June 20, 2024

Members of the Michigan House
Lansing
VIA Electronic Mail

Dear Representative,

Thank you for your service to the state of Michigan and thank you for prioritizing public education.

On your agenda today is House Bill 5803 sponsored by Rep. Matt Koleszar.

Over the past several weeks we have had conversations with lawmakers about a proposal to use the savings generated by overfunding the OPEB Trust Fund to lower the payroll tax school districts pay and return dollars to educators across the state by eliminating the arbitrary 3% assessment on their salaries.

You may have received a letter from your colleague Senator Thomas Albert outlining his response to the proposal from the K-12 community to reduce the UAAL payroll rate districts must pay each year. Senator Albert has long fought to ensure the stability of the retirement system. Consequently, Michigan now uses robust actuarial assumptions, resting the retirement of educators across the state on a sturdy foundation.

These actions and the previous years' budgets, have paid off the UAAL associated with the retiree healthcare, a defined benefit plan which was closed 12 years ago. When that system was closed, districts agreed to pay the full unfunded rate plus the normal cost remaining for full funding. Additionally, employees had to pay 3% of their salary to prefund the now closed retiree health system.

The Problem
For every $100 paid to a school employee, an additional $20.96 has to be set aside to pay this debt. This system functions as a tax on all educator salaries. For over a decade, this debt (i.e., UAAL) on the educator retirement system (i.e., MPSERS) has been a drain on classrooms, students, and communities.

The Stability
Fortunately, a bi-partisan group of lawmakers, including Senator Albert, worked hard to ensure that this policy failure would never happen again. The flawed actuarial assumptions that created the debt crisis were systematically replaced by smart conservative policy choices. In short, we have done the hard work to rebuild the foundation of the educator retirement system and the full retirement debt is on track to be paid off by 2038. With House Bill 5803, we would still be paying approximately 14% of payroll into the system to address the remaining unfunded liabilities. House Bill 5803 keeps us on track to have the debt paid off by 2038, continues all of the normal pension payments, and ensures the system remains stable.

The Opportunity
The portion of this debt on retiree healthcare has already been fully funded. This creates an opportunity to redirect the money formerly devoted to paying off the debt on retiree healthcare back into classrooms. The question is how to use it. It is worth noting that we represent an unprecedented coalition of education stakeholders with the most to lose if the educator retirement system is ever put in jeopardy again. If this were a "raid" on the educator retirement system, we would be ringing alarm bells.

The Default
If nothing is done, districts will continue to pay into both the retirement account and the retiree healthcare account. However, HB 5803 will keep these funds in public schools and is the only plan that will do so. Without HB 5803, schools will continue paying on the overfunded retiree healthcare account, increasing the likelihood that these funds will continually be used for line items outside of K-12.

Opposing HB 5803 will *not* make those funds go into MPSERS, but it would allow for these funds to be used as others have proposed - not in the classroom.

House Bill 5803
Instead, House Bill 5803 passes the savings from paying off the debt on retiree healthcare directly to public schools, allowing districts to lower class sizes, increase educator compensation, and provide better services to their communities. It accomplishes this simply by *not* changing the total appropriation in section 147. In fact, under HB 5803, we would spend an estimated $83 million *less* on this portion of the budget than the current fiscal year. That is, there would be no net effect on the School Aid budget relative to current law. HB 5803 simply delivers these dollars back to classrooms where they belong.

We are asking you to vote yes on House Bill 5803.

A yes vote on House Bill 5803 will keep the $670 million in public education and provide school districts with approximately $450 to $600 per student annually to invest in supporting Michigan's children.

Attached is a two-page document providing background information on our proposal.

Sincerely,

Chandra Madafferi, Michigan Education Association
Terrence Martin, AFT-MI
Peter Spadafore, Michigan Alliance for Student Opportunity
Dr. Tina Kerr, Michigan Association of Superintendents and Administrators
Don Wotruba, Michigan Association of School Boards
Wendy Zdeb, Michigan Association of Secondary School Principals
Robert Dwan, Michigan School Business Officials
Dr. John Severson, Michigan Association of Intermediate School Administrators
Paul Liabenow, Michigan Elementary and Middle School Principals Association
Abby Cypher, Michigan Association of Administrators of Special Education
Dirk Weeldreyer, School Equity Caucus
Dan Behm, Education Advocates of West Michigan
Robert McCann, K-12 Alliance of Michigan