

Accountability for State-Funded Revenue Streams

1) Most state-funded revenues streams are based on pupil data and/or approved expenditures:

**Funding Basis for Major State State-Funded Revenue Streams
FY 2017 Revenues (\$ in millions)**

STATUTE	PROGRAM	FUNDING BASIS			FY 2017 Revenue (\$ in millions)		
		Students	Expend	Other	AID	LEVY	REVENUE
126C.10	Basic General Education	X			5,670.4	20.2	5,690.7
126C.10	Basic Skills	X			605.2	-	605.2
126C.10	Operating Capital	X		X	211.5	-	211.5
126C.17	Operating Referendum	X		X	744.8	586.0	1,330.8
126C.10	Other Gen Ed.	X	X	X	702.9	497.7	1,200.6
	TOTAL GEN ED				7,934.7	1,104.0	9,038.7
125A.76	Special Education Aid	X	X		1,293.2	-	1,293.2
123B.53	Debt Service Equalization		X	X	20.4	713.8	734.2
123B.595	Long-Term Facilities Maintenance	X	X	X	29.0	162.8	191.8
122A.415	Q Comp	X		X	88.9	33.2	122.2
124D.862	Achievement and Integration	X	X	X	65.4	28.5	93.9
126C.40	Lease Levy	X	X		-	71.9	71.9
124E.22	Charter School Lease Aid	X	X		69.0	-	69.0
124D.165	Early Learning Scholarships			X	59.3		59.3
124D.135	Early Childhood Family Education			X	29.0	22.1	51.1

STATUTE	PROGRAM	FUNDING BASIS			FY 2017 Revenue (\$ in millions)		
		Students	Expend	Other	AID	LEVY	REVENUE
126C.43-45	Miscellaneous Levies				-	44.1	44.1
124D.531	Adult Education			X	41.5	-	41.5
124D.20	Community Education			X	0.5	39.3	39.8
124D.4531	Career Technical		X	X	4.5	20.8	25.3
123B.92	Nonpublic Transportation Aid	X	X		17.8	-	17.8
124D.111	School Lunch			X	15.1	-	15.1
124D.13	School-Age Care		X		0.001	15.0	15.0
124D.87	Deseg Transportation		X		13.5	-	13.5
124D.1158	School Breakfast			X	9.4	-	9.4

2) Accountability is built into the systems MDE uses to collect data used to drive state aid and levy calculations. These systems include:

- Minnesota Automated Reporting Student System (MARSS)
- Electronic Data Reporting System (EDRS)
- Uniform Financial Accounting and Reporting Standards (UFARS)
- Applications for various categorical aid programs

3) Student Data Reported Through MARSS

- Minnesota's reporting system for students is based on individual student data.
- Each student is assigned a MARSS number when they first touch the public school system, e.g., enrolled in a Minnesota public school, receive preschool screening, access a Pathways Scholarship, etc., which is used to report all information for that student through high school graduation. This assures that students cannot be duplicated in the data base. The Student Identification Validation System is used agency wide for all student level data to assure that a unique number is assigned to individual students.
- Each time a student enrolls or leaves a districts / school, a separate MARSS enrollment record is generated which identifies the start date and the end date, along with other information on the student.
- Many students are enrolled in more than one district / school during a school year and generate multiple MARSS enrollment records for the year. In FY 17 LEAs reported 1.11 million MARSS enrollment records in the fall from which were used to calculate the October 1 enrollments and December 1 child count.
- At year-end districts submitted 1.34 million MARSS enrollment records which were used to compute various categories of Average Daily Membership (ADM).
- All MARSS files are first edited locally via an MDE web-based edit program. Periodically during the reporting cycle a statewide edit is run. There are currently over 400 edits run between the two processes. Warning edits identify data that falls outside usual ranges and others are errors that indicate corrections are required.
- Warning messages include:
 - Direct certification that notifies districts of students who may be eligible for the free meal program and thus compensatory revenue.
 - No attendance or membership is reported.
 - No students reported as eligible for the free or reduced price meal program.
 - No students found generating 1.0 ADM.
 - All students' home language is English.
- Records in error are excluded from student counts used to generate funding. Examples of errors include:
 - Date overlap notices to assure that no student is reported as enrolled in two schools or districts at the same time.
 - Membership days exceed the number of calendar days between the enrollment dates or exceed the number of instructional days at the school and grade.
 - Student number is already assigned to a different student.
- There are about 60 reports made available to districts and charter schools to verify the data's reasonableness. These reports allow them to review records in error, see data changes from the prior year for select data items, review summary statistics and extract lists of students meeting select criteria.

4) Expenditure Data Reporting - Special Education Example

- Special education funding is based primarily on detailed expenditure data reported through EDRS and cross checked against summary-level UFARS data.
- In FY 17, LEAs reported over 137,000 lines of data in EDRS. This includes roughly 110,000 lines of salary expenditures for individual district/school staff and contracted personnel, of which 65,000 are paraprofessional which do not require a license. 24,000 lines are for staff requiring licenses through the PELSB and the remainder are licensed staff through other agencies like Human Services.
- There are 164 edit checks in EDRS to monitor / verify the accuracy of data reported by districts. 103 are related to lines for salaries, contracted services and supplies/equipment. The remaining edits are completed for individual student reported costs like contracted placements and one to one paraprofessional student hours.
- Some of the common edit checks are as follows:
 - Positions licensed through PELSB are required to enter their folder number so the system can edit against STAR to verify the person is appropriately licensed (this is for 14 different positions ranging from teachers, social workers, SpEd directors, psychologists, etc.).
 - The computed rate of pay exceeds the norm for this class of personnel (rates are set for every type of service like teachers = \$80/hr, paras = \$30/hr and so on).
 - FTE edit checks based on the contracted days, minutes provided by each LEA (this is performed for all entries requiring a folder number).
 - There are 29 errors related to missing or invalid combinations (this is similar to the UFARS restricted grid for code combinations). There are certain combinations that require prior approval, meaning all enter costs are in error and MDE will remove the error when proper documentation to support the cost is provided (ex. include purchasing equipment over \$5K, all consultant contracts, out of state travel and construction/remodeling projects).
 - All student lines edit against MARSS to verify the student exists and at the school reporting the expenditure.
- At the end of the year when we have final UFARS we run a reconciliation process to verify UFARS and EDRS coding to ensure LEAs have spent in UFARS what they reported in EDRS. This resulted in 78 adjusting entries totaling \$1.26M in FY 17.

5) UFARS Reporting for State Programs Requiring Separate Accounting

When state or federal law requires separate accounting and reporting of revenues, expenditures and fund balances for certain purposes, UFARS uses a Finance code to record all revenues and expenditures, and a separate restricted / reserved fund balance is used to ensure that any unspent funds are tracked separately. Below is a summary showing the codes used for major state-funded categorical programs:

FY 2018 RESERVE FUND BALANCES AND CORRESPONDING FINANCE CODES

Reserve Acct #	Fund(s)		Finance Code(s)	Statute	Fund Balance 6/30/17
403	1	Restricted/Reserved for Staff Development	316	M.S. 122A.60-61	23,574,071
407	1 & 6	Restricted/Reserved for Capital Projects Levy	795	M.S. 123B.63	47,825,912
413	6	Restricted/Reserved for Building Projects Funded by Certificates of Participation/Lease Purchase (COP/LP) Agreement with Related Lease Levy Authority	791	M.S. 126C.40	42,979,644
424	1	Restricted/Reserved for Operating Capital	302	M.S. 126C.10	170,319,766
427	1	Restricted/Reserved for Disabled Accessibility	794	M.S. 126B.58	158,892
428	1	Restricted/Reserved for Learning and Development	330	M.S. 126C.12	7,518,832
431	4	Restricted/Reserved for Community Education	321, 326, 332, 362, 791	M.S. 124D.20 Subd.8, M.S. 124D.56, M.S.124D.19 Subd.12-13, M.S.124D.20 Subd.4, M.S.126C.40	52,723,116
432	4	Restricted/Reserved for Early Childhood and Family Education	325, 328	M.S. 124D.13 and 124D.135, M.S 124D.13 Subd. 4 and 124D.135 Subd. 6	21,112,320
434	1	Restricted/Reserved for Area Learning Center	303	M.S.123A.05, Subd.2	6,628,314
435	1	Restricted/Reserved for Contracted Alternative Programs	304	M.S 124D.69, Subd.1	19,894
436	1	Restricted/Reserved for State-Approved Alternative Programs	305	M.S. 123.05. Subd. 2	3,657,278
438	1	Restricted/Reserved for Gifted and Talented	388	M.S. 120B.15	3,641,913
440	1 & 4	Restricted/Reserved for Teacher Development and Evaluation	319	M.S. 122A.414-415	1,672,249
441	1	Restricted/Reserved for Basic Skills Programs	317	M.S. 126C.10 Subd. 4	15,135,399
444	4	Restricted/Reserved for School Readiness	337/338**, 344	M.S. 124D.165, M.S. 124D.15 and 124D.16	18,059,527
445	1	Restricted/Reserved for Career and Technical Programs	830	M.S. 124D.4531	43,979

Reserve Acct #	Fund(s)		Finance Code(s)	Statute	Fund Balance 6/30/17
447	4	Restricted/Reserved for Adult Basic Education	322, 324, 438/638, 801/901-803/903	M.S.124.531, M.S. 124D.55 & M.S. 124D.522, M.S. 124D.165, CFDA 84.002A	6,698,106
448	1 & 9	Restricted/Reserved for Achievement and Integration Revenue	313, 318	M.S.124D.862, M.S.124D.862 Subd 2	1,255,631
449	1 & 6	Restricted/Reserved for Safe Schools Levy	342	M.S. 126C.44	5,680,399
464	2	Restricted Fund Balance - Food Service	469, 499, 599, 699, 701-709, 792, 796-797, 859/959	Federal law and , M.S. 126C.41 Subd.6, M.S. 126C.41, M.S. 126C.41 Subd.2(b)	81,332,704
464	4	Restricted Fund Balance - Community Education	311, 337/338**, 350, 351, 353, 354, 364**, 469, 499**, 514, 518, 599**, 699**, 702, 792, 796/797**, 799, 869/969	Federal law and M.S. 125B.26, M.S. 124D.165, M.S. 123B.40 to 123B.445 and M.S. 123B.41, , M.S. 123B.40-.42, M.S. 123B.40-.445, M.S. 121A.16-.19, M.S. 124D.57, , M.S. 126C.41 Subd. 6, M.S. 126C.41, M.S. 126C.41, Subd. 2(b)	10,946,655
467	1, 6	Restricted/Reserved for Long-Term Facilities Maintenance (LTFM)	347, 349, 352, 355, 358, 363, 366-370, 379-384	M.S. 123B.595, Subd.12	342,418,900

6) MDE Audit of Data Driving State Aid and Levy Calculations

- MS127A.41, subdivisions 3 and 4, provides authority for MDE audit of data submitted by school districts and charters schools which drives state aid and levy calculations:

Subd. 3. Audits. The commissioner shall establish procedures for conducting and shall conduct audits of district records and files for the purpose of verifying district pupil counts, levy limitations, and aid entitlements. The commissioner shall establish procedures for selecting and shall select districts to be audited. Disparities, if any, between pupil counts, levy limitations, or aid entitlements determined by audit of district records and files and data reported by districts in reports, claims and other documents shall be reviewed by the commissioner who shall order increases or decreases accordingly. Whenever possible, the commissioner shall audit at least 25 districts each year pursuant to this subdivision. Procedures adopted under this subdivision are not subject to chapter 14, including section 14.386, and may differ from the procedures under section 127A.42.

Subd. 4. Less than 25 districts audited. If the commissioner audits fewer than 25 districts in a fiscal year pursuant to subdivision 3, the commissioner shall report the reasons for the number audited to the following legislative committees: house of representatives education, house of representatives appropriations, senate education, and senate finance.

- Below is a summary of audits completed during the past three fiscal years and to date for FY 18:

FY 18 to date (Final Audits)			FY 17		
Audit/Revenue Type	Number of Audits	Adjustment Amount	Audit/Revenue Type	Number of Audits	Adjustment Amount
Compensatory	16	(314,450)	Compensatory	26	(359,562)
Student Accounting (ADM)	8	(474,496)	Student Accounting (ADM)	15	(165,374)
Totals	24	(788,946)	SPED Tuition Billing*	0	(6,778)
			Shared Time Revenue*	0	(58)
			Compensatory Short Year*	0	(77,239)
			Totals	41	(609,011)
FY 16			FY 15		
Audit/Revenue Type	Number of Audits	Adjustment Amount	Audit/Revenue Type	Number of Audits	Adjustment Amount
Compensatory	32	(211,301)	Compensatory	21	(3,284,376)
Student Accounting (ADM)	16	(110,730)	Student Accounting (ADM)	12	(1,063,580)
Non Public Pupil Aid	1	(6,370)	Shared Time Revenue*	0	1,891
Shared Time Revenue*	0	(46,870)	Private Alternative Rev*	0	(2,588)
Totals	49	(375,271)	Totals	33	(4,348,653)

* Audits were not conducted in this area; however, other audit areas impacted this revenue.

7) Fiscal Monitoring of Special Education Programs

- MDE’s Division of Compliance and Assistance does fiscal monitoring of LEA special education programs. Below is a summary of fiscal monitoring over the past three years:

Fiscal Monitoring by School Year	Number of Local Education Units in Fiscal Monitoring	Summary of Findings
2016-17 school year (FY 2017)	108 reviews (15% involved a site visit)	535 corrective action plans
2015-16 school year (FY 2016)	106 reviews (15% involved a site visit)	547 corrective action plans
2014-15 school year (FY 2015)	11 reviews (14% involved a site visit)	383 corrective action plans
Major area of noncompliance	<p>The Fiscal Monitoring reports for the past three years can be found on the MDE website at the following link Under Special Education :</p> <p>http://w20.education.state.mn.us/MDEAnalytics/Data.jsp.</p>	<p>Of the areas reviewed, procurement has consistently had the highest number of violations. We look to see if they have internal processes in place and if they have communicated those processes with their staff. They need to document that it is a special education eligible expense.</p>