

**SUBSTITUTE FOR  
SENATE BILL NO. 1193**

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 2004 PA 351 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, 2005,  
2 there is appropriated for the public schools of this state and  
3 certain other state purposes relating to education the sum of  
4 \$11,008,700,000.00 from the state school aid fund established by  
5 section 11 of article IX of the state constitution of 1963 and  
6 the sum of \$165,200,000.00 from the general fund. In addition,  
7 available federal funds are appropriated for each of those fiscal  
8 years.

9       (2) The appropriations under this section shall be allocated

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

12 (3) If the maximum amount appropriated under this section  
13 from the state school aid fund and the school aid stabilization  
14 fund for a fiscal year exceeds the amount available for  
15 expenditure from the state school aid fund for that fiscal year,  
16 payments under sections 11f, 11g, 11j, 22a, 26a, 31d, 51a(2),  
17 51a(12), 51c, 53a, and 56 shall be made in full. In addition,  
18 for districts beginning operations after 1994-95 that qualify for  
19 payments under section 22b, payments under section 22b shall be  
20 made so that the qualifying districts receive the lesser of an  
21 amount equal to the 1994-95 foundation allowance of the district  
22 in which the district beginning operations after 1994-95 is  
23 located or \$5,500.00. The amount of the payment to be made under  
24 section 22b for these qualifying districts shall be as calculated  
25 under section 22a, with the balance of the payment under section  
26 22b being subject to the proration otherwise provided under this  
27 subsection and subsection (4). Subject to subsection (5), if

1 proration is necessary after 2002-2003, state payments under each  
2 of the other sections of this act from all state funding sources  
3 shall be prorated in the manner prescribed in subsection (4) as  
4 necessary to reflect the amount available for expenditure from  
5 the state school aid fund for the affected fiscal year. However,  
6 if the department of treasury determines that proration will be  
7 required under this subsection, or if the department of treasury  
8 determines that further proration is required under this  
9 subsection after an initial proration has already been made for a  
10 fiscal year, the department of treasury shall notify the state  
11 budget 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) Subject to subsection (5), if proration is necessary, 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, 11j, 22a, 26a, 31d, 51a(2),  
17 51a(12), 51c, and 53a, 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, 26a, 51a(2), 51a(12), 53a, and 56, on an equal  
25 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, other than  
5 payments under sections 11j and 26a, on an equal percentage  
6 basis.

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

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

24 Sec. 17b. (1) Not later than October 20, November 20,  
25 December 20, January 20, February 20, March 20, April 20, May 20,  
26 June 20, July 20, and August 20, the department shall prepare a  
27 statement of the amount to be distributed under this act in the

1 installment to the districts and intermediate districts and  
2 deliver the statement to the state treasurer, and the state  
3 treasurer shall pay the installments on each of those dates or,  
4 if the date is not a business day, on the immediately preceding  
5 business day before that date. Except as otherwise provided in  
6 this act, the portion of the district's or intermediate  
7 district's state fiscal year entitlement to be included in each  
8 installment shall be 1/11. A district or intermediate district  
9 shall accrue the payments received in July and August to the  
10 school fiscal year ending the immediately preceding June 30.

11 (2) The state treasurer shall make payment under this section  
12 by drawing a warrant in favor of the treasurer of each district  
13 or intermediate district for the amount payable to the district  
14 or intermediate district according to the statement and  
15 delivering the warrant to the treasurer of each district or  
16 intermediate district, or if the state treasurer receives a  
17 written request by the treasurer of the district or intermediate  
18 district specifying an account, by electronic funds transfer to  
19 that account of the amount payable to the district or  
20 intermediate district according to the statement. The department  
21 may make adjustments in payments made under this section through  
22 additional payments when changes in law or errors in computation  
23 cause the regularly scheduled payment to be less than the amount  
24 to which the district or intermediate district is entitled  
25 pursuant to this act.

26 (3) Except as otherwise ~~specified~~ **provided** in this act,  
27 grant payments under this act shall be paid according to

1 subsection (1).

2       (4) Upon the written request of a district or intermediate  
3 district and the submission of proof satisfactory to the  
4 department of a need of a temporary and nonrecurring nature, the  
5 superintendent, with the written concurrence of the state  
6 treasurer and the state budget director, may authorize an advance  
7 release of funds due a district or intermediate district under  
8 this act. ~~Such an~~ **An advance authorized under this subsection**  
9 shall not cause funds to be paid to a district or intermediate  
10 district more than 30 days earlier than the established payment  
11 date for those funds.