

May 21, 2013

TO: School District Administrators

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

RE: May Financial Information

Prior Flexibility Given With HB 1543 (Passed in 2010) Will Sunset as of June 30, 2013

Efforts to remove the sunset provisions of the above referenced legislation failed to gain passage on the final day of this past legislative session. Had HB 76, which passed in the House but not in the Senate, been approved school districts would not have been required to resume compliance on certain portions of Missouri funding statutes. Sections 161.209 and 163.410 in House Bill 1543 (2010) had granted school districts flexibility in certain expenditures during FY 2011, 2012 and 2013, if funding declined or the appropriation for transportation was less than seventy five percent.

Beginning with the 2013-2014 school year the following provisions are reinstated:

- MSIP Resource Standards (Since the beginning of MSIP 4, accreditation has been based on performance standards. Resource Standards are reviewed but are not factored into accreditation determination unless a district is not meeting performance standards.)
- 1% professional development expenditure requirement
- fund placement and expenditure requirements of Section 163.031, RSMo

The **certificated salary compliance provision will be reinstated in the 2015-2016** school year with the 2013-2014 school year being the base year for this calculation.

Prior Year (2011-12) Adjustment - Basic Formula

A fourth prior year recalculation was completed with the May payment. This recalculation was completed using the highest of the 2011-12 weighted average daily attendance (WADA), the 2010-11 actual WADA, or the 2009-10 actual WADA. Any adjustment to data will impact each district in the state since DESE is redistributing the 2011-12 fixed dollars. The proration percentage changes are:

June 2012	0.94150969
January 2013	0.93576321
February 2013	0.92710946
April 2013	0.93560207
May 2013	0.93560657

Prior year correction payment amounts can be viewed by going to the payment transmittal for May 2013 and clicking on the dollar amount of the district's Basic Formula, Classroom Trust Fund, Transportation, and Small Schools Grant payment. These numbers are a hyperlink to a detail page which displays the amount of payment contributed to the current year payment as well as the prior year correction amount.

Fiscal Year 2013 Single Audits

Districts/charter schools that expend more than \$500,000 in federal funds in fiscal year 2013 must contract with an auditor to perform a Single Audit of the federal funds. In addition to satisfying the procurement requirements listed in the Missouri Financial Accounting Manual, auditors performing Single Audits must comply with the federal

debarment and suspension regulations in 7 CFR Part 3017.510(b). Pursuant to 7 CFR Part 3017.110 (c) (2), auditors that have been suspended or debarred from doing business with the federal government are prohibited from performing Single Audits. Districts/charter schools may determine whether an auditor is suspended or debarred by accessing the website www.epls.gov and searching for the name of the auditor.

When expenditures of federal money exceed \$500,000, the district's auditor is required to follow additional audit procedures in accordance with the Single Audit Act (Office of Management and Budget Circular A-133). Such additional required procedures may increase the cost of the audit.

2012-13 Audit Schedule of Selected Statistics

A copy of the 2012-13 Schedule of Selected Statistics that is to be included in the 2012-13 audit report will be available shortly on the web at <http://dese.mo.gov/divadm/finance/newadmin/ScheduleofSelectedStatistics.html>. The district should print and keep a copy as a reference when it reviews the 2012-13 audit report prior to submitting the audit report to DESE. The district is encouraged to compare the information the auditor reports on this Schedule to the data the district submitted through MOSIS, on Core Data, the Annual Secretary of the Board Report, or other reports and resolve any differences prior to submitting the audit report to School Finance.

2012-13 Annual Secretary of the Board Report (ASBR) Updates

Several changes have been made to the 2012-2013 ASBR. These updates are listed on the School Finance WEB page at <http://dese.mo.gov/divadm/finance>, click on "ASBR".

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 2012-13 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, 2012 and July 1, 2013; or
2. has a certificate pending but did not initiate the required background check prior to June 30, 2013.

School districts must then exclude the 2012-13 hours of attendance for all students who were under the supervision of those educators since they did not have a valid certificate.

Attendance Reporting

For guidance regarding various attendance reporting scenarios please refer to the School Finance website at: <http://dese.mo.gov/divadm/finance/topicsandprocedures/documents/AAttendanceReporting.pdf>.

SCHOOL GOVERNANCE

Missouri School Facilities Workshops - Summer 2013

The information on the Missouri School Facilities Workshops to be held this summer is now available. The workshops provide an outstanding opportunity for the district's school facilities director/support staff to receive a quality in-service program. There are no registration fees for the workshops. The pre-enrollment form should be completed and returned by mail or faxed to the appropriate workshop coordinator. Please distribute the information to the appropriate staff members in your district. The workshop information is available on the web at: http://www.dese.mo.gov/divcareered/Missouri_School_Facilities_Workshops.htm.

Transfer Timing Amendments to Existing Direct Deposit Agreements

During 1995, the Missouri Health and Educational Facilities Authority (MOHEFA) was charged with developing guidelines for and the administration of the Direct Deposit Program, which provides strong credit ratings for Missouri school districts. Since the inception of this arrangement school districts have not been required to obtain individual bond ratings prior to the issuance of General Obligation Bonds but rather have been able to enjoy the benefit of utilizing the bond rating for the State of Missouri resulting in the reduction of front end issuance costs to school districts. In addition, long term savings have been achieved by this arrangement resulting in an approximate twenty-five basis points reduction below what would have been market. It has been estimated that since the initiation of this Direct Deposit Program that total savings to Missouri schools has exceeded \$200 million.

While this program has been of tremendous benefit to school districts, the rapid change in the economic climate was becoming problematic for some school districts, especially those who rely more heavily on local property tax revenues. The original agreement called for bond payment amounts to be withheld from state payments during the months of March through December with no withholding during January and February. Since some district balances are at their lowest levels during the ending month of each calendar year cash flow issues began to arise.

Instead of 10 monthly transfers occurring in March through December it is now possible to skip either October/November or November/December and push the final 2 month transfers into January and February. This flexibility could ease cash flow issues for districts and possibly eliminate the need for some districts to borrow funds until local tax revenue is received.

If this is something that is of interest to your district please contact Roger Dorson, MOHEFA, or your district's bonding advisor for more information about the process.

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 eighth 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 May 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:

	Reduction Factor	A Factor	B Factor
May 2013	63.212522	3.234916	-1.324090

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.

Who must have a School Bus (S) Endorsement?

State statutes require drivers of any vehicle (including a personal vehicle) who are being compensated for transporting students to/from ANY school event/program to have an “S” endorsement on their license.

District employees (i.e., teachers, coaches, administrators, secretaries, school nurses, janitors, etc.) who transport students as an “incident” to employment (i.e., student illness, etc.), are required only to have a valid Class F operator’s license.

District employees who are hired knowing they will be transporting school children as part of their job (i.e., regularly scheduled field trips, school sponsored activities, etc.) must have a Class E (for hire) license with a school bus (S) endorsement. Vehicles must weigh less than 26,001 lbs. and be capable of transporting 15 or less including the driver.

In addition, parents or individuals who enter into a contract with the district to transport students in a district owned/district leased vehicle and who are paid a lump sum amount, an hourly wage, or more than the AAA cost per mile must have a Class E license with an S endorsement. These parents or individuals must agree to provide transportation in a safe, inspected, insured, licensed vehicle.

Note: Any vehicle that is capable of transporting 11 or more including the driver must be a yellow school bus that complies with Missouri Minimum Standards for School Buses.

Deputy Commissioner’s Comments

Revenue Trends YTD

	<u>YTD as of April FY12</u>	<u>YTD as of April FY13</u>	<u>Revenue Change</u>	<u>% Change</u>
Individual Income Taxes	\$4,870,000,000	\$5,350,000,000	\$480,000,000	9.86%
Sales & Use Taxes	\$1,520,000,000	\$1,550,000,000	\$30,000,000	1.97%
Corporate Inc. & Franchise	\$394,900,000	\$404,800,000	\$9,900,000	2.51%
Other Collections	\$298,300,000	\$371,600,000	\$73,300,000	24.57%
Increase in Revenue YTD			\$593,200,000	8.37 %
			<u>Refunds</u>	<u>%</u>
			<u>Change</u>	<u>Change</u>
Refunds (YTD)	\$1,100,000,000	\$1,010,000,000	(\$90,000,000)	-8.18%
Net Revenue Status YTD	\$5,983,200,000	\$6,666,400,000	\$683,200,000	11.42%

(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	\$283,468,358	\$275,563,493	-2.8%
Gaming Revenue Appropriated		\$319,696,995	
Percentage of Budget Year Reflected YTD		83.33%	
Percentage of Appropriation Realized YTD		86.20%	

As we prepare to close FY13, I wanted to give you the most up-to-date information available. You may wish to compare it to what was sent in March. By doing so you will get a better perspective on revenue trend changes which occurred since the time of its posting. The March School Finance memo can be located at <http://dese.mo.gov/divadm/finance/memos/documents/sf-March2013.pdf>.

1. **General Revenue Trend:** The revenue trend for FY13 continues to remain ahead of revenue forecasts of eighteen months ago when the consensus revenue estimates were developed. As can be seen from the information provided in the revenue trends section above, net revenue is up 11.42% from one year ago. As a result of this more positive position the Governor was able to release appropriations that had been previously restricted at the beginning of the fiscal year. While this is very good news it must be remembered that the current budget year has within it some onetime settlement revenue due to mortgage settlements and there is also a decrease in tax refund amounts. Regardless, the trend is more positive than has been seen over the past several years.
2. **Gaming Revenues:** Gaming revenue continues to be slightly ahead of the appropriated amount but behind year-to-date collections for last year.
3. **Proposition C:** In the March memo you can find the estimates for the calculation of Proposition C revenues for FY14 that reflected an appropriation increase of \$32.5 million.

While this revenue stream is ahead of last year, the rate of growth has slowed since February when it was 3.92% ahead of the same time last year. As of May the comparison growth has decline to 1.02%, which now reflects three consecutive months of slower growth rates compared to the same month in FY12. Since the state can only distribute funds that are actually collected in for Proposition C, revenue may or may not reach the appropriated level. There is no guarantee that Proposition C revenues will increase to the level appropriated by the General Assembly.

Percentage Proposition C changes as compared to prior years:

07-08	-1.54%
08-09	-5.50%
09-10	-4.82%
10-11	2.39%
11-12	5.34%
12-13 TYD	1.03%

Since the state can only distribute funds that are actually collected into the Classroom Trust Fund, revenue may or may not reach the appropriated level, districts should give close consideration to this information before making final projections for Prop C for FY13. The 2013-14 Proposition C Sales Tax payment will be paid on the 2012-13 weighted average daily attendance (WADA), currently estimated to be 902,000.

4. **Percentage to Fully Fund of SAT \$6,131 for FY14:** Several times it has been asked what the percentage multiplier is anticipated to be for FY 14. Funds just distributed to districts for May were distributed at .925673897. It appears that the June payment percentage should be very similar. It is not anticipated that

there will be a significant change in the payment WADA for FY14, thus the percentage multiplier should be very near what is used in the upcoming June payment.

Classroom Trust Fund Estimate: The question has also been asked about the additional \$65.88 million that was appropriated for the formula for FY14. If that amount does become available it would be about a one-percent increase per \$30 million or an approximate two-percent payment above the .925673897, resulting in an approximate 94.5% multiplier. Since the funding stream for this additional funding comes through the Classroom Trust Fund, caution is recommended when attempting to factor in actually how much revenue will be available. Again, the trend is that gaming revenues are not above last year. While a new gaming facility will likely increase revenues, the amount is unknown. Since the state can only distribute funds that are actually collected into the Classroom Trust Fund, revenue or may not reach the appropriated level. There is no guarantee that Classroom Trust Fund revenues will increase to the level appropriated by the General Assembly.

The 2013-14 Classroom Trust Fund payment is paid on the 2012-13 average daily attendance of 835,485.

In years past each time the school year came to an end I would always ponder as to whether that particular school term had made a positive difference in the lives of the students we served. I was never certain how to make a completely accurate assessment, but that particular question always renewed within me the sense of urgency as to the importance of the next school year we would soon begin.

I know that those associated with education in Missouri share the common goal of providing the highest level of services possible to all the students we serve. Though the times continue to be very challenging, our commitment to this important mission continues forward. Thank you for your continued dedication during the year just past and as you make preparations for the one upcoming.

Best Wishes



Ronald Lankford