



### Program Finance

## Current Topics

### **Schools Needed to Take the Pledge - Mercury-Free Zone Program**

Mercury is a hazardous substance and we need your participation to make sure that all Minnesota schools are mercury-free. In 2007, our state legislature passed a law banning mercury in Minnesota schools effective at the end of this year.

To reach our goal of having 100 percent of our schools mercury-free by December 31, 2009, the Minnesota Department of Education (MDE) is now working with the Minnesota Pollution Control Agency's Mercury-Free Zone (MFZ) Program. Program participants pledge to protect their schools from the dangers of mercury. From now until the end of the year, MFZ staff will be available to help school staff find and secure any mercury and mercury-containing equipment in your schools and inspect for mercury spills.

If you have questions about the program, the pledge, or mercury in general, please e-mail Carol Hubbard at [Carol.Hubbard@state.mn.us](mailto:Carol.Hubbard@state.mn.us) or call her at 651-757-2452. [Access more information about the MFZ program, including the School District Pledge.](#)

### **Teacher Contract Ratification Report**

Employers that negotiate contracts with teachers may be subject to penalty of \$25 per pupil unit if they fail to ratify a contract for the current biennium by January 15, 2010. [View memo, information from the Bureau of Mediation Services and form ED-01981-08.](#)

### **Property Tax Shift 2010-11**

Beginning in FY 2011, a change in the calculation of the property tax shift will take effect. [View Commissioner Alice Seagren's memorandum dated July 10, 2009 explaining this change.](#) Each school district will recognize the May, June and July school district tax settlement revenue received in that calendar year [not otherwise specified under Minnesota Statutes section 123B.75, subd. 5(b)] in June of the calendar year in which it is received by the district. The department's UFARS manual and guidelines will be updated to reflect this change. This directive excludes all debt service funds.

As part of the unallotment process, there will be a one-time reduction to the district's FY 2011 state aids, which will make the change in the property tax shift revenue neutral to school districts. The attached spreadsheet projects the amount of May, June and July 2011 tax receipts each district will be required to recognize as revenue in June 2011 and the related FY 2011 state aid reduction. These projections are based upon End-of-Session 2009 Forecast assumptions. [View the 2010-11 Estimated Property Tax Shift spreadsheet.](#)

### **Property Tax Shift 2008-09**

Currently, most tax receipts received in May through July are recognized each year as revenue in July. Under Minnesota Statutes section 123B.75, subd. 5(b), a portion of these tax receipts is recognized in June of the calendar year in which it is received by the district. The early recognition of property tax revenue using an accounting entry that takes a portion of the school district's property tax revenue and moves it forward one fiscal year (i.e., taxes that would otherwise be revenue for Fiscal Year 2010 are shifted into Fiscal Year 2009) is referred to as the "property tax shift." A spreadsheet is available showing the current property tax shift for each school district. [View the 2008-09 Property Tax Shift spreadsheet.](#) For FY 2009 and FY 2010, there is no offsetting state aid

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reduction associated with the property tax shift.

## **2008-09 Property Tax Credit**

The reports of the distribution of 2008-2009 school district real and manufactured home property tax credits/aids by fund for all school districts are now available. The reports were prepared by the Local Government Aids Division of the Minnesota Department of Revenue. This is the first year that property tax credit reports are available on MDE's Program Finance Website. In previous years, this memo and hardcopy printout of a school district's property tax credits was mailed out to each school district. [View report for the 2008 Real School District Credits by Fund.](#) [View report for the 2008 Manufactured Home School District Credits by Fund.](#)

## **Minnesota School Finance Awards**

Since FY 2003, the Minnesota Department of Education (MDE) has recognized school organizations that exhibit sound fiscal health and financial management policies and procedures. MDE's School Finance Award is based on compliance with state statute on a number of finance issues and other means of demonstrating fiscal health. [View the complete description of criteria and application form for FY 2010](#) is now available.

Congratulations to the 118 schools and districts for their commitment and financial acumen for FY 2009. A special recognition is extended to the Mankato and Edina school districts - which have won in each of the seven years of the awards history. [View list of award winners.](#)

## **Consolidated Financial Statements**

This [report](#) offers an overview of each school district's financial picture in an easy to read and understandable format for parents and taxpayers. General Fund revenues are shown by source of funds. General Fund salaries, benefits and other expenditures are shown by program category. Other funds, the total sources and uses of funds are also shown. This report is now available for FY 2007 and FY 2008.

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The property tax shift is an accounting entry that takes a portion of the school district's property tax revenue and moves it forward one fiscal year (i.e., taxes that would otherwise be revenue for Fiscal Year 2010 are shifted into Fiscal Year 2009. Minn.Stat. 123B.75, subdivision 5 is the statute requiring the property tax shift).

**Notes:**

The June 30, 2009, tax shift uses the Pay 2009 certified levy plus/minus county auditor adjustments. This data is now finalized.

Payable 2009 credits are used to compute estimated tax receipts. When the shift percentage is at zero, credits have no other impact on the tax shift computation. Preliminary tax credits from the Department of Revenue are used in this spreadsheet.

Tax receipts for May-July 2009 for the general fund and community service fund have been estimated on the Receipts tab. Preliminary payable 2009 credits from the Department of Revenue are used in computing estimated tax receipts. These estimates are carried over to cells E89 and F89 of the Report tab. Districts should override these estimates when actual tax receipts are determined.

**Early Recognition Levies**

Certain levies have been--and will continue to be--shifted 100% with no aid reduction. Recognizing these levies early gets the revenue into the same fiscal year as the related expenditures. Since there is no state aid adjustment for this portion of the shift, there is some revenue impact between years from this shift.

**Other Levies**

Starting in fiscal year 2004, the shift was expanded to include all other general and community service fund levies (net of credits). There is a corresponding state aid adjustment for this portion of the property tax shift, making this portion of the shift revenue neutral to school districts each year. If the shift at the end of the current year is larger than the shift at the end of the previous year, state aid for the current year is reduced for the net increase in the shift. If the shift at the end of the current year is less than the shift at the end of the previous year, state aid for the current year is increased for the net decrease in the shift.

Starting in Fiscal Year 2006, the shift percentage for other levies was set to zero percent.

The **"Reports" tab** shows the property tax shift report for a selected school district.

To select a specific district, type the district number in cell A3 (use 1.2 for Minneapolis) and press enter. Information for the selected district will then appear in the report. Running a macro is not required.

The first section shows the property tax shift report for the school district, with a definition for each tax shift category.

Column 1 is the amount of payable 2009 levy to be recognized in Fiscal Year 2009.

Column 2 is the amount of payable 2008 levy that was recognized in Fiscal Year 2008.

Column 3 is the revenue change to be recognized as a result of the levies shifted with with no aid reduction (net of column 1 and column 2 for these categories).

Column 4 is the net shift amount to be recognized as a result of levies shifted with an aid reduction. A negative amount in this column represents a debit balance in source 020 and related credit balance in source 299. For Fiscal Year 2009, all amounts in this column should be zero.

Column 5 is the state aid payment (reduction) that is being made in the current year for the property tax shift. For Fiscal Year 2009, there is no state aid adjustment and all amounts in this column should be zero.

Column 6 represents the state aid payment (reduction) that will be made next year, for this year's tax shift. Column 4 plus column 5 plus column 6 should equal zero. For Fiscal Year 2009, all amounts in this column should be zero.

The second section discusses the assumptions that have been made in generating the entries to record the tax shift. Also review the "Accounts" and "Entries" tab.

In the third section, estimated tax receipts for May, June and July 2009 have been computed. See blue highlighted area. Override these estimates with actual tax settlement receipts for May, June and July 2009 when this data is available. If the gross shift amount is greater than May, June and July tax receipts, the district will recognize Fiscal Year 2010 general education aid early in an amount equal to the difference between tax receipts and the gross shift.

The fourth section provides information to make the year-end accounting entries for the Fiscal Year 2009 property tax shift. The entry will include any general education aid to be recognized early if tax settlement receipts entered in section three are less than the gross shift amount.

Enter data on the **"Funds" tab** if you want to use the reconciliation feature in the Accounts tab.

Enter certified levy by fund for payable 2002 through 2009 in the yellow highlighted section. Verify total certified levy. This data is used in the "Accounts" tab to automatically enter the certified levy and to allocate abatements and adjustments.

Enter tax settlements received during Fiscal Year 2009 in the green highlighted section. The green outlined section below will then show each settlement allocated by fund. This data carries over as settlements received in the "Accounts" tab.

The **"Accounts" tab** provides a year-end reconciliation for each tax-related account.

This section shows how to determine the balance to be reflected in each account at year-end after all tax entries (including the property tax shift entries) have been made. Balance sheet accounts are listed first and then revenue source codes. Also shown is the source document where the data for each step of the reconciliation can be obtained.

This tab can serve as a year-end reconciliation tool. Enter data in the highlighted fields on this tab and in the "Funds" tab. All other fields in this tab will automatically be computed.

The **"Entries" tab** shows standard accounting entries for recording property taxes.

The entries start with the levy being certified by the school board and work through a full year of accounting entries.

The other tabs in this spreadsheet provide the data that is used to create the tax shift report shown in the "Reports" tab.

If you have questions about the property tax shift or about using this spreadsheet, contact Colleen Leemon by phone at 651-582-8566 or by e-mail at [colleen.leemon@state.mn.us](mailto:colleen.leemon@state.mn.us).

PROPERTY TAX SHIFT YEAR-END RECONCILIATION

08/21/09

June 30, 2009

1 Enter District Number

AITKIN

	1	2	3	4	5	6
	Gross Shift	Replacement for	FY 2009	FY 2009 Net	State Aid	Revenue
	Amount	07 Pay 08 Shift	Revenue Adjust	Shift Amount	Adjustment	Adjustment
	08 Pay 09		Src 001	Src Code 020	Src Code 299	Src Code 299
A General - Shift & Adjust Aid	0.00	0.00		0.00		
B General - Operating Referendum (with aid adjust)	0.00	0.00		0.00		
C General - Operating Referendum (no aid adjust)	141,143.88	141,143.88	0.00			
D General - Addl Referendum Shift	0.00	0.00	0.00			
E General - Career Technical	25,985.60	25,985.60	0.00			
F General - 100% Shift, No Adjust	0.00	(0.00)	0.00			
G General - Reemploy Ins (Reserved)	0.00	0.00	0.00			
H General - Reemploy Ins (Unreserved)	15,619.11	8,813.49	6,805.62			
I General - Legislative Changes	0.00	0.00	0.00			
J General Fund Total	182,748.59	175,942.97	6,805.62	0.00	0.00	0.00
K Comm Serv - Shift & Adjust Aid	0.00	0.00		0.00		
L Comm Serv - 100% Shift, No Adjust	0.00	0.00	0.00			
M Comm Serv - Legislative Change	0.00	3,784.00	(3,784.00)			
N Comm Serv Fund Total	0.00	3,784.00	(3,784.00)	0.00	0.00	0.00
O Total	182,748.59	179,726.97	3,021.62	0.00	0.00	0.00

Definitions of levy categories within funds

The following categories are mutually exclusive, that is, each levy appears in one category only.

Shift & Adjust Aid	For Pay 2008 and Pay 2009 this category is zero.
Operating referendum (with aid adjust)	For Pay 2008 and Pay 2009 this category is zero.
Operating referendum (no aid adjust)	This category is the Pay 2001 referendum levy shifted at 31%. This amount will be constant from year to year.
Addl referendum shift	This is an additional revenue shift for districts that had a decrease in Pay 1994 referendum levy due to the net of changes in the allocation of HACA and the increase in referendum equalization aid. This amount will be constant from year to year.
Career Technical	Career technical levy shifted at 100% with no aid adjustment.
100% shift, no adjust	Includes levies that are shifted at 100% and for which there is no reduction to state aid. This category includes integration for first class districts, additional retirement, health benefits, and related adjustments.
Reemploy Ins (reserved)	Includes reemployment insurance levy adjustments for FY 2003 shifted at 100% with no aid adjustment.
Reemploy Ins (unreserved)	Includes reemployment insurance levy and adjustments for FY 2004 and later shifted at 100% with no aid adjustment.
Legislative changes	Includes selected levies that have been adjusted based on legislation that changes a levy authority after the levy has been certified (See Minn. Stat. § 126C.48, subdivision 6). The revenue shift is at 100% and there is no adjustment to state aids. For Pay 2008 this category includes the FY 2008 Early Childhood Adjustment. For Pay 2009 this category includes 50% of the Local Collaborative Time Study (LCTS) levy for all districts and 100% of the Emergency Repair levy for district #706.

<b>ASSUMPTIONS:</b>			
1)	Property Taxes for Subsequent Years (GNL 235) entries have already taken place. Prior to the tax shift entries the balance in account 235 should equal the Certified Pay 2009 levy from the School Tax Report, column 21.		
2)	If the Advance of Unearned General Education Revenue (GNL 214) was used in FY 2008, enough general ed payments should have been coded to 214 to zero out the account. If not, the following entry should be made:		
			Debit                      Credit
REV	01-005-000-000-211-000	Gen Ed Revenue	0.00
REV	04-005-000-000-211-000	Gen Ed Revenue	3,784.00
GNL	01-214	Adv of Unearned Gen Ed	0.00
GNL	04-214	Adv of Unearned Gen Ed	3,784.00
3)	The FY 2009 tax shift adjustments reflected on the IDEAS reports should have been recorded to source 299. If not, the following entries should be made:		
			Debit                      Credit
REV	01-005-000-000-299-000	Prop Tax Shift Adjustment	0.00
REV	04-005-000-000-299-000	Prop Tax Shift Adjustment	0.00
REV	01-005-000-XXX-XXX-000	State Aid Receivable or State Aid Rev	0.00
REV	04-005-000-XXX-XXX-000	State Aid Receivable or State Aid Rev	0.00

ENTER: May/June/July 2009 Receipts for:	General Fund	Comm Service Fund
Pay 2009 Real Estate and Personal Property Taxes	\$ 366,539.12	\$ -
Pay 2001-Pay 2008 Real Estate and Personal Property Taxes	-	-
Pay 2009 Fiscal Disparities	-	-
Pay 2009 Taconite Homestead Credit	-	-
Mobile Home Taxes	-	-
<b>Total May/June/July Tax Settlement Receipts</b>	<b>\$ 366,539.12</b>	<b>\$ -</b>

**Note:** District should override when actual data is available

Entry to record June 2009 property tax shift			Debit (Credit)	Credit (Debit)	
GNL	01-235	Prop Tax Sub Years	182,748.59		Column 1 - line J
	01-214	Adv of Unearned Gen Ed	0.00		
GNL	04-235	Prop Tax Sub Years	0.00		Column 1 - line N
	04-214	Adv of Unearned Gen Ed	0.00		
(recognition of gross shift for FY08)					
REV	01-005-000-000-001-000	Local Property Taxes--Reemployment		0.00	Column 1 - line G
REV	01-005-000-830-001-000	Local Property Taxes--Career Technical		25,985.60	Column 1 - line E
REV	01-005-000-830-211-000 (if not enough tax receipts)	Gen Ed Revenue--Career Technical		0.00	Column 1 - line C+D+F+H+I
REV	01-005-000-000-001-000	Local Property Taxes		156,762.99	
REV	01-005-000-000-211-000 (if not enough tax receipts)	Gen Ed Revenue		0.00	Column 1 - line L+M
REV	04-005-000-XXX-001-000	Local Property Taxes		0.00	
REV	04-005-000-XXX-211-000	Gen Ed Revenue		0.00	
(spread of early recognition items for FY08)					
REV	01-005-000-000-211-000	Gen Ed Revenue		0.00	Entry to GNL 214 minus entries to SRC 211
REV	01-005-000-000-296-000	Property Tax Shift Offset Adjustment	0.00		
REV	04-005-000-000-211-000	Gen Ed Revenue		0.00	Entry to GNL 214 minus entries to SRC 211
REV	04-005-000-000-296-000	Property Tax Shift Offset Adjustment	0.00		
(adjustment to balance GNL 214 account with SRC 211)					
REV	01-005-000-000-001-000	Local Property Taxes		0.00	Column 2 - line A+B
REV	04-005-000-XXX-001-000	Local Property Taxes		0.00	Column 2 - line K
(reverse prior year shift)					
REV	01-005-000-000-020-000	Prop Tax Shift Revenue		0.00	Column 4 - line J
REV	04-005-000-000-020-000	Prop Tax Shift Revenue		0.00	Column 4 - line N
(spread of tax shift amount for FY08)					
<b>Total</b>			<b>182,748.59</b>	<b>182,748.59</b>	

REV	01-005-000-000-299-000	State Aid Adjustment for Shift		0.00	Column 6 - line J
GNL	01-101	Cash	0.00		
REV	04-005-000-000-299-000	State Aid Adjustment for Shift		0.00	Column 6 - line N
GNL	04-101	Cash	0.00		
GNL	01-213	Property Tax Shift Adjustment	0.00		Column 6 - line O
GNL	01-101	Cash		0.00	
(modification by fund to correct (increase or decrease) property tax shift adjustment and redistribution of prior adjustment per Ideas report)					
<b>Total</b>			<b>0.00</b>	<b>0.00</b>	