



Financial Update

2024-25 Preliminary Budget

KRIS BLACKBURN, DIRECTOR OF BUSINESS SERVICES
June 6, 2024



Agenda



- Budget Notes and terms
- Where does the money come from?
- What is the money spent on?
- Budget Highlights
- District Challenges
- Future Schedule



South Washington County Schools Budget

- The General Fund budget more than 18,000 lines
- It takes over 300 hours to compile at one minute per line
- Many revenues and expenses are estimated
- We calculate salary and benefit expenses for each employee out of caution
- It is a guide to keep us on track to remain solvent



Budget Terms

- Fund Balance = Unassigned Balance
- Unassigned funds are used for operations:
 - Instruction
 - Instructional Support
 - Transportation
 - Maintenance
 - Activities
 - District Administration
- Percentage is the balance/expenditures
 - Savings Account
 - Board Goal is 16% by 2027
- Does not include funds reserve by statute

Budget Terms

- Reserve funds include:
 - School Nutrition
 - Community Services
 - Debt Services
 - Other Post-Employment Benefits
 - Long-term Facility Maintenance
 - Construction
 - Operating Capital
 - Capital Projects Levy
 - Safe Schools
 - Student Activity Accounts
 - Staff Development
 - Alternative Teacher Professional Pay System

Budget Note

- Reducing or increasing spending in reserved funds will not affect the unassigned fund balance
- Spending in reserve funds is limited by the targeted revenues of the fund

Tuition Agreements



- For students living outside the state, tuition is **\$13,031.26** for secondary students and **\$10,876.05** for elementary students based on the latest state-aid projections.
- Students who live outside district boundaries and receive Special Education services by attending SoWashCo Schools create tuition and those dollars are added to special education revenue.
- Students who live in SoWashCo Schools boundary and receive Special Education services elsewhere are billed through a state process in which dollars owed are subtracted from special education revenue.

New funding from 2024 Legislation

- READ Act Funding: preliminary allocation is \$773,000 plus nearly \$700,000 for teacher compensation related for Read Act Training



Education Funding in Minnesota



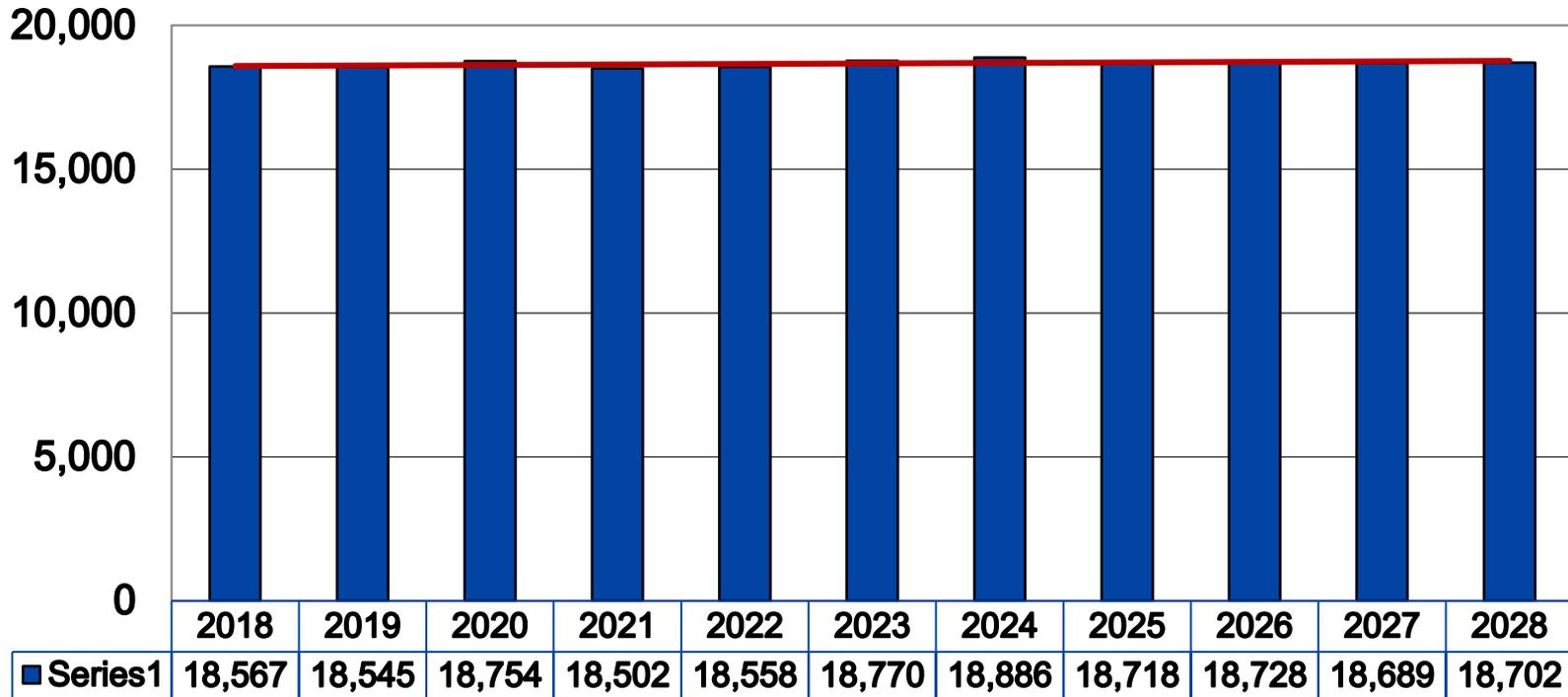
Source	Amount	Percentage
State Aids – Income and Sales Tax, Fees	\$ 226,762,017	69.13%
Local Levies – Property Taxes	\$ 88,096,502	26.89%
Federal Aids – Income Taxes	\$ 5,375,251	1.64%
Other Revenues – Local Participation Fees & Interest	\$ 7,801,147	2.38%
GENERAL FUND TOTAL	\$ 328,034,917	100%

Revenues



	2023 Actual	2024 Revised	2025 Preliminary	% Change
State Aids	\$196,306,802	\$218,432,917	\$226,762,017	3.81%
Local Levies	\$71,146,520	\$76,689,516	\$88,096,502	14.87%
Federal Aids	\$9,789,213	\$5,833,530	\$5,375,251	-7.86%
Other Revenues	\$7,414,650	\$7,170,521	\$7,801,147	8.79%
Total Revenues	\$284,657,185	\$308,126,484	\$328,034,917	6.46%

Student Count Drives the Budget



Revenues

Other Notes

- Enrollment decrease of 168 students
- Basic formula increased 2% to \$7,281
- Special education aid is a major source of state aid (\$51.8 million)
- Cross Subsidy Reduction Aid – Reduces the burden of general revenue
- Federal government lags behind promises of 40% of subsidy
- Operating levy approved in 2021
- Provides about \$1,992 per student and increases with inflation each year.



2024-25 Preliminary Budget Summary



	2022-23	2023-24	2024-25	
	FY Activity	Revised Budget	Original Budget	
REVENUES				
State Aids	\$ 196,306,802	\$ 218,432,917	\$ 226,762,017	3.81%
Local Levies	71,146,520	76,689,516	88,096,502	14.87%
Federal Aids	9,789,213	5,833,530	5,375,251	-7.86%
Other Revenues	7,414,650	7,170,521	7,801,147	8.79%
	\$ 284,657,185	\$ 308,126,484	\$ 328,034,917	6.46%
EXPENDITURES				
Salaries	\$ 153,100,850	\$ 170,889,270	\$ 186,581,188	9.18%
Benefits	59,307,284	68,529,314	74,034,948	8.03%
Services	44,788,310	43,075,132	51,284,140	19.06%
Supplies	10,340,952	12,206,255	13,723,158	12.43%
Capital	8,010,315	10,295,026	5,978,430	-41.93%
Other	1,376,270	1,467,304	1,491,607	1.66%
	\$ 276,923,981	\$ 306,462,301	\$ 333,093,471	8.69%
NET	\$ 7,733,204	\$ 1,664,183	\$ (5,058,554)	

Budget Highlights

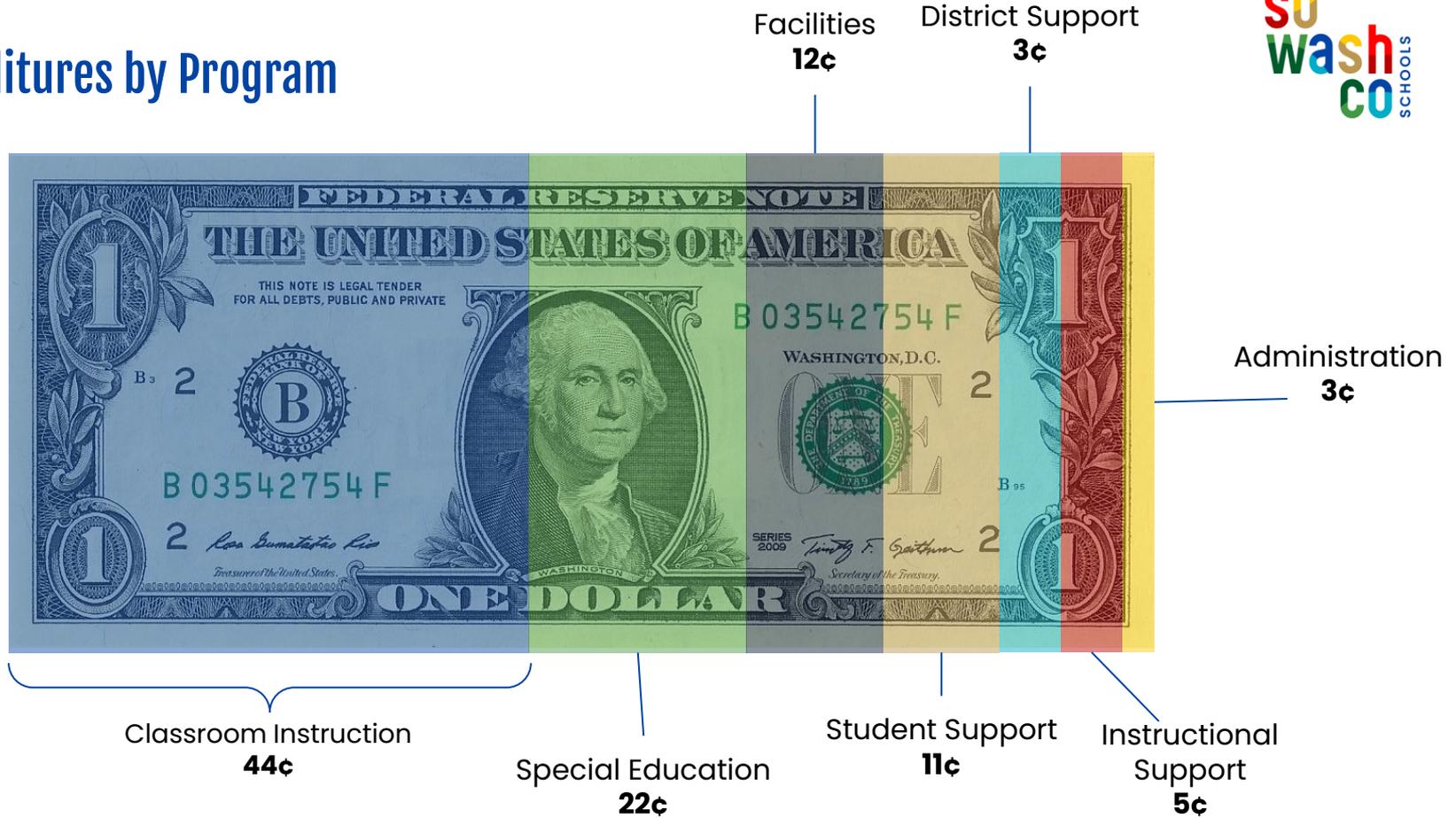
- Revenues increased by 6.46%
- Expenditures increased by 8.69%
- Net reduction to fund balance of \$5.0 million
- Special Education increase in expenses of 13.69%
- Regular Instruction increase in expenses of 8.65%
- Instructional Support increase in expenses of 9.50%
- Sites & Buildings increase in expenses of 12.31%
- Administration and District Support have expense increases of 1.61%

2023-24 Expenses by Program

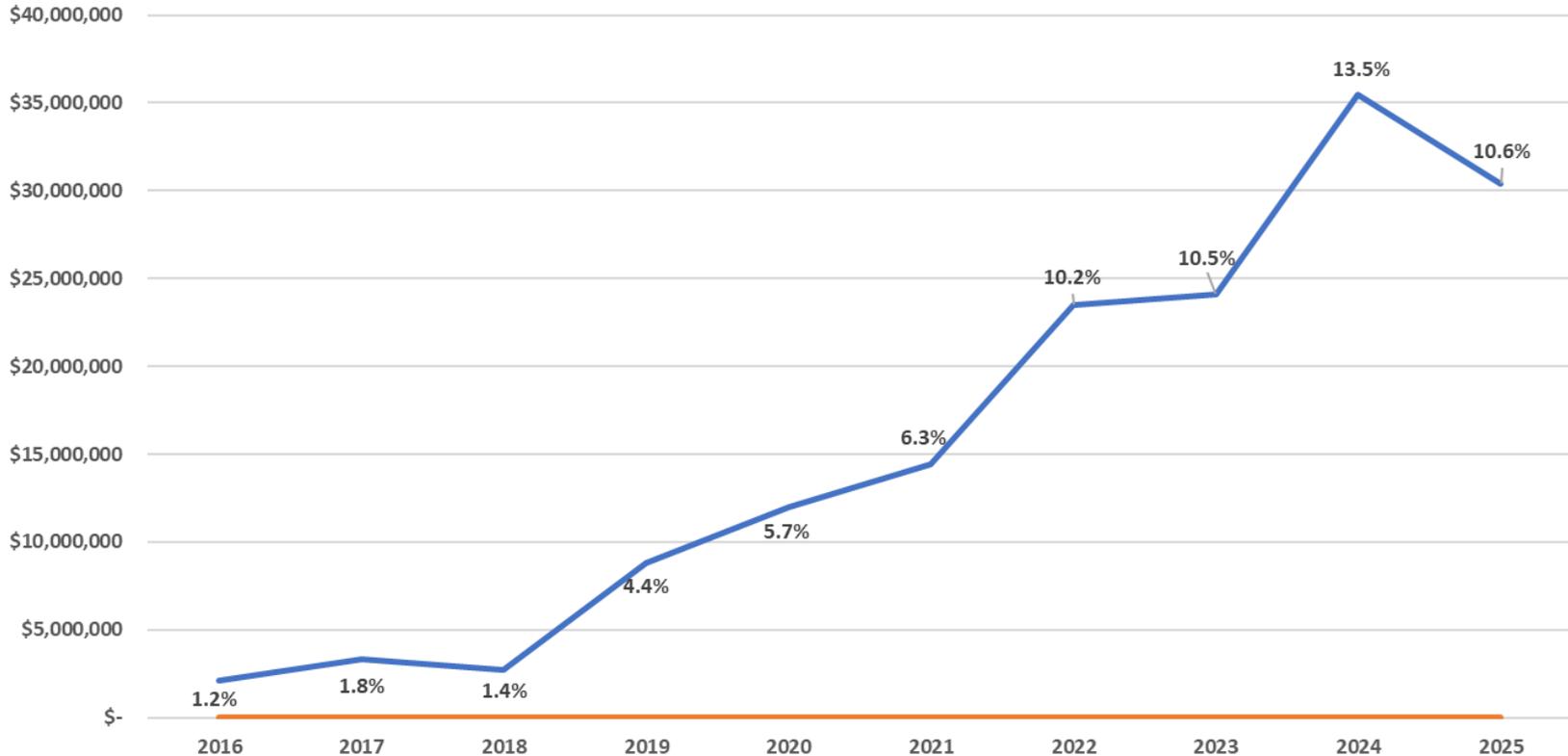


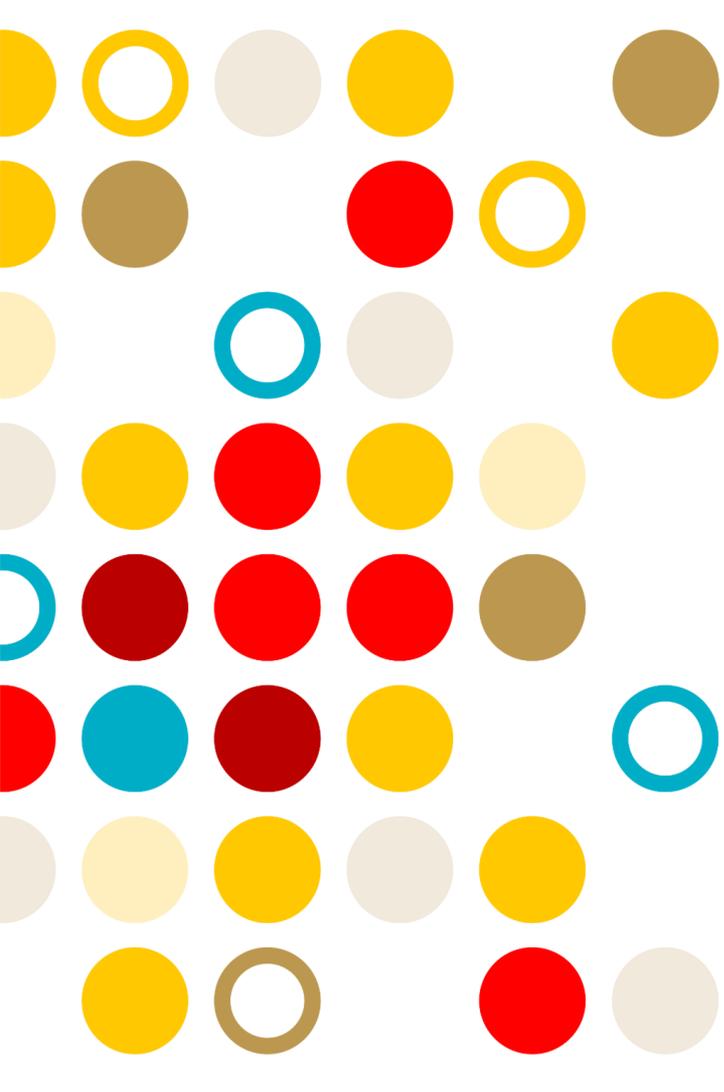
	2022-23	2023-24	2024-25	
	FY Activity	Revised Budget	Original Budget	
EXPENDITURES				
Administration	\$ 10,101,323	\$ 10,832,912	\$ 11,251,971	3.87%
District Support Services	8,583,606	11,087,534	11,020,369	-0.61%
Regular Instruction	122,041,182	131,134,415	142,475,016	8.65%
Vocational Instruction	3,128,653	2,605,471	2,939,143	12.81%
Special Instruction	54,148,356	63,450,749	72,135,657	13.69%
Community Services	121,676	298,060	316,307	6.12%
Instructional Support Services	12,922,057	16,069,259	17,595,629	9.50%
Pupil Support Services	31,972,133	37,333,453	37,568,042	0.63%
Sites & Buildings	33,884,493	33,632,948	37,773,337	12.31%
Other	20,500	17,500	18,000	2.86%
	\$ 276,923,979	\$ 306,462,301	\$ 333,093,471	8.69%

Expenditures by Program



Unassigned Fund Balance Projection



A decorative graphic on the left side of the slide consists of a grid of colored circles. The circles are arranged in approximately 10 rows and 6 columns. The colors include yellow, brown, red, light grey, blue, and dark red. Some circles are solid, while others are hollow (rings).

Factors

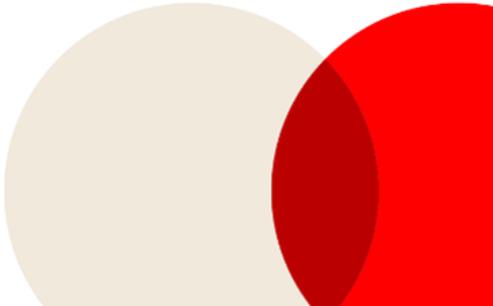
- Enrollment
- Contract Negotiations
- Inflation
- Staffing – Substitutes Earned Sick and Safe Time (ESST) impacts
- Utilities
- Unemployment Aid



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Internal Service Fund

Definition (per MDE UFARS):

- An internal service fund is used to account for the financing of goods or services provided by one department to another within the school district or to other governmental units on a cost reimbursement basis. School districts are not required to use internal service funds.
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- Two overlapping circles are located in the bottom right corner: a light beige circle on the left and a red circle on the right.

A large yellow circle is positioned in the top left corner of the slide.

Internal Service Fund

Background:

- District historically has used the internal service fund for post-employment benefits – Severance/Pension benefits for retirees and Other Post-Employment Benefits (OPEB) for retiree health insurance.
 - In 2017-2018, the district established an Irrevocable Trust for the OPEB portion and transferred \$4 million in Internal Service Fund assets to the trust.
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Internal Service Fund

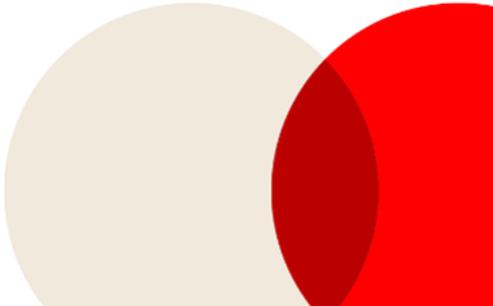
Current Status:

- No funds contributed in more than 10 years.
 - As of June 30, 2023, the cash balance was \$2,669,799.
 - Severance/pension benefit payments in 2022-2023 were \$735,000.
 - No longer operating as a true internal service fund as defined by the Governmental Accounting Standards Board
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- Decorative circles in the bottom right corner: a large light beige circle and a smaller red circle overlapping its edge.

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Internal Service Fund

Recommendation:

- Close the fund as of June 30, 2024
 - Transfer the balance to the General Fund
 - Commit the balance for the purpose of severance/pension benefit payments.
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Next Steps

- Board approves 2024-25 preliminary budget on June 20, 2024
- Monitor enrollment
- Audit of 2023-24 begins
- Levy work starts in September
- School Board approved levies in December
- Audit presented to School Board
- Begin work on 2025-26 budget



Questions?