

HOUSE BILL NO. 5853

February 24, 2022, Introduced by Reps. Steckloff, Kuppa, Weiss, Sowerby, Stone, Cavanagh, Cherry, Steenland, Neeley, Brabec, Breen, Garza, Liberati, O'Neal, Clemente, Cynthia Johnson, Pohutsky, Rabhi, Bolden, Tyrone Carter, Rogers, Brenda Carter, Koleszar, Young, Haadsma, Aiyash, Scott, Thanedar, Ellison, Peterson, Hood, Puri, Camilleri, Jones, Hertel and Whitsett 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 2021 PA 48.

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 financial audit conducted under
25 subsection (4) for the most recent fiscal year for which it is
26 available.

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

29 (v) The district's written policy governing procurement of

1 supplies, materials, and equipment.

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

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

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

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

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

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

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

26 (i) Costs incurred for each instance of out-of-state travel by
27 the school administrator of the district that is fully or partially
28 paid for by the district and the details of each of those instances
29 of out-of-state travel, including at least identification of each

1 individual on the trip, destination, and purpose.

2 (j) If applicable, audited financial statements provided by an
3 educational management organization that has a management agreement
4 with the district under section 503c, 523c, 553c, or 1311h of the
5 revised school code, MCL 380.503c, 380.523c, 380.553c, and
6 380.1311h. The audited financial statements must disclose the
7 specific financial expenditures of the money received by the
8 educational management organization under the management agreement.

9 (k) If applicable, a detailed accounting provided to the
10 district by the authorizing body of all fees, reimbursements, or
11 other charges collected or retained by, and all expenditures made
12 by, the district's authorizing body for the current fiscal year,
13 including an itemized list of use and purpose.

14 (l) If applicable, the information provided by an educational
15 management organization under section 503c, 523c, 553c, or 1311h of
16 the revised school code, MCL 380.503c, 380.523c, 380.553c, and
17 380.1311h.

18 (m) Copies of any letters or other notices received by the
19 district indicating noncompliance with a standard, guideline, or
20 rule of the state board, superintendent of public instruction,
21 department, or, if applicable, authorizing body.

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

26 (4) For the purposes of determining the reasonableness of
27 expenditures, whether a district or intermediate district has
28 received the proper amount of funds under this article, and whether
29 a violation of this article has occurred, all of the following

1 apply:

2 (a) The department shall require that each district and
3 intermediate district have an audit of the district's or
4 intermediate district's financial and pupil accounting records
5 conducted at least annually, and at such other times as determined
6 by the department, at the expense of the district or intermediate
7 district, as applicable. The audits must be performed by a
8 certified public accountant or by the intermediate district
9 superintendent, as may be required by the department, or in the
10 case of a district of the first class by a certified public
11 accountant, the intermediate superintendent, or the auditor general
12 of the city. A district or intermediate district shall retain these
13 records for the current fiscal year and from at least the 3
14 immediately preceding fiscal years.

15 (b) If a district operates in a single building with fewer
16 than 700 full-time equated pupils, if the district has stable
17 membership, and if the error rate of the immediately preceding 2
18 pupil accounting field audits of the district is less than 2%, the
19 district may have a pupil accounting field audit conducted
20 biennially but must continue to have desk audits for each pupil
21 count. The auditor must document compliance with the audit cycle in
22 the pupil auditing manual. As used in this subdivision, "stable
23 membership" means that the district's membership for the current
24 fiscal year varies from the district's membership for the
25 immediately preceding fiscal year by less than 5%.

26 (c) A district's or intermediate district's annual financial
27 audit must include an analysis of the financial and pupil
28 accounting data used as the basis for distribution of state school
29 aid.

1 (d) The pupil and financial accounting records and reports,
2 audits, and management letters are subject to requirements
3 established in the auditing and accounting manuals approved and
4 published by the department.

5 (e) All of the following must be done not later than November
6 1 each year for reporting the prior fiscal year data:

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

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

11 (iii) The intermediate district shall enter the pupil membership
12 audit reports for its constituent districts and for the
13 intermediate district, for the pupil membership count day and
14 supplemental count day, in the Michigan student data system.

15 (f) The annual financial audit reports and pupil accounting
16 procedures reports must be available to the public in compliance
17 with the freedom of information act, 1976 PA 442, MCL 15.231 to
18 15.246.

19 (g) Not later than January 31 of each year, the department
20 shall notify the state budget director and the legislative
21 appropriations subcommittees responsible for review of the school
22 aid budget of districts and intermediate districts that have not
23 filed an annual financial audit and pupil accounting procedures
24 report required under this section for the school year ending in
25 the immediately preceding fiscal year.

26 (5) By the first business day in November of each fiscal year,
27 each district and intermediate district shall submit to the center,
28 in a manner prescribed by the center, annual comprehensive
29 financial data consistent with the district's or intermediate

1 district's audited financial statements and consistent with
2 accounting manuals and charts of accounts approved and published by
3 the department. For an intermediate district, the report must also
4 contain the website address where the department can access the
5 report required under section 620 of the revised school code, MCL
6 380.620. The department shall ensure that the prescribed Michigan
7 public school accounting manual chart of accounts includes standard
8 conventions to distinguish expenditures by allowable fund function
9 and object. The functions must include at minimum categories for
10 instruction, pupil support, instructional staff support, general
11 administration, school administration, business administration,
12 transportation, facilities operation and maintenance, facilities
13 acquisition, and debt service; and must include object
14 classifications of salary, benefits, including categories for
15 active employee health expenditures, purchased services, supplies,
16 capital outlay, and other. A district shall report the required
17 level of detail consistent with the manual as part of the
18 comprehensive annual financial report.

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

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

(8) The department shall review its pupil accounting and pupil auditing manuals at least annually and shall periodically update those manuals to reflect changes in this article. Any changes to the pupil accounting manual that are applicable for the school year that begins after March 31 of a fiscal year must be published by not later than March 31 of that fiscal year. However, if legislation is enacted that necessitates adjustments to the pupil accounting manual after March 31 of a fiscal year, and a district incurs a violation of the amended pupil accounting manual in the subsequent fiscal year, the department must notify the district of that violation and allow the district 30 days to correct the violation before the department is allowed to impose financial penalties under this act related to the violation.

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

(10) If a district or intermediate district does not comply with subsections ~~(4), (5), (6), (7), (1) to (7) and (9) and (12),~~ **(11)**, or if the department determines that the financial data required under subsection (5) are not consistent with audited financial statements, the department shall withhold all state school aid due to the district or intermediate district under this article, beginning with the next payment due to the district or intermediate district, until the district or intermediate district complies with subsections ~~(4), (5), (6), (7), (1) to (7) and (9) and (12).~~ **(11)**. If the district or intermediate district does not comply with subsections ~~(4), (5), (6), (7), (1) to (7) and (9) and (12)~~ **(11)** by the end of the fiscal year, the district or

1 intermediate district forfeits the amount withheld.

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

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

24 **(12)** ~~(13)~~ By March 31 of each year, the department shall
25 submit to the house and senate appropriations subcommittees on
26 state school aid, the state budget director, and the house and
27 senate fiscal agencies a report summarizing the per-pupil costs by
28 vendor type of virtual courses available under section 21f and
29 virtual courses provided by a school of excellence that is a cyber

1 school, as defined in section 551 of the revised school code, MCL
2 380.551.

3 **(13)** ~~(14)~~ As used in subsections ~~(12)~~ and ~~(13)~~, **(11) and (12)**,
4 "vendor type" means the following:

5 (a) Virtual courses provided by the Michigan Virtual
6 University.

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

10 (c) Virtual courses provided by third party vendors not
11 affiliated with a public school in this state.

12 (d) Virtual courses created and offered by a district or
13 intermediate district.

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

17 **(15)** ~~(16)~~ The department shall annually submit to the senate
18 and house subcommittees on school aid and to the senate and house
19 standing committees on education an itemized list of allocations
20 under this article to any association or consortium consisting of
21 associations in the immediately preceding fiscal year. The report
22 must detail the recipient or recipients, the amount allocated, and
23 the purpose for which the funds were distributed.

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