March 4, 2024

Survey Shows School Districts Face More Than $300 Million in Shortfalls

More than 70 percent of AMSD Districts Project Budget Shortfalls for the 2024-25 School Year.

SAINT PAUL — Despite the significant funding increase approved in the 2023 legislative session, a new survey shows more than 70 percent of members of the Association of Metropolitan School Districts (AMSD) face a combined budget shortfall of more than $300 million for the 2024-25 school year. The survey, conducted in February, asked member school districts to project the gap between their anticipated revenue and expenditures for the 2024-25 school year assuming no additional funding is provided in the 2024 legislative session.

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

- **Historic inflation and staffing shortages.** While inflation has declined from historic highs in 2022, significant increases 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 responded to historic staff shortages by significantly increasing salaries in several job categories to fill vacancies and settle employment contracts.

- While the 2023 education bill provided a significant overall increase in funding, two critical funding streams continued to lose ground to inflation. The bill increased the basic formula by 4 percent for the 2023-24 school year and 2 percent for the 2024-25 school year – short of projected inflation over the same period. Likewise, local optional revenue (LOR), another critical funding stream, has not been increased since it went into effect in 2014. 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.

- 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.
• 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. While the federal funding is coming to an end, the needs of our students continue.

The collective shortfall would be even higher had several districts not passed local referendums the last two years. In addition, a one-time $10 million donation from the Mayo Clinic will reduce the projected shortfall for Rochester Public Schools.

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 make the necessary adjustments to balance their budget.

“We will have to consider all options, including using fund balance, administrative cuts, program cuts, and staff layoffs,” said Anoka-Hennepin Schools Supt. Cory McIntyre. “Budget reductions and realignment have already started with central office personnel and program reductions effective June 30, 2024, impacting the 2024-25 school year budget. This will reduce administrative support by approximately 45 positions — equal to a $5 million reduction of the potential $30 million needing to be reduced. These adjustments aim to lower the impact of reductions at school sites for the 2024-25 school year.”

AMSD is calling on state policymakers to approve supplemental funding for school districts in light of the Feb. 29 announcement from the Minnesota Office of Management and Budget that the FY24-25 biennium is projected to end with a $3.7 billion surplus.

“We understand the 2024 session is not a budget year, but our school districts need assistance to address inflation and to successfully implement the new programs and requirements that were adopted last year,” said Minnetonka Public Schools Supt. David Law.

“AMSD extends heartfelt appreciation for the substantial funding increase approved by the Governor and Legislators in the 2023 session and their commitment to advancing education. At the same time, extraordinary cost pressures, staffing shortages, and historic new expectations and requirements for our schools have created a challenging fiscal environment,” said AMSD Chair Marcus Hill, a member of the West St. Paul-Mendota Heights-Eagan School Board.

For more information contact:
Scott Croonquist
Executive Director
Association of Metropolitan School Districts
612-203-5631 (cell)
scroonquist@amsd.org