

MASB & MASA LEGISLATIVE CONFERENCE ISSUES BACKGROUND PAPER

This series of issue papers was prepared by MASB and MASA staff as background for the March 15, 2006, Legislative Relations Conference. These papers are intended to provide an overview of a few selected issues that are being focused on by the education community in Michigan. The purpose of these papers is to present the reader with some salient points and useful information about these topics.

They are necessarily brief and should not be considered exhaustive reviews. Much more can be said about any of these topics. We hope that, where appropriate, those attending the meeting will pursue more information on the issues that affect their individual school districts more specifically.

Issue	Page
High School Curriculum Reform	2
Health Care and Retirement Costs	4
K-16 Proposal	7
School Aid Budget	9
Sinking Fund	11

HIGH SCHOOL CURRICULUM REFORM

Last December, Governor Granholm, through the Michigan Department of Education called for the adoption of improved high school graduation requirements for all students, arguing that it is an essential step in building a diverse economy that will keep kids in the state.

The new curriculum requirements proposed would help establish a highly educated, highly skilled workforce by requiring that all students complete four credits of Math and English language arts, three credits of science and social studies, two credits in foreign language, and credits in health and art. In addition, students would be required to complete an online learning experience. Currently, Michigan high school students are required to complete only a one semester civics course in order to graduate.

Since the State Board of Education's proposal, the Governor has consistently urged the Legislature to act quickly to ensure that the curriculum is in place for the new school year in September.

Here is a summary of where legislation stands today.

HOUSE In the past month, the Michigan House of Representatives voted to adopt legislation similar, though less rigid, to graduation requirements proposed by the State Board of Education. HB 5606 would require students to successfully complete four credits in English Language Arts; four credits of math: Algebra, Algebra II, Geometry, and one additional course; three credits in science: Biology, Physics or Chemistry, and one additional course; three credits of social studies; one credit in health and physical education; one credit in visual and performing arts and complete and “online experience” in order to graduate. The House proposal also allowed the legislature to define content standards, a proposal which could be construed as opening the door for teaching intelligent design. Additional modifications included an opt-out provision that would allow students to choose not to complete the new curriculum. The requirements could start with the graduating class of 2010.

SENATE Last week the Senate Education Committee passed their version of Curriculum Reform, Senate Bill 1124. The proposal makes a number of changes to what the State Board of Education proposed as a rigorous curriculum for high school students. These changes were developed after a series of hearings all across the state. A significant change from the state board's proposal is that it will affect students who begin eighth grade in the upcoming autumn semester, saying they will not be eligible for a diploma unless they complete the curriculum requirements. This, in effect, delays the implementation of the curriculum to allow schools time to better prepare for this more rigorous curriculum.

Students will have to complete four credits of English, four credits of mathematics (that includes algebra I, geometry, and algebra II and a requirement that a student take a math class in 12th grade), at least three credits of science that would include earth

science, biology and either physics or chemistry; at least three credits in social science including U.S. and world history, economics and civics; one credit of physical education; one credit of arts education, and an online course. In addition, beginning in 2009, students will have to have at least two credits in foreign language study either in elementary school or high school.

The curriculum proposal in the Senate bill does allow for a student who has completed one semester of the 11th grade to request a modification of mathematics and science requirements, much as the House version. But the Senate version requires that the student still either complete work in the algebra II component in two years, or be enrolled in career or technical education.

School Administrators and School Board Members recognize and support the importance of an increased standard of rigor in Michigan's high schools. The graduation requirements proposed by the Michigan Department of Education, with modifications, represent a starting point in the journey toward rethinking high schools and raising the standard of excellence for Michigan's students. In many instances, this is an effort to standardize the practices and policies that many districts have had in place for decades through local control.

The proposed graduation requirements are a positive and appropriate step toward standardizing the level of rigor in Michigan high schools. In order for reform to be fully implemented, equal attention must be given to relevance and relationships.

Please let your legislators know that consideration must be given to all aspects of curriculum reform and the affects it has on Michigan's schools. Deliberation and thought must also be given on proposals to address the need for flexibility at the local level, the shortage of highly qualified teachers, the time necessary to implement such a proposal, infrastructure and personnel requirements, monetary resources, and the ongoing professional development that will be necessary for schools to be able to meet the new standards.

These are very important issues that should be addressed before this legislation passes and sets up school districts to not succeed. Would this legislature hire a carpenter without first outfitting him with all the tools needed to do the job?

EDUCATION HEALTH CARE AND RETIREMENT CRISIS LOOMING

Michigan's public school districts are facing a healthcare crisis. Skyrocketing health insurance premiums and benefits are eating away at the limited funding resources districts have to provide an education. Unless the Legislature does something to help contain rising health insurance and retirement costs, these costs will continue to eat up a significant part of education funding and divert money away from schools. Just for this year the projected increase in current employee health care and retirement costs will average \$204 per student in a year when the best case scenario is that you will receive \$200 per student in revenue from the state.

Both MASB and MASA support legislation introduced to allow school districts to pool together to save money on school employee's health care costs while still maintaining high-quality benefits. As introduced, Senate bills 895-898 would give school districts the option of pooling with other districts. This will increase choices for employees to collectively bargain and will save school districts substantial amounts of money. According to the Michigan branch of the American Federation of Teachers, which helped draft the legislation, the proposal will save an estimated \$156 million in the first year and \$573 million in the first three years.

While maintaining current school employee benefit levels, the proposal will achieve cost savings by:

- Improving administrative efficiency;
- Getting better deals by pooling employees in self-insured pools;
- Providing school districts with more detailed information to negotiate fair premiums and identify high-quality providers;
- Allowing competitive bidding for health care coverage;
- Creating a statewide fund to pay catastrophic health care costs; and,
- Giving school employees reliable hospital and physician performance data to ensure resources are efficiently spent.

Our goal is to improve the efficiency of the system – while protecting school employees' benefits – to devote more education funding to the needs of Michigan students.

A recent statewide poll conducted for by Marketing Resources Group of Lansing found that 62 percent of Michigan voters would support legislation allowing school districts to form insurance purchasing pools.

The retirement rate will increase again for next fall with the new rate being 17.74% of payroll. This will add additional costs to local districts of approximately \$140 million or an average of \$84 per pupil across the state. This rate is expected to rise with no foreseeable end in sight, unless the Michigan Legislature makes much needed change in the system.

House Bill 4947 will bring about much needed reform in our public school retirement system. The highlights of this legislation are:

- A graded health insurance policy that would give retirees a health insurance subsidy based on the number of years worked. This will cut out a number of loop holes that are currently used.
- A change that would prevent retirees from receiving free health insurance for years purchased from the system until they hit their thirtieth year. This does not prevent early retirement, just the free health insurance for up to the five years of purchased time.
- Language that would prevent an individual from purchasing time until they have accumulated two full years of service credit. This would prevent the purchase of time at a rate that is not financially sound for the retirement system.

This package is the most important education legislation that we have seen in Michigan in nearly a decade! Nearly \$2,000 per student of each foundation currently is spent on current employee health care and retirement with those

Key Facts

- **Skyrocketing health care and retirement costs are robbing students of a quality education. Costs outpacing inflation by 3-to-1 margin.**
 - A recent study found that nearly 15 cents of every dollar the state spends on per-pupil public school funding goes to cover current employee healthcare benefits, costing \$2.3 billion annually.
 - Employee health care and retirement costs take about \$2,000 per student out of the classroom each year. If nothing is done to address this crisis, Michigan school districts will have to make drastic cuts in jobs and programs just to pay for the increasing costs.
 - The \$200 foundation aid increase recently proposed by the Governor will not cover the increased cost of health care and retirement.
- **Modest, voluntary changes create maximum benefit for employees and districts.**
 - Teachers and other school district employees would still be able to negotiate benefits through collective bargaining.
 - These modest changes could save about \$573 million over the first three years, money that could be pumped back into the classroom, enough money for:
 - Hiring more teachers to help reduce class sizes. Savings from this plan will help retain or hire 9,600 teachers.
 - Restoring arts, sports and other programs cuts because of recent state funding shortfalls.
 - Reallocating \$337 more in per-pupil funding that won't be eaten up by rising health care and retirement costs

- **Public supports modest cost-savings proposal.**
 - 63 percent support tying retirement benefits for new hire employees to a percentage of total years worked.
- **Saving money without reducing benefits means protecting current and future jobs. Controlling costs now will make it easier to provide quality retirement benefits to employees.**
- **Saving money without reducing benefits will help teachers and employees in collective bargaining process by making it easier for districts to invest in personnel.**
- **This proposal will allow school districts to seek competitive bids for health insurance without reducing benefits.**
- **The “cost is no object” approach to teacher and school employee health insurance is robbing our classrooms of needed financial resources. This proposal ensures excellent benefits at a reasonable cost.**

Urge your legislators to vote on this package of bills as soon as possible. The health care and retirement bills both sit on the House floor and can be voted on at any time. Please let your legislators know that you will support them in this tough vote. They need to know that there are more people involved in education than just school employees.

K-16 PROPOSAL

The signatures have been turned in to the Secretary of State's office for verification and we are expecting to hear the final count of signatures in the next few weeks. Here is how the initiative process works in Michigan.

Our Constitution provides for an initiative petition by citizens to bring specific legislation to the legislature. The process requires some 255,000 +/- registered voters to sign an initiative petition (legislative statute).

- Once the petitions are certified by the Secretary of State, the initiative can be presented to the legislature – both House and Senate.
- After receiving the certified initiative petition, the Legislature has 40 days to act on the proposed legislation.
- Both the House and the Senate, by simple majority vote (56 votes in the House and 20 votes in the Senate) can vote YES or NO. The legislation cannot be amended, changed or modified – only an up or down roll-call vote within the 40 days time frame.
- If the legislation is approved by both House and Senate, it takes “immediate effect” and is not subject to the Governor's signature or veto.
- If either the House or Senate cannot achieve 56 votes or 20 votes respectively within 40 days, the statutory initiative is automatically placed on the ballot at the next general election, November 7, 2006, when Michigan voters decide the issue.

Once the signatures are certified, the 40 day clock will start ticking for this legislature. We continue to be open to any other proposal the legislature may have to address the need for guaranteed school funding, but they must start moving the discussions forward.

As you talk to your legislators, hear are the basics of the proposal.

- **Cost of Living Increase** – provide annual funding increases equal to inflation for K-12 schools, community colleges and universities.
- **Equity** – reduce the gap between lowest-spending and highest-spending K-12 districts from \$1,300 to \$1,000 between 2007 and 2012.
- **Pension Costs** – cap retirement contribution at the current 14.87% of payroll for K-12 districts, community colleges and universities.
- **Declining Enrollment** – base funding for K-12 school districts with declining enrollment based on the student enrollment average of the three prior fiscal years.

Remind them that this was not our first choice, but they have left us know choice. Since 2002, the state has cut \$490 million from K-12 school funding forcing schools to layoff staff, increase class size and close buildings. Michigan's 29 public community colleges lost more than \$18 million in state funding since 2003. In addition, from December 2002

through December 2003, Michigan's 15 public universities lost \$240 million in state funding.

These actions clearly show that K-16 education is not a top priority. Based on survey findings, it is clear that a solid majority of Michigan voters agree that our schools must have more adequate guaranteed funding increases to move Michigan's economy toward a high wage, high skill, and high tech future. The legislature can adequately fund education, by closing some of the billions of dollars in tax breaks given to special interest groups.

Schools are accountable for educating our students. Now the Legislature needs to lead by example and hold itself accountable. Remind them that the promises of Proposal A must be kept. Ask them to address the K-16 petition or come up with an alternative that addresses the problem!

SCHOOL AID BUDGET

The Governor has announced her budget for K-12 funding with a \$200 per pupil increase in the foundation. Her recommendation is that \$25 per student be given during the current year and \$175 for next year. Below is a list of the major changes in the school aid bill that you should be aware of.

- \$2.3 million for ISD operations in Section 81.
- \$50 million for declining enrollment districts.
- \$36.5 million increase in Great Start pre-school programs.
- \$10 million increase in Great Parents, Great Start program for children 0-5.
- \$15 million for after school programs focused on math, science, and technology.
- \$10 million for grades K-3 to improve math and reading literacy.

The problematic items in this budget are important to notice. First, they have transferred a number of items into the school aid budget that had been previously paid for by other departments. The following is a list of those programs:

- \$3 million in educational programs run by the Department of Human Services.
- \$1.2 million in education programs run by the Department of Veteran Affairs.
- \$5.2 million for hearing and vision screening programs.
- \$9.6 million for the school breakfast program from the Department of Education.

These programs at least pertain to funding students and programs important to students and may not be as problematic as the following that used to be paid for by the general fund and are now expected to be paid by the school aid fund.

- \$34 million in Durant payments.
- \$1.3 million for school bus inspections.
- \$20 million to pay for the MEAP testing program.
- \$37.6 million in renaissance zone payments.
- \$1.2 million in PILT payments to community colleges.

Without these transfers we could have another \$100 million dollars to spend in the classroom. Let your legislators know that the school aid fund is not a bank to be robbed when they see fit. The people of Michigan spoke up once when they were doing this with the lottery money and we hope the legislature will correct this problem before that needs to happen again.

Two items of importance that did not get addressed are the need to increase at-risk funding by the same 2.9 % that every other categorical received and the need to bring greater equity to the foundation by increasing the lowest funded districts by an additional \$25 per student.

Another problem with this budget is that it does not deal with the costs that districts face on an ongoing basis. The new retirement rate is 17.74% for next year. This is an

increase of \$140 million, coupled with a possible increase in current employee health care of \$200 million, and local districts will put an average of \$204 per student into these two items.

Schools can not continue down this path of layoffs and program eliminations. As much as the Governor's budget increase is welcome, we also have to concentrate on what it eating it up.

The Senate and the House are both working on the school aid budget as you read this summary. Please communicate the messages listed above and let your legislators know that you will hold them accountable for the final outcome of this budget.

SINKING FUND LEGISLATION

Legislation in the House of Representatives seeking modifications to the Sinking Fund has been introduced and has been referred to the Committee on Education. House Bills 4575 (VanderVeen); 4611 (Whitmer); and 5709 (Casperson) would allow school districts to create sinking funds for any purpose for which money can be borrowed and bonds can be issued under section 1351a of the code. The main expansion of this legislation would be to include the purchase of technology and buses, which, as mentioned you can already do with bonds. This would greatly expand the use of sinking funds and create a more cost efficient way for districts to make purchases without having to go through the expense of bonding.

Recently a letter was delivered to House leadership with over 40 Democrats and Republicans signed on asking for a hearing on this legislation. It is rare that a piece of legislation gets such bipartisan support. These bills have not had a hearing and we need them to move forward to allow school districts to take advantage of the changes during this year's school elections. Please let your legislators know how important these bills could be for school districts around the state and urge them to get this bill to the House floor for a vote.

Let them know the following:

- This bill gives you another mechanism to buy things you already can buy with bond proceeds, so this is nothing new.
- It is more cost efficient because you are not paying interest as you would on bonded indebtedness nor are you paying expensive fees to bond counsel for their services.
- Voters will still be approving what this money is spent on.
- Schools will receive annual audits from the Department of Treasury ensuring that the money is being spent appropriately.

While these issues have stalled legislatively in past session there seems to be interest being brought up by diverse coalition this year. Building a wide variety of coalition support will be important as we seek these modifications during this legislative session.

At a time when more mandates are being placed on schools districts, sinking fund modification would give schools greater flexibility to spend operating dollars in the classroom rather than on issues that a sinking fund could be used for. Please let your Representatives know, so they can talk to the House leadership about moving these bills to the floor for a vote.