

LegislativeUpdate

Michigan Association of Superintendents & Administrators | January 10, 2020



In This Issue:

- [Revenue Conference Shows Promise](#)
 - [ICYMI: MDE Updates](#)
-

Revenue Conference Shows Promise

This morning the January Consensus Revenue Estimating Conference (CREC) was held. Recall that CREC is when state officials come together to determine how much money the state has to spend in the fiscal year. As usual, representatives from the administration joined the House and Senate Fiscal Agencies to prepare the estimates on which Gov. Whitmer and lawmakers will base their initial budget proposals.

What did we learn this morning? In general, economic analysts presented that economic growth in our state is slowing down, but we don't anticipate facing a recession in the next three years. Compared to May, revenues are better than the state expected. According to the House and Senate fiscal agencies, we can expect an additional \$235.2 million in General Fund (GF) revenue and \$85.7 million more in School Aid Fund (SAF) support for current Fiscal Year (FY) 2020 over the May prediction.

Why? We saw higher than anticipated sales tax and corporate income tax revenues. For 2020 and 2021, the state expects continued growth in personal income tax and sales tax revenues. Officials are expecting an increase of \$274 million in GF and \$138 million in SAF for a combined \$412 million in additional revenues.

These dollar amounts represent the baseline that the governor and the state legislature have to start working on their budget proposals for FY 2021.

School Aid Fund Specific

For FY 2019-20 (Compared to May CREC,) a recommended revision to the School Aid Fund is an increase of \$85.7 million. For FY 2020-21, that number represents an increase of \$138 million.

In terms of growth, School Aid Fund revenue should be healthier, with the House Fiscal Agency projecting increases of 1.9% in 2019, 2.9% in 2020-21, and 2.4% in 2021-22.

Other Items From CREC Presentations

Current State of the Economy:

- Michigan personal income is expected to increase by 2.8% in 2019 and then jump to 4% in 2020 and 2021 as tight labor markets exert upward pressure on wages.
- We expect rising Medicaid costs and a reduced federal match rate for the Children's Health Insurance Program.
- The state is also facing lawsuits related to the Flint water crisis and from Michigan residents who the state falsely accused of unemployment insurance fraud after an automated state system ran amok between 2013 and 2015.

Current Michigan Outlook:

- Job openings outnumber the number of unemployed Michiganders
- A rise in the participation in the labor force rate equals a strong labor market, but not as strong of a number as the rates in our neighboring states

There's not much to tell members on this right now. The good news is, money isn't tight, so we can expect a robust budget conversation. Additionally, lawmakers and the governor have not yet hashed out their differences on road funding and other priorities, so that all remains to be seen.

As you're aware, these numbers aren't final. The budget will be finalized on the numbers developed at the next CREC in May. Gov. Whitmer is expected to present her second budget on February 6.

Stay tuned, stay warm, stay dry.

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

ICYMI: MDE Updates

Memo #002-20

District-Level Plans for Assessment Windows, Read by Grade 3 Implementation, and Communicating Retention to Parents

In 2016, the Michigan state legislature passed Michigan's Read by Grade 3 Law (MCL 3801280f) and districts have been implementing components of the law since then. As prescribed in the law, this year's Michigan Student Test of Educational Progress (M-STEP) must be used to flag students who are eligible for retention. As we approach the spring assessment windows, there are actions that districts need to take to prepare for this requirement and to communicate with families. The law describes specific timelines and dates that districts and families must know and follow. To meet the deadlines, communication between districts and families is important. This memo provides important timeline reminders and communication resources for districts. [Read the memo.](#)

Memo #003-20

Bulletin 1022- Change Notice #30

The purpose of this correspondence is to transmit Michigan Public School Accounting Manual Change Notice #30. [Read the memo.](#)