

HOUSE BILL No. 5904

June 3, 1998, Introduced by Reps. Oxender, Emerson, Gilmer, Dobb, Geiger, Godchaux, Agee, Kelly, Schroer, Law, Dalman, Bodem, Rison, Hammerstrom, Jellema, Byl, McBryde, McManus, Sanborn, Stallworth, Middleton, Gire, DeVuyst, Bobier, Jelinek, Bankes, Crissman, Galloway, Birkholz, Cassis, Goschka and Scranton and referred to the Committee on Appropriations.

A bill to amend 1979 PA 94, entitled
"The state school aid act of 1979,"
by amending sections 11, 20, 51a, and 81 (MCL 388.1611, 388.1620,
388.1651a, and 388.1681), as amended by 1997 PA 142.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 11. (1) For the fiscal year ending September 30, 1998,
2 there is appropriated for the public schools of this state and
3 certain other state purposes relating to education the sum of
4 \$8,717,471,600.00 from the state school aid fund established by
5 section 11 of article IX of the state constitution of 1963 and
6 the sum of \$377,935,400.00 from the general fund. For the fiscal
7 year ending September 30, 1999, there is appropriated for the
8 public schools of this state and certain other state purposes
9 relating to education the sum of ~~\$9,036,198,400.00~~
10 \$9,130,498,400.00 from the state school aid fund established by

1 section 11 of article IX of the state constitution of 1963 and
2 the sum of \$420,613,500.00 from the general fund. In addition,
3 available federal funds are appropriated for 1997-98 and for
4 1998-99.

5 (2) The appropriations under this section shall be allocated
6 as provided in this act. Money appropriated under this section
7 from the general fund and from available federal funds shall be
8 expended to fund the purposes of this act before the expenditure
9 of money appropriated under this section from the state school
10 aid fund. If the maximum amount appropriated under this section
11 from the state school aid fund for a fiscal year exceeds the
12 amount necessary to fully fund allocations under this act from
13 the state school aid fund, that excess amount shall not be
14 expended in that state fiscal year and shall not lapse to the
15 general fund, but instead shall remain in the state school aid
16 fund.

17 (3) If the maximum amount appropriated under this section
18 and sections 11f and 11g from the state school aid fund for a
19 fiscal year exceeds the amount available for expenditure from the
20 state school aid fund for that fiscal year, payments under sec-
21 tions 11f, 11g, and 51a(2) shall be made in full and payments
22 under each of the other sections of this act shall be prorated on
23 an equal percentage basis as necessary to reflect the amount
24 available for expenditure from the state school aid fund for that
25 fiscal year. However, if the department of treasury determines
26 that proration will be required under this subsection, the
27 department of treasury shall notify the director of the

1 department of management and budget, and the director of the
2 department of management and budget shall notify the legislature
3 at least 30 calendar days or 6 legislative session days, which-
4 ever is more, before the department reduces any payments under
5 this act because of the proration. During the 30 calendar day or
6 6 legislative session day period after that notification by the
7 director of the department of management and budget, the depart-
8 ment shall not reduce any payments under this act because of pro-
9 ration under this subsection. The legislature may prevent prora-
10 tion from occurring by, within the 30 calendar day or 6 legisla-
11 tive session day period after that notification by the department
12 of management and budget, enacting legislation appropriating
13 additional funds from the general fund, countercyclical budget
14 and economic stabilization fund, state school aid fund balance,
15 or another source to fund the amount of the projected shortfall.

16 Sec. 20. (1) For 1997-98, ~~and 1998-99,~~ the basic founda-
17 tion allowance is \$5,462.00 per membership pupil. FOR 1998-99,
18 THE BASIC FOUNDATION ALLOWANCE IS \$5,562.00 PER MEMBERSHIP PUPIL.

19 (2) From the appropriation in section 11, there is allocated
20 for 1997-98 an amount not to exceed \$8,022,595,100.00, and for
21 1998-99 an amount not to exceed ~~-\$8,091,250,000.00-~~
22 \$8,163,567,700.00, to guarantee each district a foundation allow-
23 ance per membership pupil other than special education pupils and
24 to make payments under this section to public school academies
25 and university schools for membership pupils other than special
26 education pupils. The amount of each district's foundation
27 allowance shall be calculated as provided in this section, using

1 a basic foundation allowance in the amount specified in
2 subsection (1). If the maximum amount allocated under this sec-
3 tion is not sufficient to fully fund payments under this section,
4 and before any proration required under section 11, the amount of
5 the payment to each district, university school, and public
6 school academy shall be prorated by reducing by an equal percen-
7 tage the total payment under this section to each district, uni-
8 versity school, and public school academy. However, if the
9 department determines that proration will be required under this
10 section, the superintendent of public instruction shall notify
11 the department of management and budget, and the department of
12 management and budget shall notify the legislature at least 30
13 calendar days or 6 legislative session days, whichever is more,
14 before the department reduces any payments under this section
15 because of the proration. During the 30 calendar day or 6 legis-
16 lative session day period after that notification by the depart-
17 ment of management and budget, the department shall not reduce
18 any payments under this section because of proration. The legis-
19 lature may prevent proration under this section from occurring
20 by, within the 30 calendar day or 6 legislative session day
21 period after that notification by the director, enacting legisla-
22 tion appropriating additional funds from the general fund,
23 countercyclical budget and economic stabilization fund, state
24 school aid fund balance, or another source to ensure full founda-
25 tion allowance funding for each district, university school, and
26 public school academy.

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

6 (a) For a district that in the immediately preceding state
7 fiscal year had a foundation allowance at least equal to the sum
8 of \$4,200.00 plus the total dollar amount of all adjustments made
9 from 1994-95 to the immediately preceding state fiscal year in
10 the lowest foundation allowance among all districts, but less
11 than the basic foundation allowance in the immediately preceding
12 state fiscal year, the district shall receive a foundation allow-
13 ance in an amount equal to the sum of the district's foundation
14 allowance for the immediately preceding state fiscal year plus
15 the difference between twice the dollar amount of the adjustment
16 from the immediately preceding state fiscal year to the current
17 state fiscal year made in the basic foundation allowance and
18 [(the dollar amount of the adjustment from the immediately pre-
19 ceding state fiscal year to the current state fiscal year made in
20 the basic foundation allowance minus \$50.00) times (the differ-
21 ence between the district's foundation allowance for the immedi-
22 ately preceding state fiscal year and the sum of \$4,200.00 plus
23 the total dollar amount of all adjustments made from 1994-95 to
24 the immediately preceding state fiscal year in the lowest founda-
25 tion allowance among all districts) divided by the difference
26 between the basic foundation allowance for the current state
27 fiscal year and the sum of \$4,200.00 plus the total dollar amount

1 of all adjustments made from 1994-95 to the immediately preceding
2 state fiscal year in the lowest foundation allowance among all
3 districts]. However, the foundation allowance for a district
4 that had less than the basic foundation allowance in the immedi-
5 ately preceding state fiscal year shall not exceed the basic
6 foundation allowance for the current state fiscal year.

7 (b) For a district that in the immediately preceding state
8 fiscal year had a foundation allowance in an amount at least
9 equal to the amount of the basic foundation allowance for the
10 immediately preceding state fiscal year, the district shall
11 receive a foundation allowance in an amount equal to the sum of
12 the district's foundation allowance for the immediately preceding
13 state fiscal year plus the dollar amount of the adjustment from
14 the immediately preceding state fiscal year to the current state
15 fiscal year in the basic foundation allowance.

16 ~~(c) For 1998-99, each district's foundation allowance shall~~
17 ~~be at least \$5,170.00.~~

18 (4) To ensure that a district receives the district's foun-
19 dation allowance, there is allocated to each district a state
20 portion of the district's foundation allowance in an amount cal-
21 culated under this subsection. The state portion of a district's
22 foundation allowance is an amount equal to the district's founda-
23 tion allowance or \$6,500.00, whichever is less, minus the differ-
24 ence between the product of the taxable value per membership
25 pupil of all property in the district that is not a homestead or
26 qualified agricultural property times the lesser of 18 mills or
27 the number of mills of school operating taxes levied by the

1 district in 1993-94 and the quotient of the ad valorem property
2 tax revenue of the district captured under 1975 PA 197, MCL
3 125.1651 to 125.1681, the tax increment finance authority act,
4 1980 PA 450, MCL 125.1801 to 125.1830, the local development
5 financing act, 1986 PA 281, MCL 125.2151 to 125.2174, or the
6 Brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651
7 to 125.2672, divided by the district's membership excluding spe-
8 cial education pupils. For a district that has a millage reduc-
9 tion required under section 31 of article IX of the state consti-
10 tution of 1963, except for a district that was notified of such a
11 millage reduction in 1996 after the last permissible date to
12 schedule an election to override that millage reduction, the
13 state portion of the district's foundation allowance shall be
14 calculated as if that reduction did not occur. For each fiscal
15 year after 1994-95, the \$6,500.00 amount prescribed in this sub-
16 section shall be adjusted each year by an amount equal to the
17 dollar amount of the difference between the basic foundation
18 allowance for the current state fiscal year and \$5,000.00.

19 (5) The allocation under this section for a pupil shall be
20 based on the foundation allowance of the pupil's district of
21 residence. However, for a pupil enrolled pursuant to section 105
22 in a district other than the pupil's district of residence but
23 within the same intermediate district, the allocation under this
24 section shall be based on the lesser of the foundation allowance
25 of the pupil's district of residence or the foundation allowance
26 of the educating district. For a pupil in membership in a K-5,
27 K-6, or K-8 district who is enrolled in another district in a

1 grade not offered by the pupil's district of residence, the
2 allocation under this section shall be based on the foundation
3 allowance of the educating district if the educating district's
4 foundation allowance is greater than the foundation allowance of
5 the pupil's district of residence.

6 (6) Subject to subsection (7) and except as otherwise pro-
7 vided in this subsection, for pupils in membership, other than
8 special education pupils, in a public school academy or a univer-
9 sity school, there is allocated under this section for 1997-98
10 and for 1998-99 to the authorizing body that is the fiscal agent
11 for the public school academy for forwarding to the public school
12 academy, or to the board of the public university operating the
13 university school, an amount per membership pupil other than spe-
14 cial education pupils in the public school academy or university
15 school equal to the sum of the local school operating revenue per
16 membership pupil other than special education pupils for the dis-
17 trict in which the public school academy or university school is
18 located and the state portion of that district's foundation
19 allowance, or the sum of the basic foundation allowance under
20 subsection (1) plus \$500.00, whichever is less. Notwithstanding
21 section 101(2), for a public school academy that begins opera-
22 tions in 1997-98 or 1998-99, as applicable, after the pupil mem-
23 bership count day, the amount per membership pupil calculated
24 under this subsection shall be adjusted by multiplying that
25 amount per membership pupil by the number of hours of pupil
26 instruction provided by the public school academy after it begins
27 operations, as determined by the department, divided by the

1 minimum number of hours of pupil instruction required under
2 section 1284 of the revised school code, MCL 380.1284. The
3 result of this calculation shall not exceed the amount per mem-
4 bership pupil otherwise calculated under this subsection. Also,
5 a public school academy that begins operations in 1997-98 or
6 1998-99, as applicable, after the pupil membership count day
7 shall not receive any funds under this section unless the public
8 school academy provides for the school year a number of hours of
9 pupil instruction that is at least in the same proportion to the
10 minimum number of hours of pupil instruction required under sec-
11 tion 1284 of the revised school code, MCL 380.1284, as the number
12 of days of pupil instruction provided by the public school acad-
13 emy for the school year is in proportion to the number of days of
14 pupil instruction required under section 1284 of the revised
15 school code, MCL 380.1284.

16 (7) If more than 25% of the pupils residing within a dis-
17 trict are in membership in 1 or more public school academies
18 located in the district, then the amount per membership pupil
19 allocated under this section to the authorizing body that is the
20 fiscal agent for a public school academy located in the district
21 for forwarding to the public school academy shall be reduced by
22 an amount equal to the difference between the product of the tax-
23 able value per membership pupil of all property in the district
24 that is not a homestead or qualified agricultural property times
25 the lesser of 18 mills or the number of mills of school operating
26 taxes levied by the district in 1993-94 and the quotient of the
27 ad valorem property tax revenue of the district captured under

1 1975 PA 197, MCL 125.1651 to 125.1681, the tax increment finance
2 authority act, 1980 PA 450, MCL 125.1801 to 125.1830, the local
3 development financing act, 1986 PA 281, MCL 125.2151 to 125.2174,
4 or the Brownfield redevelopment financing act, 1996 PA 381, MCL
5 125.2651 to 125.2672, divided by the district's membership
6 excluding special education pupils, in the school fiscal year
7 ending in the current state fiscal year, calculated as if the
8 resident pupils in membership in 1 or more public school academe-
9 mies located in the district were in membership in the district.
10 In order to receive state school aid under this act, a district
11 described in this subsection shall pay to the authorizing body
12 that is the fiscal agent for a public school academy located in
13 the district for forwarding to the public school academy an
14 amount equal to that local school operating revenue per member-
15 ship pupil for each resident pupil in membership other than spe-
16 cial education pupils in the public school academy, as determined
17 by the department.

18 (8) If a district does not receive a payment under subsec-
19 tion (9); if the number of mills the district may levy on a home-
20 stead and qualified agricultural property under section 1211(1)
21 of the revised school code, MCL 380.1211, is 0.5 mills or less;
22 and if the district elects not to levy those mills, the district
23 instead shall receive a separate supplemental payment under this
24 subsection in an amount equal to the amount the district would
25 have received had it levied those mills, as determined by the
26 department of treasury. A district shall not receive a separate
27 supplemental payment under this subsection for a fiscal year

1 unless in the calendar year ending in the fiscal year the
2 district levies 18 mills or the number of mills of school operat-
3 ing taxes levied by the district in 1993, whichever is less, on
4 property that is not a homestead or qualified agricultural
5 property.

6 (9) For a district that had combined state and local revenue
7 per membership pupil in the 1993-94 state fiscal year of more
8 than \$6,500.00 and that had fewer than 350 pupils in membership,
9 if the district elects not to reduce the number of mills from
10 which a homestead and qualified agricultural property are exempt
11 and not to levy school operating taxes on a homestead and quali-
12 fied agricultural property as provided in section 1211(1) of the
13 revised school code, MCL 380.1211, and not to levy school operat-
14 ing taxes on all property as provided in section 1211(2) of the
15 revised school code, MCL 380.1211, there is allocated under this
16 subsection for 1994-95 and each succeeding fiscal year a separate
17 supplemental payment in an amount equal to the amount the dis-
18 trict would have received per membership pupil had it levied
19 school operating taxes on a homestead and qualified agricultural
20 property at the rate authorized for the district under section
21 1211(1) of the revised school code, MCL 380.1211, and levied
22 school operating taxes on all property at the rate authorized for
23 the district under section 1211(2) of the revised school code,
24 MCL 380.1211, as determined by the department of treasury. A
25 district shall not receive a separate supplemental payment under
26 this subsection for a fiscal year unless in the calendar year
27 ending in the fiscal year the district levies 18 mills or the

1 number of mills of school operating taxes levied by the district
2 in 1993, whichever is less, on property that is not a homestead
3 or qualified agricultural property.

4 (10) A district or public school academy may use any funds
5 allocated under this section in conjunction with any federal
6 funds for which the district or public school academy otherwise
7 would be eligible.

8 (11) For a district that is formed or reconfigured after
9 June 1, 1994 by consolidation of 2 or more districts or by annex-
10 ation, the resulting district's foundation allowance under this
11 section beginning after the effective date of the consolidation
12 or annexation shall be the average of the foundation allowances
13 of each of the original or affected districts, calculated as pro-
14 vided in this section, weighted as to the percentage of pupils in
15 total membership in the resulting district who reside in the geo-
16 graphic area of each of the original districts. If an affected
17 district's foundation allowance is less than the basic foundation
18 allowance, the amount of that district's foundation allowance
19 shall be considered for the purpose of calculations under this
20 subsection to be equal to the amount of the basic foundation
21 allowance.

22 (12) Each fraction used in making calculations under this
23 section shall be rounded to the fourth decimal place and the
24 dollar amount of an increase in the basic foundation allowance
25 shall be rounded to the nearest whole dollar.

1 (13) State payments related to payment of the foundation
2 allowance for a special education pupil are not funded under this
3 section but are instead funded under section 51a.

4 (14) To assist the legislature in determining the basic
5 foundation allowance for the subsequent state fiscal year, except
6 for the January 1998 revenue estimating conference, each revenue
7 estimating conference conducted under section 367b of the manage-
8 ment and budget act, 1984 PA 431, MCL 18.1367b, shall calculate a
9 pupil membership factor, a revenue adjustment factor, and an
10 index as follows:

11 (a) The pupil membership factor shall be computed by divid-
12 ing the estimated membership in the school year ending in the
13 current state fiscal year, excluding intermediate district mem-
14 bership, by the estimated membership for the school year ending
15 in the subsequent state fiscal year, excluding intermediate dis-
16 trict membership. If a consensus membership factor is not deter-
17 mined at the revenue estimating conference, the principals of the
18 revenue estimating conference shall report their estimates to the
19 house and senate subcommittees responsible for school aid appro-
20 priations not later than 7 days after the conclusion of the reve-
21 nue conference.

22 (b) The revenue adjustment factor shall be computed by
23 dividing the sum of the estimated total state school aid fund
24 revenue for the subsequent state fiscal year plus the estimated
25 total state school aid fund revenue for the current state fiscal
26 year, adjusted for any change in the rate or base of a tax the
27 proceeds of which are deposited in that fund and excluding money

1 transferred into that fund from the countercyclical budget and
2 economic stabilization fund under section 353e of the management
3 and budget act, 1984 PA 431, MCL 18.1353e, by the sum of the
4 estimated total school aid fund revenue for the current state
5 fiscal year plus the estimated total state school aid fund reve-
6 nue for the immediately preceding state fiscal year, adjusted for
7 any change in the rate or base of a tax the proceeds of which are
8 deposited in that fund. If a consensus revenue factor is not
9 determined at the revenue estimating conference, the principals
10 of the revenue estimating conference shall report their estimates
11 to the house and senate subcommittees responsible for school aid
12 appropriations not later than 7 days after the conclusion of the
13 revenue conference.

14 (c) The index shall be calculated by multiplying the pupil
15 membership factor by the revenue adjustment factor. ~~However,~~
16 ~~for 1998-99 only, the index shall be 1.00.~~ If a consensus index
17 is not determined at the revenue estimating conference, the prin-
18 cipals of the revenue estimating conference shall report their
19 estimates to the house and senate subcommittees responsible for
20 school aid appropriations not later than 7 days after the conclu-
21 sion of the revenue conference.

22 (15) If the principals at the revenue estimating conference
23 reach a consensus on the index described in subsection (14)(c),
24 the basic foundation allowance for the subsequent state fiscal
25 year shall be at least the amount of that consensus index multi-
26 plied by the basic foundation allowance specified in subsection
27 (1).

1 ~~(16) If the estimated amount of total state school aid fund~~
2 ~~revenue available for 1998-99 as estimated at the May 1998 reve-~~
3 ~~nue estimating conference is greater than \$9,036,198,400.00, then~~
4 ~~the revenue estimating conference shall estimate the increase in~~
5 ~~the basic foundation allowance for 1998-99 and it is the intent~~
6 ~~of the legislature that the amount of the basic foundation allow-~~
7 ~~ance for 1998-99 shall be increased accordingly.~~

8 (16) ~~(17)~~ If the pupil membership, excluding intermediate
9 district membership, for the school year ending in the next state
10 fiscal year is estimated at the January revenue estimating con-
11 ference to be greater than 101% of the pupil membership, exclud-
12 ing intermediate district membership, for the school year ending
13 in the current state fiscal year, then it is the intent of the
14 legislature that the executive budget proposal for the school aid
15 budget in the subsequent state fiscal year incorporate a general
16 fund/general purpose allocation that is greater than the general
17 fund/general purpose allocation in the current fiscal year, to
18 support the estimated membership in excess of 101% of the member-
19 ship in the current year.

20 (17) ~~(18)~~ As used in this section:

21 (a) "Combined state and local revenue per membership pupil"
22 means the aggregate of the district's state school aid received
23 by or paid on behalf of the district under this section and the
24 district's local school operating revenue, divided by the
25 district's membership excluding special education pupils.

26 (b) "Current state fiscal year" means the state fiscal year
27 for which a particular calculation is made.

1 (c) "Homestead" means that term as defined in section 1211
2 of the revised school code, MCL 380.1211.

3 (d) "Immediately preceding state fiscal year" means the
4 state fiscal year immediately preceding the current state fiscal
5 year.

6 (e) "Local school operating revenue" means school operating
7 taxes levied under section 1211 of the revised school code, MCL
8 380.1211.

9 (f) "Local school operating revenue per membership pupil"
10 means a district's local school operating revenue divided by the
11 district's membership excluding special education pupils.

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

15 (h) "Qualified agricultural property" means that term as
16 defined in section 1211 of the revised school code, MCL
17 380.1211.

18 (i) "School operating purposes" means the purposes included
19 in the operation costs of the district as prescribed in
20 sections 7 and 18.

21 (j) "School operating taxes" means local ad valorem property
22 taxes levied under section 1211 of the revised school code, MCL
23 380.1211, and retained for school operating purposes.

24 (k) "Taxable value per membership pupil" means taxable
25 value, as certified by the department of treasury, for the calen-
26 dar year ending in the current state fiscal year divided by the

1 district's membership excluding special education pupils for the
2 school year ending in the current state fiscal year.

3 Sec. 51a. (1) From the appropriation in section 11, there
4 is allocated \$818,786,700.00 for 1997-98 to consist of an amount
5 not to exceed \$722,853,300.00 from state sources and
6 \$95,933,400.00 in federal funding under sections 611 to 620 of
7 part B of the individuals with disabilities education act, title
8 VI of Public Law 91-230, 20 U.S.C. 1411 to 1420, plus any carry-
9 over federal funds from previous year appropriations, and there
10 is allocated for 1998-99 an amount not to exceed
11 ~~\$771,053,300.00~~ \$791,548,400.00 from state sources and all
12 available federal funding, estimated at \$120,000,000.00, plus any
13 carryover federal funds from previous year appropriations, for
14 the purpose of reimbursing districts and intermediate districts
15 for special education programs, services, and special education
16 personnel as prescribed in article 3 of the revised school code,
17 MCL 380.1701 to 380.1766; net tuition payments made by intermedi-
18 ate districts to the Michigan schools for the deaf and blind; and
19 programs for pupils with handicaps as defined by the department.
20 For meeting the costs of special education programs and services
21 not reimbursed under this article, a district or intermediate
22 district may use money in general funds or special education
23 funds, not otherwise restricted, or contributions from districts
24 to intermediate districts, tuition payments, gifts and contribu-
25 tions from individuals, or federal funds that may be available
26 for this purpose, as determined by the intermediate district plan

1 prepared pursuant to article 3 of the revised school code, MCL
2 380.1701 to 380.1766.

3 (2) From the funds allocated under subsection (1), there is
4 allocated for 1997-98 and for 1998-99 the amount necessary, esti-
5 mated at \$620,906,100.00 for 1997-98 and ~~-\$672,274,000.00~~
6 \$692,636,300.00 for 1998-99, for payments toward reimbursing dis-
7 tricts and intermediate districts for 28.6138% of total approved
8 costs of special education, excluding costs reimbursed under
9 section 53a, and 70.4165% of total approved costs of special edu-
10 cation transportation. Allocations under this subsection shall
11 be made as follows:

12 (a) The initial amount allocated to a district under this
13 subsection toward fulfilling the specified percentages shall be
14 calculated by multiplying the district's special education pupil
15 membership, excluding pupils described in subsection (13), times
16 the foundation allowance under section 20 of the pupil's district
17 of residence, not to exceed \$6,500.00 adjusted by the dollar
18 amount of the difference between the 1997-98 and 1998-99 basic
19 foundation allowance under section 20 and \$5,000.00, or, for a
20 special education pupil in membership in a district that is a
21 public school academy or university school, times an amount equal
22 to the amount per membership pupil calculated under section
23 20(6). For an intermediate district, the amount allocated under
24 this subdivision toward fulfilling the specified percentages
25 shall be an amount per special education membership pupil,
26 excluding pupils described in subsection (13), and shall be
27 calculated in the same manner as for a district, using the

1 foundation allowance under section 20 of the pupil's district of
2 residence, not to exceed \$6,500.00 adjusted by the dollar amount
3 of the difference between the 1997-98 and 1998-99 basic founda-
4 tion allowance under section 20 and \$5,000.00.

5 (b) After the allocations under subdivision (a), districts
6 and intermediate districts for which the payments under
7 subdivision (a) do not fulfill the specified percentages shall be
8 paid the amount necessary to achieve the specified percentages
9 for the district or intermediate district.

10 (3) From the funds allocated under subsection (1), there is
11 allocated for 1997-98 and for 1998-99 the amount necessary, esti-
12 mated at \$29,224,700.00 for 1997-98 and ~~-\$26,056,800.00~~
13 \$28,749,500.00 for 1998-99, to make payments to districts and
14 intermediate districts under this subsection. If the amount
15 allocated to a district or intermediate district for 1997-98 or
16 1998-99 under subsection (2)(b) is less than the sum of the
17 amounts allocated to the district or intermediate district for
18 1996-97 under sections 52 and 58, there is allocated to the dis-
19 trict or intermediate district for 1997-98 or for 1998-99, or
20 both as applicable, an amount equal to that difference, adjusted
21 by applying the same proration factor that was used in the dis-
22 tribution of funds under section 52 in 1996-97 as adjusted to the
23 district's or intermediate district's necessary costs of special
24 education used in calculations for 1997-98 or 1998-99. This
25 adjustment is to reflect reductions in special education program
26 operations between 1996-97 and 1997-98 or 1998-99, as
27 applicable.

1 (4) If the department determines that the sum of the amounts
2 allocated for a fiscal year to a district or intermediate dis-
3 trict under subsection (2)(a) and (b) is not sufficient to ful-
4 fill the specified percentages in subsection (2), then the short-
5 fall shall be paid to the district or intermediate district
6 during the fiscal year beginning on the October 1 following the
7 determination and payments under subsection (3) shall be adjusted
8 as necessary. If the department determines that the sum of the
9 amounts allocated for a fiscal year to a district or intermediate
10 district under subsection (2)(a) and (b) exceeds the sum of the
11 amount necessary to fulfill the specified percentages in subsec-
12 tion (2), then the department shall deduct the amount of the
13 excess from the district's or intermediate district's payments
14 under this act for the fiscal year beginning on the October 1
15 following the determination and payments under subsection (3)
16 shall be adjusted as necessary. However, if the amount allocated
17 under subsection (2)(a) in itself exceeds the amount necessary to
18 fulfill the specified percentages in subsection (2), there shall
19 be no deduction under this subsection.

20 (5) State funds shall be allocated on a total approved cost
21 basis. Federal funds shall be allocated under applicable federal
22 requirements, except that an amount not to exceed \$3,100,000.00
23 may be allocated by the department for 1997-98, and an amount not
24 to exceed \$3,500,000.00 may be allocated by the department for
25 1998-99, to districts or intermediate districts on a competitive
26 grant basis for programs, equipment, and services that the

1 department determines to be designed to benefit or improve
2 special education on a statewide scale.

3 (6) From the amount allocated in subsection (1), there is
4 allocated an amount not to exceed \$1,700,000.00 for 1997-98 and
5 an amount not to exceed \$2,200,000.00 for 1998-99 to reimburse
6 100% of the net increase in necessary costs incurred by a dis-
7 trict or intermediate district in implementing the revisions in
8 the administrative rules for special education that became effec-
9 tive on July 1, 1987. As used in this subsection, "net increase
10 in necessary costs" means the necessary additional costs incurred
11 solely because of new or revised requirements in the administra-
12 tive rules minus cost savings permitted in implementing the
13 revised rules. Net increase in necessary costs shall be deter-
14 mined in a manner specified by the department.

15 (7) For purposes of this article, all of the following
16 apply:

17 (a) "Total approved costs of special education" shall be
18 determined in a manner specified by the department and may
19 include indirect costs, but shall not exceed 115% of approved
20 direct costs for section 52 and section 53a programs. The total
21 approved costs include salary and other compensation for all
22 approved special education personnel for the program, including
23 payments for social security and medicare and public school
24 employee retirement system contributions. The total approved
25 costs do not include salaries or other compensation paid to
26 administrative personnel who are not special education personnel
27 as defined in section 6 of the revised school code, MCL 380.6.

1 Costs reimbursed by federal funds, other than those federal funds
2 included in the allocation made under this article, are not
3 included. Special education approved personnel not utilized full
4 time in the evaluation of students or in the delivery of special
5 education programs, ancillary, and other related services shall
6 be reimbursed under this section only for that portion of time
7 actually spent providing these programs and services, with the
8 exception of special education programs and services provided to
9 youth placed in child caring institutions or juvenile detention
10 programs approved by the department to provide an on-grounds edu-
11 cation program.

12 (b) Reimbursement for ancillary and other related services,
13 as defined by R 340.1701 of the Michigan administrative code,
14 shall not be provided when those services are covered by and
15 available through private group health insurance carriers or fed-
16 eral reimbursed program sources unless the department and dis-
17 trict or intermediate district agree otherwise and that agreement
18 is approved by the department of management and budget.

19 Expenses, other than the incidental expense of filing, shall not
20 be borne by the parent. In addition, the filing of claims shall
21 not delay the education of a pupil. A district or intermediate
22 district shall be responsible for payment of a deductible amount
23 and for an advance payment required until the time a claim is
24 paid.

25 (8) From the allocation in subsection (1), there is allo-
26 cated for 1997-98 and for 1998-99 an amount not to exceed
27 \$15,313,900.00 each fiscal year to intermediate districts. The

1 payment under this subsection to each intermediate district shall
2 be equal to the amount of the 1996-97 allocation to the interme-
3 diate district under this subsection.

4 (9) A pupil who is enrolled in a full-time special education
5 program conducted or administered by an intermediate district or
6 a pupil who is enrolled in the Michigan schools for the deaf and
7 blind shall not be included in the membership count of a dis-
8 trict, but shall be counted in membership in the intermediate
9 district of residence.

10 (10) Notwithstanding section 6(4), for 1997-98 only, for
11 pupils enrolled in a center program pursuant to an intermediate
12 district plan the department shall use for the February 1997 sup-
13 plemental count the definition of membership used for the 1997-98
14 pupil membership count day.

15 (11) Special education personnel transferred from 1 district
16 to another to implement the revised school code shall be entitled
17 to the rights, benefits, and tenure to which the person would
18 otherwise be entitled had that person been employed by the
19 receiving district originally.

20 (12) If a district or intermediate district uses money
21 received under this section for a purpose other than the purpose
22 or purposes for which the money is allocated, the department may
23 require the district or intermediate district to refund the
24 amount of money received. Money that is refunded shall be depos-
25 ited in the state treasury to the credit of the state school aid
26 fund.

1 (13) From the funds allocated in subsection (1), there is
2 allocated each fiscal year for 1997-98 and for 1998-99 the amount
3 necessary, estimated at \$8,370,600.00 for 1997-98 and
4 \$8,503,400.00 for 1998-99, to pay the foundation allowances for
5 pupils described in this subsection. The allocation to a dis-
6 trict under this subsection shall be calculated by multiplying
7 the number of pupils described in this subsection who are counted
8 in membership in the district times the foundation allowance
9 under section 20 of the pupil's district of residence, not to
10 exceed \$6,500.00 adjusted by the dollar amount of the difference
11 between the 1997-98 and 1998-99 basic foundation allowance under
12 section 20 and \$5,000.00, or, for a pupil described in this sub-
13 section who is counted in membership in a district that is a
14 public school academy or university school, times an amount equal
15 to the amount per membership pupil under section 20(6). The
16 allocation to an intermediate district under this subsection
17 shall be calculated in the same manner as for a district, using
18 the foundation allowance under section 20 of the pupil's district
19 of residence, not to exceed \$6,500.00 adjusted by the dollar
20 amount of the difference between the 1997-98 and 1998-99 basic
21 foundation allowance under section 20 and \$5,000.00. This sub-
22 section applies to all of the following pupils:

23 (a) Pupils described in section 53a.

24 (b) Pupils counted in membership in an intermediate district
25 who are not special education pupils and are served by the inter-
26 mediate district in a juvenile detention or child caring
27 facility.

1 (c) Emotionally impaired pupils counted in membership by an
2 intermediate district and provided educational services by the
3 department of community health.

4 (14) After payments under subsections (2) and (13), the
5 remaining expenditures from the allocation in subsection (1)
6 shall be made in the following order:

7 (a) 100% of the reimbursement required under section 53a.

8 (b) 100% of the reimbursement required under subsection
9 (6).

10 (c) 100% of the payment required under section 54.

11 (d) 100% of the payment required under subsection (3).

12 (e) 100% of the payment required under subsection (8).

13 (f) 100% of the payments under section 56.

14 Sec. 81. (1) Except as otherwise provided in this section,
15 from the appropriation in section 11, there is allocated each
16 fiscal year for 1997-98 and for 1998-99 to the intermediate dis-
17 tricts the sum necessary, but not to exceed \$81,266,700.00 ~~each~~
18 ~~fiscal year~~ FOR 1997-98 AND NOT TO EXCEED \$82,753,900.00 FOR
19 1998-99, to provide state aid to intermediate districts under
20 this subsection and subsections (2) and (3). Except as otherwise
21 provided in this section, there shall be allocated to each inter-
22 mediate district FOR 1997-98 an amount equal to 102.9% of the sum
23 of the amount of funding actually received by the intermediate
24 district under this subsection in 1996-97 and the amount of fund-
25 ing actually received by the intermediate district under FORMER
26 section 11b as in effect for 1995-96. EXCEPT AS OTHERWISE
27 PROVIDED IN THIS SECTION, THERE SHALL BE ALLOCATED TO EACH

1 INTERMEDIATE DISTRICT FOR 1998-99 AN AMOUNT EQUAL TO 101.8% OF
2 THE SUM OF THE AMOUNT OF FUNDING ACTUALLY RECEIVED BY THE INTER-
3 MEDIATE DISTRICT UNDER THIS SUBSECTION FOR 1997-98 AND THE AMOUNT
4 OF FUNDING ACTUALLY RECEIVED BY THE INTERMEDIATE DISTRICT UNDER
5 FORMER SECTION 11B AS IN EFFECT FOR 1996-97. Funding provided
6 under this section shall be used to comply with requirements of
7 this act and the revised school code that are applicable to
8 intermediate districts, and for which funding is not provided
9 elsewhere in this act, and to provide technical assistance to
10 districts as authorized by the intermediate school board.

11 (2) From the allocation in subsection (1), there is allo-
12 cated to an intermediate district, formed by the consolidation or
13 annexation of 2 or more intermediate districts or the attachment
14 of a total intermediate district to another intermediate school
15 district or the annexation of all of the constituent K-12 dis-
16 tricts of a previously existing intermediate school district
17 which has disorganized, an additional allotment of \$3,500.00 each
18 fiscal year for each intermediate district included in the new
19 intermediate district for 3 years following consolidation, annex-
20 ation, or attachment.

21 (3) If an intermediate district participated in 1993-94 in a
22 consortium operating a regional educational media center under
23 section 671 of the revised school code, MCL 380.671, and rules
24 promulgated by the state board, and if the intermediate district
25 obtains written consent from each of the other intermediate dis-
26 tricts that participated in the consortium in 1993-94, the
27 intermediate district may notify the department not later than

1 October 1, 1996 that it is electing to directly receive its
2 payment attributable to participation in that consortium. An
3 intermediate district making that election, and that has obtained
4 the necessary consent, shall receive each fiscal year for 1997-98
5 and for 1998-99 for each pupil in membership in the intermediate
6 district or a constituent district an amount equal to the quo-
7 tient of the 1993-94 allocation to the fiscal agent for that con-
8 sortium under former section 83, adjusted as determined by the
9 department to account for that election, divided by the combined
10 total membership for the current fiscal year in all of the inter-
11 mediate districts that participated in that consortium and their
12 constituent districts. The amount allocated to an intermediate
13 district under this subsection for a fiscal year shall be
14 deducted from the total allocation for that fiscal year under
15 this section to the intermediate district that was the 1993-94
16 fiscal agent for the consortium.

17 (4) During a fiscal year, the department shall not increase
18 an intermediate district's allocation under subsection (1)
19 because of an adjustment made by the department during the fiscal
20 year in the intermediate district's taxable value for a prior
21 year. Instead, the department shall report the adjustment and
22 the estimated amount of the increase to the house and senate
23 fiscal agencies not later than June 1 of the fiscal year, and the
24 legislature shall appropriate money for the adjustment in the
25 next succeeding fiscal year.

26 (5) In order to receive funding under this section, an
27 intermediate district shall demonstrate to the satisfaction of

1 the department that the intermediate district employs at least 1
2 person who is trained in pupil counting procedures, rules, and
3 regulations.