Topics to Discuss

- Political Dynamics & Washington
- Economy, Revenue & Budget
- Road Funding & Schools
- Retiree Return to Work/Critical Shortage
- Teacher Workforce Trends
Divided Government
Divided Government
• In Michigan, for the first time in 8 years we have divided government in our state.

• Despite early commitments to work together, there were considerable growing pains this past year.

• Increasing factions within political parties makes it challenging for leadership to build consensus.

• Politics and politicians are a reflection of people and it will get worse before it gets better.
Trust in Government

% who trust the govt in Washington always or most of the time

Moving average  Individual polls
Presidential Election Implications

• Presidential elections drive state and local elections.

• Michigan will be a key battleground state and thus we will see a lot of traffic from President Trump and the Democratic nominee.

• More states (including Michigan) have adopted no-reason absentee voting so turnouts will increase.

• Suburban voters will determine whether or not the state House flips control from Republican to Democrat. Rural and urban areas will run up vote totals for seats that are not politically competitive.
Washington’s Impact on Michigan

- How will the United States-Mexico-Canada Agreement (USMCA) impact trade as it is implemented?
  - What does it mean for agriculture and automobile production in Michigan?
  - How do the other trade wars impact production for our economy?

- Fiscal 2020 budget from federal government provides modest increases in spending relative to 2019.
  - Important to note the federal budget lags one-year before appropriations hit state budgets.
  - $1.2 billion increase over prior FY 19 budget.
Important Timelines

• State of the State Address by the Governor will take place on January 29.

• Governor Whitmer will release her executive budget recommendation on February 6.

• The legislature passed a law that requires the budget to be presented to the Governor by July 1.
Michigan Job Openings vs. Unemployed Persons

RSQE: January 2020
Pot and Sports Gambling, What could go wrong?

- Senate Fiscal Agency projects the state will collect $78 million in recreational marijuana sales from now until October. **$57.2 million will go to the School Aid Fund.**

- By 2022 marijuana could generate $122 million in sales tax - $83 million going to the SAF.

- Sports gambling is projected to bring in anywhere from $15 million to $50 million depending on betting habits of Michiganders.
Online Sales Tax

- Sales tax collections are also expected to increase because of a 2018 decision by the U.S. Supreme Court that made it easier for Michigan to collect out-of-state retailers such as Amazon.

- That decision and recent changes in state law should help the state collect $292.5 million in additional sales tax revenue this year, including $214.5 million for the School Aid Fund, according to the Senate agency.
Looking Ahead to the Budget

- The economy is still growing and outpaced expectations, thus revenues were adjusted upwards for FY 19, FY 20 and FY 21.

- Increased revenues and lapsed funds due to vetoes means a healthy starting point for FY 21 budget discussions. In total, the state of Michigan is sitting on $897 million between GF and SAF.
  - According to the Senate Fiscal Agency, there is $555.7 million in SAF to be spent on FY 21 budget.

- Despite a positive starting balance, there are GF pressures that will consume portions of those funds.
## RSQE Forecast – State Revenues by Fiscal Year

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<th>Actual 2019 (^P)</th>
<th>Forecast</th>
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<td></td>
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<td>2020</td>
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<td>GFGP revenue</td>
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<tr>
<td>SAF revenue</td>
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<td>(% change)</td>
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\(^P\) Preliminary
• Continued push for a more equitable school funding system in Michigan.
  • Resources will likely go towards student populations who require more support.

• MPSERS retirement contributions will continue to rise.
  • How will normal rates and the UAAL cap be impacted? Impact of reducing payroll growth assumptions and lowering assumed rates of return.
  • Will the legislature continue to cover employee match (3%) in DC system?

• Pupil enrollment will continue to decline.
  • But “non-traditional” enrollment pockets show signs of growth.
Michigan continues to face declining enrollment and will do so for the foreseeable future.
MPSERS Cost Projections

FY 18-20

$1.6 billion in increased costs over next 8 years.
Retiree Return to Work

- Critical shortage law is broken and becoming more cumbersome.

- Set to expire in July of 2021 and treats retirees differently depending on occupation and retirement date.

- Because you can only be on the critical shortage list for 3 years many employees are exhausting their time and want to continue to still work.

- Right now there are over 300 job postings on the MASA website. This number doesn’t even include short-term substitute teachers and bus drivers.
Retiree Return to Work

- Conversations are taking place between the field and ORS to relook at how the law works.

- Looking to streamline the entire system.

- A single ruleset that applies equally to all retirees no matter when they retired or who they will work for.
  - Anyone working under a current provision wouldn’t be impacted until current law sunsets.

- Employers will pay the UAAL or a “retiree return to work rate.”
  - The retirement system would be made whole and (ideally) an individual could come back to work after sitting out one month.
Over $800 million in sales tax was collected on gas this past year.
• Getting anything meaningful done in an election year is highly unlikely.

• Distribution of revenues for roads is also highly political.

• Desire by legislative leaders to have all money paid at the pump to roads. How will you replace the school revenue?

• More likely scenario is a ballot proposal. Will we see another Proposal A type strategy where voters must pick their poison/medicine?
Enrollment in Teacher Preparation Programs has declined 66% since 2008.
Initial certifications for teachers have plummeted as a result.
Average teacher salary is above the national average.
Yet starting teacher salary is well below national average.
Michigan had an 11.52% decline in average teacher pay from 2000-2017.
Teacher Workforce Trends

Average weekly wages of public school teachers, other college graduates, and all workers, 1979–2015 (2015 dollars)
Questions?
Thank You!

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