

**School Board Meeting/Workshop Date:**

**May 24, 2010**

**Subject:**

**Preliminary 2010-11 General Fund Budget**

**Presenter:**

**Chuck Klaassen  
Tina Burkholder**

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**SUGGESTED SCHOOL BOARD ACTION:**

Report only

**DESCRIPTION:**

The preliminary budget represents our current thinking about where we are with the current 2009-10 budget (revised) and our budget outlook for next year (2010-11), keeping in mind also the financial forecast for the next couple of years. It incorporates the budget assumptions approved by the Board earlier this winter, with a few tweaks to account for in-year enrollment trends, legislation and current/projected economic conditions.

This preliminary budget includes 0% change in the basic foundation aid funding formula. It does include the second year of federal stimulus funding. Stimulus is NOT an ongoing stream of revenue and we've tried to spend that money so as to avoid or minimize the "funding cliff" associated with it and at the same time positively impact our special education maintenance of effort level. That being said, we have some really good, positive things that are being accomplished with that money.

We're still sorting out the recently completed legislative session, but frankly, there's not too much to sort out. There actually wasn't even a K-12 education bill passed this year; only the related pieces in the overall state budget bill. The 70/30 shift will delay more payments than before and the borrowing provision means that school districts will likely be tapped as early as fall for revenue to shore up the state's cash flow needs. That, of course, will impact our cash flow situation, which will have to be monitored continuously. The "balanced budget" passed also means that the governor does have unallotment authority, so that remains a possibility if state forecasts show deficits.

The preliminary budget overview for next year reflects a plan for a "no-reduction" but "no frills" budget for next year. It's really a very basic level plan that will keep things going but not solve any long term financial needs. Staffing levels are held constant for next, as are supply and service budgets. The budget still will provide for a small superintendent staffing contingency to meet hot spots or trouble areas as the school year begins and progresses. The federal stimulus dollars, our two years of significant budget reductions, stable utility costs and our across-the-board wage freezes for 2009-10 have kept the district in a position to weather the next couple of years.

The preliminary budget for next year shows general fund revenues of \$51,915,377 and expenditures of \$52,392,392. That will put the undesignated, unreserved fund balance at \$5,461,129 which is about 10.42%. That's in the middle of our 8-12% range but when we look out beyond 2010-11, we see a rather precipitous drop in that balance over the next few years.

Overall, we're in decent shape here because we have been forward-looking and don't operate on a one-year-at-a-time approach to budgeting. Our reductions, while certainly painful, have enabled the district to maintain overall long-term stability compared to many other Minnesota school districts. Having, and sticking to, a fund balance policy is good, sound operational practice. Had we not made reductions for the past two years and implemented other cost containment measures, we would likely be in statutory operating debt by the end of next year.

Again, we cannot emphasize enough that this is a preliminary look at next year's budget. We're still working with Human Resources and Special Education to get the staffing finalized for next year and also nail down our revenue projections. More refining will be done during the next 30 days before final adoption. The final budget to be presented on June 28 will go into detail and give us a clearer understanding of the year ahead. In the mean time, this gives us a big picture look at 2010-11 and what lies ahead.

**ATTACHMENT(S):**