

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HCR 7** HLS 17RS 1047
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 9, 2017 7:21 AM	Author: LANDRY, N.
Dept./Agy.: Education	Analyst: Jodi Mauroner
Subject: Minimum Foundation Program Formula Funding	

SCHOOLS/FINANCE-MFP OR +\$72,946,824 GF EX See Note Page 1 of 2
 Provides for legislative approval of the MFP formula for FY 2017-18

The proposed concurrent resolution provides for the proposed FY 17-18 Minimum Foundation Program (MFP) formula that was adopted by the Board of Elementary and Secondary Education (BESE) on March 8, 2017. The formula contains 4 levels: Level 1- provides for the calculation of the the total MFP costs and the proportion supported by the state and local school districts; Level 2- provides incentive for local effort; Level 3- provides for specific legislative allocations (continued funding for payraises, hold harmless allocations and mandated cost increases in health insurance, retirement and fuel); Level 4- provides for supplementary funding (includes Foreign Language Associate salary and stipends, career development allocation, high cost services, and supplemental course allocations).

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$72,946,824	INCREASE	INCREASE	INCREASE	INCREASE	\$72,946,824
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	(\$31,765,000)	\$0	\$0	\$0	\$0	(\$31,765,000)
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$41,181,824					\$41,181,824

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The proposed concurrent resolution will result in an estimated net increase of \$41.2 M in state expenditures over the FY 17 Existing Operating Budget (EOB). The FY 17 EOB is \$3.669 B and \$3.710 B is requested for FY 18. The current version of HB 1 includes a total of \$3.710 B funded with SGF (\$3.451 B), Lottery Proceeds Fund (\$152.8 M) and SELF Fund (\$106.3 M).

The increase is associated with adjustments to the local tax base (\$5.1 M) and enrollment adjustments indicating a net increase of 4,013 students (\$18 M). The FY 18 base per pupil amount remains at \$3,961. Additionally the Governor's recommended budget increases Level 4 expenditures for the High Cost Needs Allocation (\$8 M) as well as the Supplemental Choice Allocation (\$10 M). Finally, there is an increase of SGF (\$31.8 M) due to reductions in statutorily dedicated funds out of the Lottery Proceeds Fund (\$28.3 M) and the Support Education in Louisiana First Fund (\$3.5 M) as a result of lower estimates from the Revenue Estimating Conference (REC).

LEVEL 1: Uses the February 1 student count to determine the cost of education services. Maintains the weights for Career and Technical Education units (6%) Special Education/Other Exceptionalities (150%) and Special Education/Gifted and Talented (60%) and Low Income and English Learner (22%). Maintains the calculation necessary to maintain a state and local allocation ratio of 65% to 35%. Maintains the base per pupil amount of \$3,961. The increase of \$18 M is associated with a net increase of 4,103 students.

LEVEL 2: Maintains the provisions of incentives for local effort. The Total MFP educational costs are shared between the state and the city or parish school systems. The ability of school systems to support the cost of education in their communities is measured by the potential to raise local revenue measured in Level I by 1) local property tax revenue contribution, 2) local sales tax revenue contribution, and 3) other local revenue contribution. Level 2 provides incentives for city and parish school systems that contribute a greater proportion of local revenues towards the cost of education in their communities by increasing local property and sales tax revenues as measured by 1) total sales taxes, 2) total property taxes, 3) state and federal revenue in lieu of taxes, and 4) 50% earnings on property revenue. The \$5.1 M adjustment in FY 18 provides additional state funding based on fluctuations in both Level 1 and Level 2 revenues. **CONTINUED ON PAGE 2**

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

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LEVEL 3: Continues the pay raises for certificated and support personnel initiated in 2001-2002 and 2006-2007 through 2008-2009; the 10 year phase out of the hold harmless funding; and a \$100 per pupil funding amount for increasing mandated costs of health insurance, retirement and fuel.

LEVEL 4: Supplementary Allocations. **1) Career Development Allocation** (\$6.5M) to support the development of technical courses required for statewide credentials in city and parish school systems and other public schools in the amount of 6% of the base per pupil cost for each qualifying student course enrollment; a minimum amount of \$25,000 will be provided for each city and parish school system and a minimum of \$10,000 will be provided for other public schools with students enrolled in grades 9 through 12; **2) High Cost Services Allocation** (\$12 M)- to provide additional funds to public school systems and schools which substantiate that the prior year cost of services for students with disabilities exceeds three times the most recent state average total expenditure per pupil amount; allocation amounts will be limited by the amount budgeted for this initiative and are to be distributed equitably to school systems and other public schools proportional to the total of qualifying applications submitted; an increase of \$8 M for FY 18. **3) Supplemental Course Allocation** (\$17.7 M) to provide for the cost of secondary course choices specifically approved by BESE. For each school system and other public schools funded through the formula, the proposed allocation shall equal \$59 for each student enrolled in grades 7-12 as of February 1; an increase from the current \$26 per pupil allocation which equates to an increase of \$10 M for FY 18. Provides for the redistribution of uncommitted funds as of a date set by DOE. **4) Foreign Language Associate Program Salary and Stipends Allocation** continues the supplemental allocation at \$21,000 per teacher with the \$1,000 increase to be used for the costs of the VISA sponsorship incurred by CODOFIL, pursuant to BESE regulations. The cap of 300 teachers is retained.

ALLOCATIONS FOR OTHER PUBLIC SCHOOLS: Continues funding methodology for the LSU and Southern University Lab Schools, Type 2 Charter Schools, Office of Juvenile Justice Schools, the Recovery School District, NOCCA and LSMSA. Includes funding of \$1.9 M for the new Thrive Academy (as authorized by Act 672 of 2016).

70% EXPENDITURE REQUIREMENT: Continues language that city, parish, local public school systems or other public schools ensure that 70% of the general fund expenditures are in the areas of instruction and school administration.

PAY RAISE REQUIREMENT: Continues the language requiring school systems to sustain 2013-2014 pay raises if there is a net increase in the Level 1 and 2 cost allocation. If the school system has established plans to sustain or increase the pay raises prior to the development of this formula, the provision does not apply.

NOTE: An amendment adopted by the House Appropriations Committee directs the Commissioner of Administration to reduce the expenditures of the Department of Education by \$19,779,193. The Department has not yet identified where the reduction will be applied, however, testimony by the Committee Chair referenced the \$18 M enhancement for the MFP as an area that would likely be impacted.

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