Nowhere to Go but Up … Eventually

Jeff Williams
Overview of Economic Climate

Percent Job Losses in Post WWII Recessions

- 1948
- 1953
- 1957
- 1960
- 1969
- 1974
- 1980
- 1981
- 1990
- 2001
- 2007

Percent Job Losses Relative to Peak Employment Month

Number of Months After Peak Employment

Current Employment Recession

Dotted Line ex-Census Hiring

http://www.calculatedriskblog.com/
At the current pace, national employment will return to pre-crash levels in 2016.
Michigan… officially back to the pack

At the current pace, Michigan employment will return to pre-crash levels in 2022... so we are half way home.
Annual Change, MI Employment

Our lost decade
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?
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

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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

Per pupil grant = Local funding + State funding

Minimum amount of revenue per student = Dollars raised by the 18 mills on non-homestead property + Dollars raised by the 6 mills statewide plus sales and other taxes
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

Minimum Foundation Allowance:

2010-11: $7,316
2011-2012: $6,846 (-6.4%)
2012-13 est.: $6,846 (0%)
Operations

- Local funding
- Federal funding
- State funding
- Grant/private funding

Operations budget
Where does the money go?

School District

- 82% Salaries and benefits
- 6% Purchased services
- 5% Materials and supplies
- 7% Capital outlay, debt svc., and other

$35 million FY11

City

- 37% Police & fire
- 15% General government
- 18% Roads
- 16% Other public works
- 4% Health, econ dvlp.
- 2% Recreation & culture
- 8% Capital outlay & debt svc.

$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 …

<table>
<thead>
<tr>
<th>Category</th>
<th>State</th>
<th>City 1</th>
<th>City 2</th>
<th>Township 1</th>
<th>Township 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population change</td>
<td>-0.6%</td>
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<td>2.7%</td>
<td>1.5%</td>
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<tr>
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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

- Local funding
- Federal funding
- State funding
- Grant/private funding

Operations

Budget

Facilities

- Bond funds
- Sinking funds

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Questions? Discussion?
Putting thought into action

Economics  Education  Energy  Environment  Health

Policy Analysis  Program Evaluation  Project Management  Strategic Planning