

2026-2027 SCHOOL YEAR BUDGET DEVELOPMENT ASSUMPTIONS/PARAMETERS

<u>Assumption/Parameter</u>	<u>Proposed Assumptions/Parameter Details</u>
Student Enrollment	The district will continue to project enrollment based on current enrollment numbers, historical data for student/grade progression, the most recent census information, and projections from other sources, while continuing to be aware of additional relevant factors. FORECASTING WILL BE CONSERVATIVE, BUT REALISTIC, IN PROJECTING STUDENT ENROLLMENT FOR 2026-2027.
Fund Balance	The overall general fund balance has had slow growth over the past two years increasing by 8.4 percent. The unrestricted general fund has shown a decline over the past year of 25% ending the 2025 fiscal year at 5.53%. The district's FUND BALANCE POLICY indicates an unassigned general fund balance of two months expenses, approximately 15%. This means prioritizing a BALANCED BUDGET and CONTINUED UNASSIGNED FUND BALANCE GROWTH.
Staffing	STAFFING LEVELS WILL BE DETERMINED TO ALIGN WITH ENROLLMENT and appropriate class sizes. Priority will be given to REDUCING KINDERGARTEN AND 1ST GRADE CLASS SIZE. Negotiations concluded with a 2% (FY25) and 2%(FY26) salary increases for teachers resulting in an overall package cost of 8.55% over 2 years. An affordable care act (ACA) adjustment for 9 and 12 month employees INCREASED MONTHLY INSURANCE CONTRIBUTIONS FROM \$625/MO TO \$725/MO to assure COMPLIANCE WITH ACA. This adjustment was RETROACTIVE TO JULY 1, 2025. We have incorporated a reasonable cost-of-living adjustment and insurance contribution for other staff into the preliminary budget. THE DISTRICT WILL CONTINUE TO BE DILIGENT IN NEGOTIATING FAIR AND EQUITABLE CONTRACTS WITH OUR BARGAINING UNITS AND INDIVIDUALS.
Inflation	The district will include a 3.5% INFLATION RATE based on information from multiple sources, and other expenses may be adjusted higher or lower than 3.5% during a LINE-BY-LINE ANALYSIS OF EXPENSES.
State Funding	The 2024 Legislature provided schools with an annual CPI index formula increase of 2-3%. This resulted in a 2.69% INCREASE ON THE GENERAL EDUCATION FORMULA ALLOWANCE FOR 2026-2027. A 2.69% INCREASE ON THE FORMULA ALLOWANCE WOULD RESULT IN APPROXIMATELY AN ADDITIONAL \$32,028 AID.

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<u>Parameter Area</u>	<u>Proposed Parameter Details</u>
Employee Retirement	The TRA district contribution INCREASED TO 9.81% on July 1, 2025. The district contribution rate for PERA REMAINS THE SAME [7.5%] as previous years. The district contribution to MN PAID FAMILY LEAVE was added on Jan 1, 2026 at a current rate of .39% .
Long Term Facilities Maintenance Planning	Long Term Facilities Maintenance (LTFM) revenue provides support for different deferred maintenance areas and facility needs. THE DISTRICT ANNUALLY RECEIVES APPROXIMATELY \$234,536 LTFM FUNDING. A SIGNIFICANT PORTION OF THAT FUNDING WILL BE USED FOR DEBT SERVICE PAYMENTS ON PREVIOUS PROJECTS AND MAINTENANCE. Selecting projects to potentially utilize remaining Long-Term Facilities Maintenance revenue for facility needs will be coordinated through the Facilities and Finance Committee and presented to the School Board for their consideration using the 10-year LTFM expenditure plan.
Special Education Funding	There is not a reliable Special Education Aid projection model available for use in budgeting. Consequently, estimating revenue for this component of the district’s budget continues to be a “work in-progress” and predictability of future funding is a challenge. The State of MN initiated a Blue Ribbon Commission on Special Education tasked with reducing special education expenditures by \$250 million. The uncertain status of this funding model makes it challenging to project what our 2026-2027 funding levels will be; consequently, the district will USE ALL INFORMATION AND RESOURCES AVAILABLE TO TAKE A MEASURED APPROACH IN THE 2026-2027 PRELIM BUDGET.
Overall Budgeting Priorities	On a [very] preliminary basis, the DISTRICT WILL LIKELY PROJECT A LIMITED SURPLUS BUDGET – and subsequent increase in the general fund – for the 2026-2027 school year. As the preliminary budget is created, many additional factors – including [but not limited to] those listed below – will need to be considered and may impact this preliminary outlook: <ol style="list-style-type: none"> 1) A NEED TO BE OR REMAIN COMPETITIVE IN A CHALLENGING LABOR MARKET. 2) ENROLLMENT FLUCTUATIONS, BOTH OVER THE SUMMER AND DURING THE SCHOOL YEAR. 3) LONG-RANGE PROGRAMMING AND FACILITIES PLANNING. 4) NEEDS IDENTIFIED THROUGH BUDGET PLANNING AND REVIEW DISCUSSIONS AND DECISION MAKING. 5) RISING COSTS OF UTILITIES AND FOR OTHER ‘TANGIBLE’ ITEMS DUE TO SIGNIFICANTLY-HIGH INFLATION. 6) STUDENT PROGRAMMING AND STAFFING CHANGES BASED ON PROJECTED ENROLLMENT. 7) THE ONGOING POTENTIAL UNFUNDED MANDATES RESULTING FROM THE 2026 LEGISLATIVE SESSION.