

Charlie Glaes - Legislative Update for the Week of September 6-10

From: "masa-supt" <masa-supt@listserv.melg.org>
To: <cglaes@vicksburg.k12.mi.us>
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Subject: Legislative Update for the Week of September 6-10



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In this weekly update . . .

- **Senate Passes School Aid Raid**
- **Budget Deal Struck and Signed**
- **CRC Releases Study Examining Public Education Funding in Michigan**
- **Half Of School Contracts Unsettled**
- **Granholm Calls for Longer School Year**

Senate Passes School Aid Raid

A key component of the budget deal struck this week to balance the FY 2009-10 budget and finalize the FY 2010-11 budgets, a \$208 million transfer of School Aid Fund (SAF) money to cover the state's payments for community colleges, passed the Senate on Wednesday.

The fund shift displaces \$208 million in General Fund spending that would otherwise have gone to community colleges. The shift leaves the SAF facing a potential single year decline of over half a billion dollars in FY 2011-12 when federal Education Jobs Act money runs out and an unresolved structural funding gap adds an additional \$200 million or more to the hole. Community colleges will see no net increase in revenue from the move.

The bill passed 21-14 with five Democrats joining 16 Republicans to pass the bill. Eight Democrats and six Republicans voted no.

Sen. Bruce Patterson (R-Canton Twp.) questioned the constitutionality of the legislation, saying community colleges do not fall within the definition of higher education, meaning they would be ineligible for money from the School Aid Fund.

The five Democrats voting yes were Sen. Liz Brater (D-Ann Arbor), Sen. Deborah Cherry (D-Burton), Sen. Tupac Hunter (D-Detroit), Sen. Michael Switalski (D-Roseville) and Senate Minority Floor Leader Buzz Thomas (D-Detroit).

The six Republicans voting no were Sen. Jason Allen (R-Alanson), Sen. Roger Kahn (R-Saginaw Township), Sen. John Pappageorge (R-Troy), Mr. Patterson, Sen. Randy Richardville

(R-Monroe) and Sen. Alan Sanborn (R-Richmond).

Two senators, Sen. Raymond Basham (D-Taylor) and Sen. Martha Scott (D-Highland Park), did not vote. Sen. Gilda Jacobs (D-Huntington Woods) was absent.

Full details of the vote are available on page 1355 of Senate Journal 73 which can be accessed here: <http://legislature.mi.gov/doc.aspx?2010-SJ-09-08-073>. The full bill and an analysis are available on the legislature website by visiting: <http://legislature.mi.gov/doc.aspx?2010-HB-6086>.

Budget Deal Struck and Signed

Gov. Jennifer Granholm, House Speaker Andy Dillon (D-Redford Twp.) and Senate Majority Leader Mike Bishop (R-Rochester) this week signed off on a budget deal which included General Fund (GF) spending targets, fund shifts, some new revenue, and a \$208 million raid on the School Aid Fund (SAF).

The leaders set a goal of having the various components of the agreement finalized and passed by next Thursday, though they acknowledged that it was an optimistic deadline.

The six-page agreement includes using the following funding sources to supplement GF spending:

- \$60 million in savings from state employee retirement reform
- \$208 million shift from the School Aid Fund to the General Fund
- \$101.8 million fund source shift of tobacco settlement revenue to Medicaid
- \$9 million from five liquor law reforms
- \$61.8 million from tax amnesty
- \$168 million from unclaimed property reforms
- \$377.3 million from a use tax on health maintenance organizations (HMO)
- \$15 million from enhanced tax enforcement revenue
- \$15.6 million from eliminating Renaissance Zone reimbursements (\$9.2 million of that out of School Aid)

The state will shift \$45 million of short-term borrowing costs to the SAF and the GF portion of the School Aid Fund budget drops to \$18.64 million with the implementation of this budget deal. \$9.2 of that comes from the elimination of GF reimbursement for Renaissance Zone SET reimbursements which will have to be made up out of the SAF. The other \$2.36 million goes to the Michigan Department of Education as a result of contingency language that was activated when Michigan failed to win Race to the Top.

The full budget agreement, which includes spending targets for every budget, the reforms and revenues on which those numbers are contingent, and a list of legislation that will have to be passed to enact the agreement, is available on the Governor's website or by visiting: http://mi.gov/documents/gov/FY_11_Target_Agreement_332154_7.pdf

CRC Releases Study Examining Public Education Funding in Michigan

A report released Tuesday by the Citizens Research Council (CRC) details the 16 year history

of school funding under Proposal A and concludes that, without significant changes, school funding will lag behind in the economic recovery.

The study, entitled "State and Local Revenues for Public Education in Michigan," details significant structural problems with Michigan's education funding structure and outlines options for lawmakers to provide a more stable funding structure for schools. The study was funded in part by MASA and MAISA.

Links to the full report, an executive summary, a slide show summarizing the findings, and a taped webinar about the report hosted by CRC's Director of State Affairs Craig Thiel are all available on the CRC website which you can access directly here:

<http://www.crcmich.org/PUBLICAT/2010s/2010/rpt363.html>

A brief summary of the report was published in the MASA eLeader this past Friday and is available on our website:

<http://www.michiganedusource.org/gomasa/ldr/2010/ldr090310/ldr090310-print.html#CRC>

At the time of this publication, the link to the taped webinar on CRC's website was not working.

Half of School Contracts Unsettled

About half of the teacher collective bargaining contracts in Michigan remain unsettled as the school year is about to begin, according to a recent survey from the Michigan Association of School Boards (MASB). The survey conducted by MASB was sent to all school districts in the state with 332 districts responding.

According to the survey, of the districts that haven't settled contracts yet, 83 percent are proposing either reductions in benefits, or changing the health insurer to save money. Sixty-two percent are proposing no increase in their salary schedule.

Of the districts that have settled contracts for the coming school year, 2 percent reported reducing compensation, 35 percent reported no increases, 20 percent said their increases were 1 percent or less and 37 percent reported increases more than 1 percent.

Granholm Calls for Longer School Year

Governor Granholm is calling for the legislature to take action in lame duck to extend the minimum number of days that school needs to be in session to over 180 days. The Governor made her remarks to reporters on Tuesday while visiting Mount Hope Elementary in Lansing for the first day of school.

Current law requires that schools offer at least 1,098 hours of instruction annually and, in the FY 2010-11 school year, at least 165 days of instruction. The minimum number of days is set to increase to 170 days in the 2012-13 school year.

The Governor's comments come as lawmakers move to strip \$208 million out of the School Aid Fund to close the FY 2009-10 budget deficit. Michigan law also prohibits schools from beginning classes prior to Labor Day, meaning that any additional instructional days would either result in fewer vacation days during the year or would have to be added on at the end of

the year.