

Michigan School Business Officials  
Finance Committee Meeting  
Annual Northern Michigan Workshop  
Otsego Club, Gaylord, Michigan  
September 15, 2011

Officers:

Glenna MacDonald, Chairperson, Huron Valley Schools  
Kevin Kolb, Vice Chairperson, Shepherd Public Schools  
Teresa Davis, Secretary, Fitzgerald Public Schools  
Mark Higgins, Officer Elect, Montabella Community Schools  
Hal Davis, Past-Chairperson

The meeting was called to order at 8:35 a.m. by Glenna MacDonald.

Hal Davis nominated Mark Higgins of Montabella Community Schools for the Officer-Elect board committee position. The nomination was seconded and there was unanimous consent.

1. MSBO Update
  - a. Leadership Institute – Business Officials is often the second most powerful person in a school district after the superintendent
  - b. Annual Conference will be in Detroit at the Book Cadillac/Cobo Hall
  - c. Dynamic Budget – working on an updated version that will be easier to use.
  - d. School Finance Manual will be put online so it can be constantly updated (hopefully by January)
  - e. Group Solutions will be in Saginaw – October 6<sup>th</sup> and 7<sup>th</sup>.
  - f. Facilities Conference at Crystal Mountain – October 2<sup>nd</sup> thru 4<sup>th</sup>
  - g. Bus Purchase Program – Online platform will be available in October thru January and March thru July
  - h. Custodial Certificate program – will train custodians on-site for a reasonable fee.
  
2. Legislative Update (Brad Biladeau, MASA)
  - a. Financial Best Practices Incentive Grant
    - i. 10% Health Care Premium includes Health, dental, vision, and LTD
    - ii. Policy Holder – no lawyer will give an opinion and there is no definition but will allow a VEBA such as Dearborn's plan (having access to your claims data).
  - b. Wage and Benefit Freeze when contract expires (PA 54 of 2011) – See handout
  - c. Policy Holder and claims data (PA 95/PA 93 of 2011) – See handouts
  - d. Personal Property Tax Exemption (SB 34) – exempt personal property from taxation after 12/31/2011. Would reduce revenues by \$547M in school related taxes. Legislature will take this legislation up after they finish School Choice legislation. Probably will exclude utilities but will include industrial and commercial. Will probably include some replacement revenue. – See handout
  - e. School Choice
  - f. Parent Empowerment Reform Package
    - i. Uncapping Charter Schools (SB 618) – Allow public school to operate charter outside a collective bargaining agreement (didn't amend PERA)

- ii. Cyber Schools (SB 619) – eliminate limit on number of schools and the number of students.
    - iii. Conversion Schools (SB 620) – if at least 51% of teachers or parents to start a new school – throw away bill will likely die.
    - iv. Enrollment (SB 621) – allow home school and private school students to enroll in programs that are provided within ISD or neighboring ISD.
      - v. Dual Enrollment/CTE (SB 622 and 623) – expands participation in dual enrollment
      - vi. Schools Choice (SB 624) – students can go where ever they want to go
  - g. Right to Teach – must allow optional membership in union (probably won't have enough votes)
  - h. Retirement Reform (SB 593) – Transition all prospective employees to a defined contribution system but completely ignores the unfunded liability. This bill will likely die.
    - i. Retirement Reform – will likely move new hires to a defined contribution plan and eliminate health coverage for these new employees. It will also address the unfunded liability.
    - ii. There is no longer a Critical Shortage list after the definition of core services was implemented.
3. School Aid Update (Glenda Rader, MDE)
- a. FID
    - i. Revenues now have a grant code rather than a state code (change in terminology) but not required for FID reporting.
    - ii. Will continue to use data for hot lunch report.
    - iii. FID FAQs – [http://www.michigan.gov/documents/cepi/07-08NewToFid\\_206075\\_7.pdf](http://www.michigan.gov/documents/cepi/07-08NewToFid_206075_7.pdf)
    - iv. Will need to do a fund modification (transfer) to get beginning Athletics fund equity to the General fund. This is not GAAP.
    - v. GASB 54 – new accounts for fund equity won't be broken down to that level for FID.
  - b. Best Practices
    - i. Charge at least 10% of the total health care premium (for all employees for all 12 Months)
    - ii. Policy Holder on all medical benefit plans
    - iii. Develop and Implement a Service Consolidation plan – most districts are already doing something
    - iv. Obtain Competitive Bids on Non-Instructional Services- don't need to accept the bid.
    - v. Provide a Dashboard with specific indicators (include link to dashboard on district website).
    - vi. Must pass a Board Resolution which indicates which 4 of the 5 best practices were met.
    - vii. Will be paid based on the 2011/2012 pupil count.
    - viii. Major Class Code 311 and Grant Code 207
  - c. Budget Transparency
    - i. Need to update throughout the year
      - 1. Annual Operating Budget
      - 2. Chart of Personnel Expenditures
      - 3. Chart of District Expenditures
      - 4. Collective Bargaining Agreements
      - 5. Health Care Benefits Plan

- 6. Most Recent Audit Report
  - 7. Bids for Health Insurance
  - 8. Total Salary and description and cost of each fringe benefit included in the compensation package for the superintendent and any other employee over \$100,000 in Salary
    - ii. Questions – Jeff Kolb 517-373-1908 or kolbj2@michigan.gov
  - d. Next ARRA Section 1512 report is due on October 5<sup>th</sup>
  - e. Section 147a – funds to offset the increased cost of retirement.
4. New Legislation & Your Contract Language (Michelle Eaddy, Thrun Law Firm P.C.)
- a. Senate Bill 7
    - i. Hard Caps on medical- \$5,500-single; \$11,000-two person; \$15,000 full family.
    - ii. Medical only, does not include dental or vision.
    - iii. Everyone is under the hard cap unless the board votes to opt for the 80/20.
    - iv. For “coverage years” that start after 1/1/12. The statute does not define “coverage year” can be interpreted differently, particularly if the policy year is different than the fiscal or calendar year.
  - b. Best Practices – Policy Holder
    - i. Definition of policy holder not addressed. Without a clear definition of a policy holder, it is unlikely attorneys will render an opinion on MESSA (based on the letter MESSA recently sent to districts).
    - ii. Letter from MESSA – indirectly reviewed by MDE?
    - iii. To comply with this provision of the Best Practices, the board needs to adopt a resolution naming them the policy holder of all medical benefit plans.
  - c. PA 54 – Steps/Health Ins Increased Costs
    - i. For contracts that expire August 31<sup>st</sup> and the teachers are reporting to work prior to that date, in some cases, the MEA is arguing that steps occurred in August prior to the expiration and PA 54 does not apply. It is recommended that bargaining agreements expire on June 30<sup>th</sup>.
  - d. Prohibitive Subjects of Bargaining
    - i. Seniority is now a prohibitive subject of bargaining.
    - ii. Districts need to review layoff and recall contract language and adjust as necessary. Also, may need to update individual teacher contract. Consult your legal counsel as you may need to adjust contracts prior to their expiration date.
    - iii. Discharge provisions have changed.
    - iv. Employees still have due process rights.
    - v. A teacher who is determined ineffective teacher will require the district to send notification letters to the parents of the affected students.
5. What’s New at MPSERS (Nick Thelen & Kaitlyn Henika, ORS)
- a. Pension Plus
    - i. For employees who first worked in schools 7/1/2010 or later.
    - ii. 6.4% member contribution; 3.0% member medical contribution.
    - iii. Defined contribution percentages
  - b. Future Plans
    - i. ORS is working on technology updates to the ORS Online Reporting.
    - ii. Defined Contribution component for all MPSERS members.
    - iii. Will be adding an International Index Fund to the ING DC option.

- c. Other Topics
    - i. Implementation of a new TDP program requiring minimum schedule deductions. There will also be a new online calculator for determining total cost.
    - ii. Healthcare Contributions – the IRS has not yet ruled on the tax status of the 3% deduction.
    - iii. Training Objectives – ORS has a Training Protocol Team, New Employee Training available along with webinars and interactive tutorials.
    - iv. Employer Audits – ORS will be performing horizontal and targeted audits (approximately 4 per year).
    - v. ORS will be continuing to performing annual wage reviews focusing on the wages in the last 3 – 5 years of service.
    - vi. Retirement Reminders -
      - Earnings limit – 1/3 of final average compensation in a calendar year.
      - Cannot be hired through a 3<sup>rd</sup> party is considered a “core service”.
      - Must have a 30 day separation of service.
  - d. ORS Resources
    - i. Payroll Reporting Questions – [ORS\\_Web\\_Reporting@michigan.gov](mailto:ORS_Web_Reporting@michigan.gov) or call (517) 636-0166
    - ii. General Retirement Questions – <http://www.michigan.gov/orsschools> or call (800)381-5111
    - iii. Pension Plus – <http://www.mipensionplus.org>
6. CRC School Reporting Series (Craig Thiel, Citizens Research Council of Michigan)
- a. Founded in 1916, statewide, nonpartisan, private non-profit.
  - b. Reports
    - i. Most recent - Distribution of State Aid (August 2011).
    - ii. All reports can be found at [www.crcmich.org](http://www.crcmich.org) under “publications” link.
    - iii. What’s next?
      - Teaching and Public Policy (Fall 2011)
      - Analysis of service provision and opportunities for collaboration (Fall 2011).
7. Roundtable, Wrap-Up and Review
- a. Topic suggestions for the annual conference – turn into Glenna MacDonald by September 30th.
  - b. Next meeting is Friday, October 21, 2011 at MSBO offices, Lansing
8. Adjournment – 12:15pm.