

**SUBSTITUTE FOR
SENATE BILL NO. 80**

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 2012 PA 201.

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 or intermediate
9 district under this article may be transferred by the board to
10 either the capital projects fund or to the debt retirement fund for

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

6 (2) Within 30 days after a board adopts its annual operating
7 budget for the following school fiscal year, or after a board
8 adopts a subsequent revision to that budget, the district shall
9 make all of the following available through a link on its website
10 home page, or may make the information available through a link on
11 its intermediate district's website home page, in a form and manner
12 prescribed by the department:

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

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

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

21 (A) Salaries and wages.

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

25 (C) Retirement benefit costs.

26 (D) All other personnel costs.

27 (ii) A chart of all district expenditures, broken into the

1 following subcategories:

2 (A) Instruction.

3 (B) Support services.

4 (C) Business and administration.

5 (D) Operations and maintenance.

6 (c) Links to all of the following:

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

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

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

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

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

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

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

27 (d) The total salary and a description and cost of each fringe

1 benefit included in the compensation package for the superintendent
2 of the district and for each employee of the district whose salary
3 exceeds \$100,000.00.

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

5 (f) The annual amount spent on lobbying or lobbying services.

6 As used in this subdivision, "lobbying" means that term as defined
7 in section 5 of 1978 PA 472, MCL 4.415.

8 (3) For the information required under subsection (2)(a),
9 (2)(b)(i), and (2)(c), an intermediate district shall provide the
10 same information in the same manner as required for a district
11 under subsection (2).

12 (4) For the purpose of determining the reasonableness of
13 expenditures and whether a violation of this article has occurred,
14 all of the following apply:

15 (a) The department shall require that each district and
16 intermediate district have an audit of the district's or
17 intermediate district's financial and pupil accounting records
18 conducted at least annually at the expense of the district or
19 intermediate district, as applicable, by a certified public
20 accountant or by the intermediate district superintendent, as may
21 be required by the department, or in the case of a district of the
22 first class by a certified public accountant, the intermediate
23 superintendent, or the auditor general of the city.

24 (b) If a district operates in a single building with fewer
25 than 700 full-time equated pupils, if the district has stable
26 membership, and if the error rate of the immediately preceding 2
27 pupil accounting field audits of the district is less than 2%, the

1 district may have a pupil accounting field audit conducted
2 biennially but must continue to have desk audits for each pupil
3 count. The auditor must document compliance with the audit cycle in
4 the pupil auditing manual. As used in this subdivision, "stable
5 membership" means that the district's membership for the current
6 fiscal year varies from the district's membership for the
7 immediately preceding fiscal year by less than 5%.

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

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

16 (e) All of the following shall be done not later than November
17 15 each year:

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

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

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

26 (f) The annual financial audit reports and pupil accounting
27 procedures reports shall be available to the public in compliance

1 with the freedom of information act, 1976 PA 442, MCL 15.231 to
2 15.246.

3 (g) Not later than January 31 of each year, the department
4 shall notify the state budget director and the legislative
5 appropriations subcommittees responsible for review of the school
6 aid budget of districts and intermediate districts that have not
7 filed an annual financial audit and pupil accounting procedures
8 report required under this section for the school year ending in
9 the immediately preceding fiscal year.

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

1 report the required level of detail consistent with the manual as
2 part of the comprehensive annual financial report.

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

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

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

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

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

27 (11) Not later than October 1, 2012, if a district or

1 intermediate district offers online learning, the district or
2 intermediate district shall submit to the department a report that
3 details the per-pupil costs of operating the online learning. The
4 report shall include, on a per-pupil basis, at least all of the
5 following costs:

6 (a) Textbooks, instructional materials, and supplies,
7 including electronic instructional material.

8 (b) Computer and other electronic equipment, including
9 internet and telephone access.

10 (c) Salaries and benefits for the online learning employees.

11 (d) Purchased courses and curricula.

12 (e) Fees associated with oversight and regulation.

13 (f) Travel costs associated with school activities and
14 testing.

15 (g) Facilities costs.

16 (h) Costs associated with special education.

17 (12) Not later than December 31, 2012, the department shall
18 issue a report to the legislature including the following:

19 (a) A review of the data submitted under subsection (11).

20 (b) A comparison with costs of substantially similar programs
21 in other states and relevant national research on the costs of
22 online learning.

23 (c) Any conclusions concerning factors or characteristics of
24 online learning programs that make a difference in the costs of
25 operating the programs.

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

1 Enacting section 2. This amendatory act does not take effect
2 unless Senate Bill No. 81 of the 97th Legislature is enacted into
3 law.