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## DIGEST

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**Abstract:** Provides legislative approval of the MFP formula for FY 11-12 adopted by BESE on February 17, 2011.

Provides for legislative approval of the formula for FY 11-12 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, Office of Juvenile Justice schools, La. School for Math, Science, and the Arts, New Orleans Center for Creative Arts, and Legacy Type 2 Charter schools) as developed by the State Board of Elementary and Secondary Education (BESE) and adopted by the board on February 17, 2011.

### **Preliminary and Final Allocations**

Proposed formula retains provisions of present formula relative to the computation of preliminary and final allocations, and additionally includes La. School for Math, Science and the Arts (LSMSA), New Orleans Center for Creative Arts (NOCCA), and Legacy Type 2 Charter 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, OJJ, LSMSA, NOCCA, and Legacy Type 2 charter 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, OJJ schools, LSMSA, NOCCA, and Legacy Type 2 charter 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 adds LSMSA, NOCCA, and Legacy Type 2 schools in mid-year adjustment computations. Mid-year adjustments are calculated as follows.

1. 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.
2. 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.
3. 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 and prior to the Feb 1 count.
4. If the RSD, the district of prior jurisdiction, and local education agencies have an increase or decrease 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 or below the membership number used in the final MFP allocation.
5. If the RSD Oct. 1 membership count qualifies for a mid-year adjustment to state funds, a mid-year adjustment to local per pupil funding also shall be made for each additional student gained or lost 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.
6. 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. Retains the time period for BESE to seek to achieve the goal of an at-risk weight of 0.40 over 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. Proposed formula retains base per pupil funding amount of \$3,855.
8. Retains provisions for subsequent annual adjustments as determined by BESE in base per pupil amount.
9. 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.
- 10. Provides that the state share is calculated by subtracting the local share from the total level 1 costs.
- 11. Provides that in no event shall the state share of the total level 1 costs be less than 25% for any district.
- 12. Provides that the student membership and weighted student counts of any Type 2 Charter school authorized by BESE on or after July 1, 2008, shall be included in the membership and weighted student counts of the city, parish, or other local public school board in which the student resides using the actual prior year February 1 enrollment data of the Type 2 charter school. This provision shall not apply for schools in the first year of operation where only estimated data is available.

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

### **Funding for the Recovery School District**

Provides for RSD local revenue calculations as follows:

1. The student membership and weighted student counts of schools transferred to the RSD shall be included in the membership and weighted counts of the jurisdiction from which the school was transferred.
2. To begin the fiscal year July 1, the basis of the local revenue share allocation for RSD is based on projected local revenues for the most recent prior year of the public school board that had prior jurisdiction divided by total MFP student membership in the RSD and in prior the district of prior jurisdiction.
3. 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. There will be no recalculation at the Feb. 1 student count adjustment.
4. During the third quarter of the fiscal year, the local revenue allocation per student shall be adjusted to reflect actual prior year revenue data.
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.

### **Funding for LSU and SU Laboratory Schools**

Provides funding for the LSU and SU 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 LSMSA and NOCCA and Legacy Type 2 Charter Schools**

Proposed formula adds funding for LSMSA , NOCCA , and Legacy Type to Charter Schools to the formula as follows:

1. LSMSA and NOCCA shall be considered a public school and annually appropriated funds as determined in the MFP formula.
2. Each LSMSA student in membership, and each NOCCA full-day student in membership, as defined by BESE, shall be provided 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. Any Legacy Type 2 Charter School approved by BESE prior to July 1, 2008 will be funded in the MFP per the formula contained in R.S. 17:3995, except that any mid-year adjustments shall be based on guidelines established in the MFP formula.
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**

1. 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.
2. Proposed formula adds 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**

Provides funding for 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**

Provides 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**

1. Requires 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.
2. This requirement will be suspended for city, parish, or other local school systems, Recovery School District schools, LSU and SU Lab schools, Office of Juvenile Justice Schools, LSMSA, NOCCA, and Legacy Type 2 Charter schools in any year in which no annual increase is provided in the state base per pupil amount.

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

Requires that 70% of local school system general fund expenditures must be in the areas of instruction and school administration at the school building level and 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**

1. Requires 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.
2. 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.
3. 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**

Requires that state MFP funds shall be expended only for educational purposes.

#### **Accountability Provisions**

1. Requires that each school recognized by DOE will be included in a MFP Accountability

Report submitted to the House and Senate education committees by June 30 of each year.

2. Requires 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.
3. 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, in an effort to explore opportunities to increase student achievement, to establish a pilot program for student-based budgeting.