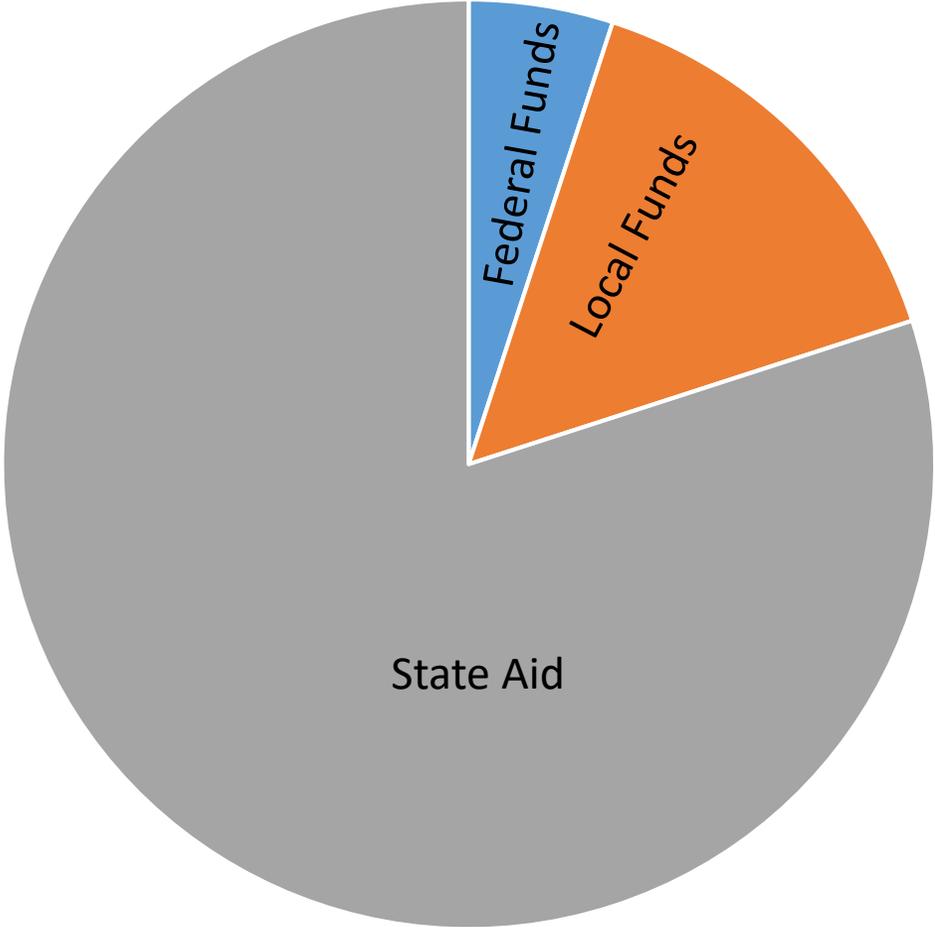


**School Board Special Work Session
Meeting* and
Public Information Meeting regarding
the Greenbush Middle River School
District Operating Referendum
Monday, October 19, 2020
@ 6:30 pm
Via ZOOM MEETING and
In-person meeting** in GMR
School Cafeteria**



**NO OFFICIAL BOARD ACTION WILL BE TAKEN DURING WORK SESSION
**following masking and physical distancing guidelines*

How Schools are Funded



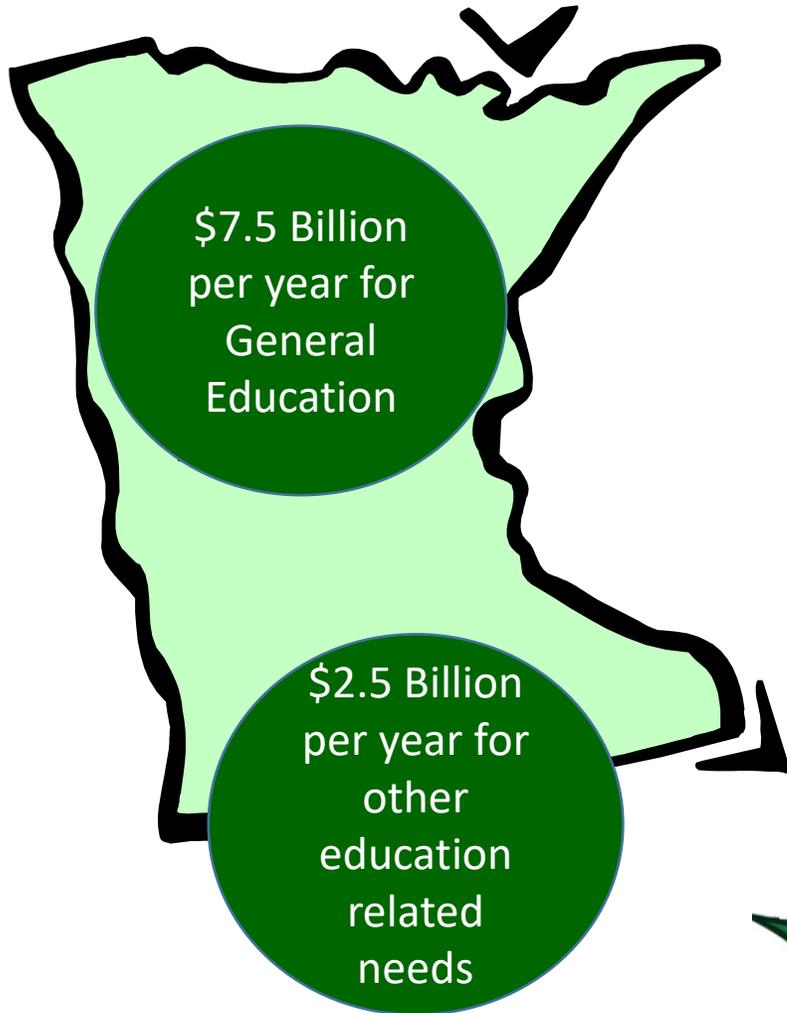
~ 5% Federal Funds
eg: Title I, School Lunch, Special Education

~ 15% Local Funds
eg: Fees & Admission, Tax levies
(eg: ECFE, referendum)

~ 80% State Aid for General Education expenses



How the State Supports Education



80% of State General Education Revenue is through the per pupil formula (\$6,438 in 2019-20 and \$6,567 in 2020-21 [\$129.00 increase]).



$$\text{BASIC FORMULA} \times \text{\# OF WEIGHTED PUPILS} = \text{Local District's Share}$$

Remainder of General Education Revenue is allocated through over a dozen special aids



Is the District eligible?
How many students qualify?
How much per student?

Restricted dollars, primarily Special Education, Early Education programs



Required programs but often the funding provided is not enough



History of Per Pupil (pp) Formula

Excerpt from Truth-in-Taxation for School Taxes Payable in 2020

School Board Agenda item

6:00 pm ~ December 16, 2019

Greenbush Middle River School Library

School Year	State Aid General Education Formula Allowance	Percent funding increase over previous year	Greenbush Middle River School District FALL enrollment	Unreserved General Fund Balance (final audit)				
1996-97	\$3,505							
1997-98	\$3,581							
1998-99	\$3,530							
1999-00	\$3,740							
2000-01	\$3,964		464	\$370,564				
2001-02	\$4,068		455	\$522,520				
2002-03	\$4,601		462	\$610,675				
2003-04	\$4,601	0%	459	\$737,831				
2004-05	\$4,601	0%	473	\$999,976				
2005-06	\$4,783	4%	474	\$1,456,633				
2006-07	\$4,974	4%	477	\$1,673,426				
2007-2008	\$5,074	2%	480	\$1,930,121				
2008-2009	\$5,124 + 51* = \$5,175	1% + 1%* = 2%	470	\$2,032,994				
2009-2010	\$5,124	0%	452	\$2,032,316				
2010-2011	\$5,124	0%	436	\$1,962,475				
2011-2012	\$5,174	1%	419	\$1,869,037				
2012-2013	\$5,224	1%	444	\$1,832,245				
2013-2014	\$5,302	1.5%	426	\$1,660,869				
2014-2015	\$5,831 (increase due to changes in pupil weights)	1.5% + .5%	423	\$1,645,227				
Per pupil [weighted] funding. Historical Perspective	2013-2014		2014-2015		2015-2016		2019-2020	
	Grade	Funding Weight	Grade	Funding Weight	Grade	Funding Weight	Grade	Funding Weight
	Grade K.....	.612	K-6	1.0	K-6	1.0	K-6	1.0
	Grade 1 to 3 ..	1.115	Grade K to 6... 201	(Elem. Funding Units)	Grade K to 6... 190	(Elem. Funding Units)	Grade K to 6... 121	(Elem. Funding Units)
	Grade 4 to 6 ..	1.06	7-12	1.2	7-12	1.2	7-12	1.2
Grade K to 6 ...	197	Grade 7-12.....	266	Grade 7-12.....	252	Grade 7-12.....	180	
(Elem. Funding Units)		(H.S. Funding Units)		(H.S. Funding Units)		(H.S. Funding Units)		
7-12.....	1.3	K-12...201 + 266 = 467	(Total Funding Units)	K-12...190 + 252 = 442	(Total Funding Units)	K-12...121 + 180 = 301	(Total Funding Units)	
Grade 7-12....	218							
(H.S. Funding Units)								
K-12...197 + 218 = 480	(Total Funding Units)							
(Total Funding Units)								
2015-2016	\$5,948	+\$117 or 2%	400	\$1,576,546				
2016-2017	\$6,067	+\$119 or 2%	387	\$1,186,984				
2017-2018	\$6,188	+\$121 or 2%	323	\$705,373				
2018-2019	\$6,312	+\$124 or 2%	279	\$504,320				
2019-2020	\$6,438	+\$126 or 2%	271	TBD by Audit				
2020-2021	\$6,567	+\$129 or 2%	242 estimated	TBD by Audit				

Note¹: Effective 2014-2015: the 1.0 weighted factor applies to K-6. 7-12 students are weighted at 1.2.

Note²: There is no absolute right answer as to how much a given district should have in its fund balance. A general guideline provided by financial auditors believe a fund balance of 25% of the general education formula in the unreserved general fund: \$6,438 x 25% = \$1,609 x 311 [weighted] funding units (271 K-12 students = 301 weighted funding units) = \$484,459 would place the District in a solid financial position. This represents about 6 weeks of school district operations. Information Source: Minnesota Association of School Business Officials & District Financial Auditor

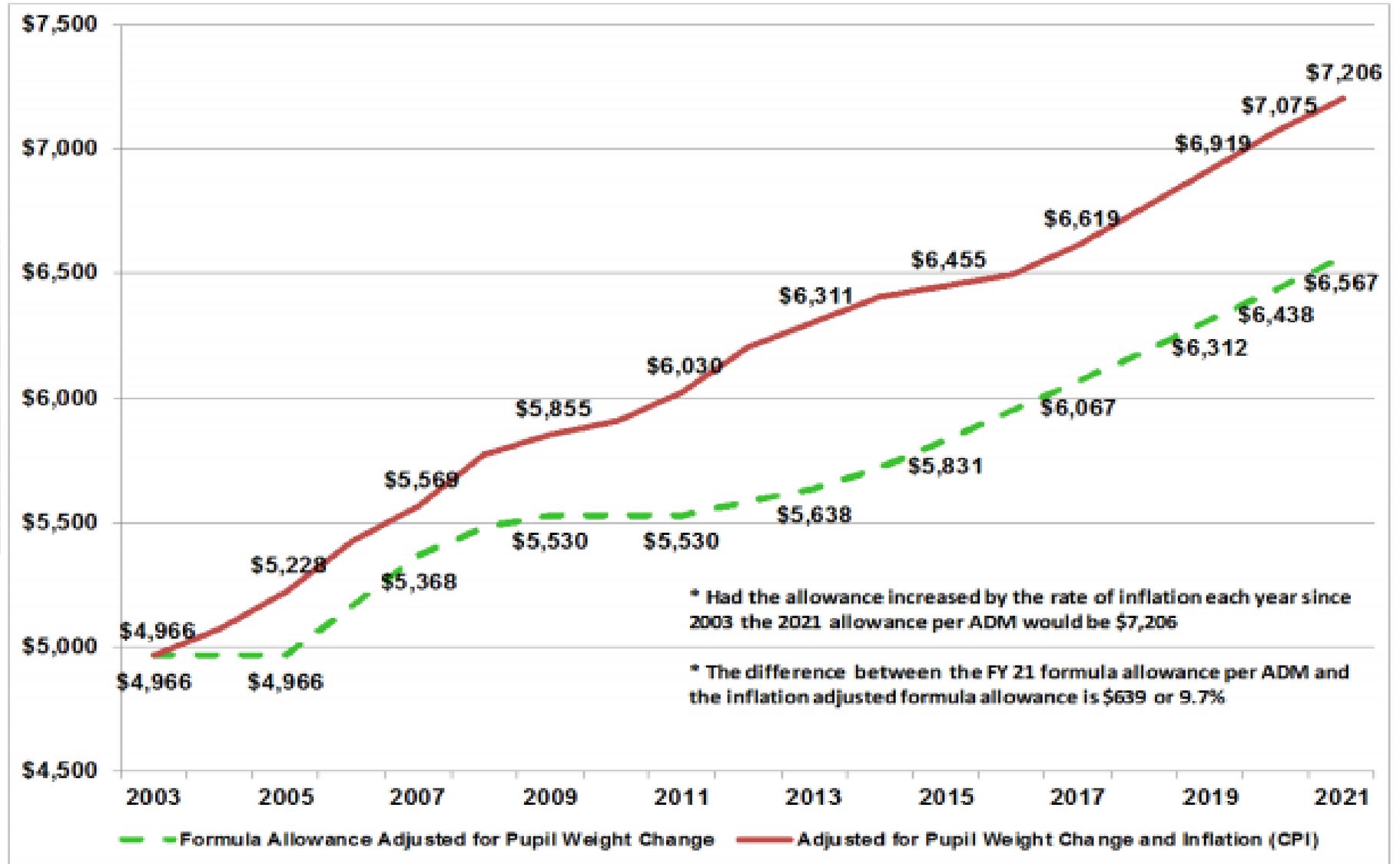
The last time the State increased the per pupil formula by more than 2% was in 2007.

When adjusted for inflation, per pupil weighting and new state requirements, state funding has declined over nearly two decades

2020-2021

Grade	Funding Weight
K-6	1.0
Grade K – 6	121 (Elem. Funding Units)
7-12	1.2
Grade 7-12	146 (H.S. Funding Units)
K-12....	121 + 146 = 267 TOTAL Funding Units

General Education Formula Allowance, 2003-2021 Adjusted for Pupil Weight Change and Inflation (CPI)



Excerpt from Truth-in-Taxation
for School Taxes Payable in
2020

School Board Agenda item

6:00 pm ~ December 16, 2019

Greenbush Middle River
School Library

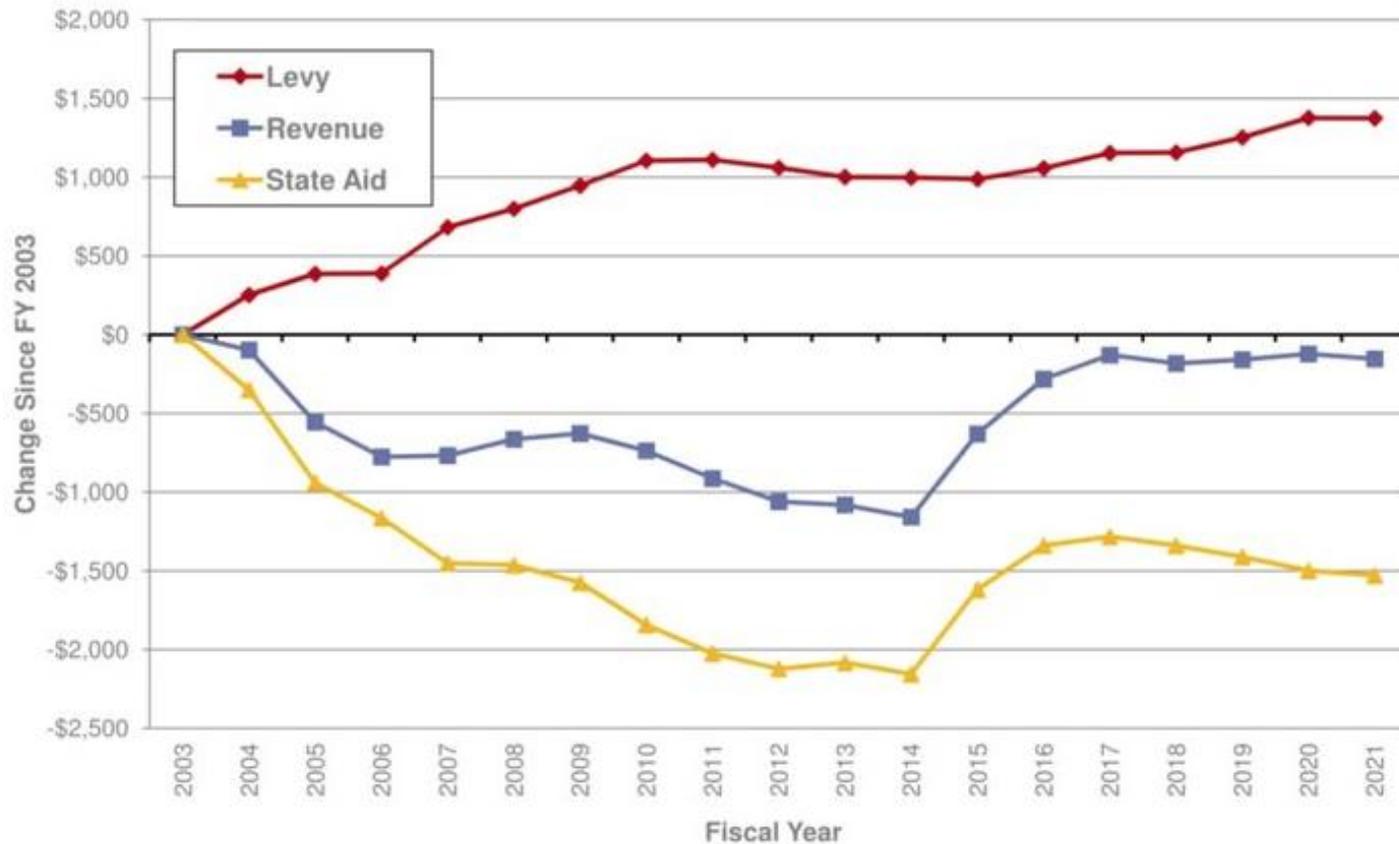
Source: MDE August 2019 Inflation Estimates



Per pupil allowance for Fiscal Year 2019-2020 would need to increase by another \$639 (9.7%) to have kept pace with inflation since 2002-2003. \$568 million annually (source: MREA)

Statewide Aid, Levies, Revenue

Constant FY 2020 Dollars Per Pupil



(Analysis by MREA, 2019, Data from MDE)

mreavoices.org



Excerpt from Truth-in-Taxation for School Taxes Payable in 2020

School Board Agenda item
6:00 pm ~ December 16, 2019

Greenbush Middle River School Library

**Local Operating Referendum increases
replace decline in formula buying power.**

Result: Growing Dependence on Referendum Revenue

- In 1992-93, 65% of districts had operating referendum revenue averaging \$332 per pupil
- For 2020-21, all Minnesota districts have referendum revenue and/or local optional revenue levy authority averaging \$1,475 per pupil
 - Referendum revenue including Local Optional Revenue (LOR) provides 13.2% of General Fund operating revenue
 - Of this amount, \$751 is a voter approved operating referendum, and \$724 is Local Optional Revenue (LOR)



Excerpt from Truth-in-Taxation
for School Taxes Payable in
2020

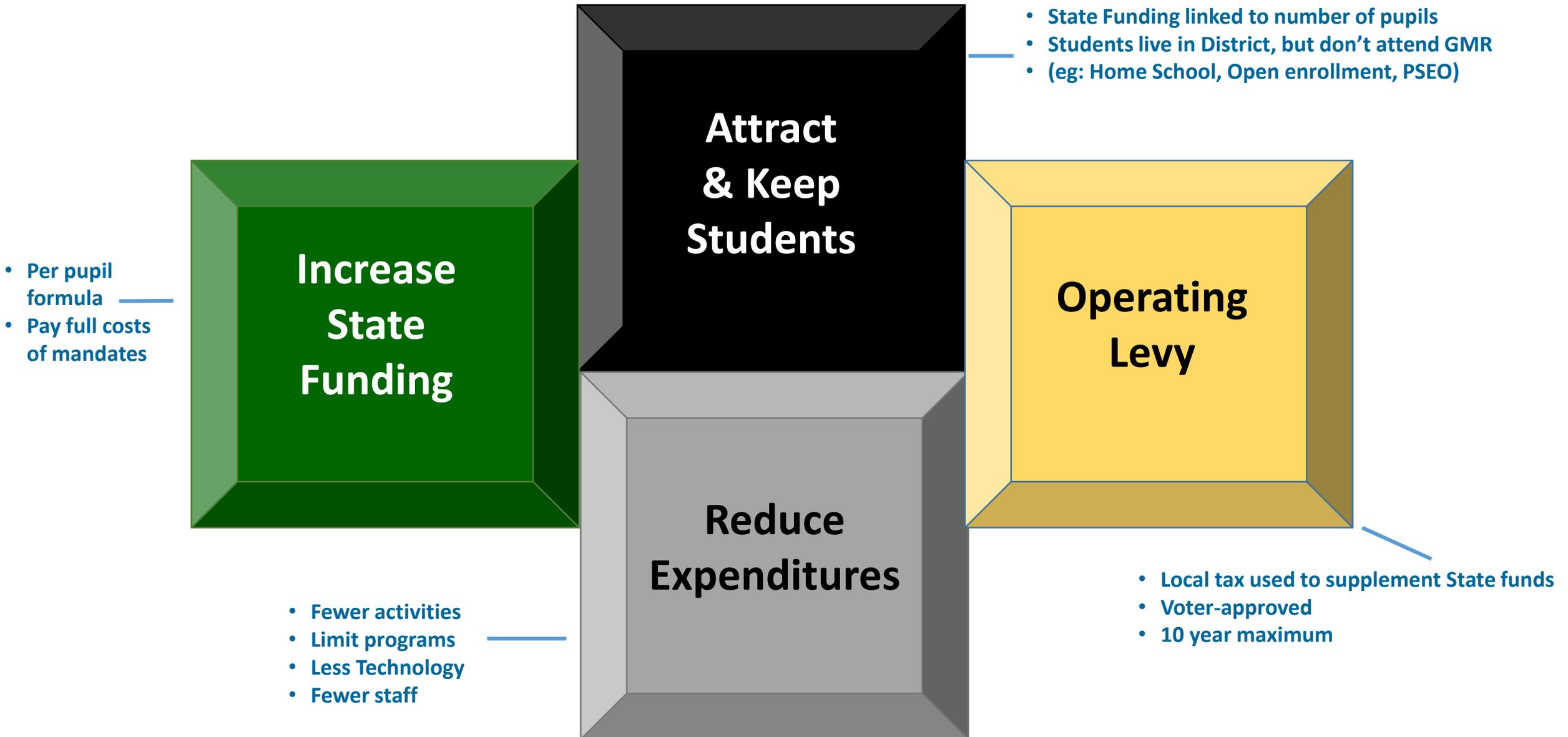
School Board Agenda item

6:00 pm ~ December 16, 2019

Greenbush Middle River
School Library

Source: Ehlers & Associates

How School Districts Can Eliminate Deficits

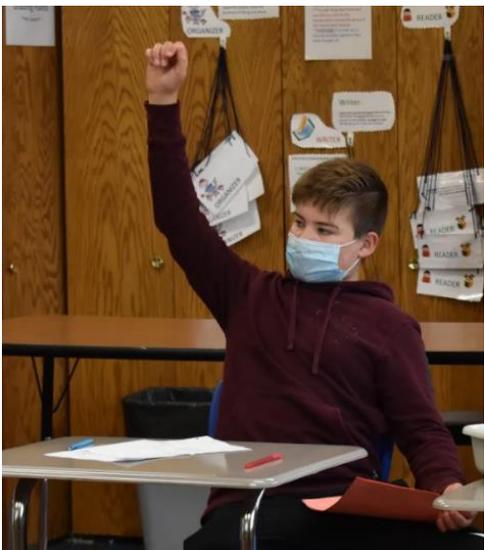


Part I: Increase(s) in State Funding

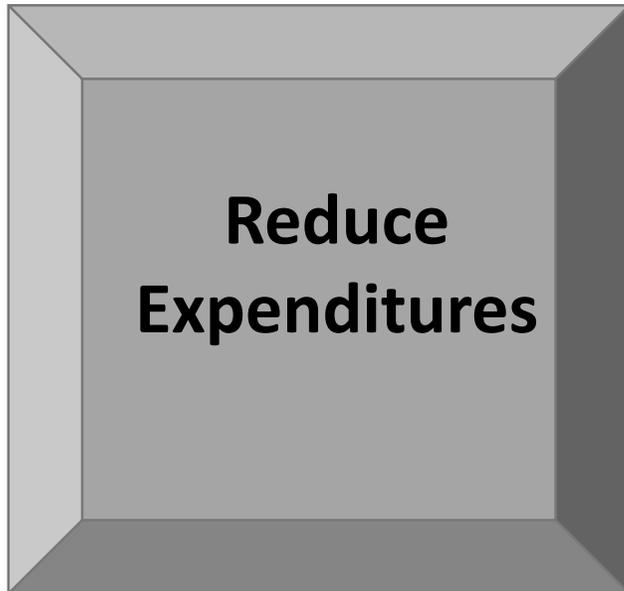
**Increase
State
Funding**

Reminder:
The per pupil
formula
increased no
more than
2% annually
since 2008

**Need to work with
local legislators, MREA,
MSBA, etc. to bring
more funding to rural
schools**



Part II: Keep Managing Our Spending



**~80% of GMR
annual budget is
used for staff
compensation.**

**Teachers
Para Professionals
Bus Drivers
Food Service
Buildings &
Grounds
Special Services**

- **Fewer teachers?**
 - In 2016-2017 a full time English teaching position was eliminated
 - In 2017-2018 the District eliminated one full time Principal
 - In 2017-2018, a Phy. Ed. Teacher who left the district was not replaced
- **Less competitive compensation**
- **Eliminate activities**
- **Eliminate programs**
 - Over time, the District has eliminated programming for students: [eg: Ag. Class(es) and Business Education Class(es).]
 - In the 2019-2020 school year, the district did not replace a Music Teacher who “left the district.”
 - In the 2019-2020 school year, the district did not replace a Science Teacher who “left the district.”
 - Six (6) full time teachers were reduced effective with the 2018-2019 school year. *The Elementary School went to one (1) section and one (1) teacher.*
 - The 2018-2019 school year was the first year of [full] closure of the Middle River School site.
 - 2019-2020 pro-rated compensation of various Coaches & Advisors to reflect shortened or canceled season / activity.
- **Difficult choices:**
 - we can't cut our way to success

Superintendent Comments [excerpts] as per July 29, 2020 Special Work Session...

“As a board, you have been very conscious of both the financial needs we have as a school district and the financial challenges that COVID-19 has placed on our community. **A solution that combines on-going budget reductions with an operating levy allows us to partner with our residents, and keep both our school and our community strong.**”

Excerpt of Special Work Session Agenda Topics held on May 11, 2020 @ 7:30 pm

- **Review and discussion relating to deficit reduction(s) in the current 2019-2020 school year and 2020-2021 school year.**



GREENBUSH MIDDLE RIVER SCHOOL DISTRICT

DEFICIT REDUCTION SUGGESTIONS

Directions: The Board of Education and the School Administration is soliciting suggestions for making expenditure reductions. Although the primary responsibility for the school budget rests with the Board and the Administration, soliciting suggestions from residents and employees will ensure that all reasonable deficit reduction measures have been considered.

When making a deficit reduction suggestion, please phrase your suggestion in terms of a single action. Do not make a broad generalization about the school program. These kinds of statements are difficult to convert into specific cost cutting measures. For example, if you believe that too much money is spent on student athletics, state which sport(s) the school district should delete rather than making a general statement. Another example, if you believe the school district has many frills, identify each item that you consider a frill.

Deadline: Please return this form to the district office, principals' office, or your immediate supervisor ASAP but no later than ____

1. _____

2. _____

Note: Use the back of this form for the identification of more deficit reduction suggestions.

Identifying Respondent by Classification (optional): Some respondents may have more first-hand information regarding the possibility of reducing expenses for specific programs. For example, a bus driver may have more relevant information regarding the reduction of expenses for student transportation than a food service employee. Therefore, please identify yourself by placing a check next to the most appropriate group:

- | | | | |
|--|---|--|--|
| <input type="checkbox"/> Pupil Transportation Employee | <input type="checkbox"/> Buildings & Grounds Employee | <input type="checkbox"/> Food Service Employee | <input type="checkbox"/> Instructional Aides |
| <input type="checkbox"/> Office Employee | <input type="checkbox"/> Secondary Teacher | <input type="checkbox"/> Elementary Teacher | <input type="checkbox"/> Special Education Teacher |
| <input type="checkbox"/> Parent | <input type="checkbox"/> Student | <input type="checkbox"/> Resident of School District | |

Slide as presented during March 16, 2020 regular school board meeting and as published in *The Chomper* (student newspaper delivered district-wide in April 2020)

511/2020 Work Session meeting: Input Suggestions for Proposed Reductions to 2020-2021 Budget.

Item	Board Remarks 05/11/2020	General Summary of Budget Reductions & Comments	Program Area Affected	Estimated Increase for Receipts	Estimated Decrease for Expenditures	
11		Dues reduction for MREA membership (15% reduction)	Annual Memberships			
12		Cut English Teacher. Due to shifting student enrollment	Instructional: High School			
13		Cut Spanish Teacher. Spanish is not the foreign language to be taught by Chinese. Find school who can deliver virtual Chinese instruction.	Instructional: High School			
14		Do not replace Special Education Teacher. Move one from High School or Elementary Regular Ed. to Elementary Special Ed. Lack of enrollment should justify this move.	Special Education			
15		Offer an attractive buyout plan for teachers	Instructional			
16		For any teacher leaving, try to shuffle present staff to fill the vacancy.	Instructional			
17		Reduce classroom supplies	Instructional			
18		Reduce supplies in other program areas (eg: Food Service, Buildings & Grounds)	Support Programs			
19		Cut The Chomper. Move Chomper articles to GMR Online and student write articles for their English Class assignments.	Student Activity			
20		Adjust (reduce) hours of kitchen dishwasher	Food Service			
Brd.	BA Yes	Board Agreement to implement as a Budget Reduction item				Page 2 of 4... EXHIBIT 5.1
Remarks	BD No	Board Disagreement NOT to implement as a Budget Reduction item	Defer	Deferred for additional information or consideration		

511/2020 Work Session meeting: Input Suggestions for Proposed Reductions to 2020-2021 Budget.

21		In terms of students enrollment, GMR is moving toward one (1) section school Why do we have 3 social studies teachers, 2 science teachers and 2 English teachers?	Instructional			
22		Move 6th grade to high school	Instructional			
23		Only One (1) office secretary in each office.	Administration			
24		Eliminate foreign language classes. Cutting a position. Many other surrounding schools our size to not offer foreign language.	Instructional			
25		Have 7-12 subject teachers share duties of Careers & College, Librarian/ Media specialist and computers eliminating multiple positions.	Instructional & Student support			
26		Cut teacher(s) with large salaries	Instructional			
27		Teachers need to teach more classes and less preparation / study halls	Instructional			
28		Cut Staff	Instructional			
29		Do a comparison of student to teacher ratios in NW MN and then cut staff	Instructional			
30		Cut Para Staff	Student support			
		Page 2	Total page #2 (this page)		\$0	\$0
Brd.	BA Yes	Board Agreement to implement as a Budget Reduction item			<i>Page 3 of 4.... EXHIBIT 5.1</i>	
Remarks	BD No	Board Disagreement NOT to implement as a Budget Reduction item	Defer	Deferred for additional information or consideration		

511/2020 Work Session meeting: Input Suggestions for Proposed Reductions to 2020-2021 Budget.

Item	Board Remarks 05/11/2020	General Summary of Budget Reductions & Comments	Program Area Affected	Estimated Increase for Receipts	Estimated Decrease for Expenditures	
31		Cut Social Worker position to one (1)	Counseling - Mental Health			
32		Is it time for the GMR school district to approach Badger or Karlstad to combine school districts?	Instructional			
33		Seek a increase in the existing school operating levy via referendum	Instructional			
34						
35						
36						
37						
38						
Brd.	BA Yes	Board Agreement to implement as a Budget Reduction item				<i>Page 4 of 4... EXHIBIT 5.1</i>
Remarks	BD No	Board Disagreement NOT to implement as a Budget Reduction item	Defer	Deferred for additional information or consideration		

Part III: How do we Keep and Attract Students?

- ❑ More class options
- ❑ Better school programs
- ❑ High quality Early Learning

**Attract
& Keep
Students**

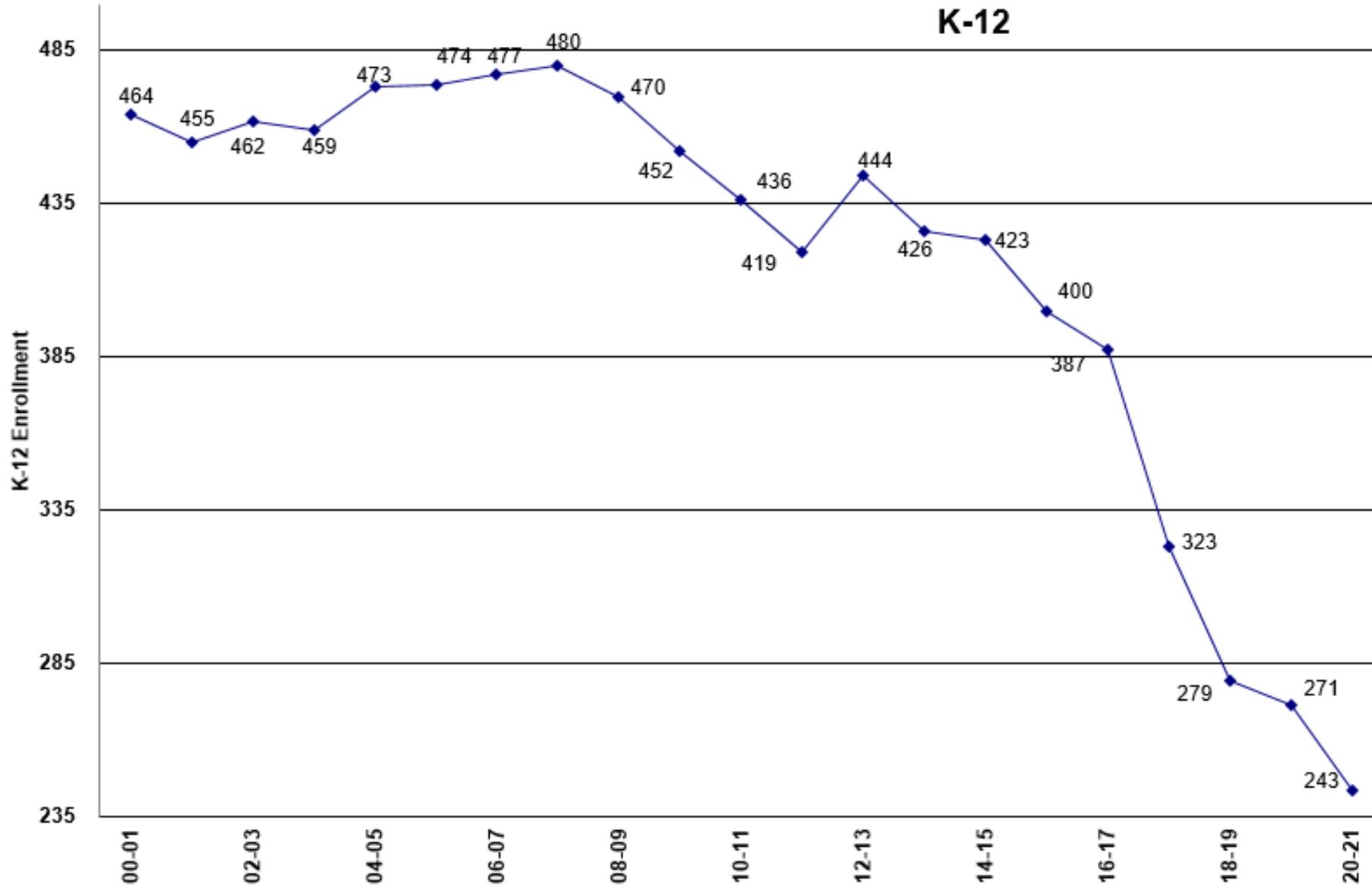
Rural School Districts receive, on average, about \$8,000 per student from the State. An increase in enrollment of local students can help reduce our projected budget deficit.

Excited 5th graders today when the first Scholastic book order arrived and they all received money towards a book. [Thanks to the Greenbush Friends of the Library](#), every elementary student will receive money towards a free book every month. What a precious gift! We are SO thankful.



Greenbush Middle River School Enrollment Trend

FALL ENROLLMENT BY SCHOOL YEAR K-12



GMR K-12 Enrollment

Student enrollment as October 1, 2020

Grade Level Of Students	GMR
K	19
1	20
2	17
3	16
4	13
5	16
6	20
TOTAL K-6	121
7	17
8	21
9	14
10	21
11	20
12	29
TOTAL 7-12	122
TOTAL K-12	243



GMR K-12 ENROLLMENT

Student enrollment as October 1, 2019

Grade Level Of Students	GMR
K	21
1	17
2	15
3	13
4	18
5	21
6	16
TOTAL K-6	121
7	21
8	15
9	25
10	24
11	32
12	33
TOTAL 7-12	150
TOTAL K-12	271

GMR K-12 ENROLLMENT

Student enrollment as October 1, 2018

Grade Level Of Students	GMR
K	17
1	14
2	12
3	19
4	19
5	16
6	20
TOTAL K-6	117
7	17
8	22
9	24
10	30
11	32
12	37
TOTAL 7-12	162
TOTAL K-12	279



Part IV: Increase Local Operating Levy

Previous Board and voter-approval

A school operating levy referendum is a tax levy for learning. It helps fund day-to-day operations within the schools, which includes teachers, classroom supplies, instructional assistants, instructional materials, utility bills, building custodians and district-wide functions such as accounting, payroll and technology.

Voter-approved levies limited to ten years

Tax increase is based on market value of property

Farmers will pay taxes for the proposed referendum based only on the value of their house, garage and one acre.

Seasonal recreational property is not taxed for operating levies



Special Election Ballot

Independent School District No. 2683 (Greenbush-Middle River)

November 3, 2020

Instructions to Voters:

To vote, completely fill in the oval(s) next to your choice(s) like this: 

To vote for a question, fill in the oval next to the word "Yes" on that question.
To vote against a question, fill in the oval next to the word "No" on that question.

School District Question 1 Revoking Existing Referendum Revenue Authorization; Approving New Authorization

The board of Independent School District No. 2683 (Greenbush-Middle River) has proposed to revoke the school district's existing referendum revenue authorization of \$506.05 per pupil and to replace that authorization with a new authorization of \$1,306.05 per pupil. The proposed referendum revenue authorization would increase each year by the rate of inflation, and be applicable for ten years, commencing with taxes payable in 2021, unless otherwise revoked or reduced as provided by law.

- Yes** Shall the school district's existing referendum revenue authorization be
revoked and the increase in the revenue proposed by the board of
Independent School District No. 2683 be approved?
- No**

**BY VOTING "YES" ON THIS BALLOT QUESTION, YOU
ARE VOTING FOR A PROPERTY TAX INCREASE**

Greenbush-Middle River School District, ISD 2683

Analysis of Tax Impact for Potential Referendum Levy

July 29, 2020

Year Taxes are Payable	2021	2021	
	Revoked Authority	Proposed Authority	NET CHANGE
Revenue Per Pupil Unit	-\$506.05	\$1,306.05	\$800.00
Estimated Change in Revenue	-\$139,872	\$360,992	\$221,120

Type of Property	Estimated Market Value	Estimated Taxes for Referendum Levy Only*		
	\$50,000	-\$34	\$126	\$92
	75,000	-52	190	138
	100,000	-69	253	184
	125,000	-86	316	230
	150,000	-103	379	276
Residential	175,000	-120	442	322
Homesteads,	200,000	-138	505	367
Apartments,	225,000	-155	569	414
and Commercial-	250,000	-172	632	460
Industrial Property	275,000	-189	695	506
	300,000	-206	758	552
	325,000	-223	821	598
	350,000	-241	885	644
	375,000	-258	948	690
	400,000	-275	1,011	736
	425,000	-292	1,074	782
	450,000	-309	1,137	828
	475,000	-327	1,200	873
	500,000	-344	1,264	920
	550,000	-378	1,390	1,012

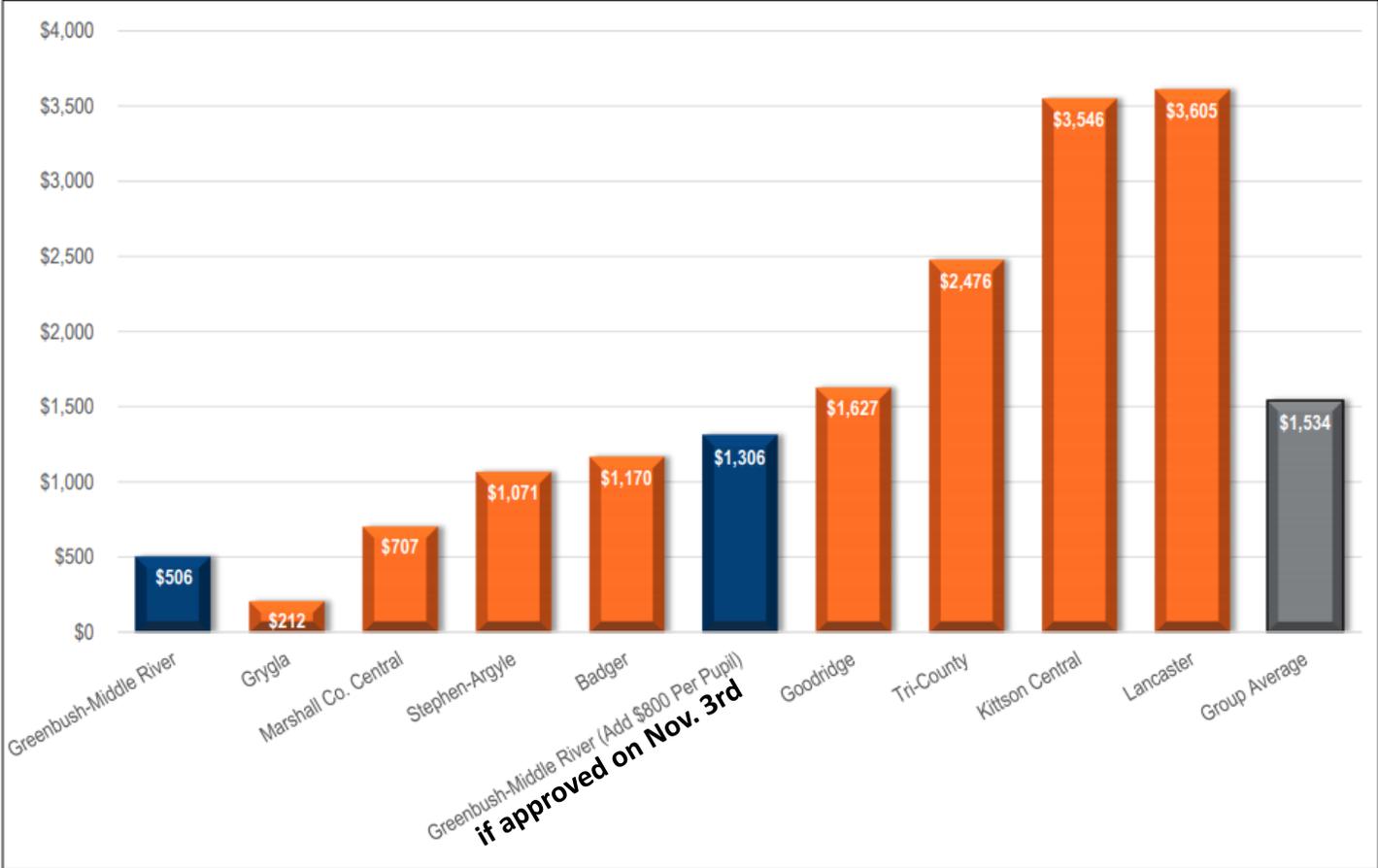
* The amounts in the table are based on school district taxes for the referendum levy only, and do not include tax levies for other purposes. Tax increases shown above are gross increases, not including the impact of the Minnesota Homestead Credit Refund ("Circuit Breaker") program. Many owners of homestead property will qualify for a refund, based on their income and total property taxes. This will decrease the net effect of the referendum levy for many property owners.

NOTE: Agricultural property will pay taxes for the proposed referendum based only on the value of the house, garage and one acre. Seasonal recreational residential property (i.e., cabins) will pay no taxes for the proposed referendum.

Tax Implications

Comparison of Voter-approved per pupil referendum Authority to Peer Districts in NW MN

Greenbush - Middle River School District
Voter Approved Referendum Authority Per Pupil Unit FY 20-21

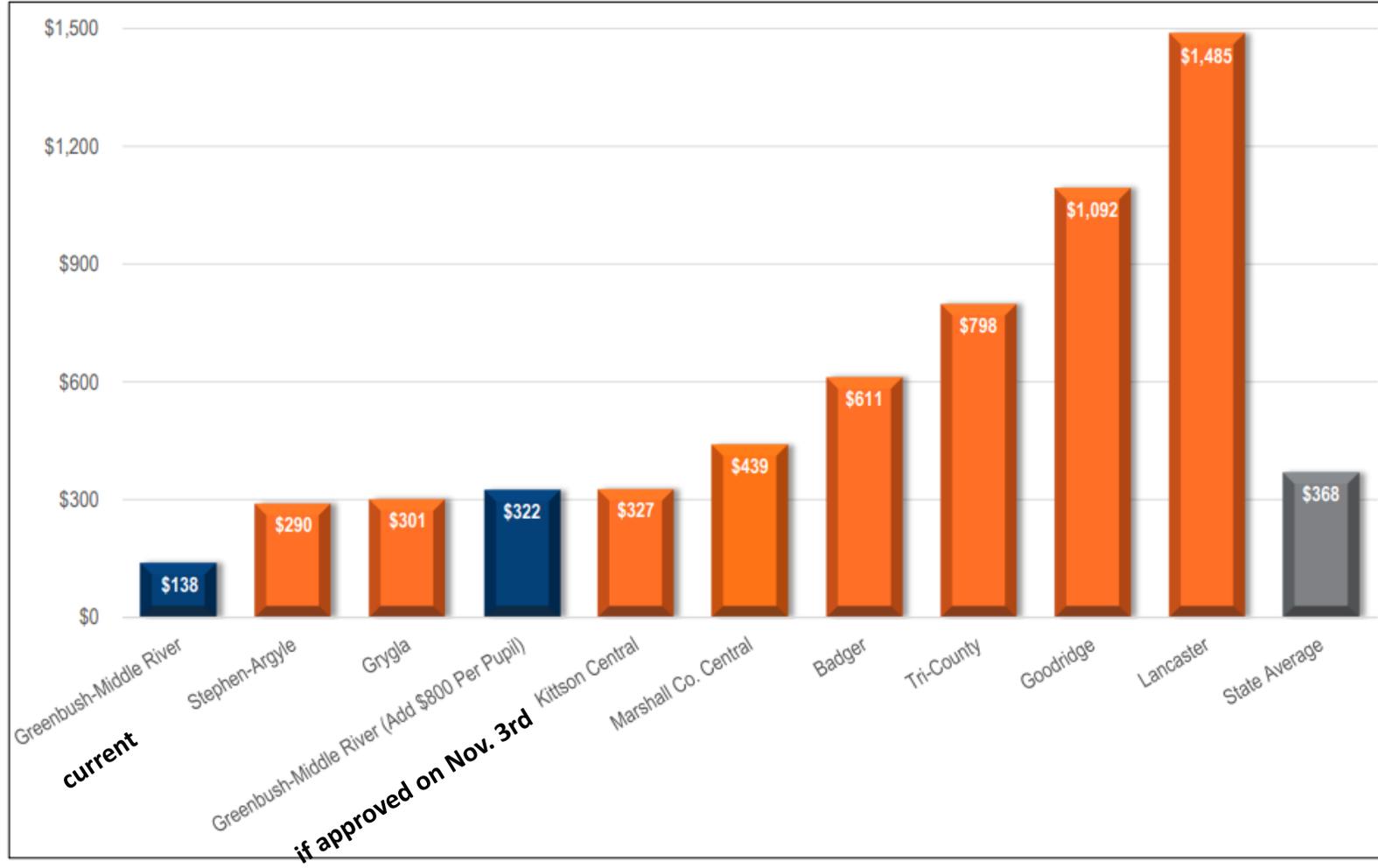


Source: MDE Operating Referendum Phaseout January 2020

Comparison of Total School Taxes to Peer Districts in NW MN

Greenbush - Middle River School District

→ Total School Property Taxes, Payable 2020, on a Home with an Estimated Market Value of \$100,000



Source: Pay 20 School Tax Report

What are the rules for Operating Levy Elections?

- An election for an Operating Levy can only be held on traditional November election date each year.
 - Board decision needed in August
- School districts can go to voters one year prior to the final year of the current operating referendum in place
 - GMR's current referendum expires at the end of the 2021-2022 school year
- The referendum proposal includes an inflationary index, what does that mean?
 - Inflationary rates are based on the Consumer Price Index (CPI) for Urban Consumers for all items as provided by the Minnesota Management and Budget Office. Annual projected inflation is calculated using a fiscal year average of the estimated quarterly indices. The MN Department of Education latest projections estimate the inflationary adjustment at approximately two percent (2%) each year for calculation and planning purposes.
The 2% estimate refers to the amount of dollars received per pupil, not to an individual's taxes. For example, if a referendum amount was \$800 per student in Year 1, it might total \$816 per student in Year 2.
That additional \$16 per student increase would be spread out amongst all property taxpayers in terms of the number of households. For more information about CPI and inflation rates, visit:
<https://education.mn.gov/MDE/dse/schfin/GenEd/Ref/047078>
- Majority vote decides – non-votes aren't counted
- Some property owners aren't district residents, so they can't vote



Continued Community Conversations

MENTIONS of November 3 Special Election Referendum in GMR include (but may not be limited to...)

Board Budget Meeting in Dec. 2019

May 11, 2020 Special School Board meeting

May 18, 2020 Regular School Board meeting

July 20, 2020 Regular School Board meeting

July 29, 2020 Special School Board meeting

August 6, 2020 Special School Board meeting

August 17, 2020 Regular School Board meeting - Resolution Approved

August 18, 2020 Teacher ZOOM meeting

August ECFE Parent Advisory Council Meeting

Sept. 1 Teacher / Staff Back-to-School meeting in gym

Sept. 1 KQ 92 Morning Radio program

Sept. 29 KQ 92 Morning Radio program

August Instagram

August Facebook

October 6... mentioned on KQ 92 Morning Radio program by Principal Schultz

Early-Week of October 5... Notice on school social media of mailing to GMR residents

mid-Week of October 5... Required mailing NOTICE OF ELECTION to GMR residents

October 8 ... Parent hand-out(s): (a.) Referendum Fact Sheet and (b.) FAQs

October 12... GMR EA post card mailing to GMR School District residents

October 13... L. Guggisberg on KQ 92 Morning Radio program

Week of October 12.. Required NEWSPAPER NOTICE (#1 of 2) OF ELECTION to GMR Residents

October 18.... Article (front page) in TRF *The Times* about area school elections

October 19.... Virtual Public Information Meeting

October 19... Regular School Board meeting

Week of October 19...Required NEWSPAPER NOTICE (#2 of 2) OF ELECTION to GMR Residents

Week of October 26...CHOMPER student newspaper delivered to district residents

Next Steps

- Financial Planning
- Careful budgeting
- Attracting local students
- What happens to state funding if pandemic continues?

VOTE ON NOVEMBER 3, 2020



What if the Operating Levy Doesn't Pass?

The GMR School will be more dependent on State funding and enrollment growth for addressing funding shortage.

Without additional funding, the GMR School will need to find additional spending reductions.

The GMR School Board will have to decide in August 2021 whether or not to “go back” to voters for a Fall 2021 election. Passage of an operating referendum election in November 2021 would permit operating revenue to continue without interruption into the 2022-2023 school year.

*Superintendent Comments [excerpts] as per July 29, 2020
Special Work Session...*

“The decision to request support from district voters is based on a review of the district’s financial condition, inadequate state funding and unfunded mandates putting pressure on an already stretched budget.”

....

“State funding is not keeping pace with inflation or increasing educational costs.”



END HERE...

Slides that follow are “notes” as to the likelihood of State-wide budget issues due to COVID-19 pandemic in the near future.





State Budget Update: \$2.4 Billion Deficit

The Minnesota Management & Budget on Tuesday (May 5) released an update on the state's budget showing a \$4 billion decline in state revenues for the current two-year budget cycle we're in.

Instead of the \$1.5 billion projected surplus announced in February, the state is now looking at a \$2.4 billion deficit.

The state needs to maintain a balanced budget and thankfully there's nearly \$2.4 billion in the state's budget reserve and cash flow accounts. Another \$2 billion in federal aid is on the way to the state, however, a significant portion of those funds are supposed to be passed through to local governments, the K-12 schools and Higher Education systems and hospitals.

It's possible that some of these funds could end up supplanting existing state appropriations, but the federal strings attached might prohibit supplanting.

Congressional leaders are talking about a fourth COVID-19 relief package to help states balance their budgets, but action on that item will take some time, if it comes to fruition at all.

Source: MN Rural Education Association communication downloaded on May 11, 2020 & presented to the school board during a Special Meeting on May 11, 2020

Minnesota facing \$4.7 billion shortfall in future budget fueled by pandemic

A new planning estimate showed a rapid evaporation of the state's projected surplus

By [Briana Bierschbach](#) Star Tribune

JULY 31, 2020 — 8:06PM

Minnesota lawmakers are facing a potential \$4.7 billion deficit in the next two-year budget as the coronavirus pandemic continues to gobble up more resources than the state gets in revenue.

Minnesota Management and Budget Commissioner Myron Frans said in a new planning estimate Friday that the pandemic has made economic conditions "extremely volatile." The revenue update, he added, "gives us more information about the budget problems we need to solve during this current biennium and the next."

The updated numbers for 2022 and 2023, coming ahead of a state bond sale, continue a stunning deterioration of the state's finances in a matter of months. A February economic forecast showed the state had a projected \$1.5 billion budget surplus for the remainder of this budget cycle, which ends July 2021. But a May budget update showed the state now faces a \$2.4 billion deficit this budget cycle.

"Minnesota is not alone. States across the country are facing large budget gaps during this global pandemic," Gov. Tim Walz said in a statement. "We have challenges ahead, but we will continue to make smart fiscal decisions and request aid from the federal government to help our state manage this difficult time."

Minnesota has received more than \$2 billion from the federal government in coronavirus relief, but that money cannot be used to fill gaps in revenue collections. The state's total two-year budget is roughly \$48 billion.

Unlike many states, Minnesota has a budget reserve that's filled automatically when revenue comes in higher than expected. Over the years, it's grown to nearly \$2.4 billion, with \$350 million in a cash flow account. But as the deficit grows, lawmakers are facing potential budget cuts or calls for tax increases to fill the gap. Lawmakers are constitutionally required to pass a balanced budget for 2022 and 2023 by next summer.



Minnesota Management and Budget Commissioner Myron Frans said in a new planning estimate Friday that the pandemic has made economic conditions "extremely volatile."

Coronavirus impact on MN finances: Possible \$7 billion hole projected over 3 years

By [DAVE ORRICK](#) | dorrick@pioneerpress.com | Pioneer Press

PUBLISHED: July 31, 2020 at 5:36 p.m. | UPDATED: August 1, 2020 at 12:07 p.m.

The coronavirus pandemic's impact on Minnesota government coffers is not good.

That part we've known for some time.

On Friday, state finance officials, armed with income tax payments from earlier this month, [clarified how not-good they think the picture is](#): Over the next three years, a roughly \$7 billion budget shortfall looms for Gov. Tim Walz and lawmakers.

Tax revenue paid to the state has dropped as the coronavirus and its response has crippled the economy. Nearly 890,000 Minnesotans have filed unemployment claims since early March and [1,600 residents have died](#) from the virus.

The \$7 billion figure comprises two figures, each of which will be tackled differently:

- **A \$2.4 billion hole** in the current two-year \$48.3 billion budget. That projection [was announced in May](#), and it appears to have held up. The state could cover it with its rainy day fund, but the state's top finance official, Management and Budget Commissioner Myron Frans, has cautioned against draining that fund. The current Legislature and Walz will have to tackle this shortfall before the end of the state's current two-year budget cycle, which ends June 30, 2021.
- **A \$4.7 billion hole** in the 2022-2023 budget cycle. In a May report, Frans and other state officials declared "it is likely that the negative impact on the state budget in the next biennium will be significant," but at the time they said it was impossible to quantify. Friday's announcement quantified it. This projected shortfall will ultimately need to be addressed by Walz and the next Legislature, which will be elected in November and take office in January.

In a statement Friday, Walz, a Democrat, said this: "Minnesota is not alone. States across the country are facing large budget gaps during this global pandemic. We have challenges ahead, but we will continue to make smart fiscal decisions and request aid from the federal government to help our state manage this difficult time."



[State commissioner says “everything will be on the table” to solve budget deficit](#)

Posted on [September 25, 2020](#) by [mnmsba](#)



[Minnesota Management and Budget Commissioner Jim Schowalter](#) told members of the Big 4 group that the state budget is out of whack from the pandemic. He urged schools, counties, cities and township leaders to all pull together to get out of the shortfall.

Schowalter is looking at a \$2.3 billion deficit in the state budget this year and a \$4.7 billion structural gap, starting in July 2021. Luckily, he said, the state has \$2.4 billion in budget reserves and will need to look at how to best use any federal COVID-19 funds. The budget is not only a numbers exercise, he said, but also a statement of values and vision.

“Everything will be on the table,” Schowalter said, “including past options of shifts, unallotments, along with cuts.”

He is expecting the state revenue forecast in early December to shed more direction on what the state needs to do. “We’re approaching the pandemic response carefully, knowing the state is not going to have a large kitty for any kind of response moving forward.”

When asked specifically about funding the recommendations from the [School Finance Working Group](#), Schowalter said those recommendations will have a difficult reckoning. Since the group work began when the state had a surplus, some recommendations may no longer have the financial supports needed.

He said the overall budget situation will be similar to when Gov. Mark Dayton got the state out of the deficit: “We’re all going to be put in uncomfortable positions. Ultimately, we all have to pull together and find a way through it.”

The Big 4 group is comprised of MSBA, the League of Minnesota Cities, the Association of Minnesota Counties, and the Minnesota Association of Townships.