



Financial Update

2026–27 Preliminary Budget

Kris Blackburn, Director of Business Services

June 11, 2026



Agenda

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



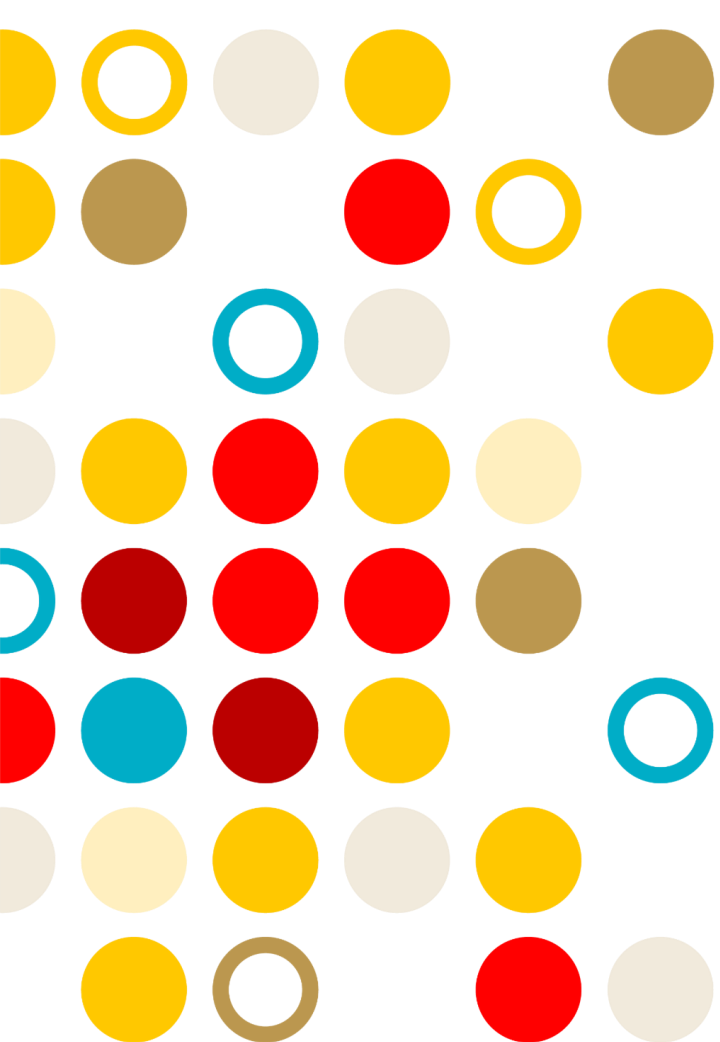
South Washington County Schools Budget



- 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 = The District's savings account
- Unrestricted Fund Balance is 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



General Fund Restricted/Reserved Funds

Include:

- Compensatory Revenue
- English Learner
- Operating Capital
- State-Approved Alternative Programs
- Student Activity Accounts
- Long-Term Facility Maintenance
- Capital Projects
- Safe Schools
- Staff Development
- Alternative Teacher Professional Pay System (ATPPS)





Budget Terms

Restricted/Reserved Funds are also included in the following:

- Food Service Fund
 - Community Service Fund
 - Building Construction Fund
 - Debt Service Fund
 - Custodial Fund
 - Other Post-Employment Benefits (OPEB) Trust Fund
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Budget Note

- Reducing or increasing spending in restricted/reserved funds will not affect the unassigned fund balance
- Spending in restricted/reserved funds is generally constrained by state statute and limited by the targeted revenues of those funds

Tuition Agreements



- For students living outside the state, tuition is **\$13,978.18** for secondary students and **\$11,665.15** 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.

2026 Legislation



- The State Legislature completed its work by the statutory deadline in May.
- This was not a funding year.
- Legislation to note:
 - Approved a constitutional amendment ballot question for this fall
 - Voting yes would increase the Permanent school fund distribution from 2.5% to 4.5%
 - Estimated increase over \$1 million for SoWashCo with no impact on taxpayers

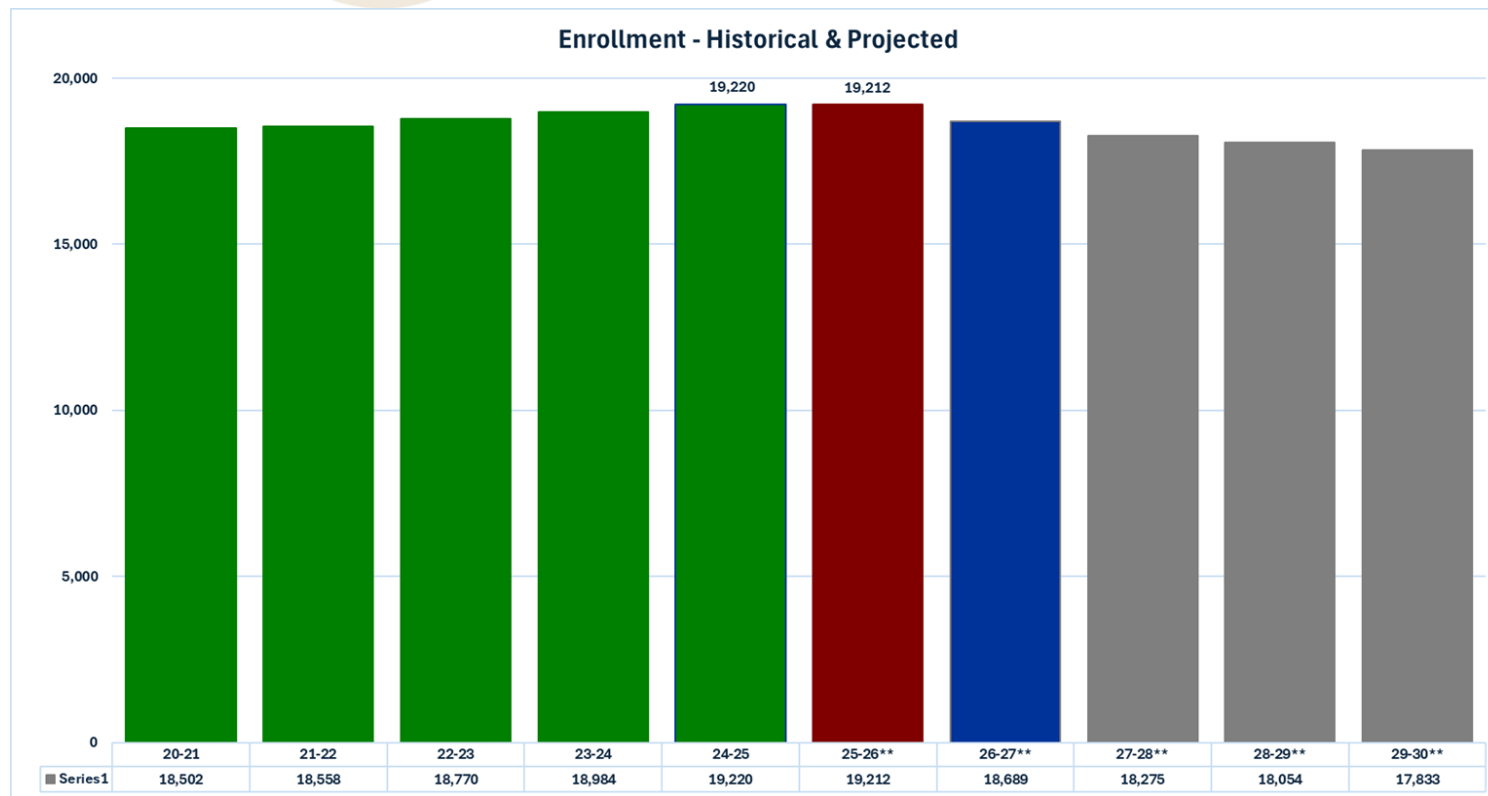
Education Funding in Minnesota

Source	Amount	Percentage
State Aids – Income and Sales Tax, Fees	\$ 257,557,237	71.73%
Local Levies – Property Taxes	\$ 88,283,173	24.59%
Federal Aids – Income Taxes	\$ 5,352,932	1.49%
Other Revenues – Local Participation Fees & Interest	\$ 7,884,700	2.20%
GENERAL FUND TOTAL	\$ 359,078,042	100%

Revenues

	2025 Actual	2026 Revised	2027 Original	% Change
State Aids	\$ 243,118,222	\$ 252,066,854	\$ 257,557,237	2.18%
Local Levies	88,238,517	90,656,794	88,283,173	-2.62%
Federal Aids	5,186,339	5,229,697	5,352,932	2.36%
Other	14,311,106	7,431,650	7,884,700	6.10%
	\$ 350,854,184	\$ 355,384,995	\$ 359,078,042	1.04%

Enrollment Drives the Budget





Revenues – Notes

- Enrollment decrease of 523 students
 - Basic formula increased by 2.69% to \$7,683
 - Special education aid is a major source of state aid (\$70.5 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 \$2,109 per student and increases with inflation each year
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2026-27 Preliminary Budget Summary



	2025 Actual	2026 Revised	2027 Original	% Change
REVENUES				
State Aids	\$ 243,118,222	\$ 252,066,854	\$ 257,557,237	2.18%
Local Levies	88,238,517	90,656,794	88,283,173	-2.62%
Federal Aids	5,186,339	5,229,697	5,352,932	2.36%
Other	14,311,106	7,431,650	7,884,700	6.10%
	\$ 350,854,184	\$ 355,384,995	\$ 359,078,042	1.04%
EXPENDITURES				
Salaries	\$ 187,673,946	\$ 194,289,466	\$ 202,639,919	4.30%
Benefits	71,267,539	79,644,843	86,050,960	8.04%
Services	44,381,210	46,231,999	49,546,440	7.17%
Supplies	14,097,052	14,692,367	12,111,362	-17.57%
Capital	18,301,390	20,470,088	15,148,839	-26.00%
Other	5,440,208	1,477,255	1,593,222	7.85%
	\$ 341,161,345	\$ 356,806,018	\$ 367,090,742	2.88%
NET	\$ 9,692,839	\$ (1,421,023)	\$ (8,012,700)	

Budget Highlights



- Revenues increased by 1.04%
- Expenditures increased by 2.88%
- Net reduction to fund balance of \$8 million
- Student centered expenses increase of 4.0%
 - Classroom Instruction, Special Education, Student Support
- Instructional Support expenses increase of 15.5%
- Sites and buildings decrease in expenses of 8.9%
- Administration and District Support expenses increase of 0.6%

2026-27 Expenditures by Type

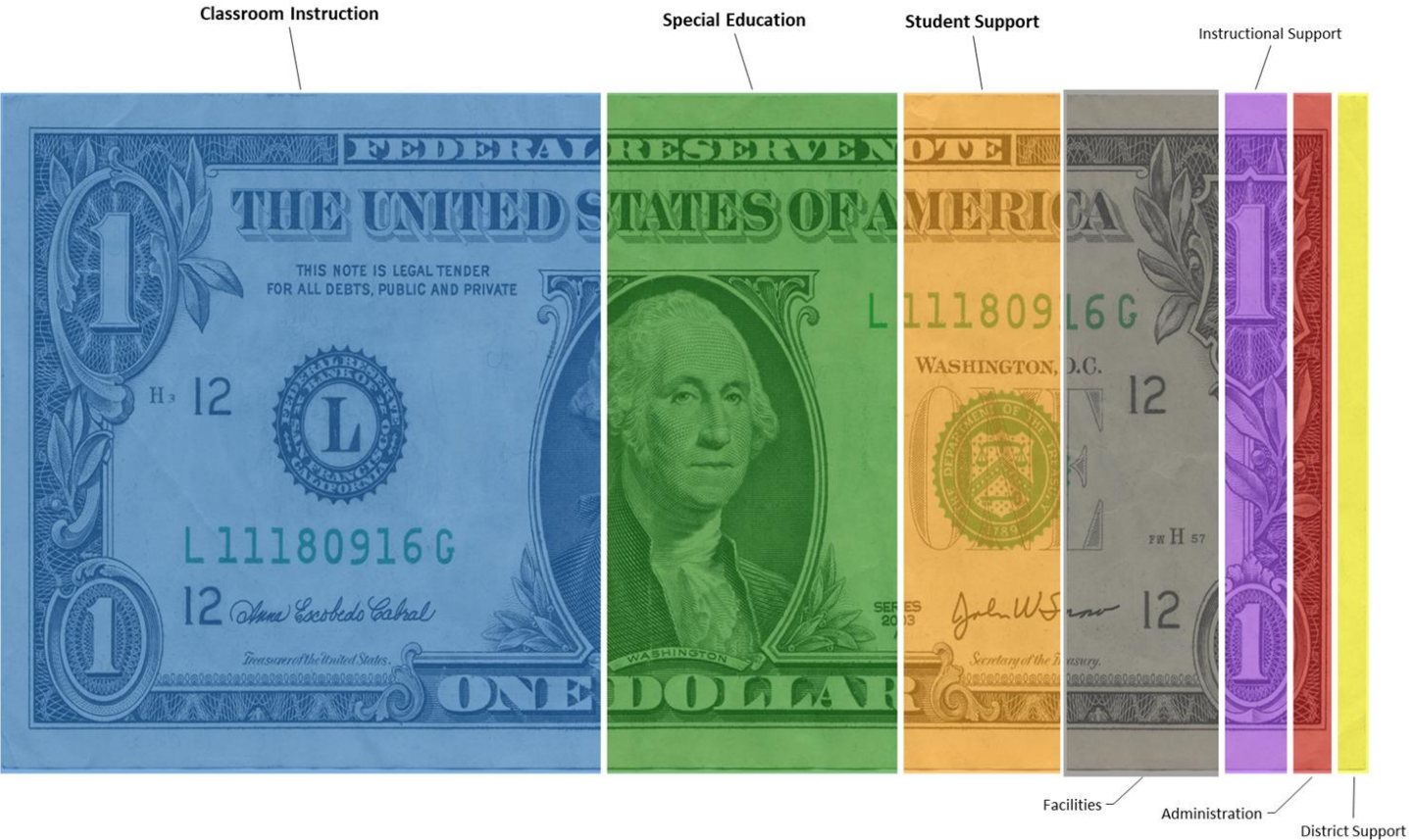
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Services	44,381,210	46,231,999	49,546,440	7.17%
Supplies	14,097,052	14,692,367	12,111,362	-17.57%
Capital	18,301,390	20,470,088	15,148,839	-26.00%
Other	1,651,170	1,477,255	1,593,222	7.85%
	\$ 337,372,307	\$ 356,806,018	\$ 367,090,742	2.88%

2026-27 Expenditures by Program

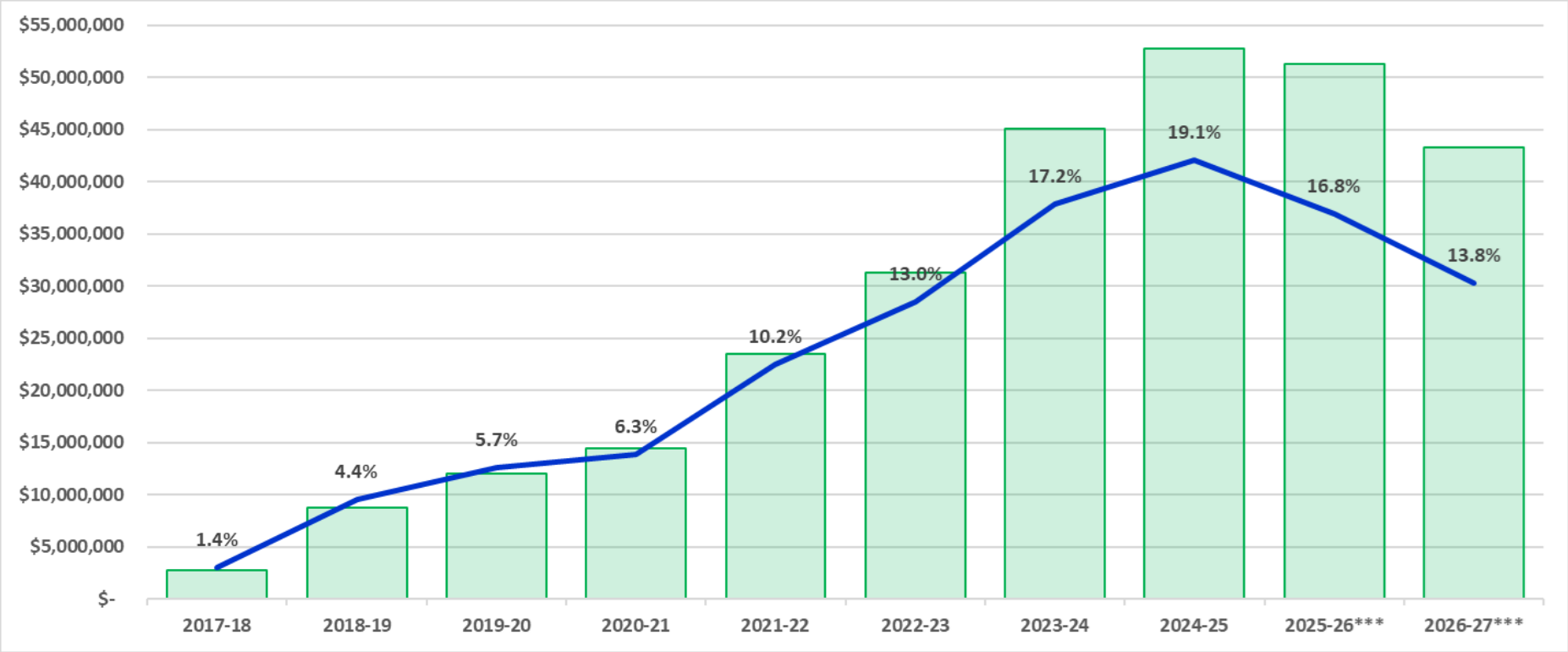


	2025 Actual	2026 Revised	2027 Original	% Change
Classroom Instruction	\$ 149,338,436	\$ 158,635,064	\$ 162,050,591	2.15%
Special Instruction	72,360,289	75,661,018	80,570,754	6.49%
Pupil Support	39,497,177	44,631,059	47,358,894	6.11%
Facilities	38,351,086	40,271,099	36,700,866	-8.87%
Instructional Support	18,702,417	17,369,126	20,054,205	15.46%
Administration	11,493,260	11,683,210	12,147,981	3.98%
District Support	11,418,680	8,555,442	8,207,451	-4.07%
	\$ 341,161,345	\$ 356,806,018	\$ 367,090,742	2.88%

Expenditures by Program



Unassigned Fund Balance



*** Estimate

Factors

- Enrollment
 - Contract Negotiations
 - Staffing
 - Inflation and Tariffs
 - Utilities
 - Impacts of:
 - Between Terms (Summer) Unemployment
 - Minnesota Paid Leave
 - Earned Sick and Safe Time (ESST)
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Next Steps

- Board approves 2026-27 preliminary budget on June 25, 2026
 - Monitor enrollment
 - Audit of 2025-26 begins
 - Levy work starts in September
 - School Board approves levies in December 2026
 - Audit presented to School Board in January 2027
 - Begin work on 2027-28 budget
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Questions?