

# How the Missouri school funding formula works

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(Photo: Submitted)

A step-by-step plan for figuring out how much Missouri should spend each year on K-12 education was approved a little over a decade ago.

It's called the Missouri Foundation Formula.

The formula was created to achieve an important goal: Ensure every district has enough funding to provide an adequate education for students, no matter where they live.

It is the third funding plan approved since the mid-1970s and replaced one established in 1993 as part of the Outstanding Schools Act.

"Every time the General Assembly has changed the formula it has always been driven by the threat of a lawsuit, or an actual lawsuit," said Ron Lankford, deputy commissioner of the Missouri Department of Elementary and Secondary Education.

This time was no exception.

Lankford said the newest formula, approved in 2005, was focused on "what is necessary" or adequate to provide a quality education.

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To figure that out, the state looked at the average amount that successful districts — those meeting state expectations — spent to educate their students. In the formula, they are referred to as "performance" districts.

"That is where the calculation begins," he said.

Put simply, the state determines its aid by multiplying state attendance by the state funding target for that year and then adjusting based on local funding and local cost of living.

Understanding the state funding formula involves knowing four key terms:

- Weighted average daily attendance
- State adequacy target
- Dollar value modifier
- Local effort

## Weighted average daily attendance

This is the average number of students who show up to school each day. Since enrollments fluctuate, a district can pick the average from the current year or either of the two previous years — whichever year is highest.

That attendance number is weighted, or multiplied by a factor, if a district has a higher than average concentration of student subgroups that typically require more resources and tend to be more expensive to educate. The weighted subgroups include special education, limited English language proficiency and low-income.

However, districts only receive extra state funding for educating students in those subgroups if they have more than the "threshold" or average amount in the "performance" districts. For example, if "performance" districts have an average low-income rate of 30 percent, the extra state funding would only flow to districts with a low-income rate higher than 30 percent.

## State adequacy target

The adequacy target is a specific dollar amount calculated every other year.

"The adequacy target is the leverage point or focal point that drives the state funding," Lankford said.

It is a key part of the formula because it is designed to make sure students' basic learning needs are met and that the total amount of funding, from one district to another, is equitable or fair.

The state sets the target by looking at how much "performance" or top districts spend, on average, in operating expenses earmarked to educate students.

Lankford said roughly 150 of the state's 518 districts are "performance" districts. The reason the target is evaluated every other year is because that number fluctuates.

In the 2006-07 year, the first year of the new formula, the target was set at \$6,117. It was expected to increase as the formula was phased in.

The target has gone up over time — as high as \$6,716 — but the state has not been able to fully fund that amount. Instead, the target currently used to calculate the formula is frozen at \$6,131.

#### **Dollar value modifier**

This is a way of adjusting for the cost of living in a particular community or part of the state.

The modifier uses factors, such as pay and purchasing power, to figure out how much a district will have to pay employees and afford other expenses in that city or county.

There is a baseline, but districts in areas with a higher cost of living typically receive additional state aid.

#### **Local effort**

Under the formula, the state looks at how much funding each district can generate to provide an education. In general, the more money a district can generate in property taxes, the less it may receive from the state.

However, the "local effort" amount for each district is frozen in time. It is based on that district's property tax amount in 2005, the year before the new formula went into effect.

"The reason that it doesn't change is that, under the old formula, (the local effort component) changed every year so school districts would get more money one year and have to give it back the next," Lankford said. "There were so many complaints that they (the state) just decided to make it a constant."

While those four terms are the heart of the formula, there is another factor that plays a significant role.

The "hold harmless" provision in the formula that prevents roughly 200 of the 518 Missouri districts — or 38 percent — from receiving less funding than they did the 2005-06 school year. Many of those districts are small or low-income.

Lankford said the safety net is there so make sure the districts that need the greatest assistance can get the help without taking away funding from the others.

"Every time the state of Missouri has changed formulas, they have maintained a 'hold harmless' provision," Lankford said.

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