

By: Senator(s) Albritton

To: Finance

SENATE BILL NO. 2012

1 AN ACT TO AMEND SECTIONS 37-57-1, 37-57-104, 37-57-105 AND
2 37-61-9, MISSISSIPPI CODE OF 1972, TO PROVIDE THAT THE COUNTY
3 BOARD OF EDUCATION SHALL BE THE AD VALOREM TAX LEVYING AUTHORITY
4 FOR ANY SCHOOL DISTRICT WHICH IS IN THE COUNTY SCHOOL SYSTEM; AND
5 FOR RELATED PURPOSES.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

7 **SECTION 1.** Section 37-57-1, Mississippi Code of 1972, is
8 amended as follows:

9 37-57-1. (1) (a) The county boards of education of the
10 various counties shall levy and collect all taxes for and on
11 behalf of all school districts which were within the county school
12 system or designated as special municipal separate school
13 districts prior to July 1, 1986. Such taxes shall be collected by
14 the county tax collector at the same time and in the same manner
15 as county taxes are collected by him, and the same penalties for
16 delinquency shall be applicable.

17 In counties wherein there is no longer an elected county
18 board of education, the elected board of trustees for the
19 consolidated school districts in the county shall be the levying
20 authority for all taxes levied for and on behalf of such
21 consolidated school district.

22 The governing authorities of the municipalities shall levy
23 and collect all taxes for and on behalf of all school districts
24 which were designated as municipal separate school districts prior
25 to July 1, 1986. Such taxes shall be collected by the municipal
26 tax collector at the same time and in the same manner as municipal
27 taxes are collected by him, and the same penalties for delinquency
28 shall be applicable.

29 The county or municipal tax collector, as the case may be,
30 shall pay such tax collections, except for taxes collected for the
31 payment of the principal of and interest on school bonds or notes
32 and except for taxes collected to defray collection costs, into
33 the school depository and report to the school board of the
34 appropriate school district at the same time and in the same
35 manner as the tax collector makes his payments and reports of
36 other taxes collected by him.

37 Provided, however, the State Board of Education shall
38 determine the appropriate levying authority for any school
39 district created or reorganized after July 1, 1987.

40 (b) For the purposes of this chapter and any other laws
41 pertaining to taxes levied or bonds or notes issued for and on
42 behalf of school districts, the term "levying authority" means the
43 county board of education of the county or the governing
44 authorities of the municipality, whichever levies taxes for and on
45 behalf of the particular school district as provided in paragraphs
46 (a) and (b) of this subsection.

47 (2) The levying authority for the school district shall, at
48 the same time and in the same manner as other taxes are levied by
49 the levying authority, levy a tax of not less than twenty-eight
50 (28) mills for the then current fiscal year, less the estimated
51 amount of the yield of the School Ad Valorem Tax Reduction Fund
52 grant to the school district as determined by the State Department
53 of Education or twenty-seven percent (27%) of the basic adequate
54 education program cost for such school district, whichever is a
55 lesser amount, upon all of the taxable property of the school
56 district, as required under Section 37-151-7(2)(a). However, in
57 no case shall the minimum local ad valorem tax effort for any
58 school district be equal to an amount that would require a millage
59 rate exceeding fifty-five (55) mills in that school district.
60 Provided, however, that if a levying authority is levying in
61 excess of fifty-five (55) mills on July 1, 1997, the levying

62 authority may levy an additional amount not exceeding three (3)
63 mills in the aggregate for the period beginning July 1, 1997, and
64 ending June 30, 2003, subject to the limitation on increased
65 receipts from ad valorem taxes prescribed in Sections 37-57-105
66 and 37-57-107. Nothing in this subsection shall be construed to
67 require any school district that is levying more than fifty-five
68 (55) mills pursuant to Sections 37-57-1 and 37-57-105 to decrease
69 its millage rate to fifty-five (55) mills or less. In making such
70 levy, the levying authority shall levy an additional amount
71 sufficient to cover anticipated delinquencies and costs of
72 collection so that the net amount of money to be produced by such
73 levy shall be equal to the amount which the school district is
74 required to contribute as its said minimum local ad valorem tax
75 effort. The tax so levied shall be collected by the tax collector
76 at the same time and in the same manner as other ad valorem taxes
77 are collected by him. The amount of taxes so collected as a
78 result of such levy shall be paid into the district maintenance
79 fund of the school district by the tax collector at the same time
80 and in the same manner as reports and payments of other ad valorem
81 taxes are made by said tax collector, except that the amount
82 collected to defray costs of collection may be paid into the
83 county general fund. The levying authority shall have the power
84 and authority to direct and cause warrants to be issued against
85 such fund for the purpose of refunding any amount of taxes
86 erroneously or illegally paid into such fund where such refund has
87 been approved in the manner provided by law.

88 **SECTION 2.** Section 37-57-104, Mississippi Code of 1972, is
89 amended as follows:

90 37-57-104. (1) Each school board shall submit to the
91 levying authority for the school district a certified copy of an
92 order adopted by the school board requesting an ad valorem tax
93 effort in dollars for the support of the school district. The
94 copy of the order shall be submitted by the school board when the

95 copies of the school district's budget are filed with the levying
96 authority pursuant to Section 37-61-9. Upon receipt of the school
97 board's order requesting the ad valorem tax effort in dollars, the
98 levying authority shall determine the millage rate necessary to
99 generate funds equal to the dollar amount requested by the school
100 board. However, in the case of a school district in the county
101 school system, the county board of education for such county shall
102 determine the millage rate necessary to generate funds equal to
103 the requested budget without the necessity of filing a certified
104 copy with the board of supervisors of the county. For the purpose
105 of calculating this millage rate, any additional amount that is
106 levied pursuant to Section 37-57-105(1) to cover anticipated
107 delinquencies and costs of collection or any amount that may be
108 levied for the payment of the principal and interest on school
109 bonds or notes shall be excluded from the limitation of fifty-five
110 (55) mills provided for in subsection (2) of this section.

111 (2) (a) Except as otherwise provided under paragraph (b) or
112 (c) of this subsection, if the millage rate necessary to generate
113 funds equal to the dollar amount requested by the school board is
114 greater than fifty-five (55) mills, and if this millage rate is
115 higher than the millage then being levied pursuant to the school
116 board's order requesting the ad valorem tax effort for the
117 currently existing fiscal year, then the levying authority shall
118 call a referendum on the question of exceeding, during the next
119 fiscal year, the then existing millage rate being levied for
120 school district purposes. The referendum shall be scheduled for
121 not more than six (6) weeks after the date on which the levying
122 authority receives the school board's order requesting the ad
123 valorem tax effort.

124 When a referendum has been called, notice of the referendum
125 shall be published at least five (5) days per week, unless the
126 only newspaper published in the school district is published less
127 than five (5) days per week, for at least three (3) consecutive

128 weeks, in at least one (1) newspaper published in the school
129 district. The notice shall be no less than one-fourth (1/4) page
130 in size, and the type used shall be no smaller than eighteen (18)
131 point and surrounded by a one-fourth-inch solid black border. The
132 notice may not be placed in that portion of the newspaper where
133 legal notices and classified advertisements appear. The first
134 publication of the notice shall be made not less than twenty-one
135 (21) days before the date fixed for the referendum, and the last
136 publication shall be made not more than seven (7) days before that
137 date. If no newspaper is published in the school district, then
138 the notice shall be published in a newspaper having a general
139 circulation in the school district. The referendum shall be held,
140 as far as is practicable, in the same manner as other referendums
141 and elections are held in the county or municipality. At the
142 referendum, all registered, qualified electors of the school
143 district may vote. The ballots used at the referendum shall have
144 printed thereon a brief statement of the amount and purpose of the
145 increased tax levy and the words "FOR INCREASING THE MILLAGE
146 LEVIED FOR SCHOOL DISTRICT PURPOSES FROM (MILLAGE RATE CURRENTLY
147 LEVIED) MILLS TO (MILLAGE RATE REQUIRED UNDER SCHOOL BOARD'S
148 ORDER) MILLS," and "AGAINST INCREASING THE MILLAGE LEVIED FOR
149 SCHOOL DISTRICT PURPOSES FROM (MILLAGE RATE CURRENTLY LEVIED)
150 MILLS TO (MILLAGE RATE REQUIRED UNDER SCHOOL BOARD'S ORDER)
151 MILLS." The voter shall vote by placing a cross (X) or checkmark
152 (✓) opposite his choice on the proposition.

153 If a majority of the registered, qualified electors of the
154 school district who vote in the referendum vote in favor of the
155 question, then the ad valorem tax effort in dollars requested by
156 the school board shall be approved. However, if a majority of the
157 registered, qualified electors who vote in the referendum vote
158 against the question, the millage rate levied by the levying
159 authority shall not exceed the millage then being levied pursuant

160 to the school board's order requesting the ad valorem tax effort
161 for the then currently existing fiscal year.

162 Nothing in this subsection shall be construed to require any
163 school district that is levying more than fifty-five (55) mills
164 pursuant to Sections 37-57-1 and 37-57-105 to decrease its millage
165 rate to fifty-five (55) mills or less. Further, nothing in this
166 subsection shall be construed to require a referendum in a school
167 district where the requested ad valorem tax effort in dollars
168 requires a millage rate of greater than fifty-five (55) mills but
169 the requested dollar amount does not require any increase in the
170 then existing millage rate. Further, nothing in this subsection
171 shall be construed to require a referendum in a school district
172 where, because of a decrease in the assessed valuation of the
173 district, a millage rate of greater than fifty-five (55) mills is
174 necessary to generate funds equal to the dollar amount generated
175 by the ad valorem tax effort for the currently existing fiscal
176 year.

177 (b) Provided, however, that if a levying authority is
178 levying in excess of fifty-five (55) mills on July 1, 1997, the
179 levying authority may levy an additional amount not exceeding
180 three (3) mills in the aggregate for the period beginning July 1,
181 1997, and ending June 30, 2003, subject to the limitation on
182 increased receipts from ad valorem taxes prescribed in Sections
183 37-57-105 and 37-57-107.

184 (c) If the levying authority for any school district
185 lawfully has decreased the millage levied for school district
186 purposes, but subsequently determines that there is a need to
187 increase the millage rate due to a disaster in which the Governor
188 has declared a disaster emergency or the President of the United
189 States has declared an emergency or major disaster, then the
190 levying authority may increase the millage levied for school
191 district purposes up to an amount that does not exceed the millage
192 rate in any one (1) of the immediately preceding ten (10) fiscal

193 years without any referendum that otherwise would be required
194 under this subsection.

195 (3) If the millage rate necessary to generate funds equal to
196 the dollar amount requested by the school board is equal to
197 fifty-five (55) mills or less, but the dollar amount requested by
198 the school board exceeds the next preceding fiscal year's ad
199 valorem tax effort in dollars by more than four percent (4%), but
200 not more than seven percent (7%) (as provided for under subsection
201 (4) of this section), then the school board shall publish notice
202 thereof at least five (5) days per week, unless the only newspaper
203 published in the school district is published less than five (5)
204 days per week, for at least three (3) consecutive weeks in a
205 newspaper published in the school district. The notice shall be
206 no less than one-fourth (1/4) page in size, and the type used
207 shall be no smaller than eighteen (18) point and surrounded by a
208 one-fourth-inch solid black border. The notice may not be placed
209 in that portion of the newspaper where legal notices and
210 classified advertisements appear. The first publication shall be
211 made not less than fifteen (15) days before the final adoption of
212 the budget by the school board. If no newspaper is published in
213 the school district, then the notice shall be published in a
214 newspaper having a general circulation in the school district. If
215 at any time before the adoption of the budget a petition signed by
216 not less than twenty percent (20%) or fifteen hundred (1500),
217 whichever is less, of the registered, qualified electors of the
218 school district is filed with the school board requesting that a
219 referendum be called on the question of exceeding the next
220 preceding fiscal year's ad valorem tax effort in dollars by more
221 than four percent (4%), then the school board shall adopt, not
222 later than the next regular meeting, a resolution calling a
223 referendum to be held within the school district upon the
224 question. The referendum shall be called and held, and notice
225 thereof shall be given, in the same manner provided for in

226 subsection (2) of this section. The ballot shall contain the
227 language "FOR THE SCHOOL TAX INCREASE OVER FOUR PERCENT (4%)" and
228 "AGAINST THE SCHOOL TAX INCREASE OVER FOUR PERCENT (4%)." If a
229 majority of the registered, qualified electors of the school
230 district who vote in the referendum vote in favor of the question,
231 then the increase requested by the school board shall be approved.
232 For the purposes of this subsection, the revenue sources excluded
233 from the increase limitation under Section 37-57-107 also shall be
234 excluded from the limitation described in this subsection in the
235 same manner as they are excluded under Section 37-57-107.
236 Provided, however, that any increases requested by the school
237 board as a result of the required local contribution to the
238 Mississippi Adequate Education Program, as certified to the local
239 school district by the State Board of Education under Section
240 37-151-7(2), Mississippi Code of 1972, shall not be subject to the
241 four percent (4%) and/or seven percent (7%) tax increase
242 limitations provided in this section.

243 (4) If the millage rate necessary to generate funds equal to
244 the dollar amount requested by the school board is equal to
245 fifty-five (55) mills or less, but the dollar amount requested by
246 the school board exceeds the seven percent (7%) increase
247 limitation provided for in Section 37-57-107, the school board may
248 exceed the seven percent (7%) increase limitation only after the
249 school board has determined the need for additional revenues and
250 three-fifths (3/5) of the registered, qualified electors voting in
251 a referendum called by the levying authority have voted in favor
252 of the increase. The notice and manner of holding the referendum
253 shall be as prescribed in subsection (2) of this section for a
254 referendum on the question of increasing the millage rate in
255 school districts levying more than fifty-five (55) mills for
256 school district purposes.

257 (5) The aggregate receipts from ad valorem taxes levied for
258 school district purposes pursuant to Sections 37-57-1 and

259 37-57-105, excluding collection fees, additional revenue from the
260 ad valorem tax on any newly constructed properties or any existing
261 properties added to the tax rolls or any properties previously
262 exempt which were not assessed in the next preceding year, and
263 amounts received by school districts from the School Ad Valorem
264 Tax Reduction Fund pursuant to Section 37-61-35, shall be subject
265 to the increase limitation under this section and Section
266 37-57-107.

267 (6) The school board shall pay * * * all costs that are
268 incurred by the levying authority in the calling and holding of
269 any election under this section.

270 (7) The provisions of this section shall not be construed to
271 affect in any manner the authority of school boards to levy
272 millage for the following purposes:

273 (a) The issuance of bonds, notes and certificates of
274 indebtedness, as authorized in Sections 37-59-1 through 37-59-45
275 and Sections 37-59-101 through 37-59-115;

276 (b) The lease of property for school purposes, as
277 authorized under the Emergency School Leasing Authority Act of
278 1986 (Sections 37-7-351 through 37-7-359);

279 (c) The lease or lease-purchase of school buildings, as
280 authorized under Section 37-7-301;

281 (d) The issuance of promissory notes in the event of a
282 shortfall of ad valorem taxes and/or revenue from local sources,
283 as authorized under Section 27-39-333; and

284 (e) The construction of school buildings outside the
285 school district, as authorized under Section 37-7-401.

286 Any millage levied for the purposes specified in this
287 subsection shall be excluded from the millage limitations
288 established under this section.

289 **SECTION 3.** Section 37-57-105, Mississippi Code of 1972, is
290 amended as follows:

291 37-57-105. (1) In addition to the taxes levied under
292 Section 37-57-1, the levying authority for the school district, as
293 defined in Section 37-57-1, upon receipt of a certified copy of an
294 order adopted by the school board of the school district
295 requesting an ad valorem tax effort in dollars for the support of
296 the school district, shall, at the same time and in the same
297 manner as other ad valorem taxes are levied, levy an annual ad
298 valorem tax in the amount fixed in such order upon all of the
299 taxable property of such school district, which shall not be less
300 than the millage rate certified by the State Board of Education as
301 the uniform minimum school district ad valorem tax levy for the
302 support of the adequate education program in such school district
303 under Section 37-57-1. However, in the case of a school district
304 in the county school system, the county board of education shall
305 levy the amount fixed by the State Board of Education and shall
306 not be required to submit an order to the county board of
307 supervisors. Provided, however, that any school district levying
308 less than the uniform minimum school district ad valorem tax levy
309 on July 1, 1997, shall only be required to increase its local
310 district maintenance levy in four (4) mill annual increments in
311 order to attain such millage requirements. In making such levy,
312 the levying authority shall levy an additional amount sufficient
313 to cover anticipated delinquencies and costs of collection so that
314 the net amount of money to be produced by such levy shall be equal
315 to the amount which is requested by said school board. The
316 proceeds of such tax levy, excluding levies for the payment of the
317 principal of and interest on school bonds or notes and excluding
318 levies for costs of collection, shall be placed in the school
319 depository to the credit of the school district and shall be
320 expended in the manner provided by law for the purpose of
321 supplementing teachers' salaries, extending school terms,
322 purchasing furniture, supplies and materials, and for all other
323 lawful operating and incidental expenses of such school district,

324 funds for which are not provided by adequate education program
325 fund allotments.

326 The monies authorized to be received by school districts from
327 the School Ad Valorem Tax Reduction Fund pursuant to Section
328 37-61-35 shall be included as ad valorem tax receipts. The
329 levying authority for the school district, as defined in Section
330 37-57-1, shall reduce the ad valorem tax levy for such school
331 district in an amount equal to the amount distributed to such
332 school district from the School Ad Valorem Tax Reduction Fund each
333 calendar year pursuant to said Section 37-61-35. Such reduction
334 shall not be less than the millage rate necessary to generate a
335 reduction in ad valorem tax receipts equal to the funds
336 distributed to such school district from the School Ad Valorem Tax
337 Reduction Fund pursuant to Section 37-61-35. Such reduction shall
338 not be deemed to be a reduction in the aggregate amount of support
339 from ad valorem taxation for purposes of Section 37-19-11. The
340 millage levy certified by the State Board of Education as the
341 uniform minimum ad valorem tax levy or the millage levy that would
342 generate funds in an amount equal to a school district's district
343 entitlement, as defined in Section 37-22-1(2)(e), shall be subject
344 to the provisions of this paragraph.

345 In any county where there is located a nuclear generating
346 power plant on which a tax is assessed under Section 27-35-309(3),
347 such required levy and revenue produced thereby may be reduced by
348 the levying authority in an amount in proportion to a reduction in
349 the base revenue of any such county from the previous year. Such
350 reduction shall be allowed only if the reduction in base revenue
351 equals or exceeds five percent (5%). "Base revenue" shall mean
352 the revenue received by the county from the ad valorem tax levy
353 plus the revenue received by the county from the tax assessed
354 under Section 27-35-309(3) and authorized to be used for any
355 purposes for which a county is authorized by law to levy an ad
356 valorem tax. For purposes of determining if the reduction equals

357 or exceeds five percent (5%), a levy of millage equal to the prior
358 year's millage shall be hypothetically applied to the current
359 year's ad valorem tax base to determine the amount of revenue to
360 be generated from the ad valorem tax levy. For the purposes of
361 this section and Section 37-57-107, the portion of the base
362 revenue used for the support of any school district shall be
363 deemed to be the aggregate receipts from ad valorem taxes for the
364 support of any school district. This paragraph shall apply to
365 taxes levied for the 1987 fiscal year and for each fiscal year
366 thereafter. If the Mississippi Supreme Court or another court
367 finally adjudicates that the tax levied under Section 27-35-309(3)
368 is unconstitutional, then this paragraph shall stand repealed.

369 (2) When the tax is levied upon the territory of any school
370 district located in two (2) or more counties, the order of the
371 school board requesting the levying of such tax shall be certified
372 to the levying authority of each of the counties involved, and
373 each of the levying authorities shall levy the tax in the manner
374 specified herein. The taxes so levied shall be collected by the
375 tax collector of the levying authority involved and remitted by
376 the tax collector to the school depository of the home county to
377 the credit of the school district involved as provided
378 above * * *.

379 (3) The aggregate receipts from ad valorem taxes levied for
380 school district purposes, excluding collection fees, pursuant to
381 this section and Section 37-57-1 shall be subject to the increased
382 limitation under Section 37-57-107; however, if the ad valorem tax
383 effort in dollars requested by the school district for the fiscal
384 year exceeds the next preceding fiscal year's ad valorem tax
385 effort in dollars by more than four percent (4%) but not more than
386 seven percent (7%), then the school board shall publish notice
387 thereof once each week for at least three (3) consecutive weeks in
388 a newspaper having general circulation in the school district
389 involved, with the first publication thereof to be made not less

390 than fifteen (15) days prior to the final adoption of the budget
391 by the school board. If at any time prior to said adoption a
392 petition signed by not less than twenty percent (20%) or fifteen
393 hundred (1500), whichever is less, of the qualified electors of
394 the school district involved shall be filed with the school board
395 requesting that an election be called on the question of exceeding
396 the next preceding fiscal year's ad valorem tax effort in dollars
397 by more than four percent (4%) but not more than seven percent
398 (7%), then the school board shall, not later than the next regular
399 meeting, adopt a resolution calling an election to be held within
400 such school district upon such question. The election shall be
401 called and held, and notice thereof shall be given, in the same
402 manner for elections upon the questions of the issuance of the
403 bonds of school districts, and the results thereof shall be
404 certified to the school board. The ballot shall contain the
405 language "For the School Tax Increase Over Four Percent (4%)" and
406 "Against the School Tax Increase Over Four Percent (4%)." If a
407 majority of the qualified electors of the school district who
408 voted in such election shall vote in favor of the question, then
409 the stated increase requested by the school board shall be
410 approved. For the purposes of this paragraph, the revenue sources
411 excluded from the increased limitation under Section 37-57-107
412 shall also be excluded from the limitation described herein in the
413 same manner as they are excluded under Section 37-57-107.

414 **SECTION 4.** Section 37-61-9, Mississippi Code of 1972, is
415 amended as follows:

416 37-61-9. (1) (a) On or before the fifteenth day of August
417 of each year, the local school board of each school district, with
418 the assistance of the superintendent of schools, shall prepare and
419 file with the levying authority for the school district, as
420 defined in Section 37-57-1, Mississippi Code of 1972, at least two
421 (2) copies of a budget of estimated expenditures for the support,
422 maintenance and operation of the public schools of the school

423 district for the fiscal year commencing on July 1 of such year.
424 Such budget shall be prepared on forms prescribed and provided by
425 the State Auditor and shall contain such information as the State
426 Auditor may require.

427 (b) In school districts in the county school system,
428 the county board of education shall not be required to file copies
429 of its budget with the county board of supervisors, since the
430 county board of education is the levying authority for the county
431 school system.

432 (2) In addition, on or before the fifteenth day of August of
433 each year, the local school board of each school district, with
434 the assistance of the superintendent of schools, shall prepare and
435 file with the State Department of Education such budgetary
436 information as the State Board of Education may require. The
437 State Board of Education shall prescribe and provide forms to each
438 school district for this purpose.

439 (3) Prior to the adoption of a budget pursuant to this
440 section, the school board of each school district shall hold at
441 least one (1) public hearing to provide the general public with an
442 opportunity to comment on the taxing and spending plan
443 incorporated in the proposed budget. The public hearing shall be
444 held at least one (1) week prior to the adoption of the budget
445 with advance notice. After final adoption of the budget, a
446 synopsis of such budget in a form prescribed by the State
447 Department of Audit shall be published in a newspaper having
448 general circulation in the school district on a date different
449 from the date on which the county or any municipality therein may
450 publish its budget.

451 (4) Beginning with the fiscal year 1995-1996, there shall be
452 imposed limitations on budgeted expenditures for certain
453 administration costs, as defined hereinafter, in an amount not
454 greater than One Hundred Fifty Thousand Dollars (\$150,000.00) plus
455 four percent (4%) of the expenditures of all school districts each

456 year. For purposes of this subsection, "administration costs"
457 shall be defined as expenditures for salaries and fringe benefits
458 paid for central administration costs from all sources of revenue
459 in the following expenditure functions as defined in the

460 MISSISSIPPI PUBLIC SCHOOL DISTRICT FINANCIAL ACCOUNTING MANUAL:

- 461 2300 = Support Services - General Administration
- 462 2310 = Board of Education Services
- 463 2320 = Executive Administration Services
- 464 2330 = Special Area Administration Services
- 465 2500 = Business Services
- 466 2510 = Fiscal Services
- 467 2520 = Purchasing Services
- 468 2530 = Warehousing and Distributing Services
- 469 2540 = Printing, Publishing and Duplicating Services
- 470 2590 = Other Support Services - Business
- 471 2800 = Support Services - Central
- 472 2810 = Planning, Research, Development and Evaluation
- 473 2820 = Information Services
- 474 2830 = Staff Services
- 475 2840 = Data Processing Services

476 Any costs classified as "administration costs" for purposes
477 of this subsection which can be demonstrated by the local school
478 district to be an expenditure that results in a net cost savings
479 to the district that may otherwise require budget expenditures for
480 functions not covered under the definition of administration costs
481 herein may be excluded from the limitations imposed herein. The
482 local school board shall make a specific finding of such costs and
483 spread such finding upon its minutes, which shall be subject to
484 the approval of the Office of Educational Accountability of the
485 State Department of Education. Any school district required to
486 make expenditure cuts, as a result of application of this
487 subsection, shall not be required to reduce such expenditures more

488 than twenty-five percent (25%) in any year in order to comply with
489 this mandate.

490 The State Auditor shall ensure that functions in all
491 expenditure categories to which this administrative limitation
492 applies shall be properly classified.

493 This section shall not apply to central administration with
494 five (5) or less full-time employees, or to those school districts
495 which can substantiate that comparable reductions have occurred in
496 administrative costs for the five-year period immediately prior to
497 school year 1993-1994. In the event the application of this
498 section may jeopardize the fiscal integrity or operations of the
499 school district, have an adverse impact on the ability of the
500 district to deliver educational services, or otherwise restrict
501 the district from achieving or maintaining a quality education
502 program, the State Board of Education shall be authorized to
503 exempt the application of this section to such school district
504 pursuant to rules and regulations of the State Board of Education
505 consistent with the intent of this section.

506 **SECTION 5.** This act shall take effect and be in force from
507 and after July 1, 2005.