

SENATE BILL No. 951

May 21, 2014, Introduced by Senator WALKER 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 17a and 18 (MCL 388.1617a and 388.1618),
section 17a as amended by 2013 PA 97 and section 18 as amended by
2013 PA 60.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 17a. (1) The department may withhold all or part of any
2 payment that a district or intermediate district is entitled to
3 receive under this act to the extent the withholdings are a
4 component part of a plan, developed and implemented pursuant to the
5 revised municipal finance act, 2001 PA 34, MCL 141.2101 to
6 141.2821, **THE EMERGENCY MUNICIPAL LOAN ACT, 1980 PA 243, MCL**

1 141.931 TO 141.942, THE LOCAL FINANCIAL STABILITY AND CHOICE ACT,
2 2012 PA 436, MCL 141.1541 TO 141.1575, SECTION 1356 OF THE REVISED
3 SCHOOL CODE, MCL 380.1356, or other statutory authority, for
4 financing an outstanding obligation upon which the district or
5 intermediate district defaulted. Amounts withheld shall be used to
6 pay, on behalf of the district or intermediate district, unpaid
7 amounts or subsequently due amounts, or both, of principal and
8 interest on the outstanding obligation upon which the district or
9 intermediate district defaulted.

10 (2) The state treasurer may withhold all or part of any
11 payment that a district or intermediate district is entitled to
12 receive under this act to the extent authorized or required under
13 section 15 of the school bond qualification, approval, and loan
14 act, 2005 PA 92, MCL 388.1935, **THE EMERGENCY MUNICIPAL LOAN ACT,**
15 **1980 PA 243, MCL 141.931 TO 141.942, THE LOCAL FINANCIAL STABILITY**
16 **AND CHOICE ACT, 2012 PA 436, MCL 141.1541 TO 141.1575, SECTION 1356**
17 **OF THE REVISED SCHOOL CODE, MCL 380.1356, OR OTHER STATUTORY**
18 **AUTHORITY.**

19 (3) Under an agreement entered into by a district or
20 intermediate district assigning all or a portion of the payment
21 that it is eligible to receive under this act to the Michigan
22 finance authority or to the trustee of a pooled arrangement or
23 pledging the amount for payment of an obligation it incurred with
24 the Michigan finance authority or with the trustee of a pooled
25 arrangement, the state treasurer shall transmit to the Michigan
26 finance authority or a trustee designated by the Michigan finance
27 authority or to the trustee of a pooled arrangement **OR OTHER**

1 **DESIGNATED DEPOSITORY** the amount of the payment that is assigned or
2 pledged under the agreement.

3 (4) If a district or intermediate district for which an
4 emergency manager ~~has been appointed pursuant to~~ **IS IN PLACE UNDER**
5 the local financial stability and choice act, 2012 PA 436, MCL
6 141.1541 to 141.1575, or that has an approved deficit elimination
7 plan **OR AN APPROVED ENHANCED DEFICIT ELIMINATION PLAN** under section
8 ~~102, 1220 OF THE REVISED SCHOOL CODE, MCL 380.1220~~, enters into or
9 has entered into an agreement described in subsection (3) pursuant
10 to section 1225(2) of the revised school code, MCL 380.1225,
11 whether the obligation was issued before or after the effective
12 date of this subsection, the portion of state school aid paid or to
13 be paid on behalf of the district or intermediate district directly
14 to the Michigan finance authority, or to a trustee designated by
15 the Michigan finance authority, for the sole purpose of paying the
16 principal of and interest on the obligation is subject to a lien
17 and trust that is a statutory lien and trust, paramount and
18 superior to all other liens and interests of any kind, for the sole
19 purpose of paying the principal of and interest on the obligation.
20 The statutory lien and trust applies to the state school aid
21 received or to be received by the Michigan finance authority, or
22 trustee designated by the Michigan finance authority, on behalf of
23 the district or intermediate district, immediately upon the later
24 ~~of the effective date of this subsection~~ **FEBRUARY 7, 2012** or the
25 time when the state school aid is allocated to the district or
26 intermediate district, but is subject to any subsequent reduction
27 of the state school aid allocation by operation of law or executive

1 order. The lien and trust imposed by this section with respect to
2 state school aid has a priority as established in the agreement,
3 except that the agreement shall not impair any existing lien and
4 trust previously created pursuant to this section, including any
5 lien and trust applicable to a multi-year repayment agreement under
6 section 1225 of the revised school code, MCL 380.1225. Except as
7 otherwise provided in this subsection, the lien and trust created
8 under this subsection for the benefit of holders of the obligation
9 issued pursuant to this section is valid and binding against a
10 party having a claim of any kind in tort, contract, or otherwise
11 against the district or intermediate district that has issued the
12 obligation secured by a pledge of state school aid pursuant to this
13 section, regardless of whether that party has notice of the pledge.
14 A pledge made pursuant to this section for the benefit of the
15 holders of obligations or others is perfected without delivery,
16 recording, or notice. The state school aid paid or to be paid on
17 behalf of a district or intermediate district to the Michigan
18 finance authority, or trustee designated by the Michigan finance
19 authority, shall be held in trust for the sole benefit of the
20 holders of the obligation issued pursuant to this section or
21 section 1225 of the revised school code, MCL 380.1225, and is
22 exempt from being levied upon, taken, sequestered, or applied
23 toward paying the debts or liabilities of the district or
24 intermediate district other than for payment of the obligation to
25 which the lien applies. However, nothing in this subsection alters
26 the ability of the state treasurer to withhold state school aid
27 from a district or intermediate district as provided by law.

1 (5) Notwithstanding the payment dates prescribed by this act
2 for distributions under this act, the state treasurer may advance
3 all or part of a payment that is dedicated for distribution or for
4 which the appropriation authorizing the payment has been made if
5 and to the extent, under the terms of an agreement entered into by
6 a district or intermediate district and the Michigan finance
7 authority, the payment that the district or intermediate district
8 is eligible to receive has been assigned to or pledged for payment
9 of an obligation it incurred with the Michigan finance authority.

10 (6) This section does not require the state to make an
11 appropriation to any school district or intermediate school
12 district and shall not be construed as creating an indebtedness of
13 the state, and any agreement made pursuant to this section shall
14 contain a statement to that effect.

15 (7) As used in this section, "trustee of a pooled arrangement"
16 means the trustee of a trust approved by the state treasurer and,
17 subject to the conditions and requirements of that approval,
18 established for the purpose of offering for sale, as part of a
19 pooled arrangement, certificates representing undivided interests
20 in notes issued by districts or intermediate districts under
21 section 1225 of the revised school code, MCL 380.1225.

22 (8) If a trustee applies to the state treasurer for approval
23 of a trust for the purposes of this section, the state treasurer
24 shall approve or disapprove the trust within 10 days after receipt
25 of the application.

26 **(9) AN ALLOCATION TO A DISTRICT OR INTERMEDIATE DISTRICT UNDER**
27 **THIS ARTICLE IS CONTINGENT UPON THE DISTRICT'S OR INTERMEDIATE**

DISTRICT'S COMPLIANCE WITH THIS SECTION.

Sec. 18. (1) Except as provided in another section of this article, each district or other entity shall apply the money received by the district or entity under this article to salaries and other compensation of teachers and other employees, tuition, transportation, lighting, heating, ventilation, water service, the purchase of textbooks, other supplies, and any other school operating expenditures defined in section 7. However, not more than 20% of the total amount received by a district or intermediate district under this article may be transferred by the board to either the capital projects fund or to the debt retirement fund for debt service. The money shall not be applied or taken for a purpose other than as provided in this section. The department shall determine the reasonableness of expenditures and may withhold from a recipient of funds under this article the apportionment otherwise due upon a violation by the recipient.

(2) **A DISTRICT OR INTERMEDIATE DISTRICT SHALL ADOPT AN ANNUAL BUDGET IN A MANNER THAT COMPLIES WITH THE UNIFORM BUDGETING AND ACCOUNTING ACT, 1968 PA 2, MCL 141.421 TO 141.440A.** Within ~~30~~15 days after a **DISTRICT** board adopts its annual operating budget for the following school fiscal year, or after a **DISTRICT** board adopts a subsequent revision to that budget, the district shall make all of the following available through a link on its website home page, or may make the information available through a link on its intermediate district's website home page, in a form and manner prescribed by the department:

(a) The annual operating budget and subsequent budget

1 revisions.

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

6 (i) A chart of personnel expenditures, broken into the
7 following subcategories:

8 (A) Salaries and wages.

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

12 (C) Retirement benefit costs.

13 (D) All other personnel costs.

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

16 (A) Instruction.

17 (B) Support services.

18 (C) Business and administration.

19 (D) Operations and maintenance.

20 (c) Links to all of the following:

21 (i) The current collective bargaining agreement for each
22 bargaining unit.

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

27 (iii) The audit report of the audit conducted under subsection

(4) for the most recent fiscal year for which it is available.

(iv) The bids required under section 5 of the public ~~employee~~
EMPLOYEES health benefits act, 2007 PA 106, MCL 124.75.

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

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

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

(G) ANY DEFICIT ELIMINATION OR ENHANCED DEFICIT ELIMINATION PLAN THE DISTRICT WAS REQUIRED TO SUBMIT UNDER SECTION 1220 OF THE REVISED SCHOOL CODE, MCL 380.1220.

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

(4) For the purpose of determining the reasonableness of expenditures and whether a violation of this article has occurred, all of the following apply:

(a) The department shall require that each district and intermediate district have an audit of the district's or intermediate district's financial and pupil accounting records conducted at least annually at the expense of the district or intermediate district, as applicable, by a certified public accountant or by the intermediate district superintendent, as may

1 be required by the department, or in the case of a district of the
2 first class by a certified public accountant, the intermediate
3 superintendent, or the auditor general of the city.

4 (b) If a district operates in a single building with fewer
5 than 700 full-time equated pupils, if the district has stable
6 membership, and if the error rate of the immediately preceding 2
7 pupil accounting field audits of the district is less than 2%, the
8 district may have a pupil accounting field audit conducted
9 biennially but must continue to have desk audits for each pupil
10 count. The auditor must document compliance with the audit cycle in
11 the pupil auditing manual. As used in this subdivision, "stable
12 membership" means that the district's membership for the current
13 fiscal year varies from the district's membership for the
14 immediately preceding fiscal year by less than 5%.

15 (c) A district's or intermediate district's annual financial
16 audit shall include an analysis of the financial and pupil
17 accounting data used as the basis for distribution of state school
18 aid.

19 (d) The pupil and financial accounting records and reports,
20 audits, and management letters are subject to requirements
21 established in the auditing and accounting manuals approved and
22 published by the department.

23 (e) All of the following shall be done not later than ~~November~~
24 **OCTOBER** 15 each year:

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

27 (ii) The intermediate district shall file the annual financial

1 audit reports for the intermediate district with the department.

2 (iii) The intermediate district shall enter the pupil membership
3 audit reports for its constituent districts and for the
4 intermediate district, for the pupil membership count day and
5 supplemental count day, in the Michigan student data system.

6 (f) The annual financial audit reports and pupil accounting
7 procedures reports shall be available to the public in compliance
8 with the freedom of information act, 1976 PA 442, MCL 15.231 to
9 15.246.

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

17 (5) By ~~November~~**OCTOBER** 15 of each year, each district and
18 intermediate district shall submit to the center, in a manner
19 prescribed by the center, annual comprehensive financial data
20 consistent with accounting manuals and charts of accounts approved
21 and published by the department. For an intermediate district, the
22 report shall also contain the website address where the department
23 can access the report required under section 620 of the revised
24 school code, MCL 380.620. The department shall ensure that the
25 prescribed Michigan public school accounting manual chart of
26 accounts includes standard conventions to distinguish expenditures
27 by allowable fund function and object. The functions shall include

1 at minimum categories for instruction, pupil support, instructional
2 staff support, general administration, school administration,
3 business administration, transportation, facilities operation and
4 maintenance, facilities acquisition, and debt service; and shall
5 include object classifications of salary, benefits, including
6 categories for active employee health expenditures, purchased
7 services, supplies, capital outlay, and other. Districts shall
8 report the required level of detail consistent with the manual as
9 part of the comprehensive annual financial report.

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

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

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 ownership of the property unless the public
24 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), and (7), the department shall
27 withhold all state school aid due to the district or intermediate

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

7 **(11) IF A DISTRICT OR INTERMEDIATE DISTRICT DOES NOT COMPLY**
8 **WITH SUBSECTION (2), THE DEPARTMENT MAY WITHHOLD UP TO 10% OF THE**
9 **TOTAL STATE SCHOOL AID DUE TO THE DISTRICT OR INTERMEDIATE DISTRICT**
10 **UNDER THIS ARTICLE, BEGINNING WITH THE NEXT PAYMENT DUE TO THE**
11 **DISTRICT OR INTERMEDIATE DISTRICT, UNTIL THE DISTRICT OR**
12 **INTERMEDIATE DISTRICT COMPLIES WITH SUBSECTION (2). IF THE DISTRICT**
13 **OR INTERMEDIATE DISTRICT DOES NOT COMPLY WITH SUBSECTION (2) BY THE**
14 **END OF THE FISCAL YEAR, THE DISTRICT OR INTERMEDIATE DISTRICT**
15 **FORFEITS THE AMOUNT WITHHELD.**

16 **(12) ~~(11)~~**Not later than September 1, 2014, if a district or
17 intermediate district offers online learning, the district or
18 intermediate district shall submit to the department a report that
19 details the per-pupil costs of operating the online learning. The
20 report shall include at least all of the following information
21 concerning the operation of online learning for the school fiscal
22 year ending June 30, 2014:

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

25 (b) The total number of students enrolled in the online
26 learning and the total number of membership pupils enrolled in the
27 online learning.

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

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

5 (e) The number of participating students who had previously
6 dropped out of school.

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

9 (g) The total cost to enroll a student in the program. This
10 cost shall be reported on a per-pupil, per-course, per-semester or
11 trimester basis. The total shall include costs broken down by cost
12 for training, personnel, hardware and software, payment to each
13 online learning provider, and other costs associated with operating
14 online learning.

15 (h) The name of each online education provider contracted by
16 the district and the state in which each online education provider
17 is headquartered.

18 **(13) AN ALLOCATION TO A DISTRICT OR ANOTHER ENTITY UNDER THIS**
19 **ARTICLE IS CONTINGENT UPON THE DISTRICT'S OR ENTITY'S COMPLIANCE**
20 **WITH THIS SECTION.**

21 Enacting section 1. This amendatory act does not take effect
22 unless all of the following bills of the 97th Legislature are
23 enacted into law:

24 (a) Senate Bill No.954

25 .

26 (b) Senate Bill No.957

27 .

1 (c) Senate Bill No.952

2 .