

At the January 27 board meeting, Director of Finance Val Mertesdorf presented the annual financial forecast. Currently, the recommendation is to identify \$6 million in priority-based budget reductions for the 2025-26 school year. This represents an eight percent (8%) reduction in projected expenditures. It will not be easy, but it is necessary.

Financial Forecast. You can review these documents and recordings to learn more about the district’s financial forecast, one of four annual budget updates provided to the board.

- [You can review the financial forecast presentation slide deck here.](#)
- [You can review the financial forecast narrative document here.](#)
- [You can watch the financial forecast presentation at the Jan. 27 board meeting here.](#)
- [You can listen to my review of the forecast on KYMN radio.](#)
- [You can listen to Dr. Hillmann’s special appearance about the priority based budget reductions on KYMN radio.](#)

Northfield is not alone. Recent articles in the [Minnesota Star Tribune](#) and on [KARE 11](#) highlight similar financial challenges facing many districts statewide.


The reasons for this fiscal reality in Northfield are:

Declining enrollment. Our enrollment is projected to incrementally decline, averaging a 0.93% decrease per year for the foreseeable future. The [overall difference between Northfield resident students enrolling in other educational options and non-resident students enrolling in the district](#) has returned to pre-COVID-19 amounts. Northfield has a significant net gain in traditional public school district open enrollment. The district enrolls 489 non-resident students, while 292 Northfield resident students enroll in other traditional public school districts. Northfield is one of only two traditional public school districts that authorize charter schools. Since 2020-21, the percentage of Northfield students attending Prairie Creek Charter School has decreased by 12%, despite Prairie Creek’s total enrollment remaining at 180. Our local parochial school, St. Dominic, has enrolled 26 fewer Northfield students in the same timeframe. Rice County birth rates have dropped 12% in the last six years. The enrollment decline is directly related to people having fewer children, and limited single-family housing inventory in the district. As of January 15, only 28 single-family homes were for sale in the 178-square-mile school district.

Northfield Public School District
Total Enrollment Projection
K Projection: Average County Birth Rate Last 4 Years

	Enrollment History					Enrollment Projections							
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
ECSE	39.0	42.8	44.3	49.1	52.9	53.2	67.2	69.1	67.3	69.4	67.9	65.5	63.8
Pre K	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HK	47.6	51.9	29.7	47.1	50.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
K	200.8	194.6	172.7	198.0	187.5	230.6	203.8	209.5	204.1	210.3	206.0	198.6	193.4
1	269.6	255.5	241.0	233.3	241.1	253.4	234.1	211.6	217.5	211.9	218.3	213.9	206.1
2	247.5	258.9	258.8	248.0	233.5	247.1	283.2	240.2	217.0	223.1	217.4	224.0	219.4
3	280.5	249.8	248.1	269.5	262.4	249.4	254.1	275.7	251.6	227.4	233.7	227.8	234.7
4	290.6	287.1	248.1	258.1	264.0	278.1	260.0	262.9	285.3	260.4	235.3	241.9	235.7
5	277.1	293.6	283.6	249.3	257.8	269.6	288.2	265.5	268.5	291.3	265.9	240.3	247.0
6	343.3	312.1	312.2	315.6	280.6	295.5	296.4	322.8	297.4	300.8	326.4	297.9	269.1
7	333.1	343.3	304.7	310.9	315.7	282.0	294.7	296.5	322.8	297.4	300.8	326.4	297.9
8	300.0	339.1	342.8	308.6	314.4	313.9	284.2	296.2	297.9	324.4	298.9	302.3	328.0
9	355.7	320.1	362.1	350.2	328.4	334.2	328.9	299.2	311.9	313.7	341.6	314.7	318.3
10	363.0	365.0	310.5	355.7	349.4	332.4	345.3	333.7	303.7	316.5	318.3	346.7	319.4
11	321.5	362.3	350.9	300.8	340.3	338.9	318.7	332.4	321.3	282.3	304.7	306.5	333.7
12	378.6	343.7	391.4	366.7	319.4	361.8	360.8	338.3	352.9	341.1	310.3	323.4	325.3
K-12	4,008.8	3,976.7	3,856.5	3,811.7	3,744.4	3,786.8	3,732.3	3,684.5	3,651.9	3,610.6	3,577.7	3,564.1	3,528.1
ECSE+12	4,050.0	4,019.5	3,900.8	3,860.8	3,797.3	3,839.9	3,799.5	3,753.6	3,719.3	3,680.0	3,645.6	3,629.6	3,591.9
Adjusted Pupil Units	4,460.4	4,434.2	4,313.3	4,259.4	4,190.8	4,232.6	4,186.0	4,132.8	4,101.3	4,057.1	4,020.5	4,013.6	3,976.4
% Change K-12		-0.80%	-3.02%	-1.16%	-1.76%	1.13%	-1.44%	-1.28%	-0.88%	-1.13%	-0.91%	-0.38%	-1.01%

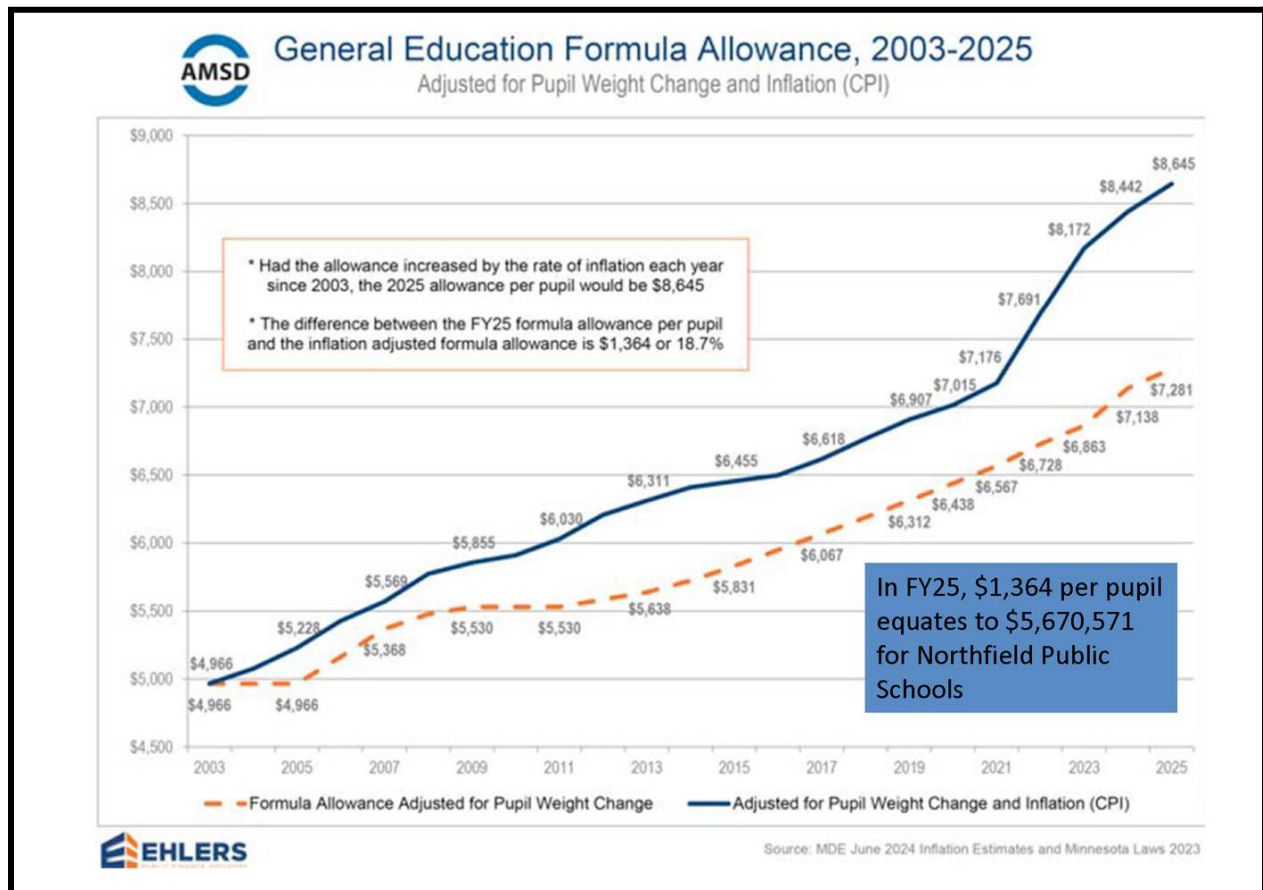
*Rice County birth rate has declined 12% over the last six years.
*As of 1/15/25 there are 28 single family homes for sale in the 178 square mile district boundary.



Unfunded state and federal mandates. The most significant of these is the unreimbursed costs to serve students receiving special education services. The district uses approximately \$4.3 million of general fund dollars per year to subsidize this mandated and morally imperative programming. Many new state mandates are well intended, and the examples below are not intended to be a value judgment about the program. They show the anticipated budget impact. Some mandate examples include:

- The state-required summer employment program for hourly workers (previously paid with one-time state funds) is estimated to be at least \$217,000.
- State-required family medical leave program, anticipated to be at least a 0.44% payroll tax, and estimated to cost at least \$174,000. Employees will also pay an equal share.
- An increase in the employer share of the Teacher Retirement Association pension is expected to be a 0.75% payroll tax increase and is estimated to be at least \$225,000. Employees will also pay an increased amount.
- The district recently learned that the state will prorate special education revenue at 95% due to an overcommitment of funds. This means the district will receive \$525,000 less revenue than anticipated.

State funding has improved but has not made up for decades of underfunding. While the legislature has improved funding formulas, they have a long way to go to make up for the two decades where the basic formula did not keep pace with inflation.



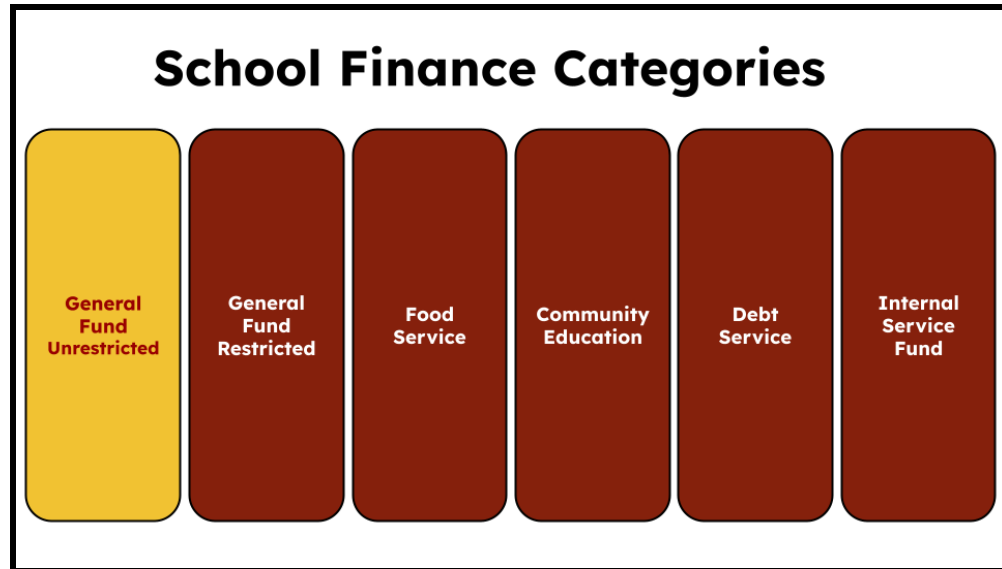
Ongoing inflationary pressures. As most families know, the cost of goods and services continues to increase. One example for the school district is a 26% increase in the cost of property and liability insurance.

The bond referendum IS NOT an impact. It is vital to understand this process is solely associated with our operating budget. The operating budget is directly related to the funding we receive from the state government, federal government, and our local voter-approved operating levy. The bond referendum funds approved by voters in November 2024 are separate and do not impact this process. As we move ahead, an updated and more efficient Northfield High School facility

will likely save operating costs due to a modernized, well-insulated facility that uses the efficiencies of geothermal energy to manage the building's heating and cooling.

Not all expenditures are in the general fund (unrestricted) category

There are also other areas that are not part of the general fund operating budget and are not being considered by the priority-based budget reduction teams. Examples include lease/levy costs, food service costs, and textbook and equipment costs.



Community priority-based budget reduction teams. The district is using a participatory process to help identify areas for reduction within five budget packages. Over 65 community members, students, and staff members are participating. All those who completed an interest form were included.

The priority-based budget teams are meeting three times at the district office:

- Tuesday, February 11, 2025, 6:00 – 8:30 p.m.
- Tuesday, February 18, 2025, 6:00 – 8:30 p.m.
- Tuesday, February 25, 2025, 6:00 – 8:30 p.m.

Priority-based budget reduction team members are expected to:

- Work productively and respectfully with other team members.
- Identify budget reduction areas within their team category using district priorities and other relevant considerations from their team's discussions.
- Provide feedback and recommendations to the board based on their team's discussions.

The anticipated team budget targets are:

- Elementary (Grades K-5) package: \$1,477,756
- Secondary (Grades 6-12) package: \$1,752,188
- Middle and High School activities package: \$215,422
- Special services package: \$1,000,000
- District services package: \$1,554,634

Note: these amounts could change modestly or shift between packages pending further analysis.

The remainder of the process will include:

- A public input meeting about the proposed reductions on Tuesday, March 11 from 6:00-8:30 p.m. in the NHS auditorium.
- The board will consider the recommendations at its April 14 regular meeting and is anticipated to finalize the reductions at the April 28 regular meeting. The team's recommendations are instrumental in the process, but the board has the final decision-making authority.

Commitment to our vision. While modeling our strategic commitment to stewardship by maintaining fiscal responsibility, we remain focused on achieving our vision of preparing **every** student for lifelong success.