MINNESOTA

Compensatory Revenue Task Force

Final Report to the Legislature

October 2026

As required by Minnesota Statutes, 2025 1st Special Session, Chapter 10, Article 1, Section 27

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Executive Summary

Compensatory revenue provides funding to support students who are academically underprepared and at risk of not meeting academic standards. In recent years, Minnesota has made several short-term changes to compensatory revenue. The Compensatory Revenue Task Force was established by the Minnesota Legislature in 2025 to make recommendations on compensatory revenue, including the funding's target population, data elements of the compensatory formula, and the uses of compensatory revenue. The task force met from September 2025 through October 2026.

The task force affirms the critical importance of compensatory revenue in preparing all students for future success and encourages the legislature to maintain this support for students.

The task force recommends that students underprepared to learn be the intended target beneficiaries for compensatory revenue and that the number of students experiencing poverty be the proxy for identifying educational need. 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.

To identify as many eligible students as possible, the task force recommends combining multiple sources of data, including:

- Direct certification (data from Supplemental Nutrition Assistance Program [SNAP], Minnesota Family Investment Program [MFIP], Food Distribution Program on Indian Reservations, foster care, migrant youth, homeless or runaway youth, and Medicaid enrollment),
- Application for Educational Benefits forms, and
- SUN Bucks applications.

Starting in fiscal year 2028, the task force recommends using a four-year rolling average to provide more financial certainty and predictability to schools. Longer-term, the task force recommends adding income tax data as a way to identify students not served by other programs, reduce dependence on federal data, and provide more flexibility to the state in determining eligible income thresholds.

When calculating compensatory revenue, the task force recommends:

- Both free and reduced-price lunch eligible students are included with the same weight
- Concentration formula increases per-pupil funding as a school's concentration of students in poverty increases, and
- At least 70% of compensatory revenue must be spent at the school site that generated it

Finally, the task force recommends that schools should describe each year how they spend compensatory revenue, and Minnesota Department of Education (MDE) should compile an annual report summarizing how funds are used across Minnesota and identify promising practices for serving students who are academically behind. The intent of this report would be for practitioners to recognize the range of investments funded with compensatory revenue and help them identify effective practices for their schools.

Task Force Background and Process

In 2025, the Minnesota Legislature established the Compensatory Revenue Task Force 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" (Minnesota Session Laws, 1st Special Session, chapter 10, article 1, section 27).

The enabling legislation required the task force to submit both a preliminary and final report with recommendations based on their research and evaluation.

The legislation also specified that the task force include 14 members. The commissioner of education appointed 10 members. The House majority leader, House speaker emerita, Senate majority leader, and Senate minority leader each appoint one member.

The members included:

- Janey Atchison, Teacher, Saint Paul Public Schools
- Earl V. Athman, Owner, School Finance Consulting Services
- Kris Blackburn, Director of Business Services, South Washington County Schools
- Andrea Cecconi, Research and Negotiations Specialist, Education Minnesota
- Doron Clark, Senator, Minnesota Senate
- Sandra Feist, Representative, Minnesota House of Representatives
- Leah Gardner, Policy Director, The Food Group
- Matt Grose, Superintendent, Grand Rapids School District
- Tiffany Gustin, Director of Management and Insurance Trust Services, Minnesota School Boards Association
- Darius Husain, Executive Director, Face to Face Academy
- Dr. Chris Mills, Superintendent, Thief River Falls School District
- Kent Pekel, Superintendent, Rochester Public Schools
- Matt Shaver, Senior Policy Director, Ed Allies
- Zena Stenvik, Superintendent, Columbia Heights Public School District

MDE engaged Management Analysis and Development (MAD) to assist in meeting facilitation and coordinating the development of task force reports. MAD, part of Minnesota Management and Budget, is the State of Minnesota's management consulting practice. MAD provided planning, meeting design, and facilitation expertise throughout the task force process, working in close collaboration with MDE and task force members.

The task force followed the typical phases of a legislative task force: assessment and design, preparation, building common knowledge, identifying options, developing recommendations, reporting, and close-out. The task force launched in September 2025 and concluded its work in October 2026.

The task force met 13 times. Each meeting is summarized in Appendix A.

Compensatory revenue background

Purpose and Uses

Compensatory revenue is a component of general education revenue that provides additional funding to support the educational operations of school districts, charter schools, intermediate districts, and cooperatives in Minnesota. Compensatory revenue is generated at the school site level based on October 1 student enrollment counts and the number of students eligible for free or reduced-price meals.

Historically, at least 80% of the compensatory revenue generated by a school site was required to be spent at that site. For Fiscal Years 2026, 2027, and 2028, however, the required site-level expenditure percentage was temporarily reduced to 60%.

Compensatory revenue must be used to support the educational needs of students who are not yet meeting state or local academic expectations for their age.

Eligible uses of compensatory revenue include but are not limited to:

- Providing remedial instruction in reading, mathematics, and other core curriculum areas
- Adding teachers and teacher aides to provide more individualized instruction
- Lengthening the school day, school week, or school year, including summer school programs
- Operating programs designed to reduce truancy and providing counseling, guidance, and social work services, including coordination with other governmental agencies
- Providing bilingual and bicultural programs for English learners
- Providing early education programs, parent training, home visits, and other family outreach efforts
- Providing transition programs for students receiving special education services through age 22
- Providing professional development for teachers and staff focused on:
    - Meeting the needs of English learners
    - Using assessment and instructional tools
    - Reducing the use of exclusionary discipline
    - Training tutors and staff who work in extended-day programs

Evolution of the Compensatory Revenue Calculation

Historically, compensatory revenue was calculated using a site's compensatory pupil units. Compensatory pupil unit counts are based on free and reduced-price lunch eligibility. The calculation was based on the number of students enrolled at a site on October 1 of the previous school year, the October 1 count of students eligible for free or reduced-price meals, and a statutory formula allowance.

Since the inception of compensatory revenue, students were counted as eligible for free and reduced-price lunch (FRPL) as identified by the Application for Educational Benefits. In the 2008-09 school year,

students identified via SNAP, Minnesota Family Investment Program (MFIP, and foster care enrollments were also automatically identified as FRPL/compensatory-eligible via a process known as direct certification.

Starting in the 2022-23 school year, students enrolled in Medicaid were also automatically identified as FRPL-eligible. An expansion in Medicaid eligibility nationally resulted in an increase in direct certifications and thus an increase in the count of compensatory pupil units in 2022-23.

Over the past several legislative cycles, the legislature has made significant changes to both the calculation of compensatory revenue and the requirements governing the distribution and expenditure of those funds. The major changes are summarized below.

Fiscal Year 2024

- In the 2023 legislative session, among other significant changes to the compensatory revenue formula, Education Benefit Forms were eliminated from the calculation of compensatory pupil units, leaving students directly certified as FRPL-eligible to generate compensatory revenue.
- Following this legislative change, district revenue projections began to show unexpected volatility beginning in Fiscal Year 2024.

Fiscal Year 2025

First year of the hold-harmless provision

- A hold-harmless provision was introduced for the compensatory revenue calculation to limit the immediate funding impacts of the change to direct certification.
- For purposes of the calculation, a site's compensatory pupil units were based on the higher of its Fiscal Year 2024 or Fiscal Year 2025 compensatory pupil units.

Fiscal Year 2026

First year of the statewide minimum funding floor

- A statewide minimum funding floor was established for compensatory revenue.
- The state was required to provide at least $838.947 million in compensatory revenue.

Second year of the hold-harmless provision

- The hold-harmless provision continued.
- For purposes of the calculation, a site's compensatory pupil units were based on the higher of its Fiscal Year 2024 or Fiscal Year 2026 compensatory pupil units.

Site-level spending requirement

- The percentage of compensatory revenue required to be spent at the generating school site was temporarily reduced from 80% to 60%.

Fiscal Year 2027

Second year of the statewide funding floor

- Beginning in Fiscal Year 2027, the statewide minimum funding level for compensatory revenue increased to $857.152 million. This applies in Fiscal Year 2027 and subsequent years.

Transition from compensatory pupil units to the building concentration factor

- Legislative changes in 2023 substantially restructured the way compensatory revenue is calculated.
- A building concentration factor replaced compensatory pupil units as the basis for determining a site's compensatory revenue.
- Fiscal Year 2027 was also the first year in which the calculation only used direct certification counts to determine the number of students eligible for FRPL. Previous years also used Application for Educational Benefits forms to determine eligibility.

One-time $10 million hold-harmless provision

- A one-time, statewide $10 million hold-harmless provision was added on top of the minimum funding floor.
- The provision was intended to help mitigate losses for school sites that would otherwise receive less compensatory revenue under the new building concentration factor calculation and provide those sites an opportunity to adjust to the new funding methodology.

Task Force Research Summary

A subcommittee of the Compensatory Revenue Task Force reviewed research and statutes from other states to better understand the ecosystem of funding for "at-risk" students, defined as English learners, students from low-income backgrounds, or both. The Learning Policy Institute (LPI) report Funding Student Needs: A Review of State Funding Policies for English Learners and Students from Low-Income Backgrounds served as a helpful launch pad for these inquiries.

Funding for At-Risk Students

The LPI report offers a clear rationale for state policies that provide additional funding on top of base funding to reach students in need of additional support. In a summary of current and past research on funding and student achievement that, LPI reports "increased spending leads to a range of positive educational outcomes, including higher educational attainment, higher graduation rates, greater earnings post-graduation, and lower incidences of poverty" (p. 5). From this, the task force subcommittee concluded that Minnesota's compensatory revenue stream is consistent with research about the need and efficacy for such a funding source.

The subcommittee reviewed the structure and substance of at-risk formulas from other states. They had a particular focus on student populations targeted for additional funding, proxy measures for identifying "at-risk" students, allowable uses of additional funds, and concentration factors.

Proxy Measures for At-risk Students

Minnesota is among 44 states with a funding structure directing additional resources to "at-risk" students. Notably, Minnesota is among 37 states that direct funding to the educational needs of both English learners and "at-risk" students. State policies on education vary widely, so it is notable that in all 44 states with a comparable funding stream, students from low-income families are those intended to receive support from that funding source. Digging further into proxy measures, LPI notes that 32 states use low-income measures exclusively, while 12 states use a combination of low-income measures and other factors. As subcommittee members reviewed recent legislation and changes to funding structures, they noted that states are moving from FRPL eligibility as the primary proxy to a combination. In parallel with policies adopting a universal free meals model, more states use factors that overlap with national direct certification policies. This can include students who are experiencing homelessness, in foster care, or unaccompanied minors.

Concentration Formulas

Half of the state policies with at-risk formulas mirror Minnesota's use of a concentration formula. LPI concisely notes that "this approach recognizes that as concentrated poverty increases, the costs of achieving any given level of educational outcomes increase significantly." Twenty-two states contain funding that increases as the density of students in poverty increases.

Allowable Uses

Finally, Minnesota is among the minority of states with similar funding structures in our approach to allowable uses. Twelve states prescribe uses of these funds. Uses vary from broad (targeting funding to the intended population) to specific (required spending on staffing, sites, or professional development).

Alternative approaches, including use of tax data

Subcommittee members considered alternatives to relying solely on FRPL applications or participation in federal benefit programs as proxies for poverty. While direct certification can reduce administrative burden and simplify identification, it still depends on families' participation in programs such as SNAP or Medicaid. Changes in federal eligibility rules, enrollment practices, or participation rates may therefore affect student counts even when families' underlying economic circumstances have not changed.

State-held income tax data and geographically based census data could supplement direct certification, reduce undercounts, and give Minnesota greater control over how it identifies students experiencing poverty. Committee members met with representatives from the Minnesota Department of Revenue to discuss the viability of using income tax data in Minnesota. This would be a viable future option with effective data sharing and communication between state departments.

New Mexico's Family Income Index provides one example of a layered approach. The New Mexico Public Education Department first uses state tax return data to identify the income category of students' households. When the department cannot match tax data, the state uses income information collected through applications for public benefits including SNAP, Medicaid, and TANF. When no data source is available, the department assigns students using the most current census income data associated with their reported address.

New Mexico uses the results to calculate each school's concentration of students in several income categories, with a three-year average providing additional stability. The state's experience demonstrates how multiple state and federal data sources can work together in a sequential process to identify more students, reduce reliance on any single program, and provide a more complete and stable measure of poverty for allocating education resources (New Mexico statute).

Task Force Recommendations

For each duty area assigned by the legislature, the task force considered the current state of the topic area, developed options for consideration, and voted on a task force recommendation. Each section below summarizes the current state, the task force's recommendation and associated rationale, as well as additional considerations and discussions that emerged through the task force meetings.

Duty Areas 1 and 2: Target Populations and Proxy Variables

Legislative language: "Evaluate which students currently generate compensatory revenue, examine whether this student count aligns with students who are underprepared to learn or otherwise not meeting academic standards, and determine the best student population to target with compensatory revenue. Examine and determine the best proxy and demographic variables to identify students, sites, and districts in need of assistance to help students better meet academic standards and prepare to learn."

Current State

At the December 8, 2025, meeting, MDE described the current state of these duty areas:

- The current compensatory revenue formula uses eligible FRPL counts by site from the prior October 1 child count. Those counts go into a formula that further adjusts the counts to get to the final site-based revenue.
- MDE does not do specific analysis of students who qualify for FRPL and their level of preparedness to learn.
- During the COVID-19 pandemic, the federal government provided free meals to all students regardless of economic status.
    - As a result, there was a significant decline in families completing the Application for Educational Benefits.
- To address this, MDE opted into the Direct Certification Medicaid program beginning in the 2022–23 school year. This initiative, part of the USDA's expansion of direct certification methods, allows districts to use Medicaid data—along with SNAP and other programs—to identify students eligible for FRPL. This approach reduces reliance on paper applications and improves access for eligible students.
- Traditionally, the compensatory formula was based off calculated compensatory pupil units, which are a calculation combining Application for Educational Benefits forms and direct certification students.
    - In the free school meals legislation passed in 2023, the legislature created a hold harmless for Fiscal Year 2025 that compared the compensatory pupil units by school site for Fiscal Year 2024 and Fiscal Year 2025 and took the larger of the two as basis for the revenue calculation.

- Also in the 2023 legislation, for Fiscal Year 2026 the legislature enacted a direct certification studentonly formula that was based on FRPL student concentration by school site. However, during the Fiscal Year 2025 legislative session, the legislature created another one year "hold harmless" that compares Fiscal Year 2024 and Fiscal Tear 2026 compensatory pupil units and took the larger of the two.
- In Fiscal Year 2027, the compensatory formula, again, will be a direct certification students-only formula based on FRPL student concentration by school site.

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.

Thirteen task force members voted to make this recommendation. One task force member was absent.

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. The task force considered many variables and determined poverty as a proxy for need was the best option.

Additional Considerations and Discussion

The task force recognized 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 task force envisioned that the primary beneficiary of compensatory revenue should be students underprepared to learn. In addition, the task force affirmed 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.

Duty Area 3: Data Elements

Legislative language: "Examine potential input data elements for determining compensatory revenue, including income tax data, census information, and federal school meals eligibility, whether identified through direct certification of income from public assistance program participation or through the application for educational benefits."

Current State

At the December 8 meeting, the MDE described the current state of this area:

- MDE processes have not included a deeper dive into data elements to determine compensatory revenue beyond qualification based on educational benefits forms and direct certification.

Recommendation

- Combine several sources of data to identify as many eligible students as possible:
    - Direct certification (data from SNAP, MFIP, Food Distribution Program on Indian Reservations [FDPIR], foster care, migrant youth, homeless or runaway youth, and Medicaid enrollment, per the definition in the MDE's Direct Certification handbook).
    - Application for Educational Benefits forms, and
    - SUN Bucks applications.
- Include both FRPL-eligible students with the same weight in the formula.
- Starting in Fiscal Year 2028, which is calculated using the October 1, 2026 qualifying students, compensatory revenue will be calculated using a four-year rolling average. Averaging will be implemented beginning with Fiscal Year 2028. For example, Fiscal Year 2029 will be a two-year average of Fiscal Year 28 and Fiscal Year 29; Fiscal Year 30 will be a three-year average Fiscal Year 28, Fiscal Year 29, and Fiscal Year 30.
- Longer-term, use a combination of factors that includes income tax data, direct certification, educational benefits forms, and SUN Bucks applications.

Thirteen task force members voted to make this recommendation. One task force member was absent.

Rationale

Using a combination of measures will help the state more accurately identify and fund supports for students in need. The intention of this approach is to identify and count as many students in need as possible. Expanding data elements and inputs helps achieve this goal. The inclusion of SUN Bucks applications enables schools to provide a direct incentive to families for completion of forms.

In considering the income thresholds for FRPL students, the task force determined that both income levels reflected substantial economic hardship. Therefore, the task force recommends that these students should be weighed the same in calculating the formula.

Employing a four-year rolling average helps minimize fluctuations in funding, providing districts with more financial certainty and predictability. It also ensures consistency with the state's biennial budgeting schedule.

Task force research explored alternative models and approaches of other states and considered how New Mexico has transitioned to using income tax data as a first measure, supplemented by direct certification. Using income tax data as an element would allow the state to determine the income

threshold that indicates qualification/childhood poverty and would reduce the volatility and policy choices related to federal funding identifiers.

Additional considerations and discussion

At the September 30 meeting, the task force considered how to design a multi-year average to balance the responsiveness of the compensatory formula to changes in enrollment (which would suggest fewer years in the rolling average) with the fiscal predictability and stability it could provide to districts (which would suggest a greater number of years in the rolling average). Eight task force members voted to adjust the formula from a four-year to a two-year rolling average, but this did not meet the task force's threshold to revise the formal recommendation.

The task force encourages policy makers to consider exploring options to surge funding when districts experience a rapid shift in student needs or poverty levels (for example, when a large employer opens or closes, or when natural disaster strikes).

The task force also recommends further examination of the order and implications of layering multiple poverty indicators, including forms, income tax data, and direct certification, as well as considering other Minnesota programs that may serve as indicators of poverty, such as the Child Tax Credit.

The task force recognizes that the federal definition of poverty may not fully capture the experiences of youth living in poverty and encourages consideration of whether a different threshold may be appropriate. While determining poverty thresholds is outside the purview of the task force, greater use of income tax data in the future could support additional analysis and inform potential policy action. The task force recognizes that further study of the feasibility of using income tax data, including data access and implementation considerations, may be needed before tax data could be used for this purpose. The task force also noted that the Department of Children, Youth, and Families and the Department of Education are working to streamline Application for Educational Benefits forms. The task force encourages continued efforts to simplify and improve this process.

Duty area 4: District or site level

Legislative language: "Determine whether compensatory revenue should be generated at the school district or school site level."

Current state

At the December 8 meeting, the Minnesota Department of Education described the current state of this area:

- The current formula generates compensatory revenue by site.
- Historically, at least 80% of the compensatory revenue generated by a school site was required to be spent at that site.

- For Fiscal Years 2026, 2027, and 2028, however, the required site-level expenditure percentage was temporarily reduced to 60%.

Recommendation

Require that at least 70% of compensatory revenue stay at the school site that generated it.

Longer-term, allow small school districts to have maximum flexibility regarding where the dollars are spent. Districts would need to meet certain parameters and schools would be required to document and justify what the dollars will be spent on. Additionally, require the Department of Education to publicly report what these "flexibility districts" are doing with the dollars. The recommended parameter is median district enrollment. Districts serving a smaller number of students with fewer buildings could choose to apply to MDE for flexibility in where compensatory revenue is spent.

Thirteen task force members voted to make this recommendation. One task force member was absent.

Rationale

The recommendation reflects a balance between enabling district flexibility to respond to dynamic needs of students and ensuring that compensatory funding goes to the schools serving the students generating the funding. Poverty is an imperfect proxy of educational need and some flexibility will allow for districts to best target resources to address students' needs in their context.

Over the longer term, this recommendation maintains the intent of the current formula. This continues to align funding with an established proxy for need, while recognizing that the current site-based requirements may have different impacts across districts of different sizes. In many Minnesota districts, there are relatively few school buildings or limited variation in poverty levels among buildings, which can constrain smaller districts' ability to use compensatory funding strategically and in ways that best address the needs of their students.

Additional considerations and discussion

The task force noted that districts can always allocate a higher than required percentage to a site. The task force also deliberated alternatives that might trigger additional flexibility for districts, such as a dollar threshold, but acknowledged additional analysis would be required to determine a threshold of that type.

Duty area 5: Concentration formula

Legislative language: "Evaluate whether the compensatory revenue formula should contain a concentration formula."

Current state

At the December 8 meeting, the Minnesota Department of Education described the current state of this area:

- The current compensatory revenue formula does include a concentration formula.

Recommendation

Include a concentration formula. Increase per-pupil compensatory funding for schools as their concentration of students in poverty increases from 0% up to 100%.

As noted in duty area 3's recommendation, the calculations should count free- and reduced-price eligible students as the same weight in the formula; additionally, both Application for Educational Benefits forms and SUN Bucks applications should be included in the calculation.

Ten task force members voted to make this recommendation, three dissented, and one member was absent.

Rationale

Research has demonstrated that higher concentrations of students in poverty compounds educational need. Schools with higher concentrations of students in poverty need more resources per student to support students who are underprepared to learn.

Additional considerations and discussion

The task force initially voted to recommend increasing per-pupil compensatory funding for school sites as their concentration of students in poverty increases from 0% to 8%, seeking to balance providing substantial compensatory funding for all students in poverty with the desire to provide even greater funds for students in schools with greater concentrations of poverty. After reviewing data runs projecting the fiscal impact of the task force recommendations, which found that this cap saved a limited amount of money and that high-concentration schools benefited less than other schools from other changes such as adding forms, on September 30 the task force voted to revise their recommendation to remove the 80% cap and increase per-pupil funding continuously from 0% through 10%.

Duty area 6: Extended time revenue

Legislative language: "Examine the interrelationships between the compensatory revenue program and extended time revenue program, including summer school, and propose methods to better integrate compensatory revenue and extended time revenue."

Current state

At the December 8 meeting, the Minnesota Department of Education described the current state of this area:

- The current formula requires an allocation of compensatory funding based on students enrolled in Area Learning Centers (ALCs).
- Other uses of revenue may be determined at the site level, such as summer school.

Recommendation

No changes to the current approach to extended time revenue.

Thirteen task force members voted to make this recommendation. One task force member was absent.

Rationale

The task force recognizes both potential benefits and concerns associated with changes to the current funding approach. Concerns include the potential for students to lose access to supports, including credit recovery, if combining compensatory and extended time revenue streams. Accordingly, the task force does not recommend changes without first establishing a clear understanding of the issue a proposed change is intended to address and evaluating the potential impact on student access to services.

Additional considerations and discussion

The task force recognizes that integration of extended time revenue into compensatory revenue could provide opportunities to account for inflation and reduce complexity for districts. One option for further consideration is establishing a statutory minimum level of funding to ensure a baseline of support.

Duty area 7: Uses

Legislative language: "Evaluate the best uses of compensatory revenue."

Current state

At the December 8 meeting, the Minnesota Department of Education described the current allowable uses of compensatory revenue, which include:

- Remedial instruction and necessary materials in reading, language arts, mathematics, other content areas, or study skills to improve student achievement levels.
- Additional teachers and teacher aides to provide more individualized instruction through individual tutoring, lower instructor-to-learner ratios, or team teaching.

- A longer school day or week during the regular school year or through a summer program either offered directly by the site or under a performance-based contract with a community-based organization.
- Providing counseling services, guidance services, social work services, coordination for pupils receiving services from other governmental agencies, and truancy reduction programs.
- Bilingual programs, bicultural programs, and programs for English learners.
- Early education programs, parent-training programs, early childhood special education, school readiness programs, kindergarten programs for 4-year-olds, voluntary home visits under section 142D.10, subdivision 4, and other outreach efforts designed to prepare children for kindergarten.
- Transition programs operated by school districts for special education students until the age of 22.
- Substantial parent involvement in developing and implementing remedial education or intervention plans for a learner, including learning contracts between the school, the learner, and the parent that establish achievement goals and responsibilities of the learner and the learner's parent or guardian.
- Professional development for teachers on meeting the needs of English language learners, using assessment tools and data to monitor student progress, reducing the use of exclusionary discipline, and training for tutors and staff in extended day programs to enhance staff's knowledge in content areas.

Recommendation

Make no changes to allowable uses.

Thirteen task force members voted to make this recommendation. One task force member was absent.

Rationale

The task force found little evidence from districts, staff, students, or other stakeholders that the current allowable uses are preventing districts from using the fund to meet student needs. The task force also found no clear consensus for additional uses, nor that adding specific, clear additional uses would prompt districts to make different spending choices.

Additional considerations and discussion

The task force recognizes that compensatory revenue is intended to benefit students underprepared to learn, and students experiencing poverty are a proxy for that need. At the same time, the task force acknowledges that investments made with compensatory revenue may provide ancillary benefits to a broader population of students. The task force encourages districts to focus their spending on the intended primary beneficiaries of compensatory funding but wishes to provide maximum discretion and flexibility in doing so. Clear guidance about which students should benefit from these investments may be just as important as explicit guidance about how the money can be spent.

Duty area 8: Effectiveness

Legislative language: "Evaluate potential ways to examine the effectiveness of compensatory revenue, including measures of absolute levels and growth in student attendance, graduation rates, assessment results, student behavior, and disciplinary events."

Current state

At the December 8 meeting, the Minnesota Department of Education described the current allowable uses of compensatory revenue:

- The current program has not examined growth measures, but MDE will work with its data and analytics team to find base data to evaluate.

Recommendation

Require districts and charter schools to describe how they spend compensatory dollars with a short narrative within Comprehensive Achievement and Civic Readiness (CACR) reports. Specifically, districts should address how they spend compensatory dollars within the goal area of "all racial and economic achievement gaps between students are closed." This section of the CACR report should ask the district to explain how compensatory revenue is used and why the decision was made to use the funds this way.

In addition, the legislature should direct MDE to compile an annual report on compensatory revenue summarizing insights from the CACR reports on how compensatory revenue is used across Minnesota. This report should include the identification of promising practices for programs serving students who are academically behind, based on both national research and the experiences reported by Minnesota schools. The intent of this report would be for practitioners to identify the range of investments funded with compensatory revenue and help them identify effective practices for their schools.

Thirteen task force members voted to make this recommendation. One task force member was absent.

Rationale

The complexity of challenges facing students underprepared to learn limits ways to effectively evaluate the true impact of compensatory revenue investments. It is not feasible to isolate the impact of compensatory revenue in the larger context of school funding given the range of uses of compensatory revenue, the multiple funding streams available to districts, and the insufficient overall funding to schools. For similar reasons, it is also unrealistic to measure the impact of compensatory funding when it comes to prevention.

School districts already complete numerous required reports that address student achievement and growth. The task force identified the Comprehensive Achievement and Civic Readiness (CACR) report as the appropriate fit to capture the uses of compensatory revenue.

Additional considerations and discussion

The Office of the Legislative Auditor found in their 2020 report that "a requirement for school districts to report annually whether compensatory revenue expenditures raised student achievement is unrealistic." That report recommended that MDE should instead compile information on "best practices grounded in reliable research […] and implement a process for identifying future best practices." 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. The task force supports strategies to document results to the extent feasible and provide districts with the information they need to use funds in ways that best support students and reduce inequities.

Implementation considerations

Fiscal modeling of task force recommendations

Alongside the votes on these duty areas, the task force asked MDE to create scenario models to project likely fiscal impacts of these recommendations, individually as well as together. A subgroup of task force members reviewed these scenarios, analyzing the results directly and with the assistance of generative artificial intelligence tools. These models showed that recommendations often increased spending both by directly identifying more eligible students and by the resulting increases in concentration.

The subgroup also modeled different ways that the spending could be adjusted or prorated and identified that there are substantial variations in the impact of different fiscal adjustments to the compensatory formula. The task force determined that absent several guardrails, a partially implemented or prorated formula would result in unintended harm that would run counter to the intent of this task force's recommendations. In particular, the task force cautions against implementing an across-the-board proration because it results in insufficient funding for the highest-need schools and does not properly distinguish between different levels of need.

Principles guiding implementation

The task force stands by its recommendations and believes that they should be fully funded to meet the needs of Minnesota's students who are underprepared to learn. Additional investment in education is a strategy within the power of the legislature and should be treated with the seriousness Minnesota students deserve. If legislators consider partial implementation of recommendations, these considerations should be taken under advisement:

- It is best to cast the widest net possible with all available tools to identify students experiencing poverty. This supports adding forms back to the count and eventually working toward incorporating income tax data.
- The current formula differentiates between students on free- and reduced-price lunch plans. This appears to reflect budgetary considerations rather than meaningful differences in academic readiness between the groups. The task force proposal treats these students the same, recognizing that both groups experience a high degree of need and therefore should receive substantial investment of compensatory funding within the formula.
- Given the amount of volatility in recent years with student counts, it is worth making the compensatory funding formula more predictable for schools. This supports averaging counts over multiple years.
- School sites with higher concentrations of students in need require higher levels of funding. As a result, a concentration factor should be retained in the formula.
- 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. If there are limited fiscal resources, keep resources focused on the highest need students first.

Sequencing of adjustments

If the legislature is unable to fully fund these recommendations, neither eliminating recommendations entirely nor imposing a cap or linear proration on the total amount of compensatory revenue is desirable. All of the task force's recommendations work together to improve the formula. If fiscal adjustments are necessary, the task force suggests adjustments in this specific order:

1. Adjust reduced-price weighting: Rather than moving reduced-price eligible students from 0.5 weight to a full 1.0 weight (equal to free meals eligible students), the legislature could set the weight in between 0.5 and 1.0 and phase in full implementation over time (for example, 0.5 in first year, 0.55 in second year, 0.6 in third year, 0.65 in the fourth year, and so on). While the economic difference between families and therefore the need in each category is negligible, the complete impact on cost and concentration should be considered.
2. Adjust averaging: Delay the start of averaging or reduce the number of years included in the average to determine if this would exclude abnormally high-count years and therefore reduce total cost. Other timeframes than four years could reduce the cost, depending on the student count.
3. Adjust concentration floors or caps to reduce overall cost.
4. Pro-rate the complete formula with a non-linear curve, which could minimize the harm on the highest-need schools.

The intent of proposing these principles and adjustments is to preserve the structure of the task force's recommendations regardless of the fiscal environment. Nonetheless, the task force reiterates its desire to fully fund all of its recommendations in order to meet the needs of Minnesota's students.

Appendix A: Task force meeting summaries

Meeting 1 (September 1, 2025): The Compensatory Revenue Task Force first meeting included introductions from the Minnesota Department of Education and task force members, a review of the legislation establishing the task force, and a discussion of key responsibilities and deadlines.

Meeting 2 (October 5, 2025): During the Compensatory Revenue Task Force's second meeting, members and facilitators introduced themselves, followed by a presentation on the proposed project arc. The group discussed and refined the task force charter to establish shared norms and processes. A presentation on the history and structure of Minnesota's compensatory revenue formula helped to start building common knowledge, prompting questions for future exploration. Members identified additional topics of interest and shared expertise via a virtual collaboration tool. The group reviewed reimbursement procedures and discussed a follow-up survey to gather feedback on meeting experiences and preferences.

Meeting 3 (November 3, 2025): The Compensatory Revenue Task Force reviewed and approved updates to the task force charter and discussed the activities and work planned through January. MDE staff presented an overview of the current compensatory revenue formula. School district finance officials shared case studies from St. Cloud, Sauk Rapids, Cloquet, and Osseo districts highlighting trends, uses, and challenges. The state demographer also presented an overview of demographic data relevant to the task force's work. Members reflected on the information shared, raised questions, and began organizing into three subgroups. These subgroups focused on comparison states, existing research and reports, and the history of the current formula. These subgroups planned to gather additional insights and report their findings at the next meeting.

Meeting 4 (December 8, 2025): The Compensatory Revenue Task Force subgroups presented findings on the history and structure of the compensatory revenue formula, relevant research and reports, and approaches used by other states. MDE provided additional information in response to earlier questions. Task force members worked in pairs to identify options for each duty area and outline the additional data needed to assess their viability. The group discussed plans for drafting the preliminary report to the legislature and assigned members to summarize content by each duty area. Facilitators agreed to prepare a section on the process and approach.

Meeting 5 (February 10, 2026): The Compensatory Revenue Task Force met to review and discuss the draft preliminary report to the Minnesota Legislature, with members suggesting edits to various sections of the document. In addition, the task force identified groups that should weigh in on the topic areas under consideration by the task force and planned efforts to consult and get input from these groups in the coming months.

The preliminary report went to the legislature after this meeting and the task force moved onto the next phase, gathering additional constituent input, reviewing options, and building consensus for final recommendations.

Meeting 6 (April 6, 2026): During the session, the task force members discussed MDE presentations to the legislature and the state of discussion regarding a hold harmless proposal. The group also shared what they have been hearing in conversations and dialogue with interested constituents in their networks. A group from the Public Education Department and the Legislative Education Study Committee in New Mexico joined the meeting and shared their experience updating their compensatory revenue framework. Their presentation was followed by discussion with representatives from the Minnesota Department of Education providing feedback on questions the task force had posed in earlier discussions and highlights from staff outreach to Department of Human Services; Department of Employment Economic Development; Department of Revenue; Department of Children, Youth, and Families; and Minnesota Management and Budget.

Meeting 7 (May 4, 2026): During this meeting, the task force received a briefing on the results from a survey that had been distributed to superintendents, high school and elementary principals, school business officers, charter school administrators, and parent teacher associations. The meeting also included conversations with the Minnesota Department of Education nutrition program and data practices and analytics staff, as well as teams from the Department of Children, Youth, and Families, Department of Human Services, and Department of Revenue. The group also worked to start crafting possible recommendations for each duty area using Padlet.

Meeting 8 (June 1, 2026): This meeting started with a presentation of additional survey analysis requested by the task force and updates from MDE. Most of the meeting was spent reviewing and refining draft recommendations, rationale, and outstanding questions.

Meeting 9 (June 22, 2026): This meeting provided space for the task force to review scenarios using a tool created by MDE. The task force had additional discussion about the recommendations and was able to reach consensus on some but needed additional discussion to reach consensus on others. The task force decided to break into subgroups to craft recommendations that considered all viewpoints and would likely reach consensus.

Meeting 10 (July 28, 2026): In this meeting, the task force reviewed the duty areas where there was consensus and heard from the subgroups on their discussions and recommendations for the outstanding duty areas. The group was able to work toward consensus on the outstanding duty areas and held a formal vote to approve the recommendations. The final votes are included in Appendix B.

Meeting 11 (September 16, 2026): At this meeting, the task force reviewed the draft final report.

Meeting 12 (September 30, 2026): The task force reviewed analysis of the fiscal impacts of its recommendations and voted to include an implementation considerations section in the final report.

Meeting 13 (October 12, 2026): The task force voted to transmit its final report to the legislature.

Appendix B: Task force votes recorded

Final Votes:

Task force member	Duty area 1 & 2	Duty area 3	Duty area 4	Duty area 5	Duty area 6	Duty area 7	Considerations	Change to Duty 5	Change to Duty 3	Transmit report
Zena Stenvik	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Matt Grose	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Absent
Kent Pekel	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Kris Blackburn	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Darius Husain	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Tiffany Gustin	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes
Matt Shaver	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Chris Mills	Absent	Absent	Absent	Absent	Absent	Absent	Yes	Yes	No	Yes
Leah Gardner	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Janey Atchison	Yes	Yes	Yes	Yes	Yes	Yes	Absent	Absent	Absent	Absent
Andrea Cecconi	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Earl V. Athman	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes
Rep. Sandra Feist	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Sen. Doron Clark	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes