

February 21, 2012

TO: School District Administrators

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

RE: February Financial Information

2011-2012 BUDGET ESTIMATES

2011-12 – Proposition C Sales Tax Payment Estimate Revision

The 2011-12 Proposition C Sales Tax payment was paid on the 2010-2011 weighted average daily attendance (WADA) which was 901,203 as of the February 2012 payment. Based on the WADA and current estimated revenue of \$731,967,365 (FY11 actual of \$711,615,172 times the YTD percentage growth of 2.86%) the 2011-12 estimated amount per WADA has been revised to \$812. You are urged to continue to closely monitor the Proposition C receipts very closely for the remainder of the year.

2012-2013 BUDGET ESTIMATES

2012-13 - Basic Formula Estimate

As of this memo, it is not possible to give an estimate of the Foundation Formula. The General Assembly has begun consideration of making some type of an adjustment to the formula during this session. Bills have been filed in both the House (HB1043) and the Senate (SB454) that address the formula. Additionally, HB2, which addresses funding for K-12 calls for level funding of \$3.004 billion for FY13 is just beginning the process of winding its way through the House Budget Committee. With the state budget facing very severe limitations it is too early to predict the outcome of the final appropriation.

2012-13 – Proposition C Sales Tax Payment Estimate

The Consensus Revenue Estimate of the projected Proposition C revenue for the 2012-13 fiscal year is \$765,000,000. The 2012-13 Proposition C Sales Tax payment will be paid on the 2011-12 weighted average daily attendance (WADA).

The lower than normal summer school that was experienced in 2010 held constant in 2011. 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 901,000 in FY13. If the Consensus Revenue Estimate of \$765,000,000 were to be achieved, it would mean a WADA payment of approximately \$849. Caution should be used; however, as determination of budget estimates are made. To achieve the Consensus Revenue Estimate would mean that the Proposition C growth for the current year would have to be maintained, and that in FY13 a growth rate of 4.5% would have to be achieved.

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

Year	Dollars Distributed	WADA	WADA Payment
2006-07	\$784,900,800.00	915,941.2936	\$856.93
2007-08	\$772,820,015.00	914,272.3027	\$845.28
2008-09	\$730,325,406.57	908,284.1060	\$804.07
2009-10	\$695,120,132.29	910,040.6792	\$763.83
2010-11	\$711,615,172.47	915,272.7157	\$777.49

2012-13 – Classroom Trust Fund Estimate

The 2012-13 Classroom Trust Fund payment is paid on the 2011-12 average daily attendance. The projected Classroom Trust Fund revenue as stated in the Governor's recommendations for the 2012-13 budget is \$318,696,995. This estimated revenue divided by an estimated 2011-12 average daily attendance of 840,000 yields approximately \$379 per ADA from the Classroom Trust Fund for the 2012-13 year. Remember, 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. You will note, however, that the Classroom Trust Fund projection is significantly less than last year. To offset this reduction, the Governor is recommending an increase in the General Revenue appropriations.

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

2011-12 - Estimated Regular Term ADA

The estimated regular term ADA for 2011-12 may be entered on the August Core Data Screen 2 in the Estimated ADA field. Report the estimated regular term ADA for the **2011-12** year *only if the district's 2011-12 regular term ADA is expected to be greater than both the 2009-10 and 2010-11 regular term ADA totals* and the district wants to be paid in 2011-12 on the 2011-12 estimated number. Regular term average daily attendance includes remediation attendance outside the regular school day. Do not include summer school attendance in this estimate. Revisions to the 2011-12 estimated ADA may be made through May 15, 2012. Contact School Finance staff if you have questions about estimating ADA.

Mid Year Fund Balance Reporting

The mid year fund balance reporting is a part of the February Core Data cycle on Core Data Screen 35. Each district is required to report the following information as of December 31, 2011:

- Incidental and Teachers Funds Unrestricted Ending Fund Balance as of December 31.
- Tax Anticipation borrowing in the Incidental or Teachers Funds between July 1 and December 31.
- Transfers from the General Fund to the Capital Projects or Debt Service Funds between July 1 and December 31.

If you have any questions regarding this reporting, please contact School Finance at (573) 751-0357.

Core Data Screen 15 - Home School/Free and Reduced Lunch Data

The Home School/Free and Reduced Lunch Data, Core Data Screen 15, displays the number of students eligible for free or reduced price lunch as of the last Wednesday in January (January 25, 2012) in two categories described in the Core Data Collection System Manual – Federal Programs Head Count and State FTE Free or Reduced Lunch Eligible Students. Screen 15 is populated via MOSIS certification. A description of each follows:

Federal Programs Head Count of Free or Reduced Lunch Eligible Students

1. Report the head count taken on January 25, 2012, of children ages 5-17 inclusive (as of October 1, 2011) who reside in the district, whose eligibility for free or reduced lunch is documented (through the application process using federal eligibility guidelines or through the direct certification process) and who do not attend a private or parochial school.
2. Report students on a head count basis. (Both part-time and full-time students are counted as 1 in the head count process.)
3. Eligible students are counted regardless of whether or not they actually eat lunch/breakfast.
4. Students are reported by their county of residence. (Desegregation students are counted by the district in which the student resides.)

State FTE Resident Free or Reduced Lunch Eligible Students

1. Report the full-time equivalency count of resident students enrolled in grades K-12 on January 25, 2012, and in attendance one of the 10 preceding school days whose eligibility for free or reduced lunch is documented (through the application process using federal eligibility guidelines or through the direct certification process).
2. Report eligible students on a full-time equivalency (FTE) basis. A student attending one-half day is counted as .5, one-fourth day as .25, etc. Kindergarten students attending less than a full day per the first grade calendar are included in the counts as a ratio of the kindergarten calendar divided by the first grade calendar. Example: If the calendar for “full day” students in a school is 1050 hours and the calendar for kindergarten students is 630, then the FTE for those kindergarten students would be 630/1050 or .60. In no case should a full-time half-day kindergarten student be reported less than .50.
3. Eligible students are counted regardless of whether or not they actually eat lunch/breakfast.
4. Nonresident students are to be counted by the district which pays the tuition for those students and are reported as “Resident II Students”.
5. Do not count students for whom the Department does not distribute state aid. (Students in preschool, the Parents as Teachers Program or state schools are not counted for state aid purposes.)
6. Students are reported by attendance center. The total free and reduced lunch eligible students for an attendance center may not exceed the attendance center’s January membership count reported on Screen 16.
7. Desegregation students are considered residents of the district in which the students are educated. Deseg In free and reduced lunch student counts are reported in separate columns for each attendance center.

The above two described counts of students eligible for free or reduced price lunch may differ from the count used by School Food Service in the National School Lunch Program. The criteria for the **National School Lunch** count of free or reduced lunch eligible students include:

1. Report on the monthly lunch claim for food service reimbursement the highest number of students eligible for free or reduced price lunch during the month being reported.
2. Report students on a head count basis. (Both part-time and full-time students are counted as 1 in the head count.)
3. Eligible students are those eligible for free or reduced price meals that have access to the lunch program. This eligibility would include PK students and students up to age 21 that are enrolled in a high school grade and are allowed access to the lunch program.
4. Eligible students are counted regardless of whether or not they actually eat lunch/breakfast.
5. Students are reported by the district in which they are educated.

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 that 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 districts calendar and the attendance hours are not reported 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.

Non-binding Tax Levy Projection

DESE has received many questions from school districts regarding this topic. There appears to be confusion as to the requirement.

School districts that do not have any territory in a charter county are not required to provide a non-binding tax levy projection. While section 137.243, RSMo still includes language about the non-binding tax levy projection, SB588 amended sections 137.180, RSMo and 137.355, RSMo do not require school districts to provide this information until the year after the county assessor has received the computer software needed for the implementation of this requirement. The appropriation for this software has not been made.

The State Auditor's office confirms that they will not reduce any school districts tax levy by 20% that does not have territory in a charter county. . For additional information on this topic please see "[Tax Rate Information](#)" posted on the School Finance Topics and Procedures page.

SCHOOL TRANSPORTATION

2011-12 - State Transportation Aid Calculation

The fiscal year 2011-12 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>.

The calculation is based on 2010-11 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 February 2012 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:

February 2012	<u>Proration Factor</u>	<u>A Factor</u>	<u>B Factor</u>
	63.510705%	3.232222	-1.426186

Ridership List

The second ridership list for the current school year should have been finalized on the second Wednesday of February (February 8, 2012). This list should be a compilation of the students' names that regularly ride the bus from the beginning of the second semester to the February 8 count day and should identify which students are eligible for state transportation aid (those living one mile or more from school) and those ineligible for state transportation aid (those living less than one mile from school). The compilation of this list should not be effected by the fact that a school district may not have been in session on February 8.

The ridership list should not be a listing of all students who are eligible or ineligible to ride the buses nor should it be a listing of only those students riding on the count day, but should be a listing of students regularly riding the buses. A student should ride the bus a minimum of once a week to be considered a regular rider.

Certified School Bus Driver Instructor Training

The Certified School Bus Driver Instructor recertification training will be held in Columbia on July 20, 2012. The Certified School Bus Driver Instructor workshop is scheduled for July 25-27, 2012, in Warrensburg. Registration forms for this training will be available early Spring of 2012 at <http://dese.mo.gov/divadm/trans/BusDrivers.htm>, a listing of all current Certified School Bus Driver Instructors can also be viewed at this site.

Deputy Commissioner's Comments

Below is the most current revenue data for Missouri which indicates that the revenue trend has remained flat to this point in the fiscal year. We will continue to monitor this data on a monthly basis and will report on it in the respective monthly memos which will provide a gauge as we move forward toward the next school year.

	<u>YTD as of</u> <u>January FY11</u>	<u>YTD as of</u> <u>January FY12</u>	<u>Revenue</u> <u>Change</u>	<u>%</u> <u>Change</u>
Individual Income Taxes	\$2,960,000,000	\$3,040,000,000	\$80,000,000	2.70%
Sales & Use Taxes	\$1,050,000,000	\$1,080,000,000	\$30,000,000	2.86%
Corporate Inc. & Franchise	\$264,400,000	\$235,800,000	(\$28,600,000)	-10.82%
Other Collections	\$244,600,000	\$188,000,000	(\$56,600,000)	-23.14%
Increase in Revenue YTD			\$24,800,000	00.55%
			<u>Refund</u> <u>Change</u>	
Refunds (YTD)	\$427,400,000	\$389,100,000	(\$38,300,000)	-8.96%
Net Revenue Status YTD	\$4,091,600,000	\$4,154,700,000	\$63,100,000	1.54%

(A decrease in refunds enhances Net Revenue. An increase in refunds diminishes Net Revenue.)

Gaming Revenue YTD

	<u>Prior Year</u>	Current Year	% Change
Total Gaming Proceeds to Education	\$195,659,874	\$195,797,574	+00.001%
Gaming Revenue Appropriated		\$354,500,000	
Percentage of Budget Year Reflected YTD		58.33%	
Percentage of Appropriation Realized YTD		55.23%	

The General Assembly is working to develop the state budget for FY13. It is believed that the House will work toward the passage of their budget by March 9 which will enable the Senate to take it up following the Legislative break. Coming to an agreement on a final budget will be an arduous process due to the limitations caused by the current economic crisis. An article in the Southeast Missourian, 2-03-12 stated:

Missouri tax revenues still lagging behind budget

JEFFERSON CITY, Mo. (AP) -- Missouri's revenues continue to lag behind what's needed to balance the budget. That's about half the 2.7 percent growth rate that the governor's budget office says is needed to meet the budget.

Figures from January show that net state revenues grew 2 percent over the same month last year. For the first seven months of the 2012 fiscal year, which began last July, Missouri's general revenues were up 1.3 percent. Missouri gets most of its general revenues from individual income and sales taxes. Both of those categories are up about two-and-a-half percent for the fiscal year. But corporate taxes are down nearly 11 percent.

No doubt the many questions that remain at this time have caused challenges for all school districts relative to planning for the next school year. The Department remains hopeful that funding decisions, including both the actual appropriation and any formula modifications, will be finalized soon to enable districts to have the best data upon which to make decisions.

Best wishes and gratitude for your hard work and dedication in these difficult times.



Ronald Lankford