

**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 low socioeconomic status. Minnesota's compensatory formula is based on each school site's free and reduced lunch count, which serves as a proxy for the number of students in need of additional educational assistance.

Compensatory revenue is site-based revenue. The revenue is calculated based on the characteristics of each school site, and the revenue is initially designated to be spent on qualifying programs at each site. Under current law, a school board may adopt a resolution to reallocate up to 50 percent of the revenue for eligible uses across the district. 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.

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. Under current law, the concentration level does not increase once 80 percent of the students at the school site are eligible for free or reduced-price meals.

For the 2020-2021 school year, compensatory revenue is expected to total about \$542 million. This amount is expected to drop to about \$465 million for the 2021-2022 school year.

H.F. 1144 removes the 80 percent limit on concentration, increases the percentage of compensatory revenue that must remain at each school site from 50 to 80 percent, and requires compensatory revenue to be used for evidence-based programs.

## Summary

Section	Description
1	<p><b>Compensation revenue pupil units.</b></p> <p>Removes the concentration cap that is currently established at 80 percent (under current law, every eligible student above the cap continues to generate per pupil compensatory revenue, but at the same rate as if the school's concentration were at 80 percent). Removing the cap increases compensatory revenue for school sites where more than 80 percent of the students qualify for free or reduced-price meals.</p>
2	<p><b>Basic skills revenue; compensatory education revenue.</b></p> <p>Increases the portion of compensatory revenue that must remain at the school site that generated the compensatory revenue from 50 to 80 percent of the total revenue. The school board may reallocate the remaining 20 percent of compensatory revenue according to a plan adopted by the school board.</p> <p>Requires that compensatory revenue be spent on evidence-based programming.</p> <p>Requires compensatory revenue to be reported by functional spending area (current law requires the revenue to be reported by UFARS accounting code only).</p>
3	<p><b>Appropriations.</b></p> <p>Appropriates an unspecified amount of revenue from the general fund to the commissioner of education for additional compensatory education aid.</p>



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