

Legislative Analysis



ALLOW DISTRICTS TO SHARE SUPERINTENDENTS; AND REQUIRE RETIREMENT CONTRIBUTIONS

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House Bill 6005 (Substitute H-1)
Sponsor: Rep. Tim Melton

House Bill 6008 as introduced
Sponsor: Rep. Terry Brown

House Bills 6009 and 6010 as introduced
Sponsor: Rep. Mike Lahti
Committee: Education

First Analysis (4-27-10)

BRIEF SUMMARY: The bills would, generally, (1) require a contribution to the retirement system from retirees who return to work in the schools as independent contractors; and (2) allow an intermediate school district superintendent to also serve simultaneously as a local school district superintendent.

FISCAL IMPACT: The bills would have no fiscal impact on the state and an indeterminate fiscal impact for local school districts and intermediate school districts. To the extent that the bills would allow districts and intermediate school districts to reduce staff costs by sharing a superintendent, it could create local savings. See *Fiscal Information* for more detail.

THE APPARENT PROBLEM:

School districts continue to experience significant fiscal stress. According to state calculations, nearly 10,000 teacher and other school professional layoffs were averted last year in Michigan because of federal stimulus funding. In the coming fiscal year--Fiscal Year 2011--there is little remaining federal stimulus funding that can be used to avert layoffs, and schools potentially face significant cuts in their per-pupil foundation allowance.

Consequently, this month school district officials across the state have announced the layoffs of teachers and other staff--since generally they are required to give 60-days notice (via "pink slips") to those who may lose their jobs. For example, the Battle Creek Public Schools Board of Education will likely lose three middle school assistant principals, and ask all teachers and administrators with 10 years of experience to voluntarily terminate their employment with the district. Brandywine could lay off 17 teachers and Flint perhaps 15 administrators and 288 teachers--fully a quarter of its teaching staff. In Detroit 2,000 teachers received layoff notices and 40 schools are slated to close; Midland will likely lay off more teachers and close five neighborhood schools;

and the Saline School Board has approved laying off up to 63 teachers, knowing that 20 layoffs are certain.

In Michigan, there are about 551 traditional local school districts and 240 charter schools educating about 1.6 million students in about 3,500 school buildings. Those local school districts are located within 56 intermediate school districts--sometimes called ISDs or RESAs (regional education services agencies). See *Background Information*. Customarily, local school districts coordinate their professional development, information technology, as well as career-tech and special education services with their regional ISD or RESA. In addition, many local districts also coordinate other federally-funded programs and shared administrative and purchasing services.

Nearly every local and regional school district is headed by a school superintendent--in all, there are hundreds of school leaders in Michigan. The local school superintendents oversee both the business and educational operations of their districts, through a network of school-building principals. In large districts, a school superintendent can be responsible for scores of school buildings, while in a K-8 district, a superintendent can be responsible for oversight of a single school building. The average salary of a Michigan school superintendent is \$137,000 plus fringe benefits.

One way that small school districts (and perhaps others) could save money is to contract with their regional superintendent to provide operational oversight and leadership. This cost-saving measure can help small school districts stay in business. State law allows local school districts to share a school superintendent, and a few do. However, the law prohibits intermediate superintendents from also leading local districts within their region, for fear of creating a conflict of interest. Legislation has been introduced to allow an intermediate school district superintendent to simultaneously serve as local school district superintendent where that is feasible, or alternatively for the ISD to make another person available for the task.

Another proposal aimed at reducing school district costs would require a contribution to the retirement system from retired school employees who have returned to work in the schools as independent contractors--so-called "double dippers," since they are collected a retirement allowance and a salary. Because school retirement costs are expected to increase substantially in the near future, this could provide at least a measure of relief.

THE CONTENT OF THE BILLS:

House Bill 6005 (H-1) would amend the Public School Employees Retirement Act (MCL 38.1361) to require a contribution to the retirement system from retirants who are working in the schools as independent contractors.

More specifically, the bill would require that beginning October 1, 2010, a retirant who works as an independent contractor for a reporting unit, or who contracts with third parties to work for a reporting unit, contribute to the public school employees retirement

system an amount determined by the retirement system, during the contract period. The amounts required would be paid in a manner determined by the retirement system.

[Note: Generally, a "reporting unit" means a public school district, intermediate school district, public school academy, tax-supported community or junior college, or an agency having employees on its payroll who are members of this retirement system.]

House Bills 6008, 6009, and 6010, taken together, would allow a school district, instead of directly employing a superintendent of schools, to contract with its intermediate school district for the intermediate superintendent to serve as the district superintendent. Alternatively, an ISD could provide another person to serve as superintendent for the local school district.

House Bill 6009 would amend the Revised School Code (MCL 380.1229).

House Bill 6008 would amend Public Act 566 of 1978 (MCL 15.183), which prohibits the holding of incompatible public offices, to specify that the act does not prohibit a superintendent of an intermediate school district from serving simultaneously as superintendent of a local school district, or prohibit an intermediate district from contracting with another person to serve as a local superintendent, even if the local district is a constituent district (that is to say, the local district is located within the intermediate district's geographic boundaries) of the intermediate district.

House Bill 6010 would amend Public Act 317 of 1968 (MCL 15.323a), which concerns the conduct of public servants in respect to contracts with public entities, to specify that the act does not prohibit a superintendent of an intermediate school district from serving simultaneously as superintendent of a local school district, or prohibit an intermediate district from contracting with another person to serve as a local superintendent, even if the local district is a constituent district of the intermediate district.

BACKGROUND INFORMATION:

Michigan's 56 regional or intermediate school districts include:

Allegan ISD	Alpena-Montmorency-Alcona ESD
Barry ISD	Bay-Arenac ISD
Berrien ISD	Branch ISD
Calhoun ISD	Lewis Cass ISD
Charlevoix-Emmet ISD	Cheboygan-Otsego-Presque Isle ESD
Eastern Upper Peninsula ISD	Clare-Gladwin RESD
Clinton County RESA	Delta-Schoolcraft ISD
Dickinson-Iron ISD	Eaton ISD
Genesee ISD	Gogebic-Ontonagon ISD
Traverse Bay Area ISD	Gratiot-Isabella RESD
Hillsdale ISD	Copper Country ISD
Huron ISD	Ingham ISD

Ionia ISD	Iosco RESA
Jackson ISD	Kalamazoo R.E.S.A.
Kent ISD	Lapeer ISD
Lenawee ISD	Livingston ESA
Macomb ISD	Manistee ISD
Marquette-Alger ISD	Mason-Lake ISD
Mecosta-Osceola ISD	Menominee ISD
Midland County ESC	Monroe ISD
Montcalm Area ISD	Muskegon Area ISD
Newaygo County ISD-ESC	Oakland Schools
Oceana ISD	Ottawa Area ISD
St. Clair ISD	St. Joseph ISD
Sanilac ISD	Shiawassee Regional ESD
Tuscola ISD	Van Buren ISD
Washtenaw ISD	Wayne RESA
Wexford-Missaukee ISD	
Crawford Oscoda Ogemaw Roscommon Saginaw (COORS) ISD	

FISCAL INFORMATION:

House Bill 6005 would have no fiscal impact on the state and an indeterminate fiscal impact for local school districts and intermediate school districts.

Currently, districts and intermediate districts pay an annually determined percent of payroll into the Michigan Public School Employees' Pension System (MPERS) for retirement pension and health care benefits. For FY 2009-10, that rate is 16.94%, but it is expected to increase to 19.41% for FY 2010-11. Districts and ISDs do not contribute on the portion of payroll paid to retirees working as an independent contractor or under a third-party contract. Such retirees do not earn additional retirement service credit while under contract but do draw their pensions and are eligible to receive health, vision, and dental benefits through MPERS.

There is no available data to determine the number of contracted retirees or their applicable payroll base, nor does the bill specify the level of contribution that would be required. Any extent to which MPERS required a contribution from such employees would benefit the system and could decrease the required contribution charged annually to districts and intermediate districts, although the impact would likely be minimal.

The bill could reduce the practice of school employees retiring and almost immediately returning to employment, which at a minimum shifts health care costs from the employing district to MPERS, thereby distributing costs statewide to be shared by districts and ISDs. So the bill could potentially redistribute costs among districts and ISDs by effectively shifting those costs back to the employing district.

House Bills 6008, 6009, and 6010 would have no fiscal impact on the state and an indeterminate fiscal impact for districts and ISDs. To the extent that the bills would

allow districts and ISDs to reduce staff costs by sharing a superintendent, it could create local savings.

ARGUMENTS:

For:

State law allows local school districts to share a school superintendent. For example, the Wyoming and Godwin Heights districts (located in Kent County) share superintendents. Likewise, Hudson and Morenci schools (located in Lenawee County) share the \$110,000 salary of their single administrator. However, the law prohibits intermediate superintendents from also leading local districts within their region, for fear of creating a conflict of interest.

House Bills 6008, 6009, and 6010 would allow a regional or intermediate school superintendent to serve simultaneously as a local school district superintendent (or for the ISD to provide a different person). That way, small school districts (and perhaps others) needing to save money could contract with their regional superintendent to provide operational oversight and leadership. This cost-saving measure can help small school districts stay in business, and because the consolidation is voluntary, the bills would ensure the continuation of local control.

Against:

While House Bills 6008, 6009, and 6010 are an acceptable step in the right direction, they also could prolong the existence of small school districts that might more efficiently be consolidated with others nearby. For example, one west Michigan community with a population of about 70,000 is served by five different school districts, nearly all of which have located their school buildings in the same community. Arguably, those five districts could be consolidated to one or two, and save taxpayers even more money.

For:

Beginning October 1, 2010, House Bill 6005 would require that retired Michigan Public School Employee who are drawing their pensions, but also working as independent contractors in schools, make a contribution to the Public School Employees Retirement System (MPERS) during the period of their contract. This is sometimes referred to as "double dipping." Although retirees do not earn additional retirement service credit while under contract, they do draw their pensions and are eligible to receive health, vision, and dental benefits through MPERS. The amount of the payment that retirees would make during their contract period (to be determined by officials of the retirement system), could offset the amount of the annual pension contributions that must be paid by school districts for all of their not-yet-retired school employees.

POSITIONS:

The Department of Technology, Management, and Budget supports House Bill 6005. (4-22-10)

The Michigan Association of Retired School Employees supports House Bill 6005. (4-22-10)

SEIU Michigan State Council supports House Bill 6005. (4-22-10)

Calhoun ISD, Barry ISD & Branch ISD support House Bill 6005 with a limit placed on the employer's health care contribution. (4-22-10)

The Michigan Association of School Boards supports House Bill 6005 with amendments. (4-22-10)

Oakland Schools supports House Bill 6005 with an amendment to limit the health care contribution of employers. (4-22-10)

Macomb ISD supports House Bill 6005 with changes. (4-22-10)

The Michigan Department of Education supports House Bills 6008 - 6010 in concept. (4-15-10)

The Michigan Association of School Administrators supports House Bills 6008-6010. (4-15-10)

The Michigan Association of School Boards supports House Bill 6008 - 6010. (4-15-10)

The Michigan Farm Bureau supports House Bills 6008 - 6010. (4-15-10)

Macomb ISD opposes House Bills 6008 - 6010. (4-22-10)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.