
MEMORANDUM

TO: Keevin O'Neill, Superintendent
Members of the Board of Education

FROM: Stephen Goss, Assistant Superintendent

DATE: June 9, 2025

RE: 2024-2025 June Amended Budget
2025-2026 Preliminary Budget


Attached for your review are the proposed amendments to the 2024-2025 budgets along with the preliminary budgets for 2025-2026.

The proposed General Fund amendment includes significant revisions to both revenues and expenditures, the net effect of which results in an improvement to the projected final budget, as detailed below.

June Amendment to the 2024-2025 General Fund Budget:

The General Fund is projected to end the year with a shortfall of revenues under expenditures of approximately \$0.6 million, a slight improvement compared to the originally budgeted shortfall of approximately \$0.77 million. This slight improvement is the net effect of significant revisions to projected revenues and expenditures, as summarized in following tables:

Changes to revenue assumptions (2024-2025):

	Increase (decrease)
Local sources of revenue	40,000
State sources of revenue:	
MPSERS - 147g (3% health contribution refund)	300,000
MPSERS - 147c (UAAL funding)	442,000
Deferred revenue recognized in current year (Secs. 22I and 27I)	417,000
Declining enrollment funding	259,000
Adjustment to prior year special ed funding	184,000
Addintional categorical funding (primarily Secs. 23g, 35a)	370,000
Total projected increase in state funding	 \$ 1,972,000
Federal sources of revenue - routine revisions	(9,000)
Other revenue - primarily special education funding	239,000
Total projected increase in revenues	2,242,000

Total general fund revenues are

Changes to expenditure assumptions (2024-2025):

Description	Increase (decrease)
Employee compensation costs:	
Salaries, FICA, MPSERS:	
Increase in projected salary costs, inc. FICA and MPSERS	\$ 641,000
MPSERS Sec. 147g and sec. 27I - paid as compensation	455,000
Increase in Sec. 147c (UAAL funding)	442,000
Total projected increase to salaries, FICA, and MPSERS	1,538,000
Other fringe benefits, net	88,000
Total projected increase to employee compensation	1,626,000
Non-compensation costs:	
Instruction, instructional support, and pupil support functions	134,000
Non-instructional functions	317,000
Total projected increase in non-compensation costs	451,000
Total projected increase in general fund expenditures	\$ 2,077,000

As demonstrated above, total general fund expenditures are projected to increase by approximately \$2.08 million. Of this amount, approximately 78%, or \$1.63 million is related to employee compensation costs. Of that amount, approximately \$0.9 million resulted from legislative activity, including the reimbursement of required post-retirement healthcare contributions (Sec. 147g), one-time payments related to a prior year state categorical grant intended to raise educator compensation (Sec. 27I), and in increase in the amount of funding under Sec. 147c to reduce the unfunded accrued actuarial liability of the state's pension fund. These increased expenditures are largely offset by specific sections of the current year school aid budget. Approximately \$641,000 of increased compensation costs represents increased salary costs due to a combination of additional employee headcount and the results of collective bargaining, including the costs of payroll taxes, retirement contributions, and workers comp.

The revision to projected non-compensation costs (services, supplies, capital outlay, and other) totals approximately \$451,000, or roughly 6.4% of the original budget. That increase is attributable to a combination of grant-related purchasing as well as rising costs.

Proposed 2025-2026 Preliminary General Fund Budget:

The preliminary 2025-2026 General Fund budget is based on significant assumptions, including the following:

Revenues: Total General Fund revenues are projected to decrease slightly from \$38.7 million in 2024-2025 to \$38.5 million in 2025-2026, representing a decrease of approximately 0.5%.

- **Enrollment:** Total enrollment is projected to decline by 16 students, with an estimated blended pupil count of 2,540.
- **Foundation Allowance:** The proposed budget assumes a foundation allowance of \$10,000; representing an increase of \$392 or approximately 4.1%. This is in line with current proposals outlined by the Governor and the Senate. At the projected enrollment levels, this results in approximately \$1.0 million of additional foundation allowance revenue. Net of the projected enrollment decline, total foundation allowance revenue (which is reflected in both local and state revenues) is projected to increase by \$0.85 million.
- **MPERS related funding and expenditures:** Total MPERS related revenue and expenditures are projected to be \$4.2 million and \$7.9 million, respectively. These amounts represent reductions to both revenues and expenditures of approximately \$0.35 million and \$0.1 million, respectively. The primary components of these changes are outlined below:
 - Sec. 147g funding, and the related costs of refunding employee contributions to the retirement health plan, resulting in a reduction to projected revenues and expenditures of approximately \$0.3 million. This reduces both revenues and expenditures.
 - Section 147c funding is projected to increase by approximately \$0.6 million to \$2.8 million. This increases both revenues and expenditures.
 - Sec 147a(4) funding received in 24-25, enacted by the legislature in lieu of an increase to per-pupil funding levels, is not expected in 2025-2026, reflecting a loss of approximately \$1.0 million. This reduces revenue.
 - Related to the discontinuation of Sec. 147a(4) funding, the net employer rate, excluding Sec. 147c, is projected to decline by approximately 3.5%. However, because the revised rates are effective on October 1, the full year impact of those savings is estimated to be closer to 2.8%. Based on projected payrolls for next year, this reduced rate is estimated to provide approximately \$0.55 million in savings compared to the current rates. This reduces expenditures.
 - Other MPERS-related funding, including Secs. 147a and 147e: These amounts have been increased by approximately \$0.35 million in anticipation of additional funding to at least partially offset the loss of Sec. 147a(4) funding and the savings provided by reduced rates. This increases revenues.
 - Projected increases to salaries results in approximately \$0.15 million of additional MPERS costs. This increases expenditures.
- **Other state categorical funds:** The proliferation of categorical grants in recent years, combined with the lack of legislative clarity, creates significant challenges to the budgeting process. This budget assumes a net reduction to state categorical

funds, excluding those above related to MPSERS, of approximately \$0.48 million, based on the expected completion of several grant projects.

- **Federal Funding:** It is too early to predict how changes at the federal level may impact local district funding. This budget assumes federal funding is essentially stable.

Expenditures: Compared to the revised 2024-2025 budget, total expenditures are anticipated to decrease by \$0.28 million, from \$39.30 million to \$39.02 million.

- Total employee compensation is projected to increase by \$0.58 million, from \$31.83 million to \$32.41 million, an increase of 1.8%. As seen above, compensation costs have more moving parts than ever with changes due to evolving legislative priorities. Projected costs reflect known and anticipated legislative changes, such as Secs. 147c/g and 27I, as well provisions for possible adjustments from collective bargaining.
- Total supply and purchased service costs are projected to increase by approximately \$176,000, or 3.0%, generally reflecting projected cost increases.
- Capital outlay is projected to total decline by approximately \$1.0 million, due to the completion of school bus and maintenance vehicle purchases in the 2024-2025 fiscal year.
- **Fund Equity:** Based on the above assumptions, total fund equity is projected to decline by approximately \$552,000 during the 2025-2026 fiscal year, to approximately \$8.1 million, which represents roughly 20% of the annual budget.

Given the level of uncertainty regarding the state's budget, it must be emphasized that significant revisions are likely

Please remember that this preliminary budget is based on significant assumptions that will take time to become more clear. Given the slow progress with the state's budget and the expiration of the VEA collective bargaining agreement, the level of uncertainty surrounding the 2025-2026 fiscal year is higher than normal. As always, significant revisions are likely as the picture becomes more clear.

I look forward to discussing the budget in more detail Monday evening. In the meantime, please feel free to contact me if you have questions ahead of the Board meeting.