

Subject K12 Education Finance Bill

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Overview

HF 2433 is the Governor's education finance bill. The education finance bill modifies K12 programs and funding formulas and appropriates money for the 2026/2027 biennium.

Article 1: General Education

This article modifies general education, pupil transportation, and nonpublic pupil programs and appropriates money for K12 programs.

Section Description – Article 1: General Education

- 1 **Policy. [Nonpublic transportation]**
Limits the state's equal pupil transportation provisions to public school students only.
- 2 **General provisions. [Nonpublic transportation]**
Limits that state's equality of pupil transportation provisions to public school students only.
- 3 **Board control. [Nonpublic transportation]**
Eliminates references to nonpublic pupil transportation from the statute that gives the general charge and control of pupil transportation matters to the school board.
- 4 **Funds and aids. [Nonpublic transportation]**
Limits state pupil transportation aid for the equal benefit of pupil school pupils only.
- 5 **Definitions. [Pupil transportation]**
Removes references to, and definitions of, nonpublic pupil transportation from the definitions used in Minnesota's pupil transportation laws.
- 6 **Compensation revenue pupil units.**
Creates a one-time addition to compensatory revenue for fiscal year 2026 through a modification to the definition of compensation revenue pupil units. Defines the compensation revenue pupil units for fiscal year 2026 as the greater of the compensation revenue pupil units used to calculate fiscal year 2024 compensatory

Section Description – Article 1: General Education

- revenue or the compensation revenue pupil units used to calculate fiscal year 2026 compensatory revenue.
- 7 **Compensatory education revenue.**
Delays by one year (from fiscal year 2026 to 2027) the permanent switch to the new compensatory revenue formula based only on the count of eligible students identified through direct certification.
- 8 **Statewide compensatory allowance.**
Sets the compensatory allowance at \$6,904 for fiscal year 2027. Increases the compensatory allowance by rate of growth in the general education basic formula allowance for each subsequent fiscal year.
- 9 **Nonpublic aids.**
Eliminates nonpublic pupil aids (nonpublic pupil transportation aid and nonpublic pupil aid) at the end of fiscal year 2025. This elimination includes the 10 percent cleanup payment for fiscal year 2025 that would otherwise be paid in 2026.
- 10 **Effective date. [Compensatory revenue pupil units]**
Delays the repeal of the former definition of compensation revenue pupil units by one year (from fiscal year 2026 to 2027).
- 11 **Compensatory revenue working group.**
Establishes a compensatory revenue working group appointed by the commissioner of education. Specifies characteristics of working group members and requires the members to be appointed by September 15, 2025. Requires the commissioner to provide staff and technical assistance to the working group. Requires the working group to evaluate the formula components and projected outcomes of the compensatory revenue distribution formula. Requires the working group to submit a report to the education committees of the legislature by February 28, 2026.
- 12 **Appropriations.**
Appropriates money for general education programs. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>
- 13 **Revisor instruction.**
Proposes a revisor instruction to amend all K12 competitive grant programs to include school districts, charter schools, and Tribal contract schools.

Section Description – Article 1: General Education

14 Repealer.

Repeals the nonpublic pupil transportation aid and nonpublic pupil aid provisions of state statutes.

Article 2: Education Excellence

This article modifies the achievement and integration program requirements, literacy incentive aid uses and how aid is calculated, and appropriates money for education excellence programs.

Section Description – Article 2: Education Excellence

1 Timeline and implementation. [Achievement and integration revenue]

Requires school districts participating in the achievement and integration revenue program to submit their progress reports to the commissioner of education by October 15 of each year.

2 Initial achievement and integration revenue.

Increases the amount of achievement and integration revenue that is set aside for the Minnesota Department of Education (MDE) to administer the program from 0.3 percent to 1.3 percent of total achievement and integration revenue.

3 Commissioner authority to withhold revenue. [Achievement and integration]

Requires the commissioner of education to review each district's achievement and integration plan by January 1, instead of August 1, at the end of the district's third year of implementing its achievement and integration plan.

4 Literacy incentive aid uses.

Requires the portion of literacy incentive aid spent on screening and progress monitoring tools to be spent only on approved, evidence-based screening and progress monitoring tools.

5 Literacy incentive aid revenue.

Modifies literacy incentive aid revenue. Replaces the current revenue based on proficiency and growth measures to a formula based on pupil counts and student income status.

6 Statewide literacy incentive allowance.

Sets a per pupil statewide literacy incentive aid allowance in statute with the allowance equal to \$347.27 for fiscal year 2026, \$351.30 for fiscal year 2027, \$348.45 for fiscal year 2028, and \$348.54 for fiscal year 2029 and later.

Section Description – Article 2: Education Excellence

- 7 **Definitions. [Literacy incentive aid]**
Defines “poverty concentration factor” as the ratio of the sum of the number of students in the district eligible for free meals plus 0.5 times the number of students eligible for reduced price meals to the total enrollment of the school district. Defines each district’s literacy incentive aid allowance as the statewide literacy incentive allowance times the district’s poverty concentration factor.
- 8 **Free and reduced-price meals.**
Defines free and reduced-price meal eligibility to match the current federal nutrition program definitions. Authorizes a student to be counted either through direct certification or through the application for educational benefits (the paper form). Authorizes the commissioner to adjust the definition over time and establish guidelines for counting students.
- 9 **Appropriations.**
Appropriates money for education excellence programs. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>
- 10 **Repealer.**
Repeals the current funding mechanism for literacy incentive aid.

Article 3: Teachers

This article modifies teacher training and pathway programs, eliminates the alternative teacher compensation (QComp) program, and appropriates money for teacher programs for the 2026/27 biennium.

Section Description – Article 3: Teachers

- 1 **Planning year for program closure. [QComp revenue]**
Statutorily authorizes a school participating in the QComp program to plan for the proposed end of funding for the QComp program effective June 30, 2026. Allows a portion of the QComp revenue to be spent on this purpose. Requires a school district to continue to make performance payments to qualifying teachers, but allows those payments to be made in a subsequent year.
- 2 **Supplemental agreements; alternative teacher pay.**
Authorizes a school district and its teachers to reopen a collective bargaining agreement in order to eliminate its alternative teacher compensation (Q Comp) structure and system.

Section Description – Article 3: Teachers

- 3 Revenue amount. [QComp]**
Eliminates QComp revenue for fiscal year 2027 and later.
- 4 Basic alternative teacher compensation aid.**
Eliminates QComp aid for fiscal year 2027 and later.
- 5 Collaborative urban and greater Minnesota educators of color grant program.**
Transfers administration and oversight of the Collaborative urban and greater Minnesota educators of color (CUGMEC) program from the Professional Educator Licensing and Standards Board (PELSB) to MDE. Transfers classified and unclassified agency positions associated with CUGMEC from PELSB to MDE. Modifies criteria for awarding grants and allowable grant uses.
- 6 Grants. [Teacher mentorship programs]**
Transfers administration and oversight of the teacher mentorship and retention program from PELSB to MDE. Expands eligibility for grants.
- 7 Criteria for selection. [Teacher mentorship]**
Expands the teacher mentorship program priorities by excluding the current limitation to providing programming to only Tier 2 or Tier 3 teachers.
- 8 Program implementation. [Teacher mentorship programs]**
Eliminates a reference to PELSB as teacher mentorship program administration is transferred from PELSB to MDE.
- 9 Grant program administration. [Teacher mentorship programs]**
Eliminates references to PELSB as the teacher mentorship program’s administration and oversight is transferred from PELSB to MDE.
- 10 Report. [Teacher mentorship programs]**
Eliminates references to PELSB in the teacher mentorship program as program administration is transferred from PELSB to MDE.
- 11 Positions transferred. [Teacher mentorship programs]**
Transfers classified and unclassified agency positions for the teacher mentorship program from PELSB to MDE.
- 12 Student support personnel aid.**
Modifies the calculation and distribution of student support personnel aid to intermediate school districts and other cooperative units. Sets the new cooperative aid for each cooperative unit to the sum of: (1) \$100,000; (2) \$10,000 times the number of member school districts in excess of ten; (3) a proportionate share for

Section Description – Article 3: Teachers

- each cooperative equal to the greater of \$2.44 times the adjusted pupil units of all member districts or \$40,000 per member district; and (4) a proportionate amount of any remainder in the form and manner specified by the commissioner.
- 13 **Allowed uses. [Student support personnel aid]**
Authorizes a school district with declining enrollment that is unable to spend all of its student support personnel aid supporting new positions to spend student support personnel aid for the purpose of continuing to employ current student support personnel who would otherwise be laid off. Broadens uses of funding to include certain planning, staff development, and materials costs.
- 14 **Student support personnel workforce pathway.**
Replaces the term “pipeline” with “pathway” in the 2023 legislative session law for fiscal years 2024 and 2025 appropriations for the student support personnel workforce pathway program.
- 15 **Appropriations; MDE.**
Appropriates money for teacher programs overseen by MDE. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>.
- 16 **Appropriations; PELSB.**
Appropriates money for teacher programs overseen by PELSB. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>
- 17 **Repealer.**
Repeals the alternative teacher compensation (QComp) program for years after fiscal year 2026.

Article 4: American Indian Education

This article amends Minnesota’s K12 American Indian education programs and appropriates state aid for these programs.

Section Description – Article 4: American Indian Education

- 1 **Eligible programming. [American Indian teacher preparation grants]**
Restricts American Indian teacher preparation grants to students intending to teach in a kindergarten through grade 12 setting (currently the grants may also be used for prospective teachers intending to teach in higher education settings).

Section Description – Article 4: American Indian Education

- 2 **Revenue amount. [American Indian tribal contract schools]**
Removes from the state aid formula for Tribal contract schools a subtraction from the resident pupil count of the number of nonpublic students receiving nonpublic pupil aid (this is a corresponding change to the elimination of nonpublic pupil aid in article 1).
- 3 **Appropriations.**
Appropriates money for American Indian education programs. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>.

Article 5: Special Education

This article modifies the reimbursement for special education pupil transportation aid and appropriates money for special education programs.

Section Description – Article 5: Special Education

- 1 **Special education initial aid.**
Reduces the reimbursement percentage of school district special education pupil transportation expenses from 100 percent of the qualifying costs to 95 percent of the qualifying costs for fiscal year 2026 and 90 percent of the qualifying costs for fiscal year 2027 and later. Note that special education pupil transportation costs also include the costs associated with transferring Homeless and Highly Mobile students, students with a qualifying 504 plan, and students in care and treatment programs.
- 2 **Appropriations.**
Appropriates money for special education programs. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>

Article 6: Facilities

This article requires Minnesota Department of Education to perform a review and comment on certain facility lease arrangements and appropriates state aid for school facilities programs.

Section Description – Article 6: Facilities

- 1 **To lease building or land.**
Requires a school district or cooperative unit to submit to MDE proposed building plans and information for facilities financed through a lease for review and comment if the lease amount exceeds \$2,000,000. Requires the review and comment on

Section Description – Article 6: Facilities

- qualifying leases to include an analysis by MDE of the district’s statutory operating debt percentage.
- 2 **Definitions. [Capital levies]**
Defines terms used in the capital lease levy program including “capital lease,” “criteria of approval,” “instructional purposes,” “joint lease,” “operating costs,” “operational lease,” “rent or lease,” and “review and comment.”
- 3 **Appropriations.**
Appropriates state aid for facilities programs. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>.

Article 7: School Nutrition and Libraries

This article modifies school nutrition funding accounting, establishes a new distribution method for distributing limited administrative funds to schools for summer electronic benefit transfers (S-EBT), and appropriates money for school nutrition and library programs.

Section Description – Article 7: School Nutrition and Libraries

- 1 **School food service fund.**
Clarifies the administrative costs that may be charged to a school district’s food service fund.
- 2 **Summer Electronic Benefit Transfer Program replacement aid.**
Redirects state funds available to support data collection of students participating in the summer electronic benefit (S-EBT) from the department to the schools providing S-EBT data.
- 3 **Appropriations.**
Appropriates money for school nutrition and library programs. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>

Article 8: Early Childhood Education

This article appropriates money for early childhood programs that remain with the Minnesota Department of Education (most early childhood programs are now funded through appropriations to the Department of Children, Youth and Families).

Section Description – Article 8: Early Childhood Education

1 Appropriations.

Appropriates money for certain early childhood programs. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>

Article 9: Community Education and Lifelong Learning

This article appropriates money for community education and lifelong learning programs.

Section Description – Article 9: Community Education and Lifelong Learning

1 Appropriations.

Appropriates money for community education and lifelong learning programs. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>

Article 10: State Agencies

This article appropriates money to the Minnesota Department of Education, PELSB, the Perpich Center for Arts Education, and the Minnesota State Academies.

Section Description – Article 10: State Agencies

1 Department of Education. [Previous biennium appropriation for FY 24/FY 25]

Extends all of MDE’s fiscal year 2024 and 2025 unspent appropriations until June 30, 2027.

2 Appropriation; Perpich Center for Arts Education. [Previous biennium appropriation for FY 24/FY 25].

Extends the Perpich Center’s fiscal year 2024 appropriation for furniture replacement until June 30, 2027.

3 Education. [Cannabis education]

Extends the 2023 cannabis act appropriations for the Department of Education until June 30, 2027.

4 Commissioner of education. [DCYF 2024 Session for EBT and operating adjustment].

Extends the 2024 session appropriations for the Department of Education from the children and families act for S-EBT and the operating adjustment until June 30, 2027.

Section Description – Article 10: State Agencies

- 5 **Appropriations; Department of Education.**
Appropriates money for the Minnesota Department of Education for fiscal years 2026 and 2027. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>
- 6 **Appropriations; Minnesota State Academies.**
Appropriates money for the Minnesota State Academies for fiscal years 2026 and 2027. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>
- 7 **Appropriations; Perpich Center for Arts Education.**
Appropriates money for the Perpich Center for Arts Education for fiscal years 2026 and 2027. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>
- 8 **Appropriations; Professional Educator Licensing and Standards Board.**
Appropriates money for the Professional Educator Licensing and Standards Board (PELSB) for fiscal years 2026 and 2027. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>

Article 11: Forecast

This article makes forecast adjustments to the fiscal year 2025 appropriations.



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