

Legislative Update



Education Advocates
of West Michigan

Agenda

- Election Landscape
- Budget Update
- Policy Update
- Questions



Election Landscape

Every state political office in Michigan is up for election in November of 2020 - including the US House.

Governor, Attorney General, Secretary of State, 110 Representatives, 38 Senators, 14 US Representatives.



Election Landscape

Fraudulent signature collection efforts resulted in 5 Republican candidates getting tossed off the ballot. The courts have denied their appeals.



Election Landscape

President Trump continues to have an impact on the political landscape, in particular with Republican primary elections.



Election Landscape

Everyone in Lansing is eager to wrap up the budget and begin campaigning. **The legislature is not expected to be in session throughout July and August.**



Election Landscape

Expect a very limited number of session days for the remainder of the year. There is little motivation for any meaningful initiatives to get done outside of the budget.



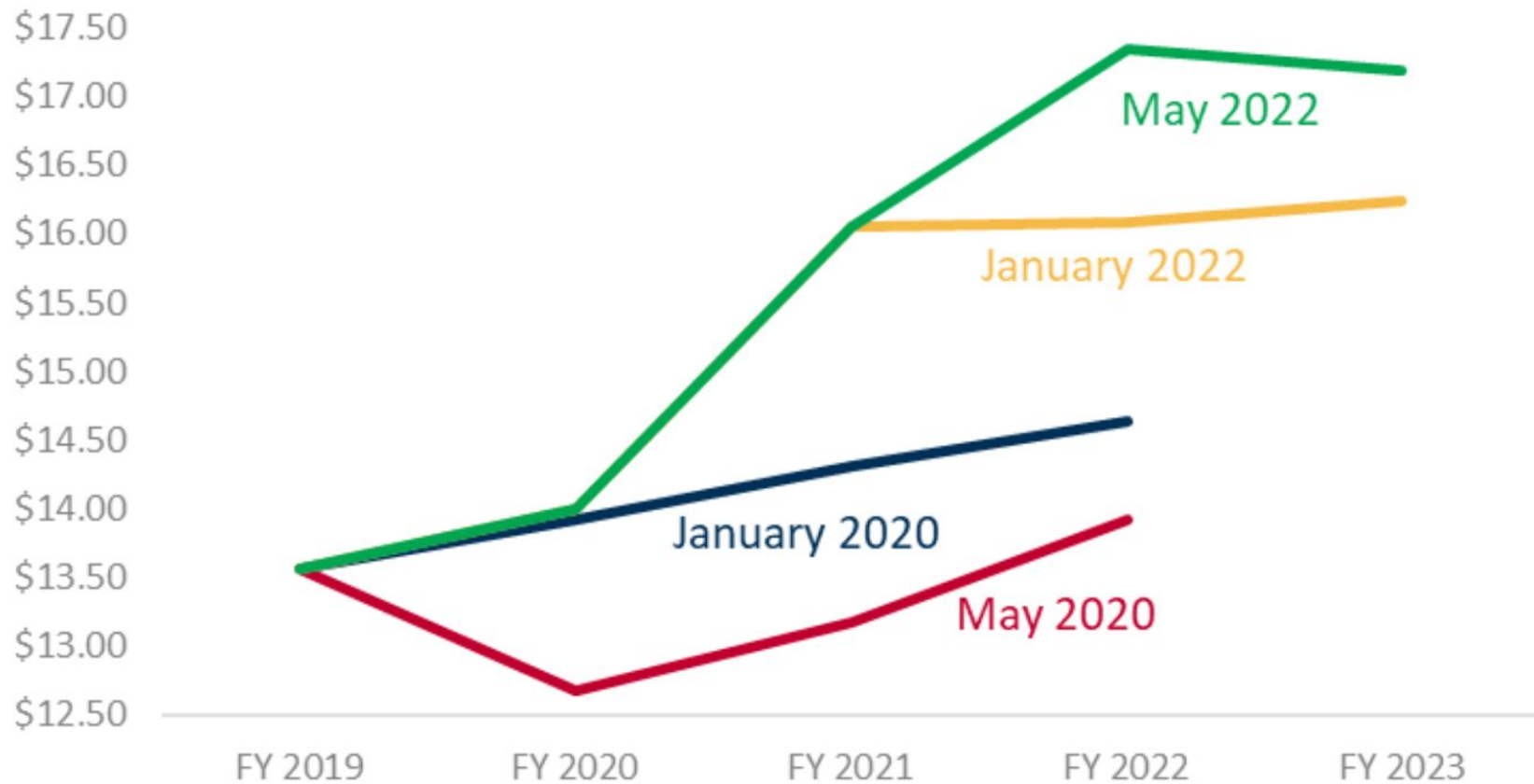
Budget Update



CREC Summary

- There were significant revisions in the positive direction for the General Fund (GF) and School Aid Fund (SAF) over January's estimates.
- For FY '22 they're predicting the SAF will have an additional \$1.2 billion and for FY '23 \$948 million.
- So if the legislature and Governor wanted to, they could allocated an additional \$2.1 billion above and beyond what the Governor recommended in her budget proposal.

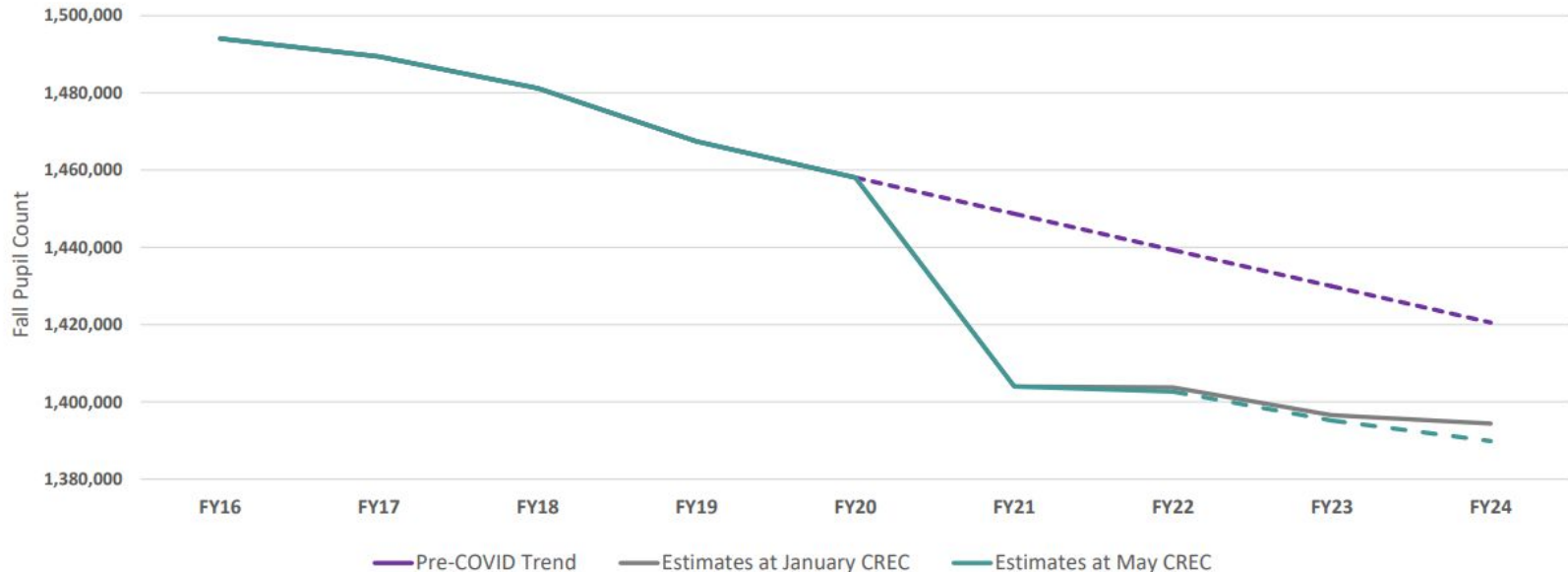
School Aid Fund CREC Estimate



Credit to Tanner Delpier of the Michigan Education Association.

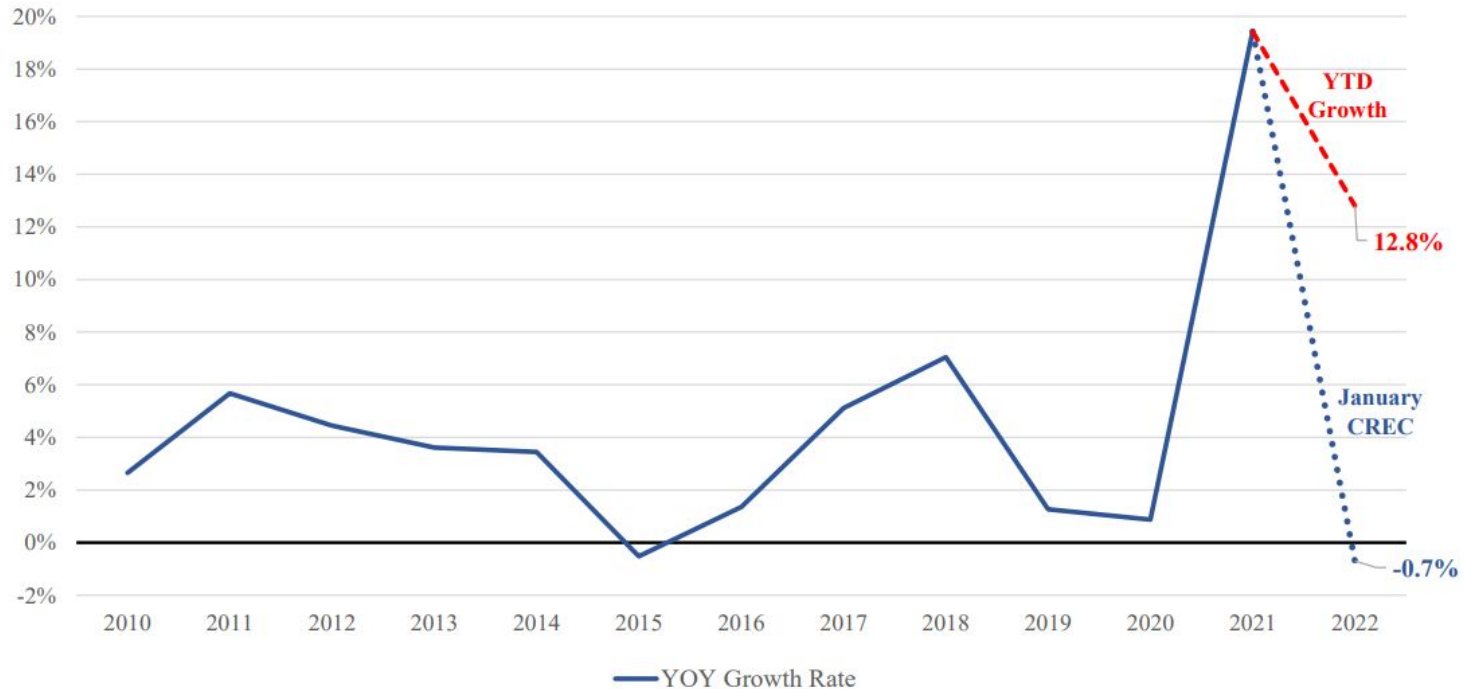
Fall Pupil Counts – Statewide Counts

FY22 Fall pupil counts were flat compared to the prior year count, though total pupil counts remain lower than expected pre-pandemic trends.



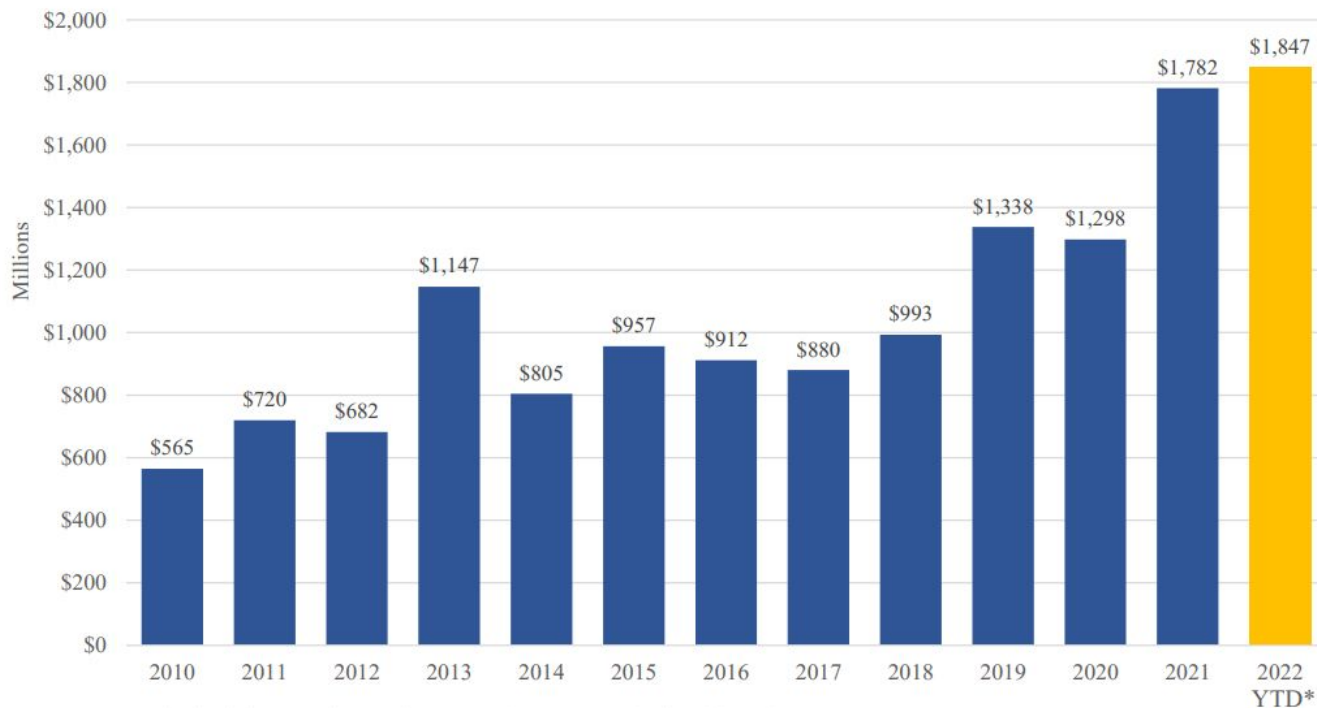
Sales and Use Growth Rate

Sales and Use Fiscal Year-Over-Year Growth Rate

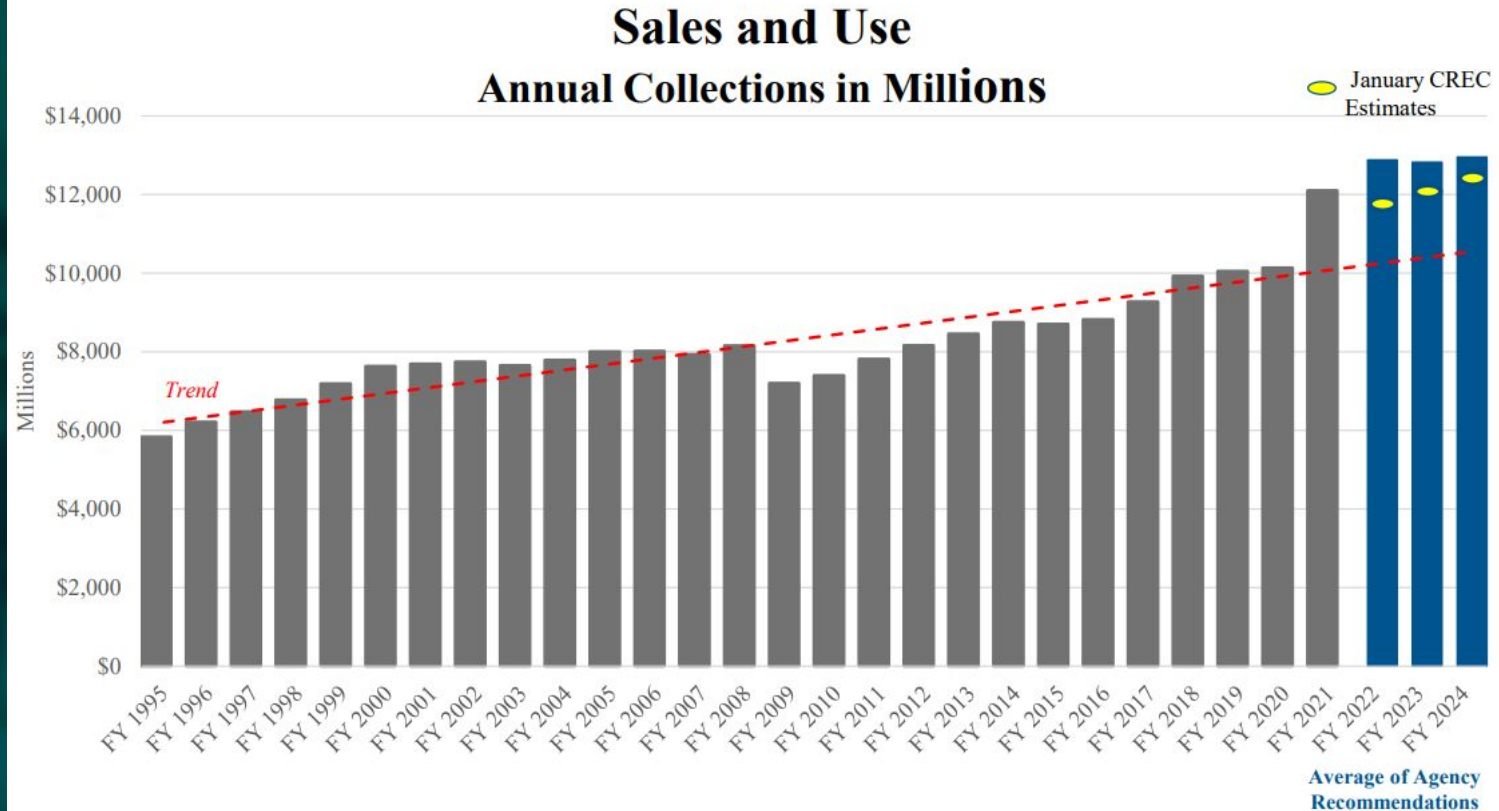


Income Tax Annual Payments

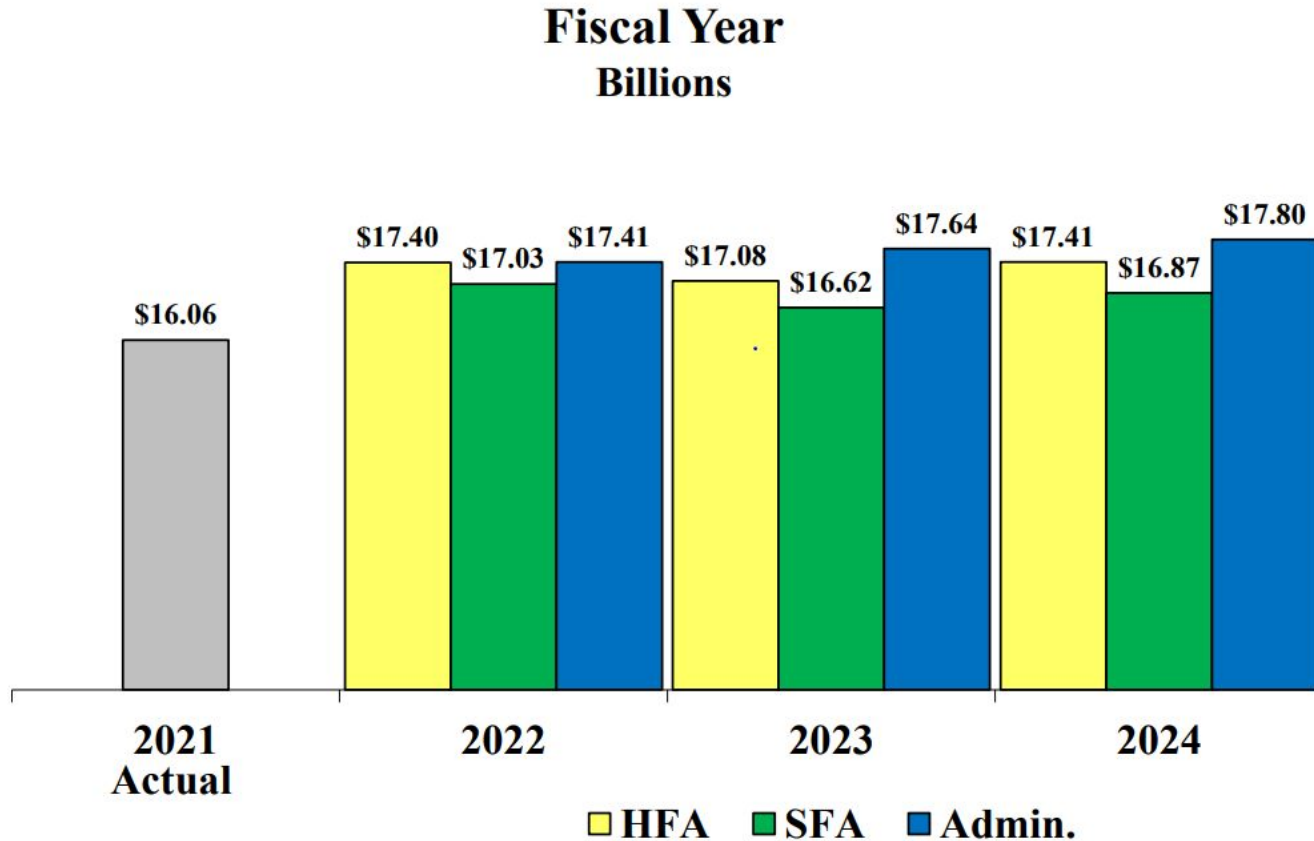
Individual Income Tax: Annual Payments, Fiscal Year



Consumption Taxes Reach Records



School Aid Fund Net Revenue Estimates



Where do things stand?

- Budget targets are being agreed to with the administration and released to subcommittee chairs.
- While negotiations are happening behind the scenes, expect conference committees to be announced within the next two weeks.
- Conference committees are largely a formality as the committee itself is not engaged in negotiations.



Tax Reduction/Relief

There will be some sort of tax relief in the final budget negotiation that includes a temporary gas tax suspension and likely a rebate check.



Special Education Funding

- Behind the scenes there is a significant push to change how the state funds special education.
- Current law provides districts the foundation allowance for a child with an IEP OR the equivalent of 28.6138% of the special education expense associated with the child and 70.4165% of their related specialized transportation costs .
- Reworked approach would provide districts the foundation allowance + reimbursed cost percentages.

Classroom Supports

Area	Executive (FY22 Supplemental and FY23 Executive Budget)	House	Senate
Foundation Allowance	Increases base per-pupil funding to districts by \$435 per pupil (a 5% increase) to \$9,135	Increases base per-pupil funding to districts by \$300 per pupil (a 5% increase) to \$9,000	Increases base per-pupil funding to districts by \$450 per pupil (a 5.2% increase) to \$9,150.
At-Risk	\$222 million increase. (Fully funds all eligible students at 11.5% of the foundation allowance)	Does not include. (Maintains current law. Payments are prorated by 23.2%)	Does not include. (Maintains current law. Payments are prorated by 23.2%)
Special Education	\$150 million increase. (Increases additional reimbursement of costs from 3% to 8%.)	\$210 million increase. (Increases additional reimbursement of costs from 3% to 10%.)	Does not include. (Maintains current law.)

Classroom Supports (continued)

Area	Executive (FY22 Supplemental and FY23 Executive Budget)	House	Senate
Rural Transportation Payments	Does not include.	\$50 million. (Funding for rural districts. Pays \$150-\$250 per pupil based on district student population density)	Does not include.
Career and Technical Education	\$20.8 million increase. (Provides additional reimbursement for added costs and increases ISD millage equalization levels.)	\$16 million increase. (Increases funding for equipment grants by \$10m and increases incentive payment by \$1 million.)	Does not include. (Maintains current law.)
Great Start Readiness Program	\$68 million increase. (Increases number of slots, per child allocation, develops home-based pilots, and provides startup grant funding.)	\$26.5 million increase. (Increases number of slots, and per child allocation, but does not fund startup grants or home-based pilot programs.)	Does not include. (Maintains current law.)

Educator Recruitment and Retention

Area	Executive (FY22 Supplemental and FY23 Executive Budget)	House	Senate
Educator Retention Payments	\$1.5 billion. (Paid out over 4 years for teachers (\$11,000) and other people employed by schools (\$4,000).)	Does not include.	Does not include.
Michigan Future Educator Fellowship	\$250 million. (Provides up to \$10,000 per year for first-time degree seekers and career changers to lower the cost of becoming a PreK-12 teacher.)	\$71 million. (\$33 million state dollars [\$27m state and \$6m GF] and \$38 million federal SFRF for payments of up to \$4,125 per semester.)	Does not include.
Michigan Future Educator Fellowship (School Leaders)	\$50 million. (Second track of the Michigan Future Educator Fellowship for aspiring principals, school leaders, counselors, and mental health professionals.)	Does not include.	Does not include.
Stipends for Student Teachers	\$150 million over 5 years. (Provides \$9,600 per academic semester of required student teaching.)	\$150 million (federal SFRF). (Districts in "select cities" receive \$23,000 per student teacher. For all others, districts receive \$16,000 per student teacher.)	\$25 million. (Provides \$3,750 per academic semester of required student teaching.)

Educator Recruitment/Retention (continued)

Area	Executive (FY22 Supplemental and FY23 Executive Budget)	House	Senate
Grow-Your-Own Programs	\$150 million. (Grants to districts to develop and implement programs to create certified teachers from people within the district.)	\$214 million (federal SFRF). (Pays \$25,000 for each person enrolled in a 3-year program, \$20,000 for each person enrolled in an accelerated 1-year program, and \$10,000 for each person enrolled in graduate level work)	Does not include.
Teacher Onboarding, Induction, and Mentoring	\$100 million. (Cohorts of support and guidance to teachers to ensure they have the help they need to thrive in their new career.)	Does not include.	Does not include.
Regional Innovation Grants	\$75 million. (Funding to allow local response to regional needs and increase the number of qualified personnel in Michigan's schools.)	Does not include.	Does not include.
CTE Instructor Recruitment	Does not include.	\$14 million (federal SFRF). (Funding for ISDs to recruit CTE instructors.)	Does not include.
Troops to Teachers	Does not include.	\$50 million (federal SFRF). (to transition military veterans into classroom teachers.)	Does not include.

Mental Health Supports

Area	Executive (FY22 Supplemental and FY23 Executive Budget)	House	Senate
TRAILS	\$150 million over 3 years. (Statewide expansion of the existing TRAILS program to support student mental health.)	Does not include.	\$10 million. (Increase of \$4.6 million over current law.)
School-Based Mental Health Professionals	\$120 million. (Partially offsets the cost of hiring new mental health and wraparound support staff in schools over 3 years.)	\$30 million. (removes one-time 240m SAF for wraparound services, adds 30m in federal funds to increase the number of mental health personnel in schools and adds 5m to provide statewide capacity building supports to these personnel)	\$15 million. (New program to pay graduate-level mental health students \$25 per hour to serve as interns within schools.)
Mental Health Grants	<u>\$50 million increase.</u> (Increases existing mental health grants from \$53.9m to \$103.9m.)	<u>\$40 million increase.</u> (Removal of funding for child and adolescent health centers, moves it 31a.)	Does not include increase. (Maintains current law.)

Mental Health Supports (continued)

Area	Executive (FY22 Supplemental and FY23 Executive Budget)	House	Senate
Mental Health Screenings	\$25 million. (Provides optional universal mental health screenings in schools.)	\$10 million. (from federal funds to adopt and implement Health Insurance Portability and Accountability Act compliant tools)	Does not include.
School-Based Health Clinics	\$11 million increase. (Additional funding for school-based health clinics (total of \$19 million).)	\$22 million increase. (from SAF, an additional \$30m from federal)	\$15 million. (Additional funding for school-based health clinics (total of \$23 million).)

School Safety Supports

Area	Executive (FY22 Supplemental and FY23 Executive Budget)	House	Senate
School Safety Grants	\$50 million. (Increases existing school safety grants from \$10 million to \$50 million.)	\$217.5 million. (Increases funding to \$227.5 million for school safety grant program.)	Does not include increase. (Maintains current law.)
Cross-System Interventions	\$15 million. (Partnership between schools, law enforcement, and mental health professionals to intervene and support students before acts of violence occur.)	Does not include.	Does not include.
School Security Assessments and Building Mapping	Does not include.	\$16 million. (Funding to implement risk assessments on school buildings.)	\$25 million. (Funding to conduct buildings security assessments (\$15m) and to develop response plans with public safety officials (\$10m).)
School Resource Officers	Does not include.	\$50 million. Payments to districts for hiring SROs.	Does not include.

Other Major Uses of School Aid Fund (SAF)

Area	Executive (FY22 Supplemental and FY23 Executive Budget)	House	Senate
School Infrastructure	\$1 billion. (Deposits \$1b into a new school infrastructure fund and spends \$170 million over the next 6-7 years on school infrastructure needs.)	Does not include.	Does not include.
School Consolidations	Does not include.	Does not include.	\$500 million. (Sets aside funding to be used by consolidating districts to retire debt obligations.)
MPSERS UAAL Additional Payment	Does not include.	\$1.675 billion. (Uses funding to pay down a portion of the system's UAAL.)	Does not include.
MPSERS Reserve Fund Deposit	Does not include.	\$425 million. (Deposit into the MPSERS Reserve Fund.)	Does not include.
State Aid Stabilization Fund Deposit	Does not include.	\$674 million. (Deposit into the State Aid Stabilization Fund for future use.)	Does not include.

Budget Questions/Predictions



When will the budget be done?

Late June or early July for Schools.

These are best estimates based on the information available at the time of the presentation

What will the foundation increase be?

\$500 per pupil is likely a conservative estimate at this point.

These are best estimates based on the information available at the time of the presentation

Will the educator attraction proposal be in the final product?

Very likely. Broad recognition there is a teacher shortage.

These are best estimates based on the information available at the time of the presentation

Will MPSERS receive a significant increase?

Very likely. Chair Albert is committed to paying down debt with one-time funding. MPSERS contributions has general support from the education community.

These are best estimates based on the information available at the time of the presentation

Will capital infrastructure funding be included in the budget?

Not likely. The legislature did not include infrastructure funding in its budget proposals.

These are best estimates based on the information available at the time of the presentation

Will the educator retention bonus be in the final budget?

Not likely. However, the Governor feels strongly about the proposal.

These are best estimates based on the information available at the time of the presentation

Will there be added flexibility for seat-time requirements?

No. But expect sec. 21f to be streamlined for virtual learning. Likely no EDP requirement or parental sign-off.

These are best estimates based on the information available at the time of the presentation

Should we worry about a funding creep with higher education?

YES. Significant increase in SAF spending for higher education.

- House: \$1.38 billion (FY '23) compared to \$817 million in (FY '22).
- Senate: \$1.76 billion (FY '23) compared to \$817 million in (FY '22).



Policy Update



Pupil Accounting Manual Change Update

- This bill requires the MDE to notify the Legislature (specifically transmitting to the chairs of the House and Senate Education Committees) of any changes to the pupil accounting and auditing manuals before they took effect.
 - Changed language: “A change to the department’s pupil accounting or pupil accounting manual must not take effect during the school fiscal year in which the change is made unless the change is necessary to effectuate a change in law that takes effect during that school fiscal year.”
- HB 5686 with changes was passed out of the Senate Education Committee.

Working Post-Retirement



Overview - House Bill 4375

- The legislation significantly streamlines the working after retirement laws.
- Under the legislation - which is set to become law - individuals who are not yet retired from a school district are eligible to return to work **AFTER 9 MONTHS**.
- Under the legislation, once the 9 month sit-out period is complete, a person can come back to work in any position, for any duration and any level of compensation.
- This applies to **ALL** positions including administrators, teachers and support staff.

Overview - House Bill 4375

- It is still important that employees have a “bona fide termination” where they have no contact with the district or guarantee of future employment.
 - This is the same as current law.
- Another important change is districts will no longer be required to pay the 20.96% surcharge on retiree wages for UAAL.
- Retirees who return to work are not eligible to increase service credit or Final Average Compensation calculations for their pension benefit.
- Districts will still be required to report to ORS the name of a retiree working, capacity they're employed, and compensation.

Current Retirees Impact - HB 4375

- The legislation protects retirees who are currently working for a school district.
- Once the legislation takes effect, retirees who are currently working no longer have restrictions on wage earnings or length of employment.
 - If they were working for one-third of their Final Average Compensation, they can exceed that.
- These employees will fall under the new law where there is full flexibility.
- For retirees who are not yet employed by a district, they will need to sit out for 9 months prior to becoming eligible for employment.



Frequently Asked Questions

Who should I be most concerned about with this change in law?

Individuals who are retiring at the end of this school year are most impacted. If they had aspirations of returning to work at the start of the school year in some capacity (of course after a bona fide termination) they will now have to sit out 9 months.

**I have an employee who is set to retire June 30, 2022.
There will be a bona fide termination of employment - will
they be able to work after 30 days?**

NO. Under this scenario the employee would be required to be retired for 9 months prior to becoming employed. The only way this scenario changes is if the bill was not signed by the Governor until August, which is unlikely.

What happens to the critical shortage list?

It will no longer exist. The legislation no longer places restrictions on positions, wages or duration of employment. As a result, the critical shortage list is no longer necessary.



Will the 1/3 wage restriction still remain in effect?

NO. Once the bill takes effect there is no longer a 1/3 wage restriction for retirees who are currently making. They're eligible to make as much as they would like.

Why is the sit-out period 9 months?

This was a negotiated time period ORS requested to make certain there was a full bona-fide termination of employment - as is currently required by law.



Does this apply to third-party hires and contracted employees?

YES. “Employed” means hired directly, through a contractor, or as an independent contractor.

Will this change hurt the retirement system?

In working with their actuaries, ORS has determined with the 9 month sit-out period the impact to the retirement system in making this change is very negligible.

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