

# SENATE BILL No. 1010

January 9, 2008, Introduced by Senators JACOBS, SCHAUER and GLEASON and referred to the Committee on Finance.

A bill to amend 1976 PA 451, entitled  
"The revised school code,"  
by amending sections 605, 622, 622a, 629, and 703 (MCL 380.605,  
380.622, 380.622a, 380.629, and 380.703), section 605 as amended by  
1985 PA 86, section 622 as amended by 2001 PA 127, section 622a as  
added by 2004 PA 412, and sections 629 and 703 as amended by 2003  
PA 299, and by adding sections 641, 642, 643, 644, 645, 648, and  
649.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 605. (1) If constituent districts of more than 1  
2       intermediate school district are reorganized into a single school  
3       district, the reorganized school district shall be constituent to  
4       the intermediate school district designated by the board of the

1 reorganized school district. If a decision is not reached within 30  
2 days after the effective date of the reorganization of the  
3 constituent districts, the determination shall be made by the state  
4 board.

5 (2) A constituent district, by resolution of its board, may  
6 transfer and become constituent to another contiguous intermediate  
7 school district if approval is given by each intermediate school  
8 board affected. The intermediate school board shall take final  
9 action within 60 days after receiving a resolution. If an  
10 intermediate school district from which a constituent district  
11 wishes to transfer has fewer than 4,000 constituent district pupils  
12 and fails to take action or denies a transfer, the inaction or  
13 decision may be appealed to the state board using the procedures  
14 described in section 971. ~~of this act.~~ If the intermediate school  
15 district to which transfer is proposed has adopted by referendum a  
16 program for financing special education programs for handicapped  
17 persons, or has bonded indebtedness outstanding for special  
18 education building facilities, the ~~registered~~ school electors of  
19 the constituent district to be transferred shall vote on the  
20 acceptance of those sections and the assumption of the district's  
21 pro rata share of bonded indebtedness outstanding for special  
22 education facilities for handicapped persons.

23 (3) If the intermediate school district to which transfer is  
24 proposed has established an area vocational-technical education  
25 program ~~by referendum~~ **OR AN AREA EARLY CHILDHOOD EDUCATION PROGRAM,**  
26 or has bonded indebtedness outstanding for area vocational-  
27 technical education facilities, the ~~registered~~ school electors of

1 the district to be transferred shall vote on the acceptance of  
2 those sections and the assumption of the district's pro rata share  
3 of bonded indebtedness outstanding for area vocational-technical  
4 education facilities.

5 (4) The transfer is effective only if the applicable issues  
6 relating to special education programs, area vocational-technical  
7 education programs, **OR AREA EARLY CHILDHOOD EDUCATION PROGRAMS** and  
8 bonded indebtedness for special education and area vocational-  
9 technical facilities are approved at an election in the constituent  
10 district proposing transfer at which all applicable issues are  
11 submitted and receive favorable majorities.

12 (5) The territory of a constituent district of an intermediate  
13 school district having bonded indebtedness for special education  
14 facilities or area vocational-technical education facilities ~~which~~  
15 **THAT** is transferred to another intermediate school district shall  
16 remain as a part of the intermediate school district from which  
17 transferred for the purpose of levying debt retirement taxes for  
18 the bonded indebtedness until the bonds are redeemed or sufficient  
19 funds are available in the debt retirement funds for that purpose.  
20 The transferred constituent district shall be a constituent  
21 district of the intermediate school district to which transferred  
22 for all other purposes.

23 Sec. 622. (1) The intermediate school board shall select  
24 financial institutions for the deposit of school funds. The  
25 intermediate school board shall keep a set of coded accounts to be  
26 approved by the superintendent of public instruction and shall have  
27 its books audited at least annually by a certified public

1 accountant. General operating funds, building and site funds,  
2 cooperative education funds, special education funds, vocational-  
3 technical education funds, **AREA EARLY CHILDHOOD EDUCATION PROGRAM**  
4 **FUNDS**, and debt retirement funds shall be maintained separately and  
5 shall not be commingled, except that the intermediate school board,  
6 by resolution, may authorize the treasurer to combine money from  
7 more than 1 fund for the purpose of making an investment authorized  
8 by subsection (2)(g).

9 (2) The treasurer of an intermediate school district, if  
10 authorized by resolution of the intermediate school board, may  
11 invest general operating funds, special education funds, area  
12 vocational-technical education funds, **AREA EARLY CHILDHOOD**  
13 **EDUCATION PROGRAM FUNDS**, building and site funds, cooperative  
14 education funds, and debt retirement funds of the district.  
15 Investments shall be made subject to subsection (4) and shall be  
16 restricted to any of the following:

17 (a) Bonds, bills, or notes of the United States or obligations  
18 of this state.

19 (b) Certificates of deposit issued by a financial institution.

20 (c) Commercial paper rated prime at the time of purchase and  
21 maturing not more than 270 days after the date of purchase.

22 (d) Securities issued or guaranteed by agencies or  
23 instrumentalities of the United States government.

24 (e) United States government or federal agency obligation  
25 repurchase agreements.

26 (f) Bankers' acceptances issued by a bank that is a member of  
27 the federal deposit insurance corporation.

1 (g) Investment pools, as authorized by the surplus funds  
2 investment pool act, 1982 PA 367, MCL 129.111 to 129.118, composed  
3 entirely of instruments that are legal for direct investment by an  
4 intermediate school district.

5 (h) Mutual funds composed entirely of investment vehicles that  
6 are legal for direct investment by an intermediate school district.

7 (3) The earnings of an investment shall become a part of the  
8 fund from which the investment was made. When money of more than 1  
9 fund of a single intermediate school district or money of more than  
10 1 intermediate school district are combined for an investment pool  
11 authorized by subsection (2)(g), the money shall be accounted for  
12 separately, and the earnings from the investment shall be  
13 separately and individually computed, recorded, and credited to the  
14 fund or intermediate school district, as the case may be, for which  
15 the investment was acquired.

16 (4) Notwithstanding subsection (2), additional funds of an  
17 intermediate school district shall not be deposited or invested in  
18 a financial institution that is not eligible to be a depository of  
19 surplus funds belonging to this state under section 6 of 1855 PA  
20 105, MCL 21.146.

21 (5) Assets acceptable for pledging to secure deposits of funds  
22 under this act are limited to any of the following:

23 (a) Assets considered acceptable to the state treasurer under  
24 section 3 of 1855 PA 105, MCL 21.143, to secure deposits of state  
25 surplus funds.

26 (b) Any of the following:

27 (i) Securities issued by the federal home loan mortgage

1 corporation.

2 (ii) Securities issued by the federal national mortgage  
3 association.

4 (iii) Securities issued by the government national mortgage  
5 association.

6 (c) Securities considered acceptable to the intermediate  
7 school board and the financial institution.

8 (6) As used in this section, "deposit" includes purchases of  
9 or investment in shares of a credit union.

10 (7) As used in this section, "financial institution" means a  
11 state or nationally chartered bank or a state or federally  
12 chartered savings and loan association, savings bank, or credit  
13 union whose deposits are insured by an agency of the United States  
14 government and that maintains a principal office or branch office  
15 located in this state under the laws of this state or the United  
16 States.

17 Sec. 622a. (1) In addition to the annual financial audit  
18 required under section 622, an intermediate school district is  
19 subject to an audit of the matters described in this section  
20 conducted by an independent auditor under the direction of the  
21 department of treasury under this section. An audit conducted under  
22 this section shall be based in part on an examination of an  
23 intermediate school district's accounts, financial records, and  
24 accounting procedures and shall address at least 3 of the following  
25 aspects of the intermediate school district's operations, as  
26 directed by the department of treasury:

27 (a) Whether intermediate school board members, intermediate

1 school district administrators, and intermediate school district  
2 employees are adhering to ethics policies adopted by the  
3 intermediate school board or required by state law.

4 (b) Whether intermediate school board members, intermediate  
5 school district administrators, and intermediate school district  
6 employees are adhering to conflict of interest policies adopted by  
7 the intermediate school board or required by state law. This  
8 includes, but is not limited to, policies and practices with regard  
9 to contracts in which an intermediate school board member, an  
10 intermediate school district administrator, or an intermediate  
11 school district employee who is involved in the contracting  
12 process, or a family member of an intermediate school board member,  
13 an intermediate school district administrator, or an intermediate  
14 school district employee who is involved in the contracting  
15 process, has a substantial conflict of interest; and policies and  
16 practices with regard to an intermediate school district  
17 administrator negotiating, handling, presenting, or recommending a  
18 contract in which the administrator or a family member of the  
19 administrator has a substantial conflict of interest. As used in  
20 this subdivision, "substantial conflict of interest" means that  
21 term as defined in section 634(5).

22 (c) Whether a modification to an existing contract was made  
23 during the audit period that resulted in an additional financial  
24 obligation to the intermediate school district and the modification  
25 was not competitively bid. As used in this subdivision,  
26 "competitively bid" means that a contract was entered into through  
27 a request for information, a request for proposal, or a formal

1 competitive bid process that was advertised and open to the public,  
2 and includes a contract entered into on behalf of the intermediate  
3 school district by a federal, state, or local governmental entity  
4 that performed a request for information, request for proposal, or  
5 formal competitive bid process or by a nonprofit corporation or  
6 nonprofit association that performed a request for information,  
7 request for proposal, or formal competitive bid process.

8 (d) Whether the intermediate school district's policies and  
9 practices for responding to requests received under the freedom of  
10 information act, 1976 PA 442, MCL 15.231 to 15.246, and the  
11 intermediate school district's actual responses to requests made  
12 during the audit period under that act, were in compliance with  
13 that act. This part of the audit shall include, but is not limited  
14 to, an examination of whether the costs charged for responding to  
15 requests exceeded the costs permitted under that act.

16 (e) Whether intermediate school board members, intermediate  
17 school district administrators, and intermediate school district  
18 employees are adhering to travel guidelines and practices adopted  
19 by the intermediate school board or required by state law.

20 (f) Whether the intermediate school district has accurately  
21 accounted for and reported all information relating to stipends,  
22 salaries, benefits, or other compensation paid to intermediate  
23 school district administrators.

24 (g) Whether the intermediate school district has used public  
25 funds in violation of law to pay for food, gifts, or other items  
26 that are not used for instructional purposes, as defined by the  
27 intermediate school board.



1           (h) Whether proceeds **FROM A TAX LEVIED UNDER SECTION 641 FOR**  
2 **AREA EARLY CHILDHOOD EDUCATION PROGRAM OPERATING PURPOSES**, from a  
3 tax levied under section 681 for area vocational-technical  
4 education operating purposes, or from a tax levied under section  
5 1724a for special education operating purposes have been expended  
6 for a purpose other than the purpose for which the tax was levied.

7           (2) The department of treasury shall direct the random audits  
8 of intermediate school districts under this section as follows:

9           (a) The department of treasury shall select the intermediate  
10 school districts to be audited under this section on a random  
11 basis.

12           (b) The department of treasury shall announce between July 1  
13 and July 15 of each calendar year the intermediate school districts  
14 that will be subject that year to an audit under this section for  
15 the immediately preceding school fiscal year.

16           (c) The department of treasury shall select 5 intermediate  
17 school districts for audit under this section every 2 years.

18           (d) Upon request by the department of treasury, the  
19 intermediate school district shall notify the department of  
20 treasury of the name, address, and contact person of the  
21 independent auditor selected by the intermediate school board to  
22 perform the annual financial audit for the intermediate school  
23 district. The department of treasury shall enter into an agreed-  
24 upon procedures agreement with the selected independent auditor,  
25 identifying the matters to be audited and establishing the rate of  
26 payment, which shall be no more than the rate the department would  
27 charge for the same type of audit. The department of treasury shall

1 oversee the conduct of the audit by the independent auditor to the  
2 extent the department of treasury considers necessary to meet the  
3 purposes of this section.

4 (e) An intermediate school board and intermediate school  
5 district officials shall provide all information requested by the  
6 independent auditors or the department of treasury and shall  
7 cooperate with them to the fullest extent possible.

8 (f) The independent auditor shall submit an audit report of  
9 the audit to the center for educational performance and information  
10 in the form and manner prescribed by the center for educational  
11 performance and information. The center for educational performance  
12 and information shall submit a copy of the audit report of each  
13 audit conducted under this section to the department of treasury,  
14 to the applicable intermediate school board, to the senate and  
15 house standing committees having jurisdiction over education  
16 legislation, to the department, and, subject to subdivision (g), to  
17 the attorney general if the department of treasury considers it  
18 appropriate.

19 (g) If the department of treasury determines that an audit  
20 conducted under this section has disclosed that the intermediate  
21 school board or any intermediate school district official or  
22 employee has violated any state law governing the financial  
23 operations of an intermediate school district, the department of  
24 treasury shall notify the intermediate school district of that  
25 determination. If the intermediate school district disputes the  
26 determination or claims that the situation has been corrected,  
27 within 15 days after receipt of the determination the intermediate

1 school district may submit an appeal of the determination to the  
2 department of treasury. Within 90 days after receipt of the appeal,  
3 the department of treasury shall consider the appeal and make a  
4 determination of whether the initial determination was correct or  
5 incorrect and of whether the situation has been corrected. If the  
6 department of treasury finds that the initial determination was  
7 correct and that the situation has not been corrected, then the  
8 department of treasury shall file a copy of the report with the  
9 attorney general. The attorney general shall review the report and,  
10 if the attorney general considers it appropriate, shall commence or  
11 direct the prosecuting attorney for the county in which the  
12 violations occurred to commence appropriate proceedings against the  
13 intermediate school board or the official or employee. These  
14 proceedings shall include at least a civil action in a court of  
15 competent jurisdiction for the recovery of any public money  
16 determined by the audit to have been illegally expended and for the  
17 recovery of any public property determined by the audit to have  
18 been converted or misappropriated.

19 (3) In addition to the intermediate school districts selected  
20 for a random audit under subsection (2), the department of treasury  
21 may also direct an audit under this section of 1 or more additional  
22 intermediate school districts selected by the department of  
23 treasury if the department of treasury considers that additional  
24 audit or audits to be appropriate. Subsection (2)(d), (e), (f), and  
25 (g) applies to an audit under this subsection.

26 (4) The department and the department of treasury, in  
27 consultation with intermediate school districts, shall develop and

1 make available to intermediate school districts the auditing  
2 criteria to be used for the purposes of this section.

3 (5) An audit under this section shall be performed in  
4 accordance with standards issued by the American institute of  
5 certified public accountants and with government audit standards  
6 issued by the United States general accounting office.

7 (6) The department of treasury shall pay the costs of the  
8 audit conducted under this section. The department of treasury's  
9 obligation under this section is limited to the amount of a  
10 separate line item appropriation identified for the purpose of  
11 funding the department of treasury's duties under this section and  
12 included in the annual appropriations act making appropriations for  
13 the department of treasury.

14 (7) The department shall post on its website the audit reports  
15 it receives under subsection (2)(f).

16 Sec. 629. (1) An intermediate school board may borrow, subject  
17 to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to  
18 141.2821, sums of money on terms the intermediate school board  
19 considers necessary for 1 or more of the following purposes:

20 (a) For temporary purposes for which the intermediate school  
21 board may give notes of the intermediate school district. The  
22 intermediate school board shall not borrow a sum that exceeds the  
23 amount that has been voted by the intermediate school board or the  
24 school electors of the intermediate school district.

25 (b) To purchase sites for buildings; to purchase, erect,  
26 complete, remodel, improve, furnish, refurnish, equip, or reequip  
27 buildings and facilities the board is authorized to acquire,

1 including, but not limited to, general administrative, vocational,  
2 or special education buildings or facilities, or parts of those  
3 buildings or facilities, or additions to those buildings or  
4 facilities, and prepare, develop, or improve sites for those  
5 buildings or facilities; to purchase and install information  
6 technology systems, together with the equipment and software, as  
7 are necessary for programs conducted by the intermediate school  
8 district under section 627(2); and to issue and sell bonds of the  
9 intermediate school district in the form and on the terms the board  
10 considers advisable.

11 (2) An intermediate school board shall not borrow money or  
12 issue bonds for a sum that, together with the total outstanding  
13 bonded indebtedness of the intermediate school district, exceeds  
14  $\frac{1}{9}$  of 1% of the state equalized valuation of the taxable property  
15 within the district, unless the question of borrowing the money or  
16 issuing bonds is submitted first to a vote of the school electors  
17 of the intermediate school district held under section 661 and  
18 approved by the majority of the registered school electors voting  
19 on the question. Regardless of the amount of outstanding bonded  
20 indebtedness of the intermediate school district, a vote of the  
21 school electors is not necessary in order to issue bonds for a  
22 purpose described in section 1274a or to issue bonds under section  
23 11i of the state school aid act of 1979, 1979 PA 94, MCL 388.1611i.  
24 Money may be borrowed and bonds may be issued for the purposes  
25 stated in this section in an amount equal to that provided by part  
26 17. For the purposes of this subsection, bonds authorized by vote  
27 of the school electors for special education facilities under part

1 30 and for area vocational-technical education facilities under  
2 sections 681 to 690, and bonds issued under section 11i of the  
3 state school aid act of 1979, MCL 388.1611i, shall not be included  
4 in computing the total outstanding bonded indebtedness of an  
5 intermediate school district.

6 (3) Not later than 30 days after receipt of notice that the  
7 question of issuing bonds under this section to purchase and  
8 install information technology systems as are necessary for a  
9 cooperative program under section 627(2) will be submitted to the  
10 school electors of the intermediate school district, the board of a  
11 constituent school district by resolution may elect not to  
12 participate in the cooperative program and not to conduct an  
13 election on the question within the constituent school district.

14 **SEC. 641. (1) AN INTERMEDIATE SCHOOL DISTRICT MAY ESTABLISH AN**  
15 **AREA EARLY CHILDHOOD EDUCATION PROGRAM AND OPERATE THE PROGRAM**  
16 **UNDER SECTIONS 641 TO 649 IF APPROVED BY A MAJORITY OF THE**  
17 **INTERMEDIATE SCHOOL ELECTORS OF THE INTERMEDIATE SCHOOL DISTRICT**  
18 **VOTING ON THE QUESTION. THE ELECTION SHALL BE CALLED AND CONDUCTED**  
19 **IN ACCORDANCE WITH THIS ACT AND THE MICHIGAN ELECTION LAW. THE**  
20 **ESTABLISHMENT OF THE AREA EARLY CHILDHOOD EDUCATION PROGRAM MAY BE**  
21 **RESCINDED BY THE SAME PROCESS.**

22 (2) THE QUESTION OF ESTABLISHING AN AREA EARLY CHILDHOOD  
23 EDUCATION PROGRAM MAY BE SUBMITTED TO THE INTERMEDIATE SCHOOL  
24 ELECTORS OF AN INTERMEDIATE SCHOOL DISTRICT AT A REGULAR SCHOOL  
25 ELECTION OR AT A SPECIAL ELECTION HELD IN EACH OF THE CONSTITUENT  
26 DISTRICTS. SUBJECT TO SECTION 641 OF THE MICHIGAN ELECTION LAW, MCL  
27 168.641, THE INTERMEDIATE SCHOOL BOARD SHALL DETERMINE THE DATE OF

1 THE ELECTION AND SHALL GIVE NOTICE TO THE SCHOOL DISTRICT FILING  
2 OFFICIAL AT LEAST 60 DAYS IN ADVANCE OF THE DATE THE BALLOT  
3 QUESTION IS TO BE SUBMITTED TO THE INTERMEDIATE SCHOOL ELECTORS.

4 (3) THE BALLOT FOR SUBMITTING THE QUESTION OF ADOPTING  
5 SECTIONS 641 TO 649 AND ESTABLISHING AN AREA EARLY CHILDHOOD  
6 EDUCATION PROGRAM TO THE INTERMEDIATE SCHOOL ELECTORS OF AN  
7 INTERMEDIATE SCHOOL DISTRICT SHALL BE SUBSTANTIALLY IN THE  
8 FOLLOWING FORM:

9 "SHALL \_\_\_\_\_ (LEGAL NAME OF INTERMEDIATE SCHOOL  
10 DISTRICT), STATE OF MICHIGAN, COME UNDER SECTIONS 641 TO 649 OF THE  
11 REVISED SCHOOL CODE AND ESTABLISH AN AREA EARLY CHILDHOOD EDUCATION  
12 PROGRAM THAT IS DESIGNED TO ENCOURAGE THE OPERATION OF AREA EARLY  
13 CHILDHOOD EDUCATION PROGRAMS IF THE ANNUAL PROPERTY TAX LEVIED FOR  
14 THIS PURPOSE IS LIMITED TO \_\_\_\_\_ MILLS?

15 ( )

16 ( )".

17 (4) SUBJECT TO SECTION 625B, THE INTERMEDIATE SCHOOL BOARD,  
18 WITH THE APPROVAL OF THE INTERMEDIATE SCHOOL ELECTORS, MAY LEVY NOT  
19 MORE THAN 1 MILL OF AD VALOREM PROPERTY TAXES FOR AREA EARLY  
20 CHILDHOOD EDUCATION PROGRAM OPERATING PURPOSES UNDER SECTIONS 641  
21 TO 649.

22 (5) AN INTERMEDIATE SCHOOL DISTRICT THAT LEVIES A TAX FOR AREA  
23 EARLY CHILDHOOD EDUCATION PROGRAM OPERATING PURPOSES SHALL NOT USE  
24 PROCEEDS FROM THE TAX FOR ANY PURPOSE OTHER THAN AREA EARLY  
25 CHILDHOOD EDUCATION PROGRAM OPERATING PURPOSES AND SHALL SUBMIT TO  
26 THE DEPARTMENT OF TREASURY A COPY OF THE AUDIT REPORT FROM THE  
27 AUDIT OF THE INTERMEDIATE SCHOOL DISTRICT CONDUCTED UNDER SECTION

622A. IF THE DEPARTMENT OF TREASURY DETERMINES FROM THE AUDIT REPORT THAT THE PROCEEDS FROM THE TAX HAVE BEEN USED FOR A PURPOSE OTHER THAN AREA EARLY CHILDHOOD EDUCATION PROGRAM OPERATING PURPOSES, AS DEFINED UNDER SUBSECTION (7), THE DEPARTMENT OF TREASURY SHALL NOTIFY THE INTERMEDIATE SCHOOL DISTRICT OF THAT DETERMINATION. IF THE INTERMEDIATE SCHOOL DISTRICT DISPUTES THE DETERMINATION OR CLAIMS THAT THE SITUATION HAS BEEN CORRECTED, WITHIN 15 DAYS AFTER RECEIPT OF THE DETERMINATION THE INTERMEDIATE SCHOOL DISTRICT MAY SUBMIT AN APPEAL OF THE DETERMINATION TO THE DEPARTMENT OF TREASURY. WITHIN 90 DAYS AFTER RECEIPT OF THE APPEAL, THE DEPARTMENT OF TREASURY SHALL CONSIDER THE APPEAL AND MAKE A DETERMINATION OF WHETHER THE INITIAL DETERMINATION WAS CORRECT OR INCORRECT AND OF WHETHER THE SITUATION HAS BEEN CORRECTED. IF THE DEPARTMENT OF TREASURY FINDS THAT THE INITIAL DETERMINATION WAS CORRECT AND THAT THE SITUATION HAS NOT BEEN CORRECTED, THEN THE DEPARTMENT OF TREASURY SHALL FILE A COPY OF THE REPORT WITH THE ATTORNEY GENERAL. THE ATTORNEY GENERAL SHALL REVIEW THE REPORT AND, IF THE ATTORNEY GENERAL CONSIDERS IT APPROPRIATE, SHALL COMMENCE OR DIRECT THE PROSECUTING ATTORNEY FOR THE COUNTY IN WHICH THE VIOLATIONS OCCURRED TO COMMENCE APPROPRIATE PROCEEDINGS AGAINST THE INTERMEDIATE SCHOOL BOARD OR THE OFFICIAL OR EMPLOYEE. THESE PROCEEDINGS SHALL INCLUDE AT LEAST A CIVIL ACTION IN A COURT OF COMPETENT JURISDICTION FOR THE RECOVERY OF ANY PUBLIC MONEY DETERMINED BY THE AUDIT TO HAVE BEEN ILLEGALLY EXPENDED AND FOR THE RECOVERY OF ANY PUBLIC PROPERTY DETERMINED BY THE AUDIT TO HAVE BEEN CONVERTED OR MISAPPROPRIATED.

(6) IF THE ATTORNEY GENERAL DETERMINES FROM A REPORT FILED



1 UNDER SUBSECTION (5) THAT AN INTERMEDIATE SCHOOL DISTRICT HAS  
2 MISSPENT TAX PROCEEDS AS DESCRIBED IN SUBSECTION (5) AND NOTIFIES  
3 THE INTERMEDIATE SCHOOL DISTRICT OF THIS DETERMINATION, THE  
4 INTERMEDIATE SCHOOL DISTRICT SHALL REPAY TO ITS AREA EARLY  
5 CHILDHOOD EDUCATION PROGRAM OPERATING FUND AN AMOUNT EQUAL TO THE  
6 AMOUNT THE DEPARTMENT OF TREASURY DETERMINED UNDER SUBSECTION (5)  
7 HAS BEEN USED FOR A PURPOSE OTHER THAN AREA EARLY CHILDHOOD  
8 EDUCATION PROGRAM OPERATING PURPOSES. THE INTERMEDIATE SCHOOL  
9 DISTRICT SHALL MAKE THIS REPAYMENT FROM FUNDS OF THE INTERMEDIATE  
10 SCHOOL DISTRICT THAT LAWFULLY MAY BE USED FOR MAKING SUCH A  
11 REPAYMENT.

12 (7) FOR THE PURPOSES OF SUBSECTIONS (5) AND (6), THE  
13 DEPARTMENT AND THE DEPARTMENT OF TREASURY, IN CONSULTATION WITH  
14 INTERMEDIATE SCHOOL DISTRICTS, SHALL DEVELOP AND MAKE AVAILABLE TO  
15 INTERMEDIATE SCHOOL DISTRICTS A DEFINITION OF AREA EARLY CHILDHOOD  
16 EDUCATION PROGRAM OPERATING PURPOSES.

17 (8) AN INTERMEDIATE SCHOOL DISTRICT SHALL NOT HOLD MORE THAN 2  
18 ELECTIONS IN A CALENDAR YEAR CONCERNING THE AUTHORIZATION OF A  
19 MILLAGE RATE FOR AREA EARLY CHILDHOOD EDUCATION PROGRAM OPERATING  
20 PURPOSES UNDER SECTIONS 641 TO 649.

21 SEC. 642. SUBJECT TO SECTION 641(4), AN INTERMEDIATE SCHOOL  
22 BOARD OPERATING UNDER SECTIONS 641 TO 649 MAY DIRECT THAT THE  
23 QUESTION OF INCREASING THE MILLAGE LIMIT ON THE ANNUAL PROPERTY TAX  
24 LEVIED FOR AREA EARLY CHILDHOOD EDUCATION BE SUBMITTED TO THE  
25 INTERMEDIATE SCHOOL ELECTORS OF THE INTERMEDIATE SCHOOL DISTRICT.  
26 THE ELECTION SHALL BE CALLED AND CONDUCTED IN ACCORDANCE WITH  
27 SECTION 661. THE BALLOT SHALL BE SUBSTANTIALLY IN THE FOLLOWING

1 FORM:

2 "SHALL THE \_\_\_\_\_-MILL LIMITATION ON THE ANNUAL PROPERTY TAX  
3 PREVIOUSLY APPROVED BY THE ELECTORS OF \_\_\_\_\_  
4 (LEGAL NAME OF INTERMEDIATE SCHOOL DISTRICT), STATE OF MICHIGAN,  
5 FOR THE ESTABLISHMENT AND OPERATION OF AREA EARLY CHILDHOOD  
6 EDUCATION PROGRAMS, BE INCREASED BY \_\_\_\_\_ MILLS?  
7 YES ( )  
8 NO ( )".

9 SEC. 643. (1) AN INTERMEDIATE SCHOOL BOARD OPERATING UNDER  
10 SECTIONS 641 TO 649 SHALL PREPARE ANNUALLY AN AREA EARLY CHILDHOOD  
11 EDUCATION BUDGET WHICH SHALL BE IN THE SAME FORM AS THAT REQUIRED  
12 IN LOCAL SCHOOL DISTRICTS, AND SHALL BE DELIVERED TO THE COUNTY  
13 CLERKS OF THE COUNTIES IN WHICH THE INTERMEDIATE SCHOOL DISTRICT IS  
14 LOCATED, EXCEPT IN COUNTIES WHICH HAVE ESTABLISHED SEPARATE TAX  
15 LIMITATION MILLAGE RATES PURSUANT TO THE PROPERTY TAX LIMITATION  
16 ACT, 1933 PA 62, MCL 211.201 TO 211.217A. THE COUNTY CLERK SHALL  
17 DELIVER THE BUDGET TO THE TAX ALLOCATION BOARD IN THE SAME MANNER  
18 AS LOCAL SCHOOL DISTRICT BUDGETS ARE HANDLED.

19 (2) COUNTY TAX ALLOCATION BOARDS SHALL RECEIVE AREA EARLY  
20 CHILDHOOD EDUCATION BUDGETS FROM THEIR RESPECTIVE COUNTY CLERKS;  
21 SHALL TREAT THEM AS LOCAL SCHOOL DISTRICT BUDGETS ARE TREATED; AND  
22 SHALL ALLOCATE TAX RATES TO INTERMEDIATE SCHOOL DISTRICTS FOR THE  
23 PURPOSES OF SECTIONS 641 TO 649. THE ALLOCATIONS SHALL BE HANDLED  
24 IN THE SAME MANNER AS OTHER ALLOCATIONS FOR LOCAL SCHOOL DISTRICTS.  
25 THE ALLOCATIONS SHALL NOT BE MADE WITHIN THE 15-MILL LIMITATION AND  
26 SHALL NOT EXCEED THE LIMIT AUTHORIZED UNDER THESE SECTIONS.

27 (3) WHEN THE INTERMEDIATE SCHOOL BOARD RECEIVES AN ALLOCATION

1 ON THE BASIS OF ITS AREA EARLY CHILDHOOD EDUCATION BUDGET, THE  
2 INTERMEDIATE SCHOOL BOARD SHALL CERTIFY FOR COLLECTION TO THE  
3 OFFICIALS OF THE LOCAL PROPERTY TAX COLLECTING UNIT A STATEMENT OF  
4 THE AMOUNT OF TAXES TO BE LEVIED. THE CERTIFICATION SHALL BE MADE  
5 IN THE SAME MANNER AS LOCAL SCHOOL DISTRICTS, BUT THE RATE  
6 CERTIFIED FOR LEVY SHALL NOT EXCEED THE AMOUNT ALLOCATED.

7 (4) ON RECEIPT OF THE STATEMENT FROM THE INTERMEDIATE SCHOOL  
8 BOARD, THE OFFICIALS RESPONSIBLE FOR THE LEVYING AND COLLECTION OF  
9 THESE TAXES SHALL SPREAD ON THE TAX ROLL AN AREA EARLY CHILDHOOD  
10 EDUCATION TAX EQUAL TO THE AMOUNT ORDERED SPREAD, AND SHALL COLLECT  
11 THE TAXES IN THE SAME MANNER AS OTHER TAXES ARE COLLECTED.

12 (5) TAXES COLLECTED BY A CITY OR TOWNSHIP TREASURER UNDER  
13 SUBSECTION (4) SHALL BE PAID TO THE TREASURER OF THE INTERMEDIATE  
14 SCHOOL BOARD PURSUANT TO SECTION 43 OF THE GENERAL PROPERTY TAX  
15 ACT, 1893 PA 206, MCL 211.43, OR TO THE COUNTY TREASURERS IN THE  
16 SAME MANNER AS OTHER COUNTY TAXES ARE PAID AND SIMILAR ACCOUNTS AND  
17 RECORDS SHALL BE KEPT. THE COUNTY TREASURERS SHALL PAY ALL FUNDS  
18 RECEIVED UNDER SUBSECTION (4) TO THE TREASURER OF THE INTERMEDIATE  
19 SCHOOL BOARD.

20 SEC. 644. (1) AN INTERMEDIATE SCHOOL BOARD IN WHICH AN AREA  
21 EARLY CHILDHOOD EDUCATION PROGRAM HAS BEEN ESTABLISHED MAY OPERATE  
22 AREA EARLY CHILDHOOD EDUCATION PROGRAMS OR MAY CONTRACT WITH LOCAL  
23 SCHOOL DISTRICTS OR WITH COMMUNITY COLLEGES FOR THE OPERATION OF  
24 THE PROGRAMS. AREA EARLY CHILDHOOD EDUCATION PROGRAMS OPERATED  
25 UNDER SECTIONS 641 TO 649 SHALL BE SUBMITTED FOR REVIEW OF THE  
26 REPRESENTATIVES OF THE CONSTITUENT DISTRICTS OF THE INTERMEDIATE  
27 SCHOOL DISTRICT AT AN ANNUAL BUDGET REVIEW MEETING HELD ON OR

1 BEFORE JUNE 1 UNDER SECTION 624.

2 (2) AN INTERMEDIATE SCHOOL BOARD MAY EXPEND AREA EARLY  
3 CHILDHOOD EDUCATION FUNDS FOR THE OPERATION OF AREA EARLY CHILDHOOD  
4 EDUCATION PROGRAMS APPROVED BY THE SUPERINTENDENT OF PUBLIC  
5 INSTRUCTION AND PURCHASING AREA EARLY CHILDHOOD EDUCATION  
6 EQUIPMENT. AN INTERMEDIATE SCHOOL BOARD SHALL NOT EXPEND AREA EARLY  
7 CHILDHOOD EDUCATION FUNDS FOR PURPOSES OTHER THAN THOSE SET FORTH  
8 IN SECTIONS 641 TO 649.

9 (3) AN INTERMEDIATE SCHOOL BOARD OPERATING UNDER SECTIONS 641  
10 TO 649 MAY EXPEND FUNDS RECEIVED UNDER SECTION 643 FOR THE COSTS OF  
11 A SPECIAL ELECTION HELD TO RENEW OR INCREASE THE MILLAGE LIMIT ON  
12 THE ANNUAL PROPERTY TAX LEVIED FOR AREA EARLY CHILDHOOD EDUCATION  
13 PURPOSES.

14 (4) THE TREASURER OF AN INTERMEDIATE SCHOOL BOARD SHALL PAY  
15 OUT AREA EARLY CHILDHOOD EDUCATION FUNDS ON ORDER OF THE  
16 INTERMEDIATE SCHOOL BOARD.

17 SEC. 645. AN INTERMEDIATE SCHOOL BOARD IN WHICH AN AREA EARLY  
18 CHILDHOOD EDUCATION PROGRAM IS ESTABLISHED SHALL MAKE PAYMENTS FROM  
19 AREA EARLY CHILDHOOD EDUCATION FUNDS TO THOSE CONSTITUENT DISTRICTS  
20 AND COMMUNITY COLLEGES UNDER CONTRACT SERVING THE INTERMEDIATE  
21 SCHOOL DISTRICT THAT OPERATE AREA EARLY CHILDHOOD EDUCATION  
22 CENTERS. PAYMENTS SHALL BE COMPUTED AS FOLLOWS:

23 (A) THE TOTAL COST OF AN AREA EARLY CHILDHOOD EDUCATION CENTER  
24 SHALL BE COMPUTED, AND FROM THIS AMOUNT, THERE SHALL BE DEDUCTED  
25 THE CURRENT STATE AND FEDERAL EARLY CHILDHOOD EDUCATION  
26 REIMBURSEMENT FOR THE AREA EARLY CHILDHOOD EDUCATION CENTER.

27 (B) THE INTERMEDIATE SCHOOL BOARD SHALL REIMBURSE ALL OR PART

1 OF THE DIFFERENCE RESULTING UNDER SUBDIVISION (A). IF THE FUNDS ARE  
2 NOT SUFFICIENT TO MAKE UP THIS DIFFERENCE, A LIKE PERCENT OF THE  
3 DIFFERENCE SHALL BE PAID TO ALL AREA EARLY CHILDHOOD EDUCATION  
4 CENTERS IN THE INTERMEDIATE SCHOOL DISTRICT.

5 SEC. 648. A CONSTITUENT DISTRICT OR COMMUNITY COLLEGE  
6 MAINTAINING AN AREA EARLY CHILDHOOD EDUCATION FACILITY DESIGNATED  
7 BY THE SUPERINTENDENT OF PUBLIC INSTRUCTION MAY ENTER INTO A  
8 CONTRACT WITH THE INTERMEDIATE SCHOOL BOARD AND SHALL BECOME AN  
9 AREA EARLY CHILDHOOD EDUCATION CENTER BY CONTRACTING WITH THE  
10 INTERMEDIATE SCHOOL BOARD TO ACCEPT NONRESIDENT CHILDREN ASSIGNED  
11 INTO ITS FACILITY BY THE INTERMEDIATE SCHOOL BOARD.

12 SEC. 649. (1) A SCHOOL DISTRICT OF NOT LESS THAN 18,000 PUPILS,  
13 A FIRST CLASS SCHOOL DISTRICT, OR A SCHOOL DISTRICT OFFERING OR  
14 MAKING AVAILABLE TO ITS RESIDENTS A COMPREHENSIVE EARLY CHILDHOOD  
15 EDUCATION PROGRAM APPROVED BY THE SUPERINTENDENT OF PUBLIC  
16 INSTRUCTION MAY ELECT NOT TO COME UNDER AN AREA EARLY CHILDHOOD  
17 EDUCATION PROGRAM BY RESOLUTION ADOPTED BY ITS BOARD NOT LATER THAN  
18 30 DAYS AFTER RECEIPT OF NOTICE THAT THE QUESTION OF ESTABLISHING  
19 THE AREA EARLY CHILDHOOD EDUCATION PROGRAM WILL BE SUBMITTED TO THE  
20 SCHOOL ELECTORS OF THE SCHOOL DISTRICT.

21 (2) A SCHOOL DISTRICT ELECTING NOT TO COME UNDER THE AREA  
22 EARLY CHILDHOOD EDUCATION PROGRAM MAY THEREAFTER ELECT TO COME  
23 UNDER THE PROGRAM IF AT A SPECIAL OR REGULAR SCHOOL ELECTION A  
24 MAJORITY OF THE SCHOOL ELECTORS VOTING APPROVE THE OPERATION OF THE  
25 AREA EARLY CHILDHOOD EDUCATION PROGRAM AND THE ANNUAL TAX RATE FOR  
26 THAT PURPOSE IN EFFECT IN THE OTHER CONSTITUENT DISTRICTS OF THE  
27 INTERMEDIATE SCHOOL DISTRICT.

1           (3) EXCEPT AS PROVIDED IN THIS SUBSECTION, IN AN INTERMEDIATE  
2 SCHOOL DISTRICT WHERE THE SCHOOL ELECTORS HAVE VOTED UPON AND  
3 FAILED TO APPROVE THE BALLOT QUESTION SET FORTH IN SECTION 641, A  
4 COMBINATION OF 2 OR MORE CONTIGUOUS CONSTITUENT DISTRICTS, BY  
5 RESOLUTION OF THEIR BOARDS, MAY ELECT TO ESTABLISH AN AREA EARLY  
6 CHILDHOOD EDUCATION PROGRAM, IF APPROVED BY RESOLUTION OF THE  
7 INTERMEDIATE DISTRICT BOARD AND DESIGNATED BY THE STATE BOARD. THE  
8 REQUIREMENT OF CONTIGUITY OF CONSTITUENT DISTRICTS DOES NOT APPLY  
9 IF 1 OR MORE OF THE DISTRICTS THAT CONSTITUTE THE BASIS OF  
10 CONTIGUITY DECLARE THEIR INTENT, BY BOARD RESOLUTION, NOT TO BE  
11 PART OF THE PROPOSED AREA EARLY CHILDHOOD EDUCATION PROGRAM. AT ANY  
12 TIME WITHIN 6 MONTHS AFTER THE ENACTMENT OF THE RESOLUTION  
13 ESTABLISHING THE PROGRAM IN A LOCAL SCHOOL DISTRICT, SCHOOL  
14 ELECTORS EQUAL IN NUMBER TO NOT LESS THAN 5% OF THE VOTES CAST IN  
15 THE MOST RECENT SCHOOL ELECTION MAY PETITION THEIR LOCAL SCHOOL  
16 DISTRICT BOARD TO SUBMIT THE RESOLUTION TO THE SCHOOL DISTRICT  
17 FILING OFFICIAL FOR SUBMISSION TO THE ELECTORATE, IN A FORM AND  
18 MANNER TO BE PRESCRIBED BY THE SECRETARY OF STATE, AND THE  
19 DISTRICT'S PARTICIPATION IN THE PROGRAM SHALL BE TERMINATED IF NOT  
20 APPROVED BY A MAJORITY OF THE SCHOOL ELECTORS VOTING ON THE  
21 QUESTION.

22           (4) AREA EARLY CHILDHOOD EDUCATION PROGRAMS ESTABLISHED UNDER  
23 THIS SECTION SHALL RECEIVE APPROPRIATE STATE FUNDING OR FEDERAL  
24 FUNDING ALLOCATED BY THE SUPERINTENDENT OF PUBLIC INSTRUCTION ON  
25 EXACTLY THE SAME BASIS AS AREA EARLY CHILDHOOD EDUCATION PROGRAMS  
26 AND CENTERS ESTABLISHED BY INTERMEDIATE SCHOOL DISTRICTS.  
27 CONSTITUENT DISTRICTS ESTABLISHING AN APPROVED AREA EARLY CHILDHOOD

1 EDUCATION PROGRAM UNDER THIS SECTION MAY DESIGNATE, BY BOARD  
2 RESOLUTION, SPECIFIC AMOUNTS OF EITHER AUTHORIZED OPERATING MILLAGE  
3 OR OPERATING MILLAGE BEING REQUESTED FROM THE SCHOOL ELECTORS TO BE  
4 UTILIZED SOLELY FOR THE AREA EARLY CHILDHOOD EDUCATION PROGRAM, IN  
5 A MANNER TO BE PRESCRIBED BY THE SUPERINTENDENT OF PUBLIC  
6 INSTRUCTION, AND THE SPECIFIED AMOUNT OF MILLAGE SHALL BE REGARDED  
7 AS AREA EARLY CHILDHOOD EDUCATION MILLAGE RATHER THAN LOCAL SCHOOL  
8 DISTRICT OPERATING MILLAGE IN ALL COMPUTATIONS MADE BY THE  
9 DEPARTMENT TO DETERMINE STATE AID. THE REVENUE OBTAINED FROM THE  
10 MILLAGE DESIGNATED, TOGETHER WITH APPROPRIATE STATE AND FEDERAL  
11 FUNDS, MAY BE EXPENDED FOR THE SAME PURPOSES SPECIFIED FOR  
12 INTERMEDIATE DISTRICT PROGRAMS IN SECTIONS 644 AND 645, INCLUDING  
13 CONTRACTS WITH THE INTERMEDIATE SCHOOL DISTRICT, ANOTHER LOCAL  
14 SCHOOL DISTRICT, OR A COMMUNITY COLLEGE FOR AREA EARLY CHILDHOOD  
15 EDUCATION PROGRAMS AND SERVICES.

16 (5) A CONTIGUOUS DISTRICT DESIRING TO BECOME PART OF AN AREA  
17 EARLY CHILDHOOD EDUCATION PROGRAM ESTABLISHED UNDER THIS SECTION  
18 MAY DO SO WITH THE APPROVAL OF EACH PARTICIPATING SCHOOL DISTRICT,  
19 THE INTERMEDIATE SCHOOL DISTRICT, AND THE STATE BOARD. CONSTITUENT  
20 DISTRICTS OPERATING AN APPROVED AREA EARLY CHILDHOOD EDUCATION  
21 PROGRAM UNDER THIS SECTION MAY SUBSEQUENTLY ELECT NOT TO  
22 PARTICIPATE, OR MAY THEREAFTER ELECT TO PARTICIPATE, IN AN  
23 INTERMEDIATE SCHOOL DISTRICT EARLY CHILDHOOD EDUCATION PROGRAM IN  
24 EXACTLY THE SAME MANNER PRESCRIBED IN THIS SECTION FOR SCHOOL  
25 DISTRICTS OF NOT LESS THAN 18,000 PUPILS, A FIRST CLASS SCHOOL  
26 DISTRICT, OR A SCHOOL DISTRICT OFFERING OR MAKING AVAILABLE TO ITS  
27 RESIDENTS A COMPREHENSIVE EARLY CHILDHOOD EDUCATION PROGRAM

1   **APPROVED BY THE SUPERINTENDENT OF PUBLIC INSTRUCTION.**

2           Sec. 703. (1) An intermediate school district comprised of  
3   less than 5 constituent districts and having no bonded indebtedness  
4   may be disorganized and its constituent districts attached to  
5   contiguous intermediate school districts under this section.

6           (2) The board of each constituent district may request the  
7   intermediate school board to prescribe a plan for disorganization  
8   of the intermediate school district. Each request shall designate  
9   another intermediate school district to which the constituent  
10   district desires to be attached. The intermediate school board  
11   shall prescribe, by resolution, a plan under which each of the  
12   constituent districts will be attached in whole to contiguous  
13   intermediate school districts designated in the requests. If the  
14   designated intermediate school district is not contiguous, the  
15   intermediate school board's plan may prescribe attachment to a  
16   contiguous intermediate school district.

17          (3) The intermediate superintendent of the intermediate school  
18   district that is to be disorganized shall give 30 days' notice of  
19   the time and place of the meeting of the intermediate school board  
20   and of the proposed plan for disorganization by publication of the  
21   notice in a newspaper of general circulation in the intermediate  
22   school district. The intermediate school board shall present the  
23   adopted plan for dissolution to the board of each of its  
24   constituent districts and to the intermediate school board of each  
25   intermediate school district whose boundaries would be enlarged by  
26   the proposal.

27          (4) The intermediate superintendent of each intermediate



1 school district whose boundaries would be enlarged by the  
2 dissolution shall give 30 days' notice of the time and place of the  
3 meeting of the intermediate school board and of the recommended  
4 plan for enlargement of the intermediate school district by  
5 publication of the notice in a newspaper of general circulation in  
6 the intermediate school district.

7 (5) If the intermediate school board of each affected  
8 intermediate school district approves the plan for disorganization,  
9 the intermediate school board of the intermediate school district  
10 to be dissolved shall refer the matter to the superintendent of  
11 public instruction for approval. The action of the superintendent  
12 of public instruction declaring the intermediate school district  
13 dissolved is final. Disorganization of the intermediate school  
14 district and attachment of its constituent districts to contiguous  
15 intermediate school districts takes effect on July 1 after the date  
16 of the approval of the superintendent of public instruction.

17 (6) The intermediate school boards of the intermediate school  
18 districts to which territory is attached by dissolution shall meet  
19 jointly, sitting as a single board, and make an equitable  
20 distribution of the money, property, and other assets belonging to  
21 the disorganized intermediate school district among the  
22 intermediate school districts affected. The territory of  
23 constituent districts transferred to other intermediate school  
24 districts by dissolution shall be subject to all taxes levied for  
25 purposes of the intermediate school district to which transferred,  
26 including taxes for the retirement of bonded indebtedness, special  
27 education programs, ~~and~~ area vocational-technical education

1 programs, **AND AREA EARLY CHILDHOOD EDUCATION PROGRAMS.**

2 (7) Within 30 days after a district attaches to a contiguous  
3 intermediate school district under this section, the board of the  
4 intermediate school district whose boundaries have been enlarged by  
5 the dissolution may appoint 2 school electors of constituent  
6 districts, 1 of whom shall be an elector of the attached district,  
7 to membership on the intermediate school board. Intermediate school  
8 board members appointed under this subsection serve until January 1  
9 or, if the intermediate school district's regular school election  
10 is held in May, until July 1 after the next intermediate school  
11 district election. The intermediate school board may determine 1  
12 initial term of less than 6 years for 1 of the additional members  
13 to be elected at the intermediate school district election.  
14 Notification of an appointment shall be filed with the  
15 superintendent of public instruction.