The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Jeanne C. Johnston.

DIGEST

Nevers SCR No.

Provides for legislative approval of the formula for FY 10-11 to determine the cost of a minimum foundation program (MFP) of education in all public elementary and secondary schools as well as to equitably allocate the funds to local school systems (including the Recovery School District (RSD), two university laboratory schools, and Office of Juvenile Justice schools) as developed by the State Board of Elementary and Secondary Education (BESE) and adopted by the board on March 11, 2010.

Preliminary and Final Allocations

Proposed formula retains provisions of present formula relative to the computation of preliminary and final allocations, and additionally includes Office of Juvenile Justice (OJJ) schools in all relevant MFP computations, as follows:

1. BESE determines no later than March 15 each year for the upcoming fiscal year preliminary allocations of the MFP formula for city, parish, and other local public school systems (including the RSD, LSU and SU laboratory schools, and OJJ schools) using the latest available data. Upon adoption by BESE of such preliminary allocations for the ensuing fiscal year, the superintendent submits the MFP funding requirements to the Joint Legislative Committee on the Budget and to the House and Senate Committees on Education.

2. Upon legislative approval of the MFP formula resolution for the upcoming fiscal year, BESE determines final allocations for local school systems (including the RSD, LSU and SU laboratory schools, and OJJ schools), using latest available data, no later than June 30 for the fiscal year beginning July 1.

3. Latest available student count estimates will be used for newly opened school districts or local education agencies in the final allocations of the MFP formula no later than June 30 for the fiscal year beginning July 1.

Mid-Year Adjustments

Proposed formula includes OJJ schools in mid-year adjustment computations.

Present formula provides that if the current Oct. 1 student count for a local school system, the RSD, or lab school exceeds the previous year's Feb. 1 membership by either 50 students or 1%, a mid-year adjustment to provide additional per pupil funding will be made for each additional student based on the final MFP allocation per pupil amount. Districts and schools may request

the state superintendent to make estimated monthly payments based on documented mid-year growth prior to the Oct. 1 count.

Proposed formula deletes provisions in present formula providing for additional funding for increased student membership and instead provides that if a school/school district's current year Oct. 1 student count is more or less than the previous year's Feb. 1 membership, a mid-year adjustment to per pupil funding shall be made for each student gained or lost based on the final MFP allocation. Retains provisions in present formula allowing districts and schools to request the state superintendent to make estimated payments.

Present formula provides that if the current Feb. 1 membership for a local school system, the RSD, or lab school exceeds the current year Oct. 1 membership by either 50 students or 1%, a second mid-year adjustment to provide additional per pupil funding is made for each additional student based on one-half of the final MFP allocation per pupil amount for that local school system. Districts may request that the state superintendent make estimated monthly payments based on documented mid-year growth prior to the Feb. 1 count.

Proposed formula deletes provisions in present formula providing for additional funding for increased student membership and instead provides that if a school/school district's current Feb. 1 student count is more or less than the current year's Oct. 1 membership, a mid-year adjustment to per pupil funding shall be made for each student gained or lost based on one-half the final MFP allocation. Retains provisions in present formula allowing districts and schools to request the state superintendent to make estimated payments.

Proposed formula retains present formula provisions that if the RSD, the district of prior jurisdiction, and local education agencies have an increase in current year Oct. 1 membership above the prior year Feb. 1 number included in the final MFP allocation individually, such entities shall receive a mid-year adjustment of MFP funding based upon the number of students identified above the membership number used in the final MFP allocation.

Proposed formula retains present formula provision that if the RSD Oct. 1 membership count qualifies for a mid-year adjustment to state funds, a mid-year adjustment to provide additional local per pupil funding shall also be made for each additional student based on the local per pupil amount of the district of prior jurisdiction times the increased number of students. For Feb. 1 increases, one-half of the local per pupil amount will be transferred.

Proposed formula retains present formula provision that for newly opened school districts or local education agencies, in the first year of operation, a special mid-year adjustment will be made to finalize their MFP formula allocations using Oct. 1 data. This special mid-year adjustment will replace the Oct. mid-year adjustment. The newly opened school districts or local education agencies will qualify for the Feb. 1 mid-year adjustment.

Level 1–Cost Determination and Equitable Distribution of State and Local Funds:

Compared to present formula, proposed formula provides as follows:

1. Maintains use of Feb. 1 membership as defined by BESE.

2. Maintains the existing weight for add-on student units for at-risk students at 0.22. Increases the time period for BESE to seek to achieve the goal of an at-risk weight of 0.40 from a four year period to a seven year period.

3. Maintains the existing weight for Career and Technical Education course units at 0.06.

4. Maintains the existing weight for Special Education/Other Exceptionalities students at 1.5.

5. Maintains the existing weight for Special Education/Gifted and Talented students at 0.60.

6. Maintains the Economy of Scale curvilinear weight of 0.20 for school systems with a student membership of less than 7,500.

7. Increases base per pupil funding amount from $3,855 to $3,961.
Retains provisions that if no annual increase is provided and the resolution remains in effect for ensuing fiscal years, subsequent annual adjustments may be made in the per pupil amount as determined by BESE with approval of the Jt. Legislative Committee on the Budget. Provides for automatic 2.75% growth adjustment in base per pupil amount if JLCB fails to approve the BESE recommended amount for FY 2011-12.

8. Relative to the local school system share calculation, provides as follows:

   (a) Calculates property revenue contribution by multiplying the state's computed property tax rate (including debt service) by each school system's net assessed property value for the latest available fiscal year including Tax Increment Financing (TIF) areas. If a district's net assessed property value has increased equal to or greater than 10% over the prior year net assessed property value, then the growth in the net assessed property value will be capped at 10%. This cap will be applied on a year-to-year basis comparing the current year net assessed property value to the prior year uncapped net assessed property value. In FY 07-08, this millage was set at a level appropriate to yield a state average share of 65% and a local average share of 35%. The millage set in FY 07-08 will remain the same in FY 08-09 and beyond. BESE may revise the millage as deemed appropriate in order to reestablish the 65% to 35% share.

   (b) Calculates sales revenue contribution by dividing the district's actual sales tax revenue collected (including debt service) in the latest available fiscal year by the district's sales tax rate that was applicable to create a sales tax base. If a local school system's sales tax goes into effect during the fiscal year, the tax rate is prorated to an annual rate applicable for the total revenue generated. If a district's computed sales tax base increased equal to or greater than 15% over the computed sales tax base calculated in the prior year formula, then the growth in the

computed sales tax base will be capped at 15% over the amount used in the prior year formula. This cap will be applied on a year-to-year basis comparing the current year sales tax base to the prior year uncapped sales tax base. Each district's sales tax base is then multiplied by the state's projected yield of the sales tax rate. In FY 07-08, this rate was set at a level appropriate to yield a state average share of 65% and a local average share of 35%. The rate set in FY 07-08 will remain the same in FY 08-09 and beyond. BESE may revise the rate as deemed appropriate in order to reestablish the 65% to 35% share.

(c) Other revenue contribution is calculated by combining state revenue in lieu of taxes, federal revenue in lieu of taxes, and 50% of earnings on property.

9. Provides that the state share is calculated by subtracting the local share from the total level 1 costs.

10. Provides that in no event shall the state share of the total level 1 costs be less than 25% for any district.

Level 2 - Incentive For Local Effort

1. Continues provision that the local share of Level 2 revenue equals the district's eligible local revenue as calculated in Level 2 times the district's local share percentage of Level 1 times a factor of 1.72.

2. Continues provision that the state support of Level 2 incentive funding equals eligible revenue in Level 2 minus the local share of Level 2.

3. Continues provision that the maximum local revenue eligible for incentive funding in Level 2 is 34% of Total Base Foundation Level 1 State and Local costs.

Level 3–Legislative Enhancements

1. Continues supplemental pay raises for certificated personnel initiated in 2001-02, 2006-07, 2007-08, and 2008-09 as a per pupil amount.

2. Continues supplemental pay raises for noncertificated support workers initiated in 2002-03, 2006-07, and 2007-08 as a per pupil amount.

3. Continues the supplemental allocation of $20,000 per teacher from BESE to local school systems that employ a Foreign Language Associate, not to exceed a total of 300 teachers.

4. Deletes incentive funding for local school systems that enroll a student who transfers from an academically unacceptable school in an amount equal to the current year MFP state-average local share per pupil, for a maximum of 3 years.

5. Continues the 10-year phase-out of hold harmless funding beginning with a 10% reduction of the revised "over funded" amount in FY 07-08. The annual 10% reduction amount will be redistributed in a per pupil amount to all non-hold harmless districts.

6. Continues providing local school systems with a per pupil funding amount of $100 for increasing mandated costs involving health insurance, retirement, and fuel.

7. Deletes emergency funding assistance for FY 2009-10 to the parishes of Morehouse ($1.6 million) and Union ($1 million).

Funding for the Recovery School District

Proposed formula retains present formula provision that school districts shall include the student membership and weighted student counts of schools transferred to the RSD and that the state and local shares shall be transferred to the RSD.

Present formula provides that the basis of the local revenue per student allocation for RSD funding is the latest available date of the local school board of prior jurisdiction divided by total MFP student membership in the RSD and in prior district used in the MFP final allocation.

Proposed formula changes the basis of the local revenue per student allocation for RSD funding from "the latest available date" to "estimates for the upcoming year" for such prior school districts.

Present formula, for purposes of RSD funding, defines local revenue as including revenue from sales and use taxes and ad valorem taxes (less tax collection fees) and earnings from 16th section lands, excluding any portion specifically dedicated by the legislature or voter approval to capital outlay or debt service or which was actually expended by the school board for facilities acquisition and construction as reported to DOE.

Proposed formula retains these provisions but specifies that expenditures by the school board for facilities acquisition and construction must conform to the definitions in the Annual Financial Report and the La. Accounting and Uniform Governmental Handbook (LAUGH).

Present formula provides that the total local revenue allocation for the RSD is determined by multiplying the local revenue per student times the number of students in the RSD.

Proposed formula provides that the total local revenue allocation for the RSD shall be determined by multiplying the local revenue per student times the number of RSD students used in the MFP final allocation.

Present formula provides that the local revenues per student will be recalculated to include any increases in students recognized for the Oct. 1 count and that an increase in the Oct. 1 mid-year adjustment will result in a corresponding decrease in the local revenue per student. Also provides that there will be no recalculation of the local revenue per student at the Feb. 1 adjustment.

Proposed formula instead provides that based on the Oct. 1 student count, the local revenue allocation per student will be recalculated and there will be a corresponding adjustment in the local revenue allocation per student. Retains provisions relative to no recalculation at the Feb. 1 student count adjustment.

Present formula provides:

1. On each March 1, certifications from the local tax collection agent will be obtained to identify local revenues paid to the school district of prior jurisdiction to date minus any portion dedicated to capital outlay or debt service.

2. A certification will be obtained from the prior district for the amount of current year expenditures made to date for facilities acquisition and construction. Provides that such expenditures will be subtracted from revenues and a comparison made.

3. If there is an increase in local revenue collections then the district of prior jurisdiction is required to pay the RSD its proportional share of the increased revenues.

4. A final reconciliation is to be performed at the end of the fiscal year.

5. If the fiscal status of the district of prior jurisdiction changes during the fiscal year, the state superintendent may determine a reduced local revenue allocation.

Proposed formula deletes these provisions and instead provides:

1. To verify the estimated local revenues used in the local revenue allocation per student in the final MFP allocation, in the 3rd quarter of the fiscal year local revenues paid to date to the district of prior jurisdiction will be obtained from the most timely and reliable sources available to the Dept. of Education.

2. The estimate will be reconciled to the local revenues paid to date minus any portion dedicated to capital outlay or debt service or was actually expended for facilities acquisition and construction.

3. If a difference exists, there will be a corresponding adjustment in the local revenue allocation per student based on the number of students in the RSD on Oct. 1 and such funds shall be provided to the RSD.

4. In order for the district of prior jurisdiction and the RSD to record an accounting estimate in their respective financial statements, near the end of the fiscal year an updated local revenue estimate will be reconciled to the prior estimate; however, no adjustments to payments will occur.

5. A final reconciliation will occur based upon the receipt of the annual audited financial statements of the district of prior jurisdiction. If an increase or decrease in local revenue

collections exists, the state superintendent may establish a payment schedule.

6. If the fiscal status of the district of prior jurisdiction or the RSD changes during the fiscal year on or before the final reconciliation, the state superintendent may adjust the local revenue allocation based upon the revenues identified.

Proposed formula retains present formula provision that except for administrative costs, monies appropriated to the RSD attributable to the transfer of a school and monies allocated or transferred from the prior school system to the RSD shall be expended solely on the operation of schools transferred from the prior system to the RSD.

Funding for LSU and SU Laboratory Schools

Proposed formula retains present formula provisions relative to university laboratory schools as follows:

1. Any elementary or secondary school operated by LSU or SU shall be considered a public school and annually appropriated funds as determined in the MFP formula.

2. Each student enrolled at LSU or SU lab schools shall be provided for and funded from the MFP a per pupil amount equal to the amount allocated per student for the state share of the MFP.

3. MFP funds appropriated to LSU and SU lab schools shall be allocated to the institution of higher education operating such schools which shall ensure the equitable expenditure of such funds to operate the schools.

4. Specifies that requirements in the formula relative to using 50% of increased funds for pay raises for certificated personnel also apply to the lab schools.

Funding for Type 2 Charter Schools

Proposed formula continues funding levels for Type 2 charter schools contained in present formula. Provides that any school authorized as a Type 2 charter school by BESE on or after July 1, 2008, shall annually be appropriated funds as determined by applying the formula contained in R.S. 17:3995, except that the local share allocation will be funded with a transfer of the MFP monthly amount representing the local share allocation from the city, parish, or local public school board in which the attending students reside. Provides that where student attendance is from multiple school districts, the Dept. of Education shall determine the local share based on students reported by the schools.

Proposed formula additionally specifies that the student membership count of Type 2 charter schools shall be included in the membership count of the local school board in which the school is located to determine the local share.

Funding for Office of Juvenile Justice Schools and Students

Proposed formula provides with respect to OJJ schools as follows:

1. Any elementary or secondary school operated by OJJ shall be considered a public school and annually appropriated funds as determined in the MFP formula.

2. Each student counted in the prior year average daily membership shall be provided for and funded from the MFP a per pupil amount equal to the amount allocated per student for the state share of the district where the student resided prior to adjudication.

    a. The state share per pupil allocation shall be adjusted based on a factor determined by DOE to provide for the differential in the number of educational days provided to students in OJJ custody.

    b. The state share per pupil allocation shall also be adjusted to recognize the increased number of special education students in OJJ schools relative to the state average special education student population.

3. Each student counted in the prior year average daily membership shall be provided for and funded from the MFP a local share per pupil amount equal to the amount allocated per student for the district where the student resided prior to adjudication.

    a. For purposes of the local share allocation per pupil amount, the average daily membership of the OJJ shall be included in the membership counts of the local school board in which the student resided prior to adjudication to OJJ.

    b. For a district that has schools transferred to the RSD and shares local revenue, the allocation for OJJ will be completed before the calculation of revenues for

purposes of RSD funding.

c. The local share allocation shall be funded with a transfer of the MFP monthly amount representing the local share allocation from the local school board in which the attending students resided prior to adjudication to OJJ.

Adjustments for Audit Findings and Data Revisions

Present formula retains present formula provisions that review and/or audit of a district's data may cause changes in final statistical information and that any necessary adjustments in a district's MFP allocation resulting from such audit findings will be made in the following school year.

Required Pay Raise for Certificated Personnel

Proposed formula continues present formula requirement that 50% of a district's increased funds provided in Levels 1 and 2 over the prior year shall only be used to supplement full-time certificated salaries and retirement benefits for school systems, the RSD, and LSU/SU lab schools with an average teacher salary below the SREB average teacher salary.

70% Local General Fund Required Instructional Expenditure at the School Building Level

Proposed formula retains present formula requirement that 70% of local school system general fund expenditures must be in the areas of instruction and school administration at the school building level.

Proposed formula additionally provides as follows for a local school district that fails to meet the 70% instructional expenditure requirement:

1. A school district that fails to meet the 70% instructional expenditure requirement but has a District Performance Score (DPS) at or above the state average should be provided a waiver for noncompliance.

2. A school district that fails to meet the 70% instructional expenditure requirement and has a DPS below the state average should face the following consequences:

    a. Be required to assess expenditures in non-instructional areas to determine operational activities that could be streamlined through outsourcing, privatization, or consolidation and report to BESE on the implementation plan to redirect any savings from these actions to instructional activities in accordance with DOE timelines.

    b. Be required to examine the manner in which state and federal funds are utilized, revise spending patterns, and report to BESE on implementation of these actions according to DOE timelines.

c. If involved in desegregation litigation, be required to examine the manner in which state and federal funds are utilized, revise spending patterns, and report to BESE on implementation of these actions according to DOE timelines.

Expenditure Requirement for Foreign Language Associate Program

Proposed formula retains present formula requirement that the state must maintain support of the Foreign Language Associate Program at a maximum of 300 Foreign Language Associates employed in any given year. Provides that these teachers shall be paid by the employing school system or school the state average classroom teacher salary (without PIP) by years of experience and degree beginning with year three. Specifies that first-year teachers will receive an installation incentive of an additional $6,000 and second- and third-year teachers will receive a retention incentive of an additional $4,000. Provides that these amounts must be provided to each Foreign Associate Teacher by each school district or school in which the teacher is employed.

Expenditure Requirement for Educational Purposes

Proposed formula retains present formula requirement that state MFP funds shall only be expended for educational purposes.

Accountability Provisions

Present formula provides that each school district with a school that has a School Performance Score (SPS) below 60 and growth of less than 2 points in the SPS will be included in an annual MFP Accountability Report submitted to the Senate and House Committees on Education by June 1 of each year.

Proposed formula deletes these provisions and instead provides that each school recognized by DOE will be included in a MFP Accountability Report submitted to the Senate and House Committees on Education by June 30 of each year.

Present formula provides that students attending an academically unacceptable school in School Improvement 4 (SI4) that does not have a BESE approved reconstitution plan or an academically unacceptable school in School Improvement 5 (SI5) that does not have a BESE approved and implemented reconstitution plan shall not be considered in the MFP formula calculations. Further provides that staff assigned to a SI4 school without a BESE approved reconstitution or a SI5 school without a BESE approved and implemented reconstitution plan shall not be considered in the MFP for any purposes.

Proposed formula deletes these provisions.

Present formula provides for accountability measures for the funding generated by the At-Risk and Career and Technical Weights as follows:

1. Requires local school systems to assure that 85% of the incremental increase in the at-risk

weight generated in FY 08-09 continue and report to DOE on the utilization of such funds.

2. Requires local school systems to assure that funding generated by the incremental increase in the at-risk weight generated in FY 08-09 continue and report to DOE on the utilization of such funds.

Proposed formula deletes these provisions and instead provides for accountability from local school districts, the RSD, and the LSU/SU lab schools for all weight factors: at-risk, career and technical education, special education other exceptionalities, and special education gifted and talented on the following:

1. Personnel.

2. Professional Services.

3. Instructional Materials.

4. Equipment.

5. Supplies that serve the unique needs of the students generating such funds.

Requires an annual report to DOE detailing the types of activities for which these funds were expended to serve the needs of the weighted students. Further requires that such report be published on the DOE website in an easily understandable format.

Study of Funding for Public Education

Proposed formula directs DOE to establish a task force to study funding for public education to include the following issues:

1. Review the effectiveness of the wealth factors in the MFP formula.

2. Evaluate a potential increase of the 70% instructional requirement to 80%.

3. Continue the study of student-based budgeting, including the impact of desegregation on its implementation.