

# HOUSE BILL No. 4305

February 15, 2005, Introduced by Rep. Hummel 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 2004 PA 518.

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

1           Sec. 11. (1) ~~In addition to all other appropriations under~~  
 2 ~~this act for that fiscal year, for the fiscal year ending September~~  
 3 ~~30, 2004, there is appropriated to the state school aid fund from~~  
 4 ~~the unreserved balance in the general fund an amount equal to any~~  
 5 ~~deficit balance that would otherwise exist in the state school aid~~  
 6 ~~fund at bookclosing for the fiscal year ending September 30, 2004.~~  
 7 For the fiscal year ending September 30, ~~2005~~ **2006**, there is  
 8 appropriated for the public schools of this state and certain other  
 9 state purposes relating to education the sum of \$~~10,909,200,000.00~~  
 10 \$\_\_\_\_\_.00 from the state school aid fund established by  
 11 section 11 of article IX of the state constitution of 1963 and the

1 sum of ~~\$264,700,000.00~~ \$\_\_\_\_\_ .00 from the general fund. In  
2 addition, available federal funds are appropriated for each of  
3 those fiscal years.

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

15 (3) If the maximum amount appropriated under this section from  
16 the state school aid fund and the school aid stabilization fund for  
17 a fiscal year exceeds the amount available for expenditure from the  
18 state school aid fund for that fiscal year, payments under sections  
19 11f, 11g, 11j, 22a, 26a, 31d, 51a(2), 51a(12), 51c, 53a, and 56  
20 shall be made in full. In addition, for districts beginning  
21 operations after 1994-95 that qualify for payments under section  
22 22b, payments under section 22b shall be made so that the  
23 qualifying districts receive the lesser of an amount equal to the  
24 1994-95 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, with

1 the balance of the payment under section 22b being subject to the  
2 proration otherwise provided under this subsection and subsection  
3 (4). Subject to subsection (5), if proration is necessary after  
4 2002-2003, state payments under each of the other sections of this  
5 act from 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 or if the department of treasury determines that further proration  
11 is required under this subsection after an initial proration has  
12 already been made for a fiscal year, the department of treasury  
13 shall notify the state budget director, and the state budget  
14 director shall notify the legislature at least 30 calendar days or  
15 6 legislative session days, whichever is more, before the  
16 department reduces any payments under this act because of the  
17 proration. During the 30 calendar day or 6 legislative session day  
18 period after that notification by the state budget director, the  
19 department shall not reduce any payments under this act because of  
20 proration under this subsection. The legislature may prevent  
21 proration from occurring by, within the 30 calendar day or 6  
22 legislative session day period after that notification by the state  
23 budget director, enacting legislation appropriating additional  
24 funds from the general fund, countercyclical budget and economic  
25 stabilization fund, state school aid fund balance, or another  
26 source to fund the amount of the projected shortfall.

27 (4) Subject to subsection (5), if proration is necessary, the

1 department shall calculate the proration in district and  
2 intermediate district payments that is required under subsection  
3 (3) as follows:

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

7 (i) Districts.

8 (ii) Intermediate districts.

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

10 (b) The department shall recover a percentage of the proration  
11 amount required under subsection (3) that is equal to the  
12 percentage calculated under subdivision (a)(i) for districts by  
13 reducing payments to districts. This reduction shall be made by  
14 calculating an equal dollar amount per pupil as necessary to  
15 recover this percentage of the proration amount and reducing each  
16 district's total state school aid from state sources, other than  
17 payments under sections 11f, 11g, 11j, 22a, 26a, 31d, 51a(2),  
18 51a(12), 51c, and 53a, by that amount.

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

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

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

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