



Budget Adjustments Work in Progress

Budget planning for 2025-2026

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Budget Assumptions



Revenue:

- 1) Enrollment decrease
- 2) 2% State aid formula increase

Expenditures:

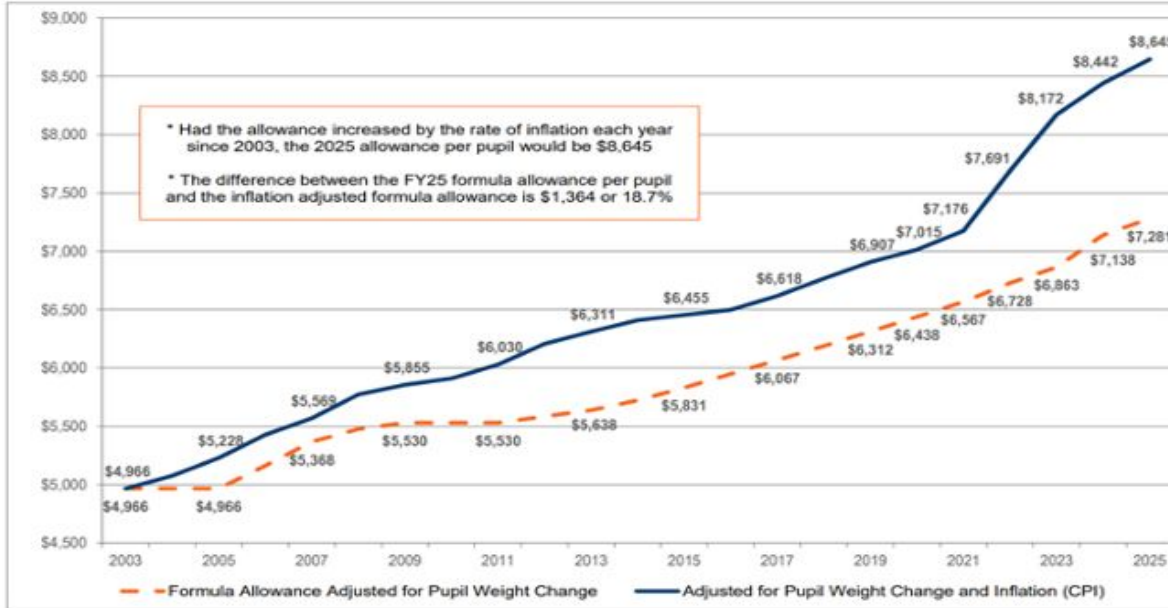
- 1) 3% inflation increase on supplies/materials
- 2) Health insurance increase 8%
- 3) Salaries and benefits

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General Education Formula Allowance Trails Inflation



General Education Formula Allowance, 2003-2025
Adjusted for Pupil Weight Change and Inflation (CPI)



* Had the allowance increased by the rate of inflation each year since 2003, the 2025 allowance per pupil would be \$8,645

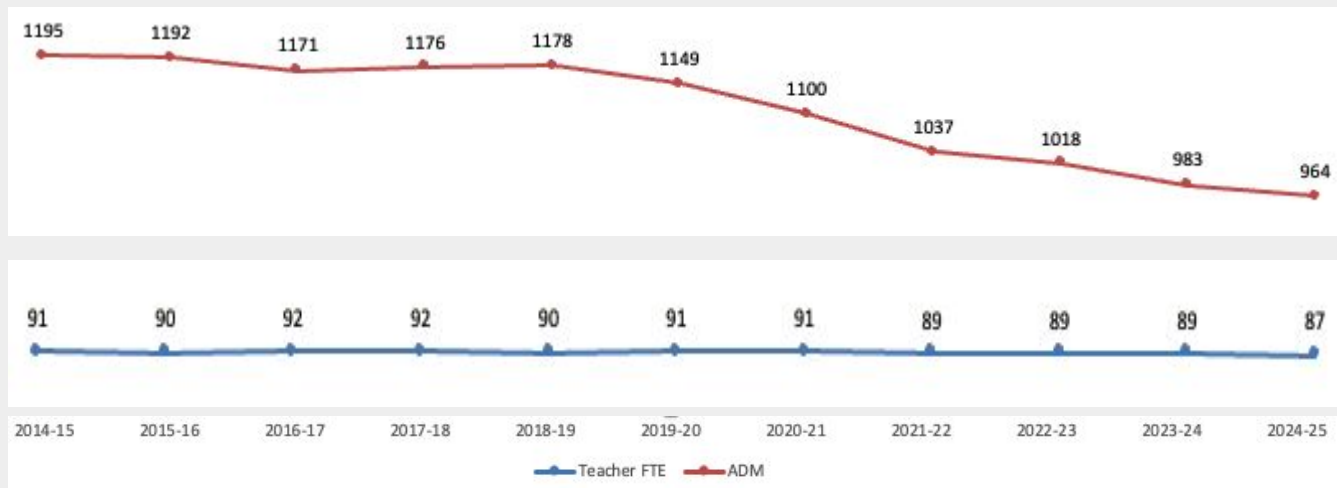
* The difference between the FY25 formula allowance per pupil and the inflation adjusted formula allowance is \$1,364 or 18.7%

Source: MDE June 2024 Inflation Estimates and Minnesota Laws 2023



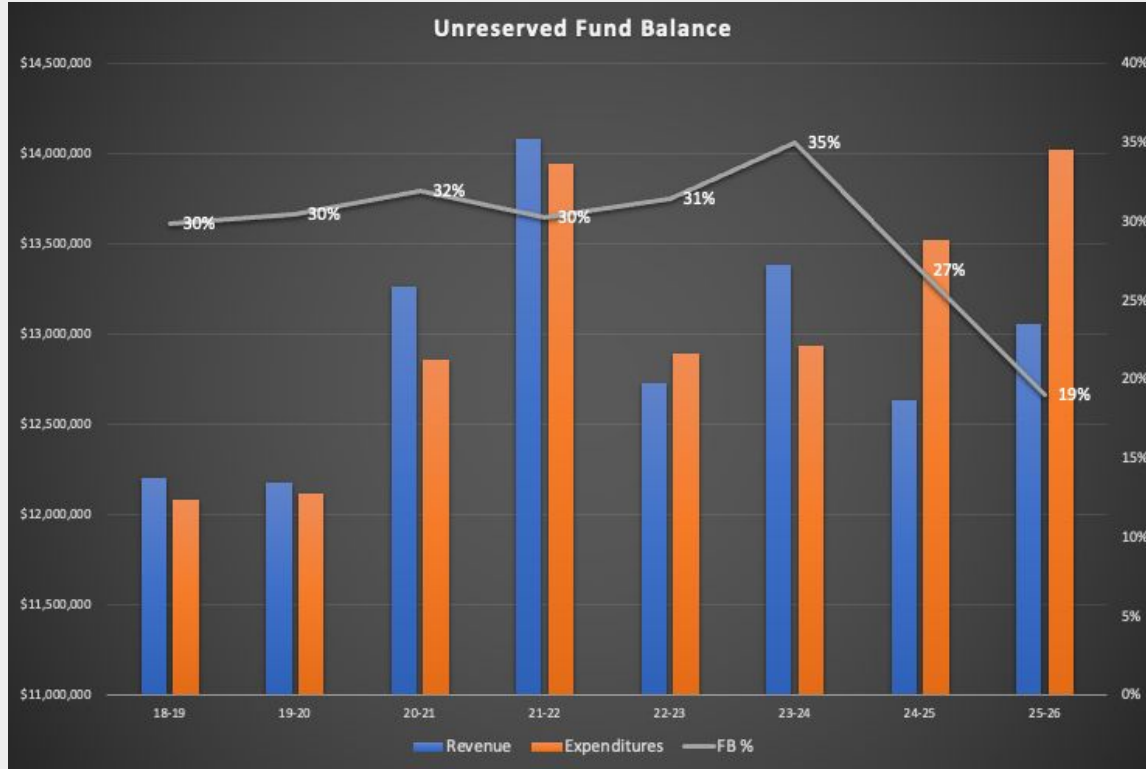
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Staffing vs. Enrollment



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Where we are:



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Considerations and process work



- 1) Stakeholder engagement - connect with cabinet members
 - a) Staff input
- 2) Protect programs that have the most impact on student learning and well-being
- 3) Data-Driven - prioritize reductions based on data
- 4) Short term and long term impacts
 - a) Immediate savings with minimal long term harm
- 5) Compliance - adhere to local, state and federal regulations and contracts
- 6) Transparency - open and honest with all stakeholders

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Reduction Areas



1) Minimal impact

- a) Supplies
- b) Deferring upgrades and repairs

2) Moderate Impact

- a) Review/adjust combine small classes and programs
- b) Activities and athletic review

3) High impact

- a) Early retirement incentives
- b) Address/alternate funding streams to fund support positions
- c) Address staffing based on declining enrollment

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Why we are here?



| Cause | Effect |
|---|---|
| A budget where spending is higher than revenues is not sustainable | We need to reduce spending |
| Declining enrollment - our main revenue driver | Leads to a decline in funding |
| Inflation/expenses increase faster than funding | Revenue does not keep up, expenses are greater than revenue |
| No evidence that our problem will go away or be solved by legislature | Need to act now to make necessary adjustments |
| Our budget is over 80% salaries | In addition to other areas, staff reductions will need to be made |

Assumptions that need to be made to prepare:



| | |
|---|--|
| 1. Enrollment | Decline - projected to decline 22-24 students K - 12 for 2025-26 |
| 2. Per pupil funding | 2% increase |
| 3. Contracts | All will be negotiated next year |
| 4. Health insurance | Costs increase annually |
| 5. Reduction Target - Fund Balance Target | Board discussion - |

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Long Term Vision



- What are the long term implications of the reductions on the overall quality of education at ISD #1?
- How do the impacts of the reductions align with the long term vision, goals and direction of the Strategic Plan?
- With any proposed cut, what contractual challenges or issues may be created?
- What are our NEEDS vs. What are our WANTS?
- What will the impact of budget reductions be on our enrollment? Will we lose student enrollment?

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Timeline



January 2025 - Share data with staff - budget projections - ask for input from staff

February 5 - Share information and gather feedback from the finance committee

February 10 - Resolution approved by the board for non-renewal of OFP and Tier 1 teachers

February 10 - Board acts on budget reduction amount - Fund balance policy revision

February 14 - Have projected FTE for staffing - Meet with Principals and cabinet members to discuss reductions and scenarios

March 3- Communication to staff impacted by reductions.

March 17 - Board approves staffing reductions

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Questions???



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