

**BEMIDJI AREA SCHOOLS
BEMIDJI, MINNESOTA**

DATE: JUNE 17, 2019

TO: BOARD OF EDUCATION, ISD #31

FROM: CHRIS J. LEINEN, DIRECTOR OF BUSINESS SERVICES

SUBJECT: BUDGET ADOPTION 2019-2020 and PROJECTIONS

COMMENTS:

Attached please find a Financial Planning Model (FPM) for the years 2017-2024. This model incorporates actual audited data from the prior year and our current year budget with projections for the next five years. As with any projection model certain assumptions must be made and I will try to highlight them. Additionally, as the time frame of the projection extends the accuracy of the assumptions becomes increasingly challenging.

The current FPM projects FY 2019-2020 General Fund revenues of \$66,891,007 and expenses of \$67,150,598 for an operating variance of (-\$259,591).

The major assumptions contained in this model include the following factors:

State Per Pupil Funding formula increase of 2% from \$6,312 to \$6,438. This is an increase of \$126 X 5,467 Pupil Units for \$688,842 in new revenue. This is actually a 1% increase in our total operating revenue budget due to the fact that the Basic Gen Ed formula represents half of our overall revenue budget. Other major revenue components include Special Education, Federal Programs and Operating Referendum funds.

Special Education Funding increase of \$556,899 to help stem the growth of our General Fund Cross Subsidy that currently exceeds \$4.1 million per year.

Continued Voluntary PreK funding levels consistent with last year, approximately \$158,000. The 2019-2020 expansion of our PreK program will be paid out of dedicated additional early Childhood funding sources, such as School Readiness and the Pathways II grant.

Zero new support for our Transportation Cross subsidy. Even though the funding mechanism is in place and the disparities are not in question, the political will to actually fund their mandate does not exist. A proposed "Working Group" to study the transportation disparities was used to kick the can down the road for at least another two years.

Estimated loss of approximately 60 students to a new Charter School representing \$7,868 per pupil or \$472,123. This figure will become clear once the new school year begins and the seat counts are taken.

Decrease in Compensatory revenue funding due to lower Free and Reduced lunch counts amounting to \$358,701.

Reductions in licensed and non-licensed staffing expenses of \$850,000 due to staffing reductions approved in April and subsequent savings due to school consolidations and attrition at other staffing levels.

Basic inflation levels of 2% on expenses across the board.

Fund Balance. As you can see the projected unassigned fund balance is \$4.639 million for FY 2019-2020 and depletes rapidly due to the expiration of our operating referendum, the loss of students to Charter Schools and the gulf between State support and the current pace of inflation. Our Transportation Cross subsidy sits at \$561,000. Our Current Special Education Cross subsidy is \$4.1 million. Our Current operating referendum is \$2 million below the state average.

ACTION:

The motion was offered by _____, seconded by _____ and, carried () to approve the 2019-2020 Operating Budget as presented.