

# HOUSE BILL No. 5858

May 5, 2004, Introduced by Reps. Steil, Pumford, Shackleton, Emmons, Kooiman, Wenke and Mortimer and referred to the Committee on Appropriations.

A bill to amend 1979 PA 94, entitled  
"The state school aid act of 1979,"  
by amending section 11 (MCL 388.1611), as amended by 2003 PA  
236.

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

1       Sec. 11. (1) For the fiscal year ending September 30, 2004,  
2 there is appropriated for the public schools of this state and  
3 certain other state purposes relating to education the sum of  
4 \$10,962,387,100.00 from the state school aid fund established by  
5 section 11 of article IX of the state constitution of 1963 and  
6 the sum of \$327,700,000.00 from the general fund. For the fiscal  
7 year ending September 30, 2003, from loan repayments deposited to  
8 the general fund pursuant to section 4 of 1961 PA 112, MCL  
9 388.984, on the settlement date, as determined under section 9c  
10 of 1961 PA 108, MCL 388.959c, there is appropriated from the

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1 general fund to the state school aid fund the amount determined  
2 by the state treasurer to equal the difference between the  
3 outstanding amount of general obligation debt incurred pursuant  
4 to 1961 PA 112, MCL 388.981 to 388.985, and the outstanding  
5 amount of loans under 1961 PA 108, MCL 388.951 to 388.963, as  
6 reduced in accordance with section 9c(1) of 1961 PA 108, MCL  
7 388.959c. In addition, for the fiscal year ending September 30,  
8 2003, there is appropriated from the general fund to the state  
9 school aid fund an amount equal to the amount of all school bond  
10 loan fund repayments received by the state treasurer from June 1,  
11 2003 through December 21, 2003, determined by the state treasurer  
12 not to have been paid from proceeds of bonds of the school  
13 district and representing the difference between the outstanding  
14 amount of general obligation debt incurred by this state under  
15 1961 PA 112, MCL 388.981 to 388.985, and the outstanding amount  
16 of loans under 1961 PA 108, MCL 388.951 to 388.963, at the time  
17 of repayment. Funds appropriated to the state school aid fund  
18 from the general fund from loan repayments received as described  
19 in this subsection shall be expended within 90 days of deposit  
20 within the state school aid fund. In addition, available federal  
21 funds are appropriated for each of those fiscal years.

22 (2) The appropriations under this section shall be allocated  
23 as provided in this act. Money appropriated under this section  
24 from the general fund shall be expended to fund the purposes of  
25 this act before the expenditure of money appropriated under this  
26 section from the state school aid fund. If the maximum amount  
27 appropriated under this section from the state school aid fund

1 for a fiscal year exceeds the amount necessary to fully fund  
2 allocations under this act from the state school aid fund, that  
3 excess amount shall not be expended in that state fiscal year and  
4 shall not lapse to the general fund, but instead shall be  
5 deposited into the school aid stabilization fund created in  
6 section 11a.

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

1 determines that proration will be required under this subsection,  
2 the department of treasury shall notify the state budget  
3 director, and the state budget director shall notify the  
4 legislature at least 30 calendar days or 6 legislative session  
5 days, whichever is more, before the department reduces any  
6 payments under this act because of the proration. During the 30  
7 calendar day or 6 legislative session day period after that  
8 notification by the state budget director, the department shall  
9 not reduce any payments under this act because of proration under  
10 this subsection. The legislature may prevent proration from  
11 occurring by, within the 30 calendar day or 6 legislative session  
12 day period after that notification by the state budget director,  
13 enacting legislation appropriating additional funds from the  
14 general fund, countercyclical budget and economic stabilization  
15 fund, state school aid fund balance, or another source to fund  
16 the amount of the projected shortfall.

17 (4) For any proration necessary after 2002-2003, the  
18 department shall calculate **and implement** the proration in  
19 district and intermediate district payments that is required  
20 under subsection (3) as follows:

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

24 (i) Districts.

25 (ii) Intermediate districts.

26 (iii) Entities other than districts or intermediate  
27 districts.

1 (b) The department shall recover a percentage of the  
2 proration amount required under subsection (3) that is equal to  
3 the percentage calculated under subdivision (a)(i) for districts  
4 by reducing payments to districts. ~~This~~ **Until October 1, 2004,**  
5 **this** reduction shall be made by calculating an equal dollar  
6 amount per pupil as necessary to recover this percentage of the  
7 proration amount and reducing each district's total state school  
8 aid from state sources, other than payments under sections 11f,  
9 11g, 22a, 31d, 51a(2), 51a(12), 51c, 53a, and 56, by that  
10 amount. **Beginning October 1, 2004, this reduction shall be made**  
11 **by deducting from each district's total state school aid from**  
12 **state sources, other than payments under sections 11f, 11g, 22a,**  
13 **31d, 51a(2), 51a(12), 51c, 53a, and 56, an amount equal to a**  
14 **percentage of the district's combined state and local revenue.**  
15 **This percentage shall be an equal percentage for all districts in**  
16 **an amount determined by the department to be necessary to achieve**  
17 **the necessary proration of payments to districts. As used in**  
18 **this subdivision, "combined state and local revenue" means that**  
19 **term as defined in section 20.**

20 (c) The department shall recover a percentage of the  
21 proration amount required under subsection (3) that is equal to  
22 the percentage calculated under subdivision (a)(ii) for  
23 intermediate districts by reducing payments to intermediate  
24 districts. This reduction shall be made by reducing the payments  
25 to each intermediate district, other than payments under sections  
26 11f, 11g, 22a, 31d, 51a(2), 51a(12), 51c, 53a, and 56, on an  
27 equal percentage basis.

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

8 (5) Except for the allocation under section 26a, any general  
9 fund allocations under this act that are not expended by the end  
10 of the state fiscal year are transferred to the state school aid  
11 fund.