# Financial Update

## 2025-26 Preliminary Budget

**Kris Blackburn, Director of Business Services**
**June 12, 2025**

# 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 has more than 18,000 lines
- It takes more than 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 16.6% by 2027
- Does not include funds restricted/reserved by statute

# Budget Terms

Restricted/Reserved Funds Include:

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

# Budget Note

- Reducing or increasing spending in restricted/reserved funds will not affect the unassigned fund balance

- Spending in restricted/reserved funds is limited by the targeted revenues of the fund

# Tuition Agreements

- For students living outside the state, tuition is **$13,358.63** for secondary students and **$11,132.19** 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.

# 2025 Legislation Uncertainty

- The State Legislature did not complete its work before the statutory deadline in May.
- We are closely monitoring the proposed legislation.
- Budget reflects anticipated 5% reduction in reimbursement for special education transportation
- Budget may be adjusted between now and the business meeting depending on status of legislation.

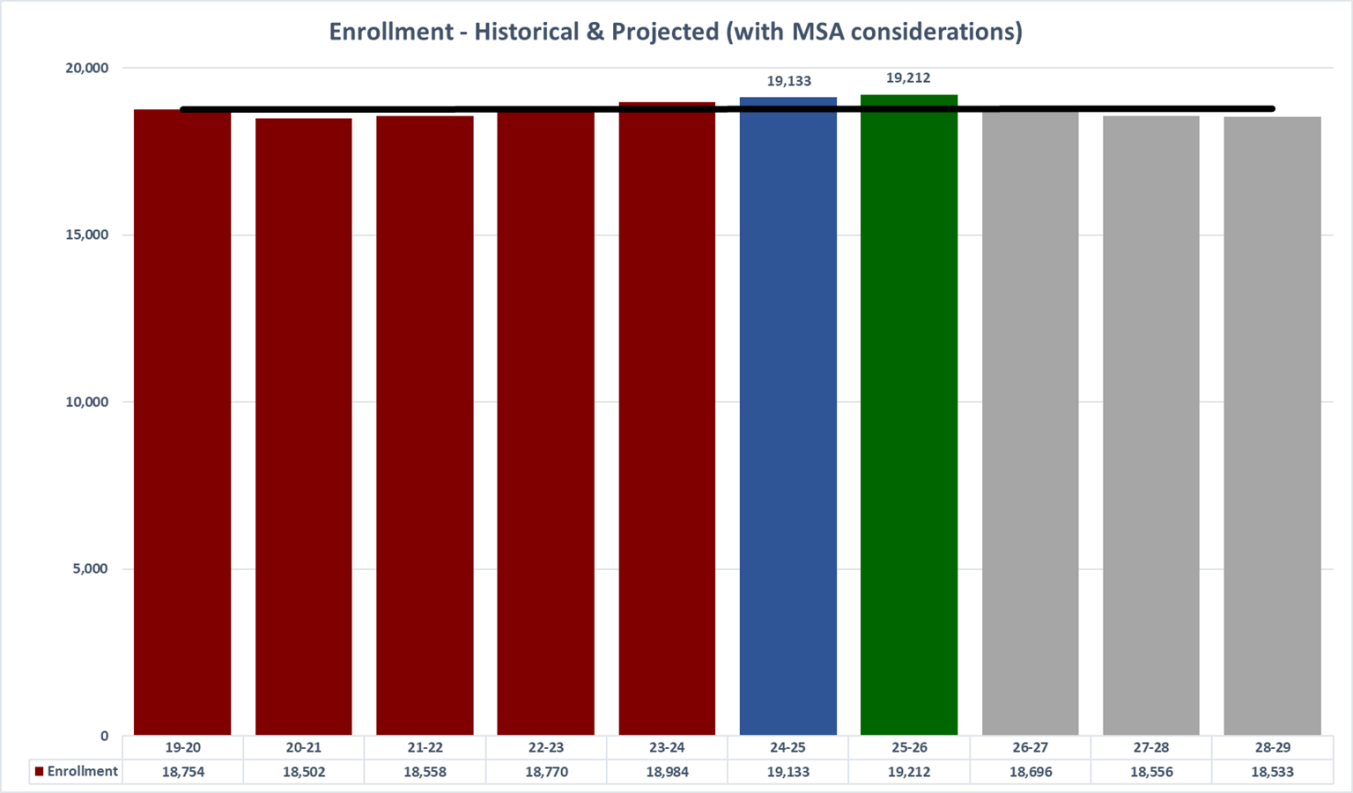
# Education Funding in Minnesota

| Source | Amount | Percentage |
|---|---|---|
| State Aids – Income and Sales Tax, Fees | $ 247,099,409 | 70.49% |
| Local Levies – Property Taxes | $ 90,639,328 | 25.86% |
| Federal Aids – Income Taxes | $ 5,142,075 | 1.47% |
| Other Revenues – Local Participation Fees & Interest | $ 7,681,150 | 2.19% |
| **GENERAL FUND TOTAL** | **$ 350,561,962** | **100%** |

# Revenues

| | 2024 Actual | 2025 Revised | 2026 Preliminary | % Change |
|---|---|---|---|---|
| **State Aids** | $224,293,890 | $239,144,502 | $247,099,409 | 3.33% |
| **Local Levies** | $76,992,327 | $88,315,674 | $90,639,328 | 2.63% |
| **Federal Aids** | $6,268,161 | $5,262,368 | $5,142,075 | -2.29% |
| **Other Revenues** | $10,248,532 | $8,143,441 | $7,681,150 | -5.68% |
| **Total Revenues** | $317,802,880 | $340,865,985 | $350,561,962 | **2.84%** |

# Student Count Drives the Budget



# Revenues – Notes

- Enrollment increase of 79 students
- Basic formula increased 2.74% to $7,481
- Special education aid is a major source of state aid ($63.6 million)
  - Cross Subsidy Reduction Aid – reduces the gap in funding otherwise covered with general revenue
  - Federal government lags behind promises of 40% of subsidy
- Operating levy approved in 2021
  - Provides about $2,066 per student and increases with inflation each year

# 2025-26 Preliminary Budget Summary

| | 2023-24 Actual | 2024-25 Revised Budget | 2025-26 Original Budget | |
|---|---|---|---|---|
| **REVENUES** | | | | |
| State Aids | $ 224,293,890 | $ 239,144,502 | $ 247,099,409 | 3.33% |
| Local Levies | 76,992,327 | 88,315,674 | 90,639,328 | 2.63% |
| Federal Aids | 6,268,161 | 5,262,368 | 5,142,075 | -2.29% |
| Other Revenues | 10,248,532 | 8,143,441 | 7,681,150 | -5.68% |
| | **$ 317,802,910** | **$ 340,865,985** | **$ 350,561,962** | **2.84%** |
| | | | | |
| **EXPENDITURES** | | | | |
| Salaries | $ 169,818,680 | $ 188,381,079 | $ 195,737,101 | 3.90% |
| Benefits | 65,382,751 | 74,406,033 | 79,427,664 | 6.75% |
| Services | 49,079,934 | 41,440,452 | 40,208,015 | -2.97% |
| Supplies | 10,787,205 | 16,051,324 | 13,759,870 | -14.28% |
| Capital | 10,865,841 | 17,966,958 | 21,873,615 | 21.74% |
| Other | 1,621,548 | 1,548,051 | 1,498,774 | -3.18% |
| | **$ 307,555,959** | **$ 339,793,897** | **$ 352,505,039** | **3.74%** |
| | | | | |
| **NET** | **$ 10,246,951** | **$ 1,072,088** | **$ (1,943,077)** | |

# Budget Highlights

- Revenues increased by 2.84%
- Expenditures increased by 3.74%
- Net reduction to fund balance of $1.9 million
- Student centered expenses increase of 5.6%
    - Classroom Instruction, Special Education, Student Support
- Instructional Support expenses decrease of 9.0%
- Sites and buildings increase in expenses of 4.2%
- Administration and District Support expenses decrease of 7.7%

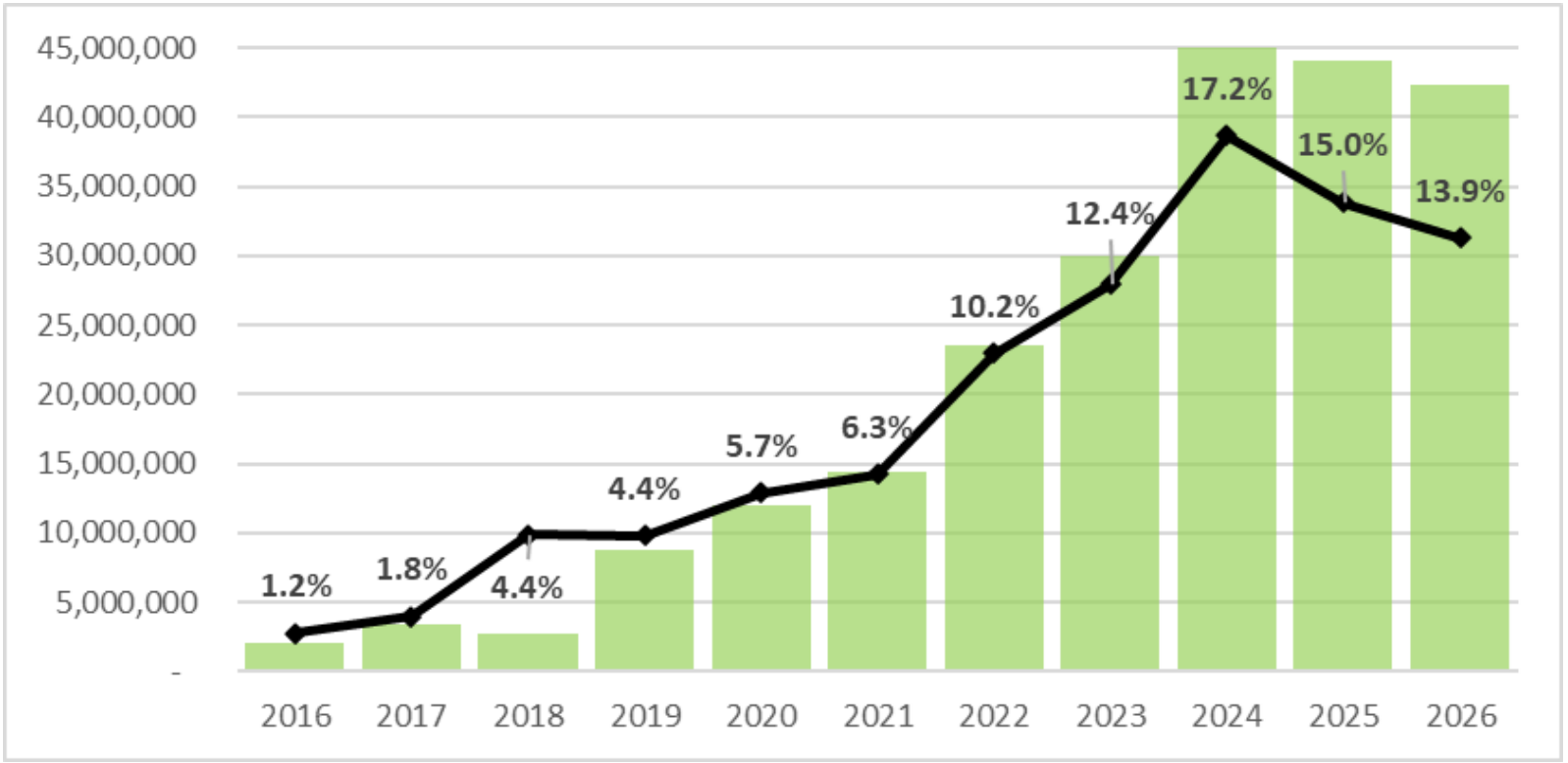
# 2025-26 Expenses by Program

| | 2023-24 Actual | 2024-25 Revised Budget | 2025-26 Original Budget | |
|---|---|---|---|---|
| **EXPENDITURES** | | | | |
| Administration | $ 10,573,411 | $ 11,490,444 | $ 11,532,470 | 0.37% |
| District Support Services | 10,751,387 | 11,467,574 | 9,651,286 | -15.84% |
| Regular Instruction | 128,339,539 | 145,296,612 | 149,895,614 | 3.17% |
| Vocational Instruction | 4,080,322 | 2,794,728 | 4,685,780 | 67.66% |
| Special Instruction | 66,339,980 | 71,502,436 | 76,146,446 | 6.49% |
| Community Services | 248,311 | 316,307 | 911,110 | 188.05% |
| Instructional Support Services | 16,393,387 | 19,083,224 | 17,366,669 | -9.00% |
| Pupil Support Services | 37,456,457 | 38,887,521 | 41,732,901 | 7.32% |
| Sites & Buildings | 33,355,167 | 38,927,051 | 40,560,763 | 4.20% |
| Other | 18,000 | 28,000 | 22,000 | -21.43% |
| | **$ 307,555,961** | **$ 339,793,897** | **$ 352,505,039** | 3.74% |

# Expenditures by Program



# Unassigned Fund Balance



# Factors

- Enrollment
- Contract Negotiations
- Staffing
- Impacts of:
  - Earned Sick and Safe Time (ESST)
  - Paid Family Medical Leave (effective January 1, 2026)
  - Between Terms (Summer) Unemployment
- Utilities
- Inflation & Tariffs

# Next Steps

- Board approves 2025-26 preliminary budget on June 26, 2025
- Monitor enrollment
- Audit of 2024-25 begins
- Levy work starts in September
- School Board approves levies in December
- Audit presented to School Board
- Begin work on 2026-27 budget

# Questions?