

# HOUSE BILL No. 5622

February 26, 2004, Introduced by Rep. Plakas and referred to the Committee on Appropriations.

## EXECUTIVE BUDGET BILL

A bill to amend 1979 PA 94, entitled  
"The state school aid act of 1979,"  
by amending sections 3, 4, 6, 11, 11b, 11f, 11g, 11j, 13, 15, 18, 18a,  
19, 20, 20j, 21b, 22a, 22b, 24, 26, 26a, 31a, 31d, 32c, 32d, 32f, 32j,  
39a, 41, 41a, 51a, 51c, 51d, 53a, 54, 56, 57, 61a, 62, 74, 81, 94a, 98,  
98b, 99, 101, 104a, 107, 147, 152, 158b and 163 (MCL 388.1603,  
388.1604, 388.1606, 388.1611, 388.1611b, 388.1611f, 388.1611g,  
388.1611j, 388.1613, 388.1615, 388.1618, 388.1618a, 388.1619, 388.1620,  
388.1620j, 388.1621b, 388.1622a, 388.1622b, 388.1624, 388.1626,  
388.1626a, 388.1631a, 388.1631d, 388.1632c, 388.1632d, 388.1632f,

388.1632j, 388.1639a, 388.1641, 388.1641a, 388.1651a, 388.1651c, 388.1651d, 388.1653a, 388.1654, 388.1656, 388.1657, 388.1661a, 388.1662, 388.1674, 388.1681, 388.1694a, 388.1698, 388.1698b, 388.1699, 388.1701, 388.1704a, 388.1707, 388.1747, 388.1752, 388.1758b and 388.1763), sections 11 and 26a as amended by 2003 PA 236, sections 11b, 32j, 41a, and 98b as added and sections 3, 6, 11f, 11g, 11j, 18, 19, 20, 22a, 22b, 24, 31a, 31d, 32c, 32d, 39a, 41, 51a, 51c, 51d, 53a, 54, 56, 57, 61a, 62, 74, 81, 94a, 98, 99, 101, 104a, 107, and 147 as amended by 2003 PA 158, and section 32f as amended by 2002 PA 521, and section 20j as amended by 2001 PA 121, and sections 21b, 152 and 163 as amended by 2000 PA 297, and section 13 as amended by 1999 PA 119; and section 26 as amended by 1997 PA 93, and sections 15 and 18a as amended by 1996 PA 300, and section 4 as amended by 1995 PA 130, and section 158b as added by 1994 PA 283, and by adding sections 201, 32, 61b and 107b; and to repeal acts and parts of acts.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 3. (1) "Average daily attendance", for the purposes of  
2 complying with federal law, means 92% of the membership as defined in  
3 section 6(4).

4       (2) "Board" means the governing body of a district or public  
5 school academy.

6       (3) "Center" means the center for educational performance and  
7 information created in section 94a.

8       (4) "Cooperative education program" means a written voluntary  
9 agreement between and among districts to provide certain educational  
10 programs for pupils in certain groups of districts. The written  
11 agreement shall be approved by all affected districts at least annually

1 and shall specify the educational programs to be provided and the  
2 estimated number of pupils from each district who will participate in  
3 the educational programs.

4 (5) "Department", except in sections ~~67, 68,~~ 107 and **107b 108**,  
5 means the department of education.

6 (6) "District" means a local school district established under the  
7 revised school code, a local act school district, or, except in sections  
8 6(4), 6(6), 13, 20, 22a, 23, 31a, ~~32f,~~ 105, and 105c, a public school  
9 academy. Except in sections 6(4), 6(6), 13, 20, 22a, 105, and 105c,  
10 district also includes a university school.

11 (7) "District of residence", except as otherwise provided in this  
12 subsection, means the district in which a pupil's custodial parent or  
13 parents or legal guardian resides. For a pupil described in section  
14 24b, the pupil's district of residence is the district in which the  
15 pupil enrolls under that section. For a pupil described in section  
16 6(4)(d), the pupil's district of residence shall be considered to be the  
17 district or intermediate district in which the pupil is counted in  
18 membership under that section. For a pupil under court jurisdiction who  
19 is placed outside the district in which the pupil's custodial parent or  
20 parents or legal guardian resides, the pupil's district of residence  
21 shall be considered to be the educating district or educating  
22 intermediate district.

23 (8) "District superintendent" means the superintendent of a  
24 district, the chief administrator of a public school academy, or the  
25 chief administrator of a university school.

26 Sec. 4. (1) "Elementary pupil" means a pupil in membership in  
27 grades K to 8 in a district not maintaining classes above the eighth

1 grade or in grades K to 6 in a district maintaining classes above the eighth grade.

3 (2) "Extended school year" means an educational program conducted  
4 by a district in which pupils must be enrolled but not necessarily in  
5 attendance on the pupil membership count day in an extended year  
6 program. The mandatory days of student instruction and prescribed clock  
7 hours shall be completed by each pupil not more than 365 calendar days  
8 after the pupil's first day of classes for the school year prescribed.  
9 The department shall prescribe pupil, personnel, and other reporting  
10 requirements for the educational program.

11 (3) "Fiscal year" means the state fiscal year which commences  
12 October 1 and continues through September 30.

13 (4) "General educational development testing preparation program"  
14 means a program that has high school level courses in ~~writing skills,~~  
15 **English language arts**, social studies, science, ~~reading skills,~~ and  
16 mathematics and that prepares a person to successfully complete the  
17 general educational development (GED) test.

18 (5) "High school pupil" means a pupil in membership in grades 7 to  
19 12, except in a district not maintaining grades above the eighth grade.

20 Sec. 6. (1) "Center program" means a program operated by a  
21 district or intermediate district for special education pupils from  
22 several districts in programs for the autistically impaired, trainable  
23 mentally impaired, severely mentally impaired, severely multiply  
24 impaired, hearing impaired, physically and otherwise health impaired,  
25 and visually impaired. Programs for emotionally impaired pupils housed  
26 in buildings that do not serve regular education pupils also qualify.  
27 Unless otherwise approved by the department, a center program either

1 shall serve all constituent districts within an intermediate district or  
2 shall serve several districts with less than 50% of the pupils residing  
3 in the operating district. In addition, special education center  
4 program pupils placed part-time in noncenter programs to comply with the  
5 least restrictive environment provisions of section 612 of part B of the  
6 individuals with disabilities education act, title VI of Public Law 91-  
7 230, 20 U.S.C. 1412, may be considered center program pupils for pupil  
8 accounting purposes for the time scheduled in either a center program or  
9 a noncenter program.

10 (2) "District and high school graduation rate" means the annual  
11 completion and pupil dropout rate that is calculated by the center  
12 pursuant to nationally recognized standards.

13 (3) "District and high school graduation report" means a report of  
14 the number of pupils, excluding migrant and adult, in the district for  
15 the immediately preceding school year, adjusted for those pupils who  
16 have transferred into or out of the district or transferred to  
17 alternative programs, who leave high school with a diploma or other  
18 credential **of equal status**.

19 (4) "Membership", except as otherwise provided in this act, means  
20 for a district, public school academy, university school, or  
21 intermediate district the sum of the product of ~~+.8~~ .5 times the number  
22 of full-time equated pupils in grades K to 12 actually enrolled and in  
23 regular daily attendance on the pupil membership count day for the  
24 current school year, plus the product of ~~+.2~~ .5 times the final audited  
25 count from the supplemental count day for the immediately preceding  
26 school year. All pupil counts used in this subsection are as  
27 determined by the department and calculated by adding the number of

1 pupils registered for attendance plus pupils received by transfer  
2 and minus pupils lost as defined by rules promulgated by  
3 the superintendent, and as corrected by a subsequent department  
4 audit. The amount of the foundation allowance for a pupil in  
5 membership is determined under section 20. In making the calculation of  
6 membership, all of the following, as applicable, apply to determining  
7 the membership of a district, public school academy, university school,  
8 or intermediate district:

9 (a) Except as otherwise provided in this subsection, and pursuant  
10 to subsection (6), a pupil shall be counted in membership in the pupil's  
11 educating district or districts. An individual pupil shall not be  
12 counted for more than a total of 1.0 full-time equated membership.

13 (b) If a pupil is educated in a district other than the pupil's  
14 district of residence, if the pupil is not being educated as part of a  
15 cooperative education program, if the pupil's district of residence does  
16 not give the educating district its approval to count the pupil in  
17 membership in the educating district, and if the pupil is not covered by  
18 an exception specified in subsection (6) to the requirement that the  
19 educating district must have the approval of the pupil's district of  
20 residence to count the pupil in membership, the pupil shall not be  
21 counted in membership in any district.

22 (c) A special education pupil educated by the intermediate  
23 district shall be counted in membership in the intermediate district.

24 (d) A pupil placed by a court or state agency in an on-grounds  
25 program of a juvenile detention facility, a child caring institution, or  
26 a mental health institution, or a pupil funded under section 53a, shall  
27 be counted in membership in the district or intermediate district

1 approved by the department to operate the program.

2 (e) A pupil enrolled in the Michigan schools for the deaf and  
3 blind shall be counted in membership in the pupil's intermediate  
4 district of residence.

5 (f) A pupil enrolled in a vocational education program supported  
6 by a millage levied over an area larger than a single district or in an  
7 area vocational-technical education program established pursuant to  
8 section 690 of the revised school code, MCL 380.690, shall be counted  
9 only in the pupil's district of residence.

10 (g) A pupil enrolled in a university school shall be counted in  
11 membership in the university school.

12 (h) A pupil enrolled in a public school academy shall be counted  
13 in membership in the public school academy.

14 (i) For a new district, university school, or public school  
15 academy beginning its operation after December 31, 1994, membership for  
16 the first 2 full or partial fiscal years of operation shall be  
17 determined as follows:

18 (i) If operations begin before the pupil membership count day for  
19 the fiscal year, membership is the average number of full-time equated  
20 pupils in grades K to 12 actually enrolled and in regular daily  
21 attendance on the pupil membership count day for the current school year  
22 and on the supplemental count day for the current school year, as  
23 determined by the department and calculated by adding the number of  
24 pupils registered for attendance on the pupil membership count day plus  
25 pupils received by transfer and minus pupils lost as defined by rules  
26 promulgated by the superintendent, and as corrected by a subsequent  
27 department audit, plus the final audited count from the supplemental

1 count day for the current school year, and dividing that sum by 2.

2 (ii) If operations begin after the pupil membership count day for  
3 the fiscal year and not later than the supplemental count day for the  
4 fiscal year, membership is the final audited count of the number of  
5 full-time equated pupils in grades K to 12 actually enrolled and in  
6 regular daily attendance on the supplemental count day for the current  
7 school year.

8 (j) If a district is the authorizing body for a public school  
9 academy, then, in the first school year in which pupils are counted in  
10 membership on the pupil membership count day in the public school  
11 academy, the determination of the district's membership shall exclude  
12 from the district's pupil count for the immediately preceding  
13 supplemental count day any pupils who are counted in the public school  
14 academy on that first pupil membership count day who were also counted  
15 in the district on the immediately preceding supplemental count day.

16 (k) In a district, public school academy, university school, or  
17 intermediate district operating an extended school year program approved  
18 by the superintendent, a pupil enrolled, but not scheduled to be in  
19 regular daily attendance on a pupil membership count day, shall be  
20 counted.

21 (l) Pupils to be counted in membership shall be not less than 5  
22 years of age on December 1 and less than 20 years of age on September 1  
23 of the school year except a special education pupil who is enrolled and  
24 receiving instruction in a special education program or service approved  
25 by the department and not having a high school diploma who is less than  
26 26 years of age as of September 1 of the current school year shall be  
27 counted in membership.



1 (m) An individual who has obtained a high school diploma shall not  
2 be counted in membership. An individual who has obtained a general  
3 education development (G.E.D.) certificate shall not be counted in  
4 membership. An individual participating in a job training program  
5 funded under former section 107a or a jobs program funded under former  
6 section 107b, administered by the Michigan strategic fund or the  
7 department of ~~career development~~ **labor and economic growth**, or  
8 participating in any successor of either of those 2 programs, shall not  
9 be counted in membership.

10 (n) If a pupil counted in membership in a public school academy is  
11 also educated by a district or intermediate district as part of a  
12 cooperative education program, the pupil shall be counted in membership  
13 only in the public school academy, **unless a written agreement signed by**  
14 **all parties designates which parties shall count the pupil in**  
15 **membership**, and the instructional time scheduled for the pupil in the  
16 district or intermediate district shall be included in the full-time  
17 equated membership determination under subdivision (q). However, for  
18 pupils receiving instruction in both a public school academy and in a  
19 district or intermediate district but not as a part of a cooperative  
20 education program, the following apply:

21 (i) If the public school academy provides instruction for at least  
22 1/2 of the class hours specified in subdivision (q), the public school  
23 academy shall receive as its prorated share of the full-time equated  
24 membership for each of those pupils an amount equal to 1 times the  
25 product of the hours of instruction the public school academy provides  
26 divided by the number of hours specified in subdivision (q) for full-  
27 time equivalency, and the remainder of the full-time membership for each

1 of those pupils shall be allocated to the district or intermediate  
2 district providing the remainder of the hours of instruction.

3 (ii) If the public school academy provides instruction for less  
4 than 1/2 of the class hours specified in subdivision (q), the district  
5 or intermediate district providing the remainder of the hours of  
6 instruction shall receive as its prorated share of the full-time equated  
7 membership for each of those pupils an amount equal to 1 times the  
8 product of the hours of instruction the district or intermediate  
9 district provides divided by the number of hours specified in  
10 subdivision (q) for full-time equivalency, and the remainder of the  
11 full-time membership for each of those pupils shall be allocated to the  
12 public school academy.

13 (o) An individual less than 16 years of age as of September 1 of  
14 the current school year who is being educated in an alternative  
15 education program shall not be counted in membership if there are also  
16 adult education participants being educated in the same program or  
17 classroom.

18 (p) The department shall give a uniform interpretation of full-  
19 time and part-time memberships.

20 (q) The number of class hours used to calculate full-time equated  
21 memberships shall be consistent with section 101(3). In determining  
22 full-time equated memberships for pupils who are enrolled in a  
23 postsecondary institution, a pupil shall not be considered to be less  
24 than a full-time equated pupil solely because of the effect of his or  
25 her postsecondary enrollment, including necessary travel time, on the  
26 number of class hours provided by the district to the pupil.

27 (r) Full-time equated memberships for pupils in kindergarten shall

1 be determined by dividing the number of class hours scheduled and  
2 provided per year per kindergarten pupil by a number equal to  $1/2$  the  
3 number used for determining full-time equated memberships for pupils in  
4 grades 1 to 12.

5 (s) For a district, university school, or public school academy  
6 that has pupils enrolled in a grade level that was not offered by the  
7 district, university school, or public school academy in the immediately  
8 preceding school year, the number of pupils enrolled in that grade level  
9 to be counted in membership is the average of the number of those pupils  
10 enrolled and in regular daily attendance on the pupil membership count  
11 day and the supplemental count day of the current school year, as  
12 determined by the department. Membership shall be calculated by adding  
13 the number of pupils registered for attendance in that grade level on  
14 the pupil membership count day plus pupils received by transfer and  
15 minus pupils lost as defined by rules promulgated by the superintendent,  
16 and as corrected by subsequent department audit, plus the final audited  
17 count from the supplemental count day for the current school year, and  
18 dividing that sum by 2.

19 (t) A pupil enrolled in a cooperative education program may be  
20 counted in membership in the pupil's district of residence with the  
21 written approval of all parties to the cooperative agreement.

22 (u) If, as a result of a disciplinary action, a district  
23 determines through the district's alternative or disciplinary education  
24 program that the best instructional placement for a pupil is in the  
25 pupil's home, if that placement is authorized in writing by the district  
26 superintendent and district alternative or disciplinary education  
27 supervisor, and if the district provides appropriate instruction as

1 described in this subdivision to the pupil at the pupil's home, the  
2 district may count the pupil in membership on a pro rata basis, with the  
3 proration based on the number of hours of instruction the district  
4 actually provides to the pupil divided by the number of hours specified  
5 in subdivision (q) for full-time equivalency. For the purposes of this  
6 subdivision, a district shall be considered to be providing appropriate  
7 instruction if all of the following are met:

8       (i) The district provides at least 2 nonconsecutive hours of  
9 instruction per week to the pupil at the pupil's home under the  
10 supervision of a certificated teacher.

11       (ii) The district provides instructional materials, resources, and  
12 supplies, except computers, that are comparable to those otherwise  
13 provided in the district's alternative education program.

14       (iii) Course content is comparable to that in the district's  
15 alternative education program.

16       (iv) Credit earned is awarded to the pupil and placed on the  
17 pupil's transcript.

18       (v) A pupil enrolled in an alternative or disciplinary education  
19 program described in section 25 shall be counted in membership in the  
20 district or public school academy that expelled the pupil.

21       (w) If a pupil was enrolled in a public school academy on the  
22 pupil membership count day, if the public school academy's contract with  
23 its authorizing body is revoked **or the public school academy otherwise**  
24 **ceases to operate**, and if the pupil enrolls in a district within 45 days  
25 after the pupil membership count day, the department shall adjust the  
26 district's pupil count for the pupil membership count day to include the  
27 pupil in the count.

1       (x) For a public school academy that has been in operation for at  
2 least 2 years and that suspended operations for at least 1 semester and  
3 is resuming operations, membership is the sum of the product of ~~-.8~~ .5  
4 times the number of full-time equated pupils in grades K to 12 actually  
5 enrolled and in regular daily attendance on the first pupil membership  
6 count day or supplemental count day, whichever is first, occurring after  
7 operations resume, plus the product of ~~-.2~~ .5 times the final audited  
8 count from the most recent pupil membership count day or supplemental  
9 count day that occurred before suspending operations, as determined by  
10 the superintendent.

11       ~~(y) If a district's membership for a particular fiscal year, as~~  
12 ~~otherwise calculated under this subsection, would be less than 1,550~~  
13 ~~pupils and the district has 4.5 or fewer pupils per square mile, as~~  
14 ~~determined by the department, the district's membership shall be~~  
15 ~~considered to be the membership figure calculated under this~~  
16 ~~subdivision. If a district educates and counts in its membership pupils~~  
17 ~~in grades 9 to 12 who reside in a contiguous district that does not~~  
18 ~~operate grades 9 to 12 and if 1 or both of the affected districts~~  
19 ~~request the department to use the determination allowed under this~~  
20 ~~sentence, the department shall include the square mileage of both~~  
21 ~~districts in determining the number of pupils per square mile for each~~  
22 ~~of the districts for the purposes of this subdivision. The membership~~  
23 ~~figure calculated under this subdivision is the greater of the~~  
24 ~~following:~~

25       ~~(i) The average of the district's membership for the 3 fiscal year~~  
26 ~~period ending with that fiscal year, calculated by adding the district's~~  
27 ~~actual membership for each of those 3 fiscal years, as otherwise~~

1 ~~calculated under this subsection, and dividing the sum of those 3~~  
2 ~~membership figures by 3.~~

3 ~~(ii) The district's actual membership for that fiscal year as~~  
4 ~~otherwise calculated under this subsection.~~

5 (y) ~~(z)~~ If a public school academy that is not in its first or  
6 second year of operation closes at the end of a school year and does not  
7 reopen for the next school year, the department shall adjust the  
8 membership count of the district in which a former pupil of the public  
9 school academy enrolls and is in regular daily attendance for the next  
10 school year to ensure that the district receives the same amount of  
11 membership aid for the pupil as if the pupil were counted in the  
12 district on the supplemental count day of the preceding school year.

13 (5) "Public school academy" means a public school academy, urban  
14 high school academy or strict discipline academy operating under the  
15 revised school code.

16 (6) "Pupil" means a person in membership in a public school. A  
17 district must have the approval of the pupil's district of residence to  
18 count the pupil in membership, except approval by the pupil's district  
19 of residence shall not be required for any of the following:

20 (a) A nonpublic part-time pupil enrolled in grades 1 to 12 in  
21 accordance with section 166b.

22 (b) A pupil receiving 1/2 or less of his or her instruction in a  
23 district other than the pupil's district of residence.

24 (c) A pupil enrolled in a public school academy or university  
25 school.

26 (d) A pupil enrolled in a district other than the pupil's district  
27 of residence under an intermediate district schools of choice pilot

1 program as described in section 91a or former section 91 if the  
2 intermediate district and its constituent districts have been exempted  
3 from section 105.

4 (e) A pupil enrolled in a district other than the pupil's district  
5 of residence ~~but within the same intermediate district if the educating~~  
6 ~~district enrolls nonresident pupils if the pupil was enrolled in~~  
7 accordance with section 105 **or section 105c.**

8 ~~(f) A pupil enrolled in a district other than the pupil's district~~  
9 ~~of residence if the pupil has been continuously enrolled in the~~  
10 ~~educating district since a school year in which the pupil enrolled in~~  
11 ~~the educating district under section 105 or 105c and in which the~~  
12 ~~educating district enrolled nonresident pupils in accordance with~~  
13 ~~section 105 or 105c.~~

14 **(f)** ~~(g)~~ A pupil who has made an official written complaint or  
15 whose parent or legal guardian has made an official written complaint to  
16 law enforcement officials and to school officials of the pupil's  
17 district of residence that the pupil has been the victim of a criminal  
18 sexual assault or other serious assault, if the official complaint  
19 either indicates that the assault occurred at school or that the assault  
20 was committed by 1 or more other pupils enrolled in the school the pupil  
21 would otherwise attend in the district of residence or by an employee of  
22 the district of residence. A person who intentionally makes a false  
23 report of a crime to law enforcement officials for the purposes of this  
24 subdivision is subject to section 411a of the Michigan penal code, 1931  
25 PA 328, MCL 750.411a, which provides criminal penalties for that  
26 conduct. As used in this subdivision:

27 (i) "At school" means in a classroom, elsewhere on school

1 premises, on a school bus or other school-related vehicle, or at a  
2 school-sponsored activity or event whether or not it is held on school  
3 premises.

4 (ii) "Serious assault" means an act that constitutes a felony  
5 violation of chapter XI of the Michigan penal code, 1931 PA 328, MCL  
6 750.81 to 750.90g, or that constitutes an assault and infliction of  
7 serious or aggravated injury under section 81a of the Michigan penal  
8 code, 1931 PA 328, MCL 750.81a.

9 ~~(h) A pupil enrolled in a district located in a contiguous~~  
10 ~~intermediate district, as described in section 105c, if the educating~~  
11 ~~district enrolls those nonresident pupils in accordance with section~~  
12 ~~105c.~~

13 (g) ~~(i)~~ A pupil whose district of residence changed after the  
14 pupil membership count day and before the supplemental count day and who  
15 continues to be enrolled on the supplemental count day as a nonresident  
16 in the district in which he or she was enrolled as a resident on the  
17 pupil membership count day of the same school year.

18 (h) ~~(j)~~ A pupil enrolled in an alternative education program  
19 operated by a district other than his or her district of residence who  
20 meets 1 or more of the following:

21 (i) The pupil has been suspended or expelled from his or her  
22 district of residence for any reason, including, but not limited to, a  
23 suspension or expulsion under section 1310, 1311, or 1311a of the  
24 revised school code, MCL 380.1310, 380.1311, and 380.1311a.

25 (ii) The pupil had previously dropped out of school.

26 (iii) The pupil is pregnant or is a parent.

27 (iv) The pupil has been referred to the program by a court.



1        (i) ~~(k)~~ A pupil enrolled in the Michigan virtual high school, for  
 2 the pupil's enrollment in the Michigan virtual high school.  
 3 However, if a district that is not a first class district educates  
 4 pupils who reside in a first class district and if the primary  
 5 instructional site for those pupils is located within the boundaries of  
 6 the first class district, the educating district must have the approval  
 7 of the first class district to count those pupils in membership. As  
 8 used in this subsection, "first class district" means a district  
 9 organized as a school district of the first class under the revised  
 10 school code.

11        (7) "Pupil membership count day" of a district or intermediate  
 12 district means:

13        (a) Except as provided in subdivision (b), the fourth Wednesday in  
 14 September each school year.

15        (b) For a district or intermediate district maintaining school  
 16 during the entire school year, the following days:

17        (i) Fourth Wednesday in July.

18        (ii) Fourth Wednesday in September.

19        (iii) Second Wednesday in February.

20        (iv) Fourth Wednesday in April.

21        (8) "Pupils in grades K to 12 actually enrolled and in regular  
 22 daily attendance" means pupils in grades K to 12 in attendance and  
 23 receiving instruction in all classes for which they are enrolled on the  
 24 pupil membership count day or the supplemental count day, as applicable.  
 25 A pupil who is absent from any of the classes in which the pupil is  
 26 enrolled on the pupil membership count day or supplemental count day and  
 27 who does not attend each of those classes during the 10 consecutive

1 school days immediately following the pupil membership count day or  
2 supplemental count day, except for a pupil who has been excused by the  
3 district, shall not be counted as 1.0 full-time equated membership. In  
4 addition, a pupil who is excused from attendance on the pupil membership  
5 count day or supplemental count day and who fails to attend each of the  
6 classes in which the pupil is enrolled within 30 calendar days after the  
7 pupil membership count day or supplemental count day shall not be  
8 counted as 1.0 full-time equated membership. Pupils not counted as 1.0  
9 full-time equated membership due to an absence from a class shall be  
10 counted as a prorated membership for the classes the pupil attended.  
11 For purposes of this subsection, "class" means a period of time in 1 day  
12 when pupils and a certificated teacher or legally qualified substitute  
13 teacher are together and instruction is taking place.

14 (9) "Rule" means a rule promulgated pursuant to the administrative  
15 procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

16 (10) "The revised school code" means 1976 PA 451, MCL 380.1 to  
17 380.1852.

18 (11) "School fiscal year" means a fiscal year that commences July  
19 1 and continues through June 30.

20 (12) "State board" means the state board of education.

21 (13) "Superintendent", unless the context clearly refers to a  
22 district or intermediate district superintendent, means the  
23 superintendent of public instruction described in section 3 of article  
24 VIII of the state constitution of 1963.

25 (14) "Supplemental count day" means the day on which the  
26 supplemental pupil count is conducted under section 6a.

27 (15) "Tuition pupil" means a pupil of school age attending school

1 in a district other than the pupil's district of residence for whom  
 2 tuition may be charged. Tuition pupil does not include a pupil who is a  
 3 special education pupil or a pupil described in subsection (6)(d) to ~~(k)~~  
 4 **(i)**. A pupil's district of residence shall not require a high school  
 5 tuition pupil, as provided under section 111, to attend another school  
 6 district after the pupil has been assigned to a school district.

7 (16) "State school aid fund" means the state school aid fund  
 8 established in section 11 of article IX of the state constitution of  
 9 1963.

10 (17) "Taxable value" means the taxable value of property as  
 11 determined under section 27a of the general property tax act, 1893 PA  
 12 206, MCL 211.27a.

13 (18) "Textbook" means a book that is selected and approved by the  
 14 governing board of a district and that contains a presentation of  
 15 principles of a subject, or that is a literary work relevant to the  
 16 study of a subject required for the use of classroom pupils, or another  
 17 type of course material that forms the basis of classroom instruction.

18 (19) "Total state aid" or "total state school aid" means the total  
 19 combined amount of all funds due to a district, intermediate district,  
 20 or other entity under all of the provisions of this act.

21 (20) "University school" means an instructional program operated  
 22 by a public university under section 23 that meets the requirements of  
 23 section 23.

24 Sec. 11. (1) For the fiscal year ending September 30, ~~2004, there~~  
 25 ~~is appropriated for the public schools of this state and certain other~~  
 26 ~~state purposes relating to education the sum of \$10,962,387,100.00 from~~  
 27 ~~the state school aid fund established by section 11 of article IX of the~~

~~1 state constitution of 1963 and the sum of \$327,700,000.00 from the  
2 general fund. 2005, there is appropriated for the public schools of this  
3 state and certain other state purposes relating to education the sum of  
4 \$11,033,722,200.00 from the state school aid fund established by section  
5 11 of article IX of the state constitution of 1963 and the sum of  
6 \$131,800,000.00 from the general fund. For the fiscal year ending  
7 September 30, 2003, from loan repayments deposited to the general fund  
8 pursuant to section 4 of 1961 PA 112, MCL 388.984, on the settlement  
9 date, as determined under section 9c of 1961 PA 108, MCL 388.959c, there  
10 is appropriated from the general fund to the state school aid fund the  
11 amount determined by the state treasurer to equal the difference between  
12 the outstanding amount of general obligation debt incurred pursuant to  
13 1961 PA 112, MCL 388.981 to 388.985, and the outstanding amount of loans  
14 under 1961 PA 108, MCL 388.951 to 388.963, as reduced in accordance with  
15 section 9c(1) of 1961 PA 108, MCL 388.959c. In addition, for the fiscal  
16 year ending September 30, 2003, there is appropriated from the general  
17 fund to the state school aid fund an amount equal to the amount of all  
18 school bond loan fund repayments received by the state treasurer from  
19 June 1, 2003 through December 31, 2003, determined by the state  
20 treasurer not to have been paid from proceeds of bonds of the school  
21 district and representing the difference between the outstanding amount  
22 of general obligation debt incurred by this state under 1961 PA 112, MCL  
23 388.981 to 388.985, and the outstanding amount of loans under 1961 PA  
24 108, MCL 388.951 to 388.963, at the time of repayment. Funds  
25 appropriated to the state school aid fund from the general fund from  
26 loan repayments received as described in this subsection shall be  
27 expended within 90 days of deposit within the state school aid fund. In~~

1 addition, available federal funds are appropriated for ~~each of these the~~  
2 ~~fiscal years.~~ **year ending September 30, 2005.**

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

14 (3) If the maximum amount appropriated under this section from the  
15 state school aid fund and the school aid stabilization fund for a fiscal  
16 year exceeds the amount available for expenditure from the state school  
17 aid fund for that fiscal  
18 year, payments under sections 11f, 11g, **11j**, 22a, **26a**, 31d, 51a(2),  
19 **51a(12)**, ~~and~~ 51c, **and 53a** shall be made in full. In addition, for  
20 districts beginning operations after 1994-95 that qualify for payments  
21 under section 22b, payments under section 22b shall be made so that the  
22 qualifying districts receive the lesser of an amount equal to the 1994-  
23 95 foundation allowance of the district in which the district beginning  
24 operations after 1994-95 is located or \$5,500.00. The amount of the  
25 payment to be made under section 22b for these qualifying districts  
26 shall be as calculated under section 22a, with the balance of the  
27 payment under section 22b being subject to the proration otherwise

1 provided under this subsection and subsection (4). ~~For any~~ **If** proration  
2 **is** necessary ~~after 2002-2003~~, state payments under each of the other  
3 sections of this act from all state funding sources shall be prorated in  
4 the manner prescribed in subsection (4) as necessary to reflect the  
5 amount available for expenditure from the state school aid fund for the  
6 affected fiscal year. However, if the department of treasury determines  
7 that proration will be required under this subsection, the department of  
8 treasury shall notify the state budget director, and the state budget  
9 director shall notify the legislature at least 30 calendar days or 6  
10 legislative session days, whichever is more, before the department  
11 reduces any payments under this act because of the proration. During the  
12 30 calendar day or 6 legislative session day period after that  
13 notification by the state budget director, the department shall not  
14 reduce any payments under this act because of proration under this  
15 subsection. The legislature may prevent proration from occurring by,  
16 within the 30 calendar day or 6 legislative session day period after  
17 that notification by the state budget director, enacting legislation  
18 appropriating additional funds from the general fund, countercyclical  
19 budget and economic stabilization fund, state school aid fund balance,  
20 or another source to fund the amount of the projected shortfall.

21 (4) ~~For any~~ **If** proration **is** necessary ~~after 2002-2003~~, the  
22 department shall calculate the proration in district and intermediate  
23 district payments that is required under subsection (3) as follows:

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

27 (i) Districts.

(ii) Intermediate districts.

(iii) Entities other than districts or intermediate districts.

(b) The department shall recover a percentage of the proration amount required under subsection (3) that is equal to the percentage calculated under subdivision (a)(i) for districts by reducing payments to districts. This reduction shall be made by calculating an equal dollar amount per pupil as necessary to recover this percentage of the proration amount and reducing each district's total state school aid from state sources, other than payments under sections 11f, 11g, **11j**, 22a, **26a**, 31d, 51a(2), 51a(12), 51c, **and** 53a, ~~and 56~~, by that amount.

(c) The department shall recover a percentage of the proration amount required under subsection (3) that is equal to the percentage calculated under subdivision (a)(ii) for intermediate districts by reducing payments to intermediate districts. This reduction shall be made by reducing the payments to each intermediate district, other than payments under sections 11f, 11g, ~~22a, 31d, 26a~~, 51a(2), 51a(12), ~~51e~~, **and** 53a, ~~and 56~~, on an equal percentage basis.

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

(5) Except for the allocation under section 26a, any general fund allocations under this act that are not expended by the end of the state fiscal year are transferred to the state school aid fund.

Sec. 11b. From the general fund money appropriated in section 11,

1 there is allocated for ~~2003-2004~~ **2004-2005** the sum of ~~\$22,000,000.00~~  
2 **\$5,000,000.00** for deposit into the school aid stabilization fund created  
3 in section 11a.

4       Sec. 11f. (1) From the appropriations under section 11, there is  
5 allocated for the purposes of this section an amount not to exceed  
6 \$32,000,000.00 for the fiscal year ending September 30, ~~2004~~ **2005** and  
7 for each succeeding fiscal year through the fiscal year ending September  
8 30, 2008. Payments under this section will cease after September 30,  
9 2008. These allocations are for paying the amounts described in  
10 subsection (4) to districts and intermediate districts, other than those  
11 receiving a lump sum payment under subsection (2), that were not  
12 plaintiffs in the consolidated cases known as Durant v State of  
13 Michigan, Michigan supreme court docket no. 104458-104492 and that, on  
14 or before March 2, 1998, submitted to the state treasurer a board  
15 resolution waiving any right or interest the district or intermediate  
16 district has or may have in any claim or litigation based on or arising  
17 out of any claim or potential claim through September 30, 1997 that is  
18 or was similar to the claims asserted by the plaintiffs in the  
19 consolidated cases known as Durant v State of Michigan. The waiver  
20 resolution shall be in form and substance as required under subsection  
21 (7). The state treasurer is authorized to accept such a waiver  
22 resolution on behalf of this state. The amounts described in this  
23 subsection represent offers of settlement and compromise of any claim or  
24 claims that were or could have been asserted by these districts and  
25 intermediate districts, as described in this subsection.

26       (2) In addition to any other money appropriated under this act,  
27 there was appropriated from the state school aid fund an amount not to



1 exceed \$1,700,000.00 for the fiscal year ending September 30, 1999.  
2 This appropriation was for paying the amounts described in this  
3 subsection to districts and intermediate districts that were not  
4 plaintiffs in the consolidated cases known as Durant v State of  
5 Michigan; that, on or before March 2, 1998, submitted to the state  
6 treasurer a board resolution waiving any right or interest the district  
7 or intermediate district had or may have had in any claim or litigation  
8 based on or arising out of any claim or potential claim through  
9 September 30, 1997 that is or was similar to the claims asserted by the  
10 plaintiffs in the consolidated cases known as Durant v State of  
11 Michigan; and for which the total amount listed in section 11h and paid  
12 under this section was less than \$75,000.00. For a district or  
13 intermediate district qualifying for a payment under this subsection,  
14 the entire amount listed for the district or intermediate district in  
15 section 11h was paid in a lump sum on November 15, 1998 or on the next  
16 business day following that date. The amounts paid under this  
17 subsection represent offers of settlement and compromise of any claim or  
18 claims that were or could have been asserted by these districts and  
19 intermediate districts, as described in this subsection.

20 (3) This section does not create any obligation or liability of  
21 this state to any district or intermediate district that does not submit  
22 a waiver resolution described in this section. This section, any other  
23 provision of this act, and section 353e of the management and budget  
24 act, 1984 PA 431, MCL 18.1353e, are not intended to admit liability or  
25 waive any defense that is or would be available to this state or its  
26 agencies, employees, or agents in any litigation or future litigation  
27 with a district or intermediate district.

1           (4) The amount paid each fiscal year to each district or  
2 intermediate district under subsection (1) shall be 1/20 of the total  
3 amount listed in section 11h for each listed district or intermediate  
4 district that qualifies for a payment under subsection (1). The amounts  
5 listed in section 11h and paid in part under this subsection and in a  
6 lump sum under subsection (2) are offers of settlement and compromise to  
7 each of these districts or intermediate districts to resolve, in their  
8 entirety, any claim or claims that these districts or intermediate  
9 districts may have asserted for violations of section 29 of article IX  
10 of the state constitution of 1963 through September 30, 1997, which  
11 claims are or were similar to the claims asserted by the plaintiffs in  
12 the consolidated cases known as Durant v State of Michigan. This  
13 section, any other provision of this act, and section 353e of the  
14 management and budget act, 1984 PA 431, MCL 18.1353e, shall not be  
15 construed to constitute an admission of liability to the districts or  
16 intermediate districts listed in section 11h or a waiver of any defense  
17 that is or would have been available to the state or its agencies,  
18 employees, or agents in any litigation or future litigation with a  
19 district or intermediate district.

20           (5) The entire amount of each payment under subsection (1) each  
21 fiscal year shall be paid on November 15 of the applicable fiscal year  
22 or on the next business day following that date.

23           (6) Funds paid to a district or intermediate district under this  
24 section shall be used only for textbooks, electronic instructional  
25 material, software, technology, infrastructure or infrastructure  
26 improvements, school buses, school security, training for technology, or  
27 to pay debt service on voter-approved bonds issued by the district or

1 intermediate district before the effective date of this section. For  
2 intermediate districts only, funds paid under this section may also be  
3 used for other nonrecurring instructional expenditures including, but  
4 not limited to, nonrecurring instructional expenditures for vocational  
5 education, or for debt service for acquisition of technology for  
6 academic support services. Funds received by an intermediate district  
7 under this section may be used for projects conducted for the benefit of  
8 its constituent districts at the discretion of the intermediate board.  
9 To the extent payments under this section are used by a district or  
10 intermediate district to pay debt service on debt payable from millage  
11 revenues, and to the extent permitted by law, the district or  
12 intermediate district may make a corresponding reduction in the number  
13 of mills levied for that debt service.

14 (7) The resolution to be adopted and submitted by a district or  
15 intermediate district under this section and section 11g shall read as  
16 follows:

17 "Whereas, the board of \_\_\_\_\_ (name of district or  
18 intermediate district) desires to settle and compromise, in their  
19 entirety, any claim or claims that the district (or intermediate  
20 district) has or had for violations of section 29 of article IX of the  
21 state constitution of 1963, which claim or claims are or were similar to  
22 the claims asserted by the plaintiffs in the consolidated cases known as  
23 Durant v State of Michigan, Michigan supreme court docket no. 104458-  
24 104492.

25 Whereas, the district (or intermediate district) agrees to settle  
26 and compromise these claims for the consideration described in sections  
27 11f and 11g of the state school aid act of 1979, 1979 PA 94, MCL

1 388.1611f and 388.1611g, and in the amount specified for the district  
2 (or intermediate district) in section 11h of the state school aid act of  
3 1979, 1979 PA 94, MCL 388.1611h.

4 Whereas, the board of \_\_\_\_\_ (name of district or  
5 intermediate district) is authorized to adopt this resolution.

6 Now, therefore, be it resolved as follows:

7 1. The board of \_\_\_\_\_ (name of district or  
8 intermediate district) waives any right or interest it may have in any  
9 claim or potential claim through September 30, 1997 relating to the  
10 amount of funding the district or intermediate district is, or may have  
11 been, entitled to receive under the state school aid act of 1979, 1979  
12 PA 94, MCL 388.1601 to 388.1772, or any other source of state funding,  
13 by reason of the application of section 29 of article IX of the state  
14 constitution of 1963, which claims or potential claims are or were  
15 similar to the claims asserted by the plaintiffs in the consolidated  
16 cases known as Durant v State of Michigan, Michigan supreme court docket  
17 no. 104458-104492.

18 2. The board of \_\_\_\_\_ (name of district or  
19 intermediate district) directs its secretary to submit a certified copy  
20 of this resolution to the state treasurer no later than 5 p.m. eastern  
21 standard time on March 2, 1998, and agrees that it will not take any  
22 action to amend or rescind this resolution.

23 3. The board of \_\_\_\_\_ (name of district or  
24 intermediate district) expressly agrees and understands that, if it  
25 takes any action to amend or rescind this resolution, the state, its  
26 agencies, employees, and agents shall have available to them any  
27 privilege, immunity, and/or defense that would otherwise have been

1 available had the claims or potential claims been actually litigated in  
2 any forum.

3       4. This resolution is contingent on continued payments by the  
4 state each fiscal year as determined under sections 11f and 11g of the  
5 state school aid act of 1979, 1979 PA 94, MCL 388.1611f and 388.1611g.  
6 However, this resolution shall be an irrevocable waiver of any claim to  
7 amounts actually received by the school district or intermediate school  
8 district under sections 11f and 11g of the state school aid act of  
9 1979."

10       Sec. 11g. (1) From the ~~general~~ **school aid** fund appropriation in  
11 section 11, there is allocated an amount not to exceed \$141,000.00 ~~each~~  
12 ~~fiscal year for the fiscal year ending September 30, 2003, for the~~  
13 ~~fiscal year ending September 30, 2004, and for the fiscal year ending~~  
14 September 30, 2005. There is allocated an amount not to exceed  
15 ~~\$34,200,000.00~~ **\$35,000,000.00** for each succeeding fiscal year through  
16 the fiscal year ending September 30, 2013. Payments under this section  
17 will cease after September 30, 2013. These allocations are for paying  
18 the amounts described in subsection (3) to districts and intermediate  
19 districts, other than those receiving a lump sum payment under section  
20 11f(2), that were not plaintiffs in the consolidated cases known as  
21 Durant v State of Michigan, Michigan supreme court docket no. 104458-  
22 104492 and that, on or before March 2, 1998, submitted to the state  
23 treasurer a waiver resolution described in section 11f. The amounts  
24 paid under this section represent offers of settlement and compromise of  
25 any claim or claims that were or could have been asserted by these  
26 districts and intermediate districts, as described in this section.

27       (2) This section does not create any obligation or liability of

1 this state to any district or intermediate district that does not submit  
2 a waiver resolution described in section 11f. This section, any other  
3 provision of this act, and section 353e of the management and budget  
4 act, 1984 PA 431, MCL 18.1353e, are not intended to admit liability or  
5 waive any defense that is or would be available to this state or its  
6 agencies, employees, or agents in any litigation or future litigation  
7 with a district or intermediate district regarding these claims or  
8 potential claims.

9 (3) The amount paid each fiscal year to each district or  
10 intermediate district under this section shall be the sum of the  
11 following:

12 (a) 1/30 of the total amount listed in section 11h for the  
13 district or intermediate district.

14 (b) If the district or intermediate district borrows money and  
15 issues bonds under section 11i, an additional amount in each fiscal year  
16 calculated by the department of treasury that, when added to the amount  
17 described in subdivision (a), will cause the net present value as of  
18 November 15, 1998 of the total of the 15 annual payments made to the  
19 district or intermediate district under this section, discounted at a  
20 rate as determined by the state treasurer, to equal the amount of the  
21 bonds issued by that district or intermediate district under section 11i  
22 and that will result in the total payments made to all districts and  
23 intermediate districts in each fiscal year under this section being no  
24 more than the amount appropriated under this section in each fiscal  
25 year.

26 (4) The entire amount of each payment under this section each  
27 fiscal year shall be paid on May 15 of the applicable fiscal year or on

1 the next business day following that date. If a district or  
 2 intermediate district borrows money and issues bonds under section 11i,  
 3 the district or intermediate district shall use funds received under  
 4 this section to pay debt service on bonds issued under section 11i. If  
 5 a district or intermediate district does not borrow money and issue  
 6 bonds under section 11i, the district or intermediate district shall use  
 7 funds received under this section only for the following purposes, in  
 8 the following order of priority:

9 (a) First, to pay debt service on voter-approved bonds issued by  
 10 the district or intermediate district before the effective date of this  
 11 section.

12 (b) Second, to pay debt service on other limited tax obligations.

13 (c) Third, for deposit into a sinking fund established by the  
 14 district or intermediate district under the revised school code.

15 (5) To the extent payments under this section are used by a  
 16 district or intermediate district to pay debt service on debt payable  
 17 from millage revenues, and to the extent permitted by law, the district  
 18 or intermediate district may make a corresponding reduction in the  
 19 number of mills levied for debt service.

20 (6) A district or intermediate district may pledge or assign  
 21 payments under this section as security for bonds issued under section  
 22 11i, but shall not otherwise pledge or assign payments under this  
 23 section.

24 Sec. 11j. From the appropriation in section 11, there is allocated  
 25 an amount not to exceed ~~\$28,300,000.00~~ **\$41,100,000.00** for ~~2003-2004~~  
 26 **2004-2005** for payments to the school loan bond redemption fund **on behalf**  
 27 **of districts and intermediate school districts to in** the department of

1 treasury.

2       Sec. 13. Except as otherwise provided in this act, the  
3 apportionments and limitations of the apportionments made under this act  
4 shall be made on the membership and number of teachers and other  
5 professionals approved by the superintendent employed as of the pupil  
6 membership count day of each year and on the taxable value and the  
7 operating millage of each district for the calendar year. In addition, a  
8 district maintaining school during the entire year, as provided in  
9 section 1561 of the revised school code, MCL 380.1561, shall count  
10 memberships and ~~teachers~~ **educational personnel** pursuant to rules  
11 promulgated by the superintendent **and shall report to the center as**  
12 **required by state and federal law.**

13       Sec. 15. (1) If a district or intermediate district fails to  
14 receive its proper apportionment, the department, upon satisfactory  
15 proof that the district or intermediate district was entitled justly,  
16 shall apportion the deficiency in the ~~remaining apportionments next~~  
17 **apportionment.** Subject to subsections (2) and (3), if a district or  
18 intermediate district has received more than its proper apportionment,  
19 the department, upon satisfactory proof, shall deduct the excess in the  
20 ~~remaining apportionments next apportionment.~~ Notwithstanding any other  
21 provision in this act, state aid overpayments to a district, other than  
22 overpayments in payments for special education or special education  
23 transportation, may be recovered from any payment made under this act  
24 other than a special education or special education transportation  
25 payment. State aid overpayments made in special education or special  
26 education transportation payments may be recovered from subsequent  
27 special education or special education transportation payments.



1       (2) If the result of an audit conducted by or for the department  
2 affects the current fiscal year membership, affected payments shall be  
3 adjusted in the current fiscal year. A deduction due to an adjustment  
4 made as a result of an audit conducted by or for the department, or as a  
5 result of information obtained by the department from the district, an  
6 intermediate district, the department of treasury, or the office of  
7 auditor general, shall be deducted from the district's apportionments  
8 within the next fiscal year after the fiscal year in which the  
9 adjustment is finalized. At the request of the district and upon the  
10 district presenting evidence satisfactory to the department of the  
11 hardship, the department may grant up to an additional 4 years for the  
12 adjustment if the district would otherwise experience a significant  
13 hardship.

14       (3) If, because of the receipt of new or updated data, the  
15 department determines during a fiscal year that the amount paid to a  
16 district or intermediate district under this act for a prior fiscal year  
17 was incorrect under the law in effect for that year, the department may  
18 make the appropriate deduction or payment in the district's or  
19 intermediate district's allocation for the fiscal year in which the  
20 determination is made. The deduction or payment shall be calculated  
21 according to the law in effect in the fiscal year in which the improper  
22 amount was paid.

23       (4) Expenditures made by the department under this act that are  
24 caused by the write-off of prior year accruals may be funded by revenue  
25 from the write-off of prior year accruals.

26       Sec. 18. (1) Except as provided in another section of this act,  
27 each district or other entity shall apply the money received by the

1 district or entity under this act to salaries and other compensation of  
2 teachers and other employees, tuition, transportation, lighting,  
3 heating, ventilation, water service, the purchase of textbooks which are  
4 designated by the board to be used in the schools under the board's  
5 charge, other supplies, and any other school operating expenditures  
6 defined in section 7. However, not more than 20% of the total amount  
7 received by a district under article 2 or intermediate district under  
8 article 8 may be transferred by the board to either the capital projects  
9 fund or to the debt retirement fund for debt service. The money shall  
10 not be applied or taken for a purpose other than as provided in this  
11 section. The department shall determine the reasonableness of  
12 expenditures and may withhold from a recipient of funds under this act  
13 the apportionment otherwise due for the fiscal year following the  
14 discovery by the department of a violation by the recipient.

15 (2) For the purpose of determining the reasonableness of  
16 expenditures and whether a violation of this act has occurred, the  
17 department shall require that each district and intermediate district  
18 have an audit of the district's or intermediate district's financial and  
19 pupil accounting records conducted at least annually at the expense of  
20 the district or intermediate district, as applicable, by a certified  
21 public accountant or by the intermediate district superintendent, as may  
22 be required by the department, or in the case of a district of the first  
23 class by a certified public accountant, the intermediate superintendent,  
24 or the auditor general of the city. An intermediate district's annual  
25 financial audit shall be accompanied by the intermediate district's  
26 pupil accounting procedures report. A district's or intermediate  
27 district's annual financial audit shall include an analysis of the

1 financial and pupil accounting data used as the basis for distribution  
2 of state school aid. The pupil accounting records and reports, audits,  
3 and management letters are subject to requirements established in the  
4 auditing and accounting manuals approved and published by the  
5 department. Except as otherwise provided in this subsection, a district  
6 shall file the annual financial audit reports with the intermediate  
7 district **and with the department** not later than **November 15 of each**  
8 **year.** ~~120 days after the end of each school fiscal year and the~~  
9 ~~intermediate district shall forward the annual financial audit reports~~  
10 ~~for its constituent districts and for the~~ **The** intermediate district  
11 **shall file** ~~and~~ the pupil accounting procedures report for the pupil  
12 membership count day and supplemental count day, to the department not  
13 later than November 15 of each year. The annual financial audit reports  
14 and pupil accounting procedures reports shall be available to the public  
15 in compliance with the freedom of information act, 1976 PA 442, MCL  
16 15.231 to 15.246. Not later than December 1 of each year, the  
17 department shall notify the state budget director and the legislative  
18 appropriations subcommittees responsible for review of the school aid  
19 budget of districts and intermediate districts that have not filed an  
20 annual financial audit and pupil accounting procedures report required  
21 under this section for the school year ending in the immediately  
22 preceding fiscal year.

23 (3) By November 15 of each year, each district and intermediate  
24 district shall submit to the center, in a manner prescribed by the  
25 center, annual comprehensive financial data consistent with accounting  
26 manuals and charts of accounts approved and published by the department.

27 (4) By September 30 of each year, each district and intermediate

1 district shall file with the department the special education actual  
2 cost report, known as "SE-4096", on a form and in the manner prescribed  
3 by the department.

4 (5) By October 7 of each year, each district and intermediate  
5 district shall file with the department the transportation expenditure  
6 report, known as "SE-4094", on a form and in the manner prescribed by  
7 the department.

8 (6) Not later than July 1, 1999, the department shall approve and  
9 publish pupil accounting and pupil auditing manuals. The department  
10 shall review those manuals at least annually and shall periodically  
11 update those manuals to reflect changes in this act. The pupil  
12 accounting manuals in effect for the 1996-97 school year, including  
13 subsequent revisions issued by the superintendent, shall be the interim  
14 manuals in effect until new manuals are approved and published.  
15 However, the clarification of class-by-class accounting provided in the  
16 department's April 15, 1998 memorandum on pupil accounting procedures  
17 shall be excluded from the interim manuals.

18 (7) If a district that is a public school academy purchases  
19 property using money received under this act, the public school academy  
20 shall retain ownership of the property unless the public school academy  
21 sells the property at fair market value.

22 (8) If a district or intermediate district does not comply with  
23 subsection (2),(3),(4), or (5), the department shall withhold all state  
24 school aid due to the district or intermediate district under this act,  
25 beginning with the next payment due to the district or intermediate  
26 district, until the district or intermediate district complies with  
27 subsections (2),(3),(4), and (5). If the district or intermediate

1 district does not comply with subsections (2),(3),(4), and (5) by the  
2 end of the fiscal year, the district or intermediate district forfeits  
3 the amount withheld.

4       Sec. 18a. Grant funds awarded and allotted to a district, ~~or~~  
5 intermediate district, **or other entity**, unless otherwise specified in  
6 this act, shall be expended by the grant recipient before the end of the  
7 school fiscal year immediately following the fiscal year in which the  
8 funds are received. If a grant recipient does not expend the funds  
9 received under this act before the end of the fiscal year in which the  
10 funds are received, the grant recipient shall submit a report to the  
11 department not later than November 1 after the fiscal year in which the  
12 funds are received indicating whether it expects to expend those funds  
13 during the fiscal year in which the report is submitted. A recipient of  
14 a grant shall return any unexpended grant funds to the department in the  
15 manner prescribed by the department not later than September 30 after  
16 the fiscal year in which the funds are received.

17       Sec. 19. (1) A district shall comply with any requirements of  
18 sections 1204a, 1277, 1278, and 1280 of the revised school code, MCL  
19 380.1204a, 380.1277, 380.1278, and 380.1280, commonly referred to as  
20 "public act 25 of 1990" that are not also required by the no child left  
21 behind act of 2001, Public Law 107-110, 115 Stat. 1425, as determined by  
22 the department.

23       (2) Each district and intermediate district shall provide to the  
24 department, in a form and manner prescribed by the department,  
25 information necessary for the development of an annual progress report  
26 on the required implementation of sections 1204a, 1277, 1278, and 1280  
27 of the revised school code, MCL 380.1204a, 380.1277, 380.1278, and

1 380.1280, commonly referred to as "public act 25 of 1990".

2 (3) A district or intermediate district shall comply with all  
3 applicable reporting requirements specified in state and federal law.  
4 Data provided to the center, in a form and manner prescribed by the  
5 center, shall be aggregated and disaggregated as required by state and  
6 federal law.

7 (4) Each district shall furnish to the center not later than 7  
8 weeks after the pupil membership count day, in a manner prescribed by  
9 the center, the information necessary for the preparation of the  
10 district and high school graduation report. The center shall calculate  
11 an annual graduation and pupil dropout rate for each high school, each  
12 district, and this state, in compliance with nationally recognized  
13 standards for these calculations. The center shall report all  
14 graduation and dropout rates to the senate and house education  
15 committees and appropriations committees, the state budget director, and  
16 the department not later than June 1 of each year.

17 (5) A district shall furnish to the center, in a manner prescribed  
18 by the center, information related to educational personnel as necessary  
19 for reporting required by state and federal law.

20 **(6) A district shall furnish to the center, in a manner prescribed**  
21 **by the center, information related to safety practices and criminal**  
22 **incidents as necessary for reporting required by state and federal laws.**

23 (7) ~~(6)~~ If a district or intermediate district fails to meet the  
24 requirements of subsection (2), (3), (4), ~~or~~ (5), **or (6)** the department  
25 shall withhold 5% of the total funds for which the district or  
26 intermediate district qualifies under this act until the district or  
27 intermediate district complies with all of those subsections. If the

1 district or intermediate district does not comply with all of those  
2 subsections by the end of the fiscal year, the department shall place  
3 the amount withheld in an escrow account until the district or  
4 intermediate district complies with all of those subsections.

5 ~~—— (7) If a school in a district is not accredited under section 1280~~  
6 ~~of the revised school code, MCL 380.1280, or is not making satisfactory~~  
7 ~~progress toward meeting the standards for that accreditation, the~~  
8 ~~department shall withhold 5% of the total funds for which the district~~  
9 ~~qualifies under this act that are attributable to pupils attending that~~  
10 ~~school. The department shall place the amount withheld from a district~~  
11 ~~under this subsection in an escrow account and shall not release the~~  
12 ~~funds to the district until the district submits to the department a~~  
13 ~~plan for achieving accreditation for each of the district's schools that~~  
14 ~~are not accredited under section 1280 of the revised school code, MCL~~  
15 ~~380.1280, or are not making satisfactory progress toward meeting the~~  
16 ~~standards for that accreditation.~~

17 (8) Before publishing a list of schools or districts determined to  
18 have failed to make adequate yearly progress as required by the federal  
19 no child left behind act of 2001, Public Law 107-110, 115 Stat. 1425,  
20 the department shall allow a school or district to appeal that  
21 determination. The department shall consider and act upon the appeal  
22 within 30 days after it is submitted and shall not publish the list  
23 until after all appeals have been considered and decided.

24 Sec. 20. (1) For ~~2002-2003 and for 2003-2004,~~ **2004-2005**, the  
25 basic foundation allowance is \$6,700.00 per membership pupil.

26 (2) The amount of each district's foundation allowance shall be  
27 calculated as provided in this section, using a basic foundation

1 allowance in the amount specified in subsection (1).

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

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

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



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

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

16 (d) For a district that received a payment under former section  
17 22c for 2001-2002, the district's 2001-2002 foundation allowance shall  
18 be considered to have been an amount equal to the sum of the district's  
19 actual 2001-2002 foundation allowance as otherwise calculated under this  
20 section plus the per pupil amount of the district's equity payment for  
21 2001-2002 under former section 22c.

22 (4) Except as otherwise provided in this subsection, the state  
23 portion of a district's foundation allowance is an amount equal to the  
24 district's foundation allowance or \$6,500.00, whichever is less, minus  
25 the difference between the product of the taxable value per membership  
26 pupil of all property in the district that is not a principal residence  
27 or qualified agricultural property times the lesser of 18 mills or the

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

1 dollar amount of the difference between the basic foundation allowance  
2 for the current state fiscal year and \$5,000.00, minus \$200.00.

3       (5) The allocation calculated under this section for a pupil shall  
4 be based on the foundation allowance of the pupil's district of  
5 residence. However, **for a pupil enrolled in a district other than the**  
6 **pupil's district of residence, if the foundation allowance of the**  
7 **resident district has been adjusted pursuant to subsection (18), the**  
8 **allocation calculated under this section shall not include the**  
9 **adjustment described in subsection (18).** For ~~for~~ a pupil enrolled  
10 pursuant to section 105 or 105c in a district other than the pupil's  
11 district of residence, the allocation calculated under this section  
12 shall be based on the lesser of the foundation allowance of the pupil's  
13 district of residence or the foundation allowance of the educating  
14 district. For a pupil in membership in a K-5, K-6, or K-8 district who  
15 is enrolled in another district in a grade not offered by the pupil's  
16 district of residence, the allocation calculated under this section  
17 shall be based on the foundation allowance of the educating district if  
18 the educating district's foundation allowance is greater than the  
19 foundation allowance of the pupil's district of residence. The  
20 calculation under this subsection shall take into account a district's  
21 per pupil allocation under section 20j(2).

22       (6) Subject to subsection (7) and section 22b(3) and except as  
23 otherwise provided in this subsection, for pupils in membership, other  
24 than special education pupils, in a public school academy or a  
25 university school, the allocation calculated under this section is an  
26 amount per membership pupil other than special education pupils in the  
27 public school academy or university school equal to the sum of the local

1 school operating revenue per membership pupil other than special  
2 education pupils for the district in which the public school academy or  
3 university school is located and the state portion of that district's  
4 foundation allowance, or the sum of the basic foundation allowance under  
5 subsection (1) plus \$300.00, whichever is less. Notwithstanding section  
6 101(2), for a public school academy that begins operations ~~in 2002-2003~~  
7 ~~or 2003-2004, as applicable,~~ after the pupil membership count day, the  
8 amount per membership pupil calculated under this subsection shall be  
9 adjusted by multiplying that amount per membership pupil by the number  
10 of hours of pupil instruction provided by the public school academy  
11 after it begins operations, as determined by the department, divided by  
12 the minimum number of hours of pupil instruction required under section  
13 101(3). The result of this calculation shall not exceed the amount per  
14 membership pupil otherwise calculated under this subsection.

15 (7) If more than 25% of the pupils residing within a district are  
16 in membership in 1 or more public school academies located in the  
17 district, then the amount per membership pupil calculated under this  
18 section for a public school academy located in the district shall be  
19 reduced by an amount equal to the difference between the product of the  
20 taxable value per membership pupil of all property in the district that  
21 is not a principal residence or qualified agricultural property times  
22 the lesser of 18 mills or the number of mills of school operating taxes  
23 levied by the district in 1993-94 and the quotient of the ad valorem  
24 property tax revenue of the district captured under 1975 PA 197, MCL  
25 125.1651 to 125.1681, the tax increment finance authority act, 1980 PA  
26 450, MCL 125.1801 to 125.1830, the local development financing act, 1986  
27 PA 281, MCL 125.2151 to 125.2174, or the brownfield redevelopment

1 financing act, 1996 PA 381, MCL 125.2651 to 125.2672, divided by the  
2 district's membership excluding special education pupils, in the school  
3 fiscal year ending in the current state fiscal year, calculated as if  
4 the resident pupils in membership in 1 or more public school academies  
5 located in the district were in membership in the district. In order to  
6 receive state school aid under this act, a district described in this  
7 subsection shall pay to the authorizing body that is the fiscal agent  
8 for a public school academy located in the district for forwarding to  
9 the public school academy an amount equal to that local school operating  
10 revenue per membership pupil for each resident pupil in membership other  
11 than special education pupils in the public school academy, as  
12 determined by the department.

13 (8) If a district does not receive an amount calculated under  
14 subsection (9); if the number of mills the district may levy on a  
15 principal residence and qualified agricultural property under section  
16 1211(1) of the revised school code, MCL 380.1211, is 0.5 mills or less;  
17 and if the district elects not to levy those mills, the district instead  
18 shall receive a separate supplemental amount calculated under this  
19 subsection in an amount equal to the amount the district would have  
20 received had it levied those mills, as determined by the department of  
21 treasury. A district shall not receive a separate supplemental amount  
22 calculated under this subsection for a fiscal year unless in the  
23 calendar year ending in the fiscal year the district levies 18 mills or  
24 the number of mills of school operating taxes levied by the district in  
25 1993, whichever is less, on property that is not a principal residence  
26 or qualified agricultural property.

27 (9) For a district that had combined state and local revenue per

1 membership pupil in the 1993-94 state fiscal year of more than \$6,500.00  
2 and that had fewer than 350 pupils in membership, if the district elects  
3 not to reduce the number of mills from which a principal residence and  
4 qualified agricultural property are exempt and not to levy school  
5 operating taxes on a principal residence and qualified agricultural  
6 property as provided in section 1211(1) of the revised school code, MCL  
7 380.1211, and not to levy school operating taxes on all property as  
8 provided in section 1211(2) of the revised school code, MCL 380.1211,  
9 there is calculated under this subsection for 1994-95 and each  
10 succeeding fiscal year a separate supplemental amount in an amount equal  
11 to the amount the district would have received per membership pupil had  
12 it levied school operating taxes on a principal residence and qualified  
13 agricultural property at the rate authorized for the district under  
14 section 1211(1) of the revised school code, MCL 380.1211, and levied  
15 school operating taxes on all property at the rate authorized for the  
16 district under section 1211(2) of the revised school code, MCL 380.1211,  
17 as determined by the department of treasury. If in the calendar year  
18 ending in the fiscal year a district does not levy 18 mills or the  
19 number of mills of school operating taxes levied by the district in  
20 1993, whichever is less, on property that is not a principal residence  
21 or qualified agricultural property, the amount calculated under this  
22 subsection will be reduced by the same percentage as the millage  
23 actually levied compares to the 18 mills or the number of mills levied  
24 in 1993, whichever is less.

25 (10) Subject to subsection (4), for a district that is formed or  
26 reconfigured after June 1, 2002 by consolidation of 2 or more districts  
27 or by annexation, the resulting district's foundation allowance under

1 this section beginning after the effective date of the consolidation or  
2 annexation shall be the average of the foundation allowances of each of  
3 the original or affected districts, calculated as provided in this  
4 section, weighted as to the percentage of pupils in total membership in  
5 the resulting district who reside in the geographic area of each of the  
6 original or affected districts.

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

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

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

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

1 of the revenue conference.

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

19 (c) The index shall be calculated by multiplying the pupil  
20 membership factor by the revenue adjustment factor. However, for ~~2003-~~  
21 ~~2004-only,~~ **2004-2005**, the index shall be 1.00. If a consensus index is  
22 not determined at the revenue estimating conference, the principals of  
23 the revenue estimating conference shall report their estimates to the  
24 house and senate subcommittees responsible for school aid appropriations  
25 not later than 7 days after the conclusion of the revenue conference.

26 (14) If the principals at the revenue estimating conference reach  
27 a consensus on the index described in subsection (13)(c), the basic



1 foundation allowance for the subsequent state fiscal year shall be at  
2 least the amount of that consensus index multiplied by the basic  
3 foundation allowance specified in subsection (1).

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

13 **(15)** ~~(16)~~ For a district that had combined state and local revenue  
14 per membership pupil in the 1993-94 state fiscal year of more than  
15 \$6,500.00, that had fewer than 7 pupils in membership in the 1993-94  
16 state fiscal year, that has at least 1 child educated in the district in  
17 the current state fiscal year, and that levies the number of mills of  
18 school operating taxes authorized for the district under section 1211 of  
19 the revised school code, MCL 380.1211, a minimum amount of combined  
20 state and local revenue shall be calculated for the district as provided  
21 under this subsection. The minimum amount of combined state and local  
22 revenue for 1999-2000 shall be \$67,000.00 plus the district's additional  
23 expenses to educate pupils in grades 9 to 12 educated in other districts  
24 as determined and allowed by the department. The minimum amount of  
25 combined state and local revenue under this subsection, before adding  
26 the additional expenses, shall increase each fiscal year by the same  
27 percentage increase as the percentage increase in the basic foundation

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

16       **(16)** ~~(17)~~ For a district in which 7.75 mills levied in 1992 for  
17 school operating purposes in the 1992-93 school year were not renewed in  
18 1993 for school operating purposes in the 1993-94 school year, the  
19 district's combined state and local revenue per membership pupil shall  
20 be recalculated as if that millage reduction did not occur and the  
21 district's foundation allowance shall be calculated as if its 1994-95  
22 foundation allowance had been calculated using that recalculated 1993-94  
23 combined state and local revenue per membership pupil as a base. A  
24 district is not entitled to any retroactive payments for fiscal years  
25 before 2000-2001 due to this subsection.

26       **(17)** ~~(18)~~ For a district in which an industrial facilities  
27 exemption certificate that abated taxes on property with a state

1 equalized valuation greater than the total state equalized valuation of  
2 the district at the time the certificate was issued or \$700,000,000.00,  
3 whichever is greater, was issued under 1974 PA 198, MCL 207.551 to  
4 207.572, before the calculation of the district's 1994-95 foundation  
5 allowance, the district's foundation allowance for 2002-2003 is an  
6 amount equal to the sum of the district's foundation allowance for 2002-  
7 2003, as otherwise calculated under this section, plus \$250.00.

8       **(18)** ~~(19)~~ For a district that received a grant under former section  
9 32e for 2001-2002, ~~the district's foundation allowance for 2002-2003~~  
10 ~~shall be adjusted to be an amount equal to the sum of the district's~~  
11 ~~foundation allowance, as otherwise calculated under this section, plus~~  
12 ~~the quotient of the amount of the grant award to the district for 2001-~~  
13 ~~2002 under former section 32e divided by the district's membership for~~  
14 ~~2001-2002, and the district's foundation allowance for 2003-2004~~ **2002-**  
15 **2003 and each year thereafter** shall be adjusted to be an amount equal to  
16 the sum of the district's foundation allowance, as otherwise calculated  
17 under this section, plus the quotient of 100% of the amount of the grant  
18 award to the district for 2001-2002 under former section 32e divided by  
19 the **number of pupils in the** district's membership for 2001-2002 **who were**  
20 **residents of and were enrolled in the district.** Except as otherwise  
21 provided in this subsection, a district qualifying for a foundation  
22 allowance adjustment under this subsection shall use the funds resulting  
23 from this adjustment for at least 1 of grades K to 3 for purposes  
24 allowable under former section 32e as in effect for 2001-2002. For an  
25 individual school or schools operated by a district qualifying for a  
26 foundation allowance under this subsection that have been determined by  
27 the department to meet the adequate yearly progress standards of the

1 federal no child left behind act of 2001, Public Law 107-110, 115 Stat.  
2 1425, in both mathematics and English language arts at all applicable  
3 grade levels for all applicable subgroups, the district may submit to  
4 the department an application for flexibility in using the funds  
5 resulting from this adjustment that are attributable to the pupils in  
6 the school or schools. The application shall identify the affected  
7 school or schools and the affected funds and shall contain a plan for  
8 using the funds for specific purposes identified by the district that  
9 are designed to reduce class size, but that may be different from the  
10 purposes otherwise allowable under this subsection. The department shall  
11 approve the application if the department determines that the purposes  
12 identified in the plan are reasonably designed to reduce class size. If  
13 the department does not act to approve or disapprove an application  
14 within 30 days after it is submitted to the department, the application  
15 is considered to be approved. If an application for flexibility in  
16 using the funds is approved, the district may use the funds identified  
17 in the application for any purpose identified in the plan.

18       **(19) ~~(20)~~** For a district that is a qualifying school district with  
19 a school reform board in place under part 5a of the revised school code,  
20 MCL 380.371 to 380.376, the district's foundation allowance for ~~2002-~~  
21 ~~2003~~ **2004-2005** shall be adjusted to be an amount equal to the sum of the  
22 district's foundation allowance, as otherwise calculated under this  
23 section, plus the quotient of \$15,000,000.00 divided by the district's  
24 membership for ~~2002-2003-2004-2005~~. If a district ceases to meet the  
25 requirements of this subsection, the department shall adjust the  
26 district's foundation allowance in effect at that time based on a ~~2002-~~  
27 ~~2003~~ **2004-2005** foundation allowance for the district that does not

1 include the ~~2002-2003~~ **2004-2005** adjustment under this subsection.

2       **(20)** ~~(21)~~ Payments to districts, university schools, or public  
3 school academies shall not be made under this section. Rather, the  
4 calculations under this section shall be used to determine the amount of  
5 state payments under section 22b.

6       **(21)** ~~(22)~~ If an amendment to section 2 of article VIII of the state  
7 constitution of 1963 allowing state aid to some or all nonpublic schools  
8 is approved by the voters of this state, each foundation allowance or  
9 per pupil payment calculation under this section may be reduced.

10       **(22)** ~~(23)~~ As used in this section:

11       (a) "Combined state and local revenue" means the aggregate of the  
12 district's state school aid received by or paid on behalf of the  
13 district under this section and the district's local school operating  
14 revenue.

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

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

20       (d) "Immediately preceding state fiscal year" means the state  
21 fiscal year immediately preceding the current state fiscal year.

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

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

27       (g) "Membership" means the definition of that term under section 6

1 as in effect for the particular fiscal year for which a particular  
2 calculation is made.

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

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

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

11 (k) "Taxable value per membership pupil" means taxable value, as  
12 certified by the department of treasury, for the calendar year ending in  
13 the current state fiscal year divided by the district's membership  
14 excluding special education pupils for the school year ending in the  
15 current state fiscal year.

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

19 (2) The per pupil allocation to each district under this section  
20 shall be the difference between the dollar amount of the adjustment from  
21 the 1998-99 state fiscal year to the current state fiscal year in the  
22 basic foundation allowance minus the dollar amount of the adjustment  
23 from the 1998-99 state fiscal year to the current state fiscal year in  
24 the district's foundation allowance. **If the sum of a district's**  
25 **foundation allowance under section 20 plus the per pupil allocation**  
26 **under this subsection is greater than \$9,000.00, the district's per**  
27 **pupil allocation under this subsection shall be reduced by up to \$74.00**

1 per pupil. The sum of the district's foundation allowance under section  
2 20 plus the per pupil allocation under this subsection shall not be less  
3 than \$9,000.00 for those districts impacted by the per pupil adjustment.

4 (3) If a district's local revenue per pupil does not exceed the  
5 sum of its foundation allowance under section 20 plus the per pupil  
6 allocation under subsection (2), the total payment to the district  
7 calculated under this section shall be the product of the per pupil  
8 allocation under subsection (2) multiplied by the district's membership  
9 excluding special education pupils. If a district's local revenue per  
10 pupil exceeds the foundation allowance under section 20 but does not  
11 exceed the sum of the foundation allowance under section 20 plus the per  
12 pupil allocation under subsection (2), the total payment to the district  
13 calculated under this section shall be the product of the difference  
14 between the sum of the foundation allowance under section 20 plus the  
15 per pupil allocation under subsection (2) minus the local revenue per  
16 pupil multiplied by the district's membership excluding special  
17 education pupils. If a district's local revenue per pupil exceeds the  
18 sum of the foundation allowance under section 20 plus the per pupil  
19 allocation under subsection (2), there is no payment calculated under  
20 this section for the district.

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

24 **Sec. 201. (1) From the allocation in section 22b, there is**  
25 **allocated for 2004-2005 an amount not to exceed \$1,000,000.00 for**  
26 **consolidation incentive payments to districts under this section. A**  
27 **district that is formed by consolidation, or by the annexation by 1**

1 district of all of the territory of another district, after June 1,  
2 2004 is eligible to receive a consolidation incentive payment under  
3 this section. The payment of an incentive payment to a district under  
4 this section shall be an amount equal to \$25.00 per pupil in membership  
5 in the consolidated district or in the district formed by the  
6 annexation, not to exceed a total payment of \$500,000.00 to any one  
7 consolidated district or district formed by annexation.

8 (2) If the amount allocated under this section for a particular  
9 fiscal year is not sufficient to fully fund payments to all eligible  
10 districts for the fiscal year, the department shall prorate payments  
11 under this section for that fiscal year on an equal percentage basis.

12 Sec. 21b. (1) Subject to subsections (2) and (3), a district shall  
13 use funds received under ~~section 20 or, beginning in 2000-2001, under~~  
14 section 22a or 22b to support the attendance of a district pupil at an  
15 eligible postsecondary institution under the postsecondary enrollment  
16 options act, 1996 PA 160, MCL 388.511 to 388.524, or under the career  
17 and technical preparation act, **2000 PA 258, MCL 388.1901 to 388.1913.**

18 (2) To the extent required under subsection (3), a district shall  
19 pay tuition and mandatory course fees, material fees, and registration  
20 fees required by an eligible postsecondary institution for enrollment in  
21 an eligible course. A district also shall pay any late fees charged by  
22 an eligible postsecondary institution due to the district's failure to  
23 make a required payment according to the timetable prescribed by the  
24 postsecondary enrollment options act, 1996 PA 160, MCL 388.511 to  
25 388.524, or the career and technical preparation act, **2000 PA 258, MCL**  
26 **388.1901 to 388.1913.** A district is not required to pay transportation  
27 costs, parking costs, or activity fees.



1       (3) A district shall pay to the eligible postsecondary institution  
2 on behalf of an eligible student an amount equal to the lesser of the  
3 amount of the eligible charges described in subsection (2) or the  
4 prorated percentage of the state portion of the foundation allowance  
5 paid or calculated, as applicable, on behalf of that eligible student  
6 under section 20, with the proration based on the proportion of the  
7 school year that the eligible student attends the postsecondary  
8 institution. A district may pay more money to an eligible postsecondary  
9 institution on behalf of an eligible student than required under this  
10 section and the postsecondary enrollment options act, 1996 PA 160, MCL  
11 388.511 to 388.524, or the career and technical preparation act, **2000 PA**  
12 **258, MCL 388.1901 to 388.1913**, and may use local school operating  
13 revenue for that purpose. An eligible student is responsible for  
14 payment of the remainder of the costs associated with his or her  
15 postsecondary enrollment that exceed the amount the district is required  
16 to pay under this section and the postsecondary enrollment options act,  
17 1996 PA 160, MCL 388.511 to 388.524, or the career and technical  
18 preparation act, **2000 PA 258, MCL 388.1901 to 388.1913**, and that are not  
19 paid by the district. As used in this subsection, "local school  
20 operating revenue" means that term as defined in section 20.

21       (4) As used in this section, "eligible course", "eligible  
22 student", and "eligible postsecondary institution" mean those terms as  
23 defined in section 3 of the postsecondary enrollment options act, 1996  
24 PA 160, MCL 388.511 to 388.524, or in section 3 of the career and  
25 technical preparation act, **2000 PA 258, MCL 388.1901 to 388.1913**, as  
26 applicable.

27       Sec. 22a. (1) From the appropriation in section 11, there is

1 allocated an amount not to exceed ~~\$6,816,000,000.00~~ **\$6,765,300,000.00**  
2 for 2003-2004 **and an amount not to exceed \$6,665,000,000.00 for 2004-**  
3 **2005** for payments to districts, qualifying university schools, and  
4 qualifying public school academies to guarantee each district,  
5 qualifying university school, and qualifying public school academy an  
6 amount equal to its 1994-95 total state and local per pupil revenue for  
7 school operating purposes under section 11 of article IX of the state  
8 constitution of 1963. Pursuant to section 11 of article IX of the state  
9 constitution of 1963, this guarantee does not apply to a district in a  
10 year in which the district levies a millage rate for school district  
11 operating purposes less than it levied in 1994. However, subsection (2)  
12 applies to calculating the payments under this section. Funds allocated  
13 under this section that are not expended in the state fiscal year for  
14 which they were allocated, as determined by the department, may be used  
15 to supplement the allocations under sections 22b and 51c in order to  
16 fully fund those calculated allocations for the same fiscal year.

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

22 (a) Except as otherwise provided in this subsection, the state  
23 portion of a district's 1994-95 foundation allowance is an amount equal  
24 to the district's 1994-95 foundation allowance or \$6,500.00, whichever  
25 is less, minus the difference between the product of the taxable value  
26 per membership pupil of all property in the district that is not a  
27 homestead or qualified agricultural property times the lesser of 18

1 mills or the number of mills of school operating taxes levied by the  
2 district in 1993-94 and the quotient of the ad valorem property tax  
3 revenue of the district captured under 1975 PA 197, MCL 125.1651 to  
4 125.1681, the tax increment finance authority act, 1980 PA 450, MCL  
5 125.1801 to 125.1830, the local development financing act, 1986 PA 281,  
6 MCL 125.2151 to 125.2174, or the brownfield redevelopment financing act,  
7 1996 PA 381, MCL 125.2651 to 125.2672, divided by the district's  
8 membership. For a district that has a millage reduction required under  
9 section 31 of article IX of the state constitution of 1963, the state  
10 portion of the district's foundation allowance shall be calculated as if  
11 that reduction did not occur.

12 (b) For a district that had a 1994-95 foundation allowance greater  
13 than \$6,500.00, the state payment under this subsection shall be the sum  
14 of the amount calculated under subdivision (a) plus the amount  
15 calculated under this subdivision. The amount calculated under this  
16 subdivision shall be equal to the difference between the district's  
17 1994-95 foundation allowance minus \$6,500.00 and the current year hold  
18 harmless school operating taxes per pupil. If the result of the  
19 calculation under subdivision (a) is negative, the negative amount shall  
20 be an offset against any state payment calculated under this  
21 subdivision. If the result of a calculation under this subdivision is  
22 negative, there shall not be a state payment or a deduction under this  
23 subdivision. The taxable values per membership pupil used in the  
24 calculations under this subdivision are as adjusted by ad valorem  
25 property tax revenue captured under 1975 PA 197, MCL 125.1651 to  
26 125.1681, the tax increment finance authority act, 1980 PA 450, MCL  
27 125.1801 to 125.1830, the local development financing act, 1986 PA 281,

1 MCL 125.2151 to 125.2174, or the brownfield redevelopment financing act,  
2 1996 PA 381, MCL 125.2651 to 125.2672, divided by the district's  
3 membership.

4 (3) ~~For~~ **Beginning in 2003-2004**, for pupils in membership in a  
5 qualifying public school academy or qualifying university school, there  
6 is allocated under this section ~~for 2003-2004~~ to the authorizing body  
7 that is the fiscal agent for the qualifying public school academy for  
8 forwarding to the qualifying public school academy, or to the board of  
9 the public university operating the qualifying university school, an  
10 amount equal to the 1994-95 per pupil payment to the qualifying public  
11 school academy or qualifying university school under section 20.

12 (4) A district, qualifying university school, or qualifying public  
13 school academy may use funds allocated under this section in conjunction  
14 with any federal funds for which the district, qualifying university  
15 school, or qualifying public school academy otherwise would be eligible.

16 (5) For a district that is formed or reconfigured after June 1,  
17 2000 by consolidation of 2 or more districts or by annexation, the  
18 resulting district's 1994-95 foundation allowance under this section  
19 beginning after the effective date of the consolidation or annexation  
20 shall be the average of the 1994-95 foundation allowances of each of the  
21 original or affected districts, calculated as provided in this section,  
22 weighted as to the percentage of pupils in total membership in the  
23 resulting district in the state fiscal year in which the consolidation  
24 takes place who reside in the geographic area of each of the original  
25 districts. If an affected district's 1994-95 foundation allowance is  
26 less than the 1994-95 basic foundation allowance, the amount of that  
27 district's 1994-95 foundation allowance shall be considered for the

1 purpose of calculations under this subsection to be equal to the amount  
2 of the 1994-95 basic foundation allowance.

3 (6) As used in this section:

4 (a) "1994-95 foundation allowance" means a district's 1994-95  
5 foundation allowance calculated and certified by the department of  
6 treasury or the superintendent under former section 20a as enacted in  
7 1993 PA 336 and as amended by 1994 PA 283.

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

10 (c) "Current year hold harmless school operating taxes per pupil"  
11 means the per pupil revenue generated by multiplying a district's 1994-  
12 95 hold harmless millage by the district's current year taxable value  
13 per membership pupil.

14 (d) "Hold harmless millage" means, for a district with a 1994-95  
15 foundation allowance greater than \$6,500.00, the number of mills by  
16 which the exemption from the levy of school operating taxes on a  
17 homestead and qualified agricultural property could be reduced as  
18 provided in section 1211(1) of the revised school code, MCL 380.1211,  
19 and the number of mills of school operating taxes that could be levied  
20 on all property as provided in section 1211(2) of the revised school  
21 code, MCL 380.1211, as certified by the department of treasury for the  
22 1994 tax year.

23 (e) "Homestead" means that term as defined in section 1211 of the  
24 revised school code, MCL 380.1211.

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

1 (g) "Qualified agricultural property" means that term as defined  
2 in section 1211 of the revised school code, MCL 380.1211.

3 (h) "Qualifying public school academy" means a public school  
4 academy that was in operation in the 1994-95 school year and is in  
5 operation in the current state fiscal year.

6 (i) "Qualifying university school" means a university school that  
7 was in operation in the 1994-95 school year and is in operation in the  
8 current fiscal year.

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

12 (k) "Taxable value per membership pupil" means each of the  
13 following divided by the district's membership:

14 (i) For the number of mills by which the exemption from the levy  
15 of school operating taxes on a homestead and qualified agricultural  
16 property may be reduced as provided in section 1211(1) of the revised  
17 school code, MCL 380.1211, the taxable value of homestead and qualified  
18 agricultural property for the calendar year ending in the current state  
19 fiscal year.

20 (ii) For the number of mills of school operating taxes that may be  
21 levied on all property as provided in section 1211(2) of the revised  
22 school code, MCL 380.1211, the taxable value of all property for the  
23 calendar year ending in the current state fiscal year.

24 Sec. 22b. (1) From the appropriation in section 11, there is  
25 allocated an amount not to exceed ~~\$2,881,000,000.00 for 2003-2004~~  
26 **\$2,900,000,000.00 for 2004-2005** for discretionary nonmandated payments  
27 to districts under this section. Funds allocated under this section

1 that are not expended in the state fiscal year for which they were  
2 allocated, as determined by the department, may be used to supplement  
3 the allocations under sections 22a and 51c in order to fully fund those  
4 calculated allocations for the same fiscal year.

5 (2) Subject to subsection (3) and section 11, the allocation to a  
6 district under this section shall be an amount equal to the sum of the  
7 amounts calculated under sections 20, 20j, 51a(2), 51a(3), and 51a(12),  
8 minus the sum of the allocations to the district under sections 22a and  
9 51c.

10 (3) In order to receive an allocation under this section, each  
11 district shall administer in each grade level that it operates in grades  
12 1 to 5 a standardized assessment approved by the department of grade-  
13 appropriate basic educational skills. A district may use the Michigan  
14 literacy progress profile to satisfy this requirement for grades 1 to 3.  
15 Also, if the revised school code is amended to require annual  
16 assessments at additional grade levels, in order to receive an  
17 allocation under this section each district shall comply with that  
18 requirement.

19 (4) From the allocation in subsection (1), the department shall  
20 ~~expend funds to pay for necessary costs associated with resolving~~  
21 ~~matters pending in federal court impacting payments to districts,~~  
22 ~~including, but not limited to, expert witness fees. Beginning in 2001-~~  
23 ~~2002, from the allocation in subsection (1), the department shall also~~  
24 pay up to \$1,000,000.00 in litigation costs incurred by this state  
25 associated with lawsuits filed by 1 or more districts or intermediate  
26 districts against this state. If the allocation under this section is  
27 insufficient to fully fund all payments required under this section, the

1 payments under this subsection shall be made in full before any  
2 proration of remaining payments under this section.

3       (5) It is the intent of the legislature that all constitutional  
4 obligations of this state have been fully funded under sections 22a,  
5 31d, 51a, and 51c. If a claim is made by an entity receiving funds  
6 under this act that challenges the legislative determination of the  
7 adequacy of this funding or alleges that there exists an unfunded  
8 constitutional requirement, the state budget director may escrow or  
9 allocate from the discretionary funds for nonmandated payments under  
10 this section the amount as may be necessary to satisfy the claim before  
11 making any payments to districts under subsection (2). If funds are  
12 escrowed, the escrowed funds are a work project appropriation and the  
13 funds are carried forward into the following fiscal year. The purpose of  
14 the work project is to provide for any payments that may be awarded to  
15 districts as a result of litigation. The work project shall be  
16 completed upon resolution of the litigation.

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

25       (7) If a claim is made in court that challenges the legislative  
26 determination of the adequacy of funding for this state's constitutional  
27 obligations or alleges that there exists an unfunded constitutional



1 requirement, any interested party may seek an expedited review of the  
2 claim by the local claims review board. If the claim exceeds  
3 \$10,000,000.00, this state may remove the action to the court of  
4 appeals, and the court of appeals shall have and shall exercise  
5 jurisdiction over the claim.

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

13 (9) If a lawsuit challenging payments made to districts related to  
14 costs reimbursed by federal title XIX medicaid funds is filed against  
15 this state during 2001-2002, 2002-2003, or 2003-2004, 50% of the amount  
16 allocated in subsection (1) not previously paid out for 2002-2003, 2003-  
17 2004, and each succeeding fiscal year is a work project appropriation  
18 and the funds are carried forward into the following fiscal year. The  
19 purpose of the work project is to provide for any payments that may be  
20 awarded to districts as a result of the litigation. The work project  
21 shall be completed upon resolution of the litigation. In addition, this  
22 state reserves the right to terminate future federal title XIX medicaid  
23 reimbursement payments to districts if the amount or allocation of  
24 reimbursed funds is challenged in the lawsuit. As used in this  
25 subsection, "title XIX" means title XIX of the social security act,  
26 chapter 531, 49 Stat. 620, 42 U.S.C. 1396 to 1396r-6 and 1396r-8 to  
27 1396v.

1       Sec. 24. (1) Subject to subsection (2), from the appropriation in  
2 section 11, there is allocated ~~each fiscal year for 2002-2003, and for~~  
3 ~~2003-2004~~ **2004-2005** to the educating district or intermediate district  
4 an amount equal to 100% of the added cost each fiscal year for educating  
5 all pupils assigned by a court or the family independence agency to  
6 reside in or to attend a juvenile detention facility or child caring  
7 institution licensed by the family independence agency ~~or the department~~  
8 ~~of consumer and industry services~~ and approved by the department to  
9 provide an on-grounds education program. The total amount to be paid  
10 under this section for added cost shall not exceed ~~\$8,900,000.00 for~~  
11 ~~2002-2003 and~~ \$8,000,000.00 for ~~2003-2004~~ **2004-2005**. For the purposes  
12 of this section, "added cost" shall be computed by deducting all other  
13 revenue received under this act for pupils described in this section  
14 from total costs, as approved by the department, in whole or in part,  
15 for educating those pupils in the on-grounds education program or in a  
16 program approved by the department that is located on property adjacent  
17 to a juvenile detention facility or child caring institution. Costs  
18 reimbursed by federal funds are not included. ~~For 2003-2004 only, for~~  
19 ~~an on-grounds education program or a program located on property~~  
20 ~~adjacent to a juvenile detention facility or child caring institution~~  
21 ~~that was not in existence at the time the allocations under this section~~  
22 ~~were approved, the department shall give approval for only that portion~~  
23 ~~of the educating district's or intermediate district's total costs that~~  
24 ~~will not prevent the allocated amounts under this section from first~~  
25 ~~being applied to 100% of the added cost of the programs that were in~~  
26 ~~existence at the time the preliminary allocations under this section~~  
27 ~~were approved.~~

1           (2) A district or intermediate district educating pupils described  
2 in this section at a residential child caring institution may operate,  
3 and receive funding under this section for, a department-approved on-  
4 grounds educational program for those pupils that is longer than 181  
5 days, but not longer than 233 days, if the child caring institution was  
6 licensed as a child caring institution and offered in 1991-92 an on-  
7 grounds educational program that was longer than 181 days but not longer  
8 than 233 days and that was operated by a district or intermediate  
9 district.

10           (3) Special education pupils funded under section 53a shall not be  
11 funded under this section.

12           ~~(4) The department shall appoint a committee to study and make~~  
13 ~~recommendations concerning issues related to the education of pupils~~  
14 ~~under this section, including, but not limited to, pupil counts, cost~~  
15 ~~controls, and the number and type of eligible programs under this~~  
16 ~~section. The committee may include, but is not limited to, appointees~~  
17 ~~from 1 or more adjudicated youth educators associations, the house~~  
18 ~~fiscal agency, the senate fiscal agency, the department of management~~  
19 ~~and budget, the family independence agency, the department of~~  
20 ~~corrections, the court system, and the department. Not later than May~~  
21 ~~15, 2004, the committee shall submit its recommendations to the house~~  
22 ~~and senate appropriations subcommittees responsible for this act and to~~  
23 ~~the department of management and budget.~~

24           Sec. 26. A district or intermediate district receiving money  
25 pursuant to 1975 PA 197, MCL 125.1651 to 125.1681, the tax increment  
26 finance authority act, 1980 PA 450, MCL 125.1801 to 125.1830, the local  
27 development financing act, 1986 PA 281, MCL 125.2151 to 125.2174, or the

1 Brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651 to  
 2 125.2672, shall have its funds received under section ~~20~~ **22b**, 56, or 62  
 3 reduced by an amount equal to the added local money.

4       Sec. 26a. From the **school aid fund appropriation in section 11,**  
 5 **there is allocated an amount not to exceed \$22,800,000.00 for 2004-2005**  
 6 **and from the** general fund appropriation in section 11, there is  
 7 allocated an amount not to exceed ~~-\$29,960,000.00 for 2003-2004~~  
 8 **\$13,400,000.00 for 2004-2005** to reimburse districts, intermediate  
 9 districts, and the state school aid fund pursuant to section 12 of the  
 10 Michigan renaissance zone act, 1996 PA 376, MCL 125.2692, for taxes  
 11 levied in ~~2003~~ **2004**. ~~This reimbursement shall be made by adjusting~~  
 12 ~~payments under section 22a to eligible districts, adjusting payments~~  
 13 ~~under section 56, 62, or 81 to eligible intermediate districts, and~~  
 14 ~~adjusting the state school aid fund.~~ The ~~adjustments~~ **allocations** shall  
 15 be made not later than 60 days after the department of treasury  
 16 certifies to the department and to the state budget director that the  
 17 department of treasury has received all necessary information to  
 18 properly determine the amounts due to each eligible recipient.

19       Sec. 31a. (1) From the state school aid fund ~~money appropriated~~  
 20 **appropriation** in section 11, there is allocated for ~~2003-2004~~ **2004-2005**  
 21 an amount not to exceed \$314,200,000.00 for payments to eligible  
 22 districts and eligible public school academies under this section.  
 23 Subject to subsection (12), the amount of the additional allowance under  
 24 this section shall be based on the number of actual pupils in membership  
 25 in the district or public school academy who met the income eligibility  
 26 criteria for free breakfast, lunch, or milk in the immediately preceding  
 27 state fiscal year, as determined under the Richard B. Russell national

1 school lunch act, chapter 281, 60 Stat. 230, 42 U.S.C. 1751 to 1753,  
2 1755 to 1761, 1762a, 1765 to 1766a, 1769, 1769b to 1769c, and 1769f to  
3 1769h, and reported to the department by October 31 of the immediately  
4 preceding fiscal year and adjusted not later than December 31 of the  
5 immediately preceding fiscal year. However, for a public school academy  
6 that began operations as a public school academy after the pupil  
7 membership count day of the immediately preceding school year, the basis  
8 for the additional allowance under this section shall be the number of  
9 actual pupils in membership in the public school academy who met the  
10 income eligibility criteria for free breakfast, lunch, or milk in the  
11 current state fiscal year, as determined under the Richard B. Russell  
12 national school lunch act.

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

18 (a) The sum of the district's or public school academy's combined  
19 state and local revenue per membership pupil in the current state fiscal  
20 year, as calculated under section 20, plus the amount of the district's  
21 per pupil allocation under section 20j(2), is less than or equal to  
22 \$6,500.00 adjusted by the dollar amount of the difference between the  
23 basic foundation allowance under section 20 for the current state fiscal  
24 year and \$5,000.00, minus \$200.00.

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

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

27       (4) Except as otherwise provided in this section, a district or

1 public school academy receiving funding under this section shall use  
2 that money only to provide instructional programs and direct  
3 noninstructional services, including, but not limited to, medical or  
4 counseling services, for at-risk pupils; for school health clinics; and  
5 for the purposes of subsection (5) or (6). A district or public school  
6 academy shall not use any of that money for administrative costs or to  
7 supplant another program or other funds, except for funds allocated to  
8 the district or public school academy under this section in the  
9 immediately preceding year and already being used by the district or  
10 public school academy for at-risk pupils. The instruction or direct  
11 noninstructional services provided under this section may be conducted  
12 before or after regular school hours or by adding extra school days to  
13 the school year and may include, but are not limited to, tutorial  
14 services, early childhood programs to serve children age 0 to 5, and  
15 reading programs as described in ~~former~~ section 32f as in effect for  
16 2001-2002. A tutorial method may be conducted with paraprofessionals  
17 working under the supervision of a certificated teacher. The ratio of  
18 pupils to paraprofessionals shall be between 10:1 and 15:1. Only 1  
19 certificated teacher is required to supervise instruction using a  
20 tutorial method. As used in this subsection, "to supplant another  
21 program" means to take the place of a previously existing instructional  
22 program or direct noninstructional services funded from a funding source  
23 other than funding under this section.

24 (5) Except as otherwise provided in subsection (11), a district or  
25 public school academy that receives funds under this section and that  
26 operates a school breakfast program under section 1272a of the revised  
27 school code, MCL 380.1272a, shall use from the funds received under this

1 section an amount, not to exceed \$10.00 per pupil for whom the district  
2 or public school academy receives funds under this section, necessary to  
3 operate the school breakfast program.

4 (6) From the funds allocated under subsection (1), there is  
5 allocated ~~beginning with 2003-2004~~ **for 2004-2005** an amount not to exceed  
6 \$3,743,000.00 to support teen health centers. These grants shall be  
7 awarded for 3 consecutive years beginning with 2003-2004 in a form and  
8 manner approved jointly by the department and the department of  
9 community health. Each grant recipient shall remain in compliance with  
10 the terms of the grant award or shall forfeit the grant award for the  
11 duration of the 3-year period after the noncompliance. If any funds  
12 allocated under this subsection are not used for the purposes of this  
13 subsection for the fiscal year in which they are allocated, those unused  
14 funds shall be used that fiscal year to avoid or minimize any proration  
15 that would otherwise be required under subsection (12) for that fiscal  
16 year.

17 (7) Each district or public school academy receiving funds under  
18 this section shall submit to the department by July 15 of each fiscal  
19 year a report, not to exceed 10 pages, on the usage by the district or  
20 public school academy of funds under this section, which report shall  
21 include at least a brief description of each program conducted by the  
22 district or public school academy using funds under this section, the  
23 amount of funds under this section allocated to each of those programs,  
24 the number of at-risk pupils eligible for free or reduced price school  
25 lunch who were served by each of those programs, and the total number of  
26 at-risk pupils served by each of those programs. If a district or  
27 public school academy does not comply with this subsection, the



1 department shall withhold an amount equal to the August payment due  
2 under this section until the district or public school academy complies  
3 with this subsection. If the district or public school academy does not  
4 comply with this subsection by the end of the state fiscal year, the  
5 withheld funds shall be forfeited to the school aid fund.

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

11 (9) Subject to subsections (5), (6), and (11), any district may  
12 use up to 100% of the funds it receives under this section to reduce the  
13 ratio of pupils to teachers in grades K-6, or any combination of those  
14 grades, in school buildings in which the percentage of pupils described  
15 in subsection (1) exceeds the district's aggregate percentage of those  
16 pupils. Subject to subsections (5), (6), and (11), if a district  
17 obtains a waiver from the department, the district may use up to 100% of  
18 the funds it receives under this section to reduce the ratio of pupils  
19 to teachers in grades K-6, or any combination of those grades, in school  
20 buildings in which the percentage of pupils described in subsection (1)  
21 is at least 60% of the district's aggregate percentage of those pupils  
22 and at least 30% of the total number of pupils enrolled in the school  
23 building. To obtain a waiver, a district must apply to the department  
24 and demonstrate to the satisfaction of the department that the class  
25 size reductions would be in the best interests of the district's at-risk  
26 pupils.

27 (10) A district or public school academy may use funds received

1 under this section for adult high school completion, general education  
2 development (G.E.D.) test preparation, adult English as a second  
3 language, or adult basic education programs described in section 107.

4 (11) For an individual school or schools operated by a district or  
5 public school academy receiving funds under this section that have been  
6 determined by the department to meet the adequate yearly progress  
7 standards of the federal no child left behind act of 2001, Public Law  
8 107-110, 115 Stat. 1425, in both mathematics and English language arts  
9 at all applicable grade levels for all applicable subgroups, the  
10 district or public school academy may submit to the department an  
11 application for flexibility in using the funds received under this  
12 section that are attributable to the pupils in the school or schools.  
13 The application shall identify the affected school or schools and the  
14 affected funds and shall contain a plan for using the funds for specific  
15 purposes identified by the district that are designed to benefit at-risk  
16 pupils in the school, but that may be different from the purposes  
17 otherwise allowable under this section. The department shall approve  
18 the application if the department determines that the purposes  
19 identified in the plan are reasonably designed to benefit at-risk pupils  
20 in the school. If the department does not act to approve or disapprove  
21 an application within 30 days after it is submitted to the department,  
22 the application is considered to be approved. If an application for  
23 flexibility in using the funds is approved, the district may use the  
24 funds identified in the application for any purpose identified in the  
25 plan.

26 (12) If necessary, and before any proration required under section  
27 11, the department shall prorate payments under this section by reducing

1 the amount of the per pupil payment under this section by a dollar  
2 amount calculated by determining the amount by which the amount  
3 necessary to fully fund the requirements of this section exceeds the  
4 maximum amount allocated under this section and then dividing that  
5 amount by the total statewide number of pupils who met the income  
6 eligibility criteria for free breakfast, lunch, or milk in the  
7 immediately preceding fiscal year, as described in subsection (1).

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

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

1 receive under this section for each membership pupil in the district or  
2 public school academy who met the income eligibility criteria for free  
3 breakfast, lunch, or milk in the immediately preceding fiscal year, as  
4 determined and reported as described in subsection (1), an amount per  
5 pupil equal to 11.5% of the sum of the district's foundation allowance  
6 or public school academy's per pupil allocation under section 20, plus  
7 the amount of the district's per pupil allocation under section 20j(2),  
8 not to exceed \$6,500.00 adjusted by the dollar amount of the difference  
9 between the basic foundation allowance under section 20 for the current  
10 state fiscal year and \$5,000.00, minus \$200.00.

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

1 ~~received~~. For pupils in grades K-3, at-risk pupil also includes a pupil  
2 who is at risk of not meeting the district's core academic curricular  
3 objectives in English language **arts** , ~~communication skills~~, or  
4 mathematics.

5       Sec. 31d. (1) From the appropriations in section 11, there is  
6 allocated an amount not to exceed ~~\$18,315,000.00 for 2002-2003 and an~~  
7 ~~amount not to exceed \$21,300,000.00 for 2003-2004~~ **\$21,095,100.00 for**  
8 **2004-2005** for the purpose of making payments to districts and other  
9 eligible entities under this section.

10       (2) The amounts allocated from state sources under this section  
11 shall be used to pay the amount necessary to reimburse districts for  
12 6.0127% of the necessary costs of the state mandated portion of the  
13 school lunch programs provided by those districts. The amount due to  
14 each district under this section shall be computed by the department  
15 using the methods of calculation adopted by the Michigan supreme court  
16 in the consolidated cases known as Durant v State of Michigan, Michigan  
17 supreme court docket no. 104458-104492.

18       (3) The payments made under this section include all state  
19 payments made to districts so that each district receives at least  
20 6.0127% of the necessary costs of operating the state mandated portion  
21 of the school lunch program in a fiscal year.

22       (4) The payments made under this section to districts and other  
23 eligible entities that are not required under section 1272a of the  
24 revised school code, MCL 380.1272a, to provide a school lunch program  
25 shall be in an amount not to exceed \$10.00 per **eligible** pupil plus 5  
26 cents for each free lunch and 2 cents for each reduced price lunch  
27 provided, as determined by the department.

1 (5) From the federal funds appropriated in section 11, there is  
2 allocated for ~~2003-2004~~ **2004-2005** all available federal funding,  
3 estimated at \$272,125,000.00, for the national school lunch program and  
4 all available federal funding, estimated at \$2,506,000.00, for the  
5 emergency food assistance program.

6 (6) Notwithstanding section 17b, payments to eligible entities  
7 other than districts under this section shall be paid on a schedule  
8 determined by the department.

9 **Sec. 32. From the appropriations in section 11 for 2004-2005,**  
10 **there is allocated an amount not to exceed \$82,600,000.00 from the**  
11 **state school aid fund and an amount not to exceed \$450,000.00 from the**  
12 **general fund to fund project great start, as provided under sections**  
13 **32c, 32d, 32f and 32j. The programs funded through this section are**  
14 **for the purposes of improving parenting skills, encouraging early**  
15 **literacy training, improving school readiness and mitigating the need**  
16 **for special education services.**

17 **Sec. 32c. (1) From the general fund ~~appropriation~~ allocation under**  
18 **in section 11 32, there is allocated an amount not to exceed \$250,000.00**  
19 **for ~~2003-2004~~ 2004-2005 to the department for grants for community-based**  
20 **collaborative prevention services designed to foster positive parenting**  
21 **skills; improve parent/child interaction, especially for children 0-3**  
22 **years of age; promote access to needed community services; increase**  
23 **local capacity to serve families at risk; improve school readiness; and**  
24 **support healthy family environments that discourage alcohol, tobacco,**  
25 **and other drug use. The allocation under this section is to fund**  
26 **secondary prevention programs as defined by the children's trust fund**  
27 **for the prevention of child abuse and neglect.**

1 (2) The funds allocated under subsection (1) shall be distributed  
 2 through a joint request for proposals process established by the  
 3 department in conjunction with the children's trust fund and the ~~state's~~  
 4 ~~interagency systems reform workgroup~~ **children's action network**. Projects  
 5 funded with grants awarded under this section shall meet all of the  
 6 following:

7 (a) Be secondary prevention initiatives and voluntary to  
 8 consumers. This appropriation is not intended to serve the needs of  
 9 children for whom and families in which neglect or abuse has been  
 10 substantiated.

11 (b) Demonstrate that the planned services are part of a  
 12 community's integrated comprehensive family support strategy endorsed by  
 13 the local multi-purpose collaborative body.

14 (c) Provide a 25% local match, of which not more than 10% may be  
 15 in-kind services, unless this requirement is waived by the ~~interagency~~  
 16 ~~systems reform workgroup~~ **children's action network**.

17 (3) Notwithstanding section 17b, payments under this section may  
 18 be made pursuant to an agreement with the department.

19 (4) **An annual report of outcomes achieved by the providers of the**  
 20 **community-based collaborative prevention services shall be prepared and**  
 21 **submitted to the governor and the legislature not later than January 30**  
 22 **of the following fiscal year.**

23 Sec. 32d. (1) From the state school aid fund money ~~appropriated~~  
 24 **allocated** under section ~~11 32~~, there is allocated an amount not to  
 25 exceed \$72,600,000.00 for ~~2003-2004~~ **2004-2005** for school readiness ~~or~~  
 26 ~~preschool and parenting program~~ grants to enable eligible districts, as  
 27 determined under section 37, to develop or expand, in conjunction with

1 whatever federal funds may be available, including, but not limited to,  
2 federal funds under title I of the elementary and secondary education  
3 act of 1965, Public Law 89-10, 108 Stat. 3519, 20 U.S.C. 6301 to 6304,  
4 6311 to 6339, 6361 to 6368, 6371 to 6376, 6381 to 6383, 6391 to 6399,  
5 6421 to 6472, 6491 to 6494, 6511 to 6518, 6531 to 6537, 6551 to 6561i,  
6 and 6571 to 6578, chapter 1 of title I of the Hawkins-Stafford  
7 elementary and secondary school improvement amendments of 1988, Public  
8 Law 89-10, 102 Stat. 140, and the head start act, subchapter B of  
9 chapter 8 of subtitle A of title VI of the omnibus budget reconciliation  
10 act of 1981, Public Law 97-35, 42 U.S.C. 9831 to 9835, 9836 to 9844,  
11 9846, and 9848 to 9852, comprehensive compensatory programs designed to  
12 ~~do 1 or both of the following:~~

13 ~~(a) Improve~~ **improve** the readiness and subsequent achievement of  
14 educationally disadvantaged children as defined by the department who  
15 will be at least 4, but less than 5 years of age, as of December 1 of  
16 the school year in which the programs are offered, and who show evidence  
17 of 2 or more risk factors as defined in the state board report entitled  
18 "children at risk" that was adopted by the state board on April 5, 1988.

19 ~~(b) Provide preschool and parenting education programs similar to~~  
20 ~~those under former section 32b as in effect for 2001-2002.~~

21 (2) A comprehensive compensatory program funded under this section  
22 may include an age-appropriate educational curriculum, nutritional  
23 services, health screening for participating children, a plan for parent  
24 and legal guardian involvement, and provision of referral services for  
25 families eligible for community social services.

26 ~~(3) In addition to the allocation under subsection (1), from the~~  
27 ~~general fund money allocated under section 11, there is allocated an~~



1 ~~amount not to exceed \$200,000.00 for 2003-2004 for the purposes of~~  
2 ~~subsection (4).~~

3       **(3) ~~(4)~~ In addition to the allocation under subsection (1), From**  
4 **from** the general fund allocation ~~in subsection (3)~~ **under section 32,**  
5 there is allocated for ~~2003-2004~~ **2004-2005** an amount not to exceed  
6 \$200,000.00 for a competitive grant to continue a longitudinal  
7 evaluation of children who have participated in the Michigan school  
8 readiness program.

9       **(4) ~~(5)~~ A district receiving a grant under this section may**  
10 **contract for the provision of the comprehensive compensatory program and**  
11 **retain for administrative services an amount equal to not more than 5%**  
12 **of the grant amount.**

13       **(5) ~~(6)~~ A grant recipient receiving funds under this section shall**  
14 **report to the department no later than October 15 of each year the**  
15 **number of children participating in the program who meet the income or**  
16 **other eligibility criteria specified under section 37(3)(g) and the**  
17 **total number of children participating in the program. For children**  
18 **participating in the program who meet the income or other eligibility**  
19 **criteria specified under section 37(3)(g), grant recipients shall also**  
20 **report whether or not a parent is available to provide care based on**  
21 **employment status. For the purposes of this subsection, "employment**  
22 **status" shall be defined by the family independence agency in a manner**  
23 **consistent with maximizing the amount of spending that may be claimed**  
24 **for temporary assistance for needy families maintenance of effort**  
25 **purposes.**

26       **Sec. 32f. ~~(1)~~ In collaboration with central Michigan university,**  
27 **the department shall** ~~From the state school aid fund allocation under~~

~~1 section 32a(1), there is allocated for 2001-2002 an amount not to exceed  
2 \$45,000,000.00 and for 2002-2003 and 2003-2004 \$0.00, for grants under  
3 this section. From the general fund allocation under section 32a(1),  
4 there is allocated each fiscal year for 2001-2002, 2002-2003, and 2003-  
5 2004 \$0.00 for the purposes of subsection (3).~~

~~6 (2) From the allocation in subsection (1), there is allocated for  
7 2001-2002 an amount not to exceed \$2,000,000.00 and for 2002-2003 and  
8 2003-2004 \$0.00, for providing grants to the 8 regional literacy centers  
9 for the purposes of expanding training programs for trainers and  
10 teachers in the use of strategies for reading instruction and  
11 assessment, including the Michigan literacy progress profile.~~

~~12 (3) From the general fund allocation in subsection (1), there is  
13 allocated to the department \$0.00 each fiscal year for 2001-2002, 2002-  
14 2003, and 2003-2004 for the development and dissemination of **develop and**  
15 **disseminate** read, educate, and develop youth (READY) (R.E.A.D.Y) kits to  
16 parents of preschool and kindergarten children to provide these parents  
17 with information about how they can prepare their children for reading  
18 success.~~

~~19 (4) From the general fund allocation in subsection (1), there is  
20 allocated to the department each fiscal year for 2001-2002, 2002-2003,  
21 and 2003-2004 \$0.00 for the grant review process and grant  
22 administration under this section.~~

~~23 (5) Except as otherwise provided in subsection (17), to be  
24 eligible for a grant under this section, a district must have had at  
25 least 1,500 pupils in membership in 1998-99, and the number of pupils in  
26 the district that have been determined to have a specific learning  
27 disability according to R 340.1713 of the Michigan administrative code,~~

1 ~~as determined in the December 1, 1998 head count required under the~~  
2 ~~individuals with disabilities education act, title VI of Public Law 91-~~  
3 ~~230, must equal or exceed 5% of the district's membership. In addition,~~  
4 ~~a district is eligible for a grant under this section if the district~~  
5 ~~had at least 1,500 pupils in membership in 1998-99 and if not more than~~  
6 ~~41% of the district's pupils who took the spring 1999 fourth grade MEAP~~  
7 ~~reading test achieved a score of at least satisfactory. Except as~~  
8 ~~otherwise provided in subsection (17), for a public school academy to be~~  
9 ~~eligible for a grant under this section, the public school academy must~~  
10 ~~be located in a district that is eligible under this subsection.~~

11 ~~(6) From the allocation in subsection (1), there is allocated for~~  
12 ~~2001-2002 an amount not to exceed \$43,000,000.00 and for 2002-2003 and~~  
13 ~~2003-2004 \$0.00, for competitive grants to eligible districts, to~~  
14 ~~intermediate districts, and to public school academies located within~~  
15 ~~eligible districts for reading improvements programs for pupils in~~  
16 ~~grades K to 4, reading disorders and reading methods programs, mentoring~~  
17 ~~programs, language and literacy outreach programs, or cognitive~~  
18 ~~development programs. For 2001-2002, grants under this subsection shall~~  
19 ~~be paid to grant recipients in the same proportion of the total~~  
20 ~~allocation under this subsection as for 2000-2001. If the legislature~~  
21 ~~enacts legislation authorizing the appropriation of federal funds for~~  
22 ~~reading improvement programs for 2001-2002, for 2002-2003, or for 2003-~~  
23 ~~2004, then it is the intent of the legislature that these funds be used~~  
24 ~~to the extent possible for the purposes of this subsection. Federal~~  
25 ~~funds received for reading improvement programs that can be used for~~  
26 ~~substantially similar purposes as described under this section shall be~~  
27 ~~first expended for the purposes of this subsection before funds~~

1 ~~appropriated from the state school aid fund allocated under this~~  
2 ~~subsection, and the expenditure of funds under this subsection from the~~  
3 ~~state school aid fund shall be reduced by an amount equal to the amount~~  
4 ~~of the expenditure of federal funds under this subsection. If any~~  
5 ~~conflict exists between federal reading program guidelines and this~~  
6 ~~section, federal law will control.~~

7 ~~(7) Except as otherwise provided in subsection (17), to qualify~~  
8 ~~for funding under this section, a proposed reading improvement program~~  
9 ~~must meet all of the following:~~

10 ~~(a) The program shall include assessment of reading skills of~~  
11 ~~pupils in grades K to 4 to identify those pupils who are reading below~~  
12 ~~grade level and must provide special reading assistance for these~~  
13 ~~pupils.~~

14 ~~(b) The program shall be a research based, validated, structured~~  
15 ~~reading program.~~

16 ~~(c) The program shall include continuous assessment of pupils and~~  
17 ~~individualized education plans for pupils.~~

18 ~~(d) The program shall align learning resources to state standards.~~

19 ~~(e) For each school building receiving funding under this section~~  
20 ~~for a reading improvement program, the program shall serve at least 25%~~  
21 ~~of pupils who are identified as at-risk, as determined by the Michigan~~  
22 ~~literacy progress profile, of reading failure, and the amount of the~~  
23 ~~grant shall not exceed \$85,000.00 per school building annually.~~

24 ~~(8) Funds allocated for programs described in subsection (7) may~~  
25 ~~be used to reimburse grant recipients for funds paid by districts for up~~  
26 ~~to 1/2 of the salaries and benefits for each teacher trained and~~  
27 ~~certified to provide a reading improvement program.~~

~~(9) Except as otherwise provided under subsection (17), to qualify for funding under this section, a proposed mentoring program must be a research-based, validated program or a statewide 1-to-1 mentoring program to enhance the independence and life quality of pupils who are mentally impaired by providing opportunities for mentoring and integrated employment.~~

~~(10) Except as otherwise provided under subsection (17), to qualify for funding under this section, a proposed cognitive development program must be a research-based, validated educational service program, focused on assessing and building essential cognitive and perceptual learning abilities to strengthen pupil concentration and learning.~~

~~(11) Except as otherwise provided under subsection (17), to qualify for funding under this section, a proposed structured mentoring-tutorial reading program for preschool to grade 4 pupils must be a research-based, validated program that develops individualized instructional plans based on each pupil's age, assessed needs, reading level, interests, and learning style.~~

~~(12) A program receiving funding under this section may be conducted outside of regular school hours or outside the regular school calendar.~~

~~(13) To compete for a grant under this section, an applicant shall apply to the superintendent in the form and manner prescribed by the superintendent. The department shall make applications available for this purpose. An applicant shall include in its application a projected budget for the programs. The grant recipient shall provide at least a 20% local match from local public or private resources for the funds received under this section. Not more than 1/2 of this matching~~

1 ~~requirement, up to a total of 10% of the total project budget, may be~~  
2 ~~satisfied through in-kind services provided by participating providers~~  
3 ~~of programs or services. In addition, not more than 10% of the grant may~~  
4 ~~be used for program administration.~~

5 ~~(14) The superintendent shall approve or disapprove applications~~  
6 ~~and notify the applicant of that decision. Priority in awarding grants~~  
7 ~~shall be given to programs that focus on accelerating student~~  
8 ~~achievement on a cost-effective basis, reducing the number of pupils~~  
9 ~~requiring special education programs and services, and improving pupil~~  
10 ~~scores on standardized tests and assessments.~~

11 ~~(15) A grant recipient receiving funds under this section shall~~  
12 ~~report to the department, in the form and manner prescribed by the~~  
13 ~~department, on the results achieved by the program. At a minimum, the~~  
14 ~~grant recipient shall report to the department by October 15 regarding~~  
15 ~~the program's impact on reducing the number of pupils requiring special~~  
16 ~~education programs and services and on improving pupil scores on~~  
17 ~~standardized tests and assessments, and information on the costs and~~  
18 ~~benefits per unit of pupil improvement. In addition, the report shall~~  
19 ~~state the number of pupils eligible for free or reduced price school~~  
20 ~~lunch who received services under the program and the total number of~~  
21 ~~pupils who received services under the program. Not later than November~~  
22 ~~15 of each fiscal year, the department shall submit a report to the~~  
23 ~~legislature, the state budget director, and the senate and house fiscal~~  
24 ~~agencies detailing the results of the programs. It is the intent of the~~  
25 ~~legislature that further funding for the programs under this section~~  
26 ~~will reflect the results achieved in these programs.~~

27 ~~(16) Notwithstanding section 17b, payments under this section~~

1 ~~shall be paid on a schedule determined by the department.~~

2 ~~(17) For a district or public school academy awarded a grant under~~  
 3 ~~former section 32, the determination of whether the district or public~~  
 4 ~~school academy is eligible for a grant under this section may be made~~  
 5 ~~according to the eligibility standards in effect under former section~~  
 6 ~~32. Further, the district or public school academy may continue to use~~  
 7 ~~the grant proceeds for any use permissible under this section or former~~  
 8 ~~section 32 as in effect at the time the district or public school~~  
 9 ~~academy was awarded the grant.~~

10 ~~(18) If the maximum amount appropriated under this section exceeds~~  
 11 ~~the amount necessary to fully fund allocations under this section, that~~  
 12 ~~excess amount shall not be expended in that state fiscal year but shall~~  
 13 ~~instead be carried forward to the succeeding fiscal year and added to~~  
 14 ~~any funds appropriated for that fiscal year for expenditure in that~~  
 15 ~~fiscal year.~~

16 ~~(19) A district that received funding for 1999-2000 under former~~  
 17 ~~section 32 shall receive funding under this section for 2001-2002.~~

18 ~~(20) A district or intermediate district receiving funds under~~  
 19 ~~this section may carry over any unexpended funds received under this~~  
 20 ~~section to subsequent fiscal years and may expend those unused funds in~~  
 21 ~~subsequent fiscal years.~~

22 Sec. 32j. (1) From the ~~appropriation in~~ **allocation under** section  
 23 ~~11 32,~~ there is allocated an amount not to exceed ~~\$3,326,000.00~~  
 24 **\$10,000,000.00** for ~~2003-2004~~ **2004-2005** for **great parents, great start**  
 25 grants to intermediate districts to provide programs for parents with  
 26 preschool children. The purpose of these programs is to **encourage early**  
 27 **literacy,** improve school readiness, **reduce the need for special**

1 **education services**, and foster the maintenance of stable families by  
2 encouraging positive parenting skills.

3 (2) To qualify for funding under this section, a program shall  
4 provide services to all families with children age 5 or younger residing  
5 within the intermediate district who choose to participate, including at  
6 least all of the following services:

7 (a) Providing parents with information on child development from  
8 birth to age 5.

9 (b) Providing parents with methods to enhance parent-child  
10 interaction; including, but not limited to, encouraging parents to read  
11 to their preschool children at least 1/2 hour per day.

12 (c) Providing parents with examples of learning opportunities to  
13 promote intellectual, physical, and social growth of preschoolers.

14 (d) Promoting access to needed community services through a  
15 community-school-home partnership.

16 (3) To compete for a grant under this section, an intermediate  
17 district shall apply to the department not later than October 1, ~~2003~~  
18 **2004** in the form and manner prescribed by the department. To be  
19 considered for a grant under this section, a grant application shall do  
20 all of the following in a manner prescribed by the department:

21 (a) Provide a plan for the delivery of the program components  
22 described in subsection (2) **that provides for educators trained in child**  
23 **development to help parents understand their role in their child's**  
24 **developmental process, thereby promoting school readiness and mitigating**  
25 **the need for special education services.**

26 (b) Demonstrate an adequate collaboration of local entities  
27 involved in providing programs and services for preschool children and



1 their parents.

2 (c) Provide a projected budget for the program to be funded. The  
3 intermediate district shall provide at least a 20% local match from  
4 local public or private resources for the funds received under this  
5 section. Not more than 1/2 of this matching requirement, up to a total  
6 of 10% of the total project budget, may be satisfied through in-kind  
7 services provided by participating providers of programs or services.  
8 In addition, not more than 10% of the grant may be used for program  
9 administration.

10 (4) Each successful grant recipient **of a grant under this section**  
11 shall agree to include a data collection system ~~and an evaluation tool~~  
12 approved by the department. ~~to measure the impact of the program on~~  
13 ~~improving school readiness and fostering the maintenance of stable~~  
14 ~~families~~. The data collection system shall provide a report by October  
15 15 of each year on the number of children in families with income below  
16 200% of the federal poverty level that received services under this  
17 program and the total number of children who received services under  
18 this program.

19 (5) The department **or superintendent, as applicable,** shall do all  
20 of the following:

21 (a) The department shall make applications available for the  
22 purposes of this section not later than August 15, ~~2003~~ **2004**.

23 (b) The superintendent shall approve or disapprove applications  
24 and notify the applying intermediate district of that decision not later  
25 than November 15, ~~2003~~ **2004**. The amount of each approved grant shall  
26 not exceed ~~3.5%~~ **10.5%** of the intermediate district's 2002-2003 payment  
27 under section 81.

1 (c) The department shall ensure that all programs funded under  
 2 this section utilize the most current validated research-based methods  
 3 and curriculum for providing the program components described in  
 4 subsection (2).

5 (d) The department shall submit a report to the state budget  
 6 director and the senate and house fiscal agencies ~~detailing the~~  
 7 ~~evaluations~~ **summarizing the data collection reports** described in  
 8 subsection (4) by December 1 of each year.

9 (6) An intermediate district receiving funds under this section  
 10 shall use the funds only for the program funded under this section. An  
 11 intermediate district receiving funds under this section may carry over  
 12 any unexpended funds received under this section to subsequent fiscal  
 13 years and may expend those unused funds in subsequent fiscal years.

14 Sec. 39a. (1) From the **federal funds** appropriation in section 11,  
 15 there is allocated for ~~2003-2004~~ **2004-2005** to districts, intermediate  
 16 districts, and other eligible entities all available federal funding,  
 17 estimated at ~~\$665,458,500.00,~~ **\$664,225,900.00** for the federal programs  
 18 under the no child left behind act of 2001, Public Law 107-110, 115  
 19 Stat. 1425. These funds are allocated ~~for each fiscal year~~ as follows:

20 (a) An amount estimated at \$1,666,300.00 for community service  
 21 state grants, funded from DED-OESE, community service state grant funds.

22 (b) An amount estimated at ~~\$15,946,200.00~~ **\$16,399,300.00** to  
 23 provide students with drug- and violence-prevention programs and to  
 24 implement strategies to improve school safety, funded from DED-OESE,  
 25 drug-free schools and communities funds.

26 (c) An amount estimated at \$14,546,300.00 for the purpose of  
 27 improving teaching and learning through a more effective use of

1 technology, funded from DED-OESE, educational technology state grant  
2 funds.

3 (d) An amount estimated at ~~\$105,570,600.00~~ **\$105,785,600.00** for the  
4 purpose of preparing, training, and recruiting high-quality teachers and  
5 class size reduction, funded from DED-OESE, improving teacher quality  
6 funds.

7 (e) An amount estimated at ~~\$4,647,700.00~~ **\$3,967,900.00** for  
8 programs to teach English to limited English proficient (LEP) children,  
9 funded from DED-OESE, language acquisition state grant funds.

10 (f) An amount estimated at \$8,550,000.00 for the Michigan charter  
11 school subgrant program, funded from DED-OESE, charter school funds.

12 (g) An amount estimated at ~~\$247,600.00~~ **\$40,000.00** for Michigan  
13 model partnership for character education programs, funded from DED-  
14 OESE, title X, fund for improvement of education funds.

15 (h) An amount estimated at ~~\$2,010,100.00~~ **\$610,100.00** for rural and  
16 low income schools, funded from DED-OESE, rural and low income school  
17 funds.

18 (i) An amount estimated at \$11,123,700.00 to help schools develop  
19 and implement comprehensive school reform programs, funded from DED-  
20 OESE, title I and title X, comprehensive school reform funds.

21 (j) An amount estimated at ~~\$427,000,000.00~~ **\$427,165,000.00** to  
22 provide supplemental programs to enable educationally disadvantaged  
23 children to meet challenging academic standards, funded from DED-OESE,  
24 title I, disadvantaged children funds.

25 (k) An amount estimated at \$8,246,600.00 for the purpose of  
26 providing unified family literacy programs, funded from DED-OESE, title  
27 I, even start funds.

1           (l) An amount estimated at \$8,953,100.00 for the purpose of  
2 identifying and serving migrant children, funded from DED-OESE, title I,  
3 migrant education funds.

4           (m) An amount estimated at ~~\$22,779,000.00~~ **\$23,000,700.00** to  
5 promote high-quality school reading instruction for grades K-3, funded  
6 from DED-OESE, title I, reading first state grant funds.

7           (n) An amount estimated at \$13,475,000.00 for the purpose of  
8 implementing innovative strategies for improving student achievement,  
9 funded from DED-OESE, title VI, innovative strategies funds.

10          (o) An amount estimated at \$20,696,300.00 for the purpose of  
11 providing high-quality extended learning opportunities, after school and  
12 during the summer, for children in low-performing schools, funded from  
13 DED-OESE, twenty-first century community learning center funds.

14          (2) From the federal funds appropriation in section 11, there is  
15 allocated for ~~2003-2004~~ **2004-2005** to districts, intermediate districts,  
16 and other eligible entities all available federal funding, estimated at  
17 ~~\$5,421,800.00~~ **\$4,821,800.00** ~~each fiscal year~~, for the following programs  
18 that are funded by federal grants:

19          (a) An amount estimated at \$600,000.00 for acquired  
20 immunodeficiency syndrome education grants, funded from HHS-center for  
21 disease control, AIDS funding.

22          (b) An amount estimated at ~~\$1,553,500.00~~ **\$953,500.00** for emergency  
23 services to immigrants, funded from DED-OBEMLA, emergency immigrant  
24 education assistance funds.

25          (c) An amount estimated at \$1,468,300.00 to provide services to  
26 homeless children and youth, funded from DED-OVAE, homeless children and  
27 youth funds.

1 (d) An amount estimated at \$1,000,000.00 for refugee children  
2 school impact grants, funded from HHS-ACF, refugee children school  
3 impact funds.

4 (e) An amount estimated at \$800,000.00 for serve America grants,  
5 funded from the corporation for national and community service funds.

6 (3) All federal funds allocated under this section shall be  
7 distributed in accordance with federal law and with flexibility  
8 provisions outlined in Public Law 107-116, 115 Stat. 2177 and in the  
9 education flexibility partnership act of 1999, Public Law 106-25, 113  
10 Stat. 41. Notwithstanding section 17b, payments of federal funds to  
11 districts, intermediate districts, and other eligible entities under  
12 this section shall be paid on a schedule determined by the department.

13 (4) As used in this section:

14 (a) "DED" means the United States department of education.

15 (b) "DED-OBEMLA" means the DED office of bilingual education and  
16 minority languages affairs.

17 (c) "DED-OESE" means the DED office of elementary and secondary  
18 education.

19 (d) "DED-OVAE" means the DED office of vocational and adult  
20 education.

21 (e) "HHS" means the United States department of health and human  
22 services.

23 (f) "HHS-ACF" means the HHS administration for children and  
24 families.

25 Sec. 41. From the appropriation in section 11, there is allocated  
26 an amount not to exceed \$2,800,000.00 for ~~2003-2004~~ **2004-2005** to  
27 applicant districts and intermediate districts offering programs of

1 instruction for pupils of limited English-speaking ability under section  
 2 1153 of the revised school code, MCL 380.1153. Reimbursement shall be on  
 3 a per pupil basis and shall be based on the number of pupils of limited  
 4 English-speaking ability in membership on the pupil membership count  
 5 day. Funds allocated under this section shall be used solely for  
 6 instruction in speaking, reading, writing, or comprehension of English.  
 7 A pupil shall not be counted under this section or instructed in a  
 8 program under this section for more than 3 years.

9       Sec. 41a. From the federal funds appropriated in section 11, there  
 10 is allocated an amount estimated at \$1,232,100.00 **for 2004-2005** from the  
 11 United States department of education - office of elementary and  
 12 secondary education, language acquisition state grant funds, to  
 13 districts and intermediate districts offering programs of instruction  
 14 for pupils of limited English-speaking ability.

15       Sec. 51a. (1) From the appropriation in section 11, there is  
 16 allocated for ~~2003-2004~~ **2004-2005** an amount not to exceed  
 17 ~~\$882,683,000.00~~ **\$906,283,000.00** from state sources and all available  
 18 federal funding under sections 611 to 619 of part B of the individuals  
 19 with disabilities education act, title VI of Public Law 91-230, 20  
 20 U.S.C. 1411 to 1419, estimated at ~~\$285,000,000.00~~ **\$284,850,000.00** for  
 21 ~~2003-2004~~ **2004-2005** plus any carryover federal funds from previous year  
 22 appropriations. The allocations under this subsection are for the  
 23 purpose of reimbursing districts and intermediate districts for special  
 24 education programs, services, and special education personnel as  
 25 prescribed in article 3 of the revised school code, MCL 380.1701 to  
 26 380.1766; net tuition payments made by intermediate districts to the  
 27 Michigan schools for the deaf and blind; and special education programs

1 and services for pupils who are eligible for special education programs  
2 and services according to statute or rule. For meeting the costs of  
3 special education programs and services not reimbursed under this  
4 article, a district or intermediate district may use money in general  
5 funds or special education funds, not otherwise restricted, or  
6 contributions from districts to intermediate districts, tuition  
7 payments, gifts and contributions from individuals, or federal funds  
8 that may be available for this purpose, as determined by the  
9 intermediate district plan prepared pursuant to article 3 of the revised  
10 school code, MCL 380.1701 to 380.1766. All federal funds allocated  
11 under this section in excess of those allocated under this section for  
12 2002-2003 may be distributed in accordance with the flexible funding  
13 provisions of the individuals with disabilities education act, title VI  
14 of Public Law 91-230, including, but not limited to, 34 C.F.R. 300.234  
15 and 300.235. Notwithstanding section 17b, payments of federal funds to  
16 districts, intermediate districts, and other eligible entities under  
17 this section shall be paid on a schedule determined by the department.

18 (2) From the funds allocated under subsection (1), there is  
19 allocated for ~~2003-2004~~ the amount necessary, estimated at  
20 ~~\$160,500,000.00 for 2003-2004,~~ **\$169,900,000.00 for 2004-2005,** for  
21 payments toward reimbursing districts and intermediate districts for  
22 28.6138% of total approved costs of special education, excluding costs  
23 reimbursed under section 53a, and 70.4165% of total approved costs of  
24 special education transportation. Allocations under this subsection  
25 shall be made as follows:

26 (a) The initial amount allocated to a district under this  
27 subsection toward fulfilling the specified percentages shall be

1 calculated by multiplying the district's special education pupil  
 2 membership, excluding pupils described in subsection (12), times the sum  
 3 of the foundation allowance under section 20 of the pupil's district of  
 4 residence plus the amount of the district's per pupil allocation under  
 5 section 20j(2), not to exceed \$6,500.00 adjusted by the dollar amount of  
 6 the difference between the basic foundation allowance under section 20  
 7 for the current fiscal year and \$5,000.00 minus \$200.00, or, for a  
 8 special education pupil in membership in a district that is a public  
 9 school academy or university school, times an amount equal to the amount  
 10 per membership pupil calculated under section 20(6). For an  
 11 intermediate district, the amount allocated under this subdivision  
 12 toward fulfilling the specified percentages shall be an amount per  
 13 special education membership pupil, excluding pupils described in  
 14 subsection (12), and shall be calculated in the same manner as for a  
 15 district, using the foundation allowance under section 20 of the pupil's  
 16 district of residence, not to exceed \$6,500.00 adjusted by the dollar  
 17 amount of the difference between the basic foundation allowance under  
 18 section 20 for the current fiscal year and \$5,000.00 minus \$200.00, and  
 19 that district's per pupil allocation under section 20j(2).

20 (b) After the allocations under subdivision (a), districts and  
 21 intermediate districts for which the payments under subdivision (a) do  
 22 not fulfill the specified percentages shall be paid the amount necessary  
 23 to achieve the specified percentages for the district or intermediate  
 24 district.

25 (3) From the funds allocated under subsection (1), there is  
 26 allocated for ~~2003-2004~~ **2004-2005** the amount necessary, estimated at  
 27 ~~\$2,600,000.00,~~ **\$2,100,000.00,** to make payments to districts and



1 intermediate districts under this subsection. If the amount allocated  
2 to a district or intermediate district for a fiscal year under  
3 subsection (2)(b) is less than the sum of the amounts allocated to the  
4 district or intermediate district for 1996-97 under sections 52 and 58,  
5 there is allocated to the district or intermediate district for the  
6 fiscal year an amount equal to that difference, adjusted by applying the  
7 same proration factor that was used in the distribution of funds under  
8 section 52 in 1996-97 as adjusted to the district's or intermediate  
9 district's necessary costs of special education used in calculations for  
10 the fiscal year. This adjustment is to reflect reductions in special  
11 education program operations between 1996-97 and subsequent fiscal  
12 years. Adjustments for reductions in special education program  
13 operations shall be made in a manner determined by the department and  
14 shall include adjustments for program shifts.

15 (4) If the department determines that the sum of the amounts  
16 allocated for a fiscal year to a district or intermediate district under  
17 subsection (2)(a) and (b) is not sufficient to fulfill the specified  
18 percentages in subsection (2), then the shortfall shall be paid to the  
19 district or intermediate district during the fiscal year beginning on  
20 the October 1 following the determination and payments under subsection  
21 (3) shall be adjusted as necessary. If the department determines that  
22 the sum of the amounts allocated for a fiscal year to a district or  
23 intermediate district under subsection (2)(a) and (b) exceeds the sum of  
24 the amount necessary to fulfill the specified percentages in subsection  
25 (2), then the department shall deduct the amount of the excess from the  
26 district's or intermediate district's payments under this act for the  
27 fiscal year beginning on the October 1 following the determination and

1 payments under subsection (3) shall be adjusted as necessary. However,  
2 if the amount allocated under subsection (2)(a) in itself exceeds the  
3 amount necessary to fulfill the specified percentages in subsection (2),  
4 there shall be no deduction under this subsection.

5 (5) State funds shall be allocated on a total approved cost basis.  
6 Federal funds shall be allocated under applicable federal requirements,  
7 except that an amount not to exceed \$3,500,000.00 may be allocated by  
8 the department for ~~2003-2004~~ **2004-2005** to districts or intermediate  
9 districts on a competitive grant basis for programs, equipment, and  
10 services that the department determines to be designed to benefit or  
11 improve special education on a statewide scale.

12 (6) From the amount allocated in subsection (1), there is  
13 allocated an amount not to exceed \$2,200,000.00 for ~~2003-2004~~ **2004-2005**  
14 to reimburse 100% of the net increase in necessary costs incurred by a  
15 district or intermediate district in implementing the revisions in the  
16 administrative rules for special education that became effective on July  
17 1, 1987. As used in this subsection, "net increase in necessary costs"  
18 means the necessary additional costs incurred solely because of new or  
19 revised requirements in the administrative rules minus cost savings  
20 permitted in implementing the revised rules. Net increase in necessary  
21 costs shall be determined in a manner specified by the department.

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

23 (a) "Total approved costs of special education" shall be  
24 determined in a manner specified by the department and may include  
25 indirect costs, but shall not exceed 115% of approved direct costs for  
26 section 52 and section 53a programs. The total approved costs include  
27 salary and other compensation for all approved special education

1 personnel for the program, including payments for social security and  
2 medicare and public school employee retirement system contributions.  
3 The total approved costs do not include salaries or other compensation  
4 paid to administrative personnel who are not special education personnel  
5 as defined in section 6 of the revised school code, MCL 380.6. Costs  
6 reimbursed by federal funds, other than those federal funds included in  
7 the allocation made under this article, are not included. Special  
8 education approved personnel not utilized full time in the evaluation of  
9 students or in the delivery of special education programs, ancillary,  
10 and other related services shall be reimbursed under this section only  
11 for that portion of time actually spent providing these programs and  
12 services, with the exception of special education programs and services  
13 provided to youth placed in child caring institutions or juvenile  
14 detention programs approved by the department to provide an on-grounds  
15 education program.

16 (b) Reimbursement for ancillary and other related services, as  
17 defined by R 340.1701c of the Michigan administrative code, shall not be  
18 provided when those services are covered by and available through  
19 private group health insurance carriers or federal reimbursed program  
20 sources unless the department and district or intermediate district  
21 agree otherwise and that agreement is approved by the state budget  
22 director. Expenses, other than the incidental expense of filing, shall  
23 not be borne by the parent. In addition, the filing of claims shall not  
24 delay the education of a pupil. A district or intermediate district  
25 shall be responsible for payment of a deductible amount and for an  
26 advance payment required until the time a claim is paid.

27 (8) From the allocation in subsection (1), there is allocated for

1 ~~2003-2004~~ **2004-2005** an amount not to exceed \$15,313,900.00 to  
2 intermediate districts. The payment under this subsection to each  
3 intermediate district shall be equal to the amount of the 1996-97  
4 allocation to the intermediate district under subsection (6) of this  
5 section as in effect for 1996-97.

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

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

16 (11) If a district or intermediate district uses money received  
17 under this section for a purpose other than the purpose or purposes for  
18 which the money is allocated, the department may require the district or  
19 intermediate district to refund the amount of money received. Money  
20 that is refunded shall be deposited in the state treasury to the credit  
21 of the state school aid fund.

22 (12) From the funds allocated in subsection (1), there is  
23 allocated for ~~2003-2004~~ **2004-2005** the amount necessary, estimated at  
24 ~~\$6,300,000.00~~ **\$6,800,000.00**, to pay the foundation allowances for pupils  
25 described in this subsection. The allocation to a district under this  
26 subsection shall be calculated by multiplying the number of pupils  
27 described in this subsection who are counted in membership in the

1 district times the sum of the foundation allowance under section 20 of  
2 the pupil's district of residence plus the amount of the district's per  
3 pupil allocation under section 20j(2), not to exceed \$6,500.00 adjusted  
4 by the dollar amount of the difference between the basic foundation  
5 allowance under section 20 for the current fiscal year and \$5,000.00  
6 minus \$200.00, or, for a pupil described in this subsection who is  
7 counted in membership in a district that is a public school academy or  
8 university school, times an amount equal to the amount per membership  
9 pupil under section 20(6). The allocation to an intermediate district  
10 under this subsection shall be calculated in the same manner as for a  
11 district, using the foundation allowance under section 20 of the pupil's  
12 district of residence, not to exceed \$6,500.00 adjusted by the dollar  
13 amount of the difference between the basic foundation allowance under  
14 section 20 for the current fiscal year and \$5,000.00 minus \$200.00, and  
15 that district's per pupil allocation under section 20j(2). This  
16 subsection applies to all of the following pupils:

17 (a) Pupils described in section 53a.

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

21 (c) Emotionally impaired pupils counted in membership by an  
22 intermediate district and provided educational services by the  
23 department of community health.

24 (13) After payments under subsections (2) and (12) and section  
25 51c, the remaining expenditures from the allocation in subsection (1)  
26 shall be made in the following order:

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

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

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

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

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

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

6 (14) The allocations under subsection (2), subsection (3), and  
7 subsection (12) shall be allocations to intermediate districts only and  
8 shall not be allocations to districts, but instead shall be calculations  
9 used only to determine the state payments under section 22b.

10 Sec. 51c. As required by the court in the consolidated cases  
11 known as Durant v State of Michigan, Michigan supreme court docket no.  
12 104458-104492, from the allocation under section 51a(1), there is  
13 allocated for ~~2003-2004~~ **2004-2005** the amount necessary, estimated at  
14 ~~\$644,400,000.00,~~ **\$658,600,000.00**, for payments to reimburse districts  
15 for 28.6138% of total approved costs of special education excluding  
16 costs reimbursed under section 53a, and 70.4165% of total approved costs  
17 of special education transportation. Funds allocated under this section  
18 that are not expended in the state fiscal year for which they were  
19 allocated, as determined by the department, may be used to supplement  
20 the allocations under sections 22a and 22b in order to fully fund those  
21 calculated allocations for the same fiscal year.

22 Sec. 51d. (1) From the federal funds appropriated in section 11,  
23 there is allocated for ~~2003-2004~~ **2004-2005** all available federal  
24 funding, estimated at \$60,500,000.00, for special education programs  
25 that are funded by federal grants. All federal funds allocated under  
26 this section shall be distributed in accordance with federal law.  
27 Notwithstanding section 17b, payments of federal funds to districts,

1 intermediate districts, and other eligible entities under this section  
2 shall be paid on a schedule determined by the department.

3 (2) From the federal funds allocated under subsection (1), the  
4 following amounts are allocated for ~~2003-2004~~ **2004-2005**:

5 (a) An amount estimated at \$16,000,000.00 for handicapped infants  
6 and toddlers, funded from DED-OSERS, handicapped infants and toddlers  
7 funds.

8 (b) An amount estimated at \$13,500,000.00 for preschool grants  
9 (Public Law 94-142), funded from DED-OSERS, handicapped preschool  
10 incentive funds.

11 (c) An amount estimated at \$31,000,000.00 for special education  
12 programs funded by DED-OSERS, handicapped program, individuals with  
13 disabilities act funds.

14 (3) As used in this section, "DED-OSERS" means the United States  
15 department of education office of special education and rehabilitative  
16 services.

17 Sec. 53a. (1) For districts, reimbursement for pupils described in  
18 subsection (2) ~~, reimbursement~~ shall be 100% of the total approved costs  
19 of operating special education programs and services approved by the  
20 department and included in the intermediate district plan adopted  
21 pursuant to article 3 of the revised school code, MCL 380.1701 to  
22 380.1766, minus the district's foundation allowance calculated under  
23 section 20, and minus the amount calculated for the district under  
24 section 20j. For intermediate districts, reimbursement for pupils  
25 described in section (2) shall be calculated in the same manner as for a  
26 district, using the foundation allowance under section 20 of the pupil's  
27 district of residence, not to exceed \$6,500.00 adjusted by the dollar

1 amount of the difference between the basic foundation allowance under  
2 section 20 for the current fiscal year and \$5,000.00, minus \$200.00, and  
3 under section 20j.

4 (2) Reimbursement under subsection (1) is for the following  
5 special education pupils:

6 (a) Pupils assigned to a district or intermediate district through  
7 the community placement program of the courts or a state agency, if the  
8 pupil was a resident of another intermediate district at the time the  
9 pupil came under the jurisdiction of the court or a state agency.

10 (b) Pupils who are residents of institutions operated by the  
11 department of community health.

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

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

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

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

27 (4) The costs of transportation shall be funded under this section



1 and shall not be reimbursed under section 58.

2 (5) Not more than \$12,800,000.00 of the allocation for ~~2003-2004~~  
3 **2004-2005** in section 51a(1) shall be allocated under this section.

4 Sec. 54. In addition to the aid received under section 52, each  
5 intermediate district shall receive an amount per pupil for each pupil  
6 in attendance at the Michigan schools for the deaf and blind. The  
7 amount shall be proportionate to the total instructional cost at each  
8 school. Not more than \$1,688,000.00 of the allocation for ~~2003-2004~~  
9 **2004-2005** in section 51a(1) shall be allocated under this section.

10 Sec. 56. (1) For the purposes of this section:

11 (a) "Membership" means for a particular fiscal year the total  
12 membership for the immediately preceding fiscal year of the intermediate  
13 district and the districts constituent to the intermediate district.

14 (b) "Millage levied" means the millage levied for special  
15 education pursuant to part 30 of the revised school code, MCL 380.1711  
16 to 380.1743, including a levy for debt service obligations.

17 (c) "Taxable value" means the total taxable value of the districts  
18 constituent to an intermediate district, except that if a district has  
19 elected not to come under part 30 of the revised school code, MCL  
20 380.1711 to 380.1743, membership and taxable value of the district shall  
21 not be included in the membership and taxable value of the intermediate  
22 district.

23 (2) From the allocation under section 51a(1), there is allocated  
24 an amount not to exceed \$36,881,100.00 for ~~2003-2004~~ **2004-2005** to  
25 reimburse intermediate districts levying millages for special education  
26 pursuant to part 30 of the revised school code, MCL 380.1711 to  
27 380.1743. The purpose, use, and expenditure of the reimbursement shall

1 be limited as if the funds were generated by these millages and governed  
2 by the intermediate district plan adopted pursuant to article 3 of the  
3 revised school code, MCL 380.1701 to 380.1766. As a condition of  
4 receiving funds under this section, an intermediate district  
5 distributing any portion of special education millage funds to its  
6 constituent districts shall submit for departmental approval and  
7 implement a distribution plan.

8 (3) Reimbursement for those millages levied in ~~2002-2003~~ **2003-2004**  
9 shall be made in ~~2003-2004~~ **2004-2005** at an amount per ~~2002-2003~~ **2003-**  
10 **2004** membership pupil computed by subtracting from ~~\$132,275.00~~  
11 **\$133,400.00** the ~~2002-2003~~ **2003-2004** taxable value behind each membership  
12 pupil and multiplying the resulting difference by the ~~2002-2003~~ **2003-**  
13 **2004** millage levied.

14 Sec. 57. (1) From the appropriation in section 11, there is  
15 allocated an amount not to exceed \$50,000.00 for ~~2003-2004~~ **2004-2005** to  
16 applicant intermediate districts that provide support services for the  
17 education of advanced and accelerated pupils. An intermediate district  
18 is entitled to 75% of the actual salary, but not to exceed \$25,000.00  
19 reimbursement for an individual salary, of a support services teacher  
20 approved by the department, and not to exceed \$4,000.00 reimbursement  
21 for expenditures to support program costs, excluding in-county travel  
22 and salary, as approved by the department.

23 (2) From the appropriation in section 11, there is allocated an  
24 amount not to exceed \$0.00 for ~~2003-2004~~ **2004-2005** to support part of  
25 the cost of summer institutes for advanced and accelerated students.  
26 This amount shall be contracted to applicant intermediate districts in  
27 cooperation with a local institution of higher education and shall be

1 coordinated by the department.

2 (3) From the appropriation in section 11, there is allocated an  
3 amount not to exceed \$200,000.00 for ~~2003-2004~~ **2004-2005** for the  
4 development and operation of comprehensive programs for advanced and  
5 accelerated pupils. An eligible district or consortium of districts  
6 shall receive an amount not to exceed \$100.00 per K-12 pupil for up to  
7 5% of the district's or consortium's K-12 membership for the immediately  
8 preceding fiscal year with a minimum total grant of \$6,000.00. Funding  
9 shall be provided in the following order: the per pupil allotment, and  
10 then the minimum total grant of \$6,000.00 to individual districts. An  
11 intermediate district may act as the fiscal agent for a consortium of  
12 districts. In order to be eligible for funding under this subsection,  
13 the district or consortium of districts shall submit each year a current  
14 3-year plan for operating a comprehensive program for advanced and  
15 accelerated pupils and the district or consortium shall demonstrate to  
16 the department that the district or consortium will contribute matching  
17 funds of at least \$50.00 per K-12 pupil. The plan or revised plan shall  
18 be developed in accordance with criteria established by the department  
19 and shall be submitted to the department for approval. Within the  
20 criteria, the department shall encourage the development of consortia  
21 among districts of less than 5,000 memberships.

22 Sec. 61a. (1) From the appropriation in section 11, there is  
23 allocated an amount not to exceed \$30,000,000.00 for ~~2003-2004~~ **2004-**  
24 **2005** to reimburse on an added cost basis districts, except for a  
25 district that served as the fiscal agent for a vocational education  
26 consortium in the 1993-94 school year, and secondary area vocational-  
27 technical education centers for secondary-level vocational-technical

1 education programs, including parenthood education programs, according  
2 to rules approved by the superintendent. Applications for participation  
3 in the programs shall be submitted in the form prescribed by the  
4 department. The department shall determine the added cost for each  
5 vocational-technical program area. The allocation of added cost funds  
6 shall be based on the type of vocational-technical programs provided,  
7 the number of pupils enrolled, and the length of the training period  
8 provided, and shall not exceed 75% of the added cost of any program.  
9 With the approval of the department, the board of a district maintaining  
10 a secondary vocational-technical education program may offer the program  
11 for the period from the close of the school year until September 1. The  
12 program shall use existing facilities and shall be operated as  
13 prescribed by rules promulgated by the superintendent.

14 (2) Except for a district that served as the fiscal agent for a  
15 vocational education consortium in the 1993-94 school year, districts  
16 and intermediate districts shall be reimbursed for local vocational  
17 administration, shared time vocational administration, and career  
18 education planning district vocational-technical administration. The  
19 definition of what constitutes administration and reimbursement shall be  
20 pursuant to guidelines adopted by the superintendent. Not more than  
21 \$800,000.00 of the allocation in subsection (1) shall be distributed  
22 under this subsection.

23 (3) From the allocation in subsection (1), there is allocated an  
24 amount not to exceed \$388,700.00 for ~~2003-2004~~ **2004-2005** to  
25 intermediate districts with constituent districts that had combined  
26 state and local revenue per membership pupil in the 1994-95 state fiscal  
27 year of \$6,500.00 or more, served as a fiscal agent for a state board

1 designated area vocational education center in the 1993-94 school year,  
2 and had an adjustment made to their 1994-95 combined state and local  
3 revenue per membership pupil pursuant to section 20d. The payment under  
4 this subsection to the intermediate district shall equal the amount of  
5 the allocation to the intermediate district for 1996-97 under this  
6 subsection.

7       **Sec. 61b. (1)** From the appropriation in section 11, there is  
8 allocated for 2004-2005 an amount not to exceed \$1,000,000.00 for  
9 strategic planning grants to intermediate districts or consortiums of  
10 intermediate districts for the purpose of planning for the operation of  
11 learn to earn centers. The amount of each planning grant shall not  
12 exceed \$100,000.00. An intermediate district or consortium of  
13 intermediate districts shall provide at least 100% local match. An  
14 application for a planning grant shall be made in a form and manner  
15 prescribed by the department.

16       **(2)** As used in this section:

17       **(a)** "Career cluster" means a grouping of occupations from 1 or  
18 more industries that share common skill requirements.

19       **(b)** "Career preparation system" is a system of programs and  
20 strategies providing pupils with opportunities to prepare for success in  
21 careers of their choice.

22       **(c)** "Eligible pupil" means a pupil that:

23       **(i)** Is at least 15 years of age on December 1 and less than 20  
24 years of age on September 1 of the school year.

25       **(ii)** Has dropped out of school and is not counted in the  
26 membership of a district.

27       **(iii)** Has not obtained a high school diploma or a general

1 education development (G.E.D.) certificate.

2 (d) "Intermediate district average weighted foundation allowance"  
3 means the average foundation allowance per membership pupil, calculated  
4 by averaging the foundation allowances per membership pupil of the  
5 intermediate district's constituent districts or consortium of  
6 intermediate district's constituent districts, weighted as to the  
7 membership. However, the intermediate district weighted average  
8 foundation allowance for an intermediate district or consortium of  
9 intermediate districts shall not exceed \$6,500.00 as adjusted each year  
10 by an amount equal to the dollar amount of the difference between the  
11 basic foundation allowance for the current state fiscal year and  
12 \$5,000.00, minus \$200.00.

13 (e) "Learn to earn center" means a high school operated by an  
14 intermediate district or consortium of intermediate districts that is  
15 part of a career preparation system and has implemented a career  
16 development process that allows eligible pupils to receive a high school  
17 diploma.

18 (3) A strategic plan resulting from the planning grants awarded  
19 under this section shall contain at least the following components:

20 (a) Evidence that the learn to earn center is part of a  
21 comprehensive career preparation system as demonstrated by:

22 (i) The active involvement of employers, labor representatives,  
23 and postsecondary institutions in the delivery of education services to  
24 eligible pupils.

25 (ii) The provision of dual enrollment opportunities and  
26 articulation agreements with postsecondary institutions.

27 (iii) The provision of experiential school-based and work-based

1 learning opportunities that connect pupils with workers and experts in  
2 various career clusters.

3 (b) Evidence that the learn to earn center will adopt curricula  
4 that:

5 (i) Includes at least English language arts, math, science and  
6 social studies.

7 (ii) Integrates academic and technical content by career clusters  
8 in a career pathways structure that is consistent with the standards and  
9 benchmarks established by the department of labor and economic growth.

10 (iii) Uses research-based instructional practices and advanced  
11 technology in the delivery of educational services to eligible pupils.

12 (iv) Provides entrepreneurship training to eligible pupils who are  
13 interested in operating their own businesses.

14 (c) Evidence that the learn to earn center recognizes the needs of  
15 its unique pupil population by:

16 (i) Adopting a comprehensive guidance and counseling program,  
17 consistent with the standards and benchmarks established by the  
18 department of labor and economic growth.

19 (ii) Considering the provision of flexible scheduling and support  
20 services, such as English as a second language, childcare and  
21 transportation.

22 (d) Evidence that the learn to earn center will develop and  
23 maintain an education development plan to document each pupil's  
24 educational and career plans that is consistent with the standards and  
25 benchmarks established by the department of labor and economic growth.

26 (e) Evidence that the learn to earn center will adopt career  
27 awareness, exploration and assessment processes that assist pupils in

1 identifying their career pathway goals and that are consistent with the  
2 standards and benchmarks established by the department of labor and  
3 economic growth.

4 (f) Evidence that the learn to earn center will use the Michigan  
5 educational assessment program assessments and other assessment tools  
6 approved by the department for measuring student academic achievement.

7 (g) Other components determined jointly by the department and the  
8 department of labor and economic growth.

9 (4) Strategic plans shall be submitted to the department no later  
10 than October 15, 2004. The department and the department of labor and  
11 economic growth shall review the strategic plans and approve those plans  
12 that are determined to best meet the educational and career needs of  
13 eligible pupils no later than November 15, 2004.

14 (5) Beginning in 2004-2005, those intermediate districts or  
15 consortium of intermediate districts with approved strategic plans shall  
16 be eligible to receive an intermediate district average weighted  
17 foundation allowance, as adjusted under subsection (6), for each  
18 eligible pupil in membership enrolled in a program operated by the  
19 intermediate district or consortium of intermediate districts that is in  
20 compliance with an approved strategic plan.

21 (6) Payments provided for in subsection (5) shall be adjusted as  
22 follows:

23 (a) Eighty percent shall be paid for enrollment of eligible  
24 pupils. "Enrollment" for the purposes of this subsection includes the  
25 development of an education development plan for each pupil enrolled on  
26 the pupil membership count day or the supplemental count day, as  
27 applicable.



(b) Twenty percent shall be paid for:

(i) An increase of at least 1 grade level of proficiency in reading or mathematics as measured by a pretest and posttest; or

(ii) The satisfactory completion of a course required in order to attain a high school diploma; or

(iii) The attainment of a high school diploma.

(7) Beginning in 2004-2005, intermediate districts or consortium of intermediate districts may award a high school diploma to an eligible pupil who successfully completes learn to earn center requirements established in accordance with state law for high school graduation.

(8) The department, in collaboration with the department of labor and economic growth, shall do at least all of the following:

(a) Develop and provide guidelines to intermediate districts for the development of strategic plans.

(b) Implement a strategic planning grant submission and approval process.

(c) Identify approved assessment tools for measuring pupil achievement.

Sec. 62. (1) For the purposes of this section:

(a) "Membership" means for a particular fiscal year the total membership for the immediately preceding fiscal year of the intermediate district and the districts constituent to the intermediate district or the total membership for the immediately preceding fiscal year of the area vocational-technical program.

(b) "Millage levied" means the millage levied for area vocational-technical education pursuant to sections 681 to 690 of the revised school code, MCL 380.681 to 380.690, including a levy for debt service

1 obligations incurred as the result of borrowing for capital outlay  
2 projects and in meeting capital projects fund requirements of area  
3 vocational-technical education.

4 (c) "Taxable value" means the total taxable value of the districts  
5 constituent to an intermediate district or area vocational-technical  
6 education program, except that if a district has elected not to come  
7 under sections 681 to 690 of the revised school code, MCL 380.681 to  
8 380.690, the membership and taxable value of that district shall not be  
9 included in the membership and taxable value of the intermediate  
10 district. However, the membership and taxable value of a district that  
11 has elected not to come under sections 681 to 690 of the revised school  
12 code, MCL 380.681 to 380.690, shall be included in the membership and  
13 taxable value of the intermediate district if the district meets both of  
14 the following:

15 (i) The district operates the area vocational-technical education  
16 program pursuant to a contract with the intermediate district.

17 (ii) The district contributes an annual amount to the operation of  
18 the program that is commensurate with the revenue that would have been  
19 raised for operation of the program if millage were levied in the  
20 district for the program under sections 681 to 690 of the revised school  
21 code, MCL 380.681 to 380.690.

22 (2) From the appropriation in section 11, there is allocated an  
23 amount not to exceed \$9,000,000.00 for ~~2003-2004~~ **2004-2005** to reimburse  
24 intermediate districts and area vocational-technical education programs  
25 established under section 690(3) of the revised school code, MCL  
26 380.690, levying millages for area vocational-technical education  
27 pursuant to sections 681 to 690 of the revised school code, MCL 380.681

1 to 380.690. The purpose, use, and expenditure of the reimbursement  
2 shall be limited as if the funds were generated by those millages.

3 (3) Reimbursement for the millages levied in ~~2002-2003~~ **2003-2004**  
4 shall be made in ~~2003-2004~~ **2004-2005** at an amount per ~~2002-2003~~ **2003-**  
5 **2004** membership pupil computed by subtracting from ~~\$137,700.00~~  
6 **\$142,200.00** the ~~2002-2003~~ **2003-2004** taxable value behind each membership  
7 pupil and multiplying the resulting difference by the ~~2002-2003~~ **2003-**  
8 **2004** millage levied.

9 Sec. 74. (1) From the amount appropriated in section 11, there is  
10 allocated an amount not to exceed \$1,625,000.00 for ~~2003-2004~~ **2004-2005**  
11 for the purposes of subsections (2) and (3).

12 (2) From the allocation in subsection (1), there is allocated each  
13 fiscal year the amount necessary for payments to state supported  
14 colleges or universities and intermediate districts providing school bus  
15 driver safety instruction or driver skills road tests pursuant to  
16 sections 51 and 52 of the pupil transportation act, 1990 PA 187, MCL  
17 257.1851 and 257.1852. The payments shall be in an amount determined by  
18 the department not to exceed 75% of the actual cost of instruction and  
19 driver compensation for each public or nonpublic school bus driver  
20 attending a course of instruction. For the purpose of computing  
21 compensation, the hourly rate allowed each school bus driver shall not  
22 exceed the hourly rate received for driving a school bus. Reimbursement  
23 compensating the driver during the course of instruction or driver  
24 skills road tests shall be made by the department to the college or  
25 university or intermediate district providing the course of instruction.

26 (3) From the allocation in subsection (1), there is allocated each  
27 fiscal year the amount necessary to pay the reasonable costs of

1 nonspecial education auxiliary services transportation provided pursuant  
2 to section 1323 of the revised school code, MCL 380.1323. Districts  
3 funded under this subsection shall not receive funding under any other  
4 section of this act for nonspecial education auxiliary services  
5 transportation.

6       Sec. 81. (1) Except as otherwise provided in this section, from  
7 the appropriation in section 11, there is allocated for ~~2003-2004~~ **2004-**  
8 **2005** to the intermediate districts the sum necessary, but not to exceed  
9 ~~\$91,702,100.00,~~ **\$84,028,100.00**, to provide state aid to intermediate  
10 districts under this section. Except as otherwise provided in this  
11 section, there shall be allocated to each intermediate district for  
12 ~~2003-2004~~ **2004-2005** an amount equal to ~~96.5%~~ **88.4%** of the amount  
13 appropriated under this subsection for 2002-2003 in 2002 PA 521, before  
14 any reduction made for 2002-2003 under section 11(3). Funding provided  
15 under this section shall be used to comply with requirements of this act  
16 and the revised school code that are applicable to intermediate  
17 districts, and for which funding is not provided elsewhere in this act,  
18 and to provide technical assistance to districts as authorized by the  
19 intermediate school board.

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

1 consolidation, annexation, or attachment.

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

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

15 Sec. 94a. (1) There is created within the office of the state  
16 budget director in the department of management and budget the center  
17 for educational performance and information. The center shall do all of  
18 the following:

19 (a) Coordinate the collection of all data required by state and  
20 federal law from all entities receiving funds under this act.

21 (b) Collect data in the most efficient manner possible in order to  
22 reduce the administrative burden on reporting entities.

23 (c) Establish procedures to ensure the validity and reliability of  
24 the data and the collection process.

25 (d) Develop state and model local data collection policies,  
26 including, but not limited to, policies that ensure the privacy of  
27 individual student data. State privacy policies shall ensure that

1 student social security numbers are not released to the public for any  
2 purpose.

3 (e) Provide data in a useful manner to allow state and local  
4 policymakers to make informed policy decisions.

5 (f) Provide reports to the citizens of this state to allow them to  
6 assess allocation of resources and the return on their investment in the  
7 education system of this state.

8 (g) Assist all entities receiving funds under this act in  
9 complying with audits performed according to generally accepted  
10 accounting procedures.

11 (h) Other functions as assigned by the state budget director.

12 (2) Not later than August 15, 2004, each state department,  
13 officer, or agency that collects information from districts or  
14 intermediate districts as required under state or federal law shall make  
15 arrangements with the center, and with the districts or intermediate  
16 districts, to have the center collect the information and to provide it  
17 to the department, officer, or agency as necessary. To the extent that  
18 it does not cause financial hardship, the center shall arrange to  
19 collect the information in a manner that allows electronic submission of  
20 the information to the center. Each affected state department, officer,  
21 or agency shall provide the center with any details necessary for the  
22 center to collect information as provided under this subsection. This  
23 subsection does not apply to information collected by the department of  
24 treasury under the uniform budgeting and accounting act, 1968 PA 2, MCL  
25 141.421 to 141.440a; the revised municipal finance act, 2001 PA 34, MCL  
26 141.2101 to 141.2821; 1961 PA 108, MCL 388.951 to 388.963; or section  
27 1351a of the revised school code, MCL 380.1351a.

1       (3) The state budget director shall appoint a CEPI advisory  
2 committee, consisting of the following members:

3       (a) One representative from the house fiscal agency.

4       (b) One representative from the senate fiscal agency.

5       (c) One representative from the office of the state budget  
6 director.

7       (d) One representative from the state education agency.

8       (e) One representative each from the department of ~~career~~

9 ~~development~~ **labor and economic growth** and the department of treasury.

10       (f) Three representatives from intermediate school districts.

11       (g) One representative from each of the following educational  
12 organizations:

13       (i) Michigan association of school boards.

14       (ii) Michigan association of school administrators.

15       (iii) Michigan school business officials.

16       (h) One representative representing private sector firms  
17 responsible for auditing school records.

18       (i) Other representatives as the state budget director determines  
19 are necessary.

20       (4) The CEPI advisory committee appointed under subsection (3)  
21 shall provide advice to the director of the center regarding the  
22 management of the center's data collection activities, including, but  
23 not limited to:

24       (a) Determining what data is necessary to collect and maintain in  
25 order to perform the center's functions in the most efficient manner  
26 possible.

27       (b) Defining the roles of all stakeholders in the data collection

1 system.

2 (c) Recommending timelines for the implementation and ongoing  
3 collection of data.

4 (d) Establishing and maintaining data definitions, data  
5 transmission protocols, and system specifications and procedures for the  
6 efficient and accurate transmission and collection of data.

7 (e) Establishing and maintaining a process for ensuring the  
8 accuracy of the data.

9 (f) Establishing and maintaining state and model local policies  
10 related to data collection, including, but not limited to, privacy  
11 policies related to individual student data.

12 (g) Ensuring the data is made available to state and local  
13 policymakers and citizens of this state in the most useful format  
14 possible.

15 (h) Other matters as determined by the state budget director or  
16 the director of the center.

17 (5) The center may enter into any interlocal agreements necessary  
18 to fulfill its functions.

19 (6) From the general fund appropriation in section 11, there is  
20 allocated an amount not to exceed ~~\$4,500,000.00 each fiscal year for~~  
21 ~~2002-2003 and for 2003-2004~~ **\$1,500,000.00 for 2004-2005** to the  
22 department of management and budget to support the operations of the  
23 center. The center shall cooperate with the state education agency to  
24 ensure that this state is in compliance with federal law and is  
25 maximizing opportunities for increased federal funding to improve  
26 education in this state. In addition, from the federal funds  
27 appropriated in section 11 ~~for 2002-2003 and for 2003-2004~~ **2004-2005,**



1 there is allocated the following amounts each fiscal year in order to  
2 fulfill federal reporting requirements:

3 (a) An amount ~~estimated at \$1,000,000.00~~ **not to exceed**  
4 **\$835,000.00** funded from DED-OESE, title I, disadvantaged children funds.

5 (b) An amount ~~estimated at \$284,700.00~~ **not to exceed \$63,000.00**  
6 funded from DED-OESE, title I, reading first state grant funds.

7 (c) An amount ~~estimated at \$46,750.00~~ **not to exceed \$46,800.00**  
8 funded from DED-OESE, title I, migrant education funds.

9 (d) An amount ~~estimated at \$500,000.00~~ **not to exceed \$285,000.00**  
10 funded from DED-OESE, improving teacher quality funds.

11 (e) An amount ~~estimated at \$526,100.00~~ **not to exceed \$73,000.00**  
12 funded from DED-OESE, drug-free schools and communities funds.

13 (f) An amount **not to exceed \$150,000.00** funded under sections 611  
14 to 619 of part B of the individuals with disabilities education act,  
15 title VI of Public Law 91-230, 20 U.S.C. 1411 to 1419.

16 (g) An amount **not to exceed \$13,500.00** for data collection  
17 systems, funded from DED-NCES, common core data funds.

18 (h) An amount **not to exceed \$400,000.00** for the collection and  
19 dissemination of state assessment data, funded from DED-OESE, title VI,  
20 state assessments funds.

21 (7) In addition, from the federal funds appropriated in section 11  
22 for fiscal years 2003-2004 and 2004-2005, there is allocated the  
23 following amounts each fiscal year in order to fulfill federal reporting  
24 requirements:

25 (a) An amount **not to exceed \$80,000.00** for data collection  
26 systems, funded from DED-NCES, task award funds.

27 (b) An amount **not to exceed \$100,000.00** for data collection

1 systems development funded from DED-NCES, performance based data  
2 management initiative.

3 (8) ~~(7)~~ Funds allocated under this section that are not expended  
4 in the fiscal year in which they were allocated may be carried forward  
5 to a subsequent fiscal year. ~~From the funds allocated for 1999-2000~~  
6 ~~that were carried forward under this section and from the general funds~~  
7 ~~appropriated under this section for 2002-2003, the center shall make~~  
8 ~~grants to intermediate districts for the purpose of assisting the~~  
9 ~~intermediate districts and their constituent districts in data~~  
10 ~~collection required by state and federal law or necessary for audits~~  
11 ~~according to generally accepted accounting procedures. Grants to each~~  
12 ~~intermediate district shall be made at the rate of \$2.00 per each full-~~  
13 ~~time equated membership pupil times the total number of 2000-2001 pupils~~  
14 ~~in membership in the intermediate district and its constituent~~  
15 ~~districts. An intermediate district shall develop a plan in cooperation~~  
16 ~~with its constituent districts to distribute the grants between the~~  
17 ~~intermediate district and its constituent districts. These grants shall~~  
18 ~~be paid to intermediate districts no later than the next regularly~~  
19 ~~scheduled school aid payment after the effective date of this section.~~

20 ~~(8) If the applicable intermediate district determines that the~~  
21 ~~pupil counts submitted by a district for the February 2002 supplemental~~  
22 ~~pupil count using the single record student database cannot be audited~~  
23 ~~by the intermediate district pursuant to section 101, all of the~~  
24 ~~following apply:~~

25 ~~(a) The district may submit its pupil count data for the February~~  
26 ~~2002 supplemental pupil count using the education data network system.~~

27 ~~(b) If the applicable intermediate district determines that the~~

~~1 pupil counts submitted by the district for the 2002-2003 pupil  
2 membership count day using the single record student database cannot be  
3 audited by the intermediate district pursuant to section 101, the  
4 district may submit its pupil count data for the 2002-2003 pupil  
5 membership count day using the education data network system.~~

~~6 (9) At least 30 days before implementing a proposed electronic  
7 data collection, submission, or collation process, or a proposed change  
8 to 1 or more of those processes, the center shall submit the proposal  
9 and an analysis of the proposal to the senate and house of  
10 representatives appropriations subcommittees responsible for this act.  
11 The analysis shall include at least a determination of the cost of the  
12 proposal for districts and intermediate districts and of available  
13 funding for districts and intermediate districts.~~

14 (9) ~~(10)~~ The center may bill departments as necessary in order to  
15 fulfill reporting requirements of state and federal law.

16 (10) ~~(11)~~ As used in this section:

17 ~~(a) "Center" means the center for educational performance and  
18 information created under this section.~~

19 (a) ~~(b)~~ "DED-OESE" means the United States department of education  
20 office of elementary and secondary education.

21 (b) ~~(c)~~ "State education agency" means the department.

22 (c) **"DED-NCES" means the United States department of education  
23 national center for education statistics.**

24 Sec. 98. (1) From the general fund money appropriated in section  
25 11, there is allocated an amount not to exceed \$750,000.00 for ~~2003-2004~~  
26 **2004-2005** to provide a grant to the Michigan virtual university for the  
27 development, implementation, and operation of the Michigan virtual high

1 school and to fund other purposes described in this section. In  
2 addition, from the federal funds appropriated in section 11, there is  
3 allocated for ~~2003-2004~~ **2004-2005** an amount estimated at \$2,250,000.00  
4 from DED-OESE, title II, improving teacher quality funds.

5 (2) The Michigan virtual high school shall have the following  
6 goals:

7 (a) Significantly expand curricular offerings for high schools  
8 across this state through agreements with districts or licenses from  
9 other recognized providers. The Michigan virtual university shall  
10 explore options for providing rigorous civics curricula online.

11 (b) Create statewide instructional models using interactive  
12 multimedia tools delivered by electronic means, including, but not  
13 limited to, the internet, digital broadcast, or satellite network, for  
14 distributed learning at the high school level.

15 (c) Provide pupils with opportunities to develop skills and  
16 competencies through on-line learning.

17 (d) Offer teachers opportunities to learn new skills and  
18 strategies for developing and delivering instructional services.

19 (e) Accelerate this state's ability to respond to current and  
20 emerging educational demands.

21 (f) Grant high school diplomas through a dual enrollment method  
22 with districts.

23 (g) Act as a broker for college level equivalent courses, as  
24 defined in section 1471 of the revised school code, MCL 380.1471, and  
25 dual enrollment courses from postsecondary education institutions.

26 (3) The Michigan virtual high school course offerings shall  
27 include, but are not limited to, all of the following:

1 (a) Information technology courses.

2 (b) College level equivalent courses, as defined in section 1471  
3 of the revised school code, MCL 380.1471.

4 (c) Courses and dual enrollment opportunities.

5 (d) Programs and services for at-risk pupils.

6 (e) General education development test preparation courses for  
7 adjudicated youth.

8 (f) Special interest courses.

9 (g) Professional development programs and services for teachers.

10 (4) The state education agency shall sign a memorandum of  
11 understanding with the Michigan virtual university regarding the DED-  
12 OESE, title II, improving teacher quality funds as provided under this  
13 subsection. The memorandum of understanding under this subsection shall  
14 require that the Michigan virtual university coordinate the following  
15 activities related to DED-OESE, title II, improving teacher quality  
16 funds in accordance with federal law:

17 (a) Develop, and assist districts in the development and use of,  
18 proven, innovative strategies to deliver intensive professional  
19 development programs that are both cost-effective and easily accessible,  
20 such as strategies that involve delivery through the use of technology,  
21 peer networks, and distance learning.

22 (b) Encourage and support the training of teachers and  
23 administrators to effectively integrate technology into curricula and  
24 instruction.

25 (c) Coordinate the activities of eligible partnerships that  
26 include higher education institutions for the purposes of providing  
27 professional development activities for teachers, paraprofessionals, and

1 principals as defined in federal law.

2 (5) If a home-schooled or nonpublic school student is a resident  
3 of a district that subscribes to services provided by the Michigan  
4 virtual university, the student may use the services provided by the  
5 Michigan virtual university to the district without charge to the  
6 student beyond what is charged to a district pupil using the same  
7 services.

8 (6) From the allocations in subsection (1), the amount necessary,  
9 not to exceed \$1,250,000.00, shall be used to provide online  
10 professional development for classroom teachers. This allocation is  
11 intended to be for the ~~first~~ **second** of 3 years. These funds may be used  
12 for designing and building courses, marketing and outreach, workshops  
13 and evaluation, content acquisition, technical assistance, project  
14 management, and customer support. The Michigan virtual university shall  
15 offer at least 5 hours of online professional development for classroom  
16 teachers under this section in ~~2003-2004~~ **2004-2005** without charge to the  
17 teachers or to districts or intermediate districts.

18 (7) A district or intermediate district may require a full-time  
19 teacher to participate in at least 5 hours of online professional  
20 development provided by the Michigan virtual university under subsection  
21 (6). Five hours of this professional development shall be considered to  
22 be part of the 51 hours allowed to be counted as hours of pupil  
23 instruction under section 101(10).

24 (8) As used in this section:

25 (a) "DED-OESE" means the United States department of education  
26 office of elementary and secondary education.

27 (b) "State education agency" means the department.

1       Sec. 98b. (1) From the school aid stabilization fund created in  
2 section 11a, there is appropriated and allocated for ~~2003-2004~~ **2004-2005**  
3 an amount not to exceed ~~\$22,000,000.00~~ **\$5,000,000.00** for the freedom to  
4 learn program described in this section. In addition, **from the federal**  
5 **funds appropriated in section 11**, there is allocated for ~~2003-2004~~ the  
6 ~~following federal funds:~~ **2004-2005, an amount not to exceed**  
7 **\$10,343,200.00 from the competitive grants of DED-OESE, title II,**  
8 **educational technology grants funds, and an amount not to exceed**  
9 **\$7,000,000.00 from funds carried forward from 2003-2004 from unexpended**  
10 **DED-OESE, title II, educational technology grants funds.**

11       ~~(a) From the federal funds appropriated in section 11, an amount~~  
12 ~~estimated at \$10,343,200.00 from the competitive grants of DED-OESE,~~  
13 ~~title II, educational technology grants funds.~~

14       ~~(b) An amount estimated at \$7,000,000.00 from funds carried~~  
15 ~~forward from 2002-2003 from unexpended DED-OESE, title II, educational~~  
16 ~~technology grants funds.~~

17       (2) The allocations in subsection (1) shall be used to develop,  
18 implement, and operate the freedom to learn program and make program  
19 grants. The goal of the program is to achieve one-to-one access to  
20 wireless technology for K-12 pupils through statewide and local public-  
21 private partnerships. To implement the program, the state education  
22 agency shall sign a memorandum of understanding with the Michigan  
23 virtual university that provides for joint administration of program  
24 grants under this subsection. By December 1, ~~2003~~, **2004** the Michigan  
25 virtual university and the state education agency shall make grants to  
26 districts as described in this section. In awarding the grants, the  
27 Michigan virtual university and the state education agency shall give

1 priority to applications that demonstrate that the district's program  
2 will meet all of the following:

3 (a) Will be ready for implementation by January 1, ~~2004~~ **2005** and  
4 will have begun professional development on technology integration in  
5 the classroom before January 1, ~~2004~~ **2005**.

6 (b) Will utilize state structure and resources for professional  
7 development, as coordinated by the Michigan virtual university.

8 (c) Will opt to participate in the statewide partnership described  
9 in subsection (6).

10 (3) The amount of program grants to districts is estimated at  
11 \$250.00 per pupil in membership in grade 6 in ~~2003-2004~~, **2004-2005** or in  
12 another grade allowed in this section. The state education agency and  
13 the Michigan virtual university shall establish grant criteria that  
14 maximize the distribution of federal funds to achieve the \$250.00 per  
15 pupil in districts that qualify for federal funds. To qualify for a  
16 grant under this section, a district shall submit an application to the  
17 state education agency and the Michigan virtual university and complete  
18 the application process established by the state education agency and  
19 the Michigan virtual university. The application shall include at least  
20 all of the following:

21 (a) If the district is applying for federal funds, how the  
22 district will meet the requirements of the competitive grants under DED-  
23 OESE, title II, part D.

24 (b) How the district will provide the opportunity for each pupil  
25 in membership in grade 6 to receive a wireless computing device. If the  
26 district has already achieved one-to-one wireless access in grade 6 or  
27 if the district's school building grade configuration makes



1 implementation of the program for grade 6 impractical, the district may  
2 apply for a grant for the next highest grade. If the district does not  
3 have a grade 6 or higher, the district may apply for funding for the  
4 next lowest grade level. If the district operates 1 or more schools  
5 that are not meeting adequate yearly progress, as determined by the  
6 department, and that contain grade 6, the district may apply for funding  
7 for a school building-wide program for 1 or more of those schools. A  
8 public school academy that does not offer a grade higher than grade 5  
9 may apply to receive a grant under this section for pupils in the  
10 highest grade offered by the public school academy.

11 (c) The district shall submit a plan describing the uses of the  
12 grant funds. The plan shall describe a plan for professional  
13 development on technology integration, content and curriculum, and local  
14 partnerships with the other districts and representatives from  
15 businesses, industry, and higher education. The plan shall include at  
16 least the following:

17 (i) The academic achievement goals, which may include, but are not  
18 limited to, goals related to mathematics, science, and language arts.

19 (ii) The engagement goals, which may include, but are not limited  
20 to, goals related to retention rates, dropout rates, detentions, and  
21 suspensions.

22 (iii) A commitment that at least 25% of the total local budget for  
23 the program will be used on professional development on technology  
24 integration in the classroom.

25 (d) A 3- to 5-year plan or funding model for increasing the share  
26 that is borne locally of the expenditures for one-to-one wireless  
27 access. The Michigan virtual university shall provide districts with

1 sample local plans and funding models for the purposes of this  
2 subdivision and with information on available federal and private  
3 resources.

4 (e) How the district will amend its local technology plan as  
5 required under state and federal law to reflect the program under this  
6 section.

7 (4) A district that receives a grant under this section shall  
8 provide at least a \$25.00 per pupil match for grant money received under  
9 this section from local public or private resources.

10 (5) A district that received money under section 98 in 2002-2003  
11 for a wireless technology grant is eligible to receive a grant under  
12 this section. The funding under subsection (1)(b) shall be used first  
13 to provide the grants under this subsection. A district described in  
14 this subsection shall apply to the Michigan virtual university and the  
15 state education agency for a grant in the form and manner prescribed by  
16 the department. An application under this section is not subject to the  
17 requirements of subsection (3) if the application demonstrates that the  
18 program will meet all of the following:

19 (a) Will continue as a demonstration program.

20 (b) Will provide regional assistance to schools that are not  
21 meeting adequate yearly progress, as determined by the department, and  
22 to new grant recipients, as directed by the state education agency and  
23 the Michigan virtual university.

24 (c) Will seek to expand its existing wireless technology  
25 initiatives.

26 (6) ~~By October 15, 2003, the~~ **The** department of management and  
27 budget shall establish a statewide public-private partnership to

1 implement the program. The department of management and budget shall  
2 select a program partner through a request for proposals process for a  
3 total learning technology package that includes, but is not limited to,  
4 a wireless laptop, software, professional development, service, and  
5 support, and for management by a single point of contact individual  
6 responsible for the overall implementation. The proposal selected shall  
7 achieve significant efficiencies and economies of scale and be  
8 interoperable with existing technologies. The private partner selected  
9 in the request for proposals process to partner with the state must  
10 possess all of the following:

11 (a) Experience in the development and successful implementation of  
12 large-scale, school-based wireless technology projects.

13 (b) Proven technical ability to deliver a total solutions package  
14 of learning technology for elementary and secondary students and  
15 teachers.

16 (c) Results-based education solutions to increase student  
17 achievement and advance professional development for teachers.

18 (d) Ability to coordinate, utilize, and expand existing technology  
19 infrastructures and professional development delivery systems within  
20 school districts and regions.

21 (e) Ability to provide a wireless computing device that is able to  
22 be connected to the wireless network and is able to access a school's  
23 preexisting local network and the internet both wirelessly in the school  
24 and through dial-up or other remote connection from the home or  
25 elsewhere outside school.

26 (7) A district may elect to purchase or lease wireless computing  
27 devices from a vendor other than the statewide partnership described in

1 subsection (6) if the Michigan virtual university determines that the  
2 vendor meets the requirements of subdivisions (a) to (d) of subsection  
3 (6) and the vendor is identified in the district's grant application.

4 (8) The state education agency shall sign a memorandum of  
5 understanding with the Michigan virtual university regarding DED-OESE,  
6 title II, educational technology grants, as provided under this  
7 subsection. The Michigan virtual university shall coordinate activities  
8 described in this subsection with the freedom to learn grants described  
9 under this section. The memorandum of understanding shall require that  
10 the Michigan virtual university coordinate the following state  
11 activities related to DED-OESE, title II, educational technology grants  
12 in accordance with federal law:

13 (a) Assist in the development of innovative strategies for the  
14 delivery of specialized or rigorous academic courses and curricula  
15 through the use of technology, including distance learning technologies.

16 (b) Establish and support public-private initiatives for the  
17 acquisition of educational technology for students in high-need  
18 districts.

19 (9) Funds allocated under this section that are not expended in  
20 the state fiscal year for which they were allocated may be carried  
21 forward to a subsequent state fiscal year.

22 (10) The state education agency and the Michigan virtual  
23 university shall complete the memoranda of understanding required under  
24 this section within 60 days after the effective date of the amendatory  
25 act that added this subsection. ~~It is the intent of the legislature~~  
26 ~~that all plans or applications submitted by the state education agency~~  
27 ~~to the United States department of education relating to the~~

~~1 distribution of federal funds under this section are for the purposes~~  
~~2 described in this section.~~

3 (11) The state education agency shall ensure that the program  
4 goals and plans for the freedom to learn program are contained in the  
5 state technology plan required by federal law.

6 (12) From the funds allocated under this section, an amount not to  
7 exceed \$4,000,000.00 is allocated to the Michigan virtual university to  
8 be used for statewide activities, as follows:

9 (a) An amount estimated at \$2,700,000.00 to develop a professional  
10 development network in partnership with other statewide entities for  
11 professional development on technology integration in the classroom.

12 (b) An amount estimated at \$250,000.00 for development of a  
13 content resource package that will include on-line coursework content.

14 (c) An amount estimated at \$250,000.00 to develop or purchase an  
15 on-line assessment system to supplement the Michigan education  
16 assessment program tests and provide immediate feedback on pupil  
17 achievement. The assessment system shall include high-quality tests  
18 aligned to the state curriculum framework and tests that can be  
19 customized by teachers and integrated with on-line instructional  
20 resources. The Michigan virtual university and the state education  
21 agency shall work in partnership ~~with the department of treasury~~ to  
22 implement the assessment program. The state education agency shall give  
23 first priority in implementing the assessment systems to districts not  
24 meeting adequately yearly progress requirements as established by the  
25 federal no child left behind act and to schools participating in grant  
26 programs under this section.

27 (d) An amount not to exceed \$800,000.00 for comprehensive

1 statewide evaluation of current and future projects under this section  
 2 and for statewide administration of the freedom to learn program.

3 ~~(13) The Michigan virtual university is encouraged to work in~~  
 4 ~~partnership with Ferris state university in performing the functions~~  
 5 ~~under subsection (12).~~

6 (13)~~(14)~~ Notwithstanding section 17b, payments under this section  
 7 may be made pursuant to an agreement with the department.

8 ~~(15) It is the intent of the legislature that this state will seek~~  
 9 ~~to raise private funds for the current and future funding of the freedom~~  
 10 ~~to learn program under this section and all of the program components.~~

11 (14)~~(16)~~ As used in this section:

12 (a) "DED-OESE" means the United States department of education  
 13 office of elementary and secondary education.

14 (b) "State education agency" means the department.

15 Sec. 99. (1) From the **school aid fund** appropriations in section  
 16 11, there is allocated an amount not to exceed ~~\$2,500,000.00~~  
 17 **\$2,416,000.00** for ~~2003-2004~~ **2004-2005** and from the **general fund**  
 18 **appropriation in section 11, there is allocated an amount not to exceed**  
 19 **\$84,000.00 for 2004-2005** for implementing the comprehensive master plan  
 20 for mathematics and science centers developed by the department and  
 21 approved by the state board on August 8, 2002. In addition, from the  
 22 federal funds appropriated in section 11, there is allocated an amount  
 23 estimated at \$2,487,700.00 from DED-OESE, title II, mathematics and  
 24 science partnership grants.

25 (2) Within a service area designated locally, approved by the  
 26 department, and consistent with the master plan described in subsection  
 27 (1), an established mathematics and science center shall address ~~4~~ 2

1 or more of the following 6 basic services, as described in the master  
2 plan, to constituent districts and communities: leadership, pupil  
3 services, curriculum support, community involvement, professional  
4 development, and resource clearinghouse services.

5 (3) The department shall not award a state grant under this  
6 section to more than 1 mathematics and science center located in a  
7 designated region as prescribed in the 2002 master plan unless each of  
8 the grants serves a distinct target population or provides a service  
9 that does not duplicate another program in the designated region.

10 (4) As part of the technical assistance process, the department  
11 shall provide minimum standard guidelines that may be used by the  
12 mathematics and science center for providing fair access for qualified  
13 pupils and professional staff as prescribed in this section.

14 (5) Allocations under this section to support the activities and  
15 programs of mathematics and science centers shall be continuing support  
16 grants to all 33 established mathematics and science centers. Each  
17 established mathematics and science center that was funded in ~~2002-2003~~  
18 **2003-2004** shall receive state funding in an amount equal to ~~24.43% of~~  
19 the amount it received under this section for ~~2002-2003~~ **2003-2004** in  
20 ~~2002 PA 521 2003 PA 158, before any reduction made for 2002-2003 under~~  
21 ~~section 11(3).~~ **In the event that funding for a center or centers is**  
22 **declined, the remaining dollars shall be distributed on a pro rata**  
23 **basis to the remaining centers, as determined by the department.**

24 (6) In order to receive state funds under this section, a grant  
25 recipient shall allow access for the department or the department's  
26 designee to audit all records related to the program for which it  
27 receives such funds. The grant recipient shall reimburse the state for

1 all disallowances found in the audit.

2 (7) Not later than September 30, 2007, the department shall  
3 reevaluate and update the comprehensive master plan described in  
4 subsection (1) ~~, including any recommendations for upgrading satellite~~  
5 ~~extensions to full centers.~~

6 (8) The department shall give preference in awarding the federal  
7 grants allocated in subsection (1) to eligible existing mathematics and  
8 science centers.

9 (9) In order to receive state funds under this section, a grant  
10 recipient shall provide at least a 10% local match from local public or  
11 private resources for the funds received under this section.

12 (10) As used in this section:

13 (a) "DED" means the United States department of education.

14 (b) "DED-OESE" means the DED office of elementary and secondary  
15 education.

16 Sec. 101. (1) To be eligible to receive state aid under this act,  
17 not later than the fifth Wednesday after the pupil membership count day  
18 and not later than the fifth Wednesday after the supplemental count day,  
19 each district superintendent through the secretary of the district's  
20 board shall file with the intermediate superintendent **and the center** a  
21 certified and sworn copy of the number of pupils enrolled and in regular  
22 daily attendance in the district as of the pupil membership count day  
23 and as of the supplemental count day, as applicable, for the current  
24 school year. In addition, a district maintaining school during the  
25 entire year, as provided under section 1561 of the revised school code,  
26 MCL 380.1561, shall file with the intermediate superintendent **and the**  
27 **center** a certified and sworn copy of the number of pupils enrolled and



1 in regular daily attendance in the district for the current school year  
2 pursuant to rules promulgated by the superintendent. Not later than the  
3 seventh Wednesday after the pupil membership count day and not later  
4 than the seventh Wednesday after the supplemental count day, the  
5 intermediate district shall transmit to the center ~~the~~ **revised data, as**  
6 **applicable, filed by** ~~for~~ each of its constituent districts. If a  
7 district fails to file the sworn and certified copy with the  
8 intermediate superintendent **and the center** in a timely manner, as  
9 required under this subsection, the intermediate district **and the center**  
10 shall notify the department and state aid due to be distributed under  
11 this act shall be withheld from the defaulting district immediately,  
12 beginning with the next payment after the failure and continuing with  
13 each payment until the district complies with this subsection. If an  
14 intermediate district fails to transmit the data in its possession in a  
15 timely and accurate manner to the ~~department~~ **center**, as required under  
16 this subsection, state aid due to be distributed under this act shall be  
17 withheld from the defaulting intermediate district immediately,  
18 beginning with the next payment after the failure and continuing with  
19 each payment until the intermediate district complies with this  
20 subsection. If a district or intermediate district does not comply with  
21 this subsection by the end of the fiscal year, the district or  
22 intermediate district forfeits the amount withheld. A person who  
23 willfully falsifies a figure or statement in the certified and sworn  
24 copy of enrollment shall be punished in the manner prescribed by section  
25 161.

26 (2) To be eligible to receive state aid under this act, not later  
27 than the twenty-fourth Wednesday after the pupil membership count day

1 and not later than the twenty-fourth Wednesday after the supplemental  
2 count day, an intermediate district shall submit to the center, in a  
3 form and manner prescribed by the center, the audited enrollment and  
4 attendance data for the pupils of its constituent districts and of the  
5 intermediate district. If an intermediate district fails to transmit  
6 the audited data as required under this subsection, state aid due to be  
7 distributed under this act shall be withheld from the defaulting  
8 intermediate district immediately, beginning with the next payment after  
9 the failure and continuing with each payment until the intermediate  
10 district complies with this subsection. If an intermediate district  
11 does not comply with this subsection by the end of the fiscal year, the  
12 intermediate district forfeits the amount withheld.

13 (3) Except as otherwise provided in this section, each district  
14 shall provide at least 1,098 hours of pupil instruction. Except as  
15 otherwise provided in this act, a district failing to comply with the  
16 required minimum hours of pupil instruction under this subsection shall  
17 forfeit from its total state aid allocation an amount determined by  
18 applying a ratio of the number of hours the district was in  
19 noncompliance in relation to the required minimum number of hours under  
20 this subsection. Not later than August 1, the board of each district  
21 shall certify to the department the number of hours of pupil instruction  
22 in the previous school year. If the district did not provide at least  
23 the required minimum number of hours of pupil instruction under this  
24 subsection, the deduction of state aid shall be made in the following  
25 fiscal year from the first payment of state school aid. A district is  
26 not subject to forfeiture of funds under this subsection for a fiscal  
27 year in which a forfeiture was already imposed under subsection (6).

1 Hours lost because of strikes or teachers' conferences shall not be  
2 counted as days or hours of pupil instruction. A district not having at  
3 least 75% of the district's membership in attendance on any day of pupil  
4 instruction shall receive state aid in that proportion of 1/180 that the  
5 actual percent of attendance bears to the specified percentage. The  
6 superintendent shall promulgate rules for the implementation of this  
7 subsection.

8 (4) Except as otherwise provided in this subsection, the first 30  
9 hours for which pupil instruction is not provided because of conditions  
10 not within the control of school authorities, such as severe storms,  
11 fires, epidemics, or health conditions as defined by the city, county,  
12 or state health authorities, shall be counted as hours of pupil  
13 instruction. ~~In addition, for 2002-2003 only, the department shall~~  
14 ~~count as days of pupil instruction not more than 5 additional days, and~~  
15 ~~shall count as hours of pupil instruction not more than 30 hours, for~~  
16 ~~which pupil instruction was not provided in a district from April 3,~~  
17 ~~2003 to April 11, 2003 due to a storm. Subsequent such hours shall not~~  
18 ~~be counted as hours of pupil instruction.~~

19 (5) A district shall not forfeit part of its state aid  
20 appropriation because it adopts or has in existence an alternative  
21 scheduling program for pupils in kindergarten if the program provides at  
22 least the number of hours required under subsection (3) for a full-time  
23 equated membership for a pupil in kindergarten as provided under section  
24 6(4).

25 (6) Not later than April 15 of each fiscal year, the board of each  
26 district shall certify to the department the planned number of hours of  
27 pupil instruction in the district for the school year ending in the

1 fiscal year. In addition to any other penalty or forfeiture under this  
2 section, if at any time the department determines that 1 or more of the  
3 following has occurred in a district, the district shall forfeit in the  
4 current fiscal year beginning in the next payment to be calculated by  
5 the department a proportion of the funds due to the district under this  
6 act that is equal to the proportion below the required minimum number of  
7 hours of pupil instruction under subsection (3), as specified in the  
8 following:

9 (a) The district fails to operate its schools for at least the  
10 required minimum number of hours of pupil instruction under subsection  
11 (3) in a school year, including hours counted under subsection (4).

12 (b) The board of the district takes formal action not to operate  
13 its schools for at least the required minimum number of hours of pupil  
14 instruction under subsection (3) in a school year, including hours  
15 counted under subsection (4).

16 (7) In providing the minimum number of hours of pupil instruction  
17 required under subsection (3), a district shall use the following  
18 guidelines, and a district shall maintain records to substantiate its  
19 compliance with the following guidelines:

20 (a) Except as otherwise provided in this subsection, a pupil must  
21 be scheduled for at least the required minimum number of hours of  
22 instruction, excluding study halls, or at least the sum of 90 hours plus  
23 the required minimum number of hours of instruction, including up to 2  
24 study halls.

25 (b) The time a pupil is assigned to any tutorial activity in a  
26 block schedule may be considered instructional time, unless that time is  
27 determined in an audit to be a study hall period.

1 (c) A pupil in grades 9 to 12 for whom a reduced schedule is  
2 determined to be in the individual pupil's best educational interest  
3 must be scheduled for a number of hours equal to at least 80% of the  
4 required minimum number of hours of pupil instruction to be considered a  
5 full-time equivalent pupil.

6 (d) If a pupil in grades 9 to 12 who is enrolled in a cooperative  
7 education program or a special education pupil cannot receive the  
8 required minimum number of hours of pupil instruction solely because of  
9 travel time between instructional sites during the school day, that  
10 travel time, up to a maximum of 3 hours per school week, shall be  
11 considered to be pupil instruction time for the purpose of determining  
12 whether the pupil is receiving the required minimum number of hours of  
13 pupil instruction. However, if a district demonstrates to the  
14 satisfaction of the department that the travel time limitation under  
15 this subdivision would create undue costs or hardship to the district,  
16 the department may consider more travel time to be pupil instruction  
17 time for this purpose.

18 (8) The department shall apply the guidelines under subsection (7)  
19 in calculating the full-time equivalency of pupils.

20 (9) Upon application by the district for a particular fiscal year,  
21 the superintendent may waive for a district the minimum number of hours  
22 of pupil instruction requirement of subsection (3) for a department-  
23 approved alternative education program **provided the number of hours**  
24 **scheduled for pupil instruction is equal to at least 80% of the required**  
25 **minimum number of hours of pupil instruction to be considered a full-**  
26 **time equivalent pupil.** If a district applies for and receives a waiver  
27 under this subsection and complies with the terms of the waiver, for the

1 fiscal year covered by the waiver the district is not subject to  
2 forfeiture under this section for the specific program covered by the  
3 waiver.

4 (10) A district may count up to 51 hours of professional  
5 development for teachers, including the 5 hours of online professional  
6 development provided by the Michigan virtual university under section  
7 98, as hours of pupil instruction, **provided the professional development**  
8 **is focused on achieving or improving adequate yearly progress as defined**  
9 **in the no child left behind act of 2001.** A district that elects to use  
10 this exception shall notify the department of its election.

11 Sec. 104a. (1) In order to receive state aid under this act, a  
12 district shall comply with this section and shall administer state  
13 assessments to high school pupils in the subject areas of ~~communications~~  
14 ~~skills,~~ **English language arts,** mathematics, science, and social studies.  
15 If the department of ~~treasury or the Michigan assessment governing~~  
16 ~~board, as applicable,~~ determines that it would be consistent with the  
17 purposes of this section, the department of ~~treasury or the Michigan~~  
18 ~~assessment governing board, as applicable,~~ may designate the grade 11  
19 Michigan education assessment program tests or the ACT/ACT work keys  
20 tests as the assessments to be used for the purposes of this section.  
21 The district shall include on the pupil's high school transcript all of  
22 the following:

23 (a) For each high school graduate who has completed a subject area  
24 assessment under this section, the pupil's scaled score on the  
25 assessment.

26 (b) If the pupil's scaled score on a subject area assessment falls  
27 within the range required under subsection (2) for a category

1 established under subsection (2), an indication that the pupil has  
2 achieved state endorsement for that subject area.

3 (c) The number of school days the pupil was in attendance at  
4 school each school year during high school and the total number of  
5 school days in session for each of those school years.

6 (2) The department ~~of treasury~~ shall develop scaled scores for  
7 reporting subject area assessment results for each of the subject areas  
8 under this section. The department ~~of treasury~~ shall establish 3  
9 categories for each subject area indicating basic competency, above  
10 average, and outstanding, and shall establish the scaled score range  
11 required for each category. The department ~~of treasury~~ shall design and  
12 distribute to districts, intermediate districts, and nonpublic schools a  
13 simple and concise document that describes these categories in each  
14 subject area and indicates the scaled score ranges for each category in  
15 each subject area. A district may award a high school diploma to a  
16 pupil who successfully completes local district requirements established  
17 in accordance with state law for high school graduation, regardless of  
18 whether the pupil is eligible for any state endorsement.

19 (3) The assessments administered for the purposes of this section  
20 shall be administered to pupils during the last 30 school days of grade  
21 11. The department ~~of treasury~~ shall ensure that the assessments are  
22 scored and the scores are returned to pupils, their parents or legal  
23 guardians, and districts not later than the beginning of the pupil's  
24 first semester of grade 12. The department ~~of treasury~~ shall arrange  
25 for those portions of a pupil's assessment that cannot be scored  
26 mechanically to be scored in Michigan by persons who are Michigan  
27 teachers, retired Michigan teachers, or Michigan school administrators

1 and who have been trained in scoring the assessments. The returned  
2 scores shall indicate the pupil's scaled score for each subject area  
3 assessment, the range of scaled scores for each subject area, and the  
4 range of scaled scores required for each category established under  
5 subsection (2). In reporting the scores to pupils, parents, and  
6 schools, the department ~~of treasury~~ shall provide specific, meaningful,  
7 and timely feedback on the pupil's performance on the assessment.

8 (4) For each pupil who does not achieve state endorsement in 1 or  
9 more subject areas, the board of the district in which the pupil is  
10 enrolled shall provide that there be at least 1 meeting attended by at  
11 least the pupil and a member of the district's staff or a local or  
12 intermediate district consultant who is proficient in the measurement  
13 and evaluation of pupils. The district may provide the meeting as a  
14 group meeting for pupils in similar circumstances. If the pupil is a  
15 minor, the district shall invite and encourage the pupil's parent, legal  
16 guardian, or person in loco parentis to attend the meeting and shall  
17 mail a notice of the meeting to the pupil's parent, legal guardian, or  
18 person in loco parentis. The purpose of this meeting and any subsequent  
19 meeting under this subsection shall be to determine an educational  
20 program for the pupil designed to have the pupil achieve state  
21 endorsement in each subject area in which he or she did not achieve  
22 state endorsement. In addition, a district may provide for subsequent  
23 meetings with the pupil conducted by a high school counselor or teacher  
24 designated by the pupil's high school principal, and shall invite and  
25 encourage the pupil's parent, legal guardian, or person in loco parentis  
26 to attend the subsequent meetings. The district shall provide special  
27 programs for the pupil or develop a program using the educational



1 programs regularly provided by the district unless the board of the  
2 district decides otherwise and publishes and explains its decision in a  
3 public justification report.

4 (5) A pupil who wants to repeat an assessment administered under  
5 this section may repeat the assessment, without charge to the pupil, in  
6 the next school year or after graduation. An individual may repeat an  
7 assessment at any time the district administers an applicable assessment  
8 instrument or during a retesting period under subsection (7).

9 (6) The department ~~of treasury~~ shall ensure that the length of the  
10 assessments used for the purposes of this section and the combined total  
11 time necessary to administer all of the assessments are the shortest  
12 possible that will still maintain the degree of reliability and validity  
13 of the assessment results determined necessary by the department ~~of~~  
14 ~~treasury~~. The department ~~of treasury~~ shall ensure that the maximum  
15 total combined length of time that schools are required to set aside for  
16 administration of all of the assessments used for the purposes of this  
17 section does not exceed 8 hours. However, this subsection does not  
18 limit the amount of time that individuals may have to complete the  
19 assessments.

20 (7) The department ~~of treasury~~ shall establish, schedule, and  
21 arrange periodic retesting periods throughout the year for individuals  
22 who desire to repeat an assessment under this section. The department ~~of~~  
23 ~~treasury~~ shall coordinate the arrangements for administering the repeat  
24 assessments and shall ensure that the retesting is made available at  
25 least within each intermediate district and, to the extent possible,  
26 within each district.

27 (8) A district shall provide accommodations to a pupil with

1 disabilities for the assessments required under this section, as  
2 provided under section 504 of title V of the rehabilitation act of 1973,  
3 Public Law 93-112, 29 U.S.C. 794; subtitle A of title II of the  
4 Americans with disabilities act of 1990, Public Law 101-336, 42 U.S.C.  
5 12131 to 12134; and the implementing regulations for those statutes.

6 (9) For the purposes of this section, the department ~~of treasury~~  
7 shall develop or select and approve assessment instruments to measure  
8 pupil performance in ~~communications skills~~, **English language arts**,  
9 mathematics, social studies, and science. Unless the department ~~of~~  
10 ~~treasury~~ selects and approves the ACT/ACT work keys tests, the  
11 assessment instruments shall be based on the model core academic content  
12 standards objectives under section 1278 of the revised school code, MCL  
13 380.1278.

14 (10) Upon written request by the pupil's parent or legal guardian  
15 stating that the request is being made for the purpose of providing the  
16 pupil with an opportunity to qualify to take 1 or more postsecondary  
17 courses as an eligible student under the postsecondary enrollment  
18 options act, 1996 PA 160, MCL 388.511 to 388.524, the board of a  
19 district shall allow a pupil who is in at least grade 10 to take an  
20 assessment administered under this section without charge at any time  
21 the district regularly administers the assessment or during a retesting  
22 period established under subsection (7). A district is not required to  
23 include in an annual education report, or in any other report submitted  
24 to the department ~~of treasury~~ for accreditation purposes, results of  
25 assessments taken under this subsection by a pupil in grade 11 or lower  
26 until the results of that pupil's graduating class are otherwise  
27 reported.

1       (11) All assessment instruments developed or selected and approved  
2 by the state under any statute or rule for a purpose related to K to 12  
3 education shall be objective-oriented and consistent with the model core  
4 academic content standards objectives under section 1278 of the revised  
5 school code, MCL 380.1278.

6       (12) A person who has graduated from high school after 1996 and  
7 who has not previously taken an assessment under this section may take  
8 an assessment used for the purposes of this section, without charge to  
9 the person, at the district from which he or she graduated from high  
10 school at any time that district administers the assessment or during a  
11 retesting period scheduled under subsection (7) and have his or her  
12 scaled score on the assessment included on his or her high school  
13 transcript. If the person's scaled score on a subject area assessment  
14 falls within the range required under subsection (2) for a category  
15 established under subsection (2), the district shall also indicate on  
16 the person's high school transcript that the person has achieved state  
17 endorsement for that subject area.

18       (13) A child who is a student in a nonpublic school or home school  
19 may take an assessment under this section. To take an assessment, a  
20 child who is a student in a home school shall contact the district in  
21 which the child resides, and that district shall administer the  
22 assessment, or the child may take the assessment at a nonpublic school  
23 if allowed by the nonpublic school. Upon request from a nonpublic  
24 school, the department of ~~treasury~~ shall supply assessments and the  
25 nonpublic school may administer the assessment.

26       (14) The purpose of the assessment under this section is to assess  
27 pupil performance in mathematics, science, social studies, and

1 communication arts for the purpose of improving academic achievement and  
2 establishing a statewide standard of competency. The assessment under  
3 this section provides a common measure of data that will contribute to  
4 the improvement of Michigan schools' curriculum and instruction by  
5 encouraging alignment with Michigan's curriculum framework standards.  
6 These standards are based upon the expectations of what pupils should  
7 know and be able to do by the end of grade 11.

8 ~~(15) If the Michigan assessment governing board is established by~~  
9 ~~law, the Michigan assessment governing board shall administer this~~  
10 ~~section and shall have all of the powers and duties as otherwise~~  
11 ~~provided under this section for the department of treasury.~~

12 (15) ~~(16)~~ As used in this section -

13 ~~(a) "Communications skills" means reading and writing.~~

14 ~~(b)~~ "Social studies" means geography, history, economics, and  
15 American government.

16 Sec. 107. (1) From the appropriation in section 11, there is  
17 allocated an amount not to exceed \$20,000,000.00 for ~~2003-2004~~ **2004-2005**  
18 for adult education programs authorized under this section.

19 (2) To be eligible to be a participant funded under this section,  
20 a person shall be enrolled in an adult basic education program, an adult  
21 English as a second language program, a general education development  
22 (G.E.D.) test preparation program, a job or employment related program,  
23 or a high school completion program, that meets the requirements of this  
24 section, and shall meet either of the following, as applicable:

25 (a) If the individual has obtained a high school diploma or a  
26 general education development (G.E.D.) certificate, the individual meets  
27 1 of the following:

1 (i) Is less than 20 years of age on September 1 of the school year  
2 and is enrolled in the state technical institute and rehabilitation  
3 center.

4 (ii) Is less than 20 years of age on September 1 of the school  
5 year, is not attending an institution of higher education, and is  
6 enrolled in a job or employment-related program through a referral by an  
7 employer.

8 (iii) Is enrolled in an English as a second language program.

9 (iv) Is enrolled in a high school completion program.

10 (b) If the individual has not obtained a high school diploma or  
11 G.E.D. certificate, the individual meets 1 of the following:

12 (i) Is at least 20 years of age on September 1 of the school year.

13 (ii) Is at least 16 years of age on September 1 of the school  
14 year, has been permanently expelled from school under section 1311(2) or  
15 1311a of the revised school code, MCL 380.1311 and 380.1311a, and has no  
16 appropriate alternative education program available through his or her  
17 district of residence.

18 (3) Except as otherwise provided in subsection (4), the amount  
19 allocated under subsection (1) shall be distributed as follows:

20 (a) For districts and consortia that received payments for ~~2001-~~  
21 ~~2002~~ **2003-2004** under this section, the amount allocated to each for  
22 ~~2003-2004~~ **2004-2005** shall be based on the number of participants served  
23 by the district or consortium for ~~2003-2004~~, **2004-2005** using the amount  
24 allocated per full-time equated participant under subsection (5), up to  
25 a maximum total allocation under this section in an amount equal to  
26 ~~26.67% of~~ the amount the district or consortium received for ~~2001-2002~~  
27 **2003-2004** under this section before any reallocations made for ~~2001-2002~~

1 ~~2003-2004~~ under subsection (4).

2 (b) A district or consortium that received funding in ~~2002-2003~~  
3 ~~2003-2004~~ under this section may operate independently of a consortium  
4 or join or form a consortium for ~~2003-2004~~ **2004-2005**. The allocation  
5 for ~~2003-2004~~ **2004-2005** to the district or the newly formed consortium  
6 under this subsection shall be determined by the department of ~~career~~  
7 ~~development~~ **labor and economic growth** and shall be based on the  
8 proportion of the amounts that are attributable to the district or  
9 consortium that received funding in ~~2002-2003~~ **2003-2004**. A district or  
10 consortium described in this subdivision shall notify the department of  
11 ~~career-development~~ **labor and economic growth** of its intention with  
12 regard to ~~2003-2004~~ **2004-2005** by October 1, ~~2003~~ **2004**.

13 (4) A district that operated an adult education program in ~~2002-~~  
14 ~~2003~~ **2003-2004** and does not intend to operate a program in ~~2003-2004~~  
15 **2004-2005** shall notify the department of ~~career-development~~ **labor and**  
16 **economic growth** by October 1, ~~2003~~ **2004** of its intention. The funds  
17 intended to be allocated under this section to a district that does not  
18 operate a program in ~~2003-2004~~ **2004-2005** and the unspent funds  
19 originally allocated under this section to a district or consortium that  
20 subsequently operates a program at less than the level of funding  
21 allocated under subsection (3) shall instead be proportionately  
22 reallocated to the other districts described in subsection (3)(a) that  
23 are operating an adult education program in ~~2003-2004~~ **2004-2005** under  
24 this section.

25 (5) The amount allocated under this section per full-time equated  
26 participant is \$2,850.00 for a 450-hour program. The amount shall be  
27 proportionately reduced for a program offering less than 450 hours of

1 instruction.

2 (6) An adult basic education program or an adult English as a  
3 second language program operated on a year-round or school year basis  
4 may be funded under this section, subject to all of the following:

5 (a) The program enrolls adults who are determined by an  
6 appropriate assessment to be below ninth grade level in reading or  
7 mathematics, or both, or to lack basic English proficiency.

8 (b) The program tests individuals for eligibility under  
9 subdivision (a) before enrollment and tests participants to determine  
10 progress after every 90 hours of attendance, using assessment  
11 instruments approved by the department of ~~career-development~~ **labor and**  
12 **economic growth**.

13 (c) A participant in an adult basic education program is eligible  
14 for reimbursement until 1 of the following occurs:

15 (i) The participant's reading and mathematics proficiency are  
16 assessed at or above the ninth grade level.

17 (ii) The participant fails to show progress on 2 successive  
18 assessments after having completed at least 450 hours of instruction.

19 (d) A funding recipient enrolling a participant in an English as a  
20 second language program is eligible for funding according to subsection  
21 (10) until the participant meets 1 of the following:

22 (i) The participant is assessed as having attained basic English  
23 proficiency.

24 (ii) The participant fails to show progress on 2 successive  
25 assessments after having completed at least 450 hours of instruction.

26 The department of ~~career-development~~ **labor and economic growth** shall  
27 provide information to a funding recipient regarding appropriate

1 assessment instruments for this program.

2 (7) A general education development (G.E.D.) test preparation  
3 program operated on a year-round or school year basis may be funded  
4 under this section, subject to all of the following:

5 (a) The program enrolls adults who do not have a high school  
6 diploma.

7 (b) The program shall administer a G.E.D. pre-test approved by the  
8 department of ~~career-development~~ **labor and economic growth** before  
9 enrolling an individual to determine the individual's potential for  
10 success on the G.E.D. test, and shall administer other tests after every  
11 90 hours of attendance to determine a participant's readiness to take  
12 the G.E.D. test.

13 (c) A funding recipient shall receive funding according to  
14 subsection (10) for a participant, and a participant may be enrolled in  
15 the program until 1 of the following occurs:

16 (i) The participant passes the G.E.D. test.

17 (ii) The participant fails to show progress on 2 successive tests  
18 used to determine readiness to take the G.E.D. test after having  
19 completed at least 450 hours of instruction.

20 (8) A high school completion program operated on a year-round or  
21 school year basis may be funded under this section, subject to all of  
22 the following:

23 (a) The program enrolls adults who do not have a high school  
24 diploma.

25 (b) A funding recipient shall receive funding according to  
26 subsection (10) for a participant in a course offered under this  
27 subsection until 1 of the following occurs:



1       (i) The participant passes the course and earns a high school  
2 diploma.

3       (ii) The participant fails to earn credit in 2 successive  
4 semesters or terms in which the participant is enrolled after having  
5 completed at least 900 hours of instruction.

6       (9) A job or employment-related adult education program operated  
7 on a year-round or school year basis may be funded under this section,  
8 subject to all of the following:

9       (a) The program enrolls adults referred by their employer who are  
10 less than 20 years of age, have a high school diploma, are determined to  
11 be in need of remedial mathematics or communication arts skills and are  
12 not attending an institution of higher education.

13       (b) An individual may be enrolled in this program and the grant  
14 recipient shall receive funding according to subsection (10) until 1 of  
15 the following occurs:

16       (i) The individual achieves the requisite skills as determined by  
17 appropriate assessment instruments administered at least after every 90  
18 hours of attendance.

19       (ii) The individual fails to show progress on 2 successive  
20 assessments after having completed at least 450 hours of instruction.  
21 The department of ~~career-development~~ **labor and economic growth** shall  
22 provide information to a funding recipient regarding appropriate  
23 assessment instruments for this program.

24       (10) **In order to receive funds under this section, a district or**  
25 **intermediate district shall:**

26       (a) **Be part of an adult education strategic plan.**

27       (b) **Develop individual adult education plans containing the**

1 educational goals and objectives for each participant.

2 (c) Use research-based instructional practices and technology that  
3 have proven to be effective for adult learners.

4 (d) Coordinate with other available resources in the community,  
5 such as schools, postsecondary institutions, job training programs,  
6 one-stop centers, and social service agencies.

7 (e) Offer job and postsecondary education counseling services.

8 (f) Report participant outcomes and other measures of program  
9 performance in a form and manner approved by the department of labor  
10 and economic growth.

11 (11) ~~(10)~~ A funding recipient shall receive payments under this  
12 section in accordance with the following:

13 (a) ~~Ninety~~ **Eighty** percent for enrollment of eligible participants,  
14 including development of individual adult learner plans.

15 (b) ~~Ten~~ **Twenty** percent for completion of the adult basic education  
16 objectives by achieving an increase of at least 1 grade level of  
17 proficiency in reading or mathematics; for achieving basic English  
18 proficiency; for passage of the G.E.D. test; for passage of a course  
19 required for a participant to attain a high school diploma; or for  
20 completion of the course and demonstrated proficiency in the academic  
21 skills to be learned in the course, as applicable.

22 (12) ~~(11)~~ As used in this section: ~~—"participant"~~

23 (a) **"Participant"** means the sum of the number of full-time  
24 equated individuals enrolled in and attending a department-approved  
25 adult education program under this section, using quarterly participant  
26 count days on the schedule described in section 6(7)(b).

27 (b) **"Strategic plan"** means a document approved by the department

1 of labor and economic growth that incorporates adult education goals  
2 and objectives for the local workforce development board region and is  
3 developed by the education advisory group of the local workforce  
4 development board.

5 (c) "Workforce development board" means a local workforce  
6 development board established pursuant to the workforce investment act  
7 of 1998, Public Law 105-220, 112 Stat. 936, and the school-to-work  
8 opportunities act of 1994, Public Law 103-239, 108 Stat. 568, or the  
9 equivalent.

10 (13) ~~(12)~~ A person who is not eligible to be a participant funded  
11 under this section may receive adult education services upon the payment  
12 of tuition. In addition, a person who is not eligible to be served in a  
13 program under this section due to the program limitations specified in  
14 subsection (6), (7), (8), or (9) may continue to receive adult education  
15 services in that program upon the payment of tuition. The tuition level  
16 shall be determined by the local or intermediate district conducting the  
17 program.

18 (14) ~~(13)~~ An individual who is an inmate in a state correctional  
19 facility shall not be counted as a participant under this section.

20 (15) ~~(14)~~ A district shall not commingle money received under this  
21 section or from another source for adult education purposes with any  
22 other funds of the district. A district receiving adult education funds  
23 shall establish a separate ledger account for those funds. This  
24 subsection does not prohibit a district from using general funds of the  
25 district to support an adult education or community education program.

26 (16) ~~(15)~~ A district or intermediate district receiving funds  
27 under this section may establish a sliding scale of tuition rates based

1 upon a participant's family income. A district or intermediate district  
2 may charge a participant tuition to receive adult education services  
3 under this section from that sliding scale of tuition rates on a uniform  
4 basis. The amount of tuition charged per participant shall not exceed  
5 the actual operating cost per participant minus any funds received under  
6 this section per participant. A district or intermediate district may  
7 not charge a participant tuition under this section if the participant's  
8 income is at or below 200% of the federal poverty guidelines published  
9 by the United States department of health and human services.

10       **Sec. 107b. (1) The department is authorized to implement a pilot**  
11 **adult learning system in 2 Michigan works! regions as described under**  
12 **this section.**

13       **(2) Funds that would be allocated to adult education providers**  
14 **located within the two Michigan works! regions from section 107(1)**  
15 **pursuant to section 107 shall instead be distributed to two Michigan**  
16 **works! agencies selected by the department to participate in the pilot**  
17 **adult learning systems.**

18       **(3) To be eligible to be enrolled as a participant in a pilot**  
19 **adult learning system, a person shall be at least 16 years of age as of**  
20 **September 1 of the immediately preceding state fiscal year and shall**  
21 **meet the following, as applicable:**

22       **(a) If the individual has obtained a high school diploma or a**  
23 **general education development (G.E.D.) certificate, the individual is**  
24 **determined to have English language proficiency, reading, writing, or**  
25 **math skills below employment trainability skills standards as determined**  
26 **by tests approved by the department and is not enrolled in a**  
27 **postsecondary institution. An individual who has obtained a high school**

1 diploma is not eligible for enrollment in a G.E.D. test preparation  
2 program.

3 (b) If the individual has not obtained a high school diploma or a  
4 G.E.D. certificate, the individual has not attended a secondary  
5 institution for at least 6 months before enrollment in an adult learning  
6 pilot project and is not enrolled in a postsecondary institution.

7 (4) Not more than 5% of a grant awarded to a Michigan works!  
8 agency may be used for program administration, including contracting for  
9 the provision of career and educational information, counseling  
10 services, and assessment services.

11 (5) A Michigan works! agency authorized to participate in a pilot  
12 adult learner system shall comply with the following requirements in a  
13 manner approved by the department:

14 (a) The Michigan works! agency shall document the need for adult  
15 learning programs in its region.

16 (b) The Michigan works! agency shall develop a strategic plan that  
17 does the following:

18 (i) Identifies multiple potential adult learning providers,  
19 including community-based organizations. Eligible providers shall have  
20 programs that are open entry/open exit, allowing for the immediate start  
21 of training and exit of system upon completion of learning goals.

22 (ii) Provides an efficient referral process for participants to  
23 enroll with appropriate adult learning providers.

24 (iii) Coordinates the pilot adult learner system with other  
25 available resources in the community, such as schools, postsecondary  
26 institutions, job training programs, and social service agencies.

27 (iv) Contains regional promotional and recruitment strategies to

1 inform potential participants, referral agencies, special targeted  
2 groups and the general public of available services.

3 (v) Provides adequate job and postsecondary education counseling  
4 services.

5 (c) The local workforce development board shall report participant  
6 outcomes and other measurements of program performance into the Michigan  
7 adult education reporting system (MAERS) administered by the department.

8 (d) A Michigan works! agency shall allow access for the department  
9 or its designee to audit all records related to a pilot adult learning  
10 system for which it receives funds. The agency shall reimburse this  
11 state for all disallowances found in the audit.

12 (6) The Michigan works! agencies in the two pilot adult learner  
13 systems shall award competitive grants to eligible adult learning  
14 providers for the purpose of providing adult learning programs in their  
15 regions. Applications shall be in a form and manner prescribed by the  
16 department. Michigan works! agencies shall reimburse eligible adult  
17 learning providers under this section as follows:

18 (a) The contract amount shall be allocated to eligible adult  
19 learning providers based upon the following performance standards as  
20 measured in a manner approved by the department:

21 (i) The percentage of participants taking both a pretest and a  
22 posttest in English language proficiency, reading, writing, and math.

23 (ii) The percentage of participants showing improvement toward  
24 goals identified in their individual adult learner plan.

25 (iii) The percentage of participants achieving their terminal  
26 goals as identified in their individual adult learner plan.

27 (b) A provider is eligible for reimbursement for a participant in

1 an adult learning program until the participant's reading, writing, or  
2 math proficiency, as applicable, is assessed at employment trainability  
3 skills standards or the participant fails to show progress on 2  
4 successive assessments as determined by the department.

5 (c) A provider is eligible for reimbursement for a participant in  
6 an English as a second language program until the participant is  
7 assessed as having attained basic English proficiency or the participant  
8 fails to show progress on 2 successive assessments as determined by the  
9 department.

10 (d) A provider is eligible for reimbursement for a participant in  
11 a G.E.D. test preparation program until the participant passes the  
12 G.E.D. test or the participant fails to show progress on 2 successive  
13 assessments as determined by the department.

14 (e) A provider is eligible for reimbursement for a participant in  
15 a high school completion program until the participant earns a high  
16 school diploma or the participant fails to show progress as determined  
17 by the department.

18 (7) A person who is not eligible to be a participant funded under  
19 this section may receive adult learning services upon the payment of  
20 tuition or fees for service. The tuition or fee level shall be  
21 determined by the adult learning provider and approved by the Michigan  
22 works! agency.

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

25 (9) A provider shall allow access for the Michigan works! agency  
26 or its designee to audit all records related to pilot adult learning  
27 systems for which it receives funds. The adult learning provider shall

1 reimburse this state for all disallowances found in the audit.

2 (10) As used in this section:

3 (a) "Adult education", for the purposes of complying with section  
4 3 of article VIII of the state constitution of 1963, means a high school  
5 pupil receiving educational services in a nontraditional setting from a  
6 district or intermediate district in order to receive a high school  
7 diploma.

8 (b) "Adult learning system" means a system approved by the  
9 department that improves reading, writing, and math skills to employment  
10 trainability skills standards; an English as a second language program;  
11 a G.E.D. preparation program; a high school completion program; or a  
12 workforce readiness program that enhances employment opportunities.

13 (c) "Department" for the purposes of this section means the  
14 department of labor and economic growth.

15 (d) "Eligible adult learning provider" means a district, public  
16 school academy, intermediate district, community college, university,  
17 community-based organization, or other organization approved by the  
18 department that provides adult learning systems under a contract with a  
19 Michigan works! agency that is part of a pilot adult learner system.

20 (e) "Employment trainability skills standard" means a proficiency  
21 level approved by the department in English language, reading, writing,  
22 or mathematics, or any and all of these, as determined by results from  
23 assessments approved for use by the department.

24 (f) "Michigan works! agency" means the agency designated by the  
25 chief elected official and approved by the Governor to administer the  
26 portion of the Michigan works! system for that local workforce  
27 investment area.



1       (g) "Participant" means an individual enrolled in an adult  
2 learning program and receiving services from an eligible adult learning  
3 provider.

4       (h) "Pilot project" means a temporary project established to  
5 deliver a new adult learner system.

6       Sec. 147. (1) The allocation for ~~2003-2004~~ **2004-2005** for the  
7 public school employees' retirement system pursuant to the public school  
8 employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1408,  
9 shall be made using the entry age normal cost actuarial method and risk  
10 assumptions adopted by the public school employees retirement board and  
11 the department of management and budget. The annual level percentage of  
12 payroll contribution rate is estimated at ~~14.37%~~ **14.87%** for the ~~2003-~~  
13 ~~2004~~ **2004-2005** state fiscal year. ~~However, if all eligible districts~~  
14 ~~participating in the school bond loan authority assist the state~~  
15 ~~treasurer in the refinancing of school bond loan authority debt, the~~  
16 ~~annual level percentage of payroll contribution rate for all districts~~  
17 ~~is estimated to be 12.99% for the 2003-2004 fiscal year. If an eligible~~  
18 ~~district does not assist in the refinancing, that district's payroll~~  
19 ~~contribution rate is estimated to be 14.37% for the 2003-2004 fiscal~~  
20 ~~year.~~ The portion of the contribution rate assigned to districts and  
21 intermediate districts for each fiscal year is all of the total  
22 percentage points. This contribution rate reflects an amortization  
23 period of ~~33~~ **32** years for ~~2003-2004~~ **2004-2005**. The public school  
24 employees' retirement system board shall notify each district and  
25 intermediate district by February 28 of each fiscal year of the  
26 estimated contribution rate for the next fiscal year.

27       (2) It is the intent of the legislature that the amortization

1 period described in section 41(2) of the public school employees  
2 retirement act of 1979, 1980 PA 300, MCL 38.1341, be reduced to 30 years  
3 by the end of the 2005-2006 state fiscal year by reducing the  
4 amortization period by not more than 1 year each fiscal year.

5       Sec. 152. Except for reports due on other dates specified in this  
6 act, each district and intermediate district shall furnish to the **center**  
7 **or the** department, **as applicable**, before the first Monday in November of  
8 each year those reports the department considers necessary for the  
9 determination of the allocation of funds under this act. In order to  
10 receive funds under this act, each district and intermediate district  
11 shall also furnish to the **center or the** department, **as applicable**, the  
12 information the department considers necessary for the administration of  
13 this act, including information necessary to determine compliance with  
14 article 16, and for the provision of reports of educational progress to  
15 the senate and house committees responsible for education, the senate  
16 and house appropriations subcommittees responsible for appropriations to  
17 school districts, the senate and house fiscal agencies, and the state  
18 budget director, as appropriate.

19       Sec. 158b. Each district that receives federal impact aid under  
20 section 3(c)(1) of title 1 of chapter 1124, 64 Stat. 1100, 20 U.S.C.  
21 238, annually shall report to the ~~department~~ **center**, in the form and  
22 manner prescribed by the department, the amount of that aid the district  
23 received.

24       Sec. 163. (1) Except as provided in the revised school code or in  
25 section-~~108~~ **107b**, the board of a district or intermediate district shall  
26 not permit any of the following:

27       (a) A noncertificated teacher to teach in an elementary or

1 secondary school or in an adult basic education or high school  
2 completion program.

3 (b) A noncertificated counselor to provide counseling services to  
4 pupils in an elementary or secondary school or in an adult basic  
5 education or high school completion program.

6 (2) Except as provided in the revised school code or in section  
7 ~~108~~ **107b**, a district or intermediate district employing teachers or  
8 counselors not legally certificated shall have deducted the sum equal to  
9 the amount paid the teachers or counselors for the period of  
10 noncertificated or illegal employment. Each intermediate superintendent  
11 shall notify the department of the name of the noncertificated teacher  
12 or counselor, and the district employing that individual and the amount  
13 of salary the noncertificated teacher or counselor was paid within a  
14 constituent district.

15 (3) If a school official is notified by the department that he or  
16 she is employing a nonapproved noncertificated teacher or counselor in  
17 violation of this section and knowingly continues to employ that teacher  
18 or counselor, the school official is guilty of a misdemeanor, punishable  
19 by a fine of \$1,500.00 for each incidence.

20 Enacting section 1. In accordance with section 30 of article IX  
21 of the state constitution of 1963, total state spending in this  
22 amendatory act from state sources for fiscal year 2004-2005 is  
23 estimated at \$11,165,500,000.00 and state appropriations to be paid to  
24 local units of government for fiscal year 2004-2005 are estimated at  
25 \$11,107,634,200.

26 Enacting section 2. Sections 8a, 11c, 31e, 32b, 68, 107a, 108  
27 and 166 of the state school aid act of 1979, 1979 PA 94, MCL 388.1608a,

1 388.1611c, 388.1631e, 388.1632b, 388.1668, 388.1707a, 388.1708 and  
2 388.1766, are repealed effective October 1, 2004.

3 Enacting section 3. (1) Except as otherwise specified in  
4 subsection (2), this act shall take effect October 1, 2004.

5 (2) Sections 22a and 94a, as amended by the amendatory act, take  
6 effect upon enactment of this amendatory act.