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## Compensatory Revenue Task Force

Preliminary Report to the Legislature

February 2026

As required by Laws of Minnesota, 1st Spec. Sess. chapter 10, article 1, section 27

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As requested by Minnesota Statutes 2025, section 3.197: This report cost approximately \$27,664.72 to prepare, including staff time, printing, and mailing expenses.

*Upon request, this material will be made available in an alternative format such as large print, braille, or audio recording. Printed on recycled paper.*

## Table of Contents

Legislative charge .....	5
Executive summary .....	5
Background and task force process .....	5
Task force duty areas .....	7
Duty area 1: Target populations.....	7
Duty area 2: Proxy variables.....	8
Duty area 3: Data elements.....	11
Duty area 4: District or site level.....	13
Duty area 5: Concentration formula .....	14
Duty area 6: Extended time revenue .....	16
Duty area 7: Uses .....	17
Duty area 8: Effectiveness.....	19

## Legislative Charge

The Compensatory Revenue Task Force was created by the legislature in 2025 to bring together people with various educational experiences and financial knowledge to evaluate revenue formula components, best uses of revenues, as well as determine how to measure outcomes of compensatory revenue investments. The task force is required to submit a preliminary report and a final report with recommendations based on their research and evaluation.

## Executive Summary

This preliminary report outlines the purpose and processes of the task force and examines the eight duty areas of the task force as outlined in state statute. Each section of this report explains the duty, the current state of the area under review, options being considered, and other additional information that may be needed or is already scheduled to be reviewed. This preliminary report guides the remaining work of the task force to develop the recommendations and final report to fulfill the legislative directives.

## Background and Task Force 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,” as explained in Laws of Minnesota, 1st Spec. Sess. chapter 10, article 1, section 27.

The legislation requires the task force to include 14 members. Ten members were appointed by the Commissioner of Education, one member by the House majority leader, one member by the House speaker emerita, one member by the Senate majority leader, and one member by the Senate minority leader.

The members include:

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

- Zena Stenvik, Superintendent, Columbia Heights School District

The Minnesota Department of Education (MDE) engaged Management Analysis and Development (MAD) to assist in facilitating task force meetings and coordinating the development of task force reports. MAD continues to provide planning support, meeting design, and facilitation expertise throughout the task force process, working in close collaboration with MDE and task force members.

The task force follows 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 will conclude its work in September 2026, with meetings alternating between full-day hybrid and half-day virtual formats.

The task force has met several times since September 2025, progressing through the early phases of the project arc (assessment and design, preparation, building common knowledge, and identifying options). Each meeting is summarized.

## Meeting Summaries

**Meeting 1 (September 1, 2025):** The first meeting of the Compensatory Revenue Task Force was held virtually and included introductions from MDE 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):** The Compensatory Revenue Task Force held their second meeting at the MDE office in Minneapolis. Members and facilitators introduced themselves and received a presentation on the proposed project arc. The group discussed and refined the task force charter and established shared norms and processes. A presentation on the history and structure of Minnesota’s compensatory revenue formula helped start building common knowledge, prompting questions for future exploration. Members identified additional topics of interest and shared expertise via a Padlet, 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 activities and work planned through January 2026. MDE staff presented an overview of the current compensatory revenue formula. Finance officials from St. Cloud, Sauk Rapids, Cloquet, and Osseo school districts shared case studies 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 organized 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 convened at the MDE office in Minneapolis. 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 action steps for each duty area

and outlined the additional data needed to assess their viability. The group discussed plans for drafting the preliminary report 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 WHERE? 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 collect input from these groups.

After submitting the preliminary report in February 2026, the task force moved onto the next phase. In March, the task force will begin gathering additional constituent input. From April through June, the task force will focus on reviewing options, building consensus, and developing final recommendations. Throughout the summer, the group will draft a final, which is expected to be finalized by September. The final report will present the options analyzed by the task force and share formal recommendations.

## Task Force Duty Areas

For each duty area, the task force considered the current state of the topic area, potential options for consideration, and additional information necessary to make a recommendation. The task force documented a range of ideas and will continue to explore and analyze these and other options.

### Duty Area 1: Target Populations

**Legislative Language:** Evaluate student groups currently generating 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.

#### Current State

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

- The FY2027 compensatory revenue formula uses direct certification of eligible free and direct certification reduced-priced lunch counts by site from the prior fall child count (October 1, 2025). These eligible students are part of the formula that calculates the final site-based revenue.
- MDE does not do specific analysis of students who qualify for free and reduced-price lunch and their level of preparedness to learn.

#### Options Raised

- Poverty rate is an imperfect measurement but may be retained as the proxy for educational need.
  - There was a conversation about using measures of educational outcomes like test scores, but there was general agreement that poverty rate is preferable.

- Poverty rates correlate to other factors, including readiness to learn when entering kindergarten and previous academic preparation.
- A task force member suggested changing the statute to clarify that poverty rate is the measurement tool and removing language that says the purpose of compensatory funding is to serve students who are “unprepared to learn” and “not meeting academic standards.”
- Another task force member raised the potential of an approach that moves away from using any proxy and to roll compensatory revenue into the general education revenue formula.
- Research and discussion on target populations and measures will continue.
- Create one poverty qualifier instead of differentiating between “free” qualifiers and “reduced-price” qualifiers.
  - Revenue generated by students who qualify for free lunch is significantly different than the revenue generated by students who qualify for reduced-priced lunch, even though the family incomes are similar.
  - There is no evidence that suggest students eligible for reduced-price lunch perform significantly higher on academic measures than students eligible for free lunch to warrant only receiving half of the funding.
  - Families eligible for reduced-price lunch make up a small percentage of overall qualifiers. Creating one overall poverty rate qualifier simplifies the formula.
- When calculating student counts, incorporate a three-year rolling average (including current year) or the current year’s total, whichever is higher.
  - There has been strong consensus among task force members to create a system with more predictable funding outcomes. Three-year averages could potentially reduce year-to-year fluctuations.
  - There is also a strong consensus to use the most up-to-date data. Incorporating current year numbers could allow leaders to be the most responsive to immediate need.

## Additional Information Needed to Make a Recommendation

At the December 8, 2025, meeting, task force members identified the following topics as needing more information or work to make a final recommendation on targeting populations:

- More information on effective ways to measure poverty, including study of options for calculating direct certification and options for improving completion of free and reduced-price lunch forms. In addition, members suggested consideration of using a multiplier to account for students who aren’t captured by direct certification.
- Data on the financial impact of counting students who qualify for reduced-price lunch at the same weight as students who qualify for free lunch.
- Data on the impact of using a three-year rolling average to calculate the student count and the impact that would have on local education agencies and on the state as a whole.

## Duty Area 2: Proxy Variables

**Legislative Language:** 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 meeting, the MDE described the recent history of this area:

- 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 (DC-M) program beginning in school year 2022-23. This initiative, part of the United States Department of Agriculture’s (USDA) expansion of direct certification methods, allows districts to use Medicaid data—along with Supplemental Nutrition Assistance Program (SNAP) and other programs—to identify students eligible for free or reduced-price meals. 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 using application and direct certification students. In the free school meals legislation passed in 2023, the legislature created a hold harmless agreement for fiscal year 2025 that compared the compensatory pupil units by school site for fiscal year 2024 and fiscal year 2025, taking 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 student-only formula that was based on the concentration of students eligible for free or reduced-price meals by school site. However, during the FY2025 legislative session, the legislature created another one year “hold harmless” that compares fiscal year 2024 and fiscal year 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 that is based on free and reduced-price student concentration by school site.

## Options Raised

At the December 8 meeting, task force members identified the following options for consideration in this area:

- Using direct certification and applications (via a combined statewide application for both free and reduced-price meals and Summer EBT/Sun Bucks).
  - Instead of only using one year of data, the group is interested in adding consistency by shifting to a model that compiles three to four years of combined data.
- Using direct certification and applications and adding an additional data metric using the U.S. Census Bureau’s Small Area Income and Poverty Estimates (SAIPE) information and any additional data points identified with the state demographer’s guidance.
- Using direct certification with a flat-rate multiplier to account for the fact that some students will not be identified.
  - The group noted a desire to better pinpoint who is not being captured in the metric and why.
  - A direct certification multiplier could be implemented either with or without continuing to allow students to be captured via applications.

Several considerations were raised related to the above options:

- The group considered how to better incentivize families to fill out the forms.

- One solution is to better connect free and reduced-price meal applications and Summer EBT/ Sun Bucks – both technically and via communications.
- The group noted that it would be helpful to have a statewide initiative to encourage people to complete the forms and/or have districts who have been successful share their approaches.
- The group considered the possibility to move to an alternative income form instead of free and reduced-price meal applications and if it's necessary to collect social security numbers.
  - Regardless of compensatory revenue changes, schools are expected to collect applications for free and reduced-price meal benefits forms in order to receive state and federal meal reimbursements.
  - Using an alternative form instead would result in a loss of federal school meal reimbursements for those not directly certified or participating in the Community Eligibility Provision.
  - While a social security number field is not required on either an alternative income or Summer-EBT form, there is a field on the free and reduced-price meals form asking for the last four digits of a social security number from the adult household member signing the application. If the adult does not have a social security number, they must indicate that in the designated location on the application. While social security numbers are not required for a child to participate in free or reduced-price school meals, the social security number section of the application cannot be left blank.
- The group considered the possibility of requiring families to complete this form to access the Free School Meals Program.
  - This option would require all families, regardless of income, to complete the forms given the universality of the program, which is a significant new paperwork burden for schools to administer and track.
  - This would require changing the Free School Meals Program legislation, which is explicit about all students having access to free school meals without conditions.
- For the purposes of compensatory revenue, the group is considering removing the formula component that counts students eligible at the reduced-price level as a .5, and instead fully counting all free and reduced-price eligible students.

### **Additional Information Needed to Make a Recommendation**

At the December 8 meeting, task force members identified the following topics as needing more information or work to make a final recommendation in this area:

- Determining what multiplier makes the most sense in Minnesota to capture students who are missed through direct certification.
- Projected numbers for what using a multiplier (such as USDA's recommended 1.6) would amount to for a new direct certification count.
- Input from the state demographer's office on what data points to consider building into a new metric (using SAIPE, Minnesota tax data, etc.).
- Determining how many additional students would be included if we cast the widest possible net of "poverty proxy" measures (like New York state).
- A district-by-district, statewide analysis comparing the revenue impact of districts incorporating compensatory revenue into the general education revenue formula existing compensatory revenue.

The task force also shared it would benefit from collecting additional data and projections to determine which of the aforementioned topics offer the best outcomes for capturing students in need. After gathering more information, further discussion is necessary to reach consensus.

### **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, and whether it was 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, 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.

Task force members heard a presentation on the formulas that other states use, including the proxies and uses. The Minnesota State Demographer presented on best practices for identifying students in poverty. Task force members then gathered input and feedback. The following are the task force's collective ideas for consideration for determining compensatory revenue.

#### **Options Raised**

At the December 8 meeting, task force members identified the following options for consideration in this area:

- Using the proxy of eligibility for free and reduced-price meals through the submission of forms to schools.
- Using the proxy of eligibility for free and reduced-price meals through direct certification using Medicaid, SNAP, Temporary Assistance for Needy Families (TANF), Food Distribution Program on Indian Reservations (FDPIR), foster, homeless, runaway, migrant, and Head Start data.
- Only having students eligible for free meals (designated 130% and below federal poverty guidelines) generate additional funds.
- Combination of both application forms and direct certification.
- Using census data for neighborhood poverty factors for where the student lives or where the school is located.
- Summer EBT/Sun Bucks.
- Performance on statewide assessments.
- The count of English language learner students.
- The count of students who have been involved in the juvenile justice system.
- Using similar methods as Federal Title I funding.
- State income tax data.

- Examining the viability of incorporating neighborhood factors like household educational attainment, home ownership versus rental rates, rate of residents with library cards, and rate of residents with internet access.
- Incorporating multiple factors from this list.

The recommendations emphasize moving beyond a single poverty indicator by using a combination of measures to more accurately identify and fund students with greater needs. Several states use multiple metrics to determine need and per pupil eligibility. These include traditional proxies such as free and reduced-price meal eligibility, through both household forms and direct certification via programs like Medicaid, SNAP, foster care, or homelessness with particular emphasis on directing additional funds to students eligible for free meals under 130% of the federal poverty guidelines.

The recommendations also propose incorporating alternative and supplemental indicators such as census-based neighborhood poverty data, state income tax data, and methods similar to those used for federal Title I funding. Additional factors suggested include participation in programs like Summer EBT, counts of English language earners, number of students involved in the juvenile justice system, and performance on statewide assessments.

Finally, this duty area work calls for examining the feasibility of incorporating broader neighborhood characteristics such as household educational attainment, housing stability, library access, and internet connectivity. Overall, the sentiment is that the most accurate and equitable approach would likely involve a composite of multiple factors rather than reliance on any single measure.

### **Additional Information Needed to Make a Recommendation**

At the December 8 meeting, task force members identified the following topics as needing more information or work was needed to make a final recommendation in this area:

- How will changes to SNAP and Medicaid eligibility under H.R. 1 affect Minnesota's student direct certification counts?
- 
- The viability of using income tax data in Minnesota. What would be the benefits, disadvantages, and potential administrative or logistical roadblocks with the Minnesota Department of Revenue? Noting that New Mexico is the only state that uses this proxy, task force members suggested connecting with education leaders there to understand how things are working.
- Before making recommendations on any proxies and to better understand how different choices would impact schools, task force members wanted to see models of various formula options with different proxies and formulas. Additionally, there was interest in modeling a three- or four-year average student count of compensatory-generating students rather than maintaining a yearly count.
- Task force members also expressed interest in meeting with key legislators, state education officials, and researchers from across the country who have influenced recent funding formula changes that could be adopted in Minnesota.

Additional concepts raised by one or more task force members:

- All considerations should be grounded in equity.
- This is a complicated issue; the process does not need to be oversimplified.

- It is important to cast as wide a net as possible to include every child in need.
- Regardless of the proxy, all students deserve a free and appropriate public education.
- What would be an accurate multiplier with direct certification? Could the multiplier be variable based on the trends from year to year?

## Duty Area 4: District or Site Level

### Current State

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

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

- The current formula generates compensatory revenue by site.

The task force discussed whether compensatory revenue should be generated and expended at the school site level or allocated at the district level, recognizing the need for balance between funding intent, equity, and operational flexibility. Advocates for site-level allocation emphasized alignment with the original purpose of compensatory aid: directing resources to the schools serving the students who generate the funding. From this perspective, maintaining a strong site-based expectation helps ensure that funds are not diluted and remain focused on students experiencing the greatest educational disadvantage. Some members noted that, even without site-specific outcome measures directly tied to compensatory revenue, the site-based structure serves as a safeguard for appropriate distribution based on need.

Others raised concerns about the practicality and effectiveness of strict site-level allocation, particularly for charter schools and rural districts. Student mobility, year-to-year enrollment changes, and grade transitions mean that the students who generate compensatory revenue are not always present at the same site when funds are expended. In addition, small districts and schools may lack sufficient site-level funding to implement effective interventions without some degree of district-level coordination or staffing. Questions were also raised about whether site-level allocation meaningfully improves outcomes when neither student success nor site success is consistently tracked in relation to compensatory spending. From this perspective, district leadership and school boards are better positioned to allocate funds strategically across sites based on evolving needs.

The discussion also highlighted gaps in available data. Some members questioned whether there was data to support the idea that districts were not allocating funds where it was needed most, a concern raised by supporters of site-based allocation. Along with that, members expressed uncertainty about whether reporting or oversight systems exist or are sufficient to identify inappropriate diversion of funds. Overall, the conversation suggested interest in a balanced approach that preserves the principle that compensatory funding should benefit the sites where need is greatest, while retaining district-level flexibility to address staffing, mobility, and operational realities.

### Options Raised

At the December 8 meeting, task force members identified the following options for consideration in this area:

- Compensatory revenue should primarily be generated and expended at the school site level.

- The core intent of compensatory aid is to support students who are disadvantaged; spending dollars at the site where those students attend best aligns with that purpose.
- Maintaining a strong site-level expectation (e.g., 80% site level / 20% district level) protects against dilution of funds and ensures resources reach schools with the highest concentrations of need.
- Concerns were raised that allowing too much district-level pooling could undermine the objectives of compensatory aid if funds are diverted away from the highest-need sites.
- Compensatory revenue should be generated and allocated at the district level.
  - District-level allocation provides flexibility to deploy compensatory funds strategically across schools, which is especially important in smaller, rural, and single-site districts where site-level allocations may be too small to support meaningful staffing or programmatic interventions.
  - School boards and district leadership are best positioned to make informed decisions about where funds are most needed and how they can be used most effectively.
  - Students who generate compensatory revenue in one year may not attend the same site the following year, weakening the logic of strict site-based spending.

### **Additional Information Needed to Make a Recommendation**

At the December 8 meeting, task force members identified the following topics as needing more information or work was needed to make a final recommendation in this area:

- Questions raised by task force members:
  - Are there examples of the inappropriate diversion of compensatory funds to other sites or to the district-level that undermines compensatory aid objectives?
  - Are there sufficient data analysis capabilities to determine the specific effects of compensatory revenue on outcomes for children and sites?

### **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, MDE described the current state of this area:

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

The task force discussed whether Minnesota’s compensatory revenue formula should continue to include a concentration factor and, if so, how it should be structured. Members generally recognized the rationale that poverty concentration can produce compounding needs and that a concentration factor is one way to reflect that non-linear reality by increasing funding as the percentage of eligible students rises.

At the same time, the discussion emphasized that the structure and calibration of the concentration factor represent policy choices that shape the distribution of dollars across schools and districts. Members raised

several design questions, including how Minnesota’s current approach compares to other states (for example, whether other states use a threshold, tiers, or a continuous curve), whether the current 80% concentration point should serve as a cap, and whether a ceiling should extend beyond 80% for very high poverty sites.

The conversation also surfaced concerns about equity and perceived fairness for schools that serve fewer low-income students proportionally but still have meaningful numbers of students needing support. Members suggested exploring a floor for low-concentration schools so that eligible students in mixed-income settings do not generate disproportionately low funding.

Additionally, members questioned whether the concentration factor primarily reflects student need or whether it also functions as a mechanism for the state to achieve a desired distribution of funding within a fixed budget.

Finally, the group noted an underlying policy tension between relying on poverty as a proxy for educational need versus focusing the formula more directly on student success outcomes. Overall, the discussion suggested interest in maintaining the core concept of concentration while exploring refinements that balance fairness, transparency, and alignment to program objectives.

## Options Raised

At the December 8 meeting, task force members identified the following options for consideration in this area:

- The current concentration factor is appropriate and should remain.
  - Members noted that higher concentrations of poverty can create compounding challenges (academic, social, staffing, and wraparound needs), and a concentration factor is intended to account for that reality by increasing funding per eligible student as poverty concentration rises.
- The concentration factor is important and could be revised.
  - Members noted that higher concentrations of poverty can create compounding challenges (academic, social, staffing, and wraparound needs), and a concentration factor is intended to account for that reality by increasing funding per eligible student as poverty concentration rises.
  - The concentration cap could be revisited to account for nuances, such as:
    - Increased concentrations – should the limit continue at 80% or be extend?
    - A floor for low concentration schools – should there be a base amount for cases where there may be low concentration (percentage) but a meaningful number of students with high needs?

## Additional Information Needed to Make a Recommendation

At the December 8 meeting, task force members identified the following topics as needing more information or work was needed to make a final recommendation in this area:

- Questions raised by task force members:
  - What can we learn from other state models?
  - Where are their concentration thresholds set?
  - How do tiered systems work versus continuous formula?

- How does Minnesota’s approach compare?
- To what degree is Minnesota’s concentration weighting designed to support students or function as a tool to shape the overall distribution of dollars (including managing statewide budget targets)?

## 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, MDE described the current state of this area:

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

### Options Raised

At the December 8 meeting, task force members identified the following options for consideration in this area:

- Increasing the level of flexibility to spend these dollars.

During the December 8 task force meeting, it became evident that people did not have a robust understanding of this duty area. Task force members wrote very few comments during the activity around future considerations and options because many did not know details about the current state. Before crafting options to consider, more information is needed.

### Additional information needed to make recommendation

At the December 8 meeting, task force members identified the following topics as needing more information or work to make a final recommendation in this area:

- How does compensatory revenue interact with ALCs?
- How much money is being spent and the differing costs between ALCs and extended time?
- How do charter schools integrate extended-time dollars?
- How are districts with fully funded ALCs using these dollars?
- What percentage of the total revenue is allocated to extended-time revenue?

This duty area needs a more robust understanding before task members can consider options and recommendations. Currently, task force members are seeking to fully understand how this duty area interacts with the larger compensatory revenue fund, and how much is being spent here.

## Duty Area 7: Uses

**Legislative Language:** Evaluate the best uses of compensatory revenue.

### Current State

At the December 8 meeting, MDE described the current allowable uses of compensatory revenue:

- 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's 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 that may be 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 knowledge in content areas.

A subcommittee of task force members reviewed legislation from 44 other states that have some kind of funding structure directing additional resources to "at-risk" students. Most states with an "at-risk" funding component do not have specific prescribed uses; funds are unrestricted and generally used as if they were foundation aid. Of the 12 states that do prescribe uses, including Minnesota, the funds need to be targeted to the students described as "at-risk." Required investments can be broadly characterized as related to additional staffing, class size caps, additional instructional time, and remediation support.

Discussions within subcommittees about the statutory allowable uses have grappled with a question of whether targeted interventions such as those laid out in state statute are yielding improvements in student outcomes. In general, a major challenge is isolating the impact of compensatory dollars against other funding streams. There is wide agreement among members of the task force that schools remain underfunded and that compensatory dollars are largely filling baseline gaps in basic funding. Evaluating the impact of compensatory dollars and their uses is therefore challenging, if not impossible.

## Options Raised

At the December 8 meeting, task force members identified the following options for consideration in this area with respect to the allowable uses of funds:

- Adding allowable uses including but not limited to:
  - Explicit class size targets or ratios.
  - Mental health supports, interventions, and staffing.
  - Full-service community school wraparound service supports and coordinator positions.
  - Health services, including hiring licensed school nurses, registered nurses, licensed practical, nurses and other health care providers
- Removing statutory allowable uses and changing compensatory revenue to an unrestricted revenue stream targeting students identified as “at-risk”
- Identifying a narrower set of allowable uses for sites with high concentrations of need

There is not yet consensus on if allowable uses should be changed at all, nor which options merit additional consideration. In brainstorming changes to allowable uses, the spectrum of opinion stretches from unrestricting the use of revenue to further narrowing the list of allowable uses. Robust additional conversation is warranted.

## Additional Information Needed to Make a Recommendation

At the December 8 meeting, task force members identified the following topics as needing more information or work to make a final recommendation in this area:

- Task force members have not yet reached consensus on further restricting or unrestricting allowable uses. This is a critical question without a clear path toward reaching an answer.
- Additional discussion and data are needed with respect to a shared understanding of “improved student achievement.”
- Task force members have discussed the need to survey district administrators, staff working directly with “at-risk” students, and students themselves to hear from those who have valuable insight on revenue uses that best address needs at schools.
- Task force members are interested in further discussion about best practices that support increased achievement for “at-risk” students and if there is significant evidence to support best practices that are not within the scope of the law.

To make recommendations in this area, one essential question is whether the group generally believes that a change to allowable uses is necessary or useful. It may be that there is consensus that no change is warranted. There has not yet been an assessment of task members on this question.

If there is consensus on changing allowable uses, significant conversation is needed within the task force about the impact of any change to this funding stream. There has not yet been an opportunity for task force members to share their thinking on the merits of broader or narrower uses. Opinions from those who will be most affected by any change to compensatory revenue are a critical research need, and there appears to be a shared desire to conduct surveys or other outreach into schools to learn more.

## 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

MDE described the current state of this area:

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

### Options Under Consideration

At the December 8 meeting, task force members identified the following options for consideration in this area:

- Examine whether compensatory revenue is filling a funding gap or is additive. In other words, examine whether districts with more compensatory revenue spend more overall revenue per pupil than other districts, or if districts with more compensatory revenue spend similar or lower amounts per pupil because of less revenue from other sources.
- Examine uses of compensatory revenue, and whether the funds are being used for purposes that meet the needs of struggling students.
- Examine associations between higher compensatory revenue per pupil and measures such as Capti ReadBasix screening, Minnesota Comprehensive Assessment (MCA) scores, and graduation rates.
- Isolate the impact of compensatory revenue using quasi-experimental methods, for example by using a fixed effects model.

The options outlined above are not mutually exclusive, but rather a continuum of potential research questions Minnesota could use to evaluate the impact of compensatory revenue on school funding and student outcomes.

### Additional Information Needed to Make a Recommendation

At the December 8 meeting, task force members identified the following topics as needing more information or work to make a final recommendation in this area:

- Better data on uses and expenditures.
- Breakdown of district-level correlations between economic status and growth or achievement scores.

In addition, task force members made the following comments and observations:

- We will need to isolate interventions paid with compensatory revenue; many supports are layered or braided. For example, special education and Title I funding may also be used for similar interventions.
- We will need to determine if we are tracking the impact of compensatory revenue on students generating revenue or on all students on whom the revenue was spent. For example, class size reductions could benefit all students at a school.

- To fully answer these questions, Minnesota would need to randomly assign schools with similar concentration levels different levels of compensatory funding.
- Potential outcome measures are impacted by many factors outside of school.
- Difficult for one funding source to offset disparities of systemic poverty.

Because the measures used to determine compensatory revenue funding themselves impact student outcomes, the task force noted that it will be challenging to measure what members said may be positive effects of compensatory revenue alongside what they said may be negative impacts of confounding variables of poverty and under-preparedness.

Nonetheless, the task force identified several potential evaluation options, including examining the association between compensatory revenue and overall school funding and the estimated causal effects of compensatory revenue using quasi-experimental methods.

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