

1.1 Senator ..... moves to amend S.F. No. 2002 as follows:

1.2 Delete everything after the enacting clause and insert:

1.3 "Section 1. Minnesota Statutes 2024, section 126C.05, subdivision 3, is amended to read:

1.4 Subd. 3. **Compensation revenue pupil units.** Compensation revenue pupil units must  
1.5 be computed according to this subdivision.

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

1.8 (1) the sum of the number of pupils enrolled in the building eligible to receive free meals  
1.9 plus one-half of the pupils eligible to receive reduced-priced meals on October 1 of the  
1.10 previous fiscal year; to

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

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

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

1.17 (1) the sum of the number of pupils enrolled in the building eligible to receive free meals  
1.18 and one-half of the pupils eligible to receive reduced-priced meals on October 1 of the  
1.19 previous fiscal year; times

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

1.21 (3) .60.

1.22 (d) Notwithstanding paragraphs (a) to (c), for voluntary prekindergarten programs under  
1.23 section 142D.08, charter schools, and contracted alternative programs in the first year of  
1.24 operation, compensation revenue pupil units shall be computed using data for the current  
1.25 fiscal year. If the voluntary prekindergarten program, charter school, or contracted alternative  
1.26 program begins operation after October 1, compensatory revenue pupil units shall be  
1.27 computed based on pupils enrolled on an alternate date determined by the commissioner,  
1.28 and the compensation revenue pupil units shall be prorated based on the ratio of the number  
1.29 of days of student instruction to 170 days.

1.30 (e) The percentages in this subdivision must be based on the count of individual pupils  
1.31 and not on a building average or minimum.

(f) Notwithstanding paragraphs (a) to (e), for revenue in fiscal year 2025 only, the compensation revenue pupil units for each building in a district equals the greater of the building's actual compensation revenue pupil units computed according to paragraphs (a) to (e) for revenue in fiscal year 2025, or the building's actual compensation revenue pupil units computed according to paragraphs (a) to (e) for revenue in fiscal year 2024.

(g) Notwithstanding paragraphs (a) to (e), for revenue in fiscal year 2026 only, the compensation revenue pupil units for each building in a district equals the greater of the building's actual compensation revenue pupil units computed according to paragraphs (a) to (e) for revenue in fiscal year 2026, or the building's actual compensation revenue pupil units computed according to paragraphs (a) to (e) for revenue in fiscal year 2024.

**EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2026 and later.

Sec. 2. Minnesota Statutes 2024, section 126C.10, subdivision 3, is amended to read:

Subd. 3. **Compensatory education revenue.** (a) A district's compensatory revenue equals the sum of its compensatory revenue for each building in the district and the amounts designated under Laws 2015, First Special Session chapter 3, article 2, section 70, subdivision 8, for fiscal year 2017. Revenue shall be paid to the district and must be allocated according to section 126C.15, subdivision 2.

(b) For fiscal years 2024 ~~and~~, 2025, and 2026, the compensatory education revenue for each building in the district equals the formula allowance minus \$839 times the compensation revenue pupil units computed according to section 126C.05, subdivision 3.

(c) For fiscal year ~~2026~~ 2027 and later, the compensatory education revenue for each building in the district equals its compensatory pupils multiplied by the building compensatory allowance.

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

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

(f) Notwithstanding paragraph (c), for fiscal year 2026, if the sum of the amounts calculated under paragraph (c) is less than \$838,947,000, the commissioner must

proportionately increase the revenue to each building until the total statewide revenue calculated for each building equals \$838,947,000.

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

**EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2026 and later.

Sec. 3. Minnesota Statutes 2024, section 126C.10, subdivision 3b, is amended to read:

Subd. 3b. **Free and reduced-price meals.** Beginning October 1, 2024, the commissioner shall determine the number of children eligible by means of direct certification and through the application for educational benefits to receive either a free or reduced-price meal on October 1 each year. Children enrolled in a building on October 1 and determined to be eligible by means of direct certification or through the application for educational benefits to receive free or reduced-price meals by December 15 of that school year shall be counted as eligible on October 1 for purposes of subdivision 3. The commissioner must use federal definitions for these purposes. The commissioner may adopt reporting guidelines to assure accuracy of data counts and eligibility. Districts must use any guidelines adopted by the commissioner.

**EFFECTIVE DATE.** This section is effective for aid for fiscal year 2026 and later.

Sec. 4. Minnesota Statutes 2024, section 126C.10, subdivision 3c, is amended to read:

Subd. 3c. **Statewide compensatory allowance.** For fiscal year ~~2026~~ 2027, the statewide compensatory allowance is ~~\$6,734~~ \$6,904. For fiscal year ~~2027~~ 2028 and later, the statewide compensatory allowance equals the statewide compensatory allowance in effect for the prior fiscal year times the ratio of the formula allowance under section 126C.10, subdivision 2, for the current fiscal year to the formula allowance under section 126C.10, subdivision 2, for the prior fiscal year, rounded to the nearest whole dollar.

**EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2026 and later.

Sec. 5. Minnesota Statutes 2024, section 126C.15, subdivision 2, is amended to read:

Subd. 2. **Building allocation.** (a) A district or cooperative must allocate at least 80 percent of its compensatory revenue to each school building in the district or cooperative where the children who have generated the revenue are served unless the school district or

cooperative has received permission under Laws 2005, First Special Session chapter 5, article 1, section 50, to allocate compensatory revenue according to student performance measures developed by the school board.

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

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

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

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

(f) For fiscal years 2026 and 2027 only, notwithstanding the percentages specified in paragraphs (a) and (b), if the district's compensatory pupil count excludes students identified through the application for educational benefits, a district may allocate up to 40 percent of the amount of compensatory revenue that the district receives to school sites according to a plan adopted by the school board, consistent with the purposes listed in subdivision 1.

Sec. 6. Laws 2023, chapter 55, article 1, section 37, the effective date, is amended to read:

**EFFECTIVE DATE.** Paragraph (a) is effective for revenue for fiscal year 2026 2027. Paragraph (b) is effective May 28, 2023. Paragraph (c) is effective the day following final enactment.

Sec. 7. **APPROPRIATIONS; DEPARTMENT OF EDUCATION.**

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

- 5.1        Subd. 2. **Additional compensatory aid.** For additional general education aid under
- 5.2        Minnesota Statutes, section 126C.13:
- 5.3               \$                .....        .....    2026
- 5.4               \$                .....        .....    2027"
- 5.5        Amend the title accordingly