

HOUSE BILL No. 5058

September 23, 2003, Introduced by Rep. Condino and referred to the Committee on Education.

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 2003 PA
158.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 20. (1) For 2002-2003 and for 2003-2004, the basic
2 foundation allowance is \$6,700.00 per membership pupil.

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

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

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

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

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

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

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

23 (4) Except as otherwise provided in this subsection, the
24 state portion of a district's foundation allowance is an amount
25 equal to the district's foundation allowance or \$6,500.00,
26 whichever is less, minus the difference between the product of
27 the taxable value per membership pupil of all property in the

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

1 millage reduction required under section 31 of article IX of the
2 state constitution of 1963, the state portion of the district's
3 foundation allowance shall be calculated as if that reduction did
4 not occur. The \$6,500.00 amount prescribed in this subsection
5 shall be adjusted each year by an amount equal to the dollar
6 amount of the difference between the basic foundation allowance
7 for the current state fiscal year and \$5,000.00, minus \$200.00.

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

24 (6) Subject to subsection (7) and section 22b(3) and except
25 as otherwise provided in this subsection, for pupils in
26 membership, other than special education pupils, in a public
27 school academy or a university school, the allocation calculated

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

20 (7) If more than 25% of the pupils residing within a district
21 are in membership in 1 or more public school academies located in
22 the district, then the amount per membership pupil calculated
23 under this section for a public school academy located in the
24 district shall be reduced by an amount equal to the difference
25 between the product of the taxable value per membership pupil of
26 all property in the district that is not a principal residence or
27 qualified agricultural property times the lesser of 18 mills or

1 the number of mills of school operating taxes levied by the
2 district in 1993-94 and the quotient of the ad valorem property
3 tax revenue of the district captured under 1975 PA 197,
4 MCL 125.1651 to 125.1681, the tax increment finance authority
5 act, 1980 PA 450, MCL 125.1801 to 125.1830, the local development
6 financing act, 1986 PA 281, MCL 125.2151 to 125.2174, or the
7 brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651
8 to 125.2672, divided by the district's membership excluding
9 special education pupils, in the school fiscal year ending in the
10 current state fiscal year, calculated as if the resident pupils
11 in membership in 1 or more public school academies located in the
12 district were in membership in the district. In order to receive
13 state school aid under this act, a district described in this
14 subsection shall pay to the authorizing body that is the fiscal
15 agent for a public school academy located in the district for
16 forwarding to the public school academy an amount equal to that
17 local school operating revenue per membership pupil for each
18 resident pupil in membership other than special education pupils
19 in the public school academy, as determined by the department.

20 (8) If a district does not receive an amount calculated under
21 subsection (9); if the number of mills the district may levy on a
22 principal residence and qualified agricultural property under
23 section 1211(1) of the revised school code, MCL 380.1211, is 0.5
24 mills or less; and if the district elects not to levy those
25 mills, the district instead shall receive a separate supplemental
26 amount calculated under this subsection in an amount equal to the
27 amount the district would have received had it levied those

1 mills, as determined by the department of treasury. A district
2 shall not receive a separate supplemental amount calculated under
3 this subsection for a fiscal year unless in the calendar year
4 ending in the fiscal year the district levies 18 mills or the
5 number of mills of school operating taxes levied by the district
6 in 1993, whichever is less, on property that is not a principal
7 residence or qualified agricultural property.

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

1 year ending in the fiscal year a district does not levy 18 mills
2 or the number of mills of school operating taxes levied by the
3 district in 1993, whichever is less, on property that is not a
4 principal residence or qualified agricultural property, the
5 amount calculated under this subsection will be reduced by the
6 same percentage as the millage actually levied compares to the 18
7 mills or the number of mills levied in 1993, whichever is less.

8 (10) For those districts that levied school operating taxes
9 uniformly on all property as provided in section 1211(2) of the
10 revised school code, MCL 380.1211, for the 2002-2003 fiscal year,
11 the district may elect not to levy the mills it could have levied
12 for school operating purposes as provided in section 1211(2) of
13 the revised school code, MCL 380.1211, for the 2003-2004 fiscal
14 year and subsequent fiscal years. If the district makes this
15 election, the district shall instead receive for 2003-2004 and
16 each succeeding fiscal year a separate supplemental payment
17 calculated under this subsection in an amount equal to the amount
18 the district would have received per membership pupil in
19 2003-2004 and each succeeding fiscal year had it levied school
20 operating taxes on all property at the millage rate authorized to
21 be levied for the district for that fiscal year under
22 section 1211(2) of the revised school code, MCL 380.1211, or the
23 millage rate the district actually levied for the 2002-2003
24 fiscal year under section 1211(2) of the revised school code, MCL
25 380.1211, whichever is less, as determined by the department of
26 treasury.

27 (11) ~~-(10)-~~ Subject to subsection (4), for a district that is

1 formed or reconfigured after June 1, 2002 by consolidation of 2
2 or more districts or by annexation, the resulting district's
3 foundation allowance under this section beginning after the
4 effective date of the consolidation or annexation shall be the
5 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
8 the resulting district who reside in the geographic area of each
9 of the original or affected districts.

10 (12) ~~-(11)-~~ Each fraction used in making calculations under
11 this section shall be rounded to the fourth decimal place and the
12 dollar amount of an increase in the basic foundation allowance
13 shall be rounded to the nearest whole dollar.

14 (13) ~~-(12)-~~ State payments related to payment of the
15 foundation allowance for a special education pupil are not
16 calculated under this section but are instead calculated under
17 section 51a.

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

24 (a) The pupil membership factor shall be computed by dividing
25 the estimated membership in the school year ending in the current
26 state fiscal year, excluding intermediate district membership, by
27 the estimated membership for the school year ending in the

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

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

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

1 membership factor by the revenue adjustment factor. However, for
2 2003-2004 only, the index shall be 1.00. If a consensus index is
3 not determined at the revenue estimating conference, the
4 principals of the revenue estimating conference shall report
5 their estimates to the house and senate subcommittees responsible
6 for school aid appropriations not later than 7 days after the
7 conclusion of the revenue conference.

8 **(15)** ~~—(14)—~~ If the principals at the revenue estimating
9 conference reach a consensus on the index described in subsection
10 ~~—(13)(e)—~~ **(14)(c)**, the basic foundation allowance for the
11 subsequent state fiscal year shall be at least the amount of that
12 consensus index multiplied by the basic foundation allowance
13 specified in subsection (1).

14 **(16)** ~~—(15)—~~ If at the January revenue estimating conference
15 it is estimated that pupil membership, excluding intermediate
16 district membership, for the subsequent state fiscal year will be
17 greater than 101% of the pupil membership, excluding intermediate
18 district membership, for the current state fiscal year, then it
19 is the intent of the legislature that the executive budget
20 proposal for the school aid budget for the subsequent state
21 fiscal year include a general fund/general purpose allocation
22 sufficient to support the membership in excess of 101% of the
23 current year pupil membership.

24 **(17)** ~~—(16)—~~ For a district that had combined state and local
25 revenue per membership pupil in the 1993-94 state fiscal year of
26 more than \$6,500.00, that had fewer than 7 pupils in membership
27 in the 1993-94 state fiscal year, that has at least 1 child

1 educated in the district in the current state fiscal year, and
2 that levies the number of mills of school operating taxes
3 authorized for the district under section 1211 of the revised
4 school code, MCL 380.1211, a minimum amount of combined state and
5 local revenue shall be calculated for the district as provided
6 under this subsection. The minimum amount of combined state and
7 local revenue for 1999-2000 shall be \$67,000.00 plus the
8 district's additional expenses to educate pupils in grades 9 to
9 12 educated in other districts as determined and allowed by the
10 department. The minimum amount of combined state and local
11 revenue under this subsection, before adding the additional
12 expenses, shall increase each fiscal year by the same percentage
13 increase as the percentage increase in the basic foundation
14 allowance from the immediately preceding fiscal year to the
15 current fiscal year. The state portion of the minimum amount of
16 combined state and local revenue under this subsection shall be
17 calculated by subtracting from the minimum amount of combined
18 state and local revenue under this subsection the sum of the
19 district's local school operating revenue and an amount equal to
20 the product of the sum of the state portion of the district's
21 foundation allowance plus the amount calculated under section 20j
22 times the district's membership. As used in this subsection,
23 "additional expenses" means the district's expenses for tuition
24 or fees, not to exceed \$6,500.00 as adjusted each year by an
25 amount equal to the dollar amount of the difference between the
26 basic foundation allowance for the current state fiscal year and
27 \$5,000.00, minus \$200.00, plus a room and board stipend not to

1 exceed \$10.00 per school day for each pupil in grades 9 to 12
2 educated in another district, as approved by the department.

3 **(18)** ~~—(17)—~~ For a district in which 7.75 mills levied in 1992
4 for school operating purposes in the 1992-93 school year were not
5 renewed in 1993 for school operating purposes in the 1993-94
6 school year, the district's combined state and local revenue per
7 membership pupil shall be recalculated as if that millage
8 reduction did not occur and the district's foundation allowance
9 shall be calculated as if its 1994-95 foundation allowance had
10 been calculated using that recalculated 1993-94 combined state
11 and local revenue per membership pupil as a base. A district is
12 not entitled to any retroactive payments for fiscal years before
13 2000-2001 due to this subsection.

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

24 **(20)** ~~—(19)—~~ For a district that received a grant under former
25 section 32e for 2001-2002, the district's foundation allowance
26 for 2002-2003 shall be adjusted to be an amount equal to the sum
27 of the district's foundation allowance, as otherwise calculated

1 under this section, plus the quotient of the amount of the grant
2 award to the district for 2001-2002 under former section 32e
3 divided by the district's membership for 2001-2002, and the
4 district's foundation allowance for 2003-2004 shall be adjusted
5 to be an amount equal to the sum of the district's foundation
6 allowance, as otherwise calculated under this section, plus the
7 quotient of 100% of the amount of the grant award to the district
8 for 2001-2002 under former section 32e divided by the district's
9 membership for 2001-2002. Except as otherwise provided in this
10 subsection, a district qualifying for a foundation allowance
11 adjustment under this subsection shall use the funds resulting
12 from this adjustment for at least 1 of grades K to 3 for purposes
13 allowable under former section 32e as in effect for 2001-2002.
14 For an individual school or schools operated by a district
15 qualifying for a foundation allowance under this subsection that
16 have been determined by the department to meet the adequate
17 yearly progress standards of the federal no child left behind act
18 of 2001, Public Law 107-110, 115 Stat. 1425, in both mathematics
19 and English language arts at all applicable grade levels for all
20 applicable subgroups, the district may submit to the department
21 an application for flexibility in using the funds resulting from
22 this adjustment that are attributable to the pupils in the school
23 or schools. The application shall identify the affected school
24 or schools and the affected funds and shall contain a plan for
25 using the funds for specific purposes identified by the district
26 that are designed to reduce class size, but that may be different
27 from the purposes otherwise allowable under this subsection. The

1 department shall approve the application if the department
2 determines that the purposes identified in the plan are
3 reasonably designed to reduce class size. If the department does
4 not act to approve or disapprove an application within 30 days
5 after it is submitted to the department, the application is
6 considered to be approved. If an application for flexibility in
7 using the funds is approved, the district may use the funds
8 identified in the application for any purpose identified in the
9 plan.

10 **(21)** ~~—(20)—~~ For a district that is a qualifying school
11 district with a school reform board in place under part 5a of the
12 revised school code, MCL 380.371 to 380.376, the district's
13 foundation allowance for 2002-2003 shall be adjusted to be an
14 amount equal to the sum of the district's foundation allowance,
15 as otherwise calculated under this section, plus the quotient of
16 \$15,000,000.00 divided by the district's membership for
17 2002-2003. If a district ceases to meet the requirements of this
18 subsection, the department shall adjust the district's foundation
19 allowance in effect at that time based on a 2002-2003 foundation
20 allowance for the district that does not include the 2002-2003
21 adjustment under this subsection.

22 **(22)** ~~—(21)—~~ Payments to districts, university schools, or
23 public school academies shall not be made under this section.
24 Rather, the calculations under this section shall be used to
25 determine the amount of state payments under section 22b.

26 **(23)** ~~—(22)—~~ If an amendment to section 2 of article VIII of
27 the state constitution of 1963 allowing state aid to some or all

1 nonpublic schools is approved by the voters of this state, each
2 foundation allowance or per pupil payment calculation under this
3 section may be reduced.

4 **(24)** ~~—(23)—~~ As used in this section:

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

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

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

14 (d) "Immediately preceding state fiscal year" means the state
15 fiscal year immediately preceding the current state fiscal year.

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

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

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

25 (h) "Principal residence" and "qualified agricultural
26 property" mean those terms as defined in section 7dd of the
27 general property tax act, 1893 PA 206, MCL 211.7dd.

1 (i) "School operating purposes" means the purposes included
2 in the operation costs of the district as prescribed in
3 sections 7 and 18.

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

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