



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

House Bill 4592 (Substitute H-1 as reported without amendment)

Sponsor: Representative Tim Melton

House Committee: Education

Senate Committee: Education

Date Completed: 8-14-07

RATIONALE

A number of school districts in Michigan are experiencing financial problems and declining enrollments. It has been suggested that sharing noninstructional services is one way for districts to reduce costs, as well as improve efficiency and keep more dollars in the classroom. With approximately 550 local school districts, several hundred public school academies, and 57 intermediate school districts (ISDs) in the State, there may be considerable duplication of service at the local, county, and regional levels. Evidently, many districts already are involved in service-sharing efforts, and others are looking into possible ways to consolidate services, particularly within ISDs. Some people believe, however, that districts could do significantly more to collaborate, with not only other districts but also other agencies or local units of government that perform the same functions. To achieve this, it has been suggested that districts should be required to study ways to share noninstructional services and, through their ISDs, pass this information on to the Department of Education.

CONTENT

The bill would add Part 7B (Consolidation of Services) to the Revised School Code, to do the following:

-- Require a school board to study opportunities for sharing noninstructional services with other entities, and submit a report to its intermediate school district.

- Require ISDs to compile the reports received from school districts and submit a summary report on service sharing to the Michigan Department of Education (MDE).**
- Require the MDE to compile the information submitted by ISDs and submit a summary to the legislative committees responsible for education legislation.**

Specifically, the board of a school district would have to conduct a study concerning the opportunities for sharing services with other providers of similar services, such as the ISD, one or more other districts or ISDs, other units of local government, or other programs designed to achieve cost savings. Within six months after the bill's effective date, the school board would have to report the results of its study to the ISD in the form and manner prescribed by the MDE. A school district's study and report would have to address possibilities for sharing at least all of the following noninstructional services:

- Pupil transportation for all classes of pupils and all types of programs.
- Human resources administration.
- Procurement of supplies and other purchasing.
- Technology support services, including information technology.
- Professional development.
- Accounting and other financial services.
- Legal services.
- Food and child nutritional services.
- Event management.
- Production printing and graphics.
- Shipping and receiving services.

- Any other service described in Section 627 of the Code.
- Any other noninstructional services identified by the Superintendent of Public Instruction.

(Section 627 provides for ISDs to furnish management services to school districts; conduct various cooperative programs on behalf of districts, ISDs, or public school academies (PSAs); provide comprehensive school improvement support services to districts or PSAs; and offer to provide cost-effective business services to districts or PSAs.)

A school district's report also would have to include a detailed description of its per-pupil cost for each of the services listed above.

Within three months after receiving them, an ISD would have to compile the reports from its constituent districts and submit a summary report on service-sharing to the MDE, in the form and manner the Department prescribed. Within two months after receiving the ISDs' reports, the MDE would have to compile the information from them and submit a summary to the standing committees of the Senate and House of Representatives having responsibility for education legislation.

Proposed MCL 380.761

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

School districts across the State could experience significant cost reductions by sharing noninstructional services with other entities that perform similar functions, including other districts, public agencies, and local units of government. The types of services that could be shared include, for example, transportation, payroll, waste recycling and disposal, website development and maintenance, energy management, custodial services, and building and facilities use, as well as the other areas that the bill would require a district to study. Many districts already engage in some service-sharing, and others are looking into it. The Hillsdale ISD, for one, retained Plante & Moran in 2006 to study student

achievement, preparation of graduates, and service delivery among its eight K-12 districts. In the Battle Creek area, four local districts hired a consulting firm to study areas in which they could collaborate for greater efficiency, and last spring received a report containing 86 items, according to an article in the *Battle Creek Enquirer* (8-7-07).

These are just two examples of what may be dozens or hundreds of service-sharing efforts across Michigan. Without statewide data, however, district officials, the public, and policy-makers do not know what can be done collaboratively or what already is being done. By requiring each district to study and report on service-sharing possibilities, as well as the per-pupil cost of specific services, the bill would ensure that every district at least examined the ways it could provide noninstructional services jointly with other entities. This could lead to actual collaborations, which in turn could help districts reduce costs, function efficiently, and devote more resources to classroom instruction.

In addition, by requiring districts to report to their ISDs, and requiring ISDs to file summary reports with the MDE, the bill essentially would create an information clearinghouse at the State level. With the summary that the MDE would have to provide, lawmakers then could determine the best course of action to facilitate service-sharing, and potentially provide financial incentives for these efforts. In her fiscal year (FY) 2007-08 budget recommendations, Governor Granholm proposed a \$10.0 million incentive program for districts to establish cost-sharing agreements with their ISDs. While the service-sharing envisioned by this bill would go beyond such agreements, and the FY 2007-08 budget ultimately might not include the Governor's recommendation, both proposals demonstrate the importance of collaborations by and among school districts.

Opposing Argument

Requiring school districts to perform service-sharing studies, without an accompanying appropriation, would amount to an unfunded mandate in violation of the Headlee amendment to the State Constitution. Many districts are financially strapped and could ill afford the proposed studies. Specific costs are indeterminate, but the Hillsdale ISD spent \$35,000 on its Plante & Moran study,

and the Battle Creek-area school districts reportedly paid their consultant \$24,000. Instead of a mandate, permissive language could encourage districts to study service-sharing possibilities.

Response: Since districts already may study service-sharing—and many are doing so—permissive language would accomplish little. Although districts would have to study the possibility of sharing particular services, they would control the amount spent. The Hillsdale ISD study covered far more than service-sharing, and the cost of the Battle Creek study presumably was shared by four districts. Ultimately, the amount districts could save through collaborations would outweigh the costs of the studies.

Opposing Argument

Local districts should send their reports directly to the MDE, which could post the results on its website. It would not be necessary for the reports to go through the ISDs.

Response: Receiving reports from over 800 school districts, including PSAs, would be onerous for the MDE. The ISDs would not simply pass on the reports, but would have to compile them and submit a summary report to the Department.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

State: The Department of Education would see increased administrative costs under this legislation, resulting from the required compilation, summary, and presentation of intermediate school district reports.

Local: Both local and intermediate school districts would see increased costs. Local districts would face the costs of conducting the required study on sharing noninstructional services, and costs to ISDs would arise from compiling the constituent districts' reports and submitting a summary to the MDE.

Fiscal Analyst: Kathryn Summers-Coty

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.