

Subject Modifying 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 calculated at the school site level based on the percent of students at each school site eligible 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.

In recent years, increasing attention has been paid to the way that eligible students are identified as income-eligible. Many students are identified through a direct match process where participation in other income-sensitive programs (SNAP, MFIP, and now medical assistance) is "directly matched" by the school district. Other students are identified as income-eligible through the paper form used to qualify for free and reduced-price meals.

H.F. 1547 makes a number of changes to the compensatory revenue program, including: increasing each site's revenue for factors that may be related to the undercount of students; modifying the uses of compensatory revenue and implementing best practices for compensatory expenditures; requiring a greater percentage of revenue to stay at the school site where the revenue is generated; and requiring MDE to recommend any changes necessary to other formulas or processes that rely on the paper eligibility forms.

Summary

Section	Description
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1	Compensation revenue pupil units.
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	Explicitly authorizes the adjustment to compensatory revenue for undercounts of eligible pupils.
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Section	Description
2	<p>Compensatory education revenue.</p> <p>Requires each district's compensatory revenue to be adjusted upwards. Sets the maximum adjustment to not more than 10 percentage points consisting of the following adjustments:</p> <ul style="list-style-type: none">• up to four percent for students identified as English learners;• up to four percent for student eligibility based on paper forms submitted during the fall of 2022; and• up to two percent based on the previous year's count of highly mobile and homeless pupils.
3	<p>Uses of revenue.</p> <p>Restructures, narrows, and reorganizes the acceptable uses of compensatory revenue for fiscal year 2024 and later.</p>
4	<p>Building allocation.</p> <p>Requires at least 70 percent of a school site's compensatory revenue to remain at that school site. Authorizes a school board to reallocate no more than 30 percent of the site-based revenue based on its reallocation plan (current law requires at least 50 percent of compensatory revenue to remain at the school site where it was generated).</p>
5	<p>Annual expenditure report.</p> <p>Requires a school district to report whether programs funded with compensatory revenue are consistent with best practices demonstrated to raise student achievement.</p> <p>Requires the Minnesota Department of Education (MDE) and the regional centers of excellence to provide schools with resources to identify best practices when implementing compensatory revenue programs.</p>
6	<p>Replacing paper forms.</p> <p>Requires MDE to report to the education committees of the legislature about whether paper school meals eligibility forms may be eliminated without any consequences to school formulas or other data collection processes.</p>
7	<p>Appropriation; compensatory revenue.</p> <p>Appropriates an unspecified amount of funds for the increase in general education revenue necessary to fund the higher levels of compensatory revenue.</p>



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