

FIRST REGULAR SESSION
SENATE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 41
98TH GENERAL ASSEMBLY

Reported from the Committee on Education, April 15, 2015, with recommendation that the Senate Committee Substitute do pass and be placed on the Consent Calendar.

0043S.02C

ADRIANE D. CROUSE, Secretary.

AN ACT

To repeal sections 163.021 and 165.011, RSMo, section 163.011 as enacted by house bill no. 1689, ninety-seventh general assembly, second regular session, and section 163.031 as enacted by house bill no. 1689, ninety-seventh general assembly, second regular session, and to enact in lieu thereof four new sections relating to state aid for schools.

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

Section A. Sections 163.021 and 165.011, RSMo, section 163.011 as
2 enacted by house bill no. 1689, ninety-seventh general assembly, second regular
3 session, and section 163.031 as enacted by house bill no. 1689, ninety-seventh
4 general assembly, second regular session, are repealed and four new sections
5 enacted in lieu thereof, to be known as sections 163.011, 163.021, 163.031, and
6 165.011, 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

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

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

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

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

119 (9) "Limited English proficiency threshold" shall be calculated by dividing

120 the total limited English proficiency pupil count of every performance district that
121 falls entirely above the bottom five percent and entirely below the top five percent
122 of average daily attendance, when such districts are rank-ordered based on their
123 current operating expenditures per average daily attendance, by the total average
124 daily attendance of all included performance districts;

125 (10) "Local effort":

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

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

156 elementary and secondary education shall make a proper adjustment to each
157 affected district's local effort, so that each district's local effort figure conforms
158 to the new boundary lines of the district. The department shall compute the local
159 effort figure by applying the calendar year 2004 assessed valuation data to the
160 new land areas resulting from the boundary line change, annexation, attachment,
161 consolidation, reorganization, or dissolution and otherwise follow the procedures
162 described in this subdivision;

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

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

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

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

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

192 all public school districts;

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

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

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

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

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

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

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

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

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

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

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

204 state aid derived from the special education pupil count;

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

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

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

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

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

210 attendance of all included performance districts;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

225 accommodate available appropriations as provided in subsection [8] 7 of section

226 163.031;

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

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

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

163.021. 1. A school district shall receive state aid for its education
2 program only if it:

3 (1) Provides for a minimum of one hundred seventy-four days and one
4 thousand forty-four hours of actual pupil attendance in a term scheduled by the
5 board pursuant to section 160.041 for each pupil or group of pupils, except that
6 the board shall provide a minimum of one hundred seventy-four days and five
7 hundred twenty-two hours of actual pupil attendance in a term for kindergarten
8 pupils. If any school is dismissed because of inclement weather after school has
9 been in session for three hours, that day shall count as a school day including
10 afternoon session kindergarten students. When the aggregate hours lost in a
11 term due to inclement weather decreases the total hours of the school term below
12 the required minimum number of hours by more than twelve hours for all-day

13 students or six hours for one-half-day kindergarten students, all such hours below
14 the minimum must be made up in one-half day or full day additions to the term,
15 except as provided in section 171.033;

16 (2) Maintains adequate and accurate records of attendance, personnel and
17 finances, as required by the state board of education, which shall include the
18 preparation of a financial statement which shall be submitted to the state board
19 of education the same as required by the provisions of section 165.111 for
20 districts;

21 (3) Levies an operating levy for school purposes of not less than one dollar
22 and twenty-five cents after all adjustments and reductions on each one hundred
23 dollars assessed valuation of the district;

24 (4) Computes average daily attendance as defined in subdivision (2) of
25 section 163.011 as modified by section 171.031. Whenever there has existed
26 within the district an infectious disease, contagion, epidemic, plague or similar
27 condition whereby the school attendance is substantially reduced for an extended
28 period in any school year, the apportionment of school funds and all other
29 distribution of school moneys shall be made on the basis of the school year next
30 preceding the year in which such condition existed.

31 2. For the 2006-07 school year and thereafter, no school district shall
32 receive more state aid, as calculated under subsections 1 and 2 of section 163.031,
33 for its education program, exclusive of categorical add-ons, than it received per
34 weighted average daily attendance for the school year 2005-06 from the
35 foundation formula, line 14, gifted, remedial reading, exceptional pupil aid, fair
36 share, and free textbook payment amounts, unless it has an operating levy for
37 school purposes, as determined pursuant to section 163.011, of not less than two
38 dollars and seventy-five cents after all adjustments and reductions. Any district
39 which is required, pursuant to article X, section 22 of the Missouri Constitution,
40 to reduce its operating levy below the minimum tax rate otherwise required under
41 this subsection shall not be construed to be in violation of this subsection for
42 making such tax rate reduction. Pursuant to section 10(c) of article X of the state
43 constitution, a school district may levy the operating levy for school purposes
44 required by this subsection less all adjustments required pursuant to article X,
45 section 22 of the Missouri Constitution if such rate does not exceed the highest
46 tax rate in effect subsequent to the 1980 tax year. Nothing in this section shall
47 be construed to mean that a school district is guaranteed to receive an amount
48 not less than the amount the school district received per eligible pupil for the

49 school year 1990-91. The provisions of this subsection shall not apply to any
50 school district located in a county of the second classification which has a nuclear
51 power plant located in such district or to any school district located in a county
52 of the third classification which has an electric power generation unit with a
53 rated generating capacity of more than one hundred fifty megawatts which is
54 owned or operated or both by a rural electric cooperative except that such school
55 districts may levy for current school purposes and capital projects an operating
56 levy not to exceed two dollars and seventy-five cents less all adjustments required
57 pursuant to article X, section 22 of the Missouri Constitution.

58 3. No school district shall receive more state aid, as calculated in section
59 163.031, for its education program, exclusive of categorical add-ons, than it
60 received per eligible pupil for the school year 1993-1994, if the state board of
61 education determines that the district was not in compliance in the preceding
62 school year with the requirements of section 163.172, until such time as the board
63 determines that the district is again in compliance with the requirements of
64 section 163.172.

65 4. No school district shall receive state aid, pursuant to section 163.031,
66 if such district was not in compliance, during the preceding school year, with the
67 requirement, established pursuant to section 160.530 to allocate revenue to the
68 professional development committee of the district.

69 5. No school district shall receive more state aid, as calculated in
70 subsections 1 and 2 of section 163.031, for its education program, exclusive of
71 categorical add-ons, than it received per weighted average daily attendance for
72 the school year 2005-06 from the foundation formula, line 14, gifted, remedial
73 reading, exceptional pupil aid, fair share, and free textbook payment amounts, if
74 the district did not comply in the preceding school year with the requirements of
75 subsection ~~[6]~~ 5 of section 163.031.

76 6. Any school district that levies an operating levy for school purposes
77 that is less than the performance levy, as such term is defined in section 163.011,
78 shall provide written notice to the department of elementary and secondary
79 education asserting that the district is providing an adequate education to the
80 students of such district. If a school district asserts that it is not providing an
81 adequate education to its students, such inadequacy shall be deemed to be a
82 result of insufficient local effort. The provisions of this subsection shall not apply
83 to any special district established under sections 162.815 to 162.940.

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
7 section,] subtracting payments from the classroom trust fund under section
8 163.043.

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

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

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

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

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

38 weighted average daily attendance computed for the 2005-06 school year;

39 [(d)] **(b)** For each year subsequent to the 2008-09 school year, the amount
40 shall be no less than that computed in paragraph [(c)] **(a)** of this subdivision,
41 multiplied by the weighted average daily attendance pursuant to section 163.036,
42 less any increase in revenue received from the classroom trust fund under section
43 163.043;

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

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

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

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

69 [(d)] **(b)** For each year subsequent to the 2008-09 school year, the amount
70 shall be no less than that computed in paragraph [(c)] **(a)** of this subdivision;

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

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

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

87 (1) For the 2006-07 school year, the amount shall be fifteen percent of the
88 amount of state aid calculated for the district for the 2006-07 school year under
89 the provisions of subsection 1 of this section, plus eighty-five percent of the total
90 amount of state revenue received by the district for the 2005-06 school year from
91 the foundation formula, line 14, gifted, remedial reading, exceptional pupil aid,
92 fair share, and free textbook payments less any amounts received under section
93 163.043.

94 (2) For the 2007-08 school year, the amount shall be thirty percent of the
95 amount of state aid calculated for the district for the 2007-08 school year under
96 the provisions of subsection 1 of this section, plus seventy percent of the total
97 amount of state revenue received by the district for the 2005-06 school year from
98 the foundation formula, line 14, gifted, remedial reading, exceptional pupil aid,
99 fair share, and free textbook payments less any amounts received under section
100 163.043.

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

108 (4) For the 2009-10 school year, the amount of state aid shall be fifty-eight
109 percent of the amount of state aid calculated for the district for the 2009-10

110 school year under the provisions of subsection 1 of this section plus forty-two
111 percent of the total amount of state revenue received by the district for the
112 2005-06 school year from the foundation formula, line 14, gifted, remedial
113 reading, exceptional pupil aid, fair share, and free textbook payments less any
114 amounts received under section 163.043.

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

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

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

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

143 c. For the 2008-09 school year, if a school district experiences a decrease
144 in summer school average daily attendance of more than thirty-five percent from
145 the district's 2005-06 summer school average daily attendance, an amount equal

146 to the product of the percent reduction that is in excess of thirty-five percent of
147 the district's summer school average daily attendance multiplied by the funds
148 generated by the district's summer school program in the 2005-06 school year
149 shall be subtracted from the district's payment amount.

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

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

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

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

171 [6.] 5. (1) No less than seventy-five percent of the state revenue received
172 under the provisions of subsections 1[,] and 2[, and 4] of this section shall be
173 placed in the teachers' fund, and the remaining percent of such moneys shall be
174 placed in the incidental fund. No less than seventy-five percent of one-half of the
175 funds received from the school district trust fund distributed under section
176 163.087 shall be placed in the teachers' fund. One hundred percent of revenue
177 received under the provisions of section 163.161 shall be placed in the incidental
178 fund. One hundred percent of revenue received under the provisions of sections
179 168.500 to 168.515 shall be placed in the teachers' fund.

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

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

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

187 (c) Beginning in fiscal year 2008, as much as was spent per the second
188 preceding year's weighted average daily attendance for certificated compensation
189 and tuition expenditures the previous year from revenue produced by local and
190 county tax sources in the teachers' fund, plus the amount of the incidental fund
191 to teachers' fund transfer calculated to be local and county tax sources by dividing
192 local and county tax sources in the incidental fund by total revenue in the
193 incidental fund.

194 In the event a district fails to comply with this provision, the amount by which
195 the district fails to spend funds as provided herein shall be deducted from the
196 district's state revenue received under the provisions of subsections 1[,] **and 2**[,
197 and 4] of this section for the following year, provided that the state board of
198 education may exempt a school district from this provision if the state board of
199 education determines that circumstances warrant such exemption.

200 [7.] **6.** 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.] **7.** Notwithstanding any provision of law to the contrary, in any fiscal
212 year during which the total formula appropriation is insufficient to fully fund the
213 entitlement calculation of this section, the department of elementary and
214 secondary education shall adjust the state adequacy target in order to
215 accommodate the appropriation level for the given fiscal year. In no manner shall
216 any payment modification be rendered for any district qualified to receive
217 payments under subsection 2 of this section based on insufficient appropriations.

165.011. 1. The following funds are created for the accounting of all
2 school moneys: teachers' fund, incidental fund, capital projects fund and debt
3 service fund. The treasurer of the school district shall open an account for each
4 fund specified in this section, and all moneys received from the county school
5 fund and all moneys derived from taxation for teachers' wages shall be placed to
6 the credit of the teachers' fund. All tuition fees, state moneys received under
7 section 163.031, and all other moneys received from the state except as herein
8 provided shall be placed to the credit of the teachers' and incidental funds at the
9 discretion of the district board of education, except as provided in subsection [6]
10 5 of section 163.031. Money received from other districts for transportation and
11 money derived from taxation for incidental expenses shall be credited to the
12 incidental fund. All money derived from taxation or received from any other
13 source for the erection of buildings or additions thereto and the remodeling or
14 reconstruction of buildings and the furnishing thereof, for the payment of
15 lease-purchase obligations, for the purchase of real estate, or from sale of real
16 estate, schoolhouses or other buildings of any kind, or school furniture, from
17 insurance, from sale of bonds other than refunding bonds shall be placed to the
18 credit of the capital projects fund. All moneys derived from the sale or lease of
19 sites, buildings, facilities, furnishings, and equipment by a school district as
20 authorized under section 177.088 shall be credited to the capital projects
21 fund. Money derived from taxation for the retirement of bonds and the payment
22 of interest thereon shall be credited to the debt service fund, which shall be
23 maintained as a separate bank account. Receipts from delinquent taxes shall be
24 allocated to the several funds on the same basis as receipts from current taxes,
25 except that where the previous years' obligations of the district would be affected
26 by such distribution, the delinquent taxes shall be distributed according to the
27 tax levies made for the years in which the obligations were incurred. All refunds
28 received shall be placed to the credit of the fund from which the original
29 expenditures were made. Money donated to the school districts shall be placed
30 to the credit of the fund where it can be expended to meet the purpose for which
31 it was donated and accepted. Money received from any other source whatsoever
32 shall be placed to the credit of the fund or funds designated by the board.

33 2. The school board may transfer any portion of the unrestricted balance
34 remaining in the incidental fund to the teachers' fund. Any district that uses an
35 incidental fund transfer to pay for more than twenty-five percent of the annual
36 certificated compensation obligation of the district and has an incidental fund

37 balance on June thirtieth in any year in excess of fifty percent of the combined
38 incidental teachers' fund expenditures for the fiscal year just ended shall be
39 required to transfer the excess from the incidental fund to the teachers' fund. If
40 a balance remains in the debt service fund, after the total outstanding
41 indebtedness for which the fund was levied is paid, the board may transfer the
42 unexpended balance to the capital projects fund. If a balance remains in the bond
43 proceeds after completion of the project for which the bonds were issued, the
44 balance shall be transferred from the incidental or capital projects fund to the
45 debt service fund. After making all placements of interest otherwise provided by
46 law, a school district may transfer from the capital projects fund to the incidental
47 fund the interest earned from undesignated balances in the capital projects fund.
48 A school district may borrow from one of the following funds: teachers' fund,
49 incidental fund, or capital projects fund, as necessary to meet obligations in
50 another of those funds; provided that the full amount is repaid to the lending
51 fund within the same fiscal year.

52 3. Tuition shall be paid from either the teachers' or incidental
53 funds. Employee benefits for certificated staff shall be paid from the teachers'
54 fund.

55 4. Other provisions of law to the contrary notwithstanding, the school
56 board of a school district that meets the provisions of subsection [6] 5 of section
57 163.031 may transfer from the incidental fund to the capital projects fund the
58 sum of:

59 (1) The amount to be expended for transportation equipment that is
60 considered an allowable cost under state board of education rules for
61 transportation reimbursements during the current year; plus

62 (2) Any amount necessary to satisfy obligations of the capital projects
63 fund for state-approved area vocational-technical schools; plus

64 (3) Current year obligations for lease-purchase obligations entered into
65 prior to January 1, 1997; plus

66 (4) The amount necessary to repay costs of one or more guaranteed energy
67 savings performance contracts to renovate buildings in the school district,
68 provided that the contract is only for energy conservation measures as defined in
69 section 640.651 and provided that the contract specifies that no payment or total
70 of payments shall be required from the school district until at least an equal total
71 amount of energy and energy-related operating savings and payments from the
72 vendor pursuant to the contract have been realized by the school district; plus

73 (5) An amount not to exceed the greater of:

74 (a) One hundred sixty-two thousand three hundred twenty-six dollars; or

75 (b) Seven percent of the state adequacy target multiplied by the district's
76 weighted average daily attendance, provided that transfer amounts in excess of
77 current year obligations of the capital projects fund authorized under this
78 subdivision may be transferred only by a resolution of the school board approved
79 by a majority of the board members in office when the resolution is voted on and
80 identifying the specific capital projects to be funded directly by the district by the
81 transferred funds and an estimated expenditure date.

82 5. Beginning in the 2006-07 school year, a district meeting the provisions
83 of subsection [6] 5 of section 163.031 and not making the transfer under
84 subdivision (5) of subsection 4 of this section, nor making payments or
85 expenditures related to obligations made under section 177.088 may transfer from
86 the incidental fund to the debt service fund or the capital projects fund the
87 greater of:

88 (1) The state aid received in the 2005-06 school year as a result of no more
89 than eighteen cents of the sum of the debt service and capital projects levy used
90 in the foundation formula and placed in the respective debt service or capital
91 projects fund, whichever fund had the designated tax levy; or

92 (2) Five percent of the state adequacy target multiplied by the district's
93 weighted average daily attendance.

94 6. A district with territory in a county of the first classification with more
95 than one hundred fifteen thousand but fewer than one hundred fifty thousand
96 inhabitants that maintains the district office in a home rule city with more than
97 thirteen thousand five hundred but fewer than fifteen thousand inhabitants shall
98 be permitted a one-time transfer during school year 2014-15 of unrestricted funds
99 from the incidental fund to the capital projects fund in an amount that leaves the
100 incidental fund at a balance no lower than twenty percent for the purpose of
101 constructing capital projects to improve student safety.

102 7. Beginning in the 2006-07 school year, the department of elementary
103 and secondary education shall deduct from a school district's state aid calculated
104 pursuant to section 163.031 an amount equal to the amount of any transfer of
105 funds from the incidental fund to the capital projects fund or debt service fund
106 performed during the previous year in violation of this section; except that the
107 state aid shall be deducted over no more than five school years following the
108 school year of an unlawful transfer based on a plan from the district approved by

109 the commissioner of elementary and secondary education.

110 8. A school district may transfer unrestricted funds from the capital
111 projects fund to the incidental fund in any year to avoid becoming financially
112 stressed as defined in subsection 1 of section 161.520. If on June thirtieth of any
113 fiscal year the sum of unrestricted balances in a school district's incidental fund
114 and teacher's fund is less than twenty percent of the sum of the school district's
115 expenditures from those funds for the fiscal year ending on that June thirtieth,
116 the school district may, during the next succeeding fiscal year, transfer to its
117 incidental fund an amount up to and including the amount of the unrestricted
118 balance in its capital projects fund on that June thirtieth. For purposes of this
119 subsection, in addition to any other restrictions that may apply to funds in the
120 school district's capital projects fund, any funds that are derived from the
121 proceeds of one or more general obligation bond issues shall be considered
122 restricted funds and shall not be transferred to the school district's incidental
123 fund.

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