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To: The Board of Education and Dr. Patrick Broncato, Superintendent
From: Curt Saindon, Assistant Superintendent for Business Services/CSBO
Date: March 13, 2026
Subject: Budget Development – Expenditure Assumptions for FY2026-2027

In developing a baseline budget for expenditures for next year, we focus mainly on staff wages and salaries and related employee benefits. These areas traditionally represent about 75% of our budget, with the remaining 25% typically coming from operational materials and supplies, curricular materials and supplies, contract services, instructional support services, consultants, technology needs, staff development costs, normal maintenance and repairs, transportation costs and non-capital equipment purchases. Also, as we begin the next round of our CIP program, we expect to spend another \$1.5M-\$2.M on capital projects this summer (a relatively light year for us). However, as these are infrastructure and building improvement expenses planned for in the Capital Projects Fund, they are not considered part of our normal operating expenses and they will not impact our overall operating budget.

We are very fortunate to have no outstanding debt, except for a small copier lease (about \$107K per year in payments), so debt payments and debt-schedule management have not been part of the budget expenditure formula for the past decade (since 2016). We are predicting a 5% increase in overall salary costs, a 15% increase in employee benefit costs, and a 3% increase in other operating expenses. We normally only project an 8%-10% increase in benefit costs, but our health insurance renewal increase came in at twice the normal level (15% instead of 7.5%). With staffing levels expected to stay stable and normal turnover creating lower wages and benefit costs for new employees, we hope actual realized expenditures for 2026-2027 will be only slightly higher than this year (4%-5%). However, with little or no new revenues from State and Federal sources, and minimal net increases from Local sources (increases from property taxes will be somewhat offset by decreases to CPPRT, Interest Income, and other areas), we are looking at what is shaping up to be a very tough budget year.

Persistent, elevated inflation (7% in 2021, 6.5% in 2022, and 3.4% in 2023) has at least subsided recently, coming in below 3% in 2024 (at 2.9%) and 2025 (2.7%). However, ongoing, global geopolitical conflicts and new tariffs and trade wars initiated by the United States, along with persistent education market labor shortages, much higher than inflation benefit cost increases, and general economic instability, have all injected uncertainty into the forecasting and budgeting of expenses. Overall, we expect certified staffing to stay flat, and Dr. Schmidt will

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summarize any anticipated changes this spring. Non-certified staff is also expected to remain at current levels, with no large staffing changes predicted in FY26-27. Increases related to salary and benefits are being driven by existing union contracts (6% for WEA staff and to be determined for WESS Staff), and employee benefit increases (~15%-18% for health insurance costs, overall). All of these factors lead to increases for both salaries and benefits that are higher than inflation and higher than our ability to increase revenues, leading to a budget imbalance.

As with this year, budgeting for next year will be a challenge amid these uncertainties and cost escalations, and we are already developing scenarios to see how our expenditure projections might need to be adjusted based on expected revenue estimates in place this spring to balance the budget. We might see a decrease in Federal revenues, flat State support as increases in EBT Funding are more than offset by reductions to mandated categorical programs, and less interest income and CPPRT at the local level, largely offsetting any increases we might realize in Local revenues from property taxes. On the expenditure side of the equation, we anticipate elevated split classes and LOA coverage again this year, leading to an overall increase in salaries and employee benefits. We hope to reduce non-personnel-related discretionary spending as much as possible to help balance the budget.

While we are expecting flat staffing overall for next year, we have realized an increase in overall certified head count of about 25 staff members from before COVID, due to the increase in split classes and the implementation of our co-teaching model. All other cost drivers are expected to generally increase at about the rate of inflation (2.7% last year), so we have conservatively built in an overall 3% increase into our non-personnel expenditure model. One notable exception will be electricity costs, which we expect to decrease by 10% to 15% as we bring three new solar arrays online at our three remaining schools this summer.

If we need to cut costs further to balance the budget, we will let you know and provide some potential scenarios for how to do that. We are also maintaining healthy year-end fund balance reserves in our operating funds of just under one year (around \$50M), and we can use some of those reserves, if needed, as they are our “Rainy Day Fund” and are set aside for this purpose. Finally, while we have completed all of our major capital improvement work, as mentioned above, we do plan to undertake a few new projects this summer (only about \$1.5M-\$2M of work), as we complete our third Capital Improvement Plan. Most of this needed funding will come from existing fund balance reserves, solar program reimbursements, and year-to-year positive results from operations, so a balanced budget is key to allowing for this plan to fully materialize. In total, we are budgeting for overall expenditures to increase by about 5%-6% and hope that actual results come in around 4%-5%, once realized. As always, please let me know if you have any questions or would like to discuss this topic further.