



# Compensatory Education Revenue

Evaluation Description

July 2019

## BACKGROUND

Compensatory education revenue is part of the state funding known as “basic skills” revenue, intended to help schools pay for services that meet educational needs for two sets of students. One set contains students underprepared for school. The second is students whose progress toward meeting performance standards is below the level appropriate for learners of their age. School districts, charter schools, and cooperatives are all eligible for this revenue.

A school district’s eligibility for compensatory revenue is based on each of its school building’s concentration of students qualifying for free or reduced-price lunch. Higher concentrations of such students mean more revenue per student.

For Fiscal Year 2019, the state distributed \$551 million in compensatory revenue, an average of \$624 per qualified student. Compensatory revenue was nearly 7 percent of all state general education revenue that year. It has been a component of general education revenue since 1987.

Statutes require school districts to allocate the revenue to school buildings where students qualifying for free or reduced-price lunch were located the prior year. At the same time, the law allows a district to use up to 50 percent of the revenue for districtwide purposes based on a school board-approved plan.

Statutes identify 12 allowable uses for compensatory revenue, but school districts are not required to report spending in a way that ties back to each allowable use. State law also requires school districts to determine whether expenditures of compensatory revenue raised student achievement. Charter schools, however, are not bound as other public schools are by certain legal requirements regarding compensatory revenue.

## EVALUATION ISSUES

1. What is compensatory education revenue, how is the revenue calculated, and how does the revenue vary by school district or charter school, school building, and over time?
2. To what extent do students generating compensatory education revenue receive the services that schools pay for with this revenue?
3. To what extent do school districts use the revenue for its designated purposes?
4. How do schools, school districts, charter schools, and the Minnesota Department of Education (MDE) assess the effectiveness of programs and services funded with compensatory education revenue?

## DISCUSSION

To answer these questions, we will analyze how the state calculates and distributes compensatory education revenue. Using MDE data, we will analyze trends in how the revenue varies by school district, school site, and charter school. We will also analyze to what extent students who generate compensatory education revenue match the students for whom services are intended.

To hear local school perspectives and collect school district data, we will survey school districts and charter schools. In addition, we will visit a small number of school districts and charter schools around the state to better understand how they use compensatory education revenue.

We will review academic literature for information on several topics. Examples are (1) effectiveness of remedial education programs and (2) use of free or reduced-price lunch as a means of measuring student eligibility to generate compensatory education revenue or similar funding.

The evaluation is expected to be completed in early 2020. For additional information, contact Jody Hauer, project manager, at [jody.hauer@state.mn.us](mailto:jody.hauer@state.mn.us) or 651-296-8501.