Association of Metropolitan School Districts

2 Pine Tree Drive, Suite 380, Arden Hills, MN 55112 • 612-430-7750 • www.amsd.org

MEDIA RELEASE **March 18, 2025**

For more information contact:
Scott Croonquist, Executive Director
Cell: 612-203-5631
scroonquist@amsd.org

Survey Shows AMSD School Districts Face More Than $280 Million in Shortfalls

Most Districts Face Significant Budget Challenges for 2025-26 School Year.

SAINT PAUL — AMSD member school districts are facing a combined shortfall of more than $280 million in the wake of historic inflation, escalating operational and labor costs, and significant new programs and requirements adopted by state policymakers during the last biennium. The shortfall estimates are based on a survey of members of the Association of Metropolitan School Districts (AMSD), which represents 47 K-12 school districts and 6 intermediate/cooperative districts that collectively enroll more than half of the state's public school students.

The 2023 education bill tied the funding formula to inflation, ensuring a minimum increase of 2 percent and a maximum increase of 3 percent depending on the actual increase in the Consumer Price Index. MDE Commissioner Willie Jett recently announced that the formula will increase by 2.74 percent for the 2025-26 school year. The survey, conducted at the beginning of March, asked member school districts to project the gap between their anticipated revenue and expenditures for the 2025-26 school year assuming no additional funding is provided in the 2025 legislative session beyond the 2.74 percent inflationary increase.

The survey also asked member districts to project their shortfall based on Gov. Tim Walz's budget recommendations. The Governor's proposed budget includes a 5 percent reduction in funding for special education transportation, a modified hold-harmless for compensatory revenue, and modifications to the literacy incentive aid formula under which some districts

would see an increase in revenue and others a decrease. The survey does not account for the Governor's proposal to eliminate the Q Comp program, as that would be effective for FY27. Eliminating the Q Comp program would compound the budget challenge for many AMSD member school districts.

While many districts would see a lower projected shortfall under the Governor's proposed budget, more districts project an even larger shortfall. The cumulative shortfall for AMSD members would still be more than $260 million under the Governor's proposed budget.

With federal cuts potentially looming, AMSD and its more than 50 member school districts are sounding the alarm, urging the Legislature to fully fund the mandates adopted during the last biennium such as summer term unemployment and paid leave, and provide additional funding to mitigate program cuts and staff layoffs.

On top of the need for additional resources, AMSD is calling on lawmakers to refrain from enacting any new mandates in the 2025 session and to hold districts harmless from a reduction in compensatory revenue due to the change in how the state determines eligibility for compensatory services.

"The reality is we are facing critical funding challenges and we have already made extensive administrative cuts, program cuts, and staff layoffs," said Anoka-Hennepin Superintendent Cory McIntyre. "One of the state's constitutional obligations and responsibilities is to fund public education. Now, more than ever, we need the state to live up to that promise."

The impact of these shortfalls will be significant. School districts are required to maintain balanced budgets and locally-elected school boards, working with their administrators, staff, and communities, will have to make the necessary adjustments to balance their budget.

"We understand the state is also facing budget challenges, yet our school districts need assistance to address rising operational costs and to implement the new programs and requirements that were enacted during the last biennium," said AMSD Chair Laura Oksnevad.

- **LINK: View a full list of AMSD District Shortfalls**