

June 2026
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Number 9

Minnesota's Funding Stagnation Leaves Duluth Classrooms Vulnerable

June 12, 2026

Executive/Legislative Committee Meeting
7:30 a.m. - 9 a.m.
Anderson Center
Bethel University
Arden Hills

July 31, 2026

Executive/Legislative Committee Meeting
7:30 a.m. - 9 a.m.
Anderson Center
Bethel University
Arden Hills

August 7, 2026

Board of Directors Meeting
7 a.m. - 9 a.m.
Quora Education Center
NE Metro 916
Little Canada

August 28, 2026

Executive/Legislative Committee Meeting
7:30 a.m. - 9 a.m.
Anderson Center
Bethel University
Arden Hills

Every superintendent in Minnesota knows the quiet anxiety of the spring budget cycle. District leadership analyzes enrollment trends, maps out student support strategies, and searches for the bridge between what our students truly need and what state funding provides. This year, at Duluth Public Schools (ISD 709), that bridge simply collapsed. Facing an aggressive \$4.2 million general fund deficit for the 2026–2027 school year, our district was forced to implement painful, wide-ranging budget reductions.

Throughout this exhausting process, our primary goal was to protect our students' core learning environment. To honor that commitment, we took our sharpest, most disproportionate hit at the district administrative level, slashing 15.61 percent from the central office budget, including leaving multiple human resources and business services roles unfilled, critical roles in any district.

But when a deficit reaches millions, central office efficiencies cannot absorb the blow alone. The operational reality of our final \$4.2 million balancing act has meant the displacement of staff and an erosion of site-level support. We are losing deans, cutting reading and math interventionists, paring back career and technical education (CTE) sections, and eliminating crucial student mental health and counseling positions.

Duluth is not an isolated case. More than half of the districts across the Twin Cities metro area and Greater Minnesota are projecting massive, concurrent budget shortfalls. The sobering truth we must all confront — and that our state leaders must recognize — is that these crises are the predictable outcome of a systemic, state-wide funding crisis that threatens the very foundation of public education.

The recent legislative session left Minnesota public school districts stranded. Following years of historic, compounding inflation that drastically drove up the

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Thank you to the AMSD members who advocated for our students and our schools during the session. It was clear from the start that securing supplemental funding would be extremely challenging. Yet, AMSD members were instrumental in the passage of the modest supplemental finance bill and legislation to place a constitutional amendment on the ballot to increase distributions from the Permanent School Fund. We also raised awareness about the consequential issues that must be addressed in the 2027 session including the pending special education funding cut, compensatory revenue, and unemployment insurance funding. Thank you in advance for continuing to raise these issues with your local legislative candidates during the coming election and have a wonderful summer!

From the AMSD Chair, Alison Sherman, Stillwater Board Member

Federal Cuts Add to Budget Challenge

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costs of everyday supplies, student transportation, and facilities management, the Legislature failed to provide a meaningful general education funding increase.

Compounding this legislative freeze, our district faced an immediate 15 percent surge in health insurance premiums alone. This single \$2 million benefit spike swallowed up our modest formula gains before a single dollar could ever reach a classroom. When state general education funding stagnates against runaway operational inflation, it creates a silent, structural erosion. We are legally mandated to execute complex new state requirements, yet we are left to fund them with vanishing local resources.

Adding to these local pressures is a complete stagnation at the federal level. Duluth Public Schools traditionally receive about \$10 million in revenue — 6 percent of our annual budget — from the federal government each year. However, we are facing the reality that there will be no meaningful increase in funding from Washington D.C. for the foreseeable future. Instead, we are seeing immediate significant reductions in our restricted federal streams for the upcoming year.

Our crucial federal Title I, II, III, and IV allocations are dropping by 12.69 percent. Simultaneously, our Title VI American Indian Education funding is being slashed by over 75 percent, stripping away from vital cultural and academic programming.

Because the federal government has failed to adjust for inflation or fulfill long-standing funding commitments, the fiscal responsibility has shifted toward local taxpayers and the state. While Duluth is considering moving forward with a general operational levy increase this November, our local businesses and families are already grappling with the same intense inflation and rising costs affecting the school district. Systemic failures at the federal and state levels should not be subsidized by property taxes. Furthermore, even if this local ballot initiative is successful, the district will still be left to manage a budget gap.

As if current operational strains were not enough, school boards across Minnesota must now build their multi-year forecasts under the shadow of an impending financial catastrophe. A prior state statute mandated an automatic, contingent \$250 million reduction in special education cross-subsidy aid scheduled to hit districts in the coming biennium.

A Call to Action for Saint Paul

To my fellow superintendents and educators: we must speak with an unwavering, collective voice. Our communities must hear that we are not mismanaging local dollars — we are managing a state-created funding crisis.

To our State House and Senate members: the choices made under the Capitol dome have immediate human consequences. When you pass flat general funding, ignore inflationary spikes, or allow a \$250 million special education cut to loom over our heads, you are voting for fewer teachers, reduced counselors, and diminished opportunities for Minnesota's children. We urge our lawmakers to permanently repeal the automatic special education cuts and fulfill the promise of sustainable, index-tied education funding. Our students cannot wait for the next biennium. The crisis is in our classrooms today.

This month's member feature was submitted by Adelle Wellens, Communications Officer, Duluth Public Schools on behalf of Duluth Superintendent John Magas.

Session Review: Minimal Funding and a Constitutional Amendment

It has been a challenging year in education to say the least. Well beyond the typical session politics in an election year, the 2026 Minnesota legislative session convened against the backdrop of some of the most historically impactful events in the state's modern history.

Following the end of the 2025 legislative session, we were rocked by the assassination of former House Speaker Melissa Hortman and her husband, Mark, and the shooting of Sen. John Hoffman and his wife, Yvette. That was followed by the tragic shooting at Annunciation Catholic Church and School later that summer that took the lives of two elementary-aged children and injured 28 more. And, beginning in December, schools faced significant disruptions and challenges related to the prolonged federal immigration enforcement actions that seriously impacted students, staff, families, and communities.



Minnesota Department of Education Director of Government Relations Adosh Unni provided an overview of the education-related legislation approved during the 2026 legislative session at the May 29 AMSD Board of Directors meeting.

Against that backdrop, the fiscal challenges facing our school districts were certainly overshadowed — but still could not have been more stark.

A March survey showed AMSD school districts were forecasting more than \$233 million in budget shortfalls, while the February State Budget and Economic forecast projected that a short-term budget surplus would all but disappear by the 28-29 biennium due to expenditures sharply outpacing revenue.

In his budget proposal for the 2026 session, Gov. Walz recommended no supplemental funding for education and, in a surprise to even the Blue Ribbon Commission on Special Education, he proposed an additional \$50 million cut to special education on top of the \$250 million cut that was approved last session. Fortunately, this proposal was quickly rejected by legislators.

While the Legislature departed from past practice and did not pass an omnibus education bill, several education provisions were included in a number of different bills. In the end, minimal funding was approved and no new cuts were adopted. The new funding included a very scaled down compensatory hold harmless, along with grants for anonymous threat reporting systems, and one-time funding for school-linked behavioral health grants and mobile crisis service grants.

And, in what might be seen as the highlight, the Legislature approved legislation placing a constitutional amendment on the November ballot that, if approved, would increase disbursements from the Permanent School Fund starting in the 2027-28 school year.

On May 29, Minnesota Department of Education Director of Government Relations Adosh Unni and Director of School Finance Cathy Erickson provided an overview of the education-related legislation approved during the 2026 legislative session to the AMSD Board of Directors.

Highlights from their presentation and AMSD's Session Review are listed below.

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Policy Bill Includes READ Act Amendments

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Supplemental Funding

A very modest supplemental finance bill, HF2433, allocates \$10 million for a reduced compensatory revenue hold harmless. It also provides \$5 million for anonymous threat reporting systems, with \$4 million for school grants and \$1 million for the Department of Public Safety.

Permanent School Fund Constitutional Amendment

The Legislature approved a November ballot question to amend the State Constitution to increase Permanent School Fund (PSF) distributions. The current framework excludes capital gains, limiting distributions to net interest and dividends. If approved, the state will adopt a 4.5 percent distribution rate based on a three-year rolling average of the Fund's value.

Forecast Adjustments, Paraprofessional Qualifications, Operating Capital Uses

The forecast adjustment bill [SF4282](#) updates appropriations based on the February 2026 forecast. The bill also clarifies federal paraprofessional competency requirements, permits using capital operating revenue for utilities, and authorizes two district fund transfers, including one for District 197.



At the May 29 AMSD Board of Directors meeting, Minnesota Department of Education Director of School Finance Cathy Erickson provided insight on how approved legislation will affect school funding.

Education Policy

The Education Policy Bill, HF4492, includes several provisions including modifications to the READ Act. The bill:

- Extends the option for a school district to reduce the hours of instruction by 5.5 hours for teachers to receive at least 5.5 hours of approved professional development through the 2026-27 school year.
- Excludes a teacher who was first enrolled in a Minnesota-approved elementary, special education, or early childhood education teacher preparation program on or after June 1, 2026, from additional training.
- Amends the definition of literacy specialist to include any Professional Educator Licensing and Standards Board licensed educator who has completed Read Act professional development.

- Beginning with the 2026-27 school year, local literacy plans must include a description of how schools in the district will use the school library media center to complement students' foundational reading skills.
- Allows an English language learner's screening for the characteristics of dyslexia to be done according to vendor assessment guidelines.
- Directs a district to administer an approved reading screener to students in grades 4 and above who are not reading at grade level at least once per year until the student reaches grade-level proficiency.
- Requires districts to provide vendor-approved screening accommodations to students with documented accommodation plans.
- By Oct. 1, 2026, MDE must establish an ongoing review process to identify curriculum and intervention materials using the Read Act rubric that's posted on the department's website.
- Requires that districts issue high school diplomas to veterans of the Korean conflict and Vietnam war veterans, if requested.

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Anti-Grooming Bill Approved

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HHS Supplemental Finance Bill

The Omnibus Health and Human Services Supplemental Finance Bill includes:

- \$12.25 million in FY27 for school-linked behavioral health grants. Grant awards must allow a grantee to use grant funds for a partnership with a nonpublic or Tribal Contract school.
- \$3.8 million in FY27 only for mobile crisis services grants under [MS245.4889](#).
- Requires the Legislative Budget Office annually to survey school districts and charter schools to gather information about the school's group health insurance plans. Applies to self-insured and fully-insured school districts.

Omnibus Pension Bill

The Omnibus Pension Bill includes provisions related to TRA, including:

- Requires employers across all state public pension plans, including TRA, to make pension contributions on the salaries of reemployed annuitants. For TRA this means retired members who have returned to TRA-covered positions while drawing their pension.
- Lowers the minimum age from 62 to 59½ at which a teacher may enter into a written return-to-work agreement with their employer before retirement.
- Lowers the employee contributions for Saint Paul TRA members from 9 percent to 8 percent of salary for coordinated members.
- Extends the suspension of the earnings limitation for salary earned through FY2030 for retirees of TRA and Saint Paul Teachers returning to teaching service.

Anti-Grooming Bill

An anti-grooming bill, HF3489, was approved. The bill:

- Grants authority to the Professional Educators Licensing and Standards Board (PELSB) 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.
- Requires the Department of Children, Youth, and Families, in consultation with MDE, to update mandated reporter training to reflect grooming.
- Appropriates \$1,450,000 annually to MDE to increase the investigator capacity of the Student Maltreatment Program (SMP) team.

Omnibus Tax Bill

The Omnibus Tax Bill includes seasonal tax base replacement aid, providing school districts with a certain amount of class 4c(12) seasonal recreational market value with tax base replacement aid to reduce voter-approved operating referendum levies by up to 50 percent.

Elections Bill

The [Omnibus Elections Bill](#) includes language requiring that for special elections conducted by a school district with boundaries in more than one county, at least one polling place must be designated within each county in which more than 5,000 of the school district's registered voters reside.

School Bus Safety

Legislation passed earlier in the session extends the current law that requires vehicles approaching a school bus to stop now at any time a school bus is displaying flashing red lights, regardless of whether the stop signal arm is extended. The bill further clarifies flashing yellow lights, as well as updates

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Education Provisions Included in Several Bills

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requirements on first aid kits, body fluids cleanup kits, and other minor requirements.

Bonding Bill

The Bonding Bill includes:

- \$2 million for library construction grants.
- \$1.3 million for asset preservation for the Perpich Center for Arts Education.
- \$2 million for Early Childhood Capital Grants.
- \$1 million for the [Safe Routes to Schools Infrastructure Grant Program](#).

Links

- [LINK: View the MDE 2026 Legislative Session Review](#)
- [LINK: View the AMSD 2026 Legislative Session Review](#)

- [Supplemental Funding \(HF2433\) Bill language](#)
- [Compensatory revenue run](#)
- [Supplemental Funding Bill summary](#)

- [PSF Constitutional Amendment Bill Language](#)
- [HF3900 Bill Summary](#)

- [SF4282 Forecast Bill](#)
- [Forecast Adjustment Bill Summary](#)
- [Education Policy Bill](#)

- [Omnibus Health and Human Services Bill \(see Article 17 for language related to education\)](#)

- [Omnibus Pension Bill](#)
- [Pension Bill Summary](#)

- [Anti-Grooming Bill language](#)

- [HF2438 Omnibus Tax Bill Summary \(PDF\)](#)
- [Omnibus Tax Bill \(See Article IV\)](#)

- [HF4240 Elections Bill](#)
- [Elections Bill Summary](#)

- [Chapter 41 School Bus Safety](#)
- [School Bus Safety \(Flashing Lights\) Bill Summary](#)
- [Chapter 85 School Bus Safety](#)
- [School Bus Safety Bill \(Medical Kits and other requirements\) Summary](#)

- [2026 Bonding Bill Spreadsheet](#)