

# HOUSE BILL NO. 5317

September 21, 2021, Introduced by Reps. Kuppa, Stone, Haadsma, Young, Scott, Brixie, Sowerby and Brabec 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 2020 PA 165.

## **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

1 purchase of textbooks, other supplies, and any other school  
2 operating expenditures defined in section 7. However, not more than  
3 20% of the total amount received by a district under sections 22a  
4 and 22b or received by an intermediate district under section 81  
5 may be transferred by the board to either the capital projects fund  
6 or to the debt retirement fund for debt service. A district or  
7 other entity shall not apply or take the money for a purpose other  
8 than as provided in this section. The department shall determine  
9 the reasonableness of expenditures and may withhold from a  
10 recipient of funds under this article the apportionment otherwise  
11 due upon a violation by the recipient. A district must not be  
12 prohibited or limited from using funds appropriated or allocated  
13 under this article that are permitted for use for noninstructional  
14 services to contract or subcontract with an intermediate district,  
15 third party, or vendor for the noninstructional services.

16 (2) A district or intermediate district shall adopt an annual  
17 budget in a manner that complies with the uniform budgeting and  
18 accounting act, 1968 PA 2, MCL 141.421 to 141.440a. Within 15 days  
19 after a district board adopts its annual operating budget for the  
20 following school fiscal year, or after a district board adopts a  
21 subsequent revision to that budget, the district shall make all of  
22 the following available through a link on its website homepage, or  
23 may make the information available through a link on its  
24 intermediate district's website homepage, in a form and manner  
25 prescribed by the department:

26 (a) The annual operating budget and subsequent budget  
27 revisions.

28 (b) Using data that have already been collected and submitted  
29 to the department, a summary of district expenditures for the most

1 recent fiscal year for which they are available, expressed in the  
2 following 2 visual displays:

3 (i) A chart of personnel expenditures, broken into the  
4 following subcategories:

5 (A) Salaries and wages.

6 (B) Employee benefit costs, including, but not limited to,  
7 medical, dental, vision, life, disability, and long-term care  
8 benefits.

9 (C) Retirement benefit costs.

10 (D) All other personnel costs.

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

13 (A) Instruction.

14 (B) Support services.

15 (C) Business and administration.

16 (D) Operations and maintenance.

17 (c) Links to all of the following:

18 (i) The current collective bargaining agreement for each  
19 bargaining unit.

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

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

26 (iv) The bids required under section 5 of the public employees  
27 health benefit act, 2007 PA 106, MCL 124.75.

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

1           (vi) The district's written policy establishing specific  
2 categories of reimbursable expenses, as described in section  
3 1254(2) of the revised school code, MCL 380.1254.

4           (vii) Either the district's accounts payable check register for  
5 the most recent school fiscal year or a statement of the total  
6 amount of expenses incurred by board members or employees of the  
7 district that were reimbursed by the district for the most recent  
8 school fiscal year.

9           (viii) **Each contract entered into between the district and an**  
10 **educational management organization, as applicable. As used in this**  
11 **subparagraph, "educational management organization" means that term**  
12 **as defined in section 503c, 523c, or 553c of the revised school**  
13 **code, MCL 380.503c, 380.523c, or 380.553c.**

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

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

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

22           (g) Any deficit elimination plan or enhanced deficit  
23 elimination plan the district was required to submit under the  
24 revised school code.

25           (h) Identification of all credit cards maintained by the  
26 district as district credit cards, the identity of all individuals  
27 authorized to use each of those credit cards, the credit limit on  
28 each credit card, and the dollar limit, if any, for each  
29 individual's authorized use of the credit card.

1 (i) Costs incurred for each instance of out-of-state travel by  
2 the school administrator of the district that is fully or partially  
3 paid for by the district and the details of each of those instances  
4 of out-of-state travel, including at least identification of each  
5 individual on the trip, destination, and purpose.

6 (3) For the information required under subsection (2) (a),  
7 (2) (b) (i), and (2) (c), an intermediate district shall provide the  
8 same information in the same manner as required for a district  
9 under subsection (2).

10 (4) For the purposes of determining the reasonableness of  
11 expenditures, whether a district or intermediate district has  
12 received the proper amount of funds under this article, and whether  
13 a violation of this article has occurred, all of the following  
14 apply:

15 (a) The department shall require that each district and  
16 intermediate district have an audit of the district's or  
17 intermediate district's financial and pupil accounting records  
18 conducted at least annually, and at such other times as determined  
19 by the department, at the expense of the district or intermediate  
20 district, as applicable. The audits must be performed by a  
21 certified public accountant or by the intermediate district  
22 superintendent, as may be required by the department, or in the  
23 case of a district of the first class by a certified public  
24 accountant, the intermediate superintendent, or the auditor general  
25 of the city. A district or intermediate district shall retain these  
26 records for the current fiscal year and from at least the 3  
27 immediately preceding fiscal years.

28 (b) If a district operates in a single building with fewer  
29 than 700 full-time equated pupils, if the district has stable

1 membership, and if the error rate of the immediately preceding 2  
2 pupil accounting field audits of the district is less than 2%, the  
3 district may have a pupil accounting field audit conducted  
4 biennially but must continue to have desk audits for each pupil  
5 count. The auditor must document compliance with the audit cycle in  
6 the pupil auditing manual. As used in this subdivision, "stable  
7 membership" means that the district's membership for the current  
8 fiscal year varies from the district's membership for the  
9 immediately preceding fiscal year by less than 5%.

10 (c) A district's or intermediate district's annual financial  
11 audit must include an analysis of the financial and pupil  
12 accounting data used as the basis for distribution of state school  
13 aid.

14 (d) The pupil and financial accounting records and reports,  
15 audits, and management letters are subject to requirements  
16 established in the auditing and accounting manuals approved and  
17 published by the department.

18 (e) All of the following must be done not later than November  
19 1 each year for reporting the prior fiscal year data, but, for  
20 2020-2021 only, not later than December 1 for reporting the 2019-  
21 2020 data:

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

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

26 (iii) The intermediate district shall enter the pupil membership  
27 audit reports for its constituent districts and for the  
28 intermediate district, for the pupil membership count day and  
29 supplemental count day, in the Michigan student data system.

1 (f) The annual financial audit reports and pupil accounting  
2 procedures reports must be available to the public in compliance  
3 with the freedom of information act, 1976 PA 442, MCL 15.231 to  
4 15.246.

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

12 (5) By the first business day in November of each fiscal year,  
13 but, for submission of the 2019-2020 annual comprehensive financial  
14 data described in this subsection, by the first business day in  
15 December, each district and intermediate district shall submit to  
16 the center, in a manner prescribed by the center, annual  
17 comprehensive financial data consistent with the district's or  
18 intermediate district's audited financial statements and consistent  
19 with accounting manuals and charts of accounts approved and  
20 published by the department. For an intermediate district, the  
21 report must also contain the website address where the department  
22 can access the report required under section 620 of the revised  
23 school code, MCL 380.620. The department shall ensure that the  
24 prescribed Michigan public school accounting manual chart of  
25 accounts includes standard conventions to distinguish expenditures  
26 by allowable fund function and object. The functions must include  
27 at minimum categories for instruction, pupil support, instructional  
28 staff support, general administration, school administration,  
29 business administration, transportation, facilities operation and

1 maintenance, facilities acquisition, and debt service; and must  
2 include object classifications of salary, benefits, including  
3 categories for active employee health expenditures, purchased  
4 services, supplies, capital outlay, and other. A district shall  
5 report the required level of detail consistent with the manual as  
6 part of the comprehensive annual financial report.

7 (6) By the last business day in September of each year, each  
8 district and intermediate district shall file with the center the  
9 special education actual cost report, known as "SE-4096", on a form  
10 and in the manner prescribed by the center. An intermediate  
11 district shall certify the audit of a district's report.

12 (7) By not later than 1 week after the last business day in  
13 September of each year, each district and intermediate district  
14 shall file with the center the audited transportation expenditure  
15 report, known as "SE-4094", on a form and in the manner prescribed  
16 by the center. An intermediate district shall certify the audit of  
17 a district's report.

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

21 (9) If a district that is a public school academy purchases  
22 property using money received under this article, the public school  
23 academy ~~shall retain~~**retains** ownership of the property unless the  
24 public school academy sells the property at fair market value.

25 (10) If a district or intermediate district does not comply  
26 with subsections (4), (5), (6), (7), and (12), or if the department  
27 determines that the financial data required under subsection (5)  
28 are not consistent with audited financial statements, the  
29 department shall withhold all state school aid due to the district



1 or intermediate district under this article, beginning with the  
2 next payment due to the district or intermediate district, until  
3 the district or intermediate district complies with subsections  
4 (4), (5), (6), (7), and (12). If the district or intermediate  
5 district does not comply with subsections (4), (5), (6), (7), and  
6 (12) by the end of the fiscal year, the district or intermediate  
7 district forfeits the amount withheld.

8 (11) If a district or intermediate district does not comply  
9 with subsection (2), the department may withhold up to 10% of the  
10 total state school aid due to the district or intermediate district  
11 under this article, beginning with the next payment due to the  
12 district or intermediate district, until the district or  
13 intermediate district complies with subsection (2). If the district  
14 or intermediate district does not comply with subsection (2) by the  
15 end of the fiscal year, the district or intermediate district  
16 forfeits the amount withheld.

17 (12) By November 1 of each year, if a district or intermediate  
18 district offers virtual learning under section 21f, or for a school  
19 of excellence that is a cyber school, as **that term is** defined in  
20 section 551 of the revised school code, MCL 380.551, the district  
21 or intermediate district shall submit to the department a report  
22 that details the per-pupil costs of operating the virtual learning  
23 by vendor type and virtual learning model. The report must include  
24 information concerning the operation of virtual learning for the  
25 immediately preceding school fiscal year, including information  
26 concerning summer programming. Information must be collected in a  
27 form and manner determined by the department and must be collected  
28 in the most efficient manner possible to reduce the administrative  
29 burden on reporting entities.

1 (13) By March 31 of each year, the department shall submit to  
2 the house and senate appropriations subcommittees on ~~state~~-school  
3 aid, the state budget director, and the house and senate fiscal  
4 agencies a report summarizing the per-pupil costs by vendor type of  
5 virtual courses available under section 21f and virtual courses  
6 provided by a school of excellence that is a cyber school, as **that**  
7 **term is** defined in section 551 of the revised school code, MCL  
8 380.551.

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

11 (a) Virtual courses provided by the Michigan Virtual  
12 University.

13 (b) Virtual courses provided by a school of excellence that is  
14 a cyber school, as **that term is** defined in section 551 of the  
15 revised school code, MCL 380.551.

16 (c) Virtual courses provided by ~~third party~~-**third-party**  
17 vendors not affiliated with a Michigan public school.

18 (d) Virtual courses created and offered by a district or  
19 intermediate district.

20 (15) An allocation to a district or another entity under this  
21 article is contingent upon the district's or entity's compliance  
22 with this section.

23 (16) Beginning October 1, 2020, and annually thereafter, the  
24 department shall submit to the senate and house subcommittees on  
25 ~~state~~-school aid and to the senate and house standing committees on  
26 education an itemized list of allocations under this article to any  
27 association or consortium consisting of associations in the  
28 immediately preceding fiscal year. The report must detail the  
29 recipient or recipients, the amount allocated, and the purpose for

**1** which the funds were distributed.