

To: John Hood, Superintendent  
Board of Education  
From: Elizabeth Lentz, Executive Director of Finance  
Subject: 2022-23 Budget Revision  
Date: January 23, 2023

Following a thorough review and analysis of the initially adopted 2022-23 budget and the audited financial statements from 2021-22, 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, has not been adjusted as typically done during the budget revision. The ISD provides a projection at the end of January each year. Once these figures are received and a revision is needed, information will be provided at the February 13<sup>th</sup> Board meeting before the Board acts on the budget revision.
- Current local property tax values impacted the expected portion of state foundation revenues generated via the local tax levy increased by \$432,150. Amounts were shifted from the State Aid Foundation revenue allocation to reflect these changes.

**State Aid Revenue:**

- The adopted 2022-23 budget reflected a decrease of 15 students from the October 2021 pupil count. Actual, unaudited enrollment for October 2022 increased by approximately 100 FTE. After adjusting for property tax adjustments noted above, prior year FTE adjustments and the impact a significant prorated categorical for funding the foundation of dropout recovery students, a budget revision is included for increased revenue of \$544,155.
  - The adopted 2022-23 budget reflected an increase in per pupil funding of \$375, from \$8,700 to \$9,075. The final State School Aid budget increased foundation to \$9,150, an actual increase of \$450. The additional \$75 per pupil resulted in a revenue increase of \$326,630.
  - 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 a decrease in revenue of (\$108,240).
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- The State Legislatures revised the Special Education funding formula starting with the 2022-23 school year to pay 75% of foundation allowance associated with special education pupils. Previously, 100% of the foundation allowance was used in calculating the 28.6% state special education liability. In addition to this change, the State eliminated the additional % funding for Special Education which was provided for the past couple years. The combination of these changes represented an increase in revenue of \$288,860 from the original budget.
- 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 2022-23 revised budget was adjusted by \$509,540 to reflect the current estimate of the State share, as well as the corresponding expenditures, making this item budget neutral.
- The budget for our Great Start Readiness Program was increased by \$245,370 as more program slots were made available to the district. A new GSRP classroom is scheduled to begin this month. We will be able to offer 16, 4-year-old students access to free preschool.
- The State of Michigan once again expanded their criteria of districts who were eligible for grant funding related to new psychologists, social workers, and counselors. The expansion added funding for staff who were new in 2022-23, in addition to the new staff from 2021-22. Revenues were increased by \$313,000 to account for the additional award. The funding under this grant continues, albeit at reduced levels, continues in 2023-24.
- 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 2021-22. Expenditures for federal funds were adjusted as well, making this “budget neutral.”
  - Michigan was awarded \$700 million through the American Rescue Plan to provide financial assistance to childcare providers. The second round of funding for Okemos was \$281,367 more than the original estimate of \$632,090. These funds are being used to support operational expenditures due to decreases in childcare tuition revenue. In addition, a final, third round of funding was made available. At this point we are budgeting for \$300,000 in revenue with approximately \$150,000 of the award able to be used to offset existing expenditures.
  - Coronavirus relief funds were adjusted to reflect increased spending of \$764,175 between State and Federal awards.
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## **Total Revenue Revision = \$4,120,720 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 \$421,790.
  - Additional available grant funded, primarily in childcare and Section 310, have reduced our operational budget as \$510,550 in expenditures are now able to be funded through a grant.
  - Due to enrollments, 1 section was added at Hiawatha and 3 were added to Kinawa. 4 paraprofessionals were added in relation to needs within the special education department. An administrative office clerk position was to Central Montessori. Several smaller adjustments were made between buildings and departments. These adjustments increased expenses by \$625,380.
  - Salary and benefits were increased by \$385,470 to reflect finalized negotiation agreements that occurred after June 2022.
  - Annual software subscriptions for electronic timesheets, network security and student internet safety and monitoring were increased by \$130,900. These programs are necessary to more efficiently and effectively perform our day-to-day functions in addition to providing enhanced safety and security to the District and students.
  - Tuition payments for graduation alliance was reduced by \$100,000. The decrease represents one-time savings due to a correction of prior invoice errors that were discovered when a change in billing methodology was introduced in a contract amendment.
  - One-time increase of \$45,500 in athletic equipment costs was required to replace broken or destroyed equipment. In addition, \$13,200 was added to the budget to fund the additional cost of varsity football uniforms beyond what was budgeted for in the Native American Heritage Fund (NAHF). The uniforms needed to be ordered now to arrive prior to the fall football season. Athletic Director Brown and myself are reviewing the overall athletic uniform replacement cycle and expect to share more information during the 2023-24 budget process.
  - Utility, insurance, and the banking service expenditures were increased by 82,000 to reflect
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current 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 minor adjustments were made to reflect spending trends more accurately.

**Total Expenditure Revision = \$2,524,704 decrease**

#### **Impact on Operating Surplus, Fund Balance**

- Revenue and expense changes resulted in a revised budget of \$253,778 revenues over expenditures.
- The beginning, actual General Fund Balance of \$8,677,164 reflects a favorable audit variance of \$309,783 compared to the initially projected fund balance. The ending projected General Fund balance of \$8,930,972 represents 14.0% of expenditures.

The proposed revisions to the 2022-23 general fund budget reflect a more fact-based understanding of projected revenue and expenditure activity. An additional, comprehensive, budget revision is recommended in April/May 2023 to reflect any changes in programming which would impact the district's 2022-23 financial performance.

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