Dear Minnetonka Staff and Families,

As we close this incredible school year, and celebrate and honor the remarkable accomplishments and achievements of our students and staff, and the overwhelming support of our parents and community, I would like to share an update about the financial realities our school district is currently facing.

It is hard news to share. As I am sure you have heard in the local news over the past several months, school districts across the state are struggling with balancing their budgets. Unfortunately, Minnetonka, along with the majority of our neighboring districts, is not immune to the current financial challenges facing the education sector. For the first time since 2007, Minnetonka Schools will need to make some significant budget reductions. This is required to balance our budget over the next few years.

You may be asking why we must make these reductions and how we will do so. Here is our current situation and our plan forward:

Minnetonka receives funding from several sources. The largest amount of this funding comes from the State General Education Revenue, comprising 54% of our budget. The next largest portion also comes from the State in the form of categorical funding, which makes up 17% of our budget. Minnetonka receives $1,545 less per pupil in State funding than the average Minnesota school district, ranking near the bottom of the 331 districts in MN year after year.

The next largest portion of our budget, also 17%, comes from our local operating referendum. This crucial voter-approved funding, which is generated on a per pupil basis, has helped to offset the smaller State Aid amounts. This funding has been capped by the State of Minnesota with the District reaching the State maximum in 2019.

The District also receives just over 5% of its funding from School Board-approved local optional revenue. This has also been capped at the current amount for more than a decade, so this funding stream loses some of its value to inflation each year. Miscellaneous funding streams make up just under 4% of the District's budget, and federal funding provides just under 2%.

Our challenge is that the largest source of revenue, the General Education Revenue from the State of Minnesota for the General Operating Fund, has been funded at less than the rate of inflation since 2003, so it has fallen well behind inflation. Additionally, the District's categorical funding is currently less than $70 per pupil compared to the State average of more than $1,100 per pupil. Finally, for the past 10 years, our state legislators have been reluctant to raise the cap on our Operating Referendum Revenue to allow the District to ask our local community for more support.

Our District has managed to avoid cuts for many years by adding enrollment. From 2007 until 2022, the District averaged 223 new students each year. These students generated significant additional revenue for the District each year, creating a cushion to provide new programs,

smaller class sizes, and additional support for students. In 2023, the District hit the School Board-approved cap for enrollment, eliminating this funding stream that has kept the District financially stable for so many years.

The current budget challenge was first forecasted and presented to the School Board in 2017. Since that time, District leaders, School Board members, parents and community members have advocated for new legislation to address these funding challenges by asking legislators to either increase the general formula provided to all school districts or to allow school districts to raise funds locally. This advocacy has included holding local meetings, visits to the State Capitol, emails and letters to legislators, and many public presentations at the Capitol. The District and all supporters who would like to help will continue to take these steps until this issue is addressed.

This February, our School Board raised our District's enrollment target by 150 students in an attempt to minimize the reductions needed to balance the budget. Note that these new incoming students will join our system without the addition of more staff so that this strategy positively impacts the budget deficit. We are monitoring this process to ensure we are staying near our class size targets and balancing students across the District.

We have begun the reduction process heading into the 2024-2025 school year. The first round of reductions have been administrative cuts at the District level, and, with input from principals, we have made some reductions to non-classroom teacher staffing, eliminated some lower enrollment course offerings, combined some smaller classes, where possible, and reduced some supplemental staff support to core classes.

Beginning next fall, District leadership will identify recommendations for the majority of the remaining reductions. Eighty eight percent of the District's General Operating Fund costs cover employee salaries and benefits. Of that amount, two thirds cover teachers' salaries and benefits. The next largest employee group is our para educators.The District will look for as many options as possible to reduce costs away from the classroom, but the majority of reductions will likely happen in these two employee groups.

District leadership will provide updates to the School Board throughout the fall before finalizing the reductions in January 2025, ahead of the staffing process for the 2025-2026 school year.

While we know this is not an issue unique to our district, it is also not something we've had to wrestle with in more than 17 years, and I know how hard it is to have staff reductions and to tighten up on resources to support students and families. Please know that we are committed to maximizing our student experience and to providing exceptional learning opportunities, while working within our new financial reality. Additionally, we will continue to petition our legislators to provide districts with additional resources with the end goal of potentially reinstating some of these reductions we are making this school year and next.

Thank you to each of you for your continued support of our students, of each other and of the District. I know that we will weather this challenging time together, and I am grateful to be in a community where there is such strong support for and love of education and investment in our students.

David Law
Superintendent of Schools