



Governor's 2025 Education Budget Proposals

House Education Finance Committee
February 11, 2025

Ten Minnesota Commitments to Equity

1. Prioritize equity.
2. Start from within.
3. Measure what matters.
4. Go local.
5. Follow the money.
6. Start early.
7. Monitor implementation of standards.
8. Value people.
9. Improve conditions for learning.
10. Give students options.



Governor's 2025 Education Budget

(\$in thousands)	FY26	FY27	F28	F29
Increase	76,080	6,334	1,915	1,915
Decrease	(71,037)	(184,919)	(172,559)	(173,068)
Total Change	5,043	(178,585)	(170,644)	(171,153)

**Programs transferred from the Professional Licensing and Stands Board (PELSB) to MDE not included in increase above as proposals are budget neutral.*

2024 November forecast

- \$616M projected balance in 26/27 biennium
- \$5.1B projected shortfall in 28/29 biennium

Fraud Prevention and Program Integrity

\$550,000 annually for three FTEs and software dedicated to fraud detection and prevention

- 1 OIG investigator
 - This position will increase the capacity of the OIG to investigate fraud, waste, and abuse and to address complaints faster
- 1 legal counsel for Charters
 - This position would provide needed legal advice and support to ensure the agency effectively exercises its required oversight of charter schools and address program integrity and related challenges
- 1 legal counsel for Nutrition
 - This position will provide needed legal advice and support to ensuring MDE is asserting regulatory authority over nutrition program participants
- Software
 - The OIG conducts in-depth investigations and requires advancements in software to combat fraud, waste, and abuse and to further the capacity of the office to track cases and conduct financial analysis of programs

Compensatory Revenue Modification

- **Extend a hold-harmless provision for the compensatory revenue calculation into FY 2026**
 - Uses greater of FY24 or FY26 compensatory pupils, including both paper forms and direct certification
 - Formula will have same components as the current FY25 hold harmless
 - Investment: \$39.77 million (FY26), \$4.42 million (FY27)
- **Governor recommends the creation of a working group to study various compensatory revenue calculations**
- **This hold harmless is for one year only**

Unemployment Insurance Aid

- **To pay summer-term unemployment (UI) as all aid through the end of FY2026, \$30 million would be added to the special revenue fund to ensure aid payments would not need to be prorated.**
 - Initial aid for summer-term UI was \$135 million
 - Aid disbursements of \$102 million are estimated for FY2024 and FY2025, leaving \$33 million left in the fund going into FY2026
 - Current FY2026 estimated summer-term UI costs are \$63 million.
- Estimated savings in special education of approximately \$23 million due to prior estimates of some summer-term UI costs being moved to special education. This savings will show in special education aid.

Literacy Incentive Aid

- **Revise Literacy Incentive Aid (LIA) formula by eliminating MCA data (proficiency and growth) as a factor and replacing with poverty data**
 - The recalculation of the aid will be revenue neutral
 - Replaces proficiency and growth portions of the aid calculation with a poverty-based calculation
 - The proposal does not modify the eligible uses of LIA

Special Education Transportation Reimbursement

- **Special Education Transportation will be reimbursed at a percentage rate**
 - For School Fiscal Year 2026 (SFY26), 95% percent of eligible expenses will be reimbursed
 - For SFY27 and beyond, the percentage reimbursement rate would be 90%
- This results in a reduction of \$48.628 million in Fiscal Years (FY) 2026-2027 biennium and \$54.86 million in FY 2028-2029 biennium

Nonpublic Pupil Education Aid

- **Eliminate the nonpublic pupil aid starting in Fiscal Year (FY) 2026.**
 - School district obligations for this program would also be eliminated
 - There are three basic categories of nonpublic pupil aid supporting the following services:
 - Textbooks, individualized instructional materials, and standardized tests
 - Health services
 - Guidance and counseling services
- This results in a reduction of \$52.522 million general fund in Fiscal Year (FY) 2026 and FY 2027 biennium and \$56.414 million in FY 2028 and FY 2029 biennium

Nonpublic Pupil Transportation Aid

- **Eliminating the nonpublic pupil aid starting in Fiscal Year (FY) 2026**
 - School district obligations for this program would also be eliminated
- This results in a reduction of \$56.218 million in FY 2026 -2027 biennium and \$58.437 million in FY 2028 –2029 biennium

Alternative Teacher Compensation (QComp)

- **Proposed closure of the Alternative Teacher Compensation program in Fiscal Year 2027**
 - Estimated that 111 school districts, 71 charter schools, one intermediate district and one education district are implementing QComp
 - Districts will receive revenues associated with FY2026 with a clean up payment in FY2027
 - Payable 2026 (FY2027) levy associated with the program will be adjusted and closed out
- Any remaining reserve funds must be used for teacher incentive pay until funds are exhausted.
- This results in a reduction of \$78.705 million in Fiscal Year 2027 and \$173.137 million in FY 2028 and FY 2029 biennium. There would also be a \$39.5 million reduction in levy beginning in Fiscal Year 2027.

- **Collaborative Urban and Greater Minnesota Educators of Color Grant**

- This program focuses on increasing the number of teacher candidates of color or who are American Indian, meeting the requirements for a teaching license.
- No cost transfer from PELSB to MDE for the \$5,440,000 grant

- **Transfer Teacher Mentorship and Retention**

- No cost transfer of the Teacher Mentorship and Retention grants from PELSB to MDE
- Current funding amount of the grant is \$4,500,000 and is used to increase mentorship of new teachers across the state
- Ongoing funds would be used for competitive grants to increase teachers of color and American Indian teachers across the state

Student Support Personnel

- **Student Support Personnel Aid uses modified**
 - Allows the aid to be directed directly to cooperative units rather than funds flowing through member districts
 - Allow LEAs, who are unable to hire a student support personnel to use funding for
 - Maintaining student support personnel position if they will be lost due to declining enrollment
 - Cover the costs of planning and implementing job embedded coaching
 - Covering the material costs of evidence-based, culturally responsive curriculums and programs
- **Rename student support personnel pipeline**
 - Change the name of the program to the "Student Support Personnel Pathway Grant"

American Indian Education

- **Tribal Contract Schools eligible for grants**

- Allow Tribal Contract Schools to be eligible for any legislatively-created grant programs when school districts and charter schools qualify

- **Minnesota Indian Teacher Training Program**

- Clarify funds being used to prepare American Indians becoming teachers or support staff can only be used in K-12 educational settings

Various Changes

- **Clarify Lease Levy**

- Remove statutes not applicable to annual lease application approvals
- Addition of a definition section to clarify terms used in the lease process

- **Modify Achievement and Integration Program and Administration**

- Increase the A&I administrative set aside
- Amend deadlines MDE must review district A&I goals
- Direct districts to use 20% of their A&I funds to implement their improvement plans

- **Modify allowable uses for nonprofit food service expenditures**

- Remove the ability for school administrators to charge their time to the nonprofit food service account for supervision unless a primary job duty of theirs

- **Repurpose summer food service program**

- MDE will distribute funds to school food authorities that submit their eligible students' information to the S-EBT portal

Various Changes

- **Budget Neutral Transfers to the Department of Children Youth and Families**
 - Alignment of federal reimbursement for administrative costs
 - Administrative ability to transfer funds between MDE and DCYF
 - Align authorities to manage forecast appropriations
 - Transfer authority for educational aids
- **Services to Success Initiative**
 - An allocation of \$150,000 to MDE to support career pathways development in line with the Services to Success Initiative

Legal and Agency Initiatives

- **Legal Services Costs**

- One time \$6M to support legal costs
- Funds would cover staffing for MDE's Office of General Counsel, use of the Attorney General's Office, and litigation costs.

- **Operating Adjustment**

- \$677,000 in FY26 and \$1.365M in years thereafter
- Funds would cover increasing operating costs: growth in employee compensation and insurance, rent, IT services, and other operating costs
- This proposal also includes the ability to retain up to 10% of competitively awarded grants if administrative funding not provided and to carry forward unexpended non-grant operating appropriations from the end of the biennium into the next.

Thank You!

Cathy Erickson, Director of School Finance

cathy.erickson@state.mn.us

Adosh Unni, Director of Government Relations

adosh.unni@state.mn.us