School Finance Topics

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Missouri Department
of Elementary and Secondary Education

Topics

- Budget
- Annual Secretary of the Board Report (ASBR)
- Statutory deadlines and Other Important Deadlines
- Inclement Weather
- School Calendar Options

Statutory Requirements

- Section 67.010, RSMo, requires that a budget consist of five items:
  I. A narrative style budget message that describes the important features of the budget and any changes from the preceding year

Budget Message

- Describes the important features of the budget
- Is general and unique to each district
- Explains how the budget was developed, who was involved, and what the school's goals and objectives are in relation to the budget

Statutory Requirements

II. Estimated revenue by fund and by source, with a revenue comparison to the preceding two years

Budget

Estimated Revenues

Budget – Estimated Revenues

- Estimates of available revenue should be based on past experience of the district as well as budget estimates provided. The source of revenue should be carefully evaluated and consideration given to the balances carried forward from the previous year.
- The district should evaluate program and funding changes at the state and federal level, as well as local changes (e.g., changes in local property taxes due to growth, business closures and tax levy elections)

Proposition C Funding Estimates

- A $.01 state-wide general sales tax for education with a corresponding property tax reduction for school districts. Prop C sales tax revenue is collected locally, transmitted to the state and then passed on to school districts based on an amount per prior year Weighted Average Daily Attendance (WADA) amount
- 2013-2014 Prop C Estimate
  - Based on the WADA and estimated revenue of $793,100,000 the 2013-14 estimated amount per WADA would be $884. In the June memo an estimate of **$833** was provided and while the revenue is currently ahead of this estimate it must be noted that last year the rate of increase in sales tax revenue slowed considerably after January resulting in the revenue falling short of the projection. At this point we remain optimistic that the estimate will not decrease and that it will hopefully show modest improvement above last year's actual of **$835.29**. You are urged to continue to closely monitor the Proposition C receipts very closely for the remainder of the year.

Proposition C Funding Estimates

- 2014-2015 Prop C Estimate
- The Governor's Budget has projected an increase in Proposition C revenue for the 2014-15 fiscal year which is $34,400,000 above last year's estimate of $793,100,000. The 2014-15 Proposition C Sales Tax payment will be paid on the 2013-14 weighted average daily attendance (WADA).
- With statewide ADA basically holding constant and the assumption that summer school will do the same, it is predicted that Proposition C Payment WADA will be in the vicinity of 897,000 in FY14. If the Revenue Estimate of $827,500,000 is achieved, it would mean a WADA payment of approximately $922. While it appears this level of collection is achievable, caution should be used as determination of budget estimates are made.

Proposition C Funding Estimates

Below is trend data for Proposition C Payments since the inception of the current foundation formula.

Year	Dollars Distributed	WADA	WADA Payment
2006-07	$784,900,800	915,941.2936	$856.93
2007-08	$772,820,015	914,272.3027	$845.28
2008-09	$730,325,406	908,284.1060	$804.07
2009-10	$695,120,132	910,040.6792	$763.83
2010-11	$711,615,172	915,272.7157	$777.49
2011-12	$749,703,272	901,439.5600	$831.67
2012-13	$751,559,817	899,756.8400	$835.29

Classroom Trust Fund

- Shall be spent at discretion of local school district
  - For the 2010-2011 school year and for each subsequent year, all proceeds a school district receives from the classroom trust fund in excess of the amount the district received from the classroom trust fund in the 2009-2010 school year shall be placed to the credit of the district's teachers' and incidental funds.
- May be used for:
  - Teacher recruitment, retention, salaries
  - School construction, renovation, leasing
  - Technology, textbooks, instructional materials
  - School safety
  - Supplying additional funding for required programs

Classroom Trust Fund Estimates

- 2013-2014 Classroom Trust Fund Estimate
  - $445 per prior year ADA
  - Year-to-date revenues continue to trail those revenues compared to FY13. Based on this current year trend it is possible that the Classroom Trust Fund amount per ADA will more likely be somewhere in the proximity of **$388**. The state will only distribute funds that are actually collected into the Classroom Trust Fund, which may or may not reach the appropriated level of $375,395,340.
- 2014-2015 Classroom Trust Fund Estimate
  - Approximately $401 per ADA
  - The Classroom Trust Fund is one of the funding sources of the Basic Formula and, like other funding areas, we will not know exactly the funding level until the appropriation process concludes.

2013-2014 Budget Estimates – Classroom Trust Fund

As a reminder, Senate Bill 291 passed in the 2009 legislative session includes the following provision in Section 163.043.5:

- For the 2010-2011 school year and for each subsequent year, all proceeds a school district receives from the classroom trust fund in excess of the amount the district received from the classroom trust fund in the 2009-2010 school year shall be placed to the credit of the district's teachers' and incidental funds.

Small Schools Grant

- $10M distributed equal amount per ADA to Districts with prior year ADA ≤ 350

- $5M will be distributed to districts with tax rates ≥ $3.43 on a tax-rate-weighted ADA basis

Small Schools Funding Estimate

- <u>2013-2014 Estimate</u>
  - $10,000,000 portion - $278 per ADA
  - $5,000,000 portion – $159 per tax rate weighted ADA

Estimating Local Tax Revenue

Assessed Valuation (AV) divided by 100 times

Tax Levy times Collection Rate (Historic Figure)

Revenue Sources for the Capital Projects Fund

- Existing balances
- Tax rate set in the Capital Projects Fund
- Bond sale proceeds
- Net insurance recoupment for capital loss
- All money received from the sale of capital assets including real estate, school buildings, other buildings, furniture, and equipment
- Gifts and grants
- Transfers

Budget Information and Resources

- Revenue estimating tools for basic formula revenue can be located at http://dese.mo.gov/divadm/finance/tools/
  - Located under the heading K-12 Basic Formula Calculation or K-8 Basic Formula Calculation (K-8 schools use only)
- Using the basic formula calculation tool
  - Log into web applications and access the transmittal page
  - From the transmittal page select Basic Formula – State Monies
  - Print the calculation sheet and all link available
  - Plug all numbers into the calculation tool and ensure that the totals match to the calculation sheet
  - Once you ensure that you have the numbers correctly entered you can add and change numbers for projection purposes

Budget Information and Resources

- Revenue estimating tool for summer school can be located at http://dese.mo.gov/divadm/finance/tools/
  - Located under the heading Summer School Estimated Revenue Calculation Tool
- To determine the amount of revenue generated by the summer school program you will need to complete the basic formula calculation worksheet discussed on the previous slide and calculate the basic formula revenue with the summer school ADA included and without the summer school ADA included and calculate the difference.

Budget Estimates

- Updated 2013-2014 and 2014-2015 budget estimates will be provided in the February School Finance Memo.
- The memos are located at http://dese.mo.gov/divadm/finance/memos/memos.html

Statutory Requirements

III. Proposed expenditures by fund, function, and object, with an expenditure comparison to the two preceding years

IV. The amount required for payment of interest, principal, and redemption charges on the debt of the district

Budget

Estimated Expenditures

Budget – Estimated Expenditures

- Proposed expenditures for each department, office, commission, and other classifications for the year together with comparative statement of actual or estimated expenditures for the two prior years, itemized by fund, function and object.
- When estimating costs policy changes by the board of education that influence educational costs must be considered
- Changes in laws or regulations

Budget – Estimated Expenditures

- Contracted obligations, such as for certificated personnel, non-certificated personnel, transportation services, school food services, etc. must be considered
  - Giving raises
  - Contracts must be offered to teachers or changes made to a contract of a permanent teacher prior to May 15
    - The teacher has 15 days to respond to the contract
- Amounts required to meet departmental budgets, desired additional services, normal increases in costs must also be considered
- District growth or decline in student population
- Building projects or capital outlay – buy, build, remodel, etc.

Budget

- Section 67.010, RSMo, states "In no event shall the total proposed expenditures from any fund exceed the estimates revenues to be received plus any unencumbered balance or less any deficit estimates for the beginning of the budget year…." This provision prohibits a district from budgeting for a negative fund balance in any fund.

Statutory Requirements

v. General budget summary

General Budget Summary

- Includes:
  - Assessed Valuation
  - Unadjusted and Adjusted Tax Levies by Fund
  - Estimated Beginning, Ending, and Restricted Balances
  - Estimated Revenues and Expenditures by Fund
  - Estimated Transfer to and from each fund

Budget – Sources of Information

- Within the School System:
  - Certificated personnel of the district
  - Non-certificated personnel of the district
  - Pupils of the district
  - Pupil accounting records of the school
  - Financial accounting records of the school
  - Members of the board of education
- Outside the School System:
  - County officials – assessor, collector, treasurer and clerk
  - Patrons of the district
  - Current literature
  - Information from other districts of similar size
  - District's independent auditor
  - The Department of Elementary and Secondary Education

Budget – Potential Timeline

February

- Preliminary budget estimate of revenue and expenditures should be prepared and distributed to the members of the board of education

March

- Preliminary budget hearing should be held by the board. Revisions to the preliminary budget, based upon recommendations of the board of education, should be made following the February meeting

Budget – Potential Timeline

April

- Revisions to the preliminary budget should be approved by the board of education (The board of education should cautiously and carefully approach salary and personnel increases at this time of year. Significant changes through May of any legislative session may altar the funding available to school districts. The board of education would not want to extend itself beyond what it is capable of funding from local and state sources.)
- Tentative tax levy for the next school year should be determined

Budget – Potential Timeline

June

- Final balances should be determined and the budget adjusted accordingly. The tentative budget should be formally adopted by the board of education
- The budget should be formally adopted by the board of education by June 30

Budget Information and Resources

- Budgeting documents can be located under the "Budgeting" heading at http://dese.mo.gov/divadm/finance/topicsandprocedures/index.html
- School Finance Memos provide information on budget estimates and state budget information, these memos can be located at http://dese.mo.gov/divadm/finance/memos/memos.html
- Revenue estimating tools for basic formula revenue can be located at http://dese.mo.gov/divadm/finance/tools/
- Annual Secretary of the Board Reports can be located in Web Applications https://k12apps.dese.mo.gov/webLogin/login.aspx

Budget Information and Resources

- The State Auditor's Office tax rate calculation tool can be located at http://www.auditor.mo.gov/TaxRates/Index.aspx
- The Proposition C Rollback Calculation Form can be located at http://dese.mo.gov/divadm/finance/tools/
  - This form is only necessary for use at districts that do not have a full waiver of proposition C and are required to calculate and apply a rollback to the tax rate
- The Estimate of Required Local Taxes form can be located at http://dese.mo.gov/divadm/finance/tools/
  - Districts are required to submit this completed form to the county clerk of each county where the district has assessed valuation on or before September 1

Annual Secretary of the Board Report (ASBR)

- Annual Secretary of the Board Reports can be located in Web Applications https://k12apps.dese.mo.gov/webLogin/login.aspx
- Year end financial summary of the district, required by statute (Section 162.821, RSMo)
- Financial tool that can be used in the budget process

Annual Secretary of the Board Report (ASBR)

- Quick look at the financial condition of the district
- Identifies financially stressed districts
- Identifies revenues by sources: local, county, state, and federal
- Identifies expenditures by fund, function, and object
- Identifies restricted funds
- Identifies interfund transfers
- Identifies long and short term debt

- **Must be submitted by midnight, August 15**

Statutory Deadlines

- **February 15**
  - **Calendar Year-End Balances:** Date for reporting to the Department of Elementary and Secondary Education the district's December 31 unrestricted fund balance in the General (Incidental) and Special Revenue (Teachers) Funds, the amount of tax anticipation borrowed funds in the General (Incidental) and Special Revenue (Teachers) Funds since the beginning of the year, and the net amount of transfer from the General (Incidental) and Special Revenues (Teachers) funds to the Capital Projects and Debt Service funds since the beginning of the year. (Section 165.012, RSMo).

Deadlines

- February 15
  - February Cycle MOSIS submission is due which will provide
    - State FTE Free and Reduced Lunch Eligible Students
    - January Membership
      - Both counts are taken the last Wednesday in January and require the students to be enrolled on the count day and in attendance one of the ten preceding days

Statutory Deadlines

- **March 15**
  - **Assessed Valuation:** Effective January 1, 2009, for all counties with a charter form of government and St. Louis City, the latest date for county clerk to send estimated assessed valuation amounts to the school districts that are at least partially located within the county as required by Section 137.180 RSMo.
  - Effective January 1, 2011, for all other counties the county clerk , the latest date for county clerk to send estimated assessed valuation amounts to the school districts that are at least partially located within the county as required by Section 137.180 RSMo.

Statutory Deadlines

- **April 8**
  - **Estimated Tax Rate:** Statutory deadline to submit an estimated non-binding property tax rate to the county clerk's office as required by section 137.243, RSMo.

- **May 31**
  - **Assessed Valuation:** Latest date for assessor's book to be returned to the county governing body (Section 137.245, RSMo).

Statutory Deadlines

- **June 30**
  - **School District Budget:** Latest date for adoption of school district budget for the ensuing year (Section 67.030, RSMo).
  - **MOSIS/Core Data Submission of Attendance and Membership Data (June Cycle):** Date for reporting all necessary student data for calculating the amounts of state aid that each district is to receive for the following school year (Section 163.081, RSMo).

Statutory Deadlines

- **July 15**
  - Due date for the ASBR in order for a district expecting to be designated financially stressed, to be able to forego the Proposition C rollback. This only applies to districts without a waiver of Proposition C whose combined ending fund balance in the General (Incidental) and Special Revenue (Teachers) Funds at the close of the fiscal year is less than one percent (1%) of the combined expenditures in the two funds for that fiscal year. (Section 161.527, RSMo).

Statutory Deadlines

- **July 20**
  - **Assessed Valuation:** Latest date for county clerks to certify assessed valuation to school districts (not including St. Louis City) (Section 137.245, RSMo).

- **At Least 7 Days Prior to Hearing**
  - **Tax Rate Hearing:** Latest date for publishing or posting notice of public hearing prior to setting tax rate (Section 67.110, RSMo).

Statutory Deadlines

- **August 15**
  - **Annual Secretary of the Board Report (ASBR):** Deadline for filing financial report for school district for the preceding fiscal year (Section 162.821, RSMo).
  - **Assessed Valuation:** Latest date for St. Louis city to certify assessed valuation to school districts (Section 137.245, RSMo).

Statutory Deadlines

- **September 1**
  - **Tax Levy:** Statutory deadline for filing Estimate of Required Local Taxes with county clerk(s) (Section 67.110, RSMo) (Authority for county clerk(s) to extend taxes on tax books, Section 164.011, RSMo) for all school districts except all counties with a Charter form of government and St. Louis City.

Statutory Deadlines

- **October 1**
  - **Tax Levy:** Statutory deadline for filing Estimate of Required Local Taxes with county clerk(s) (Section 67.110, RSMo) (Authority for county clerk(s) to extend taxes on tax books, Section 164.011, RSMo) for each school district located at least partially within a county with a charter form of government or within a city not within a county (Jackson, St. Louis City, St. Charles, and St. Louis Counties).

Deadlines

- October 15
  - October Cycle MOSIS submission is due which will provide
    - September Membership
      - This count is taken the last Wednesday in September and requires the students to be enrolled on the count day and in attendance one of the ten preceding days

Statutory Deadlines

- **December 31**
  - **Audit:** Deadline for filing required district audit report (5CSR 30-4.030 Audit Policy and Requirements).

- **Within 30 Days of Receipt of Audit Report**
  - **Audit Summary:** Deadline for publishing the required summary report reflecting fund balances, receipts, and disbursements by major classifications of each and all funds, summary statement of the scope of audit examination, and auditor's opinion on the financial statements included in the audit report (Section 165.121, RSMo).

Statutory Deadlines

A complete list of the Statutory Deadlines is available at http://dese.mo.gov/divadm/finance/topicsandprocedures/documents/sf-XStatatoryDeadlines.pdf

Inclement Weather

- Section 160.041.1, RSMo
- Minimum required hours of class time to count as a school day
  - Schools that provide a minimum term of 174 days and 1,044 hours of instruction must provide at least 3 hours of class time
  - Schools that provide a minimum term of less than 174 days and 1,044 hours of instruction must have at least 4 hours of class time

Inclement Weather

- A school day ending before the required hours of class time does not count toward the day requirement and the hours do not count toward the 1,044 hour requirement
- Since the day is not a legal day, the hours and day do not count for state aid purposes
- Such hours are not reported as a part of the district's calendar and the attendance hours are not reported in the June MOSIS Enrollment and Attendance file submission for ADA calculation purposes

Inclement Weather

- Inclement Weather, for the purpose of this section, shall be defined as ice, snow, extreme cold, flooding, or a tornado, but such term shall not include excessive heat.
- Days missed for reasons other than inclement weather have to be made up
- Districts are required to make up the first 6 days lost due to inclement weather and are required to make up the 7th day and are forgiven the 8th, required to make up the 9th and forgiven the 10th and so forth until 10 days have been made up
- Specific information and frequently asked questions regarding inclement weather can be located at http://dese.mo.gov/divadm/finance/topicsandprocedures/documents/sf-InclementWeather.pdf

School Calendar Options

1. A traditional calendar may be adopted which requires the school board to provide a minimum term of at least 174 days and 1,044 hours of instruction, 171.031.1, RSMo
   a. Minimum required hours in a school day of 3 hours per Section 160.041.1, RSMo
   b. Maximum possible hours in a school day of 7 hours per Section 171.031.7, RSMo
2. A calendar of less than 174 days may be adopted by the school board that provides a minimum of at least 1,044 hours of instruction, 171.029.1, RSMo
   a. Minimum required hours in a school day of 4 hours per Section 160.041.1, RSMo
   b. Maximum possible hours in a school day of 8 hours per Section 171.031.7, RSMo

School Calendar Options

3. A calendar of 142 days (four days per week) may be adopted by the school board that provides a minimum of at least 1,0444 hours of instruction, 171.031.1, RSMo
   a. Minimum required hours in a school day of 4 hours per Section 160.041.1, RSMo
   b. Maximum possible hours in a school day of 8 hours per Section 171.031.7, RSMo

QUESTIONS?