

**SCHOOL EMPLOYEES: SERVICE
CREDIT FOR 1,020 HOURS**

**House Bill 4453 (Substitute H-1)
First Analysis (5-13-03)**

**Sponsor: Rep. Jacob Hoogendyk
Committee: Senior Health, Security and
Retirement**

THE APPARENT PROBLEM:

Under the State School Aid Act, in order to avoid forfeiting a portion of its school aid allotment, a school district must provide a minimum number of days and hours of instruction. However, the act allows the state superintendent of public instruction to grant a waiver of the 180-day requirement for a district that adopts an experimental school year schedule in one or more buildings in the district, provided that the experimental schedule provides the minimum number of hours of instruction and is consistent with all state board policies on school improvement and restructuring.

In 2001, the Republic-Michigamme School District sought and received a waiver under this provision in order to implement a four-day school week for the 2002-2003 school year. This alternative scheduling program was anticipated to produce a savings of 20 percent of the district's operating costs in the areas of transportation, food service, and utilities. In order to implement the pilot program, in addition to a waiver under the State School Aid Act, the district needed a complementary amendment to the Public School Employees Retirement Act, so that its employees could receive a full year of service credit under the alternate scheduling arrangement. A bill intended to address the issue (House Bill 5986 of 2002) was reported by a House committee last spring, but died on the House floor.

Reportedly, at least nine districts, mostly in rural areas, have also expressed an interest in exploring a four-day week. Legislation has been offered to amend the act regulating the retirement system for school employees so that service credit would accrue to a member working in a district with an alternative schedule program in the same manner that service credit accrues to those working a traditional school schedule.

THE CONTENT OF THE BILL:

The bill would amend the Public School Employees Retirement Act to require the retirement board to grant one year of service credit to a member who had been employed and remunerated for services performed for not less than 1,020 hours in a school fiscal year. Currently, the act requires granting of the service credit for services performed for not less than six hours per day and for not less than 170 days in a school fiscal year.

In determining whether a member was entitled to service credit under the bill, the retirement system would have to calculate service credit using the payroll cycle reported to the retirement system by the member's employer. If a biweekly payroll cycle were reported, the member could not accrue more than 60 hours in a payroll cycle. If a semimonthly payroll cycle were reported, the member could not accrue more than 72 hours in a payroll cycle. For a monthly payroll cycle, no more than 138 hours in a payroll cycle could accrue, and no more than 396 hours could accrue in a payroll cycle if a quarterly payroll cycle were used.

Under current law, a part-time PSER member of the school employees retirement system or member employed for a fraction of the school fiscal year receives service credit for full-time service on the basis of 30 or more hours per week and proportionate credit for less than 30 hours. In order to prevent the accumulation of service credit for part-time members and members working only part of a school fiscal year from being accelerated, the bill would also amend the act to specify that service credit for these employees would be received based on 60 or more hours per bi-weekly period and proportionate credit for less than 60 hours.

MCL 38.1368

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BACKGROUND INFORMATION:

A related bill, House Bill 4452, which has been referred to the House Committee on Education, would amend the State School Aid Act to allow implementation of a four-day week subject to approval by the local school board instead of the state superintendent. As introduced, House Bill 4453 was tie-barred to House Bill 4452, meaning that it could not take effect unless House Bill 4452 was also enacted. However, the House Committee on Senior Health, Security and Retirement eliminated the tie-bar from House Bill 4453.

Last session, the House Committee on Senior Health, Security and Retirement reported out a bill that addressing the same issue as House Bill 4453. However, that bill (House Bill 5986 of 2002) would have amended the Public School Employees Retirement Act to grant one year of retirement service credit if the member worked at least 7.5 hours per day and at least 136 days in a school fiscal year (1020 hours). The bill died on the House floor.

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill has no fiscal implications. (5-8-03)

ARGUMENTS:

For:

The Republic-Michigamme School District in the Upper Peninsula, a small district with declining enrollment, had considered an alternative school week schedule for the 2002-2003 school year, consisting of a four-day school week with lengthened days. Reportedly, the school board adopted a resolution in support of the pilot project in March of 2002. The state superintendent of public instruction granted a waiver of the 180-day requirement, contingent upon evidence of staff and community support and the incorporation of a process to evaluate the educational impact of the calendar change.

However, in addition to a waiver under the State School Aid Act, it was necessary to amend the Public School Employees Retirement Act to allow school employees to earn a full year of service credit for a year of employment under the alternative school week schedule. A bill introduced last session would have made this adjustment, specifying that service credit would be granted for employment for at least 136 days, rather than 170 as currently required, but the minimum number of hours would have remained

at 1020. Though the bill was reported out of committee, it was not acted on by the full House.

Now, fueled by the continuing economic downturn in the state and funding cuts to local school districts, many more school districts are exploring using alternative schedules to reduce operating costs. By some estimates, going to a four-day school week (with longer days) can save some districts as much as 20 percent by reducing transportation costs, building operation and maintenance costs, and food costs. One obstacle preventing school districts which have received a waiver from the state superintendent from implementing a four-day school week or other alternative plan is the problem of how to ensure that members of the school retirement system can still accrue annual service credit. Under House Bill 4453, service credit would accrue in the same manner and in the same amount whether an employee worked for a district using an alternative scheduling program or one using the traditional five-days-a-week, six-hours-a-day program. And, service credit would accrue equally for teaching and administrative staff as well as support staff such as kitchen workers or maintenance personnel. The changes to the method used for granting service credit would neither advantage nor disadvantage one employee over another, and costs to the state for the retirement system would not be affected.

POSITIONS:

The Michigan Department of Education has indicated support for the bill. (5-8-03)

The Michigan Association of School Boards has indicated support for the bill. (5-8-03)

The Michigan Education Association has indicated support for the bill. (5-8-03)

The Michigan Small and Rural Schools Association has indicated support for the bill. (5-8-03)

The Michigan Association of School Administrators has indicated support for the bill. (5-8-03)

The Retirement Coordinating Council, a coalition of school and state retirement organizations, supports the bill. (5-8-03)

The Michigan Federation of Teachers & School Related Personnel has indicated support for the bill. (5-8-03)

The Michigan Association of Retired School Personnel is neutral on the bill. (5-8-03)

Analyst: S. Stutzky

■ 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.