Financial Update
Building the 2025-2026 Budget

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Purpose of a Budget

- Tool to effectively allocate and manage limited resources

- Provides transparency and accountability
  - Includes anticipated revenues by category
  - Outlines how the district plans to use available resources by showing expenditures by function
  - Provides the projected fund balance

- Helps the district plan for both short-term and long-term needs

- Required to be Board approved by June 30

- The budget is based on the best information we have today

Building a Budget - Revenues

Enrollment

- Primary driver of State Aids

- Cohort survival method applied to current year; Kindergarten based on historical birth rate capture

- Other factors
  - Post Secondary Enrollment Options (PSEO)
  - Drops
  - Other enrollment options

- Projecting slight decrease to enrollment in 2025-2026
  - Fewer incoming Kindergarteners compared to outgoing Senior class

Building a Budget - Revenues

State Aids

- Basic Formula
  - Determined by state legislature
  - $7,281 per pupil unit in 2024-2025
  - Future years tied to inflation - minimum 2%; maximum 3%
  - Assuming 2.5% for 2025-2026

- State Special Education aid
  - Complex formula, largely driven by expenditures for SoWashCo
  - As expenses increases, aid increases

- Other State Aids
  - Variety of formulas
  - Most have restricted uses

Building a Budget - Revenues

Federal Aids

- Special Education
- Title Programs
- Other - American Indian Education, Perkins
  - Reimbursement grants up to award amount
  - Most awards are formula allocations
  - Restricted uses

Building a Budget - Revenues

Local and Other Revenues

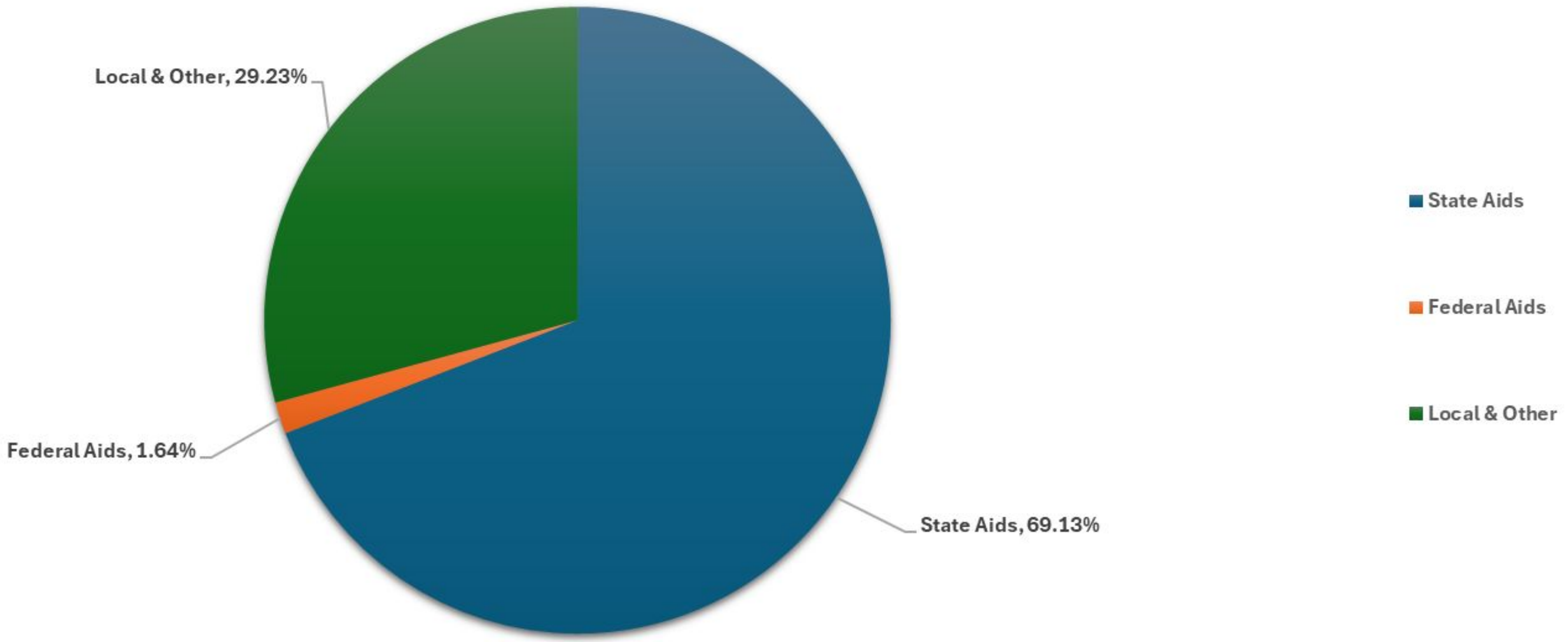
- Property Tax Levy
  - Set in December of prior year
  - Reserved for specific purposes
  - Operating Referendum - increases with inflation

- Interest earnings
  - Changes depending on rate environment

- Fees and admissions
  - Little change year to year

- Other - donations, local grants, insurance recoveries, miscellaneous
  - Conservative estimates as amounts do change

Building a Budget – Revenues
2024-2025 Preliminary Budget



Building a Budget - Expenditures

Salaries and Benefits

- Account for about 78% of General Fund budget
- Salaries and benefits are negotiated with 10 Unions (8 in General Fund)
- Amounts/rates are defined within settled contracts
- Negotiation parameters are established by the School Board for unsettled contracts:
    - Teachers
    - Principals
    - Office Professionals
    - Bus Drivers

Building a Budget – Expenditures

Salaries and Benefits

- These amounts will change each year
  - Full Time Employees changes due to enrollment
  - Lane changes (teachers)
  - Steps and/or longevity
  - Retirements
  - Employee benefit elections
  - New laws - recent examples:
    - Between terms (summer) unemployment effective May 28, 2023
    - Coming - payroll tax for Paid Family Medical Leave (PFML) effective January 1, 2026

Building a Budget - Expenditures

Services

- About 15% of General Fund budget
- Contracted services
  - Including: legal, audit, contracted subs (teachers & paras), school resource officers, snow removal, contracted transportation, & other contracted professional services
- Utilities
  - Includes: electric, natural gas, water, garbage
- Rent
- Property & liability insurance
- Assumption is 2% average increase plus known or anticipated changes (example: contractual rate increases, new rentals)

Building a Budget – Expenditures

Supplies and Materials

- About 4% of General Fund Budget
- Textbooks, including digital resources
- Devices for students and staff
- Software
- Fuel for buses/vehicles
- Assumption is 2% average increase plus known changes (example: refresh/replacement cycles)

Building a Budget – Expenditures

Equipment and Capital

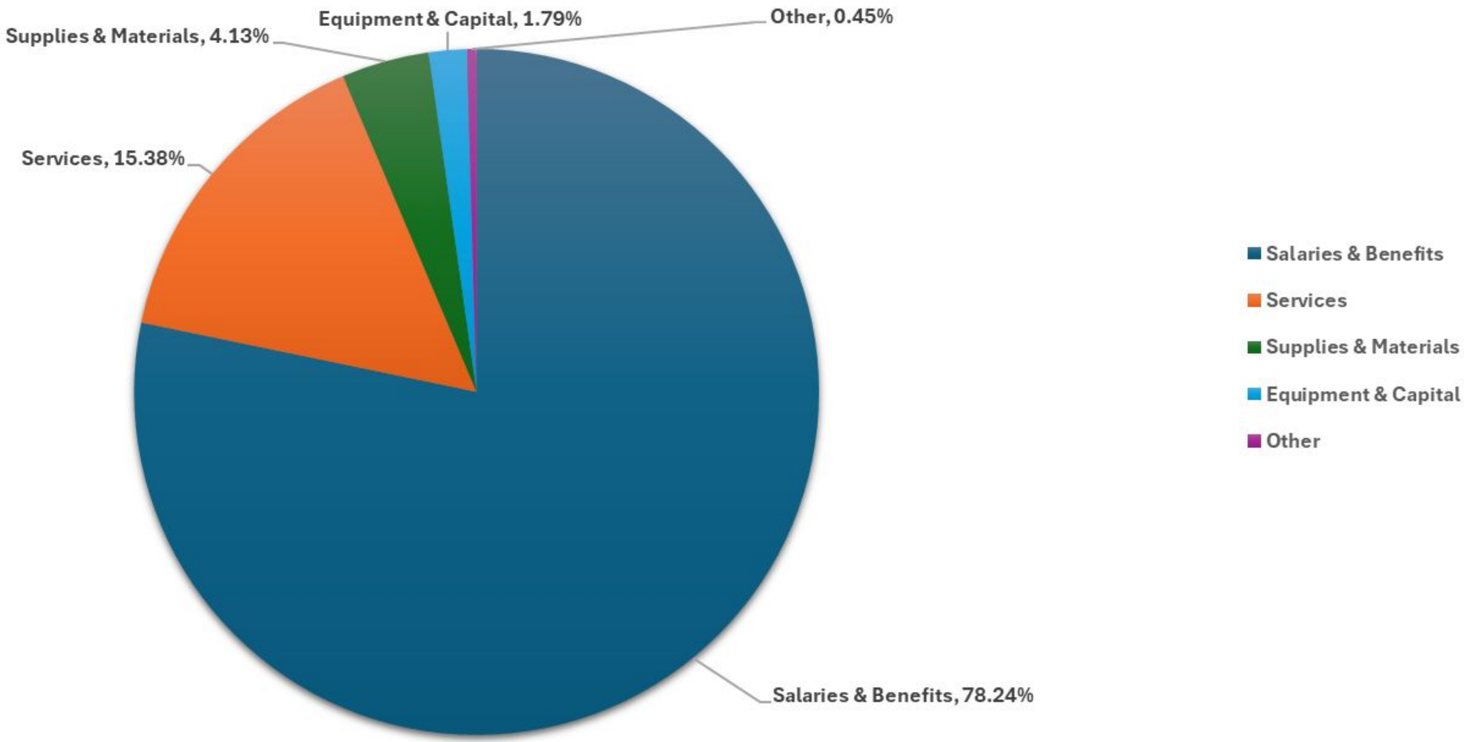
- About 2% of General Fund Budget
- Principal/interest payments on financed purchases (aka capital leases)
- Equipment purchases including furniture
- Assumption is 2% average increase plus known changes (example: new or ending capital lease payments)

Building a Budget – Expenditures

Other

- Less than 0.5% of General Fund Budget
- Dues/memberships
- Scholarships administered by SoWashCo Schools
- Miscellaneous other
- Assumption is 2% average increase plus known changes

Building a Budget – Expenditures
2024-2025 Preliminary Budget



Budget Adjustments

Why would budget adjustments be needed?

- The budget is always revised mid-year to update revenues and expenditures to reflect currently available data
  - Enrollment
  - Contract settlements
  - New agreements or leases

- Based on financial projections, future adjustments may also be needed to ensure financial stability
  - Financial projections:
    - Most significant revenue factor = enrollment
    - Most significant expenditures = wages and benefits
  - When adjustments are needed, consideration is given to revenue enhancements as well as expenditure reductions

Questions?