



2026 Legislative Session Update

School Finance and Government Relations | Summer 2026

Agenda

- Legislative Session Overview
- School Finance Changes and Update
- Policy and Other Funding

2026 Session Overview

- 2024 Election – Split House
- Start of 2026 Legislative Session
 - House
 - Senate
- End of Legislative Session

School Finance

Compensatory Revenue

- For Fiscal Year 2027 (FY27) only, Compensatory Revenue will be calculated using the following formula components:
- The greater of:
 - The direct certification only formula enacted in the 2023 legislative session
 - Prorated FY26 revenue adjusted for fall enrollment
- The entitlement for FY27 is based on the February 2026 forecast plus \$10 million investment from the 2026 legislature
- Extends 40% building allocation requirement to FY28.
- District runs are available. Site runs are being created and a spreadsheet will be posted on the school finance web page with calculation details

[Chapter 117](#)

Permanent School Trust Fund

- A November election will ask voters to consider a constitutional amendment to allow an increase to be paid from the permanent school trust fund (PSTF) to schools, districts, and charters and increasing the statutory distribution amount up to 4.5%.
 - Tribally-Controlled Schools would see future increased appropriations from PSTF if constitutional amendment is passed on the ballot in November.

[Chapter 114](#)

Other School Finance Items

- Capital operating revenue usages expanded to pay utility service costs.
- School district fund transfers from building construction fund to the reserved account for operating capital for: West St. Paul-Mendota Heights-Eagan and Maple Lake.
- Forecast adjustments.

[Chapter 109](#)

Seasonal Tax Base Replacement Aid

- New school district aid stream to reduce a portion of voter approved operating referendum in districts with seasonal recreational property.
- One-year FY27 aid of \$2.542M for onetime district seasonal tax base replacement aid.

[Chapter 128](#)

School Finance Updates

- Summer-term unemployment funding
- English-Learner Cross Subsidy Adjustment
- Literacy Aid
- Cybersecurity & Security Grants round 2

**These items did not end up in any final legislation*

Policy and Other Funding

Student and School Safety (1)

- Anonymous Threat Reporting System requirements. By June 30, 2027, the board of a school district or charter school must adopt a policy at a school board meeting to implement the use of an anonymous threat reporting system, and inform MDE which of the following options the board selected:
 - Local anonymous threat reporting system;
 - Used and promoted the statewide system; or
 - Neither implemented a local anonymous threat reporting system nor used and promoted the statewide system.
- MDE will annually report to the legislature beginning January 15, 2028, the list of districts and charter schools that reported their selection and the selection type.
- Schools electing to use a reporting system must implement either the local or the statewide anonymous threat reporting system by July 1, 2028.

[Chapter 117](#)

Student and School Safety (2)

- Anonymous Threat Reporting System Grants funded at \$4,000,000 one-time in FY 27; administered by the Minnesota Department of Public Safety (DPS).
 - Grants available up to \$10,000 per district; and up to \$2,500 per charter, nonpublic, and Tribally-Controlled school.
 - Funds may be used to fund expenses associated with the development, purchase, implementation, operation, and maintenance of an anonymous threat reporting system, and including staff compensation.
- Bureau of Criminal Apprehension (BCA) receives \$1,000,000 for staffing and operating costs related to threat assessment and investigation.

[Chapter 117](#)

Student and School Safety (3)

- Mobile Crisis Grants funded at \$3,800,000 one-time. Available in FY 27 and dollars able to be expended until June 30, 2029
- School-Linked Behavioral Health Grants funded at \$12,500,000 one time. Available in FY 27 and dollars able to be expended until June 30, 2029

[Chapter 127](#)

Student and School Safety (4)

- Grooming Prevention and Criminal Laws
 - The Professional Educators Licensing and Standards Board (PELSB) granted authority to suspend or revoke teacher's license for license holders convicted of grooming.
 - Requires local police departments and county sheriffs to notify the appropriate statewide staff licensing agency whenever a licensed educator is charged with certain crimes, including grooming.
 - Adds grooming as a felony in the criminal sexual conduct statute, with new provisions addressing cases involving school employees.
 - Department of Children, Youth, and Families, in consultation with MDE, must update mandated reporter training to reflect grooming.
 - Appropriations to MDE: \$1,450,000 annually to increase investigator capacity of Student Maltreatment Program (SMP) team.

[Chapter 108](#)

READ Act (1)

- Definition of literacy specialist amended to clarify that district literacy specialist can be any teacher license holder.
- Definition of oral language amended to clarify "oral language" includes "expressive" and "receptive" languages.
- Defines "parent" within the parameters of Read Act statute to mean "parent or legal guardian".
- Screening statute repetitive language removed, English Learner dyslexia screening modified to align with vendor assessment guidelines.
- Makes clear that students not reading at grade level in grades 4 and above must continue to be annually screened and their parents notified.

[Chapter 125](#)

- Local literacy plans, beginning school year (SY) 2026-27, must include information on how schools will use library media centers to complement foundational reading skills.
- Student literacy screening accommodations must be aligned to student's documented accommodation plan.
- Hours of instruction reduction for Read Act professional development time extended to SY 2026-27; early childhood educator candidates exempt from additional training if graduated after certain date.
- Accessibility standards codified for professional development and curricular resources.
- MDE Ongoing review of literacy materials requirements.

[Chapter 125](#)

Statewide Office of Inspector General (impact to MDE)

- Shifts MDE OIG team to statewide OIG but maintains all team members at MDE to continue working on education matters.
- Maintains sanction authority under MDE and updates language.
- Funding to MDE for data sharing preparation related to statewide OIG.
 - \$262K in FY27, \$348K in FY28, \$348K in FY29

[Chapter 92](#)

Other Policy Items

- Local education agencies (LEAs) can issue High School Diploma for Veterans of Korean and Vietnam wars.
- Teacher prep programs must require supervised early literacy field experience.

[Chapter 125](#)

- Highly qualified paraprofessionals: LEAs can use a competency grid to verify the qualifications of paraprofessionals, including those in a Title I-A funded program.
 - MDE will release guidance for schools on how to validate these competencies by Aug. 1, 2026.

[Chapter 107](#), [Chapter 109](#) *(same language)*

Other Policy and Funding Items

- Requires each district operating a school-age community education program to give enrollment priority to children in foster care. Allows a district to require a letter or documentation verifying that a child is in foster care.

[Chapter 127](#)

- Gender-neutral single-user restroom grant expenditure period extended to the end of FY29, and MDE reporting deadlines changed.

[Chapter 109](#)

- Library Construction Grants funded at \$2,000,000. Available to public library jurisdictions for renovation, construction and improvement projects that result in more accessible library facilities.
- East Grand Forks Education Learning Center Grant funded at \$6,500,000. Grant dollars to be used to predesign, design, construct, renovate, furnish, and equip a regional education learning center to serve students in a Level 4 regional special education program.

[Chapter 130](#)

- Lower Sioux Indian Community Dakota Language immersion School predesign and design funded with \$808,000.

[Chapter 129](#)

Questions?

Thank you!

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