

Missouri

by Meagan Batdorff

together they comprise the statewide totals (Figure 1).¹

Summary and Highlights

This snapshot examines the revenue sources and funding equity for district schools and charter schools in Missouri and, in particular, Kansas City and St. Louis during FY 2006-07. These are currently the only districts with charter schools, so

In the following figures, the statewide values show how much per pupil funding districts in the state received compared to how much charter schools received per pupil. The statewide values weighted for charter enrollment adjust these figures to account for the fact that some districts enroll more charter students than others and the district

Figure 1: District and Charter School Revenues and Enrollments

| Missouri (2006-07) | Statewide | | Statewide Weighted for Charter Enrollment | | St. Louis | | Kansas City | |
|--|------------------------|----------------|---|----------------|------------------------|----------------|------------------------|----------------|
| Per pupil Revenue | | | | | | | | |
| District | \$14,200 | | \$14,398 | | \$13,544 | | \$15,159 | |
| Charter | \$10,085 | | \$10,085 | | \$8,801 | | \$11,229 | |
| Difference | (\$4,115) (29.0%) | | (\$4,313) (30.0%) | | (\$4,743) (35.0%) | | (\$3,930) (25.9%) | |
| Per pupil Revenue by Source | District | Charter | District | Charter | District | Charter | District | Charter |
| Federal | \$1,889 | \$1,056 | \$1,905 | \$1,056 | \$1,836 | \$991 | \$1,966 | \$1,113 |
| State | \$4,315 | \$8,059 | \$4,372 | \$8,059 | \$4,130 | \$7,643 | \$4,587 | \$8,429 |
| Local | \$7,006 | \$483 | \$7,109 | \$483 | \$6,665 | \$0 | \$7,505 | \$913 |
| Other | \$987 | \$485 | \$1,009 | \$485 | \$911 | \$167 | \$1,097 | \$769 |
| Indeterminate | \$3 | \$3 | \$3 | \$3 | \$3 | \$0 | \$3 | \$5 |
| Total | \$14,200 | \$10,085 | \$14,398 | \$10,085 | \$13,544 | \$8,801 | \$15,159 | \$11,229 |
| Enrollment | | | | | | | | |
| District | 56,852 83.0% | | N/A N/A | | 33,762 86.0% | | 23,090 78.9% | |
| Charter | 11,669 17.0% | | N/A N/A | | 5,499 14.0% | | 6,170 21.1% | |
| Charter Schools | 22 | | N/A | | 6 | | 16 | |
| Total Revenue | | | | | | | | |
| District | \$807,297,828 87.3% | | N/A N/A | | \$457,283,852 90.4% | | \$350,013,976 83.5% | |
| Charter | \$117,674,828 12.7% | | N/A N/A | | \$48,396,921 9.6% | | \$69,277,907 16.5% | |
| Total | \$924,972,656 | | N/A | | \$505,680,773 | | \$419,291,883 | |
| Percentage of Revenue by Source | District | Charter | District | Charter | District | Charter | District | Charter |
| Federal | 13.3% | 10.5% | 13.2% | 10.5% | 13.6% | 11.3% | 13.0% | 9.9% |
| State | 30.4% | 79.9% | 30.4% | 79.9% | 30.5% | 86.8% | 30.3% | 75.1% |
| Local | 49.3% | 4.8% | 49.4% | 4.8% | 49.2% | 0.0% | 49.5% | 8.1% |
| Other | 6.9% | 4.8% | 7.0% | 4.8% | 6.7% | 1.9% | 7.2% | 6.8% |
| Indeterminate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Change in district school funding if subjected to charter funding structure | | | | | | | | |
| | (\$244 million) | | | | (\$160 million) | | (\$91 million) | |

PPR varies between districts. The weighted values estimate how much more or less per pupil funding charter schools received compared to the funding district schools would have received to educate the same students. (See Methodology for details.)

Highlights of Our Findings:

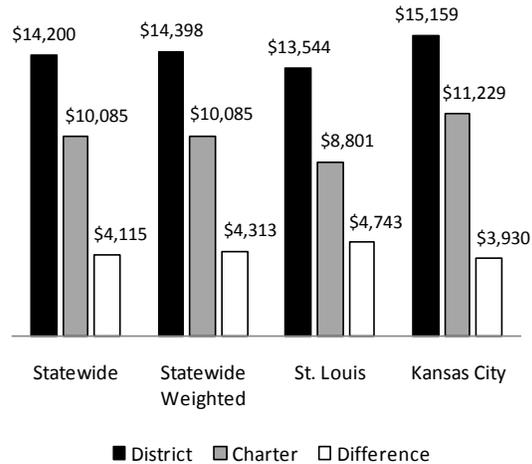
- Missouri charter schools received 29.0 percent less funding than district schools: \$10,085 vs. \$14,200 per pupil, a difference of \$4,115.
- Missouri Charter schools received \$10,085 per pupil, but district schools would have received an estimated \$14,398 to educate the same students – a difference of \$4,313, or 30.0 percent. Weighting the district PPR for charter enrollment therefore increases the funding disparity by \$198 from the statewide difference above.
- Kansas City charters received 25.9 percent less than district schools: \$11,229 vs. \$15,159 per pupil, a difference of \$3,930.
- St. Louis charters trailed district schools by 35.0 percent: \$8,801 vs. \$13,544 per pupil, a difference of \$4,743.
- Combined state and local revenues totaled \$11,321 for district schools statewide compared to \$8,542 for charter schools, a difference of \$2,779 per student.
- Missouri district schools received \$833 more in federal per pupil revenues than did charters: \$1,889 vs. \$1,056.

Primary Reasons for Funding Disparities

- State law denies charter schools access to local funds beyond the incidental and teacher funds.
- Charter schools have little to no access to capital or debt service funds.
- Until FY 2006-07, Kansas City charter schools were not recognized as independent school districts. As of FY 2006-07, Kansas City charter schools could optionally claim district status but

St. Louis charter schools did not receive this status until FY 2007-08. Charter schools, therefore, have not yet fully accessed federal funding as independent districts.

Figure 2: Per Pupil Total Revenue for Missouri District vs. Charter Schools, FY 2006-07



How Missouri Funds Its District Schools²

Missouri adopted a new funding formula with SB 287 on July 1, 2006. Prior to FY 2006-07, the state’s funding formula was driven by an equalized tax-rate. SB 287 transitioned Missouri’s school funding to a formula that is intended to be based on student needs. This new formula is being phased in over a seven-year period where the state adequacy target, explained below, cannot be adjusted downward.

The new formula starts with a state adequacy target, set by the Department of Elementary and Secondary Education (DESE). The target is set by identifying high performance districts using set criteria to determine a target expenditure amount these districts spend per student. The adequacy target includes aggregate percentages of weights based on student characteristics to establish a threshold. Districts that exceed the threshold percentages based on students enrolled receive additional formula weights per average daily attendance (ADA).

Figure 3: State Charter School Policies

| State Policies | Yes | No | Partial |
|--|----------------|----|----------------|
| Charter schools receive their funding directly from the state | | | X ³ |
| Charter schools are eligible for local funding | | | X ⁴ |
| Cap on funding a charter school can receive | | X | |
| District public schools receive differential funding (e.g. more funding for 9-12 vs. K-8 schools) | | X | |
| Charter schools receive differential funding | | X | |
| State allows district to withhold funding from charter schools for providing administrative services | X ⁵ | | |
| State "holds harmless" district funding for charter enrollment | | X | |
| School is considered LEA if authorized by non-district organization | | | X ⁶ |
| School is considered LEA if authorized by district | | | X |
| Cap on number of charter schools | | X | |
| Cap on number of charter schools authorized per year | | X | |
| Cap on number of students attending charter schools | | X | |
| Charter schools have an open enrollment policy | | | X ⁷ |

A district's total state aid is calculated by: (1) Multiplying the district's weighted average daily attendance by the state adequacy target; (2) Multiplying this product by the district's dollar value modifier; and (3) subtracting the result from the district's required local effort. The result is the amount of a district's state aid payment. If the result is zero, then the district's state aid payment will be no less per weighted ADA than the district received in FY 2005-06. The hold harmless

calculation is adjusted for weighted ADA and the district's dollar value modifier and is phased in over a three-year period. For districts with 350 students or less, the hold harmless calculation is based on the greater of the previous two years' actual state aid and is not a per pupil amount. The same adjustments apply to the small district calculation and are also phased-in over three years, beginning in FY 2006-07.

The local revenue contribution of the state aid formula is set at the amount of local revenue a district would have generated in FY 2004-05 with an operating levy (performance levy) of \$3.43. After FY 2006-07, the locally required effort per district will be frozen with the exception of local fines. Any growth in local collections is retained by districts and cannot be used to offset state aid payments.

Missouri's funding formula includes the following categorical revenues: transportation, career ladder, vocational education, and educational and screening programs. Former line "14" amounts – gifted, special, and remedial reading education categorical – are rolled into a district's base funding in addition to revenues from the cigarette tax and free textbooks. Gaming revenues, deposited into the newly established Classroom Trust Fund, are distributed according to formulas based on ADA.

How Missouri Funds Its Charter Schools

Charter school enrollment counts are included in school district counts for the districts where students reside. Charter schools are either paid directly by the state, for charters that declare themselves independent school districts, or through district pass-through. State statute guarantees charter schools are funded by an annual amount equal to the product of the charter school's weighted average daily attendance and the state adequacy target, multiplied by the dollar value modifier for the district, plus local tax revenues per weighted average daily attendance from the incidental and teachers funds in excess of the performance levy as defined in section 163.011, RSMo, plus all other state aid

attributable to such pupils.”⁸ Charter schools are also eligible for any other federal revenue that a district receives on behalf of charter school students.

Charter school funding should therefore be nearly equivalent to district school funding for similar students, with one big exception. State statute guarantees charter schools funding from only two local funds – the incidental and teacher funds. Two primary local funds are removed from the formula calculation, capital and debt service.

Kansas City charter school revenues also take a deduction for debt payments on the Kansas City school district’s building improvements under court-ordered desegregation efforts. Charter schools have seen approximately \$700 - \$800 per pupil deducted from revenues each year since charters first began operating in Kansas City. A group challenged this practice on the grounds that charter schools do not use Kansas City district facilities and, therefore, should not be responsible for payments. A lower court judge ruled in favor of charter schools in 2005, but this was overturned and charters continue to pay for Kansas City district debt. (See Figure 3 for more on policies that impact charter school funding.)

Facility Funding

Missouri district schools raise capital and debt service funds through local levies and bonds. The law permits districts to take on bond indebtedness on behalf of charter schools, but this requires the approval of local voters and does not often occur in practice. The law also states that a maximum of five percent of the school buildings currently used for instructional purposes in a district may be converted to charter schools. This limitation does not apply to vacant buildings or buildings not used for instructional purposes.

Primary Revenue Sources for Missouri’s Public Schools

State funding for Missouri K-12 schools comes primarily from state sales and business taxes and Proposition C, a \$.01 sales tax on the sale of motor

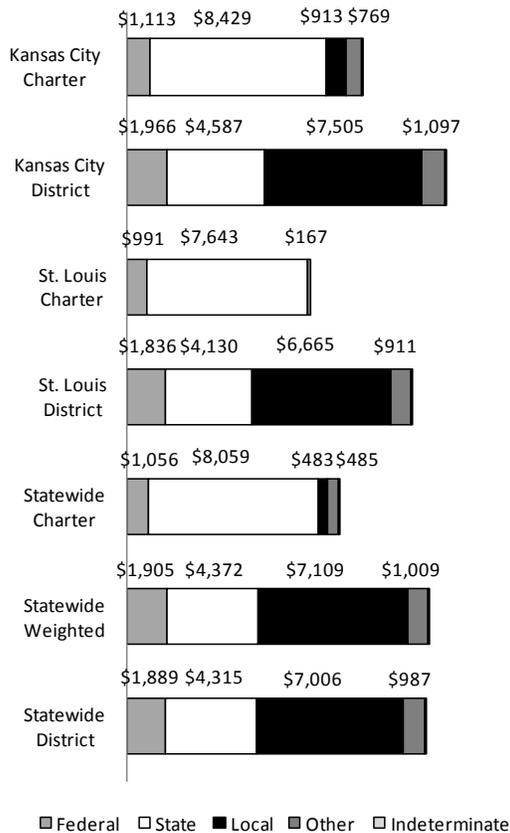
vehicles. The primary source of local revenues comes from local property taxes.

As Figure 1 shows, the largest share of Kansas City and St. Louis district school funding was derived from local sources (49.5 percent and 49.2 percent) and state funding accounted for nearly identical amounts in both districts: 30.3 percent for Kansas City and 30.5 percent for St. Louis. Given the law’s restriction of charter school access to local revenues, charter schools generate the vast majority of funding from state sources: 86.8 percent for St. Louis charters and 75.1 percent for Kansas City charters. Kansas City charters reported receiving a total of \$913 per pupil in local revenues or 8.1 percent of total revenues. However, St. Louis charters did not report receipt of any local revenues. This is problematic given the law’s requirement that charter schools receive a portion of revenues per ADA from the teacher and incidental fund.

For the FY 2006-07 analysis, we were able to identify all non-tax generated revenues for both districts and charter schools. These revenues were moved to “other” for consistency with all states in this study. Other revenues represented higher percentages of overall revenues for Missouri districts, with a Kansas City and St. Louis combined average of \$987 per pupil. The combined average for Kansas City and St. Louis charters, on the other hand, was \$485 per pupil, a difference of \$502 per student (\$987 vs. \$485). The Kansas City and St. Louis school districts generated nearly equal amounts in other dollars, whereas St. Louis charters trailed Kansas City charters by \$602 per pupil, which is nearly 25 percent of the difference in per pupil funding between St. Louis and Kansas City charters.

Kansas City and St. Louis districts also received substantially more per pupil in federal revenues than charter schools. On average, Missouri districts received \$1,889 per pupil, whereas charter schools received \$1,056 per pupil, a difference of \$833 per student.

Figure 4: Per Pupil Revenue by Source for Missouri District vs. Charter Schools, FY 2006-07



The gap between charter school and district school funding per pupil is largely attributed to the following disparities in revenue sources: (1) Charter schools’ lack of access to capital and debt service funds; (2) Charter schools’ lack of access to local “other” dollars; and (3) Charter schools’ transitional status as independent districts. (See Figure 4 for PPR revenues by source.)

Local Sources

Access Denied to Local Capital and Debt Service: State statute does not provide charter schools with access to capital and debt service funds. This is one area that persistently presents a difference between district and charter school funding. Kansas City and St. Louis generated an average of \$1,563 per pupil in capital and debt service revenues. St. Louis received the high end of these revenues at \$2,112 per pupil, whereas Kansas City earned \$760 per student. This is exclusive of bond

proceeds. Although charter schools do not have access to these revenue sources, Kansas City charter schools did show some capital project fund revenues accumulated amongst four schools, for an average of \$17 across all charter students. Looking at combined capital and debt service revenues per student, districts outpaced charters in capital and debt service funds by \$1,546 per student.

Local and State Sources

Other Local Dollars: Combined state and local revenues for districts, minus capital and debt service earnings, should be comparable to state and local revenues for charter schools. The combined state and local revenues, minus average capital and debt service for Kansas City and St. Louis districts, is \$9,758 per student compared to an average of \$8,525 (with \$17 deducted for charter capital) for Kansas City and St. Louis charter schools. This leaves a \$1,233 disparity between charter and district schools. We assume that some of this difference is attributable to undistributed local revenues and some of the difference may reside in more state aid to districts for categoricals.

The St. Louis vs. Kansas City Variance: In combined local and state revenues, minus capital and debt service (\$760 per student), Kansas City districts received \$2,022 more per student than Kansas City charters (\$11,332 vs. \$9,310). Combined revenues, minus capital and debt service for the St. Louis school district, were \$1,040 more per pupil than St. Louis charters received (\$8,683 vs. \$7,643). The disparity in combined funding for Kansas City charters, therefore, is roughly twice as large, in simple dollar terms, as the disparity in St. Louis.

State Sources

Formulaic Factors: The new funding formula should produce nearly equal amounts of aid to charters and districts for similar student populations. Charter schools may not qualify as readily for some categorical aid, but the disparity in funding is likely more attributable to local disparities rather than state funding disparities

given the similarities of student populations and the fact the formula uses the student’s district of residence to calculate base funding.

Federal Sources

Students Served: Both charters and district schools serve similar free or reduced price lunch and Title I school populations (see Figure 5). Comparable data for special needs students served in both school types was not available. Unless there are very large differences in the percentage of special needs populations at districts school vs. charter schools, the differences in students served therefore are not likely a factor in the disparity in federal revenues.

Figure 5: School Characteristics⁹

| Missouri (2006-07) | Statewide District | Statewide Charters |
|---|---------------------|--------------------|
| Percentage of students eligible for free or reduced price lunch | 80.0% ¹⁰ | 77.6% |
| Percentage of schools eligible for Title I | 77% ¹¹ | 83.3% |
| Percentage of students by school type: | | |
| Primary (K-5) | 59.0% | 61.1% |
| Middle (6-8) | 18.0% | 16.7% |
| High (9-12) | 17.8% | 22.2% |
| Other (K-12, K-8, etc.) ¹² | 5.2% | 0.0% |

Restricted Access to State and Federal Grant and Program Sources: FY 2006-07 was the first year Kansas City charters could claim recognizable district status and St. Louis charters did not have this option until the following year. Given these limitations, it is likely that charter schools were not able to fully access all federal revenue options as independent districts.

State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as on the extent charter schools have access to specific streams of revenue (Figure 6).

Figure 6: State Scorecard

| Findings | | MO |
|--------------------|--|-----------------|
| Federal Funding | Charters have access to federal funds according to state statutes (Yes = black, No = white) | Y |
| | Percentage of federal revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools | < |
| State Funding | Charters have access to state funds according to state statutes (Yes = black, No = white) | Y |
| | Percentage of state revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools | > ¹³ |
| Local Funding | Charters have access to local funds according to state statutes (Yes = black, No = white) | Y |
| | Percentage of local revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools | < |
| Facilities Funding | Charters have access to facilities funds according to state statutes (Yes = black, No = white) | N |
| | Percentage of facilities revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools | < |
| Data Availability | State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white) | Y |
| | State provides detailed, public data on federal, state, local and other revenues for charter schools (Yes = black, Partial = grey, No = white) | Y |
| Funding Formula | Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white) | P |
| | State funds student (black) or the LEA (grey) | S |
| | State funding formula is fair and equitable (Yes = black, No = white) | N |

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered Local Education Agencies for purposes of funding. “Yes” means that charters in the state are always considered LEA’s for all forms of funding. “Partial” means that charters are sometimes considered LEA’s for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEA’s. “No” means charters in the state are never considered an LEA for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all three revenue streams listed.

The same method was applied to the remaining categories of Federal Funding, State Funding, Local Funding and Facilities Funding,

Endnotes

¹ Revenue calculations were determined by the following: 1) FY 2006-07 revenue and ADA data for charter schools and the Kansas City and St. Louis school districts was provided by the Missouri Department of Elementary and Secondary Education (DESE). Data comes from the Annual secretary of the Board Report (ASBR) and can be accessed online at: <http://dese.mo.gov> at Web Applications, the ASBR, and by selecting either a school district or a charter school. Totals were provided separately for districts and charter schools; (2) Missouri does not have a statewide Pre-K program. Therefore, no statewide Pre-K revenues or enrollment counts were deducted

from totals; (3) The following revenues were deducted from totals:

- State Revenues: Early Childhood Special Education, Education Screening Program/PAT, Adult Education and Literacy, Adult Education and Literacy Grant, and Missouri Preschool Project
- Federal Revenues: Adult Education and Literacy; Early Childhood Special Education, Childcare Development Fund Grant; Even Start Family Literacy, and Headstart
- Other: Sale of Bonds; and Refunding of Bonds;

and (4) Indeterminate revenues are: all Missouri revenues categorized as “receipts from other districts”.

² “Current Bill Summary”. SB 287, July 1, 2006: <http://www.house.missouri.gov/content.aspx?info=/bills051/bills/SB287.htm>.

³ Effective August 24, 2008, SB 1421 changed the way charter school funds are delivered. The new law mandates that DESE pay charter schools directly, rather than districts receiving charter school funding and passing it through to charter schools. The Kansas City School District challenged the constitutionality of this law but lost their case. Beginning in 2007, charter schools can declare themselves as independent school districts. As such, those charter schools are paid directly by the state rather than through district pass-throughs. St. Louis charter schools, however, were not considered independent districts until FY 2008.

⁴ Charter schools are only eligible for local funds that figure into the state entitlement formula. Districts keep the remaining local funds.

⁵ Charter school sponsors can withhold up to 1.5 percent of per pupil revenues for administrative services.

⁶ As of FY 2006-07 charter schools can declare themselves independent school districts.

⁷ Within geographic boundaries, charter schools must use open enrollment procedures.

⁸ “Chapter 160 Schools – General Provisions Section 160.415 (4)”. *Missouri State Statutes*.

⁹ Data are from NCES unless otherwise indicated.

¹⁰ District free or reduced price lunch data taken from FY 2006-07 “Missouri School Profiles”.

¹¹ NCES data for Kansas City and St. Louis districts had too many schools with an entry of “0” for valid data. The MO DESE provided eligible counts for all Kansas City and St. Louis districts schools.

¹² Other types of schools include multiple grade levels, such as K-8 or K-12, and non-traditional schools.

¹³ The majority of charter school funding is provided by the state. Charter schools have limited access to local revenues.