

The House Committee on Education offers the following substitute to HB 1539:

A BILL TO BE ENTITLED
AN ACT

1 To amend Part 4 of Article 6 of Chapter 2 of Title 20 of the Official Code of Georgia
2 Annotated, relating to financing with respect to quality basic education, so as to change the
3 manner and method of calculating certain local share funds and equalization grants; to
4 change certain provisions regarding the determination of enrollment by institutional
5 programs; to change certain provisions relating to local five mill share funds; to change
6 certain provisions regarding the calculation and allotment of state funds; to provide for
7 related matters; to repeal conflicting laws; and for other purposes.

8 **BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:**

9 **SECTION 1.**

10 Part 4 of Article 6 of Chapter 2 of Title 20 of the Official Code of Georgia Annotated,
11 relating to financing with respect to quality basic education, is amended by striking Code
12 Section 20-2-160, relating to determination of enrollment by institutional programs, and
13 inserting in its place a new Code Section 20-2-160 to read as follows:

14 "20-2-160.

15 (a) The State Board of Education shall designate the specific dates upon which two counts
16 of students enrolled in each instructional program authorized under this article shall be
17 made each school year and by which the counts shall be reported to the Department of
18 Education. The initial enrollment count shall be made after October 1 but prior to
19 November 17 and the final enrollment count after March 1 but prior to May 1. The report
20 shall indicate the student's specific assigned program for each one-sixth segment of the
21 school day on the designated reporting date. No program shall be indicated for a student
22 for any one-sixth segment of the school day that the student is assigned to a study hall; a
23 noncredit course; a course recognized under this article or by state board policy as an
24 enrichment course, except a driver education course; a course which requires participation
25 in an extracurricular activity for which enrollment is on a competitive basis; a course in
26 which the student serves as a student assistant to a teacher, in a school office, or in the

1 media center, except when such placement is an approved work site of a recognized career
2 or vocational program; an individual study course for which no outline of course objectives
3 is prepared in writing prior to the beginning of the course; or any other course or activity
4 so designated by the state board. For the purpose of this Code section, the term 'enrichment
5 course' means a course which does not dedicate a major portion of the class time toward
6 the development and enhancement of one or more student competencies as adopted by the
7 state board under Code Section 20-2-140. A program shall not be indicated for a student
8 for any one-sixth segment of the school day for which the student is not enrolled in an
9 instructional program or has not attended a class or classes within the preceding ten days;
10 nor shall a program be indicated for a student for any one-sixth segment of the school day
11 for which the student is charged tuition or fees or is required to provide materials or
12 equipment beyond those authorized pursuant to Code Section 20-2-133. A student who is
13 enrolled in an eligible institution under the program established in Code Section 20-2-161.1
14 may be counted for the high school program for only that portion of the day that the student
15 is attending the high school for those segments that are eligible to be counted under this
16 subsection. The state board shall adopt such regulations and criteria as necessary to ensure
17 objective and true counts of students in state approved instructional programs. The state
18 board shall also establish criteria by which students shall be counted as resident or
19 nonresident students, including specific circumstances which may include, but not be
20 limited to, students attending another local school system under court order or under the
21 terms of a contract between two local school systems. If a local school system has a
22 justifiable reason, it may seek authority from the state board to shift full-time equivalent
23 program counts from the designated date to a requested alternate date.

24 (b) The full-time equivalent (FTE) program count for each local school system shall be
25 obtained in the following manner:

26 (1) Count the number of one-sixth segments of the school day for which each student is
27 enrolled in each program authorized under Code Section 20-2-161; and

28 (2) Divide the total number of segments counted for each program by six. The result is
29 the full-time equivalent program count for each respective state recognized program.

30 (c) For the purpose of initially determining the amount of funds to be appropriated to
31 finance each respective program for the ensuing fiscal year, a projection of the second
32 full-time equivalent program count shall be calculated as follows:

33 (1) Divide the first total full-time equivalent count for the current fiscal year by the first
34 total full-time equivalent count for the immediately preceding fiscal year;

35 (2) Multiply the quotient obtained in paragraph (1) of this subsection by the second total
36 full-time equivalent count for the immediately preceding fiscal year. The result shall be
37 the projected second total full-time equivalent count for the current fiscal year;

1 (3) Divide the average of the local school system's two most recent full-time equivalent
 2 program counts by the average of the two most recent total full-time equivalent counts;
 3 and

4 (4) Multiply the quotient obtained in paragraph (3) of this subsection by the product
 5 obtained in paragraph (2) of this subsection. The result shall be the projected second
 6 full-time equivalent program count for the current fiscal year.

7 (d) The average of the first full-time equivalent program count, weighted two parts, and
 8 the projected second full-time equivalent program count, weighted one part, shall be used
 9 to initially determine the funds needed to finance the program for the ensuing fiscal year.

10 ~~(e) For purposes of calculating allotments for the instructional programs identified in~~
 11 ~~paragraphs (2), (4), (6), (8), and (19) of subsection (b) of Code Section 20-2-161, for which~~
 12 ~~the full-time equivalent program counts provided for in subsections (a) through (d) of this~~
 13 ~~Code section do not exist, the most recent full-time equivalent program count shall be used~~
 14 ~~until such time as the full-time equivalent program counts provided for in subsections (a)~~
 15 ~~through (d) of this Code section do exist.~~

16 ~~(f)~~(e) The allotments for the alternative education program shall be calculated as provided
 17 in subsection (h) of Code Section 20-2-154.1."

18 SECTION 2.

19 Said part is further amended by striking Code Section 20-2-164, relating to local five mill
 20 share funds, and inserting in its place a new Code Section 20-2-164 to read as follows:

21 "20-2-164.

22 (a) The State Board of Education shall calculate the amount of local five mill share funds
 23 that each local school system shall be required to spend each fiscal year to participate in
 24 the Quality Basic Education Program as follows:

25 (1) Unless the combined local five mill share total for all local school systems in the
 26 state, when calculated pursuant to this paragraph, exceeds 20 percent of the sum of the
 27 Quality Basic Education Formula amounts, as calculated pursuant to subsection (d) of
 28 Code Section 20-2-161, the amount of each local school system's local five mill share
 29 shall be calculated as follows:

30 (A) Determine the most recent equalized adjusted school property tax digest for the
 31 local school system less the amount attributable to timber calculated pursuant to
 32 paragraph (2) of subsection (b) of Code Section 48-5-274, multiply the difference by
 33 .4, and add to that product the amount attributable to timber calculated pursuant to
 34 paragraph (2) of subsection (b) of Code Section 48-5-274;

35 (B) From the amount calculated in subparagraph (A) of this paragraph deduct the total
 36 amount calculated pursuant to subsection (g) of this Code section; and

1 (C) Multiply the remainder calculated in subparagraph (B) of this paragraph by .005;
 2 or

3 (2) If the combined local five mill share total for all local school systems in this state,
 4 when calculated pursuant to paragraph (1) of this subsection, exceeds 20 percent of the
 5 sum of the Quality Basic Education Formula amounts, as calculated pursuant to
 6 subsection (d) of Code Section 20-2-161, then the amount of each local system's five mill
 7 share shall be calculated as follows:

8 (A) Multiply the total amount of Quality Basic Education Formula amounts to be
 9 expended for all local school systems combined, as calculated for each local school
 10 system pursuant to Code Section 20-2-161, by .2;

11 (B) Divide the product calculated in subparagraph (A) of this paragraph by the sum of
 12 the local five mill share amounts for all local school systems in this state as calculated
 13 for each local school system pursuant to subparagraph (C) of paragraph (1) of this
 14 subsection;

15 (C) Multiply the amount calculated in subparagraph (B) of this paragraph by .005; and

16 (D) Multiply the product calculated in subparagraph (C) of this paragraph by the
 17 remainder calculated in subparagraph (B) of paragraph (1) of this subsection.

18 (b)(1) Each local school system shall apply the total amount of its local five mill share
 19 funds to programs funded under this article and in the manner so earned as indicated on
 20 the allotment sheets as provided by the State Board of Education; provided, however, that
 21 no portion of the local five mill share funds is applied to the financing of educational
 22 programs and services operated at the option of the local school system or for any grant
 23 program which explicitly excludes the application of local funds or which explicitly
 24 requires an application of local funds other than from the local five mill share.

25 (2) The local school system may apply revenues toward the local five mill share from
 26 any source except: funds derived from the federal government which were not designed
 27 to replace local tax revenues; state funds; student tuition and fees; funds transferred from
 28 another local unit of administration; and other sources specifically prohibited by
 29 provisions of this article; provided, however, that an independent school system may
 30 apply appropriations from the taxing authority of its municipal government.

31 (c)(1) The state auditor shall furnish to the State Board of Education the equalized
 32 adjusted school property tax digests in accordance with Code Section 48-5-274.

33 (2) Except as provided in subsection (b) of Code Section 20-2-162, the sums of the most
 34 recent equalized adjusted school property tax digests shall be used to make the
 35 calculations required by subsection (a) of this Code section for each fiscal year.

1 (d) Each municipality having an independent school system and each county government
2 shall annually provide the Department of Revenue with the following information for each
3 local school system within its jurisdiction:

4 (1) The total number of granted state-wide constitutional homestead exemptions for
5 occupied homes pursuant to Code Section 48-5-44 exclusive of those homestead
6 exemptions provided pursuant to Code Sections 48-5-47, 48-5-48, and 48-5-52;

7 (2) The total number of granted state-wide constitutional homestead exemptions for
8 disabled veterans pursuant to Code Section 48-5-48;

9 (3) The amounts of tax and nontax revenues by source which have been distributed by
10 said local government to local school systems for educational maintenance and operation;
11 provided, further, that if the total tax revenues collected by a municipal government
12 exceed the amount of all revenues distributed to its school system, the total amount of tax
13 revenues collected by the municipal government shall also be submitted to the
14 Department of Revenue. Such data shall be submitted to the Department of Revenue no
15 later than the date required for the submission of the local tax digests to the Department
16 of Revenue; and

17 (4) The difference between the actual assessed valuation of agricultural property and the
18 valuation that would be assessed if all agricultural property were assessed at 40 percent
19 of its fair market value as provided in Code Section 48-5-7; provided, however, that if the
20 taxing authority of a local school system assesses property at a legal standard other than
21 40 percent of fair market value, the actual assessed valuation used in this calculation shall
22 be reduced to represent the amount which would be assessed if the jurisdiction assessed
23 property at 40 percent of fair market value.

24 (e) The Department of Revenue shall annually verify, certify as correct, and furnish the
25 State Board of Education with the following data for each local school system by
26 November 15:

27 (1) All tax and nontax revenues by source for the preceding fiscal year which were
28 distributed for educational maintenance and operation; provided, however, such tax and
29 nontax revenues shall exclude any state revenue collections which were previously
30 distributed to the state general fund and then appropriated or allocated to local school
31 systems; and provided, further, that if the total tax revenues collected by a municipal
32 government exceed the amount of all revenues which it distributed to its school system,
33 the total amount of revenues distributed to the school system shall be designated as tax
34 revenues in the report of the Department of Revenue to the state board;

35 (2) The number of exemptions granted for state-wide constitutional homestead
36 exemptions for owner occupied homes pursuant to Code Section 48-5-44, exclusive of

1 those homestead exemptions provided pursuant to Code Sections 48-5-47, 48-5-48, and
2 48-5-52, for the preceding calendar year;

3 (3) The number of exemptions granted for state-wide constitutional homestead
4 exemptions for disabled veterans pursuant to Code Section 48-5-48 for the preceding
5 calendar year; and

6 (4) The difference between the actual assessed valuation of agricultural property and the
7 valuation that would be assessed if all agricultural property were assessed at 40 percent
8 of its fair market value as provided in Code Section 48-5-7, adjusted pursuant to
9 paragraph (4) of subsection (d) of this Code section.

10 (f) The Office of Planning and Budget shall annually furnish to the State Board of
11 Education the estimated number of individuals age 65 or older residing in each local school
12 system and the estimated percent that such individuals are of the total population for each
13 local school system. The Office of Planning and Budget shall furnish all information
14 requested by the General Assembly regarding the procedure for estimating this percent.

15 (g) For purposes of calculation under this Code section and Code Section 20-2-165, the
16 equalized adjusted school property tax digest, adjusted by paragraph (1) of subsection (a)
17 of this Code section, shall be reduced by the sum of the following products:

18 (1) The product of the number of constitutional homestead exemptions for owner
19 occupied homes pursuant to Code Section 48-5-44 granted for that year, exclusive of
20 those homestead exemptions provided pursuant to Code Sections 48-5-47, 48-5-48, and
21 48-5-52, multiplied by the amount per exemption authorized under Code Section 48-5-44;
22 provided, further, that in any city operating an independent school system which provides
23 a homestead exemption through local legislation comparable to that provided in Code
24 Section 48-5-44, the product calculated in this paragraph shall represent the number of
25 homestead exemptions provided through the applicable local legislation multiplied by the
26 amount per exemption authorized in Code Section 48-5-44, or by the amount per
27 exemption authorized in the applicable local legislation, whichever is less; and provided,
28 further, that if the amount per exemption authorized in Code Section 48-5-44 has been
29 changed subsequent to the year of the applicable digest, the more recently adopted
30 amount per exemption shall be used for the product calculated in this paragraph;

31 (2) The product of the number of constitutional homestead exemptions for disabled
32 veterans pursuant to Code Section 48-5-48 granted for that year, multiplied by the amount
33 per exemption authorized under that Code section; provided, further, that in any city
34 operating an independent school system which provides a homestead exemption through
35 local legislation comparable to that provided in Code Section 48-5-48, the product
36 calculated in this paragraph shall represent the number of homestead exemptions
37 provided through the applicable local legislation multiplied by the amount per exemption

1 authorized in the applicable local legislation, whichever is less; and provided, further, that
 2 if the amount per exemption authorized in Code Section 48-5-48 has been changed
 3 subsequent to the year of the applicable digest, the more recently adopted amount per
 4 exemption shall be used for the product calculated in this paragraph;

5 (3) The product of the estimated number of persons age 65 or older residing in the local
 6 school system during that year multiplied by 5,000;

7 (4) The product which results from the following calculations:

8 (A) Subtract the estimated state-wide percentage that persons age 65 or older is of the
 9 total population, excluding military personnel and institutional population, from the
 10 respective percentage for the local school system. If the respective percentage for the
 11 local school system is less than the state-wide percentage, a difference of zero shall be
 12 used in the calculations in this paragraph;

13 (B) Multiply the difference which results from subparagraph (A) of this paragraph by
 14 1,000; and

15 (C) Multiply the product which results from subparagraph (B) of this paragraph by the
 16 estimated number of persons age 65 or older residing in the local school system during
 17 that year; ~~and~~

18 (5) The product which results from the following calculations:

19 (A) Divide the amount reported in paragraph (4) of subsection (e) of this Code section
 20 by the average ratio of assessed value to true value used to calculate the most recent
 21 equalized adjusted ~~school~~ property tax digest pursuant to Code Section 48-5-274; and

22 (B) Multiply the quotient which results from subparagraph (A) of this paragraph by .4;
 23 and

24 (6) The product which results from the following calculations:

25 (A) Divide the amount of tangible personal property exempted pursuant to Code
 26 Section 48-5-48.2 by the average ratio of assessed value to true value used to calculate
 27 the most recent equalized adjusted property tax digest pursuant to Code Section
 28 48-5-274; and

29 (B) Multiply the quotient which results from subparagraph (A) of this paragraph by .4.

30 (h) In the event a local school system fails to provide for or to use the amount of local
 31 funds required to be raised and applied by the local school system in order to participate
 32 in the Quality Basic Education Program as defined by this article during any fiscal year,
 33 the State Board of Education shall calculate the total amount of such funds and add that
 34 amount to the local five mill share being required of the local school system for an ensuing
 35 fiscal year. Further, should the state auditor cite an audit exception which requires that a
 36 local school system return an amount of funds to the state general fund, the state board
 37 shall add said amount to the local five mill share of the local school system for an ensuing

1 fiscal year if the state board has not been provided documentation that the amount has
 2 already been paid to the state general fund. Such additions will thereby reduce the amount
 3 of state funds which shall be allotted to such local school systems. If a local school system
 4 does not fulfill its obligation to provide a local five mill share or to comply with any other
 5 provisions of this article for any fiscal year, the state board may withhold any portion or
 6 all of the state funds to be allotted during the current or an ensuing fiscal year."

7 **SECTION 3.**

8 Said part is further amended by striking Code Section 20-2-165, relating to calculation and
 9 allotment of state funds, and inserting in its place a new Code Section 20-2-165 to read as
 10 follows:

11 "20-2-165.

12 (a) As used in this Code section, the term:

13 (1) 'Assessed valuation' is defined as 40 percent of the equalized adjusted property tax
 14 digest reduced by the amount calculated pursuant to subsection (g) of Code Section
 15 20-2-164.

16 (2) 'Assessed valuation per weighted full-time equivalent count' is defined as the
 17 assessed valuation for the most recent year available divided by the weighted full-time
 18 equivalent count for the year of the digest.

19 ~~(3) 'Average weighted full-time equivalent count' is defined as the first count of a fiscal~~
 20 ~~year weighted two parts and the second count weighted one part.~~

21 ~~(4)~~(3) 'Effective millage rate' is defined as local tax revenues divided by the assessed
 22 valuation and multiplied by 1,000; provided, however, that if the amount of local tax
 23 revenues is subsequently adjusted as a result of an audit of a local school system's annual
 24 financial report, the increase or decrease in local tax revenues resulting from the audit
 25 shall cause an adjustment to be made in the effective millage rate that was calculated
 26 initially. Any net change in the amount of equalization dollars earned as a result of such
 27 adjustment shall be applied to the amount of the local school system's equalization grant
 28 in a subsequent fiscal year.

29 ~~(5)~~(4) 'Eligible full-time equivalent program count' is defined as the sum of the full-time
 30 equivalent resident student count and full-time equivalent nonresident student count
 31 pursuant to subsection ~~(b)~~ (d) of Code Section 20-2-160 for each program specified
 32 pursuant to subsection (b) of Code Section 20-2-161; provided, however, that each local
 33 school system's total full-time equivalent nonresident student count for all programs
 34 except handicapped programs shall not exceed the lesser of the count for fiscal year 2000
 35 or the count for any ensuing fiscal year, unless the local school system serves under

1 contract all of the students in one or more grade levels from an adjoining system or unless
 2 the system serves students from an adjoining system under court order.

3 ~~(6)~~(5) 'Equalized adjusted property tax digest' is defined as the most recent equalized
 4 adjusted property tax digest furnished to the State Board of Education pursuant to
 5 paragraph (1) of subsection (c) of Code Section 20-2-164.

6 ~~(7)~~(6) 'Guaranteed valuation ~~school system~~' is defined as the ~~local school system ranking~~
 7 ~~at the seventy-fifth percentile in dollars of~~ average of the assessed valuation per weighted
 8 full-time equivalent count for five school systems. This average shall include the system
 9 that ranks last among the highest 25 percent of school systems, the two systems ranking
 10 immediately above such system, and the two systems ranking immediately below such
 11 system, where the ranking of school systems is such that the ~~one-hundredth percentile~~
 12 highest ranking school system is that with the highest amount in dollars of assessed
 13 valuation per weighted full-time equivalent count. For the purpose of determining the
 14 assessed valuation per weighted full-time equivalent of the guaranteed valuation ~~school~~
 15 ~~system~~ only, a reduction of the assessed valuation for exemptions authorized by Code
 16 Sections 48-5-44 and 48-5-48 shall be calculated whether such exemptions are granted
 17 or not granted by one or more of the five systems used in the calculation of the
 18 guaranteed valuation ~~school system~~.

19 ~~(8)~~(7) 'Local tax revenues' is defined:

20 (A) Prior to July 1, 2005, as the sum of tax revenues for a local school system as
 21 furnished to the Department of Education by the school system in its annual financial
 22 report, reduced by the total amount of general funds expended for capital outlay or
 23 transferred into an escrow account for capital outlay purposes for the most recent fiscal
 24 year such data are available and increased by any federal funds designed to replace
 25 local tax revenues provided to the said system; provided, however, that the local school
 26 system has furnished the state board with acceptable documentation which clearly
 27 identifies the source or sources of such federal funds; and

28 (B) On and after July 1, 2005, as the sum of tax revenues for a local school system as
 29 furnished to the Department of Education by the school system in its annual financial
 30 report, reduced by the total amount of general funds expended for capital outlay or
 31 transferred into an escrow account for capital outlay purposes for the most recent fiscal
 32 year such data are available.

33 ~~(9)~~(8) 'Most recent ~~average~~ weighted full-time equivalent count' is defined as the ~~average~~
 34 ~~of the two most recent~~ weighted full-time equivalent counts count derived from full-time
 35 equivalent program count data obtained for the purpose of determining the funds initially
 36 needed to finance the Quality Basic Education Formula pursuant to subsection (d) of
 37 Code Section 20-2-160 for the next ensuing fiscal year.

1 ~~(10)~~(9) 'Qualified local school system' is defined as any local school system having an
 2 assessed valuation per weighted full-time equivalent count for the year of the digest
 3 ranking below the guaranteed valuation ~~school system~~ and having an effective millage
 4 rate greater than the millage rate applied to calculate the local five mill share pursuant to
 5 subsection (a) of Code Section 20-2-164.

6 ~~(11)~~(10) 'Weighted full-time equivalent count' is defined as the sum of all eligible
 7 full-time equivalent program counts multiplied by their respective program weights in
 8 effect during the fiscal year that the full-time equivalent program counts were obtained
 9 pursuant to Code Section 20-2-161.

10 ~~(12)~~(11) 'Weighted full-time equivalent count for the year of the digest' is defined as the
 11 ~~average of the two weighted full-time equivalent counts taken during that fiscal year~~
 12 ~~beginning during the year of the digest~~ count derived from full-time equivalent program
 13 count data obtained for the purpose of determining the funds initially needed to finance
 14 the Quality Basic Education Formula pursuant to subsection (d) of Code Section
 15 20-2-160 for the school year currently in progress.

16 (b) The State Board of Education shall annually calculate the equalization grant for each
 17 qualified local school system in the following manner:

18 (1) Subtract the assessed valuation per weighted full-time equivalent count for the local
 19 school system from the assessed valuation per weighted full-time equivalent count for the
 20 guaranteed valuation ~~school system~~;

21 (2) Divide the difference resulting from paragraph (1) of this subsection by 1,000;

22 (3) Subtract five from the effective millage rate for the local school system and use the
 23 resulting number of effective mills or 15 effective mills, whichever is less, as the number
 24 of effective mills to be equalized;

25 (4) Multiply the quotient resulting from paragraph (2) of this subsection by the number
 26 of effective mills to be equalized pursuant to paragraph (3) of this subsection;

27 (5) Multiply the product resulting from paragraph (4) of this subsection by the most
 28 recent ~~average~~ weighted full-time equivalent count for the local school system; and

29 (6) The resulting amount, calculation amount A, shall be the equalization grant for the
 30 ensuing fiscal year; provided, however, that for fiscal year ~~2001~~ 2005 only the amount
 31 shall be adjusted by calculating a second amount, calculation amount B, under subsection
 32 (b) of this Code section by replacing the ~~seventy-fifth percentile school system~~
 33 guaranteed valuation with the system ranking at the ninetieth percentile school system for
 34 the as an alternate guaranteed valuation ~~school system~~ and subtracting five from the
 35 effective mills and using the resulting number of effective mills or 3.25 effective mills,
 36 whichever is less, as the number of effective mills to be equalized, and subtracting the
 37 resulting amount from calculation amount A and multiplying the resulting amount by .25

1 ~~.85~~ and adding that amount to calculation amount B; ~~provided, further, that for.~~ For each
 2 local school system which serves under contract all of the students in one or more grade
 3 levels from an adjoining system and for each local school system which sends under
 4 contract all of the students in one or more grade levels to an adjoining system, the
 5 equalization grant shall be ~~recalculated~~ calculated to represent the amount that would be
 6 earned if the students transferred under said contract were included in the full-time
 7 equivalent counts of the local school system in which they reside; provided, ~~further~~
 8 however, that any ~~recalculated~~ equalization grant to be earned by a local school system
 9 sending students to another system under the provisions of such a contract shall be
 10 reduced by an amount which represents the equalization funds earned per weighted
 11 full-time equivalent student multiplied by the total weighted full-time equivalent count
 12 for students transferred, and any ~~recalculated~~ equalization grant to be earned by the local
 13 school system receiving students under said contract shall be increased by the same
 14 amount. ~~The amounts so recalculated shall be the equalization grants for such local~~
 15 ~~school systems. The recalculations shall occur after the assessed valuation per weighted~~
 16 ~~full-time equivalent of the guaranteed valuation school system has been calculated and~~
 17 ~~shall not affect the calculation of the assessed valuation per weighted full-time equivalent~~
 18 ~~of the guaranteed valuation school system.~~

19 (c) The State Board of Education shall allocate respectively the amount calculated under
 20 subsection (b) of this Code section to each qualified local school system. For the first
 21 effective year of the merger of any two or more local school systems, the equalization grant
 22 shall be the addition of amounts which would have been separately earned by the systems
 23 participating in the merger or the amount which would have been earned if the systems had
 24 already been merged during the year of the applicable digest, whichever is greater. No
 25 portion of local five mill share shall be applied to such equalization grants. In the event
 26 sufficient funds are not appropriated in a fiscal year to the state board to allot the full
 27 amount of equalization grants calculated to be payable to qualified local school systems as
 28 provided in this Code section, the state board shall proportionately reduce the amount of
 29 funds to be allocated to qualified local school systems.

30 ~~(d) The amount of funds appropriated each year under this Code section, for a period not~~
 31 ~~to exceed five years beginning with fiscal year 2002, may be adjusted to allow local school~~
 32 ~~systems that are losing funds due to a change from the ninetieth percentile guaranteed~~
 33 ~~valuation school system to the seventy-fifth percentile guaranteed valuation school system~~
 34 ~~sufficient time to adjust their local programs.~~

35 ~~(e)(d)(1) Beginning with Fiscal Year 2002, a A midterm adjustment in a local school~~
 36 ~~system's equalization grant shall be made if:~~

1 (A) The school system ranks at or below the ~~seventy-fifth percentile in dollars of~~
 2 ~~assessed valuation per weighted full-time equivalent student, where the ranking of~~
 3 ~~school systems is such that the one-hundredth percentile school system is that with the~~
 4 ~~highest amount in dollars of assessed valuation per weighted full-time equivalent~~
 5 ~~student~~ guaranteed valuation; and

6 (B) The school system increases the actual millage levied against its digest for
 7 maintenance and operation.

8 (2) If made, the midterm adjustment to the equalization grant shall be calculated as
 9 follows:

10 (A) Calculate the percentage change in the actual millage rate for a school system by
 11 subtracting the actual millage rate for the prior year from the actual millage rate for the
 12 current year and dividing by the actual millage rate for the prior year;

13 (B) If the result from subparagraph (A) of this paragraph is a positive number, multiply
 14 the number of effective mills calculated as part of the original equalization grant
 15 calculation for a given year by the percentage increase calculated in subparagraph (A)
 16 of this paragraph. Add the product of this calculation to the effective number of mills
 17 from the original equalization grant calculation as described in subsections (a) through
 18 ~~(d)~~ (c) of this Code section;

19 (C) Recalculate the equalization grant substituting the revised number of effective
 20 mills calculated in subparagraph (B) of this paragraph; ~~and~~

21 (D) Subtract the initial equalization grant amount from the amount calculated in
 22 subparagraph (C) of this paragraph; and

23 (E) The resulting amount shall be the midterm adjustment to the equalization grant.

24 (3) If the result from subparagraph (A) of paragraph (2) of this subsection is a positive
 25 number, the local school system's effective millage rate used in the calculation of its
 26 equalization grant for the ensuing fiscal year shall be adjusted as follows:

27 (A) Multiply the number of effective mills calculated pursuant to paragraph (3) of
 28 subsection (a) of this Code section by the percentage increase calculated in
 29 subparagraph (A) of paragraph (2) of this subsection; and

30 (B) The resulting amount shall be the adjusted number of effective mills used in the
 31 initial calculation of the equalization grant for the ensuing fiscal year; provided,
 32 however, that the system shall be eligible for a recalculation of its effective mills if it
 33 ranks at or below the guaranteed valuation."

1 **SECTION 4.**

2 (a) Except as otherwise provided in subsection (b) of this section, this Act shall become
3 effective on July 1, 2004.

4 (b) Section 2 of this Act shall become effective July 1, 2005.

5 **SECTION 5.**

6 All laws and parts of laws in conflict with this Act are repealed.