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Overview

Compensatory revenue is the state's primary formula designed to provide additional funding to school districts serving students from low socioeconomic status. Minnesota's compensatory formula is based on the free and reduced lunch count, which serves as a proxy for the number of students in need of additional educational assistance. For the 2017-18 school year, compensatory revenue is expected to total about \$538 million.

Compensatory revenue is site-based revenue. Compensatory revenue must be used to meet the educational needs of pupils whose progress toward meeting state or local content or performance standards is below the level that is appropriate for learners of their age.

The formula that generates compensatory revenue is a concentration formula based on each school building's count of students who are eligible for free or reduced price meals. The formula is often referred to as a concentration formula because as the concentration of students eligible for free or reduced price meals increases, the compensatory revenue per compensatory pupil also increases.

HF 2104 is designed to provide additional compensatory revenue to large school districts with less than \$1,400 of compensatory revenue per free or reduced price meal eligible student. This provision has an estimated annual cost of \$14.6 million.

Section

- 1** **Compensatory revenue.** Adds a new component to compensatory revenue. Qualifies the 20 largest school districts in Minnesota for the additional revenue. Sets the revenue allowance equal to the greater of zero or the difference between \$1,400 and the district's existing compensatory revenue per eligible student. Makes the revenue equal to the new allowance times the district eligible student count.