

# Why and How to work with your city (or township/county) and the bigger context facing school district governments

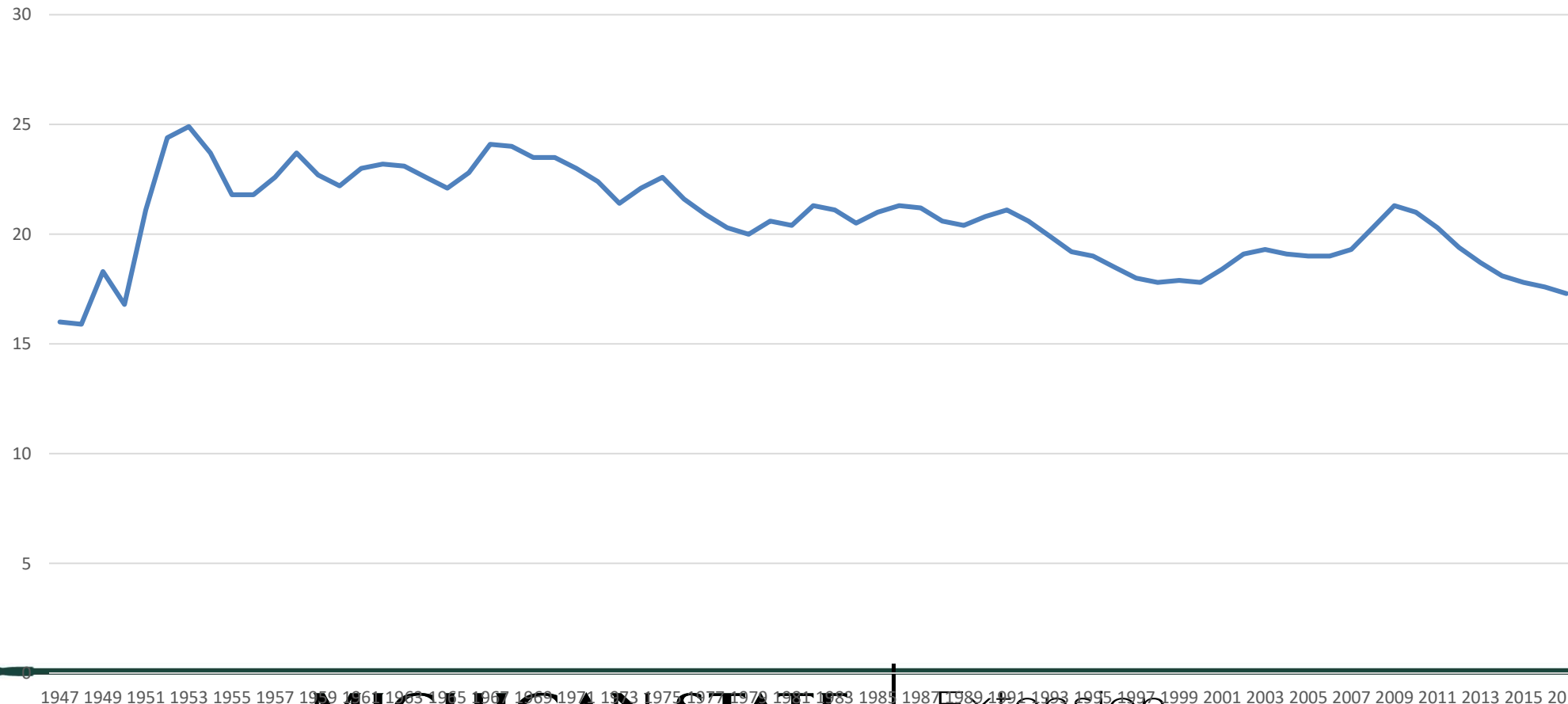
Dr. Eric Scorsone

MSUE Center for Local Government Finance and Policy

Michigan State University

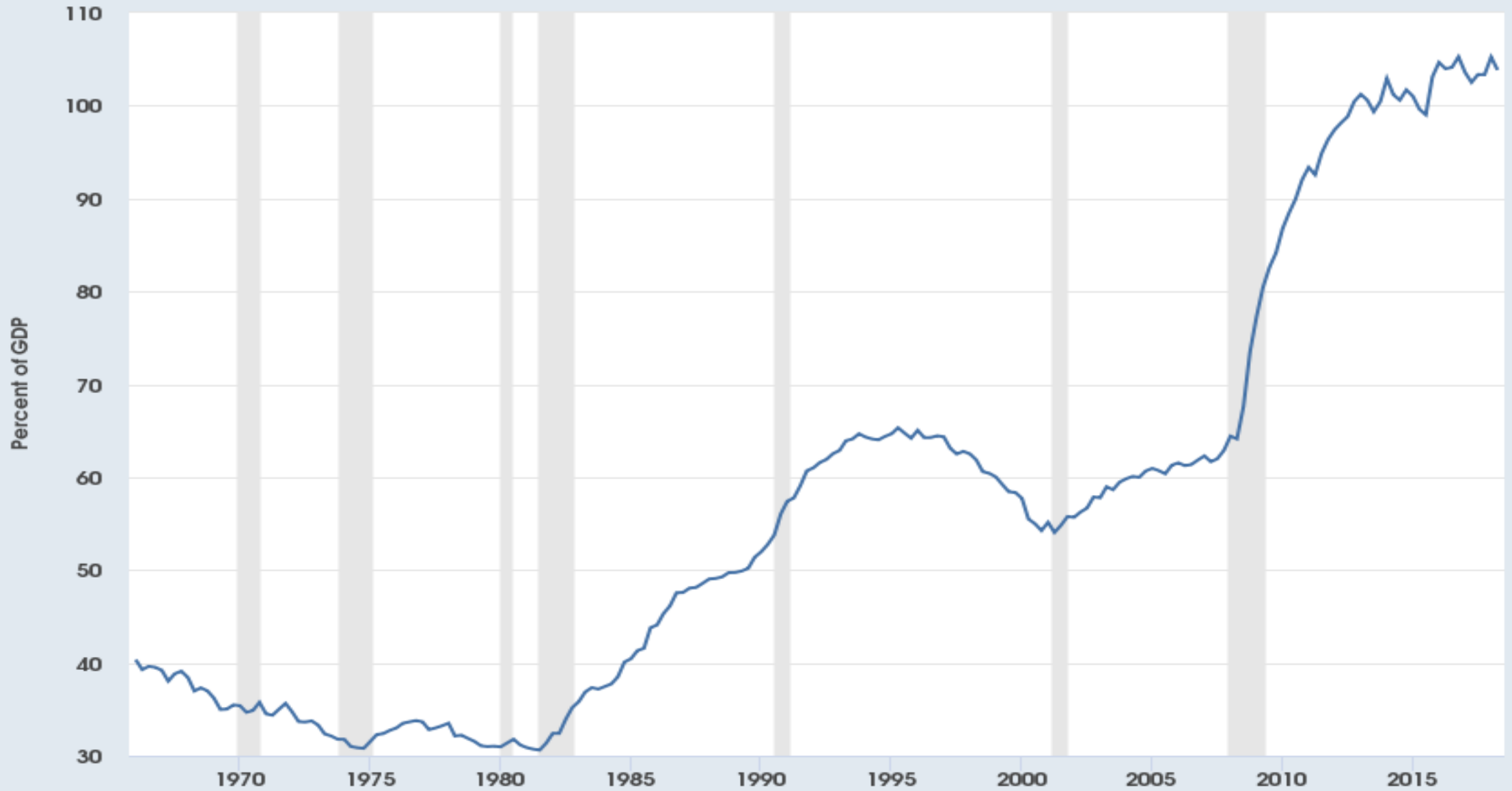
# FEDERAL REALITIES

# Government Share of the Economy (% of GDP)





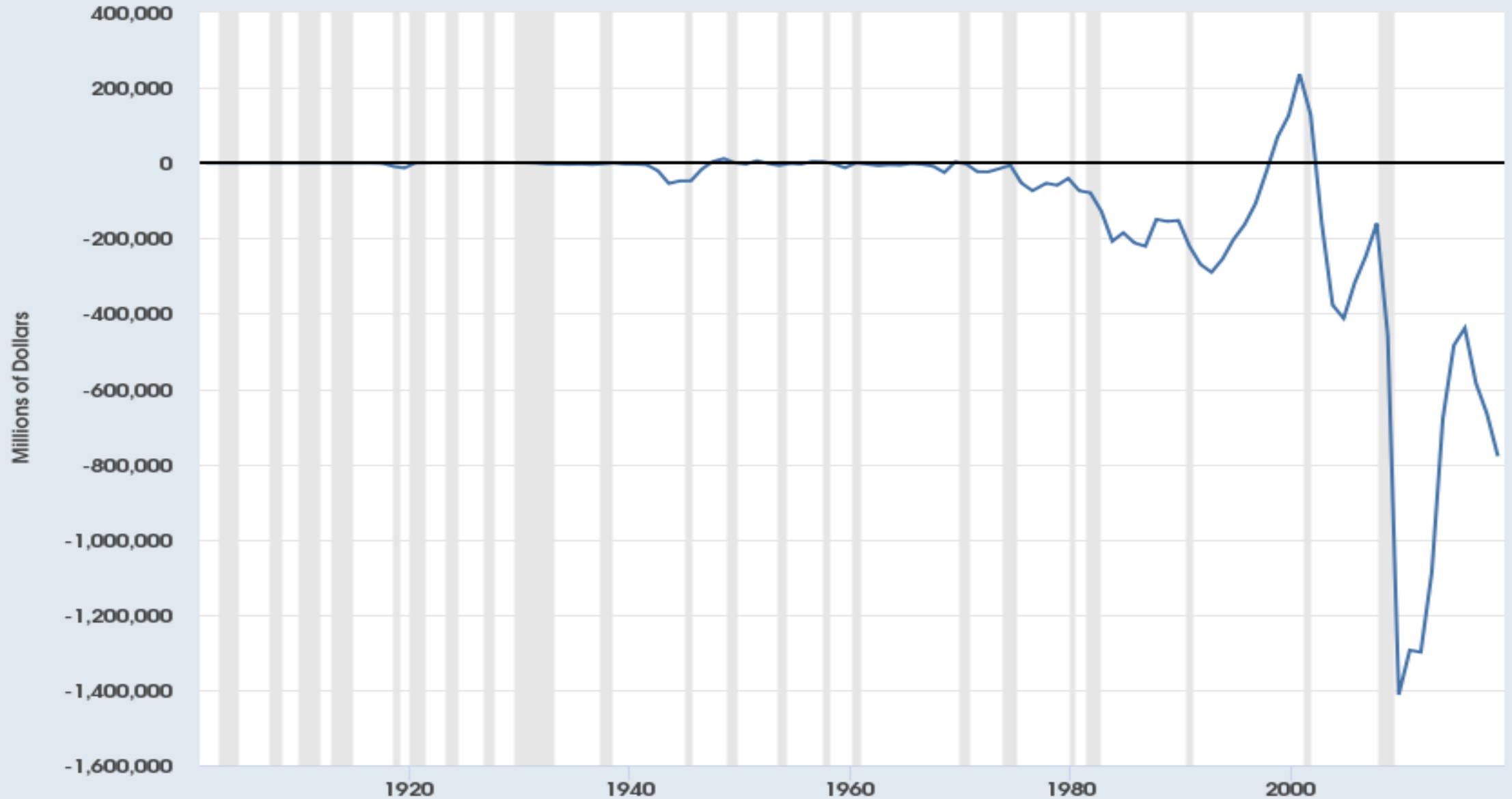
Federal Debt: Total Public Debt as Percent of Gross Domestic Product



Shaded areas indicate U.S. recessions

Source: Federal Reserve Bank of St. Louis

myf.red/g/lqRD

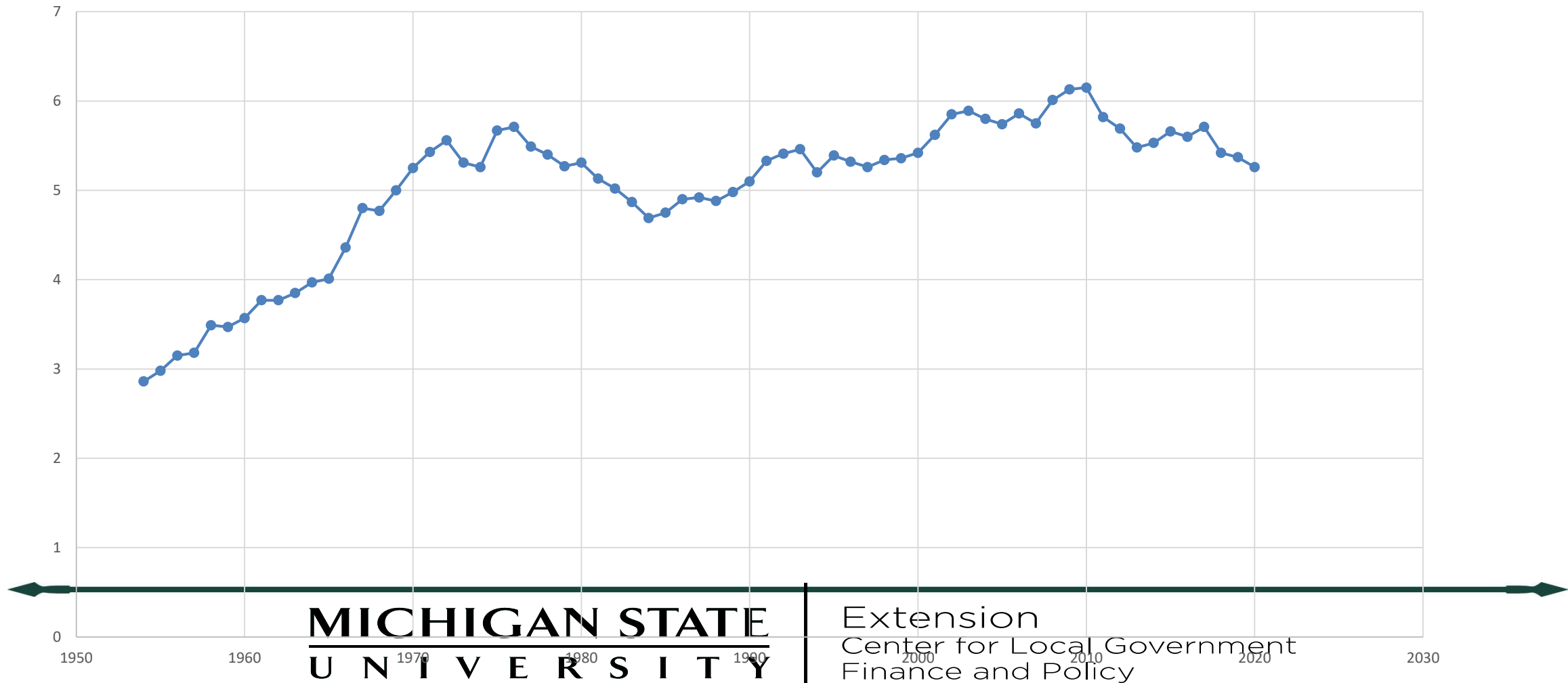


Shaded areas indicate U.S. recessions

Source: U.S. Office of Management and Budget

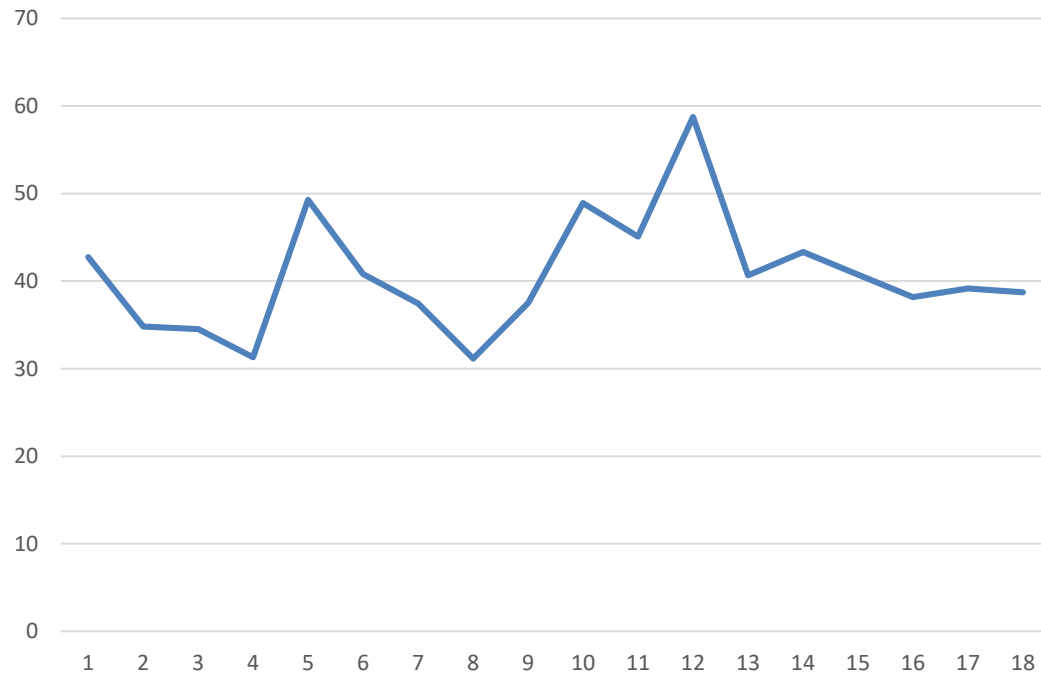
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# U.S. Spending on Education (% of GDP)

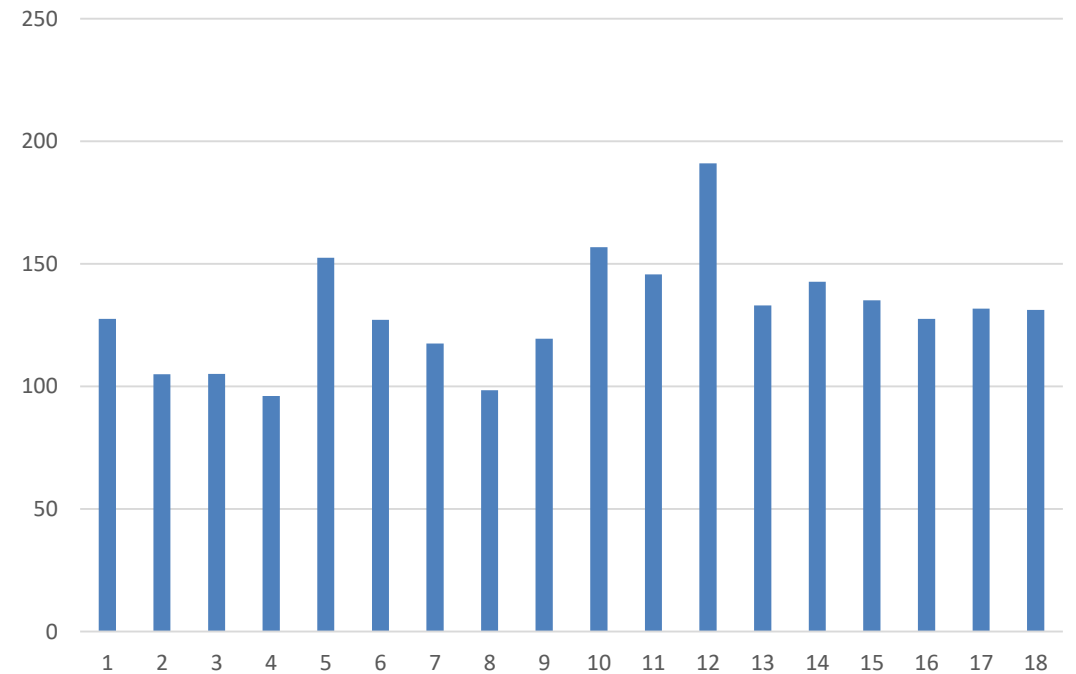


# Stagnant Federal Spending

Federal Spending Per Capita



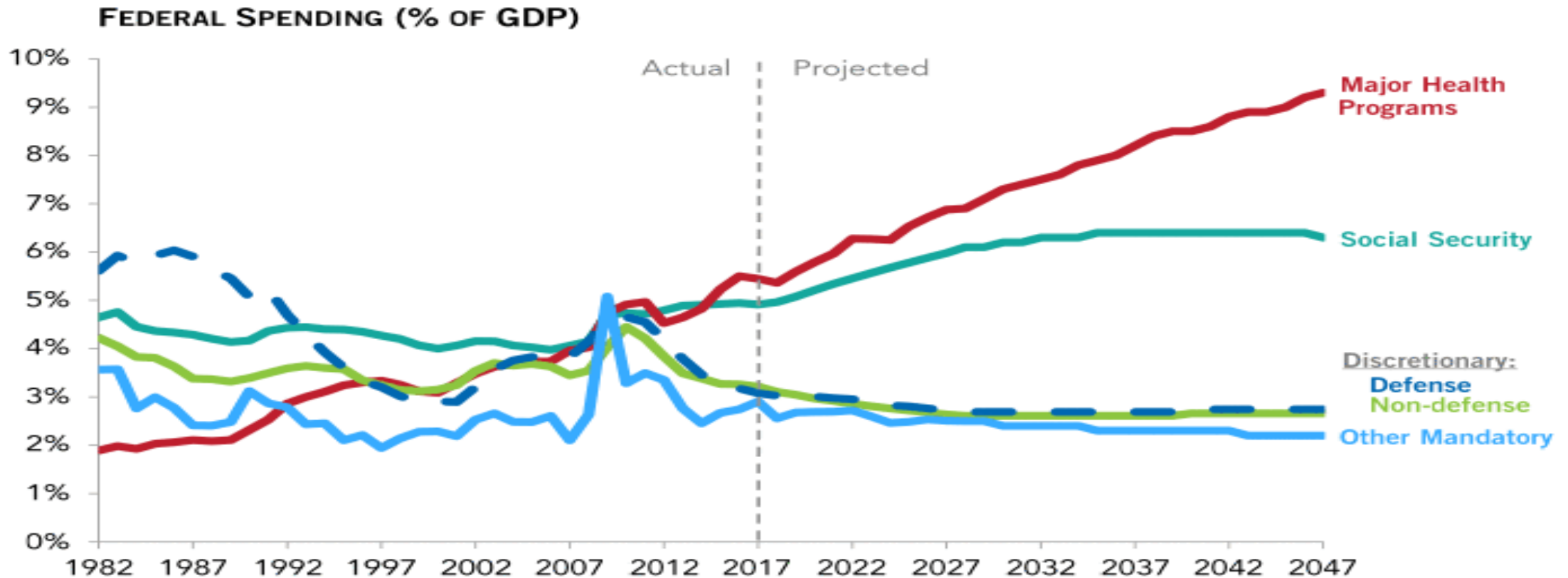
Federal Education Spending per person



# Federal Budget Projected



Healthcare is the major driver of the projected growth in federal spending over the long term



SOURCE: Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2017 to 2027*, June 2017; and PGPF calculations based on CBO data. Compiled by PGPF.

NOTE: Major health programs include Medicare (net), Medicaid, Children’s Health Insurance Program (CHIP), and the health exchanges.

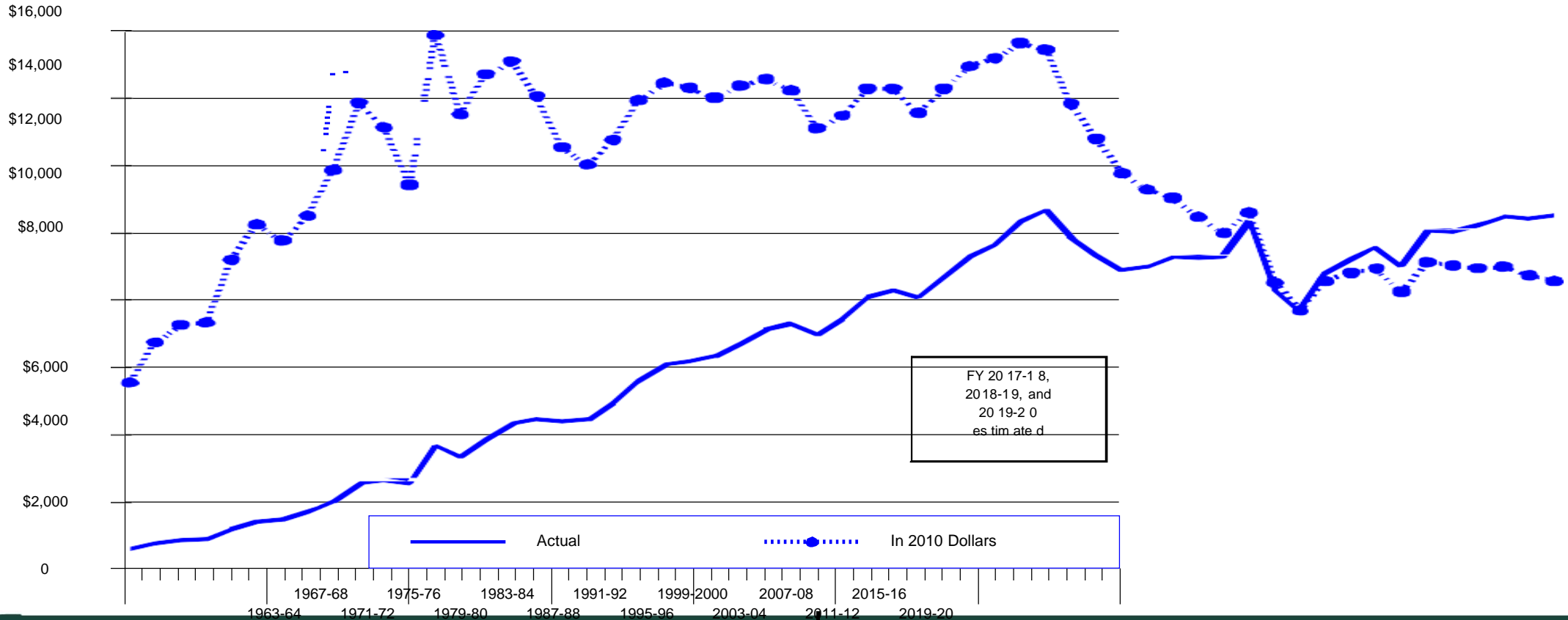


# MICHIGAN BUDGET REALITIES

# Michigan General Fund

## Ongoing General Fund Revenue

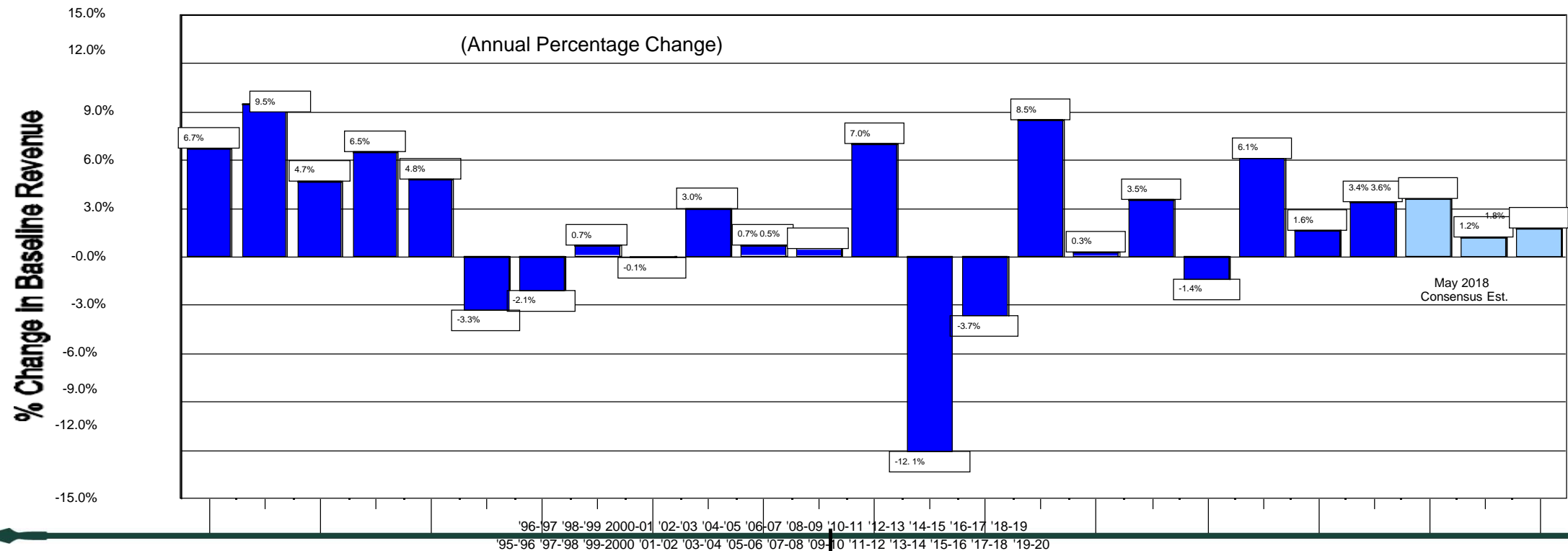
Nominal Revenue in FY 20 Below FY 00 Level; Adj. for Inflation, the FY 68 Level



Source: U.S. Dept. of Commerce, Michigan Dept. of Treasury, and May 2021 Census Bureau Estimates

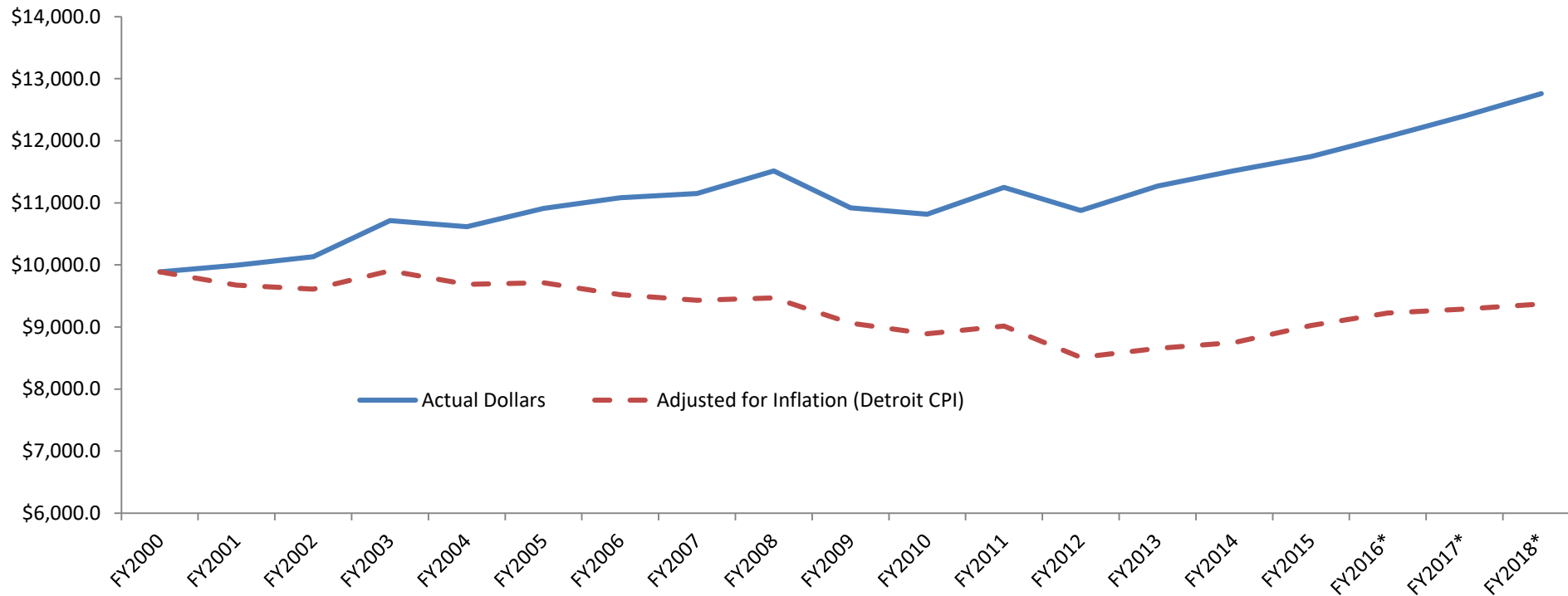
# GF and SAF Net Revenue

Change in General Fund/General Purpose and School Aid Fund Net Revenue

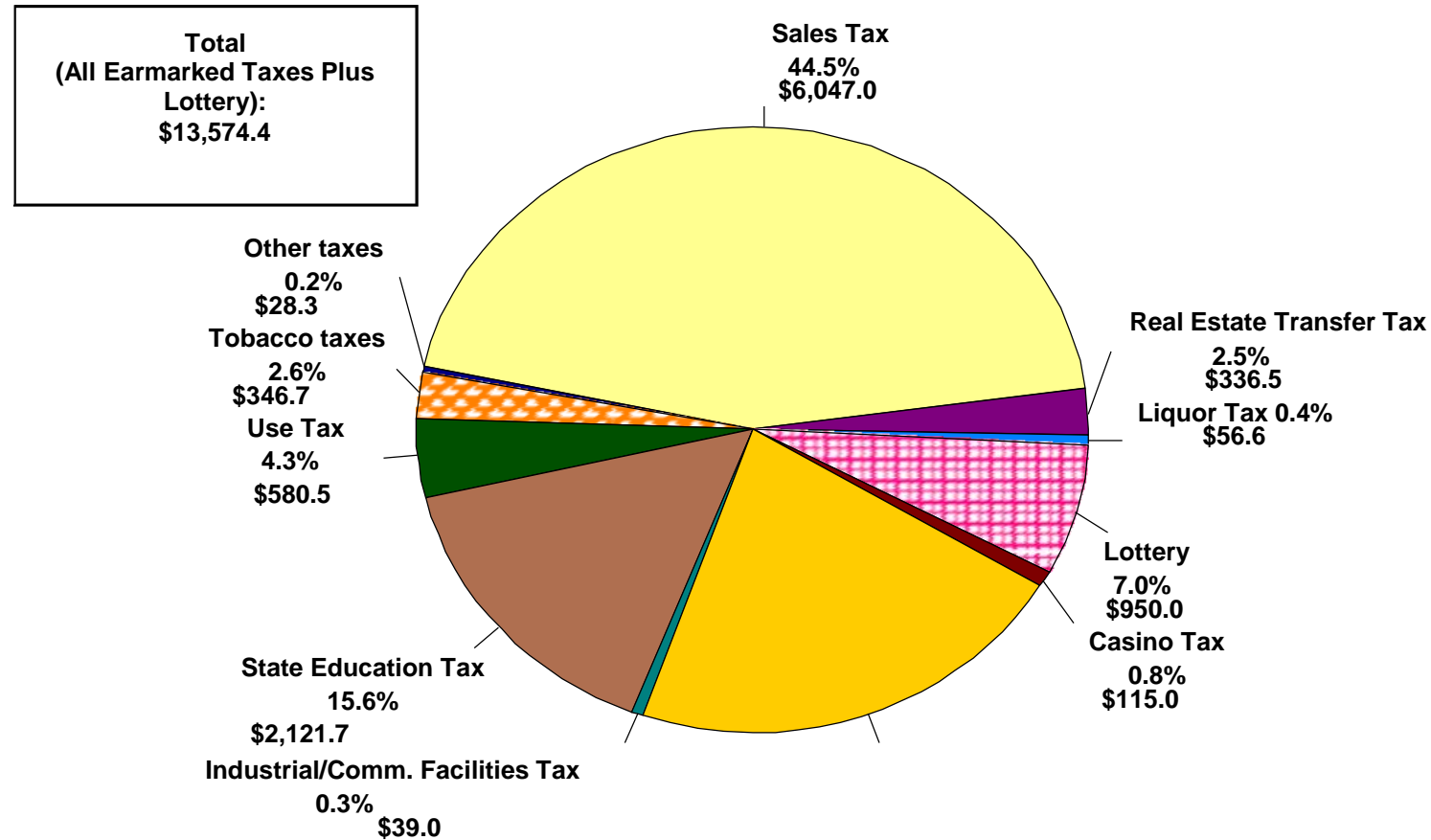


## SAF Revenue in Millions

Inflation Adjusted SAF Revenue Down 7.8% (\$517 million) Since FY 2000



# How is SAF paid for?

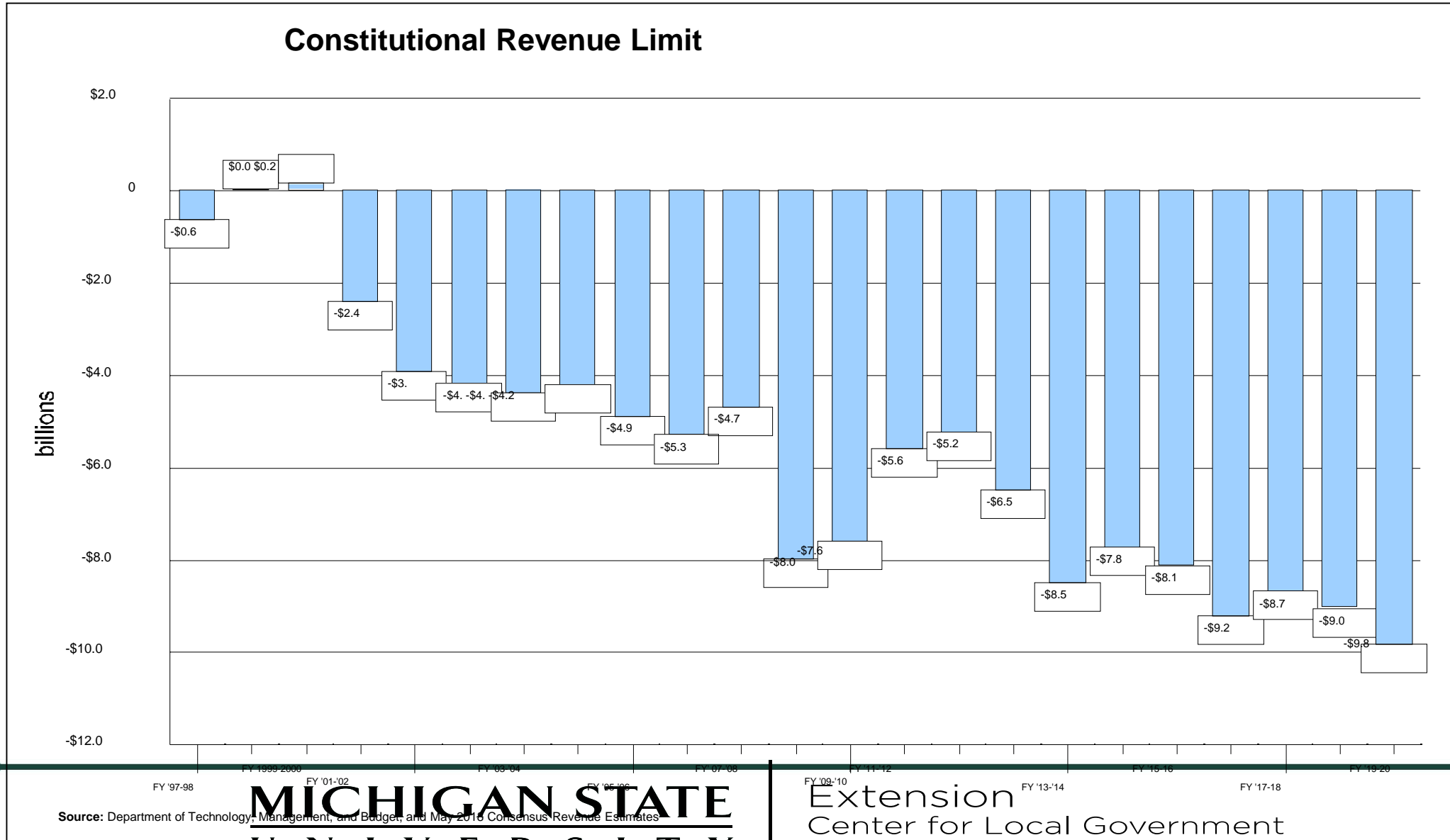


# Tax Expenditures

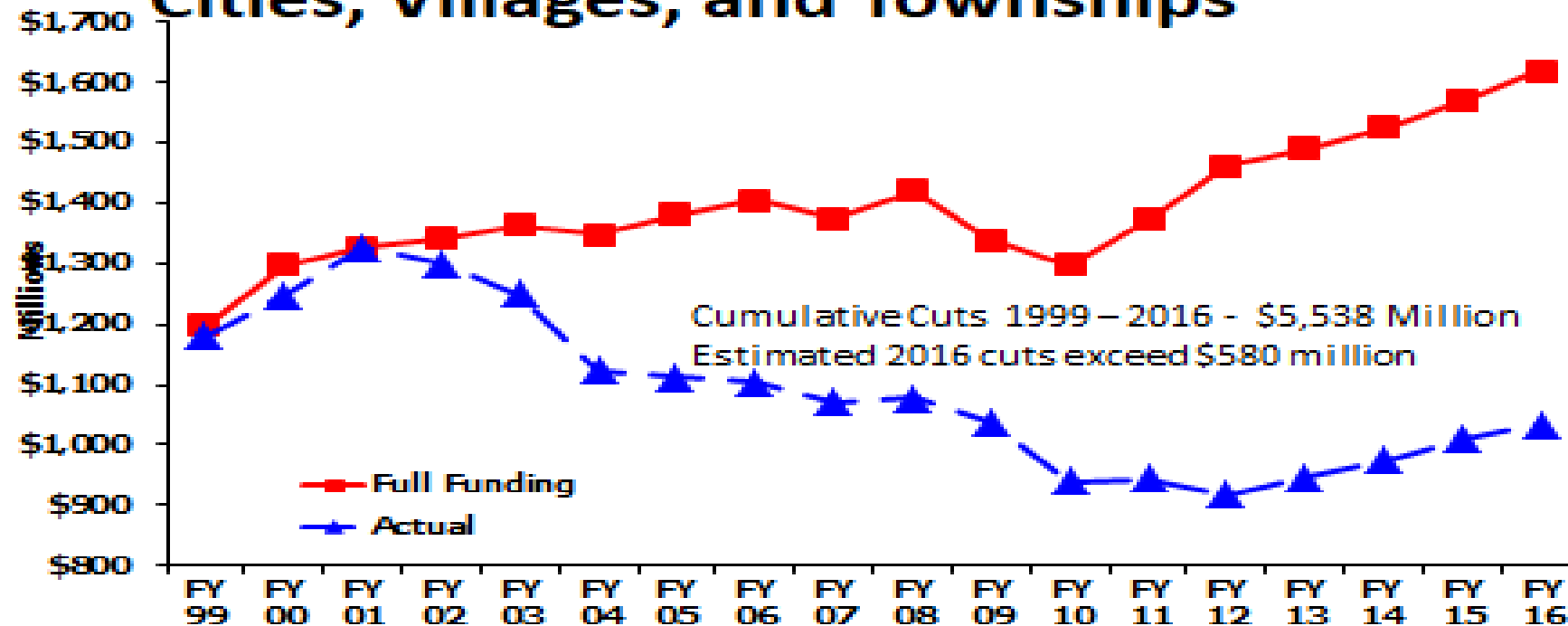
DETAIL ON MAJOR CHANGES IN TAX EXPENDITURES  
(millions of dollars)

	FY 1999-2000	FY 2011-12	\$ Change FY 1999-2000 to FY 2011-12	FY 2017-18	\$ Change FY 2011-12 to FY 2017-18
<b>Consumption Taxes</b>					
Food	\$860.0	\$1,220.2	\$360.2	\$1,305.5	\$85.3
Industrial Processing	660.0	920.0	260.0	1,411.0	491.0
Prescription Drugs	242.0	536.3	294.3	727.6	191.3
Services	4,392.0	10,357.2	5,965.2	13,292.1	2,934.9
<b>Individual Income Taxes</b>					
Adjustments to Income	1,600.0	3,351.7	1,751.7	4,499.3	1,147.5
Homestead Prop. Tax Credit	471.0	831.1	360.1	524.8	(306.3)
Personal Exemption	987.0	1,173.7	186.7	1,404.4	230.7
Earned Income Tax Credit	0.0	360.0	360.0	123.3	(236.7)
All Other Tax Expenditures	4,859.4	7,044.2	2,184.8	6,200.3	(843.9)
<b>Total Tax Expenditures</b>	<b>\$14,071.4</b>	<b>\$25,794.4</b>	<b>\$11,723.0</b>	<b>\$29,488.2</b>	<b>3,693.8</b>

# Constitutional Revenue Limit



## Total Revenue Sharing Payments to Cities, Villages, and Townships





# State Stabilization Fund

## BUDGET AND ECONOMIC STABILIZATION FUND TRANSFERS, EARNINGS, AND FUND BALANCE

### FY 1998-99 TO FY 2018-19 INITIAL APPROPRIATIONS (millions of dollars)

Fiscal Year	Pay-In		Interest Earned	Pay-Out	Fund Balance
	Trust Fund Act a)	Other			
1998-99	\$0.0	\$244.4	\$51.2	\$73.7	\$1,222.5
1999-00	0.0	100.0	73.9	132.0	1,264.4
2000-01	0.0	0.0	66.7	337.0	994.2
2001-02	0.0	0.0	20.8	869.8	145.2
2002-03	0.0	9.1	1.8	156.1	0.0
2003-04	0.0	81.3	0.0	0.0	81.3
2004-05	0.0	0.0	2.0	81.3	2.0
2005-06	0.0	0.0	0.0	0.0	2.0
2006-07	0.0	0.0	0.1	0.0	2.1
2007-08	0.0	0.0	0.1	0.0	2.2
2008-09	0.0	0.0	0.0	0.0	2.2
2009-10	0.0	0.0	0.0	0.0	2.2
2010-11	0.0	0.0	0.0	0.0	2.2
2011-12	0.0	362.7	0.2	0.0	365.1
2012-13	0.0	140.0	0.5	0.0	505.6
2013-14b)	0.0	75.0	0.4	194.8	386.2
2014-15	17.5	94.0	0.4	0.0	498.1
2015-16	17.5	95.0	1.8	0.0	612.4
2016-17	17.5	75.0	5.1	0.0	710.0
<b>Enacted Deposits with Estimated Interest Earnings Fund Balance:</b>					
2017-18c)	17.5	265.0	10.3	0.0	1002.8
2018-19	17.5	0.0	19.6	0.0	1039.9

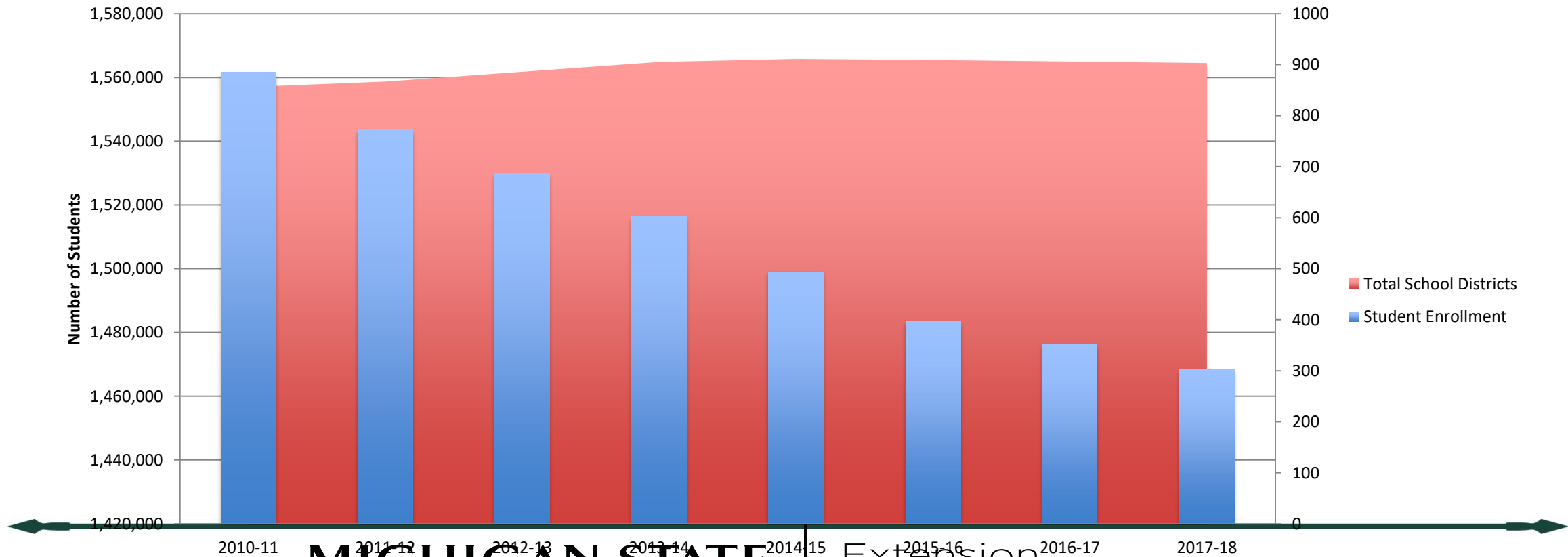
a) PA 186 of 2014 amended the Trust Fund Act to authorize the deposit of \$17.5 million of tobacco settlement revenue to the BSF annually from FY 2014-15 to FY 2034-35 to repay the withdrawal related to the Detroit bankruptcy.

b) Pay-in was appropriated in Public Act 59 of 2013. Pay-out is the transfer of \$194.8 million in FY 2013-14 per PA 188 of 2014 from the BSF to the Settlement Administration Fund related to the Detroit bankruptcy.

c) PA 107 of 2017 (\$150.0 million) and PA 207 of 2018 (\$115.0 million).

# Funding challenges: Cities and Schools

Michigan's K-12 Student Enrollment  
Compared to Number of K-12 Districts (FY 10-11 - FY 17-18)



# SHARED SERVICES AND COOPERATION

## Biggest problems

- Lack of a clear strategic alignment of interests between overlapping governments
- Focus on different priorities and different pressure points from state/federal government
- Lack of a joint facility
- Lack of overlapping boundaries/different constituents

# Comparison of Goals & Objectives

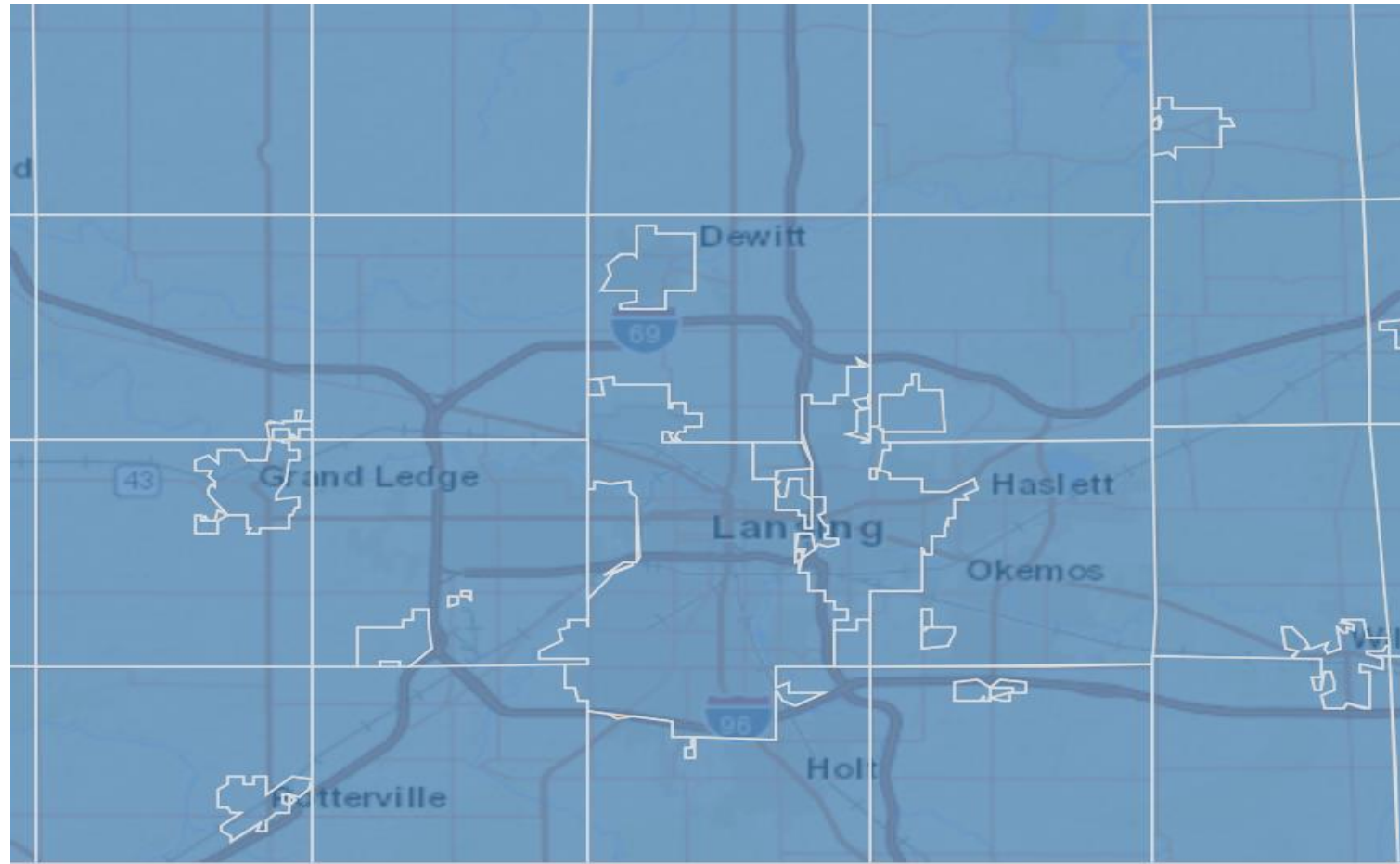
## City/township

- Public safety
- Land use planning and zoning
- Healthy community
- More control of own money and taxes
- Ambiguous goal setting and multiple services

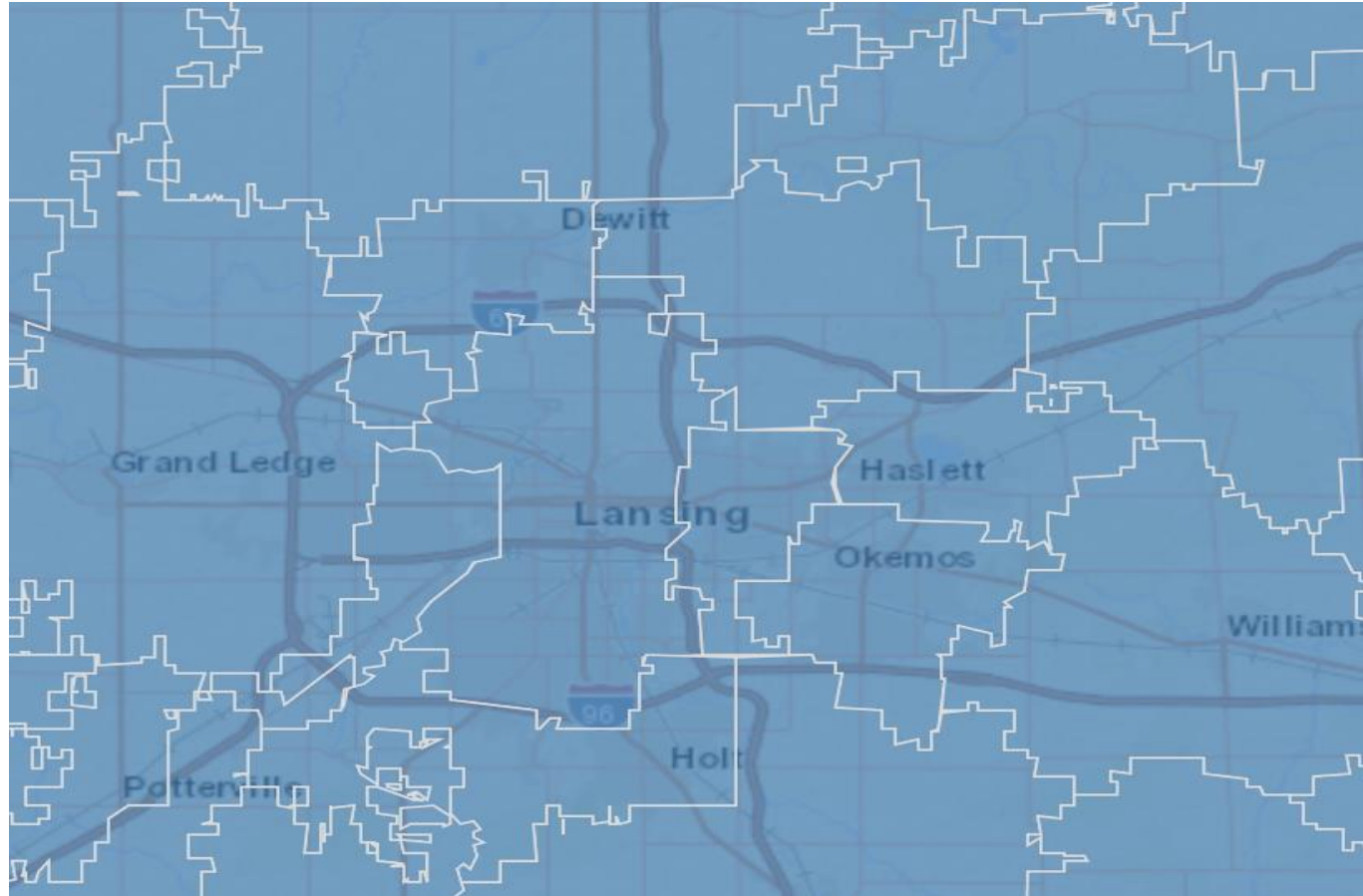
## School

- Primary focus on student achievement
- Student health and welfare
- MDE/FDE – standardized testing

# Lansing metro local government boundaries



# Lansing metro school district boundaries



## Key themes for successful cooperation

- Leadership
- Transparency
- Clear goals
- Reciprocity
- Measureable results
- trust



# LEGAL & ECONOMIC DISCUSSION

# How to work with Cities/Townships/Counties

- Urban cooperation act
- Revised school code
- Intergovernmental transfer of powers act

## General power school district cooperation

- May enter into agreements or cooperative arrangements with other entities , public or private, as part of performing functions of school district
- Exempt from urban cooperation act

## Urban Cooperation Act of 1967

- An act for interlocal public agency agreements
- Public agency means local governments, schools
- Must share the power in common; lots of back office enterprises

# Intergovernmental Transfer of powers

- Act 8 of 1967
- Includes school district and ISD
- Transfer functions or responsibilities (buy-sell arrangement)
- Joint board or commission to oversee contract may be setup

## Schools and Uber/AirBnB

- School facilities are often underutilized relative to their capacity
  - Recreational facilities
- Ensure full usage of facilities
  - Economics says if you can cover variable cost then move forward
  - Price > marginal cost of facility usage

## Partnerships and joint planning

- Joint strategic planning sessions or at least invite each other to annual planning retreat
- Align strategic interests and inform and each other of major capital decisions

## Examples – Joint Spending

- Building and grounds maintenance
- Information technology
- Purchasing
- Recreational and athletic facilities



## Pushing the Boundaries

- Joint capital and strategic planning
- Sharing of an administrative facility or co-location of services within the same facility
- Civic engagement and participatory budgeting with both governmental entities
- Merging of some functions or services via a legal agreement

City of Muskegon City Commission Joint  
Meeting with Muskegon Public School  
Board

NOTICE

City of Muskegon City Commission

Joint Meeting with

Muskegon Public School Board

Tuesday, February 19, 2019

8:00 p.m.

Hackley Administration Building

349 W. Webster Avenue

Muskegon, MI 49440

RE: Matters Concerning the

City of Muskegon and the Muskegon Public School District

# EXAMPLES FROM OTHER STATES

# New Jersey Survey 2014 and 2015

- Most common shared services
  - Recreation and field use
  - Walking route safety
  - Building operations and maintenance
  - Other growing areas – security, technology and grant writing
- 73% of respondents reported savings from shared services
- Comments
  - Frequent meetings
  - Open lines of communication
  - Shared advocacy and joint planning
  - Pride in students
  - Respect boundaries

## Georgia Survey of case studies 2017

- Vocational education with fire department in HS; other opportunities for real world training and internships
- Truancy panels
- School siting and land use planning

## Alexandria, VA discussion 2018-2019

- Joint facilities master plan with citywide, integrated view
- Common and efficient procedure to track and execute preventative maintenance
- Capability delivery model before any new capital project is executed
- Revise budget calendar to align better

Thank you!

Questions?