



Tiger Pride News and Notes Belinda Selfors Superintendent of Schools

Target for Alignment of Expenditures to Revenues for 2025-2026 is \$800,000 to \$1,000,000

At the board meeting on March 10, a budget forecast for school years 2025-2026 (FY26) through 2029-2030 (FY30) was discussed. Anticipating and preparing for financial trends and changes can reduce the likelihood of unexpected gains or losses. Long-term forecasting supports the district's efforts to sustain financial stability. The process is based on assumptions regarding projected enrollment, revenues, and expenditures.

Beginning in FY26, an inflationary increase on the basic aid formula from the state will be between 2.0% and 3.0% each year. The amount is recalculated every February for the following fiscal year. For FY26, the increase on the basic aid formula will be 2.75%. For FY27 through FY30, assumptions are based on an inflationary increase of 2.0%. Also beginning in FY26, the state will be providing aid for the costs of special education at the rate of 50%. For FY26 only, the state will be increasing student support aid by approximately \$55,000.

Enrollment is the basis for determining the district's largest revenue sources, which include the state basic aid formula and our operating levy. Enrollment and child counts are tracked multiple times each year. Incoming kindergarten enrollment is based on PreSchool screening, verified records of eligible children in the district, and open enrollment applications.

Enrollment is recalibrated each year to prepare the preliminary budget, which must be adopted by June 30. This means that the district must develop a budget for the next school year based on the best estimate we can make regarding how many students will actually be enrolled. In addition, to create a budget forecast, the district also makes projections for future years to provide a landscape for anticipated revenues, which are used for long-term planning. Based on the enrollment assumptions, the number of students in attendance is projected to go from 1,944 in FY25 to 1,805 in FY30. This decline is largely due to decreasing birth rates in both Olmsted and Mower Counties. The anticipated decrease in enrollment, coupled with the assumption of increases in state aid by 2% for each year, will likely result in the amount of state aid being static.

Expenditure assumptions are based on the current status of budgets and account balances and the anticipated increase in several areas, including employee wages and benefits, supplies and operational costs, vendor contracts, and the ever-increasing costs of unfunded mandates. Additionally, there are current legislative proposals to reduce the aid for special education transportation by 10% by FY27, which would cost the district approximately \$70,000. Another legislative proposal is to reduce literacy aid by nearly \$45,000 for FY26. The district must take into account the potential impact of legislative proposals that will decrease revenue, which may not be known until the end of May or sometime during the month of June.

The unassigned fund balance percentage is an essential measure for assessing the fiscal health of the district. The unassigned fund balance is the most flexible portion of the budget, which is necessary to address unexpected expenses and/or financial shortfalls. The unassigned fund balance is a key indicator of the district's financial stability.

School board policy requires the General Fund to maintain an unassigned balance of at least 8%. This ensures that the district has a financial cushion to manage unforeseen circumstances and maintain operations without disruption. If the unassigned fund balance dips to -2.5%, the district would be

considered to be in Statutory Operating Debt (SOD) and would be required to develop and implement a financial plan to bring the district back into the black. The district uses budget forecasting to provide the district with a picture of the future of the fund balance under various scenarios.

If the district were to make no alignments of expenditures to revenues for FY26, it is anticipated that the district would be in SOD within two years. This is largely due to expenses increasing faster than revenues, the costs of unfunded mandates, and the estimated declines in enrollment. To plan for the financial stability of the school district, the school board has provided direction to the administrative team to make approximately \$800,000 to \$1,000,000 in alignments of expenditures to revenues for FY26. With this alignment target in mind, the administrative team will now begin the process of containing our anticipated expenditures within the expected revenues for the 2025-2026 school year.

Thank you for your support of our students, staff, and programs.

Go Tigers!