

Minneapolis Public Schools: Budget Basics 101

Explaining the money flow for Minneapolis Public Schools (MPS) is complex and somewhat daunting. Fortunately, the District presents comprehensive data in a clear and transparent manner so those who want to understand the issues in greater depth can find a great deal of information on the MPS website, from the highest level to the budgets of individual schools.

Sources of Revenue

Like all school districts in the state of Minnesota, MPS receives revenue from four major sources: state government, federal government, local taxes, and philanthropic sources.

The State of Minnesota funds all schools with a general per pupil allocation (currently \$6,300 per student annually). This allocation pays for everything from classroom teachers to secretaries and supplies. The state also provides additional categorical aid based on student characteristics, such as English Language Learners, students receiving free and reduced lunch, or those receiving special education services.

The Federal Government sends its money through the states who then pass it on to the districts. Their funds support two major programs—services for low-income Title I students (ESSA) and funds for students with disabilities (IDEA).

There are also competitive federal grants for specific initiatives.

Local sources of revenue are generated mainly from property taxes, both levies and voter-approved referendum collars. The school district also earns income through rents, fee-for-services and the like.

In addition, MPS has benefitted from the generous philanthropic support of local and national foundations. This money is dedicated to specific strategies and programs.

Expenditures

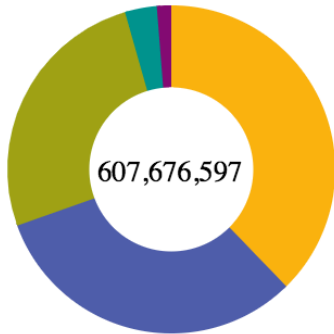
The current operating budget for Minneapolis Public Schools is **\$607,676,597**. This excludes capital expenditures, community education and nutrition services.

As is the case with most organizations, a majority of the budget (nearly 80%) goes to cover salaries and benefits of its 6,500 employees in all categories.

Minneapolis Public Schools Budget

Fiscal year: 2018
Last updated: March 5, 2018

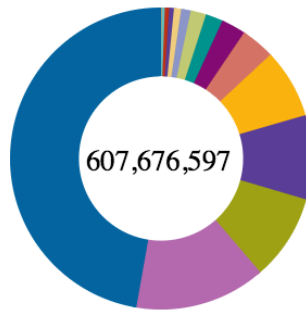
Departments



Department Categories

- Elementary Schools
- Non-School
- Middle and High Schools
- Special Sites
- Alternative and Non-Public Schools

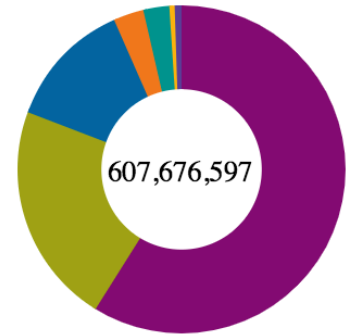
Revenue



Fund Name

- Referendum Ext Fund
- Federal Pass Through
- Referendum Fund
- Compensatory Ed Fund
- Special Ed Fund
- General Fund

Expense Types



Expense Types

- Salary
- Benefits
- Contracted Services
- Supplies
- Extended Time
- Equipment

Budget Details

The table below shows MPS budgeted expenses broken down by functional area. Use the drop-down menus on the left to filter data by department category, individual department/school, revenue source, or expense type.

Department Category

All Departments and Scho... ▼

Department or School

All Departments and Scho... ▼

Revenue Source

(All) ▼

Expense Type

(All) ▼

Budget by Functional Area

All expenses for All Departments and Schools (All Departments and Schools) funded by None.

Elementary and Secondary Regular Instruction	282,815,784
Special Education Instruction	120,654,382
Pupil Support Services	69,189,153
Instructional Support Services	46,443,753
Sites and Buildings	33,966,835
District Support Services	26,221,951
Administration	15,719,808
Fiscal and Other Fixed-Cost Programs	8,596,810
Vocational Education Instruction	4,068,121
Community Education and Services	
Grand Total	607,676,597

Credit: MPS Finance

Budget Challenges

1. Inadequate State Funding:

Though we like to think of ourselves as a state that invests generously in quality public schools, the facts belie that notion.

Compared to other states, Minnesota is not a national leader in investment in public education.

Even after combining the general fund allocation and the categorical aid, Minnesota stands firmly in the middle of all states. This means that Minnesota public schools continue to fight for dollars at the legislature. Items that are frequently under threat through legislative action include funding for English Language Learners, compensatory funds for children receiving free and reduced lunch, Integration and Achievement aid that enables districts to further those goals, and any area where Minneapolis and Saint Paul receive the lion's share of the revenue.

2. Inadequate Special Education Resources:

The federal and state government appropriately mandate that students with disabilities have a right to a quality education that meets their specific needs.

Unfortunately, that mandate to provide services has never been matched with the necessary, or even promised, resources to meet that goal.

The initial legislation for children with disabilities called for the federal government to meet 40% of need, but in 48 years the federal government has barely funded special education services at more than 20%. The state is supposed to supplement what the federal government does not provide, but Minnesota too has failed to adequately resource its own special education mandate. As a result, school districts pay for special education services from their general fund. This is known as the **special education cross** subsidy and it has enormous budget implications for local districts.

3. Loss of Market Share:

School choice is a strong and fundamental right in Minnesota. Many families living in Minneapolis (up to 30%) choose to go to schools other than MPS. That includes public charter schools, suburban public schools, private and parochial schools.

It is important to honor the choices families are making, while at the same time understand the impact of lost revenue for each child who does not attend MPS.

Because MPS is a large "legacy" district with the facilities and infrastructure to support 50,000 students, it lacks the flexibility to adjust quickly to population fluctuations. Add to that the political pressure to not downsize, close schools or adjust boundaries, and one can see the implications for MPS.

Fundamentally, however, attracting more students from the city to enroll in MPS is critical to its health and future success. Families concerned

with declining enrollment have suggested that the district needs to communicate better with them, improve its schools to attract more families, and find out why so many students either leave or do not start with the district in the first place.

4. Rising Contract Costs for Teachers and Principals:

This is a complicated issue because salaries and benefits represent so much of the cost of public education and these costs continue to rise.

It is true that if we want to attract and retain the best and the brightest in the field, salaries must be a major issue.

Teachers deserve to be adequately compensated; they are highly trained professionals who in many cases have dedicated their lives to their students. Still, some people question the structure that determines teacher compensation in MPS. The “steps and lanes” formula of the teacher contract rewards years of service and educational attainment, yet it does not consider student outcomes as a measure for greater compensation. This is an area where legitimate differences of opinion are at play and great sums of money are affected.

Similarly, negotiated compensation packages in the principal contract place little to no emphasis on student outcomes as a measure of performance, yet are strong cost drivers for MPS.

5. Weak Fiscal Oversight:

For the past seven years the district has been running a deficit, borrowing against reserves and failing to get its structural challenges under control. When reserves were high in the past, the tendency to dip into them did not set off alarm

bells. But in recent years the problem has grown quite serious. Responsibility for this situation rests both with the administration and with the oversight function of the school board. Policy dictates that MPS maintain at 8 - 13% of its budget in reserve. In recent years that reserve floor has been ignored and the district is dangerously below 8%. The current administration is committed to moving back to 8% in reserves, but doing so will require significant budget discipline.

6. Competing Priorities:

In a district as large and diverse as MPS, there will always be competing budget priorities. Often, though not always, this means the most organized groups with the most political capital manage to move the budget in their favor. This tendency can work against educational equity, geographical fairness, and prudent management of scarce dollars.

School boards must have confidence in the financial information and expertise of the senior administration, work closely with them to develop budget priorities, and then stand firm in the face of public pressure.

Currently MPS needs strict budget discipline to be on a path to financial health.

A Note on Misconceptions:

There are frequent misconceptions about the MPS budget across the schools, with one area of the city claiming that another area is receiving more than their fair share of the resources. This cuts in several directions. While it is not possible in the scope of this issue brief to discuss these misconceptions in detail, we urge you to look up the specific information on the MPS website and to resist the temptation to believe all that you hear.