

# TCAPS BUDGET FORECAST

(based on Governor's proposal)

**Board of Education Meeting**

February 11, 2013



# Recap



## Year-end 2012

|                         |                            |
|-------------------------|----------------------------|
| Revenues (actual)       | \$ 82,493,387              |
| Expense (actual)        | <u>\$ (83,047,003)</u>     |
|                         | <u>\$ (553,616)</u>        |
| <b>Beginning Equity</b> | <u><b>\$ 8,760,601</b></u> |
| <b>Ending Equity</b>    | <u><b>\$ 8,206,985</b></u> |



# Original Year-end 2013 Projections



| <b>BUDGET</b>                           | <b>Original</b>      | <b>Amended</b>       | <b>Difference</b>  |
|---|----------------------|----------------------|--------------------|
| Revenues                                | \$81,195,870         | \$83,650,050         | \$2,454,180        |
| Expense                                 | \$83,710,108         | \$86,805,833         | \$3,095,725        |
| <b>SHORTFALL</b>                        | <b>(\$2,514,238)</b> | <b>(\$3,155,783)</b> | <b>(\$641,545)</b> |
| Variance & building carry-over estimate | \$1,700,000          | \$1,700,000          | \$0                |
| <b>YEAR-END SHORTFALL</b>               | <b>(\$814,238)</b>   | <b>(\$1,455,783)</b> | <b>(\$641,545)</b> |
| <b>Beginning Equity</b>                 | <b>\$8,200,000</b>   | <b>\$8,200,000</b>   | <b>\$0</b>         |
| <b>Ending Equity</b>                    | <b>\$7,400,000</b>   | <b>\$6,700,000</b>   | <b>(\$700,000)</b> |



# Adjustments since original



|                              |                            |
|------------------------------|----------------------------|
| Projected year-end shortfall | \$ (814,238)               |
| Expected Changes:            |                            |
| Retirement Rate increase     | \$ (100,000)               |
| Utility rate increase        | \$ ( 60,000)               |
| Department carry-overs       | \$ (571,753)               |
| Miscellaneous pos. adj.      | <u>\$ 100,000</u>          |
| NEW PROJECTION (rounded)     | \$ (1,500,000)             |
| <b>Beginning equity</b>      | <b><u>\$ 8,200,000</u></b> |
| <b>Ending equity</b>         | <b><u>\$ 6,700,000</u></b> |





- △ ISD revenue budgeted at \$700,000
- △ Variance of \$1.7 million
- △ Community Service financial results
- △ Increase in ISD revenues



- △ TCAPS structural shortfall, new programs
- △ State funding
- △ Retirement rate
- △ Compensation
  - Patient Protection and Affordable Care Act (PPACA)
  - Health care caps
  - Salaries
- △ Fund equity strategy
- △ Legislative/revenue initiatives



# TCAPS' Structural Budget



|                                   | Per Pupil    | Total              |
|-----------------------------------|--------------|--------------------|
| Deficit                           | \$100        | \$1,000,000        |
| New programs,<br>foreign language | \$25         | \$250,000          |
| Technology support                | \$10         | \$100,000          |
| <b>TOTAL</b>                      | <b>\$135</b> | <b>\$1,350,000</b> |



## School Aid Balance Sheet: FYs 12, 13, and 14

|   | (Dollars in Millions)    |                          |                          |
|---|--------------------------|--------------------------|--------------------------|
|   | YTD                      | YTD                      | Baseline                 |
|   | <u>FY 2011-12</u>        | <u>FY 2012-13</u>        | <u>FY 2013-14</u>        |
| <b>REVENUE</b>  |                          |                          |                          |
| Beginning Balance   | \$724.7                  | \$254.0                  | \$38.3                   |
| School Aid Fund (SAF) Revenue                                 | 10,944.1                 | 11,127.7                 | 11,432.5                 |
| General Fund/General Purpose (GF/GP)                          | 78.6                     | 282.4                    | 101.0                    |
| Federal Funds   | 1,658.0                  | 1,701.0                  | 1,701.0                  |
| <u>MPSERS Reserve Fund</u>                                    | <u>0.0</u>               | <u>0.0</u>               | <u>174.0</u>             |
| <b>TOTAL REVENUE</b>  | <b>\$13,405.4</b>        | <b>\$13,365.1</b>        | <b>\$13,446.8</b>        |
| <b>EXPENDITURES</b>   |                          |                          |                          |
| K-12: FY 12 and 13 YTD and FY 14 baseline                     | \$12,691.8               | \$12,885.7               | \$12,796.8               |
| <u>MPSERS Cost Adjustments</u>                                | <u>0.0</u>               | <u>43.0</u>              | <u>306.0</u>             |
| Subtotal K-12 Expenditures                                    | \$12,691.8               | \$12,928.7               | \$13,102.8               |
| Subtotal Post Secondary Expenditures                          | <u>\$459.6</u>           | <u>\$398.1</u>           | <u>\$398.1</u>           |
| <b><u>TOTAL EXPENDITURES</u></b>                              | <b><u>\$13,151.4</u></b> | <b><u>\$13,326.8</u></b> | <b><u>\$13,500.9</u></b> |
| <b>ESTIMATED ENDING BALANCE</b>                               | <b>\$254.0</b>           | <b>\$38.3</b>            | <b>(\$54.1)</b>          |
| <i>MPSERS Reserve Balance</i>                                 |                          | <i>\$174.0</i>           | <i>\$0.0</i>             |
| <i>MPSERS 3% Health Care Contribution Escrow Fund Balance</i> |                          | <i>\$508.0</i>           | <i>\$508.0</i>           |





# State Funding/Budget



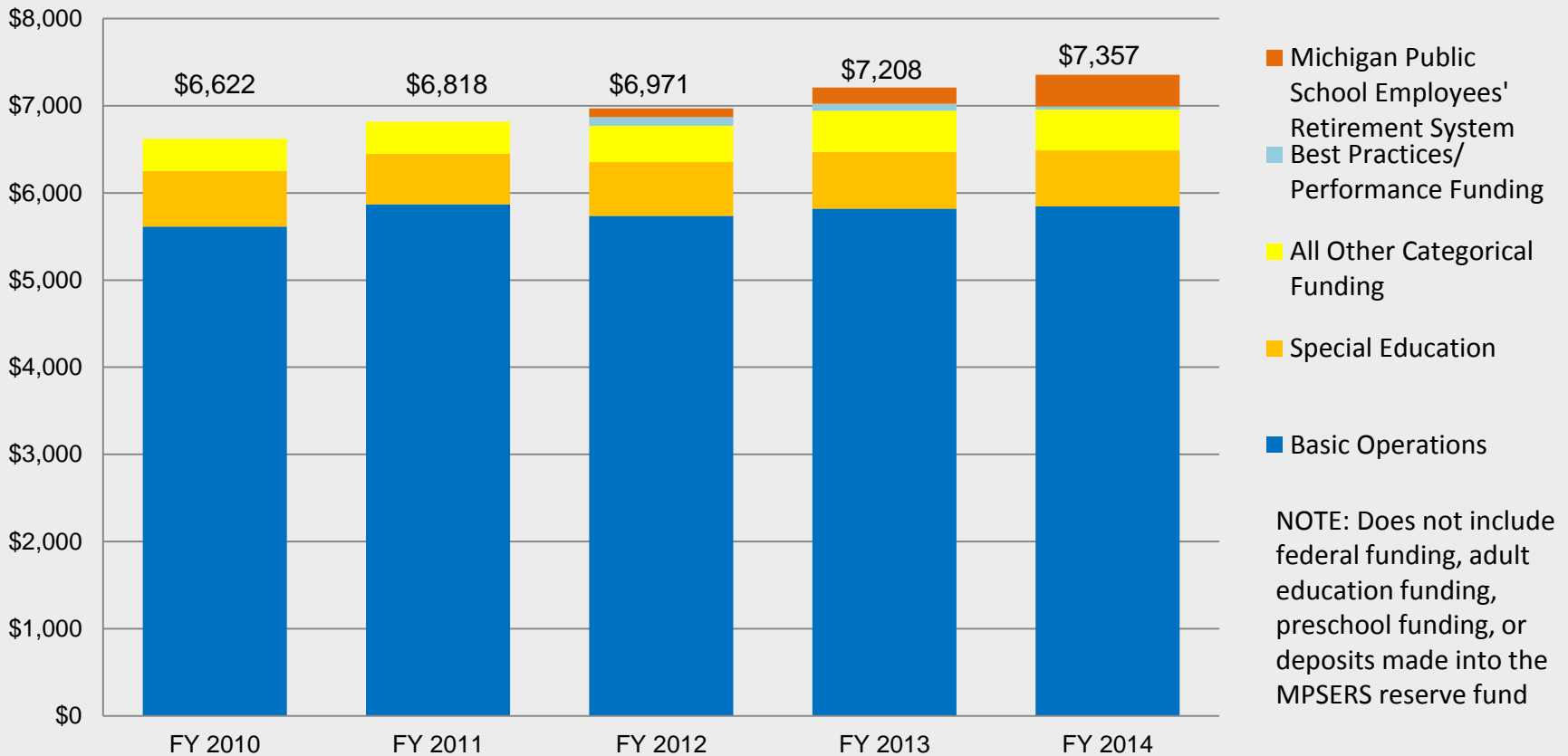
|                                    | Governor   | House | Senate | ACTUAL |
|------------------------------------|------------|-------|--------|--------|
| Per Pupil Foundation Increase      | \$34       |       |        |        |
| Per Pupil Best Practice Decrease   | (\$36)     |       |        |        |
| Other Categorical Funding Estimate | \$0        |       |        |        |
| Per Pupil:                         | (\$2)      |       |        |        |
| TCAPS Total:                       | (\$20,000) |       |        |        |



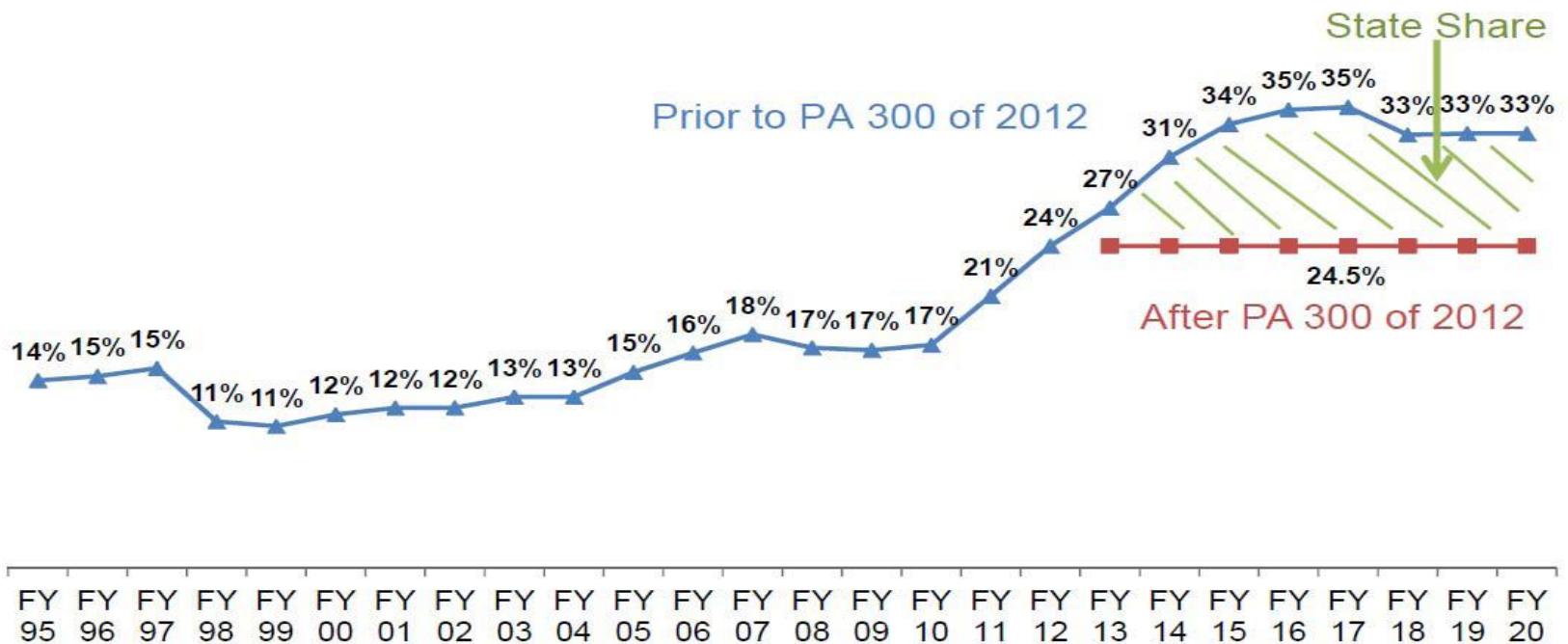


# K-12 Per Pupil School Aid

## Appropriations - FY 2010 to FY 2014



## MPERS Employer Contribution Rates History and Future Projections



Note: Future projected rates are from Office of Retirement Services based on current actuarial valuation.



# Retirement Rate

| DB CONTRIBUTIONS                   |                              |               |   |   |   |                                   |                       |               |
|------------------------------------|------------------------------|---------------|---|---|---|-----------------------------------|-----------------------|---------------|
|                                    | Basic MIP                    | Pension Plus  | Pension Plus PHF<br><i>First Worked 9/4/12 or later</i> | Pension Plus to DC<br>with PHF<br><i>First Worked 9/4/12 or later</i> | Basic MIP<br>DB to DC<br>with DB Health | Basic MIP<br>DB to DC<br>with PHF | Basic MIP<br>with PHF |               |
| <b>PENSION CONTRIBUTIONS</b>       |                              |               |   |   |   |                                   |                       |               |
| Pension Normal Cost                | 2.43%                        | 2.24%         | 2.24%   | 0.00%   | 0.00%                                   | 0.00%                             | 2.43%                 |               |
| Pension UAL                        | 11.42%                       | 11.42%        | 11.42%  | 11.42%  | 11.42%                                  | 11.42%                            | 11.42%                |               |
| Pension Early Retirement Incentive | 1.36%                        | 1.36%         | 1.36%   | 1.36%   | 1.36%                                   | 1.36%                             | 1.36%                 |               |
| <b>Pension Total Rate</b>          | <b>15.21%</b>                | <b>15.02%</b> | <b>15.02%</b>   | <b>12.78%</b>   | <b>12.78%</b>                           | <b>12.78%</b>                     | <b>15.21%</b>         |               |
| <b>HEALTH CONTRIBUTIONS</b>        |                              |               |   |   |   |                                   |                       |               |
| Health Normal Cost                 | 0.93%                        | 0.93%         | 0.00%   | 0.00%   | 0.93%                                   | 0.00%                             | 0.00%                 |               |
| Health UAL                         | 8.18%                        | 8.18%         | 8.18%   | 8.18%   | 8.18%                                   | 8.18%                             | 8.18%                 |               |
| <b>Health Total Rate</b>           | <b>9.11%</b>                 | <b>9.11%</b>  | <b>8.18%</b>  | <b>8.18%</b>  | <b>9.11%</b>                            | <b>8.18%</b>                      | <b>8.18%</b>          |               |
| <b>DTL2 Records</b>                | <b>DB Contribution Total</b> | <b>24.32%</b> | <b>24.13%</b>   | <b>23.20%</b>   | <b>20.96%</b>                           | <b>21.89%</b>                     | <b>20.96%</b>         | <b>23.39%</b> |
| <b>DC CONTRIBUTIONS</b>            |                              |               |   |   |   |                                   |                       |               |
| DC Employer Contributions          | 0.00%                        | 1.00%         | 1.00%   | 3.00%   | 4.00%                                   | 4.00%                             | 0.00%                 |               |
| Personal Healthcare Fund           | 0.00%                        | 0.00%         | 2.00%   | 2.00%   | 0.00%                                   | 2.00%                             | 2.00%                 |               |
| <b>DTL4 Records</b>                | <b>DC Contribution Total</b> | <b>0.00%</b>  | <b>1.00%</b>  | <b>3.00%</b>  | <b>5.00%</b>                            | <b>4.00%</b>                      | <b>6.00%</b>          | <b>2.00%</b>  |
| <b>Employer Rate:</b>              | <b>24.32%</b>                | <b>25.13%</b> | <b>26.20%</b>   | <b>25.96%</b>   | <b>25.89%</b>                           | <b>26.96%</b>                     | <b>25.39%</b>         |               |

# Retirement Rate

- △ Theoretically close to \$0
- △ \$174,000,000 carryover to 2014 budget
- △ \$306,000,000 budget in school aid fund
- △ \$508,000,000 sitting in escrow
- △ Still waiting for official 2014 rate

|                     | Per Pupil | Total     |
|---------------------|-----------|-----------|
| Governor's Proposal | \$25      | \$250,000 |



# Compensation

- △ Patient Protection and Affordable Care Act
- △ Mandated health caps
- △ Salary

|                      | Per Pupil | Total |
|----------------------|-----------|-------|
| Bottom-line estimate | \$0       | \$0   |



# Fund Balance Strategy



|                           |                      |
|---------------------------|----------------------|
| 2013 Ending Fund Balance: | \$6,700,000          |
| Target Fund Balance:      | \$8,500,000          |
| <b>SHORTFALL</b>          | <b>(\$1,800,000)</b> |
| <b>6-year build back?</b> | <b>300,000</b>       |

|                        | Per Pupil  | Total           |
|------------------------|------------|-----------------|
| Fund Balance Strategy* | \$0 - \$30 | \$0 - \$300,000 |

\* Actual amount to be determined by the Board of Education

# SUMMARY



|                              | Governor             | House | Senate | ACTUAL |
|------------------------------|----------------------|-------|--------|--------|
| Structural shortfall         | (\$1,350,000)        |       |        |        |
| State revenue shortfall      | (\$20,000)           |       |        |        |
| Retirement costs             | (\$250,000)          |       |        |        |
| Compensation                 | \$0                  |       |        |        |
| TCAPS' fund balance strategy | ?                    |       |        |        |
| <b>Structural Shortfall</b>  | <b>(\$1,620,000)</b> |       |        |        |
| One-time Tech Grant          | \$100,000            |       |        |        |
| <b>Estimated Shortfall</b>   | <b>(\$1,520,000)</b> |       |        |        |





# Potential Positive Initiatives



|   | Per Pupil          | Total                    |
|---|--------------------|--------------------------|
| Senator Jones (Grand Ledge) proposal for equity         | \$100              | \$1,000,000              |
| Senator Jones (Grand Ledge) proposal for transportation | \$70               | \$700,000                |
| <b>Range for initiatives:</b>                           | <b>\$0 - \$170</b> | <b>\$0 - \$1,700,000</b> |





# Risks/Opportunities for 2014

- ISD revenue
- Retirement reform
- Patient Protection And Affordable Care Act (PPACA)
- 2014 negotiations
- State Aid re-write
- Status of “one-time” state revenues
- Student count
- Community Service results
- Maintenance cost increase due to bond failure
- Importance of equity
- Utility and other costs outside of our direct control
- State priorities (How funded?)
  - Early Childhood
  - Roads
- State rainy day fund balance = \$500 million



# 2014 Tentative Budget Plan



- Identify assumptions based on variables noted in December and January
- Review Governor's Budget Proposal (to be presented February 7<sup>th</sup>)
- Present assumptions and preliminary outlook in February
- Determine amount and develop plan for budget reductions (if needed) in February
- Implement plan in March and April
- Present to Board in May
- Adopt budget in June

