

SCHOOL FINANCE

ESSENTIALS FOR NEW SCHOOL BOARD
MEMBERS



TOPICS TO COVER

1. Sources of Funding & Expenditure Structure
2. Funding Formula (in a nutshell)
3. Financial Information Requirements
4. Financial Systems used in Public Schools
5. Resources
6. Q&A



SOURCES OF FUNDING & EXPENDITURE STRUCTURE


❖ TOP FUNDING SOURCES

- ❖ Local
- ❖ State
 - ❖ Equalization
 - ❖ Growth
 - ❖ Categorical
 - ❖ Professional Development
 - ❖ English Language Learners
 - ❖ Alternative Learning Environment
 - ❖ National School Lunch Act
 - ❖ Facilities – wealth index
- ❖ Federal
 - ❖ Title funding
 - ❖ ARRA funding ends 12/31/11



SOURCES OF FUNDING & EXPENDITURE STRUCTURE

❖ EXPENDITURES

- ❖ Salaries & Fringe Benefits (70-80%)
 - ❖ Debt Service (5-15%)
 - ❖ Utilities
 - ❖ School Supplies (textbooks, paper, pencils, copying)
 - ❖ Reserve is critical!
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STATE FUNDING FORMULA: LOCAL TAX BASE

- ❑ **Property taxes based upon local assessed valuation of property within the school district**
 - ❑ Taxes are appraised on a 3 or 5 year cycle
- ❑ **Funds are generated using a millage rate set by each school district and levied by the local tax collector and equalization board**
- ❑ **Minimum millage that can be levied is 25 mills for maintenance and operations**
 - ❑ Funds must be used to meet minimum spending requirements for salaries and maintenance and operations of district
 - ❑ Additional millage may be necessary for building projects
- ❑ **Value of a mill varies by district**
 - ❑ Fayetteville mill = \$1,284,990
 - ❑ Dewlitt mill = \$125,818
- ❑ **Formula to calculate local taxes example (Fayetteville):**
 - ❑ $\$1,284,990,394 \times .025 = \$32,124,760$ (98% = \$31,482,265)

Local tax per student: $\$31,482,265 / 8,844.23 = \$3,559.63$



STATE FUNDING FORMULA: STATE FUNDS

State Equalization Funding: Funding to “subsidize” local funding to meet State Per-Student Foundation Funding guarantee

FY 2010-11 \$6,023

FY 2011-12 \$6,144



FUNDING FORMULA (IN A NUTSHELL)

State Foundation Funding (per student)

Equalization formula used to subsidize districts so the funding provided is the same on 25 mills of tax

Total State Guaranteed Per Student Funding – Local Contribution per student = State Foundation Funding per student



STATE FOUNDATION FORMULA: BY THE NUMBERS

Comparison to show how “equalization” works:

Fayetteville:

\$6,144.00 Guaranteed by State

\$3,559.64 Local per student

\$2,584.36 State Foundation

Springdale:

\$6,144.00 Guaranteed by State

\$1,853.67 Local per student

\$4,290.33 State Foundation



LEA: 7203
 County: WASHINGTON
 District: PAVETTREVILLE

Preliminary
 State Aid Notice 2011-12
 July 29, 2011

Refer to Commissioner's Memo Number
 FIN-12-012 for additional information

DATA		
1.	2010 Real Assessment	\$ 1,060,028,471
2.	2010 Personal Assessment	\$ 175,021,523
3.	2010 Utility Assessment	\$ 49,260,400
4.	2010 Total Assessment	\$ 1,284,960,394
5.	98% of URT X Assessment	\$ 1,482,205
6.	Net Revenues	\$ 0
7.	Five-Year Avg. Misc. Funds ¹	\$ 0
8.	2009-10 ADM (Qtrs. 1-3 Avg.)	\$ 6,540.81
9.	2010-11 ADM (Qtrs. 1-3 Avg.)	\$ 6,244.23
10.	2011-12 ADM (Qtr. 1)	
11.	Estimated 2011-12 ADM for SGF (Qtr. 2)	
12.	Estimated 2011-12 ADM for SGF (Qtr. 3)	
13.	Estimated 2011-12 ADM for SGF (Qtr. 4)	
14.	Per-Student Revenue	\$ 3,559.64
15.	Per-Student Foundation Funding Amount	\$ 6,144.00
16.	Per-Student State Foundation Funding Aid	\$ 2,584.36
17.	FY ALE FTEs (Qtrs. 1-4)	117.12
18.	CY English Language Learner Students	
19.	FY NSL Students (Free and Reduced)	3,528
20.	Professional Development Funding Rate	\$ 42.38
21.	Adjusted 11/06 Scheduled Debt Payment	\$ 194,968.70
22.	Bonded Debt Assistance Funding Factor	\$ 18.03
23.	State Wealth Index	0.00000
24.	ADM of Isolated School Area	
25.	Isolated Funding Amount	\$ 0

FUNDING						
Funding Category	Amount	Statutory Code/Act	Restricted	Rev. Code	SGF Code	
25.	State Foundation Funding Aid ¹	\$ 22,855,684	6-20-2303, 6-20-2305, Act 1039 of 2011	No	31101	001
27.	Educational Excellence Trust ² - R	\$ 2,337,782	6-5-301 et seq.	Yes		
26.	Alternative Learning Environment - R	\$ 485,462	6-20-2303, 6-20-2305, Acts 1030 & 1118 of 2011	Yes	32370	275
29.	English Language Learners - R	\$ 0	6-20-2303, 6-20-2305, Act 1039 of 2011	Yes	32371	275
30.	NSL State Categorical Funding ⁴ - R	\$ 1,764,168	6-20-2303, 6-20-2305, Act 1039 of 2011	Yes	32381	281
31.	NSL Transitional Funding ⁴ - R	\$ 0	6-20-2305, Act 1039 of 2011	Yes	32381	281
32.	NSL Growth Funding ⁴ - R	\$ 0	6-20-2305, Act 1039 of 2011	Yes	32381	281
33.	Professional Development - R	\$ 374,818	6-20-2303, 6-20-2305, Act 1039 of 2011	Yes	32258	223
34.	Bonded Debt Assistance - R	\$ 0	6-20-2503, Act 268 of 2011	Yes	32915	031
35.	State Financial Assistance - GFF - R	\$ 23,180	6-20-2503	No	32912	392
36.	State Financial Assistance - SMIF - R	\$ 0	6-20-2503	No	31920	001
37.	Isolated Funding	\$ 0	6-20-601, 6-20-603, Acts 996 & 1131 of 2011	Yes	31500	212
38.	Special Needs Isolated Funding ⁵	\$ 0	6-20-604 (c), (d) & (e), Acts 996 & 1131 of 2011	Yes	31500	212
39.	Special Needs Small District Funding ⁶	\$ 0	6-20-604 (f), Acts 996 & 1131 of 2011	No	32249	2020
40.	Special Needs Isolated Transportation ⁶	\$ 0	6-20-604 (h), Acts 996 & 1131 of 2011	Yes	32246	225
41.	Special Needs Isolated Adequacy	\$ 0	6-20-2305	No	31500	212
42.	Declining Enrollment Funding ⁷ - R	\$ 0	6-20-2305	No	31450	218
43.	Declining Enrollment Adequacy	\$ 0	6-20-2305	No	31450	218
44.	Student Growth - Qtr. 1 & Est. Qtrs. 2, 3, & 4 ⁷ - R	\$ 0	6-20-2303 & 2305	No	31450	217
45.	98% of URT X Assessment less Net Revenues ²	\$ 0	6-20-2303, 6-20-2305, Act 603 of 2011	No	31103	001

ACA-Arkansas code involved, ADM-average daily membership, Avg.-average, ALE-alternative learning environment, CY-current year, Est.-estimated, FTE-full-time equivalent, FY-fiscal year, GFF-general facilities funding, LEA-local education agency, M&O-maintenance & operation, Misc.-miscellaneous, NSL-national school lunch, PY-prior year, Qtr.-quarter, R-state board rule, Rev.-revenue, SGF-student growth funding, SMIF-supplemental millage incentive funding, SDI-source of funds, URT-uniform rate of tax.

- Miscellaneous funds per ACA § 6-20-2303 (1) for categories of miscellaneous funds received in FY10 equal average of FY06 through FY10; X (URT) total mills.
- Negative funding amounts shown for state foundation funding aid and/or 98% of URT X assessment less net revenues indicate funds owed to the state. Districts will receive written notification including information on how to code the repayment transaction.
- Educational excellence trust funds are included in state foundation funding aid, and are restricted pursuant to ACA § 6-5-307.
- The combination of NSL state categorical, NSL transitional (plus or minus) and NSL growth funding equals the total net NSL state categorical funding received by a school district.
- Eligible school districts shall receive special needs isolated, small district, and transportation funding under ACA § 6-20-604 or declining enrollment funding under ACA § 6-20-2305 (a) (3) (A) (i).
- No school district shall receive both declining enrollment funding under ACA § 6-20-2305 (a) (3) (A) (i) and student growth funding under ACA § 6-20-2305 (a) (3) (A) (ii) or special needs isolated, small district, and transportation funding under ACA § 6-20-604. The initial FY12 state aid notice provides declining enrollment funding under ACA § 6-20-2305 (a) (3) (A) (i) that has not been compared to student growth funding under ACA § 6-20-2305 (a) (3) (A) (ii) and/or special needs isolated, small district, and transportation funding. Subsequent FY12 state aid notices will reflect these comparisons.
- The final determination of FY12 student growth funding will be made in FY13 pursuant to ACA § 6-20-2305.

LEA: 7207
 County: WASHINGTON
 District: SPRINGDALE

Preliminary
 State Aid Notice 2011-12
 July 28, 2011

Refer to Commissioner's Memo Number
 FIN-12-012 for additional information

		DATA					
1.	2010 Real Assessment	\$	1,093,390,164	14.	Per-Student Revenue	\$	1,553.67
2.	2010 Personal Assessment	\$	267,369,516	16.	Per-Student Foundation Funding Amount	\$	6,144.00
3.	2010 Utility Assessment	\$	54,844,565	15.	Per-Student State Foundation Funding Aid	\$	4,290.33
4.	2010 Total Assessment	\$	1,415,539,245	17.	PY ALE - Miles (Qtrs. 1-4)		369.63
5.	98% of URT X Assessment	\$	34,600,717	18.	CY English Language Learner Students		
6.	Net Revenues	\$		19.	PY NSL Students (Free and Reduced)		12,039
7.	Three-Year Avg. Misc. Funds ¹	\$	16,110	20.	Professional Development Funding Rate	\$	42.35
8.	2009-10 ADM (Qtrs. 1-3 Avg.)		18,087.57	21.	Adjusted 1/1/05 Scheduled Debt Payment	\$	7,220,038.18
9.	2010-11 ADM (Qtrs. 1-3 Avg.)		17,718.83	22.	Bonded Debt Assistance Funding Factor	\$	18.03
10.	2011-12 ADM (Qtr. 1)			23.	State Wealth Index		0.58794
11.	Estimated 2011-12 ADM for SGF (Qtr. 2)			24.	ADM of Isolated School Area		
12.	Estimated 2011-12 ADM for SGF (Qtr. 3)			25.	Isolated Funding Amount	\$	0
13.	Estimated 2011-12 ADM for SGF (Qtr. 4)						

Funding Category		Amount	Statutory Code/Act	Restricted	Rev. Code	BOF Code
26.	State Foundation Funding Aid ²	\$ 60,301,376	6-20-2303, 6-20-2305, Act 1039 of 2011	No	51101	001
27.	Educational Excellence Trust ³ - R	\$ 6,213,224	6-5-301 et seq	Yes		
28.	Alternative Learning Environment - R	\$ 1,474,068	6-20-2303, 6-20-2305, Acts 1039 & 1131 of 2011 ⁴	Yes	32970	275
29.	English Language Learners - R	\$	6-20-2303, 6-20-2305, Act 1039 of 2011	Yes	32371	276
30.	NSL - State Categorical Funding ⁵ - R	\$ 3,091,734	6-20-2303, 6-20-2305, Act 1039 of 2011	Yes	32381	281
31.	NSL - Transitional Funding ⁵ - R	\$ 0	6-20-2305, Act 1039 of 2011	Yes	32381	201
32.	NSL - Special Funding ⁵ - R	\$ 317,535	6-20-2305, Act 1039 of 2011	Yes	32381	281
33.	NSL - Growth/Development ⁵ - R	\$ 1,121,9	6-20-2303, 6-20-2305, Act 1039 of 2011	Yes	32256	223
34.	Bonded Debt Assistance - R	\$ 7,8498	6-20-2503, Act 205 of 2011	Yes	32015	001
35.	State Financial Assistance - GFF - R	\$ 100,889	6-20-2503	No	32912	392
36.	State Financial Assistance - SMIF - R	\$ 0	6-20-2503	No	31620	001
37.	Isolated Funding	\$	6-20-601, 6-20-603, Acts 996 & 1131 of 2011	Yes	31500	212
38.	Special Needs Isolated Funding ⁶	\$	6-20-604 (c), (d) & (e), Acts 996 & 1131 of 2011	Yes	31500	212
39.	Special Needs Small District Funding ⁶	\$	6-20-604 (f), Acts 996 & 1131 of 2011	No	32249	2920
40.	Special Needs Isolated Transportation ⁷	\$	6-20-604 (h), Acts 996 & 1131 of 2011	Yes	32248	228
41.	Special Needs Isolated Adequacy	\$	6-20-2305	No	31500	212
42.	Declining Enrollment Funding ⁷ - R	\$ 0	6-20-2305	No	31460	218
43.	Declining Enrollment Adequacy	\$	6-20-2305	No	31460	218
44.	Student Growth-Qtr. 1 & Est. Qtrs. 2, 3, & 4 ⁷ - R	\$	6-20-2303 & 2305	No	31450	217
45.	98% of URT X Assessment less Net Revenues ⁸	\$	6-20-2303, 6-20-2305, Act 633 of 2011	No	31103	001

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- The final determination of FY12 student growth funding will be made in FY13 pursuant to ACA § 6-20-2305.

FUNDING: A FEW MORE KEY POINTS

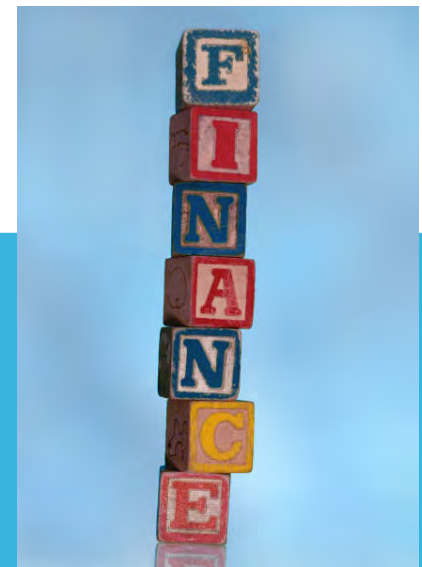
Millage above 25 required mills are not equalized by the State and can be spent by the board's discretion

Lakeview lawsuit:

1992 lawsuit that asserted that funding for education was inadequate and inequitable

<http://www.encyclopediaofarkansas.net/encyclopedia/entry-detail.aspx?entryID=4167>

Judge ruled in favor of the school districts which has resulted in additional funding AND accountability.



FINANCIAL INFORMATION REQUIREMENTS

Legislatively Required to Provide the Following on District Website:

(Act 1180 of 2009, ACA 6-11-129, ACA 6-13-620, ACA 6-13-619, Act 902 of 2011, Act 1002 of 2011)

1. Local and State Revenue sources
2. Administrator and teacher salary and benefit data
3. District balances, including legal and building fund balances
4. Teacher salary expenditures
5. School district's certified and classified personnel policies
6. District contracts of all employees and district salary schedules
7. Annual budget of the district
8. Financial breakdown of monthly expenses
9. District's annual audit
10. Annual statistical report
11. Minutes of school board meetings



FINANCIAL SYSTEMS IN PUBLIC SCHOOLS

Arkansas Public School Computer Network (APSCN)

Financial and Student Side

Financial Side:

Pentamation

Cognos

www.apscn.org

Important Financial Cycle Reports:

Cycle 1: Fiscal Year Budget (fiscal year budget) – August

Cycle 9: Annual Financial Report (final actual revenue and expenditures)- Sept.



RESOURCES FOR BOARD MEMBERS

Arkansas Department of Education (Finance Reports)

www.arkansased.org/about/reports.html

Arkansas Financial Accounting Handbook

www.apscn.org/fms/fms.htm

Arkansas Association of Educational Administrators (AAEA)

www.theaaea.org

Arkansas Association of School Business Officials (AASBO)

(link under the AAEA website)

Governmental Accounting Standards Board (GASB)

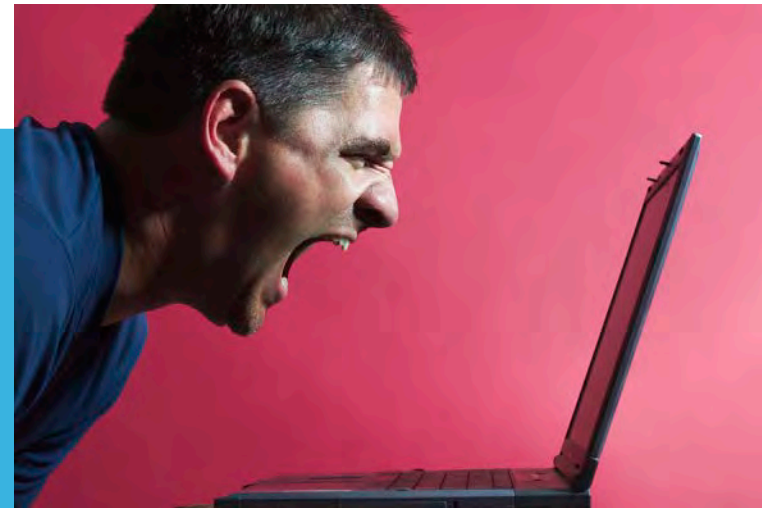
www.gasb.org

American Institute of Certified Public Accountants (AICPA)

www.aicpa.org

Arkansas State Legislature (current and proposed legislation and Arkansas statutes)

<http://www.arkleg.state.ar.us>



Q & A / MY CONTACT INFO:

Lisa Morstad
Chief Financial Officer
Fayetteville Public Schools
(479) 444-3000
Lisa.morstad@fayar.net



FPS

The fine art of education.