

Michigan School Business Officials
School Finance Committee Meeting
October 21, 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

Illuminate conferencing to be able to participate with committees by phone – will use for committee type meetings. Lillie is handling it for MSBO. Link will be included in future agenda's.

Suggestions for MSBO topics at the Finance committee meetings.

Legislative Update – Don Wotruba

Not much good news. Budget surplus but don't know if we will see anything.

Revenue numbers since May coming in better but we won't see anything regardless of the pressure to do anything midyear. Ultimately legislatures feel there will be no impact to schools because they won't hire additional staff midyear.

They are thinking it will be saved for the \$100 best practice and \$100 for MPSERS replacement. Still have what the governor will do for higher Ed. Will he go for more money there?

Don't think they will shift more money from the legislature. Financially schools look good for public education for next year.

Parent empowerment & Personal property tax

Charter bill, this isn't about lifting the cap, they are rewriting the choice options, jurisdictions, etc. Taking out the 1990 laws and rewriting. Schools of choice, dual enrollment, shared, quite broad legislation

Charter – authorizer companies doing well can apply for more,

Conversion school model – water it down from original, original was a group of parents/teachers in a district could in effect apply to school board to convert the school and reconstitute in some fashion. Original philosophy for charter schools

Currently, 60% of teachers and 50% of parents or 51% of parents petition to board. School district is not compelled to change. IF the board turns them down, they can go to any authorized charter, and the board will be required to lease to the charter for \$1. Can see a legal debate because of bonds still outstanding, what control do you have as lessor, etc.. No legal connection, school community is opposed. Originally was the district to give the

building but this has changed. A house member is better option to amend or stop this proposed legislation. SE Michigan (mostly Detroit) focus where it is closing down and groups (United Way) and with donations and reconstitute it and run the building. Legislation now it is only in those buildings that is in the bottom of 5%.

Cyber piece bigger nightmare for Schools. Not authorized by ISDS, limit to two and limit to the number of kids. Currently full, requirements running schools, have experience with At Risk, online learning, but struck language out. Current discussions have eliminated experience and number of schools. Moving student language before student counting is figured out, Colorado has a two count system and seeing a 60% drop out after count days. System allows it. Those companies are walking away with a lot of money. Problematic.

Dual enrollment, keep modifying bills, changing requirements, down to 9th grade, limiting the number of classes per year, no payments to Community Colleges for remedial classes. Eligible for class, and credit bearing class. Continue to move through the process, in the end will see it pass with 9th grades eligible from current 11th grade. Most other states limit to excess money after all K12 money and community gets all their funds. Transportation not mentioned in bill due to 9th graders not allowed to drive yet. County not in an area where there is a community college, an in-district tuition is being discussed. Parochial schools will not be required to be paid by local district. Originally it was schools, not current legislation, funding for parochial will come out of State treasury. Repayment provision still is in the current legislation proposed if the student does not pass the class(es). Collecting will be difficult then can potentially deny it going forward for that student.

Schools of choice, all tie bars have been removed. Still having huge issues to get passed. IF it passes, then you will see schools get out of the choice options if they lose control. Right now most districts have some options of choice

Charter schools legislation pushed back till after election results due to a recall vote on the chairperson.

PPT – still waiting for legislation from governor. MSBO joined collation, impact quite costly by finance legislature (non-partisan groups.) Slightly over \$200 million affect. \$100 million in school bonds, which in turns becomes a tax increase. \$100 million at the ISD level. The latest thing hearing, is only the industrial PPT. The end goal is the whole thing and not just the industrial PPT. If only industrial PPT, Schools are not hurt as much, then it passes, and then the cities and others take the hit. Subsequent year then brought up again, and the cities are not there to help fight it. Coalition is looking at full replacement and change constitution that guarantees it. Last year legislation with the exemption rules, promise of a legislative guarantee doesn't hold a lot of water. Looking at proposed legislation in about two weeks.

Salary cap bill for superintendents, no intention to move immediately.

Health Care bills

SB7 – contribute questions for interpretation, four law firms and should still a list of frequently asked questions by end of next week or the following week. Hard Cap can be differently between groups? Language is unclear and the intent was one way for the entire district. MSBO will be continuing to be part and share info.

Individual contract holders, Collective bargaining is not impacted till it expires, Thrun is interpreting that those that have individual contract, BCBS plan year is Jan. 1st, will have to be change at that time. Looking for clarification, legislative, Depart. Of Ed clarification, if Thrun puts it out there, then can have impact. MESSA is July 1, would not have impact. There is a legal issue of changing contract, what admin. will sue the district. Rollover is considered a new contract. Jan through July group of people will be an issue. Law firms stated it is the law is a hard cap as the default. The job of the bargaining group to bargain to an 80%-20%. All feel there will be negotiations, but no requirement to go there. Cap will be going up with 4-5% of medical inflation, look at long term implications. The Savings for 80-20 is a one-year savings, and going forward you are subject to the increases. Some districts are incorporating a cap included with the 80-20 in future years. Economic reopeners, depending on language, if narrow might work, but broader then you could be subject to immediate implementation. Case by case basis (review with legal counsel.) A rollover is impacted immediately. Discuss legislation wording tie to insurance company definitions is not done well. The single employee if with dependent (i.e. child) is couple or by language a family since the language says employee and spouse. The 80-20 plan you can look at total premiums and adjust if you want. This is one of the areas that need clarification.

David Martell– MSBO update

Couple of things, reminder of MDE conference on November 2nd.

Maintenance of effort will be discussed

Planning of MSBO conference on going, home hotel will be the Westin, alternate Holiday express across the street. Last time in Detroit was an all time high for attendance. Will be back in 2015. Evening activities, Detroit tigers will be in town.

Rick Olson – MPSERS (representative of 55th District) on MPSERS committee

Presented on past, present future of MSPERS

Investment decline since 2008, 2009

Decline in membership since 2003

Rates will continue to rise and could be over 35% in 2020. Unfunded due to investments, enrollment, early retirement incentive, health care, etc.

Unfunded in June 2011 was \$17.6b pension, \$28.6b health total 46.2 billion, 71% funded for pension and 3-4% funded for health. Representative Olson is on the work group to look at the MPSERS program. Some output is expected by November 10th from the committee.

HB 4306 privatizing support services. Not required to privatize but post bid results

Community exiting system

Charter cap lifting

Two handouts, power point presentation and MSPERS contribution rate; effect of stranded costs caused by privatizing support services

General discussion ensued on who has the liability on the books, the local district or State. Could be a discussion at the annual conference.

No further information on the employee 3% for schools on MPSERS.

Bob Dwan – MSBO Update

Best practices – from Glenda Rader

So far 130 districts have submitted so far. She will post on website and see what ones are approved so far. ATTACHMENTS A for both for plan or document put together. If they audit, they want to make sure it's there. Some responsibilities of consolidate what you have done. Email to Glenda for that reporting. Attachment A is the resolution the board adopts. If you were one of the districts that already did this, you are in compliance with this section.

The old consolidation plan, send an update to Glenda. This will be the same date of February 12th. No set format required by State.

The first payment will be in the November State aid payment.

The MPSERS reportable income will be in November (2-11ths). Calculate by your payroll (Oct 2010 through Sept. 2011) over the State payroll and that % times the funds allocated by State. If you had a lot of retirements last year, you might get a lower amount.

“Excess costs” will have a similar MOE test. Elementary and Secondary level broken down with GE and SE. This will be added to audit compliance model. Public Sector (Co) working on this. This will be covered on MDE conference. Don't know the ramifications yet. Defined as you are spending a dollar amount of GE, you must spend the same amount on SE student, before you spend any federal Spec. Ed. funds on that student. How do you breakdown the costs will be an issue. How is it pulled from FID? A lot of input sought, but not sure where this is going. This has been out there from several years but State chose not to do anything with it.

January Financial Strategies coming up in January. Two-day conference. Looking at some speakers with longer sessions to get more in-depth discussion with Q&A.

E-Blast will be sent out on some of these discussions.