

**HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 755**

A bill to amend 1979 PA 94, entitled  
"The state school aid act of 1979,"  
by amending sections 19, 51a, and 58 (MCL 388.1619, 388.1651a, and  
388.1658), sections 19 and 51a as amended by 2016 PA 249 and  
section 58 as amended by 1997 PA 93, and by adding section 19a.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 19. (1) A district or intermediate district shall comply  
2 with all applicable reporting requirements specified in state and  
3 federal law. Data provided to the center, in a form and manner  
4 prescribed by the center, shall be aggregated and disaggregated as  
5 required by state and federal law. In addition, a district or  
6 intermediate district shall cooperate with all measures taken by  
7 the center to establish and maintain a statewide P-20 longitudinal

1 data system.

2 (2) Each district shall furnish to the center not later than 5  
3 weeks after the pupil membership count day and by June 30 of the  
4 school fiscal year ending in the fiscal year, in a manner  
5 prescribed by the center, the information necessary for the  
6 preparation of the district and high school graduation report. This  
7 information shall meet requirements established in the pupil  
8 auditing manual approved and published by the department. The  
9 center shall calculate an annual graduation and pupil dropout rate  
10 for each high school, each district, and this state, in compliance  
11 with nationally recognized standards for these calculations. The  
12 center shall report all graduation and dropout rates to the senate  
13 and house education committees and appropriations committees, the  
14 state budget director, and the department not later than 30 days  
15 after the publication of the list described in subsection ~~(6)~~(5).  
16 **BEFORE REPORTING THESE GRADUATION AND DROPOUT RATES, THE DEPARTMENT**  
17 **SHALL ALLOW A SCHOOL OR DISTRICT TO APPEAL THE CALCULATIONS. THE**  
18 **DEPARTMENT SHALL CONSIDER AND ACT UPON THE APPEAL WITHIN 30 DAYS**  
19 **AFTER IT IS SUBMITTED AND SHALL NOT REPORT THESE GRADUATION AND**  
20 **DROPOUT RATES UNTIL AFTER ALL APPEALS HAVE BEEN CONSIDERED AND**  
21 **DECIDED.**

22 (3) By the first business day in December and by June 30 of  
23 each year, a district shall furnish to the center, in a manner  
24 prescribed by the center, information related to educational  
25 personnel as necessary for reporting required by state and federal  
26 law. **FOR THE PURPOSES OF THIS SUBSECTION, THE CENTER SHALL ONLY**  
27 **REQUIRE DISTRICTS AND INTERMEDIATE DISTRICTS TO REPORT INFORMATION**

1   **THAT IS NOT ALREADY AVAILABLE FROM THE OFFICE OF RETIREMENT**  
2   **SERVICES IN THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT, AND BUDGET.**

3   ~~—— (4) By June 30 of each year, a district shall furnish to the~~  
4   ~~center, in a manner prescribed by the center, information related~~  
5   ~~to safety practices and criminal incidents as necessary for~~  
6   ~~reporting required by state and federal law.~~

7       **(4)** ~~(5)~~—If a district or intermediate district fails to meet  
8   the requirements of this section, the department shall withhold 5%  
9   of the total funds for which the district or intermediate district  
10   qualifies under this article until the district or intermediate  
11   district complies with all of those subsections. If the district or  
12   intermediate district does not comply with all of those subsections  
13   by the end of the fiscal year, the department shall place the  
14   amount withheld in an escrow account until the district or  
15   intermediate district complies with all of those subsections.

16       **(5)** ~~(6)~~—Before publishing a list of school or district  
17   accountability designations as required by the no child left behind  
18   act of 2001, Public Law 107-110, or the every student succeeds act,  
19   Public Law 114-95, the department shall allow a school or district  
20   to appeal that determination. The department shall consider and act  
21   upon the appeal within 30 days after it is submitted and shall not  
22   publish the list until after all appeals have been considered and  
23   decided.

24       **(6)** ~~(7)~~—Beginning in 2016-2017, the department shall implement  
25   statewide standard reporting requirements for education data  
26   approved by the department in conjunction with the center. The  
27   department shall work with the center, intermediate districts,

1 districts, and other interested stakeholders to implement this  
2 policy change. A district or intermediate district shall implement  
3 the statewide standard reporting requirements not later than 2017-  
4 2018 or when a district or intermediate district updates its  
5 education data reporting system, whichever is later.

6       **SEC. 19A. ALL OF THE FOLLOWING APPLY TO REPORTS REQUIRED BY**  
7 **THE SUPERINTENDENT, DEPARTMENT, OR CENTER TO BE SUBMITTED UNDER**  
8 **THIS ACT:**

9       **(A) THE SUPERINTENDENT, DEPARTMENT, OR CENTER SHALL NOT**  
10 **REQUIRE, OR PROMULGATE A RULE REQUIRING, A NEW REPORT TO BE**  
11 **SUBMITTED UNLESS STATE OR FEDERAL LAW SPECIFICALLY REQUIRES OR**  
12 **AUTHORIZES THE REPORT.**

13       **(B) THE SUPERINTENDENT, DEPARTMENT, OR CENTER SHALL NOT**  
14 **REQUIRE, OR PROMULGATE A RULE REQUIRING, ANY MODIFICATIONS OR**  
15 **ADDITIONS TO A REPORT THAT, AS OF THE EFFECTIVE DATE OF THIS**  
16 **SECTION, IS ALREADY REQUIRED TO BE SUBMITTED UNLESS 1 OR BOTH OF**  
17 **THE FOLLOWING APPLY:**

18       **(i) STATE OR FEDERAL LAW SPECIFICALLY REQUIRES OR AUTHORIZES**  
19 **THE MODIFICATION OR ADDITION.**

20       **(ii) THE MODIFICATION OR ADDITION WILL REDUCE OR ELIMINATE A**  
21 **REPORTING REQUIREMENT.**

22       **(C) IF THE SUPERINTENDENT, DEPARTMENT, OR CENTER REQUIRES, OR**  
23 **PROMULGATES A RULE REQUIRING, A NEW REPORT OR ADDITIONAL**  
24 **INFORMATION TO BE SUBMITTED UNDER THE CONDITIONS SPECIFIED UNDER**  
25 **SUBDIVISIONS (A) AND (B), THE SUPERINTENDENT, DEPARTMENT, OR CENTER**  
26 **SHALL ENSURE THAT THE NEW REPORT OR ADDITIONAL INFORMATION MAY BE**  
27 **SUBMITTED ELECTRONICALLY.**

1       Sec. 51a. (1) From the appropriation in section 11, there is  
2 allocated an amount not to exceed \$945,246,100.00 for 2015-2016 and  
3 an amount not to exceed \$973,046,100.00 for 2016-2017 from state  
4 sources and all available federal funding under sections 611 to 619  
5 of part B of the individuals with disabilities education act, 20  
6 USC 1411 to 1419, estimated at \$370,000,000.00 each fiscal year for  
7 2015-2016 and for 2016-2017, plus any carryover federal funds from  
8 previous year appropriations. The allocations under this subsection  
9 are for the purpose of reimbursing districts and intermediate  
10 districts for special education programs, services, and special  
11 education personnel as prescribed in article 3 of the revised  
12 school code, MCL 380.1701 to 380.1766; net tuition payments made by  
13 intermediate districts to the Michigan schools for the deaf and  
14 blind; and special education programs and services for pupils who  
15 are eligible for special education programs and services according  
16 to statute or rule. For meeting the costs of special education  
17 programs and services not reimbursed under this article, a district  
18 or intermediate district may use money in general funds or special  
19 education funds, not otherwise restricted, or contributions from  
20 districts to intermediate districts, tuition payments, gifts and  
21 contributions from individuals or other entities, or federal funds  
22 that may be available for this purpose, as determined by the  
23 intermediate district plan prepared pursuant to article 3 of the  
24 revised school code, MCL 380.1701 to 380.1766. Notwithstanding  
25 section 17b, payments of federal funds to districts, intermediate  
26 districts, and other eligible entities under this section shall be  
27 paid on a schedule determined by the department.

1           (2) From the funds allocated under subsection (1), there is  
2 allocated the amount necessary, estimated at \$263,500,000.00 for  
3 2015-2016 and estimated at \$271,600,000.00 for 2016-2017, for  
4 payments toward reimbursing districts and intermediate districts  
5 for 28.6138% of total approved costs of special education,  
6 excluding costs reimbursed under section 53a, and 70.4165% of total  
7 approved costs of special education transportation. Allocations  
8 under this subsection shall be made as follows:

9           (a) The initial amount allocated to a district under this  
10 subsection toward fulfilling the specified percentages shall be  
11 calculated by multiplying the district's special education pupil  
12 membership, excluding pupils described in subsection (11), times  
13 the foundation allowance under section 20 of the pupil's district  
14 of residence plus the amount of the district's per-pupil allocation  
15 under section 20m, not to exceed the basic foundation allowance  
16 under section 20 for the current fiscal year, or, for a special  
17 education pupil in membership in a district that is a public school  
18 academy, times an amount equal to the amount per membership pupil  
19 calculated under section 20(6) or, for a pupil described in this  
20 subsection who is counted in membership in the education  
21 achievement system, times an amount equal to the amount per  
22 membership pupil under section 20(7). For an intermediate district,  
23 the amount allocated under this subdivision toward fulfilling the  
24 specified percentages shall be an amount per special education  
25 membership pupil, excluding pupils described in subsection (11),  
26 and shall be calculated in the same manner as for a district, using  
27 the foundation allowance under section 20 of the pupil's district

1 of residence, not to exceed the basic foundation allowance under  
2 section 20 for the current fiscal year, and that district's per-  
3 pupil allocation under section 20m.

4 (b) After the allocations under subdivision (a), districts and  
5 intermediate districts for which the payments calculated under  
6 subdivision (a) do not fulfill the specified percentages shall be  
7 paid the amount necessary to achieve the specified percentages for  
8 the district or intermediate district.

9 (3) From the funds allocated under subsection (1), there is  
10 allocated for 2015-2016 an amount not to exceed \$1,000,000.00 and  
11 there is allocated for 2016-2017 an amount not to exceed  
12 \$1,100,000.00 to make payments to districts and intermediate  
13 districts under this subsection. If the amount allocated to a  
14 district or intermediate district for a fiscal year under  
15 subsection (2)(b) is less than the sum of the amounts allocated to  
16 the district or intermediate district for 1996-97 under sections 52  
17 and 58, there is allocated to the district or intermediate district  
18 for the fiscal year an amount equal to that difference, adjusted by  
19 applying the same proration factor that was used in the  
20 distribution of funds under section 52 in 1996-97 as adjusted to  
21 the district's or intermediate district's necessary costs of  
22 special education used in calculations for the fiscal year. This  
23 adjustment is to reflect reductions in special education program  
24 operations or services between 1996-97 and subsequent fiscal years.  
25 Adjustments for reductions in special education program operations  
26 or services shall be made in a manner determined by the department  
27 and shall include adjustments for program or service shifts.

1           (4) If the department determines that the sum of the amounts  
2 allocated for a fiscal year to a district or intermediate district  
3 under subsection (2)(a) and (b) is not sufficient to fulfill the  
4 specified percentages in subsection (2), then the shortfall shall  
5 be paid to the district or intermediate district during the fiscal  
6 year beginning on the October 1 following the determination and  
7 payments under subsection (3) shall be adjusted as necessary. If  
8 the department determines that the sum of the amounts allocated for  
9 a fiscal year to a district or intermediate district under  
10 subsection (2)(a) and (b) exceeds the sum of the amount necessary  
11 to fulfill the specified percentages in subsection (2), then the  
12 department shall deduct the amount of the excess from the  
13 district's or intermediate district's payments under this article  
14 for the fiscal year beginning on the October 1 following the  
15 determination and payments under subsection (3) shall be adjusted  
16 as necessary. However, if the amount allocated under subsection  
17 (2)(a) in itself exceeds the amount necessary to fulfill the  
18 specified percentages in subsection (2), there shall be no  
19 deduction under this subsection.

20           (5) State funds shall be allocated on a total approved cost  
21 basis. Federal funds shall be allocated under applicable federal  
22 requirements, except that an amount not to exceed \$3,500,000.00 may  
23 be allocated by the department each fiscal year for 2015-2016 and  
24 for 2016-2017 to districts, intermediate districts, or other  
25 eligible entities on a competitive grant basis for programs,  
26 equipment, and services that the department determines to be  
27 designed to benefit or improve special education on a statewide



1 scale.

2 (6) From the amount allocated in subsection (1), there is  
3 allocated an amount not to exceed \$2,200,000.00 each fiscal year  
4 for 2015-2016 and for 2016-2017 to reimburse 100% of the net  
5 increase in necessary costs incurred by a district or intermediate  
6 district in implementing the revisions in the administrative rules  
7 for special education that became effective on July 1, 1987. As  
8 used in this subsection, "net increase in necessary costs" means  
9 the necessary additional costs incurred solely because of new or  
10 revised requirements in the administrative rules minus cost savings  
11 permitted in implementing the revised rules. Net increase in  
12 necessary costs shall be determined in a manner specified by the  
13 department.

14 (7) For purposes of sections 51a to 58, all of the following  
15 apply:

16 (a) "Total approved costs of special education" shall be  
17 determined in a manner specified by the department and may include  
18 indirect costs, but shall not exceed 115% of approved direct costs  
19 for section 52 and section 53a programs. The total approved costs  
20 include salary and other compensation for all approved special  
21 education personnel for the program, including payments for social  
22 security and Medicare and public school employee retirement system  
23 contributions. The total approved costs do not include salaries or  
24 other compensation paid to administrative personnel who are not  
25 special education personnel as defined in section 6 of the revised  
26 school code, MCL 380.6. Costs reimbursed by federal funds, other  
27 than those federal funds included in the allocation made under this

1 article, are not included. Special education approved personnel not  
2 utilized full time in the evaluation of students or in the delivery  
3 of special education programs, ancillary, and other related  
4 services shall be reimbursed under this section only for that  
5 portion of time actually spent providing these programs and  
6 services, with the exception of special education programs and  
7 services provided to youth placed in child caring institutions or  
8 juvenile detention programs approved by the department to provide  
9 an on-grounds education program.

10 (b) Beginning with the 2004-2005 fiscal year, a district or  
11 intermediate district that employed special education support  
12 services staff to provide special education support services in  
13 2003-2004 or in a subsequent fiscal year and that in a fiscal year  
14 after 2003-2004 receives the same type of support services from  
15 another district or intermediate district shall report the cost of  
16 those support services for special education reimbursement purposes  
17 under this article. **FOR THE PURPOSES OF THIS SUBDIVISION, THE**  
18 **DEPARTMENT OR THE CENTER SHALL ONLY REQUIRE DISTRICTS AND**  
19 **INTERMEDIATE DISTRICTS TO REPORT INFORMATION THAT IS NOT ALREADY**  
20 **AVAILABLE FROM THE CENTER'S FINANCIAL INFORMATION DATABASE.**

21 This subdivision does not prohibit the transfer of special  
22 education classroom teachers and special education classroom aides  
23 if the pupils counted in membership associated with those special  
24 education classroom teachers and special education classroom aides  
25 are transferred and counted in membership in the other district or  
26 intermediate district in conjunction with the transfer of those  
27 teachers and aides.

1 (c) If the department determines before bookclosing for a  
2 fiscal year that the amounts allocated for that fiscal year under  
3 subsections (2), (3), (6), and (11) and sections 53a, 54, and 56  
4 will exceed expenditures for that fiscal year under subsections  
5 (2), (3), (6), and (11) and sections 53a, 54, and 56, then for a  
6 district or intermediate district whose reimbursement for that  
7 fiscal year would otherwise be affected by subdivision (b),  
8 subdivision (b) does not apply to the calculation of the  
9 reimbursement for that district or intermediate district and  
10 reimbursement for that district or intermediate district shall be  
11 calculated in the same manner as it was for 2003-2004. If the  
12 amount of the excess allocations under subsections (2), (3), (6),  
13 and (11) and sections 53a, 54, and 56 is not sufficient to fully  
14 fund the calculation of reimbursement to those districts and  
15 intermediate districts under this subdivision, then the  
16 calculations and resulting reimbursement under this subdivision  
17 shall be prorated on an equal percentage basis. Beginning in 2015-  
18 2016, the amount of reimbursement under this subdivision for a  
19 fiscal year shall not exceed \$2,000,000.00 for any district or  
20 intermediate district.

21 (d) Reimbursement for ancillary and other related services, as  
22 defined by R 340.1701c of the Michigan ~~administrative code,~~  
23 **ADMINISTRATIVE CODE**, shall not be provided when those services are  
24 covered by and available through private group health insurance  
25 carriers or federal reimbursed program sources unless the  
26 department and district or intermediate district agree otherwise  
27 and that agreement is approved by the state budget director.

1 Expenses, other than the incidental expense of filing, shall not be  
2 borne by the parent. In addition, the filing of claims shall not  
3 delay the education of a pupil. A district or intermediate district  
4 shall be responsible for payment of a deductible amount and for an  
5 advance payment required until the time a claim is paid.

6 (e) Beginning with calculations for 2004-2005, if an  
7 intermediate district purchases a special education pupil  
8 transportation service from a constituent district that was  
9 previously purchased from a private entity; if the purchase from  
10 the constituent district is at a lower cost, adjusted for changes  
11 in fuel costs; and if the cost shift from the intermediate district  
12 to the constituent does not result in any net change in the revenue  
13 the constituent district receives from payments under sections 22b  
14 and 51c, then upon application by the intermediate district, the  
15 department shall direct the intermediate district to continue to  
16 report the cost associated with the specific identified special  
17 education pupil transportation service and shall adjust the costs  
18 reported by the constituent district to remove the cost associated  
19 with that specific service. **FOR THE PURPOSES OF THIS SUBDIVISION,**  
20 **THE DEPARTMENT OR THE CENTER SHALL ONLY REQUIRE DISTRICTS AND**  
21 **INTERMEDIATE DISTRICTS TO REPORT INFORMATION THAT IS NOT ALREADY**  
22 **AVAILABLE FROM THE CENTER'S FINANCIAL INFORMATION DATABASE.**

23 (8) A pupil who is enrolled in a full-time special education  
24 program conducted or administered by an intermediate district or a  
25 pupil who is enrolled in the Michigan schools for the deaf and  
26 blind shall not be included in the membership count of a district,  
27 but shall be counted in membership in the intermediate district of

1 residence.

2 (9) Special education personnel transferred from 1 district to  
3 another to implement the revised school code shall be entitled to  
4 the rights, benefits, and tenure to which the person would  
5 otherwise be entitled had that person been employed by the  
6 receiving district originally.

7 (10) If a district or intermediate district uses money  
8 received under this section for a purpose other than the purpose or  
9 purposes for which the money is allocated, the department may  
10 require the district or intermediate district to refund the amount  
11 of money received. Money that is refunded shall be deposited in the  
12 state treasury to the credit of the state school aid fund.

13 (11) From the funds allocated in subsection (1), there is  
14 allocated the amount necessary, estimated at \$3,800,000.00 for  
15 2015-2016 and estimated at \$3,700,000.00 for 2016-2017, to pay the  
16 foundation allowances for pupils described in this subsection. The  
17 allocation to a district under this subsection shall be calculated  
18 by multiplying the number of pupils described in this subsection  
19 who are counted in membership in the district times the sum of the  
20 foundation allowance under section 20 of the pupil's district of  
21 residence plus the amount of the district's per-pupil allocation  
22 under section 20m, not to exceed the basic foundation allowance  
23 under section 20 for the current fiscal year, or, for a pupil  
24 described in this subsection who is counted in membership in a  
25 district that is a public school academy, times an amount equal to  
26 the amount per membership pupil under section 20(6) or, for a pupil  
27 described in this subsection who is counted in membership in the

1 education achievement system, times an amount equal to the amount  
2 per membership pupil under section 20(7). The allocation to an  
3 intermediate district under this subsection shall be calculated in  
4 the same manner as for a district, using the foundation allowance  
5 under section 20 of the pupil's district of residence, not to  
6 exceed the basic foundation allowance under section 20 for the  
7 current fiscal year, and that district's per-pupil allocation under  
8 section 20m. This subsection applies to all of the following  
9 pupils:

10 (a) Pupils described in section 53a.

11 (b) Pupils counted in membership in an intermediate district  
12 who are not special education pupils and are served by the  
13 intermediate district in a juvenile detention or child caring  
14 facility.

15 (c) Pupils with an emotional impairment counted in membership  
16 by an intermediate district and provided educational services by  
17 the department of health and human services.

18 (12) If it is determined that funds allocated under subsection  
19 (2) or (11) or under section 51c will not be expended, funds up to  
20 the amount necessary and available may be used to supplement the  
21 allocations under subsection (2) or (11) or under section 51c in  
22 order to fully fund those allocations. After payments under  
23 subsections (2) and (11) and section 51c, the remaining  
24 expenditures from the allocation in subsection (1) shall be made in  
25 the following order:

26 (a) 100% of the reimbursement required under section 53a.

27 (b) 100% of the reimbursement required under subsection (6).

1 (c) 100% of the payment required under section 54.

2 (d) 100% of the payment required under subsection (3).

3 (e) 100% of the payments under section 56.

4 (13) The allocations under subsections (2), (3), and (11)  
5 shall be allocations to intermediate districts only and shall not  
6 be allocations to districts, but instead shall be calculations used  
7 only to determine the state payments under section 22b.

8 (14) If a public school academy enrolls pursuant to this  
9 section a pupil who resides outside of the intermediate district in  
10 which the public school academy is located and who is eligible for  
11 special education programs and services according to statute or  
12 rule, or who is a child with disabilities, as defined under the  
13 individuals with disabilities education act, Public Law 108-446,  
14 the provision of special education programs and services and the  
15 payment of the added costs of special education programs and  
16 services for the pupil are the responsibility of the district and  
17 intermediate district in which the pupil resides unless the  
18 enrolling district or intermediate district has a written agreement  
19 with the district or intermediate district in which the pupil  
20 resides or the public school academy for the purpose of providing  
21 the pupil with a free appropriate public education and the written  
22 agreement includes at least an agreement on the responsibility for  
23 the payment of the added costs of special education programs and  
24 services for the pupil.

25 (15) Beginning in 2016-2017, a district, public school  
26 academy, or intermediate district that fails to comply with  
27 subsection (14) or with the requirements of federal regulations

1 regarding the treatment of public school academies and public  
2 school academy pupils for the purposes of special education, 34 CFR  
3 300.209, forfeits from its total state aid an amount equal to 10%  
4 of its total state aid.

5       Sec. 58. Allocations to districts and intermediate districts  
6 under section 51a for providing special education transportation  
7 services shall be based on data reported by the districts and  
8 intermediate districts for the current school year. **FOR THE**  
9 **PURPOSES OF THIS SECTION, THE DEPARTMENT OR THE CENTER SHALL ONLY**  
10 **REQUIRE DISTRICTS AND INTERMEDIATE DISTRICTS TO REPORT INFORMATION**  
11 **THAT IS NOT ALREADY AVAILABLE FROM THE CENTER'S FINANCIAL**  
12 **INFORMATION DATABASE.**

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