FIRST REGULAR SESSION HOUSE COMMITTEE SUBSTITUTE FOR

HOUSE BILL NO. 529

102ND GENERAL ASSEMBLY

1030H.02C

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DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal sections 163.011 and 163.031, RSMo, and to enact in lieu thereof two new sections relating to state aid distributed to school districts.

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

Section A. Sections 163.011 and 163.031, RSMo, are repealed and two new sections 2 enacted in lieu thereof, to be known as sections 163.011 and 163.031, to read as follows:

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

- (1) "Adjusted operating levy", the sum of tax rates for the current year for teachers' and incidental funds for a school district as reported to the proper officer of each county pursuant to section 164.011;
- 5 (2) "Average daily attendance", the quotient or the sum of the quotients obtained by dividing the total number of hours attended in a term by resident pupils between the ages of five and twenty-one by the actual number of hours school was in session in that term. To the average daily attendance of the following school term shall be added the full-time equivalent 9 average daily attendance of summer school students. "Full-time equivalent average daily 10 attendance of summer school students" shall be computed by dividing the total number of hours, except for physical education hours that do not count as credit toward graduation for 12 students in grades nine, ten, eleven, and twelve, attended by all summer school pupils by the number of hours required in section 160.011 in the school term. For purposes of determining average daily attendance under this subdivision, the term "resident pupil" shall include all children between the ages of five and twenty-one who are residents of the school district and who are attending kindergarten through grade twelve in such district. If a child is attending school in a district other than the district of residence and the child's parent is teaching in the 17 18 school district or is a regular employee of the school district which the child is attending, then

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.

such child shall be considered a resident pupil of the school district which the child is attending for such period of time when the district of residence is not otherwise liable for tuition. Average daily attendance for students below the age of five years for which a school district may receive state aid based on such attendance shall be computed as regular school term attendance unless otherwise provided by law;

- (3) "Current operating expenditures":
- (a) For the fiscal year 2007 calculation, "current operating expenditures" shall be calculated using data from fiscal year 2004 and shall be calculated as all expenditures for instruction and support services except capital outlay and debt service expenditures minus the revenue from federal categorical sources; food service; student activities; categorical payments for transportation costs pursuant to section 163.161; state reimbursements for early childhood special education; the career ladder entitlement for the district, as provided for in section 168.500 to 168.515; the vocational education entitlement for the district, as provided for in section 167.332; and payments from other districts;
- (b) In every fiscal year [subsequent to fiscal year 2007] from 2008 to 2024, current operating expenditures shall be the amount in paragraph (a) of this subdivision plus any increases in state funding pursuant to sections 163.031 and 163.043 subsequent to fiscal year 2005, not to exceed five percent, per recalculation, of the state revenue received by a district in the 2004-05 school year from the foundation formula, line 14, gifted, remedial reading, exceptional pupil aid, fair share, and free textbook payments for any district from the first preceding calculation of the state adequacy target;
- (c) a. In fiscal years 2025 and 2026, current operating expenditures shall be the amount in paragraph (a) of this subdivision plus any increases in state funding under sections 163.031 and 163.043 subsequent to fiscal year 2005, not to exceed six percent, per recalculation, of the state revenue received by a district in the 2004-05 school year from the foundation formula, line 14, gifted, remedial reading, exceptional pupil aid, fair share, and free textbook payments for any district from the first preceding calculation of the state adequacy target;
- b. In fiscal years 2027 and 2028, current operating expenditures shall be the amount in paragraph (a) of this subdivision plus any increases in state funding under sections 163.031 and 163.043 subsequent to fiscal year 2005, not to exceed seven percent, per recalculation, of the state revenue received by a district in the 2004-05 school year from the foundation formula, line 14, gifted, remedial reading, exceptional pupil aid, fair share, and free textbook payments for any district from the first preceding calculation of the state adequacy target;
- c. In fiscal years 2029 and 2030, current operating expenditures shall be the amount in paragraph (a) of this subdivision plus any increases in state funding under

sections 163.031 and 163.043 subsequent to fiscal year 2005, not to exceed eight percent, per recalculation, of the state revenue received by a district in the 2004-05 school year from the foundation formula, line 14, gifted, remedial reading, exceptional pupil aid, fair share, and free textbook payments for any district from the first preceding calculation of the state adequacy target; and

- d. In fiscal years 2031 and 2032, and in all subsequent biennial fiscal years, current operating expenditures shall be the amount in paragraph (a) of this subdivision plus any increases in state funding under sections 163.031 and 163.043 subsequent to fiscal year 2005, not to exceed nine percent, per recalculation, of the state revenue received by a district in the 2004-05 school year from the foundation formula, line 14, gifted, remedial reading, exceptional pupil aid, fair share, and free textbook payments for any district from the first preceding calculation of the state adequacy target. Reimbursements of any increased costs incurred as a result of the calculation required under this paragraph in fiscal year 2033 and any subsequent fiscal year shall be subject to appropriations;
- (4) "District's tax rate ceiling", the highest tax rate ceiling in effect subsequent to the 1980 tax year or any subsequent year. Such tax rate ceiling shall not contain any tax levy for debt service;
- (5) "Dollar-value modifier", an index of the relative purchasing power of a dollar, calculated as one plus fifteen percent of the difference of the regional wage ratio minus one, provided that the dollar value modifier shall not be applied at a rate less than 1.0. As used in this subdivision, the following terms mean:
- (a) "County wage per job", the total county wage and salary disbursements divided by the total county wage and salary employment for each county and the City of St. Louis as reported by the Bureau of Economic Analysis of the United States Department of Commerce for the fourth year preceding the payment year;
 - (b) "Regional wage per job":
- a. The total Missouri wage and salary disbursements of the metropolitan area as defined by the Office of Management and Budget divided by the total Missouri metropolitan wage and salary employment for the metropolitan area for the county signified in the school district number or the City of St. Louis, as reported by the Bureau of Economic Analysis of the United States Department of Commerce for the fourth year preceding the payment year and recalculated upon every decennial census to incorporate counties that are newly added to the description of metropolitan areas; or if no such metropolitan area is established, then:
- b. The total Missouri wage and salary disbursements of the micropolitan area as defined by the Office of Management and Budget divided by the total Missouri micropolitan wage and salary employment for the micropolitan area for the county signified in the school

district number, as reported by the Bureau of Economic Analysis of the United States
Department of Commerce for the fourth year preceding the payment year, if a micropolitan
area for such county has been established and recalculated upon every decennial census to
incorporate counties that are newly added to the description of micropolitan areas; or

- c. If a county is not part of a metropolitan or micropolitan area as established by the Office of Management and Budget, then the county wage per job, as defined in paragraph (a) of this subdivision, shall be used for the school district, as signified by the school district number;
- (c) "Regional wage ratio", the ratio of the regional wage per job divided by the state median wage per job;
 - (d) "State median wage per job", the fifty-eighth highest county wage per job;
- (6) "Free and reduced price lunch pupil count", for school districts not eligible for and those that do not choose the USDA Community Eligibility Option, the number of pupils eligible for free and reduced price lunch on the last Wednesday in January for the preceding school year who were enrolled as students of the district, as approved by the department in accordance with applicable federal regulations. For eligible school districts that choose the USDA Community Eligibility Option, the free and reduced price lunch pupil count shall be the percentage of free and reduced price lunch students calculated as eligible on the last Wednesday in January of the most recent school year that included household applications to determine free and reduced price lunch count multiplied by the district's average daily attendance figure;
- (7) "Free and reduced price lunch threshold" shall be calculated by dividing the total free and reduced price lunch pupil count of every performance district that falls entirely above the bottom five percent and entirely below the top five percent of average daily attendance, when such districts are rank-ordered based on their current operating expenditures per average daily attendance, by the total average daily attendance of all included performance districts;
- (8) "Limited English proficiency pupil count", the number in the preceding school year of pupils aged three through twenty-one enrolled or preparing to enroll in an elementary school or secondary school who were not born in the United States or whose native language is a language other than English or are Native American or Alaskan native, or a native resident of the outlying areas, and come from an environment where a language other than English has had a significant impact on such individuals' level of English language proficiency, or are migratory, whose native language is a language other than English, and who come from an environment where a language other than English is dominant; and have difficulties in speaking, reading, writing, or understanding the English language sufficient to deny such individuals the ability to meet the state's proficient level of achievement on state

assessments described in Public Law [107-10] 107-110, the ability to achieve successfully in classrooms where the language of instruction is English, or the opportunity to participate fully in society;

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

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- (a) For the fiscal year 2007 calculation, "local effort" shall be computed as the equalized assessed valuation of the property of a school district in calendar year 2004 divided by one hundred and multiplied by the performance levy less the percentage retained by the county assessor and collector plus one hundred percent of the amount received in fiscal year 2005 for school purposes from intangible taxes, fines, escheats, payments in lieu of taxes and receipts from state-assessed railroad and utility tax, one hundred percent of the amount received for school purposes pursuant to the merchants' and manufacturers' taxes under sections 150.010 to 150.370, one hundred percent of the amounts received for school purposes from federal properties under sections 12.070 and 12.080 except when such amounts are used in the calculation of federal impact aid pursuant to P.L. 81-874, fifty percent of Proposition C revenues received for school purposes from the school district trust fund under section 163.087, and one hundred percent of any local earnings or income taxes received by the district for school purposes. Under this paragraph, for a special district established under sections 162.815 to 162.940 in a county with a charter form of government and with more than one million inhabitants, a tax levy of zero shall be utilized in lieu of the performance levy for the special school district;
- (b) In every year subsequent to fiscal year 2007, "local effort" shall be the amount calculated under paragraph (a) of this subdivision plus any increase in the amount received for school purposes from fines. If a district's assessed valuation has decreased subsequent to the calculation outlined in paragraph (a) of this subdivision, the district's local effort shall be calculated using the district's current assessed valuation in lieu of the assessed valuation utilized in the calculation outlined in paragraph (a) of this subdivision. When a change in a school district's boundary lines occurs because of a boundary line change, annexation, attachment, consolidation, reorganization, or dissolution under section 162.071, 162.081, sections 162.171 to 162.201, section 162.221, 162.223, 162.431, 162.441, or 162.451, or in the event that a school district assumes any territory from a district that ceases to exist for any reason, the department of elementary and secondary education shall make a proper

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

- (11) "Membership" shall be the average of:
- (a) The number of resident full-time students and the full-time equivalent number of part-time students who were enrolled in the public schools of the district on the last Wednesday in September of the previous year and who were in attendance one day or more during the preceding ten school days; and
- (b) The number of resident full-time students and the full-time equivalent number of part-time students who were enrolled in the public schools of the district on the last Wednesday in January of the previous year and who were in attendance one day or more during the preceding ten school days, plus the full-time equivalent number of summer school pupils. "Full-time equivalent number of part-time students" is determined by dividing the total number of hours for which all part-time students are enrolled by the number of hours in the school term. "Full-time equivalent number of summer school pupils" is determined by dividing the total number of hours for which all summer school pupils were enrolled by the number of hours required pursuant to section 160.011 in the school term. Only students eligible to be counted for average daily attendance shall be counted for membership;
- (12) "Operating levy for school purposes", the sum of tax rates levied for teachers' and incidental funds plus the operating levy or sales tax equivalent pursuant to section 162.1100 of any transitional school district containing the school district, in the payment year, not including any equalized operating levy for school purposes levied by a special school district in which the district is located;
- (13) "Performance district", any district that has met performance standards and indicators as established by the department of elementary and secondary education for purposes of accreditation under section 161.092 and as reported on the final annual performance report for that district each year; for calculations to be utilized for payments in fiscal years subsequent to fiscal year 2018, the number of performance districts shall not exceed twenty-five percent of all public school districts;
 - (14) "Performance levy", three dollars and forty-three cents;
 - (15) "School purposes" pertains to teachers' and incidental funds;
- (16) "Special education pupil count", the number of public school students with a current individualized education program or services plan and receiving services from the resident district as of December first of the preceding school year, except for special

education services provided through a school district established under sections 162.815 to 162.940 in a county with a charter form of government and with more than one million inhabitants, in which case the sum of the students in each district within the county exceeding the special education threshold of each respective district within the county shall be counted within the special district and not in the district of residence for purposes of distributing the state aid derived from the special education pupil count;

- (17) "Special education threshold" shall be calculated by dividing the total special education pupil count of every performance district that falls entirely above the bottom five percent and entirely below the top five percent of average daily attendance, when such districts are rank-ordered based on their current operating expenditures per average daily attendance, by the total average daily attendance of all included performance districts;
- (18) "State adequacy target", the sum of the current operating expenditures of every performance district that falls entirely above the bottom five percent and entirely below the top five percent of average daily attendance, when such districts are rank-ordered based on their current operating expenditures per average daily attendance, divided by the total average daily attendance of all included performance districts. The department of elementary and secondary education shall first calculate the state adequacy target for fiscal year 2007 and recalculate the state adequacy target every two years using the most current available data. The recalculation shall never result in a decrease from the state adequacy target as calculated for fiscal years 2017 and 2018 and any state adequacy target figure calculated subsequent to fiscal year 2018. Should a recalculation result in an increase in the state adequacy target amount, fifty percent of that increase shall be included in the state adequacy target amount in the year of recalculation, and fifty percent of that increase shall be included in the state adequacy target may be adjusted to accommodate available appropriations as provided in subsection 7 of section 163.031;
- (19) "Teacher", any teacher, teacher-secretary, substitute teacher, supervisor, principal, supervising principal, superintendent or assistant superintendent, school nurse, social worker, counselor or librarian who shall, regularly, teach or be employed for no higher than grade twelve more than one-half time in the public schools and who is certified under the laws governing the certification of teachers in Missouri;
- (20) "Weighted average daily attendance", the average daily attendance plus the product of twenty-five hundredths multiplied by the free and reduced price lunch pupil count that exceeds the free and reduced price lunch threshold, plus the [product of seventy-five hundredths multiplied by the] number of the special education pupil count that exceeds the special education threshold, plus the product of six-tenths multiplied by the number of limited English proficiency pupil count that exceeds the limited English proficiency threshold. For special districts established under sections 162.815 to 162.940 in a county with a charter form

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of government and with more than one million inhabitants, weighted average daily attendance 242 shall be the average daily attendance plus the product of twenty-five hundredths multiplied by 243 the free and reduced price lunch pupil count that exceeds the free and reduced price lunch 244 threshold, plus the [product of seventy-five hundredths multiplied by the sum] number of the 245 special education pupil count that exceeds the threshold for each county district, plus the 246 product of six-tenths multiplied by the limited English proficiency pupil count that exceeds 247 the limited English proficiency threshold. None of the districts comprising a special district 248 established under sections 162.815 to 162.940 in a county with a charter form of government 249 and with more than one million inhabitants [7] shall use any special education pupil count in 250 calculating their weighted average daily attendance.

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 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 2008-09 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;
- (b) For each year subsequent to the 2008-09 school year, the amount shall be no less than that computed in paragraph (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;
- (2) For districts with an average daily attendance of three hundred fifty or less in the school year preceding the payment year:
- (a) For the 2008-09 school year, the state revenue 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 greater of state revenue received by a district in the 2004-05 or 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;

- (b) For each year subsequent to the 2008-09 school year, the amount shall be no less than that computed in paragraph (a) of this subdivision;
- (3) The department of elementary and secondary education shall make an addition in the payment amount specified in subsection 1 of this section to assure compliance with the provisions contained in this subsection.
- 3. School districts that meet the requirements of section 163.021 shall receive categorical add-on revenue as provided in this subsection. The categorical add-on for the district shall be the sum of: seventy-five percent of the district allowable transportation costs under section 163.161; the career ladder entitlement for the district, as provided for in sections 168.500 to 168.515; the vocational education entitlement for the district, as provided for in section 167.332; and the district educational and screening program entitlements as provided for in sections 178.691 to 178.699. The categorical add-on revenue amounts may be adjusted to accommodate available appropriations.
- 4. For any school district meeting the eligibility criteria for state aid as established in section 163.021, but which is considered an option district under section 163.042 and therefore receives no state aid, the commissioner of education shall present a plan to the superintendent of the school district for the waiver of rules and the duration of said waivers, in order to promote flexibility in the operations of the district and to enhance and encourage efficiency in the delivery of instructional services as provided in section 163.042.
- 5. (1) (a) No less than seventy-five percent of the state revenue received under the provisions of subsections 1 and 2 of this section shall be placed in the teachers' fund, and the remaining percent of such moneys shall be placed in the incidental fund. No less than seventy-five percent of one-half of the funds received from the school district trust fund distributed under section 163.087 shall be placed in the teachers' fund. One hundred percent of revenue received under the provisions of section 163.161 shall be placed in the incidental fund. One hundred percent of revenue received under the provisions of sections 168.500 to 168.515 shall be placed in the teachers' fund.
- (b) Beginning in fiscal year 2025, eighty-five percent of additional revenue resulting from the percentage increase in each biennial calculation described in paragraph (c) of subdivision (3) of section 163.011 shall be placed in the teachers' fund, and the remaining percent of such moneys shall be placed in the incidental fund.
- (2) A school district shall spend for certificated compensation and tuition expenditures each year:
- 62 (a) An amount equal to at least seventy-five percent of the state revenue received 63 under the provisions of subsections 1 and 2 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 and 2 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.

- 6. (1) If a school district's annual audit discloses that students were inappropriately identified as eligible for free and reduced price 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 price 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.
- (2) In the 2017-18 school year and in each subsequent school year, if a district experiences a decrease in its gifted program enrollment of twenty percent or more from the previous school year, an amount equal to the product of the difference between the number of students enrolled in the gifted program in the current school year and the number of students enrolled in the gifted program in the previous school year multiplied by six hundred eighty dollars shall be subtracted from the district's current year payment amount. The provisions of this subdivision shall apply to districts entitled to receive state aid payments under both subsections 1 and 2 of this section but shall not apply to any school district with an average daily attendance of three hundred fifty or less.
- 7. Notwithstanding any provision of law to the contrary, in any fiscal year during which the total formula appropriation is insufficient to fully fund the entitlement calculation of this section, the department of elementary and secondary education shall adjust the state

adequacy target in order to accommodate the appropriation level for the given fiscal year. In no manner shall any payment modification be rendered for any district qualified to receive payments under subsection 2 of this section based on insufficient appropriations.

8. Notwithstanding any provision of law to the contrary, school districts that receive revenue from the tax authorized under sections 148.030, 148.140, 148.620, and 148.720 shall, beginning January 1, 2020, and every January first thereafter, report the amount of said revenue received by the district to the department. The department shall, based on the data submitted by the district, determine the total amount of revenue the district would have received from the tax authorized under sections 148.030, 148.140, 148.620, and 148.720 absent the provisions of section 148.720, and remit the following amount to each applicable district not less than thirty days after the conclusion of each calendar year. The amount remitted to each district shall be the total of the revenue received by the district from the tax authorized under sections 148.030, 148.140, 148.620, and 148.720 during the applicable calendar year times one and five thousand six hundred twenty-five ten thousandths minus the total of the revenue received by the district from the tax authorized under sections 148.030, 148.140, 148.620, and 148.720 during the same calendar year. This payment shall be in addition to payments authorized under subsections 1, 2, and 7 of this section and shall be made from the annual appropriation to fund this section.

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