



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 866 (as introduced 11-9-05)
Sponsor: Senator Jud Gilbert, II
Committee: Education

Date Completed: 1-19-06

CONTENT

The bill would amend the State School Aid Act to allow an intermediate school district (ISD) that purchased a special education transportation service from a constituent district under specific conditions, to continue to report to the State for reimbursement the cost associated with the service; 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 service 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 388.1651a

BACKGROUND

An ISD in St. Clair County was previously paying a private entity for various special education transportation services. During that time, the ISD submitted the costs associated with those services to the Department of Education for reimbursement, which equaled approximately 70% of the costs. The ISD determined that it could purchase the same services at a reduced cost from a constituent local school district, saving money for both the ISD and the State when the ISD submitted the lower costs for reimbursement. Under the law, however, the ISD was prohibited from submitting the costs associated with the contract, because the constituent local 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 the ISD had continued to use the more expensive private contractor.

Legislative Analyst: Curtis Walker

FISCAL IMPACT

State: Compared with current law, and assuming the ISD continues to use the services at the local district (which actually is more expensive for the ISD), if this bill were enacted, the State would see an increased cost estimated at \$46,000, since the ISDs claim for reimbursement would become allowable under this bill. Moreover, if this bill were enacted, the State would see savings estimated at \$34,000, if comparing what would be paid out in reimbursement as allowed under the bill to a scenario in which the ISD returned to using the private contractor (which would save the ISD money compared with current law, but would cost the State more dollars due to higher reimbursement).

Local: The ISD in question would see \$46,000 more in revenue from the State compared to current law, if this bill were enacted.

Fiscal Analyst: Kathryn Summers-Coty