FIRST REGULAR SESSION

SENATE BILL NO. 12

96TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR PEARCE.

Pre-filed December 1, 2010, and ordered printed.

and and

TERRY L. SPIELER, Secretary.

0082S.02I

AN ACT

To repeal sections 163.031 and 163.036, RSMo, and to enact in lieu thereof two new sections relating to state funding for elementary and secondary education, with an emergency clause.

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

Section A. Sections 163.031 and 163.036, RSMo, are repealed and two new

- 2 sections enacted in lieu thereof, to be known as sections 163.031 and 163.036, to
- 3 read as follows:
 - 163.031. 1. The department of elementary and secondary education shall
- 2 calculate and distribute to each school district qualified to receive state aid under
- 3 section 163.021 an amount determined by multiplying the district's weighted
- 4 average daily attendance by the state adequacy target, multiplying this product
- 5 by the dollar value modifier for the district, and subtracting from this product the
- 6 district's local effort and, in years not governed under subsection 4 of this section,
- 7 subtracting payments from the classroom trust fund under section 163.043.
- 8 2. Other provisions of law to the contrary notwithstanding:
- 9 (1) For districts with an average daily attendance of more than three
- 10 hundred fifty in the school year preceding the payment year:
- 11 (a) For the 2006-07 school year, the state revenue per weighted average
- 12 daily attendance received by a district from the state aid calculation under
- 13 subsections 1 and 4 of this section, as applicable, and the classroom trust fund
- 14 under section 163.043 shall not be less than the state revenue received by a
- 15 district in the 2005-06 school year from the foundation formula, line 14, gifted,
- 16 remedial reading, exceptional pupil aid, fair share, and free textbook payment
- 17 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 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) Except as provided in paragraph (e) and (f) of this subdivision, for each year subsequent to the 2008-09 school year, the amount shall be no less than that computed in paragraph (c) 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;
- (e) In any school year in which the foundation formula appropriation under subsections 1, 2, and 4 of this section is less than the fiscal year 2010 foundation formula expenditure under subsections 1, 2, and 4 of this section; less than the previous fiscal year's foundation formula expenditure under subsections 1, 2, and 4 of this section; or reduced by the governor as provided in section 27 of article IV of the Missouri Constitution and as a result of said reduction the reduced appropriation is less than the foundation formula fiscal year 2010 expenditure or less than the previous fiscal year's foundation formula expenditure, the department of elementary and secondary education

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shall reduce the payment amounts awarded to all districts under paragraph (d) of this subdivision in an amount equal to the percentage reduction calculated in subdivision (11) of subsection 4 of this section;

- (f) In any school year in which a proportional reduction occurred during the previous school year as provided in subdivision (11) of subsection 4 of this section, and in the current school year the foundation formula appropriation under subsections 1, 2, and 4 of this section is greater than the fiscal year 2010 foundation formula expenditure under subsections 1, 2, and 4 of this section and the previous fiscal year's foundation formula expenditure under subsections 1, 2, and 4 of this section but the current year appropriation would result in a decrease from the previous year's phase-in percentage attributable to subsection 1 of this section without a proportional reduction as provided in subdivision (11) of subsection 4 of this subsection, then the department of elementary and secondary education shall reduce the payment amounts awarded to all districts under paragraph (d) of this subdivision in an amount equal to the percentage reduction calculated in subdivision (11) of subsection 4 of this section;
- (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 2006-07 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 sum of one plus the product of one-third multiplied by the remainder of the dollar value modifier minus one;
- (b) For the 2007-08 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 sum of one plus the product of two-thirds multiplied by the remainder of

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90 the dollar value modifier minus one;

- (c) 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;
 - (d) Except as provided in paragraph (e) and (f) of this subdivision, for each year subsequent to the 2008-09 school year, the amount shall be no less than that computed in paragraph (c) of this subdivision;
 - (e) In any school year in which the foundation formula appropriation under subsections 1, 2, and 4 of this section is: less than the fiscal year 2010 foundation formula expenditure under subsections 1, 2, and 4 of this section; less than the previous fiscal year's foundation formula expenditure under subsections 1, 2, and 4 of this section; or reduced by the governor as provided in section 27 of article IV of the Missouri Constitution and as a result of said reduction the reduced appropriation is less than the foundation formula fiscal year 2010 expenditure or less than the previous fiscal year's foundation formula expenditure, the department of elementary and secondary education shall reduce the payment amounts awarded to all districts under paragraph (d) of this subdivision in an amount equal to the percentage reduction calculated in subdivision (11) of subsection 4 of this section;
 - (f) In any school year in which a proportional reduction occurred during the previous school year as provided in subdivision (11) of subsection 4 of this section, and in the current school year the foundation formula appropriation under subsections 1, 2, and 4 of this section is greater than the fiscal year 2010 foundation formula expenditure under subsections 1, 2, and 4 of this section and the previous fiscal year's foundation formula expenditure under subsections 1, 2, and 4 of this section but the current year appropriation would result in a decrease from the previous year's phase-in percentage attributable to subsection 1 of this section without a proportional reduction as provided in subdivision (11) of subsection 4 of this subsection, then the department of elementary and secondary education shall reduce the payment amounts awarded to all districts

under paragraph (d) of this subdivision in an amount equal to the percentage reduction calculated in subdivision (11) of subsection 4 of this section;

- (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. In the 2006-07 school year and each school year thereafter for [five] seven years, those districts entitled to receive state aid under the provisions of subsection 1 of this section shall receive state aid in an amount as provided in this subsection.
- (1) For the 2006-07 school year, the amount shall be fifteen percent of the amount of state aid calculated for the district for the 2006-07 school year under the provisions of subsection 1 of this section, plus eighty-five percent of the total amount of state revenue received by the district for the 2005-06 school year from the foundation formula, line 14, gifted, remedial reading, exceptional pupil aid, fair share, and free textbook payments less any amounts received under section 163.043.
- (2) For the 2007-08 school year, the amount shall be thirty percent of the amount of state aid calculated for the district for the 2007-08 school year under the provisions of subsection 1 of this section, plus seventy percent of the total amount of state revenue received by the district for the 2005-06 school year from the foundation formula, line 14, gifted, remedial reading, exceptional pupil aid, fair share, and free textbook payments less any amounts received under section 163.043.
- (3) For the 2008-09 school year, the amount of state aid shall be forty-four percent of the amount of state aid calculated for the district for the 2008-09 school year under the provisions of subsection 1 of this section plus fifty-six

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

- (4) For the 2009-10 school year, the amount of state aid shall be fifty-eight percent of the amount of state aid calculated for the district for the 2009-10 school year under the provisions of subsection 1 of this section plus forty-two percent of the total amount of state revenue received by the district for the 2005-06 school year from the foundation formula, line 14, gifted, remedial reading, exceptional pupil aid, fair share, and free textbook payments less any amounts received under section 163.043.
- (5) For the 2010-11 school year, the amount of state aid shall be seventy-two percent of the amount of state aid calculated for the district for the 2010-11 school year under the provisions of subsection 1 of this section plus twenty-eight percent of the total amount of state revenue received by the district for the 2005-06 school year from the foundation formula, line 14, gifted, remedial reading, exceptional pupil aid, fair share, and free textbook payments less any amounts received under section 163.043.
- (6) For the 2011-12 school year, the amount of state aid shall be [eighty-six] seventy-two percent of the amount of state aid calculated for the district for the 2011-12 school year under the provisions of subsection 1 of this section plus [fourteen] twenty-eight percent of the total amount of state revenue received by the district for the 2005-06 school year from the foundation formula, line 14, gifted, remedial reading, exceptional pupil aid, fair share, and free textbook payments less any amounts received under section 163.043.
- (7) For the 2012-13 school year, the amount of state aid shall be seventy-two percent of the amount of state aid calculated for the district for the 2012-13 school year under the provisions of subsection 1 of this section plus twenty-eight percent of the total amount of state revenue received by the district for the 2005-06 school year from the foundation formula, line 14, gifted, remedial reading, exceptional pupil aid, fair share, and free textbook payments less any amounts received under section 163.043.
- (8) For the 2013-14 school year, the amount of state aid shall be eighty-six percent of the amount of state aid calculated for the district for the 2013-14 school year under the provisions of subsection 1 of this

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

- (9) The provisions of this subsection shall not prohibit the general assembly from appropriating more funds than required to fund the applicable percentages provided for in any school year under this subsection. In such an instance, the department of elementary and secondary education shall adjust such phase-in percentages in order to accommodate the total amount of available appropriations so that such percentages equal one hundred percent and the total amount of the appropriated funds is distributed.
- (10) For any school year governed by this subsection, if the foundation formula appropriation under subsections 1, 2, and 4 of this section is equal to or greater than the fiscal year 2010 foundation formula expenditure under subsections 1, 2, and 4 of this section and the previous fiscal year's foundation formula expenditure under subsections 1, 2, and 4 of this section but is insufficient to fully fund the applicable percentages provided for in any school year under this subsection, the department of elementary and secondary education shall adjust such phase-in percentages in order to accommodate the total amount of available appropriations so that such percentages equal one hundred percent and the total amount of the appropriated funds is distributed. In the event of a reduction from the current year appropriation by the governor as provided in section 27 of article IV of the Missouri Constitution resulting in a reduced foundation formula appropriation under subsections 1, 2, and 4 of this section, such reduced appropriation level shall be utilized when determining qualification under this subdivision.
- (11) In any school year in which the foundation formula appropriation under subsections 1, 2, and 4 of this section is: less than the fiscal year 2010 foundation formula expenditure under subsections 1, 2, and 4 of this section; less than the previous fiscal year's foundation formula expenditure under subsections 1, 2, and 4 of this section; or reduced from the current year appropriation by the governor as provided in section 27 of article IV of the Missouri Constitution and as

a result of said reduction the reduced appropriation is less than the foundation formula fiscal year 2010 expenditure or less than the previous fiscal year's foundation formula expenditure, the department of elementary and secondary education shall reduce the payment amounts awarded to all districts, including those districts that qualify under subsection 2 of this section. The department shall calculate a uniform proportional reduction percentage based on all available foundation formula state aid for the given school year to be applied to the payment amount to which all districts would otherwise be entitled under the applicable phase-in percentage for the applicable school year as provided in this subsection.

- (12) In any school year in which a proportional reduction occurred during the previous school year as provided in subdivision (11) of this subsection, and in the current school year the foundation formula appropriation under subsections 1, 2, and 4 of this section is greater than the fiscal year 2010 foundation formula expenditure under subsections 1, 2, and 4 of this section and the previous fiscal year's foundation formula expenditure under subsections 1, 2, and 4 of this section but the current year appropriation would result in a decrease from the previous year's phase-in percentage attributable to subsection 1 of this section without a proportional reduction as provided in subdivision (11) of this subsection, then the department shall calculate and apply a uniform proportional reduction percentage as provided in subdivision (11) of this subsection;
- (13) (a) Notwithstanding subdivision (18) of section 163.011, the state adequacy target may not be adjusted downward to accommodate available appropriations in any year governed by this subsection.
- (b) [a. For the 2006-07 school year, if a school district experiences a decrease in summer school average daily attendance of more than twenty percent from the district's 2005-06 summer school average daily attendance, an amount equal to the product of the percent reduction that is in excess of twenty percent of the district's summer school average daily attendance multiplied by the funds generated by the district's summer school program in the 2005-06 school year shall be subtracted from the district's current year payment amount.
- b. For the 2007-08 school year, if a school district experiences a decrease in summer school average daily attendance of more than thirty percent from the district's 2005-06 summer school average daily attendance, an amount equal to

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

- c. For the 2008-09 school year, if a school district experiences a decrease in summer school average daily attendance of more than thirty-five percent from the district's 2005-06 summer school average daily attendance, an amount equal to the product of the percent reduction that is in excess of thirty-five percent of the district's summer school average daily attendance multiplied by the funds generated by the district's summer school program in the 2005-06 school year shall be subtracted from the district's payment amount.
- d. Notwithstanding the provisions of this paragraph, no such reduction shall be made in the case of a district that is receiving a payment under section 163.044 or any district whose regular school term average daily attendance for the preceding year was three hundred fifty or less.
- e. This paragraph shall not be construed to permit any reduction applied under this paragraph to result in any district receiving a current-year payment that is less than the amount calculated for such district under subsection 2 of this section.
- (c)] If a school district experiences a decrease in its gifted program enrollment of more than twenty percent from its 2005-06 gifted program enrollment in any year governed by this subsection, an amount equal to the product of the percent reduction in the district's gifted program enrollment multiplied by the funds generated by the district's gifted program in the 2005-06 school year shall be subtracted from the district's current year payment amount.
- 5. 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.
- 6. (1) No less than seventy-five percent of the state revenue received under the provisions of subsections 1, 2, and 4 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.

- 314 (2) A school district shall spend for certificated compensation and tuition 315 expenditures each year:
 - (a) An amount equal to at least seventy-five percent of the state revenue received under 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.

163.036. 1. In computing the amount of state aid a school district is

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entitled to receive for the minimum school term only under section 163.031, a school district may use an estimate of the weighted average daily attendance for the current year, or the weighted average daily attendance for the immediately 5 preceding year or the weighted average daily attendance for the second preceding school year, whichever is greater. Beginning with the 2006-07 school year, the 6 summer school attendance included in the average daily attendance as defined in subdivision (2) of section 163.011 shall include only the attendance hours of pupils that attend summer school in the current year. Beginning with the 9 2011-2012 school year, summer school attendance shall not be included 10 in average daily attendance. This subsection shall not be construed to 11 12disallow a school district from providing a summer school program at the expense of the district or parent. Beginning with the 2004-05 school 13 year, when a district's official calendar for the current year contributes to a more 14 than ten percent reduction in the average daily attendance for kindergarten 15 compared to the immediately preceding year, the payment attributable to 16 17 kindergarten shall include only the current year kindergarten average daily 18 attendance. Any error made in the apportionment of state aid because of a difference between the actual weighted average daily attendance and the 19 20 estimated weighted average daily attendance shall be corrected as provided in section 163.091, except that if the amount paid to a district estimating weighted 2122average daily attendance exceeds the amount to which the district was actually 23 entitled by more than five percent, interest at the rate of six percent shall be charged on the excess and shall be added to the amount to be deducted from the 2425district's apportionment the next succeeding year.

- 2. Notwithstanding the provisions of subsection 1 of this section or any other provision of law, the state board of education shall make an adjustment for the immediately preceding year for any increase in the actual weighted average daily attendance above the number on which the state aid in section 163.031 was calculated. Said adjustment shall be made in the manner providing for correction of errors under subsection 1 of this section.
- 3. Any error made in the apportionment of state aid because of a difference between the actual equalized assessed valuation for the current year and the estimated equalized assessed valuation for the current year shall be corrected as provided in section 163.091, except that if the amount paid to a district estimating current equalized assessed valuation exceeds the amount to which the district was actually entitled, interest at the rate of six percent shall

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be charged on the excess and shall be added to the amount to be deducted from the district's apportionment the next succeeding year.

- 4. For the purposes of distribution of state school aid pursuant to section 163.031, a school district with ten percent or more of its assessed valuation that is owned by one person or corporation as commercial or personal property who is delinquent in a property tax payment may elect, after receiving notice from the county clerk on or before March fifteenth that more than ten percent of its current taxes due the preceding December thirty-first by a single property owner are delinquent, to use in the local effort calculation of the state aid formula the district's equalized assessed valuation for the preceding year or the actual assessed valuation of the year for which the taxes are delinquent less the assessed valuation of property for which the current year's property tax is delinquent. To qualify for use of the actual assessed valuation of the year for which the taxes are delinquent less the assessed valuation of property for which the current year's property tax is delinquent, a district must notify the department of elementary and secondary education on or before April first, except in the year enacted, of the current year amount of delinquent taxes, the assessed valuation of such property for which delinquent taxes are owed and the total assessed valuation of the district for the year in which the taxes were due but not paid. Any district giving such notice to the department of elementary and secondary education shall present verification of the accuracy of such notice obtained from the clerk of the county levying delinquent taxes. When any of the delinquent taxes identified by such notice are paid during a four-year period following the due date, the county clerk shall give notice to the district and the department of elementary and secondary education, and state aid paid to the district shall be reduced by an amount equal to the delinquent taxes received plus interest. The reduction in state aid shall occur over a period not to exceed five years and the interest rate on excess state aid not refunded shall be six percent annually.
- 5. If a district receives state aid based on equalized assessed valuation as determined by subsection 4 of this section and if prior to such notice the district was paid state aid pursuant to section 163.031, the amount of state aid paid during the year of such notice and the first year following shall equal the sum of state aid paid pursuant to section 163.031 plus the difference between the state aid amount being paid after such notice minus the amount of state aid the district would have received pursuant to section 163.031 before such notice. To be

eligible to receive state aid based on this provision the district must levy during the first year following such notice at least the maximum levy permitted school

76 districts by article X, section 11(b) of the Missouri Constitution and have a

77 voluntary rollback of its tax rate which is no greater than one cent per one

78 hundred dollars assessed valuation.

Section B. Because of the need to provide adequate funding to public schools, section A of this act is deemed necessary for the immediate preservation of the public health, welfare, peace and safety, and is hereby declared to be an emergency act within the meaning of the constitution, and section A of this act shall be in full force and effect upon its passage and approval or July 1, 2011, whichever occurs later.

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Bill

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