

# HOUSE BILL No. 5845

September 23, 2014, Introduced by Reps. Irwin, Dillon, Knezek, Zemke, Driskell, Cochran, Kandrevas and Townsend 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 2014 PA 196.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 20. (1) For 2014-2015, both of the following apply:

2       (a) The basic foundation allowance is \$8,099.00.

3       (b) The minimum foundation allowance is \$7,126.00.

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).

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

1           (a) Except as otherwise provided in this subdivision, for a  
2 district that had a foundation allowance for the immediately  
3 preceding state fiscal year that was equal to the minimum  
4 foundation allowance for the immediately preceding state fiscal  
5 year, but less than the basic foundation allowance for the  
6 immediately preceding state fiscal year, the district shall receive  
7 a foundation allowance in an amount equal to the sum of the  
8 district's foundation allowance for the immediately preceding state  
9 fiscal year plus the difference between twice the dollar amount of  
10 the adjustment from the immediately preceding state fiscal year to  
11 the current state fiscal year made in the basic foundation  
12 allowance and [(the difference between the basic foundation  
13 allowance for the current state fiscal year and basic foundation  
14 allowance for the immediately preceding state fiscal year minus  
15 \$10.00) times (the difference between the district's foundation  
16 allowance for the immediately preceding state fiscal year and the  
17 minimum foundation allowance for the immediately preceding state  
18 fiscal year) divided by the difference between the basic foundation  
19 allowance for the current state fiscal year and the minimum  
20 foundation allowance for the immediately preceding state fiscal  
21 year]. However, the foundation allowance for a district that had  
22 less than the basic foundation allowance for the immediately  
23 preceding state fiscal year shall not exceed the basic foundation  
24 allowance for the current state fiscal year. For the purposes of  
25 this subdivision, for 2014-2015, the minimum foundation allowance  
26 for the immediately preceding state fiscal year shall be considered  
27 to be \$7,076.00. For 2014-2015, for a district that had a

1 foundation allowance for the immediately preceding state fiscal  
2 year that was at least equal to the minimum foundation allowance  
3 for the immediately preceding state fiscal year but less than the  
4 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 district's foundation allowance for 2013-  
7 2014 plus \$50.00.

8 (b) Except as otherwise provided in this subsection, for a  
9 district that in the immediately preceding state fiscal year had a  
10 foundation allowance in an amount equal to the amount of the basic  
11 foundation allowance for the immediately preceding state fiscal  
12 year, the district shall receive a foundation allowance for 2014-  
13 2015 in an amount equal to the basic foundation allowance for 2014-  
14 2015.

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

1 of the management and budget act, 1984 PA 431, MCL 18.1367b.

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

5 (e) For a district that received a payment under section 22c  
6 as that section was in effect for 2013-2014, the district's 2013-  
7 2014 foundation allowance shall be considered to have been an  
8 amount equal to the sum of the district's actual 2013-2014  
9 foundation allowance as otherwise calculated under this section  
10 plus the per pupil amount of the district's equity payment for  
11 2013-2014 under section 22c as that section was in effect for 2013-  
12 2014.

13 (4) Except as otherwise provided in this subsection, the state  
14 portion of a district's foundation allowance is an amount equal to  
15 the district's foundation allowance or the basic foundation  
16 allowance for the current state fiscal year, whichever is less,  
17 minus the local portion of the district's foundation allowance  
18 divided by the district's membership excluding special education  
19 pupils. For a district described in subsection (3)(c), the state  
20 portion of the district's foundation allowance is an amount equal  
21 to \$6,962.00 plus the difference between the district's foundation  
22 allowance for the current state fiscal year and the district's  
23 foundation allowance for 1998-99, minus the local portion of the  
24 district's foundation allowance divided by the district's  
25 membership excluding special education pupils. For a district that  
26 has a millage reduction required under section 31 of article IX of  
27 the state constitution of 1963, the state portion of the district's

1 foundation allowance shall be calculated as if that reduction did  
2 not occur. For a receiving district, if school operating taxes  
3 continue to be levied on behalf of a dissolved district that has  
4 been attached in whole or in part to the receiving district to  
5 satisfy debt obligations of the dissolved district under section 12  
6 of the revised school code, MCL 380.12, the taxable value per  
7 membership pupil of property in the receiving district used for the  
8 purposes of this subsection does not include the taxable value of  
9 property within the geographic area of the dissolved district.

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

24 (6) Except as otherwise provided in this subsection, for  
25 pupils in membership, other than special education pupils, in a  
26 public school academy, the allocation calculated under this section  
27 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. **BEGINNING IN 2014-2015, FOR PUPILS IN MEMBERSHIP IN A PUBLIC SCHOOL ACADEMY THAT WAS ISSUED A CONTRACT UNDER SECTION 552 OF THE REVISED SCHOOL CODE, MCL 380.552, TO OPERATE AS A SCHOOL OF EXCELLENCE THAT IS A CYBER SCHOOL, THE ALLOCATION CALCULATED UNDER THIS SECTION IS AN AMOUNT EQUAL TO 1/3 OF THE AMOUNT AS WOULD OTHERWISE BE CALCULATED UNDER THIS SUBSECTION FOR A PUBLIC SCHOOL ACADEMY.**

(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

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

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

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

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

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



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

8 (b) The revenue adjustment factor shall be computed by  
9 dividing the sum of the estimated total state school aid fund  
10 revenue for the subsequent state fiscal year plus the estimated  
11 total state school aid fund revenue for the current state fiscal  
12 year, adjusted for any change in the rate or base of a tax the  
13 proceeds of which are deposited in that fund and excluding money  
14 transferred into that fund from the countercyclical budget and  
15 economic stabilization fund under the management and budget act,  
16 1984 PA 431, MCL 18.1101 to 18.1594, by the sum of the estimated  
17 total school aid fund revenue for the current state fiscal year  
18 plus the estimated total state school aid fund revenue for the  
19 immediately preceding state fiscal year, adjusted for any change in  
20 the rate or base of a tax the proceeds of which are deposited in  
21 that fund. If a consensus revenue factor is not determined at the  
22 revenue estimating conference, the principals of the revenue  
23 estimating conference shall report their estimates to the house and  
24 senate subcommittees responsible for school aid appropriations not  
25 later than 7 days after the conclusion of the revenue conference.

26 (c) The index shall be calculated by multiplying the pupil  
27 membership factor by the revenue adjustment factor. If a consensus

1 index is not determined at the revenue estimating conference, the  
2 principals of the revenue estimating conference shall report their  
3 estimates to the house and senate subcommittees responsible for  
4 school aid appropriations not later than 7 days after the  
5 conclusion of the revenue conference.

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

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

15 (14) As used in this section:

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

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

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

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

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

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

7 (g) "Local portion of the district's foundation allowance"  
8 means an amount that is equal to the difference between (the sum of  
9 the product of the taxable value per membership pupil of all  
10 property in the district that is nonexempt property times the  
11 district's certified mills and, for a district with certified mills  
12 exceeding 12, the product of the taxable value per membership pupil  
13 of property in the district that is commercial personal property  
14 times the certified mills minus 12 mills) and (the quotient of the  
15 product of the captured assessed valuation under tax increment  
16 financing acts times the district's certified mills divided by the  
17 district's membership excluding special education pupils).

18 (h) "Local school operating revenue" means school operating  
19 taxes levied under section 1211 of the revised school code, MCL  
20 380.1211. For a receiving district, if school operating taxes are  
21 to be levied on behalf of a dissolved district that has been  
22 attached in whole or in part to the receiving district to satisfy  
23 debt obligations of the dissolved district under section 12 of the  
24 revised school code, MCL 380.12, local school operating revenue  
25 does not include school operating taxes levied within the  
26 geographic area of the dissolved district.

27 (i) "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 (j) "Maximum public school academy allocation", except as  
4 otherwise provided in this subdivision, means the maximum per-pupil  
5 allocation as calculated by adding the highest per-pupil allocation  
6 among all public school academies for the immediately preceding  
7 state fiscal year plus the difference between twice the amount of  
8 the difference between the basic foundation allowance for the  
9 current state fiscal year and the basic foundation for the  
10 immediately preceding state fiscal year and [(the amount of the  
11 difference between the basic foundation allowance for the current  
12 state fiscal year and the basic foundation for the immediately  
13 preceding state fiscal year minus \$10.00) times (the difference  
14 between the highest per-pupil allocation among all public school  
15 academies for the immediately preceding state fiscal year and the  
16 minimum foundation allowance for the immediately preceding state  
17 fiscal year) divided by the difference between the basic foundation  
18 allowance for the current state fiscal year and the minimum  
19 foundation allowance for the immediately preceding state fiscal  
20 year]. For the purposes of this subdivision, for 2014-2015, the  
21 minimum foundation allowance for the immediately preceding state  
22 fiscal year shall be considered to be \$7,076.00. For 2014-2015, the  
23 maximum public school academy allocation is \$7,218.00.

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

27 (l) "Nonexempt property" means property that is not a principal

1 residence, qualified agricultural property, qualified forest  
2 property, supportive housing property, industrial personal  
3 property, or commercial personal property.

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

9 (n) "Receiving district" means a district to which all or part  
10 of the territory of a dissolved district is attached under section  
11 12 of the revised school code, MCL 380.12.

12 (o) "School operating purposes" means the purposes included in  
13 the operation costs of the district as prescribed in sections 7 and  
14 18 and purposes authorized under section 1211 of the revised school  
15 code, MCL 380.1211.

16 (p) "School operating taxes" means local ad valorem property  
17 taxes levied under section 1211 of the revised school code, MCL  
18 380.1211, and retained for school operating purposes.

19 (q) "Tax increment financing acts" means 1975 PA 197, MCL  
20 125.1651 to 125.1681, the tax increment finance authority act, 1980  
21 PA 450, MCL 125.1801 to 125.1830, the local development financing  
22 act, 1986 PA 281, MCL 125.2151 to 125.2174, the brownfield  
23 redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2672,  
24 or the corridor improvement authority act, 2005 PA 280, MCL  
25 125.2871 to 125.2899.

26 (r) "Taxable value per membership pupil" means taxable value,  
27 as certified by the county treasurer and reported to the

1 department, for the calendar year ending in the current state  
2 fiscal year divided by the district's membership excluding special  
3 education pupils for the school year ending in the current state  
4 fiscal year.