



HF 2433
Governor's 2025 Education Budget Proposals

House Education Finance Committee
March 27, 2025

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.



Governor's 2025 Education Budget

| (\$in thousands) | FY26 | FY27 | F28 | F29 |
|--|-----------|-----------|-----------|-----------|
| Increase | 87,394 | 7,479 | 1,915 | 1,915 |
| Decrease | (106,962) | (245,821) | (234,118) | (233,538) |
| Total Change | (19,568) | (238,342) | (232,203) | (231,623) |
| <i>*Programs transferred from the Professional Licensing and Stands Board (PELSB) to MDE not included in increase above as proposals are budget neutral.</i> | | | | |

2025 February forecast

- \$456M projected balance in 26/27 biennium; \$160M lower than November Forecast
- \$5.9B projected shortfall in 28/29 biennium; \$852M higher than the November Forecast

Unemployment Insurance Aid (Article 1: Section 12)

- **To pay summer-term unemployment (UI) as all aid through the end of FY2026, \$30 million would be added to the special revenue fund to ensure aid payments would not need to be prorated.**
 - Initial aid for summer-term UI was \$135 million
 - Aid disbursements of \$102 million are estimated for FY2024 and FY2025, leaving \$33 million left in the fund going into FY2026
 - Current FY2026 estimated summer-term UI costs are \$63 million.
- Estimated savings in special education of approximately \$24.459 million due to prior estimates of some summer-term UI costs being moved to special education. This savings will show in special education aid.

Compensatory Revenue Modification (Article 1: Section 6-8,11)

- **Extend stability for the compensatory revenue calculation into FY 2026**
 - Uses greater of FY2024 or FY2026 compensatory pupils, including both paper forms and direct certification
 - Formula will have same components as the current FY2025 revenue calculation
 - Investment: \$50.073 million (FY2026), \$5.564 million (FY2027)
- **Governor recommends the creation of a working group to study various compensatory revenue calculations**
 - The working group is expected to cost \$94 thousand in FY 2026
- **This funding is for one year only**

Additional No Cost Items

- **Minnesota Indian Teacher Training Program (Art. 4, Sec. 1)**
 - Extends clarification the program prepares American Indian people to be teachers or support staff solely in E -12 educational settings
- **Full-Service Community Schools**
 - Recommendation that the 2023 appropriation for Minnesota Full-Service Community Schools grant program be certified, or extended, through June 30, 2027
 - The original appropriation was a biennial appropriation that under current law will cancel June 30, 2025. MDE may provide districts with implementation grants for 3 years
 - Because the program is designed for recipients to receive 3 years of grant funds, the extension will better align the availability of the appropriation with the grant cycle

Additional No Cost Items

- **Fraud Detection and Prevention**

- Amending the statutory application criteria for non-school sponsors in the Child and Adult Care Food Program (CACFP) and Summer Food Service Program (SFSP) to include staffing requirements and growth restrictions, as well as provide board of director guidance and information on appropriate salary ranges.

- **Early Childhood Literacy Grants**

- This proposal would adjust statute to ensure that the early childhood literacy grants, traditionally allocated to Reading Corps, continue to be administered by MDE rather than DCYF.

Reduce Grow Your Own (GYO) Grant Program

- **The recommendation would reduce the GYO grant program by \$8,000,000 annually beginning in FY 2026**
 - The new base funding would be \$23.954 million annually
 - \$16 Million reduction in FY 2026 - 2027 biennium and \$16 Million reduction in FY 2028 - 2029 biennium
- Program demand has been steady and based on previous grant cycles, sufficient funds will exist to meet demand

Reduce School Library Aid

- **The recommendation would reduce the School Library Aid to LEAs by \$7.500 million in FY 2027 and \$15.000 million in FY 2028 – 2029 biennium**
 - This is roughly a 32% reduction in aid
- School library aid provides aid to school districts and charter schools to help pay for specific costs within a school library.
 - Schools must reserve and use school library aid to directly fund the following costs within a library:
 - Salaries and benefits of a school library media specialist;
 - Electronic, computer, and audiovisual equipment;
 - Information technology infrastructure and digital tools;
 - Electronic and material resources; or
 - Furniture, equipment, or supplies

Eliminate Computer Science Education Advancement Program

- **The recommendation would eliminate the Computer Science Education Grants program**
 - This results in a total reduction is \$1 million in FY 2026 -2027 biennium and \$1 million in FY 2028 –2029 biennium
 - This would result in the elimination grants for computer science education advancement activities
 - Also eliminates the computer science supervisor position at MDE

Eliminate Long-Term Facilities Maintenance (LTFM) for Charters Schools

- **The recommendation would eliminate the LTFM aid for charter schools**
 - This results in a total reduction of revenues for charter schools by \$19.993 million in the FY 2026 -2027 biennium and \$22.194 million in FY 2028 –2029 biennium
- Under Minnesota Statutes, charter schools are not allowed to own buildings, instead they either lease buildings for their facilities needs or create an affiliated building company to own a building and lease the building from the subsidiary. Charter schools have been receiving \$132 per adjusted pupil unit since FY2016 - 17. The revenue may be spent on any purpose related to the general operations of the school.

Eliminate Special Education Charter Tuition Adjustment

- **The recommendation would eliminate the unreimbursed tuition billing cost that is covered by the state beginning in FY 2026.**
 - This results in a reduction of \$20.932 million in FY 2026 -2027 biennium and \$25.710 million in FY 2028 –2029 biennium
- Districts and charters currently tuition bill 80% of their unreimbursed cost for open enrolled students.
- Charters will continue to be reimbursed roughly 90 - 92% annually for their eligible special education program costs.

Reduce Community Education Equalization Aid

- **The recommendation would reduce the community education funding equalization aid formula**
 - Reduction of \$14.999 million in equalization aid for the FY 2026 - 2027 biennium and \$15 million in FY 2028 - 2029 biennium
- Resulting in an increase for that same amount in local school district levies
- The proposal does not change the programmatic aspect of Community Education, just the underlying revenue calculation and funding source

Eliminate Compensatory Pilot Program

- **The recommendation would eliminate the Compensatory Revenue Pilot Program beginning in FY2027**
 - This would result in a total reduction of \$6.593 million in FY 2026 -2027 biennium and \$14.650 million in FY 2028 –2029 biennium
- The pilot program started in 2005 with five school districts, seven districts now receive the additional compensatory revenue: Albert Lea, Anoka Hennepin, Brooklyn Center, Osseo, Robbinsdale, Rochester, and South Washington County

Reduce Telecommunication Equity Aid

- **The recommendation would reduce the Telecommunication Equity Aid program**
 - This would result in a reduction of \$750,000 in the FY 2026 -2027 biennium and \$750,000 in FY 2028 –2029 biennium
 - This is an annual 10% reduction of aid
- The program provides telecommunication and internet access funding for public and nonpublic schools in Minnesota
 - To qualify for the aid, school districts and charter schools must submit their actual telecommunications and Internet access costs to the Commissioner of Education and file applications for federal Internet funds (commonly referred to as e-rate funds) the primary reimbursement method for schools

Nonpublic Pupil Transportation Aid (Article 1: Section 1-5,9,14)

- **The recommendation would eliminate the nonpublic pupil transportation aid starting in Fiscal Year (FY) 2026**
 - This results in a reduction of \$57.482 million in FY 2026 -2027 biennium and \$61.346 million in FY 2028 –2029 biennium
 - School district obligations for this program would also be eliminated
 - The reduction includes the 10% reconciliation payment from FY2025
 - Additional reduction due to interaction with Transportation Sparsity of \$543,000 in FY 2027 and \$1.324 million in FY 2028 –2029 biennium

Nonpublic Pupil Education Aid (Article 1: Section 14)

- **The recommendation would eliminate the nonpublic pupil aid starting in Fiscal Year (FY) 2026.**
 - This results in a total reduction of \$52.509 million general fund in FY 2026 - 2027 biennium and \$57.665 million in FY 2028 –2029 biennium
 - School district obligations for this program would also be eliminated
 - The reduction includes the 10% reconciliation payment from FY2025
- 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

Alternative Teacher Compensation (QComp) (Article 3: Section 1-4, 15, 17)

- **The reduction would eliminate the Alternative Teacher Compensation program beginning in Fiscal Year 2027**
 - This results in a reduction of \$79.064 million in Fiscal Year 2027 and \$173.925 million in FY 2028 –2029 biennium. There would also be a \$40 million reduction in levy beginning in Fiscal Year 2027.
 - Estimated that 111 school districts, 71 charter schools, one intermediate district and one education district are implementing QComp
 - 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.

Special Education Transportation Reimbursement (Article 5: Section 1)

- **The recommendation would decrease the Special Education Transportation reimbursement percentage rate.**
 - This results in a reduction of \$53.880 million in FY 2026 -2027 biennium and \$60.169 million in FY 2028-2029 biennium
- For School Fiscal Year 2026 (SFY26), 95% of eligible expenses will be reimbursed
- For SFY27 and beyond, 90% of eligible expenses will be reimbursed.
 - While the proposed change would occur in the initial aid calculation, the cross-subsidy reduction aid will continue to cover fifty percent of all unreimbursed special education costs starting in SFY 2027. Therefore, the cross-subsidy reduction aid will cover fifty percent of the lost ten percent of initial aid.

Thank You

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