

Wednesday, March 13, 2019

Earlier this year, the Birmingham Public Schools (BPS) Central Budget Committee began thoroughly examining our spending habits to reduce expenditures throughout the district. With a focus of keeping cuts as far away from the classroom as possible, we must reduce approximately \$4 million from our general fund budget.

The District's expenses are exceeding our anticipated revenues. While you may hear the term "deficit," a more accurate term to describe our challenge is that BPS is operating on a "structural shortfall" on an annual basis. BPS has utilized funds from our General Fund balance or "savings account" to address this issue. Our General Fund will not withstand continued spending of our fund balance.

BPS has had to utilize the District's General Fund balance to cover the structural shortfall. The following factors have caused our growing financial strain:

1. **Funding** in the district is directly connected to our enrollment numbers. As a result, our revenues have decreased as our enrollment has declined. A number of factors have contributed to this loss. Lower birth rates across the state have impacted the district along with movement to private/parochial schools as the economy improves. The median age of a homeowner in our district continues to increase and fewer families with school-aged children are moving into the district boundaries.

2016-17 student count: 8,136

2017-18 student count: 8,086

2018-19 unofficial student count: 7,998

**For example, in an average year, a loss of 20 students accounts for a loss of \$250,000 in state revenue.*

2. **Spending** has not decreased in the district at the same rate as our revenues have fallen. To correct this, the District must make adjustments in our spending and is working to resolve this in both the short term and the long term. While the District focuses annually on reducing spending, these annual reductions have not been enough.

2018-19 Original budget revenue projection*: \$118,712,972

2018-19 Original budget expenditure projection*: \$122,867,339

2018-19 Total Structural Shortfall projection*: \$4,154,367

** Projections based on June 2018 Board of Education presentation.*

3. **Property value** increases in BPS have created a revenue issue that has resulted in a loss of state funding. Called "Headlee Rollback," this 1978 Michigan Constitutional amendment limits the amount of revenue that can be collected due to inflationary factors. Property in BPS increased more than the inflationary indexes last year, which reduced the millage rate below the amount required to be locally collected.

2018-19 Headlee revenue loss: \$175,000

2019-20 Headlee revenue loss: \$500,000

You have our commitment that we will preserve the exceptional educational opportunities that are the hallmark of BPS. We will share FAQs, answers and more information in the coming weeks and months around our progress.

Find FAQs at www.birmingham.k12.mi.us/Budget and reach out to us with questions, concerns or support at Budget@birmingham.k12.mi.us.

Sincerely,



Mark Dziatczak, Superintendent