

Achieve Financial Stability Without Funding Increases

- School district budgets are becoming increasingly tighter with increasing costs and multiple factors impacting revenue
- Many districts are faced with the challenging and painful process of making reductions
 - Nothing erodes and disrupts culture with staff, parents and community more than constantly being in a mode of reducing and even worse, when people cannot see or understand why the reductions are needed
- To avoid this, it is important to establish a systemic approach that right sizes the district, so you do not end up in a cycle of needing to make reductions every year or every other year

THE ISSUE

- Many districts start this process by making lists of things they can reduce based on what they perceive they can live without
- The problem with this approach is that strong feelings and emotions are often attached to these reductions with little to no evidence that supports why the reduction was made
- It is often described as throwing noodles against the wall and seeing what sticks
- What people learn through this process is what might be important to one person might not be important to another

THE ISSUE *(continued)*

- The second problem is making cuts in areas not having a negative impact on your budget in the first place
- Just reducing does not mean you are solving a long-term budget constraint that continually erodes the budget year-after-year
- In our process everyone will be able to see what areas the district is out of financial alignment in comparison to other districts
- This provides evidence of why reductions are needed and the areas in which they are needed

SPECIFICALLY

MN District has been deficit spending for the last few years. The trend of the District's unassigned fund balance (shown as a June 30 ending year figure) is shown below:

- 2016 unassigned fund balance was \$1,303,301
- 2017 unassigned fund balance was \$857,207
- 2018 unassigned fund balance was \$114,667
- 2019 this figure moved to **-\$509,068**

Thinking further about the fund balance

- District maintains a fund balance, so the district does not have to borrow money to make payroll and other monthly expenses
- Fund balance money is one-time money
 - **ONCE IT IS SPENT, IT IS GONE**
- Every year the District deficit spends on recurring expenditures (i.e. ongoing staffing positions) it creates an unstable future long-range budget situation

Unassigned Fund balance philosophy

- Most districts establish a year end fund balance policy based on percentage of general fund expenditures
- Percentage should cover:
 - Payroll and other expected expenditures
 - Additional dollars to cover unexpected expenses

USING OBA MODEL TO DRIVE DECISIONS

1. Examine the District's current financial position as it relates to comparable districts
2. Examine expenditures and rank comparable districts by average per pupil spending in seven categorical areas
3. Identify additional operating levy available to for each of the comparable districts
4. Examine areas of overspending as it relates to rank comparison and additional operating referendum available and make recommendations of which
5. Make recommendations of which categorical areas need to be reduced
6. Examine each of the comparable districts staffing, programming, contracts, etc. and make recommendations to the superintendent for adjustments
7. Decide on an implementation timeline and prepare a messaging plan

BAIRDS APPROACH

- ❑ Our approach provides districts with resources and support to help solve budget shortfalls by providing clarity around where spending is out of range and needs adjustment.
- ❑ Our goal is simple; we want to make sure districts have clarity around their financial situation and are running as efficiently as possible. The transparency we provide makes it easy to show your taxpayers and constituents you are honoring your fiduciary responsibility which is so vital for all school districts.

Phase One

- **Meet to assess the district's current financial position and discuss the current state of the district as well as establish short-term and long-term goals for the district moving forward**

Phase Two

- **Establish comparable districts based on enrollment, geographical area, student make-up, revenues and expenditures, etc...**

Phase Three

- **Examine the expenditures and rank them side by side with the comparable districts to find areas where your expenditures are out of alignment compared to other school districts.**

Phase Four

- **Identify areas where the district has the highest level of spending and make a recommendation for fiscal reduction to ensure the district is right-sized. This approach promotes sustainability and alleviates the need to make reductions going forward as long as they meet their enrollment projections.**

Phase Five

- **Examine comparable districts staffing, programming, scheduling models, and make recommendations for adjustments to align with the needs of phase four to right-size the district.**

Phase Six

- **Assist district in implementing and messaging the plan.**

Comparable District Example – Fiscal Year 2019

FISCAL YEAR 2019	ISD 2365 - G.F.W.			ISD 2448 - MARTIN COUNTY WEST			ISD 2835 - JANESVILLE-WALDORF-PEMBERTON			ISD 2143 - WATERVILLE-ELYSIAN-MORRISTOWN		
Student ADM	717			724			684			778		
	Dollars Spent	Per Pupil	Rank	Dollars Spent	Per Pupil	Rank	Dollars Spent	Per Pupil	Rank	Dollars Spent	Per Pupil	Rank
District Level Admin	548,615	765	4	447,257	618	2	640,576	936	6	560,064	720	3
School Admin	604,755	843	6	614,723	849	7	241,433	353	1	571,038	734	5
Instruction Regular	3,828,303	5,337	6	3,420,678	4,725	2	3,613,126	5,280	5	4,098,447	5,270	4
Instructional Support	339,861	474	3	500,500	691	7	457,268	668	6	418,287	538	5
Pupil Support Services	291,754	407	7	179,465	248	4	152,520	223	1	246,608	317	6
Operation Maintenance	823,622	1,148	4	937,388	1,295	6	792,672	1,158	5	1,171,471	1,506	7
Transportation	676,483	943	7	455,364	629	2	506,253	740	4	479,696	617	1
TOTAL	7,113,393	9,916	37	6,555,375	9,056	30	6,403,847	9,359	28	7,545,611	9,703	31

FISCAL YEAR 2019	ISD 75 - ST. CLAIR			ISD 2134 - UNITED SOUTH CENTRAL			ISD 756 - BLOOMING PRAIRIE		
Student ADM	662			706			764		
	Dollars Spent	Per Pupil	Rank	Dollars Spent	Per Pupil	Rank	Dollars Spent	Per Pupil	Rank
District Level Admin	598,839	904	5	716,284	1,015	7	373,009	488	1
School Admin	349,892	528	2	432,470	613	4	438,206	574	3
Instruction Regular	2,853,747	4,310	1	3,834,959	5,432	7	3,794,679	4,968	3
Instructional Support	242,992	367	1	285,626	405	2	401,703	526	4
Pupil Support Services	147,915	223	2	198,817	282	5	184,293	241	3
Operation Maintenance	574,068	867	2	716,193	1,014	3	608,545	797	1
Transportation	525,573	794	5	474,695	672	3	627,812	822	6
TOTAL	5,293,026	7,994	18	6,659,044	9,433	31	6,428,246	8,416	21

USING THE DATA TO MAKE DECISIONS

Example recommendation:

This District passed an operating levy referendum but still needed to examine and “right size” their expenditures for future budget sustainability.

REGULAR INSTRUCTION/INSTRUCTIONAL SUPPORT RECOMMENDATION

Overspending	\$358,467	
Instructional Support	\$8,061	
TOTAL OVERSPENDING	\$366,528	
Restructuring Recommendations	Salary & Benefits Adjustment	
Online Spanish on hour per day Edmentum	COST	\$46,000
Math Position	92,467.38	49,222.22
Business Position	59,171.02	49,697.05
Health/PE Position	101,192.71	47,188.26
Art Position	81,000.00	49,222.22
	\$333,831.11	241,329.75
TOTAL SAVINGS		\$92,501.36
Overspending	\$366,528	
	-\$92,501.36	
TOTAL +/- Ongoing Out of the LEVY Dollars	-\$274,026.36	

For further information please feel free to reach out to Baird's School Business Solution Team Lead:

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