



# Missouri Charter School Funding

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*Charter schools operate in 44 states and the District of Columbia, yet no two states look alike in the laws that authorize them. In Missouri, funding for charter schools has been one of several points of contention since charter schools first began operating 20 years ago. Missouri charter schools operate only in Kansas City and St. Louis. Both charter schools and traditional school districts are public schools. Charter schools in St. Louis and Kansas City receive funding using the same funding formula used in the local districts (SLPS and KCPS).<sup>1</sup> However, what is considered “local revenue” and the method by which it is distributed under state law are persistent sources of conflict. In addition, options for facilities funding are very different for traditional school districts and charter schools. Many states have direct funding or funding that is accessible to support charter school facilities, but this funding is not available in Missouri. With approximately 7 percent (more than 60,000) of Missouri’s public school students educated in Kansas City and St. Louis, the funding of charter schools merits serious policy consideration.*

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## Special points of interest:

- Charter schools in St. Louis and Kansas City receive funding using the same funding formula used in the local districts (SLPS and KCPS).
- Enrollment changes in Kansas City Public Schools and Kansas City charter schools may soon reach a point that leaves the state without a mechanism to pay Kansas City charter schools their share of local revenue.
- What constitutes “local revenue” has been challenged by both St. Louis Public Schools and the St. Louis charter schools.
- School districts may bring tax levy and bond proposals to voters of the district to support facilities; charter schools do not have that authority.

## Introduction

Charter schools have been operating in the United States since 1991 when Minnesota opened the first charter school. Legislation authorizing the operation of charter schools in Missouri passed in 1998,<sup>2</sup> and since that time charter schools have been at the center of education policy discussions. Charter schools have both supporters and opponents, but with 20 years of operation in Missouri, the charter school sector is firmly established. Despite two decades of charter schools in Missouri, there is a continuing dispute over how to fund these schools. Disagreements over funding have resulted in actions involving the Missouri Department of Elementary and Secondary Education (DESE) and the State’s legal system.

Charter school laws are complex and difficult to analyze or compare across states. Each feature of charter schools—authorization, funding, governance, and accountability—is addressed differently depending on the underlying state laws. In this policy brief, we will review three aspects of Missouri charter school funding: distribution and level of funding, local taxes, and facilities.

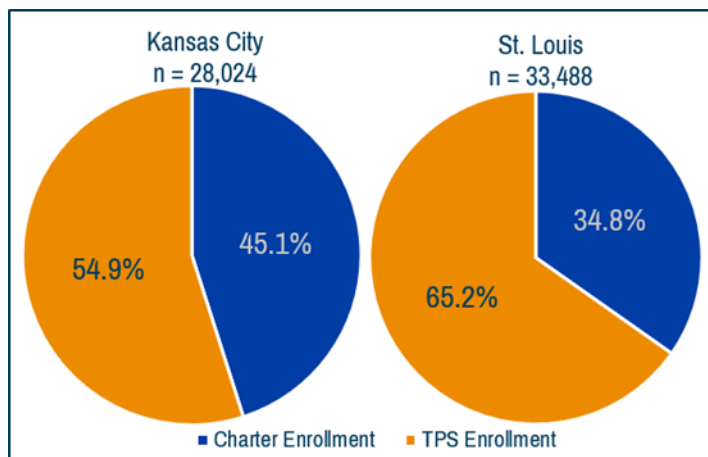
## Distribution and Level of Funding

Forty-four states and Washington, D.C., have charter schools.<sup>3</sup> States’ laws on how charter schools are funded are unique to each state. Many states’ laws dictate the operational and governance structure for charter schools, as well as how funding is generated and distributed. In most states, state and local funding is distributed to charter

schools based on the same formula that is used for traditional school districts. In Louisiana and Wisconsin, there is a formula for state funding that is specific to charter schools.<sup>4</sup>

Charter schools receive permission to operate from charter school authorizers. Known as “sponsors” in Missouri, authorizers are the entities that hold charter schools accountable to the charter school contract and ensure that the schools are in compliance with federal and state law. Missouri state law defines the entities eligible to sponsor charter schools, and DESE is responsible for approving and renewing charter school sponsors.<sup>5</sup>

*Figure 1: Percentage of Enrollment by School Sector, 2018-19*



Another common feature of charter school laws is for a percentage of funding to be retained by the authorizer to cover administrative costs. In Missouri, the amount authorizers can retain is capped at the lower of 1.5% or \$125,000. This amount is lower than the typical amount authorizers can withhold in other states, which typically ranges from 2-5%. Oregon is an outlier on the high end at 20%.<sup>6</sup> In charter schools managed by education management organizations (EMOs), a portion of funding may go to the EMO. Missouri does not currently have any charter schools managed by EMOs, but in states like Michigan where most of the charter schools are managed by EMOs, this additional cost is taken from the overall funding to charter schools and reduces the amount of funding left for instruction and school operations.<sup>7</sup>

**Table 1: Unique Features in State Charter School Finance Laws**

Charter School Finance Laws	State
Eligible for additional funding based on outcomes	Arizona, Idaho
Receive funding as determined by the state board of education	Arkansas (open enrollment charter schools)
Receive local funding only if approved by voters in the local district (state chartered schools)	Georgia
May propose an alternative formula to their authorizer/sponsor	Hawaii
Receive local funding at the discretion of the local district	Kansas
May receive additional equipment, furniture, etc. from the state board of education	Maryland
Must reimburse local district any surplus revenue in excess of 20% of operating budget	Massachusetts

Source: Education Commission of the States (2018). Retrieved from <https://www.ecs.org/charter-school-policies/>

## Local Taxes

In the early years of operations, Missouri charter schools were not independent local education agencies (LEAs); they received their local revenue directly from the local school district. However, in 2007, the law changed to allow charter schools to be independent LEAs. DESE was then given the responsibility to calculate and distribute the equivalent amount of local revenue due to charter school LEAs and to deduct the amount from the local district’s state funding.

In Missouri, both school districts and charter schools receive state funding according to weighted average daily attendance (WADA).<sup>8</sup> Because the local school district is the political subdivision and taxing authority for the local revenue, those monies collected go directly to the district. The district retains the local revenue funds, and the state takes the local revenue due to the charter schools from the state funding owed to the district.<sup>9</sup> When looking at DESE data, the representation of proportions of state and local revenue will be distorted because of this distribution method outlined in state law. Kansas City and St. Louis have each faced technical and legal difficulties with the collection and distribution of local funding as it relates to charter schools.

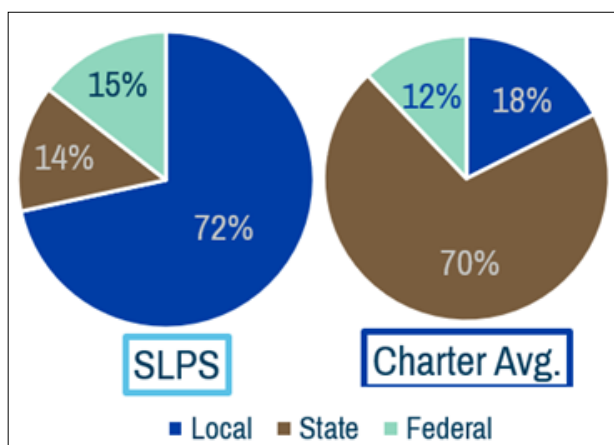
### Kansas City

Kansas City has reached a critical juncture under the current method of funding distribution. The amount of local revenue owed to Kansas City charter schools is very close to surpassing the amount of state revenue owed to Kansas City Public Schools (KCPS). Proposals to rectify this situation by pulling funds from other sources are not feasible or allowable. Redirecting federal money is not an option, nor is using other state money with a statutory formula for distribution (e.g., Proposition C)<sup>10</sup> or that is paid as a reimbursement (e.g., transportation).<sup>11</sup>

Given the restrictions of the various funding streams, only two funding sources can be used to redirect funds to cover the local revenue due to the charter schools: Basic Formula-State Monies and Basic Formula-Classroom Trust Fund. Should KCPS lose additional enrollment and/or Kansas City charter schools increase enrollment, thereby affecting WADA, the state will be left without a way to distribute the local revenue owed to the charter schools. Because of this, the distribution of local revenue has reached a crisis point in Kansas City with no path forward under current state law.

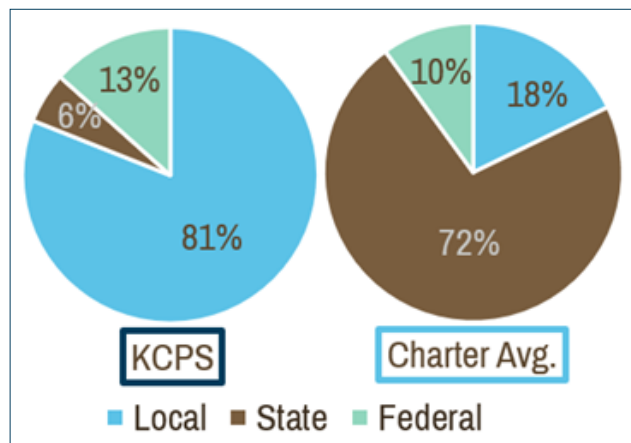
### St. Louis

**Figure 3: SLPS and Average St. Louis Charter School Revenue Sources, 2017-18**



Upon becoming an LEA, St. Louis Charter School (now Premier Charter School)<sup>12</sup> noted that their local revenue share under the DESE calculation was different than what had previously been distributed from the local district. The difference came from the distribution of local sales tax connected to the desegregation settlement in St. Louis. Under DESE’s calculation, revenue from the desegregation sales tax was included in the local tax effort to be distributed to both St. Louis charter schools and SLPS. Prior to 2008, before St. Louis Charter School was an independent LEA, SLPS had not included this local sales tax as part of the local effort to be distributed to the charter schools. In 2008, St. Louis Charter School made a written request to DESE for back payment of local sales tax revenue from 2003 to 2007.<sup>13</sup> DESE denied the request, and at the risk of oversimplifying, triggered a battle over the desegregation sales tax that has lasted for years.

**Figure 2: KCPS and Average KC Charter School Revenue Sources, 2017-18**



## Legislative Proposals on Local Funding

SCS Senate Bill 271 (2019) included language that would revise local revenue distribution to charter schools so that the local revenue would be distributed to the charter school by the school district, and the state would not be responsible for distributing the amount of local revenue due to charter schools by deducting it from the state funding payment to the school district.

However, the proposal in SCS Senate Bill 271 called for two critical differences from the prior distribution of local revenue: 1) DESE would calculate the local revenue due to the charter schools; the local district would simply distribute it. 2) DESE would publish on its website the calculated amount of local revenue, making the process fully transparent to all stakeholders and the public.

## Facilities

The State of Missouri does not provide direct funding for facilities to charter schools or to school districts. Traditional public school districts have the opportunity to fund facilities through tax levy increases and bond issues that can be placed on the ballot to be decided by the voters of the district. Charter school boards do not have standing to place levy and bond issues on the ballot.

How charter schools can access facilities funding differs greatly across states, but in most states, there is some mechanism by which charter schools can apply for or receive funds. In many states, funding is accessible, though not automatically given, to any charter school or school district.

In Florida, charter schools serve approximately 10% of the public school population statewide. Recently a law was enacted that will require tax increases to support facilities that were passed by local voters to be distributed to school districts and charter schools beginning in 2018. This had not been a source of revenue that charter schools could receive prior to the legislation.<sup>14</sup>

Charter schools in some states have access to funds specifically for charter schools or for any public school. Many states offer facilities funding (whether automatically or by competitive grant) for any school district or charter school.

**Table 2: States with Options for Facilities Funding for Charter Schools**

Options for Facilities Funding	State
Incorporate facilities funding into state appropriation	Arizona, Alaska, Colorado, Idaho, Massachusetts, Minnesota, Mississippi, Ohio, Tennessee, Utah, Wyoming, and Washington, D.C.
Offer charter schools priority access to vacant school buildings	Georgia, Maine, Mississippi, North Carolina, and Washington
Make state facility funding available to charter schools	Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Indiana, Louisiana, Maryland, Massachusetts, Michigan, Missouri, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, and Wisconsin

Source: Education Commission of the States (2018). Retrieved from <https://www.ecs.org/charter-school-policies/>

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In addition, some states have laws about access to existing but unused school buildings. Unused school facilities in Georgia and North Carolina must be equally available to school districts and charter schools. In Maine, Mississippi, and Washington, charter schools have first right of refusal on vacant public school facilities. Maine charter schools can also purchase or lease any state facilities at below market value. Kentucky does not fund facilities for charter schools. Oregon charter schools, like Missouri, fund facilities primarily from their state appropriation.

Missouri charter schools, as well as any school district, may apply for funds under state financing programs. The Missouri Health and Educational Facilities Authority has issued bonds to charter schools in three instances: St. Louis Charter School (2002), \$6.1 million; Académie Lafayette (2003), \$2.6 million; and Ewing Marion Kauffman School (2012), \$52.1 million. Charter schools may also apply to Local Industrial Development Authorities (IDAs) for assistance with financing. Previously, there were Qualified Zone Academy Bonds (QZABs), which can help charter schools cover the costs associated facilities. KIPP: St. Louis was awarded \$11.8 million. In QZABs during the 2017-18 school year.

Three Missouri charter schools have received facilities assistance through IDAs: Confluence Academy (2007), \$23.7 million; Allen Village School (2006), \$4.8 million; and Derrick Thomas Academy Charter School (2007), \$10.6 million.<sup>15,16</sup>

## Policy Implications

Since charter schools can only enroll students who live within the boundaries of St. Louis Public Schools and Kansas City Public Schools, new charter school students are most likely coming from those school districts.<sup>17</sup> When a local school district loses a moderate number of students spread across different grade levels and different buildings, they are unlikely to see savings in any of their fixed costs. However, with every student who transfers to a charter school, the school district sees a reduction in revenue associated with that student.

Another pressing issue in charter school funding has a viable solution, but would require a change to state law. The current law dictates a distribution method for local revenue that will soon be unworkable and will leave charter schools without a way to receive their portion of local revenue. In 2019, a legislative proposal provided a solution, but the legislation did not pass and the problem persists.

In addition, although charter schools receive the same state and local funding per pupil, charter schools must set aside 1.5% of their state and local revenue for charter sponsor fees. Finally, charter schools lack taxing authority or bonding capacity, significantly limiting their ability to obtain facilities. While state laws on charter school facilities funding differ considerably, states use many different models Missouri could consider to address persistent issues in charter school funding.

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## References

<sup>1</sup>§160.415, RSMo.

<sup>2</sup> Senate Bill 778 (1998) Missouri General Assembly. <https://www.senate.mo.gov/98info/billtext/tat/SB781.htm>

<sup>3</sup> In June 2019, West Virginia passed legislation authorizing operation of charter schools.

<sup>4</sup> Education Commission of the States (2018). Retrieved from <https://www.ecs.org/charter-school-policies/>

<sup>5</sup> §160.400.3 and §160.403, RSMo.

<sup>6</sup> Education Commission of the States (2018). Retrieved from <https://www.ecs.org/charter-school-policies/>

<sup>7</sup> Arsen, D. and Y. Ni (2012). "Is Administration Leaner in Charter Schools? Resource Allocation in Charter and Traditional Public Schools." *Education Policy Analysis Archives* 20(31).

<sup>8</sup> Weighted average daily attendance (WADA) is the district's or charter school's average daily attendance plus additional weighting according to the state funding formula for English language learners, students of low income, and students with special needs. §163.011(20), RSMo. KCPS, SLPS, Kansas City charter schools, and St. Louis charter schools are all paid under the state funding formula's "hold harmless" provision, which is based on the 2005-06 state funding payment.

<sup>9</sup> §160.415.4, RSMo.

<sup>10</sup> §163.087, RSMo.

<sup>11</sup> §163.161, RSMo.

<sup>12</sup> St. Louis Charter School changed its name to Premier Charter School in 2013-14.

<sup>13</sup> The request was documented in *State of Missouri, ex rel. Saint Louis Charter School v. State Board of Education*. (2012). Western District of Missouri. WD74318

<sup>14</sup> Baxter, P., et al. (2018). "A Bigger Slice of the Money Pie: Charters in Colorado and Florida Win Share of Local Tax Dollars." *Education Next* 18(2): 32-38.

<sup>15</sup> Derrick Thomas Academy closed in 2013.

<sup>16</sup> Abraham, R., et al. (2014). 2014 Charter School Facility Finance Landscape. Local Initiatives Support Corporation: 88.

<sup>17</sup> Students who live within the school district boundaries and attending homeschool or private school may also enroll in charter schools.



## Appendix

The funding formula for state revenue and the calculation of local revenue results in equal funding per weighted ADA for St. Louis Public Schools and charter schools in the district. This establishes the baseline amount that all LEAs (SLPS and St. Louis city charter schools) in the city receive. Differences in overall revenue is not necessarily a statement on equity. Rather, these show differences in revenue streams available to different schools such as summer school enrollments, special education funding, available Federal Title funding, and fundraising. Additionally, charter schools must fund facilities from their general revenue, which leads to an increased cost when new schools open or existing schools expand.

**Appendix 1: Total Revenue per Average Daily Attendance (ADA), St. Louis City**

	Pct. Local	Pct. State	Pct. Federal	Total Revenue	ADA	Total Revenue per ADA
St. Louis Public Schools	72%	14%	15%	\$428,447,438.97	20,367.6822	\$21,035.65
Carondelet Leadership Academy	9%	76%	15%	\$4,848,794.48	376.1266	\$12,891.39
City Garden Montessori	41%	55%	4%	\$3,602,775.22	231.7300	\$15,547.30
Confluence Academies	10%	75%	15%	\$34,216,478.94	2,543.3099	\$13,453.52
Eagle College Prep	10%	75%	15%	\$7,602,462.63	569.4237	\$13,351.15
Gateway Science Academy	13%	79%	8%	\$14,901,064.93	1,320.7500	\$11,282.28
Grand Center Arts Academy	24%	68%	8%	\$8,797,880.70	651.5702	\$13,502.58
Hawthorn Leadership School	33%	56%	11%	\$2,928,113.41	177.3049	\$16,514.57
KIPP: St. Louis*	29%	56%	15%	\$39,308,450.60	1,602.4671	\$24,529.96
La Salle	11%	75%	14%	\$1,482,053.38	111.0133	\$13,350.23
Lafayette Prep	15%	78%	7%	\$2,978,232.23	252.8472	\$11,778.78
Lift for Life	31%	58%	10%	\$8,909,540.47	538.2987	\$16,551.29
North Side Community School	19%	68%	13%	\$5,158,717.00	362.2513	\$14,240.71
Premier Charter School	13%	77%	11%	\$11,650,987.15	869.4281	\$13,400.75
St. Louis Language Immersion School	12%	76%	11%	\$8,019,377.97	633.2677	\$12,663.49
St. Louis College Prep	12%	75%	13%	\$4,581,618.05	328.5034	\$13,946.94
The Biome	28%	62%	10%	\$1,758,137.00	123.9113	\$14,188.67
The Arch Community School	40%	49%	11%	\$1,084,223.85	51.4565	\$21,070.69

Note: Authors' calculations based on revenue reported for 2017-18 in each school's Annual Secretary of the Board Report  
 source: <https://apps.dese.mo.gov/ASBR/PublicView.aspx>

\*KIPP St. Louis was awarded Qualified Zone Academy Bonds (QZAB) totalling \$11,828,000 in 2017-18, which is listed in their Capital Projects Fund and included in their total revenue for 2017-18. Without these grant dollars, KIPP's total revenue per ADA is \$17,149. Detailed information on each school's revenue is noted in the Annual Secretary of the Board Reports.

## Appendix

The funding formula for state revenue and the calculation of local revenue results in equal funding per weighted ADA for Kansas City Public Schools and charter schools in the district. This establishes the baseline amount that all LEAs (KCPS and Kansas City charter schools) in the city receive. Differences in overall revenue is not necessarily a statement on equity. Rather, these show differences in revenue streams available to different schools such as summer school enrollments, special education funding, available Federal Title funding, and fundraising. Additionally, charter schools must fund facilities from their general revenue, which leads to an increased cost when new schools open or existing schools expand.

**Appendix 2: Total Revenue per Average Daily Attendance (ADA), Kansas City**

	Pct. Local	Pct. State	Pct. Federal	Total Revenue	ADA	Total Revenue per ADA
Kansas City Public Schools	81%	6%	13%	\$247,214,109.54	14,005.8615	\$17,650.76
Académie Lafayette	24%	72%	3%	\$11,912,122.18	1,002.2026	\$11,885.94
Academy for Integrated Arts KC	20%	68%	12%	\$2,589,822.37	178.0445	\$14,545.93
Allen Village	10%	78%	11%	\$8,150,844.48	604.0282	\$13,494.15
Brookside Charter School	11%	76%	13%	\$7,844,939.45	606.8148	\$12,928.06
Citizens of the World	28%	65%	7%	\$2,900,868.24	202.8301	\$14,301.96
Crossroads Charter Schools	37%	58%	5%	\$11,611,074.99	740.4002	\$15,682.16
DeLaSalle Charter School	57%	35%	8%	\$3,413,499.65	115.1212	\$29,651.36
Ewing Marion Kauffman School	36%	56%	7%	\$15,511,758.17	884.5456	\$17,536.41
Frontier Schools	10%	80%	10%	\$24,085,532.38	1,571.7821	\$15,323.71
Genesis School Inc.	24%	64%	12%	\$4,235,249.34	272.9358	\$15,517.38
Gordon Parks	37%	53%	10%	\$3,184,333.90	159.6085	\$19,950.90
Guadalupe Centers Schools	10%	81%	8%	\$18,507,221.11	1,108.4563	\$16,696.39
Hogan Prep	11%	74%	15%	\$13,821,728.72	973.9461	\$14,191.47
Hope Leadership Academy	12%	71%	17%	\$1,578,889.12	99.8486	\$15,812.83
KC International Academy	11%	76%	13%	\$10,187,954.91	614.1042	\$16,589.95
KIPP: Endeavor	15%	74%	11%	\$7,402,131.64	505.4802	\$14,643.76
Lee A. Tolbert Comm. Academy	11%	74%	15%	\$6,610,723.76	486.1267	\$13,598.77
Pathway Academy	15%	66%	19%	\$3,205,787.14	213.0245	\$15,048.91
Scuola Vita Nuova	20%	72%	8%	\$4,339,951.36	235.6935	\$18,413.54
University Academy	13%	77%	10%	\$13,593,652.92	1,117.4593	\$12,164.79

Note: Authors' calculations based on revenue reported for 2017-18 in each school's Annual Secretary of the Board Report source: <https://apps.dese.mo.gov/ASBR/PublicView.aspx>