

SENATE BILL No. 413

April 18, 2007, Introduced by Senator PATTERSON and referred to the Committee on Appropriations.

A bill to amend 1979 PA 94, entitled
"The state school aid act of 1979,"
by amending sections 11, 20, and 22b (MCL 388.1611, 388.1620, and
388.1622b), as amended by 2006 PA 342, and by adding section 12.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 11. (1) ~~For the fiscal year ending September 30, 2006,~~
2 ~~there is appropriated for the public schools of this state and~~
3 ~~certain other state purposes relating to education the sum of~~
4 ~~\$11,200,813,200.00 from the state school aid fund established by~~
5 ~~section 11 of article IX of the state constitution of 1963, the sum~~
6 ~~of \$44,500,000.00 from the proceeds of capitalization of the school~~
7 ~~bond loan fund revolving fund, and the sum of \$62,714,000.00 from~~
8 ~~the general fund.~~ For the fiscal year ending September 30, 2007,

1 there is appropriated for the public schools of this state and
2 certain other state purposes relating to education the sum of
3 ~~\$11,647,508,200.00~~ **\$11,673,258,200.00** from the state school aid
4 fund established by section 11 of article IX of the state
5 constitution of 1963 and the sum of \$35,000,000.00 from the general
6 fund. In addition, available federal funds are appropriated for
7 each fiscal year.

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

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

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

1 economic stabilization fund, state school aid fund balance, or
2 another source to fund the amount of the projected shortfall.

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

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

9 (i) Districts.

10 (ii) Intermediate districts.

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

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

21 (c) The department shall recover a percentage of the proration
22 amount required under subsection (3) that is equal to the
23 percentage calculated under subdivision (a)(ii) for intermediate
24 districts by reducing payments to intermediate districts. This
25 reduction shall be made by reducing the payments to each
26 intermediate district, other than payments under sections 11f, 11g,
27 26a, 26b, 51a(2), 51a(12), 53a, and 56, on an equal percentage

1 basis.

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

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

13 **SEC. 12. FOR THE PURPOSE OF HELPING THE LEGISLATURE EVALUATE**
14 **WHETHER DISTRICTS ARE RECEIVING ADEQUATE FUNDING FOR PROVIDING A**
15 **SATISFACTORY EDUCATION FOR PUPILS, NOT LATER THAN SEPTEMBER 1, 2007**
16 **THE SUPERINTENDENT OF PUBLIC INSTRUCTION AND THE STATE BOARD SHALL**
17 **ESTABLISH A DEFINITION OF WHAT CONSTITUTES ADEQUATE FUNDING FOR A**
18 **DISTRICT TO PROVIDE A SATISFACTORY EDUCATION, SHALL COMPARE THIS**
19 **CONCEPT OF ADEQUATE FUNDING TO A FUNDING LEVEL THAT WOULD**
20 **CONSTITUTE FULL FUNDING FOR ALL OF A DISTRICT'S EXISTING PROGRAMS,**
21 **AND SHALL SUBMIT A REPORT TO THE LEGISLATURE THAT STATES THE**
22 **FUNDING LEVEL NECESSARY TO PROVIDE ADEQUATE FUNDING AND THE FUNDING**
23 **LEVEL NECESSARY TO PROVIDE FULL FUNDING. THIS REPORT MAY STATE**
24 **THESE FUNDING LEVELS EITHER ON A STATEWIDE BASIS OR A DISTRICT-BY-**
25 **DISTRICT BASIS, OR BOTH.**

26 Sec. 20. (1) ~~For 2005-2006, the basic foundation allowance is~~
27 ~~\$6,875.00.~~ For 2006-2007, the basic foundation allowance is

1 \$7,085.00.

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

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

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

22 (b) For a district that in the 1994-95 state fiscal year had a
23 foundation allowance greater than \$6,500.00, the district's
24 foundation allowance is an amount equal to the sum of the
25 district's foundation allowance for the immediately preceding state
26 fiscal year plus the lesser of the increase in the basic foundation
27 allowance for the current state fiscal year, as compared to the

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

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

22 (d) For a district that received a payment under section 22c
23 as that section was in effect for 2001-2002, the district's 2001-
24 2002 foundation allowance shall be considered to have been an
25 amount equal to the sum of the district's actual 2001-2002
26 foundation allowance as otherwise calculated under this section
27 plus the per pupil amount of the district's equity payment for

1 2001-2002 under section 22c as that section was in effect for 2001-
2 2002.

3 (e) It is the intent of the legislature that beginning in
4 2007-2008, for a district that receives a payment under section 22c
5 for 2006-2007, the district's 2006-2007 foundation allowance shall
6 be considered to have been an amount equal to the sum of the
7 district's actual 2006-2007 foundation allowance as otherwise
8 calculated under this section plus the per pupil amount of the
9 district's equity payment for 2006-2007 under section 22c.

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

1 and the district's foundation allowance for 1998-99, minus the
2 difference between the product of the taxable value per membership
3 pupil of all property in the district that is not a principal
4 residence or qualified agricultural property times the lesser of 18
5 mills or the number of mills of school operating taxes levied by
6 the district in 1993-94 and the quotient of the ad valorem property
7 tax revenue of the district captured under 1975 PA 197, MCL
8 125.1651 to 125.1681, the tax increment finance authority act, 1980
9 PA 450, MCL 125.1801 to 125.1830, the local development financing
10 act, 1986 PA 281, MCL 125.2151 to 125.2174, or the brownfield
11 redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2672,
12 divided by the district's membership excluding special education
13 pupils. For a district that has a millage reduction required under
14 section 31 of article IX of the state constitution of 1963, the
15 state portion of the district's foundation allowance shall be
16 calculated as if that reduction did not occur. The \$6,500.00 amount
17 prescribed in this subsection shall be adjusted each year by an
18 amount equal to the dollar amount of the difference between the
19 basic foundation allowance for the current state fiscal year and
20 \$5,000.00, minus \$200.00.

21 (5) The allocation calculated under this section for a pupil
22 shall be based on the foundation allowance of the pupil's district
23 of residence. However, for a pupil enrolled in a district other
24 than the pupil's district of residence, if the foundation allowance
25 of the pupil's district of residence has been adjusted pursuant to
26 subsection (19), the allocation calculated under this section shall
27 not include the adjustment described in subsection (19). For a

1 pupil enrolled pursuant to section 105 or 105c in a district other
2 than the pupil's district of residence, the allocation calculated
3 under this section shall be based on the lesser of the foundation
4 allowance of the pupil's district of residence or the foundation
5 allowance of the educating district. For a pupil in membership in a
6 K-5, K-6, or K-8 district who is enrolled in another district in a
7 grade not offered by the pupil's district of residence, the
8 allocation calculated under this section shall be based on the
9 foundation allowance of the educating district if the educating
10 district's foundation allowance is greater than the foundation
11 allowance of the pupil's district of residence. The calculation
12 under this subsection shall take into account a district's per
13 pupil allocation under section 20j(2).

14 (6) Subject to subsection (7) and section 22b(3) and except as
15 otherwise provided in this subsection, for pupils in membership,
16 other than special education pupils, in a public school academy or
17 a university school, the allocation calculated under this section
18 is an amount per membership pupil other than special education
19 pupils in the public school academy or university school equal to
20 the sum of the local school operating revenue per membership pupil
21 other than special education pupils for the district in which the
22 public school academy or university school is located and the state
23 portion of that district's foundation allowance, or the sum of the
24 basic foundation allowance under subsection (1) plus \$300.00,
25 whichever is less. Notwithstanding section ~~101(2)~~ 101, for a public
26 school academy that begins operations after the pupil membership
27 count day, the amount per membership pupil calculated under this

1 subsection shall be adjusted by multiplying that amount per
2 membership pupil by the number of hours of pupil instruction
3 provided by the public school academy after it begins operations,
4 as determined by the department, divided by the minimum number of
5 hours of pupil instruction required under section 101(3). The
6 result of this calculation shall not exceed the amount per
7 membership pupil otherwise calculated under this subsection.

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

1 act, a district described in this subsection shall pay to the
2 authorizing body that is the fiscal agent for a public school
3 academy located in the district for forwarding to the public school
4 academy an amount equal to that local school operating revenue per
5 membership pupil for each resident pupil in membership other than
6 special education pupils in the public school academy, as
7 determined by the department.

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

23 (9) For a district that had combined state and local revenue
24 per membership pupil in the 1993-94 state fiscal year of more than
25 \$6,500.00 and that had fewer than 350 pupils in membership, if the
26 district elects not to reduce the number of mills from which a
27 principal residence and qualified agricultural property are exempt

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

23 (10) Subject to subsection (4), for a district that is formed
24 or reconfigured after June 1, 2002 by consolidation of 2 or more
25 districts or by annexation, the resulting district's foundation
26 allowance under this section beginning after the effective date of
27 the consolidation or annexation shall be the average of the

1 foundation allowances of each of the original or affected
2 districts, calculated as provided in this section, weighted as to
3 the percentage of pupils in total membership in the resulting
4 district who reside in the geographic area of each of the original
5 or affected districts. The calculation under this subsection shall
6 take into account a district's per pupil allocation under section
7 20j(2).

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

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

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

21 (a) The pupil membership factor shall be computed by dividing
22 the estimated membership in the school year ending in the current
23 state fiscal year, excluding intermediate district membership, by
24 the estimated membership for the school year ending in the
25 subsequent state fiscal year, excluding intermediate district
26 membership. If a consensus membership factor is not determined at
27 the revenue estimating conference, the principals of the revenue

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

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

23 (c) The index shall be calculated by multiplying the pupil
24 membership factor by the revenue adjustment factor. However, for
25 ~~2005-2006 and 2006-2007~~, the index shall be 1.00. If a consensus
26 index is not determined at the revenue estimating conference, the
27 principals of the revenue estimating conference shall report their

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

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

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

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

1 for 1999-2000 shall be \$67,000.00 plus the district's additional
2 expenses to educate pupils in grades 9 to 12 educated in other
3 districts as determined and allowed by the department. The minimum
4 amount of combined state and local revenue under this subsection,
5 before adding the additional expenses, shall increase each fiscal
6 year by the same percentage increase as the percentage increase in
7 the basic foundation allowance from the immediately preceding
8 fiscal year to the current fiscal year. The state portion of the
9 minimum amount of combined state and local revenue under this
10 subsection shall be calculated by subtracting from the minimum
11 amount of combined state and local revenue under this subsection
12 the sum of the district's local school operating revenue and an
13 amount equal to the product of the sum of the state portion of the
14 district's foundation allowance plus the amount calculated under
15 section 20j times the district's membership. As used in this
16 subsection, "additional expenses" means the district's expenses for
17 tuition or fees, not to exceed \$6,500.00 as adjusted each year by
18 an amount equal to the dollar amount of the difference between the
19 basic foundation allowance for the current state fiscal year and
20 \$5,000.00, minus \$200.00, plus a room and board stipend not to
21 exceed \$10.00 per school day for each pupil in grades 9 to 12
22 educated in another district, as approved by the department.

23 (17) For a district in which 7.75 mills levied in 1992 for
24 school operating purposes in the 1992-93 school year were not
25 renewed in 1993 for school operating purposes in the 1993-94 school
26 year, the district's combined state and local revenue per
27 membership pupil shall be recalculated as if that millage reduction

1 did not occur and the district's foundation allowance shall be
2 calculated as if its 1994-95 foundation allowance had been
3 calculated using that recalculated 1993-94 combined state and local
4 revenue per membership pupil as a base. A district is not entitled
5 to any retroactive payments for fiscal years before 2000-2001 due
6 to this subsection.

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

17 (19) For a district that received a grant under former section
18 32e for 2001-2002, the district's foundation allowance for 2002-
19 2003 and each succeeding fiscal year shall be adjusted to be an
20 amount equal to the sum of the district's foundation allowance, as
21 otherwise calculated under this section, plus the quotient of 100%
22 of the amount of the grant award to the district for 2001-2002
23 under former section 32e divided by the number of pupils in the
24 district's membership for 2001-2002 who were residents of and
25 enrolled in the district. Except as otherwise provided in this
26 subsection, a district qualifying for a foundation allowance
27 adjustment under this subsection shall use the funds resulting from

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

26 (20) An early intervening program that uses funds resulting
27 from the adjustment under subsection (19) shall meet either or both

1 of the following:

2 (a) Shall monitor individual pupil learning for pupils in
3 grades K to 3 and provide specific support or learning strategies
4 to pupils in grades K to 3 as early as possible in order to reduce
5 the need for special education placement. The program shall include
6 literacy and numeracy supports, sensory motor skill development,
7 behavior supports, instructional consultation for teachers, and the
8 development of a parent/school learning plan. Specific support or
9 learning strategies may include support in or out of the general
10 classroom in areas including reading, writing, math, visual memory,
11 motor skill development, behavior, or language development. These
12 would be provided based on an understanding of the individual
13 child's learning needs.

14 (b) Shall provide early intervening strategies for pupils in
15 grades K to 3 using schoolwide systems of academic and behavioral
16 supports and shall be scientifically research-based. The strategies
17 to be provided shall include at least pupil performance indicators
18 based upon response to intervention, instructional consultation for
19 teachers, and ongoing progress monitoring. A schoolwide system of
20 academic and behavioral support should be based on a support team
21 available to the classroom teachers. The members of this team could
22 include the principal, special education staff, reading teachers,
23 and other appropriate personnel who would be available to
24 systematically study the needs of the individual child and work
25 with the teacher to match instruction to the needs of the
26 individual child.

27 (21) For a district that levied 1.9 mills in 1993 to finance

1 an operating deficit, the district's foundation allowance shall be
2 calculated as if those mills were included as operating mills in
3 the calculation of the district's 1994-1995 foundation allowance. A
4 district is not entitled to any retroactive payments for fiscal
5 years before 2006-2007 due to this subsection. A district receiving
6 an adjustment under this subsection shall not receive more than
7 \$800,000.00 for a fiscal year as a result of this adjustment.

8 (22) For a district that levied 2.23 mills in 1993 to finance
9 an operating deficit, the district's foundation allowance shall be
10 calculated as if those mills were included as operating mills in
11 the calculation of the district's 1994-1995 foundation allowance. A
12 district is not entitled to any retroactive payments for fiscal
13 years before 2006-2007 due to this subsection. A district receiving
14 an adjustment under this subsection shall not receive more than
15 \$500,000.00 for a fiscal year as a result of this adjustment.

16 (23) FOR A DISTRICT THAT MEETS THE REQUIREMENTS OF THIS
17 SUBSECTION, THE DISTRICT'S FOUNDATION ALLOWANCE FOR 2006-2007 IS AN
18 AMOUNT EQUAL TO THE SUM OF THE DISTRICT'S FOUNDATION ALLOWANCE FOR
19 2006-2007, AS OTHERWISE CALCULATED UNDER THIS SECTION, PLUS
20 \$1,000.00. A DISTRICT IS ELIGIBLE FOR THE ADJUSTMENT UNDER THIS
21 SUBSECTION IF THE DISTRICT IS DETERMINED BY THE DEPARTMENT TO MEET
22 ALL OF THE FOLLOWING:

23 (A) THE DISTRICT IS CONTIGUOUS TO AT LEAST 3 OTHER DISTRICTS
24 THAT HAVE A FOUNDATION ALLOWANCE FOR 2006-2007 THAT IS AT LEAST
25 \$1,000.00 GREATER THAN THAT DISTRICT'S FOUNDATION ALLOWANCE FOR
26 2006-2007.

27 (B) ON A PER PUPIL BASIS, THE DISTRICT SPENDS LESS THAN 10% OF

1 ITS CURRENT OPERATING EXPENDITURES ON BUSINESS AND ADMINISTRATION
2 COSTS, AS DETERMINED BY THE DEPARTMENT ACCORDING TO THE
3 DEPARTMENT'S BULLETIN 1014.

4 (C) ON A PER PUPIL BASIS, THE DISTRICT SPENDS MORE THAN 60% OF
5 ITS CURRENT OPERATING EXPENDITURES ON TOTAL INSTRUCTIONAL
6 EXPENDITURES, AS DETERMINED BY THE DEPARTMENT ACCORDING TO THE
7 DEPARTMENT'S BULLETIN 1014.

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

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

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

22 (24) FOR A DISTRICT THAT MEETS THE REQUIREMENTS OF THIS
23 SUBSECTION, THE DISTRICT'S FOUNDATION ALLOWANCE FOR 2006-2007 IS AN
24 AMOUNT EQUAL TO THE SUM OF THE DISTRICT'S FOUNDATION ALLOWANCE FOR
25 2006-2007, AS OTHERWISE CALCULATED UNDER THIS SECTION, PLUS
26 \$1,000.00. A DISTRICT IS ELIGIBLE FOR THE ADJUSTMENT UNDER THIS
27 SUBSECTION IF THE DISTRICT IS DETERMINED BY THE DEPARTMENT TO MEET

1 ALL OF THE FOLLOWING:

2 (A) ON A PER PUPIL BASIS, THE DISTRICT SPENDS LESS THAN 12% OF
3 ITS CURRENT OPERATING EXPENDITURES ON BUSINESS AND ADMINISTRATION
4 COSTS, AS DETERMINED BY THE DEPARTMENT ACCORDING TO THE
5 DEPARTMENT'S BULLETIN 1014.

6 (B) ON A PER PUPIL BASIS, THE DISTRICT SPENDS MORE THAN 60% OF
7 ITS CURRENT OPERATING EXPENDITURES ON TOTAL INSTRUCTIONAL
8 EXPENDITURES, AS DETERMINED BY THE DEPARTMENT ACCORDING TO THE
9 DEPARTMENT'S BULLETIN 1014.

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

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

18 (E) AT LEAST 60% OF THE PUPILS WHO WERE ENROLLED IN THE
19 DISTRICT IN GRADE 11 FOR THE IMMEDIATELY PRECEDING FISCAL YEAR AND
20 WHO TOOK THE ASSESSMENTS UNDER SECTION 1279 OR 1279G OF THE REVISED
21 SCHOOL CODE, MCL 380.1279 AND 380.1279G, RECEIVED QUALIFYING
22 RESULTS AS DEFINED UNDER THE MICHIGAN MERIT AWARD SCHOLARSHIP ACT,
23 1999 PA 94, MCL 390.1451 TO 390.1459.

24 (F) THE DISTRICT QUALIFIES FOR FUNDING IN 2006-2007 UNDER
25 SUBSECTION (8).

26 (25) ~~(23)~~ Payments to districts, university schools, or public
27 school academies shall not be made under this section. Rather, the

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

3 (26) ~~(24)~~—If an amendment to section 2 of article VIII of the
4 state constitution of 1963 allowing state aid to some or all
5 nonpublic schools is approved by the voters of this state, each
6 foundation allowance or per pupil payment calculation under this
7 section may be reduced.

8 (27) ~~(25)~~—As used in this section:

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

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

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

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

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

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

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

1 particular calculation is made.

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

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

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

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

16 Sec. 22b. (1) From the appropriation in section 11, there is
17 allocated ~~an amount not to exceed \$3,217,000,000.00 for 2005-2006~~
18 ~~and an amount not to exceed \$3,584,950,000.00~~ **\$3,610,700,000.00** for
19 2006-2007 for discretionary nonmandated payments to districts under
20 this section. Funds allocated under this section that are not
21 expended in the state fiscal year for which they were allocated, as
22 determined by the department, may be used to supplement the
23 allocations under sections 22a and 51c in order to fully fund those
24 calculated allocations for the same fiscal year.

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

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

3 (3) In order to receive an allocation under this section, each
4 district shall do all of the following:

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

13 (b) Comply with sections 1278a and 1278b of the revised school
14 code, MCL 380.1278a and 380.1278b.

15 (c) Furnish data and other information required by state and
16 federal law to the center and the department in the form and manner
17 specified by the center or the department, as applicable.

18 (d) Comply with section 1230g of the revised school code, MCL
19 380.1230g.

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

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

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

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

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

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

13 (9) If a lawsuit challenging payments made to districts
14 related to costs reimbursed by federal title XIX medicaid funds is
15 filed against this state, then, for the purpose of addressing
16 potential liability under such a lawsuit, the state budget director
17 may place funds allocated under this section in escrow or allocate
18 money from the funds otherwise allocated under this section, up to
19 a maximum of 50% of the amount allocated in subsection (1). If
20 funds are placed in escrow under this subsection, those funds are a
21 work project appropriation and the funds are carried forward into
22 the following fiscal year. The purpose of the work project is to
23 provide for any payments that may be awarded to districts as a
24 result of the litigation. The work project shall be completed upon
25 resolution of the litigation. In addition, this state reserves the
26 right to terminate future federal title XIX medicaid reimbursement
27 payments to districts if the amount or allocation of reimbursed

1 funds is challenged in the lawsuit. As used in this subsection,
2 "title XIX" means title XIX of the social security act, 42 USC 1396
3 to 1396v.