Group pitches ideas to cut Michigan schools' costs
Taxes, contracts operations all fall under scrutiny

LANSING - A statewide insurance pool, statewide or regional labor contracts and an overhaul of the school retirement system are among money-saving ideas for schools pitched Tuesday by a group of school administrators.

It also recommends a reform of Michigan's tax structure, including:

• A graduated income tax.
• Extending the sales tax to services.
• Working with the federal government to capture sales tax on Internet purchases.
• Reducing or eliminating the Michigan Business Tax.
• Closing tax loopholes and reducing tax preferences for retirement income.
• Allowing local school districts once again to levy their own operating taxes instead of relying solely on state funds.

"We're here to offer suggestions," said Tom Goodwin, chief financial officer for Grand Ledge Public Schools. "The system as it is not sustainable even beyond one more year."

Michigan's current method of funding schools, implemented in 1994, generates much of its revenue from sales, property tax and income taxes, all of which have shrunken in Michigan's dismal economy.

The statewide group, which calls itself the Practitioners Summit to Reform School Funding in Michigan, was founded in late 2008. Its mission: come up with ideas to reform Michigan's tax structure and streamline school operations.

"The thing to do now is carry the discussion to a broader audience," Goodwin said.

The group said some very small school districts - those under 1,000 students - could consider saving money by consolidating. After a certain point, though, consolidation ceases to increase effectiveness.

"The sweet spot seems to be districts of 2,500 to 7,000 students," said Rob Burgess, chief financial officer of Lakeshore Public Schools on the state's west side.

The cost of providing retirement for school employees is 16.94 cents per each dollar they earn, the administrators said, urging a switch away from defined-benefit pensions to individual retirement accounts for future employees.

"The current retirement system is a system we can no longer afford," said Kelly Corbett, associate superintendent of the Eaton Intermediate School District.

Rep. Joan Bauer, D-Lansing, said school finance reform is important.

"It's imperative that we deal with the school funding issue," she said. "It's going to require compromise and a bipartisan effort."

Rep. Rick Jones, R-Grand Ledge, said he likes many of the group's ideas.

"I think they really worked hard to come up with some solutions," he said.

Although he opposes extending the sales tax to services, he said he likes some of the group's ideas for cutting administrative costs and changing retirement plans for future employees.

The Practitioners Summit now will work to keep the conversation about school finance reform going. Its will sponsor a meeting for about 150 people on Feb. 8 at the Clinton County Regional Educational Services Agency.

"We're willing to partner up with anybody who is willing to talk about these issues," Goodwin said.