

# School Finance Update

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*Missouri Association of  
School Administrators*

**LEAD - DEVELOP - SUPPORT**

# State Budget

## (Current Year-FY '17)

1. Revised Consensus Revenue Estimate (CRE)= 3.0%. No anticipated withholds for the remainder of the fiscal year. Continue to monitor this spring. |
2. Through February, 2017 as compared to February, 2016:

Individual Income Taxes	+ 4.20%
Sales Taxes (Prop C)	+ 2.28%
<b>Corporate Income Taxes</b>	<b>-25.64%</b>
All Other	+22.10%
Refunds	-12.06%
<b>Net General Revenue</b>	<b>+ 4.93%</b>
3. Fiscal year revenues are currently on target to exceed \$150 M, which will trigger a tax cut from Senate Bill 509 for calendar year 2018 (we will address that issue later regarding calendar year 2018 & beyond).

# Corporate Income Taxes

(Senate Bill 19 for C-Corporations passed in 2015)

## Net Corporate Receipts

FY '15	\$436 M	
FY '16	\$281 M	
*FY '17	\$ 83 M	*8 months, YTD

# State Budget

(Current Year-FY '17)

4. Classroom Trust Fund (Casino Gaming) is slightly above expectations (approx. 2.0% growth).
5. Lottery Revenues-below budget projections.  
Current SAT is reflective of this shortfall.

Key: *One of you needs to be the next HUGE Missouri jackpot winner!!! 😊*

# Foundation Formula

(Current Year-FY '17)

1. March State Adequacy Target (SAT) is \$6160.
2. March Classroom Trust Fund (CTF) was \$405. This number will be dependent upon collecting the appropriated amount of \$343.9 M.
3. Monitor the SAT and CTF each month through June.

# Foundation Formula

(Applies to Current & Future Fiscal Years)

**Remember:** The amount of CTF receipts in 2009-10 can be used by your district *for any purpose*. Any additional CTF money your district receives ***in excess of the 2009-10 receipts*** must be used for General and/or Teacher Fund purposes.

**Senate Bill 291 (2009)**

# Foundation Formula

(FY '16 Retrospective)

- May '16 payment SAT = \$6,128
- June '16 payment SAT = \$6,145
- November '16 correction SAT = \$6,121

The FY'17 correction will depend upon accuracy of WADA figures used for the June Formula distribution.

# Small Schools Grant

Small Schools Grant - DESE will update this spring or summer. Currently these are at \$278 per ADA and \$155 per tax rate weighted ADA.

Approximately 192 schools; not expected to change much.



# Proposition C

(Current Year – FY '17)

1. \$974 per 2015-16 WADA (based on \$880.4 M).  
Up 2.28% over last year at the same time.
2. Prop C continues to be strong and if revenues remain constant, \$974 is highly attainable.
3. A supplemental budget bill of \$4.4 M has been filed (which would equal approx. \$980/prior year WADA).

# Proposition C History

Year	Dollars Distributed	WADA	WADA Payment
2006-07	\$784,900,800	915,941.2936	\$857
2007-08	\$772,900,800	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	\$831,282,000	902,449.0100	\$921
2015-16	\$854,000,000	901,191.4300	\$947

# Proposition C

(Next Year – FY '18)

1. FY '18 Governor's Budget for Prop C is \$901.6 M. Based upon the current WADA projection of 903,000 for FY '17, this would equal \$998 per 2016-17 WADA.
2. \*Proposition C revenues would need to increase 2.4% next year to equal the \$21.2 M recommended in the Governor's Budget.

*\*This projection includes Amazon which began paying sales tax in February 2017.*

# Proposition C

(Next Year – FY '18)

Impact of growth in Prop C revenues next year:

- 1.0% growth: \$984 per 2016-17 WADA
- 2.0% growth: \$994 per 2016-17 WADA
- 2.4% growth: \$998 per 2016-17 WADA

(Governor's Recommended Budget Amount)

If current revenue trends continue along with appropriate supplemental budget approval, the \$998 estimate should be attainable.

# State Budget

(Next Year-FY '18)

1. CRE is 4.6%. Due to the Senate Bill 509 tax cut in 2018 (reduction of \$80 M), a **3.8% CRE** is being used in the FY '18 Budget.
2. In future years, SB 509 tax cuts will equal \$160 M or more each fiscal year until fully phased in over 5 years.

# State Budget

(Next Year-FY '18)

1. Governor recommended “flat” funding (+\$3.2 M) for the Formula in FY '18.
2. The House (HCS HB 2) is proposing full Formula funding (\$48 M increase over FY '17).
3. Where does that revenue come from? What will the Senate do?
4. Will the Legislature pass tax breaks late in the session that will require future withholds?

# State Budget

(Next Year-FY '18)

5. Public Placement funds eliminated (\$11.1 M, of which \$7.8 M was Lottery proceeds shifted to the Formula)
6. Performance Based Assessment funding reduced by \$5.8 M (note: statewide ACT = \$4 M)
7. Transportation appropriation is equal to FY '17 at \$105 M (before current withholdings)

# State Budget

(Next Year-FY '18)

8. Small Schools Grant included at \$15 M
9. Early Childhood (PAT) level at \$18 M
10. Early Childhood Special Education – fully funded
11. High Need Fund – fully funded



# State Budget

(Next Year-FY '18)

In regard to full funding, DESE has stated their definition is the actual **distribution** of the fully appropriated amount in that fiscal year. Therefore, the addition of Early Childhood ADA would not occur until the year after the full distribution occurred.

*Note: Appropriation does not necessarily equate to distribution amount. June '18 payment SAT will determine Early Childhood ADA eligibility for FY '19.*

# 2017-18 Probable Formula Factors

1. State Adequacy Target (SAT):

**\$6,160** as a baseline amount, then potentially higher dependent upon the following factors:

\*Any increases through the June SAT would likely carry over into FY '18

\*Change (+/-) in the final 2016-2017 WADA

\*The actual increase in state appropriations for the Formula for next year (**\$6,241 possible**)

# 2017-18 Probable Formula Factors

## 2. Weighted Average Daily Attendance (WADA)

WADA next year is not expected to increase greatly due to two factors:

- a. Provisionally accredited districts can already include Early Childhood Free and Reduced lunch students in their WADA starting this year.
- b. Many districts have estimated ADA this year due to the lower weighting thresholds and the resulting impact on FY '17 funding. DESE has been proactive to ensure this has occurred.

# 2017-18 Probable Formula Factors

3. DVM: updated values posted at DESE
4. Local Effort: no change unless –
  1. Fines in 2015-16 exceeded 2004-05 (two years prior of current fiscal year)
  2. Assessed value Dec. 31, 2016 fell below Dec. 31, 2004
  3. Municipal court established in county, use fines in 2016-17.
5. FY 2006 State Aid: fixed
6. Classroom Trust Fund: current best estimate about the same amount as this year, \$405 per 2016-17 WADA (appropriation = \$414).

# Transportation

1. After withholds & releases by both Governor Nixon & Governor Greitens, the current year's reimbursement rate is approximately 16% (\$83.8 M available).
2. For FY '18, HCS HB 2 proposes \$105 M for transportation funds. If distributed at this level, the reimbursement rate would be approximately 19%. DESE will advise this spring on the specific Transportation formula factors for FY '18.
3. Transportation is typically the choice for withholdings of K-12 education funds. Suggestion: budget conservatively for this revenue stream.

*Interesting Fact: In 1990, the reimbursement rate was 80%. It was then mandated at 75% as a part of Senate Bill 380 (the Outstanding Schools Act) by Governor Mel Carnahan in 1993.*

# Property Tax Reminders

- 2017 is a reassessment year. The Consumer Price Index (CPI) ended Dec. 2016 at 2.1%.
- If your district has a *voluntary* Operating Tax Rate roll-back in effect, and if you want to reduce or eliminate this roll-back, you **CANNOT DO SO THIS YEAR**. You are not be able to do so because 2017 is a reassessment year. Your next opportunity to reduce or eliminate a voluntary roll-back will be in 2018 (the next non-reassessment year).

# Questions?

