



Long Range Financial Plan

General Fund

2019

Table of Contents

- SUMMARY 2
- LEGISLATIVE EDUCATION BUDGET 3
 - State School Aid 4
- BUDGETING ASSUMPTIONS 5
 - Enrollment 5
 - Revenues 6
 - Expenditures 8
 - Fund Balance 10
- ITEMS FOR FUTURE CONSIDERATION 11
- FINAL THOUGHTS 11

SUMMARY

The General Fund Long-Range Financial Plan (LRFiNP) provides a road map for where the District wants to go financially and its plan to achieve educational results by combining financial projections with financial strategizing. The LRFiNP can be used as a tool to identify financial opportunities and obstructions and creates an avenue for discussion among the District’s stakeholders. The LRFiNP clarifies our financial strategic intent and imposes discipline on decision makers to consider the long-term effects of decisions made today.

Our strategic initiatives will guide our efforts as we “educate and empower all students to succeed”:

- Student Achievement and Growth
- STEAM – Science, Technology, Engineering, Arts, and Mathematics
- Positive School Culture
- Engagement and Experiences in Co-Curricular Activities
- Community Outreach and Communication
- Equitable Resources and Planning
- Continuous Improvement and Accountability

The LRFiNP is a five year forecast which quantifies the District’s strategic investments to meet our strategic priorities. It allows us to focus our investments and estimate the costs of implementing our priorities over a period of time. The LRFiNP is updated each year with consideration to projected revenues, expenditures, enrollment and operational plan priorities.

LEGISLATIVE EDUCATION BUDGET

January 3, 2019 marked the beginning of the 66th North Dakota Legislative Assembly as well as the initial stages of the budget planning process for school year 2020. In November 2018, the Board of Education agreed on the priorities we, as a District, will support in the upcoming session. Those priorities include:

- Support for state and community partnerships centered on ***Social Emotional Learning*** in schools to help students improve academically, engage in and maintain positive relationships, and develop life skills around teamwork, communication and sound decision making. By providing well-rounded education with consistent access to mental health and other needed services, students and families are offered a school climate where they feel safe, healthy, engaged, challenged and supported to succeed.
- ***On-Time Funding*** options for districts with increasing enrollment allowing the choice to use fall student counts rather than prior year membership, which would hold harmless districts that may be shrinking. Fargo Public Schools experiences an increase of approximately 100 students per year, which would allow us to receive payment for those students in the year they are attending our schools, rather than the following year.
- Support for options within the funding formula and additional state grant opportunities to provide equitable resources for ***Under Funded Programs*** that include our English Learner and Special Education student populations. A considerable reliance is placed on local resources to fund the educational services that support programming for our students in these areas.

As the District begins its fiscal planning for the next biennium, many factors are unknown, including legislative funding outcomes, contract negotiations and the results of our current District task forces on Least Restrictive Environments, Early Childhood Special Education Services, and Student and Staff Safety. We must ensure our students have access to programs that will place them on the road to success. These legislative priorities and task forces will frame the discussion in the coming months on how to improve outcomes for our learners and how to ensure they are ready for kindergarten and beyond.

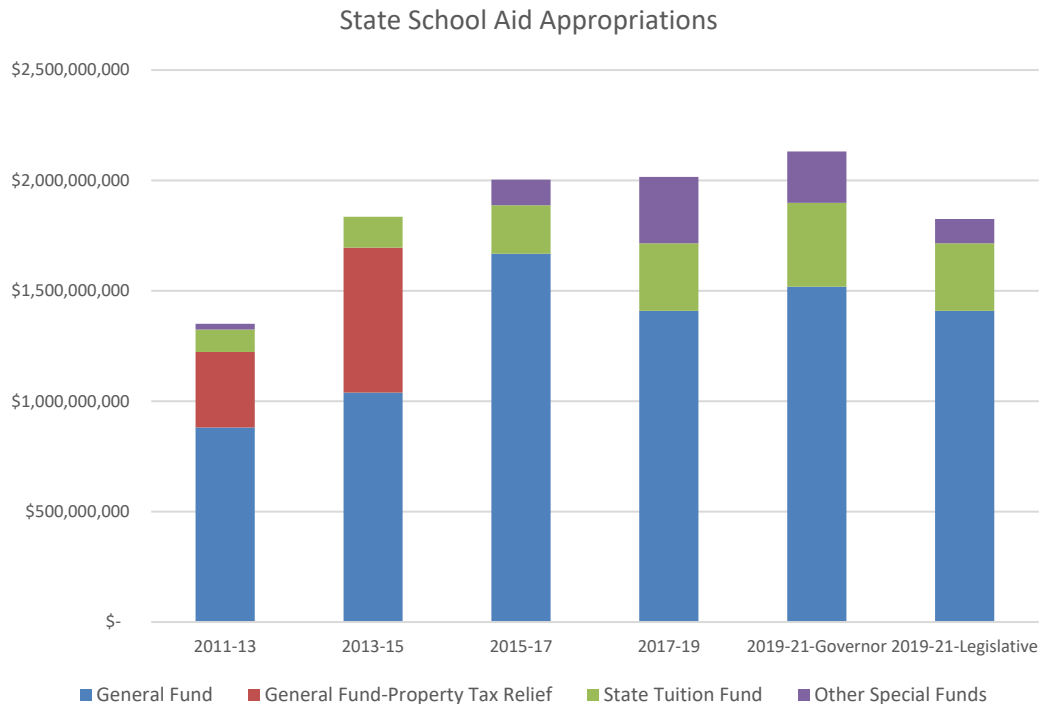
State School Aid

Below is a summary of proposed appropriations for K-12 funding for state school aid:

	2017-19 Appropriation	2019-21 Governor's Recommendation	2019-21 SB 2013 Legislative (as of 1/3/19)
Appropriation:			
State School Aid	\$1,935,200,000	\$2,050,700,000	\$1,750,200,000
Special Education Contracts	19,300,000	25,000,000	19,300,000
Transportation Aid	55,400,000	55,400,000	55,400,000
Rapid Enrollment Grants	6,000,000	-	-
Total	\$2,015,900,000	\$2,131,100,000	\$1,824,900,000
Funding:			
General Fund	\$1,409,400,000	\$1,518,600,000	\$1,409,400,000
Foundation Aid Stabilization Fund	301,000,000*	232,800,000	110,000,000
State Tuition Fund	305,500,000	379,700,000	305,500,000
Total	\$2,015,900,000	\$2,131,100,000	\$1,824,900,000

The 2017-19 final appropriation included one-time funding of \$6,000,000 for rapid enrollment grants and \$185,000,000 additional state school aid which has not be reinstated for the upcoming biennium at this point in time. The 2019-21 legislative appropriation also does not include an increase to the per student payment rate in the state aid funding formula while the Governor's budget includes a 2% increase each year of the biennium from the current \$9,646 to \$9,839 and \$10,036 in 2020 and 2021, respectively.

Historical and proposed state aid appropriations funding are depicted in the graph below:



BUDGETING ASSUMPTIONS

Enrollment

Enrollment projections are developed with assistance from RSP & Associates. Their five year outlook present an overall increase of 538 students:

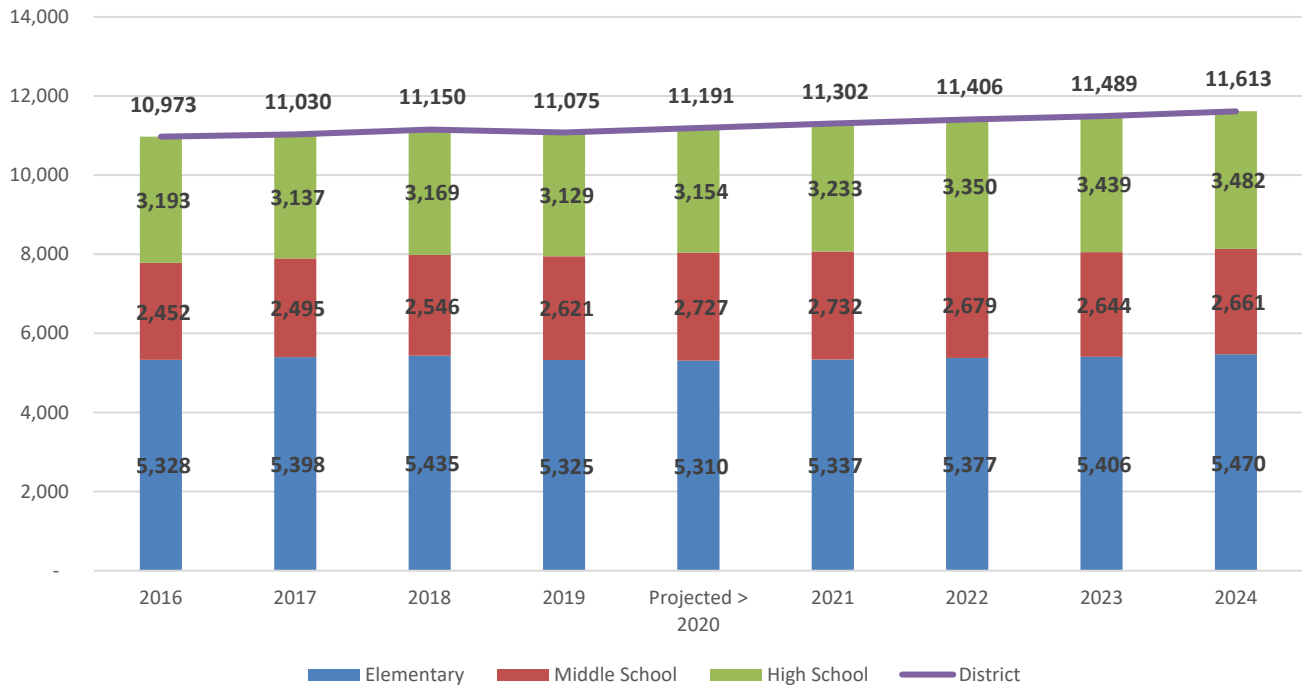
- Elementary (K-5): increase of 145 students
- Middle School (6-8): increase of 40 students
- High School (9-12): increase of 353 students

These increases will pose challenges in building capacity at the following schools:

- Clara Barton Elementary at near to over-capacity in 2020-21
- Discovery Middle School at near capacity in all years of projection
- Davies High School at near capacity to over-capacity by 2022-23

The demographics of the District continue to move in a positive fashion. Since 2010, the population has increased 1.96% with housing development increasing 2.05%. Projected per capita income is anticipated to increase 1.94% over the next five years. Housing development will continue, especially in the southern area of the District. Couple this with an increase in household income and the resulting factors may be more families moving into the District and having more school age children.

Historical and Projected Enrollment



Revenues

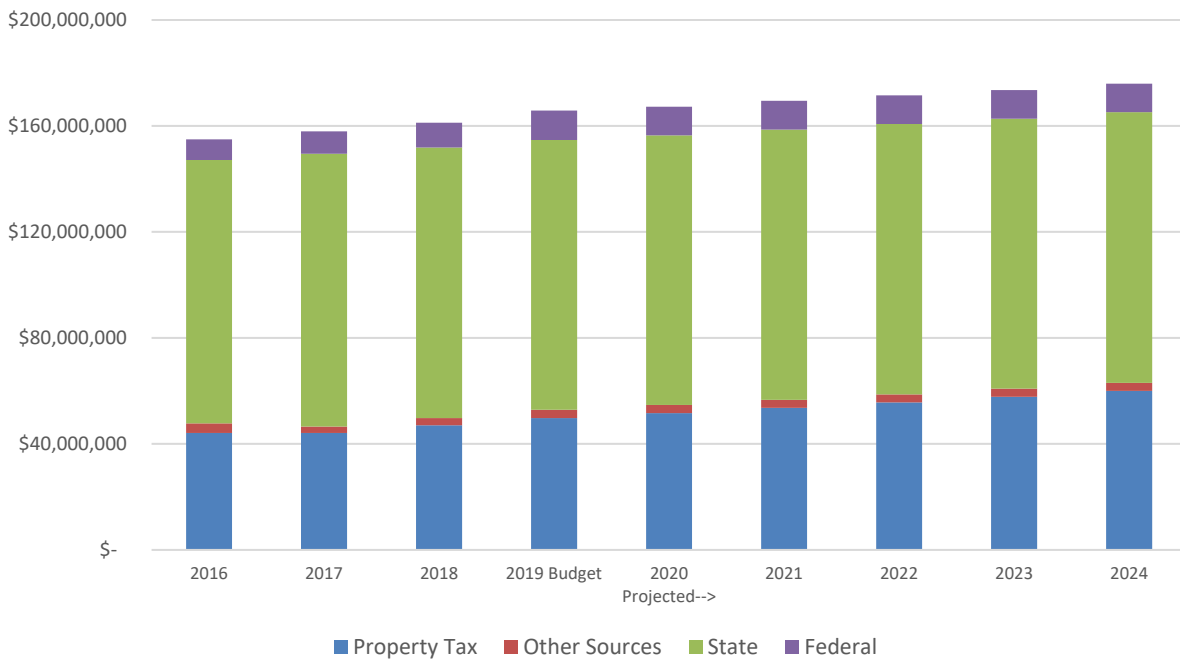
The District utilizes many resources in the development of revenue projections including: legislatively approved funding, enrollment projections, federal and state education departments and city and county assessment offices.

Revenue assumptions are as follows:

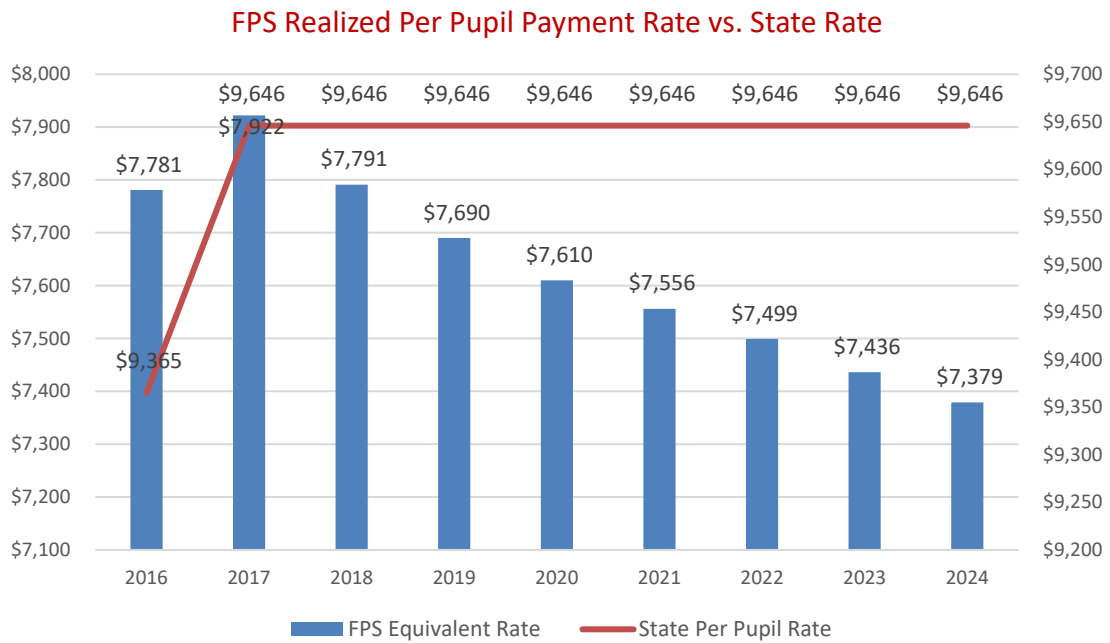
- No increase in the state per pupil funding formula
- 4.0% increase in property tax revenue
- No increase in federal revenues
- Steady but moderate enrollment growth

Approximately 60% of total revenues received are from state aid, with property taxes comprising 30%. Without a future legislative increase to the per pupil payment, the District will begin to see a shift of roughly 1% per year from state aid to property tax into the future.

Breakdown of Total Revenues



The District realizes a lower per pupil payment rate than legislatively approved due to a component in the funding formula called the mill levy deduct. This deduct is intended to address equity within the state. The logic being the greater a district's ability to generate revenue locally (i.e. in funding education through property taxes), results in additional state resources remaining to fund "poorer" districts. The mill levy deduct currently subtracts the value of the first 60 mills in property tax from each district's state aid payment. As each district has a differing taxable valuation, their contribution to the mill levy deduct is different.



Expenditures

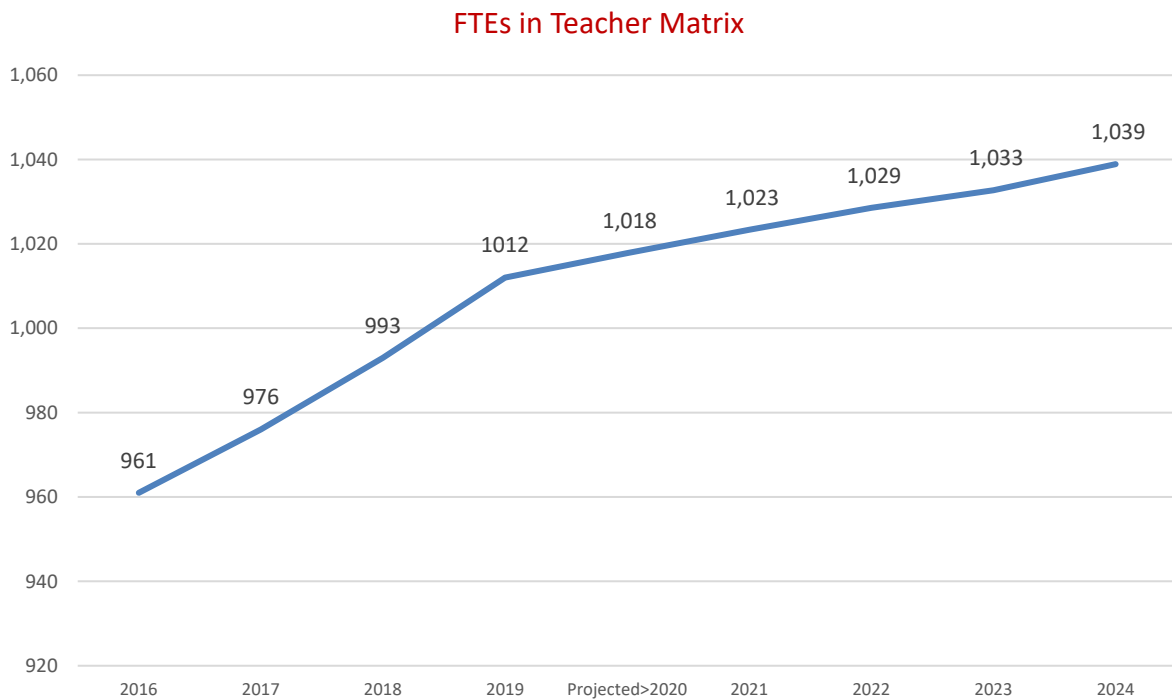
The majority of the District's expenditures are related to human capital. Staffing costs comprise approximately 80% of overall expenditures.

Staffing Levels

Maintain current staffing levels, specifically related to the following class size preferences:

- ≤ 21 students in elementary
- ≤ 22 student in middle school
- ≤ 26 in high school core academic classes

Employees paid via the teacher matrix will continue to experience FTE growth based on projected student enrollment as follows:



Salary and Benefits

The Board of Education is currently in contract negotiations with its teacher association and is hoping to secure a two year agreement that will coincide with the legislative biennium. It is difficult at this time to project expenditures relating to salary until legislative funding has been determined. Historically, the salary increase negotiated via the teacher contract has been applied to all other staff in the District.

The projected increase in salary based on various wage assumptions, including associated benefit costs as well as a 5% increase to employee health insurance and a 3% increase to employee dental insurance is as follows:

Sample Increase	2020	2021
1%	\$1,810,000	\$1,854,000
1.5%	\$2,396,000	\$2,454,000
2%	\$2,982,000	\$3,060,000
2.5%	\$3,566,000	\$3,130,000
1 Step	\$2,328,000	\$2,228,000
1 Step + 1% to Top	\$2,954,000	\$2,938,000
1 Step + 1% to Base	\$3,416,000	\$3,299,000

Additional staff hired above existing levels will result in an increase to the projected costs above.

Potential legislation that may have an impact salary and benefit costs:

- HB 1249 – increases the days of professional development in the school calendar from two to three
- SB 2149 – requires each school within a district to employ a counselor trained in youth behavioral health crisis categories
- SB 2023 – appropriations bill for the North Dakota Public Employees Retirement System

Strategic investments emanating from community task forces that may require prioritization in the budgeting process include:

- Professional development for both certified and support staff
- Behavioral health staffing
- Expanded pre-k special education

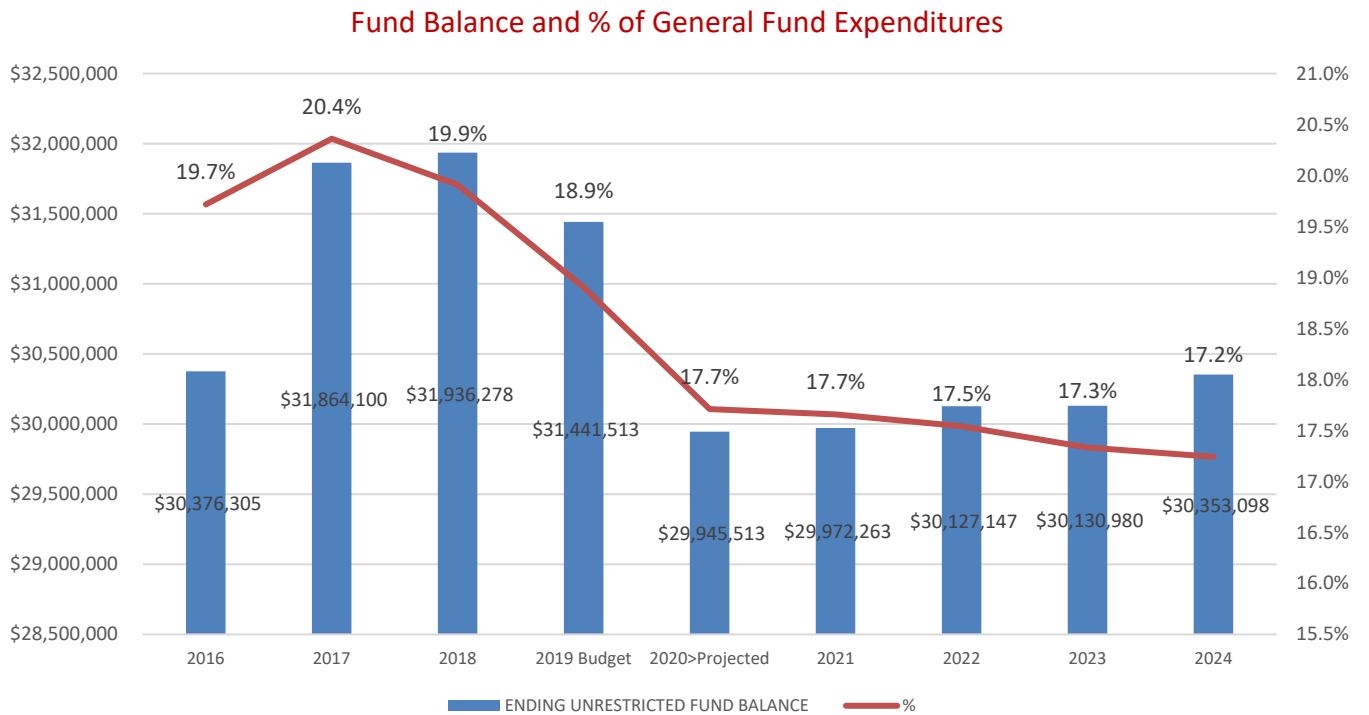
Other Expenditures

- Student transportation costs increase 3% per annum
- Utility costs increase 2% per annum
- During fiscal 2021, fund transfers decrease significantly due to debt retirement

Fund Balance

The Board of Education has an established fund balance goal of a minimum of 15% of general fund expenditures. In 2002, the district met this fund balance goal and has continued to maintain it above the 15% minimum.

The graph below displays historical and projected ending fund balance as a percent of general fund expenditures assuming a projected wage increase of 1% per annum in 2020-2024:



ITEMS FOR FUTURE CONSIDERATION

As we continue to build on our prior year strategic initiatives and investments, we will strive to:

- Provide competitive compensation packages to attract, recruit and retain highly effective staff
- Maintain successful high quality educational programming
- Maintain equitable class sizes throughout the district
- Prioritize strategic initiatives and their related fiscal notes
- Expand opportunities with community partners for the health and well-being of our students and staff
- Build upon solutions related to student career and college readiness to support workforce needs

FINAL THOUGHTS

The financial condition of Fargo Public Schools is very strong. The guiding principles in our [Strategic Plan](#), [Long Range Facilities Plan](#), and [Technology Plan](#) will assist us with a roadmap to the future, setting expectations and guiding decision making.

Our educational practices continue to produce strong programs for our students that will better prepare them for their future. Our future, like our past, will continue to present challenges. To ***Achieve Excellence by Educating and Empowering All Students to Succeed***, we must be prepared for these challenges. By keeping a fiscal eye on the future, we can identify obstacles and develop plans for meeting them that will ensure the financial security the district needs be successful in supporting the success of our students and community as a whole.