

SENATE SUBSTITUTE FOR
HOUSE BILL NO. 5789

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~~

~~the general fund.~~ For the fiscal year ending September 30, 2006, there is appropriated for the public schools of this state and certain other state purposes relating to education the sum of ~~\$11,257,600,000.00~~ \$_____ from the state school aid fund established by section 11 of article IX of the state constitution of 1963, the sum of \$44,500,000.00 from the proceeds of capitalization of the school bond loan fund revolving fund, and the sum of ~~\$62,714,000.00~~ \$_____ from the general fund.

FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2007, THERE IS APPROPRIATED FOR THE PUBLIC SCHOOLS OF THIS STATE AND CERTAIN OTHER STATE PURPOSES RELATING TO EDUCATION THE SUM OF \$_____ FROM THE STATE SCHOOL AID FUND ESTABLISHED BY SECTION 11 OF ARTICLE IX OF THE STATE CONSTITUTION OF 1963 AND THE SUM OF \$_____ FROM THE GENERAL FUND. In addition, available federal funds are appropriated for each fiscal year.

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

(3) If the maximum amount appropriated under this section from

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

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

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

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

18 (i) Districts.

19 (ii) Intermediate districts.

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

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

1 payments under sections 11f, 11g, 11j, 22a, 26a, 26b, 31d, 51a(2),
2 51a(12), 51c, and 53a, by that amount.

3 (c) 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)(ii) for intermediate
6 districts by reducing payments to intermediate districts. This
7 reduction shall be made by reducing the payments to each
8 intermediate district, other than payments under sections 11f, 11g,
9 26a, 26b, 51a(2), 51a(12), 53a, and 56, on an equal percentage
10 basis.

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

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

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

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

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

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

25 (4) Upon the written request of a district or intermediate
26 district and the submission **TO THE SUPERINTENDENT** of proof
27 satisfactory to the department of a need of a temporary and

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