Update: Legislative Task Force on Compensatory Revenue

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AMSD Board of Directors Meeting

August 7, 2026

Purpose

The Compensatory Revenue Task Force was established to “analyze the general education compensatory revenue formula, including the purpose of the program, the revenue levels of the program, the distribution formula for the revenue, the uses of compensatory revenue, and methods to evaluate the outcomes of compensatory revenue spending.” (2025 Special Session, Chapter 10, Section 27)

Task Force Scope and Duties

Evaluate which students currently generate compensatory revenue	1
Determine best proxy and demographic variables to identify students	2
Input data elements for determining compensatory revenue	3
Revenue generated at the school district or school site level	4
Evaluate the concentration formula	5
Extended time revenue program	6
Evaluate the best uses of compensatory revenue	7
Examine the effectiveness of compensatory revenue	8

Milestones

Preliminary Report

Due February 25, 2026

Completed and submitted to the MN Legislature

Final Report

Due October 15, 2026

In process, on track

Status of Subcommittee Work and Full Task Force Consensus

1. and 2. Target Population and Proxy Variables

Draft recommendation: Students underprepared to learn are the intended target beneficiaries for compensatory revenue. The **number of students experiencing poverty is the proxy** for identifying educational need and generating compensatory revenue.

Rationale: While poverty does not always indicate that a student is underprepared, and some students who are not in poverty may also be underprepared, there is a strong correlation between poverty and learning readiness.

Status of Subcommittee Work and Full Task Force Consensus

1. and 2. Target Population and Proxy Variables

Additional considerations to be documented in final report:

- Important to acknowledge that some of the investments made with compensatory revenue will benefit all students, not only those underprepared to learn (for example, additional instructional staff will benefit all students). However, the primary beneficiary should be students underprepared to learn.

- The task force affirms the critical importance of compensatory revenue in preparing all students for success in Minnesota's future, especially amidst future fiscal challenges to the state. The task force encourages the legislature to maintain this support for students.

Status of Subcommittee Work and Full Task Force Consensus

3. Data Elements

- Immediate/Short term: Use direct certification (SNAP, MFIP, FDIPR, foster care, migrants, homeless or runaway, Medicaid, per the definition in the guidebook), application for educational benefits forms, and SUN Bucks applications.
    - Include both free- and reduced-price lunch eligible students with the same weight in the formula.
    - Use a four-year rolling average to decrease annual variability.

- Long term: Use a combination of factors that include **income tax data**, direct certification, educational benefits forms, and SUN Bucks applications.

Status of Subcommittee Work and Full Task Force Consensus

3. Data Elements

Rationale:

- A combination of measures will more accurately identify and fund students. SUN Bucks applications provide an incentive to parents for completion. Intention is to capture as many kids in need as possible; expanding data elements and inputs helps to identify and count as many students in need as possible.
- Using income tax data would allow the state to determine the income threshold that indicates qualification/childhood poverty. Reduces the volatility and policy choices related to federal funding identifiers. Highlight research that was done to explore alternative models and approaches of other states; New Mexico has successfully transitioned to using income tax data as a first measure.
- Four-year rolling average reduces volatility and aligns with and has potential to maximize federal meal funding. In addition, the legislature functions on a biennial basis.

Status of Subcommittee Work and Full Task Force Consensus

3. Data Elements

Additional considerations to be documented in final report:

- Consider options for surging dollars when/if districts experience a rapid shift. Allow for flexibility.
- Consider order and implication of layering forms, taxes, direct certification.
- Consider other Minnesota programs that may be poverty identifiers (for example, Child Tax Credit).
- Consider a different threshold for poverty as the federal definition does not fully capture youth in poverty. This question of determining poverty thresholds is outside of the purview of the task force but the use of income tax data in the future would allow further analysis and action.
- The task force recognizes additional study of feasibility may be required to use income tax data.
- DCYF and MDE are already working to streamline applications for educational benefits forms, which the task force encourages.

Status of Subcommittee Work and Full Task Force Consensus

4. District or Site Level

- Short term: 70% stays at the site.
- Longer term: Create a set of conditions for a school district to be able to have **maximum flexibility** with where the dollars are spent with the expectation that those schools would be required to submit a report documenting and justifying what the district will spend the dollars on, and the expectation that MDE will report publicly what these "flexibility districts" are doing with the dollars.
- The threshold for eligibility for additional flexibility would be the median district enrollment size; districts serving a smaller number of students with fewer buildings could choose to apply to MDE for this flexibility.

Status of Subcommittee Work and Full Task Force Consensus

4. District or Site Level

Rationale:

- The recommendation reflects a compromise, acknowledging tension between enabling district flexibility to respond to dynamic needs of students and ensuring that dollars flow to the sites with students generating compensatory dollars.
- Poverty is an imperfect measure of educational need and flexibility will allow for districts to account for that.
- The longer-term recommendation maintains the spirit of the current formula, aligning benefits to the proxy for need. It also recognizes that many districts in this state don't have enough buildings or large differences in poverty levels between buildings. The rules make it harder for smaller districts to use their compensatory funding in ways that best meet the needs of their students.

Additional considerations to be documented final report: Districts can always allocate higher than the required threshold to a site.

Passed with 77% voting in favor

5. Concentration

Recommendation:

Return the concentration factor to 0.8 with “Reduced Price” counted as 1.0 and Ed Benefits forms included in the calculation.

Rationale: Higher concentrations of students in poverty result in higher levels of need in the educational environment. There are currently 158 school sites that are above the 80% threshold.

Status of Subcommittee Work and Full Task Force Consensus

6. Extended Time Revenue

Recommendation:

No changes to extended time revenue.

Rationale:

- Arguments against change include concerns about students losing access to supports for credit recovery when decoupled from poverty metrics. Do not recommend any changes without further understanding of what issue any change would be attempting to solve.
- Arguments in favor of better integration include inflation factor and the benefit of implication of funding models (reduce complexity of school funding). Could establish a statutory minimum.

Status of Subcommittee Work and Full Task Force Consensus

7. Uses

Recommendation:

No change in allowable uses.

Rationale:

We have seen little evidence from districts, staff, students, or other stakeholders that:

- Current allowable uses are preventing districts from using the fund to meet needs,
- There are clear consensus additional uses that should be added, or
- Adding specific, clear additional uses would prompt districts to make different spending choices.

Status of Subcommittee Work and Full Task Force Consensus

7. Uses

Additional considerations to be documented final report:

- The funds are generated by and intended to benefit a population of students in poverty.
- We further believe it is important to acknowledge the ancillary benefits to a wider population of students who may gain from the investment of compensatory funds. Clarifying the intended primary beneficiaries of compensatory dollars will help clarify allowable uses.
- Answering the question “which students are intended to benefit from these investments” as clearly as possible helps districts direct funding just as much as outlined allowable uses.

Status of Subcommittee Work and Full Task Force Consensus

8. Effectiveness

Recommendation:

Add a short narrative requirement on the uses of compensatory revenue to the CACR section “All racial and economic achievement gaps between students are closed.” This section should direct the district to explain how funds are used and why the decision was made to use the funds this way. MDE compile promising practices to share with districts.

Rationale:

Numerous reports required by districts address student achievement and growth. Compensatory revenue uses could be captured by one of the existing reports; we recommend the Comprehensive Achievement and Civic Readiness (CACR) report.

Status of Subcommittee Work and Full Task Force Consensus

8. Effectiveness

Additional considerations to be documented final report:

- Complexity of challenges facing students underprepared to learn limits ways to effectively evaluate the true impact of compensatory. It is unrealistic to isolate the impact of compensatory revenue in the larger context of insufficient overall funding to schools. It is also unrealistic to measure the impact of compensatory funding when it comes to prevention.
- Further, the Office of the Legislative Auditor provided compelling evidence in 2020 that measuring effectiveness is unrealistic.
- While we are providing flexibility to districts, we also need to show that we are producing results and provide districts with the information they need to use funds in ways that best support students and reduce inequities.The task force did not feel its role was to determine specific measures of effectiveness but instead believes that this work should involve additional experts and practitioners.

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