

SUBSTITUTE FOR
HOUSE BILL NO. 5436

A bill to amend 1979 PA 94, entitled
"The state school aid act of 1979,"
by amending sections 11 and 11a (MCL 388.1611 and 388.1611a), as
amended by 2005 PA 155, and by adding section 99c.

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~~ **\$11,292,350,000.00** 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 from the general fund. In addition,
9 available federal funds are appropriated for each fiscal year.

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

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

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

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

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

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

12 (i) Districts.

13 (ii) Intermediate districts.

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

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

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

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

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

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

16 Sec. 11a. (1) The school aid stabilization fund is created as
17 a separate account within the state school aid fund established by
18 section 11 of article IX of the state constitution of 1963.

19 (2) The state treasurer may receive money or other assets from
20 any source for deposit into the school aid stabilization fund. The
21 state treasurer shall deposit into the school aid stabilization
22 fund all of the following:

23 (a) Unexpended and unencumbered state school aid fund revenue
24 for a fiscal year that remains in the state school aid fund as of
25 the bookclosing for that fiscal year. **FOR THE 2005-2006 FISCAL**
26 **YEAR, THIS AMOUNT IS ESTIMATED TO BE \$20,000,000.00.**

27 (b) Money statutorily dedicated to the school aid

1 stabilization fund.

2 (c) Money appropriated to the school aid stabilization fund.

3 (3) Money available in the school aid stabilization fund may
4 not be expended without a specific appropriation from the school
5 aid stabilization fund. Money in the school aid stabilization fund
6 shall be expended only for purposes for which state school aid fund
7 money may be expended.

8 (4) The state treasurer shall direct the investment of the
9 school aid stabilization fund. The state treasurer shall credit to
10 the school aid stabilization fund interest and earnings from fund
11 investments.

12 (5) Money in the school aid stabilization fund at the close of
13 a fiscal year shall remain in the school aid stabilization fund and
14 shall not lapse to the unreserved school aid fund balance or the
15 general fund.

16 (6) If the maximum amount appropriated under section 11 from
17 the state school aid fund for a fiscal year exceeds the amount
18 available for expenditure from the state school aid fund for that
19 fiscal year, there is appropriated from the school aid
20 stabilization fund to the state school aid fund an amount equal to
21 the projected shortfall as determined by the department of
22 treasury, but not to exceed available money in the school aid
23 stabilization fund. If the money in the school aid stabilization
24 fund is insufficient to fully fund an amount equal to the projected
25 shortfall, the state budget director shall notify the legislature
26 as required under section 11(3) and state payments in an amount
27 equal to the remainder of the projected shortfall shall be prorated

House Bill No. 5436 (H-1) as amended December 8, 2005
in the manner provided under section 11(4).

(7) ~~Each school fiscal year for 2004-2005 and for~~ FOR 2005-2006, there is transferred from the school aid stabilization fund to the state school aid fund the amount necessary to fully fund the allocations under this act.

SEC. 99C. (1) [IF IT IS DETERMINED AT THE JANUARY 2006 REVENUE ESTIMATING CONFERENCE CONDUCTED UNDER SECTION 367B OF THE MANAGEMENT AND BUDGET ACT, 1984 PA 431, MCL 18.1367B, THAT THE COMBINED TOTAL AMOUNT OF PROJECTED STATE SCHOOL AID FUND REVENUE FOR 2004-2005 AND FOR 2005-2006 WILL BE AT LEAST \$35,000,000.00 MORE THAN THAT COMBINED TOTAL AMOUNT AS PROJECTED AT THE AUGUST 2005 REVENUE ESTIMATING CONFERENCE CONDUCTED UNDER SECTION 367B OF THE MANAGEMENT AND BUDGET ACT, 1984 PA 431, MCL 18.1367B, THEN FROM] THE STATE SCHOOL AID FUND MONEY APPROPRIATED IN SECTION 11, THERE IS ALLOCATED AN AMOUNT NOT TO

EXCEED \$18,500,000.00 FOR 2005-2006 FOR PAYMENTS TO DISTRICTS UNDER THIS SECTION FOR THE MIDDLE SCHOOL MATHEMATICS INITIATIVE TO ACHIEVE THE MIDDLE SCHOOL MATHEMATICS STANDARDS AND BENCHMARKS ADOPTED BY THE STATE BOARD.

(2) THE AMOUNT OF THE PAYMENT TO EACH DISTRICT FOR 2005-2006 SHALL BE AN EQUAL AMOUNT PER PUPIL FOR EACH PUPIL ACTUALLY ENROLLED AND ATTENDING SCHOOL IN THE DISTRICT IN GRADES 6 TO 8. THE AMOUNT OF THE PAYMENT TO A DISTRICT UNDER THIS SECTION FOR SUBSEQUENT FISCAL YEARS SHALL BE CALCULATED AS DESCRIBED IN SUBSECTION (4).

(3) A DISTRICT SHALL USE FUNDS RECEIVED UNDER THIS SECTION ONLY FOR ACTIVITIES AND EFFORTS DESIGNED TO IMPROVE PUPIL PERFORMANCE ON THE MICHIGAN EDUCATION ASSESSMENT PROGRAM MATHEMATICS ASSESSMENTS ADMINISTERED DURING GRADES 6 TO 8 AND TO HELP THE DISTRICT MEET ADEQUATE YEARLY PROGRESS REQUIREMENTS FOR MATHEMATICS UNDER THE NO CHILD LEFT BEHIND ACT OF 2001, PUBLIC LAW 107-110.

(4) IT IS THE INTENT OF THE LEGISLATURE TO CONTINUE TO ALLOCATE FUNDS UNDER THIS SECTION FOR SUBSEQUENT FISCAL YEARS. HOWEVER, BEGINNING IN 2007-2008, ONLY ELIGIBLE DISTRICTS WILL RECEIVE FUNDING UNDER THIS SECTION AND THE AMOUNT OF FUNDING SHALL

1 BE AN EQUAL AMOUNT PER PUPIL ENROLLED AND ATTENDING SCHOOL IN
2 GRADES 6 TO 8 IN ELIGIBLE DISTRICTS ONLY. BEGINNING IN 2007-2008, A
3 DISTRICT SHALL BE ELIGIBLE TO RECEIVE FUNDING UNDER THIS SECTION
4 ONLY IF THE DISTRICT MEETS EITHER OR BOTH OF THE FOLLOWING DURING
5 THE FISCAL YEAR FOR WHICH THE FUNDS ARE ALLOCATED:

6 (A) ACHIEVES THE PASSAGE RATE ON THE MICHIGAN EDUCATION
7 ASSESSMENT PROGRAM MATHEMATICS ASSESSMENTS ADMINISTERED DURING
8 GRADES 6 TO 8 NECESSARY FOR THE DISTRICT TO MEET ADEQUATE YEARLY
9 PROGRESS REQUIREMENTS FOR THOSE GRADES FOR MATHEMATICS UNDER THE NO
10 CHILD LEFT BEHIND ACT OF 2001, PUBLIC LAW 107-110.

11 (B) ACHIEVES AN INCREASE IN THE PASSAGE RATE ON THE MICHIGAN
12 EDUCATION ASSESSMENT PROGRAM MATHEMATICS ASSESSMENTS ADMINISTERED
13 DURING GRADES 6 TO 8 OF AT LEAST 10 PERCENTAGE POINTS, AS COMPARED
14 TO THAT PASSAGE RATE FOR THE IMMEDIATELY PRECEDING YEAR.

15 (5) NOTWITHSTANDING SECTION 17B, FOR 2005-2006 ONLY, PAYMENTS
16 UNDER THIS SECTION SHALL BEGIN WITH THE JANUARY INSTALLMENT.

17 (6) DISTRICTS RECEIVING FUNDING UNDER THIS SECTION AND
18 INTERMEDIATE DISTRICTS RECEIVING FUNDING UNDER SECTION 99B ARE
19 ENCOURAGED TO WORK COOPERATIVELY WITH EACH OTHER TO MAXIMIZE THE
20 BENEFITS OF PROGRAMS FUNDED UNDER THIS SECTION AND SECTION 99B.

21 Enacting section 1. In accordance with section 30 of article I
22 of the state constitution of 1963, total state spending in this
23 amendatory act and in 2005 PA 155 from state sources for fiscal
24 year 2005-2006 is estimated at \$11,399,564,000.00 and state
25 appropriations to be paid to local units of government for fiscal
26 year 2005-2006 are estimated at \$11,376,663,100.00.

27 Enacting section 2. This amendatory act does not take effect

1 unless House Bill No. 5452 of the 93rd Legislature is enacted into
2 law.