

Guidance for Transfer of Funds

Minnesota Laws 2011, 1st Special Session, Chapter 11, Article 5, Section 11

As Amended by Laws 2012, Chapter 239, Article 1, Section 31 and Laws of Minnesota for 2013, Chapter 116, Article 7, Section 19

Guidance to districts seeking approval to complete permanent transfers for FY 2013, FY 2014 and FY 2015, under the authority granted in Laws 2011, 1st Special Session, Chapter 11, Article 5, Section 11, as amended by Laws 2012, Chapter 239, Article 1, Section 31 and Laws of Minnesota for 2013, Chapter 116, Article 7, Section 19.

Transfers may not be approved under this authority that would affect June 30, 2011, year end balances.

Existing statute provides the following process for districts to seek commissioner approval to make permanent fund transfers outside of those permitted under Minnesota Statutes, section 123B.79:

Minnesota Statutes, section 123B.80 EXCEPTIONS FOR PERMANENT FUND TRANSFERS.

Subdivision 1. Commissioner's authorization. The commissioner may authorize a board to transfer money from any fund or account to another fund or account according to this section.

Subdivision 2. Application. A board requesting authority to transfer money must apply to the commissioner and provide information requested. The application must indicate the law or rule prohibiting the desired transfer. The application must be signed by the superintendent and approved by the school board.

Subdivision 3. Approval standard. The commissioner may approve a request only when an event has occurred in a district that could not have been foreseen by the district. The event must relate directly to the fund or account involved and to the amount to be transferred.

The 2011 Legislature enacted a temporary exception to the approval standard set in Minnesota Statutes, section 123B.80, subdivision 3, for FY 2012 and FY 2013. The 2012 Legislature extended this authority through FY 2015 however; the 2013 Legislature added a limitation to not permit transfers from the reserved account for staff development under 122A.61.

Laws 2011, 1st Special Session, Chapter 11, Article 5, Section 11, as amended by Laws 2012, Chapter 239, Article 1, Section 31 states:

Sec. 11. FUND TRANSFER; FISCAL YEARS 2012 AND 2013 ONLY.

(a) Notwithstanding Minnesota Statutes, section 123B.80, subdivision 3, for fiscal years 2012 through FY 2015 only, the commissioner must approve a request for a fund transfer if the transfer does not increase state aid obligations to the district or result in additional property tax authority for the district. This section does not permit transfers from the community service fund or the food service fund.

(b) A school board may approve a fund transfer under paragraph (a) only after adopting a resolution stating the fund transfer will not diminish instructional opportunities for students.

For FY 2012 and FY 2013 only, a board may request authority to make a permanent transfer without the need to identify an unforeseen event directly related to the fund or account involved, as long as the transfer meets the following criteria:

1. The transfer must not affect June 30, 2011 fund balances;
2. The transfer cannot be from Fund 02, Food Service, or Fund 04, Community Service; Staff Development for fiscal years 2014 and 2015.
3. The transfer cannot increase state aid obligations to the district;
4. The transfer cannot result in additional property tax authority for the district;
5. The application for transfer must cite the law or rule prohibiting the desired transfer and identify the fiscal year affected by the transfer, the amount and specific accounts from/to which funds are to be transferred, and be signed by the superintendent and approved by the school board.
6. An application may be made by submitting a required "Request for Fund Transfer" form under Laws 2011, and a copy of the school board minutes:
 - a. Documenting adoption of a board resolution stating that the fund transfer requested in the application will not diminish instructional opportunities for students; and
 - b. Documenting board approval of the funds transfer

Laws of Minnesota for 2013, Chapter 116, Article 7, Section 19

Sec. 19. FUND TRANSFER; FISCAL YEARS 2014 AND 2015 ONLY.

(a) Notwithstanding Minnesota Statutes, section 123B.80, subdivision 3, for fiscal years 2014 and 2015 only, the commissioner must approve a request for a fund transfer if the transfer does not increase state aid obligations to the district or result in additional property tax authority for the district. This section does not permit transfers from the community service fund, the food service fund, or the reserved account for staff development under section 122A.61.

(b) A school board may approve a fund transfer under paragraph (a) only after adopting a resolution stating the fund transfer will not diminish instructional opportunities for students.

EFFECTIVE DATE. This section is effective July 1, 2013.

The table below summarizes transfer authority permitted under Laws 2011, 1st Special Session, Chapter 11, Article 5, Section 11 and Laws of Minnesota for 2013, Chapter 116, Article 7, Section 19, for reserved/restricted accounts in Fund 01, General Fund.

FIN Code	Reserve #	Reserve Name	Statute Prohibiting Transfer	TRANSFER ALLOWED in FY 2014 and FY 2015 with Commissioner's Approval
316	403	Staff Development	Laws of Minnesota for 2013, Chapter 116, Article 7, Section 19	NO
385	405	Deferred Maintenance	Minn. Stat. § 123B.591	YES
	406	Health and Safety	Minn. Stat. § 123B.57, Subd. 3	NO
	407	Capital Projects	Minn. Stat. § 123B.63, Subd. 4	NO
310	408	Cooperative	Minn. Stat. § 123A.27	YES
	409	Alternative Facilities	Minn. Stat. § 123B.59, Subd. 8	NO
	413	Building Projects with Lease Levy	Minn. Stat. § 126C.40	NO
	414	Operating Debt	No current authorization	NO
	416	Levy Reduction	Minn. Stat. § 475.61, Subd. 4	NO
390	417	Taconite Building Maintenance	Minn. Stat. § 298.28, Subd 4 (b)(ii)	YES
327	423	Certain Teacher Programs	Minn. Stat. § 124D.31	YES
302	424	Operating Capital	Minn. Stat. § 126C.10, Subd. 14	YES
371	426	\$25 Taconite	Minn. Stat. § 298.28, Subd. 4 (d)	YES
	427	Disabled Access	Minn. Stat. § 123B.58	NO
330	428	Learning and Development	Minn. Stat. § 126C.12, Subd. 4-5	YES
303	434	Area Learning Center (ALC)	Minn. Stat. § 123A.05, Subd. 2	YES
304	435	Contracted Alternative Programs	Minn. Stat. § 124D.69, Subd. 2	YES
305	436	State Approved Alternative Programs	Minn. Stat. § 126C.05, Subd. 15	YES
388	438	Gifted and Talented	Minn. Stat. § 126C.10, Subd. 2b	YES
317	441	Basic Skills	Minn. Stat. § 126C.15	YES
830	445	Career Tech	Minn. Stat. § 124D.4531	NO
339	449	Safe Schools Levy	Minn. Stat. § 124C.44	YES
345	450	Transition for Pre-Kindergarten	Minn. Stat. § 126C.10, Subd. 31b	YES
	451	QZAB and QSCB Future Payback	Restricted by debt covenants	NO
	452	OPEB Liabilities not held in a trust	Minn. Stat. § 475.52, Subd. 6	NO
	453	Unfunded Severance and Retirement Levy	Minn. Stat. § 126C.41, Subd. 6	NO

Transfers from the following funds impact levy authority and/or state aid and therefore cannot be approved under the authority granted under Laws 2011, 1st Special Session, Chapter 11, Article 5,

Section 11:

- *Transfers from the Debt Service Fund (07) to another fund. Minnesota Statutes, section 475.61, subdivision 3 (e) requires that excess debt redemption funds be used to reduce levies. Subdivision 4 (a) of this section requires that any surplus funds remaining after obligations are paid in full are to be used to reduce levies and state aids, except for any surplus on retired obligations authorized on or after July 1, 2005, which the district “may appropriate to any other general purpose” without any reduction in state aid or levies.*

- *Transfers from the Building Construction Fund (06) to another fund. Minnesota Statutes, section 475.65 requires any balance remaining after projects have been completed and paid for to become part of the debt service fund and used to reduce levies and aids, unless “devoted to any other public use authorized by law, and approved by resolution adopted or vote taken in the manner required to authorize bonds for such new use and purpose.” Note:*

This means that a decision to reuse surplus building construction funds is subject to the same procedural requirements as the project for which funds were originally authorized; for example, a referendum to authorize the repurposing of bond proceeds previously approved by district voters; or submission of a review and comment, and school board approval for a new project funded from surplus non-voter-approved bond or levy proceeds.

Identified below is an example of accounting treatment for transfer transactions approved under 123B.80. Two new Uniform Financial Accounting and Reporting Standards (UFARS) codes, Object Code 911 and Source Code 651, have been established and must be used to record commissioner-approved transfers.

NOTE: Transfers using these codes may only occur between funds and reserve accounts where transfers have been approved by the Commissioner of the Minnesota Department of Education.

Transfer must use designated new object/source codes along with the related finance code.

Object 911- Commissioner Approved Transfers - Out

Source 651- Commissioner Approved Transfers - In

Transaction example:

Proposed entry within Fund 01			
FD-ORG-PRO-	FIN- OBJ/ SRC	DR	CR
01-005-950-302-	911	XXX	
01-005-000-000-	651		XXX