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Summary

This week in Lansing was all about the money. Yesterday, **the legislature passed a major tax cut proposal**, outlined below. This came ahead of the **May Consensus Revenue Estimating Conference** or “CREC” held this morning. We heard **historically good news from CREC today, but the potential tax cuts could overshadow the revenue forecast**. You can find more on both of those below.

We need your help! The MASA Government Relations team is **gathering data on emergency responder radio coverage systems in schools**. There is pending legislation that may impose new requirements on your district. **Please take a moment to let us know about your facilities using this [survey](#)**. Your information is essential to our advocacy efforts!

Finally, please **check to see if your district is on the list that will be prioritized by the EPA if you apply for rebates to buy electric or cleaner school buses**. The full list can be found [here](#).

As always, please [contact MASA](#) with any questions or concerns.

Legislature Passes Tax Cuts

Yesterday, the House and Senate voted on their latest tax cut scheme, using HB 4568 as the vehicle to get the proposal across the finish line. This legislation would **cut various taxes to the tune of \$2.7 billion**.

The legislation proposes the following actions:

- Lowers the income tax from 4.25% to 4%
- Increases the personal exemption to \$1,800 in 2023
- Provides a \$500 child tax credit
- Increases the senior exemption and indexing that exemption to inflation
- Raises the EITC to 20 percent of a taxpayers federal EITC

Additionally, they also tie-barred HB 4568 to SB 784, legislation that would make various changes to the disabled veteran property exemption, changing it to a credit. The changes SB 784 makes to this exemption **would have a positive impact on the School Aid Fund**, compared to what HB 4568 would do.

If the governor signs HB 4568, the Senate Fiscal Agency projects **a revenue hit at nearly \$600 million this fiscal year, growing to \$2.7 billion in 2024**. They also estimate **a total hit to the School Aid Fund of \$87 million this year, and \$244 million in 2024**. Also remember that as we've seen in

recent years, **the School Aid Fund has increasingly been used for non-K-12 uses** and any reduction in revenue from the General Fund has the potential to eventually be diverted from the School Aid Fund.

Not to be outdone, Governor Whitmer unveiled her latest proposal yesterday, calling for a **\$500 rebate check for “working families.”**

We will continue to keep you updated on tax cut fever and we expect negotiations to pick up very quickly.

Consensus Revenue Estimating Conference

During the Consensus Revenue Estimating Conference (CREC) held this morning, state officials and economists presented updated projections for how much money the state has available to spend in the fiscal year. The top headline from this morning’s presentations is that **the state has an additional \$5 BILLION to spend in FY 21-22 (\$2.9 billion) and FY 22-23 (\$2.03 billion).** Looking at only School Aid Fund (SAF) dollars, this equals out to **\$1.2 billion in FY 21-22 and \$948 million in FY 22-23.**

Recall that during the January CREC, state economists revised revenues by \$776.6 million for the GF and \$947.2 million for the SAF for 2021-22. This morning, we learned that state revenue collections in FY21-22 continue to be strong and we have again surpassed projections. In total, **FY 2021-22 GF and SAF combined revenue was approximately \$2.9 billion above what was forecasted in January. This means our state has an additional \$1.7 billion GF and \$1.2 billion SAF now in play for the current fiscal year. Around town in Lansing, we expected to hear good news this morning – hence the proposed significant tax cuts that came this week.**

Growth numbers continue for FY 2023 as well, but slightly less than the upcoming fiscal year. State officials anticipate a combined approximately **\$2 billion more** than the January estimates. This is broken down to **\$1 billion more in the General Fund and \$948 million more in the School Aid Fund.** This is undoubtedly good news for budgeting and we now turn our

attention to working with the legislature to craft a budget that incorporates this revenue.

Generally, the US economic forecast identified some surprising statistics, but overall **economists are not projecting a national recession**. Additionally, we should not expect a huge drop in gas prices anytime soon. Economists predict that consumer habits will switch from spending on services rather than goods, as we transition back to more pre-pandemic activities in the fiscal year ahead. However, this is not true for Michigan in the current fiscal year. **In April, our state received more money under the sales and use tax than we ever had in any month ever.**

Pupil counts

The conference is projecting **an overall reduction of 900 pupils from January's estimates for the current 2021-22 fiscal year**. The continued pupil count drop is being driven largely by birthrates declining. The full pupil estimate can be viewed [here](#).

If you are interested in learning more about the economic outlooks for our state and our country, and the information recapped below, visit: <https://bit.ly/3luPoJO>

Committee Roundup

This week several bills we are monitoring were voted on in their respective committees. Any noteworthy amendments successfully added to the bills are summarized below.

SMART Internship grant program

HB 6020 was unanimously voted to the floor from the House Health Policy committee. A substitute version of the bill now **allows students attending out-of-state institutions to be eligible recipients**.

WorkKeys

HB 4538 was changed to **revise the deadline for MDE to issue a list of qualifying assessment from 2021 to 2022**. This is the legislation that will **allow districts to apply to MDE for reimbursement if they elect to administer the Workkeys or similar assessment**.

Pupil Accounting Manual

HB 5686 was amended to state that **a change to the department's manual must not take effect during the school fiscal year that change is made** unless the change is necessary to effectuate a change in law that takes effect during that school fiscal year.

Financial Literacy

Language was added to HB 5190 that explicitly states that **the .5 credit in economics cannot be fulfilled by completion of the .5 credit course in personal finance**.

Retirement

The S-2 version of HB 4375 would **revise the law to allow retirees to return to work nine months after retirement and simultaneously draw their pension**. The bill also **removes the requirement that the retiree to be hired in a critical shortage position**. The bill would 'grandfather-in' any existing retiree who currently is working at a reporting unit, which would remove any earnings limitations or sunsets limiting how long that retiree could work during retirement.

USED Clarifies ARP Facility Funding

Last week, the United States Department of Education (USED) clarifying that **they will allow States and districts an additional 18 months to liquidate funding for ARP for school facility upgrades/HVAC work**. This means that if the contract for these projects is signed by the district by **September 2024**, then the project does not need to be liquidated and the **ARP funds completely spent until April 2026**.

Districts do not need to individually apply for this flexibility, but states do have to apply on behalf of districts. **USED will not release a waiver application for states until closer to 2024.** Of note, the letter does allude to the ability of districts to potentially receive an extension beyond 18 months if there are extenuating circumstances. However, **this extension does not change the obligation for districts to obligate (i.e. sign contracts) by September 2024,** which is only something Congress can change.

MDE is currently working through this new information from USED, and as soon as specifics become available at the federal level and more information is released, we will be sure to share it with MASA members.

You can access the full response from USED [here](#).

Reminder: Designate Your School Safety Liaison

[Public Act 549 of 2018 \(MCL 380.1241\)](#) requires the board of a school district or intermediate school district, to designate a school safety liaison to work with the School Safety Commission created under section 5 of the [Comprehensive School Safety Plan Act](#) and the Office of School Safety at the Michigan State Police.

Questions? Contact Mary Teachout in the Michigan Department of Education's (MDE) School Health and Safety Unit at TeachoutM@michigan.gov or 517-241-7092.

This Week's Introduced Bills

[HB 6102 \(Calley\)](#) Allows up to **30 minutes of recess time to be counted as instruction** for grades K-5.

[SB 1053 \(Barrett\)](#) **Requires the School Safety Commission to submit a report to the house and senate appropriations committees.** The report would include an evaluation and itemization of all factors that may be utilized to

mitigate acts of school violence, the identification of the methods of communication, collaboration, and use of technology that are critical to identifying, analyzing, and investigating pre-incident indicators of possible future incidents of school violence, and a list of action items.