

# Louisiana Believes

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## An Overview of the Minimum Foundation Program (MFP) Formula 2018-19



# MFP Purpose

- Louisiana Constitution Article VIII, Section 13 provides that the State Board of Elementary and Secondary Education (SBESE) shall annually develop and adopt a formula which shall be used to:
  - Determine the cost of a minimum foundation program of education in the State.
  - Equitably distribute State funds to local school systems and schools.

# Adoption and Implementation Process

- The formula for the upcoming fiscal year must be submitted by SBESE to the Legislature no later than March 15th.
- The Legislature considers the formula submitted by SBESE during the Legislative Session.
  - If it meets with their approval, the formula is adopted.
  - If the Legislature disagrees with the formula, the formula is rejected and is returned to SBESE.
- SBESE then has the option to revise and resubmit or take no action.

# Adoption and Implementation Process

- Louisiana law provides that if a new formula is not adopted, then the existing formula remains in effect.
- The formula in effect for FY 2018-19 is SCR 48 adopted in the 2018 Regular Session of the Legislature.

# Structure of Formula

- The total MFP allocation in 2018-19 totals over \$3.7 Billion and supports over 177 school districts and schools.
- The formula is designed with separate calculations to provide funding for different educational needs and costs.
- The current formula has four sections or “levels.”

# Level 1 Funding

- Level 1 calculations utilize student counts and special student characteristics as the basis for determining the cost of education in every community across the state.
- The upcoming fiscal year is funded based on the student count taken on the previous February 1.
- Students must qualify to be counted, both for the base and the weighted counts, as applicable, according to the Student Membership Definition set forth in SBESE policy.
- Level 1 allocates approximately \$2.4 billion, or 67% of the total MFP allocation.

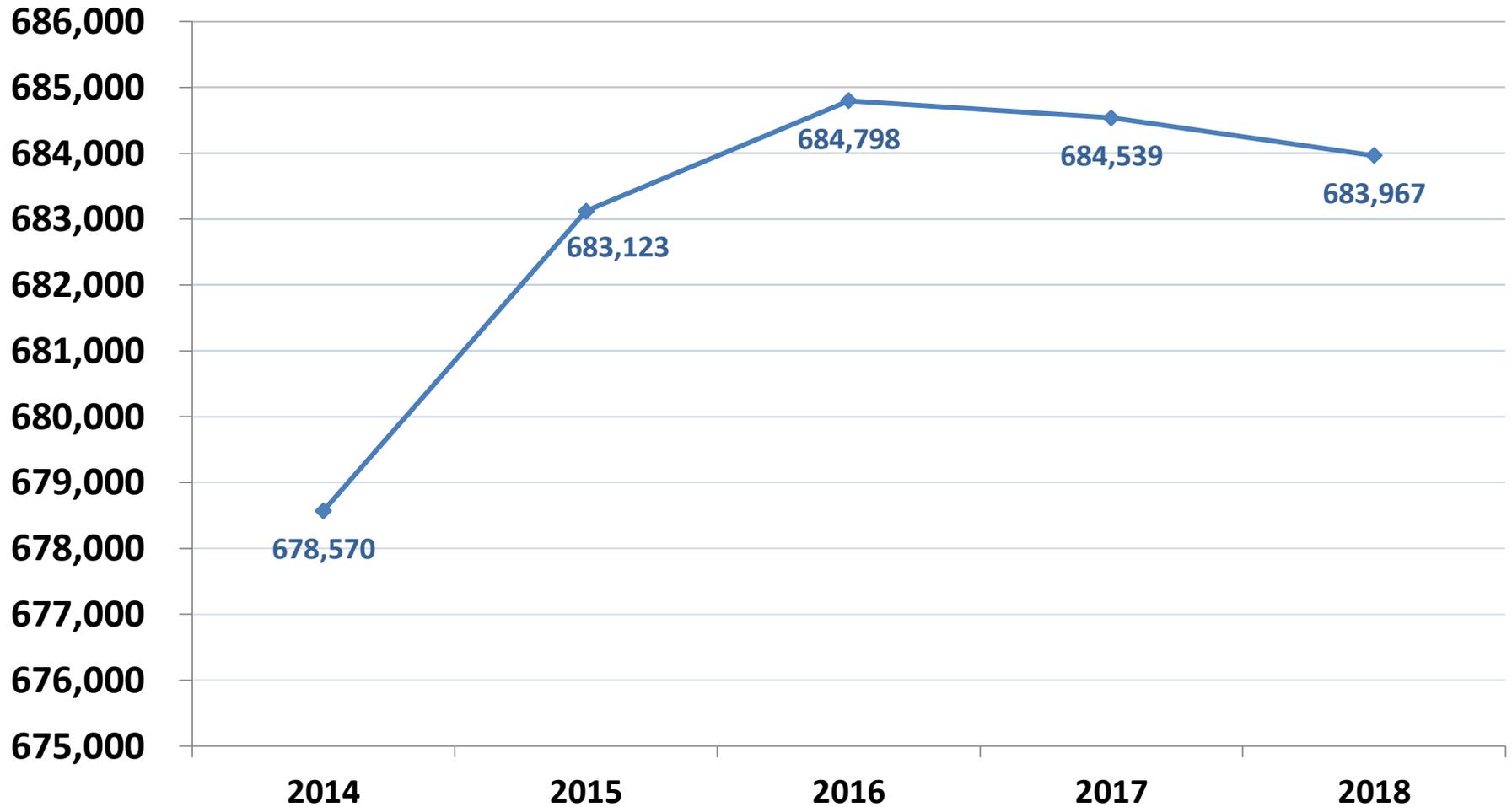
# Level 1 Funding

The first step in the calculation is to determine the Weighted Student Membership Count:



# Student Counts

## February 1 Student Count



# Level 1 Funding

The second step in the calculation is to determine the Total MFP Educational Cost:



# Base Cost Per Pupil Amount

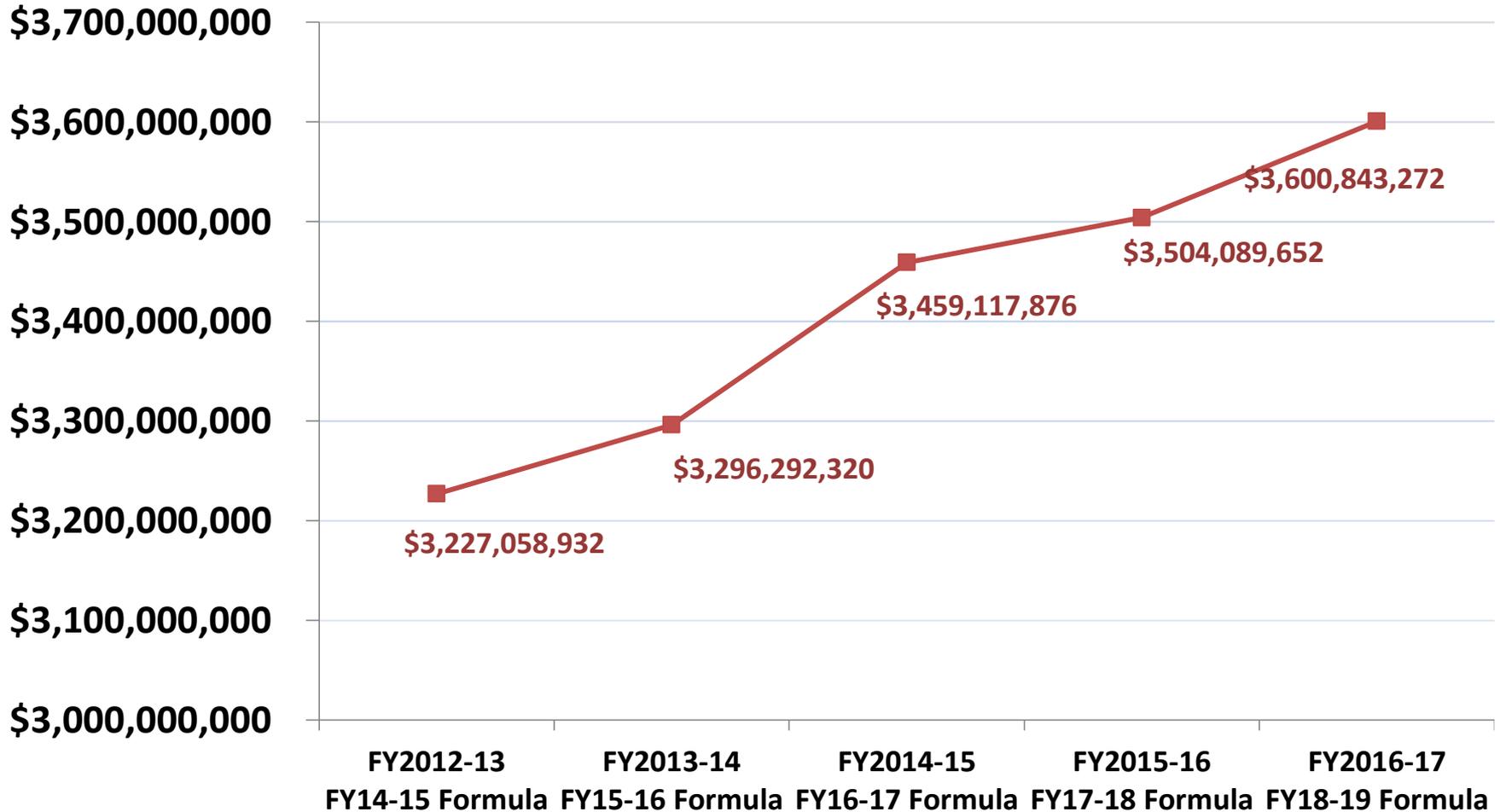
- The State and Local Base Cost Per Pupil Amount is the amount utilized as a starting point for the calculation of the cost of education in the school districts and schools across the state.
  - This amount is used exclusively in the Level 1 cost calculation and is *not* the final per pupil allocation that each district receives.
- From 2014-15 to 2018-19, the Base Cost Per Pupil Amount remained at \$3,961.
  - At the same time, the Legislature appropriated additional funding for K -12 education outside of the formula.
- From 2009-10 to 2013-14, the Base Cost Per Pupil remained the same.
- From 2000-01 to 2008-09, the MFP formula included a 2.75% increase to the Base Cost Per Pupil Amount.

# Sharing of Level 1 Total MFP Educational Cost

- The next step in the calculation is to determine the proportion of the Total MFP Educational Cost that will be shared between the State and the city and parish school systems.
- The proportion is based on the ability of the school systems to support education in their communities through local sales and property tax revenues.
  - This calculation is often referred to as the “wealth measurement.”
  - This calculation utilizes data on local ad valorem, sales, and other revenue amounts.

# Sharing of Level 1 Total MFP Educational Cost

## Sales Tax, Property Tax and Other Local Revenues



# Sharing of Level 1 Total MFP Educational Cost

- In order to determine the Local Cost Allocation, the formula measures the potential of each city and parish school system to generate local revenue rather than the actual amount collected.
  - This methodology accounts for differences in the ability of city and parish school systems to raise local revenue.
- Ad valorem millages and sales tax rates are utilized in the calculation at a level appropriate to yield the 65%/35% split.
- To determine each individual district's potential to generate revenue, the calculation multiplies statewide computed tax millages and rates against actual ad valorem tax assessments and sales tax bases.
- The result of this calculation is the Local Cost Allocation.

# Sharing of Level 1 Total MFP Educational Cost

- Each individual district will have a unique allocation based on its unique situation.
  - The percent of the cost funded by the State may range from a high of 89% to a low of 25%.
  - Each year, as school systems are more or less able to support education costs through increases or decreases in local revenues, the formula adjusts the State and Local allocations upward or downward as applicable.
- Overall, the formula ensures an average State contribution of 65% and an average Local contribution of 35% creating statewide equity in the formula.

# State and Local Contributions

- Once the Local Cost Allocation is determined, the next step is to calculate the State Cost Allocation.



# Level 2 Funding

- In the early years of this formula, some city and parish school systems did not have local revenues sufficient to meet the minimum local allocation required.
- Local school systems identified two obstacles to increasing local revenues at the time:
  - Taxpayers are not regularly willing to tax themselves more heavily.
  - Under the new formula, if a city or parish school system became more able to support education costs (became “wealthier”), then Level 1 allocations were decreased.
- As a result, a provision was added to the formula that provided an incentive or reward to school systems taxing themselves above the minimum level of financial support required.

# Level 2 Funding

- To be eligible for the Level 2 Reward, a city or parish school system must actually generate local revenue above the local allocation required in Level 1.
  - Any amount above this minimum, is then eligible to be considered for the reward calculation.
- The reward amount is approximately one-third of the amount of local revenues above the contribution required in Level 1.
- For some years now, all of the city and parish school systems have met the minimum local revenue required.
- The majority of the city and parish school systems currently receive the reward with the exception of a few school systems no longer eligible due to the recent extraordinary growth in their local revenues.
- Level 2 allocates approximately \$489 million, or 13% of the total allocation.

# Level 3 Funding

- Level 3 contains allocations added to the formula over the years due to requests from the Legislature to fund specific items.
- These allocations are determined on a per student basis.
- This funding is in addition to the funding provided in Level 1 and Level 2.
- Level 3 allocations total over \$628 million, or 17% of the total allocation.
- The categories of funding include:
  - Continuation of Pay Raises
    - Teacher pay raises originally provided by the Legislature in 2001-02, 2006-07, 2007-08, and 2008-09.
    - Support worker pay raises originally provided by the Legislature in 2002-03, 2006-07, 2007-08.

# Level 3 Funding

- Hold Harmless
  - A total of \$76 million is allocated through this mechanism.
  - \$38 million is a frozen amount that is provided to 11 school systems to continue funding for pay raises and insurance allocated since the early 1990s.
  - \$38 million is provided to the non-Hold Harmless districts on a per pupil basis.
- Support for Increasing Mandated Costs of Health Insurance, Retirement, and Fuel allocation provides \$100 per student to help defray the costs of these expenses.

# Level 4 Funding

- Level 4 provides funding for specific programs and schools, each with its own unique allocation methodology.
  - Level 4 allocates over \$107 million, or 3% of the total allocation.
    - \$45 million for programs and \$62 million for other public schools.
- Allocations include:
  - Foreign Language Associates
    - The Salary Allocation provides \$21,000 per teacher to a school system or school employing this individual with a statewide maximum of 300 teachers.
    - The Stipend Allocation provides a \$6,000 installation stipend for first year foreign language associate teachers, and a \$4,000 retention stipend for second and third year teachers.

# Level 4 Funding

- Career Development Fund (CDF) Allocation
  - Provides an additional 6% in MFP funding (about \$240) for specific courses providing career training for students.
- Supplemental Course (SCA) Allocation
  - Provides \$59 per pupil for each student enrolled in grades 7 through 12 to support the cost of secondary course choices above and beyond the traditional classroom.
- High Cost Services (HCS) Allocation
  - Provides funding for students, ages 3 – 21, with a current IEP, who is currently receiving services whose cost is deemed to be greater than three times the average per pupil expenditure

# Level 4 Funding

- Allocations within the formula are provided to other public schools:
  - LSU and Southern Lab Schools
  - Legacy Type 2 Charter Schools
  - Office of Juvenile Justice (OJJ) Schools
  - New Orleans Center for Creative Arts (NOCCA)
  - Louisiana School for the Math, Science, and the Arts (LSMSA)
  - Thrive Academy of Baton Rouge (THRIVE)

# Mid-Year Student Count Adjustments

- The formula provides funding for Mid-year Adjustments for student gains and losses during the year.
- Two mid-year adjustments are provided:
  - October 1 Count
    - February 1 count compared to October 1 count
    - Increase/decrease in students is multiplied times the State Cost Allocation per pupil amount
  - February 1 Count
    - October 1 count compared to February 1 count
    - Increase/decrease in students is multiplied times one-half of the State Cost Allocation per pupil amount

# Use of Funds

- The MFP Resolution requires that State MFP funds shall only be expended for educational purposes
- These expenditures are related to the operational and instructional activities of city, parish, or other public school systems or schools including:
  - Instruction, pupil support, instructional staff programs, school administration, general administration, business services, operations/maintenance of plant services, student transportation, food services, enterprise operations, community services, facility acquisition and construction services, and debt services
  - Commonly a large portion of expenditures paid for with MFP funds include teacher salaries and benefits including retirement since these expenses make up approximately 85% of all educational related costs.

# Expenditure Requirement

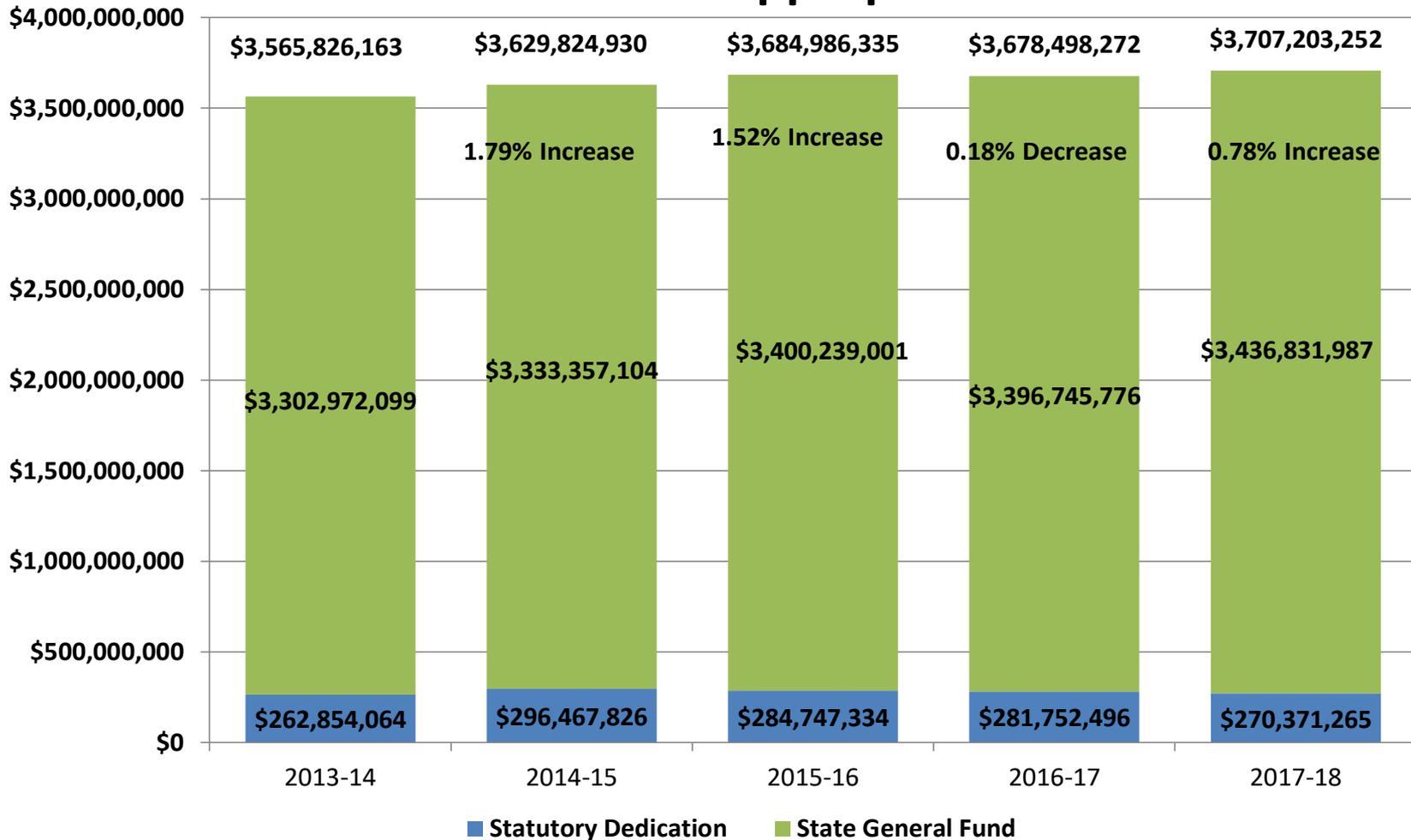
- MFP is a block grant from the State to local school systems and schools.
- The block grant philosophy provides flexibility to school systems and schools in budgeting funds to spend as they see fit as long as program requirements set forth by SBESE are met.
- The MFP funds should be blended with other funds in order to support the cost of education.
- In order to provide for appropriate accountability of funds spent on K – 12 education in Louisiana, the MFP Resolution requires an annual measurement and report on the manner in which general fund dollars, state and local funds combined, are spent.

# Expenditure Requirement

- The 70% Expenditure Requirement requires public school systems and schools that receive MFP funds to spend 70% of general fund (state and local) dollars in the areas of instruction and school administration at the school building level.
- In the most recent measurement, 130 of a total 177 school districts and schools met the requirement.
- The 47 entities that did not meet this requirement are required to submit a plan to the LDOE which details their efforts over the next year to make budget and spending adjustments.
- In many cases, the reason entities do not meet this requirement is due to special circumstances such as high transportation costs associated with rural schools.

# MFP Appropriation History

## Total Actual Appropriation

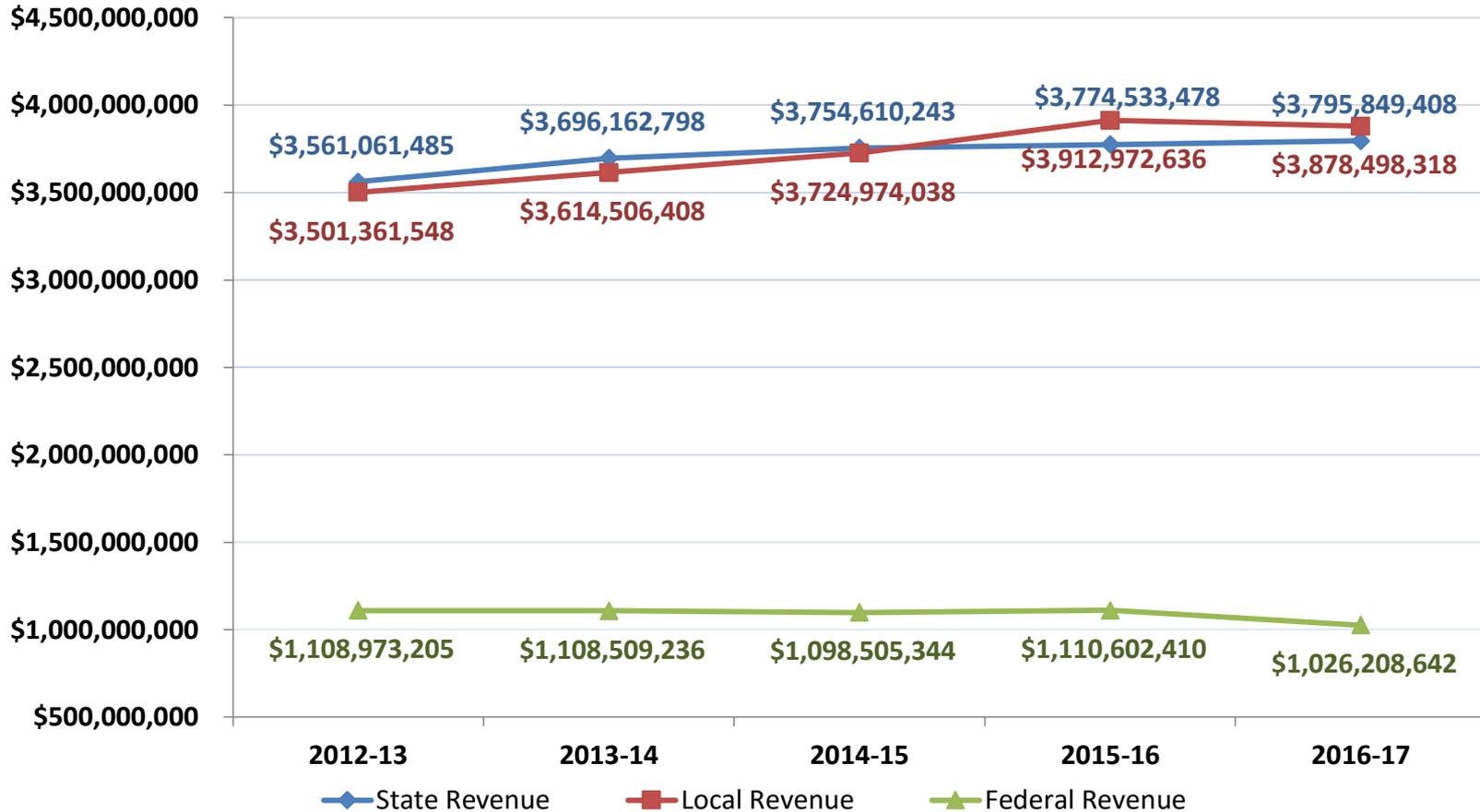


# MFP Formula Budgeting Cycle

- August to December – Research and presentations
- January to February – SBESE considers possible revisions to the MFP formula for the upcoming fiscal year
- March – SBESE makes final decision on structure of the MFP formula and submits the proposed formula along with an estimated cost to the Legislature for consideration
- April to June – Legislature considers the formula

# Total K - 12 Education Funding

## Historical Summary of Total Revenue



# References

For more information on the Minimum Foundation Program (MFP), reference the following link:

<http://www.louisianabelieves.com/resources/library/minimum-foundation-program>

Questions may be sent to [LDOEMFPHelpdesk@la.gov](mailto:LDOEMFPHelpdesk@la.gov)