A Budget Hearing of the School Board of said district was held in the Administrative Offices on the above date. The meeting was called to order by President Bajema at 5:32 p.m.

Members Present: Bajema, Grifhorst, Haidle, Joseph (5:40) and Thorne
Members Absent:
Guests: Christi Bentley, Ron Caniff, Bryan Goike, Amy Johnson

Kent ISD Staff Present: Superintendent Konarska, Assistant Superintendents Hagerty, Koehler, Smith, Sullivan, Recording Secretary Conners, Director Weese.

Assistant Superintendent Hagerty thanked the Kent ISD staff for all their work preparing for the budget hearing. The Kent ISD budget is a plan that shows where this organization puts its priorities. This hearing is a good opportunity to look at local, state and national trends that impact the Kent ISD budget.

Assistant Superintendent Hagerty provided a PowerPoint presentation summarizing a broad overview of four main areas including the Michigan economy, the local economy, the School Aid Budget and the Kent ISD budget for 2015-16.

Michigan Economy

Assistant Superintendent Hagerty stated that the Michigan economy is coming back strong. There is solid job growth forecasted, low unemployment and rising personal income. Michigan is creating more and better jobs. While 880,000 jobs were lost over the last decade, Michigan will gain back 475,000 jobs over seven years according to projections.

The Michigan unemployment rate is now 5.5%, which is even with the national unemployment rate. Back in 2009 the Michigan unemployment rate was 14.9%, almost 5% over the national average. Personal income is also projected to rise by approximately 4.3%.

Local Economy

Assistant Superintendent Hagerty stated that the local economy is starting to pick up speed. He reviewed the Kent County equalized and taxable values by year. The Kent County average growth in taxable value is 3.22%. Kent County's percentage change in SEV and taxable value for 2014-15 was up in every township and city except Grandville.

He reviewed the Michigan unemployment rates by selected metropolitan areas and multi-county areas for January, 2015. The Grand Rapids metropolitan area has the 2nd lowest unemployment rate in the state at 4.5%. He stated that this is close to full employment for the Grand Rapids area. Only the Ann Arbor area has a lower unemployment rate. Member Haidle asked why Northeast Lower Michigan still has very high unemployment; this is due to little industry and business growth in that area.

The School Aid Budget

Assistant Superintendent Hagerty reported that since 2003, Michigan schools have experienced an era of declining enrollment. This trend is expected to continue. Statewide pupil membership was at 1.7 million students prior to 2003, and has fallen 11% in the last ten years. This has equated to a large financial hit to local districts. There are over 800 schools in the state, which are 100 more than in 2003 when we had peak students. More schools are competing for fewer students, which has affected districts across the state. We continue to be innovative to attract students and help local public schools stabilize their budgets.

Assistant Superintendent Hagerty presented information on the MPSERS employer contribution rates. The ISD currently pays 34.5% into the retirement system, and employees pay an additional 6-9%. The state has used funds from the School Aid Fund to stabilize these increased costs, but funds are going towards the retirement system and not the classroom. Much of this is due to the UAAL, which will remain a liability for the next 20 years. He showed a chart of projected MPSERS total contribution rates from 2013-2044 and the impact on K-12 districts.

The State General Fund problems continue to spill over and affect the School Aid Fund (SAF). The SAF used to receive transfers from the General Fund, but money has been shifted out of the SAF into the General Fund in recent years. $200 million was taken from the SAF for Community Colleges, and $198 Million was taken out for Universities. While Proposal A could have led to an additional $600,000 for schools from the General Fund, we now project a loss of $600,000 from the SAF to help address the General Fund budget shortfall. This continues to stretch the SAF and is expected to continue.

Districts continue to tap rainy day resources to help with their budgets. The average statewide fund balance was 8.37% in 2013. This savings balance continues to decline. 2012 saw a record number of deficit districts. Kent County schools have an average 11.22% fund balance. Only one district reported less than 5%, and five districts carried a fund balance above 15%. There were no Kent County districts that had a deficit. Assistant Superintendent Hagerty reported that state spending from state resources is down in most categories. He reviewed the SAF revenue sources, most of which are driven by the economy.

Kent ISD Budgets

Assistant Superintendent Hagerty reviewed the taxable value history. There is a projected 1.75% increase for FY2015-16. Total mills levied by Kent ISD would be 4.7903 which include the anticipated rollup of the CTE millage by .1 mill. He reviewed the 2015 proposed millage rates. This would generate an additional $2.1 million in funds which would be initially split into three areas within the CTE Capital Projects Fund. These include infrastructure (roads, roofs), program equipment upgrade/expansion and reserve for future opportunities. The CTE Capital Projects budget currently has $142 and has been depleted. This millage increase would allow Kent ISD to rebuild this fund so dollars are available for future needs. This would be reviewed again in three years.

Assistant Superintendent Hagerty reviewed current Kent ISD budget assumptions for revenue and expenditures. He reviewed the three year trend analysis on the general fund. The general fund has over $34 million in expenditures, with half of this made up of GSRP and adult education expenses. The fund is steady with an expected deficit this year of $358,976. It has a healthy fund balance at $3.2 million.

Assistant Superintendent Hagerty reviewed the three year trend analysis of the special education fund. There has been little change in total revenue/expenditures from year to year. Act 18 is predicted to increase 1.75%, which represents $40% of the total revenue. While this fund is steady, it has a low fund balance and we would like to grow the fund balance back to $2.5-$3 million.

Assistant Superintendent Hagerty reviewed the three year trend analysis of the career technical education fund. This fund would not be directly impacted by the .1 mill tax increase. It is recommended that one additional IT instructor be added to the CTE program. This fund is stable but has an extremely low fund balance.

Assistant Superintendent Hagerty reviewed the three year trend analysis of the cooperative education fund. This "entrepreneur" fund continues to grow. Most of the fund balance is attributed to the data warehouse. The majority of the revenue continues to be bill backs to the local districts.

Assistant Superintendent Hagerty reviewed the general education, special education and career technical education capital projects budgets. The funds in the special education capital projects are being used for the Pine Grove expansion project. The career technical education capital projects fund balance is only $142. Assistant Superintendent Hagerty also reviewed the committed fund balances.

The Kent ISD budget has been shared out with local districts and any suggested changes will be brought to the board in June. Assistant Superintendent Hagerty said that local districts have always supported the Kent ISD budget.

Member Haidle asked about possible changes to the distribution of the 6% sales tax on gas and how that may affect schools. It is unknown how this will be addressed at this time. The meeting was adjourned by President Bajema at 6:05 p.m.

Minutes Approved: June 15, 2015

Andrea Haidle

Andrea Haidle, Secretary

Claudia Bajema

Claudia Bajema, President

/cc