

HF1099 - 3A - Special Education Aid for Charter Schools Modified

Chief Author: **Samantha Sencer-Mura**
 Committee: **Education Finance**
 Date Completed: **3/10/2026 2:52:37 PM**
 Agency: **Education Department**

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

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

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	41,626	38,177	37,325	
Total	-	-	41,626	38,177	37,325	
Biennial Total			41,626		75,502	

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

LBO Analyst's Comment

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

LBO Signature: Alyssa Holterman Rosas **Date:** 3/10/2026 2:52:37 PM
Phone: 651-284-6439 **Email:** alyssa.holterman.rosas@lbo.mn.gov

State Cost (Savings) Calculation Details

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

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

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	41,626	38,177	37,325	
Total		-	-	41,626	38,177	37,325
Biennial Total				41,626		75,502
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	41,626	38,177	37,325	
Total		-	-	41,626	38,177	37,325
Biennial Total				41,626		75,502
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

This bill changes the percentage of unreimbursed costs that may be tuition-billed to a student’s resident district, shifting a greater share of the cost to the state.

Previous versions of the bill adjusted the unreimbursed cost percentage for all open-enrolled students and did not impact charter schools in which more than 70% of enrolled students had an IEP. The current version, however, applies only to charter schools and does not change the tuition billing rates for open-enrolled students attending schools within a district.

Assumptions

Currently, all open-enrolled students are tuition billed at 80% of unreimbursed costs, based on their MARSS state aid category code. Four charter schools Lionsgate Academy, Spero Academy, Metro Deaf School, and Rochester Beacon Academy are currently exempt from this percentage. The state presently pays charter schools 10% of their unreimbursed costs, effectively holding most charters at a 90% tuition billing rate.

This bill modifies only charter school tuition billing rates and related state aid. Under the proposal, all charter schools, including the four currently exempt, would tuition bill at 50% of unreimbursed costs. The state would increase its share from 10% to 40% for charters currently billed at 80% and would cover 50% for those currently billing at 100%.

During the 2025 legislative session, a change was enacted to reduce the state’s share of charter tuition aid from 10% to 6%, beginning in FY 2028. This bill eliminates that scheduled reduction and instead increases the state’s responsibility to 40% of charter schools’ unreimbursed costs, effectively maintaining charter funding at current overall levels.

It is assumed that MNIT will incur a cost of \$18,600 in FY 2027 to implement this bill. Implementation would require several system updates, including new data fields in the tuition billing system to allow districts and charter schools to maintain separate billing rates. Additionally, a new charter aid ratio and corresponding calculation table would be needed to accommodate the differing state aid percentages for the two types of charter schools.

Expenditure and/or Revenue Formula

MNIT	Task Description	Days	Hours	Cost
Developer/QA Effort	Application changes to MSFS CLCSTB	18.75	150	\$18,000

DBA	Changes to MSFS Database	0.5	5	\$600
Total Cost				\$18,600

The tables below illustrate the projected differences in state aid based on the February 2026 forecast, with the first three tables showing amounts on an entitlement basis, reflecting what schools are eligible to receive and the fourth table showing the actual state appropriations needed each year to fund those entitlements.

HF 1099 A1	Regular	Excess Cost	Cross Subsidy	Homeless	HH	Charter Adj	Total
2027	1,871,675,805	677,912,563	639,759,446	564,787	7,447,107	60,250,803	3,257,610,511
2028	2,025,121,942	755,135,009	659,006,247	290,400	5,442,180	68,940,107	3,513,935,886
2029	2,164,767,514	853,189,833	699,911,534	313,896	3,675,502	73,486,609	3,795,344,888
Feb Forecast	Regular	Excess Cost	Cross Subsidy	Homeless	HH	Charter Adj	Total
2027	1,871,675,805	677,912,563	639,759,446	579,756	9,778,399	10,439,690	3,210,145,659
2028	2,025,121,942	755,135,009	683,324,470	436,234	5,711,505	7,337,533	3,477,066,694
2029	2,164,767,514	853,189,833	728,166,644	317,073	3,791,467	7,723,492	3,757,956,022
Dfference	Regular	Excess Cost	Cross Subsidy	Homeless	HH	Charter Adj	Total
2027	-	-	-	(14,969)	(2,331,292)	49,811,113	47,464,852
2028	-	-	(24,318,223)	(145,834)	(269,325)	61,602,574	36,869,192
2029	-	-	(28,255,110)	(3,177)	(115,965)	65,763,117	37,388,866

Total Bill Cost	FY 2027	FY 2028	FY 2029
87.66% CY	41,607,689	32,319,534	32,775,080
12.34% PY	-	5,857,163	4,549,658
MNIT Costs	18,600		
Total Cost	41,626,289	38,176,696	37,324,738

Long-Term Fiscal Considerations

This change is projected to continue costing the state more than \$35 million annually, primarily due to the structure of the special education funding formula.

Local Fiscal Impact

This bill increases state special education aid to school districts by shifting a larger portion of charter school tuition costs to the state. For charter schools, it increases overall special education aid beginning in FY 2028 by restoring the charter tuition aid that was reduced during the 2025 legislative session.

References/Sources

Agency Contact: Paul Ferrin (651) 582-8864

Agency Fiscal Note Coordinator Signature: Betsy Hjelseth

Phone: 651-582-8242

Date: 3/10/2026 2:51:29 PM

Email: betsy.hjelseth@state.mn.us