

HOUSE RESEARCH

Bill Summary

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Subject: Reallocation of School District General Education Revenue

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Overview

Minnesota school districts are required to adopt and use a uniform system of records and accounting for public schools. The adopted system, a modified accrual accounting system, is known as Uniform Financial Accounting and Reporting Standards (UFARS). UFARS provides a uniform basis for comparing and evaluating school district revenue and expenditures.

In addition to the UFARS system, Minnesota statute often imposes restrictions on how a school district may use certain portions of its revenue. Some of each school district's money is undesignated and may be used for any purpose as determined by the school board. At the other end of the spectrum, Minnesota's school code requires some school funding to be placed in specially created reserved accounts that may be used only for the specific purposes listed in statute. In between these two endpoints are funds that are expected to be used as allocated or which may be allocated to the district only after certain conditions are met. Some of the more common reserves in the general fund include operating capital revenue (reserved for facility and equipment needs) and staff development revenue (2 percent of each district's basic general education revenue is reserved for staff development activities).

This bill authorizes a local school board to hold a hearing to reallocate any general education revenue received by the district if the board determines that doing so would improve educational outcomes.

- 1** **General education revenue.** Authorizes a local school board to hold a hearing to reallocate any general education revenue received by the district from its reserved use to another purpose if the board determines that doing so would improve educational outcomes in the school district. Makes clear that the reallocation can not be done in a way that would alter the federal, state, or local funds received by the district or that would violate a court order.