
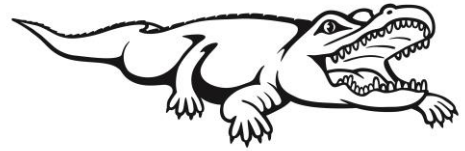


SCHOOL DISTRICT COMMUNICATION

From: Larry Guggisberg, Superintendent 



SUBJECT: 2020-2021 GMR School Budget Reduction Effort

At the regular March 2020 meeting of the Board of Education, the School Board was provided information about the District's 2019-2020 Budget. The budget report included information regarding student enrollment trends and the District's estimated general fund balance. In addition, the Board presentation was provided to teachers during a *Google Meet* video conference meeting on March 23. The Board approved to Amend the District's 2019-2020 estimated school budget indicating an approximate **-375,000** operating deficit.

In summary, the 2019-2020 Amended school budget is reflective of: (a) eight [8] fewer students from the Fall of 2018 to the Fall of 2019; *NOTE¹: The October 2019 K-12 student enrollment was 271, as of March 2020, the actual K-12 Greenbush Middle River student enrollment was 255;* (b) implementation of previous deficit reduction plans approved by the Board to address a declining enrollment trend; (c) includes a 2% revenue increase in the State Aid (per pupil formula) as approved by the MN Legislature in May 2019; and (d) the School District's obligation to pay operating costs such as utilities, insurance, fuel, and all costs for employee agreements. *NOTE²: The District's Financial Audit for 2019-2020 is not yet scheduled but it will likely take place in late August or September 2020.*

At the regular March 2020 meeting of the Board of Education, the School Board was provided information about the District's preliminary/estimated 2020-2021 Budget. The budget report included information regarding student enrollment trends and the District's estimated general education fund balance. In summary, the preliminary 2020-2021 school budget will be reflective of: (a) projected decline of enrollment of students expected in the Fall of 2020; (b) includes a 2% revenue increase in the State Aid (per pupil formula); (c) includes the revenue from an operating referendum passed by school district voters in November 2015; (d) budget reductions approved by the Board and implemented in previous years to address a declining enrollment trend; and (e) the School District's obligation to pay estimated operating costs such as utilities, insurance, fuel, and all costs for employee agreements. In meeting the conditions above, to repeat, the District's amended 2019-2020 estimated school budget indicated an approximate **-375,000** operating deficit.

Two primary conditions which contribute to the 2019-2020 school budget deficit (and as a result, decline in the District's unreserved fund balance) and will continue to have an impact on future school finances; they are:

- [1] Loss of revenue due to a declining trend in student enrollment. (see Table 1, Table 2 and Graph 1)

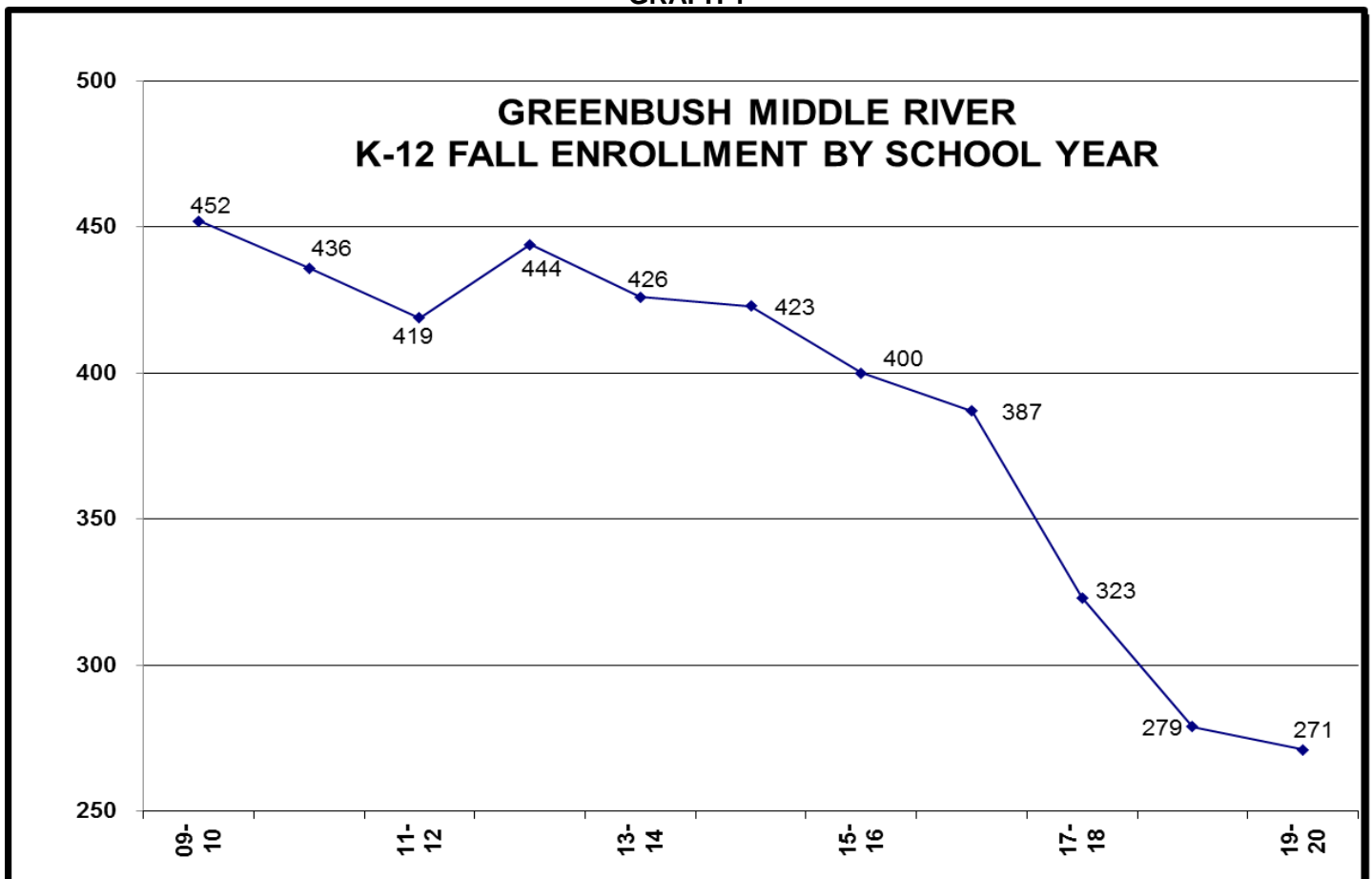
As part of an on-going enrollment decline, the School District's K-12 student enrollment is projected to continue to decrease during the 2020-2021 period with a corresponding loss of revenue. Unfortunately, it is likely that if an increase in the funding formula is approved in the next Legislative session, the increase may be negated by the District's declining enrollment trend.

TABLE 1

School Year	State Aid Formula Allowance per pupil	Greenbush Middle River (GMR) School District FALL (Oct. 1) enrollment	GMR School District's Unreserved Fund Balance
2014-2015	\$5,831	423	\$1,645,227
2015-2016	\$5,948	400	\$1,576,546
2016-2017	\$6,067	387	\$1,186,984
2017-2018	\$6,188	323	\$705,373
2018-2019	\$6,312	279	\$504,320
2019-2020	\$6,438	271	TBD
2020-2021	\$6,567	242 <i>estimated</i>	TBD

FALL CENSUS --->	09	10	11	12	13	14	15	16	17	18	19	2020 <i>TBD</i>
K	29	28	17	30	28	31	26	23	21	17	21	
1	31	32	31	18	29	25	33	25	21	14	17	
2	30	29	32	28	20	30	22	32	22	12	15	
3	36	32	29	34	30	20	27	23	25	19	13	
4	28	37	33	32	34	30	18	26	15	19	18	
5	33	29	35	36	30	34	29	19	22	16	21	
6	39	31	29	39	37	31	35	35	16	20	16	
1 - 6	197	190	189	187	180	170	164	160	121	100	100	
K - 6	226	218	206	217	208	201	190	183	142	117	121	
7	44	37	30	33	35	37	33	33	21	17	21	
8	30	41	38	31	32	38	38	37	26	22	15	
9	37	31	43	36	34	31	40	36	31	24	25	
10	30	41	32	48	38	33	32	38	36	30	24	
11	38	29	40	35	46	35	30	32	36	32	32	
12	47	39	30	44	33	48	37	28	31	37	33	
7 - 12	226	218	213	227	218	222	210	204	181	162	150	
Total K-12	452	436	419	444	426	423	400	387	323	279	271	
												Projected ---> 242

GRAPH 1



[2] Although the Legislature approved an increase in the 2018-2019 and 2019-2020 state aid formula, over the years, the general education formula allowance has not keep up with inflationary increases. In fact, the K-12 education allocation approved by the Legislature allowed no increase in revenue in the 2003-2004, 2004-2005, 2009-2010 and 2010-2011 school years) to cover rising costs of operation (eg: supplies, utilities, employee salaries and benefits). Years of *no* or low funding increases allocated by the MN Legislature has not allowed districts to “catch-up” with needed revenue.

Each year the typical school district budget must provide funds to cover expenditures in salaries, benefits, contracted services, materials, equipment, and fixed costs for the year. New programs are possible only in years when revenues increase substantially or when other programs are reduced or eliminated. If funds are inadequate, districts are forced to make difficult decisions about what should be reduced or even eliminated.

Considering the uncertainties of school funding, recent enrollment trends, the Amended 2019-2020 school budget and projected 2020-2021 school budget; the Board passed a motion directing the Superintendent of Schools and the School Administrative team to make recommendations for reductions in programs and positions for the 2020-2021 school year. *Note³: During the regular March 2020 Board meeting, Board members were provided information about a school operating referendum Special School District Election that could take place as early as November 2020.*

The submitted recommendations will provide options that will be considered by the School Board to reduce expenditures for the 2020-2021 school year. A budget reduction process would include soliciting and reviewing suggestions from school employees and the community that would reduce expenditures and/or enhance revenues in the 2020-2021 fiscal year and lessen the reliance on a limited and diminishing unreserved fund balance. The cost effectiveness of the suggestions would be reviewed at a future Board meeting and/or Board work session.

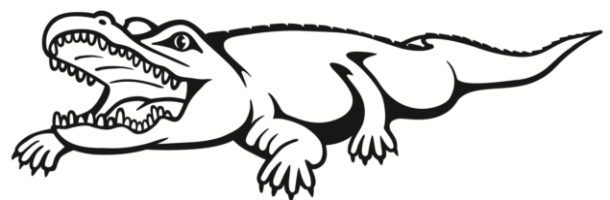
If no action is taken to reduce expenses for the 2020-2021 school year, the School District will need to further rely on its unreserved general fund balance to cover its cost of operations. However, doing so will place the District in a financial hardship position not only having inadequate reserves but also being able to “cash flow” for monthly expenditures.

To begin the process of developing a deficit reduction plan, we are providing an opportunity for all school employees and members of the community (via *The Chomper*) to submit deficit reduction suggestions for consideration. Attached you will find a form that can be used to submit your suggestions to the school administration for analysis. Please return the completed form to your supervisor or the District Office **ASAP** or **before May 4, 2020**. Completing this effort will allow 2020-2021 programming decisions to be made in a timely manner. Thank you for your assistance with this important task.

NOTE: The Coronavirus pandemic has resulted in financial challenges across a broad spectrum in our economy. Lobbyists for school districts are making an effort to include additional funding for COVID-19 *relief* for school districts during this challenging time. Although many legislators are sympathetic, some Legislators indicate to-date, K-12 public has been held harmless* as compared to other sectors in the economy and as a result, financial assistance may be directed elsewhere. In the event there may be additional financial assistance for Public Education (as determined by Legislation) and / or schools allowed flexibility to repurpose existing K-12 education funds, those may change the scope of budget reduction outcomes.

*= In simplified terms, as per Governor Walz’s Emergency Executive Order 20-02, K-12 public education has been *held harmless* in that no employee lay-offs, furloughs or reduction in service hours is to take place.

The Mission of the Greenbush/Middle River School is to provide quality education which will prepare all students to meet success by developing self-directed thinkers who are productive, responsible, respectful, and accountable to themselves and others.



GREENBUSH MIDDLE RIVER SCHOOL DISTRICT

DEFICIT REDUCTION SUGGESTIONS

Directions: The Board of Education and the School Administration is soliciting suggestions for making expenditure reductions. Although the primary responsibility for the school budget rests with the Board and the Administration, soliciting suggestions from residents and employees will ensure that all reasonable deficit reduction measures have been considered.

When making a deficit reduction suggestion, please phrase your suggestion in terms of a single action. Do not make a broad generalization about the school program. These kinds of statements are difficult to convert into specific cost cutting measures. For example, if you believe that too much money is spent on student athletics, state which sport(s) the school district should delete rather than making a general statement. Another example, if you believe the school district has many frills, identify each item that you consider a frill.

Deadline: Please return this form to the district office, principals' office, or your immediate supervisor ASAP but no later than May 4, 2020

1. _____

2. _____

3. _____

4. _____
