



Business Services
701 Prairie Hawk Drive
Castle Rock, Colorado 80109

Memorandum

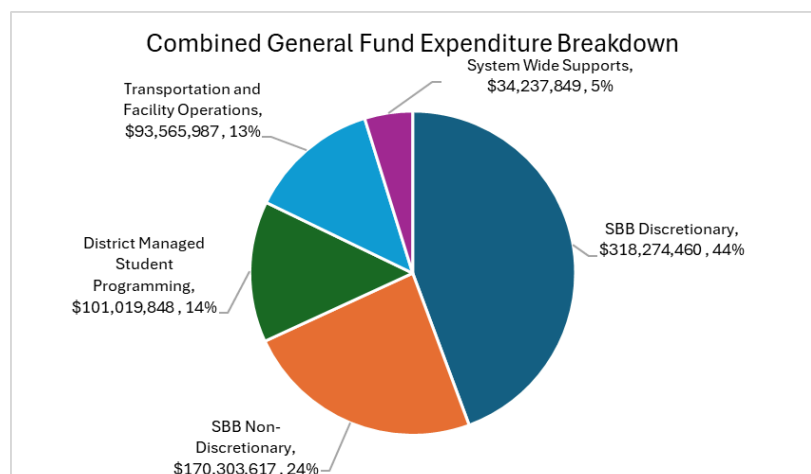
To: Board of Education
CC: Erin Kane, Superintendent and Jana Schleusner, CFO
From: Colleen Doan, Director of Budget
Date: June 10, 2025
Re: 2025-2026 Adopted Budget

In place of a presentation at the June 10, 2025 Board of Education meeting, this memorandum summarizes the changes to the 2025-2026 DCSD Budget that have occurred since it was initially presented to the Board of Education on May 6, 2025.

Shortly after the budget was proposed to the Board of Education, the School Finance Act passed within the state legislature and was signed into law by the governor. The Per Pupil Revenue for DCSD will be \$11,266 which represents a \$343 per student increase from the 2024-2025 DCSD Revised Budget. The increase year-over-year is minimal due to the low inflation in 2024 compared to recent years and pressure placed on the State's budget to slow the implementation of HB24-1448 (New School Finance Act). The phase in period for HB24-1448 was extended from 6 to 7 years and provides a 15% implementation of the new formula in 2025-2026. Most significantly, the School Finance Act retains the 4 year averaging provision for 2025-2026 included in HB24-1448 and does not eliminate multi year averaging for the calculation of funded pupil count for districts with declining enrollment. Beginning with 2026-2027, the averaging for funded pupil count reduces to 3 years of enrollment unless the new formula is not phased in at 30% or more or if the balance in the State Education Fund (SEF) is projected to be less than \$200M by June 30, 2027. Overall, this increase to the School Finance Act equates to an increase in Total Program for DCSD of \$11.0 million year-over-year.

The priorities of the 2025-2026 DCSD Budget remain the same as previously presented:

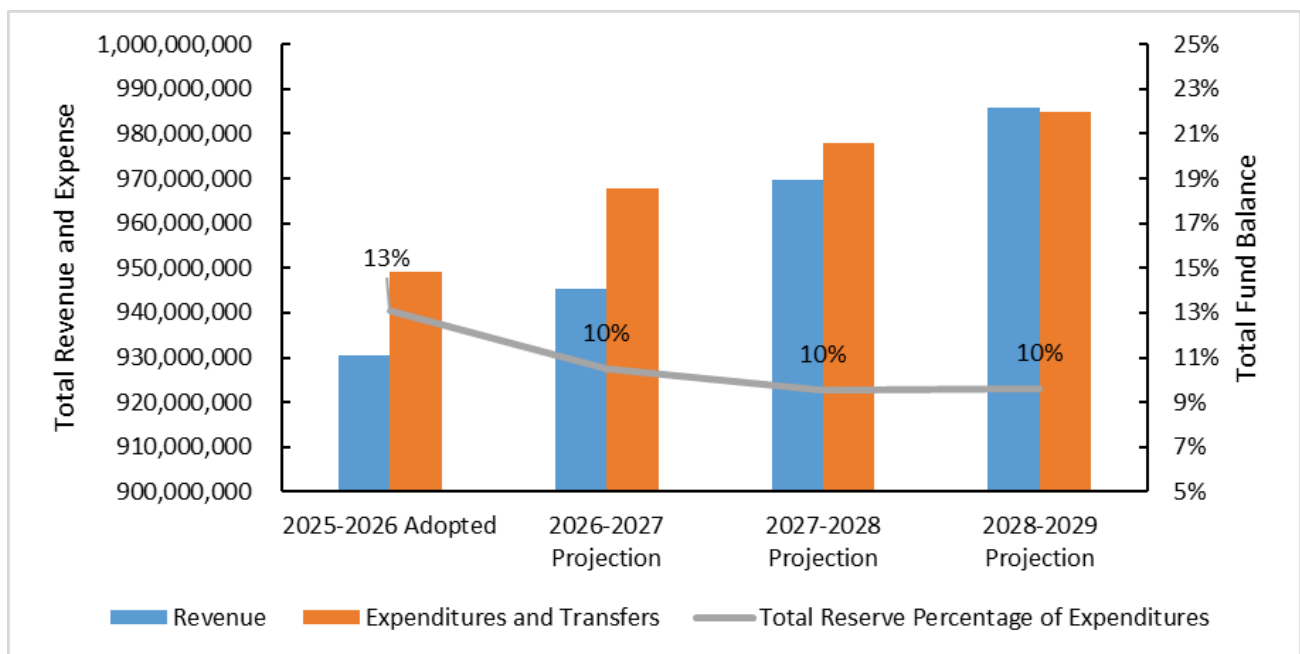
- Compensation investments plus enhancements to benefits = \$14M
- Investing in schools through District-Managed Student Programming = \$6M
- Investing in transportation and facility operations = \$3M
- Investing in support systems (i.e. insurance, system wide supports, etc.) = \$3M
- Savings from declining enrollment and restructuring select SBB allocations = (\$3M)
- Planned use of assigned reserves/savings from Combined General Fund = (\$9M)



The Proposed Budget on May 6 presented a use of fund balance within the General Fund (expenditures exceed revenue) of \$18.1 million. This budget presents a use of fund balance within the General Fund of \$18.6 million. The primary reason for the increased use of fund balance is due to the increase in classified Special Education positions in schools based on student need identified in April-May 2025 and additional retention initiatives such as paying for CDE teacher license renewals and sick leave payout for administrators and professional/technical staff to create alignment with all other employee types.

Changes to Site-Based Budgets (SBB) for neighborhood schools were extremely minimal since the Proposed Budget. Neighborhood school allocations did not change with the exception of Special Education staffing and any other changes within their budgets reflect changing personnel decisions based on spring hiring or decisions to set aside resources for school-sponsored capital projects. Department budget changes were limited to less than \$0.3 million and primarily associated with the retention initiatives referenced above.

The projected decline in neighborhood school enrollment from 2024 to 2028, along with the revisions to the School Finance Act due to HB24-1448, will provide DCSD with modest increases to revenue over the next three years. DCSD can maintain small pay increases but must begin to limit or reduce current programming to keep the reduction in reserves to only 1-2% annually through the forecast period. However, in order for DCSD to sustain a balanced budget in 2026-2027 and beyond given the current revenue projection, DCSD will have to evaluate staffing levels within Site-Based Budgets (SBB) long term or pursue additional revenue opportunities. The following graph demonstrates the total reserve percentage of revenue compared to the projected revenue and expenditures from 2025-2026 through 2028-2029.



In addition to the changes to the General Fund, the Adopted Budget includes small changes to other funds in comparison to the Proposed Budget. The Transportation Fund reflects updated timing on vehicle purchases, the Athletics and Activities Fund includes revisions to coaching positions, the Bond Fund includes additional capital projects initiated in May and the Medical and Dental Fund reflects final pricing on insurance renewals. None of these changes materially affect the funds.

The 2025-2026 Proposed Budget was presented in brief to both the Fiscal Oversight Committee (FOC) and District Accountability Committee (DAC) in May. The FOC will provide their own memorandum to

the Board of Education on June 10 with their support of the budget in addition to identifying risks, implications and short-term and long-term concerns. The DAC asked for School Accountability Committee (SAC) input on district spending priorities via a questionnaire as presented to the Board of Education with the Proposed Budget in May.

Staff asks for the Board of Education to adopt the 2025-2026 DCSD budget as presented in the Adopted Financial Plan and Budget available for the June 10, 2025 Board of Education meeting. There are two resolutions to vote on: the Appropriation Resolution indicating the authority to spend resources and the Use of Beginning Fund Balance Resolution indicating if expenditures exceed revenue in the fiscal year. The Adopted Financial Plan and Budget includes financials of all DCSD funds, including 3-year forecasts on each fund, a summary of District-run schools and departments, District staffing summary, per pupil spending analysis and individual charter school financials.