

HOUSE BILL No. 4495

March 15, 2005, Introduced by Reps. Dillon, Stewart, Miller, Leland, Kehrl, Gleason, Polidori, Mayes, Meisner, Clemente and Waters and referred to the Committee on Appropriations.

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 2004 PA 351.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 20. (1) For ~~2003-2004 and for~~ 2004-2005, 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 foundation
5 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 proration:

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

14 (b) For a district that in the 1994-95 state fiscal year had a
15 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 state
18 fiscal year plus the lesser of the increase in the basic foundation
19 allowance for the current state fiscal year, as compared to the
20 immediately preceding state fiscal year, or the product of the
21 district's foundation allowance for the immediately preceding state
22 fiscal year times the percentage increase in the United States
23 consumer price index in the calendar year ending in the immediately
24 preceding fiscal year as reported by the May revenue estimating
25 conference conducted under section 367b of the management and
26 budget act, 1984 PA 431, MCL 18.1367b. For 2002-2003, for a
27 district that in the 1994-95 state fiscal year had a foundation

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

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

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

21 (4) Except as otherwise provided in this subsection, the state
22 portion of a district's foundation allowance is an amount equal to
23 the district's foundation allowance or \$6,500.00, whichever is
24 less, minus the difference between the product of the taxable value
25 per membership pupil of all property in the district that is not a
26 principal residence or qualified agricultural property times the
27 lesser of 18 mills or the number of mills of school operating taxes

1 levied by the district in 1993-94 and the quotient of the ad
2 valorem property tax revenue of the district captured under 1975 PA
3 197, MCL 125.1651 to 125.1681, the tax increment finance authority
4 act, 1980 PA 450, MCL 125.1801 to 125.1830, the local development
5 financing act, 1986 PA 281, MCL 125.2151 to 125.2174, or the
6 brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651
7 to 125.2672, divided by the district's membership excluding special
8 education pupils. For a district described in subsection (3)(b),
9 the state portion of the district's foundation allowance is an
10 amount equal to \$6,962.00 plus the difference between the
11 district's foundation allowance for the current state fiscal year
12 and the district's foundation allowance for 1998-99, minus the
13 difference between the product of the taxable value per membership
14 pupil of all property in the district that is not a principal
15 residence or qualified agricultural property times the lesser of 18
16 mills or the number of mills of school operating taxes levied by
17 the district in 1993-94 and the quotient of the ad valorem property
18 tax revenue of the district captured under 1975 PA 197, MCL
19 125.1651 to 125.1681, the tax increment finance authority act, 1980
20 PA 450, MCL 125.1801 to 125.1830, the local development financing
21 act, 1986 PA 281, MCL 125.2151 to 125.2174, or the brownfield
22 redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2672,
23 divided by the district's membership excluding special education
24 pupils. For a district that has a millage reduction required under
25 section 31 of article IX of the state constitution of 1963, the
26 state portion of the district's foundation allowance shall be
27 calculated as if that reduction did not occur. The \$6,500.00 amount

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

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

25 (6) Subject to subsection (7) and section 22b(3) and except as
26 otherwise provided in this subsection, for pupils in membership **IN**
27 **GRADES 9 TO 12**, other than special education pupils, in a public

1 school academy or a university school, the allocation calculated
 2 under this section is an amount per **EACH OF THOSE** membership pupil
 3 ~~other than special education pupils in the public school academy or~~
 4 ~~university school~~ **PUPILS** equal to **1.2 TIMES** the sum of the local
 5 school operating revenue per membership pupil other than special
 6 education pupils for the district in which the public school
 7 academy or university school is located and the state portion of
 8 that district's foundation allowance, or the sum of the basic
 9 foundation allowance under subsection (1) plus \$300.00, whichever
 10 is less, **AND FOR PUPILS IN MEMBERSHIP IN GRADES K TO 8, OTHER THAN**
 11 **SPECIAL EDUCATION PUPILS, IN A PUBLIC SCHOOL ACADEMY OR UNIVERSITY**
 12 **SCHOOL, THE ALLOCATION CALCULATED UNDER THIS SECTION IS AN AMOUNT**
 13 **PER EACH OF THOSE MEMBERSHIP PUPILS EQUAL TO .8 TIMES THE SUM OF**
 14 **THE LOCAL SCHOOL OPERATING REVENUE PER MEMBERSHIP PUPIL OTHER THAN**
 15 **SPECIAL EDUCATION PUPILS FOR THE DISTRICT IN WHICH THE PUBLIC**
 16 **SCHOOL ACADEMY OR UNIVERSITY SCHOOL IS LOCATED AND THE STATE**
 17 **PORTION OF THAT DISTRICT'S FOUNDATION ALLOWANCE, OR THE SUM OF THE**
 18 **BASIC FOUNDATION ALLOWANCE UNDER SUBSECTION (1) PLUS \$300.00,**
 19 **WHICHEVER IS LESS.** Notwithstanding section 101(2), for a public
 20 school academy that begins operations after the pupil membership
 21 count day, the amount per membership pupil calculated under this
 22 subsection shall be adjusted by multiplying that amount per
 23 membership pupil by the number of hours of pupil instruction
 24 provided by the public school academy after it begins operations,
 25 as determined by the department, divided by the minimum number of
 26 hours of pupil instruction required under section 101(3). The
 27 result of this calculation shall not exceed the amount per

1 membership pupil otherwise calculated under this subsection.

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

1 determined by the department.

2 (8) If a district does not receive an amount calculated under
3 subsection (9); if the number of mills the district may levy on a
4 principal residence and qualified agricultural property under
5 section 1211(1) of the revised school code, MCL 380.1211, is 0.5
6 mills or less; and if the district elects not to levy those mills,
7 the district instead shall receive a separate supplemental amount
8 calculated under this subsection in an amount equal to the amount
9 the district would have received had it levied those mills, as
10 determined by the department of treasury. A district shall not
11 receive a separate supplemental amount calculated under this
12 subsection for a fiscal year unless in the calendar year ending in
13 the fiscal year the district levies 18 mills or the number of mills
14 of school operating taxes levied by the district in 1993, whichever
15 is less, on property that is not a 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 than
19 \$6,500.00 and that had fewer than 350 pupils in membership, if the
20 district elects not to reduce the number of mills from which a
21 principal residence and qualified agricultural property are exempt
22 and not to levy school operating taxes on a principal residence and
23 qualified agricultural property as provided in section 1211(1) of
24 the revised school code, MCL 380.1211, and not to levy school
25 operating taxes on all property as provided in section 1211(2) of
26 the revised school code, MCL 380.1211, there is calculated under
27 this subsection for 1994-95 and each succeeding fiscal year a

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

17 (10) Subject to subsection (4), for a district that is formed
18 or reconfigured after June 1, 2002 by consolidation of 2 or more
19 districts or by annexation, the resulting district's foundation
20 allowance under this section beginning after the effective date of
21 the consolidation or annexation shall be the average of the
22 foundation allowances of each of the original or affected
23 districts, calculated as provided in this section, weighted as to
24 the percentage of pupils in total membership in the resulting
25 district who reside in the geographic area of each of the original
26 or affected districts. The calculation under this subsection shall
27 take into account a district's per pupil allocation under section

1 20j(2).

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

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

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

15 (a) The pupil membership factor shall be computed by dividing
16 the estimated membership in the school year ending in the current
17 state fiscal year, excluding intermediate district membership, by
18 the estimated membership for the school year ending in the
19 subsequent state fiscal year, excluding intermediate district
20 membership. If a consensus membership factor is not determined at
21 the revenue estimating conference, the principals of the revenue
22 estimating conference shall report their estimates to the house and
23 senate subcommittees responsible for school aid appropriations not
24 later than 7 days after the conclusion of the revenue conference.

25 (b) The revenue adjustment factor shall be computed by
26 dividing the sum of the estimated total state school aid fund
27 revenue for the subsequent state fiscal year plus the estimated

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

17 (c) The index shall be calculated by multiplying the pupil
18 membership factor by the revenue adjustment factor. However, for
19 2004-2005, the index shall be 1.00. If a consensus index is not
20 determined at the revenue estimating conference, the principals of
21 the revenue estimating conference shall report their estimates to
22 the house and senate subcommittees responsible for school aid
23 appropriations not later than 7 days after the conclusion of the
24 revenue conference.

25 (14) If the principals at the revenue estimating conference
26 reach a consensus on the index described in subsection (13)(c), the
27 basic foundation allowance for the subsequent state fiscal year

1 shall be at least the amount of that consensus index multiplied by
2 the basic foundation allowance specified in subsection (1).

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

12 (16) For a district that had combined state and local revenue
13 per membership pupil in the 1993-94 state fiscal year of more than
14 \$6,500.00, that had fewer than 7 pupils in membership in the 1993-
15 94 state fiscal year, that has at least 1 child educated in the
16 district in the current state fiscal year, and that levies the
17 number of mills of school operating taxes authorized for the
18 district under section 1211 of the revised school code, MCL
19 380.1211, a minimum amount of combined state and local revenue
20 shall be calculated for the district as provided under this
21 subsection. The minimum amount of combined state and local revenue
22 for 1999-2000 shall be \$67,000.00 plus the district's additional
23 expenses to educate pupils in grades 9 to 12 educated in other
24 districts as determined and allowed by the department. The minimum
25 amount of combined state and local revenue under this subsection,
26 before adding the additional expenses, shall increase each fiscal
27 year by the same percentage increase as the percentage increase in

1 the basic foundation allowance from the immediately preceding
2 fiscal year to the current fiscal year. The state portion of the
3 minimum amount of combined state and local revenue under this
4 subsection shall be calculated by subtracting from the minimum
5 amount of combined state and local revenue under this subsection
6 the sum of the district's local school operating revenue and an
7 amount equal to the product of the sum of the state portion of the
8 district's foundation allowance plus the amount calculated under
9 section 20j times the district's membership. As used in this
10 subsection, "additional expenses" means the district's expenses for
11 tuition or fees, not to exceed \$6,500.00 as adjusted each year by
12 an amount equal to the dollar amount of the difference between the
13 basic foundation allowance for the current state fiscal year and
14 \$5,000.00, minus \$200.00, plus a room and board stipend not to
15 exceed \$10.00 per school day for each pupil in grades 9 to 12
16 educated in another district, as approved by the department.

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

1 (18) For a district in which an industrial facilities
2 exemption certificate that abated taxes on property with a state
3 equalized valuation greater than the total state equalized
4 valuation of the district at the time the certificate was issued or
5 \$700,000,000.00, whichever is greater, was issued under 1974 PA
6 198, MCL 207.551 to 207.572, before the calculation of the
7 district's 1994-95 foundation allowance, the district's foundation
8 allowance for 2002-2003 is an amount equal to the sum of the
9 district's foundation allowance for 2002-2003, as otherwise
10 calculated under this section, plus \$250.00.

11 (19) For a district that received a grant under former section
12 32e for 2001-2002, the district's foundation allowance for 2002-
13 2003 and each succeeding fiscal year shall be adjusted to be an
14 amount equal to the sum of the district's foundation allowance, as
15 otherwise calculated under this section, plus the quotient of 100%
16 of the amount of the grant award to the district for 2001-2002
17 under former section 32e divided by the number of pupils in the
18 district's membership for 2001-2002 who were residents of and
19 enrolled in the district. Except as otherwise provided in this
20 subsection, a district qualifying for a foundation allowance
21 adjustment under this subsection shall use the funds resulting from
22 this adjustment for at least 1 of grades K to 3 for purposes
23 allowable under former section 32e as in effect for 2001-2002. For
24 an individual school or schools operated by a district qualifying
25 for a foundation allowance under this subsection that have been
26 determined by the department to meet the adequate yearly progress
27 standards of the federal no child left behind act of 2001, Public

1 Law 107-110, in both mathematics and English language arts at all
2 applicable grade levels for all applicable subgroups, the district
3 may submit to the department an application for flexibility in
4 using the funds resulting from this adjustment that are
5 attributable to the pupils in the school or schools. The
6 application shall identify the affected school or schools and the
7 affected funds and shall contain a plan for using the funds for
8 specific purposes identified by the district that are designed to
9 reduce class size, but that may be different from the purposes
10 otherwise allowable under this subsection. The department shall
11 approve the application if the department determines that the
12 purposes identified in the plan are reasonably designed to reduce
13 class size. If the department does not act to approve or disapprove
14 an application within 30 days after it is submitted to the
15 department, the application is considered to be approved. If an
16 application for flexibility in using the funds is approved, the
17 district may use the funds identified in the application for any
18 purpose identified in the plan.

19 (20) For a district that is a qualifying school district with
20 a school reform board in place under part 5a of the revised school
21 code, MCL 380.371 to 380.376, the district's foundation allowance
22 for 2002-2003 shall be adjusted to be an amount equal to the sum of
23 the district's foundation allowance, as otherwise calculated under
24 this section, plus the quotient of \$15,000,000.00 divided by the
25 district's membership for 2002-2003. If a district ceases to meet
26 the requirements of this subsection, the department shall adjust
27 the district's foundation allowance in effect at that time based on

1 a 2002-2003 foundation allowance for the district that does not
2 include the 2002-2003 adjustment under this subsection.

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

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

12 (23) As used in this section:

13 (a) "Combined state and local revenue" means the aggregate of
14 the district's state school aid received by or paid on behalf of
15 the district under this section and the district's local school
16 operating revenue.

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

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

22 (d) "Immediately preceding state fiscal year" means the state
23 fiscal year immediately preceding the current state fiscal year.

24 (e) "Local school operating revenue" means school operating
25 taxes levied under section 1211 of the revised school code, MCL
26 380.1211.

27 (f) "Local school operating revenue per membership pupil"

1 means a district's local school operating revenue divided by the
2 district's membership excluding special education pupils.

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

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

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

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

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