

SENATE BILL NO. 555

October 08, 2019, Introduced by Senator STAMAS and referred to the Committee on Appropriations.

A bill to amend 1979 PA 94, entitled
"The state school aid act of 1979,"
by amending sections 11, 20, and 22b (MCL 388.1611, 388.1620, and
388.1622b), as amended by 2019 PA 58.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 11. (1) For the fiscal year ending September 30, 2019,
2 there is appropriated for the public schools of this state and
3 certain other state purposes relating to education the sum of
4 \$12,845,140,200.00 from the state school aid fund, the sum of
5 \$87,920,000.00 from the general fund, an amount not to exceed

1 \$72,200,000.00 from the community district education trust fund
 2 created under section 12 of the Michigan trust fund act, 2000 PA
 3 489, MCL 12.262, an amount not to exceed \$30,000,000.00 from the
 4 MPSERS retirement obligation reform reserve fund, an amount not to
 5 exceed \$30,000,000.00 from the school mental health and support
 6 services fund created under section 31m, and an amount not to
 7 exceed \$100.00 from the water emergency reserve fund. For the
 8 fiscal year ending September 30, 2020, there is appropriated for
 9 the public schools of this state and certain other state purposes
 10 relating to education the sum of ~~\$13,293,465,000.00~~
 11 **\$13,252,615,000.00** from the state school aid fund, the sum of
 12 ~~\$75,000,000.00~~ **\$62,270,000.00** from the general fund, an amount not
 13 to exceed \$75,400,000.00 from the community district education
 14 trust fund created under section 12 of the Michigan trust fund act,
 15 2000 PA 489, MCL 12.262, an amount not to exceed \$1,900,000.00 from
 16 the MPSERS retirement obligation reform reserve fund, ~~an amount not~~
 17 ~~to exceed \$40,000,000.00 from the talent investment fund created~~
 18 ~~under section 8a of the higher education loan authority act, 1975~~
 19 ~~PA 222, MCL 390.1158a,~~ and an amount not to exceed \$100.00 from the
 20 water emergency reserve fund. In addition, all available federal
 21 funds are appropriated each fiscal year for the fiscal years ending
 22 September 30, 2019 and September 30, 2020.

23 (2) The appropriations under this section are allocated as
 24 provided in this article. Money appropriated under this section
 25 from the general fund must be expended to fund the purposes of this
 26 article before the expenditure of money appropriated under this
 27 section from the state school aid fund.

28 (3) Any general fund allocations under this article that are
 29 not expended by the end of the fiscal year are transferred to the

1 school aid stabilization fund created under section 11a.

2 Sec. 20. (1) For 2019-2020, both of the following apply:

3 (a) The target foundation allowance, formerly known as the
4 basic foundation allowance, is \$8,529.00.

5 (b) The minimum foundation allowance is \$8,111.00.

6 (2) The department shall calculate the amount of each
7 district's foundation allowance as provided in this section, using
8 a target foundation allowance in the amount specified in subsection
9 (1). For the purpose of these calculations, a reference to the
10 target foundation allowance for a preceding fiscal year is
11 equivalent to a reference to the "basic" foundation allowance for
12 that fiscal year.

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

18 (a) Except as otherwise provided in this subdivision, for a
19 district that had a foundation allowance for the immediately
20 preceding fiscal year that was at least equal to the minimum
21 foundation allowance for the immediately preceding fiscal year, but
22 less than the target foundation allowance for the immediately
23 preceding fiscal year, the district receives a foundation allowance
24 in an amount equal to the sum of the district's foundation
25 allowance for the immediately preceding fiscal year plus the
26 difference between twice the dollar amount of the adjustment from
27 the immediately preceding fiscal year to the current fiscal year
28 made in the target foundation allowance and [(the difference
29 between the target foundation allowance for the current fiscal year

1 and target foundation allowance for the immediately preceding
2 fiscal year minus \$40.00) times (the difference between the
3 district's foundation allowance for the immediately preceding
4 fiscal year and the minimum foundation allowance for the
5 immediately preceding fiscal year) divided by the difference
6 between the target foundation allowance for the current fiscal year
7 and the minimum foundation allowance for the immediately preceding
8 fiscal year.] However, the foundation allowance for a district that
9 had less than the target foundation allowance for the immediately
10 preceding fiscal year must not exceed the target foundation
11 allowance for the current fiscal year.

12 (b) Except as otherwise provided in this subsection, for a
13 district that in the immediately preceding fiscal year had a
14 foundation allowance in an amount equal to the amount of the target
15 foundation allowance for the immediately preceding fiscal year, the
16 district receives a foundation allowance for 2019-2020 in an amount
17 equal to the target foundation allowance for 2019-2020.

18 (c) For a district that had a foundation allowance for the
19 immediately preceding fiscal year that was greater than the target
20 foundation allowance for the immediately preceding fiscal year, the
21 district's foundation allowance is an amount equal to the sum of
22 the district's foundation allowance for the immediately preceding
23 fiscal year plus the lesser of the increase in the target
24 foundation allowance for the current fiscal year, as compared to
25 the immediately preceding fiscal year, or the product of the
26 district's foundation allowance for the immediately preceding
27 fiscal year times the percentage increase in the United States
28 Consumer Price Index in the calendar year ending in the immediately
29 preceding fiscal year as reported by the May revenue estimating

1 conference conducted under section 367b of the management and
2 budget act, 1984 PA 431, MCL 18.1367b.

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

6 (4) Except as otherwise provided in this subsection, beginning
7 in 2014-2015, the state portion of a district's foundation
8 allowance is an amount equal to the district's foundation allowance
9 or the target foundation allowance for the current fiscal year,
10 whichever is less, minus the local portion of the district's
11 foundation allowance. For a district described in subsection
12 (3)(c), beginning in 2014-2015, the state portion of the district's
13 foundation allowance is an amount equal to \$6,962.00 plus the
14 difference between the district's foundation allowance for the
15 current fiscal year and the district's foundation allowance for
16 1998-99, minus the local portion of the district's foundation
17 allowance. For a district that has a millage reduction required
18 under section 31 of article IX of the state constitution of 1963,
19 the department shall calculate the state portion of the district's
20 foundation allowance as if that reduction did not occur. For a
21 receiving district, if school operating taxes continue to be levied
22 on behalf of a dissolved district that has been attached in whole
23 or in part to the receiving district to satisfy debt obligations of
24 the dissolved district under section 12 of the revised school code,
25 MCL 380.12, the taxable value per membership pupil of property in
26 the receiving district used for the purposes of this subsection
27 does not include the taxable value of property within the
28 geographic area of the dissolved district. For a community
29 district, if school operating taxes continue to be levied by a

1 qualifying school district under section 12b of the revised school
2 code, MCL 380.12b, with the same geographic area as the community
3 district, the taxable value per membership pupil of property in the
4 community district to be used for the purposes of this subsection
5 does not include the taxable value of property within the
6 geographic area of the community district.

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

20 (6) Except as otherwise provided in this subsection, for
21 pupils in membership, other than special education pupils, in a
22 public school academy, the allocation calculated under this section
23 is an amount per membership pupil other than special education
24 pupils in the public school academy equal to the foundation
25 allowance of the district in which the public school academy is
26 located or the state maximum public school academy allocation,
27 whichever is less. Except as otherwise provided in this subsection,
28 for pupils in membership, other than special education pupils, in a
29 public school academy that is a cyber school and is authorized by a

1 school district, the allocation calculated under this section is an
2 amount per membership pupil other than special education pupils in
3 the public school academy equal to the foundation allowance of the
4 district that authorized the public school academy or the state
5 maximum public school academy allocation, whichever is less.

6 However, for a public school academy that had an allocation under
7 this subsection before 2009-2010 that was equal to the sum of the
8 local school operating revenue per membership pupil other than
9 special education pupils for the district in which the public
10 school academy is located and the state portion of that district's
11 foundation allowance, that allocation is not reduced as a result of
12 the 2010 amendment to this subsection. Notwithstanding section 101,
13 for a public school academy that begins operations after the pupil
14 membership count day, the amount per membership pupil calculated
15 under this subsection must be adjusted by multiplying that amount
16 per membership pupil by the number of hours of pupil instruction
17 provided by the public school academy after it begins operations,
18 as determined by the department, divided by the minimum number of
19 hours of pupil instruction required under section 101(3). The
20 result of this calculation must not exceed the amount per
21 membership pupil otherwise calculated under this subsection.

22 (7) Except as otherwise provided in this subsection, for
23 pupils in membership, other than special education pupils, in a
24 community district, the allocation calculated under this section is
25 an amount per membership pupil other than special education pupils
26 in the community district equal to the foundation allowance of the
27 qualifying school district, as described in section 12b of the
28 revised school code, MCL 380.12b, that is located within the same
29 geographic area as the community district.

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

14 (9) The department shall round each fraction used in making
15 calculations under this section to the fourth decimal place and
16 shall round the dollar amount of an increase in the target
17 foundation allowance to the nearest whole dollar.

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

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

27 (a) The pupil membership factor is computed by dividing the
28 estimated membership in the school year ending in the current
29 fiscal year, excluding intermediate district membership, by the

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

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

26 (c) The index is calculated by multiplying the pupil
27 membership factor by the revenue adjustment factor. If a consensus
28 index is not determined at the revenue estimating conference, the
29 principals of the revenue estimating conference shall report their

1 estimates to the house and senate subcommittees responsible for
2 school aid appropriations not later than 7 days after the
3 conclusion of the revenue conference.

4 (12) Payments to districts and public school academies are not
5 made under this section. Rather, the calculations under this
6 section are used to determine the amount of state payments under
7 section 22b.

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

13 (14) For the purposes of section 1211 of the revised school
14 code, MCL 380.1211, the basic foundation allowance under this
15 section is considered to be the target foundation allowance under
16 this section.

17 (15) As used in this section:

18 (a) "Certified mills" means the lesser of 18 mills or the
19 number of mills of school operating taxes levied by the district in
20 1993-94.

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

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

28 (d) "Current fiscal year" means the fiscal year for which a
29 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 fiscal year" means the fiscal year
6 immediately preceding the current 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"
28 means a district's local school operating revenue divided by the
29 district's membership excluding special education pupils.

(j) "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 fiscal year **plus the difference between twice the amount of the difference between the target foundation allowance for the current fiscal year and the target foundation allowance for the immediately preceding fiscal year and [(the amount of the difference between the target foundation allowance for the current fiscal year and the target foundation allowance for the immediately preceding fiscal year minus \$40.00) times (the difference between the highest per-pupil allocation among all public school academies for the immediately preceding fiscal year and the minimum foundation allowance for the immediately preceding fiscal year) divided by the difference between the target foundation allowance for the current fiscal year and the minimum foundation allowance for the immediately preceding fiscal year.]** For the purposes of this subdivision, for 2019-2020, the maximum public school academy allocation is \$8,111.00.

(k) "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.

(l) "Nonexempt property" means property that is not a principal residence, qualified agricultural property, qualified forest property, supportive housing property, industrial personal property, commercial personal property, or property occupied by a public school academy.

(m) "Principal residence", "qualified agricultural property", "qualified forest property", "supportive housing property",

1 "industrial personal property", and "commercial personal property"
 2 mean those terms as defined in section 1211 of the revised school
 3 code, MCL 380.1211.

4 (n) "Receiving district" means a district to which all or part
 5 of the territory of a dissolved district is attached under section
 6 12 of the revised school code, MCL 380.12.

7 (o) "School operating purposes" means the purposes included in
 8 the operation costs of the district as prescribed in sections 7 and
 9 18 and purposes authorized under section 1211 of the revised school
 10 code, MCL 380.1211.

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

14 (q) "Target foundation allowance for the immediately preceding
 15 fiscal year" means, for 2019-2020 only, the basic foundation
 16 allowance in effect for the 2018-2019 fiscal year.

17 (r) "Tax increment financing acts" means ~~1975 PA 197, MCL~~
 18 ~~125.1651 to 125.1681, the tax increment finance authority act, 1980~~
 19 ~~PA 450, MCL 125.1801 to 125.1830, the local development financing~~
 20 ~~act, 1986 PA 281, MCL 125.2151 to 125.2174, parts 2, 3, 4, and 6 of~~
 21 **the recodified tax increment financing act, 2018 PA 57, MCL**
 22 **125.4201 to 125.4420 and 125.4602 to 125.4629, or** the brownfield
 23 redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2670.
 24 ~~, or the corridor improvement authority act, 2005 PA 280, MCL~~
 25 ~~125.2871 to 125.2899.~~

26 (s) "Taxable value per membership pupil" means taxable value,
 27 as certified by the county treasurer and reported to the
 28 department, for the calendar year ending in the current state
 29 fiscal year divided by the district's membership excluding special

1 education pupils for the school year ending in the current state
2 fiscal year.

3 Sec. 22b. (1) For discretionary nonmandated payments to
4 districts under this section, there is allocated for 2018-2019 an
5 amount not to exceed \$4,217,800,000.00 from the state school aid
6 fund and general fund appropriations in section 11 and an amount
7 not to exceed \$72,200,000.00 from the community district education
8 trust fund appropriation in section 11, and there is allocated for
9 2019-2020 an amount not to exceed \$4,480,600,000.00 from the state
10 school aid fund and general fund appropriations in section 11 and
11 an amount not to exceed \$75,400,000.00 from the community district
12 education trust fund appropriation in section 11.

13 (2) Subject to subsection (3) and section 296, the allocation
14 to a district under this section is an amount equal to the sum of
15 the amounts calculated under sections 20, 51a(2), 51a(3), and
16 51a(11), minus the sum of the allocations to the district under
17 sections 22a and 51c. For a community district, the allocation as
18 otherwise calculated under this section is increased by an amount
19 equal to the amount of local school operating tax revenue that
20 would otherwise be due to the community district if not for the
21 operation of section 386 of the revised school code, MCL 380.386,
22 and this increase must be paid from the community district
23 education trust fund allocation in subsection (1) in order to
24 offset the absence of local school operating revenue in a community
25 district in the funding of the state portion of the foundation
26 allowance under section 20(4).

27 (3) In order to receive an allocation under subsection (1),
28 each district ~~shall~~**must** do all of the following:

29 (a) Comply with section 1280b of the revised school code, MCL

1 380.1280b.

2 (b) Comply with sections 1278a and 1278b of the revised school
3 code, MCL 380.1278a and 380.1278b.

4 (c) Furnish data and other information required by state and
5 federal law to the center and the department in the form and manner
6 specified by the center or the department, as applicable.

7 (d) Comply with section 1230g of the revised school code, MCL
8 380.1230g.

9 (e) Comply with section 21f.

10 (f) For a district or public school academy that has entered
11 into a partnership agreement with the department, comply with
12 section 22p.

13 (g) For a district or public school academy that offers
14 kindergarten, comply with section 104(4).

15 (4) Districts are encouraged to use funds allocated under this
16 section for the purchase and support of payroll, human resources,
17 and other business function software that is compatible with that
18 of the intermediate district in which the district is located and
19 with other districts located within that intermediate district.

20 (5) From the allocation in subsection (1), the department
21 shall pay up to \$1,000,000.00 in litigation costs incurred by this
22 state related to commercial or industrial property tax appeals,
23 including, but not limited to, appeals of classification, that
24 impact revenues dedicated to the state school aid fund.

25 (6) From the allocation in subsection (1), the department
26 shall pay up to \$1,000,000.00 in litigation costs incurred by this
27 state associated with lawsuits filed by 1 or more districts or
28 intermediate districts against this state. If the allocation under
29 this section is insufficient to fully fund all payments required

1 under this section, the payments under this subsection must be made
2 in full before any proration of remaining payments under this
3 section.

4 (7) It is the intent of the legislature that all
5 constitutional obligations of this state have been fully funded
6 under sections 22a, 31d, 51a, 51c, and 152a. If a claim is made by
7 an entity receiving funds under this article that challenges the
8 legislative determination of the adequacy of this funding or
9 alleges that there exists an unfunded constitutional requirement,
10 the state budget director may escrow or allocate from the
11 discretionary funds for nonmandated payments under this section the
12 amount as may be necessary to satisfy the claim before making any
13 payments to districts under subsection (2). If funds are escrowed,
14 the escrowed funds are a work project appropriation and the funds
15 are carried forward into the following fiscal year. The purpose of
16 the work project is to provide for any payments that may be awarded
17 to districts as a result of litigation. The work project is
18 completed upon resolution of the litigation.

19 (8) If the local claims review board or a court of competent
20 jurisdiction makes a final determination that this state is in
21 violation of section 29 of article IX of the state constitution of
22 1963 regarding state payments to districts, the state budget
23 director shall use work project funds under subsection (7) or
24 allocate from the discretionary funds for nonmandated payments
25 under this section the amount as may be necessary to satisfy the
26 amount owed to districts before making any payments to districts
27 under subsection (2).

28 (9) If a claim is made in court that challenges the
29 legislative determination of the adequacy of funding for this

1 state's constitutional obligations or alleges that there exists an
2 unfunded constitutional requirement, any interested party may seek
3 an expedited review of the claim by the local claims review board.
4 If the claim exceeds \$10,000,000.00, this state may remove the
5 action to the court of appeals, and the court of appeals has and
6 shall exercise jurisdiction over the claim.

7 (10) If payments resulting from a final determination by the
8 local claims review board or a court of competent jurisdiction that
9 there has been a violation of section 29 of article IX of the state
10 constitution of 1963 exceed the amount allocated for discretionary
11 nonmandated payments under this section, the legislature shall
12 provide for adequate funding for this state's constitutional
13 obligations at its next legislative session.

14 (11) If a lawsuit challenging payments made to districts
15 related to costs reimbursed by federal title XIX Medicaid funds is
16 filed against this state, then, for the purpose of addressing
17 potential liability under such a lawsuit, the state budget director
18 may place funds allocated under this section in escrow or allocate
19 money from the funds otherwise allocated under this section, up to
20 a maximum of 50% of the amount allocated in subsection (1). If
21 funds are placed in escrow under this subsection, those funds are a
22 work project appropriation and the funds are carried forward into
23 the following fiscal year. The purpose of the work project is to
24 provide for any payments that may be awarded to districts as a
25 result of the litigation. The work project is completed upon
26 resolution of the litigation. In addition, this state reserves the
27 right to terminate future federal title XIX Medicaid reimbursement
28 payments to districts if the amount or allocation of reimbursed
29 funds is challenged in the lawsuit. As used in this subsection,

1 "title XIX" means title XIX of the social security act, 42 USC 1396
2 to 1396w-5.

3 Enacting section 1. In accordance with section 30 of article
4 IX of the state constitution of 1963, total state spending on
5 school aid under article I of the state school aid act of 1979,
6 1979 PA 94, MCL 388.1601 to 388.1772, as amended by 2019 PA 58 and
7 this amendatory act, from state sources for fiscal year 2019-2020
8 is estimated at \$13,392,185,100.00 and state appropriations for
9 school aid to be paid to local units of government for fiscal year
10 2019-2020 are estimated at \$13,186,465,300.00.