

**BEMIDJI AREA SCHOOLS
BEMIDJI, MINNESOTA**

DATE: MAY 18, 2015
TO: BOARD OF EDUCATION, BEMIDJI SCHOOL DISTRICT #31
FROM: CHRIS J. LEINEN, DIRECTOR OF BUSINESS SERVICES
SUBJECT: BUDGET PROJECTION 2015-2016
COMMENTS:

Attached is a Budget Report for 2015-16. This is part of our five year projection model which builds on actual audited data from 2013-14 and our adopted budget from 2014-15.

Projections for 2015-16 incorporate assumptions derived from several sources. These sources include the State Legislature, local county birth rates, historical contract settlements and market driven inflation rates. The assumptions incorporated into this model are as follows:

Enrollment is derived from our projection model and incorporates a higher birth class than the prior year as well as a more aggressive open enrollment acceptance strategy. Our K-12 enrollment is projected to increase by 27 students. This figure will become more final in October when we submit our actual seat counts to the Minnesota Department of Education. October enrollment drives many of the funding formulas for cash flow purposes. There is an adjustment the following year to recognize and account for changes throughout the school year. This final number is called Average Daily Membership or "ADM". ADM is the true basis for our state funding but we will not finalize this number until December of 2016, six months after the budget year is over. This "lag" in funding finality is one reason why a fund balance is necessary.

Budgeted Revenue is projected to increase by \$1,635,488 for next year to \$58,896,888.

This is based on three main factors. The board approved Local Option Revenue in the 2014 levy and these funds (\$950,000) will come to the district in 2015. Enrollment is projected to increase by 27 students. (\$200,000) The Basic Formula allowance is projected to increase by 1% or \$59 per pupil unit, from \$5,889 to \$5,948. (\$400,000)

Budgeted Expenses are projected to increase by \$391,778 to \$58,645,798 for next year.

This change is due to a combination of factors. Basic inflation is assumed to be 2.25% on salaries and wages; 1.75% on benefits and 1.25% on operational costs. Staffing and budgetary reductions approved in April have been incorporated to help offset the structural imbalance in the 2014-1015 operating budget and to bring expenses more in line with projected revenues. Some of these reductions have a reoccurring effect and some are one time only. Those that are one time, such as text books, buses and parking lots will need to be more permanently addressed again in 2016-2017.

The spending variance is currently projected to be a deficit of (\$48,910.00).

