



David Hecker
President

Lois Lofton Doniver
Secretary-Treasurer

Louise Somalski
Legislative Coordinator

419 South Washington
Suite 301
Lansing, MI 48933
517-371-4300
FAX 517-371-1922

Senate Republicans Propose Using SAF to Balance Budget

With time growing short to reach an agreement on the state budget by June 30, no compromise is in sight to resolve the \$300 million current year general fund deficit. The Governor and Senate Republicans have a "general sense of agreement" on using the School Aid Fund surplus to mitigate other cuts and to resolve budget shortfalls for 2009-10 and 2010-11. AFT Michigan and other education groups oppose the use of the School Aid Fund to balance other budgets.

2010 - 2011 School Aid Budget

Senate Bill 1163, Sub. H-4 (Jelinek, R-Three Oaks) recommends School Aid funding totaling **\$12,947,273,900** for 2010-11, \$123,702,900 more than current year funding. Listed below are highlights of the House's School Aid Budget proposal:

The House passed this budget and the Senate has non-concurred in Substitute H-1, sending Senate Bill 1163 to a Conference Committee, where a final deal will be struck. Conferees include: Senators Ron Jelinek, Cameron Brown, and Michael Switalski and Representatives Terry Brown, George Cushingberry, and Gail Haines.

Foundation Allowance. Restores \$65 per pupil of the \$165 per pupil reduction in FY 2009-10. *(Sec. 11d) Restores Northville's F.A. to \$8,489.*

ISDs General Operations. Increases funding by \$8.0 million to a total of \$73.4 million. *(Sec. 81) Original cut was 20%.*

Days and Hours. Concurs with the Senate to remove the requirement of five hours of online professional development and maintains current law on districts providing no fewer than 165 days of instruction. *(Sec. 101)*

Declining Enrollment Grants. Concurs with the Governor to maintain funding at the current year level of \$20.0 million. *(Sec. 29)*

Federal Special Education Grants. Increases funding by \$31.6 million to recognize available Federal funding and incorporates updated May cost estimates. *(Sec. 51a)*

At Risk. Revises the 25% reduction made to Dearborn's at-risk allocation such that it would be reduced after all payments made under this section are prorated rather than before, starting in FY 2010-11. *(Sec. 31a)*

Great Start School Readiness Program. Appropriates and additional \$7.6 to the Great Start Readiness Competitive Program for a total funding of \$15.2 million. Adds intent language requiring any additional lottery revenue resulting from implementation of new technology pull-tab distribution of lottery games to be used to increase funding for school readiness programs. (Sec. 32d)

Great Start School Readiness Program - District and Competitive Grants - Concurs with Senate to maintain the PIE option as an allowable use for the grants. Changes the requirement that programs serve at least 75% of students (up from 50%) from families with a household income of 300% or less of the federal poverty level. Modifies language that allows teachers who are currently employed as a teacher in a subcontracted program without the required degrees to be able to continue to teach if they have 90 credit hours and at least four years' teaching experience.

Service Consolidation Plans. Requires districts to begin consolidating services they identified in their service consolidation plans not later than February 2, 2011, and to report on the status of the implementation of the service consolidation plans to the Department. (Sec. 11d)

School Bus Inspections. Restores funding. Inspections would be done by Michigan State Police. (Sec. 74)

Basic Instructional Supplies. Maintains current law. (Sec.166b)

MSPERS Retirement Rate. Concurs with Governor to include the Office of Retirement Services estimated percentage of payroll districts that must pay for public school retirement at 19.41%, which is a 2.47% increase over FY 2009-10 rate of 16.94%. Also decreases the amortization period from 28 years to 27. (Sec. 147)

Repeals Sections. Repeals the following sections: Sec. 32n (before- and after-school program), Sec. 57 (advanced and accelerated program), and Sec. 98a (intent language to fund 21st century learning initiatives).

Supplemental Budget Request for FY 2009-10

Per Pupil Reduction of \$165. Restores \$65 of the per pupil reduction for FY 2009-10. (Sec. 11d)

Federal Special Education Grants. Decreases funding by \$41.7 million to reflect changes in May special education cost estimates. (Sec. 51a)

ISDs General Operations. Increases funding by \$8.0 million to a total of \$73.4 million. (Sec. 81)

2010 - 2011 Higher Education Budget

Senate Bill 1157, Sub. H-3 (Stamas, R-Midland) recommends higher education funding totaling **\$1,625,634,800** for 2010 - 2011, \$13,391,500 more than current year funding. Listed below are highlights of the House's budget recommendations:

The House passed this budget and the Senate has non-concurred in Substitute H-4, sending Senate Bill 1163 to a Conference Committee, where a final deal will be struck. Conferees include: Senators Tony Stamas, Thomas George, and Liz Brater and Representatives Joan Bauer, George Cushingberry, and Bill Caul.

University Operations: The House concurs with the Governor to replace \$40.5 million funding available for FY 2009-10 only from the State Fiscal Stabilization Fund under the Federal American Recovery and Reinvestment Act with an equal amount of GF/GP funding, holding each university's gross appropriations flat from FY 2009-10. (Central - \$82,436,000; Eastern - \$78,212,100; Michigan State - \$291,841,700; UM-Ann Arbor - \$325,347,400; UM-Dearborn - \$25,437,100; UM-Flint - \$21,498,900; Wayne State - \$220,329,200; Western - \$112,766,800.)

State Competitive Scholarship Program: Concurs with Governor and Senate to remove \$1.4 million in unavailable Federal funds for this need-and-merit-based program and adds \$8.4 million GF/GP to fund an increase in maximum scholarship award from FY 2009-10 level of \$510 to an estimated \$800 (HFA estimate).

Tuition Grant Program: Maintains current-year funding but adds \$100 point of difference. Assuming proposed increase in State Competitive Scholarship maximum award to \$800, HFA estimates that the Tuition Grant appropriation of \$31.7 million would allow Tuition Grant maximum award to be maintained at FY 2009-10 level of \$1,610 (cap of \$3.0 million per institution under current-year boilerplate provisions is maintained. (Sec. 302)

Tuition Incentive Program (TIP): Includes \$7.3 to fund projected costs under current provisions, funded from GF/GP. (Sec. 310)

ARRA Compliance: Changes establishment of P-16 longitudinal data system to a P-20 system. (Sec. 216)

Students from Macomb County: Retains requirement that universities report regarding outreach efforts to enroll students from Macomb County. (Sec. 463.)

Competitive Bidding: Does not include new section added by the Senate stating intent that each university submit a report on the university's use of competitive bid processes for procurement of services, including custodial and food services. (Sec. 482)

2010 - 2011 Community College Budget

Senate Bill 1151, Sub. H-1 (Hardiman, R-Kentwood) recommends community college funding totaling **\$299,100,500** for 2010 - 2011, \$260,000 more than the Senate's recommendation. Listed below are highlights of the House's budget recommendations:

The House passed this budget and the Senate has non-concurred in Substitute H-1, sending Senate Bill 1151 to a Conference Committee, where a final deal will be struck. Conferees include: Senators Bill Hardiman, Ron Jelinek, and Irma Clark-Coleman and Representatives Fred Miller, Joan Bauer, and Darwin Booher.

Community College Operations: Concurs with the Governor to maintain FY2010-11 operational funding for each community college. (The Senate reduced FY 2010-11 operational funding by 3.1% for each college.) (Henry Ford - \$20,898,900; Kirtland - \$2,842,800; Lansing - \$29,762,500; and Wayne County - \$15,889,900)

Renaissance Zone Reimbursements: Concurs with the Governor and Senate to reduce funding from \$3,480,000 to \$3,220,000 based on projected payments pursuant to Public Act 376, 1996.

At-Risk Student Success Program: Concurs with the Governor and Senate to maintain FY 2009 - 2010 funding levels for each community college with full payment by November 1. *(Sec. 401)*

Capital Outlay: Concurs with Senate to restore the current language prohibiting the use of appropriations in Part 1 for the construction or maintenance of a self-liquidating project. Provides that community colleges shall comply with current Joint Capital Outlay Subcommittee (JCOS) use and finance requirements. *(Sec. 217)*

Tuition Restraint Policy: Concurs with the Governor and Senate to remove this section. *(Sec. 248)*

Transparency of Unrestricted Net Assets. Requires community colleges with General Fund unrestricted net assets equal to more than 20% of its General Fund operating revenue and General Fund net non-operating revenue to submit a report outlining the college's intended use or purpose for carrying the unrestricted net assets to the Senate and House Appropriations subcommittees on Community Colleges, the Senate and House Fiscal Agencies, the State Budget Office no later than December 1, 2010. *(Sec. 514)*

Public Employee 5% Pay Reduction

Senate Joint Resolution U (Pappageorge, R-Troy) proposes a constitutional amendment mandating a **5.0% reduction in the rate of pay for all State, local government, public school, and public university and community college employees.**

This pay reduction would take effect on October 1, 2010, and would be in effect for a **three-year period.** During this three-year period, no public funds could be used to pay employees at a higher level than authorized in the constitutional amendment.

The proposal would provide for an adjustment to the 5.0% salary reduction for public employees whose pay was reduced for other reasons after January 1, 2009.

SJRU has been approved by the Senate Reforms and Restructuring Committee and is currently awaiting action on the floor of the Senate. As a constitutional amendment, SJRU requires a two-thirds vote in each house for adoption. At this time, it would take 26 Senators and 72 Representatives voting in favor SJRU for it to pass.

Dillon's State-Run Health Care Plan

Representative Dillon (D-Redford Township) has introduced a new substitute to his Public Employee Health Care Reform Bill, House Bills 5345, Sub. H-1).

As in the original version of **House Bill 5345**, Dillon's new substitute bill:

- Covers **all** public employees and retirees (approximately 1.5 million) who are offered health benefits.
- Creates a 13-member governor-appointed board to define health benefit plan designs.
- Restricts the selection of plans and premium share.
- Mandates certain plan design features, such as wellness, consumer engagement, evidence-based care and value-based insurance design.
- Creates a Health Benefits Department within the Office of State Employer.

The **House Substitute H-1** incorporates a number of major changes:

- Clarifies the role and responsibilities of the Board and Office of State Employer (OSE).
- Allows the Board to create subcommittees to broaden participation in the process.
- Creates the position of Chief Executive Officer under the OSE.
- Sets criteria to be used by the Board and OSE in the RFP process.
- Establishes a process to verify the savings prior to the program implementation: sets savings threshold at 2% of current costs; provides a time line with due dates; and collects demographic, cost, and claims data.
- Requires all public employers to report demographic, health benefit plan design, claim data, employment status, and bargaining unit provisions.
- Establishes and requires participation in the MI Prescription Drug Plan with a separate 11-member board.
- Provides greater clarity on mandatory program features and audit requirements.
- Allows variance in premiums based on geographical areas.
- Requires employers to notify health benefits board six months before start of new contract period to indicate program participation.
- Charges employers 1% to 2% of premium based on employee participation.
- Establishes incentives to encourage enrollment in high deductible plans.
- Allows opt-out if maximum amount employer pays is capped at "Illustrative Average Annual Premium."
- Establishes an amount to be paid for health benefits by public employees at "all costs above illustrative average annual premium."

House Bill 5345 Sub. H-1 remains in the House Public Employee Health Care Reform Committee. Despite several legislative requests for a House Fiscal Analysis, to date, none has been released. **AFT Michigan opposes House Bill 5345 (Sub. H-1).**

Scholarships From Gaming Compact Funds

Senate Bill 1097 (Jelinek, R-Three Oaks) has been signed to become Public Act 91, 2010. It allows school districts to establish and administer scholarships for their students or graduates to attend a postsecondary educational institution with funds a school district receives from a gaming compact entered into between the state and a federally recognized Indian tribe.

To be eligible for a program funded with such scholarships, students or graduates must be enrolled in the school district for all of grades 9- 12 and either the student or graduate must be a resident of the district for all of grades 9-12 or, if not a resident, the student or graduate must have been enrolled in the district for 2009-2010 and must be enrolled continuously after that until graduation.

The amount of the scholarship awarded to a student or graduate who is not enrolled in and a continuous resident of the school district for all of grades K to 12 shall be adjusted based on length of enrollment and continuous residency or for a nonresident student based on length of enrollment.

Community College Job Training Program

House Bill 5957 (Substitute H-4) (Hammel, D-Flushing) would revise the definition of a "**new job**" for which a community college's Job Training Program funding is available. Specifically, the compensation for the new job either (1) pays wages that are equal to or exceed 175 percent of the state minimum wage, or (2) includes family health benefits provided and paid for by the employer and pays wages that are equal to or exceed 150 percent of the federal minimum wage.

Under current law, to be eligible for the new employee job training program, an employer must pay a wage to the new employees pegged at 175 percent of the state's minimum wage--currently \$12.95 an hour. Some employers who would like to participate in the Grand Rapids Community College program, report that wage level is too high as a starting wage (although all potential participants report their new employees will reach that level within a year of employment).

To accommodate more employers, House Bill 5957 was introduced to lower the wage eligibility threshold to 150 percent of the federal minimum wage--currently \$10.88 an hour--and require employer-paid family health benefits, as an alternative to the current threshold.

House Bill 5857 (H-4) would amend the Community College Act to revise the definition of a "new job" for which a community college's Job Training Program funding is available. Currently, "new job" means a full-time job in Michigan that meets all of the following:

- Except as provided in subparagraph (2) or (3), is a new, existing, or expanding business of an employer.
- Is not a job of a recalled worker, a replacement job, or any other job that existed in the employer's business within the one-year period preceding the date of an agreement between an employer and a community college.
- Is not a job that is part of an employer's business operation located in a municipality in Michigan, if that job existed in a business operation or a substantially similar business operation of the employer formerly located in another municipality in Michigan, the employer moved that business operation or substantially similar business operation to its current location, and the employer closed or substantially reduced that former business operation or substantially similar business operation.
- Results in a new increase in employment in this state for that employer.
- The compensation for the job is equal to or exceeds 175 percent of the state minimum wage or it includes family health benefits provided and paid for by the employer and pays wages that are equal to or exceed 150 percent of the federal minimum wage.

House Bill 5957 (Sub. H-4) passed the House on June 17.

School Bus Driver Qualifications

House Bill 5363 (Substitute S-4) (Haines, R-Waterford) would amend the Pupil Transportation Act to do the following:

- Require school bus drivers to meet the physical requirements specified in the Code of Federal Regulations, **with an exception for individuals with diabetes** who were granted a waiver under the Motor Carrier Safety Act or who were employed as bus drivers on the bill's effective date, and met certain other requirements.
- Extend the duration of a school bus driver's entry-level certificate until the completion of the next six-hour continuing education course, if the individual completed the entry-level course after June 30 of a given year.

Under current regulations, a driver must have no established medical history or clinical diagnosis of diabetes requiring insulin for control. This bill would allow a driver with diabetes to be exempt from that requirement, if a physician who has seen the individual at least twice in the previous year has completed an information survey about the driver indicating that in the physician's professional opinion, the driver's diabetes was at least adequately controlled. The physician must verify that the driver knows what to do if he or she has a hypoglycemic reaction, understands the importance of spacing meals and follows his or her meal plan, and is able to recognize signs of hypoglycemia in himself or herself.

The driver would be exempt only if the survey indicated that he or she has not had a severe hypoglycemic reaction or been admitted to a hospital, emergency department, or urgent care facility for a severe hypoglycemic reaction within the previous year, unless the reaction occurred during the initiation of therapy and the driver has learned how to manage therapy without incident.

A driver who uses insulin or other hypoglycemic agents would have to complete a driver's information survey. The driver would have to remain under adequate medical supervision and supply physician's and driver's information surveys annually.

House Bill 5363 was presented to the Governor for her signature on June 11 and she is expected to sign this bill into law in the very near future.

“Labor Lunch Box” Meetings

Representatives Fred Miller (D-Mount Clemens) and Tory Rocca (R-Sterling Heights) have been hosting a series of “Labor Lunch Box” meetings at the State Capitol Building. These luncheons are attended by many legislators and their staff. AFT Michigan sponsored the “Labor Lunch Box” on June 8, where some of our Local Presidents and PAC Chairs had the opportunity to introduce themselves to legislators and discuss education-related issues.

We would like to thank the following members for their participation in the June 8th “Labor Lunch Box” meeting:

- Mary Beck, President, HFCC Adjunct Faculty Organization #337
- Keith R. Johnson, President, Detroit Federation of Teachers #231
- Jane Mazza, PAC Chair, Dearborn Federation of Teachers #681
- John McDonald, President, HFCC Federation of Teachers #1650
- Eric Rader, PAC Chair, HFCC Federation of Teachers #1650
- Judy Schram, President, Lamphere Federation of Teachers #1614
- Christine Sipperley, President, Dearborn Federation of Teachers #681
- Lincoln Stocks, President, East Detroit Federation of Teachers #698
- David Hecker, AFT Michigan President
- March Ciolek, AFT Staff Representative

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