

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1420-10  
Bill No.: Truly Agreed To and Finally Passed HCS for SS for SCS for SB 287  
Subject: Education, Elementary and Secondary: Elementary and Secondary Education Dept  
Type: Original  
Date: June 14, 2005

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	\$0		
<b>Total Estimated Net Effect on General Revenue Fund*</b>	<b>\$0</b>	<b><u>(\$122,135,000 to Unknown)</u></b>	<b><u>(\$235,100,000 to Unknown)</u></b>
<p>* The proposal reflects a seven-year phase-in of the new formula of a total of \$847 million. FY 07 cost is estimated at \$121 million; FY 08 costs is estimated at \$242 million; FY 09 cost is estimated at \$363 million; FY 10 cost is estimated at \$484 million; FY 11 cost is estimated at \$605 million; FY 12 cost is estimated at \$726 million; FY 13 cost is estimated at \$827 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 \$847 million.</p>			
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
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

\*\* Transfers In and Out total \$389,514,200 in FY 07 and \$513,924,484 in FY 08

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$122,000,000</b>	<b>\$235,000,000</b>

**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 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

ASSUMPTION (continued)

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 proposal reflects a seven-year phase-in of the new formula, but this does not mean that the estimated \$846.9 million can be divided by 7 to get the annual cost for seven 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 seven years may exceed \$846.9 million. This fiscal impact does not include any unknown costs which may result from the provisions of 163.031.2(2) and section 2.

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.

SECTIONS 160.400; 160.405; 160.410; 160.415; 160.420; 167.349

In response previous similar proposals (HB 842 & HB 831) , officials from the **Office of Administration - Administrative Hearing Commission, Department of Public Safety - Office of Director**, and the **Department of Insurance**, state this proposal will have no fiscal impact on their respective agencies.

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

ASSUMPTION (continued)

on the Courts.

Officials from the **Joint Committee on Public Employee Retirement** assume this proposal would not affect retirement plan benefits as defined in Section 105.660 (5).

Officials from the **Coordinating Board for Higher Education** state this proposal will have no fiscal impact on their agency; however it may have a fiscal impact on higher education institutions that currently sponsor charter schools or those that choose to do so in the future due to broadening the scope of possible sponsors.

Officials from **Missouri Western State College** stated this proposal would have no fiscal impact on their institution.

Officials from the **University of Missouri System** stated no additional costs would result from this proposal as written.

Officials from **Central Missouri State University**, in response to similar legislation from this session (SB 455), stated this proposal would have no fiscal impact on their institution

In response to similar legislation from this session (SB 455), officials from **Harris-Stowe State College** estimated expenses relating to sponsorship of a charter school at \$75,000 to \$90,000 per year. **Oversight** assumes this amount is included in the total allocated per Section 160.415, RSMo.

Officials from the **City of Saint Louis** state that although the proposal does increase the Mayor's ability to sponsor a charter school it does not, however, direct any general fund moneys to fund the charter school. There is no fiscal impact on the City of Saint Louis.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume state funding to the charter schools does not change as a result of this proposal, just who sends the money to the charter. The state would be capturing both the local and state piece from the district calculation and sending it to the charter. DESE will experience internal costs to revise various data collection instruments and payment programs to treat charter schools as local education authorities (LEA). Costs may approach \$35,000 to change all the necessary computer programs. DESE cannot determine how many sponsors may lose their authority to operate charter schools, nor can DESE estimate the extent of public hearings which may arise resulting from Section 160.400.14. Due to these unknowns and the additional accounting duties required by section 160.400.9 as well as the unknowns created by section 160.400.2, DESE foresees the need for 1.0 accounting specialist to administer the proposal and mitigate the increased demand for technical assistance.

ASSUMPTION (continued)

**Oversight** assumes there would be a limited number of new charter school sponsors and that few sponsors in any given year would be removed from sponsoring a charter school. If administrative duties do increase significantly, personnel and expenses could be requested through the appropriations process.

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.

SECTIONS 162.675; 162.740; 162.794

According to officials from the **Department of Elementary and Secondary Education (DESE)**, this proposal shifts responsibility away from the state and toward local school districts regarding payment of special education services. DESE estimates an annual savings to state funds totaling \$18 million and an offsetting annual cost to school districts totaling \$18 million. The impact will occur over a three year phase-in period with zero cost in FY 06, \$12 million in FY 07, and \$18 million in FY 08.

Section 163.031.2(2)

According to **DESE**, this provision is estimated to be revenue neutral for 06-07. If the average daily attendance of any of these districts decreases, then this hold harmless provision to a fixed dollar amount will cost more than a per ADA hold harmless provision. However, any increase in cost cannot be estimated as it is dependent on decline in student attendance.

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.

ASSUMPTION (continued)

SECTION 165.596

According to officials from the **Joint Committee on Public Employee Retirement**, stated that a review this portion of the proposal would indicate that such legislation would not create a “substantial proposed change” in future plan benefits as defined in Section 105.660 (5); therefore, an actuarial cost statement is not required.

Officials from the **Public School Retirement System of Missouri** state this proposal will have no fiscal impact on retirement plans administered by their agency.

Section 2

According to officials from DESE, this provision increases the weighting for summer school ADA from 1.0 to 1.25 beginning in 2009-2010 if the state total summer school attendance decreases 25% or more from the 2005-06 year. DESE did not estimate a potential cost for this provision.

<u>FISCAL IMPACT - State Government</u>	FY 2006	FY 2007	FY 2008
<b>GENERAL REVENUE</b>			
<u>Savings</u> - Dept of Elementary and Secondary Education (DESE) - Special Education Costs (Section 162.974)	\$0	\$12,000,000	\$18,000,000
<u>Cost</u> - DESE - Reprogramming Costs (Section 160.400)	\$0	(\$35,000)	\$0
<u>Cost</u> - DESE - School Funding (Section 163.031) *	\$0	(\$119,000,000)	(\$238,000,000)
<u>Cost</u> - Appropriation to small schools (Section 163.044)	\$0	(\$15,000,000)	(\$15,000,000)
<u>Cost</u> - Minimum teacher salary supplements (Section 163.172)	\$0	(Unknown - More Than \$100,000)	(Unknown - More Than \$100,000)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>(\$122,135,000 to Unknown)</u></b>	<b><u>(\$235,100,000 to Unknown)</u></b>

\* The proposal reflects a seven-year phase-in of the new formula of a total of an estimated \$832 million. FY 07 cost is estimated at \$119 million; FY 08 costs is estimated at \$238 million; FY 09 cost is estimated at \$357 million; FY 10 cost is estimated at \$476 million; FY 11 cost is estimated at \$595 million; FY 12 cost is estimated at \$714 million; FY 13 cost is estimated at \$832 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 \$847 million.

<u>FISCAL IMPACT - State Government</u>	FY 2006	FY 2007	FY 2008
<b>GAMING PROCEEDS FOR EDUCATION FUND</b>			
<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)	<u>\$0</u>	<u>(\$270,514,200)</u>	<u>(\$275,924,484)</u>
<b>ESTIMATED NET EFFECT ON GAMING PROCEEDS FOR EDUCATION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>STATE SCHOOL MONEYS FUND</b>			
<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	\$119,000,000	\$238,000,000
<u>Loss</u> - Decreased transfers from Gaming Proceeds for Education Fund (Section 160.534)	\$0	(\$270,514,200)	(\$275,924,484)
<u>Transfer Out</u> - Distribution to schools (Section 163.031)	<u>\$0</u>	<u>(\$119,000,000)</u>	<u>(\$238,000,000)</u>
<b>ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>



<u>FISCAL IMPACT - State Government</u>	FY 2006	FY 2007	FY 2008
<b>CLASSROOM TRUST FUND</b>			
<u>Transfer In</u> - Gambling Boat Proceeds (Section 160.534)	\$0	\$270,514,200	\$275,924,484
<u>Transfer Out</u> - Distribution to School Districts (Section 163.043)	<u>\$0</u>	<u>(\$270,514,200)</u>	<u>(\$275,924,484)</u>
<b>ESTIMATED NET EFFECT ON CLASSROOM TRUST FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2006	FY 2007	FY 2008
<b>SCHOOL DISTRICTS</b>			
<u>Income</u> - State Aid (Section 163.031)	\$0	\$119,000,000	\$238,000,000
<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> - Minimum teachers salary supplements (Section 163.172)	\$0	Unknown - More Than \$100,000	Unknown - More Than \$100,000
<u>Costs</u> - Special Education Services (Section 162.974)	\$0	(\$12,000,000)	(\$18,000,000)
<u>Cost</u> - Teacher salary increases (Section 163.172)	\$0	(Unknown - More Than \$100,000)	(Unknown - More Than \$100,000)
<u>Loss</u> - Reduced Distributions from State School Moneys Fund (Section 160.534)	<u>\$0</u>	<u>(\$270,514,200)</u>	<u>(\$275,924,484)</u>
<b>ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICTS</b>	<b><u>\$0</u></b>	<b><u>\$122,000,000</u></b>	<b><u>\$235,000,000</u></b>

## FISCAL IMPACT - Small Business

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

### DESCRIPTION

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.

DESCRIPTION (continued)

For very small school districts, the hold harmless calculation will be based on the actual amount of state revenue received by the district in the 2004-2005 or 2005-2006 school year, whichever is greater. This amount is not a per-student figure. The small school district "hold harmless" calculation also is adjusted to reflect usage of weighed average daily attendance, and the dollar value modifier is applied to this hold-harmless payment. The dollar value modifier 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 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 \$3.43. The \$3.43 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. Revenues from gaming, which will be deposited into the Classroom Trust Fund, also established by the act, will be distributed on an average-daily-attendance basis.

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

CHARTER SCHOOLS

SECTION 160.400

This proposed legislation permits sponsorship of charter schools by private four-year colleges or universities in Missouri with their primary campuses in the metropolitan area of a district where charters are authorized if the college has at least 1,000 students and an approved teacher preparation program. The mayor of the City of St. Louis may request the sponsorship of a workplace charter school, as defined in the proposal.

The current maximum of 5% of a district's buildings being available for conversion to charter schools is repealed, as is the provision that a charter school cannot be located on district property without the district's consent.

DESCRIPTION (continued)

SECTION 160.400.9

The Department of Elementary and Secondary Education (DESE) will disburse to the sponsor 1.5% of a charter school's aid allocation to defray the costs of sponsorship.

SECTION 160.400.11

Charter sponsors must ensure that criminal background and child abuse registry checks are conducted for all members of the school's governing board.

SECTION 160.400.12

Charter school governing board members must not be employed by the charter school or any company that provides substantial services to the charter school. Board members are considered to be decision-making public servants for financial disclosure purposes, and companies managing the schools are to be considered quasi-public governmental bodies.

SECTION 160.400.14

The State Board of Education may require remedial action for a sponsor that it finds is not discharging its responsibilities correctly. If the state board removes the sponsor's authority to operate a school, the state board becomes the temporary sponsor for up to three years.

SECTION 160.405

The proposal specifies several technical changes to the charter application process, clarifying what items must be submitted and on what timetable.

Alternative charter schools will be judged on their performance on measures selected by the sponsors, as well as standardized public school measures.

SECTION 160.405.6

Charters must be reviewed when operation or management is transferred to another entity and may be amended if a charter school decides to become a local education agency (LEA) for purposes of seeking direct access to federal grants.

SECTION 160.405.11

Board members are subject to liability as if they were members of school boards, and charter schools may participate in the Missouri Public Entity Risk Management Fund.

DESCRIPTION (continued)

SECTION 160.405.13

The chief financial officer of a charter school must maintain a surety bond in an amount determined to be sufficient by the school's board based on its cash flow.

SECTION 160.415

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

A charter school that has declared itself as a local educational agency (LEA) shall receive from the department of elementary and secondary education an annual amount equal to the product of the equalized, adjusted operating levy for school purposes for the pupils' district of residence for the current year times the guaranteed tax base per eligible pupil, times the number of the district's resident pupils attending the charter school plus all other state and federal aid attributable to such pupils, including summer school, if applicable, and all aid provided under section 163.031, RSMo. If a charter school declares itself as a LEA, DESE shall, upon notice of the declaration, reduce the payment made to the school district by the amount specified in this subsection and pay directly to the charter school the annual amount reduced from the school district's payment.

SECTION 160.420

Charter schools offering a foreign language immersion program are not required to meet the minimum percentage for certificated teachers, but any teachers who teach in a foreign language must have proper credentials from the country in which they received their teacher training. No charter school may employ a teacher whose certificate has been revoked or is suspended. retirement plan of the employer. Currently, a district employee who contracts as a teacher with a charter school may retain seniority in the district indefinitely; the substitute limits the period to three years.

SECTION 167.349

Allows the University of Missouri - Rolla to sponsor charter schools.

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

DESCRIPTION (continued)

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.

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.

SECTIONS 162.675; 162.740; 162.794

Currently, the definition of "severely handicapped children" includes handicapped children under the age of 21 who, because of the extent of the handicapping condition, are unable to benefit from or meaningfully participate in programs in the public schools for handicapped children. This proposed legislation alters the aforementioned definition by striking the current provisions and instead inserts language so the definition only includes those children who meet the eligibility criteria for severely handicapped children as identified in state regulations that implement the Individuals with Disabilities Education Act.

The proposal requires the Department of Elementary and Secondary Education to reimburse school districts for the educational costs of high-need children with an individualized education program exceeding three times the current expenditure per average daily attendance.

Further, the proposal deletes two sections (162.725 & 162.735) of current law that require the

DESCRIPTION (continued)

State Board of Education to provide special education services for all severely handicapped children residing in school districts if such school districts are unable to provide appropriate programs of special instruction for severely handicapped children.

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.

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 and with an operating levy for school purposes in the current year equal to or greater than the performance levy.

A tax-rate-weighted average daily attendance shall be calculated for each eligible district in proportion to its operating levy for school purposes for the current year divided by the performance levy for school purposes for the current year divided by the performance levy with that result multiplied by the district's average daily attendance in the school year preceding the payment year.

The total appropriation pursuant to this section shall then be divided by the sum of the tax-rate-weighted average daily attendance of the eligible districts, and the resulting amount per tax-rated-weighted average daily attendance shall be multiplied by each eligible district's tax-rated daily attendance to determine amount to be paid to each eligible district.

DESCRIPTION (continued)

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.

SECTION 165.012

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

LD:LR:OD (12/02)



DESCRIPTION (continued)

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 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 169.596

A retired certificated teacher receiving a retirement benefit may, without losing retirement benefits, teach full time for up to two years for a school district covered by such retirement system so long as the school district has a shortage of certified teachers, as determined by the school district, and provided that no such retired certificated teacher shall be employed as a superintendent.

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.

SECTION 2

In any school year after the 2009-2010 school year, if there is a twenty-five percent decrease in the statewide percentage of average daily attendance attributable to summer school compared to the percentage of average daily attendance attributable to summer school in the 2005-2006 school year, then for the subsequent school year, weighted average daily attendance, as such term is defined in section 163.011, RSMo, shall include the addition of the product of twenty-five hundredths times the average daily attendance for summer school.

DESCRIPTION (continued)

Section B

The enactment of sections 163.042, 163.043, 163.044, 165.012, 1, 2, and 3, the repeal and reenactment of sections 148.360, 149.015, 160.400, 160.405, 160.410, 160.415, 160.420, 160.530, 160.534, 161.527, 162.081, 162.935, 163.011, 163.021, 163.023, 163.025, 163.028, 163.031, 163.036, 163.071, 163.073, 163.081, 163.087, 163.091, 163.172, 164.011, 164.303, 165.011, 165.016, 166.275, 167.126, 167.151, 167.332, 167.349, 168.281, 168.515, 169.596, 170.051, 170.055, 171.121, 178.296, and 360.106, and the repeal of sections 160.264, 160.531, 160.550, 162.792, 162.974, 163.005, 163.014, 163.015, 163.032, 163.034, 163.035, 165.015, and 166.260, of section A of this act shall become effective July 1, 2006.

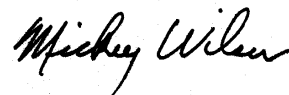
Many of the sections of the proposed legislation revise existing law to the new terminology and delete obsolete provisions rendered obsolete by the adoption of the new formula.

The special education policy alterations will become effective on August 28, 2005. The rest of the act will become effective July 1, 2006.

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  
Coordinating Board for Higher Education  
Office of Administration  
    Administrative Hearing Commission  
Joint Committee on Public Employee Retirement  
Public School Retirement System of Missouri  
City of Saint Louis  
Missouri Western State College  
Central Missouri State University  
Harris-Stowe State College  
University of Missouri System



Mickey Wilson, CPA  
Director  
June 14, 2005