

Fiscal Year 2026 Budget

Addressing the Budget Gap

Budget Process

Addressing The Budget Gap:

- Revised Revenue Projection
- Use of Fund Balance
- Expense Reductions
- Other Post Employment Benefits (OPEB) Reimbursements
- Financial Hold on Current Spending

Questions

Budget Process

- **The Budget development is a dynamic process and subject to change** between now and **June** when the **FY26 budget is approved**.
- **Updates will be shared at school board meetings and on our FY26 budget webpage:** bit.ly/mpsbudget26
- **The slides that follow are current as of 3/20/25.**

Budget Gap – \$75.5 million (As of Jan. 2025)

Estimated Revenues	Estimated Expenditures
<ul style="list-style-type: none">● State Aid: \$312,729,947● Special Education Aid: \$91,514,574● Property Tax Levy: \$170,907,101● Federal & Grants: \$55,000,000● Other Revenue: \$18,111,002● Class Size Referendum Fund Balance: \$13,000,000● 2% Vacancy Allowance: \$10,960,000	<ul style="list-style-type: none">● School Allocations: \$374,245,894● Department Allocations: \$373,521,593
Total: \$672,222,624	Total: \$747,767,487

Addressing the FY26 Budget Gap

As we work through our annual budget development process, below are some of the steps and actions being taken to address the **\$75.5 million budget gap**:

- **Changes in Compensatory Funding**
- **Use of Unassigned Fund Balance**
- **Expense Reductions**
- **Other Post Employment Benefits (OPEB) Reimbursements**
- **SFY2025 expense reductions carried forward**
- **Fund Balance Transfer from Community Education Fund**

Compensatory/Basic Skills – Changes to Parameters

- **Estimated compensatory revenue** with the new legislation – **\$36.4 million**
- **Internal action** based on updated information: **Reinstatement of compensatory funding \$52.3 million**

Starting budget gap	-\$75.5 million
Reinstatement of funding	+\$15.9 million (reduces the gap)
New Remaining Gap	-\$59.6 million

Use of Unassigned Fund Balance

- **Unassigned fund balances** have not been designated for specific use or purpose
- **Fund balance above board policy from fiscal year 2024 audit \$1.5 million dollars**

Starting budget gap	-\$59.6 million
Unassigned Fund Balance applied	+\$1.5 million (reduces the gap)
New Remaining Gap	-\$58.1 million

Additional Revenue

- **Special Education and Transportation Aid** – \$13.5 million; after review with MDE
- **Property Tax Levy** – \$1.5 million; favorable adjustment
- **Grants (Federal & Other)** – \$6.4 million; includes carry-forward in Special Education
- **State Aid** – \$1.2 million (Includes -\$7.0M Enrollment/ADM, +\$5.0M HHM Reimbursement, +\$2.4M Basic Skills - Extended Time, -\$1.2M Q-Comp, -\$0.4M Miscellaneous Adjustment)

Starting budget gap	-\$58.1 million
Additional revenue from estimates	+\$22.6 million (reduces the gap)
New Remaining Gap	-\$35.5 million

Expense Reductions

- **Administrative staff reductions**
- **Elimination of vacant positions** within departments
- **Department efficiencies** gained from re-organization
- **In-sourcing** of previously contracted work within operations
- **Funding of schools** based on revenue formula

Starting budget gap	-\$35.5 million
Increase in School Allocation	-\$12.4 million
Decrease in Department Allocation	+\$40.5 million (reduces the gap)
New Remaining Gap	-\$7.4 million

Fund Balance Transfer

- **Transfer of funds to general fund from community service to cover administrative costs**

Starting budget gap	-\$7.4 million
Community Service Fund Transfer	+\$0.5 million (reduces the gap)
New Remaining Gap	-\$6.9 million

2025 Expense Reductions

- **\$5.3 million** in **expense reductions** in **current year**

Starting budget gap	-\$6.9 million
2025 Expense Reduction	+\$5.3 million (reduces the gap)
New Remaining Gap	-\$1.6 million

OPEB Reimbursement

- The **OPEB account (trust)** was set up in **2013** and **general fund** has been used to cover costs from **2014 - 2016** instead of the trust. **MPS has the opportunity** to be **reimbursed** for those **general fund costs**.
- **Entitled reimbursement District can utilize is \$8.2 million (one-time funding)**

Starting budget gap	-\$1.6 million
OPEB Reimbursement	+\$8.2 million (reduces the gap)
New Remaining Gap	+\$6.6 million

Allowance for Vacant Position

- A 2% allowance for vacant position in 2025, not filled, was used in the initial budget gap analysis.
- Our goal is to not rely on vacant position by the end of the budget development process.
- Initial use of 4% vacancy for \$11 million reduced to use of 0.75% for \$4.4M

Starting budget gap	+\$6.6 million
Previous use of vacancy @ 4%	-\$11.0 million
use of vacancy @0.75%New	+\$4.4 million (reduces the gap)
New Remaining Gap	\$0 million

Stay Updated



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- **Visit our FY26 budget webpage**
- **Read our newsletters: *Family Update*, *MPS Insider* and *Community Newsletter***
- **Attend Regular Business, Finance Committee and Committee of the Whole meetings**
- **For questions about school allocations, reach out to principal**
- **Email answers@mpls.k12.mn.us**

Questions