

SECOND REGULAR SESSION

HOUSE BILL NO. 979

93RD GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE WALLACE.

Pre-filed December 1, 2005 and copies ordered printed.

STEPHEN S. DAVIS, Chief Clerk

3472L.01I

AN ACT

To repeal sections 160.415, 162.935, 163.011, 163.023, 163.031, and 165.016 as enacted by conference committee substitute for house committee substitute for senate substitute for senate committee substitute for senate bill no. 287, ninety-third general assembly, first regular session, and to enact in lieu thereof six new sections relating to school funding, with an emergency clause.

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

Section A. Sections 160.415, 162.935, 163.011, 163.023, 163.031, and 165.016 as
2 enacted by conference committee substitute for house committee substitute for senate substitute
3 for senate committee substitute for senate bill no. 287, ninety-third general assembly, first regular
4 session, are repealed and six new sections enacted in lieu thereof, to be known as sections
5 160.415, 162.935, 163.011, 163.023, 163.031, and 165.016, to read as follows:

160.415. 1. For the purposes of calculation and distribution of state school aid under
2 section 163.031, RSMo, pupils enrolled in a charter school shall be included in the pupil
3 enrollment of the school district within which each pupil resides. Each charter school shall
4 report the names, addresses, and eligibility for free and reduced lunch, special education, or
5 limited English proficiency status, as well as eligibility for categorical aid, of pupils resident in
6 a school district who are enrolled in the charter school to the school district in which those pupils
7 reside. The charter school shall report the average daily attendance data, free and reduced lunch
8 count, special education pupil count, and limited English proficiency pupil count to the state
9 department of elementary and secondary education. Each charter school shall promptly notify

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.

10 the state department of elementary and secondary education and the pupil's school district when
11 a student discontinues enrollment at a charter school.

12 2. Except as provided in subsections 3 and 4 of this section, the aid payments for charter
13 schools shall be as described in this subsection.

14 (1) A school district having one or more resident pupils attending a charter school shall
15 pay to the charter school an annual amount equal to the product of the charter school's weighted
16 average daily attendance and the state adequacy target, [multiplied by the dollar value modifier
17 for the district,] plus local tax revenues per weighted average daily attendance from the incidental
18 and teachers' funds in excess of the performance levy as defined in section 163.011, RSMo, plus
19 all other state aid attributable to such pupils.

20 (2) The district of residence of a pupil attending a charter school shall also pay to the
21 charter school any other federal or state aid that the district receives on account of such child.

22 (3) If the department overpays or underpays the amount due to the charter school, such
23 overpayment or underpayment shall be repaid by the public charter school or credited to the
24 public charter school in twelve equal payments in the next fiscal year.

25 (4) The amounts provided pursuant to this subsection shall be prorated for partial year
26 enrollment for a pupil.

27 (5) A school district shall pay the amounts due pursuant to this subsection as the
28 disbursal agent and no later than twenty days following the receipt of any such funds. The
29 department of elementary and secondary education shall pay the amounts due when it acts as the
30 disbursal agent within five days of the required due date.

31 3. A workplace charter school shall receive payment for each eligible pupil as provided
32 under subsection 2 of this section, except that if the student is not a resident of the district and
33 is participating in a voluntary interdistrict transfer program, the payment for such pupils shall be
34 the same as provided under section 162.1060, RSMo.

35 4. A charter school that has declared itself as a local educational agency shall receive
36 from the department of elementary and secondary education an annual amount equal to the
37 product of the charter school's weighted average daily attendance and the state adequacy target,
38 [multiplied by the dollar value modifier for the district,] plus local tax revenues per weighted
39 average daily attendance from the incidental and teachers funds in excess of the performance
40 levy as defined in section 163.011, RSMo, plus all other state aid attributable to such pupils. If
41 a charter school declares itself as a local education agency, the department of elementary and
42 secondary education shall, upon notice of the declaration, reduce the payment made to the school
43 district by the amount specified in this subsection and pay directly to the charter school the
44 annual amount reduced from the school district's payment.

45 5. If a school district fails to make timely payments of any amount for which it is the
46 disbursal agent, the state department of elementary and secondary education shall authorize
47 payment to the charter school of the amount due pursuant to subsection 2 of this section and shall
48 deduct the same amount from the next state school aid apportionment to the owing school
49 district. If a charter school is paid more or less than the amounts due pursuant to this section,
50 the amount of overpayment or underpayment shall be adjusted equally in the next twelve
51 payments by the school district or the department of elementary and secondary education, as
52 appropriate. Any dispute between the school district and a charter school as to the amount owing
53 to the charter school shall be resolved by the department of elementary and secondary education,
54 and the department's decision shall be the final administrative action for the purposes of review
55 pursuant to chapter 536, RSMo. During the period of dispute, the department of elementary and
56 secondary education shall make every administrative and statutory effort to allow the continued
57 education of children in their current public charter school setting.

58 6. The charter school and a local school board may agree by contract for services to be
59 provided by the school district to the charter school. The charter school may contract with any
60 other entity for services. Such services may include but are not limited to food service, custodial
61 service, maintenance, management assistance, curriculum assistance, media services and libraries
62 and shall be subject to negotiation between the charter school and the local school board or other
63 entity. Documented actual costs of such services shall be paid for by the charter school.

64 7. A charter school may enter into contracts with community partnerships and state
65 agencies acting in collaboration with such partnerships that provide services to children and their
66 families linked to the school.

67 8. A charter school shall be eligible for transportation state aid pursuant to section
68 163.161, RSMo, and shall be free to contract with the local district, or any other entity, for the
69 provision of transportation to the students of the charter school.

70 9. (1) The proportionate share of state and federal resources generated by students with
71 disabilities or staff serving them shall be paid in full to charter schools enrolling those students
72 by their school district where such enrollment is through a contract for services described in this
73 section. The proportionate share of money generated under other federal or state categorical aid
74 programs shall be directed to charter schools serving such students eligible for that aid.

75 (2) A charter school district shall provide the special services provided pursuant to
76 section 162.705, RSMo, and may provide the special services pursuant to a contract with a
77 school district or any provider of such services.

78 10. A charter school may not charge tuition, nor may it impose fees that a school district
79 is prohibited from imposing.

80 11. A charter school is authorized to incur debt in anticipation of receipt of funds. A
81 charter school may also borrow to finance facilities and other capital items. A school district
82 may incur bonded indebtedness or take other measures to provide for physical facilities and other
83 capital items for charter schools that it sponsors or contracts with. Upon the dissolution of a
84 charter school, any liabilities of the corporation will be satisfied through the procedures of
85 chapter 355, RSMo.

86 12. Charter schools shall not have the power to acquire property by eminent domain.

87 13. The governing body of a charter school is authorized to accept grants, gifts or
88 donations of any kind and to expend or use such grants, gifts or donations. A grant, gift or
89 donation may not be accepted by the governing body if it is subject to any condition contrary to
90 law applicable to the charter school or other public schools, or contrary to the terms of the
91 charter.

 162.935. 1. Except as provided in subsection 3 of this section, each special district
2 formed under provisions of sections 162.670 to 162.999 shall receive an amount equal to the
3 district's weighted average daily attendance multiplied by the state adequacy target [multiplied
4 by the dollar value modifier] minus local effort minus payments from the classroom trust fund.
5 A student enrolled in classes or programs in both the special district and a component district or
6 a pupil enrolled in a local district who needs itinerant or temporary services provided by the
7 special district shall continue his enrollment in the local district for purposes of apportionment
8 of state aid on average daily attendance. The special district may include the pupil in classes
9 approved for special categorical aid. The district providing transportation may claim state
10 transportation aid.

11 2. Any special school district which is in a county of the first classification which has
12 a population greater than nine hundred thousand is entitled to apportionment of state aid even
13 though the tax rate levied by the special school district is less than that required by section
14 163.021, RSMo.

15 3. For the purposes of determining state aid pursuant to section 163.031, RSMo, the
16 weighted average daily attendance of a school district within any special school district which
17 is not in a county of the first classification which has a population greater than nine hundred
18 thousand shall reflect the average daily attendance of all pupils resident in the district and
19 educated by the district or by the special school district, or both. The department shall pay the
20 funds so calculated to the school district. The school district shall pay monthly to the special
21 school district the proportional amount of state aid based on the weighted average daily
22 attendance of students educated by the special school district to the total weighted average daily
23 attendance of students educated by the district and the special school district.

 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, RSMo;

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

22 (3) "Current operating expenditures":

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

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

38 (4) "District's tax rate ceiling", the highest tax rate ceiling in effect subsequent to the
39 1980 tax year or any subsequent year. Such tax rate ceiling shall not contain any tax levy for
40 debt service;

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

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

48 (b) "Regional wage per job":

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

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

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

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

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

69 (6)] "Free and reduced lunch pupil count", the number of pupils eligible for free and
70 reduced lunch on the last Wednesday in January for the preceding school year who were enrolled
71 as students of the district, as approved by the department in accordance with applicable federal
72 regulations;

73 [(7)] (6) "Free and reduced lunch threshold" shall be calculated by dividing the total free
74 and reduced lunch pupil count of every performance district that falls entirely above the bottom
75 five percent and entirely below the top five percent of average daily attendance, when such
76 districts are rank-ordered based on their current operating expenditures per average daily
77 attendance, by the total average daily attendance of all included performance districts;

78 [(8)] (7) "Limited English proficiency pupil count", the number in the preceding school
79 year of pupils aged three through twenty-one enrolled or preparing to enroll in an elementary
80 school or secondary school who were not born in the United States or whose native language is
81 a language other than English or are Native American or Alaskan native, or a native resident of
82 the outlying areas, and come from an environment where a language other than English has had
83 a significant impact on such individuals' level of English language proficiency, or are migratory,
84 whose native language is a language other than English, and who come from an environment
85 where a language other than English is dominant; and have difficulties in speaking, reading,
86 writing, or understanding the English language sufficient to deny such individuals the ability to
87 meet the state's proficient level of achievement on state assessments described in Public Law
88 107-10, the ability to achieve successfully in classrooms where the language of instruction is
89 English, or the opportunity to participate fully in society;

90 [(9)] (8) "Limited English proficiency threshold" shall be calculated by dividing the total
91 limited English proficiency pupil count of every performance district that falls entirely above the
92 bottom five percent and entirely below the top five percent of average daily attendance, when
93 such districts are rank-ordered based on their current operating expenditures per average daily
94 attendance, by the total average daily attendance of all included performance districts;

95 [(10)] (9) "Local effort":

96 (a) For the fiscal year 2007 calculation, "local effort" shall be computed as the equalized
97 assessed valuation of the property of a school district in calendar year 2004 divided by one
98 hundred and multiplied by the performance levy less the percentage retained by the county
99 assessor and collector plus one hundred percent of the amount received in fiscal year 2005 for
100 school purposes from intangible taxes, fines, escheats, payments in lieu of taxes and receipts
101 from state-assessed railroad and utility tax, one hundred percent of the amount received for
102 school purposes pursuant to the merchants' and manufacturers' taxes under sections 150.010 to
103 150.370, RSMo, one hundred percent of the amounts received for school purposes from federal
104 properties under sections 12.070 and 12.080, RSMo, except when such amounts are used in the
105 calculation of federal impact aid pursuant to P.L. 81-874, fifty percent of Proposition C revenues
106 received for school purposes from the school district trust fund under section 163.087, and one
107 hundred percent of any local earnings or income taxes received by the district for school
108 purposes. Under this paragraph, for a special district established under sections 162.815 to

109 162.940, RSMo, in a county with a charter form of government and with more than one million
110 inhabitants, a tax levy of zero shall be utilized in lieu of the performance levy for the special
111 school district;

112 (b) In every year subsequent to fiscal year 2007, "local effort" shall be the amount
113 calculated under paragraph (a) of this subdivision plus any increase in the amount received for
114 school purposes from fines. If a district's assessed valuation has decreased subsequent to the
115 calculation outlined in paragraph (a) of this subdivision, the district's local effort shall be
116 calculated using the district's current assessed valuation in lieu of the assessed valuation utilized
117 in calculation outlined in paragraph (a) of this subdivision;

118 [(11)] (10) "Membership" shall be the average of:

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

123 (b) The number of resident full-time students and the full-time equivalent number of
124 part-time students who were enrolled in the public schools of the district on the last Wednesday
125 in January of the previous year and who were in attendance one day or more during the preceding
126 ten school days, plus the full-time equivalent number of summer school pupils.

127

128 "Full-time equivalent number of part-time students" is determined by dividing the total number
129 of hours for which all part-time students are enrolled by the number of hours in the school term.

130 "Full-time equivalent number of summer school pupils" is determined by dividing the total
131 number of hours for which all summer school pupils were enrolled by the number of hours
132 required pursuant to section 160.011, RSMo, in the school term. Only students eligible to be
133 counted for average daily attendance shall be counted for membership;

134 [(12)] (11) "Operating levy for school purposes", the sum of tax rates levied for teachers'
135 and incidental funds plus the operating levy or sales tax equivalent pursuant to section 162.1100,
136 RSMo, of any transitional school district containing the school district, in the payment year, not
137 including any equalized operating levy for school purposes levied by a special school district in
138 which the district is located;

139 [(13)] (12) "Performance district", any district that has met all performance standards and
140 indicators as established by the department of elementary and secondary education for purposes
141 of accreditation under section 161.092, RSMo, and as reported on the final annual performance
142 report for that district each year;

143 [(14)] (13) "Performance levy", three dollars and [forty-three] **thirty-five** cents;

144 [(15)] (14) "School purposes" pertains to teachers' and incidental funds;

145 [(16)] **(15)** "Special education pupil count", the number of public school students with
146 a current individualized education program and receiving services from the resident district as
147 of December first of the preceding school year, except for special education services provided
148 through a school district established under sections 162.815 to 162.940, RSMo, in a county with
149 a charter form of government and with more than one million inhabitants, in which case the sum
150 of the students in each district within the county exceeding the special education threshold of
151 each respective district within the county shall be counted within the special district and not in
152 the district of residence for purposes of distributing the state aid derived from the special
153 education pupil count;

154 [(17)] **(16)** "Special education threshold" shall be calculated by dividing the total special
155 education pupil count of every performance district that falls entirely above the bottom five
156 percent and entirely below the top five percent of average daily attendance, when such districts
157 are rank- ordered based on their current operating expenditures per average daily attendance, by
158 the total average daily attendance of all included performance districts;

159 [(18)] **(17)** "State adequacy target", the sum of the current operating expenditures of
160 every performance district that falls entirely above the bottom five percent and entirely below
161 the top five percent of average daily attendance, when such districts are rank-ordered based on
162 their current operating expenditures per average daily attendance, divided by the total average
163 daily attendance of all included performance districts. The department of elementary and
164 secondary education shall first calculate the state adequacy target for fiscal year 2007 and
165 recalculate the state adequacy target every two years using the most current available data. The
166 recalculation shall never result in a decrease from the previous state adequacy target amount.
167 Should a recalculation result in an increase in the state adequacy target amount, fifty percent of
168 that increase shall be included in the state adequacy target amount in the year of recalculation,
169 and fifty percent of that increase shall be included in the state adequacy target amount in the
170 subsequent year. The state adequacy target may be adjusted to accommodate available
171 appropriations;

172 [(19)] **(18)** "Teacher", any teacher, teacher-secretary, substitute teacher, supervisor,
173 principal, supervising principal, superintendent or assistant superintendent, school nurse, social
174 worker, counselor or librarian who shall, regularly, teach or be employed for no higher than
175 grade twelve more than one-half time in the public schools and who is certified under the laws
176 governing the certification of teachers in Missouri;

177 [(20)] **(19)** "Weighted average daily attendance", the average daily attendance plus the
178 product of twenty-five hundredths multiplied by the free and reduced lunch pupil count that
179 exceeds the free and reduced lunch threshold, plus the product of seventy-five hundredths
180 multiplied by the number of special education pupil count that exceeds the special education

181 threshold, and plus the product of six-tenths multiplied by the number of limited English
182 proficiency pupil count that exceeds the limited English proficiency threshold. For special
183 districts established under sections 162.815 to 162.940, RSMo, in a county with a charter form
184 of government and with more than one million inhabitants, weighted average daily attendance
185 shall be the average daily attendance plus the product of twenty-five hundredths multiplied by
186 the free and reduced lunch pupil count that exceeds the free and reduced lunch threshold, plus
187 the product of seventy-five hundredths multiplied by the sum of the special education pupil count
188 that exceeds the threshold for each county district, plus the product of six-tenths multiplied by
189 the limited English proficiency pupil count that exceeds the limited English proficiency
190 threshold. None of the districts comprising a special district established under sections 162.815
191 to 162.940, RSMo, in a county with a charter form of government and with more than one
192 million inhabitants, shall use any special education pupil count in calculating their weighted
193 average daily attendance.

163.023. 1. Commencing September 1, 1997, a school district that has an operating levy
2 for school purposes as defined in section 163.011, of less than the minimum value required by
3 section 163.021, shall be classified as unaccredited by the state board of education and shall be
4 deemed to be an unclassified school district for all purposes under force of law, pursuant to the
5 authority of the state board of education to classify school districts pursuant to section 161.092,
6 RSMo, except that no school district shall be classified as unaccredited or deemed to be an
7 unclassified school district pursuant to this section if such district is ineligible to receive state
8 aid under section 163.031, exclusive of categorical add-ons, because the district's local effort is
9 greater than its weighted average daily attendance multiplied by the state adequacy target
10 [multiplied by the dollar value modifier]. No school district, except a district which is ineligible
11 to receive state aid under section 163.031, exclusive of categorical add-ons, because the district's
12 local effort is greater than its weighted average daily attendance multiplied by the state adequacy
13 target [multiplied by the dollar value modifier], may be classified or reclassified as accredited
14 until such district has an operating levy for school purposes which is equal to or greater than the
15 minimum value required by section 163.021. Beginning July 1, 1998, the state board of
16 education shall consider the results for a school district from the statewide assessment system
17 developed pursuant to the provisions of section 160.518, RSMo, when classifying a school
18 district as authorized by subdivision (9) of section 161.092, RSMo. Further, the state board of
19 education shall consider the condition and adequacy of facilities of a school district when
20 determining such classification.

21 2. For any school district classified unaccredited for any school year, the state board of
22 education shall conduct procedures to classify said school district for the first school year
23 following.

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

2. Other provisions of law to the contrary notwithstanding:

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

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

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

(c)] For the [2008-09] **2006-07** school year, the state revenue per weighted average daily attendance received by a district from the state aid calculation under subsections 1 and 4 of this section, as applicable, and the classroom trust fund under section 163.043 shall not be less than the state revenue received by a district in the 2005-06 school year from the foundation formula, line 14, gifted, remedial reading, exceptional pupil aid, fair share, and free textbook payment amounts [multiplied by the dollar value modifier], and dividing this product by the weighted average daily attendance computed for the 2005-06 school year;

[(d)] **(b)** For each year subsequent to the [2008-09] **2006-07** school year, the amount shall be no less than that computed in paragraph [(c)] **(a)** of this subdivision, multiplied by the weighted average daily attendance pursuant to section 163.036, less any increase in revenue received from 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] **2006-07** school year, the state revenue received by a district from
54 the state aid calculation under subsections 1 and 4 of this section, as applicable, and the
55 classroom trust fund under section 163.043 shall not be less than the greater of state revenue
56 received by a district in the 2004-05 or 2005-06 school year from the foundation formula, line
57 14, gifted, 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] **2006-07** school year, the amount
60 shall be no 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, RSMo; the vocational education entitlement for the district, as provided for in section
69 167.332, RSMo; and the district educational and screening program entitlements as provided for
70 in sections 178.691 to 178.699, RSMo. The categorical add-on revenue amounts may be
71 adjusted to accommodate 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) Notwithstanding subdivision [(18)] **(17)** of section 163.011, the state adequacy
112 target may not be adjusted downward to accommodate available appropriations in any year
113 governed by this subsection.

114 (b) If a school district experiences a decrease in summer school average daily attendance
115 of more than fifteen percent from the district's 2005-06 summer school average daily attendance
116 in any year governed by this subsection, an amount equal to the product of the percent reduction
117 in the district's summer school average daily attendance multiplied by the funds generated by the
118 district's summer school program in the 2005-06 school year shall be subtracted from the
119 district's current year payment amount.

120 (c) If a school district experiences a decrease in its gifted program enrollment of more
121 than twenty percent from its 2005-06 gifted program enrollment in any year governed by this
122 subsection, an amount equal to the product of the percent reduction in the district's gifted
123 program enrollment multiplied by the funds generated by the district's gifted program in the
124 2005-06 school year shall be subtracted from the district's current year payment amount.

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

131 6. (1) No less than seventy-five percent of the state revenue received under the
132 provisions of subsections 1, 2, and 4 of this section shall be placed in the teachers' fund, and the
133 remaining percent of such moneys shall be placed in the incidental fund. No less than
134 seventy-five percent of one-half of the funds received from the school district trust fund
135 distributed under section 163.087 shall be placed in the teachers' fund. One hundred percent of
136 revenue received under the provisions of section 163.161 shall be placed in the incidental fund.
137 One hundred percent of revenue received under the provisions of sections 168.500 to 168.515,
138 RSMo, shall be placed in the teachers' fund.

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

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

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

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

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

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

165.016. 1. A school district shall expend as a percentage of current operating cost, for tuition, teacher retirement and compensation of certificated staff, a percentage that is for the 1994-95 and 1995-96 school years no less than three percentage points less than the base school year certificated salary percentage and for the 1996-97 school year, no less than two percentage points less than the base school year certificated salary percentage. A school district may exclude transportation and school safety and security expenditures from the current operating cost calculation of the base year and the year or years for which the compliance percentage is calculated. The base school year certificated salary percentage shall be the two-year average percentage of the 1991-92 and 1992-93 school years except as otherwise established by the state board under subsection 4 of this section; except that, for any school district experiencing, over a period of three consecutive years, an average yearly increase in average daily attendance of at least three percent, the base school year certificated salary percentage may be the two-year

13 average percentage of the last two years of such period of three consecutive years, at the
14 discretion of the school district.

15 2. Beginning with the 1997-98 school year, a school district shall:

16 (1) Expend, as a percentage of current operating cost, as determined in subsection 1 of
17 this section, for tuition, teacher retirement and compensation of certificated staff, a percentage
18 that is no less than two percentage points less than the base school year certificated salary
19 percentage; or

20 (2) For any year in which no payment of a penalty is required for the district under
21 subsection 6 of this section, have an unrestricted fund balance in the combined incidental and
22 teachers' funds on June thirtieth which is equal to or less than ten percent of the combined
23 expenditures for the year from those funds.

24 3. Beginning with the 1999-00 school year:

25 (1) As used in this subsection, "fiscal instructional ratio of efficiency" or "FIRE" means
26 the quotient of the sum of the district's current operating costs, which for this section shall mean
27 all expenditures for instruction and support services, excluding capital outlay and debt service
28 expenditures less the revenue from federal categorical sources, food service, student activities,
29 and payments from other districts, for all kindergarten through grade twelve direct instructional
30 and direct pupil support service functions plus the costs of improvement of instruction and the
31 cost of purchased services and supplies for operation of the facilities housing those programs,
32 and excluding student activities, divided by the sum of the district's current operating cost, as
33 defined in this subdivision, for kindergarten through grade twelve, plus all tuition revenue
34 received from other districts minus all noncapital transportation and school safety and security
35 costs;

36 (2) A school district shall show compliance with this section in school year 1998-99 and
37 thereafter by the method described in subsections 1 and 2 of this section, or by maintaining or
38 increasing its fiscal instructional ratio of efficiency compared to its FIRE for the 1997-98 base
39 year.

40 4. (1) The state board of education may exempt a school district from the requirements
41 of this section upon receiving a request for an exemption by a school district. The request shall
42 show the reason or reasons for the noncompliance, and the exemption shall apply for only one
43 school year. Requests for exemptions under this subdivision may be resubmitted in succeeding
44 years.

45 (2) A school district may request of the state board a one-time, permanent revision of the
46 base school year certificated salary percentage. The request shall show the reason or reasons for
47 the revision.

48 5. Any school district requesting an exemption or revision under subsection 4 of this
49 section must notify the certified staff of the district in writing of the district's intent. Prior to
50 granting an exemption or revision, the state board shall consider comments from certified staff
51 of the district. The state board decision shall be final.

52 6. Any school district which is determined by the department to be in violation of the
53 requirements of subsection 1 or 2 of this section, or both, shall compensate the building-level
54 administrative staff and nonadministrative certificated staff during the year following the notice
55 of violation by an additional amount which is equal to one hundred ten percent of the amount
56 necessary to bring the district into compliance with this section for the year of violation. In any
57 year in which a penalty is paid, the district shall pay the penalty specified in this subsection in
58 addition to the amount required under this section for the current school year.

59 7. Any additional transfers from the teachers' or incidental fund to the capital projects
60 fund beyond the transfers authorized by state law and state board policy in effect on January 1,
61 1996, shall be considered expenditures from the teachers' or incidental fund for the purpose of
62 determining compliance with the provisions of subsections 1, 2 and 3 of this section.

63 8. The provisions of this section shall not apply to any district wherein the local effort
64 is greater than its weighted average daily attendance multiplied by the state adequacy target
65 [multiplied by the dollar value modifier] under section 163.031, RSMo.

66 9. The provisions of subsections 1 to 8 of this section shall not apply to any district that
67 has unrestricted fund balances in the combined incidental and teacher funds on June thirtieth of
68 the preceding year which are equal to or less than seventeen percent of the combined expenditure
69 for the preceding year from these funds in any year in which state funds distributed pursuant to
70 subsections 1 and 2 of section 163.031, RSMo, are no more than ninety-six percent of such state
71 funds distributed in fiscal year 2002.

72 10. The provisions of subsections 1 to 8 of this section shall not apply to any district
73 which meets the following criteria:

74 (1) With ten percent or more of its assessed valuation that is owned by one person or
75 corporation as commercial or personal property who is delinquent in a property tax payment;

76 (2) With unrestricted fund balances in the combined incidental and teacher funds on June
77 thirtieth of the preceding year which are equal to or less than one-half of the local property tax
78 revenue for the previous year; and

79 (3) In any year in which state funds distributed pursuant to subsections 1 and 2 of section
80 163.031, RSMo, are no more than ninety-six percent of such state funds distributed in fiscal year
81 2002.

82 11. The provisions of this section shall terminate on June 30, 2007.

Section B. Because immediate action is necessary to ensure fair and adequate school
2 funding, section A of this act is deemed necessary for the immediate preservation of the public
3 health, welfare, peace, and safety, and is hereby declared to be an emergency act within the
4 meaning of the constitution, and section A of this act shall be in full force and effect on July 1,
5 2006, or upon its passage and approval, whichever later occurs.

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