Section 147g 3% Health Care Reimbursement Updates

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FY25 – The Infamous 147's…

- **Section 147a(4) – (another) MPSERS Cost Offset**
- **Section 147c(2) – (another) one-time(?) MPSERS UAAL Distribution**
- **Section 147g – "3% Reimbursement" (what to know now)**

Section 147a(4) – (another) MPSERS Cost Offset

- Similar to “regular” 147a – districts keep funds but to reduce UAAL costs (= extra funding)
- Paid in 1/11ths beginning in November based on prior year payroll
  - Full year amount known in November, began as normal
- Difference is “intent” language:

  “It is the intent of the legislature that the allocation under this subsection be used to support student mental health, school safety, the educator workforce, and academic interventions.”

- Revenue: Major Class 312, Suffix 0000
- Expenditures: Grant Code not required (similar to “regular” Section 147a, but consider intent language)
  - Consider keeping brief record of how your spending aligns with this

Section 147c(2) – (another) one-time(?) MPSERS UAAL Distribution

- $250m for payments to ORS (to districts, who then pay ORS)
  - Similar to past $1b “one-time” 147c(2) requiring separate accounting, but lesser amount and no “one-time” language
- Paid in 1/11ths beginning in November based on prior year payroll
  - Full year amount known in November, began as normal

- **Accounting: Handle 147c(2) the exact same as 147c(1)**
- Revenue: Major Class 312, Suffix 0000
- Expenditures: Grant Code NOT required this year (unlike FY23)

Section 147g – 3% Health Care Reimbursement

- Reimbursement to eligible employees part of MPSERS plan paying 3% "Premium Subsidy Healthcare Benefit"
  - Paid to districts via State Aid beginning in February 2025
  - To be paid to employees by districts
- Current language: Paid in 1/11^{ths} based on prior year payroll
  - Full year amount known in February since prior year payroll used, initially planned to begin in November
  - Concerns on "prior year 3%" applying to "current year 3%" employees
  - MDE and ORS delayed as discussions around a "technical fix" to the language took place
- Potential supplemental or technical correction in "lame duck" to change this categorical to use CY payroll did not occur

Section 147g – Timeline & Details

- Technical fix still expected via 2025 School Aid supplemental, but timing TBD. Ideal timing before districts' year end
- Inclusion of 147g allocations (based on PY payroll) to begin in February State Aid payments to encourage districts to begin reimbursing eligible employees while we wait on a fix
  - Amounts received will not be an exact match of 3% due to employees
  - For now, districts are advised to reimburse employees their actual 3% contributions
  - Revenue and employee reimbursements to be based on **State fiscal year**

- Districts continue to withhold the 3% from employee pay
- 147g State Aid revenue is then used to reimburse employees
- 147g revenue and employee reimbursements (expenditures) will net to zero (involving both revenue and expenditure reporting)

Section 147g – Accounting Guidance

- **Funds**: Ideally, revenue and expenditures intended to be spread across employees generating the revenue and receiving reimbursement
- **Revenue**:
  - **Major Class Code**: 312 – Restricted State Revenue
  - **Suffix Code**: 0000 – No specific program
- **Expenditures**:
  - **Function**: Spread across appropriate employees' Functions
  - **Object Code**: 2820 – Retirement Benefits*

  **Flexibility exists to use alternatives like 1790 – Other Special Salary Payments and 2990 – Other Employee Benefits if needed due to unique nature of 147g expenditures (payments going to employees, taxability implications, etc.)*

  - **Grant Code**: not required, though you may use the MPSERS Grant Code (208x), along with a fourth digit, or the "Other" coding dimension, for internal tracking purposes if needed

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FY25 Section 147's – Reiterating Accounting Expectations

- All sections/subsections – record revenue as Major Class 312, Suffix 0000
  - This is restricted revenue for the purposes of MPSERS activity
- Typically, restricted revenues require the use of Grant Codes on the expenditure side.
- However, since 2012 (aside from one-time $1b 147c(2) in FY23), no Grant Code has been required on the expenditure side of Section 147's
  - Separate Grant Codes do exist for "general" Section 147 and 147c(2) – you're welcome to use those for **optional, internal tracking purposes**, but MDE does not use or expect that data from you.
    - Section 147 Grant Code 202
    - Section 147c(2)* Grant Code 263

      *"MPSERS One-Time Deposit (required for FY23 appropriation but may optionally be used for FY25 appropriation at district discretion)"

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Section 147g – The "What-Ifs"

- If the technical fix occurs as expected (changes calculation to current year payroll and no other surprises) **BEFORE** districts' FY25 year end:
  - Section 147g would likely move to a **quarterly** payment schedule using actual, current year payroll data from ORS
    - Similar to 147e: February, May, August, November*

      *November 2025 would be past FY25 revenue recognition period = potential balance sheet and timing implications
    - Accounting implications and changes to guidance will be published at this time, if necessary.
- If the technical fix occurs as expected (changes calculation to current year payroll and no other surprises) **AFTER** districts' FY25 year end:
  - Potentially more complex accounting and balance sheet implications to be covered at that time.

MDE and ORS are closely watching the status of this technical fix and will communicate updates as they become available.

Section 147g – Select FAQs

- Are we guaranteed to receive exactly enough to reimburse employees their 3% contributions?
  - Existing language appropriates $181.5m, proportionate amount available to all MPSERS reporting units
  - Existing appropriation used older FY25 payroll projection
  - If technical fix changes to current year payroll, actual total amount may still be different, another supplemental to increase appropriation?
- What timeframe are we reimbursing employees' contributions for?
  - The FY25 State fiscal year: October 1, 2024 – September 30, 2025.
- Are 147g reimbursements reportable to ORS for retirement purposes?
  - Reimbursements are not reportable on Detail 2 (DTL2) records, but are reportable on Detail 4 (DTL4) records only for members active in FY25.

Section 147g – Select FAQs (cont.)

- When are we required to start reimbursing employees, and how often?
  - Section 147g is silent on any reimbursement timeline. Some districts began already (before 147g was included in State Aid), others are waiting to begin receiving it and are paying on various schedules (each payroll, monthly, quarterly, etc.)
- Is Section 147g taxable income to employees? Is it subject to employer taxes?
  - Per ORS FAQ #16, the initial 3% contributions made by employees were excluded from gross income and not taxed. Therefore, 147g reimbursements are considered taxable income. MDE and ORS advise districts to refer to their auditor or other tax advisors for guidance on employer tax treatment.
- Where do I go with more questions and updates on 147g?
  - Bookmark and watch for updates in ORS' 147g FAQ webpage, ORS newsletters, monthly State School Aid Updates, and MSBO listserv emails.

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Questions?

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