

**Michigan School Business Officials
Great Wolf Lodge, Traverse City, Michigan
Annual Northern Michigan Workshop
School Finance Committee
September 17, 2010**

Call to Order – Hal Davis, Chairperson

MSBO Update – David Martell, MSBO

- Let us know what you need for professional development
- Discussed upcoming professional development opportunities
- MISEC Diesel Fuel Purchasing Program

Legislative Update – Peter Spadafore, MASB

- Big turnover in State government – Governor, Senate, and House
- Increase in Foundation of \$11/Pupil
- Yet to see how the Federal Education Jobs Act funds will be allocated. Won't be allocated based upon Title I funding. Will either be allocated at \$154/pupil with the 2X formula (\$17/\$34) for the balance –or- The 2X formula will be used for the entire amount \$110/\$220.
- \$50 Million for consolidation is likely dead at this time. Legislature would like to maximize the foundation allowance.
- \$210 Million taken from the School Aid Fund for General Fund/General Purpose use– precedence setting
- ESEA reauthorization – likely on the back burner for now
- Sinking Fund Expansion to include technology and buses– will try to get approval during lame duck session

School Aid Update – Han Hanrahan, MDE

- School Aid funds can be used for three things
 1. K-12 education
 2. MPSERS contributions (Old language - State paid these costs at one time)
 3. Higher Education
- There are some restrictions on the use of the Federal Education Jobs funds. Must be used for salaries and benefits. Cannot be used to pay for Central Office type expenditures.
- Mike Flanagan is still supporting the \$50 Million funding for consolidation.
- Transparency reporting – 29% do not have an icon on their website at this time, 23% are compliant, 48% is either missing data or their link from the icon doesn't work. No penalty at this time for non-compliance. Non-compliant districts have not been notified yet.
- School Funding changes for 2010/2011
 1. \$184 million in ARRA funds available for this year (amount per FTE still needs to be determined)
 2. To count up to 38 hours of professional development hours as instructional time does not require 5 hours of that time to be done on-line.
 3. Michigan School Readiness is a protected categorical under Section 11d

School Aid Fund Analysis – Bethany Wicksall, Senior Fiscal Analyst, HFA

- GF/GP Revenues are down 42% since FY2000 after adjusting for inflation.
- School Aid Fund revenues are down 12% since FY2000 after adjusting for inflation.
- Decrease in taxable values cause State revenues to decrease and expenditures to increase to make up local collection of property taxes (foundation grant)
- When the economy declines, Medicaid expenditures increase. Currently 18% of the GF/GP budget. 110% increase since 1999/2000.

- Corrections budget has increased by double digit percentages the early 1990's.
- Higher Education has lost 25% of their State funding over the past 10 years (when adjusted for inflation)
- The GF/GP budget for 2010/2011 includes \$1.4 billion in one-time revenues and \$210 million in tax cuts will take effect in 2011/2012.
- The School Aid Fund includes one-time monies of \$184 million of ARRA funds and \$318 in Ed Jobs funds for 2010/2011.
- The State's books won't be closed for a while. Some revenues collected through November are accrued as a receivable at FYE 9/30/2010.
- Watch for the ruling on the 3% employee contribution to MPSERS
- Watch growth/decline in taxable values
- State-wide pupil membership has declined to below the count that was in effect when Proposal A passed in 1994. Pupil membership increased from FY95 thru FY03 after which it has decreased each year.

Annual Evaluation Process – Martha Marcero, Thrun Law Firm, PC

- Education Jobs Act funds – only use for a one-time stipend (off schedule) and only upon receipt.
- Many new superintendents State-wide. Be careful that they don't sign any letter of agreements without legal advice.
- The annual evaluation process must be implemented by all districts effective January 2010 unless a contract is in place that "prevents" the implementation.
 1. Annual evaluation for all teachers and administrators.
 2. At least three rating categories (not just satisfactory/unsatisfactory).
 3. Ample opportunities for improvement
 4. Number of grievances are likely to increase (language should include "not subject to arbitration" with respect to the annual evaluation process).
 5. Merit pay applies to teachers and administrators.
 6. No step increase for unsatisfactory performance is not a tenure violation.
 7. Observation doesn't necessarily need to be performed by the building administrator. Maybe use some recently retired building administrators to help with the observations.

Office of Retirement Services – Steve Crippen, John Donovan, & Ann Schneider all from the ORS

- Pension Plus Plan – for employees hired after 7/1/2010 – new plan is a combination defined benefit and defined contribution plan.
- Only 17,000 school employees retired of 28,000 projected under the increased retirement multiplier. 1,295 of those received an extension.
- Sept. 24th – employees under the Pension Plus Plan will show up properly on the website. The credit for the excess will also show up
- 15.44% is the retirement rate for the new Pension Plus Plan for 7/1/10 thru 9/30/10. A credit will show up on the Statement at the end of September. The rate has not been determined for 10/1/2010.
- Pension Plus Plan
 1. Funds invested at ING
 2. ING will contact employee to see if they would like to reduce their contribution from the 2%
- Will be some enhancements that will allow employers to make more corrections to individual employee retirement records.
- ACH Debit will be used to make payments to ORS
- Monthly paper statements will not be mailed any longer. They will be available on-line and paid on-line.
- On-line payment will only appear to those authorized by the superintendent.
- Will have 5 days after pay date to make payments to ORS beginning in November 2010.
- Core Services - List is published based employment class codes.
- John Donovan – donovanj@michigan.gov