

**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), section 19 as amended by 2014 PA 196, section 51a as
amended by 2015 PA 85, 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, the department shall allow a
19 school or district to appeal that determination. The department
20 shall consider and act upon the appeal within 30 days after it is
21 submitted and shall not publish the list until after all appeals
22 have been considered and decided.

23 (6) ~~(7)~~ It is the intent of the legislature to implement not
24 later than 2016-2017, statewide standard reporting requirements for
25 education data approved by the department in conjunction with the
26 center. The department shall work with the center, intermediate
27 districts, districts, and other interested stakeholders to develop

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1 recommendations on the implementation of this policy change. A
2 district or intermediate district shall implement the statewide
3 standard reporting requirements not later than 2014-2015 or when a
4 district or intermediate district updates its education data
5 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
THE FOLLOWING APPLY:

(i) STATE>> OR

17 FEDERAL LAW SPECIFICALLY REQUIRES OR AUTHORIZES THE MODIFICATION OR
18 ADDITION.

<<(ii) THE MODIFICATION OR ADDITION WILL REDUCE OR ELIMINATE A
REPORTING REQUIREMENT.>>

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

25 Sec. 51a. (1) From the appropriation in section 11, there is
26 allocated an amount not to exceed \$901,946,100.00 for 2014-2015 and
27 ~~an amount not to exceed \$918,546,100.00 for 2015-2016 from state~~

1 sources and all available federal funding under sections 611 to 619
2 of part B of the individuals with disabilities education act, 20
3 USC 1411 to 1419, estimated at \$370,000,000.00 ~~each fiscal year for~~
4 ~~2014-2015 and for~~ 2015-2016, plus any carryover federal funds from
5 previous year appropriations. The allocations under this subsection
6 are for the purpose of reimbursing districts and intermediate
7 districts for special education programs, services, and special
8 education personnel as prescribed in article 3 of the revised
9 school code, MCL 380.1701 to 380.1766; net tuition payments made by
10 intermediate districts to the Michigan schools for the deaf and
11 blind; and special education programs and services for pupils who
12 are eligible for special education programs and services according
13 to statute or rule. For meeting the costs of special education
14 programs and services not reimbursed under this article, a district
15 or intermediate district may use money in general funds or special
16 education funds, not otherwise restricted, or contributions from
17 districts to intermediate districts, tuition payments, gifts and
18 contributions from individuals or other entities, or federal funds
19 that may be available for this purpose, as determined by the
20 intermediate district plan prepared pursuant to article 3 of the
21 revised school code, MCL 380.1701 to 380.1766. Notwithstanding
22 section 17b, payments of federal funds to districts, intermediate
23 districts, and other eligible entities under this section shall be
24 paid on a schedule determined by the department.

25 (2) From the funds allocated under subsection (1), there is
26 allocated the amount necessary, estimated at ~~\$248,100,000.00 for~~
27 ~~2014-2015 and estimated at~~ \$251,800,000.00 for 2015-2016, for

1 payments toward reimbursing districts and intermediate districts
2 for 28.6138% of total approved costs of special education,
3 excluding costs reimbursed under section 53a, and 70.4165% of total
4 approved costs of special education transportation. Allocations
5 under this subsection shall be made as follows:

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

26 (b) After the allocations under subdivision (a), districts and
27 intermediate districts for which the payments calculated under

1 subdivision (a) do not fulfill the specified percentages shall be
2 paid the amount necessary to achieve the specified percentages for
3 the district or intermediate district.

4 (3) From the funds allocated under subsection (1), ~~there is~~
5 ~~allocated for 2014-2015 an amount not to exceed \$1,000,000.00 and~~
6 there is allocated for 2015-2016 an amount not to exceed
7 \$1,300,000.00 to make payments to districts and intermediate
8 districts under this subsection. If the amount allocated to a
9 district or intermediate district for a fiscal year under
10 subsection (2)(b) is less than the sum of the amounts allocated to
11 the district or intermediate district for 1996-97 under sections 52
12 and 58, there is allocated to the district or intermediate district
13 for the fiscal year an amount equal to that difference, adjusted by
14 applying the same proration factor that was used in the
15 distribution of funds under section 52 in 1996-97 as adjusted to
16 the district's or intermediate district's necessary costs of
17 special education used in calculations for the fiscal year. This
18 adjustment is to reflect reductions in special education program
19 operations or services between 1996-97 and subsequent fiscal years.
20 Adjustments for reductions in special education program operations
21 or services shall be made in a manner determined by the department
22 and shall include adjustments for program or service shifts.

23 (4) If the department determines that the sum of the amounts
24 allocated for a fiscal year to a district or intermediate district
25 under subsection (2)(a) and (b) is not sufficient to fulfill the
26 specified percentages in subsection (2), then the shortfall shall
27 be paid to the district or intermediate district during the fiscal

1 year beginning on the October 1 following the determination and
2 payments under subsection (3) shall be adjusted as necessary. If
3 the department determines that the sum of the amounts allocated for
4 a fiscal year to a district or intermediate district under
5 subsection (2)(a) and (b) exceeds the sum of the amount necessary
6 to fulfill the specified percentages in subsection (2), then the
7 department shall deduct the amount of the excess from the
8 district's or intermediate district's payments under this article
9 for the fiscal year beginning on the October 1 following the
10 determination and payments under subsection (3) shall be adjusted
11 as necessary. However, if the amount allocated under subsection
12 (2)(a) in itself exceeds the amount necessary to fulfill the
13 specified percentages in subsection (2), there shall be no
14 deduction under this subsection.

15 (5) State funds shall be allocated on a total approved cost
16 basis. Federal funds shall be allocated under applicable federal
17 requirements, except that an amount not to exceed \$3,500,000.00 may
18 be allocated by the department ~~each fiscal year for 2014-2015 and~~
19 ~~for 2015-2016~~ to districts, intermediate districts, or other
20 eligible entities on a competitive grant basis for programs,
21 equipment, and services that the department determines to be
22 designed to benefit or improve special education on a statewide
23 scale.

24 (6) From the amount allocated in subsection (1), there is
25 allocated an amount not to exceed \$2,200,000.00 ~~each fiscal year~~
26 ~~for 2014-2015 and for 2015-2016~~ to reimburse 100% of the net
27 increase in necessary costs incurred by a district or intermediate

1 district in implementing the revisions in the administrative rules
2 for special education that became effective on July 1, 1987. As
3 used in this subsection, "net increase in necessary costs" means
4 the necessary additional costs incurred solely because of new or
5 revised requirements in the administrative rules minus cost savings
6 permitted in implementing the revised rules. Net increase in
7 necessary costs shall be determined in a manner specified by the
8 department.

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

11 (a) "Total approved costs of special education" shall be
12 determined in a manner specified by the department and may include
13 indirect costs, but shall not exceed 115% of approved direct costs
14 for section 52 and section 53a programs. The total approved costs
15 include salary and other compensation for all approved special
16 education personnel for the program, including payments for social
17 security and Medicare and public school ~~employee~~ **EMPLOYEES'**
18 retirement system contributions. The total approved costs do not
19 include salaries or other compensation paid to administrative
20 personnel who are not special education personnel as defined in
21 section 6 of the revised school code, MCL 380.6. Costs reimbursed
22 by federal funds, other than those federal funds included in the
23 allocation made under this article, are not included. Special
24 education approved personnel not utilized full time in the
25 evaluation of students or in the delivery of special education
26 programs, ancillary, and other related services shall be reimbursed
27 under this section only for that portion of time actually spent

1 providing these programs and services, with the exception of
2 special education programs and services provided to youth placed in
3 child caring institutions or juvenile detention programs approved
4 by the department to provide an on-grounds education program.

5 (b) Beginning with the 2004-2005 fiscal year, a district or
6 intermediate district that employed special education support
7 services staff to provide special education support services in
8 2003-2004 or in a subsequent fiscal year and that in a fiscal year
9 after 2003-2004 receives the same type of support services from
10 another district or intermediate district shall report the cost of
11 those support services for special education reimbursement purposes
12 under this article. **FOR THE PURPOSES OF THIS SUBDIVISION, THE**
13 **DEPARTMENT OR THE CENTER SHALL ONLY REQUIRE DISTRICTS AND**
14 **INTERMEDIATE DISTRICTS TO REPORT INFORMATION THAT IS NOT ALREADY**
15 **AVAILABLE FROM THE CENTER'S FINANCIAL INFORMATION DATABASE.** This
16 subdivision does not prohibit the transfer of special education
17 classroom teachers and special education classroom aides if the
18 pupils counted in membership associated with those special
19 education classroom teachers and special education classroom aides
20 are transferred and counted in membership in the other district or
21 intermediate district in conjunction with the transfer of those
22 teachers and aides.

23 (c) If the department determines before bookclosing for a
24 fiscal year that the amounts allocated for that fiscal year under
25 subsections (2), (3), (6), and (11) and sections 53a, 54, and 56
26 will exceed expenditures for that fiscal year under subsections
27 (2), (3), (6), and (11) and sections 53a, 54, and 56, then for a

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

16 (d) Reimbursement for ancillary and other related services, as
17 defined by R 340.1701c of the Michigan administrative code, shall
18 not be provided when those services are covered by and available
19 through private group health insurance carriers or federal
20 reimbursed program sources unless the department and district or
21 intermediate district agree otherwise and that agreement is
22 approved by the state budget director. Expenses, other than the
23 incidental expense of filing, shall not be borne by the parent. In
24 addition, the filing of claims shall not delay the education of a
25 pupil. A district or intermediate district shall be responsible for
26 payment of a deductible amount and for an advance payment required
27 until the time a claim is paid.

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

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

24 (9) Special education personnel transferred from 1 district to
25 another to implement the revised school code shall be entitled to
26 the rights, benefits, and tenure to which the person would
27 otherwise be entitled had that person been employed by the

1 receiving district originally.

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

8 (11) From the funds allocated in subsection (1), there is
9 allocated the amount necessary, estimated at ~~\$3,400,000.00 for~~
10 ~~2014-2015 and estimated at~~ \$3,300,000.00 for 2015-2016, to pay the
11 foundation allowances for pupils described in this subsection. The
12 allocation to a district under this subsection shall be calculated
13 by multiplying the number of pupils described in this subsection
14 who are counted in membership in the district times the foundation
15 allowance under section 20 of the pupil's district of residence,
16 not to exceed the basic foundation allowance under section 20 for
17 the current fiscal year, or, for a pupil described in this
18 subsection who is counted in membership in a district that is a
19 public school academy, times an amount equal to the amount per
20 membership pupil under section 20(6) or, for a pupil described in
21 this subsection who is counted in membership in the education
22 achievement system, times an amount equal to the amount per
23 membership pupil under section 20(7). The allocation to an
24 intermediate district under this subsection shall be calculated in
25 the same manner as for a district, using the foundation allowance
26 under section 20 of the pupil's district of residence, not to
27 exceed the basic foundation allowance under section 20 for the

1 current fiscal year. This subsection applies to all of the
2 following pupils:

3 (a) Pupils described in section 53a.

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

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

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

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

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

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

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

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

24 (13) The allocations under subsections (2), (3), and (11)
25 shall be allocations to intermediate districts only and shall not
26 be allocations to districts, but instead shall be calculations used
27 only to determine the state payments under section 22b.

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

18 (15) It is the intent of the legislature that, beginning in
19 2016-2017, a district, public school academy, or intermediate
20 district that fails to comply with subsection (14) or with the
21 requirements of federal regulations regarding the treatment of
22 public school academies and public school academy pupils for the
23 purposes of special education, 34 CFR 300.209, forfeits from its
24 total state aid an amount equal to 10% of its total state aid.

25 Sec. 58. Allocations to districts and intermediate districts
26 under section 51a for providing special education transportation
27 services shall be based on data reported by the districts and

1 intermediate districts for the current school year. FOR THE
2 PURPOSES OF THIS SECTION, THE DEPARTMENT OR THE CENTER SHALL ONLY
3 REQUIRE DISTRICTS AND INTERMEDIATE DISTRICTS TO REPORT INFORMATION
4 THAT IS NOT ALREADY AVAILABLE FROM THE CENTER'S FINANCIAL
5 INFORMATION DATABASE.

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