

**SUBSTITUTE FOR
HOUSE BILL NO. 4227**

A bill to amend 1979 PA 94, entitled
"The state school aid act of 1979,"
by amending section 11 (MCL 388.1611), as amended by 2002 PA
521.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 11. (1) For the fiscal year ending September 30, 2002,
2 there is appropriated for the public schools of this state and
3 certain other state purposes relating to education the sum of
4 \$10,990,148,200.00 from the state school aid fund established by
5 section 11 of article IX of the state constitution of 1963 and
6 the sum of \$198,413,500.00 from the general fund. For the fiscal
7 year ending September 30, 2003, there is appropriated for the
8 public schools of this state and certain other state purposes
9 relating to education the sum of \$11,259,441,400.00 from the
10 state school aid fund established by section 11 of article IX of

1 the state constitution of 1963, the sum of \$198,413,500.00 from
2 the general fund, and the sum of \$700,000.00 from local
3 revenues. ~~However, if legislation authorizing the transfer of~~
4 ~~\$79,500,000.00 from the Michigan employment security act~~
5 ~~contingent fund, penalties and interest subaccount, is not~~
6 ~~enacted and in effect on or before October 1, 2002, there is~~
7 ~~instead appropriated from the general fund for 2002-2003 the sum~~
8 ~~of \$122,656,500.00.~~ For the fiscal year ending September 30,
9 2004, there is appropriated for the public schools of this state
10 and certain other state purposes relating to education the sum of
11 \$11,246,667,400.00 from the state school aid fund established by
12 section 11 of article IX of the state constitution of 1963 and
13 the sum of \$198,413,500.00 from the general fund. In addition,
14 available federal funds are appropriated for each of those fiscal
15 years.

16 (2) The appropriations under this section shall be allocated
17 as provided in this act. Money appropriated under this section
18 from the general fund and from available federal funds shall be
19 expended to fund the purposes of this act before the expenditure
20 of money appropriated under this section from the state school
21 aid fund. If the maximum amount appropriated under this section
22 from the state school aid fund for a fiscal year exceeds the
23 amount necessary to fully fund allocations under this act from
24 the state school aid fund, that excess amount shall not be
25 expended in that state fiscal year and shall not lapse to the
26 general fund, but instead shall remain in the state school aid
27 fund.

1 (3) If the maximum amount appropriated under this section and
2 section 11f from the state school aid fund for a fiscal year
3 exceeds the amount available for expenditure from the state
4 school aid fund for that fiscal year, payments under sections
5 11f, 11g, 22a, 31d, 51a(2), and 51c shall be made in full. In
6 addition, for districts beginning operations after 1994-95 that
7 qualify for payments under section 22b, payments under section
8 22b shall be made so that the qualifying districts receive **the**
9 **lesser of** an amount equal to the 1994-95 foundation allowance of
10 the district in which the district beginning operations after
11 1994-95 is located **or \$5,500.00**. The amount of the payment to be
12 made under section 22b for these qualifying districts shall be as
13 calculated under section 22a, with the balance of the payment
14 under section 22b being subject to the proration otherwise
15 provided under this subsection **and subsection (4)**. ~~State~~ **For**
16 **proration before May 1, 2003, state** payments under each of the
17 other sections of this act from all state funding sources shall
18 be prorated on an equal percentage basis as necessary to reflect
19 the amount available for expenditure from the state school aid
20 fund for ~~that~~ **the affected** fiscal year. **If additional**
21 **proration is necessary in 2002-2003 because of the outcome of any**
22 **revenue estimating conference occurring after May 1, 2003, and**
23 **for any proration necessary after 2002-2003, state payments under**
24 **each of the other sections of this act from all state funding**
25 **sources shall be prorated in the manner prescribed in subsection**
26 **(4) as necessary to reflect the amount available for expenditure**
27 **from the state school aid fund for the affected fiscal year.**

1 However, if the department of treasury determines that proration
2 will be required under this subsection, the department of
3 treasury shall notify the state budget director, and the state
4 budget director shall notify the legislature at least 30 calendar
5 days or 6 legislative session days, whichever is more, before the
6 department reduces any payments under this act because of the
7 proration. During the 30 calendar day or 6 legislative session
8 day period after that notification by the state budget director,
9 the department shall not reduce any payments under this act
10 because of proration under this subsection. The legislature may
11 prevent proration from occurring by, within the 30 calendar day
12 or 6 legislative session day period after that notification by
13 the state budget director, enacting legislation appropriating
14 additional funds from the general fund, countercyclical budget
15 and economic stabilization fund, state school aid fund balance,
16 or another source to fund the amount of the projected shortfall.

17 **(4) If additional proration is necessary in 2002-2003 because**
18 **of the outcome of any revenue estimating conference occurring**
19 **after May 1, 2003 and for any proration necessary after**
20 **2002-2003, the department shall calculate the proration in**
21 **district and intermediate district payments that is required**
22 **under subsection (3) as follows:**

23 **(a) The department shall recover 95% of the proration amount**
24 **required under subsection (3) by reducing payments to districts.**
25 **This reduction shall be made by calculating an equal dollar**
26 **amount per pupil as necessary to recover this percentage of the**
27 **proration amount and reducing each district's total state school**

1 aid from state sources, other than payments under sections 11f,
2 11g, 22a, 31d, 51a(2), 51a(12), 51c, 53a, and 56, by that
3 amount.

4 (b) The department shall recover the remaining 5% of the
5 proration amount required under subsection (3) by reducing
6 payments to intermediate districts. This reduction shall be made
7 by reducing the payments to each intermediate district, other
8 than payments under sections 11f, 11g, 22a, 31d, 51a(2), 51a(12),
9 51c, 53a, and 56, on an equal percentage basis.

10 (5) ~~-(4)-~~ Except for the allocation under section 26a, any
11 general fund allocations under this act that are not expended by
12 the end of the state fiscal year are transferred to the state
13 school aid fund.