

For Immediate Release:

Minnesota School Districts Face Shortfalls, Budget Cuts, Due to COVID-19 Pandemic

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MARCH 1, 2021

MINNEAPOLIS — School districts across Minnesota are pleased to see the February Forecast includes a \$1.6 billion surplus. Part of this surplus is due to the pandemic-related student enrollment decline districts have experienced. The surplus news should help state policy makers appropriately fund districts. Districts are budgeting now for next year and have been planning for budget cuts, reductions in staff and student programming, and increased class sizes if the state doesn't increase education funding this legislative session, according to a new joint survey from several public education associations.

The survey, which was sent to 333 school districts statewide, was conducted by the Minnesota Association of School Business Officials (MASBO), with support from the Minnesota School Boards Association (MSBA), the Association of Metropolitan School Districts (AMSD), the Minnesota Association of School Administrators (MASA), the Minnesota Rural Education Association (MREA) and Schools for Equity in Education (SEE).

Of the 144 school districts that responded to the survey, 92 percent projected that with no formula increase, their general fund expenditures would exceed projected revenues for the 2021-22 school year — with several individual district deficits ranging into the millions.

The state's largest school district, Anoka-Hennepin Schools, is projecting a deficit of more than \$14 million, while rural districts, such as Thief River Falls and Princeton, are each projecting shortfalls of more than \$2 million. The Robbinsdale Area Schools District would experience a shortfall of \$4.4 million. And the regional school districts, such as St. Cloud, Bemidji and Mankato are projecting a shortfall of nearly \$3, \$5 and \$7 million respectively if legislation increasing the education formula is not passed by the Legislature and signed into law this year.

The majority of districts responding to the survey are budgeting now for the 2021-22 school year, and indicated they are planning for staff reductions and increases in class sizes to adjust for the shortfalls. Gov. Tim Walz's proposed budget includes a one percent formula increase next year. Under this scenario, more than 60 percent of school districts are still projecting budget cuts.

The survey demonstrates the reality school districts statewide are experiencing and how COVID has exacerbated the situation. According to the Minnesota Department of Education, 17,000 students withdrew from public schools last fall due to COVID related concerns, leaving a gaping hole in school district revenues. Collectively, education organizations that manage school districts, and other

education advocates, strongly advocate for funds to mitigate the enrollment decline and at least a two percent increase on the education formula and link it to inflation.

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Overview of Survey Results

Response rate: **43%** (144 of 333 school districts responded)

92% of respondents reported their respective district's projected general fund expenditures will exceed projected revenues for the 2021-22 school year if there is NOT a formula increase (assumptions include: same programming, average contract cost increases, and no new unfunded mandates). Most districts will address shortfalls by spending down fund balance, staff reductions, increased class sizes and reduction in program offerings.

Supporting detail below:

YES = 92% (133 of 144 respondents)

- 19 of 133 (14%) shortfall of \$3m or greater
- 29 of 133 (21%) shortfall between \$1-3m
- 18 of 133 (14%) shortfall between \$501-999k
- 63 of 133 (47%) shortfall between \$1-500k
- 4 of 133 (3%) No Answer

Most districts addressing shortfalls by spending down fund balance, staff reductions, increased class sizes and reduction in program offerings.

- Increase class sizes = 73 of 144 responses (51%)
- Reduce program offerings = 58 of 144 responses (40%)
- Staff reductions = 98 of 144 responses (68%)
- Spend down fund balance = 100 of 144 responses (69%)
- Undetermined = 33 of 144 responses (23%)

75% of respondents plan to spend down their fund balance THIS YEAR (68% of that number reported spend down due to COVID). Most respondents anticipate spending down 25% or less.

Supporting detail below:

YES = 108 of 144 responses (75%); due to COVID = 73 of 108 (68%)

- 84 of 108 will spend 25% or less (78%) [one of 84 responded as "No" to spend down, but answered question as 25% or less]
- 12 of 108 will spend 25-50% (11%)
- 5 of 108 will spend 50% or more (5%)
- 8 of 108 did not provide answer

85% of respondents experienced a projected reduction in the number of students enrolling this fall from what was anticipated in their FY2021 adopted budget.

Supporting detail below:

YES = 123 of 144 responses (85%); 29 districts reported 5% or greater decline

85% of respondents experienced a reduction in the number of students applying or qualifying for the free and reduced lunch program compared to the same time last year.

Supporting detail below:

YES = 123 of 144 responses (85%); 76 of 123 reported 10% decline or greater

65% of respondents anticipate budget cuts with the Governor's proposed 1% formula increase in FY22.

Supporting detail below:

- 94 of 144 (65%) anticipate budget cuts
- 39 of 144 (27%) do not anticipate budget cuts
- 6 of 144 (4%) currently unsure
- 5 of 144 (3%) No answer
- ***5 respondents broke out FY22 & FY23 dollars**

83% of respondents experienced a projected reduction in the number of students enrolling this fall from 2019 enrollment.

Supporting detail below:

YES = 120 of 144 responses (83%); 37 districts reported 5% or greater decline

22% of respondents plan to go out for a referendum in the Fall of 2021. Most districts expect general fund expenditures will exceed projected revenues, and plan to spend down fund balance this year.

Supporting detail below:

31 of 144 (22%)

- 30 of 31 (97%) expect general fund expenditures will exceed projected revenues
- 28 of 31 (90%) plan to spend down fund balance this year
- 24 of 31 (77%) many have decline in student enrollment this year
- 27 of 31 (87%) expect reduction in reduced lunch recipients

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