

SENATE BILL No. 299

March 10, 2005, Introduced by Senator GARCIA 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, 11b, 11f, 11g, 11j, 20, 20j, 22a, 22b,
22d, 24, 26a, 31a, 31d, 32c, 32d, 32j, 39a, 41, 41a, 51a, 51c, 51d,
53a, 54, 56, 57, 61a, 62, 74, 81, 94a, 98, 98b, 99, 107, and 147
(MCL 388.1611, 388.1611b, 388.1611f, 388.1611g, 388.1611j,
388.1620, 388.1620j, 388.1622a, 388.1622b, 388.1622d, 388.1624,
388.1626a, 388.1631a, 388.1631d, 388.1632c, 388.1632d, 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, 388.1707, and 388.1747), sections 11 and 51a as amended by 2004 PA 518, sections 11b, 11f, 11g, 11j, 20, 20j, 22a, 22b, 24, 26a, 31d, 32c, 32d, 32j, 39a, 41, 41a, 51c, 51d, 53a, 54, 56, 57, 61a, 62, 74, 81, 94a, 98, 99, 107, and 147 as amended and section 22d as added by 2004 PA 351, and sections 31a and 98b as amended by 2004 PA 593, and by adding section 26b.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 11. (1) ~~In addition to all other appropriations under~~
2 ~~this act for that fiscal year, for the fiscal year ending September~~
3 ~~30, 2004, there is appropriated to the state school aid fund from~~
4 ~~the unreserved balance in the general fund an amount equal to any~~
5 ~~deficit balance that would otherwise exist in the state school aid~~
6 ~~fund at bookclosing for the fiscal year ending September 30, 2004.~~

7 For the fiscal year ending September 30, 2005, there is
8 appropriated for the public schools of this state and certain other
9 state purposes relating to education the sum of \$10,909,200,000.00
10 from the state school aid fund established by section 11 of article
11 IX of the state constitution of 1963 and the sum of \$264,700,000.00
12 from the general fund. **FOR THE FISCAL YEAR ENDING SEPTEMBER 30,**
13 **2006, THERE IS APPROPRIATED FOR THE PUBLIC SCHOOLS OF THIS STATE**
14 **AND CERTAIN OTHER STATE PURPOSES RELATING TO EDUCATION THE SUM OF**
15 **\$11,153,331,200.00 FROM THE STATE SCHOOL AID FUND ESTABLISHED BY**
16 **SECTION 11 OF ARTICLE IX OF THE STATE CONSTITUTION OF 1963 AND THE**
17 **SUM OF \$27,700,000.00 FROM THE GENERAL FUND.** In addition, available
18 federal funds are appropriated for each of those fiscal years.

19 (2) The appropriations under this section shall be allocated

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

11 (3) If the maximum amount appropriated under this section from
12 the state school aid fund and the school aid stabilization fund for
13 a fiscal year exceeds the amount available for expenditure from the
14 state school aid fund for that fiscal year, payments under sections
15 11f, 11g, 11j, 22a, 26a, **26B**, 31d, 51a(2), 51a(12), 51c, 53a, and
16 56 shall be made in full. In addition, for districts beginning
17 operations after 1994-95 that qualify for payments under section
18 22b, payments under section 22b shall be made so that the
19 qualifying districts receive the lesser of an amount equal to the
20 1994-95 foundation allowance of the district in which the district
21 beginning operations after 1994-95 is located or \$5,500.00. The
22 amount of the payment to be made under section 22b for these
23 qualifying districts shall be as calculated under section 22a, with
24 the balance of the payment under section 22b being subject to the
25 proration otherwise provided under this subsection and subsection
26 (4). Subject to subsection (5), if proration is necessary after
27 2002-2003, state payments under each of the other sections of this

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

23 (4) Subject to subsection (5), if proration is necessary, the
24 department shall calculate the proration in district and
25 intermediate district payments that is required under subsection
26 (3) as follows:

27 (a) The department shall calculate the percentage of total

1 state school aid allocated under this act for the affected fiscal
2 year for each of the following:

3 (i) Districts.

4 (ii) Intermediate districts.

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

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

15 (c) The department shall recover a percentage of the proration
16 amount required under subsection (3) that is equal to the
17 percentage calculated under subdivision (a) (ii) for intermediate
18 districts by reducing payments to intermediate districts. This
19 reduction shall be made by reducing the payments to each
20 intermediate district, other than payments under sections 11f, 11g,
21 26a, **26B**, 51a(2), 51a(12), 53a, and 56, on an equal percentage
22 basis.

23 (d) 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) (iii) for entities other
26 than districts and intermediate districts by reducing payments to
27 these entities. This reduction shall be made by reducing the

1 payments to each of these entities, other than payments under
2 sections 11j, ~~and~~ 26a, **AND 26B**, on an equal percentage basis.

3 (5) Beginning in 2004-2005, if a district has an emergency
4 financial manager in place under the local government fiscal
5 responsibility act, 1990 PA 72, MCL 141.1201 to 141.1291, payments
6 to that district are not subject to proration under this section.

7 (6) Except for the allocation under section 26a, any general
8 fund allocations under this act that are not expended by the end of
9 the state fiscal year are transferred to the state school aid fund.
10 If it is determined at the May 2005 revenue estimating conference
11 conducted under section 367b of the management and budget act, 1984
12 PA 431, MCL 18.1367b, that there is additional school aid fund
13 revenue beyond that determined at the May 2004 revenue estimating
14 conference, then it is the intent of the legislature to enact
15 legislation to fund, to the extent that revenues are available, the
16 same programs in the same amount that were funded under section 81
17 in 2003 PA 236 and the same pupil membership formula as in effect
18 under 2003 PA 236.

19 Sec. 11b. From the general fund money appropriated in section
20 11, there is allocated for ~~2004-2005~~ **2005-2006** the sum of
21 \$3,700,000.00 for deposit into the school aid stabilization fund
22 created in section 11a.

23 Sec. 11f. (1) From the appropriations under section 11, there
24 is allocated for the purposes of this section an amount not to
25 exceed \$32,000,000.00 for the fiscal year ending September 30,
26 ~~2005~~ **2006** and for each succeeding fiscal year through the fiscal
27 year ending September 30, 2008. Payments under this section will

1 cease after September 30, 2008. These allocations are for paying
2 the amounts described in subsection (4) to districts and
3 intermediate districts, other than those receiving a lump sum
4 payment under subsection (2), that were not plaintiffs in the
5 consolidated cases known as Durant v State of Michigan, Michigan
6 supreme court docket no. 104458-104492 and that, on or before March
7 2, 1998, submitted to the state treasurer a board resolution
8 waiving any right or interest the district or intermediate district
9 has or may have in any claim or litigation based on or arising out
10 of any claim or potential claim through September 30, 1997 that is
11 or was similar to the claims asserted by the plaintiffs in the
12 consolidated cases known as Durant v State of Michigan. The waiver
13 resolution shall be in form and substance as required under
14 subsection (7). The state treasurer is authorized to accept such a
15 waiver resolution on behalf of this state. The amounts described in
16 this subsection represent offers of settlement and compromise of
17 any claim or claims that were or could have been asserted by these
18 districts and intermediate districts, as described in this
19 subsection.

20 (2) In addition to any other money appropriated under this
21 act, there was appropriated from the state school aid fund an
22 amount not to exceed \$1,700,000.00 for the fiscal year ending
23 September 30, 1999. This appropriation was for paying the amounts
24 described in this subsection to districts and intermediate
25 districts that were not plaintiffs in the consolidated cases known
26 as Durant v State of Michigan; that, on or before March 2, 1998,
27 submitted to the state treasurer a board resolution waiving any

1 right or interest the district or intermediate district had or may
2 have had in any claim or litigation based on or arising out of any
3 claim or potential claim through September 30, 1997 that is or was
4 similar to the claims asserted by the plaintiffs in the
5 consolidated cases known as Durant v State of Michigan; and for
6 which the total amount listed in section 11h and paid under this
7 section was less than \$75,000.00. For a district or intermediate
8 district qualifying for a payment under this subsection, the entire
9 amount listed for the district or intermediate district in section
10 11h was paid in a lump sum on November 15, 1998 or on the next
11 business day following that date. The amounts paid under this
12 subsection represent offers of settlement and compromise of any
13 claim or claims that were or could have been asserted by these
14 districts and intermediate districts, as described in this
15 subsection.

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

25 (4) The amount paid each fiscal year to each district or
26 intermediate district under subsection (1) shall be 1/20 of the
27 total amount listed in section 11h for each listed district or

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

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

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

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

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

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

24 Whereas, the district (or intermediate district) agrees to
25 settle and compromise these claims for the consideration described
26 in sections 11f and 11g of the state school aid act of 1979, 1979
27 PA 94, MCL 388.1611f and 388.1611g, and in the amount specified for

1 the district (or intermediate district) in section 11h of the state
2 school aid act of 1979, 1979 PA 94, MCL 388.1611h.

3 Whereas, the board of _____ (name of district or
4 intermediate district) is authorized to adopt this resolution.

5 Now, therefore, be it resolved as follows:

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

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

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

1 litigated in any forum.

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

9 Sec. 11g. (1) From the ~~general fund appropriation~~
10 **APPROPRIATIONS** in section 11, there is allocated **FOR THIS SECTION**
11 an amount not to exceed ~~\$141,000.00~~ **\$35,000,000.00** for the fiscal
12 year ending September 30, ~~2005~~ **2006**. There is allocated **FOR THIS**
13 **SECTION** an amount not to exceed \$35,000,000.00 for each succeeding
14 fiscal year through the fiscal year ending September 30, 2013.
15 Payments under this section will cease after September 30, 2013.
16 These allocations are for paying the amounts described in
17 subsection (3) to districts and intermediate districts, other than
18 those receiving a lump sum payment under section 11f(2), that were
19 not plaintiffs in the consolidated cases known as Durant v State of
20 Michigan, Michigan supreme court docket no. 104458-104492 and that,
21 on or before March 2, 1998, submitted to the state treasurer a
22 waiver resolution described in section 11f. The amounts paid under
23 this section represent offers of settlement and compromise of any
24 claim or claims that were or could have been asserted by these
25 districts and intermediate districts, as described in this section.
26 (2) This section does not create any obligation or liability
27 of this state to any district or intermediate district that does

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

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

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

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

25 (4) The entire amount of each payment under this section each
26 fiscal year shall be paid on May 15 of the applicable fiscal year
27 or on the next business day following that date. If a district or

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

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

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

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

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

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

25 Sec. 11j. From the appropriation in section 11, there is
26 allocated an amount not to exceed ~~-\$41,100,000.00~~ **\$44,500,000.00**
27 for ~~2004-2005~~ **2005-2006** for payments to the school loan bond

1 redemption fund in the department of treasury on behalf of
2 districts and intermediate districts. Notwithstanding section 11 or
3 any other provision of this act, funds allocated under this section
4 are not subject to proration and shall be paid in full.

5 Sec. 20. (1) For 2003-2004 and for 2004-2005, the basic
6 foundation allowance is \$6,700.00 per membership pupil. **FOR 2005-**
7 **2006, THE BASIC FOUNDATION ALLOWANCE IS \$6,767.00.**

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

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

15 (a) Except as otherwise provided in this subsection, for a
16 district that in the immediately preceding state fiscal year had a
17 foundation allowance in an amount at least equal to the amount of
18 the basic foundation allowance for the immediately preceding state
19 fiscal year, the district shall receive a foundation allowance in
20 an amount equal to the sum of the district's foundation allowance
21 for the immediately preceding state fiscal year plus the dollar
22 amount of the adjustment from the immediately preceding state
23 fiscal year to the current state fiscal year in the basic
24 foundation allowance. However, for 2002-2003, the foundation
25 allowance for a district under this subdivision is an amount equal
26 to the sum of the district's foundation allowance for the
27 immediately preceding state fiscal year plus \$200.00.

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

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

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

8 (E) FOR 2005-2006, A DISTRICT'S FOUNDATION ALLOWANCE IS AS
9 FOLLOWS:

10 (i) IF THE DISTRICT'S FOUNDATION ALLOWANCE FOR 2004-2005 WAS
11 \$6,900.00 OR LESS, THE DISTRICT'S FOUNDATION ALLOWANCE FOR 2005-
12 2006 IS AN AMOUNT EQUAL TO THE SUM OF THE DISTRICT'S FOUNDATION
13 ALLOWANCE FOR 2004-2005 PLUS 1% OF THE DISTRICT'S FOUNDATION
14 ALLOWANCE FOR 2004-2005.

15 (ii) IF THE DISTRICT'S FOUNDATION ALLOWANCE FOR 2004-2005 WAS
16 GREATER THAN \$6,900.00, THE DISTRICT'S FOUNDATION ALLOWANCE FOR
17 2005-2006 IS AN AMOUNT EQUAL TO THE GREATER OF THE SUM OF THE
18 DISTRICT'S FOUNDATION ALLOWANCE FOR 2004-2005 PLUS 0.5% OF THE
19 DISTRICT'S FOUNDATION ALLOWANCE FOR 2004-2005, OR \$6,969.00.

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

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

1 amount equal to the dollar amount of the difference between the
2 basic foundation allowance for the current state fiscal year and
3 \$5,000.00, minus \$200.00.

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

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

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

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

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

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

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

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

1 on property that is not a principal residence or qualified
2 agricultural property, the amount calculated under this subsection
3 will be reduced by the same percentage as the millage actually
4 levied compares to the 18 mills or the number of mills levied in
5 1993, whichever is less.

6 (10) Subject to subsection (4), for a district that is formed
7 or reconfigured after June 1, 2002 by consolidation of 2 or more
8 districts or by annexation, the resulting district's foundation
9 allowance under this section beginning after the effective date of
10 the consolidation or annexation shall be the average of the
11 foundation allowances of each of the original or affected
12 districts, calculated as provided in this section, weighted as to
13 the percentage of pupils in total membership in the resulting
14 district who reside in the geographic area of each of the original
15 or affected districts. The calculation under this subsection shall
16 take into account a district's per pupil allocation under section
17 20j(2).

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

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

25 (13) To assist the legislature in determining the basic
26 foundation allowance for the subsequent state fiscal year, each
27 revenue estimating conference conducted under section 367b of the

1 management and budget act, 1984 PA 431, MCL 18.1367b, shall
2 calculate a pupil membership factor, a revenue adjustment factor,
3 and an index as follows:

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

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

1 determined at the revenue estimating conference, the principals of
2 the revenue estimating conference shall report their estimates to
3 the house and senate subcommittees responsible for school aid
4 appropriations not later than 7 days after the conclusion of the
5 revenue conference.

6 (c) The index shall be calculated by multiplying the pupil
7 membership factor by the revenue adjustment factor. However, for
8 2004-2005, the index shall be 1.00. If a consensus index is not
9 determined at the revenue estimating conference, the principals of
10 the revenue estimating conference shall report their estimates to
11 the house and senate subcommittees responsible for school aid
12 appropriations not later than 7 days after the conclusion of the
13 revenue conference.

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

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

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

1 an amount equal to the dollar amount of the difference between the
2 basic foundation allowance for the current state fiscal year and
3 \$5,000.00, minus \$200.00, plus a room and board stipend not to
4 exceed \$10.00 per school day for each pupil in grades 9 to 12
5 educated in another district, as approved by the department.

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

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

27 (19) For a district that received a grant under former section

1 32e for 2001-2002, the district's foundation allowance for 2002-
2 2003 and each succeeding fiscal year shall be adjusted to be an
3 amount equal to the sum of the district's foundation allowance, as
4 otherwise calculated under this section, plus the quotient of 100%
5 of the amount of the grant award to the district for 2001-2002
6 under former section 32e divided by the number of pupils in the
7 district's membership for 2001-2002 who were residents of and
8 enrolled in the district. Except as otherwise provided in this
9 subsection, a district qualifying for a foundation allowance
10 adjustment under this subsection shall use the funds resulting from
11 this adjustment for at least 1 of grades K to 3 for purposes
12 allowable under former section 32e as in effect for 2001-2002. For
13 an individual school or schools operated by a district qualifying
14 for a foundation allowance under this subsection that have been
15 determined by the department to meet the adequate yearly progress
16 standards of the federal no child left behind act of 2001, Public
17 Law 107-110, in both mathematics and English language arts at all
18 applicable grade levels for all applicable subgroups, the district
19 may submit to the department an application for flexibility in
20 using the funds resulting from this adjustment that are
21 attributable to the pupils in the school or schools. The
22 application shall identify the affected school or schools and the
23 affected funds and shall contain a plan for using the funds for
24 specific purposes identified by the district that are designed to
25 reduce class size, but that may be different from the purposes
26 otherwise allowable under this subsection. The department shall
27 approve the application if the department determines that the

1 purposes identified in the plan are reasonably designed to reduce
2 class size. If the department does not act to approve or disapprove
3 an application within 30 days after it is submitted to the
4 department, the application is considered to be approved. If an
5 application for flexibility in using the funds is approved, the
6 district may use the funds identified in the application for any
7 purpose identified in the plan.

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

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

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

1 (23) As used in this section:

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

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

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

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

13 (e) "Local school operating revenue" means school operating
14 taxes levied under section 1211 of the revised school code, MCL
15 380.1211.

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

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

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

25 (i) "School operating purposes" means the purposes included in
26 the operation costs of the district as prescribed in sections 7 and
27 18.

1 (j) "School operating taxes" means local ad valorem property
2 taxes levied under section 1211 of the revised school code, MCL
3 380.1211, and retained for school operating purposes.

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

9 Sec. 20j. (1) Foundation allowance supplemental payments for
10 ~~2004-2005~~ **2005-2006** to districts that in the 1994-95 state fiscal
11 year had a foundation allowance greater than \$6,500.00 shall be
12 calculated under this section.

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

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

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

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

14 Sec. 22a. (1) From the appropriation in section 11, there is
15 allocated an amount not to exceed ~~-\$6,765,300,000.00 for 2003-2004~~
16 ~~and an amount not to exceed \$6,678,977,800.00 for 2004-2005~~
17 **\$6,472,000,000.00 FOR 2005-2006** for payments to districts,
18 qualifying university schools, and qualifying public school
19 academies to guarantee each district, qualifying university school,
20 and qualifying public school academy an amount equal to its 1994-95
21 total state and local per pupil revenue for school operating
22 purposes under section 11 of article IX of the state constitution
23 of 1963. Pursuant to section 11 of article IX of the state
24 constitution of 1963, this guarantee does not apply to a district
25 in a year in which the district levies a millage rate for school
26 district operating purposes less than it levied in 1994. However,
27 subsection (2) applies to calculating the payments under this

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

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

11 (a) Except as otherwise provided in this subsection, the state
12 portion of a district's 1994-95 foundation allowance is an amount
13 equal to the district's 1994-95 foundation allowance or \$6,500.00,
14 whichever is less, minus the difference between the product of the
15 taxable value per membership pupil of all property in the district
16 that is not a homestead or qualified agricultural property times
17 the lesser of 18 mills or the number of mills of school operating
18 taxes levied by the district in 1993-94 and the quotient of the ad
19 valorem property tax revenue of the district captured under 1975 PA
20 197, MCL 125.1651 to 125.1681, the tax increment finance authority
21 act, 1980 PA 450, MCL 125.1801 to 125.1830, the local development
22 financing act, 1986 PA 281, MCL 125.2151 to 125.2174, or the
23 brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651
24 to 125.2672, divided by the district's membership. For a district
25 that has a millage reduction required under section 31 of article
26 IX of the state constitution of 1963, the state portion of the
27 district's foundation allowance shall be calculated as if that

1 reduction did not occur.

2 (b) For a district that had a 1994-95 foundation allowance
3 greater than \$6,500.00, the state payment under this subsection
4 shall be the sum of the amount calculated under subdivision (a)
5 plus the amount calculated under this subdivision. The amount
6 calculated under this subdivision shall be equal to the difference
7 between the district's 1994-95 foundation allowance minus \$6,500.00
8 and the current year hold harmless school operating taxes per
9 pupil. If the result of the calculation under subdivision (a) is
10 negative, the negative amount shall be an offset against any state
11 payment calculated under this subdivision. If the result of a
12 calculation under this subdivision is negative, there shall not be
13 a state payment or a deduction under this subdivision. The taxable
14 values per membership pupil used in the calculations under this
15 subdivision are as adjusted by ad valorem property tax revenue
16 captured under 1975 PA 197, MCL 125.1651 to 125.1681, the tax
17 increment finance authority act, 1980 PA 450, MCL 125.1801 to
18 125.1830, the local development financing act, 1986 PA 281, MCL
19 125.2151 to 125.2174, or the brownfield redevelopment financing
20 act, 1996 PA 381, MCL 125.2651 to 125.2672, divided by the
21 district's membership.

22 (3) Beginning in 2003-2004, for pupils in membership in a
23 qualifying public school academy or qualifying university school,
24 there is allocated under this section to the authorizing body that
25 is the fiscal agent for the qualifying public school academy for
26 forwarding to the qualifying public school academy, or to the board
27 of the public university operating the qualifying university

1 school, an amount equal to the 1994-95 per pupil payment to the
2 qualifying public school academy or qualifying university school
3 under section 20.

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

9 (5) For a district that is formed or reconfigured after June
10 1, 2000 by consolidation of 2 or more districts or by annexation,
11 the resulting district's 1994-95 foundation allowance under this
12 section beginning after the effective date of the consolidation or
13 annexation shall be the average of the 1994-95 foundation
14 allowances of each of the original or affected districts,
15 calculated as provided in this section, weighted as to the
16 percentage of pupils in total membership in the resulting district
17 in the state fiscal year in which the consolidation takes place who
18 reside in the geographic area of each of the original districts. If
19 an affected district's 1994-95 foundation allowance is less than
20 the 1994-95 basic foundation allowance, the amount of that
21 district's 1994-95 foundation allowance shall be considered for the
22 purpose of calculations under this subsection to be equal to the
23 amount of the 1994-95 basic foundation allowance.

24 (6) As used in this section:

25 (a) "1994-95 foundation allowance" means a district's 1994-95
26 foundation allowance calculated and certified by the department of
27 treasury or the superintendent under former section 20a as enacted

1 in 1993 PA 336 and as amended by 1994 PA 283.

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

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

8 (d) "Hold harmless millage" means, for a district with a 1994-
9 95 foundation allowance greater than \$6,500.00, the number of mills
10 by which the exemption from the levy of school operating taxes on a
11 homestead and qualified agricultural property could be reduced as
12 provided in section 1211(1) of the revised school code, MCL
13 380.1211, and the number of mills of school operating taxes that
14 could be levied on all property as provided in section 1211(2) of
15 the revised school code, MCL 380.1211, as certified by the
16 department of treasury for the 1994 tax year.

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

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

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

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

27 (i) "Qualifying university school" means a university school

1 that was in operation in the 1994-95 school year and is in
2 operation in the current fiscal year.

3 (j) "School operating taxes" means local ad valorem property
4 taxes levied under section 1211 of the revised school code, MCL
5 380.1211, and retained for school operating purposes.

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

8 (i) For the number of mills by which the exemption from the
9 levy of school operating taxes on a homestead and qualified
10 agricultural property may be reduced as provided in section 1211(1)
11 of the revised school code, MCL 380.1211, the taxable value of
12 homestead and qualified agricultural property for the calendar year
13 ending in the current state fiscal year.

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

19 Sec. 22b. (1) From the appropriation in section 11, there is
20 allocated an amount not to exceed ~~-\$2,910,300,000.00 for 2004-2005~~
21 **\$3,011,600,000.00 FOR 2005-2006** for discretionary nonmandated
22 payments to districts under this section. Funds allocated under
23 this section that are not expended in the state fiscal year for
24 which they were allocated, as determined by the department, may be
25 used to supplement the allocations under sections 22a and 51c in
26 order to fully fund those calculated allocations for the same
27 fiscal year.

1 (2) Subject to subsection (3) and section 11, the allocation
2 to a district under this section shall be an amount equal to the
3 sum of the amounts calculated under sections 20, 20j, 51a(2),
4 51a(3), and 51a(12), minus the sum of the allocations to the
5 district under sections 22a and 51c.

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

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

23 (5) It is the intent of the legislature that all
24 constitutional obligations of this state have been fully funded
25 under sections 22a, 31d, 51a, and 51c. If a claim is made by an
26 entity receiving funds under this act that challenges the
27 legislative determination of the adequacy of this funding or

1 alleges that there exists an unfunded constitutional requirement,
2 the state budget director may escrow or allocate from the
3 discretionary funds for nonmandated payments under this section the
4 amount as may be necessary to satisfy the claim before making any
5 payments to districts under subsection (2). If funds are escrowed,
6 the escrowed funds are a work project appropriation and the funds
7 are carried forward into the following fiscal year. The purpose of
8 the work project is to provide for any payments that may be awarded
9 to districts as a result of litigation. The work project shall be
10 completed upon resolution of the litigation.

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

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

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

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

23 Sec. 22d. (1) From the amount allocated under section 22b, an
24 amount not to exceed \$750,000.00 is allocated **FOR 2005-2006** for
25 additional payments to small, geographically isolated districts
26 under this section.

27 (2) To be eligible for a payment under this section, a

1 district shall meet all of the following:

2 (a) Operates grades K to 12.

3 (b) Has fewer than 250 pupils in membership.

4 (c) Each school building operated by the district meets at
5 least 1 of the following:

6 (i) Is located in the Upper Peninsula at least 30 miles from
7 any other public school building.

8 (ii) Is located on an island that is not accessible by bridge.

9 (3) The amount of the additional funding to each eligible
10 district under this section shall be determined under a spending
11 plan developed as provided in this subsection and approved by the
12 superintendent of public instruction. The spending plan shall be
13 developed cooperatively by the intermediate superintendents of each
14 intermediate district in which an eligible district is located. The
15 intermediate superintendents shall review the financial situation
16 of each eligible district, determine the minimum essential
17 financial needs of each eligible district, and develop and agree on
18 a spending plan that distributes the available funding under this
19 section to the eligible districts based on those financial needs.
20 The intermediate superintendents shall submit the spending plan to
21 the superintendent of public instruction for approval. Upon
22 approval by the superintendent of public instruction, the amounts
23 specified for each eligible district under the spending plan are
24 allocated under this section and shall be paid to the eligible
25 districts in the same manner as payments under section 22b.

26 Sec. 24. (1) Subject to subsection (2), from the appropriation
27 in section 11, there is allocated for ~~2004-2005~~ **2005-2006** to the

educating district or intermediate district an amount equal to 100% of the added cost each fiscal year for educating all pupils assigned by a court or the family independence agency to reside in or to attend a juvenile detention facility or child caring institution licensed by the family independence agency and approved by the department to provide an on-grounds education program. The total amount to be paid under this section for added cost shall not exceed \$8,000,000.00 for ~~2004-2005~~ **2005-2006**. For the purposes of this section, "added cost" shall be computed by deducting all other revenue received under this act for pupils described in this section from total costs, as approved by the department, in whole or in part, for educating those pupils in the on-grounds education program or in a program approved by the department that is located on property adjacent to a juvenile detention facility or child caring institution. Costs reimbursed by federal funds are not included. For a particular fiscal year, for an on-grounds education program or a program located on property adjacent to a juvenile detention facility or child caring institution that was not in existence at the time the allocations under this section were approved, the department shall give approval for only that portion of the educating district's or intermediate district's total costs that will not prevent the allocated amounts under this section from first being applied to 100% of the added cost of the programs that were in existence at the time the preliminary allocations under this section were approved for that fiscal year.

(2) A district or intermediate district educating pupils described in this section at a residential child caring institution

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

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

10 Sec. 26a. From the general fund appropriation in section 11,
11 there is allocated an amount not to exceed ~~-\$36,200,000.00~~
12 **\$11,300,000.00, AND FROM THE STATE SCHOOL AID FUND APPROPRIATION IN**
13 **SECTION 11, THERE IS ALLOCATED AN AMOUNT NOT TO EXCEED**
14 **\$33,700,000.00, for ~~2004-2005~~ 2005-2006** to reimburse districts,
15 intermediate districts, and the state school aid fund pursuant to
16 section 12 of the Michigan renaissance zone act, 1996 PA 376, MCL
17 125.2692, for taxes levied in ~~2004~~ **2005** or for payments to
18 districts as reimbursement for interest paid as a result of
19 property tax refunds. The allocations shall be made not later than
20 60 days after the department of treasury certifies to the
21 department and to the state budget director that the department of
22 treasury has received all necessary information to properly
23 determine the amounts due to each eligible recipient.

24 **SEC. 26B. (1) BEGINNING IN 2005-2006, THERE IS ALLOCATED FROM**
25 **THE APPROPRIATIONS IN SECTION 11 AN AMOUNT NOT TO EXCEED**
26 **\$2,400,000.00 FOR PAYMENTS TO DISTRICTS, INTERMEDIATE DISTRICTS,**
27 **AND COMMUNITY COLLEGE DISTRICTS FOR THE PORTION OF THE PAYMENT IN**

1 LIEU OF TAXES OBLIGATION THAT IS ATTRIBUTABLE TO DISTRICTS,
2 INTERMEDIATE DISTRICTS, AND COMMUNITY COLLEGE DISTRICTS PURSUANT TO
3 SECTION 2154 OF THE NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION
4 ACT, 1994 PA 451, MCL 324.2154.

5 (2) IF THE AMOUNT APPROPRIATED UNDER THIS SECTION IS NOT
6 SUFFICIENT TO FULLY PAY OBLIGATIONS UNDER THIS SECTION, PAYMENTS
7 SHALL BE PRORATED ON AN EQUAL BASIS AMONG ALL ELIGIBLE DISTRICTS,
8 INTERMEDIATE DISTRICTS, AND COMMUNITY COLLEGE DISTRICTS.

9 Sec. 31a. (1) From the money appropriated in section 11, there
10 is allocated for ~~2004-2005~~ 2005-2006 an amount not to exceed
11 \$314,200,000.00 for payments to eligible districts and eligible
12 public school academies under this section. Subject to subsection
13 (12), the amount of the additional allowance under this section
14 shall be based on the number of actual pupils in membership in the
15 district or public school academy who met the income eligibility
16 criteria for free breakfast, lunch, or milk in the immediately
17 preceding state fiscal year, as determined under the Richard B.
18 Russell national school lunch act, 42 USC 1751 to 1769h, and
19 reported to the department by October 31 of the immediately
20 preceding fiscal year and adjusted not later than December 31 of
21 the immediately preceding fiscal year. However, for a public school
22 academy that began operations as a public school academy after the
23 pupil membership count day of the immediately preceding school
24 year, the basis for the additional allowance under this section
25 shall be the number of actual pupils in membership in the public
26 school academy who met the income eligibility criteria for free
27 breakfast, lunch, or milk in the current state fiscal year, as

1 determined under the Richard B. Russell national school lunch act.

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

8 (a) The sum of the district's or public school academy's
9 combined state and local revenue per membership pupil in the
10 current state fiscal year, as calculated under section 20, plus the
11 amount of the district's per pupil allocation under section 20j(2),
12 is less than or equal to \$6,500.00 adjusted by the dollar amount of
13 the difference between the basic foundation allowance under section
14 20 for the current state fiscal year and \$5,000.00, minus \$200.00.

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

19 (3) Except as otherwise provided in this subsection, an
20 eligible district or eligible public school academy shall receive
21 under this section for each membership pupil in the district or
22 public school academy who met the income eligibility criteria for
23 free breakfast, lunch, or milk, as determined under the Richard B.
24 Russell national school lunch act and as reported to the department
25 by October 31 of the immediately preceding fiscal year and adjusted
26 not later than December 31 of the immediately preceding fiscal
27 year, an amount per pupil equal to 11.5% of the sum of the

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

20 (4) Except as otherwise provided in this section, a district
21 or public school academy receiving funding under this section shall
22 use that money only to provide instructional programs and direct
23 noninstructional services, including, but not limited to, medical
24 or counseling services, for at-risk pupils; for school health
25 clinics; and for the purposes of subsection (5) or (6). In
26 addition, a district that is organized as a school district of the
27 first class under the revised school code or a district or public

1 school academy in which at least 50% of the pupils in membership
2 met the income eligibility criteria for free breakfast, lunch, or
3 milk in the immediately preceding state fiscal year, as determined
4 and reported as described in subsection (1), may use not more than
5 10% of the funds it receives under this section for school
6 security. A district or public school academy shall not use any of
7 that money for administrative costs or to supplant another program
8 or other funds, except for funds allocated to the district or
9 public school academy under this section in the immediately
10 preceding year and already being used by the district or public
11 school academy for at-risk pupils. The instruction or direct
12 noninstructional services provided under this section may be
13 conducted before or after regular school hours or by adding extra
14 school days to the school year and may include, but are not limited
15 to, tutorial services, early childhood programs to serve children
16 age 0 to 5, and reading programs as described in former section 32f
17 as in effect for 2001-2002. A tutorial method may be conducted with
18 paraprofessionals working under the supervision of a certificated
19 teacher. The ratio of pupils to paraprofessionals shall be between
20 10:1 and 15:1. Only 1 certificated teacher is required to supervise
21 instruction using a tutorial method. As used in this subsection,
22 "to supplant another program" means to take the place of a
23 previously existing instructional program or direct
24 noninstructional services funded from a funding source other than
25 funding under this section.

26 (5) Except as otherwise provided in subsection (11), a
27 district or public school academy that receives funds under this

1 section and that operates a school breakfast program under section
2 1272a of the revised school code, MCL 380.1272a, shall use from the
3 funds received under this section an amount, not to exceed \$10.00
4 per pupil for whom the district or public school academy receives
5 funds under this section, necessary to operate the school breakfast
6 program.

7 (6) From the funds allocated under subsection (1), there is
8 allocated for 2004-2005 an amount not to exceed \$3,743,000.00 to
9 support teen health centers. These grants shall be awarded for 3
10 consecutive years beginning with 2003-2004 in a form and manner
11 approved jointly by the department and the department of community
12 health. Each grant recipient shall remain in compliance with the
13 terms of the grant award or shall forfeit the grant award for the
14 duration of the 3-year period after the noncompliance. Beginning in
15 2004-2005, to continue to receive funding for a teen health center
16 under this section a grant recipient shall ensure that the teen
17 health center has an advisory committee and that at least one-third
18 of the members of the advisory committee are parents or legal
19 guardians of school-aged children. A teen health center program
20 shall recognize the role of a child's parents or legal guardian in
21 the physical and emotional well-being of the child. If any funds
22 allocated under this subsection are not used for the purposes of
23 this subsection for the fiscal year in which they are allocated,
24 those unused funds shall be used that fiscal year to avoid or
25 minimize any proration that would otherwise be required under
26 subsection (12) for that fiscal year.

27 (7) Each district or public school academy receiving funds

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

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

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

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

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

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

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

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

24 (13) If a district is formed by consolidation after June 1,
25 1995, and if 1 or more of the original districts was not eligible
26 before the consolidation for an additional allowance under this
27 section, the amount of the additional allowance under this section

1 for the consolidated district shall be based on the number of
2 pupils described in subsection (1) enrolled in the consolidated
3 district who reside in the territory of an original district that
4 was eligible before the consolidation for an additional allowance
5 under this section.

6 (14) A district or public school academy that does not meet
7 the eligibility requirement under subsection (2)(a) is eligible for
8 funding under this section if at least 1/4 of the pupils in
9 membership in the district or public school academy met the income
10 eligibility criteria for free breakfast, lunch, or milk in the
11 immediately preceding state fiscal year, as determined and reported
12 as described in subsection (1), and at least 4,500 of the pupils in
13 membership in the district or public school academy met the income
14 eligibility criteria for free breakfast, lunch, or milk in the
15 immediately preceding state fiscal year, as determined and reported
16 as described in subsection (1). A district or public school academy
17 that is eligible for funding under this section because the
18 district meets the requirements of this subsection shall receive
19 under this section for each membership pupil in the district or
20 public school academy who met the income eligibility criteria for
21 free breakfast, lunch, or milk in the immediately preceding fiscal
22 year, as determined and reported as described in subsection (1), an
23 amount per pupil equal to 11.5% of the sum of the district's
24 foundation allowance or public school academy's per pupil
25 allocation under section 20, plus the amount of the district's per
26 pupil allocation under section 20j(2), not to exceed \$6,500.00
27 adjusted by the dollar amount of the difference between the basic

1 foundation allowance under section 20 for the current state fiscal
2 year and \$5,000.00, minus \$200.00.

3 (15) As used in this section, "at-risk pupil" means a pupil
4 for whom the district has documentation that the pupil meets at
5 least 2 of the following criteria: is a victim of child abuse or
6 neglect; is below grade level in English language and communication
7 skills or mathematics; is a pregnant teenager or teenage parent; is
8 eligible for a federal free or reduced-price lunch subsidy; has
9 atypical behavior or attendance patterns; or has a family history
10 of school failure, incarceration, or substance abuse. For pupils
11 for whom the results of at least the applicable Michigan education
12 assessment program (MEAP) test have been received, at-risk pupil
13 also includes a pupil who does not meet the other criteria under
14 this subsection but who did not achieve at least a score of level 2
15 on the most recent MEAP English language arts, mathematics, or
16 science test for which results for the pupil have been received.
17 For pupils for whom the results of the Michigan merit examination
18 have been received, at-risk pupil also includes a pupil who does
19 not meet the other criteria under this subsection but who did not
20 achieve proficiency on the reading component of the most recent
21 Michigan merit examination for which results for the pupil have
22 been received, did not achieve proficiency on the mathematics
23 component of the most recent Michigan merit examination for which
24 results for the pupil have been received, or did not achieve basic
25 competency on the science component of the most recent Michigan
26 merit examination for which results for the pupil have been
27 received. For pupils in grades K-3, at-risk pupil also includes a

1 pupil who is at risk of not meeting the district's core academic
2 curricular objectives in English language arts or mathematics.

3 Sec. 31d. (1) From the appropriations in section 11, there is
4 allocated an amount not to exceed ~~-\$21,095,100.00~~ **\$22,495,100.00**
5 for ~~2004-2005~~ **2005-2006** for the purpose of making payments to
6 districts and other eligible entities under this section.

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

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

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

26 (5) From the federal funds appropriated in section 11, there
27 is allocated for ~~2004-2005~~ **2005-2006** all available federal

1 funding, estimated at ~~-\$286,494,000.00~~ **\$303,684,000.00**, for the
2 national school lunch program and all available federal funding,
3 estimated at \$2,506,000.00, for the emergency food assistance
4 program.

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

8 Sec. 32c. (1) From the general fund appropriation in section
9 11, there is allocated an amount not to exceed \$250,000.00 for
10 ~~2004-2005~~ **2005-2006** to the department for grants for community-
11 based collaborative prevention services designed to promote
12 marriage and foster positive parenting skills; improve parent/child
13 interaction, especially for children 0-3 years of age; promote
14 access to needed community services; increase local capacity to
15 serve families at risk; improve school readiness; and support
16 healthy family environments that discourage alcohol, tobacco, and
17 other drug use. The allocation under this section is to fund
18 secondary prevention programs as defined by the children's trust
19 fund for the prevention of child abuse and neglect.

20 (2) The funds allocated under subsection (1) shall be
21 distributed through a joint request for proposals process
22 established by the department in conjunction with the children's
23 trust fund and the state's interagency systems reform workgroup.
24 Projects funded with grants awarded under this section shall meet
25 all of the following:

26 (a) Be secondary prevention initiatives and voluntary to
27 consumers. This appropriation is not intended to serve the needs of

1 children for whom and families in which neglect or abuse has been
2 substantiated.

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

6 (c) Provide a 25% local match, of which not more than 10% may
7 be in-kind services, unless this requirement is waived by the
8 interagency systems reform workgroup.

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

11 (4) Not later than January 30 of the next fiscal year, the
12 department shall prepare and submit to the governor and the
13 legislature an annual report of outcomes achieved by the providers
14 of the community-based collaborative prevention services funded
15 under this section for a fiscal year.

16 Sec. 32d. (1) From the state school aid fund money
17 appropriated under section 11, there is allocated an amount not to
18 exceed \$72,600,000.00 for ~~2004-2005~~ **2005-2006** for school
19 readiness or preschool and parenting program grants to enable
20 eligible districts, as determined under section 37, to develop or
21 expand, in conjunction with whatever federal funds may be
22 available, including, but not limited to, federal funds under title
23 I of the elementary and secondary education act of 1965, 20 USC
24 6301 to 6578, chapter 1 of title I of the Hawkins-Stafford
25 elementary and secondary school improvement amendments of 1988,
26 Public Law 100-297, and the head start act, 42 USC 9831 to 9852a,
27 comprehensive compensatory programs designed to do 1 or both of the

1 following:

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

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

11 (2) A comprehensive compensatory program funded under this
12 section may include an age-appropriate educational curriculum,
13 nutritional services, health screening for participating children,
14 a plan for parent and legal guardian involvement, and provision of
15 referral services for families eligible for community social
16 services.

17 (3) In addition to the allocation under subsection (1), from
18 the general fund money allocated under section 11, there is
19 allocated an amount not to exceed \$200,000.00 for ~~2004-2005~~ **2005-**
20 **2006** for a competitive grant to continue a longitudinal evaluation
21 of children who have participated in the Michigan school readiness
22 program.

23 (4) A district receiving a grant under this section may
24 contract for the provision of the comprehensive compensatory
25 program and retain for administrative services an amount equal to
26 not more than 5% of the grant amount.

27 (5) A grant recipient receiving funds under this section shall

1 report to the department no later than October 15 of each year the
2 number of children participating in the program who meet the income
3 or other eligibility criteria specified under section 37(3)(g) and
4 the total number of children participating in the program. For
5 children participating in the program who meet the income or other
6 eligibility criteria specified under section 37(3)(g), grant
7 recipients shall also report whether or not a parent is available
8 to provide care based on employment status. For the purposes of
9 this subsection, "employment status" shall be defined by the family
10 independence agency in a manner consistent with maximizing the
11 amount of spending that may be claimed for temporary assistance for
12 needy families maintenance of effort purposes.

13 Sec. 32j. (1) From the allocation in section 81, there is
14 allocated an amount not to exceed \$3,326,000.00 for ~~2004-2005~~
15 **2005-2006** for great parents, great start grants to intermediate
16 districts to provide programs for parents with preschool children.
17 The purpose of these programs is to encourage early literacy,
18 improve school readiness, reduce the need for special education
19 services, and foster the maintenance of stable families by
20 encouraging positive parenting skills.

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

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

27 (b) Providing parents with methods to enhance parent-child

1 interaction; including, but not limited to, encouraging parents to
2 read to their preschool children at least 1/2 hour per day.

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

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

8 (e) Promoting marriage.

9 (3) To receive a grant under this section, an intermediate
10 district shall submit a plan to the department not later than
11 October 1, ~~2004~~ **2005** in the form and manner prescribed by the
12 department. The plan shall do all of the following in a manner
13 prescribed by the department:

14 (a) Provide a plan for the delivery of the program components
15 described in subsection (2) that provides for educators trained in
16 child development to help parents understand their role in their
17 child's developmental process, thereby promoting school readiness
18 and mitigating the need for special education services.

19 (b) Demonstrate an adequate collaboration of local entities
20 involved in providing programs and services for preschool children
21 and their parents.

22 (c) Provide a projected budget for the program to be funded.
23 The intermediate district shall provide at least a 20% local match
24 from local public or private resources for the funds received under
25 this section. Not more than 1/2 of this matching requirement, up to
26 a total of 10% of the total project budget, may be satisfied
27 through in-kind services provided by participating providers of

1 programs or services. In addition, not more than 10% of the grant
2 may be used for program administration.

3 (4) Each intermediate district receiving a grant under this
4 section shall agree to include a data collection system approved by
5 the department. The data collection system shall provide a report
6 by October 15 of each year on the number of children in families
7 with income below 200% of the federal poverty level that received
8 services under this program and the total number of children who
9 received services under this program.

10 (5) The department or superintendent, as applicable, shall do
11 all of the following:

12 (a) The superintendent shall approve or disapprove the plans
13 and notify the intermediate district of that decision not later
14 than November 15, ~~2004~~ 2005. The amount allocated by each
15 intermediate district shall be at least an amount equal to 3.5% of
16 the intermediate district's 2002-2003 payment under section 81.

17 (b) The department shall ensure that all programs funded under
18 this section utilize the most current validated research-based
19 methods and curriculum for providing the program components
20 described in subsection (2).

21 (c) The department shall submit a report to the state budget
22 director and the senate and house fiscal agencies summarizing the
23 data collection reports described in subsection (4) by December 1
24 of each year.

25 (6) An intermediate district receiving funds under this
26 section shall use the funds only for the program funded under this
27 section. An intermediate district receiving funds under this

1 section may carry over any unexpended funds received under this
2 section to subsequent fiscal years and may expend those unused
3 funds in subsequent fiscal years.

4 Sec. 39a. (1) From the federal funds appropriated in section
5 11, there is allocated for ~~2004-2005~~ **2005-2006** to districts,
6 intermediate districts, and other eligible entities all available
7 federal funding, estimated at ~~-\$637,809,700.00~~ **\$637,552,800.00**,
8 for the federal programs under the no child left behind act of
9 2001, Public Law 107-110. These funds are allocated as follows:

10 (a) An amount estimated at ~~-\$12,095,000.00~~ **\$12,050,500.00** to
11 provide students with drug- and violence-prevention programs and to
12 implement strategies to improve school safety, funded from DED-
13 OESE, drug-free schools and communities funds.

14 (b) An amount estimated at ~~-\$9,520,500.00~~ **\$9,401,400.00** for
15 the purpose of improving teaching and learning through a more
16 effective use of technology, funded from DED-OESE, educational
17 technology state grant funds.

18 (c) An amount estimated at ~~-\$105,565,700.00~~ **\$106,249,200.00**
19 for the purpose of preparing, training, and recruiting high-quality
20 teachers and class size reduction, funded from DED-OESE, improving
21 teacher quality funds.

22 (d) An amount estimated at ~~-\$5,713,700.00~~ **\$7,627,400.00** for
23 programs to teach English to limited English proficient (LEP)
24 children, funded from DED-OESE, language acquisition state grant
25 funds.

26 (e) An amount estimated at \$8,550,000.00 for the Michigan
27 charter school subgrant program, funded from DED-OESE, charter

1 school funds.

2 ~~—— (f) An amount estimated at \$332,700.00 for Michigan model~~
3 ~~partnership for character education programs, funded from DED-OESE,~~
4 ~~title X, fund for improvement of education funds.~~

5 (F) ~~—(g)—~~ An amount estimated at ~~—\$469,900.00—~~ **\$468,700.00** for
6 rural and low income schools, funded from DED-OESE, rural and low
7 income school funds.

8 (G) ~~—(h)—~~ An amount estimated at ~~—\$9,563,000.00—~~ **\$6,231,800.00**
9 to help schools develop and implement comprehensive school reform
10 programs, funded from DED-OESE, title I and title X, comprehensive
11 school reform funds.

12 (H) ~~—(i)—~~ An amount estimated at ~~—\$411,090,000.00~~
13 **\$414,483,600.00** to provide supplemental programs to enable
14 educationally disadvantaged children to meet challenging academic
15 standards, funded from DED-OESE, title I, disadvantaged children
16 funds.

17 (I) ~~—(j)—~~ An amount estimated at ~~—\$6,622,900.00—~~ **\$6,045,200.00**
18 for the purpose of providing unified family literacy programs,
19 funded from DED-OESE, title I, even start funds.

20 (J) ~~—(k)—~~ An amount estimated at ~~—\$8,175,200.00—~~ **\$8,186,200.00**
21 for the purpose of identifying and serving migrant children, funded
22 from DED-OESE, title I, migrant education funds.

23 (K) ~~—(l)—~~ An amount estimated at ~~—\$21,936,600.00~~
24 **\$22,264,800.00** to promote high-quality school reading instruction
25 for grades K-3, funded from DED-OESE, title I, reading first state
26 grant funds.

27 (L) ~~—(m)—~~ An amount estimated at ~~—\$8,582,300.00—~~ **\$5,698,000.00**

1 for the purpose of implementing innovative strategies for improving
2 student achievement, funded from DED-OESE, title VI, innovative
3 strategies funds.

4 (M) ~~—(n)—~~ An amount estimated at ~~—\$29,592,200.00~~
5 \$29,296,000.00 for the purpose of providing high-quality extended
6 learning opportunities, after school and during the summer, for
7 children in low-performing schools, funded from DED-OESE, twenty-
8 first century community learning center funds. Of these funds,
9 \$25,000.00 may be used to support the Michigan after-school
10 partnership. All of the following apply to the Michigan after-
11 school partnership:

12 (i) The department shall collaborate with the Michigan family
13 independence agency to extend the duration of the Michigan after-
14 school initiative, to be renamed the Michigan after-school
15 partnership and oversee its efforts to implement the policy
16 recommendations and strategic next steps identified in the Michigan
17 after-school initiative's report of December 15, 2003.

18 (ii) Funds shall be used to leverage other private and public
19 funding to engage the public and private sectors in building and
20 sustaining high-quality out-of-school-time programs and resources.
21 The co-chairs, representing the department and the Michigan family
22 independence agency, shall name a fiduciary agent and may authorize
23 the fiduciary to expend funds and hire people to accomplish the
24 work of the Michigan after-school partnership.

25 (iii) Participation in the Michigan after-school partnership
26 shall be expanded beyond the membership of the initial Michigan
27 after-school initiative to increase the representation of parents,

1 youth, foundations, employers, and others with experience in
 2 education, child care, after-school and youth development services,
 3 and crime and violence prevention, and to include representation
 4 from the Michigan department of community health. Each year, on or
 5 before December 31, the Michigan after-school partnership shall
 6 report its progress in reaching the recommendations set forth in
 7 the Michigan after-school initiative's report to the legislature
 8 and the governor.

9 **(N) AN AMOUNT ESTIMATED AT \$1,000,000.00 FOR COMMUNITY SERVICE**
 10 **STATE GRANTS, FUNDED FROM DED-OESE, COMMUNITY SERVICE STATE GRANT**
 11 **FUNDS.**

12 (2) From the federal funds appropriated in section 11, there
 13 is allocated for ~~2004-2005~~ **2005-2006** to districts, intermediate
 14 districts, and other eligible entities all available federal
 15 funding, estimated at ~~\$5,427,500.00~~ **\$4,646,400.00**, for the
 16 following programs that are funded by federal grants:

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

20 ~~—— (b) An amount estimated at \$953,500.00 for emergency services~~
 21 ~~to immigrants, funded from DED-OBEMLA, emergency immigrant~~
 22 ~~education assistance funds.~~

23 **(B) —(c)—** An amount estimated at ~~\$1,428,400.00~~ **\$1,500,000.00**
 24 to provide services to homeless children and youth, funded from
 25 DED-OVAE, homeless children and youth funds.

26 **(C) —(d)—** An amount estimated at \$1,000,000.00 for refugee
 27 children school impact grants, funded from HHS-ACF, refugee

1 children school impact funds.

2 (D) ~~—(e)—~~ An amount estimated at \$1,445,600.00 for serve
3 America grants, funded from the corporation for national and
4 community service funds.

5 (E) AN AMOUNT ESTIMATED AT \$100,700.00 TO ENCOURAGE INTERSTATE
6 AND INTRASTATE COORDINATION OF MIGRANT EDUCATION, FUNDED FROM DED-
7 OESE, TITLE I, MIGRANT EDUCATION PROGRAM FUNDS.

8 (3) All federal funds allocated under this section shall be
9 distributed in accordance with federal law and with flexibility
10 provisions outlined in Public Law 107-116, and in the education
11 flexibility partnership act of 1999, Public Law 106-25.

12 Notwithstanding section 17b, payments of federal funds to
13 districts, intermediate districts, and other eligible entities
14 under this section shall be paid on a schedule determined by the
15 department.

16 (4) As used in this section:

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

18 ~~——(b) "DED-OBEMLA" means the DED office of bilingual education~~
19 ~~and minority languages affairs.~~

20 (B) ~~—(e)—~~ "DED-OESE" means the DED office of elementary and
21 secondary education.

22 (C) ~~—(d)—~~ "DED-OVAE" means the DED office of vocational and
23 adult education.

24 (D) ~~—(e)—~~ "HHS" means the United States department of health
25 and human services.

26 (E) ~~—(f)—~~ "HHS-ACF" means the HHS administration for children
27 and families.

1 Sec. 41. From the appropriation in section 11, there is
2 allocated an amount not to exceed \$2,800,000.00 for ~~2004-2005~~
3 **2005-2006** to applicant districts and intermediate districts
4 offering programs of instruction for pupils of limited English-
5 speaking ability under section 1153 of the revised school code, MCL
6 380.1153. Reimbursement shall be on a per pupil basis and shall be
7 based on the number of pupils of limited English-speaking ability
8 in membership on the pupil membership count day. Funds allocated
9 under this section shall be used solely for instruction in
10 speaking, reading, writing, or comprehension of English. A pupil
11 shall not be counted under this section or instructed in a program
12 under this section for more than 3 years.

13 Sec. 41a. From the federal funds appropriated in section 11,
14 there is allocated an amount estimated at \$1,232,100.00 for ~~2004-~~
15 ~~2005-~~ **2005-2006** from the United States department of education -
16 office of elementary and secondary education, language acquisition
17 state grant funds, to districts and intermediate districts offering
18 programs of instruction for pupils of limited English-speaking
19 ability.

20 Sec. 51a. (1) From the appropriation in section 11, there is
21 allocated for ~~2004-2005-~~ **2005-2006** an amount not to exceed
22 ~~\$905,683,000.00-~~ **\$960,383,000.00** from state sources and all
23 available federal funding under sections 611 to 619 of part B of
24 the individuals with disabilities education act, 20 USC 1411 to
25 1419, estimated at ~~-\$329,850,000.00-~~ **\$345,850,000.00** plus any
26 carryover federal funds from previous year appropriations. The
27 allocations under this subsection are for the purpose of

1 reimbursing districts and intermediate districts for special
2 education programs, services, and special education personnel as
3 prescribed in article 3 of the revised school code, MCL 380.1701 to
4 380.1766; net tuition payments made by intermediate districts to
5 the Michigan schools for the deaf and blind; and special education
6 programs and services for pupils who are eligible for special
7 education programs and services according to statute or rule. For
8 meeting the costs of special education programs and services not
9 reimbursed under this article, a district or intermediate district
10 may use money in general funds or special education funds, not
11 otherwise restricted, or contributions from districts to
12 intermediate districts, tuition payments, gifts and contributions
13 from individuals, or federal funds that may be available for this
14 purpose, as determined by the intermediate district plan prepared
15 pursuant to article 3 of the revised school code, MCL 380.1701 to
16 380.1766. All federal funds allocated under this section in excess
17 of those allocated under this section for 2002-2003 may be
18 distributed in accordance with the flexible funding provisions of
19 the individuals with disabilities education act, title VI of Public
20 Law 91-230, including, but not limited to, 34 CFR 300.234 and
21 300.235. Notwithstanding section 17b, payments of federal funds to
22 districts, intermediate districts, and other eligible entities
23 under this section shall be paid on a schedule determined by the
24 department.

25 (2) From the funds allocated under subsection (1), there is
26 allocated for ~~2004-2005~~ **2005-2006** the amount necessary, estimated
27 at ~~\$168,900,000.00~~ **\$188,500,000.00** for ~~2003-2004~~ **2005-2006**, for

1 payments toward reimbursing districts and intermediate districts
2 for 28.6138% of total approved costs of special education,
3 excluding costs reimbursed under section 53a, and 70.4165% of total
4 approved costs of special education transportation. Allocations
5 under this subsection shall be made as follows:

6 (a) The initial amount allocated to a district under this
7 subsection toward fulfilling the specified percentages shall be
8 calculated by multiplying the district's special education pupil
9 membership, excluding pupils described in subsection (12), times
10 the sum of the foundation allowance under section 20 of the pupil's
11 district of residence plus the amount of the district's per pupil
12 allocation under section 20j(2), not to exceed \$6,500.00 adjusted
13 by the dollar amount of the difference between the basic foundation
14 allowance under section 20 for the current fiscal year and
15 \$5,000.00 minus \$200.00, or, for a special education pupil in
16 membership in a district that is a public school academy or
17 university school, times an amount equal to the amount per
18 membership pupil calculated under section 20(6). For an
19 intermediate district, the amount allocated under this subdivision
20 toward fulfilling the specified percentages shall be an amount per
21 special education membership pupil, excluding pupils described in
22 subsection (12), and shall be calculated in the same manner as for
23 a district, using the foundation allowance under section 20 of the
24 pupil's district of residence, not to exceed \$6,500.00 adjusted by
25 the dollar amount of the difference between the basic foundation
26 allowance under section 20 for the current fiscal year and
27 \$5,000.00 minus \$200.00, and that district's per pupil allocation

1 under section 20j(2).

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

7 (3) From the funds allocated under subsection (1), there is
8 allocated for ~~2004-2005~~ **2005-2006** the amount necessary, estimated
9 at ~~\$2,400,000.00~~ **\$1,900,000.00**, to make payments to districts and
10 intermediate districts under this subsection. If the amount
11 allocated to a district or intermediate district for a fiscal year
12 under subsection (2)(b) is less than the sum of the amounts
13 allocated to the district or intermediate district for 1996-97
14 under sections 52 and 58, there is allocated to the district or
15 intermediate district for the fiscal year an amount equal to that
16 difference, adjusted by applying the same proration factor that was
17 used in the distribution of funds under section 52 in 1996-97 as
18 adjusted to the district's or intermediate district's necessary
19 costs of special education used in calculations for the fiscal
20 year. This adjustment is to reflect reductions in special education
21 program operations between 1996-97 and subsequent fiscal years.
22 Adjustments for reductions in special education program operations
23 shall be made in a manner determined by the department and shall
24 include adjustments for program shifts.

25 (4) If the department determines that the sum of the amounts
26 allocated for a fiscal year to a district or intermediate district
27 under subsection (2)(a) and (b) is not sufficient to fulfill the

1 specified percentages in subsection (2), then the shortfall shall
2 be paid to the district or intermediate district during the fiscal
3 year beginning on the October 1 following the determination and
4 payments under subsection (3) shall be adjusted as necessary. If
5 the department determines that the sum of the amounts allocated for
6 a fiscal year to a district or intermediate district under
7 subsection (2)(a) and (b) exceeds the sum of the amount necessary
8 to fulfill the specified percentages in subsection (2), then the
9 department shall deduct the amount of the excess from the
10 district's or intermediate district's payments under this act for
11 the fiscal year beginning on the October 1 following the
12 determination and payments under subsection (3) shall be adjusted
13 as necessary. However, if the amount allocated under subsection
14 (2)(a) in itself exceeds the amount necessary to fulfill the
15 specified percentages in subsection (2), there shall be no
16 deduction under this subsection.

17 (5) State funds shall be allocated on a total approved cost
18 basis. Federal funds shall be allocated under applicable federal
19 requirements, except that an amount not to exceed \$3,500,000.00 may
20 be allocated by the department for ~~2004-2005~~ **2005-2006** to
21 districts or intermediate districts on a competitive grant basis
22 for programs, equipment, and services that the department
23 determines to be designed to benefit or improve special education
24 on a statewide scale.

25 (6) From the amount allocated in subsection (1), there is
26 allocated an amount not to exceed \$2,200,000.00 for ~~2004-2005~~
27 **2005-2006** to reimburse 100% of the net increase in necessary costs

1 incurred by a district or intermediate district in implementing the
2 revisions in the administrative rules for special education that
3 became effective on July 1, 1987. As used in this subsection, "net
4 increase in necessary costs" means the necessary additional costs
5 incurred solely because of new or revised requirements in the
6 administrative rules minus cost savings permitted in implementing
7 the revised rules. Net increase in necessary costs shall be
8 determined in a manner specified by the department.

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

10 (a) "Total approved costs of special education" shall be
11 determined in a manner specified by the department and may include
12 indirect costs, but shall not exceed 115% of approved direct costs
13 for section 52 and section 53a programs. The total approved costs
14 include salary and other compensation for all approved special
15 education personnel for the program, including payments for social
16 security and medicare and public school employee retirement system
17 contributions. The total approved costs do not include salaries or
18 other compensation paid to administrative personnel who are not
19 special education personnel as defined in section 6 of the revised
20 school code, MCL 380.6. Costs reimbursed by federal funds, other
21 than those federal funds included in the allocation made under this
22 article, are not included. Special education approved personnel not
23 utilized full time in the evaluation of students or in the delivery
24 of special education programs, ancillary, and other related
25 services shall be reimbursed under this section only for that
26 portion of time actually spent providing these programs and
27 services, with the exception of special education programs and

1 services provided to youth placed in child caring institutions or
2 juvenile detention programs approved by the department to provide
3 an on-grounds education program. ~~Total approved costs of special~~
4 ~~education do not include the costs of a joint shared employment~~
5 ~~arrangement between an intermediate district and 1 or more of its~~
6 ~~constituent districts that took effect in the 2004-2005 or a~~
7 ~~subsequent school year. The costs associated with the joint shared~~
8 ~~employment arrangement shall instead be allocated entirely to the~~
9 ~~constituent district or districts. In addition, if an intermediate~~
10 ~~district entered into such a joint shared employment arrangement~~
11 ~~that took effect in the 2004-2005 or a subsequent school year and~~
12 ~~subsequently becomes the sole employer of an employee who had been~~
13 ~~subject to the joint shared employment arrangement, total approved~~
14 ~~costs of special education do not include the costs of employing~~
15 ~~that employee unless the department determines that employing the~~
16 ~~employee has resulted in a significant cost savings or an increase~~
17 ~~in efficiency that is sufficient to justify the arrangement. A~~
18 **DISTRICT OR INTERMEDIATE DISTRICT THAT EMPLOYED STAFF TO PROVIDE**
19 **SPECIAL EDUCATION SERVICES IN 2003-2004 AND THAT IN A SUBSEQUENT**
20 **YEAR RECEIVES THE SAME TYPE OF SERVICES FROM ANOTHER DISTRICT OR**
21 **INTERMEDIATE DISTRICT SHALL REPORT THE COST OF THE SERVICE FOR**
22 **SPECIAL EDUCATION REIMBURSEMENT PURPOSES UNDER THIS ACT. A DISTRICT**
23 **OR INTERMEDIATE DISTRICT THAT PROVIDES SERVICES IN SUBSEQUENT YEARS**
24 **TO ANOTHER DISTRICT OR INTERMEDIATE DISTRICT SHALL NOT REPORT THE**
25 **SALARIES AND BENEFITS PAID TO STAFF WHO PROVIDE THOSE SERVICES FOR**
26 **REIMBURSEMENT UNDER THIS ACT.**

27 (b) Reimbursement for ancillary and other related services, as

1 defined by R 340.1701c of the Michigan administrative code, shall
2 not be provided when those services are covered by and available
3 through private group health insurance carriers or federal
4 reimbursed program sources unless the department and district or
5 intermediate district agree otherwise and that agreement is
6 approved by the state budget director. Expenses, other than the
7 incidental expense of filing, shall not be borne by the parent. In
8 addition, the filing of claims shall not delay the education of a
9 pupil. A district or intermediate district shall be responsible for
10 payment of a deductible amount and for an advance payment required
11 until the time a claim is paid.

12 (8) From the allocation in subsection (1), there is allocated
13 for ~~2004-2005~~ **2005-2006** an amount not to exceed \$15,313,900.00 to
14 intermediate districts. The payment under this subsection to each
15 intermediate district shall be equal to the amount of the 1996-97
16 allocation to the intermediate district under subsection (6) of
17 this section as in effect for 1996-97.

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

24 (10) Special education personnel transferred from 1 district
25 to another to implement the revised school code shall be entitled
26 to the rights, benefits, and tenure to which the person would
27 otherwise be entitled had that person been employed by the

1 receiving district originally.

2 (11) If a district or intermediate district uses money
3 received under this section for a purpose other than the purpose or
4 purposes for which the money is allocated, the department may
5 require the district or intermediate district to refund the amount
6 of money received. Money that is refunded shall be deposited in the
7 state treasury to the credit of the state school aid fund.

8 (12) From the funds allocated in subsection (1), there is
9 allocated for ~~2004-2005~~ **2005-2006** the amount necessary, estimated
10 at ~~\$6,100,000.00~~ **\$6,300,000.00**, to pay the foundation allowances
11 for pupils described in this subsection. The allocation to a
12 district under this subsection shall be calculated by multiplying
13 the number of pupils described in this subsection who are counted
14 in membership in the district times the sum of the foundation
15 allowance under section 20 of the pupil's district of residence
16 plus the amount of the district's per pupil allocation under
17 section 20j(2), not to exceed \$6,500.00 adjusted by the dollar
18 amount of the difference between the basic foundation allowance
19 under section 20 for the current fiscal year and \$5,000.00 minus
20 \$200.00, or, for a pupil described in this subsection who is
21 counted in membership in a district that is a public school academy
22 or university school, times an amount equal to the amount per
23 membership pupil under section 20(6). The allocation to an
24 intermediate district under this subsection shall be calculated in
25 the same manner as for a district, using the foundation allowance
26 under section 20 of the pupil's district of residence, not to
27 exceed \$6,500.00 adjusted by the dollar amount of the difference

1 between the basic foundation allowance under section 20 for the
2 current fiscal year and \$5,000.00 minus \$200.00, and that
3 district's per pupil allocation under section 20j(2). This
4 subsection applies to all of the following pupils:

5 (a) Pupils described in section 53a.

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

10 (c) Emotionally impaired pupils counted in membership by an
11 intermediate district and provided educational services by the
12 department of community health.

13 (13) After payments under subsections (2) and (12) and section
14 51c, the remaining expenditures from the allocation in subsection
15 (1) shall be made in the following order:

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

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

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

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

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

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

22 (14) The allocations under subsection (2), subsection (3), and
23 subsection (12) shall be allocations to intermediate districts only
24 and shall not be allocations to districts, but instead shall be
25 calculations used only to determine the state payments under
26 section 22b.

27 Sec. 51c. As required by the court in the consolidated cases

1 known as Durant v State of Michigan, Michigan supreme court docket
2 no. 104458-104492, from the allocation under section 51a(1), there
3 is allocated for ~~2004-2005~~ **2005-2006** the amount necessary,
4 estimated at ~~\$659,400,000.00~~ **\$694,800,000.00**, for payments to
5 reimburse districts for 28.6138% of total approved costs of special
6 education excluding costs reimbursed under section 53a, and
7 70.4165% of total approved costs of special education
8 transportation. Funds allocated under this section that are not
9 expended in the state fiscal year for which they were allocated, as
10 determined by the department, may be used to supplement the
11 allocations under sections 22a and 22b in order to fully fund those
12 calculated allocations for the same fiscal year.

13 Sec. 51d. (1) From the federal funds appropriated in section
14 11, there is allocated for ~~2004-2005~~ **2005-2006** all available
15 federal funding, estimated at \$65,000,000.00, for special education
16 programs that are funded by federal grants. All federal funds
17 allocated under this section shall be distributed in accordance
18 with federal law. Notwithstanding section 17b, payments of federal
19 funds to districts, intermediate districts, and other eligible
20 entities under this section shall be paid on a schedule determined
21 by the department.

22 (2) From the federal funds allocated under subsection (1), the
23 following amounts are allocated for ~~2004-2005~~ **2005-2006**:

24 (a) An amount estimated at \$15,000,000.00 for handicapped
25 infants and toddlers, funded from DED-OSERS, handicapped infants
26 and toddlers funds.

27 (b) An amount estimated at \$14,000,000.00 for preschool grants

1 (Public Law 94-142), funded from DED-OSERS, handicapped preschool
2 incentive funds.

3 (c) An amount estimated at \$36,000,000.00 for special
4 education programs funded by DED-OSERS, handicapped program,
5 individuals with disabilities act funds.

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

9 Sec. 53a. (1) For districts, reimbursement for pupils
10 described in subsection (2) shall be 100% of the total approved
11 costs of operating special education programs and services approved
12 by the department and included in the intermediate district plan
13 adopted pursuant to article 3 of the revised school code, MCL
14 380.1701 to 380.1766, minus the district's foundation allowance
15 calculated under section 20, and minus the amount calculated for
16 the district under section 20j. For intermediate districts,
17 reimbursement for pupils described in section (2) shall be
18 calculated in the same manner as for a district, using the
19 foundation allowance under section 20 of the pupil's district of
20 residence, not to exceed \$6,500.00 adjusted by the dollar amount of
21 the difference between the basic foundation allowance under section
22 20 for the current fiscal year and \$5,000.00, minus \$200.00, and
23 under section 20j.

24 (2) Reimbursement under subsection (1) is for the following
25 special education pupils:

26 (a) Pupils assigned to a district or intermediate district
27 through the community placement program of the courts or a state

1 agency, if the pupil was a resident of another intermediate
2 district at the time the pupil came under the jurisdiction of the
3 court or a state agency.

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

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

9 (d) Pupils enrolled in a department-approved on-grounds
10 educational program longer than 180 days, but not longer than 233
11 days, at a residential child care institution, if the child care
12 institution offered in 1991-92 an on-grounds educational program
13 longer than 180 days but not longer than 233 days.

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

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

22 (4) The costs of transportation shall be funded under this
23 section and shall not be reimbursed under section 58.

24 (5) Not more than \$12,800,000.00 of the allocation for ~~2004-~~
25 ~~2005-~~ **2005-2006** in section 51a(1) shall be allocated under this
26 section.

27 Sec. 54. In addition to the aid received under section 52,

1 each intermediate district shall receive an amount per pupil for
2 each pupil in attendance at the Michigan schools for the deaf and
3 blind. The amount shall be proportionate to the total instructional
4 cost at each school. Not more than \$1,688,000.00 of the allocation
5 for ~~2004-2005~~ **2005-2006** in section 51a(1) shall be allocated
6 under this section.

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

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

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

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

22 (2) From the allocation under section 51a(1), there is
23 allocated an amount not to exceed \$36,881,100.00 for ~~2004-2005~~
24 **2005-2006** to reimburse intermediate districts levying millages for
25 special education pursuant to part 30 of the revised school code,
26 MCL 380.1711 to 380.1743. The purpose, use, and expenditure of the
27 reimbursement shall be limited as if the funds were generated by

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

(3) Reimbursement for those millages levied in 2003-2004 shall be made in ~~2004-2005~~ **2005-2006** at an amount per ~~2003-2004~~ **2004-2005** membership pupil computed by subtracting from ~~-\$133,400.00~~ **\$142,100.00** the ~~2003-2004~~ **2004-2005** taxable value behind each membership pupil and multiplying the resulting difference by the ~~2003-2004~~ **2004-2005** millage levied.

Sec. 57. ~~(1)~~ From the ~~appropriation~~ **GENERAL FUND MONEY APPROPRIATED** in section 11, there is allocated an amount not to exceed ~~-\$50,000.00 for 2004-2005 to applicant intermediate districts that~~ **\$5,000,000.00 TO THE MICHIGAN VIRTUAL UNIVERSITY TO** provide support services for the education of advanced and accelerated pupils. ~~An intermediate district is entitled to 75% of the actual salary, but not to exceed \$25,000.00 reimbursement for an individual salary, of a support services teacher approved by the department, and not to exceed \$4,000.00 reimbursement for expenditures to support program costs, excluding in county travel and salary, as approved by the department.~~

~~(2) From the appropriation in section 11, there is allocated an amount not to exceed \$0.00 for 2004-2005 to support part of the cost of summer institutes for advanced and accelerated students. This amount shall be contracted to applicant intermediate districts~~

1 ~~in cooperation with a local institution of higher education and~~
2 ~~shall be coordinated by the department.~~

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

25 Sec. 61a. (1) From the appropriation in section 11, there is
26 allocated an amount not to exceed \$30,000,000.00 for ~~2004-2005~~
27 **2005-2006** to reimburse on an added cost basis districts, except for

1 a district that served as the fiscal agent for a vocational
2 education consortium in the 1993-94 school year, and secondary area
3 vocational-technical education centers for secondary-level
4 vocational-technical education programs, including parenthood
5 education programs, according to rules approved by the
6 superintendent. Applications for participation in the programs
7 shall be submitted in the form prescribed by the department. The
8 department shall determine the added cost for each vocational-
9 technical program area. The allocation of added cost funds shall be
10 based on the type of vocational-technical programs provided, the
11 number of pupils enrolled, and the length of the training period
12 provided, and shall not exceed 75% of the added cost of any
13 program. With the approval of the department, the board of a
14 district maintaining a secondary vocational-technical education
15 program may offer the program for the period from the close of the
16 school year until September 1. The program shall use existing
17 facilities and shall be operated as prescribed by rules promulgated
18 by the superintendent.

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

1 (3) From the allocation in subsection (1), there is allocated
2 an amount not to exceed \$388,700.00 for ~~2004-2005~~ **2005-2006** to
3 intermediate districts with constituent districts that had combined
4 state and local revenue per membership pupil in the 1994-95 state
5 fiscal year of \$6,500.00 or more, served as a fiscal agent for a
6 state board designated area vocational education center in the
7 1993-94 school year, and had an adjustment made to their 1994-95
8 combined state and local revenue per membership pupil pursuant to
9 section 20d. The payment under this subsection to the intermediate
10 district shall equal the amount of the allocation to the
11 intermediate district for 1996-97 under this subsection.

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

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

18 (b) "Millage levied" means the millage levied for area
19 vocational-technical education pursuant to sections 681 to 690 of
20 the revised school code, MCL 380.681 to 380.690, including a levy
21 for debt service obligations incurred as the result of borrowing
22 for capital outlay projects and in meeting capital projects fund
23 requirements of area vocational-technical education.

24 (c) "Taxable value" means the total taxable value of the
25 districts constituent to an intermediate district or area
26 vocational-technical education program, except that if a district
27 has elected not to come under sections 681 to 690 of the revised

1 school code, MCL 380.681 to 380.690, the membership and taxable
2 value of that district shall not be included in the membership and
3 taxable value of the intermediate district. However, the membership
4 and taxable value of a district that has elected not to come under
5 sections 681 to 690 of the revised school code, MCL 380.681 to
6 380.690, shall be included in the membership and taxable value of
7 the intermediate district if the district meets both of the
8 following:

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

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

17 (2) From the appropriation in section 11, there is allocated
18 an amount not to exceed \$9,000,000.00 for ~~2004-2005~~ **2005-2006** to
19 reimburse intermediate districts and area vocational-technical
20 education programs established under section 690(3) of the revised
21 school code, MCL 380.690, levying millages for area vocational-
22 technical education pursuant to sections 681 to 690 of the revised
23 school code, MCL 380.681 to 380.690. The purpose, use, and
24 expenditure of the reimbursement shall be limited as if the funds
25 were generated by those millages.

26 (3) Reimbursement for the millages levied in ~~2003-2004~~ **2004-**
27 **2005** shall be made in ~~2004-2005~~ **2005-2006** at an amount per ~~2003-~~

1 ~~2004~~ **2004-2005** membership pupil computed by subtracting from
2 ~~\$142,200.00~~ **\$151,200.00** the ~~2003-2004~~ **2004-2005** taxable value
3 behind each membership pupil and multiplying the resulting
4 difference by the ~~2003-2004~~ **2004-2005** millage levied.

5 Sec. 74. (1) From the amount appropriated in section 11, there
6 is allocated an amount not to exceed \$1,625,000.00 for ~~2004-2005~~
7 **2005-2006** for the purposes of subsections (2) and (3).

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

24 (3) From the allocation in subsection (1), there is allocated
25 each fiscal year the amount necessary to pay the reasonable costs
26 of nonspecial education auxiliary services transportation provided
27 pursuant to section 1323 of the revised school code, MCL 380.1323.

1 Districts funded under this subsection shall not receive funding
2 under any other section of this act for nonspecial education
3 auxiliary services transportation.

4 Sec. 81. (1) Except as otherwise provided in this section,
5 from the appropriation in section 11, there is allocated for ~~2004-~~
6 ~~2005-~~ **2005-2006** to the intermediate districts the sum necessary,
7 but not to exceed \$81,028,100.00, to provide state aid to
8 intermediate districts under this section. Except as otherwise
9 provided in this section, there shall be allocated to each
10 intermediate district for ~~2004-2005-~~ **2005-2006** an amount equal to
11 85.2% of the amount appropriated under this subsection for 2002-
12 2003 in 2002 PA 521, before any reduction made for 2002-2003 under
13 section 11(3). Funding provided under this section shall be used to
14 comply with requirements of this act and the revised school code
15 that are applicable to intermediate districts, and for which
16 funding is not provided elsewhere in this act, and to provide
17 technical assistance to districts as authorized by the intermediate
18 school board. In order to receive funding under this section for
19 ~~2004-2005-~~ **2005-2006**, an intermediate district shall allocate for
20 ~~2004-2005-~~ **2005-2006** at least an amount equal to 3.5% of its total
21 funding received under this section for 2002-2003 toward providing
22 the great parents, great start program under section 32j.

23 (2) From the allocation in subsection (1), there is allocated
24 to an intermediate district, formed by the consolidation or
25 annexation of 2 or more intermediate districts or the attachment of
26 a total intermediate district to another intermediate school
27 district or the annexation of all of the constituent K-12 districts

1 of a previously existing intermediate school district which has
2 disorganized, an additional allotment of \$3,500.00 each fiscal year
3 for each intermediate district included in the new intermediate
4 district for 3 years following consolidation, annexation, or
5 attachment.

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

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

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

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

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

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

3 (d) Develop state and model local data collection policies,
4 including, but not limited to, policies that ensure the privacy of
5 individual student data. State privacy policies shall ensure that
6 student social security numbers are not released to the public for
7 any purpose.

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

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

13 (g) Assist all entities receiving funds under this act in
14 complying with audits performed according to generally accepted
15 accounting procedures.

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

17 (2) Not later than August 15, 2004, each state department,
18 officer, or agency that collects information from districts or
19 intermediate districts as required under state or federal law shall
20 make arrangements with the center, and with the districts or
21 intermediate districts, to have the center collect the information
22 and to provide it to the department, officer, or agency as
23 necessary. To the extent that it does not cause financial hardship,
24 the center shall arrange to collect the information in a manner
25 that allows electronic submission of the information to the center.
26 Each affected state department, officer, or agency shall provide
27 the center with any details necessary for the center to collect

1 information as provided under this subsection. This subsection does
2 not apply to information collected by the department of treasury
3 under the uniform budgeting and accounting act, 1968 PA 2, MCL
4 141.421 to 141.440a; the revised municipal finance act, 2001 PA 34,
5 MCL 141.2101 to 141.2821; 1961 PA 108, MCL 388.951 to 388.963; or
6 section 1351a of the revised school code, MCL 380.1351a.

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

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

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

11 (c) One representative from the office of the state budget
12 director.

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

14 (e) One representative each from the department of labor and
15 economic growth and the department of treasury.

16 (f) Three representatives from intermediate school districts.

17 (g) One representative from each of the following educational
18 organizations:

19 (i) Michigan association of school boards.

20 (ii) Michigan association of school administrators.

21 (iii) Michigan school business officials.

22 (h) One representative representing private sector firms
23 responsible for auditing school records.

24 (i) Other representatives as the state budget director
25 determines are necessary.

26 (4) The CEPI advisory committee appointed under subsection (3)
27 shall provide advice to the director of the center regarding the

1 management of the center's data collection activities, including,
2 but not limited to:

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

6 (b) Defining the roles of all stakeholders in the data
7 collection system.

8 (c) Recommending timelines for the implementation and ongoing
9 collection of data.

10 (d) Establishing and maintaining data definitions, data
11 transmission protocols, and system specifications and procedures
12 for the efficient and accurate transmission and collection of data.

13 (e) Establishing and maintaining a process for ensuring the
14 accuracy of the data.

15 (f) Establishing and maintaining state and model local
16 policies related to data collection, including, but not limited to,
17 privacy policies related to individual student data.

18 (g) Ensuring the data is made available to state and local
19 policymakers and citizens of this state in the most useful format
20 possible.

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

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

25 (6) From the general fund appropriation in section 11, there
26 is allocated an amount not to exceed \$1,500,000.00 for ~~2004-2005~~
27 **2005-2006** to the department of management and budget to support the

1 operations of the center. The center shall cooperate with the state
 2 education agency to ensure that this state is in compliance with
 3 federal law and is maximizing opportunities for increased federal
 4 funding to improve education in this state. In addition, from the
 5 federal funds appropriated in section 11 for ~~2004-2005~~ **2005-2006**,
 6 there is allocated the following amounts for ~~2004-2005~~ **2005-2006**
 7 in order to fulfill federal reporting requirements:

8 (a) An amount not to exceed ~~\$835,000.00~~ **\$839,000.00** funded
 9 from DED-OESE, title I, disadvantaged children funds.

10 (b) An amount not to exceed ~~\$63,000.00~~ **\$55,700.00** funded
 11 from DED-OESE, title I, reading first state grant funds.

12 (c) An amount not to exceed ~~\$46,800.00~~ **\$47,000.00** funded
 13 from DED-OESE, title I, migrant education funds.

14 (d) An amount not to exceed \$285,000.00 funded from DED-OESE,
 15 improving teacher quality funds.

16 (e) An amount not to exceed \$73,000.00 funded from DED-OESE,
 17 drug-free schools and communities funds.

18 (f) An amount not to exceed \$150,000.00 funded under sections
 19 611 to 619 of part B of the individuals with disabilities education
 20 act, title VI of Public Law 91-230, 20 USC 1411 to 1419.

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

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

26 (7) In addition, from the federal funds appropriated in
 27 section 11 for the ~~2003-2004 and 2004-2005 fiscal years~~ **2005-2006**

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

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

5 (b) An amount not to exceed \$100,000.00 for data collection
6 systems development funded from DED-NCES, performance based data
7 management initiative.

8 (8) Funds allocated under this section that are not expended
9 in the fiscal year in which they were allocated may be carried
10 forward to a subsequent fiscal year.

11 (9) The center may bill departments as necessary in order to
12 fulfill reporting requirements of state and federal law.

13 (10) As used in this section:

14 (a) "DED-NCES" means the United States department of education
15 national center for education statistics.

16 (b) "DED-OESE" means the United States department of education
17 office of elementary and secondary education.

18 (c) "State education agency" means the department.

19 Sec. 98. (1) From the general fund money appropriated in
20 section 11, there is allocated an amount not to exceed \$750,000.00
21 for ~~2004-2005~~ **2005-2006** to provide a grant to the Michigan
22 virtual university for the development, implementation, and
23 operation of the Michigan virtual high school and to fund other
24 purposes described in this section. In addition, from the federal
25 funds appropriated in section 11, there is allocated for ~~2004-2005~~
26 **2005-2006** an amount estimated at \$2,250,000.00 from DED-OESE, title
27 II, improving teacher quality funds. If the Michigan virtual

1 university ceases to operate the Michigan virtual high school or
2 fails to perform another of its functions described in this
3 section, the department may operate the Michigan virtual high
4 school or perform another function of the Michigan virtual
5 university described in this section using the funds allocated
6 under this section.

7 (2) The Michigan virtual high school shall have the following
8 goals:

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

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

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

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

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

24 (f) Grant high school diplomas through a dual enrollment
25 method with districts.

26 (g) Act as a broker for college level equivalent courses, as
27 defined in section 1471 of the revised school code, MCL 380.1471,

1 and dual enrollment courses from postsecondary education
2 institutions.

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

5 (a) Information technology courses.

6 (b) College level equivalent courses, as defined in section
7 1471 of the revised school code, MCL 380.1471.

8 (c) Courses and dual enrollment opportunities.

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

10 (e) General education development test preparation courses for
11 adjudicated youth.

12 (f) Special interest courses.

13 (g) Professional development programs and services for
14 teachers.

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

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

27 (b) Encourage and support the training of teachers and

1 administrators to effectively integrate technology into curricula
2 and instruction.

3 (c) Coordinate the activities of eligible partnerships that
4 include higher education institutions for the purposes of providing
5 professional development activities for teachers,
6 paraprofessionals, and principals as defined in federal law.

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

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

24 (7) A district or intermediate district may require a full-
25 time teacher to participate in at least 5 hours of online
26 professional development provided by the Michigan virtual
27 university under subsection (6). Five hours of this professional

1 development shall be considered to be part of the 51 hours allowed
2 to be counted as hours of pupil instruction under section 101(10).

3 (8) As used in this section:

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

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

7 Sec. 98b. (1) From the school aid stabilization fund created
8 in section 11a, there is appropriated and allocated for ~~2004-2005~~
9 **2005-2006** an amount not to exceed \$3,700,000.00 for the freedom to
10 learn program described in this section. In addition, from the
11 federal funds appropriated in section 11 there is allocated for
12 ~~2004-2005- 2005-2006~~ an amount not to exceed ~~-\$10,343,200.00~~
13 **\$5,000,000.00** from the competitive grants of DED-OESE, title II,
14 educational technology grants funds. ~~-, and an amount not to exceed~~
15 ~~\$7,000,000.00 from funds carried forward from 2003-2004 from~~
16 ~~unexpended DED-OESE, title II, educational technology grants funds.~~

17 (2) The allocations in subsection (1) shall be used to
18 develop, implement, and operate the freedom to learn program and
19 make program grants. The goal of the program is to achieve one-to-
20 one access to wireless technology for K-12 pupils through statewide
21 and local public-private partnerships. To implement the program,
22 the state education agency shall sign a memorandum of understanding
23 with the Michigan virtual university that provides for joint
24 administration of program grants under this subsection. However,
25 beginning January 1, 2005, Ferris state university shall perform
26 the functions of the Michigan virtual university under this section
27 and the funds allocated to the Michigan virtual university under

1 this section are instead allocated to Ferris state university. Not
2 later than January 31, 2005, the state education agency shall enter
3 into a memorandum of understanding with Ferris state university
4 that provides for this transfer of functions. The Michigan virtual
5 university or Ferris state university, as applicable, and the state
6 education agency shall make grants to districts as described in
7 this section. In awarding the grants, the Michigan virtual
8 university or Ferris state university, as applicable, and the state
9 education agency shall give priority to applications that
10 demonstrate that the district's program will meet all of the
11 following:

12 (a) Will be ready for immediate implementation and will have
13 begun professional development on technology integration in the
14 classroom.

15 (b) Will utilize state structure and resources for
16 professional development, as coordinated by the Michigan virtual
17 university or Ferris state university, as applicable.

18 (c) Will opt to participate in the statewide partnership
19 described in subsection (9).

20 (3) The amount of program grants to districts is estimated at
21 \$250.00 per pupil in membership in grade 6 in ~~2004-2005~~ **2005-**
22 **2006**, or in another grade allowed in this section, or per grade 6
23 teacher if the funding is awarded in a ratio of at least 20 pupils
24 funded for each teacher funded. The state education agency and the
25 Michigan virtual university or Ferris state university, as
26 applicable, shall establish grant criteria that maximize the
27 distribution of federal funds to achieve the \$250.00 per pupil or

1 teacher in districts that qualify for federal funds. To qualify for
2 a grant under this section, a district shall submit an application
3 to the state education agency and the Michigan virtual university
4 or Ferris state university, as applicable, and complete the
5 application process established by the state education agency and
6 the Michigan virtual university or Ferris state university, as
7 applicable. The application shall include at least all of the
8 following:

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

12 (b) How the district will provide the opportunity for each
13 pupil in membership in grade 6 to receive a wireless computing
14 device. If the district has already achieved one-to-one wireless
15 access in grade 6 or if the district's school building grade
16 configuration makes implementation of the program for grade 6
17 impractical, the district may apply for a grant for the next
18 highest grade. If the district does not have a grade 6 or higher,
19 the district may apply for funding for the next lowest grade level.
20 If the district operates 1 or more schools that are not meeting
21 adequate yearly progress, as determined by the department, and that
22 contain grade 6, the district may apply for funding for a school
23 building-wide program for 1 or more of those schools. A public
24 school academy that does not offer a grade higher than grade 5 may
25 apply to receive a grant under this section for pupils in the
26 highest grade offered by the public school academy.

27 (c) The district shall submit a plan describing the uses of

1 the grant funds. The plan shall describe a plan for professional
2 development on technology integration, content and curriculum, and
3 local partnerships with the other districts and representatives
4 from businesses, industry, and higher education. The plan shall
5 include at least the following:

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

9 (ii) The engagement goals, which may include, but are not
10 limited to, goals related to retention rates, dropout rates,
11 detentions, and suspensions.

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

15 (d) A 3- to 5-year plan or funding model for increasing the
16 share that is borne locally of the expenditures for one-to-one
17 wireless access. The Michigan virtual university or Ferris state
18 university, as applicable, shall provide districts with sample
19 local plans and funding models for the purposes of this subdivision
20 and with information on available federal and private resources.

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

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

27 (5) The amount of a grant under this section to a single

1 district for a fiscal year shall not exceed 25% of the total amount
2 available for grants under this section for that fiscal year.

3 (6) A district that received money under section 98 in 2002-
4 2003 for a wireless technology grant is eligible to receive a grant
5 under this section.

6 (7) The federal funding under subsection (1) shall be used
7 first to provide the grants under this subsection. A district
8 described in this subsection shall apply to the Michigan virtual
9 university or Ferris state university, as applicable, and the state
10 education agency for a grant in the form and manner prescribed by
11 the department. An application under this section is not subject to
12 the requirements of subsection (3) if the application demonstrates
13 that the program will meet all of the following:

14 (a) Will continue as a demonstration program.

15 (b) Will provide regional assistance to schools that are not
16 meeting adequate yearly progress, as determined by the department,
17 and to new grant recipients, as directed by the state education
18 agency and the Michigan virtual university or Ferris state
19 university, as applicable.

20 (c) Will seek to expand its existing wireless technology
21 initiatives.

22 (8) The state funding under subsection (1) shall be used first
23 to provide grants to districts that received money under section 98
24 in 2002-2003 and were designated as program application sites.

25 (9) The department of management and budget shall establish a
26 statewide public-private partnership to implement the program. The
27 department of management and budget shall select a program partner

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

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

13 (b) Proven technical ability to deliver a total solutions
14 package of learning technology for elementary and secondary
15 students and 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
19 technology infrastructures and professional development delivery
20 systems within school districts and regions.

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

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

1 partnership described in subsection (9) if the Michigan virtual
2 university or Ferris state university, as applicable, determines
3 that the vendor meets the requirements of subdivisions (a) to (d)
4 of subsection (9) and the vendor is identified in the district's
5 grant application.

6 (11) The state education agency shall sign a memorandum of
7 understanding with the Michigan virtual university regarding DED-
8 OESE, title II, educational technology grants, as provided under
9 this subsection. Not later than January 31, 2005, the state
10 education agency shall enter into a memorandum of understanding
11 with Ferris state university to provide for the transfer of
12 functions under this subsection. The Michigan virtual university or
13 Ferris state university, as applicable, shall coordinate activities
14 described in this subsection with the freedom to learn grants
15 described under this section. The memorandum of understanding shall
16 require that the Michigan virtual university or Ferris state
17 university, as applicable, coordinate the following state
18 activities related to DED-OESE, title II, educational technology
19 grants in accordance with federal law:

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

24 (b) Establish and support public-private initiatives for the
25 acquisition of educational technology for students in high-need
26 districts.

27 (12) Funds allocated under this section that are not expended

1 in the state fiscal year for which they were allocated may be
2 carried forward to a subsequent state fiscal year.

3 (13) It is the intent of the legislature that all plans or
4 applications submitted by the state education agency to the United
5 States department of education relating to the distribution of
6 federal funds under this section are for the purposes described in
7 this section.

8 (14) The state education agency shall ensure that the program
9 goals and plans for the freedom to learn program are contained in
10 the state technology plan required by federal law.

11 (15) From the funds allocated under this section, an amount
12 not to exceed \$2,750,000.00 is allocated to the Michigan virtual
13 university or Ferris state university, as applicable, to be used
14 for statewide activities, as follows:

15 (a) An amount estimated at \$1,700,000.00 to develop a
16 professional development network in partnership with other
17 statewide entities for professional development on technology
18 integration in the classroom.

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

22 (c) An amount estimated at \$300,000.00 to Ferris state
23 university to develop or purchase an on-line assessment system to
24 supplement the Michigan education assessment program tests and the
25 Michigan merit examination and provide immediate feedback on pupil
26 achievement. The assessment system shall include high-quality tests
27 aligned to the state curriculum framework and tests that can be

1 customized by teachers and integrated with on-line instructional
2 resources. The state education agency shall work in partnership
3 with Ferris state university to implement the assessment program.
4 The state education agency shall give first priority in
5 implementing the assessment systems to districts not meeting
6 adequately yearly progress requirements as established by the
7 federal no child left behind act of 2001, Public Law 107-110, and
8 to schools participating in grant programs under this section.

9 (d) An amount not to exceed \$500,000.00 for comprehensive
10 statewide evaluation of current and future projects under this
11 section and for statewide administration of the freedom to learn
12 program.

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

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

19 (18) As used in this section:

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

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

23 Sec. 99. (1) From the ~~state school aid~~ **GENERAL** fund money
24 appropriated in section 11, there is allocated **TO THE MICHIGAN**
25 **VIRTUAL UNIVERSITY** an amount not to exceed ~~\$2,416,000.00 for 2004~~
26 ~~2005 and from the general fund appropriation in section 11, there~~
27 ~~is allocated an amount not to exceed \$84,000.00 for 2004-2005~~

1 **\$5,000,000.00 FOR 2005-2006 TO AWARD GRANTS AND PROVIDE TECHNICAL**
2 **ASSISTANCE** for implementing the comprehensive master plan for
3 mathematics and science centers developed by the department and
4 approved by the state board on August 8, 2002. In addition, from
5 the federal funds appropriated in section 11, there is allocated an
6 amount estimated at ~~-\$3,581,300.00~~ **\$4,310,000.00** from DED-OESE,
7 title II, mathematics and science partnership grants.

8 (2) Within a service area designated locally, approved by the
9 department, and consistent with the master plan described in
10 subsection (1), an established mathematics and science center shall
11 address 2 or more of the following 6 basic services, as described
12 in the master plan, to constituent districts and communities:
13 leadership, pupil services, curriculum support, community
14 involvement, professional development, and resource clearinghouse
15 services.

16 (3) The ~~department~~ **MICHIGAN VIRTUAL UNIVERSITY** shall not
17 award a state grant under this section to more than 1 mathematics
18 and science center located in a designated region as prescribed in
19 the 2002 master plan unless each of the grants serves a distinct
20 target population or provides a service that does not duplicate
21 another program in the designated region.

22 (4) As part of the technical assistance process, the
23 ~~department~~ **MICHIGAN VIRTUAL UNIVERSITY** shall provide minimum
24 standard guidelines that may be used by the mathematics and science
25 center for providing fair access for qualified pupils and
26 professional staff as prescribed in this section.

27 (5) Allocations under this section to support the activities

1 and programs of mathematics and science centers shall be continuing
2 support grants to all 33 established mathematics and science
3 centers. Each established mathematics and science center that was
4 funded in 2003-2004 shall receive state funding in an amount equal
5 to the amount it received under this section for 2003-2004. If a
6 center declines state funding or a center closes, the remaining
7 money available under this section shall be distributed on a pro
8 rata basis to the remaining centers, as determined by the
9 department.

10 (6) In order to receive state funds under this section, a
11 grant recipient shall allow access for the department or the
12 department's designee to audit all records related to the program
13 for which it receives such funds. The grant recipient shall
14 reimburse the state for all disallowances found in the audit.

15 (7) Not later than September 30, 2007, the department shall
16 reevaluate and update the comprehensive master plan described in
17 subsection (1).

18 (8) The ~~department~~ **MICHIGAN VIRTUAL UNIVERSITY** shall give
19 preference in awarding the federal grants allocated in subsection
20 (1) to eligible existing mathematics and science centers.

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

25 (10) As used in this section:

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

27 (b) "DED-OESE" means the DED office of elementary and

1 secondary education.

2 Sec. 107. (1) From the appropriation in section 11, there is
3 allocated an amount not to exceed \$20,000,000.00 for ~~2004-2005~~
4 **2005-2006** for adult education programs authorized under this
5 section.

6 (2) To be eligible to be a participant funded under this
7 section, a person shall be enrolled in an adult basic education
8 program, an adult English as a second language program, a general
9 educational development (G.E.D.) test preparation program, a job or
10 employment related program, or a high school completion program,
11 that meets the requirements of this section, and shall meet either
12 of the following, as applicable:

13 (a) If the individual has obtained a high school diploma or a
14 general educational development (G.E.D.) certificate, the
15 individual meets 1 of the following:

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

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

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

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

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

27 (i) Is at least 20 years of age on September 1 of the school

1 year.

2 (ii) Is at least 16 years of age on September 1 of the school
3 year, has been permanently expelled from school under section
4 1311(2) or 1311a of the revised school code, MCL 380.1311 and
5 380.1311a, and has no appropriate alternative education program
6 available through his or her district of residence.

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

9 (a) For districts and consortia that received payments for
10 2003-2004 under this section, the amount allocated to each for
11 ~~2004-2005~~ **2005-2006** shall be based on the number of participants
12 served by the district or consortium for ~~2004-2005~~ **2005-2006**,
13 using the amount allocated per full-time equated participant under
14 subsection (5), up to a maximum total allocation under this section
15 in an amount equal to the amount the district or consortium
16 received for 2003-2004 under this section before any reallocations
17 made for 2003-2004 under subsection (4).

18 (b) A district or consortium that received funding in 2003-
19 2004 under this section may operate independently of a consortium
20 or join or form a consortium for ~~2004-2005~~ **2005-2006**. The
21 allocation for ~~2004-2005~~ **2005-2006** to the district or the newly
22 formed consortium under this subsection shall be determined by the
23 department of labor and economic growth and shall be based on the
24 proportion of the amounts that are attributable to the district or
25 consortium that received funding in 2003-2004. A district or
26 consortium described in this subdivision shall notify the
27 department of labor and economic growth of its intention with

1 regard to ~~2004-2005~~ **2005-2006** by October 1, ~~2004~~ **2005**.

2 (4) A district that operated an adult education program in
3 2003-2004 and does not intend to operate a program in ~~2004-2005~~
4 **2005-2006** shall notify the department of labor and economic growth
5 by October 1, ~~2004~~ **2005** of its intention. The funds intended to
6 be allocated under this section to a district that does not operate
7 a program in ~~2004-2005~~ **2005-2006** and the unspent funds originally
8 allocated under this section to a district or consortium that
9 subsequently operates a program at less than the level of funding
10 allocated under subsection (3) shall instead be proportionately
11 reallocated to the other districts described in subsection (3)(a)
12 that are operating an adult education program in ~~2004-2005~~ **2005-**
13 **2006** under this section.

14 (5) The amount allocated under this section per full-time
15 equated participant is \$2,850.00 for a 450-hour program. The amount
16 shall be proportionately reduced for a program offering less than
17 450 hours of instruction.

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

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

25 (b) The program tests individuals for eligibility under
26 subdivision (a) before enrollment and tests participants to
27 determine progress after every 90 hours of attendance, using

1 assessment instruments approved by the department of labor and
2 economic growth.

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

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

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

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

13 (i) The participant is assessed as having attained basic
14 English proficiency.

15 (ii) The participant fails to show progress on 2 successive
16 assessments after having completed at least 450 hours of
17 instruction. The department of labor and economic growth shall
18 provide information to a funding recipient regarding appropriate
19 assessment instruments for this program.

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

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

25 (b) The program shall administer a G.E.D. pre-test approved by
26 the department of labor and economic growth before enrolling an
27 individual to determine the individual's potential for success on

1 the G.E.D. test, and shall administer other tests after every 90
2 hours of attendance to determine a participant's readiness to take
3 the G.E.D. test.

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

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

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

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

14 (a) The program enrolls adults who do not have a high school
15 diploma.

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

19 (i) The participant passes the course and earns a high school
20 diploma.

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

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

27 (a) The program enrolls adults referred by their employer who

1 are less than 20 years of age, have a high school diploma, are
2 determined to be in need of remedial mathematics or communication
3 arts skills and are not attending an institution of higher
4 education.

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

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

11 (ii) The individual fails to show progress on 2 successive
12 assessments after having completed at least 450 hours of
13 instruction. The department of labor and economic growth shall
14 provide information to a funding recipient regarding appropriate
15 assessment instruments for this program.

16 (10) A funding recipient shall receive payments under this
17 section in accordance with the following:

18 (a) Ninety percent for enrollment of eligible participants.

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

26 (11) As used in this section, "participant" means the sum of
27 the number of full-time equated individuals enrolled in and

1 attending a department-approved adult education program under this
2 section, using quarterly participant count days on the schedule
3 described in section 6(7)(b).

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

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

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

21 (15) A district or intermediate district receiving funds under
22 this section may establish a sliding scale of tuition rates based
23 upon a participant's family income. A district or intermediate
24 district may charge a participant tuition to receive adult
25 education services under this section from that sliding scale of
26 tuition rates on a uniform basis. The amount of tuition charged per
27 participant shall not exceed the actual operating cost per

1 participant minus any funds received under this section per
2 participant. A district or intermediate district may not charge a
3 participant tuition under this section if the participant's income
4 is at or below 200% of the federal poverty guidelines published by
5 the United States department of health and human services.

6 Sec. 147. (1) The allocation for ~~2004-2005~~ **2005-2006** for the
7 public school employees' retirement system pursuant to the public
8 school employees retirement act of 1979, 1980 PA 300, MCL 38.1301
9 to 38.1408, shall be made using the entry age normal cost actuarial
10 method and risk assumptions adopted by the public school employees
11 retirement board and the department of management and budget. The
12 annual level percentage of payroll contribution rate is estimated
13 ~~14.87%~~ **16.34%** for the ~~2004-2005~~ **2005-2006** state fiscal year. The
14 portion of the contribution rate assigned to districts and
15 intermediate districts for each fiscal year is all of the total
16 percentage points. This contribution rate reflects an amortization
17 period of ~~32~~ **31** years for ~~2004-2005~~ **2005-2006**. The public
18 school employees' retirement system board shall notify each
19 district and intermediate district by February 28 of each fiscal
20 year of the estimated contribution rate for the next fiscal year.

21 (2) It is the intent of the legislature that the amortization
22 period described in section 41(2) of the public school employees
23 retirement act of 1979, 1980 PA 300, MCL 38.1341, be reduced to 30
24 years by the end of the 2005-2006 state fiscal year by reducing the
25 amortization period by not more than 1 year each fiscal year.

26 Enacting section 1. In accordance with section 30 of article I
27 of the state constitution of 1963, total state spending in this

1 amendatory act from state sources for fiscal year 2005-2006 is
2 estimated at \$11,181,031,200.00 and state appropriations to be paid
3 to local units of government for fiscal year 2005-2006 are
4 estimated at \$11,122,531,200.00.