

**SUBSTITUTE FOR
HOUSE BILL NO. 4401**

A bill to amend 1979 PA 94, entitled
"The state school aid act of 1979,"
by amending sections 3, 6, 8b, 11, 11f, 11g, 18, 19, 20, 22a,
22b, 24, 26a, 31a, 31d, 32c, 32d, 38, 39a, 41, 51a, 51c, 51d,
53a, 54, 56, 57, 61a, 62, 74, 81, 94a, 98, 99, 101, 105, 107, and
147 (MCL 388.1603, 388.1606, 388.1608b, 388.1611, 388.1611f,
388.1611g, 388.1618, 388.1619, 388.1620, 388.1622a, 388.1622b,
388.1624, 388.1626a, 388.1631a, 388.1631d, 388.1632c, 388.1632d,
388.1638, 388.1639a, 388.1641, 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, 388.1699, 388.1701,
388.1705, 388.1707, and 388.1747), section 3 as amended by 2000
PA 297, sections 6, 11, 11f, 11g, 20, 22a, 22b, 24, 26a, 31a,
31d, 32c, 32d, 39a, 41, 51a, 51c, 51d, 53a, 54, 56, 57, 61a, 62,
74, 81, 94a, 98, 99, 107, and 147 as amended by 2002 PA 521,

section 8b as added and sections 19, 38, and 105 as amended by 2002 PA 191, section 18 as amended by 1999 PA 119, and section 101 as amended by 2002 PA 476, and by adding sections 20k, 20l, 22d, 22e, 32j, and 98b; and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

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

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

8 **(4) —(3)—** "Cooperative education program" means a written
9 voluntary agreement between and among districts to provide
10 certain educational programs for pupils in certain groups of
11 districts. The written agreement shall be approved by all
12 affected districts at least annually and shall specify the
13 educational programs to be provided and the estimated number of
14 pupils from each district who will participate in the educational
15 programs.

16 **(5) —(4)—** "Department", except in sections 67, 68, 107, and
17 108, means the department of education.

18 **(6) —(5)—** "District" means a local school district
19 established under the revised school code, a local act school
20 district, or, except in sections 6(4), 6(6), 13, 20, 22a, 23,
21 31a, 32f, 105, and 105c, a public school academy. Except in
22 sections 6(4), 6(6), 13, 20, 22a, 105, and 105c, district also

1 includes a university school.

2 (7) ~~-(6)-~~ "District of residence", except as otherwise
3 provided in this subsection, means the district in which a
4 pupil's custodial parent or parents or legal guardian resides.
5 For a pupil described in section 24b, the pupil's district of
6 residence is the district in which the pupil enrolls under that
7 section. For a pupil described in section 6(4)(d), the pupil's
8 district of residence shall be considered to be the district or
9 intermediate district in which the pupil is counted in membership
10 under that section. For a pupil under court jurisdiction who is
11 placed outside the district in which the pupil's custodial parent
12 or parents or legal guardian resides, the pupil's district of
13 residence shall be considered to be the educating district or
14 educating intermediate district.

15 (8) ~~-(7)-~~ "District superintendent" means the superintendent
16 of a district, the chief administrator of a public school
17 academy, or the chief administrator of a university school.

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

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

9 (2) "District ~~pupil retention~~ **and high school completion**
10 rate" means the ~~proportion of pupils who have not dropped out of~~
11 ~~school in the immediately preceding school year and is equal to 1~~
12 ~~minus the quotient of the number of pupils unaccounted for in the~~
13 ~~immediately preceding school year, as determined pursuant to~~
14 ~~subsection (3), divided by the pupils of the immediately~~
15 ~~preceding school year~~ **annual completion and pupil dropout rate**
16 **that is calculated by the center pursuant to nationally**
17 **recognized standards.**

18 (3) "District ~~pupil retention~~ **and high school completion**
19 report" means a report of the number of pupils, excluding migrant
20 and adult, in the district for the immediately preceding school
21 year, adjusted for those pupils who have transferred into **or out**
22 **of the district** ~~, transferred out of the district, or~~
23 transferred to alternative programs, ~~and have graduated, to~~
24 ~~determine the number of pupils who are unaccounted for. The~~
25 ~~number of pupils unaccounted for shall be calculated as~~
26 ~~determined by the department~~ **who leave high school with a**
27 **diploma or other credential.**

1 (4) "Membership", except as otherwise provided in this act,
2 means for a district, public school academy, university school,
3 or intermediate district the sum of the product of .8 times the
4 number of full-time equated pupils in grades K to 12 actually
5 enrolled and in regular daily attendance on the pupil membership
6 count day for the current school year, plus the product of .2
7 times the final audited count from the supplemental count day for
8 the immediately preceding school year. All pupil counts used in
9 this subsection are as determined by the department and
10 calculated by adding the number of pupils registered for
11 attendance plus pupils received by transfer and minus pupils lost
12 as defined by rules promulgated by the superintendent, and as
13 corrected by a subsequent department audit. The amount of the
14 foundation allowance for a pupil in membership is determined
15 under section 20. In making the calculation of membership, all
16 of the following, as applicable, apply to determining the
17 membership of a district, public school academy, university
18 school, or intermediate district:

19 (a) Except as otherwise provided in this subsection, and
20 pursuant to subsection (6), a pupil shall be counted in
21 membership in the pupil's educating district or districts. An
22 individual pupil shall not be counted for more than a total of
23 1.0 full-time equated membership.

24 (b) If a pupil is educated in a district other than the
25 pupil's district of residence, if the pupil is not being educated
26 as part of a cooperative education program, if the pupil's
27 district of residence does not give the educating district its

1 approval to count the pupil in membership in the educating
2 district, and if the pupil is not covered by an exception
3 specified in subsection (6) to the requirement that the educating
4 district must have the approval of the pupil's district of
5 residence to count the pupil in membership, the pupil shall not
6 be counted in membership in any district.

7 (c) A special education pupil educated by the intermediate
8 district shall be counted in membership in the intermediate
9 district.

10 (d) A pupil placed by a court or state agency in an
11 on-grounds program of a juvenile detention facility, a child
12 caring institution, or a mental health institution, or a pupil
13 funded under section 53a, shall be counted in membership in the
14 district or intermediate district approved by the department to
15 operate the program.

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

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

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

27 (h) A pupil enrolled in a public school academy shall be

1 counted in membership in the public school academy.

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

6 (i) If operations begin before the pupil membership count day
7 for the fiscal year, membership is the average number of
8 full-time equated pupils in grades K to 12 actually enrolled and
9 in regular daily attendance on the pupil membership count day for
10 the current school year and on the supplemental count day for the
11 current school year, as determined by the department and
12 calculated by adding the number of pupils registered for
13 attendance on the pupil membership count day plus pupils received
14 by transfer and minus pupils lost as defined by rules promulgated
15 by the superintendent, and as corrected by a subsequent
16 department audit, plus the final audited count from the
17 supplemental count day for the current school year, and dividing
18 that sum by 2.

19 (ii) If operations begin after the pupil membership count day
20 for the fiscal year and not later than the supplemental count day
21 for the fiscal year, membership is the final audited count of the
22 number of full-time equated pupils in grades K to 12 actually
23 enrolled and in regular daily attendance on the supplemental
24 count day for the current school year.

25 (j) If a district is the authorizing body for a public school
26 academy, then, in the first school year in which pupils are
27 counted in membership on the pupil membership count day in the

1 public school academy, the determination of the district's
2 membership shall exclude from the district's pupil count for the
3 immediately preceding supplemental count day any pupils who are
4 counted in the public school academy on that first pupil
5 membership count day who were also counted in the district on the
6 immediately preceding supplemental count day.

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

12 (l) Pupils to be counted in membership shall be not less than
13 5 years of age on December 1 and less than 20 years of age on
14 September 1 of the school year except a special education pupil
15 who is enrolled and receiving instruction in a special education
16 program **or service** approved by the department and not having a
17 high school diploma who is less than 26 years of age as of
18 September 1 of the current school year shall be counted in
19 membership.

20 (m) An individual who has obtained a high school diploma
21 shall not be counted in membership. An individual who has
22 obtained a general education development (G.E.D.) certificate
23 shall not be counted in membership. An individual participating
24 in a job training program funded under former section 107a or a
25 jobs program funded under former section 107b, administered by
26 the Michigan strategic fund or the department of career
27 development, or participating in any successor of either of those

1 2 programs, shall not be counted in membership.

2 (n) If a pupil counted in membership in a public school
3 academy is also educated by a district or intermediate district
4 as part of a cooperative education program, the pupil shall be
5 counted in membership only in the public school academy, and the
6 instructional time scheduled for the pupil in the district or
7 intermediate district shall be included in the full-time equated
8 membership determination under subdivision (q). However, for
9 pupils receiving instruction in both a public school academy and
10 in a district or intermediate district but not as a part of a
11 cooperative education program, the following apply:

12 (i) If the public school academy provides instruction for at
13 least 1/2 of the class hours specified in subdivision (q), the
14 public school academy shall receive as its prorated share of the
15 full-time equated membership for each of those pupils an amount
16 equal to 1 times the product of the hours of instruction the
17 public school academy provides divided by the number of hours
18 specified in subdivision (q) for full-time equivalency, and the
19 remainder of the full-time membership for each of those pupils
20 shall be allocated to the district or intermediate district
21 providing the remainder of the hours of instruction.

22 (ii) If the public school academy provides instruction for
23 less than 1/2 of the class hours specified in subdivision (q),
24 the district or intermediate district providing the remainder of
25 the hours of instruction shall receive as its prorated share of
26 the full-time equated membership for each of those pupils an
27 amount equal to 1 times the product of the hours of instruction

1 the district or intermediate district provides divided by the
2 number of hours specified in subdivision (q) for full-time
3 equivalency, and the remainder of the full-time membership for
4 each of those pupils shall be allocated to the public school
5 academy.

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

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

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

21 (r) Full-time equated memberships for pupils in kindergarten
22 shall be determined by dividing the number of class hours
23 scheduled and provided per year per kindergarten pupil by a
24 number equal to 1/2 the number used for determining full-time
25 equated memberships for pupils in grades 1 to 12.

26 (s) For a district, university school, or public school
27 academy that has pupils enrolled in a grade level that was not

1 offered by the district, university school, or public school
2 academy in the immediately preceding school year, the number of
3 pupils enrolled in that grade level to be counted in membership
4 is the average of the number of those pupils enrolled and in
5 regular daily attendance on the pupil membership count day and
6 the supplemental count day of the current school year, as
7 determined by the department. Membership shall be calculated by
8 adding the number of pupils registered for attendance in that
9 grade level on the pupil membership count day plus pupils
10 received by transfer and minus pupils lost as defined by rules
11 promulgated by the superintendent, and as corrected by subsequent
12 department audit, plus the final audited count from the
13 supplemental count day for the current school year, and dividing
14 that sum by 2.

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

19 (u) If, as a result of a disciplinary action, a district
20 determines through the district's alternative or disciplinary
21 education program that the best instructional placement for a
22 pupil is in the pupil's home, if that placement is authorized in
23 writing by the district superintendent and district alternative
24 or disciplinary education supervisor, and if the district
25 provides appropriate instruction as described in this subdivision
26 to the pupil at the pupil's home, the district may count the
27 pupil in membership on a pro rata basis, with the proration based

1 on the number of hours of instruction the district actually
2 provides to the pupil divided by the number of hours specified in
3 subdivision (q) for full-time equivalency. For the purposes of
4 this subdivision, a district shall be considered to be providing
5 appropriate instruction if all of the following are met:

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

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

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

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

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

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

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

12 (y) If a district's membership for a particular fiscal year,
13 as otherwise calculated under this subsection, would be less than
14 1,550 pupils and the district has 4.5 or fewer pupils per square
15 mile, as determined by the department, the district's membership
16 shall be considered to be the membership figure calculated under
17 this subdivision. ~~However, beginning in 2003-2004, this~~
18 ~~subdivision applies only to districts located in the Lower~~
19 ~~Peninsula.~~ If a district educates and counts in its membership
20 pupils in grades 9 to 12 who reside in a contiguous district that
21 does not operate grades 9 to 12 and if 1 or both of the affected
22 districts request the department to use the determination allowed
23 under this sentence, the department shall include the square
24 mileage of both districts in determining the number of pupils per
25 square mile for each of the districts for the purposes of this
26 subdivision. The membership figure calculated under this
27 subdivision is the greater of the following:

1 (i) The average of the district's membership for the
2 3-fiscal-year period ending with that fiscal year, calculated by
3 adding the district's actual membership for each of those 3
4 fiscal years, as otherwise calculated under this subsection, and
5 dividing the sum of those 3 membership figures by 3.

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

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

17 (5) "Public school academy" means a public school academy or
18 strict discipline academy operating under the revised school
19 code.

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

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

27 (b) A pupil receiving 1/2 or less of his or her instruction

1 in a district other than the pupil's district of residence.

2 (c) A pupil enrolled in a public school academy or university
3 school.

4 (d) A pupil enrolled in a district other than the pupil's
5 district of residence under an intermediate district schools of
6 choice pilot program as described in section 91a or former
7 section 91 if the intermediate district and its constituent
8 districts have been exempted from section 105.

9 (e) A pupil enrolled in a district other than the pupil's
10 district of residence but within the same intermediate district
11 if the educating district enrolls nonresident pupils in
12 accordance with section 105.

13 (f) A pupil enrolled in a district other than the pupil's
14 district of residence if the pupil has been continuously enrolled
15 in the educating district since a school year in which the pupil
16 enrolled in the educating district under section 105 or 105c and
17 in which the educating district enrolled nonresident pupils in
18 accordance with section 105 or 105c.

19 (g) A pupil who has made an official written complaint or
20 whose parent or legal guardian has made an official written
21 complaint to law enforcement officials and to school officials of
22 the pupil's district of residence that the pupil has been the
23 victim of a criminal sexual assault or other serious assault, if
24 the official complaint either indicates that the assault occurred
25 at school or that the assault was committed by 1 or more other
26 pupils enrolled in the school the pupil would otherwise attend in
27 the district of residence or by an employee of the district of

1 residence. A person who intentionally makes a false report of a
2 crime to law enforcement officials for the purposes of this
3 subdivision is subject to section 411a of the Michigan penal
4 code, 1931 PA 328, MCL 750.411a, which provides criminal
5 penalties for that conduct. As used in this subdivision:

6 (i) "At school" means in a classroom, elsewhere on school
7 premises, on a school bus or other school-related vehicle, or at
8 a school-sponsored activity or event whether or not it is held on
9 school premises.

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

15 (h) A pupil enrolled in a district located in a contiguous
16 intermediate district, as described in section 105c, if the
17 educating district enrolls those nonresident pupils in accordance
18 with section 105c.

19 (i) A pupil whose district of residence changed after the
20 pupil membership count day and before the supplemental count day
21 and who continues to be enrolled on the supplemental count day as
22 a nonresident in the district in which he or she was enrolled as
23 a resident on the pupil membership count day of the same school
24 year.

25 (j) A pupil enrolled in an alternative education program
26 operated by a district other than his or her district of
27 residence who meets 1 or more of the following:

1 (i) The pupil has been suspended or expelled from his or her
2 district of residence for any reason, including, but not limited
3 to, a suspension or expulsion under section 1310, 1311, or 1311a
4 of the revised school code, MCL 380.1310, 380.1311, and
5 380.1311a.

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

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

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

9 (k) A pupil enrolled in the Michigan virtual high school, for
10 the pupil's enrollment in the Michigan virtual high school.

11 However, if a district that is not a first class district
12 educates pupils who reside in a first class district and if the
13 primary instructional site for those pupils is located within the
14 boundaries of the first class district, the educating district
15 must have the approval of the first class district to count those
16 pupils in membership. As used in this subsection, "first class
17 district" means a district organized as a school district of the
18 first class under the revised school code.

19 (7) "Pupil membership count day" of a district or
20 intermediate district means:

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

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

25 (i) Fourth Wednesday in July.

26 (ii) Fourth Wednesday in September.

27 (iii) Second Wednesday in February.

1 (iv) Fourth Wednesday in April.

2 (8) "Pupils in grades K to 12 actually enrolled and in
3 regular daily attendance" means pupils in grades K to 12 in
4 attendance and receiving instruction in all classes for which
5 they are enrolled on the pupil membership count day or the
6 supplemental count day, as applicable. A pupil who is absent
7 from any of the classes in which the pupil is enrolled on the
8 pupil membership count day or supplemental count day and who does
9 not attend each of those classes during the 10 consecutive school
10 days immediately following the pupil membership count day or
11 supplemental count day, except for a pupil who has been excused
12 by the district, shall not be counted as 1.0 full-time equated
13 membership. In addition, a pupil who is excused from attendance
14 on the pupil membership count day or supplemental count day and
15 who fails to attend each of the classes in which the pupil is
16 enrolled within 30 calendar days after the pupil membership count
17 day or supplemental count day shall not be counted as 1.0
18 full-time equated membership. Pupils not counted as 1.0
19 full-time equated membership due to an absence from a class shall
20 be counted as a prorated membership for the classes the pupil
21 attended. For purposes of this subsection, "class" means a
22 period of time in 1 day when pupils and a certificated teacher or
23 legally qualified substitute teacher are together and instruction
24 is taking place.

25 (9) "Rule" means a rule promulgated pursuant to the
26 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
27 24.328.

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

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

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

6 (13) "Superintendent", unless the context clearly refers to a
7 district or intermediate district superintendent, means the
8 superintendent of public instruction described in section 3 of
9 article VIII of the state constitution of 1963.

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

12 (15) "Tuition pupil" means a pupil of school age attending
13 school in a district other than the pupil's district of residence
14 for whom tuition may be charged. Tuition pupil does not include
15 a pupil who is a special education pupil or a pupil described in
16 subsection (6)(d) to (k). A pupil's district of residence shall
17 not require a high school tuition pupil, as provided under
18 section 111, to attend another school district after the pupil
19 has been assigned to a school district.

20 (16) "State school aid fund" means the state school aid fund
21 established in section 11 of article IX of the state constitution
22 of 1963.

23 (17) "Taxable value" means the taxable value of property as
24 determined under section 27a of the general property tax act,
25 1893 PA 206, MCL 211.27a.

26 (18) "Total state aid" or "total state school aid" means the
27 total combined amount of all funds due to a district,

1 intermediate district, or other entity under all of the
2 provisions of this act.

3 (19) "University school" means an instructional program
4 operated by a public university under section 23 that meets the
5 requirements of section 23.

6 Sec. 8b. (1) The department shall assign a district code to
7 each public school academy that is authorized under the revised
8 school code and is eligible to receive funding under this act
9 **within 30 days after a contract is submitted to the department by**
10 **the authorizing body of a public school academy.**

11 (2) If the department does not assign a district code to a
12 public school academy ~~in a timely manner~~ **within the 30-day**
13 **period described in subsection (1)**, the department of treasury
14 ~~may~~ **shall** assign a temporary district code to the public school
15 academy for the purpose of making payments under this act.

16 Sec. 11. (1) ~~For the fiscal year ending September 30,~~
17 ~~2002, there is appropriated for the public schools of this state~~
18 ~~and certain other state purposes relating to education the sum of~~
19 ~~\$10,990,148,200.00 from the state school aid fund established by~~
20 ~~section 11 of article IX of the state constitution of 1963 and~~
21 ~~the sum of \$198,413,500.00 from the general fund. For the fiscal~~
22 ~~year ending September 30, 2003, there is appropriated for the~~
23 ~~public schools of this state and certain other state purposes~~
24 ~~relating to education the sum of \$11,259,441,400.00 from the~~
25 ~~state school aid fund established by section 11 of article IX of~~
26 ~~the state constitution of 1963, the sum of \$198,413,500.00 from~~
27 ~~the general fund, and the sum of \$700,000.00 from local~~

House Bill No. 4401 (H-1) as amended April 10, 2003

1 ~~revenues. However, if legislation authorizing the transfer of~~
 2 ~~\$79,500,000.00 from the Michigan employment security act~~
 3 ~~contingent fund, penalties and interest subaccount, is not~~
 4 ~~enacted and in effect on or before October 1, 2002, there is~~
 5 ~~instead appropriated from the general fund for 2002-2003 the sum~~
 6 ~~of \$122,656,500.00.~~ For the fiscal year ending September 30,
 7 2004, there is appropriated for the public schools of this state
 8 and certain other state purposes relating to education the sum of
 9 ~~\$11,246,667,400.00~~ **\$11,063,658,400.00** from the state school aid
 10 fund established by section 11 of article IX of the state
 11 constitution of 1963 and the sum of [~~\$198,413,500.00~~ **\$206,870,100.00**]
 from the
 12 general fund. **Upon certification by the state treasurer that the**
 13 **school bond loan fund debt owed by this state under 1961 PA 112,**
 14 **MCL 388.981 to 388.985, has been refinanced, the net proceeds**
 15 **from that transaction shall be deposited in the state school aid**
 16 **fund.** In addition, available federal funds are appropriated for
 17 each of those fiscal years.

18 (2) The appropriations under this section shall be allocated
 19 as provided in this act. Money appropriated under this section
 20 from the general fund ~~and from available federal funds~~ shall be
 21 expended to fund the purposes of this act before the expenditure
 22 of money appropriated under this section from the state school
 23 aid fund. If the maximum amount appropriated under this section
 24 from the state school aid fund for a fiscal year exceeds the
 25 amount necessary to fully fund allocations under this act from
 26 the state school aid fund, that excess amount shall not be
 27 expended in that state fiscal year and shall not lapse to the

1 general fund, but instead shall remain in the state school aid
2 fund.

3 (3) If the maximum amount appropriated under this section
4 ~~and section 11f~~ from the state school aid fund for a fiscal
5 year exceeds the amount available for expenditure from the state
6 school aid fund for that fiscal year, payments under sections
7 11f, 11g, 22a, 31d, 51a(2), and 51c shall be made in full. ~~In~~
8 ~~addition, for districts beginning operations after 1994-95 that~~
9 ~~qualify for payments under section 22b, payments under section~~
10 ~~22b shall be made so that the qualifying districts receive an~~
11 ~~amount equal to the 1994-95 foundation allowance of the district~~
12 ~~in which the district beginning operations after 1994-95 is~~
13 ~~located. The amount of the payment to be made under section 22b~~
14 ~~for these qualifying districts shall be as calculated under~~
15 ~~section 22a, with the balance of the payment under section 22b~~
16 ~~being subject to the proration otherwise provided under this~~
17 ~~subsection. State payments under each of the other sections of~~
18 ~~this act from all state funding sources shall be prorated on~~
19 ~~an equal percentage basis~~ **reduced** as necessary to reflect the
20 amount available for expenditure from the state school aid fund
21 for that fiscal year, **using a reduction method determined by the**
22 **state budget director to be a fair and equitable method of**
23 **reducing payments to all districts.** ~~However, if~~ **If** the
24 department of treasury determines that ~~proration~~ **a reduction**
25 will be required under this subsection, the department of
26 treasury shall notify the state budget director, and the state
27 budget director shall notify the legislature at least 30 calendar

1 days or 6 legislative session days, whichever is more, before the
 2 department reduces any payments under this act because of the
 3 ~~proration~~ **reduction. This notification shall include a**
 4 **description of the method the state budget director will use to**
 5 **make the necessary reduction.** During the 30 calendar day or 6
 6 legislative session day period after that notification by the
 7 state budget director, the department shall not reduce any
 8 payments under this act because of ~~proration under~~ this
 9 subsection. The legislature may prevent ~~proration~~ **a reduction**
 10 from occurring by, within the 30 calendar day or 6 legislative
 11 session day period after that notification by the state budget
 12 director, enacting legislation appropriating additional funds
 13 from the general fund, countercyclical budget and economic
 14 stabilization fund, state school aid fund balance, or another
 15 source to fund the amount of the projected shortfall.

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

20 Sec. 11f. (1) ~~In addition to any other money appropriated~~
 21 ~~under this act, there is appropriated from the state school aid~~
 22 ~~fund~~ **From the appropriations under section 11, there is**
 23 **allocated for the purposes of this section** an amount not to
 24 exceed \$32,000,000.00 ~~each fiscal year for the fiscal year~~
 25 ~~ending September 30, 2002, for the fiscal year ending September~~
 26 ~~30, 2003,~~ for the fiscal year ending September 30, 2004 ~~,~~ and
 27 for each succeeding fiscal year through the fiscal year ending

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

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

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

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

26 (4) The amount paid each fiscal year to each district or
27 intermediate district under subsection (1) shall be 1/20 of the

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

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

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

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

16 ~~(7) The appropriations under this section are from the money~~
 17 ~~appropriated and transferred to the state school aid fund from~~
 18 ~~the countercyclical budget and economic stabilization fund under~~
 19 ~~section 353e(2) and (3) of the management and budget act, 1984~~
 20 ~~PA 431, MCL 18.1353e.~~

21 (7) ~~—(8)—~~ The resolution to be adopted and submitted by a
 22 district or intermediate district under this section and section
 23 11g shall read as follows:

24 "Whereas, the board of _____ (name of district
 25 or intermediate district) desires to settle and compromise, in
 26 their entirety, any claim or claims that the district (or
 27 intermediate district) has or had for violations of section 29 of

1 article IX of the state constitution of 1963, which claim or
2 claims are or were similar to the claims asserted by the
3 plaintiffs in the consolidated cases known as Durant v State of
4 Michigan, Michigan supreme court docket no. 104458-104492.

5 Whereas, the district (or intermediate district) agrees to
6 settle and compromise these claims for the consideration
7 described in sections 11f and 11g of the state school aid act of
8 1979, 1979 PA 94, MCL 388.1611f and 388.1611g, and in the amount
9 specified for the district (or intermediate district) in
10 section 11h of the state school aid act of 1979, 1979 PA 94,
11 MCL 388.1611h.

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

14 Now, therefore, be it resolved as follows:

15 1. The board of _____ (name of district or
16 intermediate district) waives any right or interest it may have
17 in any claim or potential claim through September 30, 1997
18 relating to the amount of funding the district or intermediate
19 district is, or may have been, entitled to receive under the
20 state school aid act of 1979, 1979 PA 94, MCL 388.1601 to
21 388.1772, or any other source of state funding, by reason of the
22 application of section 29 of article IX of the state constitution
23 of 1963, which claims or potential claims are or were similar to
24 the claims asserted by the plaintiffs in the consolidated cases
25 known as Durant v State of Michigan, Michigan supreme court
26 docket no. 104458-104492.

27 2. The board of _____ (name of district or

1 intermediate district) directs its secretary to submit a
 2 certified copy of this resolution to the state treasurer no later
 3 than 5 p.m. eastern standard time on March 2, 1998, and agrees
 4 that it will not take any action to amend or rescind this
 5 resolution.

6 3. The board of _____ (name of district or
 7 intermediate district) expressly agrees and understands that, if
 8 it takes any action to amend or rescind this resolution, the
 9 state, its agencies, employees, and agents shall have available
 10 to them any privilege, immunity, and/or defense that would
 11 otherwise have been available had the claims or potential claims
 12 been actually litigated in any forum.

13 4. This resolution is contingent on continued payments by
 14 the state each fiscal year as determined under sections 11f and
 15 11g of the state school aid act of 1979, 1979 PA 94,
 16 MCL 388.1611f and 388.1611g. However, this resolution shall be
 17 an irrevocable waiver of any claim to amounts actually received
 18 by the school district or intermediate school district under
 19 sections 11f and 11g of the state school aid act of 1979.".

20 Sec. 11g. (1) From the general fund ~~money appropriated~~
 21 **appropriation** in section 11, there is allocated an amount not to
 22 exceed ~~-\$40,000,000.00-~~ **\$141,000.00 each fiscal year** for the
 23 fiscal year ending ~~September 30, 2002, for the fiscal year~~
 24 ~~ending September 30, 2003, for the fiscal year ending~~
 25 September 30, 2004 ~~—~~ and for **the fiscal year ending September**
 26 **30, 2005. There is allocated an amount not to exceed**
 27 **\$34,200,000.00 for** each succeeding fiscal year through the fiscal

1 year ending September 30, 2013. Payments under this section will
2 cease after September 30, 2013. These ~~appropriations~~
3 **allocations** are for paying the amounts described in
4 subsection (3) to districts and intermediate districts, other
5 than those receiving a lump sum payment under section 11f(2),
6 that were not plaintiffs in the consolidated cases known as
7 Durant v State of Michigan, Michigan supreme court docket
8 no. 104458-104492 and that, on or before March 2, 1998, submitted
9 to the state treasurer a waiver resolution described in section
10 11f. The amounts paid under this section represent offers of
11 settlement and compromise of any claim or claims that were or
12 could have been asserted by these districts and intermediate
13 districts, as described in this section.

14 (2) This section does not create any obligation or liability
15 of this state to any district or intermediate district that does
16 not submit a waiver resolution described in section 11f. This
17 section, any other provision of this act, and section 353e of the
18 management and budget act, 1984 PA 431, MCL 18.1353e, are not
19 intended to admit liability or waive any defense that is or would
20 be available to this state or its agencies, employees, or agents
21 in any litigation or future litigation with a district or
22 intermediate district regarding these claims or potential
23 claims.

24 (3) The amount paid each fiscal year to each district or
25 intermediate district under this section shall be the sum of the
26 following:

27 (a) 1/30 of the total amount listed in section 11h for the

1 district or intermediate district.

2 (b) If the district or intermediate district borrows money
3 and issues bonds under section 11i, an additional amount in each
4 fiscal year calculated by the department of treasury that, when
5 added to the amount described in subdivision (a), will cause the
6 net present value as of November 15, 1998 of the total of the 15
7 annual payments made to the district or intermediate district
8 under this section, discounted at a rate as determined by the
9 state treasurer, to equal the amount of the bonds issued by that
10 district or intermediate district under section 11i and that will
11 result in the total payments made to all districts and
12 intermediate districts in each fiscal year under this section
13 being no more than the amount appropriated under this section in
14 each fiscal year.

15 (4) The entire amount of each payment under this section each
16 fiscal year shall be paid on May 15 of the applicable fiscal year
17 or on the next business day following that date. If a district
18 or intermediate district borrows money and issues bonds under
19 section 11i, the district or intermediate district shall use
20 funds received under this section to pay debt service on bonds
21 issued under section 11i. If a district or intermediate district
22 does not borrow money and issue bonds under section 11i, the
23 district or intermediate district shall use funds received under
24 this section only for the following purposes, in the following
25 order of priority:

26 (a) First, to pay debt service on voter-approved bonds issued
27 by the district or intermediate district before the effective

1 date of this section.

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

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

6 (5) To the extent payments under this section are used by a
7 district or intermediate district to pay debt service on debt
8 payable from millage revenues, and to the extent permitted by
9 law, the district or intermediate district may make a
10 corresponding reduction in the number of mills levied for debt
11 service.

12 (6) A district or intermediate district may pledge or assign
13 payments under this section as security for bonds issued under
14 section 11i, but shall not otherwise pledge or assign payments
15 under this section.

16 Sec. 18. (1) Except as provided in another section of this
17 act, each district or other entity shall apply the money received
18 by the district or entity under this act to salaries and other
19 compensation of teachers and other employees, tuition,
20 transportation, lighting, heating, ventilation, water service,
21 the purchase of textbooks which are designated by the board to be
22 used in the schools under the board's charge, other supplies, and
23 any other school operating expenditures defined in section 7.
24 However, not more than 20% of the total amount received by a
25 district under article 2 or intermediate district under article 8
26 may be transferred by the board to either the capital projects
27 fund or to the debt retirement fund for debt service. The money

1 shall not be applied or taken for a purpose other than as
2 provided in this section. The department shall determine the
3 reasonableness of expenditures and may withhold from a recipient
4 of funds under this act the apportionment otherwise due for the
5 fiscal year following the discovery by the department of a
6 violation by the recipient.

7 (2) For the purpose of determining the reasonableness of
8 expenditures and whether a violation of this act has occurred,
9 the department shall require that each district and intermediate
10 district have an audit of the district's or intermediate
11 district's financial and pupil accounting records conducted at
12 least annually at the expense of the district or intermediate
13 district, as applicable, by a certified public accountant or by
14 the intermediate district superintendent, as may be required by
15 the department, or in the case of a district of the first class
16 by a certified public accountant, the intermediate
17 superintendent, or the auditor general of the city. An
18 intermediate district's annual financial audit shall be
19 accompanied by the intermediate district's pupil accounting
20 procedures report. A district's or intermediate district's
21 annual financial audit shall include an analysis of the financial
22 and pupil accounting data used as the basis for distribution of
23 state school aid. The pupil accounting records and reports,
24 audits, and management letters are subject to requirements
25 established in the auditing and accounting manuals approved and
26 published by the department. Except as otherwise provided in
27 this subsection, a district shall file the annual financial audit

1 reports with the intermediate district not later than 120 days
2 after the end of each school fiscal year and the intermediate
3 district shall forward the annual financial audit reports for its
4 constituent districts and for the intermediate district, and the
5 pupil accounting procedures report for the pupil membership count
6 day and supplemental count day, to the department not later than
7 November 15 of each year. The annual financial audit reports and
8 pupil accounting procedures reports shall be available to the
9 public in compliance with the freedom of information act, 1976
10 PA 442, MCL 15.231 to 15.246. Not later than December 1 of each
11 year, the department shall notify the state budget director and
12 the legislative appropriations subcommittees responsible for
13 review of the school aid budget of districts and intermediate
14 districts that have not filed an annual financial audit and pupil
15 accounting procedures report required under this section for the
16 school year ending in the immediately preceding fiscal year.

17 (3) ~~Each~~ **By November 15 of each year, each** district and
18 intermediate district shall ~~file with the department by~~
19 ~~November 15 of each year an annual comprehensive financial~~
20 ~~report, known as "Form B", on a form and in the manner prescribed~~
21 ~~by the department~~ **submit to the center, in a manner prescribed**
22 **by the center, annual comprehensive financial data consistent**
23 **with accounting manuals and charts of accounts approved and**
24 **published by the department.**

25 (4) **By September 30 of each year, each district and**
26 **intermediate district shall file with the department the special**
27 **education actual cost report, known as "SE-4096", on a form and**

1 in the manner prescribed by the department.

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

6 (6) ~~(4)~~ Not later than July 1, 1999, the department shall
7 approve and publish pupil accounting and pupil auditing manuals.
8 The department shall review those manuals at least annually and
9 shall periodically update those manuals to reflect changes in
10 this act. The pupil accounting manuals in effect for the 1996-97
11 school year, including subsequent revisions issued by the
12 superintendent, shall be the interim manuals in effect until new
13 manuals are approved and published. However, the clarification
14 of class-by-class accounting provided in the department's April
15 15, 1998 memorandum on pupil accounting procedures shall be
16 excluded from the interim manuals.

17 (7) ~~(5)~~ If a district that is a public school academy
18 purchases property using money received under this act, the
19 public school academy shall retain ownership of the property
20 unless the public school academy sells the property at fair
21 market value.

22 (8) ~~(6)~~ If a district or intermediate district does not
23 comply with subsection (2), ~~or~~ (3), (4), or (5), the department
24 shall withhold all state school aid due to the district or
25 intermediate district under this act, beginning with the next
26 payment due to the district or intermediate district, until the
27 district or intermediate district complies with subsections (2),

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

5 Sec. 19. (1) A district shall comply with ~~the~~ any
6 requirements of sections 1204a, 1277, 1278, and 1280 of the
7 revised school code, MCL 380.1204a, 380.1277, 380.1278, and
8 380.1280, commonly referred to as "public act 25 of 1990" that
9 are not also required by the no child left behind act of 2001,
10 Public Law 107-110, 115 Stat. 1425, as determined by the
11 department.

12 (2) Each district and intermediate district shall provide to
13 the department, in a form and manner prescribed by the
14 department, information necessary for the development of an
15 annual progress report on the **required** implementation of sections
16 1204a, 1277, 1278, and 1280 of the revised school code,
17 MCL 380.1204a, 380.1277, 380.1278, and 380.1280, commonly
18 referred to as "public act 25 of 1990". ~~Additionally, each~~
19 ~~district and intermediate district shall provide to the~~
20 ~~department of information technology, in a form and manner~~
21 ~~prescribed by the department of information technology, on the~~
22 ~~achievement of national education goals, and information~~
23 ~~necessary for the development of other performance reports.~~

24 (3) A district or intermediate district shall comply with all
25 applicable reporting requirements specified in the no child left
26 behind act of 2001, Public Law 107-110, 115 Stat. 1425, and any
27 other reporting required by the national center for education

1 statistics. Data provided to the center, in a form and manner
2 prescribed by the center, shall be aggregated and disaggregated
3 as required by the no child left behind act of 2001, Public Law
4 107-110, 115 Stat. 1425, and any other reporting required by the
5 national center for education statistics.

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

17 (5) A district shall furnish to the center, in a manner
18 prescribed by the center, information related to teachers and
19 other educational personnel as necessary for reporting required
20 by the no child left behind act of 2001, Public Law 107-110, 115
21 Stat. 1425, and any other reporting required by the equal
22 employment opportunity commission, office of civil rights, or the
23 national center for education statistics not later than December
24 15 of each year.

25 (6) ~~(3)~~ If a district or intermediate district fails to
26 meet the requirements of subsection (2), ~~and sections 1204a,~~
27 ~~1277, and 1278 of the revised school code, MCL 380.1204a,~~

1 ~~380.1277, and 380.1278,~~ (3), (4), or (5), the department shall
2 withhold 5% of the total funds for which the district or
3 intermediate district qualifies under this act until the district
4 or intermediate district complies with all of those ~~sections~~
5 **subsections**. If the district or intermediate district does not
6 comply with all of those ~~sections~~ **subsections** by the end of the
7 fiscal year, the department shall place the amount withheld in an
8 escrow account until the district or intermediate district
9 complies with all of those ~~sections~~ **subsections**.

10 (7) ~~(4)~~ If a school in a district is not accredited under
11 section 1280 of the revised school code, MCL 380.1280, or is not
12 making satisfactory progress toward meeting the standards for
13 that accreditation, the department shall withhold 5% of the total
14 funds for which the district qualifies under this act that are
15 attributable to pupils attending that school. The department
16 shall place the amount withheld from a district under this
17 subsection in an escrow account and shall not release the funds
18 to the district until the district submits to the department a
19 plan for achieving accreditation for each of the district's
20 schools that are not accredited under section 1280 of the revised
21 school code, MCL 380.1280, or are not making satisfactory
22 progress toward meeting the standards for that accreditation.

23 Sec. 20. (1) ~~For 2001-2002, the basic foundation allowance~~
24 ~~is \$6,300.00 per membership pupil.~~ For 2002-2003 and for
25 2003-2004, the basic foundation allowance is \$6,700.00 per
26 membership pupil.

27 (2) The amount of each district's foundation allowance shall

1 be calculated as provided in this section, using a basic
2 foundation allowance in the amount specified in subsection (1).

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

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

22 (b) For a district that in the 1994-95 state fiscal year had
23 a 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
26 state fiscal year plus the lesser of the increase in the basic
27 foundation allowance for the current state fiscal year, as

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

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

23 (d) ~~Beginning in 2002-2003, for~~ **For** a district that
24 ~~receives~~ **received** a payment under **former** section 22c for
25 2001-2002, the district's 2001-2002 foundation allowance shall be
26 considered to have been an amount equal to the sum of the
27 district's actual 2001-2002 foundation allowance as otherwise

1 calculated under this section plus the per pupil amount of the
2 district's equity payment for 2001-2002 under **former** section
3 22c.

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

1 1993-94 and the quotient of the ad valorem property tax revenue
2 of the district captured under 1975 PA 197, MCL 125.1651 to
3 125.1681, the tax increment finance authority act, 1980 PA 450,
4 MCL 125.1801 to 125.1830, the local development financing act,
5 1986 PA 281, MCL 125.2151 to 125.2174, or the brownfield
6 redevelopment financing act, 1996 PA 381, MCL 125.2651 to
7 125.2672, divided by the district's membership excluding special
8 education pupils. For a district that has a millage reduction
9 required under section 31 of article IX of the state constitution
10 of 1963, the state portion of the district's foundation allowance
11 shall be calculated as if that reduction did not occur. The
12 \$6,500.00 amount prescribed in this subsection shall be adjusted
13 each year by an amount equal to the dollar amount of the
14 difference between the basic foundation allowance for the current
15 state fiscal year and \$5,000.00, ~~— However, beginning in~~
16 ~~2002-2003, the \$6,500.00 amount prescribed in this subsection~~
17 ~~shall be adjusted each year by an amount equal to the dollar~~
18 ~~amount of the difference between the basic foundation allowance~~
19 ~~for the current state fiscal year and \$5,000.00, —~~ minus \$200.00.

20 (5) The allocation calculated under this section for a pupil
21 shall be based on the foundation allowance of the pupil's
22 district of residence. However, for a pupil enrolled pursuant to
23 section 105 or 105c in a district other than the pupil's district
24 of residence, the allocation calculated under this section shall
25 be based on the lesser of the foundation allowance of the pupil's
26 district of residence or the foundation allowance of the
27 educating district. For a pupil in membership in a K-5, K-6, or

1 K-8 district who is enrolled in another district in a grade not
2 offered by the pupil's district of residence, the allocation
3 calculated under this section shall be based on the foundation
4 allowance of the educating district if the educating district's
5 foundation allowance is greater than the foundation allowance of
6 the pupil's district of residence. The calculation under this
7 subsection shall take into account a district's per pupil
8 allocation under section 20j(2).

9 (6) Subject to subsection (7) and section 22b(3) and except
10 as otherwise provided in this subsection, for pupils in
11 membership, other than special education pupils, in a public
12 school academy or a university school, the allocation calculated
13 under this section is an amount per membership pupil other than
14 special education pupils in the public school academy or
15 university school equal to the sum of the local school operating
16 revenue per membership pupil other than special education pupils
17 for the district in which the public school academy or university
18 school is located and the state portion of that district's
19 foundation allowance, or the sum of the basic foundation
20 allowance under subsection (1) plus ~~-\$500.00-~~ **\$300.00**, whichever
21 is less. ~~However, beginning in 2002-2003, this \$500.00 amount~~
22 ~~shall instead be \$300.00.~~ Notwithstanding section 101(2), for a
23 public school academy that begins operations in ~~2001-2002,~~
24 2002-2003 ~~—~~ or 2003-2004, as applicable, after the pupil
25 membership count day, the amount per membership pupil calculated
26 under this subsection shall be adjusted by multiplying that
27 amount per membership pupil by the number of hours of pupil

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

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

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

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

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

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

22 (10) For a district that is formed or reconfigured after
23 June 1, 2002 by consolidation of 2 or more districts or by
24 annexation, the resulting district's foundation allowance under
25 this section beginning after the effective date of the
26 consolidation or annexation shall be the ~~lesser of an amount~~
27 ~~equal to the sum of the highest foundation allowance, as~~

~~1 calculated under this section, among the original or affected~~
~~2 districts plus \$50.00 or an amount equal to \$6,500.00 adjusted by~~
~~3 the dollar amount of the difference between the basic foundation~~
~~4 allowance under this section for the current state fiscal year~~
~~5 and \$5,000.00. However, beginning in 2002-2003, the \$6,500.00~~
~~6 amount prescribed in this subsection shall be adjusted each year~~
~~7 by an amount equal to the dollar amount of the difference between~~
~~8 the basic foundation allowance for the current state fiscal year~~
~~9 and \$5,000.00, minus \$200.00. average of the foundation~~
10 allowances of each of the original or affected districts,
11 calculated as provided in this section, weighted as to the
12 percentage of pupils in total membership in the resulting
13 district who reside in the geographic area of each of the
14 original or affected districts.

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

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

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

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

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

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

4 (c) The index shall be calculated by multiplying the pupil
5 membership factor by the revenue adjustment factor. **However, for**
6 **2003-2004 only, the index shall be 1.00.** If a consensus index is
7 not determined at the revenue estimating conference, the
8 principals of the revenue estimating conference shall report
9 their estimates to the house and senate subcommittees responsible
10 for school aid appropriations not later than 7 days after the
11 conclusion of the revenue conference.

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

18 (15) If at the January revenue estimating conference it is
19 estimated that pupil membership, excluding intermediate district
20 membership, for the subsequent state fiscal year will be greater
21 than 101% of the pupil membership, excluding intermediate
22 district membership, for the current state fiscal year, then it
23 is the intent of the legislature that the executive budget
24 proposal for the school aid budget for the subsequent state
25 fiscal year include a general fund/general purpose allocation
26 sufficient to support the membership in excess of 101% of the
27 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
3 than \$6,500.00, that had fewer than 7 pupils in membership in the
4 1993-94 state fiscal year, that has at least 1 child educated in
5 the district in the current state fiscal year, and that levies
6 the number of mills of school operating taxes authorized for the
7 district under section 1211 of the revised school code,
8 MCL 380.1211, a minimum amount of combined state and local
9 revenue shall be calculated for the district as provided under
10 this subsection. The minimum amount of combined state and local
11 revenue for 1999-2000 shall be \$67,000.00 plus the district's
12 additional expenses to educate pupils in grades 9 to 12 educated
13 in other districts as determined and allowed by the department.
14 The minimum amount of combined state and local revenue under this
15 subsection, before adding the additional expenses, shall increase
16 each fiscal year by the same percentage increase as the
17 percentage increase in the basic foundation allowance from the
18 immediately preceding fiscal year to the current fiscal year.
19 The state portion of the minimum amount of combined state and
20 local revenue under this subsection shall be calculated by
21 subtracting from the minimum amount of combined state and local
22 revenue under this subsection the sum of the district's local
23 school operating revenue and an amount equal to the product of
24 the sum of the state portion of the district's foundation
25 allowance plus the amount calculated under section 20j times the
26 district's membership. As used in this subsection, "additional
27 expenses" means the district's expenses for tuition or fees, not

1 to exceed \$6,500.00 as adjusted each year by an amount equal to
2 the dollar amount of the difference between the basic foundation
3 allowance for the current state fiscal year and \$5,000.00, **minus**
4 **\$200.00**, plus a room and board stipend not to exceed \$10.00 per
5 school day for each pupil in grades 9 to 12 educated in another
6 district, as approved by the department. ~~However, beginning in~~
7 ~~2002-2003, the \$6,500.00 amount prescribed in this subsection~~
8 ~~shall be adjusted each year by an amount equal to the dollar~~
9 ~~amount of the difference between the basic foundation allowance~~
10 ~~for the current state fiscal year and \$5,000.00, minus \$200.00.~~

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

22 (18) For a district in which an industrial facilities
23 exemption certificate that abated taxes on property with a state
24 equalized valuation greater than the total state equalized
25 valuation of the district at the time the certificate was issued
26 or \$700,000,000.00, whichever is greater, was issued under 1974
27 PA 198, MCL 207.551 to 207.572, before the calculation of the

1 district's 1994-95 foundation allowance, the district's
2 foundation allowance for 2002-2003 is an amount equal to the sum
3 of the district's foundation allowance for 2002-2003, as
4 otherwise calculated under this section, plus \$250.00.

5 (19) For a district that received a grant under former
6 section 32e for 2001-2002, the district's foundation allowance
7 for 2002-2003 shall be adjusted to be an amount equal to the sum
8 of the district's foundation allowance, as otherwise calculated
9 under this section, plus the quotient of the amount of the grant
10 award to the district for 2001-2002 under former section 32e
11 divided by the district's membership for 2001-2002, **and the**
12 **district's foundation allowance for 2003-2004 shall be adjusted**
13 **to be an amount equal to the sum of the district's foundation**
14 **allowance, as otherwise calculated under this section, plus the**
15 **quotient of 75.25% of the amount of the grant award to the**
16 **district for 2001-2002 under former section 32e divided by the**
17 **district's membership for 2001-2002.** A district qualifying for a
18 foundation allowance adjustment under this section shall use the
19 funds resulting from this adjustment for purposes allowable under
20 former section 32e as in effect for 2001-2002.

21 (20) For a district that is a qualifying school district with
22 a school reform board in place under part 5a of the revised
23 school code, MCL 380.371 to 380.376, the district's foundation
24 allowance for 2002-2003 shall be adjusted to be an amount equal
25 to the sum of the district's foundation allowance, as otherwise
26 calculated under this section, plus the quotient of
27 \$15,000,000.00 divided by the district's membership for

1 2002-2003. If a district ceases to meet the requirements of this
2 subsection, the department shall adjust the district's foundation
3 allowance in effect at that time based on a 2002-2003 foundation
4 allowance for the district that does not include the 2002-2003
5 adjustment under this subsection. **This subsection only applies**
6 **for 2002-2003.**

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

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

16 (23) As used in this section:

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

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

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

26 (d) "Homestead" means that term as defined in section 1211 of
27 the revised school code, MCL 380.1211.

1 (e) "Immediately preceding state fiscal year" means the state
2 fiscal year immediately preceding the current state fiscal year.

3 (f) "Local school operating revenue" means school operating
4 taxes levied under section 1211 of the revised school code,
5 MCL 380.1211.

6 (g) "Local school operating revenue per membership pupil"
7 means a district's local school operating revenue divided by the
8 district's membership excluding special education pupils.

9 (h) "Membership" means the definition of that term under
10 section 6 as in effect for the particular fiscal year for which a
11 particular calculation is made.

12 (i) "Qualified agricultural property" means that term as
13 defined in section 1211 of the revised school code,
14 MCL 380.1211.

15 (j) "School operating purposes" means the purposes included
16 in the operation costs of the district as prescribed in
17 sections 7 and 18.

18 (k) "School operating taxes" means local ad valorem property
19 taxes levied under section 1211 of the revised school code,
20 MCL 380.1211, and retained for school operating purposes.

21 (l) "Taxable value per membership pupil" means taxable value,
22 as certified by the department of treasury, for the calendar year
23 ending in the current state fiscal year divided by the district's
24 membership excluding special education pupils for the school year
25 ending in the current state fiscal year.

26 **Sec. 20k. If the maximum amount appropriated under section**
27 **11 from the state school aid fund for a fiscal year exceeds the**

House Bill No. 4401 (H-1) as amended April 10, 2003

1 amount available for expenditure from the state school aid fund
2 for that fiscal year so that a district's state school aid is
3 reduced pursuant to section 11(3), the payments calculated under
4 section 20j and made under section 22b shall be considered to be
5 foundation allowance payments for the purpose of determining the
6 maximum number of mills a district may levy under section 1211(3)
7 of the revised school code, MCL 380.1211. However, the amount to
8 be considered a foundation allowance payment for this purpose
9 shall not exceed the amount reduced from the district's state aid
10 payment as a result of the implementation of section 11(3).

11 Sec. 20/. (1) From the state school aid fund money
12 appropriated in section 11, there is allocated for 2003-2004 an
13 amount not to exceed \$1,000,000.00 for consolidation incentive
14 payments to districts under this section. A district that is
15 formed by consolidation [, or by the annexation by 1 district of all of
the territory of another district,] after June 1, 2002 is eligible to
receive
16 a consolidation incentive payment under this section. The amount
17 of a consolidation incentive payment to a district under this
18 section each fiscal year shall be an amount equal to \$50.00 per
19 pupil in membership in the consolidated district [or in the district
formed by the annexation], not to exceed a
20 total payment of \$500,000.00.

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

26 Sec. 22a. (1) From the appropriation in section 11, there
27 is allocated an amount not to exceed ~~\$7,022,000,000.00~~ for

1 ~~2001-2002 and an amount not to exceed \$6,953,000,000.00 each~~
2 ~~fiscal year for 2002-2003 and \$6,849,000,000.00~~ for 2003-2004
3 for payments to districts, qualifying university schools, and
4 qualifying public school academies to guarantee each district,
5 qualifying university school, and qualifying public school
6 academy an amount equal to its 1994-95 total state and local per
7 pupil revenue for school operating purposes under section 11 of
8 article IX of the state constitution of 1963. Pursuant to
9 section 11 of article IX of the state constitution of 1963, this
10 guarantee does not apply to a district in a year in which the
11 district levies a millage rate for school district operating
12 purposes less than it levied in 1994. However, subsection (2)
13 applies to calculating the payments under this section. Funds
14 allocated under this section that are not expended in the state
15 fiscal year for which they were allocated, as determined by the
16 department, may be used to supplement the allocations under
17 sections 22b and 51c in order to fully fund those calculated
18 allocations for the same fiscal year.

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

24 (a) Except as otherwise provided in this subsection, the
25 state portion of a district's 1994-95 foundation allowance is an
26 amount equal to the district's 1994-95 foundation allowance or
27 \$6,500.00, whichever is less, minus the difference between the

1 product of the taxable value per membership pupil of all property
2 in the district that is not a homestead or qualified agricultural
3 property times the lesser of 18 mills or the number of mills of
4 school operating taxes levied by the district in 1993-94 and the
5 quotient of the ad valorem property tax revenue of the district
6 captured under 1975 PA 197, MCL 125.1651 to 125.1681, the tax
7 increment finance authority act, 1980 PA 450, MCL 125.1801 to
8 125.1830, the local development financing act, 1986 PA 281,
9 MCL 125.2151 to 125.2174, or the brownfield redevelopment
10 financing act, 1996 PA 381, MCL 125.2651 to 125.2672, divided by
11 the district's membership. For a district that has a millage
12 reduction required under section 31 of article IX of the state
13 constitution of 1963, the state portion of the district's
14 foundation allowance shall be calculated as if that reduction did
15 not occur.

16 (b) For a district that had a 1994-95 foundation allowance
17 greater than \$6,500.00, the state payment under this subsection
18 shall be the sum of the amount calculated under subdivision (a)
19 plus the amount calculated under this subdivision. The amount
20 calculated under this subdivision shall be equal to the
21 difference between the district's 1994-95 foundation allowance
22 minus \$6,500.00 and the current year hold harmless school
23 operating taxes per pupil. If the result of the calculation
24 under subdivision (a) is negative, the negative amount shall be
25 an offset against any state payment calculated under this
26 subdivision. If the result of a calculation under this
27 subdivision is negative, there shall not be a state payment or a

1 deduction under this subdivision. The taxable values per
2 membership pupil used in the calculations under this subdivision
3 are as adjusted by ad valorem property tax revenue captured under
4 1975 PA 197, MCL 125.1651 to 125.1681, the tax increment finance
5 authority act, 1980 PA 450, MCL 125.1801 to 125.1830, the local
6 development financing act, 1986 PA 281, MCL 125.2151 to 125.2174,
7 or the brownfield redevelopment financing act, 1996 PA 381,
8 MCL 125.2651 to 125.2672, divided by the district's membership.

9 (3) For pupils in membership in a qualifying public school
10 academy or qualifying university school, there is allocated under
11 this section ~~each fiscal year for 2001-2002, for 2002-2003, and~~
12 for 2003-2004 to the authorizing body that is the fiscal agent
13 for the qualifying public school academy for forwarding to the
14 qualifying public school academy, or to the board of the public
15 university operating the qualifying university school, an amount
16 equal to the 1994-95 per pupil payment to the qualifying public
17 school academy or qualifying university school under section 20.

18 (4) A district, qualifying university school, or qualifying
19 public school academy may use funds allocated under this section
20 in conjunction with any federal funds for which the district,
21 qualifying university school, or qualifying public school academy
22 otherwise would be eligible.

23 (5) For a district that is formed or reconfigured after
24 June 1, 2000 by consolidation of 2 or more districts or by
25 annexation, the resulting district's 1994-95 foundation allowance
26 under this section beginning after the effective date of the
27 consolidation or annexation shall be the average of the 1994-95

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 in the state fiscal year in which the consolidation
5 takes place who reside in the geographic area of each of the
6 original districts. If an affected district's 1994-95 foundation
7 allowance is less than the 1994-95 basic foundation allowance,
8 the amount of that district's 1994-95 foundation allowance shall
9 be considered for the purpose of calculations under this
10 subsection to be equal to the amount of the 1994-95 basic
11 foundation allowance.

12 (6) As used in this section:

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

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

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

23 (d) "Hold harmless millage" means, for a district with a
24 1994-95 foundation allowance greater than \$6,500.00, the number
25 of mills by which the exemption from the levy of school operating
26 taxes on a homestead and qualified agricultural property could be
27 reduced as provided in section 1211(1) of the revised school

1 code, MCL 380.1211, and the number of mills of school operating
2 taxes that could be levied on all property as provided in section
3 1211(2) of the revised school code, MCL 380.1211, as certified by
4 the department of treasury for the 1994 tax year.

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

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

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

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

16 (i) "Qualifying university school" means a university school
17 that was in operation in the 1994-95 school year and is in
18 operation in the current fiscal year.

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

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

24 (i) For the number of mills by which the exemption from the
25 levy of school operating taxes on a homestead and qualified
26 agricultural property may be reduced as provided in section
27 1211(1) of the revised school code, MCL 380.1211, the taxable

1 value of homestead and qualified agricultural property for the
2 calendar year ending in the current state fiscal year.

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

8 Sec. 22b. (1) From the appropriation in section 11, there
9 is allocated an amount not to exceed ~~\$2,368,000,000.00~~ for
10 ~~2001-2002, an amount not to exceed \$2,883,500,000.00 for~~
11 ~~2002-2003, and an amount not to exceed \$2,880,000,000.00~~
12 **\$2,868,400,000.00** for 2003-2004 for discretionary nonmandated
13 payments to districts under this section. Funds allocated under
14 this section that are not expended in the state fiscal year for
15 which they were allocated, as determined by the department, may
16 be used to supplement the allocations under sections 22a and 51c
17 in order to fully fund those calculated allocations for the same
18 fiscal year.

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

24 (3) In order to receive an allocation under this section,
25 each district shall administer in each grade level that it
26 operates in grades 1 to 5 a standardized assessment approved by
27 the department of grade-appropriate basic educational skills. A

1 district may use the Michigan literacy progress profile to
2 satisfy this requirement for grades 1 to 3. Also, if the revised
3 school code is amended to require annual assessments at
4 additional grade levels, in order to receive an allocation under
5 this section each district shall comply with that requirement.

6 (4) From the allocation in subsection (1), the department
7 shall expend funds to pay for necessary costs associated with
8 resolving matters pending in federal court impacting payments to
9 districts, including, but not limited to, expert witness fees.
10 Beginning in 2001-2002, from the allocation in subsection (1),
11 the department shall also pay up to \$1,000,000.00 in litigation
12 costs incurred by this state associated with lawsuits filed by 1
13 or more districts or intermediate districts against this state.
14 If the allocation under this section is insufficient to fully
15 fund all payments required under this section, the payments under
16 this subsection shall be made in full before any proration of
17 remaining payments under this section.

18 ~~(5) It is the intent of the legislature that all~~
19 ~~constitutional obligations of this state have been fully funded~~
20 ~~under sections 22a, 31d, 51a, and 51e. If a claim is made by an~~
21 ~~entity receiving funds under this act that challenges the~~
22 ~~legislative determination of the adequacy of this funding or~~
23 ~~alleges that there exists an unfunded constitutional requirement,~~
24 ~~the state budget director may escrow or allocate from the~~
25 ~~discretionary funds for nonmandated payments under this section~~
26 ~~the amount as may be necessary to satisfy the claim before making~~
27 ~~any payments to districts under subsection (2). If funds are~~

~~1 escrowed, the escrowed funds are a work project appropriation and
2 the funds are carried forward into the following fiscal year.
3 The purpose of the work project is to provide for any payments
4 that may be awarded to districts as a result of litigation. The
5 work project shall be completed upon resolution of the
6 litigation.~~

~~7 — (6) If the local claims review board or a court of competent
8 jurisdiction makes a final determination that this state is in
9 violation of section 29 of article IX of the state constitution
10 of 1963 regarding state payments to districts, the state budget
11 director shall use work project funds under subsection (5) or
12 allocate from the discretionary funds for nonmandated payments
13 under this section the amount as may be necessary to satisfy the
14 amount owed to districts before making any payments to districts
15 under subsection (2).~~

~~16 — (7) If a claim is made in court that challenges the
17 legislative determination of the adequacy of funding for this
18 state's constitutional obligations or alleges that there exists
19 an unfunded constitutional requirement, any interested party may
20 seek an expedited review of the claim by the local claims review
21 board. If the claim exceeds \$10,000,000.00, this state may
22 remove the action to the court of appeals, and the court of
23 appeals shall have and shall exercise jurisdiction over the
24 claim.~~

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

~~1 the state constitution of 1963 exceed the amount allocated for
2 discretionary nonmandated payments under this section, the
3 legislature shall provide for adequate funding for this state's
4 constitutional obligations at its next legislative session.
5 ——— (9) If a lawsuit challenging payments made to districts
6 related to costs reimbursed by federal title XIX medicaid funds
7 is filed against this state during 2001-2002, 2002-2003, or
8 2003-2004, 50% of the amount allocated in subsection (1) not
9 previously paid out for 2002-2003 and each succeeding fiscal year
10 is a work project appropriation and the funds are carried forward
11 into the following fiscal year. The purpose of the work project
12 is to provide for any payments that may be awarded to districts
13 as a result of the litigation. The work project shall be
14 completed upon resolution of the litigation. In addition, this
15 state reserves the right to terminate future federal title XIX
16 medicaid reimbursement payments to districts if the amount or
17 allocation of reimbursed funds is challenged in the lawsuit. As
18 used in this subsection, "title XIX" means title XIX of the
19 social security act, chapter 531, 49 Stat. 620, 42 U.S.C. 1396 to
20 1396r-6 and 1396r-8 to 1396v.~~

21 **Sec. 22d.** If the department determines that a district has
22 been required to pay interest and penalties due to a decision of
23 the state tax tribunal involving a loss in taxable value
24 resulting from the revisions to the personal property tax
25 depreciation tables, the district shall receive a payment under
26 this section to reimburse the district for the amount of interest
27 and penalties the district is required to pay in excess of

1 \$8,000,000.00, as determined by the department of treasury.

2 Sec. 22e. (1) From the appropriations in section 11, there
3 is allocated an amount not to exceed \$120,000.00 for 2003-2004
4 for interest payments to districts under this section.

5 (2) If the department determines that a district is required
6 to pay interest on any property tax refund ordered in the partial
7 consent judgment entered on November 6, 2001 in Hitachi Magnetics
8 Corporation v Home Township, Michigan tax tribunal, docket
9 nos. 190507 and 247733 (consolidated), the district shall receive
10 a payment under this section to reimburse the district for
11 interest paid, in an amount determined by the department of
12 treasury.

13 Sec. 24. (1) Subject to subsection (2), from the
14 appropriation in section 11, there is allocated ~~each fiscal year~~
15 ~~for 2001-2002, for 2002-2003, and~~ for 2003-2004 to the educating
16 district or intermediate district an amount equal to 100% of the
17 added cost each fiscal year for educating all pupils assigned by
18 a court or the family independence agency to reside in or to
19 attend a juvenile detention facility or child caring institution
20 licensed by the family independence agency or the department of
21 consumer and industry services and approved by the department to
22 provide an on-grounds education program. The total amount to be
23 paid under this section for added cost shall not exceed
24 ~~\$8,400,000.00 for 2001-2002 and \$8,900,000.00 each fiscal year~~
25 ~~for 2002-2003 and~~ \$10,900,000.00 for 2003-2004. For the
26 purposes of this section, "added cost" shall be computed by
27 deducting all other revenue received under this act for pupils

1 described in this section from total costs, as approved by the
2 department, for educating those pupils in the on-grounds
3 education program or in a program approved by the department that
4 is located on property adjacent to a juvenile detention facility
5 or child caring institution. Costs reimbursed by federal funds
6 are not included.

7 (2) A district or intermediate district educating pupils
8 described in this section at a residential child caring
9 institution may operate, and receive funding under this section
10 for, a department-approved on-grounds educational program for
11 those pupils that is longer than 181 days, but not longer than
12 233 days, if the child caring institution was licensed as a child
13 caring institution and offered in 1991-92 an on-grounds
14 educational program that was longer than 181 days but not longer
15 than 233 days and that was operated by a district or intermediate
16 district.

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

19 Sec. 26a. From the general fund appropriation in section
20 11, there is allocated an amount not to exceed ~~-\$8,800,000.00 for~~
21 ~~2001-2002 and an amount not to exceed \$10,174,000.00 each fiscal~~
22 ~~year for 2002-2003 and~~ **\$27,910,000.00** for 2003-2004 to reimburse
23 districts, intermediate districts, and the state school aid fund
24 pursuant to section 12 of the Michigan renaissance zone act, 1996
25 PA 376, MCL 125.2692, for taxes levied in ~~2001, 2002, and 2003,~~
26 ~~respectively~~ **2003**. This reimbursement shall be made by
27 adjusting payments under section 22a to eligible districts,

1 adjusting payments under section 56, 62, or 81 to eligible
2 intermediate districts, and adjusting the state school aid fund.
3 The adjustments shall be made not later than 60 days after the
4 department of treasury certifies to the department and to the
5 state budget director that the department of treasury has
6 received all necessary information to properly determine the
7 amounts due to each eligible recipient.

8 Sec. 31a. (1) From the state school aid fund money
9 appropriated in section 11, there is allocated for ~~2001-2002 an~~
10 ~~amount not to exceed \$314,200,000.00 and there is allocated each~~
11 ~~fiscal year for 2002-2003 and for~~ 2003-2004 an amount not to
12 exceed \$314,200,000.00 for payments to eligible districts and
13 eligible public school academies under this section. Subject to
14 subsection (11), the amount of the additional allowance under
15 this section shall be based on the number of actual pupils in
16 membership in the district or public school academy who met the
17 income eligibility criteria for free breakfast, lunch, or milk in
18 the immediately preceding state fiscal year, as determined under
19 the Richard B. Russell national school lunch act, chapter 281,
20 60 Stat. 230, 42 U.S.C. 1751 to 1753, 1755 to 1761, 1762a, 1765
21 to 1766a, 1769, 1769b to 1769c, and 1769f to 1769h, and reported
22 to the department by October 31 of the immediately preceding
23 fiscal year and adjusted not later than December 31 of the
24 immediately preceding fiscal year. However, for a public school
25 academy that began operations as a public school academy after
26 the pupil membership count day of the immediately preceding
27 school year, the basis for the additional allowance under this

1 section shall be the number of actual pupils in membership in the
2 public school academy who met the income eligibility criteria for
3 free breakfast, lunch, or milk in the current state fiscal year,
4 as determined under the Richard B. Russell national school lunch
5 act.

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

12 (a) The sum of the district's or public school academy's
13 combined state and local revenue per membership pupil in the
14 current state fiscal year, as calculated under section 20, plus
15 the amount of the district's per pupil allocation under section
16 20j(2), is less than or equal to \$6,500.00 adjusted by the dollar
17 amount of the difference between the basic foundation allowance
18 under section 20 for the current state fiscal year and \$5,000.00,
19 ~~— However, beginning in 2002-2003, the \$6,500.00 amount~~
20 ~~prescribed in this subdivision shall be adjusted each year by an~~
21 ~~amount equal to the dollar amount of the difference between the~~
22 ~~basic foundation allowance for the current state fiscal year and~~
23 ~~\$5,000.00, minus \$200.00.~~

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

1 (3) Except as otherwise provided in this subsection, an
2 eligible district or eligible public school academy shall receive
3 under this section for each membership pupil in the district or
4 public school academy who met the income eligibility criteria for
5 free breakfast, lunch, or milk, as determined under the Richard
6 B. Russell national school lunch act and as reported to the
7 department by October 31 of the immediately preceding fiscal year
8 and adjusted not later than December 31 of the immediately
9 preceding fiscal year, an amount per pupil equal to 11.5% of the
10 sum of the district's foundation allowance or public school
11 academy's per pupil amount calculated under section 20, plus the
12 amount of the district's per pupil allocation under section
13 20j(2), not to exceed \$6,500.00 adjusted by the dollar amount of
14 the difference between the basic foundation allowance under
15 section 20 for the current state fiscal year and \$5,000.00, **minus**
16 **\$200.00**, or of the public school academy's per membership pupil
17 amount calculated under section 20 for the current state fiscal
18 year. ~~However, beginning in 2002-2003, the \$6,500.00 amount~~
19 ~~prescribed in this subsection shall be adjusted each year by an~~
20 ~~amount equal to the dollar amount of the difference between the~~
21 ~~basic foundation allowance for the current state fiscal year and~~
22 ~~\$5,000.00, minus \$200.00.~~ A public school academy that began
23 operations as a public school academy after the pupil membership
24 count day of the immediately preceding school year shall receive
25 under this section for each membership pupil in the public school
26 academy who met the income eligibility criteria for free
27 breakfast, lunch, or milk, as determined under the Richard

1 B. Russell national school lunch act and as reported to the
2 department by October 31 of the current fiscal year and adjusted
3 not later than December 31 of the current fiscal year, an amount
4 per pupil equal to 11.5% of the public school academy's per
5 membership pupil amount calculated under section 20 for the
6 current state fiscal year.

7 (4) Except as otherwise provided in this section, a district
8 or public school academy receiving funding under this section
9 shall use that money only to provide instructional programs and
10 direct noninstructional services, including, but not limited to,
11 medical or counseling services, for at-risk pupils; for school
12 health clinics; **for the purposes of section 98b;** and for the
13 purposes of subsection (5) or (6), and shall not use any of that
14 money for administrative costs or to supplant another program or
15 other funds, except for funds allocated to the district or public
16 school academy under this section in the immediately preceding
17 year and already being used by the district or public school
18 academy for at-risk pupils. The instruction or direct
19 noninstructional services provided under this section may be
20 conducted before or after regular school hours or by adding extra
21 school days to the school year and may ~~be conducted using a~~
22 **include, but are not limited to, tutorial services, early**
23 **childhood programs to serve children age 0 to 5, and programs**
24 **that combine academic, enrichment, and recreational activities.**
25 **A** tutorial method ~~—~~ **may be conducted** with paraprofessionals
26 working under the supervision of a certificated teacher. The
27 ratio of pupils to paraprofessionals shall be between 10:1 and

1 15:1. Only 1 certificated teacher is required to supervise
2 instruction using a tutorial method. As used in this subsection,
3 "to supplant another program" means to take the place of a
4 previously existing instructional program or direct
5 noninstructional services funded from a funding source other than
6 funding under this section.

7 (5) A district or public school academy that receives funds
8 under this section and that operates a school breakfast program
9 under section 1272a of the revised school code, MCL 380.1272a,
10 shall use from the funds received under this section an amount,
11 not to exceed \$10.00 per pupil for whom the district or public
12 school academy receives funds under this section, necessary to
13 operate the school breakfast program.

14 (6) From the funds allocated under subsection (1), there is
15 allocated ~~for 2001-2002 an amount not to exceed \$2,400,000.00 to~~
16 ~~support teen health centers. These 2001-2002 funds shall be~~
17 ~~distributed to existing teen health centers in a manner~~
18 ~~determined by the department in collaboration with the department~~
19 ~~of community health. From the funds allocated under~~
20 ~~subsection (1), there is allocated each fiscal year for 2002-2003~~
21 ~~and for~~ **beginning with** 2003-2004 an amount not to exceed
22 \$3,743,000.00 ~~for competitive grants~~ to support teen health
23 centers. These grants ~~for 2002-2003 and 2003-2004~~ shall be
24 awarded **for 3 consecutive years beginning with 2003-2004** in a
25 form and manner approved jointly by the department and the
26 department of community health. **Each grant recipient shall**
27 **remain in compliance with the terms of the grant award or shall**

1 **forfeit the grant award for the duration of the 3-year period**
2 **after the noncompliance.** If any funds allocated under this
3 subsection are not used for the purposes of this subsection for
4 the fiscal year in which they are allocated, those unused funds
5 shall be used that fiscal year to avoid or minimize any proration
6 that would otherwise be required under subsection (11) for that
7 fiscal year.

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

26 (8) In order to receive funds under this section, a district
27 or public school academy shall allow access for the department or

1 the department's designee to audit all records related to the
2 program for which it receives those funds. The district or
3 public school academy shall reimburse the state for all
4 disallowances found in the audit.

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

22 (10) A district or public school academy may use funds
23 received under this section for adult high school completion,
24 general education development (G.E.D.) test preparation, **adult**
25 **English as a second language**, or adult basic education programs
26 described in section 107.

27 (11) If necessary, and before any proration required under

1 section 11, the department shall prorate payments under this
2 section by reducing the amount of the per pupil payment under
3 this section by a dollar amount calculated by determining the
4 amount by which the amount necessary to fully fund the
5 requirements of this section exceeds the maximum amount allocated
6 under this section and then dividing that amount by the total
7 statewide number of pupils who met the income eligibility
8 criteria for free breakfast, lunch, or milk in the immediately
9 preceding fiscal year, as described in subsection (1).

10 ~~(12) Funds allocated under this section that are unexpended~~
11 ~~and unencumbered at the end of the fiscal year for which they~~
12 ~~were allocated shall be carried forward and used in subsequent~~
13 ~~fiscal years to avoid or minimize any proration that would~~
14 ~~otherwise be required under subsection (11).~~

15 **(12)** ~~—(13)—~~ If a district is formed by consolidation after
16 June 1, 1995, and if 1 or more of the original districts was not
17 eligible before the consolidation for an additional allowance
18 under this section, the amount of the additional allowance under
19 this section for the consolidated district shall be based on the
20 number of pupils described in subsection (1) enrolled in the
21 consolidated district who reside in the territory of an original
22 district that was eligible before the consolidation for an
23 additional allowance under this section.

24 **(13)** ~~—(14)—~~ A district or public school academy that does not
25 meet the eligibility requirement under subsection (2)(a) is
26 eligible for funding under this section if at least 1/4 of the
27 pupils in membership in the district or public school academy met

1 the income eligibility criteria for free breakfast, lunch, or
2 milk in the immediately preceding state fiscal year, as
3 determined and reported as described in subsection (1), and at
4 least 4,500 of the pupils in membership in the district or public
5 school academy met the income eligibility criteria for free
6 breakfast, lunch, or milk in the immediately preceding state
7 fiscal year, as determined and reported as described in
8 subsection (1). A district or public school academy that is
9 eligible for funding under this section because the district
10 meets the requirements of this subsection shall receive under
11 this section for each membership pupil in the district or public
12 school academy who met the income eligibility criteria for free
13 breakfast, lunch, or milk in the immediately preceding fiscal
14 year, as determined and reported as described in subsection (1),
15 an amount per pupil equal to ~~5.75% for 2001-2002 and 11.5% for~~
16 ~~2002-2003 and subsequent fiscal years~~ **11.5%** of the sum of the
17 district's foundation allowance or public school academy's per
18 pupil allocation under section 20, plus the amount of the
19 district's per pupil allocation under section 20j(2), not to
20 exceed \$6,500.00 adjusted by the dollar amount of the difference
21 between the basic foundation allowance under section 20 for the
22 current state fiscal year and \$5,000.00, ~~— However, beginning~~
23 ~~in 2002-2003, the \$6,500.00 amount prescribed in this subsection~~
24 ~~shall be adjusted each year by an amount equal to the dollar~~
25 ~~amount of the difference between the basic foundation allowance~~
26 ~~for the current state fiscal year and \$5,000.00, —~~ minus \$200.00.

27 **(14)** ~~—(15)—~~ As used in this section, "at-risk pupil" means a

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

22 Sec. 31d. (1) From the ~~state school aid fund~~
 23 ~~appropriation~~ **appropriations** in section 11, there is allocated
 24 an amount not to exceed ~~\$16,477,700.00 for 2001-2002 and an~~
 25 ~~amount not to exceed \$17,337,200.00 each fiscal year for~~
 26 ~~2002-2003 and for 2003-2004, and from the general fund~~
 27 ~~appropriation in section 11, there is allocated an amount not to~~

1 ~~exceed \$722,300.00 for 2001-2002 and an amount not to exceed~~
2 ~~\$762,800.00 each fiscal year for 2002-2003 and \$21,300,000.00~~
3 for 2003-2004 for the purpose of making payments to districts —
4 ~~intermediate districts, and other eligible entities~~ under this
5 section.

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

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

19 (4) From the federal funds appropriated in section 11, there
20 is allocated ~~each fiscal year for 2002-2003 and~~ for 2003-2004
21 all available federal funding, estimated at \$272,125,000.00,
22 ~~each fiscal year,~~ for the national school lunch program and all
23 available federal funding, estimated at \$2,506,000.00, for the
24 emergency food assistance program.

25 (5) Notwithstanding section 17b, payments to intermediate
26 districts and other eligible entities under this section shall be
27 paid on a schedule determined by the department.

1 Sec. 32c. (1) From the ~~general fund allocation in~~
2 ~~section 32a(1)~~ **appropriations in section 11**, there is allocated
3 an amount not to exceed ~~\$2,000,000.00 each fiscal year for~~
4 ~~2001-2002, for 2002-2003, and~~ **\$1,000,000.00** for 2003-2004 to the
5 department for grants for community-based collaborative
6 prevention services designed to foster positive parenting skills;
7 improve parent/child interaction, especially for children 0-3
8 years of age; promote access to needed community services;
9 increase local capacity to serve families at risk; improve school
10 readiness; and support healthy family environments that
11 discourage alcohol, tobacco, and other drug use. The allocation
12 under this section is to fund secondary prevention programs as
13 defined by the children's trust fund for the prevention of child
14 abuse and neglect.

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

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

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

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

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

6 Sec. 32d. (1) From the ~~state school aid fund allocation~~
7 ~~under section 32a(1), there is allocated an amount not to exceed~~
8 ~~\$72,600,000.00 for 2001-2002, and from the~~ state school aid fund
9 money ~~allocated~~ **appropriated** under section ~~32a~~ **11**, there is
10 allocated an amount not to exceed \$72,600,000.00 ~~each fiscal~~
11 ~~year for 2002-2003 and~~ for 2003-2004 ~~—~~ for school readiness
12 grants to enable eligible districts, as determined under
13 section 37, to develop or expand, in conjunction with whatever
14 federal funds may be available, including, but not limited to,
15 federal funds under title I of the elementary and secondary
16 education act of 1965, Public Law 89-10, 108 Stat. 3519, **20**
17 **U.S.C. 6301 to 6304, 6311 to 6339, 6361 to 6368, 6371 to 6376,**
18 **6381 to 6383, 6391 to 6399, 6421 to 6472, 6491 to 6494, 6511 to**
19 **6518, 6531 to 6537, 6551 to 6561i, and 6571 to 6578,** chapter 1 of
20 title I of the Hawkins-Stafford elementary and secondary school
21 improvement amendments of 1988, Public Law 89-10, 102 Stat. 140,
22 and the head start act, subchapter B of chapter 8 of subtitle A
23 of title VI of the omnibus budget reconciliation act of 1981,
24 Public Law 97-35, **42 U.S.C. 9831 to 9835, 9836 to 9844, 9846, and**
25 **9848 to 9852,** comprehensive compensatory programs designed to
26 improve the readiness and subsequent achievement of educationally
27 disadvantaged children as defined by the department who will be

1 at least 4, but less than 5 years of age, as of December 1 of the
2 school year in which the programs are offered, and who show
3 evidence of 2 or more risk factors as defined in the state board
4 report entitled "children at risk" that was adopted by the state
5 board on April 5, 1988. A comprehensive compensatory program
6 funded under this section shall include an age-appropriate
7 educational curriculum, nutritional services, health screening
8 for participating children, a plan for parent and legal guardian
9 involvement, and provision of referral services for families
10 eligible for community social services. In addition, ~~from the~~
11 ~~general fund allocations under section 32a(1), there is allocated~~
12 ~~an amount not to exceed \$200,000.00 for 2001-2002 for the~~
13 ~~purposes of subsection (2), and~~ from the general fund money
14 allocated under section ~~32a~~ 11, there is allocated an amount
15 not to exceed \$200,000.00 ~~each fiscal year for 2002-2003 and~~
16 for 2003-2004 for the purposes of subsection (2).

17 (2) From the general fund allocation in subsection (1), there
18 is allocated ~~each fiscal year for 2001-2002, for 2002-2003, and~~
19 for 2003-2004 an amount not to exceed \$200,000.00 for a
20 competitive grant to continue a longitudinal evaluation of
21 children who have participated in the Michigan school readiness
22 program.

23 (3) 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 (4) A grant recipient receiving funds under this section

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

14 **Sec. 32j. (1) From the appropriation in section 11, there**
15 **is allocated an amount not to exceed \$3,326,000.00 for 2003-2004**
16 **for grants to intermediate districts to provide programs for**
17 **parents with preschool children. The purpose of these programs**
18 **is to improve school readiness and foster the maintenance of**
19 **stable families by encouraging positive parenting skills.**

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

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

26 **(b) Providing parents with methods to enhance parent-child**
27 **interaction; including, but not limited to, encouraging parents**

1 to read to their preschool children at least 1/2 hour per day.

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

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

7 (3) To compete for a grant under this section, an
8 intermediate district shall apply to the department not later
9 than October 1, 2003 in the form and manner prescribed by the
10 department. To be considered for a grant under this section, a
11 grant application shall do all of the following in a manner
12 prescribed by the department:

13 (a) Provide a plan for the delivery of the program
14 components described in subsection (2).

15 (b) Demonstrate an adequate collaboration of local entities
16 involved in providing programs and services for preschool
17 children and their parents.

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

27 (4) Each successful grant recipient shall agree to include a

1 data collection system and an evaluation tool approved by the
2 department to measure the impact of the program on improving
3 school readiness and fostering the maintenance of stable
4 families. The data collection system shall provide a report by
5 October 15 of each year on the number of children in families
6 with income below 200% of the federal poverty level that received
7 services under this program and the total number of children who
8 received services under this program.

9 (5) The department shall do all of the following:

10 (a) The department shall make applications available for the
11 purposes of this section not later than August 15, 2003.

12 (b) The superintendent shall approve or disapprove
13 applications and notify the applying intermediate district of
14 that decision not later than November 15, 2003. The amount of
15 each approved grant shall not exceed 3.5% of the intermediate
16 district's 2002-2003 payment under section 81.

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

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

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

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

4 Sec. 38. The maximum number of prekindergarten children
 5 construed to be in need of special readiness assistance under
 6 section 32d shall be calculated for each district in the
 7 following manner: one-half of the percentage of the district's
 8 pupils in grades 1-5 who are eligible for free lunch, as
 9 determined by the district's October count in the ~~immediately~~
 10 ~~preceding~~ school year **2 years before the fiscal year for which**
 11 **the calculation is made** under the Richard B. Russell national
 12 school lunch act, chapter 281, 60 Stat. 230, 42 U.S.C. 1751 to
 13 1753, 1755 to 1761, 1762a, 1765 to 1766a, 1769, 1769b to 1769c,
 14 and 1769f to 1769h, as reported to the department not later than
 15 December 31 of the ~~immediately preceding~~ fiscal year **2 years**
 16 **before the fiscal year for which the calculation is made**, shall
 17 be multiplied by the average kindergarten enrollment of the
 18 district on the pupil membership count day of the 2 immediately
 19 preceding years.

20 Sec. 39a. (1) From the appropriation in section 11, there
 21 is allocated ~~each fiscal year for 2002-2003 and~~ for 2003-2004
 22 to districts, intermediate districts, and other eligible entities
 23 all available federal funding, estimated at ~~-\$634,919,400.00 each~~
 24 ~~fiscal year,~~ **\$649,199,825.00**, for the federal programs under the
 25 no child left behind act of 2001, Public Law 107-110, 115
 26 Stat. 1425. These funds are allocated for each fiscal year as
 27 follows:

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

4 (b) An amount estimated at ~~-\$15,520,100.00~~ **\$15,946,200.00** to
5 provide students with drug- and violence-prevention programs and
6 to implement strategies to improve school safety, funded from
7 DED-OESE, drug-free schools and communities funds.

8 (c) An amount estimated at ~~-\$22,572,000.00~~ **\$9,712,650.00** for
9 the purpose of improving teaching and learning through a more
10 effective use of technology, funded from DED-OESE, educational
11 technology state grant funds.

12 (d) An amount estimated at ~~-\$104,568,800.00~~ **\$105,570,600.00**
13 for the purpose of preparing, training, and recruiting
14 high-quality teachers and class size reduction, funded from
15 DED-OESE, improving teacher quality funds.

16 (e) An amount estimated at \$4,647,700.00 for programs to
17 teach English to limited English proficient (LEP) children,
18 funded from DED-OESE, language acquisition state grant funds.

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

22 (g) An amount estimated at \$247,600.00 for Michigan model
23 partnership for character education programs, funded from
24 DED-OESE, title X, fund for improvement of education funds.

25 (h) An amount estimated at ~~-\$1,909,600.00~~ **\$2,010,100.00** for
26 rural and low income schools, funded from DED-OESE, rural and low
27 income school funds.

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

5 (j) An amount estimated at ~~-\$401,388,600.00~~ **\$427,000,000.00**
6 to provide supplemental programs to enable educationally
7 disadvantaged children to meet challenging academic standards,
8 funded from DED-OESE, title I, disadvantaged children funds.

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

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

15 (m) An amount estimated at \$22,779,000.00 to promote
16 high-quality school reading instruction for grades K-3, funded
17 from DED-OESE, title I, reading first state grant funds.

18 (n) An amount estimated at ~~11,585,100.00~~ **\$11,585,075.00** for
19 the purpose of implementing innovative strategies for improving
20 student achievement, funded from DED-OESE, title VI, innovative
21 strategies funds.

22 (o) An amount estimated at \$11,161,200.00 for the purpose of
23 providing high-quality extended learning opportunities, after
24 school and during the summer, for children in low-performing
25 schools, funded from DED-OESE, twenty-first century community
26 learning center funds.

27 (2) From the federal funds appropriation in section 11, there

1 is allocated ~~each fiscal year for 2002-2003 and~~ for 2003-2004
 2 to districts, intermediate districts, and other eligible entities
 3 all available federal funding, estimated at ~~-\$6,495,300.00~~
 4 **\$5,421,800.00** each fiscal year, for the following programs that
 5 are funded by federal grants:

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

9 ~~(b) An amount estimated at \$976,000.00 for at risk child~~
 10 ~~care, funded from HHS ACF, at risk child care funds.~~

11 **(b)** ~~-(c)-~~ An amount estimated at \$1,553,500.00 for emergency
 12 services to immigrants, funded from DED-OBEMLA, emergency
 13 immigrant education assistance funds.

14 **(c)** ~~-(d)-~~ An amount estimated at \$1,468,300.00 to provide
 15 services to homeless children and youth, funded from DED-OVAE,
 16 homeless children and youth funds.

17 **(d)** ~~-(e)-~~ An amount estimated at ~~-\$400,000.00~~ **\$1,000,000.00**
 18 for refugee children school impact grants, funded from HHS-ACF,
 19 refugee children school impact funds.

20 ~~(f) An amount estimated at \$857,500.00 for school age child~~
 21 ~~care grants, funded from HHS ACF, dependent care block grant~~
 22 ~~funds.~~

23 **(e)** ~~-(g)-~~ An amount estimated at ~~-\$640,000.00~~ **\$800,000.00**
 24 for serve America grants, funded from the corporation for
 25 national and community service funds.

26 (3) All federal funds allocated under this section shall be
 27 distributed in accordance with federal law and with flexibility

1 provisions outlined in Public Law 107-116, **115 Stat. 2177** and in
2 the education flexibility partnership act of 1999, Public Law
3 106-25, 113 Stat. 41. Notwithstanding section 17b, payments of
4 federal funds to districts, intermediate districts, and other
5 eligible entities under this section shall be paid on a schedule
6 determined by the department.

7 (4) As used in this section:

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

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

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

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

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

17 (f) "HHS-ACF" means the HHS administration for children and
18 families.

19 Sec. 41. From the appropriation in section 11, there is
20 allocated an amount not to exceed \$4,212,000.00 ~~each fiscal year~~
21 ~~for 2001-2002, for 2002-2003, and~~ for 2003-2004 to applicant
22 districts and intermediate districts offering programs of
23 bilingual instruction for pupils of limited English-speaking
24 ability under section 1153 of the revised school code,
25 MCL 380.1153. Reimbursement shall be on a per pupil basis and
26 shall be based on the number of pupils of limited
27 English-speaking ability in membership on the pupil membership

1 count day. Funds allocated under this section shall be used
 2 solely for bilingual instruction in speaking, reading, writing,
 3 or comprehension of pupils of limited English-speaking ability.

4 Sec. 51a. (1) From the appropriation in section 11, there
 5 is allocated ~~for 2001-2002 an amount not to exceed~~
 6 ~~\$796,401,900.00 from state sources and all available federal~~
 7 ~~funding under sections 611 to 619 of part B of the individuals~~
 8 ~~with disabilities education act, title VI of Public Law 91-230,~~
 9 ~~20 U.S.C. 1411 to 1419, estimated at \$203,000,000.00, plus any~~
 10 ~~carryover federal funds from previous year appropriations; and~~
 11 ~~there is allocated each fiscal year for 2002-2003 and for~~
 12 ~~2003-2004 an amount not to exceed \$852,721,900.00~~
 13 **\$885,183,000.00** from state sources and all available federal
 14 **funding under sections 611 to 619 of part B of the individuals**
 15 **with disabilities education act, title VI of Public Law 91-230,**
 16 **20 U.S.C. 1411 to 1419,** estimated at \$235,000,000.00, ~~each~~
 17 ~~fiscal year,~~ plus any carryover federal funds from previous year
 18 appropriations. The allocations under this subsection are for
 19 the purpose of reimbursing districts and intermediate districts
 20 for special education programs, services, and special education
 21 personnel as prescribed in article 3 of the revised school code,
 22 MCL 380.1701 to 380.1766; net tuition payments made by
 23 intermediate districts to the Michigan schools for the deaf and
 24 blind; and special education programs and services for pupils who
 25 are eligible for special education programs and services
 26 according to statute or rule. For meeting the costs of special
 27 education programs and services not reimbursed under this

1 article, a district or intermediate district may use money in
2 general funds or special education funds, not otherwise
3 restricted, or contributions from districts to intermediate
4 districts, tuition payments, gifts and contributions from
5 individuals, or federal funds that may be available for this
6 purpose, as determined by the intermediate district plan prepared
7 pursuant to article 3 of the revised school code, MCL 380.1701 to
8 380.1766. All federal funds allocated under this section in
9 excess of those allocated under this section for 2001-2002 may be
10 distributed in accordance with 34 C.F.R. 300.234 and section
11 613(a)(2)(D) of part B of title VI of the individuals with
12 disabilities education act, Public Law 91-230, 20 U.S.C. 1413.
13 Notwithstanding section 17b, payments of federal funds to
14 districts, intermediate districts, and other eligible entities
15 under this section shall be paid on a schedule determined by the
16 department.

17 (2) From the funds allocated under subsection (1), there is
18 allocated ~~each fiscal year for 2001-2002, for 2002-2003, and~~
19 for 2003-2004 the amount necessary, estimated at ~~-\$139,200,000.00~~
20 ~~for 2001-2002 and \$149,500,000.00 each fiscal year for 2002-2003~~
21 ~~and \$160,500,000.00~~ for 2003-2004, for payments toward
22 reimbursing districts and intermediate districts for 28.6138% of
23 total approved costs of special education, excluding costs
24 reimbursed under section 53a, and 70.4165% of total approved
25 costs of special education transportation. Allocations under
26 this subsection shall be made as follows:

27 (a) The initial amount allocated to a district under this

1 subsection toward fulfilling the specified percentages shall be
2 calculated by multiplying the district's special education pupil
3 membership, excluding pupils described in subsection (12), times
4 the sum of the foundation allowance under section 20 of the
5 pupil's district of residence plus the amount of the district's
6 per pupil allocation under section 20j(2), not to exceed
7 \$6,500.00 adjusted by the dollar amount of the difference between
8 the basic foundation allowance under section 20 for the current
9 fiscal year and \$5,000.00 **minus \$200.00**, or, for a special
10 education pupil in membership in a district that is a public
11 school academy or university school, times an amount equal to the
12 amount per membership pupil calculated under section 20(6). For
13 an intermediate district, the amount allocated under this
14 subdivision toward fulfilling the specified percentages shall be
15 an amount per special education membership pupil, excluding
16 pupils described in subsection (12), and shall be calculated in
17 the same manner as for a district, using the foundation allowance
18 under section 20 of the pupil's district of residence, not to
19 exceed \$6,500.00 adjusted by the dollar amount of the difference
20 between the basic foundation allowance under section 20 for the
21 current fiscal year and \$5,000.00 **minus \$200.00**, and that
22 district's per pupil allocation under section 20j(2). ~~However,~~
23 ~~beginning in 2002-2003, the \$6,500.00 amount prescribed in this~~
24 ~~subdivision shall be adjusted each year by an amount equal to the~~
25 ~~dollar amount of the difference between the basic foundation~~
26 ~~allowance for the current state fiscal year and \$5,000.00, minus~~
27 ~~\$200.00.~~

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

6 (3) From the funds allocated under subsection (1), there is
7 allocated ~~each fiscal year for 2001-2002, for 2002-2003, and~~
8 for 2003-2004 the amount necessary, estimated at ~~-\$2,000,000.00~~
9 ~~each fiscal year~~ **\$1,800,000.00**, to make payments to districts
10 and intermediate districts under this subsection. If the amount
11 allocated to a district or intermediate district for a fiscal
12 year 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
17 was used in the distribution of funds under section 52 in 1996-97
18 as adjusted to the district's or intermediate district's
19 necessary costs of special education used in calculations for the
20 fiscal year. This adjustment is to reflect reductions in special
21 education program operations between 1996-97 and subsequent
22 fiscal years. Adjustments for reductions in special education
23 program operations shall be made in a manner determined by the
24 department and shall 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
27 district under subsection (2)(a) and (b) is not sufficient to

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

18 (5) State funds shall be allocated on a total approved cost
19 basis. Federal funds shall be allocated under applicable federal
20 requirements, except that an amount not to exceed \$3,500,000.00
21 ~~each fiscal year~~ may be allocated by the department ~~for~~
22 ~~2001-2002, for 2002-2003, and~~ for 2003-2004 to districts or
23 intermediate districts on a competitive grant basis for programs,
24 equipment, and services that the department determines to be
25 designed to benefit or improve special education on a statewide
26 scale.

27 (6) From the amount allocated in subsection (1), there is

1 allocated an amount not to exceed \$2,200,000.00 ~~each fiscal year~~
2 ~~for 2001-2002, for 2002-2003, and~~ for 2003-2004 to reimburse
3 100% of the net increase in necessary costs incurred by a
4 district or intermediate district in implementing the revisions
5 in the administrative rules for special education that became
6 effective on July 1, 1987. As used in this subsection, "net
7 increase in necessary costs" means the necessary additional costs
8 incurred solely because of new or revised requirements in the
9 administrative rules minus cost savings permitted in implementing
10 the revised rules. Net increase in necessary costs shall be
11 determined in a manner specified by the department.

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

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

1 time in the evaluation of students or in the delivery of special
2 education programs, ancillary, and other related services shall
3 be reimbursed under this section only for that portion of time
4 actually spent providing these programs and services, with the
5 exception of special education programs and services provided to
6 youth placed in child caring institutions or juvenile detention
7 programs approved by the department to provide an on-grounds
8 education program.

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

22 (8) From the allocation in subsection (1), there is allocated
23 ~~each fiscal year for 2001-2002, for 2002-2003, and for~~
24 2003-2004 an amount not to exceed \$15,313,900.00 ~~each fiscal~~
25 ~~year~~ to intermediate districts. The payment under this
26 subsection to each intermediate district shall be equal to the
27 amount of the 1996-97 allocation to the intermediate district

1 under subsection (6) of this section as in effect for 1996-97.

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

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

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

20 (12) From the funds allocated in subsection (1), there is
21 allocated ~~each fiscal year for 2001-2002, for 2002-2003, and~~
22 for 2003-2004 the amount necessary, estimated at ~~-\$7,200,000.00~~
23 ~~each fiscal year~~ **\$6,900,000.00**, to pay the foundation allowances
24 for pupils described in this subsection. The allocation to a
25 district under this subsection shall be calculated by multiplying
26 the number of pupils described in this subsection who are counted
27 in membership in the district times the sum of the foundation

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

17 ~~However, beginning in 2002-2003, the \$6,500.00 amount prescribed~~
18 ~~in this subsection shall be adjusted each year by an amount equal~~
19 ~~to the dollar amount of the difference between the basic~~
20 ~~foundation allowance for the current state fiscal year and~~
21 ~~\$5,000.00, minus \$200.00.~~ This subsection applies to all of the
22 following pupils:

23 (a) Pupils described in section 53a.

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

1 (c) Emotionally impaired pupils counted in membership by an
2 intermediate district and provided educational services by the
3 department of community health.

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

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

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

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

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

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

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

13 (14) The allocations under subsection (2), subsection (3),
14 and subsection (12) shall be allocations to intermediate
15 districts only and shall not be allocations to districts, but
16 instead shall be calculations used only to determine the state
17 payments under section 22b.

18 Sec. 51c. As required by the court in the consolidated
19 cases known as Durant v State of Michigan, Michigan supreme court
20 docket no. 104458-104492, from the allocation under section
21 51a(1), there is allocated ~~each fiscal year for 2001-2002, for~~
22 ~~2002-2003, and~~ for 2003-2004 the amount necessary, estimated at
23 ~~-\$576,100,000.00 for 2001-2002 and \$621,900,000.00 each fiscal~~
24 ~~year for 2002-2003 and for 2003-2004~~ **\$647,100,000.00**, for
25 payments to reimburse districts for 28.6138% of total approved
26 costs of special education excluding costs reimbursed under
27 section 53a, and 70.4165% of total approved costs of special

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

7 Sec. 51d. (1) From the federal funds appropriated in
8 section 11, there is allocated ~~each fiscal year for 2002-2003~~
9 ~~and~~ for 2003-2004 all available federal funding, estimated at
10 \$59,837,200.00, ~~each fiscal year,~~ for special education
11 programs that are funded by federal grants. All federal funds
12 allocated under this section shall be distributed in accordance
13 with federal law. Notwithstanding section 17b, payments of
14 federal funds to districts, intermediate districts, and other
15 eligible entities under this section shall be paid on a schedule
16 determined by the department.

17 (2) From the federal funds allocated under subsection (1),
18 the following amounts are allocated ~~each fiscal year for~~
19 ~~2002-2003 and~~ for 2003-2004:

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

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

26 (c) An amount estimated at \$30,337,200.00 for special
27 education programs funded by DED-OSERS, handicapped program,

1 individuals with disabilities act funds.

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

5 Sec. 53a. (1) For districts, reimbursement for pupils
6 described in subsection (2), reimbursement shall be 100% of the
7 total approved costs of operating special education programs and
8 services approved by the department and included in the
9 intermediate district plan adopted pursuant to article 3 of the
10 revised school code, MCL 380.1701 to 380.1766, minus the
11 district's foundation allowance calculated under section 20, and
12 minus the amount calculated for the district under section 20j.
13 For intermediate districts, reimbursement for pupils described in
14 section (2) shall be calculated in the same manner as for a
15 district, using the foundation allowance under section 20 of the
16 pupil's district of residence, not to exceed \$6,500.00 adjusted
17 by the dollar amount of the difference between the basic
18 foundation allowance under section 20 for the current fiscal year
19 and the amount calculated for that district \$5,000.00, **minus**
20 **\$200.00**, and under section 20j. ~~However, beginning in~~
21 ~~2002-2003, the \$6,500.00 amount prescribed in this subsection~~
22 ~~shall be adjusted each year by an amount equal to the dollar~~
23 ~~amount of the difference between the basic foundation allowance~~
24 ~~for the current state fiscal year and \$5,000.00, minus \$200.00.~~

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

27 (a) Pupils assigned to a district or intermediate district

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

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

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

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

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

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

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

27 (5) Not more than ~~-\$14,800,000.00 each fiscal year for~~

1 ~~2001-2002, for 2002-2003, and for 2003-2004~~ **\$12,800,000.00** of
2 the allocation **for 2003-2004** in section 51a(1) shall be allocated
3 under this section.

4 ~~(6) From the allocation in subsection (5), there is~~
5 ~~allocated each fiscal year for 2001-2002, for 2002-2003, and for~~
6 ~~2003-2004 an amount not to exceed \$150,000.00 to an intermediate~~
7 ~~district that received at least \$1,000,000.00 for 1999-2000 under~~
8 ~~subsection (4).~~

9 Sec. 54. In addition to the aid received under section 52,
10 each intermediate district shall receive an amount per pupil for
11 each pupil in attendance at the Michigan schools for the deaf and
12 blind. The amount shall be proportionate to the total
13 instructional cost at each school. Not more than \$1,688,000.00
14 ~~each fiscal year for 2001-2002, for 2002-2003, and for~~
15 ~~2003-2004~~ of the allocation **for 2003-2004** in section 51a(1)
16 shall be allocated under this section.

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

18 (a) "Membership" means for a particular fiscal year the total
19 membership for the immediately preceding fiscal year of the
20 intermediate district and the districts constituent to the
21 intermediate district.

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

26 (c) "Taxable value" means the total taxable value of the
27 districts constituent to an intermediate district, except that if

1 a district has elected not to come under part 30 of the revised
2 school code, MCL 380.1711 to 380.1743, membership and taxable
3 value of the district shall not be included in the membership and
4 taxable value of the intermediate district.

5 (2) From the allocation under section 51a(1), there is
6 allocated an amount not to exceed ~~-\$37,900,000.00 for 2001-2002~~
7 ~~and an amount not to exceed \$38,120,000.00 each fiscal year for~~
8 ~~2002-2003 and~~ **\$36,881,100.00** for 2003-2004 to reimburse
9 intermediate districts levying millages for special education
10 pursuant to part 30 of the revised school code, MCL 380.1711 to
11 380.1743. The purpose, use, and expenditure of the reimbursement
12 shall be limited as if the funds were generated by these millages
13 and governed by the intermediate district plan adopted pursuant
14 to article 3 of the revised school code, MCL 380.1701 to
15 380.1766. As a condition of receiving funds under this section,
16 an intermediate district distributing any portion of special
17 education millage funds to its constituent districts shall submit
18 for departmental approval and implement a distribution plan.

19 (3) ~~Reimbursement for those millages levied in 2000-2001~~
20 ~~shall be made in 2001-2002 at an amount per 2000-2001 membership~~
21 ~~pupil computed by subtracting from \$119,200.00 the 2000-2001~~
22 ~~taxable value behind each membership pupil and multiplying the~~
23 ~~resulting difference by the 2000-2001 millage levied.~~
24 ~~Reimbursement for those millages levied in 2001-2002 shall be~~
25 ~~made in 2002-2003 at an amount per 2001-2002 membership pupil~~
26 ~~computed by subtracting from \$125,900.00 the 2001-2002 taxable~~
27 ~~value behind each membership pupil and multiplying the resulting~~

1 ~~difference by the 2001-2002 millage levied.~~ Reimbursement for
2 those millages levied in 2002-2003 shall be made in 2003-2004 at
3 an amount per 2002-2003 membership pupil computed by subtracting
4 from ~~-\$125,900.00~~ **\$132,275.00** the 2002-2003 taxable value behind
5 each membership pupil and multiplying the resulting difference by
6 the 2002-2003 millage levied.

7 Sec. 57. (1) From the appropriation in section 11, there is
8 allocated an amount not to exceed ~~-\$600,000.00 each fiscal year~~
9 ~~for 2001-2002, for 2002-2003, and~~ **\$150,000.00** for 2003-2004 to
10 applicant intermediate districts that provide support services
11 for the education of gifted and talented pupils. An intermediate
12 district is entitled to 75% of the actual salary, but not to
13 exceed \$25,000.00 reimbursement for an individual salary, of a
14 support services teacher approved by the department, and not to
15 exceed \$4,000.00 reimbursement for expenditures to support
16 program costs, excluding in-county travel and salary, as approved
17 by the department.

18 (2) From the appropriation in section 11, there is allocated
19 an amount not to exceed ~~-\$400,000.00 each fiscal year for~~
20 ~~2001-2002, for 2002-2003, and~~ **\$0.00** for 2003-2004 to support
21 part of the cost of summer institutes for gifted and talented
22 students. This amount shall be contracted to applicant
23 intermediate districts in cooperation with a local institution of
24 higher education and shall be coordinated by the department.

25 (3) From the appropriation in section 11, there is allocated
26 an amount not to exceed ~~-\$4,000,000.00 each fiscal year for~~
27 ~~2001-2002, for 2002-2003, and~~ **\$850,000.00** for 2003-2004 for the

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

22 Sec. 61a. (1) From the appropriation in section 11, there
23 is allocated an amount not to exceed ~~-\$31,027,600.00 each fiscal~~
24 ~~year for 2001-2002, for 2002-2003, and~~ **\$30,019,200.00** for
25 2003-2004 to reimburse on an added cost basis districts, except
26 for a district that served as the fiscal agent for a vocational
27 education consortium in the 1993-94 school year, and secondary

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

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

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

1 an amount not to exceed \$388,700.00 ~~each fiscal year~~ for
2 2003-2004 to intermediate districts with constituent districts
3 that had combined state and local revenue per membership pupil in
4 the 1994-95 state fiscal year of \$6,500.00 or more, served as a
5 fiscal agent for a state board designated area vocational
6 education center in the 1993-94 school year, and had an
7 adjustment made to their 1994-95 combined state and local revenue
8 per membership pupil pursuant to section 20d. The payment under
9 this subsection to the intermediate district shall equal the
10 amount of the allocation to the intermediate district for 1996-97
11 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
3 and taxable value of the intermediate district. However, the
4 membership and taxable value of a district that has elected not
5 to come under sections 681 to 690 of the revised school code,
6 MCL 380.681 to 380.690, shall be included in the membership and
7 taxable value of the intermediate district if the district meets
8 both of the 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
13 operation of the program that is commensurate with the revenue
14 that would have been raised for operation of the program if
15 millage were levied in the district for the program under
16 sections 681 to 690 of the revised school code, MCL 380.681 to
17 380.690.

18 (2) From the appropriation in section 11, there is allocated
19 an amount not to exceed ~~-\$9,810,000.00 for 2001-2002 and an~~
20 ~~amount not to exceed \$9,860,000.00 each fiscal year for 2002-2003~~
21 ~~and \$9,539,600.00~~ for 2003-2004 to reimburse intermediate
22 districts and area vocational-technical education programs
23 established under section 690(3) of the revised school code,
24 MCL 380.690, levying millages for area vocational-technical
25 education pursuant to sections 681 to 690 of the revised school
26 code, MCL 380.681 to 380.690. The purpose, use, and expenditure
27 of the reimbursement shall be limited as if the funds were

1 generated by those millages.

2 (3) ~~Reimbursement for the millages levied in 2000-2001 shall~~
3 ~~be made in 2001-2002 at an amount per 2000-2001 membership pupil~~
4 ~~computed by subtracting from \$122,300.00 the 2000-2001 taxable~~
5 ~~value behind each membership pupil, and multiplying the resulting~~
6 ~~difference by the 2000-2001 millage levied. Reimbursement for~~
7 ~~the millages levied in 2001-2002 shall be made in 2002-2003 at an~~
8 ~~amount per 2001-2002 membership pupil computed by subtracting~~
9 ~~from \$130,200.00 the 2001-2002 taxable value behind each~~
10 ~~membership pupil, and multiplying the resulting difference by the~~
11 ~~2001-2002 millage levied. Reimbursement for the millages levied~~
12 ~~in 2002-2003 shall be made in 2003-2004 at an amount per~~
13 ~~2002-2003 membership pupil computed by subtracting from~~
14 ~~-\$130,200.00~~ **\$137,700.00** ~~the 2002-2003 taxable value behind each~~
15 ~~membership pupil and multiplying the resulting difference by the~~
16 ~~2002-2003 millage levied.~~

17 Sec. 74. (1) From the amount appropriated in section 11,
18 there is allocated an amount not to exceed \$1,625,000.00 ~~each~~
19 ~~fiscal year for 2001-2002, for 2002-2003, and for 2003-2004 for~~
20 the purposes of subsections (2) and (3).

21 (2) From the allocation in subsection (1), there is allocated
22 each fiscal year the amount necessary for payments to state
23 supported colleges or universities and intermediate districts
24 providing school bus driver safety instruction or driver skills
25 road tests pursuant to sections 51 and 52 of the pupil
26 transportation act, 1990 PA 187, MCL 257.1851 and 257.1852. The
27 payments shall be in an amount determined by the department not

1 to exceed 75% of the actual cost of instruction and driver
2 compensation for each public or nonpublic school bus driver
3 attending a course of instruction. For the purpose of computing
4 compensation, the hourly rate allowed each school bus driver
5 shall not exceed the hourly rate received for driving a school
6 bus. Reimbursement compensating the driver during the course of
7 instruction or driver skills road tests shall be made by the
8 department to the college or university or intermediate district
9 providing the course of instruction.

10 (3) From the allocation in subsection (1), there is allocated
11 each fiscal year the amount necessary to pay the reasonable costs
12 of nonspecial education auxiliary services transportation
13 provided pursuant to section 1323 of the revised school code,
14 MCL 380.1323. Districts funded under this subsection shall not
15 receive funding under any other section of this act for
16 nonspecial education auxiliary services transportation.

17 Sec. 81. (1) Except as otherwise provided in this section,
18 from the appropriation in section 11, there is allocated ~~each~~
19 ~~fiscal year for 2001-2002, for 2002-2003, and for 2003-2004~~ to
20 the intermediate districts the sum necessary, but not to exceed
21 ~~-\$92,170,800.00 for 2001-2002 and not to exceed \$95,028,100.00~~
22 ~~each fiscal year for 2002-2003 and for 2003-2004~~ **\$91,396,000.00,**
23 to provide state aid to intermediate districts under this
24 section. ~~Except as otherwise provided in this section, there~~
25 ~~shall be allocated to each intermediate district for 2001-2002 an~~
26 ~~amount equal to 105% of the amount of funding actually received~~
27 ~~by the intermediate district under this subsection for~~

1 ~~2000-2001.~~ Except as otherwise provided in this section, there
2 shall be allocated to each intermediate district ~~each fiscal~~
3 ~~year for 2002-2003 and~~ for 2003-2004 an amount equal to ~~103.1%~~
4 ~~of the amount of funding actually received by the intermediate~~
5 ~~district under this subsection for 2001-2002~~ **96.17% of the**
6 **amount appropriated under this subsection for 2002-2003 in 2002**
7 **PA 521, before any reduction made for 2002-2003 under section**
8 **11(3).** Funding provided under this section shall be used to
9 comply with requirements of this act and the revised school code
10 that are applicable to intermediate districts, and for which
11 funding is not provided elsewhere in this act, and to provide
12 technical assistance to districts as authorized by the
13 intermediate school board.

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

24 ~~(3) If an intermediate district participated in 1993-94 in a~~
25 ~~consortium operating a regional educational media center under~~
26 ~~section 671 of the revised school code, MCL 380.671, and rules~~
27 ~~promulgated by the superintendent, and if the intermediate~~

~~1 district obtains written consent from each of the other
2 intermediate districts that participated in the consortium in
3 1993-94, the intermediate district may notify the department not
4 later than December 30 of the current fiscal year that it is
5 electing to directly receive its payment attributable to
6 participation in that consortium. An intermediate district
7 making that election, and that has obtained the necessary
8 consent, shall receive each fiscal year for 2001-2002, for
9 2002-2003, or for 2003-2004, as applicable, for each pupil in
10 membership in the intermediate district or a constituent district
11 an amount equal to the quotient of the 1993-94 allocation to the
12 fiscal agent for that consortium under former section 83,
13 adjusted as determined by the department to account for that
14 election, divided by the combined total membership for the
15 current fiscal year in all of the intermediate districts that
16 participated in that consortium and their constituent districts.
17 The amount allocated to an intermediate district under this
18 subsection for a fiscal year shall be deducted from the total
19 allocation for that fiscal year under this section to the
20 intermediate district that was the 1993-94 fiscal agent for the
21 consortium.~~

22 (3) ~~-(4)-~~ During a fiscal year, the department shall not
23 increase an intermediate district's allocation under subsection
24 (1) because of an adjustment made by the department during the
25 fiscal year in the intermediate district's taxable value for a
26 prior year. Instead, the department shall report the adjustment
27 and the estimated amount of the increase to the house and senate

1 fiscal agencies and the state budget director not later than
2 June 1 of the fiscal year, and the legislature shall appropriate
3 money for the adjustment in the next succeeding fiscal year.

4 **(4)** ~~—(5)—~~ In order to receive funding under this section, an
5 intermediate district shall demonstrate to the satisfaction of
6 the department that the intermediate district employs at least 1
7 person who is trained in pupil counting procedures, rules, and
8 regulations.

9 Sec. 94a. (1) There is created within the office of the
10 state budget director in the department of management and budget
11 the center for educational performance and information. **The**
12 **department of management and budget shall provide administrative**
13 **support to the center.** The center shall do all of the following:

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

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

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

21 (d) Develop state and model local data collection policies,
22 including, but not limited to, policies that ensure the privacy
23 of individual student data. State privacy policies shall ensure
24 that student social security numbers are not released to the
25 public for any purpose.

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

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

4 (g) Assist all entities receiving funds under this act in
5 complying with audits performed according to generally accepted
6 accounting procedures.

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

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

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

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

13 (c) One representative from the office of the state budget
14 director.

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

16 (e) One representative each from the department of career
17 development and the department of treasury.

18 (f) Three representatives from intermediate school
19 districts.

20 (g) One representative from each of the following educational
21 organizations:

22 (i) Michigan association of school boards.

23 (ii) Michigan association of school administrators.

24 (iii) Michigan school business officials.

25 (h) One representative representing private sector firms
26 responsible for auditing school records.

27 (i) Other representatives as the state budget director

1 determines are necessary.

2 (3) The CEPI advisory committee appointed under
3 subsection (2) shall provide advice to the director of the center
4 regarding the management of the center's data collection
5 activities, including, but not limited to:

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

9 (b) Defining the roles of all stakeholders in the data
10 collection system.

11 (c) Recommending timelines for the implementation and ongoing
12 collection of data.

13 (d) Establishing and maintaining data definitions, data
14 transmission protocols, and system specifications and procedures
15 for the efficient and accurate transmission and collection of
16 data.

17 (e) Establishing and maintaining a process for ensuring the
18 accuracy of the data.

19 (f) Establishing and maintaining state and model local
20 policies related to data collection, including, but not limited
21 to, privacy policies related to individual student data.

22 (g) Ensuring the data is made available to state and local
23 policymakers and citizens of this state in the most useful format
24 possible.

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

27 (4) The center may enter into any interlocal agreements

1 necessary to fulfill its functions.

2 (5) ~~From the general fund appropriation in section 11, there~~
3 ~~is allocated an amount not to exceed \$2,332,000.00 for 2001-2002~~
4 ~~for payments to the center.~~ From the general fund appropriation
5 in section 11, there is allocated an amount not to exceed
6 ~~\$4,500,000.00 each fiscal year for 2002-2003 and \$3,000,000.00~~
7 for 2003-2004 to the **office of the state budget in the** department
8 of management and budget to support the operations of the
9 center. **From this funding, the center shall use \$2,000,000.00**
10 **for a contract with Standard & Poor's for the school evaluation**
11 **services website.** The center shall cooperate with the state
12 education agency to ensure that this state is in compliance with
13 federal law and is maximizing opportunities for increased federal
14 funding to improve education in this state. In addition, from
15 the federal funds appropriated in section 11 ~~for 2002-2003 and~~
16 for 2003-2004, there is allocated the following amounts ~~each~~
17 ~~fiscal year~~ in order to fulfill federal reporting requirements:

18 (a) An amount estimated at \$1,000,000.00 funded from
19 DED-OESE, title I, disadvantaged children funds.

20 (b) An amount estimated at \$284,700.00 funded from DED-OESE,
21 title I, reading first state grant funds.

22 (c) An amount estimated at ~~\$46,750.00~~ **\$46,800.00** funded
23 from DED-OESE, title I, migrant education funds.

24 (d) An amount estimated at \$500,000.00 funded from DED-OESE,
25 improving teacher quality funds.

26 (e) An amount estimated at ~~\$526,100.00~~ **\$100,000.00** funded
27 from DED-OESE, drug-free schools and communities funds.

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

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

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

1 ~~network system.~~

2 ~~—— (b) If the applicable intermediate district determines that~~
 3 ~~the pupil counts submitted by the district for the 2002-2003~~
 4 ~~pupil membership count day using the single record student~~
 5 ~~database cannot be audited by the intermediate district pursuant~~
 6 ~~to section 101, the district may submit its pupil count data for~~
 7 ~~the 2002-2003 pupil membership count day using the education data~~
 8 ~~network system.~~

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

18 **(7) The center may bill departments as necessary in order to**
 19 **fulfill reporting requirements of the no child left behind act of**
 20 **2001, Public Law 107-110, 115 Stat. 1425, and any other reporting**
 21 **required by the equal employment opportunity commission, office**
 22 **of civil rights, or the national center for education statistics.**

23 **(8) —(9)— As used in this section:**

24 **(a) "Center" means the center for educational performance and**
 25 **information created under this section.**

26 **(b) "DED-OESE" means the United States department of**
 27 **education office of elementary and secondary education.**

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

2 Sec. 98. (1) From the general fund money appropriated in
 3 section 11, there is allocated an amount not to exceed
 4 ~~-\$1,500,000.00 for 2001-2002 and an amount not to exceed~~
 5 ~~\$5,000,000.00 each fiscal year for 2002-2003 and~~ **\$1,000,000.00**
 6 for 2003-2004 ~~to the department~~ to provide a grant to the
 7 Michigan virtual university for the development, implementation,
 8 and operation of the Michigan virtual high school. ~~and to fund~~
 9 ~~other purposes described in this section. In addition, from the~~
 10 ~~federal funds appropriated in section 11, there is allocated each~~
 11 ~~fiscal year for 2001-2002, for 2002-2003, and for 2003-2004 the~~
 12 ~~following amounts:~~

13 ~~—— (a) An amount estimated at \$3,251,800.00 from DED-OESE, title~~
 14 ~~II, improving teacher quality funds.~~

15 ~~—— (b) An amount estimated at \$1,188,000.00 from DED-OESE, title~~
 16 ~~II, educational technology grants funds.~~

17 ~~—— (c) An amount estimated at \$2,044,400.00 from DED-OESE, title~~
 18 ~~V, innovative strategies grants funds.~~

19 ~~—— (d) An amount estimated at \$100,500.00 from DED-OESE, title~~
 20 ~~VI, rural and low income schools grants funds.~~

21 (2) The Michigan virtual high school shall have the following
 22 goals:

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

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

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

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

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

11 (f) Grant high school diplomas through a dual enrollment
12 method with districts.

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

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

19 (a) Information technology courses.

20 (b) College level equivalent courses, as defined in section
21 1471 of the revised school code, MCL 380.1471.

22 (c) Courses and dual enrollment opportunities.

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

24 (e) General education development test preparation courses
25 for adjudicated youth.

26 (f) Special interest courses.

27 (g) Professional development programs and services for

1 teachers.

2 ~~(4) From the allocation in subsection (1), there is~~
3 ~~allocated \$3,500,000.00 each fiscal year for 2002-2003 and for~~
4 ~~2003-2004 for the purpose of developing innovative strategies to~~
5 ~~use wireless technology to improve student academic achievement~~
6 ~~in this state. The Michigan virtual university shall identify~~
7 ~~not more than 5 pilot project sites for these initiatives. The~~
8 ~~pilot project sites shall be geographically diverse and at least~~
9 ~~1 of the pilot project sites shall be in the Upper Peninsula.~~
10 ~~The pilot projects shall be funded through public private~~
11 ~~partnerships. In addition, the Michigan virtual university shall~~
12 ~~establish local fund matching requirements for the pilot project~~
13 ~~sites.~~

14 ~~—— (5) The state education agency shall sign a memorandum of~~
15 ~~understanding with the Michigan virtual university regarding the~~
16 ~~DED-OESE, title II, improving teacher quality funds as provided~~
17 ~~under this subsection. To the extent allowed under federal law,~~
18 ~~the Michigan virtual university shall address the unique issues~~
19 ~~of providing educational opportunities in rural communities. The~~
20 ~~memorandum of understanding under this subsection shall require~~
21 ~~that the Michigan virtual university coordinate the following~~
22 ~~activities related to DED-OESE, title II, improving teacher~~
23 ~~quality funds in accordance with federal law:~~

24 ~~—— (a) Develop, and assist districts in the development and use~~
25 ~~of, proven, innovative strategies to deliver intensive~~
26 ~~professional development programs that are both cost-effective~~
27 ~~and easily accessible, such as strategies that involve delivery~~

1 through the use of technology, peer networks, and distance
2 learning.

3 ~~—— (b) Encourage and support the training of teachers and
4 administrators to effectively integrate technology into curricula
5 and instruction.~~

6 ~~—— (c) Coordinate the activities of eligible partnerships that
7 include higher education institutions for the purposes of
8 providing professional development activities for teachers,
9 paraprofessionals, and principals as defined in federal law.~~

10 ~~—— (6) The state education agency shall sign a memorandum of
11 understanding with the Michigan virtual university regarding
12 DED-OESE, title II, educational technology grants as provided
13 under this subsection. The Michigan virtual university shall
14 coordinate activities described in this subsection with the pilot
15 project sites identified in subsection (4). The memorandum of
16 understanding shall require that the Michigan virtual university
17 coordinate the following state activities related to DED-OESE,
18 title II, educational technology grants in accordance with
19 federal law:~~

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

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

27 ~~—— (7) The state education agency shall sign a memorandum of~~

~~1 understanding with the Michigan virtual university regarding
2 DED-OESE, title V, innovative strategies grants as provided under
3 this subsection. The Michigan virtual university shall
4 coordinate activities described in this subsection with the pilot
5 project sites identified in subsection (4). The memorandum of
6 understanding shall require the Michigan virtual university to
7 coordinate the following state-level activities related to
8 DED-OESE, title V, innovative strategies grants in accordance
9 with federal law:~~

~~10 — (a) Programs for the development or acquisition and use of
11 instructional and educational materials, including computer
12 software and hardware for instructional use, that will be used to
13 improve student academic achievement as part of an overall
14 education reform strategy.~~

~~15 — (b) Programs and activities that expand learning
16 opportunities through best-practice models designed to improve
17 classroom learning and teaching.~~

~~18 — (8) The state education agency shall sign a memorandum of
19 understanding with the Michigan virtual university requiring that
20 the Michigan virtual university coordinate the awarding of
21 competitive grants to districts and state-level activities
22 related to DED-OESE, title VI, rural and low income schools
23 grants in accordance with federal law for the following
24 purposes:~~

~~25 — (a) Teacher professional development, including programs that
26 train teachers to utilize technology, programs to improve
27 teaching, and programs to train special needs teachers.~~

1 ~~—— (b) Educational technology, including software and hardware,~~
 2 ~~as described in federal law.~~

3 ~~—— (9) Funds allocated under this section that are not expended~~
 4 ~~in the state fiscal year for which they were allocated may be~~
 5 ~~carried forward to a subsequent state fiscal year.~~

6 ~~—— (10) The state education agency and the Michigan virtual~~
 7 ~~university shall complete the memoranda of understanding required~~
 8 ~~under this section within 60 days after the effective date of the~~
 9 ~~amendatory act that added this subsection. It is the intent of~~
 10 ~~the legislature that all plans or applications submitted by the~~
 11 ~~state education agency to the United States department of~~
 12 ~~education relating to the distribution of federal funds under~~
 13 ~~this section shall be for the purposes described in this~~
 14 ~~section.~~

15 ~~—— (11) As used in this section:~~

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

18 ~~—— (b) "State education agency" means the department.~~

19 **Sec. 98b. (1) From the state school aid fund money**
 20 **appropriated in section 11, there is allocated for 2003-2004 an**
 21 **amount not to exceed \$8,000,000.00 for the learning without**
 22 **limits program described in this section. In addition, there is**
 23 **allocated for 2003-2004 the following federal funds:**

24 **(a) From the federal funds appropriated in section 11, an**
 25 **amount estimated at \$9,712,650.00 from the competitive grants of**
 26 **DED-OESE, title II, educational technology grants funds.**

27 **(b) An amount estimated at \$7,000,000.00 from funds carried**

1 forward from 2002-2003 from unexpended DED-OESE, title II,
2 educational technology grants funds.

3 (2) The allocations in subsection (1) shall be used to
4 develop, implement, and operate the learning without limits
5 program and make program grants. The goal of the program is to
6 achieve one-to-one access to wireless technology for K-12 pupils
7 through statewide and local public-private partnerships. To
8 implement the program, the state education agency shall sign a
9 memorandum of understanding with the Michigan virtual university
10 that provides for joint administration of program grants under
11 this subsection. By December 1, 2003, the Michigan virtual
12 university and the state education agency shall make grants to
13 districts as described in this section.

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

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

27 (b) How the district will provide the opportunity for each

1 pupil in membership in grade 6 to receive a wireless computing
2 device. If the district has already achieved one-to-one wireless
3 access in grade 6, the district may apply for a grant for the
4 next highest grade. If the district does not have a grade 6 or
5 higher, the district may apply for funding for the next lowest
6 grade level.

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

13 (i) The academic achievement goals of the plan.

14 (ii) The engagement goals, which may include, but are not
15 limited to, goals related to retention rates, dropout rates,
16 detentions, and suspensions.

17 (d) How the district will amend its local technology plan as
18 required under state and federal law to reflect the program under
19 this section.

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

24 (5) A district that received money under section 98 in
25 2002-2003 for a wireless technology grant is eligible to receive
26 a grant under this section.

27 (6) A public school academy that does not offer a grade

1 higher than grade 5 may apply to receive a grant under this
2 section for pupils in the highest grade offered by the public
3 school academy.

4 (7) By October 1, 2003, the department of management and
5 budget shall establish a statewide public-private partnership to
6 implement the program. The department of management and budget
7 shall select a program partner through a request for proposals
8 process for a total learning technology package that includes,
9 but is not limited to, a wireless laptop, software, professional
10 development, service, and support, and for management by a single
11 point of contact individual responsible for the overall
12 implementation. The proposal selected shall achieve significant
13 efficiencies and economies of scale and be interoperable with
14 existing technologies. The private partner selected in the
15 request for proposals process to partner with the state must
16 possess all of the following:

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

20 (b) Proven technical ability to deliver a total solutions
21 package of learning technology for elementary and secondary
22 students and teachers.

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

25 (d) Ability to coordinate, utilize, and expand existing
26 technology infrastructures and professional development delivery
27 systems within school districts and regions.

1 (8) A district may elect to purchase wireless laptops from a
2 vendor other than the statewide partnership described in
3 subsection (7) if that person meets subdivisions (a) to (d) of
4 subsection (7).

5 (9) The state education agency shall sign a memorandum of
6 understanding with the Michigan virtual university regarding
7 DED-OESE, title II, educational technology grants, as provided
8 under this subsection. The Michigan virtual university shall
9 coordinate activities described in this subsection with the
10 learning without limits grants described under this section. The
11 memorandum of understanding shall require that the Michigan
12 virtual university coordinate the following state activities
13 related to DED-OESE, title II, educational technology grants in
14 accordance with federal law:

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

19 (b) Establish and support public-private initiatives for the
20 acquisition of educational technology for students in high-need
21 districts.

22 (10) Funds allocated under this section that are not expended
23 in the state fiscal year for which they were allocated may be
24 carried forward to a subsequent state fiscal year.

25 (11) The state education agency and the Michigan virtual
26 university shall complete the memoranda of understanding required
27 under this section within 60 days after the effective date of the

1 amendatory act that added this subsection. It is the intent of
2 the legislature that all plans or applications submitted by the
3 state education agency to the United States department of
4 education relating to the distribution of federal funds under
5 this section are for the purposes described in this section.

6 (12) The state education agency shall ensure that the program
7 goals and plans for the learning without limits program are
8 contained in the state technology plan required by federal law.

9 (13) As used in this section:

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

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

13 Sec. 99. (1) From the ~~state school aid fund appropriation~~
14 **appropriations** in section 11, there is allocated an amount not to
15 exceed ~~\$9,684,300.00 each fiscal year for 2001-2002, for~~
16 ~~2002-2003, and for 2003-2004 and from the general fund~~
17 ~~appropriation in section 11 there is allocated an amount not to~~
18 ~~exceed \$548,000.00 each fiscal year for 2001-2002, for 2002-2003,~~
19 ~~and \$5,000,000.00~~ for 2003-2004 for implementing the
20 comprehensive master plan for mathematics and science centers
21 developed by the department and approved by the state board on
22 February 17, 1993.

23 (2) Within a service area designated locally, approved by the
24 department, and consistent with the master plan described in
25 subsection (1), an established mathematics and science center
26 shall address 2 or more of the following 6 basic services, as
27 described in the master plan, to constituent districts and

1 communities: leadership, pupil services, curriculum support,
2 community involvement, professional development, and resource
3 clearinghouse services.

4 (3) The department shall not award a grant under this section
5 to more than 1 mathematics and science center located in a
6 particular intermediate district unless each of the grants serves
7 a distinct target population or provides a service that does not
8 duplicate another program in the intermediate district.

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

14 (5) Allocations under this section to support the activities
15 and programs of mathematics and science centers shall be
16 continuing support grants to all ~~25~~ **33** established mathematics
17 and science centers. ~~and, subject to subsection (9), the 8~~
18 ~~satellite extensions that were funded in 1996-97.~~ Each
19 established mathematics and science center that was funded in
20 1999-2000 shall receive an amount equal to ~~105.3%~~ **48.86%** of the
21 amount it received under this section ~~in 1999-2000~~ **for**
22 **2002-2003 in 2002 PA 521, before any reduction made for 2002-2003**
23 **under section 11(3).**

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

1 reimburse the state for all disallowances found in the audit.

2 (7) From the state school aid fund allocation under
 3 subsection (1), there is allocated an amount not to exceed
 4 ~~-\$611,800.00 each fiscal year for 2001-2002, for 2002-2003, and~~
 5 **\$298,925.00** for 2003-2004 for additional funding under this
 6 subsection for mathematics and science centers that have come
 7 into compliance with the comprehensive master plan described in
 8 subsection (1). These amounts are in addition to the funding
 9 determined under subsection (5) and are as follows: ~~for each of~~
 10 ~~these fiscal years:~~

11 (a) ~~-\$68,000.00~~ **\$33,225.00** each to the central Michigan
 12 science, mathematics, and technology center; the
 13 Hillsdale-Lenawee-Monroe mathematics and science center; the
 14 St. Clair mathematics, science, and technology network; the
 15 Saginaw valley state university regional center; the Genesee area
 16 mathematics, science, and technology center; the Grand Traverse
 17 area regional mathematics, science, and technology center; and
 18 the Livingston/Washtenaw mathematics and science center.

19 (b) ~~-\$85,000.00~~ **\$41,530.00** to the Grand valley state
 20 university regional mathematics and science center.

21 (c) ~~-\$50,800.00~~ **\$24,820.00** to the Seaborg center at Northern
 22 Michigan university.

23 (8) Not later than June 30, 2000, the department shall
 24 reevaluate and update the comprehensive master plan described in
 25 subsection (1), including any recommendations for upgrading
 26 satellite extensions to full centers.

27 (9) ~~During the course of the 2000-2001 and 2001-2002 fiscal~~

1 ~~years, the department shall facilitate the conversion of the~~
2 ~~8 existing satellite extensions to full mathematics and science~~
3 ~~centers. To this end, in 2000-2001 the department shall provide~~
4 ~~4 satellite extensions, as selected by the department, with~~
5 ~~applications for conversion to full centers, and in 2001-2002 the~~
6 ~~department shall provide the remaining 4 satellite extensions~~
7 ~~with applications for conversion. The department shall provide~~
8 ~~the applications not later than October 15 of the applicable~~
9 ~~fiscal year; a satellite extension shall submit the application~~
10 ~~and a detail plan as prescribed by the department not later than~~
11 ~~November 15 of the applicable fiscal year; and the department~~
12 ~~shall review the applications and plans and notify the satellite~~
13 ~~extensions of their status not later than December 1 of the~~
14 ~~applicable fiscal year. The allocations under this section are~~
15 ~~sufficient to fund the conversion of the satellite extensions to~~
16 ~~full centers and to fund them as full centers. In order to~~
17 **receive funds under this section, a grant recipient shall provide**
18 **at least a 10% local match from local public or private resources**
19 **for the funds received under this section.**

20 Sec. 101. (1) To be eligible to receive state aid under
21 this act, not later than the fifth Wednesday after the pupil
22 membership count day and not later than the fifth Wednesday after
23 the supplemental count day, each district superintendent through
24 the secretary of the district's board shall file with the
25 intermediate superintendent a certified and sworn copy of the
26 number of pupils enrolled and in regular daily attendance in the
27 district as of the pupil membership count day and as of the

1 supplemental count day, as applicable, for the current school
2 year. In addition, a district maintaining school during the
3 entire year, as provided under section 1561 of the revised school
4 code, MCL 380.1561, shall file with the intermediate
5 superintendent a certified and sworn copy of the number of pupils
6 enrolled and in regular daily attendance in the district for the
7 current school year pursuant to rules promulgated by the
8 superintendent. Not later than the seventh Wednesday after the
9 pupil membership count day and not later than the seventh
10 Wednesday after the supplemental count day, the intermediate
11 district shall transmit to the ~~department~~ **center** the data filed
12 by each of its constituent districts. If a district fails to
13 file the sworn and certified copy with the intermediate
14 superintendent in a timely manner, as required under this
15 subsection, the intermediate district shall notify the department
16 and state aid due to be distributed under this act shall be
17 withheld from the defaulting district immediately, beginning with
18 the next payment after the failure and continuing with each
19 payment until the district complies with this subsection. If an
20 intermediate district fails to transmit the data in its
21 possession in a timely and accurate manner to the department, as
22 required under this subsection, state aid due to be distributed
23 under this act shall be withheld from the defaulting intermediate
24 district immediately, beginning with the next payment after the
25 failure and continuing with each payment until the intermediate
26 district complies with this subsection. If a district or
27 intermediate district does not comply with this subsection by the

1 end of the fiscal year, the district or intermediate district
2 forfeits the amount withheld. A person who willfully falsifies a
3 figure or statement in the certified and sworn copy of enrollment
4 shall be punished in the manner prescribed by section 161.

5 (2) To be eligible to receive state aid under this act, not
6 later than the twenty-fourth Wednesday after the pupil membership
7 count day and not later than the twenty-fourth Wednesday after
8 the supplemental count day, an intermediate district shall submit
9 to the ~~department~~ **center**, in a form and manner prescribed by
10 the ~~department~~ **center**, the audited enrollment and attendance
11 data for the pupils of its constituent districts and of the
12 intermediate district. If an intermediate district fails to
13 transmit the audited data as required under this subsection,
14 state aid due to be distributed under this act shall be withheld
15 from the defaulting intermediate district immediately, beginning
16 with the next payment after the failure and continuing with each
17 payment until the intermediate district complies with this
18 subsection. If an intermediate district does not comply with
19 this subsection by the end of the fiscal year, the intermediate
20 district forfeits the amount withheld.

21 (3) Except as otherwise provided in this section, each
22 district shall provide at least 180 days of pupil instruction and
23 a number of hours of pupil instruction at least equal to the
24 required minimum number of hours of pupil instruction required
25 for 2000-2001 under section 1284 of the revised school code,
26 MCL 380.1284. Except as otherwise provided in this act, a
27 district failing to hold 180 days of pupil instruction shall

1 forfeit from its total state aid allocation for each day of
2 failure an amount equal to 1/180 of its total state aid
3 allocation. Except as otherwise provided in this act, a district
4 failing to comply with the required minimum hours of pupil
5 instruction under this subsection shall forfeit from its total
6 state aid allocation an amount determined by applying a ratio of
7 the number of hours the district was in noncompliance in relation
8 to the required minimum number of hours under this subsection. A
9 district failing to meet both the 180 days of pupil instruction
10 requirement and the minimum number of hours of pupil instruction
11 requirement under this subsection shall be penalized only the
12 higher of the 2 amounts calculated under the forfeiture
13 provisions of this subsection. Not later than August 1, the
14 board of each district shall certify to the department the number
15 of days and hours of pupil instruction in the previous school
16 year. If the district did not hold at least 180 days and the
17 required minimum number of hours of pupil instruction under this
18 subsection, the deduction of state aid shall be made in the
19 following fiscal year from the first payment of state school
20 aid. A district is not subject to forfeiture of funds under this
21 subsection for a fiscal year in which a forfeiture was already
22 imposed under subsection (7). Days or hours lost because of
23 strikes or teachers' conferences shall not be counted as days or
24 hours of pupil instruction. A district not having at least 75%
25 of the district's membership in attendance on any day of pupil
26 instruction shall receive state aid in that proportion of 1/180
27 that the actual percent of attendance bears to the specified

1 percentage. The superintendent shall promulgate rules for the
2 implementation of this subsection.

3 (4) Except as otherwise provided in this subsection, the
4 first 2 days for which pupil instruction is not provided because
5 of conditions not within the control of school authorities, such
6 as severe storms, fires, epidemics, or health conditions as
7 defined by the city, county, or state health authorities, shall
8 be counted as days of pupil instruction. ~~In addition, for
9 2001-2002 only, the department shall count as days of pupil
10 instruction not more than 4 additional days, and shall count as
11 hours of pupil instruction not more than 24 hours, for which
12 pupil instruction was not provided in a district after May 27,
13 2002 due to a train derailment involving hazardous materials.~~
14 Subsequent such days shall not be counted as days of pupil
15 instruction.

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

22 (6) Upon application by the district for a particular fiscal
23 year, the superintendent may waive the minimum number of days of
24 pupil instruction requirement of subsection (3) for a district if
25 the district has adopted an experimental school year schedule in
26 1 or more buildings in the district if the experimental school
27 year schedule provides the required minimum number of hours of

1 pupil instruction under subsection (3) or more and is consistent
2 with all state board policies on school improvement and
3 restructuring. If a district applies for and receives a waiver
4 under this subsection and complies with the terms of the waiver,
5 for the fiscal year covered by the waiver the district is not
6 subject to forfeiture under this section of part of its state aid
7 allocation for the specific building or program covered by the
8 waiver.

9 (7) Not later than April 15 of each fiscal year, the board of
10 each district shall certify to the department the planned number
11 of days and hours of pupil instruction in the district for the
12 school year ending in the fiscal year. In addition to any other
13 penalty or forfeiture under this section, if at any time the
14 department determines that 1 or more of the following has
15 occurred in a district, the district shall forfeit in the current
16 fiscal year beginning in the next payment to be calculated by the
17 department a proportion of the funds due to the district under
18 this act that is equal to the proportion below 180 days and the
19 required minimum number of hours of pupil instruction under
20 subsection (3), as specified in the following:

21 (a) The district fails to operate its schools for at least
22 180 days and the required minimum number of hours of pupil
23 instruction under subsection (3) in a school year, including days
24 counted under subsection (4).

25 (b) The board of the district takes formal action not to
26 operate its schools for at least 180 days and the required
27 minimum number of hours of pupil instruction under subsection (3)

1 in a school year, including days counted under subsection (4).

2 (8) In providing the minimum number of hours of pupil
3 instruction required under subsection (3), a district shall use
4 the following guidelines, and a district shall maintain records
5 to substantiate its compliance with the following guidelines:

6 (a) Except as otherwise provided in this subsection, a pupil
7 must be scheduled for at least the required minimum number of
8 hours of instruction, excluding study halls, or at least the sum
9 of 90 hours plus the required minimum number of hours of
10 instruction, including up to 2 study halls.

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

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

19 (d) If a pupil in grades 9 to 12 who is enrolled in a
20 cooperative education program or a special education pupil cannot
21 receive the required minimum number of hours of pupil instruction
22 solely because of travel time between instructional sites during
23 the school day, that travel time, up to a maximum of 3 hours per
24 school week, shall be considered to be pupil instruction time for
25 the purpose of determining whether the pupil is receiving the
26 required minimum number of hours of pupil instruction. However,
27 if a district demonstrates to the satisfaction of the department

1 that the travel time limitation under this subdivision would
2 create undue costs or hardship to the district, the department
3 may consider more travel time to be pupil instruction time for
4 this purpose.

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

8 (10) Upon application by the district for a particular fiscal
9 year, the superintendent may waive for a district the 180 days or
10 minimum number of hours of pupil instruction requirement of
11 subsection (3) for a department-approved alternative education
12 program. If a district applies for and receives a waiver under
13 this subsection and complies with the terms of the waiver, for
14 the fiscal year covered by the waiver the district is not subject
15 to forfeiture under this section for the specific program covered
16 by the waiver.

17 (11) Beginning in 2000-2001, a district may count up to 51
18 hours of professional development for teachers as hours of pupil
19 instruction. A district that elects to use this exception shall
20 notify the department of its election.

21 Sec. 105. (1) In order to avoid a penalty under this
22 section, and in order to count a nonresident pupil residing
23 within the same intermediate district in membership without the
24 approval of the pupil's district of residence, a district shall
25 comply with this section.

26 (2) Except as otherwise provided in this section, a district
27 shall determine whether or not it will accept applications for

1 enrollment by nonresident applicants residing within the same
2 intermediate district for the next school year. If the district
3 determines to accept applications for enrollment of a number of
4 nonresidents, beyond those entitled to preference under this
5 section, the district shall use the following procedures for
6 accepting applications from and enrolling nonresidents:

7 (a) The district shall publish the grades, schools, and
8 special programs, if any, for which enrollment may be available
9 to, and for which applications will be accepted from, nonresident
10 applicants residing within the same intermediate district.

11 (b) If the district has a limited number of positions
12 available for nonresidents residing within the same intermediate
13 district in a grade, school, or program, all of the following
14 apply to accepting applications for and enrollment of
15 nonresidents in that grade, school, or program:

16 (i) The district shall do all of the following not later than
17 the second Friday in August:

18 (A) Provide notice to the general public that applications
19 will be taken for a 15-day period from nonresidents residing
20 within the same intermediate district for enrollment in that
21 grade, school, or program. The notice shall identify the 15-day
22 period and the place and manner for submitting applications.

23 (B) During the application period under sub-subparagraph (A),
24 accept applications from nonresidents residing within the same
25 intermediate district for enrollment in that grade, school, or
26 program.

27 (C) Within 15 days after the end of the application period

1 under sub-subparagraph (A), using the procedures and preferences
2 required under this section, determine which nonresident
3 applicants will be allowed to enroll in that grade, school, or
4 program, using the random draw system required under
5 subsection (13) as necessary, and notify the parent or legal
6 guardian of each nonresident applicant of whether or not the
7 applicant may enroll in the district. The notification to
8 parents or legal guardians of nonresident applicants accepted for
9 enrollment shall contain notification of the date by which the
10 applicant must enroll in the district and procedures for
11 enrollment.

12 (ii) Beginning on the third Monday in August and not later
13 than the end of the first week of school, if any positions become
14 available in a grade, school, or program due to accepted
15 applicants failing to enroll or to more positions being added,
16 the district may enroll nonresident applicants from the waiting
17 list maintained under subsection (13), offering enrollment in the
18 order that applicants appear on the waiting list. If there are
19 still positions available after enrolling all applicants from the
20 waiting list who desire to enroll, the district may not fill
21 those positions until the second semester enrollment under
22 subsection (3), as provided under that subsection, or until the
23 next school year.

24 (c) For a grade, school, or program that has an unlimited
25 number of positions available for nonresidents residing within
26 the same intermediate district, all of the following apply to
27 enrollment of nonresidents in that grade, school, or program:

1 (i) The district may accept applications for enrollment in
2 that grade, school, or program, and may enroll nonresidents
3 residing within the same intermediate district in that grade,
4 school, or program, until the end of the first week of school.
5 The district shall provide notice to the general public of the
6 place and manner for submitting applications and, if the district
7 has a limited application period, the notice shall include the
8 dates of the application period. The application period shall be
9 at least a 15-day period.

10 (ii) Not later than the end of the first week of school, the
11 district shall notify the parent or legal guardian of each
12 nonresident applicant who is accepted for enrollment that the
13 applicant has been accepted for enrollment in the grade, school,
14 or program and of the date by which the applicant must enroll in
15 the district and the procedures for enrollment.

16 (3) If a district determines during the first semester of a
17 school year that it has positions available for enrollment of a
18 number of nonresidents residing within the same intermediate
19 district, beyond those entitled to preference under this section,
20 for the second semester of the school year, the district may
21 accept applications from and enroll nonresidents residing within
22 the same intermediate district for the second semester using the
23 following procedures:

24 (a) Not later than 2 weeks before the end of the first
25 semester, the district shall publish the grades, schools, and
26 special programs, if any, for which enrollment for the second
27 semester may be available to, and for which applications will be

1 accepted from, nonresident applicants residing within the same
2 intermediate district.

3 (b) During the last 2 weeks of the first semester, the
4 district shall accept applications from nonresidents residing
5 within the same intermediate district for enrollment for the
6 second semester in the available grades, schools, and programs.

7 (c) By the beginning of the second semester, using the
8 procedures and preferences required under this section, the
9 district shall determine which nonresident applicants will be
10 allowed to enroll in the district for the second semester and
11 notify the parent or legal guardian of each nonresident applicant
12 residing within the same intermediate district of whether or not
13 the applicant may enroll in the district. The notification to
14 parents or legal guardians of nonresident applicants accepted for
15 enrollment shall contain notification of the date by which the
16 applicant must enroll in the district and procedures for
17 enrollment.

18 (4) If deadlines similar to those described in subsection (2)
19 or (3) have been established in an intermediate district, and if
20 those deadlines are not later than the deadlines under
21 subsection (2) or (3), the districts within the intermediate
22 district may use those deadlines.

23 (5) A district offering to enroll nonresident applicants
24 residing within the same intermediate district may limit the
25 number of nonresident pupils it accepts in a grade, school, or
26 program, at its discretion, and may use that limit as the reason
27 for refusal to enroll an applicant.

1 (6) A nonresident applicant residing within the same
2 intermediate district shall not be granted or refused enrollment
3 based on intellectual, academic, artistic, or other ability,
4 talent, or accomplishment, or lack thereof, or based on a mental
5 or physical disability, except that a district may refuse to
6 admit a nonresident applicant if the applicant does not meet the
7 same criteria, other than residence, that an applicant who is a
8 resident of the district must meet to be accepted for enrollment
9 in a grade or a specialized, magnet, or intra-district choice
10 school or program to which the applicant applies.

11 (7) A nonresident applicant residing within the same
12 intermediate district shall not be granted or refused enrollment
13 based on age, except that a district may refuse to admit a
14 nonresident applicant applying for a program that is not
15 appropriate for the age of the applicant.

16 (8) A nonresident applicant residing within the same
17 intermediate district shall not be granted or refused enrollment
18 based upon religion, race, color, national origin, sex, height,
19 weight, marital status, or athletic ability, or, generally, in
20 violation of any state or federal law prohibiting
21 discrimination.

22 (9) A district may refuse to enroll a nonresident applicant
23 if the applicant is, or has been within the preceding 2 years,
24 suspended from another school or if the applicant has ever been
25 expelled from another school.

26 (10) A district shall continue to allow a pupil who was
27 enrolled in and attended the district under this section in the

1 school year or semester immediately preceding the school year or
2 semester in question to enroll in the district until the pupil
3 graduates from high school. This subsection does not prohibit a
4 district from expelling a pupil described in this subsection for
5 disciplinary reasons.

6 (11) A district shall give preference for enrollment under
7 this section over all other nonresident applicants residing
8 within the same intermediate district to other school-age
9 children who reside in the same household as a pupil described in
10 subsection (10).

11 (12) If a nonresident pupil was enrolled in and attending
12 school in a district as a nonresident pupil in the 1995-96 school
13 year and continues to be enrolled continuously each school year
14 in that district, the district shall allow that nonresident pupil
15 to continue to enroll in and attend school in the district until
16 high school graduation, without requiring the nonresident pupil
17 to apply for enrollment under this section. This subsection does
18 not prohibit a district from expelling a pupil described in this
19 subsection for disciplinary reasons.

20 (13) If the number of qualified nonresident applicants
21 eligible for acceptance in a school, grade, or program does not
22 exceed the positions available for nonresident pupils in the
23 school, grade, or program, the school district shall accept for
24 enrollment all of the qualified nonresident applicants eligible
25 for acceptance. If the number of qualified nonresident
26 applicants residing within the same intermediate district
27 eligible for acceptance exceeds the positions available in a

1 grade, school, or program in a district for nonresident pupils,
2 the district shall use a random draw system, subject to the need
3 to abide by state and federal antidiscrimination laws and court
4 orders and subject to preferences allowed by this section. The
5 district shall develop and maintain a waiting list based on the
6 order in which nonresident applicants were drawn under this
7 random draw system.

8 (14) If a district, or the nonresident applicant, requests
9 the district in which a nonresident applicant resides to supply
10 information needed by the district for evaluating the applicant's
11 application for enrollment or for enrolling the applicant, the
12 district of residence shall provide that information on a timely
13 basis.

14 (15) If a district is subject to a court-ordered
15 desegregation plan, and if the court issues an order prohibiting
16 pupils residing in that district from enrolling in another
17 district or prohibiting pupils residing in another district from
18 enrolling in that district, this section is subject to the court
19 order.

20 (16) This section does not require a district to provide
21 transportation for a nonresident pupil enrolled in the district
22 under this section or for a resident pupil enrolled in another
23 district under this section. However, at the time a nonresident
24 pupil enrolls in the district, a district shall provide to the
25 pupil's parent or legal guardian information on available
26 transportation to and from the school in which the pupil
27 enrolls.

1 ~~(17) If the total number of pupils enrolled and counted in~~
2 ~~membership in a district for 2001-2002 is less than 90% of the~~
3 ~~total number of pupils residing in the district who are enrolled~~
4 ~~and counted in membership in either that district or 1 or more~~
5 ~~other districts for 2001-2002, the total amount of money~~
6 ~~allocated to that district for 2001-2002 under sections 22a and~~
7 ~~22b shall be adjusted so that the district receives a total~~
8 ~~allocation under those sections equal to the amount the district~~
9 ~~would receive under those sections if exactly 90% of the pupils~~
10 ~~residing in the district who are enrolled and counted in either~~
11 ~~that district or 1 or more other districts were enrolled and~~
12 ~~counted in membership in that district.~~

13 ~~—— (18) Beginning in 2002-2003, if the total number of pupils~~
14 ~~enrolled and counted in membership in a district for a fiscal~~
15 ~~year is less than 90% of the sum of the total number of pupils~~
16 ~~residing in the district who are enrolled and counted in~~
17 ~~membership for the fiscal year in that district plus the total~~
18 ~~number of pupils residing in that district who are enrolled and~~
19 ~~counted in membership for the fiscal year in 1 or more other~~
20 ~~districts under this section or section 105c, the department~~
21 ~~shall calculate the total amount of money that would be allocated~~
22 ~~to that district for the fiscal year under sections 22a and 22b~~
23 ~~if exactly 90% of the sum of the total number of pupils residing~~
24 ~~in the district who are enrolled and counted in membership for~~
25 ~~the fiscal year in that district plus the total number of pupils~~
26 ~~residing in that district who are enrolled and counted in~~
27 ~~membership for the fiscal year in 1 or more other districts under~~

~~1 this section or section 105c were enrolled and counted in
2 membership in that district for the fiscal year. The department
3 shall use this calculation to calculate a payment under
4 subsection (19).~~

~~5 — (19) Subject to subsection (20), beginning in 2002-2003, the
6 department shall make a payment to a district described in
7 subsection (18) in an amount equal to a percentage of the
8 difference between the total amount of money the district would
9 receive under sections 22a and 22b for the particular fiscal year
10 as otherwise calculated under this act and the amount calculated
11 under subsection (18). This percentage is as follows:~~

~~12 — (a) For 2002-2003, 75%.~~

~~13 — (b) For 2003-2004, 50%.~~

~~14 — (c) For 2004-2005, 25%.~~

~~15 — (d) For 2005-2006 and succeeding fiscal years, 0%.~~

~~16 — (20) A district is not eligible for a payment under
17 subsection (19) if the district receives additional funding for
18 the applicable fiscal year due to the membership calculation
19 under section 6(4)(y).~~

~~20 (17) —(21)— A district may participate in a cooperative
21 education program with 1 or more other districts or intermediate
22 districts whether or not the district enrolls any nonresidents
23 pursuant to this section.~~

~~24 (18) —(22)— A district that, pursuant to this section,
25 enrolls a nonresident pupil who is eligible for special education
26 programs and services according to statute or rule, or who is a
27 child with disabilities, as defined under the individuals with~~

House Bill No. 4401 (H-1) as amended April 10, 2003

1 disabilities education act, title VI of Public Law 91-230, 20
2 U.S.C. 1400 to 1420, 1431 to 1461, and 1471 to 1487, shall be
3 considered to be the resident district of the pupil for the
4 purpose of providing the pupil with a free appropriate public
5 education. Consistent with state and federal law, that district
6 is responsible for developing and implementing an individualized
7 education plan annually for a nonresident pupil described in this
8 subsection.

9 (19) ~~-(23)-~~ If a district does not comply with this section,
10 the district forfeits 5% of the total state school aid allocation
11 to the district under this act.

12 (20) ~~-(24)-~~ Upon application by a district, the
13 superintendent may grant a waiver for the district from a
14 specific requirement under this section for not more than 1
15 year.

16 Sec. 107. (1) From the appropriation in section 11, there
17 is allocated an amount not to exceed ~~-\$75,000,000.00 for~~
18 ~~2001-2002 and an amount not to exceed \$77,500,000.00 each fiscal~~
19 ~~year for 2002-2003 and~~ **[\$28,456,700.00]** for 2003-2004 for adult
20 education programs authorized under this section.

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

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

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

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

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

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

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

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

18 (ii) Is at least 16 years of age on September 1 of the school
19 year, has been permanently expelled from school under section
20 1311(2) or 1311a of the revised school code, MCL 380.1311 and
21 380.1311a, and has no appropriate alternative education program
22 available through his or her district of residence.

23 (3) The amount allocated under subsection (1) shall be
24 distributed as follows:

25 (a) ~~For~~ **Except as otherwise provided in subdivision (b),**
26 **for** districts and consortia that received payments for ~~1995-96~~
27 ~~under former section 107f and that received payments for 1996-97~~

House Bill No. 4401 (H-1) as amended April 10, 2003

1 ~~under subsection (4) of this section as in effect in 1996-97~~
2 **2002-2003 under this section**, the amount allocated to each for
3 ~~2001-2002, for 2002-2003, and for 2003-2004~~ shall be an amount
4 ~~each fiscal year equal to 36.76%~~ **equal to [36.72%]** of the amount
5 the district or consortium received for ~~1995-96 under former~~
6 ~~section 107f~~ **2002-2003 under this section in 2002 PA 521, before**
7 **any reduction made for 2002-2003 under section 11(3).**

8 ~~(b) For districts and consortia that received payments under~~
9 ~~subsection (3) of this section as in effect for 1996-97, the~~
10 ~~amount allocated to each for 2001-2002, for 2002-2003, and for~~
11 ~~2003-2004 shall be an amount each fiscal year equal to the~~
12 ~~product of the number of full-time equated participants actually~~
13 ~~enrolled and in attendance during the 1996-97 school fiscal year~~
14 ~~in the program funded under subsection (3) of this section as in~~
15 ~~effect for 1996-97 as reported to the department of career~~
16 ~~development, audited, and adjusted according to subsection (10)~~
17 ~~of this section as in effect for 1996-97, multiplied by~~
18 ~~\$2,750.00.~~

19 ~~—— (c) For districts and consortia that meet the conditions of~~
20 ~~both subdivisions (a) and (b), the amount allocated each fiscal~~
21 ~~year for 2001-2002, for 2002-2003, and for 2003-2004 shall be the~~
22 ~~sum of the allocations to the district or consortium under~~
23 ~~subdivisions (a) and (b).~~

24 **(b) For a district that in 2002-2003 operated an adult**
25 **education program that was operated in conjunction with the**
26 **Michigan career technical institute, the amount allocated for**
27 **2003-2004 shall be an amount equal to \$100.00 plus [36.72%] of the**

1 amount the district received for 2002-2003 under this section in
2 2002 PA 521, before any reduction made for 2002-2003 under
3 section 11(3).

4 (c) ~~(d)~~ A district or consortium that received funding in
5 ~~1996-97~~ 2002-2003 under this section ~~as in effect for 1996-97~~
6 may operate independently of a consortium or join or form a
7 consortium ~~for 2001-2002, for 2002-2003, or~~ for 2003-2004. The
8 allocation ~~for 2001-2002, for 2002-2003, or~~ for 2003-2004 to
9 the district or the newly formed consortium under this subsection
10 shall be determined by the department of career development and
11 shall be based on the proportion of the amounts ~~specified in~~
12 ~~subdivision (a) or (b), or both,~~ that are attributable to the
13 district or consortium that received funding in ~~1996-97~~
14 2002-2003. A district or consortium described in this
15 subdivision shall notify the department of career development of
16 its intention with regard to ~~2001-2002, 2002-2003, or for~~
17 2003-2004 by October 1, ~~of the affected fiscal year~~ 2003.

18 (4) A district that operated an adult education program in
19 ~~1996-97~~ 2002-2003 and does not intend to operate a program in
20 ~~2001-2002, 2002-2003, or~~ 2003-2004 shall notify the department
21 of career development by October 1, ~~of the affected fiscal year~~
22 2003 of its intention. The funds intended to be allocated under
23 this section to a district that does not operate a program in
24 ~~2001-2002, 2002-2003, or~~ 2003-2004 and the unspent funds
25 originally allocated under this section to a district or
26 consortium that subsequently operates a program at less than the
27 level of funding allocated under subsection (3) shall instead be

House Bill No. 4401 (H-1) as amended April 10, 2003

1 proportionately reallocated to the other districts described in
2 subsection (3)(a) that are operating an adult education program
3 in ~~2001-2002, 2002-2003, or~~ 2003-2004 under this section.

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

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

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

15 (b) The program tests individuals for eligibility under
16 subdivision (a) before enrollment and tests participants to
17 determine progress after every 90 hours of attendance, using
18 assessment instruments approved by the department of career
19 development.

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

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

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

27 (d) A funding recipient enrolling a participant in an English

1 as a second language program is eligible for funding according to
2 subsection (10) until the participant meets 1 of the following:

3 (i) The participant is assessed as having attained basic
4 English proficiency.

5 (ii) The participant fails to show progress on 2 successive
6 assessments after having completed at least 450 hours of
7 instruction. The department of career development shall provide
8 information to a funding recipient regarding appropriate
9 assessment instruments for this program.

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

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

16 (b) The program shall administer a G.E.D. pre-test approved
17 by the department of career development before enrolling an
18 individual to determine the individual's potential for success on
19 the G.E.D. test, and shall administer other tests after every 90
20 hours of attendance to determine a participant's readiness to
21 take the G.E.D. test.

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

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

26 (ii) The participant fails to show progress on 2 successive
27 tests used to determine readiness to take the G.E.D. test after

1 having completed at least 450 hours of instruction.

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

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

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

10 (i) The participant passes the course and earns a high school
11 diploma.

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

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

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

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

26 (i) The individual achieves the requisite skills as
27 determined by appropriate assessment instruments administered at

1 least after every 90 hours of attendance.

2 (ii) The individual fails to show progress on 2 successive
3 assessments after having completed at least 450 hours of
4 instruction. The department of career development shall provide
5 information to a funding recipient regarding appropriate
6 assessment instruments for this program.

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

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

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

18 (11) As used in this section, "participant" means the sum of
19 the number of full-time equated individuals enrolled in and
20 attending a department-approved adult education program under
21 this section, using quarterly participant count days on the
22 schedule described in section 6(7)(b).

23 (12) A person who is not eligible to be a participant funded
24 under this section may receive adult education services upon the
25 payment of tuition. In addition, a person who is not eligible to
26 be served in a program under this section due to the program
27 limitations specified in subsection (6), (7), (8), or (9) may

1 continue to receive adult education services in that program upon
2 the payment of tuition. The tuition level shall be determined by
3 the local or intermediate district conducting the program.

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

7 (14) A district shall not commingle money received under this
8 section or from another source for adult education purposes with
9 any other funds of the district. A district receiving adult
10 education funds shall establish a separate ledger account for
11 those funds. This subsection does not prohibit a district from
12 using general funds of the district to support an adult education
13 or community education program.

14 ~~(15) The department shall work with the department of~~
15 ~~education to ensure that this section is administered in the same~~
16 ~~manner as in 1998-99. A district or intermediate district~~
17 ~~receiving funds under this section may establish a sliding scale~~
18 ~~of tuition rates based upon a participant's family income. A~~
19 ~~district or intermediate district may charge a participant~~
20 ~~tuition to receive adult education services under this section~~
21 ~~from that sliding scale of tuition rates on a uniform basis. The~~
22 ~~amount of tuition charged per participant shall not exceed the~~
23 ~~actual operating cost per participant minus any funds received~~
24 ~~under this section per participant. A district or intermediate~~
25 ~~district may not charge a participant tuition under this section~~
26 ~~if the participant's income is at or below 200% of the federal~~
27 ~~poverty guidelines published by the United States department of~~

1 **health and human services.**

2 Sec. 147. (1) The ~~allocations for 2001-2002, for~~
3 ~~2002-2003, and~~ **allocation** for 2003-2004 for the public school
4 employees' retirement system pursuant to the public school
5 employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to
6 38.1408, shall be made using the entry age normal cost actuarial
7 method and risk assumptions adopted by the public school
8 employees retirement board and the department of management and
9 budget. The annual level percentage of payroll contribution rate
10 is estimated at ~~12.17% for the 2001-2002 state fiscal year and~~
11 ~~at 12.99% for the 2002-2003 state fiscal year~~ **14.37% for the**
12 **2003-2004 state fiscal year. However, if all districts**
13 **participating in the school bond loan authority assist the state**
14 **treasurer in the refinancing of school bond loan authority debt,**
15 **the annual level percentage of payroll contribution rate for all**
16 **districts is estimated to be 12.99% for the 2003-2004 fiscal**
17 **year.** The portion of the contribution rate assigned to districts
18 and intermediate districts for each fiscal year is all of the
19 total percentage points. This contribution rate reflects an
20 amortization period of ~~35 years for 2001-2002, 34 years for~~
21 ~~2002-2003, and~~ 33 years for 2003-2004. The public school
22 employees' retirement system board shall notify each district and
23 intermediate district by February 28 of each fiscal year of the
24 estimated contribution rate for the next fiscal year.

25 (2) It is the intent of the legislature that the amortization
26 period described in section 41(2) of the public school employees
27 retirement act of 1979, 1980 PA 300, MCL 38.1341, be reduced to

House Bill No. 4401 (H-1) as amended April 10, 2003

1 30 years by the end of the 2005-2006 state fiscal year by
2 reducing the amortization period by not more than 1 year each
3 fiscal year.

4 Enacting section 1. In accordance with section 30 of
5 article IX of the state constitution of 1963, total state
6 spending in this amendatory act and in 2002 PA 521 from state
7 sources for fiscal year 2003-2004 is estimated at
8 [\$11,251,563,200.00] and state appropriations to be paid to local
9 units of government for fiscal year 2003-2004 are estimated at
10 [\$11,270,528,200.00].

11 Enacting section 2. Sections 8, 8c, 11j, 18d, 32a, 32i, 55,
12 67, 68, 94, 96, 99a, 108, 121a, and 158 of the state school aid
13 act of 1979, 1979 PA 94, MCL 388.1608, 388.1608c, 388.1611j,
14 388.1618d, 388.1632a, 388.1632i, 388.1655, 388.1667, 388.1668,
15 388.1694, 388.1696, 388.1699a, 388.1708, 388.1721a, and 388.1758,
16 are repealed effective October 1, 2003.

17 Enacting section 3. (1) Except as otherwise specified in
18 subsection (2), this amendatory act takes effect October 1,
19 2003.

20 (2) Section 20 of 1979 PA 94, as amended by this amendatory
21 act, and sections 20k, 32j, and 98b of 1979 PA 94, as added by
22 this amendatory act, take effect upon enactment of this
23 amendatory act.