

Subject Education

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Date April 27, 2025

Overview

H.F. 1388 is the education finance bill. The education finance bill modifies K12 programs and funding formulas and appropriates money for the 2026/2027 biennium.

Article 1: General Education

This article modifies general education, replaces Local Optional Revenue (LOR) with Basic Supplemental Revenue, increases school district consolidation aid, funds summer unemployment aid for hourly school workers for one additional year, sunsets unemployment insurance wage credits for hourly workers during the summer term after the 2028 summer term, makes other programmatic changes, and appropriates money for K12 programs.

Section Description - Article 1: General Education

- 1 Aid. [Consolidation aid]**
Increases the amount of consolidation aid available to consolidating school districts from \$200 per pupil in the first year of consolidation to \$424 per pupil and increases the consolidation aid in the second year of consolidation from \$100 per pupil to \$212 per pupil.
- 2 Revenue calculation. [General education revenue for charter schools]**
Adds the new first tier of Basic Supplemental Revenue to the general education revenue provided to charter schools.
- 3 General education revenue.**
Adds Basic Supplemental Revenue to the general education revenue formula in place of Local Optional Revenue (LOR).
- 4 Basic supplemental revenue.**
Renames LOR revenue Basic Supplemental Revenue. Creates a new first tier of revenue provided to all school districts and charter schools in state aid. The per pupil

Section Description - Article 1: General Education

- allowance for the first tier of Basic Supplemental Revenue is \$40.34 for FY 26, \$40.45 for FY 27, \$43.72 for FY 28, and \$43.82 for FY 29 and later.
- 5 **General education aid.**
Adds basic supplemental aid to the categories of general education aid in place of LOR aid.
- 6 **Building allocation. [Compensatory revenue]**
Authorizes a school district, upon board approval for fiscal years 2026 and 2027 only, to allocate up to 40 percent of the district's compensatory revenue on a districtwide basis (under current law, at least 80 percent of the revenue must remain for use at each specific school site).
- 7 **Referendum tax base replacement aid.**
Substitutes basic supplemental revenue for LOR and adjusts the tiers accordingly for purposes of calculating referendum tax base replacement aid.
- 8 **Referendum aid guarantee.**
Substitutes basic supplemental revenue for LOR and adjusts the tiers accordingly for purposes of calculating the referendum aid guarantee.
- 9 **Payment to unemployment insurance program trust fund by state and political subdivisions.**
Modifies amount districts may levy for unemployment benefits to reflect expiration of provision allowing hourly employees to receive unemployment benefits between academic terms.
- 10 **Alternative attendance programs. [Transfers to ALCs]**
Requires 100 percent (instead of an amount determined by the resident district between 90 percent and 100 percent) of the designated portion of general education revenue to be transferred from the resident school district to the Area Learning Center (ALC).
- 11 **School employees; between terms denial.**
Sets an expiration day of September 9, 2028, for provision allowing certain employees of educational institutions (kindergarten through grade 12 and higher education) to receive unemployment benefits between academic terms.

Section Description - Article 1: General Education

- 12 Higher education employees; between terms.**
Codifies new subdivision allowing certain employees of higher education educational institutions to receive unemployment benefits between academic terms, starting September 10, 2028.
- 13 School employees; between terms.**
Codifies new subdivision limiting eligibility of school hourly employees for unemployment insurance between academic terms starting September 10, 2028. For non-instructional employees, wage credits earned working for kindergarten through grade 12 educational institutions would not be available during the period between terms if the employees had a reasonable assurance of employment following the period between terms, as was the case before the between terms provision was modified in 2023.
- 14 Services for school contractors.**
Codifies new subdivision limiting school contractor employees' eligibility for unemployment benefits, effective September 10, 2028. A subdivision with identical language was repealed when eligibility for non-instructional employees was expanded in 2023.
- 15 Career and technical program expansion; aeronautics pilot program.**
Clarifies that equipment purchases made by the Little Falls School District after receiving a legislative grant of \$450,000 for an aeronautics and commercial over-the-road career and technical education program are valid and reimbursable by the grant regardless of the official date of grant approval from the Minnesota Department of Education. Requires the pilot program's grant to show how the early expenditures for the program were successful in providing the aeronautics and commercial over-the-road technical program in a more timely manner to the school district's participating high school students.
- 16 Compensatory Revenue Task Force.**
Creates a Compensatory Revenue Task Force consisting of 16 members and charges the task force with examining Minnesota's compensatory revenue program and reporting recommendations to the legislature. Requires an initial report by February 15, 2026, and a final report by September 15, 2026.
- 17 Appropriations.**
Appropriates money for general education programs. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>.

Changes from the base budget include:

Section Description - Article 1: General Education

- \$70,975,000 for basic supplemental aid;
- \$487,000 for higher consolidation aid allowance;
- \$30,000,000 for unemployment aid for hourly workers over the summer term; and
- \$110,000 for the compensatory revenue task force.

18 Revisor instruction.

Instructs the revisor of statutes to replace LOR with Basic Supplemental Revenue throughout the statutes and correct cross-references accordingly.

Article 2: Education Excellence

This article modifies the program language for the Minnesota math corps and appropriates money for education excellence programs.

Section Description - Article 2: Education Excellence

1 Minnesota math corps program.

Requires Minnesota math corps to use evidence-based instructional support to evaluate and accelerate student learning on foundational mathematics skills. Defines “evidence-based.”

2 Full-service community schools.

Extends the 2024/2025 appropriations for full-service community schools from June 30, 2025, to June 30, 2027.

3 Appropriations.

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

Changes from the base budget include:

- \$110,000 for MAAP STARS program;
- \$1,000,000 for Minnesota math corps;
- \$750,000 for Minnesota Youth Council;
- Sanneh Foundation reduced by \$750,000; and
- removal of funding in the base budget for 2028/2029 for the Minnesota Center for the Book, the Sanneh Foundation, and Starbase MN.

Article 3: Teachers

This article modifies the student support personnel formula and aid uses and appropriates money for teacher programs for the 2026/27 biennium.

Section Description - Article 3: Teachers

1 Student support personnel aid.

Modifies student support personnel aid (SSPA). Sets the per pupil allowance at \$40 for fiscal years 2026 and 2027 and \$42 per pupil for each year thereafter (current law increased the per pupil allowance from \$17.08 in fiscal year 2025 to \$48.73 for fiscal year 2026 and later). Expands the uses of the aid to include up to \$5,000 per year for employee training, job-embedded coaching, and for qualifying travel expenses among school buildings for support staff.

Authorizes a school district with declining enrollment to expend funds on retaining student support personnel to maintain an existing position that would otherwise be eliminated due to budgetary concerns.

2 Appropriations.

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

Changes from the base budget include:

- \$6,000,000 Special Education Apprenticeships;
- \$13,678,000 reduction to student support personnel aid; and
- Removal of funding in the base budget for 2028/2029 for Black Men Teach Twin Cities and the Coalition to Increase Teachers of Color and American Indian Teachers.

3 Appropriations; Professional Educator Licensing and Standards Board.

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

4 Revisor instruction.

Requires the revisor to change the term “pipeline” to “pathway” wherever it appears in Minnesota Statutes, section 122A.77. Renames the “collaborative urban and greater Minnesota educator of color grant program” as the “educator tuition assistance program” in Minnesota Statutes, section 122A.635.

Article 4: American Indian Education

This article limits the grant eligibility for American Indian teacher preparation grants to those college students intending to pursue a career in prekindergarten through grade 12 education and appropriates state aid for American Indian education programs.

Section Description - Article 4: American Indian Education

- 1 **Eligible programming. [American Indian teacher preparation grants]**
Restricts American Indian teacher preparation grants to students intending to teach in a prekindergarten through grade 12 setting (currently the grants may also be used for prospective teachers intending to teach in higher education settings).
- 2 **Appropriations.**
Appropriates money for American Indian education programs. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>.

Article 5: Special Education

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

Section Description - Article 5: Special Education

- 1 **Definitions. [Pupil transportation definitions.]**
Reformats the statutory definition of special education pupil transportation without making any substantive changes to the eligible pupil transportation services.
- 2 **Special education initial aid.**
Lowers the initial reimbursement of special education pupil transportation aid expenditures from 100 percent of eligible costs to 95 percent of eligible costs. Keeps the reimbursement cost for the transportation of homeless and highly mobile students at 100 percent of eligible costs.
- 3 **Appropriations.**
Appropriates money for special education programs. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>.

Changes from the base budget include:
 - \$29,083,000 reduction to special education pupil transportation aid.

Article 6: Facilities

This article expands the long-term facilities maintenance (LTFM) program so that roof replacement and repair are covered for all school districts beginning in fiscal year 2028, requires Minnesota Department of Education to perform a review and comment on certain facility lease arrangements, and appropriates state aid for school facilities programs.

Section Description - Article 6: Facilities

- 1 Long-term facilities maintenance (LTFM) revenue.**
Adds eligibility for approved roof repair amounts to each district's long-term facilities maintenance (LTFM) revenue first effective for the 2027-2028 school year.
- 2 Facilities plan. [LTFM]**
Requires each school district's LTFM plan to include information on its roof repair and maintenance schedule if the district is seeking to include the roof projects in its LTFM revenue amount.
- 3 LTFM equalized levy.**
Changes the LTFM equalizing factor for the LTFM revenue so that the statewide amount of LTFM levy is unchanged by increasing the equalizing factor from 123 percent to 127 percent of the statewide average modified net tax capacity per pupil unit.
- 4 Allowed uses for LTFM revenue.**
Clarifies that roof repair and replacement is an eligible use of LTFM revenue for all school districts.
- 5 Review and comment.**
Subjects school district construction projects funded through capital leases to the same review and comment process that the Department of Education uses for other school construction projects (requiring review and comment for any construction project exceeding \$2 million at any individual school site).
- 6 To lease building or land. [Capital leases]**
Clarifies the school district building lease levy authority and subjects the building lease projects to the review and comment process.
- 7 Definitions. [Capital leases.]**
Defines the terms used in the capital lease statute.

Section Description - Article 6: Facilities

8 Ice arena levy.

Authorizes two or more school districts to enter into a cooperative agreement to operate and maintain an ice arena and share in the annual property tax burden of supporting the ice arena.

9 Appropriations.

Appropriates state aid for facilities programs. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>.

Changes from the base budget include:

- \$9,930,00 in the 2028/2029 biennium for LTFM equalization increase to offset the levy costs of allowing all districts to replace and repair roofs.

Article 7: School Nutrition and Libraries

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

Section Description – Article 7: School Nutrition and Libraries

1 School food service fund.

Clarifies the administrative costs that may be charged to a school district’s food service fund. States that Minnesota should allow schools to expend food service funds on nutritional programs, lunchroom space, and kitchen space to the extent allowed by federal law.

2 Summer Electronic Benefit Transfer Program replacement aid.

Redirects state funds available to support data collection of students participating in the summer electronic benefit (S-EBT) from the department to the schools providing S-EBT data.

3 Appropriations.

Appropriates money for school nutrition and library programs. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>.

Changes from the base budget include:

Section Description – Article 7: School Nutrition and Libraries

- \$44,966,000 reduction due to repeal of school library aid.

4 Repealer.

Repeals the school library aid program after fiscal year 2025.

Article 8: Early Childhood Education

This article appropriates money for early childhood programs.

Section Description - Article 8: Early Childhood Education

1 Appropriations; Department of Education.

Appropriates money for the kindergarten entry assessment program. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>.

2 Appropriations; Department of Children, Youth, and Families.

Appropriates money for certain early childhood programs overseen by the Department of Children, Youth, and Families but maintained in the legislative budget of the K12 Finance committee. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>.

3 Appropriations; Office of Higher Education.

Appropriates money for the early childhood family education (ECFE) teacher shortage program administered by the Office of Higher Education. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>.

Article 9: Community Education and Lifelong Learning

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

Section Description - Article 9: Community Education and Lifelong Learning

1 Appropriations.

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

Article 10: State Agencies

This article establishes new requirements for grants administered by the Department of Education and appropriates money to the Minnesota Department of Education, PELSB, the Perpich Center for Arts Education, and the Minnesota State Academies.

Section Description - Article 10: State Agencies

- 1 Education grant termination.**
Establishes a new standard for the Department of Education when awarding or administering grants. The new standards prohibit the department from issuing a grant to a nonprofit or require the cancellation of an existing grant under certain conditions.
- 2 Appropriations Cancellation.**
Cancels the remaining portions of two fiscal year appropriations to MDE that would otherwise go unspent. Reduces the appropriation for the Office of Inspector General by \$1,500,000 and the appropriation for activities related for the proposed new special education rule for specific learning disabilities by \$500,000.
- 3 Appropriations; Professional Educator Licensing and Standards Board (PELSB).**
Appropriates money for PELSB. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>.
- 4 Appropriations; Department of Education.**
Appropriates money for the Department of Education. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>.

Changes from the base budget include:

 - \$4,000,000 to MDE for certain litigation costs.
- 5 Appropriations; Minnesota State Academies.**
Appropriates money for the Minnesota State Academies for the Deaf and the Blind. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>.
- 6 Appropriations; Perpich Center for Arts Education.**
Appropriates money for Perpich Center for Arts Education. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>.

Article 11: The Read Act

This article modifies the Read Act, including adding or modifying definitions, terminating the Department of Education’s partnership with the University of Minnesota’s Center for Applied Research and Educational Improvement (CAREI) on June 30, 2025, making other policy changes, and appropriating money for Read Act purposes.

Section	Description - Article 11: The Read Act
1	Title; the Read Act. Adds subdivision establishing legislative intent of the Read Act.
2	Certified trained facilitator. Clarifies that a “certified trained facilitator” may be employed by a service cooperative rather than a literacy network.
3	Evidence-based. Modifies definition of “evidence-based” to include “science of reading.”
4	Oral language. Modifies definition of “oral language.”
5	Science-based reading research. Defines “science-based reading research.”
6	Structured literacy. Modifies definition of “structured literacy.”
7	Identification; report. Modifies requirements for screener and uses of screener.
8	Intervention. Delays by one year the deadline for districts to use only evidence-based literacy interventions.
9	Staff development. Strikes reference to “oral” in reference to academic language development.
10	Local literacy plan. Requires curricula and materials to be evidence-based, but not approved. Requires districts to use the commissioner’s template for their local literacy plans. Requires districts to report on teacher and staff training by grade level.

Section Description - Article 11: The Read Act

- 11 Dual language immersion programs.**
Requires dual language immersion programs selecting evidence-based screening tools, training, curriculum, or literacy intervention materials after July 1, 2025, to establish an advisory committee to identify materials, training, and tools in the target language. Limits dual language immersion programs' compliance with Read Act to apply only when providing instruction in foundational reading skills in English. Modifies local literacy plan requirements for dual language immersion programs. Exempts dual language immersion programs from complying with listed Read Act requirements for the 2025-2026 and 2026-2027 school years.
- 12 Approved screeners.**
Broadens requirement relating to persons that use approved screeners to include all "external partners offering literacy supports in schools."
- 13 Professional development.**
Narrows types of special education teachers required to have Read Act training. Expands lists of persons and organizations that can provide required professional development to teachers. Extends by one year provision allowing districts to count a day providing teachers required Read Act training as an instructional day and expands provision to include secondary schools.
- 14 Department of Education.**
Ends the department's partnership with CAREI on June 30, 2025. Requires the department to complete Read Act implementation activities without CAREI's assistance.
- 15 Dual language immersion programs.**
Requires the Department of Education to develop guidance, identify materials and professional development opportunities, and make recommendations related to literacy for dual language immersion programs.
- 16 Resources.**
Ends the department's partnership with CAREI on June 30, 2025. Requires the department to post on its website the rubric used to evaluate curriculum.
- 17 Ongoing review of literacy materials.**
Requires the rubrics for ongoing reviews of curriculum and intervention materials to be posted on the department website.

Section Description - Article 11: The Read Act

- 18 **Comprehensive review of literacy materials.**
Requires the rubrics for future reviews of curriculum and intervention materials to be posted on the department website.
- 19 **Partnership expiration.**
Requires the department’s partnership with CAREI to expire on June 30, 2025.
- 20 **Teacher and administrator preparation and performance data; report.**
Requires reporting on teacher preparation program completers who pass the required teacher examination or performance assessment.
- 21 **Teacher preparation programs; reading strategies.**
Requires instruction on reading to be based on the science of reading. Requires the Professional Educator Licensing and Standards Board (PELSB) to post on its website the rubric used to determine whether a teacher preparation program’s reading instruction complies with the Read Act.
- 22 **Teacher licensure assessments; tests.**
Requires PELSB to adopt rules requiring applicants for Tier 3 and Tier 4 licenses in elementary education to demonstrate knowledge, skill, and ability to teach the science of reading. Allows an applicant to satisfy requirement through a performance assessment or satisfactorily completing training from a department-approved certified trained facilitator or other training that satisfies professional development requirements under the Read Act.
- 23 **Minnesota reading corps program.**
Requires reading corps to use a department-approved screener.
- 24 **CAREI. [2024/25 Appropriation.]**
Modifies a 2023 session law appropriating funding for CAREI; appropriation would cancel back to the general fund on July 1, 2025.
- 25 **PELSB reading unit audit report.**
Requires PELSB’s final reading audit report to include the rubric used to conduct the audit and evaluate alignment with the science of reading.
- 26 **CAREI paraprofessional and volunteer training.**
Modifies a 2024 session law appropriating funding for CAREI to develop training for paraprofessional and volunteer training; appropriation would cancel back to the general fund on July 1, 2025.

Section Description - Article 11: The Read Act

27 Appropriations.

Appropriates money for the Read Act. See K12 fiscal worksheet at <https://www.house.mn.gov/Fiscal/Download/3661>.

Changes from the budget base include:

- \$40,000,000 for Read Act compliance; and
- \$1,418,000 net reduction from Read Act administration.

Article 12: Forecast

This article makes adjustments to fiscal year 2025 education appropriations enacted during the 2023 and 2024 legislative sessions to match forecast data. The adjusted amounts in each of the 32 appropriations sections included in this bill reflect the February 2025 Forecast of revenue and expenditures. The forecast aid levels are the best estimates of the state aid required for each K12 program and appropriation. Changes in the appropriations are real and the changes must be enacted in law, but forecast adjustments have no fiscal impact when measured against the K12 budget because the changes are built into the forecast estimate of the budget base.



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