Association of Metropolitan School Districts

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Position on Compensatory Revenue

State policymakers must enhance the compensatory funding formula by adding additional criteria, beyond direct certification, to identify students eligible for compensatory services. In addition, school boards should have greater authority to allocate compensatory funding to ensure all students needing additional support are served.

AMSD BELIEVES

- School districts strive to meet the needs of students whose educational progress is below grade level as assessed by federal, state or local content or performance standards. The current compensatory revenue formula should be revised to better reflect the increased resources needed to properly serve students from low-income families.
- To ensure equitable outcomes, schools with high concentrations of students who qualify for free or reduced price lunch need even greater resources to provide the extra services these students need to achieve and meet State graduation requirements.
- Relying only on direct certification fails to identify many students who need additional support to be successful.

BACKGROUND

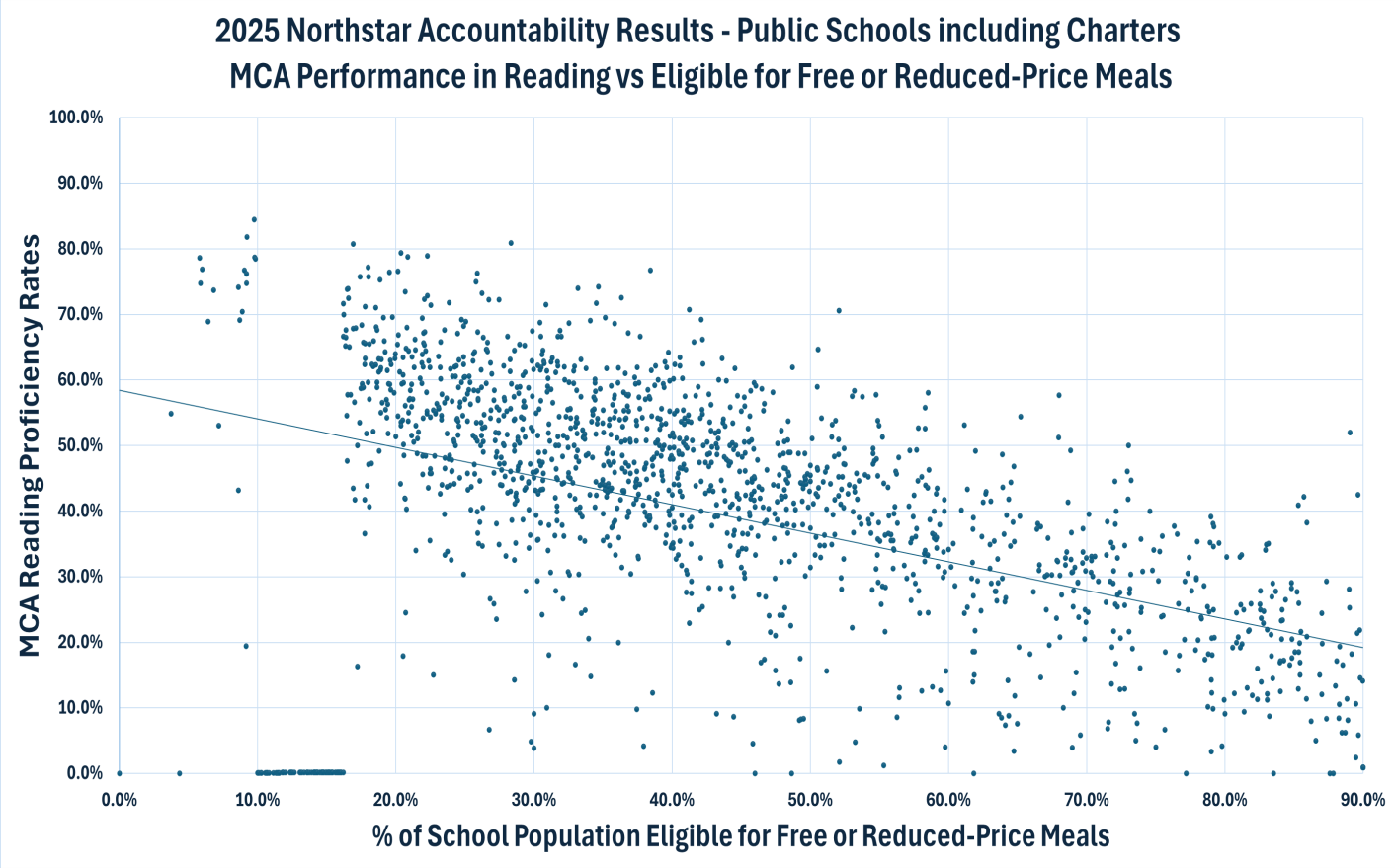
Compensatory revenue is state funding intended to help meet the educational needs of students whose progress in meeting academic performance standards is below levels appropriate for their age group. Services funded through compensatory revenue include remedial instruction, additional teachers and aides, individualized instruction, longer school days, summer programs, ongoing staff development, programs to reduce truancy, and programs to encourage parental involvement. Studies have found a connection between providing additional funding for these at-risk students and increased academic success. [1]

Students generate compensatory revenue if they are federally eligible for free or reduced-price meals. Eligibility for free and reduced-price meals is set by the federal government at 130 percent and 185 percent of the federal poverty guidelines respectively. For FY26, these percentages limit yearly income for a family of four to not more than $41,795 and $59,478.[2] Prior to 2023, eligibility was primarily determined through completion of the application for educational benefits form. In addition, school districts could qualify students through "direct certification" by matching income information held by the state for participants in certain public assistance programs including medical assistance (MA) and SNAP (the Supplemental Nutrition Assistance Program).

The Minnesota Legislature passed the Universal School Meals Program in the 2023 session — a program that provides state reimbursement to schools that participate in the National School Lunch and School Breakfast Programs. The Universal Meals Program provides free breakfast and lunch for all Minnesota students, regardless of income eligibility. In addition, the law was changed to identify

students eligible for compensatory services strictly through direct certification. This fails to identify many students who are eligible for additional support.

The compensatory revenue formula is referred to as a "concentration formula." A higher percentage, or concentration, of students eligible for free and reduced-price meals at a school site leads to a higher count of compensatory pupil units and more revenue. The graph below highlights the importance of providing additional support to schools with higher concentrations of students from low-income families.



Endnotes

[1] "The Importance of At Risk Funding," Education Commission of the States, 2016. https://www.ecs.org/wp-content/uploads/The-Importance-of-At-risk-Funding.pdf

[2]Child Nutrition Programs: Income Eligibility Guidelines (July 1, 2025-June 30, 2026): https://www.govinfo.gov/content/pkg/FR-2025-03-13/pdf/2025-03821.pdf