

# Compensatory Education Revenue

Update to 2020 Evaluation Report

January 2021

## Problems Identified

- **Difficulty of Identifying All Potentially Eligible Students.** Compensatory education revenue totaled \$551 million in Fiscal Year (FY) 2018 and is to help students who are underprepared to learn and not meeting academic performance standards. Aid amounts are based largely on (1) the number of students from low-income families, as defined by those who qualify for free or reduced-price lunch, and (2) the concentration of such students at a school site. Determining student eligibility is challenging because it relies on families to submit income forms. Some families are reluctant to complete these forms, and 76 percent of school districts we surveyed said the number of low-income students is undercounted.
- **Use of Compensatory Revenue is Largely Unknown.** Statutes allow 12 uses of compensatory revenue for a wide range of educational purposes. Specific data on how school districts spent the revenue, however, are available for only 3 of the 12 uses. A 2017 law required districts to reserve a portion of compensatory revenue for 1 of the 12 uses: extended-time programs, such as summer school. However, such programs are not the best use of the revenue for all districts.
- **Unreasonable Requirement for Determining Impact.** Although statutes require school districts to annually report compensatory revenue's impact on student achievement, the requirement is unrealistic. Isolating the effects of a single revenue stream requires rigorous research methods that are, at best, impractical for school districts.

## Changes Implemented

- **Repealed the Revenue Reserved for a Single Use.** The 2020 Legislature repealed the requirement that school districts reserve an increasing percentage of compensatory revenue for exclusive use on extended-time programming.
- **Improved Spending Data and Student Counts.** The Minnesota Department of Education (MDE) acknowledged the lack of transparency for expenditure data on uses of compensatory revenue. In late 2019, MDE adopted new reporting codes to increase transparency. In 2022, it plans to reconvene an advisory committee to review school districts' FY 2021 use of the new codes. MDE also developed a plan to improve counts of students from low-income families.

## Action Needed

- **Improve Understanding of the Revenue's Impact.** The Legislature should repeal the requirement to report whether compensatory revenue had an impact on student achievement. In its place, the Legislature should require school districts to report whether programs funded with significant amounts of compensatory revenue are consistent with practices demonstrated to help struggling students.
- **Continue Monitoring Use of Reporting Codes and Improving the Count of Students.** MDE should ensure that its advisory committee determines whether school districts consistently implement the new reporting codes intended to enhance transparency of spending. It should also continue its plan to improve how school districts count students from low-income families.