

April 2004

One year ago, Dr. Jeffrey and I met with our staff regarding the budget outlook for the FY 2003-04 school year, and the impact the State level budget problems might have on the District. A copy of that presentation can be found [here](#).

At that time, based on the facts available, we projected a loss at the end of the FY 2002-2003 school year of \$95,060. With some belt tightening from all of the staff, the timely arrival of some grant revenue, and by not immediately rehiring upon some staff losses, we turned that loss into a positive impact on fund balance by \$188,471! My hats off to each of our staff, who are the ones that make things like this happen. Thank you.

At that same presentation, the financial outlook for FY 2003-04 was gloomy, with a projected loss of \$1,697,598. As you may recall, we asked for suggestions on how to address this potential problem, and our staff responded enthusiastically! The good news is several key factors used in that projection have turned out better than expected, and that has reduced our projected deficit down to a more manageable \$870,000 loss to fund balance. The District continues to look for ways to cut costs and increase revenues, and I hope that our loss will be even less than projected at the end of this year. The bottom line, however, is we are deliberately using this amount of fund balance in order to maintain programs, keep jobs, and basically to do what is best for kids.

Unfortunately, we are not out of the woods yet. As you have read in the newspapers, the State of Michigan is facing a budget crisis. The loss to the State next year, if nothing is done to cut costs or increase revenues, is projected to be over a billion dollars. This deficit affects every department and program in the State, including the School Aid Fund.

In late January, Governor Granholm released her proposed budget. The Governor's proposal is partially dependent on raising revenues through the increase of the tobacco and liquor taxes, and by moving up next winter's tax levy to this summer. It also calls for many budget reductions.

The Governor's proposal recommends the minimum foundation grant guarantee per student remain at \$6,700. (More than 85% of the District budget is contingent on the foundation grant). This is the same amount recommended in each of the last two years, and has been subjected to Executive Order cuts later in each of those years. The Public Schools of Petoskey initially expected to receive \$6,700 in 2003-2003 and in 2003-2004, but actually received \$6,660 and \$6,626 respectively. The combined cost of the two cuts equates to over \$350,000 in lost revenue to the Public Schools of Petoskey. For our District, that is the equivalent to twelve months worth of natural gas and electricity!

The Senate reviewed the Governor's proposal on March 31 and largely agreed with it, though it did make some changes. The Senate's version of the School Aid Budget is [Senate Bill 1069 \(SB 1069\)](#). The Michigan State House began a review of SB 1069 and the Governor's budget proposal starting April 28th. Results have not been reported yet.

This is the environment in which the budget for 2004-05 is being made. Revenues are, at best, flat and expenses continue to rise. Based on the best information available today, the District will spend another \$1.2 million dollars of its fund balance in FY 2004-05 in order to maintain programs, keep jobs, and continue to do what is best for kids.

At that point, the District's fund balance will be at a critical point and we will have some very tough decisions ahead of us. Without additional funding, programs and staffing are significantly at risk of being cut in order to balance the budget for FY 2005-06 and beyond. Again, any ideas and suggestions in streamlining expenditures or increasing revenues, without negatively affecting the services we provide our students, are greatly encouraged.