

**SENATE BILL NO. 1371**

December 1, 1998, Introduced by Senator BENNETT 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 1997 PA 142.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 20. (1) For 1997-98 and 1998-99, the basic foundation  
2 allowance is \$5,462.00 per membership pupil.

3       (2) From the appropriation in section 11, there is allocated  
4 for 1997-98 an amount not to exceed \$8,022,595,100.00, and for  
5 1998-99 an amount not to exceed \$8,091,250,000.00, to guarantee  
6 each district a foundation allowance per membership pupil other  
7 than special education pupils and to make payments under this  
8 section to public school academies and university schools for  
9 membership pupils other than special education pupils. The  
10 amount of each district's foundation allowance shall be

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

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

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

1 of all adjustments made from 1994-95 to the immediately preceding  
2 state fiscal year in the lowest foundation allowance among all  
3 districts]. However, the foundation allowance for a district  
4 that had less than the basic foundation allowance in the immedi-  
5 ately preceding state fiscal year shall not exceed the basic  
6 foundation allowance for the current state fiscal year.

7 (b) For a district that in the immediately preceding state  
8 fiscal year had a foundation allowance in an amount at least  
9 equal to the amount of the basic foundation allowance for the  
10 immediately preceding state fiscal year, the district shall  
11 receive a foundation allowance in an amount equal to the sum of  
12 the district's foundation allowance for the immediately preceding  
13 state fiscal year plus the dollar amount of the adjustment from  
14 the immediately preceding state fiscal year to the current state  
15 fiscal year in the basic foundation allowance.

16 (c) For 1998-99, each district's foundation allowance shall  
17 be at least \$5,170.00.

18 (4) To ensure that a district receives the district's foun-  
19 dation allowance, there is allocated to each district a state  
20 portion of the district's foundation allowance in an amount cal-  
21 culated under this subsection. The state portion of a district's  
22 foundation allowance is an amount equal to the district's founda-  
23 tion allowance or \$6,500.00, whichever is less, minus the differ-  
24 ence between the product of the taxable value per membership  
25 pupil of all property in the district that is not a homestead or  
26 qualified agricultural property times the lesser of 18 mills or  
27 the number of mills of school operating taxes levied by the

1 district in 1993-94 and the quotient of the ad valorem property  
2 tax revenue of the district captured under 1975 PA 197, MCL  
3 125.1651 to 125.1681, the tax increment finance authority act,  
4 1980 PA 450, MCL 125.1801 to 125.1830, the local development  
5 financing act, 1986 PA 281, MCL 125.2151 to 125.2174, or the  
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, except for a district that was notified of such a  
11 millage reduction in 1996 after the last permissible date to  
12 schedule an election to override that millage reduction, the  
13 state portion of the district's foundation allowance shall be  
14 calculated as if that reduction did not occur. For each fiscal  
15 year after 1994-95, the \$6,500.00 amount prescribed in this sub-  
16 section shall be adjusted each year by an amount equal to the  
17 dollar amount of the difference between the basic foundation  
18 allowance for the current state fiscal year and \$5,000.00.

19 (5) The allocation under this section for a pupil shall be  
20 based on the foundation allowance of the pupil's district of  
21 residence. However, for a pupil enrolled pursuant to section 105  
22 in a district other than the pupil's district of residence but  
23 within the same intermediate district, the allocation under this  
24 section shall be based on the lesser of the foundation allowance  
25 of the pupil's district of residence or the foundation allowance  
26 of the educating district. For a pupil in membership in a K-5,  
27 K-6, or K-8 district who is enrolled in another district in a

1 grade not offered by the pupil's district of residence, the  
2 allocation under this section shall be based on the foundation  
3 allowance of the educating district if the educating district's  
4 foundation allowance is greater than the foundation allowance of  
5 the pupil's district of residence.

6 (6) Subject to subsection (7) and except as otherwise pro-  
7 vided in this subsection, for pupils in membership, other than  
8 special education pupils, in a public school academy or a univer-  
9 sity school, there is allocated under this section for 1997-98  
10 and for 1998-99 to the authorizing body that is the fiscal agent  
11 for the public school academy for forwarding to the public school  
12 academy, or to the board of the public university operating the  
13 university school, an amount per membership pupil other than spe-  
14 cial education pupils in the public school academy or university  
15 school equal to the sum of the local school operating revenue per  
16 membership pupil other than special education pupils for the dis-  
17 trict in which the public school academy or university school is  
18 located and the state portion of that district's foundation  
19 allowance, or the sum of the basic foundation allowance under  
20 subsection (1) plus \$500.00, whichever is less. Notwithstanding  
21 section 101(2), for a public school academy that begins opera-  
22 tions in 1997-98 or 1998-99, as applicable, after the pupil mem-  
23 bership count day, the amount per membership pupil calculated  
24 under this subsection shall be adjusted by multiplying that  
25 amount per membership pupil by the number of hours of pupil  
26 instruction provided by the public school academy after it begins  
27 operations, as determined by the department, divided by the

1 minimum number of hours of pupil instruction required under  
2 section 1284 of the revised school code, MCL 380.1284. The  
3 result of this calculation shall not exceed the amount per mem-  
4 bership pupil otherwise calculated under this subsection. Also,  
5 a public school academy that begins operations in 1997-98 or  
6 1998-99, as applicable, after the pupil membership count day  
7 shall not receive any funds under this section unless the public  
8 school academy provides for the school year a number of hours of  
9 pupil instruction that is at least in the same proportion to the  
10 minimum number of hours of pupil instruction required under sec-  
11 tion 1284 of the revised school code, MCL 380.1284, as the number  
12 of days of pupil instruction provided by the public school acad-  
13 emy for the school year is in proportion to the number of days of  
14 pupil instruction required under section 1284 of the revised  
15 school code, MCL 380.1284.

16 (7) If more than 25% of the pupils residing within a dis-  
17 trict are in membership in 1 or more public school academies  
18 located in the district, then the amount per membership pupil  
19 allocated under this section to the authorizing body that is the  
20 fiscal agent for a public school academy located in the district  
21 for forwarding to the public school academy shall be reduced by  
22 an amount equal to the difference between the product of the tax-  
23 able value per membership pupil of all property in the district  
24 that is not a homestead or qualified agricultural property times  
25 the lesser of 18 mills or the number of mills of school operating  
26 taxes levied by the district in 1993-94 and the quotient of the  
27 ad valorem property tax revenue of the district captured under

1 1975 PA 197, MCL 125.1651 to 125.1681, the tax increment finance  
2 authority act, 1980 PA 450, MCL 125.1801 to 125.1830, the local  
3 development financing act, 1986 PA 281, MCL 125.2151 to 125.2174,  
4 or the Brownfield redevelopment financing act, 1996 PA 381, MCL  
5 125.2651 to 125.2672, divided by the district's membership  
6 excluding special education pupils, in the school fiscal year  
7 ending in the current state fiscal year, calculated as if the  
8 resident pupils in membership in 1 or more public school acade-  
9 mies located in the district were in membership in the district.  
10 In order to receive state school aid under this act, a district  
11 described in this subsection shall pay to the authorizing body  
12 that is the fiscal agent for a public school academy located in  
13 the district for forwarding to the public school academy an  
14 amount equal to that local school operating revenue per member-  
15 ship pupil for each resident pupil in membership other than spe-  
16 cial education pupils in the public school academy, as determined  
17 by the department.

18 (8) If a district does not receive a payment under subsec-  
19 tion (9); if the number of mills the district may levy on a home-  
20 stead and qualified agricultural property under section 1211(1)  
21 of the revised school code, MCL 380.1211, is 0.5 mills or less;  
22 and if the district elects not to levy those mills, the district  
23 instead shall receive a separate supplemental payment under this  
24 subsection in an amount equal to the amount the district would  
25 have received had it levied those mills, as determined by the  
26 department of treasury. A district shall not receive a separate  
27 supplemental payment under this subsection for a fiscal year

1 unless in the calendar year ending in the fiscal year the  
2 district levies 18 mills or the number of mills of school operat-  
3 ing taxes levied by the district in 1993, whichever is less, on  
4 property that is not a homestead or qualified agricultural  
5 property.

6 (9) For a district that had combined state and local revenue  
7 per membership pupil in the 1993-94 state fiscal year of more  
8 than \$6,500.00 and that had fewer than 350 pupils in membership,  
9 if the district elects not to reduce the number of mills from  
10 which a homestead and qualified agricultural property are exempt  
11 and not to levy school operating taxes on a homestead and quali-  
12 fied agricultural property as provided in section 1211(1) of the  
13 revised school code, MCL 380.1211, and not to levy school operat-  
14 ing taxes on all property as provided in section 1211(2) of the  
15 revised school code, MCL 380.1211, there is allocated under this  
16 subsection for 1994-95 and each succeeding fiscal year a separate  
17 supplemental payment in an amount equal to the amount the dis-  
18 trict would have received per membership pupil had it levied  
19 school operating taxes on a homestead and qualified agricultural  
20 property at the rate authorized for the district under section  
21 1211(1) of the revised school code, MCL 380.1211, and levied  
22 school operating taxes on all property at the rate authorized for  
23 the district under section 1211(2) of the revised school code,  
24 MCL 380.1211, as determined by the department of treasury. A  
25 district shall not receive a separate supplemental payment under  
26 this subsection for a fiscal year unless in the calendar year  
27 ending in the fiscal year the district levies 18 mills or the

1 number of mills of school operating taxes levied by the district  
2 in 1993, whichever is less, on property that is not a homestead  
3 or qualified agricultural property.

4 (10) A district or public school academy may use any funds  
5 allocated under this section in conjunction with any federal  
6 funds for which the district or public school academy otherwise  
7 would be eligible.

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

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

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

4 (14) To assist the legislature in determining the basic  
5 foundation allowance for the subsequent state fiscal year, except  
6 for the January 1998 revenue estimating conference, each revenue  
7 estimating conference conducted under section 367b of the manage-  
8 ment and budget act, 1984 PA 431, MCL 18.1367b, shall calculate a  
9 pupil membership factor, a revenue adjustment factor, and an  
10 index as follows:

11 (a) The pupil membership factor shall be computed by divid-  
12 ing the estimated membership in the school year ending in the  
13 current state fiscal year, excluding intermediate district mem-  
14 bership, by the estimated membership for the school year ending  
15 in the subsequent state fiscal year, excluding intermediate dis-  
16 trict membership. If a consensus membership factor is not deter-  
17 mined at the revenue estimating conference, the principals of the  
18 revenue estimating conference shall report their estimates to the  
19 house and senate subcommittees responsible for school aid appro-  
20 priations not later than 7 days after the conclusion of the reve-  
21 nue conference.

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

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

14 (c) The index shall be calculated by multiplying the pupil  
15 membership factor by the revenue adjustment factor. However, for  
16 1998-99 only, the index shall be 1.00. If a consensus index is  
17 not determined at the revenue estimating conference, the princi-  
18 pals of the revenue estimating conference shall report their  
19 estimates to the house and senate subcommittees responsible for  
20 school aid appropriations not later than 7 days after the conclu-  
21 sion of the revenue conference.

22 (15) If the principals at the revenue estimating conference  
23 reach a consensus on the index described in subsection (14)(c),  
24 the basic foundation allowance for the subsequent state fiscal  
25 year shall be at least the amount of that consensus index multi-  
26 plied by the basic foundation allowance specified in subsection  
27 (1).

1 (16) If the estimated amount of total state school aid fund  
2 revenue available for 1998-99 as estimated at the May 1998 reve-  
3 nue estimating conference is greater than \$9,036,198,400.00, then  
4 the revenue estimating conference shall estimate the increase in  
5 the basic foundation allowance for 1998-99 and it is the intent  
6 of the legislature that the amount of the basic foundation allow-  
7 ance for 1998-99 shall be increased accordingly.

8 (17) If the pupil membership, excluding intermediate dis-  
9 trict membership, for the school year ending in the next state  
10 fiscal year is estimated at the January revenue estimating con-  
11 ference to be greater than 101% of the pupil membership, exclud-  
12 ing intermediate district membership, for the school year ending  
13 in the current state fiscal year, then it is the intent of the  
14 legislature that the executive budget proposal for the school aid  
15 budget in the subsequent state fiscal year incorporate a general  
16 fund/general purpose allocation that is greater than the general  
17 fund/general purpose allocation in the current fiscal year, to  
18 support the estimated membership in excess of 101% of the member-  
19 ship in the current year.

20 (18) IF A DISTRICT MEETS THE REQUIREMENTS LISTED IN THIS  
21 SUBSECTION, THE DISTRICT'S FOUNDATION ALLOWANCE FOR 1998-99 SHALL  
22 BE THE SUM OF THE AMOUNT OTHERWISE CALCULATED FOR THAT DISTRICT  
23 UNDER SUBSECTION (3) PLUS AN AMOUNT EQUAL TO [THE QUOTIENT OF  
24 (THE PRODUCT OF 1/2 OF THE ESTIMATED STATE EQUALIZED VALUATION OF  
25 THE FACILITY DESCRIBED IN SUBDIVISION (D) MULTIPLIED BY THE  
26 NUMBER OF MILLS OF SCHOOL OPERATING TAXES LEVIED IN THE DISTRICT  
27 IN 1997 ON PROPERTY THAT WAS NOT A HOMESTEAD OR QUALIFIED

1 AGRICULTURAL PROPERTY) DIVIDED BY THE DISTRICT'S FINAL AUDITED  
2 MEMBERSHIP FOR 1997-98]. THIS SUBSECTION APPLIES ONLY TO A DIS-  
3 TRICT THAT MEETS ALL OF THE FOLLOWING REQUIREMENTS:

4 (A) THE DISTRICT IS LOCATED IN A COUNTY WITH A POPULATION OF  
5 AT LEAST 2,000,000 AS OF THE 1990 CENSUS.

6 (B) THE DISTRICT'S FOUNDATION ALLOWANCE FOR 1996-97 WAS NOT  
7 MORE THAN \$5,700.00.

8 (C) THE DISTRICT'S TAXABLE VALUE PER MEMBERSHIP PUPIL FOR  
9 1996-97 WAS NOT LESS THAN \$100,000.00.

10 (D) THERE IS LOCATED IN THE DISTRICT A FACILITY THAT MEETS  
11 BOTH OF THE FOLLOWING:

12 (i) AN INDUSTRIAL FACILITIES EXEMPTION CERTIFICATE WAS  
13 ISSUED FOR THE FACILITY IN 1985 UNDER 1974 PA 198, MCL 207.551 TO  
14 207.572.

15 (ii) THE 1985 STATE EQUALIZED VALUATION OF THE FACILITY, AS  
16 CERTIFIED BY THE DEPARTMENT OF TREASURY, WAS BETWEEN  
17 \$350,000,000.00 AND \$375,000,000.00.

18 (19) ~~(18)~~ As used in this section:

19 (a) "Combined state and local revenue per membership pupil"  
20 means the aggregate of the district's state school aid received  
21 by or paid on behalf of the district under this section and the  
22 district's local school operating revenue, divided by the  
23 district's membership excluding special education pupils.

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

26 (c) "Homestead" means that term as defined in section 1211  
27 of the revised school code, MCL 380.1211.

1 (d) "Immediately preceding state fiscal year" means the  
2 state fiscal year immediately preceding the current state fiscal  
3 year.

4 (e) "Local school operating revenue" means school operating  
5 taxes levied under section 1211 of the revised school code, MCL  
6 380.1211.

7 (f) "Local school operating revenue per membership pupil"  
8 means a district's local school operating revenue divided by the  
9 district's membership excluding special education pupils.

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

13 (h) "Qualified agricultural property" means that term as  
14 defined in section 1211 of the revised school code, MCL  
15 380.1211.

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

19 (j) "School operating taxes" means local ad valorem property  
20 taxes levied under section 1211 of the revised school code, MCL  
21 380.1211, and retained for school operating purposes.

22 (k) "Taxable value per membership pupil" means taxable  
23 value, as certified by the department of treasury, for the calen-  
24 dar year ending in the current state fiscal year divided by the  
25 district's membership excluding special education pupils for the  
26 school year ending in the current state fiscal year.