

Legislative Analysis



SCHOOL EMPLOYEES SALARY CAP

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4796 as passed by the House
Sponsor: Rep. Chris Ward
Committee: Education

First Analysis (7-5-07)

BRIEF SUMMARY: The bill would set a salary cap for public school employees, so that a public school employee could not be paid more than the total compensation set for the governor of the state.

FISCAL IMPACT: There would be no state impact. The amount of local impact would be indeterminate. The amount of local savings would be dependent on the number of districts with superintendent salaries higher than the criteria in this legislation.

THE APPARENT PROBLEM:

The Center for Educational Performance and Information (CEPI) compiles, among other things, information about school personnel from all of Michigan's school districts, and then reports that information publicly on its website. (See [Background Information](#).)

The CEPI database can be used to calculate average salaries for groups of school personnel. For example, the average annual salary of Michigan school superintendents is \$110,600 (as calculated by the Michigan Association of School Administrators) while the average salary for the 54 Intermediate School District regional superintendents, alone, is \$118,000 (as calculated by Michigan Information Research Service, or MIRS, and reported on 5-23-07).

Salaries for school administrators appear to be rising, as made evident in the "Superintendent Contract Settlement Facts and Figures 2006-2007" reported by the Michigan Association of School Boards. During the 2002-2003 school year, the average superintendent salary for 416 districts was \$98,766 while during the 2006-2007 school year the average salary for 342 districts was \$109,827.

There are 10 Michigan school superintendents whose salaries are far higher than their peers. Those salaries range from \$178,732 to \$225,000, as follows: Detroit City School District, \$225,000; Troy School District, \$205,377; Macomb County ISD, \$205,067; Wayne RESA, \$202,129; Bloomfield Hills School District, \$198,753; Grand Rapids Public Schools, \$189,987; Lake Orion Community Schools, \$185,182; Utica Community Schools, \$182,124; Rochester Community School District, \$179,545; and Ovid-Elsie Area Schools, \$178,732.

Some have pointed out that the governor of Michigan has responsibility to oversee 20 executive branch agencies employing more than 50,000 people, a budget of \$42 billion,

and is paid an annual salary of \$177,000 to do so. They recommend that school superintendents' salaries be capped at the governor's salary, since their responsibilities are far fewer.

THE CONTENT OF THE BILL:

House Bill 4796 would amend the Revised School Code to set a salary cap for public school employees so that a public school employee could not be paid more than the total compensation set for the governor of the state.

The bill specifies that all of the following would apply to a person who was hired for employment in any position within a school district, intermediate school district, or public school academy (charter school), after the effective date of this legislation (were it enacted into law):

- The board members (of a school district, intermediate school district, or public school academy) would be prohibited from providing an annual total compensation package that had a monetary value exceeding the annual total compensation package provided for the governor of the state (as of the effective date of this legislation), not including the monetary value of the governor's use of and maintenance allowance for the governor's residence (using the salary and expense allowance as set by the State Officers Compensation Commission).
- The school boards would be prohibited from providing, within a compensation package, any of the following:
 - A motor vehicle, or the use of a motor vehicle, for personal use.
 - Payment or reimbursement for membership in any kind of social, golf, or country club or similar organization.

Under the bill, the Department of Education would be required to ensure that the registry of education personnel included the monetary value of each employee's annual total compensation package.

The bill specifies that on October 1 of each year (beginning in the October that is more than one year after the effective date of the legislation), the cap on the maximum annual total compensation package would be adjusted as follows:

- The portion of the cap that represented the salary and fringe benefits portion of the package would be adjusted by the change for the immediately preceding calendar year in the Detroit Consumer Price Index *for all items* (as reported by the U. S. Bureau of Labor Statistics).
- The portion of the cap that represented the retirement, medical, optical, or dental benefits and other insurance coverage would be adjusted by the change for the

immediately preceding calendar year in the Detroit Consumer Price Index *for medical care* (as reported by the U. S. Bureau of Labor Statistics).

Under the bill, the board of a school district or ISD, or the board of directors of a charter school could apply to the state superintendent of public instruction for a waiver from the limits imposed by the salary and fringe cap for a particular employee. If the board demonstrated that the nationwide industry compensation standard for a similar type of employee in a similar size school district exceeded the limits of the salary and fringe cap noted above, then the state superintendent would grant the waiver, and the school district or charter school could exceed the limits.

The bill specifies that the phrase "total compensation package" means wages and fringe benefits, (as those terms are defined in statute), and retirement, medical optical, or dental benefits, and other insurance coverage.

The bill is tie-barred to House Bill 4500 (which would temporarily raise the income tax rate from 3.9 percent to 4.9 percent beginning January 1, 2007 until January 1, 2012), and increase the personal exemption (from \$2,500 to \$3,630, beginning January 1, 2007, and indexing the exemption to the annual cost of living).

BACKGROUND INFORMATION:

To learn more about school personnel, visit the Michigan Center for Educational Performance and Information (CEPI) website at <http://www.michigan.gov/cepi>

ARGUMENTS:

For:

The professional duties of a school superintendent are difficult and wide-ranging, and the ability to run an efficient school system is worthy of high compensation. However, critics say that the salaries for many Michigan public school administrators have gotten out of line, and appear to be rising despite the financial crisis faced by all of those in the public sector, including Michigan school districts. Consequently, school administrators' salaries should be capped. The governor of Michigan has responsibility for 20 executive branch agencies employing more than 50,000 people, and having a budget of \$42 billion. The compensation for this work is currently \$177,000. Ten school superintendents in Michigan school districts and regional school districts are paid more than the governor, despite the fact that their work is far less demanding and their responsibilities far fewer. This bill would cap school superintendents' salaries at the level of the governor's salary.

Against:

If the salaries of school superintendents are capped at the level of the governor's salary, Michigan school boards will have difficulty competing for the best and the brightest educators who come from states without such salary limits. If, indeed, a national bidding war exists for highly qualified school administrators, then this bill effectively disarms Michigan recruiters as they seek to take the offensive in that war.

What's more, the level of compensation, including salaries, for school superintendents is a matter of local governmental control. The decision to set salaries should be left to the locally elected school board officials who hire and evaluate the performance of their top administrators.

POSITIONS:

The Michigan Education Association supports the bill. (5-22-07)

The Detroit Public Schools are neutral on the bill. (5-22-07)

The Small & Rural Schools oppose the bill. (5-22-07)

The Allegan & VanBuren ISD opposes the bill. (5-22-07)

The Kalamazoo, Muskegon, & Ottawa ISD opposes the bill. (5-22-07)

Oakland Schools opposes the bill. (5-22-07)

MASA–Region 8 (Washtenaw, Monroe, Lenawee, Jackson, & Hillsdale) oppose the bill. (5-22-07)

Michigan Association of School Administrators opposes the bill. (5-22-07)

The Michigan Association of Intermediate School Administrators opposes the bill. (5-22-07)

Middle Cities Education Association opposes the bill. (5-22-07)

The Michigan Association of School Boards opposes the bill. (5-22-07)

Wayne RESA opposes the bill. (5-22-07)

The Michigan Elementary and Middle School Principals' Association opposes the bill. (5-22-07)

Legislative Analyst: J. Hunault
Fiscal Analyst: Mary Ann Cleary
Bethany Wicksall

■ 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.