

# **Forest Hills Public Schools**

**Community Forums – 7:00 p.m.**

**Tuesday, October 20 – Eastern High School**

**Monday, October 26 – Central Woodlands**

**Tuesday, October 27 – Northern Trails**



# Purpose of Forum

To develop a shared understanding of the state's fiscal crisis and its impact on local school districts.

# Topics

- School Finance 101
- Forest Hills Financials
- Impact of the Michigan Economy
- Long-term Forecast
- Next Steps
- Contact Information

# **SCHOOL FINANCE 101**

# School Finance 101

- Proposal A
- Foundation allowance per pupil
- Capital *versus* operating costs

# Proposal A

<b>Proposal A</b>		
	<b>Pre</b>	<b>Post</b>
<b>Tax</b>	Property	Sales
<b>Equity</b>	3:1	2:1
<b>Control</b>	Local	State

# Per Pupil Funding

- Foundation Allowance per pupil
  - Combination of local and state dollars
- Basis for per pupil funding
  - Funding level prior to Proposal A
- Enrollment driven
  - 80% of districts declining in enrollment

# Foundation Allowance Per Pupil

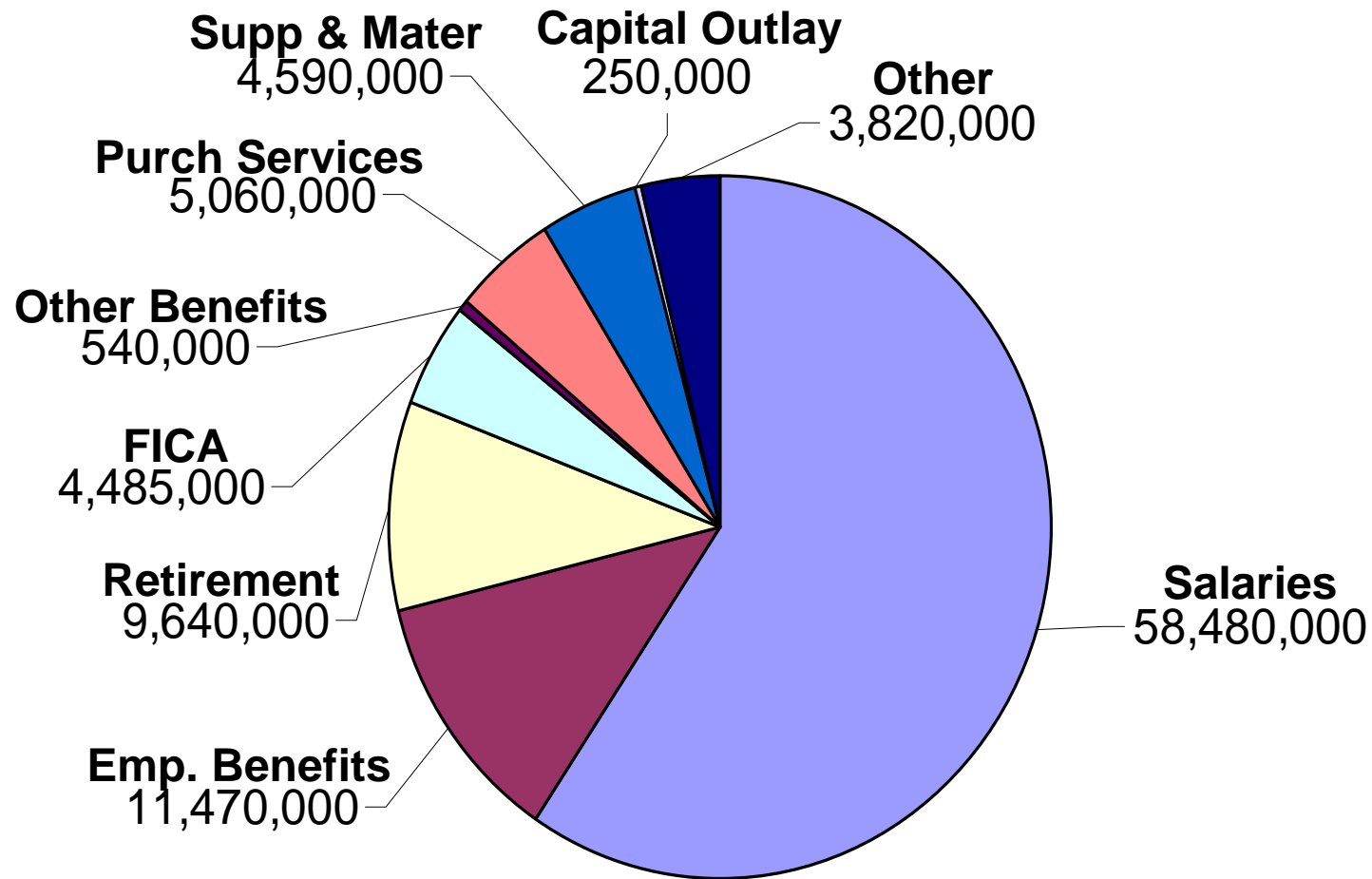
	1995	2009	Change	
			\$	%
Hudsonville	\$ 4,200	\$ 7,316	\$ 3,116	74%
Lowell	4,812	7,316	2,504	52%
Forest Hills	6,427	8,462	2,035	32%
Bloomfield Hills	10,454	12,324	1,870	18%

# Capital *Versus* Operating \$\$

- Capital
  - Long-term (> 1 year)
  - Voter approval of bond issues
  - Restricted use of bond proceeds
- Operating
  - Short-term (< 1 year)
  - People costs = 85%
  - Annual operating budget

# **FOREST HILLS FINANCIALS**

# Expenditures By Object



# People Business

Retirement and Health Care as a  
% of Total Expenditures

Fiscal Year	Retirement	Health Care	Total
1998-1999	6.74%	6.99%	13.73%
2003-2004	7.85%	10.99%	18.84%
2008-2009	9.22%	10.86%	20.07%

# Budget Strategies

- Attrition management
  - Retirements and resignations
  - Restructure, reallocate, and eliminate
- Efficiencies
  - Energy, transportation, sub usage, and overtime
- Non-classroom functions
  - Support functions

# Fund Balance

- One-time money
  - Transitional Tool
- Cash flow needs
  - Payroll - borrowing
- Unexpected financial problems
  - State funding reduction - \$165 per pupil
  - State funding reduction - \$127 per pupil
  - \$292 x 10,170 pupils = \$3,000,000

# Fund Balance Draw/Restore

	<b>Fund Balance</b>
1997-98	25,759,808
2004-05	7,518,091
	<b>(18,241,717)</b>

	<b>Fund Balance</b>
2004-05	7,518,091
2008-09	14,922,521
	<b>7,404,430</b>

# 2009 – 2010 Budget

- Fund Balance draw of \$2,000,000 +/-
- Reductions of \$2,000,000 +/-
  - Attrition
    - Reduce or replace at lower net cost
  - Adjust assignments
    - Locations, weeks, hours
  - Efficiencies
    - Energy, operations, transportation
  - Discretionary budgets
    - Supplies and materials

# District Commitment and Focus

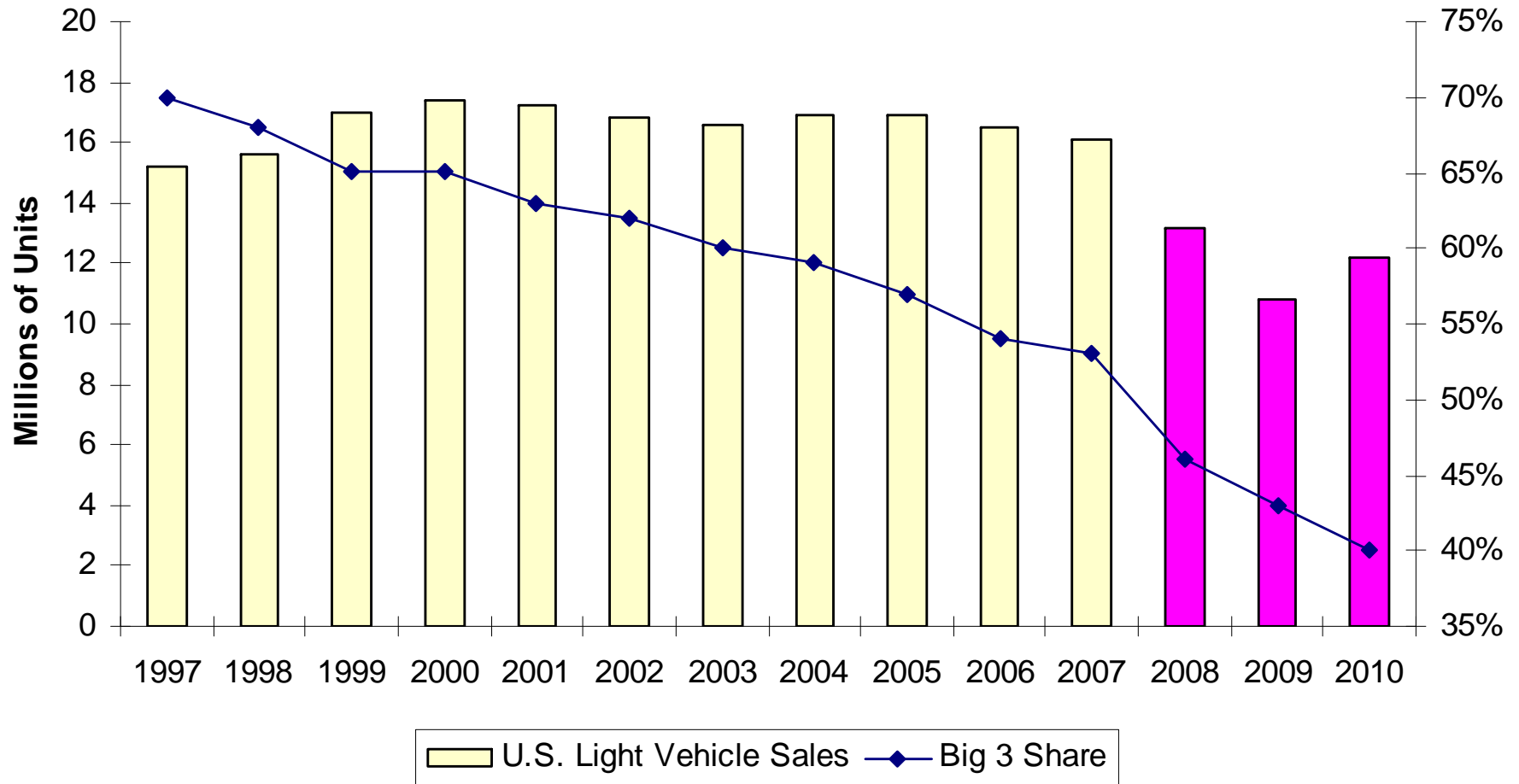
	<b>% of Budget</b>		
	<b>1999-00</b>	<b>2003-04</b>	<b>2008-09</b>
Instruction	71.5%	74.8%	77.4%
Non-Instructional	28.5%	25.2%	22.6%
TOTAL	100.0%	100.0%	100.0%

**IMPACT  
OF THE  
MICHIGAN ECONOMY**

# The Michigan Economy

- The auto industry
- Employment
- State revenues
- Impact on school funding

# Big 3 Losing Market Share

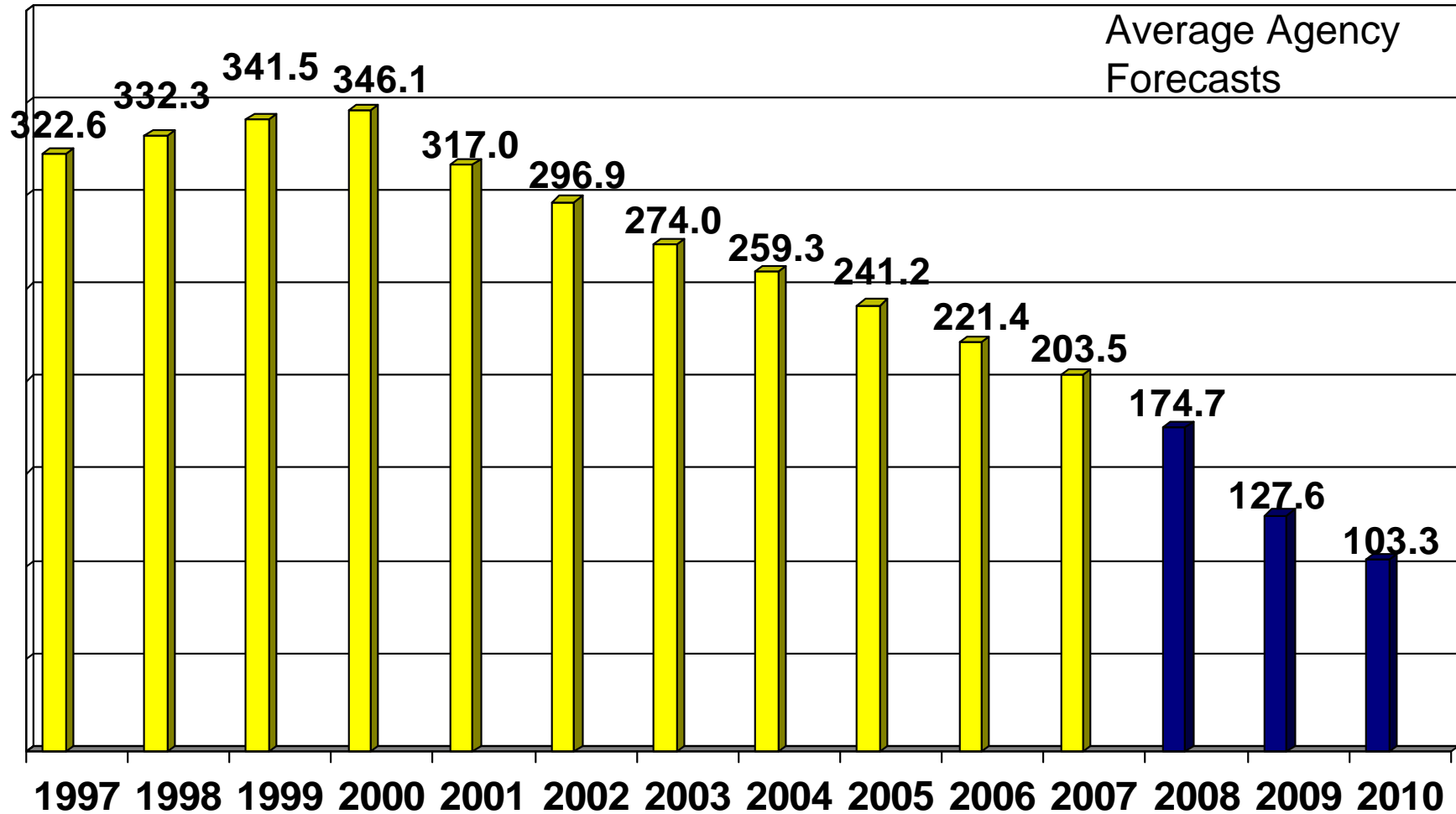


Source: Automotive News

January 2009 Consensus Conference

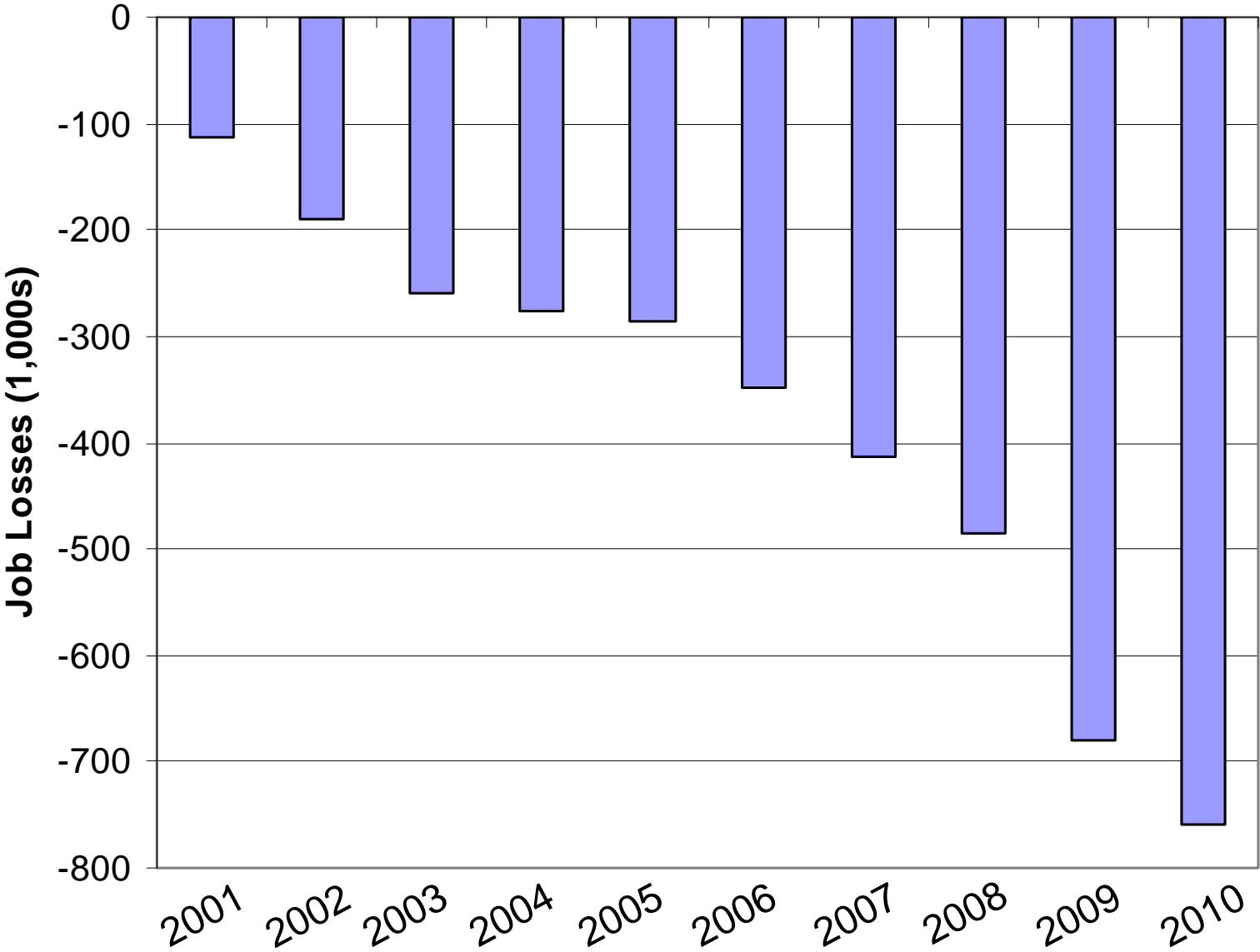
Average Agency Forecasts

# Automotive-Related Employment Michigan (Thousands)



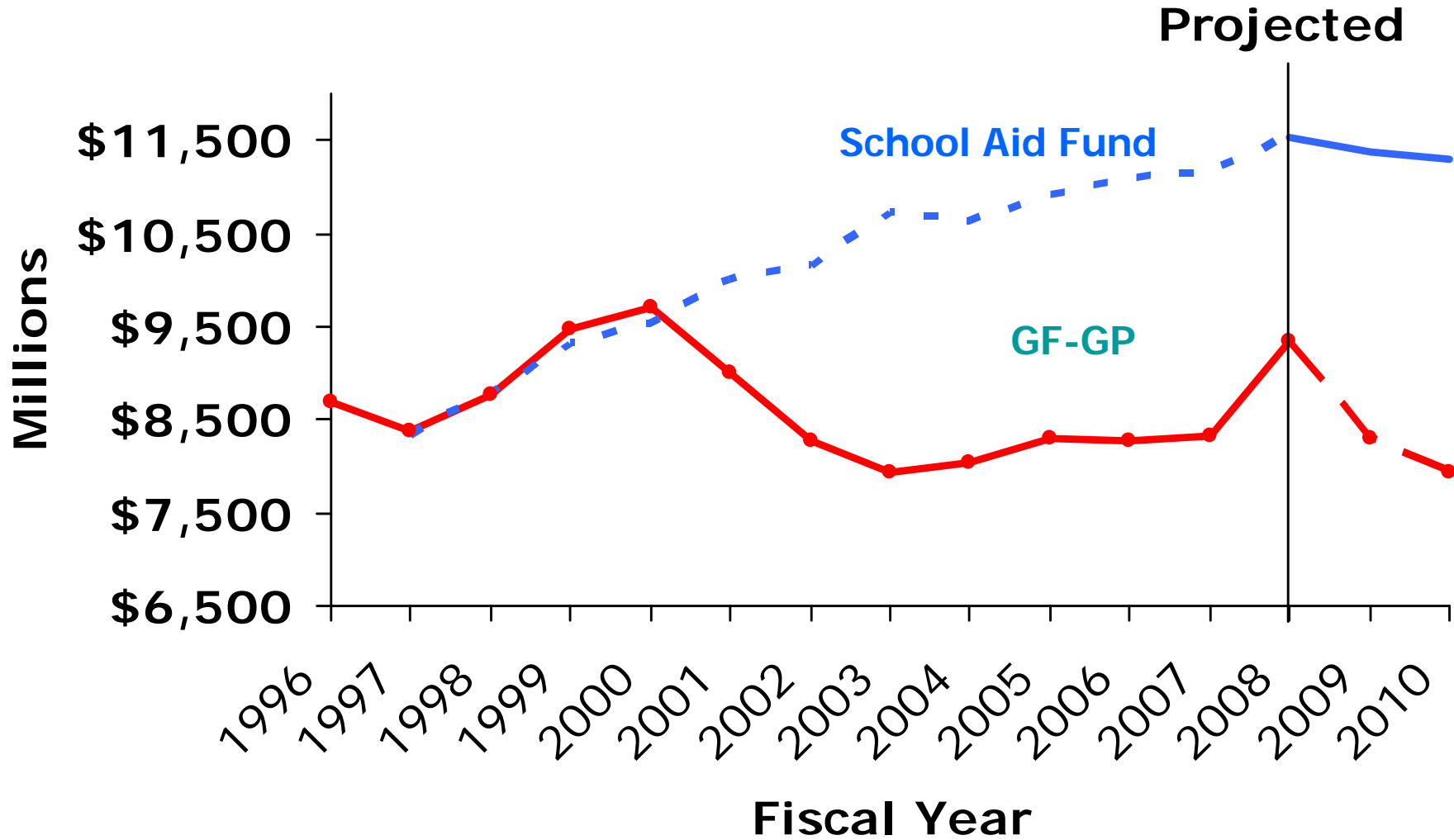
Source: Bureau of Labor Statistics-January 2009 Consensus Conference

# Michigan Job Losses Cumulative



# State Revenues

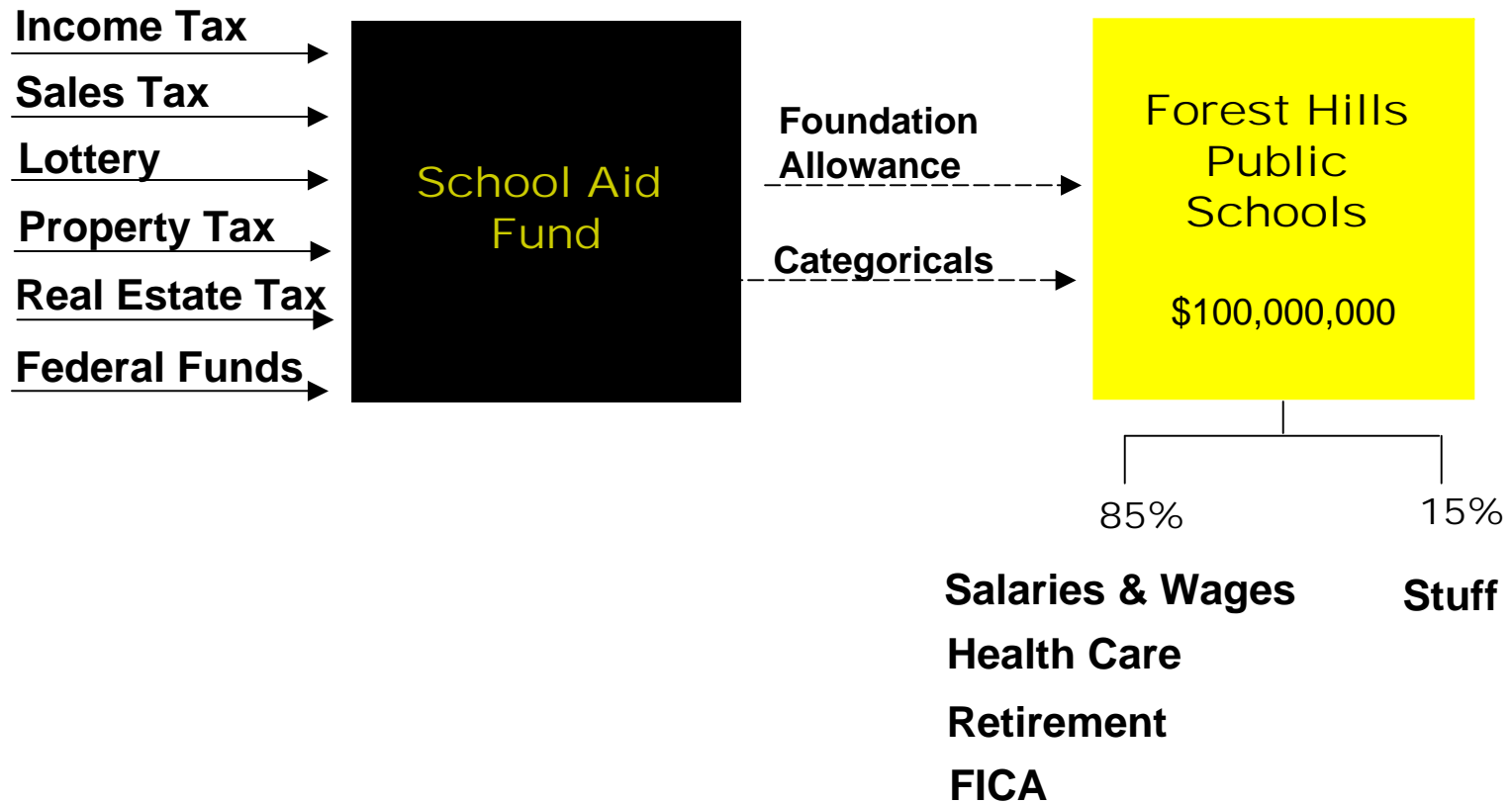
GF/GP and SAF On-Going Revenues



# Economic Indicators

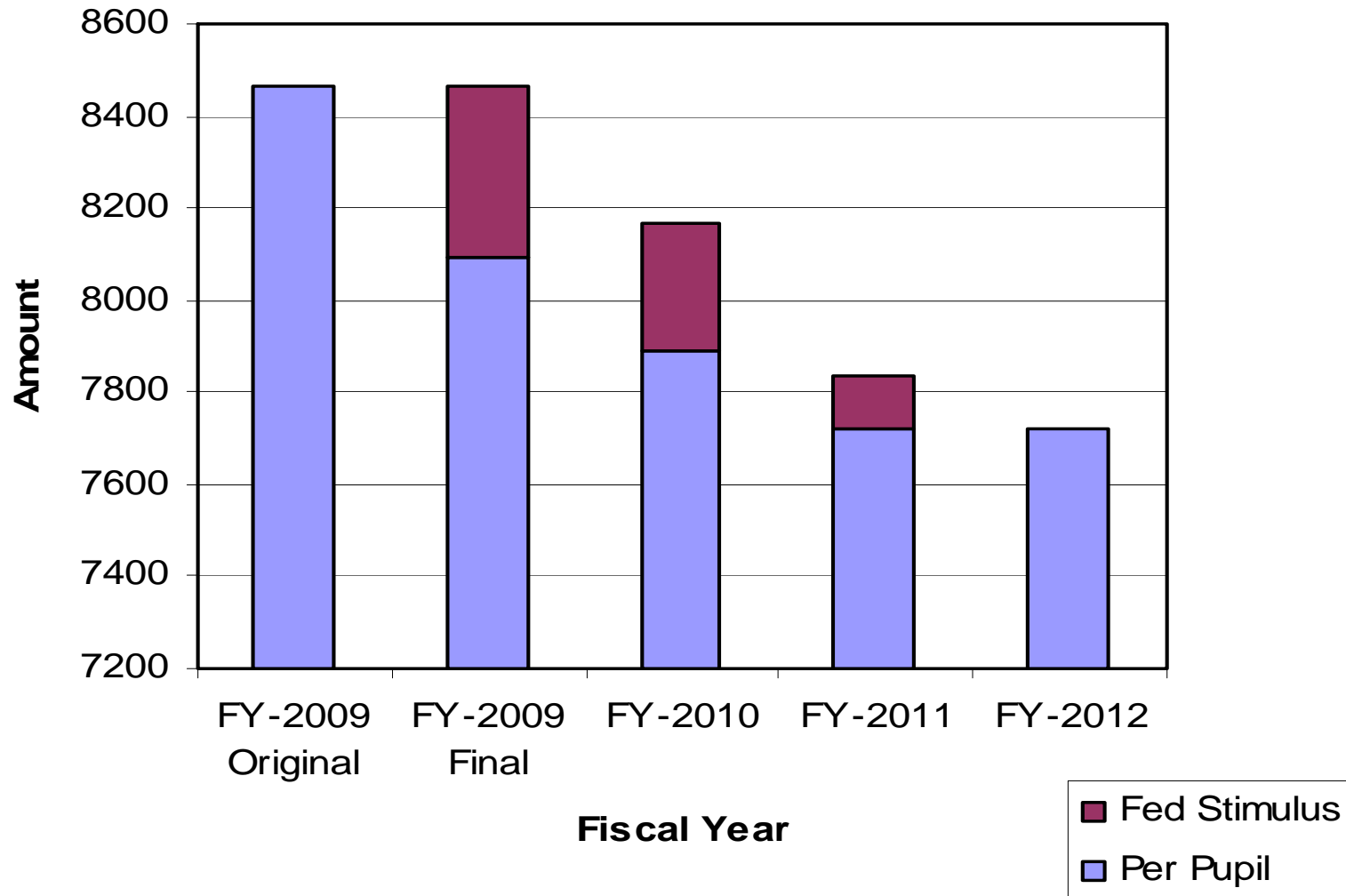
- Decline in property values
- Decline in economic output (GDP)
- Stagnant wages
- Unemployment
  - Michigan 15.2%
  - National Average 9.8%
  - Nevada 13.2%
  - Rhode Island 12.8%

# Revenue Flows



# Declining K-12 Funding

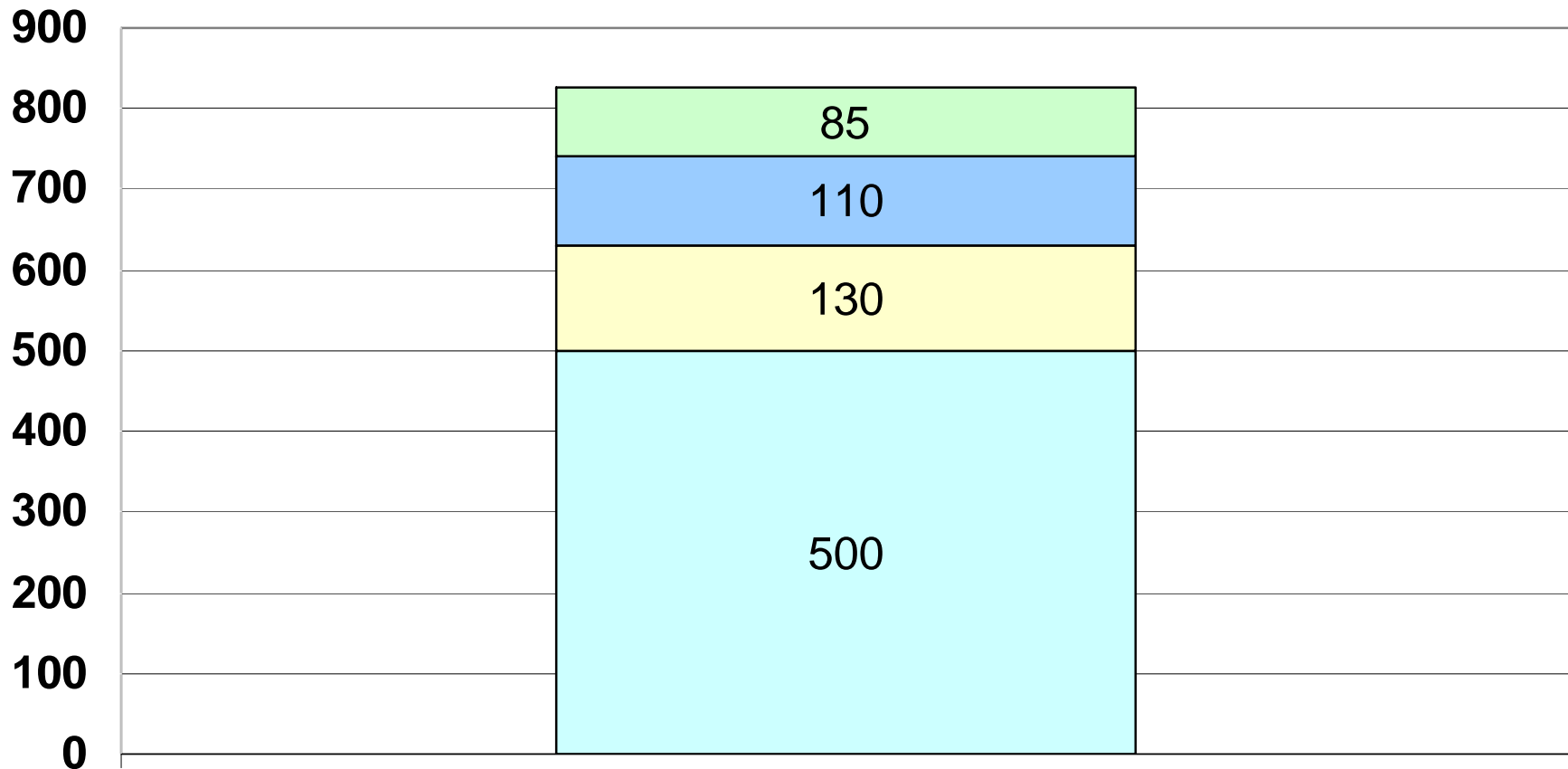
## Per Pupil Funding



# Revenue Loss Combined with Increased Expenses

- Dual challenge
  - Less revenue
  - Increased costs (commitments)
- Which expenses are increasing?
  - Retiree health care and pensions (state mandated)
  - Employee health care
  - Salary step increments

# \$\$ Per Pupil Shortfall



2010-2011



# The Challenge for 2010 - 2011

- \$825 per pupil shortfall
- 10,170 pupils x \$825 = \$8,390,000

Amount does not include allowance for prior year fund balance draw.

# **LONG-TERM FORECAST**

# Long-term Forecast

- 2010 – 2011
- Beyond 2011
- What we know
- What we don't know

# 2010 – 2011

## Formerly: “THE CLIFF”

### Revised: “The Cliff – Part II”

- State share federal stimulus funding - **gone**
- State economy must recover to replace federal stimulus \$\$
- Retirement system
  - Stock market investment losses
    - How long to recover?
  - Actuarial impact
    - Actives vs inactives

# Forecast – Beyond 2011

- State structural budget problems continue absent major changes
- Local structural budget problems
  - Enrollment – flat
  - Foundation allowance – flat at best
    - Decline very real possibility
  - Employee costs increasing
    - Health care (despite plan changes)
    - Pension costs (state mandated)

# Status Quo

- Revenue – no increase
  - Foundation allowance flat
  - Enrollment flat
- Salaries
  - Salary schedule step increases = 2.25%
- Health care – 5.0 to 7.5% increase
- Retirement – Citizens Research Council

# Status Quo - Unrealistic

- \$2,500,000 in minimum annual reductions required to balance budget

# What We Know

- Best case - revenue this year is less than last year
  - Federal stimulus \$\$ plugging some of state shortfall
  - How much ultimately?
- State revenue forecast has deteriorated and continues to be revised downward

# What We Don't Know

- How bad the state revenue situation is and how long it will last
- Federal stimulus \$\$\$
  - What is plan when it is gone?
- Property value – impacts revenues and tax levy for debt service
  - Down 0.6% this year
    - Average 7% annual increase since Proposal A
    - Next year????

# Keep in Mind

- The district's enrollment is stable and projected to remain stable
  - 80% of districts in the state are losing students
- This isn't a surprise
  - We've added over \$7 million to reserves the last 4 years
- District reserves (Fund Balance) = \$15,000,000
  - Not long-term solution, but smooth transition
- District commitment
  - Students – Staff - Community

**NEXT STEPS**

# Next Steps

- Budget calendar
- Contact information

# Budget Calendar

October-December	Educate and define scope of problem
January-February	Gather input and assemble options
March-April	Develop budget
April-May	Finalize budget

# **CONTACT INFORMATION**

# Contact Information

- Web site
  - [www.fhps.us](http://www.fhps.us)
- Tim Raymer
  - [traymer@fhps.us](mailto:traymer@fhps.us)
  - 493.8804

# Forest Hills Public Schools

Vision, Mission  
& Guiding Principles



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Caring

Collaboration

Open Communication

Diversity *and* Inclusiveness

High Expectations

Learning

Respect

Trust

**QUESTIONS  
AND  
ANSWERS**

