

**SUBSTITUTE FOR  
SENATE BILL NO. 1194**

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 2003 PA  
236.

**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 aid fund established by  
5 section 11 of article IX of the state constitution of 1963 and  
6 the sum of ~~-\$327,700,000.00~~ **\$377,800,000.00** from the general  
7 fund. ~~For the fiscal year ending September 30, 2003, from loan~~  
8 ~~repayments deposited to the general fund pursuant to section 4 of~~  
9 ~~1961 PA 112, MCL 388.984, on the settlement date, as determined~~  
10 ~~under section 9c of 1961 PA 108, MCL 388.959c, there is~~

~~1 appropriated from the general fund to the state school aid fund  
2 the amount determined by the state treasurer to equal the  
3 difference between the outstanding amount of general obligation  
4 debt incurred pursuant to 1961 PA 112, MCL 388.981 to 388.985,  
5 and the outstanding amount of loans under 1961 PA 108, MCL  
6 388.951 to 388.963, as reduced in accordance with section 9c(1)  
7 of 1961 PA 108, MCL 388.959c. In addition, for the fiscal year  
8 ending September 30, 2003, there is appropriated from the general  
9 fund to the state school aid fund an amount equal to the amount  
10 of all school bond loan fund repayments received by the state  
11 treasurer from June 1, 2003 through December 31, 2003, determined  
12 by the state treasurer not to have been paid from proceeds of  
13 bonds of the school district and representing the difference  
14 between the outstanding amount of general obligation debt  
15 incurred by this state under 1961 PA 112, MCL 388.981 to 388.985,  
16 and the outstanding amount of loans under 1961 PA 108, MCL  
17 388.951 to 388.963, at the time of repayment. Funds appropriated  
18 to the state school aid fund from the general fund from loan  
19 repayments received as described in this subsection shall be  
20 expended within 90 days of deposit within the state school aid  
21 fund. In addition, available federal funds are appropriated for  
22 each of those fiscal years.~~

23 (2) The appropriations under this section shall be allocated  
24 as provided in this act. Money appropriated under this section  
25 from the general fund shall be expended to fund the purposes of  
26 this act before the expenditure of money appropriated under this  
27 section from the state school aid fund. If the maximum amount

1 appropriated under this section from the state school aid fund  
2 for a fiscal year exceeds the amount necessary to fully fund  
3 allocations under this act from the state school aid fund, that  
4 excess amount shall not be expended in that state fiscal year and  
5 shall not lapse to the general fund, but instead shall be  
6 deposited into the school aid stabilization fund created in  
7 section 11a.

8 (3) If the maximum amount appropriated under this section  
9 from the state school aid fund and the school aid stabilization  
10 fund for a fiscal year exceeds the amount available for  
11 expenditure from the state school aid fund for that fiscal year,  
12 payments under sections 11f, 11g, 22a, 31d, 51a(2), and 51c shall  
13 be made in full. In addition, for districts beginning operations  
14 after 1994-95 that qualify for payments under section 22b,  
15 payments under section 22b shall be made so that the qualifying  
16 districts receive the lesser of an amount equal to the 1994-95  
17 foundation allowance of the district in which the district  
18 beginning operations after 1994-95 is located or \$5,500.00. The  
19 amount of the payment to be made under section 22b for these  
20 qualifying districts shall be as calculated under section 22a,  
21 with the balance of the payment under section 22b being subject  
22 to the proration otherwise provided under this subsection and  
23 subsection (4). For any proration necessary after 2002-2003,  
24 state payments under each of the other sections of this act from  
25 all state funding sources shall be prorated in the manner  
26 prescribed in subsection (4) as necessary to reflect the amount  
27 available for expenditure from the state school aid fund for the

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

18 (4) For any proration necessary after 2002-2003, the  
19 department shall calculate the proration in district and  
20 intermediate district payments that is required under subsection  
21 (3) as follows:

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

25 (i) Districts.

26 (ii) Intermediate districts.

27 (iii) Entities other than districts or intermediate

1 districts.

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

11 (c) The department shall recover a percentage of the  
12 proration amount required under subsection (3) that is equal to  
13 the percentage calculated under subdivision (a) (ii) for  
14 intermediate districts by reducing payments to intermediate  
15 districts. This reduction shall be made by reducing the payments  
16 to each intermediate district, other than payments under sections  
17 11f, 11g, 22a, 31d, 51a(2), 51a(12), 51c, 53a, and 56, on an  
18 equal percentage basis.

19 (d) The department shall recover a percentage of the  
20 proration amount required under subsection (3) that is equal to  
21 the percentage calculated under subdivision (a) (iii) for entities  
22 other than districts and intermediate districts by reducing  
23 payments to these entities. This reduction shall be made by  
24 reducing the payments to each of these entities on an equal  
25 percentage basis.

26 (5) Except for the allocation under section 26a, any general  
27 fund allocations under this act that are not expended by the end

1 of the state fiscal year are transferred to the state school aid  
2 fund.