

LegislativeUpdate

Michigan Association of Superintendents & Administrators | December 13, 2019



In This Update

- Summary
- [Budget](#)
- [MMC Changes Move in the House](#)
- [House Education Committee Reports](#)
- [Internet Gaming Package Sent to Governor](#)
- [Switch Closer to Additional Tax Breaks](#)
- [ICYMI: MDE Updates](#)

Summary

And just like that, the Michigan Legislature is done for 2019. In an action-filled two weeks, lawmakers put the finishing touches on the supplemental budget and carried a massive overhaul of gaming across the finish line. After all that work, they adjourned early and for the year.

Yesterday, MDE released their weekly memos, and members should pay particular attention to one – Memo #145-19. This memo outlines a process for approving professional development to count as days and hours of instruction. If you need support on this topic or have questions, contact (517) 241-5000 or MDE-EducatorHelp@michigan.gov.

This is our final Legislative Update until the Legislature returns on January 8, 2020. Happy New Year!

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

Budget

The Legislature finalized the supplemental spending agreement this week and sent it to Gov. Whitmer for signature. Never mind that it took an extra 70 days to get here. Last week in our update, we recapped which specific school aid items were restored. In total, **restored** FY 2019-20 funding for the K-12 budget was \$70.5 million with amended boilerplate items. The \$70.5 million is \$350,000 in General Fund dollars and \$70,150,000 School Aid dollars.

Along with \$573.5 million in restored spending spread over two supplementals ([SB 152](#) and [SB 154](#)), new this week was the agreed-upon language regarding the powers of the state Administrative Board. The governor has agreed to give the Legislature a 30-day heads-up if the state Administrative Board is looking to move money around within departments ([HB 5176](#)).

Additionally, functionally, the governor agreed to give the Legislature veto power for any transfers the state Administrative Board makes, based on a provision that was added to one of the supplemental bills (boilerplate in SB 154). The authority is similar to what lawmakers currently hold for executive orders.

By state law, lawmakers will need to pass and present appropriations bills for the upcoming fiscal year to the governor by July 1 ([HB 5177](#)). This is not very substantial because it's not a constitutional change, but this still puts pressure on the Legislature for a July 1 finish. This is because technically if they don't complete the budget, they'd be breaking the law. More importantly, this is an assurance for our membership that you will have some version of a budget before the next school year begins. Finally, she's agreed to give the Auditor General full access to all confidential records within state government in the course of doing its job ([HB 4336](#) and [HB 4574](#)).

However, if you are keeping track, we still have \$650 million on the table from the governor's vetoes that have yet to be appropriated. So yes, that means another supplemental is likely coming in next year. The timing of that second spending bill is yet to be determined, but late January isn't out of the question. Now that the two branches of government are talking again, this could be an easier lift.

MMC Changes Move in the House

This week we saw more action on the Merit Curriculum. The House took action on a series of stagnated bills from March. As a refresher, the bills would make the following changes.

HB 4269 is sponsored by Rep. Beth Griffin (R-Mattawan) and would revise the MMC to require three credits of "21st Century skills". Currently, students must take at least one credit in the visual,

performing, or applied arts and at least two credits in a language other than English. The bills would replace those three credits.

The 21st Century skills could be:

- A grade-appropriate language other than English any time between kindergarten and twelfth grade, or coursework or other learning experiences that are substantially equivalent to credits in a language other than English, based on Michigan Department of Education (MDE) guidelines.
- Visual, performing, or applied arts, as defined by MDE.
- Computer science, computer coding, or a combination of the two.
- An MDE-approved formal career and technical education (CTE) program

Additionally, the bills maintain the current practice of counting the American Sign Language (ASL) as a language other than English. The foreign language requirement could continue to be satisfied with online coursework, and a district or public school academy (PSA) is strongly encouraged to offer visual arts and performing arts courses

HB 4271, sponsored by Rep. Gary Howell (R-North Branch), would retain the current four credit math MMC requirement, but allows students to take statistics or financial literacy as an alternative to algebra II.

HB 4282 is sponsored by Rep. Hauck (R-Mount Pleasant) and would allow a student to fulfill the health education graduation requirement by completing at least 30 hours of qualifying training provided by the Occupational Safety and Health Administration (OSHA). Currently, a student must complete at least one credit in a subject matter that includes both health and physical education, or at least one half-credit in health and one half-credit awarded by the school district or public school academy (PSA) for approved participation in extracurricular athletics or other extracurricular activities involving physical activity.

The large bill overhauling the MMC, SB 600, is still on the Senate floor. There was some speculation that the Senate would bring the bill up for a vote this week; however, this did not happen. We anticipate the Senate MMC bill to be on the agenda in January, but it is not clear that there are the votes in the Senate yet to pass this bill.

The Senate Education Committee did meet this week and moved two bills related to Dropout Recovery Programs. SB 650 and 651 would allow districts partnered with an education management organization (EMO) for a dropout recovery program to use a teacher of record who is employed by or contracted through the EMO. The sunset on that would have been February 1, 2020. The bills also require an EMO partnered with a school district or public school academy (PSA) to provide certain information to the district or PSA. There are also reporting requirements for the district with an EMO partnership to submit information back to the Department of Education.

House Education Committee Reports

The House Education Committee briefly met on Tuesday to report two bills, HB 4856 and HB 4826. As reported in previous updates, HB 4856 would allow a teacher to have an endorsement or grade level certification on their teacher certificate nullified if it had not been used for seven years. Currently, the time period is 12 years.

The other bill, HB 4826, requires all schools to include a program of instruction in free enterprise and entrepreneurship in their 8th-grade curriculum. The proposed bill would go into effect for the 2019-2020 school year. HB 4826 requires MDE to develop or adopt a model program. However, it must be project-based and include a number of areas of instruction. The bill also requires the State Board of Education to ensure that the 8th-grade social studies standards include instruction in free enterprise and entrepreneurship. HB 4826 would increase costs for MDE and presumably for districts.

MASA is opposed to both bills. There is no indication that this legislation will be taken up by the Ways and Means Committee quickly next year.

Internet Gaming Package Sent to Governor

Your March Madness bracket might be more meaningful this year. On Wednesday, the Legislature passed through a 10-bill package to update Michigan's gambling laws, after several years of attempts to do so. The Supreme Court lifted the federal ban on sports betting in May 2018. Michigan is the 20th state to authorize sports wagers and the fifth to allow the playing of casino-style games online. In summary, the legislation legalizes online sports betting and internet gambling. The bills passed will allow for existing licensed casinos to offer poker, blackjack, slots and other casino-style games online. These casinos would also be permitted to set up theaters to accept wagers on live sports and accept sports bets online. Live, in-game betting would be permitted, not just before the game.

When you will actually be able to place a bet on sports will be determined by how long it will take to write rules, to establish licensing, and for operators to obtain the necessary technology. Initially, lawmakers were pushing for this to become a reality in time for the Superbowl, but it now seems like the March Madness tournament is a more realistic goal for the state.

In previous updates, we have reported that MASA, along with other education associations, were opposed to the bills due to the School Aid impact. Our concerns, as well as the governor's, were related to the impact these changes would have on iLottery. A compromise between the administration and the Legislature addressed this concern by settling on a higher tax on i-gambling:

- Casinos with physical or online sportsbooks will be subject to an 8.4 percent tax on receipts after winnings were paid out. This is down from 8.75 percent in earlier versions of the bills.
- Casinos with online games will pay a tax on a sliding scale of 20-28 percent, determined by the amount of their adjusted gross receipts. This is a change from an earlier proposal with a scale from 4 percent to 23 percent.

We know the question from most everyone in our education space – what does this mean for the School Aid Fund?

Depending on who you ask, there is a range of revenue estimates for these bills. The sponsor of the main bills in the package, Rep. Brandt Iden (Oshtemo Twp.), told the press that new gaming options would bring in "\$100 million addition for schools a year. The sports betting piece should bring in \$35 to \$50 million alone." The representative shared that estimate based upon his own research, the House and Senate fiscal agencies were more conservative in their analysis. In general, this is because there is not a reliable way to predict how many people will now participate in online gaming. More so, there is no way to calculate the number of Michiganders that will no longer visit a casino to gamble and now stay home to do everything online.

Looking at the package of bills related to this topic, the School Aid Fund will see dedicated revenue from the following funds in the Department of Treasury: Internet sports betting, fantasy sports betting, and internet gaming. The revenue impacts will be determined in the future. MASA did not weigh in on the merits of the gaming package but rather continued to press lawmakers for high rates of taxation on i-gaming to ensure that if the bills became law, the School Aid Fund would be a beneficiary of the new revenue.

We expect that the governor will sign these bills once a thorough legal review is complete.

Switch Closer to Additional Tax Breaks

On Wednesday, the House narrowly passed SB 455, the bill to allow one company, Switch, to be granted further relief from taxes that go to support school operations and facilities. As you are aware, Switch does not want to have to pay these taxes. The company claims the bill merely clarifies a 2015 deal it made with the state to locate in a renaissance zone after legislation passed exempting co-located data centers from paying sales or use taxes. In the renaissance zone agreement – which they signed and reportedly read before signing – it explicitly states that this agreement does not "include relief from the payment of certain property taxes relating to bonds, school sinking fund obligations, and special assessments."

The bill barely passed the House on a 55-53 vote. The margins were so narrow on this vote several members had to *switch* their votes for the bill to pass. Added to the bill is a tie-bar to other legislation that would require that the revenue lost due to the sales and use tax exemption would be made up for the School Aid Fund. These bills are not finalized and are sitting in the House Commerce and Tourism Committee, awaiting a hearing.

ICYMI: MDE Updates

MEMO #144-19

2019-20 Pupil Accounting Manual Update

The Michigan Department of Education (MDE) has released the updated Pupil Accounting Manual for the 2019-20 school year. The new manual is available on the State Aid and School Finance website at www.michigan.gov/sasf, or may be accessed directly through the following link.

[Read the full memo.](#)

MEMO #145-19

Process for Approval of Qualifying Professional Development as Instructional Hours

The Michigan State Legislature enacted Section 101(10) of the State School Aid Act, MCL 388.1701(10), effective October 1, 2019. This section was amended to allow up to 38 hours of qualifying professional development to count as pupil instructional hours. This legislative change was detailed in a previous communication sent on November 14, 2019.

[Read the full memo.](#)
