

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

**S.F. No. 2017**

(SENATE AUTHORS: GUSTAFSON)

**DATE**  
02/21/2023

**D-PG**

987 Introduction and first reading  
Referred to Education Finance  
See HF2497

**OFFICIAL STATUS**

1.1 A bill for an act  
1.2 relating to education finance; modifying compensatory revenue; changing the  
1.3 revenue uses; encouraging best practices; increasing the percentage of compensatory  
1.4 revenue that must stay at each school site; requiring a report on eliminating paper  
1.5 forms; appropriating money; amending Minnesota Statutes 2022, sections 126C.05,  
1.6 subdivision 3; 126C.10, subdivision 3; 126C.15, subdivisions 1, 2, 5.

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

1.8 Section 1. Minnesota Statutes 2022, section 126C.05, subdivision 3, is amended to read:

1.9 Subd. 3. **Compensation revenue pupil units.** Compensation revenue pupil units must  
1.10 be computed according to this subdivision.

1.11 (a) The compensation revenue concentration percentage for each building in a district  
1.12 equals the product of 100 times the ratio of:

1.13 (1) the sum of the number of pupils enrolled in the building eligible to receive free lunch  
1.14 plus one-half of the pupils eligible to receive reduced priced lunch on October 1 of the  
1.15 previous fiscal year; to

1.16 (2) the number of pupils enrolled in the building on October 1 of the previous fiscal  
1.17 year.

1.18 (b) The compensation revenue pupil weighting factor for a building equals the lesser of  
1.19 one or the quotient obtained by dividing the building's compensation revenue concentration  
1.20 percentage by 80.0.

1.21 (c) The compensation revenue pupil units for a building equals the product of:

2.1 (1) the sum of the number of pupils enrolled in the building eligible to receive free lunch  
 2.2 and one-half of the pupils eligible to receive reduced priced lunch on October 1 of the  
 2.3 previous fiscal year; times

2.4 (2) the compensation revenue pupil weighting factor for the building; times

2.5 (3) .60.

2.6 (d) Notwithstanding paragraphs (a) to (c), for voluntary prekindergarten programs under  
 2.7 section 124D.151, charter schools, and contracted alternative programs in the first year of  
 2.8 operation, compensation revenue pupil units shall be computed using data for the current  
 2.9 fiscal year. If the voluntary prekindergarten program, charter school, or contracted alternative  
 2.10 program begins operation after October 1, compensatory revenue pupil units shall be  
 2.11 computed based on pupils enrolled on an alternate date determined by the commissioner,  
 2.12 and the compensation revenue pupil units shall be prorated based on the ratio of the number  
 2.13 of days of student instruction to 170 days.

2.14 (e) Notwithstanding paragraphs (a) to (c), for voluntary prekindergarten seats discontinued  
 2.15 in fiscal year 2024 due to the reduction in the participation limit under section 124D.151,  
 2.16 subdivision 6, those discontinued seats must not be used to calculate compensation revenue  
 2.17 pupil units for fiscal year 2024.

2.18 (f) The percentages in this subdivision must be based on the count of individual pupils  
 2.19 and not on a building average or minimum, but may be adjusted according to section 126C.10,  
 2.20 subdivision 3.

2.21 Sec. 2. Minnesota Statutes 2022, section 126C.10, subdivision 3, is amended to read:

2.22 Subd. 3. **Compensatory education revenue.** (a) The initial compensatory education  
 2.23 revenue for each building in the district equals the product of:

2.24 (1) the formula allowance minus \$839 ~~times~~;

2.25 (2) the compensatory undercount adjustment in paragraph (e); and

2.26 (3) the compensation revenue pupil units computed according to section 126C.05,  
 2.27 subdivision 3.

2.28 (b) A district's compensatory revenue equals the sum of its initial compensatory revenue  
 2.29 for each building in the district calculated under paragraph (a) and the amounts designated  
 2.30 under Laws 2015, First Special Session chapter 3, article 2, section 70, subdivision 8, for  
 2.31 fiscal year 2017. Revenue shall be paid to the district and must be allocated according to  
 2.32 section 126C.15, subdivision 2.

3.1 ~~(b)~~ (c) When the district contracting with an alternative program under section 124D.69  
3.2 changes prior to the start of a school year, the compensatory revenue generated by pupils  
3.3 attending the program shall be paid to the district contracting with the alternative program  
3.4 for the current school year, and shall not be paid to the district contracting with the alternative  
3.5 program for the prior school year.

3.6 ~~(e)~~ (d) When the fiscal agent district for an area learning center changes prior to the start  
3.7 of a school year, the compensatory revenue shall be paid to the fiscal agent district for the  
3.8 current school year, and shall not be paid to the fiscal agent district for the prior school year.

3.9 (e) Each district's compensatory undercount adjustment equals one plus the sum of:

3.10 (1) the percentage of English learner enrollment for the previous year to the total  
3.11 enrollment for the previous year, not to exceed 4 percent;

3.12 (2) the percentage of eligible enrollment counted through a paper form during the fall  
3.13 of 2022 count, not to exceed 4 percent; and

3.14 (3) the percentage of highly mobile or homeless enrollment for the previous year, not  
3.15 to exceed 2 percent.

3.16 Sec. 3. Minnesota Statutes 2022, section 126C.15, subdivision 1, is amended to read:

3.17 Subdivision 1. **Use of revenue.** (a) The basic skills revenue under section 126C.10,  
3.18 subdivision 4, must be reserved and used to meet the educational needs of pupils who enroll  
3.19 under-prepared to learn and whose progress toward meeting state or local content or  
3.20 performance standards is below the level that is appropriate for learners of their age. Basic  
3.21 skills revenue may also be used for programs designed to prepare children and their families  
3.22 for entry into school whether the student first enrolls in kindergarten or first grade.

3.23 (b) For fiscal years prior to fiscal year 2024, any of the following may be provided to  
3.24 meet these learners' needs:

3.25 (1) direct instructional services under the assurance of mastery program according to  
3.26 section 124D.66;

3.27 (2) remedial instruction in reading, language arts, mathematics, other content areas, or  
3.28 study skills to improve the achievement level of these learners;

3.29 (3) additional teachers and teacher aides to provide more individualized instruction to  
3.30 these learners through individual tutoring, lower instructor-to-learner ratios, or team teaching;

4.1 (4) a longer school day or week during the regular school year or through a summer  
4.2 program that may be offered directly by the site or under a performance-based contract with  
4.3 a community-based organization;

4.4 (5) comprehensive and ongoing staff development consistent with district and site plans  
4.5 according to section 122A.60 and to implement plans under section 120B.12, subdivision  
4.6 4a, for teachers, teacher aides, principals, and other personnel to improve their ability to  
4.7 identify the needs of these learners and provide appropriate remediation, intervention,  
4.8 accommodations, or modifications;

4.9 (6) instructional materials, digital learning, and technology appropriate for meeting the  
4.10 individual needs of these learners;

4.11 (7) programs to reduce truancy, encourage completion of high school, enhance  
4.12 self-concept, provide health services, provide nutrition services, provide a safe and secure  
4.13 learning environment, provide coordination for pupils receiving services from other  
4.14 governmental agencies, provide psychological services to determine the level of social,  
4.15 emotional, cognitive, and intellectual development, and provide counseling services, guidance  
4.16 services, and social work services;

4.17 (8) bilingual programs, bicultural programs, and programs for English learners;

4.18 (9) all-day kindergarten;

4.19 (10) early education programs, parent-training programs, school readiness programs,  
4.20 kindergarten programs for four-year-olds, voluntary home visits under section 124D.13,  
4.21 subdivision 4, and other outreach efforts designed to prepare children for kindergarten;

4.22 (11) extended school day and extended school year programs; and

4.23 (12) substantial parent involvement in developing and implementing remedial education  
4.24 or intervention plans for a learner, including learning contracts between the school, the  
4.25 learner, and the parent that establish achievement goals and responsibilities of the learner  
4.26 and the learner's parent or guardian.

4.27 (c) For fiscal year 2024 and later, a district's basic skills revenue must be used for:

4.28 (1) remedial instruction in reading, language arts, mathematics, other content areas, or  
4.29 study skills to improve the achievement level of these learners;

4.30 (2) additional teachers and teacher aides to provide more individualized instruction to  
4.31 these learners through individual tutoring, lower instructor-to-learner ratios, or team teaching;

5.1 (3) a longer school day or week during the regular school year or through a summer  
5.2 program that may be offered directly by the site or under a performance-based contract with  
5.3 a community based organization;

5.4 (4) programs to reduce truancy; provide counseling services, guidance services, and  
5.5 social work services; and provide coordination for pupils receiving services from other  
5.6 governmental agencies;

5.7 (5) bilingual programs, bicultural programs, and programs for English learners;

5.8 (6) early education programs, parent-training programs, early childhood special education,  
5.9 school readiness programs, kindergarten programs for four-year-olds, voluntary home visits  
5.10 under section 124D.13, subdivision 4, and other outreach efforts designed to prepare children  
5.11 for kindergarten; and

5.12 (7) transition programs operated by school districts for special education students until  
5.13 the age of 22.

5.14 Sec. 4. Minnesota Statutes 2022, section 126C.15, subdivision 2, is amended to read:

5.15 Subd. 2. **Building allocation.** (a) A district or cooperative must allocate its compensatory  
5.16 revenue to each school building in the district or cooperative where the children who have  
5.17 generated the revenue are served unless the school district or cooperative has received  
5.18 permission under Laws 2005, First Special Session chapter 5, article 1, section 50, to allocate  
5.19 compensatory revenue according to student performance measures developed by the school  
5.20 board.

5.21 (b) Notwithstanding paragraph (a), a district or cooperative may allocate up to ~~50~~ 30  
5.22 percent of the amount of compensatory revenue that the district receives to school sites  
5.23 according to a plan adopted by the school board. The money reallocated under this paragraph  
5.24 must be spent for the purposes listed in subdivision 1, but may be spent on students in any  
5.25 grade, including students attending school readiness or other prekindergarten programs.

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

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

5.30 (e) A district or cooperative with school building openings, school building closings,  
5.31 changes in attendance area boundaries, or other changes in programs or student demographics  
5.32 between the prior year and the current year may reallocate compensatory revenue among

6.1 sites to reflect these changes. A district or cooperative must report to the department any  
 6.2 adjustments it makes according to this paragraph and the department must use the adjusted  
 6.3 compensatory revenue allocations in preparing the report required under section 123B.76,  
 6.4 subdivision 3, paragraph (c).

6.5 Sec. 5. Minnesota Statutes 2022, section 126C.15, subdivision 5, is amended to read:

6.6 Subd. 5. **Annual expenditure report.** (a) Each year a district that receives basic skills  
 6.7 revenue must submit a report identifying the expenditures it incurred to meet the needs of  
 6.8 eligible learners under subdivision 1. The report must conform to uniform financial and  
 6.9 reporting standards established for this purpose and provide a breakdown by functional  
 6.10 area. ~~Using valid and reliable data and measurement criteria, the report also must determine~~  
 6.11 ~~whether increased expenditures raised~~

6.12 (b) A district must also report whether programs funded with compensatory revenue are  
 6.13 consistent with best practices demonstrated to improve student achievement levels.

6.14 (c) The Department of Education and regional centers of excellence must identify and  
 6.15 provide to schools best practices for implementing programs for each use of revenue specified  
 6.16 in subdivision 1.

6.17 Sec. 6. **REPLACING PAPER FORMS.**

6.18 By January 15, 2024, the Department of Education must report to the education  
 6.19 committees of the legislature whether free and reduced-price meals information obtained  
 6.20 through parents submitting paper eligibility forms can be eliminated for all school nutritional  
 6.21 programs, Title 1 funding, e-rate funding, and any other federal or state programs that require  
 6.22 the determination of family income for eligibility.

6.23 Sec. 7. **APPROPRIATION; COMPENSATORY REVENUE.**

6.24 Subdivision 1. **Department of Education.** The sums indicated in this section are  
 6.25 appropriated from the general fund to the Department of Education in the fiscal years  
 6.26 designated.

6.27 Subd. 2. **Compensatory revenue.** For additional general education aid required under  
 6.28 this act:

6.29 \$ ..... 2024

6.30 \$ ..... 2025