

HOUSE BILL No. 5963

March 17, 2010, Introduced by Rep. Melton and referred to the Committee on Education.

A bill to amend 1979 PA 94, entitled
"The state school aid act of 1979,"
by amending sections 22b and 81 (MCL 388.1622b and 388.1681), as
amended by 2009 PA 121.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 22b. (1) From the state funds appropriated in section 11,
2 there is allocated for 2009-2010 an amount not to exceed
3 \$3,323,800,000.00 for discretionary nonmandated payments to
4 districts under this section. Funds allocated under this section
5 that are not expended in the state fiscal year for which they were
6 allocated, as determined by the department, may be used to
7 supplement the allocations under sections 22a and 51c in order to
8 fully fund those calculated allocations for the same fiscal year.

1 (2) In addition to the funds allocated in subsection (1),
2 there is allocated an amount estimated at \$450,000,000.00 from the
3 federal funds awarded to this state under title XIV of the American
4 recovery and reinvestment act of 2009, Public Law 111-5. These
5 funds shall be distributed in a form and manner determined by the
6 department based on an equal dollar amount per the number of
7 membership pupils used to calculate the August 20, 2009 state aid
8 payment and shall be expended in a manner prescribed by federal
9 law.

10 (3) Subject to subsection (4) and section 11, the allocation
11 to a district under this section shall be an amount equal to the
12 sum of the amounts calculated under sections 20, 20j, 51a(2),
13 51a(3), and 51a(12), minus the sum of the allocations to the
14 district under sections 22a and 51c. **BEGINNING WITH THE DECEMBER**
15 **INSTALLMENT IN 2010-2011, THE DEPARTMENT SHALL ALSO DEDUCT FROM THE**
16 **DISTRICT'S TOTAL ALLOCATION UNDER THIS SECTION AN AMOUNT EQUAL TO**
17 **THE DOLLAR AMOUNT BY WHICH THE DISTRICT'S GENERAL FUND BALANCE ON**
18 **THE JUNE 30 IMMEDIATELY PRECEDING THE BEGINNING OF THE FISCAL YEAR,**
19 **AS REPORTED TO THE DEPARTMENT BY THE DISTRICT PURSUANT TO SECTION**
20 **18(4), EXCEEDS AN AMOUNT EQUAL TO 15% OF THE DISTRICT'S CURRENT**
21 **OPERATING EXPENDITURES, AS CALCULATED BY THE DEPARTMENT FOR THE**
22 **PURPOSES OF THE DEPARTMENT'S ANNUAL EDUCATION BULLETIN 1014 REPORT.**
23 **AS USED IN THIS SUBSECTION, "GENERAL FUND BALANCE" MEANS THE SUM OF**
24 **THE AMOUNTS REPORTED IN BALANCE SHEET MAJOR CLASS CODE 710, MAJOR**
25 **CLASS CODE 740, AND MAJOR CLASS CODE 750, AS THOSE ARE DEFINED IN**
26 **THE CHART OF ACCOUNTS APPROVED AND PUBLISHED BY THE DEPARTMENT**
27 **PURSUANT TO SECTION 18(4) .**

1 (4) In order to receive an allocation under subsection (1),
2 each district shall do all of the following:

3 (a) Administer in each grade level that it operates in grades
4 1 to 5 a standardized assessment approved by the department of
5 grade-appropriate basic educational skills. A district may use the
6 Michigan literacy progress profile to satisfy this requirement for
7 grades 1 to 3. Also, if the revised school code is amended to
8 require annual assessments at additional grade levels, in order to
9 receive an allocation under this section each district shall comply
10 with that requirement.

11 (b) Comply with sections 1278a and 1278b of the revised school
12 code, MCL 380.1278a and 380.1278b.

13 (c) Furnish data and other information required by state and
14 federal law to the center and the department in the form and manner
15 specified by the center or the department, as applicable.

16 (d) Comply with section 1230g of the revised school code, MCL
17 380.1230g.

18 (5) Districts are encouraged to use funds allocated under this
19 section for the purchase and support of payroll, human resources,
20 and other business function software that is compatible with that
21 of the intermediate district in which the district is located and
22 with other districts located within that intermediate district.

23 (6) From the allocation in subsection (1), the department
24 shall pay up to \$1,000,000.00 in litigation costs incurred by this
25 state associated with lawsuits filed by 1 or more districts or
26 intermediate districts against this state. If the allocation under
27 this section is insufficient to fully fund all payments required

1 under this section, the payments under this subsection shall be
2 made in full before any proration of remaining payments under this
3 section.

4 (7) It is the intent of the legislature that all
5 constitutional obligations of this state have been fully funded
6 under sections 22a, 31d, 51a, and 51c. If a claim is made by an
7 entity receiving funds under this act that challenges the
8 legislative determination of the adequacy of this funding or
9 alleges that there exists an unfunded constitutional requirement,
10 the state budget director may escrow or allocate from the
11 discretionary funds for nonmandated payments under this section the
12 amount as may be necessary to satisfy the claim before making any
13 payments to districts under subsection (3). If funds are escrowed,
14 the escrowed funds are a work project appropriation and the funds
15 are carried forward into the following fiscal year. The purpose of
16 the work project is to provide for any payments that may be awarded
17 to districts as a result of litigation. The work project shall be
18 completed upon resolution of the litigation.

19 (8) If the local claims review board or a court of competent
20 jurisdiction makes a final determination that this state is in
21 violation of section 29 of article IX of the state constitution of
22 1963 regarding state payments to districts, the state budget
23 director shall use work project funds under subsection (7) or
24 allocate from the discretionary funds for nonmandated payments
25 under this section the amount as may be necessary to satisfy the
26 amount owed to districts before making any payments to districts
27 under subsection (3).

1 (9) If a claim is made in court that challenges the
2 legislative determination of the adequacy of funding for this
3 state's constitutional obligations or alleges that there exists an
4 unfunded constitutional requirement, any interested party may seek
5 an expedited review of the claim by the local claims review board.
6 If the claim exceeds \$10,000,000.00, this state may remove the
7 action to the court of appeals, and the court of appeals shall have
8 and shall exercise jurisdiction over the claim.

9 (10) If payments resulting from a final determination by the
10 local claims review board or a court of competent jurisdiction that
11 there has been a violation of section 29 of article IX of the state
12 constitution of 1963 exceed the amount allocated for discretionary
13 nonmandated payments under this section, the legislature shall
14 provide for adequate funding for this state's constitutional
15 obligations at its next legislative session.

16 (11) If a lawsuit challenging payments made to districts
17 related to costs reimbursed by federal title XIX medicaid funds is
18 filed against this state, then, for the purpose of addressing
19 potential liability under such a lawsuit, the state budget director
20 may place funds allocated under this section in escrow or allocate
21 money from the funds otherwise allocated under this section, up to
22 a maximum of 50% of the amount allocated in subsection (1). If
23 funds are placed in escrow under this subsection, those funds are a
24 work project appropriation and the funds are carried forward into
25 the following fiscal year. The purpose of the work project is to
26 provide for any payments that may be awarded to districts as a
27 result of the litigation. The work project shall be completed upon

1 resolution of the litigation. In addition, this state reserves the
2 right to terminate future federal title XIX medicaid reimbursement
3 payments to districts if the amount or allocation of reimbursed
4 funds is challenged in the lawsuit. As used in this subsection,
5 "title XIX" means title XIX of the social security act, 42 USC 1396
6 to 1396v.

7 Sec. 81. (1) Except as otherwise provided in this section,
8 from the appropriation in section 11, there is allocated for 2009-
9 2010 to the intermediate districts the sum necessary, but not to
10 exceed \$65,376,800.00, to provide state aid to intermediate
11 districts under this section. Except as otherwise provided in this
12 section, there shall be allocated to each intermediate district for
13 2009-2010 an amount equal to 80% of the amount appropriated under
14 this subsection for 2008-2009. **BEGINNING WITH THE DECEMBER**
15 **INSTALLMENT IN 2010-2011, THE DEPARTMENT SHALL DEDUCT FROM AN**
16 **INTERMEDIATE DISTRICT'S TOTAL ALLOCATION UNDER THIS SECTION AN**
17 **AMOUNT EQUAL TO THE DOLLAR AMOUNT BY WHICH THE INTERMEDIATE**
18 **DISTRICT'S GENERAL FUND BALANCE ON THE JUNE 30 IMMEDIATELY**
19 **PRECEDING THE BEGINNING OF THE FISCAL YEAR, AS REPORTED TO THE**
20 **DEPARTMENT BY THE INTERMEDIATE DISTRICT PURSUANT TO SECTION 18(4),**
21 **EXCEEDS AN AMOUNT EQUAL TO 15% OF THE INTERMEDIATE DISTRICT'S**
22 **CURRENT OPERATING EXPENDITURES, AS CALCULATED BY THE DEPARTMENT FOR**
23 **THE PURPOSES OF THE DEPARTMENT'S ANNUAL EDUCATION BULLETIN 1014**
24 **REPORT.** Funding provided under this section shall be used to comply
25 with requirements of this act and the revised school code that are
26 applicable to intermediate districts, and for which funding is not
27 provided elsewhere in this act, and to provide technical assistance

1 to districts as authorized by the intermediate school board. AS
2 USED IN THIS SUBSECTION, "GENERAL FUND BALANCE" MEANS THE SUM OF
3 THE AMOUNTS REPORTED IN BALANCE SHEET MAJOR CLASS CODE 710, MAJOR
4 CLASS CODE 740, AND MAJOR CLASS CODE 750, AS THOSE ARE DEFINED IN
5 THE CHART OF ACCOUNTS APPROVED AND PUBLISHED BY THE DEPARTMENT
6 PURSUANT TO SECTION 18(4).

7 (2) Intermediate districts receiving funds under this section
8 shall collaborate with the department to develop expanded
9 professional development opportunities for teachers to update and
10 expand their knowledge and skills needed to support the Michigan
11 merit curriculum.

12 (3) From the allocation in subsection (1), there is allocated
13 to an intermediate district, formed by the consolidation or
14 annexation of 2 or more intermediate districts or the attachment of
15 a total intermediate district to another intermediate school
16 district or the annexation of all of the constituent K-12 districts
17 of a previously existing intermediate school district which has
18 disorganized, an additional allotment of \$3,500.00 each fiscal year
19 for each intermediate district included in the new intermediate
20 district for 3 years following consolidation, annexation, or
21 attachment.

22 (4) During a fiscal year, the department shall not increase an
23 intermediate district's allocation under subsection (1) because of
24 an adjustment made by the department during the fiscal year in the
25 intermediate district's taxable value for a prior year. Instead,
26 the department shall report the adjustment and the estimated amount
27 of the increase to the house and senate fiscal agencies and the

1 state budget director not later than June 1 of the fiscal year, and
2 the legislature shall appropriate money for the adjustment in the
3 next succeeding fiscal year.

4 (5) In order to receive funding under this section, an
5 intermediate district shall do all of the following:

6 (a) Demonstrate to the satisfaction of the department that the
7 intermediate district employs at least 1 person who is trained in
8 pupil counting procedures, rules, and regulations.

9 (b) Demonstrate to the satisfaction of the department that the
10 intermediate district employs at least 1 person who is trained in
11 rules, regulations, and district reporting procedures for the
12 individual-level student data that serves as the basis for the
13 calculation of the district and high school graduation and dropout
14 rates.

15 (c) Comply with sections 1278a and 1278b of the revised school
16 code, MCL 380.1278a and 380.1278b.

17 (d) Furnish data and other information required by state and
18 federal law to the center and the department in the form and manner
19 specified by the center or the department, as applicable.

20 (e) Comply with section 1230g of the revised school code, MCL
21 380.1230g.

22 (f) Comply with section 761 of the revised school code, MCL
23 380.761.