

# Understanding Missouri's Public Schools (K-12) Funding Formula



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# Funding Formulas



1. All states have a mathematical calculation, referred to as a “formula” to distribute state money to public schools.
2. Each of them is different.
3. All state formulas, to differing degrees, have been influenced by court decisions.
4. The two major principles that Courts have used in evaluating and influencing state formulas are:
  1. Equity
  2. Adequacy

# Equity



- ❖ The quality of a child's education should not be solely determined by the level of resources available at the local level.

# Adequacy



- ❖ The total amount of local and state resources available for the education of children should be sufficient to give each child an opportunity to achieve state standards.

# Missouri's Current Formula



1. Adopted by the General Assembly in 2005 to take effect in 2006-07 school year. (SB287 Sponsored by Senator Charlie Shields)
2. Emphasis on adequacy

# Missouri's Current Formula



3. School districts that met all of Missouri's 14 Performance Standards (High Performing Districts) were examined and on average:
  - a. How much do they spend per student?
  - b. What percent of their students are "High Cost"?
    1. Free and reduced lunch eligible
    2. Special Education
    3. Limited English Proficiency
  - c. Operating Tax Rate

# Goal of Formula



- ❖ Provide all school districts in Missouri with at least as much local and state money per student as High Performing districts have available.

# Basic Formula Factors



Weighted Average Daily Attendance (WADA)

X State Adequacy Target (SAT)

X Dollar Value Modifier (DVM)

— Local Effort

= **State Funding**

# Basic Formula Factors



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X State Adequacy Target (SAT)

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= **State Funding**

# Weighted Average Daily Attendance (WADA)

Average Daily Attendance (ADA) regular year

- + Average Daily Attendance at Summer School
- + Weights for number of High Cost students in excess of the averages for High Performing districts.

.25 weight for number of Free & Reduced students above average.

.75 weight for number of Special Education students above average.

.60 weight for number of Limited English Proficiency students above average.

Re-calculated every two years based upon current High Performing Districts.

# Basic Formula Factors



Weighted Average Daily Attendance (WADA)

X State Adequacy Target (SAT)

X Dollar Value Modifier (DVM)

— Local Effort

= **State Funding**

# State Adequacy Target (SAT)



- ❖ Expenditures per weighted average daily attendance in High Performing districts. (Excludes capital, transportation, food service, federal expenditures and growth in local revenues since 2004-05).
- ❖ Recalculated every two years based upon current High Performing Districts.

# Basic Formula Factors



Weighted Average Daily Attendance (WADA)

X State Adequacy Target (SAT)

X Dollar Value Modifier (DVM)

— Local Effort

= **State Funding**

# Dollar Value Modifier (DVM)



Based on wages in area as determined by the  
U.S. Bureau of Labor Statistics.

Current Range: 1.00 – 1.091

(Metropolitan or Micropolitan areas or  
County)

Re-calculated every year based on wages in  
57<sup>th</sup> wage-rated county in the state.

# Basic Formula Factors



Weighted Average Daily Attendance (WADA)

X State Adequacy Target (SAT)

X Dollar Value Modifier (DVM)

— Local Effort

= State Funding

# Local Effort



Primarily based on 2004-05 assessed valuation x \$3.43/\$100 assessed valuation.

(\$3.43 is average operating tax rate of High Performing districts in 2004-05. Called Performance Levy in SB287)

# Formula Adequacy



- ❖ Based upon High Performing districts and recognition of High Cost students.

# Formula Equity



- ❖ Based on local resources available in 2004-05.

# Formula Cost



- ❖ Cost to fully implement SB287  
Formula estimated in 2005  
between \$900 million and  
\$1 billion.

# Formula Cost



- ❖ Cost was phased-in over a 7-year period beginning in 2006-07.  
\$120 million - \$140 million per year
- ❖ Districts scheduled to be paid on a percentage of SB287 and a percentage of 2005-06 funding.

# Phase-In Schedule

| <u>Year</u> | <u>2005-06</u> | <u>SB287 Formula</u> |
|-------------|----------------|----------------------|
| 2006-07     | 85%            | 15%                  |
| 2007-08     | 70%            | 30%                  |
| 2008-09     | 56%            | 44%                  |
| 2009-10     | 42%            | 58%                  |
| 2010-11     | 28%            | 72%                  |
| 2011-12     | 14%            | 86%                  |
| 2012-13     | 0%             | 100%                 |

# Hold Harmless



- ❖ SB287 contains a protection for districts that do not benefit from the formula. If formula calculation generates less money for a district than 2005-06 funding (as adjusted by the DVM), district receives modified 2005-06 amount. (This clause is commonly referred to as Hold Harmless.)

# Formula Funding



- ❖ Funding for the SB287 Formula was to be obtained from a combination of general state monies and a tax on casino revenues. (Known as the Classroom Trust Fund)

# Formula Funding



- ❖ In 2009-10 and in 2010-11, Federal Budget Stabilization and Federal Jobs Bill dollars were used to replace declining state general revenues monies and casino tax revenue shortfalls that support the formula.

# Actual Formula Funding History



| <u>School Year</u> | <u>SAT</u> | <u>Prorated SAT</u> | <u>Percent Funded</u> |
|--------------------|------------|---------------------|-----------------------|
| 2006-07            | \$6,117    | \$6,117             | 100%                  |
| 2007-08            | \$6,117    | \$6,117             | 100%                  |
| 2008-09            | \$6,117    | \$6,117             | 100%                  |
| 2009-10            | \$6,117    | \$6,117             | 98.6%                 |
| 2010-11            | \$6,124    | \$6,124             | 97.39%                |
| 2011-12            | \$6,131    | \$6,131             | 94.3%                 |
| 2012-13            | \$6,423    | \$6,131*            | 92.6%                 |
| 2013-14            | \$6,716    | \$6,131*            | 93.3%                 |
| 2014-15            | \$6,716    | \$6,131*            | 96.8% (as of Jan.)    |

\* 2012-13 is end of 7-year phase-in. Law allows proration of SAT. Partial Proration by DESE.

# Formula Proration



Beginning in 2015-16, State Adequacy Target (SAT) must be prorated so that Hold Harmless schools get 100% of their hold harmless amount. This was passed by the legislature in 2014. DESE has estimated that a \$125 M increase would be needed to keep the SAT at \$6,131 next year without a proration.

# What does Fully Funding the Formula Mean?



1. The formula would be fully funded when the calculated SAT is used in the formula and school districts are paid 100% of their formula and/or hold-harmless amount.
2. The current calculated SAT is \$6,716. The current legislative appropriation is \$3.19 billion. If the legislative appropriation were increased by approximately \$500 million, the formula would be fully funded.
3. The amount needed to fully fund the formula in any one year will vary, depending upon state student numbers, the SAT calculation, and the DVM calculation.

# What does Fully Funding the Formula Mean?



4. Allowing school districts to count free and reduced lunch eligible early childhood students in the WADA calculation will increase the cost. Legislation passed in 2014 allows unaccredited districts to do this in 2015-16 and provisionally accredited districts to do so in 2016-17. Accredited districts can not do so until the formula is fully funded.

# Full Funding Implications for Ritenour and Pattonville



1. Ritenour is currently on the formula. Its formula payment would increase from \$24.2 M to \$28.5 M.
2. Pattonville is currently hold harmless. It will still be hold harmless. Its hold harmless payment would increase from \$4.5 million to \$4.6 million, which it will get anyway next year due to the 2014 legislation mentioned previously.



# Questions?