

CROSBY-IRONTON SCHOOLS  
FINANCE COMMITTEE MEETING SUMMARY  
May 12, 2025

Item 7.2a

The finance committee met in the Forum Room on May 12, 2025 at 6:30 p.m. with the following present: Beth Hautala, Mark Taylor and Hannah Wesner. Jamie Skjeveland, Rick Aulie, Angela Bray and Bill Tollefson were also present.

2024-2025 Enrollment – The committee reviewed the year-to-date enrollment and changes since the last enrollment report to the School Board. Enrollment continued to decline into early May, with the first Friday of May enrollment at 928 K-12 students, down from 930 the previous month. The average enrollment for the year is dropped from 947 to 945 K-12 students, converting to a weighted pupil unit that dropped from 1,035 to 1,032. The enrollment projection for the 2024-2025 Revised Budget was set based on April's enrollment using a K-12 pupil unit count of 1,035, so the General Education revenue budget may be slightly overstated.

2025 Legislative Issues – The committee was presented with a list of potential concerns as the 2025 legislative process continues to move toward the State Constitution required adjournment of May 19<sup>th</sup>.

For the 2024-2025 fiscal period, the biggest concern is the status of the technical adjustment bill that cleans up state budget appropriations by funding category. General Education Revenue is an open and standing appropriation, so the State budget does not prorate General Education Revenue regardless of variations in formula components such as statewide enrollment. That, however, is not the case for Special Education aid, which has a fixed appropriation. Current Minnesota Department of Education (MDE) estimates are showing the need to prorate 2024-2025 Special Education aid by 5%, paying 95% of the total that should be earned. For Crosby-Ironton, that 5% proration is estimated to be \$100,000. The 2024-2025 Revised Budget does not use the prorated amount, but rather assumes that the 2025 State legislature will pass and the Governor will sign the technical adjustment bill to make Special Education funding (and perhaps other funding streams) whole. There has only been one time when this did not happen and that was when the technical adjustment bill was rolled into the education finance bill, which was vetoed by Governor Dayton.

For 2025-2026 and beyond, there are several areas of concern. 1) The long-desired automatic inflationary adjustment to General Education Revenue creates “tails” in the State of Minnesota’s budget that attribute to the deficit in the subsequent biennium, so this language may be repealed completely or suspended. 2) The Compensatory/Basic Skills revenue hold-harmless, depending on the factors the legislature uses in determining the hold-harmless, could offset all or part of the \$130,250 in currently anticipated decline in Compensatory funding expected for 2025-2026. 3) Library aid of \$40,000, which was added by the 2023 legislature, may be repealed. This will lead to the \$40,000 in expense needing to be moved back into the Unreserved General Fund or reduced as a budget adjustment. 4) Between Term Unemployment, also known as summer unemployment, will consume the initial state allocation of \$135 million during the summer of 2025. If additional state funding is not provided, these costs will become non-reimbursed and will shift back to the Unreserved General Fund, adding to the projected deficit. 5) Minnesota Universal Free Meals is costing the State of Minnesota more than anticipated and could face repeal. 6) Paid Family Medical Leave, also a product of the 2023 legislature, will become active, under current law, as of January 1, 2026. There will be a payroll tax, shared by employers and employees, that will add expense for the payroll tax, as well as the unknown impact on the need for, and ultimately the cost of, more substitutes. On top of that, a reminder that the Teacher Master Agreement expires on June 30, 2025 and negotiations will commence. The costs of a soft freeze (steps only), per a February 2025 calculation, is \$111,500; with an additional \$70,000 per percent improvement to the salary schedule. These factors create incredible levels of uncertainty as the 2025-2026 Preliminary Budget continues to be calculated for review at the June finance committee meeting.

Paid Family Medical Leave Procedure – The committee reviewed a strategy for implementing the payroll tax associated with the Paid Family Medical Leave Act on January 1, 2026. It will include a notification provided to each of the bargaining units (teachers, AFSCME and the principals) that will outline the School District exercising the option to have the employer pay half and the employee pay half through payroll deduction, as permitted by State statute.

2024-2025 Budget Reduction Interpretation – The committee reviewed a budget reduction area made in 2023-2024 to be effective in 2024-2025 relating to co-curricular music. The extra compensation for concerts outside the school day and activities such as pep band was eliminated. Over the course of the 2024-2025 school year there have, however, been other expenses that are being charged to this category, including music contest and All-State band/choir activities. The consensus was to proceed with keeping those activities included in the 2025-2026 Preliminary Budget, but perhaps limiting actual expenses to the amount budgeted.

2024-2025 Revised Budget – The committee spent the rest of the meeting going through the updates incorporated into the 2024-2025 Revised Budget, which will be proposed for adoption at the May Regular School Board meeting. Highlights included:

The overall budget, including both operating and non-operating funds, projects revenues of \$20,970,994 and expenditures of \$24,895,995. This is an overall deficit of \$3,925,001. The three most significant reasons for this overall surplus are: 1) the Building Construction Fund is, from this point forward, going to be expending bond proceeds from the November 2019 election authority now that all bonds have been sold, with this particular deficit being \$3,885,000; 2) the OPEB Irrevocable Trust is experiencing excellent investment returns and expected to have revenue over expenditures of \$428,161; and 3) overall the General Fund is expected to experience a budgeted deficit of \$626,758 in a combination of unreserved and reserved fund balances. Both the Building Construction and OPEB Irrevocable Trust funds are non-operating funds that can only be used for very specific purposes.

The most important area of the budget is the General Fund Unassigned Fund Balance. The June 30, 2024 starting point was updated from the estimate from the 2023-2024 Revised Budget to actual, which created a higher fund balance starting point. Revenue and expenditures were updated and now reflect a projected unassigned deficit of \$477,825, compared to a projected deficit on \$316,678 in the unassigned General Fund in the 2024-2025 Preliminary Budget. The Restricted for Basic Skills/Compensatory expenditures were adjusted based on recent legislative change to the allowable uses of Basic Skills/Compensatory, resulting in several expenditure groupings no longer allowed and that had to be shifted to Unassigned. With the final round of ESSER funds expiring September 30, 2024, the 2023-2024 plan was to use those ESSER funds to cover qualifying expenditures in 2023-2024. There were, however, carryover ESSER funds that allowed for some September 2024 expenses to be covered by ESSER funding, thus helping to alleviate some strain on fund balances in 2024-2025.

The 2024-2025 Revised Budget General Fund revenue projection has increased by \$360,308 over the 2024-2025 Preliminary Budget and the 2024-2025 Revised General Fund expenditure budget has increased \$423,171 over the 2024-2025 Preliminary Budget. With expenditure growth outpacing revenue growth in both unassigned and restricted fund balances in the General Fund, the projected unassigned deficit trend is toward an increasing deficit.

Overall revenue changes were based on a number of factors. Enrollment increased over the course of the year, from a projected 1,045 pupil units to 1,062 pupil units, and is down from 1,073 pupil units in 2023-2024. This revenue increase was offset by revenue decreases in special education aid of \$225,000, which could be \$325,000 if the technical adjustment bill to fully fund the Special Education formula without proration, as discussed under Legislative Issues, is not passed by the legislature and signed by the Governor. Federal ESSER COVID revenue had some final carryover from 2023-2024 that had to be expended by September 20, 2024. The 2024-2025 Revised Budget now reflects actual revenue and expenditures for final ESSER funding, which allowed \$87,350 in expenditures to be supplanted to COVID funding. No County tax forfeited receipts were received in 2023-2024, but the County provided two tax forfeited distributions in 2024-2025, this increasing revenue by \$144,281. Between Term Unemployment saw both revenue and expenditure budgets increase by \$46,000 based on July and August 2024 actual expense and anticipated June 2025 expense and assuming that there are sufficient State funds remaining of the original \$135 million allocation to cover those costs. Finally READ Act funding totaling just over \$75,000 was added for two of the three buckets of READ Act funding. Both are restricted fund balance revenues, with one being spent to provide READ Act training and the other being reserved for future curriculum purchases. \$40,000 in restricted revenue for School Support Staff aid was also added to revenue and will be added to the restricted fund balance as it will not be spent.

Overall expenditures are expected to increase by \$423,171 comparing the 2024-2025 Revised Budget to the 2024-2025 Preliminary Budget. This is due to an actual contract settlement being more than the estimate that was included in the 2024-2025 Preliminary Budget; adding the costs of the superintendent search;

adding two severance estimates based on new resignations but which is covered from an assigned fund balance; the increase in expenditures for Between Term Unemployment which has matching revenue; the need to add English Language Learning staffing and programming to cover the costs associated with a new, qualifying student enrollment; the costs associated with two extended leave situations with Special Education staff; adjusting PSEO tuition and fees to cover an increased number of participating students; accommodating two cycles of one-to-one technology device purchases, and READ Act expenditures.

New to the 2023-2024 Revised Budget document and continuing in the 2024-2025 Revised Budget document is a section to inform about Anticipated Outcome-Known Differences. This section relates specifically to a budgeting strategy for certain expenses that are really beyond the control of the school district, based on factors such as the weather. The budgetary philosophy is to maintain those expenditure budgets based on long-term cost trends and not make adjustments based on one-time anomalies. This creates longer-term budgetary stability. For 2024-2025, the milder winter resulted in three such expenditure categories. Snow plowing, natural gas consumption and electricity utilization. The budget figures for these expenses were not changed. In addition, there will be other budget-to-actual differences that will also impact the final fund balances at June 30, 2025.

The committee also reviewed the budget revisions for the other operating and non-operating funds.

The meeting adjourned at 8:30 p.m.

Respectfully prepared and submitted by William Tollefson