

HOUSE BILL No. 5678

February 14, 2006, Introduced by Reps. Ward, Moore, Walker, Elsenheimer, Gillard, Brown, Adamini, McConico, Tobocman, McDowell, Sheltroun, Mayes, Espinoza, Hune, Hansen, Hunter, Gonzales, Jones, Virgil Smith, Murphy, Lipsey, Kahn, Kooiman, Caul, Huizenga, Vander Veen, Pearce, Steil, Newell, Booher, Shaffer, Pavlov, Emmons, Baxter, Farhat, Casperson, Ball, Schuitmaker, Hoogendyk, Mortimer, Acciavatti, Nitz, Stahl, Caswell, Hummel, Nofs, Van Regenmorter, Meyer, Cheeks and Sheen 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 2005 PA 155.

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. For 2005-
3 2006, the basic foundation allowance is \$6,875.00.

4 (2) The amount of each district's foundation allowance shall
5 be calculated as provided in this section, using a basic foundation
6 allowance in the amount specified in subsection (1). **BEGINNING IN**
7 **THE 2006-2007 STATE FISCAL YEAR AND EACH STATE FISCAL YEAR AFTER**
8 **2006-2007, THE LEGISLATURE SHALL ENSURE THAT THE PERCENTAGE**

1 DIFFERENCE BETWEEN THE FOUNDATION ALLOWANCE FOR THE DISTRICT WITH
2 THE HIGHEST FOUNDATION ALLOWANCE AND THE DISTRICT WITH THE LOWEST
3 FOUNDATION ALLOWANCE DOES NOT EXCEED 10%. FOR EACH STATE FISCAL
4 YEAR AFTER 2006-2007, THE LEGISLATURE SHALL ENSURE THAT ANY MONEY
5 THAT IS ALLOCATED FOR THE PURPOSE OF FUNDING FOUNDATION ALLOWANCES
6 CALCULATED UNDER THIS SECTION AND THAT IS IN EXCESS OF THE AMOUNT
7 ALLOCATED FOR THAT PURPOSE FOR THE IMMEDIATELY PRECEDING STATE
8 FISCAL YEAR IS USED TO DECREASE THE PERCENTAGE DIFFERENCE BETWEEN
9 THE FOUNDATION ALLOWANCE FOR THE DISTRICT WITH THE HIGHEST
10 FOUNDATION ALLOWANCE AND THE DISTRICTS WITH THE LOWEST FOUNDATION
11 ALLOWANCE.

12 (3) Except as otherwise provided in this section, the amount
13 of a district's foundation allowance shall be calculated as
14 follows, using in all calculations the total amount of the
15 district's foundation allowance as calculated before any proration:

16 (a) Except as otherwise provided in this subsection, for a
17 district that in the immediately preceding state fiscal year had a
18 foundation allowance in an amount at least equal to the amount of
19 the basic foundation allowance for the immediately preceding state
20 fiscal year, the district shall receive a foundation allowance in
21 an amount equal to the sum of the district's foundation allowance
22 for the immediately preceding state fiscal year plus the dollar
23 amount of the adjustment from the immediately preceding state
24 fiscal year to the current state fiscal year in the basic
25 foundation allowance. However, for 2002-2003, the foundation
26 allowance for a district under this subdivision is an amount equal
27 to the sum of the district's foundation allowance for the

1 immediately preceding state fiscal year plus \$200.00.

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

26 (c) For a district that has a foundation allowance that is not
27 a whole dollar amount, the district's foundation allowance shall be

1 rounded up to the nearest whole dollar.

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

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

1 difference between the product of the taxable value per membership
2 pupil of all property in the district that is not a principal
3 residence or qualified agricultural property times the lesser of 18
4 mills or the number of mills of school operating taxes levied by
5 the district in 1993-94 and the quotient of the ad valorem property
6 tax revenue of the district captured under 1975 PA 197, MCL
7 125.1651 to 125.1681, the tax increment finance authority act, 1980
8 PA 450, MCL 125.1801 to 125.1830, the local development financing
9 act, 1986 PA 281, MCL 125.2151 to 125.2174, or the brownfield
10 redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2672,
11 divided by the district's membership excluding special education
12 pupils. For a district that has a millage reduction required under
13 section 31 of article IX of the state constitution of 1963, the
14 state portion of the district's foundation allowance shall be
15 calculated as if that reduction did not occur. The \$6,500.00 amount
16 prescribed in this subsection shall be adjusted each year by an
17 amount equal to the dollar amount of the difference between the
18 basic foundation allowance for the current state fiscal year and
19 \$5,000.00, minus \$200.00.

20 (5) The allocation calculated under this section for a pupil
21 shall be based on the foundation allowance of the pupil's district
22 of residence. However, for a pupil enrolled in a district other
23 than the pupil's district of residence, if the foundation allowance
24 of the pupil's district of residence has been adjusted pursuant to
25 subsection (19), the allocation calculated under this section shall
26 not include the adjustment described in subsection (19). For a
27 pupil enrolled pursuant to section 105 or 105c in a district other

1 than the pupil's district of residence, the allocation calculated
2 under this section shall be based on the lesser of the foundation
3 allowance of the pupil's district of residence or the foundation
4 allowance of the educating district. For a pupil in membership in a
5 K-5, K-6, or K-8 district who is enrolled in another district in a
6 grade not offered by the pupil's district of residence, the
7 allocation calculated under this section shall be based on the
8 foundation allowance of the educating district if the educating
9 district's foundation allowance is greater than the foundation
10 allowance of the pupil's district of residence. The calculation
11 under this subsection shall take into account a district's per
12 pupil allocation under section 20j(2).

13 (6) Subject to subsection (7) and section 22b(3) and except as
14 otherwise provided in this subsection, for pupils in membership,
15 other than special education pupils, in a public school academy or
16 a university school, the allocation calculated under this section
17 is an amount per membership pupil other than special education
18 pupils in the public school academy or university school equal to
19 the sum of the local school operating revenue per membership pupil
20 other than special education pupils for the district in which the
21 public school academy or university school is located and the state
22 portion of that district's foundation allowance, or the sum of the
23 basic foundation allowance under subsection (1) plus \$300.00,
24 whichever is less. Notwithstanding section 101(2), for a public
25 school academy that begins operations after the pupil membership
26 count day, the amount per membership pupil calculated under this
27 subsection shall be adjusted by multiplying that amount per

1 membership pupil by the number of hours of pupil instruction
2 provided by the public school academy after it begins operations,
3 as determined by the department, divided by the minimum number of
4 hours of pupil instruction required under section 101(3). The
5 result of this calculation shall not exceed the amount per
6 membership pupil otherwise calculated under this subsection.

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

1 authorizing body that is the fiscal agent for a public school
2 academy located in the district for forwarding to the public school
3 academy an amount equal to that local school operating revenue per
4 membership pupil for each resident pupil in membership other than
5 special education pupils in the public school academy, as
6 determined by the department.

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

22 (9) For a district that had combined state and local revenue
23 per membership pupil in the 1993-94 state fiscal year of more than
24 \$6,500.00 and that had fewer than 350 pupils in membership, if the
25 district elects not to reduce the number of mills from which a
26 principal residence and qualified agricultural property are exempt
27 and not to levy school operating taxes on a principal residence and

1 qualified agricultural property as provided in section 1211(1) of
2 the revised school code, MCL 380.1211, and not to levy school
3 operating taxes on all property as provided in section 1211(2) of
4 the revised school code, MCL 380.1211, there is calculated under
5 this subsection for 1994-95 and each succeeding fiscal year a
6 separate supplemental amount in an amount equal to the amount the
7 district would have received per membership pupil had it levied
8 school operating taxes on a principal residence and qualified
9 agricultural property at the rate authorized for the district under
10 section 1211(1) of the revised school code, MCL 380.1211, and
11 levied school operating taxes on all property at the rate
12 authorized for the district under section 1211(2) of the revised
13 school code, MCL 380.1211, as determined by the department of
14 treasury. If in the calendar year ending in the fiscal year a
15 district does not levy 18 mills or the number of mills of school
16 operating taxes levied by the district in 1993, whichever is less,
17 on property that is not a principal residence or qualified
18 agricultural property, the amount calculated under this subsection
19 will be reduced by the same percentage as the millage actually
20 levied compares to the 18 mills or the number of mills levied in
21 1993, whichever is less.

22 (10) Subject to subsection (4), for a district that is formed
23 or reconfigured after June 1, 2002 by consolidation of 2 or more
24 districts or by annexation, the resulting district's foundation
25 allowance under this section beginning after the effective date of
26 the consolidation or annexation shall be the average of the
27 foundation allowances of each of the original or affected

1 districts, calculated as provided in this section, weighted as to
2 the percentage of pupils in total membership in the resulting
3 district who reside in the geographic area of each of the original
4 or affected districts. The calculation under this subsection shall
5 take into account a district's per pupil allocation under section
6 20j(2).

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

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

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

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

1 senate subcommittees responsible for school aid appropriations not
2 later than 7 days after the conclusion of the 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 revenue
14 for the immediately preceding state fiscal year, adjusted for any
15 change in the rate or base of a tax the proceeds of which are
16 deposited in that fund. If a consensus revenue factor is not
17 determined at the revenue estimating conference, the principals of
18 the revenue estimating conference shall report their estimates to
19 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. However, for
24 2005-2006, the index shall be 1.00. If a consensus index is not
25 determined at the revenue estimating conference, the principals of
26 the revenue estimating conference shall report their estimates to
27 the house and senate subcommittees responsible for school aid

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

3 (14) If the principals at the revenue estimating conference
4 reach a consensus on the index described in subsection (13)(c), the
5 basic foundation allowance for the subsequent state fiscal year
6 shall be at least the amount of that consensus index multiplied by
7 the basic foundation allowance specified in 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 district
12 membership, for the current state fiscal year, then it is the
13 intent of the legislature that the executive budget proposal for
14 the school aid budget for the subsequent state fiscal year include
15 a general fund/general purpose allocation sufficient to support the
16 membership in excess of 101% of the current year pupil membership.

17 (16) 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, that had fewer than 7 pupils in membership in the 1993-
20 94 state fiscal year, that has at least 1 child educated in the
21 district in the current state fiscal year, and that levies the
22 number of mills of school operating taxes authorized for the
23 district under section 1211 of the revised school code, MCL
24 380.1211, a minimum amount of combined state and local revenue
25 shall be calculated for the district as provided under this
26 subsection. The minimum amount of combined state and local revenue
27 for 1999-2000 shall be \$67,000.00 plus the district's additional

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

22 (17) For a district in which 7.75 mills levied in 1992 for
23 school operating purposes in the 1992-93 school year were not
24 renewed in 1993 for school operating purposes in the 1993-94 school
25 year, the district's combined state and local revenue per
26 membership pupil shall be recalculated as if that millage reduction
27 did not occur and the district's foundation allowance shall be

1 calculated as if its 1994-95 foundation allowance had been
2 calculated using that recalculated 1993-94 combined state and local
3 revenue per membership pupil as a base. A district is not entitled
4 to any retroactive payments for fiscal years before 2000-2001 due
5 to this subsection.

6 (18) For a district in which an industrial facilities
7 exemption certificate that abated taxes on property with a state
8 equalized valuation greater than the total state equalized
9 valuation of the district at the time the certificate was issued or
10 \$700,000,000.00, whichever is greater, was issued under 1974 PA
11 198, MCL 207.551 to 207.572, before the calculation of the
12 district's 1994-95 foundation allowance, the district's foundation
13 allowance for 2002-2003 is an amount equal to the sum of the
14 district's foundation allowance for 2002-2003, as otherwise
15 calculated under this section, plus \$250.00.

16 (19) For a district that received a grant under former section
17 32e for 2001-2002, the district's foundation allowance for 2002-
18 2003 and each succeeding fiscal year shall be adjusted to be an
19 amount equal to the sum of the district's foundation allowance, as
20 otherwise calculated under this section, plus the quotient of 100%
21 of the amount of the grant award to the district for 2001-2002
22 under former section 32e divided by the number of pupils in the
23 district's membership for 2001-2002 who were residents of and
24 enrolled in the district. Except as otherwise provided in this
25 subsection, a district qualifying for a foundation allowance
26 adjustment under this subsection shall use the funds resulting from
27 this adjustment for at least 1 of grades K to 3 for purposes

allowable under former section 32e as in effect for 2001-2002. For an individual school or schools operated by a district qualifying for a foundation allowance under this subsection that have been determined by the department to meet the adequate yearly progress standards of the federal no child left behind act of 2001, Public Law 107-110, in both mathematics and English language arts at all applicable grade levels for all applicable subgroups, the district may submit to the department an application for flexibility in using the funds resulting from this adjustment that are attributable to the pupils in the school or schools. The application shall identify the affected school or schools and the affected funds and shall contain a plan for using the funds for specific purposes identified by the district that are designed to reduce class size, but that may be different from the purposes otherwise allowable under this subsection. The department shall approve the application if the department determines that the purposes identified in the plan are reasonably designed to reduce class size. If the department does not act to approve or disapprove an application within 30 days after it is submitted to the department, the application is considered to be approved. If an application for flexibility in using the funds is approved, the district may use the funds identified in the application for any purpose identified in the plan.

(20) For a district that is a qualifying school district with a school reform board in place under part 5a of the revised school code, MCL 380.371 to 380.376, the district's foundation allowance for 2002-2003 shall be adjusted to be an amount equal to the sum of

1 the district's foundation allowance, as otherwise calculated under
2 this section, plus the quotient of \$15,000,000.00 divided by the
3 district's membership for 2002-2003. If a district ceases to meet
4 the requirements of this subsection, the department shall adjust
5 the district's foundation allowance in effect at that time based on
6 a 2002-2003 foundation allowance for the district that does not
7 include the 2002-2003 adjustment under this subsection. This
8 subsection only applies for 2002-2003, 2003-2004, and 2004-2005.
9 Beginning in 2005-2006, the foundation allowance of a district that
10 received an adjustment under this subsection for those fiscal years
11 shall be calculated as if those adjustments did not occur.

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

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

21 (23) As used in this section:

22 (a) "Combined state and local revenue" means the aggregate of
23 the district's state school aid received by or paid on behalf of
24 the district under this section and the district's local school
25 operating revenue.

26 (b) "Combined state and local revenue per membership pupil"
27 means the district's combined state and local revenue divided by

1 the district's membership excluding special education pupils.

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

4 (d) "Immediately preceding state fiscal year" means the state
5 fiscal year immediately preceding the current state fiscal year.

6 (e) "Local school operating revenue" means school operating
7 taxes levied under section 1211 of the revised school code, MCL
8 380.1211.

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

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

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

18 (i) "School operating purposes" means the purposes included in
19 the operation costs of the district as prescribed in sections 7 and
20 18.

21 (j) "School operating taxes" means local ad valorem property
22 taxes levied under section 1211 of the revised school code, MCL
23 380.1211, and retained for school operating purposes.

24 (k) "Taxable value per membership pupil" means taxable value,
25 as certified by the department of treasury, for the calendar year
26 ending in the current state fiscal year divided by the district's
27 membership excluding special education pupils for the school year

1 ending in the current state fiscal year.