

FIRST REGULAR SESSION

# SENATE BILL NO. 356

90TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR MAXWELL.

Read 1st time January 26, 1999, and 1,000 copies ordered printed.

TERRY L. SPIELER, Secretary.

S1448.02I

## AN ACT

To repeal sections 52.260, 137.130, 137.720, 137.722 and 137.750, RSMo 1994, section 138.395, RSMo Supp. 1998, section 163.031 as enacted by house bills nos. 641 & 593 in the eighty-ninth general assembly, first regular session, and section 163.031 as enacted by senate bill no. 781 in the eighty-ninth general assembly, second regular session, relating to ad valorem property tax collections, and to enact in lieu thereof eight new sections relating to the same subject, with effective dates for certain sections.

*Be it enacted by the General Assembly of the State of Missouri, as follows:*

Section A. Sections 52.260, 137.130, 137.720, 137.722 and 137.750, RSMo 1994, section 138.395, RSMo Supp. 1998, section 163.031 as enacted by house bills nos. 641 & 593 in the eighty-ninth general assembly, first regular session, and section 163.031 as enacted by senate bill no. 781 in the eighty-ninth general assembly, second regular session, are repealed and eight new sections enacted in lieu thereof, to be known as sections 52.260, 52.315, 137.130, 137.720, 137.722, 137.750, 138.395 and 163.031, to read as follows:

52.260. The collector in counties not having township organization shall collect on behalf of the county the following fees for collecting all state, county, bridge, road, school, back and delinquent, and all other local taxes, including merchants', manufacturers' and liquor and beer licenses, other than ditch and levee taxes, and the fees collected shall be deposited in the county general fund:

(1) [In all counties wherein the total amount levied for any one year exceeds two hundred and fifty thousand dollars and is less than three hundred and fifty thousand dollars, a fee of two and one-half percent on the amount collected;

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

(2) In all counties wherein the total amount levied for any one year [exceeds three hundred and fifty thousand dollars and] is less than two million dollars, a fee of two and one-half percent on the [first three hundred and fifty thousand dollars collected and one percent on whatever amount may be collected over three hundred and fifty thousand dollars] **total amounts collected;**

[(3)] (2) In all counties **of the second, third and fourth classification** wherein the total amount levied for any one year exceeds two million dollars, a fee of one **and one-half** percent on the amounts collected;

**(3) In all counties of the first classification, and any city not within a county wherein the total amount levied for any one year exceeds two million dollars, a fee of one percent on the total amounts collected.**

**52.315. 1. Any provision of law to the contrary notwithstanding, any fee provided for in sections 52.260 and 54.320, RSMo, or any other provision of law in conflict with the provisions of this section, a percentage of all ad valorem property tax collections allocable to each taxing authority within the county and to the county shall be deducted from the collections of taxes each year in the same manner as in the above mentioned sections, and shall be deposited into a fund to be established and known as the "Tax Maintenance Fund". The percentage shall be one-fourth of one percent for all counties of the first classification not having a charter form of government, and one-half of one percent for all counties of the second, third and fourth classification and one percent for all counties having township organization. All fees collected pursuant to this section shall be used solely for the purpose of funding any additional operating costs and any additional administrative expenses incurred in the collection of taxes. It shall be the duty of the officials collecting taxes pursuant to this section to approve payment for the additional operating costs and additional administrative expenses and payment shall be made from the tax maintenance fund. County general revenue may also provide additional moneys for this fund. To assure the necessary funds are available for the purposes of collecting all ad valorem taxes, any county subject to the provisions of this section other than counties of the first classification, and any city not within a county, shall provide moneys for budget purposes, not less than the commissions and fees collected each year as prescribed by law in chapters 52 and 54, RSMo. Counties of the first classification not having a charter form of government subject to the provisions of this section shall provide moneys for budget purposes at least in an amount equal to the budget in the previous year.**

**2. Other provisions of law to the contrary notwithstanding, in all counties which become counties of the first classification not having a charter form of government on or after August 28, 1999, one-half of one percent of all ad valorem property tax collections allocable to each taxing authority within the county and the county shall**

**continue to be deducted from the collections of taxes each year and shall be deposited into the tax maintenance fund as required by this section as if the county had retained its classification prior to becoming a first classification county not having a charter form of government, until such time as the one-fourth of one percent of all ad valorem property tax collections in the county in the current year exceeds or equals one-half of one percent of all ad valorem property tax collections in the county in the last year said county was not a county of the first classification not having a charter form of government, at which time the county shall begin to withhold one-fourth of one percent of all ad valorem property tax collections for deposit in the tax maintenance fund.**

137.130. Whenever there shall be any taxable **personal** property in any county, and from any cause no list thereof shall be given to the assessor in proper time and manner, the assessor shall [himself] make out the list, on [his] **the assessor's** own view, or on the best information [he] **the assessor** can obtain; and for that purpose [he] **the assessor** shall have lawful right to enter into any lands and make any examination and search which may be necessary, and may examine any person upon oath touching the same. **The assessor shall list, assess and cause taxes to be imposed upon omitted taxable personal property in the current year and in the event personal property was also subject to taxation in the immediately prior year, but was omitted, the assessor shall also list, assess and cause taxes to be imposed upon such property.**

137.720. A percentage of all ad valorem property tax collections allocable to each taxing authority within the county and the county shall be deducted from the collections of taxes each year and shall be deposited into the assessment fund of the county as required [under] **pursuant to** section 137.750. The percentage shall be [one-half] **five-eighths** of one percent for all counties of the first and second [class] **classification** and cities not within a county and one **and one-fourth** percent for counties of the third and fourth [class] **classification**. The county shall bill any taxing authority collecting its own taxes. The county may also provide additional moneys for the fund. To be eligible for state cost-share funds provided [under] **pursuant to** section 137.750, every county shall provide [all moneys necessary to assure that the fund is at least equal to the amount of moneys available for assessment purposes in the previous year] **from the county general revenue fund, an amount equal to an average of the three most recent years of the amount provided from general revenue to the assessment fund**, except that a lesser amount shall be acceptable if unanimously agreed upon by the county assessor, county governing body and the state tax commission. The county shall deposit the county general revenue funds in the assessment fund as agreed to in its original or amended maintenance plan, state reimbursement funds shall be withheld until the amount due is properly deposited in such fund.

137.722. Notwithstanding the provisions of section 137.721, or any other provision of law in conflict with the provisions of this section, in all counties which become counties of the second

[class] **classification** after September 28, 1987, one **and one-fourth** percent of all ad valorem property taxes allocable to each taxing authority within the county and the county shall continue to be deducted from the collections of taxes each year and shall be deposited into the assessment fund of **the** county as required by section 137.750 as if the county had retained its classification as a county of the third [class] **classification**.

137.750. 1. If a county has an assessment maintenance plan approved under section 137.115, a portion of all the costs and expenses of the assessor of each county and each city not within a county, incurred for the current quarter in performing all duties necessary to assess and maintain equalized assessed valuations of real property, making real and personal property assessments and preparing abstracts of assessment lists, shall be reimbursed by the state. The state shall reimburse up to [one-half] **sixty percent** of all the current and past unreported quarterly costs and expenses of the assessor of each county and each city not within a county based on compliance with the state tax commission approved assessment and equalization maintenance plan. The state shall reimburse each eligible county a minimum of three dollars per parcel for up to twenty thousand parcels, but no further reimbursements shall be made until the county has expended [an equal] **at least two-thirds of that** amount of money for assessment maintenance from its assessment fund. The [maximum] annual state reimbursement to any county [under] **pursuant to** this section in [1986] **2000** shall [not exceed five dollars and fifty cents] **be seven dollars** per parcel of real property in the county and each year thereafter such [maximum] amount [may] **shall** be increased by [up to] three percent, but the amount reimbursed by the state shall not exceed [one-half] **sixty percent** of the actual costs and expenses incurred, except that counties entitled to only the three-dollar per parcel minimum shall receive one-fourth of the state's contribution each quarter. **Other provisions of this section notwithstanding, the reimbursement provided to a county pursuant to this section shall be reduced by a dollar amount equal to the amount of additional revenue received by the county pursuant to the twenty-five percent increase in collections established pursuant to section 137.720 or 137.722, as determined by the state tax commission, if the county assessment maintenance plan is disapproved pursuant to subsection 5 of this section.**

2. The governing body of each county and city not within a county which seeks or will seek reimbursement under any provision of this section or section 137.720 shall establish a fund to be known as the "Assessment Fund", to be used solely as a depository for funds received by the county or city pursuant to this section and sections 137.037 and 137.720, from the general revenue fund of the county or other sources for the purpose of funding the costs and expenses incurred in implementing an assessment and equalization maintenance plan approved under section 137.115 and for assessing real and personal property.

3. All counties and cities not within a county seeking state funds under this section shall submit a certified copy of their costs and expenses to the commissioner of the office of

administration not later than the thirtieth day of the quarter immediately following the quarter for which such state funds are sought. The commissioner of the office of administration shall, in such form as may be prescribed by rule, certify that the county requests for reimbursement are consistent with the assessment and equalization maintenance plan approved by the state tax commission as provided in section 137.115, and shall pay the state's share out of funds appropriated for that purpose quarterly to each eligible county and city to reimburse such county or city for reimbursable costs and expenses incurred in the previous calendar quarter.

4. (1) The following costs and expenses shall not qualify for state reimbursement or reimbursement from tax moneys withheld from political subdivisions:

(a) Premiums for property and casualty insurance and liability insurance;

(b) Depreciation, interest, building and ground maintenance, fuel and utility costs, and other indirect expenses which can be classified as the overhead expenses of the assessor's office;

(c) Purchases of motor vehicles;

(2) Costs and expenses which shall qualify for state reimbursement, but only if identified in the county maintenance plan and subsequently specifically approved by the state tax commission, shall include:

(a) Salaries and benefits of data processing and legal personnel not directly employed by the assessor;

(b) Costs and expenses for computer software, hardware, and maintenance;

(c) Costs and expenses of any additional office space made necessary in order to carry out the county's maintenance plan;

(d) Costs of leased equipment;

(e) Costs of aerial photography.

138.395. The state tax commission shall notify each school district of the equivalent sales ratio for the previous year adopted for determining the equalized assessed valuation of the property and the equalized operating levy of the school district for distributions of school foundation formula funds at least thirty days **[prior to] before** the certification of such ratio to the department of elementary and secondary education, and shall provide the school district an opportunity for a meeting with the commission, or a duly authorized agent **[thereof] of the commission**, on such ratio **[prior to] before** such certification. **[Prior to January 1, 1997, in certifying said ratios to the department of elementary and secondary education, the commission shall certify all ratios at thirty-three and one-third percent.]** On and after January 1, 1997, in certifying such ratios to the department of elementary and secondary education, the commission shall certify all ratios higher than thirty-one **[and two-thirds]** percent at thirty-three and one-third percent. On and after January 1, 1998, if the state tax commission, after performing the computation of equivalent sales ratio for the county and recomputing such computation to ensure accuracy, finds that such equivalent sales ratio for the county is less than or equal to thirty-one

[and two-thirds] percent **and has been for the two preceding years**, the state tax commission shall reduce the county's reimbursement by fifteen percent the following year if it is not corrected by subsequent action of the state tax commission.

[163.031. 1. School districts which meet the requirements of section 163.021 shall be entitled to an amount computed as follows: an amount determined by multiplying the number of eligible pupils by the district's equalized operating levy for school purposes as defined in section 163.011 multiplied by the guaranteed tax base per eligible pupil times the proration factor. For the purposes of this section, the proration factor shall be equal to the sum of the total appropriation for distribution under subsections 1 and 2 of this section; and the state total of the deductions as calculated in subsection 2 of this section which do not exceed the district entitlements as adjusted by the same proration factor; divided by the amount of the state total of district entitlements before proration as calculated pursuant to this subsection.

2. From the district entitlement for each district there shall be deducted the following amounts: an amount determined by multiplying the district equalized assessed valuation by the district's equalized operating levy for school purposes times the district income factor plus ninety percent of any payment received the current year of protested taxes due in prior years no earlier than the 1997 tax year minus the amount of any protested taxes due in the current year and for which notice of protest was received during the current year; one hundred percent of the amount received the previous year for school purposes from intangible taxes, fines, forfeitures and escheats, payments in lieu of taxes and receipts from state assessed railroad and utility tax, except that any penalty paid after July 1, 1995, by a concentrated animal feeding operation as defined by the department of natural resources rule shall not be included; one hundred percent of the amounts received the previous year for school purposes from federal properties pursuant to sections 12.070 and 12.080, RSMo; federal impact aid received the previous year for school purposes pursuant to P.L. 81-874 less fifty thousand dollars multiplied by ninety percent or the maximum percentage allowed by federal regulation if that percentage is less than ninety; fifty percent, or the percentage otherwise provided in section 163.087, of Proposition C revenues received the previous year for school purposes from the school district trust fund pursuant to section 163.087; one hundred percent of the amount received the previous year for school purposes from the fair share fund pursuant to section 149.015, RSMo; and one hundred percent of the amount received the previous year for school purposes from the free textbook fund, pursuant to section 148.360, RSMo.

3. School districts which meet the requirements of section 163.021 shall receive categorical add-on revenue as provided in this subsection. There shall be individual proration factors for each categorical entitlement provided for in this subsection, and each

proration factor shall be determined by annual appropriations, but no categorical proration factor shall exceed the entitlement proration factor established pursuant to subsection 1 of this section, except that the vocational education entitlement proration factor established pursuant to line 16 of subsection 6 of this section and the educational and screening program entitlements proration factor established pursuant to line 17 of subsection 6 of this section may exceed the entitlement proration factor established pursuant to subsection 1 of this section. The categorical add-on for the district shall be the sum of: seventy-five percent of the district allowable transportation costs pursuant to section 163.161 multiplied by the proration factor; the special education approved or allowed cost entitlement for the district, provided for by section 162.975, RSMo, multiplied by the proration factor; seventy-five percent of the district gifted education approved or allowable cost entitlement as determined pursuant to section 162.975, RSMo, multiplied by the proration factor; the free and reduced lunch eligible pupil count for the district, as defined in section 163.011, multiplied by twenty percent times the guaranteed tax base per eligible pupil times the minimum value for an operating levy for school purposes as provided in section 163.011 times the proration factor; the career ladder entitlement for the district, as provided for in sections 168.500 to 168.515, RSMo, multiplied by the proration factor; the vocational education entitlement for the district, as provided for in section 167.332, RSMo, multiplied by the proration factor and the district educational and screening program entitlements as provided for in sections 178.691 to 178.699, RSMo, times the proration factor.

4. Each district's apportionment shall be the prorated categorical add-ons plus the greater of the district's prorated entitlement minus the total deductions for the district or zero.

5. (1) In the 1993-94 school year and all subsequent school years, pursuant to section 10(c) of article X of the state constitution, a school district shall adjust upward its operating levy for school purposes to the extent necessary for the district to at least maintain the current operating expenditures per pupil received by the district from all sources in the 1992-93 school year, except that its operating levy for school purposes shall not exceed the highest tax rate in effect subsequent to the 1980 tax year, or the minimum rate required by subsection 2 of section 163.021, whichever is less.

(2) Beginning with the 1993-94 school year, the revenue per eligible pupil received by a district from the following sources: line 1 minus line 10, or zero if line 1 minus line 10 is less than zero, plus line 14 of subsection 6 of this section; plus the product of the current assessed valuation of the district multiplied by the following tax rate - the greater of zero or the minimum rate required by subsection 2 of section 163.021 minus the district's equalized operating levy for school purposes for 1993, shall not be less than the revenue

per eligible pupil received by a district in the 1992-93 school year from the foundation formula entitlement payment amount. The department of elementary and secondary education shall make an addition in the payment amount of line 19 of subsection 6 of this section to assure compliance with the provisions contained in this section.

(3) For any school district which meets the eligibility criteria for state aid as established in section 163.021, but which under subsections 1 to 4 of this section, receives no state aid for two successive school years, other than categorical add-ons, by August first following the second such school year, the commissioner of education shall present a plan to the superintendent of the school district for the waiver of rules and the duration of said waivers, in order to promote flexibility in the operations of the district and to enhance and encourage efficiency in the delivery of instructional services. The provisions of other law to the contrary notwithstanding, the plan presented to the superintendent shall provide a summary waiver, with no conditions, for the pupil testing requirements pursuant to section 160.257, RSMo. Further, the provisions of other law to the contrary notwithstanding, the plan shall detail a means for the waiver of requirements otherwise imposed on the school district related to the authority of the state board of education to classify school districts pursuant to section 161.092, RSMo, and such other rules as determined by the commissioner of education, except that such waivers shall not include the provisions established pursuant to sections 160.514 and 160.518, RSMo.

(4) In the 1993-94 school year and each school year thereafter for two years, those districts which are entitled to receive state aid under subsections 1 to 4 of this section, shall receive state aid in an amount per eligible pupil as provided in this subsection. For the 1993-94 school year, the amount per eligible pupil shall be twenty-five percent of the amount of state aid per eligible pupil calculated for the district for the 1993-94 school year pursuant to subsections 1 to 4 of this section plus seventy-five percent of the total amount of state aid received by the district from all sources for the 1992-93 school year for which the district is entitled and which are distributed in the 1993-94 school year pursuant to subsections 1 to 4 of this section. For the 1994-95 school year, the amount per eligible pupil shall be fifty percent of the amount of state aid per eligible pupil calculated for the district for the 1994-95 school year pursuant to subsections 1 to 4 of this section plus fifty percent of the total amount of state aid received by the district from all sources for the 1992-93 school year for which the district is entitled and which are distributed in the 1994-95 school year pursuant to subsections 1 to 4 of this section. For the 1995-96 school year, the amount of state aid per eligible pupil shall be seventy-five percent of the amount of state aid per eligible pupil calculated for the district for the 1995-96 school year pursuant to subsections 1 to 4 of this section plus twenty-five percent of the total amount of state aid received by the district from all sources for the 1992-93 school year for which

the district is entitled and which are distributed in the 1995-96 school year pursuant to subsections 1 to 4 of this section. Nothing in this subdivision shall be construed to limit the authority of a school district to raise its district operating levy pursuant to subdivision (1) of this subsection.

(5) If the total of state aid apportionments to all districts pursuant to subdivision (3) of this subsection is less than the total of state aid apportionments calculated pursuant to subsections 1 to 4 of this section, then the difference shall be deposited in the outstanding schools trust fund. If the total of state aid apportionments to all districts pursuant to subdivision (1) of this subsection is greater than the total of state aid apportionments calculated pursuant to subsections 1 to 4 of this section, then funds shall be transferred from the outstanding schools trust fund to the state school moneys fund to the extent necessary to fund the district entitlements as modified by subdivision (4) of this subsection for that school year with a district entitlement proration factor no less than one and such transfer shall be given priority over all other uses for the outstanding schools trust fund as otherwise provided by law.

6. State aid shall be determined as follows:

District Entitlement

1. Number of eligible pupils x (district's equalized operating levy for school purposes) x (proration x GTB per EP) ..... \$.....

Deductions

2. District equalized assessed valuation x district income factor x district's equalized operating levy for school purposes plus ninety percent of any payment received the current year of protested taxes due in prior years no earlier than the 1997 tax year minus the amount of any protested taxes due in the current year and for which notice of protest was received during the current year ..... \$.....

3. Intangible taxes, fines, forfeitures, escheats, payments in lieu of taxes, etc. (100% of the amount received the previous year for school purposes) ..... \$.....

4. Receipts from state assessed railroad and utility tax (100% of the amount received

- the previous year for school purposes) ..... \$.....
5. Receipts from federal properties pursuant to sections 12.070 and 12.080, RSMo (100% of the amount received the previous year for school purposes) ..... \$.....
  6. (Federal impact aid received the previous year for school purposes pursuant to P.L. 81-874 less \$50,000) x 90% or the maximum percentage allowed by federal regulations if less than 90% ..... \$.....
  7. Fifty percent or the percentage otherwise provided in section 163.087 of Proposition C receipts from the school district trust fund received the previous year for school purposes pursuant to section 163.087 ..... \$.....
  8. One hundred percent of the amount received the previous year for school purposes from the fair share fund pursuant to section 149.015, RSMo ..... \$.....
  9. One hundred percent of the amount received the previous year for school purposes from the free textbook fund pursuant to section 148.360, RSMo ..... \$.....
  10. Total deductions (sum of lines 2-9) ..... \$.....
- Categorical Add-ons
11. The amount distributed pursuant to section 163.161 x proration ..... \$.....
  12. Special education approved or allowed cost entitlement for the district pursuant to section 162.975, RSMo, x proration ..... \$.....
  13. Seventy-five percent of the gifted education approved or allowable cost entitlement as determined pursuant to section 162.975, RSMo, x proration ..... \$.....
  14. Free and reduced lunch eligible pupil count for the district, as defined in

Unofficial

Bill

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- section 163.011, x .20 x GTB per EP x the minimum value for an operating levy for school purposes as provided in section 163.011 x proration ..... \$. ....
15. Career ladder entitlement for the district as provided for in sections 168.500 to 168.515, RSMo, x proration ..... \$. ....
16. Vocational education entitlements for the district as provided in section 167.332, RSMo, x proration ..... \$. ....
17. Educational and screening program entitlements for the district as provided in sections 178.691 to 178.699, RSMo, x proration ..... \$. ....
18. Sum of categorical add-ons for the district (sum of lines 11-17) ..... \$. ....
19. District apportionment (line 18 plus the greater of line 1 minus line 10 or zero) ..... \$. ....

7. Revenue received for school purposes by each school district pursuant to this section shall be placed in each of the incidental and teachers' funds based on the ratio of the property tax rate in the district for that fund to the total tax rate in the district for the two funds.]

[163.031. 1. School districts which meet the requirements of section 163.021 shall be entitled to an amount computed as follows: an amount determined by multiplying the number of eligible pupils by the lesser of the district's equalized operating levy for school purposes as defined in section 163.011 or two dollars and seventy-five cents per one hundred dollars assessed valuation multiplied by the guaranteed tax base per eligible pupil times the proration factor plus an amount determined by multiplying the number of eligible pupils by the greater of zero or the district's equalized operating levy for school purposes as defined in section 163.011 minus two dollars and seventy-five cents per one hundred dollars assessed valuation multiplied by the guaranteed tax base per eligible pupil times the proration factor. For the purposes of this section, the proration factor shall be equal to the sum of the total appropriation for distribution under subsections 1 and 2 of this section; and the state total of the deductions as calculated in subsection 2 of this section which do not exceed the district entitlements as adjusted by the same proration factor; divided by the amount of the state total of district entitlements before proration as calculated pursuant to this subsection; provided that, if the proration factor so calculated

is greater than one, the proration factor for line 1(b) shall be the greater of one or the proration factor for line 1(a) minus five hundredths, and provided that if the proration factor so calculated is less than one, the proration factor for line 1(a) shall be the lesser of one or the proration factor for line 1(b) plus five hundredths.

2. From the district entitlement for each district there shall be deducted the following amounts: an amount determined by multiplying the district equalized assessed valuation by the district's equalized operating levy for school purposes times the district income factor plus ninety percent of any payment received the current year of protested taxes due in prior years no earlier than the 1997 tax year minus the amount of any protested taxes due in the current year and for which notice of protest was received during the current year; one hundred percent of the amount received the previous year for school purposes from intangible taxes, fines, forfeitures and escheats, payments in lieu of taxes and receipts from state assessed railroad and utility tax, except that any penalty paid after July 1, 1995, by a concentrated animal feeding operation as defined by the department of natural resources rule shall not be included; one hundred percent of the amounts received the previous year for school purposes from federal properties pursuant to sections 12.070 and 12.080, RSMo; federal impact aid received the previous year for school purposes pursuant to P.L. 81-874 less fifty thousand dollars multiplied by ninety percent or the maximum percentage allowed by federal regulation if that percentage is less than ninety; fifty percent, or the percentage otherwise provided in section 163.087, of Proposition C revenues received the previous year for school purposes from the school district trust fund pursuant to section 163.087; one hundred percent of the amount received the previous year for school purposes from the fair share fund pursuant to section 149.015, RSMo; and one hundred percent of the amount received the previous year for school purposes from the free textbook fund, pursuant to section 148.360, RSMo.

3. School districts which meet the requirements of section 163.021 shall receive categorical add-on revenue as provided in this subsection. There shall be individual proration factors for each categorical entitlement provided for in this subsection, and each proration factor shall be determined by annual appropriations, but no categorical proration factor shall exceed the entitlement proration factor established pursuant to subsection 1 of this section, except that the vocational education entitlement proration factor established pursuant to line 16 of subsection 6 of this section and the educational and screening program entitlements proration factor established pursuant to line 17 of subsection 6 of this section may exceed the entitlement proration factor established pursuant to subsection 1 of this section. The categorical add-on for the district shall be the sum of: seventy-five percent of the district allowable transportation costs pursuant to section 163.161 multiplied by the proration factor; the special education approved or

allowed cost entitlement for the district, provided for by section 162.975, RSMo, multiplied by the proration factor; seventy-five percent of the district gifted education approved or allowable cost entitlement as determined pursuant to section 162.975, RSMo, multiplied by the proration factor; the free and reduced lunch eligible pupil count for the district, as defined in section 163.011, multiplied by twenty percent, for a district with an operating levy in excess of two dollars and seventy-five cents per one hundred dollars assessed valuation, or twenty-two percent, otherwise times the guaranteed tax base per eligible pupil times two dollars and seventy-five cents per one hundred dollars assessed valuation times the proration factor plus the free and reduced lunch eligible pupil count for the district, as defined in section 163.011, times thirty percent times the guaranteed tax base per eligible pupil times the following quantity: ((the greater of zero or the district's operating levy for school purposes minus two dollars and seventy-five cents per one hundred dollars assessed valuation) times one or, beginning in the fifth year following the effective date of this section, the quotient of the district's fiscal instructional ratio of efficiency for the prior year divided by the fiscal year 1998 statewide average fiscal instructional ratio of efficiency, if the district's prior year fiscal instructional ratio of efficiency is at least five percent below the fiscal year 1998 statewide average) times the proration factor, minus court-ordered state desegregation aid received by the district for operating purposes; the career ladder entitlement for the district, as provided for in sections 168.500 to 168.515, RSMo, multiplied by the proration factor; the vocational education entitlement for the district, as provided for in section 167.332, RSMo, multiplied by the proration factor and the district educational and screening program entitlements as provided for in sections 178.691 to 178.699, RSMo, times the proration factor.

4. Each district's apportionment shall be the prorated categorical add-ons plus the greater of the district's prorated entitlement minus the total deductions for the district or zero.

5. (1) In the 1993-94 school year and all subsequent school years, pursuant to section 10(c) of article X of the state constitution, a school district shall adjust upward its operating levy for school purposes to the extent necessary for the district to at least maintain the current operating expenditures per pupil received by the district from all sources in the 1992-93 school year, except that its operating levy for school purposes shall not exceed the highest tax rate in effect subsequent to the 1980 tax year, or the minimum rate required by subsection 2 of section 163.021, whichever is less.

(2) The revenue per eligible pupil received by a district from the following sources: line 1 minus line 10, or zero if line 1 minus line 10 is less than zero, plus line 14 of subsection 6 of this section, shall not be less than the revenue per eligible pupil received by a district in the 1992-93 school year from the foundation formula entitlement payment

amount plus the amount of line 14 per eligible pupil that exceeds the line 14 per pupil amount from the 1997-98 school year, or the revenue per eligible pupil received by a district in the 1992-93 school year from the foundation formula entitlement payment amount plus the amount of line 14(a) per eligible pupil times the quotient of line 1 minus line 10, divided by the number of eligible pupils, or zero if line 1 minus line 10 is less than zero, divided by the revenue per eligible pupil received by the district in the 1992-93 school year from the foundation formula entitlement payment amount, whichever is greater. The department of elementary and secondary education shall make an addition in the payment amount of line 19 of subsection 6 of this section to assure compliance with the provisions contained in this section.

(3) For any school district which meets the eligibility criteria for state aid as established in section 163.021, but which under subsections 1 to 4 of this section, receives no state aid for two successive school years, other than categorical add-ons, by August first following the second such school year, the commissioner of education shall present a plan to the superintendent of the school district for the waiver of rules and the duration of said waivers, in order to promote flexibility in the operations of the district and to enhance and encourage efficiency in the delivery of instructional services. The provisions of other law to the contrary notwithstanding, the plan presented to the superintendent shall provide a summary waiver, with no conditions, for the pupil testing requirements pursuant to section 160.257, RSMo. Further, the provisions of other law to the contrary notwithstanding, the plan shall detail a means for the waiver of requirements otherwise imposed on the school district related to the authority of the state board of education to classify school districts pursuant to section 161.092, RSMo, and such other rules as determined by the commissioner of education, except that such waivers shall not include the provisions established pursuant to sections 160.514 and 160.518, RSMo.

(4) In the 1993-94 school year and each school year thereafter for two years, those districts which are entitled to receive state aid under subsections 1 to 4 of this section, shall receive state aid in an amount per eligible pupil as provided in this subsection. For the 1993-94 school year, the amount per eligible pupil shall be twenty-five percent of the amount of state aid per eligible pupil calculated for the district for the 1993-94 school year pursuant to subsections 1 to 4 of this section plus seventy-five percent of the total amount of state aid received by the district from all sources for the 1992-93 school year for which the district is entitled and which are distributed in the 1993-94 school year pursuant to subsections 1 to 4 of this section. For the 1994-95 school year, the amount per eligible pupil shall be fifty percent of the amount of state aid per eligible pupil calculated for the district for the 1994-95 school year pursuant to subsections 1 to 4 of this section plus fifty percent of the total amount of state aid received by the district from all sources for the

1992-93 school year for which the district is entitled and which are distributed in the 1994-95 school year pursuant to subsections 1 to 4 of this section. For the 1995-96 school year, the amount of state aid per eligible pupil shall be seventy-five percent of the amount of state aid per eligible pupil calculated for the district for the 1995-96 school year pursuant to subsections 1 to 4 of this section plus twenty-five percent of the total amount of state aid received by the district from all sources for the 1992-93 school year for which the district is entitled and which are distributed in the 1995-96 school year pursuant to subsections 1 to 4 of this section. Nothing in this subdivision shall be construed to limit the authority of a school district to raise its district operating levy pursuant to subdivision (1) of this subsection.

(5) If the total of state aid apportionments to all districts pursuant to subdivision (3) of this subsection is less than the total of state aid apportionments calculated pursuant to subsections 1 to 4 of this section, then the difference shall be deposited in the outstanding schools trust fund. If the total of state aid apportionments to all districts pursuant to subdivision (1) of this subsection is greater than the total of state aid apportionments calculated pursuant to subsections 1 to 4 of this section, then funds shall be transferred from the outstanding schools trust fund to the state school moneys fund to the extent necessary to fund the district entitlements as modified by subdivision (4) of this subsection for that school year with a district entitlement proration factor no less than one and such transfer shall be given priority over all other uses for the outstanding schools trust fund as otherwise provided by law.

6. State aid shall be determined as follows:

District Entitlement

1(a). Number of eligible pupils x (lesser of district's equalized operating levy for school purposes or two dollars and seventy-five cents per one hundred dollars assessed valuation) x (proration x GTB per EP) ..... \$.....

1(b). Number of eligible pupils x (greater of: 0, or district's equalized operating levy for school purposes minus two dollars and seventy-five cents per one hundred dollars assessed valuation) x (proration x GTB per EP) ..... \$.....

Deductions

2. District equalized assessed valuation x

- district income factor x district's equalized operating levy for school purposes plus ninety percent of any payment received the current year of protested taxes due in prior years no earlier than the 1997 tax year minus the amount of any protested taxes due in the current year and for which notice of protest was received during the current year ..... \$. ....
3. Intangible taxes, fines, forfeitures, escheats, payments in lieu of taxes, amount received the previous year for school purposes) ..... \$. ....
4. Receipts from state assessed railroad and utility tax (100% of the amount received the previous year for school purposes) ..... \$. ....
5. Receipts from federal properties pursuant to sections 12.070 and 12.080, RSMo (100% of the amount received the previous year for school purposes) ..... \$. ....
6. (Federal impact aid received the previous year for school purposes pursuant to P.L. 81-874 less \$50,000) x 90% or the maximum percentage allowed by federal regulations if less than 90% ..... \$. ....
7. Fifty percent or the percentage otherwise provided in section 163.087 of Proposition C receipts from the school district trust fund received the previous year for school purposes pursuant to section 163.087 ..... \$. ....
8. One hundred percent of the amount received the previous year for school purposes from the fair share fund pursuant to section 149.015, RSMo ..... \$. ....
9. One hundred percent of the amount

- received the previous year for school purposes from the free textbook fund pursuant to section 148.360, RSMo ..... \$.....
10. Total deductions (sum of lines 2-9) ..... \$.....
- Categorical Add-ons
11. The amount distributed pursuant to section 163.161 x proration ..... \$.....
12. Special education approved or allowed cost entitlement for the district pursuant to section 162.975, RSMo, x proration ..... \$.....
13. Seventy-five percent of the gifted education approved or allowable cost entitlement as determined pursuant to section 162.975, RSMo, x proration ..... \$.....
- 14(a). Free and reduced lunch eligible pupil count for the district, as defined in section 163.011, x .20, if operating levy in excess of \$2.75, or .22, otherwise x GTB per EP x \$2.75 per \$100 AV x proration ..... \$.....
- 14(b). Free and reduced lunch eligible pupil count for the district, as defined in section 163.011 x .30 x GTB x ((the greater of zero or the district's adjusted operating levy minus \$2.75 per \$100 AV) x (1.0 or, beginning in the fifth year following the effective date of this section, the district's FIRE for the prior year/statewide average FIRE for FY 1998, if the district's prior year FIRE is at least five percent below the FY 1998 statewide average FIRE) x proration) - court-ordered state desegregation aid received by the district for operating purposes ..... \$.....

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- 15. Career ladder entitlement for the district as provided for in sections 168.500 to 168.515, RSMo, x proration . . . . . \$ . . . . .
- 16. Vocational education entitlements for the district as provided in section 167.332, RSMo, x proration . . . . . \$ . . . . .
- 17. Educational and screening program entitlements for the district as provided in sections 178.691 to 178.699, RSMo, x proration . . . . . \$ . . . . .
- 18. Sum of categorical add-ons for the district (sum of lines 11-17) . . . . . \$ . . . . .
- 19. District apportionment (line 18 plus the greater line 1 minus line 10 or zero) . . . . . \$ . . . . .

7. Revenue received for school purposes by each school district pursuant to this section shall be placed in each of the incidental and teachers' funds based on the ratio of the property tax rate in the district for that fund to the total tax rate in the district for the two funds.

8. In addition to the penalty for line 14 described in subsection 6 of this section, beginning in school year 2004-05, any increase in a school district's funds received pursuant to line 14 of subsection 6 of this section over the 1997-98 school year shall be reduced by one percent for each full percentage point the percentage of the district's pupils scoring at or above five percent below the statewide average level on either mathematics or reading is less than sixty-five percent.

9. If a school district's annual audit discloses that students were inappropriately identified as eligible for free or reduced-price lunch and the district does not resolve the audit finding, the department of elementary and secondary education shall require that the amount of line 14 aid paid on the inappropriately identified pupils be repaid by the district in the next school year and shall additionally impose a penalty of one hundred percent of the line 14 aid paid on such pupils, which penalty shall also be paid within the next school year. Such amounts may be repaid by the district through the withholding of the amount of state aid.]

**163.031. 1. School districts which meet the requirements of section 163.021 shall be entitled to an amount computed as follows: an amount determined by multiplying the number of eligible pupils by the lesser of the district's equalized operating levy for school purposes as defined in section 163.011 or two dollars and seventy-five cents per one hundred dollars assessed valuation multiplied by the guaranteed tax base per**

eligible pupil times the proration factor plus an amount determined by multiplying the number of eligible pupils by the greater of zero or the district's equalized operating levy for school purposes as defined in section 163.011 minus two dollars and seventy-five cents per one hundred dollars assessed valuation multiplied by the guaranteed tax base per eligible pupil times the proration factor. For the purposes of this section, the proration factor shall be equal to the sum of the total appropriation for distribution under subsections 1 and 2 of this section; and the state total of the deductions as calculated in subsection 2 of this section which do not exceed the district entitlements as adjusted by the same proration factor; divided by the amount of the state total of district entitlements before proration as calculated pursuant to this subsection; provided that, if the proration factor so calculated is greater than one, the proration factor for line 1(b) shall be the greater of one or the proration factor for line 1(a) minus five hundredths, and provided that if the proration factor so calculated is less than one, the proration factor for line 1(a) shall be the lesser of one or the proration factor for line 1(b) plus five hundredths.

2. From the district entitlement for each district there shall be deducted the following amounts: ninety-eight and one-half percent of an amount determined by multiplying the district equalized assessed valuation by the district's equalized operating levy for school purposes times the district income factor plus ninety percent of any payment received the current year of protested taxes due in prior years no earlier than the 1997 tax year minus the amount of any protested taxes due in the current year and for which notice of protest was received during the current year; one hundred percent of the amount received the previous year for school purposes from intangible taxes, fines, forfeitures and escheats, payments in lieu of taxes and receipts from state assessed railroad and utility tax, except that any penalty paid after July 1, 1995, by a concentrated animal feeding operation as defined by the department of natural resources rule shall not be included; one hundred percent of the amounts received the previous year for school purposes from federal properties pursuant to sections 12.070 and 12.080, RSMo; federal impact aid received the previous year for school purposes pursuant to P.L. 81-874 less fifty thousand dollars multiplied by ninety percent or the maximum percentage allowed by federal regulation if that percentage is less than ninety; fifty percent, or the percentage otherwise provided in section 163.087, of Proposition C revenues received the previous year for school purposes from the school district trust fund pursuant to section 163.087; one hundred percent of the amount received the previous year for school purposes from the fair share fund pursuant to section 149.015, RSMo; and one hundred percent of the amount received the previous year for school purposes from the free textbook fund, pursuant to section 148.360, RSMo.

**3. School districts which meet the requirements of section 163.021 shall receive categorical add-on revenue as provided in this subsection. There shall be individual proration factors for each categorical entitlement provided for in this subsection, and each proration factor shall be determined by annual appropriations, but no categorical proration factor shall exceed the entitlement proration factor established pursuant to subsection 1 of this section, except that the vocational education entitlement proration factor established pursuant to line 16 of subsection 6 of this section and the educational and screening program entitlements proration factor established pursuant to line 17 of subsection 6 of this section may exceed the entitlement proration factor established pursuant to subsection 1 of this section. The categorical add-on for the district shall be the sum of: seventy-five percent of the district allowable transportation costs pursuant to section 163.161 multiplied by the proration factor; the special education approved or allowed cost entitlement for the district, provided for by section 162.975, RSMo, multiplied by the proration factor; seventy-five percent of the district gifted education approved or allowable cost entitlement as determined pursuant to section 162.975, RSMo, multiplied by the proration factor; the free and reduced lunch eligible pupil count for the district, as defined in section 163.011, multiplied by twenty percent, for a district with an operating levy in excess of two dollars and seventy-five cents per one hundred dollars assessed valuation, or twenty-two percent, otherwise times the guaranteed tax base per eligible pupil times two dollars and seventy-five cents per one hundred dollars assessed valuation times the proration factor plus the free and reduced lunch eligible pupil count for the district, as defined in section 163.011, times thirty percent times the guaranteed tax base per eligible pupil times the following quantity: ((the greater of zero or the district's operating levy for school purposes minus two dollars and seventy-five cents per one hundred dollars assessed valuation) times one or, beginning in the fifth year following the effective date of this section, the quotient of the district's fiscal instructional ratio of efficiency for the prior year divided by the fiscal year 1998 statewide average fiscal instructional ratio of efficiency, if the district's prior year fiscal instructional ratio of efficiency is at least five percent below the fiscal year 1998 statewide average) times the proration factor, minus court-ordered state desegregation aid received by the district for operating purposes; the career ladder entitlement for the district, as provided for in sections 168.500 to 168.515, RSMo, multiplied by the proration factor; the vocational education entitlement for the district, as provided for in section 167.332, RSMo, multiplied by the proration factor and the district educational and screening program entitlements as provided for in sections 178.691 to 178.699, RSMo, times the proration factor.**

**4. Each district's apportionment shall be the prorated categorical add-ons plus the greater of the district's prorated entitlement minus the total deductions for the**

**district or zero.**

**5. (1) In the 1993-94 school year and all subsequent school years, pursuant to section 10(c) of article X of the state constitution, a school district shall adjust upward its operating levy for school purposes to the extent necessary for the district to at least maintain the current operating expenditures per pupil received by the district from all sources in the 1992-93 school year, except that its operating levy for school purposes shall not exceed the highest tax rate in effect subsequent to the 1980 tax year, or the minimum rate required by subsection 2 of section 163.021, whichever is less.**

**(2) The revenue per eligible pupil received by a district from the following sources: line 1 minus line 10, or zero if line 1 minus line 10 is less than zero, plus line 14 of subsection 6 of this section, shall not be less than the revenue per eligible pupil received by a district in the 1992-93 school year from the foundation formula entitlement payment amount plus the amount of line 14 per eligible pupil that exceeds the line 14 per pupil amount from the 1997-98 school year, or the revenue per eligible pupil received by a district in the 1992-93 school year from the foundation formula entitlement payment amount plus the amount of line 14(a) per eligible pupil times the quotient of line 1 minus line 10, divided by the number of eligible pupils, or zero if line 1 minus line 10 is less than zero, divided by the revenue per eligible pupil received by the district in the 1992-93 school year from the foundation formula entitlement payment amount, whichever is greater. The department of elementary and secondary education shall make an addition in the payment amount of line 19 of subsection 6 of this section to assure compliance with the provisions contained in this section. Beginning with the November 2000 state aid payment, and for each November state aid payment thereafter, each district receiving an additional payment amount pursuant to this subdivision shall also receive an additional state aid payment in the amount of three-fourths of one percent of such district's current year deduction amount pursuant to line 2 of subsection 6 of this section.**

**(3) For any school district which meets the eligibility criteria for state aid as established in section 163.021, but which under subsections 1 to 4 of this section, receives no state aid for two successive school years, other than categorical add-ons, by August first following the second such school year, the commissioner of education shall present a plan to the superintendent of the school district for the waiver of rules and the duration of said waivers, in order to promote flexibility in the operations of the district and to enhance and encourage efficiency in the delivery of instructional services. The provisions of other law to the contrary notwithstanding, the plan presented to the superintendent shall provide a summary waiver, with no conditions, for the pupil testing requirements pursuant to section 160.257, RSMo. Further, the provisions of other law to the contrary notwithstanding, the plan shall detail a means**

for the waiver of requirements otherwise imposed on the school district related to the authority of the state board of education to classify school districts pursuant to section 161.092, RSMo, and such other rules as determined by the commissioner of education, except that such waivers shall not include the provisions established pursuant to sections 160.514 and 160.518, RSMo.

(4) In the 1993-94 school year and each school year thereafter for two years, those districts which are entitled to receive state aid under subsections 1 to 4 of this section, shall receive state aid in an amount per eligible pupil as provided in this subsection. For the 1993-94 school year, the amount per eligible pupil shall be twenty-five percent of the amount of state aid per eligible pupil calculated for the district for the 1993-94 school year pursuant to subsections 1 to 4 of this section plus seventy-five percent of the total amount of state aid received by the district from all sources for the 1992-93 school year for which the district is entitled and which are distributed in the 1993-94 school year pursuant to subsections 1 to 4 of this section. For the 1994-95 school year, the amount per eligible pupil shall be fifty percent of the amount of state aid per eligible pupil calculated for the district for the 1994-95 school year pursuant to subsections 1 to 4 of this section plus fifty percent of the total amount of state aid received by the district from all sources for the 1992-93 school year for which the district is entitled and which are distributed in the 1994-95 school year pursuant to subsections 1 to 4 of this section. For the 1995-96 school year, the amount of state aid per eligible pupil shall be seventy-five percent of the amount of state aid per eligible pupil calculated for the district for the 1995-96 school year pursuant to subsections 1 to 4 of this section plus twenty-five percent of the total amount of state aid received by the district from all sources for the 1992-93 school year for which the district is entitled and which are distributed in the 1995-96 school year pursuant to subsections 1 to 4 of this section. Nothing in this subdivision shall be construed to limit the authority of a school district to raise its district operating levy pursuant to subdivision (1) of this subsection.

(5) If the total of state aid apportionments to all districts pursuant to subdivision (3) of this subsection is less than the total of state aid apportionments calculated pursuant to subsections 1 to 4 of this section, then the difference shall be deposited in the outstanding schools trust fund. If the total of state aid apportionments to all districts pursuant to subdivision (1) of this subsection is greater than the total of state aid apportionments calculated pursuant to subsections 1 to 4 of this section, then funds shall be transferred from the outstanding schools trust fund to the state school moneys fund to the extent necessary to fund the district entitlements as modified by subdivision (4) of this subsection for that school year with a district entitlement proration factor no less than one and such transfer shall be given priority

over all other uses for the outstanding schools trust fund as otherwise provided by law.

**6. State aid shall be determined as follows:**

**District Entitlement**

- 1(a). Number of eligible pupils x (lesser of district's equalized operating levy for school purposes or two dollars and seventy-five cents per one hundred dollars assessed valuation) x (proration x GTB per EP) ..... \$. ....**
- 1(b). Number of eligible pupils x (greater of: 0, or district's equalized operating levy for school purposes minus two dollars and seventy-five cents per one hundred dollars assessed valuation) x (proration x GTB per EP) ..... \$. ....**

**Deductions**

- 2. Ninety-eight and one-half percent x district equalized assessed valuation x district income factor x district's equalized operating levy for school purposes plus ninety percent of any payment received the current year of protested taxes due in prior years no earlier than the 1997 tax year minus the amount of any protested taxes due in the current year and for which notice of protest was received during the current year ..... \$. ....**
- 3. Intangible taxes, fines, forfeitures, escheats, payments in lieu of taxes, etc. (100% of the amount received the previous year for school purposes) ..... \$. ....**
- 4. Receipts from state assessed railroad and utility tax (100% of the amount received the previous year for school purposes) ..... \$. ....**
- 5. Receipts from federal properties pursuant to sections 12.070 and 12.080,**

	<b>RSMo (100% of the amount received the previous year for school purposes) . . . . .</b>	<b>\$ . . . .</b>
<b>6.</b>	<b>(Federal impact aid received the previous year for school purposes pursuant to P.L. 81-874 less \$50,000) x 90% or the maximum percentage allowed by federal regulations if less than 90% . . . . .</b>	<b>\$ . . . .</b>
<b>7.</b>	<b>Fifty percent or the percentage otherwise provided in section 163.087 of Proposition C receipts from the school district trust fund received the previous year for school purposes pursuant to section 163.087 . . . . .</b>	<b>\$ . . . .</b>
<b>8.</b>	<b>One hundred percent of the amount received the previous year for school purposes from the fair share fund pursuant to section 149.015, RSMo . . . . .</b>	<b>\$ . . . .</b>
<b>9.</b>	<b>One hundred percent of the amount received the previous year for school purposes from the free textbook fund pursuant to section 148.360, RSMo . . . . .</b>	<b>\$ . . . .</b>
<b>10.</b>	<b>Total deductions (sum of lines 2-9) . . . . .</b>	<b>\$ . . . .</b>
	<b>Categorical Add-ons</b>	
<b>11.</b>	<b>The amount distributed pursuant to section 163.161 x proration . . . . .</b>	<b>\$ . . . .</b>
<b>12.</b>	<b>Special education approved or allowed cost entitlement for the district pursuant to section 162.975, RSMo, x proration . . . . .</b>	<b>\$ . . . .</b>
<b>13.</b>	<b>Seventy-five percent of the gifted education approved or allowable cost entitlement as determined pursuant to section 162.975, RSMo, x proration . . . . .</b>	<b>\$ . . . .</b>
<b>14(a).</b>	<b>Free and reduced lunch eligible pupil count for the district, as defined in section 163.011, x .20, if operating levy in excess of \$2.75, or .22, otherwise x GTB per EP x \$2.75 per \$100 AV x proration . . . . .</b>	<b>\$ . . . .</b>
<b>14(b).</b>	<b>Free and reduced lunch eligible pupil count for the district, as defined in</b>	

section 163.011 x .30 x GTB x ((the greater of zero or the district's adjusted operating levy minus \$2.75 per \$100 AV) x (1.0 or, beginning in the fifth year following the effective date of this section, the district's FIRE for the prior year/statewide average FIRE for FY 1998, if the district's prior year FIRE is at least five percent below the FY 1998 statewide average FIRE) x proration) - court-ordered state desegregation aid received by the district for operating purposes ..... \$.....

- 15. Career ladder entitlement for the district as provided for in sections 168.500 to 168.515, RSMo, x proration ..... \$.....
- 16. Vocational education entitlements for the district as provided in section 167.332, RSMo, x proration ..... \$.....
- 17. Educational and screening program entitlements for the district as provided in sections 178.691 to 178.699, RSMo, x proration ..... \$.....
- 18. Sum of categorical add-ons for the district (sum of lines 11-17) ..... \$.....
- 19. District apportionment (line 18 plus the greater of line 1 minus line 10 or zero) ..... \$.....

7. Revenue received for school purposes by each school district pursuant to this section shall be placed in each of the incidental and teachers' funds based on the ratio of the property tax rate in the district for that fund to the total tax rate in the district for the two funds.

8. In addition to the penalty for line 14 described in subsection 6 of this section, beginning in school year 2004-05, any increase in a school district's funds received pursuant to line 14 of subsection 6 of this section over the 1997-98 school year shall be reduced by one percent for each full percentage point the percentage of the district's pupils scoring at or above five percent below the statewide average level on either mathematics or reading is less than sixty-five percent.

9. If a school district's annual audit discloses that students were inappropriately

**identified as eligible for free or reduced-price lunch and the district does not resolve the audit finding, the department of elementary and secondary education shall require that the amount of line 14 aid paid on the inappropriately identified pupils be repaid by the district in the next school year and shall additionally impose a penalty of one hundred percent of the line 14 aid paid on such pupils, which penalty shall also be paid within the next school year. Such amounts may be repaid by the district through the withholding of the amount of state aid.**

Section B. The enactment of section 52.315 and the repeal and reenactment of sections 52.260, 137.720, 137.722 and 137.750 shall become effective on January 1, 2000.

Section C. The repeal of section 163.031 as it appears both times and the reenactment of section 163.031 shall become effective on July 1, 2000.

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