

Monday, October 17, 2016

## **Quick Facts – MFP/Local Funding for Public Education**

- **MFP is an equalization formula that takes into account the “ability of the school systems to support education in their communities through local sales and property tax revenues” – often referred to as the Local Wealth Factor. Removing or modifying local ability to tax will have an effect on the MFP.**
  
- **LA is one of 7 states in the nation that provides for no state funding relative to the construction of school buildings – the other 43 do provide some level of support. Local, community taxes support this most basic function of providing public education in Louisiana.**
  
- **The MFP – or state funding for public education – is approximately \$3.7 Billion dollars – however, approximately \$844 Million dollars is “flow-through” dollars that simply passes through local districts to the retirement systems in order for the state to meet its obligation towards paying down the Unfunded Accrued Liability.**

*NOTE: slides provided from supporting documentation available from previous presentations to the HCR 11 Task Force – portal located on the LDOR website.*



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**Generally agreed upon topics from the local government association leaders:**

(LA Sheriff's Association, LA District Attorney's Association, LA Municipal Association, LA Police Jury Association, LA Assessors Association, LA School Boards Association, etc.)

- 1. Regardless of what actions are taken, protect the MFP calculations and funding for public schools.**
- 2. Place more scrutiny on the types of businesses eligible to receive the inventory tax credits by allowing only those with the proper NAICS codes to qualify. The codes should reflect only those with a primary business activity of manufacturer, retailer or distributor.**
- 3. Closer scrutiny of reported inventory and require that the LAT-5 form submitted by businesses to their local Assessor also be submitted to the Louisiana Department of Revenue when requesting their tax credit.**
- 4. Require any future Industrial Tax Exemptions be approved at the local level and tied to the creation of jobs and local economic impact.**
- 5. Any changes to the inventory tax structure should be phased in over a long period of time.**

## **IMPACTS OF TAXABILITY DECISIONS ON THE MINIMUM FOUNDATION PROGRAM**

- The Minimum Foundation Program is a complex funding formula that begins with a general dollar amount, per pupil, that the State will contribute to local public school districts and public charter schools to provide public education in Louisiana. The formula uses that “Level 1 Base Per Pupil” amount and attempts to ensure that each public school district and public charter school has a certain **minimum amount** of funding, when **combined with local tax revenues** (taxes levied by the school district). (Note that charter schools do not levy taxes, but rather participate through a formula in the law in the local tax revenues levied by the school districts in which the charter school students reside.)
  - The current “Level 1 Base Per Pupil” is \$3961. **Not** every school district gets \$3961 in Level 1 Base Per Pupil funding. The primary factor in whether a local school district or charter school gets more or less than the \$3961 per pupil is the **relative wealth of the school district**.
  - **Relative wealth**, itself a complex calculation, is, simply put, **the amount of tax revenue that is available** to the local school district, compared to the other districts in the State and the minimum level of aggregate funding deemed appropriate by the MFP. This is why some districts that are relatively “poor” (have a lower ability to generate local tax revenue) get more Level 1 Base Per Pupil than other districts that are relatively “rich” (have a higher ability to generate local tax revenue).
  - One of the **primary factors** in calculating a school **district’s relative wealth is the Net Assessed Property Value** of the property in the school district. Simply, that is the aggregate value of all of the property in the school district at its assessed value, noting that property in Louisiana is not assessed at its actual value but rather at between 10% and 25% of its actual value.
  - Other factors include the **ad valorem millage rate and sales tax receipts**.
  - Note that the MFP has no method of recognizing non-tax revenue in the local effort calculation.
  - The Net Assessed Property Values are generally on a **two-year lag as to the MFP**, the values are from two years ago, which allows for proper local budgeting.
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- If the State were to exempt a significant amount of property from the calculation of Net Assessed Property Values, the MFP calculation would be impacted significantly. Example: an exemption of a large amount of Industrial Property could cause a school district in a heavy industry parish to lose a significant amount in the calculation. This would make their State MFP share increase. However, it would dramatically lower their actual ability to raise local tax revenue. As the MFP lags two years behind, for those two years, the school district would have lost local tax revenue, but still only get the smaller State MFP per pupil, as it did when it was actually relatively “rich”.
  - The shifting of districts from being “poor” or “rich” will not impact the total State MFP, but will disrupt the allocation of that aggregate. Note, public charter school funding is not only tied to the State MFP but also to the local taxes raised. Thus a dramatic change downward in a school district’s local tax revenues will have the same downward impact on public charter schools drawing students from that district.
  - School districts, just as any other local governmental bodies, are prepared to deal with incremental changes in property values in their jurisdiction. Those changes are not generally of great volatility. However, an action to exempt an entire subset of property from taxability, such as business inventory, could have a dramatic disruptive impact on the ability to educate children.

**EFFECT OF THE ELIMINATION OF THE INVENTORY TAX ON SCHOOLS AND LOCAL GOVERNMENTS**

**Based on 2015 Valuation and Millage Rates**

| PARISH           | TABLE NO. 27*<br>INVENTORIES      |                         | SCHOOL<br>SYSTEM<br>MILLAGE<br>RATE ** | SCHOOL<br>SYSTEM<br>REVENUE<br>LOST IF<br>INVENTORIES<br>ARE NOT<br>TAXABLE | OTHER<br>LOCAL<br>GOVERNMENT<br>REVENUE<br>LOST | TOTAL<br>ALL LOCAL<br>GOVERNMENT<br>REVENUES<br>LOST |
|------------------|-----------------------------------|-------------------------|--|---|---|--|
|                  | FAIR MARKET VALUE<br>OR USE VALUE | TOTAL ASSESSED<br>VALUE |  |   |   |  |
| ACADIA           | \$194,683,867                     | \$29,202,580            | 31.12                                  | \$908,784   | \$1,176,280                                     | \$2,085,064  |
| ALLEN            | \$45,119,933                      | \$6,767,990             | 47.97                                  | \$324,660   | \$731,146                                       | \$1,055,806  |
| ASCENSION        | \$1,230,204,333                   | \$184,530,650           | 61.65                                  | \$11,376,315  | \$8,682,167                                     | \$20,058,482   |
| ASSUMPTION       | \$321,786,847                     | \$48,268,027            | 39.08                                  | \$1,886,314   | \$2,969,449                                     | \$4,855,764  |
| AVOUELLES        | \$63,701,800                      | \$9,555,270             | 23.15                                  | \$221,205   | \$462,953                                       | \$684,157  |
| BEAUREGARD       | \$131,942,060                     | \$19,791,309            | 51.04                                  | \$1,010,148   | \$1,251,998                                     | \$2,262,147  |
| BIENVILLE        | \$401,064,200                     | \$60,159,630            | 57.75                                  | \$3,474,219   | \$2,926,766                                     | \$6,400,985  |
| BOSSIER          | \$612,263,000                     | \$91,839,450            | 50.77                                  | \$4,662,689   | \$5,164,132                                     | \$9,826,821  |
| CADDO            | \$1,291,634,600                   | \$193,745,190           | 74.63                                  | \$14,459,204  | \$12,006,389                                    | \$26,465,593   |
| CALCASIEU        | \$1,691,109,867                   | \$253,666,480           | 31.59                                  | \$8,013,324   | \$19,991,455                                    | \$28,004,779   |
| CALDWELL         | \$9,124,880                       | \$1,368,732             | 69.64                                  | \$95,318  | \$99,589  | \$194,907  |
| CAMERON          | \$152,242,820                     | \$22,836,423            | 55.12                                  | \$1,258,744   | \$1,894,966                                     | \$3,153,710  |
| CATAHOULA        | \$21,802,000                      | \$3,270,300             | 27.95                                  | \$91,405  | \$205,211                                       | \$296,616  |
| CLAIBORNE        | \$23,191,207                      | \$3,478,681             | 27.95                                  | \$97,229  | \$162,976                                       | \$260,205  |
| CONCORDIA        | \$97,096,533                      | \$14,564,480            | 38.50                                  | \$560,732   | \$986,015                                       | \$1,546,748  |
| DESOTO           | \$96,938,740                      | \$14,540,811            | 60.03                                  | \$872,885   | \$755,686                                       | \$1,628,571  |
| EAST BATON ROUGE | \$2,609,985,133                   | \$391,497,770           | 42.91                                  | \$16,799,169  | \$28,027,325                                    | \$44,826,495   |
| EAST CARROLL     | \$51,667,540                      | \$7,750,131             | 19.21                                  | \$148,880   | \$869,487                                       | \$1,018,367  |
| EAST FELICIANA   | \$65,014,133                      | \$9,752,120             | 19.50                                  | \$190,166   | \$294,514                                       | \$484,680  |
| EVANGELINE       | \$269,314,200                     | \$40,397,130            | 29.39                                  | \$1,187,272   | \$1,737,481                                     | \$2,924,752  |
| FRANKLIN         | \$65,099,260                      | \$9,764,889             | 27.39                                  | \$267,460   | \$759,806                                       | \$1,027,266  |
| GRANT            | \$53,582,760                      | \$8,037,414             | 68.71                                  | \$552,251   | \$835,007                                       | \$1,387,258  |
| IBERIA           | \$681,177,880                     | \$102,176,682           | 32.59                                  | \$3,329,938   | \$3,832,647                                     | \$7,162,585  |
| IBERVILLE        | \$822,014,900                     | \$123,302,235           | 58.12                                  | \$7,166,326   | \$5,669,437                                     | \$12,835,763   |
| JACKSON          | \$42,330,600                      | \$6,349,590             | 27.23                                  | \$172,899   | \$483,013                                       | \$655,913  |
| JEFFERSON        | \$1,848,954,700                   | \$277,343,205           | 22.67                                  | \$6,287,370   | \$22,473,120                                    | \$28,760,490   |
| JEFFERSON DAVIS  | \$90,666,227                      | \$13,599,934            | 42.25                                  | \$574,597   | \$732,356                                       | \$1,306,954  |
| LAFAYETTE        | \$1,793,914,287                   | \$269,087,143           | 32.55                                  | \$8,758,787   | \$13,925,260                                    | \$22,684,046   |
| LAFOURCHE        | \$452,607,600                     | \$67,891,140            | 41.67                                  | \$2,829,024   | \$5,704,892                                     | \$8,533,916  |
| LASALLE          | \$50,189,067                      | \$7,528,360             | 57.28                                  | \$431,224   | \$778,583                                       | \$1,209,807  |
| LINCOLN          | \$216,120,467                     | \$32,418,070            | 45.97                                  | \$1,490,259   | \$1,275,003                                     | \$2,765,261  |
| LIVINGSTON       | \$196,025,933                     | \$29,403,890            | 34.53                                  | \$1,015,316   | \$2,286,741                                     | \$3,302,057  |
| MADISON          | \$59,933,647                      | \$8,990,047             | 22.01                                  | \$197,871   | \$773,953                                       | \$971,824  |
| MOREHOUSE        | \$76,568,060                      | \$11,485,209            | 46.53                                  | \$534,407   | \$461,361                                       | \$995,768  |
| NATCHITOCHE      | \$124,066,600                     | \$18,609,990            | 28.56                                  | \$531,501   | \$1,152,703                                     | \$1,684,204  |
| ORLEANS TOTAL    | \$575,984,333                     | \$176,326,706           | 43.28                                  | \$7,631,420   | \$19,134,974                                    | \$26,766,394   |
| OUACHITA         | \$768,097,200                     | \$115,214,580           | 40.79                                  | \$4,699,603   | \$6,199,697                                     | \$10,899,299   |
| PLAQUEMINES      | \$826,475,873                     | \$123,971,381           | 25.93                                  | \$3,214,578   | \$4,905,548                                     | \$8,120,125  |
| PT. COUPEE       | \$89,940,133                      | \$13,491,020            | 17.66                                  | \$238,251   | \$491,613                                       | \$729,864  |
| RAPIDES          | \$578,995,680                     | \$86,849,352            | 50.16                                  | \$4,356,363   | \$5,761,586                                     | \$10,117,950   |
| RED RIVER        | \$25,537,200                      | \$3,830,580             | 42.87                                  | \$164,217   | \$192,793                                       | \$357,010  |
| RICHLAND         | \$119,694,467                     | \$17,954,170            | 27.70                                  | \$497,331   | \$781,006                                       | \$1,278,337  |
| SABINE           | \$59,557,387                      | \$8,933,608             | 33.97                                  | \$303,475   | \$515,737                                       | \$819,212  |
| ST. BERNARD      | \$548,997,153                     | \$82,349,573            | 48.44                                  | \$3,989,013   | \$7,597,572                                     | \$11,586,585   |
| ST. CHARLES      | \$1,830,360,827                   | \$274,554,124           | 55.76                                  | \$15,309,138  | \$16,896,061                                    | \$32,205,199   |
| ST. HELENA       | \$5,936,400                       | \$890,460               | 17.48                                  | \$15,565  | \$114,709                                       | \$130,274  |
| ST. JAMES        | \$1,543,660,927                   | \$231,549,139           | 44.71                                  | \$10,352,562  | \$14,423,196                                    | \$24,775,758   |
| ST. JOHN         | \$1,239,945,387                   | \$185,991,808           | 37.50                                  | \$6,974,693   | \$14,916,543                                    | \$21,891,236   |
| ST. LANDRY       | \$653,953,800                     | \$98,093,070            | 20.14                                  | \$1,975,594   | \$3,900,180                                     | \$5,875,775  |
| ST. MARTIN       | \$504,132,433                     | \$75,619,865            | 35.10                                  | \$2,654,257   | \$5,021,159                                     | \$7,675,416  |
| ST. MARY         | \$681,563,080                     | \$102,234,462           | 29.03                                  | \$2,967,866   | \$6,979,547                                     | \$9,947,413  |
| ST. TAMMANY      | \$639,294,720                     | \$95,894,208            | 66.66                                  | \$6,392,308   | \$8,183,612                                     | \$14,575,920   |
| TANGIPAHOA       | \$458,282,387                     | \$68,742,358            | 12.66                                  | \$870,278   | \$5,240,917                                     | \$6,111,196  |
| TENSAS           | \$13,802,800                      | \$2,070,420             | 35.35                                  | \$73,189  | \$164,288                                       | \$237,477  |
| TERREBONNE       | \$729,846,633                     | \$109,476,995           | 9.71                                   | \$1,063,022   | \$8,855,594                                     | \$9,918,616  |
| UNION            | \$29,913,373                      | \$4,487,006             | 21.75                                  | \$97,592  | \$277,970                                       | \$375,562  |
| VERMILION        | \$135,962,580                     | \$20,394,387            | 41.66                                  | \$849,630   | \$1,057,245                                     | \$1,906,875  |
| VERNON           | \$81,215,133                      | \$12,182,270            | 59.69                                  | \$727,160   | \$740,804                                       | \$1,467,964  |
| WASHINGTON       | \$83,598,733                      | \$12,539,810            | 56.11                                  | \$703,609   | \$703,358                                       | \$1,406,967  |
| WEBSTER          | \$173,903,933                     | \$26,085,590            | 48.30                                  | \$1,259,934   | \$1,270,368                                     | \$2,530,302  |
| WEST BATON ROUGE | \$798,964,533                     | \$119,844,680           | 31.32                                  | \$3,753,535   | \$6,541,123                                     | \$10,294,658   |
| WEST CARROLL     | \$40,180,673                      | \$6,027,101             | 29.27                                  | \$176,413   | \$240,059                                       | \$416,473  |
| WEST FELICIANA   | \$33,547,693                      | \$5,032,154             | 34.95                                  | \$175,874   | \$225,189                                       | \$401,063  |
| WINN             | \$40,956,740                      | \$6,143,511             | 49.99                                  | \$307,114   | \$317,067                                       | \$624,181  |
| <b>TOTALS</b>    | <b>\$28,689,457,559</b>           | <b>\$4,479,745,340</b>  |  | <b>\$183,571,479</b>  | <b>\$293,189,383</b>                            | <b>\$476,760,862</b>                                 |

\*15% of Fair Market Value

\*\* Based on LDOE Millage Calculation for FY16 MFP

## **Data Sources used in the MFP Calculation per SCR 55**

For purposes of the MFP calculations required by SCR 55, the latest available data includes the following data for city/parish school districts, Recovery School District, Type 2 Charter Schools and Type 3B Charter Schools (with the exception of the first year charter schools):

1. February 1 MFP Membership Definition per Louisiana Administrative Code Title 28, Part I, Section 1107.C, and based on the February 1, 2016, Student Information System (SIS) data.
2. Weighted membership data are as follows:
  - a. Students with Disabilities: Special Education Reporting (SER) System, February 1, 2016,
  - b. Gifted and Talented Students: Special Education Reporting (SER) System, February 1, 2016
  - c. Career and Technical Education Units: Louisiana Educational Accountability Data System (LEADS) October 2015
  - d. Low Income (or Data per Community Eligibility Provision) and/or English Language Learner Students: Student Information System (SIS) February 1, 2016
  - e. Economy of Scale: Student Information System (SIS) February 1, 2016
3. Local School System Revenues and Tax Rates – Annual Financial Report (AFR) data for Fiscal Year 2014-2015.
4. Net Assessed Property Values – Louisiana Tax Commission, December 2014 data.
5. Level 4 Data
  - i. Foreign Language Associate/Escadrille Teacher Salary: February 1, 2016 Data
  - ii. Foreign Language Associate/Escadrille Teacher Stipends: SY2016-2017 Data
  - iii. Career Development Allocation: Enrollments in 2016-2017 Jump Start Technical Course Grid, 2016-2017 Class Schedule Data collection culminating in January 2017.
  - iv. High Cost Services Allocation: SY2016-2017 applications
  - v. Supplemental Course Allocation: Students in grades 7-12, Student Information System (SIS) February 1, 2016

## Detailed Listing of Tables/Calculations included in the FY2016-2017 MFP

### **Table 1: State-Level Summary**

Provides state level summary of the FY2016-2017 MFP Budget Letter cost.

### **MFP Allocation**

### **Table 2: MFP Allocation and Adjustments**

Provides the total state cost allocation (minus audit adjustments) and the monthly MFP payments for the 69 Louisiana city/parish school systems.

### **Table 2A-1: MFP Electronic Fund Transfer (EFT) Payments (Annual)**

Provides the annual MFP state cost allocation (from Table 2) for the 69 Louisiana city/parish school systems, minus the local revenue representation due to other public schools.

### **Table 2A-2: MFP Electronic Fund Transfer (EFT) Payments (Monthly)**

Provides the monthly MFP state cost allocation amount (from Table 2) for the 69 Louisiana city/parish school systems, minus the local revenue representation due to other public schools.

### **Table 3: Level 1 Base Cost and Level 2 Reward Incentive**

Provides the detailed calculation of the 2016-2017 MFP, Levels 1 and 2, for the 69 Louisiana city/parish school systems.

### **Table 3A: Level 3 Legislative Allocations**

Provides for the continuation of prior year pay raises for certificated and support worker staff from 2001-2002 through 2008-2009. Also provides funding for insurance supplement amounts for the hold harmless districts, and mandated costs for the 69 Louisiana city/parish school systems.

### **Table 4: Level 4 Supplementary Allocations**

The following allocations are for specific purposes and are in addition to the allocations in Level 1, 2 and 3.

- Foreign Language Associate/Escadrille Salaries and Stipends
- Career Development Fund (CDF) Allocation
- High Cost Services Assistance
- Supplemental Course Allocation (SCA)

## **Allocations for Other Public Schools**

### **Table 5A1: Allocation for the LSU and SU Lab Schools**

Provides the total state cost allocation, minus audit adjustments, and the monthly MFP distribution, for LSU and SU Lab Schools.

### **Table 5A2: Allocation for Legacy Type 2 Charter Schools**

Provides the total and monthly state cost allocation for the Legacy Type 2 Charter Schools.

### **Table 5A3: Allocation for Office of Juvenile Justice (OJJ) Schools**

Provides the calculation of the state cost allocation and local revenue representation to the schools operated by the Office of Juvenile Justice (OJJ)

### **Table 5A4: Allocation for New Orleans Center for Creative Arts (NOCCA)**

Provides the total and monthly state cost allocation for the New Orleans Center for Creative Arts (NOCCA).

### **Table 5A5: Allocation for Louisiana School for Math, Science and the Arts (LSMSA)**

Provides the total and monthly state cost allocation for the Louisiana School for Math, Science and the Arts (LSMSA).

### **Table 5B1: Allocation for the Recovery School District in Orleans Parish (RSD Orleans)**

Provides the calculation of the state cost allocation and local revenue representation to the RSD Charter Schools in Orleans Parish School District.

### **Table 5B1A: Allocation for Type 3B Charter Schools in Orleans Parish**

Provides the calculation of the state cost allocation and local revenue representation to 3B Charter Schools in Orleans Parish.

### **Table 5B2: Allocation for the Recovery School District, other than Orleans Parish School District (RSD LA)**

Provides the calculation of the state cost allocation and local revenue representation to the RSD Charter Schools other than those in the Orleans Parish School District.

### **Table 5C1: Allocation for New Type 2 Charter Schools**

Provides the calculation of the state cost allocation and local revenue representation to New Type 2 Charter Schools.

## **Local Deduction Calculation**

### **Table 6: Calculation of the Local Deduction**

Provides the calculation of the Local Deduction amount for the 69 Louisiana school systems.

### **Table 7: 2014-2015 Local Property and Sales Tax Revenues**

Provides a summary of the Net Assessed Property Values, Ad Valorem and Sales Tax amounts and millage and sales tax rates for the 69 Louisiana school systems.

## **Student Membership**

### **Table 8: February 1, 2016 Student Membership**

Provides the February 1, 2016 MFP funded student membership for the school systems funded through the MFP.

### **Table 8A: February 1, 2016 Student Membership**

Provides the February 1, 2016 MFP funded student membership for the Type 5 charter schools, by parish, by site.



- BROWSE BY CATEGORY
- DATA CENTER
- STATEWIDE RESULTS
- CLOSING THE EQUITY GAP
- FAMILY SUPPORT TOOLBOX LIBRARY
- HIGH SCHOOL AND COLLEGE AND CAREER DATA CENTER
- TEACHER SUPPORT TOOLBOX LIBRARY

MINIMUM FOUNDATION PROGRAM

2016-2017 MFP BUDGET LETTER

| FILE   | DOWNLOAD                 |
|--|--------------------------|
| 2016-2017 Circular No. 1160 - MFP Budget Letter Transmittal Memo           | <a href="#">Download</a> |
| 2016-2017 Circular No. 1160 - MFP Budget Letter (excel)                    | <a href="#">Download</a> |
| 2016-2017 Circular No. 1160 - MFP Budget Letter - Tables 1-4               | <a href="#">Download</a> |
| 2016-2017 Circular No. 1160 - MFP Budget Letter - Tables 5A-5C             | <a href="#">Download</a> |
| 2016-2017 Circular No. 1160 - MFP Budget Letter - Tables 6-7               | <a href="#">Download</a> |
| 2016-2017 Circular No. 1160 - MFP Budget Letter - Tables 8-8A              | <a href="#">Download</a> |
| 2016-2017 Circular No. 1160 - Detailed Listing of Tables                   | <a href="#">Download</a> |
| 2016-2017 Circular No. 1160 - Information Regarding Source Data in the MFP | <a href="#">Download</a> |
| 2016-2017 Circular No. 1160 - Senate Concurrent Resolution 55              | <a href="#">Download</a> |
| 2016-2017 MFP Payment Schedule   | <a href="#">Download</a> |
| 2016-2017 Circular No. 1160 - Level 4 - Initial SCA Allocations            | <a href="#">Download</a> |
| 2016-2017 Circular No. 1160 - Table 2A-2_August 2016                       | <a href="#">Download</a> |
| 2016-2017 Circular No. 1160 - Table 2A-2 and Table 4_September 2016        | <a href="#">Download</a> |

2016-2017 \$20M APPROPRIATION - ACT 14 OF 2016

| FILE   | DOWNLOAD                 |
|--|--------------------------|
| FY 2016-2017 \$20M Appropriation - Allocation Schedule | <a href="#">Download</a> |

2015-2016 MFP BUDGET LETTER

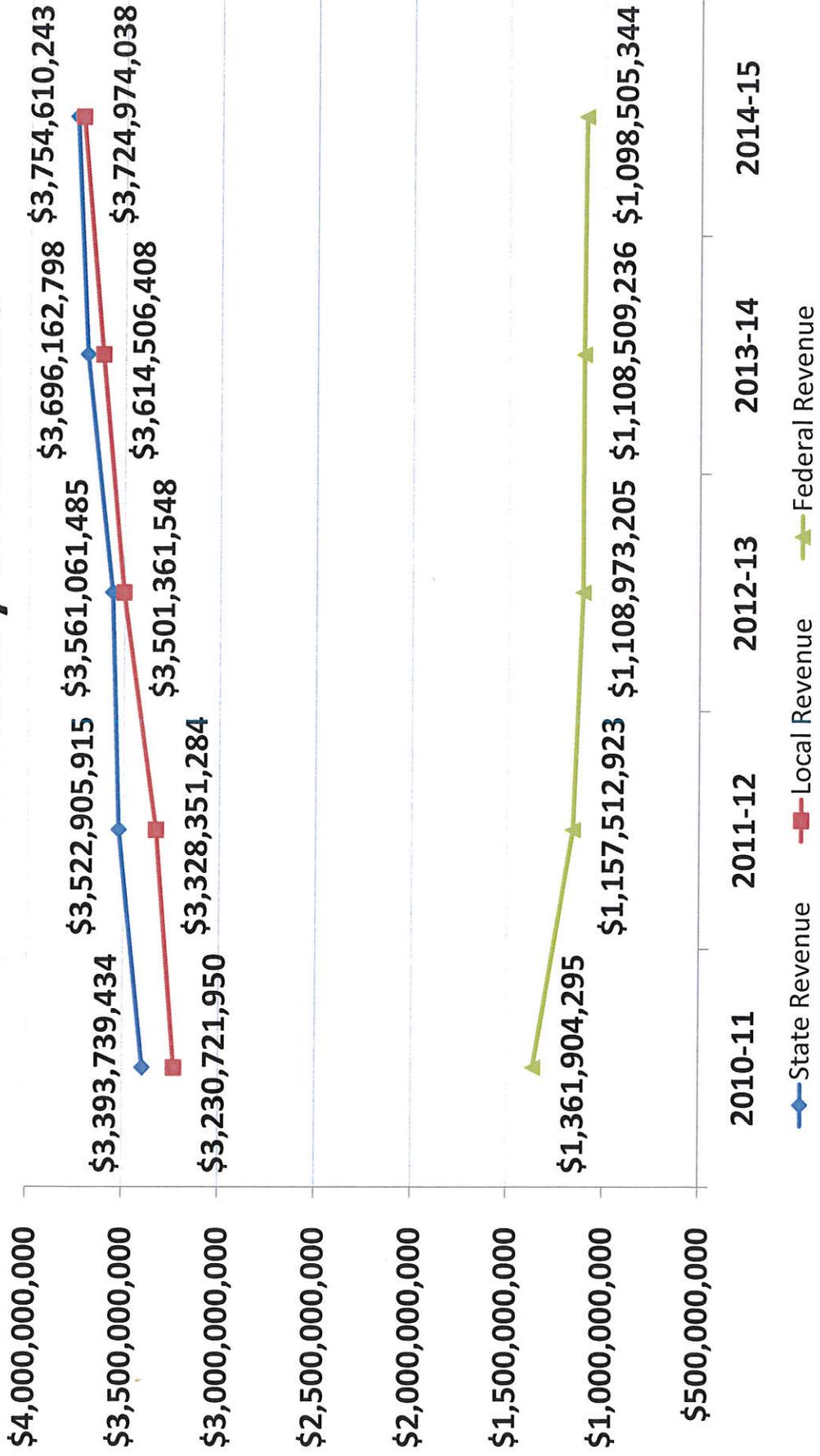
| FILE   | DOWNLOAD                 |
|--|--------------------------|
| MFP Payment Schedule FY2015-16                                 | <a href="#">Download</a> |
| 2015-16 Circular No. 1158 - MFP Budget Letter Transmittal Memo | <a href="#">Download</a> |
| 2015-16 Circular No. 1158 - MFP Budget Letter (excel)          | <a href="#">Download</a> |
| 2015-16 Circular No. 1158 - MFP Budget Letter - Tables 1-4     | <a href="#">Download</a> |

2015-2016 HB1 APPROPRIATIONS

| FILE  | DOWNLOAD                 |
|---|--------------------------|
| 2015-16 Circular No. 1159 - HB1 Appropriations                                  | <a href="#">Download</a> |
| 2015-16 Circular No. 1159 - \$36 Million HB1 Appropriation                      | <a href="#">Download</a> |
| 2015-16 Circular No. 1159A - \$36 Million - HB1 Appropriation - Monthly Payment | <a href="#">Download</a> |
| 2015-16 Circular No. 1159B - HB1 Appropriation of                               | <a href="#">Download</a> |

# Total K-12 Education Funding

## Historical Summary of Revenue



## 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 2016-17, 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 2008-09 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

- 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

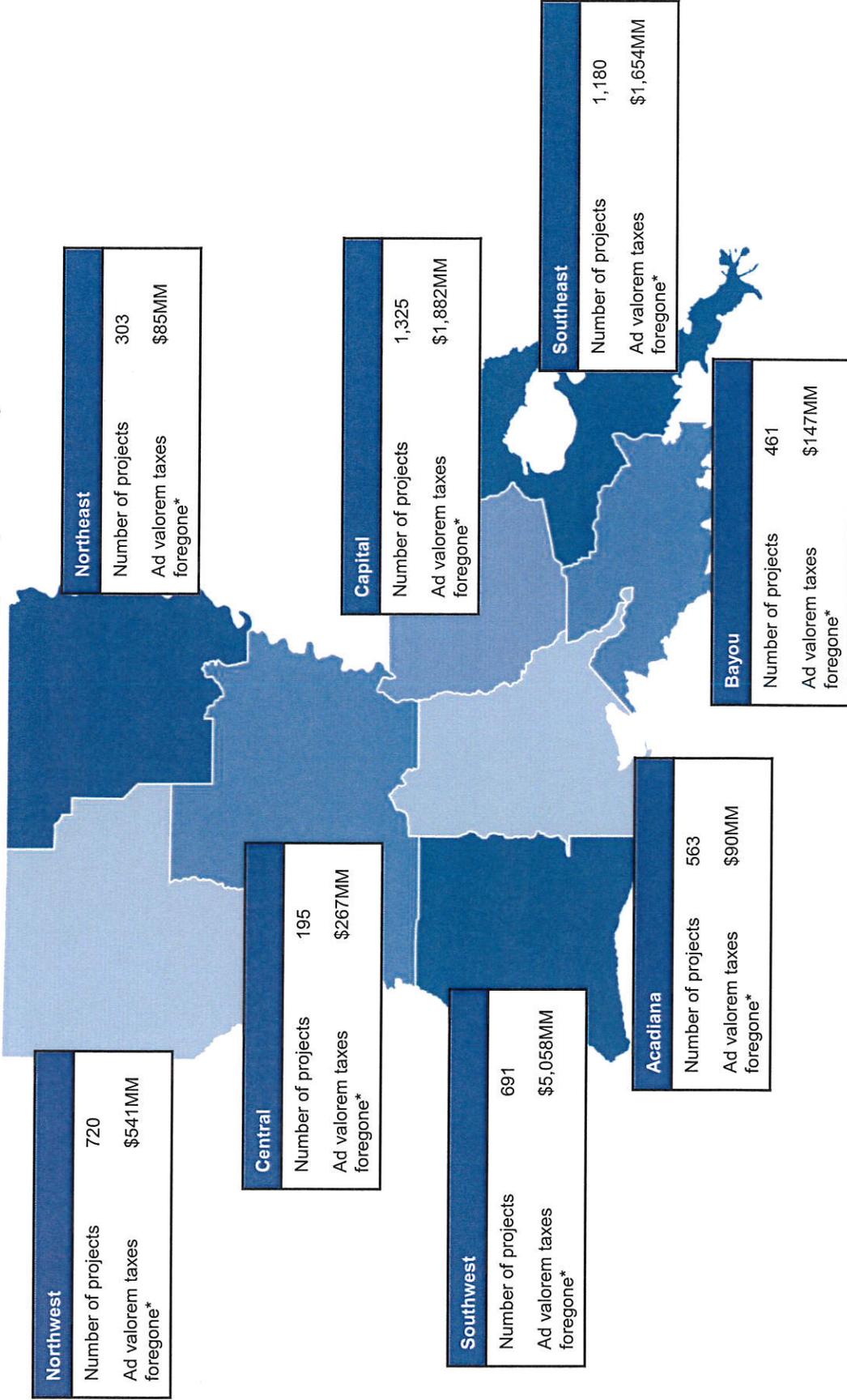
- Each individual district will have a unique allocation based on its unique situation.
- The percent of the cost funded by the State may range from a high of 89% to a low of 30%.
- Each year, as school systems are more or less able to support education costs through increases or decreases in local revenues, 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.

## 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, 133 of a total 165 school districts and schools met the requirement.
- The 32 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.

# ITEP PROJECTS INVOLVE JOB CREATION AND CAPITAL INVESTMENT IN ALL EIGHT REGIONS ACROSS THE STATE

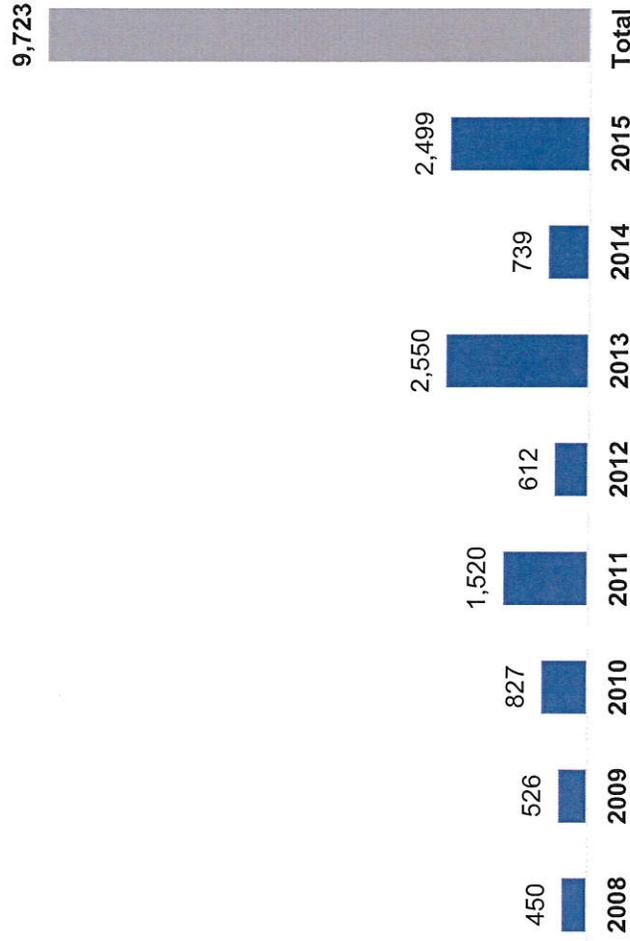
Regional distribution of the ITEP program (2008-2015)



\* Ad valorem amount equals eight years of board approvals. Each board approval year represents the full ten years of foregone revenue

# NEARLY \$10B IN LOCAL TAX EXEMPTIONS HAVE BEEN AWARDED THROUGH ITEP SINCE 2008

Total board approvals for the Industrial Tax Exemption program, 2008-2015 (\$MM)

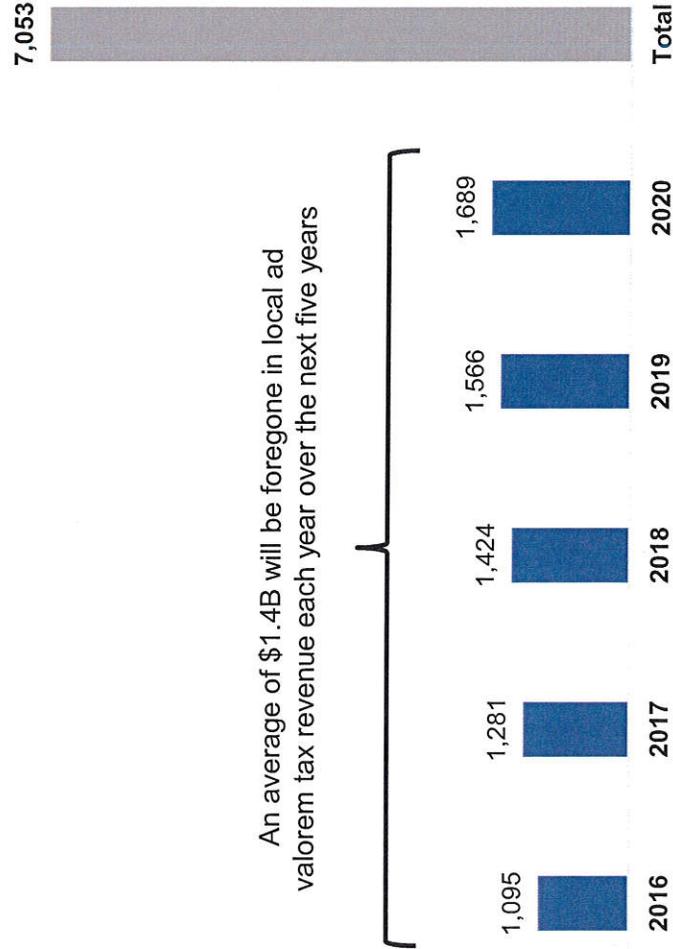


These values **do not** represent the amount actually foregone by local governments each year. Instead, what is shown is the total, 10-year value of all ITEP contracts **approved** by the Board of Commerce and Industry each year, adjusted for depreciation

Note: The estimates above are based on data from 2006-2015 Board of Commerce and Industry reports. All projects where the advance was cancelled or projects where the contract ended early are not included. In addition, depreciation multipliers were applied to the ten-year terms of each contract in order to provide an estimate of depreciation in assessed property values over time. Composite multipliers are from Louisiana Tax Commission table 2305.D

# OVER THE NEXT FIVE YEARS, ROUGHLY \$7B WILL BE FOREGONE IN LOCAL TAX REVENUE THROUGH ITEP

**Total forecasted local tax revenue foregone through the Industrial Tax Exemption program, 2016-2020 (\$MM)**



- These figures are a forecast of local ad valorem tax revenues, which will be foregone over the next five years through the Industrial Tax Exemption Program. They do not represent payments made to companies
- A large number of significant economic development projects have been secured, in part, through this program. For many companies, the property tax exemption offered through ITEP is a major factor in their decisions to locate or expand in Louisiana
- While ITEP involves exemption from local ad valorem taxes, these companies benefit the state and local economies through the indirect economic activity they induce and also through the other types of state and local taxes they pay

Note: The estimates above are based on data from 2006-2015 Board of Commerce and Industry reports. All projects where the advance was cancelled or projects where the contract ended early are not included. In addition, depreciation multipliers were applied to the ten year terms of each contract to account for depreciation in assessed property values over time. Composite multipliers are from Louisiana Tax Commission table 2305.D