MPS NEEDS INVESTMENT, NOT MANAGED DECLINE

While district leaders forecast doom and call for more cost-cutting, MPS' finances show there is room for investing in students and instruction.

INTRODUCTION

INVESTING IN OUR PUBLIC SCHOOLS INSTEAD OF MANAGING DECLINE

Minneapolis Public Schools (MPS) is facing challenges as a school district: declining enrollment, high needs of students after three years in a global pandemic, increased cost of living for the families and workers in the district, and growing charter schools that drain public school funds. Facing these challenges, MPS leaders have a choice: short-term cost-cutting at the school level for short-term savings, or long-term investment in Minneapolis Public Schools and students for long-term sustainability.

The first option is what we refer to as managed decline in this report: accepting that things will get worse, that budgets and enrollment will inevitably shrink, and that stakeholders including educators and families must accept a continually shrinking pie of funding, resources and support.

In 2018 MPS unveiled the Comprehensive District Design (CDD) despite concerns that it would disrupt families and communities by shuffling thousands of families and educators to new schools. These concerns were borne out: as MPS predicted at the time, overall student enrollment has gone down. This decline in enrollment has been coupled with non-competitive compensation for both licensed and non-licensed educators. When licensed staff compensation lags surrounding districts, educators leave. When paraprofessionals can't afford to pay for housing in Minneapolis, they take on multiple jobs and sometimes leave for jobs that pay more and provide more hours.

Turning MPS into a district that families flock to, that students and educators love, and that our whole community feels confident in, is a serious and long-term project.

MFT educators are part of a broader movement demanding greater investment in MPS, and investment where students need it most: in staff, and in well-resourced schools that will attract Minneapolis families. Recruiting and retaining experienced educators, including educators of color, requires raising pay. This, in turn, supports the reversal of the enrollment decline by attracting families to public schools that feature low educator turnover, safe staffing and high morale.

Students and educators do incredible things in MPS classrooms every day, and they need more support, not less. Yet MPS leaders paint a bleak picture for the future of our beloved public school district. Over the past five years, they have used worst-case-scenario funding and enrollment numbers in their budgets, regularly forecasting deficits. In its most recent disclosures, MPS predicts fiscal insolvency by 2026. Yet, for four out of the last five years, MPS has reported end-of-year surpluses.

Budgets are moral documents. While district leaders talk about budget shortfalls, MPS administration has not experienced the "cost-saving" pain that school staff are seeing at the building level. In fact, a look at MPS finances shows overspending on administration compared to peer school districts, and spending priorities that favor growing administration over instruction.

In 2022, MFT educators were able to win pay increases of $4 per hour more for many ESP and the biggest raise for teachers in 20 years. They also won class size protections, and mental health staff in every building, and job protections for educators of color. But to win these improvements, they had to strike for 14 days.

MPS must change course to provide current students the resources, staff, and support they need, and to invest in the schools that will attract Minneapolis families in the future. Closing schools and reducing staff will only make things worse and will likely make school-based cuts across the district permanent.

In the short-term, MPS can slow administrative and non-instructional spending to find savings that can be applied where funding is needed most: serving our students. By adjusting spending on a few key areas to align with its large district peers, MPS could save millions per year.

MPS has a choice to make, and the choice matters. Should MPS give in to managed decline in terms of enrollment and staff retention, or work to create a sustainable path toward a growing district? MPS reports enrollment has decreased 17% since 2017, with the district enrolling just 58% of eligible students according to its own numbers. Licensed staff have left the district at alarming rates—20% turnover in one year, compared to a regional average of 13% — due to the rising cost of living in Minneapolis and to compensation that lags surrounding districts. MFT exit surveys show that a significant number of educators are leaving for higher pay in other districts. Well over half of paraprofessionals work multiple jobs and 78% report that their MPS income isn't enough to cover their bills. Instability in enrollment and staffing has an immediate impact on students and it damages public confidence in MPS.

Bargaining a fair contract with MPS school employees is just one of many opportunities that district leaders will have in the next period to make the investments needed for our district to succeed. While pessimism about the school district abounds and is codified in artificially dire financial projections, MPS leaders can send a message to our district-wide community by investing in instruction and the most critical student supports.

The data in this report comes from examining five years of financial documents, including MPS budgets, monthly and annual financial reports, and Minnesota public school funding reports, including the Minnesota Department of Education's Annual PELSB STAR Reports.

This report compares MPS spending to other large metro school districts, referred to as peer districts, or compares to the average of peer districts; included are St. Paul, Anoka-Hennepin, Rosemount-Apple Valley-Eagan, and Osseo.

GLOSSARY

Educators: School staff who work with students including teachers, counselors, social workers, paraprofessionals and others.

Licensed Staff: School staff who require licensing, most of whom are classroom teachers, special education teachers, social workers, school nurses, speech language pathologists, and occupational therapists, and others. They are part of the teacher chapter of MFT. Some principals and administrators are also licensed.

ESP: Educational Support Professionals, staff that work with students and families in schools. Job titles include special education assistants, associate educators, childcare assistants, and others who provide direct support services to students and parents and are part of the ESP chapter of MFT.

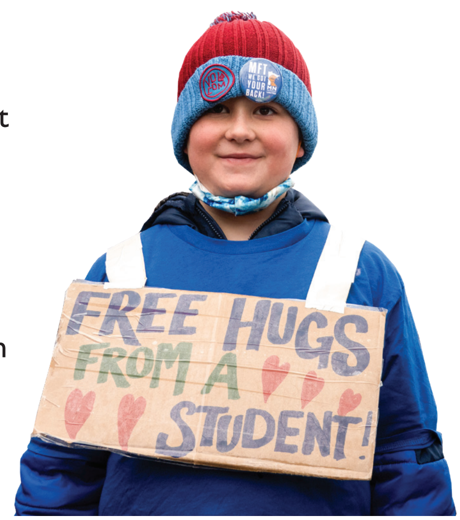
General Fund: the main operating fund for the school district.

Expenditure Types: The definitions below pertain to the classification of expenditures by purpose and type for financial reporting, which are discussed in this report. Financial reporting standards for the district are described by the Minnesota Department of Education Uniform Financial Accounting and Reporting Standards

Instruction: Costs for activities dealing directly with the teaching of pupils, classroom interaction between teachers and pupils, and co-curricular activities. Includes the activities of aides or assistants who assist in the educational process

District Support Services: Costs for activities related to administrative support, the fiscal operation and business management aspects of the school district, and with information technology system. Examples include human resources, government relations, research and evaluation, finance, budget operations, legal, data processing, IT management and IT operations.

Purchased Services: Costs of services contracted, purchased from a third party vendor or consultant, rather than carried out in-house. Examples include transportation contracts, utilities, professional services, and temporary staff.



SUMMARY OF FINDINGS

- Since 2018, MPS' financial projections have predicted annual deficits of millions in the general fund, and a declining general fund balance. And yet, actual year-end financial results included general fund surpluses and a growing general fund balance. Instead of the steep declines projected by MPS, the general fund balance has grown by $81 million since 2018, standing at $143 million at the start of this fiscal year.

- Since 2018, the district has cut spending on instruction and employee salaries and benefits. While the district reduced spending on instruction, it spent more on administration and district support services. While the district reduced spending on staff salaries and benefits, and purchased services. If the district bought its spending on these lower-priority uses in line with peer districts, MPS would save millions every year - that could be invested in competitive salaries for licensed staff and sustainable hourly wages. The district can change its spending practices to balance its budget and invest more where students need it most: in its educators.

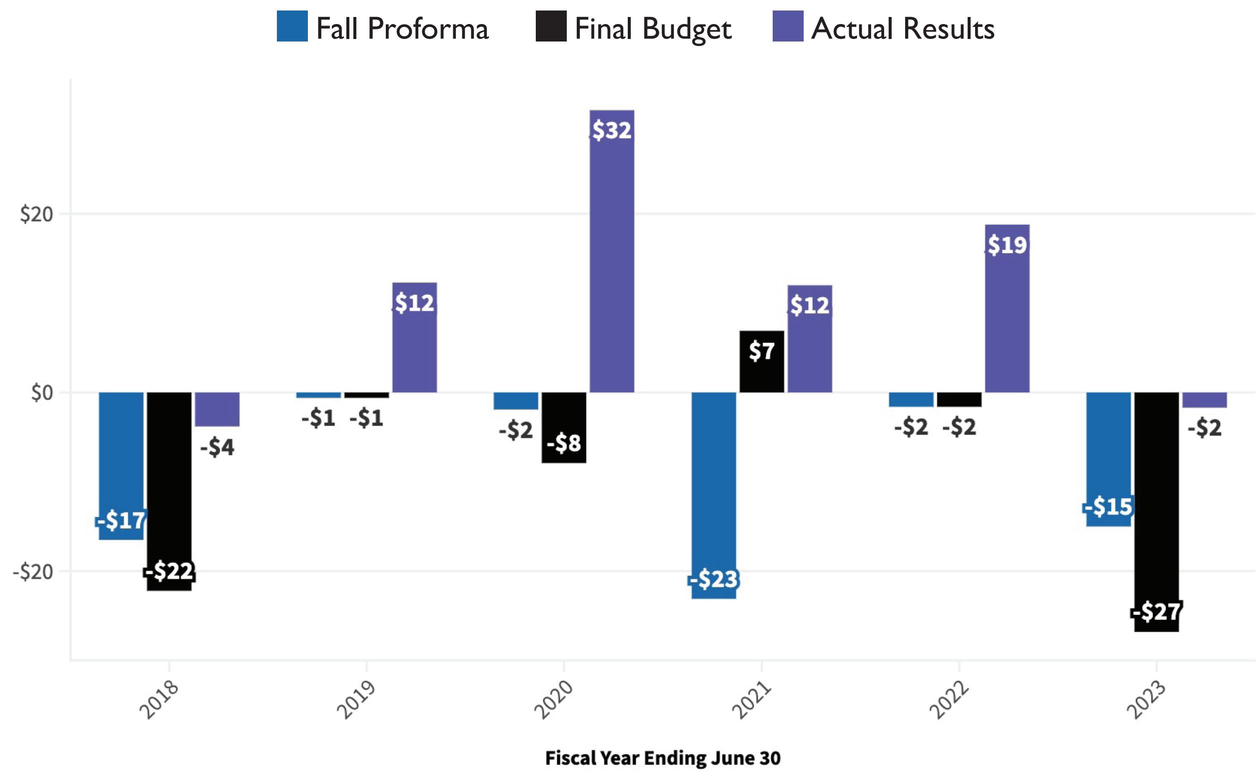
- Teacher pay in MPS is lower than in other metro districts, including St. Paul, and fails to meet the rising cost of living in the Twin Cities. Low pay leads to staff turnover and fewer people choosing to work in MPS. For ESPs, it makes it difficult to work a single job or afford housing in Minneapolis

- MPS leaders continue to accept and budget for declining enrollment as a foregone conclusion, and they float strategies like shuttering schools rather than addressing the root causes of enrollment decline.

Finding #1: Since 2018, MPS has projected general fund deficits and declining fund balances, only to post a surplus at the end of the year. Despite the constant projections of deficits and raising fears of impending insolvency, the general fund balance grew by $81 million between 2018 and 2023, a 129% increase, to $143 million at the start of this fiscal year.

CHANGE IN GENERAL FUND BALANCE

MINNEAPOLIS PUBLIC SCHOOLS, FY18-FY23 (IN MILLIONS)



Source: MPS ACFR 2019 to 2023; MPS Fall Proforma Projections 2017 to 2023

Even in 2023, when there was no surplus, the district's budget projected a $27 million general fund deficit, only to end the year with a deficit of $2 million. The district's unassigned general fund balance has exceeded the amounts required by the district's internal policy for each of the past four years (2020- 2023).[1]

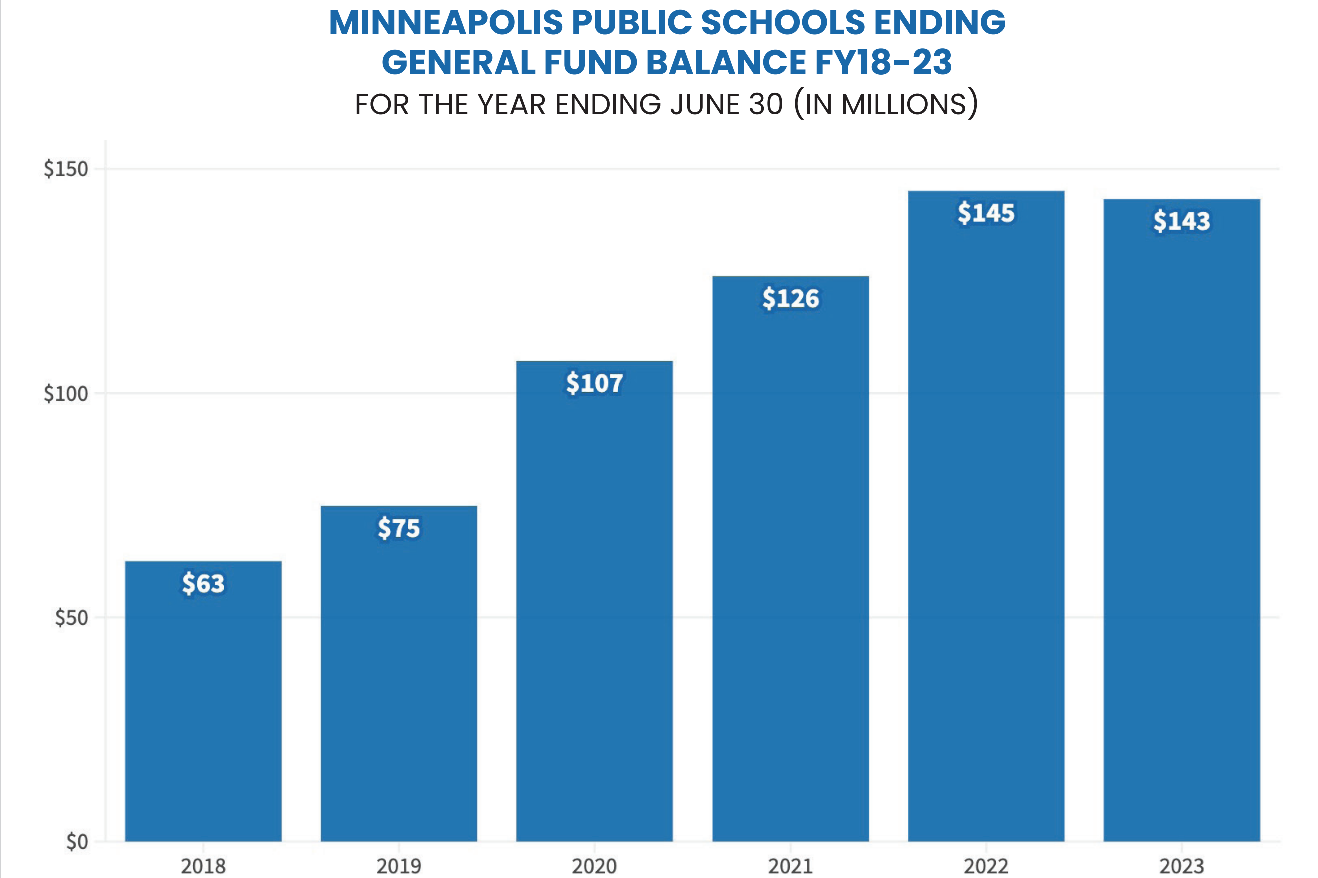
1. The District's internal policy is to maintain an unassigned ending fund general fund balance of 8% of the following year's expenditures. The balance was greater than 8% of the following year actual expenditures in 2020, 2021 and 2022 and the budgeted expenditures in 2024.

ROBERT ASPHOLM
MPS Parent

"MPS has increased spending on administration over the last half decade while also crying broke. Meanwhile, our educators are seriously underpaid compared to neighboring districts, as they are dealing with increased class sizes, the continued traumas of the pandemic, and the chaos MPS created by reorganizing the district. MPS administrators say they care about our kids and student achievement — if that's the case, they need to show us by properly investing in our children's educators."

In addition, MPS' five-year proforma financial projections have predicted the general fund balance would soon be completely depleted due to large deficits, forcing the district into debt to meet operating expenses. This financial crisis is always right around the corner- projected to occur in 2018, 2023, 2024, 2026 and 2027.

Despite the cycle of projections of deficits and concerns of insolvency, the end-fund balance continues to grow. At the beginning of this fiscal year, the total fund balances were $425 million and the general fund balance was $143 million.



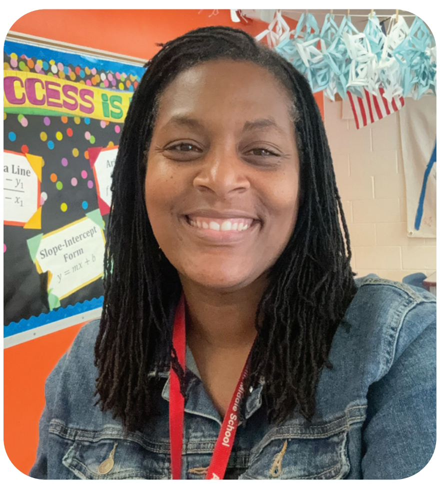
Source: MPS Annual Comprehensive Financial Reports, FY 2018 to FY 2023

Now district leaders are projecting catastrophe again. In the district's proforma financial projections released last month, district leaders predicted deficits of $121 million deficit in 2025 and $131 million in 2026, saying they expect "complete exhaustion of the general fund balance during the 2025-26 academic year, which would result in the district entering statutory operating debt by the end of that year." That's only two years away.

The district's proforma stressed the need to reduce expenditures to avoid this impending financial crisis. The memo explained that compared to its peer districts, MPS has more schools with fewer students in each, proposing the district could cut costs if MPS' footprint aligned with it's peers. By closing 24 schools and cutting 116 teachers and 24 other staff, the district estimated it would save $38 million. MPS regularly cries poverty when educators and families demand more for their schools and cuts investments in instruction and staff - yet it posts surpluses and invests millions more in administration.

Federal relief aid received during the height of COVID served as a lifeline for underfunded school districts across the U.S., with MPS receiving $265 million through the Elementary and Secondary School Emergency Relief Fund (ESSER). MPS blames its forecasted budget insolvency in part on the expiration of federal funds. However, its budgeting of these COVID funds lacks transparency and common sense in some cases, meaning the public can't see how much has been spent or on what

While COVID funds will expire, a new "historic school aid package," is arriving for districts across the state, including Minneapolis. MPS will receive $32 million in 2024 and $42 million in 2025 in new state education funds. The latest proforma financial projections reflect the ending of ESSER revenues in 2025. However, the district's projected expenditures increase by 4% at the same time, indicating that the district plans all ESSER funded expenditures to continue into future years. This is especially confusing since, in MFT's previous bargaining session and strike, MPS said it couldn't spend COVID money on recurring expenses such as the bargaining demands. MPS' confusing budgeting practices undermine the public's right to complete and accurate information regarding district finances.



TIFFANY DOHERTY
Middle School Teacher
MFT Teacher Chapter
Second Vice President

"As educators, we know the district is facing financial challenges, but the exaggerated financial projections make things worse: It undermines our district and I believe it contributes to our declining enrollment and the continued outflow of staff. It is not very enticing to consider working for a district that claims it's in financial ruin year after year.

I'm concerned about how many MPS teachers are going to other school districts because they can make more money. The district is losing its expertise; experienced teachers have a high impact on students' learning."

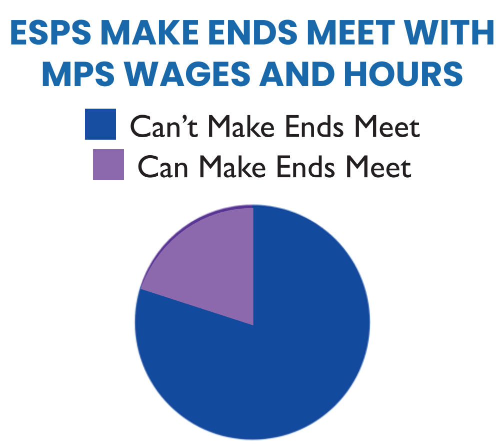
Finding #2: MPS can reprioritize funding towards educator pay to make sure it's competitive with other districts and keeps up with the rising cost of living in Minneapolis. Low pay contributes to staff turnover and short-staffing, which leads to increased workload and large class sizes where students get less individual attention.[3]

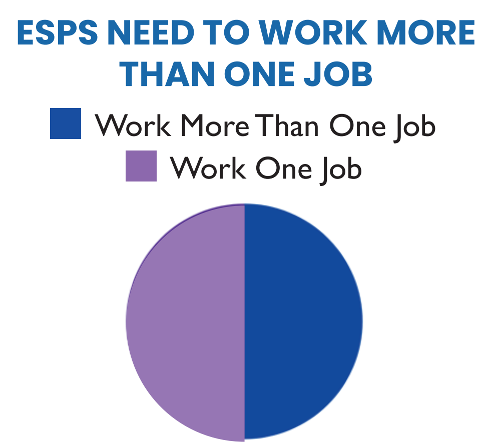
According to state data, MPS average teacher pay was the lowest among peer districts in 2022 and 2023.

For instance, the average MPS teacher salary in 2023 was $76,414, $11,000 lower than St. Paul, where the average teacher made $87,000.

YEAR	2021-2022	2022-2023
St. Paul Public School District	85,128	87,250
Rosemount-Apple Valley-Eagan	77,566	82,493
Anoka-Hennepin Public School District	73,864	78,503
Osseo Public School District	73,701	77,184
Minneapolis Public School District	73,006	76,414

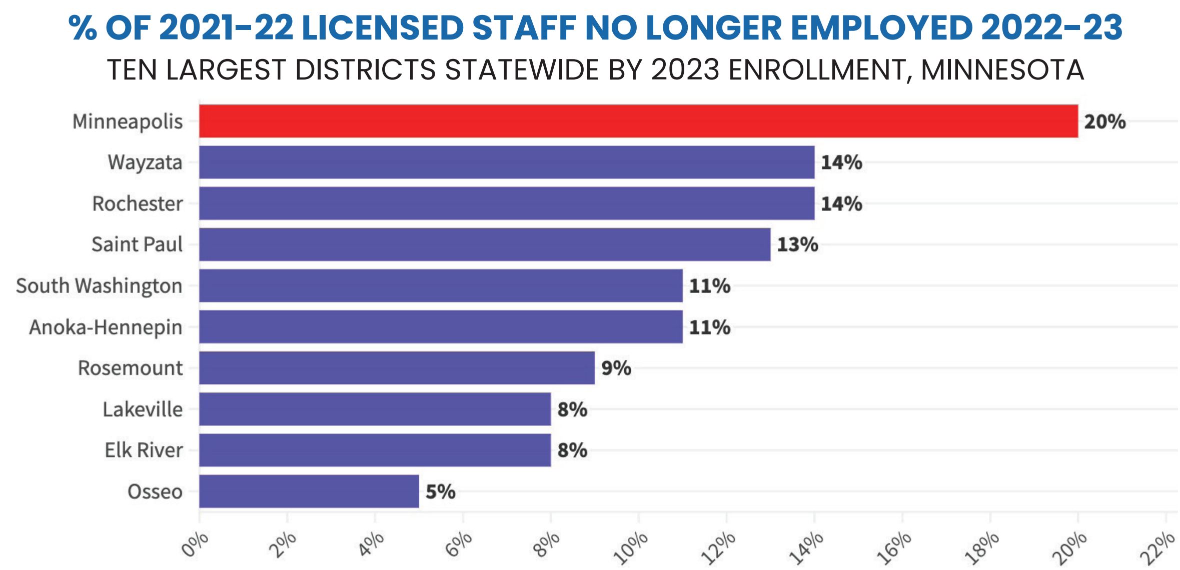
For ESP in particular, low pay means having to work more than one job, or not being able to afford to live in the Twin Cities. An MFT survey found half of ESPs work two or more jobs, and nearly 80% report that their income working at MPS isn't enough to cover their basic needs.





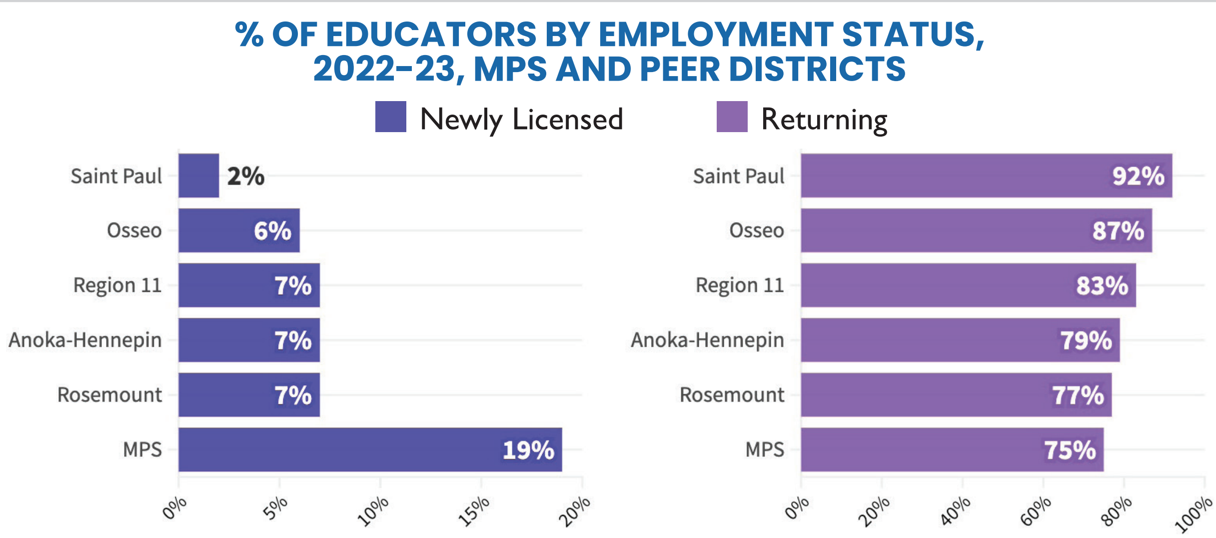
3. https://www.sciencedirect.com/science/article/abs/pii/S0047272713002119, https://time.com/6285516/good-jobs-good-business/

According to data published by the state, licensed staff turnover is higher in MPS than peer districts. 20% of licensed educators MPS employed in 2022 did not return to the district in 2023. In contrast, for the state's ten largest districts, the average percentage of licensed staff who didn't return was only 11%. A third of licensed staff that left MPS during this period left for another district.



Source: MN PELSB Data Reports, Staff Employment 21-22 and 22-23; MN MDE 2022-23 Enrollment Report

St. Paul only saw 13% leaving the district. Staff turnover means veteran staff are often replaced by new, inexperienced staff. One-third of MPS teachers have five or fewer years of experience. One in five licensed staff in MPS are new to the profession, which is three times the average of peer districts.



Source: MN PELSB Staff Data: Staff Employment 22-23

Not only does teacher turnover come with a cost to students, but it also carries financial consequences. The Learning Policy Institute estimates the cost of turnover on school districts, factoring in recruitment, hiring, and training new educators. Based on that formula, it costs $16 million to replace the 771 educators who left in 2022. Even looking at only the 206 educators who left to work in other districts, that's an estimated cost of $4.3 million in one year to hire and train new staff.[7]

A nine-month work year and part-time hours contribute to low annual salaries for many ESPs. Average salaries for some of the most-needed ESP jobs are below the income threshold for many public benefits programs, ranging from $20,000 to $46,000. The average MPS Special Education Assistant with one child has an income that would qualify them for Medicaid, food stamps, rental assistance, and subsidized child care.

Job	Average salary	MNSure Medical Assistance for Adults	MNSure Medical Assistance for Children	Snap	Rental Assistance
AVID Assistant	$20,941	✓	✓	✓	✓
Child Care Assistant	$22,664		✓	✓	✓
ESP Resident, Special Education	$32,143		✓	✓	✓
Special Education Assistant	$32,497		✓	✓	✓
Associate Educator	$33,869		✓	✓	✓
Family & Community Liaison (ESP)	$37,449		✓	✓	✓
Family Learning Child Care Worker	$39,838		✓	✓	✓
Associate Educator (Interventionist)	$41,038		✓		✓
School Success Program Assistant	$46,756		✓		✓

ESP average salary family of 2 or more would qualify for the following public benefits.

Educational Support Professionals are the glue that holds every school together. They are often the first ones to greet students in the morning and the last to say goodbye. However, over the past five years, MPS has added administrative and lower-priority professional positions at a higher rate than ESP positions and other jobs that work directly with students.

ESP turnover hurts some of MPS' most vulnerable students. More than half of MPS' ESPs have been working in their position for less than five years and over a quarter of MPS' ESPs have worked in their positions for less than one year. Low wages and limited hours create major economic challenges for ESPs. Over half of ESP jobs are part-time, working fewer than 35 hours per week. Almost all ESP positions work only during the school year and don't offer pay during the summer months.

7. Learning Policy Institute, The Cost of Teacher Turnover

KIM AMBERS
30+ Year ESP
ESP Chapter At Large Board Member

"All of our scholars deserve the support they need to be successful in every valuable learning environment they may encounter. ESP's make that happen! One ESP job should pay us enough to be our only obligation for our dedication, consistency and commitment for the stability for our students and ourselves!

We should be focused on the successes of our scholars and not the stresses and situations that poverty wages bring, along with our exhaustion from working 10 or more hours for many of us, working multiple jobs every day! MPS must invest in ESPs so we are able to invest 💯 mentally and physically into our scholars, who will be a very important part of everyone's future!"

The number of teachers reported in the district's Annual Financial Reports dropped by 242 between 2018 and 2023. Meanwhile, the number of administrators (including principals, licensed administrators and non-licensed/classified administrators) increased by 23%, adding 82 positions. **The estimated cost of the 2023 salaries for 82 administrators is $7.4 million.**

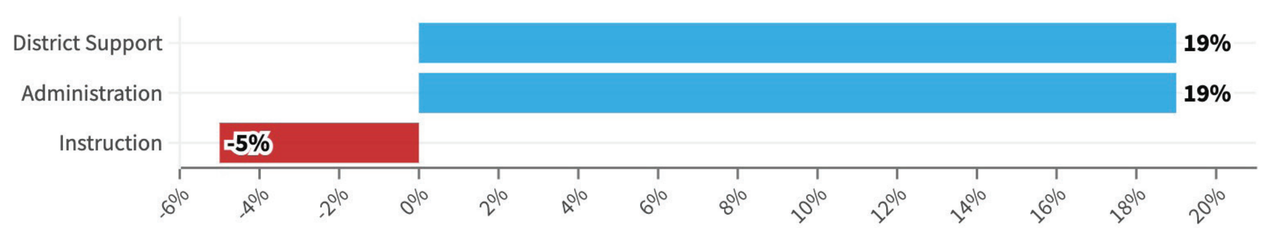
This is another example of the need for a fundamental shift in MPS spending priorities. Why is the district adding administrative positions while projecting financial crisis?

Finding #3: MPS can fund critical raises for educators by changing its spending priorities. Between 2018 and 2023, MPS cut spending on instruction by 5%, while increasing spending on administration and district support services by 19%.

MPS spends less of its overall operating expenditures on instruction than peer districts. In 2023, MPS invested 59% of operating expenditures on instruction, while peer districts invested 64%, on average. MPS would have spent $30 million more on instruction in 2023 if its spending was aligned with peers.

More of MPS' s operating costs went to district support services and transportation than peer districts. MPS would have spent $13 million less on district support services and $21 million less on pupil transportation in 2023 if its spending was aligned with peers.

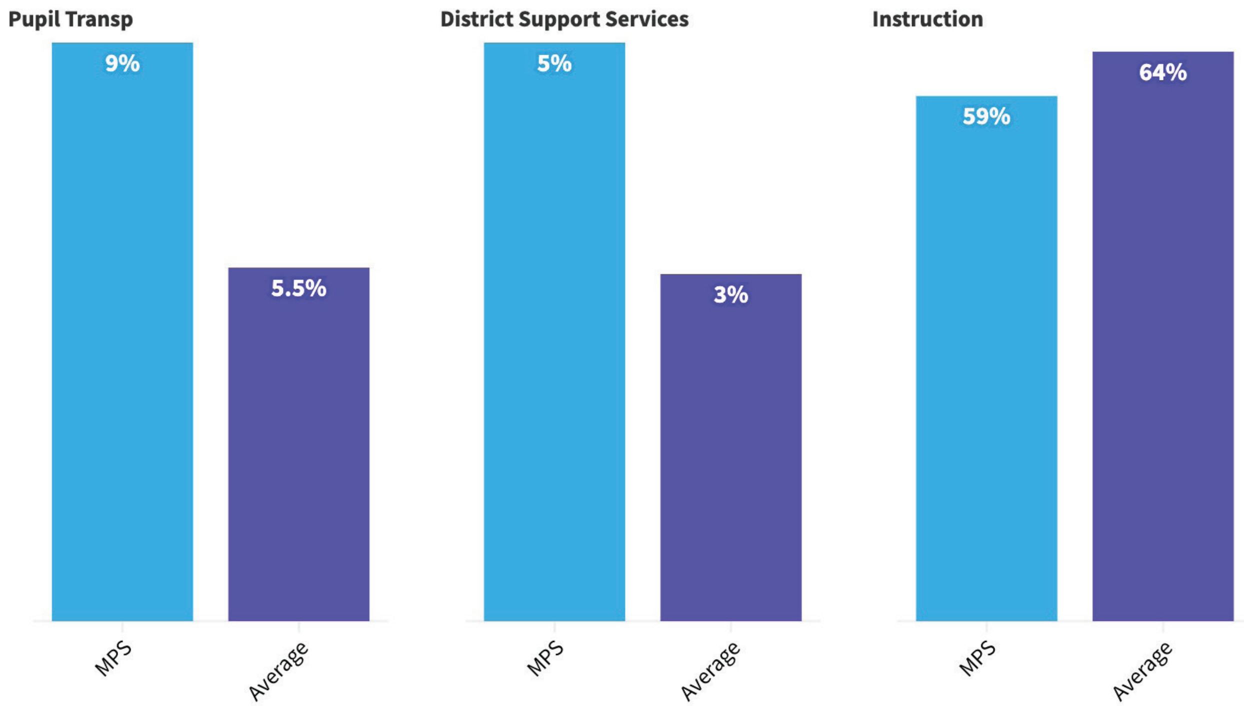
% CHANGE IN MPS GENERAL FUND EXPENDITURES BY FUNCTION, 2018 – 2023



Source: Minneapolis Public Schools Annual Financial Reports, 2018 to 2023

DISTRICT SUPPORT SERVICES, PUPIL TRANSPORTATION AND INSTRUCTION EXPENDITURES AS % OF CURRENT OPERATING COSTS, FY 2023

MPS COMPARED TO PEER DISTRICT (ANOKA, ST PAUL, ROSEMOUNT, OSSEO) AVERAGE



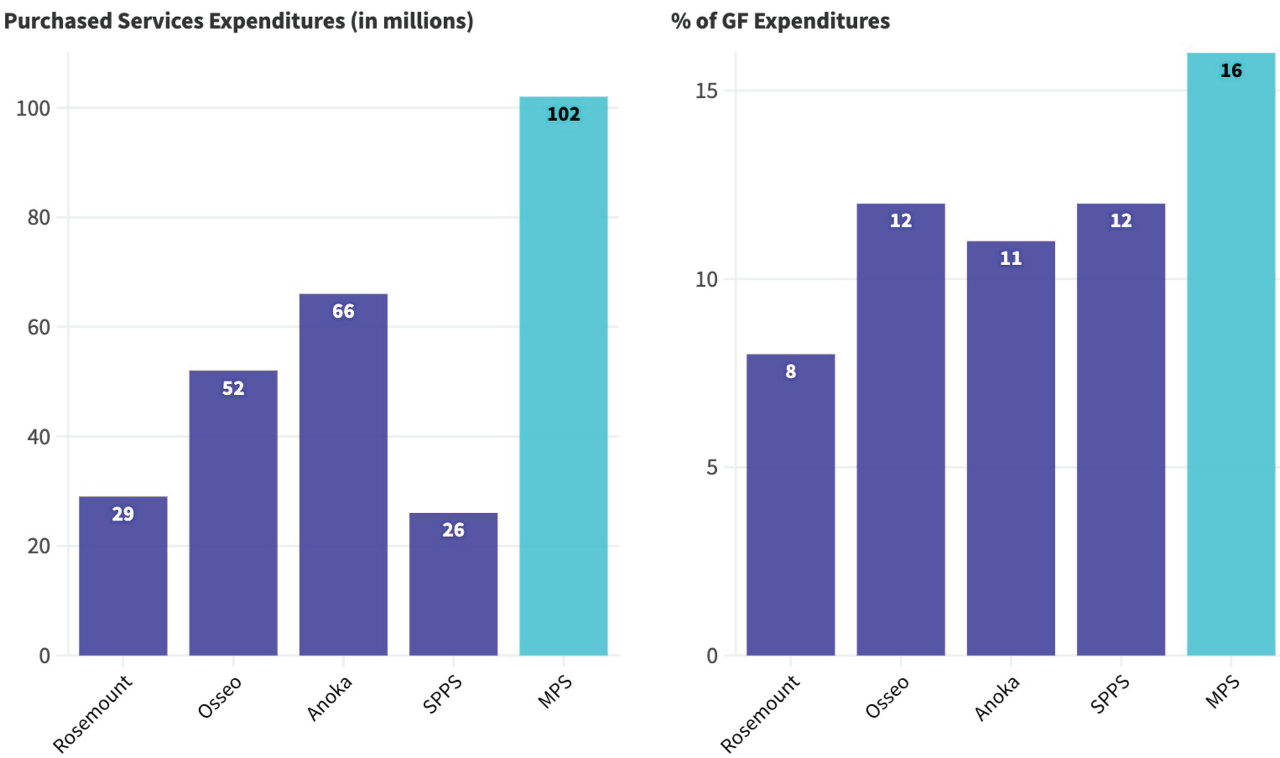
Source: Minnesota Department of Education Minnesota Funding Reports,
2022-2023 Expenditure Comparison Report for MPS, Rosemount, Osseo, SPPS and Anoka

MPS also increased spending on purchased services. MPS spent $102 million in 2023 on purchased services, an increase of 50% over 2018. In the same period, the district cut spending on staff salaries and benefits by 1%.

Purchased services comprise 16% of MPS' general fund expenditures, much higher than the average peer district spending of 11%. For instance, St. Paul spent 12% ($86 million) of its total general fund expenditures on purchased services.

PURCHASED SERVICES EXPENDITURES, GENERAL FUND, FY2023

2022–2023 EXPENDITURE SUMMARY REPORT, MINNESOTA DEPARTMENT OF EDUCATION



Source: Minnesota Department of Education Minnesota Funding Reports,
2022-2023 Expenditure Summary Reports for MPS, Rosemount, Osseo, SPPS and Anoka

Educators in Minneapolis have experience with this outsize spending on purchased services. New curricula that constantly change and sometimes even go unused, outsourced tutoring services, transportation contracts for services that could be performed by district employees who have relationships with our students and endless professional development sessions from outside vendors are all examples that MFT members point to.

If MPS brought its spending on purchased services in line with their peer average, it could have freed up $31.5 million in 2023 for other priorities.

Finding #4: MPS leaders accept and budget for declining enrollment as a foregone conclusion, and they float mitigation strategies, including closing 24 schools and cutting 116 teachers and 24 other staff, for what MPS projects as a $38 million in savings, rather than addressing the root causes of enrollment decline. The district touts school closings and consolidations as the path toward financial sustainability and success. However, a PEW study of school closures[15] in major cities found that closing schools does not save money and can negatively impact students. Shuttering MPS schools could further weaken Minneapolis' public school community after already uprooting families and students and reorganizing them under the CDD.

> ***"The money saved as the result of closing schools, at least in the short run, has been relatively small in the context of big-city school-district budgets," PEW Charitable Trusts.***

When 50 schools were shuttered in Chicago in 2013, the closings and consolidations pushed students out of the district. According to University of Chicago research, 27% of Chicago Public School (CPS students enrolled in K-8 schools in the year after the closings left the district. The research also found that academic outcomes for CPS students displaced by closed schools were neutral or worse after the closures.[16]

MPS enrollment decline does pose a challenge for the district's long-term viability, and is something district leaders must work with Minneapolis communities to reverse. But enrollment decline doesn't exist in a vacuum. MPS' own decisions have hurt enrollment, most notably the recently rolled out CDD that ignored community concerns and shuffled thousands of families and educators to new schools. Minneapolis families, students, and educators are still recovering from it as they are from the COVID pandemic. Furthermore, enrollment forecasts haven't factored in the thousands of newcomers who have enrolled in MPS this year alone.

MPS schools have seen a 17% decrease in student enrollment in the last five years , with at least 42% of MPS-eligible students attending non-MPS schools. One fifth of MPS' enrollment decline can be linked to charter school growth and open enrollment to other public districts.[17] District leaders must focus on attracting Minneapolis families to MPS schools. The question for MPS is what is more likely to increase and stabilize enrollment—investing in schools and staffing, and working with educators and families to build up schools as community hubs, or making more cuts and limiting options for families?

15. Pew Trusts, Closing Public Schools in Philadelphia: Lessons from Six Urban Districts, 2013
16. University of Chicago, School Closings in Chicago, 2015
17. City of Minneapolis, POLICY BRIEFING: Declining MPLS Public School (MPS) Enrollment, 2024

CONCLUSION

MPS leaders' inaccurate budgeting and fear-mongering during a period of record funding has had disastrous consequences for educators, families, and the district as a whole. First, it shakes public confidence in the school district when leaders publicly doubt its own survival. Second, it has been undemocratic and unresponsive to the needs of the community. MPS families and educators need an accurate financial picture of their school district, and it doesn't serve the public to present budgets that are incomplete or misleading. Simplistic references to declining revenue obscure significant sources of funding that can and should be invested in schools, particularly in staffing and pay increases for educators who work directly with students. Money that sits in the general fund, year after year, or goes to inflated outsourced contracts, particularly when funds are limited, doesn't prioritize student needs.

Minneapolis educators in MFT, along with union partners and community allies, have fought for increased funding at the state level and are eager to partner with MPS leaders to call for sustained investment in our school district. However, it is the responsibility of MPS leaders to ensure that those funds are spent in areas that will benefit students most.

Imagine the changes that are possible:

- If MPS' spending on purchased services was in line with peer districts (11% of general fund expenditures), that would have freed **$31.5 million** in 2023 to retain the educators who work directly with students.
- If MPS' spending on district support services was in line with peer districts, that would have freed **$13 million** in 2023.
- If MPS had not added 82 administrators, it could have freed **$7.4 million i**n 2023.

That's millions in savings that can go toward investing in educators' overdue wage increases and stabilizing our students' education.

Raising spending on instruction to match peer districts is a crucial step in making our district immediately more stable, and is exactly the type of investment that will put our district on the path to retaining educators and attracting Minneapolis families back to MPS.

The playbook of managed decline has been tested and hasn't produced confidence in the long-term success of MPS. Sadly, it has had the opposite effect. Thankfully, a careful study of MPS finances reveals that a second, more hopeful option exists: reprioritizing the MPS budget to align with the district's stated values, and making the investments needed to help our district grow and succeed. The pride, confidence and hopefulness that come from investing in students and those who educate them, are exactly what's needed in our city.


PUBLIC SCHOOLS
THE HEART OF THE COMMUNITY
SOLIDARITY
mft 59
Cub
ON STRIKE FOR LIVING WAGES