

School Finance

Monthly Newsletter

March 2014

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March Foundation Payment Calculation

The March 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 (finadmgo@desemo.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.

<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	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

2013-14 Basic Formula Estimate Revision

The March 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 (finadmgo@desemo.gov) with questions or concerns about the district’s calculations.

2013-14 Classroom Trust Fund Estimate Revision

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 likely be somewhere in the proximity of \$388. An adjustment has been made to the March 2014 Classroom Trust Fund payment to more accurately reflect the current collection of revenue. The state will only distribute funds that are actually collected into the Classroom Trust Fund, which may or may not reach the appropriated level. (Additional information is provided at the end of the memo.)

2014-15 BUDGET ESTIMATES

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.

<u>Year</u>	<u>Dollars Distributed</u>	<u>WADA</u>	<u>WADA Payment</u>
2006-07	\$784,900,800	915,941.2936	\$856.93
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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 exactly know 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

Schedule of Selected Statistics

The only anticipated change to the Schedule of Selected Statistics report for the 2013-2014 audit report is to add two questions regarding professional development under the finance section. These questions had been removed for the 2010-2011 through the 2012-2013 audits due to a provision in state law that was reinstated for the 2013-2014 school year.

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.

A worksheet to assist districts when estimating their ADA is available at <http://dese.mo.gov/divadm/finance/tools/>.

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.

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.

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>

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 at <http://dese.mo.gov/fas/GeneralFederalGuidance.html>.

Please review your district’s federal expenditure documentation and insure that this form has been completed for all applicable staff for the 2013-14 year.

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 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.

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

The 2012-13 local tax effort per ADA will be used by districts and agencies for billing in the 2013-14 year. The 2012-13 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 Missouri student to attend summer school in a school district other than the student's district of residence if the other district accepts non-resident students. School 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.

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.

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 seventh 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 March 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>
March 2014	64.737451	3.437065	-1.426588

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 9, 2014, please have your district's school bus drivers 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, shortly 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 18, 2014. The Certified School Bus Driver Instructor workshop is scheduled for July 23-25, 2014, 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	\$3,710,000,000	\$3,800,000,000	\$90,000,000	2.43%
Sales & Use Taxes	\$1,260,000,000	\$1,310,000,000	\$50,000,000	3.97%
Corporate Inc. & Franchise	\$251,200,000	\$286,700,000	\$35,500,000	14.13%
Other Collections	\$283,300,000	\$244,600,000	(\$38,700,000)	-13.66%
 Increase in Revenue YTD			 \$136,800,000	 2.49%
				<u>Refund Change</u>
Refunds (YTD)	\$564,800,000	\$586,600,000	\$21,800,000	3.86%
(A decrease in refunds enhances New Revenue. An increase in refunds diminishes Net Revenue.)				
Actual Net Revenue Status YTD	\$4,939,700,000	\$5,054,700,000	\$115,000,000	2.33%
Adjusted FY14 Revenue:	\$4,899,700,000		\$155,000,000	3.16%

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	\$205,833,499	\$216,700,127	-5.00%
Gaming Revenue Appropriated	\$375,395,340		
Percentage of Budget Year Reflected YTD		66.67%	
Percentage of Appropriation Realized YTD ((\$10 M Unclaimed Lottery Included in Calculation))		57.54%	

1. **General Revenue Trend:** While revenues have not yet returned to the level prior to the economic downturn that began to impact school funding in 2008-09, we continue to see an upward trend. This is a positive sign, unlike last year, when General Sales Tax was strong in the first portion of the year but declined rapidly in the second half. Thus far, revenue this year has held a more consistent trend which hopefully will be sustained over the final quarter of the fiscal year.

2. **Gaming Revenues:** As has been reported in each prior memo, the trend for Gaming Revenues in Missouri continues to fail to meet projections. More on this reality can be review at the following link:
http://hosted.ap.org/dynamic/stories/M/MO_CASINO_REVENUE_MOOL-?SITE=MOPAR&SECTION=STATE&TEMPLATE=DEFAULT

To address a portion of this shortfall, the House Appropriations Committee has proposed to their legislative body a recommended \$22 million supplemental appropriation for FY14. If approved, these funds will help further close the gap on the \$3.075 billion appropriation for the current year. As you recall last month, we provided information concerning the extent to which the \$33 million carryover would cover the shortfall and our goal of not ending the year with a negative adjustment to the funding percentage. We are pleased that those projections are no less favorable that what was reported then.

3. **FY15 Budget:** The General Assembly continues to move forward with the development and appropriation of the FY15 Budget. Though there remains much work to do, and differences in revenue projections remain, the discussions so far are encouraging. The significant new concept that has been introduced is a new fund called the Surplus Revenue Fund. The intent of this fund is to be able to appropriate the capacity for the \$278 million increase to the foundation formula, as recommended by the Governor, that is based on a higher actual revenue number than is predicted by the General Assembly.

To accomplish the Governor's recommendation, \$155 million would have to flow through the Surplus Fund. Revenues would first go to the "regular" fund accounts that have been used to disburse appropriations. Once those appropriation levels have been met, then those additional revenues would be placed in the Surplus Revenue account which could be directed to any state agency that had an appropriation through that fund. If Missouri economy has a robust revenue trend in FY15, a mechanism would then be available to distribute an amount up to the Governor's recommendation. If revenues are not available then no revenues would be placed into or disbursed through that fund.

A couple of weeks ago, my wife Carolyn and I made a quick trip to Dallas to see our son and his family. It is always great to be with them and get some grandparent time with our three grandchildren. When we began our journey home that day it was 82 degrees in Dallas, and when we returned to Webb City, it was 32. That change quickly reminded us of the reality of the weather in early March in Missouri and how quickly things can change.

When I think about my prior service in a local school district during this time of the year, I recall it too is a period of quick transitions, much like our Missouri weather. Staffing changes sometime surprise us due to late resignations; we are immersed in preparatory budget work while planning for a new year while so many funding projections remain unknown; we sometimes find that a hard winter has damaged a roof that now needs to be replaced instead of repaired or numerous other unanticipated circumstances arise. In spite of many climatic and/or programmatic surprises, we have grown accustomed to making adjustments and moving forward with our responsibilities in life. Thanks for all you do to provide the stability needed toward our mission of educating Missouri students, especially during times of rapid change.

Best wishes,



Ronald Lankford

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