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# **The New Financial Reality Facing Michigan's Public Schools:** *A Report for Kent ISD*

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# What Is Happening?

- School headcount is decreasing
- State funding is decreasing
- Local funding is decreasing
- Stimulus is running out

**THIS IS THE NEW REALITY**

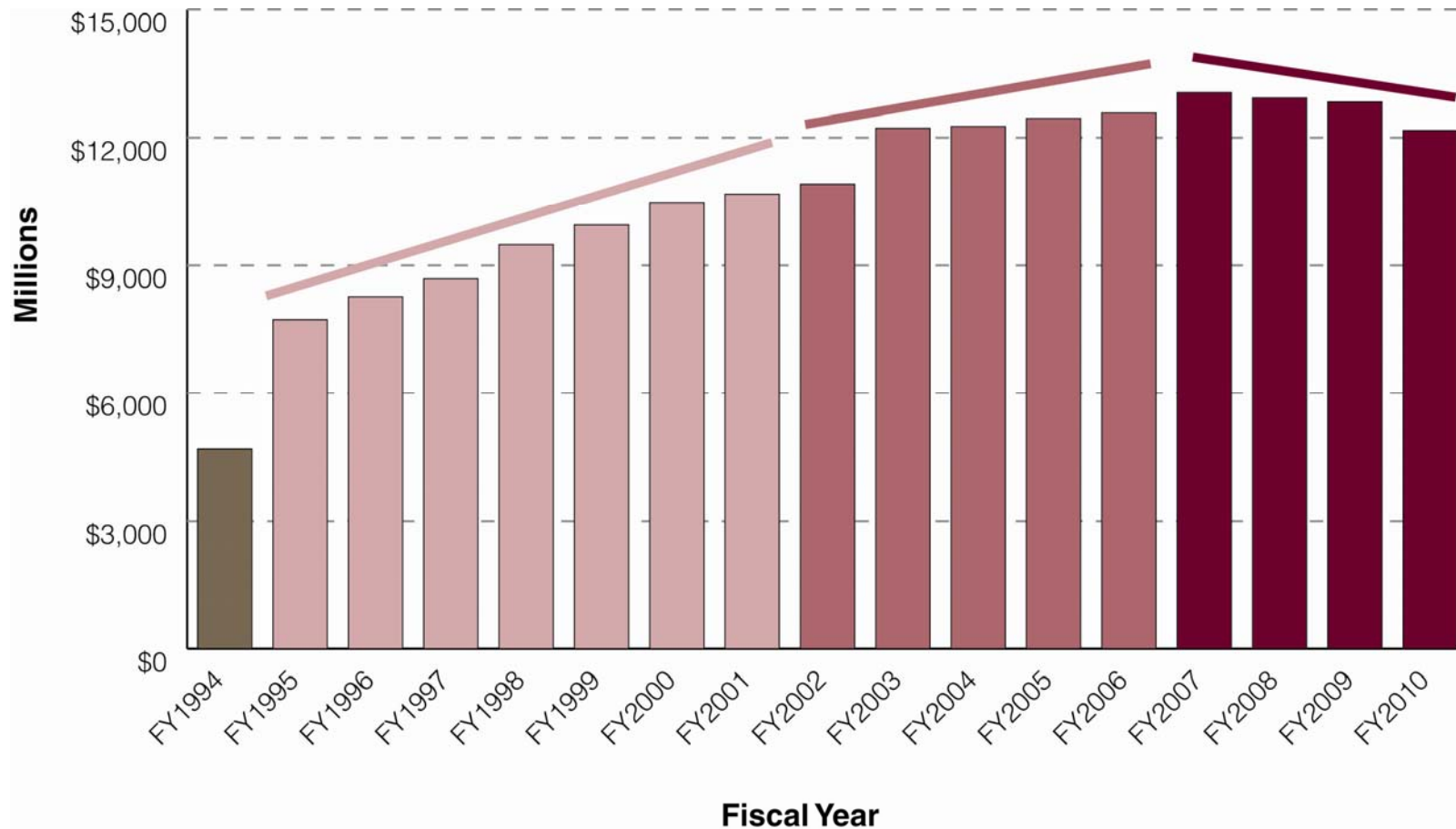
# The Fundamental Factors

- Structure of school finance
- Continued economic distress in Michigan
- One-time nature of federal stimulus money
- Decline in school-age populations in Michigan

# Structure of School Finance— Proposal A

- March 15, 1994
- Created “Foundation Grant”
- Created “School Aid Fund (SAF)”

# Michigan School Aid Revenue



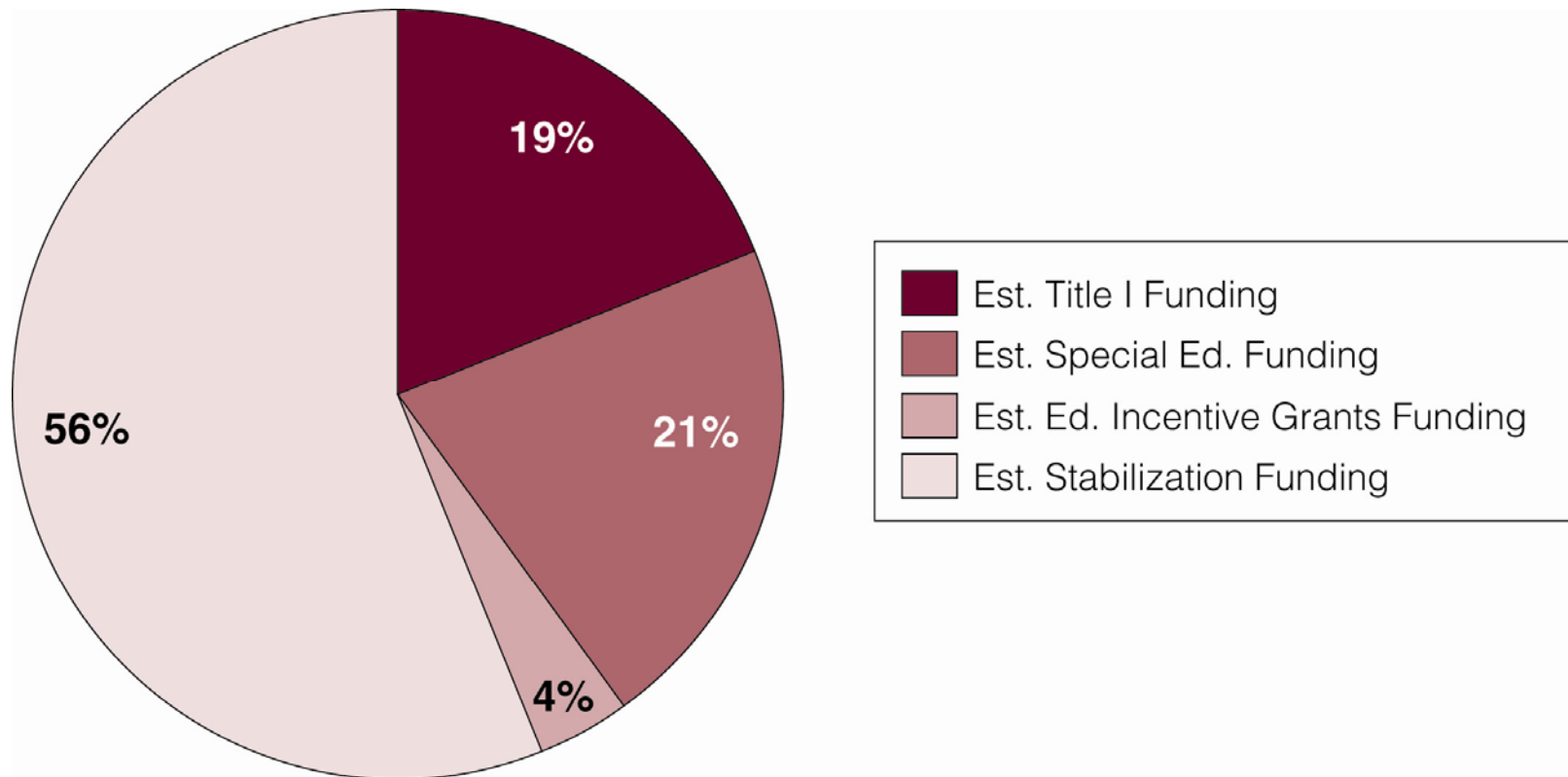
# Michigan's Economic Tsunami

- 8 consecutive years of job loss
- Job losses will continue in 2009 and 2010
- By 2011, state will have lost 70% of its automotive manufacturing jobs
- Other Sectors Also Lagging
- State's per capita income is 11% below national average – 38<sup>rd</sup> in the nation
- New jobs will have lower-wages

# The Continuing Importance of Property Taxes

- Over a third of operating revenue for local schools comes from property taxes – exceeded only by sales tax

# Distribution of Federal Stimulus Educational Funding (ARRA)



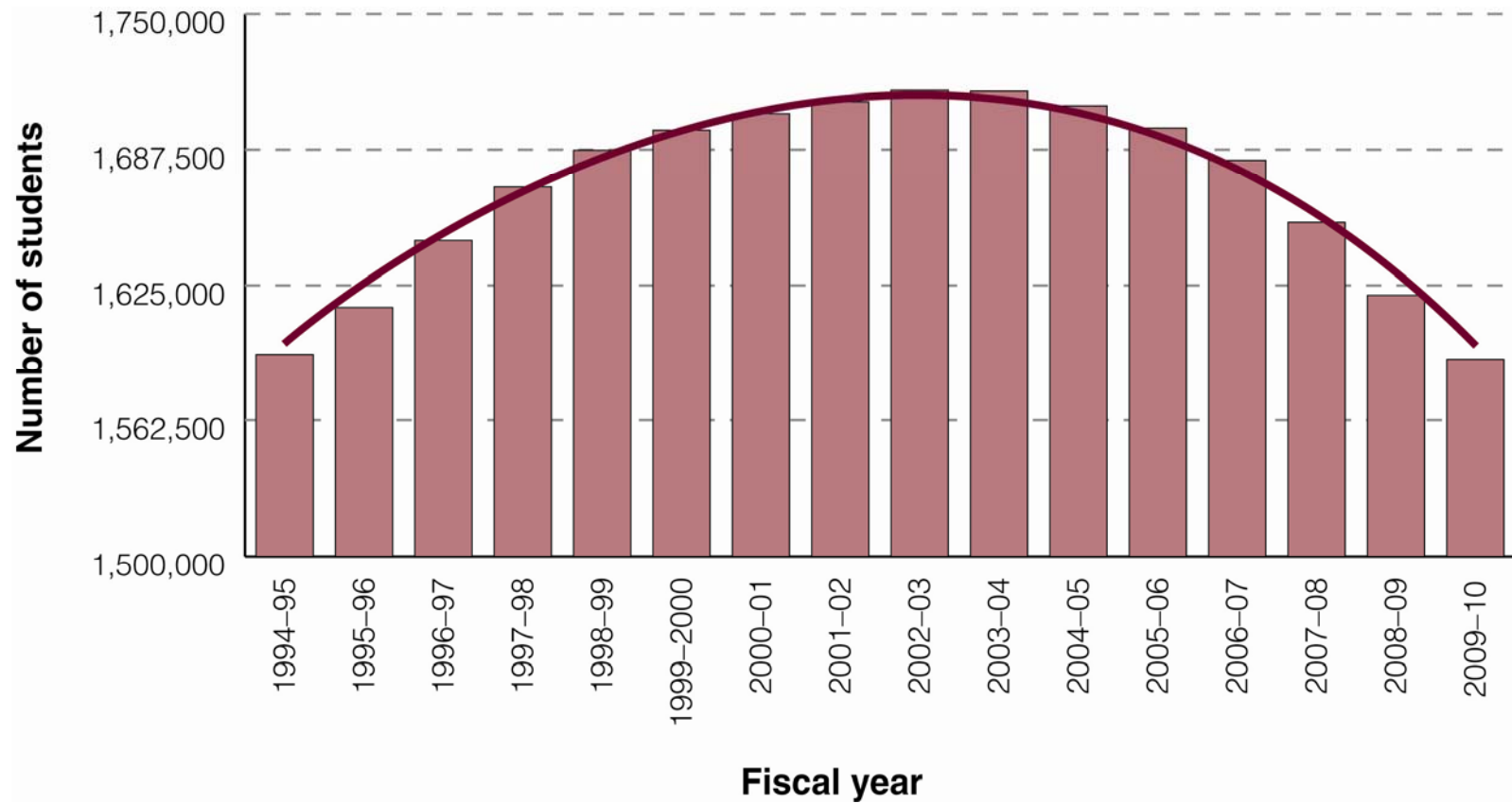
# ARRA Funding 2008–2011

## **K–12 Stabilization Funds**

- 2008–2009: \$600 million
- 2009–2010: \$450 million
- 2010–2011: \$184 million

**THEN IT ENDS**

# Michigan School Enrollment



# Key Findings

- Fiscal years 2009–10 and 2010–11 will be most challenging years since 1994 enactment of Proposal A
- Based on current assumptions and decisions, declines for Kent ISD local districts range from **2.4% to 13.9% over 2 years.**
- Years beyond 2010–11 do not hold promise for material improvement

# Analysis Conclusions

- Degree of challenge will differ among districts
- Response from schools and state needs to be permanent in nature
- New service model needs to be created and funded

# New Model

- Greater Service Sharing
- Employee Compensation Package—Health Care Cost Sharing
- Tax Restructuring
- Other

# Who Drives Change?

- Three general options
  1. Local districts drive change at district level
  2. Collective response involving groups of local districts or all districts within an ISD or group of ISDs
  3. Governor/legislature

**All Are Required**