What’s the Cost of Educating a Child?

State School Aid and UCS Current Financial Status

January 9, 2017
Objectives

• To develop a general understanding of how Michigan school districts are funded.

• To develop an awareness of why UCS is experiencing financial challenges.

• To identify next steps in bringing revenue and expenses in line.
• Second largest district in Michigan
  • 28,000 students
  • 40 school buildings

• Focus on student learning and achievement
  • Graduation rate is 92.4%, 12 points higher than state average
  • Attendance rate is 95.0%
• Fiscally conservative community expectations

• Innovative and experienced professionals

• History of sound fiscal management and stewardship of taxpayers’ dollars
• In 1994, the state established the per pupil foundation allowance.

• School districts continue to remain in their relative position.

• School districts are financially dependent on the state.

• The state collects property taxes and other taxes for redistribution to school districts.
• Michigan is a local-control state, which means local Boards of Education approve **how** to spend state funding.

• School districts are mandated to have a balanced budget (Uniform Budgeting & Accounting Act).

• Early Warning Legislation - Treasury is given financial oversight for distressed school districts.
Shift of Funding from Local to State

Before Proposal A

- Local: 69%
- State: 31%

After Proposal A - 1994

- State: 81%
- Local: 19%

Factors Creating Financial Challenges

➢ Declining Enrollment
  • Partially offset by Schools of Choice $14.9M annually

➢ Stagnant Funding
  • Per pupil funding; not keeping pace with inflationary increases

➢ 2x Formula
  • For the past 4 years, the state redistributed funds based on 2x formula and equity payments

➢ Redirection of Funding
  • Private schools
  • Community colleges
Awareness of Financial Challenges

Column: Another school year reminds us of the failings of Proposal A
Published: Wednesday, September 07, 2016
By Craig Farrand

Group sues Michigan for withholding billions of dollars in payments
By Mitch Hotts, The Macomb Daily
POSTED: 09/07/16, 7:06 PM EDT | UPDATED: 2 WEEKS, 3 DAYS AGO
17 COMMENTS

If we want good schools, we have to pay for them
By Nancy Kaffer, Detroit Free Press Columnist
3:20 p.m. | 28 Sep

Lansing, are you listening?
Detroit Free Press Editorial Board
4:57 p.m. | 28 Aug

Jack Lessenberry: Education funding not improving
Oct 2, 2016
UCS Financial Challenges
Key Factors

- Declining Enrollment
- Stagnant Funding
- 2x Formula/Equity Payments
Enrollment Trend

2006-2007: 30,000
2007-2008: 29,640
2008-2009: 29,500
2009-2010: 29,200
2010-2011: 28,800
2011-2012: 28,400
2012-2013: 28,000
2013-2014: 27,683
2014-2015: 27,333
2015-2016: 27,000
2016-2017*: 26,640

* Enrollment Projected
Foundation Allowance and Enrollment Trend

* Enrollment Projected
Real Growth in Foundation Allowance

2006-2007: $7,624
2016-2017: $7,684

$60 over 10 years or $6 per pupil per year
Comparison of UCS Foundation Allowance to Minimum Foundation District

- **2006-2007**
  - Utica Community Schools: $7,624
  - Minimum Foundation District: $7,085
  - Difference: $539

- **2016-2017**
  - Utica Community Schools: $7,684
  - Minimum Foundation District: $7,511
  - Difference: $173
<table>
<thead>
<tr>
<th>School District</th>
<th>FY 2006-2007</th>
<th>FY 2016-2017</th>
<th>Total Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Foundation Districts and Charter Schools</td>
<td>$7,085</td>
<td>$7,511</td>
<td>$426</td>
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<tr>
<td>Utica Community Schools</td>
<td>$7,624</td>
<td>$7,684</td>
<td>$60</td>
</tr>
</tbody>
</table>

UCS has Received $366 Less in Funding Increases than Minimum Foundation Districts

A difference of $10.1M for UCS annually
Michigan Public School Districts and Charter Schools

- 5% Districts Above State Maximum Foundation (Hold Harmless)
  - $8,230 - $15,616
  - Troy, Warren Consolidated

- 11% Between Minimum and Maximum Foundation
  - $7,512 - $8,229
  - Utica Community Schools
  - Romeo, Rochester, L’Anse Creuse

- 84% Minimum Foundation Districts & Charter Schools
  - $7,511
  - Chippewa Valley, Plymouth-Canton
Response to Funding Challenges

- Budget reductions of $115.7M
  - Including 900 full-time equivalent employee positions
- School consolidation resulting from building closures
- Liquidation of excess property
- Increased employee contributions to retirement
- Increased employee contributions to healthcare
- Contracting out of services

Detail reduction list available on www.uticak12.org
General Fund Revenue by Source 2015-2016

- **Total:** $265,058,726

  - **$200,647,896** (76%)
  - **$17,760,033** (7%)
  - **$29,291,133** (11%)
  - **$9,118,608** (3%)
  - **$2,117,012** (1%)
  - **$6,124,044** (2%)

*State Revenue: $200,647,896 (76%)

*Federal Revenue: $17,760,033 (7%)

*Local Revenue: $29,291,133 (11%)

*Restricted State Retirement Revenue: $9,118,608 (3%)

*Transfers In Revenue: $2,117,012 (1%)

*Interdistrict & Other Revenue: $6,124,044 (2%)*
General Fund Expenditures by Function
2015-2016

Total
$273,178,739

- Instruction and Instructional Support: $3,005,792 (1%)
- School Administration: $220,259,036 (81%)
- Business and General Administration: $15,017,536 (5%)
- Operations: $11,018,374 (4%)
- Transportation: $16,254,156 (6%)
- Other: $7,192,335 (3%)
- Athletics: $15,017,536 (5%)
General Fund Expenditures by Object 2015-2016

Total
$273,178,739

- Salaries: $76,302,015 (28%)
- Benefits: $17,760,033 (7%)
- Restricted State Retirement: $151,169,016 (55%)
- Purchased Services: $8,541,069 (3%)
- Supplies and Materials: $17,226,153 (6%)
- Other: $2,180,453 (1%)

$211,068,052
$62,110,687
$8,541,069
$17,226,153
$2,180,453
Key Factors Driving Expenditures to Exceed Revenue
UCS Funding Sources Comparison to Regional Average

**Total Revenue per Student**

<table>
<thead>
<tr>
<th></th>
<th>Utica Community Schools</th>
<th>Regional Average</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Sources</td>
<td>$1,827</td>
<td>$1,010</td>
<td>-$817</td>
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<tr>
<td>State Sources</td>
<td>$7,522</td>
<td>$7,559</td>
<td>-$37</td>
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<tr>
<td>Federal Sources</td>
<td>$716</td>
<td>$353</td>
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<tr>
<td>Other Financing Sources</td>
<td>$722</td>
<td>$406</td>
<td>$316</td>
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</table>

**Total Revenue per Student**

- **Utica Community Schools**: $9,328
- **Regional Average**: $10,787
- **Difference**: -$1,459

**SOURCE**: Munetrix - Fiscal Year 2015; Regional Average includes Macomb, Oakland and Wayne County public schools
UCS Expenditure Comparison to Regional Average

**Total Expenditure per Student**
- **Utica Community Schools**: $9,563
- **Regional Average**: $10,729
- **Difference**: -$1,166

**SOURCE**: Munetrix - Fiscal Year 2015; Regional Average includes Macomb, Oakland and Wayne County public schools
Employee Total Compensation Comparison

SOURCE: Munetrix Fiscal Year 2015; Compensation includes salaries, benefits, FICA and retirement.
District Average Teacher Salary Comparison

Source: 2015 Bulletin 1014 –Average of selected school districts.
Summary
UCS Budget - Next Steps

- State Revenue Consensus Conference
- Pupil Enrollment Projection Study Report 2017-2021
- Budget Adjustment I
- Budget cost containment, reductions and program redesign
<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tbody>
<tr>
<td>State Revenue Consensus Conference</td>
<td>January 12, 2017</td>
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<tr>
<td>Governor’s Budget</td>
<td>February 2017</td>
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<tr>
<td>UCS Budget Development</td>
<td>February – May 2017</td>
</tr>
<tr>
<td>UCS Budget Adoption</td>
<td>June 12, 2017</td>
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</table>
UCS Financial Challenges

✓ Declining enrollment

✓ Stagnant funding from the state
  • $60 per pupil over 10 years, or $6 per pupil a year

✓ 2x Formula
  • Over 10 years, minimum foundation districts have received $366 more per student than UCS
  • This amounts to $10.1M annually

✓ Expenditures
  • Continued cost reductions
For more information go to:

#CostToEducateMyChild

funding.uticaK12.org