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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

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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 funding of public education in Minnesota is complex. It is an amalgamation derived from the state constitution, statute, and session law, as well as state-directed appropriations, state tax credits, local property taxes, and dedicated funds. It is the result of decades of negotiation and compromise.

This book is a resource for legislators, school superintendents, school business officials, school board members, education advocates, and any member of the public interested in learning more about funding public education. For anyone who would like to see how the mathematics in a given statutory revenue formula are actually applied, this book is for you.

This book explains a significant portion of the funding mechanisms established by the Minnesota Legislature over the years, including the General Education Revenue Program and the Categorical Revenue Programs, which provide funding focused on items like special education, teacher excellence, student integration, facilities' needs, student meals, libraries, community education, and early education. This book provides explanations, and sometimes examples, of the funding formulas for these revenues, which are often separated into aids (state funding) and levies (local property tax funding). The book also provides a brief explanation of property taxes, aids, and credits as they relate to school finance.

Given space limitations, this book does not cover federal funding, local fundraising, grant programs, or education policy beyond what is necessary to explain state education finance. It also does not cover funding for traditional postsecondary institutions.

This book is divided into seven sections: Education Finance Terms, the General Education Revenue Program, K-12 Categorical Programs, Charter School Revenue, Family and Early Childhood Categorical Programs, Property Taxes, and a Finance Overview.

Additional resources on school finance in Minnesota are available at the end of this book, including links to the Minnesota Department of Education's school finance website, Minnesota Management and Budget's Current Operating Budget website, and the House Research Department's *Minnesota School Finance: A Guide for Legislators*, which includes greater detail on education finance policy and history.

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Minnesota Education Finance Terms

This section on Minnesota Education Finance Terms is separated into three parts. Part 1 covers General Education Revenue Program terms, Part 2 covers student counting, and Part 3 covers other miscellaneous education finance terms.

Part 1: General Education Revenue Program Terms

This section describes and defines the General Education Revenue Program, its formula components, and its state aid and local levy components.

General Education Revenue – General Education Revenue is the primary state program for providing general operating funds to school districts and charter schools. Although called a "revenue," it does not represent revenues to the state, but rather a formula that determines the amount of revenue school districts are eligible to receive each year from both state aid and local property tax levies. It is composed of a variety of revenue formulas, which are discussed in further detail in the General Education Revenue Program Components section of this publication. These components include:

1. Basic Revenue
2. Extended Time Revenue
3. Gifted and Talented Revenue
4. Small Schools Revenue
5. Declining Enrollment Revenue
6. Local Optional Revenue
7. Basic Skills Revenue
8. Sparsity Revenue (Secondary and Elementary)
9. Operating Capital Revenue
10. Transportation Sparsity Revenue
11. Equity Revenue
12. Transition Revenue
13. Pension Adjustment Revenue
14. Referendum Revenue
15. Options Adjustments Revenue

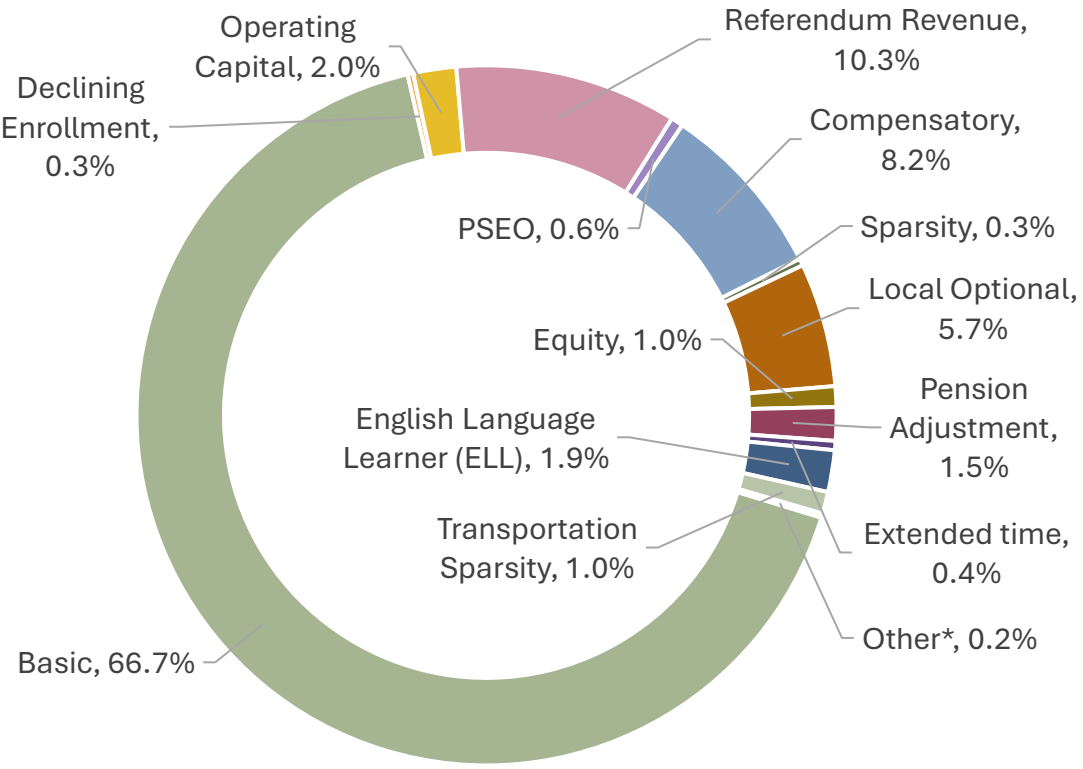
General Education Off Model Programs – The appropriation for General Education Aid includes some aid amounts that are not modeled directly and are sometimes referred to as General Education Off Model Programs. These programs are not necessarily identified as aids or revenues in statute, but they directly impact the total cost of General Education Aid each fiscal year, primarily by expanding the pool of pupils eligible to generate all or some components of General Education Revenue. These will be discussed in greater detail in the General Education Off Model Programs section of this publication. Off model programs include:

- Postsecondary Enrollment Options Direct Payments to Postsecondary Institutions
- Shared Time Aid
- Aid for Alternative Programs Provided under Contract
- Supplemental Online Learning Aid

Total General Education Revenue for FY 2027, including all of the components discussed above, is estimated to be $10.698 billion.

Figure 1 illustrates the various categories of General Education Revenue funding and the percentages they make up of the whole.

Figure 1: General Education Revenue Program Components (FY 2027)



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

Note: Fiscal Year 2027, or "FY 2027" is the 2026-2027 school year.

The General Education Revenue Program is made up of all these components and off model programs. As is described in greater detail later in the book, these revenue programs are further broken down into state aid and levy categories. All but five are exclusively state aid. The five that have both state aid and levy components are Operating Capital Revenue, Equity Revenue, Local Optional Revenue, Transition Revenue, and Referendum Revenue.

General Education Aid Entitlement – Funds paid by the state to school districts and charter schools as part of the General Education Revenue Program and permitted to be used for any operating expense. The entitlement is 100 percent of the general education state aid due to a school district for a fiscal year, regardless of when the aid is actually received by the school district. The General Education Aid Entitlement for FY 2027 is $8.807 billion.

General Education Aid Appropriation – Amount of general education state aid paid to a school district during a fiscal year. The appropriation consists of a portion of the aid

entitlement for the current year (90 percent) and the remaining "cleanup payment" owed by the state to the school district for the previous fiscal year (10 percent). For FY 2027, the statewide General Education Aid Appropriation is estimated to be $8.784 billion.

General Education Levy – Portion of General Education Revenue received through local property taxes. 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. For FY 2027, the General Education Levy is estimated to be $1.891 billion.

General Education Formula Allowance – The dollar amount per pupil unit used to calculate each district's Basic Revenue, and the primary source of General Education Revenue. The formula allowance is set in statute and for FY 2027 is $7,683 per pupil unit.

General Education Tax Rate – The tax rate that raises a specific dollar value that can be specified in statute when multiplied by the adjusted net tax capacity (or ANTC) of all districts. Prior to levies made in 1985, the legislature set the tax rate instead of the total dollar value that was to be raised. The General Education Tax Rate was 0.3 percent for FY 2017, 0.16 percent for FY 2018, and was eliminated for FY 2019 and later.

Figure 2: Annual Formula Allowances & Tax Rates, 2016-2027

School Year	Fiscal Year	Basic Formula Allowance	Tax Rate
2016-17	FY 2017	$6,067	0.30%
2017-18	FY 2018	$6,188	0.16%
2018-19	FY 2019	$6,312	0.00%
2019-20	FY 2020	$6,438	0.00%
2020-21	FY 2021	$6,567	0.00%
2021-22	FY 2022	$6,728	0.00%
2022-23	FY 2023	$6,863	0.00%
2023-24	FY 2024	$7,138	0.00%
2024-25	FY 2025	$7,281	0.00%
2025-26	FY 2026	$7,481	0.00%
2026-27	FY 2027	$7,683	0.00%

Charter School General Education Basic Aid Adjustment – Beginning in FY 2026, charter schools' General Education Revenue is increased by an adjustment of $132 per adjusted pupil unit (or APU). 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 2027, charter schools will receive a total of $10.735 million for this adjustment.

General Education Revenue Calculation for a District – The product of district pupil units and the sum of the General Education Formula Allowance, also known as the Basic Formula, and the other General Education Revenue components (extended time, gifted and talented, declining enrollment, small schools, basic skills, secondary sparsity, elementary sparsity, transportation sparsity, operating capital, equity, pension adjustment, transition, referendum, and local optional revenue).

General Education Revenue Example – Gopherville School District
($ per pupil unit)



Number of Pupil Units*	=	900
Basic Revenue	=	$7,683
Extended Time Revenue	=	$30
Gifted & Talented Revenue	=	$13
Declining Enrollment Revenue	=	$85
Small Schools Revenue	=	$144
Basic Skills Revenue	=	$500
Secondary Sparsity Revenue	=	$10
Elementary Sparsity Revenue	=	$0
Transportation Sparsity Revenue	=	$62
Operating Capital Revenue	=	$200
Equity Revenue	=	$100
Pension Adjustment Revenue	=	$7
Transition Revenue	=	$16
Referendum Revenue (voter-approved)	=	$460
Local Optional Revenue	=	$724

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

= ($7,683 + $30 + $13 + $85 + $144 + $500 + $10 + $0 + $62 + $200 + $100 + $7 + $16 + $460 + $724) × 900

= $10,034 × 900

= **$9,030,600**

*All references to "pupil units" are references to adjusted pupil units (APU; please see next page).

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 enrolled** 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. This measure is very similar to **ADM Served**, with a main difference being that ADM Served includes nonresident students placed under a tuition agreement.



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 (.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 Referendum Revenue Aid and Levy shares. WADM is **the same as APU except that it is based on resident pupils** instead of pupils served. Stated another way, WADM is the same as ADM, but weighted like APU.



Enrollment

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



Note: In the examples presented in this booklet, "pupil units" means adjusted pupil units (APU), unless otherwise noted.

Part 3: Other Education Finance Terms

This section contains terms frequently experienced in the Minnesota education finance sphere. They may or may not occur in this publication, but they provide useful background information for understanding how Minnesota finances its public school system. For a more robust set of Minnesota public finance terms, please see the House Fiscal Analysis Department's Glossary of Fiscal Terms and Acronyms.

Aid Entitlement – 100 percent of the state aid due to a school district for a fiscal year, regardless of when the aid is actually received by the school district.

Appropriation – Amount of state aid paid to a school district during a fiscal year. The appropriation consists of a portion of the aid entitlement for the current year (for FY 2027, this is 90 percent) and the remaining "cleanup payments" owed by the state to the school district for the previous fiscal year (for FY 2026, this is 10 percent).

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

Fiscal Year (FY) – A 12-month period between settlements of financial accounts. The fiscal year for the state and school districts runs from July 1 through June 30 and is identified by the calendar year in which it ends. For example, FY 2027 runs from July 1, 2026, through June 30, 2027. A fiscal year is interchangeable with a school year for school finance purposes. For example, FY 2027 is equivalent to the 2026-2027 school year.

Levy (Property Tax Levy) – A tax imposed on property. The amount of property taxes that a school board may levy is limited by statute. Each autumn, the Minnesota Department of Education computes the exact amounts of the limits on the permitted levies for each district. For levies based on ANTC, the previous year's ANTC value is used. Each year, school boards hold truth-in-taxation hearings, vote on how much of their maximum they want to levy, and "certify" that amount to the county auditor. Most districts certify the maximum levy possible. A levy certified in the late fall by the school board is collected by the county from the taxpayers in the calendar year beginning the following January.

Local Education Agency (LEA) - Catchall term primarily used by the federal government to describe a local, public educational agency that exists primarily to operate schools or to contract for educational services. [Minnesota Administrative Rules, 3505.1000, subp. 22] LEAs in Minnesota include public school districts, intermediate school districts, joint powers organizations, service cooperatives, and charter schools.

Local Education Agency Types

- School District - Types of school districts include independent, special, and common, but the average district operates as an independent school district.

- Intermediate School District - A district with a cooperative program offering integrated services for secondary, postsecondary, and adult students primarily in the area of special education, but also in vocational education and other authorized services. Intermediate districts can typically provide services at better economies of scale for their member school districts than if a member school district were to provide the services without cooperating with other districts. [Minnesota Statutes, chapter 136D]Joint Powers Organization - A program jointly operated by two or more school districts (or other government entities) that provides enhanced learning opportunities and broader curriculum offerings to the students attending that program. [Minnesota Statutes, sections 123A.482; 123A.78; 471.59] Examples of joint powers organizations include education districts (Minnesota Statutes, section 123A.15), special education cooperatives (organized under the general joint powers authority under Minnesota Statutes, section 471.59), and cooperative centers for vocational education (there is only one of these still operating – Wright Technical Center).
- Service Cooperative - A regional cooperative organization that provides coordinated services for students, teachers, and administrators, as well as cities and counties. There are currently nine service cooperatives across Minnesota, with services in every county. The Minnesota Service Cooperatives network is itself a joint powers organization. [Minnesota Statutes 123A.21]
- Charter School - A public school organized as a nonprofit corporation and chartered by a nonprofit authorizer such as a school board, a nonprofit organization, or a non-sectarian college or university. All charter schools in Minnesota are public schools and may not charge tuition (except for preschool), but they are exempt from many statutes and rules typically governing public schools. They are governed by boards of directors that must include at least one licensed teacher and are elected by school staff and enrolled students' parents or legal guardians. Charter schools may limit admission based on capacity and must use a lottery system if limiting admission. They are not allowed to own buildings and must lease their space. Charter schools are not eligible for property tax levy revenues but may be eligible for some levy equalization aid. [Minnesota Statutes, chapter 124E]

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.

School Districts

- Nonresident District - A district other than the student's resident district that provides educational services to the student. For funding purposes, it is generally considered the same as a Serving District.
- Resident District - The district where the student's parent or guardian lives.
- Serving District - The district providing educational services to the student.

School Funds – A set of financial accounts at the district level for the management of school operations, reported in UFARS. Examples of Operating and Non-Operating Funds include:

(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

Tax Terms:

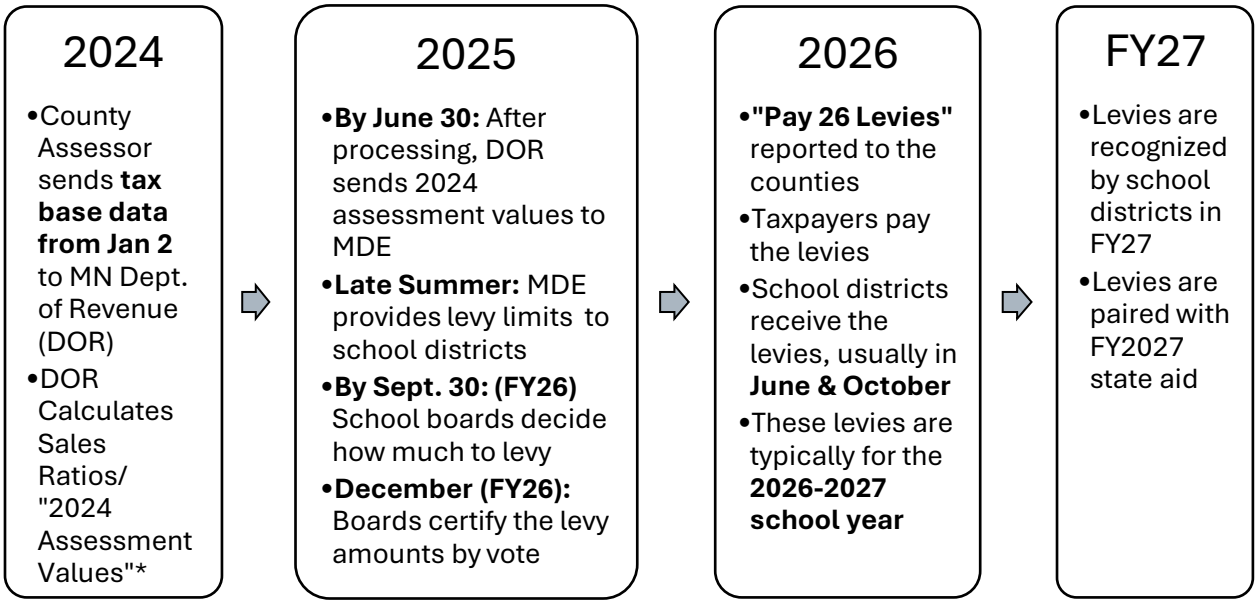
- Adjusted Net Tax Capacity (ANTC) – The property value used for calculating most school taxes. ANTC attempts to reduce variation in net tax capacity across regions and counties by using equalization. The equalization process compares market values to actual sales and is intended to neutralize the effect of differing assessment practices. [Minnesota Statutes, section 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.
- 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 2027 and later. 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 × $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) 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 remaining 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 percent to have a lower market value than the value assigned by the assessor and excludes cabins and agricultural land. [Minnesota Statutes, section 126C.01, subd. 3]
    - Seasonal Market Value (SMV) – The market value of all taxable property classified as class 4c(12) under Minnesota Statutes, section 273.13.
    - 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 Taxable 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. [Minnesota Statutes, section 273.13]
- Tax Capacity Rate – The rate arrived at by dividing each district's levy amount by the district's net tax capacity. Tax capacity rate replaces the term "mill rate."

- Property Tax Levy Timeline for School Districts, FY 2027 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).

General Education Revenue Program Components

This section provides detailed information on the General Education Revenue Program components, estimates for their FY 2027 aid entitlements, and examples for how to calculate each item. A brief reminder: "revenue" in these instances means revenue owed to school districts, whether in the form of staid aid payments or local property tax levies.

Basic Revenue



Basic Revenue, which is entirely state aid, establishes the minimum level of funding for school districts and is calculated as the basic formula allowance ($7,683 for FY 2027) times a district's adjusted pupil units. Basic Revenue is also referred to as Basic Aid, Basic Formula Aid, or Formula Revenue. Beginning in FY 2026, the basic formula allowance was 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 Revenue Program. School districts and charter schools will receive roughly $7.12 billion in Basic Formula Aid in FY 2027. [Minnesota Statutes, 126C.10, Subd. 2]

Basic Aid Example – Gopherville School District

FY 2027 Adjusted Pupil Units (APU)	=	1,000
General Education Formula Allowance	=	$7,683

= Adjusted Pupil Units × General Education Formula Allowance
= 1,000 × $7,683
= $7,683,000

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. This revenue replaced the former Learning Year Pupil Program. 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 allows students to count for 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 adjusted pupil units (APU) based on each student's grade level. The APU total 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 2027 and later.

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 (rounded to the nearest whole dollar). [Minnesota Statutes, sections 124E.20; 126C.05, subd. 15; 126C.10, subd. 2a]

For FY 2027, charter schools that receive Extended Time Revenue will receive $13 per adjusted pupil unit. 135 districts and 33 charter schools qualify for a total of $45.667 million in Extended Time Revenue.

Extended Time Revenue 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

= APU for ADM between 1.0 and 1.2 × Extended Time Formula Allowance
= 10 × $5,117
= **$51,170**

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

Extended Time Revenue Example – Gopherville Charter School

Adjusted Pupil Units	=	200
Statewide Average Extended Time Revenue per APU	=	$50.44

= APU × 25% of Statewide Average Extended Time Revenue per APU
= 200 × (0.25 × $50.44)
= 200 × ($12.61 (Rounds up to $13.00)
= 200 × $13
= **$2,600**

Gifted and Talented Revenue

A district's 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 working with gifted and talented students. Gifted and Talented Revenue is equal to $13 per adjusted pupil unit (APU). All districts and charter schools qualify for a total of $12.047 million in Gifted and Talented Revenue in FY 2027. [Minnesota Statutes, section 126C.10, subd. 2b]

Gifted and Talented Revenue Example – Gopherville School District

Adjusted Pupil Units (APU)	=	1,000
Gifted & Talented Revenue Formula Amount	=	$13

= APU × Gifted & Talented Formula Amount
= 1,000 × $13
= **$13,000**



Small Schools Revenue



School districts (excluding charter schools) with fewer than 960 adjusted pupil units (APU) qualify for Small Schools Revenue. The formula for the revenue is $544 times the district's APU, multiplied by the ratio of 1) 960 minus the district's APU to 2) 960. This factor allocates more revenue per pupil the fewer pupils a district has. Put another way, Small Schools Revenue per pupil increases as the enrollment of the district decreases. 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. The maximum amount a district could qualify for under the formula is $544 per pupil. In FY 2027, 167 school districts qualify for $16.598 million in aid. [Minnesota Statutes, section 126C.10, subd. 2c]

Small Schools Revenue Example – Gopherville School District

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

= (Small Schools Allowance x APU) × $\frac{960-\text{APU}}{960}$

= ($544 x 200) × $\frac{960-200}{960}$

= $108,800 × 0.79

= **$85,952**

Small Schools Revenue Example – Gopher City School District

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

= (Small Schools Allowance x APU) × $\frac{960-\text{APU}}{960}$

= ($544 x 750) × $\frac{960-750}{960}$

= $408,000 × 0.22

= **$89,760**

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. 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 funding due to lower enrollment 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 ($2,151 for FY 2027) times the difference between the current year and previous year adjusted pupil units (APU). In all, 243 districts and 31 charter schools qualify for a total of $27.223 million in Declining Enrollment Revenue for FY 2027. [Minnesota Statutes, section 126C.10, subd. 2d]



Declining Enrollment Revenue Example – Gopherville School District

Adjusted Pupil Units - Current Year (2026-27)	=	950
Adjusted Pupil Units - Previous Year (2025-26)	=	1,000
General Education Formula Allowance	=	$7,683

= (28% of Formula Allowance) × the greater of:
(a) Zero or
(b) APU Previous Year – APU Current Year

= (0.28 x $7,683) × (1,000 – 950)

= $2,151 × 50

= **$107,550**

Local Optional Revenue

Local Optional Revenue (LOR) allows school districts to access up to $724 per adjusted pupil unit (APU) in school board-approved revenue. LOR 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 APU equalized at $880,000 of RMV per pupil, and the second tier, any amount between $300 and $724 per APU, is equalized at $671,345 of RMV per pupil for FY 2027 and later. All 326 districts chose to access LOR in FY 2027, and only one district's school board chose to levy less than the maximum available of $724 per APU. Total LOR in FY 2027 is projected to be $611.942 million: $566.135 million coming from local levy and $45.807 million coming from state aid. [Minnesota Statutes, section 126C.10, subd. 2e]

LOR Example – Gopherville School District

Adjusted Pupil Units (APU)	=	2,500
Local Optional Revenue per APU	=	$724
Referendum Market Value (RMV) per APU	=	$475,000
First Tier Equalization Factor	=	$880,000
Second Tier Equalization Factor	=	$671,345

This calculation is similar to the Referendum Revenue levy calculation. First, calculate Local Optional Revenue 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 × APU
	=	$300 × 2,500
	=	$750,000
Second Tier LOR	=	(Local Optional Revenue per APU - $300) × APU
	=	($724 - $300) × 2,500
	=	$424 × 2,500
	=	$1,060,000

Next, calculate the amount of levy for each tier of LOR:

First Tier Levy	=	First Tier LOR × (RMV per APU/First Tier Equalization Factor)
	=	$750,000 × ($475,000/$880,000)
	=	$750,000 × 0.54
	=	$405,000
Second Tier Levy	=	Second Tier LOR × (RMV per APU/Second Tier Eq. Factor)
	=	$1,060,000 × ($475,000/$671,345)
	=	$1,060,000 × 0.71
	=	$752,600

Total Levy	=	First Tier Levy + Second Tier Levy
	=	$405,000 + $752,600
	=	**$1,157,600**

Finally, calculate the aid portion of LOR:

Total Aid	=	(First Tier LOR + Second Tier LOR) - Local Optional Levy
	=	($750,000 + $1,060,000) - $1,157,600
	=	$1,810,000 - $1,157,600
	=	**$652,400**

Basic Skills Revenue

Basic Skills Revenue includes Compensatory Education Revenue and English Learner (EL) Revenue, which in turn comprises EL Concentration Revenue and EL Cross Subsidy Aid. While these revenues are combined into a single category, the total revenue is based on separate formulas for the individual components. [Minnesota Statutes, sections 126C.10, subd. 3-4; 126C.15; 124D.65]

Compensatory Education Revenue

Compensatory Education 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. Districts receive Compensatory Education Revenue (often just called Compensatory Revenue) based on the counts of students eligible to receive free and reduced price meals, determined from the October 1 count of the previous year. Compensatory Revenue per pupil increases as the percentage of free and reduced-price pupils at an individual school site increases, though the percentage is capped by the formula in statute. For FY 2027, 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. 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 this revenue and report on their expenditures.

For FY 2027, Compensatory Education Revenue for each building in a district is calculated by multiplying compensatory pupils by the building compensatory allowance, which is the product of the building concentration factor and the statewide compensatory allowance. **Compensatory pupils** are calculated by finding the sum of the number of students receiving free meals and one-half the number of students receiving reduced price meals in the prior year. The **building concentration factor** is calculated by dividing compensatory pupils by the prior year October 1 enrollment of a school building. The **statewide compensatory allowance** is set in statute, and annual increases are tied to increases in the general education formula. A district's Compensatory Education Revenue is the sum of the Compensatory Education Revenue calculations for each building and the amounts designated under First Special Session Laws 2015, chapter 3, article 2, section 70, subd. 8, if applicable.

For some years, students have been determined as eligible for free or reduced price meals through two main methods: "paper forms" and direct certification. Paper forms, or as they are officially called, Applications for Educational Benefits, are forms sent home to parents or guardians that may qualify their student for a number of benefit programs. Direct certification identifies students eligible for free or reduced price meals by certifying students directly from other eligible state or federal programs, such as Medical Assistance, the Supplemental Nutrition Assistance Program (SNAP), the Minnesota Family Investment Program (MFIP), and the Food Distribution Program on Indian Reservations. In October 2022, Minnesota experienced a significant jump in eligible pupil counts when Medical Assistance

was first added to the direct certification process. Beginning with counts from October 2024 (FY 2025), the use of paper forms for compensatory eligibility was phased out. School children and their families are still encouraged to fill out the paper forms for determining eligibility in other benefit programs, but they are no longer used for compensatory eligibility, and all school children in Minnesota receive free meals through the Free School Meals Program.

While some districts were relatively unaffected by the transition from paper forms to only direct certification, others saw significant declines in Compensatory Education Revenue, so the 2024 and 2025 Legislatures made adjustments to the formula to limit declines in revenue from year to year. The 2026 Legislature also added an adjustment for FY 2027, establishing that the Compensatory Education Revenue for each building for FY 2027 would be the greater of (1) the amount from the calculations described above or (2) the product of a) the FY 2026 building Compensatory Revenue and b) the lesser of i) one or ii) the ratio of the number of pupils enrolled in the building on October 1, 2025, to the number of pupils enrolled in the building on October 1, 2024; and c) 0.659771. If total statewide Compensatory Education Revenue is less than $857.152 million, revenue to each building must be proportionately increased until the statewide revenue reaches this amount.



English Learner Programs Revenue

School districts with English learning (EL) (formerly “limited English proficient”) 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 $1,775 times the greater of 20 or the number of current year eligible EL pupil units. A district must have at least one EL student to be eligible for this revenue. Districts also receive EL Concentration Revenue (Minnesota Statutes, section 126C.05, subd. 17), which provides additional revenue when a district has a higher concentration of EL pupils. Per-pupil funding increases as the concentration of EL students increases, though the concentration percentage is capped by the formulas in statute. 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 $630.

Starting in FY 2027, the formula will include not only count and concentration components, but also English Learner Cross Subsidy Aid, which recognizes that schools spend more on EL services than they receive in EL Revenue. This aid is calculated as 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 $1.081 billion in Basic Skills Revenue for FY 2027, which includes roughly $874.696 million in Compensatory Education Revenue and $205.949 million in EL Revenue.

*Franconia and Prinsburg are nonoperating common school districts that do not serve students directly and so do not receive Basic Skills Revenue.

Example – Compensatory Component of Basic Skills
Gopherville School District, Central School

Prior Year(PY) Number of Pupils (Oct 1, 2025 Building Enrollment)	=	800
October 1, 2024 Number of Pupils/Building Enrollment	=	820
PY Number of Pupils Receiving Free Meals	=	95
PY Number of Pupils Receiving Reduced Price Meals	=	195
FY 2027 Statewide Compensatory Allowance	=	$6,936
FY 2026 Building Compensatory Revenue	=	$500,000

First, calculate Compensatory Pupils:

= PY Free Meal Pupils + ½(PY Reduced Price Meal Pupils)
= 95 + ½(195)
= 95 + 97.5
= 192.5

Next, calculate the Building Compensatory Allowance:

= Building Concentration Factor × Statewide Compensatory Allowance
= (Compensatory Pupils/PY Oct 1 Enrollment) × $6,936
= (192.5/800) × $6,936
= 0.240625 × $6,936
= $1,668.98

Next, calculate Compensatory Education Revenue for Central School:

= Compensatory Pupils × Building Compensatory Allowance
= 192.5 × $1,668.98
= $321,278

Next, calculate the FY 2027 adjustment, which is the greater of (1) or (2), where:

(1) is the amount from the calculations completed above → $321,278
(2) is the product of a), b), and c), where:
    a) is the FY 2026 building Compensatory Revenue → $500,000
    b) is the lesser of
        i) one or
        ii) the ratio of the pupils enrolled in the building on October 1, 2025, to the pupils enrolled in the building on October 1, 2024; → (800/820 = 0.9756)
    c) is 0.659771

= (1) $321,278 or (2) (a)$500,000 × b)0.9756 × c)0.659771)
= (1) $321,278 or (2) **$321,836**

The Gopherville School District's Central School will receive **$321,836** in Compensatory Revenue.

Gopherville School District, Country School

Prior Year(PY) Number of Pupils (Oct 1, 2025 Building Enrollment)	=	200
October 1, 2024 Number of Pupils/Building Enrollment	=	204
PY Number of Pupils Receiving Free Meals	=	15
PY Number of Pupils Receiving Reduced Price Meals	=	30
FY 2027 Statewide Compensatory Allowance	=	$6,936
FY 2026 Building Compensatory Revenue	=	$20,000

First, calculate Compensatory Pupils:

= PY Free Meal Pupils + ½(PY Reduced Price Meal Pupils)
= 15 + ½(30)
= 15 + 15
= 30

Next, calculate the Building Compensatory Allowance:

= Building Concentration Factor × Statewide Compensatory Allowance
= (Compensatory Pupils/PY Oct 1 Enrollment) × $6,936
= (30/200) × $6,936
= 0.15 × $6,936
= $1,040.40

Next, calculate Compensatory Education Revenue for Country School:

= Compensatory Pupils × Building Compensatory Allowance
= 30 × $1,040.40
= $31,212

Next, calculate the FY 2027 adjustment, which is the greater of (1) or (2), where:

(1) is the amount from the calculations completed above → $31,212.00
(2) is the product of a), b), and c), where:
    a) is the FY 2026 building Compensatory Revenue → $30,000
    b) is the lesser of
        i) one or
        ii) the ratio of the pupils enrolled in the building on October 1, 2025, to the pupils enrolled in the building on October 1, 2024; → (200/204 = 0.9804)
    c) is 0.659771

= (1) $31,212 or (2) (a)$30,000 × b)0.9804 × c)0.659771)
= (1) **$31,212** or (2) $19,405.18

The Gopherville School District's Country School will receive **$31,212** in Compensatory Revenue.

Example – English Learner Component of Basic Skills
Gopherville School District

Current Year District Pupil Units	=	1,000
Current Year Eligible EL Pupil Units	=	68
EL Regular Revenue Factor	=	$1,775
Concentration Revenue Formula Amount	=	$630
2nd Prior Year (2PY) Gopherville District Spending on EL	=	$300,000
2PY Gopherville EL Revenue from the State	=	$105,000

EL Regular Revenue

= $1,775 × the greater of either (a) 20 or (b) Eligible EL Pupil Units
= $1,775 × the greater of either (a) 20 or (b) 68
= $1,775 × 68
= $120,700

EL Concentration Revenue

= Current Year EL Pupil Units × Concentration Formula Amount × Concentration Pupil Units

First, find the Concentration Pupil Units:

$$= \text{the lesser of either (a) 1 or (b) } \frac{100 \times \left(\frac{\text{Current Year Eligible EL Pupil Units}}{\text{Current Year District Pupil Units}}\right)}{11.5}$$

= the lesser of either (a) 1 or (b) (100 × (68/1,000))/11.5
= the lesser of either (a) 1 or (b) 0.5913
= 0.5913

Then, use this result in the EL Concentration Revenue calculation:

= 68 × $630 × 0.5913
= $25,331

EL Revenue

= EL Regular Revenue + EL Concentration Revenue
= $120,700 + $25,331
= $146,031

EL Cross Subsidy Aid

= 25% × the greater of
(1) $0 or
(2) 2PY Gopherville District spending on EL - 2PY Gopherville EL Revenue from the State
= 0.25 × (The greater of (1) $0 or (2) ($300,000 - $105,000))
= 0.25 × The greater of (1) $0 or (2) $195,000
= 0.25 × $195,000
= $48,750

EL Total Revenue

= EL Revenue + EL Cross Subsidy Aid
= $146,031 + 48,750
= **$194,781**

Gopherville School District Total Basic Skills Revenue

Compensatory Revenue (Central School Site)	=	$321,836
Compensatory Revenue (Country School Site	=	$31,212
EL Revenue	=	$194,781

Total Basic Skills Revenue

= Compensatory Revenue (Central + Country) + EL Revenue
= ($321,836 + $31,212) + $194,781
= $547,829

Sparsity Revenue

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. Districts that are relatively small in enrollment and large in geographic area tend to have the largest sparsity allowances. There are two parts to the sparsity formula, one for secondary schools and one for elementary schools.

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 $34.409 million in Sparsity Revenue for FY 2027.

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 adjusted pupil units. 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 intends to close a school building but cannot proceed because the closure would cause a reduction in Secondary Sparsity Revenue may close a school building and not have this revenue reduced.

A district's Secondary Sparsity Revenue is the sum of the revenue for each of its secondary schools. A secondary school's Secondary Sparsity Revenue is the product of four factors. The first is the formula allowance minus $530 ($7,153 for FY 2027); the second is the secondary average daily membership served (ADM Served); the third is (the difference of 400 minus secondary ADM Served) divided by (the sum of 400 plus secondary ADM Served); and the fourth is the lesser of a) 1.5 or b) the difference of the isolation index (see below) minus 23 divided by ten. [Minnesota Statutes, section 126C.10, subd. 6, 7, & 8a]

Secondary Sparsity Revenue Example – Gopherville School District

Secondary Average Daily Membership Served (ADMS)	=	300
General Education Formula Allowance for Sparsity	=	$7,153
High School Attendance Area	=	356 Square Miles
Distance from High School to Nearest High School	=	22 Miles

First, calculate the Isolation Index (ii)

= $\sqrt{(.55) \times \text{High School Attendance Area}}$ + Miles to Nearest High School

= $\sqrt{(.55) \times 356}$ + 22

= $\sqrt{196}$ + 22

= 14 + 22

= 36

Secondary Sparsity Revenue

= Formula Allowance × Sec. ADMS × $\frac{400-\text{Sec ADMS}}{400+\text{Sec ADMS}}$ × the lesser of (a) 1.5 or (b) $\frac{\text{ii}-23}{10}$

= \$7,153 × 300 × $\frac{400-300}{400+300}$ × the lesser of (a) 1.5 or (b) $\frac{36-23}{10}$

= \$7,153 × 300 × (100/700) × the lesser of (a) 1.5 or (b) (13/10)

= \$7,153 × 300 × 0.14 × the lesser of (a) 1.5 or (b) 1.3

= \$7,153 × 300 × 0.14 × 1.3

= **\$390,554**

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 intends to close a school building but cannot proceed because the closure would cause a reduction in Elementary Sparsity Revenue may close a school building and not have this revenue reduced.

A district's Elementary Sparsity Revenue is the sum of the revenue for each of its elementary schools. An elementary school's Elementary Sparsity Revenue is the product of three factors. The first is the formula allowance minus \$530 (\$7,153 for FY 2027); the second is the elementary average daily membership served (ADM Served); and the third is (the difference of 140* minus elementary ADM Served) divided by (the sum of 140 plus elementary ADM Served). [Minnesota Statutes, section 126C.10, subd. 8 & 8a]

Elementary Sparsity Revenue Example – Gopherville School District

Grades K-6 Elementary Average Daily Membership Served (ADMS)	=	100
General Education Formula Allowance for Sparsity	=	\$7,153
Distance to Nearest Elementary School	=	23 miles

Elementary Sparsity Revenue

= Elementary ADMS × Formula Allowance × $\frac{140-\text{Elem ADMS}}{140+\text{Elem ADMS}}$

= 100 × \$7,153 × $\frac{140-100}{140+100}$

= 100 × \$7,153 × $\frac{40}{240}$

= 100 × \$7,153 × 0.167

= **\$119,500**

* 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 factor 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 in adjusted net tax capacity (ANTC) per pupil for FY 2027 and later. Operating Capital Revenue ranges from $190 to $245 per adjusted pupil unit per district and statewide revenue totals $212.716 million for FY 2027. [Minnesota Statutes, section 126C.10, subd. 13]

Operating Capital Revenue Example – Gopherville School District

Number of Pupil Units	=	1,000
ANTC per Pupil Unit	=	$12,000
Average Age of District Buildings	=	35 years
Maintenance Cost Index	=	1.35 (1 + Ratio of Av. 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

= Equipment Component + (Facilities Component × Maint. Cost Index) + (Menstrual Products/Opiate Antagonist Adjustment)
= $79 + ($109 × 1.35) + $2
= $79 + $147.15 + $2
= $228.15

Revenue

= Pupil Units × Operating Capital per Pupil Revenue
= 1,000 × $228.15
= **$228,150**

Levy

= Revenue × (ANTC per Pupil / Operating Capital Equalizing Factor)
= $228,150 × ($12,000 / $22,912)
= $228,150 × 0.524
= **$119,551**

Aid

= Revenue – Levy
= $228,150 – $119,551
= **$108,599**

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 districts with fewer students per square mile, the transportation sparsity formula provides additional funding based on the number of students per square mile. 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. [Minnesota Statutes, section 126C.10, subd. 18]

The Transportation Sparsity Revenue allowance for a district is the general education formula allowance multiplied by 0.141 ($1,083 in FY 2027), times logarithms of (1) the sparsity index and (2) the density index. 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" also 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. The product of the formula allowance times 0.0466 ($358 in FY 2027) 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 2027, an estimated $108.246 million of Transportation Sparsity Revenue is divided among 318 districts and 112 charter schools.

Transportation Sparsity Revenue Example – Gopherville School District

Adjusted Pupil Units	=	1,000
Number of Square Miles	=	90
General Education Formula Allowance	=	$7,683
District Sparsity Index	=	0.20
District Density Index	=	0.09

Transportation Sparsity Revenue per Pupil Unit

= [(Formula Allowance × 0.141) × (District Sparsity Index)$^{0.26}$ × (District Density Index)$^{0.13}$] - (Formula Allowance × 0.0466)

= [($7,683 × 0.141) × $0.20^{0.26}$ × $0.09^{0.13}$] - ($7,683 × 0.0466)

= [$1,083 × 0.658 × 0.731] - $358

= $521 - $358

= $163

* "Excess transportation" is transportation provided to pupils who reside closer to their schools than typical school-sponsored transportation standards would allow but have been excepted for various reasons. Minnesota Statutes, section 123B.92, subd. 1, paragraph (b), subparagraph (2).

Total Transportation Sparsity Revenue

= Revenue per APU × APU
= $163 × 1,000
= **$163,000**

Pupil Transportation Adjustment

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 prior year (PY) Basic Revenue, 2) its PY Transportation Sparsity Revenue, 3) its PY Charter School Transportation Adjustment, 4) its PY Pregnant and Parenting Pupil Transportation Reimbursement, and 5) its PY Area Learning Center Transportation Aid. 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 Transportation Aid). [Minnesota Statutes, section 126C.10, subd. 18a; 123B.92]

Pupil Transportation Adjustment Example, Gopherville School District

PY (FY 2026) Transportation Costs	=	$2,740,000
Second Prior Year (2PY; FY 2025) Transportation Costs	=	$2,700,000
PY (FY 2026) General Ed. Basic Revenue	=	$10,000,000
PY (FY 2026) Transportation Sparsity Revenue	=	$500,000
PY (FY 2026) Charter School Transportation Adjustment	=	$0
PY (FY 2026) Pregnant & Parenting Pupil Reimbursement	=	$1,000
PY (FY 2026) ALC Transportation Aid	=	$2,000

Pupil Transportation Adjustment

= 0.35 × [(the lesser of (a) PY Transportation Costs or (b) 1.05 × 2PY Transportation Costs) – ((PY Basic Revenue × 0.0466) + PY Transportation Sparsity Revenue + PY Charter School Transportation Adjustment + PY Pregnant and Parenting Pupil Transportation Reimbursement + PY Area Learning Center Transportation Aid)]

= 0.35 × [(the lesser of (a) $2,740,000 or (b) (1.05 × $2,700,000) – (($10,000,000 × 0.0466) + $500,000 + 0 + $1,000 + $2,000)]

= 0.35 × [(the lesser of (a)$2,740,000 or (b) $2,835,000 – ($466,000 + $503,000)]

= 0.35 × [(the lesser of (a)$2,740,000 or (b) $2,835,000 – 969,000]

= 0.35 × the lesser of (a)$2,740,000 or (b)$1,866,000

= 0.35 × $1,866,000

= **$653,100**

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. Equity Revenue uses 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 as of July 1, 1999 (Duluth, Minneapolis, and St. Paul). 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 their region. To determine how much extra revenue a district receives, the formula takes into account the district's equity index and multiplies it by $80. 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.

Low-Referendum Equity Revenue was created to provide additional aid for districts with Referendum Revenue per pupil below ten percent of the state average. For FY 2027, the state average per pupil is $1,299, so eligible districts would have per pupil Referendum Revenue below roughly $130. Qualifying districts receive an amount per pupil equal to the difference between their referendum amount and 10 percent of the state average referendum amount, up to 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 but is currently the same for both regions.

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 RMV per resident pupil unit to $510,000. Then, a district's Equity Aid is calculated by subtracting its Equity Levy from its Equity Revenue. A district may elect to not levy the full permitted amount, but then the district's state aid must be proportionally reduced. [Minnesota Statutes, section 126C.10, subd. 24-30]

Charter schools receive the statewide average of Equity Revenue, which is $109.81 per pupil unit in FY 2027. Statewide, all districts and charter schools qualify for Equity Revenue, sharing a total of $101.76 million in FY 2027, with revenue amounts ranging from $50 to $168 per pupil per district.

Equity Revenue Example – Gopherville School District (Rural)

Number of Pupil Units	=	1,000
Basic Revenue	=	$7,683
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 95th Percentile	=	$10,283
Rural 5th Percentile	=	$7,983
Metro 95th Percentile	=	$10,380
Metro 5th Percentile	=	$7,994
State Average Referendum Revenue per Pupil (rounded)	=	$1,299
Gopherville Referendum Market Value (RMV) per Pupil	=	$300,000

Regular Equity Revenue

Regional Equity Gap
- = 95th Percentile - 5th Percentile
- = $10,283 - $7,983
- = 2,300

District Equity Gap
- = 95th Percentile - (Basic Rev + 1st Tier Local Optional + Transition + Ref)
- = $10,283 - ($7,683 + $300 + $30 + $460)
- = $10,283 - $8,473
- = $1,810

Equity Index
- = [District Equity Gap / Regional Equity Gap]
- = $1,810 / $2,300
- = 0.787

Regular Equity Revenue
- = Pupil Units ×[$14 + ($80 × Equity Index)]
- = 1,000 × [$14 + ($80 × 0.787)]
- = 1,000 × [$14 + $62.96]
- = 1,000 × $76.96
- = **$76,960**

Low-Referendum Equity Revenue

= Pupils × [($1,299 × 10%) – District Ref. Rev. per Pupil]

First, calculate 10 percent of state average Referendum Revenue per pupil.
- = $1,299 × 10%
- = $129.90

Is the district's Referendum Revenue per pupil less than 10% of statewide average?
- = No. $460 > $129.90, so Gopherville is not eligible for Low Referendum Revenue.

Subtotal Equity Revenue

= Regular Equity Revenue + Low-Referendum Equity Revenue
= $76,960 + $0
= $76,960

25% Equity Revenue Adjustment

= Equity Revenue (Parts 1 & 2) × 0.25
= $76,960 × 0.25
= $19,240

Supplemental Equity Revenue

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

Grand Total Equity Revenue

= Regular Equity Revenue + Low-Referendum Equity Revenue + 25% Equity Revenue Adjustment + Supplemental Equity Revenue
= $76,960 + $0 + $19,240 + $50,000
= **$146,200**

Equity Revenue – Aid and Levy Calculation

Equity Levy

= Grand Total Equity Rev. × the lesser of 1 or $\left(\frac{\text{RMV/PupilUnit}}{\$510,000}\right)$
= $146,200 × $\left(\frac{\$300,000}{\$510,000}\right)$
= $146,200 × 0.588
= **$86,000**

Equity Aid

= Total Equity Revenue - Equity Levy
= $146,200 - $86,000
= **$60,200**

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. 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 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 undesignated revenue that may be used for any general fund purpose. It is a mix of aid and levy, levied against referendum market value (RMV) using $510,000 per pupil as the equalizing factor. For FY 2027, $27.792 million of Transition Revenue is divided among 198 school districts and 34 charter schools. [Minnesota Statutes, section 126C.10, subd. 31-33]

Example – Gopherville School District

FY 2015 Pupil Units	= 1,000
FY 2027 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 Q-Comp Revenue)	= $6,740,000
Referendum Market Value Per Pupil Unit	= $400,000

FY 2027 Transition Allowance

= [FY 2015 Old Law Transition Revenue + the greater of (a) $0 or (b) the difference between FY 2015 Old Law Revenue and FY 2015 New Law Revenue] / FY 2015 Adjusted Pupil Units

= [$20,000 + 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

Total Transition Revenue

= Transition Allowance × FY2026 Adjusted Pupil Units
= $30 × $950
= **$28,500**

Transition Levy

= Transition Revenue × $\frac{\text{RMV per pupil}}{\$510{,}000}$
= $28,500 × $\frac{\$400{,}000}{\$510{,}000}$
= $28,500 × 0.784
= **$22,344**

Transition Aid

= Transition Revenue – Transition Levy
= $28,500 – $22,344
= **$6,156**



Pension Adjustment Revenue

School districts receive Pension Adjustment Revenue to compensate for past legislative changes to employer contribution rates to the public employee retirement systems. The formula is the greater of zero or the product of an adjusted number from FY 2014 times a district's adjusted pupil units (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. The pension adjustment rate for Independent School District No. 625, St. Paul, equals 3.25 percent for FY 2027 and later. The pension adjustment rate for all other districts equals 2.31 percent for FY 2027 and later.

Intermittently, total statewide Pension Adjustment Revenue has been prorated as required by statute. In FY 2025, it was prorated at roughly 95.58 percent. For FY 2027, the statewide total Pension Adjustment Revenue must not be prorated. In FY 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. All districts and charter schools are eligible to receive Pension Adjustment Revenue, which statewide totals roughly $165.761 million in FY 2027. [Minnesota Statutes, section 126C.10, subd. 37; 127A.50]

Pension Adjustment Revenue Example – Gopherville School District

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

FY 2027 Adjusted Pupil Units (APU)	=	1,000
FY 2027 District Pension Adjustment Rate	=	2.31%
FY 2014 Gopherville Pension Adjustment per APU Allowance	=	$7.00
FY 2026 District TRA Member Payroll	=	$6,020,000
FY 2027 Proration Percent	=	N/A

Pension Adjustment Revenue =

(1) The greater of zero or

(2) ((FY 2014 Gopherville Pension Adjustment per APU Allowance) × (FY 2027 APU)) + (Prior Year (FY 2026) Gopherville TRA Member Payroll × Current Year (FY 2027) District Pension Adjustment Rate)

= ($7.00 × 1,000) + ($6,020,000 × .0231)

= $7,000 + 139,062

= **$146,062**

Referendum Revenue

Referendum Revenue allows districts to increase their general fund revenues with voter approval, 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.

Although Referendum Revenue is a local issue that is determined by district voters, the state still provides a small amount of Referendum Equalization Aid to ease the property tax burden on lower-value properties and districts. To calculate **Referendum Equalization Revenue**, up to $460 per pupil unit is equalized at $567,000 of referendum market value (RMV); revenue per pupil unit above $460, up to 25 percent of the formula allowance ($1,921 for FY 2027), is equalized at $290,000 of RMV. Districts that qualify for Sparsity Revenue are not subject to the second tier revenue limit of $1,921 for equalization. All revenue above $460 per pupil is eligible for equalization at the $290,000 level for sparsity districts. 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.



Equalization is used to apply a similar property tax burden to districts that have similar per pupil Referendum Revenues (or Referendum Allowances), but varying tax bases. The relationship of a district's RMV 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 Equalization Levy and 50 percent from state Referendum Equalization Aid. If a district's RMV 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 RMV per pupil unit is to $0, the higher the percentage of state aid the district receives for Referendum Revenues below $460 per pupil. The same district with $283,500 per pupil in RMV would levy 98 percent ($283,500 / $290,000 = 0.98) of the revenue for a referendum amount between $460 and $1,921 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 2027, the standard cap is estimated to be $2,366. 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 2027, 238 school districts have referendum authority totaling $1.098 billion in revenue, with amounts up to $5,200 per pupil unit. Some districts with Referendum Revenue

receive Referendum Equalization Aid, which is roughly $8.753 million statewide (included in the $1.098 billion).

Referendum Levies must be certified on 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 RMV. [Minnesota Statutes, section 126C.17]

Referendum Revenue Example – Gopherville School District

Note: This example assumes voter approval of a referendum and a school board decision to levy the full authorized amount.

Adjusted Pupil Units (APU)	=	1,000
Resident Pupil Units (WADM)	=	1,000
Referendum Market Value	=	$285,000,000
Referendum Market Value per Resident Pupil	=	$285,000
Referendum Allowance	=	$800
First Tier Equalization Factor	=	$567,000
Second Tier Equalization Factor	=	$290,000

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 Referendum Equalization Revenue
- = $460 × APU
- = $460 × 1,000
- = $460,000

Second Tier Referendum Equalization Revenue
- = (Referendum Allowance - $460) × APU
- = ($800 - $460) × 1,000
- = $340 × 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
- = First Tier Revenue × $\frac{\text{Referendum Market Value per Resident Pupil}}{\text{First Tier Equalizing Factor}}$
- = $460,000 × ($285,000/$567,000)
- = $460,000 × 0.503
- = $231,380

Second Tier Levy

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

= $340,000 × ($285,000/$290,000)

= $340,000 × 0.983

= $334,220

Total Levy

= First Tier Levy + Second Tier Levy

= $231,380 + $334,220

= **$565,600**

Finally, calculate the aid portion of Referendum Equalization Revenue by subtracting the total levy from the total Referendum Equalization Revenue generated:

Aid

= Referendum Revenue - Referendum Levy

= $800,000 - $565,600

= **$234,400**

This aid amount may be reduced by the amount of Referendum Tax Base Replacement Aid that the district receives.

Referendum Equalization Examples

As illustrated by the table below, districts with different tax bases in RMV 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 of this district's revenue will be generated via levy. The high value district will pay the most in levies overall but maintains the lowest tax rate. The low value district will pay significantly less in levies, but even with the state equalizing nearly one-third of their Referendum Equalization Aid, this district will still have the highest tax rate. Overall, the 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
Resident Pupil units	750	2,000	10,000
Total Revenue	$675,000	$1,800,000	$9,000,000
Tax Base (RMV per APU × Resident 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%

Options Adjustments Revenue

Options Adjustments Revenue is a combination of three different "options adjustments," including (1) Charter School Referendum and Local Optional Aid Adjustments, (2) Adjustments for Pupils Attending the State Academies for the Deaf and Blind, and (3) Charter School Transportation Adjustments.

(1) Charter School Referendum and Local Optional Aid Adjustments

For a pupil who is enrolled in a charter school, the first tier Local Optional Aid and Referendum Equalization Aid attributable to the pupil is paid to the charter school. [Minnesota Statutes, section 124E.20, subd. 1]

(2) Adjustments for Pupils Attending the State Academies for the Deaf and Blind

Pupils attending the State Academies for the Deaf and Blind in Faribault, Minnesota generate General Education Basic Revenue in their resident districts, which is then transferred to the State Academies for the amount of time the child is receiving services from the State Academies. All Compensatory Revenue attributable to pupils attending the State Academies in the prior year is paid directly to the State Academies, and there is no adjustment to the resident district's aid for this amount. The rest of the General Education Revenue attributable to the pupil must be paid to the pupil's resident district (the pupil's resident district is determined by the residence of the pupil's parent or guardian). [Minnesota Statutes, section 125A.65]

(3) Charter School Transportation Adjustments

General Education Aid paid to a district in which a charter school not providing transportation according to section 124E.15 is located must be increased by an amount equal to the sum of:

a. the product of: (i) the sum of the formula allowance times .0466 plus the transportation sparsity allowance for the district; times (ii) the adjusted pupil units (APU) attributable to the charter school pupil; plus

b. the product of $223 and the extended time pupil units attributable to the charter school pupil. [Minnesota Statutes, section 127A.47, subd. 8]

General Education Off Model Programs

PSEO Direct Payments to Postsecondary Institutions

The traditional Postsecondary Enrollment Options (PSEO) Program allows high school pupils to enroll in courses at eligible postsecondary institutions (PSIs) for credits that count toward both high school graduation and postsecondary purposes. Both public and nonpublic (including homeschool) high school students are eligible for the program, though the nonpublic students are considered "alternative pupils" and must register with the commissioner of Education before participating in the program. For a full-time PSEO student, 88 percent of the General Education Basic Revenue ($6,761 for FY 2027) is paid by the Minnesota Department of Education (MDE) directly to the PSI. This is the "off model revenue." The public school district in turn counts the student as 0.12 pupils in ADM across all school funding formulas, which flows through the typical General Education Revenue process. The remaining money that would otherwise follow the student (88 percent of all school funding formulas other than the Basic Revenue) is a "savings" to the state. For alternative pupils, there is no residual payment to the school district of residence; the state simply pays 88 percent of the Basic Revenue directly to the PSI.

For each part-time PSEO pupil, the district receives a proportionate share of the total school revenue attributable to that pupil, based on the amount of time that the PSEO pupil attends the high school. The state Basic Revenue payment to the PSI is converted to a standard rate per credit hour. For FY 2027, each quarter credit hour is reimbursed at $170.32 ([88% x ($7,683 – $425) x 1.2]/45), and each semester credit hour is reimbursed at $255.48 ([88% x ($7,683 – $425) x 1.2]/30). The payment to the PSI may not exceed the lesser of the actual tuition at the college or the standard rate per credit hour.

For FY 2025, the most recent year for which data was available, 11,321 public school pupils, 1,856 nonpublic pupils, and 2,351 homeschool pupils attended classes at a PSI taking a total of 224,512 credits, and the state aid payments directly to the PSIs through the traditional PSEO funding formula amounted to $54.181 million. For FY 2027, the statewide aid entitlement estimate for PSEO Direct Payments to PSIs, including both public and alternative pupils, is estimated to be $60.527 million. [Minnesota Statutes, section 124D.09]

These payments do not include the PSEO Transportation Reimbursement in Minnesota Statutes, section 124D.09, subdivision 22; please see the section on Enrollment Options Transportation Programs for an explanation of this separate aid.

Shared Time Aid

Pupils who typically fulfill the compulsory education requirements in Minnesota Statutes, section 120A.22 by attending nonpublic schools (including homeschools) are also eligible to receive instruction in core curriculum from public school programs for part of the school day. This program is referred to as Shared Time, and resident districts are eligible to receive Shared Time Aid to offset the costs of educating these pupils.

The ADM for a pupil enrolled on a shared time basis equals the ratio of the total minutes for which the pupil is enrolled and the minimum minutes a regular public school pupil is

enrolled. Shared Time Aid is equal to the formula allowance times the total shared time WADM enrolled at a given district.

Per Minnesota Statutes, section 125A.18, public schools are required to provide special education programming for children with disabilities, regardless of whether they are enrolled full time in a public school. For the 2025-26 school year, about one-third of the total shared time ADM was for students eligible for special education services. For FY 2027, the statewide aid entitlement estimate for Shared Time Aid is $4.177 million. [Minnesota Statutes, sections 126C.01; 126C.19]

Aid for Alternative Programs Provided under Contract

Students whose needs are not being met at standard public schools may enroll in State-Approved Alternative Programs (SAAPs); eligible students are those who either qualify for special education services or meet the criteria laid out in Minnesota Statutes, sections 124D.68, subd. 2 or 124D.02, subd. 2. SAAPs are year-round learning programs that can typically offer a more flexible learning environment focused on pupils' specific learning needs. There are four categories of SAAPs: Area Learning Centers (ALCs), Alternative Learning Programs (ALPs), Targeted Services (which is for students in grades K-8), and Contracted Alternative Programs (CAPs).

Students attending the first three categories of SAAPs simply generate General Education Revenue like any other pupil, though they are able to be counted as up to 1.2 ADM due to SAAPs being learning year programs that are eligible for Extended Time Revenue. The last category, Contracted Alternative Programs (CAPs), is the one that generates the "off model revenue," also known as "Private Alternative Programs Aid." CAPs are private, outside agencies that school districts may contract with to provide alternative learning services to pupils who then receive a district diploma upon graduation requirement completion.

A district contracting with a CAP must reimburse the CAP the sum of:

(1) At least 95 percent of the district's average General Education Revenue, minus Basic Skills Revenue, per pupil unit, times the number of pupil units attending the CAP; and
(2) 100 percent of the Basic Skills Revenue generated by pupils attending the program

Revenue to both the district and the CAP is reduced proportionately for a student attending the CAP part time, though the CAP still receives the entire Compensatory Education Revenue for the part-time pupil.

For FY 2027, the statewide aid entitlement estimate for Private Alternative Programs Aid is $5.296 million. [Minnesota Statutes, section 124D.69]

Supplemental Online Learning Aid

Students in Minnesota have the option to enroll in digital instruction either in lieu of or alongside in-person instruction, as long as their total ADM does not exceed 1.0 or 1.2 for pupils qualifying for Extended Time Revenue. Pupils may enroll in full time online instruction with their enrolling district, if available, or they may take individual online courses from

either their enrolling district or a state-approved supplemental online course provider.

Students who receive services only through their enrolling district generate General Education Revenue for their enrolling district in a similar fashion to typical in-person students, though through a modified online learning ADM formula. Pupils receiving online instruction via a supplemental online course provider generate the off model revenue of Online Learning Aid. Online Learning Aid is paid by MDE directly to the supplemental online course provider.

Online Learning Aid is calculated as the product of the following three components:

(1) APU of students served by the supplemental online course provider
(2) [1/12 for each semester course (or a proportionate amount for courses of different lengths)] times 0.88
(3) the formula allowance.

For FY 2027, the statewide aid entitlement for Online Learning Aid is estimated to be $8.302 million. [Minnesota Statutes, sections 124D.094; 124D.096; 126C.05, subd. 19]

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 one full-time classroom teacher for these grade levels. [Minnesota Statutes, section 126C.12]

Revenue for Staff Development

An amount equal to two percent of the basic formula amount ($153.66 per pupil unit for FY 2027) 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. [Minnesota Statutes, section 122A.61]



K-12 Categorical Revenue Programs

Categorical Revenue Programs are education revenue programs that operate outside of the General Education Revenue Program. They may be all state aid, all levy, or a combination of both. K-12 Categorical Revenue Programs provide funding focused on items like special education, teacher excellence, student integration, facilities' needs, and student meals.

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. The total statewide revenue entitlement for regular special education funding in FY 2027 is roughly $3.21 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. [Minnesota Statutes, section 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 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 estimated inflation to have been around 35 percent. Because of this rate of growth and the 2025 Legislature's need to address a projected deficit in FY 2028-29, 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 dollars in the FY 2028-29 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 are not eligible for Cross-Subsidy Reduction Aid but receive Initial Aid and Excess Cost Aid the same way districts do. They are then allowed to "bill back" the remaining unreimbursed 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 percent of their unreimbursed special education expenditures to pupils' resident districts.[Minnesota Statutes, sections 24E.21; 127A.47]

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; or
(2) 50 percent of the district's nonfederal special education expenditures for the prior year, excluding pupil transportation expenditures; or
(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 meals plus one-half of the pupils enrolled on October 1 who are eligible to receive reduced-price meals 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 2027:
   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*); and
   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, 90 percent of the prior fiscal year cost of providing transportation services for pupils with disabilities, excluding pupils in care and treatment, 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.

Overall, the Initial Aid formula was designed to reimburse school districts for about 61 percent of their eligible prior year expenditures. Statewide, actual formula reimbursements per district range from roughly 56 percent to 65 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 Meal Eligible Students	=	300
Reduced Price Meal 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 2027 Program Growth Factor	=	1.64
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% × Total "Old Formula" Special Education Expenditures
= 0.62 × $1,900,000
= **$1,178,000**

b) 50% × Total Nonfederal Special Education Expenditures (Prior Year)
= 0.50 × $2,300,000
= **$1,150,000**

c) 56% × (((ADM Served × (Census-Based Allocation*)) + (Category 1 + Category 2 + Category 3)**) × Current Year Program Growth Factor)

*To calculate the Census-Based Allocation
= Basic Allowance + Poverty Allowance + District Size Allowance
= 1,000 ADM served × [$460 + ($405 × 0.33) + (1,000 × 0.008)]
= 1,000 ADM served × [$460 + $134 + 8]
= 1,000 × $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

=$465,500 + $230,400 + $126,000
= $821,900

= 56% × (($602,000 + $821,900) × 1.64)
= 0.56 × ($1,423,900) × 1.64)
= 0.56 × $2,335,196
= **$1,307,710**

The least of:

a) $1,178,000
b) $1,150,000
c) $1,307,710

Second, for FY 2027, add 100% of the cost of transportation for pupils in direct care and treatment, pupils who are homeless and highly mobile, pupils placed in a foster home, and pupils with a Section 504 plan. Then, add 90% of the cost of transportation for children with disabilities who do not fall within any of the previous categories.

= $1,150,000 + ($25,000 × 100%) + ($200,000 × 90%)
= $1,150,000 + $25,000 + $180,000
= $1,355,000

Total Special Education Initial Aid = **$1,355,000**

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. [Minnesota Statutes, section 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 Education 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 Education 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 2026) Formula Allowance	=	$7,481

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 / $7,481) × $7,300,000))]
= 0.56 × [$2,300,000 - $398,294]
= 0.56 × $1,901,706
= $1,064,955

(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 / $7,481) × $7,300,000))]
= 0.62 × [$1,900,000 - $142,248]
= 0.62 × $1,757,752
= $1,089,806

(3) = Zero

Excess Cost Aid for Gopherville = **$1,089,806**

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 Reduction Aid, as they bill special education costs that are unreimbursed by Initial Aid and Excess Cost Aid back to resident districts. Calculations for Cross Subsidy Reduction 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 FY 2027 and later. [Minnesota Statutes, section 125A.76, Subd. 2e]

Example – Gopherville School District

FY 2026 Nonfederal Special Education Expenditures	=	$5,000,000
FY 2026 Transportation for Students with Disabilities	=	$650,000
FY 2026 State Special Education Aid	=	$3,300,000
FY 2026 General Education Revenue for Special Ed.*	=	$350,000

**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

= ($5,000,000 + $650,000) - $3,300,000 - $350,000

= $2,000,000

Gopherville Cross Subsidy Aid

= Special Education Cross Subsidy × FY27 Cross Subsidy Aid Factor

= $2,000,000 × 0.50

= **$1,000,000**

Alternative Delivery of Specialized Instructional Services

Alternative Delivery of Specialized Instructional Services, or ADSIS, is a program designed to prevent pupils from unnecessarily being identified for special education services. Eligible pupils are those who need additional academic or behavioral support to succeed in the general education environment and who may eventually qualify for special education instruction if the intervention services authorized by ADSIS were unavailable. Not all districts immediately qualify to participate in ADSIS; they must first develop a program plan including eligibility criteria, parent and community involvement, accounting and budget details, and program evaluation and submit an application to the commissioner of Education for approval.

Aid for ADSIS is provided via the existing Regular Special Education Revenue formulas, meaning ADSIS expenditures are included in the total expenditure amount for which districts may be partially reimbursed. However, MDE does cap the amount of ADSIS funding available to any one LEA each year. For FY 2027, the cap is $1.492 million. Statewide expenditures for ADSIS in FY 2025, the most recent year for which data is available, totaled $104.617 million, with 185 districts, 63 charter schools, and one joint powers organization providing programs. [Minnesota Statutes, sections 125A.50; 125A.78]

Other Special Education Aids

The state of Minnesota provides other, more tailored streams of Special Education Aid that are not part of Regular Special Education Revenue. These are discussed below.

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. [Minnesota Statutes, section 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. [Minnesota Statutes, section 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 2027 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. [Minnesota Statutes, section 125A.81]

Other K-12 Categorical Programs

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. [Minnesota Statutes, section 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

= $40,000 + ($500 × Eligible Students Greater than 20)

= $40,000 + [$500 × (250 – 20)]

= $40,000 + [$500 × 230]

= $40,000 + $115,000

= **$155,000**

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 pupil is available to school districts, intermediate school districts, and charter schools that develop and implement an alternative teacher pay system by October 1 of the school year in which they are first eligible for revenue. In order to qualify for the revenue, a district must notify the Commissioner of Education of the district's intent to implement an alternative pay system one full school year prior to the year of implementation. Individual school sites may also qualify for Q-Comp 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 each fiscal year. The statutory Q-Comp Aid entitlement cap for FY 2027 and later is $89.486 million. FY 2027 revenue is projected to go to 108 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 (the $169 per pupil) or may opt to also access the additional equalized levy (the $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. [Minnesota Statutes, section 122A.414-417]

Alternative/Q-Comp Example – Gopherville School District

Prior Year October 1st Enrollment	=	1,000
Qualifies for Revenue?	=	Yes
Q-Comp Revenue Formula Amount per Pupil	=	$260
ANTC per Pupil Unit	=	$4,000*

** 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 alternative teacher compensation equalization aid calculation. The FY 2024 statewide average ANTC per pupil enrolled in a school district is roughly $14,808.*

Alternative Compensation Revenue

= Alternative Compensation Formula × Prior Year October 1 Enrollment
= $260 × 1,000
= **$260,000**

Alternative Compensation Basic Aid

= $169 × Prior Year October 1st Enrollment
= $169 × 1,000
= **$169,000**

Alternative Compensation Equalized Levy Revenue9

= $91 × Prior Year October 1st Enrollment
= $91 × 1,000
= **$91,000**

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

Alternative Compensation Equalized Levy Revenue

= Alternative Compensation Levy + Alternative Compensation Equalization Aid

Alternative Compensation Levy

= Alternative Compensation Equalized Levy Revenue × $\frac{\text{ANTC per Pupil Unit}}{\$6{,}100}$

= $91,000 × $\frac{\$4{,}000}{\$6{,}100}$

= $91,000 × 0.656

= **$59,696**

Alternative Compensation Equalization Aid

= Alternative Compensation Equalized Levy Revenue - Alternative Compensation Levy

= $91,000 - $59,696

= **$31,304**

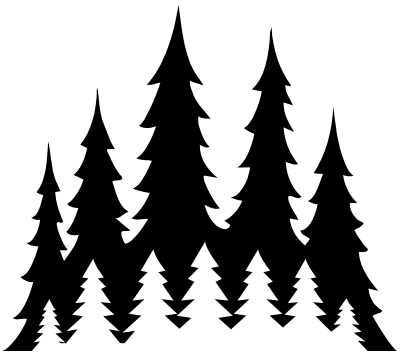
Alternative Compensation Revenue

= Alternative Compensation Basic Aid + Alternative Compensation Levy + Alternative Compensation Equalization Aid

= $169,000 + $59,696 + $31,304

= **$260,000**

Permanent School Fund Revenue



School districts and charter schools receive revenue from the state's permanent school fund (PSF), 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 for that purpose. The constitution requires that trust fund lands be managed to generate income for the PSF 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 2025, the Minnesota State Board of Investment estimated the fund's market value to be $2.317 billion [2025 MN State Board of Investment Annual Report], and Minnesota Management and Budget (MMB) recorded the budgetary balance for that year as $1.107 billion [MMB 2026 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.

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

For the 2026-27 school year (FY 2027), the State Board of Investment's estimated allocation to school districts is $65.135 million, with districts receiving approximately $76.85 per student served in average daily membership.*

Permanent School Fund Revenue Example – Gopherville School District

2025-2026 (Prior Year) ADM Served	=	1,000
2026-2027 PSF Distribution Formula	=	$76.85

Permanent School Fund Revenue:

= Prior Year ADM Served × Current Year PSF Distribution Formula

= 1,000 × $76.85

* The recent passage of a statewide constitutional amendment concerning the Permanent School Fund will alter distributions for FY 2028 and beyond. For further detail, please see page 21 of the 2026 Legislative Session Fiscal Digest, produced by MN House Fiscal Analysis.

= **$76,850**

Permanent School Fund Supplemental Aid

Since the creation of the permanent school fund (PSF), American Indian Tribal Contract or Grant 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 or Grant Schools, calling it Permanent School Fund Supplemental Aid. Statewide funding for this aid is currently set at $40,000 per fiscal year, to be paid 100 percent in the current fiscal year. [First Special Session Laws 2025, chapter 10, article 6, section 6, subdivision 6].

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 of the American Indian Tribal contract school in the prior fiscal year, to
   b) the total ADM Served of all American Indian Tribal contract schools in the state in the prior fiscal year.

PSF Supplemental Aid Example – Gopherville Tribal Contract School

FY 2026 Gopherville Tribal Contract School ADM Served	=	146
FY 2026 Statewide Tribal Contract School ADM Served	=	586
FY 2027 Appropriation	=	$40,000

Permanent School Fund Supplemental Aid

= (Current Fiscal Year Appropriation) × (Prior FY Gopherville ADM Served / Prior FY Statewide Tribal Contract School ADM Served)

= $40,000 × (146/586)

= $40,000 × 0.249

= $9,960

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 the 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 VPK Programs; and
(6) Beginning in FY 2027, roof repair and replacement.

LTFM 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 Revenue 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 (referred to as "pay as you go"). Districts that issue bonds must additionally 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 <u>not</u> 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.

Long-Term Facilities Maintenance 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. (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 2027 is 125.5 percent of state average ANTC per adjusted pupil unit. The equalizing factor for FY 2028 and later is set at 127 percent. [Minnesota Statutes, section 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 2027 Approved Health & Safety Projects*	=	$125,000
Adj. 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	=	$13,828
125.5% of State Average ANTC	=	$17,354
Member of an Intermediate District?	=	No
Pre-K Program Approved Remodeling Cost	=	$40,000

For FY 2027, the LTFM Revenue for a district equals the greater of:

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

or

(2) The sum of the amount the district would have qualified for under Minnesota Statutes 2014 Alternative Facilities, Deferred Maintenance, and Health and Safety Revenue Programs

* Eligible projects include: indoor air quality, fire alarm and suppression, or asbestos abatement, and roof repair and replacements that have an estimated cost per site of $100,000 or more.

(1) = ($380 × $1,000 × (the lesser of i) 1 or ii) 20/35)) + $125,000 + $40,000
= ($380 × $1,000 × 0.571) + $165,000
= ($380,000 × 0.571) + $165,000
= $216,980 + $165,000
= $381,980

(2) = $0 + $34,000 + $0
= $34,000

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

Next, calculate the district's LTFM Equalization Revenue:

LTFM Equalization Revenue
= the lesser of a) $380 × APU or b) LTFM Revenue

a) = $380,000
b) = $381,980

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.

LTFM Equalized Levy
= LTFM Equalized Revenue - the greater of (1) or (2)

(1) = the lesser of i) LTFM Equalization Revenue or ii) Old Law Alternative Facilities Aid

(2) = LTFM Equalization Revenue × $\left(1 - \frac{\text{Prior Year District ANTC per Pupil}}{\text{123\% of Prior Year Statewide Average ANTC per pupil}}\right)$

(1) = the lesser of i) $380,000 or ii) $0 = $0

(2) = $380,000 × (1 - $4,000/$17,354)
= $380,000 × 0.77
= $292,600

The greater of (1) $0 or (2) $292,600 = **$292,600**

LTFM Equalized Levy = $380,000 - $292,600 = **$87,400**

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

LTFM Equalized Aid
= LTFM Equalized Revenue – LTFM Equalized Levy
= $380,000 - $87,400
= **$292,600**

Next, determine total LTFM Unequalized Levy:

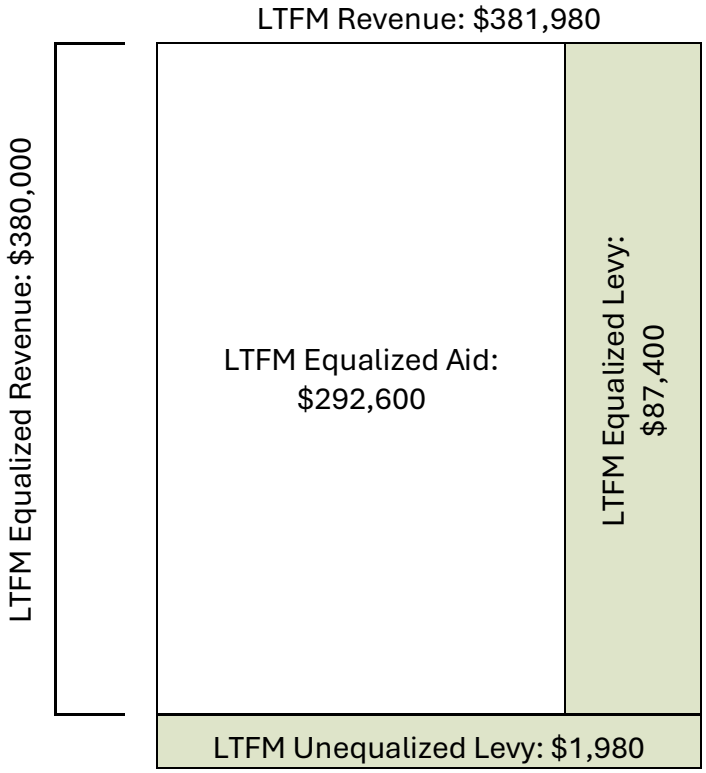
LTFM Unequalized Levy
= LTFM Revenue – LTFM Equalization Revenue
= $381,980 - $380,000
= **$1,980**

Next, calculate the total LTFM Levy.

LTFM Total Levy
= LTFM Equalized Levy + LTFM Unequalized Levy
= $87,400 + $1,980
= **$89,380**

In summary:	LTFM Total Levy	= $89,380
	LTFM Aid	= $292,600
	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 bonds. See the previous section for more detail on LTFM Revenue calculations.

Debt Service Levies for FY 2027 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. [Minnesota Statutes, section 123B.53]

Example – Gopherville School District

FY 2024 Number of Pupil Units	=	1,000
2024 ANTC	=	$4,000,000
2024 ANTC per Pupil Unit	=	$4,000*
Debt Service Revenue for 2026-27	=	$1,200,000
First Tier Equalization Factor	=	$8,193 ($14,808 × 0.5533)
Second Tier Equalization Factor	=	$14,808

** 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 statewide average 2024 ANTC per 2027 APU is roughly $14,808.*

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

(2) = $1,200,000 - [0.2624 × $4,000,000]
= $1,200,000 - $1,049,600
= $150,400

= The greater of (1) $0 or (2) $150,400 = **$150,400**

Use this result in the first tier calculation:

First Tier Debt Service Revenue
= The greater of (1) $0 or (2) Debt Service Revenue - 15.74% of District ANTC - Second Tier Debt Service Revenue
(2) = $1,200,000 - [0.1574 × $4,000,000] - $150,400
= $1,200,000 - $629,600 - $150,400
= $420,000

= The greater of (1)$0 or (2)$420,000 = **$420,000**

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
= 15.74% × ANTC
= 0.1574 × $4,000,000
= **$629,600**

First Tier Debt Service Levy

$$= \text{1st Tier Debt Service Revenue} \times \frac{\text{District ANTC per APU}}{\text{greater of (a)\$4,430 or (b)55.33\% of ANTC per APU}}$$

= $420,000 × ($4,000/$8,193)
= $420,000 × 0.4882
= **$205,044**

Second Tier Debt Service Levy

$$= \text{2nd Tier Debt Service Revenue} \times \frac{\text{District ANTC per APU}}{\text{greater of (a)\$8,000 or (b)100\% of ANTC per APU}}$$

= $150,400 × ($4,000/$14,808)
= $150,400 × 0.2701
= **$40,623**

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

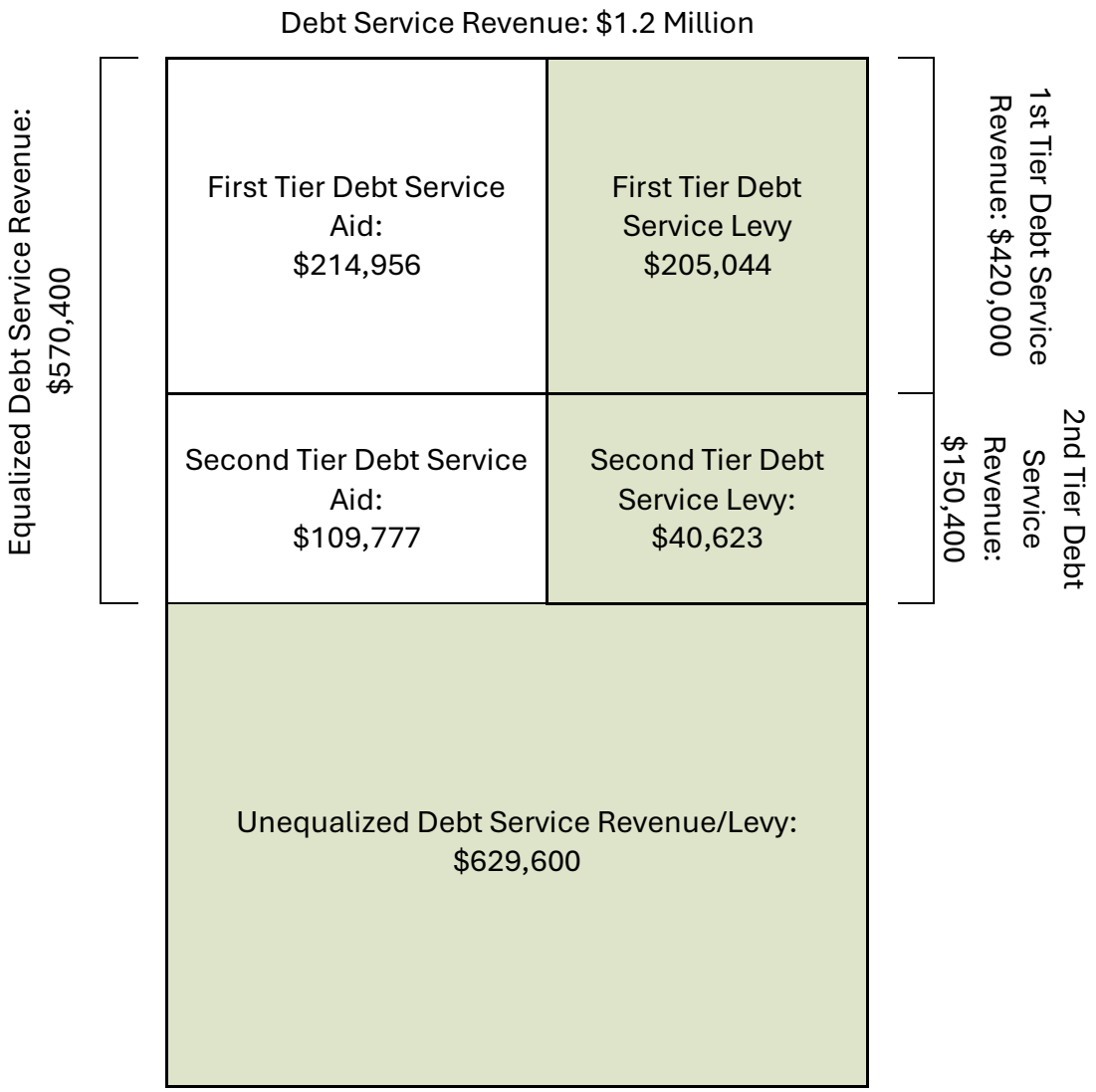
Total Debt Service Levy
= Unequalized Levy + First Tier Levy + Second Tier Levy
= $629,600 + $205,044 + $40,623
= **$875,267**

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

Debt Service Aid

= Debt Service Revenue - Total Debt Service Levy
= $1,200,000 - $875,267
= **$324,733**

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. [Minnesota Statutes, section 125B.26]

For FY 2027, the capped statewide appropriation for Telecommunications/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	=	$6,053,030*
Available State Appropriation	=	$3,750,000

**Note: $6,053,030 is the statewide revenue for the second prior year (FY 2025) as data from FY 2026 will not be available until early 2027.*

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

= Available State Appropriation / Initial Statewide Revenue
= $3,750,000 / $6,053,030
= 61.95%

Net Telecommunications/Internet Access Equity Aid

= Initial Revenue × Proration Rate
= $20,000 × 0.6195
= **$12,390**

Career and Technical Education Revenue

School districts that have Career and Technical Education (CTE) Programs are eligible for Career and Technical Education 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 student organization activities and professional development, certain curriculum development activities, and specialized instructional supplies.

The CTE Levy is an equalized formula, one that recognizes levy 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. In a typical levy recognition timeline, levies paid by taxpayers in May and October of 2026 are recognized by school districts in FY 2027. Because CTE Levies must be recognized a year in advance, however, school districts must recognize CTE Levy revenue from May and October of 2027 in FY 2027. Although the assessment data for taxes payable in 2027 would typically be based on adjusted net tax capacity (ANTC) values from 2025, the Minnesota Department of Education still uses ANTC 2024 data in the computation of this revenue.

A district may levy up to the product of its CTE 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 CTE 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 CTE Aid equals the CTE Revenue minus the CTE Levy.

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

Career and Technical Education Example – Gopherville School District

FY 2027 CTE Program Expenditures	=	$200,000
FY 2027 District ANTC per APU	=	$4,000
FY 2026 District CTE Revenue	=	$72,000
CTE 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 2024 ANTC per 2027 APU is roughly $14,808.*

Career and Technical Revenue

= CTE Current Year Program Expenditures × 35%

= $200,000 × 0.35

= **$70,000**

Revenue Guarantee

= The lesser of FY 2026 District CTE Revenue or Current Year CTE Approved Expenditures?

= $72,000 or $200,000

= $72,000

$72,000 greater than $70,000? **Yes**.
FY 2027 CTE Revenue = **$72,000**

Career and Technical Levy

= CTE Revenue × the lesser of 1 or $\frac{\text{District ANTC per APU}}{\text{Career \& Tech Equalization Factor}}$

= $72,000 × the lesser of 1 or ($4,000/$7,612)

= $72,000 × 0.525

= **$37,800**

Career and Technical Aid

= $70,000 - $37,800

= **$32,200**

Achievement and Integration Revenue

Achievement and Integration Revenue is intended to improve racial and economic integration, increase student achievement, and reduce academic disparities in Minnesota public schools. 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 2027, 189 districts qualify for an estimated $125.244 million in Achievement and Integration Revenue. [Minnesota Statutes, sections 124D.861-124D.862]

Example – Gopherville School District*

FY 2026 (Prior Year) APU	=	1,000
FY 2027 (Current Year) APU	=	950
FY 2027 District Expenditures	=	$70,000
FY 2026 Enrollment of Protected Students	=	200
FY 2013 Integration Revenue	=	$60,000
FY 2014 Integration Revenue	=	$57,000
FY 2025 (2nd Prior Year) A&I Revenue	=	$68,000
Implementing a Voluntary Disparity Reduction Plan?	=	Yes
FY 2027 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

= $70,000 × 1.003
= $70,210

-or-

(2) The sum of

a) ($350 × Current Year APU) × $\frac{\text{Prior Year Protected Student Enrollment}}{\text{Prior Year Total Enrollment}}$

= ($350 × 950) × (200/1,000)
= $332,500 × 0.2
= $66,500

-and-

b) The greater of 0 -or- .66 × (FY 2013 Integration Revenue – FY 2014 Integration Revenue)

= 0.66 × ($60,000-$57,000)
= 0.66 × $3,000
= $1,980

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:

(1) = $10 × Current Year APU

= $10 × 950

= $9,500

(2) Current Year Actual Voluntary Plan Expenditures

= $14,000

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

Total Achievement and Integration Revenue

= $68,480 + $9,500

= $77,980

Achievement and Integration Aid

= $77,980 × 0.70

= **$54,586**

Achievement and Integration Levy

= $77,980 × 0.30

= **$23,394**

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. [Minnesota Statutes, section 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 1) school districts and charter schools and 2) intermediate districts and cooperative units.

(1) The Student Support Personnel Allowance is $30.05 for FY 2027 and $34.32 for FY 2028 and later.
(2) The Cooperative Student Support Allowance is $1.60 for FY 2027 and later.

Student Support Personnel Aid Example – Gopherville School District

FY 2027 Adjusted Pupil Units	=	2,000
FY 2027 Student Support Personnel Allowance	=	$30.05
FY 2027 Cooperative Student Support Allowance	=	$1.60
Member of a Coop/Intermediate District?	=	Yes

First, calculate initial aid for a district:

= the greater of (FY 2027 Adjusted Pupil Units × FY 2027 Student Support Personnel Allowance) or $40,000

= (2,000 × $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 2027 Adjusted Pupil Units × FY 2027 Cooperative Student Support Allowance) or $40,000

= (2,000 × $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**

Onetime School District Seasonal Tax Base Replacement Aid

Some school districts have significant portions of their tax bases derived from seasonal recreational property (such as cabins), termed Class 4c(12) property by Minnesota Statutes 273.13, subdivision 25, paragraph (d). Where this property is included in adjusted net tax capacity (ANTC) calculations, it is excluded from referendum market value (RMV), in some instances lowering the available tax base on which a levy may be spread considerably.

In order to lessen the levy burden on taxpayers in districts with higher seasonal recreational property in relation to RMV-eligible property, the 2026 Legislature established Seasonal Tax Base Replacement Aid (STBRA). School districts eligible for STBRA are those with seasonal tax base adjustment factors equal to or greater than 0.15, as determined by the ratio of their seasonal market value (SMV) to the sum of their RMV and SMV. For FY 2027, statewide funding for this program is capped at $2.542 million and is 100 percent payable in FY 2027. If the initial statewide aid entitlement exceeds this cap, the aid must be prorated for each district proportionally. Beginning in FY 2028, STBRA will be integrated into the General Education Revenue Program. [Laws 2026, chapter 128, article 4, sections 2 and 12]

Onetime School District STBRA Example – Gopherville School District

District Pay 2026 Referendum Market Value	$200,000,000
District Pay 2026 Seasonal Market Value	$60,000,000
District FY27 Referendum Equalization Levy	$536,000
Impacted by Referendum Tax Base Replacement Aid?	No.
Impacted by Referendum Aid Guarantee?	No.

First, find the district's seasonal tax base adjustment factor:

= The lesser of 0.50 or the ratio of:
(1) District Pay 2026 Seasonal Market Value
(2) the sum of
a) District Pay 2026 Referendum Market Value
b) District Pay 2026 Seasonal Market Value

= The lesser of 0.50 or the ratio of:
(1) $60,000,000
(2) the sum of a) $200,000,000 and b) $60,000,000
= $60,000,000/$260,000,000
= 0.231

The lesser of 0.50 or 0.231 = **0.231**

For FY 2027 only, an eligible school district's onetime STBRA equals the product of:

(1) the seasonal tax base adjustment factor, and
(2) the district's FY 2027 Referendum Equalization Levy, as adjusted by Referendum Tax Base Replacement Aid and/or the Referendum Aid Guarantee, if applicable.

= (1) 0.231 × (2) $536,000
= **$123,692.31**

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 United States Department of Agriculture (USDA) National School Lunch Program (NSLP). The Free School Meals Program Aid equals the difference between the federal reimbursement rate for a free meal (determined annually by USDA; $4.76 for lunch and $2.54 for breakfast for FY 2027) and the actual federal reimbursement the participating school receives for the meal served.

If a school participating in the NSLP has an Identified Student Percentage (ISP – a measure of poverty) greater than or equal to 25 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 25 percent, a school's entire student body is eligible for breakfast and lunch subsidization through the federal government, reducing the state's cost. If a school has an ISP below 25 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. School Breakfast Aid is estimated to have a statewide cost of $58.52 million in FY 2027. [Minnesota Statutes, section 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. Beginning in FY 2028, these additional 12.5 cent reimbursements per lunch will be reduced to 6.25 cents per lunch, with the 52.5 cent reimbursements reduced to 46.25 cents. School Lunch Aid is estimated to have a statewide cost of $268.16 million in FY 2027. [Minnesota Statutes, section 124D.111]

Library Programs

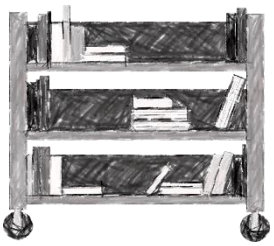
Basic Regional Library System

Library Basic Support Aid – Aid to regional public libraries for operations, interlibrary programs and services. Basic System Support Aid is tied to increases in the general education formula allowance. [Minnesota Statutes, section 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. [Minnesota Statutes, section 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. [Minnesota Statutes, section 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; or
(5) furniture, equipment, or supplies.

For FY 2027, 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 minimum amounts per district or charter school remaining the same. For FY 2027, statewide School Library Aid is estimated to be $13.307 million. [Minnesota Statutes, section 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. [Minnesota Statutes, sections 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 formula allowance between the current year and the second preceding school year. [Minnesota Statutes, section 123B.92, subd. 9

Tribal Contract or Grant School Aid

Tribal Contract or Grant Schools within the boundaries of Minnesota are operated on Indian reservations by the Tribes, who have contracted with the federal Bureau of Indian Education (BIE) to manage the schools. Students who attend BIE schools must be members of federally recognized Tribes or their descendants and reside on or near federal Indian reservations. BIE-operated schools are primarily federally funded by a weighted funding formula designed to provide additional services to eligible students. A Tribal Contract or Grant School that complies with the education program requirements in Minnesota Statutes and the Code of Federal Regulations is also eligible to receive Tribal Contract or Grant School Aid from the state of Minnesota.

The amount of state aid per school is determined by:

(1) multiplying the formula allowance minus $170 ($7,513 for FY 2027) times the difference between
   (i) the weighted average daily membership (WADM), excluding PSEO pupils
   (ii) the WADM receiving benefits from Nonpublic Pupil Aid or Aid for Alternative Programs Provided under Contract;
(2) then, adding to the result in (1) the product of the formula allowance minus $300 ($7,383 for FY 2027) times the tribal contract compensation revenue pupil units (as determined by Minnesota Statutes 2024, section 126C.05, subd 3);
(3) then, subtracting from the result in (2):
   (i) the amount of money allotted to the school by the Indian School Equalization Program of the Bureau of Indian Affairs, according to Code of Federal Regulations, title 25, part 39, subparts A to E, for the basic program as defined by section 39.11, paragraph (b), for the base rate as applied to kindergarten through twelfth grade, excluding small school adjustments and additional weighting
   (ii) the amount of aid received for alternative programs provided under contract;
(4) dividing the result in (3) by the sum of the WADM, excluding PSEO pupils, plus the tribal contract compensation revenue pupil units; and
(5) multiplying the WADM (including PSEO pupils) plus the tribal contract compensation revenue pupil units by the lesser of:
   (i) 51.17 percent of the formula allowance ($3,931 for FY 2027) or
   (ii) the result in (4).

Tribal Contract Early Childhood Family Education Grants

Schools receiving Tribal Contract or Grant School Aid may also receive an Early Childhood Family Education (ECFE) grant to provide ECFE Programs for parents and children. The grant must be used for programs and services that comply with the ECFE Program requirements in Minnesota Statutes, section 142D.10, except that the school is not required to provide a Community Education Program or establish a community education advisory council. The program must be designed to improve the skills of parents and promote American Indian history, language, and culture. Annually, $68,000 is available statewide for Tribal Contract ECFE Grants. [Minnesota Statutes, section 124D.83

Transportation Reimbursement Programs

Area Learning Center Transportation Aid – Districts and cooperative units that transport students to and from an Area Learning Center (ALC) are eligible for reimbursement for these additional transportation costs, and they may apply for state aid to reimburse their prior year costs. The total aid entitlement for this program is capped at $1 million each year, so the aid must be prorated if reimbursement requests exceed the cap. [Minnesota Statutes, section 123B.92, subd. 11]

Pregnant and Parenting Pupil Transportation Reimbursement – The Pregnant and Parenting Pupil Transportation Reimbursement (PPPTR) provides funding for school districts that transport pregnant or parenting pupils to and from specific programs that provide academic instruction, a minimum of four hours per week of parenting instruction, and high-quality on-site childcare. The statewide annual appropriation for this reimbursement is capped at $55,000, so the aid must be prorated if reimbursement requests exceed the cap. [Minnesota Statutes, section 123B.92, subd. 1;First Special Session Laws 2025, chapter 10, article 1, section 28, subd. 14]

Enrollment Options Transportation Programs

Open Enrollment Transportation Reimbursement – When pupils and their families choose to open-enroll into a nonresident district, the parent or guardian may request that the nonresident district provide transportation within the nonresident district. The resident district, however, is not required to provide or pay for transportation between the pupil's residence and the border of the nonresident district. If the pupil is from a family whose income is at or below the federal poverty level, a parent may be reimbursed by the nonresident district for the costs of transportation from the pupil's residence to the border of the nonresident district . The reimbursement is capped at 250 miles per week and is equal to the pupil's actual cost of transportation or 15 cents per mile traveled, whichever is less. [Minnesota Statutes, section 124D.03, subd. 8]

Charter School Transportation Reimbursement – When pupils and their families choose to enroll in a charter school outside the boundaries of their resident district, neither the resident district nor the charter school are required to provide or pay for transportation between the pupil's residence and the border of the district in which the charter school is located. If the pupil is from a family whose income is at or below the federal poverty level, a parent may be reimbursed by the charter school for the costs of transportation from the pupil's residence to the border of the district in which the charter school is located. The reimbursement is capped at 250 miles per week and is equal to the pupil's actual cost of transportation or 15 cents per mile traveled, whichever is less. [Minnesota Statutes, section 124E.15]

Postsecondary Enrollment Options Transportation Reimbursement – A parent or guardian of a pupil enrolled in a postsecondary enrollment options (PSEO) course may apply to the pupil's district of residence (or, for alternative PSEO pupils, their postsecondary institution) for reimbursement for transporting the pupil between the

secondary school, the pupil's home, and the postsecondary institution. To be eligible for reimbursement, the family's or guardian's income must be at or below the federal poverty level. The reimbursement is equal to the pupil's actual cost of transportation or 15 cents per mile traveled, whichever is less. In most cases, reimbursement is capped at 250 miles per week. [Minnesota Statutes, section 124D.09, subd. 22]

Miscellaneous Revenue Programs

Abatement Revenue – Abatement Revenue is a replacement for anticipated property tax receipts due to a reduction in property valuation after the 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. [Minnesota Statutes, sections 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. [Minnesota Statutes, section 120B.13]

Concurrent Enrollment Program Aid – Students wishing to pursue dual high school and college credit without enrolling at a post-secondary institution have the option to enroll in courses according to agreements. These courses are generally taught at secondary schools by either secondary teachers or postsecondary faculty members, and courses offered by participating postsecondary institutions must be accredited by the National Alliance of Concurrent Enrollment Partnership or meet comparable standards. School districts, charter schools, and Tribal contract schools that offer courses according to agreement are eligible to receive $150 per pupil enrolled in a concurrent enrollment course. Statewide aid each year is capped at $4 million, so this aid must be prorated to stay within the appropriated funding. The proration factor for FY 2025 was approximately 29.8 percent. [Minnesota Statutes, section 124D.09, subd. 10; 124D.091]

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. [Minnesota Statutes, section 123A.485]

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. [Minnesota Statutes, section 124D.98]

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. [Minnesota Statutes, section 121A.642]

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. [Minnesota Statutes, section 126C.44]

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 ($358 for FY 2027) 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. [Minnesota Statutes, sections 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, and
(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, and
(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, and
(2) Referendum Equalization Aid.

Charter schools do not receive:

(1) Full Referendum Revenue,
(2) Full Local Optional Revenue, or
(3) Small Schools Revenue.

Finally, charter schools receive 25 percent of the statewide average per pupil, rounded to the nearest whole number, of Extended Time Revenue, if they operate a program.

Special Education Aid

Charter schools receive Special Education Aid as school districts do, but they are 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 the remaining 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 by the state for 100 percent of their special education costs. [Minnesota Statutes, sections 124E.21;127A.47, subd. 7]

Transportation Revenue

Charter schools that do provide transportation services in compliance with transportation requirements established in Minnesota Statutes, section 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 ($358 for FY 2027) 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. [Minnesota Statutes, sections 124E.15;124E.23]

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. [Minnesota Statutes, section 124E.22]

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. [Minnesota Statutes, section 124E.24]

Family and Early Childhood Categorical Revenue Programs

Categorical Revenue Programs are education revenue programs that operate outside of the General Education Revenue Program. They may be all state aid, all levy, or a combination of both. Family and Early Childhood Categorical Revenue Programs provide funding focused on items like community education, adults with disabilities, and early education.

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. [Minnesota Statutes, sections 124D.52-124D.531]

ABE Aid has four components that 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 ABE 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 2027 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 2027, the rates are as follows: $44.49 for EL aid and $9.73 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 $8.96.

Adult Basic Education Example – Gopherville School District

District Population	=	50,000
Contact Hours	=	40,000
Contact Hour Rate	=	$8.96
Prior Year Contact Hour Aid	=	$350,000
EL Enrollment	=	500
EL Rate	=	$44.49
Over 25, No Diploma Count	=	1,000
Over 25, No Diploma Rate	=	$9.73

Basic Population Aid

= the greater of $3,844 -or- $1.73 × District Population
= $1.73 × 50,000
= $86,500 ($86,500 > $3,844)

Contact Hour Aid

= Contact Hour Rate × Contact Hours
= $8.96 × 40,000
= $358,400

Does $358,400 exceed the greater of 11% of the prior year contact hour aid or $10,000?

= $350,000 × 0.11 = $38,500;
$38,500 > $10,000
Does $358,400 exceed ($350,000 + $38,500)?
No.

EL Aid

= EL Rate × EL Enrollment
= $44.49 × 500
= $22,245

Over 25, No Diploma

= Over 25, No Diploma Rate × Over 25, No Diploma Count
= $9.73 × 1,000
= $9,730

ABE Aid Total

= Basic Population Aid + Contact Hour Aid + EL Aid + Over 25, No Diploma Aid
= $86,500 + $358,400 + $22,245 + $9,730
= **$476,875**

Adults with Disabilities Revenue



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 0.005 percent in FY 2027 and later, times the district's adjusted net tax capacity (ANTC) 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.

Adults with Disabilities Example – Gopherville School District

FY 2027 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 × 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 0.005 percent times the district's ANTC for the year prior to the year the levy is certified.

= (0.00005) × $700,000,000

= **$35,000**

Adults with Disabilities Aid:

= Revenue - Levy

= $51,000 - $35,000

= **$16,000**

Early Learning Scholarships

Following the creation of the Department of Children, Youth, and Families (DCYF) in Laws 2024, chapter 80, the Early Learning Scholarships Program was 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 from the $196.737 million in available funding. 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, child care assistance, protective services, and/or Head Start.

For FY 2027, $97.29 million is available for scholarships (not including $2.883 million for DCYF program administration). Depending on the county, the Parent Aware program rating, and the age of the child, each eligible child may be awarded a scholarship worth up to $15,600 for licensed family child care or $31,973 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 Scholarships Program.

In order to be eligible to accept Early Learning Scholarships funds, programs or individual child care providers must participate in the Parent Aware rating system.

There are two "pathways" by which scholarships are awarded. 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." Pathway II provides scholarships directly to four-star rated providers, like Head Start and school district-based pre-school programs. These programs then fill the scholarship slots in their program with eligible children. In FY 2024, Pathway I scholarships made up roughly 70 percent of program participants, with Pathway II scholarships making up about 30 percent. [Minnesota Statutes, section 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 VPK 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. [Minnesota Statutes, section 142D.08]



In order to be eligible for participation in a VPK 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 VPK 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; formative and summative assessment 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 instructors knowledgeable in early childhood education.

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 [Minnesota Statutes, section 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 meals (a proxy for poverty level) by school site on October 1 of the previous school year.** For schools without a free and reduced-price meal 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 meals 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 meals 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 2027 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 meals concentration.

The VPK 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 education agency serving the student and the student's individual needs and entitlements. Estimated spending for the past six years for which finalized data is available is provided in the table below.

Figure 8: VPK Program Spending, FY 2020-2025

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
FY25	12,360	5,748.28	$7,281	$57,559,217*	$14,704,826	$72,264,043	$5,847

*Note: Due to differences in data collection and the implementation of Free School Meals, FY 2024-25 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 ECFE. Community Education Revenue received by a district must be maintained in a reserve account within the community service fund.

For FY 2027, general Community Education Revenue is equal to $6.35 times either a) 1,335 or b) the population 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 0.3128 percent of its adjusted net tax capacity (ANTC), with the rate limited so that the levy may not exceed total annual Community Education Revenue. If a district does not levy the entire amount permitted, their aid is reduced proportionally. [Minnesota Statutes, section 124D.20]

For a district WITHOUT an after-school youth enrichment program:

Community Education 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
- = Community Education Rate + Youth Service Rate
- = $6.35 + $1.00
- = $7.35

Community Education Revenue
- = Community Education Rate × the greater of (a) 1,335 or (b) District Population
- = $7.35 × the greater of (a) 1,335 or (b) 12,000
- = $7.35 × 12,000
- = **$88,200**

Community Education Levy
- = 0.3128 percent × District ANTC
- = 0.003128 × $10,000,000
- = **$31,280**

Community Education Aid
- = Community Education Revenue – Community Education Levy
- = $88,200 - $31,280
- = **$56,920**

Now, the calculation for Community Education Revenue for a district WITH an after-school youth enrichment program:

Community Education 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
- = Community Education Rate + Youth Service Rate
- = $6.35 + $1.00 = $7.35

Regular Community Education Revenue
- = Community Education Rate × the greater of (a) 1,335 or (b) District Population
- = $7.35 × the greater of (a) 1,335 or (b) 14,000
- = $7.35 × 14,000
- = $102,900

Youth After School Enrichment Program Revenue
- = ($1.85 × the lesser of (a) District Population or (b) 10,000) + ($0.43 × District Population over 10,000)
- = ($1.85 × 10,000) + (0.43 × 4,000)
- = $18,500 + $1,720
- = $20,220

Total Community Education Revenue = Regular Revenue + Youth After School Revenue
- = $102,900 + $20,220
- = **$123,120**

Community Education Levy
- = 0.3128 percent × District ANTC
- = 0.003128 × $12,000,000
- = **$37,536**

Community Education Aid
- = Community Education Revenue – Community Education Levy
- = $123,120 - $37,536
- = **$85,584**

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 Revenue is equal to the formula allowance for the year ($7,683 for FY 2027) times 0.023, times 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 2027, districts must certify a levy at a tax rate of 0.177098 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. [Minnesota Statutes, section 142D.10-142D.11]

ECFE Example – Gopherville School District

Number of Children under Age 5	=	1,000
FY 2027 Formula Allowance	=	$7,683
Adjusted Net Tax Capacity (ANTC)	=	$36,000,000
District Adjusted Pupil Units	=	3,000
District ANTC per Pupil Unit	=	$12,000
FY 2027 Levy Tax Rate	=	0.177098%
Home Visiting Revenue Allowance	=	$3.00
Home Visiting Equalization Factor	=	$17,250

ECFE Revenue

= Formula Allowance × 0.023 × Children Under Age 5
= $7,683 × 0.023 × 1,000
= $176.71 × 1,000
= **$176,710**

ECFE Levy

= 0.177098 percent × ANTC
= 0.00177098 × $36,000,000
= **$63,755**

ECFE Aid

= ECFE Revenue – ECFE Levy
= $176,710 - $63,755
= **$112,955**

Home Visiting Revenue

= Children Under Age 5 × $3.00
= 1,000 × $3.00
= **$3,000**

Home Visiting Levy

= Home Visit Rev × the lesser of 1 or $\frac{\text{ANTC per Pupil Unit}}{\text{Home Visit Equ. Factor}}$
= $3,000 × the lesser of 1 or ($12,000/$17,250)
= $3,000 × 0.696
= **$2,088**

Home Visiting Aid

= Home Visiting Revenue – Home Visiting Levy
= $3,000 - $2,088
= **$912**

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 local 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 meals compared to the total number of students in the state from families eligible for free and reduced price meals. 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 meals; being an English language learner; being homeless; having an Individualized Education Program (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 on a fee-for-service basis.[Minnesota Statutes, section 142D.05-142D.06]

School Readiness Aid 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 Price Meal Families	=	1,500
State Students - Free or Reduced Price Meal Families	=	300,000
FY 2027 State School Readiness Aid	=	$33,683,000

= (District Four Year Olds / State Four Year Olds) × (50% of State School Readiness Aid) + (District Free-Reduced Students / State Free-Reduced Students) × (50% of State School Readiness Aid)

= ((500/70,000) × (0.5 × $33,683,000)) + ((1,500/300,000) × (0.5 × $33,683,000))

= (0.007 × $16,841,500) + (0.005 × $16,841,500)

= $117,891 + $84,208

= **$202,098**

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 six 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 in adjusted net tax capacity (ANTC) per pupil. 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. [Minnesota Statutes, section 124D.19, subd. 11; 124D.22]

School-Age Care / Disabled 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

**This example does not show a "typical" Minnesota school district. An ANTC per pupil unit of $2,000 would be a very low property value district and is used to show the entire School-Age Care / Disabled Aid calculation. The statewide average 2024 ANTC per 2027 APU is roughly $14,808.*

Revenue
- = Amount Approved as Additional Cost
- = **$100,000**

Levy
- = Revenue × the lesser of (a) 1 or (b) (District ANTC per Pupil Unit/$2,318)
- = Revenue × the lesser of (a) 1 or (b) ($2,300/$2,318)
- = Revenue × the lesser of (a) 1 or (b) 0.992
- = $100,000 × 0.992
- = **$99,200**

Aid
- = Revenue – Levy
- = $100,000 - $99,200
- = **$800**



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 test). 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. [Minnesota Statutes, section 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 2026, there are 34 Head Start grantees, 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 2027 is estimated to be $173.932 million, and the state annual appropriation is set at $35.1 million. [Minnesota Statutes, section 142D.12;142D.121;142D.122]

Development Screening Aid – School districts receive state aid for 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, $52 for each five-year-old or six-year-old screened prior to kindergarten enrollment, and $39 for children first screened within 30 days after 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 because of conscientiously held beliefs of the parent or guardian. [Minnesota Statutes, section 142D.091-142D.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. [Minnesota Statutes, section 124D.57]



Property Taxes

This section discusses some of the more common property tax terms and levers in Minnesota that can have an impact on school district funding and provides examples of how residential property taxes are calculated.

Property Tax Aids and Credits

Property tax aids are state payments to local taxing jurisdictions that are intended to offset property tax levy revenues. **Property tax credits** reduce property taxes for individual taxpayers, and the state reimburses taxing jurisdictions for these reductions. In both cases, the effect is that property taxpayers pay less than what the taxes would be otherwise, and the state makes up the difference by providing payments to the taxing district.

Property Tax Relief Programs

Two major property tax relief programs are the **Homestead Credit Refund** and the **Targeting Property Tax Refund**. These programs do not reduce local individual property tax amounts but rather provide state refunds to eligible property taxpayers based on the relationship between their income and property tax liability. Property taxpayers with low income relative to their property tax bills, or those with property tax increases over 12 percent, may have a portion of their tax refunded. Similarly, renters may be eligible to receive an income tax credit based on the assumption that a portion of their rent is property taxes. [Minnesota Statutes, section 290A.04]

Homestead 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 farmland for farm homesteads, as well as community land trust properties, and equals 40 percent multiplied by the market value of the property up to a maximum exclusion of $38,000, with the exclusion being phased out for home values over $95,000. The rate of phase-out equals nine percent times the market value above $95,000, resulting in the credit being fully phased out for homes valued above $517,200. [Minnesota Statutes, section 273.13, subd. 35]

Agricultural Credits

The **Agricultural Homestead Market Value Credit** reduces the overall property tax burdens for farmers, particularly for low-valued 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 and 0.1 percent for market value above $115,000. The maximum credit is $490 for a full agricultural homestead. The total state cost (including funds going to cities, townships, counties, and school districts) for the agricultural homestead market value credit for taxes payable in 2026 (FY 2027) is roughly $35.772 million. [Minnesota Statutes, section 273.1384]

A related credit, the **School Building Bond Agricultural Credit**, is 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 agricultural homestead). The credit equals 70 percent of the property's eligible NTC times the school debt tax rate. The state cost of this credit for taxes payable in 2026 (FY 2027) is an estimated $127.251 million, of which the entire amount goes to school districts. [Minnesota Statutes, section 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 to other classes of property, districts are paid Referendum Tax Base Replacement Aid (RTBRA). 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. [Minnesota Statutes, section 126C.17, subd. 7a; 273.13]

This tax aid shares a number of similarities with School District Seasonal Tax Base Replacement Aid (STBRA), discussed earlier in this book. The table below compares and contrasts the two tax base replacement aids.

Figure 9: Tax Base Replacement Aid Comparison

Aid/Component	STBRA	RTBRA
Eligible Districts	Districts with Seasonal Tax Base Adjustment Factor greater than or equal to 0.15	Districts with FY2002 referendum allowance greater than or equal to $415
Tax Base Replaced	Class 4(c)12 - noncommercial seasonal recreational property	Class 2 - all agricultural land except the house, garage, and surrounding 1 acre of farmland; Class 4(c)1 - noncommercial seasonal recreational property; 4(c)4 - postsecondary nonprofit student housing
How Paid to District	Calculation used to reduce district referendum levy	Calculation used to reduce district referendum levy or LOR levy
Referendum Equalization Aid Impact	Does not need to be subtracted from a district's referendum equalization aid	Must be subtracted from district's referendum equalization aid
Other	Is calculated after adjustments from RTBRA and Referendum Aid Guarantee	Referendum equalization aid and LOR aid after the subtraction must not be less than zero

Property Tax Calculation – Residential Property



Tax Calculation for Homestead Property in a City
(For Property Taxes Payable in 2026 / FY 2027)

Estimated Market Value = $300,000
Class Rate = 1%

Homestead Market Value Exclusion

Maximum Exclusion = $38,000
Phase-Out Portion = ($300,000 – 95,000) × 0.09
= $205,000 × 0.09
= $18,450

Exclusion = $38,000 - $18,450
= **$19,550**

Taxable Market Value

= Estimated Market Value – Homestead Market Value Exclusion*
= $300,000 - $19,550
= $280,450

Tax Capacity = Taxable Market Value × Class Rate
= 280,450 × 0.01
= $2,805

Tax Capacity Net Tax = Tax Rate × Tax Capacity
(See Table) = Tax Rate × $2,805

Market Value Net Tax = Tax Rate × Estimated Market Value
(See Table) = Tax Rate × $300,000

Calculation of Tax	Tax Capacity		Market Value	
Local Jurisdiction	Tax Rate	× $2,805	Tax Rate	× $300,000
County Rate	36.5%	$1,024	0.0%	$0
City Rate	30%	$841	0.0%	$0
School Rate	33.3%	$934	0.2%	$600
Special Rate	5.0%	$140	0.0%	$0
Gross Tax	104.8%	$2,939	0.2%	$600

Net Tax = Tax Capacity Net Tax + Market Value Net Tax
= $2,939 + $600
= **$3,539**

Property Tax Calculation – Agricultural Homestead Property

Tax Calculation for Agricultural Homestead
(For Property Taxes Payable in 2026 / FY 2027)

Estimated Market Value	=	$360,000
Ag Homestead 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	
Local Jurisdiction	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
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 1 acre of an Agricultural Homestead)

**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.*

Maximum Exclusion

= $38,000



Phase-out portion

= ($100,000 – 95,000) × 0.09
= $5,000 × 0.09
= $450

Exclusion

= $38,000 – 450
= **$37,550**



Agricultural Homestead Market Value Credit

Maximum Credit

= $490

Part I

= $115,000 × 0.003
= $345



Part II

= ($260,000 - $115,000) × 0.001
= $145,000 × 0.001
= $145
= $345 + $145

Total Credit

= **$490**

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

Levy	-	Agricultural Homestead MV Credit	=	Net School Property Tax
$1,670,000		$100,000		$1,570,000

This is the amount of school property tax that the school district will actually receive from property owners in the district after reductions for the agriculture 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.

Direct State Aid Payments	+	Agricultural Homestead MV Credit	=	Total State Aid Payments
$2,435,000		$100,000		$2,535,000

Finances

This section contains a high-level overview of education state appropriations, statewide school property tax levies, property tax aids and credits, and total state and local education resources for the FY 2026-27 biennium.

Education State Appropriations

Figure 10: Education Finance General Fund Appropriations, FY 2026-27
($ in thousands, from End of Session 2026)

	FY2026	FY2027	Biennium
General Education	$8,703,659	$8,852,211	$17,555,870
Education Excellence	302,922	309,158	$612,080
The Read Act	8,950	8,175	$17,125
American Indian Education	29,810	31,696	$61,506
Teachers	186,008	220,707	$406,715
Special Education	2,853,622	3,177,006	$6,030,628
Facilities & Technology	119,959	118,157	$238,116
Nutrition Programs	310,904	327,165	$638,069
Libraries	38,571	36,945	$75,516
Early Childhood Education*	80,639	80,279	$160,918
Community Ed. & Prevention	15,522	17,324	$32,846
Lifelong Learning	55,505	56,919	$112,424
Education Department	54,947	42,913	$97,860
Prof. Ed. Licensing & Standards Board	7,689	3,776	$11,465
Minnesota State Academies	19,392	17,954	$37,346
Perpich Center for Arts Education	9,429	8,823	$18,252
FY2025 Available/Balance Forward	43,079	0	$43,079
	$12,840,607	$13,309,208	$26,149,815

**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.*

Statutorily, the state must pay the majority of education aid payments over a two-year period. A majority percentage of the current year's entitlement must be paid in the current year, plus the balance of the previous year's entitlement, adjusted for changes in formula variables (e.g., pupil counts). For FY 2027, this percentage "shift" for those appropriations is specified as 90 percent of the current year entitlement plus the final 10 percent payment of the prior year (FY 2026) entitlement. [Minnesota Statutes, section 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.

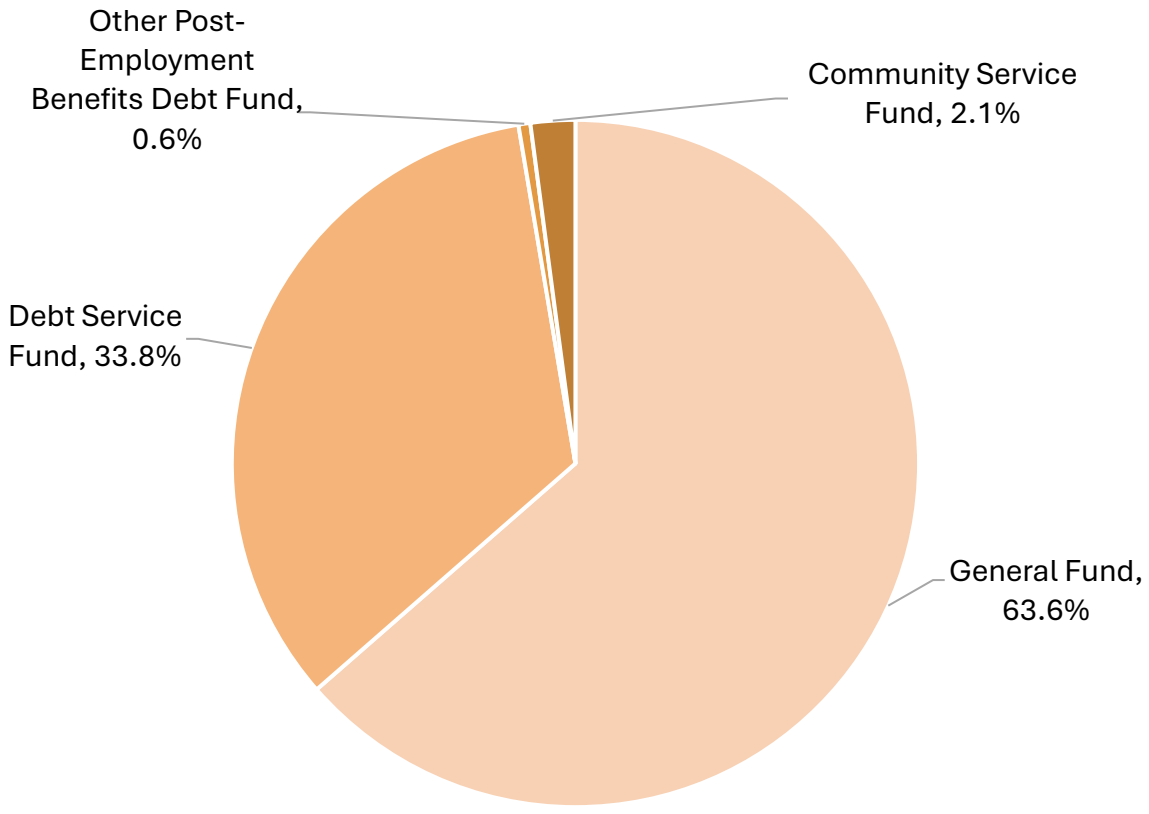
School District Property Tax Levies

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

Statewide Levies by Fund	FY2026 Payable 2025	FY2027 Payable 2026
General Fund	$2,562,192,300	$2,788,770,800
Debt Service Fund	1,335,628,100	$1,481,340,300
Other Post-Employment Benefits Debt Fund	19,981,400	$24,402,000
Community Service Fund	93,696,000	$92,118,300
Total Levies	$4,011,497,800	$4,386,631,400

These figures show the statewide levies certified (before applying any tax aids or credits) for a specific year. Generally, levy figures for payable 2025 are the amounts that are certified for 2025 in the fall of 2024 and levy figures for payable 2026 are the amounts certified for 2026 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 by school districts in FY 2026 (which began 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 (which began July 1, 2026).

Figure 12: FY 2027, Pay 2026 Levies
Total Levy: $4.387 billion



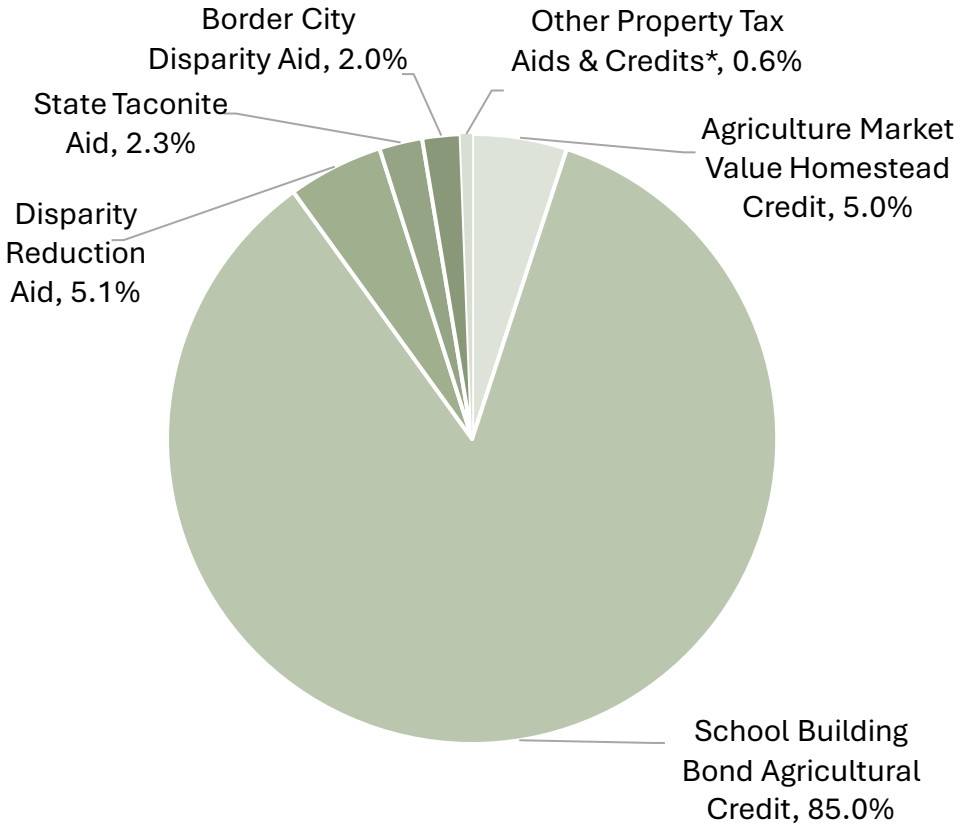
Property Tax Aids & Credits Payments to School Districts

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

	FY2026	FY2027
Agricultural Homestead Market Value Credit	$7,831,000	$7,525,000
School Building Bond Agricultural Credit	117,828,000	127,251,000
Disparity Reduction Aid	7,575,000	7,572,000
State Taconite Aid	3,581,000	3,418,000
Border City Disparity Reduction Credit	2,712,000	3,035,000
Taconite Aid Reimbursement*	561,000	561,000
Mahnomen Property Tax Reimbursement Aid*	140,000	140,000
Local Option Disaster Abatement Reimbursement*	5,000	23,000
Prior Year Credit Adjustment Aid*	21,000	0
Disaster Credit*	101,000	16,000
Agriculture Preservation Credit*	135,000	159,000
	$140,490,000	$149,700,000

Tax relief 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 2027, most state appropriations equal 90 percent of the current year entitlement and the final 10 percent from the FY 2026 entitlement. [Minnesota Statutes, section 127A.45]

Figure 14: FY 2027 Property Tax Aids & Credit Payments



State and Local 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, property tax aid and credit 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 104) and reduces that tax amount by the credit and aid total (page 105). 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

	FY2026	FY2027
Appropriations (1)	$12,840,607,000	$13,309,208,000
Tax Aids & Credits (2)	140,490,000	149,700,000
Net Levy (3)	3,871,007,800	4,236,931,400
Dedicated Funds (4)	78,523,925	82,510,925
Total	$16,930,628,725	$17,778,350,325
State Sources	77.02%	76.06%
Local Sources	22.98%	23.94%

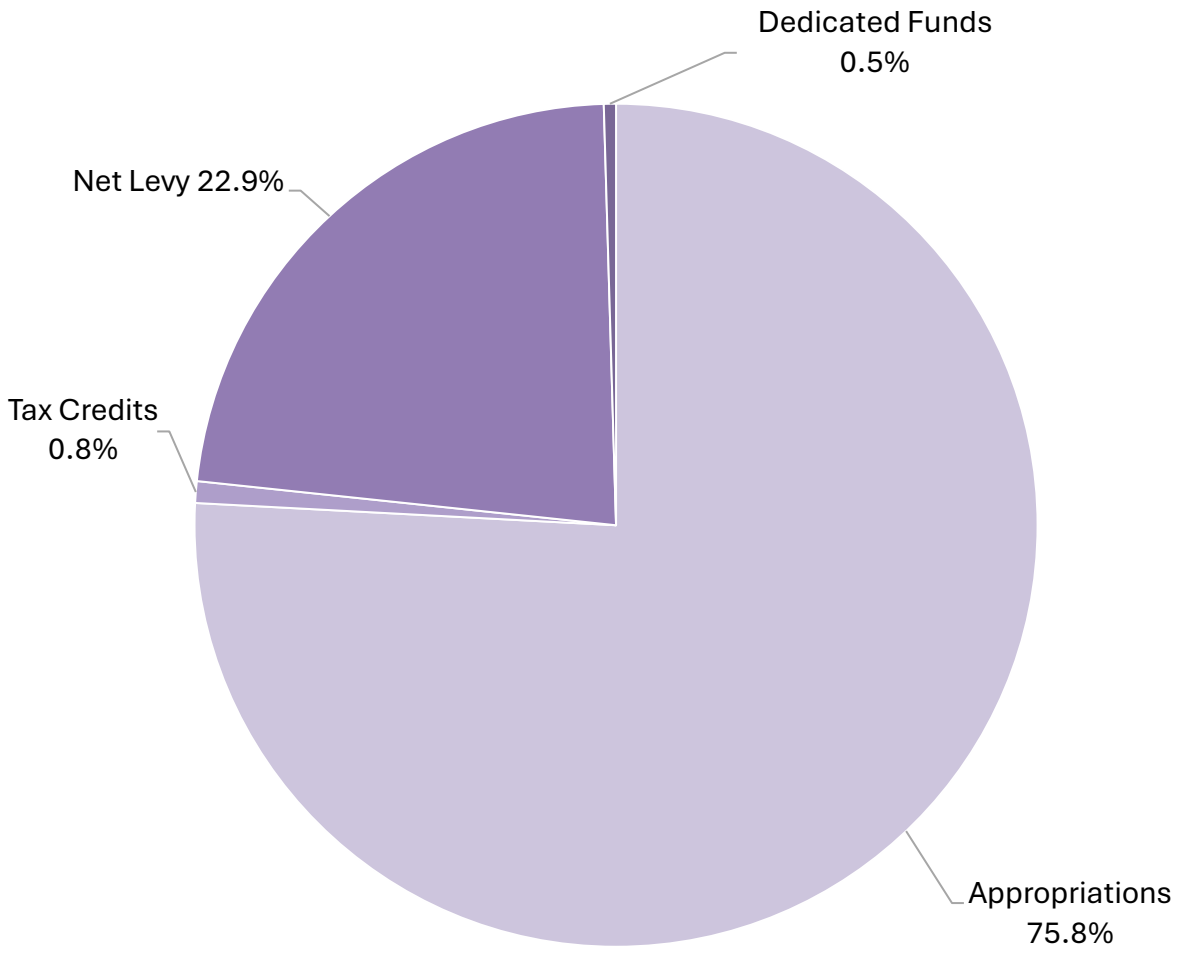
(1) The state appropriation includes K-12 education appropriations (including state agencies) and some early childhood and family education appropriations. Appropriations for programs are different than the formula-based revenue calculated for those programs, due to the statutory requirement that the 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 2027, most state appropriations equal 90 percent of the current year entitlement and the final 10 percent payment from the FY 2026 entitlement.

(2) Tax aids and credits include all those listed in Figure 13.

(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 2027 Total State & Local Revenue: $17,778,350,325



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