

HCS HB 1740 -- SCHOOL OPERATIONS

SPONSOR: Dieckhaus

COMMITTEE ACTION: Voted "do pass" by the Committee on Elementary and Secondary Education by a vote of 13 to 9.

This substitute changes the laws regarding school operations.

CHARTER SCHOOLS

The substitute:

- (1) Authorizes the State Auditor to audit a charter school;
- (2) Allows a charter school to operate in:
 - (a) An unaccredited district;
 - (b) A provisionally accredited district that has been provisionally accredited for three consecutive years, with school year 2009-2010 as the base year. Eligibility for charter schools in a provisional district where financial stress or hardship is a factor must be determined by the State Board of Education within the Department of Elementary and Secondary Education in the third year after the designation of provisional accreditation. Only the local school board or a sponsor who has met accountability standards may sponsor a school in a provisionally accredited district; and
 - (c) A school district that is accredited without provisions, but only by the local school board;
- (3) Expands the entities that are eligible to sponsor a charter school to include all public four-year colleges and universities and any private four-year college or university with its primary campus in the state and with an approved teacher education program; any community college whose service area encompasses some portion of the district; certain two-year private nonprofit vocational or technical schools; and the Missouri Charter Public School Commission established in the substitute;
- (4) Requires three consecutive full school years in a higher accreditation status before the requirements of the higher accreditation status apply to a district as it transitions from unaccredited or provisionally accredited to full accreditation;
- (5) Requires a sponsor to develop policies and procedures for the review and approval of a charter school proposal; granting of a charter; performance framework to evaluate the performance of

charter schools; and the sponsor's intervention, renewal, and revocation policies and closure procedures;

(6) Requires the state board to evaluate sponsors for compliance with standards every three years and repeals the provision which allows the state board to withhold funds and suspend for up to one year the sponsor's authority to sponsor a school if it has not fulfilled its obligations;

(7) Requires the department to establish an annual application and approval process for all eligible sponsors who are not sponsoring a charter school as of August 28, 2012;

(8) Requires each interested eligible sponsor to submit an application by April 1 which includes specified information;

(9) Revises the requirements of a charter proposal and allows charter schools operating on August 27, 2012, to have until August 28, 2015, to meet the additional requirements;

(10) Specifies what alternative arrangements are allowed for students to obtain academic credit and requires a study of the effects of the alternative arrangements after three years to assess student performance, graduation rates, educational outcomes, and entry into the workforce or higher education;

(11) Limits a sponsor's ability to place a charter school on probation to no more than 12 months for the duration of the charter contract;

(12) Changes the appeal body for a sponsor's revocation decision from judicial review to the state board;

(13) Revises the charter renewal process by setting August 1 as the date for demonstrating to the state board that the school is in compliance with state and federal law and its performance contract and submitting a revised charter application so that its charter may be renewed by the state board at its next regularly scheduled meeting;

(14) Specifies the terms under which a charter school may purchase or rent a school district facility, offering a charter school the right of first refusal and the residence status of nonresident pupils from certain facilities as it applies to charter school enrollment;

(15) Establishes a charter student's right to complete the current semester if the student moves out of the district and to complete the year if a district boundary change affects the student's residence status;

(16) Requires a proposed charter school that intends to contract with an education service provider for substantial services to require the applicant in the request for proposal to:

(a) Provide evidence of the service provider's success in serving student populations similar to the charter school's targeted population;

(b) Provide a term sheet covering the duration of services, roles and responsibilities, scope of resources, evaluation measures, compensation structure, oversight methods, investment disclosure, and contract renewal and termination conditions;

(c) Disclose any known conflicts of interest; and

(d) Disclose and explain any termination or nonrenewal for charter school services in the past five years;

(17) Authorizes the department to withhold adequate funding during a charter school's last year of operating until the department determines that all records, liabilities, and reporting requirements, including a full audit, of the school are satisfied and establishes procedures to determine if a charter school is financially stressed and develop a budget and education plan to guide its recovery from financial stress; and

(18) Establishes the Missouri Charter Public School Commission with authority to sponsor high quality charter schools. The commission is to consist of nine members appointed by the Governor with the advice and consent of the Senate.

PASSPORT SCHOLARSHIP PROGRAM

The Passport Scholarship Program is established to grant scholarships to students residing in an unaccredited school district to attend a qualified nonpublic school.

Beginning in tax year 2012, a taxpayer may make a qualifying contribution to an educational assistance organization and may claim a tax credit. The annual cumulative amount of tax credits is limited to \$40 million in any one fiscal year. The tax credit is for 60% of the amount of the contribution, is nonrefundable, and may be carried forward for four years or transferred. The Director of the Department of Economic Development must establish a procedure to apportion the amount of tax credits among all educational assistance organizations and may reapportion unused tax credits to organizations that have used all of their credits.

An educational assistance organization must meet certain requirements, including being a 501(c)(3) tax exempt

organization; providing a receipt to taxpayers for contributions; ensuring that funds are used as specified in the substitute; distributing scholarship payments four times per year; providing the department, upon request, with criminal background checks on all of its employees and board members; and demonstrating financial accountability and viability, as described in the substitute.

Each educational assistance organization must ensure that qualified schools:

- (1) Comply with all health and safety laws applicable to nonpublic schools;
- (2) Do not discriminate in admissions based on race, color, national origin, or disability; and
- (3) Provide academic accountability to parents.

An educational assistance organization must publicly report to the department by June 1 information about the organization, about the scholarship recipients, and the total number and dollar amounts of scholarships awarded. An educational assistance organization cannot provide scholarships to any school with paid staff or board members in common with the organization's board or staff. An educational assistance organization must not limit its scholarships to only one qualified school or to the students of only one school.

A qualified school must comply with all state laws applicable to public schools regarding criminal background checks for employees and exclude from employment anyone prohibited from working in a public school. A qualified school must administer one of three specified types of assessment to its scholarship students. A qualified school must also meet certain accountability measures, including fiscal soundness, accreditation, and annually administer a parental satisfaction survey.

Subject to appropriations, the Joint Committee on Education must conduct a study of the program. The study must be conducted during the first five years of the commencement of the program and must cover that five-year period. A final report of the evaluation of the program must be provided to the General Assembly.

SCHOOL ACCREDITATION

The State Board of Education within the Department of Elementary and Secondary Education is authorized to intervene in and establish alternatives for a failing school district. The

substitute:

(1) Removes the two successive school year period between the classification of a district as unaccredited and the time when the district will lapse. The state board will establish conditions under which the existing school district board may continue to govern or determine the date that the district will lapse and an alternative governing structure for the district;

(2) Changes the timing and the purpose of the hearing that the department must hold in the unaccredited district regarding the accreditation status of the district; and

(3) Specifies the options available to the state board upon the classification of a district as unaccredited including the ability of the state board to determine an alternative governing structure which must include a rationale for the decision and a review and recertification of the alternative form of governance every three years, a method for the residents of the district to provide comment, expectations for progress on academic achievement which includes an anticipated timeframe for the district to reach full accreditation, and annual reporting to the General Assembly and the Governor on an unaccredited district's progress toward accreditation including a review of the effectiveness of the alternative governance.

The substitute allows a student residing in an unaccredited district to enroll in the virtual course or school program of a charter school or school district other than the student's district of residence. The receiving school must admit the student based on the time of application until full capacity is reached. Once enrolled, the student may remain in the program until he or she completes the grade levels offered or withdraws. For school funding purposes, the student will be counted in the district of his or her residence, which must pay the receiving school 72.5% of the previous year's average current expenditure per average daily attendance for full-time enrollment. Any higher education institution with its main campus located in Missouri with an approved teacher education program may sponsor a virtual charter school for students residing in an unaccredited district.

The substitute also changes the laws regarding enrollment options for students from school districts that have been declared unaccredited by the state board by establishing provisions for districts that are not K-8 districts. Current provisions that govern K-8 districts will remain the same, with clarification that attendance is at a public school.

A student who resides in the district that has been declared

unaccredited will be eligible to transfer to an accredited district in the same or adjoining county. Unless the unaccredited district is in St. Louis City or St. Louis County, the same tuition calculation is used as for K-8 tuition. If the unaccredited district is in St. Louis City or St. Louis County, the tuition will be the same as the voluntary interdistrict transfer program tuition. A student residing in an unaccredited district but attending a private school must complete a full school year in a public school before being eligible to transfer.

A school district must develop criteria by June 30, 2012, for the admission of nonresident pupils from unaccredited districts, based primarily upon the availability of highly qualified teachers in existing classroom space. No resident student can be displaced by a transfer student. The receiving district will assign the transfer student to a particular building. An accepted transfer student is allowed to complete the education program in the building to which he or she is assigned, even if the sending district regains its accreditation, but the student must return to the residence district upon the transition to another building if the sending district regains its accreditation.

If an unaccredited district is in St. Louis City or St. Louis County, the department will select a neutral third party to provide a clearinghouse to coordinate student transfers and assist parents with accurate information. January 15 is the initial date for submitting transfer requests, but a good-cause process for late applications is available. The clearinghouse may contract for transportation and will have its expenses defrayed by an amount to be withheld from the school aid of a student's residence district.

EDUCATION FUNDING FORMULA

The substitute changes the laws regarding the elementary and secondary education funding formula. The substitute:

(1) Restores the 5% per recalculation cap on current operating expenses, which is to be imposed on the Fiscal Year 2013 recalculation of the state adequacy target;

(2) Specifies that in any year in which appropriations do not equal the amount necessary to fully fund the formula, payments to school districts will be modified to accommodate available appropriations. Reductions and increases will be calculated differently for hold-harmless and formula districts. If the formula is underfunded, payments to hold-harmless districts will be decreased at one-third of the rate of the decrease to formula districts. If the formula is overfunded, payments to

hold-harmless districts will be increased at one-third of the rate of the increase to formula districts;

(3) Requires the dollar-value modifier to be recalculated every fiscal year, beginning in Fiscal Year 2013, using a three-year rolling average of the wage data for the fourth, fifth, and sixth years before the payment year. Currently, the definition uses only the fourth previous year's information;

(4) Requires, for Fiscal Year 2014, the General Assembly to appropriate an amount for school funding that equals or exceeds the appropriation in Fiscal Year 2011. Each fiscal year thereafter through Fiscal Year 2017, an increasing factor will be used to determine the target school funding appropriation until the factor is at least 1.0; and

(5) Repeals the provision which allows the state adequacy target to be adjusted to accommodate available appropriations once the phase-in is completed.

TEACHER AND SCHOOL EMPLOYEE EMPLOYMENT

The current tenure systems for the state and for the St. Louis City Public Schools will continue to be valid for those teachers employed on or before June 30, 2013, but will not apply to teachers hired after that date.

The substitute removes the minimum salary requirement for the holder of a master's degree. The requirement for a salary schedule that applies to all teachers is replaced with a reference to a compensation plan. The substitute removes the last-in, first-out layoff and rehiring provisions for all teachers and for the noncertificated employees of the St. Louis City Public Schools.

The provisions of the substitute regarding the Passport Scholarship Program will expire six years after the effective date.

The provisions of the substitute regarding teacher tenure; salary schedule; and last-in, first-out provisions become effective July 1, 2013.

The provisions of the substitute regarding the Passport Scholarship Program, school accreditation, and the education funding formula contain an emergency clause.

FISCAL NOTE: Estimated Net Effect on General Revenue Fund of a cost of \$499,809 to an income of \$29,099,667 in FY 2013, a cost of \$488,289 to an income of \$29,116,657 in FY 2014, and a cost of

\$214,598,722 to \$244,204,385 in FY 2015. No impact on Other State Funds in FY 2013, FY 2014, and FY 2015.

PROPOSERS: Supporters say that tax credit scholarships provide the missing element to allow students in unaccredited districts to choose a better school. Preserving a city requires creating conditions that make families want to continue to live there and help assure local businesses that they can find qualified employees.

Testifying for the bill were Representative Dieckhaus; Daniel Peters, Kansas City-St. Joseph Diocese; Kerry Essmann, Strong City School Fund; Missouri Catholic Conference; Children's Education Council of Missouri; and Missouri Chamber of Commerce and Industry.

OPPOSERS: Those who oppose the bill say that even though tax credits are not an outlay of public funds, the money that is donated is potential lost revenue to the state and to annual budget oversight. The level of detail of quality control required for private schools at which scholarships will be used is significantly less than what is required of district and charter schools.

Testifying against the bill were Mike Lodewegen, Missouri School Administrators Coalition; Jim Hinson; Nelson Mitten; Missouri National Education Association; Cooperating School Districts of Greater St. Louis; John Jungmann, Monett R-1 District; Vicki Englund; Missouri State Teachers Association; American Federation of Teachers-Missouri; and Cooperating School Districts of Greater Kansas City.

OTHERS: Others testifying on the bill say that years have gone by without addressing the situations in large city school districts. It is time to act.

Testifying on the bill was Bill Eddy; Special Administrative Board, St. Louis Public Schools.