

Administrative Memo

Date: July 17, 2020
To: School Administrators
From: Kari Monsees, deputy commissioner, Division of Financial and Administrative Services
Subject: FAS-20-007 – Updated Information on July Payment to Schools

Budget restrictions were announced on June 30, 2020, which included a \$123,358,675 reduction for the Foundation Formula in FY21. This reduction will be reflected in the July payment to schools. Given that the Foundation Formula is based on an annual calculation, and the entire restriction will be reflected in July, the proration factor was reduced significantly to reflect the available cash to be distributed. The payment transmittal will reflect a proration after Line 17 of approximately 54.8%, based on a State Adequacy Target of \$6,375. Similar to prior years, the July payment does not include average daily attendance for summer school.

The July payment also reflects a reduction in the estimate for Classroom Trust Fund (CTF) revenues. For the July payment, an estimated annual appropriation of \$271,176,894 was utilized. This amount matches the final CTF revenues received in FY20, but is still well below the budgeted appropriation of \$353,359,576. Actual CTF cash receipts used for the July payment support this appropriation estimate. Monthly CTF receipts will be monitored moving forward and the appropriation estimate will be adjusted accordingly.

The proration factor used in the July payment should not be considered indicative of the final proration factor that will be calculated in June 2021. Again, the entire budget restriction was captured in the July payment, rather than annualized over the course of a year. On an annualized basis, the budget restriction for the Foundation Formula represents an approximate 3.5% reduction. The current estimate for CTF revenues would further reduce the overall Foundation Formula distribution by approximately 2.3%, resulting in an annualized proration factor of 94.2%. Districts are encouraged to utilize the [Foundation Formula calculation tool](#) to update projections based on local data.

Many factors can influence the Foundation Formula payment distribution moving forward. Regular updates will be provided throughout the fiscal year. Please contact DESE's School Finance section at 573-751-0357 or finadmgo@deese.mo.gov with questions.