



Rochester Community Schools

School Funding Update

Presented to the Rochester PTA Legislative Group
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Today's Objective



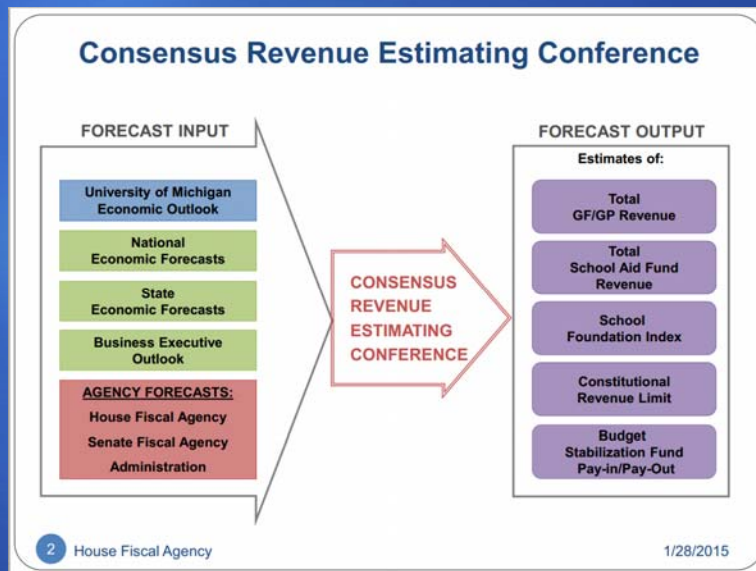
- School Funding in Michigan
- School Funding in Rochester
- District Financial Information
- Budget Outlook
- Questions & Discussion

School Funding in Michigan



- Budget estimates are established twice annually through state Consensus Revenue Estimating Conference (CREC).
 - "Meeting of the Minds" on state economic and budget forecasts for current year and future years
 - House Fiscal Agency
 - Senate Fiscal Agency
 - State Treasurer
- CREC met on January 16, 2015 and set current estimates for the School Aid Fund for 2014/2015, 2015/2016, and 2016/2017 years.

CREC Forecast & Estimate Factors Used



CREC Forecast & Estimate Factors Used



- Employment
- Unemployment
- Retail sales
- Light vehicle production and sales
- Consumer sentiment
- Michigan employment
- Michigan home sales
- Stock market
- Oil markets
- Construction Starts
- GDP
- Inflation
- Sales and withholding taxes
- Income taxes
- Michigan business taxes
- State education tax

CREC 3-Year Estimates



State of Michigan						
Consensus Revenue Estimates						
January 16, 2015						
	FY 2014/2015			FY 2015/2016		
	Total	\$ Chg	% Chg	Total	\$ Chg	% Chg
School Aid Fund (SAF)	\$11,889.1	\$368.6	3.2%	\$12,263.7	\$374.6	3.2%
General Fund/General						
Purpose (GFGP)	\$9,501.4	\$482.9	5.4%	\$9,713.2	\$211.8	2.2%
Total Revenue	<u>\$21,390.5</u>	<u>\$851.5</u>	<u>4.1%</u>	<u>\$21,976.9</u>	<u>\$586.4</u>	<u>2.7%</u>
	FY 2016/2017					
	Total	\$ Chg	% Chg			
School Aid Fund (SAF)	\$12,640.9	\$377.2	3.1%			
General Fund/General						
Purpose (GFGP)	\$10,000.6	\$287.4	3.0%			
Total Revenue	<u>\$22,641.5</u>	<u>\$664.6</u>	<u>3.0%</u>			

Source: Consensus Revenue Agreement Executive Summary, 1/16/15

January 2016 Consensus Revenue Estimates show modest SAF and GFGP revenue growth over the next two years.

State School Aid Fund Make-Up



**Table 15
Administration School Aid Fund Revenue Detail**

	FY 2015		FY 2016		FY 2017	
	Amount	Growth	Amount	Growth	Amount	Growth
School Aid Fund						
Income Tax	\$2,455.4	4.1%	\$2,546.3	3.7%	\$2,646.6	3.9%
Sales Tax	\$5,512.9	3.0%	\$5,724.7	3.8%	\$5,941.6	3.8%
Use Tax	\$481.1	3.7%	\$499.2	3.8%	\$518.1	3.8%
Liquor Excise Tax	\$46.4	0.9%	\$47.0	1.3%	\$47.6	1.3%
Cigarette & Tobacco	\$345.7	-3.8%	\$339.7	-1.8%	\$330.9	-2.6%
State Education Tax	\$1,849.3	2.5%	\$1,899.9	2.7%	\$1,966.9	3.5%
Real Estate Transfer	\$250.3	7.2%	\$264.0	5.5%	\$276.8	4.8%
Industrial Facilities Tax	\$36.1	7.8%	\$37.0	2.5%	\$37.0	0.0%
Casino (45% of 18%)	\$109.0	2.0%	\$109.0	0.0%	\$109.0	0.0%
Commercial Forest	\$3.5	2.9%	\$3.5	0.0%	\$3.5	0.0%
Other Spec Taxes	\$28.5	0.7%	\$28.5	0.0%	\$28.5	0.0%
Subtotal Taxes	\$11,118.2	3.1%	\$11,498.7	3.4%	\$11,906.5	3.5%
Lottery Transfer	\$758.0	3.3%	\$781.3	3.1%	\$797.0	2.0%
Total SAF Revenue	\$11,876.2	3.1%	\$12,280.1	3.4%	\$12,703.5	3.4%

Source: Administration Estimates and Revenue Outlook, 1/16/15

School Funding in Rochester



Pre-Proposal A Funding (1993/1994)

- 33.3 Mills Homeowner Property Taxes for Operations
- 4.9 Mills Homeowner Debt
- 38.2 Mills Total Homeowner
- 38.2 Mills Total Business
- 4% State Sales Tax
- 2% State Funding
- 97% Local Funding
- 1% Federal Funding
- Total funding of \$6,197 per Student

Current Post-Proposal A (2014/2015)

- 6.0 Mills Homeowner State Education Tax
- 6.4 Mills Homeowner Debt
- 12.4 Mills Total Homeowner
 - Reduction of 25.7 Mills
- 30.4 Mills Total Business
 - Reduction of 7.8 Mills
- 6% State Sales Tax
- 75% State Funding
- 15% Local Funding
- 4% Federal Funding
- 6% County Funded
- Foundation allowance of \$7,972 per Student

State Aid Funding

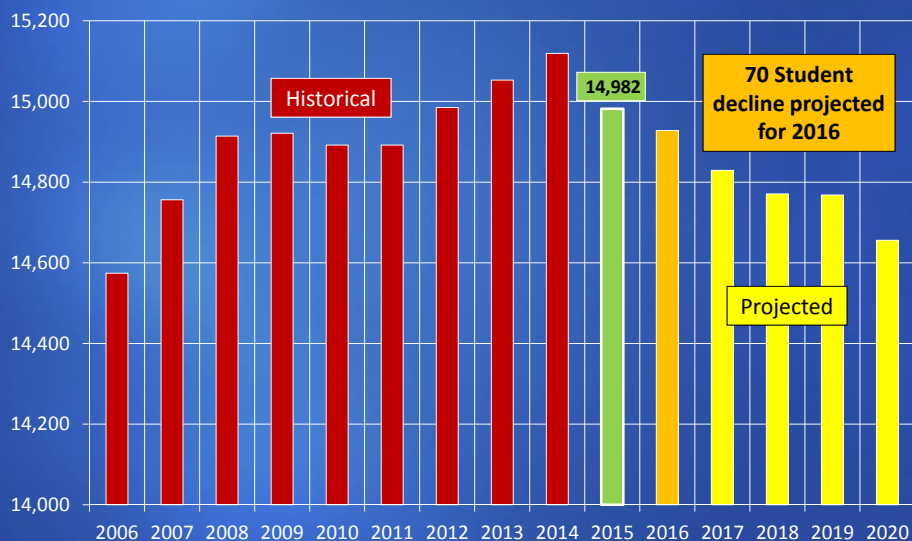


Enrollment x Foundation Allowance = State Aid

Foundation Allowance = **\$7,972 per student** for 2014/2015

- The annual per student amount of state aid funding
- Foundation Allowance is comprised of 2 portions – local and state
 - **Local** portion funded by 18 mills on non-primary residence property in Rochester and 6 mills on commercial property = **\$1,085 per student** or 14% of total foundation
 - **State** portion funded by 6 mills on ALL property = **\$6,887 per student** or 86% of total foundation
- Enrollment is based on a blending formula:
 - 90% of the fall 2013 count + 10% of February 2014 count = Blended Enrollment

RCS Enrollment



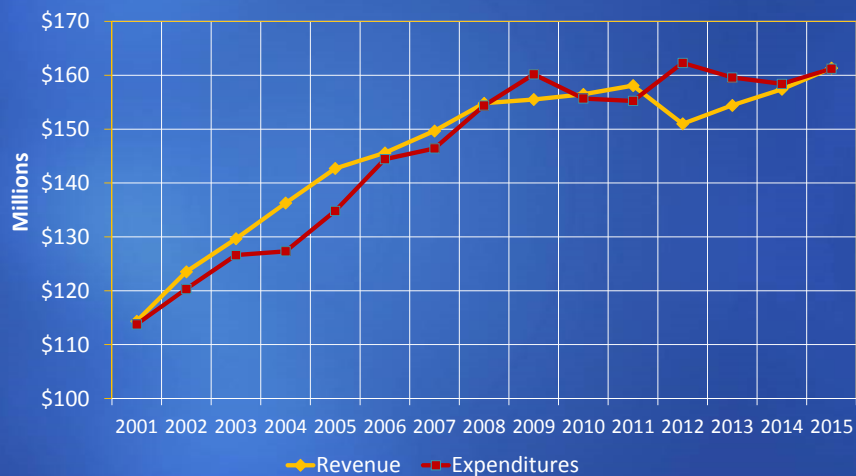
Rochester Schools Budget

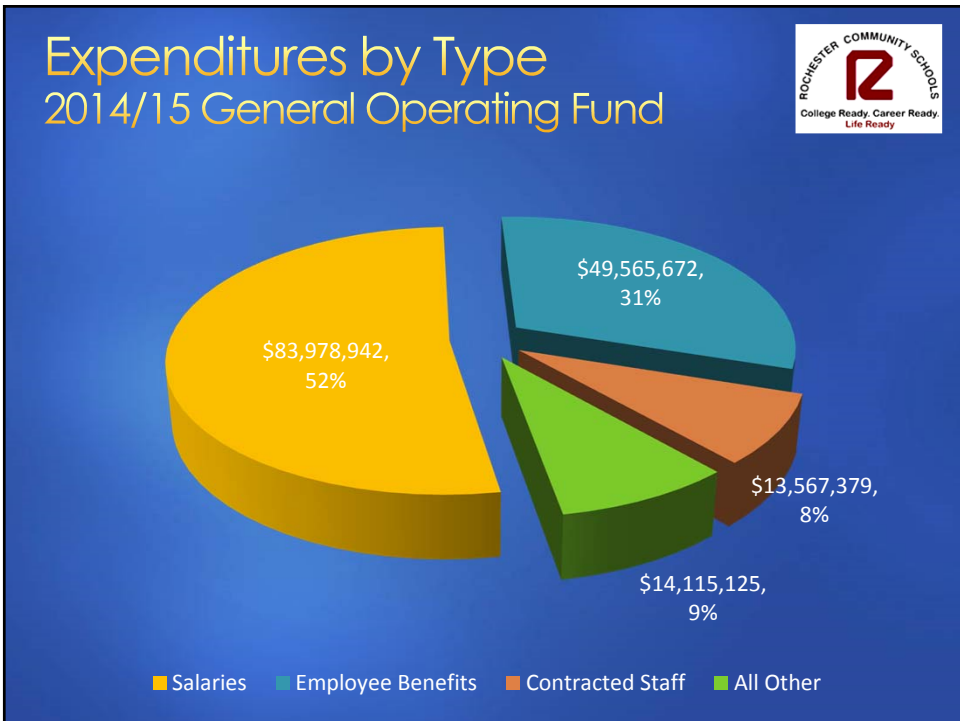
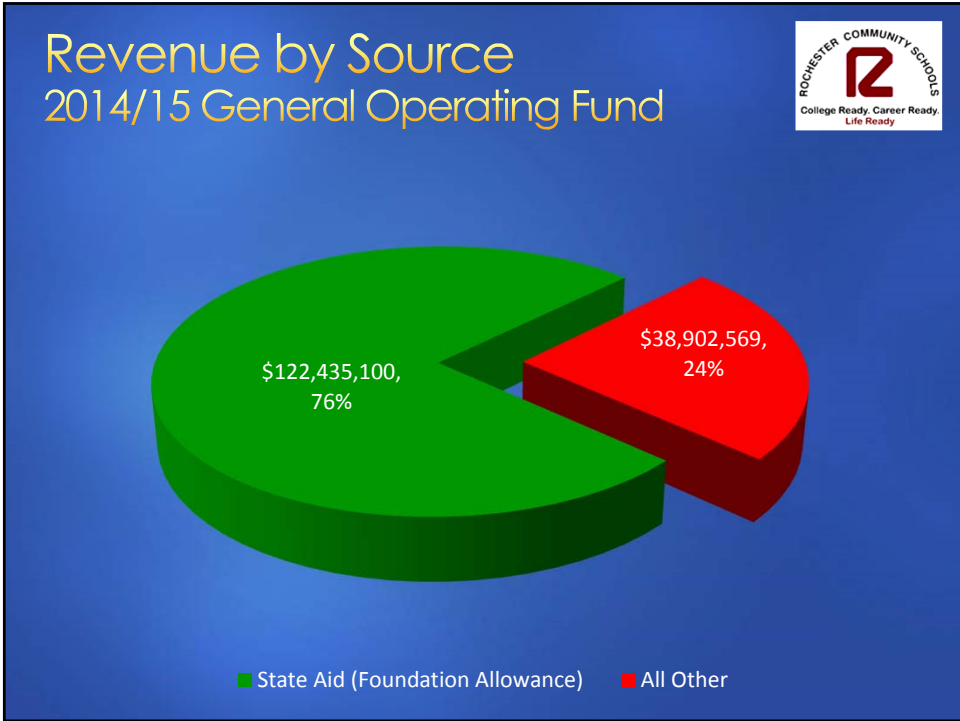


	2012/2013	2013/2014	2014/2015
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>
Revenue	\$154,419,992	\$157,167,083	\$161,337,669
Expenditures	\$159,596,424	\$158,654,578	\$161,227,118
Surplus (Deficit)	(\$5,176,432)	(\$1,487,495)	\$110,551
Beginning Fund Balance	\$21,434,439	\$16,258,007	\$14,770,512
Estimated Ending Fund Balance	<u>\$16,258,007</u>	<u>\$14,770,512</u>	<u>\$14,881,063</u>
Fund Balance as a % of Budgeted Expenditures	<u>10.2%</u>	<u>9.3%</u>	<u>9.2%</u>

We are in the process of preparing budget projections for the 2015/2016 year.

General Fund Revenue & Expenditures

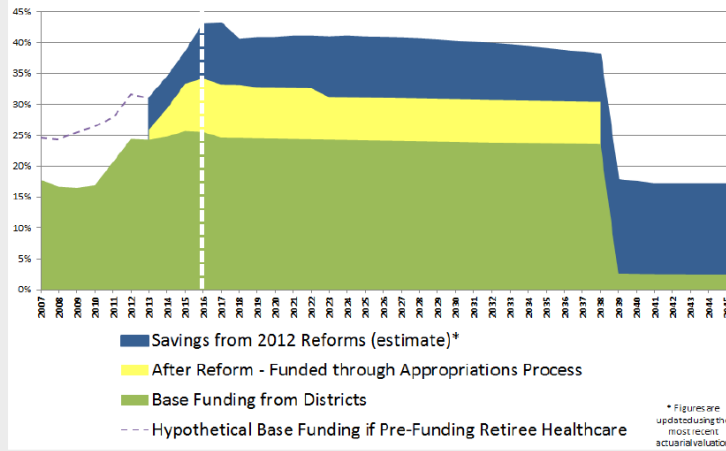




Mandatory Retirement Contributions



Projected MPSERS Total Contribution Rates (2013-2044)
Pension and Retiree Healthcare



PA 300 of 2012 was designed to stabilize the MPSERS rate for FY2013 and thereafter through restructured pension system.

Per Student Funding History



**Rochester Community Schools
State Aid Per Student Historical Information**

Per Pupil Allocations					
Description	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016(1)
Section 22a Foundation Allowance	\$7,878	\$7,878	\$7,922	\$7,972	\$8,047
11d Pupil Reduction	\$0	\$0	\$0	\$0	\$0
20f Hold Harmless	\$0	\$0	\$4	\$4	\$4
147a MPSERS Cost Offset	\$115	\$120	\$76	\$77	\$77
22f Best Practices Grant	\$100	\$57	\$52	\$50	\$20
22j Pupil Performance Funding	\$0	\$40	\$70	\$60	\$0
Total State Aid (per pupil)	\$8,093	\$8,095	\$8,124	\$8,163	\$8,148
State Aid Increase (Decrease) over Prior Year (per pupil)	(\$255)	\$2	\$29	\$39	(\$15)
147c MPSERS UAAL Payment - Pass Through	\$0	\$0	\$282	\$473	\$600
147d MPSERS UAAL Liability - Pass Through	\$0	\$0	\$0	\$75	\$0

(1) Governor's Budget Proposal, February 11, 2015

The Governor's budget is just the starting point for the legislative process. These figures WILL change in the coming weeks.

RCS Challenges



- Maintaining a structurally balanced budget is priority
 - Right sizing the district based on enrollment
 - Maximizing efficiencies
 - Maintaining strong credit rating
 - Continued stewardship
- May 5 Statewide roads election
 - Governor committed to providing up to \$200 toward K-12 education funding if approved.
 - Constitutionally locks out funding for universities from School Aid Fund
 - There is no Plan B per the Governor

What's next?



- District is in early stages of the budget building process.
- Budget must be adopted by June 30, 2015, in accordance with Michigan law.
- Governor Snyder's budget proposal was released February 11 and will work its way through the legislative process.
 - Provides information on spending priorities.
- Budget projections will be presented to Board of Education in coming weeks.
- Continued dialogue with the Board on the budget development process.



Rochester Community Schools

School Funding Update

Questions & Discussion