SCHOOL DISTRICT 197

West St. Paul + Mendota Heights + Eagan Area

Fiscal Year 2026-27 Budget Presentation

June 1, 2026

Presented by Brian Schultz, Director of Finance

Agenda

- Background information
- General fund budget assumptions
- Present FY27 recommended budgets
- Questions

Background Information

School District 197

The Budget Reality

School districts nationwide are navigating an unprecedented fiscal environment where traditional funding models no longer align with operational realities.

Rising Operational Costs:

- Inflation continues to drive up costs across all categories: salaries, benefits, transportation, utilities, and insurance premiums are all increasing significantly.
- While the budget will grow next year in absolute dollars, inflation means our actual purchasing power is declining.

State Funding Gap:

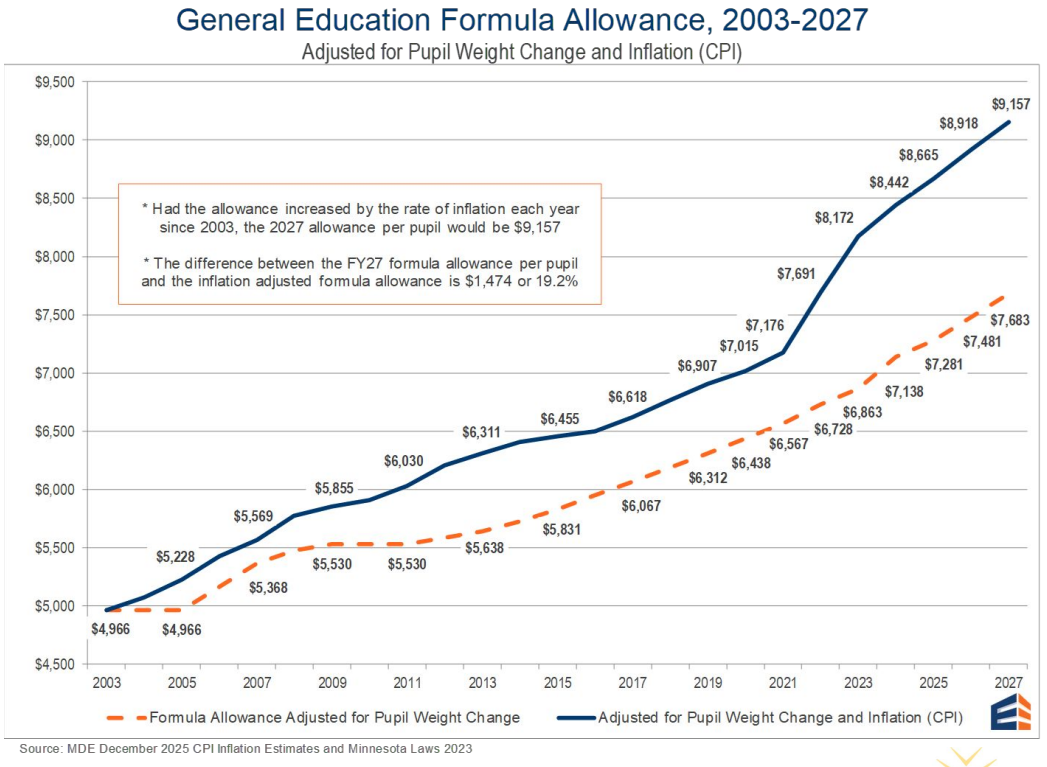
- State funding has not kept pace with inflation or the true cost of delivering quality education over time, creating a structural imbalance.

Regional Trend:

- Many districts across our region and state are facing similar challenges, making this a shared challenge requiring thoughtful, strategic responses.

When the formula doesn't keep pace with inflation

GenEd Formula Allowance if adjust by inflation since 2003:	$9,157
FY27 Actual GenEd Formula Allowance:	$7,683
Difference per pupil:	**$1,474**
FY27 Revised Enrollment Projection:	5,661
FY27 Actual GenEd Formula Allowance:	$7,683
Estimated Gen Ed Aid Formula Allowance:	**$43,493,463**
FY27 Revised Enrollment Projection:	5,661
GenEd Formula Allowance if adjust by inflation since 2003:	$9,157
Estimated Gen Ed Aid (if kept pace with inflation):	**$51,837,777**
Estimated Gen Ed Aid (if kept pace with inflation):	$51,837,777
Estimated Gen Ed Aid Formula Allowance:	$43,493,463
FY27 additional $ for WSP if the state kept pace with inflation:	**$8,344,314**



Source: MDE December 2025 CPI Inflation Estimates and Minnesota Laws 2023

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Government Fund Structure

General Fund

Used to account for the general operations of the school district. This fund includes salaries and benefits for teachers, principals, custodians, administrative support staff, paraprofessionals, and administrators, costs of supplies, textbooks, contracted services, utilities, repairs, and equipment. This fund is also used for long-term facilities maintenance (LTFM) projects of less than $2,000,000 per site and for the capital projects (technology) levy.

Food Service Fund

Used for all expenditures related to operating the district's cafeterias, including food, salaries, benefits, supplies, and equipment. Food Service revenues come primarily from state and federal aid for meals served that qualify for reimbursement along with some revenue coming from the sale of meals to students and adults.

Community Services Fund

Used for expenditures related to community education programs such as Early Childhood Family Education, Adult Basic Education, youth enrichment classes, and Community Education Programs. Community Services revenue primarily comes from fees charged for the programs, state aid, and property tax revenue dedicated to community services.

Building Construction Fund

Used for expenditures of major building projects. Proceeds from the sale of bonds authorized in an election or against lease levy authority are tracked in this fund. This fund is also used for long-term facilities maintenance projects exceeding $2,000,000 per site.

Debt Service Fund

Used to accumulate and account for resources that fund principal and interest payments on bonds sold to finance construction. These are akin to a homeowner's payments on a mortgage.

Why is this information important?

Understanding the fund structure is important because, with very few exceptions, money cannot be transferred from one fund to another. For example, raising a la carte prices or School-Age Care tuition is not a solution to a shortfall in the General Fund. Similarly, the resources of the Debt Service Fund or the Building Construction Fund cannot be used to pay teacher salaries.

Fund Balance Categories

Restricted

Legal constraints of how funds are used

- Operating Capital
- Capital Projects Levy
- Long Term Facility Maintenance (LTFM)
- Staff Development
- Food Service Program

Non-spendable

Not in spendable form or legal requirement

- Prepaid items
- Inventories

Assigned

District has determined a specific purpose

Unassigned

Most flexible fund balance

- Basis for Statutory Operating Debt (SOD)
- The balance most widely referred to by individuals

Unrestricted

Combination of Assigned and Unassigned

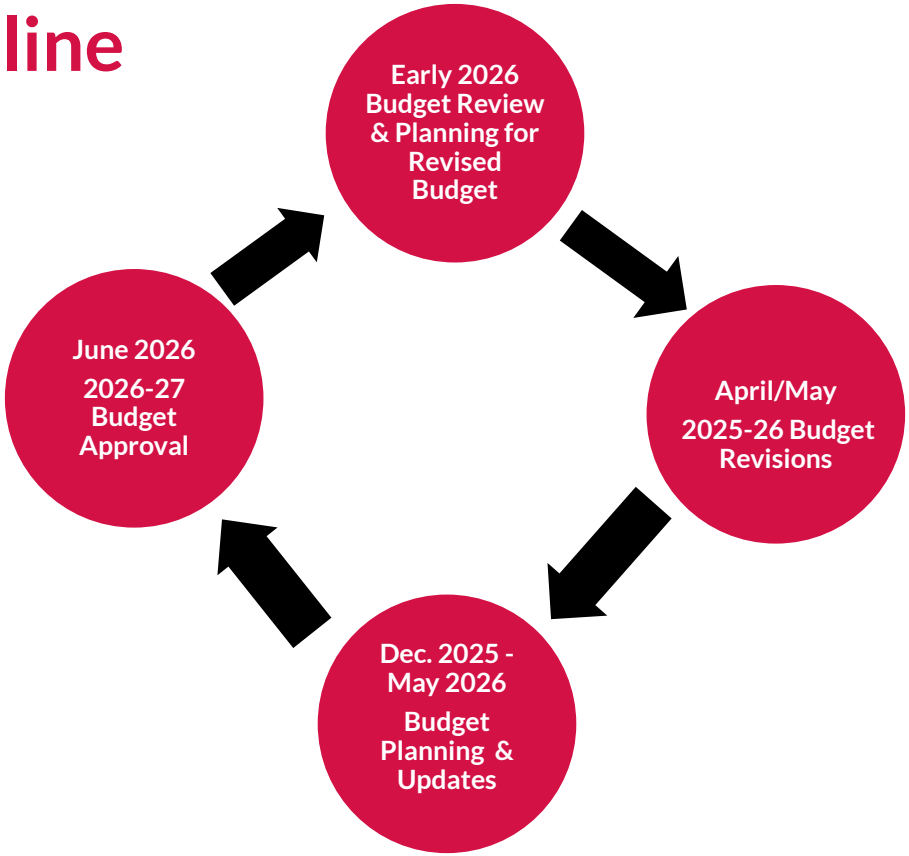
Fund Balances

General Fund Information:

Maintaining a prudent fund balance is vital for district stability and is a key factor for bond rating agencies when assessing credit ratings for debt issuances. The district's policy targets an unassigned fund balance of 8% of total operating expenditures. This balance acts as the district's "savings account." Unforeseen events that may require using the unassigned fund balance include:

- Enrollment fluctuations
- Unanticipated price increases for essential purchases (e.g., fuel, utilities, transportation)
- State or federal aid reductions
- Property tax delinquencies and abatements
- National or worldwide events
- Unforeseen public health emergencies or severe weather/natural disasters

Budget Timeline



General Fund Budget Assumptions

(Fund 01)

School District 197

FY2026-27 Revenue Projection information

Enrollment:

- Used 5,099 ADM's (5,680 APU's) for FY2025-26 Revised Budget (K-12)
- Used 5,086 ADM's (5,661 APU's) for FY2026-27 Original Budget (K-12)
- Enrollment Note: Increases or decreases in enrollment affect costs of staffing/materials depending on the grades and locations of the enrollment changes.

State Aid: Formula Allowance :

- 2.74% in FY2025-26
  - $7,281 PPU to $7,481 PPU for FY2025-26 ($200 increase)
  - Roughly 39% of the estimated revenue budget (total state aid is approx. 70.9%)
- 2.69% in FY2026-27
  - $7,683 PPU which is an increase of $202
  - Roughly 40% of the estimated revenue budget (Total state aid is approx. 71.3%)

Levy/Local Property Taxes:

- FY2025-26 :
  - Estimated to be roughly 24.3% of the revenue budget
- FY2026-27:
  - Estimated to be about 23.9% of the revenue budget

Revenue and Fund Balance Projection information

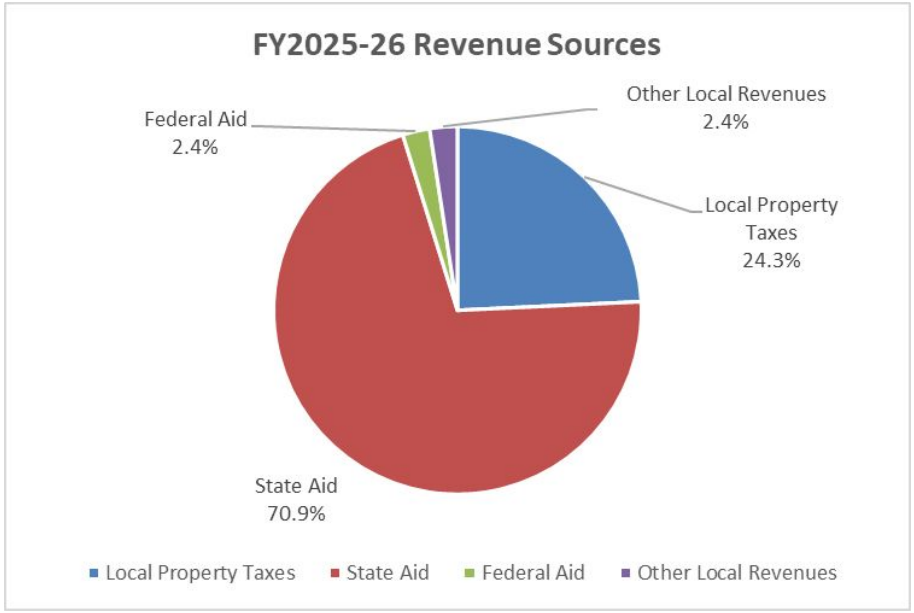
Special Education Revenue

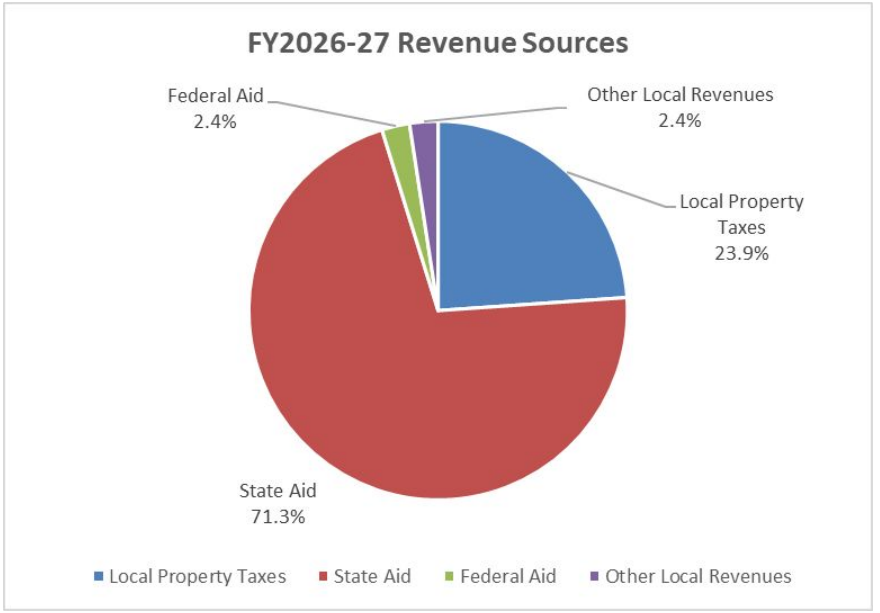
- Cross-subsidy at roughly 75% reimbursement, which means the general fund pays for $250 of every $1000 spent.
- We expect more revenue, but it is a result of more costs.
- We have seen an increase in Special Education state aid by utilizing Federal revenue for tuition bills

Fund Balances

- The projections presented assume full utilization of restricted funds.
- Should we not be able to fully utilize our restricted funds, some of the projected unassigned fund balance would move/remain in the restricted fund balances.

General Fund FY2025-26 Revised & FY2026-27 Revenue Sources *(projected)*





FY2026-27 Expenditure Projection Information

Salaries & Benefits:

- Salaries: Per settled contracts for FY27 and estimated parameters for unsettled contracts.

Special Education:

- We are continuing to see increases in expenditures in this area, which is consistent from what other districts around the state are experiencing.
- Legislation has reduced the percentage of special education costs we pay out of the general fund. However, given much higher costs, the actual dollar amount of the cross subsidy continues to rise.
- Federal dollars to pay tuition bills to help offset some of the increases.

Cost Containment:

- $2.5 million in reductions. Classroom and direct student instruction remain our top priority. Budget adjustments were strategically directed away from core instructional areas. These are strategic ongoing reductions designed to ensure financial sustainability.

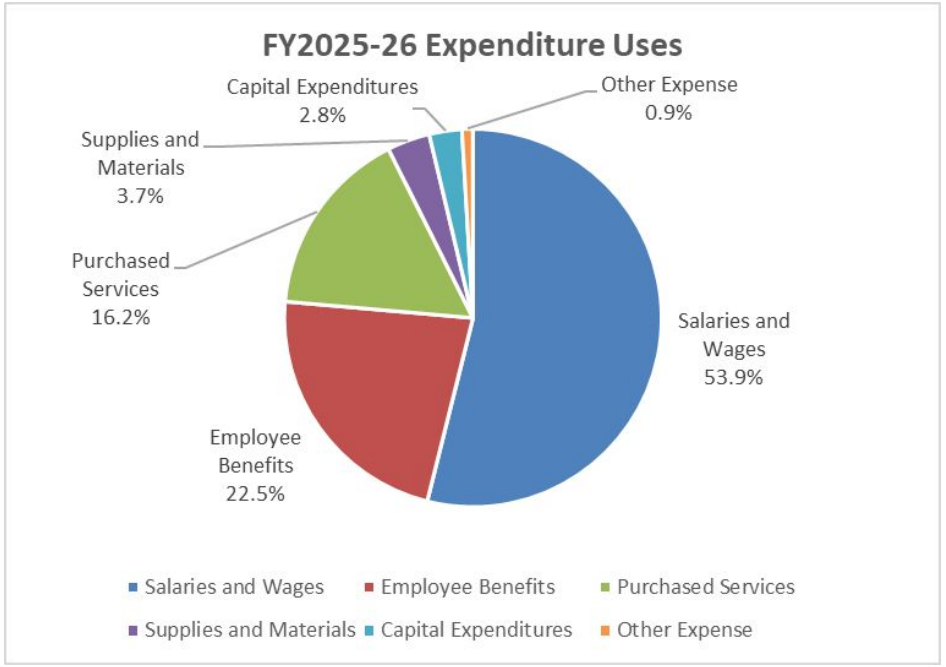
Class Size Protection:

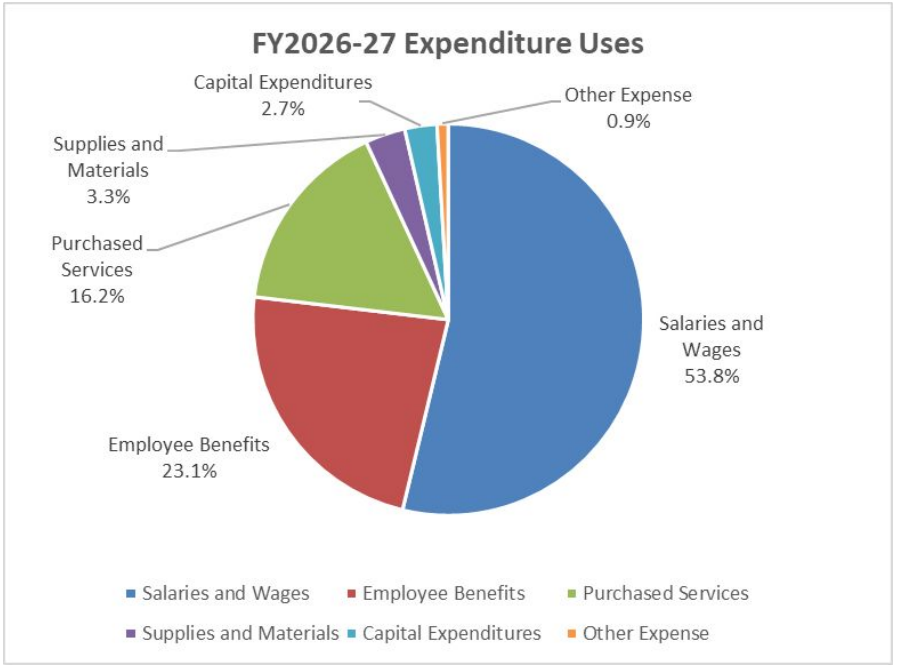
- Class size parameters remain unchanged. This was a clear priority for the district and in the feedback we received.

Other Considerations:

- Paid Family Leave: Began in January 2026 so only half of the impact will be felt in FY26 but full effect in FY27. We may need to increase substitute costs in a revised budget after we analyze year end costs for this year and increases in leaves for next year.

General Fund 2025-26 Revised & FY2026-27 Expenditures Uses *(projected)*





Recommended Budgets

FY27 Original Budgets

FY27 General Fund Original Budget (Fund 01)

	2025-26 Revised Budget	Change $	Change %	2026-27 Original Budget	% of Overall 2026-27 Original Budget
Revenues					
Local Property Taxes	$ 26,888,699	$ (257,670)	-1.0%	$ 26,631,029	23.9%
State Aid	78,640,531	784,285	1.0%	79,424,816	71.3%
Federal Aid	2,649,671	4,629	0.2%	2,654,300	2.4%
Other Local Revenues	2,693,215	2,785	0.1%	2,696,000	2.4%
Total Revenues	$ 110,872,116	$ 534,029	0.5%	$ 111,406,145	100.0%
Expenditures					
Salaries and Wages	$ 58,894,527	$ 665,176	1.1%	$ 59,559,703	53.8%
Employee Benefits	24,557,499	1,016,684	4.1%	25,574,183	23.1%
Purchased Services	17,718,549	257,996	1.5%	17,976,545	16.2%
Supplies and Materials	3,995,637	(318,267)	-8.0%	3,677,370	3.3%
Capital Expenditures	3,054,858	(101,000)	-3.3%	2,953,858	2.7%
Other Expense	1,024,065	1,076	0.1%	1,025,141	0.9%
Total Expenditures	$ 109,245,135	$ 1,521,665	1.4%	$ 110,766,800	100.0%
Budget Surplus (Deficit)	$ 1,626,981			$ 639,345	
Fund Balance					
Beginning of Year	$ 5,425,738			$ 7,052,719	
Restricted	3,091,673			2,744,246	
Unassigned	3,961,046	3.9% of operating exp.		4,947,818	4.8% of operating exp.
Ending of Year	$ 7,052,719			$ 7,692,064	

FY27 Food Service Fund Original Budget (Fund 02)

	2025-26 Revised Budget	Change $	Change %	2026-27 Original Budget	% of Overall 2026-27 Original Budget
Revenues					
Lunch Sales	$ 156,300	$ 50,900	32.6%	$ 207,200	4.1%
State Aid	2,246,000	(3,000)	-0.1%	2,243,000	44.4%
Federal Aid	2,595,000	(32,000)	-1.2%	2,563,000	50.8%
Other Local Revenues	18,000	15,000	83.3%	33,000	0.7%
Total Revenues	$ 5,015,300	$ 30,900	0.6%	$ 5,046,200	100.0%
Expenditures					
Salaries and Wages	$ 1,429,135	$ 102,099	7.1%	$ 1,531,234	29.5%
Employee Benefits	614,352	50,810	8.3%	665,162	12.8%
Purchased Services	389,150	(96,850)	-24.9%	292,300	5.6%
Supplies and Materials	2,413,950	(25,975)	-1.1%	2,387,975	46.0%
Capital Expenditures	85,000	228,000	268.2%	313,000	6.0%
Other Expense	1,600	600	37.5%	2,200	0.0%
Total Expenditures	$ 4,933,187	$ 258,684	5.2%	$ 5,191,871	100.0%
Budget Surplus (Deficit)	$ 82,113			$ (145,671)	
Fund Balance					
Beginning of Year	$ 848,918			$ 931,031	
End of Year	$ 931,031			$ 785,360	

FY27 Community Education Fund Original Budget (Fund 04)

	2025-26 Revised Budget	Change $	Change %	2026-27 Original Budget	% of Overall 2026-27 Original Budget
Revenues					
Local Property Taxes	$ 1,170,828	$ (6,249)	-0.5%	$ 1,164,579	19.1%
State Aid	1,665,142	113,818	6.8%	1,778,960	29.2%
Fee Revenue	2,852,363	75,242	2.6%	2,927,605	48.0%
Other Local Revenues	84,250	137,600	163.3%	221,850	3.6%
Total Revenues	$ 5,772,583	$ 320,411	5.6%	$ 6,092,994	100.0%
Expenditures					
Salaries and Wages	$ 3,349,380	$ 53,167	1.6%	$ 3,402,547	54.6%
Employee Benefits	1,165,833	26,118	2.2%	1,191,951	19.1%
Purchased Services	921,298	330,519	35.9%	1,251,817	20.1%
Supplies and Materials	378,300	(7,584)	-2.0%	370,716	6.0%
Capital Expenditures	17,365	(8,365)	-48.2%	9,000	0.1%
Other Expense	3,410	89	2.6%	3,499	0.1%
Total Expenditures	$ 5,835,586	$ 393,944	6.8%	$ 6,229,530	100.0%
Budget Surplus (Deficit)	$ (63,003)			$ (136,536)	
Fund Balance					
Beginning of Year	$ 981,559			$ 918,556	
End of Year	$ 918,556			$ 782,020	

FY27 Debt Service Fund Original Budget (Fund 07)

	2025-26 Revised Budget	Change $	Change %	2026-27 Original Budget	% of Overall 2026-27 Original Budget
Revenues					
Local Property Taxes	$ 11,850,687	$ (149,899)	-1.3%	$ 11,700,788	99.9%
Other Revenues	10,000	-	0.0%	10,000	0.1%
Total Revenues	$ 11,860,687	$ (149,899)	-1.3%	$ 11,710,788	100.0%
Expenditures					
Bond Principal	$ 5,950,000	$ 830,000	13.9%	$ 6,780,000	57.7%
Bond Interest	5,543,807	(576,534)	-10.4%	4,967,273	42.3%
Other Expense	6,000	-	0.0%	6,000	0.1%
Total Expenditures	$ 11,499,807	$ 253,466	2.2%	$ 11,753,273	100.0%
Budget Surplus (Deficit)	$ 360,880			$ (42,485)	
Fund Balance					
Beginning of Year	$ 2,284,646			$ 2,645,526	
End of Year	$ 2,645,526			$ 2,603,041	

Factors that could decrease projection accuracy

- Changes in student enrollment
- Changes in student needs/programming
- Changes in reimbursement calculations
- Legislative changes
- Uncertainty at the federal level for future funding
- Unfunded Mandates - Waiting to see the actual impacts of the Summer Unemployment & Paid Family Leave
- Current and future staff negotiations



Questions?