To: John Hood, Superintendent
Board of Education
From: Elizabeth Lentz, Executive Director of Finance
Subject: 2024-25 Budget Revision
Date: December 9, 2024

Following a thorough review and analysis of the initially adopted 2024-25 budget and the audited financial statements from 2023-24, revisions are necessary to accurately reflect updated expenditure and revenue projections. The following highlights significant areas of revision:

Local Revenue:

- Special Education revenue distributed by Ingham ISD was increased by $361,000. The increase pertains our 2023-24 final claim calculation which will be completed in January 2025. Much of the change pertains to our share of the ISDs 2023-24 Special Education fund budget variance. The 2024-25 estimate is not yet known as the first reliable estimate is completed by the ISD at the end of January each year. Any changes in our current year estimate will be included in a final budget revision later in the school year.

- Facility rental income was reduced by $93,000 as construction projects have impacted our ability to fully rent our indoor/outdoor spaces. We will monitor our ability to rent spaces as construction projects are completed and new ones are started

- Current local property tax values impacted the expected portion of state foundation revenues generated via the local tax levy increased by $320,139. Amounts were shifted from the State Aid Foundation revenue allocation to reflect these changes.

State Aid Revenue:

- The blended enrollment for 2024-25 decreased by approximately 3.15 FTE from the original budget. In addition, the foundation allowance remains unchanged at $9,608, the same as 2023-24. Our original budget included an increase of $241/pupil. After adjusting for property tax adjustments noted above and the impact of a prorated categorical for funding the foundation of dropout recovery students, a budget revision is included for decreased revenue of ($1,479,737).

- Retirement revenue of $1,882,774 was increased due to (another) state aid retirement section. This revenue is an offset to expenses and effectively reduces each covered entities unfunded actuarily accrued liability (UAAL) from 20.96% to 15.21% of covered payroll. In 2025-26 entities will see the reduction in expenditures rather than as state aid revenue.

- The State of Michigan allocates revenue equal to 28.6% of allowable Special Education expenditures. The revenue allocation in a given school year is estimated based on prior year expenditures. Adjustments to actual are made in the subsequent school year. The revised budget incorporates adjustments to special education funding aligning prior year estimates with actual expenditures. These revisions resulted in an increase in revenue of $121,720.

- 2023-24 was the first time the State provided revenue to offset a portion of general education transportation expenditures. Our original budget included revenue at 75% of the 2023-24 award. The 2024-245 finalized state budget included level funding therefore, our budget was increased by $84,530 to come into alignment with the final state budget.

- Other retirement state aid sections were increased by $148,540 to reflect current funding levels.

- In 2012-13 the State capped the portion a district paid toward the MPSERS Unfunded Actuarial Accrued Liability (UAAL) at 20.96%. The difference between the actual rate and the cap is paid by the State. The 2024-25 revised budget was adjusted by ($2,111,454) to reflect the current estimate of the State share, as well as the corresponding expenditures, making this item budget neutral.

- Other State grants were adjusted to reflect current levels of funding. Expenditures for State grants were adjusted as well, making this "budget neutral."

Federal Revenue:

- Our typical Federal grant awards were adjusted to reflect current allocations and carry-over funds from 2023-24. Expenditures for federal funds were adjusted as well, making this "budget neutral."

Total Revenue Revision = **$235,321 increase**

Expenditures:

- Wage and benefit expenses, including contracted services staff, were adjusted to accurately reflect current staffing and benefit choices. Many of the adjustments resulted from a higher rate of turnover for various positions than in subsequent years. This is consistent with what we have been experiencing since the outbreak of the COVID pandemic and current atmosphere in schools across the nation. These changes reduced expenditures by $265,382.

- Due to enrollments, 2 additional sections were added, 1 at Bennett Woods and another at Kinawa. In addition, there was 1 less paraprofessional at Chippewa in addition to minor changes in staff FTE to reflect current sections. These adjustments increased expenses by $111,542.

- $939,973 was added to the operations budget to cover remediation expenditures, which are ineligible uses of the bond or sinking fund, at Kinawa Middle School. We continue to work with our insurance provider to determine if any of the expenditures for the project will be covered.

- Health insurance costs for MESSA, the carrier for our OEA group, increased by 16%. 3.5% increase was included in the original budget. Premiums run from January to December so 50% of the increase will be incurred in 2024-25 and the other 50% in 2025-26. The budget was increased by $225,184 to account for premium increases.

- 1.50 FTE for nurses was added to the operations budget. At the time of the original budget it appeared grant funding would continue for 2024-25 however, that did not materialize. Grant funds only covered costs through September. The impact to 2024-25 is $122,700.

- Due to aging equipment and the repair costs that continue to be incurred, the operations equipment budget was increased by $145,000 for the purchase of 2 vehicles and a new commercial mower.

- The budget for alternative high school programming (dual enrollment, graduation alliance, Michigan Virtual) was increased by $60,150 to reflect current enrollment trends.

- Supply and replacement textbook budgets were adjusted at the building levels, reflecting increased enrollment and classrooms.

- Grant expenditures budgets were adjusted accordingly to reflect the additional revenue as noted earlier in the memo.

- Other adjustments were made to reflect spending trends more accurately.

Total Expenditure Revision = **$762,734 increase**

Impact on Operating Surplus, Fund Balance

- Revenue and expense changes resulted in a revised budget of $527,413 expenditures over revenues.

- A favorable audit variance of $629,358 was included in the budget revision which adjusts our beginning fund balance to $10,928,321. The ending General Fund balance is projected to be $9,289,144 and represents 12.9% of expenditures.

The proposed revisions reflect a more fact-based understanding of projected revenue and expenditure activity. An additional, comprehensive, budget revision is recommended in May 2025 to reflect any changes which would impact the district's 2024-25 financial performance.