

**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.