

SECOND REGULAR SESSION

[P E R F E C T E D]

SENATE SUBSTITUTE FOR

SENATE BILL NO. 538

97TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR KEAVENY.

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TERRY L. SPIELER, Secretary.

4497S.04P

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:

Section A. Sections 163.011 and 163.031, RSMo, are repealed and three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

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

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

5 (2) "Average daily attendance", the quotient or the sum of the quotients
6 obtained by dividing the total number of hours attended in a term by resident
7 pupils between the ages of five and twenty-one by the actual number of hours
8 school was in session in that term. To the average daily attendance of the
9 following school term shall be added the full-time equivalent average daily
10 attendance of summer school students. "Full-time equivalent average daily
11 attendance of summer school students" shall be computed by dividing the total
12 number of hours, except for physical education hours that do not count as credit
13 toward graduation for students in grades nine, ten, eleven, and twelve, attended
14 by all summer school pupils by the number of hours required in section 160.011

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

15 in the school term. For purposes of determining average daily attendance under
16 this subdivision, the term "resident pupil" shall include all children between the
17 ages of five and twenty-one who are residents of the school district and who are
18 attending kindergarten through grade twelve in such district. If a child is
19 attending school in a district other than the district of residence and the child's
20 parent is teaching in the school district or is a regular employee of the school
21 district which the child is attending, then such child shall be considered a
22 resident pupil of the school district which the child is attending for such period
23 of time when the district of residence is not otherwise liable for tuition. Average
24 daily attendance for students below the age of five years for which a school
25 district may receive state aid based on such attendance shall be computed as
26 regular school term attendance unless otherwise provided by law;

27 (3) "Current operating expenditures":

28 (a) For the fiscal year 2007 calculation, "current operating expenditures"
29 shall be calculated using data from fiscal year 2004 and shall be calculated as all
30 expenditures for instruction and support services except capital outlay and debt
31 service expenditures minus the revenue from federal categorical sources; food
32 service; student activities; categorical payments for transportation costs pursuant
33 to section 163.161; state reimbursements for early childhood special education;
34 the career ladder entitlement for the district, as provided for in sections 168.500
35 to 168.515; the vocational education entitlement for the district, as provided for
36 in section 167.332; and payments from other districts;

37 (b) In every fiscal year subsequent to fiscal year 2007, current operating
38 expenditures shall be the amount in paragraph (a) of this subdivision plus any
39 increases in state funding pursuant to sections 163.031 and 163.043 subsequent
40 to fiscal year 2005, not to exceed five percent, per recalculation, of the state
41 revenue received by a district in the 2004-05 school year from the foundation
42 formula, line 14, gifted, remedial reading, exceptional pupil aid, fair share, and
43 free textbook payments for any district from the first preceding calculation of the
44 state adequacy target. Beginning on July 1, 2010, current operating expenditures
45 shall be the amount in paragraph (a) of this subdivision plus any increases in
46 state funding pursuant to sections 163.031 and 163.043 subsequent to fiscal year
47 2005 received by a district in the 2004-05 school year from the foundation
48 formula, line 14, gifted, remedial reading, exceptional pupil aid, fair share, and
49 free textbook payments for any district from the first preceding calculation of the
50 state adequacy target;

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

54 (5) "Dollar-value modifier", an index of the relative purchasing power of
55 a dollar, calculated as one plus fifteen percent of the difference of the regional
56 wage ratio minus one, provided that the dollar value modifier shall not be applied
57 at a rate less than 1.0:

58 (a) "County wage per job", the total county wage and salary disbursements
59 divided by the total county wage and salary employment for each county and the
60 city of St. Louis as reported by the Bureau of Economic Analysis of the United
61 States Department of Commerce for the fourth year preceding the payment year;

62 (b) "Regional wage per job":

63 a. The total Missouri wage and salary disbursements of the metropolitan
64 area as defined by the Office of Management and Budget divided by the total
65 Missouri metropolitan wage and salary employment for the metropolitan area for
66 the county signified in the school district number or the city of St. Louis, as
67 reported by the Bureau of Economic Analysis of the United States Department
68 of Commerce for the fourth year preceding the payment year and recalculated
69 upon every decennial census to incorporate counties that are newly added to the
70 description of metropolitan areas; or if no such metropolitan area is established,
71 then:

72 b. The total Missouri wage and salary disbursements of the micropolitan
73 area as defined by the Office of Management and Budget divided by the total
74 Missouri micropolitan wage and salary employment for the micropolitan area for
75 the county signified in the school district number, as reported by the Bureau of
76 Economic Analysis of the United States Department of Commerce for the fourth
77 year preceding the payment year, if a micropolitan area for such county has been
78 established and recalculated upon every decennial census to incorporate counties
79 that are newly added to the description of micropolitan areas; or

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

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

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

87 job;

88 (6) "Free and reduced lunch pupil count", **for school districts not**
89 **eligible for and those that do not choose the USDA Community**
90 **Eligibility Option**, the number of pupils eligible for free and reduced lunch on
91 the last Wednesday in January for the preceding school year who were enrolled
92 as students of the district, as approved by the department in accordance with
93 applicable federal regulations. **For eligible school districts that choose the**
94 **USDA Community Eligibility Option, the free and reduced lunch pupil**
95 **count shall be the percentage of free and reduced lunch students**
96 **calculated as eligible on the last Wednesday in January of the most**
97 **recent school year that included household applications to determine**
98 **free and reduced lunch count multiplied by the district's average daily**
99 **attendance figure;**

100 (7) "Free and reduced lunch threshold" shall be calculated by dividing the
101 total free and reduced lunch pupil count of every performance district that falls
102 entirely above the bottom five percent and entirely below the top five percent of
103 average daily attendance, when such districts are rank-ordered based on their
104 current operating expenditures per average daily attendance, by the total average
105 daily attendance of all included performance districts;

106 (8) "Limited English proficiency pupil count", the number in the preceding
107 school year of pupils aged three through twenty-one enrolled or preparing to
108 enroll in an elementary school or secondary school who were not born in the
109 United States or whose native language is a language other than English or are
110 Native American or Alaskan native, or a native resident of the outlying areas,
111 and come from an environment where a language other than English has had a
112 significant impact on such individuals' level of English language proficiency, or
113 are migratory, whose native language is a language other than English, and who
114 come from an environment where a language other than English is dominant; and
115 have difficulties in speaking, reading, writing, or understanding the English
116 language sufficient to deny such individuals the ability to meet the state's
117 proficient level of achievement on state assessments described in Public Law
118 107-10, the ability to achieve successfully in classrooms where the language of
119 instruction is English, or the opportunity to participate fully in society;

120 (9) "Limited English proficiency threshold" shall be calculated by dividing
121 the total limited English proficiency pupil count of every performance district that
122 falls entirely above the bottom five percent and entirely below the top five percent

123 of average daily attendance, when such districts are rank-ordered based on their
124 current operating expenditures per average daily attendance, by the total average
125 daily attendance of all included performance districts;

126 (10) "Local effort":

127 (a) For the fiscal year 2007 calculation, "local effort" shall be computed as
128 the equalized assessed valuation of the property of a school district in calendar
129 year 2004 divided by one hundred and multiplied by the performance levy less the
130 percentage retained by the county assessor and collector plus one hundred
131 percent of the amount received in fiscal year 2005 for school purposes from
132 intangible taxes, fines, escheats, payments in lieu of taxes and receipts from
133 state-assessed railroad and utility tax, one hundred percent of the amount
134 received for school purposes pursuant to the merchants' and manufacturers' taxes
135 under sections 150.010 to 150.370, one hundred percent of the amounts received
136 for school purposes from federal properties under sections 12.070 and 12.080
137 except when such amounts are used in the calculation of federal impact aid
138 pursuant to P.L. 81-874, fifty percent of Proposition C revenues received for
139 school purposes from the school district trust fund under section 163.087, and one
140 hundred percent of any local earnings or income taxes received by the district for
141 school purposes. Under this paragraph, for a special district established under
142 sections 162.815 to 162.940 in a county with a charter form of government and
143 with more than one million inhabitants, a tax levy of zero shall be utilized in lieu
144 of the performance levy for the special school district;

145 (b) In every year subsequent to fiscal year 2007, "local effort" shall be the
146 amount calculated under paragraph (a) of this subdivision plus any increase in
147 the amount received for school purposes from fines. If a district's assessed
148 valuation has decreased subsequent to the calculation outlined in paragraph (a)
149 of this subdivision, the district's local effort shall be calculated using the district's
150 current assessed valuation in lieu of the assessed valuation utilized in the
151 calculation outlined in paragraph (a) of this subdivision. **When a change in a**
152 **school district's boundary lines occurs because of a boundary line**
153 **change, annexation, attachment, consolidation, reorganization, or**
154 **dissolution under section 162.071, 162.081, sections 162.171 to 162.201,**
155 **section 162.221, 162.223, 162.431, 162.441, or 162.451, or in the event that**
156 **a school district assumes any territory from a district that ceases to**
157 **exist for any reason, the department of elementary and secondary**
158 **education shall make a proper adjustment to each affected district's**

159 **local effort, so that each district's local effort figure conforms to the**
160 **new boundary lines of the district. The department shall compute the**
161 **local effort figure by applying the calendar year 2004 assessed**
162 **valuation data to the new land areas resulting from the boundary line**
163 **change, annexation, attachment, consolidation, reorganization, or**
164 **dissolution and otherwise follow the procedures described in this**
165 **subdivision;**

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

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

171 (b) The number of resident full-time students and the full-time equivalent
172 number of part-time students who were enrolled in the public schools of the
173 district on the last Wednesday in January of the previous year and who were in
174 attendance one day or more during the preceding ten school days, plus the
175 full-time equivalent number of summer school pupils. "Full-time equivalent
176 number of part-time students" is determined by dividing the total number of
177 hours for which all part-time students are enrolled by the number of hours in the
178 school term. "Full-time equivalent number of summer school pupils" is
179 determined by dividing the total number of hours for which all summer school
180 pupils were enrolled by the number of hours required pursuant to section 160.011
181 in the school term. Only students eligible to be counted for average daily
182 attendance shall be counted for membership;

183 (12) "Operating levy for school purposes", the sum of tax rates levied for
184 teachers' and incidental funds plus the operating levy or sales tax equivalent
185 pursuant to section 162.1100 of any transitional school district containing the
186 school district, in the payment year, not including any equalized operating levy
187 for school purposes levied by a special school district in which the district is
188 located;

189 (13) "Performance district", any district that has met [all] performance
190 standards and indicators as established by the department of elementary and
191 secondary education for purposes of accreditation under section 161.092 and as
192 reported on the final annual performance report for that district each year; **for**
193 **calculations to be utilized for payments in fiscal years subsequent to**
194 **fiscal year 2018, the number of performance districts shall not exceed**

195 **twenty-five percent of all public school districts;**

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

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

198 (16) "Special education pupil count", the number of public school students

199 with a current individualized education program or services plan and receiving

200 services from the resident district as of December first of the preceding school

201 year, except for special education services provided through a school district

202 established under sections 162.815 to 162.940 in a county with a charter form of

203 government and with more than one million inhabitants, in which case the sum

204 of the students in each district within the county exceeding the special education

205 threshold of each respective district within the county shall be counted within the

206 special district and not in the district of residence for purposes of distributing the

207 state aid derived from the special education pupil count;

208 (17) "Special education threshold" shall be calculated by dividing the total

209 special education pupil count of every performance district that falls entirely

210 above the bottom five percent and entirely below the top five percent of average

211 daily attendance, when such districts are rank-ordered based on their current

212 operating expenditures per average daily attendance, by the total average daily

213 attendance of all included performance districts;

214 (18) "State adequacy target", the sum of the current operating

215 expenditures of every performance district that falls entirely above the bottom

216 five percent and entirely below the top five percent of average daily attendance,

217 when such districts are rank-ordered based on their current operating

218 expenditures per average daily attendance, divided by the total average daily

219 attendance of all included performance districts. The department of elementary

220 and secondary education shall first calculate the state adequacy target for fiscal

221 year 2007 and recalculate the state adequacy target every two years using the

222 most current available data. The recalculation shall never result in a decrease

223 from the previous state adequacy target amount. Should a recalculation result

224 in an increase in the state adequacy target amount, fifty percent of that increase

225 shall be included in the state adequacy target amount in the year of recalculation,

226 and fifty percent of that increase shall be included in the state adequacy target

227 amount in the subsequent year. The state adequacy target may be adjusted to

228 accommodate available appropriations **as provided in subsection 8 of section**

229 **163.031;**

230 (19) "Teacher", any teacher, teacher-secretary, substitute teacher,

231 supervisor, principal, supervising principal, superintendent or assistant
232 superintendent, school nurse, social worker, counselor or librarian who shall,
233 regularly, teach or be employed for no higher than grade twelve more than
234 one-half time in the public schools and who is certified under the laws governing
235 the certification of teachers in Missouri;

236 (20) "Weighted average daily attendance", the average daily attendance
237 plus the product of twenty-five hundredths multiplied by the free and reduced
238 lunch pupil count that exceeds the free and reduced lunch threshold, plus the
239 product of seventy-five hundredths multiplied by the number of special education
240 pupil count that exceeds the special education threshold, plus the product of
241 six-tenths multiplied by the number of limited English proficiency pupil count
242 that exceeds the limited English proficiency threshold. For special districts
243 established under sections 162.815 to 162.940 in a county with a charter form of
244 government and with more than one million inhabitants, weighted average daily
245 attendance shall be the average daily attendance plus the product of twenty-five
246 hundredths multiplied by the free and reduced lunch pupil count that exceeds the
247 free and reduced lunch threshold, plus the product of seventy-five hundredths
248 multiplied by the sum of the special education pupil count that exceeds the
249 threshold for each county district, plus the product of six-tenths multiplied by the
250 limited English proficiency pupil count that exceeds the limited English
251 proficiency threshold. None of the districts comprising a special district
252 established under sections 162.815 to 162.940 in a county with a charter form of
253 government and with more than one million inhabitants, shall use any special
254 education pupil count in calculating their weighted average daily attendance.

**163.018. 1. Notwithstanding the definition of "average daily
2 attendance" in subdivision (2) of section 163.011 to the contrary, pupils
3 between the ages of three and five who are eligible for free and
4 reduced lunch and attend an early childhood education program that
5 is operated by and in a district or by a charter school that has declared
6 itself as a local educational agency providing full-day kindergarten and
7 that meets standards established by the state board of education, shall
8 be included in the district's or charter school's calculation of average
9 daily attendance.**

10 **2. The provisions of this section shall become effective in any**
11 **school year subsequent to a school year in which the amount**
12 **appropriated for subsections 1 and 2 of section 163.031 is equal to or**

13 **exceeds the amount necessary to fund the entire entitlement**
14 **calculation determined by subsections 1 and 2 of section 163.031, and**
15 **shall remain effective in all school years thereafter, irrespective of the**
16 **amount appropriated for subsections 1 and 2 of section 163.031 in any**
17 **succeeding year.**

18 **3. This section shall not require school attendance beyond that**
19 **mandated under section 167.031 and shall not change or amend the**
20 **provisions of sections 160.051, 160.053, 160.054, and 160.055 relating to**
21 **kindergarten attendance.**

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

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

9 (1) For districts with an average daily attendance of more than three
10 hundred fifty in the school year preceding the payment year:

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

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

28 product by the weighted average daily attendance computed for the 2005-06
29 school year;

30 (c) For the 2008-09 school year, the state revenue per weighted average
31 daily attendance received by a district from the state aid calculation under
32 subsections 1 and 4 of this section, as applicable, and the classroom trust fund
33 under section 163.043 shall not be less than the state revenue received by a
34 district in the 2005-06 school year from the foundation formula, line 14, gifted,
35 remedial reading, exceptional pupil aid, fair share, and free textbook payment
36 amounts multiplied by the dollar value modifier, and dividing this product by the
37 weighted average daily attendance computed for the 2005-06 school year;

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

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

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

52 (b) For the 2007-08 school year, the state revenue received by a district
53 from the state aid calculation under subsections 1 and 4 of this section, as
54 applicable, and the classroom trust fund under section 163.043 shall not be less
55 than the greater of state revenue received by a district in the 2004-05 or 2005-06
56 school year from the foundation formula, line 14, gifted, remedial reading,
57 exceptional pupil aid, fair share, and free textbook payment amounts multiplied
58 by the sum of one plus the product of two-thirds multiplied by the remainder of
59 the dollar value modifier minus one;

60 (c) For the 2008-09 school year, the state revenue received by a district
61 from the state aid calculation under subsections 1 and 4 of this section, as
62 applicable, and the classroom trust fund under section 163.043 shall not be less
63 than the greater of state revenue received by a district in the 2004-05 or 2005-06

64 school year from the foundation formula, line 14, gifted, remedial reading,
65 exceptional pupil aid, fair share, and free textbook payment amounts multiplied
66 by the dollar value modifier;

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

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

72 3. School districts that meet the requirements of section 163.021 shall
73 receive categorical add-on revenue as provided in this subsection. The categorical
74 add-on for the district shall be the sum of: seventy-five percent of the district
75 allowable transportation costs under section 163.161; the career ladder
76 entitlement for the district, as provided for in sections 168.500 to 168.515; the
77 vocational education entitlement for the district, as provided for in section
78 167.332; and the district educational and screening program entitlements as
79 provided for in sections 178.691 to 178.699. The categorical add-on revenue
80 amounts may be adjusted to accommodate available appropriations.

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

85 (1) For the 2006-07 school year, the amount shall be fifteen percent of the
86 amount of state aid calculated for the district for the 2006-07 school year under
87 the provisions of subsection 1 of this section, plus eighty-five percent of the total
88 amount of state revenue received by the district for the 2005-06 school year from
89 the foundation formula, line 14, gifted, remedial reading, exceptional pupil aid,
90 fair share, and free textbook payments less any amounts received under section
91 163.043.

92 (2) For the 2007-08 school year, the amount shall be thirty percent of the
93 amount of state aid calculated for the district for the 2007-08 school year under
94 the provisions of subsection 1 of this section, plus seventy percent of the total
95 amount of state revenue received by the district for the 2005-06 school year from
96 the foundation formula, line 14, gifted, remedial reading, exceptional pupil aid,
97 fair share, and free textbook payments less any amounts received under section
98 163.043.

99 (3) For the 2008-09 school year, the amount of state aid shall be forty-four

100 percent of the amount of state aid calculated for the district for the 2008-09
101 school year under the provisions of subsection 1 of this section plus fifty-six
102 percent of the total amount of state revenue received by the district for the
103 2005-06 school year from the foundation formula, line 14, gifted, remedial
104 reading, exceptional pupil aid, fair share, and free textbook payments less any
105 amounts received under section 163.043.

106 (4) For the 2009-10 school year, the amount of state aid shall be fifty-eight
107 percent of the amount of state aid calculated for the district for the 2009-10
108 school year under the provisions of subsection 1 of this section plus forty-two
109 percent of the total amount of state revenue received by the district for the
110 2005-06 school year from the foundation formula, line 14, gifted, remedial
111 reading, exceptional pupil aid, fair share, and free textbook payments less any
112 amounts received under section 163.043.

113 (5) For the 2010-11 school year, the amount of state aid shall be
114 seventy-two percent of the amount of state aid calculated for the district for the
115 2010-11 school year under the provisions of subsection 1 of this section plus
116 twenty-eight percent of the total amount of state revenue received by the district
117 for the 2005-06 school year from the foundation formula, line 14, gifted, remedial
118 reading, exceptional pupil aid, fair share, and free textbook payments less any
119 amounts received under section 163.043.

120 (6) For the 2011-12 school year, the amount of state aid shall be eighty-six
121 percent of the amount of state aid calculated for the district for the 2011-12
122 school year under the provisions of subsection 1 of this section plus fourteen
123 percent of the total amount of state revenue received by the district for the
124 2005-06 school year from the foundation formula, line 14, gifted, remedial
125 reading, exceptional pupil aid, fair share, and free textbook payments less any
126 amounts received under section 163.043.

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

130 (b)] a. For the 2006-07 school year, if a school district experiences a
131 decrease in summer school average daily attendance of more than twenty percent
132 from the district's 2005-06 summer school average daily attendance, an amount
133 equal to the product of the percent reduction that is in excess of twenty percent
134 of the district's summer school average daily attendance multiplied by the funds
135 generated by the district's summer school program in the 2005-06 school year

136 shall be subtracted from the district's current year payment amount.

137 b. For the 2007-08 school year, if a school district experiences a decrease
138 in summer school average daily attendance of more than thirty percent from the
139 district's 2005-06 summer school average daily attendance, an amount equal to
140 the product of the percent reduction that is in excess of thirty percent of the
141 district's summer school average daily attendance multiplied by the funds
142 generated by the district's summer school program in the 2005-06 school year
143 shall be subtracted from the district's payment amount.

144 c. For the 2008-09 school year, if a school district experiences a decrease
145 in summer school average daily attendance of more than thirty-five percent from
146 the district's 2005-06 summer school average daily attendance, an amount equal
147 to the product of the percent reduction that is in excess of thirty-five percent of
148 the district's summer school average daily attendance multiplied by the funds
149 generated by the district's summer school program in the 2005-06 school year
150 shall be subtracted from the district's payment amount.

151 d. Notwithstanding the provisions of this paragraph, no such reduction
152 shall be made in the case of a district that is receiving a payment under section
153 163.044 or any district whose regular school term average daily attendance for
154 the preceding year was three hundred fifty or less.

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

159 **[(c)] (b)** If a school district experiences a decrease in its gifted program
160 enrollment of more than twenty percent from its 2005-06 gifted program
161 enrollment in any year governed by this subsection, an amount equal to the
162 product of the percent reduction in the district's gifted program enrollment
163 multiplied by the funds generated by the district's gifted program in the 2005-06
164 school year shall be subtracted from the district's current year payment amount.

165 5. For any school district meeting the eligibility criteria for state aid as
166 established in section 163.021, but which is considered an option district under
167 section 163.042 and therefore receives no state aid, the commissioner of education
168 shall present a plan to the superintendent of the school district for the waiver of
169 rules and the duration of said waivers, in order to promote flexibility in the
170 operations of the district and to enhance and encourage efficiency in the delivery
171 of instructional services as provided in section 163.042.

172 6. (1) No less than seventy-five percent of the state revenue received
173 under the provisions of subsections 1, 2, and 4 of this section shall be placed in
174 the teachers' fund, and the remaining percent of such moneys shall be placed in
175 the incidental fund. No less than seventy-five percent of one-half of the funds
176 received from the school district trust fund distributed under section 163.087
177 shall be placed in the teachers' fund. One hundred percent of revenue received
178 under the provisions of section 163.161 shall be placed in the incidental
179 fund. One hundred percent of revenue received under the provisions of sections
180 168.500 to 168.515 shall be placed in the teachers' fund.

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

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

185 (b) An amount equal to at least seventy-five percent of one-half of the
186 funds received from the school district trust fund distributed under section
187 163.087 during the preceding school year; and

188 (c) Beginning in fiscal year 2008, as much as was spent per the second
189 preceding year's weighted average daily attendance for certificated compensation
190 and tuition expenditures the previous year from revenue produced by local and
191 county tax sources in the teachers' fund, plus the amount of the incidental fund
192 to teachers' fund transfer calculated to be local and county tax sources by dividing
193 local and county tax sources in the incidental fund by total revenue in the
194 incidental fund. In the event a district fails to comply with this provision, the
195 amount by which the district fails to spend funds as provided herein shall be
196 deducted from the district's state revenue received under the provisions of
197 subsections 1, 2, and 4 of this section for the following year, provided that the
198 state board of education may exempt a school district from this provision if the
199 state board of education determines that circumstances warrant such exemption.

200 7. If a school district's annual audit discloses that students were
201 inappropriately identified as eligible for free and reduced lunch, special
202 education, or limited English proficiency and the district does not resolve the
203 audit finding, the department of elementary and secondary education shall
204 require that the amount of aid paid pursuant to the weighting for free and
205 reduced lunch, special education, or limited English proficiency in the weighted
206 average daily attendance on the inappropriately identified pupils be repaid by the
207 district in the next school year and shall additionally impose a penalty of one

208 hundred percent of such aid paid on such pupils, which penalty shall also be paid
209 within the next school year. Such amounts may be repaid by the district through
210 the withholding of the amount of state aid.

211 **8. Notwithstanding any provision of law to the contrary, in any**
212 **fiscal year during which the total formula appropriation is insufficient**
213 **to fully fund the entitlement calculation of this section, the department**
214 **of elementary and secondary education shall adjust the state adequacy**
215 **target in order to accommodate the appropriation level for the given**
216 **fiscal year. In no manner shall any payment modification be rendered**
217 **for any district qualified to receive payments under subsection 2 of this**
218 **section based on insufficient appropriations.**

Section B. The repeal and reenactment of sections 163.011 and 163.031
2 and the enactment of section 163.018 of this act shall become effective on July 1,
3 2015.

✓

Bill

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