



2021-2022
Preliminary Budget

June 21, 2021

**MANKATO AREA PUBLIC SCHOOLS
2021-2022 PRELIMINARY BUDGET**

<u>TABLE OF CONTENTS</u>	<u>Page</u>
Table of Contents	1
Discussion of Revenue, Expenditure, and Fund Balance Conditions	2-3
Fund Balance Policy	4-6
Fund Balance Summary	7
Revenue Sources Summary	8-9
Expenditure Summary	10-11
Personnel Summary	12
Program Type	13
General Fund	14-16
Food Service Fund	17
Community Service Fund	17
Debt Service Fund	18
OPEB Trust Fund	18
OPEB Debt Service Fund	19
FY 22 Reduction Target Plan	20

MANKATO AREA PUBLIC SCHOOLS 2021-2022 PRELIMINARY BUDGET

INTRODUCTION

In the current economic and political climate, many school districts are finding it increasingly difficult to provide a quality education and at the same time balance the budget. The maintenance of a sound financial position represents one of the most important aspects of credibility with the public and credit worthiness with rating/bonding companies. When evaluating financial operations, rating companies examine numerous measures, including the relative size and availability of operating reserves, the district's revenue structure, major expenditure items, revenue and expenditure growth trends, accuracy of enrollment projections, budget variances, cash flow, budget planning and monitoring, labor relations, and long-term capital plans. Much emphasis is placed on the degree of financial control demonstrated by the district.

A school district's General Fund balance is one of the key measures that provides a "snapshot" of a school district's financial position. The unassigned balance provides the district with reserves that can be used to address unforeseen contingencies and to enhance cash flow.

In their reviews, many rating companies have found that the lack of any formal reserve policy usually leads to overspending and often results in substantial weakening of district finances. This lack of a formal reserve policy and subsequent financial deterioration can lead to the loss of public confidence and a downgrade in credit worthiness. Because of the importance of a reserve policy, the School Board adopted Policy 723, which states that the School Board will attempt to maintain a minimum reserve equal to 30 days (8%) expenditures in each of its operating funds. Starting in FY 20, GASB 84 now requires all student association accounts (Fund 10) to come under board control and be part of the General Fund. This requirement added \$425,000 in budgeted revenue and \$482,185 in budgeted expense to the General Fund for this FY 22 budget.

GENERAL FUND

A reserve of 30 days expenditures for the General Fund would be approximately \$9,161,087. The estimated June 30, 2022 total General Fund balance is \$11,607,667. This is equivalent to 36 days, or 9.8 percent of the general fund. This anticipated increase in the fund balance is due to applying ESSER II funds to FY 21, and \$8,074,798 ESSER III funds in FY 22. These are one-time funds, and for purposes of creating a long range structurally balanced budget for FY 22 and beyond, the majority of the ESSER III funds were not included in the revenue budget plan on page 14.

FOOD SERVICE FUND

The Food Service Fund balance on June 30, 2022 is budgeted to be \$1,117,869 or approximately 84 days of expenditure reserve. There is no increase to student meal prices for 2021-22. Students will continue to eat with no charge due to a special pandemic-related USDA program.

COMMUNITY SERVICE FUND

The Community Service Fund balance on June 30, 2022 is budgeted to be \$728,849 or approximately 44 days of reserve.

CAPITAL EXPENDITURE FUND

The estimated Capital Expenditure Fund balance on June 30, 2022 is budgeted to be (\$2,522,240). The School District began Long Term Facilities Maintenance (LTFM) funding of projects in fiscal year 2016-17. Capital Fund expenditures are determined each year when the District's Ten-Year Facility Plan is updated. The Capital Expenditure Fund is considered a part of the District's General Fund. However, the funds still must be reserved for capital purposes as in past years.

DEBT SERVICE FUND

The Debt Service Fund is budgeted to have a reserve balance on June 30, 2022 of \$19,644,190. These reserve funds are needed to ensure adequate cash flow for the annual payment of bonds originally issued in January of 2001, January of 2006, August of 2008 and February 2014. These bonds are scheduled to be paid off in the years 2021, 2026, 2029 and 2034 respectively. Advance bond refunding to take advantage of low interest rates increased the reserve balance. Funds are held in escrow to the bond call dates.

OPEB TRUST AND OPEB DEBT SERVICE FUNDS

The OPEB (Other Post Employment Benefit) Trust Fund and OPEB Debt Service funds were established to record the entries for the irrevocable trust bonds proceeds and payments. The bonds are scheduled to be paid off in 2024, and are used to meet post-employment benefit obligations.

ALL SEASONS ARENA FUND

Mankato Area Public Schools served as the fiscal agent and operator for the All Seasons Ice Arena until December 31, 2020. At that time, The City of Mankato assumed these fiscal and operational responsibilities. The arena is jointly owned by the Cities of Mankato, North Mankato, and Skyline as well as Blue Earth County. Any deficits which may occur in this fund are billed out to the owners as per an agreed upon schedule. The All Seasons Arena Fund was left in very good financial condition.

TOTAL BUDGET SUMMARY *

Total budgeted revenue for in all operating funds in 2021-2022 is \$134,011,461. This is a decrease of 24 percent compared to the 2020-2021 budgeted amount of \$175,290,959. This substantial decrease in revenue is due to bond refunding and acquiring bond proceeds in FY 21 for LTFM projects. For 2021-2022, the budgeted total expenditures are \$151,059,950. This is an increase of 9.7 percent compared to the 2020-2021 budgeted amount of \$137,786,103. This increase is related to the building construction fund for the aforementioned LTFM projects.

*Total Amount excludes OPEB Trust, OPEB Debt Service, and Building Construction

Adopted: May 7, 1996
Revised: April 18, 2011
April 17, 2017

District 77 Policy 723

723 FUND BALANCES

I. PURPOSE

The purpose of this policy is to create new fund balance classifications to allow for more useful fund balance reporting and for compliance with the reporting guidelines specified in Statement No. 54 of the Governmental Accounting Standards Board (GASB).

II. GENERAL STATEMENT OF POLICY

The policy of this school district is to comply with GASB Statement No. 54. To the extent a specific conflict occurs between this policy and the provisions of GASB Statement No. 54, the GASB Statement shall prevail.

III. DEFINITIONS

- A. “Assigned” fund balance amounts are comprised of unrestricted funds constrained by the school district’s intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district’s intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number.
- B. “Committed” fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board and that remain binding unless removed by the school board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number.
- C. “Enabling legislation” means legislation that authorizes a school district to assess, levy, charge, or otherwise mandate payment of resources from external providers and includes a legally enforceable requirement that those resources be used only for the specific purposes listed in the legislation.
- D. “Fund balance” means the arithmetic difference between the assets and liabilities reported in a school district fund.

- E. “Nonspendable” fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.
- F. “Restricted” fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.
- G. “Unassigned” fund balance amounts are the residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.
- H. “Unrestricted” fund balance is the amount of fund balance left after determining both nonspendable and restricted net resources. This amount can be determined by adding the committed, assigned, and unassigned fund balances.

IV. CLASSIFICATION OF FUND BALANCES

The school district shall classify its fund balances in its various funds in one or more of the following five classifications: nonspendable, restricted, committed, assigned, and unassigned.

V. MINIMUM FUND BALANCE

The school board will attempt to maintain a minimum reserve equal to one month's (8%) expenditures in each of its operating funds.

VI. ORDER OF RESOURCE USE

If resources from more than one fund balance classification could be spent, the school district will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

VII. COMMITTING FUND BALANCE

A majority vote of the school board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board.

VIII. ASSIGNING FUND BALANCE

The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: Superintendent of Schools and the Director of Business Affairs. Assignments so made shall be reported to the school board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the school board.

An appropriation of an existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance.

IX. REVIEW

The school board will conduct an annual review of the sufficiency of the minimum unassigned general fund balance level.

Legal References: Statement No. 54 of the Governmental Accounting Standards Board

Cross References: MSBA Service Manual, Chapter 7, Education Funding

MANKATO AREA PUBLIC SCHOOLS FUND BALANCE SUMMARY

FUND	7/1/2021 ESTIMATED BALANCE	2021-2022 ESTIMATED REVENUE	2021-2022 ESTIMATED EXPENDITURES	6/30/2022 ESTIMATED BALANCE
GENERAL-UNASSIGNED	(\$925,027)	\$97,464,683	\$96,400,365	\$139,291
GENERAL- RESERVED SEVERANCE/SD*/BASIC SKILLS	\$2,590,352	\$9,841,309	\$10,308,997	\$2,122,664
CAPITAL OUTLAY	(\$1,334,196)	\$2,948,500	\$4,136,544	(\$2,522,240)
GENERAL-LONG TERM FAC MAINTENANCE	\$1,114,759	\$3,933,656	\$3,185,492	\$1,862,923
STUDENT ASSOCIATION (FUND 10)	\$391,998	\$425,000	\$482,185	\$334,813
FOOD SERVICE	\$1,100,219	\$4,814,200	\$4,796,550	\$1,117,869
COMMUNITY SERVICE	\$708,743	\$5,975,991	\$5,955,885	\$728,849
BUILDING CONSTRUCTION	\$19,830,000	\$0	\$17,000,000	\$2,830,000
DEBT SERVICE	\$45,456,910	\$8,608,122	\$8,793,932	\$45,271,100
OPEB TRUST	\$12,409,760	\$1,575,000	\$1,285,000	\$12,699,760
OPEB DEBT SERVICE	\$221,314	\$811,500	\$828,730	\$204,084
ALL SEASONS ARENA	\$0	\$0	\$0	\$0
TOTAL ALL FUNDS*	\$49,103,758	\$134,011,461	\$151,059,950	\$51,885,269

* Total Amount excludes OPEB Trust, OPEB Debt Service, and Building Construction

In 2021, the City of Mankato became the fiscal host for the All Seasons Arena.

Fund balance in debt service due to refunding existing debt at lower interest rate.

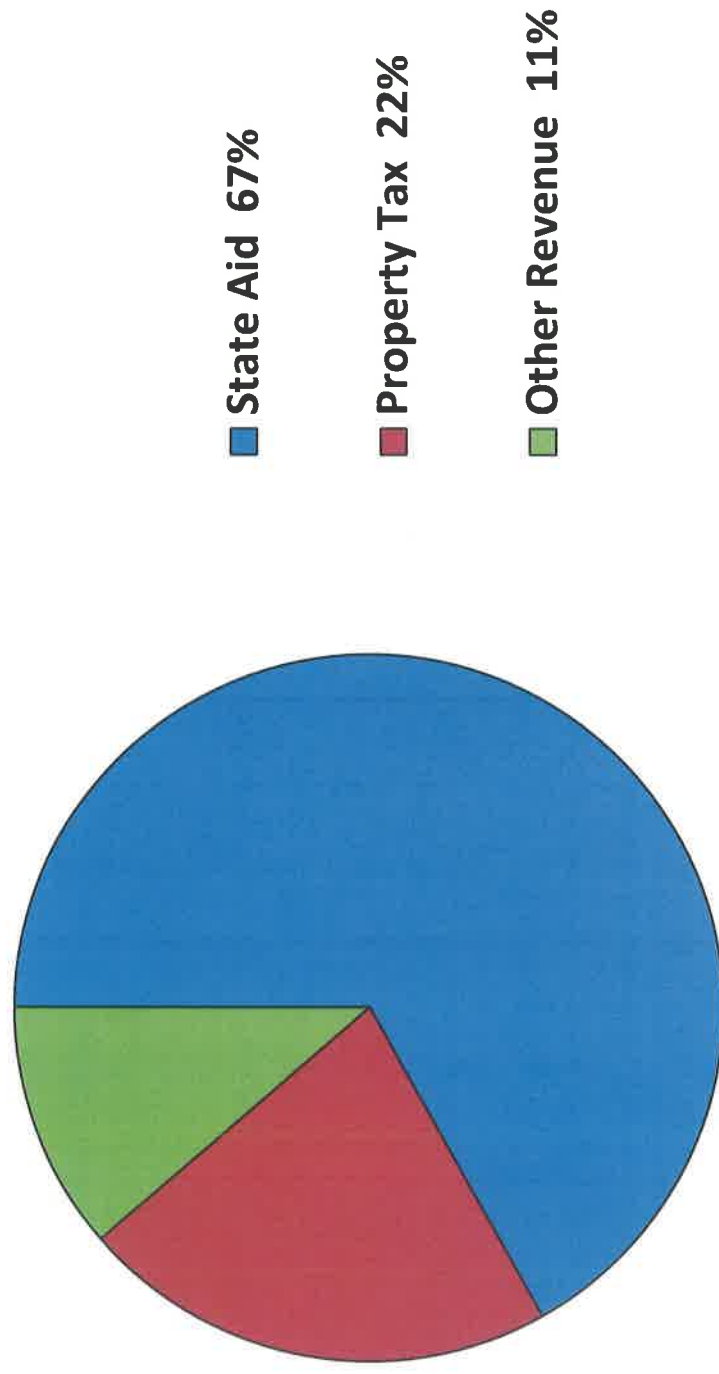
Fund balance in building construction due to new LTFM bonds that will be paid through LTFM levy.

Mankato Area Public Schools
SUMMARY OF REVENUE SOURCES
ALL OPERATING FUNDS

YEAR ENDED 30-Jun	PROPERTY TAX LEVIES	% OF TOTAL	STATE REVENUES	% OF TOTAL	ALL OTHER SOURCES	% OF TOTAL	TOTAL REVENUES
2010	\$15,718,098	19.00%	\$50,724,459	61.30%	\$16,231,768	13.30%	\$79,407,207
2011	\$15,798,179	18.40%	\$56,322,194	65.60%	\$13,724,016	19.70%	\$82,727,985
2012	\$15,666,505	18.33%	\$58,002,663	67.86%	\$11,803,883	16.00%	\$85,844,389
2013	\$16,717,644	18.91%	\$60,443,409	68.38%	\$11,229,270	13.81%	\$85,473,051
2014	\$14,919,523	16.82%	\$62,490,008	70.45%	\$11,286,090	12.71%	\$88,390,323
2015	\$18,540,676	17.07%	\$67,804,926	62.43%	\$22,260,407	12.73%	\$108,606,009
2016	\$19,611,798	19.35%	\$69,548,566	68.62%	\$12,194,810	12.03%	\$101,355,174
2017	\$21,243,823	19.02%	\$76,450,381	68.44%	\$14,012,248	12.54%	\$111,706,452
2018	\$21,874,740	18.60%	\$80,364,175	68.34%	\$15,354,956	13.06%	\$117,593,871
2019	\$26,028,419	20.92%	\$83,283,316	66.93%	\$15,120,865	12.15%	\$124,432,600
2020	\$26,842,107	20.72%	\$86,936,799	67.11%	\$15,762,733	12.17%	\$129,541,639
2021	\$27,193,313	15.51%	\$88,813,140	50.67%	\$59,284,506	33.82%	\$175,290,959
2022	\$29,218,656	21.80%	\$89,541,134	66.82%	\$15,251,671	11.38%	\$134,011,461

Mankato Area Public Schools

Revenue by Source



Total Budgeted 2021-22 Revenues:
\$134,011,461

**MANKATO AREA PUBLIC SCHOOLS
EXPENDITURE SUMMARY
ALL FUNDS**

		FY 21
EXPENDITURE		PERCENT
CATEGORY	AMOUNT	OF TOTAL
Administration	\$3,831,574	3.3%
District Support Services	\$2,456,513	2.1%
Regular Instruction	\$51,815,455	45.2%
Vocational Education Instruction	\$2,007,854	1.8%
Special Education Instruction	\$23,550,466	20.6%
Instructional Support Services	\$6,730,780	5.9%
Pupil Support Services	\$9,867,832	8.6%
Sites and Buildings	\$12,742,562	11.1%
Fiscal & Other Fixed Costs	\$1,028,362	0.9%
Student Association (Fund 10)	\$482,185	0.4%
TOTAL	\$114,513,583	100%

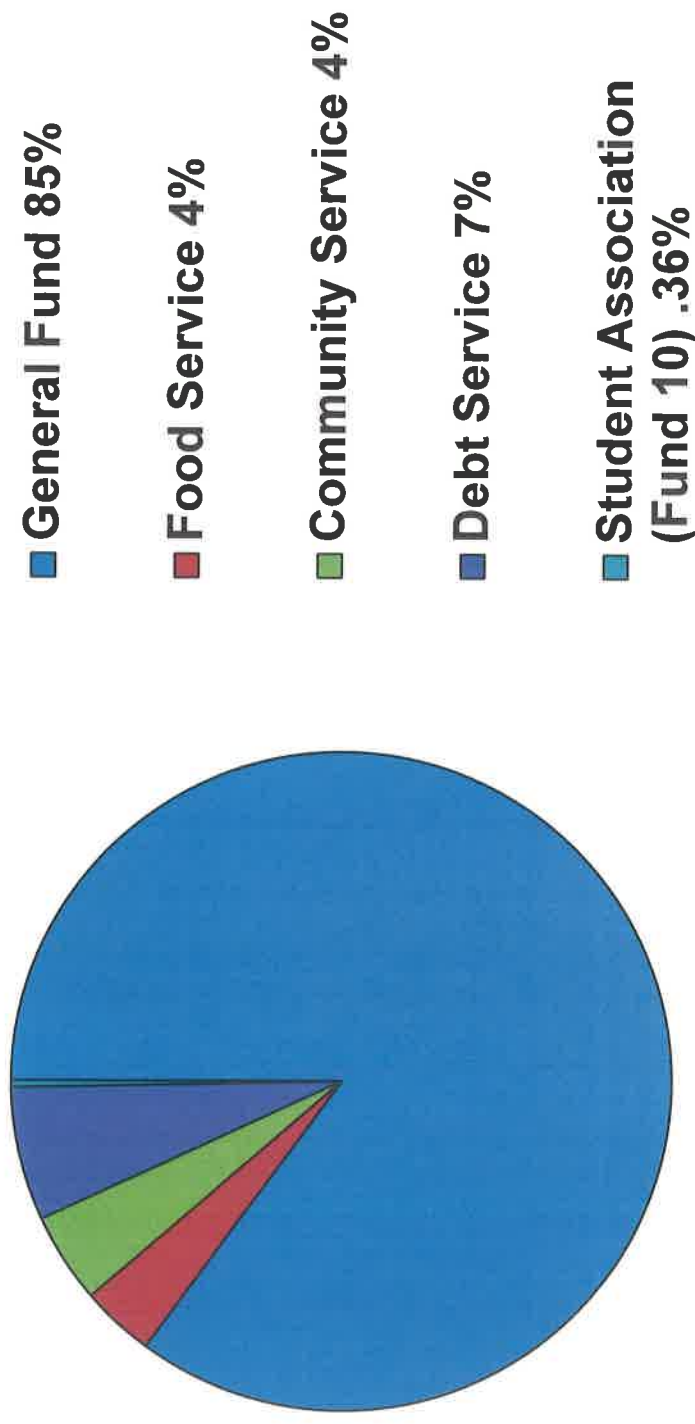
Community Service	\$5,955,885
Food Services	\$4,796,550
Debt Service	\$8,793,932
TOTAL	\$19,546,367

GRAND TOTAL **\$134,059,950**

Note: Total Amount excludes OPEB Trust, OPEB Debt Service, and Building Construction

Mankato Area Public Schools

Expenditures by Fund



Total 2021-22 Budgeted Expenditures:
\$134,059,950

	2020-21	2021-22	
	FTES	FTES	Change
INSTRUCTIONAL STAFF			
Elementary K-5 Classroom Teachers	183	173	-10.00
Elementary Specialists (Art, music, PE, Media, Couns, Intervention)	48.603	50.41	1.81
ADSIS Intervention K-8	11	10	-1.00
Secondary 7-12 Classroom Teachers	203.8	190.1	-13.70
Secondary Specialists (Couns, Media, Intervention)	12	14	2.00
ELL Teachers	17.9	19	1.10
Central HS/Freedom Teachers	11.18	11.76	0.58
Special Education (all)	158.843	158.49	-0.35
Subtotal	646.326	626.76	-19.57
OTHER STAFF			
Licensed Support Personnel (not included in other categories)	19.92	19.92	0.00
Licensed Administrative/Supervisory	32	32	0.00
Nonlicensed Administrative/Supervisory	5	6	1.00
Nonlicensed Support Personnel (not included in other categories)	7.3	6.3	-1.00
Community Education Personnel	32.429	28.764	-3.67
Clerical	73.115	67.115	-6.00
Custodian/Maintenance	64.69	63.2	-1.49
Food Service	42.121	40.22	-1.90
Paraprofessionals	224.627	203.68	-20.95
Technology Support/Print Shop	14.5	13.35	-1.15
Subtotal	515.702	480.549	-35.15
GRAND TOTAL	1162.028	1107.309	-54.72

PROGRAM TYPE

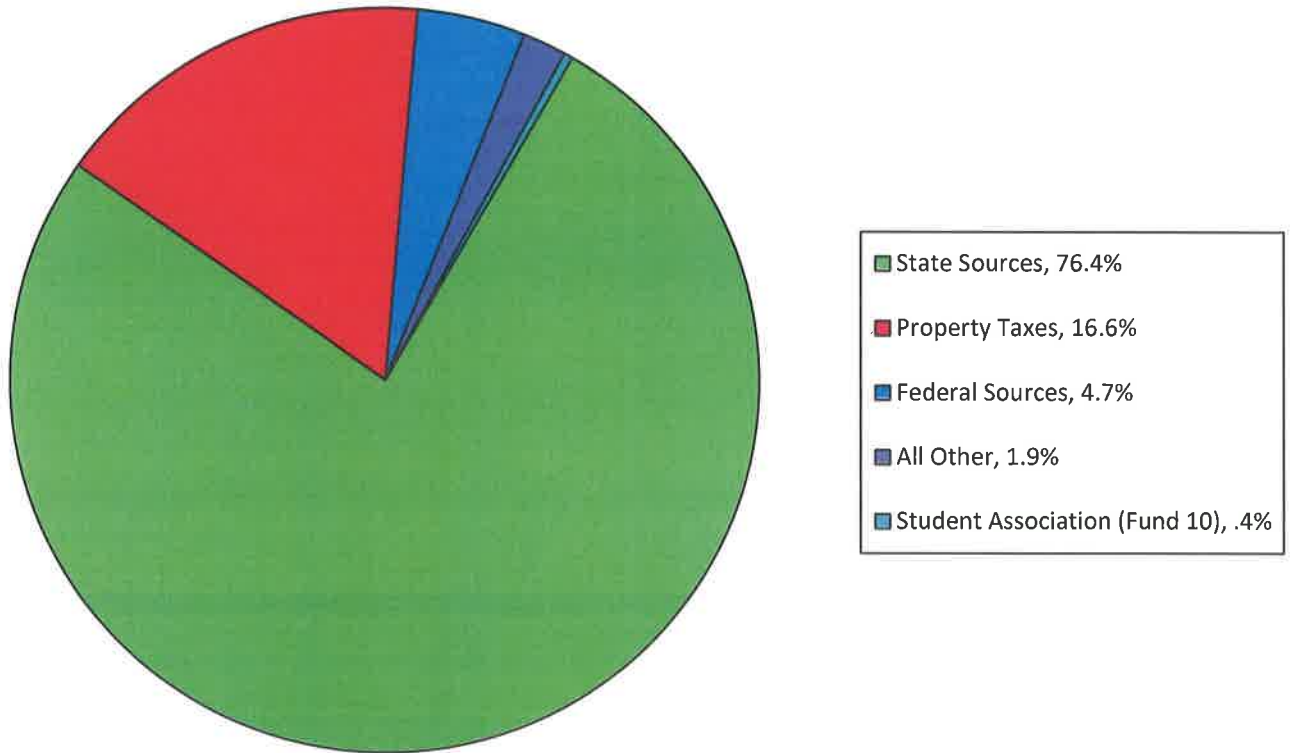
The program dimension of district accounting is used to designate the programmatic areas in which financial activity takes place. The ten categories of the program series are as follows:

1. Administration
This budget category includes all costs associated with District management. It includes all budgets associated with the school board, superintendent, special services and ALC. It also includes costs related to head principals and head secretaries.
2. District Support Services
This budget category includes all costs associated with district support services including district level administrative support, business office support, human resource office support, information technology departments, legal, communications, offset, and elections.
3. Elementary and Secondary Regular Instruction
This budget category includes all costs associated with classroom activities including teachers and teacher aides and instructional supplies. It also includes all costs associated with the extracurricular program.
4. Vocational Education Instruction
Vocational teachers and expenses.
5. Special Education Instruction
This budget category includes all costs associated with the special education programs and services including teachers, and program assistants.
6. Community Education and Services
All expenses related to Community Education.
7. Instructional Support Services
This budget category includes curriculum, educational media, staff development, and assistant principals.
8. Pupil Support Services
This budget category includes all costs associated with the provision of special services that enhance student attendance and performance in school. Pupil Support Services includes counseling, health services, social workers, assistant secretaries, and transportation.
9. Sites and Buildings
This budget category includes all costs associated with the maintenance and upkeep of our various buildings and grounds. Personnel, utilities, and supplies are included within these costs.
10. Fiscal and Other Costs Programs
This budget category includes costs associated with retirement of long-term obligations, severance pay and benefits, technology, property insurance, and special projects involving purchases exceeding \$500.

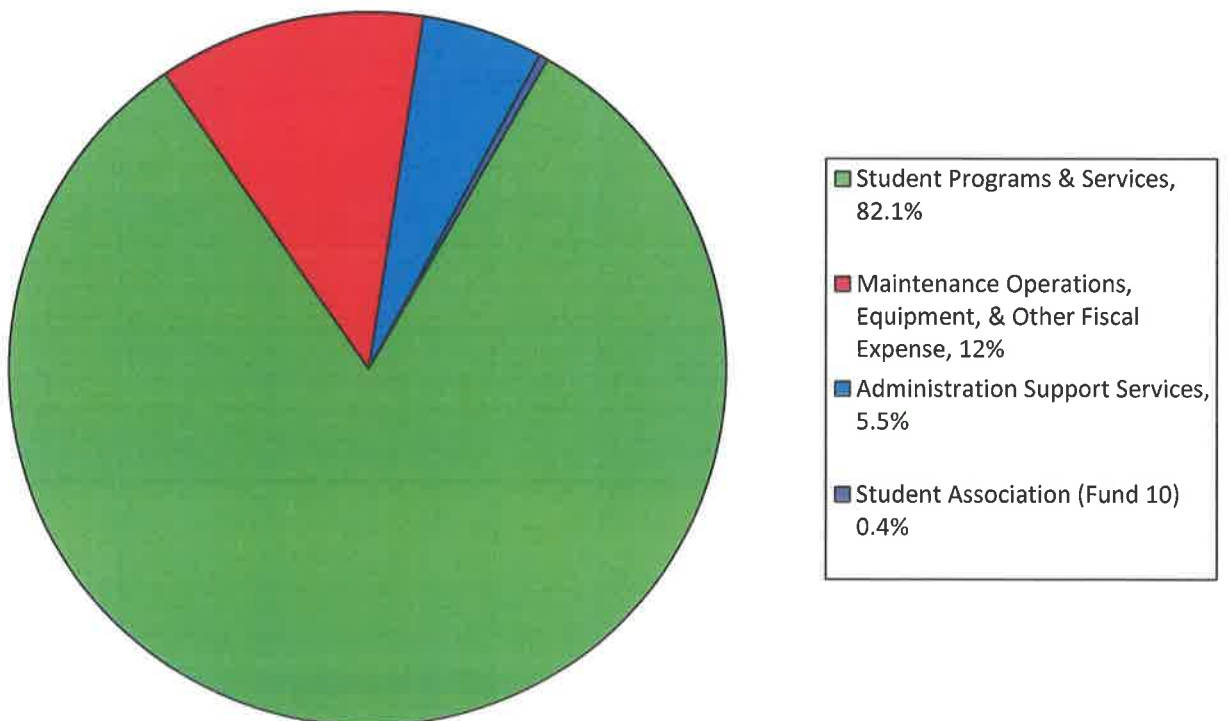
GENERAL FUND

	2019-2020		2020-2021	Percent of Total	2021-2022	Percent Change from FY 21 to FY 22
	Actuals	Percent of Total	Revised Budget		Preliminary Budget	
Property Taxes	\$17,897,050	15.9%	\$18,268,120	16.2%	\$19,061,444	4.3%
All Other/Local	\$2,774,267	2.5%	\$1,670,925	1.5%	\$2,179,503	30.4%
State Sources	\$86,346,642	76.7%	\$86,948,388	77.2%	\$87,566,288	0.7%
Federal Sources	\$4,887,728	4.3%	\$5,329,025	4.7%	\$5,380,913	1.0%
Student Association (Fund 10)	\$603,600	0.5%	\$425,000	0.4%	\$425,000	0.0%
Total Revenue	\$112,509,287	100.0%	\$112,641,458	100.0%	\$114,613,148	1.8%
Administration	\$3,837,960	3.3%	\$3,924,921	3.3%	\$3,831,574	-2.4%
District Support Services	\$2,197,826	1.9%	\$2,433,021	2.1%	\$2,456,513	1.0%
Regular Instruction	\$53,161,129	46.2%	\$54,561,583	46.3%	\$51,815,455	-5.0%
Vocational Education Instruction	\$1,856,574	1.6%	\$1,971,776	1.7%	\$2,007,854	1.8%
Special Education Instruction	\$22,867,430	19.9%	\$23,410,895	19.9%	\$23,550,466	0.6%
Instructional Support Services	\$7,761,390	6.7%	\$7,456,544	6.3%	\$6,730,780	-9.7%
Pupil Support Services	\$8,786,255	7.6%	\$9,882,593	8.4%	\$9,867,832	-0.1%
Sites and Buildings	\$13,645,612	11.9%	\$12,666,317	10.8%	\$12,742,562	0.6%
Fiscal & Other Fixed Costs	\$332,503	0.3%	\$998,410	0.8%	\$1,028,362	3.0%
Student Association (Fund 10)	\$631,010	0.5%	\$468,141	0.4%	\$482,185	0.4%
Total Expenditures	\$115,077,689	100.0%	\$117,774,201	100.0%	\$114,513,583	-2.8%
Revenue over Expenditures	(\$2,568,402)		(\$5,132,743)		\$99,565	

GENERAL FUND REVENUE



GENERAL FUND EXPENDITURES



SUMMARY OF UPDATES TO GENERAL FUND June 20, 2021

	2019-2020 Actuals	2020-2021 Revised Budget	2021-2022 Preliminary Budget
Total Revenue	\$112,509,287	\$112,641,458	\$114,613,148
Total Expenditures	\$115,077,689	\$117,774,201	\$114,513,583
Change in Fund Balance	(\$2,568,402)	(\$5,132,743)	\$99,565
Budgeted Fund Balance on June 30, 2021:	\$1,837,886		
Adjusted Fund Balance on June 30, 2021 using ESSER II Funds:	\$5,433,304		
Anticipated Fund Balance on June 30, 2022 using ESSER III Funds:	\$11,607,667	(36 days, or 9.8% of Total General Fund)	

Key Drivers to FY22 Revenue Budget:

- Enrollment: Significant drop since FY20 due to COVID-19
- State Formula Allowance: 1.0 percent increase
- Special Ed Reimbursement
- Local Property Taxes
- ESSER II and ESSER III: One Time Funding will help improve Fund Balance

Key Drivers to FY21 Expense Budget:

- Employment Contracts
 - Wages/Salaries
 - Insurance
- Transportation
- Facility maintenance and operations/LTFM

FOOD SERVICE FUND

	2019-2020		2020-2021		2021-2022		Percent Change
	Actuals	Percent of Total	Revised Budget	Percent of Total	Preliminary Budget		from FY 21 to FY 22
Other Local	\$1,492,815	32.5%	\$225,800	5.6%	\$1,869,725		728.0%
State Sources	\$166,458	3.6%	\$70,400	1.7%	\$222,525		216.1%
Federal Sources	\$2,931,579	63.9%	\$3,730,318	92.6%	\$2,721,950		-27.0%
Total Revenue	\$4,590,852	100.0%	\$4,026,518	100.0%	\$4,814,200		19.6%
Food Service	\$4,342,472	97.5%	\$4,582,000	96.4%	\$4,676,550		2.1%
Capital Outlay	\$109,835	2.5%	\$170,201	3.6%	\$120,000		-29.5%
Total Expenditures	\$4,452,307	100.0%	\$4,752,201	100.0%	\$4,796,550		0.9%

Budgeted Fund
Balance on
June 30, 2021: \$1,100,219

Budgeted Fund
Balance on
June 30, 2022: \$1,117,869 (84 days)

COMMUNITY SERVICE FUND

	2019-2020		2020-2021		2021-2022		Percent Change
	Actuals	Percent of Total	Revised Budget	Percent of Total	Preliminary Budget		from FY 21 to FY 22
Property Taxes	\$843,887	14.3%	\$843,680	13.6%	\$900,590		6.7%
Other Local	\$3,166,490	53.5%	\$3,084,110	49.9%	\$3,269,619		6.0%
State Sources	\$1,699,193	28.7%	\$1,794,752	29.0%	\$1,590,821		-11.4%
Federal Sources	\$206,980	3.5%	\$458,930	7.4%	\$214,961		-53.2%
Total Revenue	\$5,916,550	100.0%	\$6,181,472	100.0%	\$5,975,991		-3.3%
Community Service	\$6,096,014	99.7%	\$6,459,356	99.8%	\$5,927,085		-8.2%
Capital Outlay	\$19,178	0.3%	\$13,000	0.2%	\$28,800		121.5%
Total Expenditures	\$6,115,192	100.0%	\$6,472,356	100.0%	\$5,955,885		-8.0%

Budgeted Fund
Balance on
June 30, 2021: \$708,743

Budgeted Fund
Balance on
June 30, 2022: \$728,849 (44 days)

DEBT SERVICE FUND

	2019-2020		2020-2021	Percent of	2021-2022	Percent
	Actuals	Percent of Total	Revised Budget	Total	Preliminary Budget	Change from FY 21 to FY 22
Property Taxes	\$8,163,758	97.2%	\$7,887,791	15.2%	\$8,449,122	7.1%
Other Local	\$60,753	0.7%	\$13,120	0.0%	\$1,000	-92.4%
State Sources	\$171,878	2.0%	\$181,600	0.4%	\$158,000	-13.0%
Sale of Bonds			\$43,650,000			-100.0%
Total Revenue	\$8,396,389	100.0%	\$51,732,511	15.6%	\$8,608,122	
Principal	\$5,205,000	64.8%	\$5,450,000	67.5%	\$5,390,000	-1.1%
Interest and Fiscal Charges	\$2,823,094	35.2%	\$2,628,345	32.5%	\$3,403,932	29.5%
Total Expenditures	\$8,028,094	100.0%	\$8,078,345	100.0%	\$8,793,932	8.9%
Budgeted Fund Balance on June 30, 2021:	\$45,456,910					
Budgeted Fund Balance on June 30, 2022:	\$45,271,100					

OPEB TRUST FUND

	2019-2020		2020-2021	Percent of	2021-2022	Percent
	Actuals	Percent of Total	Revised Budget	Total	Preliminary Budget	Change from FY 21 to FY 22
Revenue	\$1,445,599	100.0%	\$900,000	100.0%	\$1,575,000	75.0%
Total Revenue	\$1,445,599	100.0%	\$900,000	100.0%	\$1,575,000	75.0%
Expenditures	\$1,410,097	100.0%	\$1,288,000	100.0%	\$1,285,000	-0.2%
Total Expenditures	\$1,410,097	100.0%	\$1,288,000	100.0%	\$1,285,000	-0.2%
Budgeted Fund Balance on June 30, 2021:	\$12,409,760					
Budgeted Fund Balance on June 30, 2022:	\$12,699,760					

OPEB DEBT SERVICE FUND

	2019-2020		2020-2021		2021-2022	Percent
	Actuals	Percent of Total	Revised Budget	Percent of Total	Preliminary Budget	Change from FY 21 to FY 22
Property Taxes	\$932,469	98.6%	\$952,445	99.5%	\$807,500	-15.2%
Other Local	\$8,525	0.9%	\$500	0.1%	\$500	0.0%
State Sources	\$4,694	0.5%	\$4,564	0.5%	\$3,500	-23.3%
Total Revenue	\$945,688	100.0%	\$957,509	100.0%	\$811,500	-15.2%
Principal	\$885,000	92.0%	\$900,000	93.4%	\$780,000	-13.3%
Interest and Fiscal Charges	\$76,612	8.0%	\$63,580	6.6%	\$48,730	-23.4%
Total Expenditures	\$961,612	100.0%	\$963,580	100.0%	\$828,730	-14.0%
Budgeted Fund Balance on June 30, 2021:	\$221,314					
Budgeted Fund Balance on June 30, 2022:	\$204,084					

Largely due to the loss of revenue related to a drop in enrollment during COVID 19, in the spring of 2021 it became necessary for the district to right size its general fund operating budget to better align expenses with anticipated revenue. A reduction target of \$7.56 million was identified as the amount by which the district needed to reduce its expenditures to establish a long range structurally balanced budget. Below is a summary of this reduction plan that was approved by the school board on April 6, 2021. This plan was then incorporated into the budget outlined in this document.

Reduction Target				
\$7,560,380				
	Amount Reduced	Increased Revenue	Percent of Total Reduction	Percent of Total Budget
Administration and District Support Services				
Subtotal	\$627,000		8.3%	5.4%
Instruction				
Subtotal	\$3,556,269		47.0%	48.4%
Special Services				
Subtotal	\$351,000		4.6%	19.9%
Instructional Support Services				
Subtotal	\$1,486,065		19.7%	6.3%
Pupil Support Services				
Subtotal	\$649,836		8.6%	8.4%
Facilities and Maintenance				
Subtotal	\$505,250		6.7%	10.8%
Fiscal and Other Fixed Costs				
Subtotal	\$384,960		5.1%	0.8%
Total	\$7,560,380		100.0%	100.0%
Amount to Target	\$0			

State and Federal Funding Impact on MAPS 77

April, 2021

Background

After the 2019-2020 (FY 20) school year, the district's total general fund balance dropped to \$6.97 million. This represents 5.9 percent of the total general fund budget, which is 22 days of operation. The board board policy is to carry a minimum of 8.0 percent fund balance, which is 30 days of operation. General best practice within public school finance is to have eight to 16 percent fund balance in reserves.

FY 20 also marked the fourth consecutive year the district's expenses exceeded its revenues. Assuming a school district starts with a healthy fund balance, deficit spending such as this can occur -- but only for the short term. For this reason, in the spring of 2020, the district defined a cost containment plan that would slow down expense growth by \$3.6 million for the FY 21 school year. In doing this, the district presented a balanced budget plan to the school board in June 2020, and it was approved. While these reductions were not easy, they had very little overall impact on staffing and classroom instruction for the 2020-2021 school year. Then, the COVID 19 pandemic took hold...

At the time of the district's FY 21 budget planning in the spring we were anticipating additional expenses related to the pandemic. We also knew that we'd receive and use some federal funding for COVID-related expenses. However, what we were not anticipating was the loss of revenue due to a significant decline in student enrollment. On October 1, 2020 the district was experiencing 300 fewer K-12 students than anticipated. In addition, the district ECSE counts were substantially down, as well as extended time revenue.

In short, because of this lost revenue, instead of having a balanced budget for FY 21, the district's updated budget was showing a deficit spend of -\$5.1 million, landing the fund balance at 1.6 percent, or six days of operation. (Recall that the board board policy is to carry a minimum of 8.0 percent fund balance, which is 30 days of operation.)

The \$7.56 million Reduction Plan

Once the district knew about the lost revenue due to enrollment, plans began to determine the impact on next year's FY 22 budget. During budget development, assumptions must be made about "what to expect" in terms of enrollment, contract settlements, utilities, transportation, insurance renewals, and of course, the all important state funding formula (More on that later...) After that work and analysis, the district determined that to balance its budget for FY 22, at least \$7.56 million in expenses would need to be reduced. This reduction plan was a collaborative compilation of several months' efforts from district staff and leaders throughout the school district. The staff survey was used, webinars were conducted, and feedback from these sources provided many ideas and concepts that were incorporated into the plan. The plan was approved by the school board on April 5.

ESSER II (Federal)

These are federal funds that will be allocated to the school district for use in FY 21. The amount is \$3.6 million. These funds will be used this year for ongoing operational expenses directly impacting student learning. Recall that for this fiscal year, the district was planning to deficit spend its fund balance by -\$5.1 million -- mostly due to lost revenue/enrollment from COVID 19. With the use of the ESSER II funds, the district will still deficit spend, but by -\$1.5 million instead. This will still land the district's fund balance well below the school board policy of a minimum of 8.0 percent, which is 30 days of operation. Without using these funds in this way now, the \$7.56 million reduction that was recently approved by the school board for next year would have been even greater.

ESSER III (Federal)

For next year, FY 22, the district will have access to the ESSER III funds. The amount is \$8.1 million. While no specific decisions have been made yet for the use of these ESSER III funds, at this time we anticipate reserving these funds for one-time/unique purposes related to COVID-related expenses. The district anticipates using \$2.0 million of these funds for on-going COVID-related expenses. Of this amount, \$150,000 can be set aside for staff development related to "re-tooling and re-entry." These are one-time only funds that will also help offset the loss of revenue due to enrollment, bring our fund balance back to an acceptable range, and in compliance with board policy.

It would not be prudent to incorporate this one-time money into the overall operational budget. If the district did this, once these funds leave after FY 22, the budget will be structurally unbalanced again, and the district would be left with yet another round of reductions. This is known as a "funding cliff."

In summary, with the use of the ESSER II and III funds described as above, at the end of FY 22, the district's total general fund balance would be approximately 9.8 percent.

State Funding

The Main Thing: While all parts of the funding formula are important, the percentage increase to the per pupil allotment is the key driver. The general funding formula is the biggest source of state aid to schools and offers districts the most flexibility, stability, and local control.

For MAPS, every 1.0 percent increase to the formula equates to roughly \$650,000 per year. Two percent would be \$1.3 million. The difference in revenue over a two-year biennium of a zero percent increase per year vs a two percent increase per year would be $\$1.3 + (\$1.3 + 1.33) = \$3.93$ million. Different from the one-time ESSER money, once the state funding formula is increased, those dollars will stay there in perpetuity. (Unless legislation "claws back" those funds in the future -- something that rarely happens.)

Another key aspect to school funding is special education, specifically addressing the financial impact of the annual general fund cross subsidy in this area. In MAPS that cross subsidy is \$7 million per year. Also unique to this legislative session is the possibility of holding school districts harmless with regards to lost compensatory aid revenue for FY 22. During the fall of 2020, families were not completing the meal benefit application at usual levels. This was due, in part, because all meals were being provided at no cost to the families as part of a USDA emergency pandemic program. This will result in a further loss of \$500,000 in revenue for MAPS in FY 22 -- unless legislation addresses this.

House Proposal (HF 1065)

The House advanced a bill that proposes an additional \$724.9 million for education finance. The House proposal includes an increase to the basic per-pupil funding formula of 2 percent per year and provides funding predictability by linking any future increases to inflation. The House bill also addresses underfunding in areas of special education, English Language Learners, teachers of color, and student support personnel. Key components of the bill include:

- 2 percent per year increase to the per-pupil formula and linked to inflation
- Continued funding for voluntary pre-kindergarten
- \$70 million for special education cross-subsidy
- \$29 million for English learner revenue
- \$17.2 million to increase school counselors and other student support personnel
- \$16.75 million for grants to increase the number of teachers of color

Senate Proposal (SF 960)

SF960 proposes an additional \$152 million for education. The bill provides no increases to the basic per-pupil funding formula and does not address underfunding in areas of special education other areas. The Senate however provides one-time classroom pandemic aid and invests additional funding for safe schools aid and funding for levy referendum equalization aid. The Senate bill also directs funding for subsidies for nonpublic schools through education savings account. Below is a more detailed summary of the bill but note the key funding components of the bill include:

- \$60 million for classroom pandemic aid
- \$11.5 million education savings accounts for private schools
- \$24 million to equalize local property taxes
- \$16 million for safe schools aid
- \$5 million for grants to increase teachers of color

Governor's Proposal

In total, this proposal includes a new state investment of \$745 million for pre-K through grade 12 education funding over the next two years. Most of this \$301 million plan would be used to increase the general education basic formula by 1 percent during fiscal year 2022 and 2.5 percent in fiscal year 2023. Details in the E-12 proposal include:

- \$95.4 million to simplify school funding formulas and improve levy equalization;
- \$72.7 million to freeze the special education cross-subsidy;
- \$47 million for student support personnel;
- \$41 million to extend voluntary prekindergarten programming;
- \$13.7 million to reduce the English language learner cross-subsidy;
- \$10 million for statewide teacher mentorship program;
- \$10 million to expand rigorous coursework for students of color;
- \$10 million for full-service community schools; and
- \$6.6 million for a tribal early learning package.

MSBA Funding Priorities

- a \$750 million target;
- at least 2 percent on the formula;
- freeze the special education cross-subsidy;
- enough ongoing revenue to hire student support staff to address the mental health needs of students; and
- no new mandates.

E-12 funding represents roughly 40 percent of the state's general fund budget. As such, it is an integral part of the current and ongoing budget and policy negotiations between the House, Senate, and Governor. This year's session is scheduled to conclude on May 17, 2020.

A listing of area legislators can be found [here](#).