

School District of the City of Royal Oak
MEMORANDUM

TO: Thomas L. Moline

FROM: John R. Schwartz

DATE: January 8, 2010

SUBJECT: Special Education Center Program Recommendation 2010-11

The District currently operates two special education center programs, the Moderately Cognitively Impaired Program (MOCI) and the Physically Impaired Program (POHI). These programs are operated by the District under a contractual arrangement with Oakland Schools. These programs service students from across the county with all districts paying tuition for the students educated in center programs. We recently evaluated the viability of continuing to operate the MOCI and POHI Center Programs. As a result of this analysis, we recommend that the District no longer run these programs as a center operator.

It should be emphasized that we will still have a local MOCI program and a local POHI program in the District. They merely will no longer be considered center programs under the contractual arrangement with Oakland Schools. The rationale for the recommendation is as follows:

MOCI Program

- The Center Program Contract with Oakland Schools requires a center program to “maintain the participation of three or more districts”. Currently, the MOCI Program has an enrollment of eight (8) students with only one (1) from another district (Madison). As the MOCI Program does not meet the contractual requirement to be considered a center program, it will no longer be operated as a center program beginning in 2010-11.
- All of the Royal Oak resident students currently attending the MOCI Program will continue to receive special education services included in their IEP.
- We will be working with the Madison School District to ascertain if their student would like to continue in the Royal Oak MOCI program. If yes, an agreement will be signed that would obligate the Madison School District to pay the tuition necessary to cover the cost of educating their student. The tuition will also incorporate any additional costs that may be incurred when addressing the student’s needs.

POHI Program

- The current POHI Program operates with 19 resident students and 16 non-resident students. The program qualifies as a center program under the definition included in the contract with Oakland Schools.
- A comprehensive analysis of the POHI Program was performed to determine the projected financial impact to the General Fund if we ceased to be a POHI center program operator. The factors considered included:
 - POHI Program costs that would be “moved” to the General Fund from the Center Program Fund. These costs include wages, benefits, purchased services, supplies, transportation, and capital outlay.
 - POHI Program revenue that would be “moved” to the General Fund. The revenue items include foundation allowance, state special education funding, and state transportation funding.
 - General Fund expenditure changes such as the elimination of the indirect cost allocation, the elimination of the fringe benefit allocation, the elimination of the transportation cost allocation, and the elimination of tuition payments for Royal Oak resident POHI students.
- The results of the financial analysis concluded that the General Fund would experience no adverse financial impact if we ceased to be a center operator. Any additional cost to the General Fund would be offset through a combination of tuition revenue and reduced staff.
- Non-resident students currently attending the POHI Program would be offered the opportunity to continue in Royal Oak with sending districts paying the tuition necessary to cover all of the costs of educating their students.
- The Royal Oak resident students currently in the POHI Program will continue to receive the special education services included in their IEP.

However, the most significant factor in this recommendation is the impact on our PA 18 funding. As a refresher, there is tax revenue generated through a county-wide special education millage (PA 18) that is distributed to local districts. The amount each district receives is based upon a formula that takes into consideration special education expenditures, special education transportation costs, center program operator costs, tuition costs, and special education FTE. Currently, this distribution formula adversely impacts Royal Oak as a center program operator. In fact, preliminary calculations indicate that our PA 18 funding could increase by as much as \$500,000 if we no longer operate center programs. This has been verified and confirmed with Oakland Schools staff. This financial impact is not immediate but has a two-year lag due to formula methodology.

We will be discussing this recommendation with the Board of Education on Thursday, January 14. Please let me know if additional information will be helpful to our discussion.

pc: M. DeJaeger

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