

Legislative Analysis



SPECIAL EDUCATION TRANSPORTATION

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

Senate Bill 866 as passed by the Senate

Sponsor: Sen. Jud Gilbert, II

House Committee: Education

Senate Committee: Education

First Analysis (3-16-06)

BRIEF SUMMARY: The bill would allow an intermediate school district that purchased a special education transportation service from a constituent district to continue to report those transportation costs to the state for reimbursement, and require the Department of Education to remove that amount from the costs reported by the constituent district.

FISCAL IMPACT: State Impact: As compared with current law the school aid budget would see an increase cost for special education services of about \$46,000, assuming the ISD continues to use the services of the constituent school district. However, if you compare the changes in the bill with State's special education reimbursement cost if the ISD returned to using a private contractor, the savings to the State is about \$34,000.

Local Impact: The ISD impacted by the change in law would see about \$46,000 more in special education revenue compared to current law.

THE APPARENT PROBLEM:

Until recently, the St. Clair County Intermediate School District (ISD) was purchasing certain special education transportation services from a private company. During that time, the ISD submitted the costs associated with those services to the Department of Education for reimbursement of approximately 70 percent of the costs, as allowed under the State School Aid Act. Subsequently, the ISD determined that it could purchase the same services from one of its constituent districts at a significantly lower cost, because the constituent district could offer lower maintenance fees, storage costs, and fuel prices.

After the ISD had transferred the services to the constituent district, however, the Department of Education could no longer reimburse the ISD for the cost of the services, because the constituent district was the entity actually incurring the costs (e.g., the employment of mechanics, heating of garage, storage costs, and tools).

The law does not allow both the ISD and the local district to submit the costs for the same services. Neither does it allow the local district to isolate those costs associated with the contract and deduct them from its own submission for reimbursement. Without a change in law, only the constituent district, which bears the actual cost of the service, may submit the costs for reimbursement, and the ISD will incur more costs while using the cheaper services (due to lack of reimbursement by the state) than if it had continued to use the more expensive private contractor.

Some have suggested that the law be changed to allow the ISD to be reimbursed for the cost of certain services provided by a constituent district.

THE CONTENT OF THE BILL:

The bill would amend the State School Aid Act to allow an intermediate school district that purchased a special education transportation service from a constituent district to continue to report those transportation costs to the state for reimbursement, and require the Department of Education to remove that amount from the costs reported by the constituent district.

Under the bill, beginning with calculations for 2004-2005, if an ISD purchased a special education pupil transportation service from a constituent district at a lower cost, adjusted for changes in fuel costs, than the cost of the service when previously purchased from a private entity, and if the cost shift from the ISD to the constituent district did not result in any net change in the revenue that the constituent district received under Sections 22b and 51c of the act, then upon request the department would have to direct the ISD to continue to report the cost associated with the special education pupil transportation service, and would have to adjust the costs reported by the constituent district to remove the cost associated with that specific service.

(Section 22b includes a special education hold harmless provision that requires the state to maintain special education funding at or above the FY 1997-98 level. Districts whose special education funding under Proposal A is below the 1997-98 level receive a supplemental payment under Section 22b to bring their funding up to the 1997-98 level. Section 51c provides for the reimbursement of a portion of the costs of special education and special education transportation as required under Durant, et al. v State of Michigan.)

MCL 388.1651

HOUSE COMMITTEE ACTION:

The members of the House Education Committee reported out the Senate-passed version of the bill without amendments. Information in this analysis is derived from an analysis of the Senate bill by the Senate Fiscal Agency, dated 2-7-06.

ARGUMENTS:

For:

Local school districts have been asked to consolidate services and look for ways to save money. Toward this end, the St. Clair County ISD has contracted for services with a constituent district, which owns a garage and is able to provide the services at a significantly lower cost than charged by a private firm.

Current law, however, prevents the ISD from receiving the full benefit of those cost savings, because the Department of Education is unable to reimburse the ISD for services

purchased from a constituent district. Ironically, it costs the ISD more to purchase the services at a lower cost from the constituent district, because the ISD is no longer being reimbursed for the cost by the state. In fact, without passage of the bill, the ISD may have to go back to the higher-cost provider.

The St. Clair County ISD has identified an obvious way to cut costs for both the district and the state, and that effort should be encouraged. Local districts should be allowed to seek the lowest-cost provider for services, regardless of whether the source is a private company or a provider within the school district.

The state previously was reimbursing the ISD for the special education transportation services when they were purchased from a private company, and there is no reason that the ISD should not be reimbursed for the same services when purchased from a local district. The law should be modified to allow for reimbursement for these services.

POSITIONS:

The St. Clair County Regional Education Services Agency supports the bill. (3-15-06)

The Department of Education is neutral on the bill. (3-15-06)

Legislative Analyst: J. Hunault
Fiscal Analyst: Mary Ann Cleary
Bethany Wicksall

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.