

By Superintendent Scott Thielman

## **Where We Were**

Back in 2007, the district's fund balance fell below 8%, the district's minimum level according to board policy. Therefore, in 2008-09 and 2009-10, the district cut teachers, support staff, administrators and programs to reduce the budget by \$3.3 million over the two-year period. After making the reductions, the district received new funding from the federal government in the form of the American Recovery and Reinvestment Act and the Education Jobs Act which provided one-time funds for school districts. Additional funding was also received through the state's Location Equity Revenue program and by the district's use of a Trust to cover retiree obligations, freeing up money in the general fund. Those dollars allowed the district to build up the fund balance to a level of 18% in 2015. With the increased fund balance, the board hired additional teachers (more than 20 over the last four years) and support staff to better serve students.

Every year, the board reaches out to state representatives and senators to highlight the inequitable and inadequate funding for BHM as well as similar districts. The district annually hosts legislative forums with local legislators about the funding crisis facing school districts. The district budget increases approximately \$1.0–\$1.5 million annually due to inflation and the costs associated with operations. These figures do not include the growing cross-subsidy deficit for special education funding. For the BHM School District, the cross-subsidy is \$5.9 million annually.

Additionally, when inflation is calculated into the budgets for school districts, the districts are approximately \$1,400 below inflation increases since 1992. I referenced inflation in the district's failed operating levy last fall and it hasn't improved. When calculating inflation against the state increases in the general education funding formula, BHM schools are funded 10.23% below inflation since the last voter approved levy increase in 2002. For example, the consumer price index (CPI) has increased 37.33% since 2002 and school districts have received an increase of 27.1%. While that increase is substantial, it is a deficit of 10.23% when compared to CPI which then amplifies the gap in educational funding. Inflation has eroded any increase in funding the district has received during that period. Add this to the aforementioned information and the fact that 85% of the district's funds come directly from the state, 5% from the federal government, and 10% from our local communities, creates a system that is directly reliant upon our governor and locally elected state legislators to meet the needs of our students.

Many area districts were in the same situation as BHM and have been able to put operating referendums in place to avoid budget cuts. The following contiguous districts are above BHM by the dollar amount listed: Delano \$358, Elk River \$467, Maple Lake \$600, Monticello \$510, Osseo \$1,457, Rockford \$750, Howard Lake-Waverly-Winsted \$56 and Watertown-Mayer \$54. For your reference, the Elk River School District (Rogers and Zimmerman) is currently cutting \$10.2 million for the 2019-20 school year and Monticello School District cut \$2 million in 2018-19.

## **Where We Are At**

The board reviews the district's budget throughout the year. Budget development begins in October with the final budget approval at the June board meeting. After spending down the fund balance from a high of 18%, the board adjusted the fund balance level to 7% for the 2019-20 school year.

The 2019-20 budget has been presented to the board and will be formally adopted at the June 24th board meeting. The budget includes \$1,375,000 in reductions to curriculum purchases and supply accounts, increased fees for parking and activities at the high school, energy management efficiencies, the reduction of a clerical position and the elimination of 15 teaching positions, (7.5 reduced due to staffing above the contingency, 5 reduced due to budget reduction and

2.5 reduced due to enrollment projections). These reductions were very difficult to make and will affect classroom sizes and services for students next year.

This year, the board also wanted to address the budget for the 2020-21 school year due to the failure of the 2018 operating levy. The board determined that it would reduce the fund balance level to 6% for the 2020-21 school year in the effort to minimize the effect of budget cuts on students. Even with an adjustment to the fund balance policy, the district will have to make major reductions for the 2020-21 school year. The budget forecast by Gary Kawlewski, Director of Finance and Operations, for 2020-21 and beyond demonstrates a need to reduce expenditures for the next three years or increase revenue.

## **Where We Are Going**

To keep within the district's fund balance policy, expenditures will need to be reduced by approximately \$2.8 million for the 2020-21 school year. Reducing the annual budget by nearly \$3 million dollars will require the elimination of personnel and programs as well as changes to operating practices.

An ad hoc budget committee was created to address the projected budget deficit. Included in the budget recommendations from the board is the elimination of programs such as wRight Choice, Quest and the Phoenix Learning Center. Additionally, the Discovery Elementary School multi-age program would close and students would attend their neighborhood schools. With the elimination of these programs and closing of these schools, staff would be reassigned and class size ratios would increase. In total, approximately 22 teaching positions would be cut throughout the district. Reductions would also be made to instructional support staff (4), and operations and maintenance staff (2), as well as administrators. Clerical staff hours would be reduced and 5 clerical positions would be eliminated. Also included is increased walking distances and the elimination of 3 transportation routes. Activities will also be cut at the high school and participation fees will be increased. Boys and Girls Lacrosse, Boys Swimming and Diving and Dance as well as BPA and the Pegasus magazine are scheduled to be eliminated. Additionally, all middle school activities will be eliminated. A full list of proposed reductions will be available online and will be presented to the school board at the May 28 board meeting.

The School Board has enlisted the services of School Perceptions, a survey company, to survey our community and staff to determine the level of support for a possible operating levy election this fall. School districts have no other source of revenue other than the funding from the state, federal government and local community and the amount varies year-to-year based on enrollment and the actions of our elected officials. An email will be sent to all staff next week asking you to participate in the district's survey. Additionally, an email will be sent to all parents next week. The survey will also be included in the last edition of the Insider. The information gathered by the survey will be presented to the School Board at the June 24 Board meeting and will be posted to the district's website.

The district remains steadfast in its efficient use of funds and conservative budget projections. The district saved funds, building up the fund balance, when possible, in the prospect of using them in the future. The future is now and like families who have to make adjustments to their way of life when they do not make enough money to make ends meet, the district too has to reduce what it purchases, how it supports students, what programs it offers and how many staff it retains to balance the checkbook. Unlike families, the district cannot get another job to generate more income and unlike businesses, the district cannot raise the price of goods and services to generate additional income. The only option to increase revenue available to school districts is to conduct an operating levy election. The district tried that

last fall but was not successful. The only remedy is to receive adequate funding from the legislature or ask the community to support an operating levy.

### **What You Can Do**

The advice I can offer to everyone is that you should be informed with accurate information. Please reach out to us if you need more information or answers to questions. Look for the Insider, our website ([www.bhmschools.org](http://www.bhmschools.org)) and our Facebook page for more information in the weeks and months ahead.

There are many things throughout the district that cause all of us to be very proud. Everyone continues to provide quality learning experiences for our students each and every day. As a result, our students are experiencing success, both in and out of the classroom. Our teachers and staff continue to make our district the place where students can ***dream, believe and achieve.***