



# POLICY B R I E F

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## IMPROVING THE MOSCHOLARS PROGRAM

*By Susan Pendergrass*

### KEY TAKEAWAYS

- Although the MOScholars scholarship program has no public funding, it was able to award scholarships to 2,000 students in the 2023–24 school year. For that year, only \$16.6 million in donations was received—not even close to the \$25 million limit.
- In the last four years, 13 states have enacted universal school choice programs that allow every, or nearly every, family to take their state funding to the school of their choice. These states are Alabama, Arizona, Arkansas, Florida, Indiana, Iowa, Louisiana, New Hampshire, North Carolina, Oklahoma, Tennessee, Utah, and West Virginia.
- Shortcomings in the Missouri Foundation Funding formula resulted in \$200 million in state funds being directed to districts for students who were not enrolled there. A portion of these funds could be used to publicly fund the first \$75 million in MOScholars scholarships.

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## BACKGROUND

In 2021, the Missouri Legislature passed House Bill 349 and Senate Bill 86. These bills established the Missouri educational scholarship program, MOScholars. The program gives dollar-for-dollar tax credits to individuals and businesses that donate to one of six approved scholarship-granting organizations, also known as Educational Assistance Organizations (EAOs). These EAOs can then give scholarships to qualified students who apply for them.

Initially, scholarship recipients had to live in one of five counties with a charter form of government or in one of the 10 cities in the state that have at least 30,000 residents. Eligibility was also restricted to students who lived in a family with a household income that is no more than 185 percent of the federal poverty line (the same threshold to qualify for free or reduced-price lunch) or be identified as having a disability. In 2024, the legislature expanded the program statewide and raised the income limitation to a level that makes 85 percent of students in the state eligible.

While it is good that most Missouri students can now access this program, limitations built into the law make it unlikely to reach many families. The major limitation is requiring EAOs to raise money for the scholarship funds. Although EAOs were able to raise over \$16 million last year, that was still well below the (at the time) \$25 million limit. The limit has since been raised to \$75 million, but for the program to be financially secure, reliable government funding is needed. As is evident from the past two years, private donations can't always be counted on. This is especially true during economic downturns, when the need for scholarship assistance is greatest.

One source of funds that would be appropriate for this program is the hold-harmless provision in the foundation formula that protects districts with declining enrollment. Missouri has the most generous enrollment-related revenue protections of any state in the nation. By allowing districts to use the highest average daily attendance of the prior three years, the state knowingly

sends foundation-formula funds to districts for students who are not enrolled there. If Missouri had just changed this policy to the highest average daily attendance of the prior two years, rather than three, there would have been \$30 million available last year to publicly fund MOScholars scholarships.

Alternatively, Missouri could revise the program so that the tax credits are issued directly to the parents rather than requiring the involvement of EAOs. In Oklahoma's program, passed this year, families can take a refundable tax credit of at least \$5,000 and up to \$7,500 to cover private school tuition.

## What Does This Mean For Missouri

There are several options for improving the MOScholars program:

- First, Missouri should make a public funding commitment to this program rather than leaving the fundraising of \$75 million to just six nonprofit organizations. This could be done by redirecting foundation-formula funds from students who don't exist to families that need the funds by limiting foundation average daily attendance to the higher of the prior two years. Minimally, the state could use this redirected money to fund the first \$75 million in scholarships with any additional funds raised adding to the total cost of the program.
- In the absence of a commitment to publicly fund the program, Missouri could shift the tax credit directly to parents.

## CONCLUSION

Missouri is now practically surrounded by states that allow their families to choose their children's school, with state money following them. Iowa and Arkansas have passed publicly funded universal school choice programs that allow families to choose any public or private school. Oklahoma pays the first \$5,000 to

\$7,500 in private school tuition for its families through refundable tax credits. Kansas greatly strengthened its public school choice program last year. Missouri's first attempt at giving families similar choices is too small and too weak. It's time to fix the shortcomings and make sure that the program can survive and grow.

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