

High court ruling on state aid to benefit local districts

By TIM RICHARD
STAFF WRITER

Suburban school districts won half a loaf of state aid in the Michigan Supreme Court.

The high court ruled 4-3 Tuesday that:

■ The state was wrong to take away ("recapture") funds for categorical — special education, transportation for special education students, bilingual instruction, and the lunch and supplemental milk program. The 1990 recapture cost more than 50 districts some \$72 million.

■ The state doesn't have to pay school districts' Social Security taxes despite a 1956 agreement. "Social Security coverage is not a state-required activity or service within the meaning of the Headlee amendment," said the high court majority.

The high court has sent the case to the Michigan Court of Appeals, which will "quantify the amount of underfunding," said Dennis Pollard

of Hardy, Lewis, Pollard and Page in Birmingham.

Pollard said it might take a year or two before the case is resolved.

"I would hope the case is in the interest of the kids would try to prioritize its docket," he said.

Pollard noted that the state contribution to schools has dropped significantly since 1978 — from about 40 percent to less than 20 percent.

"That's a significant drop off. The court is now saying the state must come back to 1978 levels."

Although Pollard did not read the 89-page opinion when contacted early Wednesday morning, he said: "It looks as though it's a favorable decision. One of the most significant things is the ruling appears to be across the board — every district would stand to gain," said Pollard.

The case was filed by Gerald Schmitt, a Warren Woods School District taxpayer and trustee. It was joined by more than 50 other plain-

tiffs, mostly from the metropolitan suburbs and the Lake Michigan shoreline.

Among the co-plaintiffs were: The Avondale, Birmingham, Farmington, Rochester, Southfield, Troy and West Bloomfield school districts.

The Livonia, Plymouth-Canton and South Redford school districts.

The Northville and Novi school districts.

Reversing a bitterly contested Court of Appeals decision were Justices Patricia Boyle, James Brickley, Robert Griffin and Conrad Mallett Jr.

Dismissing — though for differing reasons — were Chief Justice Michael Cavanaugh and Justices Charles Levin and Dorothy Comstock Riley.

Boyle's majority reversed a 1990 decision by the Court of Appeals then-chief judge, Robert Danhof, who dismissed the suburban districts' case. Danhof, whom the sub-

urbs viewed as their arch-foe, retired from the bench a year ago.

The case goes back to the Court of Appeals for further proceedings.

The complex decision revolves around two sections of the 1978 Headlee amendment to the Michigan Constitution.

Sec. 29 prohibits the state "from reducing the state financed proportion of the necessary costs of any existing activity or service required of units of local government . . . A new activity or service . . . shall not be required by the legislature . . . unless a state appropriation is made and disbursed to pay the unit of local government."

Sec. 30 requires the state to pay 41.6 percent of its budget to local units, the same proportion in effect in 1978.

Write Boyle: "The state is obligated to afford each unit providing the activity or service the same proportion of funding that the state provided on a statewide basis in the

year that the Headlee amendment was ratified (1978)."

She added: "Social Security coverage is directly imposed by federal

law and therefore is not required by state law within the meaning of Sec.

29."

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Faxon votes no, but insurance bill passes

By TIM RICHARD
STAFF WRITER

A major reform of Michigan's insurance regulations has passed the Legislature and will be signed into law by Gov. John Engler.

"It will give Michigan policyholders and taxpayers a great deal of added regulatory protection from unscrupulous insurance companies and unscrupulous financial practices by insurers," said Engler.

"The most important insurance legislation to be before the Legislature in the past 50 years," said insurance commissioner David Dykhouse.

Lawmakers were prompted by the insolvency of Executive Life, Mutual Benefit and Cadillac Insurance, said Senate Commerce Committee chair Paul Wartner, R-Portage.

"Most of us don't know what's in it," objected Sen. Jack Faxon, D-Eastland Hills, one of four Democratic senators to vote no when the Senate passed it last week. Faxon said only a "shell" bill was offered both chambers, and the substance was worked out in a joint Senate-House conference committee.

The House gave it 97 to 0 approval.

Twelve representatives missed the vote, including Barbara Dobb, R-Union Lake, and Gordon Sparks, R-Troy.

The bill adopts standards set by the National Association of Insurance Commissioners (NAIC) to assure investment safety. In return, Michigan companies would be allowed to write policies in other states which have adopted similar laws.

It also adopts NAIC standard on solvency, audited statements, and

computation of liability.

"Without acceptance," said Dykhouse, "Michigan domestic companies would be at a severe competitive and regulatory disadvantage."

"The only known opposition comes from individuals and insurers currently under intense regulatory pressure concerning financial condition or obligations owed to insolvent insurers."

"Insurance could well be the S&L (savings and loan) crisis of the 1990s," Dykhouse said.

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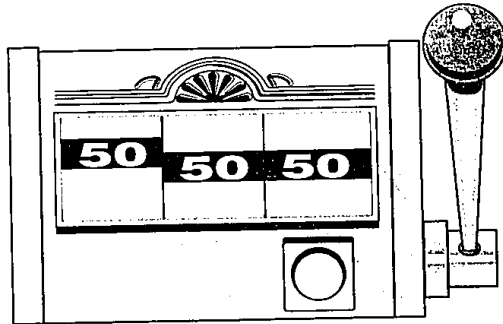
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