

**HF2210 - 1A - School Unemployment Aid Appropriated**

Chief Author: **Lucille Rehm**  
 Committee: **Education Finance**  
 Date Completed: **3/19/2025 4:11:36 PM**  
 Agency: **Education Department**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	29,317	47,915	(42,048)	(19,174)	
<b>Total</b>	<b>-</b>	<b>29,317</b>	<b>47,915</b>	<b>(42,048)</b>	<b>(19,174)</b>	
<b>Biennial Total</b>			<b>77,232</b>		<b>(61,222)</b>	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Alyssa Holterman Rosas      **Date:** 3/19/2025 4:11:36 PM  
**Phone:** 651-284-6439      **Email:** alyssa.holterman.rosas@lbo.mn.gov

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029	
General Fund	-	29,317	47,915	(42,048)	(19,174)	
<b>Total</b>	-	<b>29,317</b>	<b>47,915</b>	<b>(42,048)</b>	<b>(19,174)</b>	
			<b>77,232</b>		<b>(61,222)</b>	
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	29,317	47,915	(42,048)	(19,174)	
<b>Total</b>	-	<b>29,317</b>	<b>47,915</b>	<b>(42,048)</b>	<b>(19,174)</b>	
			<b>77,232</b>		<b>(61,222)</b>	
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	
<b>Total</b>	-	-	-	-	-	
			-		-	

**Bill Description**

Section 1 modifies the expiration date of the School Unemployment Aid account in the special revenue fund from June 30, 2027 to June 30, 2028. Makes the section effective July 1, 2025.

Section 2 allows school districts to levy to pay for the district’s unreimbursed costs for summer school unemployment aid under Minnesota Statutes, 124D.995 for fiscal year (FY) 2028 and later. States that for FY 2028 and later, for special education paraprofessionals, a school district that chooses to include the special education paraprofessional’s unemployment costs in its special education reimbursement expenditures must exclude these same amounts from the school district’s unemployment levy.

Section 3 modifies the unemployment report and requires that MDE, in consultation with DEED, must separately identify special education paraprofessionals from other professionals in their report to the legislature. Makes the section effective for reports filed after July 1, 2025.

Section 4 appropriates \$30,000,000 in FY 2026 and \$70,000,000 in FY 2027 from the general fund to MDE for unemployment aid under Minnesota Statutes, section 124D.995. Makes it a onetime appropriation.

**Assumptions**

The 2023 legislature appropriated \$135,000,000 for the school unemployment aid account to reimburse school districts, charter schools, intermediate school districts, cooperative units, the Perpich Center for Arts Education, and the Minnesota State Academies for unemployment for summer term hourly school workers. The appropriation was transferred to the special revenue fund and allowed to be spend until the end of FY 2027.

In FY 2024, it is assumed that \$44,000,000 will be used from the unemployment aid account and it is estimated to increase to approximately \$58,000,000 in FY 2025. Therefore, it is assumed that \$33,000,000 in school unemployment aid will roll over from FY 2025 to FY 2026; FY 2026 will require an additional \$30,000,000 to fully fund school unemployment aid; and FY 2027 and later will require \$70,000,000 to fully fund school unemployment aid. MDE anticipates a small increase in unemployment reimbursement costs in FY 2027 due to increases in salary and inflation. The bill appropriates these amounts in FY 2026 and FY 2027.

MDE does not know if individual districts will choose to levy or receive state aid for their summertime unemployment insurance costs for special education paraprofessionals. Therefore, MDE provides three scenarios as shown below.

Table 1 shows the costs if 100% of districts levied for their special education costs. This would be all savings in state aid

because under current law, 100% of special education UI summer costs would be billed to special education. Table 2 shows the costs if 100% of districts choose to charge the cost to the state special education formula. Table 3 shown in the expenditure section splits the savings and assumes that roughly half the districts will elect to use levy to fund the special education unemployment insurance costs and the other half will charge the cost to the state formula. There is no way to run this through the forecast without picking each of the 329 district choices for them. Therefore, the figures in Table 3 show the amount calculated at the statewide level and this is what is being assumed for the purposes of this fiscal note.

It is assumed that charters/cooperatives will have \$9,500,291 in UI costs in FY 2028 and \$10,295,258 in UI costs in FY 2029 that can't be levied. This will be in all state aid in FY 2028 and later. This amount is then subtracted from the levy costs.

It is assumed MDE will have no additional costs for the additional reporting requirements under section 3 because MDE would use UFARS program codes to separate out the individuals at each LEA.

<b>Table 1. 100% SpEd Levy</b>	<b>SFY 2026</b>	<b>SFY 2027</b>	<b>SFY 2028</b>	<b>SFY 2029</b>	
School Unemployment Aid	30,000,000	70,000,000			
Special Education Savings with coops and charters still included	(779,351)	(25,084,464)	(44,575,408)	(31,235,844)	Entitlement
Current Year Payment	(683,179)	(21,989,041)	(39,074,803)	(27,381,341)	
Prior Year Payment		(96,172)	(3,095,423)	(5,500,605)	
Total Special Education Savings	(683,179)	(22,085,213)	(42,170,226)	(32,881,947)	Appropriation
<b>Total Bill Costs/Savings</b>	<b>29,316,821</b>	<b>47,914,787</b>	<b>(42,170,226)</b>	<b>(32,881,947)</b>	

<b>Table 2. No SpEd Levy</b>	<b>SFY 2026</b>	<b>SFY 2027</b>	<b>SFY 2028</b>	<b>SFY 2029</b>	
School Unemployment Aid	30,000,000	70,000,000			
Special Education Savings	(779,351)	(25,084,464)	(44,297,018)	-	Entitlement
Current Year Payment	(683,179)	(21,989,041)	(38,830,766)	-	
Prior Year Payment		(96,172)	(3,095,423)	(5,466,252)	
Total Special Education Savings	(683,179)	(22,085,213)	(41,926,189)	(5,466,252)	Appropriation
<b>Total Bill Costs/Savings</b>	<b>29,316,821</b>	<b>47,914,787</b>	<b>(41,926,189)</b>	<b>(5,466,252)</b>	

**Expenditure and/or Revenue Formula**

<b>Table 3. 50% SpEd Levy</b>	<b>SFY 2026</b>	<b>SFY 2027</b>	<b>SFY 2028</b>	<b>SFY 2029</b>	
School Unemployment Aid	30,000,000	70,000,000			
Special Education Savings	(779,351)	(25,084,464)	(44,436,213)	(15,617,922)	Entitlement
Current Year Payment	(683,179)	(21,989,041)	(38,952,784)	(13,690,671)	
Prior Year Payment		(96,172)	(3,095,423)	(5,483,429)	
Total Special Education Savings	(683,179)	(22,085,213)	(42,048,207)	(19,174,099)	Appropriation
<b>Total Bill Costs/Savings</b>	<b>29,316,821</b>	<b>47,914,787</b>	<b>(42,048,207)</b>	<b>(19,174,099)</b>	

The total cost of special education unemployment insurance is shown in Table 3a and Table 3b, broken out by districts and charters/cooperatives. It represents 50% of school districts and 100% of charters/cooperatives charging their special education unemployment insurance to the state special education funding formula. These amounts in Table 3b are not included in the levy amounts under the local fiscal impact.

Table 3a. SpEd Costs	SFY 2026	SFY 2027	SFY 2028	SFY 2029
District Costs	-	-	41,932,227	43,547,448
Cht/Coop Costs	-	-	9,500,291	10,295,258
<b>Total Costs</b>	-	-	51,432,518	53,842,706

Table 3b. 50% SpEd Levy	SFY 2026	SFY 2027	SFY 2028	SFY 2029
District Costs	-	-	20,966,114	21,773,724
Charter/Coops UI Costs	-	-	9,500,291	10,295,258
<b>Total Costs</b>	-	-	30,466,405	32,068,982

**Long-Term Fiscal Considerations**

MDE does not know if schools will stay consistent with choosing between levy and charging to special education. Financially, it is more beneficial for school districts to levy the special education portion because they would receive 100% reimbursement rather than the approximately 80% charged to special education. However, it is difficult for some districts to levy additional funds against their residents.

The bulk of the cost to the state will be in FY 2029 and later because special education aid is mostly based on prior year spending.

**Local Fiscal Impact**

Under the 50 percent scenario, it is assumed that levies will increase in FY 2028 and later.

Special Education summer UI was estimated to cost \$43,000,000 in FY 2023. To estimate the out years, MDE used a 4.6% inflationary factor. This will be reevaluated in fall 2025. For FY 2027 and later it is roughly \$49,000,000 and growing each year by 4.6%. This is the total cost to LEAs. Since over 99% of LEAs have paraprofessionals, the costs are just allocated based on each LEAs share of total program costs. This leads to roughly 80% belonging to districts and the remaining going to charters and coops. Therefore, the reductions to the amount levied in FY 2028 and FY 2029 are to account for the 20% share of the total (roughly \$50,000,000 each year) that would be paid by charters/coops and the 50% that would be paid by the districts (since we are assuming half of the districts would levy and the other half would use the state special education formula).

Levy	SFY 2026	SFY 2027	SFY 2028	SFY 2029
Total UI Costs			70,000,000	70,000,000
50% SpEd Levy			30,466,405	32,068,982
<b>Total Levy</b>			39,533,596	37,931,018

**References/Sources**

**Agency Contact:** Daley Lehmann (651) 582-8817, Paul Ferrin

**Agency Fiscal Note Coordinator Signature:** Betsy Hjelseth

**Phone:** 651-582-8242

**Date:** 3/19/2025 4:01:18 PM

**Email:** bettsy.hjelseth@state.mn.us