

Finance Committee Meeting

Tuesday, January 27, 2026 5:45 PM

Board Assembly Room, 1250 West Broadway Avenue, Minneapolis, Minnesota 55411

1) **Call to Order and Roll Call**

2) **Adoption of Agenda**

3) **Approval of Minutes**

3)a. December 2, 2025

4) **Reports and Discussion**

4)a. Fiscal Year 2025 Audit Update

4)b. Fiscal Year 2027 Budget Update

5) **Adjournment**

**OFFICIAL MINUTES
MINNEAPOLIS BOARD OF EDUCATION**

**FINANCE COMMITTEE MEETING
December 2, 2025**

CALL TO ORDER AND ROLL CALL

Committee Chair Abdul Abdi called the meeting to order at 5:47 p.m., a quorum being present.

Present: Directors Collin Beachy, Joyner Emerick (participated via interactive technology), Abdul Abdi (3)

Absent: Lucie Skjefte, Greta Callahan (2)

APPROVAL OF AGENDA

Beachy moved to approve the agenda.

On a roll call vote, the motion was adopted with the following result:

Aye: Beachy, Emerick, Abdi (3)

Nay: (0)

Abstain: (0)

Absent: Skjefte, Callahan (2)

ACCEPTANCE OF MINUTES

Beachy moved to approve the minutes from the October 28, 2025 meeting.

On a roll call vote, the motion was adopted with the following result:

Aye: Beachy, Emerick, Abdi (3)

Nay: (0)

Abstain: (0)

Absent: Skjefte, Callahan (2)

REPORTS AND DISCUSSION

Financial Statements: October 2025

Staff presented the financial statements from October 2025.

Director Callahan arrived at 5:52 p.m.

Bond Sales Update

Staff provided an update on bond sales.

Budget Timeline

Staff provided an overview of the budget timeline, including community engagement during the budget development process

ACTION ITEMS

Certification of Final Property Tax Levies 2025 payable 2026

Beachy moved to refer the Resolution Certifying the Final Property Tax Levies 2025 payable 2026 (2025-0053) to the full board. On a roll call vote, the motion was adopted with the following result:

Aye: Beachy, Callahan, Emerick, Abdi (4)

Nay: (0)

Abstain: (0)

Absent: Skjefte (1)

ADJOURNMENT

Without objection, Chair Abdi adjourned the meeting at 6:45 p.m.

Minutes submitted by Nandi O'Brien, School Board Administrator and Assistant Clerk.

Meeting materials: <https://meetings.boardbook.org/Public/Agenda/1807?meeting=720503>

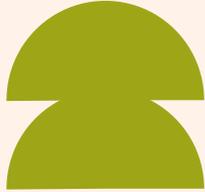
Fiscal Year 27 (2026-27) Budget Development Process Update

School Board Finance Committee

January 27, 2026



Agenda



1. Presentation Goals
2. Reminders and Assumptions
3. School District Finance Overview
4. Process and Timeline
5. Student Enrollment Projections
6. Revenue Projections
7. Expense Projections
8. Updated Operating Budget Gap
9. Opportunities and Potential Challenges
10. Approach to a Balanced Budget
11. Next Steps

Presentation Goals

1

Provide an update on the current status (including projected gap), process, and timeline

2

Share the operating assumptions used to develop budgetary parameters and inform recommendations

3

Increase transparency of financial information, processes, and calculations

Reminders and Assumptions

Overview and Key Reminders

- Today's presentation will **focus only on Fund 1 of the General Fund**
 - Food service, community service, debt service, and capital funds will be covered at upcoming meetings
- Using **best information available to us at this time** (as of January 22, 2026), much of which is still **preliminary**
 - The budget process is dynamic, especially at this stage, and **figures will change as revenue and expense variables become clearer**
 - To meet several necessary deadlines and to ensure there is sufficient time to complete financial and staffing processes, school districts **adopt budgets based primarily on estimated revenue and expenses, not fixed/guaranteed amounts**
- Many revenue sources are not final until after students are enrolled and attending, based on Oct. 1, and come as aid or reimbursements based on reported students

Underfunding of Public Education

- Though progress has been made recently, **MN school districts have been and remain significantly underfunded**
 - Had the general education formula allowance kept up with inflation every year since 2003, as is now the case moving forward, MPS would have **\$50 million** more in funding this year
 - The underfunding of Special Education services alone is approximately **\$43 million** for MPS and the federal government has never come close to meeting its commitment on Special Education funding
- State funding formulas have not been realigned to match the shift in school choice-focused policies of the past few decades
 - **MPS is responsible for paying 80% of the unreimbursed costs of Special Education services for Minneapolis resident students served in charter schools or who open enroll in other districts**
 - In recent years, this has averaged \$18-\$20 million despite the district not receiving funding for the students (the amount is included in the \$43 million noted above)
 - Recent changes to cross subsidy reduction aid will reduce this amount

Key Definitions and Budget Terms

- A glossary of key terms and acronyms are available on the MPS website using the link bit.ly/mpsglossary or the QR Code below



Approach to Addressing Fiscal Challenges

Delivering on MPS' vision, mission, commitment, and goals, now and sustainably into the future



COMPLETED

Nov. 2024 tech levy ballot question

Expense reductions and operational efficiencies to reduce gap from loss of ESSER funds



ONGOING

Transforming how we educate and serve students

Increasing student enrollment

Continued advocacy with state and federal government

Reminder of Budget Work in Recent Years

- Due to historic underfunding of public schools, multiple years of decreasing enrollment, escalating costs and the sunsetting of COVID-19 emergency funding:
 - MPS faced a historic \$110 million dollar budget gap in 2024–25
 - We **focused on reductions over eliminations where possible**
 - MPS faced a \$75 million dollar budget gap in 2025–26 (current Fiscal Year 2026)
 - Added the technology levy ballot question
 - The Fiscal Year 2026 budget was adopted with an approximately \$20 million difference between revenue and expenditures, meaning we essentially **began the FY27 process with at least that amount of structural deficit prior to any cost increases**
- Our ongoing work includes centering students, increasing revenue, reducing expenditures and **decreasing our reliance on one-time funding to close budget gaps because these funds no longer exist**

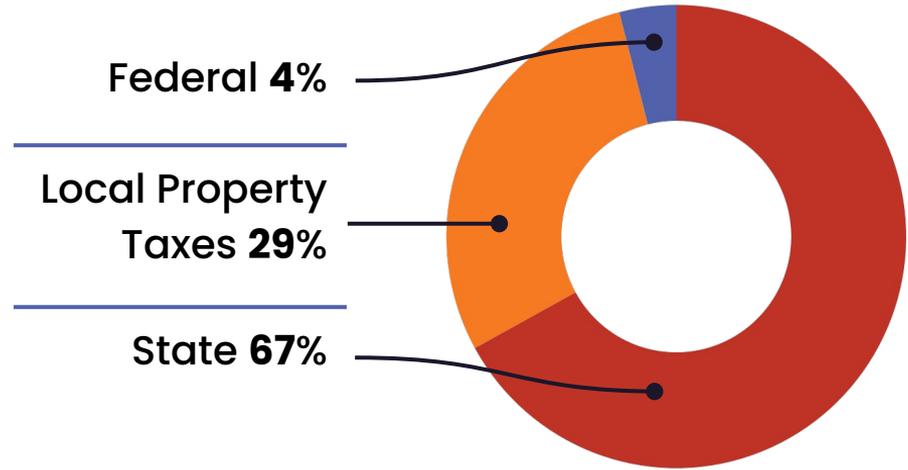
School District Finance Overview

Minnesota School Finance

- The Legislature is charged with the responsibility of establishing a public education system
- To operationalize this system, the Legislature has granted authority to locally elected school boards to *“have general charge of the business of the district”* including spending and limited taxing authority
- A **balanced budget is required:**
 - Expenditures must be limited to prevent operating debt from exceeding 2.5% of the most recent fiscal year's expenditure amount ([MN Statutes Section 123B.81](#) and [MN Statutes Section 123B.83](#))
- MPS' **budget must be approved by June 15** (all other districts by June 30)

Minnesota School Finance

Education is funded by three primary sources (using the 2024-2025 school year statewide as a reference)



An excellent resource on how education funding works in our state is the [Minnesota School Finance: A Guide for Legislators](#) (also accessible via the QR code)

School District Budgets 101

- A budget articulates **what money will be spent on and how those expenses will be funded**
- A school district budget is not just a planning tool; it provides the authority to make expenditures
 - *“...the board of each district must approve and adopt its revenue and expenditure budgets for the next school year. The budget document so adopted must be considered an expenditure-authorizing or appropriations document. No funds shall be expended by any board or district for any purpose in any school year prior to the adoption of the budget document which authorizes that expenditure, or prior to an amendment to the budget document by the board to authorize the expenditure. Expenditures of funds in violation of this subdivision shall be considered unlawful expenditures.”* ([MN Statutes, Section 123B.77 Subd. 4](#))

Importance of Funding Sources

- A significant amount of school district revenue has restrictions on the use and/or are for certain prescribed purposes
- Some funding sources have a very limited use and others have a broader range of allowable uses
 - Some federal funding includes additional tests like “supplement not supplant”, which generally means that funds must be used to expand programs or increase offerings rather than fund things that would otherwise be required to happen with local or state funds
 - The allowable uses of funds is an important consideration of the budgeting process and can often lead to confusion and frustration
- Some revenue sources have reimbursement components and/or are determined fully or in part by prior year expenses
- Programs or activities that are funded by a specific source will either need to balance on that dedicated revenue source or be subsidized by another source
- Given our fiscal situation, this will be a key consideration for the FY27 budget process and beyond

Process and Timeline

Budget Process Overview

Key Steps/Milestones

1. Values and priorities set by board
2. Enrollment and revenue projected
3. Expenses projected
4. Balanced budget recommendation developed
5. Department and school allocations proposed
6. Presentation of comprehensive budget
7. Board review
8. Board approval

Ongoing Activities

- Share updates with stakeholders via website and newsletters
- Gather community input:
 - Caregiver survey
 - School-specific feedback through site council and other methods
- Updates to finance committee and board
- Direction from finance committee and board

FY27 Budget Timeline (Overview)

Schools receive budget allocations
and engage with stakeholders

Dec-Feb

Board sets priorities. Develop
school and department budgets

March

Budget tie-out (BTO)
closes & budget review

April

Budget review

May

First reading
of budget

June

Approval of
the budget

Budget website: bit.ly/mpsbudget2627

FY27 Budget Timeline (School Budgets)

Date(s)	Focus	Activity
February 9	Enrollment Projection	Enrollment lottery closes; any needed adjustments to enrollment projections are made
February 17	Budget Allocation	Principals receive school budget allocations and guidance/parameters
February 17 – March 6	Budget Tie-Out	“Budget Tie-Out” (BTO) process
March 6 – April 3	Final Review	Budget review by Finance and Human Resources
April 9	Staffing Process	Interview and Select (licensed teacher transfer/reassignment process) begins

FY27 Budget Timeline (Board Committee and Work Session Meetings)

Date(s)	Focus	Activity
February 24	Finance Committee	<ul style="list-style-type: none"> Review proposed school and department allocations Review Funds 2, 4, and 6
March 17	Work Session	<ul style="list-style-type: none"> Budget focus
March 24	Finance Committee	<ul style="list-style-type: none"> Review post-BTO school and department allocations Review capital plan
April 21	Work Session	<ul style="list-style-type: none"> Review comprehensive budget proposal Review capital plan
April 28	Finance Committee	<ul style="list-style-type: none"> Final review and referral of proposed budget and capital plan to the full board

FY27 Budget Timeline (Board Business Meetings)

Date(s)	Focus
February 10	<ul style="list-style-type: none">• Budget process update (provide this presentation to full board)
March 10	<ul style="list-style-type: none">• Budget development process update
April 14	<ul style="list-style-type: none">• Budget development process update
May 12	<ul style="list-style-type: none">• First reading• Receive proposed budget and capital plan
June 9	<ul style="list-style-type: none">• Budget and capital plan approval

Student Enrollment

Enrollment and Funding

Student enrollment is the most important factor in school finance

- It determines how much revenue we will receive and also drives how that funding is allocated to individual schools
- There are two primary ways that enrollment is used to determine revenue and funding allocations, detailed on the next slides:
 1. Unduplicated student counts (October 1)
 2. Adjusted pupil units (includes several factors to derive)

Student Counts (Definitions)

- **Average Daily Membership (ADM):** The sum for all pupils of the number of days in the district's school year that each pupil is enrolled, divided by the number of days the schools are in session.
- **Adjusted Pupils or Adjusted Average Daily Membership (AADM):** The ADM student count is adjusted to reflect only the students actually served by the district. Each district's pupil count is reduced by the number of students leaving the district to attend a charter school or through open enrollment and increased by the number of students entering the district from another district.
- **Pupil Units:** A weighted count of pupils in ADM used in the calculation of state aid and local tax levies.
- **Adjusted Pupils Units:** Adjusted pupil units, or adjusted weighted average daily membership, is the primary pupil count used in school-funding formulas. The count is weighted by grade level (.55 for half-day kindergarten, 1.0 for full-day kindergarten and elementary grades, and 1.2 for secondary grades) and "adjusted" to reflect students served.
- **Resident Pupil Units or Weighted Average Daily Membership (WADM):** For purposes of calculating a school district's operating referendum revenue aid and levy shares, resident pupil units or WADM are used. This count is the same as the adjusted pupil units except that it is based on resident pupils, instead of pupils served by the school district.
- **Enrollees:** Student enrollment is based on the count of students as of October 1 of the school year. This count of students is used for some school formulas, especially where a fixed final count or a site count is necessary, such as the alternative compensation revenue calculation. Enrollment counts are also used as the denominator for formulas such as compensatory revenue, where the numerator is based on free and reduced lunch counts, which are taken as part of the October 1 census data.

Enrollments and Average Daily Membership (ADM)

	October 1 Count	ADM and Pupil Units
Definition	Unduplicated student count of all students enrolled on October 1st	The portion of the school year a student is enrolled
Calculation	Snapshot of student enrollment	Total Student Enrollment Days / Total Instructional Days
Timing	October 1st (or next business day)	Calculated over the entire school year
Used for	<ul style="list-style-type: none"> • Compensatory revenue • Federal reporting • Federal e-rate 	<ul style="list-style-type: none"> • General education revenue • State aids • Accountability
Related Measures	<p>December 1 Child Count</p> <p>Snapshot of students eligible for special education and have a current IEP in effect on December 1</p>	<p>Pupil Unit Weighting</p> <ul style="list-style-type: none"> • ECSE and Voluntary Pre-K: 1.0 ADM • Grades K-6: 1.0 ADM • Grades 7-12: 1.2 ADM

Considerations in Enrollment Projection Modeling

- **Cohort progression**
 - Kindergarteners move to 1st grade; 1st graders move to 2nd grade; etc.
- **Pathway progression for community schools**
 - Example: Jenny Lind → Olson → Camden
- **New students by school year, school, and grade**
 - 3-year history
- **Attrition by school year, school, and grade**
 - 3-year history

Steps for Enrollment Projection Modeling

1. Using the considerations on the prior slide, student enrollment is projected by grade at every school
2. A historical ratio of enrollment counts and ADM is then applied to get the adjusted ADM figures:
 - a. Voluntary Pre-K: 0.6
 - b. ECSE: 0.6
 - c. K-6: 1.0
 - d. 7-12: 0.98
3. Those figures are weighted accordingly to get the adjusted pupil units used to estimate several revenue sources

Note: Contract alternatives and specialty sites are not calculated using this methodology due to high variability in enrollment between years. Instead, the current year's October 1 enrollment is used to project the next year's October 1 enrollment.

Student Enrollment Trend

- As of October 1, 2025
- Includes voluntary Pre-K and ECSE students
- Includes contract alternative program (CAP) school students
- Data as of January 22, 2026

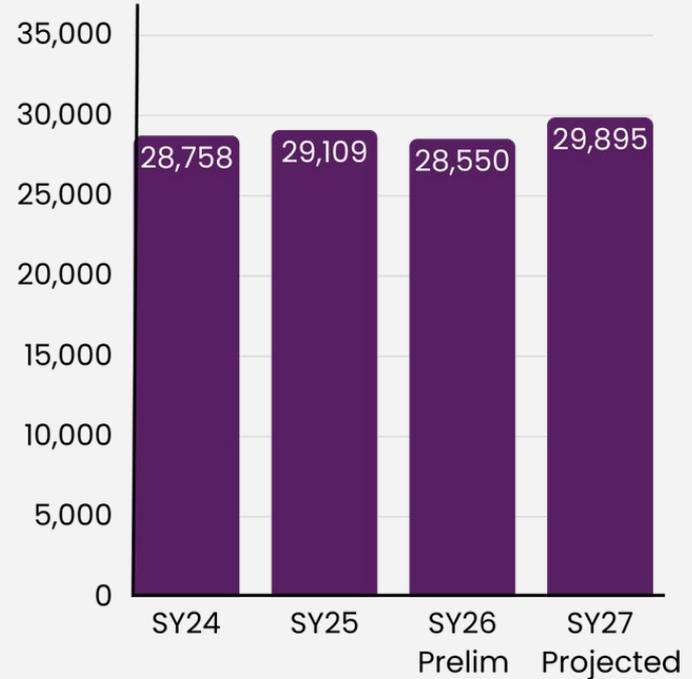
October 1 Enrollments
ECSE, PreK-12



Adjusted FY27 ADM Projections

- Used for several revenue projections
- Includes voluntary Pre-K and ECSE students
- Includes contract alternative program (CAP) school students
- Data as of January 22, 2026

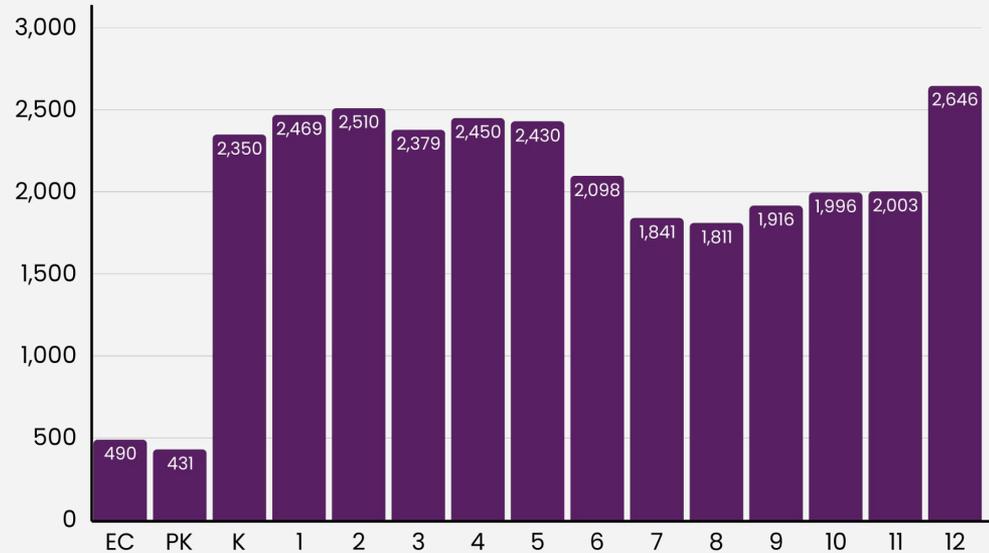
Adjusted ADM
ECSE, PreK-12



Adjusted FY27 ADM Projections by Grade

- Includes voluntary Pre-K and ECSE students
- Includes contract alternative program (CAP) school students
- Grade 12 includes Transition Plus students
- Data as of January 22, 2026

Projected Adjusted ADM for FY27



Pupil Units

- Includes voluntary Pre-K and ECSE students
- Includes contract alternative program (CAP) school students
- Data as of January 22, 2026

Pupil Units
ECSE, PreK-12



Schools Included for Enrollment, ADM, and Pupil Units

Elementary

Anishinabe Academy
Armatage Elementary
Bancroft Elementary
Barton Elementary
Bethune Elementary
Bryn Mawr Elementary
Burroughs Elementary
Cityview Elementary
Dowling Elementary
Ella Baker PreK-8
Emerson Elementary
Field Elementary
Folwell Elementary
Green Central Elementary
Hale Elementary
Hall Academy Elementary
Hiawatha Elementary
Hmong International Academy
Howe Elementary
Jenny Lind Elementary
Kenny Elementary
Kenwood Elementary

Lake Harriet Lower Elementary
Lake Harriet Upper Elementary
Lake Nokomis Keewaydin Elementary
Lake Nokomis Wenonah Elementary
Las Estrellas Elementary
Loring Elementary
Lucy Laney Elementary
Lyndale Elementary
Marcy Elementary
Nellie Stone Johnson Elementary
Northrop Elementary
Pillsbury Elementary
Pratt Elementary
Seward Elementary
Sullivan PreK-8
Waite Park Elementary
Webster Elementary
Whittier Elementary
Windom Elementary

Middle

Andersen Middle
Anthony Middle
Anwatin Middle
Franklin Middle
Justice Page Middle
Northeast Middle
Olson Middle
Sanford Middle

High

Camden High
Edison High
FAIR High
Heritage Academy High
Longfellow Alternative High
Mpls Academy and Career Center (MAAC)
North High
Roosevelt High
Roosevelt High SWS
South High
Southwest High
Southwest High SWS
Washburn High
Wellstone International High
Wellstone International High SWS

Other Schools and Programs

Early Childhood Special Ed
Preschool (High Five)
MPS Online K-5 & MPS Online 6-12
MPS Metro
Stadium View
River Bend Educational Center
Harrison Education Center
Transition Plus Services
Nonpublic Shared Time

Contract Alternative Programs

Center School
Loring-Nicollet High
Menlo Park Academy
MERC
Plymouth Youth Center
Ronald McDonald House
Takoda Prep
VOA High

Revenue Projections

Overview of Revenue Projection Modeling

- We utilize a variety of resources to help estimate projected revenue including:
 - Revenue and expense trends from prior years
 - Spreadsheets and school finance runs from the MN Department of Education
 - Data from the property tax levy limitation and certification report
 - Information from the “Minnesota School Finance: A Guide for Legislators” resource
 - Relevant statutes
 - A review by a third-party financial firm
- The appendix of this presentation includes a review of each primary funding source, the amount of projected revenue, and notes the methodology used to determine the projection

Primary General Fund Revenue Components

Alternative Compensation (Q-Comp)*

American Indian Education Aid*

Basic Education Formula

Capital Projects Referendum (Tech Levy)*

Compensatory*

English Learner (EL)*

Extended Time*

Federal Special Education Aid*

Federal Title Programs*

Funded Programs*

Gifted and Talented*

Grants*

Integration*

Library Funding*

Literacy Aid*

Miscellaneous*

Nonpublic Student Transportation Aid*

Operating Capital*

Other General Levy*

Operating Referendum*

Pension Adjustment*

State Special Education Revenue*

Student Support Personnel Aid*

*** Funding source has use restrictions/limitations**

Projected General Fund Revenue Rollup

Alt. Compensation (Q-Comp) \$7,222,351	English Learner (EL) \$17,860,489	Gifted and Talented \$368,490	Miscellaneous \$13,535,457	Pension Adjustment \$8,504,844
American Indian Education Aid \$874,000	Extended Time \$5,817,005	Grants \$10,492,000	Nonpublic Student Transportation Aid \$1,679,770	State Special Education Revenue \$117,160,951
Basic Education Formula \$248,562,997	Federal Special Education Aid \$9,429,853	Integration \$13,112,384	Operating Capital \$6,693,503	Student Support Personnel Aid \$972,188
Capital Projects Referendum \$36,344,810	Federal Title Programs \$28,226,227	Library Funding \$332,258	Other General Levy \$54,139,980	
Compensatory \$56,757,571	Funded Programs \$10,000,000	Literacy Aid \$1,321,332	Operating Referendum \$69,362,611	

Total Current General Fund 1 Projected Revenue (as of 1/22/26): **\$718,771,071**

Expense Projections

Overview of Expense Projection Model

- To project expenses, we use a status quo model and initially assume that we will do things as they are done in the current year, adjusting only for:
 - Anticipated student enrollment (including changes to projected school budgets)
 - Any known material changes in law, policy, or collective bargaining agreements (i.e., class sizes, MN Paid Leave contributions)
 - Contractual salary increases (estimated for expired contracts)
- For non-salary items (supplies, contracts, conferences, etc.), an inflation factor increase of 3% is applied
- MPS separates budgets into two categories: schools and departments

School Allocations

All students generate **base funding**.



Additional funds may be generated based on **student need**.

Qualify for **Special Education**

Are identified as **English Learners**

Receive **Education Benefits**
(e.g., Title I, Compensatory Education)

Attend a **Racially Isolated School**
(Achievement & Integration funding)

Note: These funds follow the students who generate them and are often regulated by state and/or federal guidelines. Together, they form the basis of the **district's school allocations**.

School Budgets

School budgets are determined using formulas driven by a combination of factors including student enrollment and to set core staffing levels based on school size

Funding for the following items are included in the current year school budget allocations:

- Classrooms teachers and specialist time (0.2 FTE per 1.0 classroom teacher)
 - Includes all class size referendum funding, general funds, compensatory, and Title II
- Principals, assistant principals, school secretaries, office assistants, security monitors, health services assistants, transportation coordinators, supplies, discretionary funding, athletic directors, social workers, counselors, Title I literacy and math intervention staff, staffing to support English Language learners, instructional staff to support students receiving Special Education services, PreK, advanced academics, 5th grade instrumental music teachers, and International Baccalaureate funding

Additionally, many schools receive the following funding types that can be used within established parameters and allowable uses:

- Title I, Part A (including family engagement set-aside)
- Compensatory revenue
- Achievement and integration revenue

School Expenses in Department Budgets

- Many school-based expenditures are actually budgeted in department allocations
- Therefore, a school allocation alone does not accurately reflect the resources spent in the school

School-Based Activities Funded in Departments

- School nurses, school psychologists, occupational therapists, physical therapists, speech language pathologists, adaptive physical education staff, deaf/hard of hearing support staff
- Custodians
- Curriculum and materials
- Food Service
- Transportation
- AVID tutors
- Athletics (other than high school athletic director salaries)
- Student technology & online learning subscriptions

Department Expenses

- For the FY27 budget, department expenses will be reported by the following categories for transparency and clarity:
 - Student Support, School Support, Central Operations, or Capital

Central Office Services and Functions

- Academic content experts and instructional supports
- School Board
- Human resources, operations, finance, information technology, and communications staff
- Utilities and insurance
- Superintendent and district leadership
- School and student support services, research, evaluation & assessment staff
- Equity, engagement, and other school support staff
- Legal services
- Maintenance

Departments are Organized by Division

- Academics
- Finance
- Human Resources
- Office of the Deputy Superintendent
- Office of the General Counsel
- Office of the Superintendent
- Operations
- School Board

Salary and Benefits

- The largest share of our expenditures are in salary and benefits
- Department-based positions and school principals are budgeted on actual salaries
- School-based positions are budgeted using an average salary method within each job classification:
 - For example, teachers working the standard 191-day school year are grouped into one classification, except for Teachers on Special Assignment (TOSA) and District Program Facilitators (DPF), which are considered promotional teacher positions and thereby tend to have a higher average salary
 - Related service providers, such as counselors and library media specialists, who work beyond the standard 191 days, are classified separately due to their higher average salary, which reflects their additional duty days
 - A percentage of the salary is included to the position cost to cover the district's obligations for benefits including taxes, pension contributions and health insurance (detailed on next slide)

Fringe/Benefit Rate

The expenses listed below are accounted for in what is referred to as the “fringe or benefits” rate, which is budgeted for as a percentage of salary:

- Payments for accrued benefits with cash value (like vacation) that are paid when employees leave MPS
- F.I.C.A. and Medicare
- Contributions to pension funds like PERA, MERF, and TRA
- Health, dental, and life insurance
- Worker’s compensation
- Unemployment insurance
- MN Paid Leave (new)
- Other employee benefits (i.e., on-call stipends)
- Benefits owed to retirees by MPS

FY27 Fringe/Benefit Rates	
School and dept. staff	37.7%
Trades	72.67%
Districtwide	38.55%

Acronyms used: F.I.C.A. (Federal Insurance Contributions Act), PERA (Public Employees Retirement Association), MERF (Minneapolis Employees Retirement Fund), and TRA (Teachers Retirement Association)

FY27 Average Salaries for Select School-Based Positions

Position	Weeks	Salary	Fringe	Total
Counselor	46	\$98,869	\$37,273	\$136,142
Library Media Specialist	43	\$93,699	\$35,324	\$129,023
School Nurse	43	\$92,344	\$34,814	\$127,157
Social Worker	42	\$91,992	\$34,681	\$126,674
Teacher	42	\$89,878	\$33,884	\$123,762
School Secretary	45	\$54,764	\$20,646	\$75,410
Associate Educator (ESP)	41	\$50,631	\$19,518	\$70,149
Special Education Assistant (ESP)				
School Success Program Assistant (ESP)				

Initial School and Department General Fund Expense Projections

School Allocations

Level	Amount
Elementary and K-8	\$217,143,438
Middle	\$57,207,037
High	\$90,672,863
Special and Alternative Sites	\$33,841,248
CTE and ECSE	\$15,876,457
Total	\$414,728,327

Department Allocations

Division	Amount
Academics	\$62,284,426
Finance	\$7,692,421
Human Resources	\$24,903,661
Office of the Deputy Superintendent	\$81,884,137
Office of the General Counsel	\$1,582,818
Office of the Superintendent	\$6,427,594
Operations	\$169,122,968
School Board	\$629,226
Total	\$354,518,189

Updated Operating Budget Gap

Budget Gap Explanation Reminder

The difference between
Projected **REVENUE** and projected **EXPENDITURES**
= **estimated shortfall or gap**

State aid	Local property tax funding	Federal funding	Grants and other funding
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Salaries and benefits	Academic programs and student supports	Operational services	Funding use restrictions
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Current General Fund 1 FY27 Projected Gap

As of 1/22/2026	
Projected Revenue	\$718,771,071
Projected School Allocations	\$414,728,327
Projected Department Allocations	\$354,518,189
Projected Expense Sub-Total	\$769,246,516
Difference/Projected Budget Fund 1 Gap	\$ (50,475,444)

Variance from Draft 5-year Projection

- The draft 5-year projection shared over the past few months noted a projected budget gap for FY27 of about \$30 million
- The current projected gap is different than that figure due to:
 - Increased fringe rate to cover all benefit expense obligations
 - Addition of extended time (was not included in projection model)
 - Other revenue calculation adjustments
 - Recent bargaining group contract settlements
 - Reclassify some expenses from bond proceed revenue to Fund 1
 - Adjustment needed for reserve teacher budget

Potential Future Changes

- As noted, figures in this presentation are based on current assumptions using the best information available at this time
- It is likely that the projected budget gap may change in the coming weeks and months due to any of the following:
 - Changes in revenue projections (+ or -)
 - Changes enrollment projections following the school lottery close (+ or -)
 - Notification of funding source changes (+ or -)
 - Receipt of new grants (+ or -)

Opportunities and Potential Challenges

Opportunities

- **More students enrolled than projected would bring additional revenue:**
 - We are taking steps to promote our schools and vision as part of our work to increase enrollment
 - Please help spread the word: ExploreMPS.org is a great resource to learn about our schools and get enrolled
- **To further increase our commitment to transparency:**
 - We will have a new budget website later this spring that will include overall fiscal information and the ability to look at the budget for every school and department
- **Not every non-salary item will increase by 3%, so there is likely some overestimation of expenses**

Challenges and Risks

- Fewer students enrolled than projected would necessitate offsetting reductions in the fall once numbers are known
- There is uncertainty about what might happen with federal education funding
- The state budget situation, in particular the planned reduction of \$250 million of Special Education funding in the next biennium, is a significant concern
- Some employee contracts not yet settled; anything above what is budgeted would increase the projected gap
- Longer range, our expense growth trajectory is expected to substantially outpace our revenue
- Though the focus of this presentation is on General Fund 1, both Fund 2 (Food Service) and Fund 4 (Community Education) will have their own budget gaps to resolve
- If current year expenses exceed revenue, budget adjustments must be made and/or fund balance must be used
- Impact of inflation or other negative macroeconomic factors

Approach to a Balanced FY27 Budget

Our Approach to Develop a Recommended Budget

Key Guiding Principles:

Alignment	Incorporate School Board priorities and values
Impact	Minimize direct impact on students to the extent possible
Core	Focus on core operations and functions
Requirements	Consider what is required versus what is optional, even if highly valued
Contracts	Implement new contracts with the Minneapolis Federation of Educators (MFE) and other bargaining groups
Strategy	Use vision, mission, commitment, values, and strategic plan as roadmap
Transition	FY27 budget is a bridge year to transformation

School Board Budget Values and Priorities



See the resolution:
bit.ly/mpspriorities27

1. Increase student academic achievement, through a foundation of small class sizes, an articulated Multi-Tiered System of Support (MTSS), and investments that accelerate learning in all core required subjects with a priority on literacy and math
2. Ensure access to a range of opportunities for multilingual learning including dual language and heritage language programs and services for students learning English
3. Provide access to a holistic educational experience by providing a range of programmatic and extracurricular offerings beyond required coursework
4. Prioritize culturally responsive engagement and language access services and supports especially for Indigenous, Black, and Brown students
5. Sustain recent gains and accelerate further student enrollment growth by continued enrollment management and marketing strategies
6. Improve graduation rates, especially for students of color, students experiencing homelessness, and students receiving Special Education services, by the use of targeted and evidence-based strategies
7. Partner with government and community entities to provide non-academic support services for students
8. Maintain a viable unassigned fund balance level to ensure a sufficient cash flow contingency and to minimize impacts to property taxpayers

Recommending a Balanced Budget

- A balanced budget must be approved
- We cannot take action to increase revenue, so this will happen by:
 - Expense reduction
 - Strategic one-time use of assigned fund balance, if available
- To be ready to respond to uncertainty, especially for potential changes in student enrollment and federal funding, maintaining a sufficient unassigned fund balance is critical
- Budget amendments can be made by the Board after the adopted budget in June, as needed

Next steps

Next Steps

- Developing expense reduction recommendations for both department and school allocations
- Funding source and expense matching to ensure balance, compliance, and allowability
- Completion of fiscal year 2025 external audit
- Conduct an analysis of the fund balance to determine available and spendable assigned or restricted funds
- Conduct research on the Other Post Employment Benefits (OPEB) irrevocable trust to learn if any planned expenses are allowable to be paid from the trust

Stay Connected and Updated



bit.ly/mpsbudget2627

- Visit our FY27 budget webpage
- Read our newsletters: Family Update, MPS Insider and our Community Newsletter
- Attend Board Finance Committee meetings
- For questions about school allocations, reach out to the principal
- Email answers@mpls.k12.mn.us

Questions and Discussion

Appendix

Funding Source Review

Alternative Compensation (Q-Comp)

FY27 Projected Amount:
\$7,222,351

Funding Source Type:
State aid and property tax levy

Projection Methodology

- Levy portion is set on the payable 2026 levy limitation and certification report
- State aid portion is formula driven

Notes

- Funds can only be spent in accordance with a plan developed and agreed upon by the district and MFE and that is approved by the MDE commissioner
- See MN Stat. § 122A.414 for more information

Funding Source Review

American Indian Education Aid

FY27 Projected Amount:
\$874,000

Funding Source Type:
State aid

Projection Methodology

- Equals the greater of: (1) the sum of \$40,000 plus the product of \$500 times the difference between the number of American Indian students enrolled on October 1 of the previous school year and 20; or (2) the 2015 grant amount
- Using the FY26 aid for projection

Notes

- Available to districts operating an American Indian education program and serving more than 20 American Indian students
- See MN Stat. § 124D.81 for more information

Funding Source Review

Basic Education Formula

FY27 Projected Amount:
\$248,562,997

Funding Source Type:
State aid

Projection Methodology

- Using \$7,683 for the allowance amount
- This allowance gets multiplied by the projected adjusted pupil units to determine the estimated revenue

Notes

- Primary base education funding source
- Recently, an annual automatic inflation factor was added
- Most flexible funding source
- See MN Stat. § 126C.10, Subd. 2 for more information

Funding Source Review

Capital Projects Referendum (Tech Levy)

FY27 Projected Amount:
\$36,344,810

Funding Source Type:
Property tax levy

Projection Methodology

- Authorized by voters at a set rate of the adjusted net tax capacity
- Amount is set in the payable 2026 levy limitation and certification report

Notes

- Can only be used “for the purchase, installation, and maintenance of technology systems, technology equipment, technology infrastructure and security, and technology support staffing”

Funding Source Review

Compensatory

FY27 Projected Amount:
\$56,757,571

Funding Source Type:
State aid

Projection Methodology

- Revenue is determined at a school site level and is based on the number of students qualifying for educational benefits (free and reduced meals)
- A concentration factor is used to determine specific amount
- Is a part of the “basic skills revenue”

Notes

- Funds support students in accordance with MN Stat. § 126C.15
- Allowable uses include adding staff to reduce ratios and student support staff
- For FY27, at least 60% of funds must be allocated to the school sites that generated them

Funding Source Review

Extended Time

FY27 Projected Amount:
\$5,817,005

Funding Source Type:
State aid

Projection Methodology

- \$5,117 times the district's extended time adjusted pupil units

Notes

- For afterschool and summer school programs
- See MN Stat. § 126C.10, Subd. 2a for more information

Funding Source Review

English Learner (EL)

FY27 Projected Amount:
\$17,860,489

Funding Source Type:
State aid

Projection Methodology

- Includes an allowance per the district's EL Pupil Units, a concentration factor, and EL cross subsidy aid

Notes

- Part of the "basic skills revenue" program
- Funds must be used to support English Learner students
- The District spends more to provide services to EL students than the revenue we receive
- See MN Stat. § 124D.65 for more information

Funding Source Review

Federal Special Education Aid

FY27 Projected Amount:
\$9,429,853

Funding Source Type:
Federal aid

Projection Methodology

- Special Education federal aid is projected based on student enrollment (Dec. 1)
- Expended amount based on each federal aid

Notes

- Direct funding for ECSE Part C
- Direct funding for Special Education programming and student services

Funding Source Review

Federal Title Programs

FY27 Projected Amount:
\$28,226,227

Funding Source Type:
Federal aid

Projection Methodology

- 3-year average of initial allocation
- Includes Title I, II, III, IV, ID

Notes

- Must supplement and not supplant what would be required by or paid with other funds
- Activities and costs must be necessary and reasonable to achieve the distinct purpose of each Title fund

Funding Source Review

Funded Programs

FY27 Projected Amount:
\$10,000,000

Funding Source Type:
Various

Projection Methodology

- Revenue comes from various fees, donations, and reimbursements

Notes

- Not requiring reporting back to grantor
- Use treated as unrestricted budget
- Budget carries forward into following fiscal year

Funding Source Review

Gifted and Talented

FY27 Projected Amount:
\$368,490

Funding Source Type:
State aid

Projection Methodology

- \$13 per pupil unit for gifted and talented programming

Notes

- Must be used to:
 - identify gifted and talented students
 - provide education programs for identified
 - provide staff development to prepare teachers to teach identified students

Funding Source Review

Grants

FY27 Projected Amount:
\$10,492,000

Funding Source Type:
Grants (private, state, federal, local)

Projection Methodology

- The amount of grant funding is determined by the total of grants awarded
- Includes all private and local grants not reflected in another funding source

Notes

- Funding from grants must be used in accordance with the terms and conditions from the grantor
- Funding must be expended within the timeframe of the grant and within the awarded amount

Funding Source Review

Integration

FY27 Projected Amount:
\$13,112,384

Funding Source Type:
State aid and property tax levy

Projection Methodology

- Includes both state aid (70%) and levy (30%) components
- Revenue is calculated by a combination of an amount per adjusted pupil unit times a ratio of the district's students of color relative to the overall enrollment and a calculation involving the district's 2013 revenue amount

Notes

- Also referred to as Achievement and Integration
- Each district must have an approved plan that dictates allowable expenses in alignment with statute
- See MN Stat. § 124D.861 for more information

Funding Source Review

Library Funding

FY27 Projected Amount:
\$332,258

Funding Source Type:
State aid

Projection Methodology

- School library aid for a district equals the greater of \$10.27 times the district's adjusted pupil units

Notes

- Uses are restricted to:
 - the salaries and benefits of a school library media specialist;
 - electronic and material resources; or
 - furniture, equipment, or supplies.
- See MN Stat. § 124D.992 for more information

Funding Source Review

Literacy Aid

FY27 Projected Amount:
\$1,321,332

Funding Source Type:
State aid

Projection Methodology

- Amount of literacy aid revenue is determined by a combination of growth and proficiency as measured by 3rd and 4th grade student score on the Minnesota Comprehensive Assessment (MCA)
- Using FY26 amount for projection

Notes

- Funds must use its literacy aid consistent with the goals of the district's local literacy plan
- See MN Stat. § 124D.98 for more information

Funding Source Review

Miscellaneous

FY27 Projected Amount:
\$13,535,457

Funding Source Type:
Various

Projection Methodology

- Amount is determined by the specific sources

Notes

- Includes revenue not otherwise reflected in another funding source, including:
 - Federal E-Rate funding
 - Earnings from investments
 - Third-party billing
 - School trust land endowment
 - Summer unemployment aid

Funding Source Review

Nonpublic Student Transportation Aid

FY27 Projected Amount:
\$1,679,770

Funding Source Type:
State aid

Projection Methodology

- Using FY26 amount for projection

Notes

- Nonpublic schools can either have the district provide transportation or receive their share of the funding to arrange their own transportation services

Funding Source Review

Operating Capital

FY27 Projected Amount:
\$6,693,503

Funding Source Type:
Property tax levy

Projection Methodology

- Amounts are set in the Payable 2026 levy limitation and certification report

Notes

- Use is limited to eligible equipment, facilities, and supplies needs
- Includes access to menstrual products and stocking opiate antagonists
- See MN Stat. § 126C.10, Subd. 14 for more information

Funding Source Review

Other General Levy

FY27 Projected Amount:
\$54,139,980

Funding Source Type:
Property tax levy

Projection Methodology

- Amounts are set in the Payable 2026 levy limitation and certification report

Notes

- Includes all other general levy components not included in another funding source (i.e., local optional revenue, lease, safe schools, pension, transition, equity, CTE, LTFM, abatement, and any levy adjustments)

Funding Source Review

Operating Referendum

FY27 Projected Amount:
\$69,362,611

Funding Source Type:
Property tax levy

Projection Methodology

- Voter-approved
- Authorized at a per pupil amount and includes an inflation factor
- \$2,447.05 per pupil unit
- Amount is set in the Payable 2026 levy limitation and certification report

Notes

- Must be used to fund classroom teachers or student support services (per ballot question language)
- The per pupil amount is capped by the state and MPS is at the cap

Funding Source Review

Pension Adjustment

FY27 Projected Amount:
\$8,504,844

Funding Source Type:
State aid

Projection Methodology

- Revenue is determined by:
 - a fixed amount based on past contribution rate changes; and
 - an amount equal to the TRA employer contribution rate increases approved by the Legislature

Notes

- Offsets district's contributions for the he Public Employee Retirement Association (PERA) and Teacher Retirement Association (TRA) pension funds
- See MN Stat. § 126C.10, Subd. 37 for more information

Funding Source Review

State Special Education Revenue

FY27 Projected Amount:
\$117,160,951

Funding Source Type:
State aid

Projection Methodology

- Revenue is determined by funding for special education positions, supplies, materials, and contracted services
- Includes initial aid, excess cost aid, and cross subsidy aid and incorporates tuition adjustments

Notes

- State aid provides reimbursement of salaries, materials, supplies and contracted services for special education programming
- Special Education is funded at a percentage of the above allowable costs.

Funding Source Review

Student Support Personnel Aid

FY27 Projected Amount:
\$972,188

Funding Source Type:
State aid

Projection Methodology

- The allowance for FY27 is \$30.05 per adjusted pupil unit

Notes

- Limited uses for positions like school counselor, school psychologist, school social worker, school nurse, or chemical dependency counselor
- See MN Stat. § 124D.901 for more information