

February 21, 2014

TO: School District Administrators

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

RE: February Financial Information

February Foundation Payment Calculations

The February Basic Formula payment, including Classroom Trust Fund, was calculated using the most current data available as reported by the district to DESE. It is important that the district compare DESE's calculations with those generated by the district. Please call or email School Finance at (573) 751-0357 (webreplyadmsf@dese.mo.gov) with questions or concerns about the district's calculations.

2013-14 BUDGET ESTIMATES

2013-14 – Proposition C Sales Tax Payment Estimate Revision

The 2013-14 Proposition C Sales Tax payment is paid on the 2012-13 weighted average daily attendance (WADA) which was 896,599.4421 as of the February 2014 payment. 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.

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

2013-2014 Basic Formula Estimate Revision

The Fiscal Year (FY) 2013-14 Basic Formula appropriation was \$3,075,271,737. Since the FY14 calculations exceed the appropriation, an adjustment percentage has been applied throughout the year. The adjustment percentage applied to the February payment calculation was 0.93274610. If projections hold, the percentage multiplier at the end of the year should be no less than was the case in February.

2013-2014 Classroom Trust Fund Estimate Revision

The 2013-14 Classroom Trust Fund payment is paid on the 2012-13 average daily attendance. The Classroom Trust Fund revenue allocated for the 2013-14 budget is \$375,395,340. This estimated revenue will be divided by an estimated 2012-13 average daily attendance of 842,868.3769, which is approximately \$445 per ADA from the Classroom Trust Fund for the 2013-14 year. 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. (Additional information is provided at the end of the memo.)

2014-15 BUDGET ESTIMATES

2014-15 Basic Formula Estimate

The House of Representative has begun preliminary consideration of House Bill 2. At this point nothing has been passed out of the House for further deliberation in the Senate.

As you know, the Governor’s budget does call for an increase in the Foundation Formula for FY15. It will not be known until the final budget is approved whether or not this recommendation will be approved by the General Assembly. More information regarding budgeting for Basic Formula revenue will be provided as it is available.

2014-15 – Proposition C Sales Tax Payment 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.

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

2014-15 – Classroom Trust Fund Estimate

The 2014-15 Classroom Trust Fund payment is paid on the 2013-14 average daily attendance of approximately 843,000. The projected Classroom Trust Fund revenue as stated in the Governor’s recommendations for the 2014-15 budget is \$338,505,978. This estimated revenue will be divided by an estimated 2013-14 average daily attendance of approximately 843,000, which is approximately \$401 per ADA from the Classroom Trust Fund for the 2014-15 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 2013-14 may be provided to your School Finance consultant to be entered on the August Core Data WEB Screen 2 in the Estimated ADA field. The district would report an estimated regular term ADA for the **2013-2014 year only if the district's 2013-14 regular term ADA is expected to be *greater* than both the 2011-12 and 2012-13 regular term ADA figures** and the district wants to be paid in 2013-14 on the 2013-14 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-AAttendanceReporting.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 2013-14. Payment is made to charter schools on current year attendance.

Revisions to the 2013-14 estimated ADA may be made through **May 15, 2014**. 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, 2013:

- 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 February Cycle MOSIS submission will populate the Home School/Free and Reduced Lunch Data, Core Data Screen 15, which is used to collect the number of students eligible for free or reduced price lunch as of the last Wednesday in January (January 29, 2014) in the category described in the Core Data Collection System Manual –State FTE Free or Reduced Lunch Eligible Students. A description follows:

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 29, 2014, 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 will populate in separate columns for each attendance center.

The above paragraph describes the count of students eligible for free or reduced price lunch which differs 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.

Core Data Screen 16 - January Membership

The February Cycle MOSIS submission will populate Core Data Screen 16 providing a membership count of resident students who were enrolled on January 29, 2014, and were in attendance one of the previous ten school days. The February Cycle is due to DESE by February 15, 2014.

Inclement Weather

Districts must comply with Section 163.021.1, RSMo, which requires compliance with the minimum term, including a minimum number of days and hours, to be eligible for state aid. Additionally, Section 171.033.4, RSMo, provides forgiveness for inclement weather days after a specified number of inclement weather days have been reached by a school district or charter school. Below is specific information regarding minimum day length, minimum hours of attendance, and inclement weather forgiveness day information.

Minimum Hours Required in a School Day

Severe weather increases the possibility of an early release from school. Section 160.041.1, RSMo, states that a minimum school day consists of at least 3 hours (except districts establishing less than a 174 day school calendar which require 4 hours) in which the pupils are under the guidance and direction of teachers in the teaching process. Districts must meet both the minimum day requirement and the minimum hour requirement as dictated by their respective calendar.

Minimum required hours of class time to count as a school day:

- 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.
- 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.

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 in the June MOSIS Enrollment and Attendance file submission for the ADA calculation for state aid purposes.

Missed School Days

Some school districts may have missed days this school year due to inclement weather. Per 171.033.4, RSMo:

“In the 2009-2010 school year and subsequent years, a school district may be exempt from the requirement to make up days of school lost or canceled due to inclement weather in the school district when the school district has made up the six days required under subsection 2 of this section and half of the number of additional lost or canceled days up to eight days, resulting in no more than ten total make-up days required by this section.”

“Inclement weather”, for purposes of this section, shall be defined as ice, snow, extreme cold, flooding, or a tornado, but such term shall not include excessive heat.

This rule applies to districts that plan to attend 174 days or more as well as to those districts that plan to attend less than 174 days (per Section 171.029, RSMo). Days that are missed for reasons other than inclement weather, such as illness, have to be made up and are not included in this provision of law.

Reminder: Days that are forgiven due to inclement weather will not have an adverse impact on the average daily attendance (ADA) calculation. This will create a situation which will have an effect on both components (both the total attendance hours and the hours in session) of the ADA calculation and, therefore, will not have a negative impact on the ADA.

The following two charts illustrate the make-up requirements associated with this statute.

Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7	Day 8	Day 9	Day 10	Day 11	Day 12	Day 13	Day 14	+
M	M	M	M	M	M	M	F	M	F	M	F	M	F	F

Key:

M = Day must be made up

F = Day is forgiven

Days Missed	Days to Make Up
1 Day	1
2 Days	2
3 Days	3
4 Days	4
5 Days	5
6 Days	6
7 Days	7
8 Days	7
9 Days	8
10 Days	8
11 Days	9
12 Days	9
13 Days	10
14 Days	10
More than 14	10

The above information regarding inclement weather and a short FAQ are available at <http://dese.mo.gov/divadm/finance/topicsandprocedures/index.html>

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 2013-14 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, 2013 and July 1, 2014; or
2. has a certificate pending but did not initiate the required background check prior to June 30, 2014.

School districts must then exclude the 2013-14 hours of attendance for all students who were under the supervision of those educators since they did not have a valid certificate.

Missouri Accountability Portal (MAP) – Debt Reporting

House Bill 116 was passed by the General Assembly and became law on August 28, 2013. The new legislation in 37.850, RSMo requires school districts to report all bonded indebtedness and requires charter schools to report all debt. This information shall be supplied to Office of Administration (OA) for display on the State's Accountability Portal.

If a school district issues new bonds or a charter school enters into debt obligations the new debts are required to be entered onto the portal within seven days of issuing a bond or incurring an obligation or debt per section 37.850, RSMo.

A user link for the portal is available on the main page <http://mapyourtaxes.mo.gov/MAP/Bonds/HomePage.aspx>. In order to submit information, an entity will need to visit the portal website and obtain a secure user name and password. The user name and password can be created by selecting "create account" on the right hand side of the screen. Once credentials are granted, a user may enter the site to enter or update bond or debt information.

Most of the required fields on the reporting tool are self explanatory; however, there have been questions regarding a couple of the fields. The description of the revenue stream is generally something such as revenue generated from a levy that was established, Classroom Trust Fund revenue or local revenue. This list is not an all inclusive list but provides a general idea as to what would seem to be an appropriate response. The description of the project would be a description as to what the project was, for example, a building project.

If you have questions regarding accessing the portal website, please contact OA at (573) 751-2971 or MAPBonds@oa.mo.gov. For questions regarding what debt should be entered on the portal please do not hesitate to contact School Finance at (573) 751-0357.

Audit Requirement Changes

New requirements released by the Office of Management and Budget (OMB) Supercircular include increasing the threshold requirement for a single audit from \$500,000 to \$750,000. These requirements will become effective for school years that begin after December 26, 2014. Therefore districts/charter schools that expend more than \$750,000 in federal funds in **school year 2015-2016** must contract with an independent auditor to perform a Single Audit of federal funds. Please view the new OMB Supercircular guidance that was effective December 26, 2013 at: <https://www.federalregister.gov/articles/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards>. Please read "*Subpart F*" of the OMB Supercircular for all of the new audit requirements for the **school year 2015- 2016** and beyond audit reports. The Audit Rule will be updated and additional guidance provided at a later date.

SCHOOL GOVERNANCE

QZAB Application

The application period for Qualified Zone Academy Bonds (QZAB) began on Thursday, February 20th and will end at 4:00 pm on Friday, March 21st. The application can be accessed at <http://dese.mo.gov/divadm/govern/QZABindex.html>.

If you have any questions, contact Roger Dorson at (573) 751-0357 or Roger.Dorson@dese.mo.gov.

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

2013-14 State Transportation Aid Calculation

The fiscal year 2013-14 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 sixth live state transportation calculation made for the current year. The calculation is based on 2012-13 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 2014 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:

	<u>Reduction Factor</u>	<u>A Factor</u>	<u>B Factor</u>
February 2014	63.977285	3.326356	-1.327832

Ridership List

The second ridership list for the current school year should have been finalized on the second Wednesday of February (February 12, 2014). 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 12 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 12.

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 18, 2014. The Certified School Bus Driver Instructor workshop is scheduled for July 23-24, 2014, in Warrensburg. Registration forms for this training are available at <http://dese.mo.gov/divadm/trans/BusDrivers.htm>, also, 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 FY13</u>	<u>YTD as of January FY14</u>	<u>Revenue Change</u>	<u>% Change</u>
Individual Income Taxes	\$3,220,000,000	\$3,280,000,000	\$60,000,000	1.86%
Sales & Use Taxes	\$1,100,000,000	\$1,140,000,000	\$40,000,000	3.64%
Corporate Inc. & Franchise	\$237,900,000	\$277,900,000	\$40,000,000	16.81%
Other Collections	\$259,200,000	\$201,500,000	(\$57,700,000)	-22.26%
Increase in Revenue YTD			\$82,300,000	1.71%
				<u>Refund Change</u>
Refunds (YTD)	\$278,100,000	\$331,100,000	\$53,000,000	19.06%
(A decrease in refunds enhances Net Revenue. An increase in refunds diminishes Net Revenue.)				
Actual Net Revenue Status YTD	\$4,539,000,000	\$4,568,300,000	\$29,300,000	0.65%

Adjusted FY14 Revenue:	\$4,499,000,000	\$69,300,000	1.54%
This information reflects the comparison of net revenue after an adjustment due to a one-time receipt of a \$40,000,000 mortgage settlement to Missouri that was posted in July 2012 in Other Revenue.			

Gaming Revenue YTD

	<u>Current Year</u>	<u>Prior Year</u>	<u>% Change</u>
Total Gaming Proceeds to Education	\$180,336,254	\$189,274,763	-4.70%
Gaming Revenue Appropriated	\$375,395,340		
Percentage of Budget Year Reflected YTD		58.33%	
Percentage of Appropriation Realized YTD <small>(\$10 M Unclaimed Lottery Included in Calculation)</small>		50.75%	

- General Revenue Trend:** The month of January reflects a slowing upward trajectory in General Revenue YTD. While it has slowed, it is positive compared to FY13. It is too early to determine whether this slowdown is temporary due to the extreme weather conditions this winter or indicative of an ongoing slowdown. Hopefully it will prove to be short lived and rebound as the weather moderates. Regardless, the ability of the state to fund programs is ultimately related to the incoming revenues.
- Gaming Revenues:** Year-to-date revenues continue to trail those revenues compared to FY13. The decline in Gaming Revenue is averaging approximately \$1.3 million less per month than FY13. This negative trend is important due to the fact that the \$65.8 million appropriations increase in the foundation formula for FY14 was tied to this source. As you recall in each memo this year, we have cautioned districts to monitor this reality.

We did begin the year with an approximate \$33 million carry forward of funds from FY13. This carryover was due to the appropriation limits of FY13 for Gaming expenditures that did not allow for the distribution in that year. Rather than release all the funds in the first months of the new fiscal year, which would have resulted in monthly reductions once the carryover funds were exhausted, those resources have been infused gradually. As of the February payment, approximately \$10.6 million of the carryover funds have been released.

If the Gaming revenue slide continues at its current rate, it appears that approximately \$15.5 million of the carryover will be needed to bring the distribution back to the FY13 level. If these estimates, based on YTD data hold true, it

would appear that the actual additional funds that would be available for distribution would be approximately \$17.5 million rather than \$65.8 million that were appropriated. Since \$10.6 has been distributed, there should remain approximately \$7 million that is yet to be released over the remaining four payments. Please bear in mind that this information is our best estimate at this time. Revenues could increase or decrease as the year progresses.

3. **Dollar Value Modifier Recalculation (DVM)**: The calculation of the Dollar Value Modifier that will be used in the formula distribution for FY15 has been completed and can be seen at this link <http://dese.mo.gov/divadm/finance/DollarValueModifier.htm>.

The winter of 2014 thus far has been a challenge for most Missourians. While the Blizzard of 2011 was also unusual, the extended extremely cold temperatures have been something we are not accustomed to. That, coupled with snow and ice, has resulted in ongoing modifications and adjustments to school calendars across the state.

Over the years we grow more keenly aware that uncertainty is the only thing we can be certain of. While we would like to think we are in control, the only thing we really control is our reaction to the challenges that life faces. School districts leaders are to be commended for the discretion they use in making decisions on behalf of the safety and welfare of the students they serve in these threatening weather situations. Regardless of the decision, some are pleased and some are not, but it is good to know that the safety and welfare of each student is the primary consideration that drives the decision-making process.

As I write these things, I am able to glance at the Missouri River and am happy to report there is no ice afloat this morning. It has been several weeks since I could say that, hence it gives me reason to believe that spring is just around the corner. I have always thought of spring as the time of regeneration and new hope. It is truly my hope that each of you is looking forward with enthusiasm to the remaining months of this school year, and that together, our work will benefit the lives of the students we serve each day.

My best to you all.



Ronald Lankford