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Budgeting in Today's Landscape of State and Federal Funding

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Today's Presenters



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Topics

Budgeting Past vs. Present

Budgeting Challenges in the Current Environment

Additional Federal Money

Fiscal Cliff

Fiscal Cliff and Spending Cliff

What To Do Now?

Key Takeaways



Budgeting Past vs. Present

Budgeting has always presented its challenges

Prior years

- Predictable
- Start with prior year budget
- Challenges were = foundation allowance changes and pupil count estimates

Current environment

- More unknowns
- Grant complexity
- Spending changes –post pandemic
- Economic environment
- Carryover of structural deficits
- Compounding of employee contracts



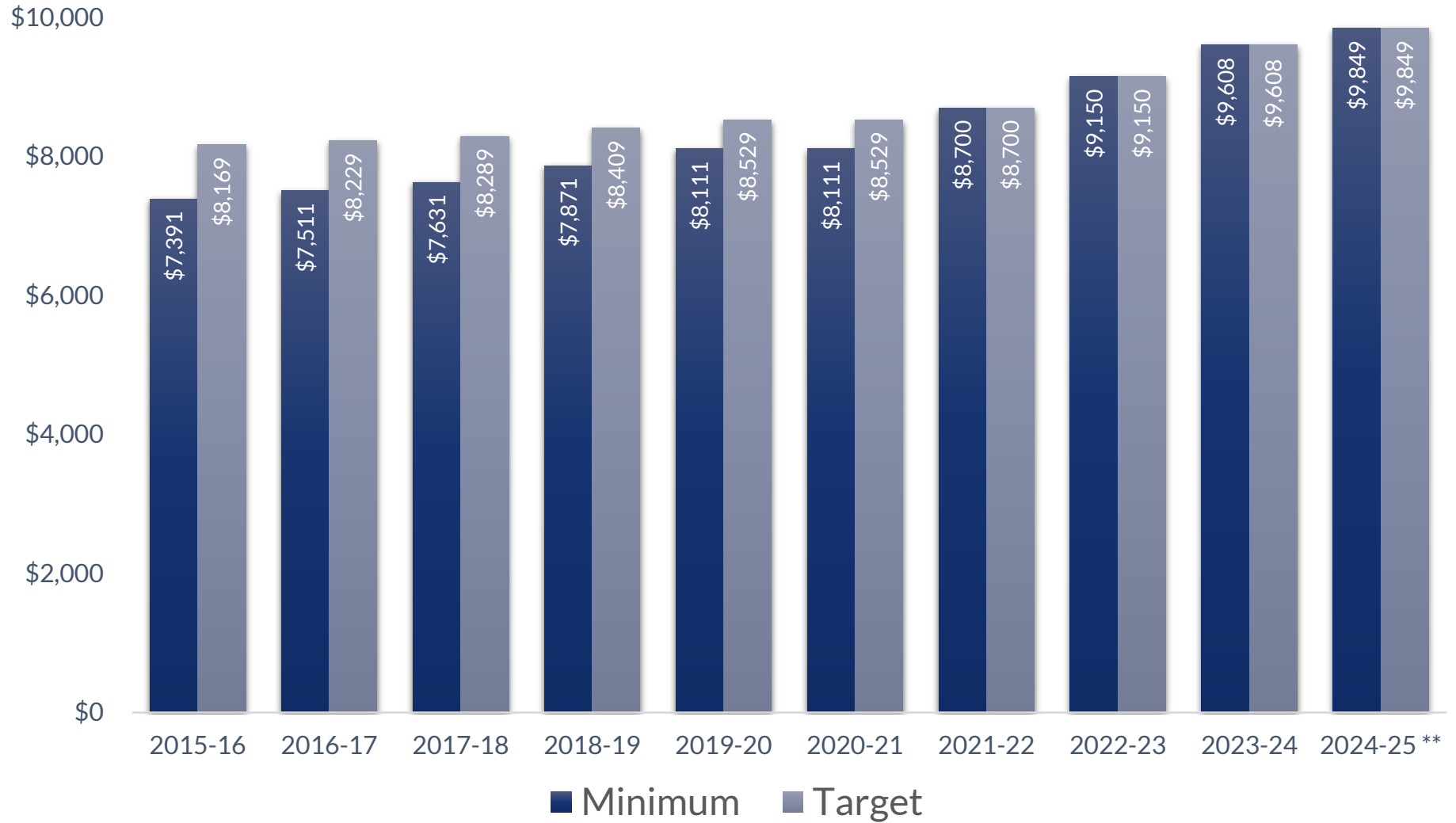
Budgeting Challenges in the Current Environment

Unknown Revenue Drivers

- Enrollment projections
- Continued loss of students (declining birthrate, other options for schooling)
- State Aid – foundation allowance and categorical
- Federal funding



Historical State Foundation Allowance



** Projected - proposed Governor's recommendation



State Aid Changes

- Increases to foundation allowance
- Increases have been more categorical based
 - Great Start Readiness Program
 - At-risk students
 - Free breakfast and lunch for all students
 - School Safety
 - MI Kids Back on Track
 - District Transportation Costs
 - Mental Health Grant



Budgeting Challenges in the Current Environment

Changes to Districts spending

- Economic Environment
 - Inflationary increases and operating costs
 - Finding qualified employees
 - Union group negotiations
 - Healthcare costs – Hard cap in jeopardy
 - MPSERS increases



Budgeting Challenges in the Current Environment (Continued)

Changes to Districts spending

Annual Employee Contract Increases:

Year 1	\$ 1,000,000
Year 2	\$ 1,000,000
Year 3	\$ 1,000,000
	<hr/>
	\$ 3,000,000



Budgeting Challenges in the Current Environment (Continued)

Changes to Districts spending

Annual Employee Contract Increases:

Year 1	\$ 1,000,000
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	\$ 3,000,000



Budgeting Challenges in the Current Environment (Continued)

Changes to Districts spending

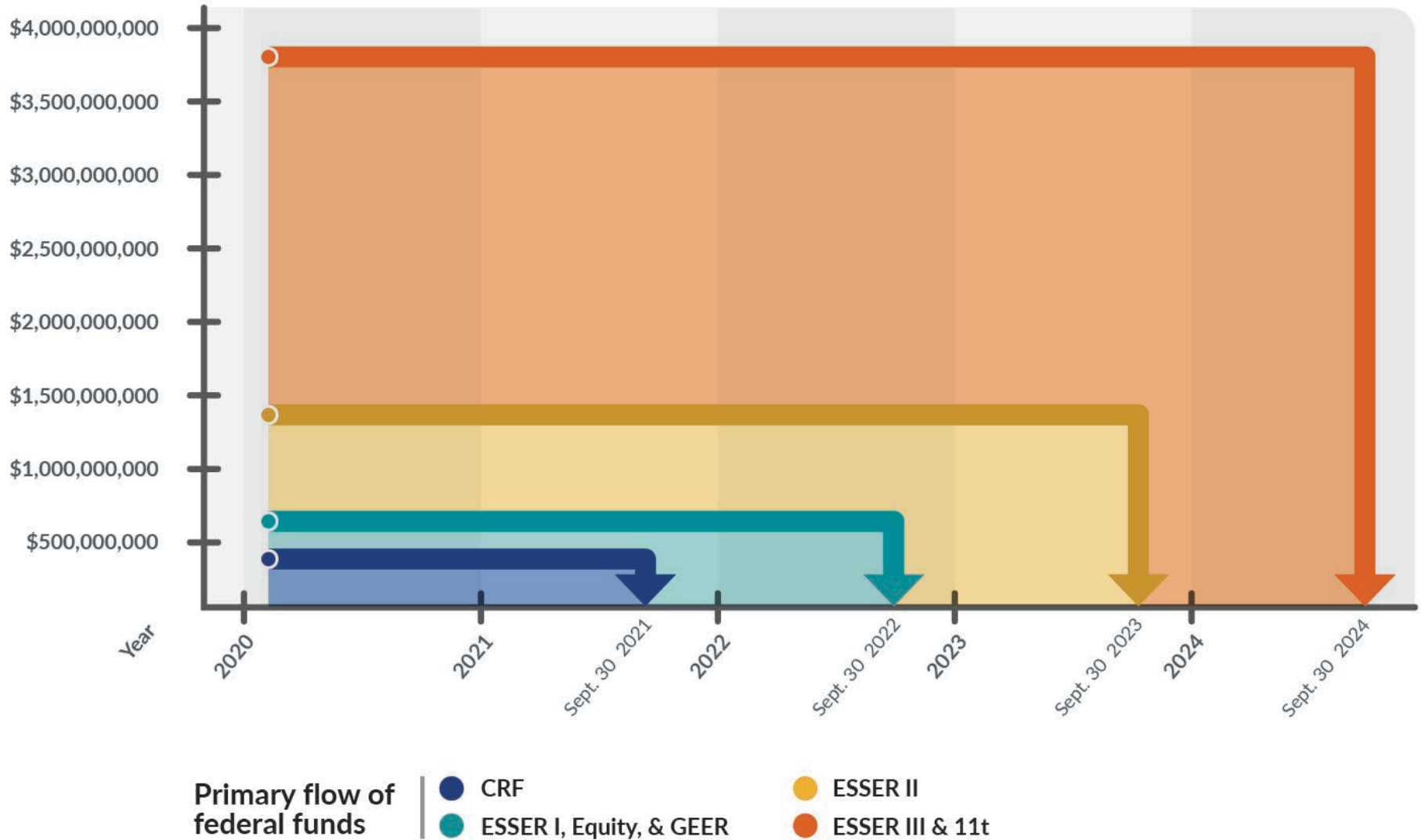
Annual Employee Contract Increases:

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
Year 1	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 3,000,000
Year 2		\$ 1,000,000	\$ 1,000,000	\$ 2,000,000
Year 3			\$ 1,000,000	\$ 1,000,000
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	\$ 1,000,000	\$ 2,000,000	\$ 3,000,000	\$ 6,000,000



K-12 federal COVID 19 funding (Cliff)

Federal funds





Fiscal Cliff

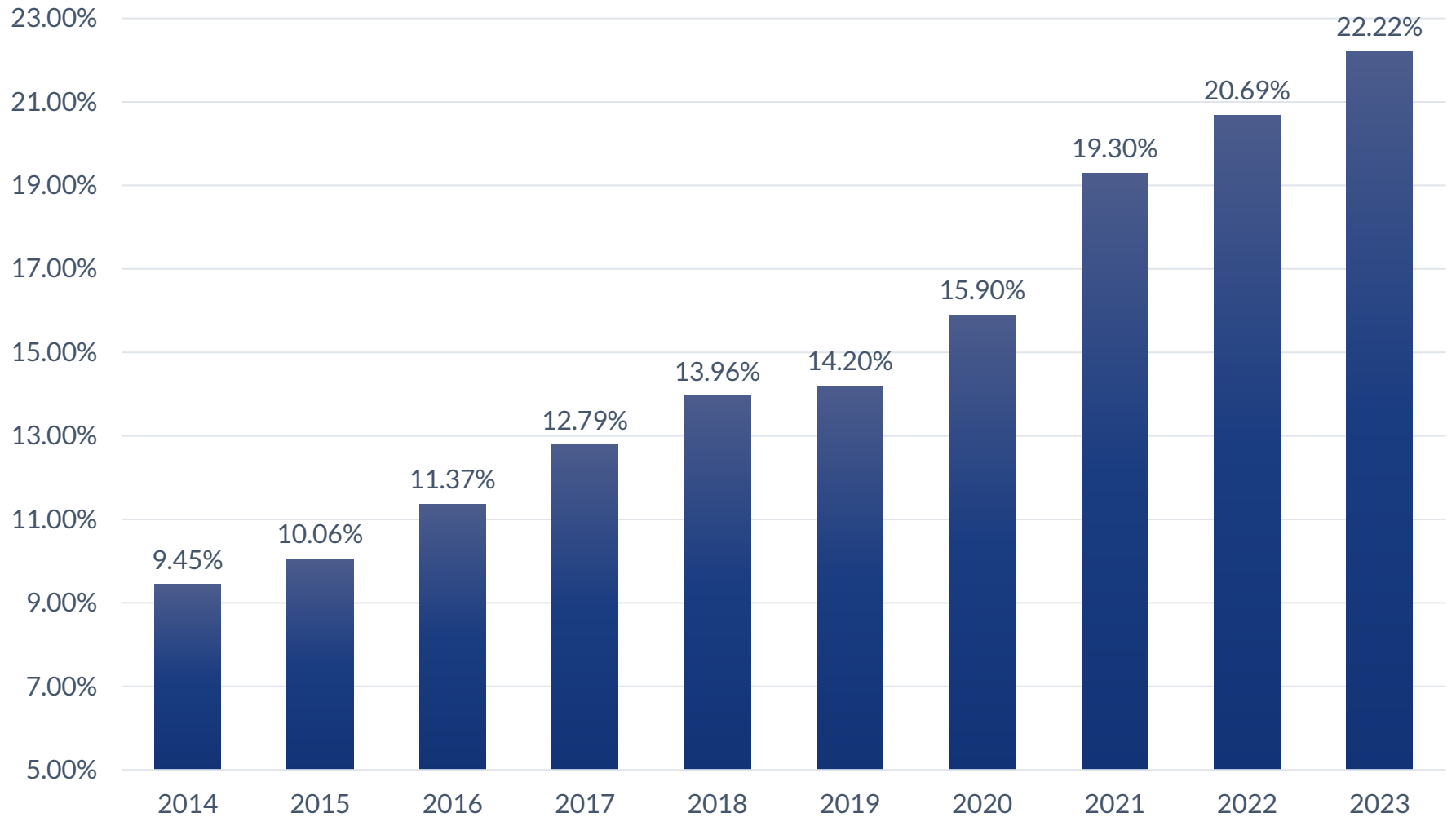
Benefits the past several years

- Additional money for additional costs
- Significant investment in technology and upgrades
- District's fund balance – on average – saw uptick



Statewide Average - General Fund - Fund Balance as a % of Expenditures

As of June 30





Fiscal Cliff (Continued)

- Know historic staffing and enrollment to have perspective of sustainability
- Districts spending down fund balance too fast
- If additional positions and programs were created – plan for future



Fiscal Cliff and Spending Cliff

Created a change to several District's cost structure

- Technology Fiscal Cliff
 - Strategic planning for technology
 - Lifecycle of devices – increase in repairs and maintenance
 - Planning around replacement and maintenance
 - Bond fund resources



Fiscal Cliff and Spending Cliff (Continued)

Curriculum Software Fiscal Cliff

- Gone are the days of using the same textbooks for 8 – 10 years
- Onslaught of cloud-based programs
- Locked into multi-year contracts
- Cashflow – most overlooked risk



Fiscal Cliff and Spending Cliff (Continued)

Curriculum Software Fiscal Cliff

- Content and improvements change quickly
- A review of the quality of curriculum
- As change was happening fast - was cost and quality really considered? Additional bids received?
- Additional programs added
- Additional cost / effort surrounding training to deliver new content



What To Do Now?

Review grants received/spent to date – is there a plan to fully utilize the funds? Is there potential expansion of existing grants (IDEA, Title I), that can help offset cliff, maximize carryover to buy more time for transition

Identify costs that have been added that aren't necessarily "one-time" – is there a plan for how to fund these costs?

Internal communication is critical

- Meet with Departments now
- Be more proactive than reactive (like you've had to operate in the past)



What To Do Now? (Continued)

Communicate how you utilized pandemic funding

Grant Expenditure	Grant Distribution			
	General Fund Off-Set	General Fund Supplement	Capital Projects Fund	Enrichment Fund
Remote learning	\$ 23,177,436	\$ 2,203,538	\$ -	\$ -
Technology (laptops, iPads, other)	-	10,648,901	5,602,246	-
PPE & related supplies	-	749,808	-	-
Student support & Extended Learning	1,241,596	15,425,223	-	-
Other (misc. and indirects)	-	982,959	-	-
Childcare	-	-	-	3,093,056
Total	\$ 24,419,032	\$ 30,010,429	\$ 5,602,246	\$ 3,093,056



What To Do Now? (Continued)

Communication is Critical for the District Leadership

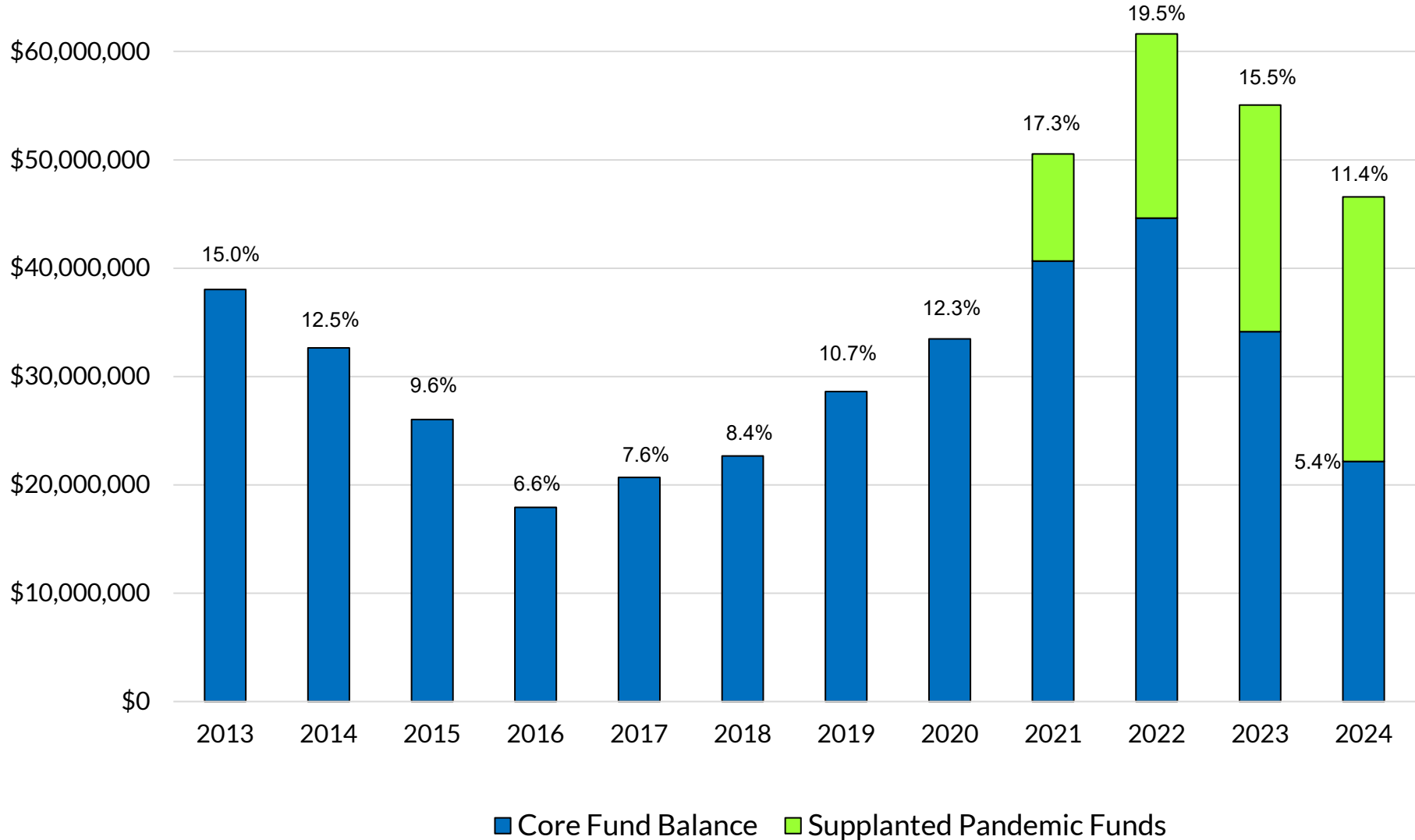
	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>
<u>General Fund</u>				
EL	3.00	3.00	3.00	3.00
EL from 31a		2.00	4.00	4.00
EL from Section 41			2.00	2.00
Nurse from 31o				1.00
<u>31a At Risk</u>				
EL	20.60	20.60	20.60	20.60
EL moved to GF		(2.00)	(4.00)	(4.00)
Social Worker		1.40	2.68	4.00
Nurse		0.34	0.66	
<u>31o</u>				
Social Worker	4.00	4.00	4.00	4.00
Social Worker moved to 31a		(1.40)	(2.68)	(4.00)
Nurse	1.00	1.00	1.00	1.00
Nurse moved to 31a		(0.34)	(0.66)	(1.00)
<u>Title I</u>				
EL	7.00	7.00	7.00	7.00
<u>Section 41</u>				
EL	2.40	2.40	2.40	2.40
EL New Comer	2.00	2.00	2.00	2.00
EL New Comer moved to GF			(2.00)	(2.00)
GRAND TOTAL	40.00	40.00	40.00	40.00

A picture is worth a 1,000 words



What To Do Now? (Continued)

Example: General Fund - Fund Balance as a % of Expenditures





What To Do Now? (Continued)

Communication is Critical

- Communication with Board Members
 - Many new board members – who need to be educated on planned use of one-time funding
 - Need to be educated on the “increase” fund balance
 - Educated on the funding sources
 - Recommend breaking out one-time funding impact of fund balance in presentations
 - Pro-active discussions around planned use of fund balance in efforts to align back to normalized cost structure



What To Do Now? (Continued)

Communication is Critical

- Communication with the Community
 - Districts need to determine how best to communicate potential programs changes
 - Show them many of these same presentations as the Board
 - Dialogue now on what programs may not be able to be continued



Key Takeaways

Key Takeaways

- Review grant deadlines and planned use of those funds
- Review budget process and identify where the cost structure is not sustainable without these funds
- Communicate, Communicate, Communicate!



Key Takeaways (Continued)

Key Takeaways

- Protect yourself, never be pressured to overstate a revenue or understate an expenditure
- Budget conservatively
- Understand one-time only's
- Earn your Bachelor of Arts instead of your Bachelor of Science when budgeting
- Remember no one will be at your defense when you are at the podium during a Board meeting



Questions??

