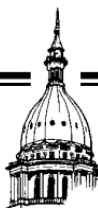




Senate Fiscal Agency
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BILL



ANALYSIS

Telephone: (517) 373-5383
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Senate Bill 80 (Substitute S-3 as reported)
Senate Bill 81 (Substitute S-2 as reported)
Sponsor: Senator Goeff Hansen
Committee: Education

(as passed by the Senate)
(as passed by the Senate)

Date Completed: 5-8-13

RATIONALE

The State School Aid Act and the Revised School Code govern school districts' expenditures and require districts to make budgetary information available to the public online. Despite the existing requirements, there continue to be reports throughout the State of public school administrators' embezzling funds for personal use. It has been suggested that the statutes should provide for more consistency and transparency of school expenditures to help prevent further incidents of this nature.

The required information includes a district's annual operating budget, personnel expenditures, and other expenditures.

The bill also would require a district to provide, through its website, its written policies on: procuring supplies, materials, and equipment; establishing specific categories of reimbursable expenses, as described in Section 1254 of the Revised School Code (a section that Senate Bill 81 (S-2) would amend); and either the district's accounts payable check register, or a statement of the total amount of reimbursed expenses, for the most recent school fiscal year.

CONTENT

Senate Bill 80 (S-3) would amend the State School Aid Act to require districts to make information regarding reimbursement of expenses available to the public. Senate Bill 81 (S-2) would amend the Revised School Code to include public school academies and an educational achievement authority (EAA) in provisions that govern the payment of board members' expenses, and to include school districts, public school academies, and an EAA in provisions that prohibit the use of district funds for certain purposes.

Senate Bill 81 (S-2)

The bills are tie-barred to each other, and would take effect 90 days after their enactment.

Section 1254 of the Revised School Code allows the board of a school district or intermediate school district (ISD) to pay an expense incurred by a board member. The bill would extend this section to the board of directors of a public school academy, and an authority board of an EAA. The section requires expenses to be approved in advance by a board, and to be consistent with the board's adopted policy on categories of reimbursable expenses. Under the bill, this policy would be a public record, and the board would have to make the policy available to people who requested it.

Senate Bill 80 (S-3)

The State School Aid Act requires school districts to provide certain information through a district's website, in a format prescribed by the Department of Education.

The bill also would include ISDs, public school academies, and an EAA in provisions that prohibit a school board from issuing to board members credit cards or debit cards that pledge payment of funds from a district account except in compliance with law.

The Code makes it a misdemeanor to use ISD funds or other public funds under control of the district to purchase alcoholic beverages, jewelry, gifts, fees for golf, or any items that cannot be legally purchased or possessed. Exceptions to this rule include purchases for awards in recognition of an employee, volunteer, or pupil, if the price is not more than \$100 per recipient (annually adjusted by the average consumer price index since 1995). If someone violates this prohibition, he or she is guilty of a misdemeanor punishable by imprisonment for up to 93 days and/or a fine based on the amount of funds used illegally. The person also must provide restitution to that district. The bill would include school district, public school academy, and EAA funds in these provisions.

The Code defines "public funds" as taxes, State appropriations, Federal funds, or payments for services to an ISD. The bill would include within this definition the same funds of a school district, public school academy, or EAA.

MCL 388.1618 (S.B. 80)
380.1814 (S.B. 81)

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

Administrators who embezzle school funds are a problem in this State. The incidents described below, based on reports in the news media, illustrate the problem.

A former assistant superintendent for Pontiac schools was sentenced in April 2013 for stealing \$236,000 for luxury vehicles and shopping sprees. In March 2013, a former school official in Portage was sentenced for using a district credit card to pay for \$1,074 in personal expenses. In 2012, the Genesee ISD fired an assistant superintendent who allegedly misused nearly \$88,000 for personal expenses relating to an affair with a fellow official. The allegations included doctoring expense reports. Also in 2012, a former principal for Tri-County Middle School was sentenced for embezzlement, and the former superintendent of Shelby Public Schools was sentenced for embezzling approximately \$22,000 for personal

expenses. A Westwood Heights School District accounts payable clerk used school credit cards to make more than \$41,000 in personal purchases in 2008. The year before, in Montrose, a former school district payroll supervisor was sentenced for embezzling \$1.2 million in acts that spanned over a decade.

The bills would provide a more comprehensive and consistent approach to school expense information and its availability to the public. If school districts posted their check registry or spending records, public scrutiny of school spending would increase. If board members had to adopt policies regarding expenses, and approve reimbursements, those members would have an increased understanding of expenditures, and therefore, accountability. As a result, public school administrators such as those mentioned above would be deterred from embezzling school funds in the future.

Legislative Analyst: Glenn Steffens

FISCAL IMPACT

The bills would have no fiscal impact on the State.

Any local fiscal impact from the legislation would be minimal, and would arise from the requirement to make available additional details on personnel expenses, written policies governing procurement of supplies, materials, and equipment, written policies establishing specific categories of reimbursable expenses, and either the accounts payable check register or amount of reimbursed expenses.

Fiscal Analyst: Cameron Mock

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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.