

February 21, 2013

TO: School District Administrators

FROM: Ron Lankford, Deputy Commissioner, Financial and Administrative Services
Roger Dorson, Coordinator, School Administrative Services

RE: February Financial Information

Prior Year (2011-12) Adjustment - Basic Formula

A second prior year recalculation was completed with the February payment. This recalculation completed using the highest of the 2011-12 weighted average daily attendance (WADA), the 2010-11 actual WADA, or the 2009-10 actual WADA. This calculation used an adjustment percentage of 0.92710946. Districts will receive a positive or negative recalculation based on the current data.

2012-13 BUDGET ESTIMATES

2012-13 – Proposition C Sales Tax Payment Estimate Revision

The 2012-13 Proposition C Sales Tax payment is paid on the 2011-12 weighted average daily attendance (WADA) which was 899,760.7345 as of the February 2013 payment. Based on the WADA and current estimated revenue of \$768,800,000 (\$760,600,000 appropriation TAFP by General Assembly in May 2012 plus \$8,200,000 included in the FY13 Supplemental Budget Request compared to the FY12 actual of \$749,703,272 times the YTD percentage growth of 2.55%) the 2012-13 estimated amount per WADA has been revised to \$854. You are urged to continue to closely monitor the Proposition C receipts very closely for the remainder of the year.

2013-14 BUDGET ESTIMATES

2013-14 - Basic Formula Estimate

The House of Representative has begun preliminary consideration of HB2. At this point nothing has been passed out of the House for further deliberation in the Senate. Assuming HB2, which addresses funding for K-12 calls for level funding of \$3.009 billion, or level funding, for FY14 the percentage toward full funding should be very close to the February payment of 92.7%. This percentage is projected to remain fairly stable because of the leveling off of payment WADA and very modest alterations to the application of the DVM.

As you know, the Governor's budget does call for an increase in the Classroom Trust Fund of \$65,883,326 million for FY14. It will not be known until the final budget is approved whether or not this recommendation will be approved by the General Assembly. Districts could make general estimates as to what impact these additional funds would have on the percentage toward fully funding the formula by increasing that multiplier by 1% for each \$30 million. If \$65.88 million of new Classroom Trust Fund dollars were actually received the percentage toward full funding would be approximately 94.7%.

Even if approved, there is no guarantee that the gaming funds will grow by that amount throughout the budget year. Should the revenue not reach the level authorized in the budget, and if a supplemental budget adjustment did not offset those funds, the percentage toward full funding would be less. At this point it is not possible to predict the final outcome.

2013-14 – Proposition C Sales Tax Payment Estimate

The Governor's Budget has projected an increase in Proposition C revenue for the 2013-14 fiscal year which is \$32,500,000 above last year's estimate of \$760,600,000. The 2013-14 Proposition C Sales Tax payment will be paid on the 2012-13 weighted average daily attendance (WADA).

The decrease in regular summer school that was experienced in 2010 has held steady. 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 902,000 in FY14. This number is slightly above the Prop C payment WADA for the current year due to the closing of some charter schools which reduced WADA calculation for one year. If the Revenue Estimate of \$793,100,000 is achieved, it would mean a WADA payment of approximately \$879. To achieve this level of revenue it would require an approximate growth rate of 3.2% above the Consensus Revenue Estimate of \$768,800,000 that is now projected for FY13. While it appears this level of collection is achievable, caution should be used as determination of budget estimates are made.

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	\$730,325,406.57	908,284.1060	\$804.07
2009-10	\$695,120,132.29	910,040.6792	\$763.83
2010-11	\$711,615,172.47	915,272.7157	\$777.49
2011-12	\$749,703,272	901,439.5600	\$831.67

2013-14 – Classroom Trust Fund Estimate

The 2013-14 Classroom Trust Fund payment is paid on the 2012-13 average daily attendance of 835,485. The projected Classroom Trust Fund revenue as stated in the Governor's recommendations for the 2013-14 budget is \$385,580,321. This estimated revenue will be divided by an estimated 2012-13 average daily attendance of 839,725, which is approximately \$459 per ADA from the Classroom Trust Fund for the 2013-14 year. 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. Please remember that this calculation is done to determine the proper placement of funds in accordance with statute.

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.

OTHER INFORMATION

Estimated Regular Term Average Daily Attendance (ADA)

The estimated regular term ADA for 2012-13 may be provided to your School Finance consultant to be entered on the August Core Data Screen 2 in the Estimated ADA field. The district would report an estimated regular term ADA for the **2012-2013** year *only if the district's 2012-13 regular term ADA is expected to be greater than both the 2010-11 and 2011-12 regular term ADA figures* and the district wants to be paid in 2012-13 on the 2012-13 estimated number. Regular term average daily attendance includes qualified remediation attendance outside the regular school day. Refer to the Finance website at <http://dese.mo.gov/divadm/finance/topicsandprocedures/documents/sf-AAAttendanceReporting.pdf> for the description of qualified remediation attendance.

The local education agency (LEA) charter schools must provide an estimated regular term ADA to their School Finance Consultant for 2012-13. Payment is made to charter schools on current year attendance.

Revisions to the 2012-13 estimated ADA may be made through **May 15, 2013**. Contact School Finance staff if you have questions about estimating ADA.

Mid Year Fund Balance Reporting

The mid year fund balance reporting is a part of the February Core Data cycle on Core Data Screen 35. Each district is required to report the following information as of December 31, 2012:

- Incidental and Teachers Funds Unrestricted Ending Fund Balance as of December 31.
- Tax Anticipation borrowing in the Incidental or Teachers Funds between July 1 and December 31.
- Transfers from the General Fund to the Capital Projects or Debt Service Funds between July 1 and December 31.

If you have any questions regarding this reporting, please contact School Finance at (573) 751-0357.

Core Data Screen 15 - Home School/Free and Reduced Lunch Data

The Home School/Free and Reduced Lunch Data, Core Data Screen 15, displays the number of students eligible for free or reduced price lunch as of the last Wednesday in January (January 30, 2013) in two categories described in the Core Data Collection System Manual – Federal Programs Head Count and State FTE Free or Reduced Lunch Eligible Students. Screen 15 is populated via MOSIS certification. A description of each follows:

Federal Programs Head Count of Free or Reduced Lunch Eligible Students

1. Report the head count taken on January 30, 2013, of children ages 5-17 inclusive (as of October 1, 2012) who reside in the district, whose eligibility for free or reduced lunch is documented (through the application process using federal eligibility guidelines or through the direct certification process) and who do not attend a private or parochial school.
2. Report students on a head count basis. (Both part-time and full-time students are counted as 1 in the head count process.)
3. Eligible students are counted regardless of whether or not they actually eat lunch/breakfast.
4. Students are reported by their county of residence. (Desegregation students are counted by the district in which the student resides.)

State FTE Resident Free or Reduced Lunch Eligible Students

1. Report the full-time equivalency count of resident students enrolled in grades K-12 on January 30, 2013, and in attendance one of the 10 preceding school days whose eligibility for free or reduced lunch is documented (through the application process using federal eligibility guidelines or through the direct certification process).
2. Report eligible students on a full-time equivalency (FTE) basis. A student attending one-half day is counted as .5, one-fourth day as .25, etc. Kindergarten students attending less than a full day per the first grade calendar are included in the counts as a ratio of the kindergarten calendar divided by the first grade calendar. Example: If the calendar for “full day” students in a school is 1050 hours and the calendar for kindergarten students is 630, then the FTE for those kindergarten students would be 630/1050 or .60. In no case should a full-time half-day kindergarten student be reported less than .50.
3. Eligible students are counted regardless of whether or not they actually eat lunch/breakfast.
4. Nonresident students are to be counted by the district which pays the tuition for those students and are reported as “Resident II Students”.
5. Do not count students for whom the Department does not distribute state aid. (Students in preschool, the Parents as Teachers Program or state schools are not counted for state aid purposes.)
6. Students are reported by attendance center. The total free and reduced lunch eligible students for an attendance center may not exceed the attendance center’s January membership count reported on Screen 16.
7. Desegregation students are considered residents of the district in which the students are educated. Deseg In free and reduced lunch student counts are reported in separate columns for each attendance center.

The above two described counts of students eligible for free or reduced price lunch may differ from the count used by School Food Service in the National School Lunch Program. The criteria for the **National School Lunch** count of free or reduced lunch eligible students include:

1. Report on the monthly lunch claim for food service reimbursement the highest number of students eligible for free or reduced price lunch during the month being reported.
2. Report students on a head count basis. (Both part-time and full-time students are counted as 1 in the head count.)

3. Eligible students are those eligible for free or reduced price meals that have access to the lunch program. This eligibility would include PK students and students up to age 21 that are enrolled in a high school grade and are allowed access to the lunch program.
4. Eligible students are counted regardless of whether or not they actually eat lunch/breakfast.
5. Students are reported by the district in which they are educated.

School Calendar Requirements

Missouri statute directs that *each school board shall prepare annually a calendar for the school term* per Section 171.031.1, RSMo. Due to the fact that a number of school districts have moved, or in the future may consider moving, to a school year of less than one-hundred and seventy-four (174) days, it has been determined that additional guidance should be provided to give greater clarity on what needs to be considered when setting such calendars.

School Calendar Options as Provided in Statute

School districts may operate under one of three possible calendar scenarios described below:

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.
3. A calendar of 142 days (four days per week) may be adopted by the school board that provides a minimum of at least 1,044 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.

Points of Clarification

1. Districts must establish which type of calendar they will be operating under as well as the number of days they plan to attend school prior to the opening of a new school year. In order to assure that the district has complied with this statute, the planned calendar will be reported to the Department on Core Data Screen 10 by August 15 of each year. Once the type of calendar has been established by the district the number of days of planned attendance cannot be amended or changed after the August 15 reporting date.
2. Districts that operate with a traditional calendar (174 days or more) may not attend fewer than 174 days or 1,044 hours except as forgiven by weather as established in Section 160.041, RSMo.
3. Districts that operate with a calendar of less than 174 days, and with a minimum of 1,044 hours, must attend the number of planned attendance days as certified to the Department on Core Data Screen 10 by August 15 of each year, except as forgiven by weather as established in Sections 171.033 and 160.041, RSMo.
4. Districts that operate with a calendar of 142 days, and with a minimum of 1,044 hours, must attend the number of planned attendance days as certified to the Department on Core Data Screen 10 by August 15 of each year, except as forgiven by weather as established in Sections 171.033 and 160.041, RSMo.
5. Section 163.021.1, RSMo, requires compliance with the minimum term for eligibility for state aid. A school day ending before the minimum 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 school day, the hours and day do not count for state aid purposes. Such hours are not reported as a part of the school district's calendar and the attendance hours are not reported for the ADA calculation for state aid purposes.
 - a. Minimum required hours of class time to count as a school day:
 - i. School districts that provide a minimum term of at least 174 days and 1,044 hours of instruction

- must have at least three hours of class time to count day as an attendance day for calendar purposes.
- ii. School districts that provide a minimum term of less than 174 days, and with a minimum of 1,044 hours, must have at least four hours of class time to count day as an attendance day for calendar purposes.

Non-Certificated Educators – Attendance Hours Adjustment

Attendance hours for any educator without a valid certificate will be disallowed for state aid payment purposes. State law requires all school district personnel who are responsible for working with students in an instructional or supervisory capacity during the school day to have a valid Missouri teaching certificate. A substitute certificate meets the requirement of a certificate when the employee is functioning as a substitute teacher in the absence of the teacher of record or is employed as the teacher of record.

A report is available on the Data Collection web application system which will identify educators within the district that do not have a valid certificate on file with DESE. This report can be accessed in either of the following ways:

- A report is available on the Data Collection web application system which will identify educators within the district that do not have a valid certificate on file with DESE. To access this report in the Data Collection system, on the left navigation pane, select Reports, select Special Reports, then Staff Assignment Report. Under Special Report, select No Certification-Teacher, scroll down and select Selected Assignments Only, and then Run Report. The report can be run for all buildings or individual buildings and can be sorted by last name or by school code; or
- To access a report identifying those non-Certificated educators, log into web applications and select Educator Qualifications under the Cross Divisional heading, then select report menu, then select Staff Assignment Report. When the report selection options are available select No Certification – Teacher under the Special Report Heading and select Selected Assignments Only at the top of the selection criteria. After these selections are made select the run report option on the bottom of the screen.

At the end of the 2012-13 year, DESE will prepare a list of educators meeting the following criteria:

1. did not hold a valid Missouri educator certificate at any point in time between July 1, 2012 and July 1, 2013; or
2. has a certificate pending but did not initiate the required background check prior to June 30, 2013.

School districts must then exclude the 2012-13 hours of attendance for all students who were under the supervision of those educators since they did not have a valid certificate.

Non-Binding Tax Levy Projection

DESE has received many questions from school districts regarding this topic. There appears to be confusion as to the requirement.

School districts that do not have any territory in a charter county are not required to provide a non-binding tax levy projection. While Section 137.243, RSMo, still includes language about the non-binding tax levy projection, SB588 amended sections 137.180, RSMo and 137.355, RSMo, do not require school districts to provide this information until the year after the county assessor has received the computer software needed for the implementation of this requirement. The appropriation for this software has not been made.

The State Auditor's office confirms that they will not reduce any school districts tax levy by 20% that does not have territory in a charter county. For additional information on this topic please see "[Tax Rate Information](#)" posted on the School Finance Topics and Procedures page.

SCHOOL GOVERNANCE

State Fire Marshall's Office Offers Carbon Monoxide Assistance

A concern that has arisen in some school districts is a higher level of carbon monoxide in some school buildings. The State Fire Marshall's Office offers assistance in these circumstances. They can provide inspectors who are trained for such incidents. If you would like to know more about this service you can contact Ron Thompson, Deputy Chief, Fire Inspection Unit at 573-751-2930.

SCHOOL TRANSPORTATION

2012-13 State Transportation Aid Calculation

The fiscal year 2012-13, state transportation aid calculation is available through the School Finance website. Select Monthly Financial Reports. Input County-District number. The Payment Transmittal is then displayed. Click on the revenue name "Transportation" on the Payment Transmittal to access the transportation aid calculation. The link to School Finance Monthly Financial Reports is <http://dese.mo.gov/divadm/finance/FinancialRpt.html>.

This is the fifth live state transportation calculation made for the current year. The calculation is based on 2011-12 school year data submitted by the district on the state transportation aid documents included in Part IV of the Annual Secretary of the Board Report (Application for State Transportation Aid, School Bus and Facility Depreciation Schedules).

The percent of reduction to the calculated entitlement computed for the February 2013 calculation is shown below. This reduction percentage represents the amount the entitlement exceeded the appropriation and will fluctuate from month to month as revisions are made to individual school district data. The percent of reduction and the A and B factors are also reflected on each district's Summary Transportation Report.

The percentage reduction and the A and B factors are as follows:

February 2013	<u>Reduction Factor</u>	<u>A Factor</u>	<u>B Factor</u>
	63.179064	3.229748	-1.318275

Ridership List

The second ridership list for the current school year should have been finalized on the second Wednesday of February (February 13, 2013). This list should be a compilation of the students' names that regularly ride the bus from the beginning of the second semester to the February 8 count day and should identify which students are eligible for state transportation aid (those living one mile or more from school) and those ineligible for state transportation aid (those living less than one mile from school). The compilation of this list should not be effected by the fact that a school district may not have been in session on February 13.

The ridership list should not be a listing of all students who are eligible or ineligible to ride the buses nor should it be a listing of only those students riding on the count day, but should be a listing of students regularly riding the buses. A student should ride the bus a minimum of once a week to be considered a regular rider.

Certified School Bus Driver Instructor Training

The Certified School Bus Driver Instructor recertification training will be held in Columbia on July 19, 2013. The Certified School Bus Driver Instructor workshop is scheduled for July 22-24, 2013, in Warrensburg. Registration forms for this training are available at <http://dese.mo.gov/divadm/trans/BusDrivers.htm>, a listing of all current Certified School Bus Driver Instructors can also be viewed at this site.

Deputy Commissioner's Comments**Revenue Trends YTD**

	<u>YTD as of January FY12</u>	<u>YTD as of January FY13</u>	<u>Revenue Change</u>	<u>% Change</u>
Individual Income Taxes	\$3,040,000,000	\$3,220,000,000	\$180,000,000	5.92%
Sales & Use Taxes	\$1,080,000,000	\$1,100,000,000	\$20,000,000	1.85%
Corporate Inc. & Franchise	\$235,800,000	\$237,900,000	\$2,100,000	.89%
Other Collections	\$188,000,000	\$259,200,000	\$71,200,000	37.87%
Increase in Revenue YTD			\$273,300,000	6.01 %
			<u>Refund Change</u>	
Refunds (YTD)	\$389,100,000	\$278,100,000	(\$111,000,000)	-28.53%
Net Revenue Status YTD	\$4,154,700,000	\$4,539,000,000	\$384,300,000	9.25%
(A decrease in refunds enhances Net Revenue. An increase in refunds diminishes Net Revenue.)				

Gaming Revenue YTD

	<u>Prior Year</u>	<u>Current Year</u>	<u>% Change</u>
Total Gaming Proceeds to Education	\$195,773,049	\$189,372,315	(3.30%)
Gaming Revenue Appropriated		\$319,696,995	
Percentage of Budget Year Reflected YTD		58.33%	
Percentage of Appropriation Realized YTD		59.23%	

1. **Revenue Trend:** As you can see above, the revenue in Missouri continues to show modest gains, with some improvement in growth rate as compared to the same time last year. While seven months do not make a year, this trend gives greater reason to be optimistic that the state will meet the revenue projections upon which the FY 13 budget was built.
2. **Budget Progress:** The budget process is in its initial stages and extensive discussion will take place prior to its final adoption. During the past two weeks the House Education Appropriation Committee has heard the Department presentation relative to the FY14 Budget and is in the process of final budget markup in preparation of forwarding its work on to the House Budget Committee for further consideration. Once that committee has concluded its work it, along with all other state agency budgets, will advance to the entire House for approval. In addition to the work in the FY14 budget, the House Budget Committee is working on the FY13 Supplemental Budget. This too must go to the full House chamber for passage. The Senate has also begun it's hearing process on the budget and if all goes well will have heard agency presentations prior to receiving and taking up the budget that is approved by the House and sent to the Senate. A lot of work is yet to be done by House and Senate as these bodies seek to accomplish this most challenging task.

The school year continues to speedily pass by as has been the case throughout my career. It is always demanding to deal with completing a year and simultaneously preparing for the next one. My best to as you continue this most important work.

Best Wishes



Ronald Lankford