



SCHOOL EQUITY CAUCUS

Making a difference for the public school children of Michigan

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Dear Colleague:

1. MPSERS Reforms Legislation

The MPSERS reform legislation (**SB 1040**) passed the House and Senate and now awaits the Governor's expected signature. Soon after passage the Caucus and others detailed the many elements of this complex bill, one of which maintained the 3 percent employee retirement health care contribution.

In a not-too-surprising juxtaposition of significant events, the day after the bill passed, the Court of Appeals ruled the 3 percent employee contribution requirement unconstitutional. Absent an appeal to the State Supreme Court (we have yet to hear of the Governor's intentions), employees will be reimbursed the money they have already contributed and future paychecks will not see the contribution deducted.

If the Court of Appeals' ruling stands as is, the bill's anticipated retiree health care unfunded liability reduction, estimated \$16 billion, could now be just \$5 billion and make dealing with the nearly \$45 billion in total unfunded liability (pension and health care) that much more difficult, take that much longer to resolve, and further burden school districts unnecessarily.

However, if the Governor successfully appeals, the 3 percent employee contribution would continue for existing employees who do not opt out. Existing employees who do opt out and new employees (hired after September 4, 2012), would be exempt and would participate in a 401(k) or 457 health care plan with a state match of up to 2 percent.

Key legislators (Sen. Kahn, Rep. Rogers, and others) now say the bill was written in anticipation of losing the 3 percent employee contribution plan in the Court of Appeals. In spite of the ruling, the other significant pieces of the legislation will still go into effect as soon as signed by the Governor. The MPSERS rate paid by schools will be frozen at 24.46 percent, employees will have until October 26th to make life-defining decisions, and we will hear the results of the study to address stranded costs and of moving completely to a defined contribution retirement plan. Then we will prepare for *MPSERS Reform, Version II*.

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Many of the contacts I received regarding the passage of SB 1040 following our August 16th *Information Alert* were about individual decision-making processes. Folks sought clarity and guidance as they tried to plug their particular circumstances and numbers into the various options. Some superintendents asked what they should tell their employees.

The particular financial, professional, domestic, (etc.) circumstance of every individual is unique. There may be as many different option calculations as there are employees.

Most superintendents and school organizations instead plan to provide explanations and clarity and will leave the decision-making advice to financial professionals.

At the time of this writing I know of no available *option calculator* template. Neither ORS, nor any other organization, has so far published a calculator. I am hopeful, however, that something will be available in the not too distant future to help individuals make these important decisions.

2. The Process of Rewriting of the School Aid Act Slows a Bit – But Continues

In the July 26th *Newsletter* I reported that the Oxford Foundation was preparing a School Aid Act rewrite for the Governor’s consideration, which I called a possible transformational event. At the time it appeared a likely timetable would be to see some draft legislation as early as October.

It now appears that the timetable has been extended somewhat. We currently anticipate that in October the committee headed by the Oxford Foundation will provide a public update and seek responses to some of their guiding principles and intended outcomes. Draft legislation could then be presented to the Governor in December, followed by a legislative rollout as part of the State of the State address and in time to be part of the Governor’s February 2013-14 budget proposal.

3. Legislation Anticipated in the Fall and in Lame Duck

Watch for several problematic legislative initiatives to gain focus as early as September. The Caucus will oppose each of these bills—as currently written—for the many reasons described in previous *Newsletters* and *Alerts*.

- The “School Conversion” bill (**SB 620**), now sometimes called the “Trigger” bill (the final bill in the first group of initiatives known as the Parent Empowerment bills), was passed by the Senate in June and now resides in the House Education Committee. It is expected to be voted out of House Ed in the near future.

The bill would allow a public school, identified as among the lowest 5% in student achievement, to be converted to and operated as a conversion school. The “trigger” being the lowest 5% designation and 60% of eligible parents or 51% of eligible parents and 60% of eligible teachers petitioning to have the school designated a conversion school.

- The Personal Property Tax (PPT) Phase-Out legislation (**SB 1065-1071**) would provide tax exemptions for commercial, industrial, and new and existing manufacturing personal property. The bills passed the Senate earlier this month and now await House action.

As described in a Senate Fiscal Agency analysis (August 7, 2012), the PPT bills could have a devastating financial consequence for municipalities, school districts, libraries, and other local taxing units. By 2021-22, the state could see a revenue decline of about \$600 million. About two-thirds of the lost revenue would be dollars that are now directed to the SAF.

A few legislators who favor the PPT phase-out legislation also want language to guarantee replacement revenues for the schools, municipalities, and the other taxing

units. Some other legislators, however, maintain that to guarantee replacement revenues would somehow violate their desire to approve no new taxes. Clearly, if the PPT is successfully phased-out, we will need to encourage and support those legislators who want to insure replacement revenues.

- The School Bond Loan Fund legislation (**SB 770, 771, 772**) passed the Senate in June and is now receiving testimony in the House Appropriations Committee. A couple of weeks ago Senator Pappageorge (sponsor of SB 770) and a representative from Treasury (authors of the bill) addressed the House Appropriations Committee and urged that the bills be approved in Committee and sent to the House floor for debate and a vote.

Testifying in opposition was former House Speaker Lewis Dodak. He likened Treasury to Chicken Little, "... running around claiming that the sky is falling." He said the School Bond Loan Fund can be fixed without the draconian measures proposed in these bills.

4. State Capital Outlay Budget Spends \$304 Million on College/University Infrastructure

As an interesting departure from the legislature's effort to restrict—for some districts, shut down—public schools' access to state assistance for school infrastructure is the Governor's June 25th signing of **HB 5541**, now **PA 192**.

Public Act 192 provides \$304 million to pay for eighteen community college and public university infrastructure projects, while at the same time the legislature attempts to nearly eliminate the School Bond Loan Fund and School Loan Revolving Fund, currently the *only* state involvement in public school infrastructure.

In signing the bill, the Governor said,

"These investments allow higher education in Michigan to stay on the cutting-edge. Our colleges and universities play a critical role in Michigan's future. I am pleased that we are able to support these worthwhile projects."

5. Summer Conference Gains Positive Reviews

The joint School Equity Caucus / Michigan Small and Rural Schools August 9th *Back-to-School Issues Conference* was well attended and positively received by the more than 50 school administrators and board members who attended.

Bethany Wicksall and Mark Wolf of the House Fiscal Agency presented up-to-date information about the MPSERS legislation and the School Aid Act. Don Wotruba (MASB and Small and Rural Schools) and Don Olendorf (Caucus, Small and Rural Schools, and ESALG) discussed several important legislative issues and their potential impact on schools.

Later, a panel of experts discussed information on likely changes to the MMC and then Julie Mack (Kalamazoo Gazette) explained how school officials can help themselves and their school districts through "smart" relations with the local media.

Roberta Stanley of the National School Boards Association talked about national school issues, including possible budget sequestration and the reauthorization of the federal

Elementary and Secondary Education Act (ESEA). Don Wotruba ended the conference with a presentation on November ballot initiatives that would affect schools.

Each presentation generated discussion, questions, and opinions from the attendees. Most participants with whom I spoke said they planned to attend the next Caucus / Small and Rural Schools joint conference.

6. Plan Now to Attend our September 26th General Membership Meeting

The School Equity Caucus and Michigan Small and Rural Schools will once again hold a joint General Membership Meeting from **11:30 a.m. to 1:00 p.m., Wednesday, September 26th in Tower Room C of the Grand Traverse Resort** during the MASA Fall Conference. As before, lunch will be provided by school financial organizations, Oak Pointe Group and Hutchinson Shockey Erley & Co.

We hope that the lunch meeting schedule will make it more convenient for you to participate if you are driving from home that morning and want to avoid conflicts with other scheduled events.

Watch for meeting and lunch sign-up procedures coming to you soon. Space will be limited. While we have the largest meeting room available, it can still only accommodate up to 70 participants and last year we filled the room.

7. Caucus Membership Invoices are now Due

Caucus 2012-13 Membership Invoices were mailed to districts earlier this year and most have already been returned. If you have not already done so, please remember to complete your invoice and send it to the Caucus office. If you have questions, comments, or need another invoice call (517-482-5110) or email (schoolequitycaucus@gmail.com).

“School leaders can only function effectively with timely, accurate, and clear information presented in plain English. A primary information resource used by over 200 Michigan school leaders is the School Equity Caucus’ monthly Newsletter, Information Alerts, and direct contacts to the Caucus office. Every superintendent would benefit from Caucus membership.”

John Chandler, Manistee Area Public Schools

Sincerely,

Jerry

Gerald Peregord
Executive Director