

HOUSE BILL No. 5782

September 9, 2014, Introduced by Reps. Singh, Zemke, Schor, Knezek, Cochran, Barnett, Irwin, Faris, Dillon, LaVoy, Slavens, Heise, Roberts, Switalski, Robinson and Abed and referred to the Committee on Appropriations.

A bill to amend 1979 PA 94, entitled "The state school aid act of 1979," by amending sections 20, 22b, 22c, and 147d (MCL 388.1620, 388.1622b, 388.1622c, and 388.1747d), sections 20, 22b, and 22c as amended and section 147d as added 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 basic foundation allowance is ~~\$8,099.00~~-\$8,132.00.

3 (b) The minimum foundation allowance is ~~\$7,126.00~~-\$7,159.00.

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

1 follows, using in all calculations the total amount of the
2 district's foundation allowance as calculated before any proration:

3 (a) Except as otherwise provided in this subdivision, for a
4 district that had a foundation allowance for the immediately
5 preceding state fiscal year that was equal to the minimum
6 foundation allowance for the immediately preceding state fiscal
7 year, but less than the basic foundation allowance for the
8 immediately preceding state fiscal year, the district shall receive
9 a foundation allowance in an amount equal to the sum of the
10 district's foundation allowance for the immediately preceding state
11 fiscal year plus the difference between twice the dollar amount of
12 the adjustment from the immediately preceding state fiscal year to
13 the current state fiscal year made in the basic foundation
14 allowance and [(the difference between the basic foundation
15 allowance for the current state fiscal year and basic foundation
16 allowance for the immediately preceding state fiscal year minus
17 \$10.00) times (the difference between the district's foundation
18 allowance for the immediately preceding state fiscal year and the
19 minimum foundation allowance for the immediately preceding state
20 fiscal year) divided by the difference between the basic foundation
21 allowance for the current state fiscal year and the minimum
22 foundation allowance for the immediately preceding state fiscal
23 year]. However, the foundation allowance for a district that had
24 less than the basic foundation allowance for the immediately
25 preceding state fiscal year shall not exceed the basic foundation
26 allowance for the current state fiscal year. For the purposes of
27 this subdivision, for 2014-2015, the minimum foundation allowance

1 for the immediately preceding state fiscal year shall be considered
2 to be \$7,076.00. For 2014-2015, for a district that had a
3 foundation allowance for the immediately preceding state fiscal
4 year that was at least equal to the minimum foundation allowance
5 for the immediately preceding state fiscal year but less than the
6 basic foundation allowance for the immediately preceding state
7 fiscal year, the district shall receive a foundation allowance in
8 an amount equal to the district's foundation allowance for 2013-
9 2014 plus ~~\$50.00~~ **\$83.00**.

10 (b) Except as otherwise provided in this subsection, for a
11 district that in the immediately preceding state fiscal year had a
12 foundation allowance in an amount equal to the amount of the basic
13 foundation allowance for the immediately preceding state fiscal
14 year, the district shall receive a foundation allowance for 2014-
15 2015 in an amount equal to the basic foundation allowance for 2014-
16 2015.

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

1 year ending in the immediately preceding fiscal year as reported by
2 the May revenue estimating conference conducted under section 367b
3 of the management and budget act, 1984 PA 431, MCL 18.1367b.

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

7 (e) For a district that received a payment under section 22c
8 as that section was in effect for 2013-2014, the district's 2013-
9 2014 foundation allowance shall be considered to have been an
10 amount equal to the sum of the district's actual 2013-2014
11 foundation allowance as otherwise calculated under this section
12 plus the per pupil amount of the district's equity payment for
13 2013-2014 under section 22c as that section was in effect for 2013-
14 2014.

15 (4) Except as otherwise provided in this subsection, the state
16 portion of a district's foundation allowance is an amount equal to
17 the district's foundation allowance or the basic foundation
18 allowance for the current state fiscal year, whichever is less,
19 minus the local portion of the district's foundation allowance
20 divided by the district's membership excluding special education
21 pupils. For a district described in subsection (3)(c), the state
22 portion of the district's foundation allowance is an amount equal
23 to \$6,962.00 plus the difference between the district's foundation
24 allowance for the current state fiscal year and the district's
25 foundation allowance for 1998-99, minus the local portion of the
26 district's foundation allowance divided by the district's
27 membership excluding special education pupils. For a district that

1 has a millage reduction required under section 31 of article IX of
2 the state constitution of 1963, the state portion of the district's
3 foundation allowance shall be calculated as if that reduction did
4 not occur. For a receiving district, if school operating taxes
5 continue to be levied on behalf of a dissolved district that has
6 been attached in whole or in part to the receiving district to
7 satisfy debt obligations of the dissolved district under section 12
8 of the revised school code, MCL 380.12, the taxable value per
9 membership pupil of property in the receiving district used for the
10 purposes of this subsection does not include the taxable value of
11 property within the geographic area of the dissolved district.

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

26 (6) Except as otherwise provided in this subsection, for
27 pupils in membership, other than special education pupils, in a

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

23 (7) Except as otherwise provided in this subsection, for
24 pupils attending an achievement school and in membership in the
25 education achievement system, other than special education pupils,
26 the allocation calculated under this section is an amount per
27 membership pupil other than special education pupils equal to the

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

22 (8) Subject to subsection (4), for a district that is formed
23 or reconfigured after June 1, 2002 by consolidation of 2 or more
24 districts or by annexation, the resulting district's foundation
25 allowance under this section beginning after the effective date of
26 the consolidation or annexation shall be the lesser of the sum of
27 the average of the foundation allowances of each of the original or

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

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

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

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

21 (a) The pupil membership factor shall be computed by dividing
22 the estimated membership in the school year ending in the current
23 state fiscal year, excluding intermediate district membership, by
24 the estimated membership for the school year ending in the
25 subsequent state fiscal year, excluding intermediate district
26 membership. If a consensus membership factor is not determined at
27 the revenue estimating conference, the principals of the revenue

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

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

22 (c) The index shall be calculated by multiplying the pupil
23 membership factor by the revenue adjustment factor. If a consensus
24 index is not determined at the revenue estimating conference, the
25 principals of the revenue estimating conference shall report their
26 estimates to the house and senate subcommittees responsible for
27 school aid appropriations not later than 7 days after the

1 conclusion of the revenue conference.

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

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

11 (14) As used in this section:

12 (a) "Certified mills" means the lesser of 18 mills or the
13 number of mills of school operating taxes levied by the district in
14 1993-94.

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

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

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

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

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

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

14 (h) "Local school operating revenue" means school operating
15 taxes levied under section 1211 of the revised school code, MCL
16 380.1211. For a receiving district, if school operating taxes are
17 to be levied on behalf of a dissolved district that has been
18 attached in whole or in part to the receiving district to satisfy
19 debt obligations of the dissolved district under section 12 of the
20 revised school code, MCL 380.12, local school operating revenue
21 does not include school operating taxes levied within the
22 geographic area of the dissolved district.

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

26 (j) "Maximum public school academy allocation", except as
27 otherwise provided in this subdivision, means the maximum per-pupil

1 allocation as calculated by adding the highest per-pupil allocation
2 among all public school academies for the immediately preceding
3 state fiscal year plus the difference between twice the amount of
4 the difference between the basic foundation allowance for the
5 current state fiscal year and the basic foundation for the
6 immediately preceding state fiscal year and [(the amount of the
7 difference between the basic foundation allowance for the current
8 state fiscal year and the basic foundation for the immediately
9 preceding state fiscal year minus \$10.00) times (the difference
10 between the highest per-pupil allocation among all public school
11 academies for the immediately preceding state fiscal year and the
12 minimum foundation allowance for the immediately preceding state
13 fiscal year) divided by the difference between the basic foundation
14 allowance for the current state fiscal year and the minimum
15 foundation allowance for the immediately preceding state fiscal
16 year]. For the purposes of this subdivision, for 2014-2015, the
17 minimum foundation allowance for the immediately preceding state
18 fiscal year shall be considered to be \$7,076.00. For 2014-2015, the
19 maximum public school academy allocation is ~~\$7,218.00~~ **\$7,251.00**.

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

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

27 (m) "Principal residence", "qualified agricultural property",

1 "qualified forest property", "supportive housing property",
2 "industrial personal property", and "commercial personal property"
3 mean those terms as defined in section 1211 of the revised school
4 code, MCL 380.1211.

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

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

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

15 (q) "Tax increment financing acts" means 1975 PA 197, MCL
16 125.1651 to 125.1681, the tax increment finance authority act, 1980
17 PA 450, MCL 125.1801 to 125.1830, the local development financing
18 act, 1986 PA 281, MCL 125.2151 to 125.2174, the brownfield
19 redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2672,
20 or the corridor improvement authority act, 2005 PA 280, MCL
21 125.2871 to 125.2899.

22 (r) "Taxable value per membership pupil" means taxable value,
23 as certified by the county treasurer and reported to the
24 department, for the calendar year ending in the current state
25 fiscal year divided by the district's membership excluding special
26 education pupils for the school year ending in the current state
27 fiscal year.

1 Sec. 22b. (1) From the appropriation in section 11, there is
2 allocated an amount not to exceed ~~\$3,492,000,000.00~~
3 **\$3,542,000,000.00** for 2014-2015 for discretionary nonmandated
4 payments to districts under this section. Funds allocated under
5 this section that are not expended in the state fiscal year for
6 which they were allocated, as determined by the department, may be
7 used to supplement the allocations under sections 22a and 51c in
8 order to fully fund those calculated allocations for the same
9 fiscal year.

10 (2) Subject to subsection (3) and section 296, the allocation
11 to a district under this section shall be an amount equal to the
12 sum of the amounts calculated under sections 20, 51a(2), 51a(3),
13 and 51a(11), minus the sum of the allocations to the district under
14 sections 22a and 51c.

15 (3) In order to receive an allocation under subsection (1),
16 each district shall do all of the following:

17 (a) Comply with section 1280b of the revised school code, MCL
18 380.1280b.

19 (b) Comply with sections 1278a and 1278b of the revised school
20 code, MCL 380.1278a and 380.1278b.

21 (c) Furnish data and other information required by state and
22 federal law to the center and the department in the form and manner
23 specified by the center or the department, as applicable.

24 (d) Comply with section 1230g of the revised school code, MCL
25 380.1230g.

26 (e) Comply with section 21f.

27 (4) Districts are encouraged to use funds allocated under this

1 section for the purchase and support of payroll, human resources,
2 and other business function software that is compatible with that
3 of the intermediate district in which the district is located and
4 with other districts located within that intermediate district.

5 (5) From the allocation in subsection (1), the department
6 shall pay up to \$1,000,000.00 in litigation costs incurred by this
7 state related to commercial or industrial property tax appeals,
8 including, but not limited to, appeals of classification, that
9 impact revenues dedicated to the state school aid fund.

10 (6) From the allocation in subsection (1), the department
11 shall pay up to \$1,000,000.00 in litigation costs incurred by this
12 state associated with lawsuits filed by 1 or more districts or
13 intermediate districts against this state. If the allocation under
14 this section is insufficient to fully fund all payments required
15 under this section, the payments under this subsection shall be
16 made in full before any proration of remaining payments under this
17 section.

18 (7) It is the intent of the legislature that all
19 constitutional obligations of this state have been fully funded
20 under sections 22a, 31d, 51a, 51c, and 152a. If a claim is made by
21 an entity receiving funds under this article that challenges the
22 legislative determination of the adequacy of this funding or
23 alleges that there exists an unfunded constitutional requirement,
24 the state budget director may escrow or allocate from the
25 discretionary funds for nonmandated payments under this section the
26 amount as may be necessary to satisfy the claim before making any
27 payments to districts under subsection (2). If funds are escrowed,

1 the escrowed funds are a work project appropriation and the funds
2 are carried forward into the following fiscal year. The purpose of
3 the work project is to provide for any payments that may be awarded
4 to districts as a result of litigation. The work project shall be
5 completed upon resolution of the litigation.

6 (8) If the local claims review board or a court of competent
7 jurisdiction makes a final determination that this state is in
8 violation of section 29 of article IX of the state constitution of
9 1963 regarding state payments to districts, the state budget
10 director shall use work project funds under subsection (7) or
11 allocate from the discretionary funds for nonmandated payments
12 under this section the amount as may be necessary to satisfy the
13 amount owed to districts before making any payments to districts
14 under subsection (2).

15 (9) If a claim is made in court that challenges the
16 legislative determination of the adequacy of funding for this
17 state's constitutional obligations or alleges that there exists an
18 unfunded constitutional requirement, any interested party may seek
19 an expedited review of the claim by the local claims review board.
20 If the claim exceeds \$10,000,000.00, this state may remove the
21 action to the court of appeals, and the court of appeals shall have
22 and shall exercise jurisdiction over the claim.

23 (10) If payments resulting from a final determination by the
24 local claims review board or a court of competent jurisdiction that
25 there has been a violation of section 29 of article IX of the state
26 constitution of 1963 exceed the amount allocated for discretionary
27 nonmandated payments under this section, the legislature shall

1 provide for adequate funding for this state's constitutional
2 obligations at its next legislative session.

3 (11) If a lawsuit challenging payments made to districts
4 related to costs reimbursed by federal title XIX medicaid funds is
5 filed against this state, then, for the purpose of addressing
6 potential liability under such a lawsuit, the state budget director
7 may place funds allocated under this section in escrow or allocate
8 money from the funds otherwise allocated under this section, up to
9 a maximum of 50% of the amount allocated in subsection (1). If
10 funds are placed in escrow under this subsection, those funds are a
11 work project appropriation and the funds are carried forward into
12 the following fiscal year. The purpose of the work project is to
13 provide for any payments that may be awarded to districts as a
14 result of the litigation. The work project shall be completed upon
15 resolution of the litigation. In addition, this state reserves the
16 right to terminate future federal title XIX medicaid reimbursement
17 payments to districts if the amount or allocation of reimbursed
18 funds is challenged in the lawsuit. As used in this subsection,
19 "title XIX" means title XIX of the social security act, 42 USC 1396
20 to ~~1396v~~-1396W-5.

21 (12) Payments under this section are subject to section 25f.

22 Sec. 22c. From the appropriation in section 11, there is
23 allocated for 2014-2015 an amount not to exceed ~~\$103,000,000.00~~
24 \$73,000,000.00 to make equity payments to districts that have a
25 foundation allowance or per pupil payment as calculated under
26 section 20 for 2014-2015 of less than \$7,251.00. The equity payment
27 for a district shall be an amount per membership pupil equal to the

1 lesser of ~~\$125.00~~**\$92.00** or the difference between \$7,251.00 and
2 the district's 2014-2015 foundation allowance or per pupil payment
3 as calculated under section 20.

4 Sec. 147d. (1) From the appropriation in section 11, there is
5 allocated for 2014-2015 only an amount not to exceed
6 ~~\$108,000,000.00~~**\$88,000,000.00** for payments to participating
7 entities.

8 (2) The amount allocated to each participating entity under
9 this section shall be based on each participating entity's
10 proportion of the total covered payroll for the immediately
11 preceding fiscal year. A participating entity that receives funds
12 under this section shall use the funds solely for purposes of this
13 section.

14 (3) Each participating entity receiving funds under this
15 section shall forward an amount equal to the sum of the amount
16 allocated under this section and the amount allocated under section
17 147c to the retirement system in a form, manner, and time frame
18 prescribed by the retirement system.

19 (4) Payments under this section shall be used by the
20 retirement system specifically for the payment or prepayment of the
21 final years or partial years of any additional costs to the
22 retirement system due to the operation of section 81b of the public
23 school employees retirement act of 1979, 1980 PA 300, MCL 38.1381b,
24 without regard to the amortization of those costs under section
25 81b(5) of the public school employees retirement act of 1979, 1980
26 PA 300, MCL 38.1381b, and in a manner and form as determined by the
27 office of retirement services.

1 (5) As used in this section:

2 (a) "Participating entity" means a district, intermediate
3 district, community college, or district library that is a
4 reporting unit of the Michigan public school employees' retirement
5 system under the public school employees retirement act of 1979,
6 1980 PA 300, MCL 38.1301 to 38.1437, and that reports employees to
7 the Michigan public school employees' retirement system for the
8 applicable fiscal year.

9 (b) "Retirement system" means the Michigan public school
10 employees' retirement system under the public school employees
11 retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1437.