

A Budget Hearing of the School Board of said district was held at the administrative offices on the above date. The meeting was called to order by President Haidle at 5:00 p.m.

Members Present: Bajema, Rettig, Haidle
Members Absent: Drake, Featherston

Kent ISD Staff: Superintendent Koehler, Assistant Superintendent Philipps; Director Dymowski

Assistant Superintendent Philipps reviewed the presentation agenda and gave the following report to the board.

Economic Update

Assistant Superintendent Philipps reviewed the national real GDP showing steady growth until 2020 when COVID spiked a 30% decrease in GDP during the nation's shutdown. Consumption bounced back fairly quickly due to the level of stimulus packages provided by the federal government. The US unemployment rate continues toward a pre-pandemic level, although the "Great Resignation" has created a tight labor market. This is largely due to early retirements and the lack of people seeking employment. Kent ISD has been experiencing this first-hand due to the historic drop in the number of individuals pursuing education and an influx of staff retiring sooner than anticipated.

The tight labor market has created an 6-8% increase in wages with home prices also rising by 15-20%. For the first time in 40 years we are experiencing significant inflation which has created substantial bond issues amongst the local districts to complete their infrastructure projects. The S&P 500 index has shown a choppy market due to the global fears of the war in Ukraine and increased gas prices.

An economic slowdown may be coming with potential of a recession. This will be important factor when considering wage increases and the competitive labor market while hiring, as the impact of a slowdown will affect the state budget and tax collections a few years from now.

State Budget Outlook

Assistant Superintendent Philipps gave an overview of the School Aid Fund projections from the January Revenue Conference. This fiscal year will end with a balance of \$3.6 billion in the school aid fund with an estimation of \$4.8 billion for the 22-23 fiscal year. The May Revenue Conference will be held this week to provide updated projections that will move the state budget along.

Assistant Superintendent Philipps shared the Governor's budget proposal's highlighting a 5% increase to State Section 81 along with a 45% increase (\$21 million) in CTE funding. Section 51(f) Special Ed Supplemental Reimbursement is proposed to increase from 3% to 8%. GSRP funding is budgeted to allocate \$435 per pupil dollars to match the minimum K-12 foundation

allowance. Section 31n could potentially increase from \$575,000 to \$1.3 million to provide support services for student's mental health. The Governor has also allocated a significant increase of \$2.3 billion for educator recruitment and retention to address the labor crisis we are experiencing in education. An additional \$1 billion would be allocated for school infrastructure grants. The state senate's budget approach is built upon a tax cuts with investments added toward School Consolidation. The house allocates similar funding just in different categories and is focused on reducing the retirement liabilities.

2022 Taxable Values

Kent County has seen taxable value (TV) growth of 35.8% over the last nine years. The 2022 TV growth increased by 7.01%. The inflation Rate Multiplier is 3.3%, which means millage levies will be reduced due to the Headlee Amendment. This leaves the proposed budget to have a 5.0-5.5% increase in taxable revenue. 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 76% of the State Equalized Value.

Impact on Kent ISD

Assistant Superintendent Philipps reviewed the revenue generated due to the Taxable Value growth. For FY 2021-22 the projected revenue is \$160 million which is an increase of \$8.6 million. He reviewed the impact the Headlee Amendment has on Kent ISD. The Headlee roll back for FY 2021 cost Kent ISD \$2.1 million. The total revenue reduction from all Headlee rollback is equal to \$19.3 million.

2022-23 Budget Assumptions

Assistant Superintendent Philipps reviewed the proposed budget assumptions based on the Governor's proposal. These are listed below:

Revenues	Proposed Budget
Taxable Value Growth	3% increase
Section 81 Funding	5% increase
Section 51f Special Ed cost reimbursement	8% of allowable costs (3% in 21-22)
Other State Funding (Section 61a & 62)	10% increase
Investment Income GSRP	\$9,135-full day (\$8,700 in 21-22)
Section 31n (Mental Wellness)	\$1,335,000
Expenses	
Salaries/Wages	1.5% + step
Health Benefits	3.7% (2022), 3.3% (2023)
MPERS Retirement Rate	No change
Risk Management Insurance	15.0% increase
Capital Outlay	3.0% increase

Assistant Superintendent Philipps shared the 2022-23 staffing changes within each of the funds. The most significant changes will be made within the Human Resources and Business Office to add 4.0 FTE total to right size the workload after the organization's significant growth.

Center Programs has the largest change with an additional 18 staff added after adding the Region 1 Transition program to Kent ISD.

Proposed 2022-23 Budget(s)

Assistant Superintendent Philipps reviewed the proposed budget for all Kent ISD funds. The General Fund is projected to have a surplus of \$1.2 million. Grant Revenues are lower than last year, although we can expect to see the Health Resources Advocate grant renewed next year in the amount of \$1.1 million to provide nursing services for the local districts. GSRP is also projected to decrease due to federal relief dollars expiring after the 21-22 school year.

The Special Education fund has a projected deficit of \$630,000. This is due to a significant increase in Act 18 payments to local districts. Supplemental payments will also be distributed over the next few years to bring down the fund reserve. The Center Program shows a significant cost savings over the past few years and continues to have a stabilized budget. Center Programs pupil counts are notably lower than years prior. This is due to the change in the way FTE is calculated for *Early On* playgroups.

The CTE Fund is projected to have a deficit of \$700,000, although property tax income will provide \$700,000 more in revenue than the proposed budget to balance this out. Historically, the CTE fund has had the largest positive budget to actual variance with non-personnel expenses ending each fiscal year \$1 million under budget the past two years.

The Cooperative Education Fund proposes a small decrease in the fund balance due to the phaseout of Kent Innovation High. The revenue for MySchool@Kent may also be budgeted lower than anticipated after enrollment numbers increase. The Community Service Fund represents the enhancement millage and is expected to provide an additional \$701,300 in funding for local districts.

Capital Project Funds projects were reviewed along with expenses for upcoming projects. The Student Accounts fund that contains revenues from fundraising and clubs was reviewed and is now required by GASB to show separate budget for each activity.

Assistant Superintendent Philipps provided a summary of the presentation and noted he expects to see another strong budget in 2022-23. President Haidle thanked Assistant Superintendent Philipps for the budget update.

The meeting was adjourned by President Haidle at 6:04 p.m.

Minutes Approved: June 20, 2022


Claudia Bajema, Secretary


Matt Rettig, Treasurer

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