

MAINTAINING FINANCIAL STABILITY & EDUCATIONAL QUALITY

LENNOX SCHOOL DISTRICT 41-4 OPT-OUT PRESENTATION



State law prevents school districts from building large savings reserves.

- 13-13-10.1 - Twenty-five percent for a school district with fall enrollment as defined in subdivision (2) greater than or equal to six hundred.
- The School Finance Accountability Board often recommends a reduction in general state aid, which usually means a reduction in state aid for the following fiscal year.
- Districts cannot build large reserves/fund balances to weather long-term economic shifts.



Our initial fiscal strategy relied on a responsible five-year spend down

Original Plan Assumptions

**+5 students
per year**

**~2% state aid
increase**

The Strategy

Gradual Reserve Spend Down



Budget Stabilization



Zero Program Cuts

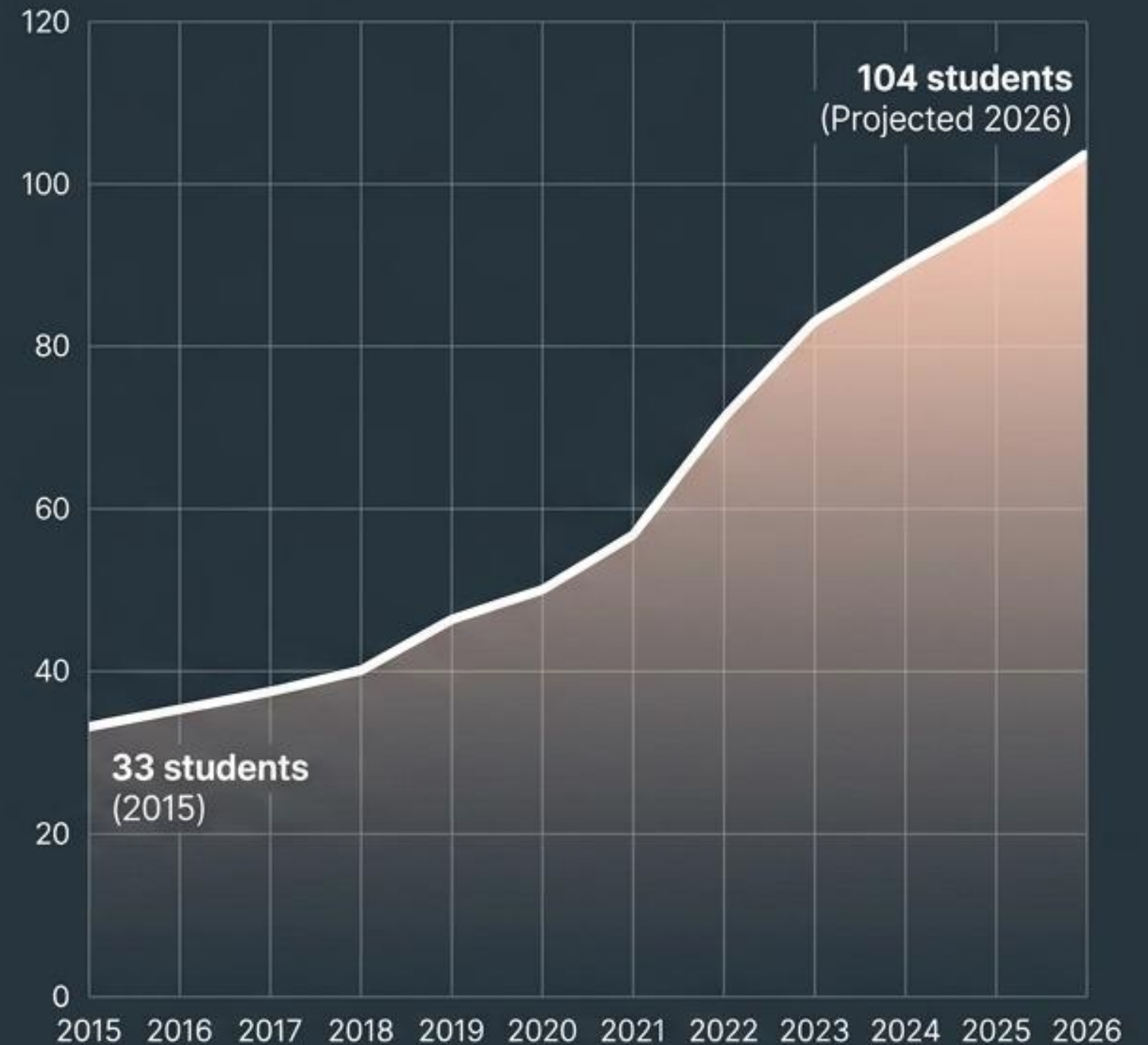
The goal: stabilize the budget over five years without impacting student opportunities.

A sudden shift in enrollment
disrupted the long-term plan

**Drop of
~25
students**
in the 2024-25 school year.

Because state funding is strictly based on
student count, fewer enrolled students
equals an immediate loss of state revenue.

The Homeschool Shift



The structural gap between expectation and reality

Expectation vs. Reality		
Dimension	The 5-Year Plan	The 2024-25 Reality
Enrollment	+5 students/year	Loss of ~25 students
State Aid	Consistent ~2% increase	Inconsistent increases
Alternative Schooling	Stable historical baseline	Spike to 104 homeschooled students
Result: Ongoing expenses now exceed revenue, creating a structural financial issue.		

General fund performance

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
General Fund Balance	\$2,405,800	\$2,046,330	\$1,683,759	\$1,472,673	\$1,325,297	\$1,465,297
General Fund Lowest Cash Balance	\$1,932,392	\$1,693,545	\$1,075,855	\$1,017,927	\$829,259	\$1,100,000
General Fund Expenditures	\$7,672,874	\$8,331,491	\$8,770,059	\$8,996,651	\$9,107,575	\$9,152,575
General Fund Balance %	31.4%	24.6%	19.2%	16.4%	14.6%	16.0%
General Fund Cash Balance %	25.2%	20.3%	12.3%	11.3%	9.1%	12.0%
Budgeted General Fund Surplus/(Deficit)	(\$101,631)	(\$404,860)	(\$435,120)	(\$329,606)	\$0	(\$19,173)
Actual General Fund Surplus/(Deficit)	\$271,642	(\$359,470)	(\$362,571)	(\$211,086)	(\$147,376)	\$140,000
Capital Outlay Transfer to General Fund	\$0	\$0	\$0	\$0	\$160,000	\$200,000
State Aid % Increase	2.0%	2.4%	6.0%	7.0%	4.0%	1.25%
 Fall Enrollment	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Fall Enrollment Count	1,135.53	1,137.84	1,157.28	1,151.94	1,125.97	1,142.01
Increase / (Decrease)	(5.49)	2.31	19.44	(5.34)	(25.97)	16.04

Estimated 2025-26 Data in **Green**

A Tale of Two Funds: Why We Can't Just Shift the Money

The General Fund (Operational)

- **Purpose:** Daily operations and people.
- **Pays For:** Teachers, counselors, librarians, nurses, principals, superintendent, business office staff, custodians, bus drivers, utilities, fuel, supplies and co-curricular salaries and supplies.



The Capital Outlay Fund (Restricted)

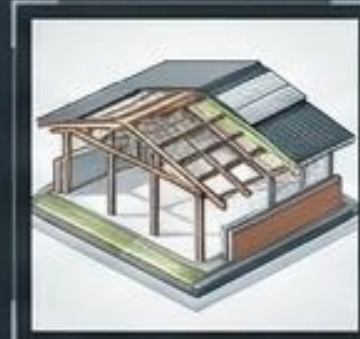
- **Purpose:** Physical assets and protection.
- **Pays For:** Software, textbooks, computers and equipment, building and grounds improvements, buses, library books, and co-curricular equipment and uniforms, and debt payments.

1.2.80



The True Cost of a Capital Outlay Transfer

**\$200,000
Transferred to
General Fund**



Building Maintenance & Roofs.
(The longer we delay, the more expensive repairs become).



The Bus Fleet.
(Aging buses lead to higher maintenance costs and route vulnerabilities).



Student Tech. & Curriculum.
(Delaying the replacement cycle puts our students behind).

A balanced General Fund on paper is currently being paid for by the deterioration of our physical district.

The Uncontrollable Variable: South Dakota's Insurance Crisis

The Insurance Dominoes

The Catalyst



A past tornado strike in Lennox severely impacted the district's risk profile.

The Market Collapse

Only 3 companies in all of South Dakota currently insure schools.

Two of these carriers explicitly declined to cover Lennox due to the past tornado.

The Premium Spike

190%
\$124,000

Forced into a corner, property insurance premiums increased by a staggering amount over just 4 years.

The Risk Shift

\$75,000

To keep premiums from rising even further, the district is now forced to carry massive deductibles per incident.

The Hidden “Shell Game”: How We Survive the Year



The doors stay open only because we are continually raiding the fund meant for our buildings and buses.

The district exhausted internal cuts before asking for community help

Staffing Reductions

- Reduced general education aides
- Reduced support staff
- Consolidated administrative roles
- Reduced specific teaching FTEs
- Eliminated sections

Program Eliminations

- Cut Academic Bowl
- Cut JH Oral Interp
- Reduced coaching positions
- Ended agreement with Carroll Institute
- Ended participation with COGNIA

Administrative Freezes

- 0% salary increase for administration (budgeted 25-26)
- Admin insurance reduced to least expensive premium
- Board Pay reduced to \$0 per meeting

Not Overspending — Operating Near the Bottom in Cost

\$10,210

Lennox's Per Student Cost to Educate (2024-25)

- State Ranking: **141 out** of 148 districts
- We operate at the 8th lowest per-student cost in the entire state of South Dakota.

Our financial crisis is not a spending problem; it is a structural revenue problem. We have squeezed every ounce of efficiency out of our budget.

Without stabilization, further cuts will directly erode student opportunities



Larger Class Sizes

Less individualized attention for students.



Fewer Programs

Loss of electives, arts, and extracurriculars.



Staffing Challenges

Inability to replace leaving teachers due to bottom-tier salaries.



Reduced Opportunities

Falling behind neighboring districts in overall educational quality.

Lennox now ranks last among area schools in teacher compensation

Regional Competitiveness Matrix

	Lennox	Tea	Harrisburg	Sioux Falls	Brandon	West Central	Dakota Valley
Starting Teacher Salary	\$52,600	\$54,793	\$55,121	\$52,821	\$55,531	\$53,500	\$52,700
Average Teacher Salary	\$56,937	\$59,080	\$62,504	\$62,637	\$67,800	\$60,990	\$65,068
Total Compensation	\$70,971	\$72,974	\$75,512	\$81,352	\$88,233	\$73,567	\$82,509

Lennox ranks **7th out of 7** in starting salary, average salary, and total compensation.

A stabilization mechanism to protect Lennox's educational quality

Terms of Proposal

\$500,000

Opt-out amount

10-year

Duration



Stabilizes the current budget deficit.



Maintains existing programs and staffing levels.

This mechanism closes the structural gap caused by enrollment drops. It does not fund new, expansive initiatives.

A ten-year duration allows for strategic planning rather than crisis management



Long-term Stability

Provides a predictable baseline for the district's financial health.

Avoids Repeated Requests

Prevents the district from having to return to taxpayers continuously for stop-gap measures.

Supports Strategic Planning

Allows the school board to make responsible, multi-year decisions regarding staffing, maintenance, and curriculum.

What Does This Actually Cost the Taxpayer?

Transparent, monthly breakdown based on the \$500,000 proposed levy.

Agricultural Property	\$10,000,000 Taxable Value	\$146.83 / month
Owner-Occupied Home	\$400,000 Taxable Value	\$13.15 / month
Other/Commercial Property	\$1,000,000 Taxable Value	\$68.01 / month

These numbers are for projection purposes based on the precise opt-out calculation worksheet.

INVESTING IN THE HORIZON OF OUR DISTRICT

- Responsible Planning
- Adjusted to Changing Conditions
- Proposing a Stabilizing Solution

Protecting student opportunities and investing in Lennox's future.