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SCHOOL BUSINESS BULLETIN

Bulletin No. 1

August 1997

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

Welcome to the first Bulletin from the Financial Management, Transportation and Accountability Team of the Department of Children, Families and Learning. The purpose of these bulletins is to regularly communicate with our clients on school business management items. You will receive information on topics that concern the business management of school districts, including funding matters and any new Financial Accounting Instructions (including revisions of the UFARS Manual). Also, further information regarding Team Members, and the areas of expertise they offer, will be included.

The FAIs will be discontinued in their present form. Accounting instructions and UFARS manual revisions will be included in these bulletins and, therefore, should be saved for future reference.

Future plans are to include these bulletins on the Internet via the Department's Homepage.

General Financial Management Matters

Extended Day Accounting - The 1997 Family and Early Childhood Omnibus Bill contained a requirement that any district with an extended day program must maintain a separate account within the Community Services Fund to record all transactions related to that program. UFARS has the following existing codes to comply with this law within the Community Service Fund (04).

Revenues: All fees, any state aid/levy associated with costs for children with disabilities in extended day or school age child care programs, or other sources of revenue, must be coded with Program Dimension Code 570. In addition, state aid/levy for children with disabilities must be coded with Finance Dimension Code 798. State aid should use Source Dimension Code 300 - State Aids, and levy, Source Dimension Code 001 - Property Tax Levies.

Expenditures: All expenditures must use Program Dimension Code 570 - Extended Day. In addition, costs for including children with disabilities must use Finance Dimension Code 798.

Balance Sheet All revenues and expenditures must be associated with Balance Sheet Account 431 - Reserved for Community Education.

Additional Student Contact Days - Effective for the 1998-99 school year, districts are required to increase the number of instructional days in the school calendar by at least three more instructional days than originally adopted as the school calendar at the beginning of the 1996-97 school year. This may impact the 1998-99 expenditure budget for districts depending on teacher contract language.

First Grade Preparedness Revenue - School sites qualifying for first grade preparedness revenue remain eligible for the remainder of the pilot program (through FY 1999). However, 1997 legislation changed the calculation of pupil units from .53 times the number of students participating in the program during the current year to .53 times the number of children five years of age or older enrolled in a kindergarten program at the site on October 1 of the previous year. This change was made retroactive to July 1, 1996, the first year of the program. This revenue is now clearly a grant based upon a new formula which does not use current year ADM. For this reason, a new Source Dimension Code 302 - First Grade Preparedness Revenue has been approved to recognize this revenue separate from General Education Revenue. There is no need to isolate the expenditures related to this program for state reporting. Program Dimension Code 201, Kindergarten Instruction, is sufficient.

Do not include these specially funded kindergarten students enrolled in another half-day program on MARSS. They should not be part of your current kindergarten year ADM for General Education Revenue calculations since they are funded separately.

Payments to Third Parties - 1997 legislation permits a school district to request the Department to pay a portion of its revenue (state aid) directly to one or more third parties for interdistrict cooperation. If a district's request has been approved by board resolution and has been submitted in writing by August 29, payments may be made to a third party effective FY 1998. Finance Dimension Code 310 - Cooperative Revenue must be used to record both the amount of revenue (Source Dimension Code 300) paid directly to the third party and the equal amount of expenditures (Object Dimension Code 390, 393) for any amounts up to the Interdistrict Cooperation revenues. Any amounts exceeding this revenue should use Source Dimension Code 211 - General Education Aid to record the revenue.

Alternative Facilities Aid Accounting - Effective FY 1999, a new Alternative Facilities State Aid has been designated to pay the principal, interest and related costs of a school district's alternative facilities bonded debt with commensurate levy reductions. Districts should use Source Dimension Code 370 with Fund Dimension Code 07 to record the new state aid. The Alternative Facilities Aid affects only four (4) school districts: Sp. 001, I.S.D. 271, 625 and 709. Contact Bill Kiesow at 612/296-4436 for the FY 1999 aid amounts.

Budget Publication – Attachment 1 includes one copy of the 1997-98 Budget Publication Form ED-0110-21 along with a set of instructions. The budget is to be published in the official newspaper of the district by October 1, 1997 to meet the requirements of M.S. 123.71.

When your district's financial year-end processing has been completed for FY 1997, it should be possible to generate the required data from your district's finance system in publication format to assist in the preparation of the budget publication.

The budget publication form is **NOT** to be submitted to the Minnesota Department of Children, Families and Learning.

If you have any questions regarding the budget publication, please call Dennis DeLong at (612)296-5017.

School Funding

Pension Reform Bill - There has been a major change in calculating adjustments to revenue due to pension contribution rate changes. Effective July 1997 the employer contribution rates to the TRA pension plan were reduced by 1.5%. This results in a reduction in previously projected pension expenditures for 1997-98. In addition, effective January 1998, employer contribution rates for PERA are increased by 0.70%. This will result in an increase in previously projected pension expenditures for 1997-98. Please be aware that a district's General Education revenue will be reduced to offset the net reduction in district costs for both of the above pension modifications. The amount reduced has further been consolidated with the previous pension reductions (PERA and TRA) and identified on the

Department's 1997-98 General Education Revenue Report under "Pension Adj." The calculation for this adjustment is as follows: (1) Previous PERA/HACA adjustment + (2) previous TRA adjustment (0.84% rate reduction) + (3) new TRA adjustment (1.50% rate reduction) + (4) new PERA adjustment (one-half of 0.70% rate increase). The base used for these calculations [(2), (3), (4)] is the 1996-97 TRA and PERA reported salaries. There will no longer be a HACA reduction for the past PERA contribution rate change since it is now part of the new "pension adjustment."

New Technology Revenue - For FY 1998 only, districts will receive additional technology operating capital state aid equal to the greater of: (1) \$24 per pupil unit, or (2) the lesser of \$25,000 or \$80 per pupil unit. The additional revenue may be used only for the purposes specified in M.S. 124A.22, Subdivision 11, Clauses 15, 18, 19, 23, and 24. Record the additional technology revenue and expenditures using the existing Finance Dimension Code 302 - Operating Capital. The revenue should use Source Dimension Code 300.

Graduation Rule Funding - For FY 1998 only, districts will receive aid equal to \$10 times the number of pupil units in the district. The revenue will be identified within the General Fund (01) with Source Dimension Code 370 - Other Aid from Minnesota Children. These funds are to be used to help accelerate the implementation of the graduation rule throughout all education sites. At least 30% of the money must be used with the teaching staff in the district to determine the most effective staff development processes to assure an acceleration of the implementation of the Graduation Rule. It is appropriate to record expenditures for the administration of the Graduation Rule under UFARS Program Dimension Codes 107 - Other Administrative Support, 610 - Curriculum Consultant and Development, and 640 - Staff Development. No unique finance code will be required by the state.

New LEP Concentration Revenue - Beginning in FY 1998, LEP concentration revenue equals \$190 times the LEP pupil count times the LEP concentration factor for the district. The new revenue should use the same finance code as existing LEP revenue (Finance Dimension Code 360 - LEP Aid and Levy).

School Facilities

Starting this fall, Service Cooperatives (old ECSUs) will be including Indoor Air Quality (IAQ) as a major component of our (DCFL/SC) collaborative Health and Safety Management Assistance Program to assist school districts. Between September and the end of the year, they will be meeting with the IAQ district responsible persons, evaluating plans and assessing situations in order to assist the district in this area and to gather information for the 1998 Legislature. Please provide these professionals with all possible assistance and feel free to query them for answers to these issues.

Transportation

Bus Purchase Levy - 1997 legislation repealed the ongoing bus purchase levy. The law authorizes a one-time levy for taxes payable in 1998 in an amount not to exceed a district's June 30, 1996 deficit in its bus purchase account (GNL 412). Since the levy is for only one year and Source Dimension Code 003 has been deleted, districts that levy under this provision should use Source Dimension Code 001 to record this revenue and "Zero-Out" the negative balance in GNL Account 412 - Reserve for Bus Purchases.

Finance Dimensions - The Finance Dimension Codes 711-739 have been reviewed for transportation expenditure reporting for the 1997-98 school year. Since funding for transportation has changed significantly over the past few years, some of the existing finance codes have been either eliminated or combined with others to simplify reporting. Any questions should be directed to Linda Schroeder at 612/296-2839.

UFARS Manual Update

This section of the Bulletin will preview recent UFARS Manual changes approved by the Accounting Guidelines Committee as well as giving additional information to supplement the Manual. The information contained in Bulletin No. 1 relates to changes brought about by recent legislation. These changes, along with changes made as a result of the Team's annual review/edit, will be included in an

updated Manual for FY 1998. The target date for the distribution of the updated Manual is November 1, 1997. Subsequent to the Manual update, any further changes will be included in these Bulletins.

Organization Dimension - Due to recent changes in legislation for compensatory education, site-based management reporting, and staff development reporting, the Department has a need for expenditure data by learning site. Commissioner Wedl sent a strongly worded message to districts advising them of the need for site-based allocation and financial control for compensatory education. Presently, the other two systems, Minnesota Automated Reporting Student System (MARSS) and Staff Automated Reporting (STAR) System, use a common learning site designation which is assigned by individual school districts.

The Department has proposed, and the Accounting Guidelines Committee has supported, a change in the use of the UFARS organization dimension code to be effective for 1998-99. Basically, the code will be the same learning site number designated for MARSS and STARS reporting rather than the current learning level (005, 100, 200, 300, 610) definitions used for the Organization Dimension. Details have not been worked out but more information will be available in the near future. Any concerns should be communicated to the Department Financial Management Team members (see attached list). Once the new Organization Dimension Section is completed for the UFARS Manual, school districts will be encouraged to implement the changes for the current year if it does not cause undue hardship. If a district's present expenditure account structure uses the Organization Dimension to identify expenditures by MARSS-defined education site, districts can comply with the revised reporting structure by simply not crosswalking to the previous instructional levels.

Since the new Compensatory Revenue begins this year and does require accounting for these expenditures by site, the Department would like to identify a number of districts for the implementation of the new Organization Dimension definition this year. More information will be available in the September/October Bulletin.

Program Dimension - A new matching grant program was established by 1997 legislation for districts wishing to use the funds for youth entrepreneurship and school-to-work activities, other collaborative efforts, or year-round open enrollment projects. For the goals of this program, refer to 1997 Laws, Article 9, Sec. 4, Subd. 2. The appropriation is \$14 million and districts may count toward their match any eligible expenditures made from July 1, 1996. The Department will prepare an application process for the site-based technology transformation learning grants. It was necessary to establish a new Program Code 613 - Site-Based Technology Transformation Grants, for this program since it is possible to use Finance Dimension Code 302 for matching amounts.

The second change in the Program Dimension was the result of 1997 legislation changing the terminology from "Secondary Vocational" to "School-to-Work" and affects Program Dimension Code 380 - Special Needs and 399 - Vocational, General.

Finance Dimension and Balance Sheet Accounts - Three new Finance Codes (303, 304, 305) have been created to distinguish between expenditures for the following programs: Area Learning Centers (ALC) - 303, Contracted Alternative Programs - 304, and State-Approved Public Alternative Programs - 305. Due to 1997 legislation, the revenue must be reserved and be used only for these activities. Two new Reserved Fund Balance Accounts (435, 436) have been established along with the existing account, 434, to represent resources available for each of the three respective programs.

A new code (337) has been created to record Gifted and Talented Grants established by 1997 legislation. Recipients of these grants must match one local dollar for every grant dollar. The expenditures should be recorded in existing Program Dimension Code 218 - Gifted and Talented. A new code (348) has been created for charter schools receiving building lease aid which was established by 1997 legislation. This aid is based upon 80% of the actual lease costs. Program Dimension Code 850 - Facilities and Object Dimension Code 370 - Operating Leases or Rentals should be used along with the new finance code.

Finance codes for two new federal programs (School-to-Work Initiatives and Even Start) have been established, Finance Dimension Codes 448 and 449 respectively.

Finally, the descriptions for Finance Dimension Codes 830 - State Secondary Vocational and 835 - State Secondary Vocational Disabled have been changed to reflect the new terminology of "School-to-Work" replacing "Secondary Vocational."

Object Dimension - Two existing codes, Object Codes 185 - Other Salary Payments and 433 - Instructional Supplies and Materials-Individualized, have been changed to clarify types of expenditures recorded. Extended year Special Education assignments has been added as an example of Other Salary Payments (185) and the description for Code 433 has been changed to be consistent with 401 and 430 descriptors.

Source Dimension - The only change is the creation of the new Source Code 302 for First Grade Preparedness Revenue (see explanation under General Financial Matters of this bulletin).

General Information

Workshops/Meetings -

MASBO Tax and Levy Certification Workshop
September 11 - St. Paul
September 15 - St. Cloud

Accounting Guidelines Committee Meeting
October 15 - St. Paul

MASBO Fall Workshop and Meeting
October 23-24 - Minneapolis

ATTACHMENT 1

MEMORANDUM

Date: August 14, 1997
To: Superintendents or Directors
From: Gary Farland, Supervisor
Financial Management, Transportation and Accountability
Subject: Budget Publication

Attached are two copies of the 1997-98 Budget Publication Form ED-00110-21 along with a set of instructions. The budget is to be published in the official newspaper of the district by October 1, 1997 to meet the requirements of Minn.Stat. 123.71.

When your district's financial year-end processing has been completed for FY 1997, it should be possible to generate the required data from your district's finance system in publication format to assist in the preparation of the budget publication.

The budget publication form is **NOT** to be submitted to the Minnesota Department of Children, Families and Learning.

If you have any questions regarding the budget publication please telephone Dennis DeLong at (612) 296-5017.

INSTRUCTIONS FOR FY 1998 BUDGET PUBLICATION BY MINNESOTA SCHOOL DISTRICTS

I. Publication Requirements for the local Newspaper:

The DISTRICT REVENUES AND EXPENDITURES BUDGET FOR 1997-98, (Form ED-00110-21) shall be published by each school district in their local newspaper by October 1, 1997. This publication is required by Minnesota Statute 123.71.

DO NOT furnish a copy of the publication or the publication form to the state. II.

II. General Comments

Two copies of the DISTRICT REVENUES AND EXPENDITURES BUDGET FOR 1997-98 are attached for each district. One completed form should serve as a camera-ready copy for publication purposes in the district's official newspaper. You may trim the form as shown for publication. Explanatory comments may be added for the reader's understanding of your financial status. A second copy is to be retained for your files.

The publication format using fund totals for the actual and budget information was selected as a means of best serving the communication needs of the district between the school board and the public. The revenue and expenditure information, once entered on your finance system, can be obtained in the publication format from your finance system.

III. Completion of Information for Publication.

a) Enter school district number and district name in area provided.

b) Enter whole dollar amounts for each line and column.

- Include all reserved and unreserved/undesignated accounts for each fund.
- Combine the Trust Fund and Agency Fund together.

Note: Internal Service Fund is new effective Fiscal Year 1997.

c) Each district eligible for the Statutory Operating Debt levy (SOD June 1977) must adjust their projected General Fund balance amount as of June 30, 1998 to include the 1996 Payable 1997 SOD component of the maintenance levy (1.66% of ANTC). This amount is not included in the 1997-98 revenues but is included in the fund balance totals.

Also enter the amounts for each line in the Statutory Operating Debt Column. Districts without a Statutory Operating Debt Levy enter "None" on all lines.

d) If your district has an outstanding debt, i.e., general obligation bonds, building bonds, energy loans, capital loans, debt service loans, construction loans, or other state loans, enter the total amount on the line provided in the Bonds and State loans column. Districts without outstanding debts enter "None" on all lines in this section.

e) The column headed "Miscellaneous" is to be completed for each line.

1. If your district has no outstanding short-term indebtedness as of 6/30/97, enter "None".
2. If your district has no certificates of indebtedness (aid or tax) as of 6/30/97 enter "None".
3. Enter the Fiscal Year 1996-97 pupils in average daily membership (ADM Served). Pupils in average daily membership equals (resident average daily membership (plus or minus) open enrollment average daily membership (plus) tuitioned pupils average daily membership). Refer to the estimate on page 1 of the Levy Limitation and Certification Report for payable 1998 (ADM Served).
4. The cost per pupil is calculated by dividing the 1996-97 expenditures in the General, Food Service, and Community Service Funds (exclusive of the expenditures for operating capital, disabled accessibility, and health and safety) by the 1996-97 pupils in average daily membership.

	Education Finance & Analysis 552A Capitol Square - 550 Cedar St. Paul, MN 55101-2273	DISTRICT REVENUES AND EXPENDITURE S BUDGET FOR 1997-199 8	ED-00110-21
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GENERAL INFORMATION: Minnesota Statue, Section 123.71 requires that every school board shall publish the subject data of this report in a newspaper of general circulation within the district no later than October 1. In completing this form, please refer to the instructions provided in the same mailing. Complete **ALL** portions of the form, provide your newspaper with one copy, and keep a copy for your district files.

Name of Newspaper	Date of Publication
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DISTRICT REVENUES AND EXPENDITURES BUDGET FOR 1997 - 1998		District Number	District Name			
	1996-97 ACTUAL REVENUES AND TRANSFERS	1996-97 ACTUAL EXPENDITURES AND TRANSFERS	JUNE 30, 1997 ACTUAL FUND BALANCE	1997-98 BUDGET REVENUES AND TRANSFERS	1997-98 BUDGET EXPENDITURES AND TRANSFERS	JUNE 30, 1998 PROJECTED FUND BALANCE
General						
Food Service						
Community Service						
Building Construction						
Debt Redemption						
Trust & Agency						
Internal Service						
TOTAL - ALL FUNDS						

BONDS & STATE LOAN S		STATUTOR Y OPERATING DEB T		MISCELLANEOU S	
OUTSTANDING JULY 1, 1996		PRIOR TO JULY 1, 1977		SHORT TERM INDEBTEDNESS OF FUNDS 6/30/97	
PLUS: BONDS AND LOANS ISSUED		LESS: RESERVED FOR SOD - 6/30/97		CERTIFICATES OF INDEBTEDNESS 6/30/97	
LESS: BONDS AND LOANS REDEEMED		LESS: PAYABLE 1997 SOD LEVY		1996-97 PUPILS IN AVERAGE DAILY MEMBERSHIP (ADM)	
OUTSTANDING JUNE 30, 1997		NET REMAINING AS OF 6/30/98		1996-97 OPERATING COST PER ADM	

The complete budget may be inspected upon request to the Superintendent.

Comments: