

**SUBSTITUTE FOR  
SENATE BILL NO. 943**

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 2022 PA 144.

**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  
6 purchase of textbooks, other supplies, and any other school  
7 operating expenditures defined in section 7. However, not more than  
8 20% of the total amount received by a district under sections 22a  
9 and 22b or received by an intermediate district under section 81



1 may be transferred by the board to either the capital projects fund  
2 or to the debt retirement fund for debt service. A district or  
3 other entity shall not apply or take the money for a purpose other  
4 than as provided in this section. The department shall determine  
5 the reasonableness of expenditures and may withhold from a  
6 recipient of funds under this article the apportionment otherwise  
7 due upon a violation by the recipient. A district must not be  
8 prohibited or limited from using funds appropriated or allocated  
9 under this article that are permitted for use for noninstructional  
10 services to contract or subcontract with an intermediate district,  
11 third party, or vendor for the noninstructional services.

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

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

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

28 (i) A chart of personnel expenditures, broken into the  
29 following subcategories:



1 (A) Salaries and wages.

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

5 (C) Retirement benefit costs.

6 (D) All other personnel costs.

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

9 (A) Instruction.

10 (B) Support services.

11 (C) Business and administration.

12 (D) Operations and maintenance.

13 (c) Links to all of the following:

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

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

20 (iii) The audit report of the financial audit conducted under  
21 subsection (4) for the most recent fiscal year for which it is  
22 available.

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

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

27 (vi) The district's written policy establishing specific  
28 categories of reimbursable expenses, as described in section  
29 1254(2) of the revised school code, MCL 380.1254.



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

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

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

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

14 (g) Any deficit elimination plan or enhanced deficit  
15 elimination plan the district was required to submit under the  
16 revised school code.

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

22 (i) Costs incurred for each instance of out-of-state travel by  
23 the school administrator of the district that is fully or partially  
24 paid for by the district and the details of each of those instances  
25 of out-of-state travel, including at least identification of each  
26 individual on the trip, destination, and purpose.

27 **(j) For a district that is a public school academy, audited**  
28 **financial statements provided by an educational management**  
29 **organization that has a management agreement with the district**



1 under section 503c, 523c, 553c, or 1311h of the revised school  
 2 code, MCL 380.503c, 380.523c, 380.553c, and 380.1311h. The audited  
 3 financial statements must disclose the specific financial  
 4 expenditures of the money received by the educational management  
 5 organization under the management agreement and must include  
 6 expenditures made as a result of subcontracts.

7 (k) For a district that is a public school academy, a detailed  
 8 accounting provided to the district by the authorizing body of all  
 9 fees, reimbursements, or other charges collected or retained by,  
 10 and all expenditures made by, the district's authorizing body for  
 11 the current fiscal year, including an itemized list of use and  
 12 purpose.

13 (l) Copies of any letters or other notices received by the  
 14 district indicating noncompliance with a standard, guideline, or  
 15 rule of the state board, superintendent of public instruction,  
 16 department, or, if applicable, authorizing body.

17 (m) For a district that is a public school academy, the report  
 18 required under section 507, 528, or 561 of the revised school code,  
 19 MCL 380.507, 380.528, and 380.561.

20 (n) For a district that is a public school academy, a  
 21 management agreement entered into under section 503c, 523c, 553c,  
 22 or 1311h of the revised school code, MCL 380.503c, 380.523c,  
 23 380.553c, and 380.1311h.

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

28 (4) For the purposes of determining the reasonableness of  
 29 expenditures, whether a district or intermediate district has



1 received the proper amount of funds under this article, and whether  
2 a violation of this article has occurred, all of the following  
3 apply:

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

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

28 (c) A district's or intermediate district's annual financial  
29 audit must include an analysis of the financial and pupil



1 accounting data used as the basis for distribution of state school  
2 aid.

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

7 (e) All of the following must be done not later than November  
8 1 each year for reporting the prior fiscal year data:

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

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

13 (iii) The intermediate district shall enter the pupil membership  
14 audit reports, known as the audit narrative, for its constituent  
15 districts and for the intermediate district, for the pupil  
16 membership count day and supplemental count day, in the Michigan  
17 student data system.

18 (f) The annual financial audit reports and pupil accounting  
19 procedures reports must be available to the public in compliance  
20 with the freedom of information act, 1976 PA 442, MCL 15.231 to  
21 15.246.

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

29 (5) By the first business day in November of each fiscal year,



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

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

27 (7) By not later than 1 week after the last business day in  
28 September of each year, each district and intermediate district  
29 shall file with the center the audited transportation expenditure





1 report, known as "SE-4094", on a form and in the manner prescribed  
2 by the center. An intermediate district shall certify the audit of  
3 a district's report.

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

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

21 (10) If a district or intermediate district does not comply  
22 with subsections ~~(4), (5), (6), (7),~~ **(1) to (7) and (9)** and (12) ~~7~~  
23 or if the department determines that the financial data required  
24 under subsection (5) are not consistent with audited financial  
25 statements, the department shall withhold all state school aid due  
26 to the district or intermediate district under this article,  
27 beginning with the next payment due to the district or intermediate  
28 district, until the district or intermediate district complies with  
29 subsections ~~(4), (5), (6), (7),~~ **(1) to (7) and (9)** and (12). If the



1 district or intermediate district does not comply with subsections  
 2 ~~(4), (5), (6), (7),~~ **(1) to (7) and (9)** and (12) by the end of the  
 3 fiscal year, the district or intermediate district forfeits the  
 4 amount withheld.

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

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

27 (13) By March 31 of each year, the department shall submit to  
 28 the house and senate appropriations subcommittees on state school  
 29 aid, the state budget director, and the house and senate fiscal



1 agencies a report summarizing the per-pupil costs by vendor type of  
2 virtual courses available under section 21f and virtual courses  
3 provided by a school of excellence that is a cyber school, as  
4 defined in section 551 of the revised school code, MCL 380.551.

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

7 (a) Virtual courses provided by the Michigan Virtual  
8 University.

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

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

14 (d) Virtual courses created and offered by a district or  
15 intermediate district.

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

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

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

28 Enacting section 2. This amendatory act does not take effect  
29 unless all of the following bills of the 102nd Legislature are



1 enacted into law:

2 (a) Senate Bill No. 944.

3 (b) Senate Bill No. 946.

