

HOUSE BILL No. 5436

November 22, 2005, Introduced by Rep. Moolenaar and referred to the Committee on Appropriations.

A bill to amend 1979 PA 94, entitled "The state school aid act of 1979," by amending sections 11, 11a, 20, and 22b (MCL 388.1611, 388.1611a, 388.1620, and 388.1622b), as amended by 2005 PA 155, and by adding section 99c.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

1 there is appropriated for the public schools of this state and
2 certain other state purposes relating to education the sum of
3 ~~\$11,257,600,000.00~~ **\$11,275,850,000.00** from the state school aid
4 fund established by section 11 of article IX of the state
5 constitution of 1963, the sum of \$44,500,000.00 from the proceeds
6 of capitalization of the school bond loan fund revolving fund, and
7 the sum of \$62,714,000.00 from the general fund. In addition,
8 available federal funds are appropriated for each fiscal year.

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

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

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

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

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

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

11 (i) Districts.

12 (ii) Intermediate districts.

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

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

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

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

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

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

15 Sec. 11a. (1) The school aid stabilization fund is created as
16 a separate account within the state school aid fund established by
17 section 11 of article IX of the state constitution of 1963.

18 (2) The state treasurer may receive money or other assets from
19 any source for deposit into the school aid stabilization fund. The
20 state treasurer shall deposit into the school aid stabilization
21 fund all of the following:

22 (a) Unexpended and unencumbered state school aid fund revenue
23 for a fiscal year that remains in the state school aid fund as of
24 the bookclosing for that fiscal year.

25 (b) Money statutorily dedicated to the school aid
26 stabilization fund.

27 (c) Money appropriated to the school aid stabilization fund.

1 (3) Money available in the school aid stabilization fund may
2 not be expended without a specific appropriation from the school
3 aid stabilization fund. Money in the school aid stabilization fund
4 shall be expended only for purposes for which state school aid fund
5 money may be expended.

6 (4) The state treasurer shall direct the investment of the
7 school aid stabilization fund. The state treasurer shall credit to
8 the school aid stabilization fund interest and earnings from fund
9 investments.

10 (5) Money in the school aid stabilization fund at the close of
11 a fiscal year shall remain in the school aid stabilization fund and
12 shall not lapse to the unreserved school aid fund balance or the
13 general fund.

14 (6) If the maximum amount appropriated under section 11 from
15 the state school aid fund for a fiscal year exceeds the amount
16 available for expenditure from the state school aid fund for that
17 fiscal year, there is appropriated from the school aid
18 stabilization fund to the state school aid fund an amount equal to
19 the projected shortfall as determined by the department of
20 treasury, but not to exceed available money in the school aid
21 stabilization fund. If the money in the school aid stabilization
22 fund is insufficient to fully fund an amount equal to the projected
23 shortfall, the state budget director shall notify the legislature
24 as required under section 11(3) and state payments in an amount
25 equal to the remainder of the projected shortfall shall be prorated
26 in the manner provided under section 11(4).

27 (7) ~~Each school fiscal year for 2004-2005 and for~~ **FOR** 2005-

1 2006, there is transferred from the school aid stabilization fund
2 to the state school aid fund the amount necessary to fully fund the
3 allocations under this act.

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

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

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

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

27 (b) For a district that in the 1994-95 state fiscal year had a

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

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

27 (d) For a district that received a payment under former

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

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

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

18 (5) The allocation calculated under this section for a pupil
19 shall be based on the foundation allowance of the pupil's district
20 of residence. However, for a pupil enrolled in a district other
21 than the pupil's district of residence, if the foundation allowance
22 of the pupil's district of residence has been adjusted pursuant to
23 subsection (19), the allocation calculated under this section shall
24 not include the adjustment described in subsection (19). For a
25 pupil enrolled pursuant to section 105 or 105c in a district other
26 than the pupil's district of residence, the allocation calculated
27 under this section shall be based on the lesser of the foundation

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

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

1 as determined by the department, divided by the minimum number of
2 hours of pupil instruction required under section 101(3). The
3 result of this calculation shall not exceed the amount per
4 membership pupil otherwise calculated under this subsection.

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

1 academy an amount equal to that local school operating revenue per
2 membership pupil for each resident pupil in membership other than
3 special education pupils in the public school academy, as
4 determined by the department.

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

20 (9) For a district that had combined state and local revenue
21 per membership pupil in the 1993-94 state fiscal year of more than
22 \$6,500.00 and that had fewer than 350 pupils in membership, if the
23 district elects not to reduce the number of mills from which a
24 principal residence and qualified agricultural property are exempt
25 and not to levy school operating taxes on a principal residence and
26 qualified agricultural property as provided in section 1211(1) of
27 the revised school code, MCL 380.1211, and not to levy school

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

20 (10) Subject to subsection (4), for a district that is formed
21 or reconfigured after June 1, 2002 by consolidation of 2 or more
22 districts or by annexation, the resulting district's foundation
23 allowance under this section beginning after the effective date of
24 the consolidation or annexation shall be the average of the
25 foundation allowances of each of the original or affected
26 districts, calculated as provided in this section, weighted as to
27 the percentage of pupils in total membership in the resulting

1 district who reside in the geographic area of each of the original
2 or affected districts. The calculation under this subsection shall
3 take into account a district's per pupil allocation under section
4 20j(2).

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

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

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

18 (a) The pupil membership factor shall be computed by dividing
19 the estimated membership in the school year ending in the current
20 state fiscal year, excluding intermediate district membership, by
21 the estimated membership for the school year ending in the
22 subsequent state fiscal year, excluding intermediate district
23 membership. If a consensus membership factor is not determined at
24 the revenue estimating conference, the principals of the revenue
25 estimating conference shall report their estimates to the house and
26 senate subcommittees responsible for school aid appropriations not
27 later than 7 days after the conclusion of the revenue conference.

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

20 (c) The index shall be calculated by multiplying the pupil
21 membership factor by the revenue adjustment factor. However, for
22 2005-2006, the index shall be 1.00. If a consensus index is not
23 determined at the revenue estimating conference, the principals of
24 the revenue estimating conference shall report their estimates to
25 the house and senate subcommittees responsible for school aid
26 appropriations not later than 7 days after the conclusion of the
27 revenue conference.

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

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

15 (16) For a district that had combined state and local revenue
16 per membership pupil in the 1993-94 state fiscal year of more than
17 \$6,500.00, that had fewer than 7 pupils in membership in the 1993-
18 94 state fiscal year, that has at least 1 child educated in the
19 district in the current state fiscal year, and that levies the
20 number of mills of school operating taxes authorized for the
21 district under section 1211 of the revised school code, MCL
22 380.1211, a minimum amount of combined state and local revenue
23 shall be calculated for the district as provided under this
24 subsection. The minimum amount of combined state and local revenue
25 for 1999-2000 shall be \$67,000.00 plus the district's additional
26 expenses to educate pupils in grades 9 to 12 educated in other
27 districts as determined and allowed by the department. The minimum

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

20 (17) For a district in which 7.75 mills levied in 1992 for
21 school operating purposes in the 1992-93 school year were not
22 renewed in 1993 for school operating purposes in the 1993-94 school
23 year, the district's combined state and local revenue per
24 membership pupil shall be recalculated as if that millage reduction
25 did not occur and the district's foundation allowance shall be
26 calculated as if its 1994-95 foundation allowance had been
27 calculated using that recalculated 1993-94 combined state and local

1 revenue per membership pupil as a base. A district is not entitled
2 to any retroactive payments for fiscal years before 2000-2001 due
3 to this subsection.

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

14 (19) For a district that received a grant under former section
15 32e for 2001-2002, the district's foundation allowance for 2002-
16 2003 and each succeeding fiscal year shall be adjusted to be an
17 amount equal to the sum of the district's foundation allowance, as
18 otherwise calculated under this section, plus the quotient of 100%
19 of the amount of the grant award to the district for 2001-2002
20 under former section 32e divided by the number of pupils in the
21 district's membership for 2001-2002 who were residents of and
22 enrolled in the district. Except as otherwise provided in this
23 subsection, a district qualifying for a foundation allowance
24 adjustment under this subsection shall use the funds resulting from
25 this adjustment for at least 1 of grades K to 3 for purposes
26 allowable under former section 32e as in effect for 2001-2002. For
27 an individual school or schools operated by a district qualifying

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

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

1 district's membership for 2002-2003. If a district ceases to meet
2 the requirements of this subsection, the department shall adjust
3 the district's foundation allowance in effect at that time based on
4 a 2002-2003 foundation allowance for the district that does not
5 include the 2002-2003 adjustment under this subsection. This
6 subsection only applies for 2002-2003, 2003-2004, and 2004-2005.
7 Beginning in 2005-2006, the foundation allowance of a district that
8 received an adjustment under this subsection for those fiscal years
9 shall be calculated as if those adjustments did not occur.

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

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

19 (23) As used in this section:

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

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

27 (c) "Current state fiscal year" means the state fiscal year

1 for which a particular calculation is made.

2 (d) "Immediately preceding state fiscal year" means the state
3 fiscal year immediately preceding the current state fiscal year.

4 (e) "Local school operating revenue" means school operating
5 taxes levied under section 1211 of the revised school code, MCL
6 380.1211.

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

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

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

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

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

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

27 Sec. 22b. (1) From the appropriation in section 11, there is

1 allocated ~~an amount not to exceed \$2,923,200,000.00 for 2004-2005~~
2 ~~and~~ an amount not to exceed \$3,197,736,800.00 for 2005-2006 for
3 discretionary nonmandated payments to districts under this section.
4 Funds allocated under this section that are not expended in the
5 state fiscal year for which they were allocated, as determined by
6 the department, may be used to supplement the allocations under
7 sections 22a and 51c in order to fully fund those calculated
8 allocations for the same fiscal year.

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

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

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

1 under this section, the payments under this subsection shall be
2 made in full before any proration of remaining payments under this
3 section.

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

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

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

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

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

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

4 SEC. 99C. (1) FROM THE STATE SCHOOL AID FUND MONEY
5 APPROPRIATED IN SECTION 11, THERE IS ALLOCATED AN AMOUNT NOT TO
6 EXCEED \$18,500,000.00 FOR 2005-2006 FOR PAYMENTS TO DISTRICTS UNDER
7 THIS SECTION FOR THE MIDDLE SCHOOL MATHEMATICS INITIATIVE TO
8 ACHIEVE THE MIDDLE SCHOOL MATHEMATICS STANDARDS AND BENCHMARKS
9 ADOPTED BY THE STATE BOARD.

10 (2) THE AMOUNT OF THE PAYMENT TO EACH DISTRICT FOR 2005-2006
11 SHALL BE AN EQUAL AMOUNT PER PUPIL FOR EACH PUPIL ACTUALLY ENROLLED
12 AND ATTENDING SCHOOL IN THE DISTRICT IN GRADES 6 TO 8. THE AMOUNT
13 OF THE PAYMENT TO A DISTRICT UNDER THIS SECTION FOR SUBSEQUENT
14 FISCAL YEARS SHALL BE CALCULATED AS DESCRIBED IN SUBSECTION (4).

15 (3) A DISTRICT SHALL USE FUNDS RECEIVED UNDER THIS SECTION
16 ONLY FOR ACTIVITIES AND EFFORTS DESIGNED TO IMPROVE PUPIL
17 PERFORMANCE ON THE MICHIGAN EDUCATION ASSESSMENT PROGRAM
18 MATHEMATICS ASSESSMENTS ADMINISTERED DURING GRADES 6 TO 8 AND TO
19 HELP THE DISTRICT MEET ADEQUATE YEARLY PROGRESS REQUIREMENTS FOR
20 MATHEMATICS UNDER THE NO CHILD LEFT BEHIND ACT OF 2001, PUBLIC LAW
21 107-110.

22 (4) IT IS THE INTENT OF THE LEGISLATURE TO CONTINUE TO
23 ALLOCATE FUNDS UNDER THIS SECTION FOR SUBSEQUENT FISCAL YEARS.
24 HOWEVER, BEGINNING IN 2006-2007, ONLY ELIGIBLE DISTRICTS WILL
25 RECEIVE FUNDING UNDER THIS SECTION AND THE AMOUNT OF FUNDING SHALL
26 BE AN EQUAL AMOUNT PER PUPIL ENROLLED AND ATTENDING SCHOOL IN
27 GRADES 6 TO 8 IN ELIGIBLE DISTRICTS ONLY. A DISTRICT SHALL BE

1 ELIGIBLE TO RECEIVE FUNDING UNDER THIS SECTION ONLY IF THE DISTRICT
2 MEETS EITHER OR BOTH OF THE FOLLOWING DURING THE FISCAL YEAR FOR
3 WHICH THE FUNDS ARE ALLOCATED:

4 (A) ACHIEVES THE PASSAGE RATE ON THE MICHIGAN EDUCATION
5 ASSESSMENT PROGRAM MATHEMATICS ASSESSMENTS ADMINISTERED DURING
6 GRADES 6 TO 8 NECESSARY FOR THE DISTRICT TO MEET ADEQUATE YEARLY
7 PROGRESS REQUIREMENTS FOR THOSE GRADES FOR MATHEMATICS UNDER THE NO
8 CHILD LEFT BEHIND ACT OF 2001, PUBLIC LAW 107-110.

9 (B) ACHIEVES AN INCREASE IN THE PASSAGE RATE ON THE MICHIGAN
10 EDUCATION ASSESSMENT PROGRAM MATHEMATICS ASSESSMENTS ADMINISTERED
11 DURING GRADES 6 TO 8 OF AT LEAST 10 PERCENTAGE POINTS, AS COMPARED
12 TO THAT PASSAGE RATE FOR THE IMMEDIATELY PRECEDING YEAR.

13 (5) NOTWITHSTANDING SECTION 17B, FOR 2005-2006 ONLY, PAYMENTS
14 UNDER THIS SECTION SHALL BEGIN WITH THE JANUARY INSTALLMENT.

15 Enacting section 1. In accordance with section 30 of article I
16 of the state constitution of 1963, total state spending in this
17 amendatory act and in 2005 PA 155 from state sources for fiscal
18 year 2005-2006 is estimated at \$11,383,064,000.00 and state
19 appropriations to be paid to local units of government for fiscal
20 year 2005-2006 are estimated at \$11,360,163,100.00.