

# HOUSE BILL No. 5897

September 20, 2016, Introduced by Rep. Irwin 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 2015 PA 85.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1           Sec. 20. (1) For 2015-2016, both of the following apply:

2           (a) The basic foundation allowance is \$8,169.00.

3           (b) The minimum foundation allowance is \$7,391.00.

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:

11           (a) Except as otherwise provided in this subdivision, for a

1 district that had a foundation allowance for the immediately  
2 preceding state fiscal year that was equal to the minimum  
3 foundation allowance for the immediately preceding state fiscal  
4 year, but less than the basic foundation allowance for the  
5 immediately preceding state fiscal year, the district shall receive  
6 a foundation allowance in an amount equal to the sum of the  
7 district's foundation allowance for the immediately preceding state  
8 fiscal year plus the difference between twice the dollar amount of  
9 the adjustment from the immediately preceding state fiscal year to  
10 the current state fiscal year made in the basic foundation  
11 allowance and [(the difference between the basic foundation  
12 allowance for the current state fiscal year and basic foundation  
13 allowance for the immediately preceding state fiscal year minus  
14 \$23.00) times (the difference between the district's foundation  
15 allowance 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]. However, the foundation allowance for a district that had  
21 less than the basic foundation allowance for the immediately  
22 preceding state fiscal year shall not exceed the basic foundation  
23 allowance for the current state fiscal year. For the purposes of  
24 this subdivision, for 2015-2016, the minimum foundation allowance  
25 for the immediately preceding state fiscal year shall be considered  
26 to be \$7,251.00.

27 (b) Except as otherwise provided in this subsection, for a

1 district that in the immediately preceding state fiscal year had a  
2 foundation allowance in an amount equal to the amount of the basic  
3 foundation allowance for the immediately preceding state fiscal  
4 year, the district shall receive a foundation allowance for 2015-  
5 2016 in an amount equal to the basic foundation allowance for 2015-  
6 2016.

7 (c) For a district that had a foundation allowance for the  
8 immediately preceding state fiscal year that was greater than the  
9 basic foundation allowance for the immediately preceding state  
10 fiscal year, the district's foundation allowance is an amount equal  
11 to the sum of the district's foundation allowance for the  
12 immediately preceding state fiscal year plus the lesser of the  
13 increase in the basic foundation allowance for the current state  
14 fiscal year, as compared to the immediately preceding state fiscal  
15 year, or the product of the district's foundation allowance for the  
16 immediately preceding state fiscal year times the percentage  
17 increase in the United States consumer price index in the calendar  
18 year ending in the immediately preceding fiscal year as reported by  
19 the May revenue estimating conference conducted under section 367b  
20 of the management and budget act, 1984 PA 431, MCL 18.1367b.

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

24 (e) For a district that received a payment under section 22c  
25 as that section was in effect for 2014-2015, the district's 2014-  
26 2015 foundation allowance shall be considered to have been an  
27 amount equal to the sum of the district's actual 2014-2015

1 foundation allowance as otherwise calculated under this section  
2 plus the per-pupil amount of the district's equity payment for  
3 2014-2015 under section 22c as that section was in effect for 2014-  
4 2015.

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

1 property within the geographic area of the dissolved district.

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

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

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

20 **BEGINNING IN 2015-2016, FOR PUPILS IN MEMBERSHIP IN A PUBLIC SCHOOL**  
21 **ACADEMY THAT WAS ISSUED A CONTRACT UNDER SECTION 552 OF THE REVISED**  
22 **SCHOOL CODE, MCL 380.552, TO OPERATE AS A SCHOOL OF EXCELLENCE THAT**  
23 **IS A CYBER SCHOOL, THE ALLOCATION CALCULATED UNDER THIS SECTION IS**  
24 **AN AMOUNT EQUAL TO 1/3 OF THE AMOUNT AS WOULD OTHERWISE BE**  
25 **CALCULATED UNDER THIS SUBSECTION FOR A PUBLIC SCHOOL ACADEMY.**

26 (7) Except as otherwise provided in this subsection, for  
27 pupils attending an achievement school and in membership in the

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

25 (8) Subject to subsection (4), for a district that is formed  
26 or reconfigured after June 1, 2002 by consolidation of 2 or more  
27 districts or by annexation, the resulting district's foundation

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

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

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

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

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



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

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

25 (c) The index shall be calculated by multiplying the pupil  
26 membership factor by the revenue adjustment factor. If a consensus  
27 index is not determined at the revenue estimating conference, the

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

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

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

14 (14) As used in this section:

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

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

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

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

27 (e) "Dissolved district" means a district that loses its

1 organization, has its territory attached to 1 or more other  
2 districts, and is dissolved as provided under section 12 of the  
3 revised school code, MCL 380.12.

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

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

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

26 (i) "Local school operating revenue per membership pupil"  
27 means a district's local school operating revenue divided by the

1 district's membership excluding special education pupils.

2 (j) "Maximum public school academy allocation", except as  
3 otherwise provided in this subdivision, means the maximum per-pupil  
4 allocation as calculated by adding the highest per-pupil allocation  
5 among all public school academies for the immediately preceding  
6 state fiscal year plus the difference between twice the amount of  
7 the difference between the basic foundation allowance for the  
8 current state fiscal year and the basic foundation allowance for  
9 the immediately preceding state fiscal year and [(the amount of the  
10 difference between the basic foundation allowance for the current  
11 state fiscal year and the basic foundation allowance for the  
12 immediately preceding state fiscal year minus \$23.00) times (the  
13 difference between the highest per-pupil allocation among all  
14 public school academies for the immediately preceding state fiscal  
15 year and the minimum foundation allowance for the immediately  
16 preceding state fiscal year) divided by the difference between the  
17 basic foundation allowance for the current state fiscal year and  
18 the minimum foundation allowance for the immediately preceding  
19 state fiscal year]. For the purposes of this subdivision, for 2015-  
20 2016, the maximum public school academy allocation is \$7,391.00.

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

24 (l) "Nonexempt property" means property that is not a  
25 principal residence, qualified agricultural property, qualified  
26 forest property, supportive housing property, industrial personal  
27 property, commercial personal property, or property occupied by a

1 public school academy.

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

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

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

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

17 (q) "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, the brownfield  
21 redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2672,  
22 or the corridor improvement authority act, 2005 PA 280, MCL  
23 125.2871 to 125.2899.

24 (r) "Taxable value per membership pupil" means taxable value,  
25 as certified by the county treasurer and reported to the  
26 department, for the calendar year ending in the current state  
27 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.