

# SENATE BILL No. 241

February 23, 2005, Introduced by Senator JOHNSON 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 2004 PA 518 and section 17b as amended by 2000 PA 297.

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

1       Sec. 11. (1) ~~In addition to all other appropriations under~~  
2 ~~this act for that fiscal year, for the fiscal year ending September~~  
3 ~~30, 2004, there is appropriated to the state school aid fund from~~  
4 ~~the unreserved balance in the general fund an amount equal to any~~  
5 ~~deficit balance that would otherwise exist in the state school aid~~  
6 ~~fund at bookclosing for the fiscal year ending September 30, 2004.~~  
7 For the fiscal year ending September 30, 2005 2006, there is

1 appropriated for the public schools of this state and certain other  
2 state purposes relating to education the sum of ~~\$10,909,200,000.00~~  
3 \$\_\_\_\_\_.00 from the state school aid fund established by  
4 section 11 of article IX of the state constitution of 1963 and the  
5 sum of ~~\$264,700,000.00~~ \$\_\_\_\_\_.00 from the general fund. In  
6 addition, available federal funds are appropriated for each of  
7 those fiscal years.

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

19 (3) If the maximum amount appropriated under this section from  
20 the state school aid fund and the school aid stabilization fund for  
21 a fiscal year exceeds the amount available for expenditure from the  
22 state school aid fund for that fiscal year, payments under sections  
23 11f, 11g, 11j, 22a, 26a, 31d, 51a(2), 51a(12), 51c, 53a, and 56  
24 shall be made in full. In addition, for districts beginning  
25 operations after 1994-95 that qualify for payments under section  
26 22b, payments under section 22b shall be made so that the  
27 qualifying districts receive the lesser of an amount equal to the

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

1 funds from the general fund, countercyclical budget and economic  
2 stabilization fund, state school aid fund balance, or another  
3 source to fund the amount of the projected shortfall.

4 (4) Subject to subsection (5), if proration is necessary, the  
5 department shall calculate the proration in district and  
6 intermediate district payments that is required under subsection  
7 (3) as follows:

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

11 (i) Districts.

12 (ii) Intermediate districts.

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

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

23 (c) The department shall recover a percentage of the proration  
24 amount required under subsection (3) that is equal to the  
25 percentage calculated under subdivision (a) (ii) for intermediate  
26 districts by reducing payments to intermediate districts. This  
27 reduction shall be made by reducing the payments to each

1 intermediate district, other than payments under sections 11f, 11g,  
2 26a, 51a(2), 51a(12), 53a, and 56, on an equal percentage basis.

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

10 (5) Beginning in 2004-2005, if a district has an emergency  
11 financial manager in place under the local government fiscal  
12 responsibility act, 1990 PA 72, MCL 141.1201 to 141.1291, payments  
13 to that district are not subject to proration under this section.

14 (6) Except for the allocation under section 26a, any general  
15 fund allocations under this act that are not expended by the end of  
16 the state fiscal year are transferred to the state school aid fund.  
17 If it is determined at the May 2005 revenue estimating conference  
18 conducted under section 367b of the management and budget act, 1984  
19 PA 431, MCL 18.1367b, that there is additional school aid fund  
20 revenue beyond that determined at the May 2004 revenue estimating  
21 conference, then it is the intent of the legislature to enact  
22 legislation to fund, to the extent that revenues are available, the  
23 same programs in the same amount that were funded under section 81  
24 in 2003 PA 236 and the same pupil membership formula as in effect  
25 under 2003 PA 236.

26 Sec. 17b. (1) Not later than October 20, November 20, December  
27 20, January 20, February 20, March 20, April 20, May 20, June 20,

1 July 20, and August 20, the department shall prepare a statement of  
2 the amount to be distributed under this act in the installment to  
3 the districts and intermediate districts and deliver the statement  
4 to the state treasurer, and the state treasurer shall pay the  
5 installments on each of those dates or, if the date is not a  
6 business day, on the immediately preceding business day before that  
7 date. Except as otherwise provided in this act, the portion of the  
8 district's or intermediate district's state fiscal year entitlement  
9 to be included in each installment shall be 1/11. A district or  
10 intermediate district shall accrue the payments received in July  
11 and August to the school fiscal year ending the immediately  
12 preceding June 30.

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

27 (3) Except as otherwise ~~specified~~ **PROVIDED** in this act, grant

1 payments under this act shall be paid according to subsection (1).

2 (4) Upon the written request of a district or intermediate  
3 district and the submission of proof satisfactory to the department  
4 of a need of a temporary and nonrecurring nature, the  
5 superintendent, with the written concurrence of the state treasurer  
6 and the state budget director, may authorize an advance release of  
7 funds due a district or intermediate district under this act. ~~Such~~  
8 ~~an~~ **AN** advance **AUTHORIZED UNDER THIS SUBSECTION** shall not cause  
9 funds to be paid to a district or intermediate district more than  
10 30 days earlier than the established payment date for those funds.