

**SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION**

S.F. No. 4368

(SENATE AUTHORS: CLARK, Kunesh, Cwodzinski and Champion)

DATE	D-PG	OFFICIAL STATUS
03/11/2026	6596	Introduction and first reading Referred to Education Finance
03/23/2026	6858a 6920	Comm report: To pass as amended and re-refer to Finance Author added Cwodzinski
05/11/2026	10379	Author added Champion

1.1 A bill for an act

1.2 relating to education finance; modifying the calculation of compensatory aid for

1.3 fiscal year 2027; modifying the allocation of compensatory aid for fiscal year

1.4 2028; appropriating money; amending Minnesota Statutes 2025 Supplement,

1.5 sections 126C.10, subdivision 3; 126C.15, subdivision 2.

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

1.7 Section 1. Minnesota Statutes 2025 Supplement, section 126C.10, subdivision 3, is amended

1.8 to read:

1.9 Subd. 3. **Compensatory education revenue.** (a) A district's compensatory revenue

1.10 equals the sum of its compensatory revenue for each building in the district and the amounts

1.11 designated under Laws 2015, First Special Session chapter 3, article 2, section 70, subdivision

1.12 8, for fiscal year 2017. Revenue shall be paid to the district and must be allocated according

1.13 to section 126C.15, subdivision 2.

1.14 (b) For fiscal years 2024, 2025, and 2026, the compensatory education revenue for each

1.15 building in the district equals the formula allowance minus \$839 times the compensation

1.16 revenue pupil units computed according to section 126C.05, subdivision 3.

1.17 (c) For fiscal year 2027 and later, the compensatory education revenue for each building

1.18 in the district equals its compensatory pupils multiplied by the building compensatory

1.19 allowance.

1.20 (d) When the district contracting with an alternative program under section 124D.69

1.21 changes prior to the start of a school year, the compensatory revenue generated by pupils

1.22 attending the program shall be paid to the district contracting with the alternative program

2.1 for the current school year, and shall not be paid to the district contracting with the alternative
 2.2 program for the prior school year.

2.3 (e) When the fiscal agent district for an area learning center changes prior to the start of
 2.4 a school year, the compensatory revenue shall be paid to the fiscal agent district for the
 2.5 current school year, and shall not be paid to the fiscal agent district for the prior school year.

2.6 (f) Notwithstanding paragraph ~~(e)~~ (b), for fiscal year 2026, if the sum of the amounts
 2.7 calculated under paragraph ~~(e)~~ (b) is less than \$838,947,000, the commissioner must
 2.8 proportionately increase the revenue to each building until the total statewide revenue
 2.9 calculated for each building equals \$838,947,000.

2.10 (g) Notwithstanding paragraph (c), for fiscal year 2027 and later, if the sum of the
 2.11 amounts calculated under paragraph (c) is less than \$857,152,000, the commissioner must
 2.12 proportionately increase the revenue to each building until the total statewide revenue
 2.13 calculated for each building equals \$857,152,000.

2.14 (h) Notwithstanding paragraph (c), for fiscal year 2027 only, the compensatory education
 2.15 revenue for each building equals the greater of:

2.16 (1) the amount calculated for the building under paragraphs (c) and (g); or

2.17 (2) the building minimum amount calculated under paragraph (i).

2.18 (i) For purposes of paragraph (h), the building minimum amount equals the product of:

2.19 (1) the compensatory education revenue for the building for fiscal year 2026;

2.20 (2) the lesser of one or the ratio of the number of pupils enrolled in the building on
 2.21 October 1, 2025, to the number of pupils enrolled in the building on October 1, 2024; and

2.22 (3) 0.90.

2.23 Sec. 2. Minnesota Statutes 2025 Supplement, section 126C.15, subdivision 2, is amended
 2.24 to read:

2.25 Subd. 2. **Building allocation.** (a) A district or cooperative must allocate at least 80
 2.26 percent of its compensatory revenue to each school building in the district or cooperative
 2.27 where the children who have generated the revenue are served unless the school district or
 2.28 cooperative has received permission under Laws 2005, First Special Session chapter 5,
 2.29 article 1, section 50, to allocate compensatory revenue according to student performance
 2.30 measures developed by the school board.

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

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

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

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

3.17 (f) For fiscal years 2026 ~~and~~, 2027, and 2028 only, notwithstanding the percentages
3.18 specified in paragraphs (a) and (b), a district may allocate up to 40 percent of the amount
3.19 of compensatory revenue that the district receives to school sites according to a plan adopted
3.20 by the school board, consistent with the purposes listed in subdivision 1.

3.21 Sec. 3. **APPROPRIATION.**

3.22 \$55,627,000 in fiscal year 2027 is appropriated from the general fund to the commissioner
3.23 of education for additional general education aid.