

FIRST REGULAR SESSION  
[TRULY AGREED TO AND FINALLY PASSED]  
SENATE COMMITTEE SUBSTITUTE FOR  
**HOUSE BILL NO. 41**  
**98TH GENERAL ASSEMBLY**

0043S.02T

2015

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**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.

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*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 enacted by house  
2 bill no. 1689, ninety-seventh general assembly, second regular session, and section 163.031 as  
3 enacted by house bill no. 1689, ninety-seventh general assembly, second regular session, are  
4 repealed and four new sections enacted in lieu thereof, to be known as sections 163.011,  
5 163.021, 163.031, and 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 teachers' and  
3 incidental funds for a school district as reported to the proper officer of each county pursuant to  
4 section 164.011;
- 5 (2) "Average daily attendance", the quotient or the sum of the quotients obtained by  
6 dividing the total number of hours attended in a term by resident pupils between the ages of five  
7 and twenty-one by the actual number of hours school was in session in that term. To the average  
8 daily attendance of the following school term shall be added the full-time equivalent average  
9 daily attendance of summer school students. "Full-time equivalent average daily attendance of  
10 summer school students" shall be computed by dividing the total number of hours, except for

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

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

24 (3) "Current operating expenditures":

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

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

45 (4) "District's tax rate ceiling", the highest tax rate ceiling in effect subsequent to the  
46 1980 tax year or any subsequent year. Such tax rate ceiling shall not contain any tax levy for  
47 debt service;

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

51 (a) "County wage per job", the total county wage and salary disbursements divided by  
52 the total county wage and salary employment for each county and the City of St. Louis as  
53 reported by the Bureau of Economic Analysis of the United States Department of Commerce for  
54 the fourth year preceding the payment year;

55 (b) "Regional wage per job":

56 a. The total Missouri wage and salary disbursements of the metropolitan area as defined  
57 by the Office of Management and Budget divided by the total Missouri metropolitan wage and  
58 salary employment for the metropolitan area for the county signified in the school district  
59 number or the City of St. Louis, as reported by the Bureau of Economic Analysis of the United  
60 States Department of Commerce for the fourth year preceding the payment year and recalculated  
61 upon every decennial census to incorporate counties that are newly added to the description of  
62 metropolitan areas; or if no such metropolitan area is established, then:

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

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

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

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

76 (6) "Free and reduced lunch pupil count", for school districts not eligible for and those  
77 that do not choose the USDA Community Eligibility Option, the number of pupils eligible for  
78 free and reduced lunch on the last Wednesday in January for the preceding school year who were  
79 enrolled as students of the district, as approved by the department in accordance with applicable  
80 federal regulations. For eligible school districts that choose the USDA Community Eligibility  
81 Option, the free and reduced lunch pupil count shall be the percentage of free and reduced lunch  
82 students calculated as eligible on the last Wednesday in January of the most recent school year  
83 that included household applications to determine free and reduced lunch count multiplied by  
84 the district's average daily attendance figure;

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

90 (8) "Limited English proficiency pupil count", the number in the preceding school year  
91 of pupils aged three through twenty-one enrolled or preparing to enroll in an elementary school  
92 or secondary school who were not born in the United States or whose native language is a  
93 language other than English or are Native American or Alaskan native, or a native resident of  
94 the outlying areas, and come from an environment where a language other than English has had  
95 a significant impact on such individuals' level of English language proficiency, or are migratory,  
96 whose native language is a language other than English, and who come from an environment  
97 where a language other than English is dominant; and have difficulties in speaking, reading,  
98 writing, or understanding the English language sufficient to deny such individuals the ability to  
99 meet the state's proficient level of achievement on state assessments described in Public Law  
100 107-10, the ability to achieve successfully in classrooms where the language of instruction is  
101 English, or the opportunity to participate fully in society;

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

107 (10) "Local effort":

108 (a) For the fiscal year 2007 calculation, "local effort" shall be computed as the equalized  
109 assessed valuation of the property of a school district in calendar year 2004 divided by one  
110 hundred and multiplied by the performance levy less the percentage retained by the county  
111 assessor and collector plus one hundred percent of the amount received in fiscal year 2005 for  
112 school purposes from intangible taxes, fines, escheats, payments in lieu of taxes and receipts  
113 from state-assessed railroad and utility tax, one hundred percent of the amount received for  
114 school purposes pursuant to the merchants' and manufacturers' taxes under sections 150.010 to  
115 150.370, one hundred percent of the amounts received for school purposes from federal  
116 properties under sections 12.070 and 12.080 except when such amounts are used in the  
117 calculation of federal impact aid pursuant to P.L. 81-874, fifty percent of Proposition C revenues  
118 received for school purposes from the school district trust fund under section 163.087, and one  
119 hundred percent of any local earnings or income taxes received by the district for school  
120 purposes. Under this paragraph, for a special district established under sections 162.815 to  
121 162.940 in a county with a charter form of government and with more than one million

122 inhabitants, a tax levy of zero shall be utilized in lieu of the performance levy for the special  
123 school district;

124 (b) In every year subsequent to fiscal year 2007, "local effort" shall be the amount  
125 calculated under paragraph (a) of this subdivision plus any increase in the amount received for  
126 school purposes from fines. If a district's assessed valuation has decreased subsequent to the  
127 calculation outlined in paragraph (a) of this subdivision, the district's local effort shall be  
128 calculated using the district's current assessed valuation in lieu of the assessed valuation utilized  
129 in the calculation outlined in paragraph (a) of this subdivision. When a change in a school  
130 district's boundary lines occurs because of a boundary line change, annexation, attachment,  
131 consolidation, reorganization, or dissolution under section 162.071, 162.081, sections 162.171  
132 to 162.201, section 162.221, 162.223, 162.431, 162.441, or 162.451, or in the event that a school  
133 district assumes any territory from a district that ceases to exist for any reason, the department  
134 of elementary and secondary education shall make a proper adjustment to each affected district's  
135 local effort, so that each district's local effort figure conforms to the new boundary lines of the  
136 district. The department shall compute the local effort figure by applying the calendar year 2004  
137 assessed valuation data to the new land areas resulting from the boundary line change,  
138 annexation, attachment, consolidation, reorganization, or dissolution and otherwise follow the  
139 procedures described in this subdivision;

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

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

145 (b) The number of resident full-time students and the full-time equivalent number of  
146 part-time students who were enrolled in the public schools of the district on the last Wednesday  
147 in January of the previous year and who were in attendance one day or more during the preceding  
148 ten school days, plus the full-time equivalent number of summer school pupils. "Full-time  
149 equivalent number of part-time students" is determined by dividing the total number of hours for  
150 which all part-time students are enrolled by the number of hours in the school term. "Full-time  
151 equivalent number of summer school pupils" is determined by dividing the total number of hours  
152 for which all summer school pupils were enrolled by the number of hours required pursuant to  
153 section 160.011 in the school term. Only students eligible to be counted for average daily  
154 attendance shall be counted for membership;

155 (12) "Operating levy for school purposes", the sum of tax rates levied for teachers' and  
156 incidental funds plus the operating levy or sales tax equivalent pursuant to section 162.1100 of  
157 any transitional school district containing the school district, in the payment year, not including

158 any equalized operating levy for school purposes levied by a special school district in which the  
159 district is located;

160 (13) "Performance district", any district that has met performance standards and  
161 indicators as established by the department of elementary and secondary education for purposes  
162 of accreditation under section 161.092 and as reported on the final annual performance report  
163 for that district each year; for calculations to be utilized for payments in fiscal years subsequent  
164 to fiscal year 2018, the number of performance districts shall not exceed twenty-five percent of  
165 all public school districts;

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

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

168 (16) "Special education pupil count", the number of public school students with a current  
169 individualized education program or services plan and receiving services from the resident  
170 district as of December first of the preceding school year, except for special education services  
171 provided through a school district established under sections 162.815 to 162.940 in a county with  
172 a charter form of government and with more than one million inhabitants, in which case the sum  
173 of the students in each district within the county exceeding the special education threshold of  
174 each respective district within the county shall be counted within the special district and not in  
175 the district of residence for purposes of distributing the state aid derived from the special  
176 education pupil count;

177 (17) "Special education threshold" shall be calculated by dividing the total special  
178 education pupil count of every performance district that falls entirely above the bottom five  
179 percent and entirely below the top five percent of average daily attendance, when such districts  
180 are rank-ordered based on their current operating expenditures per average daily attendance, by  
181 the total average daily attendance of all included performance districts;

182 (18) "State adequacy target", the sum of the current operating expenditures of every  
183 performance district that falls entirely above the bottom five percent and entirely below the top  
184 five percent of average daily attendance, when such districts are rank-ordered based on their  
185 current operating expenditures per average daily attendance, divided by the total average daily  
186 attendance of all included performance districts. The department of elementary and secondary  
187 education shall first calculate the state adequacy target for fiscal year 2007 and recalculate the  
188 state adequacy target every two years using the most current available data. The recalculation  
189 shall never result in a decrease from the previous state adequacy target amount. Should a  
190 recalculation result in an increase in the state adequacy target amount, fifty percent of that  
191 increase shall be included in the state adequacy target amount in the year of recalculation, and  
192 fifty percent of that increase shall be included in the state adequacy target amount in the  
193 subsequent year. The state adequacy target may be adjusted to accommodate available  
194 appropriations as provided in subsection [8] 7 of section 163.031;

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

200 (20) "Weighted average daily attendance", the average daily attendance plus the product  
201 of twenty-five hundredths multiplied by the free and reduced lunch pupil count that exceeds the  
202 free and reduced lunch threshold, plus the product of seventy-five hundredths multiplied by the  
203 number of special education pupil count that exceeds the special education threshold, plus the  
204 product of six-tenths multiplied by the number of limited English proficiency pupil count that  
205 exceeds the limited English proficiency threshold. For special districts established under  
206 sections 162.815 to 162.940 in a county with a charter form of government and with more than  
207 one million inhabitants, weighted average daily attendance shall be the average daily attendance  
208 plus the product of twenty-five hundredths multiplied by the free and reduced lunch pupil count  
209 that exceeds the free and reduced lunch threshold, plus the product of seventy-five hundredths  
210 multiplied by the sum of the special education pupil count that exceeds the threshold for each  
211 county district, plus the product of six-tenths multiplied by the limited English proficiency pupil  
212 count that exceeds the limited English proficiency threshold. None of the districts comprising  
213 a special district established under sections 162.815 to 162.940 in a county with a charter form  
214 of government and with more than one million inhabitants, shall use any special education pupil  
215 count in calculating their weighted average daily attendance.

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

2 (1) Provides for a minimum of one hundred seventy-four days and one thousand  
3 forty-four hours of actual pupil attendance in a term scheduled by the board pursuant to section  
4 160.041 for each pupil or group of pupils, except that the board shall provide a minimum of one  
5 hundred seventy-four days and five hundred twenty-two hours of actual pupil attendance in a  
6 term for kindergarten pupils. If any school is dismissed because of inclement weather after  
7 school has been in session for three hours, that day shall count as a school day including  
8 afternoon session kindergarten students. When the aggregate hours lost in a term due to  
9 inclement weather decreases the total hours of the school term below the required minimum  
10 number of hours by more than twelve hours for all-day students or six hours for one-half-day  
11 kindergarten students, all such hours below the minimum must be made up in one-half day or  
12 full day additions to the term, except as provided in section 171.033;

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

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

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

26           2. For the 2006-07 school year and thereafter, no school district shall receive more state  
27 aid, as calculated under subsections 1 and 2 of section 163.031, for its education program,  
28 exclusive of categorical add-ons, than it received per weighted average daily attendance for the  
29 school year 2005-06 from the foundation formula, line 14, gifted, remedial reading, exceptional  
30 pupil aid, fair share, and free textbook payment amounts, unless it has an operating levy for  
31 school purposes, as determined pursuant to section 163.011, of not less than two dollars and  
32 seventy-five cents after all adjustments and reductions. Any district which is required, pursuant  
33 to article X, section 22 of the Missouri Constitution, to reduce its operating levy below the  
34 minimum tax rate otherwise required under this subsection shall not be construed to be in  
35 violation of this subsection for making such tax rate reduction. Pursuant to section 10(c) of  
36 article X of the state constitution, a school district may levy the operating levy for school  
37 purposes required by this subsection less all adjustments required pursuant to article X, section  
38 22 of the Missouri Constitution if such rate does not exceed the highest tax rate in effect  
39 subsequent to the 1980 tax year. Nothing in this section shall be construed to mean that a school  
40 district is guaranteed to receive an amount not less than the amount the school district received  
41 per eligible pupil for the school year 1990-91. The provisions of this subsection shall not apply  
42 to any school district located in a county of the second classification which has a nuclear power  
43 plant located in such district or to any school district located in a county of the third classification  
44 which has an electric power generation unit with a rated generating capacity of more than one  
45 hundred fifty megawatts which is owned or operated or both by a rural electric cooperative  
46 except that such school districts may levy for current school purposes and capital projects an  
47 operating levy not to exceed two dollars and seventy-five cents less all adjustments required  
48 pursuant to article X, section 22 of the Missouri Constitution.

49           3. No school district shall receive more state aid, as calculated in section 163.031, for  
50 its education program, exclusive of categorical add-ons, than it received per eligible pupil for the  
51 school year 1993-1994, if the state board of education determines that the district was not in  
52 compliance in the preceding school year with the requirements of section 163.172, until such

53 time as the board determines that the district is again in compliance with the requirements of  
54 section 163.172.

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

59 5. No school district shall receive more state aid, as calculated in subsections 1 and 2 of  
60 section 163.031, for its education program, exclusive of categorical add-ons, than it received per  
61 weighted average daily attendance for the school year 2005-06 from the foundation formula, line  
62 14, gifted, remedial reading, exceptional pupil aid, fair share, and free textbook payment  
63 amounts, if the district did not comply in the preceding school year with the requirements of  
64 subsection [6] 5 of section 163.031.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

64 3. School districts that meet the requirements of section 163.021 shall receive categorical  
65 add-on revenue as provided in this subsection. The categorical add-on for the district shall be  
66 the sum of: seventy-five percent of the district allowable transportation costs under section  
67 163.161; the career ladder entitlement for the district, as provided for in sections 168.500 to  
68 168.515; the vocational education entitlement for the district, as provided for in section 167.332;  
69 and the district educational and screening program entitlements as provided for in sections  
70 178.691 to 178.699. The categorical add-on revenue amounts may be adjusted to accommodate  
71 available appropriations.

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

75 (1) For the 2006-07 school year, the amount shall be fifteen percent of the amount of  
76 state aid calculated for the district for the 2006-07 school year under the provisions of subsection  
77 1 of this section, plus eighty-five percent of the total amount of state revenue received by the  
78 district for the 2005-06 school year from the foundation formula, line 14, gifted, remedial  
79 reading, exceptional pupil aid, fair share, and free textbook payments less any amounts received  
80 under section 163.043.

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

87 (3) For the 2008-09 school year, the amount of state aid shall be forty-four percent of the  
88 amount of state aid calculated for the district for the 2008-09 school year under the provisions

89 of subsection 1 of this section plus fifty-six percent of the total amount of state revenue received  
90 by the district for the 2005-06 school year from the foundation formula, line 14, gifted, remedial  
91 reading, exceptional pupil aid, fair share, and free textbook payments less any amounts received  
92 under section 163.043.

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

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

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

111 (7) (a) a. For the 2006-07 school year, if a school district experiences a decrease in  
112 summer school average daily attendance of more than twenty percent from the district's 2005-06  
113 summer school average daily attendance, an amount equal to the product of the percent reduction  
114 that is in excess of twenty percent of the district's summer school average daily attendance  
115 multiplied by the funds generated by the district's summer school program in the 2005-06 school  
116 year shall be subtracted from the district's current year payment amount.

117 b. For the 2007-08 school year, if a school district experiences a decrease in summer  
118 school average daily attendance of more than thirty percent from the district's 2005-06 summer  
119 school average daily attendance, an amount equal to the product of the percent reduction that is  
120 in excess of thirty percent of the district's summer school average daily attendance multiplied by  
121 the funds generated by the district's summer school program in the 2005-06 school year shall be  
122 subtracted from the district's payment amount.

123 c. For the 2008-09 school year, if a school district experiences a decrease in summer  
124 school average daily attendance of more than thirty-five percent from the district's 2005-06  
125 summer school average daily attendance, an amount equal to the product of the percent reduction

126 that is in excess of thirty-five percent of the district's summer school average daily attendance  
127 multiplied by the funds generated by the district's summer school program in the 2005-06 school  
128 year shall be subtracted from the district's payment amount.

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

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

136 (b) If a school district experiences a decrease in its gifted program enrollment of more  
137 than twenty percent from its 2005-06 gifted program enrollment in any year governed by this  
138 subsection, an amount equal to the product of the percent reduction in the district's gifted  
139 program enrollment multiplied by the funds generated by the district's gifted program in the  
140 2005-06 school year shall be subtracted from the district's current year payment amount.

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

147 [6.] 5. (1) No less than seventy-five percent of the state revenue received under the  
148 provisions of subsections 1[,] **and** 2[, and 4] of this section shall be placed in the teachers' fund,  
149 and the remaining percent of such moneys shall be placed in the incidental fund. No less than  
150 seventy-five percent of one-half of the funds received from the school district trust fund  
151 distributed under section 163.087 shall be placed in the teachers' fund. One hundred percent of  
152 revenue received under the provisions of section 163.161 shall be placed in the incidental fund.  
153 One hundred percent of revenue received under the provisions of sections 168.500 to 168.515  
154 shall be placed in the teachers' fund.

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

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

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

162 (c) Beginning in fiscal year 2008, as much as was spent per the second preceding year's  
163 weighted average daily attendance for certificated compensation and tuition expenditures the  
164 previous year from revenue produced by local and county tax sources in the teachers' fund, plus  
165 the amount of the incidental fund to teachers' fund transfer calculated to be local and county tax  
166 sources by dividing local and county tax sources in the incidental fund by total revenue in the  
167 incidental fund.

168

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

174 [7.] **6.** If a school district's annual audit discloses that students were inappropriately  
175 identified as eligible for free and reduced lunch, special education, or limited English proficiency  
176 and the district does not resolve the audit finding, the department of elementary and secondary  
177 education shall require that the amount of aid paid pursuant to the weighting for free and reduced  
178 lunch, special education, or limited English proficiency in the weighted average daily attendance  
179 on the inappropriately identified pupils be repaid by the district in the next school year and shall  
180 additionally impose a penalty of one hundred percent of such aid paid on such pupils, which  
181 penalty shall also be paid within the next school year. Such amounts may be repaid by the  
182 district through the withholding of the amount of state aid.

183 [8.] **7.** Notwithstanding any provision of law to the contrary, in any fiscal year during  
184 which the total formula appropriation is insufficient to fully fund the entitlement calculation of  
185 this section, the department of elementary and secondary education shall adjust the state  
186 adequacy target in order to accommodate the appropriation level for the given fiscal year. In no  
187 manner shall any payment modification be rendered for any district qualified to receive payments  
188 under subsection 2 of this section based on insufficient appropriations.

165.011. 1. The following funds are created for the accounting of all school moneys:  
2 teachers' fund, incidental fund, capital projects fund and debt service fund. The treasurer of the  
3 school district shall open an account for each fund specified in this section, and all moneys  
4 received from the county school fund and all moneys derived from taxation for teachers' wages  
5 shall be placed to the credit of the teachers' fund. All tuition fees, state moneys received under  
6 section 163.031, and all other moneys received from the state except as herein provided shall be  
7 placed to the credit of the teachers' and incidental funds at the discretion of the district board of  
8 education, except as provided in subsection [6] **5** of section 163.031. Money received from other  
9 districts for transportation and money derived from taxation for incidental expenses shall be

10 credited to the incidental fund. All money derived from taxation or received from any other  
11 source for the erection of buildings or additions thereto and the remodeling or reconstruction of  
12 buildings and the furnishing thereof, for the payment of lease-purchase obligations, for the  
13 purchase of real estate, or from sale of real estate, schoolhouses or other buildings of any kind,  
14 or school furniture, from insurance, from sale of bonds other than refunding bonds shall be  
15 placed to the credit of the capital projects fund. All moneys derived from the sale or lease of  
16 sites, buildings, facilities, furnishings, and equipment by a school district as authorized under  
17 section 177.088 shall be credited to the capital projects fund. Money derived from taxation for  
18 the retirement of bonds and the payment of interest thereon shall be credited to the debt service  
19 fund, which shall be maintained as a separate bank account. Receipts from delinquent taxes shall  
20 be allocated to the several funds on the same basis as receipts from current taxes, except that  
21 where the previous years' obligations of the district would be affected by such distribution, the  
22 delinquent taxes shall be distributed according to the tax levies made for the years in which the  
23 obligations were incurred. All refunds received shall be placed to the credit of the fund from  
24 which the original expenditures were made. Money donated to the school districts shall be  
25 placed to the credit of the fund where it can be expended to meet the purpose for which it was  
26 donated and accepted. Money received from any other source whatsoever shall be placed to the  
27 credit of the fund or funds designated by the board.

28         2. The school board may transfer any portion of the unrestricted balance remaining in  
29 the incidental fund to the teachers' fund. Any district that uses an incidental fund transfer to pay  
30 for more than twenty-five percent of the annual certificated compensation obligation of the  
31 district and has an incidental fund balance on June thirtieth in any year in excess of fifty percent  
32 of the combined incidental teachers' fund expenditures for the fiscal year just ended shall be  
33 required to transfer the excess from the incidental fund to the teachers' fund. If a balance remains  
34 in the debt service fund, after the total outstanding indebtedness for which the fund was levied  
35 is paid, the board may transfer the unexpended balance to the capital projects fund. If a balance  
36 remains in the bond proceeds after completion of the project for which the bonds were issued,  
37 the balance shall be transferred from the incidental or capital projects fund to the debt service  
38 fund. After making all placements of interest otherwise provided by law, a school district may  
39 transfer from the capital projects fund to the incidental fund the interest earned from  
40 undesignated balances in the capital projects fund. A school district may borrow from one of the  
41 following funds: teachers' fund, incidental fund, or capital projects fund, as necessary to meet  
42 obligations in another of those funds; provided that the full amount is repaid to the lending fund  
43 within the same fiscal year.

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

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

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

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

54 (3) Current year obligations for lease-purchase obligations entered into prior to January  
55 1, 1997; plus

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

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

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

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

70 5. Beginning in the 2006-07 school year, a district meeting the provisions of subsection  
71 [6] 5 of section 163.031 and not making the transfer under subdivision (5) of subsection 4 of this  
72 section, nor making payments or expenditures related to obligations made under section 177.088  
73 may transfer from the incidental fund to the debt service fund or the capital projects fund the  
74 greater of:

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

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

81 6. A district with territory in a county of the first classification with more than one  
82 hundred fifteen thousand but fewer than one hundred fifty thousand inhabitants that maintains

83 the district office in a home rule city with more than thirteen thousand five hundred but fewer  
84 than fifteen thousand inhabitants shall be permitted a one-time transfer during school year  
85 2014-15 of unrestricted funds from the incidental fund to the capital projects fund in an amount  
86 that leaves the incidental fund at a balance no lower than twenty percent for the purpose of  
87 constructing capital projects to improve student safety.

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

95 8. A school district may transfer unrestricted funds from the capital projects fund to the  
96 incidental fund in any year to avoid becoming financially stressed as defined in subsection 1 of  
97 section 161.520. If on June thirtieth of any fiscal year the sum of unrestricted balances in a  
98 school district's incidental fund and teacher's fund is less than twenty percent of the sum of the  
99 school district's expenditures from those funds for the fiscal year ending on that June thirtieth,  
100 the school district may, during the next succeeding fiscal year, transfer to its incidental fund an  
101 amount up to and including the amount of the unrestricted balance in its capital projects fund on  
102 that June thirtieth. For purposes of this subsection, in addition to any other restrictions that may  
103 apply to funds in the school district's capital projects fund, any funds that are derived from the  
104 proceeds of one or more general obligation bond issues shall be considered restricted funds and  
105 shall not be transferred to the school district's incidental fund.

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