

Financial Overview

2019-2020

May 18, 2020



BIG PICTURE

Highlights from Kent ISD Presentation on
School Funding & COVID -19



The Impact of COVID-19

How will school funding look like under COVID-19



District response (short-term)



With the closure of schools, districts have incurred **additional costs** in **Spring 2020**:

- To-go **meals** for students in need.
- Laptops, mobile hotspots & other **technology**.
- **Printed** instructional packets.

Short term impact on school finances



Executive Order 2020-35: In order to receive state funding, districts must continue to **pay** employees.

Reduced Revenue	Potential Cost Savings
<ul style="list-style-type: none">• Athletics• Child Care Programs	<ul style="list-style-type: none">• Utilities• Bus Fuel• Substitute Teachers• School & Office Supplies

Impact on the State Budget



*“...we are projecting **combined General Fund and School Aid Fund revenues** to be **\$2.6 billion lower** in fiscal year **2020**, **\$3.2 billion lower** in fiscal **2021**, and **\$2.2 billion lower** in fiscal **2022**. These estimates clarify the **urgently needed federal assistance** for state and local governments...”*

-University of Michigan: The U.S. and Michigan Economic Outlook for 2020–2022

Federal CARES Act



The federal government passed the **Coronavirus Aid, Relief and Economic Security (CARES) Act** in March 2020.

Of the roughly **\$2 trillion** allocation, **\$13.5 billion** is designated to support schools nationwide.

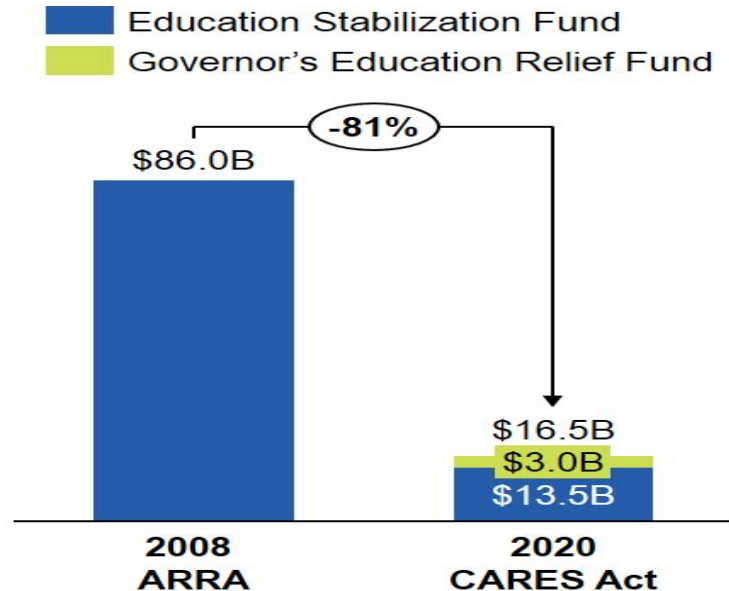
- Funding allocated using students in **poverty**.
- Only equates to **~2% percent** of total education revenue across all 50 states.

CARES Act falls far short of solving coming budget shortfalls...



Federal CARES Act much smaller than the 2008 American Recovery and Reinvestment Act...

The CARES Act stimulus is significantly smaller than 2008's ARRA



District response (long-term)



Districts will need to **address long-term costs**:

- **Personal protective equipment** (e.g. disinfectants, masks, etc.).
- Expanded **remote learning options** to mitigate future outbreaks.

Without significant federal financial assistance and projected revenue shortfalls, **difficult budgetary decisions** will have to be made.

State Budget Implications of COVID-19



Michigan Budget Forecast



Michigan's Budget Process

- Governor's initial budget based on *January's Revenue Estimating Conference*
- Final proposed budget based on *May's Revenue Estimating Conference*

Note: Sec. 296 of the School Aid Act states that if the School Aid Fund (SAF) appropriations exceed the amount of SAF available for expenditure in any given year, the state must prorate payments to school district.

Michigan Budget Forecast



Governor's Initial Budget

- *January's Revenue Estimating Conference* reported
 - 2.3% growth rate for 2019
 - projected continued slow growth pattern for 2020
- Based on revenues reported the budget was able to include an **increase of \$415 million** for K-12 education to continue building a weighted funding model
 - Included a per student increase of \$150 to \$225

Michigan Budget Forecast



May's Revenue Estimating Conference (5-15-20)

(COVID 19 has greatly impacted both the US and MI economies)

- 1st Qtr 2020 **-4.8%** growth rate
- Forecasts sharp declines for 2020 and not return to previous levels until mid 2022
- Projected School Aid Fund shortfall of \$1.2 billion (\$700/student) for 2019/2020
- Planning to schedule an additional Revenue Estimating Conference (August/September) before finalizing 20/21 budget

CCS Response to State Budget Forecast



2019-2020 Budget Goal:

Preserve \$500,000 - \$1,000,000 to help absorb a portion of the per-pupil reduction for 2019/20 and/or 2020/21.

- Natural savings in certain areas due to mandated school closure (fuel, repairs, project postponement, supplies, etc.)
- Freeze all non-essential purchases in every department

CCS Response to State Budget Forecast



2020-2021 Budget Goal:

Absorb budget shortfall with a combination of fund balance and budget reductions.

- Goal not to exceed 3% reduction in fund balance % to expenditure per year (equates to about \$2 million)
- Board discussion on the possibility to lift the current [Fund Balance Policy](#) floor of 13% during this economic crisis
- Remainder of budget shortfall would require necessary reductions

CCS Response to State Budget Forecast



Next Steps:

- Currently analyzing budget detail and compiling a list of potential reductions
- Will meet with Finance and Operations Committee to review in more detail
- Board of Ed will take action in June
 - 2019/20 final budget amendments
 - 2020/21 proposed budget

Superintendent's Report



Common Concerns For Schools:

- Last week we learned that the state is facing a significant budget shortfall due to the COVID-19 pandemic and the steps that have been taken to protect public health.
- Without additional federal or state action, school budgets for this school year could be cut by over \$700+ per student this year.
- While school buildings have been closed to ensure safety, the work of schools has continued as CCS and other districts have provided millions of meals to students and staff have delivered home-based learning plans through the wide distribution of technology, internet access and printed instructional packets.

Parents whose jobs help drive the economic recovery will have difficulty returning to work if schools do not have the funding needed so their children are safe. If cuts are enacted at the levels being reported, we fear these cuts will put the safety of students and staff at risk as we will not have the resources necessary to adequately implement public health recommendations such as health screening, social distancing and contact tracing recommendations. We are calling on our federal and state lawmakers to come together to develop reasonable solutions in a timely fashion.

Superintendent's Report



As school leaders we know our students need more support during this time of need - not less. If funding reductions occurs at the levels being reported, most schools will look very different when school doors reopen. Schools across the state will be forced to make deep cuts such as:

- Funding will be inadequate to maintain class sizes and launch school safety protocols to protect students in the fall. Class sizes could grow significantly as jobs will be lost.
- Athletic programs could be considerably reduced or eliminated.
- Bus driver jobs could be cut and with no busing offered except to students receiving special education services as required by federal law.
- Student support services in areas like counseling and social work, including for students with special needs, could be cut/reduced.
- All academic co-curricular activities like robotics and science olympiad, etc. could be suspended
- All arts programs and related staff could be lost including art, music, theater, marching band, orchestra, choir.

Superintendent's Report



Specific Things Legislators/Members of Congress Can Do:

- In recent months Congress has taken action to provide historic support for families and business across the country. We now need their attention focused on providing support for our schools.
- This isn't a new request, in the past the federal government has passed additional aid during a significant economic downturn. Most recently Michigan received \$1.6 billion during the last recession in 2008-10 to support our schools.
- Members of Congress can also help by providing flexibility in already allocated funds to states.
- We can ask our state legislature to write letters to members of Congress and pass resolutions to show the need for support.
- We can also ask state legislators to utilize the Budget Stabilization Fund (\$1.2 billion) responsibly to mitigate current year reductions.