

# HOUSE BILL No. 5007

October 21, 2015, Introduced by Rep. Callton and referred to the Committee on Appropriations.

A bill to amend 1979 PA 94, entitled  
"The state school aid act of 1979,"  
by amending sections 15, 18, and 168 (MCL 388.1615, 388.1618, and 388.1768), section 15 as amended by 2015 PA 85, section 18 as amended by 2015 PA 114, and section 168 as amended by 2014 PA 196.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 15. (1) If a district or intermediate district fails to  
2       receive its proper apportionment, the department, upon satisfactory  
3       proof that the district or intermediate district was entitled  
4       justly, shall apportion the deficiency in the next apportionment.  
5       Subject to subsections (2) and (3), if a district or intermediate  
6       district has received more than its proper apportionment, the  
7       department, upon satisfactory proof, shall deduct the excess in the

1 next apportionment. Notwithstanding any other provision in this  
2 article, state aid overpayments to a district, other than  
3 overpayments in payments for special education or special education  
4 transportation, may be recovered from any payment made under this  
5 article other than a special education or special education  
6 transportation payment, from the proceeds of a loan to the district  
7 under the emergency municipal loan act, 1980 PA 243, MCL 141.931 to  
8 141.942, or from the proceeds of millage levied or pledged under  
9 section 1211 of the revised school code, MCL 380.1211. State aid  
10 overpayments made in special education or special education  
11 transportation payments may be recovered from subsequent special  
12 education or special education transportation payments, from the  
13 proceeds of a loan to the district under the emergency municipal  
14 loan act, 1980 PA 243, MCL 141.931 to 141.942, or from the proceeds  
15 of millage levied or pledged under section 1211 of the revised  
16 school code, MCL 380.1211.

17 (2) If the result of an audit conducted by or for the  
18 department affects the current fiscal year membership, affected  
19 payments shall be adjusted in the current fiscal year. A deduction  
20 due to an adjustment made as a result of an audit conducted by or  
21 for the department, or as a result of information obtained by the  
22 department from the district, an intermediate district, the  
23 department of treasury, or the office of auditor general, shall be  
24 deducted from the district's apportionments when the adjustment is  
25 finalized. At the request of the district and upon the district  
26 presenting evidence satisfactory to the department of the hardship,  
27 the department may grant up to an additional 4 years for the

1 adjustment and may advance payments to the district otherwise  
2 authorized under this article if the district would otherwise  
3 experience a significant hardship in satisfying its financial  
4 obligations. For a district that is a strict discipline academy  
5 established under sections 1311b to 1311m of the revised school  
6 code, MCL 380.1311b to 380.1311m, and that claimed a hardship in  
7 2014-2015 because of an overpayment caused by a miscalculation of  
8 its pupil membership for 2013-2014, the department shall consider  
9 the amount of repayment made by the district as of the effective  
10 date of the amendatory act that added this sentence to constitute  
11 full repayment and the district is not required to continue making  
12 repayment for the overpayment that occurred in 2013-2014.

13 (3) If, based on an audit by the department or the  
14 department's designee or because of new or updated information  
15 received by the department, the department determines that the  
16 amount paid to a district or intermediate district under this  
17 article for the current fiscal year or a prior fiscal year **THAT**  
18 **BEGAN ON OR AFTER OCTOBER 1, 2014** was incorrect, the department  
19 shall make the appropriate deduction or payment in the district's  
20 or intermediate district's allocation in the next apportionment  
21 after the adjustment is finalized. The deduction or payment shall  
22 be calculated according to the law in effect in the fiscal year in  
23 which the incorrect amount was paid. If the district does not  
24 receive an allocation for the fiscal year or if the allocation is  
25 not sufficient to pay the amount of any deduction, the amount of  
26 any deduction otherwise applicable shall be satisfied from the  
27 proceeds of a loan to the district under the emergency municipal

1 loan act, 1980 PA 243, MCL 141.931 to 141.942, or from the proceeds  
2 of millage levied or pledged under section 1211 of the revised  
3 school code, MCL 380.1211, as determined by the department.

4 (4) ~~The~~ **FOR A FISCAL YEAR BEGINNING ON OR AFTER OCTOBER 1,**  
5 **2014, THE** department may conduct audits, or may direct audits by  
6 designee of the department, for the current fiscal year and the  
7 immediately preceding 3 fiscal years **THAT BEGIN ON OR AFTER OCTOBER**  
8 **1, 2014** of all records related to a program for which a district or  
9 intermediate district has received funds under this article.

10 (5) Expenditures made by the department under this article  
11 that are caused by the write-off of prior year accruals may be  
12 funded by revenue from the write-off of prior year accruals.

13 (6) In addition to funds appropriated in section 11 for all  
14 programs and services, there is appropriated for 2014-2015 and for  
15 2015-2016 for obligations in excess of applicable appropriations an  
16 amount equal to the collection of overpayments, but not to exceed  
17 amounts available from overpayments.

18 Sec. 18. (1) Except as provided in another section of this  
19 article, each district or other entity shall apply the money  
20 received by the district or entity under this article to salaries  
21 and other compensation of teachers and other employees, tuition,  
22 transportation, lighting, heating, ventilation, water service, the  
23 purchase of textbooks, other supplies, and any other school  
24 operating expenditures defined in section 7. However, not more than  
25 20% of the total amount received by a district under sections 22a  
26 and 22b or received by an intermediate district under section 81  
27 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) A district or intermediate district shall adopt an annual  
8 budget in a manner that complies with the uniform budgeting and  
9 accounting act, 1968 PA 2, MCL 141.421 to 141.440a. Within 15 days  
10 after a district board adopts its annual operating budget for the  
11 following school fiscal year, or after a district board adopts a  
12 subsequent revision to that budget, the district shall make all of  
13 the following available through a link on its website homepage, or  
14 may make the information available through a link on its  
15 intermediate district's website homepage, in a form and manner  
16 prescribed by the department:

17 (a) The annual operating budget and subsequent budget  
18 revisions.

19 (b) Using data that have already been collected and submitted  
20 to the department, a summary of district expenditures for the most  
21 recent fiscal year for which they are available, expressed in the  
22 following 2 pie charts:

23 (i) A chart of personnel expenditures, broken into the  
24 following subcategories:

25 (A) Salaries and wages.

26 (B) Employee benefit costs, including, but not limited to,  
27 medical, dental, vision, life, disability, and long-term care

1 benefits.

2 (C) Retirement benefit costs.

3 (D) All other personnel costs.

4 (ii) A chart of all district expenditures, broken into the  
5 following subcategories:

6 (A) Instruction.

7 (B) Support services.

8 (C) Business and administration.

9 (D) Operations and maintenance.

10 (c) Links to all of the following:

11 (i) The current collective bargaining agreement for each  
12 bargaining unit.

13 (ii) Each health care benefits plan, including, but not  
14 limited to, medical, dental, vision, disability, long-term care, or  
15 any other type of benefits that would constitute health care  
16 services, offered to any bargaining unit or employee in the  
17 district.

18 (iii) The audit report of the audit conducted under subsection  
19 (4) for the most recent fiscal year for which it is available.

20 (iv) The bids required under section 5 of the public employees  
21 health benefits act, 2007 PA 106, MCL 124.75.

22 (v) The district's written policy governing procurement of  
23 supplies, materials, and equipment.

24 (vi) The district's written policy establishing specific  
25 categories of reimbursable expenses, as described in section  
26 1254(2) of the revised school code, MCL 380.1254.

27 (vii) Either the district's accounts payable check register

1 for the most recent school fiscal year or a statement of the total  
2 amount of expenses incurred by board members or employees of the  
3 district that were reimbursed by the district for the most recent  
4 school fiscal year.

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

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

10 (f) The annual amount spent on lobbying or lobbying services.  
11 As used in this subdivision, "lobbying" means that term as defined  
12 in section 5 of 1978 PA 472, MCL 4.415.

13 (g) Any deficit elimination plan or enhanced deficit  
14 elimination plan the district was required to submit under the  
15 revised school code.

16 (h) Identification of all credit cards maintained by the  
17 district as district credit cards, the identity of all individuals  
18 authorized to use each of those credit cards, the credit limit on  
19 each credit card, and the dollar limit, if any, for each  
20 individual's authorized use of the credit card.

21 (i) Costs incurred for each instance of out-of-state travel by  
22 the school administrator of the district that is fully or partially  
23 paid for by the district and the details of each of those instances  
24 of out-of-state travel, including at least identification of each  
25 individual on the trip, destination, and purpose.

26 (3) For the information required under subsection (2)(a),  
27 (2)(b)(i), and (2)(c), an intermediate district shall provide the

1 same information in the same manner as required for a district  
2 under subsection (2).

3 (4) For the purposes of determining the reasonableness of  
4 expenditures, whether a district or intermediate district has  
5 received the proper amount of funds under this article, and whether  
6 a violation of this article has occurred, all of the following  
7 apply:

8 (a) The department shall require that each district and  
9 intermediate district have an audit of the district's or  
10 intermediate district's financial and pupil accounting records  
11 conducted at least annually, and at such other times as determined  
12 by the department, at the expense of the district or intermediate  
13 district, as applicable. The audits must be performed by a  
14 certified public accountant or by the intermediate district  
15 superintendent, as may be required by the department, or in the  
16 case of a district of the first class by a certified public  
17 accountant, the intermediate superintendent, or the auditor general  
18 of the city. A district or intermediate district shall retain these  
19 records for the current fiscal year and from at least the 3  
20 immediately preceding fiscal years **THAT BEGIN ON OR AFTER OCTOBER**  
21 **1, 2014.**

22 (b) If a district operates in a single building with fewer  
23 than 700 full-time equated pupils, if the district has stable  
24 membership, and if the error rate of the immediately preceding 2  
25 pupil accounting field audits of the district is less than 2%, the  
26 district may have a pupil accounting field audit conducted  
27 biennially but must continue to have desk audits for each pupil

1 count. The auditor must document compliance with the audit cycle in  
2 the pupil auditing manual. As used in this subdivision, "stable  
3 membership" means that the district's membership for the current  
4 fiscal year varies from the district's membership for the  
5 immediately preceding fiscal year by less than 5%.

6 (c) A district's or intermediate district's annual financial  
7 audit shall include an analysis of the financial and pupil  
8 accounting data used as the basis for distribution of state school  
9 aid.

10 (d) The pupil and financial accounting records and reports,  
11 audits, and management letters are subject to requirements  
12 established in the auditing and accounting manuals approved and  
13 published by the department.

14 (e) All of the following shall be done not later than November  
15 1 each year for reporting the prior fiscal year data:

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

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

20 (iii) The intermediate district shall enter the pupil  
21 membership audit reports for its constituent districts and for the  
22 intermediate district, for the pupil membership count day and  
23 supplemental count day, in the Michigan student data system.

24 (f) The annual financial audit reports and pupil accounting  
25 procedures reports shall be available to the public in compliance  
26 with the freedom of information act, 1976 PA 442, MCL 15.231 to  
27 15.246.

1 (g) Not later than January 31 of each year, the department  
2 shall notify the state budget director and the legislative  
3 appropriations subcommittees responsible for review of the school  
4 aid budget of districts and intermediate districts that have not  
5 filed an annual financial audit and pupil accounting procedures  
6 report required under this section for the school year ending in  
7 the immediately preceding fiscal year.

8 (5) By November 1 each fiscal year, each district and  
9 intermediate district shall submit to the center, in a manner  
10 prescribed by the center, annual comprehensive financial data  
11 consistent with accounting manuals and charts of accounts approved  
12 and published by the department. For an intermediate district, the  
13 report shall also contain the website address where the department  
14 can access the report required under section 620 of the revised  
15 school code, MCL 380.620. The department shall ensure that the  
16 prescribed Michigan public school accounting manual chart of  
17 accounts includes standard conventions to distinguish expenditures  
18 by allowable fund function and object. The functions shall include  
19 at minimum categories for instruction, pupil support, instructional  
20 staff support, general administration, school administration,  
21 business administration, transportation, facilities operation and  
22 maintenance, facilities acquisition, and debt service; and shall  
23 include object classifications of salary, benefits, including  
24 categories for active employee health expenditures, purchased  
25 services, supplies, capital outlay, and other. Districts shall  
26 report the required level of detail consistent with the manual as  
27 part of the comprehensive annual financial report.

1           (6) By September 30 of each year, each district and  
2 intermediate district shall file with the department the special  
3 education actual cost report, known as "SE-4096", on a form and in  
4 the manner prescribed by the department.

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

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

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

16           (10) If a district or intermediate district does not comply  
17 with subsections (4), (5), (6), and (7), the department shall  
18 withhold all state school aid due to the district or intermediate  
19 district under this article, beginning with the next payment due to  
20 the district or intermediate district, until the district or  
21 intermediate district complies with subsections (4), (5), (6), and  
22 (7). If the district or intermediate district does not comply with  
23 subsections (4), (5), (6), and (7) by the end of the fiscal year,  
24 the district or intermediate district forfeits the amount withheld.

25           (11) If a district or intermediate district does not comply  
26 with subsection (2), the department may withhold up to 10% of the  
27 total state school aid due to the district or intermediate district

1 under this article, beginning with the next payment due to the  
2 district or intermediate district, until the district or  
3 intermediate district complies with subsection (2). If the district  
4 or intermediate district does not comply with subsection (2) by the  
5 end of the fiscal year, the district or intermediate district  
6 forfeits the amount withheld.

7 (12) Not later than November 1, 2015, if a district or  
8 intermediate district offers online learning under section 21f, the  
9 district or intermediate district shall submit to the department a  
10 report that details the per-pupil costs of operating the online  
11 learning by vendor type. The report shall include at least all of  
12 the following information concerning the operation of online  
13 learning for the school fiscal year ending June 30, 2015:

14 (a) The name of the district operating the online learning and  
15 of each district that enrolled students in the online learning.

16 (b) The total number of students enrolled in the online  
17 learning and the total number of membership pupils enrolled in the  
18 online learning.

19 (c) For each pupil who is enrolled in a district other than  
20 the district offering online learning, the name of that district.

21 (d) The district in which the pupil was enrolled before  
22 enrolling in the district offering online learning.

23 (e) The number of participating students who had previously  
24 dropped out of school.

25 (f) The number of participating students who had previously  
26 been expelled from school.

27 (g) The total cost to enroll a student in the program. This

1 cost shall be reported on a per-pupil, per-course, per-semester or  
2 trimester basis by vendor type. The total shall include costs  
3 broken down by cost for content development, content licensing,  
4 training, online instruction and instructional support, personnel,  
5 hardware and software, payment to each online learning provider,  
6 and other costs associated with operating online learning.

7 (h) The name of each online education provider contracted by  
8 the district and the state in which each online education provider  
9 is headquartered.

10 (13) Not later than March 31, 2016, the department shall  
11 submit to the house and senate appropriations subcommittees on  
12 state school aid, the state budget director, and the house and  
13 senate fiscal agencies a report summarizing the per-pupil costs by  
14 vendor type of online courses available under section 21f.

15 (14) As used in subsections (12) and (13), "vendor type" means  
16 the following:

17 (a) Online courses provided by the Michigan Virtual  
18 University.

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

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

24 (d) Online courses created and offered by a district or  
25 intermediate district.

26 (15) An allocation to a district or another entity under this  
27 article is contingent upon the district's or entity's compliance

1 with this section.

2       Sec. 168. In order to receive funds under this article, a  
3 district, intermediate district, grant recipient, contractor, or  
4 other entity that directly or indirectly receives funds under this  
5 article shall allow access for the department or the department's  
6 designee to audit all records related to a program for which it  
7 receives funds under this article or has received funds under this  
8 article for any of the 3 immediately preceding fiscal years **THAT**  
9 **BEGIN ON OR AFTER OCTOBER 1, 2014.** The district, intermediate  
10 district, grant recipient, contractor, or other entity shall  
11 reimburse the state for all disallowances found in any audit  
12 conducted under this article.

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