

MEMORANDUM

To: School District Superintendents

From: Tom Melcher
Program Finance Manager

Christine Jax, Ph. D.
Commissioner

Date: November 17, 1999

Subject: Allocation of General Education Revenue Among Buildings

Laws 1999, Chapter 249, Section 23, (Minnesota Statutes, Section 126C.23), requires each school district to initially allocate its general education and referendum revenue to each building in the district where the children who have generated the revenue are served. A district may, by board resolution, reallocate the revenue among buildings or for district-wide services. By January 30, 2000, each district must report to the Department the estimated initial revenue allocation to each building for FY 2000, and the amount of any reallocations. The cost of increases in compensation for teachers and other employees between FY 1999 and FY 2000 must also be identified by building and included as a separate line on the January 30 report.

The attachment to this memorandum includes a copy of the legislation and a summary of the mechanics for implementing it. A new data reporting system is under construction on the Department's web site to facilitate reporting by the January 30 due date. Detailed instructions for using this system will be distributed to you in two weeks. Because the reallocation of revenue requires school board action, you should plan to have this topic on your agenda for a school board meeting in January.

Questions concerning the initial allocation of revenue among buildings, revenue reallocations, or the January 30 report should be directed to one of the following staff in the Program Finance Division:

- Tom Melcher, Program Finance Manager, at 651-582-8828 or tom.melchner@state.mn.us
- Audrey Bomstad, Education Funding Supervisor, at 651-582-8766 or audrey.bomstad@state.mn.us
- Nicola Johnson, Intern, 651-582-1145 or nicola.johnson@state.mn.us

Questions concerning UFARS reporting under Subdivision 4 of the new legislation should be directed to one of the following staff in the Management Assistance Division:

- Gary Farland, Financial Management and Accountability Supervisor, at 651-582-8772 or gary.farland@state.mn.us
- Dick Guevremont, Financial Management Coordinator, at 651-582-8788 or dick.guevremont@state.mn.us

**ALLOCATION OF GENERAL EDUCATION REVENUE
AMONG BUILDINGS**

**Laws 1999, Chapter 249, Section 23 (MS 126C.23)
Laws 1999, Chapter 241, Article 9, Sec. 20 (MS 123B.77 Subd. 4)
November 10, 1999**

Building Definition (MS 126C.23 Subd. 1)

A. Statutory Reference:

Subdivision 1. [DEFINITIONS.] For the purposes of this section, “building” means education site as defined in section 123B.04 subdivision 1.

B. Discussion:

According to this definition, “building” means a separate facility. A program within a facility is an education site if the school board recognizes it as a site. The definition of “building” for this statute must be the same as that used in the computation of compensatory revenue.

Initial Revenue Allocation (MS 126C.23 Subd. 2)

A. Statutory Reference:

Subd. 2 [BUILDING ALLOCATION.] A district must initially allocate its general education and referendum revenue to each building in the district where the children who have generated the revenue are served. General education and referendum revenue generated by students served at sites not owned and operated by the district must be allocated to a separate account to be used for services for pupils who generated the revenue.

B. Discussion:

1. The initial revenue allocation is the amount of general and referendum revenue attributable to students enrolled in each building.
2. For most categories of general education and referendum revenue, a uniform allowance per pupil unit will be used for all buildings in the district. Exceptions will be made for basic skills revenue and sparsity revenue, which provide varying amounts per pupil unit for each building, depending on student and building characteristics.

3. Compensatory revenue is computed using building-level data. The initial revenue allocation for the compensatory revenue will reflect the results of the building-level computations.
4. LEP revenue, including LEP concentration revenue, will be allocated among buildings based on the number of LEP students enrolled at each building. Take the total LEP revenue for the district, divide by the district total current year LEP enrollment served to get a rate per LEP pupil, and multiply the rate by the LEP enrollment served in each building to get the building's LEP allocation.
5. The AOM replacement portion of basic skills revenue is computed based on Adjusted Marginal Cost Pupil Units (AMCPU) in grades K-8. Allocate this revenue to buildings as it was computed, based on the K-8 AMCPU at each building.
6. All remaining general education and referendum revenues will be allocated among buildings based on the AMCPU at each building. Take the district total general & referendum revenue excluding basic skills and sparsity, divide by the district total AMCPU to get a rate per pupil unit, and multiply by each building's AMCPU to get the allocation for each building.
7. If a district has added a new building, it should use 100% of the current year adjusted pupil units for the new building in computing the allocations among buildings. No allocation should be made to a building that has closed. For districts with building openings or closings, compensatory revenue will also need to be reallocated among buildings to reflect the changes.
8. All of the 1999-2000 general education and referendum revenue must be initially allocated to school buildings. No revenue can be initially allocated "district-wide".

C. Mechanics:

1. The Department of Children, Families & Learning will provide each district with 1999-2000 General Education Revenue Report ("What If" spreadsheet) showing the district's estimated total general education and referendum revenue for the current fiscal year, based on the most recent district estimates of pupil units and other data provided to CFL.
2. The district's allocation of general education revenue among buildings must tie out to the total general education and referendum revenue for the district as shown on the General Education Revenue Report provided by the Department.
 - If the district's estimates of average daily membership by grade level or LEP enrollment have changed since the district submitted the *Enrollment Projections Report*, (ED-00035-23), a revised *Enrollment Projections Report* must be submitted before continuing with the revenue allocation among buildings. CFL will process the revised *Enrollment Projections Report* and prepare a revised 1999-2000 General Education Revenue Report to be used for the revenue allocation.
3. The Department will also provide a worksheet to be used by the district to determine the initial revenue allocation by building. The worksheet will include a CFL estimate of the initial revenue allocation by building, based on the

percentage of the district's enrollment by building for 1998-99. (Because the *Enrollment Projections Report* is not completed on a building-by-building basis, CFL does not have an estimate of the 1999-2000 enrollment by building that would tie out to the totals being used to compute the district's overall general education revenue.)

- If the percentage of the district's total enrollment in each building has not changed significantly since 1998-99, the district can simply use the CFL estimate of the initial revenue allocation by building for the January 30 report. This estimate will be pre-loaded into the "Total Initial Allocation" line (Line 1) for each building on the data input form on the CFL Web site to be used for the January 30 report (see attached sample).
- If the percentage of the district's total enrollment in each building **has** changed significantly since 1998-99, the district will need to recompute the marginal cost pupil units and initial general education revenue allocation by building using two spreadsheets provided by CFL.
 - The first spreadsheet provides a template for entering the estimated 1999-2000 ADM by grade level by building, and computes the marginal cost pupil units based on the ADM data that is entered.
 - Next, the district must enter the marginal cost pupil units computed on the first spreadsheet into the second spreadsheet, which recomputes the general education revenue allocation by building. If the district is changing the breakdown of LEP enrollment by building, the revised LEP counts are also entered on this second spreadsheet.
 - The initial revenue allocation, as computed in Column 1 of the second spreadsheet, must then be entered by the district on the "Total Initial Allocation" line (Line 1) for each building on the data input form on the CFL web site (see attached sample).
 - *If the district is changing the total initial allocation by building as reported on line 1 of the data input form, it must submit a copy of the spreadsheet showing how the revised initial allocation by building was completed.*

Reallocation of Revenues (MS 126C.23, Subd. 3)

A. Statutory Reference:

Subd. 3 [REALLOCATION FOR EXPENDITURES.] A district may, by board resolution, adjust the initial allocation so as to expend revenue for any purpose including, but not limited to, district services, revenues or other funds established, reallocations among buildings and programs and, separately, the costs of increases in compensation approved by the board for teachers and other employees.

B. Discussion:

1. The revenue reallocations among buildings must be consistent with the district's methodology for allocating expenditures among buildings under UFARS (see Subd. 4 below). If a district accounts for an expenditure category, (e. g., pupil transportation, operating capital, operations & maintenance), as a district-wide expense on UFARS, general education revenue used for that expenditure category should be reported in the district-wide column in Report 1.
2. The general authority to reallocate revenue does not include compensatory revenue, which is governed by a specific provision in MS 126C.15 subd. 2. For FY 2000 and FY 2001 only, a district, with the approval of the commissioner, may reallocate an amount to not exceed 5% of the district's old formula compensatory revenue according to a plan adopted by the school board.

C. Mechanics:

1. The reallocations are reported on Lines 2 and 3 of the data input form on the CFL web site. On line 2, report the net reallocation to / from the building. A negative number should be reported on line 2 for any building which incurs a net loss of revenue to other buildings. A positive number should be reported on line 2 for any building which incurs a net gain of revenue from other buildings. The total for all buildings for this line must add to zero, and nothing should be reported for "district-wide".
2. On line 3, report the net reallocation from each building for district-wide services. These services may include, for example, district-wide administrative services, pupil transportation, and operating capital expenditures. Negative amounts should be reported for each building with an amount deducted for district-wide services, and a positive number should be reported on the district-wide services page. The district total must add to zero.
3. Line 4 is computed on the system based on amounts reported on lines 1 – 3.
4. The lower section of the data entry form, beginning on line 5, is used to report the cost of increases in compensation (salaries and fringe benefits) for teachers and other employees, compared with the previous fiscal year. Include compensation and FTE for all employees, whether their positions are funded with general education or other revenues. *Computation should be based on estimates of actual compensation for employees at a each building, not district-wide averages.*
5. If the district settled the master teacher contract by the January 15 deadline, the FY 2000 compensation estimate reported on line 9 must reflect the contract settlement. Check the box on line 5 to verify that the amount reported on line 9 reflects the settlement. If the district did not settle the master teacher contract by January 15, and the figures do not include the settlement, leave this line blank. Numbers will have to be updated at a later date to reflect the settlement.
6. On line 6, enter the total compensation (salary and fringe benefits) for all employees at the building including the master teacher contract for fiscal year 1999. Benefits include FICA, Medicare, PERA/TRA, Employee Insurance and Tax Sheltered Annuities. Exclude salary and benefits for extracurricular activities, coaching, summer school or advisors. Enter the total for the site using whole dollars.

7. On line 7, enter the FTE employees at the building covered by the master teacher contract in FY 1999.
8. Line 8 is computed automatically by dividing line 6 by line 7.
9. On lines 9 and 10, report estimated data for FY 2000 using the same definitions outlined above for lines 6 and 7.
10. Lines 11 and 12 are computed automatically from the data reported on lines 6 – 10. The total cost of teacher compensation increases equals the product of the number of FTE employees covered by the contract in the current year (line 10) times the difference in average compensation per FTE employee between the current year (line 11) and the previous year (line 8)
11. On lines 13 – 20, report data for other district employees (those not included in the master teacher contract), using the same definitions as provided for lines 5 – 12.

Separate Accounts (MS 126C.23 Subd. 4)

A. Statutory Reference

Subd. 4 [SEPARATE ACCOUNTS.] Each district shall maintain a separate accounts to identify revenue and expenditures for each building.

B. Discussion:

This requirement will be implemented through UFARS as outlined below. The changes in the UFARS system will satisfy this requirement while minimizing disruption to existing accounting procedures. The intent is to provide verification of the January 30th site allocation report.

1. Revenue Accounts

Districts are to enter amounts for the allocation of General Education and Referendum Revenue to each building. The amounts allocated to each building should be consistent with the total adjusted allocations shown in line 4 above, as adjusted to reflect year-end actual data. This will be a credit to an account using the following dimension codes:

- Fund Dimension Code 01, General;
- Organization Dimension Code: Number of actual site;
- Program Dimension Code 000, District-Wide;
- Finance Dimension Code 301, Reallocation Transfer (new code);
- Source Dimension Code, 650, Reallocation Transfer (new code); and
- Course Dimension Code 000.

The district will also debit a district-wide account equal to the sum of the amounts allocated to the individual learning sites. The coding for this entry will be:

- Fund Dimension Code 01, General;
- Organization Dimension Code 005, District-Wide;

- Program Dimension Code 000, District-Wide;
- Finance Dimension Code 301, Reallocation Transfer (new code);
- Source Dimension Code 650, Reallocations Transfer (new code); and
- Course Dimension Code 000.

2. Expenditure Accounts

Beginning with Fiscal Year 1999, the UFARS system initiated education site-level accounting. It is the intention of the Department to use this reporting to substantiate that districts spent unrestricted dollars at each site at least equal to the amount of General Education and Referendum dollars allocated to each site, as reported above in the revenue section, and in accordance with the allocation report of January 30th. Because General Education and Referendum Revenues are pooled with other unrestricted revenues (e.g. tuition and fee revenues) districts will not be required to identify the source of unrestricted funding when making expenditure of these funds. Rather, the Department will sum the General Fund expenditures of a site and subtract the expenditures reimbursed with state or federal categorical aids.

The Department will use the Chapter 10 UFARS edit grid of permitted code combinations, and the Cost Allocation chapter of the UFARS manual, to further define which codes should be used to identify unrestricted expenditures at the building (education site) level. Allocation of salaries to buildings must be based on actual salaries of staff assigned to each building, and not on a district-wide average salary per FTE. The allocations may be based on staff assignments and salaries of a certain point in time (e.g., October 1).

Data Reporting (MS 126C.23 Subd. 5)

A. Statutory Reference:

Subd. 5. [DATA REPORTING.] Each district must report to the commissioner the estimated amount of general education and referendum initially allocated to each building under subdivision 2 and the amount of any reallocations under subdivision 3 by January 30 of the current fiscal year, and the actual amount of general education and referendum revenue initially allocated to each building under subdivision 2 and the amount of any reallocations under subdivision 3 by January 30 of the next fiscal year.

B. Discussion:

1. See outline above for discussion and mechanics of reporting. Estimated data for FY 2000 must be reported to CFL by 1/30/2000. Final data for FY 2000 and estimated data for FY 2001 must be reported to CFL by 1/30/2001.

2. On final version of report, line 4 should tie to UFARS revenue reported by building.

Budget Approval Process

A. Legal Reference:

Minnesota Statutes 1998, section 123B.77, subdivision 4, is amended to read:

Subd. 4. [BUDGET APPROVAL.] Prior to July 1 of each year, the board of each district must approve and adopt its revenue and expenditure budgets for the next school year. The budget document so adopted must be considered an expenditure-authorizing or appropriations document. No funds shall be expended by any board or district for any purpose in any school year prior to the adoption of the budget document by the board to authorize the expenditure. Expenditures of funds in violation of this subdivision shall be considered unlawful expenditures. Prior to the appropriation of revenue for the next school year in the initial budget, the board shall calculate the general education revenue, basic skills revenue, and referendum revenue for that year that it estimates will be generated by the pupils in attendance at each site, and shall inform each site of the estimate and report this information to the department of children, families and learning.

B. Discussion:

This sample provision requires districts to report the information shown on line 1 of the attached sample to each site and the CFL before adoption of initial budget in June, beginning with the adoption of the FY 2001 budget in June 2000.

The mechanics for reporting to CFL will be similar to that described above for Subdivision 2.

C. Mechanics:

1. The Department of Children, Families & Learning will provide each district with a 2000-2001 General Education Revenue Report (“What If” spreadsheet) showing the district’s estimated total general education and referendum revenue, based on the most recent district estimates of pupil units and other data provided to the CFL, and updated to reflect any changes enacted by the 2000 Legislature.
2. The district’s allocation of general education revenue among buildings must tie out to the total general education and referendum revenue for the district as shown on General Education Revenue Report provided by the Department.
 - If the district’s estimates of average daily membership by grade level or LEP enrollment for 2000-2001 have changed since the district submitted the *Enrollment Projections Report*, (Ed-00035-23), a revised *Enrollment Projections Report* must be submitted before continuing with the revenue

allocation among buildings. CFL will process the revised *Enrollment Projections Report* and prepare a revised 2000-2001 General Education Revenue Report to be used for the revenue allocation.

3. The Department will also provide a worksheet to be used by the district to determine the initial revenue allocation by building. The worksheet will include a CFL estimate of the initial revenue allocation by building, based on the percentage of the district's enrollment by building for 1998-99.
4. If the percentage of the district's total enrollment in each building has not changed significantly since 1998-99, the district can simply use the CFL estimate of the initial revenue allocation by building for the June report. To comply with the requirement to report to CFL, the district must submit a letter to the Program Finance Division, CFL, indicating that there are not changes to the CFL estimate.
5. If the percentage of the district's total enrollment in each building has changed significantly since 1998-99, the district will need to recompute the marginal cost pupil units and the initial general education revenue allocation by building using two spreadsheets provided by the CFL (as described under Subdivision 2 above).
6. The reporting to each site must be consistent with the reporting to the Program Finance Division.

Changes for FY 2001 Reporting

The *Enrollment Projections Report* to be submitted in July 2000 may be revised to include building by building reporting of enrollment and LEP projections. That would enable CFL to compute the initial allocation of general education revenue by building for both the January and June reporting periods, eliminating the need for districts to work through the spreadsheets described above to complete the initial revenue allocation.