

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 556

A bill to amend 1979 PA 94, entitled
"The state school aid act of 1979,"
by amending sections 11, 11b, 20, 20j, 26a, 68, 81, and 108 (MCL
388.1611, 388.1611b, 388.1620, 388.1620j, 388.1626a, 388.1668,
388.1681, and 388.1708), sections 11, 20, 26a, 68, 81, and 108 as
amended and section 11b as added by 2003 PA 158, and section 20j
as amended by 2001 PA 121.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 11. (1) ~~For the fiscal year ending September 30,~~
2 ~~2003, there is appropriated for the public schools of this state~~
3 ~~and certain other state purposes relating to education the sum of~~
4 ~~\$11,230,753,400.00 from the state school aid fund established by~~
5 ~~section 11 of article IX of the state constitution of 1963, the~~
6 ~~sum of \$198,413,500.00 from the general fund, and the sum of~~
7 ~~\$700,000.00 from local revenues.~~ For the fiscal year ending

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1 September 30, 2004, there is appropriated for the public schools
2 of this state and certain other state purposes relating to
3 education the sum of ~~-\$10,987,820,500.00~~ **\$10,962,387,100.00** from
4 the state school aid fund established by section 11 of article IX
5 of the state constitution of 1963 and the sum of
6 ~~-\$282,100,000.00~~ **[\$305,200,000.00]** from the general fund. For the
7 fiscal year ending September 30, ~~2004~~ **2003**, from loan
8 repayments deposited to the general fund pursuant to section 4 of
9 1961 PA 112, MCL 388.984, on the settlement date, as determined
10 under section 9c of 1961 PA 108, MCL 388.959c, there is
11 appropriated from the general fund to the state school aid fund
12 the amount determined by the state treasurer to equal the
13 difference between the outstanding amount of general obligation
14 debt incurred pursuant to 1961 PA 112, MCL 388.981 to 388.985,
15 and the outstanding amount of loans under 1961 PA 108, MCL
16 388.951 to 388.963, as reduced in accordance with section 9c(1)
17 of 1961 PA 108, MCL 388.959c. In addition, for the fiscal year
18 ending September 30, ~~2004~~ **2003**, there is appropriated from the
19 general fund to the state school aid fund an amount equal to the
20 amount of all school bond loan fund repayments received by the
21 state treasurer from June 1, 2003 through December 21, 2003,
22 determined by the state treasurer not to have been paid from
23 proceeds of bonds of the school district and representing the
24 difference between the outstanding amount of general obligation
25 debt incurred by this state under 1961 PA 112, MCL 388.981 to
26 388.985, and the outstanding amount of loans under 1961 PA 108,
27 MCL 388.951 to 388.963, at the time of repayment. Funds

1 appropriated to the state school aid fund from the general fund
2 from loan repayments received as described in this subsection
3 shall be expended within 90 days of deposit within the state
4 school aid fund. In addition, available federal funds are
5 appropriated for each of those fiscal years.

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

18 (3) If the maximum amount appropriated under this section
19 from the state school aid fund and the school aid stabilization
20 fund for a fiscal year exceeds the amount available for
21 expenditure from the state school aid fund for that fiscal year,
22 payments under sections 11f, 11g, 22a, 31d, 51a(2), and 51c shall
23 be made in full. In addition, for districts beginning operations
24 after 1994-95 that qualify for payments under section 22b,
25 payments under section 22b shall be made so that the qualifying
26 districts receive the lesser of an amount equal to the 1994-95
27 foundation allowance of the district in which the district

1 beginning operations after 1994-95 is located or \$5,500.00. The
2 amount of the payment to be made under section 22b for these
3 qualifying districts shall be as calculated under section 22a,
4 with the balance of the payment under section 22b being subject
5 to the proration otherwise provided under this subsection and
6 subsection (4). For ~~proration before May 1, 2003, state~~
7 ~~payments under each of the other sections of this act from all~~
8 ~~state funding sources shall be prorated on an equal percentage~~
9 ~~basis as necessary to reflect the amount available for~~
10 ~~expenditure from the state school aid fund for the affected~~
11 ~~fiscal year. If additional proration is necessary in 2002-2003~~
12 ~~after May 1, 2003, and for~~ any proration necessary after
13 2002-2003, state payments under each of the other sections of
14 this act from all state funding sources shall be prorated in the
15 manner prescribed in subsection (4) as necessary to reflect the
16 amount available for expenditure from the state school aid fund
17 for the affected fiscal year. However, if the department of
18 treasury determines that proration will be required under this
19 subsection, the department of treasury shall notify the state
20 budget director, and the state budget director shall notify the
21 legislature at least 30 calendar days or 6 legislative session
22 days, whichever is more, before the department reduces any
23 payments under this act because of the proration. During the 30
24 calendar day or 6 legislative session day period after that
25 notification by the state budget director, the department shall
26 not reduce any payments under this act because of proration under
27 this subsection. The legislature may prevent proration from

1 occurring by, within the 30 calendar day or 6 legislative session
2 day period after that notification by the state budget director,
3 enacting legislation appropriating additional funds from the
4 general fund, countercyclical budget and economic stabilization
5 fund, state school aid fund balance, or another source to fund
6 the amount of the projected shortfall.

7 (4) ~~If additional proration is necessary in 2002-2003~~
8 ~~because of the outcome of any revenue estimating conference~~
9 ~~occurring after May 1, 2003 and for~~ **For** any proration necessary
10 after 2002-2003, the department shall calculate the proration in
11 district and intermediate district payments that is required
12 under subsection (3) as follows:

13 (a) The department shall calculate the percentage of total
14 state school aid allocated under this act for the affected fiscal
15 year for each of the following:

16 (i) Districts.

17 (ii) Intermediate districts.

18 (iii) Entities other than districts or intermediate
19 districts.

20 (b) The department shall recover a percentage of the
21 proration amount required under subsection (3) that is equal to
22 the percentage calculated under subdivision (a)(i) for districts
23 by reducing payments to districts. This reduction shall be made
24 by calculating an equal dollar amount per pupil as necessary to
25 recover this percentage of the proration amount and reducing each
26 district's total state school aid from state sources, other than
27 payments under sections 11f, 11g, 22a, 31d, 51a(2), 51a(12), 51c,

1 53a, and 56, by that amount.

2 (c) The department shall recover a percentage of the
3 proration amount required under subsection (3) that is equal to
4 the percentage calculated under subdivision (a)(ii) for
5 intermediate districts by reducing payments to intermediate
6 districts. This reduction shall be made by reducing the payments
7 to each intermediate district, other than payments under sections
8 11f, 11g, 22a, 31d, 51a(2), 51a(12), 51c, 53a, and 56, on an
9 equal percentage basis.

10 (d) The department shall recover a percentage of the
11 proration amount required under subsection (3) that is equal to
12 the percentage calculated under subdivision (a)(iii) for entities
13 other than districts and intermediate districts by reducing
14 payments to these entities. This reduction shall be made by
15 reducing the payments to each of these entities on an equal
16 percentage basis.

17 ~~(5) For the fiscal year ending September 30, 2003 only, in~~
18 ~~addition to the appropriations under subsection (1), the amount~~
19 ~~of \$51,000,000.00 is transferred and appropriated from the~~
20 ~~general fund to the state school aid fund. This transfer~~
21 ~~reflects the estimated net shortfall in state school aid fund~~
22 ~~revenue as determined at the May 2003 consensus revenue~~
23 ~~estimating conference and is appropriated to avoid any further~~
24 ~~proration under subsection (3) due to that estimated shortfall.~~

25 (5) ~~-(6)-~~ Except for the allocation under section 26a, any
26 general fund allocations under this act that are not expended by
27 the end of the state fiscal year are transferred to the state

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1 school aid fund.

2 Sec. 11b. From the general fund money appropriated in
3 section 11, there is allocated for 2003-2004 the sum of
4 ~~\$22,000,000.00~~ **[\$44,100,000.00]** for deposit into the school aid
5 stabilization fund created in section 11a.

6 Sec. 20. (1) For 2002-2003 and for 2003-2004, the basic
7 foundation allowance is \$6,700.00 per membership pupil.

8 (2) The amount of each district's foundation allowance shall
9 be calculated as provided in this section, using a basic
10 foundation allowance in the amount specified in subsection (1).

11 (3) Except as otherwise provided in this section, the amount
12 of a district's foundation allowance shall be calculated as
13 follows, using in all calculations the total amount of the
14 district's foundation allowance as calculated before any
15 proration:

16 (a) Except as otherwise provided in this subsection, for a
17 district that in the immediately preceding state fiscal year had
18 a foundation allowance in an amount at least equal to the amount
19 of the basic foundation allowance for the immediately preceding
20 state fiscal year, the district shall receive a foundation
21 allowance in an amount equal to the sum of the district's
22 foundation allowance for the immediately preceding state fiscal
23 year plus the dollar amount of the adjustment from the
24 immediately preceding state fiscal year to the current state
25 fiscal year in the basic foundation allowance. However, for
26 2002-2003, the foundation allowance for a district under this
27 subdivision is an amount equal to the sum of the district's

1 foundation allowance for the immediately preceding state fiscal
2 year plus \$200.00.

3 (b) For a district that in the 1994-95 state fiscal year had
4 a foundation allowance greater than \$6,500.00, the district's
5 foundation allowance is an amount equal to the sum of the
6 district's foundation allowance for the immediately preceding
7 state fiscal year plus the lesser of the increase in the basic
8 foundation allowance for the current state fiscal year, as
9 compared to the immediately preceding state fiscal year, or the
10 product of the district's foundation allowance for the
11 immediately preceding state fiscal year times the percentage
12 increase in the United States consumer price index in the
13 calendar year ending in the immediately preceding fiscal year as
14 reported by the May revenue estimating conference conducted under
15 section 367b of the management and budget act, 1984 PA 431,
16 MCL 18.1367b. For 2002-2003, for a district that in the 1994-95
17 state fiscal year had a foundation allowance greater than
18 \$6,500.00, the district's foundation allowance is an amount equal
19 to the sum of the district's foundation allowance for the
20 immediately preceding state fiscal year plus the lesser of
21 \$200.00 or the product of the district's foundation allowance for
22 the immediately preceding state fiscal year times the percentage
23 increase in the United States consumer price index in the
24 calendar year ending in the immediately preceding fiscal year as
25 reported by the May revenue estimating conference conducted under
26 section 367b of the management and budget act, 1984 PA 431,
27 MCL 18.1367b.

1 (c) For a district that has a foundation allowance that is
2 not a whole dollar amount, the district's foundation allowance
3 shall be rounded up to the nearest whole dollar.

4 (d) For a district that received a payment under former
5 section 22c for 2001-2002, the district's 2001-2002 foundation
6 allowance shall be considered to have been an amount equal to the
7 sum of the district's actual 2001-2002 foundation allowance as
8 otherwise calculated under this section plus the per pupil amount
9 of the district's equity payment for 2001-2002 under former
10 section 22c.

11 (4) Except as otherwise provided in this subsection, the
12 state portion of a district's foundation allowance is an amount
13 equal to the district's foundation allowance or \$6,500.00,
14 whichever is less, minus the difference between the product of
15 the taxable value per membership pupil of all property in the
16 district that is not a principal residence or qualified
17 agricultural property times the lesser of 18 mills or the number
18 of mills of school operating taxes levied by the district in
19 1993-94 and the quotient of the ad valorem property tax revenue
20 of the district captured under 1975 PA 197, MCL 125.1651 to
21 125.1681, the tax increment finance authority act, 1980 PA 450,
22 MCL 125.1801 to 125.1830, the local development financing act,
23 1986 PA 281, MCL 125.2151 to 125.2174, or the brownfield
24 redevelopment financing act, 1996 PA 381, MCL 125.2651 to
25 125.2672, divided by the district's membership excluding special
26 education pupils. For a district described in subsection (3)(b),
27 the state portion of the district's foundation allowance is an

1 amount equal to \$6,962.00 plus the difference between the
2 district's foundation allowance for the current state fiscal year
3 and the district's foundation allowance for 1998-99, minus the
4 difference between the product of the taxable value per
5 membership pupil of all property in the district that is not a
6 principal residence or qualified agricultural property times the
7 lesser of 18 mills or the number of mills of school operating
8 taxes levied by the district in 1993-94 and the quotient of the
9 ad valorem property tax revenue of the district captured under
10 1975 PA 197, MCL 125.1651 to 125.1681, the tax increment finance
11 authority act, 1980 PA 450, MCL 125.1801 to 125.1830, the local
12 development financing act, 1986 PA 281, MCL 125.2151 to 125.2174,
13 or the brownfield redevelopment financing act, 1996 PA 381,
14 MCL 125.2651 to 125.2672, divided by the district's membership
15 excluding special education pupils. For a district that has a
16 millage reduction required under section 31 of article IX of the
17 state constitution of 1963, the state portion of the district's
18 foundation allowance shall be calculated as if that reduction did
19 not occur. The \$6,500.00 amount prescribed in this subsection
20 shall be adjusted each year by an amount equal to the dollar
21 amount of the difference between the basic foundation allowance
22 for the current state fiscal year and \$5,000.00, minus \$200.00.

23 (5) The allocation calculated under this section for a pupil
24 shall be based on the foundation allowance of the pupil's
25 district of residence. However, for a pupil enrolled pursuant to
26 section 105 or 105c in a district other than the pupil's district
27 of residence, the allocation calculated under this section shall

1 be based on the lesser of the foundation allowance of the pupil's
2 district of residence or the foundation allowance of the
3 educating district. For a pupil in membership in a K-5, K-6, or
4 K-8 district who is enrolled in another district in a grade not
5 offered by the pupil's district of residence, the allocation
6 calculated under this section shall be based on the foundation
7 allowance of the educating district if the educating district's
8 foundation allowance is greater than the foundation allowance of
9 the pupil's district of residence. The calculation under this
10 subsection shall take into account a district's per pupil
11 allocation under section 20j(2).

12 (6) Subject to subsection (7) and section 22b(3) and except
13 as otherwise provided in this subsection, for pupils in
14 membership, other than special education pupils, in a public
15 school academy or a university school, the allocation calculated
16 under this section is an amount per membership pupil other than
17 special education pupils in the public school academy or
18 university school equal to the sum of the local school operating
19 revenue per membership pupil other than special education pupils
20 for the district in which the public school academy or university
21 school is located and the state portion of that district's
22 foundation allowance, or the sum of the basic foundation
23 allowance under subsection (1) plus \$300.00, whichever is less.
24 Notwithstanding section 101(2), for a public school academy that
25 begins operations in 2002-2003 or 2003-2004, as applicable, after
26 the pupil membership count day, the amount per membership pupil
27 calculated under this subsection shall be adjusted by multiplying

1 that amount per membership pupil by the number of hours of pupil
2 instruction provided by the public school academy after it begins
3 operations, as determined by the department, divided by the
4 minimum number of hours of pupil instruction required under
5 section 101(3). The result of this calculation shall not exceed
6 the amount per membership pupil otherwise calculated under this
7 subsection.

8 (7) If more than 25% of the pupils residing within a district
9 are in membership in 1 or more public school academies located in
10 the district, then the amount per membership pupil calculated
11 under this section for a public school academy located in the
12 district shall be reduced by an amount equal to the difference
13 between the product of the taxable value per membership pupil of
14 all property in the district that is not a principal residence or
15 qualified agricultural property times the lesser of 18 mills or
16 the number of mills of school operating taxes levied by the
17 district in 1993-94 and the quotient of the ad valorem property
18 tax revenue of the district captured under 1975 PA 197,
19 MCL 125.1651 to 125.1681, the tax increment finance authority
20 act, 1980 PA 450, MCL 125.1801 to 125.1830, the local development
21 financing act, 1986 PA 281, MCL 125.2151 to 125.2174, or the
22 brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651
23 to 125.2672, divided by the district's membership excluding
24 special education pupils, in the school fiscal year ending in the
25 current state fiscal year, calculated as if the resident pupils
26 in membership in 1 or more public school academies located in the
27 district were in membership in the district. In order to receive

1 state school aid under this act, a district described in this
2 subsection shall pay to the authorizing body that is the fiscal
3 agent for a public school academy located in the district for
4 forwarding to the public school academy an amount equal to that
5 local school operating revenue per membership pupil for each
6 resident pupil in membership other than special education pupils
7 in the public school academy, as determined by the department.

8 (8) If a district does not receive an amount calculated under
9 subsection (9); if the number of mills the district may levy on a
10 principal residence and qualified agricultural property under
11 section 1211(1) of the revised school code, MCL 380.1211, is 0.5
12 mills or less; and if the district elects not to levy those
13 mills, the district instead shall receive a separate supplemental
14 amount calculated under this subsection in an amount equal to the
15 amount the district would have received had it levied those
16 mills, as determined by the department of treasury. A district
17 shall not receive a separate supplemental amount calculated under
18 this subsection for a fiscal year unless in the calendar year
19 ending in the fiscal year the district levies 18 mills or the
20 number of mills of school operating taxes levied by the district
21 in 1993, whichever is less, on property that is not a principal
22 residence or qualified agricultural property.

23 (9) For a district that had combined state and local revenue
24 per membership pupil in the 1993-94 state fiscal year of more
25 than \$6,500.00 and that had fewer than 350 pupils in membership,
26 if the district elects not to reduce the number of mills from
27 which a principal residence and qualified agricultural property

1 are exempt and not to levy school operating taxes on a principal
2 residence and qualified agricultural property as provided in
3 section 1211(1) of the revised school code, MCL 380.1211, and not
4 to levy school operating taxes on all property as provided in
5 section 1211(2) of the revised school code, MCL 380.1211, there
6 is calculated under this subsection for 1994-95 and each
7 succeeding fiscal year a separate supplemental amount in an
8 amount equal to the amount the district would have received per
9 membership pupil had it levied school operating taxes on a
10 principal residence and qualified agricultural property at the
11 rate authorized for the district under section 1211(1) of the
12 revised school code, MCL 380.1211, and levied school operating
13 taxes on all property at the rate authorized for the district
14 under section 1211(2) of the revised school code, MCL 380.1211,
15 as determined by the department of treasury. If in the calendar
16 year ending in the fiscal year a district does not levy 18 mills
17 or the number of mills of school operating taxes levied by the
18 district in 1993, whichever is less, on property that is not a
19 principal residence or qualified agricultural property, the
20 amount calculated under this subsection will be reduced by the
21 same percentage as the millage actually levied compares to the 18
22 mills or the number of mills levied in 1993, whichever is less.

23 (10) Subject to subsection (4), for a district that is formed
24 or reconfigured after June 1, 2002 by consolidation of 2 or more
25 districts or by annexation, the resulting district's foundation
26 allowance under this section beginning after the effective date
27 of the consolidation or annexation shall be the average of the

1 foundation allowances of each of the original or affected
2 districts, calculated as provided in this section, weighted as to
3 the percentage of pupils in total membership in the resulting
4 district who reside in the geographic area of each of the
5 original or affected districts.

6 (11) Each fraction used in making calculations under this
7 section shall be rounded to the fourth decimal place and the
8 dollar amount of an increase in the basic foundation allowance
9 shall be rounded to the nearest whole dollar.

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

13 (13) To assist the legislature in determining the basic
14 foundation allowance for the subsequent state fiscal year, each
15 revenue estimating conference conducted under section 367b of the
16 management and budget act, 1984 PA 431, MCL 18.1367b, shall
17 calculate a pupil membership factor, a revenue adjustment factor,
18 and an index as follows:

19 (a) The pupil membership factor shall be computed by dividing
20 the estimated membership in the school year ending in the current
21 state fiscal year, excluding intermediate district membership, by
22 the estimated membership for the school year ending in the
23 subsequent state fiscal year, excluding intermediate district
24 membership. If a consensus membership factor is not determined
25 at the revenue estimating conference, the principals of the
26 revenue estimating conference shall report their estimates to the
27 house and senate subcommittees responsible for school aid

1 appropriations not later than 7 days after the conclusion of the
2 revenue conference.

3 (b) The revenue adjustment factor shall be computed by
4 dividing the sum of the estimated total state school aid fund
5 revenue for the subsequent state fiscal year plus the estimated
6 total state school aid fund revenue for the current state fiscal
7 year, adjusted for any change in the rate or base of a tax the
8 proceeds of which are deposited in that fund and excluding money
9 transferred into that fund from the countercyclical budget and
10 economic stabilization fund under section 353e of the management
11 and budget act, 1984 PA 431, MCL 18.1353e, by the sum of the
12 estimated total school aid fund revenue for the current state
13 fiscal year plus the estimated total state school aid fund
14 revenue for the immediately preceding state fiscal year, adjusted
15 for any change in the rate or base of a tax the proceeds of which
16 are deposited in that fund. If a consensus revenue factor is not
17 determined at the revenue estimating conference, the principals
18 of the revenue estimating conference shall report their estimates
19 to the house and senate subcommittees responsible for school aid
20 appropriations not later than 7 days after the conclusion of the
21 revenue conference.

22 (c) The index shall be calculated by multiplying the pupil
23 membership factor by the revenue adjustment factor. However, for
24 2003-2004 only, the index shall be 1.00. If a consensus index is
25 not determined at the revenue estimating conference, the
26 principals of the revenue estimating conference shall report
27 their estimates to the house and senate subcommittees responsible

1 for school aid appropriations not later than 7 days after the
2 conclusion of the revenue conference.

3 (14) If the principals at the revenue estimating conference
4 reach a consensus on the index described in subsection (13)(c),
5 the basic foundation allowance for the subsequent state fiscal
6 year shall be at least the amount of that consensus index
7 multiplied by the basic foundation allowance specified in
8 subsection (1).

9 (15) If at the January revenue estimating conference it is
10 estimated that pupil membership, excluding intermediate district
11 membership, for the subsequent state fiscal year will be greater
12 than 101% of the pupil membership, excluding intermediate
13 district membership, for the current state fiscal year, then it
14 is the intent of the legislature that the executive budget
15 proposal for the school aid budget for the subsequent state
16 fiscal year include a general fund/general purpose allocation
17 sufficient to support the membership in excess of 101% of the
18 current year pupil membership.

19 (16) For a district that had combined state and local revenue
20 per membership pupil in the 1993-94 state fiscal year of more
21 than \$6,500.00, that had fewer than 7 pupils in membership in the
22 1993-94 state fiscal year, that has at least 1 child educated in
23 the district in the current state fiscal year, and that levies
24 the number of mills of school operating taxes authorized for the
25 district under section 1211 of the revised school code,
26 MCL 380.1211, a minimum amount of combined state and local
27 revenue shall be calculated for the district as provided under

1 this subsection. The minimum amount of combined state and local
2 revenue for 1999-2000 shall be \$67,000.00 plus the district's
3 additional expenses to educate pupils in grades 9 to 12 educated
4 in other districts as determined and allowed by the department.
5 The minimum amount of combined state and local revenue under this
6 subsection, before adding the additional expenses, shall increase
7 each fiscal year by the same percentage increase as the
8 percentage increase in the basic foundation allowance from the
9 immediately preceding fiscal year to the current fiscal year.
10 The state portion of the minimum amount of combined state and
11 local revenue under this subsection shall be calculated by
12 subtracting from the minimum amount of combined state and local
13 revenue under this subsection the sum of the district's local
14 school operating revenue and an amount equal to the product of
15 the sum of the state portion of the district's foundation
16 allowance plus the amount calculated under section 20j times the
17 district's membership. As used in this subsection, "additional
18 expenses" means the district's expenses for tuition or fees, not
19 to exceed \$6,500.00 as adjusted each year by an amount equal to
20 the dollar amount of the difference between the basic foundation
21 allowance for the current state fiscal year and \$5,000.00, minus
22 \$200.00, plus a room and board stipend not to exceed \$10.00 per
23 school day for each pupil in grades 9 to 12 educated in another
24 district, as approved by the department.

25 (17) For a district in which 7.75 mills levied in 1992 for
26 school operating purposes in the 1992-93 school year were not
27 renewed in 1993 for school operating purposes in the 1993-94

1 school year, the district's combined state and local revenue per
2 membership pupil shall be recalculated as if that millage
3 reduction did not occur and the district's foundation allowance
4 shall be calculated as if its 1994-95 foundation allowance had
5 been calculated using that recalculated 1993-94 combined state
6 and local revenue per membership pupil as a base. A district is
7 not entitled to any retroactive payments for fiscal years before
8 2000-2001 due to this subsection.

9 (18) For a district in which an industrial facilities
10 exemption certificate that abated taxes on property with a state
11 equalized valuation greater than the total state equalized
12 valuation of the district at the time the certificate was issued
13 or \$700,000,000.00, whichever is greater, was issued under 1974
14 PA 198, MCL 207.551 to 207.572, before the calculation of the
15 district's 1994-95 foundation allowance, the district's
16 foundation allowance for 2002-2003 is an amount equal to the sum
17 of the district's foundation allowance for 2002-2003, as
18 otherwise calculated under this section, plus \$250.00.

19 (19) For a district that received a grant under former
20 section 32e for 2001-2002, the district's foundation allowance
21 for 2002-2003 shall be adjusted to be an amount equal to the sum
22 of the district's foundation allowance, as otherwise calculated
23 under this section, plus the quotient of the amount of the grant
24 award to the district for 2001-2002 under former section 32e
25 divided by the district's membership for 2001-2002, and the
26 district's foundation allowance for 2003-2004 shall be adjusted
27 to be an amount equal to the sum of the district's foundation

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1 allowance, as otherwise calculated under this section, plus the
2 quotient of ~~100%~~ **[90.62%]** of the amount of the grant award to the
3 district for 2001-2002 under former section 32e divided by the
4 district's membership for 2001-2002. Except as otherwise
5 provided in this subsection, a district qualifying for a
6 foundation allowance adjustment under this subsection shall use
7 the funds resulting from this adjustment for at least 1 of grades
8 K to 3 for purposes allowable under former section 32e as in
9 effect for 2001-2002. **[If the allocation under this subsection is reduced
so that a district receives less than it received in FY 2001-02 under
former Section 32e, the district may allow its class sizes to increase
proportionately to the decrease in funding.]** For an individual school or
schools
10 operated by a district qualifying for a foundation allowance
11 under this subsection that have been determined by the department
12 to meet the adequate yearly progress standards of the federal no
13 child left behind act of 2001, Public Law 107-110, 115
14 Stat. 1425, in both mathematics and English language arts at all
15 applicable grade levels for all applicable subgroups, the
16 district may submit to the department an application for
17 flexibility in using the funds resulting from this adjustment
18 that are attributable to the pupils in the school or schools.
19 The application shall identify the affected school or schools and
20 the affected funds and shall contain a plan for using the funds
21 for specific purposes identified by the district that are
22 designed to reduce class size, but that may be different from the
23 purposes otherwise allowable under this subsection. The
24 department shall approve the application if the department
25 determines that the purposes identified in the plan are
26 reasonably designed to reduce class size. If the department does
27 not act to approve or disapprove an application within 30 days

1 after it is submitted to the department, the application is
2 considered to be approved. If an application for flexibility in
3 using the funds is approved, the district may use the funds
4 identified in the application for any purpose identified in the
5 plan.

6 (20) For a district that is a qualifying school district with
7 a school reform board in place under part 5a of the revised
8 school code, MCL 380.371 to 380.376, the district's foundation
9 allowance for 2002-2003 shall be adjusted to be an amount equal
10 to the sum of the district's foundation allowance, as otherwise
11 calculated under this section, plus the quotient of
12 ~~\$15,000,000.00~~ **\$10,000,000.00** divided by the district's
13 membership for 2002-2003. If a district ceases to meet the
14 requirements of this subsection, the department shall adjust the
15 district's foundation allowance in effect at that time based on a
16 2002-2003 foundation allowance for the district that does not
17 include the 2002-2003 adjustment under this subsection.

18 (21) Payments to districts, university schools, or public
19 school academies shall not be made under this section. Rather,
20 the calculations under this section shall be used to determine
21 the amount of state payments under section 22b.

22 (22) If an amendment to section 2 of article VIII of the
23 state constitution of 1963 allowing state aid to some or all
24 nonpublic schools is approved by the voters of this state, each
25 foundation allowance or per pupil payment calculation under this
26 section may be reduced.

27 (23) As used in this section:

1 (a) "Combined state and local revenue" means the aggregate of
2 the district's state school aid received by or paid on behalf of
3 the district under this section and the district's local school
4 operating revenue.

5 (b) "Combined state and local revenue per membership pupil"
6 means the district's combined state and local revenue divided by
7 the district's membership excluding special education pupils.

8 (c) "Current state fiscal year" means the state fiscal year
9 for which a particular calculation is made.

10 (d) "Immediately preceding state fiscal year" means the state
11 fiscal year immediately preceding the current state fiscal year.

12 (e) "Local school operating revenue" means school operating
13 taxes levied under section 1211 of the revised school code,
14 MCL 380.1211.

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

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

21 (h) "Principal residence" and "qualified agricultural
22 property" mean those terms as defined in section 7dd of the
23 general property tax act, 1893 PA 206, MCL 211.7dd.

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

27 (j) "School operating taxes" means local ad valorem property

1 taxes levied under section 1211 of the revised school code,
2 MCL 380.1211, and retained for school operating purposes.

3 (k) "Taxable value per membership pupil" means taxable value,
4 as certified by the department of treasury, for the calendar year
5 ending in the current state fiscal year divided by the district's
6 membership excluding special education pupils for the school year
7 ending in the current state fiscal year.

8 Sec. 20j. (1) Foundation allowance supplemental payments to
9 districts that in the 1994-95 state fiscal year had a foundation
10 allowance greater than \$6,500.00 shall be calculated under this
11 section.

12 (2) The per pupil allocation to each district under this
13 section shall be **an amount equal to 91% of** the difference between
14 the dollar amount of the adjustment from the 1998-99 state fiscal
15 year to the current state fiscal year in the basic foundation
16 allowance minus the dollar amount of the adjustment from the
17 1998-99 state fiscal year to the current state fiscal year in the
18 district's foundation allowance.

19 (3) If a district's local revenue per pupil does not exceed
20 the sum of its foundation allowance under section 20 plus the per
21 pupil allocation under subsection (2), the total payment to the
22 district calculated under this section shall be the product of
23 the per pupil allocation under subsection (2) multiplied by the
24 district's membership excluding special education pupils. If a
25 district's local revenue per pupil exceeds the foundation
26 allowance under section 20 but does not exceed the sum of the
27 foundation allowance under section 20 plus the per pupil

1 allocation under subsection (2), the total payment to the
2 district calculated under this section shall be the product of
3 the difference between the sum of the foundation allowance under
4 section 20 plus the per pupil allocation under subsection (2)
5 minus the local revenue per pupil multiplied by the district's
6 membership excluding special education pupils. If a district's
7 local revenue per pupil exceeds the sum of the foundation
8 allowance under section 20 plus the per pupil allocation under
9 subsection (2), there is no payment calculated under this section
10 for the district.

11 (4) Payments to districts shall not be made under this
12 section. Rather, the calculations under this section shall be
13 made and used to determine the amount of state payments under
14 section 22b.

15 Sec. 26a. From the general fund appropriation in section
16 11, there is allocated an amount not to exceed ~~-\$18,700,000.00~~
17 ~~for 2002-2003 and an amount not to exceed \$25,260,000.00~~
18 **\$29,960,000.00** for 2003-2004 to reimburse districts, intermediate
19 districts, and the state school aid fund pursuant to section 12
20 of the Michigan renaissance zone act, 1996 PA 376, MCL 125.2692,
21 for taxes levied in ~~2002 and 2003. , respectively.~~ This
22 reimbursement shall be made by adjusting payments under section
23 22a to eligible districts, adjusting payments under section 56,
24 62, or 81 to eligible intermediate districts, and adjusting the
25 state school aid fund. The adjustments shall be made not later
26 than 60 days after the department of treasury certifies to the
27 department and to the state budget director that the department

1 of treasury has received all necessary information to properly
2 determine the amounts due to each eligible recipient.

3 Sec. 68. (1) From the general fund appropriation in section
4 11, there is allocated an amount not to exceed ~~-\$1,000,000.00~~
5 **\$0.00** for 2003-2004 to be used to implement the Michigan career
6 preparation system as provided under this section. These funds
7 may be used for the purposes of this section and for the purposes
8 of former section 67 as in effect for 2002-2003. In order to
9 receive funds under this section, an eligible education agency
10 shall be part of an approved regional career preparation plan
11 under subsection (2) and shall agree to expend the funds required
12 under this section in accordance with the regional career
13 preparation plan. Funds awarded under this section that are not
14 expended in accordance with this section may be recovered by the
15 department.

16 (2) In order to receive funding under this section, an
17 eligible education agency shall be a part of an approved 3-year
18 regional career preparation plan that is consistent with the
19 workforce development board's strategic plan and is as described
20 in this subsection. All of the following apply to a regional
21 career preparation plan:

22 (a) A 3-year regional career preparation plan shall be
23 developed under subdivisions (b), (c), and (d) for all public
24 education agencies participating as part of a regional career
25 preparation system within the geographical boundaries of a
26 workforce development board, and revised annually. If an
27 intermediate district is located within the geographical

1 boundaries of more than 1 workforce development board, the board
2 of the intermediate district shall choose 1 workforce development
3 board with which to align and shall notify the department of this
4 choice not later than October 31, 1997.

5 (b) The regional career preparation plan shall be developed
6 by representatives of the education advisory group of each
7 workforce development board in accordance with guidelines
8 developed under former section 67(5), and in accordance with
9 subdivisions (d) and (e). All of the following shall be
10 represented on each education advisory group: workforce
11 development board members, other employers, labor, districts,
12 intermediate districts, postsecondary institutions,
13 career/technical educators, parents of public school pupils, and
14 academic educators. The representatives of districts,
15 intermediate districts, and postsecondary institutions appointed
16 to the education advisory group by the workforce development
17 board shall be individuals designated by the board of the
18 district, intermediate district, or postsecondary institution.

19 (c) By majority vote, the education advisory group may
20 nominate 1 education representative, who may or may not be a
21 member of the education advisory group, for appointment to the
22 workforce development board. This education representative shall
23 be in addition to existing education representation on the
24 workforce development board. This education representative shall
25 meet all workforce development board membership requirements.

26 (d) The components of the regional career preparation plan
27 shall include, but are not limited to, all of the following:

1 (i) The roles of districts, intermediate districts, advanced
2 career academies, postsecondary institutions, employers, labor
3 representatives, and others in the career preparation system.

4 (ii) Programs to be offered, including at least career
5 exploration activities, for middle school pupils.

6 (iii) Identification of integrated academic and technical
7 curriculum, including related professional development training
8 for teachers.

9 (iv) Identification of work-based learning opportunities for
10 pupils and for teachers and other school personnel.

11 (v) Identification of testing and assessments that will be
12 used to measure pupil achievement.

13 (vi) Identification of all federal, state, local, and private
14 sources of funding available for career preparation activities in
15 the region.

16 (e) The education advisory group shall develop a 3-year
17 regional career preparation plan consistent with the workforce
18 development board's strategic plan and submit the plan to the
19 department for final approval. The submission to the department
20 shall also include statements signed by the chair of the
21 education advisory group and the chair of the workforce
22 development board certifying that the plan has been reviewed by
23 each entity. Upon department approval, all eligible education
24 agencies designated in the regional career preparation plan as
25 part of the career preparation delivery system are eligible for
26 funding under this section.

27 (3) Funding under this section shall be distributed to

1 eligible education agencies for allowable costs defined in this
2 subsection and identified as necessary costs for implementing a
3 regional career preparation plan, as follows:

4 (a) The department shall rank all career clusters, including
5 career exploration, guidance, and counseling. Rank determination
6 will be based on median salary data in career clusters and
7 employment opportunity data provided by the council for career
8 preparation standards. In addition, rank determination shall be
9 based on placement data available for prior year graduates of the
10 programs in the career clusters either in related careers or
11 postsecondary education. The procedure for ranking of career
12 clusters shall be determined by the department.

13 (b) Allowable costs to be funded under this section shall be
14 determined by the department. Budgets submitted by eligible
15 education agencies to the department in order to receive funding
16 shall identify funds and in-kind contributions from the regional
17 career education plan, excluding funds or in-kind contributions
18 available as a result of funding received under section 61a,
19 equal to at least 100% of anticipated funding under this
20 section. Eligible categories of allowable costs are the
21 following:

22 (i) Career exploration, guidance, and counseling.

23 (ii) Curriculum development, including integration of
24 academic and technical content, and professional development for
25 teachers directly related to career preparation.

26 (iii) Technology and equipment determined to be necessary.

27 (iv) Supplies and materials directly related to career

1 preparation programs.

2 (v) Work-based learning expenses for pupils, teachers, and
3 counselors.

4 (vi) Evaluation, including career competency testing and peer
5 review.

6 (vii) Career placement services.

7 (viii) Student leadership organizations integral to the
8 career preparation system.

9 (ix) Up to 10% of the allocation to an eligible education
10 agency may be expended for planning, coordination, direct
11 oversight, and accountability for the career preparation system.

12 (c) The department shall calculate career preparation costs
13 per FTE for each career cluster, including career exploration,
14 guidance, and counseling, by dividing the allowable costs for
15 each career cluster by the prior year FTE enrollment for each
16 career cluster. Distribution to eligible education agencies
17 shall be the product of 50% of career preparation costs per FTE
18 times the current year FTE enrollment of each career cluster.
19 This allocation shall be distributed to eligible education
20 agencies in decreasing order of the career cluster ranking
21 described in subdivision (a) until the money allocated for grant
22 recipients in this section is distributed. Beginning in
23 2001-2002, funds shall be distributed to eligible education
24 agencies according to workforce development board geographic area
25 consistent with subsection (2)(a) based upon the proportion of
26 each workforce development board area's K-12 public school
27 membership to the total state K-12 public school membership.

1 (4) The department shall establish a review procedure for
2 assessing the career preparation system in each region.

3 (5) An education advisory group is responsible for assuring
4 the quality of the career preparation system. An education
5 advisory group shall review the career preparation system in
6 accordance with evaluation criteria established by the
7 department.

8 (6) An education advisory group shall report its findings and
9 recommendations for changes to the participating eligible
10 education agencies, the workforce development board, and the
11 department.

12 (7) The next revision of a regional career preparation plan
13 shall take into account the findings of the education advisory
14 group in accordance with evaluation criteria established by the
15 department in order for the affected education agencies to
16 receive continued funding under this section.

17 (8) As used in this section:

18 (a) "Advanced career academy" means a career-technical
19 education program operated by a district, by an intermediate
20 district, or by a public school academy, that applies for and
21 receives advanced career academy designation from the
22 department. To receive this designation, a career-technical
23 education program shall meet criteria established by the
24 department, which criteria shall include at least all of the
25 following:

26 (i) Operation of programs for those career clusters
27 identified by the department as being eligible for advanced

1 career academy status.

2 (ii) Involvement of employers in the design and
3 implementation of career-technical education programs.

4 (iii) A fully integrated program of academic and technical
5 education available to pupils.

6 (iv) Demonstration of an established career preparation
7 system resulting in industry-validated career ladders for
8 graduates of the program, including, but not limited to, written
9 articulation agreements with postsecondary institutions to allow
10 pupils to receive advanced college placement and credit or
11 federally registered apprenticeships, as applicable.

12 (b) "Career cluster" means a grouping of occupations from 1
13 or more industries that share common skill requirements.

14 (c) "Career preparation system" is a system of programs and
15 strategies providing pupils with opportunities to prepare for
16 success in careers of their choice.

17 (d) "Department" means the department of career development.

18 (e) "Eligible education agency" means a district,
19 intermediate district, or advanced career academy that
20 participates in an approved regional career preparation plan.

21 (f) "FTE" means full-time equivalent pupil as determined by
22 the department.

23 (g) "Workforce development board" means a local workforce
24 development board established pursuant to the workforce
25 investment act of 1998, Public Law 105-220, 112 Stat. 936, and
26 the school-to-work opportunities act of 1994, Public Law 103-239,
27 108 Stat. 568, or the equivalent.

1 (h) "Strategic plan" means a department-approved
2 comprehensive plan prepared by a workforce development board with
3 input from local representatives, including the education
4 advisory group, that includes career preparation system goals and
5 objectives for the region.

6 Sec. 81. (1) Except as otherwise provided in this section,
7 from the appropriation in section 11, there is allocated for
8 2003-2004 to the intermediate districts the sum necessary, but
9 not to exceed ~~-\$91,702,100.00~~ **\$81,702,100.00**, to provide state
10 aid to intermediate districts under this section. Except as
11 otherwise provided in this section, there shall be allocated to
12 each intermediate district for 2003-2004 an amount equal to
13 ~~-96.5%~~ **85.98%** of the amount appropriated under this subsection
14 for 2002-2003 in 2002 PA 521, before any reduction made for
15 2002-2003 under section 11(3). Funding provided under this
16 section shall be used to comply with requirements of this act and
17 the revised school code that are applicable to intermediate
18 districts, and for which funding is not provided elsewhere in
19 this act, and to provide technical assistance to districts as
20 authorized by the intermediate school board.

21 (2) From the allocation in subsection (1), there is allocated
22 to an intermediate district, formed by the consolidation or
23 annexation of 2 or more intermediate districts or the attachment
24 of a total intermediate district to another intermediate school
25 district or the annexation of all of the constituent K-12
26 districts of a previously existing intermediate school district
27 which has disorganized, an additional allotment of \$3,500.00 each

1 fiscal year for each intermediate district included in the new
2 intermediate district for 3 years following consolidation,
3 annexation, or attachment.

4 (3) During a fiscal year, the department shall not increase
5 an intermediate district's allocation under subsection (1)
6 because of an adjustment made by the department during the fiscal
7 year in the intermediate district's taxable value for a prior
8 year. Instead, the department shall report the adjustment and
9 the estimated amount of the increase to the house and senate
10 fiscal agencies and the state budget director not later than
11 June 1 of the fiscal year, and the legislature shall appropriate
12 money for the adjustment in the next succeeding fiscal year.

13 (4) In order to receive funding under this section, an
14 intermediate district shall demonstrate to the satisfaction of
15 the department that the intermediate district employs at least 1
16 person who is trained in pupil counting procedures, rules, and
17 regulations.

18 Sec. 108. (1) From the general fund appropriation in
19 section 11, there is allocated an amount not to exceed
20 ~~-\$1,000,000.00~~ **\$0.00** for 2003-2004 for partnership for adult
21 learning programs authorized under this section.

22 (2) To be eligible to be enrolled as a participant in an
23 adult learning program funded under this section, a person shall
24 be at least 16 years of age as of September 1 of the immediately
25 preceding state fiscal year and shall meet the following, as
26 applicable:

27 (a) If the individual has obtained a high school diploma or a

1 general education development (G.E.D.) certificate, the
2 individual is determined to have English language proficiency,
3 reading, writing, or math skills below workforce readiness
4 standards as determined by tests approved by the department of
5 career development and is not enrolled in a postsecondary
6 institution. An individual who has obtained a high school
7 diploma is not eligible for enrollment in a G.E.D. test
8 preparation program funded under this section.

9 (b) If the individual has not obtained a high school diploma
10 or a G.E.D. certificate, the individual has not attended a
11 secondary institution for at least 6 months before enrollment in
12 an adult learning program funded under this section and is not
13 enrolled in a postsecondary institution.

14 (3) From the allocation under subsection (1), an amount not
15 to exceed ~~—\$980,000.00—~~ **\$0.00** is allocated for 2003-2004 to local
16 workforce development boards for the purpose of providing
17 regional adult learning programs. An application for a grant
18 under this subsection shall be in the form and manner prescribed
19 by the department of career development. Subject to subsections
20 (4), (5), and (6), the amount allocated to each local workforce
21 development board shall be as provided in this subsection, except
22 that an eligible local workforce development board shall not
23 receive an initial allocation under this section that is less
24 than \$70,000.00. The maximum amount of a grant awarded to an
25 eligible local workforce development board shall be the sum of
26 the following components:

27 (a) Thirty-four percent of the allocation under this

1 subsection multiplied by the proportion of the family
2 independence agency caseload in the local workforce development
3 board region to the statewide family independence agency
4 caseload.

5 (b) Thirty-three percent of the allocation under this
6 subsection multiplied by the proportion of the number of persons
7 in the local workforce development board region over age 17 who
8 have not received a high school diploma compared to the statewide
9 total of persons over age 17 who have not received a high school
10 diploma.

11 (c) Thirty-three percent of the allocation under this
12 subsection multiplied by the proportion of the number of persons
13 in the local workforce development board region over age 17 for
14 whom English is not a primary language compared to the statewide
15 total of persons over age 17 for whom English is not a primary
16 language.

17 (4) The amount of a grant to a local workforce development
18 board under subsection (3) shall not exceed the cost for adult
19 learning programs needed in the local workforce development board
20 region, as documented in a manner approved by the department of
21 career development.

22 (5) Not more than 9% of a grant awarded to a local workforce
23 development board may be used for program administration,
24 including contracting for the provision of career and educational
25 information, counseling services, and assessment services.

26 (6) In order to receive funds under this section, a local
27 workforce development board shall comply with the following

1 requirements in a manner approved by the department of career
2 development:

3 (a) The local workforce development board shall document the
4 need for adult learning programs in the local workforce
5 development region.

6 (b) The local workforce development board shall report
7 participant outcomes and other measurements of program
8 performance.

9 (c) The local workforce development board shall develop a
10 strategic plan that incorporates adult learning programs in the
11 region. A local workforce development board is not eligible for
12 state funds under this section without a strategic plan approved
13 by the department of career development.

14 (d) The local workforce development board shall furnish to
15 the department of career development, in a form and manner
16 determined by the department of career development, the
17 information the department of career development determines is
18 necessary to administer this section.

19 (e) The local workforce development board shall allow access
20 for the department of career development or its designee to audit
21 all records related to adult learning programs for which it
22 receives funds. The local workforce development board shall
23 reimburse this state for all disallowances found in the audit in
24 a manner determined by the department of career development.

25 (7) Local workforce development boards shall distribute funds
26 to eligible adult learning providers as follows:

27 (a) Not less than 85% of a grant award shall be used to

1 support programs that improve reading, writing, and math skills
2 to workforce readiness standards; English as a second language
3 programs; G.E.D. preparation programs; high school completion
4 programs; or workforce readiness programs in the local workforce
5 development board region. These programs may include the
6 provision of career and educational information, counseling
7 services, and assessment services.

8 (b) Up to 15% of a grant award may be used to support
9 workforce readiness programs for employers in the local workforce
10 development board region as approved by the department of career
11 development. Employers or consortia of employers whose employees
12 participate in these programs must provide matching funds in a
13 ratio of at least \$1.00 of private funds for each \$1.00 of state
14 funds.

15 (8) Local workforce development boards shall award
16 competitive grants to eligible adult learning providers for the
17 purpose of providing adult learning programs in the local
18 workforce development board region. Applications shall be in a
19 form and manner prescribed by the department of career
20 development. In awarding grants, local workforce development
21 boards shall consider all of the following:

22 (a) The ability of the provider to assess individuals before
23 enrollment using assessment tools approved by the department of
24 career development and to develop individual adult learner plans
25 from those assessments for each participant.

26 (b) The ability of the provider to conduct continuing
27 assessments in a manner approved by the department of career

1 development to determine participant progress toward achieving
2 the goals established in individual adult learner plans.

3 (c) The past effectiveness of an eligible provider in
4 improving adult literacy skills and the success of an eligible
5 provider in meeting or exceeding performance measures approved by
6 the department of career development.

7 (d) Whether the program is of sufficient intensity and
8 duration for participants to achieve substantial learning gains.

9 (e) Whether the program uses research-based instructional
10 practices that have proven to be effective in teaching adult
11 learners.

12 (f) Whether the program uses advances in technology, as
13 appropriate, including computers.

14 (g) Whether the programs are staffed by well-trained
15 teachers, counselors, and administrators.

16 (h) Whether the activities coordinate with other available
17 resources in the community, such as schools, postsecondary
18 institutions, job training programs, and social service
19 agencies.

20 (i) Whether the provider offers flexible schedules and
21 support services, such as child care and transportation, that
22 enable participants, including individuals with disabilities or
23 other special needs, to attend and complete programs.

24 (j) Whether the provider offers adequate job and
25 postsecondary education counseling services.

26 (k) Whether the provider can maintain an information
27 management system that has the capacity to report participant

1 outcomes and monitor program performance against performance
2 measures approved by the department of career development.

3 (l) Whether the provider will allow access for the local
4 workforce development board or its designee to audit all records
5 related to adult learning programs for which it receives funds.
6 The adult learning provider shall reimburse the local workforce
7 development board for all disallowances found in the audit.

8 (m) The cost per participant contact hour or unit of
9 measurable outcome for each type of adult learning program for
10 which the provider is applying.

11 (9) Contracts awarded by local workforce development boards
12 to adult learning providers shall comply with the priorities
13 established in a strategic plan approved by the department of
14 career development.

15 (10) Adult learning providers that do not agree with the
16 decisions of the local workforce development board in issuing or
17 administering competitive grants may use the grievance procedure
18 established by the department of career development.

19 (11) Local workforce development boards shall reimburse
20 eligible adult learning providers under this section as follows:

21 (a) For a first-time provider, as follows:

22 (i) Fifty percent of the contract amount shall be allocated
23 to eligible adult learning providers based upon enrollment of
24 participants in adult learning programs. "Enrollment" means a
25 participant enrolled in the program who received a preenrollment
26 assessment using assessment tools approved by the department of
27 career development and for whom an individual adult learner plan

1 has been developed.

2 (ii) Fifty percent of the contract amount shall be allocated
3 to eligible adult learning providers based upon the following
4 performance standards as measured in a manner approved by the
5 department of career development:

6 (A) The percentage of participants taking both a pretest and
7 a posttest in English language proficiency, reading, writing, and
8 math.

9 (B) The percentage of participants showing improvement toward
10 goals identified in their individual adult learner plan.

11 (C) The percentage of participants achieving their terminal
12 goals as identified in their individual adult learner plan.

13 (b) Eligible providers that have provided adult learning
14 programs previously under this section shall be reimbursed 100%
15 of the contract amount based upon the performance standards in
16 subdivision (a)(ii) as measured in a manner determined by the
17 department of career development.

18 (c) A provider is eligible for reimbursement for a
19 participant in an adult learning program until the participant's
20 reading, writing, or math proficiency, as applicable, is assessed
21 at workforce readiness levels or the participant fails to show
22 progress on 2 successive assessments as determined by the
23 department of career development.

24 (d) A provider is eligible for reimbursement for a
25 participant in an English as a second language program until the
26 participant is assessed as having attained basic English
27 proficiency or the participant fails to show progress on 2

1 successive assessments as determined by the department of career
2 development.

3 (e) A provider is eligible for reimbursement for a
4 participant in a G.E.D. test preparation program until the
5 participant passes the G.E.D. test or the participant fails to
6 show progress on 2 successive assessments as determined by the
7 department of career development.

8 (f) A provider is eligible for reimbursement for a
9 participant in a high school completion program until the
10 participant earns a high school diploma or the participant fails
11 to show progress as determined by the department of career
12 development.

13 (12) A person who is not eligible to be a participant funded
14 under this section may receive adult learning services upon the
15 payment of tuition or fees for service. The tuition or fee level
16 shall be determined by the adult learning provider and approved
17 by the local workforce development board.

18 (13) Adult learning providers may collect refundable deposits
19 from participants for the use of reusable equipment and supplies
20 and may provide incentives for program completion.

21 (14) A provider shall not be reimbursed under this section
22 for an individual who is an inmate in a state correctional
23 facility.

24 (15) In order to administer the partnership for adult
25 learning system under this section, the department of career
26 development shall do all of the following:

27 (a) Develop and provide guidelines to local workforce

1 development boards for the development of strategic plans that
2 incorporate adult learning.

3 (b) Develop and provide adult learning minimum program
4 performance standards to be implemented by local workforce
5 development boards.

6 (c) Identify approved assessment tools for assessing a
7 participant's English language proficiency, reading, math, and
8 writing skills.

9 (d) Approve workforce readiness standards for English
10 language proficiency, reading, math, and writing skills that can
11 be measured by nationally recognized assessment tools approved by
12 the department of career development.

13 (16) Of the amount allocated in subsection (1), up to
14 ~~-\$20,000.00~~ **\$0.00** is allocated to the department of career
15 development for the development and administration of a
16 standardized data collection system. Local workforce development
17 boards and adult learning providers receiving funding under this
18 section shall use the standardized data collection system for
19 enrolling participants in adult learning programs, tracking
20 participant progress, reporting participant outcomes, and
21 reporting other performance measures.

22 (17) A provider is not required to use certificated teachers
23 or certificated counselors to provide instructional and
24 counseling services in a program funded under this section.

25 (18) As used in this section:

26 (a) "Adult education", for the purposes of complying with
27 section 3 of article VIII of the state constitution of 1963,

1 means a high school pupil receiving educational services in a
2 nontraditional setting from a district or intermediate district
3 in order to receive a high school diploma.

4 (b) "Adult learning program" means a program approved by the
5 department of career development that improves reading, writing,
6 and math skills to workforce readiness standards; an English as a
7 second language program; a G.E.D. preparation program; a high
8 school completion program; or a workforce readiness program that
9 enhances employment opportunities.

10 (c) "Eligible adult learning provider" means a district,
11 public school academy, intermediate district, community college,
12 university, community-based organization, or other organization
13 approved by the department of career development that provides
14 adult learning programs under a contract with a local workforce
15 development board.

16 (d) "Participant" means an individual enrolled in an adult
17 learning program and receiving services from an eligible adult
18 learning provider.

19 (e) "Strategic plan" means a document approved by the
20 department of career development that incorporates adult learning
21 goals and objectives for the local workforce development board
22 region and is developed jointly by the local workforce
23 development board and the education advisory groups.

24 (f) "Workforce development board" means a local workforce
25 development board established pursuant to the workforce
26 investment act of 1998, Public Law 105-220, 112 Stat. 936, and
27 the school-to-work opportunities act of 1994, Public Law 103-239,

Senate Bill No. 556 (H-1) as amended December 16, 2003

1 108 Stat. 568, or the equivalent.

2 (g) "Workforce readiness standard" means a proficiency level
3 approved by the department of career development in English
4 language, reading, writing, or mathematics, or any and all of
5 these, as determined by results from assessments approved for use
6 by the department of career development.

7 Enacting section 1. In accordance with section 30 of
8 article IX of the state constitution of 1963, total state
9 spending in this amendatory act and in 2003 PA 158 and 2002 PA
10 521 from state sources for fiscal year 2003-2004 is estimated at
11 [\$11,267,587,100.00] and state appropriations to be paid to local
12 units of government for fiscal year 2003-2004 are estimated at
13 [\$11,251,832,800.00]