



Board of Education Column

By Jim Johnson, Board of Education

Understanding Our School District's Finances

One of the major functions of the Fargo Public Schools Board of Education's Planning Committee is to work with our administration in monitoring annual expenditures as compared to our approved budgets. This article will focus on our largest operating budget, the General Fund. For the current school year, our approved General Fund budget has current projected revenue at \$183,645,169.

General Fund revenues come from four primary sources; local property taxes (representing 30%), state foundation aid and other payments (representing 61%), federal grants and programs (representing 7%), and other local sources (representing 2%).

General Fund expenditures also fall into four broad categories; instruction (representing 64%), instructional support (representing 11%), administration (representing 8%), and operational expenses (representing 17%). Salaries and benefits for our employees typically account for close to 80% of the General Fund expenditures.

Each year, as the District builds its operating budgets for the year, it starts by projecting our revenue growth. Since the largest portion of our funding comes from the state and most of it is based upon the foundation aid formula established by the legislature, the primary variable in projecting our state revenue is the per-pupil payment. This payment is based upon the District's average daily membership and the legislative per-pupil payment amount.

For the coming school year, based upon the legislation that is currently being considered in Bismarck, the per-pupil increase will most likely be between zero and 1% for each of the next two years. The other primary factor used to project state funding is the District's average daily membership. Unfortunately, due to COVID-19, our kindergarten numbers are down substantially this school year, meaning our projected average daily membership number will be lower for the upcoming year than it was for the current school year. The end result is that we are expecting a drop of about \$2.5 million next year in state revenue!

Some good news comes on the local property tax front where we are projecting a 4% increase based upon the continued growth of our city! While the local property tax increase is helpful, it only represents about 30% of our revenue. This means a 4% increase in revenue here does not quite offset the loss we are anticipating in state revenue.



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Our revenue picture (or perhaps better put revenue "pinch") is being aided, in part, by the federal dollars that have been passed in COVID-19 relief efforts. Fargo Public Schools, along with all other public school districts in the country, are getting additional federal grant dollars to help offset the negative effects and costs specifically related to COVID-19. Without those additional relief dollars, our budgeting process would be even more challenging in light of the loss of state revenue.

As the District works toward finalizing the budget for next school year, we are currently anticipating our expenditures to outpace our revenues by more than \$3 million dollars for the 2021-22 school year. In the short term, the District will continue to thrive with a fund balance (our savings account) of over \$32 million. That being said, it is projected under current assumptions to drop to only \$23 million by 2026.

The challenge that the Board and our administrative budgeting team face going forward is to find a way to adequately compensate our staff and address the emerging needs of our District with the knowledge that our revenues will most likely be increasing by about 1% each year. With unknown future revenue sources, we will be faced with extremely difficult decisions to maintain the fiscal solvency of our District. I am confident that with our dedicated administrative team and staff we will find sustainable solutions going forward.

