

MISSOURI

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I. GENERAL BACKGROUND

State

The major portion of state funds for elementary and secondary education passes through the foundation formula. During the 1998–99 school year, \$2,054 million were distributed to the schools through the foundation program. The foundation formula accounted for \$1,560 million of that amount. The foundation formula accounts for approximately 50% of all the state money spent on elementary and secondary education. This formula was adopted by the Missouri General Assembly in 1993 as part of the Outstanding Schools Act (OSA).

The formula is highly sensitive to the local tax rate and eligible pupil (EP) count. The state, in effect, guarantees each district the same amount of total revenue from local and state sources as would be available to the 95th percentile EP of the state in that student's domicile district for equal tax rates. The 95th percentile EP is determined by ranking all EP of the state by local assessed valuation per EP from low to high and then counting from the lowest to the highest until the 95th percentile eligible pupil was reached.

There is a provision for a minimum payment through the foundation formula to districts no matter how much local wealth a district possesses. This is normally referred to as hold-harmless. Local wealth is a deduction from the amount generated by the EP count and tax rate. EP is the average daily attendance (ADA) of the regular school term plus two times the ADA of a summer school if held. Property tax is the primary source of a district's local receipts. The local tax rate is affected by a statewide one cent sales tax that is distributed to districts on the basis of EP without regard to the local wealth of a district. The local tax rate must be lowered enough to reduce local tax revenue by an amount equal to one-half of the receipts from the state sales tax. There is a provision for the local district voters to pass a waiver to either remove this tax rollback requirement fully or partially. There are some other local taxes such as intangible tax and a tax on state assessed railroads and utilities. The railroad and utility companies are taxed at a rate averaged on a county basis.

The major sources of state revenue are a sales tax and income tax on personal and corporate income. The one cent sales tax dedicated to schools is, by state law, a local tax, although it is administered by the state. Excluding this tax, Missouri schools do not levy a sales tax. Missouri also has a constitutional provision that prevents any statewide property tax from exceeding 10 cents per \$100 in assessed valuation.

Two court cases were filed in the early nineties against the State challenging the school funding formula that was in effect at that time. Those two challenges were combined by the circuit court judge who presided over the case. The judge ruled that the state formula was unconstitutional in both equity and adequacy. While this decision was not appealed to the State Supreme Court, this decision added to the impetus to devise a new formula and helped provide the motivation in 1993 to pass the formula contained in the OSA.

Local

Missouri has 525 school districts. All but two districts operate with seven board members. Those two districts have more than seven. Some districts (73) limit instruction to grade levels lower than grade nine. Generally these districts offer instruction through grade eight and all pay tuition for their students to attend another district's high school. All school districts are fiscally independent.

Property taxes constitute the sole source of local district tax revenue.

Funding Summary 1998-99

Total State School Aid (All Programs)		\$	3,084	million
Grants in Aid	1		3,084	million
Teacher Retirement Contributions			0	million
FICA			0	million
Total Local School Revenue		\$	2,185	million
Property Tax			2,185	million
Other local source tax revenue			0	million
Local source non-tax revenue			0	million
Total Combined State and Local School Revenue		\$	5,269	million
State Financed Property Tax Credits				
Attributable to School Taxes				0

II. LOCAL SCHOOL REVENUE

Property taxes constitute the sole source of local district tax revenue. This source includes an intangible tax on financial institutions' profits, which may technically not be a "property" tax. Virtually all property taxes require voter approval. A board of education may levy a tax rate of \$2.75 per \$100 of assessed valuation without voter approval if necessary and, in fact, is required to do so in order to receive state aid increases. Allowing the board to set a rate of \$2.75, which is the lowest rate permitted for most districts, not only allowed a way for the district to receive increases in state aid but provided a way of keeping the district from lapsing (closing) if the people of the district failed to vote a rate of \$2.75. Tax rates that exceed \$6.00 per \$100 dollars in assessed valuation require an approval of two thirds of those voting on the issue. The property tax raises approximately \$2.2 billion per year. Property assessment by county assessors is evaluated by the State Tax Commission through a sampling process. Residential property is to be assessed at 19% of market value while commercial property is set at 32% and farmland at 12% of a productivity value determined by the University of Missouri. The productivity value is not the "fair market" value of the land.

III. TAX AND SPENDING LIMITS

There is no limit on the tax rate that may be voted by a school district if a two-thirds majority is achieved. School tax rates actually levied vary from \$1.56 per \$100 of assessed valuation (in some wealthy districts that are permitted by law to levy a rate of less than \$2.75) to approximately \$5.45 per \$100 of assessed valuation.

Revenue received from the sale of bonds can only be used for capital outlay expenditures and is limited to 15% of the assessed valuation of the districts.

There are no limitations on fund balance accumulations nor are there restrictions on deficit spending. However, a district with a general operating fund balance of 3% or less is considered to be financially stressed and its financial condition is monitored by the state.

IV. STATE/PROVINCIAL EARMARKED TAX REVENUE

Missouri has limited earmarked taxes. One-half of a tax on the premiums of insurance companies with headquarters outside the State of Missouri is dedicated to a textbook fund for local districts and is distributed to school districts on resident membership. Two taxes on cigarettes are dedicated to schools. One, \$0.06 per pack, goes to the foundation program. The other, \$0.04 per pack, is placed in a "Fair Share" fund and distributed to school districts on average daily attendance. The \$0.01 sales tax administered by the state and dedicated to elementary and secondary education is by state law a local tax and is distributed to school districts on eligible pupils. Excluding this tax, Missouri schools do not levy sales taxes.

Lottery revenue generated in Missouri is shared between the Department of Elementary and Secondary Education and the Coordinating Board for Higher Education as determined by the General Assembly. Revenue from riverboat gaming is used to provide a portion of the funding for the foundation formula.

V. BASIC SUPPORT PROGRAM

General School Aid (Foundation) Formula

Funding in 1998–99: \$1,560 million.

Percentage of Total State Aid: 50.6%.

Nature of Program: Foundation program.

Allocation Units: Eligible pupil (EP) count. This count is an average daily attendance (ADA) for the regular school term and two times the ADA calculated for summer school. The foundation formula includes funding of approximately \$655 for each free and reduced price lunch eligible student.

Local Fiscal Capacity: The tax on locally assessed property, the intangible tax on financial institutions, and an average of school district tax rates within a county applied to the assessed valuation of railroads and utilities, set by the State Tax Commission, equals local fiscal capacity.

How the Formula Operates: The foundation formula is driven by the local school district's EP count, times a guaranteed tax base, times the local general operating tax rate. This product equals the district's entitlement to combined state and local dollars. The guaranteed tax base is the state average assessed valuation per eligible pupil for the third proceeding year multiplied by 2.167.

From the entitlement amount generated by this procedure certain receipts are subtracted. These deductions are:

1. 100% of the local tax rate times the district's assessed valuation times an income factor. The income factor is a modification of the ratio obtained by dividing the district average income per income tax return by the state average income per income tax return.
2. 100% of the intangible tax received.
3. 100% of the fees, fines, escheats, and etc. received.
4. 50% of the total received from the statewide one cent education sales tax (Proposition C).
5. 100% of the "Fair Share" money received from the state (tax on cigarettes).
6. 100% of the "Free Textbook" money received from the state (tax on insurance companies).

To the amount derived in the above portion of the formula an amount is added equal to \$655 times a "free and reduced price lunch" eligible student count. This amount changes from year to year. Federal guidelines for determining free and reduced price lunch eligible students are used to identify the number of students within the district.

State Share: The state share is equal to the entitlement minus the deductions plus the allocation for free and reduced lunch eligible student count. In addition, the state contributes deductions 5 & 6 discussed in How the Formula Operates.

Local Share: The local share is equal to deductions 1, 2, 3, & 4 discussed in How Formula Operates.

There is a required local effort in order to participate in the state aid program. The required local effort is equal to a tax rate of \$1.25 per \$100 assessed valuation. To be eligible to receive any increase in state aid generally a district must have a minimum tax rate of \$2.75 per \$100 of assessed valuation.

Weighting Procedures: There is no weighting by grade level or subject area. The only weighting that exists in the formula is the provision for granting aid for the number of free and reduced lunch eligible students. Through the 1998–99 year each free and reduced price lunch eligible student was weighted at 20%.

Adjustment for Special Factors: The deduction for local assessed valuation made within the formula is adjusted by the “income factor” discussed above. An income factor of less than 1.0 reduces the deduction and a factor greater than 1.0 increases the deduction.

There is a provision that allows a district with increasing enrollment to estimate the current year EP. Districts that do not estimate are paid on the actual number of EP for the preceding school year with adjustments made the following year for any increase in attendance. Districts that estimate are adjusted the following year to correct for the actual EP, either above or below the estimate. No district’s aid is based on less than the preceding year’s EP.

Aid Distribution Schedule: Not reported.

Districts Off Formula: 51 school districts in Missouri would receive less money through the OSA formula than they received during the 1992–93 year using the previous formula. These districts are held harmless to the higher 1992–93 amount per eligible pupil. The average of the hold harmless payments per eligible pupil for the 1998–99 year was approximately \$1,028.

VI. TRANSPORTATION

Funding in 1998–99: \$120.6 million.

Percentage of Total State Aid: 3.9%.

Description: Districts are reimbursed for approved cost of public school pupils enrolled in regular programs, special education programs, and area vocational-technical education programs (Mo. REV. STAT. § 167.231.) Field trips, student body activities, and maintenance miles are not reimbursable. Transportation aid had been capped at \$112 million from 1992–93 through 1997–98. The 1998–99 year received an increase of \$8.6 million bringing the total to \$120.6 million.

State and Local Shares: The state uses a formula to determine approved transportation cost and reimburses the district a maximum of 75% of that amount. Because the transportation appropriation is not sufficient to fund this formula, the state cannot reimburse at the 75% level. A statewide reduction factor is applied to all districts' entitlement in order to stay within the appropriated amount. The formula predicts a cost for each district. Pupil density, total mileage and cost incurred by the districts with similar characteristics are used in the calculation. The district assumes the cost above state reimbursement. Districts that do not exceed 105% of the predicted cost received 67% of the approved cost; districts exceeding 105% may receive reimbursement rates as low as 56%. All costs are based on the previous year's financial data.

Extent of Participation: All districts except three.

VII. SPECIAL EDUCATION

Funding in 1998–99: \$193.4 million.

Percentage of Total State Aid: 6.3%.

Description: Effective with the 1998–99 year the state allocated state special education money based on a new formula consisting of a flat grant for certain positions that deal directly with special education students and a flat grant on the basis of the number of all children who reside in the district and are enrolled in public, private, parochial or home schools. During the 1998–99 school year, school districts received approximately \$13,000 for each approved teacher and approximately \$3.50 for each eligible pupil. Teacher aides and ancillary

personnel working in these programs generated lesser amounts of state money. Remedial reading programs have been funded as separate programs since 1991–92. The allocation for remedial reading was approximately \$11 million (included in Special Education total) in 1998–99 based on \$8,690 per class or approved teacher.

VIII. COMPENSATORY EDUCATION

See Section VII --- Special Education.

IX. GIFTED AND TALENTED EDUCATION

Funding in 1998–99: \$21.0 million.

Percentage of Total State Aid: less than 1%.

Description: Reimbursement for gifted education cost is limited to 75% of the approved program cost. The district provides the remaining 25%.

Extent of Participation: Approximately 290 districts have gifted programs.

X. BILINGUAL EDUCATION

None.

XI. EARLY CHILDHOOD EDUCATION

Funding in 1998–99: \$27.4 million.

Percentage of Total State Aid: less than 1%.

Description: Missouri has a “Parents as Teachers” (PAT) program. Its purpose is to aid parents in the teaching process of their preschoolers. There are two separate programs involving early screening of pre-kindergarten students and parents of 3- and 4-year olds.

Extent of Participation: Not reported.

XII. OTHER CATEGORICAL PROGRAMS

Vocational Education

Funding in 1998–99: \$52.1 million.

Percentage of Total State Aid: 1.7%.

Description: The state supports two types of vocational programs — those administered as part of a comprehensive high school and the programs included in area vocational schools. The area vocational schools are part of and administered by the local school districts. There are 57 area vocational schools.

Extent of Participation: Not reported.

Court Ordered Desegregation

Funding in 1998–99: \$250 million.

Percentage of Total State Aid: 8.1%.

Description: The cost of desegregation is partly appropriated by the legislature through the Department of Elementary and Secondary Education. The portion used for building renovation and construction is funded outside the Department’s appropriation.

Two separate federal court cases mandated the state share the cost of desegregation. One case, *Jenkins v. State of Missouri*, 672 F. Supp. 400 (W.D. Mo. 1987), essentially involved only the Kansas City School District. The other was case, *Liddell v. Board of Education*, 567 F. Supp. 1037 (D.C. Mo. 1983), involved the St. Louis City School District and 16 other districts in a “Voluntary” Interdistrict Transfer (VIT) of students. Approximately 13,000 students are transferred to surrounding schools. Settlement between all parties and the respective federal court was attained in both cases.

Extent of Participation: Not reported.

Career Ladder

Funding in 1998–99: \$36.0 million.

Percentage of Total State Aid: 1.2%.

Description: The state partially funds a program that provides stipends to classroom teachers of up to \$5,000 for the purpose of keeping excellent career teachers in the classrooms. A teacher must provide a plan for the year that, if accomplished, will provide a better instructional program for the students. Teachers must have been classroom teachers for five years before becoming eligible and then may progress from \$1,500 to \$3,000 to \$5,000. The state's reimbursement to local districts is based on a district's assessed valuation per pupil. The poorest districts receive 60% state aid and the more wealthy receive 40%. The state approves the district plan and then, based on that plan, the district certifies to the state the amount due the district at the completion of the school year.

Extent of Participation: Not reported.

XIII. TEACHER RETIREMENT AND BENEFITS

Funding in 1998–99: \$0 million.

Percentage of Total State Aid: 0%.

The state does not participate in either the teachers' retirement program (teachers are not eligible for FICA) or the non-teacher retirement program or FICA for non-teaching personnel. The cost is entirely the responsibility of the local districts and the employees. The contribution rate for teacher retirement is 21% (10.5% from the district and an equal amount from the employee).

XIV. TECHNOLOGY

Funding in 1998–99: \$20.6 million.

Percentage of Total State Aid: less than 1%.

Description: This funding is to implement computer network infrastructure for Missouri's public schools, provide computer access to the Department of Elementary and Secondary Education, and to improve the use of classroom technology.

Extent of Participation: Not reported.

XV. CAPITAL OUTLAY AND DEBT SERVICE

State Aided Programs

General state aid is not provided for capital outlay or debt service.

Local Capital Project Financing

The local district may levy a tax rate in the capital projects fund. School districts by a vote of the residents of the district may bond the district up to 15% of the assessed valuation of the district. The Board of Education then must set a tax rate sufficient to pay the principal, interest, and related yearly cost to retire bonded debt in a maximum of 20 years.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

The Missouri School Improvement Program is designed to promote excellence in the public schools of the state by ensuring that all schools meet certain basic standards in the areas of resource, process, and performance. The State Board of Education places much emphasis on student performance: academic achievement, reading achievement, career preparation, and educational persistence. School districts are accredited based on the level of attainment of the basic standards.

Missouri public school districts are required to have at least a biennial fiscal audit.

XVII. REWARDS/SANCTIONS

None reported.

XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

The Missouri General Assembly in 1998 approved charter schools within the boundaries of the Kansas City and St. Louis City School Districts. The charter school may be sponsored by the respective school district, a community college located in the district, or a public four-year college or university located in the district or in an adjacent county. There were no charter schools during the 1998–99 year but approximately 18 are expected to be open during the 1999–2000 year. The charter school is to receive from the school district in which it is located the

amount of local, state and federal aid generated by each pupil in the charter school.

XIX. AID FOR PRIVATE SCHOOLS

The state provides no aid for private or parochial schools. The Missouri Constitution has a clear and inclusive provision requiring the separation of church and state activities. A “by-pass” is used to flow Title I funds to non-public schools.

XX. RECENT/PENDING LITIGATION

None reported.

XXI. SPECIAL TOPICS

A+ Program

Funding in 1998–99: \$13.9 million.

Percentage of Total State Aid: less than 1%.

Missouri has a grant program entitled the A+ Program which provides grants to school districts to reduce the dropout rate, to eliminate the general track curriculum, and to provide better “career pathways” for all students. The A+ Program encourages the adoption of more rigorous standards by local schools. Students graduating from a school with an A+ Program qualify for state–paid assistance (full tuition and books) to attend any public community college or technical school in the state.