

# SENATE BILL No. 595

June 19, 2003, Introduced by Senators SWITALSKI, EMERSON, JACOBS, CLARK-COLEMAN, BASHAM, PRUSI, BARCIA, LELAND, SCOTT, BERNERO, CHERRY, THOMAS, OLSHOVE, CLARKE, SCHAUER and BRATER 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 1997 PA 142 and section 11 as amended by 2002 PA 521, and by adding sections 11a and 11b.

**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 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

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1 board of education, and certain other boards and officials; **to**  
2 **create certain funds and provide for their expenditure;** to  
3 prescribe penalties; and to repeal acts and parts of acts.

4       Sec. 11. (1) ~~For the fiscal year ending September 30,~~  
5 ~~2002, there is appropriated for the public schools of this state~~  
6 ~~and certain other state purposes relating to education the sum of~~  
7 ~~\$10,990,148,200.00 from the state school aid fund established by~~  
8 ~~section 11 of article IX of the state constitution of 1963 and~~  
9 ~~the sum of \$198,413,500.00 from the general fund.~~ For the fiscal  
10 year ending September 30, 2003, there is appropriated for the  
11 public schools of this state and certain other state purposes  
12 relating to education the sum of \$11,259,441,400.00 from the  
13 state school aid fund established by section 11 of article IX of  
14 the state constitution of 1963, the sum of \$198,413,500.00 from  
15 the general fund, and the sum of \$700,000.00 from local  
16 revenues. ~~However, if legislation authorizing the transfer of~~  
17 ~~\$79,500,000.00 from the Michigan employment security act~~  
18 ~~contingent fund, penalties and interest subaccount, is not~~  
19 ~~enacted and in effect on or before October 1, 2002, there is~~  
20 ~~instead appropriated from the general fund for 2002-2003 the sum~~  
21 ~~of \$122,656,500.00.~~ For the fiscal year ending September 30,  
22 2004, there is appropriated for the public schools of this state  
23 and certain other state purposes relating to education the sum of  
24 \$11,246,667,400.00 from the state school aid fund established by  
25 section 11 of article IX of the state constitution of 1963 and  
26 the sum of \$198,413,500.00 from the general fund. In addition,  
27 available federal funds are appropriated for each of those fiscal

1 years.

2 (2) The appropriations under this section shall be allocated  
3 as provided in this act. Money appropriated under this section  
4 from the general fund and from available federal funds shall be  
5 expended to fund the purposes of this act before the expenditure  
6 of money appropriated under this section from the state school  
7 aid fund. If the maximum amount appropriated under this section  
8 from the state school aid fund for a fiscal year exceeds the  
9 amount necessary to fully fund allocations under this act from  
10 the state school aid fund, that excess amount shall not be  
11 expended in that state fiscal year and shall not lapse to the  
12 general fund, but instead shall remain in the state school aid  
13 fund.

14 (3) If the maximum amount appropriated under this section and  
15 section 11f from the state school aid fund **and the school aid**  
16 **rainy day fund** for a fiscal year exceeds the amount available for  
17 expenditure from the state school aid fund for that fiscal year,  
18 payments under sections 11f, 11g, 22a, 31d, 51a(2), and 51c shall  
19 be made in full. In addition, for districts beginning operations  
20 after 1994-95 that qualify for payments under section 22b,  
21 payments under section 22b shall be made so that the qualifying  
22 districts receive an amount equal to the 1994-95 foundation  
23 allowance of the district in which the district beginning  
24 operations after 1994-95 is located. The amount of the payment  
25 to be made under section 22b for these qualifying districts shall  
26 be as calculated under section 22a, with the balance of the  
27 payment under section 22b being subject to the proration

1 otherwise provided under this subsection. State payments under  
2 each of the other sections of this act from all state funding  
3 sources shall be prorated on an equal percentage basis as  
4 necessary to reflect the amount available for expenditure from  
5 the state school aid fund for that fiscal year. However, if the  
6 department of treasury determines that proration will be required  
7 under this subsection, the department of treasury shall notify  
8 the state budget director, and the state budget director shall  
9 notify the legislature at least 30 calendar days or 6 legislative  
10 session days, whichever is more, before the department reduces  
11 any payments under this act because of the proration. During the  
12 30 calendar day or 6 legislative session day period after that  
13 notification by the state budget director, the department shall  
14 not reduce any payments under this act because of proration under  
15 this subsection. The legislature may prevent proration from  
16 occurring by, within the 30 calendar day or 6 legislative session  
17 day period after that notification by the state budget director,  
18 enacting legislation appropriating additional funds from the  
19 general fund, countercyclical budget and economic stabilization  
20 fund, state school aid fund balance, or another source to fund  
21 the amount of the projected shortfall.

22 (4) Except for the allocation under section 26a, any general  
23 fund allocations under this act that are not expended by the end  
24 of the state fiscal year are transferred to the state school aid  
25 fund.

26 **Sec. 11a. (1) The school aid rainy day fund is created as a**  
27 **separate account within the state school aid fund established by**

1 section 11 of article IX of the state constitution of 1963.

2 (2) The state treasurer may receive money or other assets  
3 from any source for deposit into the school aid rainy day fund.  
4 The state treasurer shall deposit into the school aid rainy day  
5 fund all of the following:

6 (a) Unexpended and unencumbered state school aid fund revenue  
7 for a fiscal year that remains in the state school aid fund as of  
8 the bookclosing for that fiscal year.

9 (b) Money statutorily dedicated to the school aid rainy day  
10 fund.

11 (c) Money appropriated to the school aid rainy day fund.

12 (3) Money available in the school aid rainy day fund may not  
13 be expended without a specific appropriation from the school aid  
14 rainy day fund. Money in the school aid rainy day fund shall be  
15 expended only for purposes for which state school aid fund money  
16 may be expended.

17 (4) The state treasurer shall direct the investment of the  
18 school aid rainy day fund. The state treasurer shall credit to  
19 the school aid rainy day fund interest and earnings from fund  
20 investments.

21 (5) Money in the school aid rainy day fund at the close of a  
22 fiscal year shall remain in the school aid rainy day fund and  
23 shall not lapse to the unreserved school aid fund balance or the  
24 general fund.

25 (6) If the maximum amount appropriated under section 11 and  
26 section 11f from the state school aid fund for a fiscal year  
27 exceeds the amount available for expenditure from the state

1 school aid fund for that fiscal year, there is appropriated from  
2 the school aid rainy day fund to the school aid fund an amount  
3 equal to the projected shortfall as determined by the department  
4 of treasury, but not to exceed available money in the school aid  
5 rainy day fund. If the money in the school aid rainy day fund is  
6 insufficient to fully fund an amount equal to the projected  
7 shortfall, the state budget director shall notify the legislature  
8 as required under section 11(3) and state payments in an amount  
9 equal to the remainder of the projected shortfall shall be  
10 prorated in the manner provided under section 11(3).

11       Sec. 11b. For the fiscal year ending September 30, 2003, the  
12 sum of \$98,400,000.00 is appropriated from the general fund to  
13 the school aid rainy day fund created in section 11a. This  
14 appropriation shall be used to augment funding under this act in  
15 a fiscal year in which the amount available for expenditure from  
16 the state school aid fund is not sufficient to fully fund  
17 allocations under this act.