

SENATE SUBSTITUTE
FOR
SENATE BILL NO. 869
AN ACT

To repeal section 160.415, RSMo, and to enact in lieu thereof one new section relating to charter school funding.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Section 160.415, RSMo, is repealed and one new
2 section enacted in lieu thereof, to be known as section 160.415,
3 to read as follows:

160.415. 1. This section shall be known and may be
2 cited as the "Charter School Funding Act."

3 2. For the purposes of calculation and distribution of
4 state school aid under section 163.031, pupils enrolled in a
5 charter school shall be included in the pupil enrollment of
6 the school district within which each pupil resides. Each
7 charter school shall report the [names, addresses, and]
8 eligibility for free and reduced price lunch, special
9 education, or limited English proficiency status, as well as
10 eligibility for categorical aid, of pupils resident in a
11 school district who are enrolled in the charter school to
12 the school district in which those pupils reside. The
13 charter school shall report the average daily attendance
14 data, free and reduced price lunch count, special education
15 pupil count, and limited English proficiency pupil count to
16 the state department of elementary and secondary education.
17 Each charter school shall promptly notify the state
18 department of elementary and secondary education and the
19 pupil's school district when a [student] pupil discontinues
20 enrollment at a charter school.

21 [2.] 3. This subsection shall apply in all school
22 districts, except metropolitan school districts, for all
23 school years ending before July 1, 2023. This subsection
24 shall apply in all metropolitan school districts for all
25 school years ending before July 1, 2028. Except as provided
26 in subsections 3 and 4 of this section, the aid payments for
27 charter schools shall be as described in this subsection.

28 (1) A school district having one or more resident
29 pupils attending a charter school shall pay to the charter
30 school an annual amount equal to the product of the charter
31 school's weighted average daily attendance and the state
32 adequacy target, multiplied by the dollar value modifier for
33 the district, plus local tax revenues per weighted average
34 daily attendance from the incidental and teachers' funds in
35 excess of the performance levy as defined in section 163.011
36 plus all other state aid attributable to such pupils.

37 (2) The district of residence of a pupil attending a
38 charter school shall also pay to the charter school any
39 other federal or state aid that the district receives on
40 account of such [child] pupil.

41 (3) If the department overpays or underpays the amount
42 due to the charter school, such overpayment or underpayment
43 shall be repaid by the [public] charter school or credited
44 to the [public] charter school in twelve equal payments in
45 the next fiscal year.

46 (4) The amounts provided pursuant to this subsection
47 shall be prorated for partial year enrollment for a pupil.

48 (5) A school district shall pay the amounts due
49 pursuant to this subsection as the disbursal agent and no
50 later than twenty days following the receipt of any such
51 funds. The department of elementary and secondary education
52 shall pay the amounts due when it acts as the disbursal
53 agent within five days of the required due date.

54 [3.] 4. This subsection shall apply in all school
55 districts, except metropolitan school districts, for all
56 school years ending before July 1, 2023. This subsection
57 shall apply in all metropolitan school districts for all
58 school years ending before July 1, 2028. A workplace
59 charter school shall receive payment for each eligible pupil
60 as provided under subsection 2 of this section, except that
61 if the [student] pupil is not a resident of the district and
62 is participating in a voluntary interdistrict transfer
63 program, the payment for such pupils shall be the same as
64 provided under section 162.1060.

65 [4.] 5. This subsection shall apply in all school
66 districts, except metropolitan school districts, for all
67 school years ending before July 1, 2023. This subsection
68 shall apply in all metropolitan school districts for all
69 school years ending before July 1, 2028. A charter school
70 that has declared itself as a local educational agency shall
71 receive from the department of elementary and secondary
72 education an annual amount equal to the product of the
73 charter school's weighted average daily attendance and the
74 state adequacy target, multiplied by the dollar value
75 modifier for the district, plus local tax revenues per
76 weighted average daily attendance from the incidental and
77 teachers funds in excess of the performance levy as defined
78 in section 163.011 plus all other state aid attributable to
79 such pupils. If a charter school declares itself as a local
80 educational agency, the department of elementary and
81 secondary education shall, upon notice of the declaration,
82 reduce the payment made to the school district by the amount
83 specified in this subsection and pay directly to the charter
84 school the annual amount reduced from the school district's
85 payment.

86 [5.] 6. This subsection shall apply in all school
87 districts, except metropolitan school districts, for all
88 school years ending before July 1, 2023. This subsection
89 shall apply in all metropolitan school districts for all
90 school years ending before July 1, 2028. If a school
91 district fails to make timely payments of any amount for
92 which it is the disbursal agent, the state department of
93 elementary and secondary education shall authorize payment
94 to the charter school of the amount due pursuant to
95 subsection 2 of this section and shall deduct the same
96 amount from the next state school aid apportionment to the
97 owing school district. If a charter school is paid more or
98 less than the amounts due pursuant to this section, the
99 amount of overpayment or underpayment shall be adjusted
100 equally in the next twelve payments by the school district
101 or the department of elementary and secondary education, as
102 appropriate. Any dispute between the school district and a
103 charter school as to the amount owing to the charter school
104 shall be resolved by the department of elementary and
105 secondary education, and the department's decision shall be
106 the final administrative action for the purposes of review
107 pursuant to chapter 536. During the period of dispute, the
108 department of elementary and secondary education shall make
109 every administrative and statutory effort to allow the
110 continued education of [children] students in their current
111 [public] charter school setting.

112 [6.] 7. The charter school and a local school board
113 may agree by contract for services to be provided by the
114 school district to the charter school. The charter school
115 may contract with any other entity for services. Such
116 services may include but are not limited to food service,
117 custodial service, maintenance, management assistance,
118 curriculum assistance, media services and libraries and

119 shall be subject to negotiation between the charter school
120 and the local school board or other entity. Documented
121 actual costs of such services shall be paid for by the
122 charter school.

123 [7.] 8. In the case of a proposed charter school that
124 intends to contract with an education service provider for
125 substantial educational services or management services, the
126 request for proposals shall additionally require the charter
127 school applicant to:

128 (1) Provide evidence of the education service
129 provider's success in serving student populations similar to
130 the targeted population, including demonstrated academic
131 achievement as well as successful management of nonacademic
132 school functions, if applicable;

133 (2) Provide a term sheet setting forth the proposed
134 duration of the service contract; roles and responsibilities
135 of the governing board, the school staff, and the service
136 provider; scope of services and resources to be provided by
137 the service provider; performance evaluation measures and
138 time lines; compensation structure, including clear
139 identification of all fees to be paid to the service
140 provider; methods of contract oversight and enforcement;
141 investment disclosure; and conditions for renewal and
142 termination of the contract;

143 (3) Disclose any known conflicts of interest between
144 the school governing board and proposed service provider or
145 any affiliated business entities;

146 (4) Disclose and explain any termination or nonrenewal
147 of contracts for equivalent services for any other charter
148 school in the United States within the past five years;

149 (5) Ensure that the legal counsel for the charter
150 school shall report directly to the charter school's
151 governing board; and

152 (6) Provide a process to ensure that the expenditures
153 that the education service provider intends to bill to the
154 charter school shall receive prior approval of the governing
155 board or its designee.

156 [8.] 9. A charter school may enter into contracts with
157 community partnerships and state agencies acting in
158 collaboration with such partnerships that provide services
159 to [children] students and their families linked to the
160 school.

161 [9.] 10. A charter school shall be eligible for
162 transportation state aid pursuant to section 163.161 and
163 shall be free to contract with the local district, or any
164 other entity, for the provision of transportation to the
165 students of the charter school.

166 [10.] 11. (1) The proportionate share of state and
167 federal resources generated by students with disabilities or
168 staff serving them shall be paid in full to charter schools
169 enrolling those students by their school district where such
170 enrollment is through a contract for services described in
171 this section. The proportionate share of money generated
172 under other federal or state categorical aid programs shall
173 be directed to charter schools serving such students
174 eligible for that aid.

175 (2) A charter school shall provide the special
176 services provided pursuant to section 162.705 and may
177 provide the special services pursuant to a contract with a
178 school district or any provider of such services.

179 [11.] 12. A charter school [may] shall not charge
180 tuition or impose fees that a school district is prohibited
181 from charging or imposing, except that a charter school may
182 receive tuition payments from districts in the same or an
183 adjoining county for nonresident students who transfer to an

184 approved charter school, as defined in section 167.895, from
185 an unaccredited district.

186 [12.] 13. A charter school is authorized to incur debt
187 in anticipation of receipt of funds. A charter school may
188 also borrow to finance facilities and other capital items.
189 A school district may incur bonded indebtedness or take
190 other measures to provide for physical facilities and other
191 capital items for charter schools that it sponsors or
192 contracts with. Except as otherwise specifically provided
193 in sections 160.400 to 160.425, upon the dissolution of a
194 charter school, any liabilities of the corporation will be
195 satisfied through the procedures of chapter 355. A charter
196 school shall satisfy all its financial obligations within
197 twelve months of notice from the sponsor of the charter
198 school's closure under subsection 8 of section 160.405.
199 After satisfaction of all its financial obligations, a
200 charter school shall return any remaining state and federal
201 funds to the department of elementary and secondary
202 education for disposition as stated in subdivision (17) of
203 subsection 1 of section 160.405. The department of
204 elementary and secondary education may withhold funding at a
205 level the department determines to be adequate during a
206 school's last year of operation until the department
207 determines that school records, liabilities, and reporting
208 requirements, including a full audit, are satisfied.

209 [13.] 14. Charter schools shall not have the power to
210 acquire property by eminent domain.

211 [14.] 15. The governing [body] board of a charter
212 school is authorized to accept grants, gifts or donations of
213 any kind and to expend or use such grants, gifts or
214 donations. A grant, gift or donation [may] shall not be
215 accepted by the governing [body] board if it is subject to
216 any condition contrary to law applicable to the charter

217 school or other public schools, or contrary to the terms of
218 the charter.

219 16. (1) As used in this section, the following terms
220 mean:

221 (a) "Department", the department of elementary and
222 secondary education;

223 (b) "Local aid", all local and county revenue received
224 by the school district and charter schools within the school
225 district. The term "local aid":

226 a. Includes, but is not limited to, the following:

227 (i) Property taxes and delinquent taxes;

228 (ii) Merchants' and manufacturers' tax revenues,
229 except that an urban school district containing most or all
230 of a city with more than four hundred thousand inhabitants
231 and located in more than one county may annually withhold
232 merchants' and manufacturers' tax revenues required for
233 repayment of Series 2009, Series 2010, Series 2015, and
234 Series 2016 bonds. Such school district shall not withhold
235 merchants' and manufacturers' tax revenues after the fiscal
236 year ending June 30, 2036;

237 (iii) Financial institutions' tax revenues;

238 (iv) City sales tax revenue, including city sales tax
239 collected in any city not within a county, but excludes city
240 sales tax revenue collected but withheld by any metropolitan
241 school district pursuant to a court mandated desegregation
242 settlement agreement if a federal court issues a final
243 decision finding the city sales tax may only be used by the
244 metropolitan school district;

245 (v) Payments in lieu of taxes;

246 (vi) Revenues from state-assessed railroad and
247 utilities tax; or

248 (vii) Any future aid; and

249 b. Shall not be construed to include:

250 (i) Charitable contributions, gifts, and grants made
251 to school districts and charter schools;
252 (ii) Interest earnings of school districts and charter
253 schools;
254 (iii) Student fees paid to school districts and
255 charter schools;
256 (iv) Debt service authorized by a public vote for the
257 purpose of making payments on a bond issuance of a school
258 district;
259 (v) Proposition C revenues received for school
260 purposes from the school district trust fund under section
261 163.087;
262 (vi) Any funding solely intended for any special
263 school district providing services to students in any county
264 with more than one million inhabitants; or
265 (vii) Any other funding solely intended for a
266 particular school district or charter school and its
267 respective employees, schools, foundations, or organizations.
268 (2) Notwithstanding any other provision of law to the
269 contrary, the calculation in this subsection shall be used
270 to calculate state and local aid for charter schools
271 operated only:
272 (a) In a metropolitan school district;
273 (b) In an urban school district containing most or all
274 of a city with a population greater than three hundred fifty
275 thousand inhabitants;
276 (c) In a school district that has been classified as
277 unaccredited by the state board of education;
278 (d) In a school district that has been classified as
279 provisionally accredited by the state board of education and
280 has received scores on its annual performance report
281 consistent with a classification of provisionally accredited
282 or unaccredited for three consecutive school years beginning

283 with the 2012-2013 accreditation year under the conditions
284 described in paragraphs (a) and (b) of subdivision (4) of
285 subsection 2 of section 160.400; or

286 (e) In a school district that has been accredited
287 without provisions, sponsored only by the local school board
288 under the conditions described in subdivision (5) of
289 subsection 2 of section 160.400.

290 (3) Each charter school and each school district
291 responsible for distributing local aid to charter schools
292 under this subsection shall include as part of its annual
293 independent audit an audit of pupil residency, enrollment,
294 and attendance in order to verify pupil residency in the
295 school district or local educational agency.

296 (4) A school district having one or more resident
297 pupils attending a charter school shall pay to the charter
298 school an annual amount equal to the product of the charter
299 school's weighted average daily attendance and the state
300 adequacy target, multiplied by the dollar value modifier for
301 the district, less the charter school's share of local
302 effort as defined in section 163.011 plus all other state
303 aid attributable to such pupils plus local aid received by
304 the school district divided by the total weighted average
305 daily attendance of the school district and all charter
306 schools within the school district per weighted average
307 daily attendance of the charter school.

308 (5) A charter school that has declared itself a local
309 educational agency shall receive all state aid calculated
310 under this subsection from the department and all local aid
311 calculated under this subsection from the school district
312 within which the charter school is operating. A charter
313 school shall receive an annual amount equal to the product
314 of the charter school's weighted average daily attendance
315 and the state adequacy target, multiplied by the dollar

316 value modifier for the district, less the charter school's
317 share of local effort as defined in section 163.011 plus all
318 other state aid attributable to such pupils plus local aid
319 received by the school district divided by the total
320 weighted average daily attendance of the school district and
321 all charter schools within the school district per weighted
322 average daily attendance of the charter school.

323 (6) (a) The school district with charter schools
324 operating within the district shall withhold, from the
325 January local effort payment received by the school
326 district, an annual administrative fee for the purpose of
327 supporting administrative costs the school district incurs
328 for charter schools operating within the school district.
329 In all school districts except a metropolitan school
330 district, the administrative fee shall be equal to one-
331 fourth of one percent of the sum of the prior year's state
332 aid received by the school district, the prior year's state
333 aid received by the charter school within the school
334 district, and the prior year's local aid received by the
335 school district and the charter schools within the school
336 district. The administrative fee in a metropolitan school
337 district shall be equal to two percent of the sum of the
338 prior year's state aid received by the school district, the
339 prior year's state aid received by the charter school within
340 the school district, and the prior year's local aid received
341 by the school district and the charter schools within the
342 school district. As used in this paragraph, "state aid"
343 means the product of the school district or charter school's
344 weighted average daily attendance and the state adequacy
345 target, multiplied by the dollar value modifier for the
346 district, less the school district or charter school's share
347 of local effort as defined in section 163.011.

348 (b) On or before December thirty-first of each year,
349 any school district that has charter schools operating
350 within the district shall transmit to the department the
351 total annual local aid calculation described in subdivision
352 (7) of this subsection. If the school district fails to
353 transmit the annual local aid calculation to the department,
354 the school district shall not withhold the administrative
355 fee.

356 (c) The department shall calculate the administrative
357 fee under the formula in this subdivision using data from
358 the previous school year. On or before January fifteenth of
359 the following year, the department shall transmit to any
360 school district that has charter schools operating within
361 the district the calculation of the administrative fee and
362 make such calculation publicly available on the department's
363 website.

364 (7) Each month any school district that has charter
365 schools operating within the district shall calculate the
366 amount of local aid received by the school district that is
367 owed to the charter schools by the school district under
368 this subsection. The school district shall pay to the
369 charter school the amount of local aid owed to the charter
370 school, as calculated by the school district using the
371 previous month's weighted average daily attendance of the
372 charter school. If any payment of local aid is due, the
373 school district shall make monthly payments on the twenty-
374 first day of each month or upon the closest business day,
375 beginning in July of each year.

376 (a) If the school district fails to make timely
377 payment, the department shall impose any penalty the
378 department deems appropriate.

379 (b) The school district shall, as part of its annual
380 audit as required under section 165.111, include a report

381 converting the local aid received by the district from an
382 accrual basis to a cash basis. Such report shall be made
383 publicly available on the district website in a searchable
384 format or as a downloadable and searchable document.

385 (8) The department shall conduct an annual review of
386 any payments made in the previous fiscal year under
387 subdivision (7) of this subsection to determine if there has
388 been any underpayment or overpayment. The annual review, to
389 be conducted in January of each year, shall include a
390 calculation of the amount of local aid owed to charter
391 schools using the first preceding year's annual audit
392 required under section 165.111. A school district shall pay
393 to a charter school operating in the district the amount of
394 local aid owed to the charter school as calculated by the
395 department. In the event of an underpayment, the school
396 district shall remit the underpayment amount to the charter
397 school. In the event of an overpayment, the charter school
398 shall remit the overpayment amount to the school district.

399 (a) If the school district fails to remit any
400 underpayment amount to the charter school within thirty days
401 of notification of the underpayment amount, the department
402 shall impose any penalty the department deems appropriate.

403 (b) If the charter school fails to remit any
404 overpayment amount owed to the school district within thirty
405 days of notification of the overpayment amount, the
406 department shall impose any penalty the department deems
407 appropriate.

408 (9) If a prior year correction of the amount of local
409 aid is necessary, the school district shall recalculate the
410 amount owed to a charter school and either remit any
411 underpayment amount to the charter school or provide a bill
412 to the charter school for any overpayment amount. Any
413 underpayment or overpayment amount shall be remitted under

414 the schedules in paragraphs (a) and (b) of subdivision (8)
415 of this subsection.

416 (10) (a) For the purposes of this subdivision, net
417 cost for providing special educational services for the
418 school district with charter schools operating within the
419 school district and each charter school within the school
420 district shall be calculated as the total special
421 educational services costs minus the total special
422 educational services funding.

423 (b) For the purposes of this subdivision, total
424 special educational services costs shall be calculated as
425 the sum of the total cost of the following as reported on
426 the annual secretary of the board report for the school
427 district with charter schools operating within the district
428 and each charter school within the school district:

- 429 a. Department-defined special education instruction;
- 430 b. Tuition for special education programs;
- 431 c. Health services;
- 432 d. Psychology services;
- 433 e. Speech and language services;
- 434 f. Audiology services;
- 435 g. Occupational therapy;
- 436 h. Physical therapy;
- 437 i. Visually impaired services;
- 438 j. Special education transportation services; and
- 439 k. Tuition to other districts within the state that
440 fulfill requirements of the voluntary interdistrict
441 coordinating council program.

442 (c) For the purposes of this subdivision, total
443 special educational services funding shall be calculated as
444 the sum of the state aid and local effort per weighted
445 average daily attendance for the school district and the sum
446 of the state aid and local aid per weighted average daily

447 attendance for the charter schools within the school
448 district multiplied by the total number of students with an
449 individualized educational plan as reported in December of
450 each year to the department, plus any funds received under
451 section 162.974, plus any funds received under the federal
452 Individuals with Disabilities Education Act (IDEA) (20
453 U.S.C. Section 1400 et seq.), as amended, plus any
454 additional weighted state aid funds received as a result of
455 servicing a percentage of special education students that
456 exceeds the special educational threshold as defined in
457 section 163.011.

458 (d) Each school district that has charter schools
459 operating within the school district and each charter school
460 shall, as part of the annual audit provided to the
461 department, report the number of students with an
462 individualized educational plan, the costs incurred for
463 providing special educational services as described in
464 paragraph (b) of this subdivision, the amount of funds drawn
465 down under section 162.974, and the amount of funds drawn
466 down under the federal Individuals with Disabilities
467 Education Act (IDEA) (20 U.S.C. Section 1400 et seq.), as
468 amended.

469 (e) On or before February fourteenth of each year, the
470 department shall calculate for each school district that has
471 charter schools operating within the school district and
472 each charter school the net cost for providing special
473 educational services. The department shall transmit such
474 calculations to the school district or charter school and
475 make such calculations publicly available on the
476 department's website.

477 (f) The February local aid payment to charter schools
478 within the school district shall be paid from the total
479 local aid funds received in January by the school district.

480 The February local aid payment per weighted average daily
481 attendance to charter schools within the school district
482 shall be calculated as follows:

483 a. The school district shall withhold the
484 administrative fee described in paragraph (a) of subdivision
485 (6) of this subsection from the total local aid funds
486 received in January by the school district;

487 b. After withholding the administrative fee, the
488 school district shall withhold from the remaining local aid
489 funds an amount equal to the school district's prior year
490 positive net cost for providing special educational services
491 only if the school district is determined to have a positive
492 net cost by the department under paragraph (e) of this
493 subdivision;

494 c. After withholding the administrative fee, the
495 school district shall withhold from the remaining local aid
496 funds an amount equal to the sum of the prior year positive
497 net cost for providing special educational services for
498 charter schools within the school district determined to
499 have a positive net cost by the department under paragraph
500 (e) of this subdivision. Before March first of each year,
501 the school district shall distribute such funds to each
502 charter school determined to have a positive net cost an
503 amount equal to each charter school's positive net cost as
504 calculated under paragraph (e) of this subdivision;

505 d. After withholding the administrative fee and
506 special education funds under subparagraphs a., b., and c.
507 of this paragraph, the school district shall divide the
508 remaining local aid funds by the sum of the current year
509 estimated weighted average daily attendance for January of
510 the school district plus the sum of the current year
511 estimated weighted average daily attendance for January of
512 all charter schools within the school district; and

513 e. To determine the amount of the February local aid
514 payment to each charter school within the school district,
515 the school district shall multiply the value calculated
516 under subparagraph d. of this paragraph by the current year
517 estimated weighted average daily attendance for January for
518 each charter school within the school district. The school
519 district shall distribute the February local aid payment to
520 each charter school within the school district before March
521 first.

522 (g) The department shall adjust the net cost for
523 providing special educational services for each charter
524 school and each school district that has charter schools
525 operating within the school district based on the report
526 required in paragraph (d) of this subdivision for reasons
527 including, but not limited to, underreporting or
528 overreporting the number of students with an individualized
529 educational plan or the cost to provide services to students
530 with an individualized educational plan, failure to draw
531 down or accrue for within the applicable fiscal year all
532 funds to which the charter school or school district is
533 entitled under the federal Individuals with Disabilities
534 Education Act (IDEA) (20 U.S.C. Section 1400 et seq.), as
535 amended, and costs determined by the department to be
536 excessive relative to the special educational services
537 provided.

538 (h) Any funds received by the school district or
539 charter school under this subdivision shall not be
540 considered when calculating a withhold or payment under
541 paragraph (f) of this subdivision in the following year.

542 (i) This subdivision shall apply beginning February 1,
543 2025.

544 (11) This subsection shall apply in all school
545 districts listed in subdivision (2) of this section, except

546 metropolitan school districts, for all school years
547 beginning on or after July 1, 2023. This subsection shall
548 apply in all metropolitan school districts for all school
549 years beginning on or after July 1, 2028.

550 17. The department may promulgate rules for the annual
551 review of payments and any penalties to be assessed under
552 subsection 15 of this section. Any rule or portion of a
553 rule, as that term is defined in section 536.010, that is
554 created under the authority delegated in this section shall
555 become effective only if it complies with and is subject to
556 all of the provisions of chapter 536 and, if applicable,
557 section 536.028. This section and chapter 536 are
558 nonseverable, and if any of the powers vested with the
559 general assembly pursuant to chapter 536 to review, to delay
560 the effective date, or to disapprove and annul a rule are
561 subsequently held unconstitutional, then the grant of
562 rulemaking authority and any rule proposed or adopted after
563 August 28, 2022, shall be invalid and void.

564 18. Notwithstanding the provisions of section 1.140 to
565 the contrary, the provisions of this act shall be
566 nonseverable, and if any provision is for any reason held to
567 be invalid, such decision shall invalidate all of the
568 remaining provisions of this act.