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SCHOOL BUSINESS BULLETIN

Bulletin No. 1

August 1997

Inside This Bulletin:

- General Financial Management Matters
- School Funding
- School Facilities
- Transportation
- UFARS Manual Update
- General Information

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

General Financial Management Matters

1. **Financial Condition of Minnesota School Districts** – Statewide fund balances at the end of Fiscal Year 1997 improved over that of Fiscal Year 1996. Total state net unappropriated operating fund balances increased 3.5%, from \$492.9 million in F.Y. 1996 to \$509.9 million in F.Y. 1997. Also, reserved operating fund balances increased from \$109.8 million in F.Y. 1996 to \$245.7 million in F.Y. 1997, although \$135.2 million were the reserves for Operating Capital, Health and Safety, and Disabled Accessibility. By statute, these were transferred from the Capital Expenditure Fund (non-operating) to the General Fund (operating) in F.Y. 1997.

The relatively small percentage increase in state total net unappropriated operating fund balance is reflected in there being 182 districts with an increase during F.Y. 1997 while the number with a decrease was 189. The increase ratio of .96 is the lowest in the past four years. Refer to the attached Table I.

2. **1998 IRS Standard Mileage Rate** – The Internal Revenue Service has increased the standard mileage rate to 32.5 cents for 1998. This is an increase of one cent over the 1997 rate (31.5 cents). This rate is often used as a reference rate by school districts.
3. **Pupils Per Central Office Professional Staff Members** – How do you compare with other districts in the nation as far as central administration staff versus number of pupils served? According to the Educational Research Service (ERS) in Arlington, Virginia, for 1996-97 there was a median of 533 pupils per central office administrative and professional staff member. These positions include: (1) Superintendent; (2) deputy, associate and assistant superintendents; (3) directors, managers, coordinators and supervisors for public relations or information, finance and business, staff personnel, instruction and other functions; (4) subject area supervisors; (5) and all other full-time central office administrative staff. As expected, the larger the school district, the larger the number of pupils per central office administrative and professional staff member. The study showed a median of 461 pupils per administrative staff in very small districts to 616 pupils in the large districts. For more information, contact ERS.
4. **S.O.D. – What does it really mean?** – At the end of Fiscal Year 1997, there were twelve districts having statutory operating debt (S.O.D.). Minn. Stat. 124A.02, Subd. 25 defines Net Unappropriated Operating Fund Balance as the sum of operating balances less ten reserve balances. These are the balances reserved for statutory operating debt reduction, bus purchase, severance pay, taconite, reemployment insurance, maintenance levy reduction, operating capital, disabled access, health and

safety, and encumbrances, computed as of June 30th each year. In order to determine which districts have S.O.D., the following amounts are used in the computation:

- (1) The sum of the following year-end fund balance accounts in the General, Food Service and Community Service Funds:
 - a) Not-Excluded Reserved Fund Balances: 403, Staff Development; 407, Down Payment Levy; 408, Cooperative Programs; 409, Alternative Facilities; 414, Operating Debt; 423, Certain Teacher Programs; 428, Learning and Development; 429, Parental Involvement; 431, Community Education; 432, Early Childhood Family Education; 433, Student Transportation Safety; 434, Area Learning Centers; 435, Contracted Alternative Programs; and 436, State-Approved Alternative Programs.
 - b) 418, Designated for Severance-Insurance Premiums.
 - c) 421, Undesignated Fund Balance Since S.O. D. – 1977.
 - d) 422, Unreserved/Undesignated.
- (2) The sum of all FY 1997 operating expenditures in the General, Food Service and Community Service Funds less those designated with Finance Codes 302, 347, 349, 352, 358, 363, and 794; and Object Codes 280, 548. These expenditures pertain to the excluded reserved fund balances.

Districts exceed their expenditure limitations when they have operating expenditures during the year such that their net unappropriated operating fund balance (1) of the fiscal year is a negative amount which exceeds 2 ½ % of their net operating expenditures (2) during the year.

5. **State Sales Tax** – There typically is confusion when a district is deciding whether to collect and remit sales tax to the Department of Revenue for an activity. Attached to this Bulletin is a copy of Sales Tax Fact Sheet 111 – (Schools–Sales and Purchases) written by the Department of Revenue dated January, 1994.

Generally, if proceeds from the sales or activities are deposited with the school treasurer, or recorded with other revenues or expenditures of the school district, they are not considered fund-raising events. They may, however, still be nontaxable sales if they are the following:

- a) machine sales of food, candy and pop;
- b) served on premises of a school, including food prepared by an outside vendor;
- c) ticket admissions for regularly scheduled school events; and
- d) textbooks required for course offerings.

If there are questions, please contact the Sales and Use Tax Division at (612) 296-6181 or toll free at 1-800-627-3529.

6. **1998-99 School Calendar** – Minn. Stat. 126.12, Subd. 2, requiring school boards to adopt a school calendar for the subsequent year by April 1, was repealed in 1993. There are, however, some changes in the school year starting date as stipulated in Minn. Stat. 126.12, Subdivision 1. This statute states that except for learning programs during the summer, flexible learning year programs authorized under Sections 120.59 to 120.67, and learning year programs under Section 121.585, a school district shall not commence an elementary or secondary school year prior to Labor Day. The 1997 Laws, First Special Session, Chapter 4, Article 7, Section 49 gives an exemption to the Labor Day school start restriction. For 1998-99 and 1999-2000 school years only, a school board may begin the elementary or secondary school year on Wednesday, Thursday or Friday prior to Labor Day. The 1998 legislative session may also take action on this restriction.
7. **MARSS Reporting Timelines** – For MARSS year-end reporting of FY 1998 data, the following dates apply: June 30, July 28, August 25, October 20, and November 24. These are the dates by which MARSS school and student records that are on file at the Department will be used to produce turnaround reports. Within two weeks of each deadline, the MARSS contacts will be sent summary information including the most recent version of the “Special Report of School Districts for Aid, ED-00026.” Although a district need not submit MARSS files for every deadline, a new “Special Report” will be sent after each deadline because the student data reported by one district may impact another district’s ADM data. The data on file as of August 25 will be used for the October 15 clean-up

payment. By statute, final data are due December 30. For questions or more information, contact Sharon Peck at (612) 296-1504.

School Funding

- 1. Change in Training and Experience (T & E) Funding** – Beginning in FY 1999, training and experience is re-established as a separate category of General Education Revenue. To adjust for this change, the formula allowance is reduced by \$130, and the training and experience portion of transition revenue is eliminated. (The formula allowance of \$3,530 for FY 1999 was computed by adding \$79 to the FY 1998 formula allowance of \$3,581, then subtracting \$130 for the roll-out of T & E funding.) To measure the impact of the T & E funding change, compare the FY 1999 Training and Experience Revenue for a district with the sum of: 1) the T & E transition revenue, and 2) \$130 times the district's pupil units.

The FY 1998 T & E Transition Revenue is based on the training and experience levels of teachers employed by a district in FY 1995. The FY 1999 T & E Revenue is based on the teachers employed in FY 1997 and FY 1999. Thus, changes in funding between FY 1998 and FY 1999 associated with training and experience are in part due to the formula change and in part due to change in the level of training and experience.

Under the new training and experience formula, T & E funding will gradually phase out as teachers employed by a district in FY 1997 leave the district. For FY 1999, T & E Revenue is computed using the FY 1997 level of training and experience for teachers employed by the district during both FY 1997 and FY 1999. Teachers employed by the district in FY 1999 but not in FY 1997 are counted as beginning teachers with no additional training or experience. Teachers employed by the district in FY 1997 but not employed in FY 1999 are dropped from the computations.

School Facilities

- 1. Ventilation Standards for Facilities** - There has been some concern as to whether the code requirement that refers to ventilation standards (15 cubic feet of fresh air per person per minute) is still in effect. Since this standard (ASHRAE 62-1989) is included in the State Building Code, even though it may be deleted from the State Energy Code (which is currently in comment period for review), it is still in force.

If there are questions on this matter, contact Bob Laughlin of the State Building Code (Mechanical Division) at (612) 297-4379.

UFARS Manual Update

- 1. Finance Dimension Code 415—Educational Reform** - Please be aware that the program code dimensions to be used with Finance Dimension Code 415 found on Page 14 of Chapter X, Permitted Code Combinations, are incorrect. Only Program Dimension Code 605, General Instructional Support, should be used with Code 415. The correct coding information is stated on the budget pages of the application for these grants but was not updated on the Chapter X grid.
- 2. Finance Dimension Codes 796-797 (Health Insurance Benefits/Incentives)** – Program Dimension Code 930, Employee Benefits (Clearing Account Only), is not allowed to be used in Fiscal Year 1998 and thereafter in Finance Dimension Codes 796, Health Benefits, and 797, Early Retirement Health Insurance Incentives. The expenditures related to these levy-supported programs should be charged to the appropriate program dimension code with Object Dimension Codes 220, Employee Insurances, and 295, Interdepartmental Employee Benefits (Chargeback).

Please note that page 20 of Chapter X, Permitted Code Combinations, is not correct. The Organization Dimension should be 001-999, Program Dimension should be all (except 930), and Object Dimension should be 220 & 295.

General Information

1. Schedule of Events/Meetings

March 16	UFARS Cost Allocation Task Force Meeting – St. Paul
April 3 (Tentative)	Accounting Guidelines Committee – St. Paul
May 18	School District Audit Conference (MN CPA's)
May 6-8	MASBO Annual Meeting – Alexandria
June 15-19	MASBO Institute – St. Paul
June 30	Board must adopt FY 1999 Budget
June 30	Deadline for Submission, Payable 1999 Levy Data
July 27-28	School Business Management Workshop – Onamia

2. UFARS Code Request Form – If anyone wishes to request the following changes, please use the attached UFARS Code Request Form (ED-02093-01) for:

1. a new UFARS Code;
2. a change of an existing UFARS Code; or
3. a deletion of an existing UFARS Code.

This form is also available on the Department of Children, Families & Learning's Homepage.