

SUBSTITUTE FOR
SENATE BILL NO. 367

A bill to amend 1979 PA 94, entitled
"The state school aid act of 1979,"
by amending sections 20 and 31a (MCL 388.1620 and 388.1631a), as
amended by 2002 PA 521.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 20. (1) ~~For 2001-2002, the basic foundation allowance~~
2 ~~is \$6,300.00 per membership pupil.~~ For 2002-2003 and for
3 2003-2004, the basic foundation allowance is \$6,700.00 per
4 membership pupil.

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

8 (3) Except as otherwise provided in this section, the amount
9 of a district's foundation allowance shall be calculated as
10 follows, using in all calculations the total amount of the

1 district's foundation allowance as calculated before any
2 proration:

3 (a) Except as otherwise provided in this subsection, for a
4 district that in the immediately preceding state fiscal year had
5 a foundation allowance in an amount at least equal to the amount
6 of the basic foundation allowance for the immediately preceding
7 state fiscal year, the district shall receive a foundation
8 allowance in an amount equal to the sum of the district's
9 foundation allowance for the immediately preceding state fiscal
10 year plus the dollar amount of the adjustment from the
11 immediately preceding state fiscal year to the current state
12 fiscal year in the basic foundation allowance. However, for
13 2002-2003, the foundation allowance for a district under this
14 subdivision is an amount equal to the sum of the district's
15 foundation allowance for the immediately preceding state fiscal
16 year plus \$200.00.

17 (b) For a district that in the 1994-95 state fiscal year had
18 a foundation allowance greater than \$6,500.00, the district's
19 foundation allowance is an amount equal to the sum of the
20 district's foundation allowance for the immediately preceding
21 state fiscal year plus the lesser of the increase in the basic
22 foundation allowance for the current state fiscal year, as
23 compared to the immediately preceding state fiscal year, or the
24 product of the district's foundation allowance for the
25 immediately preceding state fiscal year times the percentage
26 increase in the United States consumer price index in the
27 calendar year ending in the immediately preceding fiscal year as

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

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

18 (d) ~~Beginning in 2002-2003, for~~ **For** a district that
19 ~~receives~~ **received** a payment under **former** section 22c for
20 2001-2002, the district's 2001-2002 foundation allowance shall be
21 considered to have been an amount equal to the sum of the
22 district's actual 2001-2002 foundation allowance as otherwise
23 calculated under this section plus the per pupil amount of the
24 district's equity payment for 2001-2002 under **former** section
25 22c.

26 (4) Except as otherwise provided in this subsection, the
27 state portion of a district's foundation allowance is an amount

1 equal to the district's foundation allowance or \$6,500.00,
2 whichever is less, minus the difference between the product of
3 the taxable value per membership pupil of all property in the
4 district that is not a homestead or qualified agricultural
5 property times the lesser of 18 mills or the number of mills of
6 school operating taxes levied by the district in 1993-94 and the
7 quotient of the ad valorem property tax revenue of the district
8 captured under 1975 PA 197, MCL 125.1651 to 125.1681, the tax
9 increment finance authority act, 1980 PA 450, MCL 125.1801 to
10 125.1830, the local development financing act, 1986 PA 281,
11 MCL 125.2151 to 125.2174, or the brownfield redevelopment
12 financing act, 1996 PA 381, MCL 125.2651 to 125.2672, divided by
13 the district's membership excluding special education pupils.
14 For a district described in subsection (3)(b), the state portion
15 of the district's foundation allowance is an amount equal to
16 \$6,962.00 plus the difference between the district's foundation
17 allowance for the current state fiscal year and the district's
18 foundation allowance for 1998-99, minus the difference between
19 the product of the taxable value per membership pupil of all
20 property in the district that is not a homestead or qualified
21 agricultural property times the lesser of 18 mills or the number
22 of mills of school operating taxes levied by the district in
23 1993-94 and the quotient of the ad valorem property tax revenue
24 of the district captured under 1975 PA 197, MCL 125.1651 to
25 125.1681, the tax increment finance authority act, 1980 PA 450,
26 MCL 125.1801 to 125.1830, the local development financing act,
27 1986 PA 281, MCL 125.2151 to 125.2174, or the brownfield

1 redevelopment financing act, 1996 PA 381, MCL 125.2651 to
2 125.2672, divided by the district's membership excluding special
3 education pupils. For a district that has a millage reduction
4 required under section 31 of article IX of the state constitution
5 of 1963, the state portion of the district's foundation allowance
6 shall be calculated as if that reduction did not occur. The
7 \$6,500.00 amount prescribed in this subsection shall be adjusted
8 each year by an amount equal to the dollar amount of the
9 difference between the basic foundation allowance for the current
10 state fiscal year and \$5,000.00, ~~— However, beginning in~~
11 ~~2002-2003, the \$6,500.00 amount prescribed in this subsection~~
12 ~~shall be adjusted each year by an amount equal to the dollar~~
13 ~~amount of the difference between the basic foundation allowance~~
14 ~~for the current state fiscal year and \$5,000.00, —~~ minus \$200.00.

15 (5) The allocation calculated under this section for a pupil
16 shall be based on the foundation allowance of the pupil's
17 district of residence. However, for a pupil enrolled pursuant to
18 section 105 or 105c in a district other than the pupil's district
19 of residence, the allocation calculated under this section shall
20 be based on the lesser of the foundation allowance of the pupil's
21 district of residence or the foundation allowance of the
22 educating district. For a pupil in membership in a K-5, K-6, or
23 K-8 district who is enrolled in another district in a grade not
24 offered by the pupil's district of residence, the allocation
25 calculated under this section shall be based on the foundation
26 allowance of the educating district if the educating district's
27 foundation allowance is greater than the foundation allowance of

1 the pupil's district of residence. The calculation under this
2 subsection shall take into account a district's per pupil
3 allocation under section 20j(2).

4 (6) Subject to subsection (7) and section 22b(3) and except
5 as otherwise provided in this subsection, for pupils in
6 membership, other than special education pupils, in a public
7 school academy or a university school, the allocation calculated
8 under this section is an amount per membership pupil other than
9 special education pupils in the public school academy or
10 university school equal to the sum of the local school operating
11 revenue per membership pupil other than special education pupils
12 for the district in which the public school academy or university
13 school is located and the state portion of that district's
14 foundation allowance, or the sum of the basic foundation
15 allowance under subsection (1) plus ~~-\$500.00-~~ **\$300.00**, whichever
16 is less. ~~However, beginning in 2002-2003, this \$500.00 amount~~
17 ~~shall instead be \$300.00.~~ Notwithstanding section 101(2), for a
18 public school academy that begins operations in ~~2001-2002,~~
19 ~~2002-2003 —,~~ or 2003-2004, as applicable, after the pupil
20 membership count day, the amount per membership pupil calculated
21 under this subsection shall be adjusted by multiplying that
22 amount per membership pupil by the number of hours of pupil
23 instruction provided by the public school academy after it begins
24 operations, as determined by the department, divided by the
25 minimum number of hours of pupil instruction required under
26 section 101(3). The result of this calculation shall not exceed
27 the amount per membership pupil otherwise calculated under this

1 subsection.

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

1 in the public school academy, as determined by the department.

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

17 (9) For a district that had combined state and local revenue
18 per membership pupil in the 1993-94 state fiscal year of more
19 than \$6,500.00 and that had fewer than 350 pupils in membership,
20 if the district elects not to reduce the number of mills from
21 which a homestead and qualified agricultural property are exempt
22 and not to levy school operating taxes on a homestead and
23 qualified agricultural property as provided in section 1211(1) of
24 the revised school code, MCL 380.1211, and not to levy school
25 operating taxes on all property as provided in section 1211(2) of
26 the revised school code, MCL 380.1211, there is calculated under
27 this subsection for 1994-95 and each succeeding fiscal year a

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

17 (10) For a district that is formed or reconfigured after
18 June 1, 2002 by consolidation of 2 or more districts or by
19 annexation, the resulting district's foundation allowance under
20 this section beginning after the effective date of the
21 consolidation or annexation shall be the lesser of an amount
22 equal to the sum of the highest foundation allowance, as
23 calculated under this section, among the original or affected
24 districts plus \$50.00 or an amount equal to \$6,500.00 adjusted by
25 the dollar amount of the difference between the basic foundation
26 allowance under this section for the current state fiscal year
27 and \$5,000.00, ~~— However, beginning in 2002-2003, the \$6,500.00~~

1 ~~amount prescribed in this subsection shall be adjusted each year~~
2 ~~by an amount equal to the dollar amount of the difference between~~
3 ~~the basic foundation allowance for the current state fiscal year~~
4 ~~and \$5,000.00, minus \$200.00.~~

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

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

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

18 (a) The pupil membership factor shall be computed by dividing
19 the estimated membership in the school year ending in the current
20 state fiscal year, excluding intermediate district membership, by
21 the estimated membership for the school year ending in the
22 subsequent state fiscal year, excluding intermediate district
23 membership. If a consensus membership factor is not determined
24 at the revenue estimating conference, the principals of the
25 revenue estimating conference shall report their estimates to the
26 house and senate subcommittees responsible for school aid
27 appropriations not later than 7 days after the conclusion of the

1 revenue conference.

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

21 (c) The index shall be calculated by multiplying the pupil
22 membership factor by the revenue adjustment factor. If a
23 consensus index is not determined at the revenue estimating
24 conference, the principals of the revenue estimating conference
25 shall report their estimates to the house and senate
26 subcommittees responsible for school aid appropriations not later
27 than 7 days after the conclusion of the revenue conference.

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

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

17 (16) For a district that had combined state and local revenue
18 per membership pupil in the 1993-94 state fiscal year of more
19 than \$6,500.00, that had fewer than 7 pupils in membership in the
20 1993-94 state fiscal year, that has at least 1 child educated in
21 the district in the current state fiscal year, and that levies
22 the number of mills of school operating taxes authorized for the
23 district under section 1211 of the revised school code,
24 MCL 380.1211, a minimum amount of combined state and local
25 revenue shall be calculated for the district as provided under
26 this subsection. The minimum amount of combined state and local
27 revenue for 1999-2000 shall be \$67,000.00 plus the district's

1 additional expenses to educate pupils in grades 9 to 12 educated
2 in other districts as determined and allowed by the department.
3 The minimum amount of combined state and local revenue under this
4 subsection, before adding the additional expenses, shall increase
5 each fiscal year by the same percentage increase as the
6 percentage increase in the basic foundation allowance from the
7 immediately preceding fiscal year to the current fiscal year.
8 The state portion of the minimum amount of combined state and
9 local revenue under this subsection shall be calculated by
10 subtracting from the minimum amount of combined state and local
11 revenue under this subsection the sum of the district's local
12 school operating revenue and an amount equal to the product of
13 the sum of the state portion of the district's foundation
14 allowance plus the amount calculated under section 20j times the
15 district's membership. As used in this subsection, "additional
16 expenses" means the district's expenses for tuition or fees, not
17 to exceed \$6,500.00 as adjusted each year by an amount equal to
18 the dollar amount of the difference between the basic foundation
19 allowance for the current state fiscal year and \$5,000.00, **minus**
20 **\$500.00**, plus a room and board stipend not to exceed \$10.00 per
21 school day for each pupil in grades 9 to 12 educated in another
22 district, as approved by the department. ~~However, beginning in~~
23 ~~2002-2003, the \$6,500.00 amount prescribed in this subsection~~
24 ~~shall be adjusted each year by an amount equal to the dollar~~
25 ~~amount of the difference between the basic foundation allowance~~
26 ~~for the current state fiscal year and \$5,000.00, minus \$200.00.~~
27 (17) For a district in which 7.75 mills levied in 1992 for

1 school operating purposes in the 1992-93 school year were not
2 renewed in 1993 for school operating purposes in the 1993-94
3 school year, the district's combined state and local revenue per
4 membership pupil shall be recalculated as if that millage
5 reduction did not occur and the district's foundation allowance
6 shall be calculated as if its 1994-95 foundation allowance had
7 been calculated using that recalculated 1993-94 combined state
8 and local revenue per membership pupil as a base. A district is
9 not entitled to any retroactive payments for fiscal years before
10 2000-2001 due to this subsection.

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

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

Senate Bill No. 367 as amended May 13, 2003

1 as otherwise provided in this subsection, a district qualifying
2 for a foundation allowance adjustment under this ~~section~~
3 subsection shall use the funds resulting from this adjustment for
4 purposes allowable under former section 32e as in effect for
5 2001-2002. For an individual school or schools operated by a
6 district qualifying for a foundation allowance under this
7 subsection that have been determined by the department to meet
8 the adequate yearly progress standards of the federal no child
9 left behind act of 2001, Public Law 107-110, 115 Stat. 1425, in
10 both mathematics and English language arts at all applicable
11 grade levels for all applicable subgroups, the district may
12 submit to the department an application for flexibility in using
13 the funds resulting from this adjustment that are attributable to
14 the pupils in the school or schools. The application shall
15 identify the affected school or schools and the affected funds
16 and shall contain a plan for using the funds for specific
17 purposes identified by the district that are designed to <<reduce
18 class size >>, but that may be different from the
19 purposes otherwise allowable under this subsection. The
20 department shall approve the application if the department
21 determines that the purposes identified in the plan are
22 reasonably designed to <<reduce class size >>. If the
23 department does not act to approve or disapprove an application
24 within 30 days after it is submitted to the department, the
25 application is considered to be approved. If an application for
26 flexibility in using the funds is approved, the district may use
27 the funds identified in the application for any purpose

1 identified in the plan.

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

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

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

23 (23) As used in this section:

24 (a) "Combined state and local revenue" means the aggregate of
25 the district's state school aid received by or paid on behalf of
26 the district under this section and the district's local school
27 operating revenue.

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

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

6 (d) "Homestead" means that term as defined in section 1211 of
7 the revised school code, MCL 380.1211.

8 (e) "Immediately preceding state fiscal year" means the state
9 fiscal year immediately preceding the current state fiscal year.

10 (f) "Local school operating revenue" means school operating
11 taxes levied under section 1211 of the revised school code,
12 MCL 380.1211.

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

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

19 (i) "Qualified agricultural property" means that term as
20 defined in section 1211 of the revised school code,
21 MCL 380.1211.

22 (j) "School operating purposes" means the purposes included
23 in the operation costs of the district as prescribed in
24 sections 7 and 18.

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

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

6 Sec. 31a. (1) From the state school aid fund money
7 appropriated in section 11, ~~there is allocated for 2001-2002 an~~
8 ~~amount not to exceed \$314,200,000.00 and~~ there is allocated each
9 fiscal year for 2002-2003 and for 2003-2004 an amount not to
10 exceed \$314,200,000.00 for payments to eligible districts and
11 eligible public school academies under this section. Subject to
12 subsection ~~-(11)-~~ (12), the amount of the additional allowance
13 under this section shall be based on the number of actual pupils
14 in membership in the district or public school academy who met
15 the income eligibility criteria for free breakfast, lunch, or
16 milk in the immediately preceding state fiscal year, as
17 determined under the Richard B. Russell national school lunch
18 act, chapter 281, 60 Stat. 230, 42 U.S.C. 1751 to 1753, 1755 to
19 1761, 1762a, 1765 to 1766a, 1769, 1769b to 1769c, and 1769f to
20 1769h, and reported to the department by October 31 of the
21 immediately preceding fiscal year and adjusted not later than
22 December 31 of the immediately preceding fiscal year. However,
23 for a public school academy that began operations as a public
24 school academy after the pupil membership count day of the
25 immediately preceding school year, the basis for the additional
26 allowance under this section shall be the number of actual pupils
27 in membership in the public school academy who met the income

1 eligibility criteria for free breakfast, lunch, or milk in the
2 current state fiscal year, as determined under the Richard
3 B. Russell national school lunch act.

4 (2) To be eligible to receive funding under this section,
5 other than funding under subsection (6), a district or public
6 school academy that has not been previously determined to be
7 eligible shall apply to the department, in a form and manner
8 prescribed by the department, and a district or public school
9 academy must meet all of the following:

10 (a) The sum of the district's or public school academy's
11 combined state and local revenue per membership pupil in the
12 current state fiscal year, as calculated under section 20, plus
13 the amount of the district's per pupil allocation under section
14 20j(2), is less than or equal to \$6,500.00 adjusted by the dollar
15 amount of the difference between the basic foundation allowance
16 under section 20 for the current state fiscal year and \$5,000.00,
17 ~~— However, beginning in 2002-2003, the \$6,500.00 amount~~
18 ~~prescribed in this subdivision shall be adjusted each year by an~~
19 ~~amount equal to the dollar amount of the difference between the~~
20 ~~basic foundation allowance for the current state fiscal year and~~
21 ~~\$5,000.00, minus \$200.00.~~

22 (b) The district or public school academy agrees to use the
23 funding only for purposes allowed under this section and to
24 comply with the program and accountability requirements under
25 this section.

26 (3) Except as otherwise provided in this subsection, an
27 eligible district or eligible public school academy shall receive

1 under this section for each membership pupil in the district or
2 public school academy who met the income eligibility criteria for
3 free breakfast, lunch, or milk, as determined under the Richard
4 B. Russell national school lunch act and as reported to the
5 department by October 31 of the immediately preceding fiscal year
6 and adjusted not later than December 31 of the immediately
7 preceding fiscal year, an amount per pupil equal to 11.5% of the
8 sum of the district's foundation allowance or public school
9 academy's per pupil amount calculated under section 20, plus the
10 amount of the district's per pupil allocation under section
11 20j(2), not to exceed \$6,500.00 adjusted by the dollar amount of
12 the difference between the basic foundation allowance under
13 section 20 for the current state fiscal year and \$5,000.00, **minus**
14 **\$200.00**, or of the public school academy's per membership pupil
15 amount calculated under section 20 for the current state fiscal
16 year. ~~However, beginning in 2002-2003, the \$6,500.00 amount~~
17 ~~prescribed in this subsection shall be adjusted each year by an~~
18 ~~amount equal to the dollar amount of the difference between the~~
19 ~~basic foundation allowance for the current state fiscal year and~~
20 ~~\$5,000.00, minus \$200.00.~~ A public school academy that began
21 operations as a public school academy after the pupil membership
22 count day of the immediately preceding school year shall receive
23 under this section for each membership pupil in the public school
24 academy who met the income eligibility criteria for free
25 breakfast, lunch, or milk, as determined under the Richard
26 B. Russell national school lunch act and as reported to the
27 department by October 31 of the current fiscal year and adjusted

1 not later than December 31 of the current fiscal year, an amount
2 per pupil equal to 11.5% of the public school academy's per
3 membership pupil amount calculated under section 20 for the
4 current state fiscal year.

5 (4) Except as otherwise provided in this section, a district
6 or public school academy receiving funding under this section
7 shall use that money only to provide instructional programs and
8 direct noninstructional services, including, but not limited to,
9 medical or counseling services, for at-risk pupils; for school
10 health clinics; and for the purposes of subsection (5) or (6). ~~—~~
11 ~~and~~ **A district or public school academy** shall not use any of
12 that money for administrative costs or to supplant another
13 program or other funds, except for funds allocated to the
14 district or public school academy under this section in the
15 immediately preceding year and already being used by the district
16 or public school academy for at-risk pupils. The instruction or
17 direct noninstructional services provided under this section may
18 be conducted before or after regular school hours or by adding
19 extra school days to the school year and may be conducted using a
20 tutorial method, with paraprofessionals working under the
21 supervision of a certificated teacher. The ratio of pupils to
22 paraprofessionals shall be between 10:1 and 15:1. Only 1
23 certificated teacher is required to supervise instruction using a
24 tutorial method. As used in this subsection, "to supplant
25 another program" means to take the place of a previously existing
26 instructional program or direct noninstructional services funded
27 from a funding source other than funding under this section.

1 (5) ~~—A~~ **Except as otherwise provided in subsection (11), a**
2 district or public school academy that receives funds under this
3 section and that operates a school breakfast program under
4 section 1272a of the revised school code, MCL 380.1272a, shall
5 use from the funds received under this section an amount, not to
6 exceed \$10.00 per pupil for whom the district or public school
7 academy receives funds under this section, necessary to operate
8 the school breakfast program.

9 (6) ~~From the funds allocated under subsection (1), there is~~
10 ~~allocated for 2001-2002 an amount not to exceed \$2,400,000.00 to~~
11 ~~support teen health centers. These 2001-2002 funds shall be~~
12 ~~distributed to existing teen health centers in a manner~~
13 ~~determined by the department in collaboration with the department~~
14 ~~of community health.~~ From the funds allocated under
15 subsection (1), there is allocated each fiscal year for 2002-2003
16 and for 2003-2004 an amount not to exceed \$3,743,000.00 for
17 competitive grants to support teen health centers. These grants
18 for 2002-2003 and 2003-2004 shall be awarded in a form and manner
19 approved jointly by the department and the department of
20 community health. If any funds allocated under this subsection
21 are not used for the purposes of this subsection for the fiscal
22 year in which they are allocated, those unused funds shall be
23 used that fiscal year to avoid or minimize any proration that
24 would otherwise be required under subsection ~~—(11)—~~ **(12)** for that
25 fiscal year.

26 (7) Each district or public school academy receiving funds
27 under this section shall submit to the department by July 15 of

1 each fiscal year a report, not to exceed 10 pages, on the usage
2 by the district or public school academy of funds under this
3 section, which report shall include at least a brief description
4 of each program conducted by the district or public school
5 academy using funds under this section, the amount of funds under
6 this section allocated to each of those programs, the number of
7 at-risk pupils eligible for free or reduced price school lunch
8 who were served by each of those programs, and the total number
9 of at-risk pupils served by each of those programs. If a
10 district or public school academy does not comply with this
11 subsection, the department shall withhold an amount equal to the
12 August payment due under this section until the district or
13 public school academy complies with this subsection. If the
14 district or public school academy does not comply with this
15 subsection by the end of the state fiscal year, the withheld
16 funds shall be forfeited to the school aid fund.

17 (8) In order to receive funds under this section, a district
18 or public school academy shall allow access for the department or
19 the department's designee to audit all records related to the
20 program for which it receives those funds. The district or
21 public school academy shall reimburse the state for all
22 disallowances found in the audit.

23 (9) Subject to subsections (5), ~~and~~ (6), **and (11)**, any
24 district may use up to 100% of the funds it receives under this
25 section to reduce the ratio of pupils to teachers in grades K-6,
26 or any combination of those grades, in school buildings in which
27 the percentage of pupils described in subsection (1) exceeds the

1 district's aggregate percentage of those pupils. Subject to
2 subsections (5), ~~and~~ (6), **and (11)**, if a district obtains a
3 waiver from the department, the district may use up to 100% of
4 the funds it receives under this section to reduce the ratio of
5 pupils to teachers in grades K-6, or any combination of those
6 grades, in school buildings in which the percentage of pupils
7 described in subsection (1) is at least 60% of the district's
8 aggregate percentage of those pupils and at least 30% of the
9 total number of pupils enrolled in the school building. To
10 obtain a waiver, a district must apply to the department and
11 demonstrate to the satisfaction of the department that the class
12 size reductions would be in the best interests of the district's
13 at-risk pupils.

14 (10) A district or public school academy may use funds
15 received under this section for adult high school completion,
16 general education development (G.E.D.) test preparation, or
17 adult basic education programs described in section 107.

18 (11) **For an individual school or schools operated by a**
19 **district or public school academy receiving funds under this**
20 **section that have been determined by the department to meet the**
21 **adequate yearly progress standards of the federal no child left**
22 **behind act of 2001, Public Law 107-110, 115 Stat. 1425, in both**
23 **mathematics and English language arts at all applicable grade**
24 **levels for all applicable subgroups, the district or public**
25 **school academy may submit to the department an application for**
26 **flexibility in using the funds received under this section that**
27 **are attributable to the pupils in the school or schools. The**

1 application shall identify the affected school or schools and the
2 affected funds and shall contain a plan for using the funds for
3 specific purposes identified by the district that are designed to
4 benefit at-risk pupils in the school, but that may be different
5 from the purposes otherwise allowable under this section. The
6 department shall approve the application if the department
7 determines that the purposes identified in the plan are
8 reasonably designed to benefit at-risk pupils in the school. If
9 the department does not act to approve or disapprove an
10 application within 30 days after it is submitted to the
11 department, the application is considered to be approved. If an
12 application for flexibility in using the funds is approved, the
13 district may use the funds identified in the application for any
14 purpose identified in the plan.

15 (12) ~~—(11)—~~ If necessary, and before any proration required
16 under section 11, the department shall prorate payments under
17 this section by reducing the amount of the per pupil payment
18 under this section by a dollar amount calculated by determining
19 the amount by which the amount necessary to fully fund the
20 requirements of this section exceeds the maximum amount allocated
21 under this section and then dividing that amount by the total
22 statewide number of pupils who met the income eligibility
23 criteria for free breakfast, lunch, or milk in the immediately
24 preceding fiscal year, as described in subsection (1).

25 (13) ~~—(12)—~~ Funds allocated under this section that are
26 unexpended and unencumbered at the end of the fiscal year for
27 which they were allocated shall be carried forward and used in

1 subsequent fiscal years to avoid or minimize any proration that
2 would otherwise be required under subsection ~~—(11)—~~ (12).

3 (14) ~~—(13)—~~ If a district is formed by consolidation after
4 June 1, 1995, and if 1 or more of the original districts was not
5 eligible before the consolidation for an additional allowance
6 under this section, the amount of the additional allowance under
7 this section for the consolidated district shall be based on the
8 number of pupils described in subsection (1) enrolled in the
9 consolidated district who reside in the territory of an original
10 district that was eligible before the consolidation for an
11 additional allowance under this section.

12 (15) ~~—(14)—~~ A district or public school academy that does not
13 meet the eligibility requirement under subsection (2)(a) is
14 eligible for funding under this section if at least 1/4 of the
15 pupils in membership in the district or public school academy met
16 the income eligibility criteria for free breakfast, lunch, or
17 milk in the immediately preceding state fiscal year, as
18 determined and reported as described in subsection (1), and at
19 least 4,500 of the pupils in membership in the district or public
20 school academy met the income eligibility criteria for free
21 breakfast, lunch, or milk in the immediately preceding state
22 fiscal year, as determined and reported as described in
23 subsection (1). A district or public school academy that is
24 eligible for funding under this section because the district
25 meets the requirements of this subsection shall receive under
26 this section for each membership pupil in the district or public
27 school academy who met the income eligibility criteria for free

1 breakfast, lunch, or milk in the immediately preceding fiscal
 2 year, as determined and reported as described in subsection (1),
 3 an amount per pupil equal to 5.75% for 2001-2002 and 11.5% for
 4 2002-2003 and subsequent fiscal years of the sum of the
 5 district's foundation allowance or public school academy's per
 6 pupil allocation under section 20, plus the amount of the
 7 district's per pupil allocation under section 20j(2), not to
 8 exceed \$6,500.00 adjusted by the dollar amount of the difference
 9 between the basic foundation allowance under section 20 for the
 10 current state fiscal year and \$5,000.00, ~~— However, beginning~~
 11 ~~in 2002-2003, the \$6,500.00 amount prescribed in this subsection~~
 12 ~~shall be adjusted each year by an amount equal to the dollar~~
 13 ~~amount of the difference between the basic foundation allowance~~
 14 ~~for the current state fiscal year and \$5,000.00, minus \$200.00.~~

15 **(16)** ~~—(15)—~~ As used in this section, "at-risk pupil" means a
 16 pupil for whom the district has documentation that the pupil
 17 meets at least 2 of the following criteria: is a victim of child
 18 abuse or neglect; is below grade level in English language and
 19 communication skills or mathematics; is a pregnant teenager or
 20 teenage parent; is eligible for a federal free or reduced-price
 21 lunch subsidy; has atypical behavior or attendance patterns; or
 22 has a family history of school failure, incarceration, or
 23 substance abuse. For pupils for whom the results of at least the
 24 applicable Michigan education assessment program (MEAP) test have
 25 been received, at-risk pupil also includes a pupil who does not
 26 meet the other criteria under this subsection but who did not
 27 achieve at least a score of moderate on the most recent MEAP

1 reading test for which results for the pupil have been received,
2 did not achieve at least a score of moderate on the most recent
3 MEAP mathematics test for which results for the pupil have been
4 received, or did not achieve at least a score of novice on the
5 most recent MEAP science test for which results for the pupil
6 have been received. For pupils in grades K-3, at-risk pupil also
7 includes a pupil who is at risk of not meeting the district's
8 core academic curricular objectives in English language,
9 communication skills, or mathematics.

10 Enacting section 1. This amendatory act takes effect
11 October 1, 2003.