

Subject School District Compensatory Revenue

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Overview

Compensatory revenue is the state's primary formula designed to provide additional funding to school districts serving students from lower-income families. Compensatory revenue is a component of general education revenue and is based on the previous year's count of free and reduced-price meal eligible students at each school site, which serves as a proxy for the number of students in need of additional educational assistance.

Significant changes were made to the compensatory revenue calculation by the 2023 Legislature. The two main changes:

- Limit the count of eligible students to only those students identified as free or reduced-price meal eligible through a "direct match" with income information held by the state for participants in certain public assistance programs such as Medical Assistance, SNAP, and TANF. Prior to fiscal year 2026, some students were also identified by the family completing the application for educational benefits (the paper form for school lunch).
- Modify the concentration formula by taking the eligible compensatory pupil count for the previous year and dividing it by the school site's enrollment for that same year.

H.F. 745 includes students identified through the application for educational benefits (paper forms) to the eligible compensatory pupil count. H.F. 745 also requires a task force to evaluate the compensatory education revenue formula and recommend changes to the formula.

Summary

Section	Description
1	Free and reduced-price meals. [Counting Compensatory Pupils] Restores to the count of eligible compensatory pupil units the students identified through the application for educational benefits (the paper forms).
2	Building allocation. [Compensatory Revenue Uses] Authorizes a school district, upon board approval for fiscal years 2026 and 2027 only, to allocate up to 40 percent of the district's compensatory revenue on a districtwide basis (under current law, at least 80 percent of the revenue must remain for use at each specific school site).
3	Compensatory revenue task force. Creates a Compensatory Revenue Task Force consisting of 13 members and charges the task force with examining Minnesota's compensatory revenue program and reporting recommendations to the legislature. Requires an initial report by February 15, 2026, and a final report by February 15, 2027.
4	Appropriations. Appropriates an unspecified amount from the general fund to the commissioner of education for additional general education revenue. Provides a onetime appropriation for the Compensatory Revenue Task Force.



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