

HOUSE BILL No. 5915

November 6, 2014, Introduced by Reps. Lipton, Roberts, Brunner, Nathan and Irwin and referred to the Committee on Education.

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

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

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

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

26 (g) Any deficit elimination plan or enhanced deficit
27 elimination plan the district was required to submit under this

1 article.

2 (h) Identification of all credit cards maintained by the
3 district as district credit cards, the identity of all individuals
4 authorized to use each of those credit cards, the credit limit on
5 each credit card, and the dollar limit, if any, for each
6 individual's authorized use of the credit card.

7 (i) Costs incurred for each instance of out-of-state travel by
8 the school administrator of the district that is fully or partially
9 paid for by the district and the details of each of those instances
10 of out-of-state travel, including at least identification of each
11 individual on the trip, destination, and purpose.

12 **(J) IF APPLICABLE, AUDITED FINANCIAL STATEMENTS PROVIDED BY AN**
13 **EDUCATIONAL MANAGEMENT ORGANIZATION UNDER SECTION 503C, 523C, 553C,**
14 **OR 1311H OF THE REVISED SCHOOL CODE, MCL 380.503C, 380.523C,**
15 **380.553C, AND 380.1311H.**

16 **(K) IF APPLICABLE, A DETAILED ACCOUNTING PROVIDED TO THE**
17 **DISTRICT BY THE AUTHORIZING BODY OF ALL FEES, REIMBURSEMENTS, OR**
18 **OTHER CHARGES COLLECTED OR RETAINED BY, AND ALL EXPENDITURES MADE**
19 **BY, THE DISTRICT'S AUTHORIZING BODY FOR THE CURRENT FISCAL YEAR,**
20 **INCLUDING AN ITEMIZED LIST OF USE AND PURPOSE.**

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

25 (4) For the purposes of determining the reasonableness of
26 expenditures, whether a district or intermediate district has
27 received the proper amount of funds under this article, and whether

1 a violation of this article has occurred, all of the following
2 apply:

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

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

27 (c) A district's or intermediate district's annual financial

1 audit shall include an analysis of the financial and pupil
2 accounting data used as the basis for distribution of state school
3 aid.

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

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

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

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

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

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

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

1 filed an annual financial audit and pupil accounting procedures
2 report required under this section for the school year ending in
3 the immediately preceding fiscal year.

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

25 (6) By September 30 of each year, each district and
26 intermediate district shall file with the department the special
27 education actual cost report, known as "SE-4096", on a form and in

1 the manner prescribed by the department.

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

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

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

13 (10) If a district or intermediate district does not comply
14 with subsections ~~(4), (5), (6), and (1)~~ **TO** (7), the department
15 shall withhold all state school aid due to the district or
16 intermediate district under this article, beginning with the next
17 payment due to the district or intermediate district, until the
18 district or intermediate district complies with subsections ~~(4),~~
19 ~~(5), (6), and (1)~~ **TO** (7). However, the department shall not
20 withhold the payment due on October 20 due to the operation of this
21 subsection. If the district or intermediate district does not
22 comply with subsections ~~(4), (5), (6), and (1)~~ **TO** (7) by the end of
23 the fiscal year, the district or intermediate district forfeits the
24 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.

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

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

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

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

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

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

17 Enacting section 1. This amendatory act does not take effect
18 unless House Bill No. 5829 of the 97th Legislature is enacted into
19 law.