



**East Grand Rapids Public Schools**

**Community Budget Guide  
2016-2017 Fiscal Year**

*Educating and inspiring each student to navigate  
successfully in a global community*

[www.egrps.org](http://www.egrps.org)

# Message from the Superintendent

November 2016

Dear East Grand Rapids Public Schools Community,

The East Grand Rapids Public Schools' annual Community Budget Guide is designed as an educational tool for our families, staff members, and City of East Grand Rapids community. The Board of Education and administration strive to provide information and continued transparency throughout the guide regarding the complexities and challenges surrounding the development of the annual budget for East Grand Rapids Public Schools (EGRPS).

The Community Budget Guide for 2016-2017 includes information regarding our current revenues, expenses, and projections, as well as historical trends. The guide includes several years' worth of data on actual budget performances, fund reserves, student enrollment, and a glossary of financial and educational terms used throughout the guide (page 15). Prior years' financial communications which outlined the budget process and historical trends can be reviewed [here](#) or on the district website at [www.egrps.org](http://www.egrps.org). A point of pride for EGRPS continues to be that our financial data (page 4) denotes the emphasis placed by the Board of Education and administration on prioritizing the allocation of resources into programs and services that impact teaching and learning.

The past several years have been financially challenging in Michigan for public school districts, and East Grand Rapids Public Schools is no exception. The district's state per-pupil foundation allowance peaked at its highest at \$7,867 in 2008-2009. However, the effects of the recession and the overall state budget shortfalls resulted in a state per-pupil foundation reduction of \$470 in 2011-2012. Since then increases to the district's state per-pupil foundation allowance have been minimal; even with an increase of \$109 for this school year, the district's state per-pupil foundation allowance (\$7,737) is \$130 less than what was received during the 2008-2009 fiscal year (\$7,867). During these same lean fiscal years, the district experienced an increase in expenses in the mandated state employee retirement program (MPERS) which increased the district expenses from \$2,634,789 (2009-2010) to \$3,463,156 (2015-2016), reflecting a 31% increase. In order for the state to provide support for all districts an additional allocation of resources from the state's School Aid Fund were made during the 2015-2016 fiscal year to supplement the state employee retirement expenses. The additional School Aid Fund allocation for EGRPS retirement expenses (\$1.93 million) amounted to \$655 per pupil.

Unfortunately, due to the decreases in the state per-pupil foundation allowance and the increases in the state retirement program expenses, the district has used \$2.3 million in fund reserves, in addition to implementing significant budget reductions totaling \$4.74 million impacting many programs and services. The Board of Education approved a budget proposal which resulted in a structurally balanced budget for the 2015-2016 fiscal year through a combination of budget reductions and contributions from the EGR Schools Foundation EGRNow! campaign. The amended budget for the current 2016-2017 school year was recently approved by the Board of Education and we are confident that, through additional budget efficiencies over the next eight months, we will also finish this fiscal year structurally balanced.

As we begin the preparations for the 2017-2018 fiscal year budget process the focus will continue to be on maintaining a structurally balanced budget without the use of fund reserves (pages 10 and 11). At this time, based on current resources and projections, we anticipate a deficit of \$316,000 in our operational budget for the 2017-2018 fiscal year. While this deficit amount is significantly lower than what we have experienced in recent years, the amount is not insignificant and will continue to present a challenge in order to maintain a structurally balanced budget going forward. The anticipated deficit will require collaboration on the part of all of our stakeholders as we develop a 2017-2018 structurally balanced budget which is focused on providing quality teaching and learning opportunities for our students.

The Board of Education and I welcome recommendations regarding how the district's financial resources should be allocated. Our goal is to maintain essential programs and services which significantly impact the quality teaching and learning environments we strive to obtain in EGRPS. Again, we encourage you to be actively engaged and to continue learning about the EGRPS annual budget process through Board of Education meetings, PTO meetings, and district communications. On behalf of the Board of Education and administration, we thank you for the ongoing support you provide in order for EGRPS to achieve and maintain the Tradition of Excellence in teaching and learning.

With much gratitude,



Sara Magaña Shubel, Ph.D., Superintendent  
Email: [sshubel@egrps.org](mailto:sshubel@egrps.org)

## East Grand Rapids Public Schools has two primary budgets: Operational and Capital Projects

- The **Operational Budget** (General Fund) provides for personnel and program expenses as well as the day-to-day operations and maintenance of our schools. The majority of funding for the operational budget comes from the State of Michigan through the per-pupil foundation allowance.
- The **Capital Projects Budget** consists of two funds: the Sinking Fund (Building & Site) and the 2014 Bond Construction Program. Both of the capital funds address building needs and repairs, and funds from these budgets **cannot** support ongoing operational or personnel costs. Capital projects are financed by millages approved by the residents of the district.

The Board of Education must approve an annual balanced budget by June 30. Currently the district is in the 2016-2017 fiscal year which runs from July 1 to June 30.

Property taxes align with the EGRPS budgets in the following ways:

### Operational Budget: (comprised of)

- 6 mill State Education Tax: Paid by all property owners statewide, these 6 mills are collected at the state level and are combined with a portion of state income and sales taxes, as well as state lottery profits and a portion of other taxes to fund the state School Aid Fund, which is allocated to school districts on a per-pupil basis.
- 18 mill Non-Homestead Millage: Paid by property owners without a homestead exemption, these 18 mills are collected locally and represent a portion of the per-pupil state foundation allowance.

### Capital Projects Budget: (comprised of)

- 9.95 mill Debt Retirement Levy: This tax levy is used to repay the principal and interest on voter-approved construction projects and is paid by all property owners in the East Grand Rapids Public School District.
- 0.5 mill Sinking Fund (Building & Site) Levy: This tax levy was renewed in 2016 for an additional 10 years and is used to provide funding for ongoing capital repairs and improvements. The levy is paid by all property owners in the East Grand Rapids Public School District.

Based on current law the Board of Education can only ask the community to support tax requests for capital projects and cannot ask the community to support a tax increase for operational (instructional) expenses. Funds raised through the sale of voter-approved bond issues, such as the 2014 Bond Construction Program, as well as the district Sinking Fund (Building & Site), **cannot** be used to support operational expenses such as employee salaries and benefits, school supplies, and textbooks. Operational expenses, such as employee salaries and benefits, school supplies, and textbooks, are funded annually through the state foundation allowance \$7,737 (2016-2017) received on a per-pupil basis.

# EGRPS Revenue Sources

## Per-Pupil Foundation Allowance

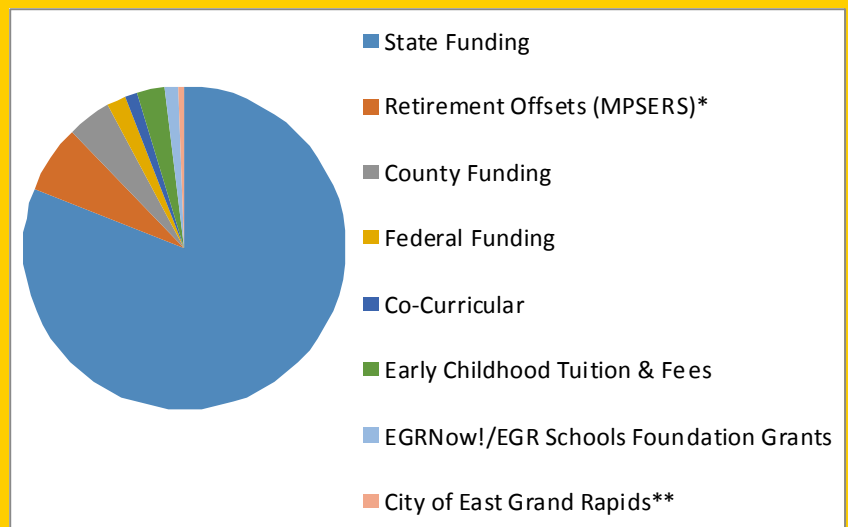
The state foundation allowance is the district's major source of funding which was created in 1994 with Proposal A. In the last few years, other sources of state funding have been provided in lieu of further increases to the foundation allowance. They include funding to offset the cost of the state retirement program, and grants for complying with best business practices and showing improvement in student testing performance. The best business practices and student test performance grants were eliminated for 2015-2016. Below is a history of the foundation allowance since the beginning of Proposal A.

Fiscal Year	Foundation Allowance	Total Increase/Decrease
1994-1995	\$5,800	N/A
1995-1996	\$5,953	\$153
1996-1997	\$6,108	\$155
1997-1998	\$6,262	\$154
1998-1999	\$6,262	\$0
1999-2000	\$6,500	\$238
2000-2001	\$6,801	\$301
2001-2002	\$7,101	\$300
2002-2003	\$7,301	\$200
2003-2004	\$7,301	\$0
2004-2005	\$7,301	\$0
2005-2006	\$7,476	\$175
2006-2007	\$7,686	\$210
2007-2008	\$7,770	\$84
2008-2009	\$7,867	\$97
2009-2010	\$7,867	\$0
2010-2011	\$7,867	\$0
2011-2012	\$7,397	(\$470)
2012-2013	\$7,397	\$0
2013-2014	\$7,450	\$53
2014-2015	\$7,500	\$50
2015-2016 *	\$7,628	\$128 *
2016-2017	\$7,737	\$109

\* In 2015-2016, the Best Practices and Student Performance grants were eliminated. Despite the \$128 increase in the foundation allowance, the actual net increase in total state funding for 2015-2016 was \$25 per student.

## EGRPS Revenue Sources 2015-2016 School Year

State Funding for Operations	\$23,119,827
Retirement Offsets (MPSERS) *	\$1,934,319
County Funding	\$1,261,028
Federal Funding	\$540,917
Co-curricular	\$351,866
Early Childhood Tuition & Fees	\$774,379
EGRNow!	\$255,310
EGR Schools Foundation Grants	\$122,373
City of East Grand Rapids **	\$191,133
Sale of Cell Tower Leases	\$483,000
Others	<u>\$317,918</u>
<b>Total</b>	<b>\$29,352,069</b>



Annual funding is determined by the state Legislature through the State School Aid Act. Funding for K-12 school districts is primarily a state funded model and 79% of EGRPS revenue comes from the state. Under the current system local school districts can only request support from the community for tax initiatives for capital improvements. Local tax initiatives to support day-to-day operational expenses are not allowable.

\* Retirement offsets (MPSERS) represent state funding that has been dedicated to reduce the increase in state mandated retirement.

\*\* City of East Grand Rapids revenue represents the reimbursement of 50% of the expenses incurred to operate the community pool at the high school.

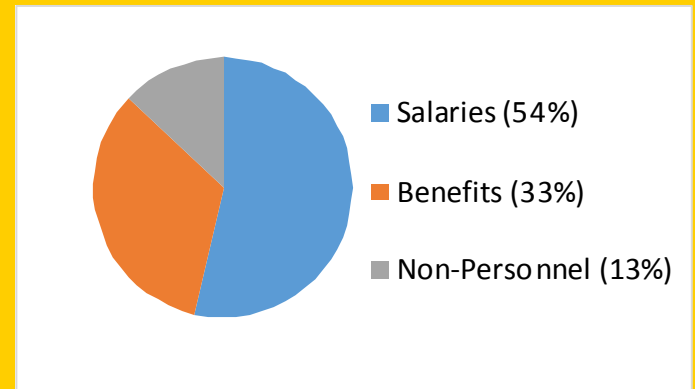
# EGRPS Resource Allocation

## EGRPS Expenses 2015-2016 School Year

Instructional		
Elementary	\$7,344,820	25.7%
Middle School	\$4,094,398	14.3%
High School	\$5,452,209	19.1%
Special Education	\$2,667,878	9.3%
Instructional Support	\$1,447,122	5.1%
Early Childhood	<u>\$601,692</u>	<u>2.1%</u>
<b>Total Instructional</b>	<b>\$21,608,119</b>	<b>75.5%</b>
Non-Instructional		
Facilities & Maintenance	\$2,184,226	7.6%
Building Admin. & Support	\$1,813,507	6.3%
Central Office Admin. & Support	\$910,353	3.2%
Co-Curricular	\$946,120	3.3%
Technology	\$736,798	2.6%
Others	<u>\$415,733</u>	<u>1.5%</u>
<b>Total Non-Instructional</b>	<b>\$7,006,737</b>	<b>24.6%</b>
<b>Total Expenses</b>	<b>\$28,614,857</b>	<b>100.0%</b>

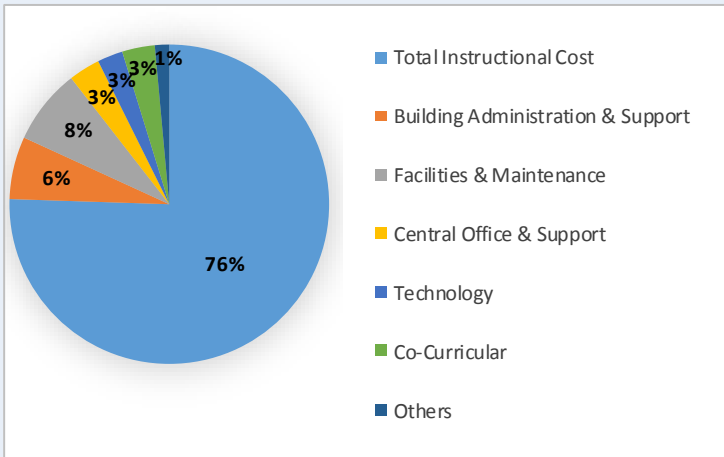
## Personnel Expenses 2015-2016 School Year

Salaries	\$15,327,499	53.6%
Retirement (MPSERS)*	\$5,397,475	18.9%
Medical	\$2,741,005	9.6%
Soc. Sec./Medicare	\$1,031,247	3.6%
Dental	\$222,200	0.8%
Life/LTD/Worker's Comp	<u>\$139,742</u>	<u>0.5%</u>
<b>Total Personnel</b>	<b>\$24,859,169</b>	<b>86.9%</b>
<b>Non-Personnel **</b>	<b><u>\$3,755,688</u></b>	<b><u>13.1%</u></b>
<b>Total Expenses</b>	<b>\$28,614,857</b>	<b>100.0%</b>



Teaching and learning is our priority, and the majority ( 86.9%) of the district's budget is spent on personnel costs.

## Instructional vs. Non-Instructional Expenses 2015-2016



The district's priority is to allocate resources directly into the classroom and other educational opportunities for students. When combining total instructional expenses and co-curriculars, which are school sponsored activities outside of the school day, the district spent 80% of its resources on educational opportunities for students.

\* The state mandated retirement (MPSERS) expenses have risen dramatically. **EGRPS retirement costs were \$2,634,789 in 2009-2010 and \$5,397,475 in 2014-2015 reflecting a 105% increase over the last five years.** To reduce the impact on the district the state utilized \$1,934,319 of school funding resources to lower "net retirement costs" to \$3,463,156 or a "net increase of 31%" over seven years.

\*\* Examples of Non-Personnel Expenses:

- Utilities
- Teaching Supplies & Textbooks
- Business Expenses (Audit, Legal, Risk Mgmt. Insurance)
- Custodial & Maintenance Supplies
- Capital Outlay Purchases
- Technology License Fees

# EGRPS Revenue Compared to Peers

## Like Districts in Michigan Comparison Per-Pupil Revenue 2014-2015

Per-Pupil Funding	Local Sources*	State Sources**	Federal Sources***	Total
Bloomfield Hills	\$7,526	\$7,425	\$422	\$15,373
Birmingham	\$6,713	\$7,089	\$288	\$14,146
Grosse Pointe	\$3,588	\$8,223	\$338	\$12,149
West Bloomfield	\$2,806	\$7,732	\$345	\$10,910
East Lansing	\$3,524	\$6,693	\$142	\$10,370
Forest Hills	\$2,648	\$7,431	\$210	\$10,323
Okemos	\$2,683	\$7,122	\$118	\$10,024
<b>East Grand Rapids</b>	<b>\$1,506</b>	<b>\$8,006</b>	<b>\$158</b>	<b>\$9,683</b>
Spring Lake	\$2,193	\$7,086	\$252	\$9,579

\* **Local:** All general fund revenue produced within district boundaries, including non-homestead tax collections, early childhood tuition and fees, and facility rentals

\*\* **State:** All revenue received from the state

\*\*\* **Federal:** All revenue provided by the federal government, primarily special education, Title I and Title II programs

The comparison data represented is from the state's [Bulletin 1014](#) report, which ranks school district spending in main budget categories.

The data reflects per-pupil spending for the 2014-2015 school year (most current data available).

## Kent County Districts Comparison Per-Pupil Revenue 2014-2015

Per-Pupil Funding	Local Sources*	State Sources**	Federal Sources***	Total
Kent City	\$1,345	\$7,921	\$670	\$12,361
Grand Rapids	\$2,951	\$6,676	\$1,483	\$11,218
Godwin Heights	\$2,519	\$7,542	\$726	\$10,793
Forest Hills	\$2,648	\$7,431	\$210	\$10,323
Northview	\$2,229	\$7,615	\$424	\$10,286
Wyoming	\$2,303	\$6,897	\$1,031	\$10,258
Kentwood	\$2,774	\$6,478	\$823	\$10,197
Godfrey Lee	\$1,124	\$7,973	\$772	\$10,040
Kelloggville	\$2,040	\$7,231	\$633	\$9,903
Kenowa Hills	\$3,828	\$5,555	\$429	\$9,841
Caledonia	\$2,330	\$7,189	\$266	\$9,789
Comstock Park	\$2,108	\$7,186	\$430	\$9,735
<b>East Grand Rapids</b>	<b>\$1,506</b>	<b>\$8,006</b>	<b>\$158</b>	<b>\$9,683</b>
Cedar Springs	\$1,352	\$7,776	\$441	\$9,593
Grandville	\$2,644	\$6,538	\$332	\$9,592
Byron Center	\$2,126	\$7,155	\$253	\$9,535
Rockford	\$1,745	\$7,523	\$217	\$9,487
Sparta	\$1,773	\$7,195	\$506	\$9,481
Lowell	\$1,432	\$7,533	\$253	\$9,258
Thornapple Kellogg	\$1,412	\$7,433	\$318	\$9,181

In 1994 Michigan voters approved Proposal A which revamped how schools would be funded and also provided educational reforms. Fundamentally Proposal A created a state school funding model that replaced the local school district taxation model. Proposal A promised a minimum per-pupil foundation allowance, more equity among local school districts, lower property taxes, and more school accountability. It also eliminated the ability of a local community to raise taxes (millage), with the exception of “hold-harmless” districts, to provide additional operational funding (instructional) for its school district once the foundation allowance was established.

To reduce funding disparities among school districts a minimum per-pupil foundation allowance was established for each district in the state. This per-pupil allowance was influenced by the amount of funding a district received prior to the passage of Proposal A which meant that districts with higher property values before Proposal A were assigned a higher foundation allowance. This is the reason many of the districts in the Like District comparison receive a larger per-pupil foundation allowance than East Grand Rapids Public Schools. For the current 2016-2017 fiscal year the minimum foundation allowance is \$7,511 per pupil, and the maximum foundation allowance is \$8,229 per pupil. East Grand Rapids Public Schools will receive \$7,737 per pupil. Districts that receive over \$8,229 per pupil are considered “hold-harmless districts” and allowed by law to levy additional mills with voter approval to meet their prescribed foundation allowance.

Proposal A dramatically decreased the amount of property taxes paid by Michigan residents and limited future increases. In 1994 homeowners and businesses were paying 33 mills on average for school operating purposes. Proposal A reduced school operating mills levied on homeowners to 6 mills with the potential for an additional 18 mills to be levied on non-homestead properties. For additional school funding information, please see the Senate Fiscal Agency [The Basics of School Funding](#) or visit the Michigan.gov [website](#).

# EGRPS Expenses Compared to Peers

## Kent County Districts Comparison Per-Pupil Expenses 2014-2015

	Basic Programs	Added Needs	Inst. Support	Admin.	Operations & Mgmt.	Total Gen Fund	Avg. Teacher Salary
Kent City	\$4,908	\$1,370	\$871	\$1,265	<b>\$3,239</b>	\$12,661	\$65,208
Grand Rapids	\$4,460	\$1,597	<b>\$1,853</b>	<b>\$1,646</b>	\$1,193	\$11,676	\$54,744
Godwin Heights	\$6,159	\$1,440	\$1,023	\$1,139	\$1,175	\$11,443	\$67,109
Forest Hills	\$5,839	\$831	\$1,111	\$1,071	\$892	\$10,450	\$66,619
Northview	\$5,242	\$1,602	\$1,003	\$1,268	\$803	\$10,440	\$61,525
Wyoming	\$5,080	<b>\$1,805</b>	\$957	\$859	\$673	\$10,250	\$70,091
Godfrey Lee	\$4,804	\$1,471	\$1,450	\$1,288	\$690	\$10,205	\$54,906
Kentwood	\$5,226	\$1,533	\$1,029	\$1,004	\$883	\$10,204	\$62,893
Kenowa Hills	\$5,234	\$1,389	\$911	\$1,131	\$735	\$10,115	\$64,000
Kelloggsville	\$5,103	\$1,507	\$722	\$1,371	\$726	\$10,074	<b>\$72,367</b>
East Grand Rapids	<b>\$6,188*</b>	\$610	\$997	\$1,253	\$704	\$9,998	\$69,341
Caledonia	\$5,421	\$958	\$717	\$1,157	\$885	\$9,967	\$64,224
Comstock Park	\$4,989	\$1,578	\$992	\$1,058	\$599	\$9,930	\$63,373
Byron Center	\$5,292	\$791	\$704	\$1,071	\$965	\$9,570	\$64,166
Sparta	\$4,825	\$1,378	\$828	\$1,017	\$713	\$9,435	\$63,939
Cedar Springs	\$4,391	\$1,421	\$720	\$1,226	\$666	\$9,420	\$58,802
Rockford	\$5,092	\$936	\$774	\$953	\$786	\$9,407	\$63,608
Grandville	\$5,252	\$961	\$815	\$924	\$743	\$9,360	\$68,430
Thornapple Kellogg	\$5,005	\$1,023	\$886	\$815	\$725	\$9,150	\$65,897
Lowell	\$4,871	\$894	\$741	\$940	\$847	\$9,087	\$62,608

\* The EGRPS basic program amount of \$6,188 spent per-pupil represents 62% of the total general fund expenses per pupil

## Like Districts in Michigan Comparison Per-Pupil Expenses 2014-2015

District Name	Basic Programs	Added Needs	Inst. Support	Admin.	Operations & Mgmt.	Total Gen Fund	Avg. Teacher Salary
Bloomfield Hills	<b>\$8,414</b>	\$1,380	\$1,857	<b>\$1,683</b>	<b>\$1,280</b>	\$15,873	\$70,472
Birmingham	\$7,144	\$1,569	<b>\$1,942</b>	\$1,576	\$1,137	\$14,043	<b>\$75,846</b>
Grosse Pointe	\$6,344	\$1,325	\$1,444	\$1,282	\$1,175	\$11,920	\$74,824
West Bloomfield	\$5,521	<b>\$1,590</b>	\$1,313	\$1,323	\$706	\$10,960	\$67,254
East Lansing	\$5,348	\$1,181	\$1,454	\$986	\$966	\$10,265	\$63,592
Forest Hills	\$5,839	\$831	\$1,111	\$1,071	\$892	\$10,450	\$66,619
Okemos	\$5,587	\$1,167	\$1,048	\$1,127	\$911	\$9,989	\$63,921
<b>East Grand Rapids</b>	<b>\$6,188*</b>	\$610	\$997	\$1,253	\$704	\$9,998	\$69,341
Spring Lake	\$5,417	\$1,166	\$785	\$1,126	\$670	\$9,558	\$63,264

\* The EGRPS basic program amount of \$6,188 spent per-pupil represents 62% of our total general fund expenses per pupil. By comparison, Bloomfield Hills spent \$8,414 per pupil on basic programs which represents 53% of their total general fund expenses per pupil.

### Category Guide

#### Basic Programs

The classroom costs related to basic instructional programs. Includes personnel & non-personnel costs.

#### Added Needs

Special Education classroom and Federal programs

#### Instructional Support

Curriculum, speech, media center, social work, guidance

#### Administration

Building and central office administration & support

#### Operations & Management

All building & maintenance costs, including utilities

#### Total General Fund

All General Fund expenses

#### Average Teacher Salary

The average total salary per teacher

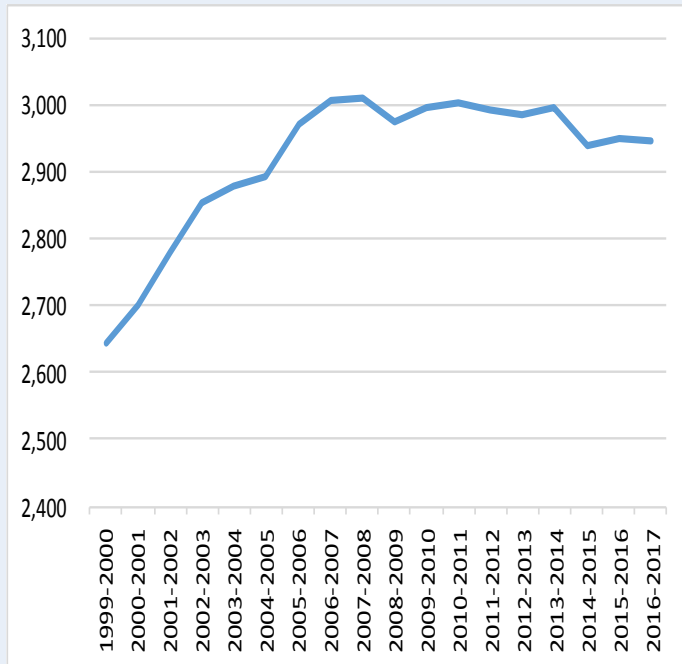
The data represented is from the state's *Bulletin 1014* report, which ranks school district spending in main budget categories.

The data reflects per-pupil spending for the 2014-2015 school year (most current data available).

The districts with the highest level of spending in each category are **highlighted**.

# EGRPS Student Enrollment History

## Enrollment History



## Blended Full Time Equivalent\* (FTE)

1999-2000	2,646
2000-2001	2,700
2001-2002	2,778
2002-2003	2,854
2003-2004	2,878
2004-2005	2,893
2005-2006	2,972
2006-2007	3,009
2007-2008	3,010
2008-2009	2,977
2009-2010	2,998
2010-2011	3,005
2011-2012	2,992
2012-2013	2,987
2013-2014	2,996
2014-2015	2,940
2015-2016	2,952
2016-2017	2,946
2017-2018 (forecast)	2,925
2018-2019 (forecast)	2,890

## 2016-2017 Enrollment

Grade Level	Enrollment
Early Childhood Sp Ed	14
Kindergarten	176
1st Grade	192
2nd Grade	202
3rd Grade	217
4th Grade	231
5th Grade	200
6th Grade	229
7th Grade	225
8th Grade	245
9th Grade	257
10th Grade	245
11th Grade	273
12th Grade	242
<b>Total</b>	<b>2,948</b>

\* Blended FTE is calculated using 10% of the prior spring count and 90% of the current year (fall count)

District enrollment reflects an increase during the years from 2000 to 2006 and has since held constant around 3,000 students. The increase during 2000 to 2006 primarily reflects the introduction of Schools of Choice students. EGRPS continues to participate in Schools of Choice annually, and the administration takes a thorough approach to determine the number of available grade level openings, striving to keep the elementary grade level placements equitable across the district. Schools of Choice openings over the last several years have been primarily limited to the elementary grade levels.

Based on lower birth rate trends in Kent County and the state of Michigan, we are projecting a decrease in EGRPS enrollment over the next few years. Assuming a continuing trend of moderate Schools of Choice openings, the district anticipates our enrollment to decrease to approximately 2,900 in the next two years, which will result in a loss of state revenue.

In addition, the State Legislature amended the State School Aid act in 2012-2013 requiring a full day for kindergarten programs in order to receive the full foundation allowance. The district moved to a full-day model for kindergarten, incurring an additional \$500,000 expense per year.



# EGRPS Personnel Information

## Employees by Category

Category	2008-2009	2016-2017
Administrators	16	15
Teachers	183	170
Secretaries	18	15
Paraeducators	37	35
Technology	7	5
Custodial/Maint.	22	18
Transportation	3	0
Food Service	13	10
Teacher Assistants	3	0
Other	38	12
<b>Total *</b>	<b>340</b>	<b>280</b>

\* The total number of employees has decreased due to budget reductions (programs and services) as well as the outsourcing of some positions. The largest personnel reductions have been in the Teachers and Other categories. The reduction in teachers reflects reduced student enrollment, program reductions, and a reduction in the number of special education students. The reduction in Other category reflects the outsourcing of early childhood (preschool and child care) and central office positions.

## Increase/(Decrease) in Base Salary/Wages

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Teacher	1.00% + Step	0.00% + Step	0.00%	0.00% + Step	0.00%	0.00%	1.00%
Admin.	(2.00%)	1.00% + Step	0.00%	0.00% + Step	0.00%	(2.00%)	1.00%
Custodian	(15.00%)	0.00% + Step	1.00%	1.00% + Step	0.00%	0.00%	1.00%
Support Staff	1.00% + Step	0.00% + Step	0.00%	1.00% + Step	0.00%	0.00%	1.00%

Base salaries and wages have been held constant or reduced over the last seven years in response to the reduction in state funding received. Step increases (+step) are advancements within a salary scale that reflect an additional year of experience and have only been granted three out of seven years.

## EGRPS Collective Bargaining Agreements

In the summer of 2015 the Board of Education collaboratively partnered with the teacher (EGREA) and support staff (EGRASE) associations to finalize three-year agreements that will expire June 30, 2018. These agreements include an innovative compensation formula that provides increased stability in the operational budget through the sharing of increases or decreases in state funding after the net change in health care and retirement expenses have been factored in. Combined with a one-time early retirement/resignation program during the 2015-2016 school year, we believe these agreements will assist in placing the district's operational budget in an improved structural position.

The compensation formula creates a baseline for unrestricted state revenues, health care expenses, and retirement expenses. During each of the fiscal years of the agreements, unrestricted state revenues, health care and retirement expenses are calculated and

compared to the baseline. The increase or decrease in available funds is then applied to a scale that provides an increase or decrease in compensation. For example, if the district realizes an increase in available funds between \$227,347 and \$431,353, employees receive a 1% increase in base salary or hourly wage. If the increase in available funds is between \$431,354 and \$662,762, employees receive a step increase, but not the 1% base salary or hourly wage increase. In addition, if available funds decrease (exceeds \$227,347), compensation will be reduced in different ways, including suspension of matching contributions to 403(b) plans, personal business leave time, graduate study subsidies, and a 1% reduction in base salary. The maximum reduction in base salary in the formula is 2%. The full formula can be found [here](#) or in the EGREA Master Agreement on the district's website.

The EGREA bargaining agreement also included a one-time early retirement/resignation program during the 2015-2016 school year. The program required a minimum of five (5) teachers to elect the incentive, and the amount of the incentive increased at thresholds of 8 and 10 teachers. Incentive payments will be made over three fiscal years. The estimated savings per teacher that elected the incentive was \$20,000 per year. Five teachers elected the incentive at the end of the 2015-2016 school year, providing savings for 2016-2017 and future school years.

The Board of Education would like to thank the efforts of the collective bargaining groups in working collaboratively in achieving agreements that improve the district's budget stability while potentially providing deserved increases in compensation to employees throughout the three-year agreement. The collaborative partnership demonstrated throughout the negotiations process reinforces the district's "Tradition of Excellence."

# EGRPS Revenue & Expense Trends

Net revenues and expenses have decreased over the last six years in the district's general fund, despite having consistent student enrollment. Revenues are lower due to the reduction in State of Michigan funding and expenses are lower due to the significant budget cuts and reductions made to maintain financial stability due to the decrease in state funding and rising retirement costs.

Revenues	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
State Funding	\$22,715,629	\$23,186,397	\$22,895,463	\$22,870,222	\$23,089,783	\$23,548,896	\$23,986,362
County Funding *	\$1,453,512	\$1,355,690	\$1,400,603	\$1,359,362	\$1,337,150	\$1,409,775	\$1,261,028
Federal Funding	\$464,090	\$446,396	\$474,949	\$377,512	\$465,592	\$458,560	\$540,917
Federal Stimulus	\$1,061,528	\$653,780	\$496,896	\$0	\$0	\$0	\$0
Co-Curricular	\$325,928	\$316,625	\$285,821	\$297,478	\$341,732	\$333,236	\$351,866
Early Childhood Tuition & Fees	\$438,547	\$510,547	\$655,523	\$637,299	\$631,577	\$703,621	\$774,379
EGRNow! **	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$520,470</u>	<u>\$270,855</u>	<u>\$145,400</u>	<u>\$255,310</u>
<b>Total Revenues</b>	<b>\$27,834,153</b>	<b>\$28,005,362</b>	<b>\$27,408,436</b>	<b>\$27,715,769</b>	<b>\$28,096,177</b>	<b>\$28,482,253</b>	<b>\$29,352,069</b>
Less Retirement Offsets ***	<u>\$0</u>	<u>\$0</u>	<u>(\$304,634)</u>	<u>(\$618,763)</u>	<u>(\$1,058,811)</u>	<u>(\$1,700,941)</u>	<u>(\$1,934,319)</u>
<b>Net Revenues</b>	<b>\$27,834,153</b>	<b>\$28,005,362</b>	<b>\$27,103,802</b>	<b>\$27,097,006</b>	<b>\$27,037,366</b>	<b>\$26,781,312</b>	<b>\$27,417,750</b>
Expenses	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Salaries (incl. Contracted Svc)	\$16,868,864	\$16,214,803	\$16,270,036	\$16,447,889	\$16,436,707	\$16,263,243	\$15,327,499
Medical, Dental, Vision, Life, LTD	\$3,420,065	\$3,371,578	\$3,534,744	\$3,011,455	\$2,996,948	\$3,016,873	\$3,012,719
Retirement (MPSERS)	\$2,634,789	\$3,100,865	\$3,730,146	\$4,145,622	\$4,572,726	\$5,479,796	\$5,452,209
Social Security/Medicare	\$1,191,355	\$1,184,475	\$1,184,615	\$1,166,731	\$1,180,599	\$1,211,194	\$1,031,247
Co-Curricular	\$913,082	\$857,544	\$745,966	\$780,660	\$784,264	\$927,400	\$946,120
Utilities	\$974,246	\$965,198	\$904,821	\$1,004,683	\$1,090,147	\$1,039,018	\$1,104,538
Capital Outlay & Technology	\$95,572	\$130,078	\$138,451	\$227,326	\$141,924	\$36,715	\$20,965
Teaching Supplies & Textbooks	<u>\$237,156</u>	<u>\$181,469</u>	<u>\$202,599</u>	<u>\$176,424</u>	<u>\$313,952</u>	<u>\$283,463</u>	<u>\$293,730</u>
<b>Total Expenses</b>	<b>\$28,326,870</b>	<b>\$28,193,360</b>	<b>\$28,078,187</b>	<b>\$28,416,035</b>	<b>\$28,717,076</b>	<b>\$29,410,484</b>	<b>\$28,614,857</b>
Less Retirement Offsets ***	<u>\$0</u>	<u>\$0</u>	<u>(\$304,634)</u>	<u>(\$618,763)</u>	<u>(\$1,058,811)</u>	<u>(\$1,700,941)</u>	<u>(\$1,934,319)</u>
<b>Net Expenses</b>	<b>\$28,326,870</b>	<b>\$28,193,360</b>	<b>\$27,773,553</b>	<b>\$27,797,272</b>	<b>\$27,658,265</b>	<b>\$27,709,543</b>	<b>\$26,680,538</b>

Note: Only major categories for revenues and expenses are described above and, as a result, individual categories will not equal the total.

\* **County Funding** represents revenue received from Kent Intermediate School District for our prorated share of the Kent County Act 18 millage that is levied on all property owners in Kent County. This revenue is restricted to support only special education expenses.

\*\* **EGRNow!** is an East Grand Rapids Schools Foundation fundraising campaign which provides additional operating funds for EGRPS which are essential in order to maintain educational programming (see glossary for description).

\*\*\* **Retirement (MPSERS) Offsets** represents state funding that has been dedicated to reduce the increase in state mandated retirement costs. Accounting rules require that the district shows the full cost of providing retirement benefits. The offset funding is included in state funding in the chart above. In order to calculate the true operational funding you would have to subtract the retirement offset figure from the state funding total. For example, in 2015-2016, gross retirement costs were \$5,397,475, after receiving offset funding of \$1,934,319; net retirement costs for the district were \$3,463,156.

# EGRPS Financial Forecast

	2016-2017 Amended	2017-2018	2018-2019
Revenues	\$29,084,951	\$28,986,653	\$29,022,186
Expenses	<u>\$29,155,751</u>	<u>\$29,302,771</u>	<u>\$29,408,595</u>
Net Change in Fund Reserve	(\$70,800)	(\$316,118)	(\$386,409)
Ending Unreserved Fund Reserve	\$2,358,310	\$2,042,191	\$1,655,782
Ending Unreserved Fund Reserve %	8.1%	7.0%	5.6%
Per-pupil Foundation Allowance	\$7,737	\$7,812	\$7,912
Enrollment	2,946	2,925	2,890
Base Salary Increase	1%	0%	0%
Seniority Step Increase	0%	0%	0%

## Options to Structurally Balance the Budget

In 2015-2016, the district added \$736,630 to fund reserves, bringing total fund reserves to \$2,429,109, or 8.5% of 2015-2016 expenditures. Although \$483,000 of the increase was due to a one-time sale of cell tower leases, the 2015-2016 budget resulted in a positive structural balance of approximately \$250,000.

The Board of Education recently adopted an amended budget for 2016-2017 that reduces the fund reserve by \$70,800 to \$2,358,310, or 8.1%. The district's goal is to achieve efficient management of the budget throughout the fiscal year, avoiding any use of fund reserves. The 2016-2017 budget includes \$406,000 in EGRNow! contributions, which were used to continue supporting programs and services, including the reinstatement of paraeducators in kindergarten and 1<sup>st</sup> grade classrooms.

We are currently planning for 2017-2018 and 2018-2019 and are projecting deficits between \$300,000 and \$400,000 in those fiscal years. Anticipated increases in state per-pupil funding (\$75 and \$100 per pupil respectively) are offset by reductions in student enrollment (21 and 35 students respectively), resulting in little change to state revenue received. EGRNow! contributions are forecasted to provide \$250,000 each fiscal year and are included in projected budget models. Expenditures are forecasted to rise slightly each fiscal year; 3.3% and 2.5% increases in district health care costs are forecasted, and small increases to teacher staffing are forecasted. Based on these projections there are no increases in salaries or wages forecasted based on the district salary formula.

As the Board of Education and administration work to achieve structural balance for 2017-2018 and beyond, the input of all stakeholders will be welcomed as creative solutions focused on continuing to provide quality teaching and learning opportunities for our students are sought while a structurally balanced budget is developed and maintained.

The Board of Education's priority is to continue offering students in 2017-2018 and beyond a strong educational program focused on academic excellence.

State  
Funding

EGRNow!

Salaries  
&  
Benefits

Staffing  
Requirements

# Budget Performance & Fund Reserve History

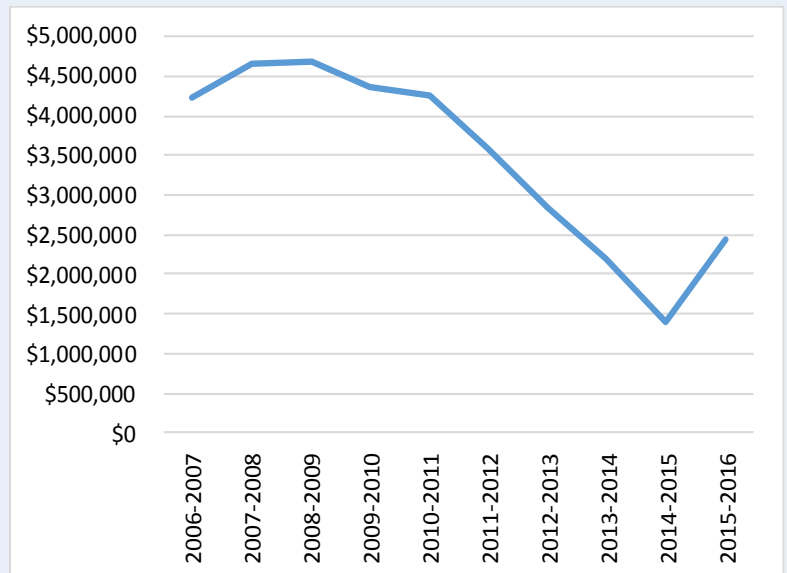
	Revenues	Expenses	Change in Fund Reserve	Unreserved Fund Reserve	Unreserved Fund Reserve Percentage
2006-2007	\$27,560,262	\$26,934,247	\$626,015	\$4,234,595	15.72%
2007-2008	\$27,781,528	\$27,356,239	\$425,289	\$4,659,884	17.03%
2008-2009	\$27,716,932	\$27,692,998	\$23,934	\$4,683,818	16.91%
2009-2010	\$27,994,587	\$28,326,870	(\$332,283)	\$4,351,535	15.36%
2010-2011	\$28,091,151	\$28,193,600	(\$102,449)	\$4,249,086	15.07%
2011-2012	\$27,417,080	\$28,078,187	(\$661,107)	\$3,587,979	12.78%
2012-2013	\$27,667,212	\$28,416,035	(\$748,823)	\$2,839,156	9.99%
2013-2014	\$28,148,806	\$28,779,272	(\$630,466)	\$2,210,806	7.67%
2014-2015	\$28,482,253	\$29,410,484	(\$928,231)	\$1,672,479	5.70%
2015-2016	\$29,352,069	\$28,165,439	\$736,630	\$2,429,109	8.50%
2016-2017 (Forecast)	\$29,084,951	\$29,155,751	(\$70,800)	\$2,358,310	8.10%

The district has used a significant portion (\$2.3 million) of its fund reserve over the past seven years. In the spring of 2009 the Board of Education and administration formulated a plan to draw down the fund reserve to 10% over the next four fiscal years in an effort to shield the district from additional budget cuts and allow for the Michigan economy to strengthen. The plan was executed and the district ended the 2012-2013 fiscal year with a 9.99% fund reserve.

Unfortunately, state funding for East Grand Rapids Public Schools has not fully recovered from the \$470 per pupil reduction in 2011-2012. We are still \$130 per pupil less in 2016-2017 than what was received in 2008-2009. This factor, combined with the large increase in state mandated retirement expenses, continues to place extreme pressure on the district's budget. Despite the implementation of many budget reductions by the Board of Education (page 12), the district continued to use additional fund reserves to maintain academic programs and services through 2014-2015, reducing fund reserves to \$1.7 million, or 5.7% of expenditures.

The Board of Education implemented further budget reductions for the 2015-2016 school year and collaboratively worked with the collective bargaining groups on new agreements to provide increased budget stability long-term. The cumulative efforts over several fiscal years resulted in a positive structural balance in 2015-2016, with fund reserves increasing by \$736,630, improving total reserves to \$2,429,109, or 8.5% of expenditures.

Fund Reserve History



# History of Budget Reductions

In response to reductions in state funding and drastic increases in state mandated retirement expenses, the district has made significant budget reductions over the last seven years totaling \$4.4 million. An overview of reductions by fiscal year is provided below and detailed information can be found [here](#).

2009-2010 Budget Reductions	Annual Savings
Special Education staff	\$165,000
10% reduction in building budgets	\$122,900
Central office support staff	\$90,000
Teaching staff	\$70,000
Building secretarial	\$70,000
Outsource child care providers	\$57,000
Restructure technology staff	\$40,000
Athletic budget	\$25,500
High School co-op coordinator	\$16,000
Child Care (fees increased)	\$15,000
Others	<u>\$15,000</u>
<b>Total</b>	<b>\$686,400</b>

2012-2013 Budget Reductions	Annual Savings
Media center staff	\$150,000
Custodial staff	\$74,000
Extra duty stipends (clubs, department heads)	\$60,000
Athletic budget	\$51,000
Outsourced maintenance/custodial supplies	\$50,000
Pay to participate (drama program fee established)	\$30,000
Pay to participate (athletics fee increased)	\$20,000
Secretarial	<u>\$17,500</u>
<b>Total</b>	<b>\$452,500</b>

2010-2011 Budget Reductions	Annual Savings
Custodial Cost	\$350,000
Restructure media centers	\$163,000
Administrative cost	\$130,000
General Education teaching staff	\$121,000
Special Education staff	\$99,000
10% reduction in building budgets	\$80,000
Building secretarial	\$75,500
Middle school counseling	\$73,000
Central office support staff	\$50,500
Food service partnership with GRPS	\$50,000
Elimination of print center	\$41,000
Others	<u>\$26,000</u>
<b>Total</b>	<b>\$1,258,500</b>

2013-2014 Budget Reductions	Annual Savings
Elementary classroom paraeducators	\$140,000
Administrative staff	\$100,000
Teaching staff	\$90,000
Teacher early retirement incentive	\$80,000
Pay to participate (athletics fees increased)	\$50,000
Outsourcing of non-staff coaches	<u>\$30,000</u>
<b>Total</b>	<b>\$490,000</b>

2014-2015 Budget Reductions	Annual Savings
Visually Impaired services	\$90,000
Special education paraeducators	<u>\$35,000</u>
<b>Total</b>	<b>\$125,000</b>

2011-2012 Budget Reductions	Annual Savings
Special Education staff	\$151,000
Elementary reading support from 4.0 to 3.0 FTE	\$87,000
Media center specialist	\$85,000
Middle school athletics funding support	\$75,000
Central office support staff	\$50,000
Youth Development funding support	\$50,000
Administrative 20% health care contribution	\$41,000
Athletic budget	\$32,000
Part-time energy manager	\$30,000
Performing Arts Center management costs	\$25,000
Building technology coordinators	\$19,000
Others	<u>\$35,000</u>
<b>Total</b>	<b>\$680,000</b>

2015-2016 Budget Reductions	Annual Savings
10% Building/Department budget reduction	\$51,000
Business Office reduction	\$15,000
Administration total compensation reduction (2%)	\$40,000
MS/HS secretarial reductions	\$60,000
Early Childhood secretarial position	\$55,000
Special Education restructuring	\$63,000
Technology staff reduction	\$74,000
MS/HS general education teaching reductions	\$120,000
High School guidance restructuring	\$80,000
Intervention Specialist/Admin. services restructuring	<u>\$80,000</u>
<b>Total</b>	<b>\$638,000</b>

# EGRPS Capital Projects

The capital projects budget includes the following: voter-approved bond construction programs, the related debt service payments for construction programs, and the District’s 0.5 mill Sinking Fund (Building & Site). The Sinking Fund (Building & Site) is a revolving fund that allows the district to finance building repairs and small building enhancements. Currently, a total of 9.95 mills are levied on property owners to allow the district to meet its debt service requirements.

The bond construction programs listed below have been refinanced six times over 11 years which has provided significant interest savings to the taxpayers of East Grand Rapids. The interest savings achieved from these six refinancings has **saved taxpayers \$7.8 million.**

Below are the voter-approved bond construction programs, current outstanding debt, and the projected payoff year:

Bond Construction Programs	Current Outstanding Balance	Payoff Date
1996 Building Renovations & Breton/Lakeside Gyms	\$7,835,000	2020
2000 PAC & HS Pool Expansion	\$18,595,000	2029
2006 Building Renovations & Classroom A/C	\$13,395,000	2031
2007 Athletic Facilities	\$9,275,000	2032
2014 Security & Technology	\$15,440,000	2039

## 2014 Bond Construction Program

On May 6, 2014, East Grand Rapids voters approved \$31 million in bonds to finance capital improvements to facilities district wide. In June 2014, \$17.5 million in bonds were sold, and the remaining \$13.4 million are projected to be sold in May 2019. The funds raised from these bond sales will provide the following:

- Improved safety & security for students & staff, including enhanced security entrances at the three elementary buildings, high school, and Woodcliff Early Childhood Center.
- Upgraded technology for students and staff spread over the next 10-12 years via the 2014 and 2019 bond sales.
- Facility upgrades over the next couple of years including: security enhancements, security technology, renovation of district media centers into flexible learning commons, replacement of boiler systems (high school, Breton Downs, and Wealthy), renovation of district heating and hot water systems, replacement of district roofs, installation of LED lighting, occupancy sensors to lower electric usage, and new classroom furniture for the middle school and high school.

The first phase of the construction program which started summer of 2014 has been completed on schedule and under budget. This included enhanced main entrances that were constructed at the three elementary schools and high school. The learning commons were renovated at all five school buildings. Security technology was replaced and enhanced districtwide. At the high school the boiler was replaced and the main hallway and cafeteria were renovated to provide an enhanced common area for students. Technology has been updated throughout the district, including classroom technology, devices, servers, and storage, as well as wired and wireless infrastructure.

The second phase of the bond construction program will begin in 2019. The second phase includes replacement of roofs, renovation of district heating and hot water systems, replacement of boiler systems at Breton Downs and Wealthy, and continued upgrades to technology to support classroom teaching and learning.

# Summary

This budget guide provides information regarding the finances of the East Grand Rapids Public Schools as well as how it compares to other districts in Kent County and Like Districts similar to East Grand Rapids in the state. The following is a summary:

## Operational Budget

- Funding for the operational budget (e.g. instruction, personnel, etc.) is primarily reliant on the State of Michigan, and the Board of Education cannot ask the community to support tax proposals to increase operational funding (page 5).
- The current per-pupil state foundation allowance is \$130 lower than in 2008-2009.
- When considering local, state, and federal sources of revenue, East Grand Rapids Public Schools ranks 13<sup>th</sup> out of the 20 Kent County school districts for total revenue received per pupil, and 8<sup>th</sup> out of the 9 “like districts” from around the state (page 5).
- The Board of Education and administration place a strong emphasis on total budget allocations (76% of total budget) going to programs and services that impact teaching and learning (page 4).
- The district is efficient with non-instructional expenses incurred outside of the classroom (24.6% of total budget) (page 4).
- Personnel expenses represent 86.9% of the total operational budget (page 4).
- State mandated retirement (MPSERS) costs have increased dramatically over the last six years (105%), requiring the state legislature to allocate a significant amount of school funding resources to districts to offset retirement expenses (page 4).
- Total salaries and wages are \$1,500,000 lower than seven years ago.
- The district has been progressive with health care benefit programs; overall expenses are \$500,000 lower than five years ago (page 9).
- To balance annual operating budgets over the past seven years (2009-2015), \$4.4 million in budget reductions, \$2.3 million of fund reserves, and \$1.2 million EGRNow! contributions have been used (page 9).

## Capital Projects Budget

- The community has been overwhelmingly supportive of Board of Education bond requests which have provided capital funding for building improvements over the last 20 years (page 13).
- The Bond Construction Programs have upgraded the district facilities, including the addition of classrooms, air conditioned classrooms, gymnasiums, and the Performing Arts Center (page 13).
- The 2014 Bond Issue will provide a 10+ year source of funding for technology which will allow the district to update educational technology to support teaching and learning (page 13).
- Facility needs, such as roofs, boilers, and major mechanical systems will be upgraded with the 2014 bond construction program (page 13).
- Refinancing of capital debt saved taxpayers approximately \$7.8 million over 11 years through the end of 2016 (page 13).

## Budget Challenges

- If additional budget reductions are necessary to balance future budgets, K-12 programs and services that impact teaching and learning will continue to be directly affected.
- The district has had a structural deficit since 2009-2010 to the 2014-2015 school years, reducing fund reserves to dangerously low levels. The addition to fund reserves in 2015-2016 brings the district to the low end of its target, leaving no room for continued use of fund reserves to protect educational programs and services.
- Until increases in state funding exceed minimal increases in district costs, maintaining a structurally balanced budget will be challenging.
- Projected small increases in state per-pupil funding and likely reductions in student enrollment over the next few years will limit resources and present a challenge to achieve and maintain structural balance.

The goal of the Board of Education and administration is to continue working collaboratively with staff and community to develop and adopt a structurally balanced budget for 2017-2018.

# Glossary

**Base Salary Increase:** Increase in base salary due to the increase of salary scales.

**Bond Issue Proposal:** A request by the Board of Education for the community to grant authority to issue bonds to provide funding for capital improvements. Interest and principal on the bonds are retired through a debt tax levy on school district property owners. Funds generated by bond issues cannot be used to pay personnel costs or other operating expenses such as teaching supplies or utilities.

**Bulletin 1014—Michigan Public Schools Ranked by Financial Information:** The Bulletin 1014 contains select pieces of financial information about Michigan Public Schools including revenue and expenditures per pupil. They also include the fall pupil count, average teacher salary, and taxable value information.

**Co-Curricular:** School supported activities outside of the school day including athletic and non-athletic activities.

**EGR Schools Foundation Grants:** Funding provided by the East Grand Rapids Schools Foundation to EGRPS staff to support initiatives that impact teaching and learning.

**EGRNow!:** An East Grand Rapids Schools Foundation fundraising campaign which started in 2011-2012 as a result of significant EGRPS budget concerns. Contributions received during the annual campaigns provide programs and services support for the following school year in order to preserve the district's goals of providing a well-rounded education for all children.

**Federal Sources:** All revenue provided by the federal government. Includes funding for special education (IDEA grant), Title I (at risk students), and Title II (professional development).

**Federal Stimulus:** Funding provided to the district from 2009 to 2012 as part of the federal economic stimulus programs.

**Foundation Allowance:** Also known as the foundation grant, the per-pupil funds that are given to each school district based on number of students enrolled. It is the primary means in which the state distributes funding to school districts and accounts for about two-thirds of the state School Aid Fund.

**Fund Reserve:** The accumulation of funds when a fiscal year's revenue exceeded expenses. Sometimes referred to as a "Rainy Day Fund."

**Hold-Harmless Districts:** The 50+ historically higher-spending school districts (does not include EGRPS) in the state that are allowed to tax their local property owners additional mills, known as "hold-harmless" mills, for local school district operations. The hold-harmless provision was included so that higher funded districts would not have to significantly cut back their own school revenues as the state sought more funding parity through Proposal A. The "hold-harmless" provision allowed these districts to maintain their pre-Proposal A funding level through millage (operational) votes.

**Kent County Revenue:** All revenue received at a county level via the Kent Intermediate School District. Act 18 Special Education millage funding is the largest source of revenue. The district also receives revenue from the county to reimburse for special education transportation and Medicaid services.

**Like Districts:** School districts in Michigan similar to East Grand Rapids Public Schools from a community and demographic perspective.

**Local Sources:** Revenues produced and collected within district boundaries. Major local revenues include: Non-Homestead taxes, recreational millage taxes, Early Childhood tuition and fees, cell tower and building rentals, East Grand Rapids Schools Foundation grants, and contributions from the EGRNow! campaign.

**Proposal A:** A ballot initiative that Michigan voters overwhelmingly approved in 1994 that led to the current School Aid Fund system.

**Recreational Millage:** Revenue received from the 1.4 mill Recreational millage levied on the community to offset the cost of funds used to operate recreational facilities. The cost of district sponsored athletics cannot be funded by the millage.

**Retirement (MPSERS) Michigan Public School Employees System:** Referred to as "retirement" in this guide, MPSERS is the state mandated retirement system for all public school districts and public school employees. The system is a defined benefit retirement program including retirement health care coverage. District contributions to the program are determined through a "retirement contribution rate" which is a percentage of each dollar of payroll. Employees are also required to contribute a percentage of their wages to the system from 3% to 10%.

**Retirement Offsets:** State funding that has been dedicated to reduce the increase in state mandated retirement costs.

**School Aid Fund:** The budget that provides the majority of state revenue for education. It is generated through a portion of the state sales tax, state education tax, use tax, tobacco tax, real estate transfer tax, industrial facilities tax, income tax, casino tax, and lottery profits.

**Sinking Fund (Building & Site):** A revolving fund that provides funding for capital repairs and improvements. The Sinking Fund (Building & Site) cannot be used to pay personnel or routine building maintenance expenses.

**State Education Tax:** Tax on all property in Michigan that is used to fund public schools—6 mills assessed on state equalized value (half of market value). This statewide tax was established after Proposal A passed in 1994, changing the education funding system in Michigan from a system that had primarily relied on local property taxes to fund local schools. Prior to the state education tax, property owners paid on average 33 mills.

**State Sources:** All revenues received from the state. Includes the per-pupil foundation allowance, special education funding, at-risk funding, Best Practices funding, and Performance Based funding.

**Step Increase:** Increase in salary recognizing an additional year of work experience.



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successfully in a global community*

Additional Resources  
[www.michigan.gov/mde](http://www.michigan.gov/mde)