

School Finance

Monthly Newsletter

October 2014

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October Foundation Payment Calculations

The October Basic Formula payment, including Classroom Trust Fund, was calculated using the best data available for each district. Each month's calculation will be made using the best available data 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 (573-751-0357; webreplyadmsf@dese.mo.gov) with questions or concerns about the district's calculations.

Small Schools Grant

Section 163.044, RSMo, authorizes payments to small schools defined as districts with an average daily attendance (including summer school) of 350 or less. The allocation of the \$15 million appropriation requires that \$10 million be distributed to the eligible districts on an equal amount per prior year average daily attendance. The remaining \$5 million is distributed (on an equal amount per tax rate weighted average daily attendance) to the eligible districts with a current year adjusted Incidental plus Teachers Funds tax rate of \$3.43 or higher and any district which previously had a Incidental plus Teachers Fund tax rate of \$3.43 or higher but currently has a tax rate less than \$3.43 solely due to modification of such levy required under section 137.073.5(4), RSMo.

The first Small Schools Grant payment for 2014-15 was calculated in October using the best data available for each district. The October payment is 4/12ths of the annualized calculation. The remaining payments will be approximately 1/12th of the annualized calculation. The district's calculation is available through the payment transmittal.

Attendance Reporting

For guidance regarding various attendance reporting scenarios please refer to the School Finance website at <http://dese.mo.gov/sites/default/files/sf-AAttendanceReporting.pdf>.

Fiscal Year 2014 Audit Submissions via Tiered Monitoring System

The following guidelines are provided for the Fiscal Year 2014 Audit Submissions:

- Audits, copies of board minutes approving the audit, and management letters should be submitted to DESE via the Tiered Monitoring System. The documents should be in Adobe searchable pdf format, version 9.0 or lower. The file description should be structured in the format of "County District Code Document FY14" (i.e. 001090AuditFY14 or 001090BoardMinutesFY14).
- The audit report should be uploaded as "Audit Documents (required fiscal audit)" and the board minutes and management letter would be "Audit Documents (supporting docs)" in the file upload dialog box for the 2014-2015 fiscal year. The file upload box will also require adding the contact information for the auditor before the audit report can be uploaded. (If the link for the financial audit upload is not working, click on the global document repository (uploads) link under "Utilities" on the right side of the screen to upload the documents.

- The deadline for submitting audits is **December 31, 2014**. 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.
- The school, not the auditor, is responsible for ensuring that the audit, board minutes, and management letter are submitted to DESE in compliance with the provisions of the audit rule. With the change of audit submission via the Tiered Monitoring System, the auditor should not have access to this system and, therefore, not be able to upload the audit documents.
- 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 audit includes the updated version of the Schedule of Selected Statistics, which can be found at <http://dese.mo.gov/financial-admin-services/school-audits>.
 - 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.

If you have questions please contact Toni Wade, Schools Audits, at 573-751-9437.

School Calendar Requirements

Missouri statute directs that *each school board shall prepare annually a calendar for the school term* per Section 171.031.1, RSMo. Due to the fact that a number of school districts have moved, or in the future may consider moving, to a school year of less than one-hundred and seventy-four (174) days, it has been determined that additional guidance should be provided to give greater clarity on what needs to be considered when setting such calendars.

School Calendar Options as Provided in Statute

School districts may operate under one of three possible calendar scenarios described below:

1. A traditional calendar may be adopted which requires the school board to provide a minimum term of at least 174 days and 1,044 hours of instruction, 171.031.1, RSMo.
 - a. Minimum required hours in a school day of 3 hours per Section 160.041.1, RSMo.
 - b. Maximum possible hours in a school day of 7 hours per Section 171.031.7, RSMo.
2. A calendar of less than 174 days may be adopted by the school board that provides a minimum of at least 1,044 hours of instruction, 171.029.1 RSMo.
 - a. Minimum required hours in a school day of 4 hours per Section 160.041.1, RSMo.
 - b. Maximum possible hours in a school day of 8 hours per Section 171.031.7, RSMo.
3. A calendar of 142 days (four days per week) may be adopted by the school board that provides a minimum of at least 1,044 hours of instruction, 171.031.1, RSMo.
 - a. Minimum required hours in a school day of 4 hours per Section 160.041.1, RSMo.
 - b. Maximum possible hours in a school day of 8 hours per Section 171.031.7, RSMo.

Points of Clarification

1. Districts must establish which type of calendar they will be operating under as well as the number of days they plan to attend school prior to the opening of a new school year. In order to assure that the district has complied with this statute, the planned calendar will be reported to the Department on Core Data Screen 10 by August 15 of each year. Once the type of calendar has been established by the district the number of days of planned attendance cannot be amended or changed after the August 15 reporting date.
2. Districts that operate under the traditional calendar (174 days or more) may not attend fewer than 174 days or 1,044 hours except as forgiven by weather as established in Section 160.041, RSMo.
3. Districts that operate under a calendar of less than 174 days, and with a minimum of 1,044 hours, must attend the number of planned attendance days as certified to the Department on Core Data Screen 10 by August 15 of each year, except as forgiven by weather as established in Sections 171.033 and 160.041, RSMo.
4. Districts that operate under a calendar of 142 days, and with a minimum of 1,044 hours, must attend the number of planned attendance days as certified to the Department on Core Data Screen 10 by August 15 of each year, except as forgiven by weather as established in Sections 171.033 and 160.041, RSMo.
5. Section 163.021.1, RSMo, requires compliance with the minimum term for eligibility for state aid. 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 via MOSIS for the ADA calculation for state aid purposes.
 - a. Minimum required hours of class time to count as a school day:
 - i. 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.
 - ii. 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.

SCHOOL GOVERNANCE

Health Insurance Coverage for Retirees

The Department receives questions from time to time regarding eligibility for health insurance coverage for individuals who are retiring, or who have retired, and are receiving or eligible to receive retirement benefits from a Missouri school employee retirement system. This eligibility is provided for in Section 169.590 RSMo., <http://www.moga.mo.gov/statutes/C100-199/1690000590.HTM>. If you have questions please contact Roger Dorson, Financial and Administrative Services, at 573-751-0357.

Senate Bill 532

SB 532 was passed by the General Assembly this past session and signed by the governor on July 9, 2014. This bill became effective on August 28, 2014 and makes changes to Sections 431.058, 431.061, and 431.062 RSMo., which has an impact on school districts and residency issues.

The main change is the creation of the role of "relative caregiver". By signed affidavit a person, who is a relative of a child by blood, marriage, or adoption, may enroll that child in school if the child resides with the relative caregiver. The enrollment would have to be in a school within the district where the relative caregiver resides. The relative caregiver can also give consent for medical treatment.

Prior to this legislation, the law, in most situations, required a student to be living in the school district with a parent or legal guardian in order to be able to enroll in school. The school district could waive this requirement for hardship or good cause. The school district is the determiner of what constitutes hardship or good cause.

This legislation adds the relative caregiver to parents and legal guardians as persons who can enroll a student in school. If you have questions regarding this topic please contact Roger Dorson at 573-751-0357 or at roger.dorson@dese.mo.gov.

SCHOOL TRANSPORTATION

2014-15 State Transportation Aid Calculation

The fiscal year 2014-15 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/financial-admin-services/school-finance/financial-reports>.

This is the first live state transportation calculation made for the current year. The calculation is based on 2013-14 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 October 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>
October 2014	65.001605	3.524855	-1.418671

2014 EPA School Bus Replacement Rebate Program

EPA has announced that funds will again be available for school bus replacements this fall. This is the second time the EPA will open the DERA School Bus Replacement Rebate Program. In 2012, EPA launched a pilot rebate program with \$2 million in funding and gave rebates to 28 recipients to help replace more than 80 school buses. EPA anticipates awarding \$3 million in rebate funds to public and private school bus fleet owners. Recipients will be chosen by a lottery system.

Region 7 is in a unique situation. Because the Region did not receive enough applications to award all of the FY14 funds through the DERA National Competition Program the Region has over \$700,000 in rebates for Region 7 only public and private school bus fleet owners. Those applicants not selected in the preliminary Region 7 lottery will be entered in the national rebate lottery and compete for the \$3 million with fleet owners from across the nation.

This is a great opportunity for Region 7 schools, using the Region 7 only money they anticipate being able to replace 28 - 30 older school buses, reducing diesel emissions and improving the health and environment of communities throughout the 4 state area. Please help get the word out to all of your school or community contacts.

Applications for both the Region 7 only rebates and the national rebates will be taken by EPA Headquarters, between October 15, 2014 and November 17, 2014. Information on eligibility and the application pertaining to the 2014 School Bus Rebate Program was posted Wednesday, October 15, 2014, at <http://www.epa.gov/cleandiesel/dera-rebate-schoolbus14.htm>.

EPA will offer a 2014 School Bus Rebate webinar for interested applicants on Wednesday, October 22 at 1 pm EDT. The audio call-in for the webinar is 470-200-0302, access code 228-750-740#. Participants may register at <https://www2.gotomeeting.com/register/467125138>.

Please contact the EPA using the information below, should you have any questions.

Greg H. Crable
 US EPA Region 7, AWMD/APDB
 11201 Renner Blvd., Lenexa, Kansas 66219
crable.gregory@epa.gov
 913-551-7391

School Bus Aisle Blocking

State Board of Education Rule 5 CSR 30-261.010 requires that school bus aisles not be blocked. As your district makes field trips and activity trips this year, please ensure that all school bus drivers know and adhere to this rule. The aisles must be free of any obstruction so the bus, if needed, could be evacuated quickly without difficulties caused by the aisles being blocked by trash cans, coolers, book bags, band equipment, or other items.

School Bus Driver Seat Belt Use

5 CSR 30-261.010, RSMo (Requirements for the Operation of School Buses), requires school bus drivers to use their seat belt whenever the bus is in motion. Please verify compliance with this requirement within your school district.

Non-Conforming Van Use

Any vehicle that transports 11 or more passengers including the driver that is newly purchased, leased, or contracted must be a school bus and meet all Missouri Minimum Standards for School Buses as well as all Federal Motor Vehicle Safety Standards for School Buses (with the exception of motor coaches).

This means that a school district cannot purchase, contract, or rent 12/15/17 passenger vans for the transportation of school children.

Deputy Commissioner's Comments

Revenue Trends YTD

	<u>YTD as of</u> <u>September FY14</u>	<u>YTD as of</u> <u>September FY15</u>	<u>Revenue</u> <u>Change</u>	<u>% Change</u>
Individual Income Taxes	\$1,340,000,000	\$1,420,000,000	\$80,000,000	5.97%
Sales & Use Taxes	\$495,100,000	\$512,800,000	\$17,700,000	3.58%
Corporate Inc. & Franchise	\$134,900,000	\$131,000,000	(\$3,900,000)	-2.89%
Other Collections	\$93,200,000	\$90,200,000	(\$3,000,000)	-3.22%
 Increase in Revenue YTD			 \$90,800,000	 4.40%
 Refunds (YTD)	 \$111,600,000	 \$124,800,000	 \$13,200,000	 11.83%
(A decrease in refunds enhances New Revenue. An increase in refunds diminishes Net Revenue.)				
 Actual Net Revenue Status YTD	 \$1, 951,600,000	 \$2,029,200,000	 \$77,600,000	 3.98%

School District Trust Fund (Proposition C) YTD

	<u>(Oct.) Current Year</u>	<u>(Oct.) Prior Year</u>	<u>% Change</u>
Amount Paid to School Districts	\$280,068,740	\$258,394,946	8.14%
Appropriation	\$827,500,000		

Gaming Revenue YTD

	<u>(Sept.) Current Year</u>	<u>(Sept.) Prior Year</u>	<u>% Change</u>
Total Gaming Proceeds to Education	\$81,365,478	\$80,203,737	1.45%
Gaming Revenue Appropriated	\$353,112,706		
YTD Classroom Trust Fund Available FY15*	\$90,030,528		

*Includes \$8,665,050 carryover from FY14 and \$13,105,978 unclaimed Lottery funds

1. **General Revenue:** The first quarter revenue data for FY15 continues to show a positive trend, with net revenue up approximately four percent (4%) from the prior year. While we are far from being able to predict what the final outcome will be for the remainder of the year, we are pleased with the way things have begun relative to the larger budget picture for the state.

2. **Proposition C:** Revenue from the School District Trust Fund (Proposition C) available for distribution continues to run ahead of the prior year. While all other revenue reports are of the previous month's end, which was September, the Proposition C data reflects the funds that were available and distributed in October. Hopefully this revenue source will continue to trend upward and exceed FY14 which was a very positive year.

3. **Gaming Revenue:** In most recent years, we have seen a downward slide from Gaming Revenues to the Classroom Trust Fund. While at the end of the first quarter revenues are slightly ahead of last year, the total amount still lags earlier years. Additionally, it is not uncommon for the first quarter to show a slight increase, while the remaining months of the fiscal year historically see a drop. You are urged to continue to monitor the monthly reports relative to this revenue source.

HB 1689

The 2014 Missouri General Assembly passed HB 1689 aimed primarily at allowing limited foundation formula funding for pre-school education in provisional and unaccredited school districts. Contained in the bill were also formula related components that deal with the calculation of free and reduced counts in districts that elect to implement the use of USDA Community

Eligibility Option in their school nutrition program; language dealing with the calculation of local effort when a change in a school district's boundary lines occurs because of a boundary line change, annexation, attachment, consolidation, reorganization, or dissolution occurs; and formula calculation changes beginning in FY16 and in any year thereafter when the formula is not fully funded. Of these changes, the formula calculation change is the most significant for all school districts.

Fiscal Year 2010 was the first year following implementation of the formula, adopted by the General Assembly in 2005, that revenues were not sufficient to fully fund the fourth year of a seven year phase-in. The law clearly established that the formula could not be pro-rated during the phase-in years. Though the General Assembly looked at several potential options to correct the situation, no legislation was approved. As the result, the Department did pro-rate the formula in that year. This action was challenged in court but the court ruled that the action taken by the Department was not incorrect.

Fiscal Year 2012 was the final year of the seven year phase-in. During that year there was a great deal of discussion relative to potential options to deal with the underfunded formula as it concluded the final phase-in year. At the close of the 2012 legislative session, the Department announced that it would hold the State Adequacy Target (SAT) at \$6,131 which was its level in the last year of the phase-in period, and then distribute in percentage to all schools the amount they were due to the extent of available funds. This process has subsequently been used for FY13, FY14 and FY15. Beginning July 1, 2015, the following statutory language will be used to calculate the distribution of foundation funds to school districts:

Notwithstanding any provision of law to the contrary, in any fiscal year during which the total formula appropriation is insufficient to fully fund the entitlement calculation of this section, the department of elementary and secondary education shall adjust the state adequacy target in order to accommodate the appropriation level for the given fiscal year. In no manner shall any payment modification be rendered for any district qualified to receive payments under subsection 2 of this section based on insufficient appropriations.

The key language is "shall adjust the adequacy target." This means that all "hold-harmless" districts will be fully funded at the amount outlined in 163.031(2), RSMo. No percentage adjustments due to underfunding will be applied to any school district. Adjustments to payment for formula districts will be made through modifications to the SAT. We have done a rough calculation based upon the October 2014 payment to estimate an approximation of what the SAT would have been had it been adjusted to accommodate the appropriation level for FY15 and determined it to be approximately \$5,985. Bear in mind that this information will change as districts update their data and revenue trends become more solid as the year progresses. It is also predicated upon the assumption that all of the \$100,200,000 recently released will be available for full distribution.

General Reflection of the "Why of What We Do"

I am always reminded when I look out my office window and see a bus load of elementary students making their way to the Capitol to view that beautiful structure of how blessed I am to have had the opportunity to be a part of molding and shaping the lives of future generations. The children I see this year will all too soon become young adults and venture into the much larger arena of life. That thought gives me a greater sense of purpose and reminds me that we have no time to spare relative to what we do to help prepare them for that reality. I think Dr. Seuss said it best. *"How did it get so late so soon? It's night before its afternoon. December is here before its June. My goodness how the time has flown. How did it get so late so soon?"*

President John F. Kennedy inspired the nation on September 12, 1962, when on a hot day to a crowd in a football stadium at Rice University he said,

Its hazards are hostile to us all. Its conquest deserves the best of all mankind, and its opportunity for peaceful cooperation may never come again. But why, some say, the moon? Why choose this as our goal? And they may well ask why climb the highest mountain? Why, 35 years ago, fly the Atlantic? Why does Rice play Texas? We choose to go to the moon. We choose to go to the moon in this decade and do the other things, not because they are easy, but because they are hard, because that goal will serve to organize and measure the best of our energies and skills, because that challenge is one that we are willing to accept, one we are unwilling to postpone, and one which we intend to win, and the others, too.

Though our mission is different than what President Kennedy was speaking in reference, what we do is critically important. We have chosen to accept a role that impacts the future of our children, our communities, our state and our nation. As he said of that challenge, our task is not easy, in spite of the difficulties faced each day we continue because we know our mission is critically important to the future of all current and future Missouri citizens. My thanks to you for all you do to assure that every school day in this school year provides a positive learning experience for each child we serve in Missouri.

Best wishes,



Ronald Lankford

School Finance

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