



STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

ROBERT L. EMERSON
DIRECTOR

October 22, 2009

Dear Superintendent:

On October 22 2009, I received an official notice from the State Treasurer that the Department of Treasury has determined that the amount appropriated from the State School Aid Fund under 2009 PA 121 exceeds the amount available for expenditure from the State School Aid Fund for the fiscal year that ends on September 30, 2010. As provided for by the Legislature in section 11(3) of The State School Aid Act of 1979 ("Section 11(3)"), proration is therefore required and today I notified the Legislature that without additional legislative action in 30 calendar days, state school aid payments will be prorated in the manner prescribed by the Legislature to reflect the amount actually available for expenditure from the State School Aid Fund in fiscal year 2009-2010.

According to the State Treasurer, it is currently estimated that State School Aid Fund revenues are insufficient by \$212.0 million. Consistent with the requirements of section 11(4) of The State School Aid Act of 1979, it is estimated that annualized state aid payments to school districts and public school academies will be reduced by approximately \$127 per pupil, payments to intermediate school districts will be reduced by approximately \$8.8 million, and payments to non-school entities in the school aid appropriations act will be reduced by approximately \$1.3 million. These estimates may be modified by revenues and pupil counts agreed to at the consensus revenue estimating conference in January of 2010, and other cost data updated by the Department of Education as it becomes available. Pursuant to Section 11(3), payments for the Proposal A guarantee, Headlee-mandated special education and school lunch payments, Durant settlement payments, other specified payments, and federal grants are not affected by proration.

The Governor and I stand ready to work in a bi-partisan manner with the Legislature and the school community to find solutions that will provide critical funding to our schools.

Sincerely,

A handwritten signature in black ink that reads "Robert L. Emerson".

Robert L. Emerson
State Budget Director

Attachment: Proration notification letter

cc: Governor Jennifer Granholm
Robert Kleine, State Treasurer
Mike Flanagan, Superintendent for Public Instruction
Senator Mike Bishop, Senate Majority Leader
Senator Mike Prusi, Senate Minority Leader
Representative Andy Dillon, Speaker of the House
Representative Kevin Elsenheimer, House Minority Leader
Senate Fiscal Agency
House Fiscal Agency



STATE OF MICHIGAN
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JENNIFER M. GRANHOLM
GOVERNOR

ROBERT L. EMERSON
DIRECTOR

October 22, 2009

Michigan House of Representatives
State Capitol
Lansing, Michigan 48909-7536

Michigan Senate
State Capitol
Lansing, Michigan 48909-7536

Dear Legislators:

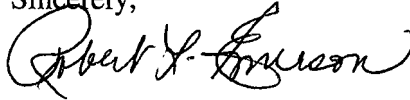
On October 22, 2009, I received an official notice from the State Treasurer that the Department of Treasury has determined that the amount appropriated from the State School Aid Fund under 2009 PA 121 exceeds the amount available for expenditure from the State School Aid Fund for the fiscal year that ends on September 30, 2010. As provided for by the Legislature in section 11(3) of The State School Aid Act of 1979 ("Section 11(3)"), proration is therefore required and I am notifying you that in 30 calendar days state school aid payments will be prorated in the manner prescribed by the Legislature to reflect the amount actually available for expenditure from the State School Aid Fund in fiscal year 2009-2010.

Under Section 11(3), the Legislature may prevent proration from occurring, by, within 30 calendar days, enacting legislation appropriating additional funds from the general fund, the Countercyclical Budget and Economic Stabilization Fund, any State School Aid Fund balance, or another source to fund the projected shortfall. As you are well aware, additional revenue will be required to fund the shortfall.

According to the State Treasurer, it is currently estimated that State School Aid Fund revenues are insufficient by \$212.0 million. Consistent with the requirements of section 11(4) of The State School Aid Act of 1979, it is estimated that annualized state aid payments to school districts and public school academies will be reduced by approximately \$127 per pupil, payments to intermediate school districts will be reduced by approximately \$8.8 million, and payments to non-school entities in the school aid appropriations act will be reduced by approximately \$1.3 million. These estimates may be modified by revenues and pupil counts agreed to at the consensus revenue estimating conference in January of 2010, and other cost data updated by the Department of Education as it becomes available. Pursuant to Section 11(3), payments for the Proposal A guarantee, Headlee-mandated special education and school lunch payments, Durant settlement payments, other specified payments, and federal grants are not affected by proration.

The Governor and I stand ready to work in a bi-partisan manner with the Legislature to find solutions that will provide critical funding to our schools.

Sincerely,



Robert L. Emerson
State Budget Director

Attachment

c: The Honorable Jennifer M. Granholm, Governor
The Honorable George Cushingberry, Chair, House Appropriations Committee
The Honorable Ron Jelinek, Chair, Senate Appropriations Committee
Senate Fiscal Agency
House Fiscal Agency



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

October 22, 2009

Robert L. Emerson
State Budget Director
Office of the State Budget
111 South Capital Avenue
Lansing, Michigan 48933

Dear Mr. Emerson:

Consistent with the requirements of section 11(3) of The State School Aid Act of 1979 (MCL 388.1611), as amended this week by 2009 PA 121, I am writing to notify you that the Department of Treasury has determined that the amount appropriated from the State School Aid Fund under 2009 PA 121 exceeds the amount available for expenditure and that a proration of state aid payments to schools will be required.

At the consensus revenue estimating conference held on May 15, 2009, the Department of Treasury, the House Fiscal Agency, and the Senate Fiscal Agency jointly determined that \$10,563,000,000.00 would be available in State School Aid Fund revenue in fiscal year 2009-2010. Combined with an estimated \$171,000,000.00 in revenue carried forward from fiscal year 2008-2009 into fiscal year 2009-2010, an estimated \$10,734,000,000.00 will be available for expenditure from the State School Aid Fund in fiscal year 2009-2010.

The state school aid budget for fiscal year 2009-2010 as approved by the Legislature and presented to the Governor on October 9, 2009 (Enrolled House Bill 4447) authorized expenditures from the State School Aid Fund totaling \$10,793,954,100.00. The amount authorized by the Legislature in Enrolled House Bill 4447 therefore exceeded the amount available for appropriation from the State School Aid Fund based upon the May 15, 2009 consensus revenue estimate by \$59,594,100.00.

As signed into law and enacted by the Governor, House Bill 4447 (now 2009 PA 121), authorizes expenditures from the State School Aid Fund totaling \$10,741,605,400.00. Item vetoes by the Governor of State School Aid Fund expenditures totaled \$52,348,700.00. Including the item vetoes, State School Aid Fund expenditures authorized by 2009 PA 121 exceed revenues available based upon the May 15, 2009 consensus revenue estimate by \$7,605,400.00.

In addition to this shortfall, since the May 15, 2009 consensus revenue estimate for the State School Aid Fund was determined, State School Aid Fund revenue has fallen below projections. The Department of Treasury now projects that State School Aid Fund revenue available for expenditure in fiscal year 2009-2010 will total \$10,529,600,000.00, including \$10,434,300,000.00 in revenue for fiscal year 2009-2010 and \$95,300,000.00 in revenue carried

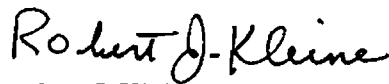
State Budget Director Robert L. Emerson
October 22, 2009
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forward from fiscal year 2008-2009 into fiscal year 2009-2010. Based on the department's revised projections, total State School Aid Fund revenue generated in fiscal year 2009-2010 will be \$128,700,000.00 lower than the May 15, 2009 consensus revenue estimate, and revenue carried forward from fiscal year 2008-2009 into 2009-2010 will be \$75,700,000.00 lower.

Given these projections, the amount appropriated from the State School Aid Fund for fiscal year 2009-2010 under Section 11 of 2009 PA 171 \$10,741,605,400.00 exceeds the amount available for expenditure from the State School Aid Fund in fiscal year 2009-2010 \$10,529,600,000.00 by \$212,005,400.00. Given this shortfall in the State School Aid Fund, proration will be necessary and required under MCL 388.1611.

The Department of Treasury will continue to closely monitor and keep you updated on available State School Aid Fund revenue for fiscal years 2008-2009 and 2009-2010.

Sincerely,



Robert J. Kleine
State Treasurer

c: Governor Jennifer M. Granholm