

HOUSE BILL NO. 5683

March 17, 2020, Introduced by Reps. Kuppa, Elder, Tyrone Carter, Haadsma, Peterson, Cambensy, Hammoud, Kennedy, Cynthia Johnson, Garza, Shannon, Stone, Pohutsky, Sowerby, Koleszar, Bolden, Hoadley, Hood, Ellison, Brixie, Hertel, Sabo, Chirkun, Cherry, Warren, Lasinski, Rabhi, Tate and Anthony 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 2019 PA 58.

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,



1 transportation, lighting, heating, ventilation, water service, the
2 purchase of textbooks, other supplies, and any other school
3 operating expenditures defined in section 7. However, not more than
4 20% of the total amount received by a district under sections 22a
5 and 22b or received by an intermediate district under section 81
6 may be transferred by the board to either the capital projects fund
7 or to the debt retirement fund for debt service. A district or
8 other entity shall not apply or take the money for a purpose other
9 than as provided in this section. The department shall determine
10 the reasonableness of expenditures and may withhold from a
11 recipient of funds under this article the apportionment otherwise
12 due upon a violation by the recipient.

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

23 (a) The annual operating budget and subsequent budget
24 revisions.

25 (b) Using data that have already been collected and submitted
26 to the department, a summary of district expenditures for the most
27 recent fiscal year for which they are available, expressed in the
28 following 2 visual displays:

29 (i) A chart of personnel expenditures, broken into the



1 following subcategories:

2 (A) Salaries and wages.

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

6 (C) Retirement benefit costs.

7 (D) All other personnel costs.

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

10 (A) Instruction.

11 (B) Support services.

12 (C) Business and administration.

13 (D) Operations and maintenance.

14 (c) Links to all of the following:

15 (i) The current collective bargaining agreement for each
16 bargaining unit.

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

21 **(iii) Each contract entered into between the district and an**
22 **educational management organization, as applicable. As used in this**
23 **subparagraph, "educational management organization" means that term**
24 **as defined in section 503c, 523c, or 553c of the revised school**
25 **code, MCL 380.503c, 380.523c, or 380.553c.**

26 (iv) ~~(iii)~~—The audit report of the audit conducted under
27 subsection (4) for the most recent fiscal year for which it is
28 available.

29 (v) ~~(iv)~~—The bids required under section 5 of the public



1 employees health benefit act, 2007 PA 106, MCL 124.75.

2 (vi) ~~(v)~~—The district's written policy governing procurement of
3 supplies, materials, and equipment.

4 (vii) ~~(vi)~~—The district's written policy establishing specific
5 categories of reimbursable expenses, as described in section
6 1254(2) of the revised school code, MCL 380.1254.

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

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

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

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

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

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

28 (i) Costs incurred for each instance of out-of-state travel by
29 the school administrator of the district that is fully or partially



1 paid for by the district and the details of each of those instances
2 of out-of-state travel, including at least identification of each
3 individual on the trip, destination, and purpose.

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

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

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

26 (b) If a district operates in a single building with fewer
27 than 700 full-time equated pupils, if the district has stable
28 membership, and if the error rate of the immediately preceding 2
29 pupil accounting field audits of the district is less than 2%, the



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

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

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

16 (e) All of the following ~~shall~~**must** be done not later than
17 November 1 each year for reporting the prior fiscal year data:

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

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

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

26 (f) The annual financial audit reports and pupil accounting
27 procedures reports must be available to the public in compliance
28 with the freedom of information act, 1976 PA 442, MCL 15.231 to
29 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 the district's or intermediate district's audited
12 financial statements and consistent with accounting manuals and
13 charts of accounts approved and published by the department. For an
14 intermediate district, the report must also contain the website
15 address where the department can access the report required under
16 section 620 of the revised school code, MCL 380.620. The department
17 shall ensure that the prescribed Michigan public school accounting
18 manual chart of accounts includes standard conventions to
19 distinguish expenditures by allowable fund function and object. The
20 functions must include at minimum categories for instruction, pupil
21 support, instructional staff support, general administration,
22 school administration, business administration, transportation,
23 facilities operation and maintenance, facilities acquisition, and
24 debt service; and must include object classifications of salary,
25 benefits, including categories for active employee health
26 expenditures, purchased services, supplies, capital outlay, and
27 other. A district shall report the required level of detail
28 consistent with the manual as part of the comprehensive annual
29 financial report.



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

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

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

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

18 (10) If a district or intermediate district does not comply
19 with subsections (4), (5), (6), (7), and (12), or if the department
20 determines that the financial data required under subsection (5)
21 are not consistent with audited financial statements, the
22 department shall withhold all state school aid due to the district
23 or intermediate district under this article, beginning with the
24 next payment due to the district or intermediate district, until
25 the district or intermediate district complies with subsections
26 (4), (5), (6), (7), and (12). If the district or intermediate
27 district does not comply with subsections (4), (5), (6), (7), and
28 (12) by the end of the fiscal year, the district or intermediate
29 district forfeits the amount withheld.



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

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

23 (13) By March 31 of each year, the department shall submit to
24 the house and senate appropriations subcommittees on state school
25 aid, the state budget director, and the house and senate fiscal
26 agencies a report summarizing the per-pupil costs by vendor type of
27 virtual courses available under section 21f and virtual courses
28 provided by a school of excellence that is a cyber school, as
29 defined in section 551 of the revised school code, MCL 380.551.



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

3 (a) Virtual courses provided by the Michigan Virtual
4 University.

5 (b) Virtual courses provided by a school of excellence that is
6 a cyber school, as defined in section 551 of the revised school
7 code, MCL 380.551.

8 (c) Virtual courses provided by third party vendors not
9 affiliated with a Michigan public school.

10 (d) Virtual courses created and offered by a district or
11 intermediate district.

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

