



TO: School Board Members

FROM: Peter Olson-Skog, Superintendent

DATE: March 2, 2026

SUBJECT: School District Legislative Priorities for the MN 2026 Legislative Session

BACKGROUND

This agenda item provides an overview of School District 197's 2026 legislative platform and outlines our priorities for the upcoming legislative session. The platform reflects current fiscal realities and focuses on stability, predictability, and responsible stewardship.

Financial Context

Districts across Minnesota continue to operate in a challenging environment shaped by:

- Inflationary pressure on goods and services
- Rising healthcare and labor costs
- Federal funding uncertainty
- Structural cross-subsidies in special education and other categorical programs
- Formula changes that are producing volatility unrelated to actual student need

Recent legislative investments were significant and appreciated. Much of that funding addressed long-standing structural gaps. However, it did not create excess capacity in district budgets.

Cost growth continues to outpace formula growth, and formula instability is creating budgeting challenges for FY2027.

Our legislative priorities focus on maintaining stability during this period.

Legislative Priorities

1. Extend Compensatory Revenue Hold Harmless for FY2027

The shift to direct certification counts in the compensatory revenue formula has created significant funding swings between districts.

For ISD 197:

- Current projections from MDE and internal analysis indicate a potential loss of approximately **\$500,000 to \$750,000 in FY2027**.
- This projected loss is driven by a counting methodology change, not by a meaningful decline in student poverty.

At the same time, some districts experienced substantial increases that were not aligned with comparable demographic shifts. The resulting redistribution has created instability across the system.

Districts are making staffing decisions now for the upcoming school year. Delayed legislative action would create unnecessary disruption.

Request: Early passage of a FY2027 hold harmless provision to provide stability while a long-term solution is finalized.

2. Establish Greater Fund Balance Flexibility

School districts operate within multiple restricted funding streams that limit how dollars may be used, even when overall district finances are under pressure.

ISD 197 has a specific example illustrating this challenge.

The School Board approved a levy to complete internal air quality improvements at two district schools. Through careful planning and disciplined execution, those projects were completed significantly under projected cost.

As a result:

- Excess funds remain in a restricted internal air quality (IAQ) account.
- Under current law, those dollars may only be used for similar future projects.

These funds are one-time in nature and are not part of our ongoing revenue stream.

Under current law, the funds must either remain restricted or be returned. If the flexibility we are seeking is not granted, the administration will strongly recommend keeping the funds in the restricted budget for future IAQ projects. Returning the funds, given they are one-time funds, would create significant volatility with a one-year reduction in taxes followed by an equal or greater increase the next year. That type of volatility does not serve taxpayers, schools, or students well. If approved, the flexibility we are seeking will maximize the dollars we can spend on the classroom and reduce the needed budget reductions to balance the budget and maintain an adequate fund balance.

Request: Legislative authority to redirect excess, one-time restricted funds into the general education account to strengthen overall fund balance stability and reduce the scale of program reductions.

This is not a request for new revenue. It is a request for flexibility in managing existing dollars.

3. Repeal the Proposed \$250 Million Reduction

The proposed \$250 million statewide reduction would undermine recent progress made in reducing structural funding gaps, particularly in special education and other categorical programs.

Districts already cross-subsidize special education and other mandated services using general education dollars. Recent legislative action helped reduce that burden.

A statewide reduction would:

- Recreate structural shortfalls
- Increase cross-subsidization
- Place additional pressure on general education programming

At a time of ongoing fiscal uncertainty, further reductions would increase instability for districts statewide.

Request: Repeal the proposed \$250 million reduction to preserve recent progress and maintain stability in school funding.

Summary

School District 197's 2026 legislative platform is focused on:

1. Extending compensatory revenue hold harmless for FY 2027
2. Establish greater fund balance flexibility (no increase revenue, just shifting from one fund to another)
3. Repeal the proposed statewide reduction in special education

These priorities are grounded in stability, equity, and responsible fiscal management. They are intended to protect students, maintain predictable budgeting, and ensure continued stewardship of taxpayer resources.

RECOMMENDED RESOLUTION

No resolution is needed.