A Budget Hearing of the School Board of said district was held virtually on the above date. The meeting was called to order by President Haidle at 5:30 p.m.

Members Present: Bajema, Drake, Haidle, James and Rettig
Members Absent:

Kent ISD Staff Present: Superintendent Caniff, Assistant Superintendents Gardner, Philipp, Sullivan, Recording Secretary Conners, Directors Baine, Dymowski, Principals Bush, Graham, Kiley, Marcey Brown, Megan MacNaughton, Janice Scharich

Guests:

Superintendent Caniff opened the annual Budget Hearing held pursuant to statute MCL 141.413. He turned the meeting over to Assistant Superintendent Philipp who reviewed the presentation agenda and gave the following report to the board.

**Economic Update and State Budget Outlook**

Assistant Superintendent Philipp reviewed the US unemployment statistics. Payroll employment fell by 20.5 million in April. Unemployment went from 4% to almost 15% in April. While unemployment peaked at 24.9% in the Great Depression in 1933, the US May 2020 numbers could potentially reach 20%. This reflects the effects of the coronavirus (COVID-19) pandemic and efforts to contain it. He reviewed the industries that have been hit the hardest, which include leisure & hospitality, auto sales, health services, restaurants and retail.

Assistant Superintendent Philipp reviewed GDP growth now compared to the financial crisis of 2009. The current lockdown has had a more significant impact. The US GDP may contract 6-8%, which compares to only contracting 2.5 – 3% in 2009. There is much economic uncertainty today as it is hard to predict how long the current lockdown and COVID-19 crisis will continue and the total effect on all businesses. It is currently about 5 times more uncertain that previous crises. All economic indicators are very negative right now.

Assistant Superintendent Philipp shared information from the May Revenue Estimating Conference held last Friday. The May Revenue conference shows that the change from the January consensus for the current school year shows a loss of $1.25 billion. While our school year is almost over, this is based on a budget through October. There is an estimated shortfall of $1.1 billion for FY 2021 and $719 million for FY 2022. This School Aid Fund (SAF) deficit equates to approximately $747 per student for the current school year (8.6%), $663 per student for FY 2020 (7.3%) and $231 per student for FY 2021 (2.4%). He reviewed the State General fund deficits and the total state budget shortfalls for this year and the next 2 years. He clarified that these cuts are not cumulative.

Assistant Superintendent Philipp stated that once the state treasurer notifies the Governor of the shortfall, the legislature has 30 days, or six legislative session days, to resolve a deficit. The Governor could also handle the deficit through an Executive Order. A negative supplemental could be passed by both houses of the legislature but would be much more time consuming. A proration could happen for the current school year but is unlikely and Kent ISD has not planning for any proration for this fiscal year. There is hope that the Federal Government will provide some financial relief.
Protected Areas of funding during a proration include:
- Foundation Allowance (protected at 1994 level)
- Renaissance Zone and PILT reimbursements
- Special Education Foundation & Costs (28.6% reimbursement)
- Special Education for court placed pupils

Areas not protected during a proration include:
- Section 81 General Operating funding
- Section 61 & 62 Vocational funding
- GSRP funding
- Section 107 adult education funding

**Taxable Value – “The Local Impact”**
Kent County has seen taxable value (TV) growth of 24.3% over the last seven years. The 2020 TV growth was an increase of 4.94%. Kent ISD is budgeting for a 3.5% increase this year. The Inflation Rate Multiplier is 1.9%, which means millage levies will be reduced due to the Headlee Amendment. All districts except Godwin Heights and Kenowa Hills will have a millage levy reduction due to the Headlee Amendment. Assistant Superintendent Philipps reviewed the taxable values in relation to the State Equalized Value (SEV). The SEV is going up at a higher rate than TV; TV is currently at 80% of the State Equalized Value. He reviewed the growth by local units, which is very strong throughout the county. The TV changes vary from 1.69% to 6.74% for the local districts.

**Taxable Value - Kent ISD Budgets**
Assistant Superintendent Philipps reviewed the revenue generated due to the Taxable Value growth. For FY 2020-2021 the projected revenue increase is $5.9 million. He reviewed the impact the Headlee Amendment has on Kent ISD. For FY 2020, the Headlee roll back cost Kent ISD $1.1 million. The total revenue reduction from all Headlee rollbacks is equal to $13.9 million.
Assistant Superintendent Philipps reviewed the revenue impact of Taxable Values by fund.

**2021 Budget Assumptions**
Assistant Superintendent Philipps reviewed the January budget assumptions and the current proposed budget assumptions. These are listed below:

<table>
<thead>
<tr>
<th>Revenues</th>
<th>January</th>
<th>Proposed Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable Value Growth</td>
<td>3% increase</td>
<td>3.5% increase</td>
</tr>
<tr>
<td>Section 81 Funding</td>
<td>1% increase</td>
<td>10% decrease</td>
</tr>
<tr>
<td>Other State Funding</td>
<td>Flat</td>
<td>10% decrease</td>
</tr>
<tr>
<td>Grants</td>
<td>Flat</td>
<td>Flat</td>
</tr>
<tr>
<td>Investment Income</td>
<td>$825,000</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>January</th>
<th>Proposed Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries/Wages</td>
<td>1.65% + step</td>
<td>1.65% + step</td>
</tr>
<tr>
<td>Health Benefits</td>
<td>2% (2020), 2.5% (2021)</td>
<td>2% (2020), 3.3% (2021)</td>
</tr>
<tr>
<td>MPSERS Retirement Rate</td>
<td>.5% increase</td>
<td>.46% increase</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>3% increase</td>
<td>3% increase</td>
</tr>
</tbody>
</table>

He reviewed how these assumptions affected the various funds.
Proposed 2020-2021 Budget(s)
Center Program

Assistant Superintendent Philipps reviewed the Center Programs financial history. Excess costs billed back to local districts have historically been between $7 - $10 million. These numbers began falling starting in 2016-17 and fell significantly the last two years as staffing numbers dropped and Grand Rapids Public Schools left many positions unfulfilled. He reviewed this year’s original and current amended budgets. The current budget has grown $4.9 million from the original projected amount. Most of this increase is in Salaries & Benefits ($1,843,933), Operations ($1,233,735) and a reimbursement to GRPS for 2019 full year program costs ($240,000). He reviewed the cost increases in each area. The total amount billed back is still in line with the historical financial figures.

The 2020-2021 Center Program budget was reviewed. Revenues project a 3.5% increase in Act 18 funds; a 50% reduction to the 2% state reimbursement and an increase in IDEA funding. Three staffing positions approved previously will be filled but additional budgeted staffing positions will not be filled, which will result in a $340,000 savings. The 2020-2021 budget also includes the costs of the Deaf/Hard of Hearing program that is transitioning from Northview to Kent ISD. Assistant Superintendent Philipps reviewed the Center Programs summary of excess costs for the past five years.

Assistant Superintendent Philipps reviewed the proposed budget for all Kent ISD funds. The General fund is predicted to have a $600,000 deficit, which is variable due to GSRP funding. The fund balance is still healthy. The Special Education fund has a projected surplus of $1.2 million. The CTE fund has a projected deficit of $850,831. This fund currently has a strong fund balance and adjustments will be made as allowed to maintain this fund balance. The Cooperative Education fund is projected to have a $115,000 deficit. We have had less transfers into the Cooperative Education fund as tuition to MySchool@Kent has increased with student enrollment. The Community Service Fund is a pass-through fund for the enhancement millage and does not carry a fund balance. He reviewed the Capital Project funds and any expenses for upcoming projects. The Student Accounts fund balance is healthy.

Assistant Superintendent Philipps provided a summary of the presentation. There has been strong property tax growth for 2020. The predicted State revenues have been severely impacted by COVID-19. The fund balances are strong across all funds. We continue to monitor the state budget process for 2020-2021 and maintain flexibility depending on the severity of state funding reductions. We are watching 2021-2022 closely and are prepared for taxable value growth stagnation. We continue to ensure the structural balance in all funds.

President Haidle thanked Assistant Superintendent Philipps for his thorough presentation and adjourned the meeting at 6:14 p.m.

Minutes Approved: June 15, 2020

Andrea Haidle, President

Claudia Bajema, Secretary