

**FINANCE COMMITTEE MINUTES**  
**Wednesday, July 24, 2024**

PRESENT	Greg Lynch	Washington Commissioner	Chair
	Dale Brungardt	Kansas Commissioner	
	Brian Henry	Missouri Commissioner	
	Debra Jackson	New York Commissioner	
	Rosemarie Kraeger.	Rhode Island Commissioner	
	Deanna McLaughlin	Tennessee Commissioner	
	J. Clarke Orzalli	Massachusetts Commissioner	
	Nickolas Sojka	North Carolina Commissioner	
	Davis Whitfield	National Fed. Of State High School Assn	Ex-officio
EXCUSED	Brian Halstead	Nebraska Commissioner	
	Kyle Fairbairn	Military Impacted Schools Association	Ex-officio
STAFF	Cherise Imai	Executive Director	
	Lindsey Dablow	Training and Operations Associate	
	Allie Thomas	Operations Coordinator	

**ITEM 1 – CALL TO ORDER**

1. The meeting was called to order at 11:02 AM ET by Treasurer and Committee Chair Greg Lynch (WA). The roll call was conducted by Executive Director (ED) Cherise Imai. A quorum was established.

**ITEM 2 – APPROVAL OF THE AGENDA**

2. **Commissioner Nickolas Sojka (NC) motioned to approve the agenda, seconded by Commissioner Brian Henry (MO). The motion carried.**

**ITEM 3 – APPROVAL OF THE MINUTES**

3. **Commissioner Debra Jackson (NY) motioned to approve the minutes from May 22, 2024, seconded by Commissioner Sojka. The motion carried.**

**ITEM 4 – REPORTS**

4. **Executive Committee (EXCOM)** – ED Imai reported the EXCOM met on July 18, 2024. Phase one of the operations assessment being conducted by Educational Management Solutions was complete and the Commissioner Survey had been sent out. Members were encouraged to respond to the survey and provide feedback for the evaluation. The national office was collaborating with accounting on fiscal end-of-year closing items and preparing for the Annual Business Meeting (ABM).

5. **FY24 Dues, Balance-Revenue/Income, Vanguard Investments** – ED Imai reported the Commission ended fiscal year (FY) 2024 under budget and she was waiting on the final reports from the Council of State Governments (CSG). New Jersey had not submitted its dues payment for FY2024, and the national office was working with the Commissioner to obtain the payment.

6. **FY2025 Dues** – ED Imai reported several states had submitted their FY2025 dues already. The deadline to submit FY2025 dues was June 30, 2025.

#### ITEM 5 – NEW BUSINESS

7. **FY2026 Draft Dues & Budget** – Chair Lynch outlined the questions that the Finance Committee needed to discuss while planning the FY2026 budget and dues. The focus of the discussion was implementing a dues increase and moving to a five-year fiscal plan. Two options were provided for the annual dues timeline and implementation. First, voting on a dues increase at the 2025 ABM and collecting the FY2027 annual dues based on the amended dues formula. Option two was voting on the dues increase at the 2026 ABM and starting to collect based on the amended formula in FY2028. Chair Lynch reported the three highest expenditures of the Commission budget were national office staff (47%), ABM expenses (17%), and CSG indirect costs (11%).

8. Chair Lynch identified four things related to the Commission's revenue that the Finance Committee needed to work on within the next year. These items included identifying training services that fees could be applied to, reassessing non-state stakeholder fees, identifying other potential revenue sources, and exploring compliance fee assessments.

9. Chair Lynch presented a dues increase schedule that incorporated inflation at a Consumer Price Index (CPI) rate of 3%. The schedule proposed a dues formula increase of 40% in 2027, bringing the dues formula from \$1.15 per student up to \$1.61. Assuming a 3% annual CPI increase, the dues would then increase another 15% in 2032 to a total of \$1.78 per student. Chair Lynch asked the members for their thoughts on using a CPI rate of 3%.

10. Commissioner Sojka stated he did not think the 3% CPI rate would be sufficient. He stated that 3% would not be enough to incorporate the rising costs of personnel and benefits alone, and he did not see how that rate would be feasible to cover long-term future costs.

11. Commissioner Deanna McLaughlin (TN) stated she also did not think 3% would be enough and asked how the fund balance or reserves would be affected if the ABM was held virtually every other year. The FY2026 draft budget still showed an in-person ABM, with ABM costs increasing 5% annually. Chair Lynch responded that the Finance Committee would need to discuss the matter of virtual ABMs more with the EXCOM and national office and that the 2025 ABM was already set to be held in-person in Indianapolis, Indiana. He stated that there were some levels of savings to holding virtual meetings, but the decision still had to be made and would not take effect for a few years, so it could not be incorporated into the current drafts. Commissioner McLaughlin asked if the ABM costs would be significantly greater if the 2025 meeting was hosted in a different state without Ex-officio sponsorship. ED Imai responded that there would be greater costs to hosting in another state, and the reason the EXCOM chose Indianapolis, Indiana was because of the significant cost savings obtained by sponsorship from the National Federation of High School Associations (NFHS).

12. Chair Lynch reported the recommendation was to incorporate a CPI rate above 3% and asked the members what they thought about increasing the rate to 4% or 5%. Commissioner McLaughlin stated that she would prefer to stay with the lesser amount until clarification about holding virtual ABMs could be provided. Commissioner Jackson stated that 5% would be easier to ask for and would provide cushion should things change moving forward. She was worried the Commission would be too conservative now and end up in the same position later and have to repeat these discussions. She stated the state dues should cover each state's necessary expenses and believed 5% would

achieve that.

13. Commissioner Sojka agreed with Commissioner Jackson that the Commission should work to solve the problem now and not fall into a trap in the future due to lack of planning. He stated the overall budget, in relation to the mission and importance of the Compact, was doing amazing things on a shoestring. Commissioner Rosemarie Kraeger (RI) also agreed that 5% was needed to efficiently prepare for the future. Commissioner Dale Brungardt (KS) stated that it was best to propose a higher percentage than where the Commission was currently at since the numbers had not been adjusted for so long. He explained that the Kansas school finance formula was adjusted based on the average percentage increase in the CPI rate.

14. Chair Lynch asked the Members what they thought of increasing the dues floor and ceiling caps and mentioned that there was a legitimate reason to incorporate inflation to the set amounts when the floor did not even cover Commissioner necessities for most states. Commissioner Kraeger stated she would be able to have her state approve the increased dues amounts if the Commission could provide clear reasoning to why the increased caps were needed. Commissioner Sojka stated the Commission was still growing and maturing as an organization, and that it was acceptable to lay out the facts to acknowledge inflation had not been incorporated when the original floor and ceiling were set. The Commission would need to show it was working to fix the problem now so that the Compact would be financially stable.

15. Ex-officio Representative Davis Whitfield (NFHS) mentioned that NFHS hosts three large meetings a year that are on the same scale as the ABM, and they felt the benefits of meeting in-person annually outweighed the growing costs. He stated NFHS plans their meetings five years out at a time and generally tries to secure hotel rates between \$149 and \$199 a night, but noted it was becoming harder to sign contracts for five years ahead when average room rates were rising much higher than that range annually. He understood it's worth looking into virtual meeting costs to avoid increasing in person costs.

16. Commissioner McLaughlin asked ED Imai whether smaller states or larger states requested more assistance from the national office and stated she was trying to determine if the smaller states were utilizing their dues with more than just expenses from ABM. ED Imai responded that smaller states required more administrative support while larger states required more technical support. The larger states generally have more students, which means they have more cases that tend to require rules and promulgation assistance. The smaller states tend to use the national office more for administration needs such as virtually hosting State Council meetings and drafting minutes. ED Imai also reminded the Committee that the Compact had a high turnover rate for Commissioners this year and those states require onboarding and more support than seasoned Commissioners.

17. Chair Lynch asked the Members for their opinions on the five-year fiscal plan. Commissioner McLaughlin stated she supported the five-year plan and thought that it would help the organization be fiscally responsible. She expressed the concern that the Commission should not budget to spend extra money when not necessary and suggested looking into ways the Commission could eliminate expenses before implementing a dues increase, such as reducing staff offices and services provided by CSG. Chair Lynch responded that the Committee's current duty was to address larger long-term financial problems and then determine how to reduce expenses to ensure the Commission was being fiscally responsible.

18. Commissioner Henry asked if a target would be set for how many months or years the Commission should retain in the reserve fund and stated that the Committee needs to provide guidance to show the rest of the Commission that a plan was in place. Chair Lynch responded that the primary

focus was to decide on the rhythm of future ABMs and codify the decisions regarding the dues increase. The reserve could then be built up faster and a target could be set once those decisions had been made. Commissioner Henry stated the messaging on the ABM and dues increase decisions would be critical and he hoped to preserve the national office team because of how vital they are to the Commissioners and Compact operations.

19. **Reserve Policy Amendments** – Chair Lynch presented the Reserve Policy amendments and reminded the Members that the edits intended to clarify what the Reserve fund could be used for and add content to provide transparency. A decision would need to be made soon so that he could bring it to the EXCOM for approval.

20. Commissioner Kraeger stated that messaging was key for introducing the amended policy to the full Commission and that whatever could be provided ahead of time would be beneficial for gaining support. The work done by the Finance Committee was a compelling argument that they were moving in the right direction and the Committee needed to show the research and analysis to help the rest of the Commissioners understand the way forward. Commissioner Henry agreed and stated communication had been an issue for the Committee in the past. He thought the reserve policy should be a focal point at ABM so that Commissioners would understand the reserve better and could bring any issues forward for clarification.

21. Commissioner Clarke Orzalli (MA) suggested putting surcharges on states that change Commissioners often and emphasized there was significant value to the longevity of Commissioners that states should recognize. He also recommended making the floor and ceiling amounts be even numbers to make them easier for Commissioners to remember.

22. Commissioner Sojka stated that in his experience hiring a third party like a Certified Public Accountant (CPA) or an outside auditor to evaluate fund balances and explain them helped new superintendents in his state to understand their fiscal responsibilities. Considering how many states had new Commissioners that would be attending the ABM for the first time, he believed it could be beneficial for the Commission to have a CPA evaluate the fund balance and present it. Commissioner Henry stated that, as a superintendent, he relies on impact aid to build up project funds and needs to outline his reasoning for every project so that his district understands the fund usage. He agreed that Commissioners would be concerned with the strategy and not recognize the plan in place if they did not hear the original conversations or reasoning for why the Commission would need to increase the dues and use reserve funds.

23. Chair Lynch agreed and asked Members to email him with any concerns or questions regarding the Reserve policy so that he could bring them forward to the EXCOM before the next Finance Committee meeting.

24. **FY2026 Dues** – ED Imai reported the national office had received data from the Department of Defense (DOD), which had initially pointed the Commission to the online demographic data that was used to create the previous dues proposal. The DOD was able to pull raw data using the Defense Enrollment Eligibility Reporting System (DEERS) as they had in the past, however, the data categorization differed; instead of categorizing the numbers of military-connected children in each state by service branch, the new data categorized the numbers of children in each state by age group (5-11 and 12-18). The numbers were stable compared to FY2024 data and were calculated using the zip code where the child resides rather than the state listed on the PCS orders. ED Imai reminded the Members that the FY2026 dues and budget must be approved in August to move forward.

## ITEM 7 – OTHER BUSINESS AND ANNOUNCEMENTS

25. **Items for the Executive Committee** – No items were received for the EXCOM.
26. Chair Lynch reminded members the next meeting date was August 28, 2024.

**ITEM 8 – ADJOURNMENT**

27. Chair Lynch adjourned the meeting at 12:06 PM ET with no motion necessary.