Compensatory Education Revenue

2020
EVALUATION REPORT

Program Evaluation Division

OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

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OFFICE OF THE LEGISLATIVE AUDITOR
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March 2020

Members of the Legislative Audit Commission:

Compensatory education revenue is one component of state funding for public schools. Specifically, the revenue is intended to help pay the educational costs of students who are underprepared to learn and who perform below academic standards for their age group.

We found that schools use compensatory revenue for a broad range of programs, but the statewide impacts of the revenue are unknown. Statutes requiring school districts to determine whether compensatory education revenue raised student achievement are unrealistic. We present alternatives to improve oversight of, and requirements related to, the revenue.

Our evaluation was conducted by Jody Hauer (project manager), Don Hirasuna, and Ryan Moltz. The Minnesota Department of Education cooperated fully with our evaluation, and we thank them for their assistance.

Sincerely,

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THE GREAT SEAL OF THE STATE OF MINNESOTA
L'ETOILE DU NORD
1858

Summary
Compensatory Education Revenue

Key Facts and Findings:

- Compensatory education revenue is state funding to help schools pay for the educational needs of students who do not meet performance standards appropriate for their age. In Fiscal Year 2018, it totaled $551 million. (p. 3)
- Revenue amounts depend largely on the (1) number of students qualifying for free or reduced-price lunch and (2) concentrations of these students at a school site. School districts distribute the revenue to school sites where students generate it but can reallocate up to half based on a school board plan; a few can reallocate all of the revenue. (pp. 8, 11-12)
- In 89 percent of school districts outside the seven-county metropolitan area in Fiscal Year 2018, students generating the revenue made up at least one-quarter of enrollment; this compares with just 48 percent of metropolitan districts. (p. 7)
- Statutes require school districts to determine whether compensatory revenue increased student achievement, but the requirement is unrealistic. (p. 48)
- The 12 statutorily allowed uses of compensatory education revenue permit spending on a wide range of educational purposes. Minnesota Department of Education (MDE) data offer little detail on how school districts spend the revenue, but MDE adopted changes in late 2019 intended to make the spending more transparent. (pp. 32, 33, 35)
- Calculations of compensatory revenue do not reflect districts' current student counts. Further, determining student eligibility for free or reduced-price lunch requires school districts to collect income forms from families, but not all families submit the forms. This results in an undercount of students who generate compensatory revenue. (pp. 23-24)
- A 2017 law requires school districts to reserve a percentage of compensatory education revenue for exclusive use on extended-time programs, such as summer school, but this is not the best use of the revenue for all districts. (p. 37)

School districts may use compensatory education revenue for a broad range of programs, the effects of which are unclear.

Key Recommendations:

- The Legislature should repeal the statute requiring school districts to report on whether compensatory revenue raised student achievement. (p. 48)
- The Legislature should require school districts to report whether programs paid with significant amounts of compensatory revenue are consistent with best practices, and MDE should identify future best practices. (p. 63)
- The Legislature should consider changing the calculation of compensatory revenue to lessen the downsides of using prior-year counts of qualifying students. MDE should evaluate additional methods for obtaining counts of these students. (pp. 30, 26)
- The Legislature should repeal the statute requiring school districts to reserve a share of compensatory education revenue solely for extended-time programs. (p. 39)
- The Legislature should clarify the requirement for a school board-adopted plan when school districts reallocate compensatory revenue. (p. 41)

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Report Summary

Compensatory education revenue is state funding intended to help meet the educational needs of certain students—those who are underprepared to learn and whose progress in meeting academic performance standards is below levels appropriate for their age group. School districts, charter schools, and other educational organizations receive the revenue.

Compensatory education revenue amounted to $551 million statewide in Fiscal Year 2018, a 69 percent increase since Fiscal Year 2004 (adjusted for inflation in 2018 dollars). It represented about 7 percent of general education revenue—which provides most of the money for school operating expenses—in Fiscal Year 2018.

Students qualifying for free or reduced-price lunch generate compensatory education revenue; in Fiscal Year 2018, they represented 38 percent of all students.

The statutory formula for calculating compensatory education revenue depends heavily on two factors. One is the number of low-income students, as measured by whether students qualify for the free or reduced-price lunch program. The second is the concentration of such students at a given school site. School districts generally are to allocate the revenue to the school sites where qualifying students attend.

More than 329,000 students in Fiscal Year 2018 generated compensatory revenue. Qualifying students made up about 38 percent of all students that year.

In a large share of school districts (89 percent) outside the seven-county metropolitan area, qualifying students made up at least one-quarter of enrollment in Fiscal Year 2018. This compares with just 48 percent of metropolitan districts.

Our analysis showed that student eligibility for subsidized lunch is an acceptable but limited proxy for identifying those intended to benefit from compensatory revenue: students performing below standards appropriate for their age.

Available data provide little detail on how school districts spend compensatory education revenue.

Statutes permit 12 broad uses of compensatory education revenue. The 12 uses allow spending on a wide range of educational purposes. They include providing additional teachers to lower ratios of instructors-to-learners, as well as instructional materials and technology for meeting learners' needs.

Little is known, however, on how district spending corresponds with each of the allowed uses. The Minnesota Department of Education (MDE) collects expenditure data from school districts but has detailed data on just 3 of the 12 uses: English learner programs, Assurance of Mastery programs, and a reserved amount for extended-time programs (that is, after-school classes and summer school). For 80 percent of compensatory revenue, data are not available on how school district spending aligns with allowed uses.

In December 2019, MDE adopted changes for future school district reporting on expenditures of compensatory education revenue. The changes include new reporting codes, such as for remedial instruction in reading, which provide a level of detail that was lacking previously. We agree with the need to increase transparency of spending.

A requirement for school districts to report annually whether compensatory revenue expenditures raised student achievement is unrealistic.

Statutes require school districts to report annually whether their spending of compensatory revenue increased student achievement. In a survey we conducted for this evaluation, more than one-third of school districts reported that they either did not measure the revenue's impact or did not know whether they did. Of district officials saying they did report on the revenue's impact, most did so by using standardized test results, such as scores from the Minnesota Comprehensive Assessments, which are required statewide tests in math, reading, and science.

One problem with estimating impacts of the revenue is that school districts' indicators of academic success, such as test results, do not isolate the impacts of compensatory education revenue itself. School districts use multiple funding streams, not just compensatory revenue, for their programming, making it difficult to

determine whether results are tied to compensatory revenue alone.

A second problem is that valid and reliable studies of the revenue's impact would require time, money, and analytical skills that few school districts may be able to offer. School districts would have to use rigorous research methods that could be difficult to conduct, such as setting up control groups to compare students who did and did not participate in programs funded by compensatory revenue. They would also have to account for all other school programs that might have an impact on students who are behind academically. Such research would be unreasonable to expect at the individual school district level.

The Legislature should repeal the requirement that school districts annually report on whether compensatory education revenue increased student achievement.

Research has identified best practices for effective educational programs, but the extent to which Minnesota schools use the practices is mixed.

Because of the difficulties of measuring the effects of compensatory education revenue, we looked at whether school districts and charter schools use the revenue on programming that is consistent with research-based best practices. Academic studies have identified tutoring, full-day kindergarten, English learner programs, and extended-time programs—when they are structured appropriately—as effective in helping student achievement.

As an example, research indicates that summer school can be effective for struggling students, but only when students attend regularly. Best practices include efforts to monitor and encourage maximum attendance, such as involving parents, which generally increases the likelihood that students attend and complete the program.

Another best practice is to align summer instruction to meet students' needs. For high school students, this means focusing on courses they have failed. According to our survey, 55 percent of Minnesota school districts and charter schools reported offering summer academic programs for secondary students. Of those, 89 percent said that, for "all" or "most" enrolled students, the summer programs focused on classes that students had failed.

The Legislature should require school districts to report whether programs paid with significant amounts of compensatory revenue are consistent with best practices grounded in reliable research. MDE should compile information for school districts on best practices for students who are academically behind. MDE should also implement a process for identifying future best practices.

Using family income to determine amounts of compensatory education revenue provides inaccurate and untimely assessments of need.

School districts commonly obtain counts of students eligible for free or reduced-price lunch by requesting students' families to submit income forms. In our survey, 70 percent of school districts reported challenges with the forms.

One challenge is that not all families who should complete the forms actually do. This results in an undercount of qualifying students, which, in turn, lowers a district's compensatory revenue. School district officials said that the undercount is worse in secondary grades than elementary ones.

A second challenge is that school districts spend a great deal of time and resources to obtain completed forms. For instance, the superintendent from one school district said school principals and staff from the district's Nutrition Services Department make personal phone calls to families that have not completed the form.

MDE should evaluate additional methods for obtaining counts of students from low-income families. One possibility is to reduce how often school districts must collect income forms from families for the purpose of compensatory revenue. For instance, they could rely on the same data for five years instead of collecting forms annually. Additional steps would be needed for families moving into or out of a district. MDE would have to adjust the estimates to account for students who reside in one district but attend school elsewhere.

Aligning programs with best practices could increase accountability for compensatory education revenue.

Calculations of compensatory education revenue do not reflect a school district's current student population.

Another possibility is to use families' income forms signed on behalf of their elementary school children to permit eligibility to those students once they reach the secondary level. Students who had not been enrolled in a district's elementary grades would need a different option.

Because the formula for compensatory education revenue uses counts of students from October 1 of the previous year, schools that experience an increase in low-income students could face a funding gap. Further, the October 1 counts do not account for students who enroll after that date. Schools must educate students as they arrive, even when student counts produce less compensatory revenue than schools need.

The Legislature should consider changes to calculating compensatory revenue to mitigate downsides of using prior-year counts of students. As an example, it could change the formula for schools experiencing an influx of students by adding a supplementary student count for the current year. Supplementary revenue could go to schools based on updated student counts.

Reserving compensatory revenue for extended-time programs is not the best use of the revenue for all districts.

A 2017 law required school districts, starting in the 2017-2018 school year, to reserve a portion of their compensatory education revenue for extended-time programs, such as summer school. The amount reserved started at 1.7 percent of compensatory revenue and increases yearly.

Some school district officials said the reserved funding required them to add a new program that was problematic for their students who could not participate after school or during the summer. Others said the amount reserved was too small to cover a new program, forcing them to use other funds to help pay for extended-time programming. In our survey, only 11 percent of school districts "agreed" or "strongly agreed" that reserving the money for this single purpose was the best use of funding for their district.

The Legislature should repeal the statute requiring all school districts to dedicate a portion of compensatory education revenue to extended-time activities. This would allow school districts to decide programs to fund according to their students' needs.

Whether school boards must adopt a specific plan for reallocating compensatory revenue is not clear.

Statutes allow most school districts to reallocate up to half of their compensatory education revenue based on a plan adopted by the school board. Statutes do not specify whether the plan must detail distributions of the revenue or whether board approval of overall district budgets suffice. The Legislature should clarify the requirement.

Summary of Agency Response

In a letter dated February 28, 2020, Minnesota Department of Education (MDE) Commissioner Mary Cathryn Ricker said that MDE's recently approved changes to reporting requirements on school district expenditures of compensatory revenue will make spending data more transparent and useful. She added that the department agrees with OLA's recommendation to monitor implementation of the reporting requirements and will convene a working group to assess results and make recommendations for any further changes. Regarding the recommendation that MDE identify future best practices for educational programs paid with compensatory revenue, Ricker wrote that MDE agrees; the department has been identifying "evidence-based best practices impacting student achievement" and is developing a repository of such practices for use by Minnnesota school districts. In response to the recommendation that MDE evaluate methods of improving counts of students from low-income families, Ricker said MDE generally agrees but also wants to ensure that schools receive timely revenue information to permit stability in their planning and budgeting.

The full evaluation report, *Compensatory Education Revenue*, is available at 651-296-4708 or:
www.auditor.leg.state.mn.us/ped/2020/compensatory.htm

Table of Contents


THE GREAT SEAL OF THE STATE OF MINNESOTA
L'ETOILE DU NORD
1858

List of Exhibits


THE GREAT SEAL OF THE STATE OF MINNESOTA
L'ETOILE DU NORD
1858

Introduction

Compensatory education revenue is state funding intended to help students who do not meet performance standards appropriate for their age. The amount of the revenue each school district or charter school receives depends on the count and concentration of enrolled students who fall below certain income thresholds. For at least five decades, Minnesota has allocated some form of state revenue to schools based on percentages of low-income students.

In 2019, the Legislative Audit Commission directed the Office of the Legislative Auditor to evaluate compensatory education revenue. Legislators had expressed accountability concerns about the revenue. They asked whether use of the revenue had an impact on student achievement and whether the revenue was effective in meeting its purpose. Our evaluation addresses the following questions:

- **What is compensatory education revenue, how is the revenue calculated, and how does the revenue vary by schools and over time?**
- **To what extent do schools use the revenue for its designated purpose?**
- **How and to what extent does Minnesota assess the effectiveness of programs and services funded with compensatory education revenue?**

To answer these questions, we reviewed state statutes and laws on compensatory education revenue and studied its legal history. We also reviewed documents on Minnesota's education finance programs.

We interviewed personnel at the Minnesota Department of Education (MDE) who were involved with compensatory education revenue. For local perspectives, we visited and interviewed superintendents, school business officers, and charter school directors in 15 school districts and 4 charter schools around the state. We also interviewed representatives of several education organizations and nonprofit groups interested in compensatory education revenue.[1]

To obtain broad information on the use of compensatory education revenue, we surveyed officials in a sample of school districts and charter schools. We sent an online survey to superintendents in 167 school districts that represented the top 50 percent of districts in terms of compensatory education revenue as a percentage of general education revenue.[2] We received responses from 132 districts, for a 79 percent response rate. Our survey also went to directors of 77 charter schools that were in the top 50 percent, based on compensatory education revenue as a share of general education revenue. Responses came from 46 charter schools, a 60 percent response rate.

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[1] Education-related organizations we interviewed were: the Association of Metropolitan School Districts, Education Minnesota, the Minnesota Rural Education Association, and the Minnesota School Boards Association. Nonprofit groups we interviewed were EdAllies, Educators for Excellence, and the Minnesota Business Partnership.

[2] Two of the districts were not in the top 50 percent, but we included them because they had received additional compensatory revenue due to being part of a pilot program.

To the remaining school districts and charter schools (those that were in the bottom 50 percent based on compensatory revenue as a share of total general education revenue), we e-mailed three key questions. Generally, the questions asked how school districts and charter schools used compensatory education revenue and whether they measured the impact of the revenue on student achievement. Of the 198 school districts and charter schools that received the questions, 81 percent responded.

At our request, MDE provided data related to compensatory education revenue. We analyzed trend data on revenues, expenditures, and numbers of students who met low-income thresholds. We looked at differences between school districts and charter schools and analyzed differences by geographic region.

We also used MDE data to run statistical models on correlations between students who fell below certain income thresholds and students who were academically behind their peers. We based student proficiency on results from statewide tests known as the Minnesota Comprehensive Assessments.

Chapter 1: Background

The main purpose of Minnesota's compensatory education revenue is to help meet the educational needs of certain students. State statutes specify that school districts use compensatory education revenue for students who are underprepared to learn and not meeting academic performance standards.[1] Sometimes referred to as "compensatory revenue," the funding is also intended to help prepare children for entering school in either kindergarten or first grade. For Fiscal Year 2018, the state distributed $551 million in compensatory revenue.

Compensatory education revenue comes from the state's General Fund. It flows from the state as revenue to school districts, charter schools, and certain other education organizations, such as the Minnesota State Academy for the Blind.

Key Findings in This Chapter

- Compensatory education revenue is based largely on the (1) number of students qualifying for free or reduced-price lunch and (2) concentration of these students at a school site.
- The 12 statutorily allowed uses of compensatory education revenue are broad and permit spending on a wide range of educational purposes.
- At least one-quarter of the student body qualified for free or reduced-price lunch in 89 percent of school districts outside the metropolitan area, compared with just 48 percent of metropolitan area districts.
- In Fiscal Year 2018, compensatory education revenue totaled $551 million. The revenue (adjusted for inflation) increased 69 percent from fiscal years 2004 through 2018.

Compensatory education revenue is one of two components of a Minnesota school funding stream known as "basic skills" revenue. The second component is English learner revenue, which is intended to help school districts and charter schools instruct students with limited English skills.[2]

Compensatory education revenue is part of the state's general education revenue system for funding schools.

In Minnesota, general education revenue provides most of the money for school districts' and charter schools' operating expenses. Compensatory education revenue, along with English learner revenue (collectively called basic skills revenue), is one of 14 components of general education revenue.

The formula for compensatory education revenue depends heavily on student demographics and is more fully explained later in this chapter. Generally speaking, the greater the number of students who are from low-income families, and the more concentrated they are at a given school site, the more compensatory education revenue they will generate.

[1] *Minnesota Statutes* 2019, 126C.15, subd. 1.

[2] The state provides English learner revenue to school districts and charter schools to offer bilingual programs and to teach students to read, write, and speak the English language. Amounts of English learner revenue are based on a set amount of revenue per qualifying student and a concentration formula.

Below, we explain eligibility for the revenue and statutorily allowed uses of the revenue. We detail the formula used to calculate the revenue. We describe how school districts must allocate the revenue among their school sites, and we review reporting requirements connected to the revenue. Finally, we provide data on trends in amounts of annual revenue and spending.

Eligibility

Virtually all school districts and charter schools in Minnesota are eligible to receive compensatory education revenue.[3] Certain other educational organizations, such as intermediate districts and educational cooperatives, are also eligible.[4] However, the amount of revenue received depends on the presence of certain low-income students in the school.

Students generate compensatory education revenue for their schools if they are eligible for free or reduced-price lunch; they represented 38 percent of all students in Fiscal Year 2018.

The federal government sets eligibility criteria for subsidized school lunch. Students qualify for *free* lunch if their families' income is no more than 130 percent of federal poverty guidelines; they qualify for *reduced-price* lunch with incomes at more than 130 percent up to 185 percent of federal poverty guidelines.[5]

For the 2017-2018 school year (which is equivalent to the 2018 fiscal year), more than 329,000 Minnesota students generated compensatory education revenue. The number of qualifying students generating the revenue increased overall from almost 233,000 in Fiscal Year 2004 to more than 329,000 in Fiscal Year 2018 (a 42 percent increase). However, the number decreased between fiscal years 2017 and 2018 by 0.2 percent. Exhibit 1.1 shows the overall trend of qualifying students.

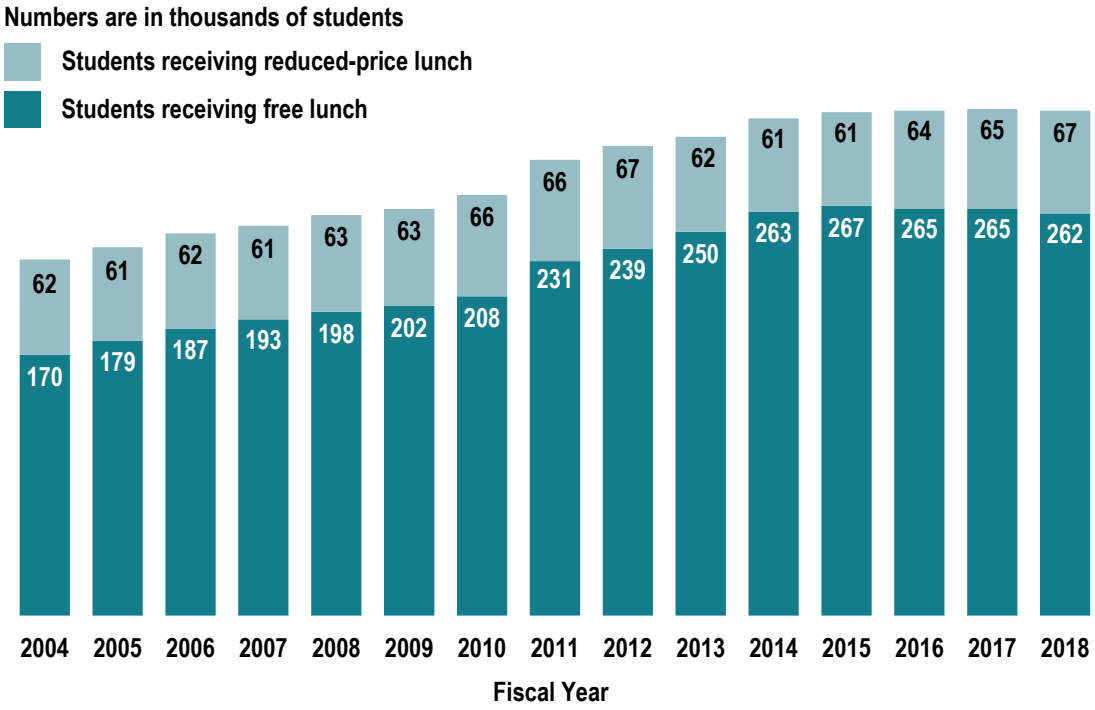
Of all students generating compensatory education revenue in Fiscal Year 2018, nearly 80 percent qualified for free lunch. The remaining 20 percent qualified for reduced-price lunch.

[3] Two school districts, Franconia and Prinsburg, do not receive compensatory education revenue. This is because the formula bases revenue in part on concentrations of certain students within school buildings, and these two districts have no school buildings.

[4] Intermediate districts offer integrated services such as special education and vocational education to secondary students and adult students. Educational cooperatives are voluntary organizations with school districts as members; they provide regional planning and offer services that members could not readily provide by themselves, such as cooperative purchasing of equipment and supplies.

[5] For the 2019-2020 school year, 130 percent of federal poverty guidelines represented annual incomes at or below $33,475 for a family of four; more than 130 percent up to 185 percent represented $33,476 up to $47,638 in income for a family of four.

Exhibit 1.1: Statewide, numbers of free or reduced-price lunch students used to calculate compensatory education revenue increased from fiscal years 2004 through 2017 but declined slightly in 2018.



NOTE: The statutory formula requires using counts of students from the year prior to the year the revenue was calculated. See *Minnesota Statutes* 2019, 126C.05, subd. 3(a)(1).

SOURCES: Office of the Legislative Auditor, analysis of Minnesota Department of Education data; and *Minnesota Statutes* 2019, 126C.05, subd. 3(a)(1).

As a percentage of all students, those generating compensatory education revenue rose from 29 percent in Fiscal Year 2004 to a peak of 40 percent in Fiscal Year 2014.[6] The percentage remained fairly constant thereafter but dropped to 38 percent in Fiscal Year 2018.

Certain characteristics were more prevalent for qualifying students who generated compensatory education revenue than for other students. For example, nearly 3 percent of qualifying students were homeless in Fiscal Year 2018, while just 1 percent of the total student population were homeless, as Exhibit 1.2 shows.

[6] For the number of students, we used the "average daily membership served." This is the sum for all pupils of the number of days a pupil is enrolled divided by the number of days a school is in session.

Exhibit 1.2: In Fiscal Year 2018, students generating compensatory education revenue were more likely to be homeless, nonwhite, receive special education, or speak a primary language other than English.

	All Students		Students Generating Compensatory Education Revenue	
	Number	Percentage	Number	Percentage
All Students	885,663	100%	329,655	100%
Gender				
Female	429,385	48.5	159,658	48.4
Male	456,278	51.5	169,997	51.6
Race/Ethnicity				
White, not of Hispanic Origin	597,765	67.5	132,192	40.1
Black, not of Hispanic Origin	114,585	12.9	90,283	27.4
Hispanic	80,818	9.1	57,692	17.5
Asian/Pacific Islander	69,240	7.8	32,842	10.0
American Indian/Alaskan Native	23,255	2.6	16,646	5.0
Primary Language Other than English	138,932	15.7	104,102	31.6
Special Education	139,214	15.7	68,574	20.8
Homeless	8,734	1.0	8,652	2.6

SOURCE: Office of the Legislative Auditor, analysis of Minnesota Department of Education data.

Shares of Qualifying Students

We analyzed the number of students who generated compensatory education revenue to determine the percentage they represent of the full student body in given school districts and charter schools.

School districts and charter schools around the state have sizable populations of students who generate compensatory education revenue.

Among school districts, students who generated Fiscal Year 2018 compensatory revenue represented 37 percent of the student population in the median district.[7] The percentage was even higher among charter schools: qualifying students represented 57 percent of the student population in the median charter school.

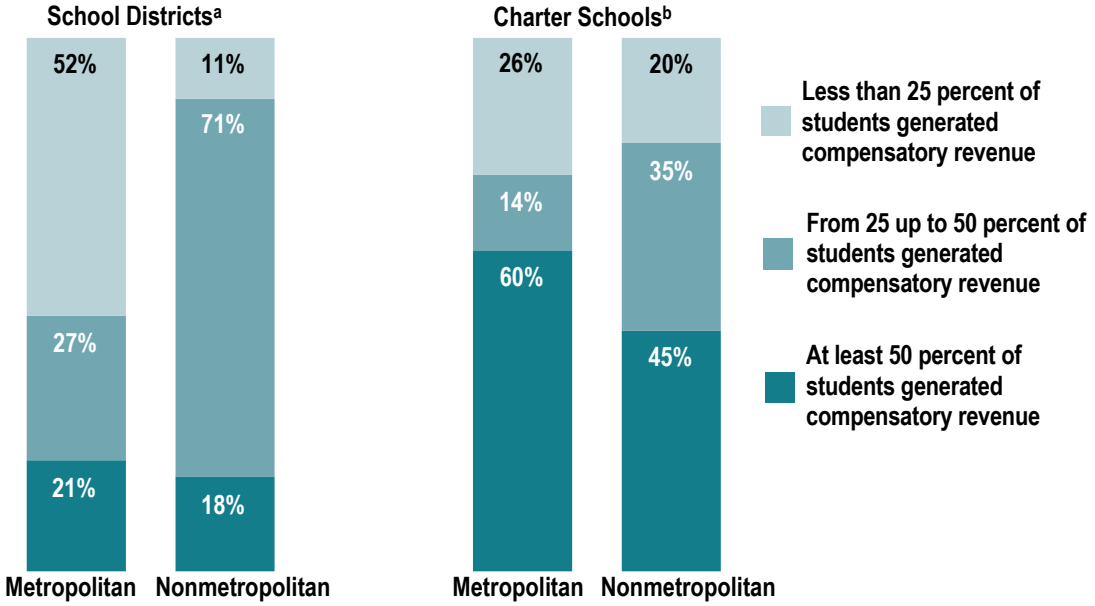
Higher shares of charter schools than school districts had large populations of students qualifying for free or reduced-price lunch. In Fiscal Year 2018, 37 percent of all charter schools had student populations with at least three-quarters of the students generating compensatory revenue, compared with 2 percent of school districts.

[7] The median represents the midpoint of all school districts ranked from lowest to highest percentage of students qualifying for free or reduced-price lunch per total student population.

In Fiscal Year 2018, school districts and charter schools outside the metropolitan area were more likely than others to have large populations of students who generated compensatory education revenue.

In 89 percent of school districts outside the seven-county metropolitan area, qualifying students who generated compensatory revenue in Fiscal Year 2018 accounted for at least one-quarter of the student population.[8] This compares with just 48 percent of metropolitan districts that year, as Exhibit 1.3 shows. A similar but less stark pattern was evident among charter schools.

Exhibit 1.3: In the vast majority of nonmetropolitan school districts and charter schools, more than one-quarter of students qualified for subsidized lunch in Fiscal Year 2018.



NOTES: The seven-county metropolitan area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties. The remaining 80 counties are outside the metropolitan area.

[a] In Fiscal Year 2018, Minnesota had 329 school districts. Of those, 48 were in the metropolitan area.

[b] In Fiscal Year 2018, Minnesota had 163 charter schools. Of those, 113 were in the metropolitan area.

SOURCE: Office of the Legislative Auditor, analysis of Minnesota Department of Education data.

Higher percentages of charter schools than school districts had large shares of students who generated compensatory revenue. For instance, in 60 percent of metropolitan charter schools, compared with 21 percent of metropolitan school districts, students who generated Fiscal Year 2018 compensatory revenue made up at least half of the student body in Fiscal Year 2018. Exhibit 1.3 shows the comparison.

[8] The seven-county metropolitan area encompasses the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington. We categorized the location of school districts and charter schools based on the county of their administrative center as of Fiscal Year 2018.

At the same time, more students who generated compensatory education revenue were located within the metropolitan area than outside it. In Fiscal Year 2018, 55 percent of the students generating compensatory revenue were in metropolitan-area schools; 45 percent were outside the metropolitan area.

Allowed Uses of Revenue

The statutory purpose of compensatory education revenue—meeting the educational needs of students who are underprepared and whose progress in meeting state or local performance standards is below the level appropriate for their age group—has generally remained the same since 1987.[9] To meet these learners' needs, statutes set 12 allowed uses.[10] School districts must spend compensatory revenue on any of the 12 uses; this requirement does not apply to charter schools.

The 12 allowed uses of compensatory education revenue are broad and permit spending the revenue for a wide range of educational purposes.

Currently, the 12 uses range from social work services to instructional technology to lowering teacher-student ratios for more individualized instruction. Exhibit 1.4 lists the 12 uses.

Formula for Calculating Revenue

The formula for calculating compensatory education revenue is in law and determines the amount that each school district, charter school, and cooperative receives.[11]

Compensatory education revenue is based largely on the (1) number of students qualifying for free or reduced-price lunch and (2) concentration of such students at each school site.

Generally, the formula for calculating compensatory education revenue multiplies "compensation revenue pupil units" by a general education "formula allowance" ($6,312 in Fiscal Year 2019) minus a statutorily set amount ($839 in Fiscal Year 2019).[12] The formula has several steps, explained next.

One of the first steps in calculating compensatory education revenue is to adjust the count of eligible students. Students qualifying for free lunch are counted as "1" and generate more revenue than students qualifying for reduced-price lunch, who are counted as "0.5."[13] The count of eligible students for a given school year (for instance, 2019-2020) is based on data reported during the fall of the prior school year (October 1, 2018).

[9] *Minnesota Statutes* 2019, 126C.15, subd. 1.

[10] *Minnesota Statutes* 2019, 126C.15, subd. 1.

[11] *Minnesota Statutes* 2019, 126C.05, subd. 3.

[12] *Minnesota Statutes* 2019, 126C.10, subd. 3(a)-(c).

[13] *Minnesota Statutes* 2019, 126C.05, subd. 3(a)(1).

Exhibit 1.4: Statutes permit 12 broad uses of compensatory education revenue.

1. Direct instructional services under the assurance of mastery program
2. Remedial instruction in reading, language arts, mathematics, other content areas, or study skills to improve the achievement level of learners
3. Additional teachers and teacher aides to provide more individualized instruction to learners through individual tutoring, lower instructor-to-learner ratios, or team teaching
4. A longer school day or week during the regular school year or through a summer program that may be offered directly by the site or under a performance-based contract with a community-based organization
5. Comprehensive and ongoing staff development consistent with district and site plans, and to implement plans for teachers, teacher aides, principals, and other personnel to improve their ability to identify the needs of learners and provide appropriate remediation, intervention, accommodations, or modifications
6. Instructional materials, digital learning, and technology appropriate for meeting the individual needs of learners
7. Programs to reduce truancy; encourage completion of high school; enhance self-concept; provide health services; provide nutrition services; provide a safe and secure learning environment; provide coordination for pupils receiving services from other governmental agencies; provide psychological services to determine the level of social, emotional, cognitive, and intellectual development; and provide counseling services, guidance services, and social work services
8. Bilingual programs, bicultural programs, and programs for English learners
9. All-day kindergarten
10. Early education programs, parent-training programs, school readiness programs, kindergarten programs for four-year-olds, voluntary home visits, and other outreach efforts designed to prepare children for kindergarten
11. Extended school day and extended school year programs
12. Substantial parent involvement in developing and implementing remedial education or intervention plans for a learner, including learning contracts between the school, the learner, and the parent that establish achievement goals and responsibilities of the learner and the learner's parent or guardian

SOURCE: Office of the Legislative Auditor, based on *Minnesota Statutes* 2019, 126C.15, subd. 1.

In the next step, the formula calculates a building's **concentration percentage**. This is a ratio of the adjusted count of students to the building's total enrollment. Exhibit 1.5 illustrates this and other steps for a hypothetical school with 300 students eligible for free lunch, 100 eligible for reduced-price lunch, and a total enrollment of 700 students.

Following that, the formula calculates a **weighting factor** for each school building, which increases as the concentration percentage increases, up to a cap. Any building with a concentration percentage of at least 80 percent will have a weighting factor of 1.

The next step computes the product of three numbers—the adjusted count of students, the weighting factor, and a statutorily set 0.6. This determines the **compensation revenue pupil units** for a school building.

Finally, the amount of **compensatory education revenue** is determined by multiplying (1) the compensation revenue pupil units by (2) the basic formula allowance for general education revenue reduced by a statutorily set dollar amount, which are $6,312 and $839, respectively, in Fiscal Year 2019.

Exhibit 1.5: Calculating compensatory education revenue involves four main steps, as shown below for a hypothetical school district.

Step 1	Concentration Percentage	Formula	Value
Calculate a building's concentration percentage	Determine adjusted count of students	$\left(\begin{array}{c}Students\ Receiving\ Free\ Lunch + (0.5 \times\ Students \\ Receiving\ Reduced\text{-}Price\ Lunch\end{array}\right)$ $= 300 + (0.5 \times 100)$	350
	Divide by total school enrollment	$\frac{Adjusted\ Count\ of\ Students}{Total\ School\ Enrollment}$ $= \frac{350}{700}$	0.5

Step 2	Weighting Factor	Formula	Value
Calculate a building's weighting factor	Divide the concentration percentage by 0.8; use the lesser of that quotient or 1	$Lesser\ of\ 1\ or\ \frac{Concentration\ Percentage}{0.8}$ $= \frac{0.5}{0.8}$	0.625

Step 3	Compensation Revenue Pupil Units	Formula	Value
Calculate the compensation revenue pupil units	Multiply the adjusted count of students by weighting factor and by 0.6	$= Adjusted\ Count\ of\ Students \times Weighting\ Factor \times 0.6$ $= 350 \times 0.625 \times 0.6$	131.25

Step 4	Amount of Revenue	Formula	Value
Calculate amount of compensatory education revenue	Multiply compensation revenue pupil units by the basic formula allowance less a statutory dollar amount[a]	$= Compensation\ Revenue\ Pupil\ Units$ $\times (Basic\ Formula\ Allowance - \$839)$ $= 131.25 \times (\$6{,}312 - \$839)$	$718,331

NOTE: The calculations are based on a hypothetical school with 300 students eligible for free lunch, 100 eligible for reduced-price lunch, and a total enrollment of 700 students.

[a] The basic formula allowance and the statutory dollar amount are set in statute and are $6,312 and $839, respectively, for Fiscal Year 2019.

SOURCE: Office of the Legislative Auditor, based on *Minnesota Statutes* 2019, 126C.05, subd. 3; and 126C.10, subd. 3.

The amount of compensatory education revenue increases as the concentration of qualifying students per site increases, up to the cap in the weighting factor. This means that a building with 100 students qualifying for free lunch and comprising 80 percent of the student population will generate more compensatory revenue than a building with 100 qualifying students who account for 70 percent of the student population. However, the weighting factor cap of 0.8 limits the amount of revenue generated in buildings where the concentration of students qualifying for free lunch exceeds 80 percent. That is, a building with 100 students qualifying for free lunch and comprising 90 percent of student enrollment will receive no more compensatory revenue than a building with the same 100 students who make up 80 percent of enrollment.

Allocating Revenue to Schools

The state calculates compensatory education revenue and distributes it to school districts. In turn, school districts are responsible for allocating the revenue to individual school sites within their district.

School districts must allocate compensatory education revenue to individual school buildings—not districtwide—unless they have a school board-adopted plan to distribute it more broadly.

Generally, compensatory education revenue must go to each school building where students generating the revenue are served.[14] This requirement means that, if a school district has three school sites, for instance, but one of the sites has very few qualifying students, that site will receive little compensatory education revenue.

However, a school district may allocate up to half of its compensatory revenue to any of its school sites according to a plan adopted by the school board.[15] This authority gives school districts flexibility to use part of their compensatory education revenue for students at any grade level or in any building, including prekindergarten students.[16]

Statutes do not require charter schools to allocate compensatory education revenue to the individual school sites where students generating the revenue are served.

Requirements on allocating compensatory revenue differ for area learning centers or alternative learning programs, which are designed for students having difficulty in the traditional education system. When school districts have students participating in these centers and programs, statutes require the districts to reserve certain revenue.[17] Part of the reserved revenue is the amount of basic skills revenue (compensatory education revenue plus English learner revenue) generated by students attending the centers or programs. School districts must spend the reserved revenue exclusively on program costs associated with the area learning center or alternative learning program where their students are located.

[14] *Minnesota Statutes* 2019, 126C.15, subd. 2(a).

[15] *Minnesota Statutes* 2019, 126C.15, subd. 2(b).

[16] *Ibid.*

[17] *Minnesota Statutes* 2019, 123A.05, subd. 2.

Pilot Program Districts

A small group of school districts designated in law as part of a compensatory revenue pilot program does not have the same restrictions as traditional school districts for allocating compensatory revenue. Although the pilot program started in 2005 with five school districts, it now has seven: Albert Lea, Anoka Hennepin, Brooklyn Center, Osseo, Robbinsdale, Rochester, and South Washington County.

The 2005 Legislature created a pilot program allowing certain school districts to distribute compensatory education revenue to their building sites based on student performance.

This stands in contrast to the requirement for all other school districts to allocate the revenue to the buildings where students generating the revenue are served. In addition, the 2005 law provided additional grants of compensatory education revenue to the pilot school districts, beyond the standard amount determined by formula.[18] We discuss this more in the section below on revenues. The law also required these pilot districts to determine whether the redistribution of compensatory revenue improved overall student performance.[19]

Reporting Requirements

Statutes contain two requirements on reporting information related to compensatory education revenue.[20] Both of the reporting requirements apply to school districts but not charter schools.

The first requires school districts to submit annual reports identifying the expenditures they incurred to meet the needs of underprepared and underperforming students.[21] By law, the report is to conform to "uniform financial and reporting standards." According to staff at the Minnesota Department of Education (MDE), school districts meet this requirement by reporting their expenditures through the department's Uniform Financial Accounting and Reporting Standards, known as UFARS. This is an accounting system for reporting schools' financial activities.

The second reporting requirement pertains to the impact of compensatory education revenue.

School districts must report whether increased expenditures of compensatory education revenue raised student achievement levels.

The requirement applies to basic skills revenue—both compensatory education revenue and English learner revenue. The statute states that school districts are to use valid and

[18] *Laws of Minnesota* 2005, First Special Session, chapter 1, art. 5, sec. 50.

[19] *Ibid.*, subd. 2.

[20] *Minnesota Statutes* 2019, 126C.15, subd. 5.

[21] *Ibid.*

reliable data and measurement criteria in making the determination of impact.[22] MDE staff said that school districts do not submit this information to the department, and it is not part of the annual UFARS reporting. We discuss this reporting requirement in more depth in Chapter 3.

Revenue and Expenditures

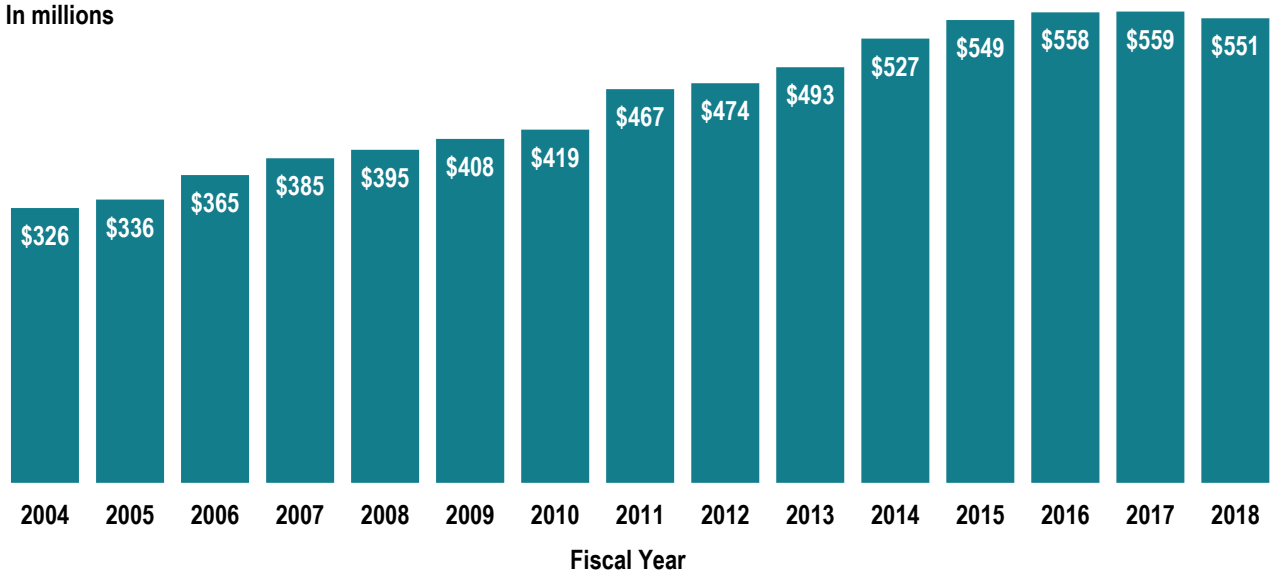
In this section, we describe different aspects of compensatory education revenue, including recent trends and how revenue varies for different types of schools. We also examine overall expenditures and how school districts, in particular, have spent compensatory education revenue.

Revenues

Statewide, compensatory education revenue totaled $551 million in Fiscal Year 2018, an increase of 69 percent since Fiscal Year 2004.

The 69 percent increase over 15 years is in Fiscal Year 2018 dollars adjusted for inflation. Annual amounts of compensatory revenue increased by a negligible 0.2 percent statewide in Fiscal Year 2017 but decreased by 1.4 percent in Fiscal Year 2018. Amounts for each year are in Exhibit 1.6.

Exhibit 1.6: Statewide, compensatory education revenue increased fairly steadily from Fiscal Year 2004 through 2016 but decreased somewhat in Fiscal Year 2018.



NOTE: Adjusted for inflation in Fiscal Year 2018 dollars.

SOURCES: Office of the Legislative Auditor, analysis of Minnesota Department of Education data; and U.S. Bureau of Labor Statistics, Consumer Price Index, https://data.bls.gov/pdq/SurveyOutputServlet, accessed December 23, 2019.

[22] *Ibid.* Statutes do not specify to whom school districts are to submit the reports.

School districts received 85 percent of the compensatory education revenue in Fiscal Year 2018, but they averaged less per student than charter schools.

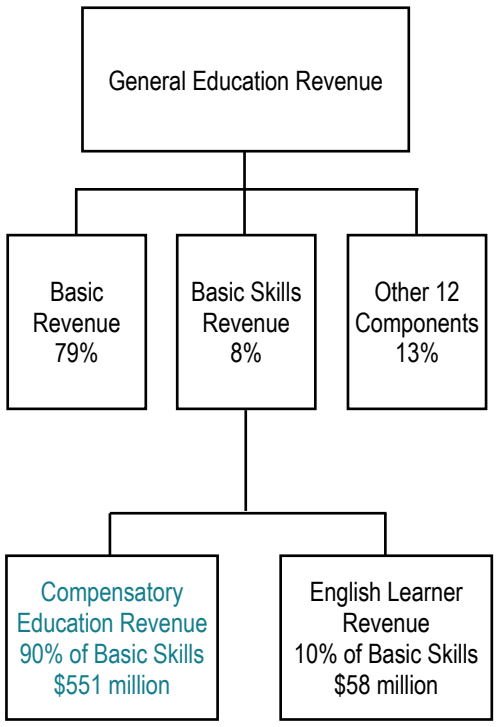
In Fiscal Year 2018, school districts received $470 million in compensatory education revenue, which represents 85 percent of the revenue that year.[23] Charter schools received 13 percent ($73 million) of compensatory revenue that year, and cooperative organizations received 1 percent ($7 million).[24]

When comparing compensatory education revenue per student, school districts generally received less per student than charter schools.[25] For instance, the average amount of compensatory revenue among school districts was $1,185 per student in Fiscal Year 2018, about 16 percent less than the average among charter schools at $1,375 per student.

As part of 1 of the 14 components of general education revenue, compensatory revenue represented 7 percent of general education revenue statewide in Fiscal Year 2018. This made compensatory education revenue the second-largest component of general education revenue for schools that year. Only "basic revenue," which makes up the vast majority of all general education revenue, surpassed it, as the box at right shows.[26]

On average, compensatory revenue made up a smaller share of school districts' than charter schools' general education

Basic skills revenue was the second-largest component of general education revenue in Fiscal Year 2018. Compensatory education revenue made up the vast majority of basic skills revenue.



[23] As stated earlier, school districts distribute compensatory education revenue largely to individual school sites where students generated the revenue. Individual school sites within school districts totaled 1,885 in Fiscal Year 2018, which was 83 percent of all school sites that year.

[24] There were 217 charter school sites in Fiscal Year 2018, comprising 10 percent of all school sites. Cooperative sites totaled 178 that year, which was 8 percent of all school sites.

[25] For these calculations, we counted students based on "average daily membership served." The higher amount per student for charter schools is due partly to the fact that, compared with school districts, charter schools generally have higher percentages of students qualifying for subsidized lunch.

[26] Basic revenue refers to state revenue for schools calculated by multiplying a statutory amount (known as the "formula allowance") by the number of pupils. On average statewide, basic revenue made up about 79 percent of total general education revenue in Fiscal Year 2018. The basic revenue component of general education revenue is not to be confused with basic skills revenue, which consists of compensatory education revenue and English learner revenue.

revenue. Among school districts in Fiscal Year 2018, compensatory revenue was an average of 6 percent of general education revenue, compared with an average of nearly 15 percent for charter schools.[27]

Basic Skills Revenue

As stated, compensatory education revenue and English learner revenue together make up basic skills revenue. We describe basic skills revenue in this report for three main reasons. First, even though basic skills revenue comprises the two separate funding streams, schools must use it for the same population—students who are underprepared and not meeting standards appropriate for their age group. Second, school districts may pay for their English learner activities from both funding streams, and they report English learner expenditures from both. Third, certain legal requirements we describe in this report apply to both of the funding streams that make up basic skills revenue.

Additional Revenue to Pilot Program Districts

As mentioned, a 2005 pilot program provided extra grants of compensatory education revenue to a small number of school districts.[28] The selected districts received the grants in addition to the compensatory education revenue determined by formula each year.[29] The 2005 grants totaled $2.1 million and ranged from $65,000 for South Washington County Schools up to $1.5 million for Anoka Hennepin Schools.

For subsequent years until 2015, the Legislature set annual amounts of additional revenue for each pilot district. The 2015 Legislature granted a total of $7.3 million to the seven pilot districts for each of fiscal years 2016 and 2017 but also transformed the program and set a lower base amount for subsequent years.[30] In 2017, however, the Legislature reinstated the higher 2017 base amount ($7.3 million) for that year and into future years.[31]

Expenditures

We analyzed 15 years of expenditures of compensatory education revenue, from fiscal years 2004 through 2018. For two reasons, data on expenditures of compensatory education revenue are estimates only and do not represent actual spending. First, expenditures are undercounts of actual spending because charter schools are not required to report expenditures in the same way as school districts.[32] Second, school

[27] The average percentage share of revenue for charter schools is likely greater than for school districts in part because charter schools tend to have higher rates of students qualifying for subsidized lunch and in part because charter schools do not have taxing authority. See *Minnesota Statutes* 2019, 124E.09 (b).

[28] *Laws of Minnesota* 2005, First Special Session, chapter 1, art. 5, secs. 50 and 54, subd. 13. The law named the specific districts that were allowed to participate in the pilot program.

[29] Amounts of the grants were negotiated and set in omnibus education funding bills during biennial budget years.

[30] *Laws of Minnesota* 2015, First Special Session, chapter 3, art. 2, sec. 70, subd. 8(a)-(d).

[31] *Laws of Minnesota* 2017, First Special Session, chapter 5, art. 1, sec. 11.

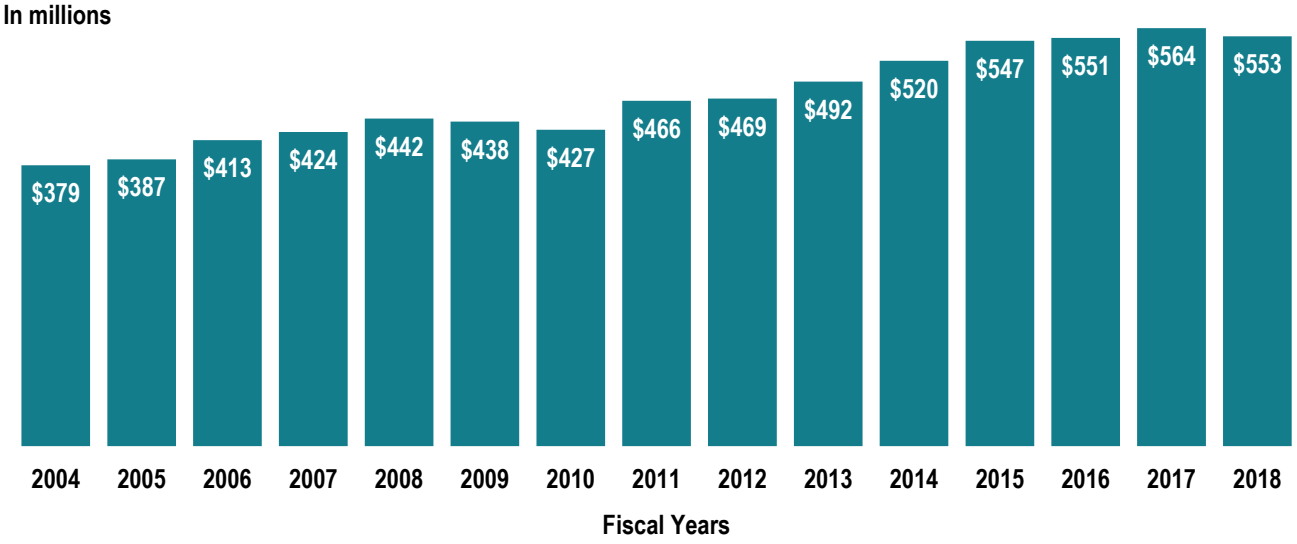
[32] For example, in Fiscal Year 2018, about 21 percent of charter schools reported data on their expenditures of compensatory education revenue. Unless laws specifically require charter schools to comply, charter schools are exempt from reporting requirements, including the requirement to report expenditures of compensatory education revenue.

districts across the state have not reported the expenditures consistently, according to MDE staff.[33]

Expenditures of compensatory education revenue were an estimated $553 million in Fiscal Year 2018.

From fiscal years 2004 through 2018, estimated expenditures of compensatory education revenue increased overall by 46 percent in inflation-adjusted spending. Exhibit 1.7 depicts the growth. Year-to-year estimated expenditures declined in fiscal years 2010 (3 percent) and 2018 (2 percent).

Exhibit 1.7: Estimated expenditures of compensatory education revenue increased overall from fiscal years 2004 through 2018.



NOTES: Adjusted for inflation in Fiscal Year 2018 dollars. Expenditure data are an undercount of actual expenditures because charter schools are not required to report spending in the same way as school districts.

SOURCES: Office of the Legislative Auditor, analysis of Minnesota Department of Education data; and U.S. Bureau of Labor Statistics, *Consumer Price Index*, https://data.bls.gov/pdq/SurveyOutputServlet, accessed December 23, 2019.

We analyzed expenditures of compensatory education revenue by numbers of students.[34] The median expenditure was $313 per student in Fiscal Year 2018. The median expenditure among school districts that year was $515 per student.

Statutes require each school district and cooperative to maintain a separate account for spending basic skills revenue—that is, the combined compensatory education and

[33] For programs funded with compensatory revenue along with other funding sources, some school districts reported all of their spending, regardless of its source. Other school districts reported expenditures for only the amounts attributable to compensatory revenue.

[34] We measured students as "average daily membership served."

English learner revenue.[35] This requirement does not apply to charter schools. The separate accounts are intended to identify expenditures on salaries and programs related to basic skills revenue.

Salaries or wages and benefits accounted for most compensatory revenue expenditures in Fiscal Year 2018.

Salaries or wages and employee benefits accounted for 97 percent of spending of compensatory education revenue in Fiscal Year 2018. Salaries or wages and employee benefits have together always represented large proportions of compensatory revenue expenditures. For example, they represented 91 percent of total compensatory revenue expenditures in Fiscal Year 2004.

Compensatory revenue, expenditures, and the number of students generating compensatory education revenue generally increased in similar fashion over the years.[36] Annual percentage changes in revenue and expenditures from fiscal years 2004 through 2018 were within 6 percentage points of the annual percentage change in the number of students qualifying for free or reduced-price lunch.

[35] *Minnesota Statutes* 2019, 126C.15, subd. 4.

[36] An important reminder here is that reported expenditures of compensatory education revenue are less than actual expenditures due to school districts' inconsistent reporting and differences in reporting requirements for charter schools.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Chapter 2: Implementing Legal Requirements

Many legal requirements apply to compensatory education revenue in Minnesota. One major requirement is that school districts must use compensatory revenue for students who are underprepared for school or achieving below standards for their age.[1] Conceivably, this requirement could be difficult to implement because students who are academically behind may not necessarily be the same students who generate the compensatory revenue. As we explained in Chapter 1, the students who qualify for free or reduced-price lunch, and their concentration within a school building, are the primary factors generating compensatory revenue.

In addition, other legal requirements pertain to compensatory education revenue. For example, school districts must collect information about students' family income, report annual data on expenditures of the revenue, and reserve a share of the revenue for an exclusive purpose. However, school districts have experienced issues in implementing these requirements.

Key Findings in This Chapter

- Students who qualified for free or reduced-price lunch represented an acceptable but limited proxy for students performing below academic standards, based on our analysis.
- Using family-income data from the prior year to determine compensatory education revenue provides neither accurate nor timely assessments of need.
- School districts generally do not maintain expenditure data that correspond with each of the 12 statutorily allowed uses.
- A statutory requirement to reserve a percentage of compensatory education revenue for extended-time programming is not the best use of the revenue for most school districts.
- Statutes lack clarity on whether school boards need a separate plan before districts reallocate compensatory revenue.

In this chapter, we analyze the requirement to use compensatory revenue for students who are underprepared and achieving below standards that are appropriate for their age. We then evaluate three other statutory requirements and related issues: (1) collecting information on students' family income, (2) using compensatory revenue on statutorily allowed uses, and (3) reallocating the revenue to individual school sites.

Using Revenue for Intended Students

As we discussed in Chapter 1, students from low-income families generate compensatory education revenue for their schools, and compensatory revenue is intended to benefit students who are academically behind. However, the students from low-income families who generate the revenue may or may not be the students who are academically behind.

[1] *Minnesota Statutes* 2019, 126C.15, subd. 1.

Similarly, students who are academically behind can come from any or all socio-economic groups. This raises a question of a potential misalignment between the students who generate the funding and the students for whom the funding is designed to help.

Essentially, the compensatory revenue formula uses the number of students qualifying for subsidized lunch as a proxy for students who are achieving below expected standards. The issue we analyzed is whether students qualifying for subsidized lunch represent an acceptable proxy for students who do not meet academic standards. If the two groups contain the same students, then the use of free or reduced-price lunch could be considered an acceptable mechanism for generating compensatory funding. Absent such a perfect alignment, our analysis looked for a correlation between students qualifying for free or reduced-price lunch and students who were not meeting academic standards.

We examined whether students who qualify for free or reduced-price lunch performed better or worse than other students. We measured student performance by analyzing results from the Minnesota Comprehensive Assessments (MCAs). The MCAs are tests of student proficiency with results that one can compare across schools; the box at right briefly describes them.

Scores from the assessments fall into one of four achievement levels: (1) exceeding standards, (2) meeting standards, (3) partially meeting standards, and (4) not meeting standards. For our analysis, we defined "meeting academic standards" as students in the first three groups—exceeding, meeting, or partially meeting standards for MCAs.

Minnesota Comprehensive Assessments

The Minnesota Comprehensive Assessments (MCAs) are statewide tests that measure student achievement in meeting Minnesota's academic standards. They also help meet federal and state legal requirements.

Students take assessments in three subject areas—math, reading, and science. Students in certain grades take the tests in each subject. Students in grades 3 through 8 and grade 11 take the math assessment. Students in grades 3 through 8 and grade 10 take the reading assessment. Students take the science assessment in grades 5, 8, and once in high school.

In Fiscal Year 2018, about 451,000 students took the reading assessment; about 447,000 students took the math assessment; and about 188,000 students took the science assessment. Students may opt out of the assessments, and a relatively small share opted out that year (from 1.1 to 1.4 percent across the three subjects).

We also examined the extent to which student characteristics other than income level correlate with student performance on assessments. As an example, many homeless students qualify for subsidized lunch, and their homelessness could plausibly be correlated with their assessment results.[2]

[2] Homelessness is a factor of interest for two reasons. First, MDE reported that only 25 percent of homeless third-grade students met reading proficiency in the 2018-2019 school year, meaning homeless students' proficiency was 37 percent lower than for other low-income students. Second, homeless students were also "more likely to be chronically absent," which is associated with lower educational attainment and lower graduation rates. See Minnesota Department of Education, "Homework Starts with Home," https://education.mn.gov/MDE/fam/home/, accessed December 20, 2019.

Consequently, our analysis accounted for factors like homelessness that might otherwise have explained assessment results.[3] This allowed us to isolate the correlation of qualifying for free or reduced-price lunch on MCA performance.

Based on our analysis, students who qualified for free or reduced-price lunch represented an acceptable but limited proxy for students performing below academic standards.

Using data from fiscal years 2011 through 2018, our analysis indicated that students qualifying for free or reduced-price lunch were less likely than other students to meet academic standards for their age, even after accounting for other relevant factors. Higher percentages of students who qualify for subsidized lunch failed to meet academic standards, as measured by MCA results. For example, 38 percent of students qualifying for subsidized lunch, as compared with 13 percent of other students, did not meet state standards in math for Fiscal Year 2018. Exhibit 2.1 shows that results were similar for students taking the reading and science assessments.

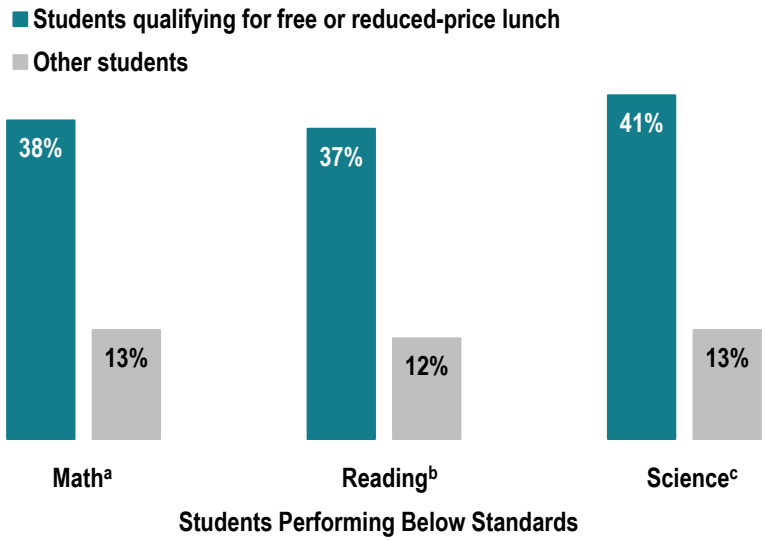
At the same time, the proxy did not hold true in all cases. A majority of students who qualified for subsidized lunch met or exceeded MCA standards. In addition, some students who did not qualify for free or reduced-price lunch performed below those standards.

School district officials indicated that the count of students receiving subsidized lunch does not capture all students who are underprepared or behind academically. As part of this evaluation, we surveyed the superintendents of school districts and the directors of charter schools that received relatively large amounts of compensatory revenue during the 2017-2018 school year.[4] We received responses from 178 of 244 school districts and charter schools surveyed—a response rate of 73 percent. We asked survey recipients their opinion about the extent to which qualification for subsidized lunch accurately identifies the students for whom the revenue is intended. Sixty-two percent of survey respondents said that the count of low-income students "somewhat" identifies students who are underprepared to learn and not meeting performance standards for learners of their age.

[3] Data for our analysis included individual students' MCA achievement levels and characteristics such as race and special education status. Data also included data such as attendance rates and information on school finances, including amounts of basic skills revenue, remaining general education revenue, and net tax capacity. Appendix B has a full list of variables used in the analysis.

[4] We sent the survey to school districts whose compensatory education revenue for the 2017-2018 school year comprised at least 4.4 percent of their total general education revenue for that year. Such districts represented the top 50 percent of school district compensatory education revenue recipients when measured as a share of general education revenue. We also sent the survey to all "pilot" districts that were not otherwise captured by our selection criterion—specifically, the Anoka Hennepin and South Washington County school districts. Additionally, we surveyed an analogous group of charter schools: those whose compensatory education revenue comprised at least 13.2 percent of their total general education revenue, placing them in the top 50 percent of charter school compensatory education revenue recipients when measured as a share of general education revenue. Appendix C contains results from the survey and is available online at www.auditor.leg.state.mn.us/ped/2020/compensatory.htm.

Exhibit 2.1: A disproportionately high number of students qualifying for free or reduced-price lunch performed below the Minnesota Comprehensive Assessments' standards in Fiscal Year 2018.



NOTES: We also analyzed students who did not meet standards in each year of our data (fiscal years 2011 through 2018). The percentages of students who did not meet standards and qualified for free or reduced-price lunch were consistently higher than percentages of students who did not qualify for free or reduce-price lunch; the difference ranged from 20 to 28 percentage points.

[a] Math data included all Minnesota public school students who took the Minnesota Comprehensive Assessments (MCAs) in grades 3 through 8 and grade 11 in Fiscal Year 2018 (N=446,833).

[b] Reading data included all Minnesota public school students who took the MCAs in grades 3 through 8 and grade 10 in Fiscal Year 2018 (N=450,620). The number of observations for reading scores was smaller than the number of observations for math scores partly because there were two fewer years of data.

[c] Science data included all Minnesota public school students who took the MCAs in grades 5 and 8 and a high school grade in Fiscal Year 2018 (N=187,912).

SOURCE: Office of the Legislative Auditor, analysis of Minnesota Department of Education data.

Factors such as race, gender, school attendance, and homelessness did not affect our results. Regardless of these other factors, higher proportions of students that qualified for free or reduced-price lunch were less likely to meet assessment standards than was the case for other students.[5] Our results were consistent across all three MCA subject areas.[6]

[5] Our analysis had a statistically significant correlation with a high degree of confidence. Our results had less than a 1 in 10,000th probability of estimating no correlation between a designation of free or reduced-price lunch and performance on MCAs.

[6] Our results also held when we used different definitions for students meeting academic standards. When we redefined who "met standards" to include only students either "exceeding" or "meeting" standards, and redefined who did "not meet standards" to add students "partially meeting standards" to those "not meeting" standards, our results were generally the same. Appendix B contains more details of the analyses and results, and it is available online at www.auditor.leg.state.mn.us/ped/2020/compensatory.htm.

Students Receiving Services

Our conclusion in the prior section—that students who qualify for subsidized lunch are an acceptable but limited proxy for students who are behind academically—indicates that compensatory education revenue is generally distributed to its intended students. At the same time, uncertainty remains over which students receive services paid with compensatory education revenue.

The number of specific students who receive services from programs paid with compensatory education revenue is not known.

Only some school districts we surveyed indicated that they know which students in their district received services paid with compensatory education revenue. School district survey respondents indicated that more students than just those qualifying for subsidized lunch received services paid in part by compensatory revenue. As part of our survey, we asked school district superintendents to provide a headcount of their students who participated in programs or services funded at least in part by compensatory revenue. Fifty-eight percent of school district superintendents who responded provided a headcount. Among those respondents, an average of 80 percent of the districts' students participated in compensatory revenue-funded programs or services. The remaining 42 percent of school districts did not know how many students participated in such programs or services.

Students who are not the intended recipients of services funded with compensatory education revenue may still benefit from those services. Representatives of school districts and charter schools we interviewed explained that when they use compensatory revenue to reduce class sizes, for example, the benefits of additional instructional staff potentially affect all students in those classes. Similarly, expenditures, such as on salaries for additional counselors, potentially benefit all students, not just those students qualifying for free or reduced-price lunch or students who are academically behind. Some superintendents said that because compensatory revenue frees up general fund dollars to spend elsewhere, potentially all students benefit.

Collecting Data on Family Income

As Chapter 1 describes, the statutory formula for calculating compensatory revenue depends in large part on the count and concentration of students from the prior year who are eligible for free or reduced-price lunch.[7] School districts and charter schools are responsible for collecting income data from students' families to determine whether students qualify for subsidized lunch.

Using family-income data from the prior year to determine compensatory education revenue provides neither accurate nor timely assessments of need.

[7] *Minnesota Statutes* 2019, 126C.05, subd. 3(a)-(f).

We describe first how current methods of counting students produce inaccurate counts. We follow that by explaining untimely counts of students.

Why Use Data on Free or Reduced-Price Lunch to Determine Compensatory Education Revenue?

First, national research—and OLA's analysis—have shown correlations between low incomes and low student achievement.

Second, 42 states provide revenue to schools in support of educating at-risk students and distribute the funding based on a proxy measure of income. The proxy for 74 percent of these states in 2019 included the National School Lunch program, according to the Education Commission of the States. States tend to use these data because school districts have already collected them for the subsidized lunch program.

Third, staff at the Minnesota Department of Education explained that a generally accepted principle of school finance is to avoid distributing funds based on low student outcomes or other measures that might create disincentives for efficient or effective operations.

Inaccurate Counts of Students

A common method of obtaining counts of students eligible for free or reduced-price lunch is requesting families of students to sign forms attesting to their income status. Most school districts and charter schools who responded to our survey obtain counts of students who qualify for free or reduced-price lunch in part by requesting parents or guardians to complete these forms. Only 11 percent said they either did not use these forms or did not know whether the forms were used.

However, majorities of districts and charter schools reported challenges connected to obtaining signed forms from students' parents or guardians. Among school districts, 52 percent said this was a moderate challenge, and 18 percent said it was a significant challenge. Among charter schools, 39 percent said it was a moderate challenge, and 17 percent said it was a significant challenge.

Challenges of Family-Income Forms

The main challenges of relying on families to submit income forms are (1) families that do not complete the income forms and (2) school district resources spent obtaining the completed forms. Compensatory education revenue is the only component of general education revenue that relies on family decisions over whether to submit an income form—decisions that are beyond the control of school districts and charter schools. We explain below the challenges of the income forms.

Because not all families submit income forms, this method undercounts students who would otherwise generate compensatory education revenue.

School districts and charter schools will not receive compensatory education revenue for students lacking proof of family income. Most school districts who responded to our survey (76 percent) said that they believe the count of students eligible for free or reduced-price lunch likely undercounts the number of low-income students in their district. On the other hand, most charter school respondents (59 percent) thought that the metric resulted in an accurate count of low-income students. No respondents—either among school districts or charter schools—thought that the metric over counted low-income students.

As part of our evaluation, we interviewed representatives from 15 school districts and 4 charter schools, listed in the box at right. Most school officials we interviewed reported they have seen increasing reluctance on the part of families to sign income forms that establish eligibility for free or reduced-price lunch.

One superintendent described some reasons for families' reluctance. He recalled sitting at a front table with a couple of school board members during the school's open house, in an attempt to persuade families to sign the income forms. He said it was an "uncomfortable conversation" to have because families do not like to admit they are poor, and stigma surrounding the form prevents them from signing it.

School Districts and Charter Schools Interviewed

School Districts

Albert Lea
Austin
Cloquet
Hinckley-Finlayson
Lyle
McGregor
Minneapolis
Moose Lake
Mountain Lake
Pine City
Richfield
St. Anthony-New Brighton
Westbrook-Walnut Grove
Willow River
Windom

Charter Schools

City Academy
East Range Academy of Technology and Science
Higher Ground Academy
Prairie Seeds Academy

School officials said they had greater difficulty collecting income forms from among students in secondary schools as compared with elementary grades. In addition, some officials emphasized particular difficulties in obtaining the forms from teens whose parents are not active in their lives, people who mistrust government, and immigrants who fear that other government agencies would obtain the information and use it against them.

> The school district sets up booths at its parent-teacher conferences and requests parents to complete the income forms before they leave.
>
> School principals and staff from the district's Nutrition Services Department make personal phone calls to families that have not completed the form.
>
> From the start of the school year through the end of November parent-teacher conferences, social workers, outreach workers, and administrators spend a "tremendous amount of time" on the task.
>
> **—School District Superintendent**

The second challenge of using the income forms is the amount of time that school staff invest in trying to convince families to sign the forms. Despite intensive time and effort by some school districts and charter schools to convince families of the need to complete the forms, certain families opt against doing so. An example of such efforts is in the box at left.

Alternatives to Collecting Income Data

Minnesota offers an option to lessen some problems with collecting family income forms. School districts and charter schools can "directly certify" eligible students for free meals. Direct certification refers to identifying children eligible for free lunches based on their participation in federal assistance programs, such as the Supplemental Nutrition Assistance Program (SNAP) or enrollment in Head Start programs. Families with children in these programs need not sign an income form to qualify for free lunch.

School districts that use direct certification can count qualifying students for the purposes of calculating compensatory revenue. However, representatives of certain school districts we interviewed stated that direct certification does not capture a full count of all students who are eligible for free lunch. Furthermore, direct certification does not account for the students who are eligible for *reduced-price* lunch.

Other alternatives exist for determining eligibility for free or reduced-price lunch, but they create issues for calculating compensatory revenue.

Some school districts face a tradeoff between (1) offering subsidized lunch to all students and (2) obtaining parents' income forms needed for compensatory education revenue.

Alternative programs that allow universally free meals to students can be appealing to school districts. However, these alternatives can lower compensatory education revenue because school districts and charter schools lack the signed income forms needed to document eligibility for the revenue.[8]

Alternatives that Do Not Require Income Forms from All Students' Families

Community Eligibility Provision Schools—Schools provide meals free to all students without collecting applications from families. The program is available if at least 40 percent of students are automatically eligible for free meals via direct certification—meaning by virtue of their eligibility for other public assistance programs. Schools receive federal reimbursements based on a formula; the reimbursement is at the free-lunch rate for all meals when 62.5 percent or more of the students are eligible for free meals.

Provision 2 Program—Allows schools to serve school meals at no charge to students for a four-year period. The school makes eligibility determinations in the first year of the program and uses those determinations for the next three years. In the first year, it also counts the monthly number of lunches by type—free, reduced-price, and paid meals. In the succeeding three years, the federal reimbursement is calculated from the monthly count of reimbursable meals times the number of lunches by type that had been counted for the corresponding month in the first year.

Provision 3 Program—Allows schools to receive the same level of federal assistance for school meals during each year of a four-year period. The amount of federal support is based on the last year that the district made eligibility determinations. The program reduces the burden of determining eligibility annually.

— U.S. Department of Agriculture and Congressional Research Service

The U.S. Department of Agriculture (USDA) oversees school meal programs and developed alternatives that allow school districts to offer free meals to all students, as described in the box at left. Each alternative, however, could indirectly lower a district's amount of compensatory education revenue. Parents who no longer have to complete an income form to have their children qualify for free or reduced-price lunch have little incentive to complete and sign the form.

Relatively small shares of Minnesota public schools began using the USDA alternatives in 2018. About 160 school sites (6 percent of public school sites) around Minnesota entered the Community Eligibility program for 2018, according to data from MDE. Only five public schools began Provision 2 programs in 2018, and none began Provision 3 programs.

RECOMMENDATION

The Minnesota Department of Education should evaluate additional methods for improving counts of students from low-income families.

As long as Minnesota continues to calculate compensatory education revenue based on counts of children who qualify for free or reduced-price lunch, MDE should study and recommend methods to improve the collection of data on these students. A study should include identifying alternate methods, consulting with representatives of school districts and charter schools, and determining the feasibility of each alternative.

[8] Students in families without the income forms could still be counted for compensatory education revenue, but only if they were directly certified, meaning they were enrolled in federal programs such as the Supplemental Nutrition Assistance Program.

Six Options for Alternate Methods of Counting Students Based on Income

Option	Brief Description
Count Low-Income Families by County	Use U.S. Census Bureau data on county percentages of low-income households with children, and supplement with other data.
Expand Direct Certification	Include enrollment in additional income-based programs, such as the Minnesota Family Investment Program.
Base on Income-Tax Documents	Use income data from households with dependents and determine the share that meets a pre-set, low-income threshold.
Reduce Frequency of Collecting Forms	Rely on the same count of low-income families for a given number of years, such as every five years.
Use Forms from Elementary Grades to Determine Eligibility in Upper Grades	Estimate the qualifying students in secondary grades based on signed-income forms from the students' elementary years.
Shift Focus Away from Income	Consider different measures of eligibility, such as failure to graduate, for students without income forms.

We list some possible alternatives here. Four rely on objective measures, rather than self reporting, to determine eligibility. Each is a proxy for, not a precise count of, the number of students in low-income families. MDE should determine whether the loss in precision under these options would be less or greater than under the current arrangement.

One option is to base the count of low-income families on calculations of poverty within each county. (A listing of this and other options is in the box at left.) Five-year estimates from the U.S. Census Bureau's American Community Survey provide county-level percentages of households (with children) whose incomes were below poverty level.[9]

By themselves, the Census Bureau estimates would not be sufficient. The estimates do not account for students using open enrollment or other enrollment options to receive their education outside the districts where they reside. Furthermore, countywide estimates are too broad to apply to school districts, which are typically much smaller than the area represented by county borders. However, census tract data would provide a starting point to which MDE could add other data, such as percentages of open-enrolled students, to refine the estimates.

Another option is to expand the direct certification program to include enrollment in additional income-based programs, such as the Minnesota Family Investment Program or Minnesota's Early Learning Scholarships for preschoolers.[10] Income limits for determining eligibility vary by program, and state law would likely have to change to accommodate an expansion of direct certification.

This option runs the same risk for school districts that they currently face with direct certification, namely, an undercount of eligible students because households enrolled in these programs do not reflect every family with low incomes. However, it could

[9] To the extent MDE considers this option, it should be aware that the U.S. Census Bureau plans to adopt measures that will affect the publicly available data from the American Community Survey (ACS) as early as 2025. The Bureau says it will implement "differential privacy" methods to avoid disclosure of ACS respondents' identities. These changes will likely limit the utility of ACS data for small areas, including counties. For a discussion of the planned changes and their ramifications, see Steven Ruggles, Catherine Fitch, Diana Magnuson, and Jonathan Schroeder, "Differential Privacy and Census Data: Implications for Social and Economic Research," *AEA Papers and Proceedings* 109 (2019): 403-408.

[10] The U.S. Department of Agriculture's Food and Nutrition Service oversees the current direct certification program. Our suggestion to expand direct certification would apply only in Minnesota and may require federal dispensation.

increase the number of families for whom school districts would not have to collect signed income forms each year. In our survey of school district superintendents and charter school directors, we asked about their experience using direct certification. Seventy-one percent of respondents reported no challenges with using direct certification in its present form. This suggests that expanding direct certification may be workable among most school districts.

A third possibility would be to base the counts on information collected from individual income-tax documents. This option would require a change in law to allow data sharing between MDE and the Minnesota Department of Revenue, which collects tax forms. It would also require additional analyses to transform the data on incomes into estimated counts of households at some predetermined threshold of poverty. Because income-tax data are classified as "not public," and a unique identifying number would be needed to match tax filers with school district residents, this option would require additional steps to protect individuals' identities.

During the study that we recommend MDE undertake, the department would need to investigate additional issues with this option. For instance, not everyone is required to file income-tax forms, and the forms do not contain all of the needed information, such as whether or not dependents live at the address of the tax filer or are in public school. In addition, there could be an additional time lag in obtaining the data. This would be due to people filing income taxes a year after earning the income and the additional administrative work required of both MDE and the Minnesota Department of Revenue.

Another option would be to reduce how often school districts must collect income forms from families. For instance, school districts could rely on the same data set for multiple years, such as a five-year period. This does not eliminate the administrative burden of obtaining signatures on income forms, but it would reduce the frequency of doing so. This option would lack updated data for families moving into or out of a district and those school districts that experience substantial or rapid changes to the influx of low-income students. Such changes might occur, for instance, due to refugee resettlements. Additional steps would be needed to accommodate these circumstances.

A fifth option is to use families' income forms signed on behalf of their elementary-school children to permit eligibility for students once they reach the secondary level. Given that school districts have reported receiving increasingly smaller shares of the forms as students enter the secondary grades, this is a way to bypass the reduction in counts of older, low-income students. This option also relieves part of the burden in collecting income forms annually. But, it poses the risk that some families who qualified a few years earlier no longer would. An analysis of how long families tend to remain within certain income thresholds could offer guidance on the likelihood of that risk.

A final option would consider additional measures of eligibility, rather than focus eligibility exclusively on income. Possible factors to consider either individually or collectively are:

- Being at risk of not meeting requirements for promotion to the next grade level
- High absenteeism from school

- Failure to graduate
- Repeated suspensions or expulsions from school
- Homelessness or other unmet social needs

These factors would be considered as alternatives to income eligibility for students who have not returned income forms. Our analysis showed strong correlations between two of these factors (graduation rates and attendance rates) and performance on the Minnesota Comprehensive Assessments. The factors align with compensatory revenue's statutory focus on students who are underprepared or achieving below standards for their age. However, the risk of relying on these factors alone is that they could create improper incentives as they might increase revenue in response to poor student performance. At the same time, the risk would diminish if school districts used these factors to determine eligibility only for those students who do not return income forms.

For any of these alternate factors to be useful, it would be important to set measurable eligibility thresholds. The thresholds would determine at what points the factors would indicate eligibility for generating compensatory education revenue. It would also be necessary to consider how MDE would ensure that school districts consistently and accurately apply the thresholds. Furthermore, MDE would have to work with the Legislature to implement the alternatives.

Lack of Timeliness

The calculation of compensatory education revenue depends on counts of students from the prior year, which can create timing issues.

Calculations of compensatory education revenue do not reflect a school district's current student population.

The lack of timely student counts can be disruptive when it creates a mismatch between school funding and an increased need for educational programs. Timing issues arise in two ways.

1. Statutes require the compensatory education revenue formula to use counts of students from October 1 of the previous year.[11] If school districts or charter schools experience an increase in the number of students qualifying for subsidized lunch at the beginning of a school year, they could face a funding gap that year due to the one-year delay in receiving the compensatory revenue.

2. The annual October 1 count of students does not account for those who enroll after October 1. With the existing formula, schools do not receive revenue reflecting these students until two years after they enrolled. For instance, a student enrolling on October 15, 2015, is counted as of October 1, 2016; the formula for compensatory education revenue uses the 2016 count to calculate

[11] *Minnesota Statutes* 2019 126C.05, subd. 3(a)(1)-(2).

revenue for 2017. Schools must still educate the students at the time they enroll, despite the lack of timely student counts. This problem is universal but especially acute in secondary schools where students often attend for only a single year and then graduate or move. Such students are neither counted for the year they attend nor any future year; schools do not receive compensatory education revenue for them.

When actual numbers of students eligible for free or reduced-price lunch are higher than the formula accounts for, the mismatch can lead to budget problems. MDE staff pointed out that the prior-year pupil counts can aid budget planning because schools know in advance the amount of compensatory revenue to expect. However, some school officials with unanticipated growth in the number of students qualifying for revenue said the delay makes budgeting and program planning difficult.

A small number of schools have received reduced compensatory revenue while experiencing a growth in the number of students qualifying for free or reduced-price lunch. These schools must educate the additional students but without additional compensatory education revenue. In Fiscal Year 2018, due to the timing lag, 81 schools within school districts (4 percent) received less compensatory education revenue than in 2017 but had an increase in qualifying students for 2018. The percentage was similar for charter schools.

RECOMMENDATION

The Legislature should consider changes to mitigate the downsides of calculating compensatory education revenue based on counts of students from the prior year.

One option is to supplement the count of students from the prior year with a more current count, when needed. This supplementary count would not have to occur for every school district and charter school but should occur for those where local administrators identify an influx of students who qualify for subsidized lunch. Student counts from October 1 of the current year could generate supplementary revenue where warranted.

The use of current-year student counts is already in practice. MDE uses current-year data when calculating compensatory revenue for charter schools and certain alternative programs in their first year of operation.[12] Adding a supplementary count in the current school year could potentially affect MDE's ability to complete the formula calculations for compensatory education revenue in a timely way; it would also require a change to statutes.

A second option is to adjust the count of students based on recent trends in enrollment. As an example, school districts exhibiting growth in enrollment over the previous few years would receive a percentage increase to their revenue in anticipation of continued enrollment growth. The increase would help offset the costs of additional students who qualify for subsidized lunch.

[12] *Minnesota Statutes* 2019, 126C.05, subd. 3(d).

Another version would be to calculate a "marginal" pupil unit, that is, a percentage of students from both the prior and current year.[13] For instance, MDE could count students based on 25 percent from the prior year plus 75 percent of the current year. This would produce revenue amounts that reflect a portion of eligible students in the current year, which could help schools that are experiencing large influxes of eligible students.

These options would require amending statutes. They would also add complexity to the formula and could potentially require increased state expenditures when schools identify additional qualifying students.

Uses of Compensatory Education Revenue

Statutes specify 12 uses of compensatory revenue for meeting students' needs, as described in Chapter 1 and listed in the box at right.[14] Although the allowed uses indicate how school districts are to spend their compensatory education revenue, little is known about how actual expenditures correspond with the allowed uses. In this section, we first describe the nature of the allowed uses and then explain what school districts report regarding their spending of compensatory revenue.

Allowed Uses of Compensatory Revenue

- Assurance of Mastery programs
- Remedial instruction
- Additional teachers and teacher aides
- Extended-time activities offered with a community-based organization
- Staff development
- Instructional materials and technology
- Counseling, truancy reduction, nutrition and health services
- English learner programs
- All-day kindergarten
- Early education programs
- Extended-time activities
- Parental involvement in remedial or intervention plans

— *Minnesota Statutes* 2019, 126C.15, subd. 1.

Allowed Uses

When the Legislature has made changes to the allowed uses, it has generally been to expand them. In 1987, there were seven allowed uses of compensatory education revenue.[15] However, from 2013 to the present, statutes have allowed 12 uses.[16]

The 12 allowed uses are so flexible that they do not restrict how school districts spend compensatory education revenue.

Both our survey and in-person interviews with school districts indicated that the districts do not view the 12 allowed uses as constraining. As an example, one superintendent

[13] In the past, Minnesota's school funding formulas used the concept of a marginal cost pupil unit. However, since Fiscal Year 2015, formulas replaced marginal pupil units with "adjusted pupil units," which weights the count by grade level and adjusts it to reflect students actually served.

[14] *Minnesota Statutes* 2019, 126C.15, subd. 1.

[15] *Laws of Minnesota* 1987, chapter 398, art. 1, sec. 17.

[16] *Laws of Minnesota* 2013, chapter 116, art. 1, sec. 47, codified as *Minnesota Statutes* 2019, 126C.15, subd. 1.

voiced surprise about the openness of the 12 uses, saying that most state funding streams with specific budget codes are more restrictive. Furthermore, local officials reported that additional flexibility in how the districts use their compensatory revenue is not necessary. Majorities of both school districts and charter schools we surveyed said they either do not wish to be able to use compensatory education revenue for other purposes (56 percent) or do not know whether they would like to do so (37 percent).

About

78%

of surveyed school district officials agreed or strongly agreed that the allowed uses for compensatory revenue were sufficient for their students' needs in 2018-2019.

Similarly, in our visits with 15 school districts and 4 charter schools, none of those we interviewed preferred more flexibility than what the uses currently allow. For instance, one superintendent reported that the 12 uses are broad enough that the district can "actually use the money," unlike some other highly restricted funding sources. Several expressed their appreciation for the flexibility afforded by the 12 allowed uses.

Spending on Uses

Minnesota Department of Education data provide little detail on how school districts and charter schools spend compensatory revenue.

The Minnesota Department of Education (MDE) does not collect spending data from school districts or charter schools for each of the individual 12 allowed uses.[17] Of the 12 uses, MDE had expenditure data for only three: English learner spending, Assurance of Mastery program spending, and revenue that is restricted for use on extended-time programs.[18] The department had data on overall compensatory revenue expenditures but had no expenditure data directly related to the remaining nine uses; nor does the law require collecting such data.

Consequently, expenditures corresponding to most of the 12 uses of compensatory education revenue are unknown. Data are available for only three uses, as shown in the box at right. Data are not available for the nine other uses on which school districts spent the remaining 80 percent of compensatory revenue in Fiscal Year 2018. Of the three uses for which specific expenditure data are reported, English learner programs is the

Data Are Available for 3 of the 12 Allowed Uses of Compensatory Education Revenue

Use	FY2018 Amount (In millions)
English learner spending	$98.6
Assurance of Mastery program	7.6
Reserved percentage for extended-time programs	5.3

[17] In addition, as we explained in Chapter 1, the reporting requirements for charter schools differ from those for school districts, and only some charter schools report expenditures of compensatory education revenue.

[18] Each of these three programs has a specific program or finance code for districts to report their spending through MDE's Uniform Financial Accounting and Reporting Standards (UFARS) system.

largest, representing about 18 percent of spending from compensatory education revenue in Fiscal Year 2018.[19]

School districts reported that they do not track specific expenditures that correspond with each of the individual 12 allowed uses.

School districts report financial data according to finance codes established as part of MDE's Uniform Financial Accounting and Reporting Standards (UFARS) system. In our visits with school districts in the state, we asked whether they track their specific expenditures of compensatory revenue. Nearly all stated that they track only what MDE requires them to report: the expenditure codes specified in UFARS.[20] Only one, Minneapolis Public Schools, stated that it uses a special fund to track its schools' spending of compensatory revenue specifically.

Despite the lack of explicit spending data on each allowed use of compensatory revenue, results from our survey and site visits suggest that many expenditures of compensatory revenue comply with statutorily defined uses. In our survey of school districts and charter schools that received relatively large amounts of compensatory revenue, we first asked respondents to identify all of the ways they had used the revenue during the 2018-2019 school year from among the 12 allowed uses. We then asked respondents to select the three uses of the revenue that received the largest shares of the district or charter school's compensatory revenue that year.

Examples of School District Uses of Compensatory Education Revenue

Cloquet Area Schools primarily allocated its compensatory revenue to reading and math interventions for elementary-grade students who needed extra help.

Moose Lake Community School allocated the money to teacher salaries for full-day kindergarten; a 4th through 6th grade intervention specialist teacher to fill a gap the district had identified; and to supplement salaries of basic reading, math, and science teachers.

St. Anthony-New Brighton Schools allocated most of its compensatory revenue to adding licensed teachers in kindergarten and first grade. The district based its allocation on how it has customarily used the revenue in the past—not necessarily on specific students who have achieved below standards appropriate for their age.

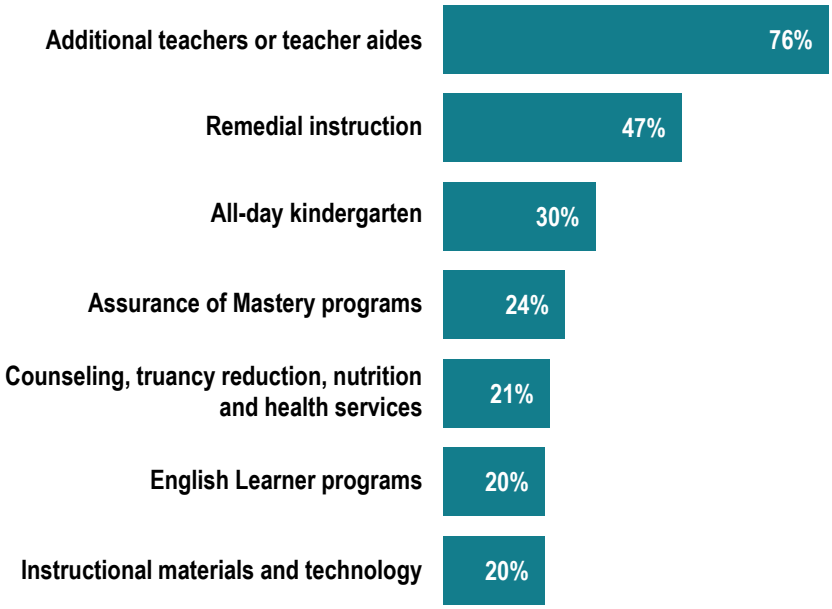
School districts and charter schools most frequently reported that they used compensatory revenue to hire additional teachers or teacher aides.

Expenditures related to adding school staff for specific purposes, including to lower ratios of students to teachers, are among the statutorily allowed uses of compensatory revenue. For both school districts and charter schools, additional teachers or teacher aides was the most commonly reported use (73 percent of school districts and 83 percent of charter schools) of compensatory revenue. Most school districts and charter schools we visited also reported spending compensatory revenue on adding teachers to reduce class sizes. Exhibit 2.2 identifies the seven allowed uses that survey respondents selected most frequently. The next most common was spending on remedial instruction in reading or other content areas or study skills (49 percent of school districts and 41 percent of charter schools).

[19] This estimate includes only English learner spending funded with compensatory education revenue. The spending is an estimate because data are not available on precisely how much compensatory revenue the school districts spent on this programming. Additional revenue for these programs is available through a separate funding stream—"English learner revenue," which is separate from compensatory revenue and has its own statutory formula for calculating revenue. *Minnesota Statutes* 2019, 126C.05, subd. 17; and 124D.65, subd. 5.

[20] These include a code for overall spending of basic skills revenue, disaggregated by numerous program codes, such as for administrative support, kindergarten education, and English Learner programs.

Exhibit 2.2: Surveyed school districts and charter schools reported allocating the largest shares of their compensatory education revenue to these seven uses during the 2018-2019 school year.



NOTES: We asked survey recipients to identify the three uses to which they had allocated the largest shares of their compensatory revenue during the 2018-2019 school year (N=178). The remaining five allowed uses not shown in the exhibit were mentioned by fewer than 20 percent of respondents. We surveyed school district superintendents and charter school directors whose compensatory education revenue for the 2017-2018 school year placed them in the top 50 percent of compensatory education revenue recipients when measured as a percentage of total general education revenue. We also sent the survey to all "pilot program" school districts that were not otherwise captured by our selection criterion—specifically, the Anoka Hennepin and South Washington County school districts. We received responses from 178 of 244 school districts and charter schools surveyed, a response rate of 73 percent.

SOURCE: Office of the Legislative Auditor, survey of school district superintendents and charter school directors.

The third most commonly reported use of compensatory revenue differed across school types. Among school districts, 34 percent used compensatory revenue for all-day kindergarten; among charter schools, 30 percent used it for instructional materials, digital learning, and technology appropriate for meeting individual learners' needs.

Several school districts and charter schools we interviewed reported that their expenditures on 1 or more of the 12 uses exceeded the amounts of compensatory revenue received. This is important because it indicates that they spent all of their compensatory revenue on those uses, but the revenue was insufficient to fund the entire cost.

Many school officials we interviewed said that staff salaries paid in part with compensatory revenue were for licensed teachers, math and reading specialists, counselors, and social workers. These staff allowed the school to lower class sizes and offer programs for English learners, among other uses listed in the box at right.

Examples of Staff Functions Funded with Compensatory Education Revenue

- **Licensed teachers** to lower class sizes, allow more individualized instruction, and instruct English learners
- **Specialists in math or reading** to provide one-to-one tutoring, small-group tutoring, or other interventions to improve math or reading skills
- **Counselors** to assist struggling students with placement in the appropriate interventions
- **Social workers** to help students with nonacademic needs, such as seeking shelters for students in families that were homeless

Future Reporting

MDE has acknowledged the lack of expenditure data corresponding to each of the 12 allowed uses of compensatory education revenue. In mid-2019, MDE convened a working group of department staff and local school officials to review expenditure data for basic skills revenue, that is, both compensatory education revenue and English learner revenue.[21] The group included local school district accounting and business-management professionals.

The Minnesota Department of Education recently adopted changes to school district practices for reporting expenditures of compensatory education revenue.

Proposed Amendments to Statutory Uses of Compensatory Education Revenue

(1) Consolidate language on extended-time programming, including summer school, into one paragraph.

(2) Remove "obsolete" reference to all-day kindergarten, while requiring more detailed reporting on spending by remedial math, language arts, and other content areas.

(3) Specify that Voluntary Pre-Kindergarten and the School Readiness Plus program are included as "early education programs."

(4) Require reporting expenditures by "functional" area, such as instruction or support services.

— Minnesota Department of Education

According to MDE, the intent of the changes is to improve transparency of compensatory education revenue expenditures. MDE's working group recommended changes requiring school districts to report annually on several types of expenditures not previously reported. Among the changes are new reporting codes for spending on remedial instruction in math, remedial instruction in reading, and additional teachers and teacher aides for more individualized instruction. In December 2019, MDE managers approved the recommended changes, which the department then began implementing for school district use starting in Fiscal Year 2021.

The working group also recommended minor clarifications to statutes. The intent was to better align spending data with the statutorily allowed uses of compensatory education revenue. Among the group's recommendations was to (1) consolidate statutory language on extended-time programs into one paragraph and (2) clarify the programs that are included under "early education programs" for four-year-olds. The box at left summarizes the proposals. MDE reported that it was working with the Governor's Office to include the recommended clarifications for consideration during the 2020 legislative session.

[21] MDE convened the working group to address issues with expenditures of basic skills revenue as well as "Safe Schools" revenue. We limited our review to provisions related to basic skills revenue.

RECOMMENDATION

The Minnesota Department of Education should monitor school district implementation of the department's new practices for reporting spending of compensatory education revenue.

We agree with the need to increase transparency and understanding of compensatory education revenue expenditures. New reporting codes for expenditures of compensatory education revenue hold promise for providing greater clarity to school districts on how they are allowed to spend the revenue. They will also offer more detail to the Legislature and the public on how school districts actually spend the revenue.

The new reporting codes will require school districts to adjust their financial reporting practices. MDE plans to inform school districts about the changes with appearances at regional conferences, a presentation at the Minnesota Association of School Business Officials, and announcements in the department's "School Business Bulletin," which is available electronically.

MDE should take steps to ensure that school districts understand and abide by the new reporting codes as well as the statutory changes, should the Legislature approve them. This means disseminating information about the changes, but it also means monitoring how well the changes work. For instance, a few months following implementation, MDE could consider reconvening its working group to learn about problems school districts might have faced implementing the new reporting codes. This would require asking working group members to serve as a "sounding board" and transmit to MDE local school district feedback. MDE should also consider making future adjustments to the reporting codes, if implementation problems arise.

We endorse the additional financial reporting on expenditures but also recognize they will likely provide little new information on the extent to which the spending actually helped students. An equally important step is to determine whether school districts use the revenue to achieve the objective of helping educate students who are underprepared and academically behind. We discuss this more in Chapter 3.

Required Use of Compensatory Revenue for Extended-Time Activities

A requirement in law pertains to how school districts must use part of their compensatory education revenue. The 2017 Legislature required school districts, beginning with the 2017-2018 school year, to reserve a certain percentage of their compensatory revenue for extended-time activities, such as after-school programs or summer school.[22] The dedicated percentage increases over time from 1.7 percent of compensatory revenue in Fiscal Year 2018 to 3.5 percent in Fiscal Year 2019 and, in

[22] *Laws of Minnesota* 2017, First Special Session, chapter 5, art. 1, sec. 11, codified as *Minnesota Statutes* 2019, 126C.10, subd. 3(d).

later years, to 3.5 percent plus the percentage change in the formula allowance from Fiscal Year 2019.[23]

The requirement to reserve a certain percentage of compensatory education revenue for extended-time activities is not the best use of the revenue for most school districts.

While school officials tended to agree with the value of extended-time programs in the right circumstances, some viewed reserving revenue for this purpose as problematic. For example, in many school districts, the amount of funding restricted to extended-time programs is currently too small to fund a new program or expand an existing one. For the 2017-2018 school year, the median amount school districts had reserved for extended-time programs was approximately $1,300. Some school district officials said they could not feasibly use the money for the required purpose and ended up not using the reserved amount that year.

As another example, one superintendent said his school district had robust after-school programming, but expanding the program was not feasible because of difficulties in hiring teachers willing to work those (after-school) hours. The law prohibits the district from using the set-aside revenue for any of the other 12 allowed uses. Other superintendents said the restriction forces them to spend money on uses that will not work well in their districts when they would rather spend it on more beneficial uses that are underfunded, such as mental health counselors.

Many school districts disagreed that reserving revenue for extended-time programs was beneficial. We asked survey recipients if they agreed that having these increasing amounts dedicated to extended-time activities is the best use of the revenue for their school district. Exhibit 2.3 shows that the majority of respondents—approximately 59 percent—disagreed or strongly disagreed with the statement.

Some survey respondents described difficulties with the extended-time requirement. For example, one superintendent wrote:

> This [requirement to reserve compensatory revenue funds for extended-time activities] pulled funds from our current programming to add another program. We have done this, but this decision has just added additional pressure on services for students during the regular day and could be at risk in future years.
>
> **—School District Superintendent**

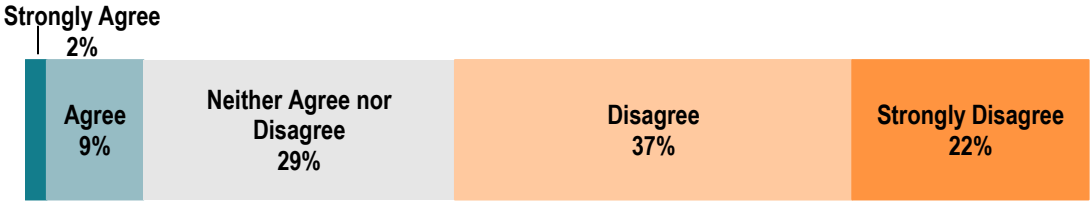
> Rural students often can't access after school programming; additional bus routes are cost prohibitive and if families can't provide a ride, another inequity has been set up.

Another said, "It is extremely difficult to get our rural students to participate in our extended day activities. Summer school participation has plummeted."

[23] This amount can grow quickly. For example, the formula allowance for Fiscal Year 2020 is 2 percent higher than that of Fiscal Year 2019, and the formula allowance for Fiscal Year 2021 is 4 percent higher than that of Fiscal Year 2019. (See *Minnesota Statutes* 2019, 126C.10, subd. 2.) Therefore, school districts must reserve 5.5 percent of their compensatory revenue for extended-time activities in Fiscal Year 2020 and 7.5 percent in Fiscal Year 2021.

Exhibit 2.3: Most school district respondents disagreed that dedicating a portion of compensatory education revenue to extended-time activities was the best use of the revenue.

To what extent do you agree or disagree with the following statement?
"Having a certain percentage of future increases in compensatory revenue dedicated to extended-time activities is the best use of the revenue for my school district."



NOTES: We surveyed school district superintendents whose compensatory education revenue for the 2017-2018 school year placed them in the top 50 percent of compensatory education revenue recipients when measured as a percentage of total general education revenue. We also sent the survey to all "pilot program" school districts that were not otherwise captured by our selection criterion—specifically, the Anoka Hennepin and South Washington County school districts. We received responses from 132 of 167 school districts, a response rate of 79 percent (N=131).

SOURCE: Office of the Legislative Auditor, survey of school district superintendents and charter school directors.

The requirement to set aside revenue for extended-time programming is especially onerous for school districts that receive little compensatory revenue. We sent a short set of open-ended questions to school districts that received relatively small amounts of compensatory revenue for the 2017-2018 school year.[24] Although we did not specifically ask recipients about the requirement for dedicating revenues to extended-time activities, some respondents volunteered comments about it, as detailed below.

> The amount we receive to go toward extended time activities is so minimal that it wouldn't cover the annual costs of adding a new extended time program.
>
> Part [of our compensatory revenue] goes to extended time, an area that we do not have programming for – this should be able to be moved to other areas of use pertinent to our district.
>
> The one area that is a concern is the requirement to set aside a specific amount for afterschool/outside the school day programming – which increases each year. We already have funding sources in place for these programs – targeted services and extended day. This new requirement is only taking money away from the students during the school day and we end up offering less or [offsetting] it from the general fund.

School officials in districts we visited echoed some of the same problems with reserving revenue for extended-day programs. For example, one superintendent said that when the

[24] We sent this short survey to those in the bottom 50 percent of compensatory revenue recipients when measured as a percentage of total general fund revenue. We received responses from 136 of 162 school districts, a response rate of 84 percent, and from 62 of 81 charter schools, a response rate of 77 percent.

law passed, the district began spending compensatory education revenue on summer programming for both high school and elementary grades. However, the summer program created the need for transportation services, which added costs for transporting students to and from school in the summer months.

In another school district, the business officer said the district does not provide after-school programming; consequently, it has a fund balance for the amount of the restricted revenue. The officer estimated that after-school classes would cost the district more than the amount in the fund, thereby forcing the district to use other revenue streams to pay for these classes.

RECOMMENDATION

The Legislature should repeal the requirement that all school districts dedicate a portion of compensatory education revenue to extended-time activities.

While extended-time programs can be useful interventions for students who are academically behind, they are not the appropriate answer in all cases. Deleting the requirement to reserve funding for extended-day programs would return the matter to how it existed prior to the 2017 legislative session: the 12 allowed uses would remain in effect, but each school district would decide which among the 12 uses to employ, according to its needs.

The recommendation would require two statutory amendments. One would delete the requirement. A second would clarify in what ways school districts could use existing reserves that they may have accumulated since Fiscal Year 2018. School districts that were unable to use the reserved funds for extended-day programs should be able to use them on any of the other allowed uses.

Reallocating Revenue

Statutes allow school districts to reallocate up to half of their compensatory education revenue based on a plan adopted by the school board, as described earlier.[25] This applies to school districts that want to allocate their compensatory revenue to school buildings other than where the students who have generated the revenue attend. District use of a school board-adopted plan for this purpose has been inconsistent. We first explain the frequency of school district reallocations of the revenue and then describe how school districts have implemented the requirement for a board-adopted plan.

Frequency of School District Reallocations

Relatively few school districts reallocate their compensatory education revenue, according to our survey. Most school districts we surveyed (74 percent) reported allocating all of their Fiscal Year 2018 compensatory education revenue to school sites generating the revenue. Twenty percent of respondents reported reallocating

[25] *Minnesota Statutes* 2019, 126C.15, subd. 2(b).

compensatory education revenue, and 5 percent answered that they did not know whether their district did so.

The amount of compensatory education revenue reallocated is relatively small. Most of the 27 school districts that reported reallocating compensatory education revenue to another school building reallocated 20 percent or less of their total compensatory revenue.

School Board-Adopted Plans

Few school districts reported having a school board-adopted plan to reallocate compensatory education revenue to their schools. In our survey, we asked school districts that had reallocated their compensatory education revenue in Fiscal Year 2018 whether they had a reallocation plan approved by their school board.

Most surveyed school districts that reallocated compensatory education revenue did not have a school board-approved plan specific to that purpose. Among the 27 school districts who reported in our survey that they had reallocated compensatory education revenue during the 2018-2019 school year, 19 districts (70 percent) indicated that they did not have a school board-approved plan for doing so.

Statutes do not make clear whether school boards must adopt a specific plan detailing the distribution of compensatory education revenue.

State statutes do not provide any guidance about what the board-adopted plans should include or the form they should take. Further, statutes do not require oversight to ensure the plans are adopted. MDE does not receive or track such plans, as no state law requires the department to do so. The statutory language simply says that a school district may allocate up to half of its compensatory education revenue to "school sites according to a plan adopted by the school board."[26] MDE staff said the statute was not transparent about how school districts were to implement this requirement.

It is not clear whether school board approval of school district budgets satisfies the requirement to use a board-adopted plan to reallocate compensatory education revenue. When asked, several superintendents we interviewed reported that their school boards had not adopted plans specific to compensatory education revenue. However, they said their boards did approve programming and budget decisions districtwide. Superintendents stated that the boards' budget approvals covered all education programming—including the use of compensatory education revenue. They said that their school boards tend to set the policy direction and depend on the district administrators to determine the funding sources appropriate to use.

Requirements for school board plans on certain other topics are clearer about the need for a specific plan. For example, requirements for a World's Best Workforce plan distinguish between a board-approved plan and a board-approved budget. Statutes require school boards to adopt a long-term strategic plan aligned with creating the

[26] *Ibid.*

world's best workforce.[27] Further, statutes define the plan's contents, including goals for instruction and student achievement, a process to evaluate student progress, and an annual budget to implement the plan.[28]

As a second example, international baccalaureate programs require both a specific plan and a proposed budget. To establish or expand an international baccalaureate program, a school must have a three-year plan approved by the local school board.[29] To apply for funding the program, a school must submit to MDE an application that includes a proposed budget detailing current and expected expenditures for the program.[30]

RECOMMENDATION

The Legislature should clarify the requirement for reallocating compensatory education revenue based on a school board-adopted plan.

The Legislature should clarify whether school boards must approve a specific plan that delineates the distribution of compensatory education revenue. Even though few school districts reported reallocating their compensatory revenue, it is important for all school districts to understand the level of accountability that the Legislature considers appropriate.

Clarifying the statute could take one of two general forms. First, the Legislature could accept the current level of oversight and specify that school board approval of a district's budget is all that is needed to reallocate compensatory revenue. This could suffice, given that elected school board members set the policy direction for their districts.

Alternatively, the Legislature could opt to require additional oversight, if it believes more is warranted. In this case, the Legislature should specify the plans' contents and whether each board should adopt a specific plan for reallocating compensatory education revenue. If the Legislature pursues the latter, it should also determine whether MDE must monitor the extent to which board plans meet the revised statutory requirements. Doing so would help ensure compliance but might require MDE to modify its current auditing processes and could increase department costs.

[27] *Minnesota Statutes* 2019, 120B.11, subd. 2.

[28] *Minnesota Statutes* 2019, 120B.11, subd. 2(1), (2), and (7).

[29] *Minnesota Statutes* 2019, 120B.132, subd. 1(1).

[30] *Minnesota Statutes* 2019, 120B.132, subd. 2(a).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1858

Chapter 3: Effectiveness

As discussed in earlier chapters, the purpose of compensatory education revenue is to help students who are not meeting academic standards. Further, statutes require school districts to determine whether compensatory education revenue has raised student achievement.[1]

In this chapter, we discuss the extent to which school districts, charter schools, and the Minnesota Department of Education (MDE) assess the impact of compensatory revenue. We also summarize results from a review of national literature on the effectiveness of certain programs and interventions intended to improve student achievement. Finally, we examine the extent to which Minnesota school districts have implemented programs with features similar to those identified in the literature review.

Key Findings in This Chapter

- Despite requirements in law, school districts do not routinely report on the extent to which compensatory education revenue increased student achievement.
- The statutory requirement to determine whether compensatory education revenue raised student achievement is unrealistic.
- School districts and charter schools use interventions to assist struggling students. However, the extent to which they follow practices demonstrated as effective is mixed.

Difficulty of Measuring Impacts

Since 2001, state law has required school districts to determine annually whether increased expenditures of "basic skills revenue"—compensatory education revenue and English learner revenue—raised student achievement levels.[2] This requirement is part of an annual expenditure report in which school districts are to identify the expenditures they made using basic skills revenue to meet needs of students who do not meet performance standards.

We found no analysis that evaluates statewide effects of compensatory education revenue.

The Minnesota Department of Education (MDE) does not analyze the annual impacts of compensatory education revenue; nor do school districts report information to MDE on the revenue's impacts. The section below describes school district responsibilities for the requirement on determining impacts. We then review responsibility for this at the state level. Finally, we describe obstacles to determining the impacts of compensatory education revenue.

[1] *Minnesota Statutes* 2019, 126C.15, subd. 5.

[2] *Laws of Minnesota* 2001, First Special Session, chapter 6, art. 1, sec. 30, codified as *Minnesota Statutes* 2019, 126C.15, subd. 5. The law does not apply to charter schools. Although the requirement applies to basic skills revenue, in this chapter we confine our evaluation of the requirement to only the compensatory revenue component of basic skills revenue.

Local Level Responsibility

Statutory requirements for an annual expenditure report on basic skills revenue—including a determination on whether increased expenditures increased student achievement—apply specifically to school districts. They do not apply to charter schools.

Even though school districts report expenditures of compensatory education revenue, the reports do not include an assessment of the revenue's impacts. MDE officials said that school districts meet their obligation to report their expenditures of compensatory revenue when they report basic skills expenditures each year through the department's system of Uniform Financial Accounting and Reporting Standards. The school districts we visited confirmed this, as Chapter 2 described.

The statute that requires school districts to "submit a report" regarding impacts on student achievement levels does not describe how to determine the impacts; nor does it specify to whom the report should be submitted.[3] According to MDE representatives, the department does not receive any such reports from districts. Neither MDE nor anyone at the local level is responsible for reviewing or determining the validity of reports on the impact of the funding.

Measuring Impacts of Compensatory Education Revenue

Not all school districts measure the impact of compensatory education revenue on student achievement, and it is difficult to isolate the impacts of the revenue by itself.

Some school districts do not determine the impact of compensatory revenue on student achievement or are uncertain about it. More than one-third of school districts responding to our survey either did not measure the impact of compensatory revenue or did not know whether they did.[4] A small share—11 percent—of school districts reported in the survey that they do not make a determination about whether increased expenditures of the revenue increased student achievement. An additional 28 percent of respondents did not know whether their district made such a determination.

School districts described difficulties that prevented them from determining the impacts of compensatory revenue. We asked the districts that reported not making a determination about the barriers to doing so. Sample responses included:

> There is no method to define as how to determine this; we do not have staff available to track, quantify or analyze how we use the revenue impacts the students. How does a District determine how a counselor

[3] *Minnesota Statutes* 2019, 126C.15, subd. 5.

[4] We surveyed school district superintendents and charter school directors whose compensatory education revenue for the 2017-2018 school year placed them in the top 50 percent of compensatory education revenue recipients when measured as a percentage of total general education revenue. We also sent the survey to all "pilot program" school districts that were not otherwise captured by our selection criterion—specifically, the Anoka Hennepin and South Washington County school districts. We received responses from 178 of 244 school districts and charter schools surveyed, a response rate of 73 percent.

> interacted with a qualifying student and how those services impacted the [student's] achievement?
>
> It's very difficult to try to determine a causal relationship between a single funding stream and student achievement when we have many variables that change annually. I'm quite skeptical that a study could be designed to accurately determine such a link in a public school setting.

Other school districts we surveyed reported that they determine the effect of basic skills revenue on student achievement. Fifty-two percent of surveyed school districts indicated that they make this determination annually; 8 percent indicated that they make the determination, but not annually.

Test results, graduation rates, and other indicators can help track student achievement, but, by themselves, they do not measure the impacts of compensatory education revenue. School districts most commonly reported using testing to assess the effectiveness of compensatory education revenue. Among survey respondents who said they determine whether increased expenditures of the revenue have raised student achievement levels, 49 of 80 school districts (61 percent) mentioned either testing or, specifically, Minnesota Comprehensive Assessment (MCA) scores.[5] Other indicators that school districts use to measure success include graduation rates, student improvement over time, trends in student attendance, rate of behavior incidents, students having earned college credits while in high school, students going to postsecondary schools, and students obtaining a job after leaving high school. The measures give indications of academic performance, but they do not determine whether compensatory revenue (or any other single funding stream) explains the results.

Our survey provided only brief glimpses into how school districts determine the impacts of compensatory education revenue. Many survey respondents provided vague descriptions of their methods for measuring impacts, such as "through assessing student data," or conducting "data review" specifically for "economically disadvantaged students." Some schools provided more detailed descriptions of their processes. For example, one superintendent wrote,

> District Administrative Team annually reviews summative assessment data for a variety of programs including Basic Skills and those of [English Language] Learners. This information is shared with all stakeholders through an annual report.

Another superintendent wrote,

> Assistant Superintendents meet with all site leaders each fall to review their compensatory plans and meet again mid-year where they are required to provide data around programs identified in their compensatory plans.

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[5] The MCAs are statewide tests that measure student proficiency in math, reading, and science at specific grade levels.

We sought additional information from six school districts whose open-ended survey responses suggested an innovative approach to measuring the impact of compensatory education revenue. Among those districts, Osseo Area Schools most directly examined compensatory revenue's impacts on student achievement.[6] Osseo requires its schools that receive compensatory revenue for extended-time programs to complete an evaluation form that summarizes the program, student outcomes, and the program's sustainability. As an example, one Osseo elementary school measured the science proficiency of participants entering a summer school program during the summer prior to the fifth grade and again upon leaving the fifth grade using the same assessment on the same students. The percentage of students needing intervention fell from 76 percent before entering fifth grade to 36 percent after exiting fifth grade.

Pilot Districts' Measurement of Impacts

School districts in the compensatory revenue pilot program had additional reporting requirements during the first ten years. The 2005 law establishing the pilot program required participating school districts to:

1. Identify test results that the districts would use to assess student performance.

2. Describe methods for distributing compensatory education revenue to school sites.

3. Summarize evaluation procedures the district would use to determine whether the redistributed compensatory education revenue improved overall student performance.[7]

State law no longer explicitly requires pilot school districts to report the effect of compensatory revenue on student achievement.

Since a 2015 legislative amendment, the amended law has required pilot districts to "post their plan and accountability measures and data" to their websites, and stated this may be part of the district's posting requirements for the World's Best Workforce report.[8] The law does not require a report on whether compensatory revenue improved student achievement.

Prior to the 2015 law change, pilot school districts had different methods for reporting the revenue's impacts on student achievement. For example, in the Rochester Public Schools, each of three schools that received pilot project revenues produced an annual evaluation report. The reports described how the schools spent the pilot revenue and the interventions they employed. They also provided exhibits on student achievement over time. However, the reports' comparative achievement data on subgroups of

[6] Among the remaining five districts we contacted, none provided evidence of having evaluated the effects of compensatory revenue.

[7] *Laws of Minnesota* 2005, First Special Session, chapter 5, art. 1, sec. 50, subd. 2.

[8] *Laws of Minnesota* 2015, First Special Session, chapter 3, art. 2, sec. 70, subd. 8(c). A "World's Best Workforce" report is a comprehensive, long-term strategic plan, required of all school districts. Its purpose is to improve teaching and learning in ways that are aligned with creating the world's best workforce in Minnesota. See *Minnesota Statutes* 2019, 120B.11, subd. 2.

students did not specifically report on students who were performing at levels below standards for their age. In addition, the reports did not indicate whether the performance changes that did occur were due to compensatory education revenue.

By contrast, Anoka Hennepin School District analyzed progress by focusing on one revenue source (compensatory revenue) and specific students (students who had been struggling learners). For the most recent reporting period (Fiscal Year 2017), it had used compensatory revenue to fund literacy specialists and math specialists in each of its 24 elementary schools. To measure progress, the district measured proficiency over time for students who received small group interventions from the literacy and math specialists.

For students in kindergarten and grades one through five, Anoka Hennepin reported a baseline percentage of learners who had tested proficient in reading or math during the fall of the school year and compared that with the percentage who tested proficient the following spring—closer to the end of the school year.[9] The district's analysis tried to isolate the effects of its compensatory revenue on struggling students, something that may not be readily achievable in other districts. The Anoka Hennepin analysis did not test whether student progress could have occurred without compensatory revenue.

Charter Schools' Measurements of Student Success

Charter schools are not required to determine whether increased compensatory revenue expenditures raised student achievement, but the charter schools we visited nonetheless reported on educational outcomes. In the reports, charter schools compared outcomes of students eligible for free or reduced-price lunch with outcomes of other students, or they compared their school's results with other schools having similar student demographics. However, the reports did not measure the impacts of compensatory revenue, one of multiple revenue sources on which the schools relied.

State Level Responsibility

We also examined whether MDE has responsibility for measuring the effects of compensatory education revenue.

Statutes do not require the Minnesota Department of Education to measure the effectiveness of compensatory revenue or offer assistance to school districts on the topic.

Statutes require school districts to measure annually the impact of compensatory education revenue on student achievement.[10] No similar requirement applies to MDE. Further, MDE does not provide formal guidance to school districts regarding the use of compensatory education revenue, although it offers informal guidance in response to districts' e-mails or phone calls.

[9] Five of the six grade levels showed increases in reading proficiency, while five of the six grades showed decreases in math proficiency. For grades four and five, the comparison was between proficiency in the spring of 2016 and proficiency by the spring of 2017.

[10] *Minnesota Statutes* 2019, 126C.15, subd. 5.

Department representatives told us that MDE writes occasional financial management bulletins to help school districts understand accounting and reporting requirements. They said some of the bulletin information pertains to compensatory revenue, but it tends to reiterate what is already in statutes.

Only a few school districts have sought information from MDE on compensatory education revenue. Among the 95 surveyed school districts who reported assessing compensatory education revenue's effect on student achievement levels, only 4 reported that they received assistance from the Minnesota Department of Education. All four respondents characterized the department's assistance as "somewhat helpful."

Evaluation Obstacles

Evaluating effectiveness requires expertise and resources. A valid and reliable study of compensatory revenue's impact on student achievement represents a major undertaking.

The statutory requirement that school districts produce an annual report to determine whether increased compensatory revenue expenditures raised student achievement levels is unrealistic.

Many factors, such as a student's home environment or social-emotional characteristics, affect student achievement. School districts and charter schools we visited stated that, while they measure student success, they cannot determine to what degree student achievement is attributable to a single revenue stream, such as compensatory revenue.

To isolate the effects of compensatory education revenue on student achievement would require school districts to undertake rigorous research methods that might be viewed as impractical at best and unethical at worst. For reliable measurements of the impact of compensatory education revenue, it would be important to know, for instance, whether students would have improved at the same rate *without* compensatory revenue. This means setting up a control group to compare students who did not participate in programs funded by compensatory revenue with other, similar students who did participate in those programs. It also requires holding constant all other school programs that might have an impact on students who are behind academically. Such experimental research presents many obstacles and would be unreasonable to expect at the individual school district level.

In addition, not all school districts and charter schools we surveyed had basic information needed to analyze impacts of the revenue. For example, among survey respondents, 42 percent of school districts and 28 percent of charter schools did not know how many of their students participated in programs or services funded at least in part by compensatory education revenue during the 2018-2019 school year.

RECOMMENDATION

The Legislature should repeal the requirement that school districts report annually on whether compensatory education revenue increased student achievement.

For reasons noted above, the current requirement is impractical. Valid and reliable measurements of effectiveness require time, money, and analytical skills that few individual school districts may be prepared to offer. To be valid and reliable, a study would likely have to match students receiving services paid with compensatory education revenue against a comparison group of similar students who did not receive the services.

Reports on the revenue's impact would have to isolate the effects of compensatory education revenue, which is difficult because school districts tend to use the revenue in tandem with other funding streams. In addition, impact studies would be complicated to structure because certain allowed uses of the revenue , such as lowering class sizes, potentially affect all or most students—not just those who are academically behind.

There may be other ways to help provide accountability for school districts' use of compensatory education revenue. In the next section, we explore one option.

Effective Practices

Because of the difficulties of measuring the effects of compensatory education revenue, we looked at whether school districts and charter schools are using the revenue in ways that are consistent with research and promising practices.

Academic studies have identified **full-day kindergarten**, **extended-day programs**, **extended-year programs**, **English language learner programs**, and **tutoring** as effective in helping improve student achievement. National literature (described in sections below) indicates that the structure and design of educational programs or services for students who are academically behind help determine whether programs are effective. The literature specifies that successful programs for at-risk students should follow certain practices.

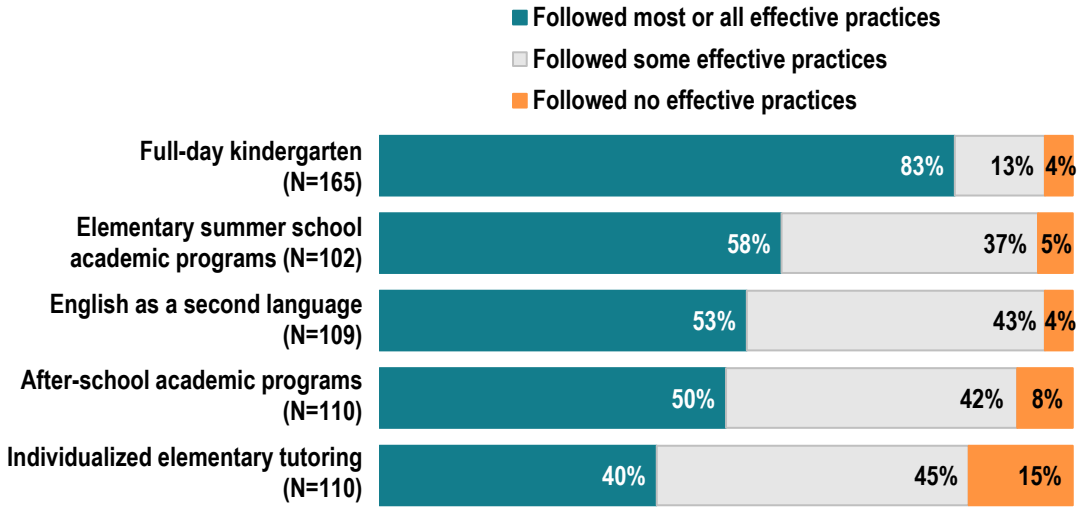
We surveyed school districts and charter schools regarding whether they offered the five programs that the literature identified as effective for improving academic achievement. Furthermore, we asked them about the extent to which they used best practices that research studies had identified as necessary for effective programs.

School districts and charter schools we surveyed varied in the extent to which they used best practices.

A majority of the school districts and charter schools we surveyed offer the five programs and services found to be effective, but many that do offer the programs have used only some of the best practices that literature has identified as important for quality programs.

Respondents reported following best practices to the greatest extent with respect to full-day kindergarten, as Exhibit 3.1 summarizes. They followed best practices to the least extent with respect to individualized tutoring.

Exhibit 3.1: During the 2018-2019 school year, school districts and charter schools largely followed effective practices for full-day kindergarten.



NOTES: We surveyed school district superintendents and charter school directors whose compensatory education revenue for the 2017-2018 school year placed them in the top 50 percent of compensatory education revenue recipients when measured as a percentage of total general education revenue. We also sent the survey to all "pilot program" school districts that were not otherwise captured by our selection criterion—specifically, the Anoka Hennepin and South Washington County school districts. We received responses from 178 of 244 school districts and charter schools surveyed, a response rate of 73 percent. Numbers in parentheses refer to the number of surveyed school districts and charter schools that offered a given program during the 2018-2019 school year or, in the case of elementary summer school academic programs, the summer of 2019.

SOURCE: Office of the Legislative Auditor, survey of school district superintendents and charter school directors.

Below we provide certain details on the five programs and services—full-day kindergarten, extended-day programs, extended-year programs, English language learner programs, and tutoring—that research has demonstrated as helpful for students performing below standards. We highlight practices that researchers have identified as important for the programs to be effective.[11] While the practices we describe are not a comprehensive list, they are among practices that researchers frequently note. We also report survey results on the extent to which school districts and charter schools use the practices in Minnesota.

[11] Generally, we did not review research on specific pedagogy, classroom equipment, or instructional materials.

Full-Day Kindergarten

Particularly for students from low-income backgrounds, studies have shown that full-day kindergarten has "significant positive effects on student learning" that lasts into early grades.[12] Students in full-day kindergarten were found to do better than other students in elementary-level reading, writing, and math.[13]

At the same time, additional research cautions that while the benefits of full-day kindergarten are evident in the early elementary years, the overall effect on student achievement will "fade over time."[14] A 2015 study of long-term effects of full-day kindergarten in Manitoba found significant effects over time but only for limited subgroups of students, such as improved performance in math for low-income, seventh-grade students.[15] In addition, a case study of one southern Minnesota school district suggested preserving the benefits gained in full-day kindergarten by aligning the structural and curricular changes made at the kindergarten level with similar changes in the primary grades.[16]

Best Practices

According to research, effective full-day kindergarten has several characteristics.[17]

- **Using integrative learning**. Effective practices include integrating current learning with children's past experience on projects. This also involves grouping students of mixed abilities and mixed ages and providing the learning in an unhurried setting.[18]

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[12] Allan R. Odden and Lawrence O. Picus, *School Finance: A Policy Perspective* Sixth Edition (New York: McGraw Hill Education, 2019), 87-88.

[13] Valerie E. Lee, David T. Burkam, Douglas Ready, Joann Honigman, and Samuel J. Meisels, "Full-Day vs. Half-Day Kindergarten: In Which Program Do Children Learn More?" *American Journal of Education* 11, no. 2 (February 2006): 163-208; and James Elicker and Sangeeta Mathur, "What Do They Do All Day? Comprehensive Evaluation of a Full-Day Kindergarten," *Early Childhood Research Quarterly* 12, no. 4 (1997): 459-480.

[14] Harris Cooper, Ashley Batts Allen, Erika A. Patal, and Amy L. Dent, "Effects of Full-Day Kindergarten on Academic Achievement and Social Development," *Review of Educational Research* 80, no. 1 (March 2010): 64-67.

[15] M.D. Brownell, N.C. Nickel, D. Chateaua, P.J. Martens, C. Taylor, L. Crocket, A. Katz, J. Sarkar, E. Burland, C.Y. Gohand, and the PATHS Equity Team, "Long-Term Benefits of Full-Day Kindergarten: a Longitudinal Population-Based Study," *Early Child Development and Care* 185, no. 2 (2015): 306.

[16] Aligning structural changes means continuing into first through third grades the core strategies of increased instructional time, planning time, and teacher professional development that the school district had used for full-day kindergarten. Candace F. Raskin, Jean M. Haar, and Ginger Zierdt, "Full-Day Kindergarten Effectiveness: Preserve the Investment," *American Association of School Administrators Journal of Scholarship and Practice* 8, no. 1 (Spring 2011): 8-9.

[17] Dianne Rothenberg, "Full-Day Kindergarten Programs," *ERIC Digest* (1995), 4; and Cooper, et al, "Effects of Full-Day Kindergarten on Academic Achievement and Social Development," 41-42.

[18] Lilian Katz, *Talks with Teachers of Young Children: A Collection* (Norwood, NJ: Ablex Publishing Corporation, 1995), 35-36, 39-40, 107, and 110-112; and Mary Drew and Carolyn Law, "Making Early Childhood Education Work," *Principal* 69, no. 5 (May 1990): 11.

- **Offering firsthand experiences and informal interactions**. This refers to involving the young students in firsthand experiences so that they see, hear, and feel things on their own. It means providing informal interactions for students with "objects, other children, and adults."[19]

- **Emphasizing language skills**. Effective practices include emphasizing language development and working on select preliteracy skills.[20] Full-day kindergarten time spent on reading skills, such as recognizing letters of the alphabet, matching letters to sounds, and expanding vocabulary (among others), leads to greater reading achievement gains.[21]

- **Interacting with parents**. Sharing information with parents about their children is another recommendation. This is part of building relationships between teachers and parents, including understanding both the teacher's and parents' roles. It also includes emphasizing the importance of reading to children at home.[22]

- **Offering a variety of activities**. An effective practice is offering to kindergarten children a mix of small-group, large-group, and individual activities. It also means providing opportunities for the children to spend time in active, child-initiated activities.[23]

- **Monitoring progress**. Research recommends assessing children's progress. Assessments mean careful observation of children during the kindergarten day and regularly collecting and examining students' work. This allows instructors to adjust teaching plans in ways to meet individual children's needs.[24]

- **Developing social skills**. Kindergarten provides a setting to help children develop their social skills. This includes learning and practicing conflict resolution.[25]

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[19] Katz, *Talks with Teachers of Young Children: A Collection*, 110 and 114; and Theresa Housden and Rose Kam, *Full-Day Kindergarten: A Summary of the Research* (Carmichael, CA: San Juan Unified School District, 1992), 31.

[20] Rothenberg, "Full-Day Kindergarten Programs," 4.

[21] Kristin Denton, Jerry West, and Jill Walston, *Reading—Young Children's Achievement and Classroom Experiences* (Washington, D.C.: U.S. Department of Education, National Center for Education Statistics, 2003), 12-14. Barbara Foorman, Nicholas Beyler, Kelley Borradaile, Michael Coyne, Carolyn Denton, Joseph Dimino, Joshua Furgeson, Lynda Hayes, Juliette Henke, Laura Justice, Betsy Keating, Warnick Lewis, Samina Sattar, Andrei Streke, Richard Wagner, and Sarah Wissel, *Foundational Skills to Support Reading for Understanding in Kindergarten Through 3rd Grade* (Washington, D.C. National Center for Education Evaluation and Regional Assistance, Institute of Education Sciences, U.S. Department of Education, 2016), 14-15.

[22] Rothenberg, "Full-Day Kindergarten Programs," 4.

[23] Patricia Clark and E. Kirk, "All-Day Kindergarten: Review of Research," *Childhood Education* 76, no. 4 (2000): 228; and Katz, *Talks with Teachers of Young Children: A Collection*, 114-115.

[24] Rothenberg, "Full-Day Kindergarten Programs," 4.

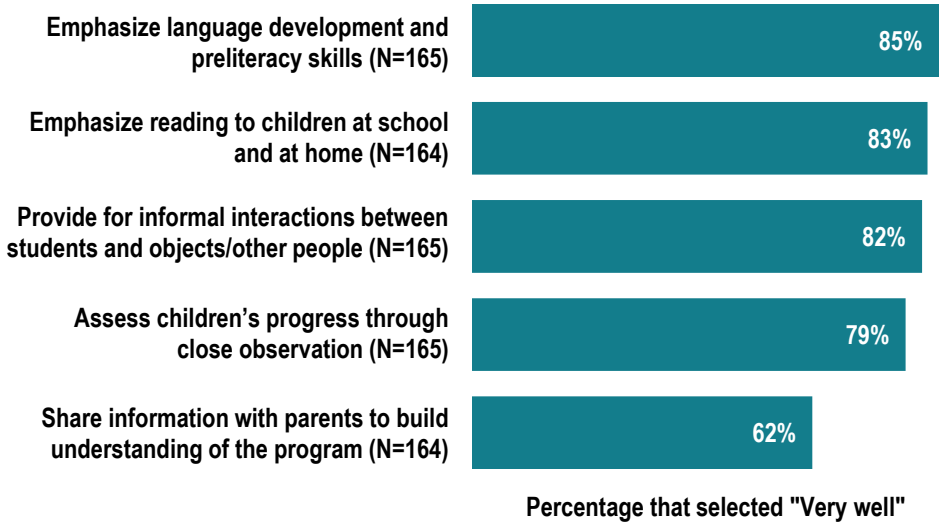
[25] *Ibid.* Katz, *Talks with Teachers of Young Children: A Collection*, 37.

Use in Minnesota

In Minnesota, the state makes funding available to every school district and charter school to provide full-day kindergarten. Nearly all school districts and charter schools with elementary students offered full-day kindergarten during the 2018-2019 school year, according to our survey. About 80 percent of our survey respondents with full-day kindergarten reported that all or most students who were underprepared to learn and not performing at the standards for their ages participated in their full-day kindergarten. Exhibit 3.2 displays the results.

Exhibit 3.2: Most survey respondents that offered full-day kindergarten reported using one or more related effective practices during the 2018-2019 school year.

During the 2018-2019 school year, how well did your full-day kindergarten do the following?



NOTES: This exhibit presents survey results for the 99 percent of surveyed school districts and charter schools who had elementary students and offered full-day kindergarten during the 2018-2019 school year (N=165). We surveyed school district superintendents and charter school directors whose compensatory education revenue for the 2017-2018 school year placed them in the top 50 percent of compensatory education revenue recipients when measured as a percentage of total general education revenue. We also sent the survey to all "pilot program" school districts that were not otherwise captured by our selection criterion—specifically, the Anoka Hennepin and South Washington County school districts. We received responses from 178 of 244 school districts and charter schools surveyed, a response rate of 73 percent.

SOURCE: Office of the Legislative Auditor, survey of school district superintendents and charter school directors.

Extended-Day Programs

Extended-day programs refer to school programs that occur after the regular school day ends. These are commonly referred to as after-school programs.

After-school programs can yield important improvements in academic and behavioral outcomes if they are well designed, according to several studies.[26] At the same time, some researchers have characterized much of the overall research evidence as mixed or unclear, due to inadequate research methods in certain studies.[27]

Best Practices

Qualities needed to make after-school programs effective include the following.

- **Qualified staff**. This means instructors have "considerable experience in youth work," such as working as a classroom teacher, teacher's aide, or working with youth in community agencies. Staff receive regular training to enhance their knowledge in content areas they teach, youth development, and practices for working well with youth.[28]

- **Appropriate group sizes and age groupings**. After-school program directors should consider the appropriate number of children in the program, age groupings of the children, and the child-to-staff ratios.[29]

- **Resources for space, equipment, and materials**. After-school programs should have access to a variety of physical spaces needed to accommodate the programs offered. They also need equipment and materials suited to promoting "skill development and mastery" of the subjects taught.[30] A recent study of Denver, Colorado, elementary students in very low-income families found growth in reading proficiency among participants in an after-school program

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[26] Odden and Picus, *School Finance: A Policy Perspective*, 129-130; and Deborah L. Vandell, Elizabeth R. Reisner, B. Bradford Brown, Kim Dadisman, Kim M. Pierce, Dale Lee, and Ellen M. Pechman, "The Study of Promising After-School Programs: Examination of Intermediate Outcomes," *Report to the Charles Stewart Mott Foundation*, March 2005, 48; and Alex Magana, Michelle Saab, and Valerie Svoboda, "More Time for Learning," *Phi Delta Kappan* 98, no. 4 (2016-17): 26-30; Deborah L. Vandell, Elizabeth R. Reisner, B. Bradford Brown, Kim M. Pierce, Kim Dadisman, and Ellen M. Pechman "The Study of Promising After-School Programs: Descriptive Report of the Promising Programs," *Report to the Charles Stewart Mott Foundation*, February 2004, 8-9 and 60-64; Sabrina Kataoka and Deborah L. Vandell, "Quality of Afterschool Activities and Relative Change in Adolescent Functioning Over Two Years," *Applied Developmental Science* 17, no. 3 (2013): 131-132; and Deborah L. Vandell, Kim M. Pierce, and A. Karsh, "Study of Promising After-School Programs: Follow-up Report to Participating School Districts" (Irvine, CA: University of California-Irvine, 2011), 2 and 8-9.

[27] Odden and Picus, *School Finance: A Policy Perspective*, 129; and Phillip B. Levine and David J. Zimmerman, "After-School Care," *Targeting Investments in Children: Fighting Poverty When Resources are Limited* (Chicago: University of Chicago Press, August 2010), 141.

[28] Vandell et al, "The Study of Promising After-School Programs: Descriptive Report of the Promising Programs," 60-61.

[29] *Ibid*., 9.

[30] Odden and Picus, *School Finance: A Policy Perspective*, 130; and Vandell, et al, "The Study of Promising After-School Programs: Descriptive Report of the Promising Programs," 30-33 and 62.

that (1) provided books for students to take home, (2) followed a highly structured curriculum, and (3) offered individualized tutoring.[31]

- **Program connections**. Personnel in after-school programs should maintain connections with school administrators and parents. Program directors should have partnerships and ongoing communications with school instructors and the principals. They also need routine communications with participants' parents.[32]

- **Support for sustainability over time**. To be sustainable, after-school programs need partners and networks both in the school and in the community. This also refers to seeking multiple sources of funding, from both government and community sources.[33]

Use in Minnesota

Our survey indicates that 110 surveyed school districts and charter schools (62 percent) offered after-school academic programs during the 2018-2019 school year. However, only about 22 percent of the 110 reported that their after-school academic programs served "all or most" students who were underprepared to learn and not performing at the standards for their ages, as Exhibit 3.3 illustrates. About 75 percent of the 110 districts and charter schools with after-school programs reported that their programs served "some" such students.

Extended-Year Programs

Extended-year programs are school programs that occur after the school year ends (that is, summer school). While studies show that students lose academic skills during the customary summer break, evidence on the effectiveness of summer programs is mixed.[34] Some academic research indicates that summer school can be effective for struggling students, but researchers emphasized that this occurs only when the students attend regularly.[35] Analyses of multiple studies of voluntary summer learning programs

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[31] Sara Douglass Bayless, Jeffrey M. Jenson, Melissa K. Richmond, Fred C. Pampel, Miranda Cook, and Molly Calhoun, "Effects of an Afterschool Early Literacy Intervention on the Reading Skills of Children in Public Housing Communities," *Child Youth Care Forum* 47, no. 4 (February 2018): 537-561.

[32] Vandell, et al, "The Study of Promising After-School Programs: Descriptive Report of the Promising Programs," 36-38 and 63.

[33] *Ibid.*, 63-64; and Odden and Picus, *School Finance: A Policy Perspective*, 130.

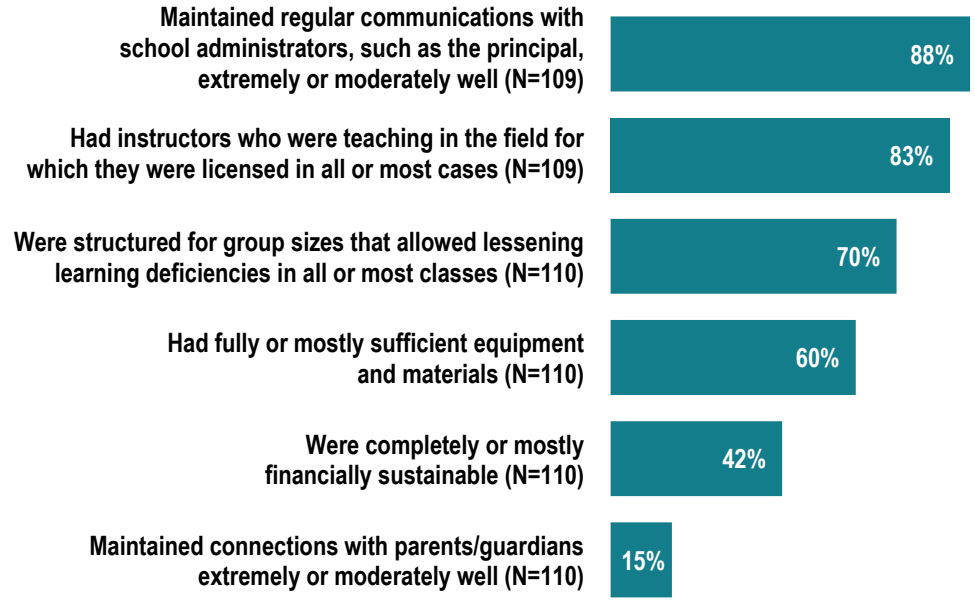
[34] Odden and Picus, *School Finance: A Policy Perspective*, 131.

[35] Geoffrey D. Borman and N. Maritza Dowling, "Longitudinal Achievement Effects of Multiyear Summer School: Evidence from the Teach Baltimore Randomized Field Trial," *Educational Evaluation and Policy Analysis* 28, no. 1 (Spring, 2006): 25-48; Scott G. Paris, P. David Pearson, Robert Carpenter, Joseph Martineau, Elena Papanastasiou, Jonathan Flukes, et al, "Assessing the Effectiveness of Summer Reading Programs," in *Summer Learning: Research, Policies, and Programs*, eds. Geoffrey D. Borman and Matthew Boulay (Mahwah, New Jersey: Lawrence Erlbaum Associates, Inc., Publishers, 2004), 153-156; Harris Cooper, Kelly Charlton, Jeff C. Valentine, and Laura Muhlenbruck, "Making the Most of Summer School: A Meta-Analytic and Narrative Review," *Monographs of the Society for Research in Child Development* 65, no. 1 (2000): 89-91 and 106-107; and Jennifer Sloan McCombs, Catherine H. Augustine, Heather L. Schwartz, Susan J. Bodilly, Brian Mcinnis, Dahlia S. Lichter, and Amanda Brown Cross, *Making Summer Count: How Summer Programs Can Boost Children's Learning* (Santa Monica, CA: RAND Corporation, 2011), 28, 30, and 36.

between 2005 and 2015 generally showed "small to moderate" positive effects in math and reading, but with less consistency in reading.[36]

Exhibit 3.3: Many survey respondents that offered after-school academic programs reported using one or more effective practices during the 2018-2019 school year.

During the 2018-2019 school year, the after-school academic programs…



NOTES: This exhibit presents survey results for the 62 percent of surveyed school districts and charter schools who offered after-school academic programs during the 2018-2019 school year (N=110). We surveyed school district superintendents and charter school directors whose compensatory education revenue for the 2017-2018 school year placed them in the top 50 percent of compensatory education revenue recipients when measured as a percentage of total general education revenue. We also sent the survey to all "pilot program" school districts that were not otherwise captured by our selection criterion—specifically, the Anoka Hennepin and South Washington County school districts. We received responses from 178 of 244 school districts and charter schools surveyed, a response rate of 73 percent.

SOURCE: Office of the Legislative Auditor, survey of school district superintendents and charter school directors.

[36] Andrew McEachin, Catherine Augustine, and Jennifer McCombs, "Best Practices in Summer Programming," in *The Summer Slide: What We Know and Can Do About Summer Learning Loss*, eds. Karl Alexander, Sarah Pitcock, and Matthew Boulay (New York: Teachers College Press, Columbia University, 2016), 195; and Catherine H. Augustine, Jennifer McCombs, John F. Pane, Heather L. Schwartz, Jonathan Schweig, Andrew McEachin, Kyle Siler-Evans, *Learning from Summer: Effects of Voluntary Summer Learning Programs on Low-Income Urban Youth* (Santa Monica, CA: RAND Corporation, 2016), 73.

Best Practices

The following list is not comprehensive, but research shows these characteristics tend to produce positive outcomes in summer school:

- **Starting summer school in elementary grades**. Student gains from summer school were evident throughout all grade levels. However, some studies showed the greatest gains among the youngest students; others showed more pronounced gains for students in both the earliest grades and secondary grades, as compared with middle-school grades.[37]

- **Sufficient duration**. The amount of time students spend on academic work is important. Researchers have recommended summer programs of at least five weeks and preferably six- to eight-weeks duration.[38]

- **Student attendance**. Studies have shown academic gains for students who regularly attend the summer learning program. They recommend efforts to monitor and encourage maximum attendance.[39]

- **Parent involvement**. Researchers have demonstrated that involving parents or students' guardians has a positive effect on student achievement in summer learning programs. Parents who are involved and made to feel welcome generally increase the likelihood that students attend and complete the program.[40]

- **Appropriate focus**. Research recommends aligning summer school instruction to address students' needs. It also suggests aligning the summer and school-year curricula to provide either remediation or a preview of core concepts in the coming year. For elementary students, this can be a focus on math and reading; for high school students, a focus on courses they have failed.[41]

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[37] Cooper, et al, "Making the Most of Summer School: A Meta-Analytic and Narrative Review," 96; and Paris, et al, "Assessing the Effectiveness of Summer Reading Programs," 153-154.

[38] Augustine, et al, *Learning from Summer: Effects of Voluntary Summer Learning Programs on Low-Income Urban Youth*, 77; McEachin, et al, "Best Practices in Summer Programming," 203-204; and Borman and Dowling, "Longitudinal Achievement Effects of Multiyear Summer School: Evidence from the Teach Baltimore Randomized Field Trial," 30.

[39] Augustine, et al, *Learning from Summer: Effects of Voluntary Summer Learning Programs on Low-Income Urban Youth*, 74-75; Cooper, et al, "Making the Most of Summer School: A Meta-Analytic and Narrative Review," 98 and 106-107; McEachin, et al, "Best Practices in Summer Programming," 199-200; and McCombs, et al, *Making Summer Count: How Summer Programs Can Boost Children's Learning*, 30 and 33.

[40] Cooper, et al, "Making the Most of Summer School: A Meta-Analytic and Narrative Review," 57 and 93; and Paris, et al, "Assessing the Effectiveness of Summer Reading Programs," 154 and 159.

[41] McEachin, et al, "Best Practices in Summer Programming," 201; McCombs, et al, *Making Summer Count: How Summer Programs Can Boost Children's Learning*, 33-34; and Augustine, et al, *Learning from Summer: Effects of Voluntary Summer Learning Programs on Low-Income Urban Youth*, 78.

- **Small-group or individualized instruction**. Studies show positive effects of summer learning programs taught to small groups of students and with individualized instruction.[42] One study observed these effects in classrooms with no more than 15 students per instructor.[43]

- **Quality instruction**. Research suggests the need for high-quality instruction in summer learning programs. This involves ongoing professional development for instructors, careful hiring practices, and offering support to teachers through coaching. It also involves "evidence-based" instructional practices, such as "repeated oral reading" guided by instructors.[44]

- **Monitoring effectiveness**. To enhance effectiveness of summer learning, research recommends that programs monitor and evaluate what works well and what does not. Monitoring and evaluation ensures that teachers provide instruction as prescribed and allows the program to make improvements over time.[45]

Use in Minnesota

According to our survey, 63 percent of school districts and charter schools had elementary students during the summer of 2019 and offered summer school academic programs for them. Three-quarters of these districts and charter schools reported that their summer schools for elementary students were "completely" or "mostly" focused on math and reading, as Exhibit 3.4 indicates.

Among the 55 percent of school districts and charter schools that reported offering summer school academic programs in 2019 for *secondary* students, 89 percent said their summer programs focused on students' failed classes for "all" or "most" students enrolled in the programs.

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[42] McEachin, et al, "Best Practices in Summer Programming," 200 and 204; Cooper, et al, "Making the Most of Summer School: A Meta-Analytic and Narrative Review," 92-93; Paris, et al, "Assessing the Effectiveness of Summer Reading Programs," 141; and McCombs, et al, *Making Summer Count: How Summer Programs Can Boost Children's Learning*, 32.

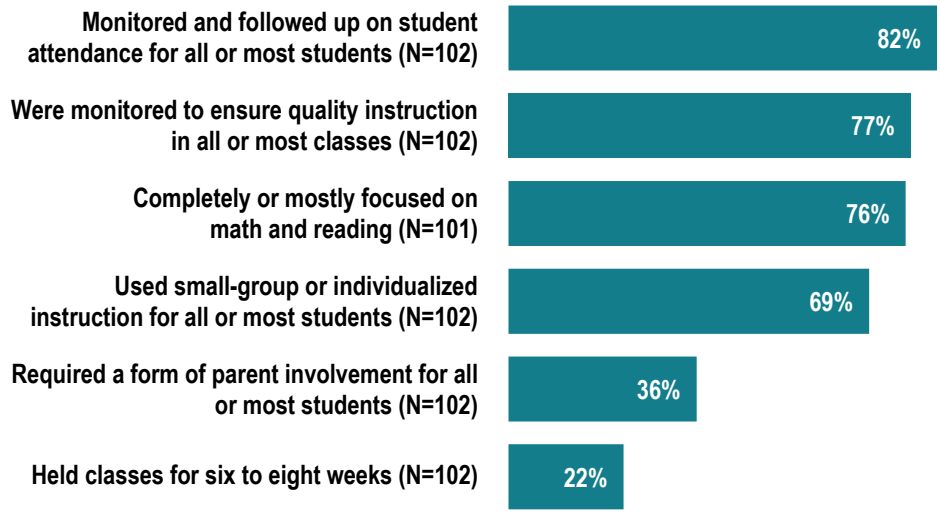
[43] Heather L. Schwartz, Jennifer Sloan McCombs, Catherine H. Augustine, and Jennifer T. Leschitz, *Getting to Work on Summer Learning: Recommended Practices for Success 2nd Edition* (Santa Monica, CA: RAND Corporation, 2018), 47-48.

[44] McCombs, et al, *Making Summer Count: How Summer Programs Can Boost Children's Learning*, 33; McEachin, et al, "Best Practices in Summer Programming," 202; Augustine, et al, *Learning from Summer: Effects of Voluntary Summer Learning Programs on Low-Income Urban Youth*, 78; and Borman and Dowling, "Longitudinal Achievement Effects of Multiyear Summer School: Evidence from the Teach Baltimore Randomized Field Trial," 29.

[45] McCombs, et al, *Making Summer Count: How Summer Programs Can Boost Children's Learning*, 34; Cooper, et al, "Making the Most of Summer School: A Meta-Analytic and Narrative Review," 96-97; and Marc Stein and Ean Fonseca, "A Review and Analysis of Evaluations of Summer Programs," in *The Summer Slide: What We Know and Can Do About Summer Learning Loss*, eds. Karl Alexander, Sarah Pitcock, and Matthew Boulay (New York: Teachers College Press, Columbia University, 2016), 282-283.

Exhibit 3.4: Most survey respondents that offered summer school academic programs for elementary students reported using one or more effective practices during the summer of 2019.

During the summer of 2019, summer school academic programs for elementary students…



NOTES: This exhibit presents survey results for the 63 percent of surveyed school districts and charter schools who had elementary students during the summer of 2019 and who offered summer school academic programs for them (N=102). We surveyed school district superintendents and charter school directors whose compensatory education revenue for the 2017-2018 school year placed them in the top 50 percent of compensatory education revenue recipients when measured as a percentage of total general education revenue. We also sent the survey to all "pilot program" school districts that were not otherwise captured by our selection criterion—specifically, the Anoka Hennepin and South Washington County school districts. We received responses from 178 of 244 school districts and charter schools surveyed, a response rate of 73 percent.

SOURCE: Office of the Legislative Auditor, survey of school district superintendents and charter school directors.

English Language Learner Programs

Students who are not native English speakers need classes in English as a second language if they are to succeed academically, according to national research.[46] Studies have identified features needed for effective programs, as summarized below.

Best Practices

- **Additional instructional time**. Students identified as English learners need more instructional time than other students to reach the same academic standards.[47]

[46] Odden and Picus, *School Finance: A Policy Perspective*, 132-133.

[47] Russell W. Rumberger and Patricia Gándara, "Resource Needs for Educating Linguistic Minority Students," in *Handbook of Research in Education Finance and Policy*, eds. Helen F. Ladd and Margaret E. Goertz (New York: Routledge, 2015), 601.

- **Rigorous curriculum**. To be effective, the classes need to offer a solid and rigorous core curriculum, which means a full complement of academic courses.[48]

- **Instructional content**. Instruction should cover phonemic awareness, decoding, fluency, vocabulary, and reading comprehension.[49]

- **Assessment tools**. Teachers of English learner programs need good assessment tools so that they know the extent of students' English language reading skills.[50] Experts specify that assessment tools help to diagnose student skills and abilities when students first enter school, as well as to measure student progress in "language development and subject matter competence" and meeting educational standards in later years.[51]

- **Quality instructors**. Instructors need to be qualified and undergo ongoing professional development.[52] Bilingual teachers offer additional advantages, both in support to students and working with parents.

Use in Minnesota

About 80 percent of school districts and charter schools we surveyed had English learner students and offered classes in English as a second language during the 2018-2019 school year. About 91 percent of them reported using specialized assessments in most or all cases to understand the extent of their students' reading skills, as Exhibit 3.5 shows.

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[48] Patricia Gándara, Russell Rumberger, Julie Maxwell-Jolly, and Rebecca Callahan, "English Learners in California Schools: Unequal Resources, Unequal Outcomes," *Education Policy Analysis Archives* 11, no. 36 (October 2003): 28; and Odden and Picus, *School Finance: A Policy Perspective*, 133.

[49] Scott K. Baker, Russell Gersten, Diane Haager, and Mary Dingle, "Teaching Practice and the Reading Growth of First-Grade English Learners: Validation of an Observation Instrument," *The Elementary School Journal* 107, no. 2 (November 2006): 202, 204, 207, 211, and 213-215; and Odden and Picus, *School Finance: A Policy Perspective*, 133.

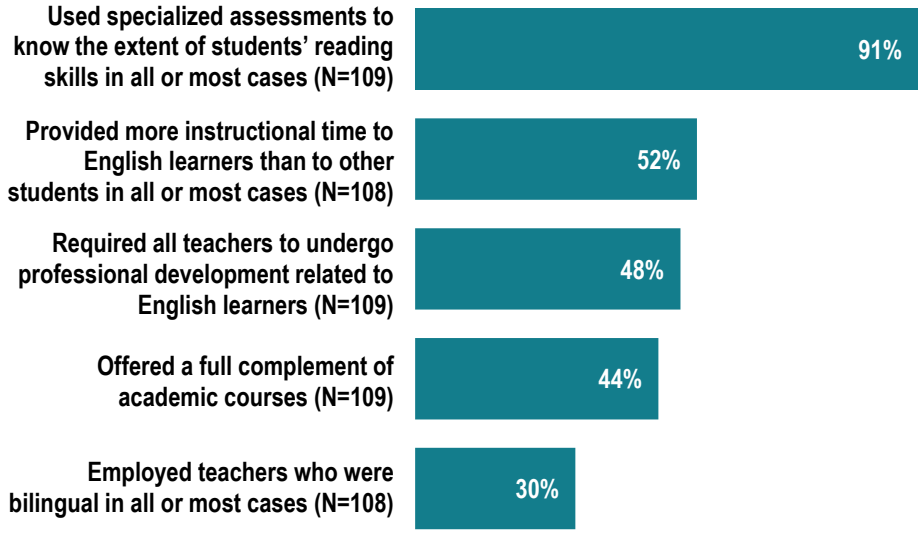
[50] Gándara, Rumberger, Maxwell-Jolly, and Callahan, *Education Policy Analysis Archives*, 21 and 38; Odden and Picus, *School Finance: A Policy Perspective*, 133; and Rumberger and Gándara, "Resource Needs for Educating Linguistic Minority Students," 595.

[51] Rumberger and Gándara, "Resource Needs for Educating Linguistic Minority Students," 595.

[52] Rumberger and Gándara, "Resource Needs for Educating Linguistic Minority Students," 594; Odden and Picus, *School Finance: A Policy Perspective*, 133-134; and Russell Rumberger and Patricia Gándara "Defining an Adequate Education for English Learners," *Education Finance and Policy* 3, no. 1 (Winter 2008): 15.

Exhibit 3.5: Many survey respondents that offered English as a second language reported using one or more effective practices during the 2018-2019 school year.

During the 2018-2019 school year, the English as a second language program…



NOTES: This exhibit presents survey results for the 80 percent of surveyed school districts and charter schools who had English learner students and offered classes in English as a second language during the 2018-2019 school year (N=109). We surveyed school district superintendents and charter school directors whose compensatory education revenue for the 2017-2018 school year placed them in the top 50 percent of compensatory education revenue recipients when measured as a percentage of total general education revenue. We also sent the survey to all "pilot program" school districts that were not otherwise captured by our selection criterion—specifically, the Anoka Hennepin and South Washington County school districts. We received responses from 178 of 244 school districts and charter schools surveyed, a response rate of 73 percent.

SOURCE: Office of the Legislative Auditor, survey of school district superintendents and charter school directors.

Tutoring

Individually focused, one-to-one tutoring provided by licensed teachers is considered to be among the "most powerful and effective" strategies to help struggling students meet state standards.[53] At the same time, researchers acknowledge that tutoring does not work the same for all students, and some children have not benefited from tutoring.[54] Schools have used small group tutoring and one-to-one tutoring. They have also used different types of tutors—peers as tutors, teachers as tutors, nonprofessional but trained tutors, and computer-tutoring systems. The different approaches have been used successfully but with varied outcomes for individual students.

[53] Odden and Picus, *School Finance: A Policy Perspective*, 95-96.

[54] Timothy Shanahan, "On the Effectiveness and Limitations of Tutoring in Reading," *Review of Research in Education* 23 (1998): 221-225.

Best Practices

Researchers have concluded that effective tutoring should include the following practices.

- **Tutor training**. Research recommends use of tutors trained in specific tutoring strategies. Use of specialized training for tutors, and use of teachers instead of volunteers or paraprofessionals, result in higher student achievement than tutors without the training.[55]

- **Alignment of curricula**. Schools should use highly structured tutoring programs that tightly align tutoring to both the regular curriculum and to a student's specific learning challenges.[56]

- **One-to-one tutoring, when needed**. Research has found that, although one-to-one tutoring is expensive, schools can reserve it for students with the most severe reading difficulties, such as those scoring at or below the 20th or 25th percentile on a norm-referenced test. For students who score above that level but below proficiency, intensive instruction for groups of three to five students is needed.[57]

Use in Minnesota

In our survey of school districts and charter schools, we found that more than two-thirds of respondents with elementary students had offered individualized tutoring for students during the 2018-2019 school year. About 56 percent of these school districts and charter schools offered the tutoring in small groups (three to five students) for all students below proficiency in reading, as Exhibit 3.6 shows.

Recommendation

Researchers have demonstrated that certain services and programs—tutoring, extended-day or extended-year programs, full-day kindergarten, and English learner programs—can help students who are behind academically, when the services or programs are structured appropriately. All five of these services and programs are also among the allowed uses for spending compensatory education revenue.

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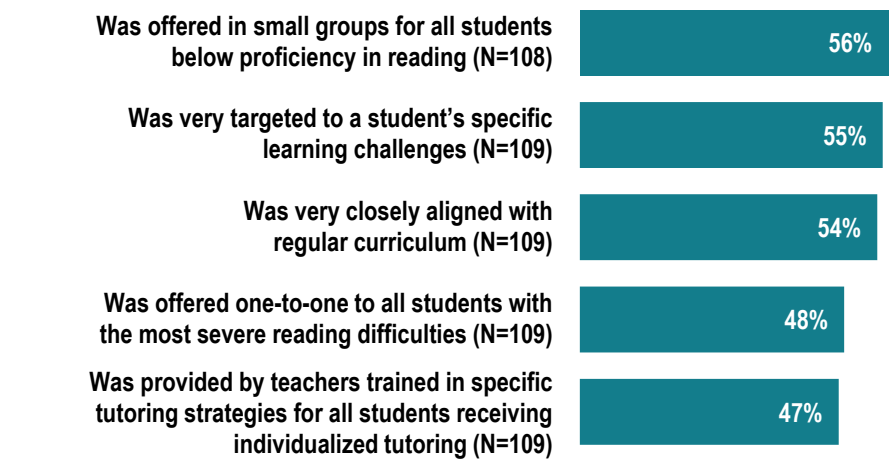
[55] Robert E. Slavin, Cynthia Lake, Susan Davis, and Nancy A. Madden, "Effective Programs for Struggling Readers: A Best-Evidence Synthesis," *Educational Research Review* 6 (2011), 21-22; Edward E. Gordon, "5 Ways to Improve Tutoring Programs," *Phi Delta Kappan* 90, no. 6 (February 2009): 442 and 443; Odden and Picus, *School Finance: A Policy Perspective*, 96; and Shanahan, "On the Effectiveness and Limitations of Tutoring in Reading," 227.

[56] Gordon, "5 Ways to Improve Tutoring Programs," 440 and 443; Shanahan, "On the Effectiveness and Limitations of Tutoring in Reading," 229-230; and Odden and Picus, *School Finance: A Policy Perspective*, 96-97.

[57] Odden and Picus, *School Finance: A Policy Perspective*, 97; and Slavin, et al, "Effective Programs for Struggling Readers: A Best-Evidence Synthesis," 21-22.

Exhibit 3.6: Many survey respondents that offered individualized elementary tutoring reported using one or more effective practices during the 2018-2019 school year.



NOTES: This exhibit presents survey results for only the 67 percent of surveyed school districts and charter schools who had elementary students and offered individualized tutoring for them during the 2018-2019 school year (N=110). We surveyed school district superintendents and charter school directors whose compensatory education revenue for the 2017-2018 school year placed them in the top 50 percent of compensatory education revenue recipients when measured as a percentage of total general education revenue. We also sent the survey to all "pilot program" school districts that were not otherwise captured by our selection criterion—specifically, the Anoka Hennepin and South Washington County school districts. We received responses from 178 of 244 school districts and charter schools surveyed, a response rate of 73 percent.

SOURCE: Office of the Legislative Auditor, survey of school district superintendents and charter school directors.

RECOMMENDATIONS

- **The Legislature should require school districts to report whether programs funded with significant amounts of compensatory education revenue are consistent with recognized best practices.**

- **The Minnesota Department of Education should identify future best practices for programs paid with compensatory education revenue.**

These recommendations are especially important given our conclusion earlier in this chapter that it is unrealistic to require school districts to report on whether compensatory education revenue raised student achievement. Having school districts report to MDE how well their compensatory revenue services align with best practices—practices that are based on evidence from valid literature and credible sources—provides accountability for use of the revenue. Structuring services and programs to be consistent with best practices can help ensure a wise use of the revenue, in the absence of other evidence.

The reporting requirements should apply to school districts that use a significant amount of compensatory education revenue to fund programs for students who are academically behind. The threshold for determining which districts should report could be set in a number of ways; one option is to include districts receiving the top 50 percent of compensatory education revenue as a percentage of general education revenue. We view the reporting requirement as less necessary and less practical for school districts that receive small amounts of the revenue or when the revenue represents a small percentage of spending on a program.

MDE should oversee a compilation of educational programs and their best practices intended for students who are behind academically. Centralizing work to compile the information would be more efficient than making individual school districts responsible for it. Best practices identified earlier in this chapter could be a starting point for the compilation. The ultimate purpose would be to maintain for school district use a repository of information on programs and their best practices aimed at students who are academically behind. School districts could use the compilation to determine how well their programs and practices align with best practices founded on research.

Our recommendation is in line with an MDE effort now underway to construct a statewide system of support for school districts. MDE staff envision the system will provide school districts with information based on solid research and evidence-based practices. Staff said the system will include a repository of information on best practices for subjects in which school districts are most interested. The system is part of the "Results First" initiative overseen by Minnesota Management and Budget. The purpose of the initiative is to improve outcomes of public services by identifying services proven to work, as demonstrated through rigorous research. MDE expects at least some segments of its system of support to be in place by 2021.

Furthermore, future research may reveal additional best practices. Consequently, MDE should implement a process for identifying best practices yet to come. One possibility is that MDE would extend its work for the Results First initiative into the future. Another is to convene periodically a technical advisory group with expertise in effective interventions for students who are not meeting performance standards for their age. The group could work with the department to identify future research on effective practices for students who are not achieving at expected levels.

MDE should determine to whom and how often school districts should report the degree to which their programs are consistent with best practices. At a minimum, districts should repeat the process whenever they change their programs or MDE notifies them of updated best practices that apply to their existing programs. In addition, MDE should determine a threshold spending percentage beyond which school districts would be required to comply. That is, districts funding a program primarily with other revenue streams and only a small percentage of compensatory revenue should not be held to the reporting requirement.

Determining the extent to which programs align with best practices will require school district resources. However, state law already requires school districts to have a school site decision-making team, or an instruction and curriculum advisory committee, that

"shall recommend" how the district's compensatory revenue will be used.[58] Almost all school districts we surveyed had reported having such a group for the 2018-2019 school year. Determining whether district services are consistent with established best practices is a logical extension of these groups' responsibilities.

To be clear, we are not recommending that each school district be required to offer the five programs we reviewed. The programs may not be universally applicable. For instance, for a secondary school with a large population of at-risk students who work after-school hours, an extended-day program may not be feasible, regardless of how it is structured.[59] Services offered should remain a local district decision.

Furthermore, the state should not require the use of best practices regardless of local circumstances. As pointed out in the previous section, researchers acknowledge that even the most promising practices may not work well for every student. In reporting whether their interventions are consistent with best practices, school districts should explain circumstances that prevent them from following best practices.

[58] *Minnesota Statutes* 2019, 126C.15, subd. 3. School site decision-making team is defined in *Minnesota Statutes* 2019, 123B.04, subd. 2; instruction and curriculum advisory committee is defined in *Minnesota Statutes* 2019, 120B.11.

[59] The fact that not every practice is applicable in all districts is a key reason why we recommend in Chapter 2 that the Legislature reconsider the statute requiring school districts to reserve a portion of their compensatory education revenue for extended-time activities.


THE GREAT SEAL OF THE STATE OF MINNESOTA
L'ETOILE DU NORD
1858

List of Recommendations

- The Minnesota Department of Education should evaluate additional methods for improving counts of students from low-income families. (p. 26)
- The Legislature should consider changes to mitigate the downsides of calculating compensatory education revenue based on counts of students from the prior year. (p. 30)
- The Minnesota Department of Education should monitor school district implementation of the department's new practices for reporting spending of compensatory education revenue. (p. 36)
- The Legislature should repeal the requirement that all school districts dedicate a portion of compensatory education revenue to extended-time activities. (p. 39)
- The Legislature should clarify the requirement for reallocating compensatory education revenue based on a school board-adopted plan. (p. 41)
- The Legislature should repeal the requirement that school districts report annually on whether compensatory education revenue increased student achievement. (p. 48)
- The Legislature should require school districts to report whether programs funded with significant amounts of compensatory education revenue are consistent with recognized best practices. (p. 63)
- The Minnesota Department of Education should identify future best practices for programs paid with compensatory education revenue. (p. 63)


THE GREAT SEAL OF THE STATE OF MINNESOTA
L'ETOILE DU NORD
1858

Data by School District

APPENDIX A

This appendix contains information relevant to compensatory education revenue for each school district in Fiscal Year 2018. Information by school district includes the following:

- School district name and number
- County of school district location
- Count of students qualifying for free or reduced-price lunch
- Students qualifying for free or reduced-price lunch as a percentage of the school district's student body
- Total amount of compensatory education revenue
- Amount of compensatory education revenue per student qualifying for free or reduced-price lunch
- Compensatory education revenue as a percentage of general education revenue

Note that the annual calculation of compensatory education revenue involves data from the prior year, and data in this appendix reflect this. The formula uses the prior year count of students who qualify for free or reduced-price lunch. This means that compensatory education revenue for Fiscal Year 2018, for instance, uses data on qualifying students from Fiscal Year 2017.

Exhibit A.1: Minnesota School Districts and Compensatory Education Revenue, Fiscal Year 2018

District Name	District Number	County	Students Qualifying for Free or Reduced-Price Lunch as of October 1, 2016[a]	October 1, 2016, Qualifying Students as Percentage of Fiscal Year 2018 Enrollment[b]	Fiscal Year 2018 Compensatory Education Revenue	Fiscal Year 2018 Compensatory Revenue per Oct. 1, 2016, Qualifying Student	Fiscal Year 2018 Compensatory Revenue as Percentage of General Education Revenue
Ada-Borup	2854	Norman	259	48.4%	$ 352,446	$1,361	6.3%
Adrian	511	Nobles	203	36.1	206,257	1,016	3.9
Aitkin	1	Aitkin	504	43.3	659,799	1,309	6.4
Albany	745	Stearns	366	21.5	222,411	608	1.5
Albert Lea	241	Freeborn	1,806	53.1	3,095,092	1,714	9.1
Alden-Conger	242	Freeborn	170	35.1	158,972	935	3.5
Alexandria	206	Douglas	1,177	29.3	1,023,317	869	2.9
Annandale	876	Wright	441	24.4	309,600	702	2.0
Anoka-Hennepin	11	Anoka	13,163	34.5	15,922,957	1,210	4.4
Ashby	261	Grant	107	39.6	132,816	1,241	5.1
Atwater-Cosmos-Grove City	2396	Meeker	346	42.8	460,335	1,330	5.7
Austin	492	Mower	2,715	57.0	5,125,519	1,888	10.7
Badger	676	Roseau	127	52.8	166,782	1,313	6.5
Bagley	162	Clearwater	516	50.1	834,230	1,617	8.9
Barnesville	146	Clay	142	17.2	68,360	481	0.9
Barnum	91	Carlton	242	31.8	213,693	883	3.3
Battle Lake	542	Otter Tail	146	32.6	125,541	860	3.2
Becker	726	Sherburne	499	17.7	244,235	489	1.0
Belgrade-Brooten-Elrosa	2364	Stearns	206	33.9	194,276	943	3.3
Belle Plaine	716	Scott	318	19.7	178,764	562	1.3
Bemidji	31	Beltrami	2,593	50.8	4,429,721	1,708	9.3
Benson	777	Swift	346	40.8	487,615	1,409	6.1
Bertha-Hewitt	786	Todd	256	57.1	420,859	1,644	8.8
Big Lake	727	Sherburne	697	23.0	427,706	614	1.6
Bird Island-Olivia-Lake Lillian	2534	Renville	317	46.8	388,979	1,227	6.1
Blackduck	32	Beltrami	363	59.5	645,089	1,777	10.3
Blooming Prairie	756	Steele	244	33.9	241,454	990	3.8
Bloomington	271	Hennepin	4,420	43.0	7,325,669	1,657	6.9

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Exhibit A.1: Minnesota School Districts and Compensatory Education Revenue, Fiscal Year 2018 (continued)

District Name	District Number	County	Students Qualifying for Free or Reduced-Price Lunch as of October 1, 2016[a]	October 1, 2016, Qualifying Students as Percentage of Fiscal Year 2018 Enrollment[b]	Fiscal Year 2018 Compensatory Education Revenue	Fiscal Year 2018 Compensatory Revenue per Oct. 1, 2016, Qualifying Student	Fiscal Year 2018 Compensatory Revenue as Percentage of General Education Revenue
Blue Earth Area	2860	Faribault	493	44.7%	$ 677,986	$1,375	6.8%
Braham	314	Isanti	301	41.8	346,294	1,150	5.4
Brainerd	181	Crow Wing	2,707	41.3	3,462,515	1,279	6.1
Brandon-Evansville	2908	Douglas	150	32.6	141,749	945	3.2
Breckenridge	846	Wilkin	257	38.8	334,740	1,302	5.4
Brooklyn Center	286	Hennepin	1,815	76.7	4,666,735	2,571	17.4
Browerville	787	Todd	222	49.6	316,661	1,426	6.1
Browns Valley	801	Traverse	108	75.0	269,269	2,493	16.0
Buffalo	877	Wright	1,346	23.6	989,725	735	2.1
Buffalo-Hanover-Montrose	2159	Renville	214	40.7	280,448	1,311	5.3
Burnsville-Eagan-Savage	191	Dakota	4,652	51.6	8,577,924	1,844	9.3
Butterfield-Odin	836	Watonwan	151	73.5	333,778	2,210	13.8
Byron	531	Olmsted	265	17.4	95,052	359	0.6
Caledonia Area	299	Houston	190	28.7	159,668	840	2.6
Cambridge-Isanti	911	Isanti	1,741	35.5	1,809,353	1,039	4.3
Campbell-Tintah	852	Wilkin	78	54.4	151,537	1,943	8.2
Canby	891	Yellow Medicine	186	34.8	173,629	933	3.0
Cannon Falls	252	Goodhue	280	25.0	186,841	667	1.8
Carlton	93	Carlton	170	36.8	187,803	1,105	4.2
Cass Lake-Bena	115	Cass	1,026	88.5	3,100,655	3,022	23.2
Cedar Mountain	2754	Redwood	222	47.4	262,743	1,184	6.0
Centennial	12	Anoka	1,172	17.9	834,497	712	1.5
Central	108	Carver	196	19.7	119,818	611	1.4
Chatfield	227	Olmsted	175	19.5	104,733	598	1.3
Chisago Lakes	2144	Chisago	716	21.4	473,493	661	1.6
Chisholm	695	Saint Louis	356	49.2	550,626	1,547	8.1
Chokio-Alberta	771	Stevens	51	32.2	47,285	927	2.4
Clearbrook-Gonvick	2311	Clearwater	210	49.7	312,435	1,488	7.1

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Exhibit A.1: Minnesota School Districts and Compensatory Education Revenue, Fiscal Year 2018 (continued)

District Name	District Number	County	Students Qualifying for Free or Reduced-Price Lunch as of October 1, 2016[a]	October 1, 2016, Qualifying Students as Percentage of Fiscal Year 2018 Enrollment[b]	Fiscal Year 2018 Compensatory Education Revenue	Fiscal Year 2018 Compensatory Revenue per Oct. 1, 2016, Qualifying Student	Fiscal Year 2018 Compensatory Revenue as Percentage of General Education Revenue
Cleveland	391	Le Sueur	140	28.4%	$ 122,492	$ 875	2.5%
Climax-Shelly	592	Polk	133	63.1	282,481	2,124	11.3
Clinton-Graceville-Beardsley	2888	Big Stone	144	41.5	202,567	1,407	5.5
Cloquet	94	Carlton	1,118	45.0	1,662,469	1,487	6.8
Columbia Heights	13	Anoka	2,611	82.1	7,288,708	2,792	19.5
Comfrey	81	Brown	73	48.5	77,026	1,055	4.9
Cook County	166	Cook	204	44.5	247,177	1,212	4.4
Cromwell-Wright	95	Carlton	137	39.9	150,788	1,101	4.4
Crookston	593	Polk	577	47.9	964,532	1,672	8.4
Crosby-Ironton	182	Crow Wing	480	46.1	715,322	1,490	7.7
Dassel-Cokato	466	Wright	654	29.0	511,632	782	2.7
Dawson-Boyd	378	Lac Qui Parle	208	38.4	203,743	980	3.9
Deer River	317	Itasca	648	71.1	1,505,102	2,323	16.3
Delano	879	Wright	252	10.1	72,158	286	0.3
Detroit Lakes	22	Becker	1,225	40.8	1,706,491	1,393	6.4
Dilworth-Glyndon-Felton	2164	Clay	477	29.3	463,919	973	3.4
Dover-Eyota	533	Olmsted	195	17.6	96,549	495	1.0
Duluth	709	Saint Louis	3,594	43.6	7,009,116	1,950	9.5
East Central	2580	Pine	396	56.0	716,766	1,810	9.7
East Grand Forks	595	Polk	643	34.6	750,679	1,167	4.6
Eastern Carver County	112	Carver	1,814	19.2	1,336,983	737	1.5
Eden Prairie	272	Hennepin	1,804	20.4	1,330,510	738	1.5
Eden Valley-Watkins	463	Meeker	311	32.7	257,715	829	3.2
Edgerton	581	Pipestone	187	47.7	233,323	1,248	5.7
Edina	273	Hennepin	738	8.7	277,613	376	0.4
Elk River	728	Sherburne	2,328	18.1	1,429,520	614	1.3
Ellsworth	514	Nobles	73	49.0	74,672	1,023	4.9
Ely	696	Saint Louis	181	31.4	157,796	872	2.9
Esko	99	Carlton	137	11.4	45,306	331	0.4
Eveleth-Gilbert	2154	Saint Louis	367	39.9	398,019	1,085	5.0

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Exhibit A.1: Minnesota School Districts and Compensatory Education Revenue, Fiscal Year 2018 (continued)

District Name	District Number	County	Students Qualifying for Free or Reduced-Price Lunch as of October 1, 2016[a]	October 1, 2016, Qualifying Students as Percentage of Fiscal Year 2018 Enrollment[b]	Fiscal Year 2018 Compensatory Education Revenue	Fiscal Year 2018 Compensatory Revenue per Oct. 1, 2016, Qualifying Student	Fiscal Year 2018 Compensatory Revenue as Percentage of General Education Revenue
Fairmont Area Schools	2752	Martin	814	48.4%	$1,308,098	$1,607	8.0%
Faribault	656	Rice	2,221	60.3	4,740,926	2,135	12.4
Farmington	192	Dakota	1,123	15.9	544,154	485	0.9
Fergus Falls	544	Otter Tail	963	34.8	1,074,400	1,116	4.3
Fertile-Beltrami	599	Polk	149	32.3	131,746	884	2.8
Fillmore Central	2198	Fillmore	212	33.9	196,469	927	3.3
Fisher	600	Polk	111	40.1	148,756	1,340	5.8
Floodwood	698	Saint Louis	101	45.3	123,669	1,224	4.8
Foley	51	Benton	575	30.2	474,884	826	3.0
Forest Lake	831	Washington	1,406	22.5	969,560	690	1.8
Fosston	601	Polk	265	40.7	369,295	1,394	5.8
Frazee-Vergas	23	Becker	413	47.0	545,919	1,322	6.6
Fridley	14	Anoka	2,037	66.6	4,311,454	2,117	14.4
Fulda	505	Murray	129	39.5	150,521	1,167	3.9
Gibbon-Fairfax-Winthrop	2365	Sibley	310	43.6	394,221	1,272	5.7
Glencoe-Silver Lake	2859	McLeod	572	36.5	589,139	1,030	4.2
Glenville-Emmons	2886	Freeborn	96	37.9	98,475	1,026	3.0
Goodhue	253	Goodhue	112	16.9	57,983	518	1.0
Goodridge	561	Pennington	107	49.9	121,957	1,140	4.4
Granada Huntley East Chain	2536	Martin	97	40.4	108,852	1,122	3.2
Grand Meadow	495	Mower	130	30.2	108,157	832	2.6
Grand Rapids	318	Itasca	1,633	40.7	2,295,523	1,406	6.3
Greenbush-Middle River	2683	Roseau	119	31.9	114,790	965	2.8
Greenway	316	Itasca	557	54.2	936,289	1,681	9.9
Grygla	447	Marshall	71	46.0	82,000	1,155	3.9
Hancock	768	Stevens	105	30.6	86,012	819	2.7
Hastings	200	Dakota	1,016	23.3	746,079	734	1.8
Hawley	150	Clay	163	16.6	76,758	471	1.0
Hayfield	203	Dodge	213	31.2	235,570	1,106	3.6
Hendricks	402	Lincoln	47	43.3	64,830	1,379	3.8

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Exhibit A.1: Minnesota School Districts and Compensatory Education Revenue, Fiscal Year 2018 (continued)

District Name	District Number	County	Students Qualifying for Free or Reduced-Price Lunch as of October 1, 2016[a]	October 1, 2016, Qualifying Students as Percentage of Fiscal Year 2018 Enrollment[b]	Fiscal Year 2018 Compensatory Education Revenue	Fiscal Year 2018 Compensatory Revenue per Oct. 1, 2016, Qualifying Student	Fiscal Year 2018 Compensatory Revenue as Percentage of General Education Revenue
Henning	545	Otter Tail	165	42.2%	$ 180,582	$1,094	4.6%
Herman-Norcross	264	Grant	43	38.2	47,285	1,100	2.9
Hermantown	700	Saint Louis	302	14.4	143,567	475	0.8
Heron Lake-Okabena	330	Jackson	120	39.4	134,474	1,121	4.2
Hibbing	701	Saint Louis	1,099	46.0	1,582,983	1,440	7.5
Hill City	2	Aitkin	163	60.9	306,605	1,881	9.8
Hills-Beaver Creek	671	Rock	106	28.9	97,405	919	2.6
Hinckley-Finlayson	2165	Pine	537	57.7	1,032,785	1,923	11.5
Holdingford	738	Stearns	293	27.4	199,090	679	2.2
Hopkins	270	Hennepin	2,479	37.0	3,458,770	1,395	4.9
Houston	294	Houston	656	33.1	721,045	1,099	4.2
Howard Lake-Waverly-Winsted	2687	Wright	323	27.8	252,366	781	2.5
Hutchinson	423	McLeod	813	28.3	793,150	976	3.2
International Falls	361	Koochiching	425	38.4	498,259	1,172	5.2
Inver Grove Heights	199	Dakota	1,504	42.2	2,119,060	1,409	6.4
Isle	473	Mille Lacs	241	54.2	397,538	1,650	8.7
Ivanhoe	403	Lincoln	24	29.4	24,284	1,012	1.6
Jackson County Central	2895	Jackson	445	38.5	507,995	1,142	4.8
Janesville-Waldorf-Pemberton	2835	Waseca	196	30.7	209,788	1,070	3.2
Jordan	717	Scott	388	21.7	252,740	651	1.7
Kasson-Mantorville	204	Dodge	340	16.3	175,447	516	1.0
Kelliher	36	Beltrami	204	79.4	487,294	2,389	14.4
Kenyon-Wanamingo	2172	Goodhue	278	33.9	277,774	999	3.9
Kerkhoven-Murdock-Sunburg	775	Swift	302	43.2	316,928	1,049	4.9
Kimball	739	Stearns	206	28.6	146,509	711	2.2
Kingsland	2137	Fillmore	184	32.5	177,854	967	3.4
Kittson Central	2171	Kittson	82	32.7	58,358	712	1.7
La Crescent-Hokah	300	Houston	228	20.1	133,885	587	1.4

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Exhibit A.1: Minnesota School Districts and Compensatory Education Revenue, Fiscal Year 2018 (continued)

District Name	District Number	County	Students Qualifying for Free or Reduced-Price Lunch as of October 1, 2016[a]	October 1, 2016, Qualifying Students as Percentage of Fiscal Year 2018 Enrollment[b]	Fiscal Year 2018 Compensatory Education Revenue	Fiscal Year 2018 Compensatory Revenue per Oct. 1, 2016, Qualifying Student	Fiscal Year 2018 Compensatory Revenue as Percentage of General Education Revenue
Lac Qui Parle Valley	2853	Lac Qui Parle	331	44.0%	$ 464,133	$1,402	6.0%
Lake Benton	404	Lincoln	48	34.5	49,585	1,033	2.2
Lake City	813	Wabasha	318	25.6	226,530	712	2.1
Lake Crystal-Wellcome Memorial	2071	Blue Earth	236	27.0	181,492	769	2.4
Lake of the Woods	390	Lake of the Woods	208	46.2	249,263	1,198	5.0
Lake Park Audubon	2889	Becker	199	28.8	164,000	824	2.6
Lake Superior	381	Lake	366	26.9	293,393	802	2.3
Lakeview	2167	Lyon	233	35.9	215,297	924	3.7
Lakeville	194	Dakota	1,523	14.0	786,036	516	0.8
Lancaster	356	Kittson	46	30.9	45,894	998	1.9
Lanesboro	229	Fillmore	125	35.7	111,313	891	3.8
Laporte	306	Hubbard	189	65.0	346,241	1,832	11.6
Le Sueur-Henderson	2397	Le Sueur	352	35.0	353,997	1,006	3.9
Leroy-Ostrander	499	Mower	100	36.5	100,615	1,006	3.5
Lester Prairie	424	McLeod	140	32.5	102,059	729	2.4
Lewiston-Altura	857	Winona	263	35.6	261,085	993	4.0
Litchfield	465	Meeker	627	41.0	744,955	1,188	5.6
Little Falls	482	Morrison	1,079	44.6	1,464,984	1,358	6.6
Littlefork-Big Falls	362	Koochiching	140	39.6	167,691	1,198	4.6
Long Prairie-Grey Eagle	2753	Todd	514	59.5	953,352	1,855	10.2
Luverne	2184	Rock	410	33.1	380,421	928	3.4
Lyle	497	Mower	179	66.7	327,359	1,829	11.8
Lynd	415	Lyon	108	68.5	223,909	2,073	10.7
Mabel-Canton	238	Fillmore	88	35.6	88,098	1,001	3.5
MACCRAY	2180	Chippewa	330	47.9	445,465	1,350	5.9
Madelia	837	Watonwan	283	52.8	463,330	1,637	7.7
Mahnomen	432	Mahnomen	537	89.2	1,578,222	2,939	21.8
Mahtomedi	832	Washington	276	8.6	70,393	255	0.2
Mankato	77	Blue Earth	3,145	37.0	3,944,994	1,254	5.3
Maple Lake	881	Wright	192	22.8	130,730	681	1.8

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Exhibit A.1: Minnesota School Districts and Compensatory Education Revenue, Fiscal Year 2018 (continued)

District Name	District Number	County	Students Qualifying for Free or Reduced-Price Lunch as of October 1, 2016[a]	October 1, 2016, Qualifying Students as Percentage of Fiscal Year 2018 Enrollment[b]	Fiscal Year 2018 Compensatory Education Revenue	Fiscal Year 2018 Compensatory Revenue per Oct. 1, 2016, Qualifying Student	Fiscal Year 2018 Compensatory Revenue as Percentage of General Education Revenue
Maple River	2135	Blue Earth	338	35.9%	$ 339,073	$1,003	4.0%
Marshall	413	Lyon	1,127	45.3	1,719,864	1,526	7.6
Marshall County Central	441	Marshall	162	42.4	152,714	943	3.4
Martin County West	2448	Martin	295	40.1	367,316	1,245	5.1
McGregor	4	Aitkin	248	53.9	458,409	1,848	9.6
Medford	763	Steele	288	32.6	304,251	1,056	4.0
Melrose	740	Stearns	584	43.2	776,675	1,330	6.4
Menahga	821	Wadena	527	81.8	751,909	1,427	8.3
Mesabi East	2711	Saint Louis	421	45.8	586,839	1,394	6.9
Milaca	912	Mille Lacs	840	46.6	1,108,206	1,319	7.0
Milroy	635	Redwood	14	55.0	13,907	993	2.0
Minneapolis	1	Hennepin	22,566	64.0	57,121,917	2,531	14.1
Minneota	414	Lyon	172	33.5	167,584	974	3.9
Minnetonka	276	Hennepin	695	6.7	145,707	210	0.1
Minnewaska	2149	Pope	371	30.7	366,353	987	3.5
Montevideo	129	Chippewa	622	44.7	833,856	1,341	6.0
Monticello	882	Wright	1,094	27.3	815,241	745	2.2
Moorhead	152	Clay	2,657	40.7	3,919,212	1,475	6.6
Moose Lake	97	Carlton	241	37.3	250,333	1,039	4.5
Mora	332	Kanabec	762	45.5	1,111,522	1,459	7.6
Morris Area Schools	2769	Stevens	275	27.5	176,410	641	2.0
Mounds View	621	Ramsey	3,625	32.2	4,642,825	1,281	4.3
Mountain Iron-Buhl	712	Saint Louis	217	45.9	287,241	1,324	6.5
MountainLake	173	Cottonwood	254	52.4	379,672	1,495	7.1
Murray County Central	2169	Murray	213	29.3	171,168	804	2.5
Nashwauk-Keewatin	319	Itasca	360	59.6	705,426	1,960	11.8
Nett Lake	707	Saint Louis	45	78.3	113,452	2,521	9.7
Nevis	308	Hubbard	313	51.4	502,806	1,606	9.0
New London-Spicer	345	Kandiyohi	399	26.9	317,356	795	2.5
New Prague	721	Scott	592	14.5	287,027	485	0.8

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Exhibit A.1: Minnesota School Districts and Compensatory Education Revenue, Fiscal Year 2018 (continued)

District Name	District Number	County	Students Qualifying for Free or Reduced-Price Lunch as of October 1, 2016[a]	October 1, 2016, Qualifying Students as Percentage of Fiscal Year 2018 Enrollment[b]	Fiscal Year 2018 Compensatory Education Revenue	Fiscal Year 2018 Compensatory Revenue per Oct. 1, 2016, Qualifying Student	Fiscal Year 2018 Compensatory Revenue as Percentage of General Education Revenue
New Ulm	88	Brown	584	40.2%	$ 513,237	$ 879	2.6%
New York Mills	553	Otter Tail	285	38.9	315,377	1,107	4.8
Nicollet	507	Nicollet	80	21.4	37,924	474	1.0
Norman County East	2215	Norman	143	51.5	214,923	1,503	6.5
Norman County West	2527	Norman	133	51.5	211,499	1,590	8.8
North Branch	138	Chisago	838	28.4	664,025	792	2.7
North St. Paul-Maplewood-Oakdale	622	Ramsey	5,768	56.6	10,900,139	1,890	10.0
Northfield	659	Rice	1,089	27.4	1,030,806	947	2.6
Northland Community	118	Cass	242	72.4	571,969	2,364	14.0
NRHEG	2168	Waseca	336	36.9	343,192	1,021	4.5
Ogilvie	333	Kanabec	229	47.4	358,330	1,565	7.9
Onamia	480	Mille Lacs	504	80.0	1,234,335	2,449	18.7
Orono	278	Hennepin	196	7.0	40,973	209	0.1
Ortonville	2903	Big Stone	201	43.8	233,698	1,163	4.9
Osakis	213	Douglas	279	34.3	237,014	850	3.6
Osseo	279	Hennepin	9,040	44.2	16,958,523	1,876	7.8
Owatonna	761	Steele	2,085	42.8	3,107,234	1,490	6.9
Park Rapids	309	Hubbard	807	51.6	1,355,383	1,680	9.1
Parkers Prairie	547	Otter Tail	186	33.2	142,069	764	2.7
Paynesville	741	Stearns	314	33.4	296,014	943	3.7
Pelican Rapids	548	Otter Tail	481	55.1	802,190	1,668	9.7
Pequot Lakes	186	Crow Wing	469	28.2	333,136	710	2.4
Perham-Dent	549	Otter Tail	521	36.6	592,509	1,137	4.6
Pierz	484	Morrison	469	40.0	520,886	1,111	5.2
Pillager	116	Cass	453	43.3	550,466	1,215	5.8
Pine City	578	Pine	661	40.4	904,730	1,369	6.2
Pine Island	255	Goodhue	212	16.9	108,157	510	1.0
Pine Point	25	Becker	52	89.7	166,889	3,209	20.5
Pine River-Backus	2174	Cass	499	54.4	821,018	1,645	9.7
Pipestone Area	2689	Pipestone	540	48.4	771,647	1,429	7.1

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Exhibit A.1: Minnesota School Districts and Compensatory Education Revenue, Fiscal Year 2018 (continued)

District Name	District Number	County	Students Qualifying for Free or Reduced-Price Lunch as of October 1, 2016[a]	October 1, 2016, Qualifying Students as Percentage of Fiscal Year 2018 Enrollment[b]	Fiscal Year 2018 Compensatory Education Revenue	Fiscal Year 2018 Compensatory Revenue per Oct. 1, 2016, Qualifying Student	Fiscal Year 2018 Compensatory Revenue as Percentage of General Education Revenue
Plainview-Elgin-Millville	2899	Wabasha	369	25.4%	$ 332,387	$ 901	2.7%
Princeton	477	Mille Lacs	1,078	34.8	994,754	923	3.5
Prior Lake-Savage Area	719	Scott	1,080	12.9	509,278	472	0.7
Proctor	704	Saint Louis	575	31.6	542,014	943	3.6
Randolph	195	Dakota	125	19.1	62,851	503	1.2
Red Lake	38	Beltrami	545	50.3	4,094,018	1,467	22.0
Red Lake County Central	2906	Red Lake	1,316	90.1	231,451	3,111	5.5
Red Lake Falls	630	Red Lake	193	50.6	126,022	1,199	3.1
Red Rock Central	2884	Cottonwood	129	36.3	246,428	977	5.4
Red Wing	256	Goodhue	192	46.7	867,447	1,283	3.5
Redwood Area	2897	Redwood	836	32.3	799,248	1,038	7.7
Renville County West	2890	Renville	267	52.9	417,222	1,563	6.9
Richfield	280	Hennepin	2,810	66.0	6,247,525	2,223	13.7
Robbinsdale	281	Hennepin	6,650	54.5	13,416,415	2,018	10.3
Rochester	535	Olmsted	6,408	37.5	9,368,827	1,462	5.7
Rockford	883	Wright	446	26.8	371,756	834	2.6
Rocori	750	Stearns	526	25.7	409,145	778	2.3
Roseau	682	Roseau	343	29.8	265,845	775	2.6
Rosemount-Apple Valley-Eagan	196	Dakota	6,726	24.2	6,125,568	911	2.4
Roseville	623	Ramsey	3,551	47.3	6,048,382	1,703	7.9
Rothsay	850	Wilkin	127	43.6	164,749	1,297	6.0
Round Lake-Brewster	2907	Nobles	163	73.7	353,943	2,171	10.2
Royalton	485	Morrison	247	27.1	168,119	681	2.2
Rush City	139	Chisago	317	36.8	321,528	1,014	4.3
Rushford-Peterson	239	Fillmore	238	36.3	198,608	834	3.3
Russell-Tyler-Ruthton	2902	Lincoln	166	29.6	129,553	780	2.3
Sartell-St. Joseph	748	Stearns	558	14.5	215,886	387	0.7
Sauk Centre	743	Stearns	387	37.5	433,322	1,120	4.3
Sauk Rapids-Rice	47	Benton	1,466	33.6	1,489,643	1,016	3.9
Sebeka	820	Wadena	240	47.7	348,327	1,451	7.1

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Exhibit A.1: Minnesota School Districts and Compensatory Education Revenue, Fiscal Year 2018 (continued)

District Name	District Number	County	Students Qualifying for Free or Reduced-Price Lunch as of October 1, 2016[a]	October 1, 2016, Qualifying Students as Percentage of Fiscal Year 2018 Enrollment[b]	Fiscal Year 2018 Compensatory Education Revenue	Fiscal Year 2018 Compensatory Revenue per Oct. 1, 2016, Qualifying Student	Fiscal Year 2018 Compensatory Revenue as Percentage of General Education Revenue
Shakopee	720	Scott	2,914	35.8%	$3,182,976	$1,092	4.5%
Sibley East	2310	Sibley	485	42.4	620,110	1,279	5.9
Sleepy Eye	84	Brown	269	49.5	397,324	1,477	7.2
South Koochiching	363	Koochiching	144	52.9	242,631	1,685	6.4
South St. Paul	6	Dakota	1,789	51.5	2,886,909	1,614	8.9
South Washington County	833	Washington	3,826	21.7	3,335,315	872	1.9
Southland	500	Mower	119	27.5	97,191	817	2.2
Spring Grove	297	Houston	93	26.8	72,639	781	2.1
Spring Lake Park	16	Anoka	2,304	41.2	3,231,117	1,402	6.3
Springfield	85	Brown	212	37.5	224,284	1,058	4.5
St. Anthony-New Brighton	282	Hennepin	412	22.8	268,948	653	1.6
St. Charles	858	Winona	268	27.8	217,972	813	2.7
St. Clair	75	Blue Earth	126	19.0	73,067	580	1.3
St. Cloud	742	Stearns	5,907	61.2	13,547,305	2,293	13.9
St. Francis	15	Anoka	1,241	28.0	1,023,585	825	2.7
St. James	840	Watonwan	571	57.1	968,864	1,697	9.6
St. Louis County	2142	Saint Louis	986	51.8	1,558,271	1,580	7.2
St. Louis Park	283	Hennepin	1,683	36.4	2,126,067	1,263	4.4
St. Michael-Albertville	885	Wright	735	11.9	239,528	326	0.5
St. Paul	625	Ramsey	25,993	71.9	68,159,686	2,622	17.1
St. Peter	508	Nicollet	874	41.6	1,177,636	1,347	5.9
Staples-Motley	2170	Todd	620	55.3	938,322	1,513	8.9
Stephen-Argyle Central	2856	Marshall	102	35.1	87,563	858	2.5
Stewartville	534	Olmsted	429	21.0	275,099	641	1.6
Stillwater	834	Washington	1,305	15.9	718,841	551	0.9
Swanville	486	Morrison	113	38.1	104,092	921	3.6
Thief River Falls	564	Pennington	708	35.1	697,617	985	4.0
Tracy	2904	Lyon	367	50.3	537,949	1,466	7.7
Tri-City United	2905	Le Sueur	674	36.0	706,442	1,048	4.4
Tri-County	2358	Kittson	104	55.2	159,935	1,538	5.4

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Exhibit A.1: Minnesota School Districts and Compensatory Education Revenue, Fiscal Year 2018 (continued)

District Name	District Number	County	Students Qualifying for Free or Reduced-Price Lunch as of October 1, 2016[a]	October 1, 2016, Qualifying Students as Percentage of Fiscal Year 2018 Enrollment[b]	Fiscal Year 2018 Compensatory Education Revenue	Fiscal Year 2018 Compensatory Revenue per Oct. 1, 2016, Qualifying Student	Fiscal Year 2018 Compensatory Revenue as Percentage of General Education Revenue
Triton	2125	Dodge	438	38.9%	$ 542,496	$1,239	5.5%
Truman	458	Martin	105	51.7	170,526	1,624	6.9
Ulen-Hitterdal	914	Clay	96	32.0	94,838	988	2.9
Underwood	550	Otter Tail	244	43.0	295,425	1,211	6.2
United South Central	2134	Faribault	336	49.2	491,841	1,464	6.9
Upsala	487	Morrison	124	34.9	101,738	820	3.0
Verndale	818	Wadena	289	54.0	438,083	1,516	8.8
Virginia	706	Saint Louis	680	40.7	835,621	1,229	5.6
Wabasha-Kellogg	811	Wabasha	172	31.7	185,343	1,078	3.6
Wabasso	640	Redwood	110	29.3	85,637	779	2.3
Waconia	110	Carver	443	13.1	138,325	312	0.4
Wadena-Deer Creek	2155	Wadena	489	50.2	732,653	1,498	7.6
Walker-Hackensack-Akeley	113	Cass	375	51.4	687,026	1,832	9.4
Warren-Alvarado-Oslo	2176	Marshall	202	45.0	223,267	1,105	4.1
Warroad	690	Roseau	404	40.8	496,013	1,228	5.6
Waseca	829	Waseca	657	34.6	741,318	1,128	4.4
Watertown-Mayer	111	Carver	348	22.1	192,724	554	1.5
Waterville-Elysian-Morristown	2143	Le Sueur	237	30.9	220,058	929	3.0
Waubun-Ogema-White Earth	435	Mahnomen	418	67.4	941,852	2,253	13.3
Wayzata	284	Hennepin	1,482	14.2	894,406	604	0.8
West Central Area	2342	Grant	238	33.4	228,402	960	2.8
West St. Paul-Mendota Heights-Eagan	197	Dakota	1,915	39.0	2,636,736	1,377	5.3
Westbrook-Walnut Grove	2898	Cottonwood	222	56.8	359,025	1,617	8.4
Westonka	277	Hennepin	395	17.3	195,613	495	0.9
Wheaton	803	Traverse	169	42.3	222,037	1,314	5.2
White Bear Lake	624	Ramsey	2,359	28.5	2,450,644	1,039	3.0
Willmar	347	Kandiyohi	2,624	63.2	5,723,965	2,181	13.8
Willow River	577	Pine	183	41.6	239,528	1,309	5.8

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Exhibit A.1: Minnesota School Districts and Compensatory Education Revenue, Fiscal Year 2018 (continued)

District Name	District Number	County	Students Qualifying for Free or Reduced-Price Lunch as of October 1, 2016[a]	October 1, 2016, Qualifying Students as Percentage of Fiscal Year 2018 Enrollment[b]	Fiscal Year 2018 Compensatory Education Revenue	Fiscal Year 2018 Compensatory Revenue per Oct. 1, 2016, Qualifying Student	Fiscal Year 2018 Compensatory Revenue as Percentage of General Education Revenue
Windom	177	Cottonwood	474	45.2%	$ 642,094	$1,355	6.3%
Win-E-Mac	2609	Polk	188	44.6	239,849	1,276	5.4
Winona	861	Winona	1,237	41.3	1,618,554	1,308	5.3
Worthington	518	Nobles	2,238	67.7	5,108,669	2,283	14.0
Wrenshall	100	Carlton	151	44.4	205,188	1,359	5.8
Yellow Medicine East	2190	Yellow Medicine	312	42.4	405,989	1,301	5.5
Zumbrota-Mazeppa	2805	Wabasha	274	23.2	183,150	668	1.7

NOTE: Fiscal Year 2018 represents the 2017-2018 school year.

[a] We include the number of students qualifying for free or reduced-price lunch that would be used to calculate compensatory education revenue in Fiscal Year 2018. The compensatory revenue formula uses the count of qualifying students from the prior year, which is why we report these students as of the date October 1, 2016 (Fiscal Year 2017), when they were counted.

[b] For data on student enrollment, we used "average daily membership served," which is the sum for all students of the number of days a student is enrolled divided by the number of days a school is in session.

SOURCE: Office of the Legislative Auditor, analysis of Minnesota Department of Education data.


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DEPARTMENT OF EDUCATION

February 28, 2020

Jim Nobles, Legislative Auditor
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

Thank you for your work on behalf of the students and schools of the State of Minnesota and the opportunity to provide an update on the recommendations from the Office of the Legislative Auditor's (OLA) program evaluation of Minnesota's Compensatory Education Revenue. We appreciate the diligent and professional work of your staff on this important issue.

Last summer, the Minnesota Department of Education (MDE) established a working group consisting of several members of our Advisory Committee on Financial Management and representatives of MASA, MASE and MASBO to review the reporting of expenditure data for Safe Schools and Basic Skills (including compensatory education). We had excellent participation from the working group, led by local school accounting / business management professionals, and supported by our financial management staff. MDE's Advisory Committee on Financial Management unanimously approved the recommendations of the working group. MDE management has approved the Advisory Committee recommendations for changes in UFARS reporting, and we are working to implement the changes for fiscal year (FY) 2021 and later. Changes include adding new program codes in UFARS to enable more detailed expenditure reporting options and guidelines detailing which object codes can be used for each program. Taken together, these changes will enable MDE to take a huge step forward in making the reporting of safe schools and basic skills expenditures more transparent and useful for state and local policymakers.

In the report, the OLA recommends that the MDE should monitor school district implementation of the department's new practices for reporting spending of compensatory education revenue. MDE agrees with this recommendation and will work with the Advisory Committee on Financial Management on next steps. The reporting changes will be implemented for school year 2020-21, therefore, final UFARS data will be reported to MDE by November 30, 2021. In January 2022, MDE will reconvene the working group to review the FY 2021 reporting, assess the results, and make recommendations for any further changes needed in UFARS coding or MDE guidance and training to ensure complete and accurate reporting. MDE will review the Advisory Committee recommendations and implement any needed changes for FY 2023 by April 30, 2022.

Responsibility: Mary Weigel, Financial Management Supervisor

Recommendation: The Legislature should repeal the statute requiring school districts to report on whether compensatory revenue raised student achievement.

MDE Response: MDE agrees with this recommendation. As noted in the OLA report, reports on revenue's impact would have to isolate the effects of compensatory education revenue, which is difficult because school districts tend to use the revenue from multiple funding streams to address student needs.

Recommendation: The Legislature should require school districts to report whether programs paid with significant amounts of compensatory revenue are consistent with best practices, and MDE should identify future best practices.

MDE Response: MDE agrees with this recommendation. MDE has been collaborating with Minnesota Management and Budget (MMB) on a Results First initiative (see link below) to identify evidence-based best practices impacting student achievement in school districts throughout Minnesota. Minnesota is a leader in evidence-based policymaking. The Results First Initiative is one way the state uses rigorous research, local expertise, and data to give policymakers valuable information when making decisions. Because of this partnership, MDE is developing a repository of evidence-based practices for statewide consumption that will provide guidance on practices that support student achievement.

- https://mn.gov/mmb/results-first/

Recommendation: The Legislature should consider changing the calculation of compensatory revenue to lessen the downsides of using prior-year counts of qualifying students. MDE should evaluate additional methods for obtaining counts of these students.

MDE Response: MDE generally agrees with this recommendation. However, any changes in the calculation of compensatory revenue should continue to provide school districts and charter schools with timely information to ensure stability and predictability in their budget and staffing planning.

MDE will look into other potential methods of obtaining student counts. One option might be a forum for districts to share methods that have proven to be successful with increasing families' form completion and return rate. Another option might be for schools to update the reporting form to make it clear that the information can be viewed by very few school staff, it is private data and must be treated as such by school staff, and shared with MDE only for purposes of generating federal and state funding for the school.

Responsibility: Terri Yetter, School Finance Director

Recommendation: The Legislature should repeal the statute requiring school districts to reserve a share of compensatory revenue solely for extended-time programs.

MDE Response: MDE agrees with this recommendation. As noted in the OLA report, while extended-time programs can be useful, they are not the appropriate answer in all cases. School officials agree with the value of extended-time programs but this restriction is difficult to implement in some cases.

Forthcoming OLA Evaluations

Department of Human Services: Oversight of Personal Care Assistance
Pesticide Regulation
Public Utilities Commission's Public Engagement Processes

Recent OLA Evaluations

Agriculture
Agricultural Utilization Research Institute (AURI), May 2016
Agricultural Commodity Councils, March 2014
"Green Acres" and Agricultural Land Preservation Programs, February 2008

Criminal Justice
Safety in State Correctional Facilities, February 2020
Guardian ad Litem Program, March 2018
Mental Health Services in County Jails, March 2016
Health Services in State Correctional Facilities, February 2014
Law Enforcement's Use of State Databases, February 2013

Economic Development
Minnesota Investment Fund, February 2018
Minnesota Research Tax Credit, February 2017
Iron Range Resources and Rehabilitation Board (IRRRB), March 2016

Education, K-12 and Preschool
Compensatory Education Revenue, March 2020
Debt Service Equalization for School Facilities, March 2019
Early Childhood Programs, April 2018
Minnesota State High School League, April 2017
Standardized Student Testing, March 2017
Perpich Center for Arts Education, January 2017
Minnesota Teacher Licensure, March 2016

Education, Postsecondary
Preventive Maintenance for University of Minnesota Buildings, June 2012
MnSCU System Office, February 2010
MnSCU Occupational Programs, March 2009

Energy
Renewable Energy Development Fund, October 2010
Biofuel Policies and Programs, April 2009
Energy Conservation Improvement Program, January 2005

Environment and Natural Resources
Public Facilities Authority: Wastewater Infrastructure Programs, January 2019
Clean Water Fund Outcomes, March 2017
Department of Natural Resources: Deer Population Management, May 2016
Recycling and Waste Reduction, February 2015

Government Operations
Office of Minnesota Information Technology Services (MNIT), February 2019
Mineral Taxation, April 2015
Councils on Asian-Pacific Minnesotans, Black Minnesotans, Chicano/Latino People, and Indian Affairs, March 2014
Helping Communities Recover from Natural Disasters, March 2012

Health
Office of Health Facility Complaints, March 2018
Minnesota Department of Health Oversight of HMO Complaint Resolution, February 2016
Minnesota Board of Nursing: Complaint Resolution Process, March 2015
Minnesota Health Insurance Exchange (MNsure), February 2015

Human Services
Home- and Community-Based Services: Financial Oversight, February 2017
Managed Care Organizations' Administrative Expenses, March 2015
Medical Assistance Payment Rates for Dental Services, March 2013
State-Operated Human Services, February 2013
Child Protection Screening, February 2012
Civil Commitment of Sex Offenders, March 2011

Housing and Local Government
Economic Development and Housing Challenge Program, February 2019
Consolidation of Local Governments, April 2012

Jobs, Training, and Labor
State Protections for Meatpacking Workers, 2015
State Employee Union Fair Share Fee Calculations, July 2013
Workforce Programs, February 2010
E-Verify, June 2009

Miscellaneous
Minnesota Department of Human Rights: Complaint Resolution Process, February 2020
Minnesota State Arts Board Grant Administration, February 2019
Board of Animal Health's Oversight of Deer and Elk Farms, April 2018
Voter Registration, March 2018
Minnesota Film and TV Board, April 2015
The Legacy Amendment, November 2011

Transportation
MnDOT Measures of Financial Effectiveness, March 2019
MnDOT Highway Project Selection, March 2016
MnDOT Selection of Pavement Surface for Road Preservation, March 2014
MnDOT Noise Barriers, October 2013
Governance of Transit in the Twin Cities Region, January 2011

OLA reports are available at www.auditor.leg.state.mn.us or by calling 651-296-4708.

Recommendation: The Legislature should clarify the requirement for a school board-adopted plan when school districts reallocate compensatory revenue.

MDE Response: MDE agrees with this recommendation.

MDE appreciates the OLA's program evaluation of Minnesota's Compensatory Revenue Program. If you have further questions, please contact Denise Anderson, Chief Financial Officer, at (651) 582-8560.

Sincerely,

Mary Cathryn Ricker, NBCT
Commissioner

Cc: Heather Mueller, Deputy Commissioner
Denise Anderson, Chief Financial Officer
Terri Yetter, School Finance Director


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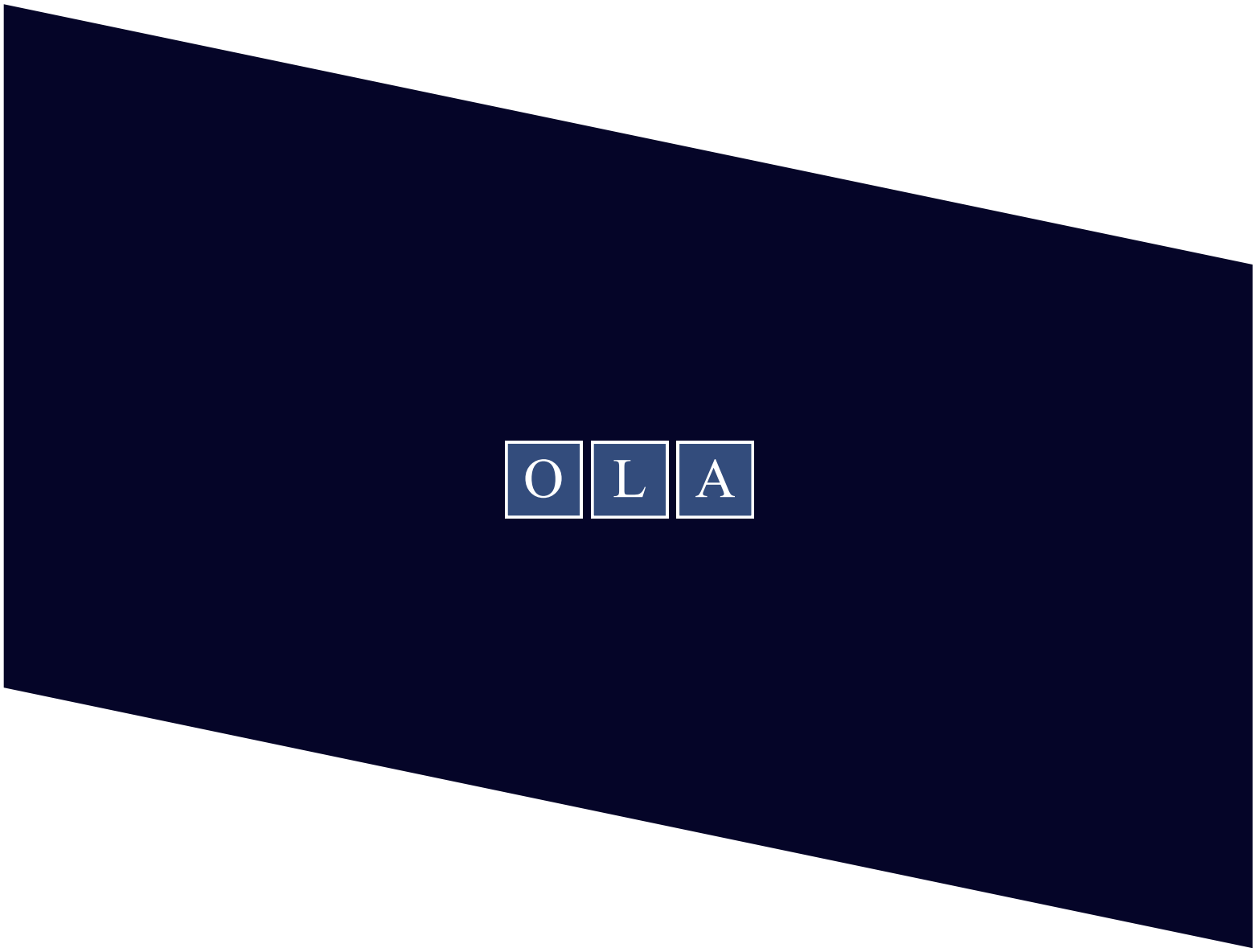

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