

Compensatory Education Revenue

Update to 2020 Evaluation Report

February 2022

Problems Identified

- **Difficulty Identifying All Eligible Students.** Aid amounts are based largely on (1) the number of students who qualify for free or reduced-price lunch, and (2) the concentration of such students at a school site. Determining student eligibility relies on families to submit income forms. Three-quarters 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.
- **Unclear Requirement for Reallocating Revenue.** Statutes permit school districts to reallocate up to 50 percent of their compensatory education revenue to school buildings other than those where the students who generated the aid attend. Districts may do this “according to a plan adopted by the school board.”¹ It is not clear whether a school board’s adoption of a school district budget satisfies this requirement or whether a separate, specific plan is required.
- **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

- **Improved Spending Data and Student Counts.** In Fiscal Year 2021, the Minnesota Department of Education (MDE) adopted new account codes to provide more detail about how compensatory education revenue is used. MDE also requested approval from the federal government to directly certify any student who qualifies for Medicare as eligible for subsidized lunch.
- **Repository of Best Practices Released.** MDE’s website now links to a repository of evidence-based practices that have been demonstrated to help struggling students.

Actions Needed

- **Improve Understanding of the Revenue’s Impact.** The Legislature should repeal the requirement to report whether compensatory education 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 education revenue are consistent with practices demonstrated to help struggling students, such as those identified in MDE’s repository.
- **Clarify Reallocation Plan Requirement.** The Legislature should either clarify that school board approval of a district’s budget is all that is needed to reallocate compensatory education revenue, or it should clarify that each school board should adopt a specific plan for reallocating compensatory education revenue and specify the plan’s contents.

¹ *Minnesota Statutes* 2021, 126C.15, subd. 2(b).