

# SENATE BILL No. 1194

May 13, 2004, Introduced by Senator JOHNSON and referred to the Committee on Appropriations.

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 2003 PA 236 and section 17b as amended by 2000 PA 297.

**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  
5 aid fund established by section 11 of article IX of the state  
6 constitution of 1963 and the sum of \$327,700,000.00 from the  
7 general fund. ~~For the fiscal year ending September 30, 2003,~~  
8 ~~from loan repayments deposited to the general fund pursuant to~~  
9 ~~section 4 of 1961 PA 112, MCL 388.984, on the settlement date, as~~

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~~1 determined under section 9c of 1961 PA 108, MCL 388.959c, there~~  
~~2 is appropriated from the general fund to the state school aid~~  
~~3 fund the amount determined by the state treasurer to equal the~~  
~~4 difference between the outstanding amount of general obligation~~  
~~5 debt incurred pursuant to 1961 PA 112, MCL 388.981 to 388.985,~~  
~~6 and the outstanding amount of loans under 1961 PA 108, MCL~~  
~~7 388.951 to 388.963, as reduced in accordance with section 9c(1)~~  
~~8 of 1961 PA 108, MCL 388.959c. In addition, for the fiscal year~~  
~~9 ending September 30, 2003, there is appropriated from the general~~  
~~10 fund to the state school aid fund an amount equal to the amount~~  
~~11 of all school bond loan fund repayments received by the state~~  
~~12 treasurer from June 1, 2003 through December 21, 2003, determined~~  
~~13 by the state treasurer not to have been paid from proceeds of~~  
~~14 bonds of the school district and representing the difference~~  
~~15 between the outstanding amount of general obligation debt~~  
~~16 incurred by this state under 1961 PA 112, MCL 388.981 to 388.985,~~  
~~17 and the outstanding amount of loans under 1961 PA 108, MCL~~  
~~18 388.951 to 388.963, at the time of repayment. Funds appropriated~~  
~~19 to the state school aid fund from the general fund from loan~~  
~~20 repayments received as described in this subsection shall be~~  
~~21 expended within 90 days of deposit within the state school aid~~  
~~22 fund. For the fiscal year ending September 30, 2005, there is~~  
~~23 appropriated for the public schools of this state and certain~~  
~~24 other state purposes relating to education the sum of~~  
~~25 \$ \_\_\_\_\_ from the state school aid fund established~~  
~~26 by section 11 of article IX of the state constitution of 1963 and~~  
~~27 the sum of \$ \_\_\_\_\_ from the general fund. In~~

1 addition, available federal funds are appropriated for each of  
2 those fiscal years.

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

15 (3) If the maximum amount appropriated under this section  
16 from the state school aid fund and the school aid stabilization  
17 fund for a fiscal year exceeds the amount available for  
18 expenditure from the state school aid fund for that fiscal year,  
19 payments under sections 11f, 11g, 22a, 31d, 51a(2), and 51c shall  
20 be made in full. In addition, for districts beginning operations  
21 after 1994-95 that qualify for payments under section 22b,  
22 payments under section 22b shall be made so that the qualifying  
23 districts receive the lesser of an amount equal to the 1994-95  
24 foundation allowance of the district in which the district  
25 beginning operations after 1994-95 is located or \$5,500.00. The  
26 amount of the payment to be made under section 22b for these  
27 qualifying districts shall be as calculated under section 22a,

1 with the balance of the payment under section 22b being subject  
2 to the proration otherwise provided under this subsection and  
3 subsection (4). For any proration necessary after 2002-2003,  
4 state payments under each of the other sections of this act from  
5 all state funding sources shall be prorated in the manner  
6 prescribed in subsection (4) as necessary to reflect the amount  
7 available for expenditure from the state school aid fund for the  
8 affected fiscal year. However, if the department of treasury  
9 determines that proration will be required under this subsection,  
10 the department of treasury shall notify the state budget  
11 director, and the state budget director shall notify the  
12 legislature at least 30 calendar days or 6 legislative session  
13 days, whichever is more, before the department reduces any  
14 payments under this act because of the proration. During the 30  
15 calendar day or 6 legislative session day period after that  
16 notification by the state budget director, the department shall  
17 not reduce any payments under this act because of proration under  
18 this subsection. The legislature may prevent proration from  
19 occurring by, within the 30 calendar day or 6 legislative session  
20 day period after that notification by the state budget director,  
21 enacting legislation appropriating additional funds from the  
22 general fund, countercyclical budget and economic stabilization  
23 fund, state school aid fund balance, or another source to fund  
24 the amount of the projected shortfall.

25 (4) For any proration necessary after 2002-2003, the  
26 department shall calculate the proration in district and  
27 intermediate district payments that is required under subsection

1 (3) as follows:

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

5 (i) Districts.

6 (ii) Intermediate districts.

7 (iii) Entities other than districts or intermediate  
8 districts.

9 (b) The department shall recover a percentage of the  
10 proration amount required under subsection (3) that is equal to  
11 the percentage calculated under subdivision (a) (i) for districts  
12 by reducing payments to districts. This reduction shall be made  
13 by calculating an equal dollar amount per pupil as necessary to  
14 recover this percentage of the proration amount and reducing each  
15 district's total state school aid from state sources, other than  
16 payments under sections 11f, 11g, 22a, 31d, 51a(2), 51a(12), 51c,  
17 53a, and 56, by that amount.

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

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

1 the percentage calculated under subdivision (a) (iii) for entities  
2 other than districts and intermediate districts by reducing  
3 payments to these entities. This reduction shall be made by  
4 reducing the payments to each of these entities on an equal  
5 percentage basis.

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

10 Sec. 17b. (1) Not later than October 20, November 20,  
11 December 20, January 20, February 20, March 20, April 20, May 20,  
12 June 20, July 20, and August 20, the department shall prepare a  
13 statement of the amount to be distributed under this act in the  
14 installment to the districts and intermediate districts and  
15 deliver the statement to the state treasurer, and the state  
16 treasurer shall pay the installments on each of those dates or,  
17 if the date is not a business day, on the immediately preceding  
18 business day before that date. Except as otherwise provided in  
19 this act, the portion of the district's or intermediate  
20 district's state fiscal year entitlement to be included in each  
21 installment shall be 1/11. A district or intermediate district  
22 shall accrue the payments received in July and August to the  
23 school fiscal year ending the immediately preceding June 30.

24 (2) The state treasurer shall make payment under this section  
25 by drawing a warrant in favor of the treasurer of each district  
26 or intermediate district for the amount payable to the district  
27 or intermediate district according to the statement and

1 delivering the warrant to the treasurer of each district or  
2 intermediate district, or if the state treasurer receives a  
3 written request by the treasurer of the district or intermediate  
4 district specifying an account, by electronic funds transfer to  
5 that account of the amount payable to the district or  
6 intermediate district according to the statement. The department  
7 may make adjustments in payments made under this section through  
8 additional payments when changes in law or errors in computation  
9 cause the regularly scheduled payment to be less than the amount  
10 to which the district or intermediate district is entitled  
11 pursuant to this act.

12 (3) Except as otherwise ~~specified~~ **provided** in this act,  
13 grant payments under this act shall be paid according to  
14 subsection (1).

15 (4) Upon the written request of a district or intermediate  
16 district and the submission of proof satisfactory to the  
17 department of a need of a temporary and nonrecurring nature, the  
18 superintendent, with the written concurrence of the state  
19 treasurer and the state budget director, may authorize an advance  
20 release of funds due a district or intermediate district under  
21 this act. ~~Such an~~ **An advance authorized under this subsection**  
22 shall not cause funds to be paid to a district or intermediate  
23 district more than 30 days earlier than the established payment  
24 date for those funds.