



## General Fund | Proposed Budget | 2025-26

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**Enrollment:** Enrollment drives approximately 70% of our total revenue. We are projecting a 32-student decline or 37 weighted pupil decline. The state uses our adjusted pupil counts and weighs each student based on their grade level. This weighted calculation is called adjusted pupil units or APU. Pre-Kindergarten through grade 6 earn 1.0 and grades 7-12 earn 1.2. The enrollment projection looks at historical trends and birth rates. The proposed budget assumes 4,120.24 adjusted pupil units for the 2025-26 school year.

We are often asked why enrollment is declining and we can directly tie this issue to two items. First, there is a declining birth rate. This is not specific to Northfield, but the state and nation as well. The second reason is the housing crisis. There is a lack of affordable, single-family homes available within the school district boundaries. Northfield has 178 square miles and our last update indicated less than 30 single family homes available.

### Revenue Assumptions:

**Property Taxes:** We already know how much revenue we will receive from property taxes due to the timing of the levy certification in December. The slight decline is due to declining enrollment as well as a formula shift for Long Term Facilities Maintenance that resulted in approximately \$400,000 being paid in state aid rather than local levy.

**State Sources:** The basic formula generates approximately 48% of our total revenue. We know the state is providing a 2.74% increase in the basic per pupil funding from \$7,281 to \$7,481 per pupil unit. This is our largest source of revenue. Below is a chart that shows the increases we've received from the legislature up against our declining enrollment. While the state has provided a 2.74% increase for the 2025-26 school year, in actuality we will only realize a 1.83% increase in revenue from the basic formula.

	2021-22	2022-23	2023-24	2024-25	2025-26
Basic Formula	\$ 6,728	\$ 6,863	\$ 7,138	\$ 7,281	\$ 7,481
Inflationary Increase	2.45%	2.01%	4.01%	2.00%	2.74%
APU	4,259.37	4,190.93	4,232.40	4,157.31	4,120.24
Total Revenue	\$ 28,657,041	\$ 28,762,353	\$ 30,210,871	\$ 30,269,374	\$ 30,823,515
Difference	\$ 331,863	\$ 105,311	\$ 1,448,519	\$ 58,503	\$ 554,141
% Increase Realized	1.17%	0.37%	5.04%	0.19%	1.83%

We also receive other state aids and categorical funding. We are projecting our state special education aid to be flat: the legislature has been discussing formula impacts that would negatively impact special education aid. In addition, we are budgeting for approximately \$225,000 in summer unemployment aid: we believe this funding will be covered for 2025-26.

The increases in state sources are driven primarily by the inflationary increase and the LTFM shift from levy to state aid.

**Federal Sources:** In 2024-25, we shifted \$600,000 of our federal special education funding to pay for tuition billing (expenditures for resident students being served in another district). This shift lowered our federal sources, and increased our state special education aid. We are also budgeting conservatively given the uncertain nature of our federal funding allocations. We are assuming we will receive the same funding streams, just at a slightly reduced rate.

**Local Sources:** The budget for local sources assumes a 10% increase in activity fees for both the high school and middle school. It also assumes an increase to ticket prices for entry to events.

The 2025-26 school year will be the first year of a transportation fee. That is included in this budget as a recommendation from the priority-based budget process. In addition, this includes \$500,000 for our student activity funds and carry-over accounts. These accounts are self-sustaining, so the budget is the same for both revenue and expenditures.

The proposed revenue for 2025-26 is \$69,163,802.

**Expenditure Assumptions:** The district worked through an extensive priority-based budget process that resulted in \$5.8 million in reductions or increased revenue. Salaries and benefits make up approximately 80% of the total budget. This spring the district will negotiate with the Northfield Education Association. All other contract groups are entering the second year of their contract, so the rates are known. Benefits are projected to increase: our three statutory benefits (FICA/PERA/TRA) are a percentage of salary. In addition, there was an 8% increase in the statutorily required employer contribution for TRA. We are also planning for a 5% increase in health insurance and continued increases in our retiree health insurance as we see more staff retiring.

While staffing is a moving target, there are a few items to point out in the salary budget. There is a wide variety of impacts from the priority-based budget recommendations that impact nearly every area of the budget. The original elementary reduction included a 9.0 FTE reduction. With a high priority on low class size (20) at Kindergarten we have two buildings that will require an additional section. One will be funded using the contingency allocation, and the other is included in this budget. Kindergarten is the most challenging grade level to predict.

In the non-salary budget, we have included a 2% increase in transportation, an increase in property insurance, and most other items were held flat.

The proposed expenditures for 2025-26 are \$67,854,324.

**Summary:** When all the assumptions come together we are proposing a general fund budget with revenues of \$69.1 million and expenditures of \$67.8 million. The budget prioritization process has helped identify what is most important to our staff, families and community. We are grateful to be able to respond to declining enrollment and significant inflationary pressures from a position of strength. The proposed budget shows the unassigned fund balance percentage at 15.92%. The calculation of the fund balance as a percentage of expenditures excludes operating capital, long term facility maintenance, scholarships and student activities. While I'm grateful to present a budget that meets our goals, I would be remiss if I didn't mention the outlook at both the state and federal level are not optimistic, but we will continue to monitor the potential threats to funding closely and keep the board updated.

As always, the budget is an estimate and a plan of how we intend to spend our valuable resources. Stewardship is a strategic commitment in this district. We are in a much stronger financial position than many other districts. Our financial cycle will allow us to continue to monitor and respond to the changing enrollment in a thoughtful, proactive manner. We have been and will continue to be good stewards of the resources entrusted to us.

I also want to express my sincere gratitude to the 80+ people that volunteered their time, energy and ideas to help the district craft priority-based budget reduction recommendations.