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SCHOOL BUSINESS BULLETIN

Bulletin No. 28

April 2004

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TO: Superintendent of Schools, Chief School Business Officials, Other Interested Persons

1. Farewell to Yvonne

After 20 years at Minnesota Department of Education (MDE), Yvonne Wilkes retired to sunny Florida and all parts warm. She will be deeply missed.

2. Welcome John

John Ryberg is the newest addition to the MDE financial management section, replacing Bob Buresh. John was the facilities director with the University of Wisconsin--Superior campus and previous to that with Menomonie Public School District. John brings a wealth of hands-on facilities experience in construction and maintenance leadership. John is the lead for Review and Comments under M.S. 123B.71 and Charter School lease aid agreements.

3. Title I Reductions

Commissioner Yecke recently penned a letter to members of the U.S. Congress asking for a review of the methods used to calculate Title I funds. She wrote:

“... the U.S. Department of Education is using the most recent estimates of child poverty for the distribution of Title I, Part A funds under the *No Child Left Behind Act* in Federal Fiscal Year 2004. Despite the increase in funding at the national level, Minnesota’s districts are experiencing decreases of at least \$12 million in the aggregate for Title I, Part A alone compared to the current school year. ... only 13 of Minnesota’s 343 traditional school districts are projected to receive increases, and the largest net increase is \$21,071. On the other hand, 21 districts are losing at least \$100,000 each; the state’s three largest districts are losing almost \$3.7 million combined.”

4. New Findings on Student Activity Accounts

Minnesota public schools are supported primarily by state and local taxes, with some programs completely or partially financed by federal funds. Individual schools may also generate revenues from athletic and academic events, concessions, donations, and other school activities. "During 1987-1988, districts spent nearly \$29 million and maintained balances of more than \$6 million in student activity funds, only some of which was reported to the Department of Education." (*Legislative Auditor's Report of 1990, State of Minnesota*, p.73) It was estimated that those same funds could exceed \$60 million dollars today. In fact, it was triple the estimate. See **Table One** below for UFARS-based data over time. Caution should be used in the review of this data since several districts move student activity funds into the general fund each year (and under UFARS reporting). Therefore, an increase of \$10 million in expenditures from FY2002 to FY2003 could be a function of movement of funds as contrasted with increased spending. Calculations for the last column, Separate Student Activity Funds, were begun in FY2003 to clarify the spending increase issue.

Table One: Student Activity Expenditures Over Time

	298 Extra-Curr. Activities	291 Co-Curr. Activities	292 Boys/Girls Athletics	294 Boy Athletics	296 Girls Athletics	Total UFARS Reported	Separate Student Activity Funds
FY 1999	15,513,279	21,735,282	35,525,696	39,863,413	31,413,783	144,051,453	not calculated
FY 2000	16,588,868	24,250,754	37,549,405	42,656,903	33,734,993	154,780,923	not calculated
FY 2001	17,630,112	25,347,844	40,740,327	43,166,669	34,721,095	161,606,047	not calculated
FY 2002	23,137,147	24,698,841	41,576,65	4,277,310	35,803,335	169,492,284	not calculated
FY 2003	28,754,021	23,447,062	43,408,172	45,966,604	37,502,585	179,078,444	26,905,617

Above each category is the UFARS program code used to segregate data reported by schools.

In FY03, Debrah Firkus analyzed the student activity audits and found that of the 476 audits reported as of March 2004, 290 units reported having separate activity accounts, with 70 units reporting that the board controlled the accounts. There were 116 reporting units without student activities.

5. School Finance Awards

This past year several characteristics of a school organization that exhibits fiscal health and sound fiscal management and accountability were applied as a basis for issuing the School Finance Award for Fiscal Year 2004. The criteria that were applied to all 504 reporting units including regular and common school districts, charter schools and cooperative units were:

1. The unit exhibited public accountability by performing its duties in compliance with Minnesota Statutes.
2. The unit demonstrated fiscal health in budgeting, accounting and reporting.
3. Members of the unit, including board members, participated in required and optional training programs on financial matters.

Staff at the Minnesota Department of Education reviewed local publications, audit reports, and thousands of pieces of fiscal data from the reporting units in an attempt to determine the award winners. The awards went to 6% or 32 units of the total 504 reporting units. They were:

Centennial #12	Detroit Lakes #22	Frazee #23	Kelliher #36
Mankato #77	New Ulm #88	Esko #99	Alexandria #206
Eden Prairie #272	Edina #273	Spring Grove #297	Mora #332
Willmar #347	South Koochiching #363	Marshall #413	Waubun #435
Marshall County #441	Worthington #518	Byron #531	Stewartville #534
Jordan #717	Rocori #750	Plainview #810	Menahga #821
Delano #879	Intermediate District #917	PineRiver-Backus#2174	Luverne#2184
West Central Area #2342	Fairmont Area #2752	E.C.H.O. Charter #4026	Rochester Off-Campus Charter #4056

6. Experts recommend “all-hazard” safety approach at schools

School and educational building managers are challenged to keep buildings safe from fire and other dangers, while keeping facilities closed to intruders. Experts recommend an "all-hazard" approach to avoid conflicts between security measures and fire-safety measures. Check out the full article at the web address: Buildings.com/Buildings

7. Construction and renovation of K-12 schools at record level

Despite the recent economic downturn, school construction and renovations are booming, particularly in populous states with rising enrollments. Although enrollments nationally are expected to grow slightly in future years, experts disagree whether the building boom will continue. Education Week (free registration) (3/17)

8. Health and Safety (H & S) Issues

- Minnesota Occupational Safety and Health Agency (OSHA) has begun a program of random school inspections. The H&S Management Assistance professionals have been tracking these activities and are sharing that information with districts throughout the state. Fines have been in the \$8,000--\$10,000 range, which are not claimable under H&S.
- Mechanical ventilation vendors have been advised that, if they want district projects to get onto the 2004 Pay 2005 funding schedule, paperwork (mostly for Alternative Facilities M.S. §123B.59 Subd. 1(b)) should be completed and submitted before June 1, 2004. This allows MDE 30 days to review and approve the submissions.
- Each of the nine Service Cooperatives (SC) has a schedule for training on the to-be-published 2004 H&S letter. Most training is scheduled for early June 2004. Contact the SC serving the district for the proper date.
- In addition to the June 2004 H&S letter schedule, MDE and SC's are presenting a 2 hour training series titled “HEALTH AND SAFETY BOOT CAMP.” It is strictly a “back to basics” training session for superintendents and business managers only.
- In February 2004, MDE decided that it is not possible to fund the Activity 22 requirement of measuring all mechanical ventilation rates of all occupied spaces by July 1, 2006. Therefore, this requirement was eliminated as a condition of receiving H&S funding. Page 51 of the 2003 H&S letter (near bottom) contains some details.
- Minnesota OSHA expressed an interest in working with the MDE Machine Guarding Best Practices program. Plans exist for exploratory talks with Minnesota OSHA in order to determine if that agency is interested in providing the technical leadership for this program.
- The Minnesota Department of Health (MDE) Indoor Air Quality unit has agreed to provide three trainings for MDH/MDE Indoor Air Quality program person in each district. The programs will be held at the Staples Service Cooperative on May 12th, Mankato Government Center on May 26th, and the Saint Paul Snelling Office Park site on May 21st. Contact Dan Tranter of MDH at 651/215-0888 for additional information or to register.
- If H&S project costs exceed \$500,000 and use H&S criteria but are funded under the Alternative Facilities program (M.S. §123B.57 Subd. 1(b)), there must be a school board approved five-year plan and public notification. However, the program allows for either levy or bonding. The bonding does not have to go to voters for approval.

9. Unfunded Reserve Balances

Each year units are asked to remove remaining funds from reserve balances that are no longer funded. These reserves are inactive with respect to receiving new funds. The fund cannot go negative. The fund balances cannot go up (receive new revenue). These funds include:

Name of Fund	Number	State Total Balance FY2003
Deferred Maintenance Reserve	409	1,385,006
Bus Purchase Reserve	412	6,138,368
Parent Involvement	429	19,139
Bus Safety Reserve	433	194,234
Grad Standards Staff Development	437	73,867
Grad Stand.-Gifted Staff Develop	438	35,984
Grad Standards Reserve	439	1,114,397

10. Credit Enhancement Growing

Fiscal Year 2004 opened the fourth quarter with strong activity and continues to show strong participation by school districts. With a quarter to go in the year, the short-term borrowing already surpassed FY 2003 and long-term issues are nearly matching the activity of the past year. For the 3 quarters of FY2003, the fiscal year has exactly the same number of issues (263) in the program as the total of FY2002.

Credit Enhancement Program – Progress Report – FY 2004

	FY04 ¹	FY03	FY02	FY01	FY00	FY99	FY98	FY97	FY96
G.O. Bonds	27	26	51	51	36	41	53	61	53
G.O. Refunding	65	72	37	28	2	63	55	13	23
Aid Anticipation	160	151	124	79	63	55	51	59	80
Tax Anticipation	4	6	5	54	65	57	44	48	60
Capital Equipment	7	7	3	3	3	5	2	13	7
Cert. Of Participation	0	1	2	3	4	2	0	0	0
Number of Issues	263	263	222	218	173	223	205	194	223
Total Amount	1,325,731,439	1,539,092,419	1,414,839,492	1,363,280,712	846,238,000	1,049,395,000	1,016,432,856	760,682,000	966,101,621
Net Change in Program (from prior year)	-14%	9%	4%	61%	-19%	3%	34%	-21%	
Savings with Program	12,078,406	41,291,945	36,064,524	34,526,604	12,364,768	16,278,778	14,898,715	12,573,431	15,723,796

¹Year to date numbers only. Tabulations from 1996 to 2003 are closed.
Total indebtedness to the state (on this program) is approximately 10 billion dollars.

11. Advisory Committee on Financial Management, Accounting and Reporting

This committee met for a second time on January 28, 2004 at the TIES building. There were several issues placed on the table for discussion including: tax shift and early recognition, recognition of health and safety adjustments and reemployment accounts. The next meeting is scheduled for May 26, 2004.

Contact Tom Melcher at 651/582-8828 or Dick Guevremont at 651/582-8788.

12. Training

New Procedure for Confirmation

Confirmations for training reservations will be transmitted via e-mails after the conclusion of the FY04 training sessions are completed. This will save time and money for both MDE and the client. Also, there will continue to be the practice of "no solid reservations logged" on the list of attendees of training sessions without prior payment. The financial management staff will not send out requests for payment after a session is concluded. People are admitted to training only if payment was received.

Remaining FY 2004 sessions

- Uniform Financial and Accounting Reporting Standards (UFARS) Training for FY 04 is coming to a close. The workshop scheduled for April 21-22, 2004 is full. Registrations are closed. Only those who sent a check have a confirmed reservation.
- Manual on Activity Fund Accounting (MAFA) which addresses student activities accounting had 3 spots left (as of March 22, 1004) on the April 13, 2004 date. The 14th date has been cancelled. Reservations and payments must be received by April 9, 2004. There are no registrations at the door.
- Yearend Training for charter schools is still open to registrations.
- Director Training for new directors of charter schools that will open for the first time this fall is in design. It is for new directors only. Invitations will be going out shortly.