

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 80
(as amended December 19, 2014)

[A bill to amend 1979 PA 94, entitled
"The state school aid act of 1979,"
by amending section 18 and 31a (MCL 388.1618 and MCL 388.1631a), as
amended by 2014 PA 196.]

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) Within 15 days after a board adopts its annual operating
8 budget for the following school fiscal year, or after a board
9 adopts a subsequent revision to that budget, the district shall
10 make all of the following available through a link on its website
11 home page, or may make the information available through a link on
12 its intermediate district's website home page, in a form and manner
13 prescribed by the department:

14 (a) The annual operating budget and subsequent budget
15 revisions.

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

20 (i) A chart of personnel expenditures, broken into the
21 following subcategories:

22 (A) Salaries and wages.

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

26 (C) Retirement benefit costs.

27 (D) All other personnel costs.

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

3 (A) Instruction.

4 (B) Support services.

5 (C) Business and administration.

6 (D) Operations and maintenance.

7 (c) Links to all of the following:

8 (i) The current collective bargaining agreement for each
9 bargaining unit.

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

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

16 (iv) The bids required under section 5 of the public employee
17 health benefits act, 2007 PA 106, MCL 124.75.

18 (v) **THE DISTRICT'S WRITTEN POLICY GOVERNING PROCUREMENT OF**
19 **SUPPLIES, MATERIALS, AND EQUIPMENT.**

20 (vi) **THE DISTRICT'S WRITTEN POLICY ESTABLISHING SPECIFIC**
21 **CATEGORIES OF REIMBURSABLE EXPENSES, AS DESCRIBED IN SECTION**
22 **1254(2) OF THE REVISED SCHOOL CODE, MCL 380.1254.**

23 (vii) **EITHER THE DISTRICT'S ACCOUNTS PAYABLE CHECK REGISTER FOR**
24 **THE MOST RECENT SCHOOL FISCAL YEAR OR A STATEMENT OF THE TOTAL**
25 **AMOUNT OF EXPENSES INCURRED BY BOARD MEMBERS OR EMPLOYEES OF THE**
26 **DISTRICT THAT WERE REIMBURSED BY THE DISTRICT FOR THE MOST RECENT**
27 **SCHOOL FISCAL YEAR.**

1 (d) The total salary and a description and cost of each fringe
2 benefit included in the compensation package for the superintendent
3 of the district and for each employee of the district whose salary
4 exceeds \$100,000.00.

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

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

9 (g) Any deficit elimination plan or enhanced deficit
10 elimination plan the district was required to submit under this
11 article.

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

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

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

26 (4) For the purposes of determining the reasonableness of
27 expenditures, whether a district or intermediate district has

1 received the proper amount of funds under this article, and whether
2 a violation of this article has occurred, all of the following
3 apply:

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

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

1 (c) A district's or intermediate district's annual financial
2 audit shall include an analysis of the financial and pupil
3 accounting data used as the basis for distribution of state school
4 aid.

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

9 (e) All of the following shall be done not later than November
10 15, 2014 for reporting 2013-2014 data during 2014-2015, and not
11 later than October 15 for reporting the prior fiscal year data for
12 all subsequent fiscal years:

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

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

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

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

25 (g) Not later than January 31 of each year, the department
26 shall notify the state budget director and the legislative
27 appropriations subcommittees responsible for review of the school

1 aid budget of districts and intermediate districts that have not
2 filed an annual financial audit and pupil accounting procedures
3 report required under this section for the school year ending in
4 the immediately preceding fiscal year.

5 (5) By November 15, 2014 for 2014-2015 and by October 15 for
6 all subsequent fiscal years, each district and intermediate
7 district shall submit to the center, in a manner prescribed by the
8 center, annual comprehensive financial data consistent with
9 accounting manuals and charts of accounts approved and published by
10 the department. For an intermediate district, the report shall also
11 contain the website address where the department can access the
12 report required under section 620 of the revised school code, MCL
13 380.620. The department shall ensure that the prescribed Michigan
14 public school accounting manual chart of accounts includes standard
15 conventions to distinguish expenditures by allowable fund function
16 and object. The functions shall include at minimum categories for
17 instruction, pupil support, instructional staff support, general
18 administration, school administration, business administration,
19 transportation, facilities operation and maintenance, facilities
20 acquisition, and debt service; and shall include object
21 classifications of salary, benefits, including categories for
22 active employee health expenditures, purchased services, supplies,
23 capital outlay, and other. Districts shall report the required
24 level of detail consistent with the manual as part of the
25 comprehensive annual financial report.

26 (6) By September 30 of each year, each district and
27 intermediate district shall file with the department the special

1 education actual cost report, known as "SE-4096", on a form and in
2 the manner prescribed by the department.

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

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

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

14 (10) If a district or intermediate district does not comply
15 with subsections (4), (5), (6), and (7), the department shall
16 withhold all state school aid due to the district or intermediate
17 district under this article, beginning with the next payment due to
18 the district or intermediate district, until the district or
19 intermediate district complies with subsections (4), (5), (6), and
20 (7). However, the department shall not withhold the payment due on
21 October 20 due to the operation of this subsection. If the district
22 or intermediate district does not comply with subsections (4), (5),
23 (6), and (7) by the end of the fiscal year, the district or
24 intermediate district forfeits the amount withheld.

25 (11) Not later than November 1, 2014, if a district or
26 intermediate district offers online learning under section 21f, the
27 district or intermediate district shall submit to the department a

1 report that details the per-pupil costs of operating the online
2 learning by vendor type. The report shall include at least all of
3 the following information concerning the operation of online
4 learning for the school fiscal year ending June 30, 2014:

5 (a) The name of the district operating the online learning and
6 of each district that enrolled students in the online learning.

7 (b) The total number of students enrolled in the online
8 learning and the total number of membership pupils enrolled in the
9 online learning.

10 (c) For each pupil who is enrolled in a district other than
11 the district offering online learning, the name of that district.

12 (d) The district in which the pupil was enrolled before
13 enrolling in the district offering online learning.

14 (e) The number of participating students who had previously
15 dropped out of school.

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

18 (g) The total cost to enroll a student in the program. This
19 cost shall be reported on a per-pupil, per-course, per-semester or
20 trimester basis by vendor type. The total shall include costs
21 broken down by cost for content development, content licensing,
22 training, online instruction and instructional support, personnel,
23 hardware and software, payment to each online learning provider,
24 and other costs associated with operating online learning.

25 (h) The name of each online education provider contracted by
26 the district and the state in which each online education provider
27 is headquartered.

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(12) Not later than March 31, 2015, the department shall submit to the house and senate appropriations subcommittees on state school aid, the state budget director, and the house and senate fiscal agencies a report summarizing the per pupil costs by vendor type of online courses available under section 21f.

(13) As used in subsections (11) and (12), "vendor type" means the following:

(a) Online courses provided by the Michigan virtual university.

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

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

(d) Online courses created and offered by a district or intermediate district.

[Sec. 31a. (1) From the state school aid fund money appropriated in section 11, there is allocated for 2014-2015 an amount not to exceed \$317,695,500.00 for payments to eligible districts, eligible public school academies, and the education achievement system for the purposes of ensuring that pupils are proficient in reading by the end of grade 3 and that high school graduates are career and college ready and for the purposes under subsections (6) and (7). **IN ADDITION TO THE APPROPRIATIONS UNDER SECTION 11, AN ADDITIONAL AMOUNT NOT TO EXCEED \$40,000,000.00 IS APPROPRIATED FROM THE STATE SCHOOL AID FUND FOR 2014-2015 FOR THE PURPOSES OF THIS SECTION.**

(2) For a district or public school academy, or the education achievement system, to be eligible to receive funding under this section, other than funding under subsection (6) or (7), the sum of the district's or public school academy's or the education achievement system's combined state and local revenue per membership pupil in the current state fiscal year, as calculated under section 20, must be less than or equal to the basic foundation allowance under section 20 for the current state fiscal year.

(3) Except as otherwise provided in this subsection, an eligible district or eligible public school academy or the education achievement system shall receive under this section for each membership pupil in the district or public school academy or the education achievement system who met the income eligibility criteria for free breakfast, lunch, or milk, as determined under the Richard B. Russell national school lunch act, 42 USC 1751 to 1769, and as reported to the department in the form and manner prescribed by the department not later than the fifth Wednesday after the pupil membership count day of the immediately preceding fiscal year and adjusted not later than December 31 of the immediately preceding

fiscal year, an amount per pupil equal to 11.5% of the sum of the district's foundation allowance or the public school academy's or the education achievement system's per pupil amount calculated under section 20, not to exceed the basic foundation allowance under section 20 for the current state fiscal year, or of the public school academy's or the education achievement system's per membership pupil amount calculated under section 20 for the current state fiscal year. However, a public school academy that began operations as a public school academy, or an achievement school that began operations as an achievement school, after the pupil membership count day of the immediately preceding school year shall receive under this section for each membership pupil in the public school academy or in the education achievement system who met the income eligibility criteria for free breakfast, lunch, or milk, as determined under the Richard B. Russell national school lunch act and as reported to the department not later than the fifth Wednesday after the pupil membership count day of the current fiscal year and adjusted not later than December 31 of the current fiscal year, an amount per pupil equal to 11.5% of the public school academy's or the education achievement system's per membership pupil amount calculated under section 20 for the current state fiscal year.

(4) Except as otherwise provided in this section, a district or public school academy, or the education achievement system, receiving funding under this section shall use that money only to provide instructional programs and direct noninstructional services, including, but not limited to, medical, mental health, or counseling services, for at-risk pupils; for school health clinics; and for the purposes of subsection (5), (6), (7), or (10). In addition, a district that is a school district of the first class or a district or public school academy in which at least 50% of the pupils in membership met the income eligibility criteria for free breakfast, lunch, or milk in the immediately preceding state fiscal year, as determined and reported as described in subsection (3), or the education achievement system if it meets this requirement, may use not more than 20% of the funds it receives under this section for school security. A district, the public school academy, or the education achievement system shall not use any of that money for administrative costs. The instruction or direct noninstructional services provided under this section may be conducted before or after regular school hours or by adding extra school days to the school year.

(5) A district or public school academy that receives funds under this section and that operates a school breakfast program under section 1272a of the revised school code, MCL 380.1272a, or the education achievement system if it operates a school breakfast program, shall use from the funds received under this section an amount, not to exceed \$10.00 per pupil for whom the district or public school academy or the education achievement system receives funds under this section, necessary to pay for costs associated with the operation of the school breakfast program.

(6) From the funds allocated under subsection (1), there is allocated for 2014-2015 an amount not to exceed \$3,557,300.00 to support child and adolescent health centers. These grants shall be awarded for 5 consecutive years beginning with 2003-2004 in a form and manner approved jointly by the department and the department of community health. Each grant recipient shall remain in compliance with the terms of the grant award or shall forfeit the grant award for the duration of the 5-year period after the noncompliance. To continue to receive funding for a child and adolescent health center under this section a grant recipient shall ensure that the child and adolescent health center has an advisory committee and that at least one-third of the members of the advisory

committee are parents or legal guardians of school-aged children. A child and adolescent health center program shall recognize the role of a child's parents or legal guardian in the physical and emotional well-being of the child. Funding under this subsection shall be used to support child and adolescent health center services provided to children up to age 21. If any funds allocated under this subsection are not used for the purposes of this subsection for the fiscal year in which they are allocated, those unused funds shall be used that fiscal year to avoid or minimize any proration that would otherwise be required under subsection (14) for that fiscal year.

(7) From the funds allocated under subsection (1), there is allocated for 2014-2015 an amount not to exceed \$5,150,000.00 for the state portion of the hearing and vision screenings as described in section 9301 of the public health code, 1978 PA 368, MCL 333.9301. A local public health department shall pay at least 50% of the total cost of the screenings. The frequency of the screenings shall be as required under R 325.13091 to R 325.13096 and R 325.3271 to R 325.3276 of the Michigan administrative code. Funds shall be awarded in a form and manner approved jointly by the department and the department of community health. Notwithstanding section 17b, payments to eligible entities under this subsection shall be paid on a schedule determined by the department.

(8) Each district or public school academy receiving funds under this section and the education achievement system shall submit to the department by July 15 of each fiscal year a report, not to exceed 10 pages, on the usage by the district or public school academy or the education achievement system of funds under this section, which report shall include a brief description of each program conducted or services performed by the district or public school academy or the education achievement system using funds under this section, the amount of funds under this section allocated to each of those programs or services, the total number of at-risk pupils served by each of those programs or services, and the data necessary for the department and the department of human services to verify matching funds for the temporary assistance for needy families program. If a district or public school academy or the education achievement system does not comply with this subsection, the department shall withhold an amount equal to the August payment due under this section until the district or public school academy or the education achievement system complies with this subsection. If the district or public school academy or the education achievement system does not comply with this subsection by the end of the state fiscal year, the withheld funds shall be forfeited to the school aid fund.

(9) In order to receive funds under this section, a district or public school academy or the education achievement system shall allow access for the department or the department's designee to audit all records related to the program for which it receives those funds. The district or public school academy or the education achievement system shall reimburse the state for all disallowances found in the audit.

(10) Subject to subsections (5), (6), and (7), a district may use up to 100% of the funds it receives under this section to implement schoolwide reform in schools with 40% or more of their pupils identified as at-risk pupils by providing supplemental instructional or noninstructional services consistent with the school improvement plan.

(11) If necessary, and before any proration required under section 296, the department shall prorate payments under this section by reducing the amount of the per pupil payment under this section by a dollar amount calculated by determining the amount by which the amount necessary to fully fund the requirements of this section exceeds the maximum amount allocated under this section and then dividing that amount by the total statewide number of pupils who met the income eligibility criteria for

free breakfast, lunch, or milk in the immediately preceding fiscal year, as described in subsection (3).

(12) If a district is formed by consolidation after June 1, 1995, and if 1 or more of the original districts was not eligible before the consolidation for an additional allowance under this section, the amount of the additional allowance under this section for the consolidated district shall be based on the number of pupils described in subsection (1) enrolled in the consolidated district who reside in the territory of an original district that was eligible before the consolidation for an additional allowance under this section. In addition, if a district is dissolved pursuant to section 12 of the revised school code, MCL 380.12, the intermediate district to which the dissolved school district was constituent shall determine the estimated number of pupils that meet the income eligibility criteria for free breakfast, lunch, or milk, as described under subsection (3), enrolled in each of the other districts within the intermediate district and provide that estimate to the department for the purposes of distributing funds under this section within 60 days after the school district is declared dissolved.

(13) As used in this section, "at-risk pupil" means a pupil for whom the district has documentation that the pupil meets any of the following criteria:

- (a) Is a victim of child abuse or neglect.
- (b) Is a pregnant teenager or teenage parent.
- (c) Has a family history of school failure, incarceration, or substance abuse.
- (d) For pupils for whom the results of the Michigan merit examination have been received, is a pupil who does not meet the other criteria under this subsection but who did not achieve proficiency on the reading, writing, mathematics, science, or social studies components of the most recent Michigan merit examination for which results for the pupil have been received.
- (e) For pupils in grades K-3, is a pupil who is at risk of not meeting the district's core academic curricular objectives in English language arts or mathematics.
- (f) The pupil is enrolled in a priority or priority-successor school, as defined in the elementary and secondary education act of 2001 flexibility waiver approved by the United States department of education.
- (g) The pupil did not achieve a score of at least proficient on 2 or more state-administered assessments for English language arts, mathematics, science, or social studies.
- (h) For high school pupils in grades not assessed by the state, the pupil did not receive a satisfactory score on 2 or more end-of-course examinations that are aligned with state standards in English language arts, mathematics, science, or social studies. For middle school pupils in grades not assessed by the state, the pupil did not receive a satisfactory score on 2 or more end-of-semester or end-of-trimester examinations that are aligned with state standards in science or social studies. For pupils in the elementary grades in grades and subjects not assessed by the state, the pupil did not receive a satisfactory score or did not have a satisfactory outcome on 2 or more interim assessments in English language arts, mathematics, science, or social studies.
- (i) In the absence of state or local assessment data, the pupil meets at least 2 of the following criteria, as documented in a form and manner approved by the department:
 - (i) The pupil is eligible for free breakfast, lunch, or milk.
 - (ii) The pupil is absent more than 10% of enrolled days or 10 school days during the school year.
 - (iii) The pupil is homeless.
 - (iv) The pupil is a migrant.

(v) The pupil is an English language learner.

(vi) The pupil is an immigrant who has immigrated within the immediately preceding 3 years.

(vii) The pupil did not complete high school in 4 years and is still continuing in school as identified in the Michigan cohort graduation and dropout report.

(14) Beginning in 2014-2015, if a district, public school academy, or the education achievement system does not demonstrate to the satisfaction of the department that at least 50% of at-risk pupils are reading at grade level by the end of grade 3 as measured by the state assessment and demonstrate to the satisfaction of the department improvement over 3 consecutive years in the percentage of at-risk pupils that are career- and college-ready as measured by the pupil's score on each of the individual subject areas on the college entrance examination portion of the Michigan merit examination under section 1279g(2)(a) of the revised school code, MCL 380.1279g, the district, public school academy, or education achievement system shall ensure all of the following:

(a) The district, public school academy, or the education achievement system shall determine the proportion of total at-risk pupils that represents the number of pupils in grade 3 that are not reading at grade level by the end of grade 3, and the district, public school academy, or the education achievement system shall expend that same proportion multiplied by 1/2 of its total at-risk funds under this section on tutoring and other methods of improving grade 3 reading levels.

(b) The district, public school academy, or the education achievement system shall determine the proportion of total at-risk pupils that represent the number of pupils in grade 11 that are not career- and college-ready as measured by the student's score on each of the individual subject areas on the college entrance examination portion of the Michigan merit examination under section 1279g(2)(a) of the revised school code, MCL 380.1279g, and the district, public school academy, or the education achievement system shall expend that same proportion multiplied by 1/2 of its total at-risk funds under this section on tutoring and other activities to improve scores on the college entrance examination portion of the Michigan merit examination.

(15) As used in subsection (14), "total at risk pupils" means the sum of the number of pupils in grade 3 that are not reading at grade level by the end of third grade and the number of pupils in grade 11 that are not career- and college-ready as measured by the student's score on each of the individual subject areas on the college entrance examination portion of the Michigan merit examination under section 1279g(2)(a) of the revised school code, MCL 380.1279g.

(16) A district or public school academy that receives funds under this section or the education achievement system may use funds received under this section to provide an anti-bullying or crisis intervention program.

Enacting section 1. Section 31a of the state school aid act of 1979, 1979 PA 94, MCL 388.1631a, as amended by this amendatory act, does not take effect unless Senate Joint Resolution ____ or House Joint Resolution UU of the 97th Legislature becomes a part of the state constitution of 1963 as provided in section 1 of article XII of the state constitution of 1963.

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