

SF2002 - 1A - Compensatory Revenue Eligibility Modified

Chief Author: **Doron Clark**  
 Committee: **Education Finance**  
 Date Completed: **3/12/2025 2:05:47 PM**  
 Agency: **Education Department**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
<b>General Fund</b>	-	50,073	213,413	238,031	243,285
<b>Total</b>	-	<b>50,073</b>	<b>213,413</b>	<b>238,031</b>	<b>243,285</b>
<b>Biennial Total</b>			<b>263,486</b>		<b>481,316</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Alyssa Holterman Rosas      **Date:** 3/12/2025 2:05:47 PM  
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**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029	
General Fund	-	50,073	213,413	238,031	243,285	
<b>Total</b>	<b>-</b>	<b>50,073</b>	<b>213,413</b>	<b>238,031</b>	<b>243,285</b>	
			<b>263,486</b>		<b>481,316</b>	
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	50,073	213,413	238,031	243,285	
<b>Total</b>	<b>-</b>	<b>50,073</b>	<b>213,413</b>	<b>238,031</b>	<b>243,285</b>	
			<b>263,486</b>		<b>481,316</b>	
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
			<b>-</b>		<b>-</b>	

**Bill Description**

Section 1 extends the compensatory revenue calculation used in fiscal year (FY) 2025 to FY 2026. Makes the section effective for revenue in FY 2026 and later.

Section 2 amends the compensatory revenue building allowance for FY 2026. Makes the section effective for revenue in FY 2026 and later.

Section 3 amends the compensatory revenue building calculation for FY 2027 to include eligibility through the application for educational benefits. Makes the section effective for revenue in FY 2026 and later.

Section 4 sets the compensatory revenue building allowance for FY 2027 to \$6,904 and indexes the allowance to the basic formula allowance for FY 2028 and later. Makes the section effective for revenue in FY 2026 and later.

Section 5 adds paragraph (f), which changes the building allocation requirements for districts where the compensatory pupil count excludes students identified through the application for educational benefits.

Section 6 amends Laws 2023, chapter 55, article 1, section 37, by changing the effective for revenue year to FY 2027.

Section 8 appropriates a blank amount from the general fund to the Department of Education in FY 2026 and FY 2027 for additional compensatory aid under Minnesota Statutes, section 126C.13.

**Assumptions**

MDE began collecting data on free and reduced priced lunch (FRL) eligibility separately based on direct certification and the application for educational benefits during the October 2022 MARSS submissions. Previously, the submissions combined application and direct certification eligibility. The application and direct certification data is volatile due to effects from the pandemic, the introduction of free meals, and the inclusion of Medicaid eligible direct certification and subsequent changes to Medicaid eligibility.

FY 2026 compensatory revenue is based on actual October 1, 2024 counts submitted by districts through MARSS. The counts of students eligible for FRL through applications were added to the direct certification counts and calculated according to the formula set forth in sections 1 and 2.

The calculations for fiscal years 2027 through 2029 are based on the February 2025 forecast and the FY 2026 percentage

of free and reduced application counts to fall enrollment at each site.

The compensatory allowance for FY 2026 is set at the 2026 formula allowance minus \$839. Compensatory allowances for FY 2028 and FY 2029 are based on the February 2025 forecast CPI adjustment to the general education formula allowance applied to the FY 2027 compensatory allowance.

- FY 2026 - \$6,442
- FY 2027 - \$6,904
- FY 2028 - \$7,111
- FY 2029 - \$7,253

The compensatory totals include the compensatory pilot in the amount of \$7,325,000 from Minnesota Session Laws 2015, First Special Session chapter 3, article 2, section 70, subdivision 8.

**Expenditure and/or Revenue Formula**

SF 2002	FY 2026	FY 2027	FY 2028	FY 2029
February 2025 Forecast (with Pilot)	846,272,800	886,708,870	918,858,560	937,588,554
SF 2002 Compensatory Revenue Base	894,584,146	1,110,328,042	1,150,351,412	1,174,044,930
Compensatory Revenue Pilot	7,325,000	7,325,000	7,325,000	7,325,000
SF 2002 Compensatory Revenue Total	901,909,146	1,117,653,042	1,157,676,412	1,181,369,930
Difference in Entitlement	55,636,346	230,944,172	238,817,852	243,781,376
Current Payment	50,072,711	207,849,755	214,936,067	219,403,238
Final Payment		5,563,635	23,094,417	23,881,785
<b>Total Cost</b>	<b>50,072,711</b>	<b>213,413,389</b>	<b>238,030,484</b>	<b>243,285,023</b>

**Long-Term Fiscal Considerations**

Section 3 adds the counts of FRL eligible students to the compensatory revenue calculation in perpetuity. Counts of students eligible via direct certifications may change based on guidelines for eligibility in federal programs such as SNAP or Medicaid. Further, student eligibility via applications may change based on regional or state-wide economic conditions.

**Local Fiscal Impact**

School districts will see additional compensatory revenue under this bill.

**References/Sources**

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