



## Association of Metropolitan School Districts

### Education Funding: A Reality Check

The education bill approved in the 2023 session provided a historic funding increase. Why then, do so many school districts continue to face budget challenges — and why do many districts have referendum questions on the ballot in November?

A confluence of factors has created a challenging fiscal environment for many school districts despite the historic overall funding increase.

#### Key funding streams continue to lag behind inflation

- While the 2023 education bill provided a historic **overall** increase in funding, two critical funding streams continued to lose ground to inflation. The bill increased the formula by 4 percent for the 2023-24 school year and 2 percent for the 2024-25 school year. As the graph at the end of this paper shows, the basic formula would be \$1,356 per pupil higher in FY 25 if it had kept pace with inflation since 2003 — the year the Legislature repealed the general education levy and committed to funding education with state income and sales taxes. Likewise, local optional revenue (LOR), another critical funding stream, has been frozen at the same level since it went into effect in 2014. It would be \$182 per pupil higher today had it kept pace with inflation. The basic formula and LOR comprise 75 percent of school districts' general education revenue — the funding stream that is the most flexible and is used to pay staff salaries, transportation, and other general operations. Most other funding streams must be used for specific purposes as mandated by the state.

#### Historic new requirements and expectations for school districts

- Historic new expectations, programs, and requirements for school districts were included in the education bill, and numerous other bills, in the 2023 session. AMSD supported many of the new requirements, but they come with increased costs — both monetarily as well as significant staff time. Some of the new requirements were funded, some partially unfunded, some temporarily funded, and others came with no funding. New programs or requirements include:
  - **Universal meals** — all students will receive one free breakfast and one free lunch beginning in the 2023-24 school year.
  - **Summer Unemployment Insurance** — beginning in May of 2023, eligible non-certified hourly school workers could qualify for “between term” summer unemployment benefits.

- **Earned sick and safe time** — effective Jan. 1, 2024, all employers are required to allow employees to accrue an hour of earned sick and safe time for every 30 hours worked up to a maximum of 48 hours in a year.
- **Paid Family Medical Leave** — effective Jan. 1, 2026, a statewide paid family medical leave plan is established. The plan is funded through a new .7 percent premium rate with employers required to pay at least 50 percent of the premium.
- **The READ Act** — requires new curriculum purchased after July 1, 2023 to be aligned with structured literacy and staff to be trained in structured literacy.
- **Social Studies** — 9th graders beginning in the 2024-25 school year must take a course for credit in civics in grade 11 or 12 and a course for credit in personal finance in grade 10, 11 or 12.
- **Ethnic Studies** — a course must be offered in high school starting in the 2026-27 school year and elementary and middle schools must provide ethnic studies effective in the 2027-28 school year.
- **Holocaust, Genocide Education** — school districts must offer Holocaust and genocide education in middle and high school curriculum by the 2026-27 school year.
- **Opioid Antagonists and Menstrual products** — school districts must provide free access to menstrual products and maintain at least two doses of opiate antagonists at each school site.
- **Paraprofessional training** — beginning in the 2023-24 school year, school districts must provide a minimum of 8 hours of annual paid paraprofessional professional development.
- **Suspensions** — beginning in the 2023-24 school year, K-3 suspensions are prohibited unless nonexclusionary discipline options have been exhausted and there is an ongoing safety threat.
- **PELRA Changes** — significant changes were made to the Public Employment Labor Relations Act (PELRA), making a number of new issues subject to collective bargaining including adult-to-student ratios in classrooms, student testing, and e-learning days.
- **Active Transportation Safety Training** — school districts must provide age appropriate transportation safety training to students during the first or second week of school.

### **Historic inflation and staffing shortages**

- Recent reports show inflation declining but still fluctuating from month to month. However, a little over a year ago inflation was running at 9 percent. The significant increase in utilities, transportation, food, supplies, insurance and other costs have had a major impact on school district budgets. At the same time, school districts have had to respond to historic staff shortages by significantly increasing salaries in a number of job categories to fill vacancies. In addition, the full impact of the major changes to PELRA is yet to be determined but will likely result in increased costs.

## A federal funding fiscal cliff

- The significant federal resources that were approved in response to the global pandemic are winding down over the next year, creating a looming fiscal cliff for school districts as they work to help their students recover from the pandemic.

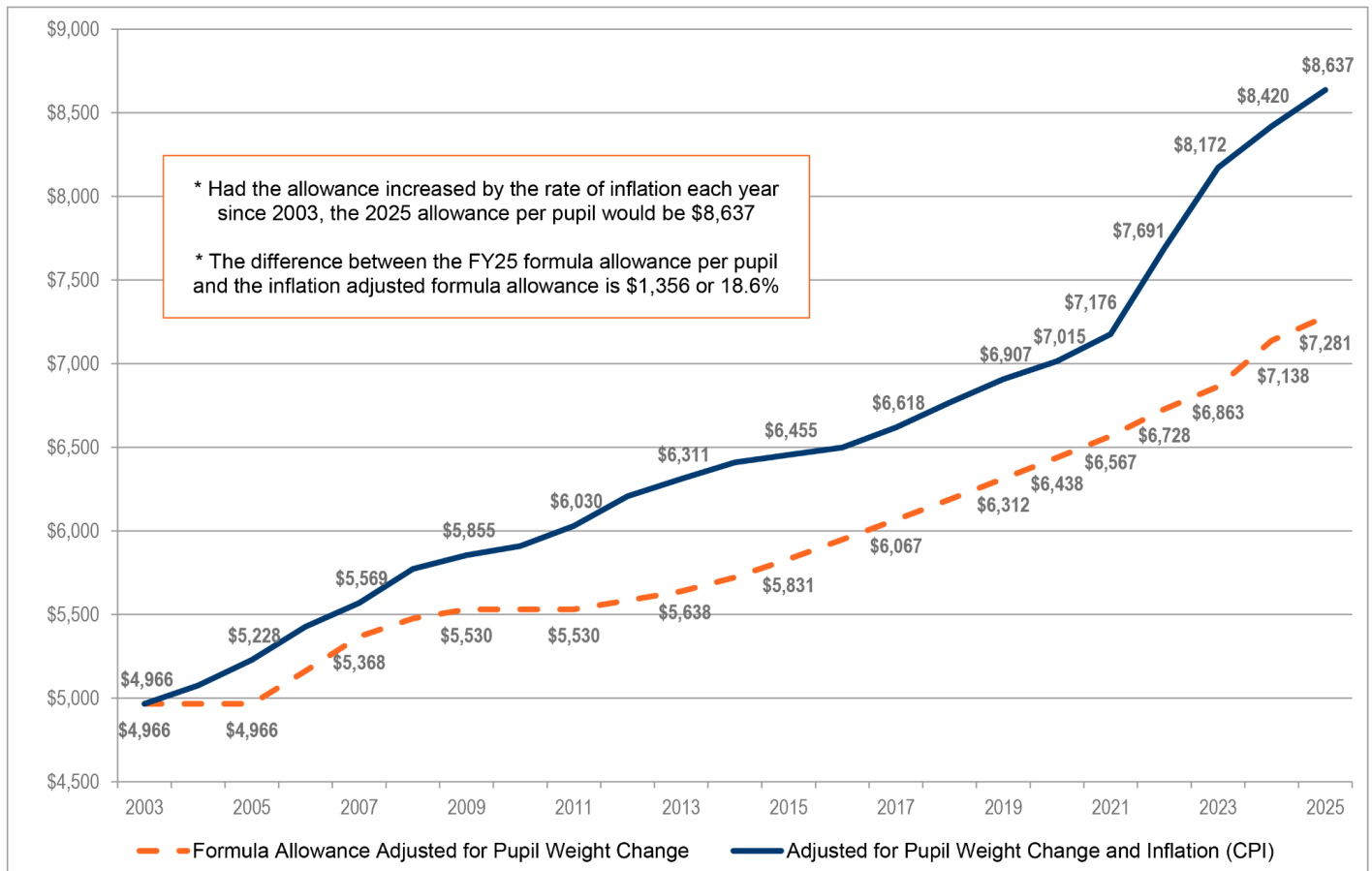
## Enrollment fluctuations

- Demographics and the pandemic have caused significant enrollment fluctuations for many school districts. With state education funding largely distributed through per pupil formulas, this can have a significant impact on school district revenue.



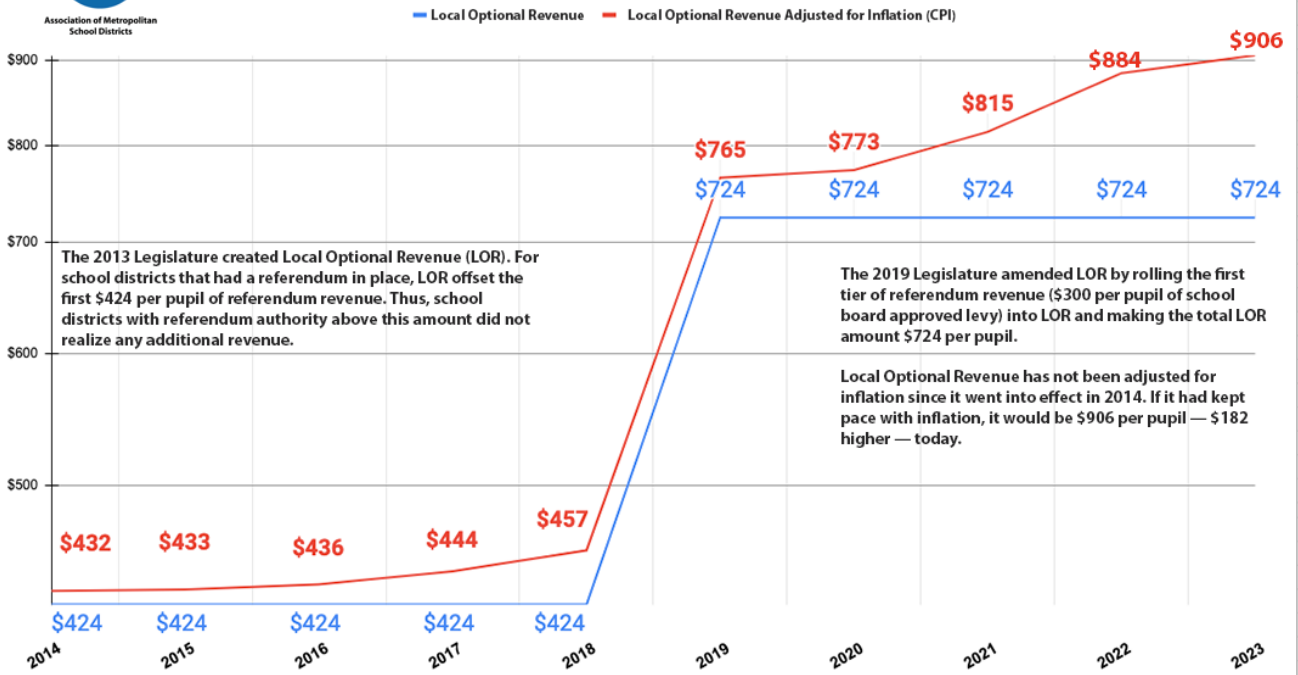
## General Education Formula Allowance, 2003-2025

Adjusted for Pupil Weight Change and Inflation (CPI)



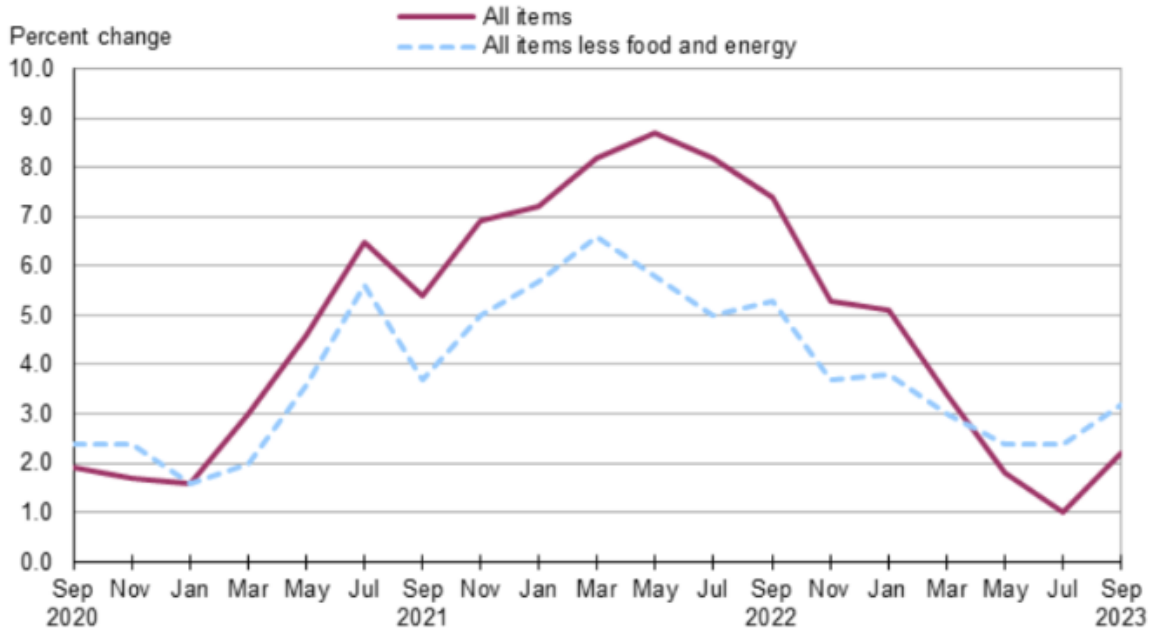


## Local Optional Revenue 2014-2023 Adjusted for Inflation (CPI)



Source: Minnesota Department of Education and U.S. Bureau of Labor Statistics

## Over-the-year percent change in CPI-U Minneapolis - St. Paul - Bloomington September 2020 - September 2023



Source: U.S. Bureau of Labor Statistics