Missouri
DEPARTMENT OF ELEMENTARY & SECONDARY
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# Administrative Memo

**Date:** June 25, 2014
**To:** School Administrators, Federal Programs Staff, and Finance Staff
**From:** Ron Lankford, Deputy Commissioner
**Subject:** FAS-14-009 Impact of Budget Restrictions

On Tuesday, June 24, Governor Nixon announced that he had vetoed or frozen more than $1.1 billion in spending appropriations that had been approved by the Missouri General Assembly for FY15. In his announcement, the Governor cited declining revenues and the potential for additional sales tax cuts that were passed to be the primary determinants for his action.

**Foundation Formula**

Because we are at the point of transition from one fiscal year to another and are awaiting final reporting of average daily attendance for the year just closed and summer school ADA is not yet available, it is not possible to run a comparison relative to the formula impact. We can say however, that the restriction to the foundation formula should enable the distribution of funds at or near the same level as FY14. If this proves to be the worst case scenario, then differences that would impact districts would be primarily associated with increases or decreases in ADA, which could be also impacted by threshold adjustments as final payment WADA are determined and updated along with changes to the dollar value modifier. At present, we are predicting that the percentage multiplier should be very similar to what it was in the recent June payment which was 93.2%.

**School District Trust Fund (Proposition C)**

Questions have arisen concerning estimates for Proposition C for FY15 given yesterday's announcement. Since these funds can only be distributed if they are available, and the restrictions announced yesterday related only to General Revenue, there was no action relative to the appropriation for FY15.

In FY14, the appropriation for Prop C was $793,100,000, which was $42 million above actual revenues for FY13. This significant increase was a surprise to all given the state general revenue had been flat. The appropriation for FY15 for Prop C is $827,500,000. The unknown is how much of next year's appropriation will be realized. It has been estimated that the additional sales tax cuts that were vetoed could have resulted in a $95 million reduction for Prop C. At this point, the final outcome of the veto will not be known until September and its actual impact if the veto is overridden, would not be known until the end of FY15.

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**What is known?**

1. FY14 was a robust year for Prop C driven by major purchases most likely related to the best year for new cars sales since 2005 according to national reporting. It cannot be assumed however, that consumers will repeat the expenditures pattern in FY15.
2. Due to hitting the FY14 appropriation ceiling in early June, the School District Trust Fund will have a sizeable carry over on June 30 to be distributed in FY15.
3. If additional sales tax cuts do not negatively impact Prop C collections in FY15, revenues actually collected in FY14 would revert back to the FY13, the carryover balance would be sufficient to assure that FY15 would be at or above FY14.
4. If Prop C collections equaled FY14, the carryover would assure that the $827,500,000 appropriation level would be reached.

In summary Prop C, if not impacted by additional cuts, which will not be known until after the Veto Session, currently is positioned well for the start of FY15. Each district will have to determine how conservative or aggressive it will be with its estimates.

**Transportation:**

The $15 million dollar increase was restricted which means funding is still available at the FY14 level.

**Other Vetoes and Restrictions:**

All other vetoes and/or restrictions are program-related and do not have across-the-board impact on districts.

**Will Restricted Funds be Released?**

It is not known at this time whether or not any of the funds that were restricted will be released in FY15. Vetoed funding, if not overridden, will not be available in FY15. Restricted funds, if the revenue picture improves, could be released by the Governor as the year progresses. At this point it is not known which restrictions, or amounts, might be first considered for release should revenues improve.

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