



Compensatory Timelines and Projections

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Ten Minnesota Commitments to Equity

1. Prioritize equity.
2. Start from within.
3. Measure what matters.
4. Go local.
5. Follow the money.
6. Start early.
7. Monitor implementation of standards.
8. Value people.
9. Improve conditions for learning.
10. Give students options.



2023 Legislative Timeline - Compensatory

- January 2023 – February 2023
 - MDE School Finance collaborated with MMB to create options to re-calculate Compensatory Revenue generated by site for FY2025 and later.
 - Fiscal Year 2024 Compensatory had already been calculated based off of Fall 2022 pupil counts and was projected to increase statewide by over \$300 million due to the inclusion of Medicaid students being directly certified.
 - Twenty models to adjust the compensatory formula were created for review. MMB led discussions on the different recommendations and Model 19 was chosen.

Projected Compensatory Funding with new legislation (FY2025 & Later):

FY2023	FY2024	% change	FY2025	% change	FY2026	% change	FY2027	% change
473,807,238	799,260,502	69%	822,658,651	3%	838,947,293	2%	857,152,449	2%

Highlights of New Compensatory Formula

- Legislation had MDE convert to using direct certification pupil counts only starting in FY2025, eliminating the application forms as part of the count.
 - Direct Certification pupil counts were collected for the first time by MDE student submissions (MARSS) in the Fall of 2022, not related to any potential use of the data for compensatory funding formulas.
 - When analyzing data submitted for direct certification, it was apparent that not all LEA's reported correctly. More education would be required to ensure proper reporting.
 - Funding estimates were based on Fall 2022 counts with considerations made for LEA's that did not report direct certification or appears to have errors in their submission.
 - A statewide change in both fall child counts and eligibility for direct certification were used
 - The initial estimates showed the statewide projected changes in base Compensatory, not including pilot revenue.

Compensatory Hold Harmless – Free Meals Bill

- In late February, with the Free Meals bill advancing, it was determined that a hold harmless may be required to assure no Compensatory revenue loss based on application for benefits applications decreasing by enacting Free Meals.
 - The hold harmless language was created by legislative staff and MMB.
 - The final hold harmless for FY2025 froze the pupil counts to FY2024 but all other components of compensatory funding remained the same.
 - Funding estimates for the hold harmless were
- The school finance fiscal note team along with non-partisan legislative staff initially calculated the impact on a hold harmless on the free meals bill to be around \$5.5 million, but the actual language was changed to focus on the greater of fall pupil units, not total revenue, which impacted the FY2025 costs, which is reflected in the November 2023 and February 2024 forecast.

Compensatory Hold Harmless – Free Meals Bill

- The components that impacted the hold harmless in FY2025 included:
 - The greater of current eligible free & reduced students or counts from FY2024
 - Using the “old law” compensatory formula that included an increase in the compensatory per pupil amount compared to the increase in the basic allowance
 - LEA’s seeing decreasing overall fall student counts but higher or FY2024 free & reduced counts triggered a higher concentration factor driving higher funding

Data from the February 2024 Forecast-School Finance Projections

FY2023	FY2024	% change	FY2025	% change	FY2026	% change	FY2027	% change
473,807,238	799,260,502	69%	867,740,170	8.5%	843,887,941	-2.8%	867,620,925	2.8%

Comparison 2023 Legislation to February 2024 Forecast

- Funding projection comparison:

Legislation – Funding projection February 2023 (Direct Cert. starts FY2025)

FY2023	FY2024	% change	FY2025	% change	FY2026	% change	FY2027	% change
473,807,238	799,260,502	69%	822,658,651	3%	838,947,293	2%	857,152,449	2%

February 2024 Forecast with FY2025 Hold Harmless and Oct. 2023 Pupils

FY2023	FY2024	% change	FY2025	% change	FY2026	% change	FY2027	% change
473,807,238	799,260,502	69%	867,740,170	8.5%	843,887,941	-2.8%	867,620,925	2.8%

*Direct Certification pupil counts were collected for the first time in October 2022. Those were used to estimate eligible pupils and funding for the 2023 legislation. It was noted that not all direct certification submissions appeared accurate. October 2023 looked better but there is still work to be done to better support LEA's submitting direct certification data.

Proposed 2024 Legislative Language

(g) (f) Notwithstanding paragraph (c), for fiscal year 2026, if the calculation under paragraph (d) results in statewide revenue of sum of the amounts calculated under paragraph (c) is less than \$838,947,000, additional revenue must be provided the commissioner must **proportionately increase** the revenue to each building in a manner prescribed by the commissioner of education until the total statewide revenue calculated for each building equals \$838,947,000.

(h) (g) Notwithstanding paragraph (c), for fiscal year 2027 and later, if the calculation under paragraph (d) results in statewide revenue of sum of the amounts calculated under paragraph (c) is less than \$857,152,000, additional revenue must be provided the commissioner must **proportionately increase** the revenue to each building in a manner prescribed by the commissioner of education until the total statewide revenue calculated for each building equals \$857,152,000.

NOTE:
Based on February 2024 forecast, projected compensatory distributions will be higher than the minimum spending in this statute.

Any Questions? Thank You

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