

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 221

A bill to amend 1979 PA 94, entitled
"The state school aid act of 1979,"
by amending sections 3, 11, 11g, 11j, 17b, 22a, 22b, 26b, 31a, 51a,
51c, 65, 81, and 147 (MCL 388.1603, 388.1611, 388.1611g, 388.1611j,
388.1617b, 388.1622a, 388.1622b, 388.1626b, 388.1631a, 388.1651a,
388.1651c, 388.1665, 388.1681, and 388.1747), sections 3, 11, 11g,
11j, 17b, 22a, 22b, 26b, 31a, 51a, 51c, 81, and 147 as amended and
section 65 as added by 2006 PA 342; 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 and except as used in section 6(4)(bb),
3 means 92% of the membership as defined in section 6(4).

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

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

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

12 (5) "Department", except in section 107, means the department
13 of education.

14 (6) "District" means a local school district established under
15 the revised school code, a local act school district, or, except in
16 sections 6(4), 6(6), 13, 20, 22a, 23, **29**, 31a, 105, and 105c, a
17 public school academy. Except in sections 6(4), 6(6), 13, 20, 22a,
18 **29**, 105, and 105c, district also includes a university school.

19 (7) "District of residence", except as otherwise provided in
20 this subsection, means the district in which a pupil's custodial
21 parent or parents or legal guardian resides. For a pupil described
22 in section 24b, the pupil's district of residence is the district
23 in which the pupil enrolls under that section. For a pupil
24 described in section 6(4)(d), the pupil's district of residence
25 shall be considered to be the district or intermediate district in
26 which the pupil is counted in membership under that section. For a
27 pupil under court jurisdiction who is placed outside the district

1 in which the pupil's custodial parent or parents or legal guardian
2 resides, the pupil's district of residence shall be considered to
3 be the educating district or educating intermediate district.

4 (8) "District superintendent" means the superintendent of a
5 district, the chief administrator of a public school academy, or
6 the chief administrator of a university school.

7 Sec. 11. (1) ~~For the fiscal year ending September 30, 2006,~~
8 ~~there is appropriated for the public schools of this state and~~
9 ~~certain other state purposes relating to education the sum of~~
10 ~~\$11,200,813,200.00 from the state school aid fund established by~~
11 ~~section 11 of article IX of the state constitution of 1963, the sum~~
12 ~~of \$44,500,000.00 from the proceeds of capitalization of the school~~
13 ~~bond loan fund revolving fund, and the sum of \$62,714,000.00 from~~
14 ~~the general fund.~~ For the fiscal year ending September 30, 2007,
15 there is appropriated for the public schools of this state and
16 certain other state purposes relating to education the sum of
17 ~~\$11,647,508,200.00~~ **\$11,299,963,200.00** from the state school aid
18 fund established by section 11 of article IX of the state
19 constitution of 1963 and the sum of \$35,000,000.00 from the general
20 fund. In addition, available federal funds are appropriated for
21 ~~each~~ **THE** fiscal year.

22 (2) The appropriations under this section shall be allocated
23 as provided in this act. Money appropriated under this section from
24 the general fund shall be expended to fund the purposes of this act
25 before the expenditure of money appropriated under this section
26 from the state school aid fund. If the maximum amount appropriated
27 under this section from the state school aid fund for a fiscal year

1 exceeds the amount necessary to fully fund allocations under this
2 act from the state school aid fund, that excess amount shall not be
3 expended in that state fiscal year and shall not lapse to the
4 general fund, but instead shall be deposited into the school aid
5 stabilization fund created in section 11a.

6 (3) If the maximum amount appropriated under this section from
7 the state school aid fund and the school aid stabilization fund for
8 a fiscal year exceeds the amount available for expenditure from the
9 state school aid fund for that fiscal year, payments under sections
10 11f, 11g, 11j, 22a, 26a, 26b, 31d, 31f, 51a(2), 51a(12), 51c, 53a,
11 and 56 shall be made in full. In addition, for districts beginning
12 operations after 1994-95 that qualify for payments under section
13 22b, payments under section 22b shall be made so that the
14 qualifying districts receive the lesser of an amount equal to the
15 1994-95 foundation allowance of the district in which the district
16 beginning operations after 1994-95 is located or \$5,500.00. The
17 amount of the payment to be made under section 22b for these
18 qualifying districts shall be as calculated under section 22a, with
19 the balance of the payment under section 22b being subject to the
20 proration otherwise provided under this subsection and subsection
21 (4). If proration is necessary, state payments under each of the
22 other sections of this act from all state funding sources shall be
23 prorated in the manner prescribed in subsection (4) as necessary to
24 reflect the amount available for expenditure from the state school
25 aid fund for the affected fiscal year. However, if the department
26 of treasury determines that proration will be required under this
27 subsection, or if the department of treasury determines that

1 further proration is required under this subsection after an
2 initial proration has already been made for a fiscal year, the
3 department of treasury shall notify the state budget director, and
4 the state budget director shall notify the legislature at least 30
5 calendar days or 6 legislative session days, whichever is more,
6 before the department reduces any payments under this act because
7 of the proration. During the 30 calendar day or 6 legislative
8 session day period after that notification by the state budget
9 director, the department shall not reduce any payments under this
10 act because of proration under this subsection. The legislature may
11 prevent proration from occurring by, within the 30 calendar day or
12 6 legislative session day period after that notification by the
13 state budget director, enacting legislation appropriating
14 additional funds from the general fund, countercyclical budget and
15 economic stabilization fund, state school aid fund balance, or
16 another source to fund the amount of the projected shortfall.

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

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

23 (i) Districts.

24 (ii) Intermediate districts.

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

26 (b) The department shall recover a percentage of the proration
27 amount required under subsection (3) that is equal to the

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

8 (c) The department shall recover a percentage of the proration
9 amount required under subsection (3) that is equal to the
10 percentage calculated under subdivision (a) (ii) for intermediate
11 districts by reducing payments to intermediate districts. This
12 reduction shall be made by reducing the payments to each
13 intermediate district, other than payments under sections 11f, 11g,
14 26a, 26b, 51a(2), 51a(12), 53a, and 56, on an equal percentage
15 basis.

16 (d) The department shall recover a percentage of the proration
17 amount required under subsection (3) that is equal to the
18 percentage calculated under subdivision (a) (iii) for entities other
19 than districts and intermediate districts by reducing payments to
20 these entities. This reduction shall be made by reducing the
21 payments to each of these entities, other than payments under
22 sections 11j, 26a, and 26b, on an equal percentage basis.

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

27 (6) **IN ADDITION TO THE APPROPRIATIONS IN SUBSECTION (1), FOR**

1 THE FISCAL YEAR ENDING SEPTEMBER 30, 2007, THERE IS APPROPRIATED
2 FROM THE RESERVE FOR UNDISTRIBUTED INVESTMENT INCOME IN THE
3 MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM AN AMOUNT NOT
4 TO EXCEED \$262,000,000.00 SOLELY FOR THE PURPOSE OF ISSUING CREDITS
5 PURSUANT TO SECTION 147.

6 Sec. 11g. (1) ~~From~~ IF THE MICHIGAN MUNICIPAL BOND AUTHORITY
7 NOTIFIES THE STATE TREASURER BEFORE MAY 15, 2007 THAT IT HAS
8 RESTRUCTURED DEBT SERVICE ON BONDS ISSUED BY DISTRICTS AND
9 INTERMEDIATE DISTRICTS UNDER SECTION 11I TO \$0.00 FOR DEBT SERVICE
10 PAYMENTS DUE ON MAY 15, 2007 AND MAY 15, 2008, THEN FROM the
11 appropriation in section 11, there is allocated for this section an
12 amount not to exceed ~~\$34,961,000.00~~ \$141,000.00 EACH FISCAL YEAR
13 for the fiscal year ending September 30, 2007 ~~There~~ AND FOR THE
14 FISCAL YEAR ENDING SEPTEMBER 30, 2008, AND AN AMOUNT NOT TO EXCEED
15 \$42,000,000.00 FOR EACH SUCCEEDING FISCAL YEAR THROUGH THE FISCAL
16 YEAR ENDING SEPTEMBER 30, 2015, AFTER WHICH THESE PAYMENTS WILL
17 CEASE. IF THE MICHIGAN MUNICIPAL BOND AUTHORITY DOES NOT NOTIFY THE
18 STATE TREASURER BEFORE MAY 15, 2007 THAT IT HAS RESTRUCTURED DEBT
19 SERVICE ON BONDS ISSUED BY DISTRICTS AND INTERMEDIATE DISTRICTS
20 UNDER SECTION 11I TO \$0.00 FOR DEBT SERVICE PAYMENTS DUE ON MAY 15,
21 2007 AND MAY 15, 2008, THEN FROM THE APPROPRIATION IN SECTION 11,
22 THERE is allocated for this section an amount not to exceed
23 \$35,000,000.00 FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2007 AND
24 for each succeeding fiscal year through the fiscal year ending
25 September 30, 2013, ~~Payments under this section will cease after~~
26 ~~September 30, 2013~~ AFTER WHICH THESE PAYMENTS WILL CEASE. These
27 allocations are for paying the amounts described in subsection (3)

1 to districts and intermediate districts, other than those receiving
2 a lump-sum payment under section 11f(2), that were not plaintiffs
3 in the consolidated cases known as Durant v State of Michigan,
4 Michigan supreme court docket no. 104458-104492 and that, on or
5 before March 2, 1998, submitted to the state treasurer a waiver
6 resolution described in section 11f. The amounts paid under this
7 section represent offers of settlement and compromise of any claim
8 or claims that were or could have been asserted by these districts
9 and intermediate districts, as described in this section.

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

19 (3) The amount paid each fiscal year to each district or
20 intermediate district under this section shall be ~~the sum of 1~~ **OF**
21 the following:

22 (a) **IF THE DISTRICT OR INTERMEDIATE DISTRICT DOES NOT BORROW**
23 **MONEY AND ISSUE BONDS UNDER SECTION 11I**, 1/30 of the total amount
24 listed in section 11h for the district or intermediate district
25 **THROUGH THE FISCAL YEAR ENDING SEPTEMBER 30, 2013.**

26 (b) If the district or intermediate district borrows money and
27 issues bonds under section 11i, an ~~additional~~ amount in each fiscal

1 year calculated by the department of treasury that ~~, when added to~~
2 ~~the amount described in subdivision (a), will cause the net present~~
3 ~~value as of November 15, 1998 of the total of the 15 annual~~
4 ~~payments made to the district or intermediate district under this~~
5 ~~section, discounted at a rate as determined by the state treasurer,~~
6 ~~to equal the amount of~~ **IS EQUAL TO THE DEBT SERVICE AMOUNT IN THAT**
7 **FISCAL YEAR ON** the bonds issued by that district or intermediate
8 district under section 11i and that will result in the total
9 payments made to all districts and intermediate districts in each
10 fiscal year under this section being no more than the amount
11 appropriated under this section in each fiscal year.

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

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

26 (b) Second, to pay debt service on other limited tax
27 obligations.

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

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

8 (6) A district or intermediate district may pledge or assign
9 payments under this section as security for bonds issued under
10 section 11i, but shall not otherwise pledge or assign payments
11 under this section.

12 Sec. 11j. From the appropriation in section 11, there is
13 allocated an amount not to exceed ~~\$48,000,000.00~~ **\$42,500,000.00** for
14 2006-2007 for payments to the school loan bond redemption fund in
15 the department of treasury on behalf of districts and intermediate
16 districts. Notwithstanding section 11 or any other provision of
17 this act, funds allocated under this section are not subject to
18 proration and shall be paid in full.

19 Sec. 17b. (1) Not later than October 20, November 20, December
20 20, January 20, February 20, March 20, April 20, May 20, June 20,
21 July 20, and August 20, the department shall prepare electronic
22 files of the amount to be distributed under this act in the
23 installment to the districts and intermediate districts and deliver
24 the electronic files to the state treasurer, and the state
25 treasurer shall pay the installments on each of those dates or, if
26 the date is not a business day, on the ~~immediately preceding~~ **NEXT**
27 business day ~~before~~ **FOLLOWING** that date. Except as otherwise

1 provided in this act, the portion of the district's or intermediate
2 district's state fiscal year entitlement to be included in each
3 installment shall be 1/11. A district or intermediate district
4 shall accrue the payments received in July and August to the school
5 fiscal year ending the immediately preceding June 30.

6 (2) The state treasurer shall make payment under this section
7 by drawing a warrant in favor of the treasurer of each district or
8 intermediate district for the amount payable to the district or
9 intermediate district according to the electronic files and
10 delivering the warrant to the treasurer of each district or
11 intermediate district, or if the state treasurer receives a written
12 request by the treasurer of the district or intermediate district
13 specifying an account, by electronic funds transfer to that account
14 of the amount payable to the district or intermediate district
15 according to the electronic files. The department may make
16 adjustments in payments made under this section through additional
17 payments when changes in law or errors in computation cause the
18 regularly scheduled payment to be less than the amount to which the
19 district or intermediate district is entitled pursuant to this act.

20 (3) Except as otherwise provided in this act, grant payments
21 to districts and intermediate districts under this act shall be
22 paid according to subsection (1).

23 (4) Upon the written request of a district or intermediate
24 district and the submission of proof satisfactory to the department
25 of a need of a temporary and nonrecurring nature, the
26 superintendent, with the written concurrence of the state treasurer
27 and the state budget director, may authorize an advance release of

1 funds due a district or intermediate district under this act. An
2 advance authorized under this subsection shall not cause funds to
3 be paid to a district or intermediate district more than 30 days
4 earlier than the established payment date for those funds.

5 Sec. 22a. (1) From the appropriation in section 11, there is
6 allocated an amount not to exceed ~~\$6,407,000,000.00~~ for 2005-2006
7 ~~and an amount not to exceed \$6,207,000,000.00~~ **\$6,204,700,000.00** for
8 2006-2007 for payments to districts, qualifying university schools,
9 and qualifying public school academies to guarantee each district,
10 qualifying university school, and qualifying public school academy
11 an amount equal to its 1994-95 total state and local per pupil
12 revenue for school operating purposes under section 11 of article
13 IX of the state constitution of 1963. Pursuant to section 11 of
14 article IX of the state constitution of 1963, this guarantee does
15 not apply to a district in a year in which the district levies a
16 millage rate for school district operating purposes less than it
17 levied in 1994. However, subsection (2) applies to calculating the
18 payments under this section. Funds allocated under this section
19 that are not expended in the state fiscal year for which they were
20 allocated, as determined by the department, may be used to
21 supplement the allocations under sections 22b and 51c in order to
22 fully fund those calculated allocations for the same fiscal year.

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

1 (a) Except as otherwise provided in this subsection, the state
2 portion of a district's 1994-95 foundation allowance is an amount
3 equal to the district's 1994-95 foundation allowance or \$6,500.00,
4 whichever is less, minus the difference between the product of the
5 taxable value per membership pupil of all property in the district
6 that is not a homestead or qualified agricultural property times
7 the lesser of 18 mills or the number of mills of school operating
8 taxes levied by the district in 1993-94 and the quotient of the ad
9 valorem property tax revenue of the district captured under 1975 PA
10 197, MCL 125.1651 to 125.1681, the tax increment finance authority
11 act, 1980 PA 450, MCL 125.1801 to 125.1830, the local development
12 financing act, 1986 PA 281, MCL 125.2151 to 125.2174, or the
13 brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651
14 to 125.2672, divided by the district's membership. For a district
15 that has a millage reduction required under section 31 of article
16 IX of the state constitution of 1963, the state portion of the
17 district's foundation allowance shall be calculated as if that
18 reduction did not occur.

19 (b) For a district that had a 1994-95 foundation allowance
20 greater than \$6,500.00, the state payment under this subsection
21 shall be the sum of the amount calculated under subdivision (a)
22 plus the amount calculated under this subdivision. The amount
23 calculated under this subdivision shall be equal to the difference
24 between the district's 1994-95 foundation allowance minus \$6,500.00
25 and the current year hold harmless school operating taxes per
26 pupil. If the result of the calculation under subdivision (a) is
27 negative, the negative amount shall be an offset against any state

1 payment calculated under this subdivision. If the result of a
2 calculation under this subdivision is negative, there shall not be
3 a state payment or a deduction under this subdivision. The taxable
4 values per membership pupil used in the calculations under this
5 subdivision are as adjusted by ad valorem property tax revenue
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, MCL
9 125.2151 to 125.2174, or the brownfield redevelopment financing
10 act, 1996 PA 381, MCL 125.2651 to 125.2672, divided by the
11 district's membership.

12 (3) Beginning in 2003-2004, for pupils in membership in a
13 qualifying public school academy or qualifying university school,
14 there is allocated under this section to the authorizing body that
15 is the fiscal agent for the qualifying public school academy for
16 forwarding to the qualifying public school academy, or to the board
17 of the public university operating the qualifying university
18 school, an amount equal to the 1994-95 per pupil payment to the
19 qualifying public school academy or qualifying university school
20 under section 20.

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

26 (5) For a district that is formed or reconfigured after June
27 1, 2000 by consolidation of 2 or more districts or by annexation,

1 the resulting district's 1994-95 foundation allowance under this
2 section beginning after the effective date of the consolidation or
3 annexation shall be the average of the 1994-95 foundation
4 allowances of each of the original or affected districts,
5 calculated as provided in this section, weighted as to the
6 percentage of pupils in total membership in the resulting district
7 in the state fiscal year in which the consolidation takes place who
8 reside in the geographic area of each of the original districts. If
9 an affected district's 1994-95 foundation allowance is less than
10 the 1994-95 basic foundation allowance, the amount of that
11 district's 1994-95 foundation allowance shall be considered for the
12 purpose of calculations under this subsection to be equal to the
13 amount of the 1994-95 basic foundation allowance.

14 (6) As used in this section:

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

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

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

25 (d) "Hold harmless millage" means, for a district with a 1994-
26 95 foundation allowance greater than \$6,500.00, the number of mills
27 by which the exemption from the levy of school operating taxes on a

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

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

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

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

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

20 (j) "School operating taxes" means local ad valorem property
21 taxes levied under section 1211 of the revised school code, MCL
22 380.1211, and retained for school operating purposes.

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

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

1 of the revised school code, MCL 380.1211, the taxable value of
2 homestead and qualified agricultural property for the calendar year
3 ending in the current state fiscal year.

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

9 Sec. 22b. (1) From the appropriation in section 11, there is
10 allocated an amount not to exceed ~~\$3,217,000,000.00 for 2005-2006~~
11 ~~and an amount not to exceed \$3,584,950,000.00~~ **\$3,566,000,000.00** for
12 2006-2007 for discretionary nonmandated payments to districts under
13 this section. Funds allocated under this section that are not
14 expended in the state fiscal year for which they were allocated, as
15 determined by the department, may be used to supplement the
16 allocations under sections 22a and 51c in order to fully fund those
17 calculated allocations for the same fiscal year.

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

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

25 (a) Administer in each grade level that it operates in grades
26 1 to 5 a standardized assessment approved by the department of
27 grade-appropriate basic educational skills. A district may use the

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

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

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

11 (d) Comply with section 1230g of the revised school code, MCL
12 380.1230g.

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

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

1 discretionary funds for nonmandated payments under this section the
2 amount as may be necessary to satisfy the claim before making any
3 payments to districts under subsection (2). If funds are escrowed,
4 the escrowed funds are a work project appropriation and the funds
5 are carried forward into the following fiscal year. The purpose of
6 the work project is to provide for any payments that may be awarded
7 to districts as a result of litigation. The work project shall be
8 completed upon resolution of the litigation.

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

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

26 (8) If payments resulting from a final determination by the
27 local claims review board or a court of competent jurisdiction that

1 there has been a violation of section 29 of article IX of the state
2 constitution of 1963 exceed the amount allocated for discretionary
3 nonmandated payments under this section, the legislature shall
4 provide for adequate funding for this state's constitutional
5 obligations at its next legislative session.

6 (9) If a lawsuit challenging payments made to districts
7 related to costs reimbursed by federal title XIX medicaid funds is
8 filed against this state, then, for the purpose of addressing
9 potential liability under such a lawsuit, the state budget director
10 may place funds allocated under this section in escrow or allocate
11 money from the funds otherwise allocated under this section, up to
12 a maximum of 50% of the amount allocated in subsection (1). If
13 funds are placed in escrow under this subsection, those funds are a
14 work project appropriation and the funds are carried forward into
15 the following fiscal year. The purpose of the work project is to
16 provide for any payments that may be awarded to districts as a
17 result of the litigation. The work project shall be completed upon
18 resolution of the litigation. In addition, this state reserves the
19 right to terminate future federal title XIX medicaid reimbursement
20 payments to districts if the amount or allocation of reimbursed
21 funds is challenged in the lawsuit. As used in this subsection,
22 "title XIX" means title XIX of the social security act, 42 USC 1396
23 to 1396v.

24 Sec. 26b. (1) From the ~~general fund~~ appropriation in section
25 11, there is allocated for 2006-2007 an amount not to exceed
26 ~~\$2,400,000.00~~ **\$3,400,000.00** for payments to districts, intermediate
27 districts, and community college districts for the portion of the

1 payment in lieu of taxes obligation that is attributable to
2 districts, intermediate districts, and community college districts
3 pursuant to section 2154 of the natural resources and environmental
4 protection act, 1994 PA 451, MCL 324.2154.

5 (2) If the amount appropriated under this section is not
6 sufficient to fully pay obligations under this section, payments
7 shall be prorated on an equal basis among all eligible districts,
8 intermediate districts, and community college districts.

9 Sec. 31a. (1) From the state school aid fund money
10 appropriated in section 11, there is allocated for 2006-2007 an
11 amount not to exceed ~~\$319,450,000.00~~ **\$319,350,000.00** for payments
12 to eligible districts and eligible public school academies under
13 this section. Subject to subsection ~~(15)~~ **(14)**, the amount of the
14 additional allowance under this section, other than funding under
15 subsection (6), ~~OR~~ (7), ~~or~~ ~~(8)~~, shall be based on the number of
16 actual pupils in membership in the district or public school
17 academy who met the income eligibility criteria for free breakfast,
18 lunch, or milk in the immediately preceding state fiscal year, as
19 determined under the Richard B. Russell national school lunch act,
20 42 USC 1751 to 1769i, and reported to the department by October 31
21 of the immediately preceding fiscal year and adjusted not later
22 than December 31 of the immediately preceding fiscal year. However,
23 for a public school academy that began operations as a public
24 school academy after the pupil membership count day of the
25 immediately preceding school year, the basis for the additional
26 allowance under this section shall be the number of actual pupils
27 in membership in the public school academy who met the income

1 eligibility criteria for free breakfast, lunch, or milk in the
2 current state fiscal year, as determined under the Richard B.
3 Russell national school lunch act.

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

10 (a) The sum of the district's or public school academy's
11 combined state and local revenue per membership pupil in the
12 current state fiscal year, as calculated under section 20, plus the
13 amount of the district's per pupil allocation under section 20j(2),
14 is less than or equal to \$6,500.00 adjusted by the dollar amount of
15 the difference between the basic foundation allowance under section
16 20 for the current state fiscal year and \$5,000.00, minus \$200.00.

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

21 (3) Except as otherwise provided in this subsection, an
22 eligible district or eligible public school academy shall receive
23 under this section for each membership pupil in the district or
24 public school academy who met the income eligibility criteria for
25 free breakfast, lunch, or milk, as determined under the Richard B.
26 Russell national school lunch act and as reported to the department
27 by October 31 of the immediately preceding fiscal year and adjusted

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

22 (4) Except as otherwise provided in this section, a district
23 or public school academy receiving funding under this section shall
24 use that money only to provide instructional programs and direct
25 noninstructional services, including, but not limited to, medical
26 or counseling services, for at-risk pupils; for school health
27 clinics; and for the purposes of subsection (5), (6), **OR** (7). ~~or~~

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

1 (5) Except as otherwise provided in subsection ~~(13)~~-(12), a
2 district or public school academy that receives funds under this
3 section and that operates a school breakfast program under section
4 1272a of the revised school code, MCL 380.1272a, shall use from the
5 funds received under this section an amount, not to exceed \$10.00
6 per pupil for whom the district or public school academy receives
7 funds under this section, necessary to operate the school breakfast
8 program.

9 (6) From the funds allocated under subsection (1), there is
10 allocated for 2006-2007 an amount not to exceed \$3,743,000.00 to
11 support child and adolescent health centers. These grants shall be
12 awarded for 5 consecutive years beginning with 2003-2004 in a form
13 and manner approved jointly by the department and the department of
14 community health. Each grant recipient shall remain in compliance
15 with the terms of the grant award or shall forfeit the grant award
16 for the duration of the 5-year period after the noncompliance.
17 Beginning in 2004-2005, to continue to receive funding for a child
18 and adolescent health center under this section a grant recipient
19 shall ensure that the child and adolescent health center has an
20 advisory committee and that at least one-third of the members of
21 the advisory committee are parents or legal guardians of school-
22 aged children. A child and adolescent health center program shall
23 recognize the role of a child's parents or legal guardian in the
24 physical and emotional well-being of the child. Funding under this
25 subsection shall be used to support child and adolescent health
26 center services provided to children up to age 21. If any funds
27 allocated under this subsection are not used for the purposes of

1 this subsection for the fiscal year in which they are allocated,
2 those unused funds shall be used that fiscal year to avoid or
3 minimize any proration that would otherwise be required under
4 subsection ~~(15)~~-(14) for that fiscal year.

5 (7) From the funds allocated under subsection (1), there is
6 allocated for 2006-2007 an amount not to exceed \$5,150,000.00 for
7 the state portion of the hearing and vision screenings as described
8 in section 9301 of the public health code, 1978 PA 368, MCL
9 333.9301. A local public health department shall pay at least 50%
10 of the total cost of the screenings. The frequency of the
11 screenings shall be as required under R 325.13091 to R 325.13096
12 and R 325.3271 to R 325.3276 of the Michigan administrative code.
13 Funds shall be awarded in a form and manner approved jointly by the
14 department and the department of community health.

15 ~~—— (8) From the funds allocated under subsection (1), there is~~
16 ~~allocated for 2006-2007 an amount not to exceed \$100,000.00 for~~
17 ~~payment to a district that is a school district of the first class~~
18 ~~under the revised school code to support after school tutoring for~~
19 ~~at risk girls in grades 1 to 8. Funds awarded under this subsection~~
20 ~~may be used to contract with a nondistrict agency for a program or~~
21 ~~services described in this subsection.~~

22 (8) ~~(9)~~ Each district or public school academy receiving funds
23 under this section shall submit to the department by July 15 of
24 each fiscal year a report, not to exceed 10 pages, on the usage by
25 the district or public school academy of funds under this section,
26 which report shall include at least a brief description of each
27 program conducted by the district or public school academy using

1 funds under this section, the amount of funds under this section
2 allocated to each of those programs, the number of at-risk pupils
3 eligible for free or reduced price school lunch who were served by
4 each of those programs, and the total number of at-risk pupils
5 served by each of those programs. If a district or public school
6 academy does not comply with this subsection, the department shall
7 withhold an amount equal to the August payment due under this
8 section until the district or public school academy complies with
9 this subsection. If the district or public school academy does not
10 comply with this subsection by the end of the state fiscal year,
11 the withheld funds shall be forfeited to the school aid fund.

12 (9) ~~(10)~~—In order to receive funds under this section, a
13 district or public school academy shall allow access for the
14 department or the department's designee to audit all records
15 related to the program for which it receives those funds. The
16 district or public school academy shall reimburse the state for all
17 disallowances found in the audit.

18 (10) ~~(11)~~—Subject to subsections (5), (6), (7), ~~(8)~~, **(12)**, **AND**
19 (13), ~~and (14)~~, any district may use up to 100% of the funds it
20 receives under this section to reduce the ratio of pupils to
21 teachers in grades K-6, or any combination of those grades, in
22 school buildings in which the percentage of pupils described in
23 subsection (1) exceeds the district's aggregate percentage of those
24 pupils. Subject to subsections (5), (6), (7), ~~(8)~~, **(12)**, **AND** (13),
25 ~~and (14)~~, if a district obtains a waiver from the department, the
26 district may use up to 100% of the funds it receives under this
27 section to reduce the ratio of pupils to teachers in grades K-6, or

1 any combination of those grades, in school buildings in which the
2 percentage of pupils described in subsection (1) is at least 60% of
3 the district's aggregate percentage of those pupils and at least
4 30% of the total number of pupils enrolled in the school building.
5 To obtain a waiver, a district must apply to the department and
6 demonstrate to the satisfaction of the department that the class
7 size reductions would be in the best interests of the district's
8 at-risk pupils.

9 (11) ~~(12)~~—A district or public school academy may use funds
10 received under this section for adult high school completion,
11 general educational development (G.E.D.) test preparation, adult
12 English as a second language, or adult basic education programs
13 described in section 107.

14 (12) ~~(13)~~—For an individual school or schools operated by a
15 district or public school academy receiving funds under this
16 section that have been determined by the department to meet the
17 adequate yearly progress standards of the federal no child left
18 behind act of 2001, Public Law 107-110, in both mathematics and
19 English language arts at all applicable grade levels for all
20 applicable subgroups, the district or public school academy may
21 submit to the department an application for flexibility in using
22 the funds received under this section that are attributable to the
23 pupils in the school or schools. The application shall identify the
24 affected school or schools and the affected funds and shall contain
25 a plan for using the funds for specific purposes identified by the
26 district that are designed to benefit at-risk pupils in the school,
27 but that may be different from the purposes otherwise allowable

1 under this section. The department shall approve the application if
2 the department determines that the purposes identified in the plan
3 are reasonably designed to benefit at-risk pupils in the school. If
4 the department does not act to approve or disapprove an application
5 within 30 days after it is submitted to the department, the
6 application is considered to be approved. If an application for
7 flexibility in using the funds is approved, the district may use
8 the funds identified in the application for any purpose identified
9 in the plan.

10 (13) ~~(14)~~—A district or public school academy that receives
11 funds under this section may use funds it receives under this
12 section to implement and operate an early intervening program for
13 pupils in grades K to 3 that meets either or both of the following:

14 (a) Monitors individual pupil learning and provides specific
15 support or learning strategies to pupils as early as possible in
16 order to reduce the need for special education placement. The
17 program shall include literacy and numeracy supports, sensory motor
18 skill development, behavior supports, instructional consultation
19 for teachers, and the development of a parent/school learning plan.
20 Specific support or learning strategies may include support in or
21 out of the general classroom in areas including reading, writing,
22 math, visual memory, motor skill development, behavior, or language
23 development. These would be provided based on an understanding of
24 the individual child's learning needs.

25 (b) Provides early intervening strategies using school-wide
26 systems of academic and behavioral supports and is scientifically
27 research-based. The strategies to be provided shall include at

1 least pupil performance indicators based upon response to
2 intervention, instructional consultation for teachers, and ongoing
3 progress monitoring. A school-wide system of academic and
4 behavioral support should be based on a support team available to
5 the classroom teachers. The members of this team could include the
6 principal, special education staff, reading teachers, and other
7 appropriate personnel who would be available to systematically
8 study the needs of the individual child and work with the teacher
9 to match instruction to the needs of the individual child.

10 (14) ~~(15)~~—If necessary, and before any proration required
11 under section 11, the department shall prorate payments under this
12 section by reducing the amount of the per pupil payment under this
13 section by a dollar amount calculated by determining the amount by
14 which the amount necessary to fully fund the requirements of this
15 section exceeds the maximum amount allocated under this section and
16 then dividing that amount by the total statewide number of pupils
17 who met the income eligibility criteria for free breakfast, lunch,
18 or milk in the immediately preceding fiscal year, as described in
19 subsection (1).

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

1 under this section.

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

26 (17) ~~(18)~~—As used in this section, "at-risk pupil" means a
27 pupil for whom the district has documentation that the pupil meets

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

26 Sec. 51a. (1) ~~From the appropriation in section 11, there is~~
27 ~~allocated for 2005-2006 an amount not to exceed \$932,083,000.00~~

1 ~~from state sources and all available federal funding under sections~~
2 ~~611 to 619 of part B of the individuals with disabilities education~~
3 ~~act, 20 USC 1411 to 1419, estimated at \$345,850,000.00, plus any~~
4 ~~carryover federal funds from previous year appropriations. From the~~
5 appropriation in section 11, there is allocated for 2006-2007 an
6 amount not to exceed ~~\$991,983,000.00~~ **\$971,983,000.00** from state
7 sources and all available federal funding under sections 611 to 619
8 of part B of the individuals with disabilities education act, 20
9 USC 1411 to 1419, estimated at \$350,700,000.00, plus any carryover
10 federal funds from previous year appropriations. The allocations
11 under this subsection are for the purpose of reimbursing districts
12 and intermediate districts for special education programs,
13 services, and special education personnel as prescribed in article
14 3 of the revised school code, MCL 380.1701 to 380.1766; net tuition
15 payments made by intermediate districts to the Michigan schools for
16 the deaf and blind; and special education programs and services for
17 pupils who are eligible for special education programs and services
18 according to statute or rule. For meeting the costs of special
19 education programs and services not reimbursed under this article,
20 a district or intermediate district may use money in general funds
21 or special education funds, not otherwise restricted, or
22 contributions from districts to intermediate districts, tuition
23 payments, gifts and contributions from individuals, or federal
24 funds that may be available for this purpose, as determined by the
25 intermediate district plan prepared pursuant to article 3 of the
26 revised school code, MCL 380.1701 to 380.1766. All federal funds
27 allocated under this section in excess of those allocated under

1 this section for 2002-2003 may be distributed in accordance with
2 the flexible funding provisions of the individuals with
3 disabilities education act, Public Law 108-446, including, but not
4 limited to, 34 CFR ~~300.234 and 300.235~~ **300.206 AND 300.208**.

5 Notwithstanding section 17b, payments of federal funds to
6 districts, intermediate districts, and other eligible entities
7 under this section shall be paid on a schedule determined by the
8 department.

9 (2) From the funds allocated under subsection (1), there is
10 allocated ~~each fiscal year for 2005-2006 and for 2006-2007~~ the
11 amount necessary, estimated at ~~\$191,800,000.00 for 2005-2006 and~~
12 ~~\$205,600,000.00~~ **\$207,900,000.00** for 2006-2007, for payments toward
13 reimbursing districts and intermediate districts for 28.6138% of
14 total approved costs of special education, excluding costs
15 reimbursed under section 53a, and 70.4165% of total approved costs
16 of special education transportation. Allocations under this
17 subsection shall be made as follows:

18 (a) The initial amount allocated to a district under this
19 subsection toward fulfilling the specified percentages shall be
20 calculated by multiplying the district's special education pupil
21 membership, excluding pupils described in subsection (12), times
22 the sum of the foundation allowance under section 20 of the pupil's
23 district of residence plus the amount of the district's per pupil
24 allocation under section 20j(2), not to exceed \$6,500.00 adjusted
25 by the dollar amount of the difference between the basic foundation
26 allowance under section 20 for the current fiscal year and
27 \$5,000.00 minus \$200.00, or, for a special education pupil in

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

14 (b) After the allocations under subdivision (a), districts and
15 intermediate districts for which the payments under subdivision (a)
16 do not fulfill the specified percentages shall be paid the amount
17 necessary to achieve the specified percentages for the district or
18 intermediate district.

19 (3) From the funds allocated under subsection (1), there is
20 allocated ~~each fiscal year for 2005-2006 and for 2006-2007~~ the
21 amount necessary, estimated at ~~\$2,200,000.00 for 2005-2006 and~~
22 ~~\$1,600,000.00~~ **\$2,000,000.00** for 2006-2007, to make payments to
23 districts and intermediate districts under this subsection. If the
24 amount allocated to a district or intermediate district for a
25 fiscal year under subsection (2)(b) is less than the sum of the
26 amounts allocated to the district or intermediate district for
27 1996-97 under sections 52 and 58, there is allocated to the

1 district or intermediate district for the fiscal year an amount
2 equal to that difference, adjusted by applying the same proration
3 factor that was used in the distribution of funds under section 52
4 in 1996-97 as adjusted to the district's or intermediate district's
5 necessary costs of special education used in calculations for the
6 fiscal year. This adjustment is to reflect reductions in special
7 education program operations or services between 1996-97 and
8 subsequent fiscal years. Adjustments for reductions in special
9 education program operations or services shall be made in a manner
10 determined by the department and shall include adjustments for
11 program or service shifts.

12 (4) If the department determines that the sum of the amounts
13 allocated for a fiscal year to a district or intermediate district
14 under subsection (2)(a) and (b) is not sufficient to fulfill the
15 specified percentages in subsection (2), then the shortfall shall
16 be paid to the district or intermediate district during the fiscal
17 year beginning on the October 1 following the determination and
18 payments under subsection (3) shall be adjusted as necessary. If
19 the department determines that the sum of the amounts allocated for
20 a fiscal year to a district or intermediate district under
21 subsection (2)(a) and (b) exceeds the sum of the amount necessary
22 to fulfill the specified percentages in subsection (2), then the
23 department shall deduct the amount of the excess from the
24 district's or intermediate district's payments under this act for
25 the fiscal year beginning on the October 1 following the
26 determination and payments under subsection (3) shall be adjusted
27 as necessary. However, if the amount allocated under subsection

1 (2)(a) in itself exceeds the amount necessary to fulfill the
2 specified percentages in subsection (2), there shall be no
3 deduction under this subsection.

4 (5) State funds shall be allocated on a total approved cost
5 basis. Federal funds shall be allocated under applicable federal
6 requirements, except that an amount not to exceed \$3,500,000.00 may
7 be allocated by the department ~~each fiscal year for 2005-2006 and~~
8 for 2006-2007 to districts, intermediate districts, or other
9 eligible entities on a competitive grant basis for programs,
10 equipment, and services that the department determines to be
11 designed to benefit or improve special education on a statewide
12 scale.

13 (6) From the amount allocated in subsection (1), there is
14 allocated an amount not to exceed \$2,200,000.00 ~~each fiscal year~~
15 ~~for 2005-2006 and~~ for 2006-2007 to reimburse 100% of the net
16 increase in necessary costs incurred by a district or intermediate
17 district in implementing the revisions in the administrative rules
18 for special education that became effective on July 1, 1987. As
19 used in this subsection, "net increase in necessary costs" means
20 the necessary additional costs incurred solely because of new or
21 revised requirements in the administrative rules minus cost savings
22 permitted in implementing the revised rules. Net increase in
23 necessary costs shall be determined in a manner specified by the
24 department.

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

26 (a) "Total approved costs of special education" shall be
27 determined in a manner specified by the department and may include

1 indirect costs, but shall not exceed 115% of approved direct costs
2 for section 52 and section 53a programs. The total approved costs
3 include salary and other compensation for all approved special
4 education personnel for the program, including payments for social
5 security and medicare and public school employee retirement system
6 contributions. The total approved costs do not include salaries or
7 other compensation paid to administrative personnel who are not
8 special education personnel as defined in section 6 of the revised
9 school code, MCL 380.6. Costs reimbursed by federal funds, other
10 than those federal funds included in the allocation made under this
11 article, are not included. Special education approved personnel not
12 utilized full time in the evaluation of students or in the delivery
13 of special education programs, ancillary, and other related
14 services shall be reimbursed under this section only for that
15 portion of time actually spent providing these programs and
16 services, with the exception of special education programs and
17 services provided to youth placed in child caring institutions or
18 juvenile detention programs approved by the department to provide
19 an on-grounds education program.

20 (b) Except as otherwise provided in subdivisions (c) and (d),
21 beginning with the 2004-2005 fiscal year, a district or
22 intermediate district that employed special education support
23 services staff to provide special education support services in
24 2003-2004 or in a subsequent fiscal year and that in a fiscal year
25 after 2003-2004 receives the same type of support services from
26 another district or intermediate district shall report the cost of
27 those support services for special education reimbursement purposes

1 under this act. This subdivision does not prohibit the transfer of
2 special education classroom teachers and special education
3 classroom aides if the pupils counted in membership associated with
4 those special education classroom teachers and special education
5 classroom aides are transferred and counted in membership in the
6 other district or intermediate district in conjunction with the
7 transfer of those teachers and aides.

8 (c) If the department determines before bookclosing for 2004-
9 2005 that the amounts allocated under this section for 2004-2005
10 will exceed expenditures under this section for 2004-2005, then for
11 2004-2005 only, for a district or intermediate district whose
12 reimbursement for 2004-2005 would otherwise be affected by
13 subdivision (b), subdivision (b) does not apply to the calculation
14 of the reimbursement for that district or intermediate district and
15 reimbursement for that district or intermediate district shall be
16 calculated in the same manner as it was for 2003-2004. If the
17 amount of the excess allocations under this section is not
18 sufficient to fully fund the calculation of reimbursement to those
19 districts and intermediate districts under this subdivision, then
20 the calculations and resulting reimbursement under this subdivision
21 shall be prorated on an equal percentage basis.

22 (d) If the department determines before bookclosing for 2005-
23 2006 that the amounts allocated for 2005-2006 under subsections
24 (2), (3), (6), (8), and (12) and sections 53a, 54, and 56 will
25 exceed expenditures for 2005-2006 under subsections (2), (3), (6),
26 (8), and (12) and sections 53a, 54, and 56, then for 2005-2006
27 only, for a district or intermediate district whose reimbursement

1 for 2005-2006 would otherwise be affected by subdivision (b),
2 subdivision (b) does not apply to the calculation of the
3 reimbursement for that district or intermediate district and
4 reimbursement for that district or intermediate district shall be
5 calculated in the same manner as it was for 2003-2004. If the
6 amount of the excess allocations under subsections (2), (3), (6),
7 (8), and (12) and sections 53a, 54, and 56 is not sufficient to
8 fully fund the calculation of reimbursement to those districts and
9 intermediate districts under this subdivision, then the
10 calculations and resulting reimbursement under this subdivision
11 shall be prorated on an equal percentage basis.

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

24 (f) Beginning with calculations for 2004-2005, if an
25 intermediate district purchases a special education pupil
26 transportation service from a constituent district that was
27 previously purchased from a private entity; if the purchase from

1 the constituent district is at a lower cost, adjusted for changes
2 in fuel costs; and if the cost shift from the intermediate district
3 to the constituent does not result in any net change in the revenue
4 the constituent district receives from payments under sections 22b
5 and 51c, then upon application by the intermediate district, the
6 department shall direct the intermediate district to continue to
7 report the cost associated with the specific identified special
8 education pupil transportation service and shall adjust the costs
9 reported by the constituent district to remove the cost associated
10 with that specific service.

11 (8) From the allocation in subsection (1), there is allocated
12 ~~each fiscal year for 2005-2006 and for 2006-2007~~ an amount not to
13 exceed \$15,313,900.00 to intermediate districts. The payment under
14 this subsection to each intermediate district shall be equal to the
15 amount of the 1996-97 allocation to the intermediate district under
16 subsection (6) of this section as in effect for 1996-97.

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

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

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

7 (12) From the funds allocated in subsection (1), there is
8 allocated ~~each fiscal year for 2005-2006 and for 2006-2007~~ the
9 amount necessary, estimated at ~~\$6,900,000.00 for 2005-2006 and~~
10 ~~\$7,700,000.00~~ **\$6,500,000.00** for 2006-2007, to pay the foundation
11 allowances for pupils described in this subsection. The allocation
12 to a district under this subsection shall be calculated by
13 multiplying the number of pupils described in this subsection who
14 are counted in membership in the district times the sum of the
15 foundation allowance under section 20 of the pupil's district of
16 residence plus the amount of the district's per pupil allocation
17 under section 20j(2), not to exceed \$6,500.00 adjusted by the
18 dollar amount of the difference between the basic foundation
19 allowance under section 20 for the current fiscal year and
20 \$5,000.00 minus \$200.00, or, for a pupil described in this
21 subsection who is counted in membership in a district that is a
22 public school academy or university school, times an amount equal
23 to the amount per membership pupil under section 20(6). The
24 allocation to an intermediate district under this subsection shall
25 be calculated in the same manner as for a district, using the
26 foundation allowance under section 20 of the pupil's district of
27 residence, not to exceed \$6,500.00 adjusted by the dollar amount of

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

5 (a) Pupils described in section 53a.

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

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

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

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

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

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

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

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

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

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

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

1 known as Durant v State of Michigan, Michigan supreme court docket
2 no. 104458-104492, from the allocation under section 51a(1), there
3 is allocated ~~each fiscal year for 2005-2006 and for 2006-2007~~ the
4 amount necessary, estimated at ~~\$662,300,000.00 for 2005-2006 and~~
5 ~~\$708,200,000.00~~ **\$686,700,000.00** for 2006-2007, for payments to
6 reimburse districts for 28.6138% of total approved costs of special
7 education excluding costs reimbursed under section 53a, and
8 70.4165% of total approved costs of special education
9 transportation. Funds allocated under this section that are not
10 expended in the state fiscal year for which they were allocated, as
11 determined by the department, may be used to supplement the
12 allocations under sections 22a and 22b in order to fully fund those
13 calculated allocations for the same fiscal year.

14 Sec. 65. (1) From the amount appropriated in section 11, there
15 is allocated an amount not to exceed ~~\$780,100.00~~ **\$680,100.00** for
16 2006-2007 for grants to districts or intermediate districts, as
17 determined by the department of labor and economic growth, for
18 eligible precollege programs in engineering and the sciences.

19 (2) From the funds allocated under subsection (1), the
20 department of labor and economic growth shall award \$680,100.00 for
21 2006-2007 to the 2 eligible existing programs that received funds
22 appropriated for these purposes in the appropriations act
23 containing the department of labor and economic growth budget for
24 2005-2006.

25 ~~From the funds allocated under subsection (1), the~~
26 ~~department of labor and economic growth shall award \$100,000.00 for~~
27 ~~2006-2007 to the Kalamazoo regional education service agency to~~

1 ~~support an area program substantially similar to the~~ 2 ~~eligible~~
3 ~~existing programs receiving funds under subsection (1).~~

3 (3) ~~(4)~~—The department of labor and economic growth shall
4 submit a report to the appropriations subcommittees responsible for
5 this act and to the house and senate fiscal agencies by February 1,
6 2007 regarding dropout rates, grade point averages, enrollment in
7 science, engineering, and math-based curricula, and employment in
8 science, engineering, and mathematics-based fields for pupils who
9 were enrolled in the programs awarded funds under this section or
10 under preceding legislation. The report shall continue to evaluate
11 the effectiveness of the precollege programs in engineering and
12 sciences funded under this section.

13 (4) ~~(5)~~—Notwithstanding section 17b, payments under this
14 section may be made pursuant to an agreement with the department.

15 Sec. 81. (1) Except as otherwise provided in this section,
16 from the appropriation in section 11, there is allocated for 2006-
17 2007 to the intermediate districts the sum necessary, but not to
18 exceed \$80,110,900.00, to provide state aid to intermediate
19 districts under this section. Except as otherwise provided in this
20 section, there shall be allocated to each intermediate district for
21 2006-2007 an amount equal to 103.1% of the amount appropriated
22 under this subsection for 2005-2006. Funding provided under this
23 section shall be used to comply with requirements of this act and
24 the revised school code that are applicable to intermediate
25 districts, and for which funding is not provided elsewhere in this
26 act, and to provide technical assistance to districts as authorized
27 by the intermediate school board.

1 (2) It is the intent of the legislature that intermediate
2 districts receiving funds under this section shall collaborate with
3 the department to develop expanded professional development
4 opportunities for teachers to update and expand their knowledge and
5 skills needed to support the Michigan merit curriculum.

6 (3) From the allocation in subsection (1), there is allocated
7 to an intermediate district, formed by the consolidation or
8 annexation of 2 or more intermediate districts or the attachment of
9 a total intermediate district to another intermediate school
10 district or the annexation of all of the constituent K-12 districts
11 of a previously existing intermediate school district which has
12 disorganized, an additional allotment of \$3,500.00 each fiscal year
13 for each intermediate district included in the new intermediate
14 district for 3 years following consolidation, annexation, or
15 attachment.

16 (4) During a fiscal year, the department shall not increase an
17 intermediate district's allocation under subsection (1) because of
18 an adjustment made by the department during the fiscal year in the
19 intermediate district's taxable value for a prior year. Instead,
20 the department shall report the adjustment and the estimated amount
21 of the increase to the house and senate fiscal agencies and the
22 state budget director not later than June 1 of the fiscal year, and
23 the legislature shall appropriate money for the adjustment in the
24 next succeeding fiscal year.

25 (5) In order to receive funding under this section, an
26 intermediate district shall ~~demonstrate~~ **DO ALL OF THE FOLLOWING:**

27 **(A) DEMONSTRATE** to the satisfaction of the department that the

1 intermediate district employs at least 1 person who is trained in
2 pupil counting procedures, rules, and regulations.

3 (B) DEMONSTRATE TO THE SATISFACTION OF THE DEPARTMENT THAT THE
4 INTERMEDIATE DISTRICT EMPLOYS AT LEAST 1 PERSON WHO IS TRAINED IN
5 RULES, REGULATIONS, AND DISTRICT REPORTING PROCEDURES FOR THE
6 INDIVIDUAL-LEVEL PUPIL DATA THAT SERVES AS THE BASIS FOR THE
7 CALCULATION OF THE DISTRICT AND HIGH SCHOOL GRADUATION AND DROPOUT
8 RATES.

9 (C) COMPLY WITH SECTIONS 1278A AND 1278B OF THE REVISED SCHOOL
10 CODE, MCL 380.1278A AND 380.1278B.

11 (D) FURNISH DATA AND OTHER INFORMATION REQUIRED BY STATE AND
12 FEDERAL LAW TO THE CENTER AND THE DEPARTMENT IN THE FORM AND MANNER
13 SPECIFIED BY THE CENTER OR THE DEPARTMENT, AS APPLICABLE.

14 (E) COMPLY WITH SECTION 1230G OF THE REVISED SCHOOL CODE, MCL
15 380.1230G.

16 Sec. 147. (1) The allocation for 2006-2007 for the public
17 school employees' retirement system pursuant to the public school
18 employees retirement act of 1979, 1980 PA 300, MCL 38.1301 to
19 38.1408, shall be made using the entry age normal cost actuarial
20 method and risk assumptions adopted by the public school employees
21 retirement board and the department of management and budget. The
22 annual level percentage of payroll contribution rate is estimated
23 at 17.74% for the 2006-2007 state fiscal year. The portion of the
24 contribution rate assigned to districts and intermediate districts
25 for each fiscal year is all of the total percentage points. This
26 contribution rate reflects an amortization period of 30 years for
27 2006-2007. The public school employees' retirement system board

1 shall notify each district and intermediate district by February 28
2 of each fiscal year of the estimated contribution rate for the next
3 fiscal year.

4 (2) UPON ENACTMENT OF LEGISLATION REDUCING PENSION
5 CONTRIBUTIONS OF EACH DISTRICT OR INTERMEDIATE DISTRICT TO THE
6 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM THAT WOULD OTHERWISE BE
7 DUE FROM THAT DISTRICT OR INTERMEDIATE DISTRICT, THE DIRECTOR OF
8 THE DEPARTMENT OF MANAGEMENT AND BUDGET SHALL DIRECT THE PUBLIC
9 SCHOOL EMPLOYEES' RETIREMENT SYSTEM TO ISSUE CREDITS FOR THE FISCAL
10 YEAR ENDING SEPTEMBER 30, 2007 NOT TO EXCEED AN AGGREGATE OF
11 \$276,000,000.00. THE CREDITS SHALL BE USED TO MEET THE REQUIRED
12 PENSION OBLIGATIONS OF EACH DISTRICT OR INTERMEDIATE DISTRICT AND
13 SHALL REDUCE THE AMOUNT OF PENSION CONTRIBUTIONS OTHERWISE DUE FROM
14 THAT DISTRICT OR INTERMEDIATE DISTRICT BASED ON THE ORIGINAL
15 CONTRIBUTION RATE. THE PORTION OF A CREDIT ISSUED ON BEHALF OF A
16 DISTRICT RELATED TO NONFEDERAL WAGES AS REPORTED TO THE PUBLIC
17 SCHOOL EMPLOYEES' RETIREMENT SYSTEM FOR THE STATE FISCAL YEAR
18 ENDING SEPTEMBER 30, 2006 SHALL BE CONSIDERED TO BE A PAYMENT ON
19 BEHALF OF THE DISTRICT FOR THE PURPOSES OF CALCULATING PAYMENTS
20 MADE UNDER SECTION 22B FOR 2006-2007. THE PORTION OF A CREDIT
21 ISSUED ON BEHALF OF AN INTERMEDIATE DISTRICT RELATED TO NONFEDERAL
22 WAGES AS REPORTED TO THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
23 FOR THE STATE FISCAL YEAR ENDING SEPTEMBER 30, 2006 SHALL BE
24 CONSIDERED TO BE A PAYMENT ON BEHALF OF THE INTERMEDIATE DISTRICT
25 FOR THE PURPOSE OF CALCULATING PAYMENTS MADE UNDER SECTION 81 FOR
26 2006-2007. THE PORTION OF CREDITS ISSUED BY THE PUBLIC SCHOOL
27 EMPLOYEES' RETIREMENT SYSTEM ATTRIBUTABLE TO NONFEDERAL WAGES IN

1 AGGREGATE SHALL EQUAL THE APPROPRIATION UNDER SECTION 11(6). THE
2 TOTAL CREDIT PROVIDED UNDER THIS SUBSECTION FOR A PARTICULAR
3 DISTRICT OR INTERMEDIATE DISTRICT SHALL BE DETERMINED BASED ON THAT
4 DISTRICT'S OR INTERMEDIATE DISTRICT'S PERCENTAGE OF THE TOTAL
5 STATEWIDE PAYROLL FOR ALL DISTRICTS AND INTERMEDIATE DISTRICTS FOR
6 THE STATE FISCAL YEAR ENDING SEPTEMBER 30, 2006.

7 Enacting section 1. In accordance with section 30 of article
8 IX of the state constitution of 1963, total state spending in this
9 amendatory act and in 2006 PA 342 from state sources for fiscal
10 year 2006-2007 is estimated at \$11,596,963,200.00 and state
11 appropriations to be paid to local units of government for fiscal
12 year 2006-2007 are estimated at \$11,492,472,200.00.

13 Enacting section 2. Sections 31c, 32m, 34, 57a, 98c, 99d, 99f,
14 and 99g of the state school aid act of 1979, 1979 PA 94, MCL
15 388.1631c, 388.1632m, 388.1634, 388.1657a, 388.1698c, 388.1699d,
16 388.1699f, and 388.1699g, are repealed.