



Calhoun Intermediate  
School District

# MSBO ISD Committee

Legislative Update

Jerry Johnson, Assistant Superintendent  
Legislation and Education Policy

November 21, 2024

# Legislation and Education Policy Clients

## South Central Education Policy Consortium

### **49 School Districts / 86,340 Students**

■ Barry ISD	2 school districts	3,681 FTEs
■ Branch ISD	3 school districts	5,591 FTEs
■ Calhoun ISD	12 school districts	20,991 FTEs
■ Jackson ISD	12 school districts	22,220 FTEs
■ Lenawee ISD	11 school districts	14,127 FTEs
■ Monroe ISD	9 school districts	19,730 FTEs

## Legislative Support Clients

### **32 School Districts / 66,858 Students**

■ Berrien RESA	15 school districts	25,155 FTEs
■ Kalamazoo RESA	9 school districts	34,662 FTEs
■ West Shore ESD	8 school districts	7,041 FTEs

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# Presentation Overview

- Election Review
- New Legislative Leadership
- MPSEERS
- Lame Duck – PA152 / Policy Bills
- What is Next?
- Questions and Answers

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# Election Review – Federal

- President flips from Democrat to Republican
  - ❖ Trump wins 312 Electoral Votes and Popular Vote
- Senate flips to a Republican majority
  - ❖ 53 Rep – 47 Dem
  - ❖ Elissa Slotkin (Dem) wins open MI Senate Seat
- House to remain a Republican majority
  - ❖ Currently 218 Rep – 208 Dem with 9 seats left to be called
- MI's 13 House Seats now 7 Rep – 6 Dem
  - ❖ 7<sup>th</sup> District – Tom Barret wins to replace Slotkin (D to R)
  - ❖ 8<sup>th</sup> District – Kristen McDonald Rivet wins to replace Kildee (D)

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# Election Review – Michigan

## ■ Michigan Supreme Court

- ❖ Incumbent Kyra Bolden won re-election
- ❖ Democrat Kimberly Thomas won an open seat
- ❖ The court is now a 5-2 Democratic majority

## ■ Michigan Legislature - Senate

- ❖ Senate vacancy reduces Democratic majority
  - 19 Dem – 18 Rep

## ■ Michigan Legislature - House

- ❖ House shifts to a Republican majority
  - 58 Rep – 52 Dem
  - Four seats flipped from Dem to Rep

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# Election Review – Michigan

## ■ Michigan Education Boards

### ❖ Michigan State Board of Education

- Both Republican incumbents were re-elected
- Remains a 6-2 Democratic majority

### ❖ University of Michigan Board of Regents

- Remains a 6-2 Democratic majority

### ❖ Michigan State University Board of Trustees

- Remains a 7-1 Democratic majority

### ❖ Wayne State University Board of Governors

- Now a 5-3 Democratic majority, down from 6-2

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# New MI Legislative Leadership

- House Republican Leadership – Majority
  - ❖ Matt Hall, Speaker of the House
- House Democratic Leadership – Minority
  - ❖ Ranjeev Puri, Minority Leader
- Caucus Leadership and Committee Chairs to be determined after first of the year.

# FY2025 Budget – MPERS Fund Shift

- Two Components of Michigan Public School Employees Retirement System (MPERS)
- Pension – \$35B unfunded liabilities
  - ❖ 64% funded as of 9/30/22
  - ❖ Scheduled to be fully funded by 2038
- Retiree Health (OPEB) - \$89M unfunded liabilities
  - ❖ 99% funded as of 9/30/22 with \$12B in assets
  - ❖ 126% funded as of 9/30/23
  - ❖ \$140% funded as of March 2024





# OPEB Fiscal Year 2023 Details

## FY 2023 Revenue

\$869 million - investment income

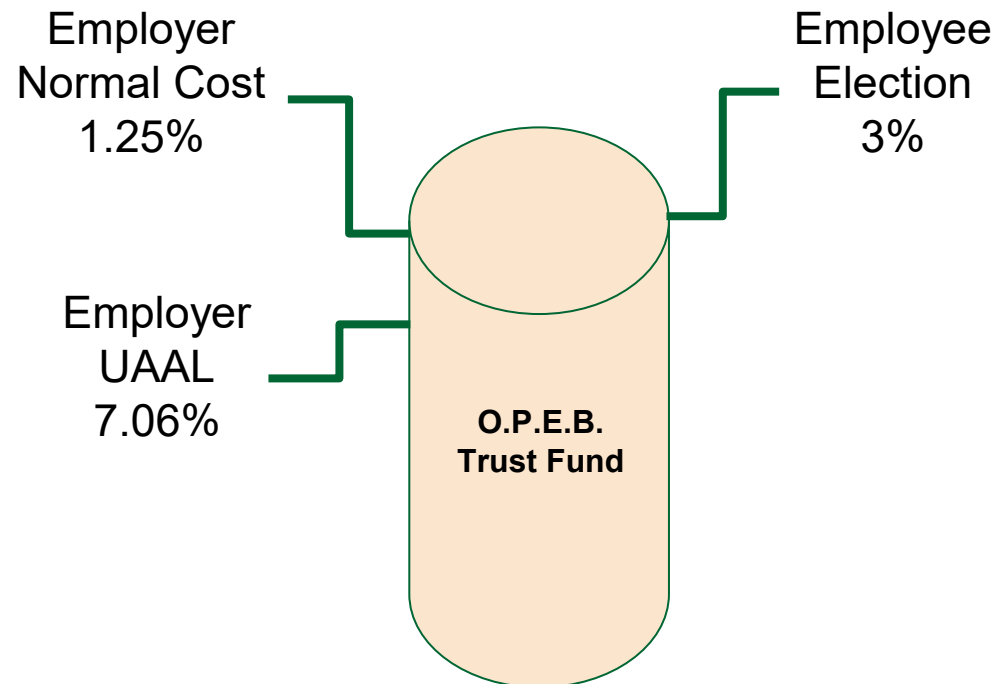
\$202 million - employee contributions

\$783 million - employer contributions

## FY 2023 Costs

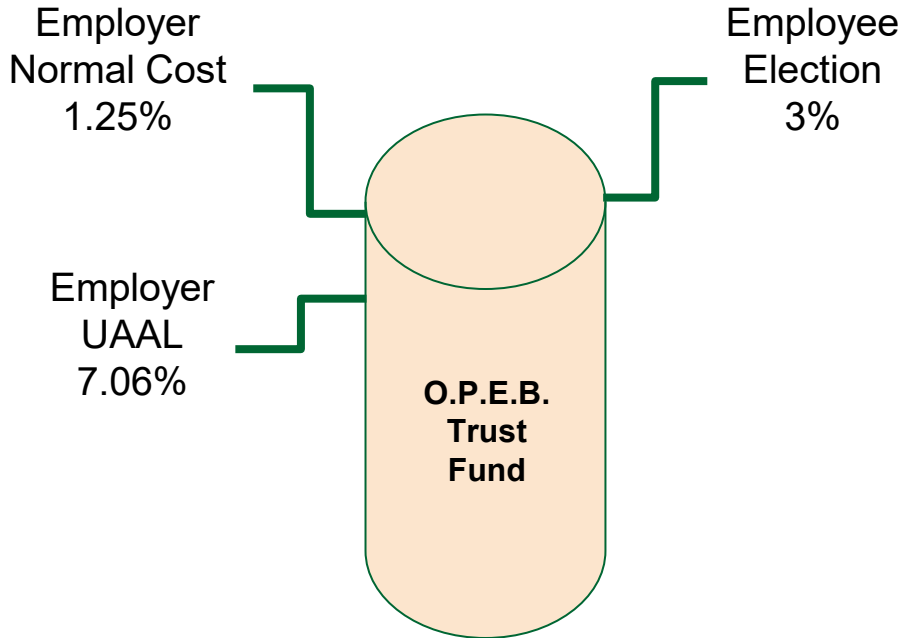
\$671 million claims, insurance & fees

## OPEB Trust Fund Contributions FY 2024

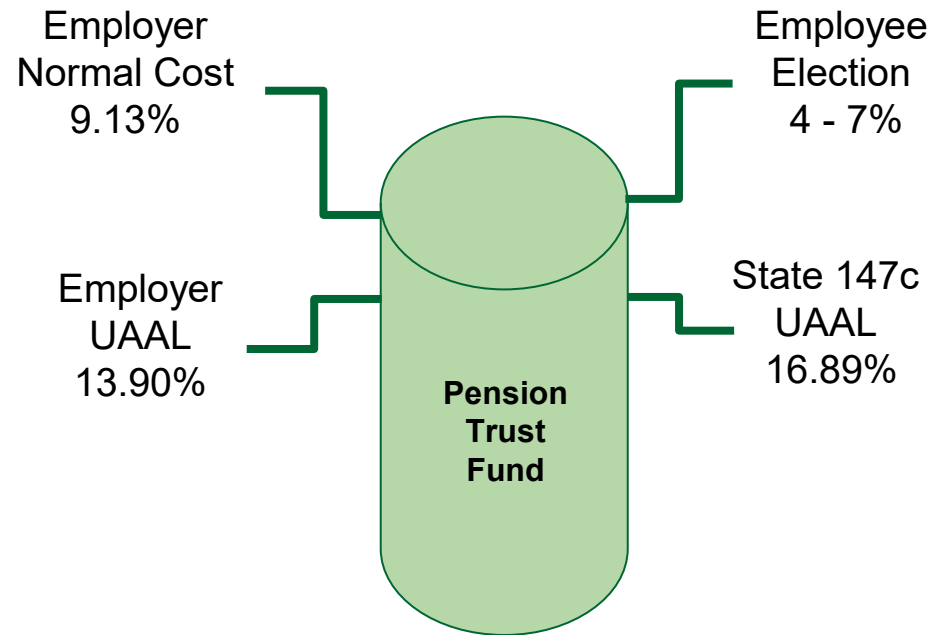


# MPERS Trust Fund Revenue

## OPEB Trust Fund Contributions FY 2024



## Pension Trust Fund Contributions FY 2024

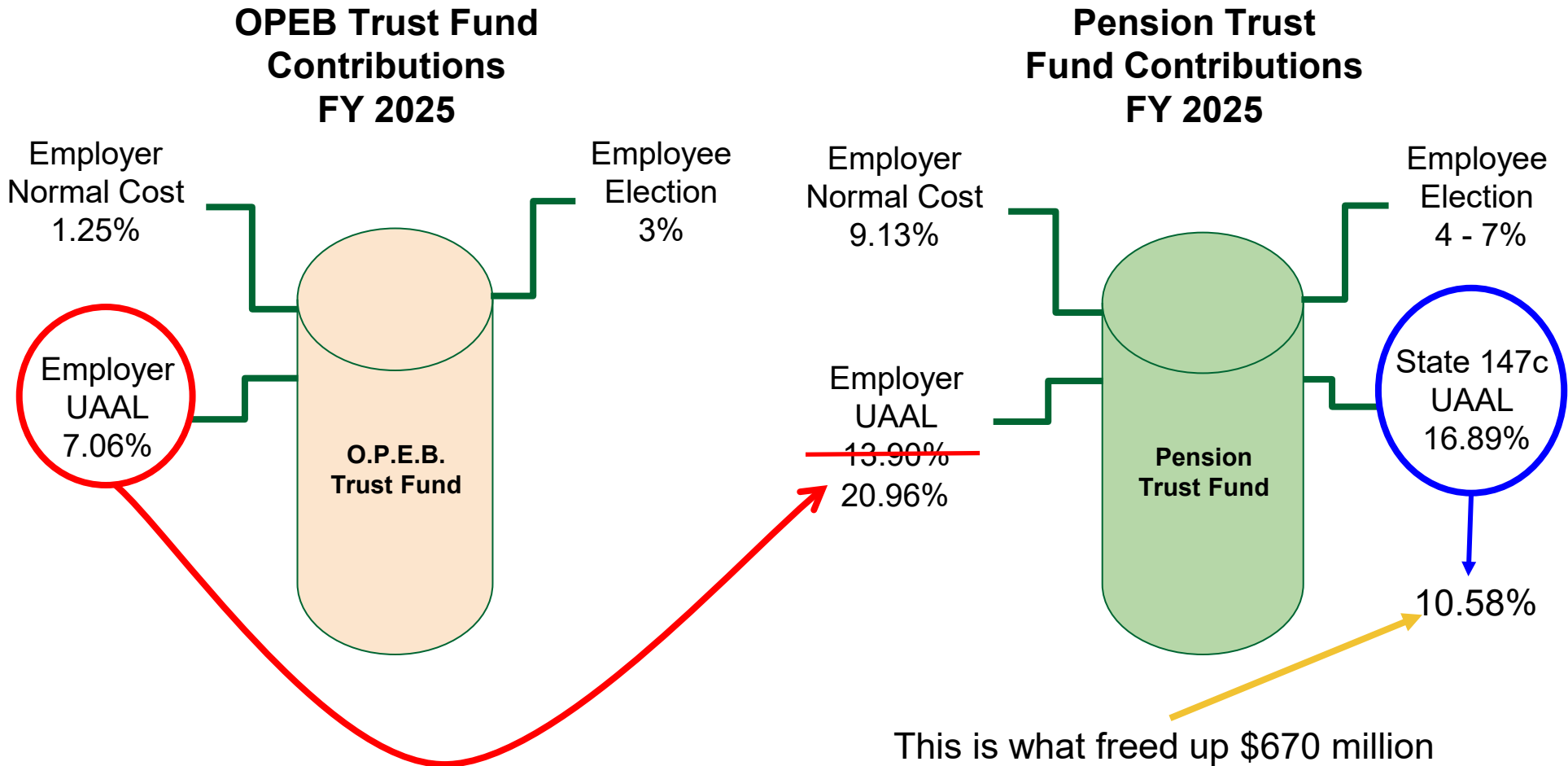


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# FY2025 Budget – MPSEERS Fund Shift

- Original MPSEERS “funding floor” provision added in PA 181 of 2018
  - ❖ Annual payments for unfunded liabilities (pension and retiree health) shall be no less than the prior year until ALL liabilities “fully paid”
- As a result, actual contribution amounts for retiree health were well-above actuarially-determined amounts since FY2020
  - ❖ Pay-off unfunded liabilities much sooner
- Governor asked for state law change to reduce contributions for retiree health component above amount needed for 100% funding
  - ❖ This effectively “frees up” \$670M in FY2025 budget

# FY2025 Budget – MPSEERS Fund Shift



This is what freed up \$670 million

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# FY2025 Budget – MPSERS Numbers

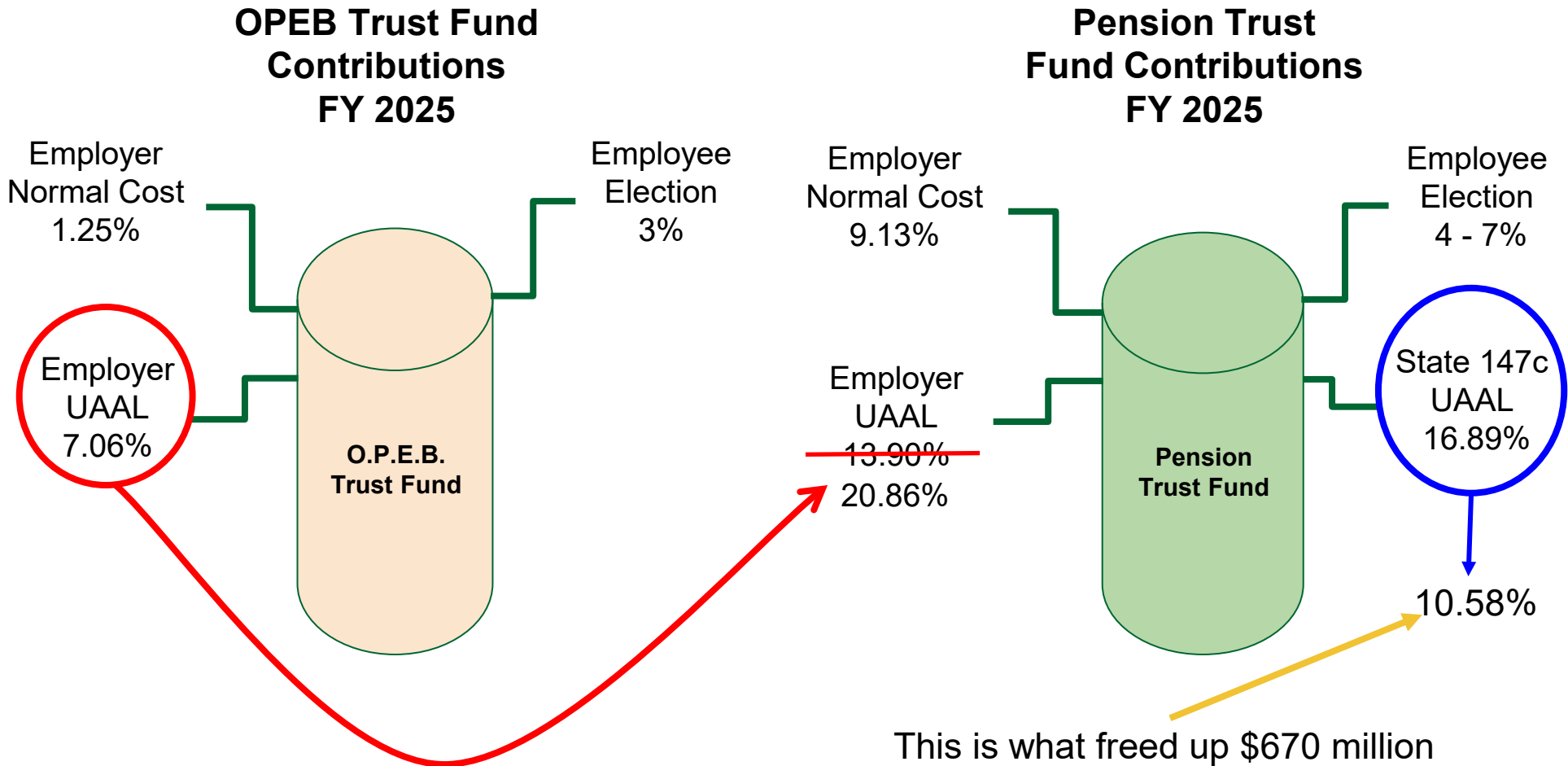
- Maintains \$100 million MPSERS Cost Offset (147a(1))
- Provides \$365.2 million in Normal Cost Offset (147a(2))
- Maintains \$12 million in Normal Cost Offset for ISD's (147a(3))
- Provides \$598.0 million SAF to effectively lower the UAAL contribution cap of 20.96% to 15.21% (147a(4))
- Adds \$118 million for a \$334 million total in the MPSERS Retirement Obligation Reform Reserve Fund (147b)
- Reduces by \$574.1 million the State Share of Unfunded Liability Payments (147c)
- Provides \$181.5 million one-time SAF for districts to reimburse certain employees for their 3% healthcare contribution (147g)

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# FY2025 Budget – MPSEERS Rates

- New rates published October 7, 2024
  - ❖ Effective as of October 3, 2024
- Stabilization rate drops to 10.58% to match Section 147(c) appropriation
- Section 147(g) still happening in FY2025 to provide 3% reimbursement to eligible employees
  - ❖ When?

# FY2025 Budget – MPSEERS Rates



This is what freed up \$670 million

# FY2025 Budget – MPERS Rates

MPERS Retirement Rates for FY2025								
	Basic MIP w/Prem Subsidy	Pension Plus w/Prem Subsidy	Pension Plus PHF	Pension Plus to DC w/PHF	Basic/MIP To DC w/ Prem Subsidy	Basic/MIP To DC w/PHF	Basic/ MIP w/PHF	Pension Plus 2 with PHF
<b>Total Rate</b>	<b>41.94%</b>	<b>38.10%</b>	<b>36.85%</b>	<b>31.54%</b>	<b>32.79%</b>	<b>31.54%</b>	<b>40.69%</b>	<b>37.74%</b>
<b>Employer Rate:</b>								
<i>Pension Normal Cost</i>	9.15%	5.31%	5.31%	0.00%	0.00%	0.00%	9.15%	6.20%
<i>Pension UAL</i>	20.86%	20.86%	20.86%	20.86%	20.86%	20.86%	20.86%	20.86%
<b>Pension Total Rate</b>	<b>30.01%</b>	<b>26.17%</b>	<b>26.17%</b>	<b>20.86%</b>	<b>20.86%</b>	<b>20.86%</b>	<b>30.01%</b>	<b>27.06%</b>
<i>Health Normal Cost</i>	1.25%	1.25%	0.00%	0.00%	1.25%	0.00%	0.00%	0.00%
<i>Health UAL</i>	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
<b>Retiree Health Total Rate</b>	<b>1.35%</b>	<b>1.35%</b>	<b>0.10%</b>	<b>0.10%</b>	<b>1.35%</b>	<b>0.10%</b>	<b>0.10%</b>	<b>0.10%</b>
<b>Employer Capped Rate</b>	<b>31.36%</b>	<b>27.52%</b>	<b>26.27%</b>	<b>20.96%</b>	<b>22.21%</b>	<b>20.96%</b>	<b>30.11%</b>	<b>27.16%</b>
<b>Stabilization Rate (State Funded)</b>	<b>10.58%</b>	<b>10.58%</b>	<b>10.58%</b>	<b>10.58%</b>	<b>10.58%</b>	<b>10.58%</b>	<b>10.58%</b>	<b>10.58%</b>
<b>FY2024 Employer Capped Rate</b>	<b>31.34%</b>	<b>27.48%</b>	<b>26.23%</b>	<b>20.96%</b>	<b>22.21%</b>	<b>20.96%</b>	<b>30.09%</b>	<b>27.16%</b>

Same →

← Same

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**For FY2023-24 MPERS Rate was 16.89%**



# FY2025 Budget – MPSEERS 3% Reimburse

- This is complex and patience is essential
- \$181 million based on 2023-24 payroll figures
- Is there enough money to fully reimburse?
- Taxable/Reportable event - MPSEERS deduct?
- No formula for distribution to districts
  - ❖ Requires district-by-district analysis of eligible employees and what their pay rate is for 2024-25
- Money coming to districts in state aid payments beginning in December - later???
- Existing law continues requiring districts to collect the 3% through September 30, 2025
- Develop a communication plan for affected employees

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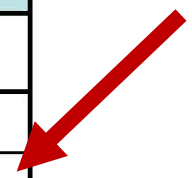
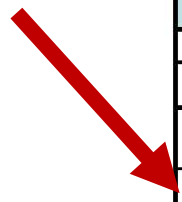
# FY2026 Budget – Planning Ahead

- Beginning October 1, 2025, the maximum liability rate (UAAL rate) is 15.21% of a school district's payroll
  - ❖ Reduced from the current 20.96%
- Beginning October 1, 2025, employees hired prior to September 4, 2012, will no longer be required to pay 3% of their wage for retiree health insurance
- The floor funding provision is removed

# FY2026 Budget – Planning Ahead

**For FY2025-26 Pension Rate will be 15.21%**

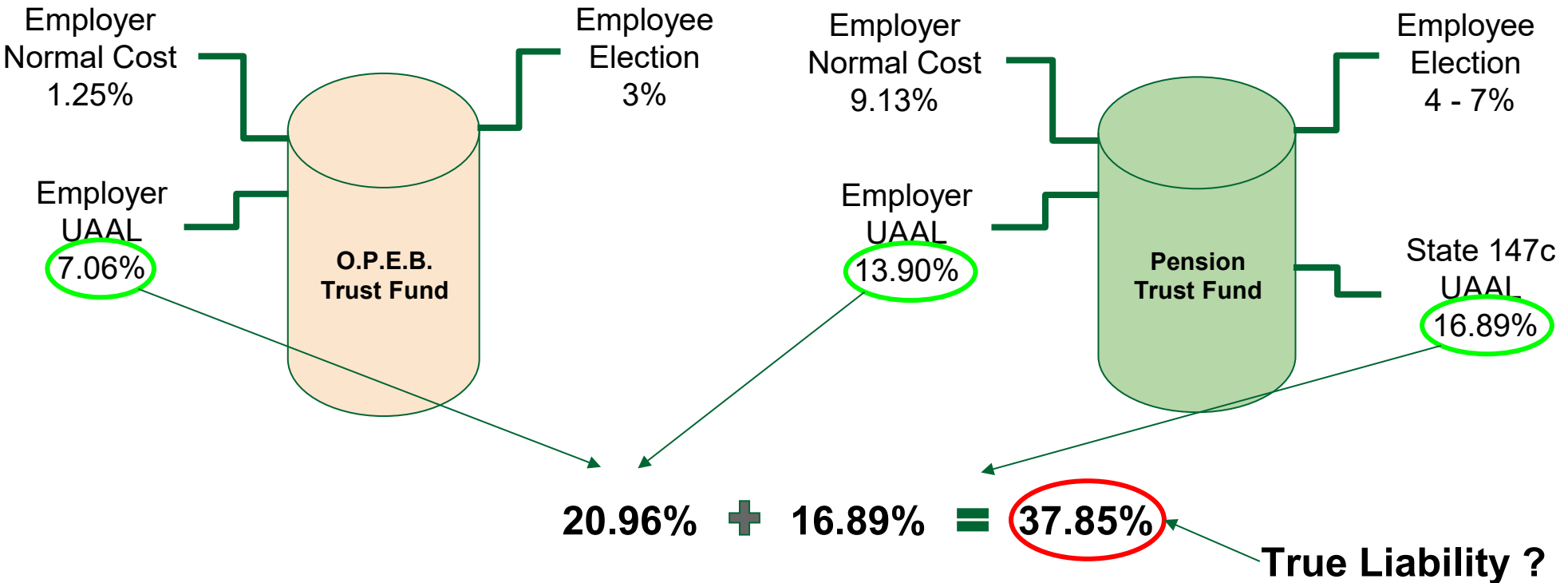
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<i>Health Normal Cost</i>	1.25%	1.25%	0.00%	0.00%	1.25%	0.00%	0.00%	0.00%
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# FY2026 Budget – Planning Ahead

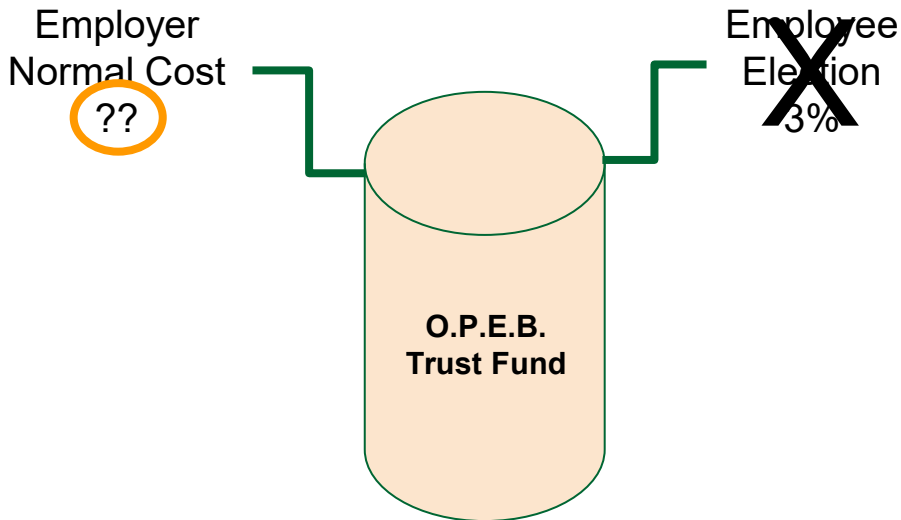
## OPEB Trust Fund Contributions FY 2024

## Pension Trust Fund Contributions FY 2024

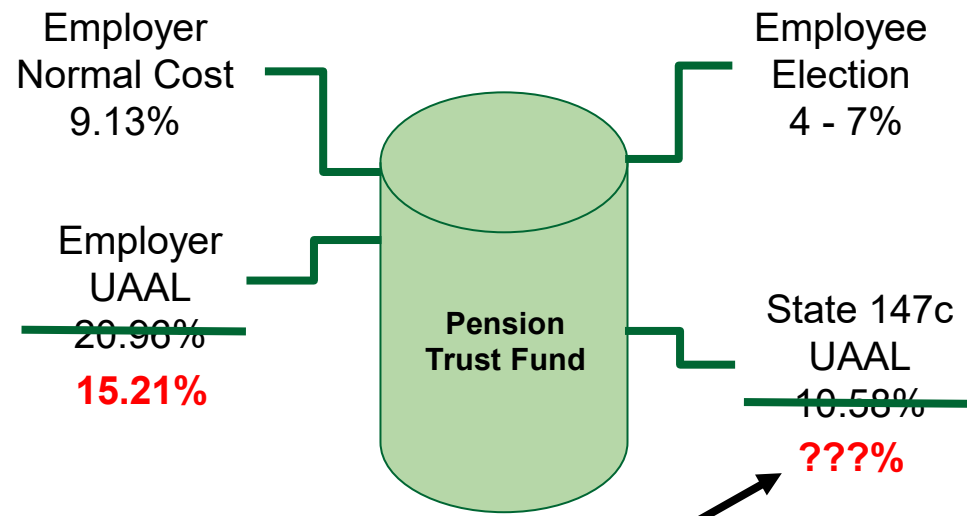


# FY2026 Budget – Planning Ahead

## OPEB Trust Fund Contributions FY 2026



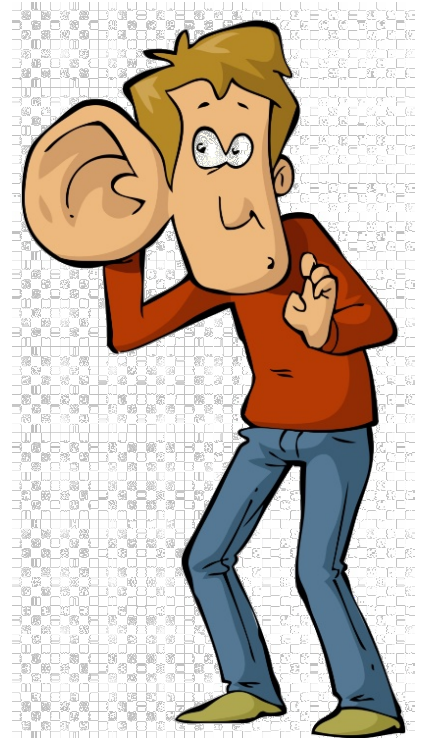
## Pension Trust Fund Contributions FY 2026



Likely a higher number, meaning fewer dollars available in state budget

# FY2026 Budget – Planning Ahead

- Understand your district's payroll
  - ❖ Quantify what 3% means to the budget
  - ❖ Quantify what 5.75% rate reduction means based on payroll costs
- Conversations on 3% reimbursement & urge patience
- Project impact on MOE & other key formulas



# Lame Duck

## ■ Potential Paths for Lame Duck

- ❖ Whirlwind of activity to maximize Democratic Trifecta
- ❖ Chaos and disorder that results in little getting accomplished

## ■ Supplemental Budget Possible

## ■ Economic Development – SOAR

## ■ Minimum Wage Adjustments (Tips)

## ■ Insurance Cost-Share Changes

- ❖ Hard Cap Adjustment or Elimination
- ❖ HB6058 / SB1129 / SB1130 On the Table



# Lame Duck – PA152

## ■ Section 3 – Employer Maximum Amount

- ❖ Original: \$5,000 / \$11,000 / \$15,000
- ❖ Adjusted based on Medical Care CPI

## ■ Section 4 – 80/20 Cost Share (Employer 80% Max)

## ■ HB6058 Resets Maximum Amounts

- ❖ Proposed: \$8,258 / \$17,271 / \$22,523
- ❖ Single and Family Amounts Adjusted by Medical Care CPI **or** 3%, whichever is greater.
- ❖ Single+1 Adjusted by scaled Multiplier of Single Amt.
- ❖ Employer may Bargain amount over Max on Annual Scale Percentage (1% to 5% over 5 Years)
- ❖ Must be Concurred by Each Bargaining Unit
- ❖ Changes 80% from Ceiling to Floor



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# Lame Duck – PA152

- SB1129 Increases Hard Cap Annually by .3 %
  - 2025 – 80.3%
  - 2026 – 80.6%
  - 2027 – 80.9%
  - 2028 – 81.2%
  - 2029 – 81.5%
- SB1130 Makes Same Changes to Section 3 that are included in HB6058
- HB6136 is FULL REPEAL of Publicly Funded Health Insurance Contribution Act
- HB6137-HB6142 Remove References to Publicly Funded Health Insurance Contribution Act

# Lame Duck – Policy Bills

- Keep MI Kids Tobacco Free
  - ❖ [HB6002-6005, HB6022, SB647-654](#)
- Charter School Transparency
  - ❖ [HB5231-5234, HB5269, SB943-947](#)
- Teacher Licensing Examination
  - ❖ [SB354](#)
- MMC Course Labels
  - ❖ [HB5735](#)
- FAFSA Completion
  - ❖ [SB463](#)
- Work Permits
  - ❖ [SB964/HB5594](#)



# Lame Duck – Policy Bills

- Civil Procedure - CSC statute of limitations
  - ❖ **HB4485**
- Torts – Governmental immunity
  - ❖ **HB4486**
- Kindergarten mandatory attendance
  - ❖ **SB285**
- CTE Millage Language
  - ❖ **HB4279**
- Dark Store Property Tax
  - ❖ **HB5865-5867**
- Defined Benefit Plan
  - ❖ **HB6060**



# Lame Duck – Policy Bills – Safety

- School Safety & Mental Health Commission – [HB4089](#)
- OK2Say program tips notification – [HB4092](#)
- Standardized Response Terminology Plan – [HB4095](#)
- Requires department to establish SRTP– [HB4096](#)
- Requires Behavioral Threat Assessment and Management Teams in schools – [HB5549](#)
- Firearm Safe Storage Information – [HB5450](#)
- District distribution of Firearm Safe Storage Information to parents – [HB5451](#)



# What is Next?

## ■ Budget Priorities

- ❖ Since 2010, Michigan has shifted a total of \$6.8 billion from the School Aid Fund to higher education.
- ❖ Equitable Funding – Areas of Need

## ■ Tax Policy

- ❖ Gas Tax
- ❖ Income Tax

## ■ Economic Development

## ■ MI a likely proving ground for 2026 & 2028 Elections





Calhoun Intermediate  
School District

# MSBO ISD Committee

Legislative Update

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