

**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.**

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

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

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

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

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

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

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

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

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~~scale.~~

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

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

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

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

~~———— (b) Beginning with the 2004-2005 fiscal year, a district or
intermediate district that employed special education support
services staff to provide special education support services in
2003-2004 or in a subsequent fiscal year and that in a fiscal year
after 2003-2004 receives the same type of support services from
another district or intermediate district shall report the cost of
those support services for special education reimbursement purposes
under this article.~~

~~This subdivision does not prohibit the transfer of special
education classroom teachers and special education classroom aides
if the pupils counted in membership associated with those special
education classroom teachers and special education classroom aides
are transferred and counted in membership in the other district or
intermediate district in conjunction with the transfer of those
teachers and aides.~~

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~~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 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.~~

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

~~—— (c) Beginning with calculations for 2004-2005, if an intermediate district purchases a special education pupil transportation service from a constituent district that was previously purchased from a private entity; if the purchase from the constituent district is at a lower cost, adjusted for changes in fuel costs; and if the cost shift from the intermediate district to the constituent does not result in any net change in the revenue the constituent district receives from payments under sections 22b and 51c, then upon application by the intermediate district, the department shall direct the intermediate district to continue to report the cost associated with the specific identified special education pupil transportation service and shall adjust the costs reported by the constituent district to remove the cost associated with that specific service.~~

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

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residence.

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

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

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

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

~~—— (a) Pupils described in section 53a.~~

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

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

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

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

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

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

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

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

~~(13) The allocations under subsections (2), (3), and (11)~~

~~shall be allocations to intermediate districts only and shall not~~

~~be allocations to districts, but instead shall be calculations used~~

~~only to determine the state payments under section 22b.~~

~~(14) If a public school academy enrolls pursuant to this~~

~~section a pupil who resides outside of the intermediate district in~~

~~which the public school academy is located and who is eligible for~~

~~special education programs and services according to statute or~~

~~rule, or who is a child with disabilities, as defined under the~~

~~individuals with disabilities education act, Public Law 108-446,~~

~~the provision of special education programs and services and the~~

~~payment of the added costs of special education programs and~~

~~services for the pupil are the responsibility of the district and~~

~~intermediate district in which the pupil resides unless the~~

~~enrolling district or intermediate district has a written agreement~~

~~with the district or intermediate district in which the pupil~~

~~resides or the public school academy for the purpose of providing~~

~~the pupil with a free appropriate public education and the written~~

~~agreement includes at least an agreement on the responsibility for~~

~~the payment of the added costs of special education programs and~~

~~services for the pupil.~~

~~(15) Beginning in 2016-2017, a district, public school~~

~~academy, or intermediate district that fails to comply with~~

~~subsection (14) or with the requirements of federal regulations~~

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

~~Sec. 58. Allocations to districts and intermediate districts
under section 51a for providing special education transportation
services shall be based on data reported by the districts and
intermediate districts for the current school year.~~

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