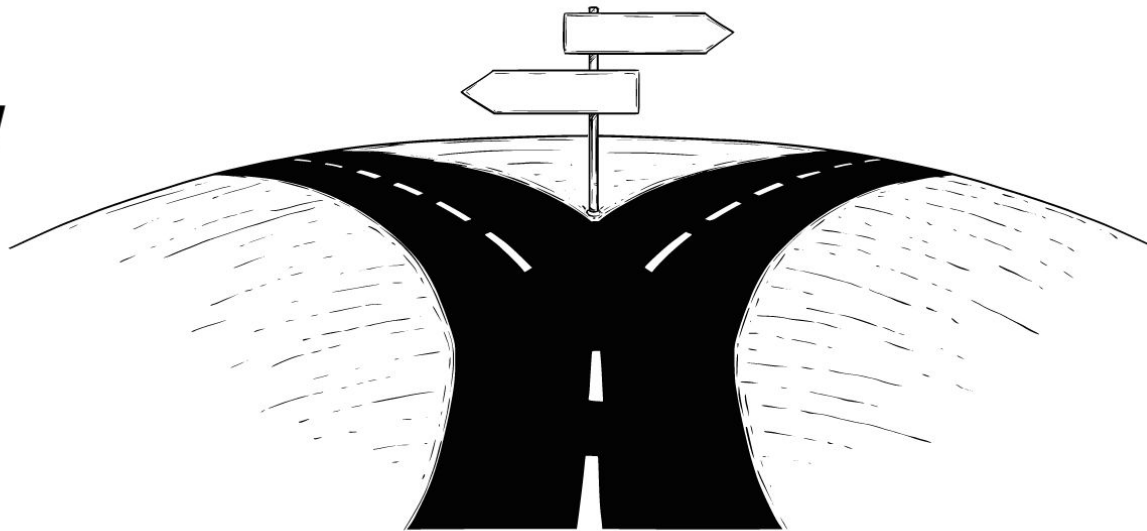


# Community Forum

May 10, 2021

District Financial Challenges  
& Journey Ahead



**Our Community. Our Schools.**  
**Which path forward?**

# Today's Agenda

- 1 Current situation
- 2 How did we get here?
- 3 Which path forward?
- 4 Q&A

This session is being livestreamed. Online questions are closed at this time.  
In-person questions can be submitted at the front table.

# Current Situation

Continue to **always** do our best  
to **serve our community** with the  
resources we have available



# Current Situation

**\$7.450 million** in budget cuts

- **Increased class size** targets
- **Cut 52 classroom teachers**

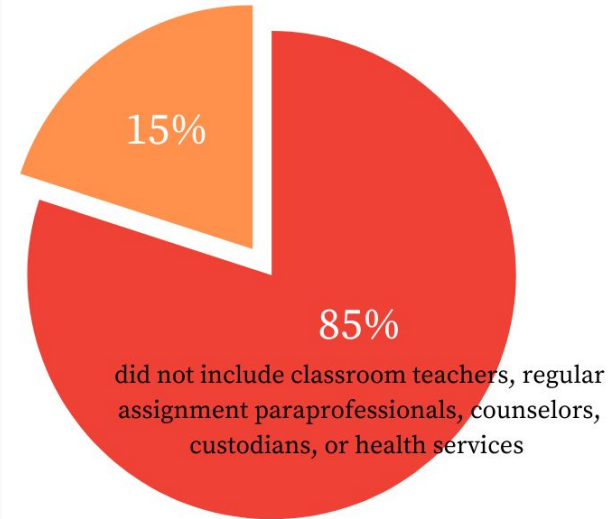
School Board Approved Budget Cuts

Analysis of Budget Cuts



# Current Situation

**\$1.7M, or 85%,** of the first **\$2.050M** in budget cuts did not include classroom teachers, regular assignment paraprofessionals, counselors, custodians, or health services



# Current Situation

2021 school **tax decrease**



**\$318**

*Based upon an average priced home  
valued at approximately \$317,000*



# FINANCIAL PROJECTIONS

GENERAL FUND EXECUTIVE SUMMARY (DRAFT)								
MAJOR FACTORS	2019-20 ACTUAL	2020-21 ADOPTED BUDGET	2020-21 REVISED BUDGET	2021-22 PROJECTED BUDGET BEFORE CUTS	2021-22 PROJECTED	2022-23 PROJECTED	2023-24 PROJECTED	2024-25 PROJECTED
AVERAGE DAILY MEMBERSHIP (ADM)	8,189	8,200	8,075	8,065	8,065	8,036	7,991	7,997
ADJUSTED PUPIL UNITS (APU)	9,018	9,047	8,920	8,912	8,912	8,875	8,809	8,812
STATE AID FUNDING FORMULA	\$8,438	\$8,567	\$8,567	\$8,600	\$8,600	\$8,666	\$8,749	\$8,834
STATE AID PERCENTAGE CHANGE	2.00%	2.00%	2.00%	0.50%	0.50%	1.00%	1.25%	1.26%
GENERAL FUND REVENUES	99,781,014	99,301,004	98,813,695	97,912,007	97,912,007	98,445,894	98,805,007	99,653,682
% REVENUE CHANGE		-0.48%	-0.97%	-0.91%	-0.91%	0.55%	0.36%	0.86%
GENERAL FUND EXPENDITURES	96,537,399	101,843,274	100,540,363	105,024,456	97,646,121	98,837,382	103,428,541	105,940,007
% EXPENDITURE CHANGE		5.50%	4.15%	4.46%	-2.88%	1.22%	4.65%	2.43%
SPENDING VARIANCE	3,243,615	(2,542,270)	(1,726,668)	(7,112,449)	265,886	(391,487)	(4,623,534)	(6,286,325)
ONE TIME COVID_19 REVENUE	0	0	2,588,808	949,305	949,305	2,143,616	0	0
COVID_19 RELATED EXPENDITURES	0	0	2,588,808	949,305	949,305	2,143,616	0	0
TOTAL GENERAL FUND REVENUES	99,781,014	99,301,004	101,402,503	98,861,312	98,861,312	100,589,510	98,805,007	99,653,682
TOTAL GENERAL FUND EXPENDITURES	96,537,399	101,843,274	103,129,171	105,973,761	98,595,426	100,980,998	103,428,541	105,940,007
TOTAL SPENDING VARIANCE	3,243,615	(2,542,270)	(1,726,668)	(7,112,449)	265,886	(391,487)	(4,623,534)	(6,286,325)
FINANCIAL FACTORS								
FUND BALANCE BREAKOUT (PROJECTED)								
Non-Spendable Fund Balance	26,816	26,816	26,816	26,816	26,816	26,816	26,816	26,816
Restricted Fund Balance	4,498,590	4,498,587	5,485,929	5,485,929	5,485,929	5,485,929	5,485,929	5,485,929
Assigned Fund Balance	210,065	210,065	210,065	210,065	210,065	210,065	210,065	210,065
Unassigned Fund Balance	3,743,051	1,200,781	1,029,065	(6,083,384)	1,294,951	903,464	(3,720,069)	(10,006,394)
Total General Fund Balance	8,478,522	5,936,249	6,751,875	(380,574)	7,017,761	6,626,274	2,002,741	(4,283,584)
	ACTUAL	ESTIMATED	ESTIMATED	FORECAST	PROJECTED	PROJECTED	PROJECTED	PROJECTED

FY 23 - 25 RESTORATION OF SOME BUDGET CUTS				
MAJOR FACTORS	2021-22 PROJECTED	2022-23 PROJECTED	2023-24 PROJECTED	2024-25 PROJECTED
AVERAGE DAILY MEMBERSHIP (ADM)	8,065	8,036	7,991	7,997
ADJUSTED PUPIL UNITS (APU)	8,912	8,875	8,809	8,812
STATE AID FUNDING FORMULA	\$6,600	\$6,666	\$6,749	\$6,834
STATE AID PERCENTAGE CHANGE	0.50%	1.00%	1.25%	1.26%
GENERAL FUND REVENUES	97,912,007	98,445,894	98,805,007	99,653,682
GENERAL FUND EXPENDITURES	97,646,121	102,498,389	107,199,378	109,823,969
<b>RESTORATION OF SOME BUDGET CUTS</b>	<b>0</b>	<b>3,661,007</b>	<b>3,770,837</b>	<b>3,883,962</b>
SPENDING VARIANCE	265,886	(4,052,494)	(8,394,371)	(10,170,287)
ONE TIME COVID_19 REVENUE	949,305	2,143,616	0	0
COVID_19 RELATED EXPENDITURES	949,305	2,143,616	0	0
TOTAL GENERAL FUND REVENUES	98,861,312	100,589,510	98,805,007	99,653,682
TOTAL GENERAL FUND EXPENDITURES	98,595,426	104,642,005	107,199,378	109,823,969
<b>TOTAL SPENDING VARIANCE</b>	<b>265,886</b>	<b>(4,052,494)</b>	<b>(8,394,371)</b>	<b>(10,170,287)</b>
	PROJECTED	PROJECTED	PROJECTED	PROJECTED



# How did we get here?



**State funding** has not kept pace with inflation

**Special Education & English Learner** cross subsidies

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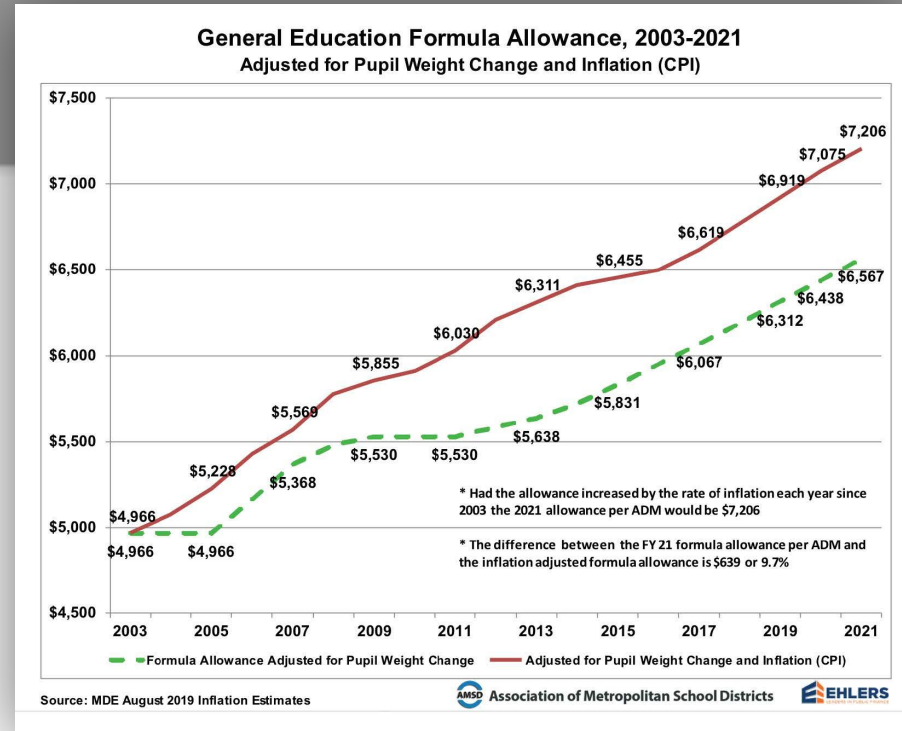
Lack of voter approved operating levy

Lack of Quality Compensation (QComp) revenue

# How did we get here?

**State funding** has not kept pace with inflation

**\$5.7M in additional annual funding not provided**



# How did we get here?

**Special Education & English Learner** cross subsidies -  
\$8.1M per year (SPED) + \$1.4M per year (EL)

**\$9.5M**

*Shifted from general  
fund each year*

# How did we get here?



**State funding** has not kept pace with inflation

**Special Education & English Learner** cross subsidies

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**Lack of voter approved operating levy**

**Lack of Quality Compensation (QComp)**

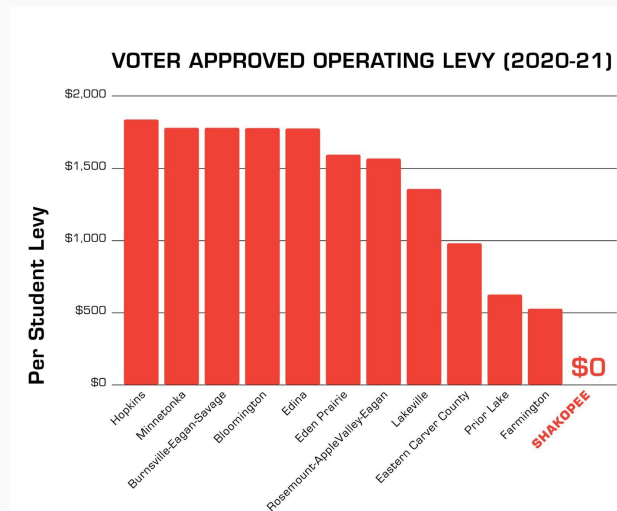
# How did we get here?

## Lack of voter approved operating levy

- Only metro school district without one
- Metro average = \$1,267 per pupil, per year
- If Shakopee had metro average operating Levy = \$11.03M revenue per year

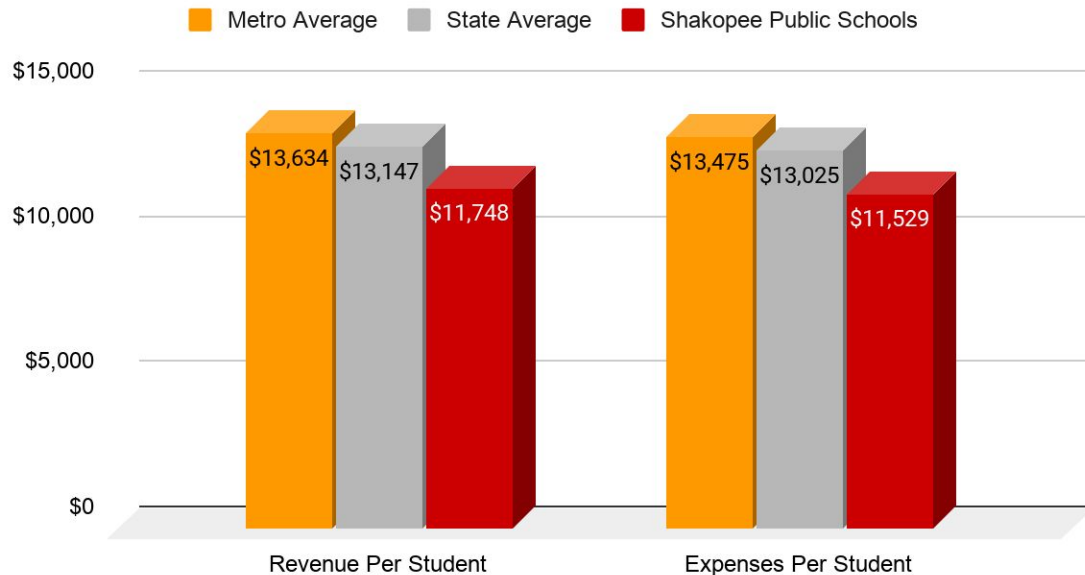
## Lack of Quality Compensation (QComp)

\$1.7M in annual state aid



# How did we get here?

Comparison of Revenue & Expenses Per Student



# How did we get here?

**\$1,886 less revenue** per student than the metro average

**Expend \$1,949 less than** metro average per student

**(\$15.7M)**

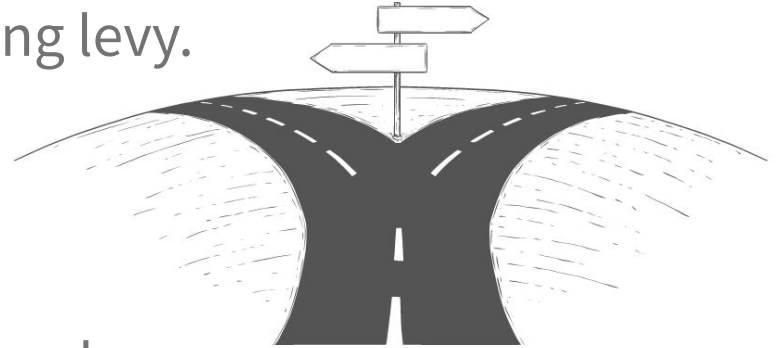
*in expenditures  
annually*

# Which path forward?

- Increase ongoing annual revenue
  - ◆ Only viable option is an operating levy.

**OR**

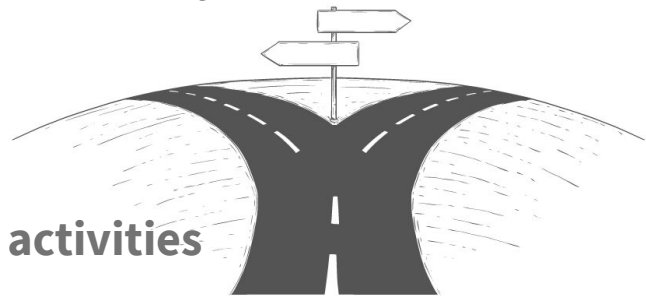
- Budget cuts every few years
  - ◆ For example, in the 2023/24 school year we are projecting \$5.5 million in cuts.





# Which path forward?

- Preliminary thoughts on **future budget cuts** (2023/24 school year)
  - **Proportional cuts** across the entire district
  - Additional **class size target increases**
    - Further **teacher cuts**
  - A 'double share' of budget **cuts for athletics & activities**
  - **Restructuring & elimination of programs**
  - Alterations of **school schedules**
  - Longer student **walking distances** (bus route adjustments)
  - Others



# Q&A

Community  
Questions

# Q&A: Paths that are NOT Available

## Land Sales

- Cannot sell land or buildings and use the money to pay for operating expenses
  - Against the law.
  - When you sell land or buildings you can only use the proceeds to make additional capital purchases, things like land and buildings.



# Q&A: Paths that are not available

## Use of COVID-19 Relief Funds

- Can only be used on specific expenses
- 'One-time revenue'
  - It helps 'one time', the ongoing structural deficit may be diminished for a brief period of time but it doesn't go away.



# Q&A: Paths that are not available

## Deferred Maintenance & Facilities Improvements

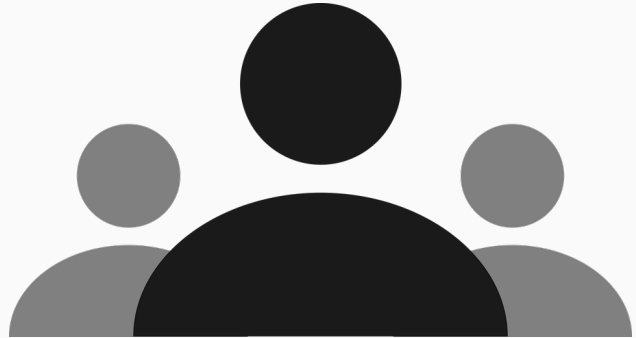
- Dedicated funds that can only be used for deferred maintenance and facilities improvements.
- Cannot be used for operating costs.



# Q&A: Is declining enrollment causing the structural imbalance in our budget?

No, staffing allocations are based upon the number of students enrolled, not size of buildings

- If enrollment goes up, staffing costs and class sizes increase proportionally.
- If enrollment goes down, staffing costs and class sizes decrease proportionally.



# Q&A: Email question

**With the financial issues across the district, "Teacher Reductions" are always the threat to the district residents. If reductions are required, why are the multiple administrative positions - Deans[2], Academy Principals[4], Office Assistants [1] and Counselors[7] - involved in the high school academies not on the cutting board?**

[Shakopee High School Admin to Student Ratios](#)

# Q&A: Email question

**How is this counted as a legit school year when there were so many non-school days? Way more than there should be!**

State government and Minnesota Department of Education have adjusted the rules many times this past year in response to the COVID-19 pandemic. For example, they added a number of planning days to allow schools the necessary time to shift from one type of learning model to another. Shakopee Public Schools has met all the requirements that go into determining the number of student instruction days for the 2020-21 school year.



# Q&A: Email question

## **Are CIS classes going away? If so, how can this be justified?**

The number of CIS courses are being reduced for the 2021-22 school year. The district has made cuts across the district. This is one part of the \$7,450,000 in budget cuts.

# Q&A: Email question

## **What does fall look like for Shakopee schools?**

Assuming this is in regards to the COVID-19 pandemic, with the recent ‘turn of the dials’ by State leaders, the optimism has grown that the 2021-22 school year will look very much like a non-pandemic impacted school year.

# Q&A: Email question

**What percentage of the student body/staff is 100% in person at the high school?**

Approximately 80%. Roughly 20% of high school students have chosen Shakopee Online this school year.

# Q&A: Email question

**When all budget cuts are done, will a comprehensive list be shared?**

It has been shared many times, including earlier in this presentation. This information is also posted on our district website in addition to school board meeting minutes.

# Q&A: Email question

I am trying to understand the need for additional school district funding. A history of mismanaged funds, lost funds (roughly \$4,000,000) and embezzlement have led to mistrust by many when additional funding is requested.

One area I am having difficulty with is school district property holdings along 130th St and along Townline Ave. The district owns 6 properties totally roughly 71-72 acres of land, including an 1840 sq foot home. The district paid roughly \$6,063,480 for these properties purchased between 1998-2015. Tax value 2021 is roughly \$1,785,400 (all but one property is exempt). I understand a need to plan for future growth and that this requires acquisition of property well in advance of need. We have built a new high school in recent years. We have been told that elementary school enrollments have been declining which will lead to fewer middle-schoolers in upcoming years. This will lead to fewer high-schoolers in the future. With deficits that have resulted in laying off educators (when our test scores fall below state average and our district ranking in the bottom 50% of the state), why is the school district holding on to these properties? One of the properties has a single-family home on it- is this sitting empty? Are any of these properties generating revenue for the district? If not, can they?

# Q&A: Email question

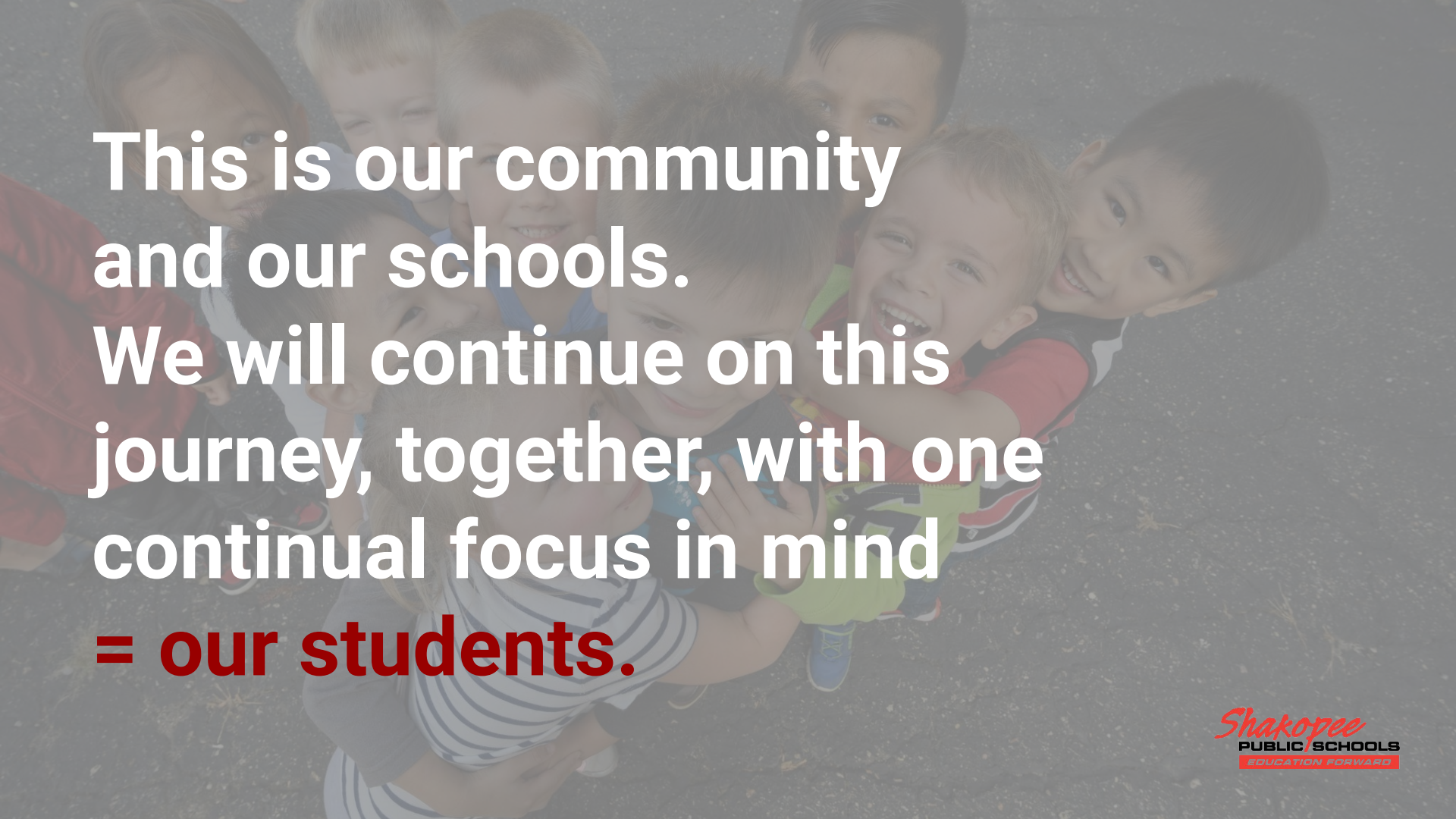
*A history of mismanaged funds, lost funds (roughly \$4,000,000) and embezzlement.*

A: The “lost funds: were not technically lost. The accounting and the management of the funds was very poor. The vast majority of the money was spent on providing services in our school district. In addition, a former superintendent was found guilty and sent to prison for swindling and embezzlement, and ordered to pay restitution to the district for \$74,673.

# Q&A: Email question

*One area I am having difficulty with is school district property holdings along 130th St and along Townline Ave. The district owns 6 properties totally roughly 71-72 acres of land, including an 1840 sq foot home. The district paid roughly \$6,063,480 for these properties purchased between 1998-2015. I understand a need to plan for future growth and that this requires acquisition of property well in advance of need. We have built a new high school in recent years. We have been told that elementary school enrollments have been declining which will lead to fewer middle-schoolers in upcoming years. This will lead to fewer high-schoolers in the future. With deficits that have resulted in laying off educators (when our test scores fall below state average and our district ranking in the bottom 50% of the state), why is the school district holding on to these properties? One of the properties has a single-family home on it- is this sitting empty? Are any of these properties generating revenue for the district? If not, can they?*

A: The district could sell the properties. The proceeds from the sale cannot be used to cover district operating expenses. The money can only be used for similar expenditures (property and buildings). There is a short-term downturn in enrollment (correlated with the Great Recession). The long range trend (more than five years out) is for the population in the district to continue to grow.



This is our community  
and our schools.  
We will continue on this  
journey, together, with one  
continual focus in mind  
**= our students.**