

June 21, 2012

TO: School District Administrators

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

RE: June Financial Information

2011-12 Basic Formula

The Fiscal Year 2011-12 Basic Formula appropriation was \$3,004,388,410. Since the FY 2012 calculations exceeded the appropriation, a uniform proportional adjustment of 0.94150969 was applied to the FY 2012 annualized calculation as calculated in June 2012. Consequently, the June payment amount was reduced so that the district's total FY 2012 payment did not exceed the FY 2012 adjusted annualized calculation.

As data changes are made to FY 2010, FY 2011 or FY 2012 and reflected in the recalculation of FY 2012 during the FY 2013 year, the proportional adjustment of 0.94150969 will fluctuate. A change in any district's FY 2012 payment weighted average daily attendance (WADA) will change the adjustment number applied to all districts.

2011-12 Classroom Trust Fund Payment

The 2011-2012 Classroom Trust Fund (CTF) payment through the Basic Formula was \$337,915,302 or \$402.3089 per 2010-2011 Average Daily Attendance (ADA). The total state 2010-11 ADA used in the CTF calculation was 839,939.8988.

2011-12 Small Schools Grant

The 2011-12 Small Schools Grant of \$15,000,000 is divided into two parts, \$10 million and \$5 million. The \$10,000,000 portion is distributed to districts whose average daily attendance (ADA), including summer school, in 2009-10 is less than or equal to 350. The 2010-11 ADA includes the summer school held in 2010. The 2011-12 small school actual amount per average daily attendance is \$294.4141. The remaining \$5,000,000 is distributed on a tax-rate weighted average daily attendance basis to districts whose 2010-11 ADA is less than or equal to 350 and the 2010-11 Incidental plus Teachers Funds tax rates are greater than or equal to \$3.43. The 2011-12 actual amount per tax-rate weighted ADA is \$167.4118.

2011-12 Proposition C Sales Tax Payment

The total sales tax revenue distributed in 2011-2012 was \$751,577,767.51 on 901,439.56 Weighted Average Daily Attendance (WADA) yielding \$833.7528 per WADA.

A five year revenue history follows:

Five Year Proposition C Revenue History

	<u>Disbursed</u>	<u>% Revenue Change from Prior Year</u>
FY08	\$772,820,015.93	-1.54%
FY09	\$730,325,406.57	-5.50%
FY10	\$695,120,132.29	-4.82%
FY11	\$711,615,172.47	2.37%
FY12	\$751,577,767.51	5.62%

2012-2013 REVENUE ESTIMATES

2012-13 Proposition C Sales Tax Payment Estimate

The Consensus Revenue Estimate of the projected Proposition C revenue for the 2012-13 fiscal year is \$760,000,000. The 2012-13 Proposition C Sales Tax payment will be paid on the 2011-12 weighted average daily attendance (WADA).

The lower than normal summer school that was experienced in 2010 held constant in 2011. 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 901,000 in FY13. If the Consensus Revenue Estimate of \$760,000,000 were to be achieved, it would mean a WADA payment of approximately \$843.

Through May 31 Proposition C revenues are up 4.27% for the fiscal year. Should that trend hold for the final month, the total collections would exceed \$730 million for the fiscal year. To achieve the Consensus Revenue Estimate would mean that the Proposition C growth for the current year would have to be maintained, and that in FY13 a growth rate of 3.4% would have to be achieved. The Department would recommend caution as districts make determination of budget estimates for Proposition C in FY13.

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

Year	Dollars Distributed	WADA	WADA Payment
2006-07	\$784,900,800.00	915,941.2936	\$856.93
2007-08	\$772,820,015.00	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

2012-13 Classroom Trust Fund Estimate

The 2012-13 Classroom Trust Fund payment is paid on the 2011-12 average daily attendance. The projected Classroom Trust Fund revenue as stated in the Governor's recommendations for the 2012-13 budget is \$319,696,995. You will note, however, that the Classroom Trust Fund projection is significantly less than last year's appropriation of \$366,112,409. This reduction is due to efforts to more accurately project the true gaming revenue expectation, rather continuing to approve an estimate that was based upon 2009 assumptions that were never realized as the result of removing the gaming loss limits. While the CTF appropriation was lowered the decrease was offset within the foundation formula appropriation.

This estimated revenue divided by an estimated 2011-12 average daily attendance of 842,000 yields approximately \$378 per ADA from the Classroom Trust Fund for the 2012-13 year.

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.

2012-13 Small Schools

The 2012-13 Small Schools Grant of \$15,000,000 will be divided into two parts, \$10 million and \$5 million. The \$10,000,000 portion will be distributed to districts whose average daily attendance (ADA), including summer school, in 2011-12 is less than or equal to 350. The 2011-12 ADA includes the summer school held in 2011. The 2012-13 small school estimate per average daily attendance is \$294. The remaining \$5,000,000 will be distributed

on a tax-rate weighted average daily attendance basis to districts whose 2011-12 ADA is less than or equal to 350 and the 2011-12 Incidental plus Teachers Funds tax rates are greater than or equal to \$3.43. The 2012-13 estimate per tax-rate weighted ADA is \$167. An update to these estimates will be provided when better data are available.

June 2012 Core Data

The 2011-12 June Core Data Cycle screens to complete are 7, 9, 10, 10A, 12, 13, 14, 14A, 14B, 17, 19 and 24. Several of these screens are populated directly from files submitted through the MOSIS Data Collection System. When all errors are resolved for a MOSIS file and it is “certified”, the data will be aggregated as needed and copied by DESE to the appropriate Core Data screen. The screens and related Core Data reports should be reviewed to verify that the data are correct.

These screens are to be completed and submitted by June 30, 2012. *Districts whose June Cycle data are not entered by July 15 may have their August Basic Formula payment held until September. Continued delay in submitting the June Cycle may result in continued holding of the payment.*

Virtual Course Attendance Calculation

A school district that offers a virtual course as described in Section 162.1250 RSMo shall calculate and record attendance for such courses in the following manner.

1. Determine the hours of attendance possible for the course or courses offered in a non virtual program at the school district.
2. Multiple this number by 47% for a course that was only half completed and 94% for a course that was fully completed.
3. Keep a record of all calculations for audit purposes. Add the hours of attendance for the student to their record in the June Student Enrollment and Attendance file.

2011-12 Annual Secretary of the Board Report

Several changes have been made to the 2011-2012 ASBR. These updates are listed on the School Finance WEB page at <http://dese.mo.gov/divadm/finance>, click on “ASBR”.

The additional reports will continue to be available in Part III-B that for reporting of the Basic Formula – Federal Budget Stabilization – ARRA, Basic Formula Federal Budget Stabilization Funds – Government Services – ARRA, and Jobs Bill. These additional reports are necessary for monitoring purposes and providing data to the federal government. The information on these reports will be manually entered by the school districts based on the project codes that were used for their identification purposes. **The total expenditures will still be included in Part III-B as they have been reported in the past.**

The 2011-12 Annual Secretary of the Board Report (ASBR) must be submitted on via the Web Applications by the due date of midnight, August 15, 2012, or the September Basic Formula payment will be held until October. Continued delay in submitting the ASBR will result in continued holding of the payment.

2011-12 ASBR E-Mail Contact Person

Much of the notification process used for the 2011-12 ASBR (e.g., edit letters, balance letters, etc.) will be done by e-mail. In order to provide proper and timely notification of ASBR related functions, DESE must have an accurate e-mail address for the person(s) responsible for these ASBR functions. The e-mail addresses must be reported on Core Data Screen 3 (ASBR) and Screen 4 (Superintendent), as applicable. Please check the information on the appropriate Core Data Screens to ensure the contact persons and e-mail addresses are correct.

Annual Report of the County Clerk to the State Board of Education

The district can locate a copy of their Annual Report of the County Clerk to the State Board of Education on the School Finance Report Menu in the DESE web applications under “Annual Financial Reports”. Please note that if a county is not listed on this report, the county has not yet submitted its Annual Report.

Fiscal Year 2012 Audit Submissions

The following guidelines are provided for the Fiscal Year 2012 Audit Submissions:

- Audits, copies of board minutes approving the audit, and management letters should be submitted to School Finance electronically through the IMACS system. To prepare for system implementation, districts and charters are advised to obtain an electronic copy of their completed Fiscal Year 2012 audit. More specific information regarding implementation of the new process will be shared as soon as it is available. Use of the system will be mandatory once it is made available to users.
- The deadline for submitting audits is **December 31, 2012**. There is no longer any need to file for an extension of the audit deadline.
- Copies of board minutes and management letters may be submitted after the December 31 deadline. These documents should include all required signatures, which is a change from current practice.
- The school, not the auditor, is responsible for ensuring that the audit, board minutes, and management letter are submitted to School Finance in compliance with the provisions of the audit rule.
- To minimize the need for subsequent audit corrections, schools are strongly encouraged to complete the following checklist prior to submitting the audit:
 - The pages of the audit have been compared to the Table of Contents, and no pages are missing or out of order. Audits with missing pages may be rejected as incomplete.
 - The audit includes the auditor's signature and the date of the audit report. Audit reports that are not signed and dated may be considered a draft, not a final, report. Draft reports cannot be accepted in satisfaction of the audit requirement.
 - The ending debt balances in the audit report (reported in the financial statements and/or Notes to the Financial Statements) agree to the balances reported in Part IV, Long and Short Term Debt, of the Annual Secretary of the Board Report (ASBR). Any differences should be reconciled.
 - The data reported on the Schedule of Selected Statistics agrees to the corresponding data on the ASBR and MOSIS/Core Data. If changes to the ASBR and/or MOSIS/Core Data are needed as a result of the review, please revise and resubmit corrections as soon as possible and notify your auditor of any changes.
 - The audit submission includes the district's Single Audit, if applicable. There is no provision in the rule allowing the Single Audit portion of the audit to be submitted at a later date.

2012-2013 ACH Dates

The 2012-2013 Automated Clearinghouse (ACH) transfer dates as provided by the DESE Accounting Section for DESE monthly payments to districts and local education agencies are:

July 20, 2012	January 22, 2013
August 21, 2012	February 21, 2013
September 21, 2012	March 21, 2013
October 22, 2012	April 22, 2013
November 21, 2012	May 21, 2013
December 21, 2012	June 21, 2013

School Governance

There are no School Governance topics this month.

School Transportation

2011-12 State Transportation Aid Calculation

The fiscal year 2011-12 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 tenth live state transportation calculation made for the current year. The calculation is based on 2010-11 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 June 2012 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>
June 2012	60.383300	3.233369	-1.425356

2011-12 Transportation Data Collection

The transportation data are collected through the Annual Secretary of the Board Report via the ASBR web applications process. The data required for the Application for State Transportation Aid and School Bus and Facility Depreciation Schedules have not changed. The ASBR must be submitted via the Web Application by midnight, August 15, 2012.

Missouri State Transportation Aid Document Preparation Manual

The 2012 Missouri State Transportation Aid Document Preparation Manual is available on the School Transportation website at <http://dese.mo.gov/divadm/trans/index.html>. This manual should be used as a reference guide as the district completes the transportation documents within the ASBR and finalizes the ASBR transportation coding.

Certified School Bus Driver Instructors

A current listing of the certified school bus driver instructors is available on the School Transportation website at <http://dese.mo.gov/divadm/trans/BusDrivers.htm>. This listing includes an expiration date for each instructor's certification. If you discover that an employee needs to be recertified this summer, registration forms are also available on this same website for the summer certified school bus driver instructor workshops.

Deputy Commissioner's Comments

Below is the most current revenue data for Missouri through May 30, 2012.

<u>Revenue Trends YTD</u>				
	<u>YTD as of</u> <u>May FY11</u>	<u>YTD as of</u> <u>May FY12</u>	<u>Revenue</u> <u>Change</u>	<u>%</u> <u>Change</u>
Individual Income Taxes	\$5,150,000,000	\$5,330,000,000	\$180,000,000	3.50%
Sales & Use Taxes	\$1,640,000,000	\$1,710,000,000	\$70,000,000	4.27%
Corporate Inc. & Franchise	\$459,500,000	\$414,100,000	(\$45,400,000)	-9.88%
Other Collections	\$427,600,000	\$347,400,000	(\$80,200,000)	-18.76%
Increase in Revenue YTD			\$124,400,000	01.62%
			<u>Refund</u> <u>Change</u>	
Refunds (YTD)	\$1,280,000,000	\$1,190,000,000	(\$90,000,000)	-7.03%
Net Revenue Status YTD	\$6,397,100,000	\$6,611,500,000	\$214,400,000	3.35%

(A decrease in refunds enhances Net Revenue. An increase in refunds diminishes Net Revenue.)

<u>Gaming Revenue YTD</u>			
	<u>Prior Year</u>	Current Year	% Change
Total Gaming Proceeds to Education	\$314,035,251	\$311,237,504	-00.89%
Gaming Revenue Appropriated		\$354,500,000	
Percentage of Budget Year Reflected YTD		91.67%	
Percentage of Appropriation Realized YTD		87.80%	

While the revenue picture does not yet reflect the type of growth needed to enable the state to meet the funding needs for education, and other state services, it appears that we will have a second consecutive year of positive growth. It will be our intent to provide more detailed breakdown in the July memo.

June Formula Payment: At the beginning of FY12 the Department indicated that it would begin making foundation formula payments at 92% of full funding. This decision was made due to the uncertainty about the number of schools that dropped summer school programs in 2010 that might resume them in the summer of 2011. As it turned out there was negligible change in summer school numbers as compared to 2010. In January 2012 the payment percentage was increased to 93% and it was indicated at that time that it very well could approach 94% at the June payment. After the staff concluded its work, and made all known final adjustments, the June FY12 payment was made at 94.15%. As a result districts should see an increase this month to reflect that final calculation.

As we prepare for FY13 we predict that the payment percentage should be around 92%. This calculation reflects the additional formula costs encumbrance caused by the final transition step to the formula implemented in 2006. The Department plans to initiate the first payments at 91%, but after summer school numbers are reported and regular attendance is collected and corrections are made we will begin paying on the actual percentage of funds that are available to flow through the formula. It will be the Department's goal to have those adjustments completed by the November payment. All subsequent months will be paid without any arbitrary adjustments being made as the year progresses. As a result the payment percentage will vary monthly depending upon changes in data reported to the Department by school districts and charter schools.

Again, our thanks to you for your continued hard work in these challenging times. Please feel free to contact the Division of Financial and Administrative Services if you have additional questions.

Best Wishes

A handwritten signature in black ink, appearing to read "Ronald Lankford". The signature is fluid and cursive, with the first name "Ronald" being larger and more prominent than the last name "Lankford".

Ronald Lankford