LegislativeUpdate

Michigan Association of School Administrators | January 19, 2018

In this update:

- Summary
- MPSERS 3% Update
- House Narrowly Passes Regional Enhancement Millage Bill
- Senate Committee Reports Career Development Bills
- House Takes Up Enhanced Education Savings Program Bills
- Department of Education News and Bulletins

Summary

We witnessed a historic week in Lansing. The House and Senate voted to override a gubernatorial veto for the first time since 2002. The decision will speed up the phaseout of applying the sales tax to the value of a trade-in vehicle for a new one.

This action was not anticipated, but is certainly timely with the North American International Auto Show opening this weekend. The move was opposed by MASA due to the financial blow to the School Aid Fund.

Secondly, as anticipated both Senate and House Republicans moved to revise the personal tax exemption this week. The Senate's version of the bill will increase the personal exemption to $5,000 and was amended to hold the state's School Aid Fund harmless. On the House side, their bill would increase the personal exemption to $4,800 by 2020 and introduces a $100 exemption for all individuals 62 and older. Both pieces of legislation are significantly more than what the Governor has proposed, and will cost the General and School Aid funds over $230 million in the next fiscal year, with increases every year after that.

MASA's Midwinter Conference is next week and there are a number of terrific presentations you won't want to miss, including a federal update from AASA. You can review the complete agenda here. If you haven't yet done so, it's not too late to register. We hope to see you there!

As always, please contact MASA with any questions or concerns.

MPSERS 3% Update

The developing story continues concerning the refund from the MPSERS lawsuit. It's been reported to us that on January 18 attorneys for Plaintiffs and the Attorney General participated in a conference call with Court of Claims Judge Steven Borrello to discuss the process for refunding the 3%.

We received confirmation that the money will be sent to school districts on Monday, January 22. Distribution to employees and retirees will be determined at the local level, and individuals who are due a refund should check with their district of employment for details on that disbursement.

A few other details for consideration:

- The money held in escrow, to be sent to the districts for distribution, is for the period of July 1, 2010 - September 4, 2012; the end date is when the 2012 law took effect.
- For those who opted out of paying the 3% under the 2012 law, money taken after September 4, 2012, has already been returned by deposit in the employee's 403b account.
- For those who opted in to paying the 3%, any money taken out after September 4, 2012, goes toward retiree health care.
- If retiree health care is not available upon retirement, contributions paid by choice under the 2012 law will be returned.

There is interest from both parties and the judge in a speedy return to individuals, but undoubtedly there will be issues that may require a process for resolution of disputes. That process is yet to be developed and the parties in the lawsuit are set to meet again on February 5.

As more information is made available, we'll make sure we pass it along.

House Narrowly Passes Regional Enhancement Millage Bill

Yesterday the House passed SB 574, legislation that allows for charter schools to benefit from regional enhancement millages. Supporters of this legislation have argued that this an issue of fairness. Most charter schools do not pay into MPSERS or provide certain services such as transportation, athletics or high school classes, resulting in lower costs of operation. A number of failed floor

amendments from the Democrats aimed to exclude for-profit charters, grant state oversight or make PSA operators subject to FOIA requests.
There were two amendments adopted on the House floor. The first specifies that cyber schools would also be eligible to receive millage dollars, as long as at least 100% of their enrolled students live within the district and their administrative office is located in the ISD. The was revised from the version initially reported out of committee with an 80% threshold.

The bill was amended further to limit dollars to charter schools that do not have regularly clean audits; at this time it's not clear how many schools that will impact.

The bill now is sent back to the Senate to approve the House changes. MASA has been opposed to this legislation since its introduction and worked with stakeholders in the education community to lobby actively against the bill. In the end, the vote was 55-52 and we thank all the members who reached out on our behalf to make the case for opposing the legislation.

Senate Committee Reports Career Development Bills

The Senate Economic Development and International Investment Committee continued testimony on a package of bills that imposes career development mandates. As we shared last week, SB 684 and SB 685 introduce a number of mandates for school improvement and educational development plans. The two weeks of testimony on these bills included the Michigan Department of Education (MDE), which is in favor of these bills and officials there worked with the Department of Talent and Economic Development (TED) on their content. MDE testified that a number of these additional requirements are already available and implemented in schools and thus not an unfunded mandate–a point that MASA refutes.

Amendments were added to both bills to extend their effective date to 180 days rather than the initial 90 in order to give schools additional time to receive and implement these changes. Additionally, another amendment was added to require MDE and TED to create a model of the talent portfolio that is outlined in the legislation.

Despite these changes, MASA remains opposed to these bills. Without additional funding to support the mandates the legislation requires, it will be increasingly difficult for all schools to comply. The committee chair and bill sponsor Sen. Ken Horn (R-Frankenmuth) has advocated that it's the legislature's time to act on narrowing the talent gap and that these bills are the first step. He also acknowledged the need for additional funding for his position and indicated he plans to push for dollars during the upcoming budget debates. We anticipate the debate to continue in the House and through the budget process.

House Takes Up Enhanced Education Savings Program Bills

The House Education Reform Committee heard testimony Thursday on the Enhanced Education Savings Program Bills (E-MESP). As reported in previous updates, SBs 544-549 expand the E-MESP to allow for tax-free accounts to pay for non-core educational expenses including extracurricular activities at public K-12 schools and some private institutions.

Sen. Patrick Colbeck (R-Canton Township) is the primary sponsor of the bills and testified before the House Committee that this legislation will empower parents and will enable additional dollars into the school system.

Chairman Kelly introduced another bill to accompany the Senate package, HB 5428. This bill would allow for the tax deductions for E-MESP contributions. The Senate version of this legislation was not acted upon with the rest of the package last year. Without the tax deductions, the bills only set up savings accounts with no tax incentive for investment.

MASA remains opposed to this legislation. We believe the unknown costs to be very worrisome, but even more so would be the effect on school finance. The legislation effectively removes the legislature of onus for school funding and passes it along to parents and private sector businesses. This has the potential to further the gap between those who can afford extracurriculars and advanced classes and those who cannot. Rather than giving up on adequate funding, MASA urges lawmakers to instead focus on adequately and equitably funding our K-12 schools.

Department of Education News and Bulletins

MEMO #013-18 *Career Pathways Alliance*

We spent a great deal of the last year touring the state, meeting with many of you, and visiting your schools. We have been extremely excited by many of the excellent programs and people in your districts, especially in the career and technical education programs that we've toured.

http://www.michigan.gov/documents/mde/Career_Pathways_Alliance_611332_7.pdf

MEMO #016-18 *Ensuring Timely Access to Federal Formula Funds for New and Significantly Expanding Public School Academies*

Pursuant to federal statute and regulation, the Michigan Department of Education (MDE) is responsible for ensuring that public school academies (PSAs) that open for the first time or significantly expand their enrollment, receive the proportionate amount of federal formula funds to which they are entitled.

http://www.michigan.gov/documents/mde/PSA_120_rule_611340_7.pdf

MEMO #017-18 *Clarification on Early Literacy Grant Codes*

As a part of the State 2017-2018 school aid appropriations (PA 108 of 2017 Sec. 35a and Sec. 104d), the Michigan Department of Education (MDE) released in fall 2017 three (3) grants that are intended to increase student achievement in early literacy.

http://www.michigan.gov/documents/mde/Early_Lit_Code_Clarify_611341_7.pdf

MEMO #018-18 *Accounting Guidance for Section 147c(2) MPSERS One Time Deposit*

Effective October 1, 2017, the legislature amended Section 147c to include a one-time distribution to districts (Section 147c(2)) to pre-pay the final two years of pension liability related to the operation of Section 81b of the Public School Employees Retirement Act (MCL 38.1381b).

http://www.michigan.gov/documents/mde/147c2_Acctg_611343_7.pdf

OTHER IMPORTANT INFORMATION:

Competency-Based Education Pilot Grant

A reminder to the field that the competitive grant application for the Competency-Based Education (C-BE) Pilot Grant (as authorized under Section 21j of the State School Aid Act for 2017-2018) is now open and must be submitted by February 12, 2018.

To assist applicants, technical assistance webinars were conducted on budgeting and services to be offered under this pilot. The sessions were comprised of the Michigan Department of Education (MDE), KnowledgeWorks, and XQ Superschools, who presented on elements of the competitive grant. The webinars and more information can be found on the C-BE web page (http://www.michigan.gov/mde/0,4615,7-140-28753_65803-322532--,00.html).

To provide maximum supports to districts, it is encouraged that available resources and networks are leveraged. Districts are encouraged to collaborate with partners that will allow for additional supports in implementation by providing technical assistance for planning and implementation. Please contact Jeff McNeal at 517-373-6925 with questions.