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BILL ANALYSIS

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House Bill 5475 (Substitute H-5 as passed by the House)
House Bill 5627 (Substitute H-3 as passed by the House)
Sponsor: Representative Ken Bradstreet (H.B. 5475)
Representative Ruth Johnson (H.B. 5627)
House Committee: Education
Senate Committee: Education

Date Completed: 9-29-04

CONTENT

House Bill 5475 (H-5) would amend the Revised School Code to require the Center for Educational Performance and Information (CEPI) to report specified information for each intermediate school district (ISD) to the Department of Education. The information would pertain to travel expenses, contracts, contract modifications, top employee compensation, administrative costs, and payments for public relations, polling, lobbying, and legal services. The Center would have to report the required information by December 31 each year for the immediately preceding school fiscal year, and the Department would have to post the information on its website.

House Bill 5627 (H-3) would amend the State School Aid Act to include the information required under House Bill 5475 (H-5) among the annual comprehensive financial data that an ISD must submit to CEPI.

The bills are tie-barred to each other. House Bill 5475 (H-5) would take effect on July 1, 2005. House Bill 5627 (H-3) would take effect on January 1, 2005.

A more detailed description of House Bill 5475 (H-5) follows.

General Information

The Center would have to submit the following "general information" for each ISD:

-- The amount of the ISD's total budget.
-- The number of pupils served by the ISD.
-- The number of employees employed by the ISD.
-- The number of constituent districts, public school academies, and nonpublic schools served by the ISD.

Travel Expenses

For each intermediate school board member or ISD employee who had travel expenses during the school fiscal year that totaled over $3,000 and were paid for with ISD funds, CEPI would have to report the total cost of air travel, overnight lodging, car rental, and meals; the dates, purpose, and locations of travel; and the name and position of the board member or employee.

This requirement would not apply to any of the following:

-- Round-trip air travel on a scheduled airline from a location in the Upper Peninsula to a location in the Lower Peninsula, or chartered round-trip air travel from an Upper Peninsula location to a Lower Peninsula location if the cost of the chartered air travel were less than the published cost of the same on a scheduled airline.
-- Travel expenses for air or boat travel for work-related purposes within this State between an island and the mainland.
-- Expenses for travel within the boundaries of the ISD for work-related purposes.
-- Mileage reimbursement.

Beginning in 2006, the monetary amount specified for travel expense reporting would have to be adjusted each January 1 according to the annual average percentage increase or decrease in the Detroit consumer price index—all items. The adjustment would apply only to expenditures or violations occurring after the date of the adjustment.

Contracts & Contract Modifications

The Center would have to include a description of each contract, other than an employment contract or a contract for fiber optic or cable equipment, that the ISD entered into during the school fiscal year and that 1) obligated the district for more than $100,000; 2) was not competitively bid and obligated the ISD for more than $25,000; or 3) was entered into with an entity in which a board member or administrator, or a member of that person's family, was known by the ISD to have a monetary interest. The description would have to include the subject matter of the contract; whether it was competitively bid or was a single source contract; and the name and position of each individual who signed the contract on behalf of the ISD. (An intermediate school board member or administrator, or a member of that person's family, would not be considered to have a monetary interest in particular contracts described in the bill.)

The report would have to list and describe the use of all motor vehicles weighing 7,500 pounds or less that were owned or leased by the ISD during the school fiscal year and not reported among the contracts described above.

The Center would have to describe a modification made during the school fiscal year to an existing contract and the total amount of the additional and total financial obligation, if the modification resulted in an additional financial obligation owed by the ISD over $100,000 or resulted in a total financial obligation owed by the ISD from the existing contract exceeding $100,000, or if the modification were to an existing contract that was not competitively bid and the modification resulted in an additional financial obligation over $25,000 or resulted in the total financial obligation from the existing contract exceeding $25,000.

The required reporting of contract and contract modifications would not apply to a contract for utilities or a contract for an annuity or retirement benefit in which all employees were eligible to participate, unless the contract were for payment of a commission to a third-party broker for securing one of those contracts.

Fiber Optic or Cable Equipment

The Center would have to report total costs incurred during the school fiscal year, and the source or sources of money spent during the year, for fiber optic or cable equipment and operating system software for fiber optic or cable equipment networks. The description of the sources of money would have to specify the amount used from each of the separate funds maintained by the ISD and used from each other source.

Employee Compensation

For each ISD employee with a compensation package having a total annual monetary value in the top 3% among the ISD's employees, CEPI would have to report the dollar value of the following: the employee's salary; all expense accounts provided for the employee and all reimbursed expenses; and any bonus, stipend, or other form of supplemental compensation (i.e., any payment or benefit made available to that employee that was not generally made available to all teaching, administrative, and executive-level employees of the ISD).

If an ISD had fewer than three employees in the top 3% of employees described in this provision, CEPI would have to submit the required information for each ISD employee with a compensation package having a total monetary value in the top three among its employees. If the ISD had more than 20 employees in the top 3%, CEPI would have to report the required information for each ISD employee with a compensation package having a monetary value in the top 20 among the ISD's employees.

Public Relations, Legal Services, Etc.

The report would have to include payments made during the school fiscal year to people who were not ISD employees for public relations, polling, lobbying, or legal services, and a description of the services received by the ISD in return.

For each person who was not an employee or nonemployee described above, to whom the ISD was required to issue a Federal income tax form 1099 that showed payments over $25,000 during the school fiscal year, CEPI would have to report the total amount paid to the individual, a description of the project or projects for which he or she was contracted, and the services he or she provided.

The report would have to include the amount and percentage of the ISD's total budget that was spent on administrative costs (as defined in the Michigan Public School Accounting Manual), and public relations, surveys, polling, lobbying, and legal services.

Proposed MCL 380.620 (H.B. 5475) Legislative Analyst: Suzanne Lowe
MCL 388.1618 (H.B. 5627)

FISCAL IMPACT

House Bill 5475 (H-5)

The Center for Educational Performance and Information would face increased costs implementing this legislation. Most of the type and level of detailed information required to be collected under the bill currently is not collected. In fact, other than the "general information", items listed in the bill are not currently collected and would require a new data collection system, involving forms management software, collection software, reporting software, and assistance to the ISDs for submission of the data. If the information were to be stored and/or analyzed or compared over time, there would be additional costs associated with warehousing the data. The true cost of implementing this legislation depends upon what system would be chosen for collection, the ease of implementing the collection, and the extent of the reporting system.

The bill would have no fiscal impact on local government.

House Bill 5627 H-3)

The bill would have no fiscal impact on State government.

Intermediate school districts would face increased costs associated with compiling and reporting the level of detail required under House Bill 5475 (H-5). The cost to each ISD is indeterminate and would vary based on the current status and means of collecting and reporting the required information. If an ISD currently collects and reports the required information efficiently and electronically, then the extra cost of reporting to the Center for Educational Performance and Information would be much lower than for an ISD with comparable amounts of information that is less efficient or technologically advanced.

Fiscal Analyst: Kathryn Summers-Coty