

**SUBSTITUTE FOR
HOUSE BILL NO. 4162**

A bill to amend 1979 PA 94, entitled
"The state school aid act of 1979,"
by amending sections 11, 20, 22a, 22b, 31aa, 51a, 51c, 51d, 51e,
53a, 54, 147a, 147c, and 147e (MCL 388.1611, 388.1620, 388.1622a,
388.1622b, 388.1631aa, 388.1651a, 388.1651c, 388.1651d, 388.1651e,
388.1653a, 388.1654, 388.1747a, 388.1747c, and 388.1747e), sections
11 and 31aa as amended by 2024 PA 148 and sections 20, 22a, 22b,
51a, 51c, 51d, 51e, 53a, 54, 147a, 147c, and 147e as amended by
2024 PA 120, and by adding section 201i.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 11. (1) For the fiscal year ending September 30, ~~2025,~~
2 **2026**, there is appropriated for the public schools of this state
3 and certain other state purposes relating to education the sum of



~~\$17,769,551,300.00~~ **\$15,039,488,000.00** from the state school aid fund, **and** the sum of ~~\$78,830,600.00~~ **\$400,000.00** from the general fund. ~~, an amount not to exceed \$41,000,000.00 from the community district education trust fund created under section 12 of the Michigan trust fund act, 2000 PA 489, MCL 12.262, an amount not to exceed \$125,000,000.00 from the school transportation fund created under section 22k, an amount not to exceed \$71,000,000.00 from the enrollment stabilization fund created under section 29, an amount not to exceed \$30,000,000.00 from the school meals reserve fund created under section 30e, an amount not to exceed \$18,000,000.00 from the great start readiness program reserve fund created under section 32e, an amount not to exceed \$334,100,000.00 from the MPERS retirement obligation reform reserve fund created under section 147b, and an amount not to exceed \$30,000,000.00 from the educator fellowship public provider fund created in section 27d.~~ In addition, all available federal funds are only appropriated as allocated in this article for the fiscal year ending September 30, ~~2025.~~2026.

(2) The appropriations under this section are allocated as provided in this article. Money appropriated under this section from the general fund must be expended to fund the purposes of this article before the expenditure of money appropriated under this section from the state school aid fund.

(3) Any general fund allocations under this article that are not expended by the end of the fiscal year are transferred to the school aid stabilization fund created under section 11a.

Sec. 20. (1) For ~~2024-2025,~~ **2025-2026**, the target foundation allowance is ~~\$9,608.00.~~ **\$10,025.00.**

(2) The department shall calculate the amount of each



1 district's foundation allowance as provided in this section, using
2 a target foundation allowance in the amount specified in subsection
3 (1).

4 (3) Except as otherwise provided in this section, the
5 department shall calculate the amount of a district's foundation
6 allowance as follows, using in all calculations the total amount of
7 the district's foundation allowance as calculated before any
8 proration:

9 (a) For a district that had a foundation allowance for the
10 immediately preceding fiscal year that was equal to the target
11 foundation allowance for the immediately preceding fiscal year, the
12 district receives a foundation allowance in an amount equal to the
13 target foundation allowance described in subsection (1) for the
14 current fiscal year.

15 (b) For a district that had a foundation allowance for the
16 immediately preceding fiscal year that was greater than the target
17 foundation allowance for the immediately preceding fiscal year, the
18 district's foundation allowance is an amount equal to the lesser of
19 (the sum of the district's foundation allowance for the immediately
20 preceding fiscal year plus any per pupil amount calculated under
21 section 20m(2) in the immediately preceding fiscal year plus the
22 increase in the target foundation allowance for the current fiscal
23 year, as compared to the immediately preceding fiscal year) or (the
24 product of the district's foundation allowance for the immediately
25 preceding fiscal year times the percentage increase in the United
26 States Consumer Price Index in the calendar year ending in the
27 immediately preceding fiscal year as reported by the May revenue
28 estimating conference conducted under section 367b of the
29 management and budget act, 1984 PA 431, MCL 18.1367b).



1 (c) For a district that had a foundation allowance in the
2 immediately preceding fiscal year that was less than the target
3 foundation allowance in effect for that fiscal year, the district's
4 foundation allowance is an amount equal to the lesser of (the sum
5 of district's foundation allowance for the immediately preceding
6 fiscal year plus any per pupil amount calculated under section
7 20m(2) in the immediately preceding fiscal year plus the increase
8 in the target foundation allowance for the current fiscal year, as
9 compared to the immediately preceding fiscal year) or (the product
10 of the district's foundation allowance for the immediately
11 preceding fiscal year times the percentage increase in the United
12 States Consumer Price Index in the calendar year ending in the
13 immediately preceding fiscal year as reported by the May revenue
14 estimating conference conducted under section 367b of the
15 management and budget act, 1984 PA 431, MCL 18.1367b).

16 (d) For a district that has a foundation allowance that is not
17 a whole dollar amount, the department shall round the district's
18 foundation allowance up to the nearest whole dollar.

19 (4) Except as otherwise provided in this subsection, the state
20 portion of a district's foundation allowance is an amount equal to
21 the district's foundation allowance or the target foundation
22 allowance for the current fiscal year, whichever is less, minus the
23 local portion of the district's foundation allowance. Except as
24 otherwise provided in this subsection, for a district described in
25 subsection (3) (b) and (c), the state portion of the district's
26 foundation allowance is an amount equal to the target foundation
27 allowance minus the district's foundation allowance supplemental
28 payment per pupil calculated under section 20m and minus the local
29 portion of the district's foundation allowance. For a district that



1 has a millage reduction required under section 31 of article IX of
2 the state constitution of 1963, the department shall calculate the
3 state portion of the district's foundation allowance as if that
4 reduction did not occur. For a receiving district, if school
5 operating taxes continue to be levied on behalf of a dissolved
6 district that has been attached in whole or in part to the
7 receiving district to satisfy debt obligations of the dissolved
8 district under section 12 of the revised school code, MCL 380.12,
9 the taxable value per membership pupil of property in the receiving
10 district used for the purposes of this subsection does not include
11 the taxable value of property within the geographic area of the
12 dissolved district. For a community district, if school operating
13 taxes continue to be levied by a qualifying school district under
14 section 12b of the revised school code, MCL 380.12b, with the same
15 geographic area as the community district, the taxable value per
16 membership pupil of property in the community district to be used
17 for the purposes of this subsection does not include the taxable
18 value of property within the geographic area of the community
19 district.

20 (5) The allocation calculated under this section for a pupil
21 is based on the foundation allowance of the pupil's district of
22 residence. For a pupil enrolled under section 105 or 105c in a
23 district other than the pupil's district of residence, the
24 allocation calculated under this section is based on the lesser of
25 the foundation allowance of the pupil's district of residence or
26 the foundation allowance of the educating district. For a pupil in
27 membership in a K-5, K-6, or K-8 district who is enrolled in
28 another district in a grade not offered by the pupil's district of
29 residence, the allocation calculated under this section is based on



1 the foundation allowance of the educating district if the educating
2 district's foundation allowance is greater than the foundation
3 allowance of the pupil's district of residence. The calculation
4 under this subsection must take into account a district's per-pupil
5 allocation under section 20m.

6 (6) Except as otherwise provided in this subsection, for
7 pupils in membership, other than special education pupils, in a
8 public school academy, the allocation calculated under this section
9 is an amount per membership pupil other than special education
10 pupils in the public school academy equal to the target foundation
11 allowance specified in subsection (1), or, for a public school
12 academy that was issued a contract under section 552 of the revised
13 school code, MCL 380.552, to operate as a school of excellence that
14 is a cyber school, ~~\$9,150.00.~~ **\$10,025.00.** Notwithstanding section
15 101, for a public school academy that begins operations after the
16 pupil membership count day, the amount per membership pupil
17 calculated under this subsection must be adjusted by multiplying
18 that amount per membership pupil by the number of hours of pupil
19 instruction provided by the public school academy after it begins
20 operations, as determined by the department, divided by the minimum
21 number of hours of pupil instruction required under section 101(3).
22 The result of this calculation must not exceed the amount per
23 membership pupil otherwise calculated under this subsection.

24 (7) For pupils in membership, other than special education
25 pupils, in a community district, the allocation calculated under
26 this section is an amount per membership pupil other than special
27 education pupils in the community district equal to the foundation
28 allowance of the qualifying school district, as described in
29 section 12b of the revised school code, MCL 380.12b, that is



1 located within the same geographic area as the community district.

2 (8) Subject to subsection (4), for a district that is formed
3 or reconfigured after June 1, 2002 by consolidation of 2 or more
4 districts or by annexation, the resulting district's foundation
5 allowance under this section beginning after the effective date of
6 the consolidation or annexation is the lesser of the sum of the
7 average of the foundation allowances of each of the original or
8 affected districts, calculated as provided in this section,
9 weighted as to the percentage of pupils in total membership in the
10 resulting district who reside in the geographic area of each of the
11 original or affected districts plus \$100.00 or the highest
12 foundation allowance among the original or affected districts. This
13 subsection does not apply to a receiving district unless there is a
14 subsequent consolidation or annexation that affects the district.
15 The calculation under this subsection must take into account a
16 district's per-pupil allocation under section 20m.

17 (9) The department shall round each fraction used in making
18 calculations under this section to the fourth decimal place and
19 shall round the dollar amount of an increase in the target
20 foundation allowance to the nearest whole dollar.

21 (10) State payments related to payment of the foundation
22 allowance for a special education pupil are not calculated under
23 this section but are instead calculated under section 51e.

24 (11) To assist the legislature in determining the target
25 foundation allowance for the subsequent fiscal year, each revenue
26 estimating conference conducted under section 367b of the
27 management and budget act, 1984 PA 431, MCL 18.1367b, must
28 calculate a pupil membership factor, a revenue adjustment factor,
29 and an index as follows:



1 (a) The pupil membership factor is computed by dividing the
2 estimated membership in the school year ending in the current
3 fiscal year, excluding intermediate district membership, by the
4 estimated membership for the school year ending in the subsequent
5 fiscal year, excluding intermediate district membership. If a
6 consensus membership factor is not determined at the revenue
7 estimating conference, the principals of the revenue estimating
8 conference shall report their estimates to the house and senate
9 subcommittees responsible for school aid appropriations not later
10 than 7 days after the conclusion of the revenue conference.

11 (b) The revenue adjustment factor is computed by dividing the
12 sum of the estimated total state school aid fund revenue for the
13 subsequent fiscal year plus the estimated total state school aid
14 fund revenue for the current fiscal year, adjusted for any change
15 in the rate or base of a tax the proceeds of which are deposited in
16 that fund and excluding money transferred into that fund from the
17 countercyclical budget and economic stabilization fund under the
18 management and budget act, 1984 PA 431, MCL 18.1101 to 18.1594, by
19 the sum of the estimated total school aid fund revenue for the
20 current fiscal year plus the estimated total state school aid fund
21 revenue for the immediately preceding fiscal year, adjusted for any
22 change in the rate or base of a tax the proceeds of which are
23 deposited in that fund. If a consensus revenue factor is not
24 determined at the revenue estimating conference, the principals of
25 the revenue estimating conference shall report their estimates to
26 the house and senate subcommittees responsible for school aid
27 appropriations not later than 7 days after the conclusion of the
28 revenue conference.

29 (c) The index is calculated by multiplying the pupil



1 membership factor by the revenue adjustment factor. If a consensus
2 index is not determined at the revenue estimating conference, the
3 principals of the revenue estimating conference shall report their
4 estimates to the house and senate subcommittees responsible for
5 state school aid appropriations not later than 7 days after the
6 conclusion of the revenue conference.

7 (12) Payments to districts and public school academies are not
8 made under this section. Rather, the calculations under this
9 section are used to determine the amount of state payments under
10 section 22b.

11 (13) If an amendment to section 2 of article VIII of the state
12 constitution of 1963 allowing state aid to some or all nonpublic
13 schools is approved by the voters of this state, each foundation
14 allowance or per-pupil payment calculation under this section may
15 be reduced.

16 (14) As used in this section:

17 (a) "Certified mills" means the lesser of 18 mills or the
18 number of mills of school operating taxes levied by the district in
19 1993-94.

20 (b) "Current fiscal year" means the fiscal year for which a
21 particular calculation is made.

22 (c) "Dissolved district" means a district that loses its
23 organization, has its territory attached to 1 or more other
24 districts, and is dissolved as provided under section 12 of the
25 revised school code, MCL 380.12.

26 (d) "Immediately preceding fiscal year" means the fiscal year
27 immediately preceding the current fiscal year.

28 (e) "Local portion of the district's foundation allowance"
29 means an amount that is equal to the difference between (the sum of



1 the product of the taxable value per membership pupil of all
2 property in the district that is nonexempt property times the
3 district's certified mills and, for a district with certified mills
4 exceeding 12, the product of the taxable value per membership pupil
5 of property in the district that is commercial personal property
6 times the certified mills minus 12 mills) and (the quotient of the
7 product of the captured assessed valuation under tax increment
8 financing acts times the district's certified mills divided by the
9 district's membership excluding special education pupils).

10 (f) "Membership" means the definition of that term under
11 section 6 as in effect for the particular fiscal year for which a
12 particular calculation is made.

13 (g) "Nonexempt property" means property that is not a
14 principal residence, qualified agricultural property, qualified
15 forest property, supportive housing property, industrial personal
16 property, commercial personal property, or property occupied by a
17 public school academy.

18 (h) "Principal residence", "qualified agricultural property",
19 "qualified forest property", "supportive housing property",
20 "industrial personal property", and "commercial personal property"
21 mean those terms as defined in section 1211 of the revised school
22 code, MCL 380.1211.

23 (i) "Receiving district" means a district to which all or part
24 of the territory of a dissolved district is attached under section
25 12 of the revised school code, MCL 380.12.

26 (j) "School operating purposes" means the purposes included in
27 the operation costs of the district as prescribed in sections 7 and
28 18 and purposes authorized under section 1211 of the revised school
29 code, MCL 380.1211.



(k) "School operating taxes" means local ad valorem property taxes levied under section 1211 of the revised school code, MCL 380.1211, and retained for school operating purposes.

(l) "Tax increment financing acts" means parts 2, 3, 4, and 6 of the recodified tax increment financing act, 2018 PA 57, MCL 125.4201 to 125.4420 and 125.4602 to 125.4629, or the brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2670.

(m) "Taxable value per membership pupil" means taxable value, as certified by the county treasurer and reported to the department, for the calendar year ending in the current state fiscal year divided by the district's membership excluding special education pupils for the school year ending in the current state fiscal year.

Sec. 22a. (1) From the state school aid fund money appropriated in section 11, ~~there is allocated an amount not to exceed \$4,144,000,000.00 for 2023-2024 and there is allocated an amount not to exceed \$3,993,000,000.00~~ **\$3,803,000,000.00** for ~~2024-2025-2025-2026~~ for payments to districts and qualifying public school academies to guarantee each district and qualifying public school academy an amount equal to its 1994-95 total state and local per-pupil revenue for school operating purposes under section 11 of article IX of the state constitution of 1963. Pursuant to section 11 of article IX of the state constitution of 1963, this guarantee does not apply to a district in a year in which the district levies a millage rate for school district operating purposes less than it levied in 1994. However, subsection (2) applies to calculating the payments under this section. Funds allocated under this section that are not expended in the fiscal year for which they were allocated, as determined by the department, may be used to



1 supplement the allocations under sections 22b and 51c to fully fund
2 those allocations for the same fiscal year.

3 (2) To ensure that a district receives an amount equal to the
4 district's 1994-95 total state and local per-pupil revenue for
5 school operating purposes, there is allocated to each district a
6 state portion of the district's 1994-95 foundation allowance in an
7 amount calculated as follows:

8 (a) Except as otherwise provided in this subsection, the state
9 portion of a district's 1994-95 foundation allowance is an amount
10 equal to the district's 1994-95 foundation allowance or \$6,500.00,
11 whichever is less, minus the difference between the sum of the
12 product of the taxable value per membership pupil of all property
13 in the district that is nonexempt property times the district's
14 certified mills and, for a district with certified mills exceeding
15 12, the product of the taxable value per membership pupil of
16 property in the district that is commercial personal property times
17 the certified mills minus 12 mills and the quotient of the ad
18 valorem property tax revenue of the district captured under tax
19 increment financing acts divided by the district's membership. For
20 a district that has a millage reduction required under section 31
21 of article IX of the state constitution of 1963, the department
22 shall calculate the state portion of the district's foundation
23 allowance as if that reduction did not occur. For a receiving
24 district, if school operating taxes are to be levied on behalf of a
25 dissolved district that has been attached in whole or in part to
26 the receiving district to satisfy debt obligations of the dissolved
27 district under section 12 of the revised school code, MCL 380.12,
28 taxable value per membership pupil of all property in the receiving
29 district that is nonexempt property and taxable value per



1 membership pupil of property in the receiving district that is
2 commercial personal property do not include property within the
3 geographic area of the dissolved district; ad valorem property tax
4 revenue of the receiving district captured under tax increment
5 financing acts does not include ad valorem property tax revenue
6 captured within the geographic boundaries of the dissolved district
7 under tax increment financing acts; and certified mills do not
8 include the certified mills of the dissolved district. For a
9 community district, the department shall reduce the allocation as
10 otherwise calculated under this section by an amount equal to the
11 amount of local school operating tax revenue that would otherwise
12 be due to the community district if not for the operation of
13 section 386 of the revised school code, MCL 380.386, and the amount
14 of this reduction is offset by the increase in funding under
15 section 22b(2).

16 (b) For a district that had a 1994-95 foundation allowance
17 greater than \$6,500.00, the state payment under this subsection is
18 the sum of the amount calculated under subdivision (a) plus the
19 amount calculated under this subdivision. The amount calculated
20 under this subdivision must be equal to the difference between the
21 district's 1994-95 foundation allowance minus \$6,500.00 and the
22 current year hold harmless school operating taxes per pupil. If the
23 result of the calculation under subdivision (a) is negative, the
24 negative amount is an offset against any state payment calculated
25 under this subdivision. If the result of a calculation under this
26 subdivision is negative, there is not a state payment or a
27 deduction under this subdivision. The taxable values per membership
28 pupil used in the calculations under this subdivision are as
29 adjusted by ad valorem property tax revenue captured under tax



1 increment financing acts divided by the district's membership. For
2 a receiving district, if school operating taxes are to be levied on
3 behalf of a dissolved district that has been attached in whole or
4 in part to the receiving district to satisfy debt obligations of
5 the dissolved district under section 12 of the revised school code,
6 MCL 380.12, ad valorem property tax revenue captured under tax
7 increment financing acts do not include ad valorem property tax
8 revenue captured within the geographic boundaries of the dissolved
9 district under tax increment financing acts.

10 (3) For pupils in membership in a qualifying public school
11 academy, there is allocated under this section to the authorizing
12 body that is the fiscal agent for the qualifying public school
13 academy for forwarding to the qualifying public school academy an
14 amount equal to the 1994-95 per-pupil payment to the qualifying
15 public school academy under section 20.

16 (4) A district or qualifying public school academy may use
17 funds allocated under this section in conjunction with any federal
18 funds for which the district or qualifying public school academy
19 otherwise would be eligible.

20 (5) Except as otherwise provided in this subsection, for a
21 district that is formed or reconfigured after June 1, 2000 by
22 consolidation of 2 or more districts or by annexation, the
23 resulting district's 1994-95 foundation allowance under this
24 section beginning after the effective date of the consolidation or
25 annexation is the average of the 1994-95 foundation allowances of
26 each of the original or affected districts, calculated as provided
27 in this section, weighted as to the percentage of pupils in total
28 membership in the resulting district in the fiscal year in which
29 the consolidation takes place who reside in the geographic area of



1 each of the original districts. If an affected district's 1994-95
2 foundation allowance is less than the 1994-95 basic foundation
3 allowance, the amount of that district's 1994-95 foundation
4 allowance is considered for the purpose of calculations under this
5 subsection to be equal to the amount of the 1994-95 basic
6 foundation allowance. This subsection does not apply to a receiving
7 district unless there is a subsequent consolidation or annexation
8 that affects the district.

9 (6) Payments under this section are subject to section 25g.

10 (7) As used in this section:

11 (a) "1994-95 foundation allowance" means a district's 1994-95
12 foundation allowance calculated and certified by the department of
13 treasury or the superintendent under former section 20a as enacted
14 in 1993 PA 336 and as amended by 1994 PA 283.

15 (b) "Certified mills" means the lesser of 18 mills or the
16 number of mills of school operating taxes levied by the district in
17 1993-94.

18 (c) "Current fiscal year" means the fiscal year for which a
19 particular calculation is made.

20 (d) "Current year hold harmless school operating taxes per
21 pupil" means the per-pupil revenue generated by multiplying a
22 district's 1994-95 hold harmless millage by the district's current
23 year taxable value per membership pupil. For a receiving district,
24 if school operating taxes are to be levied on behalf of a dissolved
25 district that has been attached in whole or in part to the
26 receiving district to satisfy debt obligations of the dissolved
27 district under section 12 of the revised school code, MCL 380.12,
28 taxable value per membership pupil does not include the taxable
29 value of property within the geographic area of the dissolved



1 district.

2 (e) "Dissolved district" means a district that loses its
3 organization, has its territory attached to 1 or more other
4 districts, and is dissolved as provided under section 12 of the
5 revised school code, MCL 380.12.

6 (f) "Hold harmless millage" means, for a district with a 1994-
7 95 foundation allowance greater than \$6,500.00, the number of mills
8 by which the exemption from the levy of school operating taxes on a
9 principal residence, qualified agricultural property, qualified
10 forest property, supportive housing property, industrial personal
11 property, commercial personal property, and property occupied by a
12 public school academy could be reduced as provided in section 1211
13 of the revised school code, MCL 380.1211, and the number of mills
14 of school operating taxes that could be levied on all property as
15 provided in section 1211(2) of the revised school code, MCL
16 380.1211, as certified by the department of treasury for the 1994
17 tax year. For a receiving district, if school operating taxes are
18 to be levied on behalf of a dissolved district that has been
19 attached in whole or in part to the receiving district to satisfy
20 debt obligations of the dissolved district under section 12 of the
21 revised school code, MCL 380.12, school operating taxes do not
22 include school operating taxes levied within the geographic area of
23 the dissolved district.

24 (g) "Membership" means the definition of that term under
25 section 6 as in effect for the particular fiscal year for which a
26 particular calculation is made.

27 (h) "Nonexempt property" means property that is not a
28 principal residence, qualified agricultural property, qualified
29 forest property, supportive housing property, industrial personal



1 property, commercial personal property, or property occupied by a
2 public school academy.

3 (i) "Principal residence", "qualified agricultural property",
4 "qualified forest property", "supportive housing property",
5 "industrial personal property", and "commercial personal property"
6 mean those terms as defined in section 1211 of the revised school
7 code, MCL 380.1211.

8 (j) "Qualifying public school academy" means a public school
9 academy that was in operation in the 1994-95 school year and is in
10 operation in the current fiscal year.

11 (k) "Receiving district" means a district to which all or part
12 of the territory of a dissolved district is attached under section
13 12 of the revised school code, MCL 380.12.

14 (l) "School operating taxes" means local ad valorem property
15 taxes levied under section 1211 of the revised school code, MCL
16 380.1211, and retained for school operating purposes as defined in
17 section 20.

18 (m) "Tax increment financing acts" means parts 2, 3, 4, and 6
19 of the recodified tax increment financing act, 2018 PA 57, MCL
20 125.4201 to 125.4420 and 125.4602 to 125.4629, or the brownfield
21 redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2670.

22 (n) "Taxable value per membership pupil" means each of the
23 following divided by the district's membership:

24 (i) For the number of mills by which the exemption from the
25 levy of school operating taxes on a principal residence, qualified
26 agricultural property, qualified forest property, supportive
27 housing property, industrial personal property, commercial personal
28 property, and property occupied by a public school academy may be
29 reduced as provided in section 1211 of the revised school code, MCL



380.1211, the taxable value of principal residence, qualified agricultural property, qualified forest property, supportive housing property, industrial personal property, commercial personal property, and property occupied by a public school academy for the calendar year ending in the current fiscal year. For a receiving district, if school operating taxes are to be levied on behalf of a dissolved district that has been attached in whole or in part to the receiving district to satisfy debt obligations of the dissolved district under section 12 of the revised school code, MCL 380.12, mills do not include mills within the geographic area of the dissolved district.

(ii) For the number of mills of school operating taxes that may be levied on all property as provided in section 1211(2) of the revised school code, MCL 380.1211, the taxable value of all property for the calendar year ending in the current fiscal year. For a receiving district, if school operating taxes are to be levied on behalf of a dissolved district that has been attached in whole or in part to the receiving district to satisfy debt obligations of the dissolved district under section 12 of the revised school code, MCL 380.12, school operating taxes do not include school operating taxes levied within the geographic area of the dissolved district.

Sec. 22b. (1) Except as otherwise provided in this section, for discretionary nonmandated payments to districts under this section, ~~there is allocated for 2023-2024 an amount not to exceed \$6,219,000,000.00 from the state school aid fund and general fund appropriations in section 11 and an amount not to exceed \$72,000,000.00 from the community district education trust fund appropriation in section 11, and there is allocated for 2024-2025~~



~~2025-2026~~ an amount not to exceed ~~\$6,213,000,000.00~~
~~\$6,654,000,000.00~~ from the state school aid fund ~~and general fund~~
~~appropriations~~ **appropriation** in section 11. ~~and an amount not to~~
~~exceed \$41,000,000.00 from the community district education trust~~
~~fund appropriation in section 11. For 2023-2024, \$33,700,000.00~~
~~must be deposited from the general fund into the state school aid~~
~~fund to reimburse the state school aid fund for community district~~
~~education trust fund costs in excess of \$72,000,000.00, as required~~
~~under section 12 of the Michigan trust fund act, 2000 PA 489, MCL~~
~~12.262. For 2024-2025, the amount necessary, estimated at~~
~~\$70,200,000.00 must be deposited from the general fund into the~~
~~state school aid fund to reimburse the state school aid fund for~~
~~community district education trust fund costs in excess of~~
~~\$41,000,000.00, as required under section 12 of the Michigan trust~~
~~fund act, 2000 PA 489, MCL 12.262. If the amount allocated under~~
~~this subsection from the community district education trust fund~~
~~appropriation under section 11 is insufficient to pay for an~~
~~increase under this section, any amount exceeding that allocation~~
~~may be paid from other allocations under this subsection. Except~~
~~for money allocated under this section from the community district~~
~~education trust fund appropriation in section 11, funds~~ **Funds**
 allocated under this section that are not expended in the fiscal
 year for which they were allocated, as determined by the
 department, may be used to supplement the allocations under
 sections 22a and 51c to fully fund those allocations for the same
 fiscal year.

(2) Subject to subsection (3) and section 296, the allocation
 to a district under this section is an amount equal to the sum of
 the amounts calculated under sections 20, 20m, 51a(2), 51a(3),



51a(11), and 51e, minus the sum of the allocations to the district under sections 22a and 51c. For a community district, the allocation as otherwise calculated under this section is increased by an amount equal to the amount of local school operating tax revenue that would otherwise be due to the community district if not for the operation of section 386 of the revised school code, MCL 380.386, ~~and this increase must be paid from the community district education trust fund allocation in subsection (1) to~~ offset the absence of local school operating revenue in a community district in the funding of the state portion of the foundation allowance under section 20(4).

(3) To receive an allocation under subsection (1), each district must do all of the following:

(a) Comply with section 1280b of the revised school code, MCL 380.1280b.

(b) Comply with sections 1278a and 1278b of the revised school code, MCL 380.1278a and 380.1278b.

(c) Furnish data and other information required by state and federal law to the center and the department in the form and manner specified by the center or the department, as applicable.

(d) Comply with section 1230g of the revised school code, MCL 380.1230g.

(e) Comply with section 21f.

(f) For a district that has entered into a partnership agreement with the department, comply with section 22p.

(4) Districts are encouraged to use funds allocated under this section for the purchase and support of payroll, human resources, and other business function software that is compatible with that of the intermediate district in which the district is located and



1 with other districts located within that intermediate district.

2 (5) From the allocation in subsection (1), the department
3 shall pay up to \$1,000,000.00 in litigation costs incurred by this
4 state related to commercial or industrial property tax appeals,
5 including, but not limited to, appeals of classification, that
6 impact revenues dedicated to the state school aid fund.

7 (6) From the allocation in subsection (1), the department
8 shall pay up to \$1,000,000.00 in litigation costs incurred by this
9 state associated with lawsuits filed by 1 or more districts or
10 intermediate districts against this state. If the allocation under
11 this section is insufficient to fully fund all payments required
12 under this section, the payments under this subsection must be made
13 in full before any proration of remaining payments under this
14 section.

15 (7) It is the intent of the legislature that all
16 constitutional obligations of this state have been fully funded
17 under sections 22a, 31d, 51a, 51c, 51e, and 152a. If a claim is
18 made by an entity receiving funds under this article that
19 challenges the legislative determination of the adequacy of this
20 funding or alleges that there exists an unfunded constitutional
21 requirement, the state budget director may escrow or allocate from
22 the discretionary funds for nonmandated payments under this section
23 the amount as may be necessary to satisfy the claim before making
24 any payments to districts under subsection (2). If funds are
25 escrowed, the escrowed funds are a work project appropriation and
26 the funds are carried forward into the following fiscal year. The
27 purpose of the work project is to provide for any payments that may
28 be awarded to districts as a result of litigation. The work project
29 is completed upon resolution of the litigation.



1 (8) If the local claims review board or a court of competent
2 jurisdiction makes a final determination that this state is in
3 violation of section 29 of article IX of the state constitution of
4 1963 regarding state payments to districts, the state budget
5 director shall use work project funds under subsection (7) or
6 allocate from the discretionary funds for nonmandated payments
7 under this section the amount as may be necessary to satisfy the
8 amount owed to districts before making any payments to districts
9 under subsection (2).

10 (9) If a claim is made in court that challenges the
11 legislative determination of the adequacy of funding for this
12 state's constitutional obligations or alleges that there exists an
13 unfunded constitutional requirement, any interested party may seek
14 an expedited review of the claim by the local claims review board.
15 If the claim exceeds \$10,000,000.00, this state may remove the
16 action to the court of appeals, and the court of appeals has and
17 shall exercise jurisdiction over the claim.

18 (10) If payments resulting from a final determination by the
19 local claims review board or a court of competent jurisdiction that
20 there has been a violation of section 29 of article IX of the state
21 constitution of 1963 exceed the amount allocated for discretionary
22 nonmandated payments under this section, the legislature shall
23 provide for adequate funding for this state's constitutional
24 obligations at its next legislative session.

25 (11) If a lawsuit challenging payments made to districts
26 related to costs reimbursed by federal title XIX Medicaid funds is
27 filed against this state, then, for the purpose of addressing
28 potential liability under such a lawsuit, the state budget director
29 may place funds allocated under this section in escrow or allocate



1 money from the funds otherwise allocated under this section, up to
 2 a maximum of 50% of the amount allocated in subsection (1). If
 3 funds are placed in escrow under this subsection, those funds are a
 4 work project appropriation and the funds are carried forward into
 5 the following fiscal year. The purpose of the work project is to
 6 provide for any payments that may be awarded to districts as a
 7 result of the litigation. The work project is completed upon
 8 resolution of the litigation. In addition, this state reserves the
 9 right to terminate future federal title XIX Medicaid reimbursement
 10 payments to districts if the amount or allocation of reimbursed
 11 funds is challenged in the lawsuit. As used in this subsection,
 12 "title XIX" means title XIX of the social security act, 42 USC 1396
 13 to 1396w-6.

14 (12) As used in this section:

15 (a) "Dissolved district" means that term as defined in section
 16 20.

17 (b) "Local school operating revenue" means school operating
 18 taxes levied under section 1211 of the revised school code, MCL
 19 380.1211. For a receiving district, if school operating taxes are
 20 to be levied on behalf of a dissolved district that has been
 21 attached in whole or in part to the receiving district to satisfy
 22 debt obligations of the dissolved district under section 12 of the
 23 revised school code, MCL 380.12, local school operating revenue
 24 does not include school operating taxes levied within the
 25 geographic area of the dissolved district.

26 (c) "Receiving district" and "school operating taxes" mean
 27 those terms as defined in section 20.

28 Sec. 31aa. (1) From the state school aid fund money
 29 appropriated in section 11, there is allocated ~~\$150,000,000.00~~



1 ~~\$350,000,000.00~~ for ~~2024-2025~~, and from the general fund money
2 appropriated in section 11, there is allocated ~~\$1,500,000.00~~ for
3 ~~2024-2025 only~~, **2025-2026** to provide payments to districts,
4 intermediate districts, ~~nonpublic schools~~, and the Michigan Schools
5 for the Deaf and Blind that opt in and agree to receive funding
6 under this section, for activities to improve student mental health
7 and improve student safety. ~~It is the intent of the legislature~~
8 ~~that, for 2025-2026, the allocation from the state school aid fund~~
9 ~~money appropriated in section 11 for purposes described in this~~
10 ~~section will be \$25,000,000.00, and that, for 2025-2026, the~~
11 ~~allocation from the state school aid fund money and general fund~~
12 ~~money appropriated in section 11 for purposes described in this~~
13 ~~section will not be used to make continued payments related to~~
14 ~~support staff hired or contracted for using funds received under~~
15 ~~this section.~~ The allowable expenditures of funds under this
16 section are as follows:

17 (a) Hiring or contracting for support staff for student mental
18 health needs, including, but not limited to, school psychologists,
19 social workers, counselors, and school nurses.

20 (b) Purchasing and implementing mental health screening tools.

21 (c) Purchasing a statewide, integrated technology platform,
22 such as bhworks, that streamlines behavioral health documentation
23 and care coordination.

24 (d) Providing school-based mental health personnel access to
25 consultation with behavioral health clinicians to respond to
26 complex student mental health needs.

27 (e) Purchasing and implementing an online behavioral health
28 tool moderated and led by licensed behavioral health professionals.

29 (f) Hiring or contracting a behavioral health coordinator.



1 (g) Evidence-based trainings to support mental health.

2 (h) Costs associated with collaboration between school
3 employees, families, and community partners to address the
4 academic, behavioral, and social needs of all students through
5 collaborative partnerships, resource coordination, data collection,
6 and data sharing.

7 (i) Costs associated with conducting a systematic school
8 mental health needs assessment and resource mapping that identifies
9 programmatic and systemic needs and helps staff determine
10 priorities and create action plans.

11 (j) Coordination with local law enforcement.

12 (k) Training for school staff on threat assessment.

13 (l) Training for school staff and students on threat response.

14 (m) Training for school staff on crisis communication.

15 (n) Safety infrastructure, including, but not limited to,
16 cameras, door blocks, hardened vestibules, window screening, and
17 technology necessary to operate buzzer systems. This may also
18 include firearm detection software that integrates to existing
19 security cameras to detect and alert school personnel and first
20 responders to visible firearms on school property.

21 (o) Age-appropriate training for students and families on
22 responsible firearm ownership, including safe handling and safe
23 storage of firearms.

24 (p) School resource officers.

25 (q) Student Safety Management System, the information
26 technology platform and related services to improve student safety
27 by mitigating cyberbullying, school violence, human trafficking,
28 and self-harm that supports students from grades K to 12.

29 (r) A secure platform, administered by the department of state



1 police, for school officials, emergency responders, and emergency
2 management coordinators to house all school safety-related items,
3 including, but not limited to, EOP templates, EOP guidance,
4 reference documents, and security assessments. The platform should
5 use existing password-protected access control methods schools
6 currently utilize and, to the extent possible, be capable of
7 integrating with existing platforms or technologies used by
8 districts for school safety. Through permissions-based access
9 control, the platform should be able to relay information clearly
10 and in real time to each person or entity necessary to provide a
11 unified response to a safety incident, or to take appropriate
12 action in response to an anticipated disruption to the normal
13 functions of the surrounding community.

14 (s) Emergency infrastructure needs to respond to an immediate
15 threat to the health or safety of students and staff in the
16 district, intermediate district, ~~nonpublic school~~, or the Michigan
17 Schools for the Deaf and Blind. A district, intermediate district,
18 ~~nonpublic school~~, or the Michigan Schools for the Deaf and Blind
19 shall not expend funds for this purpose without first obtaining
20 approval from the department. In making a determination of
21 approval, the department shall, at a minimum, assess whether the
22 district, intermediate district, ~~nonpublic school~~, or the Michigan
23 Schools for the Deaf and Blind is responding to an immediate threat
24 to the health or safety of students and staff, and whether the
25 district, intermediate district, ~~nonpublic school~~, or the Michigan
26 Schools for the Deaf and Blind has other sources of funding that
27 should be utilized first.

28 (t) A contract with a vendor for a comprehensive safety and
29 security assessment or a comprehensive safety and security event



1 assessment in schools operated by the district, intermediate
2 district, ~~nonpublic school,~~ or the Michigan Schools for the Deaf
3 and Blind.

4 (u) An emergency response system.

5 (2) By not later than December 31 of each fiscal year, from
6 the state school aid fund money allocated in subsection (1), the
7 department shall make payments to districts, intermediate
8 districts, and the Michigan Schools for the Deaf and Blind that opt
9 in and agree to receive funding in an equal amount per pupil based
10 on the total number of pupils in membership in each district,
11 intermediate district, and the Michigan Schools for the Deaf and
12 Blind that opts in and agrees to receive funding. ~~By December 31 of~~
13 ~~each fiscal year, from the general fund money allocated in~~
14 ~~subsection (1), the department shall make payments to nonpublic~~
15 ~~schools that opt in and agree to receive funding in an equal amount~~
16 ~~per pupil based on the total number of pupils in membership in each~~
17 ~~nonpublic school that opts in and agrees to receive funding, using~~
18 ~~pupil counts determined by the department. The department shall~~
19 ~~ensure that the amount per pupil paid to nonpublic schools does not~~
20 ~~exceed the amount per pupil paid to districts and intermediate~~
21 ~~districts.~~ Districts, intermediate districts, **and** the Michigan
22 Schools for the Deaf and Blind, ~~and nonpublic schools~~ may opt in
23 and agree to receive funding in a form and manner determined by the
24 department.

25 (3) Recipients of funding under this section must provide a
26 final expense report to the department by June 1 of each fiscal
27 year. If the department determines that the eligible recipient has
28 misused the funds allocated under this section, the eligible
29 recipient shall reimburse the department for the amount of state



1 funding misused.

2 (4) The department shall use the information received under
3 subsection (3) to compile a report that includes the number of
4 recipients that have hired school resource officers using funds
5 received under this section and any supporting information provided
6 by the recipients. By not later than August 1 , ~~2025, and each~~
7 ~~August 1 thereafter,~~ **of each year,** the department shall provide the
8 report compiled under this subsection to the senate and house
9 appropriations subcommittees on school aid, the senate and house
10 fiscal agencies, the senate and house policy offices, the state
11 budget office, and the Michigan commission on law enforcement
12 standards.

13 (5) Districts receiving funds under this section must
14 coordinate with intermediate districts to avoid duplication of
15 services and to streamline delivery of services to students.

16 (6) Notwithstanding section 17b, the department shall make
17 payments under this section on a schedule determined by the
18 department.

19 (7) As provided under section 18a, recipients may expend funds
20 under this section until the end of the fiscal year immediately
21 following the fiscal year in which the funds are received.

22 Sec. 51a. (1) From the state school aid fund money in section
23 11, ~~there is allocated an amount not to exceed \$1,822,546,100.00~~
24 ~~for 2023-2024 and there is allocated an amount not to exceed~~
25 ~~\$2,064,096,100.00~~ **\$2,141,388,000.00** ~~for 2024-2025~~ **2025-2026** from
26 state sources and all available federal funding under sections 1411
27 to 1419 of part B of the individuals with disabilities education
28 act, 20 USC 1411 to 1419, estimated at ~~\$390,000,000.00 for 2023-~~
29 ~~2024 and 450,000,000.00 for 2024-2025,~~ **\$500,000,000.00 for 2025-**



1 **2026**, plus any carryover federal funds from previous year
 2 appropriations. ~~In addition, from the state school aid fund money~~
 3 ~~in section 11, there is allocated an amount not to exceed~~
 4 ~~\$76,150,000.00 for 2023-2024 only to supplement the allocations in~~
 5 ~~this section.~~ The allocations under this subsection are for the
 6 purpose of reimbursing districts and intermediate districts for
 7 special education programs, services, and special education
 8 personnel as prescribed in article 3 of the revised school code,
 9 MCL 380.1701 to 380.1761; net tuition payments made by intermediate
 10 districts to the Michigan Schools for the Deaf and Blind; and
 11 special education programs and services for pupils who are eligible
 12 for special education programs and services according to statute or
 13 rule. For meeting the costs of special education programs and
 14 services not reimbursed under this article, a district or
 15 intermediate district may use money in general funds or special
 16 education funds, not otherwise restricted, or contributions from
 17 districts to intermediate districts, tuition payments, gifts and
 18 contributions from individuals or other entities, or federal funds
 19 that may be available for this purpose, as determined by the
 20 intermediate district plan prepared under article 3 of the revised
 21 school code, MCL 380.1701 to 380.1761. Notwithstanding section 17b,
 22 the department shall make payments of federal funds to districts,
 23 intermediate districts, and other eligible entities under this
 24 section on a schedule determined by the department.

25 (2) From the funds allocated under subsection (1), there is
 26 allocated the amount necessary, ~~estimated at \$404,200,000.00 for~~
 27 ~~2023-2024 and estimated at \$456,800,000.00 for 2024-2025,~~
 28 **\$491,700,000.00 for 2025-2026**, for payments toward reimbursing
 29 districts and intermediate districts for 28.6138% of total approved



1 costs of special education, excluding costs reimbursed under
2 section 53a, and 70.4165% of total approved costs of special
3 education transportation.

4 (3) If the department determines that the amount allocated for
5 a fiscal year to a district or intermediate district under
6 subsection (2) is insufficient to fulfill the specified percentages
7 in subsection (2), the department shall pay the shortfall to the
8 district or intermediate district during the fiscal year beginning
9 on the October 1 following the determination. If the department
10 determines that the amount allocated for a fiscal year to a
11 district or intermediate district under subsection (2) exceeds the
12 sum of the amount necessary to fulfill the specified percentages in
13 subsection (2), the department shall deduct the amount of the
14 excess from the district's or intermediate district's payments
15 under this article for the fiscal year beginning on the October 1
16 following the determination.

17 (4) State funds are allocated on a total approved cost basis.
18 Federal funds are allocated under applicable federal requirements.

19 (5) From the amount allocated in subsection (1), ~~there is~~
20 ~~allocated an amount not to exceed \$3,200,000.00 for 2023-2024 and~~
21 ~~there is allocated an amount not to exceed \$3,200,000.00 for 2024-~~
22 ~~2025-2025-2026~~ to reimburse 100% of the net increase in necessary
23 costs incurred by a district or intermediate district in
24 implementing the revisions in the administrative rules for special
25 education that became effective on July 1, 1987. As used in this
26 subsection, "net increase in necessary costs" means the necessary
27 additional costs incurred solely because of new or revised
28 requirements in the administrative rules minus cost savings
29 permitted in implementing the revised rules. The department shall



1 determine net increase in necessary costs in a manner specified by
2 the department.

3 (6) For purposes of this section and sections 51b to 58, all
4 of the following apply:

5 (a) "Total approved costs of special education" are determined
6 in a manner specified by the department and may include indirect
7 costs, but must not exceed 115% of approved direct costs for
8 section 52 and section 53a programs. The total approved costs
9 include salary and other compensation for all approved special
10 education personnel for the program, including payments for Social
11 Security and Medicare and public school employee retirement system
12 contributions. The total approved costs do not include salaries or
13 other compensation paid to administrative personnel who are not
14 special education personnel as that term is defined in section 6 of
15 the revised school code, MCL 380.6. Costs reimbursed by federal
16 funds, other than those federal funds included in the allocation
17 made under this article, are not included. Special education
18 approved personnel not utilized full time in the evaluation of
19 students or in the delivery of special education programs,
20 ancillary, and other related services are reimbursed under this
21 section only for that portion of time actually spent providing
22 these programs and services, with the exception of special
23 education programs and services provided to youth placed in child
24 caring institutions or juvenile detention programs approved by the
25 department to provide an on-grounds education program.

26 (b) Reimbursement for ancillary and other related services, as
27 that term is defined by R 340.1701c of the Michigan Administrative
28 Code, is not provided when those services are covered by and
29 available through private group health insurance carriers or



1 federal reimbursed program sources unless the department and
2 district or intermediate district agree otherwise and that
3 agreement is approved by the state budget director. Expenses, other
4 than the incidental expense of filing, must not be borne by the
5 parent. In addition, the filing of claims must not delay the
6 education of a pupil. A district or intermediate district is
7 responsible for payment of a deductible amount and for an advance
8 payment required until the time a claim is paid.

9 (c) If an intermediate district purchases a special education
10 pupil transportation service from a constituent district that was
11 previously purchased from a private entity; if the purchase from
12 the constituent district is at a lower cost, adjusted for changes
13 in fuel costs; and if the cost shift from the intermediate district
14 to the constituent does not result in any net change in the revenue
15 the constituent district receives from payments under sections 22b
16 and 51c, then upon application by the intermediate district, the
17 department shall direct the intermediate district to continue to
18 report the cost associated with the specific identified special
19 education pupil transportation service and shall adjust the costs
20 reported by the constituent district to remove the cost associated
21 with that specific service.

22 (7) A pupil who is enrolled in a full-time special education
23 program conducted or administered by an intermediate district or a
24 pupil who is enrolled in the Michigan Schools for the Deaf and
25 Blind is not included in the membership count of a district, but is
26 counted in membership in the intermediate district of residence.

27 (8) Special education personnel transferred from 1 district to
28 another to implement the revised school code are entitled to the
29 rights, benefits, and tenure to which the individual would



1 otherwise be entitled had that individual been employed by the
2 receiving district originally.

3 (9) If a district or intermediate district uses money received
4 under this section for a purpose other than the purpose or purposes
5 for which the money is allocated, the department may require the
6 district or intermediate district to refund the amount of money
7 received. The department shall deposit money that is refunded in
8 the state treasury to the credit of the state school aid fund.

9 (10) From the funds allocated in subsection (1), there is
10 allocated the amount necessary, ~~estimated at \$1,700,000.00 for~~
11 ~~2023-2024 and estimated at \$1,700,000.00 for 2024-2025,~~
12 **\$1,600,000.00 for 2025-2026**, to pay the foundation allowances for
13 pupils described in this subsection. The department shall calculate
14 the allocation to a district under this subsection by multiplying
15 the number of pupils described in this subsection who are counted
16 in membership in the district times the sum of the foundation
17 allowance under section 20 of the pupil's district of residence,
18 plus the amount of the district's per-pupil allocation under
19 section 20m, not to exceed the target foundation allowance for the
20 current fiscal year, or, for a pupil described in this subsection
21 who is counted in membership in a district that is a public school
22 academy, times an amount equal to the amount per membership pupil
23 under section 20(6). The department shall calculate the allocation
24 to an intermediate district under this subsection in the same
25 manner as for a district, using the foundation allowance under
26 section 20 of the pupil's district of residence not to exceed the
27 target foundation allowance for the current fiscal year and that
28 district's per-pupil allocation under section 20m. This subsection
29 applies to all of the following pupils:



1 (a) Pupils described in section 53a.

2 (b) Pupils counted in membership in an intermediate district
3 who are not special education pupils and are served by the
4 intermediate district in a juvenile detention or child caring
5 facility.

6 (c) Pupils with an emotional impairment counted in membership
7 by an intermediate district and provided educational services by
8 the department of health and human services.

9 (11) If it is determined that funds allocated under subsection
10 (2) or (10) or under section 51c will not be expended, funds up to
11 the amount necessary and available may be used to supplement the
12 allocations under subsection (2) or (10) or under section 51c to
13 fully fund those allocations. After payments under subsections (2)
14 and (10) and section 51c, the department shall expend the remaining
15 funds from the allocation in subsection (1) in the following order:

16 (a) One hundred percent of the reimbursement required under
17 section 53a.

18 (b) One hundred percent of the reimbursement required under
19 subsection (5).

20 (c) One hundred percent of the payment required under section
21 54.

22 (d) One hundred percent of the payments under section 56.

23 (12) The allocations under subsections (2) and (10) are
24 allocations to intermediate districts only and are not allocations
25 to districts, but instead are calculations used only to determine
26 the state payments under section 22b.

27 (13) If a public school academy that is not a cyber school, as
28 that term is defined in section 551 of the revised school code, MCL
29 380.551, enrolls under this section a pupil who resides outside of



1 the intermediate district in which the public school academy is
2 located and who is eligible for special education programs and
3 services according to statute or rule, or who is a child with a
4 disability, as that term is defined under the individuals with
5 disabilities education act, Public Law 108-446, the intermediate
6 district in which the public school academy is located and the
7 public school academy shall enter into a written agreement with the
8 intermediate district in which the pupil resides for the purpose of
9 providing the pupil with a free appropriate public education, and
10 the written agreement must include at least an agreement on the
11 responsibility for the payment of the added costs of special
12 education programs and services for the pupil. If the public school
13 academy that enrolls the pupil does not enter into an agreement
14 under this subsection, the public school academy shall not charge
15 the pupil's resident intermediate district or the intermediate
16 district in which the public school academy is located the added
17 costs of special education programs and services for the pupil, and
18 the public school academy is not eligible for any payouts based on
19 the funding formula outlined in the resident or nonresident
20 intermediate district's plan. If a pupil is not enrolled in a
21 public school academy under this subsection, the provision of
22 special education programs and services and the payment of the
23 added costs of special education programs and services for a pupil
24 described in this subsection are the responsibility of the district
25 and intermediate district in which the pupil resides.

26 (14) For the purpose of receiving its federal allocation under
27 part B of the individuals with disabilities education act, Public
28 Law 108-446, a public school academy that is a cyber school, as
29 that term is defined in section 551 of the revised school code, MCL



1 380.551, and is in compliance with section 553a of the revised
2 school code, MCL 380.553a, directly receives the federal allocation
3 under part B of the individuals with disabilities education act,
4 Public Law 108-446, from the intermediate district in which the
5 cyber school is located, as the subrecipient. If the intermediate
6 district does not distribute the funds described in this subsection
7 to the cyber school by the part B application due date of July 1,
8 the department may distribute the funds described in this
9 subsection directly to the cyber school according to the formula
10 prescribed in 34 CFR 300.705 and 34 CFR 300.816. Beginning July 1,
11 2021, this subsection is subject to section 8c. It is the intent of
12 the legislature that the immediately preceding sentence apply
13 retroactively and is effective July 1, 2021.

14 (15) For a public school academy that is a cyber school, as
15 that term is defined in section 551 of the revised school code, MCL
16 380.551, and is in compliance with section 553a of the revised
17 school code, MCL 380.553a, that enrolls a pupil under this section,
18 the intermediate district in which the cyber school is located
19 shall ensure that the cyber school complies with sections 1701a,
20 1703, 1704, 1751, 1752, 1756, and 1757 of the revised school code,
21 MCL 380.1701a, 380.1703, 380.1704, 380.1751, 380.1752, 380.1756,
22 and 380.1757; applicable rules; and the individuals with
23 disabilities education act, Public Law 108-446. Beginning July 1,
24 2021, this subsection is subject to section 8c. It is the intent of
25 the legislature that the immediately preceding sentence apply
26 retroactively and is effective July 1, 2021.

27 (16) For the purposes of this section, the department or the
28 center shall only require a district or intermediate district to
29 report information that is not already available from the financial



1 information database maintained by the center.

2 Sec. 51c. As required by the court in the consolidated cases
3 known as *Durant v State of Michigan*, 456 Mich 175 (1997), from the
4 allocation under section 51a(1), there is allocated for ~~2023-2024~~
5 ~~and for 2024-2025, 2025-2026~~, the amount necessary, estimated at
6 ~~\$903,300,000.00 for 2023-2024 and \$1,016,400,000.00 for 2024-2025,~~
7 **\$1,108,900,000.00**, for payments to reimburse districts for 28.6138%
8 of total approved costs of special education excluding costs
9 reimbursed under section 53a, and 70.4165% of total approved costs
10 of special education transportation. Funds allocated under this
11 section that are not expended in the fiscal year for which they
12 were allocated, as determined by the department, may be used to
13 supplement the allocations under sections 22a and 22b to fully fund
14 those allocations for the same fiscal year.

15 Sec. 51d. (1) From the federal funds appropriated in section
16 11, ~~there is allocated for 2023-2024 all available federal funding,~~
17 ~~estimated at \$72,000,000.00, and there is allocated for 2024-2025~~
18 **2025-2026** all available federal funding, estimated at
19 \$83,000,000.00, for special education programs and services that
20 are funded by federal grants. The department shall distribute all
21 federal funds allocated under this section in accordance with
22 federal law. Notwithstanding section 17b, the department shall make
23 payments of federal funds to districts, intermediate districts, and
24 other eligible entities under this section on a schedule determined
25 by the department.

26 (2) From the federal funds allocated under subsection (1), the
27 following amounts are allocated:

28 (a) For ~~2023-2024, an amount estimated at \$15,000,000.00 and~~
29 ~~for 2024-2025, 2025-2026~~, an amount estimated at \$14,000,000.00 for



handicapped infants and toddlers, funded from DED-OSERS,
handicapped infants and toddlers funds.

(b) For ~~2023-2024, an amount estimated at \$14,000,000.00 and~~
~~for 2024-2025, 2025-2026,~~ an amount estimated at \$14,000,000.00 for
preschool grants under Public Law 94-142, funded from DED-OSERS,
handicapped preschool incentive funds.

(c) For ~~2023-2024, an amount estimated at \$43,000,000.00 and~~
~~for 2024-2025, 2025-2026,~~ an amount estimated at \$55,000,000.00 for
special education programs funded by DED-OSERS, handicapped
program, individuals with disabilities act funds.

(3) As used in this section, "DED-OSERS" means the United
States Department of Education Office of Special Education and
Rehabilitative Services.

Sec. 51e. (1) From the allocation under section 51a(1), there
is allocated for the amount necessary, estimated at ~~\$499,900,000.00~~
~~for 2023-2024 and \$499,600,000.00 for 2024-2025, \$523,800,000.00~~
for 2025-2026, for payments to districts and intermediate districts
for 100% of foundation allowance costs associated with special
education pupils.

(2) The department shall calculate the amount allocated to a
district under this section by multiplying the district's special
education pupil membership, excluding pupils described in section
51a(11), times 100% of the foundation allowance under section 20 of
the pupil's district of residence, plus 100% of the amount of the
district's per-pupil allocation under section 20m, not to exceed
100% of the target foundation allowance for the current fiscal
year, or, for a special education pupil in membership in a district
that is a public school academy, times an amount equal to 100% of
the amount per membership pupil calculated under section 20(6). For



1 an intermediate district, the amount allocated under this
2 subsection is an amount per special education membership pupil,
3 excluding pupils described in section 51a(11), and is calculated in
4 the same manner as for a district, using 100% of the foundation
5 allowance under section 20 of the pupil's district of residence,
6 not to exceed 100% of the target foundation allowance for the
7 current fiscal year, and 100% of that district's per-pupil
8 allocation under section 20m.

9 Sec. 53a. (1) For districts, reimbursement for pupils
10 described in subsection (2) is 100% of the total approved costs of
11 operating special education programs and services approved by the
12 department and included in the intermediate district plan adopted
13 under article 3 of the revised school code, MCL 380.1701 to
14 380.1761, minus the district's foundation allowance calculated
15 under section 20 and minus the district's per-pupil allocation
16 under section 20m. For intermediate districts, the department shall
17 calculate reimbursement for pupils described in subsection (2) in
18 the same manner as for a district, using the foundation allowance
19 under section 20 of the pupil's district of residence, not to
20 exceed the target foundation allowance under section 20 for the
21 current fiscal year plus the amount of the district's per-pupil
22 allocation under section 20m.

23 (2) Reimbursement under subsection (1) is for the following
24 special education pupils:

25 (a) Pupils assigned to a district or intermediate district
26 through the community placement program of the courts or a state
27 agency, if the pupil was a resident of another intermediate
28 district at the time the pupil came under the jurisdiction of the
29 court or a state agency.



(b) Pupils who are residents of institutions operated by the department of health and human services.

(c) Pupils who are former residents of department of community health institutions for the developmentally disabled who are placed in community settings other than the pupil's home.

(d) Pupils enrolled in a department-approved on-grounds educational program longer than 180 days, but not longer than 233 days, at a residential child care institution, if the child care institution offered in 1991-92 an on-grounds educational program longer than 180 days but not longer than 233 days.

(e) Pupils placed in a district by a parent for the purpose of seeking a suitable home, if the parent does not reside in the same intermediate district as the district in which the pupil is placed.

(3) Only those costs that are clearly and directly attributable to educational programs for pupils described in subsection (2), and that would not have been incurred if the pupils were not being educated in a district or intermediate district, are reimbursable under this section.

(4) The costs of transportation are funded under this section and are not reimbursed under section 58.

(5) The department shall not allocate more than \$10,500,000.00 of the allocation for ~~2024-2025~~ **2025-2026** in section 51a(1) under this section.

Sec. 54. Each intermediate district receives an amount per pupil for each pupil in attendance at the Michigan Schools for the Deaf and Blind. The amount is proportionate to the total instructional cost at each school. The department shall not allocate more than \$1,688,000.00 of the allocation for ~~2024-2025~~ **2025-2026** in section 51a(1) under this section.



1 Sec. 147a. (1) From the state school aid fund money
 2 appropriated in section 11, there is allocated for ~~2023-2024 an~~
 3 ~~amount not to exceed \$100,000,000.00 and for 2024-2025~~ **2025-2026** an
 4 amount not to exceed \$100,000,000.00 for payments to participating
 5 districts. A participating district that receives money under this
 6 subsection shall use that money solely for the purpose of
 7 offsetting a portion of the retirement contributions owed by the
 8 district for the fiscal year in which it is received. The amount
 9 allocated to each participating district under this subsection is
 10 based on each participating district's percentage of the total
 11 statewide payroll for all participating districts for the
 12 immediately preceding fiscal year. As used in this subsection,
 13 "participating district" means a district that is a reporting unit
 14 of the Michigan public school employees' retirement system under
 15 the public school employees retirement act of 1979, 1980 PA 300,
 16 MCL 38.1301 to 38.1437, and that reports employees to the Michigan
 17 public school employees' retirement system for the applicable
 18 fiscal year.

19 (2) In addition to the allocation under subsection (1), from
 20 the state school aid fund money appropriated under section 11,
 21 there is allocated an amount not to exceed ~~\$384,642,000.00 for~~
 22 ~~2023-2024 and an amount not to exceed \$365,100,000.00~~
 23 **\$336,200,000.00** for ~~2024-2025, and from the MPSERS retirement~~
 24 ~~obligation reform reserve fund money appropriated in section 11,~~
 25 ~~there is allocated an amount not to exceed \$24,850,000.00 for 2023-~~
 26 ~~2024 only,~~ **2025-2026** for payments to participating districts and
 27 intermediate districts and from the general fund money appropriated
 28 under section 11, there is allocated an amount not to exceed
 29 ~~\$108,000.00 for 2023-2024 and an amount not to exceed \$100,000.00~~



for ~~2024-2025~~ **2025-2026** for payments to participating district libraries. The amount allocated to each participating entity under this subsection is based on each participating entity's reported quarterly payroll for members that became tier 1 before February 1, 2018 for the current fiscal year. A participating entity that receives money under this subsection shall use that money solely for the purpose of offsetting a portion of the normal cost contribution rate. As used in this subsection:

(a) "District library" means a district library established under the district library establishment act, 1989 PA 24, MCL 397.171 to 397.196.

(b) "Participating entity" means a district, intermediate district, or district library that is a reporting unit of the Michigan public school employees' retirement system under the public school employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1437, and that reports employees to the Michigan public school employees' retirement system for the applicable fiscal year.

~~(3) In addition to the allocations under subsections (1) and (2), from the state school aid fund money appropriated in section 11, there is allocated for 2023-2024 and 2024-2025 only an amount not to exceed \$11,939,000.00 for payments to participating intermediate districts and participating district libraries. A participating intermediate district or participating district library shall use that money solely for the purpose of offsetting a portion of the retirement contributions owed by the participating intermediate district or participating district library for the fiscal year in which it is received. The amount allocated to each participating intermediate district or participating district~~



~~library under this subsection is calculated as follows:~~

~~(a) For each participating intermediate district, \$11,912,000.00 multiplied by each participating intermediate district's percentage of the total statewide payroll for all participating intermediate districts for the immediately preceding fiscal year.~~

~~(b) For each participating district library, \$27,000.00 multiplied by each participating district library's percentage of the total statewide payroll for all participating district libraries for the immediately preceding fiscal year.~~

~~(c) As used in this subsection:~~

~~(i) "Participating district library" means a district library that is a reporting unit of the Michigan public school employees' retirement system under the public school employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1437, and that reports employees to the Michigan public school employees' retirement system for the applicable fiscal year.~~

~~(ii) "Participating intermediate district" means an intermediate district that is a reporting unit of the Michigan public school employees' retirement system under the public school employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1437, and that reports employees to the Michigan public school employees' retirement system for the applicable fiscal year.~~

~~(4) In addition to the allocations under subsections (1), (2), and (3), from the state school aid fund money appropriated in section 11, there is allocated for 2024-2025 an amount not to exceed \$598,000,000.00 for payments to participating entities. The amount allocated to each participating entity under this subsection is based on each participating entity's percentage of the total~~



~~statewide payroll for all participating entities for the immediately preceding fiscal year. The amount allocated in this subsection represents an amount to effectively reduce each participating entity's unfunded actuarial accrued liability from 20.96% to an estimated 15.21% of covered payroll. It is the intent of the legislature that the allocation under this subsection be used to support student mental health, school safety, the educator workforce, and academic interventions.~~

~~(a) As used in this subsection:~~

~~(i) "District library" means a district library established under the district library establishment act, 1989 PA 24, MCL 397.171 to 397.196.~~

~~(ii) "Participating entity" means a district, intermediate district, district library, or community college that is a reporting unit of the Michigan public school employees' retirement system under the public school employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1437, and that reports employees to the Michigan public school employees' retirement system for the applicable fiscal year.~~

Sec. 147c. (1) From the state school aid fund money appropriated in section 11, there is allocated for ~~2024-2025~~ **2025-2026** an amount not to exceed ~~\$955,000,000.00~~ and from the MPERS retirement obligation reform reserve fund money appropriated in section 11, there is allocated for ~~2024-2025~~ only an amount needed, estimated at ~~\$84,100,000.00~~ **\$1,536,500,000.00** for payments to districts and intermediate districts that are participating entities of the Michigan public school employees' retirement system. In addition, from the general fund money appropriated in section 11, there is allocated for ~~2024-2025~~ **2025-2026** an amount



1 not to exceed \$300,000.00 for payments to district libraries that
 2 are participating entities of the Michigan public school employees'
 3 retirement system. ~~It is the intent of the legislature that money~~
 4 ~~allocated from the MPSEERS retirement obligation reform reserve fund~~
 5 ~~under this subsection for 2024-2025 represents the amount necessary~~
 6 ~~to reduce the payroll growth assumption to 0.25%. All of the~~
 7 following apply to funding under this subsection:

8 (a) Except as otherwise provided in this subdivision, for
 9 ~~2024-2025,~~ **2025-2026**, the amounts allocated under this subsection
 10 are estimated to provide an average MPSEERS rate cap per pupil
 11 amount of ~~\$740.00~~ **\$1,100.00** and are estimated to provide a rate cap
 12 per pupil for districts ranging between ~~\$2.00~~ **\$6.00** and
 13 ~~\$2,650.00~~ **\$3,477.00**.

14 (b) Payments made under this subsection are equal to the
 15 difference between the unfunded actuarial accrued liability
 16 contribution rate as calculated under section 41 of the public
 17 school employees retirement act of 1979, 1980 PA 300, MCL 38.1341,
 18 as calculated without taking into account the maximum employer rate
 19 of 20.96% included in section 41 of the public school employees
 20 retirement act of 1979, 1980 PA 300, MCL 38.1341, and the maximum
 21 employer rate of 20.96% included in section 41 of the public school
 22 employees retirement act of 1979, 1980 PA 300, MCL 38.1341.

23 (c) The amount allocated to each participating entity under
 24 this subsection is based on each participating entity's proportion
 25 of the total covered payroll for the immediately preceding fiscal
 26 year for the same type of participating entities. A participating
 27 entity that receives funds under this subsection shall use the
 28 funds solely for the purpose of retirement contributions as
 29 specified in subdivision (d).



1 (d) Each participating entity receiving funds under this
2 subsection shall forward an amount equal to the amount allocated
3 under subdivision (c) to the retirement system in a form, manner,
4 and time frame determined by the retirement system.

5 (e) Funds allocated under this subsection should be considered
6 when comparing a district's growth in total state aid funding from
7 1 fiscal year to the next.

8 (f) By not later than December 20 of each fiscal year for
9 which funding is allocated under this subsection, the department
10 shall publish and post on its website an estimated MPSERS rate cap
11 per pupil for each district.

12 ~~(2) In addition to the funds allocated under subsection (1),~~
13 ~~from the MPSERS retirement obligation reform reserve fund money~~
14 ~~appropriated in section 11, there is allocated for 2024-2025 only~~
15 ~~\$250,000,000.00 for payments to participating entities of the~~
16 ~~Michigan public school employees' retirement system. The amount~~
17 ~~allocated to each participating entity under this subsection must~~
18 ~~be based on each participating entity's proportion of the total~~
19 ~~covered payroll for the immediately preceding fiscal year. A~~
20 ~~participating entity that receives funds under this subsection~~
21 ~~shall use the funds solely for purposes of this subsection. Each~~
22 ~~participating entity receiving funds under this subsection shall~~
23 ~~forward an amount equal to the amount allocated under this~~
24 ~~subsection to the retirement system in a form, manner, and time~~
25 ~~frame determined by the retirement system. The retirement system~~
26 ~~shall recognize funds received under this subsection as additional~~
27 ~~assets being contributed to the system and shall not categorize~~
28 ~~them as unfunded actuarial liability contributions or normal cost~~
29 ~~contributions.~~



(2) ~~(3)~~ As used in this section:

~~(a) "Community college" means a community college created under the community college act of 1966, 1966 PA 331, MCL 389.1 to 389.195.~~

(a) ~~(b)~~ "District library" means a district library established under the district library establishment act, 1989 PA 24, MCL 397.171 to 397.196.

(b) ~~(c)~~ "MPERS rate cap per pupil" means an amount equal to the quotient of the district's payment under this section divided by the district's pupils in membership.

(c) ~~(d)~~ "Participating entity" means, except as otherwise provided in this subdivision, a district, intermediate district, or district library that is a reporting unit of the Michigan public school employees' retirement system under the public school employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1437, and that reports employees to the Michigan public school employees' retirement system for the applicable fiscal year. ~~As used in subsection (2) only, "participating entity" also means a community college that is a reporting unit of the Michigan public school employees' retirement system under the public school employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1437, and that reports employees to the Michigan public school employees' retirement system for the applicable fiscal year.~~

(d) ~~(e)~~ "Retirement system" means the Michigan public school employees' retirement system under the public school employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1437.

Sec. 147e. (1) From the state school aid fund money appropriated in section 11, there is allocated for ~~2023-2024 an amount not to exceed \$64,400,000.00, and there is allocated for~~



~~2024-2025-2025-2026~~ an amount not to exceed ~~\$104,700,000.00~~
\$118,400,000.00 for payments to participating entities.

(2) The payment to each participating entity under this section is the sum of the amounts under this subsection as follows:

(a) An amount equal to the contributions made by a participating entity for the additional contribution made to a qualified participant's Tier 2 account in an amount equal to the contribution made by the qualified participant not to exceed 3% of the qualified participant's compensation as provided for under section 131(6) of the public school employees retirement act of 1979, 1980 PA 300, MCL 38.1431.

(b) Beginning October 1, 2017, an amount equal to the contributions made by a participating entity for a qualified participant who is only a Tier 2 qualified participant under section 81d of the public school employees retirement act of 1979, 1980 PA 300, MCL 38.1381d, not to exceed 4%, and, beginning February 1, 2018, not to exceed 1%, of the qualified participant's compensation.

(c) An amount equal to the increase in employer normal cost contributions under section 41b(2) of the public school employees retirement act of 1979, 1980 PA 300, MCL 38.1341b, for a member that was hired after February 1, 2018 and chose to participate in Tier 1, compared to the employer normal cost contribution for a member under section 41b(1) of the public school employees retirement act of 1979, 1980 PA 300, MCL 38.1341b.

(3) As used in this section:

(a) "Member" means that term as defined under the public school employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1437.



(b) "Participating entity" means a district, intermediate district, or community college that is a reporting unit of the Michigan public school employees' retirement system under the public school employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1437, and that reports employees to the Michigan public school employees' retirement system for the applicable fiscal year.

(c) "Qualified participant" means that term as defined under section 124 of the public school employees retirement act of 1979, 1980 PA 300, MCL 38.1424.

Sec. 201i. For fiscal year 2023-2024 only, there is appropriated \$3,300,000.00 from the coronavirus state fiscal recovery funds under the American rescue plan act of 2021, title IX, subtitle M of Public Law 117-2, for the community college academic catch-up program. Funds appropriated under this section must be used in accordance with the requirements described for the community college academic catch-up program established under former section 216a.

Enacting section 1. In accordance with section 30 of article IX of the state constitution of 1963, total state spending on school aid under article I of the state school aid act of 1979, 1979 PA 94, MCL 388.1601 to 388.1772, as amended by 2024 PA 120, 2024 PA 148, and this amendatory act from state sources for fiscal year 2025-2026 is estimated at \$15,039,888,000.00 and state appropriations for school aid to be paid to local units of government for fiscal year 2025-2026 are estimated at \$15,039,888,000.00.

