

**SUBSTITUTE FOR
SENATE BILL NO. 134**

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 2002
PA 521.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Sec. 20. (1) For 2001-2002, the basic foundation allowance
2 is \$6,300.00 per membership pupil. For 2002-2003 and for
3 2003-2004, the basic foundation allowance is \$6,700.00 per
4 membership pupil.
- 5 (2) The amount of each district's foundation allowance shall
6 be calculated as provided in this section, using a basic
7 foundation 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

1 district's foundation allowance as calculated before any
2 proration:

3 (a) Except as otherwise provided in this subsection, for a
4 district that in the immediately preceding state fiscal year had
5 a foundation allowance in an amount at least equal to the amount
6 of the basic foundation allowance for the immediately preceding
7 state fiscal year, the district shall receive a foundation
8 allowance in an amount equal to the sum of the district's
9 foundation allowance for the immediately preceding state fiscal
10 year plus the dollar amount of the adjustment from the
11 immediately preceding state fiscal year to the current state
12 fiscal year in the basic foundation allowance. However, for
13 2002-2003, the foundation allowance for a district under this
14 subdivision is an amount equal to the sum of the district's
15 foundation allowance for the immediately preceding state fiscal
16 year plus \$200.00.

17 (b) For a district that in the 1994-95 state fiscal year had
18 a foundation allowance greater than \$6,500.00, the district's
19 foundation allowance is an amount equal to the sum of the
20 district's foundation allowance for the immediately preceding
21 state fiscal year plus the lesser of the increase in the basic
22 foundation allowance for the current state fiscal year, as
23 compared to the immediately preceding state fiscal year, or the
24 product of the district's foundation allowance for the
25 immediately preceding state fiscal year times the percentage
26 increase in the United States consumer price index in the
27 calendar year ending in the immediately preceding fiscal year as

1 reported by the May revenue estimating conference conducted under
2 section 367b of the management and budget act, 1984 PA 431,
3 MCL 18.1367b. For 2002-2003, for a district that in the 1994-95
4 state fiscal year had a foundation allowance greater than
5 \$6,500.00, the district's foundation allowance is an amount equal
6 to the sum of the district's foundation allowance for the
7 immediately preceding state fiscal year plus the lesser of
8 \$200.00 or the product of the district's foundation allowance for
9 the immediately preceding state fiscal year times the percentage
10 increase in the United States consumer price index in the
11 calendar year ending in the immediately preceding fiscal year as
12 reported by the May revenue estimating conference conducted under
13 section 367b of the management and budget act, 1984 PA 431,
14 MCL 18.1367b.

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

18 (d) Beginning in 2002-2003, for a district that receives a
19 payment under **former** section 22c for 2001-2002, the district's
20 2001-2002 foundation allowance shall be considered to have been
21 an amount equal to the sum of the district's actual 2001-2002
22 foundation allowance as otherwise calculated under this section
23 plus the per pupil amount of the district's equity payment for
24 2001-2002 under **former** section 22c.

25 (4) Except as otherwise provided in this subsection, the
26 state portion of a district's foundation allowance is an amount
27 equal to the district's foundation allowance or \$6,500.00,

1 whichever is less, minus the difference between the product of
2 the taxable value per membership pupil of all property in the
3 district that is not a ~~homestead~~ **principal residence** or
4 qualified agricultural property times the lesser of 18 mills or
5 the number of mills of school operating taxes levied by the
6 district in 1993-94 and the quotient of the ad valorem property
7 tax revenue of the district captured under 1975 PA 197,
8 MCL 125.1651 to 125.1681, the tax increment finance authority
9 act, 1980 PA 450, MCL 125.1801 to 125.1830, the local development
10 financing act, 1986 PA 281, MCL 125.2151 to 125.2174, or the
11 brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651
12 to 125.2672, divided by the district's membership excluding
13 special education pupils. For a district described in subsection
14 (3)(b), the state portion of the district's foundation allowance
15 is an amount equal to \$6,962.00 plus the difference between the
16 district's foundation allowance for the current state fiscal year
17 and the district's foundation allowance for 1998-99, minus the
18 difference between the product of the taxable value per
19 membership pupil of all property in the district that is not a
20 ~~homestead~~ **principal residence** or qualified agricultural
21 property times the lesser of 18 mills or the number of mills of
22 school operating taxes levied by the district in 1993-94 and the
23 quotient of the ad valorem property tax revenue of the district
24 captured under 1975 PA 197, MCL 125.1651 to 125.1681, the tax
25 increment finance authority act, 1980 PA 450, MCL 125.1801 to
26 125.1830, the local development financing act, 1986 PA 281,
27 MCL 125.2151 to 125.2174, or the brownfield redevelopment

1 financing act, 1996 PA 381, MCL 125.2651 to 125.2672, divided by
2 the district's membership excluding special education pupils.
3 For a district that has a millage reduction required under
4 section 31 of article IX of the state constitution of 1963, the
5 state portion of the district's foundation allowance shall be
6 calculated as if that reduction did not occur. The \$6,500.00
7 amount prescribed in this subsection shall be adjusted each year
8 by an amount equal to the dollar amount of the difference between
9 the basic foundation allowance for the current state fiscal year
10 and \$5,000.00. However, beginning in 2002-2003, the \$6,500.00
11 amount prescribed in this subsection shall be adjusted each year
12 by an amount equal to the dollar amount of the difference between
13 the basic foundation allowance for the current state fiscal year
14 and \$5,000.00, minus \$200.00.

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

1 the pupil's district of residence. The calculation under this
2 subsection shall take into account a district's per pupil
3 allocation under section 20j(2).

4 (6) Subject to subsection (7) and section 22b(3) and except
5 as otherwise provided in this subsection, for pupils in
6 membership, other than special education pupils, in a public
7 school academy or a university school, the allocation calculated
8 under this section is an amount per membership pupil other than
9 special education pupils in the public school academy or
10 university school equal to the sum of the local school operating
11 revenue per membership pupil other than special education pupils
12 for the district in which the public school academy or university
13 school is located and the state portion of that district's
14 foundation allowance, or the sum of the basic foundation
15 allowance under subsection (1) plus \$500.00, whichever is less.
16 However, beginning in 2002-2003, this \$500.00 amount shall
17 instead be \$300.00. Notwithstanding section 101(2), for a public
18 school academy that begins operations in 2001-2002, 2002-2003, or
19 2003-2004, as applicable, after the pupil membership count day,
20 the amount per membership pupil calculated under this subsection
21 shall be adjusted by multiplying that amount per membership pupil
22 by the number of hours of pupil instruction provided by the
23 public school academy after it begins operations, as determined
24 by the department, divided by the minimum number of hours of
25 pupil instruction required under section 101(3). The result of
26 this calculation shall not exceed the amount per membership pupil
27 otherwise calculated under this subsection.

1 (7) If more than 25% of the pupils residing within a district
2 are in membership in 1 or more public school academies located in
3 the district, then the amount per membership pupil calculated
4 under this section for a public school academy located in the
5 district shall be reduced by an amount equal to the difference
6 between the product of the taxable value per membership pupil of
7 all property in the district that is not a ~~homestead~~ **principal**
8 **residence** or qualified agricultural property times the lesser of
9 18 mills or the number of mills of school operating taxes levied
10 by the district in 1993-94 and the quotient of the ad valorem
11 property tax revenue of the district captured under 1975 PA 197,
12 MCL 125.1651 to 125.1681, the tax increment finance authority
13 act, 1980 PA 450, MCL 125.1801 to 125.1830, the local development
14 financing act, 1986 PA 281, MCL 125.2151 to 125.2174, or the
15 brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651
16 to 125.2672, divided by the district's membership excluding
17 special education pupils, in the school fiscal year ending in the
18 current state fiscal year, calculated as if the resident pupils
19 in membership in 1 or more public school academies located in the
20 district were in membership in the district. In order to receive
21 state school aid under this act, a district described in this
22 subsection shall pay to the authorizing body that is the fiscal
23 agent for a public school academy located in the district for
24 forwarding to the public school academy an amount equal to that
25 local school operating revenue per membership pupil for each
26 resident pupil in membership other than special education pupils
27 in the public school academy, as determined by the department.

1 (8) If a district does not receive an amount calculated under
2 subsection (9); if the number of mills the district may levy on a
3 ~~homestead~~ **principal residence** and qualified agricultural
4 property under section 1211(1) of the revised school code,
5 MCL 380.1211, is 0.5 mills or less; and if the district elects
6 not to levy those mills, the district instead shall receive a
7 separate supplemental amount calculated under this subsection in
8 an amount equal to the amount the district would have received
9 had it levied those mills, as determined by the department of
10 treasury. A district shall not receive a separate supplemental
11 amount calculated under this subsection for a fiscal year unless
12 in the calendar year ending in the fiscal year the district
13 levies 18 mills or the number of mills of school operating taxes
14 levied by the district in 1993, whichever is less, on property
15 that is not a ~~homestead~~ **principal residence** or qualified
16 agricultural property.

17 (9) For a district that had combined state and local revenue
18 per membership pupil in the 1993-94 state fiscal year of more
19 than \$6,500.00 and that had fewer than 350 pupils in membership,
20 if the district elects not to reduce the number of mills from
21 which a ~~homestead~~ **principal residence** and qualified
22 agricultural property are exempt and not to levy school operating
23 taxes on a ~~homestead~~ **principal residence** and qualified
24 agricultural property as provided in section 1211(1) of the
25 revised school code, MCL 380.1211, and not to levy school
26 operating taxes on all property as provided in section 1211(2) of
27 the revised school code, MCL 380.1211, there is calculated under

1 this subsection for 1994-95 and each succeeding fiscal year a
2 separate supplemental amount in an amount equal to the amount the
3 district would have received per membership pupil had it levied
4 school operating taxes on a ~~homestead~~ **principal residence** and
5 qualified agricultural property at the rate authorized for the
6 district under section 1211(1) of the revised school code,
7 MCL 380.1211, and levied school operating taxes on all property
8 at the rate authorized for the district under section 1211(2) of
9 the revised school code, MCL 380.1211, as determined by the
10 department of treasury. If in the calendar year ending in the
11 fiscal year a district does not levy 18 mills or the number of
12 mills of school operating taxes levied by the district in 1993,
13 whichever is less, on property that is not a ~~homestead~~
14 **principal residence** or qualified agricultural property, the
15 amount calculated under this subsection will be reduced by the
16 same percentage as the millage actually levied compares to the 18
17 mills or the number of mills levied in 1993, whichever is less.

18 (10) For a district that is formed or reconfigured after
19 June 1, 2002 by consolidation of 2 or more districts or by
20 annexation, the resulting district's foundation allowance under
21 this section beginning after the effective date of the
22 consolidation or annexation shall be the lesser of an amount
23 equal to the sum of the highest foundation allowance, as
24 calculated under this section, among the original or affected
25 districts plus \$50.00 or an amount equal to \$6,500.00 adjusted by
26 the dollar amount of the difference between the basic foundation
27 allowance under this section for the current state fiscal year

1 and \$5,000.00. However, beginning in 2002-2003, the \$6,500.00
2 amount prescribed in this subsection shall be adjusted each year
3 by an amount equal to the dollar amount of the difference between
4 the basic foundation allowance for the current state fiscal year
5 and \$5,000.00, minus \$200.00.

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

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

13 (13) To assist the legislature in determining the basic
14 foundation allowance for the subsequent state fiscal year, each
15 revenue estimating conference conducted under section 367b of the
16 management and budget act, 1984 PA 431, MCL 18.1367b, shall
17 calculate a pupil membership factor, a revenue adjustment factor,
18 and an index as follows:

19 (a) The pupil membership factor shall be computed by dividing
20 the estimated membership in the school year ending in the current
21 state fiscal year, excluding intermediate district membership, by
22 the estimated membership for the school year ending in the
23 subsequent state fiscal year, excluding intermediate district
24 membership. If a consensus membership factor is not determined
25 at the revenue estimating conference, the principals of the
26 revenue estimating conference shall report their estimates to the
27 house and senate subcommittees responsible for school aid

1 appropriations not later than 7 days after the conclusion of the
2 revenue conference.

3 (b) The revenue adjustment factor shall be computed by
4 dividing the sum of the estimated total state school aid fund
5 revenue for the subsequent state fiscal year plus the estimated
6 total state school aid fund revenue for the current state fiscal
7 year, adjusted for any change in the rate or base of a tax the
8 proceeds of which are deposited in that fund and excluding money
9 transferred into that fund from the countercyclical budget and
10 economic stabilization fund under section 353e of the management
11 and budget act, 1984 PA 431, MCL 18.1353e, by the sum of the
12 estimated total school aid fund revenue for the current state
13 fiscal year plus the estimated total state school aid fund
14 revenue for the immediately preceding state fiscal year, adjusted
15 for any change in the rate or base of a tax the proceeds of which
16 are deposited in that fund. If a consensus revenue factor is not
17 determined at the revenue estimating conference, the principals
18 of the revenue estimating conference shall report their estimates
19 to the house and senate subcommittees responsible for school aid
20 appropriations not later than 7 days after the conclusion of the
21 revenue conference.

22 (c) The index shall be calculated by multiplying the pupil
23 membership factor by the revenue adjustment factor. If a
24 consensus index is not determined at the revenue estimating
25 conference, the principals of the revenue estimating conference
26 shall report their estimates to the house and senate
27 subcommittees responsible for school aid appropriations not later

1 than 7 days after the conclusion of the revenue conference.

2 (14) If the principals at the revenue estimating conference
3 reach a consensus on the index described in subsection (13)(c),
4 the basic foundation allowance for the subsequent state fiscal
5 year shall be at least the amount of that consensus index
6 multiplied by the basic foundation allowance specified in
7 subsection (1).

8 (15) If at the January revenue estimating conference it is
9 estimated that pupil membership, excluding intermediate district
10 membership, for the subsequent state fiscal year will be greater
11 than 101% of the pupil membership, excluding intermediate
12 district membership, for the current state fiscal year, then it
13 is the intent of the legislature that the executive budget
14 proposal for the school aid budget for the subsequent state
15 fiscal year include a general fund/general purpose allocation
16 sufficient to support the membership in excess of 101% of the
17 current year pupil membership.

18 (16) For a district that had combined state and local revenue
19 per membership pupil in the 1993-94 state fiscal year of more
20 than \$6,500.00, that had fewer than 7 pupils in membership in the
21 1993-94 state fiscal year, that has at least 1 child educated in
22 the district in the current state fiscal year, and that levies
23 the number of mills of school operating taxes authorized for the
24 district under section 1211 of the revised school code,
25 MCL 380.1211, a minimum amount of combined state and local
26 revenue shall be calculated for the district as provided under
27 this subsection. The minimum amount of combined state and local

1 revenue for 1999-2000 shall be \$67,000.00 plus the district's
2 additional expenses to educate pupils in grades 9 to 12 educated
3 in other districts as determined and allowed by the department.
4 The minimum amount of combined state and local revenue under this
5 subsection, before adding the additional expenses, shall increase
6 each fiscal year by the same percentage increase as the
7 percentage increase in the basic foundation allowance from the
8 immediately preceding fiscal year to the current fiscal year.
9 The state portion of the minimum amount of combined state and
10 local revenue under this subsection shall be calculated by
11 subtracting from the minimum amount of combined state and local
12 revenue under this subsection the sum of the district's local
13 school operating revenue and an amount equal to the product of
14 the sum of the state portion of the district's foundation
15 allowance plus the amount calculated under section 20j times the
16 district's membership. As used in this subsection, "additional
17 expenses" means the district's expenses for tuition or fees, not
18 to exceed \$6,500.00 as adjusted each year by an amount equal to
19 the dollar amount of the difference between the basic foundation
20 allowance for the current state fiscal year and \$5,000.00, plus a
21 room and board stipend not to exceed \$10.00 per school day for
22 each pupil in grades 9 to 12 educated in another district, as
23 approved by the department. However, beginning in 2002-2003, the
24 \$6,500.00 amount prescribed in this subsection shall be adjusted
25 each year by an amount equal to the dollar amount of the
26 difference between the basic foundation allowance for the current
27 state fiscal year and \$5,000.00, minus \$200.00.

1 (17) For a district in which 7.75 mills levied in 1992 for
2 school operating purposes in the 1992-93 school year were not
3 renewed in 1993 for school operating purposes in the 1993-94
4 school year, the district's combined state and local revenue per
5 membership pupil shall be recalculated as if that millage
6 reduction did not occur and the district's foundation allowance
7 shall be calculated as if its 1994-95 foundation allowance had
8 been calculated using that recalculated 1993-94 combined state
9 and local revenue per membership pupil as a base. A district is
10 not entitled to any retroactive payments for fiscal years before
11 2000-2001 due to this subsection.

12 (18) For a district in which an industrial facilities
13 exemption certificate that abated taxes on property with a state
14 equalized valuation greater than the total state equalized
15 valuation of the district at the time the certificate was issued
16 or \$700,000,000.00, whichever is greater, was issued under 1974
17 PA 198, MCL 207.551 to 207.572, before the calculation of the
18 district's 1994-95 foundation allowance, the district's
19 foundation allowance for 2002-2003 is an amount equal to the sum
20 of the district's foundation allowance for 2002-2003, as
21 otherwise calculated under this section, plus \$250.00.

22 (19) For a district that received a grant under former
23 section 32e for 2001-2002, the district's foundation allowance
24 for 2002-2003 shall be adjusted to be an amount equal to the sum
25 of the district's foundation allowance, as otherwise calculated
26 under this section, plus the quotient of the amount of the grant
27 award to the district for 2001-2002 under former section 32e

1 divided by the district's membership for 2001-2002. A district
2 qualifying for a foundation allowance adjustment under this
3 section shall use the funds resulting from this adjustment for
4 purposes allowable under former section 32e as in effect for
5 2001-2002.

6 (20) For a district that is a qualifying school district with
7 a school reform board in place under part 5a of the revised
8 school code, MCL 380.371 to 380.376, the district's foundation
9 allowance for 2002-2003 shall be adjusted to be an amount equal
10 to the sum of the district's foundation allowance, as otherwise
11 calculated under this section, plus the quotient of
12 \$15,000,000.00 divided by the district's membership for
13 2002-2003. If a district ceases to meet the requirements of this
14 subsection, the department shall adjust the district's foundation
15 allowance in effect at that time based on a 2002-2003 foundation
16 allowance for the district that does not include the 2002-2003
17 adjustment under this subsection.

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

22 (22) If an amendment to section 2 of article VIII of the
23 state constitution of 1963 allowing state aid to some or all
24 nonpublic schools is approved by the voters of this state, each
25 foundation allowance or per pupil payment calculation under this
26 section may be reduced.

27 (23) As used in this section:

1 (a) "Combined state and local revenue" means the aggregate of
2 the district's state school aid received by or paid on behalf of
3 the district under this section and the district's local school
4 operating revenue.

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

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

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

12 (d) ~~-(e)-~~ "Immediately preceding state fiscal year" means the
13 state fiscal year immediately preceding the current state fiscal
14 year.

15 (e) ~~-(f)-~~ "Local school operating revenue" means school
16 operating taxes levied under section 1211 of the revised school
17 code, MCL 380.1211.

18 (f) ~~-(g)-~~ "Local school operating revenue per membership
19 pupil" means a district's local school operating revenue divided
20 by the district's membership excluding special education pupils.

21 (g) ~~-(h)-~~ "Membership" means the definition of that term
22 under section 6 as in effect for the particular fiscal year for
23 which a particular calculation is made.

24 ~~(i) "Qualified agricultural property" means that term as~~
25 ~~defined in section 1211 of the revised school code,~~
26 ~~MCL 380.1211.~~

27 (h) "Principal residence" and "qualified agricultural

1 property" mean those terms as defined in section 7dd of the
2 general property tax act, 1893 PA 206, MCL 211.7dd.

3 (i) ~~-(j)-~~ "School operating purposes" means the purposes
4 included in the operation costs of the district as prescribed in
5 sections 7 and 18.

6 (j) ~~-(k)-~~ "School operating taxes" means local ad valorem
7 property taxes levied under section 1211 of the revised school
8 code, MCL 380.1211, and retained for school operating purposes.

9 (k) ~~-(l)-~~ "Taxable value per membership pupil" means taxable
10 value, as certified by the department of treasury, for the
11 calendar year ending in the current state fiscal year divided by
12 the district's membership excluding special education pupils for
13 the school year ending in the current state fiscal year.

14 Enacting section 1. This amendatory act takes effect
15 January 1, 2004.

16 Enacting section 2. This amendatory act does not take
17 effect unless Senate Bill No. 133 of the 92nd Legislature is
18 enacted into law.