

HOUSE BILL No. 5415

November 9, 2005, Introduced by Rep. Stewart and referred to the Committee on Appropriations.

A bill to amend 1979 PA 94, entitled "The state school aid act of 1979," by amending sections 11, 20, and 22b (MCL 388.1611, 388.1620, and 388.1622b), as amended by 2005 PA 155.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 11. (1) ~~For the fiscal year ending September 30, 2005,~~
 2 ~~there is appropriated for the public schools of this state and~~
 3 ~~certain other state purposes relating to education the sum of~~
 4 ~~\$10,907,222,200.00 from the state school aid fund established by~~
 5 ~~section 11 of article IX of the state constitution of 1963, the sum~~
 6 ~~of \$41,100,000.00 from the proceeds of capitalization of the school~~
 7 ~~bond loan fund revolving fund, and the sum of \$165,200,000.00 from~~
 8 ~~the general fund.~~ For the fiscal year ending September 30, 2006,

1 there is appropriated for the public schools of this state and
2 certain other state purposes relating to education the sum of
3 ~~\$11,257,600,000.00~~ **\$11,284,050,000.00** from the state school aid
4 fund established by section 11 of article IX of the state
5 constitution of 1963, the sum of \$44,500,000.00 from the proceeds
6 of capitalization of the school bond loan fund revolving fund, and
7 the sum of \$62,714,000.00 from the general fund. In addition,
8 available federal funds are appropriated for each fiscal year.

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

20 (3) If the maximum amount appropriated under this section from
21 the state school aid fund and the school aid stabilization fund for
22 a fiscal year exceeds the amount available for expenditure from the
23 state school aid fund for that fiscal year, payments under sections
24 11f, 11g, 11j, 22a, 26a, 26b, 31d, 51a(2), 51a(12), 51c, 53a, and
25 56 shall be made in full. In addition, for districts beginning
26 operations after 1994-95 that qualify for payments under section
27 22b, payments under section 22b shall be made so that the

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

1 appropriating additional funds from the general fund,
2 countercyclical budget and economic stabilization fund, state
3 school aid fund balance, or another source to fund the amount of
4 the projected shortfall.

5 (4) If proration is necessary, the department shall calculate
6 the proration in district and intermediate district payments that
7 is required under subsection (3) as follows:

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

11 (i) Districts.

12 (ii) Intermediate districts.

13 (iii) Entities other than districts or intermediate districts.

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

23 (c) The department shall recover a percentage of the proration
24 amount required under subsection (3) that is equal to the
25 percentage calculated under subdivision (a)(ii) for intermediate
26 districts by reducing payments to intermediate districts. This
27 reduction shall be made by reducing the payments to each

1 intermediate district, other than payments under sections 11f, 11g,
2 26a, 26b, 51a(2), 51a(12), 53a, and 56, on an equal percentage
3 basis.

4 (d) The department shall recover a percentage of the proration
5 amount required under subsection (3) that is equal to the
6 percentage calculated under subdivision (a)(iii) for entities other
7 than districts and intermediate districts by reducing payments to
8 these entities. This reduction shall be made by reducing the
9 payments to each of these entities, other than payments under
10 sections 11j, 26a, and 26b, on an equal percentage basis.

11 (5) Except for the allocation under section 26a, any general
12 fund allocations under this act that are not expended by the end of
13 the state fiscal year are transferred to the school aid
14 stabilization fund created under section 11a.

15 Sec. 20. (1) For 2003-2004 and for 2004-2005, the basic
16 foundation allowance is \$6,700.00 per membership pupil. For 2005-
17 2006, the basic foundation allowance is \$6,875.00.

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

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

25 (a) Except as otherwise provided in this subsection, for a
26 district that in the immediately preceding state fiscal year had a
27 foundation allowance in an amount at least equal to the amount of

1 the basic foundation allowance for the immediately preceding state
2 fiscal year, the district shall receive a foundation allowance in
3 an amount equal to the sum of the district's foundation allowance
4 for the immediately preceding state fiscal year plus the dollar
5 amount of the adjustment from the immediately preceding state
6 fiscal year to the current state fiscal year in the basic
7 foundation allowance. However, for 2002-2003, the foundation
8 allowance for a district under this subdivision is an amount equal
9 to the sum of the district's foundation allowance for the
10 immediately preceding state fiscal year plus \$200.00.

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

1 year plus the lesser of \$200.00 or the product of the district's
2 foundation allowance for the immediately preceding state fiscal
3 year times the percentage increase in the United States consumer
4 price index in the calendar year ending in the immediately
5 preceding fiscal year as reported by the May revenue estimating
6 conference conducted under section 367b of the management and
7 budget act, 1984 PA 431, MCL 18.1367b.

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

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

18 (4) Except as otherwise provided in this subsection, the state
19 portion of a district's foundation allowance is an amount equal to
20 the district's foundation allowance or \$6,500.00, whichever is
21 less, minus the difference between the product of the taxable value
22 per membership pupil of all property in the district that is not a
23 principal residence or qualified agricultural property times the
24 lesser of 18 mills or the number of mills of school operating taxes
25 levied by the district in 1993-94 and the quotient of the ad
26 valorem property tax revenue of the district captured under 1975 PA
27 197, MCL 125.1651 to 125.1681, the tax increment finance authority

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

1 \$5,000.00, minus \$200.00.

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

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

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

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

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

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

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

1 will be reduced by the same percentage as the millage actually
2 levied compares to the 18 mills or the number of mills levied in
3 1993, whichever is less.

4 (10) Subject to subsection (4), for a district that is formed
5 or reconfigured after June 1, 2002 by consolidation of 2 or more
6 districts or by annexation, the resulting district's foundation
7 allowance under this section beginning after the effective date of
8 the consolidation or annexation shall be the average of the
9 foundation allowances of each of the original or affected
10 districts, calculated as provided in this section, weighted as to
11 the percentage of pupils in total membership in the resulting
12 district who reside in the geographic area of each of the original
13 or affected districts. The calculation under this subsection shall
14 take into account a district's per pupil allocation under section
15 20j(2).

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

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

23 (13) To assist the legislature in determining the basic
24 foundation allowance for the subsequent state fiscal year, each
25 revenue estimating conference conducted under section 367b of the
26 management and budget act, 1984 PA 431, MCL 18.1367b, shall
27 calculate a pupil membership factor, a revenue adjustment factor,

1 and an index as follows:

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

12 (b) The revenue adjustment factor shall be computed by
13 dividing the sum of the estimated total state school aid fund
14 revenue for the subsequent state fiscal year plus the estimated
15 total state school aid fund revenue for the current state fiscal
16 year, adjusted for any change in the rate or base of a tax the
17 proceeds of which are deposited in that fund and excluding money
18 transferred into that fund from the countercyclical budget and
19 economic stabilization fund under section 353e of the management
20 and budget act, 1984 PA 431, MCL 18.1353e, by the sum of the
21 estimated total school aid fund revenue for the current state
22 fiscal year plus the estimated total state school aid fund revenue
23 for the immediately preceding state fiscal year, adjusted for any
24 change in the rate or base of a tax the proceeds of which are
25 deposited in that fund. If a consensus revenue factor is not
26 determined at the revenue estimating conference, the principals of
27 the revenue estimating conference shall report their estimates to

1 the house and senate subcommittees responsible for school aid
2 appropriations not later than 7 days after the conclusion of the
3 revenue conference.

4 (c) The index shall be calculated by multiplying the pupil
5 membership factor by the revenue adjustment factor. However, for
6 2005-2006, the index shall be 1.00. If a consensus index is not
7 determined at the revenue estimating conference, the principals of
8 the revenue estimating conference shall report their estimates to
9 the house and senate subcommittees responsible for school aid
10 appropriations not later than 7 days after the conclusion of the
11 revenue conference.

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

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

26 (16) For a district that had combined state and local revenue
27 per membership pupil in the 1993-94 state fiscal year of more than

1 \$6,500.00, that had fewer than 7 pupils in membership in the 1993-
2 94 state fiscal year, that has at least 1 child educated in the
3 district in the current state fiscal year, and that levies the
4 number of mills of school operating taxes authorized for the
5 district under section 1211 of the revised school code, MCL
6 380.1211, a minimum amount of combined state and local revenue
7 shall be calculated for the district as provided under this
8 subsection. The minimum amount of combined state and local revenue
9 for 1999-2000 shall be \$67,000.00 plus the district's additional
10 expenses to educate pupils in grades 9 to 12 educated in other
11 districts as determined and allowed by the department. The minimum
12 amount of combined state and local revenue under this subsection,
13 before adding the additional expenses, shall increase each fiscal
14 year by the same percentage increase as the percentage increase in
15 the basic foundation allowance from the immediately preceding
16 fiscal year to the current fiscal year. The state portion of the
17 minimum amount of combined state and local revenue under this
18 subsection shall be calculated by subtracting from the minimum
19 amount of combined state and local revenue under this subsection
20 the sum of the district's local school operating revenue and an
21 amount equal to the product of the sum of the state portion of the
22 district's foundation allowance plus the amount calculated under
23 section 20j times the district's membership. As used in this
24 subsection, "additional expenses" means the district's expenses for
25 tuition or fees, not to exceed \$6,500.00 as adjusted each year by
26 an amount equal to the dollar amount of the difference between the
27 basic foundation allowance for the current state fiscal year and

1 \$5,000.00, minus \$200.00, plus a room and board stipend not to
2 exceed \$10.00 per school day for each pupil in grades 9 to 12
3 educated in another district, as approved by the department.

4 (17) For a district in which 7.75 mills levied in 1992 for
5 school operating purposes in the 1992-93 school year were not
6 renewed in 1993 for school operating purposes in the 1993-94 school
7 year, the district's combined state and local revenue per
8 membership pupil shall be recalculated as if that millage reduction
9 did not occur and the district's foundation allowance shall be
10 calculated as if its 1994-95 foundation allowance had been
11 calculated using that recalculated 1993-94 combined state and local
12 revenue per membership pupil as a base. A district is not entitled
13 to any retroactive payments for fiscal years before 2000-2001 due
14 to this subsection.

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

25 (19) For a district that received a grant under former section
26 32e for 2001-2002, the district's foundation allowance for 2002-
27 2003 and each succeeding fiscal year shall be adjusted to be an

1 amount equal to the sum of the district's foundation allowance, as
2 otherwise calculated under this section, plus the quotient of 100%
3 of the amount of the grant award to the district for 2001-2002
4 under former section 32e divided by the number of pupils in the
5 district's membership for 2001-2002 who were residents of and
6 enrolled in the district. Except as otherwise provided in this
7 subsection, a district qualifying for a foundation allowance
8 adjustment under this subsection shall use the funds resulting from
9 this adjustment for at least 1 of grades K to 3 for purposes
10 allowable under former section 32e as in effect for 2001-2002. For
11 an individual school or schools operated by a district qualifying
12 for a foundation allowance under this subsection that have been
13 determined by the department to meet the adequate yearly progress
14 standards of the federal no child left behind act of 2001, Public
15 Law 107-110, in both mathematics and English language arts at all
16 applicable grade levels for all applicable subgroups, the district
17 may submit to the department an application for flexibility in
18 using the funds resulting from this adjustment that are
19 attributable to the pupils in the school or schools. The
20 application shall identify the affected school or schools and the
21 affected funds and shall contain a plan for using the funds for
22 specific purposes identified by the district that are designed to
23 reduce class size, but that may be different from the purposes
24 otherwise allowable under this subsection. The department shall
25 approve the application if the department determines that the
26 purposes identified in the plan are reasonably designed to reduce
27 class size. If the department does not act to approve or disapprove

1 an application within 30 days after it is submitted to the
2 department, the application is considered to be approved. If an
3 application for flexibility in using the funds is approved, the
4 district may use the funds identified in the application for any
5 purpose identified in the plan.

6 (20) For a district that is a qualifying school district with
7 a school reform board in place under part 5a of the revised school
8 code, MCL 380.371 to 380.376, the district's foundation allowance
9 for 2002-2003 shall be adjusted to be an amount equal to the sum of
10 the district's foundation allowance, as otherwise calculated under
11 this section, plus the quotient of \$15,000,000.00 divided by the
12 district's membership for 2002-2003. If a district ceases to meet
13 the requirements of this subsection, the department shall adjust
14 the district's foundation allowance in effect at that time based on
15 a 2002-2003 foundation allowance for the district that does not
16 include the 2002-2003 adjustment under this subsection. This
17 subsection only applies for 2002-2003, 2003-2004, and 2004-2005.
18 Beginning in 2005-2006, the foundation allowance of a district that
19 received an adjustment under this subsection for those fiscal years
20 shall be calculated as if those adjustments did not occur.

21 (21) FOR A DISTRICT THAT MEETS THE REQUIREMENTS OF THIS
22 SUBSECTION, THE DISTRICT'S FOUNDATION ALLOWANCE FOR 2005-2006 IS AN
23 AMOUNT EQUAL TO THE SUM OF THE DISTRICT'S FOUNDATION ALLOWANCE FOR
24 2005-2006, AS OTHERWISE CALCULATED UNDER THIS SECTION, PLUS
25 \$750.00. A DISTRICT IS ELIGIBLE FOR THE ADJUSTMENT UNDER THIS
26 SUBSECTION IF THE DISTRICT IS DETERMINED BY THE DEPARTMENT TO MEET
27 ALL OF THE FOLLOWING:

1 (A) THE DISTRICT IS CONTIGUOUS TO AT LEAST 3 OTHER DISTRICTS
2 THAT HAVE A FOUNDATION ALLOWANCE FOR 2005-2006 THAT IS AT LEAST
3 \$1,000.00 GREATER THAN THAT DISTRICT'S FOUNDATION ALLOWANCE FOR
4 2005-2006.

5 (B) ON A PER PUPIL BASIS, THE DISTRICT SPENDS LESS THAN 10% OF
6 ITS TOTAL OPERATING REVENUE ON BUSINESS AND ADMINISTRATIVE COSTS,
7 AS DETERMINED BY THE DEPARTMENT ACCORDING TO THE DEPARTMENT'S
8 BULLETIN 1014.

9 (C) ON A PER PUPIL BASIS, THE DISTRICT SPENDS MORE THAN 60% OF
10 ITS TOTAL OPERATING REVENUE ON INSTRUCTION, AS DETERMINED BY THE
11 DEPARTMENT ACCORDING TO THE DEPARTMENT'S BULLETIN 1014.

12 (D) THE DISTRICT IS MAKING ADEQUATE YEARLY PROGRESS UNDER THE
13 NO CHILD LEFT BEHIND ACT OF 2001, PUBLIC LAW 107-110, AS DETERMINED
14 BY THE DEPARTMENT.

15 (E) THE PERCENTAGE OF THE DISTRICT'S PUPILS WHO WERE
16 DETERMINED TO MEET OR EXCEED STATE STANDARDS IN MATHEMATICS ON THE
17 MOST RECENT MICHIGAN EDUCATION ASSESSMENT PROGRAM ASSESSMENTS FOR
18 WHICH DATA ARE AVAILABLE IS HIGHER THAN THE STATEWIDE AVERAGE OF
19 THAT PERCENTAGE.

20 (F) AT LEAST 50% OF THE PUPILS WHO WERE ENROLLED IN THE
21 DISTRICT IN GRADE 11 FOR THE IMMEDIATELY PRECEDING FISCAL YEAR AND
22 WHO TOOK THE ASSESSMENTS UNDER SECTION 1279 OR 1279G OF THE REVISED
23 SCHOOL CODE, MCL 380.1279 AND 380.1279G, RECEIVED QUALIFYING
24 RESULTS AS DEFINED UNDER THE MICHIGAN MERIT AWARD SCHOLARSHIP ACT,
25 1999 PA 94, MCL 390.1451 TO 390.1459.

26 (22) ~~-(21)-~~ Payments to districts, university schools, or
27 public school academies shall not be made under this section.

1 Rather, the calculations under this section shall be used to
2 determine the amount of state payments under section 22b.

3 (23) ~~-(22)-~~ If an amendment to section 2 of article VIII of
4 the state constitution of 1963 allowing state aid to some or all
5 nonpublic schools is approved by the voters of this state, each
6 foundation allowance or per pupil payment calculation under this
7 section may be reduced.

8 (24) ~~-(23)-~~ As used in this section:

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

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

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

18 (d) "Immediately preceding state fiscal year" means the state
19 fiscal year immediately preceding the current state fiscal year.

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

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

26 (g) "Membership" means the definition of that term under
27 section 6 as in effect for the particular fiscal year for which a

1 particular calculation is made.

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

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

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

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

16 Sec. 22b. (1) From the appropriation in section 11, there is
17 allocated an amount not to exceed ~~-\$2,923,200,000.00 for 2004-2005~~
18 ~~and an amount not to exceed \$3,197,736,800.00~~ **\$3,224,436,800.00**
19 for 2005-2006 for discretionary nonmandated payments to districts
20 under this section. Funds allocated under this section that are not
21 expended in the state fiscal year for which they were allocated, as
22 determined by the department, may be used to supplement the
23 allocations under sections 22a and 51c in order to fully fund those
24 calculated allocations for the same fiscal year.

25 (2) Subject to subsection (3) and section 11, the allocation
26 to a district under this section shall be an amount equal to the
27 sum of the amounts calculated under sections 20, 20j, 51a(2),

1 51a(3), and 51a(12), minus the sum of the allocations to the
2 district under sections 22a and 51c.

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

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

20 (5) It is the intent of the legislature that all
21 constitutional obligations of this state have been fully funded
22 under sections 22a, 31d, 51a, and 51c. If a claim is made by an
23 entity receiving funds under this act that challenges the
24 legislative determination of the adequacy of this funding or
25 alleges that there exists an unfunded constitutional requirement,
26 the state budget director may escrow or allocate from the
27 discretionary funds for nonmandated payments under this section the

1 amount as may be necessary to satisfy the claim before making any
2 payments to districts under subsection (2). If funds are escrowed,
3 the escrowed funds are a work project appropriation and the funds
4 are carried forward into the following fiscal year. The purpose of
5 the work project is to provide for any payments that may be awarded
6 to districts as a result of litigation. The work project shall be
7 completed upon resolution of the litigation.

8 (6) If the local claims review board or a court of competent
9 jurisdiction makes a final determination that this state is in
10 violation of section 29 of article IX of the state constitution of
11 1963 regarding state payments to districts, the state budget
12 director shall use work project funds under subsection (5) or
13 allocate from the discretionary funds for nonmandated payments
14 under this section the amount as may be necessary to satisfy the
15 amount owed to districts before making any payments to districts
16 under subsection (2).

17 (7) If a claim is made in court that challenges the
18 legislative determination of the adequacy of funding for this
19 state's constitutional obligations or alleges that there exists an
20 unfunded constitutional requirement, any interested party may seek
21 an expedited review of the claim by the local claims review board.
22 If the claim exceeds \$10,000,000.00, this state may remove the
23 action to the court of appeals, and the court of appeals shall have
24 and shall exercise jurisdiction over the claim.

25 (8) If payments resulting from a final determination by the
26 local claims review board or a court of competent jurisdiction that
27 there has been a violation of section 29 of article IX of the state

1 constitution of 1963 exceed the amount allocated for discretionary
2 nonmandated payments under this section, the legislature shall
3 provide for adequate funding for this state's constitutional
4 obligations at its next legislative session.

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