

Missouri State Foundation Formula

How much money does Rockwood receive from the state of Missouri?

Rockwood receives between 13% and 15% of the total \$200 million operating revenue from the state of Missouri through the Foundation Formula (Formula). This is equal to \$26 million to \$29 million each year (depending on the year referenced).

What is the law regulating the Foundation Formula and how does it affect Rockwood?

Prior to 2006, the district received Missouri State Foundation Formula (Formula) revenue according to Senate Bill 380 (SB380). Under SB380, Rockwood was considered a Hold Harmless school district, meaning that we received no more money per student per year in 2006 than we did in 1994. We were “held harmless” from receiving any less money per student.

In 2006 a law was passed, changing the way the formula is administered. After July 1, 2006, Senate Bill 287 (SB287) regulates the formula. Key changes in the law include:

- The legislated formula moved from a tax-base driven formula to a child-needs formula. It was designed to provide an equitable amount of revenue per child to all districts in Missouri – after considering local revenue sources.
- SB287 was written to phase in over seven years the formula was to be 100% phased-in by FY13 and would remain steady after that.

Under the new law, Rockwood became a formula district. With the new phased-in formula, Rockwood was to receive about \$3 million additional revenue per year for seven years. Prior to the enactment of the new SB287, the district had not received any increase in the per student amount from the old SB380 formula for 12 years.

How is the formula calculated?

The formula determines the amount of dollars a school district needs to adequately educate their students on an annual basis, based on a complicated calculation that includes these factors:

Weighted Average Daily Attendance (WADA)

- Rockwood is paid according to a student attendance ration, not on the number of students enrolled.
- We are also currently paid for the average daily attendance (ADA) of our students in the summer school term.
- In addition, a weighting is applied to the ADA based on several factors: special education, at-risk students (poverty levels), and English speakers of other language (ESOL) students> Rockwood receives very little weighting in any of these categories because Special School District receives the weighting for the special education students.

This produces the weighted average daily attendance (WADA).

State Adequacy Target

When the formula was changed to a child-needs formula, the senators who wrote the new law asked these two questions:

1. What is a reasonable amount to spend on one student annually to deliver and education?
2. Could we determine an average dollar amount to use as the base for the formula?

To answer those questions, the legislators looked at the amount of money spent by the 115 school districts who had met all 15 indicators of the current Missouri Schools Improvement Plan (MSIP). To attain a reliable average of annual expenditure per student, they threw out the high(s) and low(s) and determined the average amount to be \$6,117 per year. This is called the State Adequacy Target (SAT). This amount is reviewed every two years and has been increased from \$6,117 in 2006 to \$6,124 in 2010.

Dollar Value Modifier (DVM)

Additionally, the legislators considered the cost of living across the state and the effect of those differences on the cost to educate children. This is called the Dollar Value Multiplier or DVM. Rockwood, in this suburban setting, receives an additional 10.4% of formula revenue for the local cost of living.

Local Effort

Local effort is based on a district's assessed valuation and the tax levy. The state pays each district the portion of the state adequacy level that the district is unable to produce with local tax effort.

In Rockwood's case (FY11), the District total calculated is \$128.9 million needed to education students. Since our local effort is \$95.7 million, the amount required from the formula is the difference which is \$33.2 million.

Phase-In Calculation

The formula is being phased in over seven years (FY2007 to FY2013). During the phase-in period, districts receive a percent (28%) from the old SB380 formula and the remainder (72%) from the new SB287 formula for FY11. These percentages change as we move through the phase-in period.

The calculation, therefore, is:

The WADA X the SAT X DVM less Local effort = State Funding \$ Required X the phase-in % for the old and the new formula. This is from DESE web site and is Rockwood's actual calculation:

1. Weighted ADA (Highest of current, first preceding, or second preceding year)	19,075.1734
2. Multiplied by State Adequacy Target (Phased in)	x \$6,124.00
3. Equals District Total (Line 1 x Line 2)	\$116,816,361.90
4. Multiplied by Dollar Value Modifier (DVM)	x 1.104
5. Equals District Total Modified (Line 3 x Line 4)	\$128,965,263.54
6. Minus Local Effort	- \$95,733,205.52
7. Equals State Funding Required (Line 5 - Line 6)	<u>\$33,232,058.02</u>
8. FY06 State Funding	\$14,564,467.61
Phase-In Calculation:	
9. SB 287 Formula (Line 7 x 72 %)	\$23,927,081.77

10. FY06 State Funding (Line 8 x 28 %)	+ \$4,078,050.93
11. Total	\$28,005,132.71
12. Total per Payment Weighted ADA (Line 11 / Line 1)	\$1,468.1456
 <u>Hold Harmless Calculation:</u>	
13. Dollar Value Modifier	1.104
14. FY06 Modified State Funding	\$16,079,172.24
15. FY06 Modified Per 2005-06 Weighted ADA (Line 14 / 2005-06 Weighted ADA)	\$857.3512
 16. If Line 12 < Line 15, then district held harmless:	 \$0.00

Hold Harmless Calculation

The formula also calculates the payment per WADA (line 15) for comparison purposes to determine the Hold Harmless Calculation.

When the calculation result is either a \$0 or a \$(negative), the district does not receive a distribution for the State Funding Required (line 7). Such a district is categorized as Hold Harmless under the state formula. Our neighbor, the Parkway School District, has a negative \$(28.7) million; therefore, they are considered Hold Harmless. This means Parkway will receive no less, per WADA, than what they received in 2006.

On the other hand, Rockwood is no longer considered a Hold harmless district. Under the new formula, we are a Formula district. This means we were supposed to receive about \$3 million in additional revenue from the state each year during the phase in from 2006-2013.

Why is Rockwood concerned about changes to this formula?

This legislated calculation only works if the state has sufficient revenue collections to fully fund this formula for all 525 districts. As of FY10, they do not.

Rockwood had expected to receive \$3 million per year for seven years. We are receiving the same state formula dollars as we did in FY10 and we see no return to the amount promised in the legislation of SB287 in the near future. At this point, the State Adequacy Target (SAT) is estimated to increase from \$6,124 to \$6,131 as of FY13.

There is also some talk about a proposal to reduce the SAT from \$6,131 to \$5,612. If that were to happen, Rockwood will receive \$8 million less per year from the Formula.