

SENATE SUBSTITUTE
FOR
SENATE BILL NO. 538

AN ACT

To repeal sections 163.011 and 163.031, RSMo, and to enact in lieu thereof three new sections relating to state funding for education, with an effective date.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF MISSOURI,
AS FOLLOWS:

1 Section A. Sections 163.011 and 163.031, RSMo, are repealed
2 and three new sections enacted in lieu thereof, to be known as
3 sections 163.011, 163.018, and 163.031, to read as follows:

4 163.011. As used in this chapter unless the context
5 requires otherwise:

6 (1) "Adjusted operating levy", the sum of tax rates for the
7 current year for teachers' and incidental funds for a school
8 district as reported to the proper officer of each county
9 pursuant to section 164.011;

10 (2) "Average daily attendance", the quotient or the sum of
11 the quotients obtained by dividing the total number of hours
12 attended in a term by resident pupils between the ages of five
13 and twenty-one by the actual number of hours school was in
14 session in that term. To the average daily attendance of the
15 following school term shall be added the full-time equivalent
16 average daily attendance of summer school students. "Full-time
17 equivalent average daily attendance of summer school students"
18 shall be computed by dividing the total number of hours, except

1 for physical education hours that do not count as credit toward
2 graduation for students in grades nine, ten, eleven, and twelve,
3 attended by all summer school pupils by the number of hours
4 required in section 160.011 in the school term. For purposes of
5 determining average daily attendance under this subdivision, the
6 term "resident pupil" shall include all children between the ages
7 of five and twenty-one who are residents of the school district
8 and who are attending kindergarten through grade twelve in such
9 district. If a child is attending school in a district other
10 than the district of residence and the child's parent is teaching
11 in the school district or is a regular employee of the school
12 district which the child is attending, then such child shall be
13 considered a resident pupil of the school district which the
14 child is attending for such period of time when the district of
15 residence is not otherwise liable for tuition. Average daily
16 attendance for students below the age of five years for which a
17 school district may receive state aid based on such attendance
18 shall be computed as regular school term attendance unless
19 otherwise provided by law;

20 (3) "Current operating expenditures":

21 (a) For the fiscal year 2007 calculation, "current
22 operating expenditures" shall be calculated using data from
23 fiscal year 2004 and shall be calculated as all expenditures for
24 instruction and support services except capital outlay and debt
25 service expenditures minus the revenue from federal categorical
26 sources; food service; student activities; categorical payments
27 for transportation costs pursuant to section 163.161; state
28 reimbursements for early childhood special education; the career

1 ladder entitlement for the district, as provided for in sections
2 168.500 to 168.515; the vocational education entitlement for the
3 district, as provided for in section 167.332; and payments from
4 other districts;

5 (b) In every fiscal year subsequent to fiscal year 2007,
6 current operating expenditures shall be the amount in paragraph
7 (a) of this subdivision plus any increases in state funding
8 pursuant to sections 163.031 and 163.043 subsequent to fiscal
9 year 2005, not to exceed five percent, per recalculation, of the
10 state revenue received by a district in the 2004-05 school year
11 from the foundation formula, line 14, gifted, remedial reading,
12 exceptional pupil aid, fair share, and free textbook payments for
13 any district from the first preceding calculation of the state
14 adequacy target. Beginning on July 1, 2010, current operating
15 expenditures shall be the amount in paragraph (a) of this
16 subdivision plus any increases in state funding pursuant to
17 sections 163.031 and 163.043 subsequent to fiscal year 2005
18 received by a district in the 2004-05 school year from the
19 foundation formula, line 14, gifted, remedial reading,
20 exceptional pupil aid, fair share, and free textbook payments for
21 any district from the first preceding calculation of the state
22 adequacy target;

23 (4) "District's tax rate ceiling", the highest tax rate
24 ceiling in effect subsequent to the 1980 tax year or any
25 subsequent year. Such tax rate ceiling shall not contain any tax
26 levy for debt service;

27 (5) "Dollar-value modifier", an index of the relative
28 purchasing power of a dollar, calculated as one plus fifteen

1 percent of the difference of the regional wage ratio minus one,
2 provided that the dollar value modifier shall not be applied at a
3 rate less than 1.0:

4 (a) "County wage per job", the total county wage and salary
5 disbursements divided by the total county wage and salary
6 employment for each county and the city of St. Louis as reported
7 by the Bureau of Economic Analysis of the United States
8 Department of Commerce for the fourth year preceding the payment
9 year;

10 (b) "Regional wage per job":

11 a. The total Missouri wage and salary disbursements of the
12 metropolitan area as defined by the Office of Management and
13 Budget divided by the total Missouri metropolitan wage and salary
14 employment for the metropolitan area for the county signified in
15 the school district number or the city of St. Louis, as reported
16 by the Bureau of Economic Analysis of the United States
17 Department of Commerce for the fourth year preceding the payment
18 year and recalculated upon every decennial census to incorporate
19 counties that are newly added to the description of metropolitan
20 areas; or if no such metropolitan area is established, then:

21 b. The total Missouri wage and salary disbursements of the
22 micropolitan area as defined by the Office of Management and
23 Budget divided by the total Missouri micropolitan wage and salary
24 employment for the micropolitan area for the county signified in
25 the school district number, as reported by the Bureau of Economic
26 Analysis of the United States Department of Commerce for the
27 fourth year preceding the payment year, if a micropolitan area
28 for such county has been established and recalculated upon every

1 decennial census to incorporate counties that are newly added to
2 the description of micropolitan areas; or

3 c. If a county is not part of a metropolitan or
4 micropolitan area as established by the Office of Management and
5 Budget, then the county wage per job, as defined in paragraph (a)
6 of this subdivision, shall be used for the school district, as
7 signified by the school district number;

8 (c) "Regional wage ratio", the ratio of the regional wage
9 per job divided by the state median wage per job;

10 (d) "State median wage per job", the fifty-eighth highest
11 county wage per job;

12 (6) "Free and reduced lunch pupil count", for school
13 districts not eligible for and those that do not choose the USDA
14 Community Eligibility Option, the number of pupils eligible for
15 free and reduced lunch on the last Wednesday in January for the
16 preceding school year who were enrolled as students of the
17 district, as approved by the department in accordance with
18 applicable federal regulations. For eligible school districts
19 that choose the USDA Community Eligibility Option, the free and
20 reduced lunch pupil count shall be the percentage of free and
21 reduced lunch students calculated as eligible on the last
22 Wednesday in January of the most recent school year that included
23 household applications to determine free and reduced lunch count
24 multiplied by the district's average daily attendance figure;

25 (7) "Free and reduced lunch threshold" shall be calculated
26 by dividing the total free and reduced lunch pupil count of every
27 performance district that falls entirely above the bottom five
28 percent and entirely below the top five percent of average daily

1 attendance, when such districts are rank-ordered based on their
2 current operating expenditures per average daily attendance, by
3 the total average daily attendance of all included performance
4 districts;

5 (8) "Limited English proficiency pupil count", the number
6 in the preceding school year of pupils aged three through
7 twenty-one enrolled or preparing to enroll in an elementary
8 school or secondary school who were not born in the United States
9 or whose native language is a language other than English or are
10 Native American or Alaskan native, or a native resident of the
11 outlying areas, and come from an environment where a language
12 other than English has had a significant impact on such
13 individuals' level of English language proficiency, or are
14 migratory, whose native language is a language other than
15 English, and who come from an environment where a language other
16 than English is dominant; and have difficulties in speaking,
17 reading, writing, or understanding the English language
18 sufficient to deny such individuals the ability to meet the
19 state's proficient level of achievement on state assessments
20 described in Public Law 107-10, the ability to achieve
21 successfully in classrooms where the language of instruction is
22 English, or the opportunity to participate fully in society;

23 (9) "Limited English proficiency threshold" shall be
24 calculated by dividing the total limited English proficiency
25 pupil count of every performance district that falls entirely
26 above the bottom five percent and entirely below the top five
27 percent of average daily attendance, when such districts are
28 rank-ordered based on their current operating expenditures per

1 average daily attendance, by the total average daily attendance
2 of all included performance districts;

3 (10) "Local effort":

4 (a) For the fiscal year 2007 calculation, "local effort"
5 shall be computed as the equalized assessed valuation of the
6 property of a school district in calendar year 2004 divided by
7 one hundred and multiplied by the performance levy less the
8 percentage retained by the county assessor and collector plus one
9 hundred percent of the amount received in fiscal year 2005 for
10 school purposes from intangible taxes, fines, escheats, payments
11 in lieu of taxes and receipts from state-assessed railroad and
12 utility tax, one hundred percent of the amount received for
13 school purposes pursuant to the merchants' and manufacturers'
14 taxes under sections 150.010 to 150.370, one hundred percent of
15 the amounts received for school purposes from federal properties
16 under sections 12.070 and 12.080 except when such amounts are
17 used in the calculation of federal impact aid pursuant to P.L.
18 81-874, fifty percent of Proposition C revenues received for
19 school purposes from the school district trust fund under section
20 163.087, and one hundred percent of any local earnings or income
21 taxes received by the district for school purposes. Under this
22 paragraph, for a special district established under sections
23 162.815 to 162.940 in a county with a charter form of government
24 and with more than one million inhabitants, a tax levy of zero
25 shall be utilized in lieu of the performance levy for the special
26 school district;

27 (b) In every year subsequent to fiscal year 2007, "local
28 effort" shall be the amount calculated under paragraph (a) of

1 this subdivision plus any increase in the amount received for
2 school purposes from fines. If a district's assessed valuation
3 has decreased subsequent to the calculation outlined in paragraph
4 (a) of this subdivision, the district's local effort shall be
5 calculated using the district's current assessed valuation in
6 lieu of the assessed valuation utilized in the calculation
7 outlined in paragraph (a) of this subdivision. When a change in
8 a school district's boundary lines occurs because of a boundary
9 line change, annexation, attachment, consolidation,
10 reorganization, or dissolution under section 162.071, 162.081,
11 sections 162.171 to 162.201, section 162.221, 162.223, 162.431,
12 162.441, or 162.451, or in the event that a school district
13 assumes any territory from a district that ceases to exist for
14 any reason, the department of elementary and secondary education
15 shall make a proper adjustment to each affected district's local
16 effort, so that each district's local effort figure conforms to
17 the new boundary lines of the district. The department shall
18 compute the local effort figure by applying the calendar year
19 2004 assessed valuation data to the new land areas resulting from
20 the boundary line change, annexation, attachment, consolidation,
21 reorganization, or dissolution and otherwise follow the
22 procedures described in this subdivision;

23 (11) "Membership" shall be the average of:

24 (a) The number of resident full-time students and the
25 full-time equivalent number of part-time students who were
26 enrolled in the public schools of the district on the last
27 Wednesday in September of the previous year and who were in
28 attendance one day or more during the preceding ten school days;

1 and

2 (b) The number of resident full-time students and the
3 full-time equivalent number of part-time students who were
4 enrolled in the public schools of the district on the last
5 Wednesday in January of the previous year and who were in
6 attendance one day or more during the preceding ten school days,
7 plus the full-time equivalent number of summer school pupils.
8 "Full-time equivalent number of part-time students" is determined
9 by dividing the total number of hours for which all part-time
10 students are enrolled by the number of hours in the school term.
11 "Full-time equivalent number of summer school pupils" is
12 determined by dividing the total number of hours for which all
13 summer school pupils were enrolled by the number of hours
14 required pursuant to section 160.011 in the school term. Only
15 students eligible to be counted for average daily attendance
16 shall be counted for membership;

17 (12) "Operating levy for school purposes", the sum of tax
18 rates levied for teachers' and incidental funds plus the
19 operating levy or sales tax equivalent pursuant to section
20 162.1100 of any transitional school district containing the
21 school district, in the payment year, not including any equalized
22 operating levy for school purposes levied by a special school
23 district in which the district is located;

24 (13) "Performance district", any district that has met
25 [all] performance standards and indicators as established by the
26 department of elementary and secondary education for purposes of
27 accreditation under section 161.092 and as reported on the final
28 annual performance report for that district each year; for

1 calculations to be utilized for payments in fiscal years
2 subsequent to fiscal year 2018, the number of performance
3 districts shall not exceed twenty-five percent of all public
4 school districts;

5 (14) "Performance levy", three dollars and forty-three
6 cents;

7 (15) "School purposes" pertains to teachers' and incidental
8 funds;

9 (16) "Special education pupil count", the number of public
10 school students with a current individualized education program
11 or services plan and receiving services from the resident
12 district as of December first of the preceding school year,
13 except for special education services provided through a school
14 district established under sections 162.815 to 162.940 in a
15 county with a charter form of government and with more than one
16 million inhabitants, in which case the sum of the students in
17 each district within the county exceeding the special education
18 threshold of each respective district within the county shall be
19 counted within the special district and not in the district of
20 residence for purposes of distributing the state aid derived from
21 the special education pupil count;

22 (17) "Special education threshold" shall be calculated by
23 dividing the total special education pupil count of every
24 performance district that falls entirely above the bottom five
25 percent and entirely below the top five percent of average daily
26 attendance, when such districts are rank-ordered based on their
27 current operating expenditures per average daily attendance, by
28 the total average daily attendance of all included performance

1 districts;

2 (18) "State adequacy target", the sum of the current
3 operating expenditures of every performance district that falls
4 entirely above the bottom five percent and entirely below the top
5 five percent of average daily attendance, when such districts are
6 rank-ordered based on their current operating expenditures per
7 average daily attendance, divided by the total average daily
8 attendance of all included performance districts. The department
9 of elementary and secondary education shall first calculate the
10 state adequacy target for fiscal year 2007 and recalculate the
11 state adequacy target every two years using the most current
12 available data. The recalculation shall never result in a
13 decrease from the previous state adequacy target amount. Should
14 a recalculation result in an increase in the state adequacy
15 target amount, fifty percent of that increase shall be included
16 in the state adequacy target amount in the year of recalculation,
17 and fifty percent of that increase shall be included in the state
18 adequacy target amount in the subsequent year. The state
19 adequacy target may be adjusted to accommodate available
20 appropriations as provided in subsection 8 of section 163.031;

21 (19) "Teacher", any teacher, teacher-secretary, substitute
22 teacher, supervisor, principal, supervising principal,
23 superintendent or assistant superintendent, school nurse, social
24 worker, counselor or librarian who shall, regularly, teach or be
25 employed for no higher than grade twelve more than one-half time
26 in the public schools and who is certified under the laws
27 governing the certification of teachers in Missouri;

28 (20) "Weighted average daily attendance", the average daily

1 attendance plus the product of twenty-five hundredths multiplied
2 by the free and reduced lunch pupil count that exceeds the free
3 and reduced lunch threshold, plus the product of seventy-five
4 hundredths multiplied by the number of special education pupil
5 count that exceeds the special education threshold, plus the
6 product of six-tenths multiplied by the number of limited English
7 proficiency pupil count that exceeds the limited English
8 proficiency threshold. For special districts established under
9 sections 162.815 to 162.940 in a county with a charter form of
10 government and with more than one million inhabitants, weighted
11 average daily attendance shall be the average daily attendance
12 plus the product of twenty-five hundredths multiplied by the free
13 and reduced lunch pupil count that exceeds the free and reduced
14 lunch threshold, plus the product of seventy-five hundredths
15 multiplied by the sum of the special education pupil count that
16 exceeds the threshold for each county district, plus the product
17 of six-tenths multiplied by the limited English proficiency pupil
18 count that exceeds the limited English proficiency threshold.
19 None of the districts comprising a special district established
20 under sections 162.815 to 162.940 in a county with a charter form
21 of government and with more than one million inhabitants, shall
22 use any special education pupil count in calculating their
23 weighted average daily attendance.

24 163.018. 1. Notwithstanding the definition of "average
25 daily attendance" in subdivision (2) of section 163.011 to the
26 contrary, pupils between the ages of three and five who are
27 eligible for free and reduced lunch and attend an early childhood
28 education program that is operated by and in a district or by a

1 charter school that has declared itself as a local educational
2 agency providing full-day kindergarten and that meets standards
3 established by the state board of education, shall be included in
4 the district's or charter school's calculation of average daily
5 attendance.

6 2. The provisions of this section shall become effective in
7 any school year subsequent to a school year in which the amount
8 appropriated for subsections 1 and 2 of section 163.031 is equal
9 to or exceeds the amount necessary to fund the entire entitlement
10 calculation determined by subsections 1 and 2 of section 163.031,
11 and shall remain effective in all school years thereafter,
12 irrespective of the amount appropriated for subsections 1 and 2
13 of section 163.031 in any succeeding year.

14 3. This section shall not require school attendance beyond
15 that mandated under section 167.031 and shall not change or amend
16 the provisions of sections 160.051, 160.053, 160.054, and 160.055
17 relating to kindergarten attendance.

18 163.031. 1. The department of elementary and secondary
19 education shall calculate and distribute to each school district
20 qualified to receive state aid under section 163.021 an amount
21 determined by multiplying the district's weighted average daily
22 attendance by the state adequacy target, multiplying this product
23 by the dollar value modifier for the district, and subtracting
24 from this product the district's local effort and, in years not
25 governed under subsection 4 of this section, subtracting payments
26 from the classroom trust fund under section 163.043.

27 2. Other provisions of law to the contrary notwithstanding:

28 (1) For districts with an average daily attendance of more

1 than three hundred fifty in the school year preceding the payment
2 year:

3 (a) For the 2006-07 school year, the state revenue per
4 weighted average daily attendance received by a district from the
5 state aid calculation under subsections 1 and 4 of this section,
6 as applicable, and the classroom trust fund under section 163.043
7 shall not be less than the state revenue received by a district
8 in the 2005-06 school year from the foundation formula, line 14,
9 gifted, remedial reading, exceptional pupil aid, fair share, and
10 free textbook payment amounts multiplied by the sum of one plus
11 the product of one-third multiplied by the remainder of the
12 dollar value modifier minus one, and dividing this product by the
13 weighted average daily attendance computed for the 2005-06 school
14 year;

15 (b) For the 2007-08 school year, the state revenue per
16 weighted average daily attendance received by a district from the
17 state aid calculation under subsections 1 and 4 of this section,
18 as applicable, and the classroom trust fund under section 163.043
19 shall not be less than the state revenue received by a district
20 in the 2005-06 school year from the foundation formula, line 14,
21 gifted, remedial reading, exceptional pupil aid, fair share, and
22 free textbook payment amounts multiplied by the sum of one plus
23 the product of two-thirds multiplied by the remainder of the
24 dollar value modifier minus one, and dividing this product by the
25 weighted average daily attendance computed for the 2005-06 school
26 year;

27 (c) For the 2008-09 school year, the state revenue per
28 weighted average daily attendance received by a district from the

1 state aid calculation under subsections 1 and 4 of this section,
2 as applicable, and the classroom trust fund under section 163.043
3 shall not be less than the state revenue received by a district
4 in the 2005-06 school year from the foundation formula, line 14,
5 gifted, remedial reading, exceptional pupil aid, fair share, and
6 free textbook payment amounts multiplied by the dollar value
7 modifier, and dividing this product by the weighted average daily
8 attendance computed for the 2005-06 school year;

9 (d) For each year subsequent to the 2008-09 school year,
10 the amount shall be no less than that computed in paragraph (c)
11 of this subdivision, multiplied by the weighted average daily
12 attendance pursuant to section 163.036, less any increase in
13 revenue received from the classroom trust fund under section
14 163.043;

15 (2) For districts with an average daily attendance of three
16 hundred fifty or less in the school year preceding the payment
17 year:

18 (a) For the 2006-07 school year, the state revenue received
19 by a district from the state aid calculation under subsections 1
20 and 4 of this section, as applicable, and the classroom trust
21 fund under section 163.043 shall not be less than the greater of
22 state revenue received by a district in the 2004-05 or 2005-06
23 school year from the foundation formula, line 14, gifted,
24 remedial reading, exceptional pupil aid, fair share, and free
25 textbook payment amounts multiplied by the sum of one plus the
26 product of one-third multiplied by the remainder of the dollar
27 value modifier minus one;

28 (b) For the 2007-08 school year, the state revenue received

1 by a district from the state aid calculation under subsections 1
2 and 4 of this section, as applicable, and the classroom trust
3 fund under section 163.043 shall not be less than the greater of
4 state revenue received by a district in the 2004-05 or 2005-06
5 school year from the foundation formula, line 14, gifted,
6 remedial reading, exceptional pupil aid, fair share, and free
7 textbook payment amounts multiplied by the sum of one plus the
8 product of two-thirds multiplied by the remainder of the dollar
9 value modifier minus one;

10 (c) For the 2008-09 school year, the state revenue received
11 by a district from the state aid calculation under subsections 1
12 and 4 of this section, as applicable, and the classroom trust
13 fund under section 163.043 shall not be less than the greater of
14 state revenue received by a district in the 2004-05 or 2005-06
15 school year from the foundation formula, line 14, gifted,
16 remedial reading, exceptional pupil aid, fair share, and free
17 textbook payment amounts multiplied by the dollar value modifier;

18 (d) For each year subsequent to the 2008-09 school year,
19 the amount shall be no less than that computed in paragraph (c)
20 of this subdivision;

21 (3) The department of elementary and secondary education
22 shall make an addition in the payment amount specified in
23 subsection 1 of this section to assure compliance with the
24 provisions contained in this subsection.

25 3. School districts that meet the requirements of section
26 163.021 shall receive categorical add-on revenue as provided in
27 this subsection. The categorical add-on for the district shall
28 be the sum of: seventy-five percent of the district allowable

1 transportation costs under section 163.161; the career ladder
2 entitlement for the district, as provided for in sections 168.500
3 to 168.515; the vocational education entitlement for the
4 district, as provided for in section 167.332; and the district
5 educational and screening program entitlements as provided for in
6 sections 178.691 to 178.699. The categorical add-on revenue
7 amounts may be adjusted to accommodate available appropriations.

8 4. In the 2006-07 school year and each school year
9 thereafter for five years, those districts entitled to receive
10 state aid under the provisions of subsection 1 of this section
11 shall receive state aid in an amount as provided in this
12 subsection.

13 (1) For the 2006-07 school year, the amount shall be
14 fifteen percent of the amount of state aid calculated for the
15 district for the 2006-07 school year under the provisions of
16 subsection 1 of this section, plus eighty-five percent of the
17 total amount of state revenue received by the district for the
18 2005-06 school year from the foundation formula, line 14, gifted,
19 remedial reading, exceptional pupil aid, fair share, and free
20 textbook payments less any amounts received under section
21 163.043.

22 (2) For the 2007-08 school year, the amount shall be thirty
23 percent of the amount of state aid calculated for the district
24 for the 2007-08 school year under the provisions of subsection 1
25 of this section, plus seventy percent of the total amount of
26 state revenue received by the district for the 2005-06 school
27 year from the foundation formula, line 14, gifted, remedial
28 reading, exceptional pupil aid, fair share, and free textbook

1 payments less any amounts received under section 163.043.

2 (3) For the 2008-09 school year, the amount of state aid
3 shall be forty-four percent of the amount of state aid calculated
4 for the district for the 2008-09 school year under the provisions
5 of subsection 1 of this section plus fifty-six percent of the
6 total amount of state revenue received by the district for the
7 2005-06 school year from the foundation formula, line 14, gifted,
8 remedial reading, exceptional pupil aid, fair share, and free
9 textbook payments less any amounts received under section
10 163.043.

11 (4) For the 2009-10 school year, the amount of state aid
12 shall be fifty-eight percent of the amount of state aid
13 calculated for the district for the 2009-10 school year under the
14 provisions of subsection 1 of this section plus forty-two percent
15 of the total amount of state revenue received by the district for
16 the 2005-06 school year from the foundation formula, line 14,
17 gifted, remedial reading, exceptional pupil aid, fair share, and
18 free textbook payments less any amounts received under section
19 163.043.

20 (5) For the 2010-11 school year, the amount of state aid
21 shall be seventy-two percent of the amount of state aid
22 calculated for the district for the 2010-11 school year under the
23 provisions of subsection 1 of this section plus twenty-eight
24 percent of the total amount of state revenue received by the
25 district for the 2005-06 school year from the foundation formula,
26 line 14, gifted, remedial reading, exceptional pupil aid, fair
27 share, and free textbook payments less any amounts received under
28 section 163.043.

1 (6) For the 2011-12 school year, the amount of state aid
2 shall be eighty-six percent of the amount of state aid calculated
3 for the district for the 2011-12 school year under the provisions
4 of subsection 1 of this section plus fourteen percent of the
5 total amount of state revenue received by the district for the
6 2005-06 school year from the foundation formula, line 14, gifted,
7 remedial reading, exceptional pupil aid, fair share, and free
8 textbook payments less any amounts received under section
9 163.043.

10 (7) (a) [Notwithstanding subdivision (18) of section
11 163.011, the state adequacy target may not be adjusted downward
12 to accommodate available appropriations in any year governed by
13 this subsection.

14 (b)] a. For the 2006-07 school year, if a school district
15 experiences a decrease in summer school average daily attendance
16 of more than twenty percent from the district's 2005-06 summer
17 school average daily attendance, an amount equal to the product
18 of the percent reduction that is in excess of twenty percent of
19 the district's summer school average daily attendance multiplied
20 by the funds generated by the district's summer school program in
21 the 2005-06 school year shall be subtracted from the district's
22 current year payment amount.

23 b. For the 2007-08 school year, if a school district
24 experiences a decrease in summer school average daily attendance
25 of more than thirty percent from the district's 2005-06 summer
26 school average daily attendance, an amount equal to the product
27 of the percent reduction that is in excess of thirty percent of
28 the district's summer school average daily attendance multiplied

1 by the funds generated by the district's summer school program in
2 the 2005-06 school year shall be subtracted from the district's
3 payment amount.

4 c. For the 2008-09 school year, if a school district
5 experiences a decrease in summer school average daily attendance
6 of more than thirty-five percent from the district's 2005-06
7 summer school average daily attendance, an amount equal to the
8 product of the percent reduction that is in excess of thirty-five
9 percent of the district's summer school average daily attendance
10 multiplied by the funds generated by the district's summer school
11 program in the 2005-06 school year shall be subtracted from the
12 district's payment amount.

13 d. Notwithstanding the provisions of this paragraph, no
14 such reduction shall be made in the case of a district that is
15 receiving a payment under section 163.044 or any district whose
16 regular school term average daily attendance for the preceding
17 year was three hundred fifty or less.

18 e. This paragraph shall not be construed to permit any
19 reduction applied under this paragraph to result in any district
20 receiving a current-year payment that is less than the amount
21 calculated for such district under subsection 2 of this section.

22 [(c)] (b) If a school district experiences a decrease in
23 its gifted program enrollment of more than twenty percent from
24 its 2005-06 gifted program enrollment in any year governed by
25 this subsection, an amount equal to the product of the percent
26 reduction in the district's gifted program enrollment multiplied
27 by the funds generated by the district's gifted program in the
28 2005-06 school year shall be subtracted from the district's

1 current year payment amount.

2 5. For any school district meeting the eligibility criteria
3 for state aid as established in section 163.021, but which is
4 considered an option district under section 163.042 and therefore
5 receives no state aid, the commissioner of education shall
6 present a plan to the superintendent of the school district for
7 the waiver of rules and the duration of said waivers, in order to
8 promote flexibility in the operations of the district and to
9 enhance and encourage efficiency in the delivery of instructional
10 services as provided in section 163.042.

11 6. (1) No less than seventy-five percent of the state
12 revenue received under the provisions of subsections 1, 2, and 4
13 of this section shall be placed in the teachers' fund, and the
14 remaining percent of such moneys shall be placed in the
15 incidental fund. No less than seventy-five percent of one-half
16 of the funds received from the school district trust fund
17 distributed under section 163.087 shall be placed in the
18 teachers' fund. One hundred percent of revenue received under
19 the provisions of section 163.161 shall be placed in the
20 incidental fund. One hundred percent of revenue received under
21 the provisions of sections 168.500 to 168.515 shall be placed in
22 the teachers' fund.

23 (2) A school district shall spend for certificated
24 compensation and tuition expenditures each year:

25 (a) An amount equal to at least seventy-five percent of the
26 state revenue received under the provisions of subsections 1, 2,
27 and 4 of this section;

28 (b) An amount equal to at least seventy-five percent of

1 one-half of the funds received from the school district trust
2 fund distributed under section 163.087 during the preceding
3 school year; and

4 (c) Beginning in fiscal year 2008, as much as was spent per
5 the second preceding year's weighted average daily attendance for
6 certificated compensation and tuition expenditures the previous
7 year from revenue produced by local and county tax sources in the
8 teachers' fund, plus the amount of the incidental fund to
9 teachers' fund transfer calculated to be local and county tax
10 sources by dividing local and county tax sources in the
11 incidental fund by total revenue in the incidental fund. In the
12 event a district fails to comply with this provision, the amount
13 by which the district fails to spend funds as provided herein
14 shall be deducted from the district's state revenue received
15 under the provisions of subsections 1, 2, and 4 of this section
16 for the following year, provided that the state board of
17 education may exempt a school district from this provision if the
18 state board of education determines that circumstances warrant
19 such exemption.

20 7. If a school district's annual audit discloses that
21 students were inappropriately identified as eligible for free and
22 reduced lunch, special education, or limited English proficiency
23 and the district does not resolve the audit finding, the
24 department of elementary and secondary education shall require
25 that the amount of aid paid pursuant to the weighting for free
26 and reduced lunch, special education, or limited English
27 proficiency in the weighted average daily attendance on the
28 inappropriately identified pupils be repaid by the district in

1 the next school year and shall additionally impose a penalty of
2 one hundred percent of such aid paid on such pupils, which
3 penalty shall also be paid within the next school year. Such
4 amounts may be repaid by the district through the withholding of
5 the amount of state aid.

6 8. Notwithstanding any provision of law to the contrary, in
7 any fiscal year during which the total formula appropriation is
8 insufficient to fully fund the entitlement calculation of this
9 section, the department of elementary and secondary education
10 shall adjust the state adequacy target in order to accommodate
11 the appropriation level for the given fiscal year. In no manner
12 shall any payment modification be rendered for any district
13 qualified to receive payments under subsection 2 of this section
14 based on insufficient appropriations.

15 Section B. The repeal and reenactment of sections 163.011
16 and 163.031 and the enactment of section 163.018 of this act
17 shall become effective on July 1, 2015.