

School Board Meeting:

April 24, 2023

Subject:

**2022-23 Final Revised
Budget Adjustments**

Presenter:

**Ryan L. Tangen, Director
Finance and Operations**

SUGGESTED SCHOOL BOARD ACTION:

Recommend board approval.

DESCRIPTION:

FUND 01 REVENUE – General Fund

The General Fund revenue adjustments consist of changes to property taxes, state aid entitlement changes, adjustments to federal programs such as Title, Special Education, Federal Pandemic Relief Funds (FPRF) and Erate, along with local revenues that changed over the course of the year.

The original budget estimated the weighted student estimates or “Adjusted Pupil Units” (APU) to be 5,872 for the 2022-23 school year. Based on the November 2022 enrollment projection, the total APU was revised to 5,816. Monthly enrollment has remained consistent with prior year trends so those same totals were used for the final revision. This decrease in pupil units has a direct effect on the General Education Formula Aid, Operating Capital Revenue, Long-Term Facilities Maintenance revenue, Integration revenue, and many more. Special Education Aid is projected to be higher than what was originally budgeted due to an increased allocation and utilization of federal funds for tuition billing. Even with the decrease in revenue due to the lower APU, State Sources revenue is projected to be higher than the original budget primarily due to the increase in Special Education Aid. Overall, State Sources revenue increased by \$79,000 for the final revision.

Federal revenue entitlements were updated with the latest data from MDE, changes to the obligation of Federal Pandemic Relief Funds (FPRF), grant revisions and additional Erate awards. These changes increased our Federal Sources revenue budget by \$1,463,618 for the final revision.

Other revenue budget adjustments included increased revenue from higher than expected interest income and donations. The increases were offset by decreases in tuition arrangements with other districts and student activities. These changes resulted in an increase of Other revenue by \$427,011 for the final revision.

Local Property Taxes were adjusted for additional revenue related to Apportionment, miscellaneous collections, and other levy adjustments. The net increase in Local Property Taxes was \$26,986.

Overall, the General Fund revenues increased by \$1,996,615 from the original budget to the final revised budget.

FUND 01 EXPENDITURES – General Fund

The General Fund expenditure amendments mainly resulted from revised estimates for salaries and benefits, Federal Pandemic Relief Funds, grant revisions, increased Erate awards and changes to student activities. Salaries are adjusted twice per year; first with the mid-year update in December and with the final budget revision. All but one employee group are settled at this time but individual increases were not available for the final budget revision so a projection was used for an overall increase. This method is fairly accurate for the overall expenditures but may vary by individual as not everybody qualifies for step movement or lane changes. During the year, all of the contingency positions were allocated. Some vacancies were late to be filled, or not filled at all, and coupled with retirements and resignations, this is the major contributor to the salaries and employee benefits adjustment. Some special education vacancies needed to be outsourced and those costs are reflected in the Purchased Services category. The contract settlements and additional positions added resulted in an overall increase in salaries and employee benefits expenditures. The Salaries and Employee Benefits budget increased by a combined total of \$202,377.

The Purchased Services budget included reductions in transportation costs and Federal Pandemic Relief Funds utilization. These reductions were surpassed by increases in special education contracted services, tuition agreements with other districts, and operating expenditures resulting in an increased Purchased Services budget by \$546,555.

The Supply budget also realized an overall increase. The increase can be attributed to additional expenditures resulting from Federal Pandemic Relief Funds, transportation fuel, grant revisions and Erate purchases. The increase was offset by a slight decrease in student activity purchases. The final revised supply budget increased by \$789,393.

Changes in the Capital Outlay category are due to increases in expenditures for grant revisions, capital leases and activities. The revision also included Long-Term Facility Maintenance adjustments resulting from project savings and timing for other budgeted projects. Overall, the Capital Outlay category increased by \$123,148.

The Other category experienced numerous budget increases and decreases resulting in very little change.

The original budget projection showed a decrease in the Unassigned Fund Balance from \$11,346,798 to \$9,939,085, a decrease of \$1,407,713 or -2.27%. The midyear revision incorporated the 2021-22 final audited results and revised current year projection. The 2021-22 audited fund balance was \$11,558,772 or 15.97%. The midyear revised unassigned fund balance for 2022-23 was projected to be \$10,492,749 or 14.04%. The final revised 2022-23 budget projects an ending unassigned fund balance of \$10,912,203 or 14.39%.

FUND 2 – Food Service Fund

The 2022-23 school year returned to pre-COVID federal lunch programming and discontinued free meals for all students. The free meal program resulted in very few applications for free and reduced meals and broke the habit of filling out the applications annually. To help offset the significant decrease in free and reduced applications, Minnesota added Medicare eligibility as an automatic approval for free or reduced meals. This change increased our free and reduced meal student population substantially. Even with the significant increase in free and reduced meals, the projected total number of meals served in 2022-23 is 746,000. This is 145,800 less than the original budget and 268,500 less than the prior year. Product shortages are still an issue but at a level far below the previous two years. Product pricing has stabilized and didn't escalate to the level predicted resulting in lower meal costs. The Food Service Fund is expected to have a deficit for 2022-23 of \$63,061. The final revised deficit is \$558,000 less than the original budget.

FUND 04 – Community Education Fund

Other sources of revenue increased primarily from tuition paid by patrons and rental fees collected. Revenue increases in these areas indicate 2022-23 programming has returned to pre-pandemic levels. KidKare, Youth Enrichment, other Community Education programs and rentals are projected to exceed the original budget but swimming and drivers' education are projected to fall short of the original budget. All revenues combined are projected to be \$249,171 more than the original budget. Expenditures for purchased services and supplies increased due to high participation rates and staffing adjusted to current projections. The Community Education Fund is projected to have an increase in fund balance of \$234,433.

FUND 6 – Building Construction Fund

All expenditure activity in the Building Construction Fund is related to the high school tennis court project that started in 2021. The remaining fund balance will be utilized and the project closed during 2022-23.

FUND 7 and 47 – Debt Service Funds

The revenue and expenditure budgets for the Debt Service Funds are tied to property taxes and bond issuance making them fairly predictable. Interest income is another variable that is not as predictable. The 2022-23 budget was adjusted to include changes to fiscal disparity, equalization aid, and interest income.

FUND 18 – HRA Trust Fund

Although these funds are actually expenditures of the General Fund budget, they are held in a trust fund for the future benefit of active employees. These benefits were negotiated in lieu of other post-employment benefits that were in several employee contracts. These funds have a vesting schedule and revert back to district control in the event the employee does not work in the district long enough to meet the vesting schedule. The changes reflect the revised estimated district payouts and estimated interest earnings from the fund.

FUND 45 – OPEB Trust Fund

The revenue for OPEB Trust was adjusted to more accurately reflect the net appreciation expected in the OPEB Trust portfolio and retiree premium contributions.

ATTACHMENT(S):

- ISD 877 BHM Final Revised Budget 2022-23
- ISD 877 BHM Final Revised Budget 2022-23 General Fund Balance Detail