

# HOUSE BILL No. 5789

March 1, 2006, Introduced by Rep. Moolenaar 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 11 and 17b (MCL 388.1611 and 388.1617b),  
section 11 as amended by 2005 PA 155 and section 17b as amended by  
2005 PA 150.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 11. (1) ~~For the fiscal year ending September 30, 2005,~~  
2 ~~there is appropriated for the public schools of this state and~~  
3 ~~certain other state purposes relating to education the sum of~~  
4 ~~\$10,907,222,200.00 from the state school aid fund established by~~  
5 ~~section 11 of article IX of the state constitution of 1963, the sum~~  
6 ~~of \$41,100,000.00 from the proceeds of capitalization of the school~~  
7 ~~bond loan fund revolving fund, and the sum of \$165,200,000.00 from~~

1 ~~the general fund.~~ For the fiscal year ending September 30, 2006,  
2 there is appropriated for the public schools of this state and  
3 certain other state purposes relating to education the sum of  
4 \$11,257,600,000.00 from the state school aid fund established by  
5 section 11 of article IX of the state constitution of 1963, the sum  
6 of \$44,500,000.00 from the proceeds of capitalization of the school  
7 bond loan fund revolving fund, and the sum of \$62,714,000.00 from  
8 the general fund. **FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2007,**  
9 **THERE IS APPROPRIATED FOR THE PUBLIC SCHOOLS OF THIS STATE AND**  
10 **CERTAIN OTHER STATE PURPOSES RELATING TO EDUCATION THE SUM OF**  
11 **\$\_\_\_\_\_ FROM THE STATE SCHOOL AID FUND ESTABLISHED BY**  
12 **SECTION 11 OF ARTICLE IX OF THE STATE CONSTITUTION OF 1963 AND THE**  
13 **SUM OF \$\_\_\_\_\_ FROM THE GENERAL FUND.** In addition,  
14 available federal funds are appropriated for each fiscal year.

15 (2) The appropriations under this section shall be allocated  
16 as provided in this act. Money appropriated under this section from  
17 the general fund shall be expended to fund the purposes of this act  
18 before the expenditure of money appropriated under this section  
19 from the state school aid fund. If the maximum amount appropriated  
20 under this section from the state school aid fund for a fiscal year  
21 exceeds the amount necessary to fully fund allocations under this  
22 act from the state school aid fund, that excess amount shall not be  
23 expended in that state fiscal year and shall not lapse to the  
24 general fund, but instead shall be deposited into the school aid  
25 stabilization fund created in section 11a.

26 (3) If the maximum amount appropriated under this section from  
27 the state school aid fund and the school aid stabilization fund for

1 a fiscal year exceeds the amount available for expenditure from the  
2 state school aid fund for that fiscal year, payments under sections  
3 11f, 11g, 11j, 22a, 26a, 26b, 31d, 51a(2), 51a(12), 51c, 53a, and  
4 56 shall be made in full. In addition, for districts beginning  
5 operations after 1994-95 that qualify for payments under section  
6 22b, payments under section 22b shall be made so that the  
7 qualifying districts receive the lesser of an amount equal to the  
8 1994-95 foundation allowance of the district in which the district  
9 beginning operations after 1994-95 is located or \$5,500.00. The  
10 amount of the payment to be made under section 22b for these  
11 qualifying districts shall be as calculated under section 22a, with  
12 the balance of the payment under section 22b being subject to the  
13 proration otherwise provided under this subsection and subsection  
14 (4). If proration is necessary after 2002-2003, state payments  
15 under each of the other sections of this act from all state funding  
16 sources shall be prorated in the manner prescribed in subsection  
17 (4) as necessary to reflect the amount available for expenditure  
18 from the state school aid fund for the affected fiscal year.  
19 However, if the department of treasury determines that proration  
20 will be required under this subsection, or if the department of  
21 treasury determines that further proration is required under this  
22 subsection after an initial proration has already been made for a  
23 fiscal year, the department of treasury shall notify the state  
24 budget director, and the state budget director shall notify the  
25 legislature at least 30 calendar days or 6 legislative session  
26 days, whichever is more, before the department reduces any payments  
27 under this act because of the proration. During the 30 calendar day

1 or 6 legislative session day period after that notification by the  
2 state budget director, the department shall not reduce any payments  
3 under this act because of proration under this subsection. The  
4 legislature may prevent proration from occurring by, within the 30  
5 calendar day or 6 legislative session day period after that  
6 notification by the state budget director, enacting legislation  
7 appropriating additional funds from the general fund,  
8 countercyclical budget and economic stabilization fund, state  
9 school aid fund balance, or another source to fund the amount of  
10 the projected shortfall.

11 (4) If proration is necessary, the department shall calculate  
12 the proration in district and intermediate district payments that  
13 is required under subsection (3) as follows:

14 (a) The department shall calculate the percentage of total  
15 state school aid allocated under this act for the affected fiscal  
16 year for each of the following:

17 (i) Districts.

18 (ii) Intermediate districts.

19 (iii) Entities other than districts or intermediate districts.

20 (b) The department shall recover a percentage of the proration  
21 amount required under subsection (3) that is equal to the  
22 percentage calculated under subdivision (a)(i) for districts by  
23 reducing payments to districts. This reduction shall be made by  
24 calculating an equal dollar amount per pupil as necessary to  
25 recover this percentage of the proration amount and reducing each  
26 district's total state school aid from state sources, other than  
27 payments under sections 11f, 11g, 11j, 22a, 26a, 26b, 31d, 51a(2),

1 51a(12), 51c, and 53a, by that amount.

2 (c) The department shall recover a percentage of the proration  
3 amount required under subsection (3) that is equal to the  
4 percentage calculated under subdivision (a)(ii) for intermediate  
5 districts by reducing payments to intermediate districts. This  
6 reduction shall be made by reducing the payments to each  
7 intermediate district, other than payments under sections 11f, 11g,  
8 26a, 26b, 51a(2), 51a(12), 53a, and 56, on an equal percentage  
9 basis.

10 (d) The department shall recover a percentage of the proration  
11 amount required under subsection (3) that is equal to the  
12 percentage calculated under subdivision (a)(iii) for entities other  
13 than districts and intermediate districts by reducing payments to  
14 these entities. This reduction shall be made by reducing the  
15 payments to each of these entities, other than payments under  
16 sections 11j, 26a, and 26b, on an equal percentage basis.

17 (5) Except for the allocation under section 26a, any general  
18 fund allocations under this act that are not expended by the end of  
19 the state fiscal year are transferred to the school aid  
20 stabilization fund created under section 11a.

21 Sec. 17b. (1) Not later than October 20, November 20, December  
22 20, January 20, February 20, March 20, April 20, May 20, June 20,  
23 July 20, and August 20, the department shall prepare a statement of  
24 the amount to be distributed under this act in the installment to  
25 the districts and intermediate districts and deliver the statement  
26 to the state treasurer, and the state treasurer shall pay the  
27 installments on each of those dates or, if the date is not a

1 business day, on the immediately preceding business day before that  
2 date. Except as otherwise provided in this act, the portion of the  
3 district's or intermediate district's state fiscal year entitlement  
4 to be included in each installment shall be 1/11. A district or  
5 intermediate district shall accrue the payments received in July  
6 and August to the school fiscal year ending the immediately  
7 preceding June 30.

8 (2) The state treasurer shall make payment under this section  
9 by drawing a warrant in favor of the treasurer of each district or  
10 intermediate district for the amount payable to the district or  
11 intermediate district according to the statement and delivering the  
12 warrant to the treasurer of each district or intermediate district,  
13 or if the state treasurer receives a written request by the  
14 treasurer of the district or intermediate district specifying an  
15 account, by electronic funds transfer to that account of the amount  
16 payable to the district or intermediate district according to the  
17 statement. The department may make adjustments in payments made  
18 under this section through additional payments when changes in law  
19 or errors in computation cause the regularly scheduled payment to  
20 be less than the amount to which the district or intermediate  
21 district is entitled pursuant to this act.

22 (3) Except as otherwise provided in this act, grant payments  
23 under this act shall be paid according to **THE INSTALLMENT SCHEDULE**  
24 **UNDER** subsection (1).

25 (4) Upon the written request of a district or intermediate  
26 district and the submission of proof satisfactory to the department  
27 of a need of a temporary and nonrecurring nature, the

1 superintendent, with the written concurrence of the state treasurer  
2 and the state budget director, may authorize an advance release of  
3 funds due a district or intermediate district under this act. An  
4 advance authorized under this subsection shall not cause funds to  
5 be paid to a district or intermediate district more than 30 days  
6 earlier than the established payment date for those funds.