

Act No. 97
Public Acts of 2013
Approved by the Governor
July 2, 2013
Filed with the Secretary of State
July 2, 2013
EFFECTIVE DATE: October 1, 2013

**STATE OF MICHIGAN
97TH LEGISLATURE
REGULAR SESSION OF 2013**

Introduced by Reps. Rogers and Rutledge

ENROLLED HOUSE BILL No. 4815

AN ACT to amend 1979 PA 94, entitled "An act to make appropriations to aid in the support of the public schools, the intermediate school districts, community colleges, and public universities of the state; to make appropriations for certain other purposes relating to education; to provide for the disbursement of the appropriations; to authorize the issuance of certain bonds and provide for the security of those bonds; to prescribe the powers and duties of certain state departments, the state board of education, and certain other boards and officials; to create certain funds and provide for their expenditure; to prescribe penalties; and to repeal acts and parts of acts," by amending sections 7, 11, 11g, 17a, 20, and 22a (MCL 388.1607, 388.1611, 388.1611g, 388.1617a, 388.1620, and 388.1622a), section 7 as amended by 1996 PA 300, sections 11, 11g, 20, and 22a as amended by 2013 PA 60, and section 17a as amended by 2012 PA 2, and by adding section 20g.

The People of the State of Michigan enact:

Sec. 7. Costs for school operating purposes include all expenditures necessary to carry out the powers and the financial obligations of the district or intermediate district under the revised school code.

Sec. 11. (1) For the fiscal year ending September 30, 2013, there is appropriated for the public schools of this state and certain other state purposes relating to education the sum of \$10,928,614,200.00 from the state school aid fund and the sum of \$282,400,000.00 from the general fund. For the fiscal year ending September 30, 2014, there is appropriated for the public schools of this state and certain other state purposes relating to education the sum of \$11,211,382,300.00 from the state school aid fund, the sum of \$156,000,000.00 from the MPERS retirement obligation reform reserve fund created under section 147b, and the sum of \$234,900,000.00 from the general fund. In addition, all other available federal funds, except those otherwise appropriated under section 11p, are appropriated for the fiscal year ending September 30, 2013 and for the fiscal year ending September 30, 2014.

(2) The appropriations under this section shall be allocated as provided in this article. Money appropriated under this section from the general fund shall be expended to fund the purposes of this article before the expenditure of money appropriated under this section from the state school aid fund.

(3) Any general fund allocations under this article that are not expended by the end of the state fiscal year are transferred to the school aid stabilization fund created under section 11a.

Sec. 11g. (1) From the appropriation in section 11, there is allocated for this section an amount not to exceed \$39,500,000.00 for the fiscal year ending September 30, 2014 and for the fiscal year ending September 30, 2015, after which these payments will cease. These allocations are for paying the amounts described in subsection (3) to districts and intermediate districts, other than those receiving a lump-sum payment under section 11f(2), that were not plaintiffs in the consolidated cases known as *Durant v State of Michigan*, Michigan supreme court docket no. 104458-104492 and that, on or before March 2, 1998, submitted to the state treasurer a waiver resolution described in section 11f. The amounts paid under this section represent offers of settlement and compromise of any claim or claims that were or could have been asserted by these districts and intermediate districts, as described in this section.

(2) This section does not create any obligation or liability of this state to any district or intermediate district that does not submit a waiver resolution described in section 11f. This section and any other provision of this article are not intended to admit liability or waive any defense that is or would be available to this state or its agencies, employees, or agents in any litigation or future litigation with a district or intermediate district regarding these claims or potential claims.

(3) The amount paid each fiscal year to each district or intermediate district under this section shall be 1 of the following:

(a) If the district or intermediate district does not borrow money and issue bonds under section 11i, 1/30 of the total amount listed in section 11h for the district or intermediate district through the fiscal year ending September 30, 2015.

(b) If the district or intermediate district borrows money and issues bonds under section 11i, an amount in each fiscal year calculated by the department of treasury that is equal to the debt service amount in that fiscal year on the bonds issued by that district or intermediate district under section 11i and that will result in the total payments made to all districts and intermediate districts in each fiscal year under this section being no more than the amount appropriated under this section in each fiscal year.

(4) The entire amount of each payment under this section each fiscal year shall be paid on May 15 of the applicable fiscal year or on the next business day following that date. If a district or intermediate district borrows money and issues bonds under section 11i, the district or intermediate district shall use funds received under this section to pay debt service on bonds issued under section 11i. If a district or intermediate district does not borrow money and issue bonds under section 11i, the district or intermediate district shall use funds received under this section only for the following purposes, in the following order of priority:

(a) First, to pay debt service on voter-approved bonds issued by the district or intermediate district before the effective date of this section.

(b) Second, to pay debt service on other limited tax obligations.

(c) Third, for deposit into a sinking fund established by the district or intermediate district under the revised school code.

(5) To the extent payments under this section are used by a district or intermediate district to pay debt service on debt payable from millage revenues, and to the extent permitted by law, the district or intermediate district may make a corresponding reduction in the number of mills levied for debt service.

(6) A district or intermediate district may pledge or assign payments under this section as security for bonds issued under section 11i, but shall not otherwise pledge or assign payments under this section.

(7) If a district eligible for payments under this section is dissolved under section 12 of the revised school code, MCL 380.12, the payment otherwise due to the dissolved district under this section shall be paid instead to the intermediate district of the dissolved district. The intermediate district of the dissolved district shall perform any functions and responsibilities of the board and other officers of the dissolved district necessary under this section on behalf of the dissolved district. As used in this subsection, "dissolved district" and "receiving district" mean those terms as defined in section 20.

Sec. 17a. (1) The department may withhold all or part of any payment that a district or intermediate district is entitled to receive under this act to the extent the withholdings are a component part of a plan, developed and implemented pursuant to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821, or other statutory authority, for financing an outstanding obligation upon which the district or intermediate district defaulted. Amounts withheld shall be used to pay, on behalf of the district or intermediate district, unpaid amounts or subsequently due amounts, or both, of principal and interest on the outstanding obligation upon which the district or intermediate district defaulted.

(2) The state treasurer may withhold all or part of any payment that a district or intermediate district is entitled to receive under this act to the extent authorized or required under section 15 of the school bond qualification, approval, and loan act, 2005 PA 92, MCL 388.1935.

(3) Under an agreement entered into by a district or intermediate district assigning all or a portion of the payment that it is eligible to receive under this act to the Michigan finance authority or to the trustee of a pooled arrangement or pledging the amount for payment of an obligation it incurred with the Michigan finance authority or with the trustee

of a pooled arrangement, the state treasurer shall transmit to the Michigan finance authority or a trustee designated by the Michigan finance authority or to the trustee of a pooled arrangement the amount of the payment that is assigned or pledged under the agreement.

(4) If a district or intermediate district for which an emergency manager has been appointed pursuant to the local financial stability and choice act, 2012 PA 436, MCL 141.1541 to 141.1575, or that has an approved deficit elimination plan under section 102, enters into or has entered into an agreement described in subsection (3) pursuant to section 1225(2) of the revised school code, MCL 380.1225, whether the obligation was issued before or after the effective date of this subsection, the portion of state school aid paid or to be paid on behalf of the district or intermediate district directly to the Michigan finance authority, or to a trustee designated by the Michigan finance authority, for the sole purpose of paying the principal of and interest on the obligation is subject to a lien and trust that is a statutory lien and trust, paramount and superior to all other liens and interests of any kind, for the sole purpose of paying the principal of and interest on the obligation. The statutory lien and trust applies to the state school aid received or to be received by the Michigan finance authority, or trustee designated by the Michigan finance authority, on behalf of the district or intermediate district, immediately upon the later of the effective date of this subsection or the time when the state school aid is allocated to the district or intermediate district, but is subject to any subsequent reduction of the state school aid allocation by operation of law or executive order. The lien and trust imposed by this section with respect to state school aid has a priority as established in the agreement, except that the agreement shall not impair any existing lien and trust previously created pursuant to this section, including any lien and trust applicable to a multi-year repayment agreement under section 1225 of the revised school code, MCL 380.1225. Except as otherwise provided in this subsection, the lien and trust created under this subsection for the benefit of holders of the obligation issued pursuant to this section is valid and binding against a party having a claim of any kind in tort, contract, or otherwise against the district or intermediate district that has issued the obligation secured by a pledge of state school aid pursuant to this section, regardless of whether that party has notice of the pledge. A pledge made pursuant to this section for the benefit of the holders of obligations or others is perfected without delivery, recording, or notice. The state school aid paid or to be paid on behalf of a district or intermediate district to the Michigan finance authority, or trustee designated by the Michigan finance authority, shall be held in trust for the sole benefit of the holders of the obligation issued pursuant to this section or section 1225 of the revised school code, MCL 380.1225, and is exempt from being levied upon, taken, sequestered, or applied toward paying the debts or liabilities of the district or intermediate district other than for payment of the obligation to which the lien applies. However, nothing in this subsection alters the ability of the state treasurer to withhold state school aid from a district or intermediate district as provided by law.

(5) Notwithstanding the payment dates prescribed by this act for distributions under this act, the state treasurer may advance all or part of a payment that is dedicated for distribution or for which the appropriation authorizing the payment has been made if and to the extent, under the terms of an agreement entered into by a district or intermediate district and the Michigan finance authority, the payment that the district or intermediate district is eligible to receive has been assigned to or pledged for payment of an obligation it incurred with the Michigan finance authority.

(6) This section does not require the state to make an appropriation to any school district or intermediate school district and shall not be construed as creating an indebtedness of the state, and any agreement made pursuant to this section shall contain a statement to that effect.

(7) As used in this section, "trustee of a pooled arrangement" means the trustee of a trust approved by the state treasurer and, subject to the conditions and requirements of that approval, established for the purpose of offering for sale, as part of a pooled arrangement, certificates representing undivided interests in notes issued by districts or intermediate districts under section 1225 of the revised school code, MCL 380.1225.

(8) If a trustee applies to the state treasurer for approval of a trust for the purposes of this section, the state treasurer shall approve or disapprove the trust within 10 days after receipt of the application.

Sec. 20. (1) For 2013-2014, the basic foundation allowance is \$8,049.00.

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

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

(a) For a district that had a foundation allowance for the immediately preceding state fiscal year that was at least equal to the sum of \$7,108.00 plus the total dollar amount of all adjustments made from 2006-2007 to the immediately preceding state fiscal year in the lowest foundation allowance among all districts, but less than the basic foundation allowance for the immediately preceding state fiscal year, the district shall receive a foundation allowance in an amount equal to the sum of the greater of \$6,966.00 or the district's foundation allowance for the immediately preceding state fiscal year plus the difference between twice the dollar amount of the adjustment from the immediately preceding state fiscal year to the current state fiscal year made in the basic foundation allowance and [(the dollar amount of the adjustment from the immediately preceding state fiscal year to the current state fiscal year made in the basic foundation

allowance minus \$10.00) times (the difference between the district's foundation allowance for the immediately preceding state fiscal year and the sum of \$7,108.00 plus the total dollar amount of all adjustments made from 2006-2007 to the immediately preceding state fiscal year in the lowest foundation allowance among all districts) divided by the difference between the basic foundation allowance for the current state fiscal year and the sum of \$7,108.00 plus the total dollar amount of all adjustments made from 2006-2007 to the immediately preceding state fiscal year in the lowest foundation allowance among all districts]. For 2011-2012, for a district that had a foundation allowance for the immediately preceding state fiscal year that was at least equal to the sum of \$7,108.00 plus the total dollar amount of all adjustments made from 2006-2007 to the immediately preceding state fiscal year in the lowest foundation allowance among all districts, but less than the basic foundation allowance for the immediately preceding state fiscal year, the district shall receive a foundation allowance in an amount equal to the district's foundation allowance for 2010-2011, minus \$470.00. Except as otherwise provided in subdivision (h), for 2013-2014, for a district that had a foundation allowance for the immediately preceding state fiscal year that was at least equal to the sum of \$7,108.00 plus the total dollar amount of all adjustments made from 2006-2007 to the immediately preceding state fiscal year in the lowest foundation allowance among all districts, but less than the basic foundation allowance for the immediately preceding state fiscal year, the district shall receive a foundation allowance in an amount equal to the district's foundation allowance for the immediately preceding state fiscal year. However, the foundation allowance for a district that had less than the basic foundation allowance for the immediately preceding state fiscal year shall not exceed the basic foundation allowance for the current state fiscal year.

(b) Except as otherwise provided in this subsection, for a district that in the immediately preceding state fiscal year had a foundation allowance in an amount at least equal to the amount of the basic foundation allowance for the immediately preceding state fiscal year, the district shall receive a foundation allowance for 2011-2012 in an amount equal to the district's foundation allowance for 2010-2011, minus \$470.00. For 2013-2014, except as otherwise provided in this subsection, for a district that in the immediately preceding state fiscal year had a foundation allowance in an amount at least equal to the amount of the basic foundation allowance for the immediately preceding state fiscal year, the district shall receive a foundation allowance in an amount equal to the district's foundation allowance for the immediately preceding state fiscal year.

(c) Except as otherwise provided in subdivision (d), for a district that in the 1994-95 state fiscal year had a foundation allowance greater than \$6,500.00, the district's foundation allowance is an amount equal to the sum of the district's foundation allowance for the immediately preceding state fiscal year plus the lesser of the increase in the basic foundation allowance for the current state fiscal year, as compared to the immediately preceding state fiscal year, or the product of the district's foundation allowance for the immediately preceding state fiscal year times the percentage increase in the United States consumer price index in the calendar year ending in the immediately preceding fiscal year as reported by the May revenue estimating conference conducted under section 367b of the management and budget act, 1984 PA 431, MCL 18.1367b. Except as otherwise provided in subdivision (d), for 2011-2012, for a district that in the 1994-1995 state fiscal year had a foundation allowance greater than \$6,500.00, the district's foundation allowance is an amount equal to the district's foundation allowance for the 2010-2011 fiscal year minus \$470.00. For 2013-2014, except as otherwise provided in subdivision (d), for a district that in the 1994-1995 state fiscal year had a foundation allowance greater than \$6,500.00, the district's foundation allowance is an amount equal to the district's foundation allowance for the immediately preceding state fiscal year.

(d) For a district that in the 1994-95 state fiscal year had a foundation allowance greater than \$6,500.00 and that had a foundation allowance for the 2009-2010 state fiscal year, as otherwise calculated under this section, that was less than the basic foundation allowance, the district's foundation allowance for 2011-2012 and each succeeding fiscal year shall be considered to be an amount equal to the basic foundation allowance.

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

(f) For a district that received a payment under section 22c as that section was in effect for 2001-2002, the district's 2001-2002 foundation allowance shall be considered to have been an amount equal to the sum of the district's actual 2001-2002 foundation allowance as otherwise calculated under this section plus the per pupil amount of the district's equity payment for 2001-2002 under section 22c as that section was in effect for 2001-2002.

(g) For a district that received a payment under section 22c as that section was in effect for 2006-2007, the district's 2006-2007 foundation allowance shall be considered to have been an amount equal to the sum of the district's actual 2006-2007 foundation allowance as otherwise calculated under this section plus the per pupil amount of the district's equity payment for 2006-2007 under section 22c as that section was in effect for 2006-2007.

(h) For 2012-2013, for a district that had a foundation allowance for the 2011-2012 state fiscal year of less than \$6,966.00, the district's foundation allowance is an amount equal to \$6,966.00.

(4) Except as otherwise provided in this subsection, the state portion of a district's foundation allowance is an amount equal to the district's foundation allowance or the basic foundation allowance for the current state fiscal year, whichever is less, minus the difference between the sum of the product of the taxable value per membership pupil of all property in the district that is nonexempt property times the district's certified mills and, for a district with certified mills exceeding 12, the product of the taxable value per membership pupil of property in the district that is commercial

personal property times the certified mills minus 12 mills and the quotient of the ad valorem property tax revenue of the district captured under tax increment financing acts divided by the district's membership excluding special education pupils. For a district described in subsection (3)(c), the state portion of the district's foundation allowance is an amount equal to \$6,962.00 plus the difference between the district's foundation allowance for the current state fiscal year and the district's foundation allowance for 1998-99, minus the difference between the sum of the product of the taxable value per membership pupil of all property in the district that is nonexempt property times the district's certified mills and, for a district with certified mills exceeding 12, the product of the taxable value per membership pupil of property in the district that is commercial personal property times the certified mills minus 12 mills and the quotient of the ad valorem property tax revenue of the district captured under tax increment financing acts divided by the district's membership excluding special education pupils. For a district that has a millage reduction required under section 31 of article IX of the state constitution of 1963, the state portion of the district's foundation allowance shall be calculated as if that reduction did not occur. For a receiving district, if school operating taxes continue to be levied on behalf of a dissolved district that has been attached in whole or in part to the receiving district to satisfy debt obligations of the dissolved district under section 12 of the revised school code, MCL 380.12, the taxable value per membership pupil of property in the receiving district used for the purposes of this subsection, does not include the taxable value of property within the geographic area of the dissolved district.

(5) The allocation calculated under this section for a pupil shall be based on the foundation allowance of the pupil's district of residence. For a pupil enrolled pursuant to section 105 or 105c in a district other than the pupil's district of residence, the allocation calculated under this section shall be based on the lesser of the foundation allowance of the pupil's district of residence or the foundation allowance of the educating district. For a pupil in membership in a K-5, K-6, or K-8 district who is enrolled in another district in a grade not offered by the pupil's district of residence, the allocation calculated under this section shall be based on the foundation allowance of the educating district if the educating district's foundation allowance is greater than the foundation allowance of the pupil's district of residence.

(6) Except as otherwise provided in this subsection, for pupils in membership, other than special education pupils, in a public school academy, the allocation calculated under this section is an amount per membership pupil other than special education pupils in the public school academy equal to the foundation allowance of the district in which the public school academy is located or the state maximum public school academy allocation, whichever is less. However, a public school academy that had an allocation under this subsection before 2009-2010 that was equal to the sum of the local school operating revenue per membership pupil other than special education pupils for the district in which the public school academy is located and the state portion of that district's foundation allowance shall not have that allocation reduced as a result of the 2010 amendment to this subsection. Notwithstanding section 101, for a public school academy that begins operations after the pupil membership count day, the amount per membership pupil calculated under this subsection shall be adjusted by multiplying that amount per membership pupil by the number of hours of pupil instruction provided by the public school academy after it begins operations, as determined by the department, divided by the minimum number of hours of pupil instruction required under section 101(3). The result of this calculation shall not exceed the amount per membership pupil otherwise calculated under this subsection.

(7) Except as otherwise provided in this subsection, for pupils attending an achievement school and in membership in the education achievement system, other than special education pupils, the allocation calculated under this section is an amount per membership pupil other than special education pupils equal to the foundation allowance of the district in which the achievement school is located, not to exceed the basic foundation allowance. Notwithstanding section 101, for an achievement school that begins operation after the pupil membership count day, the amount per membership pupil calculated under this subsection shall be adjusted by multiplying that amount per membership pupil by the number of hours of pupil instruction provided by the achievement school after it begins operations, as determined by the department, divided by the minimum number of hours of pupil instruction required under section 101(3). The result of this calculation shall not exceed the amount per membership pupil otherwise calculated under this subsection. For the purposes of this subsection, if a public school is transferred from a district to the state school reform/redesign district or the achievement authority under section 1280c of the revised school code, MCL 380.1280c, that public school is considered to be an achievement school within the education achievement system and not a school that is part of a district, and a pupil attending that public school is considered to be in membership in the education achievement system and not in membership in the district that operated the school before the transfer.

(8) Subject to subsection (4), for a district that is formed or reconfigured after June 1, 2002 by consolidation of 2 or more districts or by annexation, the resulting district's foundation allowance under this section beginning after the effective date of the consolidation or annexation shall be the lesser of the sum of the average of the foundation allowances of each of the original or affected districts, calculated as provided in this section, weighted as to the percentage of pupils in total membership in the resulting district who reside in the geographic area of each of the original or affected districts plus \$100.00 or the highest foundation allowance among the original or affected districts. This subsection does not apply to a receiving district unless there is a subsequent consolidation or annexation that affects the district.

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

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

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

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

(b) The revenue adjustment factor shall be computed by dividing the sum of the estimated total state school aid fund revenue for the subsequent state fiscal year plus the estimated total state school aid fund revenue for the current state fiscal year, adjusted for any change in the rate or base of a tax the proceeds of which are deposited in that fund and excluding money transferred into that fund from the countercyclical budget and economic stabilization fund under the management and budget act, 1984 PA 431, MCL 18.1101 to 18.1594, by the sum of the estimated total school aid fund revenue for the current state fiscal year plus the estimated total state school aid fund revenue for the immediately preceding state fiscal year, adjusted for any change in the rate or base of a tax the proceeds of which are deposited in that fund. If a consensus revenue factor is not determined at the revenue estimating conference, the principals of the revenue estimating conference shall report their estimates to the house and senate subcommittees responsible for school aid appropriations not later than 7 days after the conclusion of the revenue conference.

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

(12) For a district that received a grant under former section 32e for 2001-2002, the district's foundation allowance for 2002-2003 and each succeeding fiscal year shall be adjusted to be an amount equal to the sum of the district's foundation allowance, as otherwise calculated under this section, plus the quotient of 100% of the amount of the grant award to the district for 2001-2002 under former section 32e divided by the number of pupils in the district's membership for 2001-2002 who were residents of and enrolled in the district. All of the following apply to districts receiving a foundation allowance adjustment under this subsection:

(a) Except as otherwise provided in this subdivision, a district qualifying for a foundation allowance adjustment under this subsection shall use the funds resulting from 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 adjustment 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 subdivision. 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.

(b) A district receiving an adjustment under this subsection shall not receive as a result of this adjustment an amount that exceeds 68.5% of the amount the district received as a result of this adjustment for 2010-2011.

(c) Notwithstanding subsection (8), for a district that is formed or reconfigured by consolidation of 2 or more districts, 1 of which received an adjustment under this subsection for 2012-2013, the resulting district's foundation allowance for 2013-2014 and each succeeding fiscal year shall be adjusted to be an amount equal to the sum of the resulting district's foundation allowance as calculated under subsection (8) excluding any adjustment calculated under this subsection plus [(the original district's adjustment under this subsection in 2012-2013 times the number of pupils in the original district's membership for 2012-2013) divided by the number of pupils in the resulting district's membership for 2013-2014].

(d) Beginning in 2013-2014, for a district that received an adjustment for the immediately preceding fiscal year and that had a foundation allowance as adjusted by this subsection for the immediately preceding fiscal year equal to \$6,966.00, the district shall not receive an adjustment under this section for the current fiscal year.

(13) Payments to districts, public school academies, or the education achievement system shall not be made under this section. Rather, the calculations under this section shall be used to determine the amount of state payments under section 22b.

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

(15) As used in this section:

(a) "Certified mills" means the lesser of 18 mills or the number of mills of school operating taxes levied by the district in 1993-94.

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

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

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

(e) "Dissolved district" means a district that loses its organization, has its territory attached to 1 or more other districts, and is dissolved as provided under section 12 of the revised school code, MCL 380.12.

(f) "Immediately preceding state fiscal year" means the state fiscal year immediately preceding the current state fiscal year.

(g) "Local school operating revenue" means school operating taxes levied under section 1211 of the revised school code, MCL 380.1211. For a receiving district, if school operating taxes are to be levied on behalf of a dissolved district that has been attached in whole or in part to the receiving district to satisfy debt obligations of the dissolved district under section 12 of the revised school code, MCL 380.12, local school operating revenue does not include school operating taxes levied within the geographic area of the dissolved district.

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

(i) "Maximum public school academy allocation", except as otherwise provided in this subdivision, means the maximum per-pupil allocation as calculated by adding the highest per-pupil allocation among all public school academies for the immediately preceding state fiscal year plus the difference between twice the dollar amount of the adjustment from the immediately preceding state fiscal year to the current state fiscal year made in the basic foundation allowance and [(the dollar amount of the adjustment from the immediately preceding state fiscal year to the current state fiscal year made in the basic foundation allowance minus \$10.00) times (the difference between the highest per-pupil allocation among all public school academies for the immediately preceding state fiscal year and the sum of \$7,108.00 plus the total dollar amount of all adjustments made from 2006-2007 to the immediately preceding state fiscal year in the lowest per-pupil allocation among all public school academies) divided by the difference between the basic foundation allowance for the current state fiscal year and the sum of \$7,108.00 plus the total dollar amount of all adjustments made from 2006-2007 to the immediately preceding state fiscal year in the lowest per-pupil allocation among all public school academies].

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

(k) "Nonexempt property" means property that is not a principal residence, qualified agricultural property, qualified forest property, supportive housing property, industrial personal property, or commercial personal property.

(l) "Principal residence", "qualified agricultural property", "qualified forest property", "supportive housing property", "industrial personal property", and "commercial personal property" mean those terms as defined in section 1211 of the revised school code, MCL 380.1211.

(m) "Receiving district" means a district to which all or part of the territory of a dissolved district is attached under section 12 of the revised school code, MCL 380.12.

(n) "School operating purposes" means the purposes included in the operation costs of the district as prescribed in sections 7 and 18 and purposes authorized under section 1211 of the revised school code, MCL 380.1211.

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

(p) "Tax increment financing acts" means 1975 PA 197, MCL 125.1651 to 125.1681, the tax increment finance authority act, 1980 PA 450, MCL 125.1801 to 125.1830, the local development financing act, 1986 PA 281, MCL 125.2151 to 125.2174, the brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2672, or the corridor improvement authority act, 2005 PA 280, MCL 125.2871 to 125.2899.

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

Sec. 20g. (1) From the general fund money appropriated under section 11, there is allocated an amount not to exceed \$2,200,000.00 for 2013-2014 for grants to eligible districts for transition costs related to the enrollment of pupils who were previously enrolled in a district that was dissolved under section 12 of the revised school code, MCL 380.12. It is the intent of the legislature to continue this transition funding for a total of 4 fiscal years following the dissolution of a district.

(2) A receiving school district, as that term is defined in section 12 of the revised school code, MCL 380.12, is an eligible district under this section.

(3) The amount allocated to each eligible district under this section is an amount equal to the product of the number of membership pupils enrolled in the eligible district who were previously enrolled in the dissolved district in the school year immediately preceding the dissolution, or who reside in the geographic area of the dissolved district and are entering kindergarten, times 10.0% of the lesser of the foundation allowance of the eligible district as calculated under section 20 or the basic foundation allowance under section 20(1).

Sec. 22a. (1) From the appropriation in section 11, there is allocated an amount not to exceed \$5,630,000,000.00 for 2012-2013 and there is allocated an amount not to exceed \$5,536,700,000.00 for 2013-2014 for payments to districts and qualifying public school academies to guarantee each district and qualifying public school academy an amount equal to its 1994-95 total state and local per pupil revenue for school operating purposes under section 11 of article IX of the state constitution of 1963. Pursuant to section 11 of article IX of the state constitution of 1963, this guarantee does not apply to a district in a year in which the district levies a millage rate for school district operating purposes less than it levied in 1994. However, subsection (2) applies to calculating the payments under this section. Funds allocated under this section that are not expended in the state fiscal year for which they were allocated, as determined by the department, may be used to supplement the allocations under sections 22b and 51c in order to fully fund those calculated allocations for the same fiscal year.

(2) To ensure that a district receives an amount equal to the district's 1994-95 total state and local per pupil revenue for school operating purposes, there is allocated to each district a state portion of the district's 1994-95 foundation allowance in an amount calculated as follows:

(a) Except as otherwise provided in this subsection, the state portion of a district's 1994-95 foundation allowance is an amount equal to the district's 1994-95 foundation allowance or \$6,500.00, whichever is less, minus the difference between the sum of the product of the taxable value per membership pupil of all property in the district that is nonexempt property times the district's certified mills and, for a district with certified mills exceeding 12, the product of the taxable value per membership pupil of property in the district that is commercial personal property times the certified mills minus 12 mills and the quotient of the ad valorem property tax revenue of the district captured under tax increment financing acts divided by the district's membership. For a district that has a millage reduction required under section 31 of article IX of the state constitution of 1963, the state portion of the district's foundation allowance shall be calculated as if that reduction did not occur. For a receiving district, if school operating taxes are to be levied on behalf of a dissolved district that has been attached in whole or in part to the receiving district to satisfy debt obligations of the dissolved district under section 12 of the revised school code, MCL 380.12, taxable value per membership pupil of all property in the receiving district that is nonexempt property and taxable value per membership pupil of property in the receiving district that is commercial personal property do not include property within the geographic area of the dissolved district; ad valorem property tax revenue of the receiving district captured under tax increment financing acts does not include ad valorem property tax revenue captured within the geographic boundaries of the dissolved district under tax increment financing acts; and certified mills do not include the certified mills of the dissolved district.

(b) For a district that had a 1994-95 foundation allowance greater than \$6,500.00, the state payment under this subsection shall be the sum of the amount calculated under subdivision (a) plus the amount calculated under this subdivision. The amount calculated under this subdivision shall be equal to the difference between the district's 1994-95 foundation allowance minus \$6,500.00 and the current year hold harmless school operating taxes per pupil. If the result of the calculation under subdivision (a) is negative, the negative amount shall be an offset against any state payment calculated under this subdivision. If the result of a calculation under this subdivision is negative, there shall not be a state payment or a deduction under this subdivision. The taxable values per membership pupil used in the calculations under this subdivision are as adjusted by ad valorem property tax revenue captured under tax increment financing acts divided by the district's membership. For a receiving district, if school operating taxes are to be levied on behalf of a dissolved district that has been attached in whole or in part to the receiving district to satisfy debt obligations of the dissolved district under section 12 of the revised school code, MCL 380.12, ad valorem property tax revenue captured under tax increment financing acts do not include ad valorem property tax revenue captured within the geographic boundaries of the dissolved district under tax increment financing acts.

(3) Beginning in 2003-2004, for pupils in membership in a qualifying public school academy, there is allocated under this section to the authorizing body that is the fiscal agent for the qualifying public school academy for forwarding to the qualifying public school academy an amount equal to the 1994-95 per pupil payment to the qualifying public school academy under section 20.

(4) A district or qualifying public school academy may use funds allocated under this section in conjunction with any federal funds for which the district or qualifying public school academy otherwise would be eligible.

(5) Except as otherwise provided in this subsection, for a district that is formed or reconfigured after June 1, 2000 by consolidation of 2 or more districts or by annexation, the resulting district's 1994-95 foundation allowance under this section beginning after the effective date of the consolidation or annexation shall be the average of the 1994-95 foundation allowances of each of the original or affected districts, calculated as provided in this section, weighted as to the percentage of pupils in total membership in the resulting district in the state fiscal year in which the consolidation takes place who reside in the geographic area of each of the original districts. If an affected district's 1994-95 foundation allowance is less than the 1994-95 basic foundation allowance, the amount of that district's 1994-95 foundation allowance shall be considered for the purpose of calculations under this subsection to be equal to the amount of the 1994-95 basic foundation allowance. This subsection does not apply to a receiving district unless there is a subsequent consolidation or annexation that affects the district.

(6) As used in this section:

(a) "1994-95 foundation allowance" means a district's 1994-95 foundation allowance calculated and certified by the department of treasury or the superintendent under former section 20a as enacted in 1993 PA 336 and as amended by 1994 PA 283.

(b) "Certified mills" means the lesser of 18 mills or the number of mills of school operating taxes levied by the district in 1993-94.

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

(d) "Current year hold harmless school operating taxes per pupil" means the per pupil revenue generated by multiplying a district's 1994-95 hold harmless millage by the district's current year taxable value per membership pupil. For a receiving district, if school operating taxes are to be levied on behalf of a dissolved district that has been attached in whole or in part to the receiving district to satisfy debt obligations of the dissolved district under section 12 of the revised school code, MCL 380.12, taxable value per membership pupil does not include the taxable value of property within the geographic area of the dissolved district.

(e) "Dissolved district" means a district that loses its organization, has its territory attached to 1 or more other districts, and is dissolved as provided under section 12 of the revised school code, MCL 380.12.

(f) "Hold harmless millage" means, for a district with a 1994-95 foundation allowance greater than \$6,500.00, the number of mills by which the exemption from the levy of school operating taxes on a homestead, qualified agricultural property, qualified forest property, supportive housing property, industrial personal property, and commercial personal property could be reduced as provided in section 1211 of the revised school code, MCL 380.1211, and the number of mills of school operating taxes that could be levied on all property as provided in section 1211(2) of the revised school code, MCL 380.1211, as certified by the department of treasury for the 1994 tax year. For a receiving district, if school operating taxes are to be levied on behalf of a dissolved district that has been attached in whole or in part to the receiving district to satisfy debt obligations of the dissolved district under section 12 of the revised school code, MCL 380.12, school operating taxes do not include school operating taxes levied within the geographic area of the dissolved district.

(g) "Homestead", "qualified agricultural property", "qualified forest property", "supportive housing property", "industrial personal property", and "commercial personal property" mean those terms as defined in section 1211 of the revised school code, MCL 380.1211.

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

(i) "Nonexempt property" means property that is not a principal residence, qualified agricultural property, qualified forest property, supportive housing property, industrial personal property, or commercial personal property.

(j) "Qualifying public school academy" means a public school academy that was in operation in the 1994-95 school year and is in operation in the current state fiscal year.

(k) "Receiving district" means a district to which all or part of the territory of a dissolved district is attached under section 12 of the revised school code, MCL 380.12.

(l) "School operating taxes" means local ad valorem property taxes levied under section 1211 of the revised school code, MCL 380.1211, and retained for school operating purposes as defined in section 20.

(m) "Tax increment financing acts" means 1975 PA 197, MCL 125.1651 to 125.1681, the tax increment finance authority act, 1980 PA 450, MCL 125.1801 to 125.1830, the local development financing act, 1986 PA 281, MCL 125.2151

to 125.2174, the brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2672, or the corridor improvement authority act, 2005 PA 280, MCL 125.2871 to 125.2899.

(n) "Taxable value per membership pupil" means each of the following divided by the district's membership:

(i) For the number of mills by which the exemption from the levy of school operating taxes on a homestead, qualified agricultural property, qualified forest property, supportive housing property, industrial personal property, and commercial personal property may be reduced as provided in section 1211 of the revised school code, MCL 380.1211, the taxable value of homestead, qualified agricultural property, qualified forest property, supportive housing property, industrial personal property, and commercial personal property for the calendar year ending in the current state fiscal year. For a receiving district, if school operating taxes are to be levied on behalf of a dissolved district that has been attached in whole or in part to the receiving district to satisfy debt obligations of the dissolved district under section 12 of the revised school code, MCL 380.12, mills do not include mills within the geographic area of the dissolved district.

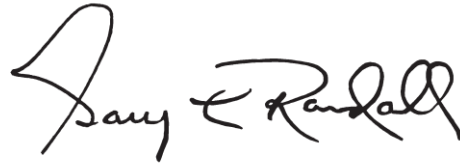
(ii) For the number of mills of school operating taxes that may be levied on all property as provided in section 1211(2) of the revised school code, MCL 380.1211, the taxable value of all property for the calendar year ending in the current state fiscal year. For a receiving district, if school operating taxes are to be levied on behalf of a dissolved district that has been attached in whole or in part to the receiving district to satisfy debt obligations of the dissolved district under section 12 of the revised school code, MCL 380.12, school operating taxes do not include school operating taxes levied within the geographic area of the dissolved district.

Enacting section 1. In accordance with section 30 of article I of the state constitution of 1963, total state spending on school aid under article I of the state school aid act of 1979, 1979 PA 94, MCL 388.1601 to 388.1772, as amended by enrolled House Bill No. 4228 of the 97th Legislature and this amendatory act, from state sources for fiscal year 2013-2014 is estimated at \$11,602,282,300.00 and state appropriations for school aid to be paid to local units of government for fiscal year 2013-2014 are estimated at \$11,442,024,700.00.

Enacting section 2. This amendatory act takes effect October 1, 2013.

Enacting section 3. This amendatory act does not take effect unless House Bill No. 4813 of the 97th Legislature is enacted into law.

This act is ordered to take immediate effect.



Clerk of the House of Representatives



Secretary of the Senate

Approved

Governor

Compiler's note: House Bill No. 4813, referred to in enacting section 3, was filed with the Secretary of State July 2, 2013, and became 2013 PA 96, Eff. Oct. 1, 2013.