

# SENATE BILL No. 329

March 17, 2005, Introduced by Senators CASSIS, KUIPERS, BIRKHOLZ, HARDIMAN, McMANUS, ALLEN, GOSCHKA and BISHOP and referred to the Committee on Education.

A bill to amend 1979 PA 94, entitled  
 "The state school aid act of 1979,"  
 by amending sections 20 and 22b (MCL 388.1620 and 388.1622b), as  
 amended by 2004 PA 351, and by adding section 34.

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

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

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

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

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

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

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

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

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

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

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

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

1 calculated as if that reduction did not occur. The \$6,500.00 amount  
2 prescribed in this subsection shall be adjusted each year by an  
3 amount equal to the dollar amount of the difference between the  
4 basic foundation allowance for the current state fiscal year and  
5 \$5,000.00, minus \$200.00.

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

26 (6) Subject to subsection (7) and section 22b(3) and except as  
27 otherwise provided in this subsection, for pupils in membership,

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

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

1 mills of school operating taxes levied by the district in 1993-94  
2 and the quotient of the ad valorem property tax revenue of the  
3 district captured under 1975 PA 197, MCL 125.1651 to 125.1681, the  
4 tax increment finance authority act, 1980 PA 450, MCL 125.1801 to  
5 125.1830, the local development financing act, 1986 PA 281, MCL  
6 125.2151 to 125.2174, or the brownfield redevelopment financing  
7 act, 1996 PA 381, MCL 125.2651 to 125.2672, divided by the  
8 district's membership excluding special education pupils, in the  
9 school fiscal year ending in the current state fiscal year,  
10 calculated as if the resident pupils in membership in 1 or more  
11 public school academies located in the district were in membership  
12 in the district. In order to receive state school aid under this  
13 act, a district described in this subsection shall pay to the  
14 authorizing body that is the fiscal agent for a public school  
15 academy located in the district for forwarding to the public school  
16 academy an amount equal to that local school operating revenue per  
17 membership pupil for each resident pupil in membership other than  
18 special education pupils in the public school academy, as  
19 determined by the department.

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

1 determined by the department of treasury. A district shall not  
2 receive a separate supplemental amount calculated under this  
3 subsection for a fiscal year unless in the calendar year ending in  
4 the fiscal year the district levies 18 mills or the number of mills  
5 of school operating taxes levied by the district in 1993, whichever  
6 is less, on property that is not a principal residence or qualified  
7 agricultural property.

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

1 district does not levy 18 mills or the number of mills of school  
2 operating taxes levied by the district in 1993, whichever is less,  
3 on property that is not a principal residence or qualified  
4 agricultural property, the amount calculated under this subsection  
5 will be reduced by the same percentage as the millage actually  
6 levied compares to the 18 mills or the number of mills levied in  
7 1993, whichever is less.

8 (10) Subject to subsection (4), for a district that is formed  
9 or reconfigured after June 1, 2002 by consolidation of 2 or more  
10 districts or by annexation, the resulting district's foundation  
11 allowance under this section beginning after the effective date of  
12 the consolidation or annexation shall be the average of the  
13 foundation allowances of each of the original or affected  
14 districts, calculated as provided in this section, weighted as to  
15 the percentage of pupils in total membership in the resulting  
16 district who reside in the geographic area of each of the original  
17 or affected districts. The calculation under this subsection shall  
18 take into account a district's per pupil allocation under section  
19 20j(2).

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

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

27 (13) To assist the legislature in determining the basic

1 foundation allowance for the subsequent state fiscal year, each  
2 revenue estimating conference conducted under section 367b of the  
3 management and budget act, 1984 PA 431, MCL 18.1367b, shall  
4 calculate a pupil membership factor, a revenue adjustment factor,  
5 and an index as follows:

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

16 (b) The revenue adjustment factor shall be computed by  
17 dividing the sum of the estimated total state school aid fund  
18 revenue for the subsequent state fiscal year plus the estimated  
19 total state school aid fund revenue for the current state fiscal  
20 year, adjusted for any change in the rate or base of a tax the  
21 proceeds of which are deposited in that fund and excluding money  
22 transferred into that fund from the countercyclical budget and  
23 economic stabilization fund under section 353e of the management  
24 and budget act, 1984 PA 431, MCL 18.1353e, by the sum of the  
25 estimated total school aid fund revenue for the current state  
26 fiscal year plus the estimated total state school aid fund revenue  
27 for the immediately preceding state fiscal year, adjusted for any

1 change in the rate or base of a tax the proceeds of which are  
2 deposited in that fund. If a consensus revenue factor is not  
3 determined at the revenue estimating conference, the principals of  
4 the revenue estimating conference shall report their estimates to  
5 the house and senate subcommittees responsible for school aid  
6 appropriations not later than 7 days after the conclusion of the  
7 revenue conference.

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

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

21 (15) If at the January revenue estimating conference it is  
22 estimated that pupil membership, excluding intermediate district  
23 membership, for the subsequent state fiscal year will be greater  
24 than 101% of the pupil membership, excluding intermediate district  
25 membership, for the current state fiscal year, then it is the  
26 intent of the legislature that the executive budget proposal for  
27 the school aid budget for the subsequent state fiscal year include

1 a general fund/general purpose allocation sufficient to support the  
2 membership in excess of 101% of the current year pupil membership.

3 (16) For a district that had combined state and local revenue  
4 per membership pupil in the 1993-94 state fiscal year of more than  
5 \$6,500.00, that had fewer than 7 pupils in membership in the 1993-  
6 94 state fiscal year, that has at least 1 child educated in the  
7 district in the current state fiscal year, and that levies the  
8 number of mills of school operating taxes authorized for the  
9 district under section 1211 of the revised school code, MCL  
10 380.1211, a minimum amount of combined state and local revenue  
11 shall be calculated for the district as provided under this  
12 subsection. The minimum amount of combined state and local revenue  
13 for 1999-2000 shall be \$67,000.00 plus the district's additional  
14 expenses to educate pupils in grades 9 to 12 educated in other  
15 districts as determined and allowed by the department. The minimum  
16 amount of combined state and local revenue under this subsection,  
17 before adding the additional expenses, shall increase each fiscal  
18 year by the same percentage increase as the percentage increase in  
19 the basic foundation allowance from the immediately preceding  
20 fiscal year to the current fiscal year. The state portion of the  
21 minimum amount of combined state and local revenue under this  
22 subsection shall be calculated by subtracting from the minimum  
23 amount of combined state and local revenue under this subsection  
24 the sum of the district's local school operating revenue and an  
25 amount equal to the product of the sum of the state portion of the  
26 district's foundation allowance plus the amount calculated under  
27 section 20j times the district's membership. As used in this

1 subsection, "additional expenses" means the district's expenses for  
2 tuition or fees, not to exceed \$6,500.00 as adjusted each year by  
3 an amount equal to the dollar amount of the difference between the  
4 basic foundation allowance for the current state fiscal year and  
5 \$5,000.00, minus \$200.00, plus a room and board stipend not to  
6 exceed \$10.00 per school day for each pupil in grades 9 to 12  
7 educated in another district, as approved by the department.

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

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

1 calculated under this section, plus \$250.00.

2 (19) For a district that received a grant under former section  
3 32e for 2001-2002, the district's foundation allowance for 2002-  
4 2003 and each succeeding fiscal year shall be adjusted to be an  
5 amount equal to the sum of the district's foundation allowance, as  
6 otherwise calculated under this section, plus the quotient of ~~100%~~  
7 **96.15%** of the amount of the grant award to the district for 2001-  
8 2002 under former section 32e divided by the number of pupils in  
9 the district's membership for 2001-2002 who were residents of and  
10 enrolled in the district. Except as otherwise provided in this  
11 subsection, a district qualifying for a foundation allowance  
12 adjustment under this subsection shall use the funds resulting from  
13 this adjustment for at least 1 of grades K to 3 for purposes  
14 allowable under former section 32e as in effect for 2001-2002, **AND**  
15 **MAY ALSO USE THESE FUNDS FOR AN EARLY LEARNING SUCCESS PROGRAM**  
16 **DESCRIBED IN SUBSECTION (21)**. For an individual school or schools  
17 operated by a district qualifying for a foundation allowance under  
18 this subsection that have been determined by the department to meet  
19 the adequate yearly progress standards of the federal no child left  
20 behind act of 2001, Public Law 107-110, in both mathematics and  
21 English language arts at all applicable grade levels for all  
22 applicable subgroups, the district may submit to the department an  
23 application for flexibility in using the funds resulting from this  
24 adjustment that are attributable to the pupils in the school or  
25 schools. The application shall identify the affected school or  
26 schools and the affected funds and shall contain a plan for using  
27 the funds for specific purposes identified by the district that are

1 designed to reduce class size, but that may be different from the  
2 purposes otherwise allowable under this subsection. The department  
3 shall approve the application if the department determines that the  
4 purposes identified in the plan are reasonably designed to reduce  
5 class size. If the department does not act to approve or disapprove  
6 an application within 30 days after it is submitted to the  
7 department, the application is considered to be approved. If an  
8 application for flexibility in using the funds is approved, the  
9 district may use the funds identified in the application for any  
10 purpose identified in the plan.

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

22 (21) AN EARLY LEARNING SUCCESS PROGRAM THAT USES FUNDS  
23 RESULTING FROM THE ADJUSTMENT UNDER SUBSECTION (19) SHALL  
24 MONITOR INDIVIDUAL PUPIL LEARNING AND PROVIDE SPECIFIC SUPPORT  
25 OR LEARNING STRATEGIES TO PUPILS AS EARLY AS POSSIBLE IN ORDER  
26 TO REDUCE THE NEED FOR SPECIAL EDUCATION PLACEMENT. THE PROGRAM  
27 SHALL INCLUDE LITERACY AND NUMERACY SUPPORTS, SENSORY MOTOR

1 SKILL DEVELOPMENT, BEHAVIOR SUPPORTS, INSTRUCTIONAL CONSULTATION  
2 FOR TEACHERS, AND THE DEVELOPMENT OF A PARENT/SCHOOL LEARNING  
3 PLAN.

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

8 (23) ~~—(22)—~~ If an amendment to section 2 of article VIII of  
9 the state constitution of 1963 allowing state aid to some or all  
10 nonpublic schools is approved by the voters of this state, each  
11 foundation allowance or per pupil payment calculation under this  
12 section may be reduced.

13 (24) ~~—(23)—~~ As used in this section:

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

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

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

23 (d) "Immediately preceding state fiscal year" means the state  
24 fiscal year immediately preceding the current state fiscal year.

25 (e) "Local school operating revenue" means school operating  
26 taxes levied under section 1211 of the revised school code, MCL  
27 380.1211.

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

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

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

10 (i) "School operating purposes" means the purposes included in  
11 the operation costs of the district as prescribed in sections 7 and  
12 18.

13 (j) "School operating taxes" means local ad valorem property  
14 taxes levied under section 1211 of the revised school code, MCL  
15 380.1211, and retained for school operating purposes.

16 (k) "Taxable value per membership pupil" means taxable value,  
17 as certified by the department of treasury, for the calendar year  
18 ending in the current state fiscal year divided by the district's  
19 membership excluding special education pupils for the school year  
20 ending in the current state fiscal year.

21 Sec. 22b. (1) From the appropriation in section 11, there is  
22 allocated an amount not to exceed ~~\$2,910,300,000.00~~  
23 **\$2,909,300,000.00** for 2004-2005 for discretionary nonmandated  
24 payments to districts under this section. Funds allocated under  
25 this section that are not expended in the state fiscal year for  
26 which they were allocated, as determined by the department, may be  
27 used to supplement the allocations under sections 22a and 51c in

1 order to fully fund those calculated allocations for the same  
2 fiscal year.

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

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

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

25 (5) It is the intent of the legislature that all  
26 constitutional obligations of this state have been fully funded  
27 under sections 22a, 31d, 51a, and 51c. If a claim is made by an

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

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

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

1 action to the court of appeals, and the court of appeals shall have  
2 and shall exercise jurisdiction over the claim.

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

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

25 **SEC. 34. (1) FROM THE STATE SCHOOL AID FUND APPROPRIATION IN**  
26 **SECTION 11, THERE IS ALLOCATED AN AMOUNT NOT TO EXCEED**  
27 **\$1,000,000.00 FOR 2005-2006 TO THE DEPARTMENT FOR GRANTS TO**

1 DISTRICTS FOR DEVELOPING A 5-YEAR PROGRAM TO DEVELOP AN EARLY  
2 LEARNING SUCCESS MODEL FOR GRADES K-3. THE EARLY LEARNING SUCCESS  
3 PROGRAM WILL INSTRUCT CLASSROOM TEACHERS AND SUPPORT STAFF ON HOW  
4 TO MONITOR INDIVIDUAL STUDENT LEARNING AND HOW TO PROVIDE SPECIFIC  
5 SUPPORT OR LEARNING STRATEGIES TO PUPILS AS EARLY AS POSSIBLE IN  
6 ORDER TO REDUCE THE NEED FOR SPECIAL EDUCATION PLACEMENT. THE  
7 PROGRAM WILL INCLUDE LITERACY AND NUMERACY SUPPORTS, SENSORY MOTOR  
8 SKILL DEVELOPMENT, BEHAVIOR SUPPORTS, INSTRUCTIONAL CONSULTATION  
9 FOR TEACHERS, AND THE DEVELOPMENT OF A PARENT/SCHOOL LEARNING PLAN.  
10 ALL OF THE FOLLOWING APPLY TO THE GRANTS:

11 (A) EACH SITE FUNDED BY A GRANT SHALL SERVE AS EITHER A MODEL  
12 SITE OF PRACTICE OR A SITE OF IMPROVEMENT. A MODEL SITE WILL SERVE  
13 AS AN ONGOING MODEL THAT PROVIDES THE EARLY LEARNING SUCCESS  
14 PROGRAM FOR PUPILS AND CONDUCTS PROFESSIONAL DEVELOPMENT ON SITE  
15 FOR PERSONNEL VISITING FROM A SITE OF IMPROVEMENT. A SITE OF  
16 IMPROVEMENT IS A SITE THAT SEEKS TO IMPLEMENT THE EARLY LEARNING  
17 SUCCESS PROGRAM.

18 (B) THE GRANTS SHALL BE DISTRIBUTED THROUGH A COMPETITIVE  
19 PROCESS ESTABLISHED BY THE DEPARTMENT. THE SELECTION OF GRANT  
20 RECIPIENTS SHALL BE BASED ON THE ABILITY TO SERVE AS A MODEL SITE  
21 OF PRACTICE OR, FOR A SITE OF IMPROVEMENT, ON A DEMONSTRATED NEED  
22 TO IMPROVE OPPORTUNITIES FOR LEARNING SUCCESS AS REFLECTED BY A  
23 PERCENTAGE OF LEARNING DISABLED PUPILS THAT IS HIGHER THAN THE  
24 STATEWIDE PERCENTAGE OF LEARNING DISABLED PUPILS, AS DETERMINED BY  
25 THE DEPARTMENT. THE DEPARTMENT SHALL ENSURE GEOGRAPHIC DIVERSITY IN  
26 AWARDING GRANTS.

27 (C) THE DEPARTMENT SHALL AWARD A TOTAL OF 50 GRANTS, WITH NOT

1 MORE THAN 10 OF THE GRANTS FOR DEVELOPMENT OF MODEL SITES OF  
2 PRACTICE AND AT LEAST 40 OF THE GRANTS FOR SITES OF IMPROVEMENT. A  
3 MODEL SITE OF PRACTICE SHALL USE THE GRANT FUNDS TO MAKE  
4 PROFESSIONAL DEVELOPMENT ON HOW TO PROVIDE THE PROGRAM AVAILABLE ON  
5 SITE TO PERSONNEL FROM SITES OF IMPROVEMENT. A SITE OF IMPROVEMENT  
6 SHALL USE THE GRANT FUNDS TO PAY FOR THE EXPENSES OF OBTAINING THIS  
7 PROFESSIONAL DEVELOPMENT AND OTHER EXPENSES RELATED TO IMPLEMENTING  
8 AN EARLY LEARNING SUCCESS PROGRAM.

9 (D) THE AMOUNT OF EACH GRANT SHALL BE \$20,000.00.

10 (E) A GRANT SHALL BE USED FOR EARLY LEARNING SUCCESS PROGRAMS  
11 FOR PUPILS AT THE ELEMENTARY LEVEL ONLY.

12 (2) NOTWITHSTANDING SECTION 17B, PAYMENTS UNDER THIS SECTION  
13 MAY BE MADE PURSUANT TO AN AGREEMENT WITH THE DEPARTMENT.

14 (3) NOT LATER THAN JANUARY 30 OF THE NEXT FISCAL YEAR, THE  
15 DEPARTMENT SHALL PREPARE AND SUBMIT TO THE GOVERNOR AND THE  
16 LEGISLATURE AN ANNUAL REPORT OF OUTCOMES ACHIEVED BY THE GRANT  
17 RECIPIENTS FUNDED UNDER THIS SECTION FOR A FISCAL YEAR. FOR THIS  
18 REPORT, THE FUNDED SITES SHALL COLLECT DATA AND REPORT TO THE  
19 DEPARTMENT ON MEASURED CHANGES IN SPECIAL EDUCATION PLACEMENT AND  
20 STUDENT ACHIEVEMENT ATTRIBUTABLE TO THE PROGRAM.