October 24, 2025

MARE Conference
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Missouri Department of Elementary & Secondary Education

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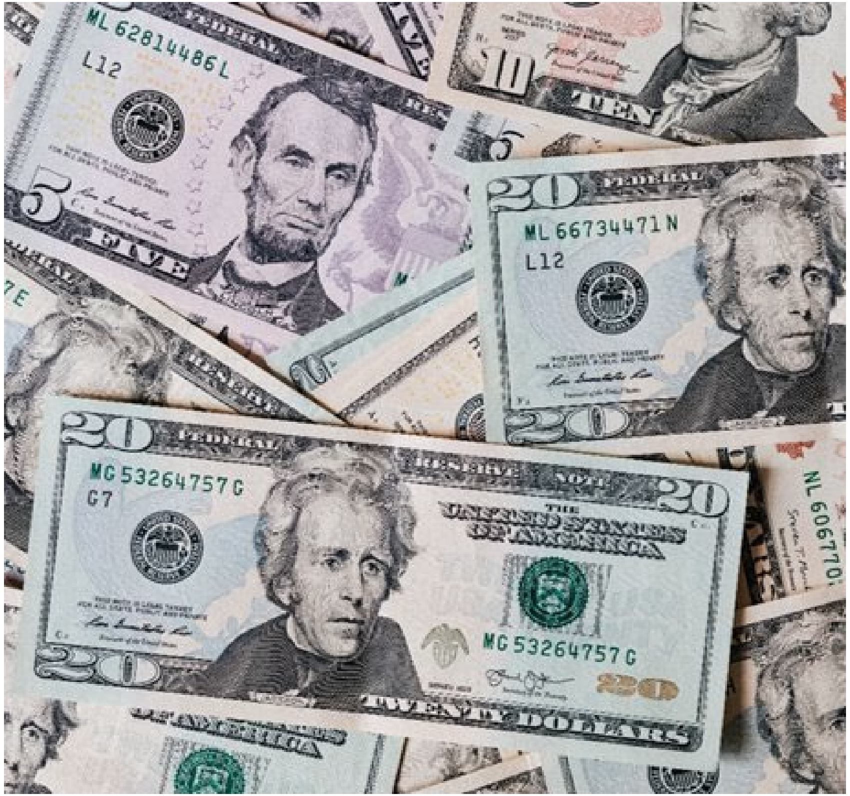
Financial and Administrative Services

Presentation Topics



- Update on Federal Shutdown
- State Budget/Revenue Update
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  - Update for FY 26
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Update on Federal Shutdown

At this time, the Missouri Department of Elementary and Secondary Education (DESE) is continuing operations for all programs as usual, although funding for certain programs is not currently accessible. DESE is currently unable to access funds for Disability Determinations, Adult Education, or the Perkins grant.

DESE is closely monitoring the situation and has taken steps to ensure its operations can continue for a period of time in the government shutdown. We will provide updates as they become available.

A note about terminology

- For those who might be newer to state budget discussions...

- FY 25 refers to the 24-25 school fiscal year.
- FY 26 refers to the 25-26 school fiscal year.
- FY 27 refers to the 26-27 school fiscal year.

State Budget / Revenue Update

State Revenue FY 25

- Final FY 25 collections as of June 30 (compared to FY 2024)

Individual Income Taxes	+1.28%
Sales Taxes	+1.23%
Corporate Income Taxes	-5.38%
All Other	+3.56%
Refunds (deduct)	+6.28%
Net General Revenue	+0.01% (approx. +$1.83 million)

- Interest earnings decreased by $16.4 million.
- Total revenue exceeded revised consensus revenue by nearly $81 million.

State Revenue Update FY 26

- FY 26 collections as of October 21 (compared to date FY 2025)

Individual Income Taxes	+4.64%
Sales Taxes	+4.60%
Corporate Income Taxes	-25.92%
All Other	-8.81%
Refunds (deduct)	-19.00%
Net General Revenue	+2.21% (approx. +$78.3 million)

- Consensus Revenue Estimate projects +1.6% for FY 26.

School Finance for FY 26

FY 26 Foundation Formula

- For FY 26 the scheduled SAT is $7,145.
  - For FY 26, the amount budgeted for the Foundation Formula is $497,305,178 greater than in FY 25. This amount is intended to fully fund the increased SAT.
- Last year, certain revenues that help fund the Foundation Formula lagged well below the budgeted amounts for those revenues (i.e. lottery, gaming, and cigarette taxes).
- The FY 26 Budget lowers the amount expected from lottery and gaming by a total of approximately $150 million. The appropriation from General Revenue sources was increased to fill that gap.
- The changes would seem to be in response to the fact that lottery and gaming revenues have fallen below projections in recent years.

Foundation Formula / Classroom Trust Fund

- About the Foundation Formula and Classroom Trust Fund…
  - For payment purposes, the SAT is held lower to start the year and gradually increased, pending better data and a potential supplemental appropriation. At present, payments are being based on an SAT of $6,900.
  - Remember that the Classroom Trust Fund is part of the Foundation Formula, not in addition to the Foundation Formula.
  - Districts have additional flexibility with the funds that are attributed to the Classroom Trust Fund.
  - The Foundation Formula depends on revenue from a number of sources, among which are General Revenue, as well as lottery and gaming proceeds.
  - When gaming revenues fall short, the CTF amount in the formula goes down.
  - However, for FY 26, the total formula appropriation has increased because additional funding from General Revenue was added.

FY 26 Classroom Trust Fund

$441,763,770 Appropriated ÷ 767,193 2025 Est. ADA = $576 Per ADA

The amount appropriated for CTF is less than the amount appropriated in FY 25. Gaming revenue fell short in FY 25, and the lesser amount reflects that reality.

For every $10 million shortfall in receipts, compared to the appropriation, the amount per ADA of CTF money adjusts by -$13 per ADA.

SAT, DVM, and Threshold Percentages

State Adequacy Target (SAT) for FY 2026 = $7,145

State Adequacy Target (SAT) for FY 2027 & FY 2028 = $7,145

Dollar Value Modifier (DVM) for can be viewed at

http://dese.mo.gov/financial-admin-services/school-finance/data-reports-0

Threshold Percentages

	FY 2025 & FY 2026	FY 2027 & FY 2028
Free & Reduced-Price Lunch (FRL)	16.73%	20.49%
Individualized Education Program (IEP)	13. 30%	14.12%
Limited English Proficiency (LEP)	2.09%	4.39%

Payment on Membership (From SB 727)

- There will be a 5-year phase-in to using Weighted Membership as one-half of the student count in the Foundation Formula.

Fiscal Year	Weighted ADA	Weighted Membership
2026	90%	10%
2027	80%	20%
2028	70%	30%
2029	60%	40%
2030+	50%	50%

FY 2026 Prop C

$1,306,961,000 Appropriation ÷ 874,166 Est. WADA 2025 = $1,495 per WADA

The expected amount per WADA has decreased from FY25. This is because the appropriation (which is the same as FY 25) is being divided by a higher number of WADA.

Each $10 million variance from the appropriation level impacts the amount per WADA by approximately $12.

Prop C payments are reliant on cash being available. At present, Prop C is being paid at a rate of $1,466.

FY 2026 Transportation Funding

$376,575,449 (an increase of just over $15 million compared to last year)

Up to 75% of eligible transportation costs (TBD)

Transportation is paid on the prior year's ASBR data.

Budget Request for FY 27

Budget Request FY 27

The FY 27 Budget Request from the Missouri Department of Elementary and Secondary Education includes:

- Full funding of the Foundation Formula.
- Full funding of Transportation.
- Full funding for Career Ladder.
- Full funding for the Teacher Baseline Salary Grant.
- Full funding for the provisions of SB 68.

FY 2027 New Decision Items

Appropriation	Increase Request	Total Requested Funding
Foundation Formula	$190,609,070	$4,473,345,070
Transportation Formula	$32,358,866	$393,725,480
Small Schools Grant	$0	$30,000,000
ECSE	$47,866,517	$285,540,547
Teacher Baseline Salary	$0	$33,421,374
IDEA Grant	$20,000,000	$273,512,035
Success Ready Student Assess.	$2,000,000	$2,000,000
SB 68 Safe Schools	$8,109,935	$8,109,935

SB 68 Implications (2025 legislative session)

SB 68 Implications

SB 68 was a large omnibus bill, containing 30+ provisions, many of which pertain to education.

We will briefly highlight some of the provisions that directly impact finance or transportation.

SB 68 Implications

Calculation of state aid for students subject to suspension or expulsion

- Such students shall be counted as "in attendance" for MSIP purposes and for Weighted Average Daily Attendance (WADA).
- Guidance on reporting that attendance can be found in the Attendance Reporting Guidance document on the Finance Topics and Procedures Page.

SB 68 Implications

State aid – 169 day calendar incentive

- Incentive for districts to maintain 169+ day calendar.
- 24-25 calendar will be used to determine eligibility for payment in FY 26.
- For FY 26 and FY 27: 1% additional state aid for districts with 169 day calendar.
- For FY 28 and beyond: 2% additional state aid for districts with 169 day calendar. Districts do not have to qualify for 1%, then 2%.
- SB 68 clarified that weather forgiveness provisions do apply for determining if a district qualifies for the incentive.
- DESE will publish a list of LEAs that seem to quality for the incentive. Please review and contact your State Supervisor if necessary.
- Guidance can be found on the Finance Topics and Procedures Page.

SB 68 Implications

Children of School Contractors / Non-Certified Employees may attend as resident students

- Some districts already have policy that allows the children of teachers (that are non-resident) to attend. Those students are counted as resident students.
- Board MAY (not mandatory) approve policy allowing children of contractors or non-certified regular employees (that are non-resident) to attend. Those students would be counted as resident students.
- The LEA may adopt requirements pertaining to minimum number of days worked (not to exceed sixty).
- LEA is not required to provide transportation.

School Bus Drivers / Endorsements

- Currently, bus drivers or license applicants age 70+ must renew their license every year instead of every 3 years, and must perform a skills test every year instead of every 3 years.
- These renewal requirements will now begin at age 75 (instead of 70), and will change from annual requirements to biennial requirements.

SB 3 Implications

Certain counties designated as Five Percent Counties or as Zero Percent Counties

- Not yet in effect, but by April 2026, designated counties must place the issue of granting these tax credits on the ballot.
  - Five Percent Counties: Tax liability on homestead may increase by no more than 5% or CPI per year.
  - Zero Percent Counties: Tax liability on homestead may not increase above the initial year (2024).
  - Increase in AV will still affect tax rate calculations. Tax liabilities are calculated, then tax credits would be applied.

SB 3 Implicaitons

- SB 3 is now being challenged in court.
  - Two state senators are challenging the provisions of SB 3 pertaining to stadium subsidies.
  - Six school districts, a fire protection district and residents are challenging the property tax provisions in SB 3.

General Information

Financially Stressed Districts

- Section 161.520, RSMo, specifies criteria for determining if a school district is experiencing financial stress and requires the Department of Elementary and Secondary Education to identify any school district meeting these criteria.

- The following are the statutory characteristics for identifying a district as financially stressed:
  - A) negative balance in either the Teachers or Incidental Funds, or
  - B) combined ending balance in the Teachers and Incidental Funds less than three percent, or
  - C) tax anticipation borrowing between February 1 and June 30.

Financially Stressed Districts

- DESE is required to identify and notify financially stressed districts by Nov. 1.
- DESE is also required to inform the State Board of Education of any LEAs that are financially stressed.
- DESE also reviews ASBR information to identify LEAs that are at 3-10% reserves and/or that are seeing a downward trajectory in reserves.
- Please review district finances and take action as appropriate and necessary.

Alternative Methods of Instruction (AMI)

- Alternative Methods of Instruction § 171.033, RSMo.
  - Inclement weather, utility outage, contagious disease.
  - LEAs must have an approved plan.
  - Notify parents on the day of implementation.
  - Limited to 36 hours per year:
    - Can adjust calendar for each AMI day to 6 hours (instead of 6.xx) in order to have 6 full days of AMI available.
    - Total hours for the year must still be 1,044 or greater.
  - AMI hours replace the scheduled hours of instruction on the same day parents are notified. (No provision to make up AMI on a different day).
  - Attendance based on completion of assignments.
  - Days that are part AMI and part in-person are not allowed.

Minimum School Term in Certain Districts

- Changes effective 7/1/2026.
- 1,044 hours still required.
- 169 days required in:
  - Districts wholly or partially within charter counties.
  - Districts wholly or partially within cities >30,000.
  - Unless voters approve 4-day week by majority vote.

Note: Current weather makeup/forgiveness provisions apply to the 169-day requirement.

Minimum Teacher’s Salary

- Minimum - $40,000 starting FY 2026.
- Master’s plus 10 years experience minimums:
  - $46,000 in FY 2026.
  - $47,000 in FY 2027.
  - $48,000 in FY 2028.
- Inflationary adjustments in FY 2029 and beyond.
- Teacher Baseline Salary Grant Fund established.

Reminders / Comments

Audit Requirements

- All Missouri school districts, including charter schools, are required to be audited annually and to submit a copy of the audit report to the Department of Elementary and Secondary Education. In addition, districts/charter schools that expend more than $750,000 of federal funds during the fiscal year must have a Single Audit.
- Guidance for the Single Audit has yet to be released. DESE guidance is being developed for this contingency.
- Audit Guidance and Upload Information

Other DESE Resources

- [Attendance Reporting]
- [Missouri Financial Accounting Manual]
- [School Finance Calculation Tools]
- [School Finance Memos]
- [School Finance Topics and Procedures Page]
- [Transportation Aid Calculator]
- [169 Day School Calendar Provision Guidance]

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Thank you to the Missouri Association of Rural Education for this opportunity.

Thank you school board members for your service.

Thank you school superintendents and staff for the great work you do every single day.