MINNESOTA SCHOOL BOARDS ASSOCIATION
Where School Boards Learn to Lead

Resolution # 7

2025 Delegate Assembly
Proposed Legislative Resolution

TITLE OF RESOLUTION: Unemployment Insurance

SUBMITTED BY: Inver Grove Heights Community Schools, ISD 199, Elizabeth (Liz) Niemioja, Board Member, Austin Public Schools, ISD 492, Don Leathers, Board Member; Carrie Tate, Hastings Public Schools, ISD 200, Board Member and Becker Public School District, ISD 726, Dr. Jeremy Schmidt, Superintendent

RECOMMENDATION: Passage

BE IT RESOLVED, THAT MSBA URGES THE LEGISLATURE TO fully and permanently fund Unemployment Insurance for hourly school workers between term breaks or repeal.

DESCRIBE THE PROBLEM:
The cost of summer unemployment insurance for hourly school workers greatly exceeded projected expenses. Though the legislature approved an infusion of $77 million from the Northern Lights Express rail project and $22.6 million from special education aid, the depletion of these funds will leave school districts with a substantial burden.

EXPLAIN WHY THIS IS A PROBLEM:
Most districts do not have the resources to fully fund summer UI, struggle to fulfill needed summer employment positions, and subsequently face unexpected hourly resignations in the early fall.

BACKGROUND PROVIDED BY Inver Grove Heights:
References for Summer Unemployment Insurance for Hourly Workers-
-Internal District Discussions
-Minn. Stat. s. 124D.995 SCHOOL UNEMPLOYMENT AID

BACKGROUND PROVIDED BY Austin Public Schools, ISD 492:
- The State of Minnesota will fully fund the Unemployment Reimbursement Aid program passed by the legislature in 2023, which covers school district unemployment costs for qualifying non-certified staff, including paraprofessionals, food service, and transportation staff through 2028-2029. If not fully funded, we are asking that the legislature re $135 million apportioned for the 2023 legislation is nearly spent down
- An annual 40% growth in claims is far outpacing funding.
- 4% salary increases have further eroded the program's fund balance.
- An additional $100 million was passed by the 2025 legislature to last through 2026.
- The program is scheduled to continue through 2028-2029; at the rate, school districts may have to make up the difference using general fund monies.
- This creates an extremely onerous unfunded mandate. repeal the law.

- A 40% annual growth in claims makes the apportioned dollars less than adequate.
- School districts cannot levy for the difference if they participate in the program.
- If program dollars are depleted, school districts will be required to pay unemployment cost through their general funds.
- Austin Public Schools would have to pay an estimated $325,000 per year to pay costs.
- That would result in cutting approximately three certified staff from its budget.

CURRENT POSITION:

1.032 Urges the Legislature to create an ongoing and permanent funding stream for school districts' costs associated with unemployment insurance by hourly employees during between terms breaks in the school calendar. (2023)

CURRENT LAW:

Minn. Stat. 124D.995 School Unemployment Aid establishes the school unemployment aid account, governs deposits, and reimbursement mechanics subject to available appropriations.

124D.995 SCHOOL UNEMPLOYMENT AID.
Subdivision 1. Account established. An account is established in the special revenue fund known as the school unemployment aid account.
Subd. 2. Funds deposited in account. Funds appropriated for school unemployment aid must be transferred to the school unemployment aid account in the special revenue fund.
Subd. 3. Money appropriated. (a) Subject to the availability of funds, money in the account is annually appropriated to the commissioner of education to reimburse school districts; charter schools; intermediate school districts and cooperative units under section 123A.24, subdivision 2; the Perpich Center for Arts Education; and the Minnesota State Academies for costs associated with providing unemployment benefits
to school employees under section 268.085, subdivision 7, paragraph (b).
(b) The Perpich Center for Arts Education and the Minnesota State Academies may only apply to the commissioner for reimbursement of unemployment insurance amounts in excess of the amounts specifically identified in their annual agency appropriations.
(c) If the amount in the account is insufficient, the commissioner must proportionately reduce the aid payment to each recipient. Notwithstanding section 127A.45, subdivision 3, aid payments must be paid 90 percent in the current year and ten percent in the following year on a schedule determined by the commissioner.
Subd. 4. Administration and monitoring. Up to $275,000 is annually appropriated from the account to the commissioner of education for costs associated with administering and monitoring the program under this section. This amount is in addition to any other amount specifically appropriated for this purpose.
Subd. 5. School reimbursement. The commissioner of education must reimburse school districts, charter schools, intermediate school districts and other cooperative units, the Perpich Center for Arts Education, and the Minnesota State Academies in the form and manner specified by the commissioner. The commissioner may establish procedures to ensure that any costs reimbursed under this section are excluded from other school revenue calculations.

Subd. 6. Expiration. This section expires on June 30, 2027, and any balance remaining in the account is canceled to the general fund.

BACKGROUND PROVIDED BY MSBA:

Historical View of Unemployment Aid for Hourly Workers

Background & Timeline (key events to present)

- May 28, 2023 — Minnesota changes the "between terms" UI rule so non-instructional K-12 staff can access summer UI; Legislature appropriates $135M to help cover costs for schools receiving aid. Unemployment Insurance Minnesota+1
- Summer 2023 — First year of eligibility; statewide UI benefits to school support staff total ~$38–40M (MDE/EPI references). Economic Policy Institute
- 2023–2024 — Program operates with one-time state aid under Minn. Stat. § 124D.995 (School Unemployment Aid), with annual reconciliation of costs. MN Revisor's Office
- November 27, 2024 (MDE Executive Summary, as provided by MSBA) - Rapid cost growth documented:
  - Eligible staff increased from 17,866 (2023) to 21,062 (2024) (+18%).
  - Total expenditures increased from $40.1M (2023) to $56.3M (2024) (+40%).
  - Remaining balance from the original $135M estimated at $38.6M—projected depletion by Summer 2025 under observed growth. *(Source: MDE Executive Summary shared with MSBA.)*
- April–May 2025 (Legislative negotiations) — Education budget stalls over UI program costs and sunset; ultimately HF 1143 passes: redirects $77.23M from NLX and ~$22.6M from special education aid to provide a one-time $100M infusion for FY2026; program remains scheduled to end after 2028–29 absent further action. Minnesota House of Representatives+3MPR News+3Minnesota House of Representatives+3
- July 1, 2025 — Extension and funding changes take effect; hourly workers continue to be eligible, but districts face looming responsibility if no permanent funding is enacted. https://www.kttc.com+1

Statewide Impact (MSBA Fall 2024 Survey)

- Claims up 25% among responding districts: 7,282 (2023) → 9,082 (2024).
- Operational disruption: districts had to scramble to fill 467 critical student-support positions after school started due to late resignations tied to the summer benefit.
- Program cancellations: 10 summer programs canceled in 2023, 20 in 2024 among respondents.
- Retention impact minimal: < 5% reported the benefit helped retain non-instructional staff. mnmsba.org

Executive Summary: Unemployment Reimbursement Aid Update – November 27, 2024

Below is a detailed update on Minnesota's Unemployment Reimbursement Aid program, established in 2023 to support school districts, charter schools, and cooperatives in covering costs for summer unemployment benefits for eligible hourly staff.

Program Overview:

- Legislative appropriation: $135 million (effective May 28, 2023), available through FY2027 or until funds are exhausted.

- Designed to cover summer-term unemployment costs for qualifying non-certified school staff, with expenditures reconciled annually.
- Districts are restricted from using levies or other funding sources while receiving this aid.

Year-Over-Year Comparison:
Summer 2023:

- Eligible Staff: 17,866
- Total Expenditures: $40.1 million
- Average Cost per Staff: $2,246.19

Summer 2024:

- Eligible Staff: 21,062 (+3,196, or +17.9%)
- Total Expenditures: $56.3 million (+16.2 million, or +40.2%)
- Average Cost per Staff: $2,671.18 (+18.9%)

Updated Financial Projection:

- Projection of Remaining Funds Utilization:
  If expenditures grow at the adjusted rate of 44% annually:
  - The remaining $38.6 million is likely to be depleted in Summer of 2025 (earlier than the Summer 2026 projection based on 40% growth).
  - The fund will be short $17.7 million for summer of 2025, presuming no increase from 2024.

Cost Breakdown (2024):

- Paraprofessionals: 67.2% of expenditures
- Food Service: 13.6%
- Transportation: 6.3%

Conclusion:
The report illustrates significant growth in the program's impact, reflecting both increased participation and expenditures. The program's rapid growth underscores the increased reliance on this aid as districts expand support for non-certified hourly staff during the summer term.

MSBA Survey Results - October–November 2024
The Minnesota School Boards Association conducted a statewide survey during October and November of 2024. The survey was sent to all 331-member school districts of MSBA. 161 school districts responded to the survey, representing 43 percent of the total student enrollment. The survey captured perspectives from all regions of the state—urban, suburban, and rural—and nearly half of the state's students.

Key Findings on Unemployment Insurance (UI) for Hourly Workers
Rising Claims and Costs

- Claims up 25%: Unemployment claims for non-instructional staff (paraprofessionals, bus drivers, food service, custodians, etc.) grew from 7,282 in 2023 to 9,082 in 2024 among reporting districts.
- Increased fiscal pressure: The rise in claims highlights an ongoing, unsustainable cost shift to districts as one-time state offsets from the 2023 session are being depleted.

Staffing & Retention Challenges

- Late resignations: Districts reported a growing number of late resignations—just before the school year starts—by staff who plan to take non-district jobs in the fall after collecting summer UI benefits.
- Critical vacancies: This pattern left districts scrambling to fill 467 critical student-support positions after the school year had begun.
- Summer program disruption:
    - Staff eligible for summer UI often declined summer work because doing so would reduce their net benefit.
    - Resulted in 10 summer programs cancelled in 2023 and 20 cancelled in 2024 among reporting districts.
- Minimal retention benefit: Fewer than 5% of districts reported that the new summer UI benefit helped retain hourly staff.

Implications

1. Policy-Goal Misalignment: While intended to support hourly school workers during summer breaks, the program has led to higher UI costs, reduced summer staff availability, and less stability in the school workforce.
2. Fiscal Uncertainty: The expiration of the one-time state funding (Northern Lights Express funds and special education aid) means districts face substantial unfunded liabilities starting in FY2026.
3. Operational Disruption: Difficulty staffing summer programs and late-summer resignations directly impact student services and readiness for the school year.

Conclusion

The survey shows a widespread, statewide impact—with rising costs and unintended workforce consequences. Sustainable solutions are urgently needed: either

- Permanent state funding for summer UI benefits, or
- Repeal of the 2023 law.

Without state action, districts face budget cuts, program reductions, and continued staffing instability.

RATIONALE:

Minnesota’s decision to extend summer unemployment insurance (UI) to non-licensed hourly school employees, beginning in summer 2023, created a benefit without a stable funding base. While the intent was to provide income stability for support staff between school terms, the program costs have far exceeded projections and created a benefit without a long-term funding source.

The one-time appropriations that have kept districts afloat to date were secured through aggressive lobbying by MSBA, which pushed the Legislature to recognize the strain the mandate placed on local districts. These temporary measures—such as shifting $77.23 million from the Northern Lights Express rail project and $22.6 million from special education aid to create a one-time $100 million appropriation for FY 2026—are not a sustainable solution. Once these funds run out, the burden shifts back to already strained local operating budgets, further competing with special education cross-subsidies, transportation, and student support needs.

Districts report that some eligible employees decline summer work hours to maintain UI eligibility, undermining summer programming in areas such as extended learning, transportation, nutrition, and student support.

The new statewide benefit is also linked to an increase in late-summer resignations, often just before the school year starts, forcing emergency hiring and destabilizing critical services for students.

MSBA Policy Options and their Rationale

Option A: Permanently Fund the Program

- Aligns with the Legislature's policy choice since 2023 to extend UI to hourly workers.
- Provides budget predictability for both districts and employees.
- Avoids forcing local school boards to levy for a state-mandated benefit.
- Consistent with MSBA Position 1.032.

Option B: Repeal the Mandate

- If lawmakers are unwilling to provide ongoing state funding, repeal would prevent the program from becoming a perpetual, unfunded or sporadically funded mandate.
- Shields classroom instruction and student services from general fund reductions.
- Protects local taxpayers from future levy increases.
- Restores clear expectations for summer employment and may reduce late-season staffing resignations.

Option C: Significant Program Redesign (Future Consideration)

- If neither permanent funding (A) nor repeal (B) is chosen, the Legislature may need to consider reforms to balance worker support with operational stability.
- For example, the Grand Rapids School Board's (See Grand Rapids proposed resolution in the MSBA Delegate Assembly Guidebook) proposal would allow summer UI eligibility only if staff resign by July 1, reducing late-August resignations that disrupt fall hiring and operations.
- While not part of this resolution, it may be a potential path forward if policymakers decline Options A or B.

Lawmakers must make a clear policy choice: either permanently fund summer UI for hourly school staff or repeal the mandate. Continuing with one-time fixes, even those secured through MSBA's strong advocacy, forces districts into recurring budget uncertainties and undermines long-term planning. If neither course is adopted, the state must at least consider a targeted redesign to mitigate unintended consequences for students, employees, and district budgets.

Therefore, MSBA recommends passage.