

## **State Adequacy Target - Missouri Foundation Formula**

### **What is the State Adequacy Target?**

The State Adequacy Target (SAT) is an average amount of dollars determined to be the necessary amount school districts spend annually on one student to deliver an education.

### **How is the SAT determined?**

To answer this question, an explanation of how public schools receive state funds is necessary. In 2006, the law regulating the way state money is distributed to school districts was rewritten. In Missouri, state funds for public schools are administered through the Missouri State Foundation Formula. As of July 1, 2006, Senate Bill 287 regulates the formula. Key changes from the previous law, Senate Bill 380, 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 be phased in over seven years. The formula was to be 100% phased-in by FY13 and would remain steady after that.

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 an 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. The amount is reviewed every two years and has been increased from \$6,117 to \$6,124. The SAT is expected to increase to \$6,131 by FY12.

### **How does the SAT affect the revenue Rockwood receives through the Missouri Foundation Formula?**

The issue with the State Adequacy Target and the reason the district is closely monitoring the formula is that the State is experiencing budget shortfalls in most areas of the state revenue. The bottom line is that the State cannot afford to fully fund the formula, as written, to Missouri school districts.

With the new phased-in formula, Rockwood was to receive about \$3 million additional revenue per year for seven years. This has not happened.

Therefore, the legislators are looking for ways to reduce the distribution of formula money to match the amount received through appropriation. The Governor makes an appropriation for education as the annual budget is prepared (May timeframe).

Here are two ways the legislature could reduce the amount of money needed for the formula:

1. Reduce the amount of money needed to fully fund the formula is to change the formula by changing the SAT.

This is the suggestion from the Department of Elementary and Secondary Education (DESE) to the Missouri Legislature. The target for this adjustment is for FY13. The suggestion is to reduce the SAT from \$6,131 to \$5,612 – \$519 per student per year.

This would be a tremendous loss of formula revenue for Rockwood in FY13 (nearly \$10 million) but would be partially offset by a lower proration factor. The estimated net loss is \$8 million.

2. Use a proration factor.

The appropriation (dollars) needed from the Governor to fully fund the formula for FY12 is \$3.259 billion. If the appropriation given by the Governor is no greater than the appropriation of FY10 at \$3.004 billion (currently proposed), it would require a reduction by DESE (called a proration factor) of about 8.5%.

Rockwood would receive \$28.5 million in that scenario - \$2.8 million less than if the formula were fully funded.

If, instead of changing the proration factor, DESE reduced the State Adequacy Target to make the funding of the formula fit the appropriation of \$3.004 billion, Rockwood would be greatly affected due to our large student enrollment. We would bear a disproportional amount of the revenue loss versus other school districts.