

# HOUSE BILL No. 4043

January 21, 2015, Introduced by Rep. Johnson 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~~ **THE** basic foundation allowance is \$8,099.00 ~~—~~  
3       ~~— (b) The~~ **AND THE** minimum foundation allowance is \$7,126.00. **FOR**  
4       **2015-2016, THE BASIC FOUNDATION ALLOWANCE SHALL BE \$7,880.00 AND**  
5       **THE MINIMUM FOUNDATION ALLOWANCE SHALL BE \$7,305.00. FOR 2016-2017,**  
6       **THE BASIC FOUNDATION ALLOWANCE SHALL BE \$7,660.00 AND THE MINIMUM**  
7       **FOUNDATION ALLOWANCE SHALL BE \$7,370.00. FOR 2017-2018, THE BASIC**  
8       **FOUNDATION ALLOWANCE AND THE MINIMUM FOUNDATION ALLOWANCE BOTH**  
9       **SHALL BE \$7,435.00.**

10       (2) The amount of each district's foundation allowance shall  
11       be calculated as provided in this section, using a basic foundation

1 allowance in the amount specified in subsection (1).

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

6 (a) Except as otherwise provided in this subdivision, for a  
7 district that had a foundation allowance for the immediately  
8 preceding state fiscal year that was equal to the minimum  
9 foundation allowance for the immediately preceding state fiscal  
10 year, but less than the basic foundation allowance for the  
11 immediately preceding state fiscal year, the district shall receive  
12 a foundation allowance in an amount equal to the sum of the  
13 district's foundation allowance for the immediately preceding state  
14 fiscal year plus the difference between twice the dollar amount of  
15 the adjustment from the immediately preceding state fiscal year to  
16 the current state fiscal year made in the basic foundation  
17 allowance and [(the difference between the basic foundation  
18 allowance for the current state fiscal year and basic foundation  
19 allowance for the immediately preceding state fiscal year minus  
20 \$10.00) times (the difference between the district's foundation  
21 allowance for the immediately preceding state fiscal year and the  
22 minimum foundation allowance for the immediately preceding state  
23 fiscal year) divided by the difference between the basic foundation  
24 allowance for the current state fiscal year and the minimum  
25 foundation allowance for the immediately preceding state fiscal  
26 year]. However, the foundation allowance for a district that had **A**  
27 **FOUNDATION ALLOWANCE IN AN AMOUNT** less than the basic foundation

1 allowance for the immediately preceding state fiscal year shall not  
2 exceed the basic foundation allowance for the current state fiscal  
3 year. For the purposes of this subdivision, for 2014-2015, the  
4 minimum foundation allowance for the immediately preceding state  
5 fiscal year shall be considered to be \$7,076.00. For 2014-2015, for  
6 a district that had a foundation allowance for the immediately  
7 preceding state fiscal year that was at least equal to the minimum  
8 foundation allowance for the immediately preceding state fiscal  
9 year but less than the basic foundation allowance for the  
10 immediately preceding state fiscal year, the district shall receive  
11 a foundation allowance in an amount equal to the district's  
12 foundation allowance for 2013-2014 plus \$50.00. **FOR THE PURPOSES OF**  
13 **THIS SUBDIVISION, FOR 2015-2016, THE MINIMUM FOUNDATION ALLOWANCE**  
14 **FOR THE IMMEDIATELY PRECEDING STATE FISCAL YEAR SHALL BE CONSIDERED**  
15 **TO BE \$7,251.00. FOR 2015-2016, FOR A DISTRICT THAT HAD A**  
16 **FOUNDATION ALLOWANCE AS CALCULATED UNDER THIS SUBDIVISION FOR 2014-**  
17 **2015 THAT WAS LESS THAN \$7,305.00, THE DISTRICT'S FOUNDATION**  
18 **ALLOWANCE SHALL BE \$7,305.00. FOR 2015-2016, FOR A DISTRICT THAT**  
19 **HAD A FOUNDATION ALLOWANCE AS CALCULATED UNDER THIS SUBDIVISION FOR**  
20 **2014-2015 THAT WAS AT LEAST EQUAL TO \$7,305.00, THE DISTRICT'S**  
21 **FOUNDATION ALLOWANCE SHALL BE THE SAME AS THE DISTRICT'S FOUNDATION**  
22 **ALLOWANCE FOR 2014-2015. FOR 2016-2017, FOR A DISTRICT THAT HAD A**  
23 **FOUNDATION ALLOWANCE AS CALCULATED UNDER THIS SUBDIVISION FOR 2015-**  
24 **2016 THAT WAS LESS THAN \$7,370.00, THE DISTRICT'S FOUNDATION**  
25 **ALLOWANCE SHALL BE \$7,370.00. FOR 2016-2017, FOR A DISTRICT THAT**  
26 **HAD A FOUNDATION ALLOWANCE AS CALCULATED UNDER THIS SUBDIVISION FOR**  
27 **2015-2016 THAT WAS AT LEAST EQUAL TO \$7,370.00, THE DISTRICT'S**

1 FOUNDATION ALLOWANCE SHALL BE THE SAME AS THE DISTRICT'S FOUNDATION  
2 ALLOWANCE FOR 2015-2016. FOR 2017-2018, FOR A DISTRICT THAT HAD A  
3 FOUNDATION ALLOWANCE AS CALCULATED UNDER THIS SUBDIVISION FOR 2016-  
4 2017 THAT WAS LESS THAN \$7,435.00, THE DISTRICT'S FOUNDATION  
5 ALLOWANCE SHALL BE \$7,435.00. FOR 2017-2018, FOR A DISTRICT THAT  
6 HAD A FOUNDATION ALLOWANCE AS CALCULATED UNDER THIS SUBDIVISION FOR  
7 2016-2017 THAT WAS AT LEAST EQUAL TO \$7,435.00, THE DISTRICT'S  
8 FOUNDATION ALLOWANCE SHALL BE \$7,435.00.

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

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

1 the May revenue estimating conference conducted under section 367b  
2 of the management and budget act, 1984 PA 431, MCL 18.1367b. FOR  
3 2015-2016, FOR A DISTRICT THAT IN 2014-2015 HAD A FOUNDATION  
4 ALLOWANCE AS CALCULATED UNDER THIS SUBDIVISION IN AN AMOUNT GREATER  
5 THAN THE AMOUNT OF THE BASIC FOUNDATION ALLOWANCE FOR 2014-2015,  
6 THE DISTRICT SHALL RECEIVE A FOUNDATION ALLOWANCE FOR 2015-2016 IN  
7 AN AMOUNT EQUAL TO THE DISTRICT'S FOUNDATION ALLOWANCE FOR 2014-  
8 2015, MINUS \$219.00. FOR 2016-2017, FOR A DISTRICT THAT IN 2015-  
9 2016 HAD A FOUNDATION ALLOWANCE AS CALCULATED UNDER THIS  
10 SUBDIVISION IN AN AMOUNT AT LEAST EQUAL TO THE AMOUNT OF THE BASIC  
11 FOUNDATION ALLOWANCE FOR 2015-2016, THE DISTRICT SHALL RECEIVE A  
12 FOUNDATION ALLOWANCE FOR 2016-2017 IN AN AMOUNT EQUAL TO THE  
13 DISTRICT'S FOUNDATION ALLOWANCE FOR 2015-2016, MINUS \$220.00. FOR  
14 2017-2018, FOR A DISTRICT THAT IN 2016-2017 HAD A FOUNDATION  
15 ALLOWANCE AS CALCULATED UNDER THIS SUBDIVISION IN AN AMOUNT AT  
16 LEAST EQUAL TO THE AMOUNT OF THE BASIC FOUNDATION ALLOWANCE FOR  
17 2016-2017, THE DISTRICT SHALL RECEIVE A FOUNDATION ALLOWANCE FOR  
18 2017-2018 IN AN AMOUNT EQUAL TO THE DISTRICT'S FOUNDATION ALLOWANCE  
19 FOR 2016-2017, MINUS \$225.00.

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

23 (e) For a district that received a payment under section 22c  
24 as that section was in effect for 2013-2014, the district's 2013-  
25 2014 foundation allowance shall be considered to have been an  
26 amount equal to the sum of the district's actual 2013-2014  
27 foundation allowance as otherwise calculated under this section

1 plus the per pupil amount of the district's equity payment for  
2 2013-2014 under section 22c as that section was in effect for 2013-  
3 2014.

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

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

15           (6) Except as otherwise provided in this subsection, for  
16 pupils in membership, other than special education pupils, in a  
17 public school academy, the allocation calculated under this section  
18 is an amount per membership pupil other than special education  
19 pupils in the public school academy equal to the foundation  
20 allowance of the district in which the public school academy is  
21 located or the state maximum public school academy allocation,  
22 whichever is less. However, a public school academy that had an  
23 allocation under this subsection before 2009-2010 that was equal to  
24 the sum of the local school operating revenue per membership pupil  
25 other than special education pupils for the district in which the  
26 public school academy is located and the state portion of that  
27 district's foundation allowance shall not have that allocation

1 reduced as a result of the 2010 amendment to this subsection.  
2 Notwithstanding section 101, for a public school academy that  
3 begins operations after the pupil membership count day, the amount  
4 per membership pupil calculated under this subsection shall be  
5 adjusted by multiplying that amount per membership pupil by the  
6 number of hours of pupil instruction provided by the public school  
7 academy after it begins operations, as determined by the  
8 department, divided by the minimum number of hours of pupil  
9 instruction required under section 101(3). The result of this  
10 calculation shall not exceed the amount per membership pupil  
11 otherwise calculated under this subsection.

12 (7) Except as otherwise provided in this subsection, for  
13 pupils attending an achievement school and in membership in the  
14 education achievement system, other than special education pupils,  
15 the allocation calculated under this section is an amount per  
16 membership pupil other than special education pupils equal to the  
17 foundation allowance of the district in which the achievement  
18 school is located, not to exceed the basic foundation allowance.  
19 Notwithstanding section 101, for an achievement school that begins  
20 operation after the pupil membership count day, the amount per  
21 membership pupil calculated under this subsection shall be adjusted  
22 by multiplying that amount per membership pupil by the number of  
23 hours of pupil instruction provided by the achievement school after  
24 it begins operations, as determined by the department, divided by  
25 the minimum number of hours of pupil instruction required under  
26 section 101(3). The result of this calculation shall not exceed the  
27 amount per membership pupil otherwise calculated under this



1 subsection. For the purposes of this subsection, if a public school  
2 is transferred from a district to the state school reform/redesign  
3 district or the achievement authority under section 1280c of the  
4 revised school code, MCL 380.1280c, that public school is  
5 considered to be an achievement school within the education  
6 achievement system and not a school that is part of a district, and  
7 a pupil attending that public school is considered to be in  
8 membership in the education achievement system and not in  
9 membership in the district that operated the school before the  
10 transfer.

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

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

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

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

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

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

1 1984 PA 431, MCL 18.1101 to 18.1594, by the sum of the estimated  
2 total school aid fund revenue for the current state fiscal year  
3 plus the estimated total state school aid fund revenue for the  
4 immediately preceding state fiscal year, adjusted for any change in  
5 the rate or base of a tax the proceeds of which are deposited in  
6 that fund. If a consensus revenue factor is not determined at the  
7 revenue estimating conference, the principals of the revenue  
8 estimating conference shall report their estimates to the house and  
9 senate subcommittees responsible for school aid appropriations not  
10 later than 7 days after the conclusion of the revenue conference.

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

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

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

27 (14) As used in this section:

1 (a) "Certified mills" means the lesser of 18 mills or the  
2 number of mills of school operating taxes levied by the district in  
3 1993-94.

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

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

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

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

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

19 (g) "Local portion of the district's foundation allowance"  
20 means an amount that is equal to the difference between (the sum of  
21 the product of the taxable value per membership pupil of all  
22 property in the district that is nonexempt property times the  
23 district's certified mills and, for a district with certified mills  
24 exceeding 12, the product of the taxable value per membership pupil  
25 of property in the district that is commercial personal property  
26 times the certified mills minus 12 mills) and (the quotient of the  
27 product of the captured assessed valuation under tax increment

1 financing acts times the district's certified mills divided by the  
2 district's membership excluding special education pupils).

3 (h) "Local school operating revenue" means school operating  
4 taxes levied under section 1211 of the revised school code, MCL  
5 380.1211. For a receiving district, if school operating taxes are  
6 to be levied on behalf of a dissolved district that has been  
7 attached in whole or in part to the receiving district to satisfy  
8 debt obligations of the dissolved district under section 12 of the  
9 revised school code, MCL 380.12, local school operating revenue  
10 does not include school operating taxes levied within the  
11 geographic area of the dissolved district.

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

15 (j) "Maximum public school academy allocation", except as  
16 otherwise provided in this subdivision, means the maximum per-pupil  
17 allocation as calculated by adding the highest per-pupil allocation  
18 among all public school academies for the immediately preceding  
19 state fiscal year plus the difference between twice the amount of  
20 the difference between the basic foundation allowance for the  
21 current state fiscal year and the basic foundation for the  
22 immediately preceding state fiscal year and [(the amount of the  
23 difference between the basic foundation allowance for the current  
24 state fiscal year and the basic foundation for the immediately  
25 preceding state fiscal year minus \$10.00) times (the difference  
26 between the highest per-pupil allocation among all public school  
27 academies for the immediately preceding state fiscal year and the

1 minimum foundation allowance for the immediately preceding state  
2 fiscal year) divided by the difference between the basic foundation  
3 allowance for the current state fiscal year and the minimum  
4 foundation allowance for the immediately preceding state fiscal  
5 year]. For the purposes of this subdivision, for 2014-2015, the  
6 minimum foundation allowance for the immediately preceding state  
7 fiscal year shall be considered to be \$7,076.00. For 2014-2015, the  
8 maximum public school academy allocation is \$7,218.00. **BEGINNING**  
9 **WITH 2015-2016, THE MAXIMUM PUBLIC SCHOOL ACADEMY ALLOCATION FOR A**  
10 **FISCAL YEAR IS EQUAL TO THE MINIMUM FOUNDATION ALLOWANCE FOR THAT**  
11 **FISCAL YEAR.**

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

15 (l) "Nonexempt property" means property that is not a principal  
16 residence, qualified agricultural property, qualified forest  
17 property, supportive housing property, industrial personal  
18 property, or commercial personal property.

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

24 (n) "Receiving district" means a district to which all or part  
25 of the territory of a dissolved district is attached under section  
26 12 of the revised school code, MCL 380.12.

27 (o) "School operating purposes" means the purposes included in

1 the operation costs of the district as prescribed in sections 7 and  
2 18 and purposes authorized under section 1211 of the revised school  
3 code, MCL 380.1211.

4 (p) "School operating taxes" means local ad valorem property  
5 taxes levied under section 1211 of the revised school code, MCL  
6 380.1211, and retained for school operating purposes.

7 (q) "Tax increment financing acts" means 1975 PA 197, MCL  
8 125.1651 to 125.1681, the tax increment finance authority act, 1980  
9 PA 450, MCL 125.1801 to 125.1830, the local development financing  
10 act, 1986 PA 281, MCL 125.2151 to 125.2174, the brownfield  
11 redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2672,  
12 or the corridor improvement authority act, 2005 PA 280, MCL  
13 125.2871 to 125.2899.

14 (r) "Taxable value per membership pupil" means taxable value,  
15 as certified by the county treasurer and reported to the  
16 department, for the calendar year ending in the current state  
17 fiscal year divided by the district's membership excluding special  
18 education pupils for the school year ending in the current state  
19 fiscal year.