

# SENATE BILL No. 1353

November 8, 2012, Introduced by Senator HANSEN 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 2012 PA 201.

**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 or intermediate  
9 district under this article may be transferred by the board to  
10 either the capital projects fund or to the debt retirement fund for  
11 debt service. The money shall not be applied or taken for a purpose

1 other than as provided in this section. The department shall  
2 determine the reasonableness of expenditures and may withhold from  
3 a recipient of funds under this article the apportionment otherwise  
4 due upon a violation by the recipient.

5 (2) Within 30 days after a board adopts its annual operating  
6 budget for the following school fiscal year, or after a board  
7 adopts a subsequent revision to that budget, the district shall  
8 make all of the following available through a link on its website  
9 home page, or may make the information available through a link on  
10 its intermediate district's website home page, in a form and manner  
11 prescribed by the department:

12 (a) The annual operating budget and subsequent budget  
13 revisions.

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

18 (i) A chart of personnel expenditures, broken into the  
19 following subcategories:

20 (A) Salaries and wages.

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

24 (C) Retirement benefit costs.

25 (D) All other personnel costs, **INCLUDING, BUT NOT LIMITED TO,**  
26 **THE TOTAL AMOUNT OF EXPENSES INCURRED BY BOARD MEMBERS OR EMPLOYEES**  
27 **THAT ARE REIMBURSED BY THE DISTRICT.**

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

3           (A) Instruction.

4           (B) Support services.

5           (C) Business and administration.

6           (D) Operations and maintenance.

7           (c) Links to all of the following:

8           (i) The current collective bargaining agreement for each  
9 bargaining unit.

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

14           (iii) The audit report of the audit conducted under subsection  
15 (4) for the most recent fiscal year for which it is available.

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

18           (v) **THE DISTRICT'S WRITTEN POLICY GOVERNING PROCUREMENT OF**  
19 **SUPPLIES, MATERIALS, AND EQUIPMENT.**

20           (vi) **THE DISTRICT'S WRITTEN POLICY ESTABLISHING SPECIFIC**  
21 **CATEGORIES OF REIMBURSABLE EXPENSES, AS DESCRIBED IN SECTION**  
22 **1254(2) OF THE REVISED SCHOOL CODE, MCL 380.1254.**

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

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

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

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 purpose of determining the reasonableness of  
9 expenditures and whether a violation of this article has occurred,  
10 all of the following apply:

11 (a) The department shall require that each district and  
12 intermediate district have an audit of the district's or  
13 intermediate district's financial and pupil accounting records  
14 conducted at least annually at the expense of the district or  
15 intermediate district, as applicable, by a certified public  
16 accountant or by the intermediate district superintendent, as may  
17 be required by the department, or in the case of a district of the  
18 first class by a certified public accountant, the intermediate  
19 superintendent, or the auditor general of the city.

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

1 membership" means that the district's membership for the current  
2 fiscal year varies from the district's membership for the  
3 immediately preceding fiscal year by less than 5%.

4 (c) A district's or intermediate district's annual financial  
5 audit shall include an analysis of the financial and pupil  
6 accounting data used as the basis for distribution of state school  
7 aid.

8 (d) The pupil and financial accounting records and reports,  
9 audits, and management letters are subject to requirements  
10 established in the auditing and accounting manuals approved and  
11 published by the department.

12 (e) All of the following shall be done not later than November  
13 15 each year:

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

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

18 (iii) The intermediate district shall enter the pupil membership  
19 audit reports for its constituent districts and for the  
20 intermediate district, for the pupil membership count day and  
21 supplemental count day, in the Michigan student data system.

22 (f) The annual financial audit reports and pupil accounting  
23 procedures reports shall be available to the public in compliance  
24 with the freedom of information act, 1976 PA 442, MCL 15.231 to  
25 15.246.

26 (g) Not later than January 31 of each year, the department  
27 shall notify the state budget director and the legislative

1 appropriations subcommittees responsible for review of the school  
2 aid budget of districts and intermediate districts that have not  
3 filed an annual financial audit and pupil accounting procedures  
4 report required under this section for the school year ending in  
5 the immediately preceding fiscal year.

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

26 (6) By September 30 of each year, each district and  
27 intermediate district shall file with the department the special

1 education actual cost report, known as "SE-4096", on a form and in  
2 the manner prescribed by the department.

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

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

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

14 (10) If a district or intermediate district does not comply  
15 with subsections (4), (5), (6), and (7), the department shall  
16 withhold all state school aid due to the district or intermediate  
17 district under this article, beginning with the next payment due to  
18 the district or intermediate district, until the district or  
19 intermediate district complies with subsections (4), (5), (6), and  
20 (7). If the district or intermediate district does not comply with  
21 subsections (4), (5), (6), and (7) by the end of the fiscal year,  
22 the district or intermediate district forfeits the amount withheld.

23 (11) Not later than October 1, 2012, if a district or  
24 intermediate district offers online learning, the district or  
25 intermediate district shall submit to the department a report that  
26 details the per-pupil costs of operating the online learning. The  
27 report shall include, on a per-pupil basis, at least all of the

1 following costs:

2 (a) Textbooks, instructional materials, and supplies,  
3 including electronic instructional material.

4 (b) Computer and other electronic equipment, including  
5 internet and telephone access.

6 (c) Salaries and benefits for the online learning employees.

7 (d) Purchased courses and curricula.

8 (e) Fees associated with oversight and regulation.

9 (f) Travel costs associated with school activities and  
10 testing.

11 (g) Facilities costs.

12 (h) Costs associated with special education.

13 (12) Not later than December 31, 2012, the department shall  
14 issue a report to the legislature including the following:

15 (a) A review of the data submitted under subsection (11).

16 (b) A comparison with costs of substantially similar programs  
17 in other states and relevant national research on the costs of  
18 online learning.

19 (c) Any conclusions concerning factors or characteristics of  
20 online learning programs that make a difference in the costs of  
21 operating the programs.

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

24 Enacting section 2. This amendatory act does not take effect  
25 unless Senate Bill No. 1352

26 of the 96th Legislature is enacted into law.