

HOUSE BILL No. 6276

September 17, 2002, Introduced by Reps. Toy, Cassis, Newell, Ruth Johnson, Birkholz, Palmer, Woronchak, Voorhees, Vander Veen, Richardville, Ehardt, Cameron Brown, Meyer, Van Woerkom, Rocca, Caul, Pappageorge, DeRossett and Kooiman and referred to the Committee on Tax Policy.

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 2001 PA
121.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 20. (1) For 2000-2001, the basic foundation allowance
2 is \$6,000.00 per membership pupil. For 2001-2002, the basic
3 foundation allowance is \$6,300.00 per membership pupil. For
4 2002-2003, the basic foundation allowance is \$6,700.00 per mem-
5 bership pupil.

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

9 (3) Except as otherwise provided in this section, the amount
10 of a district's foundation allowance shall be calculated as

1 follows, using in all calculations the total amount of the
2 district's foundation allowance as calculated before any
3 proration:

4 (a) Except as otherwise provided in this subsection, for a
5 district that in the immediately preceding state fiscal year had
6 a foundation allowance in an amount at least equal to the amount
7 of the basic foundation allowance for the immediately preceding
8 state fiscal year, the district shall receive a foundation allow-
9 ance in an amount equal to the sum of the district's foundation
10 allowance for the immediately preceding state fiscal year plus
11 the dollar amount of the adjustment from the immediately preced-
12 ing state fiscal year to the current state fiscal year in the
13 basic foundation allowance.

14 (b) For a district that in the 1994-95 state fiscal year had
15 a foundation allowance greater than \$6,500.00, the district's
16 foundation allowance is an amount equal to the sum of the
17 district's foundation allowance for the immediately preceding
18 state fiscal year plus the lesser of the increase in the basic
19 foundation allowance for the current state fiscal year, as com-
20 pared to the immediately preceding state fiscal year, or the pro-
21 duct of the district's foundation allowance for the immediately
22 preceding state fiscal year times the percentage increase in the
23 United States consumer price index in the calendar year ending in
24 the immediately preceding fiscal year as reported by the May rev-
25 enue estimating conference conducted under section 367b of the
26 management and budget act, 1984 PA 431, MCL 18.1367b.

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

4 (d) Beginning in 2002-2003, for a district that receives a
5 payment under section 22c for 2001-2002, the district's 2001-2002
6 foundation allowance shall be considered to have been an amount
7 equal to the sum of the district's actual 2001-2002 foundation
8 allowance as otherwise calculated under this section plus the per
9 pupil amount of the district's equity payment for 2001-2002 under
10 section 22c.

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

1 to \$6,962.00 plus the difference between the district's
2 foundation allowance for the current state fiscal year and the
3 district's foundation allowance for 1998-99, minus the difference
4 between the product of the taxable value per membership pupil of
5 all property in the district that is not a ~~homestead~~ PRINCIPAL
6 RESIDENCE or qualified agricultural property times the lesser of
7 18 mills or the number of mills of school operating taxes levied
8 by the district in 1993-94 and the quotient of the ad valorem
9 property tax revenue of the district captured under 1975 PA 197,
10 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 excluding spe-
15 cial education pupils. For a district that has a millage reduc-
16 tion required under section 31 of article IX of the state consti-
17 tution of 1963, the state portion of the district's foundation
18 allowance shall be calculated as if that reduction did not
19 occur. The \$6,500.00 amount prescribed in this subsection shall
20 be adjusted each year by an amount equal to the dollar amount of
21 the difference between the basic foundation allowance for the
22 current state fiscal year and \$5,000.00. However, beginning in
23 2002-2003, the \$6,500.00 amount prescribed in this subsection
24 shall be adjusted each year by an amount equal to the dollar
25 amount of the difference between the basic foundation allowance
26 for the current state fiscal year and \$5,000.00, minus \$200.00.

1 (5) The allocation calculated under this section for a pupil
2 shall be based on the foundation allowance of the pupil's
3 district of residence. However, for a pupil enrolled pursuant to
4 section 105 or 105c in a district other than the pupil's district
5 of residence, the allocation calculated under this section shall
6 be based on the lesser of the foundation allowance of the pupil's
7 district of residence or the foundation allowance of the educat-
8 ing district. For a pupil in membership in a K-5, K-6, or K-8
9 district who is enrolled in another district in a grade not
10 offered by the pupil's district of residence, the allocation cal-
11 culated under this section shall be based on the foundation
12 allowance of the educating district if the educating district's
13 foundation allowance is greater than the foundation allowance of
14 the pupil's district of residence. The calculation under this
15 subsection shall take into account a district's per pupil alloca-
16 tion under section 20j(2).

17 (6) Subject to subsection (7) and section 22b(4) and except
18 as otherwise provided in this subsection, for pupils in member-
19 ship, other than special education pupils, in a public school
20 academy or a university school, the allocation calculated under
21 this section is an amount per membership pupil other than special
22 education pupils in the public school academy or university
23 school equal to the sum of the local school operating revenue per
24 membership pupil other than special education pupils for the dis-
25 trict in which the public school academy or university school is
26 located and the state portion of that district's foundation
27 allowance, or the sum of the basic foundation allowance under

1 subsection (1) plus \$500.00, whichever is less. However,
2 beginning in 2002-2003, this \$500.00 amount shall instead be
3 \$300.00. Notwithstanding section 101(2), for a public school
4 academy that begins operations in 2000-2001, 2001-2002, or
5 2002-2003, as applicable, after the pupil membership count day,
6 the amount per membership pupil calculated under this subsection
7 shall be adjusted by multiplying that amount per membership pupil
8 by the number of hours of pupil instruction provided by the
9 public school academy after it begins operations, as determined
10 by the department, divided by the minimum number of hours of
11 pupil instruction required under section 1284 of the revised
12 school code, MCL 380.1284. The result of this calculation shall
13 not exceed the amount per membership pupil otherwise calculated
14 under this subsection.

15 (7) If more than 25% of the pupils residing within a dis-
16 trict are in membership in 1 or more public school academies
17 located in the district, then the amount per membership pupil
18 calculated under this section for a public school academy located
19 in the district shall be reduced by an amount equal to the dif-
20 ference between the product of the taxable value per membership
21 pupil of all property in the district that is not a homestead or
22 qualified agricultural property times the lesser of 18 mills or
23 the number of mills of school operating taxes levied by the dis-
24 trict in 1993-94 and the quotient of the ad valorem property tax
25 revenue of the district captured under 1975 PA 197, MCL 125.1651
26 to 125.1681, the tax increment finance authority act, 1980
27 PA 450, MCL 125.1801 to 125.1830, the local development financing

1 act, 1986 PA 281, MCL 125.2151 to 125.2174, or the brownfield
2 redevelopment financing act, 1996 PA 381, MCL 125.2651 to
3 125.2672, divided by the district's membership excluding special
4 education pupils, in the school fiscal year ending in the current
5 state fiscal year, calculated as if the resident pupils in mem-
6 bership in 1 or more public school academies located in the dis-
7 trict were in membership in the district. In order to receive
8 state school aid under this act, a district described in this
9 subsection shall pay to the authorizing body that is the fiscal
10 agent for a public school academy located in the district for
11 forwarding to the public school academy an amount equal to that
12 local school operating revenue per membership pupil for each res-
13 ident pupil in membership other than special education pupils in
14 the public school academy, as determined by the department.

15 (8) If a district does not receive an amount calculated
16 under subsection (9); if the number of mills the district may
17 levy on a ~~homestead~~ PRINCIPAL RESIDENCE and qualified agricul-
18 tural property under section 1211(1) of the revised school code,
19 MCL 380.1211, is 0.5 mills or less; and if the district elects
20 not to levy those mills, the district instead shall receive a
21 separate supplemental amount calculated under this subsection in
22 an amount equal to the amount the district would have received
23 had it levied those mills, as determined by the department of
24 treasury. A district shall not receive a separate supplemental
25 amount calculated under this subsection for a fiscal year unless
26 in the calendar year ending in the fiscal year the district
27 levies 18 mills or the number of mills of school operating taxes

1 levied by the district in 1993, whichever is less, on property
2 that is not a homestead or qualified agricultural property.

3 (9) For a district that had combined state and local revenue
4 per membership pupil in the 1993-94 state fiscal year of more
5 than \$6,500.00 and that had fewer than 350 pupils in membership,
6 if the district elects not to reduce the number of mills from
7 which a homestead and qualified agricultural property are exempt
8 and not to levy school operating taxes on a homestead and quali-
9 fied agricultural property as provided in section 1211(1) of the
10 revised school code, MCL 380.1211, and not to levy school operat-
11 ing taxes on all property as provided in section 1211(2) of the
12 revised school code, MCL 380.1211, there is calculated under this
13 subsection for 1994-95 and each succeeding fiscal year a separate
14 supplemental amount in an amount equal to the amount the district
15 would have received per membership pupil had it levied school
16 operating taxes on a homestead and qualified agricultural prop-
17 erty at the rate authorized for the district under
18 section 1211(1) of the revised school code, MCL 380.1211, and
19 levied school operating taxes on all property at the rate autho-
20 rized for the district under section 1211(2) of the revised
21 school code, MCL 380.1211, as determined by the department of
22 treasury. If in the calendar year ending in the fiscal year a
23 district does not levy 18 mills or the number of mills of school
24 operating taxes levied by the district in 1993, whichever is
25 less, on property that is not a ~~homestead~~ PRINCIPAL RESIDENCE
26 or qualified agricultural property, the amount calculated under
27 this subsection will be reduced by the same percentage as the

1 millage actually levied compares to the 18 mills or the number of
2 mills levied in 1993, whichever is less.

3 (10) For a district that is formed or reconfigured after
4 June 1, 1994 by consolidation of 2 or more districts or by annex-
5 ation, the resulting district's foundation allowance under this
6 section beginning after the effective date of the consolidation
7 or annexation shall be the average of the foundation allowances
8 of each of the original or affected districts, calculated as pro-
9 vided in this section, weighted as to the percentage of pupils in
10 total membership in the resulting district who reside in the geo-
11 graphic area of each of the original districts. If an affected
12 district's foundation allowance is less than the basic foundation
13 allowance, the amount of that district's foundation allowance
14 shall be considered for the purpose of calculations under this
15 subsection to be equal to the amount of the basic foundation
16 allowance.

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

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

24 (13) To assist the legislature in determining the basic
25 foundation allowance for the subsequent state fiscal year, each
26 revenue estimating conference conducted under section 367b of the
27 management and budget act, 1984 PA 431, MCL 18.1367b, shall

1 calculate a pupil membership factor, a revenue adjustment factor,
2 and an index as follows:

3 (a) The pupil membership factor shall be computed by divid-
4 ing the estimated membership in the school year ending in the
5 current state fiscal year, excluding intermediate district mem-
6 bership, by the estimated membership for the school year ending
7 in the subsequent state fiscal year, excluding intermediate dis-
8 trict membership. If a consensus membership factor is not deter-
9 mined at the revenue estimating conference, the principals of the
10 revenue estimating conference shall report their estimates to the
11 house and senate subcommittees responsible for school aid appro-
12 priations not later than 7 days after the conclusion of the reve-
13 nue conference.

14 (b) The revenue adjustment factor shall be computed by
15 dividing the sum of the estimated total state school aid fund
16 revenue for the subsequent state fiscal year plus the estimated
17 total state school aid fund revenue for the current state fiscal
18 year, adjusted for any change in the rate or base of a tax the
19 proceeds of which are deposited in that fund and excluding money
20 transferred into that fund from the countercyclical budget and
21 economic stabilization fund under section 353e of the management
22 and budget act, 1984 PA 431, MCL 18.1353e, by the sum of the
23 estimated total school aid fund revenue for the current state
24 fiscal year plus the estimated total state school aid fund reve-
25 nue for the immediately preceding state fiscal year, adjusted for
26 any change in the rate or base of a tax the proceeds of which are
27 deposited in that fund. If a consensus revenue factor is not

1 determined at the revenue estimating conference, the principals
2 of the revenue estimating conference shall report their estimates
3 to the house and senate subcommittees responsible for school aid
4 appropriations not later than 7 days after the conclusion of the
5 revenue conference.

6 (c) The index shall be calculated by multiplying the pupil
7 membership factor by the revenue adjustment factor. If a consen-
8 sus index is not determined at the revenue estimating conference,
9 the principals of the revenue estimating conference shall report
10 their estimates to the house and senate subcommittees responsible
11 for school aid appropriations not later than 7 days after the
12 conclusion of the revenue conference.

13 (14) If the principals at the revenue estimating conference
14 reach a consensus on the index described in subsection (13)(c),
15 the basic foundation allowance for the subsequent state fiscal
16 year shall be at least the amount of that consensus index multi-
17 plied by the basic foundation allowance specified in subsection
18 (1).

19 (15) If at the January revenue estimating conference it is
20 estimated that pupil membership, excluding intermediate district
21 membership, for the subsequent state fiscal year will be greater
22 than 101% of the pupil membership, excluding intermediate dis-
23 trict membership, for the current state fiscal year, then it is
24 the intent of the legislature that the executive budget proposal
25 for the school aid budget for the subsequent state fiscal year
26 include a general fund/general purpose allocation sufficient to

1 support the membership in excess of 101% of the current year
2 pupil membership.

3 (16) For a district that had combined state and local reve-
4 nue per membership pupil in the 1993-94 state fiscal year of more
5 than \$6,500.00, that had fewer than 7 pupils in membership in the
6 1993-94 state fiscal year, that has at least 1 child educated in
7 the district in the current state fiscal year, and that levies
8 the number of mills of school operating taxes authorized for the
9 district under section 1211 of the revised school code,
10 MCL 380.1211, a minimum amount of combined state and local reve-
11 nue shall be calculated for the district as provided under this
12 subsection. The minimum amount of combined state and local reve-
13 nue for 1999-2000 shall be \$67,000.00 plus the district's addi-
14 tional expenses to educate pupils in grades 9 to 12 educated in
15 other districts as determined and allowed by the department. The
16 minimum amount of combined state and local revenue under this
17 subsection, before adding the additional expenses, shall increase
18 each fiscal year by the same percentage increase as the percen-
19 tage increase in the basic foundation allowance from the immedi-
20 ately preceding fiscal year to the current fiscal year. The
21 state portion of the minimum amount of combined state and local
22 revenue under this subsection shall be calculated by subtracting
23 from the minimum amount of combined state and local revenue under
24 this subsection the sum of the district's local school operating
25 revenue and an amount equal to the product of the sum of the
26 state portion of the district's foundation allowance plus the
27 amount calculated under section 20j times the district's

1 membership. As used in this subsection, "additional expenses"
2 means the district's expenses for tuition or fees, not to exceed
3 \$6,500.00 as adjusted each year by an amount equal to the dollar
4 amount of the difference between the basic foundation allowance
5 for the current state fiscal year and \$5,000.00, plus a room and
6 board stipend not to exceed \$10.00 per school day for each pupil
7 in grades 9 to 12 educated in another district, as approved by
8 the department. However, beginning in 2002-2003, the \$6,500.00
9 amount prescribed in this subsection shall be adjusted each year
10 by an amount equal to the dollar amount of the difference between
11 the basic foundation allowance for the current state fiscal year
12 and \$5,000.00, minus \$200.00.

13 (17) For a district in which 7.75 mills levied in 1992 for
14 school operating purposes in the 1992-93 school year were not
15 renewed in 1993 for school operating purposes in the 1993-94
16 school year, the district's combined state and local revenue per
17 membership pupil shall be recalculated as if that millage reduc-
18 tion did not occur and the district's foundation allowance shall
19 be calculated as if its 1994-95 foundation allowance had been
20 calculated using that recalculated 1993-94 combined state and
21 local revenue per membership pupil as a base. A district is not
22 entitled to any retroactive payments for fiscal years before
23 2000-2001 due to this subsection.

24 (18) Payments to districts, university schools, or public
25 school academies shall not be made under this section. Rather,
26 the calculations under this section shall be used to determine
27 the amount of state payments under section 22b.

1 (19) If an amendment to section 2 of article VIII of the
2 state constitution of 1963 allowing state aid to some or all non-
3 public schools is approved by the voters of this state, each
4 foundation allowance or per pupil payment calculation under this
5 section may be reduced.

6 (20) As used in this section:

7 (a) "Combined state and local revenue" means the aggregate
8 of the district's state school aid received by or paid on behalf
9 of the district under this section and the district's local
10 school operating revenue.

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

14 (c) "Current state fiscal year" means the state fiscal year
15 for which a particular calculation is made.

16 ~~(d) "Homestead" means that term as defined in section 1211~~
17 ~~of the revised school code, MCL 380.1211.~~

18 (D) ~~(e)~~ "Immediately preceding state fiscal year" means
19 the state fiscal year immediately preceding the current state
20 fiscal year.

21 (E) ~~(f)~~ "Local school operating revenue" means school
22 operating taxes levied under section 1211 of the revised school
23 code, MCL 380.1211.

24 (F) ~~(g)~~ "Local school operating revenue per membership
25 pupil" means a district's local school operating revenue divided
26 by the district's membership excluding special education pupils.

1 (G) ~~(h)~~ "Membership" means the definition of that term
2 under section 6 as in effect for the particular fiscal year for
3 which a particular calculation is made.

4 (H) "PRINCIPAL RESIDENCE" MEANS THAT TERM AS DEFINED IN
5 SECTION 70D OF THE GENERAL PROPERTY TAX ACT, 1893 PA 206, MCL
6 211.70D.

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

10 (j) "School operating purposes" means the purposes included
11 in the operation costs of the district as prescribed in
12 sections 7 and 18.

13 (k) "School operating taxes" means local ad valorem property
14 taxes levied under section 1211 of the revised school code,
15 MCL 380.1211, and retained for school operating purposes.

16 (l) "Taxable value per membership pupil" means taxable
17 value, as certified by the department of treasury, for the calen-
18 dar year ending in the current state fiscal year divided by the
19 district's membership excluding special education pupils for the
20 school year ending in the current state fiscal year.

21 Enacting section 1. This amendatory act does not take
22 effect unless Senate Bill No. ____ or House Bill No. 6283
23 (request no. 07067'02) of the 91st Legislature is enacted into
24 law.