

HOUSE BILL No. 6222

June 12, 2018, Introduced by Reps. Pagan, Camilleri, Hoadley, Chang, Garrett, Geiss, Love, Hammoud and Jones and referred to the Committee on Education Reform.

A bill to amend 1979 PA 94, entitled
"The state school aid act of 1979,"
by amending section 18 (MCL 388.1618), as amended by 2017 PA 108.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 18. (1) Except as provided in another section of this
2 article, each district or other entity shall apply the money
3 received by the district or entity under this article to salaries
4 and other compensation of teachers and other employees, tuition,
5 transportation, lighting, heating, ventilation, water service, the
6 purchase of textbooks, other supplies, and any other school
7 operating expenditures defined in section 7. However, not more than
8 20% of the total amount received by a district under sections 22a
9 and 22b or received by an intermediate district under section 81
10 may be transferred by the board to either the capital projects fund

1 or to the debt retirement fund for debt service. The money shall
2 not be applied or taken for a purpose other than as provided in
3 this section. The department shall determine the reasonableness of
4 expenditures and may withhold from a recipient of funds under this
5 article the apportionment otherwise due upon a violation by the
6 recipient.

7 (2) A district or intermediate district shall adopt an annual
8 budget in a manner that complies with the uniform budgeting and
9 accounting act, 1968 PA 2, MCL 141.421 to 141.440a. Within 15 days
10 after a district board adopts its annual operating budget for the
11 following school fiscal year, or after a district board adopts a
12 subsequent revision to that budget, the district shall make all of
13 the following available through a link on its website homepage, or
14 may make the information available through a link on its
15 intermediate district's website homepage, in a form and manner
16 prescribed by the department:

17 (a) The annual operating budget and subsequent budget
18 revisions.

19 (b) Using data that have already been collected and submitted
20 to the department, a summary of district expenditures for the most
21 recent fiscal year for which they are available, expressed in the
22 following 2 pie charts:

23 (i) A chart of personnel expenditures, broken into the
24 following subcategories:

25 (A) Salaries and wages.

26 (B) Employee benefit costs, including, but not limited to,
27 medical, dental, vision, life, disability, and long-term care

1 benefits.

2 (C) Retirement benefit costs.

3 (D) All other personnel costs.

4 (ii) A chart of all district expenditures, broken into the
5 following subcategories:

6 (A) Instruction.

7 (B) Support services.

8 (C) Business and administration.

9 (D) Operations and maintenance.

10 (c) Links to all of the following:

11 (i) The current collective bargaining agreement for each
12 bargaining unit.

13 (ii) Each health care benefits plan, including, but not
14 limited to, medical, dental, vision, disability, long-term care, or
15 any other type of benefits that would constitute health care
16 services, offered to any bargaining unit or employee in the
17 district.

18 (iii) The audit report of the audit conducted under subsection
19 (4) for the most recent fiscal year for which it is available.

20 (iv) The bids required under section 5 of the public employees
21 health ~~benefits~~**BENEFIT** act, 2007 PA 106, MCL 124.75.

22 (v) The district's written policy governing procurement of
23 supplies, materials, and equipment.

24 (vi) The district's written policy establishing specific
25 categories of reimbursable expenses, as described in section
26 1254(2) of the revised school code, MCL 380.1254.

27 (vii) Either the district's accounts payable check register

1 for the most recent school fiscal year or a statement of the total
2 amount of expenses incurred by board members or employees of the
3 district that were reimbursed by the district for the most recent
4 school fiscal year.

5 (d) The total salary and a description and cost of each fringe
6 benefit included in the compensation package for the superintendent
7 of the district and for each employee of the district whose salary
8 exceeds \$100,000.00.

9 (e) The annual amount spent on dues paid to associations.

10 (f) The annual amount spent on lobbying or lobbying services.
11 As used in this subdivision, "lobbying" means that term as defined
12 in section 5 of 1978 PA 472, MCL 4.415.

13 (g) Any deficit elimination plan or enhanced deficit
14 elimination plan the district was required to submit under the
15 revised school code.

16 (h) Identification of all credit cards maintained by the
17 district as district credit cards, the identity of all individuals
18 authorized to use each of those credit cards, the credit limit on
19 each credit card, and the dollar limit, if any, for each
20 individual's authorized use of the credit card.

21 (i) Costs incurred for each instance of out-of-state travel by
22 the school administrator of the district that is fully or partially
23 paid for by the district and the details of each of those instances
24 of out-of-state travel, including at least identification of each
25 individual on the trip, destination, and purpose.

26 (3) For the information required under subsection (2) (a),
27 (2) (b) (i), and (2) (c), an intermediate district shall provide the

1 same information in the same manner as required for a district
2 under subsection (2).

3 (4) For the purposes of determining the reasonableness of
4 expenditures, whether a district or intermediate district has
5 received the proper amount of funds under this article, and whether
6 a violation of this article has occurred, all of the following
7 apply:

8 (a) The department shall require that each district and
9 intermediate district have an audit of the district's or
10 intermediate district's financial and pupil accounting records
11 conducted at least annually, and at such other times as determined
12 by the department, at the expense of the district or intermediate
13 district, as applicable. The audits must be performed by a
14 certified public accountant or by the intermediate district
15 superintendent, as may be required by the department, or in the
16 case of a district of the first class by a certified public
17 accountant, the intermediate superintendent, or the auditor general
18 of the city. A district or intermediate district shall retain these
19 records for the current fiscal year and from at least the 3
20 immediately preceding fiscal years.

21 (b) If a district operates in a single building with fewer
22 than 700 full-time equated pupils, if the district has stable
23 membership, and if the error rate of the immediately preceding 2
24 pupil accounting field audits of the district is less than 2%, the
25 district may have a pupil accounting field audit conducted
26 biennially but must continue to have desk audits for each pupil
27 count. The auditor must document compliance with the audit cycle in

1 the pupil auditing manual. As used in this subdivision, "stable
2 membership" means that the district's membership for the current
3 fiscal year varies from the district's membership for the
4 immediately preceding fiscal year by less than 5%.

5 (c) A district's or intermediate district's annual financial
6 audit shall include an analysis of the financial and pupil
7 accounting data used as the basis for distribution of state school
8 aid.

9 (d) The pupil and financial accounting records and reports,
10 audits, and management letters are subject to requirements
11 established in the auditing and accounting manuals approved and
12 published by the department.

13 (e) All of the following shall be done not later than November
14 1 each year for reporting the prior fiscal year data:

15 (i) A district shall file the annual financial audit reports
16 with the intermediate district and the department.

17 (ii) The intermediate district shall file the annual financial
18 audit reports for the intermediate district with the department.

19 (iii) The intermediate district shall enter the pupil
20 membership audit reports for its constituent districts and for the
21 intermediate district, for the pupil membership count day and
22 supplemental count day, in the Michigan student data system.

23 (f) The annual financial audit reports and pupil accounting
24 procedures reports shall be available to the public in compliance
25 with the freedom of information act, 1976 PA 442, MCL 15.231 to
26 15.246.

27 (g) Not later than January 31 of each year, the department

1 shall notify the state budget director and the legislative
2 appropriations subcommittees responsible for review of the school
3 aid budget of districts and intermediate districts that have not
4 filed an annual financial audit and pupil accounting procedures
5 report required under this section for the school year ending in
6 the immediately preceding fiscal year.

7 (5) By November 1 each fiscal year, each district and
8 intermediate district shall submit to the center, in a manner
9 prescribed by the center, annual comprehensive financial data
10 consistent with the district's or intermediate district's audited
11 financial statements and consistent with accounting manuals and
12 charts of accounts approved and published by the department. For an
13 intermediate district, the report shall also contain the website
14 address where the department can access the report required under
15 section 620 of the revised school code, MCL 380.620. The department
16 shall ensure that the prescribed Michigan public school accounting
17 manual chart of accounts includes standard conventions to
18 distinguish expenditures by allowable fund function and object. The
19 functions shall include at minimum categories for instruction,
20 pupil support, instructional staff support, general administration,
21 school administration, business administration, transportation,
22 facilities operation and maintenance, facilities acquisition, and
23 debt service; and shall include object classifications of salary,
24 benefits, including categories for active employee health
25 expenditures, purchased services, supplies, capital outlay, and
26 other. Districts shall report the required level of detail
27 consistent with the manual as part of the comprehensive annual

1 financial report.

2 (6) By September 30 of each year, each district and
3 intermediate district shall file with the department the special
4 education actual cost report, known as "SE-4096", on a form and in
5 the manner prescribed by the department.

6 (7) By October 7 of each year, each district and intermediate
7 district shall file with the center the transportation expenditure
8 report, known as "SE-4094", on a form and in the manner prescribed
9 by the center.

10 (8) The department shall review its pupil accounting and pupil
11 auditing manuals at least annually and shall periodically update
12 those manuals to reflect changes in this article.

13 (9) If a district that is a public school academy purchases
14 property using money received under this article, the public school
15 academy shall retain ownership of the property unless the public
16 school academy sells the property at fair market value.

17 (10) If a district or intermediate district does not comply
18 with subsections (4), (5), (6), and (7), or if the department
19 determines that the financial data required under subsection (5)
20 are not consistent with audited financial statements, the
21 department shall withhold all state school aid due to the district
22 or intermediate district under this article, beginning with the
23 next payment due to the district or intermediate district, until
24 the district or intermediate district complies with subsections
25 (4), (5), (6), and (7). If the district or intermediate district
26 does not comply with subsections (4), (5), (6), and (7) by the end
27 of the fiscal year, the district or intermediate district forfeits

1 the amount withheld.

2 (11) If a district or intermediate district does not comply
3 with subsection (2), the department may withhold up to 10% of the
4 total state school aid due to the district or intermediate district
5 under this article, beginning with the next payment due to the
6 district or intermediate district, until the district or
7 intermediate district complies with subsection (2). If the district
8 or intermediate district does not comply with subsection (2) by the
9 end of the fiscal year, the district or intermediate district
10 forfeits the amount withheld.

11 (12) By November 1 of each year, if a district or intermediate
12 district offers virtual learning under section 21f, the district or
13 intermediate district shall submit to the department a report that
14 details the per-pupil costs of operating the virtual learning by
15 vendor type. The report shall include at least all of the following
16 information concerning the operation of virtual learning for the
17 immediately preceding school fiscal year:

18 (a) The name of the district operating the virtual learning
19 and of each district that enrolled students in the virtual
20 learning.

21 (b) The total number of students enrolled in the virtual
22 learning and the total number of membership pupils enrolled in the
23 virtual learning.

24 (c) For each pupil who is enrolled in a district other than
25 the district offering virtual learning, the name of that district.

26 (d) The district in which the pupil was enrolled before
27 enrolling in the district offering virtual learning.

1 (e) The number of participating students who had previously
2 dropped out of school.

3 (f) The number of participating students who had previously
4 been expelled from school.

5 (g) The total cost to enroll a student in the program. This
6 cost shall be reported on a per-pupil, per-course, per-semester or
7 trimester basis by vendor type. The total shall include costs
8 broken down by cost for content development, content licensing,
9 training, virtual instruction and instructional support, personnel,
10 hardware and software, payment to each virtual learning provider,
11 and other costs associated with operating virtual learning.

12 (h) The name of each virtual education provider contracted by
13 the district and the state in which each virtual education provider
14 is headquartered.

15 **(13) BY NOVEMBER 1 OF EACH YEAR, A DISTRICT THAT IS A SCHOOL**
16 **OF EXCELLENCE THAT IS A CYBER SCHOOL, AS DEFINED IN SECTION 551 OF**
17 **THE REVISED SCHOOL CODE, MCL 380.551, SHALL SUBMIT TO THE**
18 **DEPARTMENT A REPORT THAT DETAILS THE TOTAL COSTS OF OPERATING AS A**
19 **CYBER SCHOOL AND PROVIDING FULL-TIME INSTRUCTION TO PUPILS THROUGH**
20 **VIRTUAL LEARNING. THE CYBER SCHOOL SHALL REPORT THE COSTS ON A PER-**
21 **PUPIL, PER-COURSE, PER-SEMESTER OR TRIMESTER BASIS. THE TOTAL COSTS**
22 **MUST INCLUDE COSTS BROKEN DOWN BY COST FOR CONTENT DEVELOPMENT,**
23 **CONTENT LICENSING, TRAINING, VIRTUAL INSTRUCTION AND INSTRUCTIONAL**
24 **SUPPORT, PERSONNEL, HARDWARE AND SOFTWARE, AND OTHER COSTS**
25 **ASSOCIATED WITH OPERATING VIRTUAL LEARNING.**

26 **(14)** ~~(13)~~ By March 31 of each year, the department shall
27 submit to the house and senate appropriations subcommittees on

1 state school aid, the state budget director, and the house and
2 senate fiscal agencies a report summarizing the per-pupil costs by
3 vendor type of virtual courses available under section 21f. **THE**
4 **REPORT SHALL ALSO SUMMARIZE THE INFORMATION SUBMITTED BY A DISTRICT**
5 **THAT IS A SCHOOL OF EXCELLENCE THAT IS A CYBER SCHOOL, AS DEFINED**
6 **IN SECTION 551 OF THE REVISED SCHOOL CODE, MCL 380.551, UNDER**
7 **SUBSECTION (13).**

8 (15) ~~(14)~~—As used in subsections (12) and ~~(13)~~, ~~(14)~~, "vendor
9 type" means the following:

10 (a) Virtual courses provided by the Michigan Virtual
11 University.

12 (b) Virtual courses provided by a school of excellence that is
13 a cyber school, as defined in section 551 of the revised school
14 code, MCL 380.551.

15 (c) Virtual courses provided by third party vendors not
16 affiliated with a Michigan public school.

17 (d) Virtual courses created and offered by a district or
18 intermediate district.

19 (16) ~~(15)~~—An allocation to a district or another entity under
20 this article is contingent upon the district's or entity's
21 compliance with this section.

22 (17) ~~(16)~~—Beginning October 1, 2017, and not less than once
23 every 3 months after that date, the department shall submit to the
24 senate and house subcommittees on school aid and to the senate and
25 house standing committees on education an itemized list of
26 allocations under this article to any association or consortium
27 consisting of associations. The report shall detail the recipient

1 or recipients, the amount allocated, and the purpose for which the
2 funds were distributed.

3 Enacting section 1. This amendatory act takes effect 90 days
4 after the date it is enacted into law.