

# Budget Development #1

## Process and Information

Board of Education  
Work Session Meeting  
February 22, 2018

- I. Budget Development Process
- II. Budget Variables
- III. General Information

# Budget Development Process

- Presentations to board and committees (Feb –June)
- Budget managers process – 3 scheduled (Feb, Apr, May)
- Revise projections based on local impact; such as enrollment and other expenditures
- Review Budget proposals' from Governor, House, Senate
- Identify and consider Legislative budgets impact to LCS budget
- Make adjustments as needed to be able to recommend a “balanced Budget” for board approval (June adoption)

# Budget Development Process Timeline

Activities	January	February	March	April	May	June
<b>Board Meetings &amp; Topics</b>		Feb 22 <b>Budget Development #1</b>	Mar 1 <b>Non Homestead Renewal Information</b>	April 19 <b>Budget Development #2</b>	May 17 <b>Budget Development #3</b>	June 28 <b>Budget Adoption</b>
<b>Leadership Activities</b>	January 8 – Union Leadership (SCUL) Meeting		March 5 – Union Leadership (SCUL) Meeting		May 7, 2018 Union Leadership (SCUL) Meeting	
<b>Budget Development</b>		February 28 - Budget Mgr #1 9:30-11:30		April 26 - Budget Mgr #2 9:30-11:30	May 24 – Budget Mgr. #3 9:30-11:30	
<b>Key Legislative Elements</b>	January Revenue Consensus Estimating Conf. Governors State of the State Speech		Senate & House School Aid Budget Proposed		May Revenue Consensus Estimating Conference	State Adopted School Aid Act for 18-19
<b>Staffing</b>			March 16 - LEA section allocations to principals  March 20 & 21 – Kindergarten Round-Up	April 20 - LEA Tentative Assignments & Posting  April 29 – Para section allocations to buildings		June 1 - LESP Tent Assign

# Primary Budget Variables

- State funding structure for public schools is not expected to have adjustment(s) anytime in the near future.
- Current funding structures for schools are primarily based on student enrollment.
- Locally, our enrollment trends continue to project a downward trend primarily due to ongoing declining birth rates in the area.
- Although declining enrollment allows us to make some cuts due to incrementally fewer students.
  - Not at a rate that allows us to remain budget neutral.
- Focus on finding the most meaningful ways to compensate our employees with the limited resources that we have to work with.

# Budget Variables

## Revenue

- Number of students **X** per-pupil foundation allowance = annual revenue
- **Example:** 5,000 students **X** \$7,631 = \$38,155,000
- Variable sources of funding also contribute to annual budget

## Expenditures

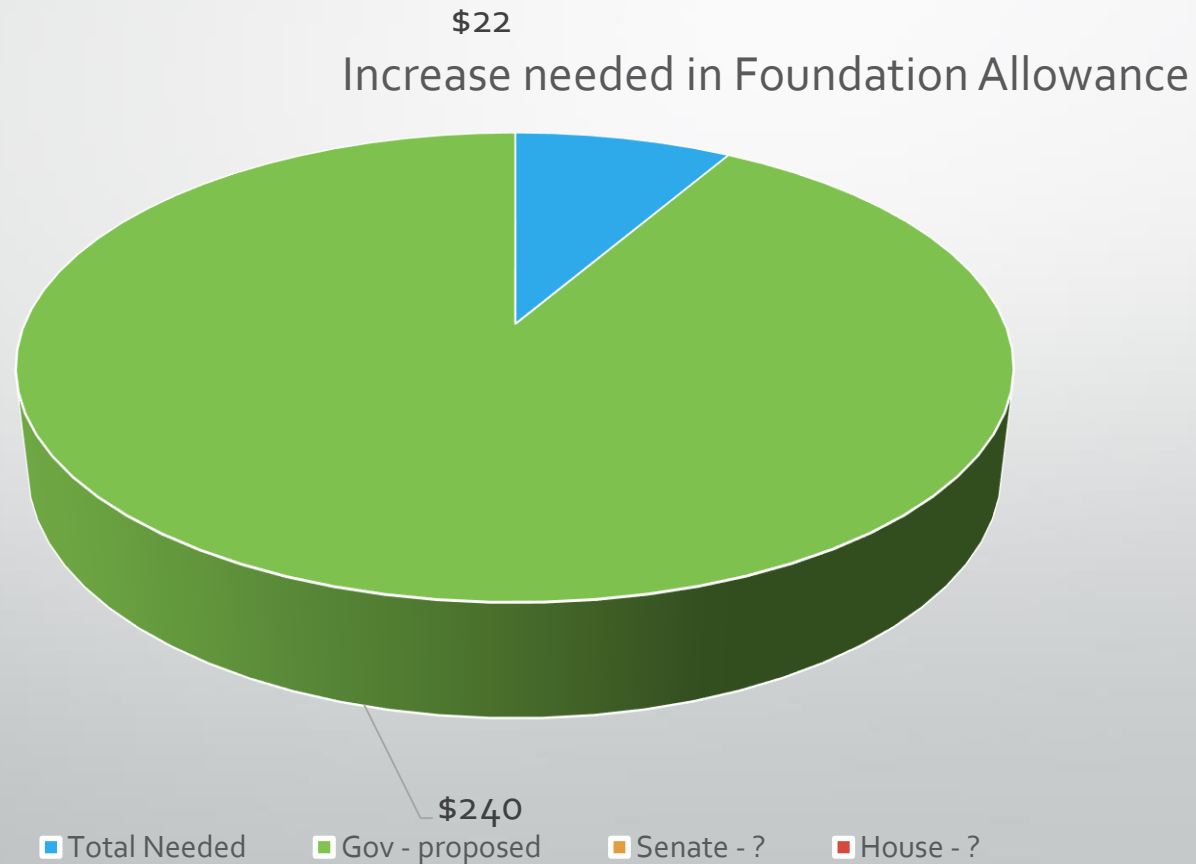
- Salary
- Health care
- MSPERS (Employee State Retirement System)
- Fuel / Transportation costs
- Capital Outlay
- Utility Costs

# Budget Variables - Revenue

- Per Pupil Foundation Allowance increase/decrease still unknown
- High School FTE categorical (differential funding)
- Non-Public & Homeschool (**continued dilution of allowable FTE claimed**)
- Elimination of over 19 Categorical Grants
- CTE per pupil incentive funding
  
- Grant sources
  - Title I was split into 2 areas
    - Title I & Title IV with limitations continuing into 18-19
    - Change in methodology from local to county Free & Reduced pupils continues
  - Changing national political scene – funding changes possible in 17-18 and beyond – no Federal budget yet!

# Budget Variable Budgeted Enrollment Loss

- $-170 \text{ FTE} \times \$7,631 = \$1,300,000$
- $\$1,300,000 / 4,953 \text{ audited} = \$262 \text{ per FTE}$



# Pupil Membership Blend Changes FY 2010-11 to FY 2017-18



Fiscal Year	Fall Count	Prior February Count	Following February Count
2010-11	75%	25%	
2011-12	90%	10%	
2012-13	90%	10%	
2013-14	90%		10%
2014-15	90%		10%
2015-16	90%	10%	
2016-17	90%	10%	
2017-18	90%	10%	
2018-19	?	?	

\* Extracted from House Fiscal Agency Table

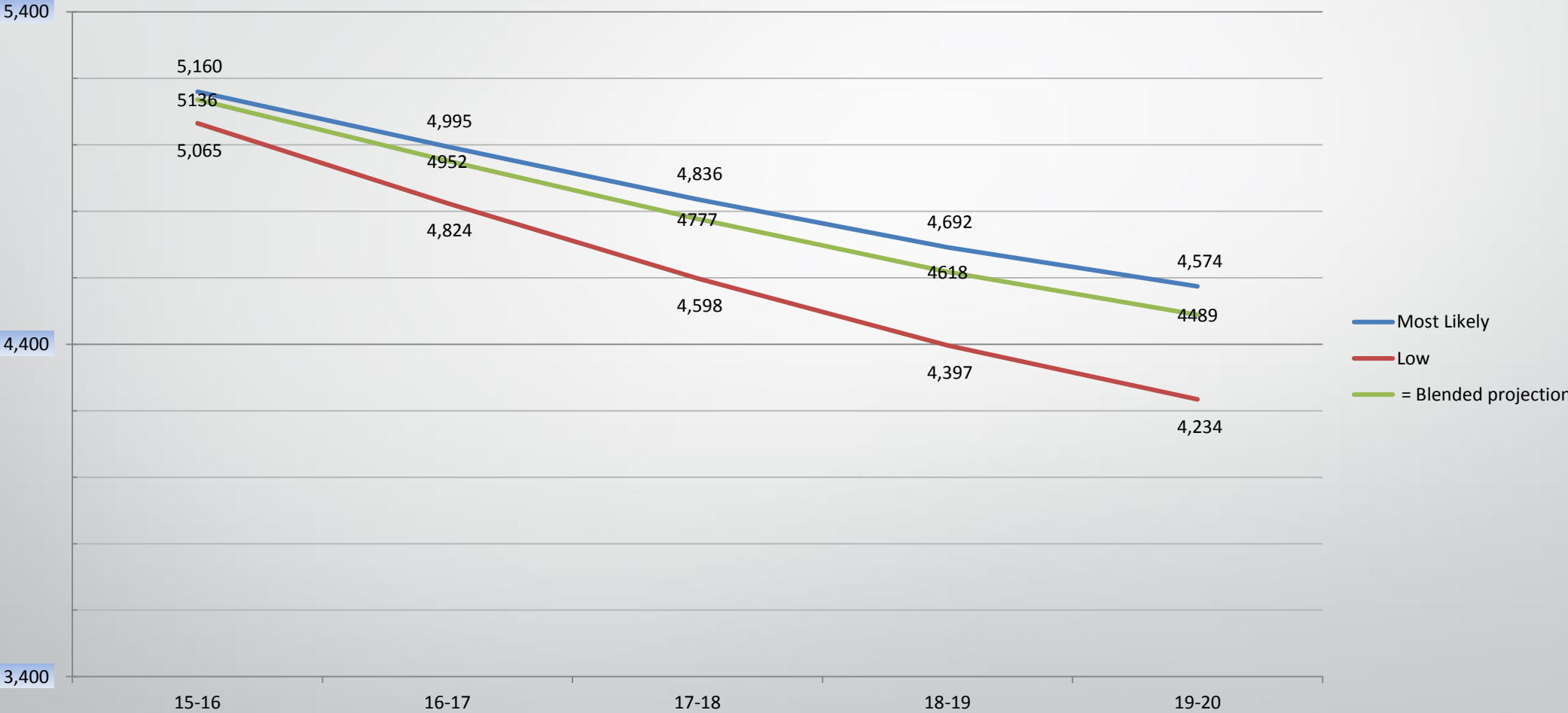


# October to October Enrollment Summary from Official State Report



Total Enrollment Summary	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	6 Yr. Avg.
Current Year October	5,891.47	5,636.28	5,466.11	5,284.06	5,133.14	4952.74	n/a
Previous Year October	6,068.13	5,891.47	5,636.28	5,466.11	5,284.06	5133.14	n/a
Total Actual Change in FTE	-176.66	-255.19	-170.17	-182.05	-150.92	-180.40	-185.89
<i>Actual loss due to Graduation Exit and Kindergarten Enrollment</i>	-175	-173	-150	-171	-116	-122	-151.16
<i>Graduates - June Kdg. enrollment – Oct.</i>	585 410	483 310	466 316	464 293	422 306	433 311	n/a

# Stanfred Consultants Enrollment Projection



# Budget Variable - Expenditures



- Wage cost
  - 3 expiring contracts @ 6-30-18, LEA settled for 18-19 & 19-20.
  - \$9.25 minimum wage rate as well as competitive wages in workforce (competition for workers)
- Benefit costs
  - Hard caps increased by 3.4% for 2018, district had approx. \$100k cost increase
  - LCS - MESSA rates are for 18-months till 1-1-19
- Retirement costs
  - Unfunded liability will continue pressure on School Aid Fund or actual employer rate
- Curriculum/Text Book updates/changes/ & related Professional Development (PD)
- Technology replacement/upgrades and Virtual instruction equipment needs

# Budget Variable - Expenditures



- Utility costs
  - Variable in purchasing in consortium along with lower actual usage
- Bus Fuel
  - Predicted slow rise in crude oil, raising cost at pump to approx. \$3.00 gal
- Bus Replacement
  - Fourth year of only budgeting 4 vs 8, which are needed to maintain a 9 year replacement schedule of the entire fleet (70)
- Facility infrastructure
  - (i.e., security, roofs, parking lots/driveways, HVAC systems, lighting, restrooms)
- Cash Flow Borrowing
- Unknown final outcome of the Legislative budget process for FY 18-19 ???

# Fund Balance/Expenditures Comparison



FY Year	Lapeer %	Lapeer \$	Board Goal	Statewide Average *
2018-actual	?	?		
2018-adopted	7.16 %	\$3,458,632	10 %	
2017	7.16%	\$3,458,632	10 %	
2016	6.06%	\$2,945,139	10 %	11.37 %
2015	4.99 %	\$2,479,349	10 %	9.83 %
2014	5.31 %	\$2,632,143	10 %	9.45 %

# General Information – Macro View

- January 2017 Revenue Conference Information:
  - State-wide pupil membership decrease by approx. 5,000 students
  - School Aid Fund (S.A.F.) for FY 17'-18' & 19'-20' structural surplus, slight **deficit** for FY 18'-19'
  - Continued Slow growth in economy, low inflation = State Revenue slow to grow
  - Auto sales hit high point last year, now in decline – Michigan economy heavily reliant on auto sector
  - State General fund will have huge shortfall for 19-20, if nothing changes for FY 18'-19', GF FB at \$1 m 9-30-19 (i.e. Broke)
    - Shift \$451m tax refunds into S.A.F. at some point
- May Revenue Conference – again will be pivotal point to estimates

# Legislative Information – Micro View

- Governor: proposed School Aid budget 18'-19'
  - \$120 - \$240 F.A. increase (*Secs. 22a and 22b*)
    - *Short approximately (\$22 pp), needed to cover decline in enrollment (closes been in over 5 yrs)*
  - \$50 categorical for High School FTE only (*Sec. 22n*) - *continues*
  - Shared-time for Nonpublic & Homeschool pupils (*continued dilution of allowable FTE claimed*)
  - Eliminated Categorical Grants -19 of them = \$ 23,000,000
  - Focus on CTE additional funding per pupil
- Senate: N/A to date
- House: N/A to date

# Budget Development Process

## Next steps

- February
  - 1<sup>st</sup> budget manager meeting – share similar known-to-date information
- March / April
  - Get glimpse of Senate & House S.A. bills and begin compiling preliminary budget for 2018-19
- April
  - Present preliminary forecast to Board
  - Present detailed available information to Budget Managers (#2 mtg) for solicitation of input
- May
  - Revised preliminary budget with new information from Legislators and May Revenue Conference
  - Prepare Recommended Budget to adopt for 2018-19
- June
  - Hold required Public hearing on Proposed Budget
  - Board adoption of Recommended Budget



- Questions / Comments