



FOR IMMEDIATE RELEASE

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School community proposes serious reforms to protect students, schools and the state

LANSING – Michigan's school funding system is failing. In the 15 years since Proposal A our economy has changed, our students have changed and our world has changed. Our school funding system needs to change as well. The needs are immediate as evidenced by the record number of school districts in bankruptcy and the many more on the edge of a financial cliff. Both short- and long-term strategies are urgently needed to address the challenges faced by Michigan's schools.

Michigan is perched on the ledge of a funding cliff, and if the legislature doesn't act quickly, we'll most certainly fall off the edge. School districts across the state are facing drastic cuts to their programs and staffing levels, and it's no longer possible to shelter our students from the impact.

Some schools will be forced to implement larger class sizes due to necessary staff reductions. Others are cutting athletics and transportation services. Some districts have announced that they will close buildings and reduce technology expenditures in order to absorb the cuts.

The **SOS-Save Our Students, Save Our Schools and Save Our State-Coalition**, which represents 16 school organizations and thousands of school employees, is proposing serious reforms to secure a future for Michigan and 1.6 million students. The reforms mean we all must make sacrifices and they include:

- Statewide health insurance pool
- Mandatory premium sharing for all public school employees
- Increase employee contribution for MPSERS
- Reset minimum age requirements to collect retirement health care benefits
- Promote sharing of services
- Changes in collective bargaining laws
- Make current voted 18-mill non-homestead charter mills
- Moving all tax collections to summer
- Expand allowed uses of sinking funds for schools
- Closing wasteful or ineffective loopholes in current state laws
- Expanding the base of the sales tax to include services
- Eliminating planned reduction in the income tax rate
- Compensating schools and local governments for unfunded mandates

"Lansing's inability to deal with the core problems of state revenues and funding education is reprehensible. Instead of dealing with the budget crunch in a thoughtful and timely way, the legislature has walked away from its responsibility, which has left local school districts scrambling to make ends meet," said Tom White, SOS chair.

For complete details of the reforms, visit www.sosmichigan.org/about.

www.sosmichigan.org





SOS: Policies for a Stronger Michigan

Introduction

The primary goals of SOS are:

- Create a grassroots network of school personnel and community members to promote change via legislative action;
- Assist schools to operate more efficiently and effectively; and
- Create a reformed system for funding K-12 education that yields equitable, adequate and predictable funding.

Michigan's school funding system is failing. It needs to be reformed. In the fifteen years since the inception of Proposal A school funding system our economy has changed, our students have changed and our world has changed. Our school funding system needs to change as well. The needs are immediate as evidenced by the record number of school districts in deficit (bankruptcy) and the many more that are at the edge of a financial cliff. Both short and long term strategies are urgently needed to address the challenges faced by Michigan's schools.

SOS represents a broad spectrum of school employee groups, the MPTSA, school boards and others. (See list on page 3.) In support of our goals, we offer our positions and plans as described below. We're actively seeking engagement with others in the hope of finding common ground and synergy toward resolving the problems facing our state and schools. Education is a key for Michigan's economic future and for the future of our students.

We're sending an SOS to Lansing. We need swift and bold action to make difficult but needed changes. Schools are preparing their budgets now for the coming year; school employees have jobs and benefits on the line. The problems we face in funding schools can't wait. Lansing needs to act now, not in October.

Cost Savings/Reform Measures

Statewide Health Insurance Pool. We believe the concept of allowing access to a statewide healthcare pool for all public employers is deserving of serious consideration for the long term. We view this as a long term effort as it may take several years to implement if approved. (HB 5345, Dillon)

Mandatory Premium Sharing and Cap on Insurance Payments for All Public School Employees. We support legislation that requires all public school employees pay a minimum portion of their health insurance premiums with a maximum dollar cap for the employer contribution. Given the urgency of our current financial situation, and comparisons between private sector and public sector practices, we believe that premium sharing by all school employees is needed and justified. Statewide premium sharing can be readily implemented, with immediate savings for schools. (SB 1046, Jansen)

Increasing Employee Contributions for MPSERS. There are a variety of approaches that may help control costs. SOS is open to discussion, including accepting that current and future employees will need to pay a larger share of the costs in order to maintain the long term viability of MPSERS, the Michigan Public School Employee Retirement System. (Governor's Budget Proposal)

Reset Minimum Age Requirements to Collect Retirement Health Care Benefits. Currently, school employees can retire and receive insurance benefits after 30 years of service. Since many employees start employment in their early twenties, this means they may retire in their early fifties and begin collecting benefits. Note that the pre-60 access isn't an issue for pension benefits that are actuarially sound. However, it creates significant costs for the payment of health care benefits. We're in favor of setting a minimum age of 60 for newly hired employees to collect retiree health care benefits. (Governor's Budget Proposal)

Promoting Sharing of Services. We encourage school districts to continue evaluating current management systems and to collaborate and share services where it makes economic sense. We're also developing processes, data and procedures to assist local districts. SOS is bringing attention to this issue by asking all school districts to engage in an open and thoughtful process to explore sharing of services at an ISD level and/or between two or more school districts. This is a long-term effort that has been embraced by our members. However, our collective experience reflects the reality that situations vary tremendously across the state and schools need flexibility based on local circumstances to best serve their communities.

Collective Bargaining

Self-Help: We are working together to better educate and support school district boards and managers about collective bargaining and how to work within current law to achieve their goals. We'll emphasize formal training and support systems to prepare boards and managers for effective bargaining, and to assist them during a potential crisis.

Balancing Collective Bargaining Laws: In addition to self-help, we also need changes in current law in order to better balance power at the bargaining table. We'll seek changes in the Public Employment Relations Act (PERA, the law governing collective bargaining between public employers and unions) to:

- Prohibit automatic increases in pay or benefits from going into effect if a contract isn't settled.
- Create more effective mechanisms for enforcing current laws regarding illegal strikes. (HB 5050, Rogers) (HB 5051, Womack)

Finance and Funding

Make Current Voted 18 Mill Non-Homestead Charter Mills. Currently schools must hold elections to renew their 18-mill non-homestead millage. The passage rate is essentially 100 percent since residents are approving taxes for someone other than themselves. Chartering the 18-mills would lower election costs and simplify school funding.

Moving All Tax Collections to Summer. This will assist schools with cash flow issues and provide uniformity.

Sinking Funds. Currently, schools have few local options to raise revenues. A sinking fund may be used for the same purposes as a general obligation bond. We propose expanding the allowed uses of sinking funds to include purchases of school buses, software and for other approved operational purposes. Local voters

approve sinking funds so an important “checks and balances” is already in place. (SB 86, Whitmer) (SB 1059, Switalski) (HB 4313, Meadows)

A “Reformed” State and School Funding System. Principles and objectives we endorse in developing a new and better system include:

- **Short Term: A goal of restoring all cuts and returning to 2008-09 levels of funding.** For schools, this can be done by a combination of cost savings measures described above, with new revenue sources to provide equity, stability and more opportunity for growth in the short term, while we work on long-term systemic changes. Practical measures can be implemented by the legislature quickly to address state and school funding issues such as:
 - Closing wasteful or ineffective loopholes in current tax laws.
 - Expanding the base of the sales tax to services. (Governor and Michigan Business Leaders)
 - Eliminating planned reductions in the income tax rate.
 - Plan for compensating schools and local governments for unfunded mandates identified by the Legislative Commission on Unfunded Mandates.
- **Long Term: Engage in comprehensive review and “overhaul” of Michigan’s school funding system based on data provided by the Citizens Research Council (CRC) study of Michigan’s K-12 education system that is currently in progress.** The short-term remedies for the ailing school funding system are just that – short-term. We need to address significant long term issues like equity in school funding and creating a more fair system for paying for school construction. Using the information and data generated by the CRC study we plan to create a comprehensive, long-term transformation in both funding and the delivery of education in Michigan. We invite the Michigan Legislature and other interested parties to join us in this vital endeavor.

SOS Member Organizations

- Michigan Association of School Boards
- Michigan Association of School Administrators
- Michigan School Business Officials
- Michigan Association of Secondary School Principals
- Tri-County Alliance
- Middle Cities Education Association
- Michigan Association for Supervision and Curriculum Development
- Michigan Negotiators Association
- Michigan Elementary and Middle School Principals Association
- Michigan Association of Administrators of Special Education
- Michigan Association of Middle School Administrators
- Michigan Parent, Teacher and Student Association
- Michigan High School Athletic Association

(2/16/09)

Facts about School Funding in Michigan

- Michigan's School Aid Fund has fallen by \$1 Billion from 2007-08 to 2009-10.
- In 2006-07 the National Center for Education Statistics ranked Michigan as 20th in the U.S. for expenditures per pupil. Michigan was 11th in spending in 1993-94.
- According to US Census Bureau Data Survey of Local Governments, Michigan ranks 17th for per pupil school administrative costs; and 27th for per pupil general administrative costs.
- The Tax Foundation now ranks Michigan 27th, below the national average, for its state and local tax burden. Michiganians spend an average of 9.4 percent of per capita income for state and local taxes; the U.S. average is 9.7 percent.
- The Tax Foundation ranks Michigan as having the 17th best business tax climate in the U.S.
- From the 2003-04 to 2010-11 school year, the number of students in Michigan's K-12 system fell by 123,000 students.
- The cost of the state mandated and controlled school employee retirement system (MPSERS) went from 12.99 percent of payroll in 2003-04 to 16.94 percent in 2009-10. It budgeted to go to 19.4 percent for 2010-11. If that happens, the cost to schools since 2003-04 will have risen by \$650 million a year (about \$390 more per pupil) for retirement alone.
- The MPSERS system was identified by the Legislative Commission on Statutory Mandates as the largest single unfunded mandate it could credibly estimate. Having the state shift responsibility for paying for the state run school retirement system added \$1.5 billion a year in costs for local school districts after the passage of Proposal A.
- If the Legislature does nothing, schools face a cut of \$250 per pupil in funding, and an increase in our retirement costs of \$150 per pupil... in essence cutting schools by \$400 per pupil for 2010-11.
- There were 80 school districts with a fund balance of less than \$400 per pupil as of June 30, 2009. Those districts and more are at serious risk of bankruptcy if nothing is done.