

**HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 173**

A bill to amend 1979 PA 94, entitled  
"The state school aid act of 1979,"  
by amending section 20 (MCL 388.1620), as amended by 2014 PA 196.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 20. (1) For ~~2014-2015~~, **2015-2016**, both of the following  
2    apply:

3       (a) The basic foundation allowance is ~~\$8,099.00~~. **\$8,169.00.**

4       (b) The minimum foundation allowance is ~~\$7,126.00~~. **\$7,391.00.**

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

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

1 (a) Except as otherwise provided in this subdivision, for a  
2 district that had a foundation allowance for the immediately  
3 preceding state fiscal year that was equal to the minimum  
4 foundation allowance for the immediately preceding state fiscal  
5 year, but less than the basic foundation allowance for the  
6 immediately preceding state fiscal year, the district shall receive  
7 a foundation allowance in an amount equal to the sum of the  
8 district's foundation allowance for the immediately preceding state  
9 fiscal year plus the difference between twice the dollar amount of  
10 the adjustment from the immediately preceding state fiscal year to  
11 the current state fiscal year made in the basic foundation  
12 allowance and [(the difference between the basic foundation  
13 allowance for the current state fiscal year and basic foundation  
14 allowance for the immediately preceding state fiscal year minus  
15 ~~\$10.00~~—**\$23.00**) times (the difference between the district's  
16 foundation allowance for the immediately preceding state fiscal  
17 year and the minimum foundation allowance for the immediately  
18 preceding state fiscal year) divided by the difference between the  
19 basic foundation allowance for the current state fiscal year and  
20 the minimum foundation allowance for the immediately preceding  
21 state fiscal year]. However, the foundation allowance for a  
22 district that had less than the basic foundation allowance for the  
23 immediately preceding state fiscal year shall not exceed the basic  
24 foundation allowance for the current state fiscal year. For the  
25 purposes of this subdivision, for ~~2014-2015~~, **2015-2016**, the minimum  
26 foundation allowance for the immediately preceding state fiscal  
27 year shall be considered to be ~~\$7,076.00~~. ~~For 2014-2015, for a~~

~~district that had a foundation allowance for the immediately preceding state fiscal year that was at least equal to the minimum foundation allowance for the immediately preceding state fiscal year but less than the basic foundation allowance for the immediately preceding state fiscal year, the district shall receive a foundation allowance in an amount equal to the district's foundation allowance for 2013-2014 plus \$50.00-\$7,251.00.~~

(b) Except as otherwise provided in this subsection, for a district that in the immediately preceding state fiscal year had a foundation allowance in an amount equal to the amount of the basic foundation allowance for the immediately preceding state fiscal year, the district shall receive a foundation allowance for ~~2014-2015-2015-2016~~ in an amount equal to the basic foundation allowance for ~~2014-2015-2015-2016~~.

(c) For a district that had a foundation allowance for the immediately preceding state fiscal year that was greater than the basic foundation allowance for the immediately preceding state fiscal year, the district's foundation allowance is an amount equal to the sum of the district's foundation allowance for the immediately preceding state fiscal year plus the lesser of the increase in the basic foundation allowance for the current state fiscal year, as compared to the immediately preceding state fiscal year, or the product of the district's foundation allowance for the immediately preceding state fiscal year times the percentage increase in the United States consumer price index in the calendar year ending in the immediately preceding fiscal year as reported by the May revenue estimating conference conducted under section 367b

1 of the management and budget act, 1984 PA 431, MCL 18.1367b.

2 (d) For a district that has a foundation allowance that is not  
3 a whole dollar amount, the district's foundation allowance shall be  
4 rounded up to the nearest whole dollar.

5 (e) For a district that received a payment under section 22c  
6 as that section was in effect for ~~2013-2014~~, **2014-2015**, the  
7 district's ~~2013-2014-2014-2015~~ foundation allowance shall be  
8 considered to have been an amount equal to the sum of the  
9 district's actual ~~2013-2014-2014-2015~~ foundation allowance as  
10 otherwise calculated under this section plus the per-pupil amount  
11 of the district's equity payment for ~~2013-2014-2014-2015~~ under  
12 section 22c as that section was in effect for ~~2013-2014-2014-2015~~.

13 (4) Except as otherwise provided in this subsection, the state  
14 portion of a district's foundation allowance is an amount equal to  
15 the district's foundation allowance or the basic foundation  
16 allowance for the current state fiscal year, whichever is less,  
17 minus the local portion of the district's foundation allowance  
18 divided by the district's membership excluding special education  
19 pupils. For a district described in subsection (3)(c), the state  
20 portion of the district's foundation allowance is an amount equal  
21 to \$6,962.00 plus the difference between the district's foundation  
22 allowance for the current state fiscal year and the district's  
23 foundation allowance for 1998-99, minus the local portion of the  
24 district's foundation allowance divided by the district's  
25 membership excluding special education pupils. For a district that  
26 has a millage reduction required under section 31 of article IX of  
27 the state constitution of 1963, the state portion of the district's

1 foundation allowance shall be calculated as if that reduction did  
2 not occur. For a receiving district, if school operating taxes  
3 continue to be levied on behalf of a dissolved district that has  
4 been attached in whole or in part to the receiving district to  
5 satisfy debt obligations of the dissolved district under section 12  
6 of the revised school code, MCL 380.12, the taxable value per  
7 membership pupil of property in the receiving district used for the  
8 purposes of this subsection does not include the taxable value of  
9 property within the geographic area of the dissolved district.

10 (5) The allocation calculated under this section for a pupil  
11 shall be based on the foundation allowance of the pupil's district  
12 of residence. For a pupil enrolled pursuant to section 105 or 105c  
13 in a district other than the pupil's district of residence, the  
14 allocation calculated under this section shall be based on the  
15 lesser of the foundation allowance of the pupil's district of  
16 residence or the foundation allowance of the educating district.  
17 For a pupil in membership in a K-5, K-6, or K-8 district who is  
18 enrolled in another district in a grade not offered by the pupil's  
19 district of residence, the allocation calculated under this section  
20 shall be based on the foundation allowance of the educating  
21 district if the educating district's foundation allowance is  
22 greater than the foundation allowance of the pupil's district of  
23 residence.

24 (6) Except as otherwise provided in this subsection, for  
25 pupils in membership, other than special education pupils, in a  
26 public school academy, the allocation calculated under this section  
27 is an amount per membership pupil other than special education

1 pupils in the public school academy equal to the foundation  
2 allowance of the district in which the public school academy is  
3 located or the state maximum public school academy allocation,  
4 whichever is less. **FOR PUPILS IN MEMBERSHIP, OTHER THAN SPECIAL**  
5 **EDUCATION PUPILS, IN A PUBLIC SCHOOL ACADEMY THAT IS A CYBER SCHOOL**  
6 **AND IS AUTHORIZED BY A SCHOOL DISTRICT, THE ALLOCATION CALCULATED**  
7 **UNDER THIS SECTION IS AN AMOUNT PER MEMBERSHIP PUPIL OTHER THAN**  
8 **SPECIAL EDUCATION PUPILS IN THE PUBLIC SCHOOL ACADEMY EQUAL TO THE**  
9 **FOUNDATION ALLOWANCE OF THE DISTRICT THAT AUTHORIZED THE PUBLIC**  
10 **SCHOOL ACADEMY OR THE STATE MAXIMUM PUBLIC SCHOOL ACADEMY**  
11 **ALLOCATION, WHICHEVER IS LESS.** However, a public school academy  
12 that had an allocation under this subsection before 2009-2010 that  
13 was equal to the sum of the local school operating revenue per  
14 membership pupil other than special education pupils for the  
15 district in which the public school academy is located and the  
16 state portion of that district's foundation allowance shall not  
17 have that allocation reduced as a result of the 2010 amendment to  
18 this subsection. Notwithstanding section 101, for a public school  
19 academy that begins operations after the pupil membership count  
20 day, the amount per membership pupil calculated under this  
21 subsection shall be adjusted by multiplying that amount per  
22 membership pupil by the number of hours of pupil instruction  
23 provided by the public school academy after it begins operations,  
24 as determined by the department, divided by the minimum number of  
25 hours of pupil instruction required under section 101(3). The  
26 result of this calculation shall not exceed the amount per  
27 membership pupil otherwise calculated under this subsection.

(7) Except as otherwise provided in this subsection, for pupils attending an achievement school and in membership in the education achievement system, other than special education pupils, the allocation calculated under this section is an amount per membership pupil other than special education pupils equal to the foundation allowance of the district in which the achievement school is located, not to exceed the basic foundation allowance. Notwithstanding section 101, for an achievement school that begins operation after the pupil membership count day, the amount per membership pupil calculated under this subsection shall be adjusted by multiplying that amount per membership pupil by the number of hours of pupil instruction provided by the achievement school after it begins operations, as determined by the department, divided by the minimum number of hours of pupil instruction required under section 101(3). The result of this calculation shall not exceed the amount per membership pupil otherwise calculated under this subsection. For the purposes of this subsection, if a public school is transferred from a district to the state school reform/redesign district or the achievement authority under section 1280c of the revised school code, MCL 380.1280c, that public school is considered to be an achievement school within the education achievement system and not a school that is part of a district, and a pupil attending that public school is considered to be in membership in the education achievement system and not in membership in the district that operated the school before the transfer.

(8) Subject to subsection (4), for a district that is formed

1 or reconfigured after June 1, 2002 by consolidation of 2 or more  
2 districts or by annexation, the resulting district's foundation  
3 allowance under this section beginning after the effective date of  
4 the consolidation or annexation shall be the lesser of the sum of  
5 the average of the foundation allowances of each of the original or  
6 affected districts, calculated as provided in this section,  
7 weighted as to the percentage of pupils in total membership in the  
8 resulting district who reside in the geographic area of each of the  
9 original or affected districts plus \$100.00 or the highest  
10 foundation allowance among the original or affected districts. This  
11 subsection does not apply to a receiving district unless there is a  
12 subsequent consolidation or annexation that affects the district.

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

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

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

26 (a) The pupil membership factor shall be computed by dividing  
27 the estimated membership in the school year ending in the current



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

9 (b) The revenue adjustment factor shall be computed by  
10 dividing the sum of the estimated total state school aid fund  
11 revenue for the subsequent state fiscal year plus the estimated  
12 total state school aid fund revenue for the current state fiscal  
13 year, adjusted for any change in the rate or base of a tax the  
14 proceeds of which are deposited in that fund and excluding money  
15 transferred into that fund from the countercyclical budget and  
16 economic stabilization fund under the management and budget act,  
17 1984 PA 431, MCL 18.1101 to 18.1594, by the sum of the estimated  
18 total school aid fund revenue for the current state fiscal year  
19 plus the estimated total state school aid fund revenue for the  
20 immediately preceding state fiscal year, adjusted for any change in  
21 the rate or base of a tax the proceeds of which are deposited in  
22 that fund. If a consensus revenue factor is not determined at the  
23 revenue estimating conference, the principals of the revenue  
24 estimating conference shall report their estimates to the house and  
25 senate subcommittees responsible for school aid appropriations not  
26 later than 7 days after the conclusion of the revenue conference.

27 (c) The index shall be calculated by multiplying the pupil

1 membership factor by the revenue adjustment factor. If a consensus  
2 index is not determined at the revenue estimating conference, the  
3 principals of the revenue estimating conference shall report their  
4 estimates to the house and senate subcommittees responsible for  
5 school aid appropriations not later than 7 days after the  
6 conclusion of the revenue conference.

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

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

16 (14) As used in this section:

17 (a) "Certified mills" means the lesser of 18 mills or the  
18 number of mills of school operating taxes levied by the district in  
19 1993-94.

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

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

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

1 for which a particular calculation is made.

2 (e) "Dissolved district" means a district that loses its  
3 organization, has its territory attached to 1 or more other  
4 districts, and is dissolved as provided under section 12 of the  
5 revised school code, MCL 380.12.

6 (f) "Immediately preceding state fiscal year" means the state  
7 fiscal year immediately preceding the current state fiscal year.

8 (g) "Local portion of the district's foundation allowance"  
9 means an amount that is equal to the difference between (the sum of  
10 the product of the taxable value per membership pupil of all  
11 property in the district that is nonexempt property times the  
12 district's certified mills and, for a district with certified mills  
13 exceeding 12, the product of the taxable value per membership pupil  
14 of property in the district that is commercial personal property  
15 times the certified mills minus 12 mills) and (the quotient of the  
16 product of the captured assessed valuation under tax increment  
17 financing acts times the district's certified mills divided by the  
18 district's membership excluding special education pupils).

19 (h) "Local school operating revenue" means school operating  
20 taxes levied under section 1211 of the revised school code, MCL  
21 380.1211. For a receiving district, if school operating taxes are  
22 to be levied on behalf of a dissolved district that has been  
23 attached in whole or in part to the receiving district to satisfy  
24 debt obligations of the dissolved district under section 12 of the  
25 revised school code, MCL 380.12, local school operating revenue  
26 does not include school operating taxes levied within the  
27 geographic area of the dissolved district.

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

(j) "Maximum public school academy allocation", except as otherwise provided in this subdivision, means the maximum per-pupil allocation as calculated by adding the highest per-pupil allocation among all public school academies for the immediately preceding state fiscal year plus the difference between twice the amount of the difference between the basic foundation allowance for the current state fiscal year and the basic foundation for the immediately preceding state fiscal year and [(the amount of the difference between the basic foundation allowance for the current state fiscal year and the basic foundation for the immediately preceding state fiscal year minus ~~\$10.00~~ **\$23.00**) times (the difference between the highest per-pupil allocation among all public school academies for the immediately preceding state fiscal year and the minimum foundation allowance for the immediately preceding state fiscal year) divided by the difference between the basic foundation allowance for the current state fiscal year and the minimum foundation allowance for the immediately preceding state fiscal year]. For the purposes of this subdivision, ~~for 2014-2015, the minimum foundation allowance for the immediately preceding state fiscal year shall be considered to be \$7,076.00.~~ **For 2015-2016, the maximum public school academy allocation is \$7,218.00-\$7,391.00.**

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

1 particular calculation is made.

2 (l) "Nonexempt property" means property that is not a  
3 principal residence, qualified agricultural property, qualified  
4 forest property, supportive housing property, industrial personal  
5 property, ~~or~~ commercial personal property, **OR PROPERTY OCCUPIED BY**  
6 **A PUBLIC SCHOOL ACADEMY.**

7 (m) "Principal residence", "qualified agricultural property",  
8 "qualified forest property", "supportive housing property",  
9 "industrial personal property", and "commercial personal property"  
10 mean those terms as defined in section 1211 of the revised school  
11 code, MCL 380.1211.

12 (n) "Receiving district" means a district to which all or part  
13 of the territory of a dissolved district is attached under section  
14 12 of the revised school code, MCL 380.12.

15 (o) "School operating purposes" means the purposes included in  
16 the operation costs of the district as prescribed in sections 7 and  
17 18 and purposes authorized under section 1211 of the revised school  
18 code, MCL 380.1211.

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

22 (q) "Tax increment financing acts" means 1975 PA 197, MCL  
23 125.1651 to 125.1681, the tax increment finance authority act, 1980  
24 PA 450, MCL 125.1801 to 125.1830, the local development financing  
25 act, 1986 PA 281, MCL 125.2151 to 125.2174, the brownfield  
26 redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2672,  
27 or the corridor improvement authority act, 2005 PA 280, MCL

1 125.2871 to 125.2899.

2 (r) "Taxable value per membership pupil" means taxable value,  
3 as certified by the county treasurer and reported to the  
4 department, for the calendar year ending in the current state  
5 fiscal year divided by the district's membership excluding special  
6 education pupils for the school year ending in the current state  
7 fiscal year. **HOWEVER, FOR A RECEIVING DISTRICT THAT IS COLLECTING**  
8 **TAXES FOR SCHOOL OPERATING PURPOSES UNDER SECTIONS 12(5) AND**  
9 **1211(5) OF THE REVISED SCHOOL CODE, MCL 380.5 AND 380.1211, AND IS**  
10 **USING ALL OR PART OF THAT TAX REVENUE TO PAY OFF OR REDUCE DEBT OF**  
11 **THE DISSOLVED DISTRICT, THE CALCULATION OF TAXABLE VALUE PER**  
12 **MEMBERSHIP PUPIL SHALL EXCLUDE THE TAXABLE VALUE OF PROPERTY**  
13 **ATTRIBUTABLE TO TERRITORY OF THE DISSOLVED DISTRICT THAT WAS**  
14 **ATTACHED TO THE RECEIVING DISTRICT UNDER SECTION 12 OF THE REVISED**  
15 **SCHOOL CODE, MCL 380.12, TO THE EXTENT THAT THE TAX REVENUE FROM**  
16 **THAT PROPERTY IS BEING USED FOR THAT FISCAL YEAR TO PAY OFF OR**  
17 **REDUCE THE DEBT. AS USED IN THIS SUBDIVISION, "DEBT" MEANS THAT**  
18 **TERM AS DEFINED IN SECTION 12 OF THE REVISED SCHOOL CODE, MCL**  
19 **380.12.**

20 Enacting section 1. This amendatory act takes effect October  
21 1, 2015.

22 Enacting section 2. This amendatory act does not take effect  
23 unless all of the following bills of the 98th Legislature are  
24 enacted into law:

25 (a) Senate Bill No. 356.

26 (b) House Bill No. 4644.