

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 2002

(SENATE AUTHORS: CLARK)

DATE

02/27/2025

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574

Introduction and first reading
Referred to Education Finance

OFFICIAL STATUS

1.1A bill for an act

1.2relating to education finance; calculating a school's compensatory revenue eligibility

1.3on the basis of both direct certification and the application of education benefits;

1.4modifying the percent of compensatory revenue spent at each site under certain

1.5conditions; establishing a Compensatory Revenue Task Force; requiring reports;

1.6appropriating money; amending Minnesota Statutes 2024, sections 126C.10,

1.7subdivision 3b; 126C.15, subdivision 2.

1.8BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9Section 1. Minnesota Statutes 2024, section 126C.10, subdivision 3b, is amended to read:

1.10Subd. 3b. **Free and reduced-price meals.** Beginning October 1, 2024, the commissioner

1.11shall determine the number of children eligible by means of direct certification and through

1.12the application of educational benefits to receive either a free or reduced-price meal on

1.13October 1 each year. Children enrolled in a building on October 1 and determined to be

1.14eligible by means of direct certification or through the application of educational benefits

1.15to receive free or reduced-price meals by December 15 of that school year shall be counted

1.16as eligible on October 1 for purposes of subdivision 3. The commissioner must use federal

1.17definitions for these purposes. The commissioner may adopt reporting guidelines to assure

1.18accuracy of data counts and eligibility. Districts must use any guidelines adopted by the

1.19commissioner.

1.20**EFFECTIVE DATE.** This section is effective for aid for fiscal year 2026 and later.

1.21Sec. 2. Minnesota Statutes 2024, section 126C.15, subdivision 2, is amended to read:

1.22Subd. 2. **Building allocation.** (a) A district or cooperative must allocate at least 80

1.23percent of its compensatory revenue to each school building in the district or cooperative

where the children who have generated the revenue are served unless the school district or cooperative has received permission under Laws 2005, First Special Session chapter 5, article 1, section 50, to allocate compensatory revenue according to student performance measures developed by the school board.

(b) A district or cooperative may allocate no more than 20 percent of the amount of compensatory revenue that the district receives to school sites according to a plan adopted by the school board. The money reallocated under this paragraph must be spent for the purposes listed in subdivision 1, but may be spent on students in any grade, including students attending school readiness or other prekindergarten programs.

(c) For the purposes of this section and section 126C.05, subdivision 3, "building" means education site as defined in section 123B.04, subdivision 1.

(d) Notwithstanding section 123A.26, subdivision 1, compensatory revenue generated by students served at a cooperative unit shall be paid to the cooperative unit.

(e) A district or cooperative with school building openings, school building closings, changes in attendance area boundaries, or other changes in programs or student demographics between the prior year and the current year may reallocate compensatory revenue among sites to reflect these changes. A district or cooperative must report to the department any adjustments it makes according to this paragraph and the department must use the adjusted compensatory revenue allocations in preparing the report required under section 123B.76, subdivision 3, paragraph (c).

(f) For fiscal years 2026 and 2027 only, notwithstanding the percentages specified in paragraphs (a) and (b), if the district's compensatory pupil count excludes students identified through the application of educational benefits, a district may allocate up to 40 percent of the amount of compensatory revenue that the district receives to school sites according to a plan adopted by the school board, consistent with the purposes listed in subdivision 1.

Sec. 3. **COMPENSATORY REVENUE TASK FORCE.**

Subdivision 1. **Task force established.** A task force is 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, and the uses of compensatory revenue.

Subd. 2. **Membership.** The commissioner of education must appoint the following members to the task force by August 1, 2025:

(1) the commissioner of education or the commissioner's designee;

3.1 (2) the commissioner of revenue or the commissioner's designee;

3.2 (3) the executive director of the Minnesota School Boards Association or the executive
3.3 director's designee;

3.4 (4) the executive director of Education Minnesota or the executive director's designee;

3.5 (5) the executive director of the Minnesota Rural Education Association or the executive
3.6 director's designee;

3.7 (6) the executive director of the Minnesota Education Equity Partnership or the executive
3.8 director's designee, and one parent of a child eligible for free or reduced-price meals under
3.9 the federal meal standards, appointed by the executive director;

3.10 (7) the executive director of the Association of Metropolitan School Districts or the
3.11 executive director's designee;

3.12 (8) a representative of a school district of a city of the first class appointed by the
3.13 executive director of the Association of Metropolitan School Districts;

3.14 (9) the executive director of the Minnesota Association of Alternative Programs or the
3.15 executive director's designee;

3.16 (10) the executive director of Schools Advocating for Fair Funding or the executive
3.17 director's designee;

3.18 (11) the executive director of EdAllies or the executive director's designee, and one
3.19 parent of a child eligible for free or reduced-price meals under the federal meal standards,
3.20 appointed by the executive director;

3.21 (12) the executive director of the Minnesota Association of School Business Officials
3.22 or the executive director's designee; and

3.23 (13) the executive director of the Minnesota Association of Charter Schools or the
3.24 executive director's designee.

3.25 Subd. 3. **Duties.** The task force must:

3.26 (1) evaluate which students currently generate compensatory revenue, examine whether
3.27 this student count aligns with students who are under-prepared to learn or otherwise not
3.28 meeting academic standards, and determine the best student population to target with
3.29 compensatory revenue;

4.1 (2) examine and determine the best proxy and demographic variables to identify students,
4.2 sites, and districts in need of assistance to help students better meet academic standards and
4.3 prepare to learn;

4.4 (3) examine potential input data elements for determining compensatory revenue,
4.5 including income tax data, census information, and federal school meals eligibility, whether
4.6 identified through direct certification of income from public assistance program participation
4.7 or through the application of educational benefits;

4.8 (4) determine whether compensatory revenue should be generated at the school district
4.9 or school site level;

4.10 (5) evaluate whether the compensatory revenue formula should contain a concentration
4.11 formula;

4.12 (6) examine the interrelationships between the compensatory revenue program and
4.13 extended time revenue program, including summer school, and propose methods to better
4.14 integrate compensatory revenue and extended time revenue; and

4.15 (7) evaluate the best uses of compensatory revenue.

4.16 Subd. 4. **Compensation.** Minnesota Statutes, section 15.059, subdivision 3, governs
4.17 compensation of the members of the task force.

4.18 Subd. 5. **Meetings and administrative support.** (a) The commissioner of education or
4.19 the commissioner's designee must convene the first meeting of the task force no later than
4.20 August 15, 2025. The task force must establish a schedule for meetings and meet as necessary
4.21 to accomplish the duties under this section. Meetings are subject to Minnesota Statutes,
4.22 chapter 13D. The task force may meet by telephone or interactive technology consistent
4.23 with Minnesota Statutes, section 13D.015.

4.24 (b) The Department of Education must provide administrative support to assist the task
4.25 force in its work, including providing information, data, and technical support, and the
4.26 department must assist in the creation of the task force reports.

4.27 Subd. 6. **Reporting.** The task force must issue a preliminary report to the legislature by
4.28 February 15, 2026, and a final report to the legislature by February 15, 2027. The reports
4.29 must be prepared and filed consistent with the requirements of Minnesota Statutes, section
4.30 3.195.

4.31 Subd. 7. **Expiration.** The task force expires February 15, 2027.

5.1 Sec. 4. **APPROPRIATIONS; DEPARTMENT OF EDUCATION.**

5.2 Subdivision 1. Department of Education. The sums indicated in this section are
5.3 appropriated from the general fund to the Department of Education in the fiscal years
5.4 designated.

5.5 Subd. 2. Additional compensatory aid. For additional general education aid under
5.6 Minnesota Statutes, section 126C.13:

5.7 \$ 2026

5.8 \$ 2027

5.9 Subd. 3. Compensatory Revenue Task Force. For the activities of the Compensatory
5.10 Revenue Task Force:

5.11 \$ 2026