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# INITIATED LAW

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**INITIATED LAW**

**PROPOSAL 06-5  
PROPOSED LEGISLATIVE AMENDMENT**

**A legislative initiative to establish mandatory school funding levels. (Proposal provided under a legislative initiative petition filed with the Secretary of State on February 21, 2006.)**

**The following is the language of the proposed legislative amendment as it appeared on the legislative initiative petition. Words deleted from existing law under the proposed amendment are crossed out; words added to existing law under the proposed amendment are in capital letters.**

*The People of the State of Michigan enact:*

**TITLE**

An act to make appropriations to aid in the support of the public schools and the intermediate school districts of the state, to make appropriations for certain other purposes relating to education, to provide for the disbursement of the appropriations. TO ESTABLISH MINIMUM FUNDING FOR THE PUBLIC SCHOOLS, THE INTERMEDIATE SCHOOL DISTRICTS, THE COMMUNITY COLLEGES, THE PUBLIC UNIVERSITIES, AND THE INDEPENDENT NONPROFIT COLLEGES OR UNIVERSITIES OF THIS STATE; to supplement the school aid fund by the levy and collection of certain taxes, to authorize the issuance of certain bonds and provide for the security of those bonds; to prescribe the powers and duties of certain state departments, the state board of education, and certain other boards and officials; to create certain funds and provide for their expenditure; to prescribe penalties; and to repeal acts and parts of acts.

Sec. 11. (1) ~~In addition to all other appropriations under this act for that fiscal year, for the fiscal year ending September 30, 2004, there is appropriated to the state school aid fund from the unreserved balance in the general fund an amount equal to any deficit balance that would otherwise exist in the state school aid fund at bookclosing for the fiscal year ending September 30, 2004. For the fiscal year ending September 30, 2005-2007, there is appropriated for the public schools of this state and certain other state purposes relating to education the sum of \$10,900,200,000.00 from the state school aid fund established by section 11 of article IX of the state constitution of 1963 and the sum of \$264,700,000.00 from the general fund~~ FROM THE STATE SCHOOL AID FUND THE SUM NECESSARY TO FULFILL THE REQUIREMENTS OF THIS ACT, AND ANY DEFICIENCY IS APPROPRIATED FROM THE GENERAL FUND. In addition, available federal funds are appropriated for ~~each of those fiscal years~~ THAT FISCAL YEAR.

(2) FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2007, THE TOTAL AMOUNT APPROPRIATED UNDER THIS ACT FROM STATE FUNDS SHALL NOT BE LESS THAN THE TOTAL AMOUNT APPROPRIATED UNDER THIS ACT FROM STATE FUNDS FOR THE 2004-2005 STATE FISCAL YEAR, ADJUSTED BY THE PERCENTAGE INCREASE IN THE GENERAL PRICE LEVEL FROM THE 2004 CALENDAR YEAR TO THE 2006 CALENDAR YEAR. FOR EACH STATE FISCAL YEAR AFTER THE FISCAL YEAR ENDING SEPTEMBER 30, 2007, THE TOTAL AMOUNT APPROPRIATED UNDER THIS ACT FROM STATE FUNDS SHALL BE INCREASED FROM THE TOTAL AMOUNT FOR THE IMMEDIATELY PRECEDING STATE FISCAL YEAR BY THE PERCENTAGE INCREASE IN THE GENERAL

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PRICE LEVEL FOR THE CALENDAR YEAR ENDING IN THE IMMEDIATELY PRECEDING STATE FISCAL YEAR. AS USED IN THIS SUBSECTION, "GENERAL PRICE LEVEL" MEANS THE CONSUMER PRICE INDEX FOR THE UNITED STATES AS DEFINED AND OFFICIALLY REPORTED BY THE UNITED STATES DEPARTMENT OF LABOR OR ITS SUCCESSOR AGENCY.

(3) ~~(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~~ AMOUNT AVAILABLE FOR APPROPRIATION 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 the state school aid fund and the school aid stabilization fund for a fiscal year exceeds the amount available for expenditure from the state school aid fund for that fiscal year, payments under sections 11f, 11g, 11j, 22a, 26a, 31d, 51a(2), 51a(12), 51e, 52a, and 56 shall be made in full. In addition, for districts beginning operations after 1994-95 that qualify for payments under section 22b, payments under section 22b shall be made so that the qualifying districts receive the lesser of an amount equal to the 1994-95 foundation allowance of the district in which the district beginning operations after 1994-95 is located or \$5,500.00. The amount of the payment to be made under section 22b for these qualifying districts shall be as calculated under section 22a, with the balance of the payment under section 22b being subject to the proration otherwise provided under this subsection and subsection (4). Subject to subsection (5), if proration is necessary after 2002-2003, state payments under each of the other sections of this act from all state funding sources shall be prorated in the manner prescribed in subsection (4) as necessary to reflect the amount available for expenditure from the state school aid fund for the affected fiscal year. However, if the department of treasury determines that proration will be required under this subsection, or if the department of treasury determines that further proration is required under this subsection after an initial proration has already been made for a fiscal year, the department of treasury shall notify the state budget director, and the state budget director shall notify the legislature at least 30 calendar days or 6 legislative session days, whichever is more, before the department reduces any payments under this act because of the proration. During the 30 calendar day or 6 legislative session day period after that notification by the state budget director, the department shall not reduce any payments under this act because of proration under this subsection. The legislature may prevent proration from occurring by, within the 30 calendar day or 6 legislative session day period after that notification by the state budget director, enacting legislation appropriating additional funds from the general fund, countercyclical budget and economic stabilization fund, state school aid fund balance, or another source to fund the amount of the projected shortfall.~~

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

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

(i) Districts.

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~~(ii) Intermediate districts.~~

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

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

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

~~(d) The department shall recover a percentage of the proration amount required under subsection~~

~~(3) that is equal to the percentage calculated under subdivision (a)(iii) for entities other than districts and intermediate districts by reducing payments to these entities. This reduction shall be made by reducing the payments to each of these entities, other than payments under sections 11j and 26a, on an equal percentage basis.~~

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

~~(4)(6) Except for the allocation under section 26a, any general fund allocations under this act that are not expended by the end of the state fiscal year are transferred to the state school aid fund. If it is determined at the May 2005 revenue estimating conference conducted under section 367b of the management and budget act, 1984 PA 431, MCL 18.1367b, that there is additional school aid fund revenue beyond that determined at the May 2004 revenue estimating conference, then it is the intent of the legislature to enact legislation to fund, to the extent that revenues are available, the same programs in the same amount that were funded under section 81 in 2003 PA 236 and the same pupil membership formula as in effect under 2003 PA 236.~~

SEC. 12. (1) FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2007, THE AMOUNT OF THE BASIC FOUNDATION ALLOWANCE AS CALCULATED UNDER SECTION 20 AND THE AMOUNTS ALLOCATED UNDER SECTIONS 22A, 22B, 31A, 51A, 51C, AND 81, RESPECTIVELY, SHALL NOT BE LESS THAN THOSE AMOUNTS AS ORIGINALLY ENACTED FOR THE 2004-2005 STATE FISCAL YEAR BEFORE ANY PRORATION, ADJUSTED BY THE PERCENTAGE INCREASE IN THE GENERAL PRICE LEVEL FROM THE 2004 CALENDAR YEAR TO THE 2006 CALENDAR YEAR. FOR EACH STATE FISCAL YEAR AFTER THE FISCAL YEAR ENDING SEPTEMBER 30, 2007, THE AMOUNT OF THE BASIC FOUNDATION ALLOWANCE AS CALCULATED UNDER SECTION 20 AND THE AMOUNTS ALLOCATED UNDER SECTIONS 22A, 22B, 31A, 51A, 51C, AND 81, RESPECTIVELY, SHALL BE INCREASED FROM THOSE AMOUNTS FOR THE IMMEDIATELY PRECEDING STATE FISCAL YEAR BY THE PERCENTAGE INCREASE IN THE GENERAL PRICE LEVEL FOR THE CALENDAR YEAR ENDING IN THE IMMEDIATELY PRECEDING STATE FISCAL YEAR.

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(2) AS USED IN THIS SECTION, THE MEMBERSHIP FIGURE CALCULATED UNDER SECTION 6 IS THE GREATER OF THE FOLLOWING:

(A) THE AVERAGE OF THE DISTRICT'S MEMBERSHIP FOR THE 3-FISCAL-YEAR PERIOD ENDING WITH THAT FISCAL YEAR, CALCULATED BY ADDING THE DISTRICT'S ACTUAL MEMBERSHIP FOR EACH OF THOSE 3 FISCAL YEARS, AS OTHERWISE CALCULATED UNDER SECTION 6, AND DIVIDING THE SUM OF THOSE 3 MEMBERSHIP FIGURES BY 3.

(B) THE DISTRICT'S ACTUAL MEMBERSHIP FOR THAT FISCAL YEAR AS OTHERWISE CALCULATED UNDER SECTION 6.

(3) CONTEMPORANEOUS WITH THE INCREASES IN THE BASIC FOUNDATION ALLOWANCE PROVIDED FOR IN SUBSECTION (1), BEGINNING WITH THE FISCAL YEAR ENDING SEPTEMBER 30, 2007, THE LEGISLATURE SHALL DECREASE TO \$1,000 BY THE 2011-2012 FISCAL YEAR THE STATE FUNDING GAP BETWEEN THE BASIC FOUNDATION ALLOWANCE AND THE MAXIMUM FOUNDATION ALLOWANCE.

(4) FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2007, THE GROSS APPROPRIATION FOR ALL COMMUNITY COLLEGES SHALL NOT BE LESS THAN THE GROSS APPROPRIATION FOR ALL COMMUNITY COLLEGES FOR THE 2004-2005 STATE FISCAL YEAR, AS PROVIDED BY 2004 PA 358, ADJUSTED BY THE PERCENTAGE INCREASE IN THE GENERAL PRICE LEVEL FROM THE 2004 CALENDAR YEAR TO THE 2006 CALENDAR YEAR. FOR EACH STATE FISCAL YEAR AFTER THE FISCAL YEAR ENDING SEPTEMBER 30, 2007, THE GROSS APPROPRIATION FOR ALL COMMUNITY COLLEGES SHALL BE INCREASED FROM THE GROSS APPROPRIATION FOR ALL COMMUNITY COLLEGES FOR THE IMMEDIATELY PRECEDING STATE FISCAL YEAR BY THE PERCENTAGE INCREASE IN THE GENERAL PRICE LEVEL FOR THE CALENDAR YEAR ENDING IN THE IMMEDIATELY PRECEDING STATE FISCAL YEAR.

(5) IN THE FISCAL YEAR ENDING SEPTEMBER 30, 2007, THE GROSS APPROPRIATION FOR HIGHER EDUCATION SHALL NOT BE LESS THAN THE SUM OF THE GROSS APPROPRIATION FOR HIGHER EDUCATION FOR THE 2004-2005 STATE FISCAL YEAR, AS PROVIDED BY 2004 PA 352, ADJUSTED BY THE PERCENTAGE INCREASE IN THE GENERAL PRICE LEVEL FROM THE 2004 CALENDAR YEAR TO THE 2006 CALENDAR YEAR. FOR EACH STATE FISCAL YEAR AFTER THE FISCAL YEAR ENDING SEPTEMBER 30, 2007, THE GROSS APPROPRIATION FOR HIGHER EDUCATION SHALL BE INCREASED FROM THE GROSS APPROPRIATION FOR HIGHER EDUCATION FOR THE IMMEDIATELY PRECEDING STATE FISCAL YEAR BY THE PERCENTAGE INCREASE IN THE GENERAL PRICE LEVEL FOR THE CALENDAR YEAR ENDING IN THE IMMEDIATELY PRECEDING STATE FISCAL YEAR.

(6) AS USED IN THIS SECTION:

(A) "COMMUNITY COLLEGE" MEANS A COMMUNITY COLLEGE ORGANIZED UNDER THE COMMUNITY COLLEGE ACT OF 1966, 1966 PA 331, MCL 389.1 TO 389.195, OR ESTABLISHED UNDER PART 25 OF THE REVISED SCHOOL CODE, MCL 380.1601 to 380.1607.

(B) "GENERAL PRICE LEVEL" MEANS THE CONSUMER PRICE INDEX FOR THE UNITED STATES AS DEFINED AND OFFICIALLY REPORTED BY THE UNITED STATE DEPARTMENT OF LABOR OR ITS SUCCESSOR AGENCY.

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SEC. 147A.(1) OF ALL OF THE TOTAL PERCENTAGE POINTS DETERMINED AND ASSIGNED TO REPORTING UNITS PURSUANT TO THE PUBLIC SCHOOL EMPLOYEES RETIREMENT ACT OF 1979, 1980 PA 300, MCL 38.1301 TO 38.1408, AND ALLOCATED TO REPORTING UNITS UNDER SECTION 147 OR OTHERWISE OFFICIALLY COMMUNICATED TO REPORTING UNITS, EACH REPORTING UNIT IS RESPONSIBLE FOR PAYING FROM ITS GENERAL OPERATING FUNDS 80% OF THE TOTAL PERCENTAGE POINTS OR 14.87%, WHICHEVER IS LESS. EACH REPORTING UNIT SHALL PAY THE REMAINING BALANCE OF THE TOTAL PERCENTAGE POINTS TO THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM FROM FUNDS APPROPRIATED TO THE REPORTING UNITS FOR THIS PURPOSE UNDER SUBSECTION (2).

(2) FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2007, IN ADDITION TO THE GENERAL FUND MONEY APPROPRIATED UNDER SECTION 11, THERE IS APPROPRIATED FROM THE GENERAL FUND TO THE REPORTING UNITS THE SUM NECESSARY FOR PAYING THE REMAINING BALANCE OF THE TOTAL PERCENTAGE POINTS TO BE PAID BY THE REPORTING UNITS AS DESCRIBED IN SUBSECTION (1).

(3) AS USED IN THIS SECTION, "REPORTING UNIT" MEANS THAT TERM AS DEFINED IN SECTION 7 OF THE PUBLIC SCHOOL EMPLOYEES RETIREMENT ACT OF 1979, 1980 PA 300, MCL 38.1307.

Enacting section 1. This amendatory act shall be known as the "educational funding guarantee law".

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The following is the official ballot wording:

**PROPOSAL 06-5**

**A LEGISLATIVE INITIATIVE TO ESTABLISH  
MANDATORY SCHOOL FUNDING LEVELS**

The proposed law would:

- **Increase current funding by approximately \$565 million and require State to provide annual funding increases equal to the rate of inflation for public schools, intermediate school districts, community colleges, and higher education (includes state universities and financial aid/grant programs).**
- **Require State to fund any deficiencies from General Fund.**
- **Base funding for school districts with a declining enrollment on three-year student enrollment average.**
- **Reduce and cap retirement fund contribution paid by public schools, community colleges and state universities; shift remaining portion to state.**
- **Reduce funding gap between school districts receiving basic per-pupil foundation allowance and those receiving maximum foundation allowance.**

**Should this proposed law be approved?**

Yes

No

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**Compiler's Note:** The proposed legislative initiative, set out above, was submitted to the electors as Proposal 06-5, and rejected at the November 7, 2006 general election.