

# SENATE BILL No. 674

November 30, 2017, Introduced by Senator WARREN and referred to the Committee on Education.

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

1 and 22b or received by an intermediate district under section 81  
2 may be transferred by the board to either the capital projects fund  
3 or to the debt retirement fund for debt service. The money shall  
4 not be applied or taken for a purpose other than as provided in  
5 this section. The department shall determine the reasonableness of  
6 expenditures and may withhold from a recipient of funds under this  
7 article the apportionment otherwise due upon a violation by the  
8 recipient.

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

19 (a) The annual operating budget and subsequent budget  
20 revisions.

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

25 (i) A chart of personnel expenditures, broken into the  
26 following subcategories:

27 (A) Salaries and wages.

1 (B) Employee benefit costs, including, but not limited to,  
2 medical, dental, vision, life, disability, and long-term care  
3 benefits.

4 (C) Retirement benefit costs.

5 (D) All other personnel costs.

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

8 (A) Instruction.

9 (B) Support services.

10 (C) Business and administration.

11 (D) Operations and maintenance.

12 (c) Links to all of the following:

13 (i) The current collective bargaining agreement for each  
14 bargaining unit.

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

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

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

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

26 (vi) The district's written policy establishing specific  
27 categories of reimbursable expenses, as described in section

1 1254(2) of the revised school code, MCL 380.1254.

2 (vii) Either the district's accounts payable check register  
3 for the most recent school fiscal year or a statement of the total  
4 amount of expenses incurred by board members or employees of the  
5 district that were reimbursed by the district for the most recent  
6 school fiscal year.

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

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

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

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

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

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

1 (J) IF APPLICABLE, AUDITED FINANCIAL STATEMENTS PROVIDED BY AN  
2 EDUCATIONAL MANAGEMENT ORGANIZATION THAT HAS A MANAGEMENT AGREEMENT  
3 WITH THE DISTRICT UNDER SECTION 503C, 523C, 553C, OR 1311H OF THE  
4 REVISED SCHOOL CODE, MCL 380.503C, 380.523C, 380.553C, AND  
5 380.1311H. THE AUDITED FINANCIAL STATEMENTS SHALL DISCLOSE THE  
6 SPECIFIC FINANCIAL EXPENDITURES OF THE MONEY RECEIVED BY THE  
7 EDUCATIONAL MANAGEMENT ORGANIZATION UNDER THE MANAGEMENT AGREEMENT.

8 (K) IF APPLICABLE, A DETAILED ACCOUNTING PROVIDED TO THE  
9 DISTRICT BY THE AUTHORIZING BODY OF ALL FEES, REIMBURSEMENTS, OR  
10 OTHER CHARGES COLLECTED OR RETAINED BY, AND ALL EXPENDITURES MADE  
11 BY, THE DISTRICT'S AUTHORIZING BODY FOR THE CURRENT FISCAL YEAR,  
12 INCLUDING AN ITEMIZED LIST OF USE AND PURPOSE.

13 (L) IF APPLICABLE, THE INFORMATION PROVIDED BY AN EDUCATIONAL  
14 MANAGEMENT ORGANIZATION UNDER SECTION 503C, 523C, 553C, OR 1311H OF  
15 THE REVISED SCHOOL CODE, MCL 380.503C, 380.523C, 380.553C, AND  
16 380.1311H.

17 (M) COPIES OF ANY LETTERS OR OTHER NOTICES RECEIVED BY THE  
18 DISTRICT INDICATING NONCOMPLIANCE WITH A STANDARD, GUIDELINE, OR  
19 RULE OF THE STATE BOARD, SUPERINTENDENT OF PUBLIC INSTRUCTION,  
20 DEPARTMENT, OR, IF APPLICABLE, AUTHORIZING BODY.

21 (3) For the information required under subsection (2)(a),  
22 (2)(b)(i), and (2)(c), an intermediate district shall provide the  
23 same information in the same manner as required for a district  
24 under subsection (2).

25 (4) For the purposes of determining the reasonableness of  
26 expenditures, whether a district or intermediate district has  
27 received the proper amount of funds under this article, and whether

1 a violation of this article has occurred, all of the following  
2 apply:

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

16 (b) If a district operates in a single building with fewer  
17 than 700 full-time equated pupils, if the district has stable  
18 membership, and if the error rate of the immediately preceding 2  
19 pupil accounting field audits of the district is less than 2%, the  
20 district may have a pupil accounting field audit conducted  
21 biennially but must continue to have desk audits for each pupil  
22 count. The auditor must document compliance with the audit cycle in  
23 the pupil auditing manual. As used in this subdivision, "stable  
24 membership" means that the district's membership for the current  
25 fiscal year varies from the district's membership for the  
26 immediately preceding fiscal year by less than 5%.

27 (c) A district's or intermediate district's annual financial

1 audit shall include an analysis of the financial and pupil  
2 accounting data used as the basis for distribution of state school  
3 aid.

4 (d) The pupil and financial accounting records and reports,  
5 audits, and management letters are subject to requirements  
6 established in the auditing and accounting manuals approved and  
7 published by the department.

8 (e) All of the following shall be done not later than November  
9 1 each year for reporting the prior fiscal year data:

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

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

14 (iii) The intermediate district shall enter the pupil  
15 membership audit reports for its constituent districts and for the  
16 intermediate district, for the pupil membership count day and  
17 supplemental count day, in the Michigan student data system.

18 (f) The annual financial audit reports and pupil accounting  
19 procedures reports shall be available to the public in compliance  
20 with the freedom of information act, 1976 PA 442, MCL 15.231 to  
21 15.246.

22 (g) Not later than January 31 of each year, the department  
23 shall notify the state budget director and the legislative  
24 appropriations subcommittees responsible for review of the school  
25 aid budget of districts and intermediate districts that have not  
26 filed an annual financial audit and pupil accounting procedures  
27 report required under this section for the school year ending in

1 the immediately preceding fiscal year.

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

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



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

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

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

12           (10) If a district or intermediate district does not comply  
13 with subsections ~~(4), (5), (6), and (7)~~, **(1) TO (7) AND SUBSECTION**  
14 **(9)**, or if the department determines that the financial data  
15 required under subsection (5) are not consistent with audited  
16 financial statements, the department shall withhold all state  
17 school aid due to the district or intermediate district under this  
18 article, beginning with the next payment due to the district or  
19 intermediate district, until the district or intermediate district  
20 complies with subsections ~~(4), (5), (6), and (7)~~. **(1) TO (7) AND**  
21 **SUBSECTION (9)**. If the district or intermediate district does not  
22 comply with subsections ~~(4), (5), (6), and (7)~~ **(1) TO (7) AND**  
23 **SUBSECTION (9)** by the end of the fiscal year, the district or  
24 intermediate district forfeits the amount withheld.

25 ~~—— (11) If a district or intermediate district does not comply~~  
26 ~~with subsection (2), the department may withhold up to 10% of the~~  
27 ~~total state school aid due to the district or intermediate district~~

1 ~~under this article, beginning with the next payment due to the~~  
2 ~~district or intermediate district, until the district or~~  
3 ~~intermediate district complies with subsection (2). If the district~~  
4 ~~or intermediate district does not comply with subsection (2) by the~~  
5 ~~end of the fiscal year, the district or intermediate district~~  
6 ~~forfeits the amount withheld.~~

7       (11) ~~(12)~~ By November 1 of each year, if a district or  
8 intermediate district offers virtual learning under section 21f,  
9 the district or intermediate district shall submit to the  
10 department a report that details the per-pupil costs of operating  
11 the virtual learning by vendor type. The report shall include at  
12 least all of the following information concerning the operation of  
13 virtual learning for the immediately preceding school fiscal year:

14       (a) The name of the district operating the virtual learning  
15 and of each district that enrolled students in the virtual  
16 learning.

17       (b) The total number of students enrolled in the virtual  
18 learning and the total number of membership pupils enrolled in the  
19 virtual learning.

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

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

24       (e) The number of participating students who had previously  
25 dropped out of school.

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

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

8 (h) The name of each virtual education provider contracted by  
9 the district and the state in which each virtual education provider  
10 is headquartered.

11 **(12)** ~~(13)~~ By March 31 of each year, the department shall  
12 submit to the house and senate appropriations subcommittees on  
13 state school aid, the state budget director, and the house and  
14 senate fiscal agencies a report summarizing the per-pupil costs by  
15 vendor type of virtual courses available under section 21f.

16 **(13)** ~~(14)~~ As used in subsections ~~(12)~~ and ~~(13)~~, **(11) AND (12)**,  
17 "vendor type" means the following:

18 (a) Virtual courses provided by the Michigan Virtual  
19 University.

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

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

25 (d) Virtual courses created and offered by a district or  
26 intermediate district.

27 **(14)** ~~(15)~~ An allocation to a district or another entity under

1 this article is contingent upon the district's or entity's  
2 compliance with this section.

3 (15) ~~(16)~~ Beginning October 1, 2017, and not less than once  
4 every 3 months after that date, the department shall submit to the  
5 senate and house subcommittees on school aid and to the senate and  
6 house standing committees on education an itemized list of  
7 allocations under this article to any association or consortium  
8 consisting of associations. The report shall detail the recipient  
9 or recipients, the amount allocated, and the purpose for which the  
10 funds were distributed.

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

13 Enacting section 2. This amendatory act does not take effect  
14 unless Senate Bill No. 674

15 of the 99th Legislature is enacted into law.