

HOUSE BILL No. 5766

February 28, 2006, Introduced by Rep. Hummel 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~~ \$_____ .00 from the state school aid
5 fund established by section 11 of article IX of the state
6 constitution of 1963, the sum of \$44,500,000.00 from the proceeds
7 of capitalization of the school bond loan fund revolving fund, and
8 the sum of ~~-\$62,714,000.00~~ \$_____ .00 from the general
9 fund. In addition, available federal funds are appropriated for
10 each fiscal year.

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

22 (3) If the maximum amount appropriated under this section from
23 the state school aid fund and the school aid stabilization fund for
24 a fiscal year exceeds the amount available for expenditure from the
25 state school aid fund for that fiscal year, payments under sections
26 11f, 11g, 11j, 22a, 26a, 26b, 31d, 51a(2), 51a(12), 51c, 53a, and
27 56 shall be made in full. In addition, for districts beginning

1 operations after 1994-95 that qualify for payments under section
2 22b, payments under section 22b shall be made so that the
3 qualifying districts receive the lesser of an amount equal to the
4 1994-95 foundation allowance of the district in which the district
5 beginning operations after 1994-95 is located or \$5,500.00. The
6 amount of the payment to be made under section 22b for these
7 qualifying districts shall be as calculated under section 22a, with
8 the balance of the payment under section 22b being subject to the
9 proration otherwise provided under this subsection and subsection
10 (4). If proration is necessary after 2002-2003, state payments
11 under each of the other sections of this act from all state funding
12 sources shall be prorated in the manner prescribed in subsection
13 (4) as necessary to reflect the amount available for expenditure
14 from the state school aid fund for the affected fiscal year.
15 However, if the department of treasury determines that proration
16 will be required under this subsection, or if the department of
17 treasury determines that further proration is required under this
18 subsection after an initial proration has already been made for a
19 fiscal year, the department of treasury shall notify the state
20 budget director, and the state budget director shall notify the
21 legislature at least 30 calendar days or 6 legislative session
22 days, whichever is more, before the department reduces any payments
23 under this act because of the proration. During the 30 calendar day
24 or 6 legislative session day period after that notification by the
25 state budget director, the department shall not reduce any payments
26 under this act because of proration under this subsection. The
27 legislature may prevent proration from occurring by, within the 30

1 calendar day or 6 legislative session day period after that
2 notification by the state budget director, enacting legislation
3 appropriating additional funds from the general fund,
4 countercyclical budget and economic stabilization fund, state
5 school aid fund balance, or another source to fund the amount of
6 the projected shortfall.

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

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

13 (i) Districts.

14 (ii) Intermediate districts.

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

16 (b) The department shall recover a percentage of the proration
17 amount required under subsection (3) that is equal to the
18 percentage calculated under subdivision (a)(i) for districts by
19 reducing payments to districts. This reduction shall be made by
20 calculating an equal dollar amount per pupil as necessary to
21 recover this percentage of the proration amount and reducing each
22 district's total state school aid from state sources, other than
23 payments under sections 11f, 11g, 11j, 22a, 26a, 26b, 31d, 51a(2),
24 51a(12), 51c, and 53a, by that amount.

25 (c) The department shall recover a percentage of the proration
26 amount required under subsection (3) that is equal to the
27 percentage calculated under subdivision (a)(ii) for intermediate

1 districts by reducing payments to intermediate districts. This
2 reduction shall be made by reducing the payments to each
3 intermediate district, other than payments under sections 11f, 11g,
4 26a, 26b, 51a(2), 51a(12), 53a, and 56, on an equal percentage
5 basis.

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

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

17 Sec. 17b. (1) Not later than October 20, November 20, December
18 20, January 20, February 20, March 20, April 20, May 20, June 20,
19 July 20, and August 20, the department shall prepare a statement of
20 the amount to be distributed under this act in the installment to
21 the districts and intermediate districts and deliver the statement
22 to the state treasurer, and the state treasurer shall pay the
23 installments on each of those dates or, if the date is not a
24 business day, on the immediately preceding business day before that
25 date. Except as otherwise provided in this act, the portion of the
26 district's or intermediate district's state fiscal year entitlement
27 to be included in each installment shall be 1/11. A district or

1 intermediate district shall accrue the payments received in July
2 and August to the school fiscal year ending the immediately
3 preceding June 30.

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

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

21 (4) Upon the written request of a district or intermediate
22 district and the submission of proof satisfactory to the department
23 of a need of a temporary and nonrecurring nature, the
24 superintendent, with the written concurrence of the state treasurer
25 and the state budget director, may authorize an advance release of
26 funds due a district or intermediate district under this act. An
27 advance authorized under this subsection shall not cause funds to

- 1 be paid to a district or intermediate district more than 30 days
- 2 earlier than the established payment date for those funds.