

Missouri Maintenance of Equity Variances

The American Rescue Plan Act (ARP) of 2021, Public Law 117-2, enacted March 11, 2021, contains a new provision as a condition for state education agencies to receive ESSER III COVID-19 funds from the U.S. Department of Education (USED).¹ In return for the approximately \$1.96 billion provided under ARP, Missouri must maintain funding for its highest-poverty and high-need local education agencies (LEAs), as defined by USED. Maintenance of Equity (MOEquity) is a federally prescribed calculation in which a per-student calculation is determined by dividing the total state funding to each LEA by the number of enrolled students in specified years. The difference in per-student support between years is used to determine if MOEquity is met.

Considering the best available data, funding for some Missouri LEAs does not meet the technical definition of MOEquity. These variances are not due to lower state funding appropriations, but rather a function of the interplay of prescribed funding mechanisms and LEA specific data points. This report outlines a variety of potential variances that could result in an LEA receiving less funding per enrolled student as a result of those variances.

While Missouri agrees with the intent of MOEquity, the calculation method is not fully compatible with the current Missouri state funding system and does not reflect the interaction with local variables impacting funding for highest-poverty and high-need LEAs.

Attendance Dependent Calculations

By statute, many of Missouri's funding streams are based wholly or in-part on *average daily attendance (ADA)* or *weighted average daily attendance (WADA)* rather than *enrollment*. Fluctuation in student attendance rates from year to year can increase or decrease funding even when enrollment remains constant, resulting in variances in per pupil state funding when considered on an enrollment basis.

Foundation Formula

The prescribed MOEquity calculation in some cases conflicts with Missouri's complex school foundation funding formula, which strives for the adequate and equitable distribution of state funding to public school districts as required by Section 163.011, RSMo. The formula codified in statute was the result of legislation initially passed in 2005, with a variety of technical revisions since that time. Several factors within the formula can impact the final funding level per student in a given LEA.

Foundation Formula - Attendance

In the foundation formula, funding is based on ADA for the highest of the second prior year, the prior year, or the current year. The foundation formula includes ADA for the regular school term (highest of the three years) and the current year summer school ADA. That total is adjusted for the percentage of students who qualify for free and reduced lunch, are identified under IDEA, or who are identified as limited English proficiency if the percentage exceeds the state's thresholds for the year. Such students are weighted at different levels and added to the ADA to generate a weighted ADA (WADA) for formula payment purposes. The weighting thresholds are adjusted every two years under the formula statute and can result in fluctuations in student counts for payment purposes. As a result, fluctuations in

¹ PL 117-2 § 2004.

funding can occur independent of the current enrollment of an LEA even when total state funding levels for the formula have increased.

Foundation Formula - Summer School

LEAs are not required to offer summer school in any given year. Decisions about offering summer school are made based on a number of factors, including student need, teacher availability, and small schools status (see Small Schools Grant below). Summer school attendance hours generate additional revenue under the foundation formula with offsetting expenses for the LEA. Since this programming is optional, the revenue generated by summer school has been removed from the state MOE equity calculation.

Foundation Formula - Hold Harmless

The Missouri foundation formula includes two distinct hold harmless provisions. Because of the nature of the origin of the foundation formula, some districts stood to lose funding as compared to the prior funding formula. Districts with more than 350 ADA are guaranteed not to receive less on a per ADA basis than under the prior formula. Districts with 350 ADA or fewer are guaranteed not to receive less in total state aid than under the previous formula. In such instances, any increase in enrollment from one year to the next can result in a lower per pupil funding total.

Foundation Formula – Dollar Value Modifier (DVM)

The foundation formula includes a DVM multiplier factor that takes into account local wage rates. This factor is recalculated annually under the formula statute based on current data. A decrease in local wage rates can reduce the DVM factor and the funding an LEA receives through the foundation formula. If enrollment is otherwise constant, the result can be less state aid per student enrolled.

Small Schools Grant

The foundation formula statute includes a provision for additional funding for schools with 350 ADA or less. This grant has two separate funding streams, both of which are based on prior year ADA totals. A district that has increased enrollment for the current year could show a decrease in per pupil funding given the reliance on prior year ADA totals. One of the included funding streams includes a local tax rate component. A local tax levy might decline due to reassessment, generating less revenue through the grant for that district despite the statewide grant amount receiving the same appropriation.

Transportation Formula

LEAs receive partial funding for transporting eligible students to and from school through a complex multiple linear regression formula that includes miles traveled, student ridership counts, and transportation expenses. Prior year data is used to determine funding for the current year, which can result in increases or decreases in the funding level from the formula independent of the current enrollment of the LEA. As a result, funding can decrease for an LEA even when overall state appropriations for the transportation formula increases.

Career and Technical Education Funding

Many LEAs receive additional funds to support Career and Technical Education (CTE) programming. The primary CTE Base and Performance Grant provides funding based on CTE course offerings, student enrollments, and student placements after high school. The funding is based on prior year data, which

can result in increases or decreases in funding for a given LEA when the state appropriation is unchanged.

High Need Fund

Missouri provides some reimbursement for costs of educating special education students when costs exceed three times the average per pupil cost in an LEA. This reimbursement is based on prior year actual expenditures. As a result, student mobility and changes in level of services through the IEP can have significant impacts on this funding stream for a given LEA even when the state appropriation is unchanged.

Publicly Placed Students

Missouri provides some additional support for districts that serve students who are placed in a public facility by a state court or state agency. The reimbursement is based on prior year enrollment and expenditure data, prorated by the total state appropriation. As a result, funding for a district can increase or decrease when the state appropriation is unchanged.

State School Foods Payment

LEAs receive some state support for their school lunch programs. The reimbursement is based on the prior year meal counts relative to the available appropriation. Meal participation can fluctuate from year to year and the reimbursement can increase or decrease for an LEA even when enrollment and/or the state appropriation remains constant.

Summary

Missouri funds LEAs through a variety of complex funding streams. Many are formula based and most are driven by prior year data. The fluctuations in local factors can impact many of the state funding streams independently of current year enrollments, making per pupil revenue comparisons from year to year difficult at best. Missouri has increased overall funding for PK-12 education in FY2021 and FY2022. No high-poverty or high-need LEA has received less funding as a policy or funding priority choice, but some LEAs may have declines in state funding as a result of local factors that influence the MOEquity calculation.