

# HOUSE BILL No. 4266

February 13, 1991, Introduced by Reps. O'Neill and Keith and referred to the Committee on Taxation.

A bill to amend sections 21 and 26 of Act No. 94 of the Public Acts of 1979, entitled as amended

"The state school aid act of 1979,"

section 21 as amended by Act No. 207 of the Public Acts of 1990 and section 26 as amended by Act No. 355 of the Public Acts of 1990, being sections 388.1621 and 388.1626 of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Section 1. Sections 21 and 26 of Act No. 94 of the Public  
2 Acts of 1979, section 21 as amended by Act No. 207 of the Public  
3 Acts of 1990 and section 26 as amended by Act No. 355 of the  
4 Public Acts of 1990, being sections 388.1621 and 388.1626 of the  
5 Michigan Compiled Laws, are amended to read as follows:

6       Sec. 21. (1) Except as otherwise provided in this act, from  
7 the amount appropriated in section 11, there is allocated to each

1 district an amount per membership pupil sufficient to guarantee  
2 the district for 1990-91 a combined state-local yield or gross  
3 allowance of \$266.00 plus \$90.00 for each mill of operating tax  
4 levied. For purposes of this section, only taxes levied for pur-  
5 poses included in the operation cost of the district as pre-  
6 scribed in section 7 shall be considered operating tax. ~~The~~  
7 SUBJECT TO THE BALANCE OF THIS SECTION, THE net allocation for  
8 each district shall be an amount per membership pupil computed by  
9 subtracting, from the gross allowance guaranteed the district,  
10 the product of the district's state equalized valuation behind  
11 each membership pupil and the millage utilized for computing the  
12 gross allowance.

13 GRADUATION AND CLASS INCENTIVES

14 An additional \$30.00 per pupil in gross allowance shall be  
15 allocated to any district that satisfies the requirements speci-  
16 fied in subdivisions (a) and (b).

17 (a) The district requires pupils to have completed as a con-  
18 dition for graduation in 1991-92 all of the following:

19 (i) A total of 10 years of English or communication skills,  
20 mathematics, science, and social science, with not less than 2  
21 years of each subject specified in this subparagraph.

22 (ii) One year of health, or consumer home economics essen-  
23 tial health and living skills, or physical education, or any com-  
24 bination thereof.

1       (iii) One year of fine or performing arts, foreign language,  
2 or of vocational education or practical arts, or any combination  
3 thereof.

4       (iv) One semester of computer education or the equivalent,  
5 which may be demonstrated by the passage of an appropriate com-  
6 puter competency test, as approved by the department.

7       If a class taught in a district reasonably falls within more  
8 than 1 of the subject categories listed in subparagraphs (i) to  
9 (iv), the district may determine which subject category the class  
10 falls within as long as teacher certification requirements are  
11 not violated.

12       (b) The district provides for its pupils in grades 9 through  
13 12 at least six classes, each consisting of at least 50 minutes  
14 of classroom instruction, or a total of not less than 300 minutes  
15 of classroom instruction. In either case, at least 30% of the  
16 pupils in grades 9 through 12 shall be enrolled in the last  
17 period, with the last period being a class of an academic nature  
18 that normally would be credited toward high school graduation.  
19 This subdivision does not apply to pupils in grade 9 who do not  
20 attend classes in the same building as pupils in grades 10  
21 through 12.

22       The department may waive the requirements of subdivision (b)  
23 for a district with unusual circumstances that is making a good  
24 faith effort to comply with this subdivision and has a plan in  
25 place to meet the requirements during the following year.

26       In order to be eligible for the additional \$30.00 per pupil  
27 permitted under this subsection, unless it has received a waiver

1 under subdivision (b), a district shall submit to the department,  
2 not later than October 31, 1990, an official copy of the board  
3 minutes indicating compliance with the requirements specified in  
4 subdivisions (a) and (b).

5       A primary or fourth class school district that sends its  
6 resident high school pupils to 1 or more districts shall receive  
7 the additional \$30.00 per pupil permitted under this subsection  
8 if at least 90% of its resident high school pupils attend schools  
9 in districts that satisfy the requirements of either subdivision  
10 (a) or (b). In this case, the primary or fourth class district  
11 shall submit to the department not later than October 31, 1990,  
12 a resolution adopted by its board indicating that it complies  
13 with this requirement.

14                                   CLASS SIZE INCENTIVES

15       In 1990-91, an additional \$14.00 per pupil in gross allow-  
16 ance shall be allocated to any district that satisfies the  
17 requirements specified in either of the following subdivisions:

18       (a) The district attains an average class size of not more  
19 than 25 pupils for grades K, 1, 2, and 3, taken collectively.

20       (b) The district reduces its average class size in grades K,  
21 1, 2, and 3, taken collectively, by at least 1% from the average  
22 class size in the immediately preceding school year.

23       For purposes of computing average class size, only the fol-  
24 lowing staff shall be counted:

1 (i) General subject classroom teachers, such as teachers of  
2 reading, language arts, mathematics, science or social studies,  
3 and kindergarten teachers.

4 (ii) Special subject teachers, such as teachers of art,  
5 music, or physical education, to the extent that they provide  
6 instruction to eligible pupils.

7 (iii) Special needs teachers, in areas such as compensatory  
8 education, bilingual education, migrant education, or gifted and  
9 talented education, to the extent that they provide instruction  
10 to eligible pupils. The following staff shall not be counted:

11 (A) Special education teachers.

12 (B) Adult education teachers.

13 (C) Professional or nonprofessional support staff.

14 (D) Teacher aides, paraprofessionals, or volunteers.

15 (E) Administrators or supervisors.

16 The department may waive the requirements of subdivision (a)  
17 or (b) for a district with unusual circumstances that is making a  
18 good faith effort to comply with either of these subdivisions and  
19 has a plan in place to meet the requirements for the following  
20 year. However, the department shall not grant waivers to a dis-  
21 trict in more than 2 consecutive school years.

22 In order to be eligible for the additional \$14.00 per pupil  
23 permitted under this subsection, unless it has received a waiver  
24 for subdivision (a) or (b), a district shall submit to the  
25 department not later than October 31, 1990, a resolution adopted  
26 by its board indicating that the district complies with the  
27 requirements of either subdivision (a) or (b).

## QUALITY INCENTIVES

In 1990-91, an additional \$25.00 per pupil in gross allowance is allocated to a district that satisfies the requirements of subdivisions (a) through (e) as follows:

(a) The district makes available to the state board and the public an annual educational report and ensures that each school in the district distributes to the public an annual education report as described in section 1204a of the school code of 1976, being section 380.1204a of the Michigan Compiled Laws. To be eligible for quality incentive funds under this subsection, a district shall submit to the department not later than October 31, 1990 a board-adopted resolution indicating the board's intent to comply with section 1204a of the school code of 1976, and not later than July 31, 1991, a copy of the annual educational report prepared and made available pursuant to section 1204a of the school code of 1976. An applicant district that fails to comply with the July 31, 1991 requirement of this subdivision shall have an appropriate state aid adjustment in the next fiscal year.

(b) The district adopts and implements a 3- to 5-year school improvement plan and continuing school improvement process for each school within the district as described in section 1277 of the school code of 1976, being section 380.1277 of the Michigan Compiled Laws. To be eligible for quality incentive funds under this subsection, a district shall submit to the department not later than October 31, 1990 a board-adopted resolution indicating that the district is developing a 3- to 5-year school improvement

1 plan and continuing school improvement process in compliance with  
2 section 1277 of the school code of 1976, and not later than  
3 July 31, 1991, a copy of the 3- to 5-year school improvement plan  
4 and continuing school improvement process for each school within  
5 the district. An applicant district that fails to comply with  
6 the July 31, 1991 requirement of this subdivision shall have an  
7 appropriate state aid adjustment in the next fiscal year.

8 (c) The district submits to the department not later than  
9 October 31, 1990 a board-adopted resolution indicating that by  
10 the start of the 1991-92 school year the district will make  
11 available to all pupils attending public school in the district a  
12 core curriculum as described in section 1278 of the school code  
13 of 1976, being section 380.1278 of the Michigan Compiled Laws.

14 (d) The district submits to the department not later than  
15 October 31, 1990 a board-adopted resolution indicating that the  
16 board is taking steps to ensure that by the start of the 1992-93  
17 school year each public school within the district will be  
18 accredited as provided in section 1280 of the school code of  
19 1976, being section 380.1280 of the Michigan Compiled Laws.

20 (e) If section 1282a of the school code of 1976 is enacted  
21 into law, the district submits to the department not later than  
22 January 31, 1991 a board-adopted resolution indicating that  
23 beginning in 1991-92 the district will annually administer a  
24 state board approved employability skills assessment as described  
25 in that section.

26 (2) A district that supported a district library in 1979-80  
27 and continues to provide support for the district library through

1 a millage levied pursuant to former Act No. 164 of the Public  
2 Acts of 1955 ~~, as amended, being sections 397.271 to 397.276 of~~  
3 ~~the Michigan Compiled Laws,~~ shall be credited, for all computa-  
4 tions made under this section, with the amount of millage levied  
5 for library purposes, but not to exceed 0.7 mills, if the dis-  
6 trict levies not more than 0.7 mills less than its authorized  
7 operating millage rate.

8 (3) State equalization allocations to a district shall be  
9 adjusted by subtracting from the allocations money received under  
10 section 3(c)(1) of title I of chapter 1124, 64 Stat. 1100, 20  
11 U.S.C. 238, in the same proportion as the total local revenues  
12 covered under the state equalization program are to total local  
13 revenues for education in the district, except that not more than  
14 the lesser of 50% of the money received under section 3(c)(1) of  
15 title I of chapter 1124, 64 Stat. 1100, 20 U.S.C. 238 or \$160.00  
16 per pupil shall be subtracted. The proportion shall be based on  
17 prior year revenue and prior year impact aid. A deduction in any  
18 year shall not exceed the amount of deductible impact aid for  
19 which a district is eligible under section 3(c)(1) of title I of  
20 chapter 1124, 64 Stat. 1100. Any deductions made under this act  
21 shall be consistent with the requirements of section 5 of title I  
22 of chapter 1124, 64 Stat. 1100, 20 U.S.C. 240 and its  
23 regulations.

24 (4) As used in subsection (5):

25 (a) "Adjusted gross income behind each membership pupil" or  
26 "AGIpp" means in 1990-91 the calculation obtained by dividing the  
27 district's 1987 adjusted gross income, as certified by the



1 department of treasury, by the district's 1989-90 pupil  
2 membership. Beginning in 1991-92 and each year thereafter, AGIpp  
3 means the calculation obtained by dividing the district's latest  
4 calendar year adjusted gross income for which data is available  
5 as of June 1 before the beginning of the fiscal year, as certi-  
6 fied by the department of treasury, by the district's pupil mem-  
7 bership for the immediately preceding year.

8 (b) "State average adjusted gross income per membership  
9 pupil" means the sum of the adjusted gross income of all dis-  
10 tricts, as certified by the department of treasury, divided by  
11 the total state pupil membership.

12 (c) "State average millage rate" means the sum of the local  
13 operating revenue of all districts divided by the sum of the  
14 state equalized valuation of all districts.

15 (d) "State average state equalized valuation behind each  
16 membership pupil" or "SEVpp" means the sum of the state equalized  
17 valuation of all districts divided by the total state pupil mem-  
18 bership as estimated by the department not later than October 1  
19 of each year.

20 (5) If a district has more than 500 pupils and if the net  
21 allocation computed for ~~a~~ THE district pursuant to subsection  
22 (1) is a negative amount, it shall be applied as a deduction  
23 against any funds otherwise tentatively allocated to the district  
24 under all other sections of this act. However, the deduction  
25 made under this subsection shall not exceed a percentage of a  
26 district's total tentative state aid allocation under all other  
27 sections of this act, which percentage is determined by the

1 district's state equalized valuation behind each membership pupil  
2 (SEVpp), adjusted gross income behind each membership pupil  
3 (AGIpp), and the millage rate utilized for computing the gross  
4 allowance.

5 THE MILLAGE RATE IS LESS THAN 80% OF THE STATE AVERAGE

6 If a district's millage rate utilized for computing the  
7 gross allowance is less than 80% of the immediately preceding  
8 year's state average millage rate and the district's AGIpp is  
9 less than or equal to 150% of the state average AGIpp, then the  
10 percentage is equal to  $\frac{1}{3}$  of the sum of the state average AGIpp  
11 divided by the district's AGIpp, subtracted from 1, plus 2 times  
12 the difference between 1 and the state average SEVpp divided by  
13 the district's SEVpp. However, if the district's SEVpp is less  
14 than or equal to 200% but greater than 150% of the state average  
15 SEVpp, then the district's SEVpp is divided into  $\frac{2}{3}$  of the state  
16 average SEVpp, or if the district's SEVpp is greater than 200% of  
17 the state average SEVpp, then the district's SEVpp is divided  
18 into  $\frac{1}{3}$  of the state average SEVpp.

19 If a district's millage rate utilized for computing the  
20 gross allowance is less than 80% of the immediately preceding  
21 year's state average millage rate and the district's AGIpp is  
22 less than or equal to 200% but greater than 150% of the state  
23 average AGIpp, then the percentage is equal to  $\frac{1}{3}$  of the sum of  
24  $\frac{2}{3}$  of the state average AGIpp divided by the district's AGIpp,  
25 subtracted from 1, plus 2 times the difference between 1 and the  
26 state average SEVpp divided by the district's SEVpp. However, if

1 the district's SEVpp is less than or equal to 200% but greater  
 2 than 150% of the state average SEVpp, then the district's SEVpp  
 3 is divided into  $\frac{2}{3}$  of the state average SEVpp, or if the  
 4 district's SEVpp is greater than 200% of the state average SEVpp,  
 5 then the district's SEVpp is divided into  $\frac{1}{3}$  of the state aver-  
 6 age SEVpp.

7 If a district's millage rate utilized for computing the  
 8 gross allowance is less than 80% of the immediately preceding  
 9 year's state average millage rate and the district's AGIpp is  
 10 greater than 200% of the state average ~~AGIpp~~ AGIpp, then the  
 11 percentage is equal to  $\frac{1}{3}$  of the sum of  $\frac{1}{3}$  of the state average  
 12 AGIpp divided by the district's ~~AGIpp~~ AGIpp, subtracted from  
 13 1, plus 2 times the difference between 1 and the state average  
 14 SEVpp divided by the district's SEVpp. However, if the  
 15 district's SEVpp is less than or equal to 200% but greater than  
 16 150% of the state average SEVpp, then the district's SEVpp is  
 17 divided into  $\frac{2}{3}$  of the state average SEVpp, or if the district's  
 18 SEVpp is greater than 200% of the state average SEVpp, then the  
 19 district's SEVpp is divided into  $\frac{1}{3}$  of the state average SEVpp.

20 THE MILLAGE RATE IS LESS THAN THE STATE AVERAGE BUT  
 21 GREATER THAN OR EQUAL TO 80% OF THE STATE AVERAGE

22 If a district's millage rate utilized for computing the  
 23 gross allowance is less than the immediately preceding year's  
 24 state average millage rate but greater than or equal to 80% of  
 25 the immediately preceding year's state average millage rate and  
 26 the district's AGIpp is less than or equal to 150% of the state

1 average AGIpp, then the percentage is equal to  $1/2$  of the sum of  
2 the state average AGIpp divided by the district's AGIpp, sub-  
3 tracted from 1, plus the difference between 1 and the state  
4 average SEVpp divided by the district's SEVpp. However, if the  
5 district's SEVpp is less than or equal to 200% but greater than  
6 150% of the state average SEVpp, then the district's SEVpp is  
7 divided into  $2/3$  of the state average SEVpp, or if the district's  
8 SEVpp is greater than 200% of the state average SEVpp, then the  
9 district's SEVpp is divided into  $1/3$  of the state average SEVpp.

10 If a district's millage rate utilized for computing the  
11 gross allowance is less than the immediately preceding year's  
12 state average millage rate but greater than or equal to 80% of  
13 the immediately preceding year's state average millage rate and  
14 the district's AGIpp is less than or equal to 200% but greater  
15 than 150% of the state average AGIpp, then the percentage is  
16 equal to  $1/2$  of the sum of  $2/3$  of the state average AGIpp divided  
17 by the district's AGIpp, subtracted from 1, plus the difference  
18 between 1 and the state average SEVpp divided by the district's  
19 SEVpp. However, if the district's SEVpp is less than or equal to  
20 200% but greater than 150% of the state average SEVpp, then the  
21 district's SEVpp is divided into  $2/3$  of the state average SEVpp,  
22 or if the district's SEVpp is greater than 200% of the state  
23 average SEVpp, then the district's SEVpp is divided into  $1/3$  of  
24 the state average SEVpp.

25 If a district's millage rate utilized for computing the  
26 gross allowance is less than the immediately preceding year's  
27 state average millage rate but greater than or equal to 80% of

1 the immediately preceding year's state average millage rate and  
2 the district's AGIpp is greater than 200% of the state average  
3 AGIpp, then the percentage is equal to  $1/2$  of the sum of  $1/3$  of  
4 the state average AGIpp divided by the district's AGIpp, sub-  
5 tracted from 1, plus the difference between 1 and the state  
6 average SEVpp divided by the district's SEVpp. However, if the  
7 district's SEVpp is less than or equal to 200% but greater than  
8 150% of the state average SEVpp, then the district's SEVpp is  
9 divided into  $2/3$  of the state average SEVpp, or if the district's  
10 SEVpp is greater than 200% of the state average SEVpp, then the  
11 district's SEVpp is divided into  $1/3$  of the state average SEVpp.

12 THE MILLAGE RATE IS GREATER THAN OR EQUAL TO THE STATE AVERAGE

13 If a district's millage rate utilized for computing the  
14 gross allowance is greater than or equal to the immediately pre-  
15 ceding year's state average millage rate and the district's AGIpp  
16 is less than or equal to 150% of the state average AGIpp, then  
17 the percentage is equal to  $1/4$  of the sum of the state average  
18 AGIpp divided by the district's AGIpp, subtracted from 1, plus  
19 the difference between 1 and the state average SEVpp divided by  
20 the district's SEVpp, plus 2 times the difference between 1 and  
21 the district millage rate utilized for computing the gross allow-  
22 ance divided by the immediately preceding year's state average  
23 millage rate. However, if the district's SEVpp is less than or  
24 equal to 200% but greater than 150% of the state average SEVpp,  
25 then the district's SEVpp is divided into  $2/3$  of the state  
26 average SEVpp, or if the district's SEVpp is greater than 200% of

1 the state average SEVpp, then the district's SEVpp is divided  
2 into  $1/3$  of the state average SEVpp.

3        If a district's millage rate utilized for computing the  
4 gross allowance is greater than or equal to the immediately pre-  
5 ceding year's state average millage rate and the district's AGIpp  
6 is less than or equal to 200% but greater than 150% of the state  
7 average AGIpp, then the percentage is equal to  $1/4$  of the sum of  
8  $2/3$  of the state average AGIpp divided by the district's AGIpp,  
9 subtracted from 1, plus the difference between 1 and the state  
10 average SEVpp divided by the district's SEVpp, plus 2 times the  
11 difference between 1 and the district millage rate utilized for  
12 computing the gross allowance divided by the immediately preced-  
13 ing year's state average millage rate. However, if the  
14 district's SEVpp is less than or equal to 200% but greater than  
15 150% of the state average SEVpp, then the district's SEVpp is  
16 divided into  $2/3$  of the state average SEVpp, or if the district's  
17 SEVpp is greater than 200% of the state average SEVpp, then the  
18 district's SEVpp is divided into  $1/3$  of the state average SEVpp.

19        If a district's millage rate utilized for computing the  
20 gross allowance is greater than or equal to the immediately pre-  
21 ceding year's state average millage rate and the district's AGIpp  
22 is greater than 200% of the state average AGIpp, then the percen-  
23 tage is equal to  $1/4$  of the sum of  $1/3$  of the state average AGIpp  
24 divided by the district's AGIpp, subtracted from 1, plus the  
25 difference between 1 and the state average SEVpp divided by the  
26 district's SEVpp, plus 2 times the difference between 1 and the  
27 district millage rate utilized for computing the gross allowance

1 divided by the immediately preceding year's state average millage  
2 rate. However, if the district's SEVpp is less than or equal to  
3 200% but greater than 150% of the state average SEVpp, then the  
4 district's SEVpp is divided into  $\frac{2}{3}$  of the state average SEVpp,  
5 or if the district's SEVpp is greater than 200% of the state  
6 average SEVpp, then the district's SEVpp is divided into  $\frac{1}{3}$  of  
7 the state average SEVpp.

8 (6) The percentage obtained under subsection (5) shall not  
9 exceed 99%, and shall be applied after the following adjustments  
10 which shall be based upon per pupil or per professional staff  
11 member cost in each program:

12 (a) The categorical allocations for sections 52 and 61 shall  
13 be reduced a proportionate amount for nonresident pupils, and the  
14 categorical allocation for section 97 shall be reduced a propor-  
15 tionate amount for each professional staff member not an employee  
16 of the district.

17 (b) The categorical allocations for section 52 shall be  
18 increased a proportionate amount for pupils enrolled in a program  
19 operated by another district or the intermediate district, and  
20 the categorical allocation for section 97 shall be increased a  
21 proportionate amount for each professional staff member partici-  
22 pating in a consortium of districts, or of districts and interme-  
23 diate districts, where the legal fiscal agency is another dis-  
24 trict or intermediate district.

25 (7) Funds due under sections 27, 53, 75, 143, and 144 shall  
26 not be counted for purposes of subsection (5).

1 (8) The statewide deductions made under subsection (5) shall  
2 not exceed \$72,093,600.00 in 1990-91, \$36,046,800.00 IN 1991-92,  
3 AND \$0.00 IN 1992-93 AND EACH SUCCEEDING FISCAL YEAR.

4 (9) A tax levied pursuant to section 1356(4) of the school  
5 code of 1976, Act No. 451 of the Public Acts of 1976, being sec-  
6 tion 380.1356 of the Michigan Compiled Laws, for the retirement  
7 of an operating deficit shall be considered levied for operating  
8 purposes in making computations under this section.

9 Sec. 26. (1) For purposes of computations made under this  
10 act, the valuation of a district or intermediate district shall  
11 not include the captured assessed value included in a tax incre-  
12 ment financing plan established within the district or intermedi-  
13 ate district pursuant to Act No. 197 of the Public Acts of 1975,  
14 as amended, being sections 125.1651 to 125.1681 of the Michigan  
15 Compiled Laws, the tax increment finance authority act, Act  
16 No. 450 of the Public Acts of 1980, being sections 125.1801 to  
17 125.1830 of the Michigan Compiled Laws, or the local development  
18 financing act, Act No. 281 of the Public Acts of 1986, being sec-  
19 tions 125.2151 to 125.2174 of the Michigan Compiled Laws, AND  
20 SHALL NOT INCLUDE 50% OF THE COMMERCIAL AND INDUSTRIAL SEV  
21 GROWTH. A district or intermediate district receiving money pur-  
22 suant to section 14 of Act No. 197 of the Public Acts of 1975, as  
23 amended, being section 125.1664 of the Michigan Compiled Laws,  
24 section 13 of Act No. 450 of the Public Acts of 1980, being  
25 section 125.1813 of the Michigan Compiled Laws, or section 12 of  
26 Act No. 281 of the Public Acts of 1986, being section 125.2162 of  
27 the Michigan Compiled Laws, shall have its funds received under



1 section 21(1), 56, or 62 reduced by an amount equal to the added  
2 local money.

3 (2) AS USED IN THIS SECTION, "COMMERCIAL AND INDUSTRIAL SEV  
4 GROWTH" MEANS THAT TERM AS DEFINED IN SECTION 751 OF THE SCHOOL  
5 CODE OF 1976, BEING SECTION 380.751 OF THE MICHIGAN COMPILED  
6 LAWS.

7 Section 2. This amendatory act shall not take effect unless  
8 Senate Bill No. \_\_\_\_\_ or House Bill No. 4267 (request  
9 no. 01633'91) of the 86th Legislature is enacted into law.