

September 23, 2013

TO: School District Administrators

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

RE: September Financial/Governance/Transportation Information

September Foundation Payment Calculations

The September 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.

September 2012 Membership Report to the Counties

Prior year September membership data (September 2012) are used by the county to calculate the 2013-2014 distribution of Fines, Escheats, etc., as well as for the apportionment of State Assessed Railroad and Utilities revenue. A September membership report, which lists the membership data by district within the county as submitted to DESE by each district, is accessible on the School Finance website.

Two September Membership reports are available on the web to school districts. To access these reports, log on to the DESE Web Applications located at <https://k12apps.dese.mo.gov/webapps/logon.asp> and then select Data Collection. Once in the Data Collection system, change the year to 2012-13 and select the Report Menu option from the upper-right dropdown box. Select Summary Reports. One report, the September Membership Comparison Report (SAR070R), compares September membership as reported by the district for the year selected and the prior year. The other report, September Membership Report (SAR080R), displays only the data for the year selected. Please review the membership data. If reporting errors are found, update the September 2012 membership through the MOSIS October Student Core file. Remember, a change made to September membership may necessitate a corresponding change to enrollment.

September 2013 Membership Count – Last Wednesday in September

The last Wednesday in September (September 25, 2013) is the membership count day and the enrollment count day. In the October Cycle MOSIS 2013 Student Core submission, individual student data are used to populate Core Data screen 16 to provide enrollment data by male/female in the appropriate categories and report the September 2013, membership data by county. The Core Data Collection System Manual provides the definitions for September enrollment and membership. Please certify data for the October cycle screens by October 15, 2013.

Reminders regarding reporting of enrollment and membership for students attending districts outside their district of residence:

- 1) District paid tuition– When the district of residence pays another district full tuition, the district of residence will receive the membership for the student but not the enrollment. Such students are known as Resident II students to the district of residence. The district educating the student will include the student in their MOSIS file as a non resident with the appropriate district of residence code. This will allow the

district receiving the tuition and educating the student to include the student in non-resident enrollment and will move other data, such as membership and attendance data, to the district of residence's core data files.

- 2) Parent paid tuition – When a parent pays tuition for a student to attend another district, the district of residence will not report the student in their MOSIS files and will not receive enrollment or membership. The district receiving the tuition from the parent and educating the student will include the student in their MOSIS file as a parent tuition student. This will allow the district receiving the tuition and educating the student to include the student in non-resident enrollment and move certain data to the district's core data files.
- 3) Local effort – When a district pays local effort only (as opposed to full tuition) to another district for a student attending that district, the district paying the local effort will not report the student in their MOSIS files and will not receive enrollment or membership. The district receiving the local effort payment and educating the student reports the student in their MOSIS file as a resident student. This will allow all appropriate data to flow into the district's core data files.

Attendance Reporting

Students must be in attendance in an instructional capacity under the direct supervision of a certificated employee of the district to be counted for attendance purposes. A district may have policies allowing an excused absence for various purposes such as illness, religious beliefs, testing, etc.; however, there is no authority to give attendance credit for students not in attendance nor under the direct supervision of a certificated teacher.

The attendance of students taking a class in a zero hour is not included in the attendance reported for state aid since that zero hour is not part of the district's calendar hours in session.

In addition, there is no allowance in state statute that would allow for the make-up of attendance hours. A school district may require a student to make-up time for excessive absences; however, this does not allow the district to count those hours as attendance hours for the student.

2013-14 Core Data Screen 6

The 2014 (2013-14 school year) tax levies and assessed valuations are reported on Screen 6 titled "District Tax Data" of the Core Data Collection System. The tax levy information entered on Screen 6 must agree with the levies on the Estimate of Required Local Taxes form, which is to be filed with the respective county (ies) by September 1. The assessed valuation data for 2013 entered on Screen 6 is the estimated assessed valuation received from the county in June/July for the 2013 calendar year and used in the calculation of the district's tax rate ceiling. Do not enter the December 31, 2012, assessed valuation on Screen 6.

Please enter the Screen 6 data as soon as possible as this will impact the accuracy and completeness of the Missouri School Directory.

Fiscal Year 2013 Audit Submissions

The following guidelines are provided for the Fiscal Year 2013 Audit Submissions:

- Audits, copies of board minutes approving the audit, and management letters should be submitted to School Finance as e-mail attachments to the address audits@dese.mo.gov. Attachments should be sent in Adobe pdf format, version 9.0 or lower. File names should be structured in the format "County District Code Document FY 13" (ie, 001090AuditFY13 or 001090BoardMinutesFY13). In previous memos it was indicated that the FY2013 audits would be submitted electronically through the IMACS systems; however, unless otherwise instructed, please continue to use the current process.
- The deadline for submitting audits is **December 31, 2013**. 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, which is a change from current practice.

- The school, not the auditor, is responsible for ensuring that the audit, board minutes, and management letter are submitted to School Finance in compliance with the provisions of the audit rule.
- 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 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.

Minimum Salary Requirements

In 2013-2014 the minimum teacher's salary is \$25,000 and the minimum salary for a full-time teacher with a master's degree with at least ten years public teaching experience is \$33,000.

All teachers are to receive at least their FTE proration of the applicable state minimum salary. Teachers include study hall teachers, in-school suspension teachers, and all others for whom the students' hours are included in the average daily attendance calculation for state aid.

The penalty for noncompliance with the minimum salary requirements of Section 163.172, RSMo, is stated in Section 163.021.3, RSMo. The statutory penalty for noncompliance is a reduction of the Basic Formula to the 1993-94 amount per eligible pupil. Therefore, it is important that each district ensures compliance with the minimum salary requirements. Questions on specific situations may be directed to the School Finance staff at 573-751-0357.

State Adequacy Target Recalculation (SAT)

The SAT and related Thresholds for School Years 2014-15 & 2015-16 have been recalculated and are as follows:

| | |
|---------------------------------------|---------|
| State Adequacy Target | \$6,580 |
| Free & Reduced Lunch Threshold | 41.0% |
| Special Education (IEP) Threshold | 12.6% |
| Limited English Proficiency Threshold | 2.1% |

As you will note, the SAT decreased from \$6,716 to the newly calculated amount. Had the foundation formula been fully funded the SAT would, however have remained at the higher level due to RSMo 163.111(18). The SAT will remain at the current level of \$6,131 until such time as there is funding available to increase the SAT above this level.

SCHOOL GOVERNANCE

School Calendar

Section 171.031, RSMo. requires that school districts include in their annual calendar six makeup days for loss of attendance due to inclement weather. School districts are required to make up the first six days of school lost or canceled due to inclement weather and half the number of days lost or canceled in excess of six days up to eight days, resulting in no more than ten total make-up days (Section 171.033 RSMo.). Excessive heat is excluded from the definition of inclement weather.

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 first 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 October 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:

| | <u>Reduction Factor</u> | <u>A Factor</u> | <u>B Factor</u> |
|----------------|-------------------------|-----------------|-----------------|
| September 2013 | 63.228962 | 3.238825 | -1.323598 |

National School Bus Safety Week

National School Bus Safety Week is October 21-25, 2013. This Year's Theme is "**Stand Back From the Yellow and Black!**" A National School Bus Safety Week Resource Guide and Activity Booklet may be printed off the National Association of Pupil Transportation's website at http://www.napt.org/associations/3103/files/NSBSWdoc_Color.pdf.

Ridership Lists

On October 9, 2013 (the second Wednesday in October), the compilation of the school district's first ridership list for the year should be completed. This list should only include students' names who regularly rode the buses (at least once per week) living both one mile or more from school (eligible students for state aid) and less than one mile (ineligible students for state aid). The ridership list from the second Wednesday of October will be combined with the ridership list from the second Wednesday of February (February 12, 2014) and reported at the end of the year on the Application for State Transportation Aid (Section I Pupil Data - A thru F) of the 2013-14 Annual Secretary of the Board Report (ASBR) due August 15, 2014.

Deputy Commissioner's Comments

Revenue Trends YTD

| | <u>YTD as of</u> <u>August FY12</u> | <u>YTD as of</u> <u>August FY13</u> | <u>Revenue</u> <u>Change</u> | <u>%</u> <u>Change</u> |
|--|--|--|---------------------------------|--------------------------------|
| Individual Income Taxes | \$764,400,000 | \$784,400,000 | \$20,000,000 | 2.62% |
| Sales & Use Taxes | \$339,400,000 | \$341,800,000 | \$2,400,000 | 0.71% |
| Corporate Inc. & Franchise | \$27,900,000 | \$30,800,000 | \$2,900,000 | 10.39% |
| Other Collections | \$111,400,000 | \$63,200,000 | (\$48,200,000) | -43.27% |
| Increase in Revenue YTD | | | (\$22,900,000) | -1.84% |
| | | | | <u>Refund</u> <u>Change</u> |
| Refunds (YTD) | \$84,800,000 | \$71,600,000 | (\$13,200,000) | -15.57% |
| (A decrease in refunds enhances Net Revenue. An increase in refunds diminishes Net Revenue.) | | | | |
| Actual Net Revenue Status YTD | \$1,158,300,000 | \$1,148,600,000 | (\$9,700,000) | -0.84% |

| | | | |
|--|-----------------|---------------------|--------------|
| FY 14 Revenue Comparability: | \$1,118,300,000 | \$30,300,000 | 2.71% |
| After net revenue was adjusted 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>Prior Year</u> | <u>Current Year</u> | <u>% Change</u> |
|--|-------------------|---------------------|-----------------|
| Total Gaming Proceeds to Education | \$56,049,331 | \$54,496,117 | -2.77% |
| Gaming Revenue Appropriated | \$375,395,340 | | |
| Percentage of Budget Year Reflected YTD | | 16.67% | |
| Percentage of Appropriation Realized YTD <small>(\$10 M Unclaimed Lottery Included in Calculation)</small> | | 17.23% | |

- As you will note in the transmittal formula calculation the percentage toward full funding at a SAT of \$6,131 increased from 91.1% in August to 92.5% for September, which was positive news for districts. The release of the withholding pending the outcome of the Veto Session means that funding at least at this level should be sustainable for FY14. It is possible that the percentage could move upward as the year progresses, depending upon the revenue available to support the increased appropriation for the Classroom Trust Fund.
- General Revenue Trend:** Again, you will notice that the actual net revenue for the state is less than this point one year ago. As has been stated in prior messages much of this decline is directly related to a one-time infusion of \$40 million in FY13 as the result of a mortgage settlement that was recorded in July 2013 as Other Income. In order to reflect the impact of those funds, we will be providing an additional reporting shown above as FY14 Revenue Comparability to more clearly reflect the current revenue trend. This will enable all to see more clearly the revenue status for Missouri compared to the prior year.
- Gaming Revenues:** As we have said in the past, you are urged to closely watch the revenue trend for Classroom Trust Fund. This is important because the appropriation to that fund was increased by \$65.8 million. Distribution, however, cannot exceed funds that are actually available through Gaming Revenue. For the month of August, compared to the prior year, funds distributed to education decreased by 2.77%, or

nearly \$1.5 million, which is however, better than one month ago. It is our intent to continue to provide you monthly information relative to this revenue source.

4. **Data Submission:** We want to thank school districts for your efforts to submit summer school data as was requested by our staff. Because of your response it is our belief that our payment WADA for the month of September is more accurate than we have seen in years past. Having this information enables the Department to more clearly reflect formula payments for the going forward for the remainder of the year.

In our last message only a few weeks ago, we were reflecting about the “new school year,” which now is well on its way and is beginning to take its own form in the educational annuals of our state. By next month we will be starting to see evidences of the majestic fall colors that grace our state in the fall of each year. As the seasons roll by it reminds us of the brevity that each is with us, so it is with the lives of the youth we serve each day. We are granted only a brief segment in the life span of each of the youth we serve in any given year. One thing we are certain of is that time is going to pass. What ultimately makes the difference is what we choose to do with it as it passes. It is my goal that each student served during the 2013-14 school year has a rewarding experience.

Best wishes and thank you for continuing to partner in providing quality services to the youth we serve.



Ronald Lankford

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