

LEGISLATIVE FISCAL OFFICE
Fiscal Note



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

Date: June 14, 2017 2:30 PM	Author: LANDRY, N.
Dept./Agy.: Education	Analyst: Jodi Mauroner
Subject: Minimum Foundation Program Formula Funding	

SCHOOLS/FINANCE-MFP EN +\$80,832,311 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). At a special meeting on May 11, 2017 BESE adopted a revised resolution containing an Emergency Assistance provision with two hold harmless components for certain school districts facing significant student enrollment loss.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$80,832,311	INCREASE	INCREASE	INCREASE	INCREASE	\$80,832,311
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	(\$32,178,837)	\$0	\$0	\$0	\$0	(\$32,178,837)
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	\$48,653,474					\$48,653,474

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 \$48.6 M in state expenditures over the FY 17 Existing Operating Budget (EOB). The FY 17 EOB is \$3.669 B and \$3.717 B is requested for FY 18. The current version of HB 1 includes a total of \$3.717 B funded with SGF (\$3.458 B), Lottery Proceeds Fund (\$154.5 M) and SELF Fund (\$104.2 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).

This revised MFP resolution adopted at a special meeting by BESE on May 11, 2017 includes emergency assistance provisions for certain school districts totaling \$7.5 M including Livingston (\$4.3 M) East Baton Rouge (\$2.9 M) and Tangipahoa (\$362 K). Student counts for Vernon will be frozen in the event of a significant reduction of military connected students prior to student counts in October to prevent mid year student count reductions; no additional funding is necessary.

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.

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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:

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.

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.

EMERGENCY ASSISTANCE: Emergency assistance will be provided in FY 2017-18 in two categories: **Natural Disaster** funding assistance will be provided to city, parish, or other public school systems or schools for the significant loss of students as the result of a natural disaster, if all four of the following criteria are met by a city, parish, or other public school system or school. **1)** Located within a parish that was identified in a federal disaster declaration between March 2016 and April 2017 and; **2)** the 2017-18 July MFP formula allocation is less than the 2016-17 July MFP formula allocation and; **3)** experiences a decrease in the February 1, 2017 MFP student count as compared to the February 1, 2016 MFP student count and; **4)** students exiting as the result of a disaster were reported through the February 1, 2017 student count, and disaster exits were eight (8) percent or greater of all student exits. Upon qualifying for all four criteria, additional funding will be provided as follows: **a)** If the number of student exits as the result of a disaster as a percent of total exits are between eight (8) and nineteen (19) percent, an allocation will be provided equal to 50 percent of the decrease calculated in the 2017-18 MFP allocation and any downward funding adjustments as a result of the 2017-18 October or February Mid-Year Adjustments will not be implemented. **b)** If the number of student exits as the result of a disaster as a percent of total exits are twenty (20) percent or greater, an allocation will be provided equal to 100 percent of the decrease calculated in the 2017-18 MFP allocation and any downward funding adjustments as a result of the 2017-18 October or February Mid-Year Adjustments will not be implemented. **Military Deployment** In the event of a deployment of a combat team or combination of units of approximately the same size from a Louisiana military base on or before September 30, 2017, anticipated to result in at least a ten (10) percent reduction in military connected students, the 2017-18 MFP state allocation for the school district in which the military base is located will be held constant and any downward funding adjustments as a result of the 2017-18 October or February Mid-Year Adjustments would not be implemented.

The following districts will receive assistance under these hold harmless provisions: 100% of funding loss for Livingston (\$4,252,019); 50% of funding loss for East Baton Rouge (\$2,858,158) and Tangipahoa (\$361,473). Vernon student count will be frozen at current levels in the event of such a deployment.

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}
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