



HOUSE BILL No. 5430

February 22, 2000, Introduced by Reps. Shackleton, Gilbert, Woronchak, Bisbee, DeRossett, Richardville, Hager, Kowall, Faunce, Van Woerkom, Mortimer, Bishop, Julian, Vear, Birkholz, Tabor, Ehardt and Lemmons 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 1999
PA 119.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 20. (1) For 1998-99, the basic foundation allowance is
2 \$5,462.00 per membership pupil. For 1999-2000, the basic founda-
3 tion allowance is \$5,696.00 per membership pupil. For 2000-2001,
4 the basic foundation allowance is \$5,866.00 per membership
5 pupil.

6 (2) From the appropriation in section 11, there is allocated
7 for 1998-99 an amount not to exceed \$8,034,100,000.00, for
8 1999-2000 an amount not to exceed \$8,516,932,000.00, and for
9 2000-2001 an amount not to exceed \$8,906,496,200.00 to guarantee
10 each district a foundation allowance per membership pupil other

1 than special education pupils and to make payments under this
2 section to public school academies and university schools for
3 membership pupils other than special education pupils. The
4 amount of each district's foundation allowance shall be calcu-
5 lated as provided in this section, using a basic foundation
6 allowance in the amount specified in subsection (1). If the max-
7 imum amount allocated under this section is not sufficient to
8 fully fund payments under this section, and before any proration
9 required under section 11, the amount of the payment to each dis-
10 trict, university school, and public school academy shall be pro-
11 rated by reducing by an equal percentage the total payment under
12 this section to each district, university school, and public
13 school academy. However, if the department determines that pro-
14 ration will be required under this section, the superintendent of
15 public instruction shall notify the state budget director, and
16 the state budget director shall notify the legislature at least
17 30 calendar days or 6 legislative session days, whichever is
18 more, before the department reduces any payments under this sec-
19 tion because of the proration. During the 30 calendar day or 6
20 legislative session day period after that notification by the
21 state budget director, the department shall not reduce any pay-
22 ments under this section because of proration. The legislature
23 may prevent proration under this section from occurring by,
24 within the 30 calendar day or 6 legislative session day period
25 after that notification by the director, enacting legislation
26 appropriating additional funds from the general fund,
27 countercyclical budget and economic stabilization fund, state

1 school aid fund balance, or another source to ensure full
2 foundation allowance funding for each district, university
3 school, and public school academy.

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

9 (a) For a district that in the immediately preceding state
10 fiscal year had a foundation allowance at least equal to the sum
11 of \$4,200.00 plus the total dollar amount of all adjustments made
12 from 1994-95 to the immediately preceding state fiscal year in
13 the lowest foundation allowance among all districts, but less
14 than the basic foundation allowance in the immediately preceding
15 state fiscal year, the district shall receive a foundation allow-
16 ance in an amount equal to the sum of the district's foundation
17 allowance for the immediately preceding state fiscal year plus
18 the difference between twice the dollar amount of the adjustment
19 from the immediately preceding state fiscal year to the current
20 state fiscal year made in the basic foundation allowance and
21 [(the dollar amount of the adjustment from the immediately pre-
22 ceding state fiscal year to the current state fiscal year made in
23 the basic foundation allowance minus \$50.00) times (the differ-
24 ence between the district's foundation allowance for the immedi-
25 ately preceding state fiscal year and the sum of \$4,200.00 plus
26 the total dollar amount of all adjustments made from 1994-95 to
27 the immediately preceding state fiscal year in the lowest

1 foundation allowance among all districts) divided by the
2 difference between the basic foundation allowance for the current
3 state fiscal year and the sum of \$4,200.00 plus the total dollar
4 amount of all adjustments made from 1994-95 to the immediately
5 preceding state fiscal year in the lowest foundation allowance
6 among all districts]. However, the foundation allowance for a
7 district that had less than the basic foundation allowance in the
8 immediately preceding state fiscal year shall not exceed the
9 basic foundation allowance for the current state fiscal year.

10 (b) Except as otherwise provided in subdivision (c) or (d),
11 for a district that in the immediately preceding state fiscal
12 year had a foundation allowance in an amount at least equal to
13 the amount of the basic foundation allowance for the immediately
14 preceding state fiscal year, the district shall receive a founda-
15 tion allowance in an amount equal to the sum of the district's
16 foundation allowance for the immediately preceding state fiscal
17 year plus the dollar amount of the adjustment from the immedi-
18 ately preceding state fiscal year to the current state fiscal
19 year in the basic foundation allowance.

20 (c) For 1999-2000 only, for a district that in the immedi-
21 ately preceding state fiscal year had a foundation allowance
22 greater than \$6,962.00 and less than \$12,000.00, the district
23 shall receive a foundation allowance in an amount equal to the
24 sum of the district's foundation allowance for the immediately
25 preceding state fiscal year plus 1.6% of the district's founda-
26 tion allowance for the immediately preceding state fiscal year.

1 (d) For 2000-2001 only, for a district that in the
2 immediately preceding state fiscal year had a foundation
3 allowance greater than \$7,196.00 and less than \$12,234.00, the
4 district shall receive a foundation allowance in an amount equal
5 to the sum of the district's foundation allowance for the immedi-
6 ately preceding state fiscal year plus 1.6% of the district's
7 foundation allowance for the immediately preceding state fiscal
8 year.

9 (e) ~~For 1998-99~~ IT IS THE INTENT OF THE LEGISLATURE THAT,
10 NOT LATER THAN 2004-2005, each district's foundation allowance
11 shall be at least ~~\$5,170.00~~ \$6,500.00.

12 (4) To ensure that a district receives the district's foun-
13 dation allowance, there is allocated to each district a state
14 portion of the district's foundation allowance in an amount cal-
15 culated under this subsection. Except as otherwise provided in
16 this subsection, the state portion of a district's foundation
17 allowance is an amount equal to the district's foundation allow-
18 ance or \$6,500.00, whichever is less, minus the difference
19 between the product of the taxable value per membership pupil of
20 all property in the district that is not a homestead or qualified
21 agricultural property times the lesser of 18 mills or the number
22 of mills of school operating taxes levied by the district in
23 1993-94 and the quotient of the ad valorem property tax revenue
24 of the district captured under 1975 PA 197, MCL 125.1651 to
25 125.1681, the tax increment finance authority act, 1980 PA 450,
26 MCL 125.1801 to 125.1830, the local development financing act,
27 1986 PA 281, MCL 125.2151 to 125.2174, or the ~~Brownfield~~

1 BROWNFIELD redevelopment financing act, 1996 PA 381, MCL 125.2651
2 to 125.2672, divided by the district's membership excluding spe-
3 cial education pupils. For 1999-2000 only, for a district
4 described in subsection (3)(c), the state portion of the
5 district's foundation allowance is an amount equal to \$6,962.00
6 plus 1.6% of the district's foundation allowance for the immedi-
7 ately preceding state fiscal year minus the difference between
8 the product of the taxable value per membership pupil of all
9 property in the district that is not a homestead or qualified
10 agricultural property times the lesser of 18 mills or the number
11 of mills of school operating taxes levied by the district in
12 1993-94 and the quotient of the ad valorem property tax revenue
13 of the district captured under 1975 PA 197, MCL 125.1651 to
14 125.1681, the tax increment finance authority act, 1980 PA 450,
15 MCL 125.1801 to 125.1830, the local development financing act,
16 1986 PA 281, MCL 125.2151 to 125.2174, or the ~~Brownfield~~
17 BROWNFIELD redevelopment financing act, 1996 PA 381, MCL 125.2651
18 to 125.2672, divided by the district's membership excluding spe-
19 cial education pupils. For 2000-2001 only, for a district
20 described in subsection (3)(d), the state portion of the
21 district's foundation allowance is an amount equal to \$7,196.00
22 plus 1.6% of the district's foundation allowance for the immedi-
23 ately preceding state fiscal year minus the difference between
24 the product of the taxable value per membership pupil of all
25 property in the district that is not a homestead or qualified
26 agricultural property times the lesser of 18 mills or the number
27 of mills of school operating taxes levied by the district in

1 1993-94 and the quotient of the ad valorem property tax revenue
2 of the district captured under 1975 PA 197, MCL 125.1651 to
3 125.1681, the tax increment finance authority act, 1980 PA 450,
4 MCL 125.1801 to 125.1830, the local development financing act,
5 1986 PA 281, MCL 125.2151 to 125.2174, or the ~~Brownfield~~
6 BROWNFIELD redevelopment financing act, 1996 PA 381, MCL 125.2651
7 to 125.2672, divided by the district's membership excluding spe-
8 cial education pupils. For a district that has a millage reduc-
9 tion required under section 31 of article IX of the state consti-
10 tution of 1963, the state portion of the district's foundation
11 allowance shall be calculated as if that reduction did not
12 occur. For each fiscal year after 1994-95, the \$6,500.00 amount
13 prescribed in this subsection shall be adjusted each year by an
14 amount equal to the dollar amount of the difference between the
15 basic foundation allowance for the current state fiscal year and
16 \$5,000.00.

17 (5) The allocation under this section for a pupil shall be
18 based on the foundation allowance of the pupil's district of
19 residence. However, for a pupil enrolled pursuant to section 105
20 in a district other than the pupil's district of residence, the
21 allocation under this section shall be based on the lesser of the
22 foundation allowance of the pupil's district of residence or the
23 foundation allowance of the educating district. For a pupil in
24 membership in a K-5, K-6, or K-8 district who is enrolled in
25 another district in a grade not offered by the pupil's district
26 of residence, the allocation under this section shall be based on
27 the foundation allowance of the educating district if the

1 educating district's foundation allowance is greater than the
2 foundation allowance of the pupil's district of residence.

3 (6) Subject to subsection (7) and except as otherwise pro-
4 vided in this subsection, for pupils in membership, other than
5 special education pupils, in a public school academy or a univer-
6 sity school, there is allocated under this section each fiscal
7 year for 1998-99, for 1999-2000, and for 2000-2001 to the autho-
8 rizing body that is the fiscal agent for the public school acad-
9 emy for forwarding to the public school academy, or to the board
10 of the public university operating the university school, an
11 amount per membership pupil other than special education pupils
12 in the public school academy or university school equal to the
13 sum of the local school operating revenue per membership pupil
14 other than special education pupils for the district in which the
15 public school academy or university school is located and the
16 state portion of that district's foundation allowance, or the sum
17 of the basic foundation allowance under subsection (1) plus
18 \$500.00, whichever is less. Notwithstanding section 101(2), for
19 a public school academy that begins operations in 1998-99,
20 1999-2000, or 2000-2001, as applicable, after the pupil member-
21 ship count day, the amount per membership pupil calculated under
22 this subsection shall be adjusted by multiplying that amount per
23 membership pupil by the number of hours of pupil instruction pro-
24 vided by the public school academy after it begins operations, as
25 determined by the department, divided by the minimum number of
26 hours of pupil instruction required under section 1284 of the
27 revised school code, MCL 380.1284. The result of this

1 calculation shall not exceed the amount per membership pupil
2 otherwise calculated under this subsection.

3 (7) If more than 25% of the pupils residing within a dis-
4 trict are in membership in 1 or more public school academies
5 located in the district, then the amount per membership pupil
6 allocated under this section to the authorizing body that is the
7 fiscal agent for a public school academy located in the district
8 for forwarding to the public school academy shall be reduced by
9 an amount equal to the difference between the product of the tax-
10 able value per membership pupil of all property in the district
11 that is not a homestead or qualified agricultural property times
12 the lesser of 18 mills or the number of mills of school operating
13 taxes levied by the district in 1993-94 and the quotient of the
14 ad valorem property tax revenue of the district captured under
15 1975 PA 197, MCL 125.1651 to 125.1681, the tax increment finance
16 authority act, 1980 PA 450, MCL 125.1801 to 125.1830, the local
17 development financing act, 1986 PA 281, MCL 125.2151 to 125.2174,
18 or the ~~Brownfield~~ BROWNFIELD redevelopment financing act, 1996
19 PA 381, MCL 125.2651 to 125.2672, divided by the district's mem-
20 bership excluding special education pupils, in the school fiscal
21 year ending in the current state fiscal year, calculated as if
22 the resident pupils in membership in 1 or more public school
23 academies located in the district were in membership in the
24 district. In order to receive state school aid under this act, a
25 district described in this subsection shall pay to the authoriz-
26 ing body that is the fiscal agent for a public school academy
27 located in the district for forwarding to the public school

1 academy an amount equal to that local school operating revenue
2 per membership pupil for each resident pupil in membership other
3 than special education pupils in the public school academy, as
4 determined by the department.

5 (8) If a district does not receive a payment under subsec-
6 tion (9); if the number of mills the district may levy on a home-
7 stead and qualified agricultural property under section 1211(1)
8 of the revised school code, MCL 380.1211, is 0.5 mills or less;
9 and if the district elects not to levy those mills, the district
10 instead shall receive a separate supplemental payment under this
11 subsection in an amount equal to the amount the district would
12 have received had it levied those mills, as determined by the
13 department of treasury. A district shall not receive a separate
14 supplemental payment under this subsection for a fiscal year
15 unless in the calendar year ending in the fiscal year the dis-
16 trict levies 18 mills or the number of mills of school operating
17 taxes levied by the district in 1993, whichever is less, on prop-
18 erty that is not a homestead or qualified agricultural property.

19 (9) For a district that had combined state and local revenue
20 per membership pupil in the 1993-94 state fiscal year of more
21 than \$6,500.00 and that had fewer than 350 pupils in membership,
22 if the district elects not to reduce the number of mills from
23 which a homestead and qualified agricultural property are exempt
24 and not to levy school operating taxes on a homestead and quali-
25 fied agricultural property as provided in section 1211(1) of the
26 revised school code, MCL 380.1211, and not to levy school
27 operating taxes on all property as provided in section 1211(2) of

1 the revised school code, MCL 380.1211, there is allocated under
2 this subsection for 1994-95 and each succeeding fiscal year a
3 separate supplemental payment in an amount equal to the amount
4 the district would have received per membership pupil had it
5 levied school operating taxes on a homestead and qualified agri-
6 cultural property at the rate authorized for the district under
7 section 1211(1) of the revised school code, MCL 380.1211, and
8 levied school operating taxes on all property at the rate autho-
9 rized for the district under section 1211(2) of the revised
10 school code, MCL 380.1211, as determined by the department of
11 treasury. A district shall not receive a separate supplemental
12 payment under this subsection for a fiscal year unless in the
13 calendar year ending in the fiscal year the district levies 18
14 mills or the number of mills of school operating taxes levied by
15 the district in 1993, whichever is less, on property that is not
16 a homestead or qualified agricultural property. If in the calen-
17 dar year ending in the fiscal year a district does not levy 18
18 mills or the number of mills of school operating taxes levied by
19 the district in 1993, whichever is less, on property that is not
20 a homestead or qualified agricultural property, the payment under
21 this subsection will be reduced by the same percentage as the
22 millage actually levied compares to the 18 mills or the number of
23 mills levied in 1993, whichever is less.

24 (10) A district or public school academy may use any funds
25 allocated under this section in conjunction with any federal
26 funds for which the district or public school academy otherwise
27 would be eligible.

1 (11) For a district that is formed or reconfigured after
2 June 1, 1994 by consolidation of 2 or more districts or by annex-
3 ation, the resulting district's foundation allowance under this
4 section beginning after the effective date of the consolidation
5 or annexation shall be the average of the foundation allowances
6 of each of the original or affected districts, calculated as pro-
7 vided in this section, weighted as to the percentage of pupils in
8 total membership in the resulting district who reside in the geo-
9 graphic area of each of the original districts. If an affected
10 district's foundation allowance is less than the basic foundation
11 allowance, the amount of that district's foundation allowance
12 shall be considered for the purpose of calculations under this
13 subsection to be equal to the amount of the basic foundation
14 allowance.

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

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

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

1 (a) The pupil membership factor shall be computed by
2 dividing the estimated membership in the school year ending in
3 the current state fiscal year, excluding intermediate district
4 membership, by the estimated membership for the school year
5 ending in the subsequent state fiscal year, excluding intermedi-
6 ate district membership. If a consensus membership factor is not
7 determined at the revenue estimating conference, the principals
8 of the revenue estimating conference shall report their estimates
9 to the house and senate subcommittees responsible for school aid
10 appropriations not later than 7 days after the conclusion of the
11 revenue conference.

12 (b) The revenue adjustment factor shall be computed by
13 dividing the sum of the estimated total state school aid fund
14 revenue for the subsequent state fiscal year plus the estimated
15 total state school aid fund revenue for the current state fiscal
16 year, adjusted for any change in the rate or base of a tax the
17 proceeds of which are deposited in that fund and excluding money
18 transferred into that fund from the countercyclical budget and
19 economic stabilization fund under section 353e of the management
20 and budget act, 1984 PA 431, MCL 18.1353e, by the sum of the
21 estimated total school aid fund revenue for the current state
22 fiscal year plus the estimated total state school aid fund reve-
23 nue for the immediately preceding state fiscal year, adjusted for
24 any change in the rate or base of a tax the proceeds of which are
25 deposited in that fund. If a consensus revenue factor is not
26 determined at the revenue estimating conference, the principals
27 of the revenue estimating conference shall report their estimates

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

4 (c) The index shall be calculated by multiplying the pupil
5 membership factor by the revenue adjustment factor. However, for
6 1998-99 only, the index shall be 1.00. If a consensus index is
7 not determined at the revenue estimating conference, the princi-
8 pals of the revenue estimating conference shall report their
9 estimates to the house and senate subcommittees responsible for
10 school aid appropriations not later than 7 days after the conclu-
11 sion of the revenue conference.

12 (15) If the principals at the revenue estimating conference
13 reach a consensus on the index described in subsection (14)(c),
14 the basic foundation allowance for the subsequent state fiscal
15 year shall be at least the amount of that consensus index multi-
16 plied by the basic foundation allowance specified in subsection
17 (1).

18 (16) If at the January revenue estimating conference it is
19 estimated that pupil membership, excluding intermediate district
20 membership, for the subsequent state fiscal year will be greater
21 than 101% of the pupil membership, excluding intermediate dis-
22 trict membership, for the current state fiscal year, then it is
23 the intent of the legislature that the executive budget proposal
24 for the school aid budget for the subsequent state fiscal year
25 include a general fund/general purpose allocation sufficient to
26 support the membership in excess of 101% of the current year
27 pupil membership.

1 (17) Beginning in 1999-2000, for a district that had
2 combined state and local revenue per membership pupil in the
3 1993-94 state fiscal year of more than \$6,500.00, that had fewer
4 than 7 pupils in membership in the 1993-94 state fiscal year,
5 that has at least 1 pupil in membership educated in the district
6 in the current state fiscal year, and that levies the number of
7 mills of school operating taxes authorized for the district under
8 section 1211 of the revised school code, MCL 380.1211, the dis-
9 trict shall be allocated a minimum amount of combined state and
10 local revenue as provided under this subsection. This minimum
11 amount of combined state and local revenue for 1999-2000 shall be
12 \$67,000.00 plus the district's additional expenses to educate
13 pupils in grades 9 to 12 educated in other districts as deter-
14 mined and allowed by the department. Beginning in 2000-2001, the
15 amount of the minimum amount of combined state and local revenue
16 under this subsection, before adding the additional expenses,
17 shall increase each fiscal year by the same percentage increase
18 as the percentage increase in the basic foundation allowance from
19 the immediately preceding fiscal year to the current fiscal
20 year. The state portion of the minimum amount of combined state
21 and local revenue under this subsection shall be calculated by
22 subtracting from the minimum amount of combined state and local
23 revenue under this subsection the sum of the district's local
24 school operating revenue and the product of the state portion of
25 the district's foundation allowance times the district's
26 membership. As used in this subsection, "additional expenses"
27 means the district's expenses for tuition or fees, not to exceed

1 \$6,500.00 as adjusted each year by an amount equal to the dollar
2 amount of the difference between the basic foundation allowance
3 for the current state fiscal year and \$5,000.00, plus a room and
4 board stipend not to exceed \$10.00 per school day for each pupil
5 in grades 9 to 12 educated in another district, as approved by
6 the department.

7 (18) As used in this section:

8 (a) "Combined state and local revenue" means the aggregate
9 of the district's state school aid received by or paid on behalf
10 of the district under this section and the district's local
11 school operating revenue.

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

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

17 (d) "Homestead" means that term as defined in section 1211
18 of the revised school code, MCL 380.1211.

19 (e) "Immediately preceding state fiscal year" means the
20 state fiscal year immediately preceding the current state fiscal
21 year.

22 (f) "Local school operating revenue" means school operating
23 taxes levied under section 1211 of the revised school code,
24 MCL 380.1211.

25 (g) "Local school operating revenue per membership pupil"
26 means a district's local school operating revenue divided by the
27 district's membership excluding special education pupils.

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

4 (i) "Qualified agricultural property" means that term as
5 defined in section 1211 of the revised school code,
6 MCL 380.1211.

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

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

13 (l) "Taxable value per membership pupil" means taxable
14 value, as certified by the department of treasury, for the calen-
15 dar year ending in the current state fiscal year divided by the
16 district's membership excluding special education pupils for the
17 school year ending in the current state fiscal year.