

Michigan School Business Officials
MSBO Conference Room
School Finance Committee
January 14, 2011

In Attendance:

Shawn Biddle, Jefferson
Jim Burgess, Lakeshore
Karla Colestock, Portage
Mike Collett, EMU
Hal Davis, Dowagiac
Teresa Davis, Fitzgerald
Bob Dwan, MSBO
David Fisher, Rehmann Robson
Tom Goodwin, Grand Ledge

Kim Hansen, Jenison
Kevin Kolb, Shepherd
Glenna MacDonald, Huron Valley
Christine Marcy, Thornapple-Kellogg
Jenny Mutchler, Kent ISD
Cheryl Wald, Howell
Donna Welch, Huron Valley
Tom Wojcicki, Chippewa Valley

1. Call to Order/Introduction of Guests – Hal Davis, Chairperson
2. Issues and Challenges for 2011 – Senator John Proos
 - ARRA funds are gone leaving a hole in the GF/GP of \$1.8 B
 - Unemployment currently exceeds of 13% in Michigan (actually higher because some people are not counted)
 - Most severe recession in Michigan in 70 years
 - Auto Industry is starting to recover
 - Commercial Real Estate industry is not doing well
 - State may need to pay back \$250 M in Medicaid revenues because of improper expenditures
 - The Governor wants to propose a two year budget
 - The SAF budget will hopefully be approved by June 1st. The GF/GP budget will likely be approved later.
 - The new Governor wants to make \$2.4 B in cuts so that the Michigan Business Tax surcharge can be reduced.
 - Plan to close gap in budget:
 - Earned Income Credit and Film Industry Credit are potential cut areas.
 - Eliminate the MBT and replace with a 6% corporate income tax.
 - Close tax loopholes - will increase tax revenues.
 - Possible reforms:
 - PA 312 Police/Fire Negotiations
 - Education – no more automatic step increases/health insurance increases until contract is settled.
3. Legislative Update – Don Wotruba, MASB
 - Governor
 - Not much focus on education
 - Education reforms are not at the top of the list.
 - Focus on closing the loopholes to generate more revenues. Much of the same loopholes as Granholm wanted to close.
 - Mike Flanagan is the education advisor for the new Governor – much different from the past.
 - MASB focus for lobbying
 - Health care – have employee pay 20% of the cost
 - State wide health insurance pool is unlikely with the Republican control because of the perception of a larger government.
 - Retirement reform – moving to a 401(k) plan takes a significant upfront investment and doesn't save money for about 15 years. The reform already implemented will save money over time.
 - No more automatic step increases without contract settlement.
 - No more automatic increase in employer contribution towards employee health insurance without contract settlement – difficult to legislate since it affects the District and not the union contract.

- Move the 18 mills operating levy to the state collection and no more elections for this operating millage.
- May move to a November only election or an August/November election.
- Maybe some new incentives to consolidate to offset costs (i.e. – purchase the same software for a region)
- Try to get a constitutional amendment on the ballot to only allow K-12 expenditures from the SAF
- Tenure reform
- There is a funding shortfall for next year.
- There may be a two year budget for the SAF.
- At Risk funds may be a focus for cuts – real speculation.
- Projected revenue growth from the SFA and HFA are 1.2% and 1.8% respectively. This growth will be used to replace the ARRA/Ed Jobs funds that run out this year.

4. MSBO Update – Bob Dwan (MSBO)

- Significant reduction in the Special Education costs state-wide (maybe due to ARRA funds)
- Revenue consensus numbers are likely to be conservative since the Senate Fiscal Agency doesn't want to focus much on the high December sales like the House.
- Annual Conference – in the planning stages. Early bird registration saves \$35 (\$240 vs \$275). Food Service will have a Pre-Conference.
- March 1st – Advanced Property Taxes workshop
- Group Solutions – getting full
- Financial Strategies – currently have 300 signed up. Sign up very soon.
- Business Official of the year – new one page form.
- Scholarship applications available for bachelors and masters programs.

5. Round Table Discussion/Announcements

- Jim Burgess is retiring at the end of the year.
- Michele (Shelly) Patton, MDE is doing presentations on At Risk compliance. Be aware that all districts will have an on-site review once every 5 years. Compliance will be enforced much more than in the past beginning for 2011/2012.
- There are a handful of reports that could be collected through FID. The bigger issue seems to be that the State has a number of departments that have their own software which doesn't talk to other departments.

6. Adjournment