

# School Finance Monthly Newsletter March 2015

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## March Foundation Payment Calculations

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 ([webreplyadmsf@dese.mo.gov](mailto:webreplyadmsf@dese.mo.gov)) with questions or concerns about the district's calculations.

## 2014-15 BUDGET ESTIMATES

### 2014-15 Proposition C Sales Tax Payment Estimate Revision

The 2014-15 Proposition C Sales Tax payment is paid on the 2013-14 weighted average daily attendance (WADA) which was 902,483.1536 as of the February 2015 payment. Based on the WADA and estimated revenue of \$827,500,000 the 2014-15 estimated amount per WADA would be \$916. For further information regarding 2014-15 Proposition C estimate please see Dr. Lankford's comments at the end of the memo, specifically the section titled Proposition C.

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 Basic Formula Estimate Revision

The Fiscal Year (FY) 2014-15 Basic Formula appropriation was \$3,353,283,124. Since the FY15 calculations exceed the appropriation, an adjustment percentage has been applied throughout the year. The adjustment percentage applied to the March payment calculation was 0.96540512. For further information regarding 2014-15 Basic Formula estimate please see Dr. Lankford's comments at the end of the memo, specifically the section titled FY15 Foundation Formula Payments.

### 2014-15 Classroom Trust Fund Estimate Revision

The 2014-15 Classroom Trust Fund payment is paid on the 2013-14 average daily attendance which was 847,707.1235 as of the February 2015 payment. Based on the ADA and estimated revenue of \$353,112,706 the estimated amount per ADA would be approximately \$416. Year-to-date revenues continue to trail those revenues compared to FY13. The state will only distribute funds that are actually collected into the Classroom Trust Fund, which may or may not reach the appropriated level of \$353,112,706. For further information regarding 2014-2015 Classroom Trust Fund estimate please see Dr. Lankford's comments at the end of the memo, specifically the section titled Gaming Revenue.

## 2015-16 BUDGET ESTIMATES

### 2015-16 Proposition C Sales Tax Payment Estimate

The Governor's Budget projected an increase in Proposition C revenue for the 2015-16 fiscal year. The 2015-16 Proposition C Sales Tax payment will be paid on the 2014-15 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 903,000 in FY15. If the Revenue Estimate of \$848,739,000 is achieved, it would mean a WADA payment of approximately \$939. While it appears this level of collection is achievable, caution should be used as determination of budget estimates are made.

Trend data for Proposition C Payments since the inception of the current foundation formula can be located in the section of this memo titled 2014-2015 – Proposition C Sales Tax Payment Estimate Revision.

### 2015-16 Classroom Trust Fund Estimate

The 2015-16 Classroom Trust Fund payment is paid on the 2014-15 average daily attendance of approximately 848,000. The projected Classroom Trust Fund revenue as stated in the Governor's recommendations for the 2015-16 budget is \$343,456,910. This estimated revenue will be divided by an estimated 2014-15 average daily attendance of approximately 848,000, which is approximately \$405 per ADA from the Classroom Trust Fund for the 2015-16 year. The Classroom Trust Fund is one of the funding sources of the Basic Formula and, like other funding areas, we will not know exactly 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

### Estimated Regular Term Average Daily Attendance (ADA)

The estimated regular term ADA for 2014-15 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 **2014-15** year *only if the district's 2014-15 regular term ADA is expected to be greater than both the 2012-13 and 2013-14 regular term ADA figures* and the district wants to be paid in 2014-15 on the 2014-15 estimated number.

The local education agency (LEA) charter schools must provide an estimated regular term ADA to their School Finance consultant for 2014-15. Payment is made to charter schools on current year attendance.

Revisions to the 2014-15 estimated ADA may be made through **May 15, 2015**. 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. Following is specific information regarding minimum day length, minimum hours of attendance, and inclement weather forgiveness day information.

**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>

### 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, Annual Report of the Public Schools, 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 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.

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

The 2013-14 local tax effort per ADA will be used by most districts and agencies for billing in the 2014-15 year. The 2013-14 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 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.

## OMNI Training

On March 16<sup>th</sup> and 17<sup>th</sup>, the department along with MSBA and MSCPA hosted an OMNI conference in St. Louis and Kansas City respectively. Michael Brustein, a Washington DC lawyer, spent the morning discussing the new requirements spelled out in the OMNI Circular. In the afternoon, DESE and MSCPA staff held breakout sessions on NCLB/Title programs, IDEA/ special education program requirements, Afterschool programs, and best practices. Thank you to all of the LEAs that came to the sessions. We have heard that it was very timely and relevant to the implementation of the new requirements. The department is in the process of updating its Fiscal Guidance for Federal Grant Programs and will publish that out on our website soon. The PowerPoint's from the conference are located at the site noted below if you were unable to attend.

<http://dese.mo.gov/financial-admin-services/federal-grants-management-workshops-omni>.

## 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

### 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 fourth 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 March 2015 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 2015	65.093817	3.524990	-1.421086

### Certified School Bus Driver Instructor Training

The Certified School Bus Driver Instructor recertification training will be held in Columbia on July 24, 2015. The Certified School Bus Driver Instructor workshop is scheduled for July 27-29, 2015, in Warrensburg. Registration forms for this training are available at <http://dese.mo.gov/financial-admin-services/school-transportation/certified-bus-driver-instructors>, also, a listing of all current Certified School Bus Driver Instructors can also be viewed at this site.

### 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 8, 2015, please have your district’s school bus operators observe and report any instances of motorists illegally passing their school buses. An email has been sent to all Core Data, Screen 3, Pupil Transportation Contacts with details on the collection and reporting of the survey data. The district’s results will be self-reported at <https://www.surveymonkey.com/s/2015LOCALStopArmsSurvey>.

# Deputy Commissioner's Comments

## Revenue Trends YTD

	<u>YTD as of</u> <u>February FY14</u>	<u>YTD as of</u> <u>February FY15</u>	<u>Revenue</u> <u>Change</u>	<u>% Change</u>
Individual Income Taxes	\$3,800,000,000	\$4,050,000,000	\$250,000,000	6.58%
Sales & Use Taxes	\$1,310,000,000	\$1,350,000,000	\$40,000,000	3.05%
Corporate Inc. & Franchise	\$286,700,000	\$298,000,000	\$11,300,000	3.94%
Other Collections	\$224,600,000	\$210,900,000	(\$13,700,000)	-6.10%
 Increase in Revenue YTD			 <b>\$287,600,000</b>	 <b>5.12%</b>
 Refunds (YTD)	 \$586,600,000	 \$624,100,000	 \$37,500,000	 6.39%
(A decrease in refunds enhances Net Revenue. An increase in refunds diminishes Net Revenue.)				
 Actual Net Revenue Status YTD	 \$5,054,700,000	 \$5,284,800,000	 <b>\$230,100,000</b>	 <b>4.55%</b>

## School District Trust Fund (Proposition C) YTD

	<u>(Mar.) Prior Year</u>	<u>(Mar.) Current</u> <u>Year</u>	<u>% Change</u>
Amount Paid to School Districts	\$596,997,959	\$635,158,656	6.39%
Appropriation	\$827,500,000		

## Gaming Revenue YTD

	<u>(Mar.) Prior Year</u>	<u>(Mar.) Current</u> <u>Year</u>	<u>% Change</u>
Total Gaming Proceeds to Education	\$234,242,726	\$234,689,666	0.0022%
Gaming Revenue Appropriated	\$353,112,706		

YTD Classroom Trust Fund Available FY15\*      \$247,795,644

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

1. **General Revenue:** The month of February reflected the continuation of the revenue trend for the first eight (8) months of the fiscal year. The state's major sources of revenue continue to hold above the four percent (4%) level which is critical, especially when compared to the revenue pattern of last year that resulted in virtually a no growth year. We will continue to monitor the revenue status and report it with each month's payment distribution information.
  
2. **Proposition C:** Revenue from the School District Trust Fund (Proposition C) available for distribution continues to run ahead of the prior year. The revenue available for payment in February was surprisingly strong, especially due to the fact that the month's revenue spanned a fewer number of days than is normal, and as a result, the March distribution continues to trend higher than the year prior. It is beginning to look as if both FY14 and FY15 will see very good growth in sales tax revenues, and as a result, there is a supplemental budget request for FY15 to increase the appropriation authority for Prop C by \$3,782,000 which would increase that budget line from \$827,500,000 to \$831,282,000.
  
3. **Gaming Revenue:** Gaming revenue continues to hold and is slightly ahead of where it was one year ago. We have seen yearly decreases for the past several years but as of February we are slightly ahead of last year. Below is a tracking of YTD revenue status for the past five year.

March 2011	\$254,023,276
March 2012	\$253,100,728
March 2013	\$245,404,078
March 2014	\$234,242,726
March 2015	\$234,689,666

4. **FY15 Foundation Formula Payments:** Last month we reported that YTD consistency in General Revenue had enabled a slight increase in the projection of the final annualized foundation formula on June 30, 2015. As a result, the Department ran the February calculation based upon a higher amount than had been used in the payments for the first seven (7) months. Subsequent to that action the Department was notified that a deficiency in Lottery Revenues would have to be factored into this year's annualized payment in an amount greater than had been projected. As the result of information received on February 27 informing the Department of the impact of Lottery Revenue shortage upon the formula, the March payment calculation reflects that shortfall. It is believed that the adjustment made in the March payment will be sufficient to reflect the increased amount of the projected Lottery shortfall. Hopefully, that projection will lessen in the remaining months and we will be able to make positive adjustments as Lottery Revenue numbers become firm.

During my forty-two years I have served in public education, I am repeatedly reminded of the critical importance of the months of February, March, and April. These months represent the time of the year when all that goes on with the current school year is working toward its end, and planning for the upcoming school year is in full swing. Decisions made during this time not only have an immediate impact but they have the potential to play an important role in shaping future years. As a result, I have always deemed it imperative that all decisions I made be based upon the most accurate information I could gather. Without exception all decisions, and especially those made at this time of the year, have future implications. Please feel free to contact us if you have questions.

Thank you for all you do to prepare our next generation of Missouri adults.



Ronald Lankford

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