

MSBO Update 12/18/25 (ISD) & 12/19/25 (School Finance)

November ISD meeting: We had great participation at Ferris State University. See the ISD Committee page for model internship documents, information on Ferris State University internship program, and Ferris faculty contact information.

December MSBO updates:

Navigating Grants Webinar series wrapped on Tuesday, December 16, 2025. You can take advantage of recorded content through January 13, 2026. We are interested in your feedback regarding content and timing. Presenters were strong but our registration numbers were down this year.

Leadership Dimensions met earlier this week and heard from some dynamic speakers. This is an invitation-only meeting held several times during the year with the board of directors, committee chairs, and regional presidents. We're really proud of how year 2 of this new program is shaping up.

Looking into the new year:

Financial Strategies January 21 & 22, 2026 (Wed/Th). Agenda includes new state superintendent Dr. Glenn Mayleko. Early bird pricing ends January 7, so we encourage you to sign up now before the holiday rush.

The January CREC will be held Friday January 16, 2026. MSBO will host a joint committee meeting at 12:30 PM featuring Senate Fiscal Agency K-12 expert Ryan Bergan.

MSBO Annual Conference registration will open in early February 2026.

We've talked about a calendar work group, and I'd like to convene a group in January 2026. If you're interested in being a part of it, please reach out to me or Mark.

Qualifying statements due December 31, 2025 – don't miss it. It is advised to work with your district's financial advisor to make sure information is accurate and timely.

Legislative & current issues:

Sec. 31aa – See the School Finance Committee meeting on December 19, 2025 for more detail. Matt Schueller from MASA will give the legislative update on Friday during the School Finance Committee meeting. Focus is the court ruling against districts on this issue. Useful links:

[MASA Update email to members](#)

[Miller Johnson Dec 19 court case announcement](#)

State Aid burning questions:

Sec. 27L(2) - payments are showing up in December 2025 state aid status report. See ORS newsletter below for “reportable compensation” opinion. MDE’s planned State School Aid Update for Dec 2025 is below:

SECTION 27L EDUCATOR COMPENSATION

Section 27L of the State School Aid Act for fiscal year 2026 appropriates funds to increase educator compensation and offset retiree health benefit costs. The funds to offset retiree health benefit costs were distributed to districts in the November State Aid payment. The educator compensation portion of Section 27L was awaiting State Budget Office action. The State Budget Director issued a lapse directive of the 27k student loan reimbursement grant appropriation on November 4, and the funds to increase educator compensation are set for distribution in the December State Aid payment. While the statute obligates districts to bargain any compensation increases with labor unions who represent employees, we do not interpret the language of 27L(2) to limit compensation increases only to collectively bargained employees. The statutory language is broad and does not specify methods for increasing compensation, such as dedicating it all to salary increases. For ORS reporting information of this compensation, please review [MPERS Employer News – December 2025](#). Questions regarding employer taxes and other benefit costs should be referred to districts' legal counsel. Additional questions regarding this program and funding should be directed to MDE-EdWorkforceGrants@michigan.gov.

Other State Aid issues (potpourri):

Sec. 35m Early Literacy PD – I’ve been told you need to update Nexsys application to match final spending. Amendment due 12/19/25 at 5 pm. Amend the grant budget to actual expenditures, function and object codes, by today at 5pm. You may have to ask them to reopen the grant.

Sec. 27h Mentoring – a lot of questions around why were districts rejected?

Sec. 41 adjustments may be coming – heads up if you receive this grant.

Single Audits for FYE 6/30/2025:

December 25, 2025 is the extended deadline allowed under this year’s budget deal due to the federal delay in issuing the Compliance Supplement. This was included in “Other Important Information” in both this and last week’s MDE Weekly Communications:

2025 Federal Compliance Supplement Released

On November 25, 2025, the federal Office of Management and Budget released the 2025 Compliance Supplement, which establishes the legislatively required due date for Single Audits to the department on or before **December 25, 2025**.

Single Audits are to be submitted to MDE-FinAudit@Michigan.gov. Questions regarding the submission of Single Audits may be directed to MDE-OFM@Michigan.gov.

This is a follow-up notification from the [October 9, 2025, memo](#) regarding the fiscal year 2025 federal Office of Management and Budget Compliance Supplement.

Links to December 2025 updates:

[CEPI Announcements Dec 18, 2025](#)

[MPERS Employer News – December 2025](#)

“Bonus” content not covered during 12/19/25 meeting...

Overtime Rules:

A new requirement in the recent federal budget bill relates to “no tax on overtime.” The Government Finance Officers Association (GFOA) does excellent work - especially on technical issues - and puts out some helpful publications. Here’s a FAQ on the overtime issue.

<https://www.gfoa.org/no-tax-on-overtime-faqs>

Legislative Update – House Appropriations issue (courtesy of Dan Behm, West MI Education Advocates):

Even I have to say I was taken by surprise by the House vote this week to eliminate \$644 million in previously approved state funding. We have talked about this as Tim and I and others have lived through these *pull-the-rug-out-from-under-you* moments. And here is an example. Thanks to Dan for being on top of all this. Dan refers to two attachments which I’ve attached to this email.

While Wednesday brought with it enough snow to close hundreds of Michigan school districts, the Michigan House of Representatives was busy preparing an unprecedented action that has rocked the state capitol in the subsequent 48 hours and will reverberate throughout the 2026 election year. House Speaker Matt Hall dusted off an unused provision of the Management & Budget Act of 1984 to wipe out \$644 million worth of previously approved state spending. When I first heard of this, I immediately thought there must be a mistake. One chamber cannot claw back prior appropriations signed into law without also gaining the approval of the other chamber and the

governor. How wrong I and most other Lansing observers were. We need to unpack a little bit of detail here, so bear with me...

Most state appropriations, such as the foundation allowance, are authorized for one fiscal year and then they expire. However, some appropriations approved by the legislature are called "work projects," and funding is allocated to recipients who can spend the money over several years. For example, the West Michigan Teacher Collaborative receives funding through a work project for several years as it takes teacher candidates several years to complete their degree and earn certification. According to law, the State Budget Director is required to provide an annual report to the Appropriations Committees of both chambers as to the status of these multi-year spending projects. If the budget director has evidence that a recipient is not using the funds as agreed to, one or both of these committees can vote to disallow further disbursement of funds. This has happened a few times over the past four decades.

On Wednesday, the House Appropriations Committee took the unprecedented action to disallow over \$640 million of on-going work projects, not because of any allegation of malfeasance, but due to what Matt Hall described as "waste, fraud, and abuse." In short, he did not like this spending that was approved in FY 2025, the year prior to him becoming Speaker. These cuts affect hundreds of projects (see attached list). Things such as funding for children in Flint affected by lead-poisoned water, funding for therapy for child victims of sexual assault, funding for Meals on Wheels of West Michigan to replace a kitchen that dates back to 1937 so that they can meet increased demand from senior citizens experiencing food insecurity, and even \$2 million in funding for the West Michigan Teacher Collaborative. Matt Hall and House Republicans said that they cut these work projects because they represented "waste, fraud, and abuse." Matt Hall ordered his chair of the Appropriations Committee, Ann Bollin, to recess the committee meeting for seven hours so he could cajole behind closed doors the other republicans on the committee to take this action and cut these programs.

In the wake of this unprecedented political action, Lansing is reeling with disbelief, confusion, and anger. In fact, republicans in both chambers are upset that they were unaware of this plan and that only the handful of members of the Appropriations Committee were needed to wipe out these programs. Lobbyists representing every sector of the economy are in disbelief thinking they had helped a client secure funding in the summer of 2024 with scrutiny and votes from both chambers and the governor's signature only to now learn that their project is gone in an instant. Many of these entities have contracts with various departments of the State of Michigan, and legal challenges will surely result from the actions of the Appropriations Committee. The state will need to defend these suits in court, and hundreds of thousands of taxpayer dollars will go to these cases.

Matt Hall is saying today that the House will reexamine some of these cuts and possibly restore them in a supplemental budget. But this is wasteful. Consider the Meals on Wheels program. They received state funding to remodel their 1937 main kitchen. This remodel has to take place in the summer because Meals on Wheels will need to use the main kitchen of a public school to prepare meals while school is not in session for several weeks. Their food service equipment must be ordered in January to arrive in time for the summer remodel. Well, now they cannot order the equipment as their funding was cut. Matt Hall says any restored funding has to go through a 45-day inspection prior to votes in the legislature. That will be too late for the project to go forward this summer. If restored, their project will have to wait until the summer of 2027, with undoubtedly higher construction costs. This is government waste.

I have attached two documents. One document outlines the authority of the House Appropriations Committee to make the cuts and a list of the cuts. The second document lists the dozens of community enhancement grants bundled under the Department of Labor and Economic Opportunity (LEO).

This is a dynamic issue that will spill over into 2026 with unknown effects. Stay tuned.