

# SENATE BILL No. 246

February 23, 2005, Introduced by Senators EMERSON, THOMAS, BARCIA, SCOTT, CHERRY, SCHAUER, BASHAM, OLSHOVE, JACOBS, BRATER, CLARK-COLEMAN, CLARKE and BERNERO and referred to the Committee on Appropriations.

A bill to amend 1979 PA 94, entitled "The state school aid act of 1979," by amending the title and section 11 (MCL 388.1611), the title as amended by 2003 PA 158 and section 11 as amended by 2004 PA 518, and by adding sections 12 and 147a.

**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, AND THE PUBLIC UNIVERSITIES OF THIS STATE;** to supplement the school aid

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1 fund by the levy and collection of certain taxes; to authorize the  
 2 issuance of certain bonds and provide for the security of those  
 3 bonds; to prescribe the powers and duties of certain state  
 4 departments, the state board of education, and certain other boards  
 5 and officials; to create certain funds and provide for their  
 6 expenditure; to prescribe penalties; and to repeal acts and parts  
 7 of acts.

8       Sec. 11. (1) ~~In addition to all other appropriations under~~  
 9 ~~this act for that fiscal year, for the fiscal year ending September~~  
 10 ~~30, 2004, there is appropriated to the state school aid fund from~~  
 11 ~~the unreserved balance in the general fund an amount equal to any~~  
 12 ~~deficit balance that would otherwise exist in the state school aid~~  
 13 ~~fund at bookclosing for the fiscal year ending September 30, 2004.~~  
 14 For the fiscal year ending September 30, 2005 2006, there is  
 15 appropriated ~~for the public schools of this state and certain other~~  
 16 ~~state purposes relating to education the sum of \$10,909,200,000.00~~  
 17 ~~from the state school aid fund established by section 11 of article~~  
 18 ~~IX of the state constitution of 1963 and the sum of \$264,700,000.00~~  
 19 ~~from the general fund~~ **FROM THE STATE SCHOOL AID FUND THE SUM**  
 20 **NECESSARY TO FULFILL THE REQUIREMENTS OF THIS ACT, AND ANY**  
 21 **DEFICIENCY IS APPROPRIATED FROM THE GENERAL FUND.** In addition,  
 22 available federal funds are appropriated for each of these fiscal  
 23 years **THAT FISCAL YEAR. THE ESTIMATED APPROPRIATIONS AND THE**  
 24 **ESTIMATED SOURCES OF REVENUE PROVIDED FOR IN THIS 2005 AMENDATORY**  
 25 **ACT ARE AS FOLLOWS:**

26       (A) THE GROSS APPROPRIATION IS ESTIMATED AT \$ \_\_\_\_\_.

27       (B) THE SOURCES OF REVENUE ARE ESTIMATED AS FOLLOWS:

1 (i) FROM THE STATE SCHOOL AID FUND, \$ \_\_\_\_\_ .

2 (ii) FROM THE GENERAL FUND, \$ \_\_\_\_\_ .

3 (iii) FROM FEDERAL FUNDS, \$ \_\_\_\_\_ .

4 (2) FOR THE 2005-2006 STATE FISCAL YEAR, THE TOTAL AMOUNT  
 5 APPROPRIATED UNDER THIS ACT FROM STATE FUNDS SHALL NOT BE LESS THAN  
 6 THE TOTAL AMOUNT APPROPRIATED UNDER THIS ACT FROM STATE FUNDS FOR  
 7 THE 2002-2003 STATE FISCAL YEAR, ADJUSTED BY THE PERCENTAGE  
 8 INCREASE IN THE GENERAL PRICE LEVEL FROM THE 2002 CALENDAR YEAR TO  
 9 THE 2005 CALENDAR YEAR. FOR EACH STATE FISCAL YEAR AFTER THE 2005-  
 10 2006 STATE FISCAL YEAR, THE TOTAL AMOUNT APPROPRIATED UNDER THIS  
 11 ACT FROM STATE FUNDS SHALL BE INCREASED FROM THAT TOTAL AMOUNT FOR  
 12 THE IMMEDIATELY PRECEDING STATE FISCAL YEAR BY AN AMOUNT AT LEAST  
 13 EQUAL TO THE LESSER OF 5% OR THE PERCENTAGE INCREASE IN THE GENERAL  
 14 PRICE LEVEL FOR THE CALENDAR YEAR ENDING IN THE IMMEDIATELY  
 15 PRECEDING STATE FISCAL YEAR. AS USED IN THIS SUBSECTION, "GENERAL  
 16 PRICE LEVEL" MEANS THE CONSUMER PRICE INDEX FOR THE UNITED STATES  
 17 AS DEFINED AND OFFICIALLY REPORTED BY THE UNITED STATES DEPARTMENT  
 18 OF LABOR OR ITS SUCCESSOR AGENCY.

19 (3) ~~—(2)—~~ The appropriations under this section shall be  
 20 allocated as provided in this act. ~~Money appropriated under this~~  
 21 ~~section from the general fund shall be expended to fund the~~  
 22 ~~purposes of this act before the expenditure of money appropriated~~  
 23 ~~under this section from the state school aid fund.~~ If the maximum  
 24 ~~amount appropriated~~ **AMOUNT AVAILABLE FOR APPROPRIATION** under this  
 25 section from the state school aid fund for a fiscal year exceeds  
 26 the amount necessary to fully fund allocations under this act from  
 27 the state school aid fund, that excess amount shall not be expended

1 in that state fiscal year and shall not lapse to the general fund,  
2 but instead shall be deposited into the school aid stabilization  
3 fund created in section 11a.

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

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

~~16 — (4) Subject to subsection (5), if proration is necessary, the  
17 department shall calculate the proration in district and  
18 intermediate district payments that is required under subsection  
19 (3) as follows:~~

~~20 — (a) The department shall calculate the percentage of total  
21 state school aid allocated under this act for the affected fiscal  
22 year for each of the following:~~

~~23 — (i) Districts.~~

~~24 — (ii) Intermediate districts.~~

~~25 — (iii) Entities other than districts or intermediate districts.~~

~~26 — (b) The department shall recover a percentage of the proration  
27 amount required under subsection (3) that is equal to the~~

1 ~~percentage calculated under subdivision (a) (i) for districts by~~  
2 ~~reducing payments to districts. This reduction shall be made by~~  
3 ~~calculating an equal dollar amount per pupil as necessary to~~  
4 ~~recover this percentage of the proration amount and reducing each~~  
5 ~~district's total state school aid from state sources, other than~~  
6 ~~payments under sections 11f, 11g, 11j, 22a, 26a, 31d, 51a(2),~~  
7 ~~51a(12), 51e, and 53a, by that amount.~~

8 ~~—— (c) The department shall recover a percentage of the proration~~  
9 ~~amount required under subsection (3) that is equal to the~~  
10 ~~percentage calculated under subdivision (a) (ii) for intermediate~~  
11 ~~districts by reducing payments to intermediate districts. This~~  
12 ~~reduction shall be made by reducing the payments to each~~  
13 ~~intermediate district, other than payments under sections 11f, 11g,~~  
14 ~~26a, 51a(2), 51a(12), 53a, and 56, on an equal percentage basis.~~

15 ~~—— (d) 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) (iii) for entities other~~  
18 ~~than districts and intermediate districts by reducing payments to~~  
19 ~~these entities. This reduction shall be made by reducing the~~  
20 ~~payments to each of these entities, other than payments under~~  
21 ~~sections 11j and 26a, on an equal percentage basis.~~

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

26 ~~(4) —(6)—~~ Except for the allocation under section 26a, any  
27 general fund allocations under this act that are not expended by

1 the end of the state fiscal year are transferred to the state  
2 school aid fund. ~~If it is determined at the May 2005 revenue~~  
3 ~~estimating conference conducted under section 367b of the~~  
4 ~~management and budget act, 1984 PA 431, MCL 18.1367b, that there is~~  
5 ~~additional school aid fund revenue beyond that determined at the~~  
6 ~~May 2004 revenue estimating conference, then it is the intent of~~  
7 ~~the legislature to enact legislation to fund, to the extent that~~  
8 ~~revenues are available, the same programs in the same amount that~~  
9 ~~were funded under section 81 in 2003 PA 236 and the same pupil~~  
10 ~~membership formula as in effect under 2003 PA 236.~~

11       **SEC. 12. (1) FOR THE 2005-2006 STATE FISCAL YEAR, THE AMOUNT**  
12 **OF THE BASIC FOUNDATION ALLOWANCE AS CALCULATED UNDER SECTION 20**  
13 **AND THE AMOUNTS ALLOCATED UNDER SECTIONS 22A, 22B, 31A, 51A, 51C,**  
14 **AND 81, RESPECTIVELY, SHALL NOT BE LESS THAN THOSE AMOUNTS AS**  
15 **ORIGINALLY ENACTED FOR THE 2002-2003 STATE FISCAL YEAR BEFORE ANY**  
16 **PRORATION, ADJUSTED BY THE PERCENTAGE INCREASE IN THE GENERAL PRICE**  
17 **LEVEL FROM THE 2002 CALENDAR YEAR TO THE 2005 CALENDAR YEAR. FOR**  
18 **EACH STATE FISCAL YEAR AFTER THE 2005-2006 STATE FISCAL YEAR, THE**  
19 **AMOUNT OF THE BASIC FOUNDATION ALLOWANCE AS CALCULATED UNDER**  
20 **SECTION 20 AND THE AMOUNTS ALLOCATED UNDER SECTIONS 22A, 22B, 31A,**  
21 **51A, 51C, AND 81, RESPECTIVELY, SHALL BE INCREASED FROM THOSE**  
22 **AMOUNTS FOR THE IMMEDIATELY PRECEDING STATE FISCAL YEAR BY AN**  
23 **AMOUNT AT LEAST EQUAL TO THE LESSER OF 5% OR THE PERCENTAGE**  
24 **INCREASE IN THE GENERAL PRICE LEVEL FOR THE CALENDAR YEAR ENDING IN**  
25 **THE IMMEDIATELY PRECEDING STATE FISCAL YEAR.**

26       **(2) BEGINNING WITH THE 2005-2006 STATE FISCAL YEAR, IF THE**  
27 **TOTAL NUMBER OF PUPILS ENROLLED AND COUNTED IN MEMBERSHIP IN A**

1 DISTRICT IS LESS THAN 90% OF THE TOTAL NUMBER OF PUPILS RESIDING IN  
2 THE DISTRICT WHO ARE ENROLLED AND COUNTED IN MEMBERSHIP IN EITHER  
3 THAT DISTRICT OR 1 OR MORE OTHER DISTRICTS, THE TOTAL AMOUNT OF  
4 MONEY ALLOCATED TO THAT DISTRICT UNDER SECTIONS 22A, 22B, AND 51C,  
5 AS CALCULATED PURSUANT TO SUBSECTION (1), SHALL BE ADJUSTED SO THAT  
6 THE DISTRICT RECEIVES A TOTAL ALLOCATION UNDER SECTIONS 22A, 22B,  
7 AND 51C EQUAL TO THE AMOUNT THE DISTRICT WOULD RECEIVE UNDER  
8 SECTIONS 22A, 22B, AND 51C IF EXACTLY 90% OF THE PUPILS RESIDING IN  
9 THE DISTRICT WHO ARE ENROLLED AND COUNTED IN EITHER THAT DISTRICT  
10 OR 1 OR MORE OTHER DISTRICTS WERE ENROLLED AND COUNTED IN  
11 MEMBERSHIP IN THAT DISTRICT.

12 (3) FOR THE 2005-2006 STATE FISCAL YEAR, THE GROSS  
13 APPROPRIATION FOR OPERATIONS FOR ALL COMMUNITY COLLEGES SHALL NOT  
14 BE LESS THAN THE GROSS APPROPRIATION FOR OPERATIONS FOR ALL  
15 COMMUNITY COLLEGES FOR THE 2002-2003 STATE FISCAL YEAR, AS PROVIDED  
16 BY 2002 PA 161 AND 2003 PA 146, ADJUSTED BY THE PERCENTAGE INCREASE  
17 IN THE GENERAL PRICE LEVEL FROM THE 2002 CALENDAR YEAR TO THE 2005  
18 CALENDAR YEAR. FOR EACH STATE FISCAL YEAR AFTER THE 2005-2006  
19 STATE FISCAL YEAR, THE GROSS APPROPRIATION FOR OPERATIONS FOR ALL  
20 COMMUNITY COLLEGES SHALL BE INCREASED FROM THE GROSS APPROPRIATION  
21 FOR OPERATIONS FOR ALL COMMUNITY COLLEGES FOR THE IMMEDIATELY  
22 PRECEDING STATE FISCAL YEAR BY AN AMOUNT AT LEAST EQUAL TO THE  
23 LESSER OF 5% OR THE PERCENTAGE INCREASE IN THE GENERAL PRICE LEVEL  
24 FOR THE CALENDAR YEAR ENDING IN THE IMMEDIATELY PRECEDING STATE  
25 FISCAL YEAR.

26 (4) IN THE 2005-2006 STATE FISCAL YEAR, THE SUM OF THE GROSS  
27 APPROPRIATIONS FOR EACH PUBLIC UNIVERSITY SHALL NOT BE LESS THAN



1 THE SUM OF THE GROSS APPROPRIATIONS FOR EACH PUBLIC UNIVERSITY FOR  
2 THE 2002-2003 STATE FISCAL YEAR, AS PROVIDED BY 2002 PA 144 AND  
3 2003 PA 144, ADJUSTED BY THE PERCENTAGE INCREASE IN THE GENERAL  
4 PRICE LEVEL FROM THE 2002 CALENDAR YEAR TO THE 2005 CALENDAR YEAR.  
5 FOR EACH STATE FISCAL YEAR AFTER THE 2005-2006 STATE FISCAL YEAR,  
6 THE SUM OF THE GROSS APPROPRIATIONS FOR EACH PUBLIC UNIVERSITY  
7 SHALL BE INCREASED FROM THE SUM OF THE GROSS APPROPRIATIONS FOR  
8 EACH PUBLIC UNIVERSITY FOR THE IMMEDIATELY PRECEDING STATE FISCAL  
9 YEAR BY AN AMOUNT AT LEAST EQUAL TO THE LESSER OF 5% OR THE  
10 PERCENTAGE INCREASE IN THE GENERAL PRICE LEVEL FOR THE CALENDAR  
11 YEAR ENDING IN THE IMMEDIATELY PRECEDING STATE FISCAL YEAR. FOR THE  
12 PURPOSES OF THIS SUBSECTION, THE GROSS APPROPRIATION FOR MICHIGAN  
13 STATE UNIVERSITY INCLUDES APPROPRIATIONS FOR THE AGRICULTURAL  
14 EXPERIMENT STATION AND COOPERATIVE EXTENSION SERVICE AT MICHIGAN  
15 STATE UNIVERSITY.

16 (5) AS USED IN THIS SECTION:

17 (A) "COMMUNITY COLLEGE" MEANS A COMMUNITY COLLEGE ORGANIZED  
18 UNDER THE COMMUNITY COLLEGE ACT OF 1966, 1966 PA 331, MCL 389.1 TO  
19 389.195, OR ESTABLISHED UNDER PART 25 OF THE REVISED SCHOOL CODE,  
20 MCL 380.1601 TO 380.1607.

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

24 (C) "PUBLIC UNIVERSITY" MEANS A STATE UNIVERSITY DESCRIBED IN  
25 SECTION 4, 5, OR 6 OF ARTICLE VIII OF THE STATE CONSTITUTION OF  
26 1963.

27 SEC. 147A. (1) OF ALL OF THE TOTAL PERCENTAGE POINTS

1 DETERMINED AND ASSIGNED TO REPORTING UNITS PURSUANT TO THE PUBLIC  
2 SCHOOL EMPLOYEES RETIREMENT ACT OF 1979, 1980 PA 300, MCL 38.1301  
3 TO 38.1408, AND ALLOCATED TO REPORTING UNITS UNDER SECTION 147 OR  
4 OTHERWISE OFFICIALLY COMMUNICATED TO REPORTING UNITS, EACH  
5 REPORTING UNIT IS RESPONSIBLE FOR PAYING FROM ITS GENERAL OPERATING  
6 FUNDS 80% OF THE TOTAL PERCENTAGE POINTS OR 12.99%, WHICHEVER IS  
7 LESS. EACH REPORTING UNIT SHALL PAY THE REMAINING BALANCE OF THE  
8 TOTAL PERCENTAGE POINTS TO THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT  
9 SYSTEM FROM FUNDS APPROPRIATED TO THE REPORTING UNITS FOR THIS  
10 PURPOSE UNDER SUBSECTION (2).

11 (2) FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2006, IN ADDITION  
12 TO THE GENERAL FUND MONEY APPROPRIATED UNDER SECTION 11, THERE IS  
13 APPROPRIATED FROM THE GENERAL FUND TO THE REPORTING UNITS THE SUM  
14 NECESSARY FOR PAYING THE REMAINING BALANCE OF THE TOTAL PERCENTAGE  
15 POINTS TO BE PAID BY THE REPORTING UNITS AS DESCRIBED IN SUBSECTION  
16 (1).

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

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