

School Finance Monthly Newsletter June 2014

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Beginning with the 2013-14 School Year the Following Provisions are reinstated

- **Professional Development (1%) Money** - Section 160.530.1, RSMo, requires districts to spend one percent (1%) of the Basic Formula monies (based on Line 17B of the district’s June basic formula calculation) for professional development committee expenditures. A minimum of seventy-five percent (75%) of one percent (1%) of the current year’s Basic Formula current apportionment must be spent in the year received for purposes determined by the Professional Development Committee and identified in the professional development plan in relation to a school improvement plan. This is completely separate from professional development that may be required by other programs such as title programs. Expenditures should be recorded to Function Code 2214. Any portion of the other twenty-five percent (25%) of the one percent (1%) not expended during the year must be shown as a part of the restricted fund balance on June 30.
- **Fund Placement and Expenditure Requirements** - Section 163.031, RSMo, requires districts to follow specific placement requirements for School District Trust Fund (Proposition C), Basic Formula – State Monies, and Transportation revenues. Specific placement requirement details can be located in the Missouri Financial Accounting Manual at http://dese.mo.gov/divadm/finance/acct_manual/documents/sf-ERevenueObjectCodeDescriptions.pdf.
- **Certificated Salary Compliance** - The **certificated salary compliance provision will be reinstated in the 2015-16** school year with the 2013-14 school year being the base year for this calculation.

2013-14 Basic Formula

The Fiscal Year (FY) 2013-14 Basic Formula appropriation was \$3,075,271,737. Since the FY14 calculations exceeded the appropriation and the appropriation exceeded the available funds, a uniform proportional adjustment of 0.93282523 was applied to the FY14 annualized calculation as calculated in June 2014. Consequently, the June payment amount was reduced so that the district’s total FY14 payment did not exceed the FY14 adjusted annualized calculation. Below is a breakdown of funding for FY14 that was actually available to make up the annualized amount for the foundation formula:

	<u>Appropriation</u>	<u>Available</u>
Outstanding Schools Trust Fund	\$717,347,395	\$717,347,395
State School Monies Fund	\$1,914,486,078	\$1,914,486,078
SSMF Supplemental		\$13,731,714
Lottery	\$57,857,943	\$30,530,982
Classroom Trust Fund	<u>\$385,580,321</u>	<u>\$348,572,468</u>
	\$3,075,271,737	\$3,024,688,637

As can be seen, the distribution for FY14 fell \$50,603,100 short of what was appropriated. Had there not been a \$32,999,552 million carryover of gaming revenues from FY13 the amount finally distributed would have been reduced by that amount.

As data changes are made to FY12, FY13 or FY14 and reflected in the recalculation of FY14 during the FY15 year, the proportional adjustment of 0.93282523 will fluctuate. A change in any district's FY14 payment weighted average daily attendance (WADA) will change the adjustment number applied to all districts.

2013-14 Classroom Trust Fund Payment

The 2013-14 Classroom Trust Fund (CTF) payment through the Basic Formula was \$348,572,469 or \$413.59 per 2012-2013 Average Daily Attendance (ADA). The total state 2012-13 ADA used in the CTF calculation was 842,796.0475.

2013-14 Small Schools Grant

The 2013-14 Small Schools Grant of \$15,000,000 is divided into two parts, \$10 million and \$5 million. The \$10,000,000 portion is distributed to districts whose average daily attendance (ADA), including summer school, in 2012-13 is less than or equal to 350. The 2012-13 ADA includes the summer school held in 2012. The 2013-14 small school actual amount per average daily attendance is \$273.5407. The remaining \$5,000,000 is distributed on a tax-rate weighted average daily attendance basis to districts whose 2012-13 ADA is less than or equal to 350 and the 2012-13 Incidental plus Teachers Funds tax rates are greater than or equal to \$3.43. The 2013-14 actual amount per tax-rate weighted ADA is \$159.2350.

2013-14 Proposition C Sales Tax Payment

The total sales tax revenue distributed in 2013-14 was \$884.49 per 2012-13 Weighted Average Daily Attendance (WADA). The total state 2012-13 WADA used in the Proposition C calculation was 896,553.99.

2014-2015 REVENUE ESTIMATES

2014-15 Basic Formula Estimate

The Basic Formula revenue allocated for the 2014-15 budget is \$3,353,283,124. Due to the uncertainty of state funding for FY15, as continues to be reported in the news, we are hesitant to predict the payment percentage at this time. Once official final decisions are made relative to potential withholdings we will calculate the best estimate we can make based upon data that has been provided by districts.

2014-15 Proposition C Sales Tax Payment Estimate

The consensus revenue estimate of the projected Proposition C revenue for the 2014-15 fiscal year is \$827,500,000. 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 FY15. If the Consensus Revenue Estimate of \$827,500,000 were to be achieved, it would mean a WADA payment of approximately \$922. **Please bear in mind, however, that the amount appropriated may or may not be the amount actually distributed.**

Below is trend data for Proposition C Payments since the inception of the current foundation formula.

Year	Dollars Distributed	WADA	WADA Payment
2006-07	\$784,900,800	915,941.2936	\$857
2007-08	\$772,820,015	914,272.3027	\$845
2008-09	\$730,325,406	908,284.1060	\$804
2009-10	\$695,120,132	910,040.6792	\$764
2010-11	\$711,615,172	915,272.7157	\$777
2011-12	\$749,703,272	901,439.5600	\$832
2012-13	\$751,559,817	899,756.8400	\$835
2013-14	\$793,100,000	896,553.9900	\$884

2014-15 Classroom Trust Fund Estimate

The 2014-15 Classroom Trust Fund payment is paid on the 2013-14 average daily attendance. The Classroom Trust Fund revenue allocated for the 2014-15 budget is \$338,505,978. This estimated revenue will be divided by an estimated 2013-14 average daily attendance of 843,000, which is approximately \$401 per ADA from the Classroom Trust Fund for the 2014-15 year. The state will only distribute funds that are actually collected into the Classroom Trust Fund. Given that only \$314,572,916, after carryover funds were subtracted, were available to be distributed in FY14, and that gaming monies have been flat, it will difficult reach the appropriated level of \$338,505,978.

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.

2014-15 Small Schools Grant

The 2014-15 Small Schools Grant of \$15,000,000 will be divided into two parts, \$10 million and \$5 million. The \$10,000,000 portion will be distributed to districts whose average daily attendance (ADA), including summer school, in 2013-14 is less than or equal to 350. The 2013-14 ADA includes the summer school held in 2013. The 2014-15 small school estimate per average daily attendance is \$273. The remaining \$5,000,000 will be distributed on a tax-rate weighted average daily attendance basis to districts whose 2013-14 ADA is less than or equal to 350 and the 2013-14 Incidental plus Teachers Funds tax rates are greater than or equal to \$3.43. The 2014-15 estimate per tax-rate weighted ADA is \$159. An update to these estimates will be provided when better data are available.

DVM for FY15

The dollar value modifier (DVM) for FY15 may be viewed at the following link; <http://dese.mo.gov/sites/default/files/fas-FY15DVMCalculation.pdf>.

Virtual Course Attendance Calculation

A school district that offers a virtual course as described in Section 162.1250, RSMo, shall calculate and record attendance for such courses in the following manner.

1. Determine the hours of attendance possible for the course or courses offered in a non-virtual program at the school district.
2. Multiple this number by 47% for a course that was only half completed and 94% for a course that was fully completed.
3. Keep a record of all calculations for audit purposes. Add the hours of attendance for the student to their record in the June Student Enrollment and Attendance file.

2013-14 Annual Secretary of the Board Report

The 2013-2014 Annual Secretary of the Board Report (ASBR) program is available by logging into the DESE Web Applications at <https://k12apps.dese.mo.gov/webLogin/login.aspx>.

A few reminders for working in the new ASBR system:

- A complete list of changes for the 2013-2014 ASBR can be located on the School Finance website at <http://dese.mo.gov/financial-admin-services/school-finance/annual-secretary-board-report-asbr>.
- To navigate to different sections of the ASBR use the blue hyperlinks on the left hand navigational menu.
- To obtain detailed information regarding the navigation of the ASBR, access to the ASBR, printing options, the file transfer process, etc. please select the ASBR Help Document on the left hand navigational menu.
- Edits can be viewed by selecting the Edits link located on the top portion of the header row. The user will have to select the Edits button and then select the Run Edits button to view the edits.
- All edit errors will be located at the top of the Edit listing. If there are no edit errors the submit button will be enabled. If the district has edit errors generating on the edits page the submit button will not appear until all errors have been resolved.
- To submit the ASBR, select Edits, select Run Edits, if there are not edit errors generating and the user has submit authority the submit button will appear on the top of the Edits page.

- Safe often when entering data in the ASBR system.
- Check the message board in the new system for updates related to the program.

If the user doesn't have access to the ASBR on the DESE web applications menu please contact the district's user manager or complete the login request form at <http://dese.mo.gov/dsm/websystemuserid.htm>.

The 2013-14 Annual Secretary of the Board Report (ASBR) must be submitted via the Web Applications by the due date of midnight, August 15, 2014, or the September Basic Formula payment will be held until October. Continued delay in submitting the ASBR will result in continued holding of the payment.

June 2014 Core Data

The 2013-14 June Core Data Cycle screens to complete are 5, 7, 9, 10, 10A, 12, 13, 14, 14A, 14B, 17, 19 and 24. Several of these screens are populated directly from files submitted through the MOSIS Data Collection System. When all errors are resolved for a MOSIS file and it is "certified", the data will be aggregated as needed and copied by DESE to the appropriate Core Data screen. The screens and related Core Data reports should be reviewed to verify that the data are correct.

These screens are to be completed and submitted by June 30, 2014. *Districts whose June Cycle data are not entered by July 15 may have their August Basic Formula payment held until September. Continued delay in submitting the June Cycle may result in continued holding of the payment.*

2014-15 ASBR E-Mail Contact Person

Much of the notification process used for the ASBR (e.g., edit letters, balance letters, etc.) will be done by e-mail. In order to provide proper and timely notification of ASBR related functions, DESE must have an accurate e-mail address for the person(s) responsible for these ASBR functions. The e-mail addresses must be reported on Core Data Screen 3 (ASBR) and Screen 4 (Superintendent), as applicable. Please check the information on the appropriate Core Data Screens to ensure the contact persons and e-mail addresses are correct.

2014-15 Bookkeeper Contact

A bookkeeper contact field was recently added to Core Data Screen 3. Please ensure that the district has a contact recorded in this field as there are many instances when School Finance needs to make contact with the district's bookkeeper.

Annual Report of the County Clerk to the State Board of Education

The district can locate a copy of their Annual Report of the County Clerk to the State Board of Education on the School Finance Report Menu in the DESE web applications under "Annual Financial Reports". Please note that if a county is not listed on this report, the county has not yet submitted its Annual Report.

Fiscal Year 2014 Audit Process/Submission

The process for submitting and resolving school district audits is to become more automated beginning with the upcoming fiscal year 2014 audit cycle. DESE is currently working to enhance its Tiered Monitoring system to include an audit component. The new system will automate several manual processes and provide a systematic, interactive approach to resolving audit findings.

The audit component is being designed so that districts and charters may upload electronic copies of their fiscal year 2014 audit, board minutes, and management letter directly into the Tiered Monitoring System. Communication between DESE and district/charter personnel regarding the audit will be achieved using the Tiered Monitoring system. Additional audit documentation may also be uploaded to the system.

To prepare for system implementation, districts and charters are advised to obtain an electronic copy of their completed fiscal year 2014 audits. More specific information regarding implementation of the new process will be shared as soon as it is available. Use of the system will be mandatory once it is made available to users. The audit submission deadline of December 31 will not be affected by the implementation of the new process.

Transfers – 7%, 5%, and Transportation

The final \$162,326 or 7% x SAT x WADA transfer, the Designated Levy or 5% x SAT x WADA transfer, and transportation transfer are available on the School Finance website at <http://dese.mo.gov/financial-admin-services/school-finance/data-reports>. These are the final calculations for the 2013-2014 year.

2014-2015 ACH Dates

The 2014-2015 Automated Clearinghouse (ACH) transfer dates as provided by the DESE Accounting Section for DESE monthly payments to districts and local education agencies are:

July 21, 2014	January 21, 2015
August 21, 2014	February 20, 2015
September 22, 2014	March 20, 2015
October 21, 2014	April 21, 2015
November 21, 2014	May 21, 2015
December 22, 2014	June 22, 2015

Missouri Accountability Portal (MAP) – Debt Reporting

House Bill 116 was passed by the General Assembly and became law on August 28, 2013. The new legislation in 37.850, RSMo requires school districts to report all bonded indebtedness and requires charter schools to report all debt. This information shall be supplied to Office of Administration (OA) for display on the State's Accountability Portal.

If a school district issues new bonds or a charter school enters into debt obligations the new debts are required to be entered onto the portal within seven days of issuing a bond or incurring an obligation or debt per section 37.850, RSMo.

A user link for the portal is available on the main page <http://mapyourtaxes.mo.gov/MAP/Bonds/HomePage.aspx>. In order to submit information, an entity will need to visit the portal website and obtain a secure user name and password. The user name and password can be created by selecting "create account" on the right hand side of the screen. Once credentials are granted, a user may enter the site to enter or update bond or debt information.

Most of the required fields on the reporting tool are self explanatory; however, there have been questions regarding a couple of the fields. The description of the revenue stream is generally something such as revenue generated from a levy that was established, Classroom Trust Fund revenue or local revenue. This list is not an all inclusive list but provides a general idea as to what would seem to be an appropriate response. The description of the project would be a description as to what the project was, for example, a building project.

If you have questions regarding accessing the portal website, please contact OA at (573) 751-2971 or MAPBonds@oa.mo.gov. For questions regarding what debt should be entered on the portal please do not hesitate to contact School Finance 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. Then input the district's 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 tenth 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 June 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>
June 2014	64.772480	3.440774	-1.426029

2013-14 Transportation Data Collection

The transportation data are collected through the Annual Secretary of the Board Report via the ASBR web applications process. The data required for the Application for State Transportation Aid and School Bus and Facility Depreciation Schedules have not changed. The ASBR must be submitted via the Web Application by midnight, August 15, 2014.

Missouri State Transportation Aid Document Preparation Manual

The 2014 Missouri State Transportation Aid Document Preparation Manual is available on the School Transportation website at <http://dese.mo.gov/financial-admin-services/school-transportation/document-preparation-manual>. This manual should be used as a reference guide as the district completes the transportation documents within the ASBR and finalizes the ASBR transportation coding.

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/financial-admin-services/school-transportation/certified-bus-driver-instructors>. 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.

Deputy Commissioner's Comments

Revenue Trends YTD

	<u>YTD as of May13</u>	<u>YTD as of May FY14</u>	<u>Revenue Change</u>	<u>% Change</u>
Individual Income Taxes	\$5,820,000,000	\$5,780,000,000	(\$40,000,000)	-0.69%
Sales & Use Taxes	\$1,740,000,000	\$1,770,000,000	\$30,000,000	1.72%
Corporate Inc. & Franchise	\$427,100,000	\$449,700,000	\$22,600,000	5.29%
Other Collections	\$371,600,000	\$317,400,000	(\$54,200,000)	-14.59%
 Increase in Revenue YTD			(\$41,600,000)	-0.50%
 Refunds (YTD)	 \$1,130,000,000	 \$1,070,000,000	 (\$60,000,000)	 -5.31%
	(A decrease in refunds enhances New Revenue. An increase in refunds diminishes Net Revenue.)			
 Actual Net Revenue Status YTD	 \$7,294,300,000	 \$7,310,700,000	 \$16,400,000	 0.22%

Adjusted FY14 Revenue:	\$7,254,300,000	\$56,400,000	0.78%
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 July 2012 in Other Revenue.			

Gaming Revenue YTD

	<u>Current Year</u>	<u>Prior Year</u>	<u>% Change</u>
Total Gaming Proceeds to Education	\$288,972,617	\$303,502,458	-4.79%
 Gaming Revenue Appropriated	 \$385,580,321		
Percentage of Budget Year Reflected YTD			91.66%
Percentage of Appropriation Realized YTD			79.69%

The month of June has sped by too quickly and we now approach a new fiscal year. As has always been, we know more about the past than the future. When we look at the trend in General and Gaming Revenues it is quickly seen that FY14 did not meet expectations. While funding did not come through sufficiently to meet the appropriation, we are pleased that the distribution path taken by the Department prevented the necessity to make a major adjustment to the formula distribution in June. The goal had been to avoid the necessity to do that.

The one bright spot is that Proposition C did hit the appropriated level of \$793.1 million. Those numbers reflect that Missouri citizens spent more on big ticket items in the second half of the year. As was noted earlier in the memo, the appropriation for Prop C was increased to \$827,500,000 for FY15. While this was a very good year, it is not certain that it will be possible to replicate it, and in addition, increase it by \$35 million.

During the next few days it will be critical that you monitor Missouri's financial situation very closely and await any public announcements relative to FY15. As you do that, however, I hope you can find time to spend doing some activities enjoyed by you and your family.

Best Wishes



Ronald Lankford

School Finance

**P.O. Box 480
205 Jefferson Street
Jefferson City, MO 65102
Phone # (573) 751-0357
Fax # (573) 526-3897**

<http://dese.mo.gov/divadm/finance/>



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