HCS SS SCS SB 287 -- ELEMENTARY AND SECONDARY EDUCATION FUNDING

SPONSOR: Shields (Baker, 123)

COMMITTEE ACTION: Voted "do pass" by the Special Committee on Education Funding by a vote of 15 to 8.

This substitute comprehensively revises the state education funding formula to be phased in over seven years beginning July 1, 2006, if the contingency in the effective date is met. The current formula is levy-driven with an equalizing factor, the guaranteed tax base, to achieve the goal of providing the same amount of money per student, per penny of the tax rate. The formula in the substitute is based on student needs with the chief feature of the new formula being a minimum amount of money that is needed to educate each child, known as the state adequacy target (SAT).

To establish the SAT, every two years the Department of Elementary and Secondary Education will identify schools that have made perfect scores on their annual performance reports. These districts are known as performance districts, and their characteristics form the basis for several calculations in the formula. The expenditures in those districts, through a process specified in the substitute, become the basis for the SAT, which cannot decrease.

The new formula uses weighted average daily attendance (WADA) to direct additional money to students who qualify for free and reduced-price lunches, those in special education, and those with limited English proficiency. Additional average daily attendance resulting from the weights in excess of the threshold is added to the average daily attendance. The SAT multiplied by the WADA becomes the basis for the first calculation in the state aid formula when it is multiplied by the dollar value modifier (DVM), an index of the relative buying power of a dollar on a regional basis that captures 15% of the deviation from the median, keyed to wage-per-job data.

The district’s local effort is subtracted from the SAT multiplied by the WADA multiplied by the DVM figure. If the result is a positive number, it is the state aid payment. If the number is zero or less, the district is held harmless and will receive no less revenue on a per-WADA basis than it did in the previous year. The hold-harmless year is 2005-2006. The DVM is applied to the hold-harmless payment, which is phased in over three years.

The local effort that is deducted from the first line includes a calculation of revenue based on a performance levy of $3.50. Every subsequent year, local effort will be calculated on the basis of the first calculation, plus growth in fines, except that a district that has less local revenue because its assessed valuation has fallen from the base year will have its local effort calculated based on its current assessed valuation. No growth in local revenue will offset state aid, as it does under the current formula.

The current formula has several categorical aid streams: transportation continues unchanged, 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 back into the district’s base, along with the fair share (cigarette tax) and free textbook (foreign insurance) moneys. Revenues from gaming, which will be deposited into the Classroom Trust Fund, also established by the substitute, will be distributed on an average-daily-attendance basis.

The substitute creates option districts, which may elect to forgo state aid in return for regulatory relief, and a program to distribute additional moneys to districts with an average daily attendance of 350 students or less. A motor fuel tax exemption is authorized for school buses under certain conditions. Placement of moneys in school district funds and the transfer of moneys between funds are revised to reflect the new formula and changes to the certificated salary compliance requirement. The substitute increases teacher minimum salaries; permits teacher salary incentives; and enacts other changes relating to accountability, including a revision to procedures for districts that move between unaccredited and provisionally accredited status. Many of the sections of the substitute revise existing law to the new terminology and delete obsolete provisions.

FISCAL NOTE: Estimated Cost to General Revenue Fund of Up to $2,654,593 in FY 2006, $119,646,047 to Unknown in FY 2007, and $221,608,056 to Unknown in FY 2008. Estimated Effect on Other State Funds of an Income of $0 in FY 2006, a Cost of $2,237,280 in FY 2007, and a Cost of $2,270,840 in FY 2008.

PROPONENTS: Supporters say that the current formula has outlived its usefulness and has some inherent flaws, such as its reliance on assessed valuation and an equalizing factor that has its basis in assessed valuation resulting in an emphasis on a district’s fiscal characteristics rather than students’ needs in the district. The proposed formula directs additional moneys to districts based on students’ needs and bases its level of support to characteristics of school districts that are succeeding in meeting the state’s standards.

Testifying for the bill were Senator Shields; Cooperating School Districts of Greater Kansas City; Missouri State Teachers Association; Missouri School Boards Association; Missouri Public Charter School Association; and Missouri Farm Bureau.

OPPONENTS: Those who oppose the bill say that it contains several amendments that are not relevant to school funding, like the superintendent compensation reporting requirements. The charter school financial amendments could cause the disruption of issues that were previously thought to be settled.

Testifying against the bill were School Administrators Coalition; Edison Schools; Bernard Taylor; and Bonnie McKelvy.

OTHERS: Others testifying on the bill say that the issue of assessment practices is still not addressed in enough detail. A clear growth factor needs to be included.

Others testifying on the bill were St. Louis Construction Career Center; Steve Gardner; St. Louis Board of Education; Kansas City Board of Education; Missouri National Education Association; Cooperating School Districts of Greater St. Louis; and Coalition to Fund Excellent Schools.

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