

HOUSE BILL No. 6420

September 6, 2006, Introduced by Reps. Gaffney, Vagnozzi and David Law and referred to the Committee on Appropriations.

A bill to amend 1979 PA 94, entitled
"The state school aid act of 1979,"
by amending section 20 (MCL 388.1620), as amended by 2005 PA 155.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 20. (1) For 2003-2004 and for 2004-2005, the basic
2 foundation allowance is \$6,700.00 per membership pupil. For 2005-
3 2006, the basic foundation allowance is \$6,875.00.

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

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

1 district's foundation allowance as calculated before any proration:

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

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

1 **BEGINNING IN 2006-2007**, for a district that in the 1994-95 state
2 fiscal year had a foundation allowance greater than \$6,500.00, the
3 district's foundation allowance ~~is~~ **SHALL BE** an amount equal to
4 the **GREATER OF THE** sum of the district's foundation allowance for
5 the immediately preceding state fiscal year plus the ~~lesser of~~
6 ~~\$200.00~~ **DOLLAR INCREASE IN THE BASIC FOUNDATION ALLOWANCE** or the
7 ~~product of the~~ district's foundation allowance for the immediately
8 preceding state fiscal year ~~times the percentage increase in the~~
9 ~~United States consumer price index in~~ **ADJUSTED BY AN AMOUNT**
10 **DETERMINED BY THE STATE TREASURER AT THE END OF** the calendar year
11 ending in the immediately preceding fiscal year ~~as reported by the~~
12 ~~May revenue estimating conference conducted under section 367b of~~
13 ~~the management and budget act, 1984 PA 431, MCL 18.1367b~~ **TO**
14 **REFLECT THE CUMULATIVE ANNUAL PERCENTAGE CHANGE IN THE GENERAL**
15 **PRICE LEVEL, AS DEFINED IN SECTION 1211 OF THE REVISED SCHOOL CODE,**
16 **MCL 380.1211.**

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

20 (d) For a district that received a payment under former
21 section 22c for 2001-2002, the district's 2001-2002 foundation
22 allowance shall be considered to have been an amount equal to the
23 sum of the district's actual 2001-2002 foundation allowance as
24 otherwise calculated under this section plus the per pupil amount
25 of the district's equity payment for 2001-2002 under former section
26 22c.

27 (4) Except as otherwise provided in this subsection, the state

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

1 redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2672,
2 divided by the district's membership excluding special education
3 pupils. For a district that has a millage reduction required under
4 section 31 of article IX of the state constitution of 1963, the
5 state portion of the district's foundation allowance shall be
6 calculated as if that reduction did not occur. The \$6,500.00 amount
7 prescribed in this subsection shall be adjusted each year by an
8 amount equal to the dollar amount of the difference between the
9 basic foundation allowance for the current state fiscal year and
10 \$5,000.00, minus \$200.00.

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

1 allowance of the pupil's district of residence. The calculation
2 under this subsection shall take into account a district's per
3 pupil allocation under section 20j(2).

4 (6) Subject to subsection (7) and section 22b(3) and except as
5 otherwise provided in this subsection, for pupils in membership,
6 other than special education pupils, in a public school academy or
7 a university school, the allocation calculated under this section
8 is an amount per membership pupil other than special education
9 pupils in the public school academy or university school equal to
10 the sum of the local school operating revenue per membership pupil
11 other than special education pupils for the district in which the
12 public school academy or university school is located and the state
13 portion of that district's foundation allowance, or the sum of the
14 basic foundation allowance under subsection (1) plus \$300.00,
15 whichever is less. Notwithstanding section 101(2), for a public
16 school academy that begins operations after the pupil membership
17 count day, the amount per membership pupil calculated under this
18 subsection shall be adjusted by multiplying that amount per
19 membership pupil by the number of hours of pupil instruction
20 provided by the public school academy after it begins operations,
21 as determined by the department, divided by the minimum number of
22 hours of pupil instruction required under section 101(3). The
23 result of this calculation shall not exceed the amount per
24 membership pupil otherwise calculated under this subsection.

25 (7) If more than 25% of the pupils residing within a district
26 are in membership in 1 or more public school academies located in
27 the district, then the amount per membership pupil calculated under

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

25 (8) If a district does not receive an amount calculated under
26 subsection (9); if the number of mills the district may levy on a
27 principal residence and qualified agricultural property under

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

13 (9) For a district that had combined state and local revenue
14 per membership pupil in the 1993-94 state fiscal year of more than
15 \$6,500.00 and that had fewer than 350 pupils in membership, if the
16 district elects not to reduce the number of mills from which a
17 principal residence and qualified agricultural property are exempt
18 and not to levy school operating taxes on a principal residence and
19 qualified agricultural property as provided in section 1211(1) of
20 the revised school code, MCL 380.1211, and not to levy school
21 operating taxes on all property as provided in section 1211(2) of
22 the revised school code, MCL 380.1211, there is calculated under
23 this subsection for 1994-95 and each succeeding fiscal year a
24 separate supplemental amount in an amount equal to the amount the
25 district would have received per membership pupil had it levied
26 school operating taxes on a principal residence and qualified
27 agricultural property at the rate authorized for the district under

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

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

25 (11) Each fraction used in making calculations under this
26 section shall be rounded to the fourth decimal place and the dollar
27 amount of an increase in the basic foundation allowance shall be

1 rounded to the nearest whole dollar.

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

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

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

21 (b) The revenue adjustment factor shall be computed by
22 dividing the sum of the estimated total state school aid fund
23 revenue for the subsequent state fiscal year plus the estimated
24 total state school aid fund revenue for the current state fiscal
25 year, adjusted for any change in the rate or base of a tax the
26 proceeds of which are deposited in that fund and excluding money
27 transferred into that fund from the countercyclical budget and

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

13 (c) The index shall be calculated by multiplying the pupil
14 membership factor by the revenue adjustment factor. However, for
15 2005-2006, the index shall be 1.00. If a consensus index is not
16 determined at the revenue estimating conference, the principals of
17 the revenue estimating conference shall report their estimates to
18 the house and senate subcommittees responsible for school aid
19 appropriations not later than 7 days after the conclusion of the
20 revenue conference.

21 (14) If the principals at the revenue estimating conference
22 reach a consensus on the index described in subsection (13)(c), the
23 basic foundation allowance for the subsequent state fiscal year
24 shall be at least the amount of that consensus index multiplied by
25 the basic foundation allowance specified in subsection (1).

26 (15) If at the January revenue estimating conference it is
27 estimated that pupil membership, excluding intermediate district

1 membership, for the subsequent state fiscal year will be greater
2 than 101% of the pupil membership, excluding intermediate district
3 membership, for the current state fiscal year, then it is the
4 intent of the legislature that the executive budget proposal for
5 the school aid budget for the subsequent state fiscal year include
6 a general fund/general purpose allocation sufficient to support the
7 membership in excess of 101% of the current year pupil membership.

8 (16) For a district that had combined state and local revenue
9 per membership pupil in the 1993-94 state fiscal year of more than
10 \$6,500.00, that had fewer than 7 pupils in membership in the 1993-
11 94 state fiscal year, that has at least 1 child educated in the
12 district in the current state fiscal year, and that levies the
13 number of mills of school operating taxes authorized for the
14 district under section 1211 of the revised school code, MCL
15 380.1211, a minimum amount of combined state and local revenue
16 shall be calculated for the district as provided under this
17 subsection. The minimum amount of combined state and local revenue
18 for 1999-2000 shall be \$67,000.00 plus the district's additional
19 expenses to educate pupils in grades 9 to 12 educated in other
20 districts as determined and allowed by the department. The minimum
21 amount of combined state and local revenue under this subsection,
22 before adding the additional expenses, shall increase each fiscal
23 year by the same percentage increase as the percentage increase in
24 the basic foundation allowance from the immediately preceding
25 fiscal year to the current fiscal year. The state portion of the
26 minimum amount of combined state and local revenue under this
27 subsection shall be calculated by subtracting from the minimum

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

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

24 (18) For a district in which an industrial facilities
25 exemption certificate that abated taxes on property with a state
26 equalized valuation greater than the total state equalized
27 valuation of the district at the time the certificate was issued or

1 \$700,000,000.00, whichever is greater, was issued under 1974 PA
2 198, MCL 207.551 to 207.572, before the calculation of the
3 district's 1994-95 foundation allowance, the district's foundation
4 allowance for 2002-2003 is an amount equal to the sum of the
5 district's foundation allowance for 2002-2003, as otherwise
6 calculated under this section, plus \$250.00.

7 (19) For a district that received a grant under former section
8 32e for 2001-2002, the district's foundation allowance for 2002-
9 2003 and each succeeding fiscal year shall be adjusted to be an
10 amount equal to the sum of the district's foundation allowance, as
11 otherwise calculated under this section, plus the quotient of 100%
12 of the amount of the grant award to the district for 2001-2002
13 under former section 32e divided by the number of pupils in the
14 district's membership for 2001-2002 who were residents of and
15 enrolled in the district. Except as otherwise provided in this
16 subsection, a district qualifying for a foundation allowance
17 adjustment under this subsection shall use the funds resulting from
18 this adjustment for at least 1 of grades K to 3 for purposes
19 allowable under former section 32e as in effect for 2001-2002. For
20 an individual school or schools operated by a district qualifying
21 for a foundation allowance under this subsection that have been
22 determined by the department to meet the adequate yearly progress
23 standards of the federal no child left behind act of 2001, Public
24 Law 107-110, in both mathematics and English language arts at all
25 applicable grade levels for all applicable subgroups, the district
26 may submit to the department an application for flexibility in
27 using the funds resulting from this adjustment that are

1 attributable to the pupils in the school or schools. The
2 application shall identify the affected school or schools and the
3 affected funds and shall contain a plan for using the funds for
4 specific purposes identified by the district that are designed to
5 reduce class size, but that may be different from the purposes
6 otherwise allowable under this subsection. The department shall
7 approve the application if the department determines that the
8 purposes identified in the plan are reasonably designed to reduce
9 class size. If the department does not act to approve or disapprove
10 an application within 30 days after it is submitted to the
11 department, the application is considered to be approved. If an
12 application for flexibility in using the funds is approved, the
13 district may use the funds identified in the application for any
14 purpose identified in the plan.

15 (20) For a district that is a qualifying school district with
16 a school reform board in place under part 5a of the revised school
17 code, MCL 380.371 to 380.376, the district's foundation allowance
18 for 2002-2003 shall be adjusted to be an amount equal to the sum of
19 the district's foundation allowance, as otherwise calculated under
20 this section, plus the quotient of \$15,000,000.00 divided by the
21 district's membership for 2002-2003. If a district ceases to meet
22 the requirements of this subsection, the department shall adjust
23 the district's foundation allowance in effect at that time based on
24 a 2002-2003 foundation allowance for the district that does not
25 include the 2002-2003 adjustment under this subsection. This
26 subsection only applies for 2002-2003, 2003-2004, and 2004-2005.
27 Beginning in 2005-2006, the foundation allowance of a district that

1 received an adjustment under this subsection for those fiscal years
2 shall be calculated as if those adjustments did not occur.

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

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

12 (23) As used in this section:

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

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

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

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

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

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

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

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

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

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

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

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

20 Enacting section 1. This amendatory act does not take effect
21 unless Senate Bill No.____ or House Bill No. 6419(request no.
22 04956'05) of the 93rd Legislature is enacted into law.