

March 21, 2013

**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

### **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 for FY14 making the percentage toward full funding 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.

<u>Year</u>	<u>Dollars Distributed</u>	<u>WADA</u>	<u>WADA Payment</u>
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.

**Sequestration**

Information regarding an update on FY13 Federal Allocations was provided in Administrative Memo FAS-13-005 and is available at <http://dese.mo.gov/am/fas/index.html>.

If you have questions please contact Federal Financial Management at [federalfinancial@dese.mo.gov](mailto:federalfinancial@dese.mo.gov) or Special Education Finance at [spedfunding@dese.mo.gov](mailto:spedfunding@dese.mo.gov).

**2013-14 Title I Allocations**

Title I will calculate 2013-2014 allocations following the statutory formula requirements based on the final appropriated amount for Missouri. Census poverty is used to determine Title I allocations. The census data files by district are at <http://www.dese.mo.gov/divimprove/fedprog/financialmanagement/CensusDataIndex.htm>.

The 2013-14 Census Poverty Percent, in combination with the 85, 90, and 95 percent hold-harmless guarantee provided in the Title I statute will help LEAs plan for the 2013-2014 year since the minimum amount would be based on their prior year’s allocation.

Missouri's Allocation Formula is at

<http://www.dese.mo.gov/divimprove/fedprog/financialmanagement/Allocation%20Info.htm>.

If you have questions please contact Federal Financial Management at [federalfinancial@dese.mo.gov](mailto:federalfinancial@dese.mo.gov).

### **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/grantmgmt/PDF\\_Files/Single-Funding\\_Certification.pdf](http://dese.mo.gov/divimprove/fedprog/grantmgmt/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 2012-13 year.

### **Schedule of Selected Statistics**

There are no anticipated changes to the Schedule of Selected Statistics for the 2012-2013 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 2011-12 local tax effort per ADA will be used by most districts and agencies for billing in the 2012-13 year. The 2011-12 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 visit [sam.gov](http://sam.gov) to complete this renewal.

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**

**Missouri State Treasurer’s Office – Unclaimed Property**

The Missouri State Treasurer’s office has contacted the Department regarding unclaimed property that may belong to school districts in Missouri. The State Treasurer’s office encourages school districts to regularly check the unclaimed property data base. For more information regarding this issue please click on the following link: <http://dese.mo.gov/fas/documents/021513UCPSchoolDistricts.pdf>

**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.

**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 sixth 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 March 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:

	<b><u>Reduction Factor</u></b>	<b><u>A Factor</u></b>	<b><u>B Factor</u></b>
<b>March 2013</b>	<b>63.183181</b>	<b>3.230126</b>	<b>-1.320585</b>

**Stop Arm Violation Survey**

While school buses remain incredibly safe, we all know that students who ride buses are most vulnerable when they are outside the bus in the “danger zone.” Missouri is assisting the National Association of State Directors of Pupil

Transportation Services (NASDPTS) in coordinating a national survey to determine the prevalence of illegal passing of school buses. That data will help improve safety countermeasures at the state or national level.

We are enlisting your assistance in this important project. On Wednesday, April 17, 2013, please have your district's school bus operators observe and report any instances of motorists illegally passing their school buses. An email will be sent to all Core Data, Screen 3, Pupil Transportation Contacts before the end of March with details on the collection and reporting of the survey data.

**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 February FY12</u>	<u>YTD as of February FY13</u>	<u>Revenue Change</u>	<u>% Change</u>
Individual Income Taxes	\$3,520,000,000	\$3,710,000,000	\$190,000,000	5.40%
Sales & Use Taxes	\$1,250,000,000	\$1,260,000,000	\$10,000,000	.80%
Corporate Inc. & Franchise	\$244,000,000	\$251,200,000	\$7,200,000	2.95%
Other Collections	\$210,000,000	\$283,300,000	\$73,300,000	34.90%
Increase in Revenue YTD			<b>\$280,500,000</b>	<b>5.37 %</b>
			Refunds	
Refunds (YTD)	\$676,400,000	\$564,800,000	(\$111,600,000)	<u>Change</u> -16.50%
Net Revenue Status YTD	\$4,547,600,000	\$4,939,700,000	<b>\$392,100,000</b>	<b>8.62%</b>

(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	\$225,006,087	\$216,817,341	(3.60%)
Gaming Revenue Appropriated		\$319,696,995	
Percentage of Budget Year Reflected YTD		66.67%	
Percentage of Appropriation Realized YTD		67.82%	

1. **General Revenue Trend:** Fiscal year 13 is now two-thirds complete and the year-to-date general revenue picture continues to trend in a positive direction. At this point revenues remain slightly ahead of projections due to a growth in all revenue sources. While sales tax growth is not as robust as would be liked, modest growth has been seen in both individual and corporate income taxes. The major contributor in the increase of general revenue is in other collections. Please be reminded that this is largely due to some one-time funds on litigation settlements. These increases when coupled with the continuing decline in tax refunds, increases the likelihood that state budget estimates for FY 13 will be achieved.
2. **Sequestration:** The Department continues to monitor information relative to the impact of sequester of federal funds. At present we know that there will be a withholding of a projected 5% to discretionary programs starting July1, 2013. It is recommended that districts plan for a reduction of that amount when

considering estimates for next year's budget for federal grants. Districts that receive impact aid will see immediate cuts to those funds.

Again, as was sent in a recent memo, please be reminded that district reimbursements for Qualified Zone Academy Bonds (QZAB), Qualified School Construction Bonds (QSCB), and Building America Bonds (BAB) will be impacted by the sequester. The impact on refunding is also projected at 5%.

You are urged to review other sections of this memo for more information on Sequestration.

The Missouri General Assembly has now passed the half way point of the 2013 legislative session. Work will progress at a fast pace moving forward toward the end of the session in May. Legislators have a great deal they must consider as they attempt to address the critical issue of their constituency and those of the state in general. School leaders too have many things they face each day as they attempt to effectively deal with immediate and future needs of their respective school districts. It is my hope that over the remaining months of this school year we remain focused upon the needs of the students we serve and that all decisions made on their behalf will ultimately enhance their educational opportunities.

Best Wishes



Ronald Lankford