

Park Rapids Area Schools is taking proactive steps to align our budget with current enrollment, state funding, and long term financial realities in the 2025–26 and 2026–27 school years. The Board Presentation below outlines current year financial pressures, projected future challenges, and a two phase plan to right size staffing and operations while preserving student programs and opportunities. The FAQ that follows is intended to answer common questions from parents, staff, and community members and to clarify how and why these adjustments are being made.

[Presentation Link... Board Pres Adjustments 26-27 pdf.](#)

**FAQ:**

**Overall Purpose and Timing:**

**1. Why is the district making budget adjustments now?**

- We are mid year in 2025–26 and projecting a \$547,000 shortfall in the unreserved general fund balance, based on the revised budget the board reviewed in December and the State of the District in January.
- Adjusting now allows us to respond to current year pressures and position the district for much larger projected impacts in 2026–27 and beyond.
- Acting early helps avoid more abrupt, last minute reductions and supports long term financial stability for Park Rapids Area Schools.

**2. What is the main goal of the proposed \$1.2 million in adjustments?**

- The main goal is to align our expenditures with current enrollment and known revenue trends so the district can remain financially stable going into 2026–27 and beyond.
- The \$1.2 million in proposed adjustments is designed to address a projected financial imbalance of more than \$1 million in 2026–27.
- These steps also support rebuilding our general fund balance toward the board’s policy target of two months of operating expenses.

**Current Year (2025–26) Financial Pressures:**

**3. What financial factors are impacting Park Rapids in 2025–26?**

- We are projecting a \$547,000 reduction in the unreserved general fund balance in 2025–26.
- State mandates are exceeding their funding, including costs related to the READ Act, Student Support Personnel Aid, Paid Family Leave, new reporting requirements, special education transportation changes, and Earned Sick & Safe Time.
- Inflation and contract settlements above original assumptions are adding cost pressures beyond current revenue growth.

**4. What are “underfunded mandates,” and how much are they costing us this year?**

- Underfunded mandates are state or federal requirements the district must follow, but for which the funding provided does not cover the full cost of implementation.
- In 2025–26, these mandates are costing Park Rapids about \$203,000 more than we receive, including READ Act implementation, student support personnel, Paid Family Leave, expanded reporting, reduced special education transportation reimbursement, and Earned Sick & Safe Time.

- These costs are mandatory and must be absorbed within our existing general fund resources.

## **Future Year (2026–27 and Beyond)**

### **5. Why is 2026–27 a particular concern for the district?**

- We are projecting a financial imbalance of just over \$1,000,000 in 2026–27, driven by revenue reductions and cost increases that are ongoing rather than one time.
- Key factors include a projected \$590,000 reduction in compensatory revenue, uncertainty around a \$250 million statewide reduction in special education funding, continued special education cross subsidy pressures, and potential summer unemployment insurance costs.
- Without action, these pressures could deplete fund balance further and force larger, more disruptive reductions later.

### **6. What does “right sizing” mean for Park Rapids?**

- Right sizing means aligning staffing and spending levels with our actual enrollment and revenue, rather than with past higher enrollment levels.
- It includes reducing positions and operational costs in measured ways across the district, instead of cutting whole programs.
- The goal is to live within recurring revenues while still maintaining core programming and student opportunities.

## **Enrollment and Revenue**

### **7. How has enrollment affected the budget?**

- Average Daily Membership (ADM) has declined by 188 students from 2021–22 to 2025–26.
- Each student generates a mix of state and local revenue, so fewer students mean less ongoing revenue for the general fund.
- While we expect enrollment to stabilize in 2026–27, the current decline requires us to adjust staffing and spending to match.

### **8. Why doesn’t state aid growth cover our rising costs?**

- The basic state formula increased by 2.75%, but inflation for key costs like utilities has been significantly higher (for example, utilities are up about 12.5% year to date over last year).
- Contract settlements across two years are averaging 7–8%, which is above the funding assumptions built into earlier budgets.
- This gap between revenue growth and cost growth creates a financial imbalance that accumulates over time.

### **9. How have federal and legislative changes affected our revenue outlook?**

- Legislative changes at the state level have created uncertainty in areas such as compensatory revenue and special education funding.
- State forecasts show long term structural pressures, which means districts are advised to proceed cautiously with ongoing spending commitments.

## **Fund Balance and Financial Targets**

**10. What is our fund balance target, and where are we today?**

- Board Policy 712 sets a goal of maintaining an unassigned general fund balance equal to two months of operating expenses.
- As of June 30, 2025, the district was about \$2.94 million below this minimum fund balance target.
- The proposed adjustments are intended to slow and reverse this trend so we can move back toward the board approved standard.

**11. Why can't we just "use reserves" instead of making reductions?**

- Drawing down fund balance may bridge a short term gap but does not solve an ongoing structural imbalance in revenues and expenditures.
- Using reserves to cover recurring costs would push us further below the board's minimum fund balance policy and weaken our ability to respond to emergencies.
- Maintaining a healthy fund balance also supports cash flow and credit worthiness, which ultimately benefits students and taxpayers.

**Staffing, Class Size, and Programs**

**12. Are programs being cut as part of these adjustments?**

- No programs are being eliminated as part of this proposal.
- The adjustments focus on staffing levels and operational efficiencies rather than removing student programs or course offerings.
- Our intent is to protect classroom instruction and student opportunities while aligning staffing with enrollment and revenue.

**13. What is happening in Phase 1 for certified staff?**

- Phase 1 proposes reductions in certified FTE at the High School and Century Elementary, including positions in English, Science, Social Studies/CTE, art/ALC, Physical Education, Math, elementary teaching, and counseling.
- The estimated savings from Phase 1 certified staff adjustments total approximately \$749,747.
- These reductions are being handled through non renewals and unrequested leaves of absence where required by contract and statute.

**14. Why were certified staff notified early?**

- During the January State of the District address, certified staff asked for early notice about potential reductions so they could pursue openings in other districts if needed.
- Early communication respects staff and provides them with more time to plan their professional futures.
- It also supports orderly planning for student schedules and building staffing for 2026–27.

**15. What is Phase 2, and which areas does it affect?**

- Phase 2 focuses on operational and support areas: the district office, transportation, building and facilities, and operations in Century and the high school.
- Proposed Phase 2 savings total about \$512,656 across these operational categories.
- Phase 2 decisions and adjustments will occur in April and May and primarily involve non certified and at will positions.

**16. How will moving from a five section to a four section structure at the high school affect students?**

- Right sizing from five sections to four will increase class sizes in some courses to better match current enrollment.
- Programming, including access to core courses, electives, and activities, will remain intact for students.
- The goal is to maintain student opportunities while staffing at levels that our enrollment and budget can support.

### **How Funds Work (Restricted vs. Unrestricted)**

#### **17. Why can't the district move money from building projects to save classroom positions?**

- School district finances are organized into separate funds, and many of those funds are legally restricted to specific purposes.
- Dollars designated for buildings, long term facilities maintenance, or debt service cannot legally be transferred to pay general fund classroom salaries or daily operating costs.
- General fund dollars must cover instruction and most day to day operations, which is why the current adjustments focus on the general fund.

#### **18. What is the general fund, and how is it different from other funds?**

- The general fund pays for most district operations, including classroom instruction, support services, and many operational costs.
- Other funds, such as building or capital funds, food service, and debt service, are restricted by law and must be spent on specific purposes (for example, facilities, meals, or bond payments).
- We are only adjusting the general fund budget in this plan; restricted funds are not available to solve general fund structural deficits.

### **Future Tools and Options**

#### **19. What "tools in the toolbox" is the district considering for the future?**

- The board is aware of future tools such as an operating referendum to increase local general fund revenue.
- Another option is a Flexible Learning Year (FLY), which could adjust the calendar to better align instructional time and operational costs.
- These are exploratory options; no decisions have been made, and any major change would involve extensive community engagement.

#### **20. Why doesn't Park Rapids have an operating referendum, and why does that matter?**

- Park Rapids Area currently does not have a voter approved operating referendum, so we rely primarily on state aid and basic local revenue for our general fund.
- Many Minnesota districts supplement state aid with an operating referendum, which provides additional per pupil revenue for operating costs.
- The absence of an operating referendum limits our ongoing revenue relative to many peer districts, which contributes to the structural budget pressures we are managing.

### **Staff and Community Impact**

#### **21. How is the district supporting staff who are impacted by these reductions?**

- We are following contract language and statutory requirements for non renewals and unrequested leaves of absence, and we are communicating with affected staff as early and clearly as possible.
- District leadership is available to meet with impacted staff to discuss timelines, benefits, and potential future opportunities.
- Because staffing needs can change due to retirements, resignations, and enrollment shifts, we are committed to recalling staff when possible as positions open.

**22. Will there be opportunities to bring staff back in the future?**

- Yes. Staff numbers change every year due to natural attrition, such as retirements and resignations.
- As enrollment stabilizes and the budget improves, we will look first to previously affected staff when positions become available, consistent with contract provisions.
- Our long term goal is to match staffing to sustainable revenues while preserving a strong, stable team of educators and support staff.

**Process, Timeline, and Community Input**

**23. What is the timeline for these adjustments?**

- Phase 1 (certified staff) decisions are occurring now, in alignment with statutory and contractual timelines for licensed staff.
- Phase 2 (operational areas) adjustments will occur in April and May as we finalize the 2026–27 budget.
- Final budget recommendations will come back to the Board in spring, with continued monitoring and updates as state and federal funding information becomes clearer.

**24. How can parents and community members learn more or ask questions?**

- The full board presentation, including charts and tables, is posted on the district website for public review.
- Community members can contact the district office with questions and attend board meetings.
- We will continue to provide updates as the financial picture evolves and as Phase 2 decisions are finalized.