

March 21, 2012

TO: School District Administrators

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

RE: March Financial Information

2011-2012 BUDGET ESTIMATES

2011-2012 – Proposition C Sales Tax Payment Estimate Revision

The 2011-12 Proposition C Sales Tax payment was paid on the 2010-2011 weighted average daily attendance (WADA) which was 901,203 as of the February 2012 payment. Based on the WADA and current estimated revenue of \$731,967,365 (FY11 actual of \$711,615,172 times the YTD percentage growth of 2.86%) the 2011-12 estimated amount per WADA has been revised to \$812. You are urged to continue to closely monitor the Proposition C receipts very closely for the remainder of the year.

2012-2013 BUDGET ESTIMATES

2012-2013 - Basic Formula Estimate

As of this memo, it is not possible to give an estimate of the Foundation Formula. The General Assembly has begun consideration of making some type of an adjustment to the formula during this session. Bills have been filed in both the House (HB1043) and the Senate (SB454) that address the formula. Additionally, HB2002, which addresses funding for K-12 calls for level funding of \$3,009,388,411 for FY13 is just beginning the process of winding its way through the House Budget Committee. With the state budget facing very severe limitations it is too early to predict the outcome of the final appropriation.

2012-2013 – Proposition C Sales Tax Payment Estimate

The Consensus Revenue Estimate of the projected Proposition C revenue for the 2012-13 fiscal year is \$765,000,000. 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 \$765,000,000 were to be achieved, it would mean a WADA payment of approximately \$849. Caution should be used; however, as determination of budget estimates are made. 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 4.5% would have to be achieved.

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

2012-2013 – 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 \$318,696,995. This estimated revenue divided by an estimated 2011-12 average daily attendance of 840,000 yields approximately \$379 per ADA from the Classroom Trust Fund for the 2012-13 year. Remember, 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. You will note, however, that the Classroom Trust Fund projection is significantly less than last year. To offset this reduction, the Governor is recommending an increase in the General Revenue appropriations.

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.

Single Funding Certification – Federal Programs

Where employees are expected to work solely on a single Federal program (Perkins, IDEA, NCLB, etc.), charges for their salaries and wages are to be supported by the completion of the Single Funding Certification Form. This certification is to be signed at least each semester by the employee or supervisory official. Districts are expected to keep these forms on file to certify that all staff fully funded with federal funds are conducting activities consistent with the purposes of the funding sources. A sample form with the required content is available under **Publications and Forms** on the Federal Grants Management web page and at this address: http://dese.mo.gov/divimprove/fedprog/grantmgmnt/PDF_Files/Single-Funding_Certification.pdf.

Please review your district’s federal expenditure documentation and insure that this form has been completed for all applicable staff for the 2011-12 year.

Schedule of Selected Statistics

There are no anticipated changes to the Schedule of Selected Statistics for the 2011-2012 audit report.

Local Tax Effort

After the School Finance Section has reviewed all districts’ Annual Secretary of the Board Reports (ASBRs), the data are summarized into a State Annual Secretary of the Board Report for use in the state profiles, Annual Report of the Public Schools, and other documents. At that time the “local tax effort per ADA” is calculated using the district’s Annual Secretary of the Board Report and Core Data ADA for the previous fiscal year.

The local tax effort per child is computed by adding the prior year tax revenue the district of domicile receives from property taxes, Intangible (Financial Institution) Taxes, M & M Taxes, In Lieu of Taxes, and State Assessed Railroad and Utility Taxes, then dividing that sum by the prior year resident average daily attendance of the district of domicile.

Sections 162.740 and 167.126, RSMo, reference when the district of domicile is to pay to the educating district an amount equal to the average sum produced per child by the local tax effort of the district of domicile. The educating

school district will bill the domicile district by dividing the domicile district's tax effort by the educating district's days in session and then multiplying by the number of days a student attended.

$$(\text{Domicile district's tax effort per ADA} \div \text{Days in Session}) \times \text{Days Attended}$$

The 2010-11 local tax effort per ADA will be used by most districts and agencies for billing in the 2011-12 year. The 2010-11 local tax effort per ADA is available on the Missouri Comprehensive Data System (MCDS) portal by selecting Quick Facts, then District and School Information and then Local Effort, at this address:

<http://mcds.dese.mo.gov/Pages/default.aspx>.

Questions on this calculation may be directed to the School Finance Section at (573) 751-0357.

Summer School – Tuition vs. State Aid for Non-resident Students

Section 167.227, RSMo, permits a student to attend summer school in a district other than the student's district of residence if the other district accepts non-resident students. Districts who accept non-resident students for summer school have three options for receiving payment. They are:

- 1) including all such students' attendance hours with the district's resident student summer school attendance hours when reporting on Core Data and receive the state aid on these students,
- 2) collecting tuition from all such students, or
- 3) collecting tuition from the resident district for all such students for which the resident district had contracted for summer school services.

Please review this statute and/or call School Finance if you have questions on this topic.

Central Contractor Registration (CCR)

Central Contractor Registration (CCR) numbers must be renewed on an annual basis. Please check the CCR expiration date indicated on August cycle core data screen 2. Upon renewal of the CCR please input the new expiration date on Core Data Screen 2, you must be in the August cycle to make this adjustment.

SCHOOL GOVERNANCE

Boundary Change

If there is a change in your school district's boundary following the April election, please send a copy of the ballot with the legal description of the boundary change to the School Administrative Services Section.

Boundary Change Appeal to State Board

In case a district is involved in a boundary change appeal to the State Board of Education, the district must adhere to the time line for such appeal as defined in state law. Section 162.431.3, RSMo, states, "If one of the districts votes against the change and the other votes for the change, the matter may be appealed to the state board of education, in writing, within fifteen days of the submission of the question by either one of the districts affected, or in the above event by a majority of the signers of the petition requesting a vote on the proposal. At the first meeting of the state board following the appeal, a board of arbitration composed of three members, none of whom shall be a resident of any district affected, shall be appointed." For additional information concerning the appeal process refer to Section 162.431, RSMo, or call the School Administrative Services Section at (573) 751-0357.

National Playground Safety Week 2012

The National Program for Playground Safety has announced April 23-27 as National Playground Safety Week 2012. Playground Safety Week is a time to focus on playground safety and to advocate safety and injury prevention. More information is available on the web at www.uni.edu/playground/safetyweek.

SCHOOL TRANSPORTATION

2011-2012 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 seventh 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 March 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>
March 2012	63.510705	3.232222	-1.426186

FCC School Bus Radio Updates Required as of January 1, 2013

All school districts and school bus contractors need to educate themselves about the upcoming requirement that school bus operators update their radio licenses and hardware to be compliant with 12.5 kHz bandwidth.

Per the FCC: On January 1, 2013, all public safety and business industrial land mobile radio systems operating in the 150-512 MHz radio bands must cease operating using 25 kHz efficiency technology, and begin operating using at least 12.5 kHz efficiency technology. This deadline is the result of an FCC effort that began almost two decades ago to ensure more efficient use of the spectrum and greater spectrum access for public safety and non-public safety users. Migration to 12.5 kHz efficiency technology will allow the creation of additional channel capacity within the same radio spectrum, and support more users.

More information can be found at <http://transition.fcc.gov/pshs/public-safety-spectrum/narrowbanding.html>.

Certified School Bus Driver Instructor Training

The Certified School Bus Driver Instructor recertification training will be held in Columbia on July 20, 2012. The Certified School Bus Driver Instructor workshop is scheduled for July 25-27, 2012, 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.

NTSB Safety Recommendations from the St. James School Bus Accident

The NTSB has issued safety recommendations stemming from the St. James school bus accident in Gray Summit, Missouri, on August 5, 2010, which involved a truck-tractor, a pickup truck and two school buses and two fatalities. The NTSB recommendations for DESE can be found at <http://www.nts.gov/doclib/recletters/2011/H-11-046.pdf>. These recommendations include a recommendation to incorporate (if you haven’t already) into school bus driver instruction training on the risk of driver inattention, the need for proper scanning behavior, and the necessity of keeping a safe following distance.

Deputy Commissioner's Comments

Below is the most current revenue data for Missouri which indicates that the revenue trend has remained flat to this point of the fiscal year. We will continue to monitor this data on a monthly basis and report in the respective monthly memos which will provide a gauge as we move forward toward the next school year.

Revenue Trends YTD

	<u>YTD as of</u> <u>February FY11</u>	<u>YTD as of</u> <u>February FY12</u>	<u>Revenue</u> <u>Change</u>	<u>%</u> <u>Change</u>
Individual Income Taxes	\$3,400,000,000	\$3,520,000,000	\$120,000,000	3.53%
Sales & Use Taxes	\$1,200,000,000	\$1,250,000,000	\$50,000,000	4.17%
Corporate Inc. & Franchise	\$276,900,000	\$244,000,000	(\$32,900,000)	-11.88%
Other Collections	\$269,800,000	\$210,000,000	(\$59,800,000)	-22.16%
Increase in Revenue YTD			\$77,300,000	01.05%
			<u>Refund</u> <u>Change</u>	
Refunds (YTD)	\$704,200,000	\$676,400,000	(\$27,800,000)	-3.95%
Net Revenue Status YTD	\$4,442,500,000	\$4,547,600,000	\$105,100,000	2.37%

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

Gaming Revenue YTD

	<u>Prior Year</u>	Current Year	% Change
Total Gaming Proceeds to Education	\$223,800,173	\$225,033,783	+00.006%
Gaming Revenue Appropriated		\$354,500,000	
Percentage of Budget Year Reflected YTD		66.67%	
Percentage of Appropriation Realized YTD		63.48%	

The General Assembly continues its work to develop the state budget for FY13. While it was originally believed the House would complete its work prior to their spring legislative break that was not accomplished. It is believed that the FY13 Budget will be taken up on the floor soon after their return. Once it is approved by the House it will then go to the floor.

While the revenue picture for the state is not robust, it did show modest improvement in sales tax collections and individual income taxes proceeds. The downside is that revenues remain insufficient to cover the projected shortfall of revenue that would be needed to match the amount that was available in FY12. The work before the General Assembly during the next two months provides many difficult challenges as the members seek to agree on the final budget numbers.

Thank you for all the hard work you do on behalf of the students you serve.



Ronald Lankford