

Financing Education In Minnesota 2025-2026



A Publication of the Minnesota House of Representatives
Fiscal Analysis Department

October 2025

Financing Education in Minnesota

2025-2026

A Publication of the Minnesota House of Representatives Fiscal Analysis Department

For additional information, contact:

Solveig Beckel
Fiscal Analyst, E-12 Education Finance
Minnesota House of Representatives
Fiscal Analysis Department

Centennial Office Building
658 Cedar St., Suite 3NW
St. Paul, Minnesota 55155

(651) 296-4162
solveig.beckel@house.mn.gov

Additional copies of this publication are available upon request,
or online at the [MN House Fiscal Analysis website](#).
(Please scroll to the bottom of the page and find it under “Other Documents.”)

Table of Contents

Introduction	5
Minnesota Education Finance Terms	6
Part 1: The General Education Program	6
Part 2: Student Counting	14
Part 3: Other Education Finance Terms	16
General Education Program Revenue	19
Basic Aid	20
Extended Time Revenue	21
Gifted and Talented Revenue	22
Small Schools Revenue	23
Declining Enrollment Revenue	24
Local Optional Revenue	25
Basic Skills Revenue	26
Secondary Sparsity Revenue	31
Elementary Sparsity Revenue	32
Operating Capital Revenue	33
Transportation Sparsity Revenue	34
Equity Revenue	36
Transition Revenue	39
Pension Adjustment Revenue	41
Referendum Revenue	42
Reserved Revenue and Reductions	45
K-12 Categorical Programs	46
Special Education	46
American Indian Education Aid	53
Alternative Teacher Compensation Revenue (Q-Comp)	54
Permanent School Fund Revenue	56
Permanent School Fund Supplemental Aid	57
Long-Term Facilities Maintenance Revenue	58
Debt Service Revenue	62
Telecommunications/Internet Access Equity Aid	65
Career and Technical Education Revenue	67
Achievement and Integration Revenue	69
Literacy Incentive Aid	72
Nutrition Programs	72
Library Programs	73
Nonpublic Pupil Programs	73
Personnel Programs	74
Miscellaneous Revenue Programs	76
Charter School Revenue	77
Family and Early Childhood Categorical Programs	80
Adult Basic Education	80
Adults with Disabilities	83
Early Learning Scholarships	85

Voluntary Pre-Kindergarten Program	86
Community Education	88
Early Childhood Family Education.....	90
School Readiness	92
School Readiness Plus.....	93
School-Age Care / Disabled.....	94
Other Categorical Family and Early Childhood Revenues.....	95
Property Taxes	96
Property Tax Relief Aids	96
Market Value Exclusion	96
Agricultural Credits.....	96
Referendum Tax Base Replacement Aid	97
Property Tax Calculation – Residential Property	98
Property Tax Calculation – Agricultural Homestead Property.....	99
Agricultural Homestead Market Value Credit	100
Effect of Tax Relief Aids on School District Revenue	101
Finances	102
Education Finance Appropriations	102
School District Property Tax Levies.....	103
Property Tax Aids & Credits Payments to School Districts	104
Education Revenue Sources	105
Additional Resources	106

Table of Figures

Figure 1: General Education Program Components (FY 2026).....	6
Figure 2: Annual Formula Allowances & Tax Rates, 2012-2026	7
Figure 3: Student Counting Infographic.....	14
Figure 4: Property Tax Levy Timeline	18
Figure 5: School District Referendum Market Values & Levies	44
Figure 6: LTFM Revenue Visualization	61
Figure 7: Debt Service Revenue Visualization	64
Figure 8: Levy Timeline for School Districts, FY 2026 Career & Technical Education	67
Figure 9: VPK Program Spending, FY 2020-2024	87
Figure 10: Education Finance General Fund Appropriations, FY 2026-27	102
Figure 11: Statewide School Property Tax Levies by School District Fund, FY 2026-27	103
Figure 12: FY 2026, Pay 2025 Levies.....	103
Figure 13: Property Tax Aids & Credits to School Districts, FY 2026-27	104
Figure 14: FY 2026 Property Tax Aids & Credits Payments.....	104
Figure 15: State & Local School District Revenue, FY 2026-27	105
Figure 16: FY 2026 Total State & Local Revenue: \$16,803,702,414	106

Introduction



“The stability of a republican form of government depending mainly upon the intelligence of the people, it is the duty of the legislature to establish a general and uniform system of public schools. The legislature shall make such provisions by taxation or otherwise as will secure a thorough and efficient system of public schools throughout the state.”

- Minnesota Constitution, Article XIII, Section 1

The financing of elementary and secondary education in Minnesota comes through a combination of state-collected taxes (primarily income and sales) and locally collected property taxes. Revenue to school districts is received in three major categories, all of which are described in greater detail in this booklet. In summary, the three categories are:

(1) State Education Finance Appropriations (funded with state-collected taxes)

- a) General Education Aid - The largest share of the education finance appropriation, general education aid, is intended to provide basic financial support for the education program.
- b) Categorical Aids - Categorical revenue formulas are generally used to meet costs that vary significantly among districts (i.e., special education) or promote certain types of programs (i.e., literacy incentive aid, adult basic education aid).

(2) State Paid Property Tax Credits (funded with state-collected taxes)

Property tax credits reduce the amount of property taxes paid. To make up for this reduction, the state pays the difference between what was levied in property taxes and what is actually received in property taxes to school districts and other taxing districts.

(3) Property Tax Levies

Property tax levies are made with voter approval, or at the discretion of individual school boards, within statutory limits or for specific expenditures in categories authorized in law. The largest share of the property tax levies made by school districts is from voter-approved levies (or referendums): the excess operating referendum and debt service levies.

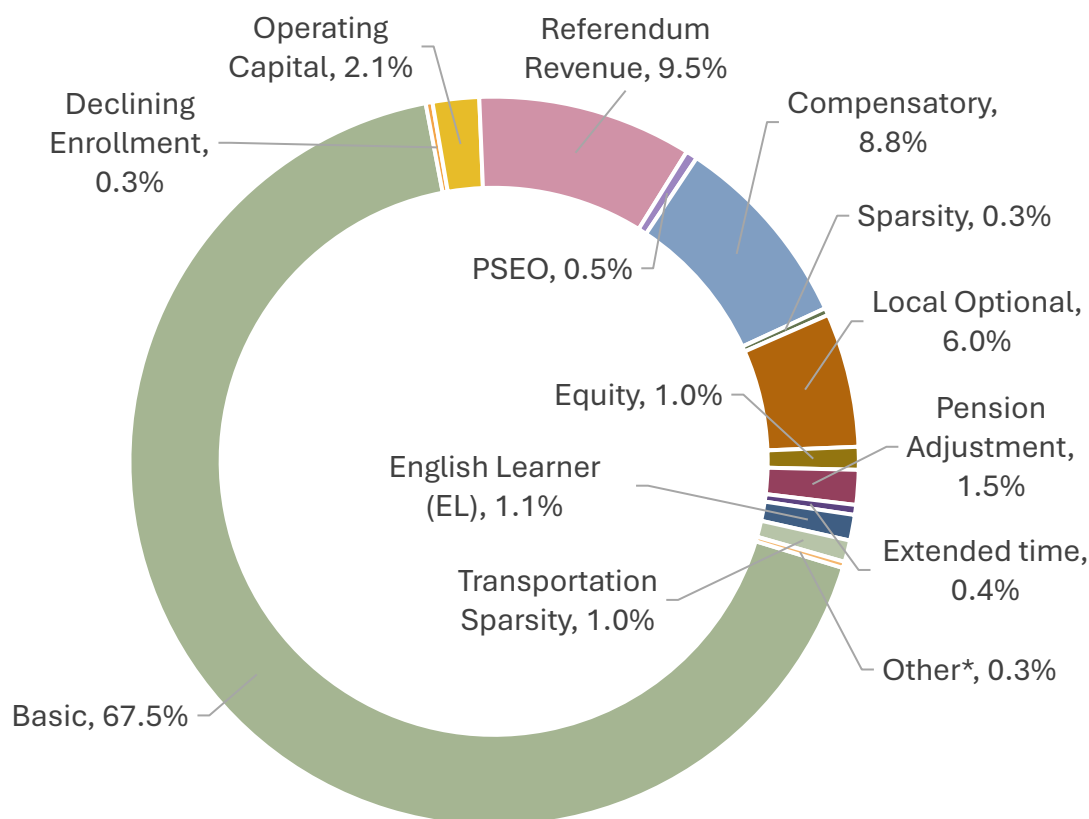
Minnesota Education Finance Terms

Part 1: The General Education Program

The general education program, which has several components, is the method by which school districts receive the majority of their financial support. The chart below illustrates the various categories of general education funding and the narrative that follows explains each category in detail.

**Note: Fiscal Year 2026, or “FY 2026” is the 2025-2026 school year.*

Figure 1: General Education Program Components (FY 2026)



**Other includes Transition Aid, Small Schools, Gifted & Talented, and various other adjustments.*

1. Basic General Education Formula Revenue

The basic general education formula establishes the minimum level of funding for school districts. Basic general education aid is determined by multiplying the formula allowance by adjusted pupil units (APU). The basic formula allowance is set for each year in legislation. For FY 2026, the basic formula allowance is \$7,481. School districts and charter schools will receive roughly \$6.934 billion in basic formula allowance revenue in FY 2026.

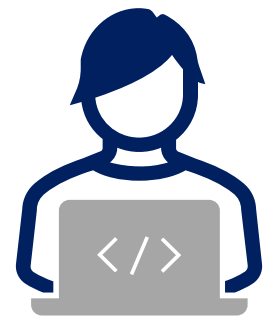
Figure 2: Annual Formula Allowances & Tax Rates, 2012-2026

School Year	Basic Formula Allowance	Tax Rate
2012-13	\$5,224	0.00%
2013-14	\$5,302	0.00%
2014-15	\$5,831	0.35%
2015-16	\$5,948	0.33%
2016-17	\$6,067	0.30%
2017-18	\$6,188	0.14%
2018-19	\$6,312	0.00%
2019-20	\$6,438	0.00%
2020-21	\$6,567	0.00%
2021-22	\$6,728	0.00%
2022-23	\$6,863	0.00%
2023-24	\$7,138	0.00%
2024-25	\$7,281	0.00%
2025-26	\$7,481	0.00%

Beginning in FY 2026, charter schools' general education revenue is increased by an adjustment of \$132 per adjusted pupil unit. This is in lieu of Long-Term Facilities Maintenance Revenue, which provided the same amount of revenue per pupil for charter schools prior to changes made by the 2025 Legislature. Statewide, for FY 2026, charter schools will receive a total of \$10.4 million in this basic aid charter school adjustment.

2. Extended Time Revenue

Extended time allows students to generate up to an additional 0.2 (for a total of 1.2 maximum) average daily membership (ADM), which is then used to calculate the district's weighted pupil count. The weighted pupil count is multiplied by the extended time allowance, currently set at \$5,117, to calculate extended time revenue. The revenue can be used for extended day, week, or year programs; vacation break academies and summer term academies; and education services for pupils in day treatment programs and/or children's residential facilities. Charter schools operating an extended day, extended week, or summer program are eligible for extended time revenue equal to 25 percent of the statewide average extended time revenue per adjusted pupil unit. For FY 2026, charter schools that receive extended time revenue will receive \$13 per adjusted pupil unit. 139 districts and 24 charter schools qualify for a total of \$45.5 million in extended time revenue.



3. Gifted and Talented Revenue

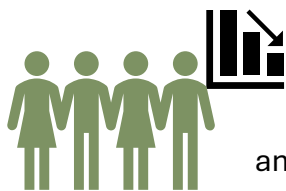
Districts qualify for \$13 per pupil for gifted and talented revenue. Gifted and talented revenue must be used to identify gifted and talented students, to provide programming for those students, and to provide staff development for teachers of those students. All districts and charter schools qualify for a total of \$12.1 million in gifted and talented revenue in FY 2026.

4. Small Schools Revenue

School districts (excluding charter schools) with fewer than 960 pupil units qualify for small schools revenue, with the revenue amount per pupil increasing as the enrollment of the district decreases. The small schools revenue program includes small high schools in districts with more than one high school in geographically isolated areas. The maximum amount a district could theoretically qualify for under the formula is \$544 per pupil. In FY 2026, 167 school districts qualify for \$16.7 million in aid.

5. Declining Enrollment Revenue

Districts that experience declining enrollment from year to year are eligible for declining enrollment revenue. Prior to its establishment in FY 2015, declining enrollment revenue was captured as part of “marginal cost pupil unit” calculations in many funding formulas. Declining enrollment revenue acknowledges that lost per pupil funding due to fewer



students does not always align neatly with the district’s ability to cut its personnel and other operating costs. The declining enrollment formula is 28 percent (\$2,095 for FY 2026) of the current year formula allowance times the difference between the current year and previous year weighted pupil count. 229 districts and 47 charter schools qualify for a total of \$31.1 million in declining enrollment revenue for FY 2026.

6. Local Optional Revenue

Local optional revenue (LOR) allows school districts to access up to \$724 per adjusted pupil unit in school board-approved revenue.

Local optional revenue is an equalized levy formula – that is, the state pays in aid the difference between what is raised by a local levy and a guaranteed revenue amount. It is certified on referendum market value (RMV) and comprises two tiers. The first tier consists of \$300 per adjusted pupil unit equalized at \$880,000 of RMV per pupil, and the second tier, any amount between \$300 and \$724 per adjusted pupil unit, is equalized at \$642,038 of RMV per pupil for FY 2026. For FY 2027 and later, the second tier equalizing factor is \$671,345 of referendum market value per pupil. An estimated 328 districts chose to access local optional revenue in FY 2026. Total local optional revenue is projected to be \$613.3 million: \$563.7 million coming from local levy and \$49.6 million coming from state aid.

7. Basic Skills Revenue

Basic skills revenue includes compensatory, English learner (EL), and EL concentration revenues. The funding for basic skills revenue is based on separate formulas for the individual components. The components are:

- **Compensatory Education Revenue.** School sites attended by pupils who are eligible under the federal definition for free and reduced-price lunches generate compensatory education revenue based on the number of eligible pupils at each site. Compensatory revenue per pupil increases as the percentage of federally eligible free and reduced-price pupils at an individual school site increases (though the percentage is limited in statute). In statute, school boards may allocate up to 20 percent of compensatory revenue on a district-wide basis, with at least 80 percent remaining at the site that generates the revenue. For FY 2026 and FY 2027 only, the 2025 Legislature is allowing school boards to allocate up to 40 percent on a district-wide basis. To adjust for anticipated changes to free and reduced-price lunch reporting and changes to the compensatory formula, for FY 2026, compensation revenue pupil units will be set at the greater of FY 2024 or FY 2026 for each building in a district. Starting in FY 2028, the compensatory allowance will be linked to increases in the general education formula allowance.
- **English Learner (EL) Revenue.** Districts receive EL revenue based on the number and concentration of English learners enrolled. Students are eligible for EL revenue for up to seven years but may receive services as long as necessary. Per-pupil funding increases as the concentration of EL students increases, though the concentration percentage is capped in statute. Starting in FY 2027, districts will receive additional **English Learner Cross Subsidy Aid**, which recognizes that schools spend more on EL services than they receive in EL revenue. The English Learner Cross Subsidy Aid provides 25 percent of the gap in funding between what districts spent on EL funding the second previous year and what the state provided for EL funding the second previous year.

All operating* school districts receive a portion of \$1.019 billion in basic skills revenue for FY 2026, which includes roughly \$901.9 million in compensatory revenue and \$117.2 million in EL revenue.

8. Sparsity Revenue (Elementary and Secondary)

Sparsity revenue provides additional revenue for small and isolated schools. This revenue acknowledges the higher cost of necessarily small education programs, where options to increase the number of students in a school would require students to travel an unacceptable amount of time. There are two parts to the sparsity formula, one for secondary schools and one for elementary schools. The secondary school sparsity formula takes into

* Franconia and Prinsburg are nonoperating common school districts that do not serve students directly and so do not receive basic skills revenue.

account secondary school enrollment, distance from the secondary school to the next nearest secondary school, and the geographic area of the secondary school attendance area. The elementary sparsity formula provides additional funding for elementary schools that average 20 or fewer pupils per grade and that are 19 miles or more from the nearest elementary school. Districts that are relatively small in enrollment and large in geographic area tend to have the largest sparsity allowances. Charter schools are eligible for sparsity revenue based on the state average sparsity revenue per pupil. 103 districts and all charter schools receive a total of \$32.9 million in sparsity revenue for FY 2026.

9. Operating Capital Revenue

The operating capital formula has a component representing the former equipment and technology formulas (\$79 per pupil unit) and a component representing the former facilities formula (\$109 times the district's maintenance cost index). In 2023, the legislature added a third component of \$2 per pupil unit to fund the supply of menstrual products and opiate antagonists in schools. Operating capital revenue is also an equalized formula. The equalizing factor is \$22,912 for FY 2026 and beyond. Operating capital revenue ranges from \$190 to \$245 per adjusted pupil unit per district and totals \$212.3 million statewide for FY 2026.

10. Transportation Sparsity Revenue

Transportation sparsity revenue provides districts with additional funding based on the number of pupils per square mile in a school district. The transportation sparsity formula has two similar indices: the sparsity index and the density index, which are both calculated using a ratio of the square mileage of districts to their resident pupil units. The transportation sparsity revenue allowance for a district is the general education formula allowance multiplied by 0.141 (\$1,055 in FY 2026), times logarithms of first the sparsity index and then the density index. The product of the formula allowance times 0.0466 (\$349 in FY 2026) is then subtracted from the prior calculated amount and the difference is multiplied by a district's adjusted pupil units. Districts are also eligible for additional transportation sparsity revenue if a sufficient amount of their regular and excess pupil transportation costs are unreimbursed. In FY 2026, \$99.1 million of transportation sparsity revenue is divided among 318 districts and 112 charter schools.



11. Equity Revenue

Equity revenue is intended to reduce the per pupil disparity between the highest and lowest revenue districts on a regional basis. For the purposes of equity revenue, there are two regions in the state: the seven-county metropolitan area and the balance of the state. In



each region, districts are ranked according to their basic and referendum revenue. There are three components to the equity formula: regular, low-referendum, and supplemental. The regular component is based on a district's ranking in their region (rural or metro), the low-referendum component provides additional revenue for districts with referendum amounts below 10 percent of the state

average referendum amount, and the supplemental component is a fixed amount (\$50 per pupil) for all districts. Only districts below the 95th percentile of revenue in basic revenue, transition revenue, first tier local optional revenue, and referendum revenue are eligible for the regular and low-referendum equity revenue, except districts in cities of the first class as of July 1, 1999 (Minneapolis, St. Paul, and Duluth), which are automatically excluded. Equity revenue is an equalized formula, equalized at \$510,000 of referendum market value per resident pupil unit.

For the regular equity component, a district without an excess levy referendum is eligible for \$14 per pupil unit. A district with an excess levy referendum is eligible for \$14 per pupil unit, plus an additional amount based on its percentile ranking. To determine how much regular equity revenue a district receives, the district's equity index is calculated by dividing the difference between a district's basic revenue, transition revenue, first tier local optional revenue, and referendum revenue by the regional 95th percentile of basic and referendum revenue. The result is multiplied by \$80. The product of that calculation is added to the base \$14 to generate the district's equity revenue.

Districts with referendum amounts below 10 percent of the state average referendum amount are also eligible for the supplemental low-referendum equity portion of equity revenue. Qualifying districts receive an amount per pupil equal to the difference between their referendum amount and 10 percent of the state average referendum amount, with a \$100,000 limit.

The revenue amount resulting from both the regular and low-referendum equity calculations is then multiplied by 1.25 for all districts. This 1.25 factor has varied over time and between the two equity regions of the state but is currently the same for both regions.

Finally, all districts are eligible for additional equity revenue of \$50 per pupil.

Statewide, all districts qualify for equity revenue, sharing a total of \$104.2 million in FY 2026, with revenue amounts ranging from \$50 to \$169 per pupil per district.

12. Transition Revenue

Transition revenue guarantees that a district that changes to updated state funding formulas will not receive less money in the current year than it received in FY 2015, in essence a "hold harmless" provision. For example, the 2013 Legislature made changes to the special education revenue program. A district that received special education revenue under the pre-2013 funding formulas would be able to continue funding its program at the same level as FY 2015, regardless of changes to the formula that would otherwise indicate that the district is eligible for less revenue. Transition revenue is undesignated revenue that may be used for any general fund purpose. This revenue is a mix of aid and levy, levied against referendum market value using \$510,000 per pupil as the equalizing factor. For FY 2026, \$27.3 million of transition revenue is divided among 198 school districts and 34 charter schools.

13. Pension Adjustment Revenue

Pension adjustment revenue was established to fund legislative adjustments to teacher and support staff pensions. The formula is the greater of zero or the product of an adjusted number from FY 2014 times a district's APU for a given fiscal year plus the product of prior year retirement association members' salaries times the district's pension adjustment rate for a given fiscal year. For fiscal years 2026 and 2027, the total state pension adjustment revenue must not be prorated. For FY 2028 and later, state total pension adjustment revenue must be prorated to not exceed the total amount for FY 2027. All districts and charter schools are eligible to receive pension adjustment revenue, which statewide totals roughly \$158.9 million in FY 2026.

14. Referendum Revenue

Referendum revenue allows districts to increase their general fund revenue with the approval of the voters in the district, and in limited cases, by board approval. A referendum to obtain voter approval for an increase in general fund revenue may be held on the first Tuesday following the first Monday in November (Election Day). Elections may be held at a different time if the election is held by mail ballot. If a district is in statutory operating debt and receives the commissioner's approval, the district may hold an additional election on a different day. A referendum election may be held in the calendar year before it is levied or one year earlier.

Like local optional revenue, the referendum revenue formula is an equalized formula with two tiers. The referendum equalization revenue formula is as follows:

- First tier revenue (up to \$460 per pupil) is equalized at \$567,000.
- Second tier revenue (revenue from \$460 to 25 percent of the basic formula allowance, which is \$1,870 for FY 2026) is equalized at \$290,000. Districts that qualify for sparsity revenue are not subject to the second tier revenue limit of \$1,870 for equalization. All revenue above \$460 is eligible for equalization at the \$290,000 level for sparsity districts.



Equalization is used to apply a similar property tax burden to districts that have similar per pupil referendum revenues, but varying tax bases. The relationship of a district's referendum market value per pupil unit to the equalizing factor (\$567,000 in the case of the first \$460 of referendum revenue) indicates how much referendum revenue the district will receive from property taxes. If a district's property valuation per pupil unit were \$283,500 (50 percent of \$567,000), for example, the district would receive 50 percent of its revenue from its referendum levy and 50 percent from state equalization aid. If a district's referendum market value per pupil unit were greater than \$567,000, that district would receive all of its referendum revenue from the local levy. The closer a district's referendum market value per pupil is to \$0, the higher the percentage of state aid the district receives for referendum levies below \$460 per pupil. The same district with \$283,500 per pupil in market value would levy 98 percent ($\$283,500 / \$290,000 = 0.98$) of the revenue for a referendum amount between \$460 and \$1,820 per pupil.

Referendum revenue is calculated based on an adjusted pupil unit (APU) basis, which factors in open enrollment. *Referendum equalization aid* is computed on a resident pupil unit (or [WADM](#)) basis. The maximum amount per pupil that districts can generate in referendum revenue is capped by statute. For FY 2026, the standard cap is estimated to be \$2,280. The standard cap is adjusted annually based on changes in the Consumer Price Index. Districts eligible for sparsity revenue are not subject to the standard referendum cap.

For FY 2026, 236 school districts have referendum authority totaling \$982 million in revenue, with amounts up to \$5,200 per pupil unit. Some districts with referendum revenue receive referendum equalization aid, which is roughly \$9.6 million statewide (and is included in the \$982 million).

Referendum levies must be certified on referendum market value (RMV) rather than adjusted net tax capacity (ANTC). ANTC provides tax advantages for residential and agricultural property compared to commercial and industrial property; RMV treats most residential and commercial property the same. Agricultural land and seasonal recreational cabin properties are excluded from referendum market value.

Part 2: Student Counting

Education funding formulas in Minnesota employ a variety of different methods for counting students. These formulas take into consideration student residence, serving school, student grade level, and student attendance.

Figure 3: Student Counting Infographic

ADM

Average Daily Membership – **the count of resident students** in the district for the full school year. A “resident” student is one who lives in the district and attends some form of public school. ADM cannot exceed 1.0 unless a student is part of an approved extended time program. Then the student may count for up to 1.2 ADM.



AADM

Adjusted Average Daily Membership / Adjusted Pupils – The ADM is **adjusted to reflect only students served** by the district. Each district’s pupil count is reduced by the number of students leaving the district for a charter school or through open enrollment and increased by the number of students entering the district from another district.



APU

Adjusted Pupil Units – weighted AADM. **Each student is weighted by grade level.** The different weights are intended to reflect differing educational costs across the grade levels.

Prekindergarten weight:	0.6 pupil units
Kindergarten weight:	1.0 pupil units (0.55 if half day)
Grades 1-6 weight:	1.0 pupil units
Grades 7-12:	1.2 pupil units

A preschool pupil with disabilities is counted as 1.0 pupil unit for the ratio of hours of service to 825, with a minimum of 0.28 ADM and a maximum of 1.0 pupil unit.



WADM

Weighted Average Daily Membership / Resident Pupil Units – WADM is used for operating referendum revenue aid and levy shares. WADM is **the same as APU except that it is based on resident pupils** instead of pupils served.



Enrollment

The count of students at each school site as of **October 1** of the school year.



**Note: In the examples presented in this booklet, “pupil units” means adjusted pupil units, unless otherwise noted.*

Part 3: Other Education Finance Terms

Categorical Revenues – Additional types of funding outside of the General Education Program for specific school programs. Examples of categorical revenues include:

- Special Education Revenue
- Free School Meals Program
- Debt Service Equalization Aid

School Funds – A set of financial accounts to manage school operations.

(1) Operating Funds

- a) General Fund – general operations of the school district including salaries and benefits, instructional materials, supplies and custodial operations, transportation, ongoing capital expenditures and equipment
- b) Food Service Fund – school lunch and breakfast programs
- c) Community Service Fund – community service, early childhood family education, adult and recreation programs

(2) Non-Operating Funds

- a) Building Construction Fund – bond proceeds used to pay for building construction
- b) Debt Service Fund – used to pay principal and interest on building project bonds
- c) Trust Fund
- d) Agency Fund

School Data Programs

- Minnesota Automated Reporting Student System (MARSS) – an individual student record system that serves as the Minnesota Department of Education's primary reporting system for student data. A variety of student data are collected that are used to compile student counts, including October 1 enrollments, December 1 child counts, and average daily membership (ADM).
- Uniform Financial Accounting and Reporting Standards (UFARS) – A statewide accounting procedure that must be used by school districts to record financial transactions and report financial information to the Minnesota Department of Education.

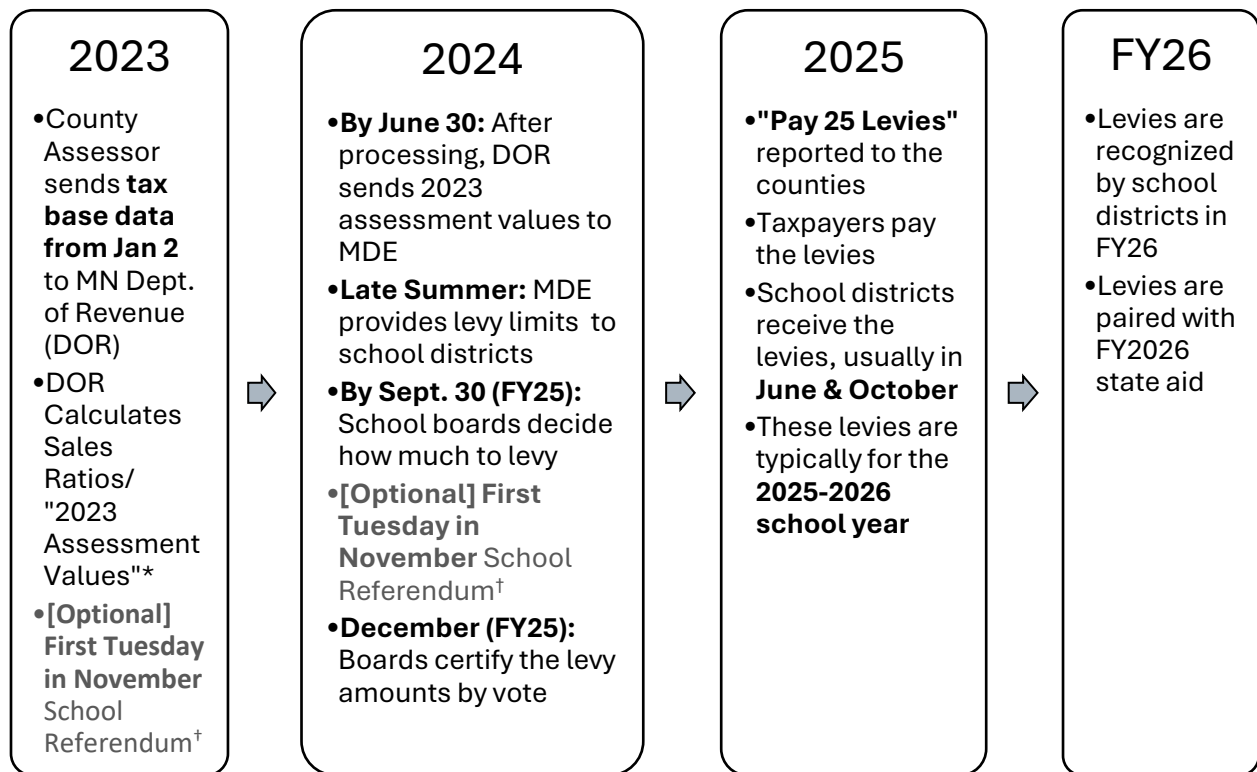
Tax Terms:

- Adjusted Net Tax Capacity (ANTC) – The property value used for calculating most school taxes. ANTC is determined by equalizing differences in net tax capacities (NTCs) by property type in different counties. This equalization process compares market values to actual sales and is intended to neutralize the effect of differing assessment practices. Also, the ANTC reflects the application of the classification rates to the market value of property. [\[126C.01, subd. 2\]](#)

- Districts Off the Formula – In districts with high property values per pupil unit, the levy rate for particular programs may generate revenue that is equal to or greater than the total revenue the district is entitled to for the program. These districts are referred to as being “off the formula” for that program, because all of the revenue is paid by local property taxes.
- Equalization – Many types of education revenues are divided between state aid and local property tax, based on a measure of each school district’s tax base (or total property value). The measure used in Minnesota for “equalizing” school levies, or trying to make the costs of levies more equal among districts, is tax base per pupil. For “equalized” school revenue or levy formulas, the equalization aid from the state provides assistance for lower-tax base school districts to help narrow the spread in the amount of tax paid for the same level of services in a property poor school district as in a property wealthy school district.
- Equalizing Factor – The dollar amount used to calculate state and local shares for formulas that are equalized. Most equalizing factors are fixed in statute, such as the one for operating capital revenue, which is set at \$22,912 for FY 2026. A fixed equalizing factor is a guarantee by the state that a certain tax rate will generate a certain amount of revenue for a school district, regardless of the district’s property value. In the case of operating capital revenue, the state guarantees that a 1 percent tax rate will generate \$229 (*calculation*: $0.01 \times \$22,912$) in revenue for the district, whether it is raised via the local property tax or provided by the state. The percentage of revenue in a given formula that will be raised through local levies is equal to the district’s property value (in ANTC or RMV) per pupil unit divided by the equalizing factor. Using operating capital revenue as an example, a district with \$8,100 in ANTC per pupil unit will raise roughly 35 percent of its revenue locally ($\$8,100 / \$22,912 = 0.35$), with the balance provided through state aid.
- Market Value – The usual selling price that a property could be obtained for through a private sale between independent parties on the open market.
 - Estimated market value (EMV) – The value assigned to the property by an assessor that reflects the usual selling price that a property could be obtained for through a private sale between independent parties on the open market.
 - Referendum market value (RMV) – Allows certain types of property that have [classification rates](#) below one to have a lower market value than the value assigned by the assessor and excludes cabins and agricultural land. One of the main factors in Minnesota for calculating a district’s tax base/property value, besides ANTC. [[126C.01, subd. 3](#)]
 - Taxable market value (TMV) – A property’s EMV minus any market value exclusions, such as the homestead market value exclusion.
- Net Tax Capacity (NTC) – The product of a property’s TMV and its relevant property tax classification rate(s).

- Property Tax Classification Rates – Percentages applied to the market value of property to arrive at the net tax capacity. For example, residential homestead property under \$500,000 has a class rate of 1 percent; the amount over \$500,000 has a class rate of 1.25 percent. [273.13]
- Tax Capacity Rate – The rate of taxation for a specific program. Tax capacity rates are expressed as a percent of the ANTC. Many tax capacity rates are set in law.
- Property Tax Levy Timeline for School Districts, FY 2026 Example:

Figure 4: Property Tax Levy Timeline



*"Assessment Values" include NTC (Net Tax Capacity), ANTC (Adjusted Net Tax Capacity), EMV (Estimated Market Value), and RMV (Referendum Market Value).

[†]School referendums must be held one or two calendar years before the increased levy authority, if approved, first becomes payable. Unless conducted by mail, the referendum must be held the first Tuesday after the first Monday in November.

General Education Program Revenue

General education revenue is a combination of several revenue categories that provide the major share of funding for school districts. Most of the general education revenue is for the general operation of the school district and is not designated by the state for a specific purpose. General education revenue is part aid and part levy; the levies for general education include local portions of equity, transition, operating capital, referendum, and local optional revenue. These local portions of general education revenue are equalized.

The general education formula for FY 2026 is \$7,481 per pupil unit. Basic general education revenue plus several additional components (extended time, gifted and talented, declining enrollment, small schools, basic skills, elementary and secondary sparsity, transportation sparsity, operating capital, equity, pension adjustment, transition, referendum, and local optional) make up total general education revenue.

Example – Gopherville School District (\$ per pupil unit)



Number of Pupil Units*	=	900
Basic Revenue	=	\$7,481
Extended Time Revenue	=	\$30
Gifted & Talented Revenue	=	\$13
Declining Enrollment Revenue	=	\$85
Small Schools Revenue	=	\$144
Basic Skills Revenue	=	\$50
Secondary Sparsity Revenue	=	\$10
Elementary Sparsity Revenue	=	\$0
Operating Capital Revenue	=	\$200
Transportation Sparsity Revenue	=	\$62
Equity Revenue	=	\$100
Transition Revenue	=	\$16
Referendum Revenue (voter-approved)	=	\$460
Local Optional Revenue	=	\$724

General Education Revenue = (Basic Revenue + Extended Time Revenue + Gifted & Talented Revenue + Declining Enrollment Revenue + Small Schools Revenue + Basic Skills Revenue + Secondary Sparsity Revenue + Elementary Sparsity Revenue + Operating Capital Revenue + Transportation Sparsity Revenue + Equity Revenue + Transition Revenue + Referendum Revenue (voter-approved) + Local Optional Revenue) x Pupil Units

$$\begin{aligned}
 &= (\$7,481 + \$30 + \$13 + \$85 + \$144 + \$50 + \$10 + \$0 + \$200 + \$62 + \$100 + \$16 + \$460 + \$724) \\
 &\quad \times 900 \\
 &= \$9,375 \times 900 \\
 &= \mathbf{\$8,437,500}
 \end{aligned}$$

* As noted earlier, all references to “pupil units” are references to adjusted pupil units (APU).

Basic Aid



Basic aid is calculated as the basic formula allowance (\$7,481 for FY 2026) times the district's adjusted pupil units. Basic aid is also referred to as basic formula aid or formula revenue. Beginning in FY 2026, the basic formula allowance is tied to inflation, with a minimum increase of two percent and a maximum increase of three percent per fiscal year. This inflationary amount is factored into the state economic forecasts and is part of the base funding for the general education program. [[126C.10, Subd. 2](#)]

Example – Gopherville School District

FY 2026 Adjusted Pupil Units (APU)	=	1,000
General Education Formula Allowance	=	\$7,481

Basic Aid

$$\begin{aligned} &= \text{Adjusted Pupil Units} \times \text{General Education Formula Allowance} \\ &= 1,000 \times \$7,481 \\ &= \$7,481,000 \end{aligned}$$

Extended Time Revenue

Extended time revenue allows districts to generate additional funding for students who are enrolled for more than a standard school year equivalent. Extended time revenue allows students to count as up to an additional 0.2 (for a total of 1.2 maximum) ADM, which is then used to generate an APU based on the student's grade level. The APU total for extended time ADM is then multiplied by the extended time allowance to calculate total extended time revenue. The extended time allowance is currently set at \$5,117 for FY 2026 and later. Extended time revenue can be used for extended day, week, or year programs, as well as vacation break academies and summer term academies. Extended time revenue can also be used to include education services for pupils in day treatment programs and/or children's residential facilities.

Extended time revenue for charter schools operating an extended day, extended week, or summer program is equal to 25 percent of the statewide average extended time revenue per adjusted pupil unit (rounded to the nearest whole dollar). [[124E.20](#); [126C.05, subd. 15](#); [126C.10, subd. 2a](#)]

Example – Gopherville School District

ADM between 1.0 and 1.2	=	10
APU for ADM between 1.0 and 1.2*	=	10
Formula Allowance for Extended Time	=	\$5,117

Extended Time Revenue

$$\begin{aligned} &= \text{APU for ADM between 1.0 and 1.2} \times \text{Extended Time Formula Allowance} \\ &= 10 \times \$5,117 \\ &= \mathbf{\$51,170} \end{aligned}$$

Example – Gopherville Charter School

Adjusted Pupil Units	=	200
Statewide Average Extended Time Revenue per APU	=	\$51.02

Extended Time Revenue

$$\begin{aligned} &= \text{APU} \times 25\% \text{ of Statewide Average Extended Time Revenue per APU} \\ &= 200 \times (0.25 \times \$51.02) \\ &= 200 \times (\$12.76 \text{ (Rounds up to \$13.00)}) \\ &= 200 \times \$13 \\ &= \mathbf{\$2,600} \end{aligned}$$

* Assumes all extended time students in this example are in grades 1 through 6.

Gifted and Talented Revenue

Gifted and talented revenue is equal to \$13 per adjusted pupil unit. A district's gifted and talented revenue must be used to identify gifted and talented students, to provide programs for those students, and to train teachers working with gifted and talented students. [126C.10, subd. 2b]

Example – Gopherville School District

Adjusted Pupil Units	=	1,000
Gifted & Talented Revenue Formula Amount	=	\$13

Gifted and Talented Revenue

$$\begin{aligned} &= \text{APU} \times \text{Gifted \& Talented Formula Allowance} \\ &= 1,000 \times \$13 \\ &= \mathbf{\$13,000} \end{aligned}$$



Small Schools Revenue

Small schools revenue is allocated to school districts (excluding charter schools) based on their enrollment. Districts with fewer than 960 adjusted pupil units qualify for this revenue. The formula for the revenue is \$544 times the district's adjusted pupil units, multiplied by a factor that allocates more revenue per pupil to smaller school districts on a sliding scale. The definition of a "district" for small schools revenue purposes includes a high school that is eligible for sparsity aid in a district with at least two high schools. [126C.10, subd. 2c]



Example – Gopherville School District

Adjusted Pupil Units (APU)	=	200
Small Schools Formula Allowance	=	\$544

Small Schools Revenue

$$\begin{aligned} &= (\text{Small Schools Allowance} \times \text{APU}) \times \frac{960 - \text{APU}}{960} \\ &= (\$544 \times 200) \times \frac{960 - 200}{960} \\ &= \$108,800 \times 0.79 \\ &= \mathbf{\$85,952} \end{aligned}$$

Example – Gopher City School District

Number of Pupil Units	=	750
Small Schools Formula Allowance	=	\$544

Small Schools Revenue

$$\begin{aligned} &= (\text{Small Schools Allowance} \times \text{APU}) \times \frac{960 - \text{APU}}{960} \\ &= (\$544 \times 750) \times \frac{960 - 750}{960} \\ &= \$408,000 \times 0.22 \\ &= \mathbf{\$89,760} \end{aligned}$$

**Note: Since the Gopher City school district has more pupils, its total revenue is greater than Gopherville, but the smaller district (Gopherville) has more revenue per pupil (\$430 versus \$120).*

Declining Enrollment Revenue

Districts that experience declining enrollment from year to year are eligible for declining enrollment revenue. Previously, declining enrollment revenue was captured as part of “marginal cost pupil unit” calculations in many funding formulas. Declining enrollment revenue acknowledges that lost per pupil funding due to fewer students does not always align neatly with the district’s ability to scale back its personnel and other operating costs. The declining enrollment formula is 28 percent of the current year formula allowance (\$2,095 for FY 2026) times the difference between the current year and previous year weighted pupil count. [[126C.10, subd. 2d](#)]

Example – Gopherville School District

Adjusted Pupil Units - Current Year (2025-26)	=	950
Adjusted Pupil Units - Previous Year (2024-25)	=	1,000
General Education Formula Allowance	=	\$7,481

Declining Enrollment Revenue

$$\begin{aligned} &= (28\% \text{ of Formula Allowance}) \times \text{the greater of (a) Zero or} \\ &\quad \text{(b) APU Previous Year – APU Current Year} \\ &= (0.28 \times \$7,481) \times (1,000 - 950) \\ &= \$2,095 \times 50 \\ &= \mathbf{\$104,750} \end{aligned}$$

Local Optional Revenue

In FY 2026, districts are eligible for up to \$724 per pupil in local optional revenue (LOR). LOR is a mix of local property tax levy and state aid. [126C.10, subd. 2e]

Example – Gopherville School District

Adjusted Pupil Units (APU)	=	2,500
Local Optional Revenue per Pupil Unit	=	\$724
Referendum Market Value (RMV) per APU	=	\$475,000
First Tier Equalization Factor	=	\$880,000
Second Tier Equalization Factor	=	\$642,038

This calculation is similar to the referendum levy calculation – first, calculate LOR in each tier (if the district’s LOR per pupil is less than \$300, the \$300 in the first tier calculation is replaced with the actual amount, and the second tier calculation is unnecessary):

First Tier LOR	=	\$300 × Pupil Units
	=	\$300 × 2,500
	=	\$750,000
Second Tier LOR	=	(Local Optional per Pupil Unit - \$300) × Pupil Units
	=	(\$724 - \$300) × 2,500
	=	\$424 × 2,500
	=	\$1,060,000

Next, calculate the amount of levy for each tier of local optional revenue:

First Tier Levy	=	First Tier Revenue × (RMV per APU/First Tier Equalization Factor)
	=	\$750,000 × (\$475,000/\$880,000)
	=	\$750,000 × 0.54
	=	\$405,000
Second Tier Levy	=	Second Tier Revenue × (RMV per APU/Second Tier Eq. Factor)
	=	\$1,060,000 × (\$475,000/\$642,038)
	=	\$1,060,000 × 0.74
	=	\$784,400
Total Levy	=	First Tier Levy + Second Tier Levy
	=	\$405,000 + \$784,400
	=	\$1,189,400

Finally, calculate the aid portion of local optional revenue:

Total Aid	=	Local Optional Revenue - Local Optional Levy
	=	\$1,810,000 - \$1,189,400
	=	\$620,600

Basic Skills Revenue

Basic skills revenue includes compensatory education revenue, English learner (EL) revenue and EL concentration revenue. While these revenues are combined into a single category, the total revenue is based on separate formulas for the individual components. [[126C.10, subd. 4](#); [126C.15](#); [124D.65](#)]

Compensatory education revenue

Districts receive additional funding based on counts of students eligible to receive free and reduced price lunches, based on the October 1 count of the previous year. For FY 2026, districts, with board approval, may allocate up to 40 percent of the compensatory education revenue on a district-wide basis; the other 60 percent must be allocated to the school site in which the pupils who generated the revenue receive instruction. The revenue must be used to meet the educational needs of pupils whose progress (based on state or local content/performance standards) is below their appropriate age level. Each school site's decision-making team or instruction and curriculum advisory committee must make recommendations on how the revenue is to be spent. Districts that receive compensatory education revenue must maintain separate accounts for the revenue and report on their expenditures.

For FY 2026, compensatory education revenue for each building in a district is calculated by multiplying compensation revenue pupil units by the total of the general education formula allowance minus \$839 (\$6,642 for FY 2026). Compensation revenue pupil units equal $0.6 \times$ (the sum of the number of students receiving free lunch and one-half the number of students receiving reduced price lunch) $\times$ the lesser of (a) 1, or (b) the quotient of the following calculation divided by 80: the number of free lunch pupils plus half the number of reduced price lunch pupils divided by the total number of pupils times 100. A district's compensatory education revenue is the sum of the compensatory education revenue calculations for each building and the amounts designated under [Laws 2015, 1st Special Session chapter 3](#), article 2, section 70, subd. 8, if applicable.

If compensation revenue pupil units for FY 2026 are less than that of FY 2024, calculations for FY 2026 will be based on the FY 2024 compensation revenue pupil units. The 2025 Legislature put this provision in place to mitigate compensatory revenue declines experienced by some school districts after the adjustment from using Applications for Educational Benefits, or "paper forms" to identify eligible students to using direct certification. Direct certification identifies students eligible for Free or Reduced Price Lunch by certifying students directly from other eligible state or federal programs, such as Medicaid, the Supplemental Nutrition Assistance Program (SNAP), the Minnesota Family Investment Program (MFIP), and the Food Distribution Program on Indian Reservations (FDPIR).



English Learner programs revenue

School districts with English Learner (EL) students receive aid to recognize the additional cost of educating these students. For funding purposes, an EL student is defined as one whose primary language is not English, whose English language skills do not allow full classroom participation, whose prior year score on an emerging academic English test is below the cutoff score, and who is enrolled in an EL educational program but has not been counted as an English Learner for seven or more years. A student who has passed the emerging academic English test but has not yet received seven years of EL services is eligible to continue to be counted as eligible for EL funding if the student's classroom teacher determines that the student has not demonstrated academic language proficiency in English.

EL regular revenue is equal to \$1,228 times the greater of 20 or the number of current year eligible EL pupil units. Districts also receive EL concentration revenue ([126C.05, subd. 17](#)), which provides additional revenue when a district has a higher concentration of EL pupils. EL concentration revenue is computed by taking the lesser of 1, or the result of dividing the concentration percentage (which is 100 times the ratio of current year EL pupil ADM to total pupil ADM) by 11.5 and multiplying that number by the number of current year EL students and the concentration revenue formula amount of \$436.

Starting in FY 2027, the formula will include not only count and concentration components, but also the addition of 25 percent of the gap in funding between what districts spent on EL funding the second previous year and what the state provided for EL funding the second previous year.

Example – Compensatory Component of Basic Skills

Gopherville School District, Central School

Number of Pupils (October 1 st Enrollment)	= 800
Number of Pupils Receiving Free Lunches	= 95
Number of Pupils Receiving Reduced Price Lunches	= 195
General Education Formula Allowance	= \$7,481
FY 2024 Compensation Revenue Pupil Units	= 37.6

Compensation Revenue Pupil Units

$$\begin{aligned} &= [(95 + (195/2)) \times 0.6] \times \text{the lesser of either (a) 1 or (b) } \frac{\left(100 \times \left(\frac{(95 + (195/2))}{800}\right)\right)}{80} \\ &= 115.5 \times \text{the lesser of either (a) 1 or (b) } 24.0625 \div 80 \\ &= 115.5 \times \text{the lesser of either (a) 1 or (b) } 0.301 \\ &= 115.5 \times 0.301 \\ &= 34.766 \end{aligned}$$

The compensation revenue pupil units for FY 2026, 34.766, are lesser than the FY 2024 units of 37.6, so the FY 2024 units will be used.

Compensatory Education Revenue

$$\begin{aligned} &= \text{Compensation Revenue Pupil Units} \times (\text{General Ed Formula Allowance} - \$839) \\ &= 37.6 \times (\$7,481 - \$839) \\ &= 37.6 \times \$6,642 \\ &= \mathbf{\$249,739} \end{aligned}$$

The Gopherville School District's Central School will receive **\$249,739** in Compensatory Revenue.

Gopherville School District, Country School

Number of Pupils (October 1 st Enrollment)	=	200
Number of Pupils Receiving Free Lunches	=	9
Number of Pupils Receiving Reduced Price Lunches	=	20
General Education Formula Allowance	=	\$7,481
FY 2024 Compensation Revenue Pupil Units	=	1.5

Compensation Revenue Pupil Units

$$\begin{aligned} &= (9 + (20/2)) \times 0.6 \times \text{the lesser of either (a) 1 or (b) } \frac{\left(100 \times \left(\frac{(9 + (20/2))}{200}\right)\right)}{80} \\ &= 11.4 \times \text{the lesser of either (a) 1 or (b) } 9.5 \div 80 \\ &= 11.4 \times \text{the lesser of either (a) 1 or (b) } 0.119 \\ &= 11.4 \times 0.119 \\ &= 1.357 \end{aligned}$$

The compensation revenue pupil units for FY 2026, 1.357, are less than the FY 2024 units of 1.5, so the FY 2024 units will be used.

Compensatory Education Revenue

$$\begin{aligned} &= \text{Compensatory Pupil Units} \times (\text{General Ed. Formula Allowance} - \$839) \\ &= 1.5 \times (\$7,481 - \$839) \\ &= 1.5 \times \$6,642 \\ &= \mathbf{\$9,963} \end{aligned}$$

The Gopherville School District's Country School will receive **\$9,963** in Compensatory Revenue.

Example – English Learner Component of Basic Skills

Gopherville School District

Number of Pupils	=	1,000
Number of Current Year Eligible EL Students	=	68
Concentration Revenue Formula Amount	=	\$436

EL Revenue

$$= \text{Regular Revenue} + \text{EL Concentration Revenue}$$

EL Regular Revenue

$$\begin{aligned} &= \$1,228 \times \text{the greater of either (a) 20 or (b) Eligible EL Pupil Units} \\ &= \$1,228 \times \text{the greater of either (a) 20 or (b) 68} \\ &= \$1,228 \times 68 \\ &= \$83,504 \end{aligned}$$

EL Concentration Revenue

$$\begin{aligned} &= \text{Current Year EL Students} \times \text{Concentration Formula} \times \text{Concentration Pupil Units} \\ &= 68 \times \$436 \times \text{the lesser of either (a) 1 or (b) } \frac{100 \times \left(\frac{68}{1,000}\right)}{11.5} \\ &= 68 \times \$436 \times \text{the lesser of either (a) 1 or (b) 0.591} \\ &= 68 \times \$436 \times 0.591 \\ &= \$17,531 \end{aligned}$$

EL Total Revenue

$$\begin{aligned} &= \text{EL Regular Revenue} + \text{EL Concentration Revenue} \\ &= \$83,504 + \$17,531 \\ &= \mathbf{\$101,035} \end{aligned}$$

Gopherville School District Total Basic Skills Revenue

Compensatory Revenue (Central School Site)	=	\$249,739
Compensatory Revenue (Country School Site)	=	\$9,963
EL Revenue	=	\$101,035

$$\begin{aligned} \text{Basic Skills Revenue} &= \text{Compensatory Revenue (Central + Country)} + \text{EL Revenue} \\ &= (\$249,739 + \$9,963) + \$101,035 \\ &= \mathbf{\$360,737} \end{aligned}$$

Secondary Sparsity Revenue

Districts with one or more sparsely populated high school attendance areas may be eligible for additional revenue to meet the higher cost of operating a secondary program with a small number of students. To be eligible, a high school must meet two requirements: 1) an isolation index greater than 23 and 2) fewer than 400 pupils in average daily membership. If a district has more than one high school, the district's sparsity revenue is the sum of the calculation for each high school. Districts with certain reforested lands have an additional factor in the formula that increases sparsity revenue. A district that certifies that it would not close a school building unless it continues to qualify for secondary sparsity revenue at the previous amount (with the building remaining open) may close a school building and not have its secondary sparsity revenue reduced. [126C.10, subd. 6, 7, & 8a]

Example – Gopherville School District

Adjusted Pupil Units	=	700
Secondary Average Daily Membership (ADM)	=	300
General Education Formula Allowance for Sparsity	=	\$6,951 (<i>calc.</i> : \$7,481 - \$530)
High School Attendance Area	=	356 Square Miles
Distance from High School to Nearest High School	=	22 Miles

Isolation Index (ii)

$$\begin{aligned} &= \sqrt{(.55) \times \text{Attendance Area}} + \text{Miles to Nearest High School} \\ &= \sqrt{(.55) \times 356} + 22 \\ &= \sqrt{196} + 22 \\ &= 14 + 22 \\ &= 36 \end{aligned}$$

Secondary Sparsity Revenue

$$\begin{aligned} &= \text{Formula Allowance} \times \text{Sec. ADM} \times \frac{400 - \text{Sec ADM}}{400 + \text{Sec ADM}} \times \text{the lesser of (a) 1.5 or (b) } \frac{\text{ii} - 23}{10} \\ &= \$6,951 \times 300 \times \frac{400 - 300}{400 + 300} \times \text{the lesser of (a) 1.5 or (b) } \frac{36 - 23}{10} \\ &= \$6,951 \times 300 \times (100/700) \times \text{the lesser of (a) 1.5 or (b) } (13/10) \\ &= \$6,951 \times 300 \times 0.14 \times \text{the lesser of (a) 1.5 or (b) } 1.3 \\ &= \$6,951 \times 300 \times 0.14 \times 1.3 \\ &= \mathbf{\$379,525} \end{aligned}$$

Secondary Sparsity Revenue per Pupil Unit

$$\begin{aligned} &= \$379,525 / 700 \\ &= \mathbf{\$542.18} \end{aligned}$$

Elementary Sparsity Revenue

Districts with a sparsely populated elementary school attendance area may be eligible for additional revenue to operate the elementary school. To be eligible, an elementary school must have an average of 20 or fewer pupils per grade level and be located 19 miles or more from the nearest elementary school. A district that certifies that it would not close a school building unless it continues to qualify for elementary sparsity revenue at the previous amount (with the building remaining open) may close a school building and not have its elementary sparsity revenue reduced. [[126C.10, subd. 8](#)]

Example – Gopherville School District **ABC Elementary School**

Grades K-6 Pupil (ADM)	= 100
General Education Formula Allowance for Sparsity	= \$6,951 (<i>calc.: \$7,481 - \$530</i>)
Distance to Nearest Elementary School	= 23 miles

Elementary Sparsity Revenue

$$\begin{aligned} &= \text{Elementary ADM} \times \left(\text{Formula Allowance} \times \left(\frac{140 - \text{Elem ADM}}{140 + \text{Elem ADM}} \right) \right) \\ &= 100 \times \left(\$6,951 \times \left(\frac{140 - 100}{140 + 100} \right) \right) \\ &= 100 \times \left(\$6,951 \times \left(\frac{40}{240} \right) \right) \\ &= 100 \times (\$6,951 \times 0.167) \\ &= 100 \times \$1,161 \\ &= \mathbf{\$116,100} \end{aligned}$$

**Note: The 140 used in the formula assumes 20 pupils in each of grades K-6. If this elementary school had fewer than seven grades, the formula would be adjusted for the actual number of grades.*

Operating Capital Revenue

Operating capital revenue is available for repair and betterment of facilities, acquisition of land, purchase or lease of equipment, and purchase of books. Schools place this revenue in the operating capital account in the general fund. Operating capital revenue is based on the two former components of a capital expenditure funding formula: facilities revenue and equipment revenue. The facilities component of the formula generates revenue of \$109 per pupil unit plus a weighting for the average age of the district's buildings. The equipment revenue component is \$79 per pupil unit. In 2023, the legislature added a third component: a \$2 per pupil unit adjustment to fund the supply of menstrual products and opiate antagonists in schools. A district with a learning year program receives an additional \$31 per pupil unit at the site a program is in place. Operating capital revenue is an equalized formula, with an equalizing factor of \$22,912 of ANTC per pupil for FY 2026 and later. [[126C.10, subd. 13](#)]

Example – Gopherville School District

Number of Pupil Units	=	1,000
ANTC per Pupil Unit	=	\$6,000
Average Age of District Buildings	=	25 years
Maintenance Cost Index	=	1.25 (1 + Ratio of Average Age to 100)
Operating Capital (Facilities Component)	=	\$109 per Pupil Unit
Operating Capital (Equipment Component)	=	\$79 per Pupil Unit
Menstrual Products/Opiate Antagonist Adjustment	=	\$2 per Pupil Unit

Operating Capital Revenue per Pupil

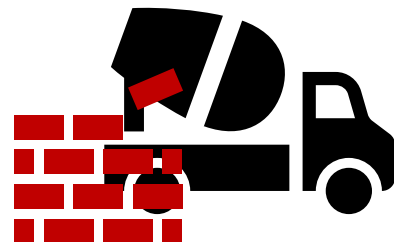
$$\begin{aligned} &= \text{Equipment Component} + (\text{Facilities Component} \times \text{Maintenance Cost Index}) + \\ &\quad (\text{Menstrual Products/Opiate Antagonist Adjustment}) \\ &= \$79 + (\$109 \times 1.25) + \$2 \\ &= \$79 + \$136.25 + \$2 \\ &= \$217.25 \end{aligned}$$

Revenue

$$\begin{aligned} &= \text{Pupil Units} \times \text{Operating Capital per Pupil Revenue} \\ &= 1,000 \times \$217.25 \\ &= \mathbf{\$217,250} \end{aligned}$$

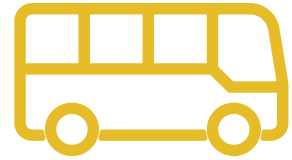
$$\begin{aligned} \text{Levy} &= \text{Revenue} \times (\text{ANTC per Pupil} / \text{Operating Capital Equalizing Factor}) \\ &= \$217,250 \times (\$6,000 / \$22,912) \\ &= \$217,250 \times 0.262 \\ &= \mathbf{\$56,920} \end{aligned}$$

$$\begin{aligned} \text{Aid} &= \text{Revenue} - \text{Levy} \\ &= \$217,250 - \$56,920 \\ &= \mathbf{\$160,330} \end{aligned}$$



Transportation Sparsity Revenue

In 1996-97, a major portion of the funding for transporting students, equal to \$170 per pupil, was rolled into the basic general education formula. To recognize the additional costs of transporting students in those districts with fewer students per square mile, the transportation sparsity formula provides additional funding based on the number of students per square mile. The actual formula uses logarithms to calculate a revenue amount. The final part of the formula subtracts 4.66 percent of the basic formula amount, which in 1997 was the \$170 by which the general education formula was increased due to the “roll-in” of transportation revenue, adjusted for the changes in the basic formula since 1996-97. [126C.10, subd. 18]



For this formula, “sparsity index” means the greater of 0.2 or the number of square miles in the district divided by the number of resident pupil units. “Density index” means the number of square miles divided by the number of resident pupil units; however, the density index may not be greater than 0.2 or less than 0.005.

Example – Gopherville School District

Resident Pupil Units	=	1,000
Number of Square Miles	=	90
General Education Formula Allowance	=	\$7,481
District Sparsity Index	=	0.20
District Density Index	=	0.09

Transportation Sparsity Revenue per Pupil Unit

$$[(\text{Formula Allowance} \times 0.141) \times (\text{District Sparsity Index})^{0.26} \times (\text{District Density Index})^{0.13}] - (\text{Formula Allowance} \times 0.0466)$$

$$\begin{aligned} &= [(\$7,481 \times 0.141) \times 0.20^{0.26} \times 0.09^{0.13}] - (\$7,481 \times 0.0466) \\ &= [\$1,055 \times 0.658 \times 0.731] - \$349 \\ &= \$507 - \$349 \\ &= \$159 \end{aligned}$$

Total Transportation Sparsity Revenue

$$\begin{aligned} &= \text{Revenue per APU} \times \text{APU} \\ &= \$159 \times 1,000 \\ &= \mathbf{\$159,000} \end{aligned}$$

The 2017 Legislature amended the transportation sparsity revenue allowance by adding the pupil transportation adjustment to the calculation. The formula takes a percentage of the difference between a district's transportation costs and the sum of 1) 4.66 percent of its basic revenue, 2) its previous transportation sparsity revenue, 3) its previous charter school transportation adjustment, 4) its previous pregnant and parenting pupil transportation costs, and 5) its previous area learning center (ALC) costs. The current transportation adjustment formula percent, set in statute, is 35 percent. For this formula, transportation costs include regular and excess public transportation costs and costs associated with depreciation of the bus fleet. The formula does *not* include special education transportation or transportation among buildings (outside of ALC program transportation). [[126C.10](#), [subd. 18a](#); [123B.92](#)]

Example – Pupil Transportation Adjustment

Gopherville School District

FY 2025 Transportation Costs	=	\$2,740,000
FY 2024 Transportation Costs	=	\$2,700,000
FY 2025 General Ed. Basic Revenue	=	\$10,000,000
FY 2025 Transportation Sparsity Revenue	=	\$500,000
FY 2025 Charter School Transportation Adjustment	=	\$0
FY 2025 Pregnant & Parenting Pupil Reimbursement	=	\$1,000
FY 2025 ALC Transportation Aid	=	\$2,000

Pupil Transportation Adjustment

$$\begin{aligned}
 &= 0.35 \times [(\text{the lesser of (a) Previous Year Transportation Costs or (b) } 1.05 \times \text{Second Previous Year Transportation Costs}) - ((\text{Previous Year Basic Revenue} \times 0.0466) + \text{Previous Year Transportation Sparsity Revenue} + \text{Previous Year Charter School Transportation Adjustment} + \text{Previous Year Pregnant and Parenting Pupil Transportation Reimbursement} + \text{Previous Year Area Learning Center Transportation Aid})] \\
 &= 0.35 \times [\text{the lesser of (a) } \$2,740,000 \text{ or (b) } (1.05 \times \$2,700,000) - ((\$10,000,000 \times 0.0466) + \$500,000 + 0 + \$1,000 + \$2,000)] \\
 &= 0.35 \times [\text{the lesser of (a) } \$2,740,000 \text{ or (b) } \$2,835,000 - (\$466,000 + \$503,000)] \\
 &= 0.35 \times [\text{the lesser of (a) } \$2,740,000 \text{ or (b) } 1,866,000] \\
 &= 0.35 \times \$1,866,000 \\
 &= \mathbf{\$653,100}
 \end{aligned}$$

Equity Revenue



Equity revenue is intended to reduce the disparity in revenue per pupil unit between the districts that receive the highest and lowest revenue on a regional basis, with the regions defined as the seven-county metropolitan area and the balance of the state, using a set of three formulas: one for regular equity, one for low-referendum equity, and one for supplemental equity.

Regular equity revenue is calculated by ranking all districts in each region according to their total basic, first tier local optional, transition, and referendum revenue. Districts below the 95th percentile of revenue in these components combined are eligible for regular and low-referendum equity revenue, except school districts located in cities of the first class on July 1, 1999 (Duluth, Minneapolis, and St. Paul), which are automatically excluded. All eligible districts receive \$14 per pupil unit, but districts with an operating referendum receive additional revenue based on their percentile ranking compared to the rest of the region the district is in. To determine how much extra revenue a district receives, the district's equity index is calculated by dividing the difference between the district's revenue in the above four categories by the 95th percentile of revenue in those categories. The result is multiplied by \$80.

Low-referendum equity revenue was created to provide additional aid for districts with referendum revenue per pupil below ten percent of the state average referendum revenue (the state average referendum revenue per pupil is \$1,158 for FY 2026). Low-referendum equity revenue is equal to the difference between a district's referendum revenue per pupil and 10 percent of the state average referendum revenue amount, with total low-referendum equity revenue not to exceed \$100,000 for any one district.

Once the regular equity revenue and low-referendum equity revenue components are calculated, they are multiplied by 1.25. Prior to FY 2017, only the metro area districts received this adjustment, which now applies to all districts.

Finally, **supplemental equity revenue** provides \$50 per pupil of revenue for all districts (including Duluth, Minneapolis, and St. Paul).

Equity revenue is equalized at \$510,000 of referendum market value (RMV) per pupil. This means a district may levy up to the amount of its equity revenue for the fiscal year times the lesser of one or the ratio of its referendum market value per resident pupil unit to \$510,000. Then, a district's equity aid is calculated by subtracting its equity levy from its equity revenue. If a district does not levy the full permitted amount, the aid must be proportionally reduced. [126C.10, subd. 24-30]

Example – Gopherville School District (Rural)

Number of Pupil Units	= 1,000
Basic Revenue	= \$7,481
Gopherville 1st Tier Local Optional Revenue per Pupil	= \$300
Gopherville Transition Revenue per Pupil	= \$30
Gopherville Referendum Revenue per Pupil	= \$460
7-County Metro Area	= no
Rural 95 th Percentile	= \$10,019
Rural 5 th Percentile	= \$7,781
Metro 95 th Percentile	= \$10,109
Metro 5 th Percentile	= \$7,792
State Average Referendum Revenue per Pupil (rounded)	= \$1,158
Gopherville Referendum Market Value (RMV) per Pupil	= \$300,000

Regular Equity Revenue

Regional Equity Gap

$$\begin{aligned} &= 95^{\text{th}} \text{ Percentile} - 5^{\text{th}} \text{ Percentile} \\ &= \$10,019 - \$7,781 \\ &= 2,238 \end{aligned}$$

District Equity Gap

$$\begin{aligned} &= 95^{\text{th}} \text{ Percentile} - (\text{Basic Rev} + 1^{\text{st}} \text{ Tier Local Optional} + \text{Transition} + \text{Referendum}) \\ &= \$10,019 - (\$7,481 + \$300 + \$30 + \$460) \\ &= \$10,019 - \$8,271 \\ &= \$1,748 \end{aligned}$$

Equity Index

$$\begin{aligned} &= [\text{District Equity Gap} / \text{Regional Equity Gap}] \\ &= \$1,748 / \$2,238 \\ &= 0.781 \end{aligned}$$

Regular Equity Revenue

$$\begin{aligned} &= \text{Pupil Units} \times [\$14 + (\$80 \times \text{Equity Index})] \\ &= 1,000 \times [\$14 + (\$80 \times 0.781)] \\ &= 1,000 \times [\$14 + \$62.50] \\ &= 1,000 \times \$76.50 \\ &= \mathbf{\$76,500} \end{aligned}$$

Low-Referendum Equity Revenue

Low-Referendum Equity Revenue

$$= \text{Pupils} \times [(\$1,158 \times 10\%) - \text{District Ref. Rev. per Pupil}]$$

First, calculate 10 percent of state average referendum revenue per pupil.

$$\begin{aligned} &= \$1,158 \times 10\% \\ &= \$115.80 \end{aligned}$$

Is the district's referendum revenue per pupil less than 10% of statewide average?
= No. \$460 > \$115.40, so Gopherville is not eligible for low referendum revenue.

Subtotal – Equity Revenue (Regular and Low-Referendum)

Subtotal Equity Revenue

= Regular Equity Revenue + Low-Referendum Equity Revenue
= \$76,500 + \$0
= \$76,500

25% Equity Revenue Adjustment

25% Adjustment

= Equity Revenue (Parts 1 & 2) × 0.25
= \$76,500 × 0.25
= \$19,125

Supplemental Equity Revenue

Supplemental Equity Rev.

= Pupils × Supplemental Equity Formula Amount
= 1,000 × \$50
= \$50,000

Grand Total Equity Revenue

Grand Total Equity Rev

= Regular Equity Revenue + Low-Referendum Equity Revenue + 25% Equity
Revenue Adjustment + Supplemental Equity Revenue
= \$76,500 + \$0 + \$19,125 + \$50,000
= **\$145,625**

Equity Revenue – Aid and Levy Calculation

Equity Levy

= Grand Total Equity Rev. × the lesser of 1 or $\left(\frac{\text{RMV/PupilUnit}}{\$510,000}\right)$
= \$145,625 × $\left(\frac{\$300,000}{\$510,000}\right)$
= \$145,625 × 0.588
= **\$85,662**

Equity Aid

= Total Equity Revenue - Equity Levy
= \$145,625 - \$85,662
= **\$59,963**

Transition Revenue

Transition revenue provides districts with a guarantee that changes to various funding formulas will not result in less revenue in the current fiscal year than they received in fiscal year 2015. It is, in essence, a “hold harmless” provision. Transition revenue was originally a revenue guarantee for 2003-2004 revenue, fixed at the 2004-2005 amount per pupil. Since then, it has been expanded to include the following components: 1) achievement and integration revenue transition, 2) pension adjustment transition, 3) special education transition, and 4) excess cost aid transition.

Transition revenue is a fixed amount that is undesignated and may be used for any general fund purpose. Transition revenue is a mix of aid and levy, levied against referendum market value (RMV), using \$510,000 as the equalizing factor. [[126C.10, subd. 31-33](#)]

Example – Gopherville School District

FY 2015 Pupil Units	=	1,000
FY 2026 Pupil Units	=	950
FY 2015 Old Law Transition Revenue	=	\$20,000
FY 2015 Old Law Revenue (includes the sum of what the district would have received for general education revenue; integration revenue for FY 2013; pension adjustments; special education aid; and excess cost aid under 2012 Statutes)	=	\$6,750,000
FY 2015 New Law Revenue (includes the sum of general education revenue – excluding transition revenue; achievement and integration revenue; special education aid; and alternative teacher compensation revenue)	=	\$6,740,000
Referendum Market Value Per Pupil Unit	=	\$400,000

FY 2026 Transition Allowance

$$\begin{aligned} &= [\text{FY 2015 Old Law Transition Revenue} + \text{the greater of (a) \$0 or (b) the difference between FY 2015 Old Law Revenue and FY 2015 New Law Revenue}] / \text{FY 2015 Adjusted Pupil Units} \\ &= [\$20,000 + \text{the greater of (a) \$0 or (b) the difference between \$6,750,000 and \$6,740,000}] / 1,000 \\ &= [\$20,000 + \$10,000] / 1,000 \\ &= \$30,000 / 1,000 \\ &= \$30 \end{aligned}$$

Total Transition Revenue

$$\begin{aligned} &= \text{Transition Allowance} \times \text{FY2026 Adjusted Pupil Units} \\ &= \$30 \times \$950 \\ &= \mathbf{\$28,500} \end{aligned}$$

Transition Levy

$$\begin{aligned} &= \text{Transition Revenue} \times \frac{\text{RMV per pupil}}{\$510,000} \\ &= \$28,500 \times \frac{\$400,000}{\$510,000} \\ &= \$28,500 \times 0.784 \\ &= \mathbf{\$22,344} \end{aligned}$$

Transition Aid

$$\begin{aligned} &= \text{Transition Revenue} - \text{Transition Levy} \\ &= \$28,500 - \$22,344 \\ &= \mathbf{\$6,156} \end{aligned}$$



Pension Adjustment Revenue

School districts receive general education revenue pension adjustment revenue to compensate for past legislative changes to employer contribution rates to the public employee retirement systems. The pension adjustment rate for Independent School District No. 625, St. Paul, equals 2.5 percent for fiscal years 2024 and 2025 and 3.25 percent for FY 2026 and later. The pension adjustment rate for all other districts equals 1.25 percent for fiscal years 2024 and 2025 and 2.31 percent for FY 2026 and later.

Intermittently, total statewide pension adjustment revenue has been prorated as required by statute. In fiscal year 2025, it was prorated at roughly 95.58 percent. For fiscal years 2026 and 2027, the statewide total pension adjustment revenue must not be prorated. In fiscal year 2028, total pension adjustment revenue is once again capped at the total amount of revenue for FY 2027, and the commissioner must prorate the revenue so as not to exceed the maximum. Cooperative units also qualify for pension adjustment revenue as if they were districts. [[126C.10, subd. 37](#); [127A.50](#)]

Example – Gopherville School District

FY 2026 Adjusted Pupil Units (APU)	=	1,000
FY 2026 District Pension Adjustment Rate	=	2.31%
FY 2014 Gopherville Pension Adjustment per APU Allowance	=	\$7.00
FY 2025 District TRA Member Payroll	=	\$6,020,000
FY 2026 Proration Percent	=	N/A

**Note: This example assumes that the Gopherville School District is not the St. Paul School District.*

Pension Adjustment Revenue =

$$\begin{aligned} & (1) \text{ The greater of zero or} \\ & (2) ((\text{FY 2014 Gopherville Pension Adjustment per APU Allowance}) \times (\text{FY 2026 APU})) + \\ & \quad (\text{Prior Year (FY 2025) Gopherville TRA Member Payroll} \times \text{Current Year (FY 2026) District} \\ & \quad \text{Pension Adjustment Rate}) \\ & = (\$7.00 \times 1,000) + (\$6,020,000 \times .0231) \\ & = \$7,000 + 139,062 \\ & = \mathbf{\$146,062} \end{aligned}$$

FY 2026 statewide total pension adjustment revenue must not be prorated, so there is no proration calculation for FY 2026.



Referendum Revenue

Referendum revenue allows districts to increase the revenue available in the district's general fund with district voter approval. Referendum revenue up to \$460 per pupil unit is equalized at \$567,000 of market value; revenue per pupil unit above \$460, up to 25 percent of the basic formula allowance (\$1,870 for FY 2025), is equalized at \$290,000. Districts that qualify for sparsity revenue are eligible for equalization of \$290,000 on the entire amount of referendum authority above \$460. In FY 2021, the first \$300 in referendum revenue was moved to local optional revenue, changing referendum equalization revenue from three tiers to two and deducting \$300 per pupil unit from a district's referendum equalization allowance. This had the effect of allowing school boards to decide whether to levy an additional \$300 per pupil unit instead of putting the question to voters.

Referendum revenue is subject to an annual cap, or allowance limit. For FY 2026, the standard cap is estimated to be \$2,280 per adjusted pupil unit. The cap is adjusted annually for inflation based on the Consumer Price Index. District referendum revenue, except in districts eligible for sparsity revenue, may not exceed this cap. [[126C.17](#)]

Example – Gopherville School District

Adjusted Pupil Units	=	1,000
Referendum Market Value	=	\$285,000,000
Referendum Market Value per Pupil	=	\$285,000
Referendum Equalization Revenue per Pupil Unit	=	\$800
First Tier Equalization Factor	=	\$567,000
Second Tier Equalization Factor	=	\$290,000

**Note: This example assumes the school board has asked voters to levy the full authorized amount (up to the annual cap) and that voters have approved the referendum.*

To calculate a district's total referendum equalization levy and the amount that will be paid to the district from the state in the form of referendum equalization aid, first calculate referendum equalization revenue in each tier (remembering that if the district's referendum equalization revenue per pupil is less than \$460, the \$460 in the first tier calculation would be replaced with the actual approved amount, and the second tier calculation would be unnecessary):

First Tier Ref. Equal. Revenue

$$\begin{aligned}
 &= \$460 \times \text{Pupil Units} \\
 &= \$460 \times 1,000 \\
 &= \$460,000
 \end{aligned}$$

Second Tier Ref. Equal. Revenue

$$\begin{aligned}
 &= (\text{Ref Allowance per Pupil Unit} - \$460) \times \text{Pupil Units} \\
 &= (\$800 - \$460) \times 1,000
 \end{aligned}$$

$$= \$340 \times 1,000$$

$$= \$340,000$$

Next, calculate the levy portion of referendum equalization revenue by calculating the amount of levy for each tier of referendum equalization revenue:

First Tier Levy

$$= \text{First Tier Revenue} \times \frac{\text{Referendum Market Value per Resident Pupil}}{\text{First Tier Equalizing Factor}}$$

$$= \$460,000 \times \frac{\$285,000}{\$567,000}$$

$$= \$460,000 \times 0.503$$

$$= \$231,380$$

Second Tier Levy

$$= \text{Second Tier Revenue} \times \frac{\text{Referendum Market Value per Resident Pupil}}{\text{Second Tier Equalizing Factor}}$$

$$= \$340,000 \times \frac{\$285,000}{\$290,000}$$

$$= \$340,000 \times 0.983$$

$$= \$334,220$$

Total Levy

$$= \text{First Tier Levy} + \text{Second Tier Levy}$$

$$= \$231,380 + \$334,220$$

$$= \mathbf{\$565,600}$$

Finally, calculate the aid portion of referendum equalization revenue by subtracting the total levy from the total referendum equalization revenue generated:

Aid

$$= \text{Referendum Revenue} - \text{Referendum Levy}$$

$$= \$800,000 - \$565,600$$

$$= \mathbf{\$234,400}$$

This aid amount may be reduced by the amount of referendum tax base replacement aid that the district receives. (See the discussion of Referendum Tax Base Replacement Aid.)

Referendum Equalization Examples

As illustrated by the table below, districts with different tax bases in referendum market value per pupil unit can have significantly different mixes of referendum equalization levy and referendum equalization aid. Using the formulas described in the previous pages, the table shows the referendum equalization aid and levy in a district with high, medium, and low market values per pupil unit with \$900 per pupil unit of referendum revenue authorized.

Calculating the tax rate for the total levy in each school district shows how equalization changes tax outcomes. The tax rate is calculated by dividing total levy by total tax base. For both the low value and medium value district, the tax rate is reduced after the equalization process, as the state is providing referendum equalization aid. The high value district's tax rate remains unchanged, because with the high tax base, the district exceeds both the first and second tier equalizing factors and is "off the formula," meaning all revenue will be generated via levy. The high value district's taxpayers will pay the most in levies overall but maintain the lowest tax rate. The low value district's taxpayers will pay significantly less in levies, but even with the state equalizing nearly one-third of their referendum equalization aid, taxpayers from this district will still have the highest tax rate. Overall, equalization made the tax rates of the varying property value districts more similar.

Figure 5: School District Referendum Market Values & Levies

	Low	Medium	High
Referendum Market Value per APU	\$250,000	\$500,000	\$750,000
Referendum Equalization Revenue per APU	\$900	\$900	\$900
Referendum Pupil Units	750	2,000	10,000
Total Revenue	\$675,000	\$1,800,000	\$9,000,000
Tax Base (RMV per APU × Pupil Units)	\$187,500,000	\$1,000,000,000	\$7,500,000,000
First Tier Revenue	\$345,000	\$920,000	\$4,600,000
Second Tier Revenue	\$330,000	\$880,000	\$4,400,000
First Tier Levy	\$152,116	\$811,287	\$4,600,000
Second Tier Levy	\$284,483	\$880,000	\$4,400,000
First Tier Aid	\$192,884	\$108,713	\$0
Second Tier Aid	\$45,517	\$0	\$0
Total Levy	\$436,599	\$1,691,287	\$9,000,000
Total Aid	\$238,401	\$108,713	\$0
Percent Levy	64.7%	94.0%	100.0%
Percent Aid	35.3%	6.0%	0.0%
Tax Rate without Equalization	0.36%	0.18%	0.12%
Tax Rate with Equalization	0.23%	0.17%	0.12%

Reserved Revenue and Reductions

Learning and Development Revenue

Of a district's basic general education revenue, a fixed dollar amount per average daily membership (\$299 for kindergarten pupils and \$459 for first through sixth grade pupils) must be reserved for the purpose of reducing or maintaining the district's average class size for kindergarten through third grade classrooms. The goal is to have an average class size be 17 students to 1 full-time classroom teacher for these grade levels. [[126C.12](#)]

Revenue for Staff Development

An amount equal to two percent of the basic formula amount (\$149.62 per pupil unit for FY 2026) must be spent on staff development. Staff development revenue may be used for teacher evaluation activities. Each year, if a district's licensed teachers and school board agree via a vote, this reserve may be waived. In addition, a district in statutory operating debt is exempt from this reserve requirement. [[122A.61](#)]



K-12 Categorical Programs

Special Education

Districts receive funding to recognize a portion of the additional costs of providing required services to students with disabilities. All operating districts receive some special education aid, but the amount can vary greatly among districts. The total aid entitlement for FY 2026 is \$2.797 billion.

Special education aid was historically allocated on a partial cost reimbursement basis – districts received special education aid for the current year based on a portion of their certified special education related expenditures from the previous year. In FY 2015, the state moved to a “census-based” model, one that accounts for a wider range of cost factors like overall district average daily membership served, poverty concentration, district size, and the average costs of educating students with different primary disabilities. [[125A.76, subd. 2a](#)]

There are three main aid formulas that contribute to the cost of what is commonly referred to as “Regular Special Education” revenue. These are Initial Aid, Excess Cost Aid, and Cross-Subsidy Reduction Aid. From FY 2016 to FY 2025, the cost of regular special education aid to the state has increased from roughly \$1.18 billion to \$2.582 billion per fiscal year, an increase of about 119 percent. Over this same period of time, the U.S. Bureau of Labor Statistics estimates inflation to have been around 35 percent.¹ Because of this rate of growth and the 2025 Legislature’s need to address a projected deficit in FY 2028-2029, the [2025 First Special Session education bill](#) includes a provision requiring a blue ribbon commission to assist the legislature in transforming special education services in a way that will save the state \$250 million in the FY 2028-2029 biennium. If the commission does not create these savings, then the Cross-Subsidy Reduction aid factor will be reduced to meet this savings threshold.

Charter schools receive initial aid and excess cost aid like school districts, but they are not eligible for Cross-Subsidy Reduction aid. Instead, they are allowed to “bill back” special education expenditures to a pupil’s resident district for 80 percent of their incurred costs. The state then pays a portion of the remaining 20 percent, currently set at 10 percent. Beginning in FY 2028, the state reimbursement will be reduced to six percent. Eligible charter schools that serve a special education population of 70 percent or more of the student body are able to bill back 100% of their special education expenditures to pupils’ resident districts.[[124E.21](#); [127A.47](#)]

¹ U.S. Bureau of Labor Statistics, “[All items in U.S. city average, all urban consumers, not seasonally adjusted](#),” 2016-2025, Data extracted August 29, 2025.

Special Education - Initial Aid

Initial Aid includes the *least* of:

- (1) 62 percent of the district's old formula special education expenditures for the prior fiscal year, excluding pupil transportation expenditures
- (2) 50 percent of the district's nonfederal special education expenditures for the prior year, excluding pupil transportation expenditures
- (3) 56 percent of the product of the sum of the following amounts, computed using prior fiscal year data, and the program growth factor:
 - a) The product of the district's average daily membership served and the sum of these factors, also referred to as the census-based allocation:
 1. \$460;
 2. \$405 times the ratio of the sum of the number of pupils enrolled on October 1 who are eligible to receive free lunch plus one-half of the pupils enrolled on October 1 who are eligible to receive reduced-price lunch to the total October 1 enrollment;
 3. .008 times the district's average daily membership served;
 - b) Plus, the sum of the average cost categories for serving different primary disabilities in FY 2026:
 1. \$13,300 times the December 1 child count for the primary disability areas of: autism spectrum disorders, developmental delay, and severely multiply impaired (*Category 1*)
 2. \$19,200 times the December 1 child count for primary disability areas of deaf and hard-of-hearing and emotional behavioral disorders, (*Category 2*)
 3. \$25,200 times the December 1 child count for primary disability areas of developmentally cognitive mild-moderate, developmentally cognitive severe-profound, physically impaired, visually impaired, and deafblind (*Category 3*)

Plus, 95 percent of the prior fiscal year cost of providing transportation services for pupils with disabilities, excluding pupils in care and treatment (C&T), homeless and highly mobile pupils, pupils in foster care, and pupils with a [Section 504 plan](#). The prior year cost of services for these student groups is reimbursed at 100 percent.

Example – Special Education Initial Aid

Gopherville School District

District ADM Served	=	1,000
Total “Old Formula” Special Education Expenditures	=	\$1,900,000
Total Nonfederal Special Education Expenditures	=	\$2,300,000
Free Lunch Eligible Students	=	300
Reduced Lunch Eligible Students	=	60
Ratio of Free and Reduced/Enrollment	=	0.33
Basic Allowance	=	\$460
Poverty Allowance (\$405 × FRL/Enrollment Ratio)	=	\$134
District Size Allowance (0.008 × ADM Served)	=	\$8
Category 1 Students	=	35
Category 2 Students	=	12
Category 3 Students	=	5
FY 2026 Program Growth Factor	=	1.568
Transportation Services for Pupils who are in C&T, Homeless or Highly Mobile, in Foster Care, or have a 504 plan	=	\$25,000
Transportation Services for Children w/ Disabilities	=	\$200,000

First, find the least of a), b), or c) below:

a) $62\% \times \text{Total “Old Formula” Special Education Expenditures}$
 $= 0.62 \times \$1,900,000$
= \$1,178,000

b) $50\% \times \text{Total Nonfederal Special Education Expenditures (Prior Year)}$
 $= 0.50 \times \$2,300,000$
= \$1,150,000

c) $56\% \times (((\text{ADM Served} \times (\text{Census-Based Allocation}^*)) + (\text{Category 1} + \text{Category 2} + \text{Category 3})^{**}) \times \text{Current Year Program Growth Factor})$

*To calculate the Census-Based Allocation

= Basic Allowance + Poverty Allowance + District Size Allowance

$= 1,000 \text{ ADM served} \times [\$460 + (\$405 \times 0.33) + (1,000 \times 0.008)]$
 $= 1,000 \text{ ADM served} \times [\$460 + \$134 + 8]$
 $= 1,000 \times \$602$
= \$602,000

**To calculate the Category 1, 2, and 3 Student Calculations (disability category amounts set in statute):

Category 1 Students × \$13,300	Category 2 Students × \$19,200	Category 3 Students × \$25,200
= 35 × \$13,300	= 12 × \$19,200	= 5 × \$25,200
= \$465,500	= \$230,400	= \$126,000

$$\begin{aligned}
 &= \$465,500 + \$230,400 + \$126,000 \\
 &= \underline{\$821,900}
 \end{aligned}$$

$$\begin{aligned}
 &= 56\% \times ((\$602,000 + \$821,900) \times 1.568) \\
 &= 0.56 \times (\$1,423,900) \times 1.568 \\
 &= 0.56 \times \$2,232,675 \\
 &= \mathbf{\$1,250,298}
 \end{aligned}$$

The least of:

- a) \$1,178,000
- b) \$1,150,000**
- c) \$1,250,298

Second, for FY 2026, add 100% of the cost of transportation for pupils in direct care and treatment (C&T), pupils who are homeless and highly mobile, pupils placed in a foster home, and pupils with a Section 504 plan. Then, add 95% of the cost of transportation for children with disabilities who do not fall within any of the previous categories.

$$\begin{aligned}
 &= \$1,150,000 + (\$25,000 \times 100\%) + (\$200,000 \times 95\%) \\
 &= \$1,150,000 + \$25,000 + \$190,000 \\
 &= \$1,365,000
 \end{aligned}$$

Total Special Education Initial Aid = **\$1,365,000**

Special Education - Excess Cost Aid

Excess cost aid is intended to compensate districts that have large unreimbursed special education costs relative to the district's general education revenue. [125A.79]

Excess cost aid is calculated as the greatest of:

- (1) 56 percent of the difference between the district's unreimbursed nonfederal special education costs and 7 percent of the product of the ratio of \$5,831 to the formula allowance for the prior year and the district's general revenue, OR
- (2) 62 percent of the difference between the district's unreimbursed "old formula" special education costs and 2.5 percent of the product of the ratio of \$5,831 to the formula allowance for the prior year and the district's general revenue, OR
- (3) Zero

Example – Gopherville School District

Unreimbursed Nonfederal Special Education Expenditures	=	\$2,300,000
Unreimbursed "Old Formula" Special Ed. Expenditures	=	\$1,900,000
Prior Year General Education Revenue	=	\$7,300,000
Prior Year (FY 2025) Formula Allowance	=	\$7,281

Excess Cost Aid, the greatest of:

- (1) = 56% × [Unreimbursed Nonfederal Expend. - (7% × ((\$5,831 / Prior Year FA) × General Ed. Revenue))]
= 0.56 × [\$2,300,000 - (0.07 × ((\$5,831 / \$7,281) × \$7,300,000))]
= 0.56 × [\$2,300,000 - \$409,235]
= 0.56 × \$1,890,765
= \$1,058,828
- (2) = 62% × [Unreimbursed Old Formula Expend. - (2.5% × ((\$5,831 / Prior Year FA) × General Ed. Revenue))]
= 0.62 × [\$1,900,000 - (0.025 × ((\$5,831 / \$7,281) × \$7,300,000))]
= 0.62 × [\$1,900,000 - \$146,155]
= 0.62 × \$1,753,845
= \$1,087,384
- (3) = Zero

Excess Cost Aid for Gopherville = **\$1,087,384**

Special Education – Cross Subsidy Reduction Aid

The “special education cross subsidy” is the difference between a district’s actual expenditures for qualifying special education services and the sum of the amount a district receives in federal and state special education aid and the general education revenue (excluding local optional revenue, plus local optional aid, and plus referendum equalization aid) generated by special education students served primarily outside of the regular classroom for that year. The 2019 Legislature first enacted cross subsidy reduction aid to help limit the amount of funds that districts needed to redirect in order to cover mandatory special education costs. Charter schools are not eligible for cross subsidy aid, as they bill special education costs that are unreimbursed by initial special education aid back to resident districts. Calculations for cross subsidy aid are based on aid dollars from the previous fiscal year. While the cross subsidy aid factor was initially set at 2.6 percent for FY 2020 and 6.43 percent for FY 2021 and later, the 2023 Legislature increased the aid factors to 44 percent for fiscal years 2024, 2025, and 2026 and 50 percent for fiscal year 2027 and later. [[125A.76, Subd. 2e](#)]

Example – Gopherville School District

FY 2025 Nonfederal Special Education Expenditures	=	\$5,000,000
FY 2025 Transportation for Students with Disabilities	=	\$650,000
FY 2025 State Special Education Aid	=	\$3,300,000
FY 2025 General Education Revenue for Special Ed.*	=	\$350,000

**Note: This revenue reflects the services outside of the regular classroom for students who receive special education services for more than 60 percent of the school day.*

The Special Education Cross Subsidy is calculated as the greater of:

- (1) (Prior Year (PY) Special Ed. Expenditures + PY Transportation for Students with Disabilities) – PY State Special Education Aid – PY General Ed. Revenue for Special Education, OR
- (2) Zero

Gopherville Cross Subsidy

$$\begin{aligned} &= (\$5,000,000 + \$650,000) - \$3,300,000 - \$350,000 \\ &= \$2,000,000 \end{aligned}$$

Gopherville Cross Subsidy Aid

$$\begin{aligned} &= \text{Special Education Cross Subsidy} \times \text{FY26 Cross Subsidy Aid Factor} \\ &= \$2,000,000 \times 0.44 \\ &= \mathbf{\$880,000} \end{aligned}$$

Home Based Travel Aid

Aid is provided to reimburse 50 percent of the travel costs of personnel providing home-based travel services to children under age five with a disability. [[125A.75, Subd. 1](#)]

Special Pupil Aid

Districts are fully reimbursed for the special education costs not covered by other special education funding or the general education formula for students with a disability residing in public or private residential facilities in the district and for whom there is no school district of residence because parental rights have been terminated or the parents cannot be located. [[125A.75, Subd. 3](#)]

Special Education Separate Sites and Programs Aid

Separate sites and programs aid was established by the 2023 Legislature to provide additional special education funding for education cooperatives, education districts, service cooperatives, and intermediate school districts attended by students with disabilities for 50 percent or more of their school day. For FY 2026 and later, separate sites and programs funding equals \$1,689 times the K-12 adjusted pupil units served in special education separate sites and programs facilities for 50 percent or more of their school day. [[125A.81](#)]

American Indian Education Aid

Districts, charters, cooperative units, and American Indian-controlled tribal contract or grant schools with at least 20 American Indian students and operating an American Indian education program, are eligible for American Indian Education Formula Aid. Districts must submit a plan for approval by the American Indian Education Director that outlines uses of the funds and program outcomes. The formula guarantees a base funding level of \$40,000 for districts with at least 20 American Indian students. In addition, districts receive \$500 per American Indian pupil above the qualifying 20 student threshold. [[124D.81](#)]

Example – Gopherville School District

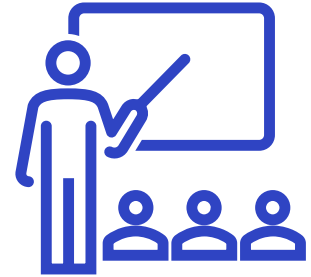
American Indian Students Served on Oct 1 of Previous Year	=	250
Formula Amount per American Indian Student	=	\$500

American Indian Education Aid

$$\begin{aligned} &= \$40,000 + (\$500 \times \text{Eligible Students Greater than 20}) \\ &= \$40,000 + [\$500 \times (250 - 20)] \\ &= \$40,000 + [\$500 \times 230] \\ &= \$40,000 + \$115,000 \\ &= \mathbf{\$155,000} \end{aligned}$$

Alternative Teacher Compensation Revenue (Q-Comp)

Alternative teacher compensation (also commonly called “Q-Comp Revenue”) was created to encourage districts to adopt alternative pay structures for teachers. Q-Comp revenue of \$260 per prior year unweighted pupils is available to school districts, intermediate school districts, and charter schools that develop and implement an alternative teacher pay system by October 1st of that school year. In order to qualify for the revenue, a district must, one full school year prior to the year of implementation, notify the Commissioner of



Education of the district’s intent to implement an alternative pay system. Individual school sites may also qualify for alternative teacher compensation revenue, even if the school district in which the site is located does not qualify. Not all eligible schools currently participate in Q-Comp; the state allocates a capped amount of aid for the program for each year. The statutory Q-Comp entitlement cap for FY 2026 and later is \$89.486 million. FY 2026 revenue is projected to go to 109 school districts, 68 charter schools, and two cooperative units.

Intermediate districts and cooperative units became eligible to participate in the Q-Comp revenue program beginning in FY 2017. Revenue for qualifying intermediates or cooperatives equals \$3,000 times the number of licensed teachers employed by the intermediate district or cooperative.

The \$260 per pupil of revenue is a mix of aid and levy for school districts, with 65 percent of the per pupil amount, \$169, coming in the form of state aid and the balance, \$91 per pupil, in the form of equalized levy revenue. The levy revenue is equalized using an equalizing factor of \$6,100 of adjusted net tax capacity (ANTC) per pupil. Qualifying districts may choose to receive only the basic aid portion of the revenue (\$169 per pupil) or, at the district's discretion, may opt to also access the additional equalized levy (\$91 per pupil). Charter schools, which do not have levy authority, receive a prorated aid amount based on the percentage of \$260 per pupil that all districts receive. [[122A.414-417](#)]

Example – Gopherville School District

Prior Year October 1 st Enrollment	=	1,000
Qualifies for Revenue?	=	Yes
Alternative Compensation Revenue Formula Amount per Pupil	=	\$260
ANTC per Pupil Unit	=	\$4,000

Alternative Compensation Revenue

$$\begin{aligned} &= \text{Alternative Compensation Formula} \times \text{Prior Year October 1 Enrollment} \\ &= \$260 \times 1,000 \\ &= \mathbf{\$260,000} \end{aligned}$$

Alternative Compensation Basic Aid

$$\begin{aligned} &= \$169 \times \text{Prior Year October 1}^{\text{st}} \text{ Enrollment} \\ &= \$169 \times 1,000 \\ &= \mathbf{\$169,000} \end{aligned}$$

Alternative Compensation Equalized Levy Revenue

$$\begin{aligned} &= \$91 \times \text{Prior Year October 1}^{\text{st}} \text{ Enrollment} \\ &= \$91 \times 1,000 \\ &= \mathbf{\$91,000} \end{aligned}$$

The Alternative Compensation Levy Revenue is itself a mix of aid and levy, so:

Alternative Compensation Equalized Levy Revenue

$$= \text{Alternative Compensation Levy} + \text{Alternative Compensation Equalization Aid}$$

Alternative Compensation Levy

$$\begin{aligned} &= \text{Alternative Compensation Equalized Levy Revenue} \times \frac{\text{ANTC per Pupil Unit}}{\$6,100} \\ &= \$91,000 \quad \times \quad \frac{\$4,000}{\$6,100} \\ &= \$91,000 \quad \times \quad 0.656 \\ &= \mathbf{\$59,696} \end{aligned}$$

Alternative Compensation Equalization Aid

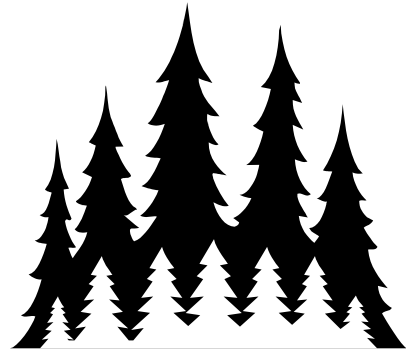
$$\begin{aligned} &= \text{Alternative Compensation Equalized Levy Revenue} - \text{Alternative Compensation Levy} \\ &= \$91,000 \quad - \quad \$59,696 \\ &= \mathbf{\$31,304} \end{aligned}$$

Alternative Compensation Revenue

$$\begin{aligned} &= \text{Alternative Compensation Basic Aid} + \text{Alternative Compensation Levy} + \\ &\quad \text{Alternative Compensation Equalization Aid} \\ &= \$169,000 + \$59,696 + \$31,304 \\ &= \mathbf{\$260,000} \end{aligned}$$

Permanent School Fund Revenue

School districts and charter schools receive revenue from the state's permanent school fund, which is established in the state constitution [[Article XI, section 8](#)]. The constitution makes provisions for the proceeds from school trust fund lands that were placed in trust after being granted by the federal government to the state in 1857, 1860, and 1866. The constitution requires that trust fund lands be managed to generate income for the permanent school fund. Initially, much of the land was sold, and the money deposited in the school trust fund. In addition to sale proceeds, income generated by the land (primarily through logging and mining activities) is deposited into the fund. At the end of FY 2024, the Minnesota State Board of Investment estimated the fund's market value to be \$2.13 billion [[2024 MN State Board of Investment Annual Report](#)], while Minnesota Management and Budget (MMB) recorded the budgetary balance for that year as \$1.09 billion [[MMB 2025 End of Session Consolidated Fund Statement](#)]. The constitution requires that the principal remain in the fund "perpetual and inviolate forever." Any interest generated by the investment of the principal in the fund is allocated based on the number of students in a district.



Permanent school fund revenue is paid twice during the school year, with one payment in September and one in March. Permanent school fund revenue is paid based on the number of students in adjusted average daily membership served by the district or charter school during the previous year. Permanent school fund revenue received by school districts and charter schools is undesignated general fund revenue, and thus available for any purpose. [[M.S. 127A.33](#)]

For the 2025-26 school year (FY 2026), Minnesota Management and Budget's estimated allocation to school districts is \$59.148 million, with districts receiving approximately \$69.32 per student served in adjusted average daily membership (AADM).

Example – Gopherville School District

2024-2025 Adjusted (Served) ADM	=	1,000
2025-2026 Permanent School Fund Formula	=	\$69.32

Permanent School Fund Revenue:

$$\begin{aligned} &= \text{Prior Year Adjusted (Served) ADM} \times \text{Current Permanent School Fund Formula} \\ &= 1,000 \quad \times \quad \$69.32 \\ &= \mathbf{\$69,320} \end{aligned}$$

Permanent School Fund Supplemental Aid

Since the creation of the Permanent School Fund, American Indian Tribal contract schools have not been eligible for disbursements like public school districts and charter schools. The 2025 Legislature added a separate aid to provide a similar level of funding to Tribal contract schools, calling it Permanent School Fund Supplemental aid. Funding for this aid is currently set at \$40,000 per fiscal year, to be paid 100 percent in the current fiscal year.

The formula for Permanent School Fund Supplemental aid is the product of:

- (1) the amount appropriated for the current fiscal year; and
- (2) the ratio of:
 - a) the ADM served (AADM) of the American Indian Tribal contract school in the prior fiscal year, to
 - b) the total ADM served (AADM) of all American Indian Tribal contract schools in the state in the prior fiscal year.

Example – Gopherville Tribal Contract School

FY 2025 Gopherville Tribal Contract School AADM	=	146
FY 2025 Statewide Tribal Contract School AADM	=	586
FY 2026 Appropriation	=	\$40,000

Permanent School Fund Supplemental Aid

$$\begin{aligned} &= (\text{Current Fiscal Year Appropriation}) \times (\text{Prior FY Gopherville AADM} / \text{Prior FY Statewide Tribal Contract School AADM}) \\ &= \$40,000 \quad \times \quad (146/586) \\ &= \$40,000 \quad \times \quad 0.249 \\ &= \$9,960 \end{aligned}$$

Long-Term Facilities Maintenance Revenue

The Long-Term Facilities Maintenance (LTFM) Revenue Program was introduced in FY 2017, and districts, intermediate districts, cooperative units, and joint powers districts are eligible for funding. This program “folds in” the previous health and safety, alternative facilities, and deferred maintenance revenue programs that existed prior to FY 2017. Charter schools were eligible for this aid through FY 2025, when the legislature established an aid adjustment for charter schools’ basic aid component of the general education program in lieu of LTFM revenue, starting in FY 2026.

Allowed uses of LTFM revenue include:

- (1) Deferred capital expenditure and maintenance necessary to prevent further erosion of facilities
- (2) Approved Health and Safety Capital Projects
- (3) Increased accessibility to school facilities
- (4) Transfers from the LTFM reserve in the general fund to the debt redemption fund (by board resolution)
- (5) Approved expenditures associated with remodeling instructional space for Voluntary Pre-K programs,
- (6) Beginning in FY 2027, roof repair and replacement

Long-term facilities maintenance revenue *must not* be used for construction of new facilities, remodeling of existing facilities (except for voluntary pre-kindergarten and costs associated with constructing or remodeling to create a gender-neutral single-user restroom), purchase of portable classrooms, financing a lease purchase agreement, energy efficiency projects, facilities used for post-secondary instruction, violence prevention, security, ergonomics, or emergency communication devices.

All participants in the LTFM program must have a 10-year facilities plan. The plan must include provisions for implementing health and safety compliance efforts as well as plans to provide a gender-neutral single-user restroom at each school site. The plan must be updated annually and approved by both the school’s governing board and the Commissioner of Education. Beginning with FY 2027 and later, the plan must address the maintenance and repair schedule for each school’s roof for which funding is requested.

Districts must indicate if they plan to issue general obligation bonds or use an annual levy to finance project costs (the annual levy route is often referred to as “pay as you go”). Districts that issue bonds must provide a debt service schedule ensuring that debt service revenue for the principal and interest on the bonds will not exceed projected LTFM revenue for the year. Intermediate districts may also issue bonds, by resolution of all member school districts and approval of the commissioner.

Voter-approval is not required for issuance of general obligation bonds for LTFM projects. However, notice must be posted at least 20 days prior to the earliest solicitation of bids, sale of bonds, or final certification of levies. The published notice must outline the scope of the projects, the amount of the bond issue and the total district indebtedness.

LTFM revenue is an equalized levy (consisting of local property tax levy and state aid, depending on property value per pupil relative to the state average). For the purposes of the LTFM equalized levy only, the district’s adjusted net tax capacity (ANTC) value is reduced by 50 percent of the value of class 2a agricultural land in the district (in which the house, garage and one acre of the farm is not included in the agricultural value). This has the effect of making districts with large amounts of agricultural land value eligible for increased LTFM equalization aid, which lowers the local property tax impact. The equalizing factor for FY 2026 is 123 percent of state average ANTC per adjusted pupil unit. The equalizing factors for FY 2027 and FY 2028 are set at 125.5 percent and 127 percent, respectively. [123B.595]

Example – Gopherville School District

Adjusted Pupil Units	= 1,000
District Average Building Age	= 20 years
Average Building Age Index	= 35 years
Building Age Ratio	= 20/35
Old Law Deferred Maintenance Revenue	= \$34,000
Old Law Alternative Facilities Revenue	= \$0
Old Law Health & Safety Revenue	= \$0
FY 2026 Approved Health & Safety Projects*	= \$125,000
Adjusted Net Tax Capacity (ANTC) Value	= \$5,000,000
Class 2a Agricultural Land Value	= \$2,000,000
LTFM Adjusted Net Tax Capacity	= \$4,000,000
Adjusted Net Tax Capacity per Pupil	= \$4,000
State Average ANTC per Pupil	= \$13,767
123% of State Average ANTC	= \$16,933
Member of an Intermediate District?	= No
Pre-K Program Approved Remodeling Cost	= \$40,000

For FY 2026, the LTFM Revenue for a district equals the greater of:

(1) $(\$380 \times \text{Adjusted Pupil Units} \times (\text{the lesser of i) 1 or ii) Building Age Ratio}) + \text{Approved Health \& Safety Capital Projects} + \text{Approved Voluntary Pre-K Allowed Remodeling Cost}$

or

(2) The sum of the amount the district would have qualified for under M.S. 2014 Alternative Facilities, Deferred Maintenance, and Health and Safety Revenue programs

(1) = $(\$380 \times \$1,000 \times (\text{the lesser of i) 1 or ii) } 20/35)) + \$125,000 + \$40,000$

* Eligible projects include: indoor air quality, fire alarms and fire suppression, or asbestos abatement with an estimated cost per site of \$100,000 or more.

$$\begin{aligned}
&= (\$380 \times \$1,000 \times 0.571) + \$165,000 \\
&= (\$380,000 \times 0.571) + \$165,000 \\
&= \$216,980 + \$165,000 \\
&= \$381,980 \\
(2) &= \$0 + \$34,000 + \$0 \\
&= \$34,000
\end{aligned}$$

The greater of (1) \$381,980 or (2) \$34,000 = **\$381,980**

Next, calculate the district's LTFM Equalization Revenue:

$$\begin{aligned}
&\text{LTFM Equalization Revenue} \\
&= \text{the lesser of a) } \$380 \times \text{APU} \text{ or b) LTFM Revenue} \\
&\quad \text{a) } = \$380,000 \\
&\quad \text{b) } = \$381,980
\end{aligned}$$

The lesser of a) \$380,000 or b) \$381,980 = **\$380,000**

Next, calculate the levy and aid share of the LTFM Equalization Revenue:

The first step is to determine the LTFM Equalized Levy amount.

$$\begin{aligned}
&\text{LTFM Equalized Levy} \\
&= \text{LTFM Equalized Revenue} - \text{the greater of (1) or (2)} \\
(1) &= \text{the lesser of i) LTFM Equalization Revenue or ii) Old Law Alternative Facilities Aid} \\
(2) &= \text{LTFM Equalization Revenue} \times \left(1 - \frac{\text{Prior Year District ANTC per Pupil}}{123\% \text{ of Prior Year Statewide Average ANTC per pupil}}\right) \\
(1) &= \text{the lesser of i) } \$380,000 \text{ or ii) } \$0 = \$0 \\
(2) &= \$380,000 \times (1 - \$4,000/\$16,933) \\
&= \$380,000 \times 0.764 \\
&= \$290,320
\end{aligned}$$

The greater of (1) \$0 or (2) \$290,320 = **\$290,320**

LTFM Equalized Levy = \$380,000 - \$290,320 = **\$89,680**

The second step is to determine the LTFM Equalized Aid amount:

$$\begin{aligned}
&\text{LTFM Equalized Aid} \\
&= \text{LTFM Equalized Revenue} - \text{LTFM Equalized Levy} \\
&= \$380,000 - \$89,680 \\
&= \mathbf{\$290,320}
\end{aligned}$$

Next, determine total LTFM Unequalized Levy:

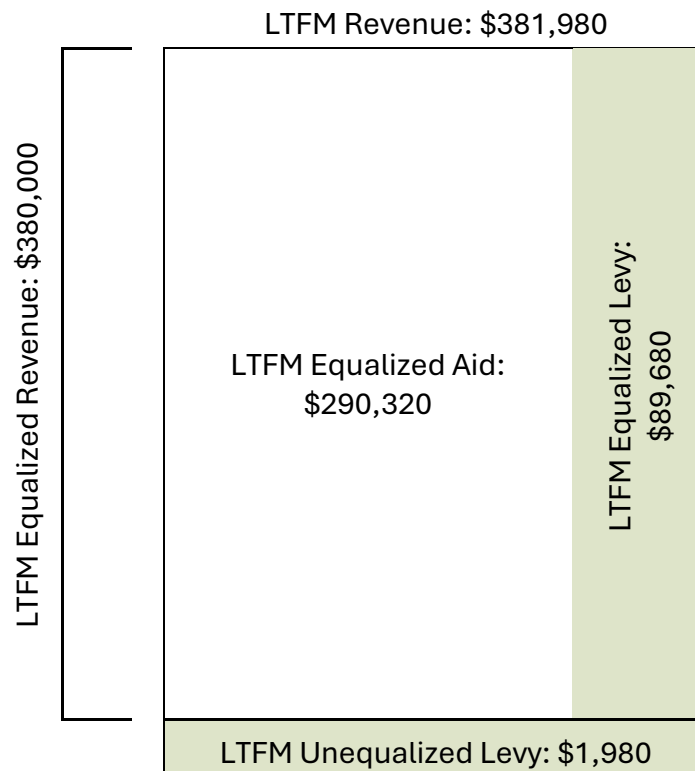
$$\begin{aligned}\text{LTFM Unequalized Levy} &= \text{LTFM Revenue} - \text{LTFM Equalization Revenue} \\ &= \$381,980 - \$380,000 \\ &= \mathbf{\$1,980}\end{aligned}$$

Next, calculate the total LTFM Levy.

$$\begin{aligned}\text{LTFM Total Levy} &= \text{LTFM Equalized Levy} + \text{LTFM Unequalized Levy} \\ &= \$89,680 + \$1,980 \\ &= \mathbf{\$91,660}\end{aligned}$$

In summary:	LTFM Total Levy	= \$91,660
	LTFM Aid	= \$290,320
	LTFM Revenue	= \$381,980

Figure 6: LTFM Revenue Visualization



Debt Service Revenue

School districts may issue general obligation bonds to finance capital improvements. Generally, the issuance of the bonds for new construction must be approved by a majority of the voters in a referendum. The district must then levy an amount necessary to meet its debt obligation each year. The amount of debt service revenue a district needs each year is equalized at varying rates depending on the ratio of the amount of debt service revenue to the district's total adjusted net tax capacity (ANTC).



As mentioned in the LTFM section, districts are allowed to issue general obligation bonds for LTFM projects without an election. Debt service calculations for traditional general obligation bonds, as noted in the example below, are different from debt service calculations for LTFM revenue general obligation (GO) bonds. See the previous section for more detail on LTFM revenue calculations.

Debt service levies for FY 2026 and later are equalized at the greater of: (1) \$4,430 or (2) 55.33 percent of the initial equalizing factor for the first tier; and the greater of: (1) \$8,000 or (2) 100 percent of the initial equalizing factor for the second tier. The initial equalizing factor equals the state average ANTC per adjusted pupil unit for the year before the year the levy is certified (for FY 2026 calculations, that year is FY 2023). [123B.53]

Example – Gopherville School District

FY 2023 Number of Pupil Units	=	1,000
FY 2023 ANTC	=	\$4,000,000
FY 2023 ANTC per Pupil Unit	=	\$4,000*
Debt Service Revenue for 2024-2025	=	\$1,200,000
First Tier Equalization Factor	=	\$8,096 (\$14,633 × 0.5533)
Second Tier Equalization Factor	=	\$14,633

** This example does not show a “typical” Minnesota school district. An ANTC per pupil unit of \$4,000 would be a very low property value district and is used to show the entire debt service equalization aid calculation. The FY 2023 statewide average ANTC per pupil enrolled in a school district is \$14,633.*

To calculate a district's total debt service levy and the amount paid to the district from the state in the form of debt service equalization aid, first calculate the revenue amounts in the first and second tier that are eligible for equalization. Start with the second tier:

Second Tier Debt Service Revenue

= The greater of (1) \$0 or (2) Debt Service Revenue - 26.24% of District ANTC

$$\begin{aligned}
(2) &= \$1,200,000 - [0.2624 \times \$4,000,000] \\
&= \$1,200,000 - \$1,049,600 \\
&= \$150,400 \\
&= \text{The greater of (1) \$0 or (2) \$150,400} = \mathbf{\$150,400}
\end{aligned}$$

Use this result in the first tier calculation:

First Tier Debt Service Revenue

$$\begin{aligned}
&= \text{The greater of (1) \$0 or (2) Debt Service Revenue - 15.74\% of District ANTC -} \\
&\quad \text{Second Tier Debt Service Revenue} \\
(2) &= \$1,200,000 - [0.1574 \times \$4,000,000] - \$150,400 \\
&= \$1,200,000 - \$629,600 - \$150,400 \\
&= \$420,000 \\
&= \text{The greater of (1)\$0 or (2)\$420,000} = \mathbf{\$420,000}
\end{aligned}$$

Next, for each tier and for the initial unequalized portion, calculate how much of the revenue will be raised in local levy:

Unequalized Debt Service Levy

$$\begin{aligned}
&= 15.74\% \times \text{ANTC} \\
&= 0.1574 \times \$4,000,000 \\
&= \mathbf{\$629,600}
\end{aligned}$$

First Tier Debt Service Levy

$$\begin{aligned}
&= \text{1st Tier Debt Service Revenue} \times \frac{\text{District ANTC per APU}}{\text{greater of (a)\$4,430 or (b)55.33\% of ANTC per APU}} \\
&= \$420,000 \times (\$4,000/\$8,096) \\
&= \$420,000 \times 0.4941 \\
&= \mathbf{\$207,522}
\end{aligned}$$

Second Tier Debt Service Levy

$$\begin{aligned}
&= \text{2nd Tier Debt Service Revenue} \times \frac{\text{District ANTC per APU}}{\text{greater of (a)\$8,000 or (b)100\% of ANTC per APU}} \\
&= \$150,400 \times (\$4,000/\$14,633) \\
&= \$150,400 \times 0.2734 \\
&= \mathbf{\$41,119}
\end{aligned}$$

Next, calculate the total levy, by adding the levy component of the two equalized tiers of the revenue to the initial un-equalized levy amount:

Total Debt Service Levy

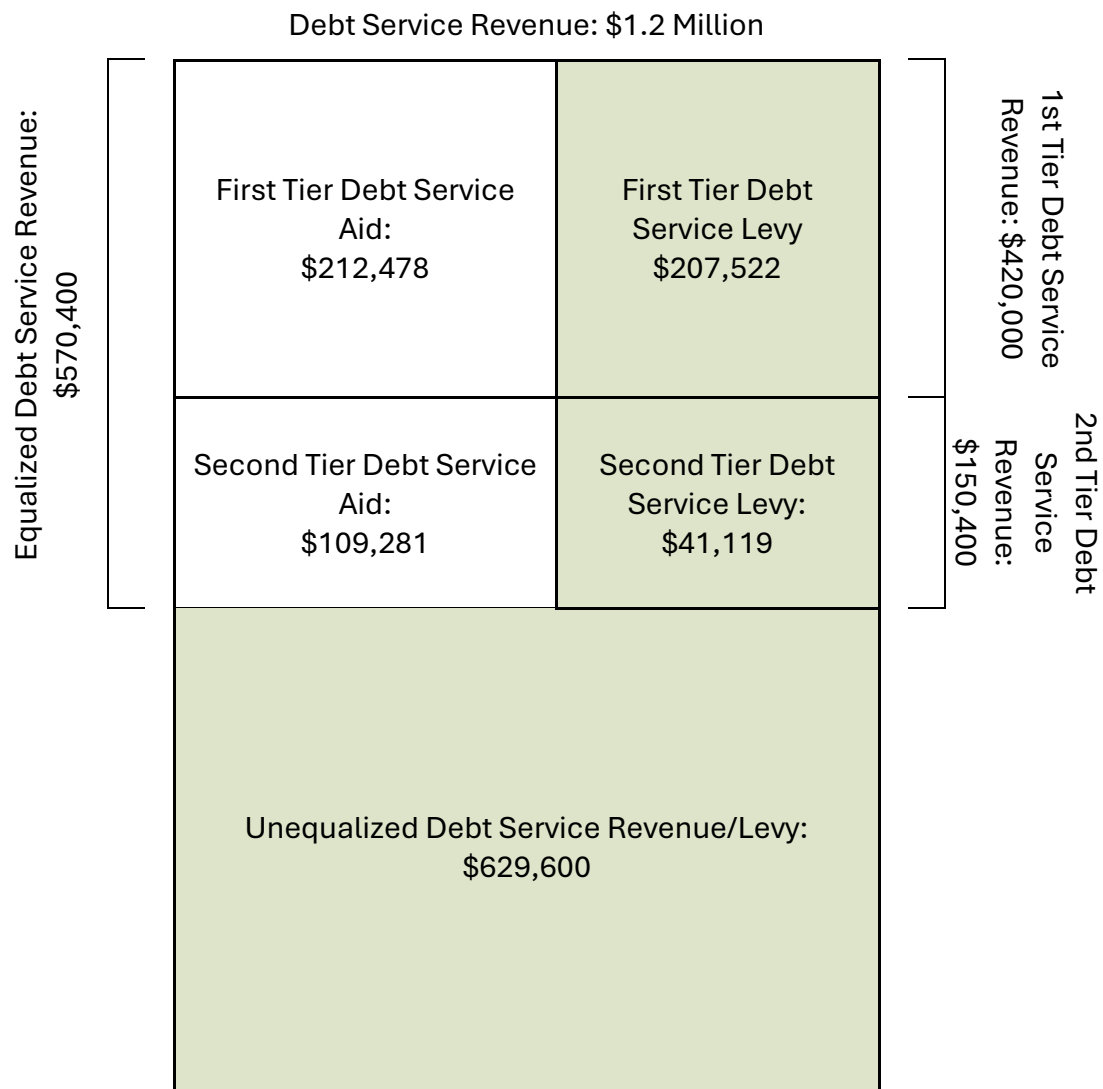
$$\begin{aligned}
&= \text{Unequalized Levy} + \text{First Tier Levy} + \text{Second Tier Levy} \\
&= \$629,600 + \$207,522 + \$41,119 \\
&= \mathbf{\$878,241}
\end{aligned}$$

Finally, calculate the amount of aid by subtracting the levy total from the total revenue need:

Debt Service Aid

$$\begin{aligned}
 &= \text{Debt Service Revenue} - \text{Total Debt Service Levy} \\
 &= \$1,200,000 - \$878,241 \\
 &= \mathbf{\$321,759}
 \end{aligned}$$

Figure 7: Debt Service Revenue Visualization



Telecommunications/Internet Access Equity Aid



School districts and charter schools receive reimbursement for their eligible telecommunication and internet access costs from the previous fiscal year. Eligible costs are defined as ongoing costs for internet access, data lines and video links for certain purposes, recurring contractual costs for portions of a district's network, recurring costs for shared regional delivery of access between school districts, postsecondary institutions and public libraries, and

installation fees for new lines or increased bandwidth. Certain costs, such as staff support, telephone service, network hardware, and fiber optic or wiring installation are defined as ineligible for reimbursement. School districts are also required to provide telecommunications and internet access to nonpublic schools within the district's boundaries, with the nonpublic school responsible for paying any costs in excess of the aid received by the district. To access this aid, districts must apply for federal internet funding, called "e-rate" funding.

Telecommunications/internet access equity aid for a district is equal to the district's eligible costs for the prior year that exceed \$16 per pupil, minus any e-rate funding received. If a district is a member of a telecommunications access cluster, the district's aid is not reduced by \$16 per pupil, and the revenue is distributed directly to the cluster. District aid is prorated so that total state aid payments do not exceed the appropriation for the fiscal year, regardless of how high eligible costs are. [[125B.26](#)]

For FY 2026-27, the capped statewide appropriation for telecommunications and internet access equity aid is \$3.75 million. For FY 2028 and later, there is no statewide funding appropriated for this program.

Example – Gopherville School District

Number of Pupil Units	=	1,000
Eligible Telecommunications Costs	=	\$37,000
Federal E-Rate Funding	=	\$1,000
Cluster Member?	=	No
Prior Year Statewide Initial Revenue	=	\$7,045,000*
Available State Appropriation	=	\$3,750,000

**Note: \$7,045,000 is the statewide revenue for the second prior year (FY 2024) as data from FY 2025 will not be available until early 2026.*

Initial Telecommunications/Internet Access Equity Aid

=	Eligible Costs - E-Rate Reimbursement - (\$16 × Pupil Units)
=	\$37,000 - \$1,000 - (\$16 × 1,000)
=	\$37,000 - \$1,000 - \$16,000
=	\$20,000

Telecommunications/Internet Access Equity Aid Proration Rate

$$\begin{aligned} &= \text{Available State Appropriation} / \text{Initial Statewide Revenue} \\ &= \$3,750,000 / \$7,045,000 \\ &= 53.23\% \end{aligned}$$

Net Telecommunications/Internet Access Equity Aid

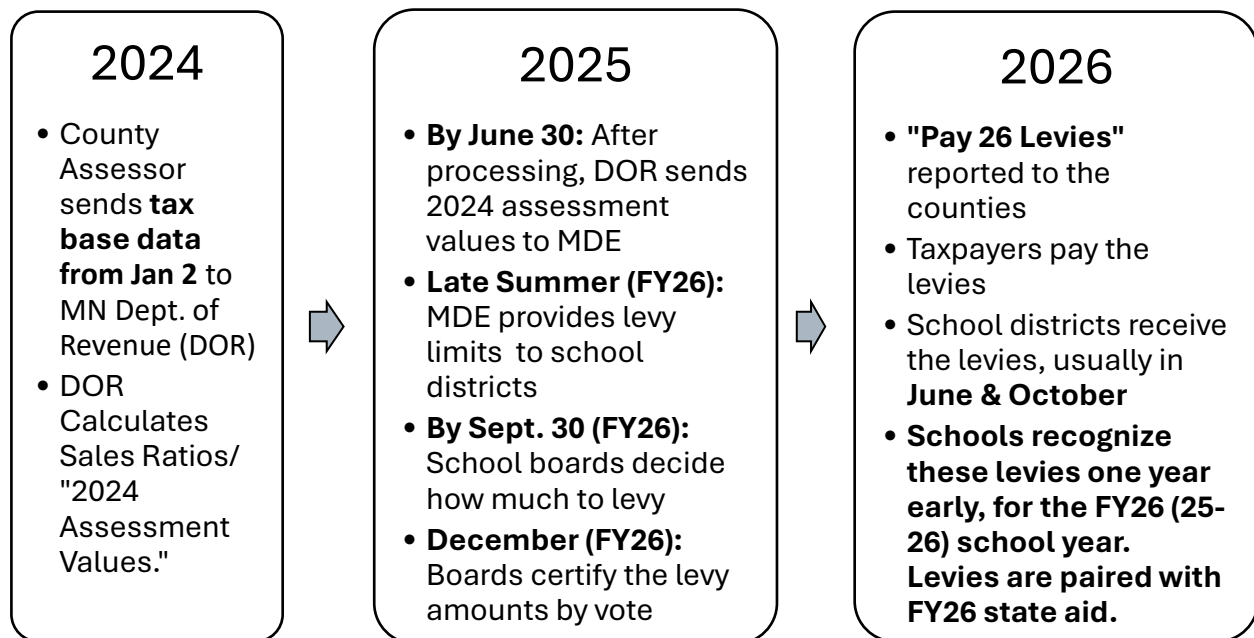
$$\begin{aligned} &= \text{Initial Revenue} \times \text{Proration Rate} \\ &= \$20,000 \times 0.5323 \\ &= \mathbf{\$10,646} \end{aligned}$$

Career and Technical Education Revenue

School districts that have career and technical education (CTE) programs are eligible for career and technical revenue equal to 35 percent of approved estimated program expenditures for the current year, which include salaries (or payment to another school district) for licensed personnel, contracted services, necessary travel for licensed CTE personnel between instructional sites, in-state vocational student organization activities and professional development, certain curriculum development activities, and specialized vocational instructional supplies.

The career and technical levy is an equalized formula, one that recognizes levy revenue one year in advance of when it is typically recognized. A district is eligible for revenue in *the fiscal year in which the levy is certified*, meaning the year before levy revenue would traditionally be recognized by a school district. Because levies for the 2025-26 school year are typically certified in the fall of 2024, which is the beginning of FY 2025, this means CTE revenue for FY 2026 will use the levy certified in FY 2026. Please see the modified levy timeline for CTE aid below:

Figure 8: Levy Timeline for School Districts, FY 2026 Career & Technical Education



*"Assessment Values" include NTC (Net Tax Capacity), ANTC (Adjusted Net Tax Capacity), EMV (Estimated Market Value), and RMV (Referendum Market Value).

A district may levy up to the product of its career and technical revenue times the lesser of one or the ratio of its ANTC per adjusted pupil unit in the fiscal year in which the levy is certified to the career and technical revenue equalizing factor of \$7,612. Districts must recognize the full amount of this levy as revenue for the fiscal year in which it is certified. A district's career and technical aid equals the career and technical revenue minus the career and technical levy.

Districts are guaranteed that their revenue will not be less than either (1) the district's career and technical revenue from the previous fiscal year or (2) 100 percent of approved expenditures from FY 2014, whichever is less. [[124D.4531](#)]

Example – Gopherville School District

FY 2026 CTE Program Expenditures	=	\$200,000
FY 2026 CTE Revenue (35% of Expenditures)	=	\$70,000
FY 2026 District ANTC per APU	=	\$4,000
FY 2025 District CTE Revenue	=	\$72,000
FY 2014 District Approved Expenditures	=	\$68,000
Career & Technical Equalization Factor	=	\$7,612

**Again, this example does not show a “typical” Minnesota school district. \$4,000 of ANTC per pupil unit would be a very low property value district and is used to show the entire career and technical aid calculation. The statewide average ANTC per pupil enrolled in a school district for calculating the FY 2026 CTE levy is estimated to be \$14,994.*

Career and Technical Levy

$$\begin{aligned}
 &= \text{CTE Revenue} \times \text{the lesser of 1 or } \frac{\text{District ANTC per APU}}{\text{Career \& Tech Equalization Factor}} \\
 &= \$70,000 \times \text{the lesser of 1 or } (\$4,000/\$7,612) \\
 &= \$70,000 \times 0.525 \\
 &= \mathbf{\$36,750}
 \end{aligned}$$

Career and Technical Aid

$$\begin{aligned}
 &= \$70,000 - \$36,750 \\
 &= \mathbf{\$33,250}
 \end{aligned}$$

Revenue Guarantee

$$\begin{aligned}
 &= \text{The lesser of FY 2025 District CTE Revenue or FY 2014 District Approved Expenditures} \\
 &= \$72,000 \text{ or } \$68,000 \\
 &= \$68,000 \\
 &\text{Greater than FY 2026 CTE Revenue of } \$70,000? \\
 &\text{No. FY 2026 CTE Revenue} = \mathbf{\$70,000}
 \end{aligned}$$

Achievement and Integration Revenue

Achievement and integration revenue is intended to improve racial and economic integration, increase student achievement, and reduce academic disparities. An eligible district's initial achievement and integration revenue equals the lesser of (1) 100.3 percent of the district's expenditures under the commissioner-approved plan, excluding expenditures used to generate incentive revenue -or- (2) the sum of (a) \$350 times the district's pupil units for the current year times the ratio of the district's enrollment of protected students for the previous school year to total enrollment for the previous school year and (b) the greater of zero or 66 percent of the difference between the district's integration revenue for FY 2013 and the district's integration revenue for FY 2014. Each year, 1.3 percent of a district's initial achievement and integration revenue is transferred to the Minnesota Department of Education for oversight and accountability activities.

A district implementing a voluntary plan to reduce racial and economic enrollment disparities as part of its achievement and integration plan is also eligible for "incentive" revenue. A district's incentive revenue equals either \$10 per adjusted pupil unit or its actual total voluntary plan expenditures, whichever is less.

In order to receive achievement and integration revenue, districts must:

- (1) Develop a three year achievement and integration plan, which must be incorporated into the district's comprehensive strategic plan;
- (2) Have the school board approve the plan and corresponding budget; both must be submitted to the department for review by March 15 of the year prior to implementation;
- (3) Hold at least one formal annual hearing to publicly report its progress in realizing its goals; and
- (4) Limit the amount of revenue spent on administrative services to no more than 10 percent.

If the district is not meeting the goals outlined in its plan, the commissioner has the authority to direct the district to use up to 20 percent of the district's achievement and integration revenue until the district's achievement and integration goals are reached.



Achievement and integration revenue is split as follows: 70 percent from state aid and 30 percent from local levy. For FY 2026, 185 districts qualify for \$120.76 million in achievement and integration revenue. [[124D.861-124D.862](#)]

Example – Gopherville School District*

FY 2025 (Prior Year) APU	=	1,000
FY 2026 (Current Year) APU	=	950
FY 2026 District Expenditures	=	\$70,000
FY 2025 Enrollment of Protected Students	=	200
FY 2013 Integration Revenue	=	\$60,000
FY 2014 Integration Revenue	=	\$57,000
FY 2024 (2nd Prior Year) A&I Revenue	=	\$68,000
Implementing a Voluntary Disparity Reduction Plan?	=	Yes
FY 2026 Actual Voluntary Plan Expenditures	=	\$14,000

**This example assumes that Gopherville is not the Minneapolis, St. Paul, or Duluth school districts, which operate under a different levy structure for Achievement and Integration revenue.*

Initial Achievement and Integration Revenue

The lesser of:

- (1) 100.3% of district's current plan expenditures

$$\begin{aligned} &= \$70,000 \quad \times \quad 1.003 \\ &= \$70,210 \end{aligned}$$

-or-

- (2) The sum of

$$\begin{aligned} \text{a) } &(\$350 \times \text{Current Year APU}) \quad \times \quad \frac{\text{Prior Year Protected Student Enrollment}}{\text{Prior Year Total Enrollment}} \\ &= (\$350 \times 950) \times (200/1,000) \\ &= \$332,500 \times 0.2 \\ &= \$66,500 \end{aligned}$$

-and-

$$\begin{aligned} \text{b) } &\text{The greater of 0 -or- } .66 \times (\text{FY 2013 Integration Revenue} - \text{FY 2014 Integration Revenue}) \\ &= 0.66 \times (\$60,000 - \$57,000) \\ &= 0.66 \times \$3,000 \\ &= \$1,980 \end{aligned}$$

The greater of 0 and \$1,980 = \$1,980, so \$66,500 + \$1,980 = \$68,480

The lesser of \$70,210 and \$68,480 = **\$68,480**

Incentive Revenue

The lesser of:

$$\begin{aligned}(1) &= \$10 \quad \times \quad \text{Current Year APU} \\ &= \$10 \quad \times \quad 950 \\ &= \$9,500\end{aligned}$$

$$\begin{aligned}(2) &\text{Current Year Actual Voluntary Plan Expenditures} \\ &= \$14,000\end{aligned}$$

The lesser of \$9,500 and \$14,000 = **\$9,500**

Total Achievement and Integration Revenue

$$\begin{aligned}&= \$68,480 \quad + \quad \$9,500 \\ &= \$77,980\end{aligned}$$

$$\begin{aligned}\text{Achievement and Integration Aid} \\ &= \$77,980 \times 0.70 \\ &= \mathbf{\$54,586}\end{aligned}$$

$$\begin{aligned}\text{Achievement and Integration Levy} \\ &= \$77,980 \times 0.30 \\ &= \mathbf{\$23,394}\end{aligned}$$

Literacy Incentive Aid

Schools are eligible for additional aid based on how well students in the third grade can read (called “Proficiency Aid”), and how much progress is being made between the third and fourth grades in reading skills (called “Growth Aid”). Proficiency aid is calculated by multiplying \$530 times the average percentage of students in a school that meet or exceed proficiency over the current year and previous two years on the third grade reading portion of the Minnesota Comprehensive Assessment, multiplied by the number of students enrolled in the third grade at the school in the previous year. Similarly, Growth Aid is calculated by multiplying \$530 times the percentage of students that make medium or high growth on the fourth grade reading Minnesota Comprehensive Assessment multiplied by the previous year’s fourth grade student count. [[124D.98](#)]

Nutrition Programs

Free School Meals Program Aid – The Free School Meals Program was established by the 2023 Legislature to provide one free breakfast and one free lunch per school day to every pre-kindergarten-12th grade student attending a school in Minnesota that participates in the USDA National School Lunch Program (NSLP). The free school meals program aid equals the difference between the number of meals served times the federal reimbursement rate for a free meal (determined annually by USDA; \$4.60 for lunch and \$2.46 for breakfast for FY 2026) and the actual federal reimbursement the participating school receives for the meals served, meaning the state covers the costs for all meals not paid for or partially paid for by the federal government.

If a school participating in the NSLP has an Identified Student Percentage (ISP – a measure of poverty) greater than or equal to 40 percent, the school must participate in the Community Eligibility Program (CEP), a federal program that provides additional school breakfast and lunch assistance on a sliding scale, in order to participate in the Free School Meals Program. With an ISP at or above 40 percent, a school’s entire student body is eligible for breakfast and lunch at no cost through the federal government, reducing the state’s cost. If a school has an ISP below 40 percent, the school is not required to participate in CEP, but the school then *is* required to participate in the Free School Meals Program.

School Breakfast Aid – If a school participates in the Free School Meals Program, then it is eligible for the Free School Meals breakfast aid discussed above. Otherwise, school districts are eligible to receive 55 cents for each fully paid breakfast and 30 cents for each reduced-price breakfast served to students in grades 1 through 12. Voluntary pre-kindergarten and kindergarten students who are in the fully paid category generate \$1.30 for each breakfast served. Districts that receive school breakfast aid must provide breakfast without charge to those students eligible for free and reduced-price meals. All voluntary pre-kindergarten pupils and kindergarten pupils are eligible for school breakfast without charge, regardless of family income. [[124D.1158](#)]

School Lunch Aid – If the school participates in the Free School Meals Program, districts receive the sum of a) 12.5 cents for each fully paid, reduced-price, and free student lunch; and b) the free school meals aid amount discussed above. Otherwise, school districts are

eligible to receive 12.5 cents of state funding for each fully paid and free student lunch served. Districts receive 52.5 cents per reduced price lunch meal served. [124D.111]

Library Programs

Basic Regional Library System

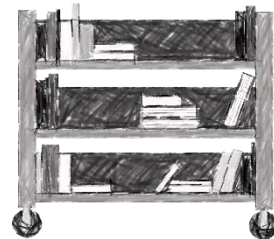
Library Basic Support Aid – Aid to regional public libraries for operations, interlibrary programs and services. Beginning in FY 2026, basic system support aid is tied to increases in the general education formula allowance. [134.355]

Regional Library Telecommunications Aid – Aid for regional public library systems to cover data and video access, maintenance, equipment, installation of telecommunications lines, and/or improve internet access. [134.355, subd. 9]

Multi-county/ Multi-type Library System Development Aid – Multi-county or multi-type libraries are eligible to receive aid for development or operations. Costs for sparsely populated or large geographic areas must be considered when awarding aid. [134.353]

School Library Aid – School Library Aid was created by the 2023 Legislature to reserve funds exclusively for school libraries. Specifically within school libraries, eligible uses for this aid include:

- (1) the salaries and benefits of a school library media specialist
- (2) electronic, computer, and audiovisual equipment
- (3) information technology infrastructure and digital tools
- (4) electronic and material resources
- (5) furniture, equipment, or supplies



For FY 2026 and later, school library aid for a district equals either \$10.27 times the district's adjusted pupil units for the school year or \$20,000, whichever is greater. For charter schools, school library aid is either \$10.27 times the charter school's adjusted pupil units for the school year or \$10,000, whichever is greater. Beginning in FY 2028, the aid per pupil will be \$9.12 instead of \$10.27, with no change to the minimum threshold. For FY 2026, statewide school library aid is estimated to be \$14.394 million. [124D.992]

Nonpublic Pupil Programs

Nonpublic Pupil Aid – Public school districts receive aid to fund services and textbooks for the benefit of nonpublic school students. This funding can be used for secular textbooks and other instructional materials or services including health services and secondary guidance and counseling services. The textbook funding level is set at the average amount expended in public schools per pupil for similar materials in the second prior year, multiplied by a factor equal to the growth in the basic formula amount between the second prior year and the current year. Similarly, health services are reimbursed on a per pupil basis to the public school district at the rate of the lesser of their actual cost or the average cost of providing those services to public school students in the second prior year, and guidance

and counseling services are reimbursed on a per secondary pupil basis at the rate of the lesser of their actual cost or the average cost of providing those services to public school secondary students in the second prior year. [[123B.40-123B.48](#)]

Nonpublic Pupil Transportation Aid – Nonpublic pupil transportation aid is equal to the school district cost per pupil of providing transportation services in the second preceding school year and then adjusted for the change in the general education formula allowance between the current year and the second preceding school year. [[123B.92, subd. 9](#)]

Personnel Programs

Student Support Personnel Aid – The 2023 Legislature created student support personnel aid to address the shortages of student support services personnel within Minnesota schools; decrease caseloads for existing support personnel; integrate learning supports, data-based decision making, and family and community engagement; and improve student health, school safety, and school climate. Student support personnel aid must be used to hire new positions, increase part-time positions to full-time equivalents, or maintain positions that may otherwise be eliminated. If a school district is not able to hire additional staff, the aid may be used to contract for services. [[124D.901](#)]

The formula has two main components: initial aid and cooperative aid. Only school districts that are part of an intermediate district or cooperative unit that serves students are eligible for cooperative aid. If a district is a member of more than one cooperative unit that serves students, the revenue must be allocated among the cooperative units.

(1) Initial student support personnel aid equals the greater of:

a) (The Student Support Personnel Allowance) × (Current Year APU)

-or-

b) For independent or special school districts, intermediate districts, and cooperative units: \$40,000. For charter schools: \$20,000.

(2) Cooperative student support personnel aid equals the greater of:

a) (The Student Support Personnel Allowance) × (Current Year APU)

-or-

b) \$40,000.

The Student Support Personnel Allowance is set at different amounts for c) school districts and charter schools and d) intermediate districts and cooperative units.

c) The Student Support Personnel Allowance is \$30.05 for FY 2026-27 and \$34.32 for FY 2028 and later.

d) The Cooperative Student Support Allowance is \$1.60 for FY 2026 and later.

Example – Gopherville School District

FY 2026 Adjusted Pupil Units	=	2,000
FY 2026 Student Support Personnel Allowance	=	\$30.05
FY 2026 Cooperative Student Support Allowance	=	\$1.60
Member of a Coop/Intermediate District?	=	Yes

Student Support Personnel Aid

First, calculate initial aid for a district:

- = the greater of (FY 2026 Adjusted Pupil Units × FY 2026 Student Support Personnel Allowance) or \$40,000
- = $(2,000 \times \$30.05)$ or \$40,000
- = \$60,100 or \$40,000
- = **\$60,100**

Next, calculate cooperative aid for a district that is a member of a service cooperative that serves students or an intermediate district:

- = the greater of (FY 2026 Adjusted Pupil Units × FY 2026 Cooperative Student Support Allowance) or \$40,000
- = $(2,000 \times \$1.60)$ or \$40,000
- = \$3,200 or \$40,000
- = **\$40,000**

Finally, add the cooperative aid amount to the initial aid amount.

- = \$60,100 + \$40,000
- = **\$100,100**

Paraprofessional Training Reimbursement - Beginning in fiscal year 2025, school districts, charter schools, and intermediate school districts and other cooperative units became eligible to be reimbursed for the expenses associated with paraprofessional training. The reimbursement equals 100 percent of the prior year's compensation expenses associated with providing up to eight hours of paid orientation and/or professional development for each paraprofessional.

For the 2024-2025 school year only, a school was allowed to reduce the required minimum hours to six and instead pay for paraprofessional test materials and testing fees for any previously employed paraprofessional who had not yet successfully completed the paraprofessional assessment or met the requirements of the paraprofessional competency grid. [[121A.642](#)]

Miscellaneous Revenue Programs

Abatement Revenue – Abatement revenue is a replacement for anticipated property tax receipts due to a reduction in property valuation after levies are certified. The aid applies to equalized levies only; districts may make an adjustment levy the next year for the remaining revenue loss. Districts may also levy for the shortfall in abatement aid. [[126C.46](#);[127A.49](#)]

Advanced Placement and International Baccalaureate Programs – The state pays all Advanced Placement and International Baccalaureate exam fees for low-income students, and a portion of those exam fees on a sliding scale based on income for all other students. The state also subsidizes a portion of the training costs for teachers in advanced placement or international baccalaureate courses. [[120B.13](#)]

Consolidation Transition Revenue – Districts that consolidate are eligible for state aid of \$424 per pupil unit in the first year of the consolidation and \$212 per pupil unit in the second year. The number of pupil units used to calculate this aid may not exceed 1,500. This funding is intended to cover early retirement costs of employees, operating debt of the districts, enhanced learning opportunities for students in the reorganized district, and other costs resulting from the reorganization. If this aid is not adequate to cover the early retirement costs, the district may levy for the additional amount. [[123A.485](#)]

Safe Schools Levy – A district may levy up to \$36 per pupil unit for the costs of peace officers employed in school liaison services, drug prevention programs, gang resistance education programs, voluntary opt-in suicide prevention tools, facility security enhancements, efforts to improve school climate, costs associated with mental health services, and security costs in the district's schools and on school property. The levy may also be used for school counselors, nurses, social workers, psychologists, and alcohol and chemical dependency counselors. Districts that are members of an intermediate school district may levy an additional \$15 for these same purposes. [[126C.44](#)]

In addition to the Safe Schools Levy, \$30 million in one-time funding for Safe Schools supplemental aid was approved by the 2019 Legislature to be used for the activities outlined under the Safe Schools Levy, and \$24.332 million was approved by the 2023 Legislature for building security and cyber security.

Charter School Revenue

Charter schools in Minnesota are public schools and are defined as being part of the state's system of public education. They are not school sites of the school district within which they are located, although they may have been authorized by the school district within which they are located. Although they are public schools, charter schools are exempt in law from many, but not all, of the requirements governing public schools and school districts. In regard to revenue, charter schools are eligible for general education revenue, special education aid, building lease aid, start-up grants, and other revenue school districts receive.

Charter school revenue sources include:

General Education Revenue – Charter schools receive general education revenue per pupil similarly to how school districts do, with a number of exceptions. First, if the charter school does not provide transportation services, the charter school's general education revenue is reduced by:

- (1) 4.66 percent of the basic formula (\$349 for FY 2026) plus the transportation sparsity allowance for the district within which the charter is located, times
- (2) the charter's APU, plus the product of \$223 and the charter's extended time pupil units.

If transportation services are not provided by the charter school, the district in which the charter school is located must provide transportation to charter school students in the same way it provides transportation to students residing in or attending school in the public school district, and the school district must receive the amount of aid by which the charter school's funding was reduced. [[124E.15](#); [124E.20](#)]

Charter schools receive the following general education revenues as if they were districts:

- (1) Declining enrollment
- (2) Basic skills
- (3) Transportation sparsity
- (4) Transition
- (5) Pension adjustment revenue

Charter schools receive the state average for the following components of general education revenue:

- (1) Gifted and talented
- (2) Sparsity
- (3) Operating capital
- (4) Equity revenue

Unlike districts, charter schools are not governed by [Minnesota Statutes, section 126C.10 subd. 14](#) and may use the operating capital component of general education revenue for any lawful purpose.

Charter schools receive the state average plus an additional adjustment of \$132 per APU for:

- (1) General education basic aid

Charter schools receive the per pupil allowance of the pupil's district of residence for:

- (1) First tier local optional aid
- (2) Referendum equalization aid

Charter schools do not receive:

- (1) Full referendum revenue
- (2) Full local optional revenue
- (3) Small schools revenue

Finally, charter schools receive 25 percent of the statewide average per pupil, rounded to the nearest whole number, for:

- (1) Extended time revenue, if they operate an extended time program

Special Education Aid – Charter schools receive special education aid as school districts do, with some notable exceptions. They are not eligible for cross-subsidy reduction aid, and are instead allowed to bill a special education student's resident school district for any eligible special education costs unreimbursed by initial special education aid or excess cost aid for 80 percent reimbursement. The state reimburses charter schools for an additional 10 percent of their total costs, meaning that charter schools (except those that primarily serve a special education population) are required to cover 10 percent of unfunded special education costs with other funds.

Those charter schools that primarily serve a special education population – specifically, charter schools “where the percent of students eligible for special education services is at least 70 percent of the charter school's total enrollment,” – are reimbursed for 100 percent of their special education costs. [[124E.21](#); [127A.47, subd. 7](#)]

Charter School Building Lease Aid – Charter schools with building leases qualify for aid equal to 90 percent of the approved cost of the lease, or \$1,314 per pupil, whichever is less. [[124E.22](#)]

Transportation Revenue – Charter schools that do provide transportation services in compliance with transportation requirements established in [M.S. 123B.88](#) are eligible for transportation revenue equal to the general education revenue reduction for charters that do not provide transportation services. A charter school providing transportation services receives transportation revenue in the form of general education aid equal to:

- (1) 4.66 percent of the basic formula (\$349 for FY 2026) plus the transportation sparsity allowance for the district within which the charter is located, times
- (2) the charter's APU, plus the product of \$223 and the charter's extended time pupil units. [[124E.15](#); [124E.23](#)]

Long-Term Facilities Maintenance Revenue – Until FY 2026, charter schools were eligible for LTFM Revenue, though because they do not own their own buildings, they were allowed to use the revenue for any school-related purpose. Beginning in FY 2026, charter schools are no longer eligible for LTFM revenue and instead receive the equivalent amount of per-pupil funding as an adjustment to the basic aid component of their general education funding.

Other Aid, Grants, and Revenue – A charter school is eligible to receive other aids, grants, and revenue as though it were a school district, unless a property tax levy is required to obtain the money. Additionally, a charter school may receive money from any source for capital facilities needs. [[124E.24](#)]

Family and Early Childhood Categorical Programs

Adult Basic Education

Adult Basic Education (ABE) provides instruction to eligible adults in basic academic skill areas of reading, writing, speaking, and math. ABE courses include workforce instruction, literacy tutoring, English proficiency for speakers of other languages, citizenship training, work readiness, high school diploma instruction, and transition to post-secondary education. ABE participants must be over 16 years of age and currently not attending secondary or elementary education. Programs are delivered primarily through public school districts as well as through collaboration with non-profit organizations, community and technical colleges, and state and local correctional institutions. School districts may cooperate and form an ABE consortium, working with other districts and combining ABE aid. School boards and consortiums offering an ABE program may charge a sliding scale fee for students over 21 who are able to pay. [[124D.52-124D.531](#)]

ABE aid has four components, which are connected to the needs of ABE students: 1) basic population aid, 2) contact hour aid, 3) English learner (EL) aid and 4) aid for adults over age 25 with no diploma. Basic population aid is equal to the greater of \$3,844 or \$1.73 times the population of the district. After separating out basic population aid from the state appropriation for ABE, the balance is distributed as follows:

- (1) 84 percent for contact hour aid, distributed to ABE providers based on the total number of contact hours provided during the prior program year. Money is distributed based on the number of contact hours provided in the prior year multiplied by a variable dollar rate which is based on the total number of contact hours and the available funds. Contact hour aid cannot exceed \$30 per prior year contact hour or exceed aid from the previous year by more than the greater of 11 percent of the prior year or \$10,000.
- (2) 8 percent for EL aid, distributed based on the proportion of the state's K-12 EL student enrollment in the ABE program.
- (3) 8 percent for high school diploma aid based on the school district's population of adults over age 25 who do not have a high school diploma.



On a statewide basis, total adult basic education aid is annually capped at a set amount that may only be adjusted by allowed carryforward (ABE providers may carry forward a maximum of 20 percent of their ABE revenue into the next fiscal year) or changes in session law.

The cap for FY 2026 and later is the adjusted prior fiscal year cap times the lesser of:

- (1) 1.03 -or-
- (2) the greater of
 - a) one plus the percent change in the formula allowance from the previous fiscal year, or
 - b) the average growth in state total contact hours over the prior ten program years.

The Minnesota Department of Education determines this cap each year and then uses it to calculate the component rates for school districts and consortia. For FY 2026, the rates are as follows: \$44.03 for EL aid and \$9.21 for the over-25-with-no-diploma aid. As mentioned above, the contact hour rate is based on a number of factors and is variable among districts and consortia; the average contact hour rate statewide after being prorated by the Minnesota Department of Education due to the statutorily capped amount of available funds is \$8.54.

Example – Gopherville School District

District Population	=	50,000
Contact Hours	=	40,000
Contact Hour Rate	=	\$8.54
Prior Year Contact Hour Aid	=	\$350,000
EL Enrollment	=	500
EL Rate	=	\$44.03
Over 25, No Diploma Count	=	1,000
Over 25, No Diploma Rate	=	\$9.21

Basic Population Aid

$$\begin{aligned} &= \text{the greater of } \$3,844 \text{ -or- } \$1.73 \times \text{District Population} \\ &= \$1.73 \times 50,000 \\ &= \$86,500 \text{ } (\$86,500 > \$3,844) \end{aligned}$$

Contact Hour Aid

$$\begin{aligned} &= \text{Contact Hour Rate} \times \text{Contact Hours} \\ &= \$8.54 \times 40,000 \\ &= \$341,600 \end{aligned}$$

Does \$341,600 exceed the greater of 11% of the prior year contact hour aid or \$10,000?

$$= \$350,000 \times 0.11 = \$38,500$$

$$\mathbf{\$38,500} > \$10,000$$

Does \$341,600 exceed (\$350,000 + \$38,500)?

No.

EL Aid

$$\begin{aligned} &= \text{EL Rate} \times \text{EL Enrollment} \\ &= \$44.03 \times 500 \\ &= \$22,015 \end{aligned}$$

Over 25, No Diploma

$$\begin{aligned} &= \text{Over 25, No Diploma Rate} \times \text{Over 25, No Diploma Count} \\ &= \$9.21 \quad \times \quad 1,000 \\ &= \$9,210 \end{aligned}$$

ABE Aid Total

$$\begin{aligned} &= \text{Basic Population Aid} + \text{Contact Hour Aid} + \text{EL Aid} + \text{Over 25, No Diploma Aid} \\ &= \$86,500 + \$341,600 + \$22,015 + \$9,210 \\ &= \mathbf{\$459,325} \end{aligned}$$

Adults with Disabilities

As a part of the Community Education program, districts may offer programs for adults with disabilities. The adults with disabilities program supports activities such as increasing public awareness of the roles of people with disabilities, classes for adults with disabilities, outreach and marketing strategies to identify and encourage adults needing service, and services that meet consumer needs and enhance the role and contribution of people with disabilities in communities. Districts receive revenue equal to the lesser of 1) the actual program expenditures or 2) the greater of (a) \$0.34 times the population of the school district or (b) the district's FY 2023 adults with disabilities revenue. Districts may receive additional revenue from public or private sources, which does not change the aid amount received from the state. [124D.19, subd. 7 & 8, 124D.56]



Adults with Disabilities Revenue equals the lesser of:

- (1) The actual expenditures for approved programs and budgets (the previous \$60,000 cap has been removed); or
- (2) The greater of:
 - a) \$0.34 times the population of the school district; or
 - b) the district's adults with disabilities revenue for FY 2023.

Adults with Disabilities Levy

A district may levy for an adults with disabilities program in an amount up to:

- (1) The lesser of:
 - a) the district's total adults with disabilities revenue; or
 - b) the product of a tax rate up to 0.0053 percent in FY 2026 and 0.005 percent in FY 2027 and later times the district's adjusted net tax capacity for the year prior to the year the levy is certified.

Adults with Disabilities Aid

Program aid for adults with disabilities equals the difference between the district's adults with disabilities revenue and the district's adults with disabilities levy.

Example – Gopherville School District

FY 2026 Adults with Disabilities Actual Expenditures	=	\$53,000
FY 2023 Adults with Disabilities Revenue	=	\$50,000
Gopherville Population	=	150,000
FY 2024 District ANTC	=	\$700,000,000

Adults with Disabilities Revenue:

The lesser of:

(1) Actual expenditures

= \$53,000

-or-

(2) The greater of

a) = \$0.34 times the population of the school district

= $\$0.34 \times 150,000$

= \$51,000

-or-

b) = the district's adults with disabilities revenue for FY 2023.

= \$50,000

$\$51,000 > \$50,000$; $\$51,000 < \$53,000$

= **\$51,000**

Adults with Disabilities Levy:

(1) The lesser of:

a) the district's total adults with disabilities revenue

= \$51,000

-or-

b) the product of a tax rate up to 0.0053 percent in FY 2026 times the district's ANTC for the year prior to the year the levy is certified.

= $(0.00006) \times \$700,000,000$

= \$42,000

Adults with Disabilities Aid:

= Revenue - Levy

= \$51,000 - \$42,000

= **\$9,000**

Early Learning Scholarships

Following the creation of the Department of Children, Youth, and Families (DCYF) in [2024 Laws, chapter 80](#), the Early Learning Scholarships Program has now been moved from the Minnesota Department of Education (MDE) to DCYF. The program still provides scholarships to high need children under the age of five to expand access to high quality pre-school programs, just now at a different state agency. In FY 2024, the most recent year for which data is available, 16,100 scholarships were awarded to children across the state. Of the \$196 million FY 2024 appropriation, roughly \$70 million was used to fund these seats. General fund appropriations for early learning scholarships are transferred to an account in the special revenue fund where funds are available until spent, so the unused funding will carryforward to the next fiscal year.

In order to qualify for a scholarship, a child's family must have income equal to or less than 47 percent of the state median income or be able to demonstrate participation in other state or federal need-based programs like nutrition assistance, childcare assistance, protective services, and/or [Head Start](#).

For FY 2026, \$97.29 million is available for scholarships (not including \$2.883 million for DCYF program administration). Each eligible child may be awarded a scholarship worth up to \$12,000 for licensed family childcare or \$15,000 for center-based care. A student awarded a scholarship must continue to receive a scholarship until she/he enters kindergarten. Siblings of a student awarded a scholarship are eligible for scholarships as well, provided the siblings attend the same program. Children ages birth through the day they are age-eligible for kindergarten (age 5 on September 1) are eligible for the early learning scholarship program.

In order to be eligible to accept early learning scholarship funds, programs or individual childcare providers must participate in Parent Aware, Minnesota's quality rating and improvement system for early learning programs, from which programs or providers may earn a rating from one star to four stars.

There are two "pathways" by which scholarships are awarded:

- (1) Pathway I allows for scholarships to be awarded directly to families. The funds are paid to the qualifying provider selected by the family and "follow the child."
- (2) Pathway II provides scholarships directly to four-star rated providers, like Head Start and school district-based preschool programs. These programs then fill the scholarship slots in their program with qualified children. [[142D.25](#)]

Voluntary Pre-Kindergarten Program

The 2016 Legislature enacted a voluntary pre-kindergarten program (commonly referred to as “VPK”), which began in FY 2017. All school districts and charters or groups of districts and charters are eligible to apply for voluntary pre-kindergarten program funding. Districts



may also choose to use a “mixed-delivery” model, by partnering with Head Start programs, childcare centers, licensed family childcare providers, and community-based programs. [142D.08]

In order to be eligible for participation in a voluntary pre-kindergarten program, a child must be 4 years of age by September 1 of that academic year, must have completed a health and developmental screening assessment within 90 days of program initiation, and must

have provided documentation of immunizations. No fees may be charged for participation in the voluntary pre-kindergarten program.

There are a number of program requirements outlined in statute, including: a minimum of 350 hours of annual service; alignment with state early learning and K-3 academic standards; assessments of students growth from the beginning to the end of the year; coordination with other early learning programs and community based services; parent involvement in program and transition planning; staff-to-student ratios of 1:10, with a maximum of 20 students per classroom; salaries for pre-kindergarten instructors that are comparable to K-12 instructors; and alignment with outcomes in the district’s world’s best workforce [120B.11] plan.

Funding follows the per pupil unit funding model used for grades K-12, but the weighting for pre-kindergarten students is limited to a maximum of 0.60 pupil units [126C.05, subd.1]. Priority for funding must be given to high poverty schools.

Districts or charter schools choosing to apply for program eligibility must submit applications on a four-year cycle to the department of children, youth, and families (DCYF) that includes the anticipated hours of instruction per week, estimated number of eligible children to be served at each site and a statement of assurances from the superintendent or charter school director that the program will meet all program requirements outlined in statute. The commissioner must divide eligible applications for new or expanded programs into five groups, as follows:

- (1) Minneapolis School District
- (2) St. Paul School District
- (3) Other school districts located in the metro equity region
- (4) School districts located in the rural equity region, and
- (5) Charter schools

Within each of these five groups, the schools must be ordered by rank using a sliding scale based on the following criteria:

- (1) **Concentration of kindergarten students eligible for free and reduced-price lunches (a proxy for poverty level) by school site on October 1 of the previous school year.** For schools without a free and reduced-price lunch count concentration, the district-wide average concentration of kindergarten students must be used for ranking order.

and

- (2) **Presence or absence of 3 or 4-star rated Parent Aware programs within the school district or in close proximity to it.** Sites with the highest concentration of kindergarten pupils eligible for free and reduced-price lunch that do not have a 3 or 4-star rated Parent Aware program within the district will receive the highest priority, while sites with the lowest concentration of kindergarten pupils eligible for free and reduced-price lunch that have 3 or 4-star rated programs nearby will receive lowest priority.

The next application deadline will be in January 2029 for fiscal years 2030-2033. The program is capped at 12,360 students for FY 2026 and beyond. Once a school site is approved for voluntary pre-kindergarten aid, it remains eligible if it continues to meet program requirements, regardless of changes in free and reduced-price lunch concentration.

The voluntary pre-kindergarten program is an enrollment-based program, so although the number of seats may be established in statute, the cost per seat varies based on the local educational agency serving the student and the student's individual needs and entitlements. Estimated spending for the past five years for which finalized data is available is provided in the table below.

Figure 9: VPK Program Spending, FY 2020-2024

Fiscal Year	Seats Available	Actual/Est ADM	Formula Allowance	State Aid	Levy	Total	Average Cost/Seat
FY20	7,160	3,639.51	\$6,438	\$40,516,188	\$6,358,774	\$46,874,962	\$6,547
FY21	7,160	3,425.14	\$6,567	\$40,051,000	\$8,026,000	\$48,077,000	\$6,715
FY22	7,160	3,877.32	\$6,728	\$40,664,000	\$8,582,000	\$49,246,000	\$6,878
FY23	7,160	3,236.97	\$6,863	\$36,825,257	\$7,314,275	\$44,139,532	\$6,165
FY24	7,160	3,290.23	\$7,138	\$33,480,440*	\$7,942,281	\$41,422,721	\$5,785

*Note: Due to differences in data collection and the implementation of Free School Meals, FY 2024 VPK State Aid does not include calculations for special education or nutrition, as the previous years do.

Community Education

Community education programs provide learning and involvement opportunities for people of all ages, including providing school district residents with the opportunity to utilize educational facilities and programs during non-school hours. Community education programs may also be offered to K-12 students during the summer and other non-school times, and fees may be charged for those programs. Community education revenue can also be used for educational programming, including adults with disabilities, school age care, ABE, School Readiness, and Early Childhood Family Education (ECFE). Community education revenue received by a district must be maintained in a reserve account within the community service fund.

For FY 2026, general community education revenue is equal to \$6.35 times either a) 1,335 or b) the population of all residents of the district, whichever is greater. A district that implements a youth service program is also eligible for an additional \$1.00 on this same formula. Districts with a youth after-school enrichment program also receive \$1.85 times the greater of a) 1,335 or b) the population of the district, capped at 10,000. Districts with populations over 10,000 offering a youth after-school enrichment program also receive \$0.43 times the population greater than 10,000 in the district. To obtain full community education revenue, a district may levy a maximum tax rate of 0.3298 percent of its adjusted net tax capacity, with the rate limited so that the levy may not exceed total annual community education revenue. The maximum tax rate is limited to 0.3128 percent in FY 2027 and later. If a district does not levy the entire amount permitted, their aid is reduced proportionally. [[124D.20](#)]

For a district **without** an after-school youth enrichment program:

Example – Gopherville School District

District Population	=	12,000
Adjusted Net Tax Capacity (ANTC)	=	\$10,000,000
Youth Service Program?	=	Yes
After School Enrichment Program?	=	No

Community Education Rate

$$\begin{aligned} &= \text{Community Education Rate} + \text{Youth Service Rate} \\ &= \$6.35 + \$1.00 \\ &= \$7.35 \end{aligned}$$

Community Education Revenue

$$\begin{aligned} &= \text{Community Education Rate} \times \text{the greater of (a) 1,335 or (b) District Population} \\ &= \$7.35 \times \text{the greater of (a) 1,335 or (b) 12,000} \\ &= \$7.35 \times 12,000 \\ &= \mathbf{\$88,200} \end{aligned}$$

Community Education Levy

$$\begin{aligned} &= 0.3298 \text{ percent} \times \text{District ANTC} \\ &= 0.003298 \times \$10,000,000 \\ &= \mathbf{\$32,980} \end{aligned}$$

Community Education Aid

$$\begin{aligned} &= \text{Community Education Revenue} - \text{Community Education Levy} \\ &= \$88,200 - \$32,980 \\ &= \mathbf{\$55,220} \end{aligned}$$

Now, the calculation for community education revenue for a district **with** an after-school youth enrichment program:

Example – Loon Lake School District

District Population	=	14,000
Adjusted Net Tax Capacity (ANTC)	=	\$12,000,000
Youth Service Program?	=	Yes
After School Enrichment Program?	=	Yes

Community Education Rate

$$\begin{aligned} &= \text{Community Education Rate} + \text{Youth Service Rate} \\ &= \$6.35 + \$1.00 = \$7.35 \end{aligned}$$

Regular Community Education Revenue

$$\begin{aligned} &= \text{Community Education Rate} \times \text{the greater of (a) 1,335 or (b) District Population} \\ &= \$7.35 \times \text{the greater of (a) 1,335 or (b) 14,000} \\ &= \$7.35 \times 14,000 \\ &= \$102,900 \end{aligned}$$

Youth After School Enrichment Program Revenue

$$\begin{aligned} &= (\$1.85 \times \text{the lesser of (a) District Population or (b) 10,000}) + (\$0.43 \times \text{District Population over 10,000}) \\ &= (\$1.85 \times 10,000) + (0.43 \times 4,000) \\ &= \$18,500 + \$1,720 \\ &= \$20,220 \end{aligned}$$

Total Community Education Revenue = Regular Revenue + Youth After School Revenue

$$\begin{aligned} &= \$102,900 + \$20,220 \\ &= \mathbf{\$123,120} \end{aligned}$$

Community Education Levy

$$\begin{aligned} &= 0.3298 \text{ percent} \times \text{District ANTC} \\ &= 0.003298 \times \$12,000,000 \\ &= \mathbf{\$39,576} \end{aligned}$$

Community Education Aid

$$\begin{aligned} &= \text{Community Education Revenue} - \text{Community Education Levy} \\ &= \$123,120 - \$39,576 \\ &= \mathbf{\$83,544} \end{aligned}$$

Early Childhood Family Education

As a part of the Community Education program, districts may offer an Early Childhood and Family Education (ECFE) program providing educational services to expectant parents and the parents and other relatives of children between birth and kindergarten. To the extent that funds are insufficient to serve all eligible children, the program must focus on children from birth to age three. School districts must also establish a reasonable sliding fee for ECFE classes and must waive fees for any participant unable to pay.

ECFE funding received by a school district, including aid, levies, fees, and grants, must be deposited in a reserve account in their community service fund. Up to five percent of this



funding may be used for program administration, and up to 10 percent may be used for program equipment, though districts may obtain approval to exceed this 10 percent limit from MDE.

ECFE program revenue is equal to the formula allowance for the year (\$7,481 for FY 2026) times 0.023, then multiplied by the greater of either a) 150 or b) the number of people under five years of age residing in the district on October 1 of the previous

school year. For FY 2026, districts must certify a levy at a tax rate of 0.199907 percent to be eligible for the full ECFE revenue (but the total levy cannot exceed a district's total revenue for the year). The tax rate is based on a statutory requirement that in total, districts must levy \$22.135 million statewide for ECFE revenue.

The Home Visiting Program is a component of ECFE and was designed to reach isolated or “at-risk” families. Licensed parenting educators, certified family life educators, or similar professionals who reflect the community visit families in their homes to support healthy growth and development of children, provide programming and services, and encourage families to transition from home visits to site-based programs. A district receives an additional \$3 per child under age 5 for a home visiting program. The home visiting program is equalized at \$17,250 of adjusted net tax capacity (ANTC) per pupil. [[142D.10-142D.11](#)]

Example – Gopherville School District

Number of Children under Age 5	=	1,000
FY 2026 Formula Allowance	=	\$7,481
Adjusted Net Tax Capacity (ANTC)	=	\$5,000,000
District Adjusted Pupil Units	=	2,500
District ANTC per Pupil Unit	=	\$2,000
FY 2026 Levy Tax Rate	=	0.199907 percent

ECFE Revenue

$$\begin{aligned} &= \text{Formula Allowance} \times 0.023 \times \text{Children Under Age 5} \\ &= \$7,481 \times 0.023 \times 1,000 \\ &= \$172.06 \times 1,000 \\ &= \mathbf{\$172,060} \end{aligned}$$

ECFE Levy

$$\begin{aligned} &= 0.199907 \text{ percent} \times \text{ANTC} \\ &= 0.00199907 \times \$5,000,000 \\ &= \mathbf{\$9,995} \end{aligned}$$

ECFE Aid

$$\begin{aligned} &= \text{ECFE Revenue} - \text{ECFE Levy} \\ &= \$172,060 - \$9,995 \\ &= \mathbf{\$162,065} \end{aligned}$$

Home Visiting Revenue

$$\begin{aligned} &= \text{Children Under Age 5} \times \$3.00 \\ &= 1,000 \times \$3.00 \\ &= \mathbf{\$3,000} \end{aligned}$$

Home Visiting Levy

$$\begin{aligned} &= \text{Home Visit Rev} \times \text{the lesser of 1 or } \frac{\text{ANTC per Pupil Unit}}{\text{Home Visit Equalization Factor}} \\ &= \$3,000 \times \text{the lesser of 1 or } (\$2,000/\$17,250) \\ &= \$3,000 \times 0.116 \\ &= \mathbf{\$348} \end{aligned}$$

Home Visiting Aid

$$\begin{aligned} &= \text{Home Visiting Revenue} - \text{Home Visiting Levy} \\ &= \$3,000 - \$348 \\ &= \mathbf{\$2,652} \end{aligned}$$

School Readiness

The School Readiness program has a current annual appropriation of \$33.683 million and prepares children ages three to five to enter kindergarten. A School Readiness program must assess each child at program entrance and exit and provide a comprehensive program based on early childhood research and professional practice.

Half of the state appropriation for school readiness aid is divided among school districts in direct proportion to the number of four-year-old children in the district, compared to the number of four-year-olds in the state, and half of the state appropriation for school readiness aid is divided among school districts in direct proportion to the number of students in the district from families eligible for free and reduced price lunches compared to the total number of students in the state from families eligible for free and reduced price lunches. Districts must adopt a sliding fee schedule based on family income but must waive the fee if a participant is unable to pay.

Districts must use state aid to serve children with at least one of the following risk factors: qualifying for free or reduced-price lunch; being an English language learner; being homeless; having an individualized education plan (IEP) or standardized written plan; being identified, through early childhood health and developmental screening, as having a potential risk factor that may influence learning; or, being defined as at risk by the school district. Children who do not meet these eligibility criteria may still participate in School Readiness, but only on a fee-for-service basis. [[142D.05](#)- [142D.06](#)]

Example – Gopherville School District

Four-Year-Old Children in the District	=	500
Four-Year-Old Children in the State	=	70,000
District Students - Free or Reduced Lunch Families	=	1,500
State Students - Free or Reduced Lunch Families	=	300,000
FY 2026 State School Readiness Aid	=	\$33,683,000

School Readiness Aid

$$\begin{aligned} &= (\text{District Four Year Olds} / \text{State Four Year Olds}) \times (50\% \text{ of State School Readiness Aid}) + (\text{District Free-Reduced Students} / \text{State Free-Reduced Students}) \times (50\% \text{ of State School Readiness Aid}) \\ &= ((500/70,000) \times (0.5 \times \$33,683,000)) + ((1,500/300,000) \times (0.5 \times \$33,683,000)) \\ &= (0.007 \times \$16,841,500) + (0.005 \times \$16,841,500) \\ &= \$117,891 + \$84,208 \\ &= \mathbf{\$202,098} \end{aligned}$$

School Readiness Plus

The School Readiness Plus Program was sunset on July 1, 2025, and existing School Readiness Plus programs were merged into the Voluntary Pre-Kindergarten Program.

School-Age Care / Disabled

Districts with a community education program may offer a School-Age Care program for children in kindergarten through grade 6 for the purposes of expanding learning opportunities when school is not in session. Districts may charge participants a sliding fee based on family income and may receive money from private or other public sources for these programs. Districts are eligible for school-age care revenue for the additional cost of providing services to children with disabilities or to children experiencing family or related problems of a temporary nature that participate in the school age care program. Revenue is equal to the approved additional cost of providing services to children in these categories who participate in a school age care program. School-age care revenue is an equalized aid and levy, with an equalizing factor of \$2,318. Because of the relatively low equalizing factor, nearly all revenue is in the form of local levy. If a district does not levy the entire amount permitted, school-age care aid must be reduced in proportion to the actual amount levied. [124D.19, subd. 11; 124D.22]

Example – Gopherville School District

Pupil Units	=	1,000
Adjusted Net Tax Capacity (ANTC)	=	\$2,300,000
District ANTC per Pupil Unit	=	\$2,300
Equalizing Factor for School Age Care	=	\$2,318
Approved School Age Care Revenue	=	\$100,000

Revenue

$$\begin{aligned} &= \text{Amount Approved as Additional Cost} \\ &= \mathbf{\$100,000} \end{aligned}$$

Levy

$$\begin{aligned} &= \text{Revenue} \times \text{the lesser of (a) 1 or (b) (District ANTC per Pupil Unit}/\$2,318) \\ &= \text{Revenue} \times \text{the lesser of (a) 1 or (b) } (\$2,300/\$2,318) \\ &= \text{Revenue} \times \text{the lesser of (a) 1 or (b) 0.992} \\ &= \$100,000 \times 0.992 \\ &= \mathbf{\$99,200} \end{aligned}$$

Aid

$$\begin{aligned} &= \text{Revenue} - \text{Levy} \\ &= \$100,000 - \$99,200 \\ &= \mathbf{\$800} \end{aligned}$$



Other Categorical Family and Early Childhood Revenues

Commissioner-Selected High School Equivalency Test Fees – In fiscal years 2020 and 2021, statute directed the commissioner to reimburse 100 percent of the fee charged for the full battery of commissioner-selected high school equivalency tests (formerly General Education Development tests). In FY 2022, the reimbursement rate was returned to 60 percent of the fee charged, but not more than \$40 per eligible individual. For fiscal years 2023-2027 only, subject to the availability of funds, the 100 percent reimbursement was reinstated by the 2023 Legislature. [[124D.55](#)]

Head Start – Head Start is a federal program that receives additional state funding and is provided to low-income children ages birth to five and their families. The program is designed to meet emotional, social, health, nutritional, and psychological needs of the children and promote the economic self-sufficiency of the parents. As of 2025, there are 34 Head Start grantees in Minnesota, including 25 community action agencies/opportunity councils or organizations and 9 tribal governments. State funds are allocated based on: (1) grantees' share of federal Head Start funds, and (2) grantees' proportion of eligible children in the grantee service area who are not currently being served. Federal Head Start funding for FY 2026 is estimated to be \$173.932 million, and the state annual appropriation is set at \$35.1 million. [[142D.12](#); [142D.121](#); [142D.122](#)]

Health and Development Screening Aid – School districts receive state aid for health and developmental screening services provided to children ages 3 through 6, prior to or within 30 days of enrollment in a public school kindergarten. The reimbursement rates are \$98 for each three-year-old screened, \$65 for each four-year-old screened and \$52 for each five-year-old or six-year-old screened prior to kindergarten enrollment; and \$39 for children who have not previously been screened and are screened within 30 days after first enrolling in kindergarten. Screening is required for public school enrollment. A child need not submit to developmental screening provided by a school district if the child's health records indicate they have received comparable developmental screening from a public or private health care organization or individual health care provider, or if the child's parent or guardian submits to the school a signed statement that the child has not been screened due to the conscientiously held beliefs of the parent or guardian. [[142D.09-142D.093](#)]

Deaf, Deafblind, and Hard-of-Hearing Adults – Support services, including interpreter and notetaker services, are available for adults who are deaf, deafblind, and hard-of-hearing who wish to continue their education on a part-time basis. Grantees include local school district adult education programs, adult technical college programs, and vocational education programs sponsored by public/private community agencies. [[124D.57](#)]



Property Taxes

Property Tax Relief Aids

Property tax aids are state payments to local taxing jurisdictions that are intended to replace property tax levy revenues. **Property tax credits** reduce property taxes for individual taxpayers, and thus final levy payments to local taxing jurisdictions. To make up for the difference, the state makes payments to local taxing jurisdictions for the amount of the credits. The major tax aids and credits are the homestead market value exclusion, the agricultural homestead credit and school building bond credit, referendum tax base replacement aid, local government aid, county program aid, and township aid. Most school districts receive some level of aid under these programs except those specifically designated for only cities, counties, and townships.

Market Value Exclusion

The homestead market value exclusion reduces a homeowner's overall property tax burden, particularly for lower-value homes. The exclusion reduces the taxable market value of all residential homesteads, including the house, garage, and one-acre of farm homesteads, as well as community land trust properties. For homesteads valued at \$95,000 or less, the exclusion is 40 percent of market value. For homesteads valued between \$95,000 and \$517,000, the exclusion equals \$38,000 minus nine percent of the valuation over \$95,000. There is no valuation exclusion for homesteads valued above \$517,200. [[273.13, subd. 35](#)]

Agricultural Credits

The **Agricultural Homestead Market Value Credit** reduces the overall property tax burdens for farmers, particularly for low-value agricultural homesteads. The credit applies to all agricultural homesteads, but does not apply to the house, garage, and surrounding one acre of farmland, since that portion of the property benefits from the homestead market value exclusion. The credit equals 0.3 percent for the first \$115,000 of value plus 0.1 percent for market value above \$115,000. The maximum credit is \$490 for a full agricultural homestead. The total state aid cost (including funds going to cities, townships, counties, and school districts) for the agricultural homestead market value credit for taxes payable in 2025 is roughly \$35.976 million. [[273.1384](#)]

A related credit, the **School Building Bond Agricultural Credit**, was designed to limit the tax burden of school building projects on agricultural property. It applies to all property classified as agricultural, but does not apply to the house, garage, and surrounding one acre of farmland. The credit equals 70 percent of the property's eligible NTC times the school debt tax rate. The state aid entitlement cost of this credit for taxes payable in 2025 is approximately \$118.719 million. [[273.1387](#)]

Referendum Tax Base Replacement Aid

Operating referendum levies are not assessed on agricultural land or non-commercial seasonal recreational property (cabins, for example). In order to prevent the shift of tax burden for referendum levies from these types of properties on to other classes of property, districts are paid referendum tax base replacement aid. Payments to school districts equal the amount of taxes cabins and farms would have otherwise paid for existing levies had they not been exempted, based on referendum amounts in existence in 2003. [[126C.17, subd. 7a](#); [273.13](#)]



Property Tax Calculation – Residential Property



Tax Calculation for Homestead Property in a City
(For Property Taxes Payable in 2025 for FY 2026)

Estimated Market Value = \$185,000

Class Rate = 1%

Taxable Market Value

= Estimated Market Value – Homestead
Market Value Exclusion*

= \$185,000 - \$29,900

= \$155,100

Tax Capacity = Taxable Market Value × Class Rate
= (155,100 × 0.01)
= \$1,551

Tax Capacity Net Tax = Tax Rate × Tax Capacity
(See Table) = Tax Rate × \$1,551

Market Value Net Tax = Tax Rate × Estimated Market Value
(See Table) = Tax Rate × \$185,000

Calculation of Tax	Tax Capacity		Market Value	
	Tax Rate	× \$1,551	Tax Rate	× \$185,000
County Rate	51.7%	\$802	0.0%	\$0
City Rate	38.3%	\$594	0.0%	\$0
School Rate	25.4%	\$394	0.2%	\$370
Special Rate	5.0%	\$78	0.0%	\$0
Gross Tax	120.4%	\$1,867	0.2%	\$370

Net Tax = Tax Capacity Net Tax + Market Value Net Tax
= \$1,867 + \$370
= **\$2,237**

*Calculation of the Homestead Market Value Exclusion

Maximum Exclusion = \$38,000
Phase-Out Portion = (\$185,000 – 95,000) × 0.09
= \$90,000 × 0.09
= \$8,100
Exclusion = \$38,000 - \$8,100
= **\$29,900**

Property Tax Calculation – Agricultural Homestead Property

Tax Calculation for Agricultural Homestead
(For Property Taxes Payable in 2025 for FY 2026)

Estimated Market Value	=	\$360,000
Home, Garage, & 1 Acre Est. Market Value	=	\$100,000
Farmland Estimated Market Value	=	\$260,000
Class Rate for Home, Garage, & 1 Acre:	=	1.0%
Class Rate for Agricultural land:	=	0.5%

Taxable Market Value = Est. Market Value (House, Garage & 1 Acre) - Exclusion*
 = \$100,000 - \$37,550
 = \$62,450

Tax Capacity = Taxable Market Value x Class Rate

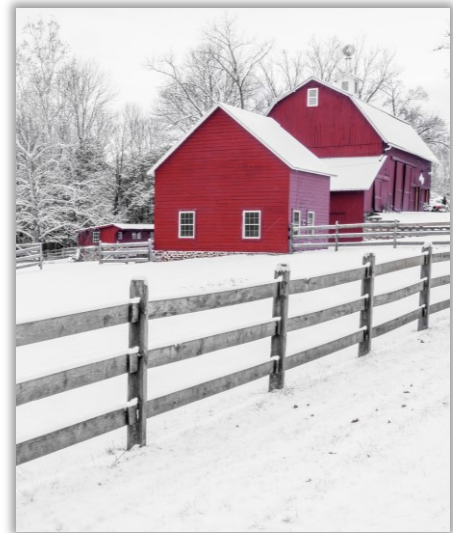
Tax Capacity, Home = (\$62,450 × 0.01)
 = \$625

Tax Capacity, Land = (260,000 × 0.005)
 = \$1,300

Tax Capacity, Home and Farmland
 = \$625 + \$1,300
 = \$1,925

Tax Capacity Gross Tax = Tax Rate × Tax Capacity
 = Tax Rate × \$1,925

Market Value Net Tax = Tax Rate × Market Value
 = Tax Rate × \$100,000**



*See next page for exclusion and credit calculations.

Calculation of Tax	Tax Capacity		Market Value	
	Tax Rate	× \$1,925	Tax Rate	× \$100,000
County Rate	51.7%	\$995	0.0%	\$0
Township Rate	8.3%	\$160	0.0%	\$0
School Rate	25.4%	\$489	0.2%	\$200
Special Rate	5.0%	\$96	0.0%	\$0
Tax Capacity Gross Tax	90.4%	\$1,740		
Agriculture Credit*		(\$490)		
Market Value Net Tax				\$200
Total Net Tax		\$1,250	+	\$200
			=	\$1,450

***Calculation of Homestead Market Value Exclusion and Agricultural Homestead Market Value Credit**

Homestead Market Value Exclusion

(For house, garage, and one acre of an Agricultural Homestead)

Maximum Exclusion

$$= \$38,000$$

Phase-out portion

$$= (\$100,000 - 95,000) \times 0.09$$

$$= \$5,000 \times 0.09$$

$$= \$450$$

Exclusion

$$= \$38,000 - 450$$

$$= \mathbf{\$37,550}$$

Agricultural Homestead Market Value Credit

Maximum Credit

$$= \$490$$

Part I

$$= \$115,000 \times 0.003$$

$$= \$345$$

Part II

$$= (\$260,000 - \$115,000) \times 0.001$$

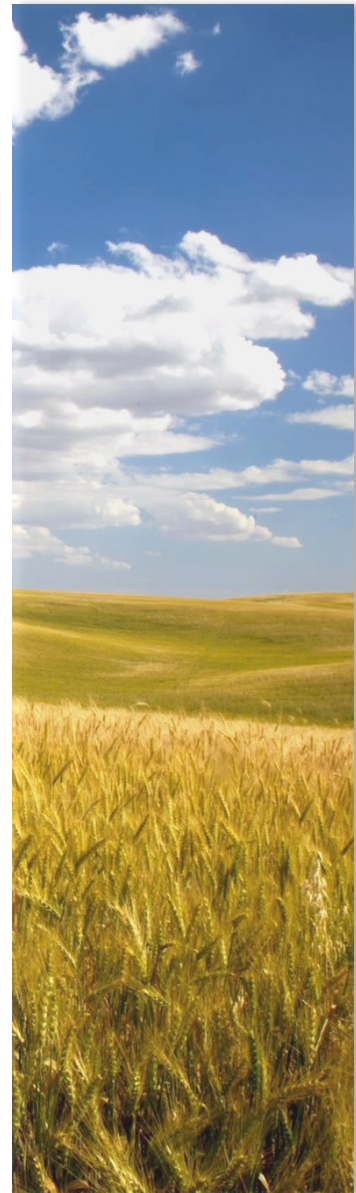
$$= \$145,000 \times 0.001$$

$$= \$145$$

$$= \$345 + \$145$$

Total Credit

$$= \mathbf{\$490}$$



***Farmland is excluded from market value for most school levies that are levied against market value, so this example excludes the farmland from the market value used to calculate the market value net tax.*

Effect of Tax Relief Aids on School District Revenue

Gopherville School District

Total Property Tax Levies Certified by the School Board = \$1,670,000

Total Direct State Education Aid Payments = \$2,435,000

Sum of the portion of the Agricultural Homestead Market
Value Credit allocated to school levy, summed for all
agriculture homesteads in the school district= = \$100,000

<u>Levy</u>		<u>Agricultural Homestead Market Value Credit</u>	=	<u>Net School Property Tax</u>
\$1,670,000	-	\$100,000		\$1,570,000

This is the amount of school property tax that the school district will receive from property owners in the district after reductions for the Agricultural Homestead Market Value Credit.

The district receives the amount of the Agricultural Homestead Market Value Credit as state aid in addition to other state aid paid on education funding formulas.

<u>Direct State Aid Payments</u>		<u>Agricultural Homestead Market Value Credit</u>	=	<u>Total State Aid Payments</u>
\$2,435,000	+	\$100,000		\$2,535,000

Finances

Education Finance Appropriations

Figure 10: Education Finance General Fund Appropriations, FY 2026-27

(\$ in thousands, from End of Session 2025)

	FY 2026	FY 2027	Biennium
General Education	\$8,689,775	\$8,851,647	\$17,541,422
Education Excellence	304,424	306,910	\$611,334
The Read Act	8,950	8,175	\$17,125
American Indian Education	31,167	32,310	\$63,477
Teachers	187,015	219,871	\$406,886
Special Education	2,782,290	3,003,326	\$5,785,616
Facilities & Technology	119,952	116,987	\$236,939
Nutrition Programs	322,341	337,342	\$659,683
Libraries	38,589	36,893	\$75,482
Early Childhood Education*	80,920	82,174	\$163,094
Community Ed. & Prevention	15,711	17,466	\$33,177
Lifelong Learning	55,406	57,044	\$112,450
Education Department	46,887	41,200	\$88,087
Prof. Ed. Licensing & Standards Board	3,703	3,776	\$7,479
Minnesota State Academies	17,855	17,954	\$35,809
Perpich Center for Arts Education	8,642	8,823	\$17,465
	\$12,713,627	\$13,141,898	\$25,855,525

*Note: These appropriations include those under the purview of the House Education Finance Committee. Early childhood education funding is contained in both Education Finance and Children and Families Finance Committees. Though the distinction between early care and early education is not precise, the early education portion of the Children and Families Committee budget is \$139.87 million in both FY 2026 and FY 2027, for a total of \$279.740 million over the FY 2026-27 biennium. Legislative committee jurisdictions are subject to change over time.

Statutorily, the state must pay the majority of education aid payments over a two-year period. Statute requires a majority percentage of the current year's entitlement to be paid in the current year, plus the balance of the previous year's entitlement, which is adjusted for changes in formula variables (pupil counts, for example). For FY 2026, this percentage “shift” for those appropriations specified in statute as shifted is predominantly 90 percent of the current year entitlement plus the final 10 percent payment of the prior year (FY 2025) entitlement. [\[127A.45\]](#)

When the aid payment percentages are changed, there are significant changes in the education finance appropriations, mostly on a onetime basis. For example, from FY 2012-13, the increase in the majority percentage appropriation from 64.3 percent to 86.4 percent increased the state aid appropriation for that year by over \$1.5 billion.

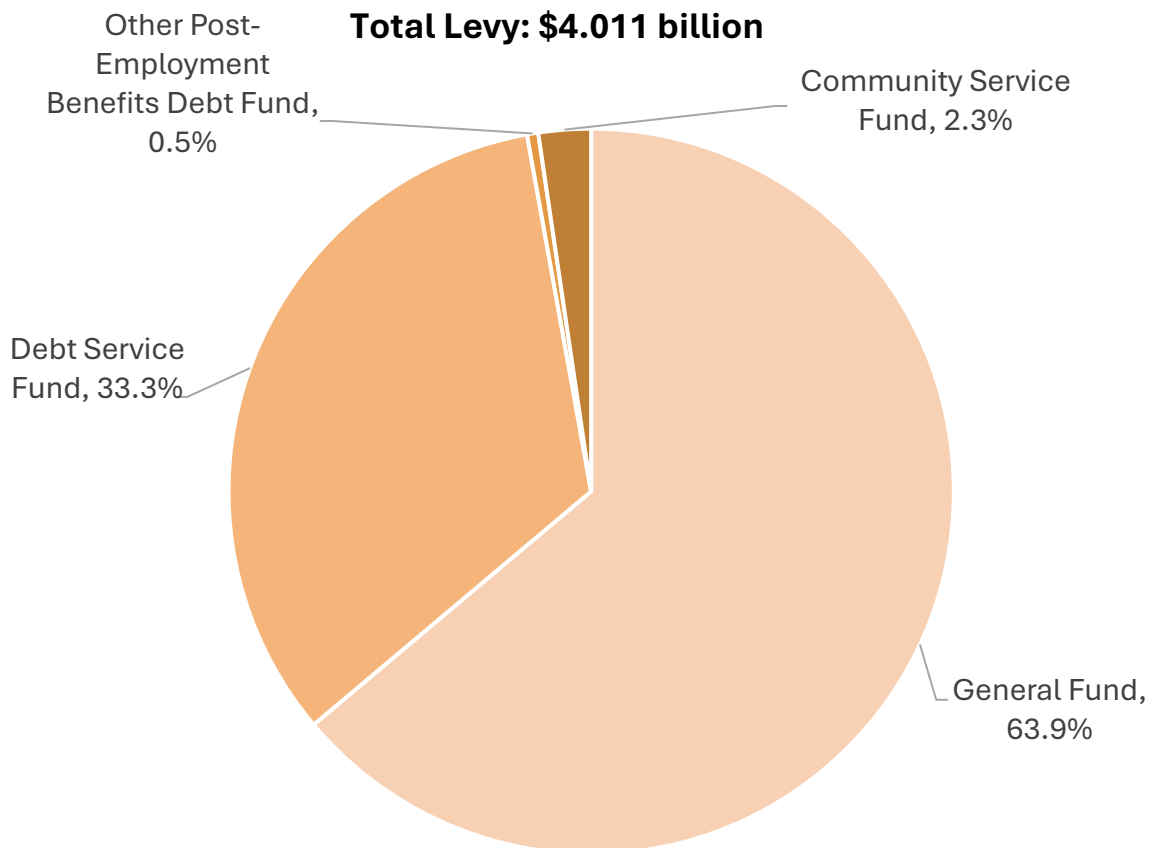
School District Property Tax Levies

Figure 11: Statewide School Property Tax Levies by School District Fund, FY 2026-27

Statewide Levies by Fund	FY 2026 Payable 2025	FY 2027 Payable 2026
General Fund	\$2,562,192,300	\$2,709,019,100
Debt Service Fund	1,335,628,100	1,367,901,200
Other Post-Employment Benefits Debt Fund	19,981,400	17,283,700
Community Service Fund	93,696,000	97,273,300
Total Levies	\$4,011,497,800	\$4,191,477,300

These figures show the statewide levies certified (before applying any tax relief aids) for a specific year. The levies are shown by the type of school district fund they are deposited into at the district level. Levy figures for payable 2025 are certified in the fall of 2024, and levy figures for payable 2026 are certified in the fall of 2025. Levies certified in the fall of 2024 are paid by taxpayers in May and October of 2025 but are recognized in school district accounting systems in FY 2026 (which begins July 1, 2025). Levies certified in the fall of 2025 are paid by taxpayers in May and October of 2026 and recognized by school districts in FY 2027.

Figure 12: FY 2026, Pay 2025 Levies



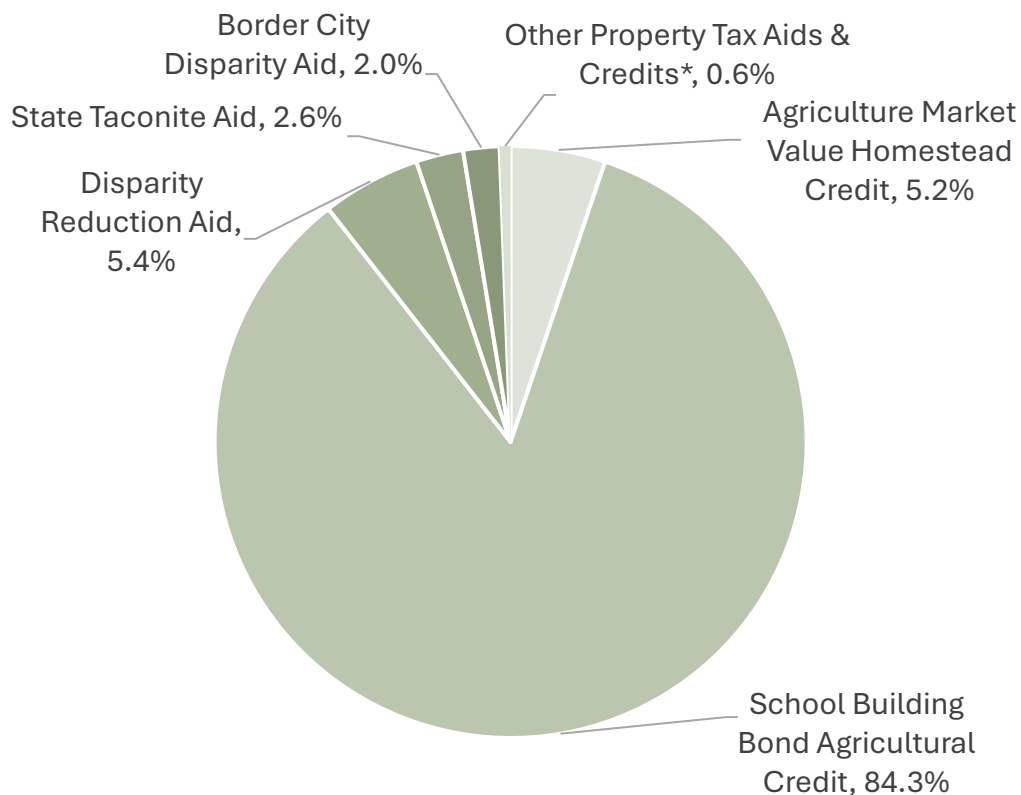
Property Tax Aids & Credits Payments to School Districts

Figure 13: Property Tax Aids & Credits to School Districts, FY 2026-27

	<u>FY 2026</u>	<u>FY 2027</u>
Agriculture Market Value Homestead Credit	\$7,299,000	\$7,271,000
School Building Bond Agricultural Credit	118,719,000	120,039,000
Disparity Reduction Aid	7,606,000	7,606,000
State Taconite Aid	3,641,000	3,619,000
Border City Disparity Aid	2,793,000	2,815,000
Taconite Aid Reimbursement*	561,000	561,000
Mahnomen Property Tax Reimbursement Aid*	140,000	140,000
Local Option Disaster Abatement Reimbursement*	26,000	25,000
Prior Year Credit Adjustment Aid*	0	0
Disaster Credit*	40,000	32,000
Agriculture Preservation Credit*	71,000	74,000
	\$140,896,000	\$142,182,000

Property tax aids are appropriated based on a percentage of the current year's entitlement plus the balance of the previous year's entitlement adjusted for changes in formula variables. Under current law for FY 2026, most state appropriations equal 90 percent of the current year entitlement and the final 10 percent from the FY 2025 entitlement. [[127A.45](#)]

Figure 14: FY 2026 Property Tax Aids & Credits Payments



Education Revenue Sources

The table below shows the revenue available for education from state and local sources. All state education finance appropriations – as well as funding for the Department of Education, Minnesota State Academies, the Perpich Center for Arts Education, tax relief aid payments to districts, various dedicated revenues, and net education property tax levies – are included. The net levy calculation starts with the certified levy total (page 103) and reduces that tax amount by the credit and aid total (page 104). Federal revenues, donations, and fees charged by districts are *not* included. These are total revenue figures, not revenue per pupil unit.

Figure 15: State & Local School District Revenue, FY 2026-27

	<u>FY 2026</u>	<u>FY 2027</u>
Appropriations (1)	\$12,713,627,000	\$13,141,898,000
Tax Aids & Credits (2)	140,896,000	142,182,000
Net Levy (3)	3,870,601,800	4,049,295,300
Dedicated Funds (4)	78,577,614	78,912,614
Total	\$16,803,702,414	\$17,412,287,914
Percent from State Sources	76.85%	76.63%
Percent from Local Sources	23.15%	23.37%

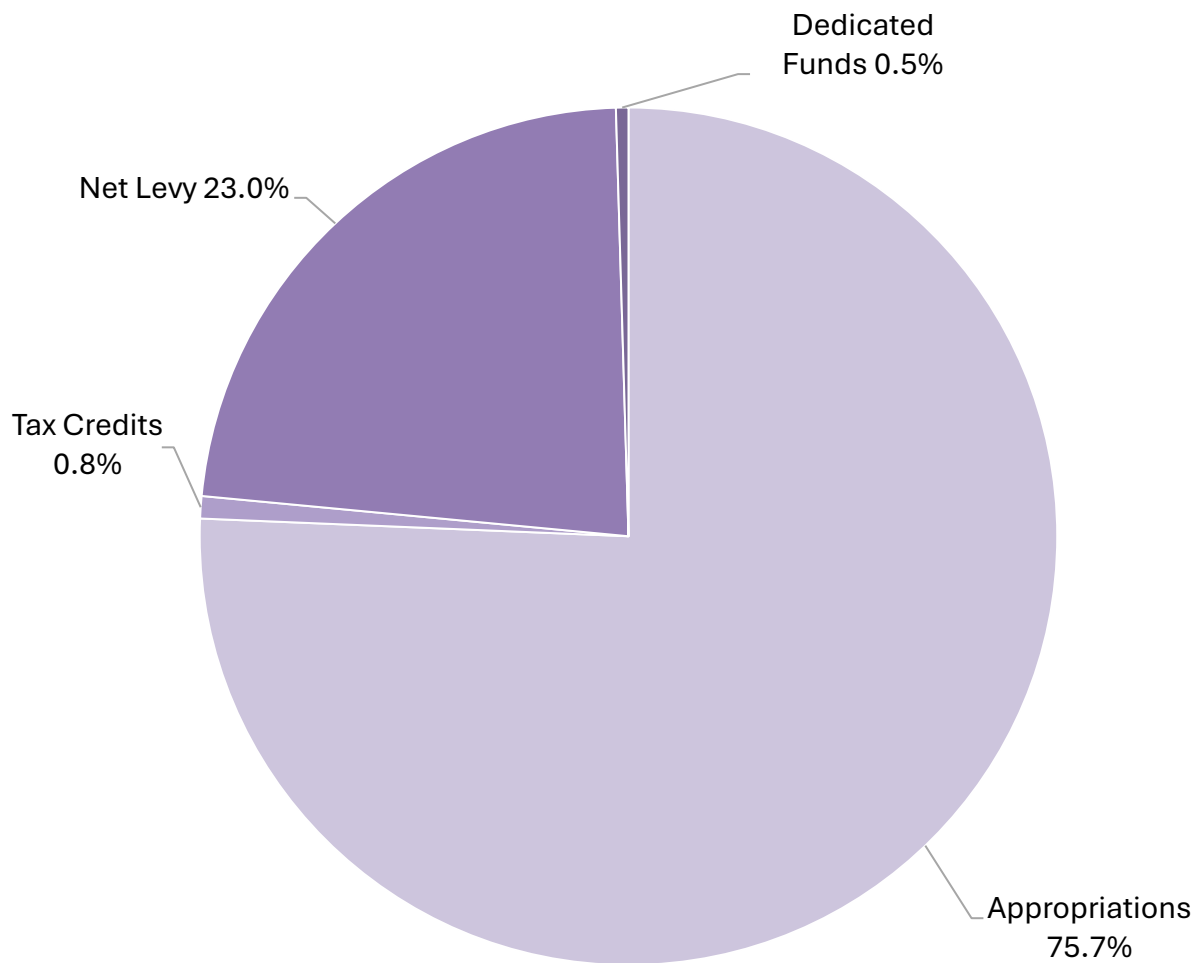
(1) The state appropriation includes K-12 education appropriations (including state agencies) and some early childhood and family education appropriations. Appropriations for programs are different than the formula-based revenue calculated for those programs, due to the statutory requirement that the state pay most education aids over a two-year period, with a majority percentage of the current year's entitlement paid in the current year, plus the balance of the previous year's entitlement, which is adjusted for changes in formula variables (pupil counts, for example). Under current law for FY 2026, most state appropriations equal 90 percent of the current year entitlement and the final 10 percent payment from the FY 2025 entitlement.

(2) Tax aids and credits include all those listed on page 104.

(3) The net levy is the amount levied or estimated to be levied for the school year, less the total of the tax aids and credits.

(4) Dedicated funds include the permanent school fund and taconite revenues distributed to certain school districts.

Figure 16: FY 2026 Total State & Local Revenue: \$16,803,702,414



Additional Resources

Additional information on Minnesota's school finance system is available online:

- Minnesota House of Representatives House Research Department – [Minnesota School Finance: A Guide for Legislators](#)
- Minnesota Department of Education – [School Finance](#) Website
- Minnesota Management & Budget – [Current Operating Budget and Forecast Documents](#)