

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1420-09
Bill No.: HCS No. 2 for SS for SCS for SB 287
Subject: Education, Elementary and Secondary: Elementary and Secondary Education
 Dept
Type: Original
Date: May 6, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(Up to \$2,654,593)	(\$119,646,047 to Unknown)	(\$221,08,056 to Unknown)
Total Estimated Net Effect on General Revenue Fund*	(Up to \$2,654,593)	(\$119,646,047 to Unknown)	(\$221,608,056 to Unknown)

** The proposal reflects a seven-year phase-in of the new formula of a total of \$713 million. FY 07 cost is estimated at \$101.9 million; FY 08 costs is estimated at \$203.7 million; FY 09 cost is estimated at 304.6 million; FY 10 cost is estimated at \$407.4 million; FY 11 cost is estimated at \$509.3 million; FY 12 cost is estimated at \$611 million; FY 13 cost is estimated at \$713 million. Because of hold harmless provisions and built in provisions to adjust some of the factors, the cost may vary year by year during the phase-in and the cumulative cost after seven years may exceed \$713 million.*

FUND AFFECTED	FY 2006	FY 2007	FY 2008
Classroom Trust Fund*	\$0	\$0	\$0
State School Moneys Fund* *	\$0	\$0	\$0
Gaming Proceeds for Education Fund*	\$0	\$0	\$0
Road Fund	\$0	(\$2,237,280)	(\$2,270,840)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(\$2,237,280)	(\$2,270,840)

*Transfers In and Out total \$270,514,200 in FY 07 and \$275,514,200 in FY 08.

** Transfers In and Out total \$372,371,613 in FY 07 and \$479,638,770 in FY 08

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	Up to \$2,500,000	Up to \$121,494,423	Up to \$223,385,126

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** assume there will be no fiscal impact on the Courts.

Officials from the **Office of State Treasurer, Department of Public Safety - Office of Director, Department of Public Safety - Missouri Gaming Commission; Department of Insurance, State Tax Commission, and Department of Mental Health,** do not anticipate a

ASSUMPTION (continued)

fiscal impact to their respective agencies.

Officials from the **Office of Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Social Services** state that the proposal does not appear to treat the Division of Youth Services substantially differently than current law; however, the outcome of applying the new formula cannot be determined without further analysis.

Officials from the **Office of Secretary of State (SOS)** assumed the rules, regulations and forms issued by the Department of Elementary and Secondary Education could require as many as 20 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. The actual costs could be more or less the SOS's estimated cost of \$1,230 for FY 2006. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

In response to previous versions of this proposal, officials from the **Office of Administration - Division of Budget and Planning** stated there would be no cost or savings to their agency as a result of this proposed legislation.

According to officials from the **Department of Elementary and Secondary Education**, the estimated cost for this proposal reflects an increased state cost of approximately \$713 million over the current FY 05 cost. The proposal reflects a five-year phase-in of the new formula, but this does not mean that the estimated \$713 million can be divided by five to get the annual cost for five years. Because of hold harmless provisions and built in provisions to adjust some of the factors, the cost will vary year by year during the phase-in and the cumulative cost after five years may exceed \$713 million. **Oversight** assumes, based on the legislation (Section 163.031.4), there is a seven year phase-in period.

SECTION 142.816

Officials with the **Department of Revenue (DOR)** assume this legislation provides a state tax

ASSUMPTION (continued)

exemption to school districts on their purchases of fuel used to operate buses for educational purposes. DOR assumes this proposal would create a loss of state revenues, but that it would have no fiscal impact on their agency.

Officials with the **Department of Elementary and Secondary Education** (DES) assume this proposal would create a saving to school districts and a loss to state revenues. DES calculates that total miles traveled by school district-owned and -contracted buses was 120,288,214 for the 2003-2004 school year. Dividing total miles by an average of 7 miles per gallon yields 17,184,030 gallons of fuel used annually. Multiplying gallons of fuel used by 17 cents per gallon (the current Missouri fuel tax) results in an estimated annual fuel tax exemption for school districts of \$2,921,285.

Officials with the **Department of Transportation** (MoDOT) utilized DES mileage statistics to calculate the same exemption. MoDOT stated that motor fuel taxes are split as follows: State Road Fund, 73.24%; cities, 15%; counties, 11.76%. MoDOT assumes the effective date of this proposal to be August 28, 2005, therefore the estimated revenue decrease for FY06 would be for 8 months (November 2005 to June 2006) due to a two month lag in revenue receipts. MoDOT assumes annual growth rate of 1.5% in the number of school bus miles traveled.

Using the mileage statistics given and applying the 1.5% annual growth rate, **Oversight** assumes that a fuel tax revenue loss (conversely, a savings to local school districts) of \$2,004,381 in FY06, \$3,054,725 in FY07, and \$3,100,546 in FY08. The revenue loss would be divided among the State Road Fund and local governments by the aforementioned percentages.

Officials with the **Parkway School District** (St. Louis County) assume this proposal would save their district approximately \$40,800 per year, based upon their approximate annual purchase of 240,000 gallons of motor fuel per year.

This section of the legislation will reduce Total State Revenue.

SECTION 160.530

According to officials from **DESE**, this section places a \$20 million dollar cap on the moneys appropriated to DESE for distribution to the public schools for professional development and the "Success Leads to Success" grant program. In FY 05, these monies totaled \$17,902,341. Based on historical increases of 5% per year, program need will reach \$20 million by FY 2007. As a result of the limits imposed by this section, no inflationary allowance in program costs will be considered and the programs will effectively lose \$1 million dollars per year, each year beginning after FY 07. **Oversight** assumes the cap will result in no increase in future years, rather than a loss.

ASSUMPTION (continued)

SECTIONS 160.534 & 163.043

Oversight assumes, based on information from Office of Administration - Division of Budget and Planning, that transfers in and out of State School Moneys Fund, Gaming Proceeds for Education Fund, and Classroom Trust Fund will total \$270,514,200 in FY 07 and \$275,514,200 in FY 08. This is assuming a two percent growth per year and the maximum amount of \$7 million taken out for School District Bond Fund.

SECTION 163.044

In addition to the formula cost, officials from **DESE** note the requirement for \$15 million to be appropriated for school districts with 350 or less in average daily attendance.

SECTION 163.172

DESE officials assume costs to exceed \$100,000 for teacher salary increases. **Oversight** assumes both school districts and General Revenue would be affected. Schools that don't qualify for additional funding to fulfill minimum teacher salary requirements will have to absorb the additional cost.

SECTION 167.229

Officials from the **Department of Health and Senior Services (DOHSS)** state there will be no fiscal impact on DOHSS since the Model School Wellness Program is assigned to DESE rather than DOHSS as in previous versions.

Officials from DOHSS further state that in paragraph 167.229.1 the bill states: "The moneys appropriated shall be from the Child Nutrition and WIC Reauthorization federal grant money." DOHSS is the agency granted WIC funding by the federal government. The Child Nutrition and WIC Reauthorization Act (2004) combines funding for several federal programs that include Child and Adult Care Food Program, Commodity Distribution Program, Summer Food Service Program, National School Lunch and Breakfast Programs, Team Nutrition and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Specifically, WIC funding is targeted to pregnant women and children ages 0 to 5 years (not school-aged children) by USDA. Recent discussions with USDA officials indicate that Child Nutrition funding has not been earmarked for local wellness programs as contained in this proposal. **Oversight** assumes funding for this program will be subject to appropriations. _____

Officials from the **Department of Elementary and Secondary Education (DESE)**, would need three FTE for administration of the program and would contract for the services of an evaluator

ASSUMPTION (continued)

to do program evaluation. Funding would need to be appropriated for the funds that go to the school districts and to DESE for the additional personnel.

The fiscal calculations assume funds will be available for 40-50 contracts to schools to participate in this program. Additional staff would provide technical assistance, consultation and contract monitoring to the schools, would also have the lead in developing the selection criterion and methods for distribution of districts applying for the funds, and would manage the day-to-day financial and program issues, ensuring participants receive their funds in a timely manner. The Office Support Assistant would provide clerical support to program staff.

A contract for an evaluator for the program would require a similar workload of a public health epidemiologist at .25 FTE ($\$57,060 \times \frac{1}{4} = \$14,625$ annually).

It is unknown how much funding would be required for contracts. Assuming \$50,000 per contract, the cost could range \$2-2.5 million for program costs.

For fiscal note purposes only, **Oversight** has not included costs for rental space, travel, or equipment.

SECTION 168.110 & 168.126

According to officials from the **Department of Elementary and Secondary Education (DESE)**, there would be no fiscal impact to their agency. Costs to school districts would depend upon participation and the level at which district choose to offer incentives. DESE could not estimate the potential cost, but it could be significant.

Oversight assumes that even if only a limited number of school districts offered hiring incentives or salary schedule modifications, the fiscal impact could exceed \$100,000.

FISCAL IMPACT - State Government

FY 2006

FY 2007

FY 2008

GENERAL REVENUE

<u>Cost - Department of Elementary and Secondary Education - School Funding (Section 163.031) *</u>	\$0	(\$101,857,143)	(\$203,714,286)
<u>Cost - Appropriation to small schools (Section 163.044)</u>	\$0	(\$15,000,000)	(\$15,000,000)
<u>Cost - Minimum teacher salary supplements (Section 163.172)</u>	\$0	(Unknown-Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)
<u>Cost - DESE - Model School Wellness Program (Section 167.229)**</u>	(Up to \$2,500,000)	(Up to \$2,500,000)	(Up to \$2,500,000)
<u>Cost - DESE - Costs to administer Model School Wellness Program</u>			
Personal Costs	(\$91,410)	(\$112,434)	(\$115,245)
Fringe Benefits	(\$38,996)	(\$47,964)	(\$49,164)
Expenses	(\$12,300)	(\$13,813)	(\$114,227)
Contract for Evaluator	<u>(\$11,887)</u>	<u>(\$14,693)</u>	<u>(\$15,134)</u>
TOTAL Administrative Costs (Section 167.229)*	<u>(\$154,593)</u>	<u>(\$188,904)</u>	<u>(\$293,770)</u>

ESTIMATED NET EFFECT ON GENERAL REVENUE **(\$119,646,047 to Unknown)**
(\$221,608,056 to Unknown)

* The proposal reflects a seven-year phase-in of the new formula of a total of \$713 million. FY 09 cost is estimated at 304.6 million; FY 10 cost is \$407.4 million; FY 11 cost is \$509.3 million; FY 12 cost is \$611 million; FY 13 cost is \$713 million. Because of hold harmless provisions and built in provisions to adjust some of the factors, the cost may vary year by year during the phase-in and the cumulative cost after seven years may exceed \$713 million.

**** Subject to appropriation**

FISCAL IMPACT - State Government FY 2006 FY 2007 FY 2008

**GAMING PROCEEDS FOR
 EDUCATION FUND**

<u>Savings</u> - Decreased Transfers to State School Moneys Fund (Section 160.534)	\$0	\$270,514,200	\$275,924,484
<u>Cost</u> - Transfer to Classroom Trust Fund (Section 160.534)	\$0	<u>(\$270,514,200)</u>	<u>(\$275,924,484)</u>

ESTIMATED NET EFFECT ON GAMING PROCEEDS FOR EDUCATION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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STATE SCHOOL MONEYS FUND

<u>Savings</u> - Decreased Distributions to School Districts (Section 160.534)	\$0	\$270,514,200	\$275,924,484
<u>Transfer In</u> - State aid to schools (Section 163.031)	\$0	\$101,857,143	\$203,714,286

<u>Loss</u> - Decreased transfers from Gaming Proceeds for Education Fund (Section 160.534)	\$0	<u>(\$270,514,200)</u>	<u>(\$275,924,484)</u>
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<u>Transfer Out</u> - Distribution to schools (Section 163.031)	\$0	<u>(\$101,857,143)</u>	<u>(\$203,714,286)</u>
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ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - State Government FY 2006 FY 2007 FY 2008

CLASSROOM TRUST FUND

<u>Transfer In</u> - Gambling Boat Proceeds (Section 160.534)	\$0	\$270,514,200	\$275,924,484
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<u>Transfer Out</u> - Distribution to School Districts (Section 163.043)	\$0	<u>(\$270,514,200)</u>	<u>(\$275,924,484)</u>
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ESTIMATED NET EFFECT ON CLASSROOM TRUST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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ROAD FUND

<u>Loss</u> – MoDOT Fuel Tax Revenues (Section 142.816)	\$0	<u>(\$2,237,280)</u>	<u>(\$2,270,840)</u>
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ESTIMATED NET EFFECT ON ROAD FUND	<u>\$0</u>	<u>(\$2,237,280)</u>	<u>(\$2,270,840)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2006	FY 2007	FY 2008
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<u>Loss</u> – Cities Fuel Tax Revenues (Section 142.816)	\$0	(\$458,209)	(\$465,082)
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<u>Loss</u> – Counties Fuel Tax Revenues (Section 142.816)	\$0	<u>(\$359,236)</u>	<u>(\$364,624)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	<u>\$0</u>	<u>(\$817,445)</u>	<u>(\$829,706)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2006	FY 2007	FY 2008
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SCHOOL DISTRICTS

Savings – School Districts

Elimination of Fuel Tax Expenditures (Section 142.816)	\$0	\$3,054,725	\$3,100,546
<u>Income</u> - State Aid (Section 163.031)	\$0	\$101,857,143	\$203,714,286
<u>Income</u> - Proceeds from Classroom Trust Fund (Section 163.043)	\$0	\$270,514,200	\$275,924,484
<u>Income</u> - Small School Districts (Section 163.044)	\$0	\$15,000,000	\$15,000,000
<u>Income</u> - Grants from School Wellness Program* (Section 167.229)	Up to \$2,500,000	Up to \$2,500,000	Up to \$2,500,000
<u>Income</u> - Minimum teachers salary supplements (Section 163.172)	\$0	Unknown - Expected to Exceed \$100,000	Unknown - Expected to Exceed \$100,000
<u>Cost</u> - Teacher salary increases (Section 163.172)	\$0	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)
<u>Cost</u> - Hiring incentives and salary schedule modifications (Section 168.110 & 168.126)	\$0	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)
<u>Loss</u> - Reduced Distributions from State School Moneys Fund (Section 160.534)	\$0	(\$270,514,200)	(\$275,924,484)
ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICTS *Subject to appropriation	<u>Up to</u> <u>\$2,500,000</u>	<u>Up to</u> <u>\$122,311,868</u>	<u>Up to</u> <u>\$224,214,832</u>
<u>FISCAL IMPACT - Small Business</u>			

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

LD:LR:OD (12/02)

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 proposal seeks to transition the state away from this tax-rate driven philosophy to a formula that is primarily student-needs based.

The formula requires the Department of Elementary and Secondary Education (DESE) to calculate a state adequacy target. The adequacy target amount is the minimum amount of funds a district will receive in order to educate each student. In order to calculate the target, DESE will identify certain high performing districts (performance districts) and extrapolate the amount that those districts spent on educating their students. This amount will become the new state minimum per student, or the state adequacy target. The state adequacy target will be recalculated by DESE every two years using the most current list of performance districts. This number will not decrease due to any such recalculation.

The formula assigns additional weight to districts' student counts based on certain student characteristics, specifically, to students who qualify for free and reduced lunch, receive special education services, or possess limited English language proficiency. DESE will identify the aggregate percentage of the performance districts' free and reduced price lunch, special education, and limited English language proficiency populations in order to create threshold percentage amounts. Any district with student populations above the threshold percentages in any of the weighted characteristic areas will be assigned additional "weight" for the number of the district's students above the threshold amounts. These additional weights will be added to the district's student population in order to arrive at that district's weighted average daily attendance.

Further, the proposal contains a proxy variable for the relative purchasing power of a dollar, the dollar value modifier. The modifier is an index corresponding to the wage-per-job (on a regional basis) that captures 15% of the percent deviation from the state's median wage-per-job.

A district's state aid calculation will be: The district's weighted average daily attendance multiplied by the state adequacy target. This figure may be adjusted upward by the dollar value modifier. From this total, the district's local effort will be subtracted, and if this number is above zero, this number is the district's state aid payment. If the number is below zero, then the district will receive no less revenue on a per weighted daily attendance basis than the district received in the 2005-2006 school year. The "hold harmless" calculation is adjusted to reflect usage of weighed average daily attendance. The dollar value modifier is also applied to the hold-harmless payment, and such application is phased in over a three year period. The formula itself is phased in over a seven-year period, during which time the state adequacy target may not be adjusted
DESCRIPTION (continued)

downward. During the phase-in period, districts with significant decreases in gifted and summer school programs will have funds corresponding to those decreased levels reduced from their current-year payments.

The local revenue figure utilized in a district's state aid calculation is the amount of locally generated revenue the district would have received in fiscal year 2005 if its operating levy was set at \$3.50. The \$3.50 amount is called the performance levy. In every year subsequent to the first-year calculation, a district's "local effort" amount will be frozen, except for any growth in locally collected fines, so that any growth in local revenue collections will be retained by the district and not used to offset state aid payments.

The current formula comprises several categorical aid streams: transportation continues, unaltered, as do the career ladder, vocational education, and educational and screening programs. The line 14 "at-risk," gifted, special education, and remedial reading categoricals are folded into the district's base amount, along with the cigarette tax and free textbook moneys.

The proposal renders additional alterations to current law, including, but not limited to:

SECTION 142.816

Provides a motor fuel tax exemption for school districts when operating buses used solely to transport students to or from school or transport students to or from any place for educational purposes.

SECTION 160.415

Terminology regarding charter schools is revised in order to fit with the new formula.

SECTION 160.530.2 & 3

Currently, in order to be eligible for state aid, a school district must allocate one percent of moneys received pursuant to 163.031, exclusive of categorical add-ons, for professional development. Ninety percent of one percent is distributed by the commission of education to address statewide areas of critical need for learning and development. Ten percent of one percent is distributed in grant awards for the "Success Leads to Success" grant program. With this proposal, the ninety percent of one percent is capped at \$18 million and the ten percent of one percent is capped at \$2 million. DESE shall include a listing of all expenditures under this section in the annual budget documentation presented to the governor and general assembly.

DESCRIPTION (continued)

SECTION 160.534

Any amount of the excursion gambling board proceeds deposited in the Gaming Proceeds for Education Fund in excess of the amount transferred to the School District Bond Fund shall be

transferred to the Classroom Trust Fund created in Section 163.043.

SECTION 162.081

This section creates a mechanism to prevent a school district from moving back and forth between unaccredited and provisionally accredited status. If a school district that has been classified as unaccredited within the past five years and has become provisionally accredited should lose its provisional accreditation, it will lapse on June 30 or at a later date determined by the State Board of Education.

Changes are also made to the required hearing on the plans for continuing the educational process after lapse, which must be held at least 60 days before the district lapses. A special administrative board, which may be appointed by the state board to monitor an unaccredited district, is also given standing to enjoin school board actions that might result in wastage of assets. The state board is given the option of permitting a lapsed district to continue to operate under its existing governance structure pursuant to terms and conditions the board establishes. A prohibition on attaching a lapsed district with more than 5,000 pupils to another district without the approval of the board of the receiving school district is removed.

SECTION 163.042

Any board of any school district may elect in any fiscal year to be considered an "option district". Such option districts shall not be entitled to any state aid under section 163.031 or 163.043. In exchange for forgoing state aid, option districts shall be granted waivers from all Missouri school improvement plan provisions and any requirements otherwise imposed on the school district related to the authority of the state board of education to classify school districts under section 161.092, RSMo, all fund transfer restrictions under chapter 165, RSMo, and such other rules as determined by the Commissioner of Education. In any year in which a district elects to be an option district, no locally generated revenue pursuant to the definition of local revenue, shall be transferred to the state in any manner whatsoever.

SECTION 163.043

The Classroom Trust Fund is created in the state treasury and shall be distributed by the state board of education to each school district in this state qualified to receive state aid pursuant to section 163.021 on an average daily attendance basis. The moneys distributed pursuant to this section shall be spent at the discretion of the local school district.

DESCRIPTION (continued)

SECTION 163.044

Beginning with the 2007 fiscal year and each subsequent fiscal year, the General Assembly shall appropriate fifteen million dollars to be directed to school districts with an average daily

attendance of three hundred fifty students or less in the school year preceding the payment year. These monies may be used for, but not limited to, distance learning, extraordinary transportation costs, rural teach recruitment, and student learning opportunities not available within the district.

SECTION 163.172

Beginning in school year 2006-07, the minimum teacher's salary shall be \$22,000; in school year 2007-08, the minimum shall be \$23,000; in school year 2008-09, the minimum shall be \$24,000; in school year 2009-10 and thereafter, the minimum teacher's salary shall be \$25,000.

Beginning in the school year 2006-07, for any full-time teacher with a master's degree in an academic teaching field and at least ten years' teaching experience in a public school or combination of public schools, the minimum salary shall be \$30,000; in the 2007-08 school year such minimum salary shall be \$31,000; in the 2008-09 school year such minimum salary shall be \$32,000; and in the 2009-10 school year such minimum salary shall be \$33,000.

Beginning with the 2006-07 school year, the General Assembly shall make an annual appropriation for the purpose of fulfilling the minimum salary requirements for public school teachers. The appropriation shall be sufficient to ensure that all qualifying districts are able to comply with the minimum salary requirements of this section. DESE shall determine, prior to each school year, those districts which shall be eligible to receive funds in this subsection during the school year.

SECTION 165.011

Any district that uses an Incidental Fund Transfer to pay for more than twenty-five percent of the annual certificated compensation obligation of the district and has an Incidental Fund balance on June 30 in any year in excess of fifty percent of the combined Incidental Teachers' Fund expenditures for the fiscal year just ended shall be required to transfer the excess from the Incidental Fund to the Teachers' Fund.

Employee benefits for certificated staff shall be paid from the Teachers' Fund.

Upon meeting certain conditions, transfers may be made from the Incidental Fund to the Capital Projects Funds for current year obligations for lease-purchase obligations entered into prior to January 1, 1997 and the amount necessary to repay costs of one or more guaranteed energy savings performance contracts to renovate buildings in the school district.

DESCRIPTION (continued)

SECTION 165.012

Each school district shall annually report to DESE the following district information as of December 31st of the current school year:

The district's unrestricted fund balance in the incidental fund and in the teacher's fund;

The amount of tax anticipation borrowed funds placed in the Incidental Fund and in the Teachers' Fund since the beginning of the school year; and,

The net amount of transfer from the Incidental Fund and Teacher's Fund to the Capital Projects Fund and to the Debt Service Fund since the beginning of the school year.

SECTION 165.121

Districts receiving state aid as a result of any additional average daily attendance generated by the weighting factors attributed to students shall demonstrate that at least fifty percent of the aid attributed to the weighting factors was expended on instruction or instructional support of students who qualify for the weighting facts or on operating expenses for the attendance center attended by such students in proportion to the total percentage of such students in such attendance center.

SECTION 167.229

Establishes the Model School Wellness Program, administered by the Department of Elementary and Secondary Education, to create pilot programs in school districts encouraging students to avoid tobacco use, balance their diets, get regular exercise, and become familiar with chronic medical conditions resulting from being overweight. School districts receiving the grants will establish programs that address academic success and encourage links between school and home.

The tobacco prevention initiative will focus on fourth and fifth grades, while the obesity prevention element will cover kindergarten through fifth grade. The proposal requires hands-on professional development and an evaluation after the 2005-2006 school year that will include changes in body mass index and measurement of changing behaviors related to nutrition, physical activity, and tobacco use.

The provisions of the proposal will expire six years from the effective date, unless reauthorized by the general assembly.

DESCRIPTION (continued)

SECTION 168.110 & 168.126

Gives school districts the right to include hiring incentives and salary schedule modifications, which can include credit for all prior years of service in another district, to attract and retain

teachers. Teachers must be certificated in subject areas that have a demonstrated teacher shortage and must have qualities or credentials that are suited to a district's academic needs. Teachers may be required to teach in the district offering the incentive for up to three years.

SECTION 168.281

An employee whose appointment has become permanent may be removed for the felony conviction of a crime under any state or federal criminal statute or for incompetency in the line of duty.

Section 1

The Joint Committee on Tax Policy shall review and analyze the local property tax assessment practices of this state. The committee shall make recommendations to the general assembly regarding its findings with regard to the state's assessment practices.

The committee shall report to the State Tax Commission any counties which it considers to be under-assessed. The State Tax Commission shall adjust local assessments to ensure that all counties are accurately assessed, as provided by statute.

If a school district is determined to be utilizing assessed valuations in the base year that are under-assessed for purposes of this formula calculation, when the state adequacy target is recalculated, the district local effort calculation for school districts that were under-assessed shall be corrected to utilize the correct assessed valuation; provided, however, that no school district shall receive less state aid per pupil than in school year 2006-2007.

Many of the sections of the proposed legislation revise existing law to the new terminology and delete obsolete provisions rendered obsolete by the adoption of the new formula.

With the exception of Section 167.229 (Model School Wellness Program), the provisions of Section A of this proposal shall become effective July 1, 2006, if notification has been timely provided pursuant to the following: On or before September 1, 2005, the attorney general shall provide notice to the revisor of statutes that a final judgment has been entered dismissing with prejudice Case No. 04CV323022, pending as of January 1, 2005, in the Circuit Court of Cole County. If such a final judgment as to the state of Missouri and its officials has not been entered in such case at such time, no notice shall be given and section A of this act shall not become effective. As used in this section, "final judgment" shall include only a judgment which disposes
DESCRIPTION (continued)

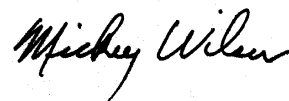
of all claims involving the state of Missouri and its officials and for which final disposition of appeals has been rendered and may include a consent judgment.

This legislation is not federally mandated, would not duplicate any other program and would not

require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of State Treasurer
Office of Secretary of State
 Administrative Rules Division
 Office of State Courts Administrator
Office of Administration
 Division of Budget and Planning
Department of Public Safety
 Office of Director
 Missouri Gaming Commission
Department of Mental Health
Department of Insurance
Missouri Tax Commission
Department of Revenue
Department of Social Services
Office of Attorney General
Department of Transportation
Department of Health and Senior Services



Mickey Wilson, CPA
Director
May 6, 2005