

SENATE BILL No. 773

September 12, 2007, Introduced by Senator JELINEK 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 8b, 11, 11j, 17b, 39a, and 147 (MCL 388.1608b,
388.1611, 388.1611j, 388.1617b, 388.1639a, and 388.1747), section
8b as amended by 2003 PA 158, sections 11, 11j, 17b, and 147 as
amended by 2007 PA 6, and section 39a as amended by 2006 PA 342;
and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 8b. (1) The department shall assign a district code to
2 each public school academy that is authorized under the revised
3 school code and is eligible to receive funding under this act
4 within 30 days after a contract is submitted to the department by
5 the authorizing body of a public school academy.

1 (2) If the department does not assign a district code to a
2 public school academy within the 30-day period described in
3 subsection (1), the district code the department shall use to make
4 payments under this act to the newly authorized public school
5 academy shall be a number that is equivalent to the sum of the last
6 district code assigned to a public school academy located in the
7 same county as the newly authorized public school academy plus 1.
8 However, if there is not an existing public school academy located
9 in the same county as the newly authorized public school academy,
10 then the district code the department shall use to make payments
11 under this act to the newly authorized public school academy shall
12 be a 5-digit number that has the county code in which the public
13 school academy is located as its first 2 digits, 9 as its third
14 digit, 0 as its fourth digit, and 1 as its fifth digit. **IF THE**
15 **NUMBER OF PUBLIC SCHOOL ACADEMIES IN A COUNTY GROWS TO EXCEED 100,**
16 **THE THIRD DIGIT IN THIS 5-DIGIT NUMBER SHALL THEN BE 8 FOR THE**
17 **PUBLIC SCHOOL ACADEMIES IN EXCESS OF 100.**

18 Sec. 11. (1) ~~For the fiscal year ending September 30, 2007,~~
19 ~~there is appropriated for the public schools of this state and~~
20 ~~certain other state purposes relating to education the sum of~~
21 ~~\$11,299,963,200.00 from the state school aid fund established by~~
22 ~~section 11 of article IX of the state constitution of 1963 and the~~
23 ~~sum of \$35,000,000.00 from the general fund. **FOR THE FISCAL PERIOD**~~
24 **BEGINNING OCTOBER 1, 2007 AND ENDING DECEMBER 31, 2007, THERE IS**
25 **APPROPRIATED FOR THE PUBLIC SCHOOLS OF THIS STATE AND CERTAIN OTHER**
26 **STATE PURPOSES RELATING TO EDUCATION THE SUM OF \$3,143,189,400.00**
27 **FROM THE STATE SCHOOL AID FUND ESTABLISHED BY SECTION 11 OF ARTICLE**

1 IX OF THE STATE CONSTITUTION OF 1963 AND THE SUM OF \$9,544,500.00
2 FROM THE GENERAL FUND. In addition, available federal funds are
3 appropriated for the fiscal year ENDING SEPTEMBER 30, 2008. FUNDS
4 APPROPRIATED UNDER THIS SECTION ARE ALLOCATED AS FOLLOWS:

5 (A) EXCEPT FOR FUNDS ALLOCATED UNDER SECTION 11J AND FUNDS
6 THAT WERE ALLOCATED UNDER FORMER SECTION 54B, ALL STATE FUNDS ARE
7 ALLOCATED FOR THE SAME PURPOSES, FROM THE SAME FUNDING SOURCES, AND
8 UNDER THE SAME CONDITIONS AS STATE FUNDS WERE ALLOCATED UNDER THIS
9 ACT FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2007, AND ARE
10 ALLOCATED IN AN AMOUNT EQUAL TO 27.27% OF THE AMOUNT ALLOCATED FOR
11 THE FISCAL YEAR ENDING SEPTEMBER 30, 2007 FOR EACH OF THE PURPOSES
12 PROVIDED UNDER EACH FUNDING SECTION OF THIS ACT.

13 (B) EXCEPT FOR FUNDS ALLOCATED UNDER SECTION 39A AND FUNDS
14 THAT WERE ALLOCATED UNDER FORMER SECTIONS 41A AND 98B, ALL FEDERAL
15 FUNDS ARE ALLOCATED FOR THE SAME PURPOSES, FROM THE SAME FUNDING
16 SOURCES, UNDER THE SAME CONDITIONS, AND IN THE SAME AMOUNTS AS
17 THOSE FEDERAL FUNDS WERE ALLOCATED UNDER THIS ACT FOR THE FISCAL
18 YEAR ENDING SEPTEMBER 30, 2007.

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

1 general fund, but instead shall be deposited into the school aid
2 stabilization fund created in section 11a.

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

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

14 (4) If proration is necessary, the department shall calculate
15 the proration in district and intermediate district payments that
16 is required under subsection (3) as follows:

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

20 (i) Districts.

21 (ii) Intermediate districts.

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

23 (b) The department shall recover a percentage of the proration
24 amount required under subsection (3) that is equal to the
25 percentage calculated under subdivision (a) (i) for districts by
26 reducing payments to districts. This reduction shall be made by
27 calculating an equal dollar amount per pupil as necessary to

1 recover this percentage of the proration amount and reducing each
2 district's total state school aid from state sources, other than
3 payments under sections 11f, 11g, 11j, 22a, 26a, 26b, 31d, 31f,
4 51a(2), 51a(12), 51c, and 53a, by that amount.

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

13 (d) The department shall recover a percentage of the proration
14 amount required under subsection (3) that is equal to the
15 percentage calculated under subdivision (a)(iii) for entities other
16 than districts and intermediate districts by reducing payments to
17 these entities. This reduction shall be made by reducing the
18 payments to each of these entities, other than payments under
19 sections 11j, 26a, and 26b, on an equal percentage basis.

20 (5) Except for the allocation under section 26a, any general
21 fund allocations under this act that are not expended by the end of
22 the state fiscal year are transferred to the school aid
23 stabilization fund created under section 11a.

24 ~~— (6) In addition to the appropriations in subsection (1), for~~
25 ~~the fiscal year ending September 30, 2007, there is appropriated~~
26 ~~from the reserve for undistributed investment income in the~~
27 ~~Michigan public school employees' retirement system an amount not~~

1 ~~to exceed \$262,000,000.00 solely for the purpose of issuing credits~~
2 ~~pursuant to section 147.~~

3 Sec. 11j. ~~From the appropriation in section 11, there is~~
4 ~~allocated~~ **FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2008, THERE IS**
5 **APPROPRIATED FROM THE STATE SCHOOL AID FUND** an amount not to exceed
6 ~~\$42,500,000.00 for 2006-2007~~ **\$1,900,000.00** for payments to the
7 school loan bond redemption fund in the department of treasury on
8 behalf of districts and intermediate districts. Notwithstanding
9 section 11 or any other provision of this act, funds allocated
10 under this section are not subject to proration and shall be paid
11 in full.

12 Sec. 17b. (1) Not later than October 20, November 20, December
13 20, January 20, February 20, March 20, April 20, May 20, June 20,
14 July 20, and August 20, the department shall prepare electronic
15 files of the amount to be distributed under this act in the
16 installment to the districts and intermediate districts and deliver
17 the electronic files to the state treasurer, and the state
18 treasurer shall pay the installments on each of those dates or, if
19 the date is not a business day, on the next business day following
20 that date. Except as otherwise provided in this act, the portion of
21 the district's or intermediate district's state fiscal year
22 entitlement to be included in each installment shall be 1/11. **FOR**
23 **THE FISCAL PERIOD BEGINNING OCTOBER 1, 2007 AND ENDING DECEMBER 31,**
24 **2007 ONLY, THE PORTION OF THE DISTRICT'S OR INTERMEDIATE DISTRICT'S**
25 **ENTITLEMENT FOR THAT FISCAL PERIOD TO BE INCLUDED IN EACH**
26 **INSTALLMENT SHALL BE 1/3.** A district or intermediate district shall
27 accrue the payments received in July and August to the school

1 fiscal year ending the immediately preceding June 30.

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

16 (3) Except as otherwise provided in this act, grant payments
17 to districts and intermediate districts under this act shall be
18 paid according to **THE INSTALLMENT SCHEDULE UNDER** subsection (1).
19 **FOR THE FISCAL PERIOD BEGINNING OCTOBER 1, 2007 AND ENDING DECEMBER**
20 **31, 2007 ONLY, FOR ALL GRANT PAYMENTS THAT ARE TO BE MADE PURSUANT**
21 **TO AN AGREEMENT WITH THE DEPARTMENT, THE DEPARTMENT SHALL ENSURE**
22 **THAT THE GRANT PAYMENTS MADE DURING THIS FISCAL PERIOD REFLECT THE**
23 **REDUCED APPROPRIATION AMOUNT FOR THIS FISCAL PERIOD IN A WAY THAT**
24 **IS APPROPRIATE FOR THE PROGRAM FUNDED BY THE GRANT.**

25 (4) Upon the written request of a district or intermediate
26 district and the submission of proof satisfactory to the department
27 of a need of a temporary and nonrecurring nature, the

1 superintendent, with the written concurrence of the state treasurer
2 and the state budget director, may authorize an advance release of
3 funds due a district or intermediate district under this act. An
4 advance authorized under this subsection shall not cause funds to
5 be paid to a district or intermediate district more than 30 days
6 earlier than the established payment date for those funds.

7 Sec. 39a. (1) From the federal funds appropriated in section
8 11, there is allocated for ~~2006-2007~~**2007-2008** to districts,
9 intermediate districts, and other eligible entities all available
10 federal funding, estimated at ~~\$636,978,000.00~~**\$669,660,100.00**, for
11 the federal programs under the no child left behind act of 2001,
12 Public Law 107-110. These funds are allocated as follows:

13 (a) An amount estimated at \$9,625,800.00 to provide students
14 with drug- and violence-prevention programs and to implement
15 strategies to improve school safety, funded from DED-OESE, drug-
16 free schools and communities funds.

17 (b) An amount estimated at ~~\$6,140,900.00~~**\$6,405,500.00** for the
18 purpose of improving teaching and learning through a more effective
19 use of technology, funded from DED-OESE, educational technology
20 state grant funds.

21 (c) An amount estimated at \$106,249,200.00 for the purpose of
22 preparing, training, and recruiting high-quality teachers and class
23 size reduction, funded from DED-OESE, improving teacher quality
24 funds.

25 (d) An amount estimated at ~~\$7,627,400.00~~**\$9,854,300.00** for
26 programs to teach English to limited English proficient (LEP)
27 children, funded from DED-OESE, language acquisition state grant

1 funds.

2 (e) An amount estimated at \$8,550,000.00 for the Michigan
3 charter school subgrant program, funded from DED-OESE, charter
4 school funds.

5 ~~—— (f) An amount estimated at \$58,000.00 for Michigan model~~
6 ~~partnership for character education programs, funded from DED-OESE,~~
7 ~~title X, fund for improvement of education funds.~~

8 (F) ~~(g)~~ An amount estimated at ~~\$468,700.00~~ **\$676,000.00** for
9 rural and low income schools, funded from DED-OESE, rural and low
10 income school funds.

11 (G) ~~(h)~~ An amount estimated at \$3,115,900.00 to help schools
12 develop and implement comprehensive school reform programs, funded
13 from DED-OESE, title I and title X, comprehensive school reform
14 funds.

15 (H) ~~(i)~~ An amount estimated at ~~\$428,860,300.00~~ **\$456,971,500.00**
16 to provide supplemental programs to enable educationally
17 disadvantaged children to meet challenging academic standards,
18 funded from DED-OESE, title I, disadvantaged children funds.

19 (I) ~~(j)~~ An amount estimated at ~~\$3,022,700.00~~ **\$2,531,700.00** for
20 the purpose of providing unified family literacy programs, funded
21 from DED-OESE, title I, even start funds.

22 (J) ~~(k)~~ An amount estimated at \$8,186,200.00 for the purpose
23 of identifying and serving migrant children, funded from DED-OESE,
24 title I, migrant education funds.

25 (K) ~~(l)~~ An amount estimated at ~~\$22,928,000.00~~ **\$24,733,200.00** to
26 promote high-quality school reading instruction for grades K-3,
27 funded from DED-OESE, title I, reading first state grant funds.

1 *(l)* ~~*(m)*~~ An amount estimated at ~~\$2,848,900.00~~ **\$2,849,000.00** for
2 the purpose of implementing innovative strategies for improving
3 student achievement, funded from DED-OESE, title VI, innovative
4 strategies funds.

5 *(M)* ~~*(n)*~~ An amount estimated at ~~\$29,296,000.00~~ **\$29,911,800.00**
6 for the purpose of providing high-quality extended learning
7 opportunities, after school and during the summer, for children in
8 low-performing schools, funded from DED-OESE, twenty-first century
9 community learning center funds. Of these funds, ~~\$25,000.00~~
10 **\$50,000.00** may be used to support the Michigan after-school
11 partnership. All of the following apply to the Michigan after-
12 school partnership:

13 *(i)* The department shall collaborate with the department of
14 human services to extend the duration of the Michigan after-school
15 initiative, to be renamed the Michigan after-school partnership and
16 oversee its efforts to implement the policy recommendations and
17 strategic next steps identified in the Michigan after-school
18 initiative's report of December 15, 2003.

19 *(ii)* Funds shall be used to leverage other private and public
20 funding to engage the public and private sectors in building and
21 sustaining high-quality out-of-school-time programs and resources.
22 The co-chairs, representing the department and the department of
23 human services, shall name a fiduciary agent and may authorize the
24 fiduciary to expend funds and hire people to accomplish the work of
25 the Michigan after-school partnership.

26 *(iii)* Participation in the Michigan after-school partnership
27 shall be expanded beyond the membership of the initial Michigan

1 after-school initiative to increase the representation of parents,
2 youth, foundations, employers, and others with experience in
3 education, child care, after-school and youth development services,
4 and crime and violence prevention, and to include representation
5 from the Michigan department of community health. Each year, on or
6 before December 31, the Michigan after-school partnership shall
7 report its progress in reaching the recommendations set forth in
8 the Michigan after-school initiative's report to the legislature
9 and the governor.

10 (2) From the federal funds appropriated in section 11, there
11 is allocated for ~~2006-2007-2007-2008~~ to districts, intermediate
12 districts, and other eligible entities all available federal
13 funding, estimated at ~~\$4,646,400.00~~ **\$32,411,000.00**, for the
14 following programs that are funded by federal grants:

15 (a) An amount estimated at \$600,000.00 for acquired
16 immunodeficiency syndrome education grants, funded from HHS-center
17 for disease control, AIDS funding.

18 (b) An amount estimated at ~~\$1,500,100.00~~ **\$1,665,400.00** to
19 provide services to homeless children and youth, funded from DED-
20 OVAE, homeless children and youth funds.

21 (c) An amount estimated at ~~\$1,000,000.00~~ **\$200,000.00** for
22 refugee children school impact grants, funded from HHS-ACF, refugee
23 children school impact funds.

24 (d) An amount estimated at \$1,445,600.00 for serve America
25 grants, funded from the corporation for national and community
26 service funds.

27 (e) An amount estimated at ~~\$100,700.00 to encourage interstate~~

1 ~~and intrastate coordination of migrant education, funded from DED-~~
2 ~~OESE, title I, migrant education program funds \$28,500,000.00 FOR~~
3 **PROVIDING CAREER AND TECHNICAL EDUCATION SERVICES TO PUPILS, FUNDED**
4 **FROM DED-OVAE, BASIC GRANTS TO STATES.**

5 (3) To the extent allowed under federal law, the funds
6 allocated under subsection ~~(1)(i), (j), and (l)~~ **(1)(H), (I), AND (K)**
7 may be used for 1 or more reading improvement programs that meet at
8 least 1 of the following:

9 (a) A research-based, validated, structured reading program
10 that aligns learning resources to state standards and includes
11 continuous assessment of pupils and individualized education plans
12 for pupils.

13 (b) A mentoring program that is a research-based, validated
14 program or a statewide 1-to-1 mentoring program and is designed to
15 enhance the independence and life quality of pupils who are
16 mentally impaired by providing opportunities for mentoring and
17 integrated employment.

18 (c) A cognitive development program that is a research-based,
19 validated educational service program focused on assessing and
20 building essential cognitive and perceptual learning abilities to
21 strengthen pupil concentration and learning.

22 (d) A structured mentoring-tutorial reading program for pupils
23 in preschool to grade 4 that is a research-based, validated program
24 that develops individualized educational plans based on each
25 pupil's age, assessed needs, reading level, interests, and learning
26 style.

27 (4) All federal funds allocated under this section shall be

1 distributed in accordance with federal law and with flexibility
2 provisions outlined in Public Law 107-116, and in the education
3 flexibility partnership act of 1999, Public Law 106-25.
4 Notwithstanding section 17b, payments of federal funds to
5 districts, intermediate districts, and other eligible entities
6 under this section shall be paid on a schedule determined by the
7 department.

8 (5) As used in this section:

9 (a) "DED" means the United States department of education.

10 (b) "DED-OESE" means the DED office of elementary and
11 secondary education.

12 (c) "DED-OVAE" means the DED office of vocational and adult
13 education.

14 (d) "HHS" means the United States department of health and
15 human services.

16 (e) "HHS-ACF" means the HHS administration for children and
17 families.

18 Sec. 147. ~~(1)~~The allocation for ~~2006-2007~~**2007-2008** for the
19 public school employees' retirement system pursuant to the public
20 school employees retirement act of 1979, 1980 PA 300, MCL 38.1301
21 to 38.1408, shall be made using the entry age normal cost actuarial
22 method and risk assumptions adopted by the public school employees
23 retirement board and the department of management and budget. The
24 annual level percentage of payroll contribution rate is estimated
25 at ~~17.74%~~**16.72%** for the ~~2006-2007~~**2007-2008** state fiscal year. The
26 portion of the contribution rate assigned to districts and
27 intermediate districts for each fiscal year is all of the total

1 percentage points. This contribution rate reflects an amortization
2 period of 30 years for ~~2006-2007~~ **2007-2008**. The public school
3 employees' retirement system board shall notify each district and
4 intermediate district by February 28 of each fiscal year of the
5 estimated contribution rate for the next fiscal year.

6 ~~—— (2) Upon enactment of legislation reducing pension~~
7 ~~contributions of each district or intermediate district to the~~
8 ~~public school employees' retirement system that would otherwise be~~
9 ~~due from that district or intermediate district, the director of~~
10 ~~the department of management and budget shall direct the public~~
11 ~~school employees' retirement system to issue credits for the fiscal~~
12 ~~year ending September 30, 2007 not to exceed an aggregate of~~
13 ~~\$276,000,000.00. The credits shall be used to meet the required~~
14 ~~pension obligations of each district or intermediate district and~~
15 ~~shall reduce the amount of pension contributions otherwise due from~~
16 ~~that district or intermediate district based on the original~~
17 ~~contribution rate. The portion of a credit issued on behalf of a~~
18 ~~district related to nonfederal wages as reported to the public~~
19 ~~school employees' retirement system for the state fiscal year~~
20 ~~ending September 30, 2006 shall be considered to be a payment on~~
21 ~~behalf of the district for the purposes of calculating payments~~
22 ~~made under section 22b for 2006-2007. The portion of a credit~~
23 ~~issued on behalf of an intermediate district related to nonfederal~~
24 ~~wages as reported to the public school employees' retirement system~~
25 ~~for the state fiscal year ending September 30, 2006 shall be~~
26 ~~considered to be a payment on behalf of the intermediate district~~
27 ~~for the purpose of calculating payments made under section 81 for~~

1 ~~2006-2007. The portion of credits issued by the public school~~
2 ~~employees' retirement system attributable to nonfederal wages in~~
3 ~~aggregate shall equal the appropriation under section 11(6). The~~
4 ~~total credit provided under this subsection for a particular~~
5 ~~district or intermediate district shall be determined based on that~~
6 ~~district's or intermediate district's percentage of the total~~
7 ~~statewide payroll for all districts and intermediate districts for~~
8 ~~the state fiscal year ending September 30, 2006.~~

9 Enacting section 1. In accordance with section 30 of article I
10 of the state constitution of 1963, total state spending in this
11 amendatory act from state sources for the fiscal period beginning
12 October 1, 2007 and ending December 31, 2007 is estimated at
13 \$3,152,733,900.00 and state appropriations to be paid to local
14 units of government for the fiscal period beginning October 1, 2007
15 and ending December 31, 2007 are estimated at \$3,134,050,100.00.

16 Enacting section 2. Sections 41a, 54b, and 98b of the state
17 school aid act of 1979, 1979 PA 94, MCL 388.1641a, 388.1654b, and
18 388.1698b, are repealed.

19 Enacting section 3. This amendatory act takes effect October
20 1, 2007.