

From: Charlie Glaes
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>>> "masa-supt" <masa-supt@listserv.melg.org> 1/27/2010 5:07 PM >>>
Senate Republican Reform Proposal:
Preliminary Analysis and Commentary

4 Components Affecting Schools:

- Mandate Public Employee Healthcare Premium Contribution
- Limit School Administrative Costs to 28 Percent
- Mandatory Bidding for Non-Instructional Services
- Reduce all public employee pay by 5%

Mandate Public Employee Healthcare Premium Contribution

- Proposal Details:
 - o SB 1046 (Jansen)
 - § Would cap public employers contribution to health care at 80% of the premium
 - § Raises the cap to 85% of premium costs if the plan includes wellness incentives AND a health savings account
 - o SJR P (Jansen)
 - § Would amend the constitution to allow the legislature to create laws like SB 1046
 - § Limits collective bargaining rights on health plans that do not conform with laws created under the authority of this amendment
 - o SB 1047 (Sanborn)
 - § Allows all public employers to purchase health care from a state health plan
 - § Empowers the Civil Service Commission to establish a the state health plan and offer it for purchase to public employers
 - § The plan would be based on benefits currently provided to the state's nonexclusively represented employees (NEREs)
- Reactions:

- o MASA and MAISA have long supported the idea of asking employees to contribute to their health care premiums.
- o As school funding plummets, health care costs are skyrocketing, putting schools in the position of having to eliminate programs, lay off faculty, & increase class sizes, putting kids at risk in order to afford employee health care.
- o Requiring employees to pay a percentage of their health care costs is a step in the right direction.
- o The effectiveness of this proposal will be determined by the final threshold established for employee contribution, the extent to which HSAs are employed, and the quality of the wellness plans required by the statute.
- o This legislation has yet to be vetted by the MASA or MAISA legislative committees, but at first blush it would appear to not be as effective in controlling costs as capping employer contributions to a specific dollar amount.
- o A hard cap would encourage employees to control their health care costs (because they would have to pay the full amount of the difference for "Cadillac" benefits) while still allowing them the flexibility to choose more expensive health care plans.

Limit School Administrative Costs to 28 Percent

- Proposal Details:
 - o SB 1073 (Birkholz)
 - o Limits the percentage of school expenditures on non-instructional support services to 28% of general fund expenditures.
 - § "Non-instructional support services" means that term as used by MDE in the 1014 bulletin
 - § Begins with the 2011-12 school year.
 - § Excludes schools under 1,000 pupils.
 - o Penalizes those schools that exceed the 28% threshold by withholding 5% of their state aid until they come into compliance
- Reactions:
 - o The definition of non-instructional support services used in the 1014 bulletin is a severely flawed yardstick
 - § It fails to account for regional variations in cost, such as transportation and cost of living
 - § It includes costs that are not under the control of individual schools, such as:
 - state aid note interest
 - property casualty insurance
 - tax abatements

- fuel costs
- fleet insurance
- utility costs

o The proposal should not disaggregate schools under 1,000 students

§ This is a thinly veiled attempt to exempt charter schools, which have an average administrative cost of 43%

o Penalizing schools financially for administrative costs, some of which are fixed costs, simply shrinks the pot of money going into the classroom, hurts kids, and potentially increases the percentage of costs being spent on administration.

o This proposal does not take performance into account

§ Many of the schools with high administrative costs also have high academic performance

§ If schools are performing well with high administrative costs, we may not like it, but they are doing what they need to be doing

§ Forcing changes could negatively impact performance

o The 28% threshold is arbitrary

§ This number is the current median administrative cost percentage statewide, not a measurement based on any research or best practices

§ Arbitrarily mandating that half of all Michigan schools reduce administrative costs, without regard to student achievement, is poor public policy

Mandatory Bidding for Non-Instructional Services

· Proposal Details:

o SB 1074 - Pappageorge

o Mandates that schools competitively bid for non-instructional services.

§ Non-instructional services are defined as food, transportation, and custodial.

§ The threshold for bidding is set at \$20,000 initially and indexed to inflation

o A bargaining unit may bid on the contract, but may only work for the district on a contractual basis, not as employees.

o Districts would be required to develop a competitive bidding policy that complies with the legislation

§ The MDE would have to develop a model policy

§ The model policy and any policy adopted by a district must include a provision that bids be posted on the district website with a link to those bids from the homepage

o The new policy does not take effect for a particular service at particular school until the current collective bargaining agreement or contract for that service expires.

· Reaction:

o Contracting for services does have the potential to save money.

o That is why many schools have already taken this step in order to control costs locally.

o Schools administrators have always been on the front lines when it comes to finding ways to provide services more efficiently and driving more dollars into the classroom.

o However, it is possible that some schools have employees willing to provide a service for less than the current market rate.

o If an individual district has already explored contracting and found that no savings exist, that district should not have to spend more money to contract.

o This proposal would negate the savings already found by many districts through the regional consolidation of services, which is often more cost effective than the private sector.

Reduce all public employee pay by 5%

· Proposal Details:

o No bill is available for review

o Senate republican documentation indicates that the proposal contains the following provisions:

§ Reduce all public employee pay by 5%

§ Freeze pay at that level for 3 years

§ Employees who have already implemented wage reduction will be given credit for that effort.

· Reaction:

o Because no bill is available for review, reaction to the purported content of the legislation is premature.

o However, the following general observations on Michigan school administrator pay remain applicable:

§ Michigan has the lowest school administrator pay of any state in our region.

§ School superintendents and frontline administrators are highly mobile and will move to schools and

areas with the most competitive salaries.

§ If Michigan hopes to recruit and retain the administrative expertise and leadership it needs in this economy, we must remain competitive both regionally and nationally.

§ Flexibility for local districts has already proven to be a very effective method for keeping administrator pay low.

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