



# Governor's 2025 Education Budget Proposals

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# Ten Minnesota Commitments to Equity

1. Prioritize equity.
2. Start from within.
3. Measure what matters.
4. Go local.
5. Follow the money.
6. Start early.
7. Monitor implementation of standards.
8. Value people.
9. Improve conditions for learning.
10. Give students options.



## Recent Past Investments

- 2023 legislative session education spending
  - \$2.54B for 24/25 biennium
  - \$3.3B for 26/27 biennium
- 2024 legislative session education spending
  - \$43M for 24/25 biennium
  - \$18M for 26/27 biennium

## Current Context

- 2024 November forecast
  - \$616M projected balance in 26/27 biennium
  - \$5.1B projected shortfall in 28/29 biennium
- Current legislative session
  - 34-33 DFL majority in Senate; power-sharing agreement has terminated
  - 67-66 GOP majority in House; power-sharing agreement effective as of 2/5

# Governor's 2025 Education Budget Context

- Investments
- Cost-neutral proposals
- Reductions

# Compensatory Revenue Modification

- Extend a hold-harmless provision for the compensatory revenue calculation into FY 2026
  - This is a one-year hold harmless based on fall child count from the greater of FY2024 or FY2026
  - The current law compensatory calculation will begin again in FY2027 if no other changes are made to the law
- Governor recommends the creation of a working group to study various compensatory revenue calculations
- \$39.77 million in fiscal year FY2026 and \$4.419 million in FY2027
- Minnesota Statutes 126C.10 subdivision 3

# Unemployment Insurance Aid

- The 2023 legislative session appropriated \$135 million for unemployment insurance (UI) aid reimbursements to LEAs for summer-term workers
- Proposed \$30 million in fiscal year FY2026 for a onetime UI aid increase with the intention of the closure of aid payments at the end of FY2026
- The UI aid program has been in place for 2 years with an estimated payment of \$44 million in FY2024 and \$58 million in FY2025 which leaves and \$33 million in the UI special revenue fund.
- In order to close out FY2026 and not prorate aid, these additional funds are necessary
- Minnesota Statutes 124D.995

# Literacy Incentive Aid

- Revise Literacy Incentive Aid (LIA) formula by eliminating MCA data (proficiency and growth) as a factor and replacing with poverty data.
- Replaces proficiency and growth portions of the aid calculation with a poverty-based calculation
- The proposal does not modify the eligible uses of LIA
- The recalculation of the aid will be revenue neutral
- Minnesota Statutes 124D.98

# Special Education Transportation Reimbursement

- Changing the percentage of transportation costs that are eligible for reimbursement under the initial aid calculation in the state special education funding formula
- This proposal changes the initial aid calculation starting in state fiscal year (SFY) 2026 to fund transportation at ninety -five percent
- SFY 2027 and later years special education transportation will be funded at ninety percent
- This results in a reduction of \$48.628 million in Fiscal Years (FY) 2026-2027 biennium and \$54.86 million in FY 2028-2029 biennium
- Minnesota Statutes 125A.76



# Nonpublic Pupil Education Aid

- Eliminating the nonpublic pupil aid starting in Fiscal Year (FY) 2026.
- School district obligations for this program would also be eliminated
- There are three basic categories of nonpublic pupil aid supporting the following services:
  - Textbooks, individualized instructional materials, and standardized tests
  - Health services
  - Guidance and counseling services
- This results in a reduction of \$52.522 million general fund in Fiscal Year (FY) 2026 and FY 2027 biennium and \$56.414 million in FY 2028 and FY 2029 biennium
- Minnesota Statutes 123B.40-123B.48

# Nonpublic Pupil Transportation Aid

- Eliminating the nonpublic pupil aid starting in Fiscal Year (FY) 2026
- School district obligations for this program would also be eliminated
- This results in a reduction of \$56.218 million in FY 2026 -2027 biennium and \$58.437 million in FY 2028 –2029 biennium
- Minnesota Statutes 123B.86

# Alternative Teacher Compensation (QComp)

- Estimated that 111 school districts, 71 charter schools, one intermediate district and one education district are implementing QComp
- Proposed closure of the program in Fiscal Year 2027
- Districts will receive revenues associated with FY2026 with a clean up payment in FY2027
- Payable 2026 (FY2027) levy associated with the program will be adjusted and closed out
- Any remaining reserve funds must be used for teacher incentive pay until funds are exhausted.
- This results in a reduction of \$78.705 million in Fiscal Year 2027 and \$173.137 million in FY 2028 and FY 2029 biennium. There would also be a \$39.5 million reduction in levy beginning in Fiscal Year 2027.
- Minnesota Statutes 122A.414-122A.417

- **Collaborative Urban and Greater Minnesota Educators of Color Grant**
  - No cost transfer from PELSB to MDE
  - Increase administrative set-aside
- **Transfer Teacher Mentorship and Retention**
  - No cost transfer of the Teacher Mentorship and Retention grants from PELSB to MDE
  - Increase administrative set-aside
  - Ongoing funds would be used for competitive grants to increase teachers of color and American Indian teachers across the state

# Student Support Personnel

- **Student Support Personnel Aid uses modified**
  - Allows the aid to be directed directly to cooperative units rather than funds flowing through member districts
  - Allow LEAs, who are unable to hire a student support personnel to use funding for
    - Maintaining student support personnel position if they will be lost due to declining enrollment
    - Cover the costs of planning and implementing job embedded coaching
    - Covering the material costs of evidence-based, culturally responsive curriculums and programs
- **Rename student support personnel pipeline**
  - Change the name of the program to the "Student Support Personnel Pathway Grant"

# American Indian Education

- **Tribal Contract Schools eligible for grants**

- Allow Tribal Contract Schools to be eligible for any legislatively-created grant programs when school districts and charter schools qualify

- **Minnesota Indian Teacher Training Program**

- Clarify funds being used to prepare American Indians becoming teachers or support staff can only be used in K-12 educational settings

# Various Changes

- **Clarify Lease Levy**
  - Remove statutes not applicable to annual lease application approvals
  - Addition of a definition section to clarify terms used in the lease process
- **Modify Achievement and Integration Program and Administration**
  - Increase the A&I administrative set aside
  - Amend deadlines MDE must review district A&I goals
  - Direct districts to use 20% of their A&I funds to implement their improvement plans
- **Modify allowable uses for nonprofit food service expenditures**
  - Remove the ability for school administrators to charge their time to the nonprofit food service account for supervision unless a primary job duty of theirs
- **Repurpose summer food service program**
  - MDE will distribute funds to school food authorities that submit their eligible students' information to the S-EBT portal

# Legal and Agency Initiatives

- **Fraud Detection and Prevention**

- \$550,000 annually for three FTEs dedicated to fraud detection and prevention
- 1 OIG investigator, 1 legal counsel for Charters, 1 legal counsel for Nutrition

- **Legal Services Costs**

- One time \$6M to support legal costs of lawsuits and staffing.

- **Operating Adjustment**

- \$677,000 in FY26 and \$1.365M in years thereafter



# Thank You!

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