



## Association of Metropolitan School Districts

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### MEDIA RELEASE

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# Survey Shows AMSD School Districts Face More Than \$223 Million in Shortfalls

## Most Districts Face Significant Budget Challenges for 2026-27 School Year.

### SAINT PAUL — AMSD Districts Project \$223 Million Budget Shortfall

AMSD member school districts are projecting a combined budget shortfall of more than **\$223 million** for the 2026-27 school year, driven by rising operational costs, a reduction in compensatory revenue and special education transportation reimbursement, and new state programs and requirements that are not fully funded.

The estimate is based on a survey of AMSD's member districts conducted in late February. Districts were asked to project the gap between anticipated revenue and expenditures for 2026-27 assuming only the statutory inflationary increase to the basic education formula and no additional legislative changes. Importantly, the basic education formula accounts for only 55-60 percent of a district's general education revenue. As a result, an inflationary adjustment to the formula does not translate into an equivalent increase in overall district funding.

District leaders report that inflation continues to outpace revenue growth. In addition, recently enacted programs and mandates are adding significant ongoing costs.

AMSD Vice Chair and Stillwater School Board Member Alison Sherman cited rising substitute teacher costs as a major factor in Stillwater's projected \$5 million shortfall.

**“While Stillwater Area Public Schools support policies that benefit employees and families, mandates such as Minnesota Paid Leave are examples of well-intended but unfunded requirements that create significant financial strain for school districts,” Sherman said. “We are preparing for several hundred thousand dollars in new annual substitute and related costs.”**

Many districts are also experiencing increased expenses related to recent federal immigration enforcement activity, including expanded transportation routes, additional safety and office staff, increased online learning costs, and greater demand for student mental health services. Several districts also anticipate a reduction in revenue due to lower enrollment (ADM) and many reported significant losses in food service revenue, due to online learning and students not purchasing a la carte items during lunch.

Most districts anticipate even larger deficits in FY28 and FY29, as current law requires a \$250 million reduction in special education funding in the 2028-29 biennium.

The February State Budget and Economic Forecast projects a \$3.7 billion balance for FY26-27, providing lawmakers with an opportunity to address the growing structural gap facing school districts.

AMSD is urging the Governor and Legislature to extend the hold harmless provision for compensatory revenue, increase safe schools funding, repeal the scheduled special education cut, and fully fund existing statutory requirements.

Without legislative action this session, locally elected school boards will be forced to make significant reductions to staffing and student programming to balance their budgets.

- [LINK: View a full list of AMSD District Shortfalls](#)