



"Leadership in Public School Governance"

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TO: Members, Joint Committee on Finance
FROM: Wisconsin Association of School Boards (WASB)
DATE: March 29, 2017
RE: Delete or Modify Act 10 Compliance Certification for Receipt of Per Pupil Aid

Background:

The Governor's proposed budget would increase each school district's allotment of per pupil categorical aid from the current \$250 per pupil by adding \$200 in 2017-18 and an additional \$204 in 2018-19.

The WASB strongly supports this increase.

To receive this funding, however, each school district must certify to the DPI that the employees of the school district will be required to pay at least 12 percent of all costs and payments associated with employee health care coverage plans in that school year. **The WASB asks that this provision be removed from the budget bill.** At a minimum, we ask that this provision be modified to account for the reality that school districts have used flexibilities provided by Act 10 to generate cost savings and reduce personnel costs in a variety of ways.

Rationale:

WASB has at least three reasons for our position:

- This provision would interfere with school district efforts to attract and retain competent staff during a period of tight teacher supply. Similar as to how compensation packages, salary and benefits in the private sector vary from employer to employer, the mix of salaries and benefits needed to fill school positions and retain staff will vary from district to district. They are not uniform for a reason. The labor market is in a constant state of flux and the compensation packages that employers and school boards offer need to be adaptable to the labor market. Act 10 has afforded school districts the ability to craft compensation packages that meet the needs of the school district and the labor market. Districts have decided that certain benefit packages help retain staff while balancing the needs of the students, parents and taxpayers.

- While the vast majority of school districts have certainly reduced overall costs by increasing the employee's contribution toward the premium, districts have also reduced costs or cost increases by other means. School districts have already used Act 10 to reduce personnel costs associated with health insurance in a number of other ways, including, but not limited to: changing benefits and coverage levels, changing health insurance providers, changing insurance companies, forming

cooperative purchasing arrangements, instituting plan designs like health savings accounts, health reimbursement accounts, wellness provisions, etc., to reduce costs. In addition, schools have eliminated or restructured post-retirement employment health benefits, and changed staffing patterns and workloads to name just a couple of other ways school districts have used Act 10 to reduce personnel costs. To focus narrowly on the percentage of costs currently paid by district employees for health coverage ignores these other cost saving measures school districts have implemented in health insurance and other operational areas in order to operate underneath revenue limits.

- Administration of the Act 10 certification language as currently written will be difficult and costly. Schools will be asked to certify that the mix of employee premium contributions, deductibles and copayments in the employer plan in combination equal 12 percent of all costs and payments. Changing the requirement to require certification of a 12 percent premium contribution would be simpler, but this approach would fail to take into account deductibles, copayments, and innovative approaches like health reimbursement accounts, health savings accounts, etc. That approach also might result in creating some rather perverse and unintended incentives: (a) for an employee (the consumer of the benefit) to make sure that he/she uses services that equate to his/her out of pocket insurance costs *or* (b) for a district to reduce deductibles, copayments and health savings accounts (things that discourage employee utilization of the benefit) to, in effect, cover their employees for increased premium contributions. Finally, many school district employers have cash in lieu of health insurance components to their benefit plans, which adds yet another layer of complexity to the proposed certification requirement.

Thank you for your consideration of our concerns. We would be willing to offer our assistance in any way possible to help resolve these concerns.