



Board of Education Meeting
Wednesday, April 1, 2026

Agenda Item IV-A: 2026-27 Compensatory Revenue Plan
Presented by: Amy Skaalerud, Executive Director of Finance and Business Services

Background:

In accordance with *Minnesota Statutes 126C.15*, the district may allocate up to 20% of the amount of compensatory revenue that the District receives to school sites based on a plan approved by the School Board. The District is proposing allocating 20% of the compensatory revenue that it receives (excluding compensatory revenue allocated to special education facilities) as shown below.

| | |
|--|----------------|
| 2026-2027 Building Compensatory Allocation: | \$ 24,270,598 |
| Less Hold Harmless Reserve | \$ (2,000,000) |
| Adjusted 2026-2027 Building Compensatory Allocation: | \$ 22,270,598 |
| 20% Holdback | \$ 4,454,120 |

There is currently uncertainty around the calculation for compensatory revenue for 2026-27. The current formula would result in an increase of approximately \$4 million for the district, however many districts see large decreases in revenue under the current formula. Bills have been introduced during the legislative session for a hold harmless calculation and since a hold harmless calculation was approved last legislative session it is likely that one will be approved again which would likely result in a significant decrease in revenue for our district.

To be conservative, we have reduced the amount that will be initially allocated to staffing and included in the budget by \$2 million. If we receive less compensatory revenue than what has been allocated above, we will spend the basic skills fund balance which has a current balance of \$1,699,204. This is slightly less than the amount of increased spending, however we anticipate some increase in revenue even with a hold harmless calculation due to increased enrollment.

The 20% holdback shown above after the \$2 million reduction will fund 43 FTEs. The 2026-27 compensatory revenue plan includes the same funding priorities as the 2025-26 plan. Attached is a list of the positions funded through the 20% compensatory holdback.

Administration Recommendation:

The Administration recommends that the Board of Education approve the 2026-2027 Compensatory Revenue Plan.