

SECOND REGULAR SESSION
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 1552
101ST GENERAL ASSEMBLY

3565H.03C

DANA RADEMAN MILLER, Chief Clerk

AN ACT

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

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Section A. Section 160.415, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 160.415, to read as follows:

160.415. 1. For the purposes of calculation and distribution of state school aid under section 163.031, pupils enrolled in a charter school shall be included in the pupil enrollment of the school district within which each pupil resides. Each charter school shall report the ~~names, addresses, and~~ eligibility for free and reduced price lunch, special education, or limited English proficiency status, as well as eligibility for categorical aid, of pupils resident in a school district who are enrolled in the charter school to the school district in which those pupils reside. The charter school shall report the average daily attendance data, free and reduced price lunch count, special education pupil count, and limited English proficiency pupil count to the state department of elementary and secondary education. Each charter school shall promptly notify the state department of elementary and secondary education and the pupil's school district when a ~~student~~ **pupil** discontinues enrollment at a charter school.

2. **In all school districts except a metropolitan school district, this subsection shall apply to all school years ending before July 1, 2023. In all metropolitan school districts, this subsection shall apply to all school years ending before July 1, 2025.** Except as provided in subsections 3 and 4 of this section, the aid payments for charter schools shall be as described in this subsection.

(1) A school district having one or more resident pupils attending a charter school shall pay to the charter school an annual amount equal to the product of the charter school's

EXPLANATION — Matter enclosed in bold-faced brackets ~~thus~~ in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

19 weighted average daily attendance and the state adequacy target, multiplied by the dollar
20 value modifier for the district, plus local tax revenues per weighted average daily attendance
21 from the incidental and teachers' funds in excess of the performance levy as defined in section
22 163.011 plus all other state aid attributable to such pupils.

23 (2) The district of residence of a pupil attending a charter school shall also pay to the
24 charter school any other federal or state aid that the district receives on account of such ~~child~~
25 **pupil**.

26 (3) If the department overpays or underpays the amount due to the charter school,
27 such overpayment or underpayment shall be repaid by the ~~public~~ charter school or credited
28 to the ~~public~~ charter school in twelve equal payments in the next fiscal year.

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

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

35 **3. In all school districts except a metropolitan school district, this subsection**
36 **shall apply to all school years ending before July 1, 2023. In all metropolitan school**
37 **districts, this subsection shall apply to all school years ending before July 1, 2025.** A
38 workplace charter school shall receive payment for each eligible pupil as provided under
39 subsection 2 of this section, except that if the ~~student~~ **pupil** is not a resident of the district
40 and is participating in a voluntary interdistrict transfer program, the payment for such pupils
41 shall be the same as provided under section 162.1060.

42 **4. In all school districts except a metropolitan school district, this subsection**
43 **shall apply to all school years ending before July 1, 2023. In all metropolitan school**
44 **districts, this subsection shall apply to all school years ending before July 1, 2025.** A
45 charter school that has declared itself as a local educational agency shall receive from the
46 department of elementary and secondary education an annual amount equal to the product of
47 the charter school's weighted average daily attendance and the state adequacy target,
48 multiplied by the dollar value modifier for the district, plus local tax revenues per weighted
49 average daily attendance from the incidental and teachers funds in excess of the performance
50 levy as defined in section 163.011 plus all other state aid attributable to such pupils. If a
51 charter school declares itself as a local educational agency, the department of elementary and
52 secondary education shall, upon notice of the declaration, reduce the payment made to the
53 school district by the amount specified in this subsection and pay directly to the charter school
54 the annual amount reduced from the school district's payment.

55 **5. In all school districts except a metropolitan school district, this subsection**
56 **shall apply to all school years ending before July 1, 2023. In all metropolitan school**
57 **districts, this subsection shall apply to all school years ending before July 1, 2025.** If a
58 school district fails to make timely payments of any amount for which it is the disbursal
59 agent, the state department of elementary and secondary education shall authorize payment to
60 the charter school of the amount due pursuant to subsection 2 of this section and shall deduct
61 the same amount from the next state school aid apportionment to the owing school district. If
62 a charter school is paid more or less than the amounts due pursuant to this section, the amount
63 of overpayment or underpayment shall be adjusted equally in the next twelve payments by the
64 school district or the department of elementary and secondary education, as appropriate. Any
65 dispute between the school district and a charter school as to the amount owing to the charter
66 school shall be resolved by the department of elementary and secondary education, and the
67 department's decision shall be the final administrative action for the purposes of review
68 pursuant to chapter 536. During the period of dispute, the department of elementary and
69 secondary education shall make every administrative and statutory effort to allow the
70 continued education of children in their current ~~public~~ charter school setting.

71 6. The charter school and a local school board may agree by contract for services to
72 be provided by the school district to the charter school. The charter school may contract with
73 any other entity for services. Such services may include but are not limited to food service,
74 custodial service, maintenance, management assistance, curriculum assistance, media
75 services and libraries and shall be subject to negotiation between the charter school and
76 the local school board or other entity. Documented actual costs of such services shall be paid
77 for by the charter school.

78 7. In the case of a proposed charter school that intends to contract with an education
79 service provider for substantial educational services or management services, the request for
80 proposals shall additionally require the charter school applicant to:

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

84 (2) Provide a term sheet setting forth the proposed duration of the service contract;
85 roles and responsibilities of the governing board, the school staff, and the service provider;
86 scope of services and resources to be provided by the service provider; performance
87 evaluation measures and time lines; compensation structure, including clear identification of
88 all fees to be paid to the service provider; methods of contract oversight and enforcement;
89 investment disclosure; and conditions for renewal and termination of the contract;

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

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

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

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

99 8. A charter school may enter into contracts with community partnerships and state
100 agencies acting in collaboration with such partnerships that provide services to children and
101 their families linked to the school.

102 9. A charter school shall be eligible for transportation state aid pursuant to section
103 163.161 and shall be free to contract with the local district, or any other entity, for the
104 provision of transportation to the students of the charter school.

105 10. (1) The proportionate share of state and federal resources generated by students
106 with disabilities or staff serving them shall be paid in full to charter schools enrolling those
107 students by their school district where such enrollment is through a contract for services
108 described in this section. The proportionate share of money generated under other federal or
109 state categorical aid programs shall be directed to charter schools serving such students
110 eligible for that aid.

111 (2) A charter school shall provide the special services provided pursuant to section
112 162.705 and may provide the special services pursuant to a contract with a school district or
113 any provider of such services.

114 11. A charter school ~~may~~ **shall** not charge tuition or impose fees that a school
115 district is prohibited from charging or imposing, except that a charter school may receive
116 tuition payments from districts in the same or an adjoining county for nonresident students
117 who transfer to an approved charter school, as defined in section 167.895, from an
118 unaccredited district.

119 12. A charter school is authorized to incur debt in anticipation of receipt of funds. A
120 charter school may also borrow to finance facilities and other capital items. A school district
121 may incur bonded indebtedness or take other measures to provide for physical facilities and
122 other capital items for charter schools that it sponsors or contracts with. Except as otherwise
123 specifically provided in sections 160.400 to 160.425, upon the dissolution of a charter school,
124 any liabilities of the corporation will be satisfied through the procedures of chapter 355. A
125 charter school shall satisfy all its financial obligations within twelve months of notice from
126 the sponsor of the charter school's closure under subsection 8 of section 160.405. After
127 satisfaction of all its financial obligations, a charter school shall return any remaining state
128 and federal funds to the department of elementary and secondary education for disposition as

129 stated in subdivision (17) of subsection 1 of section 160.405. The department of elementary
130 and secondary education may withhold funding at a level the department determines to be
131 adequate during a school's last year of operation until the department determines that school
132 records, liabilities, and reporting requirements, including a full audit, are satisfied.

133 13. Charter schools shall not have the power to acquire property by eminent domain.

134 14. The governing ~~body~~ **board** of a charter school is authorized to accept grants,
135 gifts or donations of any kind and to expend or use such grants, gifts or donations. A grant,
136 gift or donation ~~may~~ **shall** not be accepted by the governing ~~body~~ **board** if it is subject to
137 any condition contrary to law applicable to the charter school or other public schools, or
138 contrary to the terms of the charter.

139 **15. (1) As used in this section, the following terms mean:**

140 **(a) "Department", the department of elementary and secondary education;**

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

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

144 **(i) Property taxes and delinquent taxes;**

145 **(ii) Merchants' and manufacturers' tax revenues, except that an urban school**
146 **district containing most or all of a city with more than four hundred thousand**
147 **inhabitants and located in more than one county may annually withhold merchants' and**
148 **manufacturers' tax revenues required for repayment of Series 2009, Series 2010, Series**
149 **2015, and Series 2016 bonds. Such school district shall not withhold merchants' and**
150 **manufacturers' tax revenues after the fiscal year ending June 30, 2036;**

151 **(iii) Financial institutions' tax revenues;**

152 **(iv) City sales tax revenue, including city sales tax collected in any city not within**
153 **a county;**

154 **(v) Payments in lieu of taxes;**

155 **(vi) Revenues from state-assessed railroad and utilities tax; or**

156 **(vii) Any future aid; and**

157 **b. Shall not be construed to include:**

158 **(i) Charitable contributions, gifts, and grants made to school districts and**
159 **charter schools;**

160 **(ii) Interest earnings of school districts and charter schools;**

161 **(iii) Student fees paid to school districts and charter schools;**

162 **(iv) Debt service authorized by a public vote for the purpose of making**
163 **payments on a bond issuance of a school district;**

164 **(v) Proposition C revenues received for school purposes from the school district**
165 **trust fund under section 163.087; or**

166 (vi) Any other funding solely intended for a particular school district or charter
167 school and its respective employees, schools, foundations, or organizations.

168 (2) Notwithstanding any other provision of law to the contrary, the calculation in
169 this subsection shall be used to calculate state and local aid only for charter schools
170 operated in school districts listed under subsection 2 of section 160.400.

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

175 (4) A school district having one or more resident pupils attending a charter
176 school shall pay to the charter school an annual amount equal to the product of the
177 charter school's weighted average daily attendance and the state adequacy target,
178 multiplied by the dollar value modifier for the district, less the charter school's share of
179 local effort as defined in section 163.011 plus all other state aid attributable to such
180 pupils plus local aid received by the school district divided by the total weighted average
181 daily attendance of the school district and all charter schools within the school district
182 per weighted average daily attendance of the charter school.

183 (5) A charter school that has declared itself a local educational agency shall
184 receive all state aid calculated under this subsection from the department and all local
185 aid calculated under this subsection from the school district within which the charter
186 school is operating. A charter school shall receive an annual amount equal to the
187 product of the charter school's weighted average daily attendance and the state
188 adequacy target, multiplied by the dollar value modifier for the district, less the charter
189 school's share of local effort as defined in section 163.011 plus all other state aid
190 attributable to such pupils plus local aid received by the school district divided by the
191 total weighted average daily attendance of the school district and all charter schools
192 within the school district per weighted average daily attendance of the charter school.

193 (6) (a) The school district with charter schools operating within the district shall
194 withhold, from the January local effort payment received by the school district, an
195 annual administrative fee for the purpose of supporting administrative costs the school
196 district incurs for charter schools operating within the school district. In all school
197 districts except a metropolitan school district, the administrative fee shall be equal to
198 one-fourth of one percent of the sum of the prior year's state aid received by the school
199 district, the prior year's state aid received by the charter school within the school
200 district, and the prior year's local aid received by the school district and the charter
201 schools within the school district. The administrative fee in a metropolitan school
202 district shall be equal to two percent of the sum of the prior year's state aid received by

203 the school district, the prior year's state aid received by the charter school within the
204 school district, and the prior year's local aid received by the school district and the
205 charter schools within the school district. As used in this paragraph, "state aid" means
206 the product of the school district or charter school's weighted average daily attendance
207 and the state adequacy target, multiplied by the dollar value modifier for the district,
208 less the school district or charter school's share of local effort as defined in section
209 163.011.

210 (b) On or before December thirty-first of each year, any school district that has
211 charter schools operating within the district shall transmit to the department the total
212 annual local aid calculation described in subdivision (7) of this subsection. If the school
213 district fails to transmit the annual local aid calculation to the department, the school
214 district shall not withhold the administrative fee.

215 (c) The department shall calculate the administrative fee under the formula in
216 this subdivision using data from the previous school year. On or before January
217 fifteenth of the following year, the department shall transmit to any school district that
218 has charter schools operating within the district the calculation of the administrative fee
219 and make such calculation publicly available on the department's website.

220 (7) Each month any school district that has charter schools operating within the
221 district shall calculate the amount of local aid received by the school district that is owed
222 to the charter schools by the school district under this subsection. The school district
223 shall pay to the charter school the amount of local aid owed to the charter school, as
224 calculated by the school district using the previous month's weighted average daily
225 attendance of the charter school. If any payment of local aid is due, the school district
226 shall make monthly payments on the twenty-first day of each month or upon the closest
227 business day, beginning in July of each year.

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

230 (b) The school district shall, as part of its annual audit as required under section
231 165.111, include a report converting the local aid received by the district from an
232 accrual basis to a cash basis. Such report shall be made publicly available on its district
233 website in a searchable format or as a downloadable and searchable document.

234 (8) The department shall conduct an annual review of any payments made in the
235 previous fiscal year under subdivision (7) of this subsection to determine if there has
236 been any underpayment or overpayment. The annual review, to be conducted in
237 January of each year, shall include a calculation of the amount of local aid owed to
238 charter schools using the first preceding year's annual audit required under section
239 165.111. A school district shall pay to a charter school operating in the district the

240 amount of local aid owed to the charter school as calculated by the department. In the
241 event of an underpayment, the school district shall remit the underpayment amount to
242 the charter school. In the event of an overpayment, the charter school shall remit the
243 overpayment amount to the school district.

244 (a) If the school district fails to remit any underpayment amount to the charter
245 school within thirty days of notification of the underpayment amount, the department
246 shall impose any penalty the department deems appropriate.

247 (b) If the charter school fails to remit any overpayment amount owed to the
248 school district within thirty days of notification of the overpayment amount, the
249 department shall impose any penalty the department deems appropriate.

250 (9) If a prior year correction of the amount of local aid is necessary, the school
251 district shall recalculate the amount owed to a charter school and either remit any
252 underpayment amount to the charter school or provide a bill to the charter school for
253 any overpayment amount. Any underpayment or overpayment amount shall be
254 remitted under the schedules in paragraphs (a) and (b) of subdivision (8) of this
255 subsection.

256 (10) (a) The annual review conducted under subdivision (8) of this subsection
257 shall also assess whether public school and charter school recipients of state and local
258 taxpayer dollars provide similar amounts and quality of services including, but not
259 limited to:

- 260 a. Taxpayer accountability for use of public funds;
- 261 b. Transparency in accreditation standards and classifications;
- 262 c. Student transportation;
- 263 d. School calendar allowances and requirements;
- 264 e. Ability to enroll and accommodate new students;
- 265 f. Teacher certification; and
- 266 g. Teacher retention.

267 (b) The results of the annual assessment shall be a public record and distributed
268 to the general assembly.

269 (11) (a) For the purposes of this subdivision, net cost for providing special
270 educational services for the school district with charter schools operating within the
271 school district and each charter school within the school district shall be calculated as
272 the total special educational services costs minus the total special educational services
273 funding.

274 (b) For the purposes of this subdivision, total special educational services costs
275 shall be calculated as the sum of the total cost of the following as reported on the annual

276 secretary of the board report for the school district with charter schools operating
277 within the district and each charter school within the school district:

- 278 a. Department-defined special education instruction;
- 279 b. Tuition for special education programs;
- 280 c. Health services;
- 281 d. Psychology services;
- 282 e. Speech and language services;
- 283 f. Audiology services;
- 284 g. Occupational therapy;
- 285 h. Physical therapy;
- 286 i. Visually impaired services;
- 287 j. Special education transportation services; and
- 288 k. Tuition to other districts within the state that fulfill requirements of the
289 voluntary interdistrict coordinating council program.

290 (c) For the purposes of this subdivision, total special educational services
291 funding shall be calculated as the sum of the state aid and local effort per weighted
292 average daily attendance for the school district and the sum of the state aid and local aid
293 per weighted average daily attendance for the charter schools within the school district
294 multiplied by the total number of students with an individualized educational plan as
295 reported in December of each year to the department, plus any funds received under
296 section 162.974, plus any funds received under the federal Individuals with Disabilities
297 Education Act (IDEA) (20 U.S.C. Section 1400 et seq.), as amended, plus any additional
298 weighted state aid funds received as a result of serving a percentage of special education
299 students that exceeds the special educational threshold as defined in section 163.011.

300 (d) Each school district that has charter schools operating within the school
301 district and each charter school shall, as part of the annual audit provided to the
302 department, report the number of students with an individualized educational plan, the
303 costs incurred for providing special educational services as described in paragraph (b)
304 of this subdivision, the amount of funds drawn down under section 162.974, and the
305 amount of funds drawn down under the federal Individuals with Disabilities Education
306 Act (IDEA) (20 U.S.C. Section 1400 et seq.), as amended.

307 (e) On or before February fourteenth of each year, the department shall
308 calculate for each school district that has charter schools operating within the school
309 district and each charter school the net cost for providing special educational services.
310 The department shall transmit such calculations to the school district or charter school
311 and make such calculations publicly available on the department's website.

312 **(f) The February local aid payment to charter schools within the school district**
313 **shall be paid from the total local aid funds received in January by the school district.**
314 **The February local aid payment per weighted average daily attendance to charter**
315 **schools within the school district shall be calculated as follows:**

316 **a. The school district shall withhold the administrative fee described in**
317 **paragraph (a) of subdivision (6) of this subsection from the total local aid funds received**
318 **in January by the school district;**

319 **b. After withholding the administrative fee, the school district shall withhold**
320 **from the remaining local aid funds an amount equal to the school district's prior year**
321 **positive net cost for providing special educational services only if the school district is**
322 **determined to have a positive net cost by the department under paragraph (e) of this**
323 **subdivision;**

324 **c. After withholding the administrative fee, the school district shall withhold**
325 **from the remaining local aid funds an amount equal to the sum of the prior year positive**
326 **net cost for providing special educational services for charter schools within the school**
327 **district determined to have a positive net cost by the department under paragraph (e) of**
328 **this subdivision. Before March first of each year, the school district shall distribute such**
329 **funds to each charter school determined to have a positive net cost an amount equal to**
330 **each charter school's positive net cost as calculated under paragraph (e) of this**
331 **subdivision;**

332 **d. After withholding the administrative fee and special education funds under**
333 **subparagraphs a., b., and c. of this paragraph, the school district shall divide the**
334 **remaining local aid funds by the sum of the current year estimated weighted average**
335 **daily attendance for January of the school district plus the sum of the current year**
336 **estimated weighted average daily attendance for January of all charter schools within**
337 **the school district; and**

338 **e. To determine the amount of the February local aid payment to each charter**
339 **school within the school district, the school district shall multiply the value calculated**
340 **under subparagraph d. of this paragraph by the current year estimated weighted**
341 **average daily attendance for January for each charter school within the school district.**
342 **The school district shall distribute the February local aid payment to each charter**
343 **school within the school district before March first.**

344 **(g) The department shall adjust the net cost for providing special educational**
345 **services for each charter school and each school district that has charter schools**
346 **operating within the school district based on the report required in paragraph (d) of this**
347 **subdivision for reasons including, but not limited to, underreporting or overreporting**
348 **the number of students with an individualized educational plan or the cost to provide**

349 services to students with an individualized educational plan, failure to draw down or
350 accrue for within the applicable fiscal year all funds to which the charter school or
351 school district is entitled under the federal Individuals with Disabilities Education Act
352 (IDEA) (20 U.S.C. Section 1400 et seq.), as amended, and costs determined by the
353 department to be excessive relative to the special educational services provided.

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

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

358 (12) In all school districts except a metropolitan school district, this subsection
359 shall apply to all school years beginning on or after July 1, 2023. In all metropolitan
360 school districts, this subsection shall apply to all school years beginning on or after July
361 1, 2025.

362 16. The department may promulgate rules for the annual review of payments
363 and any penalties to be assessed under subsection 15 of this section. Any rule or portion
364 of a rule, as that term is defined in section 536.010, that is created under the authority
365 delegated in this section shall become effective only if it complies with and is subject to
366 all of the provisions of chapter 536 and, if applicable, section 536.028. This section and
367 chapter 536 are nonseverable, and if any of the powers vested with the general assembly
368 pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul
369 a rule are subsequently held unconstitutional, then the grant of rulemaking authority
370 and any rule proposed or adopted after August 28, 2022, shall be invalid and void.

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