

# Finance Overview

February 2023

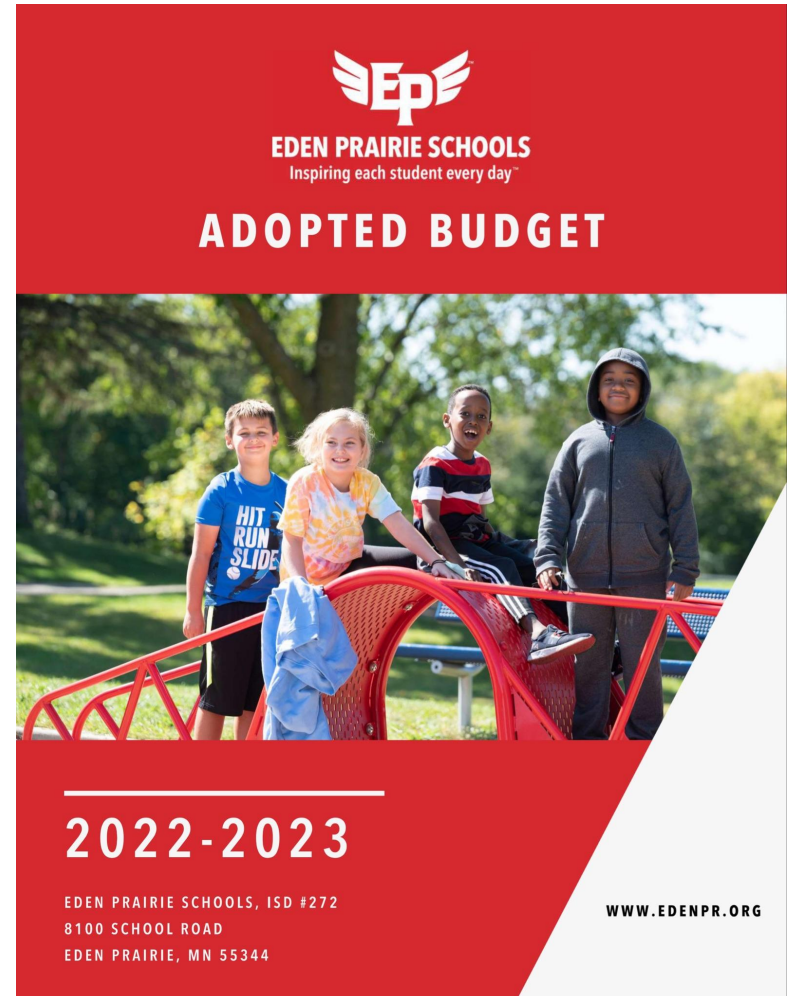


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# Agenda

- Budget Drivers
  - Revenue
  - Expenditures
- Fund Balance
- Unknowns/Variables
- Financial Forecast
- Resources



# Budget Factors - Largest Drivers

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- Revenue:
  - Enrollment, basic formula allowance, tax levy, special education aid, voter approved levies
- Expenditures:
  - Enrollment, salary/benefits, class size ratios, medical insurance rates, property insurance rates, workers compensation, utility rates, inflation impact
- Fund Balance Reserves



# General Education Aid

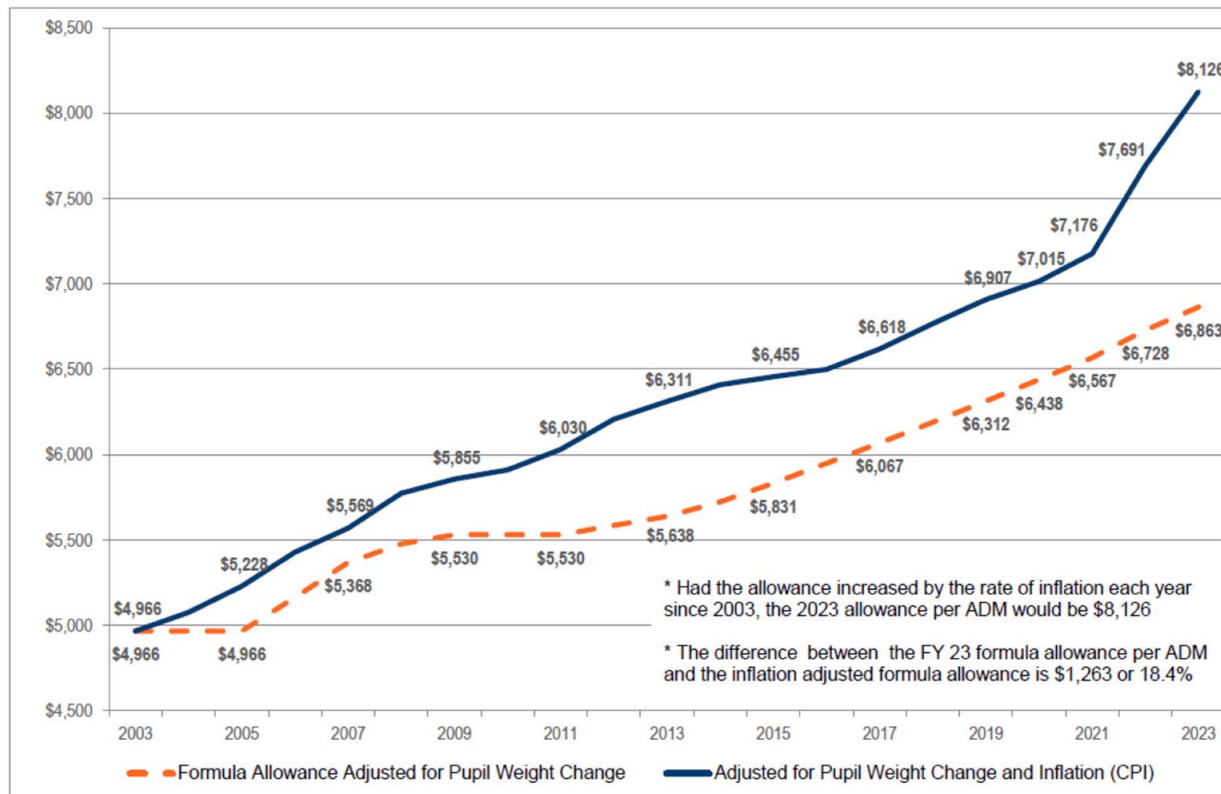
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- Largest source of revenue for the district
- State funds - used for any operating expense
- Formula Allowance times Adjusted Pupil Units (\$6,863 x 9,818)
  - FY23 = \$67.4 million
- Adjusted Pupil Unit (APU)
  - Total Enrollment = Resident + Open Enrollment + EPO
    - 1.0 weighting - Grades K-6
    - 1.2 weighting - Grades 7-12
    - Preschool is Largely Parent Funded

# Basic General Education Formula Lags Inflation

## General Education Formula Allowance, 2003-2023

Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE June 2022 Inflation Estimates



Revenue

# Legislative Impact - Gen Ed Aid

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- AMSD:
  - Increase formula 5%, index to inflation
- Governor:
  - Increase formula 4%,
  - Index to inflation (CPI-U, no less than 0%, no more than 3%), starting in FY26

## Financial Impact of Governor's proposal for EPS:

- Formula = \$2.5 million in FY24
- Indexed = Variable, 10 year average = \$1.8 million

# Voter Approved Levies & Tax Levy

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- 2 Voter Approved Levies
  - Operating Referendum expires June 30, 2033
  - Capital Project Levy expires June 30, 2035
- Annual Tax Levy
  - Board approved in December

# Legislative Impact - Levies

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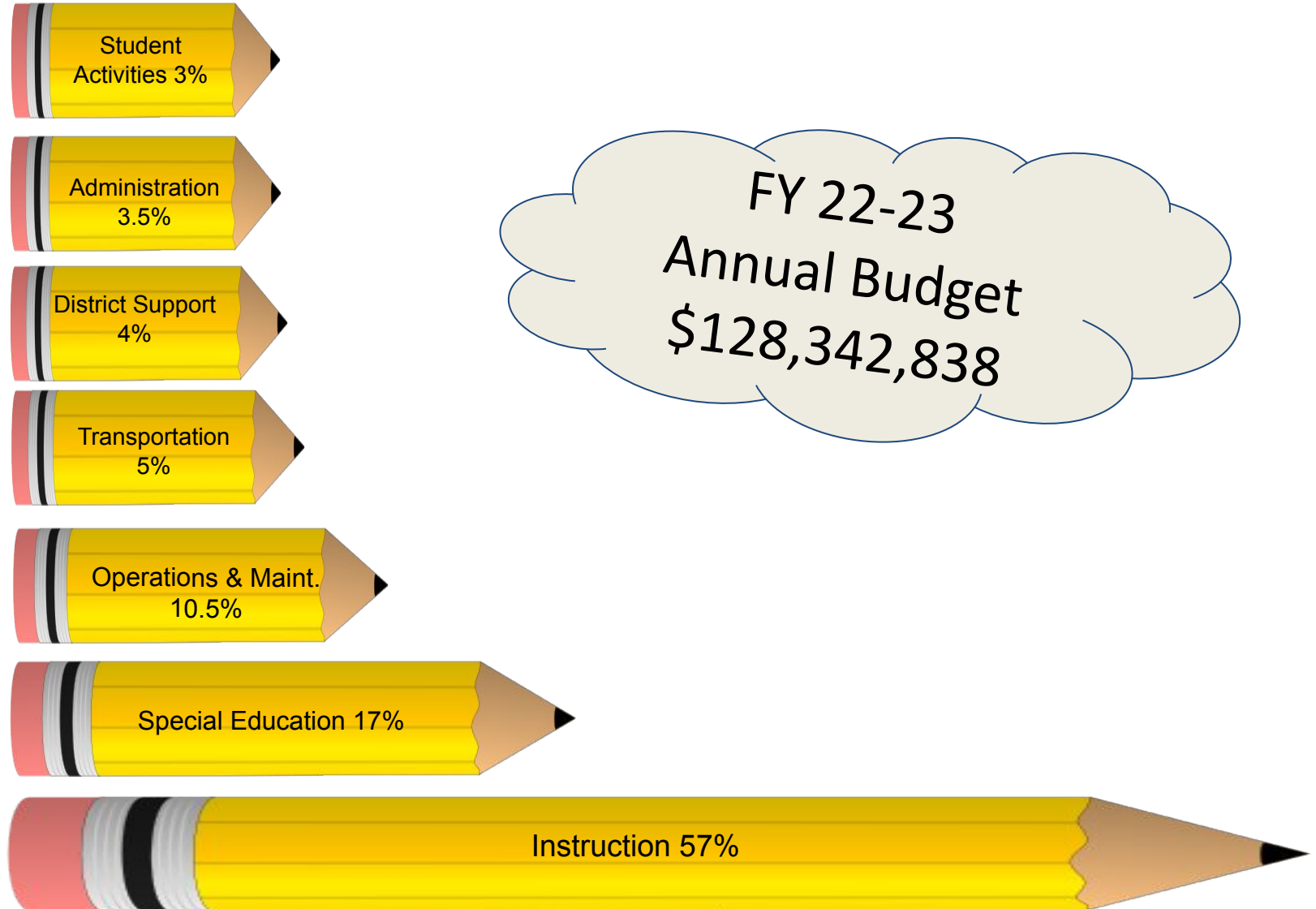
- AMSD:
  - School board authority to renew existing operating referendums
- Governor:
  - Did not propose any language
- SF 613, HF 535

## Financial Impact if passed for EPS:

- Ongoing financial stability, Cost savings for not running a renewal ballot question



# Expenditure Categories - % Spent



# Expenditures

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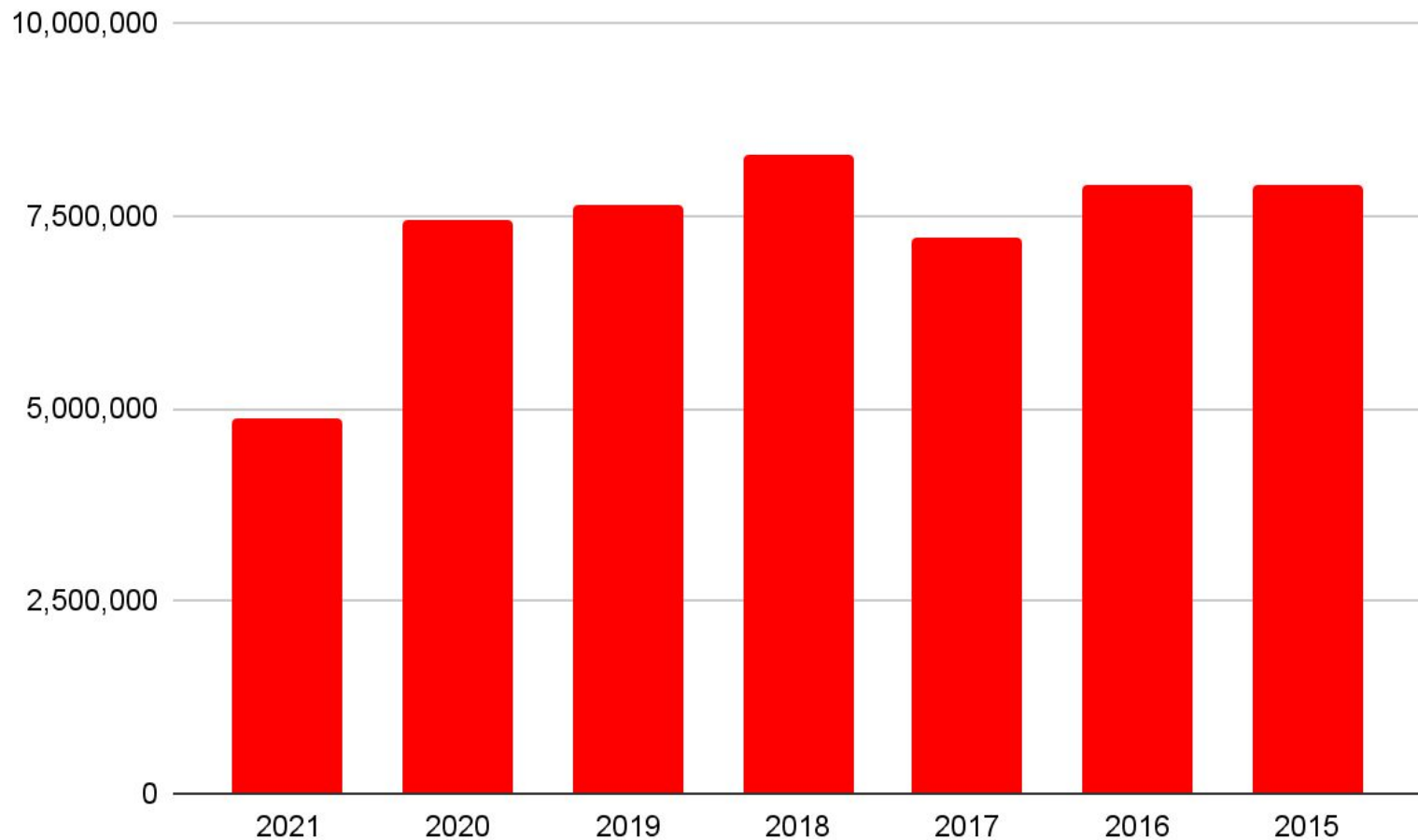
- Budget Assumptions
  - Presented annually in January and March
  - Establishes the budget framework
  - Addresses enrollment, class size, insurance, purchased services, department/building budgets, utilities, etc
- Annual Budget
  - 1st Draft in May
  - Approval in June (Required by law)

# Special Education Cross Subsidy

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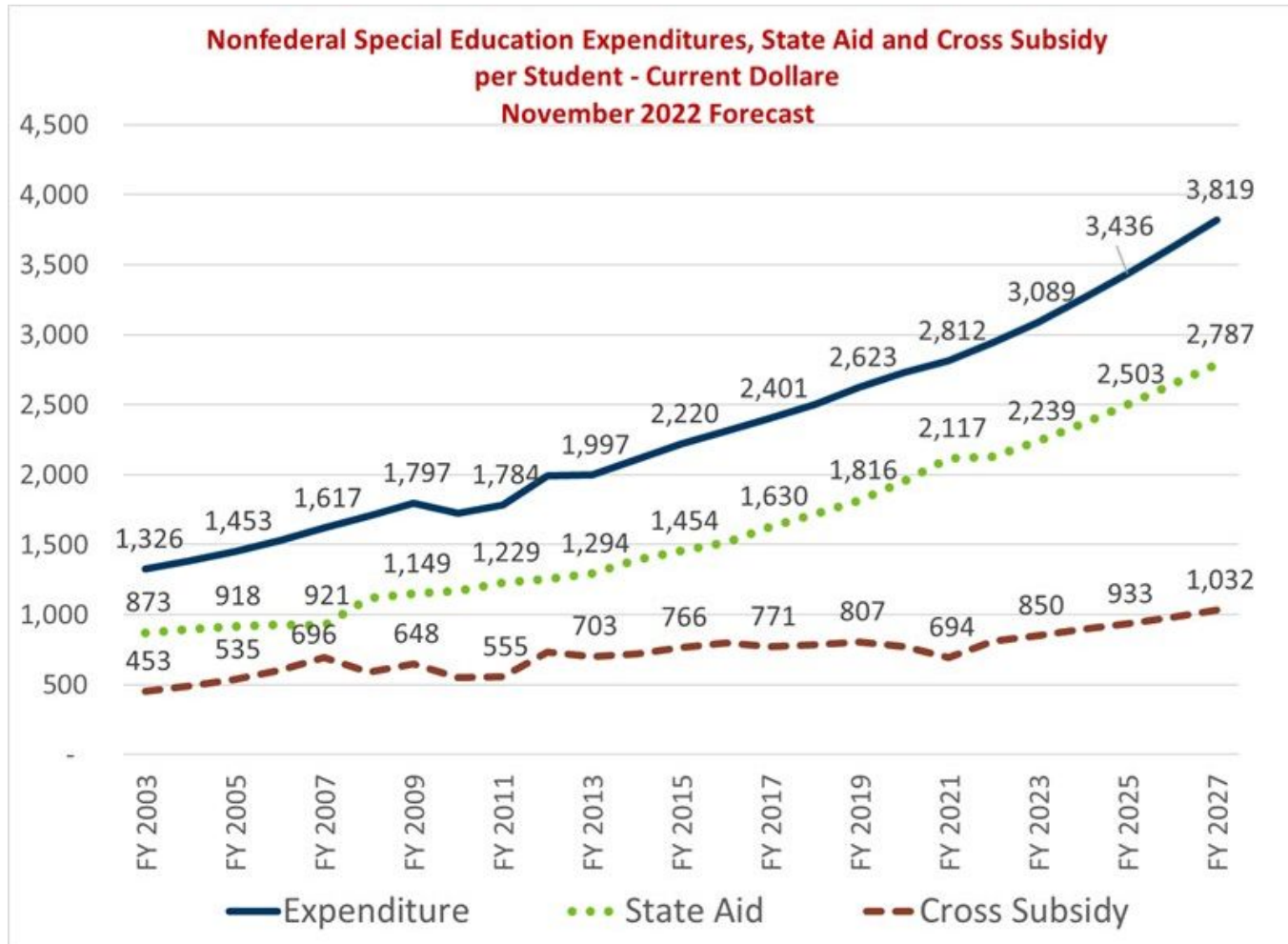
- Definition – The unfunded cost of special education programs for students with disabilities.
  - Revenue includes State, Federal, 3<sup>rd</sup> Party Billing, and General Education Aid that reasonably follows the student)
  - General Fund pays the subsidized portion

# EP - Special Education Cross Subsidy



Expenditure

# State-Wide SpEd Cross Subsidy



Expenditure

# Legislative Impact - SpEd Cross Subsidy

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- AMSD:
  - Fully Fund, eliminate the cross subsidy
- Governor:
  - Increasing the cross-subsidy aid reduction from 6.43% to 47.30% in FY24

## Financial Impact of Governor's proposal for EPS:

- Based on the variable expenses in the previous slide:
  - \$2.3 million - \$3.8 million annually

# Fund Balance (District Policy 714)

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- **Non-spendable** – not in spendable form or legal requirement
  - Prepaid items, Inventories
- **Committed** – used for specific purpose by formal board action
- **Restricted** – legally enforceable constraints
  - Operating capital, health & safety, basic skills, staff development
- **Assigned** – district's intent for specific purpose
  - Capital, site carryover
- **Unassigned** – for all other purposes not described by other categories
  - Used to calculate Statutory Operating Debt (SOD)
  - Used to calculate compliance with board policy
  - The fund balance mostly widely referred to by individuals



# Why Have a Fund Balance?

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- Necessary for unknown situations:
  - Irregular payments of state and local revenues
  - State aid proration, metering of payments, tax shift, state shut down
  - Mandated but not funded programs
  - Higher utility costs
  - Greater than expected inflation
  - Changes in enrollment and state funding
  - Pandemics!
- Sound fiscal management has a long term positive impact on the success of students
- Validates fiscal credibility with various reporting constituencies, including establishing a good credit rating
- Minimum of 8% per School Board Policy





# Budget Unknowns/Variables

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- State Funding
- Federal Funding
- Enrollment
  - EPO impact, Kindergarten
- Staffing
  - Shortages (Retention & Recruitment)
  - Teacher Retirements
- Facility Needs
- Housing Changes within the City
- Inflation, Supply Chain

# 5-Year Financial Forecast

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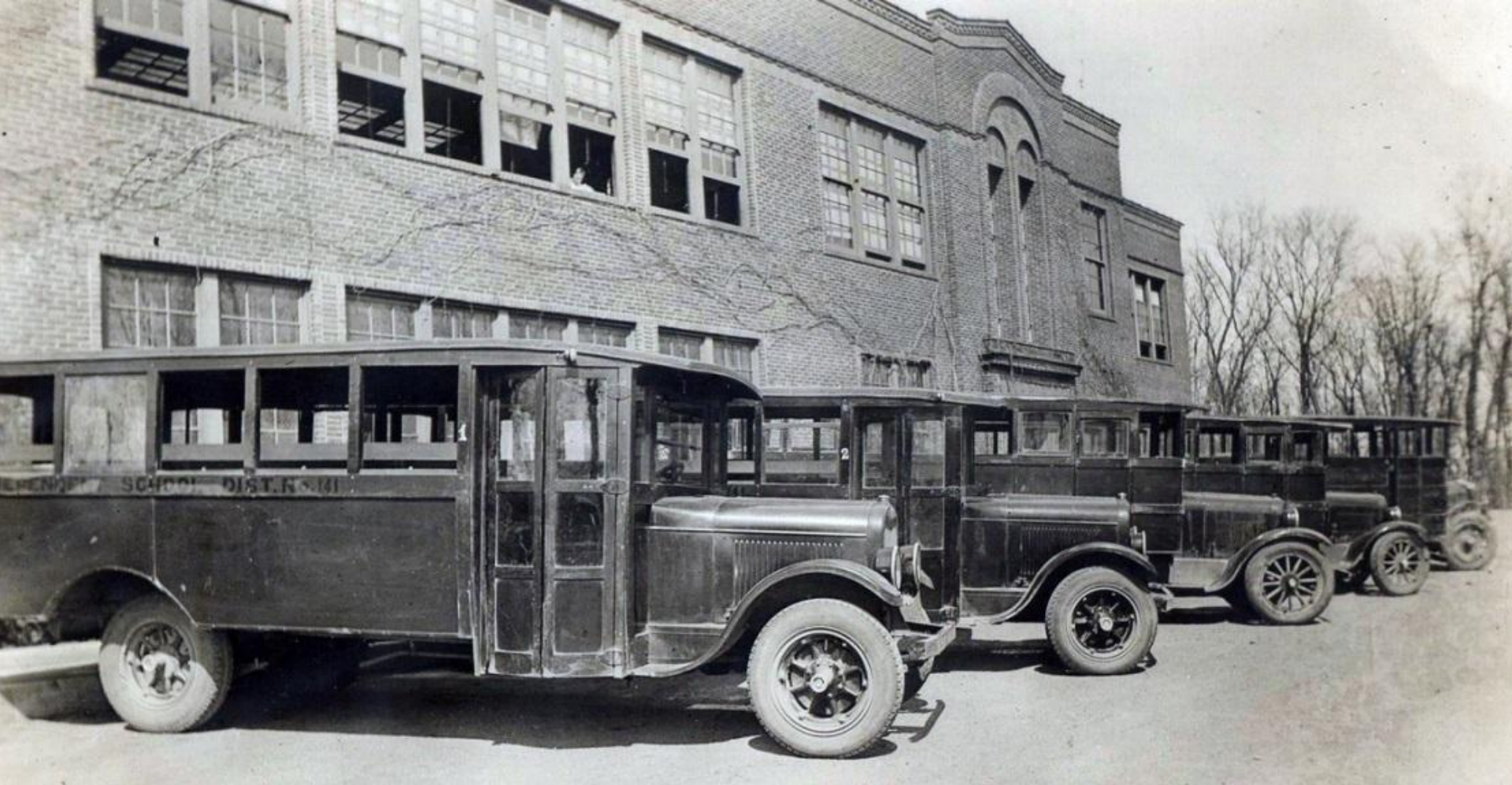
Referendum	Year 1	Year 2	Year 3	Year 4	Year 5
Fiscal Year	2022-23	2023-24	2024-25	2025-26	2026-27
Unassigned Fund Balance \$	\$17,739,229	\$17,156,154	\$16,308,604	\$15,501,755	\$14,768,500
Fund Balance %	13.6%	12.9%	12.1%	11.3%	10.6%



# Resources

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- School District Website - Finance Department
- Minnesota Department of Education Website
  - MN School Finance History 1849-2019 (MDE)
- MN School Finance-Guide for Legislators (2022)



**THANK YOU**



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