



FIXED: AN ANALYSIS OF MISSOURI'S FOUNDATION FORMULA AND HOW STATIC LOCAL EFFORT LEADS TO INCREASED INEQUITIES

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Fixed: An Analysis of Missouri's Foundation Formula and How Static Local Effort Leads to Increased Inequities

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Missouri's current school funding formula was instituted in 2005. The foundation formula determines how much aid a school district will receive from the state by first determining how much aid the district should have to provide an adequate education, as determined by a formula, and then subtracting how much can be raised locally.

By design, school districts with low property tax bases will receive more per pupil than their more affluent peers. The following report examines an original feature that has become a bug in the funding formula, potentially undermining what the formula was originally designed to do.

- State funding by district depends first and foremost on "local effort," which is an estimate of the local property tax base.
- It is important to note the local effort used in this calculation is based on 2005 property valuations. It is fixed.
- As property values have changed over time, the state has continued to use 2005 values.
- In this paper, I show how using fixed values leads to greater inequities.
- Moreover, I demonstrate that adjusting to a dynamic model that utilizes more recent property values would increase equity among school districts.

The following paper provides a primer in state education funding formulas, and a lesson in unintended consequences.

1.0 Introduction

Passed in 2005, Senate Bill 287 sought to remake Missouri’s funding formula for public education. The bill summary states the desire of the new funding model:

Currently, the state’s education formula is essentially an equalized tax-rate driven formula, meaning that the formula provides a certain amount of money per student, per penny of tax rate. This act seeks to transition the state away from this tax-rate driven philosophy to a formula that is primarily student-needs based.

By changing the funding formula, the state was hoping to achieve two goals. First, the state wanted to ensure that each school district received an *adequate* amount of funds to educate students. Second, the state sought to increase *equity* among school districts.

Four basic parts in the funding formula help determine how much state aid a school district will receive: the weighted average daily attendance (WADA), the dollar value modifier (DVM), the state adequacy target (SAT), and local effort.ⁱ The state uses WADA instead of enrollment or average daily attendance in an effort to provide additional assistance to school districts with high concentrations of students with special needs or from disadvantaged backgrounds; these students are “weighted” and count as more than one student in districts with high concentrations. As such, WADA helps to increase equity in the funding formula. The DVM is an adjustment which provides school districts additional funds if they are in an area with a higher cost-of-living, such as Kansas City and Saint Louis. The SAT is the base dollar amount the state has determined is an “adequate” amount of funding to educate a child. By multiplying WADA by the DVM and the SAT, we determine how much revenue a school district should have to educate each child in the school district.



ⁱ Shuls, J. V. (2012). A primer on Missouri's Foundation Formula for K-12 public education. *Show-Me Institute, "Policy Study,* (35).

In Missouri, the funding formula relies on both local and state dollars. As such, Missouri's funding formula can be thought of as a partnership between the state and local school districts.

To determine how much the state should provide to the school district, the state subtracts out how much revenue a school district can raise locally. Here again is a way in which the funding formula increases equity among school districts. School districts in more affluent parts of the state will have higher property values and, therefore, will have higher local effort than districts in less affluent areas. As a result, the state provides more assistance to school districts with greater need.

Unlike the other portions of the formula, however, local effort is not a "true" estimate of how much school districts raise locally. Local effort is derived by multiplying a district's 2005 assessed valuation by what is known as the performance levy, \$3.43 per \$100 of assessed valuation. Residents in school districts can choose to tax themselves more or less than the performance levy. In 2018, the year used in this analysis, 216 of 515 school districts taxed themselves at a rate lower than \$3.43. In short, local effort is calculated by assuming a district will tax themselves at a specific rate, \$3.43 of assessed valuation, and is pegged to 2005 property values. This fixed, or static, assessment of local effort is a key issue in this paper.

In this analysis, we are not concerned with the variation in actual revenue and the formula estimated revenue caused by differences in tax rates. After all, school districts and their residents have the ability to set these rates and are, to some extent, responsible for this variation. Using a property tax assessment fixed to 2005 valuations, however, is a matter of state policy. It is possible that this policy could lead, over time, to greater inequities in the state's funding formula.

1.1 Understanding Local Effort

Take for example two hypothetical school districts (Table 1). Both school districts have a WADA of 1,000 and are in an area with a DVM of 1.0. In 2005, these two hypothetical school districts even had the same assessed valuation, \$50,000,000. As a result, they receive an equal allotment of funds from the state through the funding formula, \$4.593 million. Over time, however, the assessed valuation (AV) of property grows at a slower rate in one district. By 2018, the low growth district's assessed valuation is \$75 million, while the high growth district's AV is \$100 million. Yet, since the formula is based on 2005 property values, the two districts will continue to receive the same amount of state funding, \$4.593 million. As a result, the high growth school district will now have \$858,000 more aid available than the low growth district, a difference of \$858 per pupil.

Table 1. Impact of Changes in Assessed Valuation in Two Hypothetical School Districts

		Low Growth District	High Growth District
District Characteristics	WADA	1,000	1,000
	DVM	1.0	1.0
	SAT	\$6,308	\$6,308
	Total Needed (WADA x DVM x SAT)	\$6,308,000	\$6,308,000
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Revenue Calculation Using 2005 Assessed Valuation	Assessed Valuation 2005	\$50,000,000	\$50,000,000
	Performance Levy	\$3.43 per \$100 of assessed valuation	\$3.43 per \$100 of assessed valuation
	Local Effort	\$1,715,000	\$1,715,000
	State Aid	\$4,593,000	\$4,593,000
	Total Revenue	\$6,308,000	\$6,308,000
<hr/>			
Revenue Calculation Using Actual Local Effort and State Aid Based on 2005 Assessed Valuation	Assessed Valuation 2018	\$75,000,000	\$100,000,000
	Local Effort	\$2,572,500	\$3,430,000
	State Aid	\$4,593,000	\$4,593,000
	Total Revenue	\$7,165,000	\$8,023,000

This example is a bit simplistic, but it illustrates the issue at hand. If the state continues to hold local effort constant, at 2005 levels, the funding formula will increasingly favor school districts with higher rates of growth in assessed valuation. These tend to be wealthier school districts.

The formula will increasingly become less progressive. On average, from 2005 to 2018, school district assessed valuations increased by 67.7 percent.ⁱⁱ These changes, however, were not uniform. At the 25th percentile, districts saw an increase in assessed valuation of 63.0 percent; at the 75th percentile the increase was 72.7 percent. At the top, the 99th percentile almost doubled assessed valuation, 95.0 percent. The bottom line is that school districts have grown at different rates since 2005. Nevertheless, districts continue to receive funding based on 2005 property values.

1.2 Hold-Harmless

When the legislature enacted the current foundation formula, it included a hold-harmless provision. Often, hold-harmless provisions are instituted as a political compromise. These provisions are a way to ensure school districts will not lose funds when switching to a new formula.ⁱⁱⁱ Policymakers may choose to sunset

ⁱⁱ This figure represents the average district, not the state average.

ⁱⁱⁱ Shuls, J. V., & Lueken, M. F. (2023). How States Protect Funding for K-12 Public Schools: A Primer on Funding Protection Policies. *EdChoice*.

hold-harmless provisions over time or to phase them out. No such provision was included in Missouri's hold-harmless clause.

Under the foundation formula, Missouri public school districts can choose if they want to be a "formula" district or if they wish to be held-harmless.^{iv} Districts make this decision annually. If a school district would have received more funds under the old funding formula, as compared to the new formula, the district chooses to be held-harmless. Essentially, this is a guarantee that a school district's funding will not decline below what they received prior to the switch to the current formula. Each year, roughly one-third of all public school districts are held-harmless.

There are two different types of hold-harmless provisions, depending on school district size. School districts with fewer than 350 students are guaranteed the exact same amount of total state aid as they received in 2005-06. Meanwhile, school districts with more than 350 students are guaranteed they will receive the same amount of funding per-pupil.

1.3 Overview of Paper

This paper seeks to estimate the level to which the current funding formula with a fixed local effort has, over time, led to increased funding for some school districts. I do this in two ways. First, I estimate the impact of updating how local effort is calculated. Instead of using assessed valuation from 2005, as is the current practice, I estimate how much state aid each school district would receive if 2018 assessed valuations were used to calculate local effort. Because assessed valuation tends to increase over time, a drop in state aid should be expected by this change.

To offset the drop in state aid, I demonstrate the impact of moving to a dynamic funding formula that would be capable of annually updating local effort while maintaining a consistent level of state funding. To do this, the State Adequacy Target (SAT) would need to be adjusted upwards. In this analysis, I adjust the SAT to a level that will keep the total amount of state formula aid almost constant.

^{iv} See Missouri Revised Statute 163.031: <http://www.moga.mo.gov/statutes/C100-199/1630000031.HTM>

2.0 Calculating State Aid Using 2018 Assessed Valuation

In the funding formula, the first three parts (WADA, DVM, SAT) determine how much revenue a school needs to adequately educate a student. The fourth part, local effort, nets out how much of that revenue could be raised locally if the school district were to have a tax rate of \$3.43 per \$100 of assessed valuation. It goes without saying that changing any one part of this formula would lead to changes in the amount of funds the state provides to school districts. If WADA, the DVM, or the SAT are increased, required state aid would increase, and vice versa. Similarly, if local effort were to increase, the required amount of state aid would decrease. The local school districts would be providing more funds for schools and the state would be able to spend less.

The first key question I answer in this paper is, “What would happen if the formula used 2018 assessed valuation instead of 2005 assessed valuation to determine local effort?”

To answer this research question, data were obtained via the Missouri Department of Elementary and Secondary Education (DESE). These data include the assessed valuation of each school district for the years 2005 and 2018. Assessed valuation is a key component in calculating a school district’s local effort. DESE also provided Excel workbooks which provided all the necessary parts to calculate state aid for each school district, including the 2018 WADA, the DVM, and the SAT.

2.1 Methods for Updating Local Effort

To calculate how much state aid would be required, I had to first update local effort to 2018 levels. Step one in this process was to multiply 2018 AV by the performance levy (\$3.43 per \$100 of assessed valuation). Next, I deducted the tax collection fees from the revenue received based on the performance levy. This yielded the local property tax effort. This was then added to the portion of funds received from Prop C, the state sales tax, which are counted as local dollars. The sum of these two figures provided the local effort based on 2018 property tax values.

As we might expect, AV generally increased from 2005 to 2018. Just four school districts saw a decline in assessed valuation from 2005 to 2018.^v As a result, if we used 2018 AV instead of 2005, we would see an increase in local effort across most of the state. On average, local effort would increase by \$1.95 million per district. In total, it would increase by over \$1 billion. The largest increase occurred in the Parkway School District, which saw an increase in local effort of \$41.5 million.

2.2 Methods for Updating State Aid

Once local effort was calculated, I inserted it into the funding formula to determine how much state aid a school district would receive if the AV were updated from 2005 to 2018. To determine state aid, WADA is multiplied by the DVM and the SAT to provide the District Total Modified SAT. Next, I deducted the updated local effort. Then, I determined if the school district would be eligible to be held-harmless. This occurs if the district’s 2005 state aid is higher than the new 2018 state aid.

^v Riverview Gardens, Campbell R-II, New Madrid, and South Iron.

2.3 Impact of Updating Local Effort

As noted, between 2005 and 2018 all but four school districts saw an increase in overall assessed valuation. Thus, if the formula were updated to use 2018 AV instead of 2005 AV, the level of state aid would be reduced significantly. In Table 2, I present the current calculation of required state aid, which uses 2005 AV, and a projected calculation of required state aid if 2018 AV were to be used. These calculations use the State Adequacy Target of \$6,308 (current at the time of writing). In 2018, using 2005 AV, the state funding formula called for \$3.368 billion for school districts. This was the equivalent of \$3,693.44 per Weighted Average Daily Attendance. For the 2018-19 school year, 186 school districts were held-harmless, meaning they were not on the current formula. They were guaranteed the same level of funding they received under the previous formula.

Table 2. Comparison of State Aid using Assessed Valuation from Different Years

	Total State Aid	Per WADA aid	Districts Gaining Funds	Districts Losing Funds	Number of Hold-Harmless Districts
Using AV FY 2005	\$3,367,931,220	\$3,693.44	NA	NA	186
Using AV FY 2018	\$2,823,591,061	\$3,096.49	0	330	328
Change in Per WADA aid		(\$596.95)			

If the AV were updated to 2018, and this were the only change in the formula, total state aid would drop by \$544 million to \$2.824 billion. The per WADA amount would be \$3,096.49. In this scenario, 328 school districts would qualify for hold-harmless status. This indicates they received more funding per pupil in 2005 than they would receive under this new formula. In total, 330 school districts would see a decline in state aid. As expected, no school district would be better off in this scenario. That is, no district would have more available funds than with the original calculation. School districts with higher Assessed Value would have higher local effort in the formula and would receive less state funding. The current formula already allows districts to adjust local effort downward when property values decrease, therefore, these districts would not see any gain in only adjusting AV to 2018 levels.

Table 3 displays the school districts that would see the largest decline in overall state dollars if the state went from using 2005 AV to the 2018 AV. Not surprisingly, these tend to be larger school districts in areas of the state that are growing. Wentzville, for example, has been one of the fastest growing school districts in the state. They would receive \$34.4 million less if the formula was updated to 2018 AV.

Table 3. Top 10, Change in State Revenue if 2018 AV is Used in Funding Formula

District	Change in Revenue
WENTZVILLE R-IV	\$(34,435,358.00)
SPRINGFIELD R-XII	\$(28,289,347.00)
FT. ZUMWALT R-II	\$(19,937,733.00)
PARK HILL	\$(19,343,699.00)

ROCKWOOD R-VI	\$(16,098,036.00)
LEE'S SUMMIT R-VII	\$(15,855,691.00)
COLUMBIA 93	\$(12,107,748.00)
LIBERTY 53	\$(11,223,483.00)
BLUE SPRINGS R-IV	\$(10,144,834.00)
NORTH KANSAS CITY 74	\$(9,856,490.00)

2.4 Hold-Harmless

In the previous section, I calculated how much state aid school districts would receive if Missouri relied on a school district's 2018 assessed valuation instead of 2005 values. In that analysis, I noted 330 school districts would receive a reduction in state aid totaling roughly \$544 million. Here, I provide descriptive statistics on the school districts that would not experience a loss of revenue if the state were to begin relying on 2018 assessed values.

In total, 186 school districts in this analysis would not experience a reduction in funds from this change to the school funding formula. These school districts are already held harmless, meaning they are not on the current funding formula. Instead, these school districts are receiving an allotment that is the minimum they are guaranteed to receive.

In Table 4, I present descriptive statistics of these school districts. I conduct t-tests to determine if these hold harmless school districts are significantly different from the formula school districts. On average, hold harmless school districts are smaller, they receive less state funding, and have higher local property tax rates. These are all significant at the $p < 0.001$ level. The school districts are not significantly different in terms of the percent of students eligible for free or reduced price lunches or the percentage of minority students.

Table 4. T-tests of Descriptive Statistics in Formula and Hold Harmless Districts

	Formula Districts	Hold Harmless Districts
N	330	186
Percent of State Funding	43.0%	38.9%***
Enrollment	2,080	1,033***
Tax Rate Ceiling (Per \$100 of Assessed Valuation)	3.43	4.07***
Operating Taxes (Incidental and Teachers Fund)	3.33	3.93***
Percent Free or Reduced-Price Lunches	51.4	50.5
Percent Minority Students	11.5%	11.2%

2.5 Summary and Conclusions

In this section, I have shown what would happen if the state were to update the funding formula to rely on 2018 AV instead of being fixed at 2005 levels. Not surprisingly, a majority of school districts would see a decline in state revenue. This is because their AV is higher in 2018 and as a result, so is their local effort. If local effort increases, without a change to any other part of the formula, state aid will decrease.

I have described the changes as resulting in a “loss” of revenue for school districts. That is how this type of change would be perceived by public school officials. Another way to look at this is that the state may be overfunding some school districts and underfunding others. By keeping local effort static, fixed to 2005 AV, state funding does not decrease in school districts that are becoming increasingly wealthy. This can lead to greater inequities over time. If instead the funding formula were dynamic, it would be possible to shift state funding from school districts that are experiencing an increase in local effort to those who are experiencing less growth in local effort. This is what I explore in the next section.

3.0 Calculating State Aid Using 2018 Assessed Valuation and Updating State Adequacy Target

Our current formula is static when it comes to assessing local effort.^{vi} Over time, this leads to the state providing greater support for flourishing school districts than they otherwise would under other funding systems. For instance, if the state used current year Assessed Valuation (AV), it could adjust the State Adequacy Target (SAT) to offset any state aid that would be “lost” by school districts. Doing so would allow the state to maintain the same amount of total state aid, meaning this proposed change would be revenue neutral.^{vii}

3.1 Methods for Calculating State Aid Using a Dynamic Formula

In the previous section, I detailed how I updated the formula to use 2018 assessed valuations. Doing so led to a precipitous drop in state aid, as local effort increased in all but four school districts. Using that information, I calculated what the new State Adequacy Target would have to be to maintain the total level of state aid. I identified \$7,237.69 as the SAT that would provide an almost identical amount of total state aid while using 2018 AV.

3.2 Moving to a Dynamic Funding Formula, using 2018 AV and Adjusting the SAT

In Table 5, I present total state aid under the current static funding formula, which uses 2005 assessed valuation, and a dynamic formula which uses 2018 AV and adjusts the SAT to maintain the same level of funding. By moving to this formula, 111 school districts would see a decline in state funding; while 241 school districts would see an increase in state funds. The total number of school districts held-harmless would increase from 186 to 190.

In Table 6, I highlight the ten districts receiving the largest total increase in funds and the largest decrease in funds under this proposed plan.

^{vi} The formula allows for local effort to adjust if a school district loses assessed valuation.

^{vii} The state could still have a mechanism in place to allow state aid to increase and keep pace with inflation.

Table 5. Updating AV to 2018 while Adjusting SAT to be Revenue Neutral (\$7,237.69)

	Total State Aid	Per WADA aid	Districts Gaining Funds	Districts Losing Funds	Number of Hold-Harmless Districts
Using AV FY 2005	\$3,367,931,220	\$3,693.44	NA	NA	186
Using AV FY 2018	\$3,367,933,024	\$3,693.45	241	111	190

Table 6. Biggest Winners and Losers

Districts Receiving an Increase in State Aid	Amount of Change	Districts Receiving a Decrease in State Aid	Amount of Change
HAZELWOOD	\$15,243,753	WENTZVILLE R-IV	\$(17,979,613)
NORTH KANSAS CITY 74	\$10,973,596	ROCKWOOD R-VI	\$(16,098,036)
RAYTOWN C-2	\$7,559,750	PARK HILL	\$(12,140,559)
INDEPENDENCE 30	\$6,265,645	COLUMBIA 93	\$(12,107,748)
RITENOUR	\$5,815,623	SPRINGFIELD R-XII	\$(9,386,543)
RIVERVIEW GARDENS	\$4,697,744	FRANCIS HOWELL R-III	\$(9,312,387)
FERGUSON-FLOISSANT R-II	\$4,331,640	FT. ZUMWALT R-II	\$(9,299,713)
ST. LOUIS CITY AND LEA CHARTER SCHOOLS	\$3,981,854	LEE'S SUMMIT R-VII	\$(6,221,414)
CARTHAGE R-IX	\$3,406,877	MEHLVILLE R-IX	\$(4,783,574)
ST. JOSEPH	\$3,289,646	WEBSTER GROVES	\$(4,640,818)

3.3 Demographic Characteristics of School Districts by Revenue Change

By relying on a static year to calculate local wealth, rather than a dynamic model which regularly updates local effort and adjusts the SAT to maintain a similar level of state funding, the state provides additional assistance to school districts that experience more growth in assessed valuation. As we might expect, these school districts, on average, are different from other school districts. In Table 7, I present descriptive statistics of school districts that would stand to gain state aid by moving to a dynamic model, districts whose state aid would remain unchanged, and districts that would experience a decline in state aid.

On average, districts gaining and losing state aid under this proposed plan are similar in size. The key difference is in terms of assessed valuation and student characteristics. Districts gaining aid have an assessed valuation per pupil that is a little more than half, 55 percent, of the assessed valuation per pupil in school districts losing state aid, on average. Districts gaining aid also tend to have a higher percentage of minority students and a higher percentage of students qualifying for free or reduced-price lunches (FRPL). In short, this funding model would provide additional assistance to school districts that are less well-financed and that have a more disadvantaged student body.

Table 7. Descriptive Statistics of School Districts based on Proposed Dynamic Model of Calculating Local Effort

	Districts Gaining State Aid	Districts with no Change in State Aid	Districts Losing State Aid
Number of Districts	241	164	111
Total Group WADA	478,214	95,668	337,986
Average District WADA	10,509	4,824	10,375
Median District WADA	825	215	1,058
Average Assessed Valuation per WADA	\$75,458	\$259,050	\$136,690
Average Percentage of Minority Students	37.6%	26.8%	19.3%
Average Percentage of Students Eligible for FRPL	57.1%	40.9%	34.6%
Average Percentage of 8 th Graders Scoring Proficient or Advanced (ELA)	52.9%	60.9%	65.9%
Average Percentage of 8 th Graders Scoring Proficient or Advanced (Math)	26.1%	25.9%	29.5%

It is important to note the districts that would not gain or lose any revenue under this proposed funding model tend to be more affluent than either of the other two groups, on average. This group also tends to be comprised of relatively smaller school districts. All 164 school districts in this group are currently held-harmless. Their funding does not change by updating to 2018 levels because they are already at the guaranteed minimum assistance that they can expect from DESE. To change that, we would also have to update the hold-harmless provision. That, currently, is outside the scope of this work.

In the figures that follow, I present scatterplots of the change in revenue, from the current method of using 2005 assessed valuation to determine local effort and the proposed update to 2018 levels and the corresponding change to the SAT, and various district characteristics. The size of the circles in the figures indicates the relative size of the school district. Figure 1 presents the change in funding proposed in this paper and assessed valuation, a measure of local school and community wealth. Figures 2 through 5 do the same using student descriptive characteristics.

In each of these, I remove the school districts that would not experience a change in revenue. Doing so allows us to visually see more clearly the patterns that emerge from these changes.

As Figure 1 makes clear, there is a negative relationship between assessed valuation and change in state aid—as AV increases state aid decreases. The relationship between student characteristics and change in aid are less pronounced, but still present clear relationships.

Figure 1. Change in Aid and Assessed Valuation per WADA

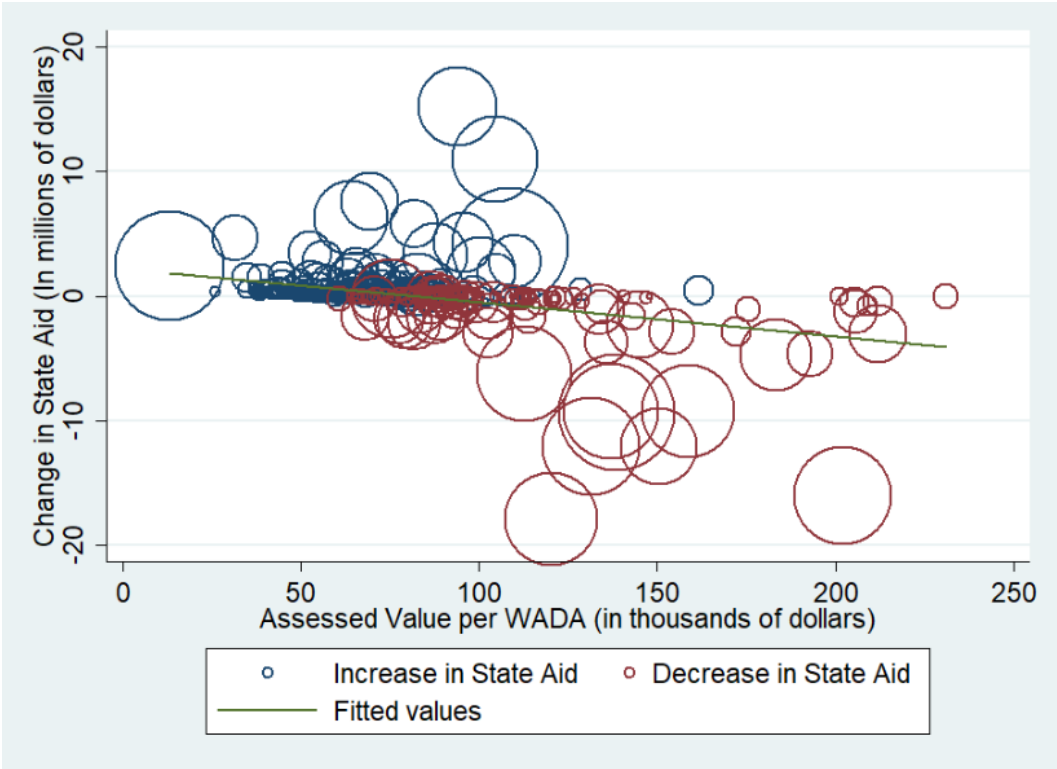


Figure 2. Change in Aid and Percent Minority Students

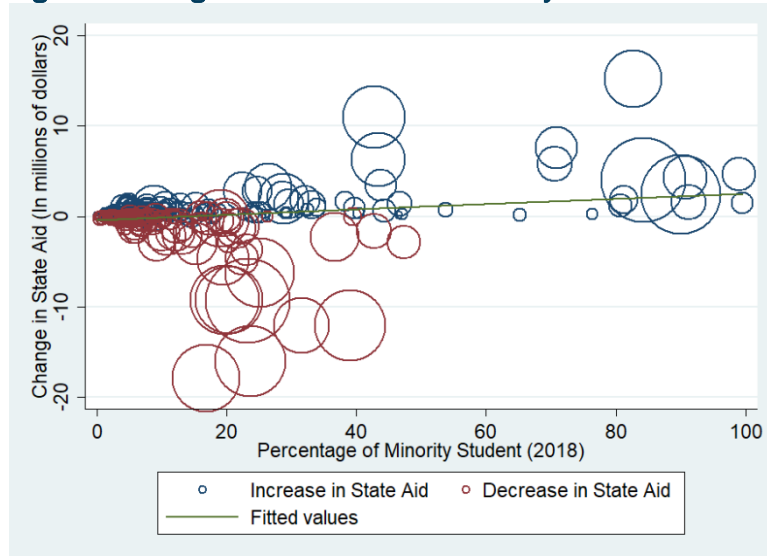


Figure 3. Change in Aid and Percent FRPL Eligible Students

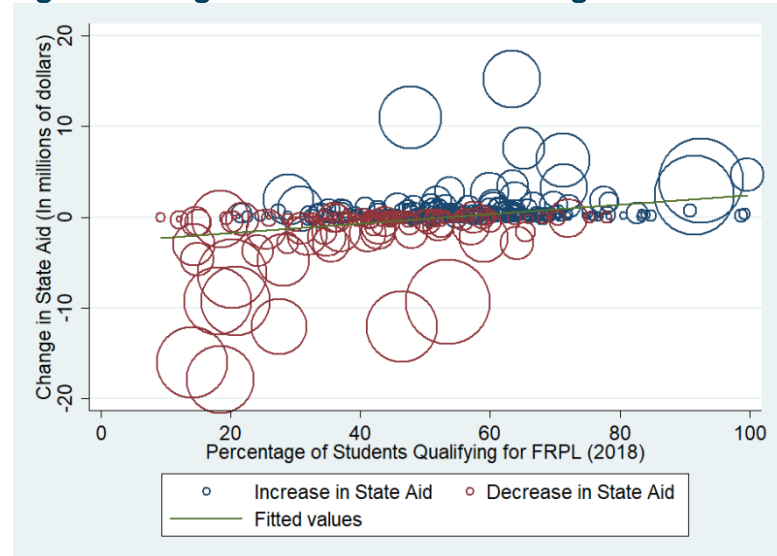


Figure 4. Change in Aid and Percent 8th Graders Scoring Proficient or Advanced, Math

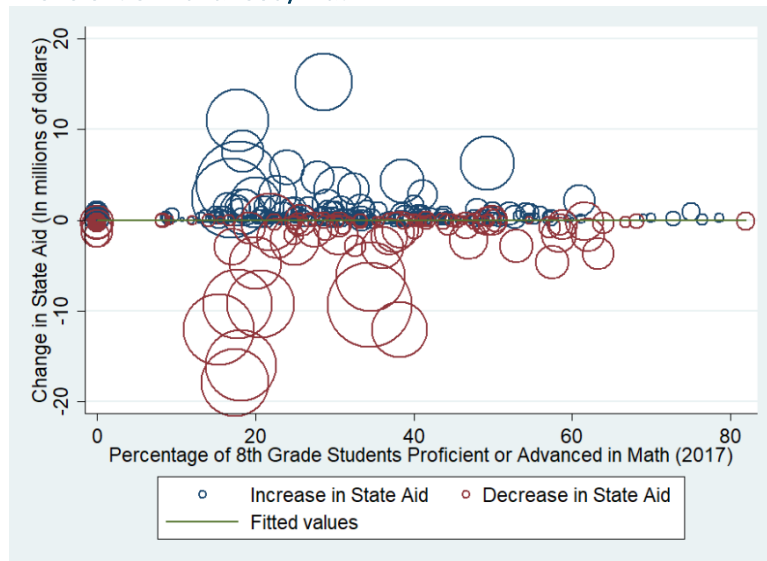
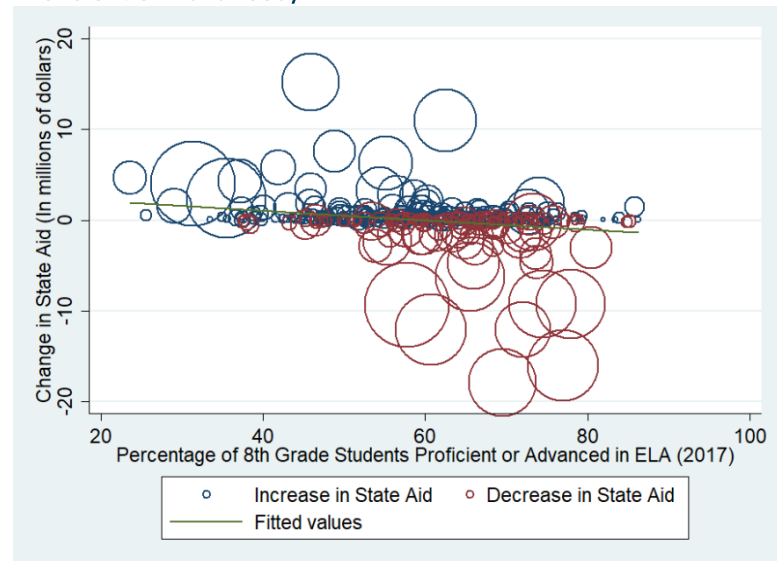


Figure 5. Change in Aid and Percent 8th Graders Scoring Proficient or Advanced, ELA



4.0 Summary and Conclusion

Missouri's foundation formula for public schools determines how much state aid each district will receive. To do this, the formula calculates how much a school district will need to provide an adequate education. It then subtracts how much revenue a school district can raise through local sources, such as property taxes. This is known as local effort. Since the new formula was put in place, the state has calculated local effort based on the assessed value of property from the same year, 2005. Despite the fact that property values have increased substantially in almost every school district, this critical piece of the funding formula remains static.

In this paper, I examined the impact of updating the funding formula to rely on 2018 assessed valuations to determine local effort. Not surprisingly, state aid would decline if the formula relied on the current, higher assessed valuation. Indeed, the amount of state aid necessary to fund the foundation formula would decline by \$544 million.

There are two ways to look at this \$544 million. On one hand, it could be argued the state is overfunding the need of some school districts. As their local wealth has increased, state funding could have decreased. This would result in a significant fiscal savings for the state. On the other hand, it could be argued that the state is simply misappropriating these funds. If state lawmakers wanted to keep total state funding steady, they could better distribute these funds by making a modification to another part of the funding formula—the state adequacy target. Doing so, would increase equity in spending among school districts.

I examined which school districts would stand to gain and which would lose state aid if the foundation formula were adjusted to rely on 2018 assessed valuation and the state adequacy target was increased. The results are clear. The winners from this type of change are, on average, poorer school districts with lower assessed valuations and more minority students. Conversely, it could be said the school districts that profit from the current static method of calculating state aid tend to be more affluent school districts.

When the Missouri legislature passed the current foundation formula into law, pegging local effort to the assessed valuation of a fixed point in time may have been a rational course of action. After all, they were very close to that point in time. As we move further away, however, and assessed values change heterogeneously among school districts, this method of funding schools becomes increasingly irrational. It favors school districts that are vibrant and growing, school districts that are experiencing larger increases in assessed valuation. The formula favors these districts to the detriment of higher poverty school districts.

Missouri should consider updating the foundation formula to rely on more recent property values. Changing this portion of the formula will generate significant cost-savings for the state, which can be reinvested into the funding formula by adjusting the State Adequacy Target. The state might further consider removing or changing provisions to the hold-harmless rules, which could allow for an even more efficient and equitable distribution of state resources. Elsewhere, Martin Lueken and I have argued, "Equity, efficiency, and educational opportunity are three guiding principles that state lawmakers should consider as they develop or change state funding systems in order to pursue ideal education finance systems."⁸ If the state makes

⁸ Lueken & Shuls (2019), p. 1.

these changes, it would effectively reallocate state resources from more affluent school districts to less affluent school districts. Thus, improving equity and efficiency.

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Who we are

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About the Author

James V. Shuls is an associate professor and the graduate program director of educational leadership and policy studies at the University of Missouri – St. Louis. He earned his Ph.D. in education policy from the University of Arkansas. He also holds a bachelor's degree from Missouri Southern State University and a master's degree from Missouri State University, both in elementary education. Dr. Shuls' research focuses primarily on teacher labor markets, school finance, and school choice. He has served as an expert witness in two school finance cases: *Martinez/Yazzie v. New Mexico* and *Rand et al. v. The State of New Hampshire*.



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