



Financial Update 2025 State Legislative Session & Federal Funds

Kris Blackburn
Director of Business Services

July 17, 2025





2025 State Legislative Session

Key Funding Outcomes



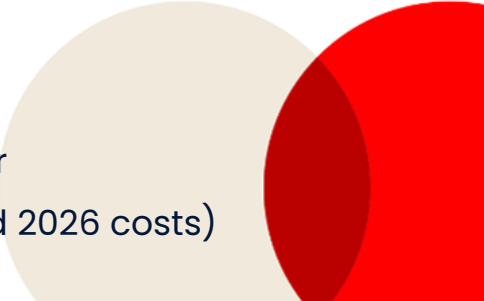
Basic Formula

- No change to the inflationary factor
- Increase remains at 2% (minimum) to 3% (maximum)

Compensatory Revenue

- Delays the transition to a new compensatory formula until School Year 2026–2027
- Allows school districts to allocate up to 40% of compensatory revenue district-wide for School Year 2025–2026 and School Year 2026–2027
- Creates a compensatory revenue task force to examine the program and report recommendations to the legislature by Oct. 15, 2026

Unemployment Insurance

- \$100 million in one-time funding to reimburse school districts for summer unemployment insurance (anticipated to fund eligible summer 2025 and 2026 costs)
- 
- Two large, overlapping circles are located in the bottom right corner. The left circle is a light beige color, and the right circle is a bright red color.

2025 State Legislative Session

Key Funding Outcomes



Special Education

- Special education transportation aid reduced to 95% for School Year 2025–2026 and to 90% for School Year 2026–2027 and later
- Reduction of \$758,723 in School Year 2025–2026
- Establishes a Blue Ribbon Commission on Special Education tasked with developing an action plan by Oct. 1, 2026 to reduce state appropriations by \$250 million for 2027–2028 and 2028–2029 biennium.
 - If net savings are less than \$250 million, the special education cross subsidy aid factor will be reduced until the reductions plus the action plan achieve that level of biennial savings



2025 State Legislative Session Key Funding Outcomes



Student Personnel Aid

- Sets per pupil amount at \$30.05 for School Year 2025–2026 and School Year 2026–2027 and \$34.32 for Fiscal Year 2028 and later (was \$48.73 for School Year 2025–2026 and later)
- Reduction of \$384,759 in School Year 2025–2026

School Library Aid

- Reduces per pupil amount to \$10.27 for School Year 2025–2026 and School Year 2026–2027 and \$9.12 for Fiscal Year 2028 and later (was \$16.11 for all years)
 - Reduction of \$120,289 School Year 2025–2026
- 
- Two large, overlapping circles are positioned in the bottom right corner of the slide. The circle on the left is a light beige color, and the circle on the right is a vibrant red color.

2025 State Legislative Session Key Funding Outcomes



Achievement and Integration revenue

- Beginning in Fiscal Year 2026, the amount that the Minnesota Department of Education may retain for administration of the program increases from .3% to 1.3%
- Reduction of \$33,880 in School Year 2025-2026

School lunch aid

- Lowers the additional state funding for school lunch from \$0.125 to \$0.0625 per meal served beginning in School Year 2027-2028



Federal Funds Overview of Funding Delays

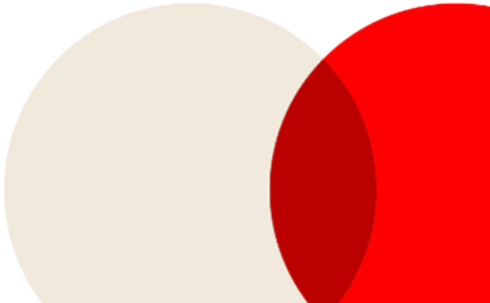
On June 30, 2025, the Department of Education informed state education agencies nearly \$6.8 billion in federal K-12 funding would not be released

- The funding awards were scheduled to be issued on July 1, 2025

Impacted:

- Title I-C, Title II-A, Title III-A, Title IV-A, Title IV-B
- Adult Education and Literacy Education
- English Literacy and Civics Education

Not Impacted:

- Title I-A
 - Individuals with Disabilities Education Act funds
 - National School Lunch Program
- 

Federal Funds Recap – General Fund

FIN	Description	FY26 Budget
401	Title I, Part A – Improving the Academic Achievement of the Disadvantaged	\$ 561,112
414	Title II, Part A – Supporting Effective Instruction	220,768
417	Title III, Part A – English Language Acquisition, Language Enhancement and Academic Achievement	203,945
419	Individuals with Disabilities Education Act (IDEA) Part B Section 611 (Ages 3-21)	3,748,923
420	Individuals with Disabilities Education Act (IDEA) Part B Section 619 – Preschool Grant for Children with Disabilities (Ages 3-5)	60,000
422	Individuals with Disabilities Education Act (IDEA) Part C (Ages B-2)	211,615
433	Title IV, Part A – Student Support and Academic Enrichment	29,023
510	Indian Elementary and Secondary School Assistance	23,000
628	Carl Perkins Vocational and Applied Technology	46,689
868	Title VIII, Education for Homeless Children and Youths	37,000
	General Fund: Total Federal Funds	\$ 5,142,075
	General Fund: Federal Funds withheld or under review	453,736
	General Fund: % of Total Federal Funds	9%

Federal Funds Recap

Food Service Fund & Community Service Fund



FIN	Description	FY26 Budget
701	National School Lunch Program (NSLP) - Reimbursements (cash)	\$ 3,432,583
	National School Lunch Program (NSLP) - Commodities (non-cash)	1,113,415
705	School Breakfast Program – SBP	665,000
	Food Service Fund: Total Federal Funds	\$ 5,210,998
438	Federal Adult Basic Education Formula Revenue	\$ 36,660
801	Adult Basic Education (ABE) Integrated English Literacy and Civics Education (IELCE)	83,038
	Community Service Fund: Total Federal Funds	\$ 119,698
	Community Service: Federal Funds withheld or under review	119,698
	Community Service: % of Total Federal Funds	100%

Federal Funds

Local Impact of Funding Delays



General Fund

- **Title II-A**
 - \$220,768 used for teacher development
- **Title III-A**
 - \$203,945 used to pay for support staff and resources for our English Learner program
- **Title IV-A**
 - \$29,023 used for student support and academic enrichment at South Washington Alternative High School

Federal Funds Local Impact of Funding Delays



Community Service Fund

- Federal Adult Education
 - \$36,660 supplements our state Adult Education funds used to meet the diverse needs of our adult learners
- Adult Education Integrated English Literacy and Civics Education
 - \$83,038 used to provide supplementary training and experience for participating learners

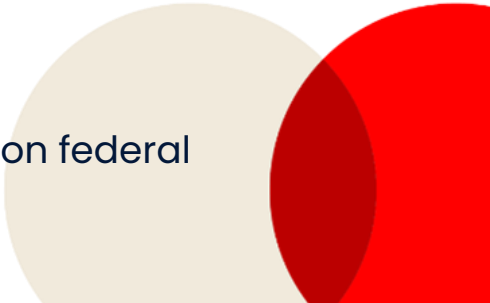


Federal Funds Local Impact of Funding Delays

If we do not receive these funds, we would likely need to absorb most costs for School Year 2025–2026 because:

- Staffing decisions are made in January–March
- Annual budget must be approved by June 30
 - Much of the work is done April and May
- Programming decisions must be made prior to knowing the actual amounts of our federal awards, but the awards themselves have never been in question until this year

Adjustments will be considered for School Year 2026–2027, depending on federal funding decisions



Questions?