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PUBLIC SECTOR
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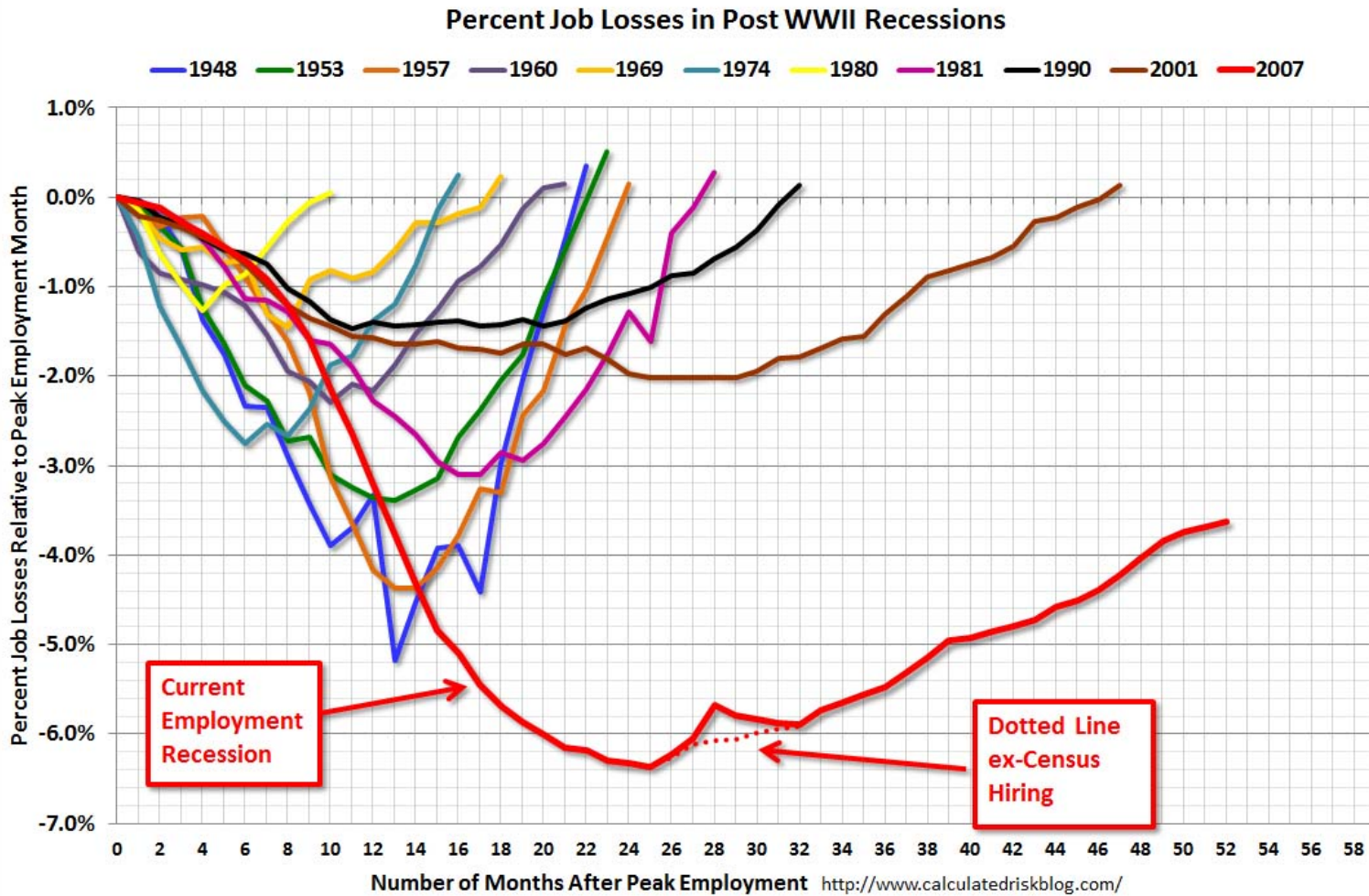


Nowhere to Go but Up ... Eventually

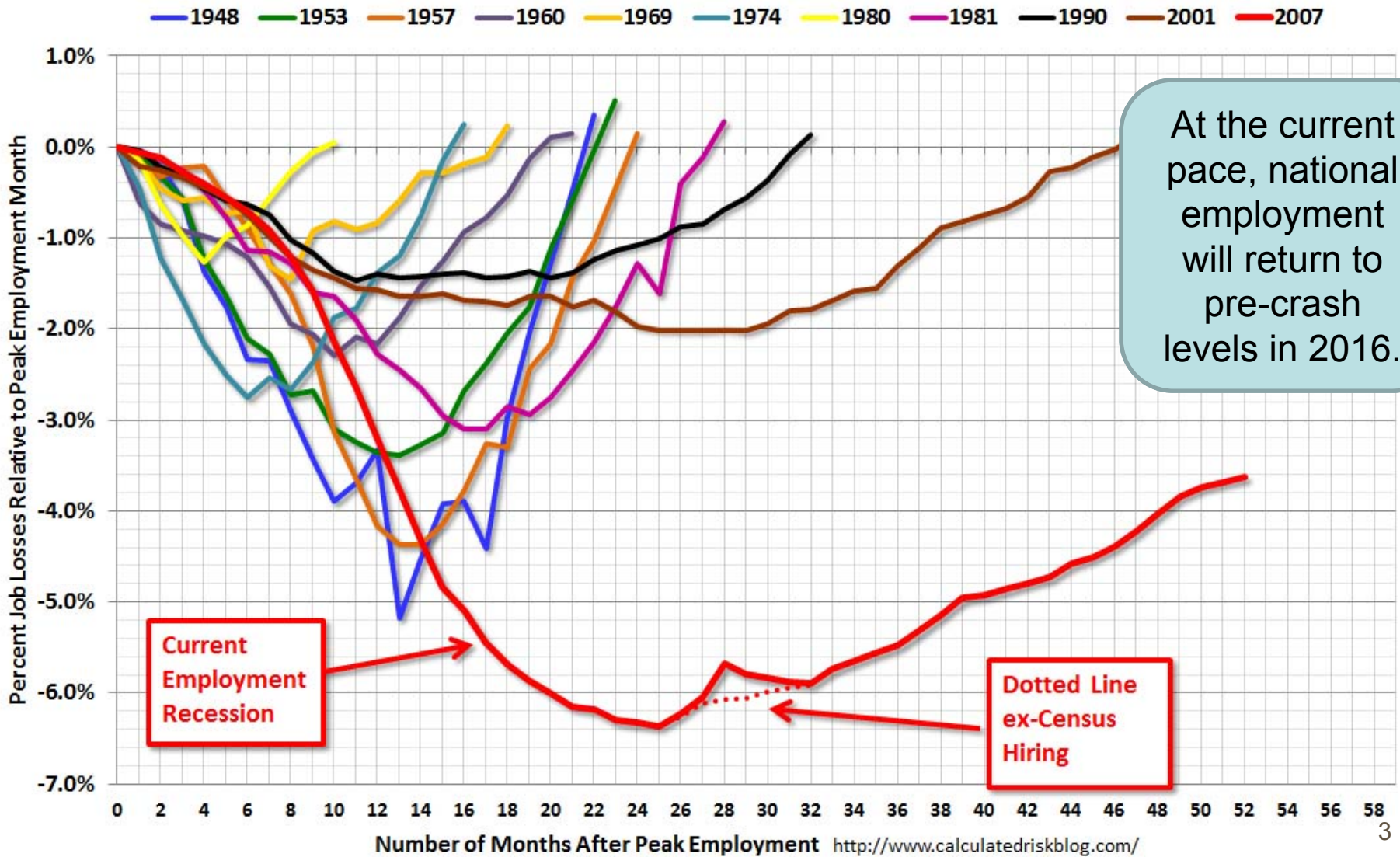
Jeff Williams

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Overview of Economic Climate

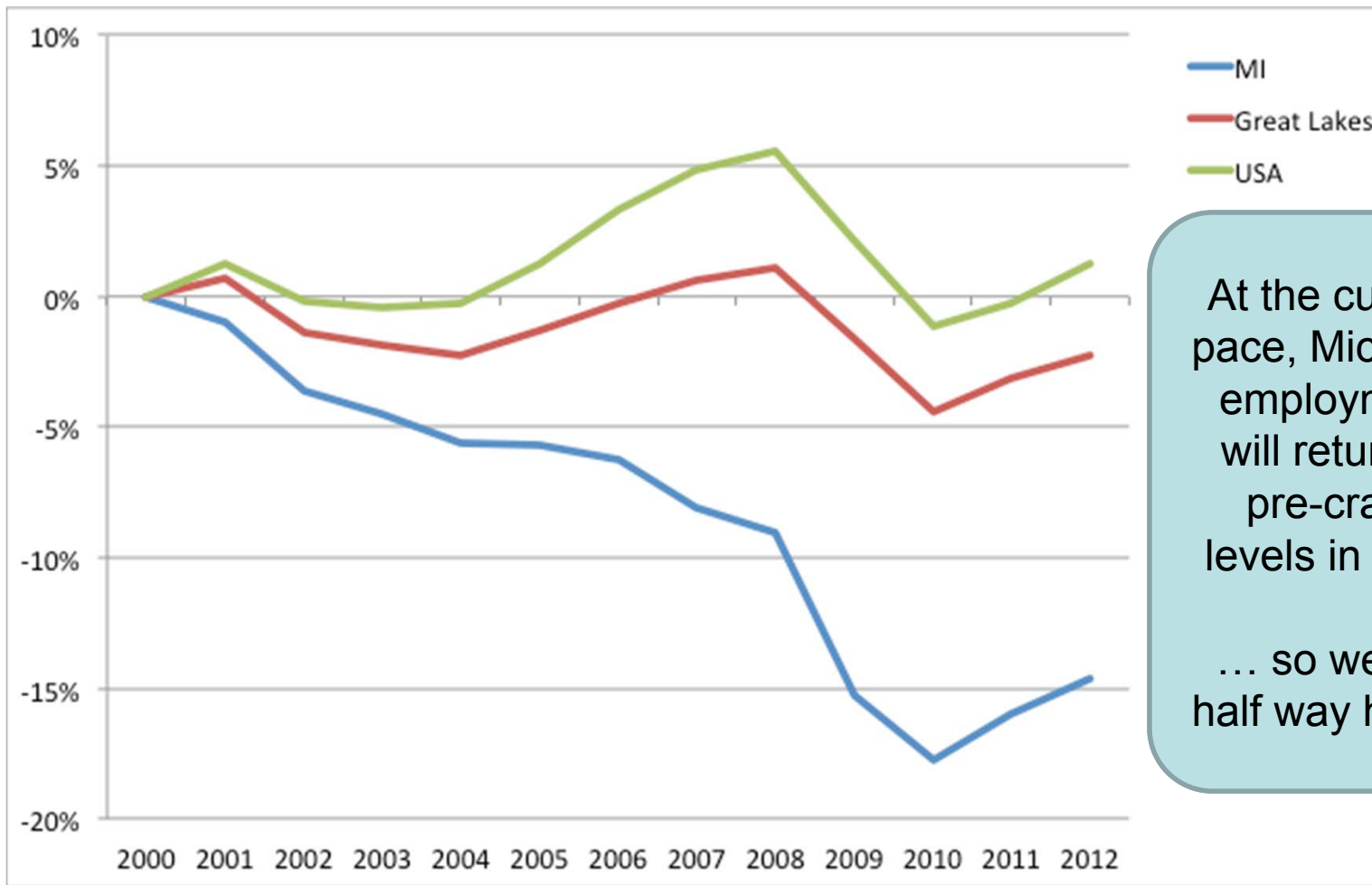


Percent Job Losses in Post WWII Recessions



Michigan... officially back to the pack

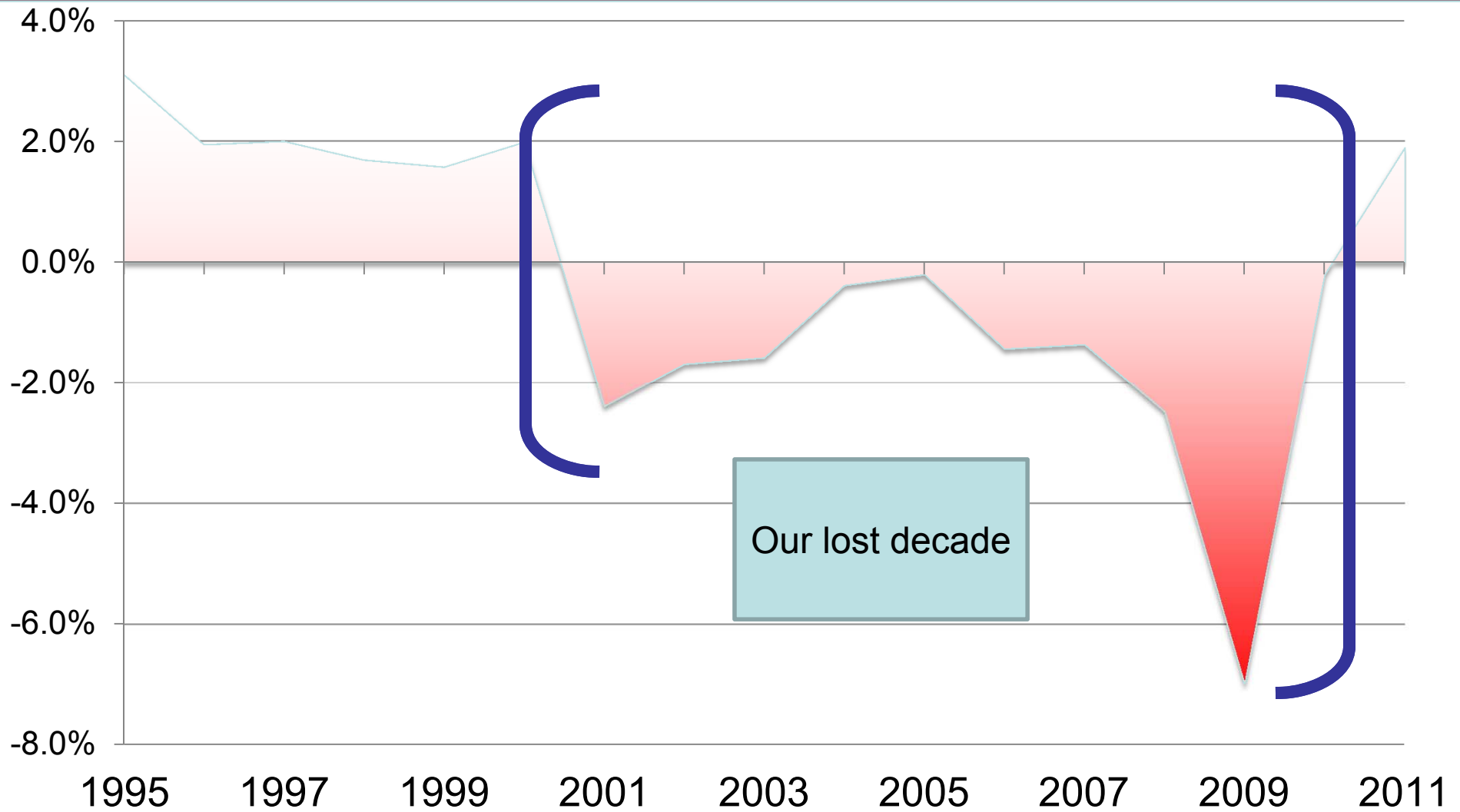
Aggregate Percent Change in Employment, 2000–2012



At the current pace, Michigan employment will return to pre-crash levels in 2022

... so we are half way home.

Annual Change, MI Employment



Decisions Facing Local Units of Government

- Cost containment
 - When 70-80 percent of your budget is personnel, what do you do?
- Choice
 - How will you provide services next year: in-house, or outsourced?
 - Where do you spend your money?
- Consolidation
 - Why do we have to do this task?

Schools and Communities

- A community's reputation and quality of life are affected by the location, viability, and quality of its schools
- In Michigan, schools must balance
 - revenues collected by the community and the state based mainly on property and sales taxes,
 - revenues received from the state based on variable enrollment, and
 - expenditure decisions made by the district
- Land use patterns/policies affect school district finances, and school location decisions can affect the development patterns of a community

Balancing Goals and Constraints

■ Goals:

- Maintain or improve the quality of education
- Healthy communities
- Safe schools
- Efficient schools (energy, land use, etc.)

■ Constraints:

- Financial stability
- Enrollment changes
- Competition with charter/surrounding schools
- School site size requirements (sports facilities)
- Facility modernization/optimization

What Advocates Can Do ...

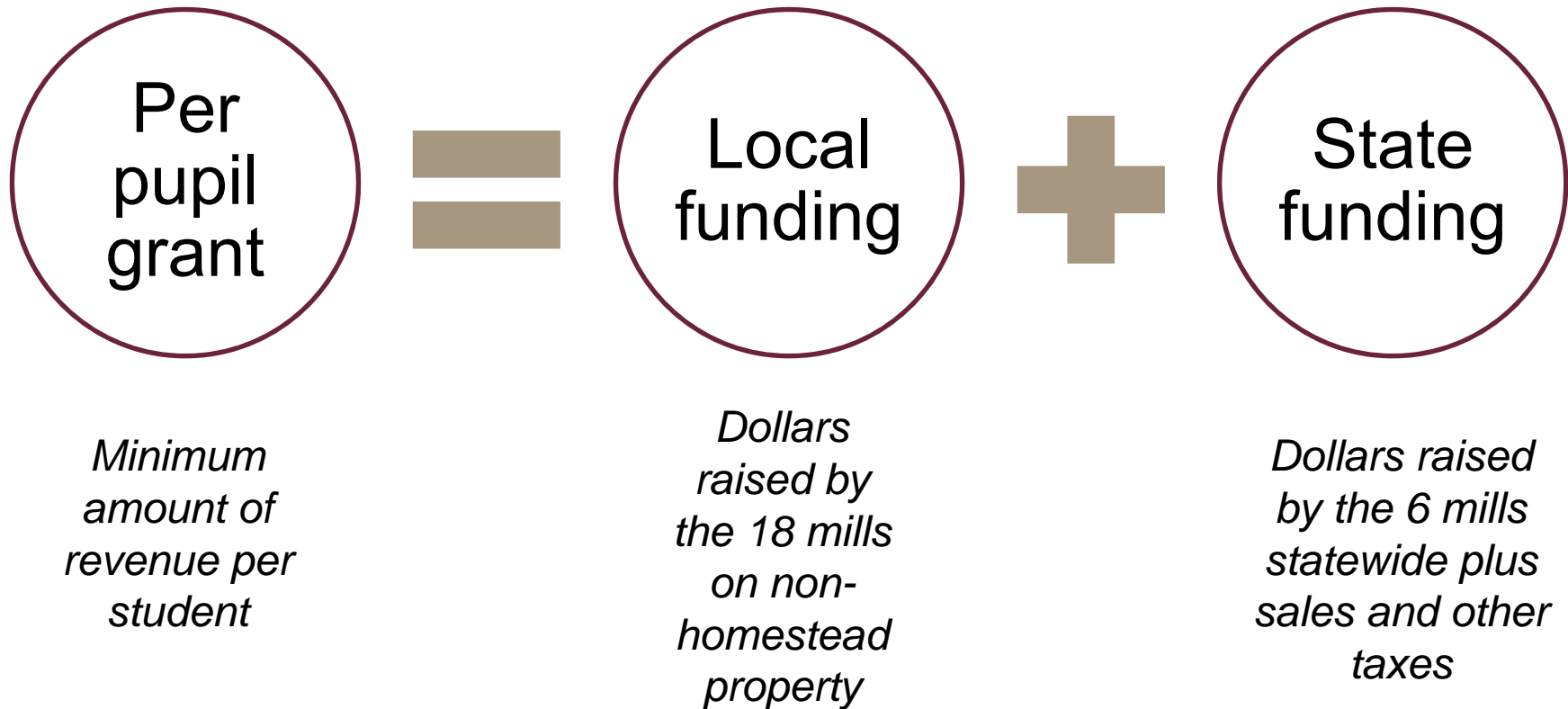
- ...to encourage local units to make better land use and service decisions
 1. Follow the money.
 2. Pay attention to the data.
 3. Solve the local's problem.

A Fictional Case Study

School Spending, Greatly Simplified

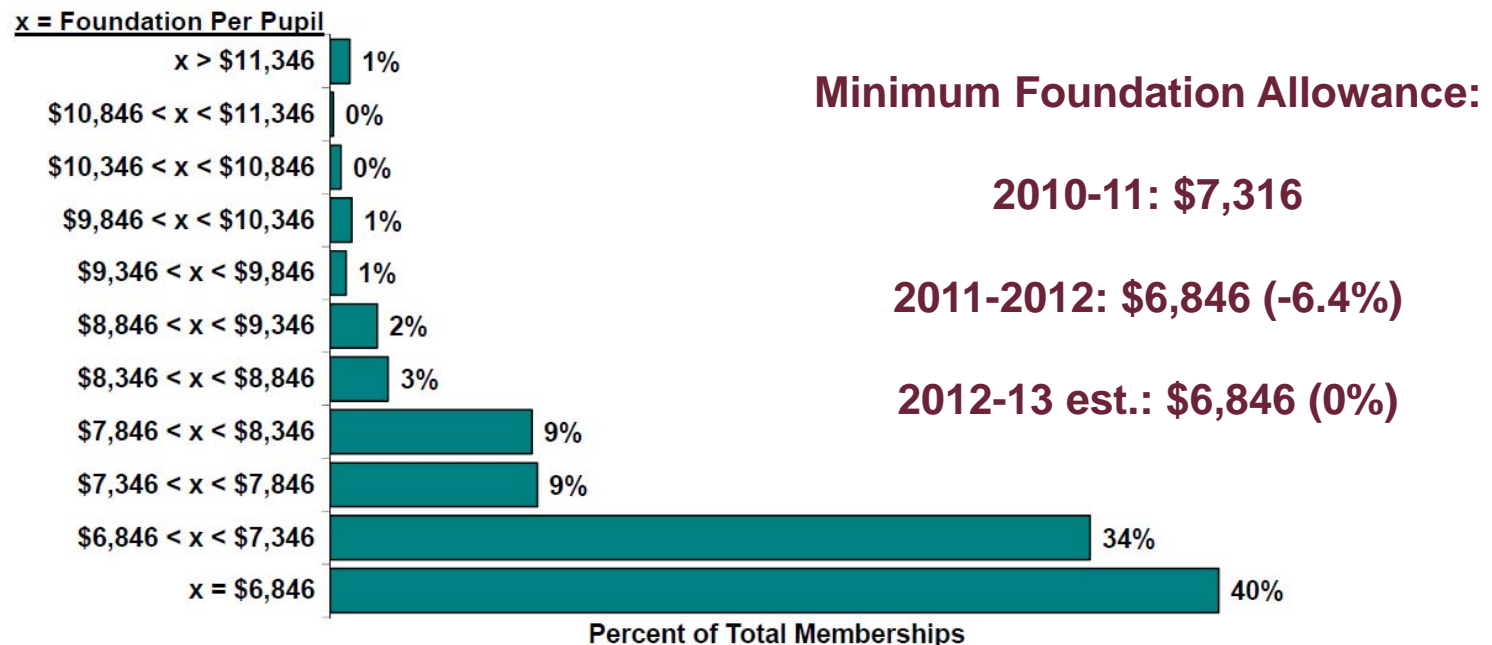
- Local units collect property tax
- State collects sales tax
- Local + state = operational budgets
- Two other budgets
 - Capital expenditures
 - Sinking fund

Foundation Grant

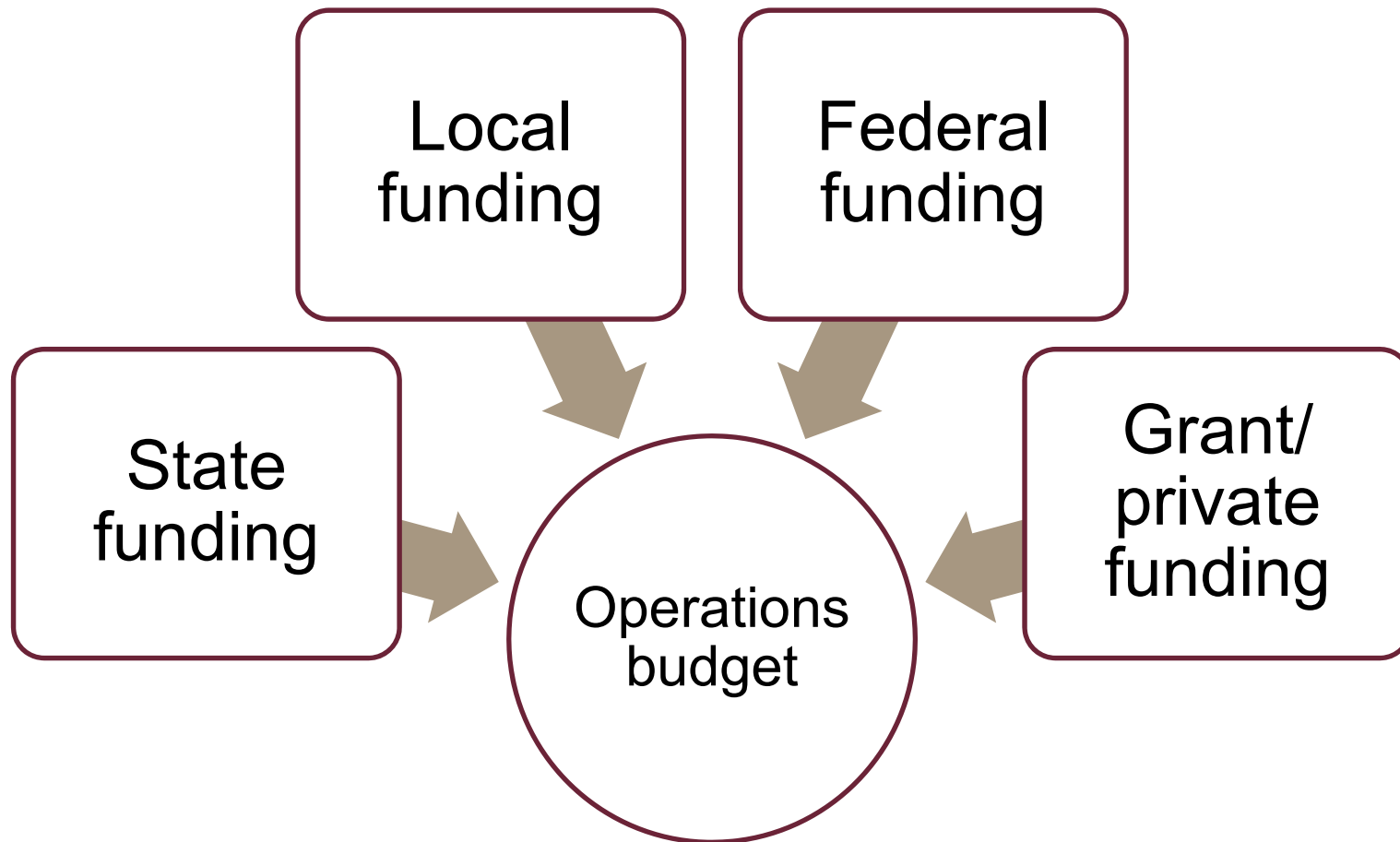


FY 2011–12 Pupil Distribution

- 74% of pupils are concentrated in districts with a foundation allowance at or within \$500 of the minimum foundation \$6,846

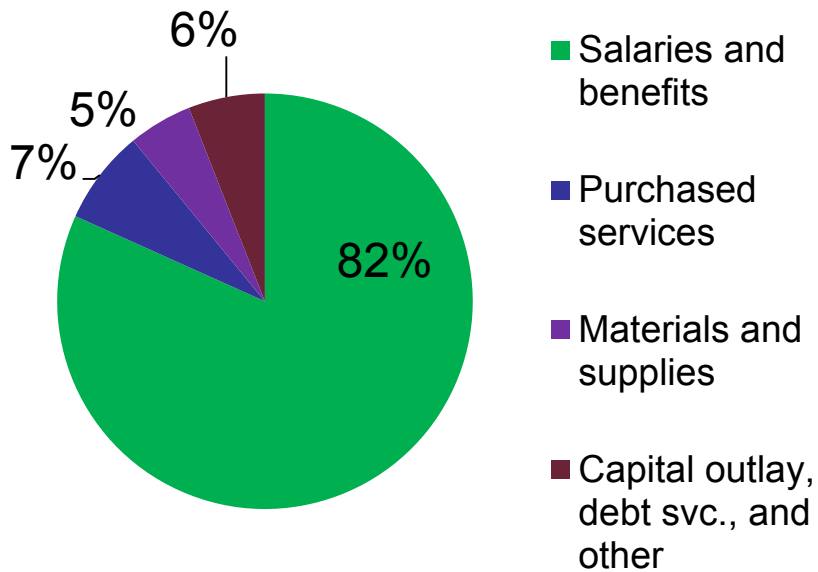


Operations



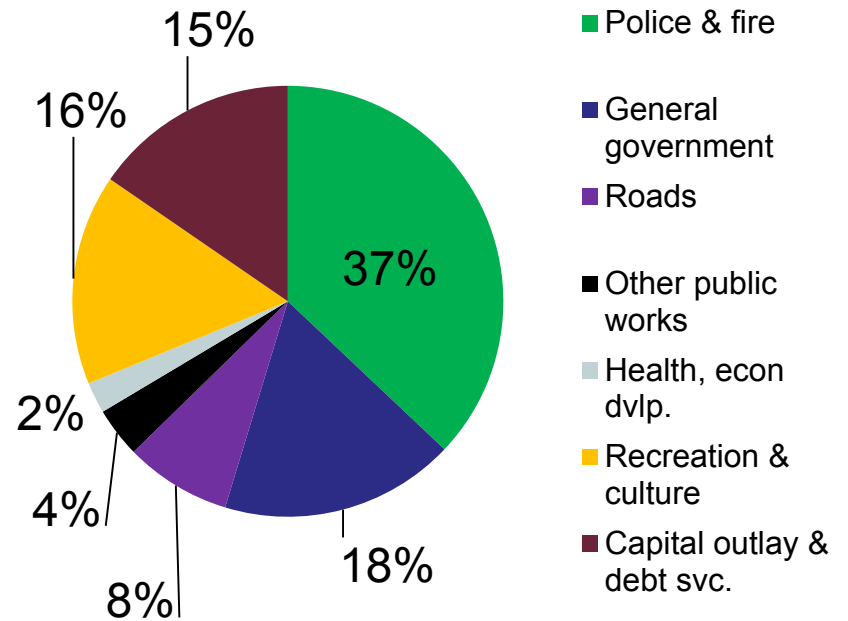
Where does the money go?

School District



\$35 million FY11

City



\$48 million FY10

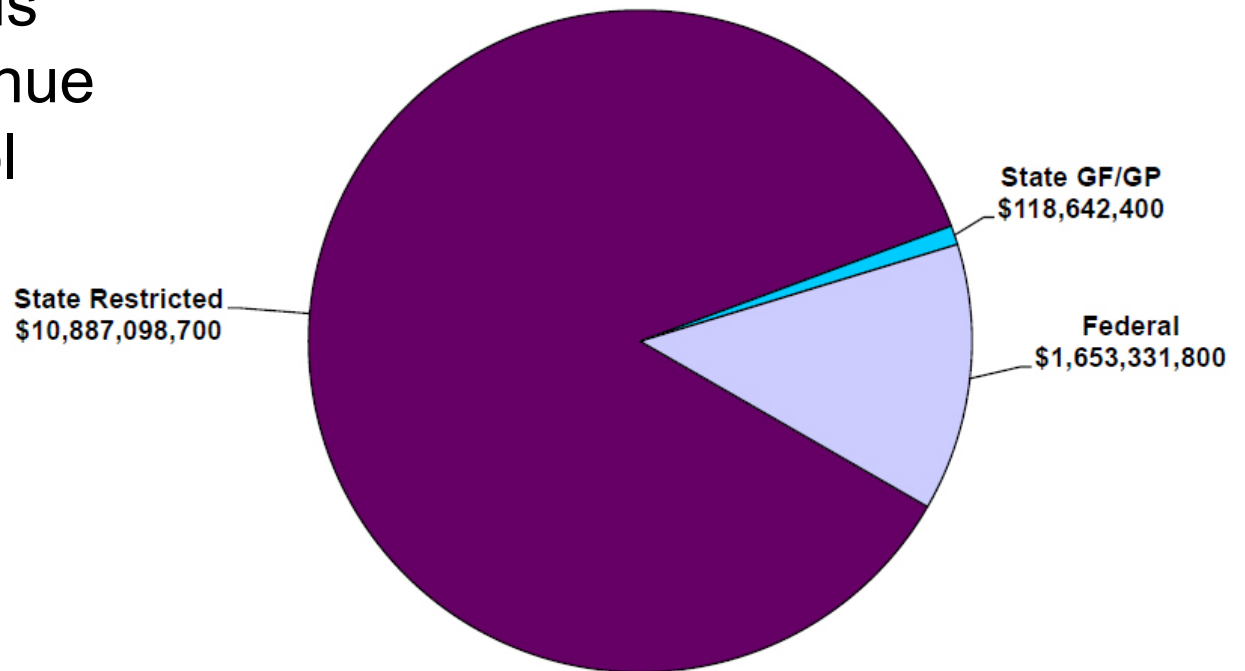
So where is all the money?

- It's restricted for specific purposes.
- State of Michigan budget, FY11: \$47.1 billion

FY 2011–12 School Revenue

School Aid Funding Sources: School Aid Fund restricted funds are the largest revenue source in the School Aid budget.

FY2011–12 School Aid Budget = \$12,659,072,900



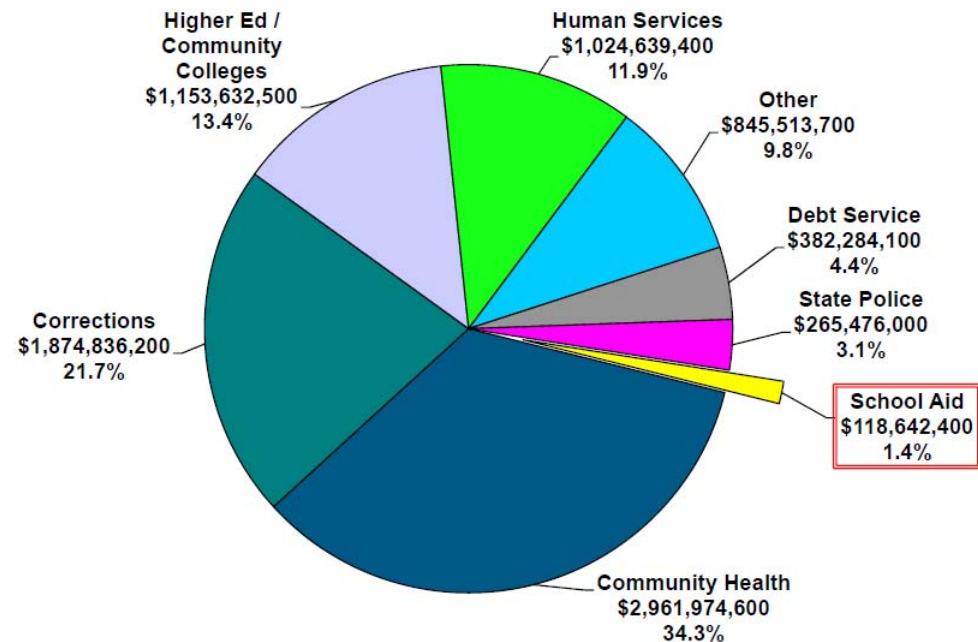
School Aid Share of State GF/GP

- The School Aid budget makes up 1.4% of the total state GF/GP budget.

**FY 2011–12 GF/GP Total =
\$8,626,998,900**

**Total state budget =
\$47.1 billion**

**“Discretionary” spending =
18.3%**



A Tale of Two ...

Category	State	City 1	City 2	Township 1	Township 2
Population change	-0.6%	0.6%	2.7%	1.5%	-1.0%
Family households change	-0.8%	-1.7%	-5.5%	1.9%	2.2%
Households with children change	-9.1%	-11.0%	-15.4%	-11.3%	-0.5%

How will this data lead each community to make different decisions?

Facilities (Capital Improvements)

- No direct state funding for school facilities
- Two major funding methods
 - Bond – Used for a defined construction project
 - Sinking Fund – Fund created for construction projects on an as needed basis
- Both require **voter approval** ...which can cross many local jurisdictions and impact multiple units of government

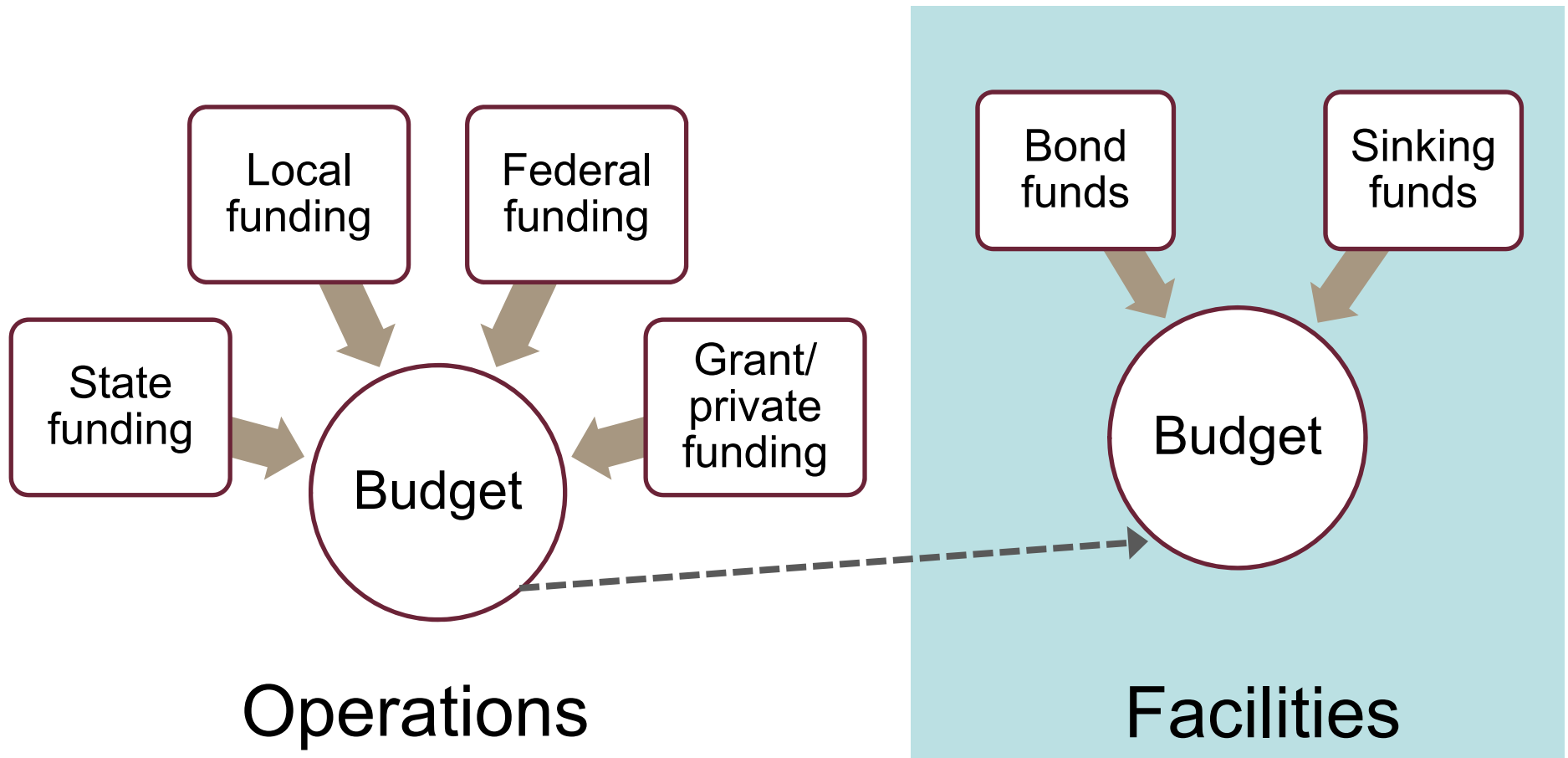
Bonds

- Approved by voters
- Allows local districts to take advantage of the state's credit rating
- May be issued for up to 30 years
- Uses include
 - Construction (new or additions) and remodeling
 - Land purchases
 - Site development and improvements
 - Furnishings and equipment purchasing

Sinking Funds

- Approved by voters
- Up to 5 mills over 20 years
- Uses include:
 - Purchase of real estate for school buildings
 - Construction of new school buildings
 - Addition to or remodeling of existing school buildings
 - Repairs completed by contracted sources
 - Wiring and material of installing technology

Local View of Dollars



A Tale of Two ...

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How will this data lead each community to make different decisions?

Questions? Discussion?

Putting thought into action

Economics □ Education □ Energy □ Environment □ Health



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