

**Subject** Compensatory Revenue

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## Overview

A substantial part of each public school's general education revenue is provided to the school through a formula called compensatory revenue. Compensatory revenue is a concentration revenue formula initially calculated at the school site level based on the percentage of students at each school site eligible under the national school lunch guidelines for student eligibility for free or reduced-price meals (the higher the concentration percentage, the higher the compensatory revenue for each qualifying student). Compensatory revenue must be reserved and used for the purposes stated in statute.

School districts and charter schools qualify for compensatory revenue based on the numbers of free or reduced-price meal eligible students attending school in the school district or charter school. Eligible students may be identified through a direct administrative match of the family's income through other income eligibility programs (like medical assistance, MFIP or SNAP), or through the application process, where a paper application or online application is submitted by the family. Note: for school meals funding, the federal government still requires Minnesota to collect the income eligibility status of each qualifying student, and some schools use free or reduced-price meal eligibility for other types of programs as well.

The 2023 Legislature made changes to the compensatory revenue formula. H.F. 4232 extends the statewide floor of compensatory revenue to fiscal years following 2027 and later and, in years when the formula driven amount is less than the statewide floor, requires the increase in compensatory funding to be made proportionately across all school sites.

## Summary

Section	Description
1	<p><b>Compensatory education revenue.</b></p> <p>Extends the minimum compensatory revenue floor of \$857.152 million to fiscal years 2028 and later. Requires that if initial compensatory revenue is less than the statutory floor, that each site's increase of revenue until the statewide floor is reached must be done in a proportionate manner.</p>



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