

School Finance Update

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*Missouri Association of
School Administrators*

LEAD - DEVELOP - SUPPORT

State Budget

(Current Year-FY '18)

1. Revised Consensus Revenue Estimate (CRE)= 1.9% (Amended down from original 3.8%). No anticipated withholds for the remainder of the fiscal year. Continue to monitor this spring.

2. Through March 31, 2018 as compared to March 31, 2017:

| | |
|----------------------------|----------------|
| Individual Income Taxes | + 6.63% |
| Sales Taxes (Prop C) | + 1.97% |
| Corporate Income Taxes | +14.89% |
| All Other | + 1.68% |
| <u>Refunds (deduct)</u> | <u>+20.13%</u> |
| Net General Revenue | + 3.80% |

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 2019 (we will address that issue later regarding calendar year 2019 & 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 | \$276 M (235.7 thru Mar *) |
| *FY '18 | \$270.8M thru Mar-9 months * |

*Amounts through March are not net of refunds.

State Budget

(Current Year-FY '18)

4. Classroom Trust Fund (Casino Gaming) is running about 3% below appropriation and about 1% below last year.
5. Lottery Revenues-About \$15M below budget projections
 - Over \$500M Mega Million Jackpot (only 4th in history) on 3/27/2018 so sales in March should be up.

Current SAT should still cover any shortfalls.

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

Foundation Formula

(Current Year-FY '18)

1. March State Adequacy Target (SAT) is \$6,241.
2. March Classroom Trust Fund (CTF) was \$404. This number will be dependent upon collecting the DESE estimated revenue amount of \$341 M (revised down from appropriation of \$351.7 M).
3. Barring a withhold from the Governor's Office, the revenue should be adequate to meet full funding of the formula at \$6,241 SAT.

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 '17 Retrospective)

- May '17 payment SAT = \$6,180
- June '17 payment SAT = \$6,198
- December '17 correction SAT = \$6,176

The FY'18 correction will depend upon accuracy of WADA figures used for the June Formula distribution. WADA typically increases 3,000 after June payment.

Small Schools Grant

Small Schools Grant - DESE will update this spring or summer. Currently these are at \$275 per ADA and \$156 per tax rate weighted ADA.

Approximately 196 schools; not expected to change much.

Proposition C

(Current Year – FY '18)

1. \$988 per 2016-17 WADA (based on \$901.6 M*-1.9% more than FY17).
 - o Up 1.97% all sales/use over last year at the same time.
2. Prop C continues to be solid and if revenues remain constant, \$988 is highly attainable.

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 |
| 2016-17 | \$884,800,000 | 903,742.1800 | \$979 |

Proposition C

(Next Year – FY '19)

1. FY '19 Governor's Budget for Prop C is \$917.5 M. Based upon the current WADA projection of 912,000 for FY '18, this would equal \$1,006 per 2017-18 WADA.
2. *Proposition C revenues would need to increase 1.76% next year to equal the \$15.9 M recommended in the Governor's Budget.

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

Proposition C

(Next Year – FY '19)

Impact of growth in Prop C revenues next year:

- No Growth: \$988 per 2017-18 WADA
- Median Growth: \$997 per 2017-18 WADA
- Projected Growth: \$1,006 per 2017-18 WADA
(Governor's Recommended Budget Amount)

If current revenue trends continue, the \$1,006 estimate should be attainable.

State Budget

(Next Year-FY '19)

1. Consensus Revenue Estimate (CRE) for FY '19 Budget is **2.5%**. Would have been about 5.9% if not for Federal tax cut provisions and the Senate Bill 509 tax cut impact in 2018 & 2019 (combined estimated impact of \$314.7 M).
2. In future years, SB 509 tax cuts will equal \$150 M or more each fiscal year until fully phased in over 5 years.

2018-19 DESE Budget Request

- DESE requested a \$99 M increase to fully fund the Formula
- Approximately \$48.5 M for 10,000 increase in WADA
 - Lower FRL thresholds & Pre-K funding for all districts
 - Must get this to avoid lowering SAT below \$6,241 and creating a redistribution of money between districts
- Remaining \$50.5 M for increase in SAT



State Budget

(Next Year-FY '19)

1. Governor recommended increased funding (+ \$51 M) for the Formula in FY '19.
 - Would not fully fund the formula but would keep SAT at or slightly above \$6,241
2. The House (HCS HB 2002) is proposing full Formula funding (\$99 M increase over FY '18).
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 '19)

5. Public Placement funds remain at \$5 M (was reduced from \$11 M in FY17)

6. Transportation appropriation is \$92 M, which is either a \$13 M reduction or a \$2 M increase depending on your spin
 - Appropriation for FY18 was \$105 M = \$13 M reduction
 - After Governor withholds in July, \$90 M is being distributed = \$2 M increase

State Budget

(Next Year-FY '19)

- 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

Pre-K Funding – FY19

- Deputy Commissioner Comments – February 2018 Memo
- “There has been much discussion about the full funding of the Foundation Formula in FY 18. The majority of this discussion is due to the trigger for the inclusion of Pre-K ADA in the formula. Full funding can be achieved by using a State Adequacy Target (SAT) of \$6,241, which is the SAT that was used in the February payment. Based on the Formula Weighted Average Daily Attendance (FWADA) for this year and the financial projection for the remainder of the fiscal year an SAT of \$6,241 should be able to be maintained. While paying out at an SAT of \$6,241 is one trigger, **another trigger is the language in the statute that uses the word “appropriated” only and does not use this in conjunction with expended. The Department believes this language also triggers the inclusion of Pre-K for ADA in the formula.**”

Pre-K Funding – FY19

- House Bill 1689, passed during the 2014 legislative session, allows for a school district that operates an early childhood education program to receive state funding through the foundation formula for **students between the ages of 3 and 5 who are eligible for free and reduced lunch**. This legislation will allow these students to be included in the average daily attendance calculation (ADA) of the district or LEA charter school. **The total number of such pupils included in the ADA calculation cannot exceed 4% of the total number of pupils eligible for free and reduced lunch between the ages of 5 and 18 who are included in the district's ADA calculation.**

Pre-K Funding – FY19

- Barring change in statute or DESE interpretation of “pupils”, this will reduce the number of students districts will receive state funding, especially in districts with high mobility
- Regardless of final SAT distribution, the General Assembly appropriated enough for “full funding” and Pre-K will be triggered for FY '19

Pre-K Funding – FY19

- The method for determining how many PK students you can claim for state aid is different than any other method used for school finance
 - Headcount not FTE
- Other differences as well
- October 10, 2017 DESE recorded a webinar to explain how to handle PK students.
- <https://dese.mo.gov/communications/webinar/claiming-pk-attendance-hours>

2018-19 Probable Formula Factors

1. State Adequacy Target (SAT):

- Recalculates every 2 years
- ½ of the change takes place in year 1
 - FY19 = \$6,308
- New SAT is full in year 2
 - FY20 = \$6,375

2018-19 Probable Formula Factors

2. Weighted Average Daily Attendance (WADA)

WADA next year is expected to increase 10,000 due to two factors:

a. Pre-K Funding for ALL districts

b. FRL Threshold going from 36.12% to 31.42%
(slight changes in LEP/IEP as well)

**** ONLY GET TO TAKE ADVANTAGE IN FY19 IF YOU ESTIMATE ADA**

2018-19 Probable Formula Factors

3. DVM: updated values posted at DESE
4. Local Effort: no change unless –
 - a) Fines in 2016-17 exceeded 2004-05 (two years prior of current fiscal year)
 - b) Assessed value Dec. 31, 2017 fell below Dec. 31, 2004
 - c) Municipal court established in county, use fines in 2017-18.
5. FY 2006 State Aid: fixed
6. Classroom Trust Fund: current best estimate about the same amount as this year, \$404 per 2017-18 WADA (appropriation = \$414 per WADA).

2018-19 SAT RANGE

- FLOOR - \$6,241
 - Governor's Budget - \$6,245
- MIDDLE – \$6,275
- MAXMIMUM - \$6,308
 - SAT Calculation
 - House Budget Appropriation

Be As Optimistic or Conservative As You Choose.



Property Tax Reminders

- 2018 **is NOT** a reassessment year. The Consumer Price Index (CPI) ended Dec. 2017 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 **CAN DO SO THIS YEAR.**
- If you do a voluntary Operating Tax Rate roll-back in 2018, you **MUST** use the same roll-back in 2019.

Questions?

