

HOUSE BILL No. 5238

September 15, 2007, Introduced by Rep. Gillard 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), as amended by 2007 PA 6.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 11. (1) For the fiscal year ending September 30, 2007
2 2008, there is appropriated for the public schools of this state
3 and certain other state purposes relating to education the sum of
4 ~~\$11,299,963,200.00~~ \$_____ from the state school aid
5 fund established by section 11 of article IX of the state
6 constitution of 1963 and the sum of ~~\$35,000,000.00~~ \$_____
7 from the general fund. In addition, available federal funds are
8 appropriated for the fiscal year.

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

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

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

1 prorated in the manner prescribed in subsection (4) as necessary to
2 reflect the amount available for expenditure from the state school
3 aid fund for the affected fiscal year. However, if the department
4 of treasury determines that proration will be required under this
5 subsection, or if the department of treasury determines that
6 further proration is required under this subsection after an
7 initial proration has already been made for a fiscal year, the
8 department of treasury shall notify the state budget director, and
9 the state budget director shall notify the legislature at least 30
10 calendar days or 6 legislative session days, whichever is more,
11 before the department reduces any payments under this act because
12 of the proration. During the 30 calendar day or 6 legislative
13 session day period after that notification by the state budget
14 director, the department shall not reduce any payments under this
15 act because of proration under this subsection. The legislature may
16 prevent proration from occurring by, within the 30 calendar day or
17 6 legislative session day period after that notification by the
18 state budget director, enacting legislation appropriating
19 additional funds from the general fund, countercyclical budget and
20 economic stabilization fund, state school aid fund balance, or
21 another source to fund the amount of the projected shortfall.

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

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

1 (i) Districts.

2 (ii) Intermediate districts.

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

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

13 (c) 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)(ii) for intermediate
16 districts by reducing payments to intermediate districts. This
17 reduction shall be made by reducing the payments to each
18 intermediate district, other than payments under sections 11f, 11g,
19 26a, 26b, 51a(2), 51a(12), 53a, and 56, on an equal percentage
20 basis.

21 (d) The department shall recover a percentage of the proration
22 amount required under subsection (3) that is equal to the
23 percentage calculated under subdivision (a)(iii) for entities other
24 than districts and intermediate districts by reducing payments to
25 these entities. This reduction shall be made by reducing the
26 payments to each of these entities, other than payments under
27 sections 11j, 26a, and 26b, on an equal percentage basis.

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

5 (6) In addition to the appropriations in subsection (1), for
6 the fiscal year ending September 30, 2007, there is appropriated
7 from the reserve for undistributed investment income in the
8 Michigan public school employees' retirement system an amount not
9 to exceed \$262,000,000.00 solely for the purpose of issuing credits
10 pursuant to section 147.

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

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

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

12 (3) Except as otherwise provided in this act, grant payments
13 to districts and intermediate districts under this act shall be
14 paid according to **THE INSTALLMENT SCHEDULE UNDER** subsection (1).

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