss of additional state revenue.

In addition, the State Legislature amended the State School Aid act in 2012-2013 requiring a full day for kindergarten in order to receive the full foundation allowance. The district moved to a full-day model for kindergarten, incurring an additional \$500,000 expense per year.

EGRPS Personnel Information

Employees by Category

Category	2008-2009	2015-2016
Administrators	16	15
Teachers	183	168
Secretaries	18	16
Paraprofessionals	37	23
Technology	7	5
Custodial/Maint.	22	17
Transportation	3	2
Food Service	13	10
Teacher Assistants	3	0
Other	<u>38</u>	<u>12</u>
Total *	340	268

* The total number of employees has decreased due to budget reductions as well as the outsourcing of some positions. The largest personnel reductions have been in the Paraprofessionals and Other categories. The reduction in paraprofessionals reflects the elimination of media center staffing and elementary classroom Paraprofessional positions. The reduction in Other category reflects the outsourcing of early childhood (preschool and childcare) caregivers and central office support positions.

Increase/(Decrease) in Base Salary/Wages

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Teacher	1.00% + Step	0.00% + Step	0.00%	0.00% + Step	0.00%	0.00%
Admin.	(2.00%)	1.00% + Step	0.00%	0.00% + Step	0.00%	(2.00%)
Custodian	(15.00%)	0.00% + Step	1.00%	1.00% + Step	0.00%	0.00%
Support Staff	1.00% + Step	0.00% + Step	0.00%	1.00% + Step	0.00%	0.00%

Base salaries and wages have been held constant or reduced the last five years in response to the reduction in state funding. Step increases (+step) are advancements within a salary scale that reflect an additional year of experience.

EGRPS Collective Bargaining Agreements

This summer the Board of Education collaboratively partnered with the teacher (EGREA) and support staff (EGRASE) associations to finalize three-year agreements that will expire June 30, 2018. These agreements include an innovative compensation formula that will provide increased stability in the operational budget through the sharing of increases or decreases in state funding after the net change in health care and retirement expenses have been factored in. Combined with a one-time early retirement/resignation program for the end of the 2015-2016 school year, we believe these agreements will assist to place the district's operational budget in an improved structural position.

The compensation formula creates a baseline for unrestricted state revenues, health care expenses and retirement expenses. Each fiscal year of the agreements, unrestricted state revenues, health care and retirement expenses are calculated for that fiscal year and compared to the baseline. The increase or decrease in available funds is then applied to a

scale that provides an increase or decrease in compensation. As an example, if the district realizes an increase in available funds between \$227,347 and \$431,353, employees would receive a 1% increase in base salary or hourly wage. If the increase in available funds is between \$431,354 and \$662,762, employees would receive a step increase, but not the 1% base salary or hourly wage increase. Likewise, if available funds decrease, compensation is reduced in different ways, including suspension of matching contributions to 403(b) retirement plans, personal business leave time, and graduate study subsidies. If the decrease in available funds exceeds \$227,347, the items listed would be suspended and a 1% reduction in base salary would be implemented. The maximum reduction in base salary in the formula is 2%. The full formula can be found [here](#) or in the EGREA Master Agreement on the district's website.

The EGREA bargaining agreement also includes a one-time early retirement/resignation program effective at the end of the 2015-2016 school year. The program requires a minimum of six (6) teachers to elect the incentive, and the amount of the incentive increases at thresholds of 8 and 10 teachers. Incentive payments will be made over three years. The estimated savings per teacher that elects the Incentive is \$20,000 per year. These savings will be fully applied to improving the structural balance of the district's operational budget.

The Board of Education would like to thank the efforts of the collective bargaining groups in working collaboratively in achieving agreements that improve the district's budget stability while potentially providing deserved increases in compensation to employees throughout the three-year agreement. The partnership displayed this summer during negotiations reinforces the district's "Tradition of Excellence."

EGRPS Revenue & Expense Trends

Net revenues and net expenses have decreased over the last five years in the district's general fund, despite having consistent student enrollment in the district. Revenues are lower due to the reduction in State of Michigan funding over the last five years. Expenses are lower due to the significant budget cuts and reductions made to maintain financial stability due to the decrease in state funding and rising retirement costs.

Revenues	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
State Funding	\$22,715,629	\$23,186,397	\$22,895,463	\$22,870,222	\$23,089,783	\$23,548,896
County Funding *	\$1,453,512	\$1,355,690	\$1,400,603	\$1,359,362	\$1,337,150	\$1,409,775
Federal Funding	\$464,090	\$446,396	\$474,949	\$377,512	\$465,592	\$458,560
Federal Stimulus	\$1,061,528	\$653,780	\$496,896	\$0	\$0	\$0
Co-Curricular	\$325,928	\$316,625	\$285,821	\$297,478	\$341,732	\$333,236
Early Childhood Tuition & Fees	\$438,547	\$510,547	\$655,523	\$637,299	\$631,577	\$703,621
EGRNow! **	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$520,470</u>	<u>\$270,855</u>	<u>\$145,400</u>
Total Revenues	\$27,834,153	\$28,005,362	\$27,408,436	\$27,715,769	\$28,096,177	\$28,482,253
Less Retirement Offsets ***	<u>\$0</u>	<u>\$0</u>			<u>(\$1,058,811)</u>	<u>(\$1,700,941)</u>
Net Revenues	\$27,834,153	\$28,005,362	\$27,103,802	\$27,097,006	\$27,037,366	\$26,781,312
Expenses	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Salaries (incl. Contracted Services)	\$16,868,864	\$16,214,803	\$16,270,036	\$16,447,889	\$16,436,707	\$16,263,243
Medical, Dental, Vision, Life, LTD	\$3,420,065	\$3,371,578	\$3,534,744	\$3,011,455	\$2,996,948	\$3,016,873
Retirement (MPSERS)	\$2,634,789	\$3,100,865	\$3,730,146	\$4,145,622	\$4,572,726	\$5,479,796
Social Security/Medicare	\$1,191,355	\$1,184,475	\$1,184,615	\$1,166,731	\$1,180,599	\$1,211,194
Co-Curricular	\$913,082	\$857,544	\$745,966	\$780,660	\$784,264	\$927,400
Utilities	\$974,246	\$965,198	\$904,821	\$1,004,683	\$1,090,147	\$1,039,018
Capital Outlay & Technology	\$95,572	\$130,078	\$138,451	\$227,326	\$141,924	\$36,715
Teaching Supplies & Textbooks	<u>\$237,156</u>	<u>\$181,469</u>	<u>\$202,599</u>	<u>\$176,424</u>	<u>\$313,952</u>	<u>\$283,463</u>
Total Expenses	\$28,326,870	\$28,193,360	\$28,078,187	\$28,416,035	\$28,717,076	\$29,410,484
Less Retirement Offsets ***	<u>\$0</u>	<u>\$0</u>	<u>(\$304,634)</u>		<u>(\$1,058,811)</u>	<u>(\$1,700,941)</u>
Net Expenses	\$28,326,870	\$28,193,360	\$27,773,553	\$27,797,272	\$27,658,265	\$27,709,543

Note: Only major categories for revenues and expenses are described above and, as a result, individual categories will not equal the total.

* **County Funding** represents revenue received from Kent Intermediate School District for our prorated share of the Kent County Act 18 millage that is levied on all property owners in Kent County. This revenue is restricted to support only special education expenses.

** **EGRNow!** is a community fundraising campaign by the East Grand Rapids Schools Foundation which provides additional operating funds for EGRPS which are essential in order to maintain educational programming (see glossary for description).

*** **Retirement (MPSERS) Offsets** represents state funding that has been dedicated to reduce the increase in state mandated retirement costs. Accounting rules require the district to show the full cost of providing retirement benefits. The offset funding is included in state funding in the chart above and in order to calculate true operational funding you would have to subtract the retirement offset figure from the state funding total. For example, in 2014-2015 gross retirement costs were \$5,479,796, after receiving offset funding of \$1,700,941; net retirement costs for the district were \$3,778,855.

EGRPS Financial Forecast

	2015-2016 Amended	2016-2017	2017-2018
Revenues	\$29,482,265	\$28,615,106	\$28,556,505
Expenses	<u>\$28,865,654</u>	<u>\$29,049,751</u>	<u>\$29,134,147</u>
Net Change in Fund Balance	\$616,611 *	(\$435,645)	(\$577,642)
Change in Operational Fund Balance	(\$137,125)	(\$434,645)	(\$577,642)
One-Time Sale of Assets	\$753,736 *	\$0	\$0
Ending Unreserved Fund Balance	\$2,309,090	\$1,874,446	\$1,296,803
Ending Unreserved Fund Balance %	8.0%	6.5%	4.5%
Per-pupil Foundation Allowance	\$7,628	\$7,628	\$7,678
Enrollment	2,957	2,965	2,935
Base Salary Increase	0%	0%	0%
Seniority Step Increase	0%	0%	0%

* one-time sale of assets expected to be finalized by March 2016

Possible Options to Structurally Balance the Budget

The Board of Education recently adopted an amended budget for 2015-2016 that increases the fund balance to \$2,309,090, or 8.0% of annual expenditures. The increase of \$616,611 is based on the proposed sale of the district cell tower land lease agreements to a third party for \$753,000; however, *it should be noted that the potential sale has not been finalized at this time and is anticipated to be finalized by March 2016.* Aside from the one-time sale of cell tower leases, the amended budget includes a \$137,000 structural deficit. The forecasts for the 2016-2017 and 2017-2018 budget years continue with a structural deficit and reflect an increase of \$50 per student for 2017-2018; however, they do not include potential contributions from EGRNow! or assume an increase in state per-pupil funding for 2016-2017. Student enrollment is also projected to decrease slightly by 2017-2018 based on birth rates, which will also reduce our annual revenues. Based on these predictions and the district's compensation formula, there is the potential that district employees would not receive an increase in compensation through 2017-2018. The forecast would reduce fund balance reserves to 4.5% by the end of the 2017-2018 fiscal year.

The district has adopted budgets with structural deficits in an effort to avoid additional program reductions since the 2008-2009 school year. The Board of Education, working in collaboration with administration, staff, and community, has made significant progress toward reducing the size of the structural deficit; nonetheless, work remains to completely right size the budget in order to end the use of fund balance reserves to ensure long-term solid financial stability.

As the Board of Education and administration work to achieve structural balance for the 2016-2017 budget and beyond, the four main options illustrated below will need to be considered in order to reduce the forecasted structural deficit.

The Board of Education's highest priority is to continue offering a strong educational program focused on academic excellence for students in 2016-2017 and beyond while developing and maintaining a structurally balanced budget.

State
Funding

Schools of
Choice

EGR
Now!

Program
& Service
Reductions

Budget Performance & Fund Balance History

	Revenues	Expenses	Change in Fund Balance	Unreserved Fund Balance	Unreserved Fund Balance Percentage
2006-2007	\$27,560,262	\$26,934,247	\$626,015	\$4,234,595	15.72%
2007-2008	\$27,781,528	\$27,356,239	\$425,289	\$4,659,884	17.03%
2008-2009	\$27,716,932	\$27,692,998	\$23,934	\$4,683,818	16.91%
2009-2010	\$27,994,587	\$28,326,870	(\$332,283)	\$4,351,535	15.36%
2010-2011	\$28,091,151	\$28,193,600	(\$102,449)	\$4,249,086	15.07%
2011-2012	\$27,417,080	\$28,078,187	(\$661,107)	\$3,587,979	12.78%
2012-2013	\$27,667,212	\$28,416,035	(\$748,823)	\$2,839,156	9.99%
2013-2014	\$28,148,806	\$28,779,272	(\$630,466)	\$2,210,806	7.67%
2014-2015	\$28,482,253	\$29,410,484	(\$928,231)	\$1,672,479	5.70%
2015-2016 (forecast) *	\$29,482,265	\$28,865,654	\$616,611	\$2,309,090	8.00%

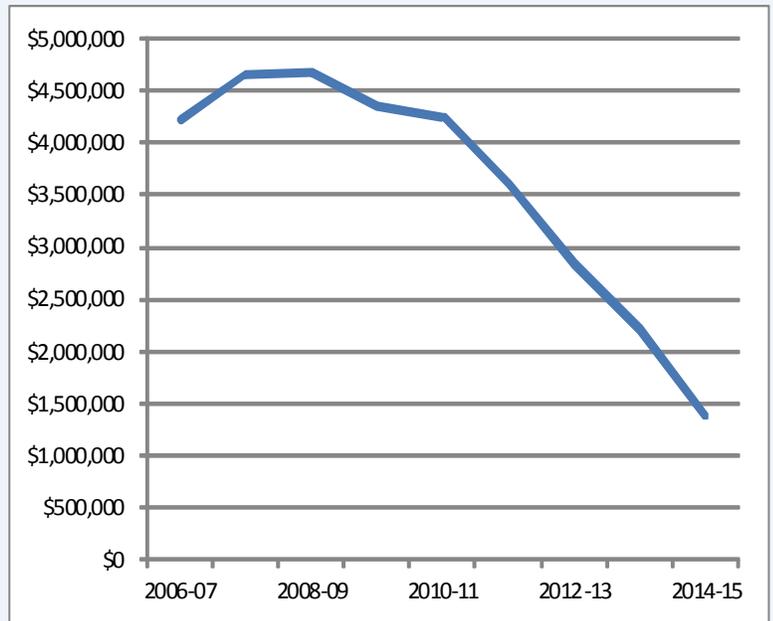
* Based on a one-time sale of assets expected to be finalized by March 2016.

The district has used a significant portion (\$3.0 million) of its fund balance over the past six years. In the spring of 2009 the Board of Education and administration formulated a plan to draw down the fund balance to 10% over the next four fiscal years in an effort to shield the district from additional budget cuts and allow for the economy to strengthen. The plan was executed and the district ended the 2012-2013 fiscal year with a 9.99% fund balance.

The State of Michigan's School Aid Fund has been and is projected to continue to grow at a 3% to 3.5% pace annually. However, K-12 annual funding has not recovered from the \$470 per-pupil reduction it experienced in 2011-2012. Since that reduction the district has received a \$53 increase in 2013-2014 and a \$50 increase in 2014-2015. Although a \$128 increase in the Foundation Allowance was provided in 2015-2016, other sources of state funding were eliminated resulting in an actual net increase in total state funding of \$25 per pupil. The 2015-2016 Foundation Allowance remains \$239 per-pupil less than the district received in 2008-2009.

The Board of Education implemented significant budget reductions for the 2015-2016 school year and collaboratively worked with the collective bargaining groups on new agreements that will provide increased budget stability. Considerable progress towards structural balance in the operating budget has been achieved; however, maintaining the structural balance will be a challenge due to the overall funding received from the state. The Board of Education's goal for 2016-2017 is to adopt a structurally balanced budget and formalize a plan to increase and maintain fund balance reserves to 8% to 10% of annual expenditures.

Fund Balance History



History of Budget Reductions

In response to reductions in state funding and drastic increases in state mandated retirement expenses, the district has made significant budget reductions over the last seven years totaling \$4.4 million. An overview of reductions by fiscal year is provided below and detailed information can be found [here](#).

2009-2010 Budget Reductions	Annual Savings
Special Education staff	\$165,000
10% reduction in building budgets	\$122,900
Central office support staff	\$90,000
Teaching staff	\$70,000
Building secretarial	\$70,000
Outsource child care providers	\$57,000
Restructure technology staff	\$40,000
Athletic budget	\$25,500
High School co-op coordinator	\$16,000
Child Care (fees increased)	\$15,000
Others	<u>\$15,000</u>
Total	\$686,400

2012-2013 Budget Reductions	Annual Savings
Media center staff	\$150,000
Custodial staff	\$74,000
Extra duty stipends (clubs, department heads)	\$60,000
Athletic budget	\$51,000
Outsourced maintenance/custodial supplies	\$50,000
Pay to participate (drama program fee established)	\$30,000
Pay to participate (athletics fee increased)	\$20,000
Secretarial	<u>\$17,500</u>
Total	\$452,500

2010-2011 Budget Reductions	Annual Savings
Custodial Cost	\$350,000
Restructure media centers	\$163,000
Administrative cost	\$130,000
General Education teaching staff	\$121,000
Special Education staff	\$99,000
10% reduction in building budgets	\$80,000
Building secretarial	\$75,500
Middle school counseling	\$73,000
Central office support staff	\$50,500
Food service partnership with GRPS	\$50,000
Elimination of print center	\$41,000
Others	<u>\$26,000</u>
Total	\$1,258,500

2013-2014 Budget Reductions	Annual Savings
Elementary classroom paraprofessionals	\$140,000
Administrative staff	\$100,000
Teaching staff	\$90,000
Teacher early retirement incentive	\$80,000
Pay to participate (athletics fees increased)	\$50,000
Outsourcing of non-staff coaches	<u>\$30,000</u>
Total	\$490,000

2014-2015 Budget Reductions	Annual Savings
Visually Impaired services	\$90,000
Special education paraprofessionals	<u>\$35,000</u>
Total	\$125,000

2011-2012 Budget Reductions	Annual Savings
Special Education staff	\$151,000
Elementary reading support from 4.0 to 3.0 FTE	\$87,000
Media center specialist	\$85,000
Middle school athletics funding support	\$75,000
Central office support staff	\$50,000
Youth Development funding support	\$50,000
Administrative 20% health care contribution	\$41,000
Athletic budget	\$32,000
Part-time energy manager	\$30,000
Performing Arts Center management costs	\$25,000
Building technology coordinators	\$19,000
Others	<u>\$35,000</u>
Total	\$680,000

2015-2016 Budget Reductions	Annual Savings
10% Building/Department budget reduction	\$51,000
Business Office reduction	\$15,000
Administration total compensation reduction (2%)	\$40,000
MS/HS secretarial reductions	\$60,000
Early Childhood secretarial position	\$55,000
Special Education restructuring	\$63,000
Technology staff reduction	\$74,000
MS/HS general education teaching reductions	\$120,000
High School guidance restructuring	\$80,000
Intervention Specialist/Admin. services restructuring	<u>\$80,000</u>
Total	\$638,000

EGRPS Capital Projects

The capital projects budget includes the voter-approved bond construction programs, the related debt service payments for construction programs, and the District’s 0.5 mill Building & Site Sinking Fund, which is a revolving fund that allows the district to finance building repairs and small building enhancements. Currently, 9.95 mills are levied on property owners to allow the district to meet its debt service requirements.

The bond construction programs listed below have been refinanced five times in the past 10 years to provide significant interest savings to the taxpayers of East Grand Rapids. The savings from these five refinancings have **saved taxpayers \$7 million** in interest.

Below are the voter-approved bond construction programs, current outstanding debt, and the projected payoff of individual debt issues:

Bond Construction Programs	Current Outstanding Balance	Payoff Date
1996 Building Renovations & Breton/Lakeside Gyms	\$11,460,000	2020
2000 PAC & HS Pool Expansion	\$20,380,000	2029
2006 Building Renovations & Classroom A/C	\$15,450,000	2031
2007 Athletic Facilities	\$10,705,000	2032
2014 Security & Technology	\$15,640,000	2039

2014 Bond Construction Program

On May 6, 2014, the voters approved \$31 million in bonds to finance capital improvements to district facilities. In June 2014 \$17.5 million in bonds were sold, and the remaining \$13.4 million are projected to be sold in May 2019. The funds raised from these bond sales will provide the following:

- Improved safety & security for students & staff, including enhanced security entrances at the three elementary buildings, high school, and Woodcliff Early Childhood Center.
- Upgraded technology for students and staff which will be spread over the next 10-12 years via the 2014 and 2019 bond sales.
- Facility upgrades that include: security enhancements, security technology, renovation of district media centers into flexible learning commons, replacement of boiler systems (high school, Breton Downs, and Wealthy), renovation of district heating and hot water systems, replacement of district roofs, installation of LED lighting, occupancy sensors to lower electric usage, and new classroom furniture for the middle school and high school.

The first phase of the construction program has progressed on schedule. The high school boiler was replaced in October 2014. During the summer of 2015 the enhanced main entrances and renovation of the learning commons at all three elementary buildings were completed, security technology was upgraded and enhanced district wide and carpet was replaced in the middle school, high school, and elementary hallways from the district’s sinking fund. Technology has been updated throughout the district, including classroom technology, end user devices and servers and storage.

In the summer of 2016 the projects scheduled for the middle school and high school will be completed. The projects include the renovation of the learning commons at both schools, constructing a secure front entrance and restructuring of the main hallway and cafeteria at the high school to provide an enhanced common area for students. Technology infrastructure including phone, wireless and wired networks will be updated as well during the summer of 2016.

Summary

This budget guide provides information regarding the finances of the East Grand Rapids Public Schools as well as how it compares to other districts in Kent County and communities similar to East Grand Rapids in the state. The following is a summary:

Operational Budget

- Funding for the operational budget (e.g. instruction, personnel, etc.) is primarily reliant on the State of Michigan, and the Board of Education cannot ask the community to support tax proposals to increase operational funding (page 5).
- The current per-pupil state foundation allowance is \$239 lower than in 2008-2009, and current funding is a little less than 2006-2007 levels (page 3).
- When considering local, state, and federal sources of revenue, East Grand Rapids Public Schools ranks 13th out of the 20 Kent County school districts for total revenue received per pupil, and 8th out of the 9 “like districts” from around the state (page 6).
- The Board of Education and administration place a strong emphasis on total budget allocations (75% of total budget) going to programs and services that impact teaching and learning (page 4).
- The district is efficient with non-instructional expenses incurred outside of the classroom (24.6% of total budget) (page 4).
- Personnel expenses represent 89% of the total operational budget (page 4).
- State mandated retirement (MPSERS) costs have increased dramatically over the last six years (108%), requiring the state legislature to allocate a significant amount of school funding resources to districts to offset retirement expenses (page 4).
- Total salaries and wages are \$600,000 lower than six years ago, and the base wage and salary scales have not been increased for five years (page 8).
- The district has been progressive with health care benefit programs; overall expense is \$400,000 lower than five years ago (page 9).
- To balance annual operating budgets over the past six years (2009-2015), \$4.4 million in budget reductions, \$3.0 million of fund balance reserves, and \$1.2 million EGRNow! contributions have been used (page 9).

Capital Projects Budget

- The community has been overwhelmingly supportive of Board of Education bond requests which have provided capital funding for building improvements the last 20 years (page 13).
- The Bond Construction Programs have upgraded the district facilities, including the addition of classrooms, air conditioned classrooms, gymnasiums, and the Performing Arts Center (page 13).
- The 2014 Bond Issue will provide a 10+ year source of funding for technology which will allow the district to update educational technology to support teaching and learning (page 13).
- Facility needs, such as roofs, boilers, and major mechanical systems will be upgraded with the 2014 bond construction program (page 13).
- Refinancing of capital debt will save taxpayers approximately \$7 million over 10 years by the end of 2014 (page 13).
- Funds from Capital Projects Budget cannot support ongoing operational or personnel costs (page 2).

Budget Challenges

- K-12 programs and services that impact teaching and learning will continue to be directly affected (if additional budget reductions are necessary to balance future budgets).
- The district has had a structural deficit since the 2009-2010 school year, including the 2015-2016 school year (if the effect of the potential one-time sale of cell tower leases is removed).
- Although significant progress has been made towards structurally balancing the budget, further action is required to fully eliminate the structural deficit, maintain structural balance and develop a plan of action to increase fund balance to 10%.
- Minimal increases in state funding and likely reductions in student enrollment over the next few years will limit available resources and present a challenge to achieve and maintain structural balance.

The goal of the Board of Education and administration is to continue working collaboratively with staff and community to develop and adopt a structurally balanced budget for 2016-2017.

Glossary

Base Salary Increase: Increase in base salary due to the increase of salary scales.

Bond Issue Proposal: A request by the Board of Education for the community to grant authority to issue bonds to provide funding for capital improvements. Interest and principal on the bonds are retired through a debt tax levy on school district property owners. Funds generated by bond issues cannot be used to pay personnel costs or other operating expenses such as teaching supplies or utilities.

Building & Site Sinking Fund: A revolving fund that provides funding for capital repairs and improvements. The Building & Site Sinking fund cannot be used to pay personnel costs or routine building maintenance costs.

Bulletin 1014—Michigan Public Schools Ranked by Select Financial Information: The Bulletin 1014 contains various pieces of financial information about Michigan Public Schools including revenue and expenditures per pupil. They also include the fall pupil count, average teacher salary, and taxable value information.

Co-Curricular: School supported activities outside of the school day including athletic and non-athletic activities.

County Sources: All revenue received at a county level via the Kent Intermediate School District. Act 18 Special Education millage funding is the largest source of revenue. The district also receives revenue from the county to reimburse for special education transportation and Medicaid services provided by the district.

EGR Schools Foundation Grants: Funding provided by the East Grand Rapids Schools Foundation to EGRPS staff to support initiatives that impact teaching and learning.

EGRNow!: An East Grand Rapids Schools Foundation fundraising campaign which started in 2011-2012 as a result of significant EGRPS budget concerns. Campaign contributions received during the annual campaigns provide program and project support for the following school year in order to preserve the district's goals of providing a well-rounded education for all children.

Federal Sources: All revenue provided by the federal government. Includes funding for special education (IDEA grant), as well as Title I funding (at risk students), and Title II funding (professional development).

Federal Stimulus: Funding provided to the district from 2009 to 2012 as part of the federal economic stimulus programs.

Fund Balance: The accumulation of funds when a fiscal year's revenue exceeded expenses. Sometimes referred to as a "Rainy Day Fund."

Like Districts: School districts in Michigan similar to East Grand Rapids Public Schools from a community and demographic perspective.

Local Sources: Revenues produced and collected within district boundaries. Major local revenues would include: Non-Homestead taxes, recreational millage taxes, Early Childhood tuition and fees, cell tower and building rentals, East Grand Rapids Schools Foundation grants, and donations from the EGRNow! campaign.

Recreational Millage: Revenue received from the 1.4 mill Recreational millage levied on the community to offset the cost of funds used to operate recreational facilities. The cost of district sponsored athletics cannot be funded by the millage.

Retirement (MPSERS) Michigan Public School Employees System: Referred to as "retirement" in this guide, MPSERS is the state mandated retirement system for all public school districts and public school employees. The system is a defined benefit retirement program including retirement health care coverage. District contributions to the program are determined through a "retirement contribution rate" which is a percentage of each dollar of payroll. Employees are also required to contribute a percentage of their wages to the system.

Retirement Offsets: Represents state funding that has been dedicated to reduce the increase in state mandated retirement costs.

State Foundation Allowance: State funding is provided on a per-pupil basis, and the foundation allowance represents the per-pupil allocation.

State Sources: All revenues received from the state. Includes the per-pupil foundation allowance, special education funding, at-risk funding, Best Practices funding, and Performance Based funding.

Step Increase: Increase in salary recognizing an additional year of work experience.

Building Administrators

Breton Downs Elementary
Dr. Caroline Breault-Cannon, Principal
ccannon@egrps.org

Lakeside Elementary
Craig Weigel, Principal
cweigel@egrps.org

Wealthy Elementary
Anthony Morey, Principal
amorey@egrps.org

Middle School
Peter Stuursma, Principal
pstuursm@egrps.org

High School
Jenny Fee, Principal
jfee@egrps.org

Shelly Schram, Asst. Principal
sschram@egrps.org

Steve Wojciechowski, Asst. Principal
swojciec@egrps.org

District Administrators

Dr. Sara Magaña Shubel
Superintendent
sshubel@egrps.org

Jeanne Glowicki
Assistant Superintendent of Instruction
jglowick@egrps.org

Kevin Philipps
Assistant Superintendent of Business
kphilipp@egrps.org

William Behrendt
Director of Special Education
wbehrend@egrps.org

Douglas Jenkins
Director of Technology and Assessment
djenkins@egrps.org

Board of Education

Michelle Rabideau, President
cmrabideau@comcast.net

Elizabeth Welch, Vice President
elizabeth@welch-law.com

Beth Milanowski, Secretary
beth@grtrolley.com

Robert Wolford Treasurer
wolfordr@millerjohnson.com

Natalie Bernecker, Trustee
nberneck@egrps.org

Mark Hessler, Trustee
mhessler98@comcast.net

Brian Coles, Trustee
colesbrian@att.net



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