



Districts with Statutory Operating Debt Fiscal Year 2023

Report to the Legislature

As required by Minnesota Statutes 2023, section 123B.83, subdivision 3

For more information:

Molly Koppes
Division of School Finance
Minnesota Department of Education
400 NE Stinson Blvd.
Minneapolis, MN 55413
(651) 582-8249
Molly.Koppes@state.mn.us
education.mn.gov

As requested by Minnesota Statutes 2023, section 3.197: This report cost approximately \$245.13 to prepare, including staff time, printing, and mailing expenses.

Upon request, this material will be made available in an alternative format such as large print, braille or audio recording. Printed on recycled paper.

Table of Contents

For more information:.....	2
Legislative Charge.....	4
Introduction.....	4
Analysis.....	5
Table 1: School Districts and Charter Schools in SOD at the Close of FY 2023.....	5
Conclusion	7
Table 2: School Districts (Types 1, 2, 3, 6, and 8) and Charter Schools (Type 7).....	7
Bibliography.....	8

Legislative Charge

Under Minnesota Statutes 2023, section 123B.81, subdivision 2, a school district or charter school is in statutory operating debt (SOD) when it reports a year-end net negative unreserved general fund balance more than negative 2.5% of its unreserved/undesignated operating expenditures.

Introduction

This report is notification to the Legislature of school districts and charter schools¹ in statutory operating debt (SOD), as required by Minnesota Statutes 2023, section 123B.83, subdivision 3:

“If a district does not limit its expenditures in accordance with this section, the commissioner may so notify the appropriate committees of the legislature by no later than February 15 of the year following the end of that fiscal year.”

The information in this report has been compiled from Fiscal Year (FY) 2023 Uniform Financial Accounting and Reporting Standards (UFARS) financial data. All Minnesota school districts and charter schools² must report their audited financial data for the previous fiscal year to the Minnesota Department of Education (MDE) by November 30 and submit an audited financial statement to MDE by December 31 (Minnesota Statutes 2023, 123B.77, subdivision 3).

By January 31 of the following fiscal year, a district/charter school in SOD and its board of education are required to create and implement a special operating plan that is formally approved through a board resolution and submitted to the commissioner of MDE for approval. SOD plan requirements consist of narratives on the district or charter school’s current SOD position; budget development and financial management processes; ongoing financial monitoring processes and procedures; special operating plan budget projections; and school board resolution. MDE staff work with school districts and charter schools in preparation of the special operating plan and monitor district/charter school progress.

Note: Effective for FY 2011 and later years, UFARS fund balance account codes were modified to accommodate the implementation of Government Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. Under these new accounting standards, general fund ending balances formerly reported in 422 Unreserved/Undesignated are now classified into one of five categories:

1) Non-spendable; 2) Restricted; 3) Committed; 4) Assigned; or, 5) Unassigned. The SOD calculation includes the following fund balance accounts: 418 Committed for Separation/Retirement Benefits; 460 Non-spendable Fund

¹ Under Minnesota Statutes 2023, section 124E.16, subdivision 1, charter schools must comply with Minnesota Statutes 2023, section 123B.83.

² Under Minnesota Statutes 2023, section 124E.16, subdivision 1, charter schools must comply with Minnesota Statutes 2023, section 123B.77.

Balance; 461 Committed Fund Balance; 462 Assigned Fund Balance; 464 Restricted Fund Balance; 475 Restricted for Title VII- Impact Aid Funds; 476 Restricted for Payments in Lieu of Taxes (PILT) and 422 Unassigned Fund Balance.

Analysis

There were six active local education agencies in SOD at the close of FY 2022: two school districts and four charter schools. Fiscal Year 2023 had a total of eight school districts and eight charter schools in SOD status (Table 1). Subsequently, two of the charter schools have closed: Link Public Schools #4286 and School of Leadership for Public Service #4292. At the time of this report a third charter school has since made the decision to close effective January 12, 2024: Legacy of Dr. Josie R. Johnson Montessori #4189.

Three charter schools in SOD for FY 2022 were no longer in SOD at the close of FY 2023: Bdote Learning Center #4226, Aspire Academy Charter School #4280, and Bultum Academy Charter School #4295. Two independent school districts and one charter school in SOD in FY 2022 remained in SOD at the close of FY 2023, including Waconia #110, Kenyon-Wanamingo #2172 and Green Isle Community School #4144.

Among the entities in SOD at the close of FY 2023, four school districts and one charter school had been in SOD in prior periods: Waconia #110 in FY 2018, FY 2019, FY 2020, FY 2021 and FY 2022; Alden-Conger #242 in FY 2010, FY 2011, FY 2012 and FY 2013; Upsala #487 in FY 2006, FY 2007 and FY 2008; Kenyon-Wanamingo #2172 in FY 2004, FY 2005 and FY 2022; and Green Isle Community School #4144 in FY 2022.

Table 1: School Districts and Charter Schools in SOD at the Close of FY 2023

Number	Type	Name	Unreserved General Fund Balance	General Fund Expenditures	FY 2023 SOD Calculation	Final UFARS Received	Final Audit Received	FY 2023 SOD Plan Received ³	Fiscal Years in SOD
110	1	Waconia Public School District	\$-5,210,781	\$48,205,112	-10.81%	Yes	Yes	No	2018, 2019, 2020, 2021, 2022
242	1	Alden-Conger	\$-325,084	\$5,336,076	-6.09%	Yes	Yes	No	2010, 2011, 2012, 2013

³ SOD plan due date of January 31 is after the due date of this report.

Number	Type	Name	Unreserved General Fund Balance	General Fund Expenditures	FY 2023 SOD Calculation	Final UFARS Received	Final Audit Received	FY 2023 SOD Plan Received ₃	Fiscal Years in SOD
487	1	Upsala	\$-483,601	\$4,950,567	-9.77%	Yes	Yes	No	2006, 2007, 2008
549	1	Perham-Dent	\$-1,564,681	\$19,701,463	-7.94%	Yes	Yes	No	N/A
600	1	Fisher	\$-136,839	\$3,263,771	-4.19%	Yes	Yes	No	N/A
858	1	St. Charles	\$-443,219	\$11,559,003	-3.83%	Yes	Yes	No	N/A
2172	1	Kenyon-Wanamingo School District	\$-1,605,156	\$9,564,971	-16.78%	Yes	Yes	No	2004, 2005, 2022
2683	1	Greenbush Middle River	\$-358,539	\$4,296,706	-8.34%	Yes	No	No	N/A
4144	7	Green Isle Community School	\$-233,903	\$761,940	-30.70%	No	No	No	2022
4189	7	Legacy of Dr. Josie R. Johnson Montessori (Closed)	\$-710,296	\$1,950,573	-36.41%	No	No	No	N/A
4224	7	Star of the North Academy	\$-141,329	\$2,976,997	-4.75%	No	No	No	N/A
4267	7	Horizon Science Academy	\$-211,326	\$1,981,595	-10.66%	Yes	Yes	No	N/A
4285	7	Aim Academy of Science and Technology	\$-130,106	\$2,708,375	-4.80%	Yes	Yes	No	N/A
4286	7	Link Public Schools (Closed)	\$-81,723	\$640,298	-12.76%	Yes	Yes	No	N/A

Number	Type	Name	Unreserved General Fund Balance	General Fund Expenditures	FY 2023 SOD Calculation	Final UFARS Received	Final Audit Received	FY 2023 SOD Plan Received ³	Fiscal Years in SOD
4292	7	School of Leadership for Public Service (Closed)	\$-15,639	\$117,665	-13.29%	No	No	No	N/A
4297	7	Marine Village School	\$-52,000	\$829,749	-6.27%	No	No	No	N/A

Conclusion

Table 2 illustrates historical data. Since FY 2004, SOD has been calculated using the sum of the Unreserved/Undesignated fund balance accounts of the general fund only.

Table 2: School Districts (Types 1, 2, 3, 6, and 8) and Charter Schools (Type 7)

Fiscal Years 2004–23
Net Negative Unreserved General Fund Balance and Statutory Operating Debt

Category	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
School Districts	343	343	343	340	340	340	340	340	340	339	338	336	336	336	335	335	335	334	333	333
Charter Schools	112	134	139	149	156	157	154	154	150	156	157	167	176	169	168	176	175	181	183	183
Total	455	477	482	489	496	497	494	494	490	495	495	503	512	505	503	511	510	515	516	516
Net Negative Unreserved General Fund Balance	32	31	36	44	35	23	20	10	12	17	12	15	16	9	12	21	12	6	12	23
Active Units in Statutory Operating Debt	25	24	22	24	17	11	9	8	10	12	11	3	5	4	6	10	4	5	6	13

Bibliography

Minnesota Department of Education Data Bridge Database for School Year 2022-23.