October 23, 2026

MIKE KEHOE
GOVERNOR OF MISSOURI

Missouri
DEPARTMENT OF ELEMENTARY & SECONDARY
EDUCATION

MISSOURI SCHOOL FUNDING MODERNIZATION TASK FORCE

MARE Conference Task Force Update

Presentation Topics

- Task Force Overview
- Funding Targets
- Student Counts
- Local Effort Factors
- Performance Incentives
- Recommended Models
- Other Considerations
- Next Steps

MISSOURI SCHOOL FUNDING MODERNIZATION TASK FORCE

Appointed Task Force Members

Rusty Black, State Senator (District 12)	**Matt Davis**, Eldon School District Superintendent	**Don Thalhuber**, Missouri Senate Minority Caucus
Travis Fitzwater, State Senator (District 10)	**Noah Devine**, Missouri Charter Public School Association	**Jeremy Tucker**, Liberty Public Schools Supt.
Ed Lewis, State Representative (District 6)	**Emily LeRoy**, Missouri Farm Bureau Senior Advisor	**Chris Vas**, Herzog Foundation
Marlene Terry, State Representative (District 66)	**Jim Meats**, Loren Cook Company Vice-President	**Casey Wasser**, Missouri Soybean Association
Kerry Casey, State Board of Education	**Dr. Mike Podgursky**, University of Missouri-Columbia	**David Wood**, Former Teacher & State Rep.
Pamela Westbrooks-Hodge, State Board of Education	**Dr. Tom Prater**, Mattax-Neu-Prater Eye Center	

MISSOURI SCHOOL FUNDING MODERNIZATION TASK FORCE

Task Force Timeline

Date	Activity
May 9, 2025	Task Force Membership Announced
June 2, 2025	Task Force Kickoff Meeting
June 23, 2025	Task Force Meeting
August 13, 2025	Task Force Meeting
September 9, 2025	Task Force Meeting
September-December 2025	Working Groups Meet
January-March 2026	Task Force Meetings – Reports/Findings from Working Groups
April-August 2026	Task Force Meetings – Develop Recommendations
September-November 2026	Collect Feedback from Stakeholders
November 16, 2026	Task Force Meeting – Finalize Recommendations
December 1, 2026	Recommendations Due to Governor Kehoe

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Current Formula Challenges

- Essentially frozen local effort component
- Use of dated current expenditure data for the adequacy calculation
- Variability in the number of performance districts for each recalculation of adequacy
- Threshold approach for student weighting categories
- Funding cliffs for the small schools grant and small schools hold harmless provision
- Inconsistent property assessment practices across counties
- Hold harmless provisions result in differential support for students

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Fall Working Groups

- Funding Targets
- Student Counts
- Local Effort Factors
- Performance Incentives

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Working Groups Virtual Meeting Schedule

Working Groups Virtual Meeting Dates/Times			
Funding Targets 10:30 AM	**Student Counts 1:00 PM**	**Local Effort Factors 10:30 AM**	**Performance Incentives 1:00 PM**
Tuesday, September 23	Tuesday, September 23	Wednesday, September 17	Wednesday, September 17
Tuesday, October 7	Tuesday, October 7	Wednesday, October 1	Wednesday, October 1
Monday, October 20	Monday, October 20	Wednesday, October 15	Wednesday, October 15
Monday, November 17	Monday, November 17	Wednesday, November 19	Wednesday, November 19
Tuesday, December 2	Tuesday, December 2	Wednesday, December 3	Wednesday, December 3
Tuesday, December 16	Tuesday, December 16	Wednesday, December 17	

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Funding Targets Recommendations

- Maintain a student-needs-based foundation formula
- Utilize the Successful Schools Model to determine the adequacy target for baseline funding levels
- Identify performance districts as those scoring in the top 125 of the state, based on an average of the two preceding years' Annual Performance Report (APR)
- Calculate the adequacy target by dividing the most recent current operating expenditures by a 50%/50% blend of the weighted student membership and weighted average daily attendance of the performance districts (without thresholds)
- Adjust the current expenditures by removing all federal funds, all non-formula state funds, and all Prop. C sales tax funds
- Average four years of the values listed above to help smooth variances over time

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Funding Targets Recommendations

- Rank the performance districts by current expenditure per weighted membership and remove the districts containing the top 5% and bottom 5% of students
- Divide the current expenditures of the remaining performance districts by their total weighted student count
- Replace the Dollar Value Modifier with a modified version that incorporates MERIC wage information by county, organized by metropolitan and micropolitan regions when applicable, with the average of the ten lowest wage counties as the base
- Recalculate the adequacy target every four years with the most recent available data
- Phase-in any increases of the adequacy target over four years
- Require DESE to conduct a broad analysis of the methodology and resulting values of the adequacy calculation and other formula factors every six years to inform future policy decisions, and report such findings to the Governor, Joint Committee on Education, and the State Board of Education

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Student Counts Recommendations

- Base funding on a 50%/50% blend of weighted average membership (enrollment FTE) and weighted average daily attendance
- Allow all students in special populations to be counted for weighting (no thresholds)
- Allow the higher of current year or prior year membership counts to be utilized
- Include a prior year adjustment feature to correct for any membership data revisions
- Include a provision that allows districts with charter schools to share state and local aid in an equivalent manner
- Include a provision that provides funding for full-time hosted virtual students at 75% of in-person students

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Student Counts Recommendations

- Tier 1 Priorities
  - Provide additional weighting counts for economically disadvantaged students as identified through Direct Certification (DC), with higher weightings in LEAs that have concentrated levels of poverty (0.25 for less than 30%; 0.30 for 30% up to 40%; 0.35 for 40% or greater)
  - Provide additional weighting counts for special needs students (IEP) based on the location of services received, with three tiers (0.20 for in the regular classroom 80%+; 0.60 for in the regular classroom 40-79%; 1.00 for in the regular classroom less than 40%)
  - Provide additional weighting counts for English learner (EL) students (0.50)
  - Include funding for the most recent summer school academic programs by converting program hours into equivalent membership counts
  - Include Prekindergarten membership for students ages three and four by August 1st who meet Free and Reduced Lunch income guidelines

Student Counts Recommendations

- Tier 2 Priorities
  - Provide additional weighting counts for gifted students (0.20)
  - Provide additional weighting counts for homeless students (0.20)
  - Expand afterschool formula funding eligibility for qualified programs (convert eligible hours to a membership count)
  - Replace the current Small Schools Grant with a school size weighting adjustment based on a sliding scale starting at 0.20 for districts up to 500 students
- Other Considerations
  - Maintain current Career & Technical Education funding mechanisms outside of the Foundation Formula

Local Effort Factors Recommendations

Multiple Options to Adjust Current Structure (Model A):

- Update the existing local effort calculation on a regular basis to include current values (suggest two-year lag time for budgeting purposes)
- Update local effort values and modify the local effort assumed property tax amount by an income factor (reduces or increases assumed property tax revenue)
- Update local effort values and modify the local effort assumed property tax amount by an amount to correct values up to 90% of market value based on assessment ratio study data (increases assumed property tax revenue if county is below 90% on assessment ratio studies)

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Local Effort Factors Recommendations

New Structure Option (Model B):

- Establish a new combined wealth index (CWI) that includes a combination of assessed value per pupil and median household income per pupil

Options to Address Underlying Property Valuation Concerns:

- Recommend the development of a comprehensive solution to the property assessment practices across the state to ensure equal treatment of schools within the formula
- Alternatively, explore options to address uneven assessment practices in the assumed property values within the foundation formula

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Local Effort Factors Context

Income Factor (Model A): Based on Median Household Income (MHI)

- District Median Household Income (MHI)
- State Median Household Income (MHI)
- District Income Ratio = District MHI/State MHI

Sample Formula:

Income Factor = 1 + 25%(District Income Ratio – 1)

Notes:

- Limit application to income ratios of less than one
- Multiply the Income Factor by the product of assessed value and the performance levy to lower assumed local revenue

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Local Effort Factors Context

Income Factor Sample Calculation (Model A):

- District Median Household Income = $48,300
- State Median Household Income = $70,702
- District Income Ratio = $48,300/$70,702 = 0.6831

Income Factor = 1 + .25(0.6831 – 1) = 0.9208

The assumed local effort for property taxes is adjusted to 92.08% of the calculated value.

The range of District MHI (2024 values) is from $24,952 to $156,855.

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Local Effort Factors Context

Assessment Ratio Study (2023-2024) Impact Information:

Weighted Median Residential Assessment Ratio	# of Counties	% of Students
Less than 60%	20	7.02%
Less than 70%	42	20.18%
Less than 80%	66	44.78%
Less than 90%	91	59.50%

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Local Effort Factors Context

Mechanism to Adjust Assessed Values Based on Ratio Studies:

- Modify assumed property values in the local effort portion of the formula
- Adjust values gradually over time based on most recent assessment ratio studies for residential and commercial property
- Recommend a 10-year phase-in of the adjustment mechanism
  - Gradual implementation spreads impact over time
  - Allows time for natural corrections

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Local Effort Factors Context

Example: modify the assumed assessed value (AV) of the district by reducing the gap in values by 20% per reassessment cycle. If a county has a 70% residential assessment ratio, reduce the gap to 90% in values by 20% in the first two years, then 20% more each of the following reassessment cycles. Use updated assessment ratios each cycle (75% for example in year three).

Year 1: (90% - 70%)*20% = 4% adjustment factor in assumed AV (raise values by 4%)

Year 3: (90% - 75%)*40% = 6% adjustment factor in assumed AV (raise values by 6%)

Phase-in schedule:

- Years 1&2: 20% adjustment
- Years 3&4: 40% adjustment
- Years 5&6: 60% adjustment
- Years 7&8: 80% adjustment
- Years 9&10: 100% adjustment

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Performance Incentives Recommendations

Missouri Outcomes & Student Achievement Incentive Program:

- Focus areas by grade span
  - Elementary School – Early Literacy
  - Middle School – Math and ELA
  - High School – College & Career Readiness (multiple pathways: assessments, dual credit, industry recognized credentials)
- Targets established by Outcomes Committee
- Recognize both achievement level and growth, with a significant emphasis on growth
- Students can generate bonus funding once per grade span

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Performance Incentives Recommendations

Missouri Outcomes & Student Achievement Incentive Program:

- Bonus funding of 5% to 10% of the state adequacy target available
- Maintain alignment with the school accountability system
- Dedicated funding line in the state budget (target $50 million, prorate awards if necessary)

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Models Under Consideration

Model A: comparable to the current formula with modernization features (updated adequacy target methodology, revised student counting methodology, removal of thresholds, multiple years of data, mechanism to update data over time)

Model B: combined wealth index approach that includes measures of local fiscal capacity such as property values and median household income to determine the percentage of the funding adequacy target that is provided by the state

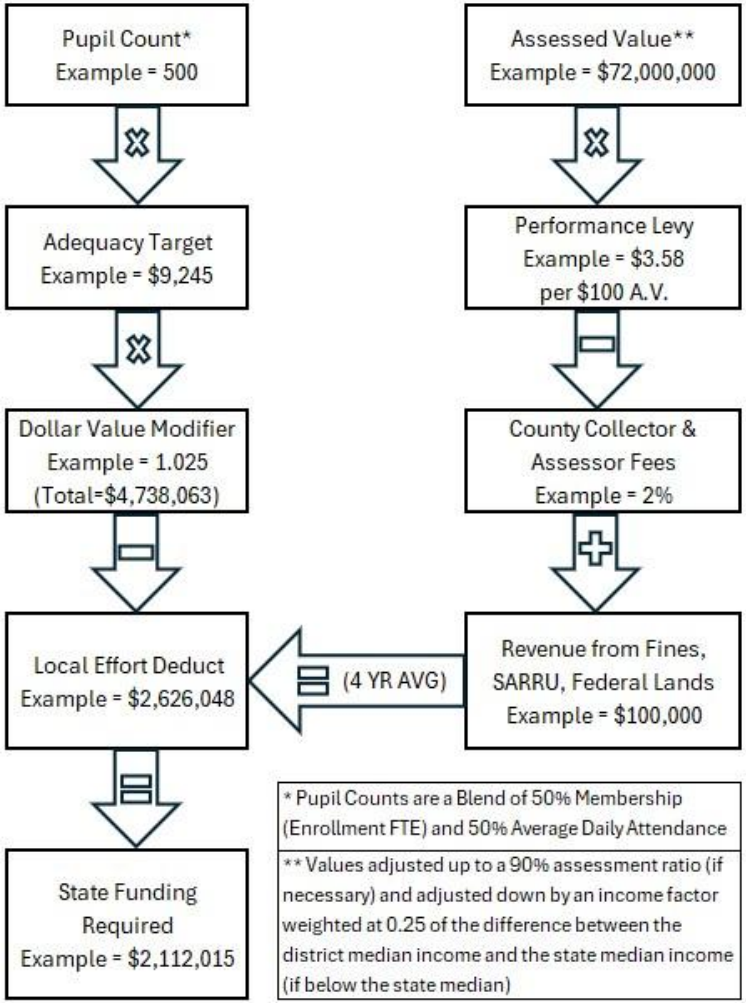
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Model A: Update Current Structure

Model A Scenarios – Variables in Current Assumptions:

- Using a four-year average adequacy target calculation from top 125 districts ($9,245)
- Utilizing a 50%/50% blend of membership and average daily attendance
- Using Tier I Priorities for student counts (Tiered DC, Tiered IEP, EL)
- Include gifted and homeless students from Tier II Priorities (20% weighting)
- Include a small school weighting of 0.20 for those under 500 average membership (sliding scale)
- Assuming a Performance Levy of $3.58 in the local effort calculation
- Using a four-year average for the calculated local effort deduction
- Replacing DVM with MERIC-based adjustment (0.04 weighting factor)
- Adding an Income Factor to the local effort calculation (0.25 weighting factor)
- Adjust assumed assessed values based on ratio studies (up to 90% of market values)
- Include a hold harmless provision based on the per pupil funding under the current formula

MODEL A FLOW CHART (EXISTING STRUCTURE)



* Pupil Counts are a Blend of 50% Membership (Enrollment FTE) and 50% Average Daily Attendance

** Values adjusted up to a 90% assessment ratio (if necessary) and adjusted down by an income factor weighted at 0.25 of the difference between the district median income and the state median income (if below the state median)

Model B: Combined Wealth Index

Model B Scenarios – Variables in Current Assumptions:

- Using a four-year average adequacy target calculation from top 125 districts ($9,245)
- Utilizing a 50%/50% blend of membership and average daily attendance
- Using Tier I Priorities for student counts (Tiered DC, Tiered IEP, EL)
- Include gifted and homeless students from Tier II Priorities (20% weighting)
- Include a small school weighting of 20% for those under 500 average membership (sliding scale)
- Blending property ratio and median income ratio at 50%/50% in the CWI calculation
- Set assumed state share at 50%, adjusting by the CWI calculation
- Set the CWI adjustment factor at 40%
- Replacing DVM with MERIC-based adjustment (0.04 weighting factor)
- Adjust assumed assessed values based on ratio studies (up to 90% of market values)
- Include a hold harmless provision based on the per pupil funding under the current formula

Model B Calculation

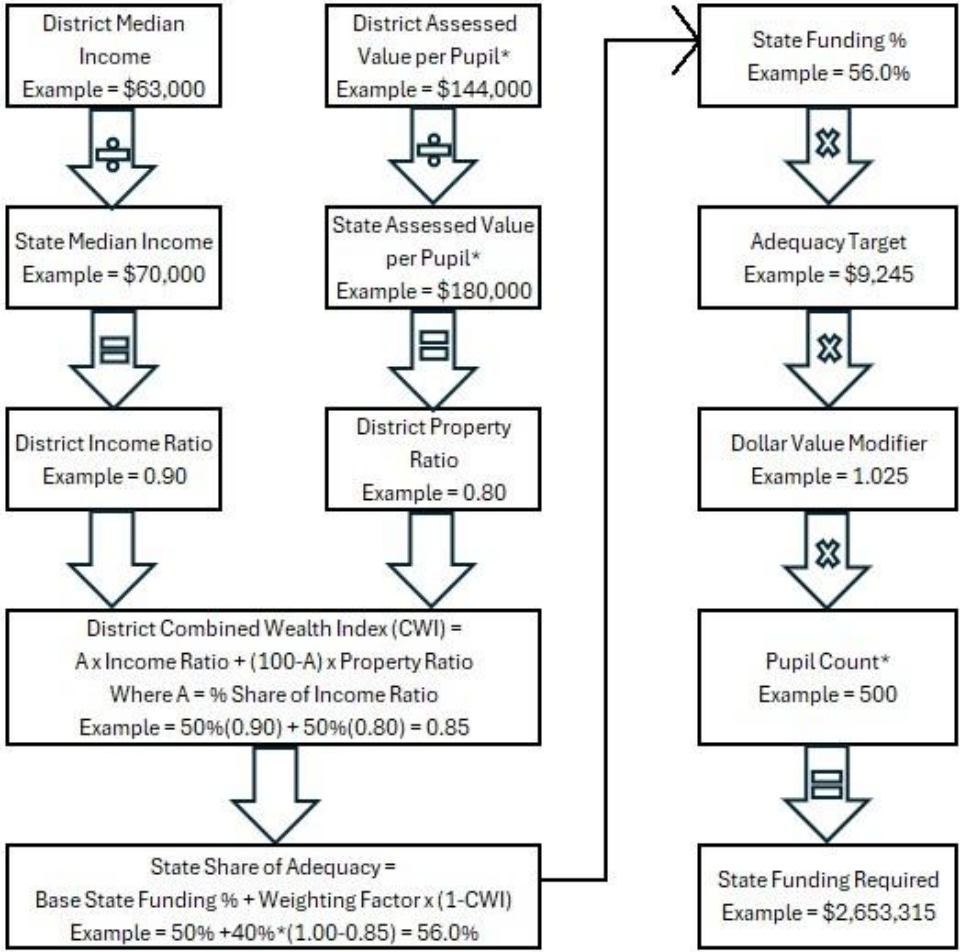
Model B Formula:

- CWI = 0.5 x (Property per pupil/State average) + 0.5 x (Income per pupil/State average)
- Model = Base State Share + Adjustment Factor*(1 – CWI) = State Share of Adequacy Target
- Example = 50% + 40%*(1 – CWI) = State Share of Adequacy Target

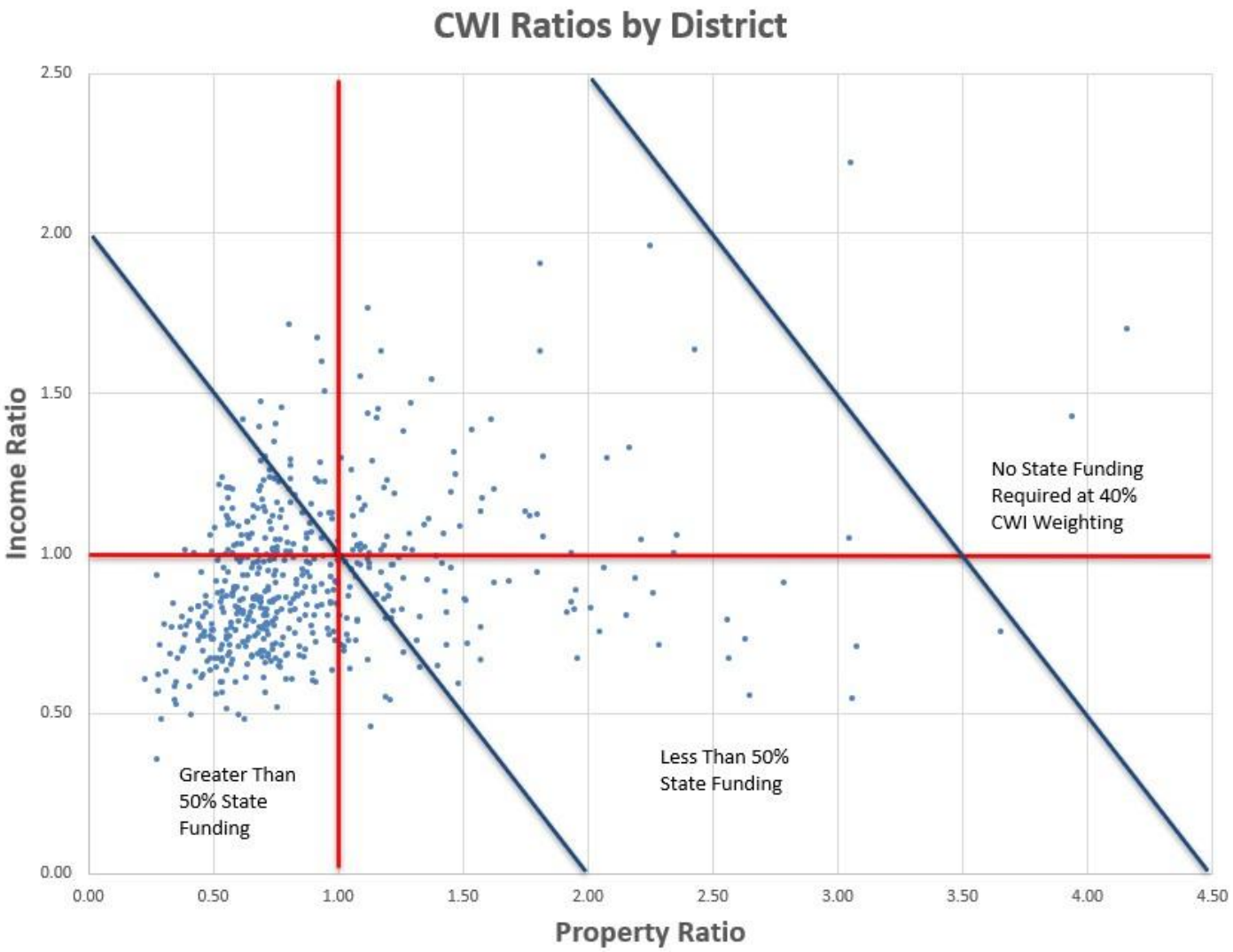
Note: Model B simulations will utilize a 40% adjustment factor for CWI adjustment.

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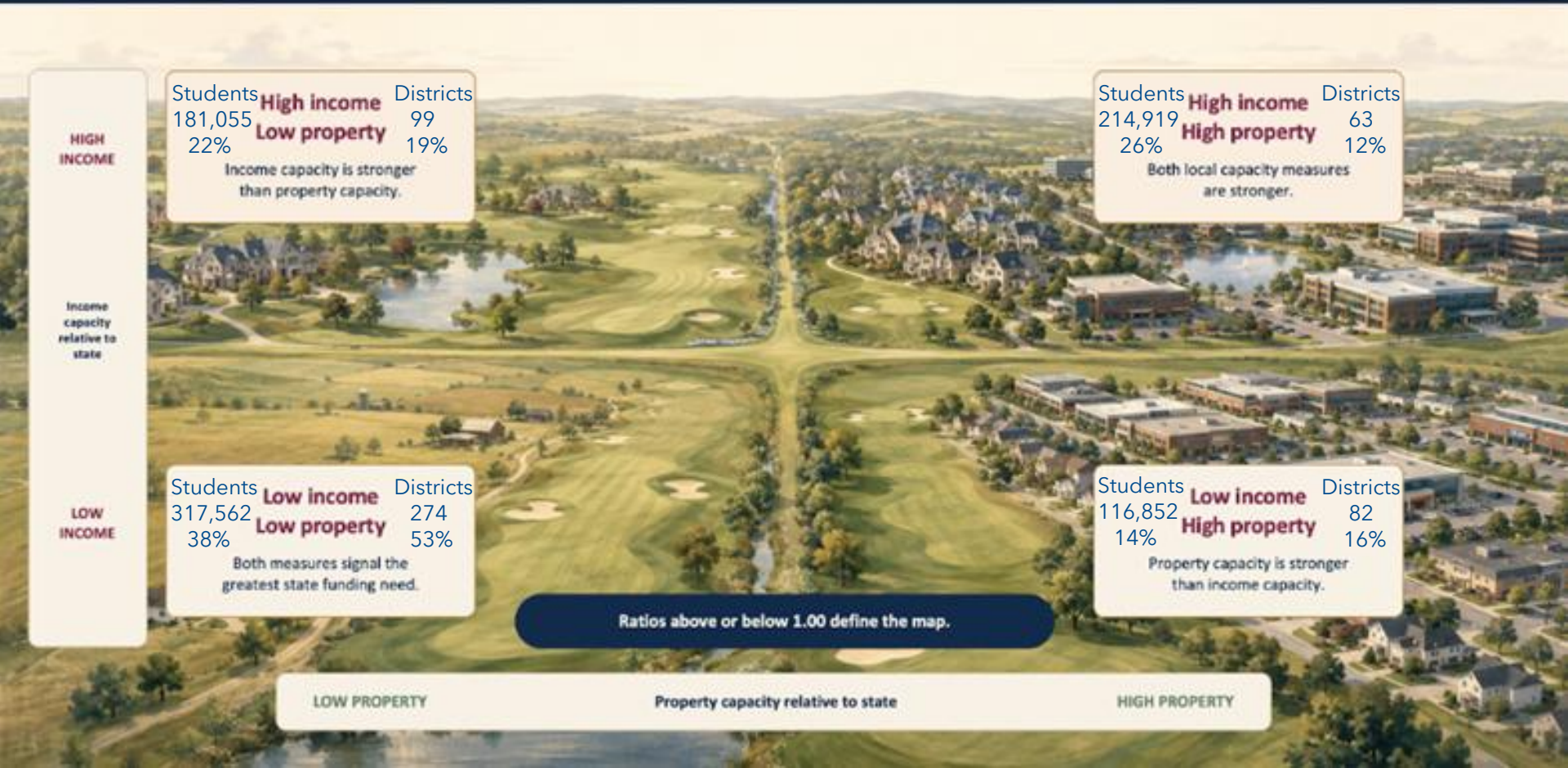
MODEL B FLOW CHART (COMBINED WEALTH INDEX)



* Pupil Counts are a Blend of 50% Membership (Enrollment FTE) and 50% Average Daily Attendance


CWI Ratios by District
Income Ratio
Property Ratio
2.50
2.00
1.50
1.00
0.50
0.00
0.00
0.50
1.00
1.50
2.00
2.50
3.00
3.50
4.00
4.50
No State Funding
Required at 40%
CWI Weighting
Less Than 50%
State Funding
Greater Than
50% State
Funding

The four quadrants make the CWI intuitive



Model A & B Updates

Model Cost Comparison Estimates*		
	Model A	Model B
Estimated Increase =	$277,480,500	$360,393,564
Est. Hold Harmless =	$348,272,216	$202,055,919
Total Increase =	$625,752,716	$562,449,483
# of HH Districts =	184	153
# of HH Students =	326,882	255,374
$$ per HH Student =	$1,065	$791

*Estimates for each model are compared to full funding of the Fiscal Year 2027 foundation formula. Model estimates include all the assumptions listed on the previous slides. Any number of variables can be adjusted to increase or decrease overall costs.

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Proration Considerations

Some options to consider for proration:

- Adjust the State Adequacy Target
- Adjust state aid payment by a percentage for all districts/charters
- Adjust each district/charter by a per pupil amount
- Adjust state aid on a sliding scale relative to the CWI index

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Proration Considerations

Reduction Amounts per Pupil by Proration Method ($100 million assumed shortfall):

Model A

District	District Type	State Aid per Pupil	SAT Adjustment	% Adjustment	Per Pupil Adj.	CWI Adjustment*
A	Large School on Formula	$6,237.09	$184.66	$125.75	$102.53	$87.97
B	Small School on Formula	$6,037.61	$184.45	$121.73	$102.53	$89.72
C	Large School Hold Harmless	$2,505.70	$0.00	$50.52	$102.53	$131.05
D	Small School Hold Harmless	$3,720.88	$0.00	$75.02	$102.53	$126.76

Model B

District	District Type	State Aid per Pupil	SAT Adjustment	% Adjustment	Per Pupil Adj.	CWI Adjustment*
A	Large School on Formula	$5,964.21	$192.08	$125.38	$102.53	$87.97
B	Small School on Formula	$5,795.96	$186.67	$121.84	$102.53	$89.72
C	Large School Hold Harmless	$2,505.70	$0.00	$52.67	$102.53	$131.05
D	Small School Hold Harmless	$3,720.88	$0.00	$78.22	$102.53	$126.76

*CWI Adjustment Factor = 0.4

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Phase-In Considerations

- To the extent a new formula requires additional funding support, a phase-in process over time may be necessary
- One possible scenario – if the State Adequacy Target is recalculated every four years, and any resulting increase is phased in over four years, and the new formula is phased in over four years, then the first recalculation of the SAT would not overlap with the phase-in process

Year	New Formula %	Old Formula %
1	25%	75%
2	50%	50%
3	75%	25%
4	100%	0%

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Hold Harmless Considerations

Hold Harmless Provisions Context:

- Given the current formula's reliance on 20-year-old data, changes that utilize more current data will almost certainly result in significant changes in funding levels for some districts (higher and lower)
- This is a reality for both Model A and Model B
- Including an income factor (Model A) or an income index (Model B) will also introduce more variability from current funding levels

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Hold Harmless Considerations

Draft Recommendation:

- Establish a new baseline of funding per pupil for each district and charter school under the last year of the current formula
- For small schools, that amount includes funding received under the Small Schools Grant, thus allowing any student weighting for size/sparsity to interact with current student counts moving forward
- Under this approach, all districts would have their hold harmless amounts applied to the current student counts
- Hold harmless status could be phased out over a prescribed period by adjusting the hold harmless benefit by a percentage factor (e.g. reduce the benefit by 10% per year over 10 years after the formula is phased in)
- Maintain a minimum amount of state funding at 5% of the State Adequacy Target

Next Steps

Missouri School Funding Modernization Task Force Website

- Post draft report
- Post simulations
- Post recorded presentation
- Collect feedback
- Finalize recommendations

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Missouri School Funding Modernization Task Force Website

Next Meeting:

November 16, 10:00 a.m.

State Board of Education Meeting Room

205 Jefferson Street

Jefferson City, MO 65101

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