

# LegislativeUpdate

Michigan Association of Superintendents & Administrators | June 28, 2019



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### Summary

This week in Lansing there were more rumors that we might see something substantial on the budget, but those rumors dissipated quite quickly. Lawmakers didn't hold any votes this week and next week, tentative days are expected to be

canceled or ceremonial at best.

As we wrap up the first 6 months of 100<sup>th</sup> Legislature, education policy-wise, not much has been accomplished. There have been almost weekly meetings of the House Education Reform Committee, but with the new two-step committee approval process, hardly any items have made it to the floor, let alone the Senate. Further, the Senate Education Committee has only met five times this entire session.

In Lane Duck alone, the Legislature sent **400 bills** to the governor. Compared to this session where only about **50 bills** have been sent to the governor over six months. Of course, there was a crucial fix for snow days and a delay in student growth percentage increases in evaluation that were adopted, but not much else.

Due to the holiday, there will be no legislative update next week. Further, we will only write an update in weeks when session is held or something meaningful occurs.

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

### Gov. Whitmer Calls for Legislature to Return to Lansing

Gov. Whitmer this week held a budget roundtable where she criticized the Republican led Legislature for their lack of substantive budget proposals, pointing most notably to a lack of a substantial plan to fund road repairs.

During the previous eight years with single-party state government in control, the budget was completed by the end of June. It will not be that way this year. It's been over 100 days since the governor introduced her budget. During that time, Gov.

Whitmer has held had 14 town halls, 16 roundtables, and 62 budget presentations, trying to sell her budget proposal—which neither chamber has embraced.

Whitmer used the presser this week to slam the Legislature for going on vacation without a budget passed with 97 days until the state's fiscal year & six days until school district fiscal year begins.

With district budgets going into effect on Monday, we are urging lawmakers to get to work on a budget that invests in equity, a weighted funding formula, and doesn't rely on gimmicks to fix the roads.

### What's on the Table?

This week, the media reported that the West Michigan Policy Forum commissioned PricewaterhouseCoopers (PWC) to look at how the state's long-term debt could be restructured. As you know, Republicans have been talking about wanting to redirect the sales tax on gasoline to roads completely. That would result in a \$325.5 million cut to school revenues for this budget on top of the \$170 million hit from last session's lame-duck bill that moved income tax revenue out of the School Aid Fund (SAF) and into roads. Those two raids total \$495.5 million and it's being reported that the remaining 2 cents of sales tax paid at the pump would be replaced with a gas tax the following year – roughly \$270 million of additional School Aid revenue.

In exchange for that elimination, rumors have been circulating the last two weeks that the SAF could be backfilled by pre-funding the teacher retirement system through bonding. Republicans are considering this to be an option to both address the pre-payment of the Michigan Public School Retirement System (MPERS) while freeing up additional road funding revenue *without* raising taxes.

PWC released a brief that reviews a 30-year, \$10 billion bond to pre-fund MPERS and then pay back those bonds on a set schedule, partly by investing the large amount of cash the state would receive. According to PWC, this could save Michigan \$980 million a year. They looked at using pension obligation bonds to achieve this. These types of bonds carry the risk that the pension investment isn't always greater than the bond interest rate, but their reasoning is that because Michigan has a high credit rating and a lower amount of debt than other states, it would yield a better interest rate.

Currently, the state anticipates paying off its \$29.4 billion MPERS unfunded liability over the next 21 years by 2038. Extending those payments out to free up money that could go to the roads is risky for taxpayers. Anderson Economic Group estimates that extending the debt payment to over 40 years would cost taxpayers another **\$30 billion**, 50 years would be **\$45 billion**.

We are skeptical of these plans as they both amount to short-term gain with long-term pain and it's now time to start talking about raising revenue to pay for education.

### Here's a Recap of What Has Been Proposed

#### House Republicans

House Republicans said they will come out with a road improvement plan after July 4, and it's not likely to include a hike on fees or taxes.

So far, we know that the \$500 million dollars for higher education was removed from the House School Aid budget. However, it was accomplished by eliminating

the first 4 cents of sales tax on fuel. This ultimately reduces School Aid Fund dollars and any growth associated with fuel sales tax. Additionally, the House Transportation budget included \$524 million increase for roads. This dollar amount would be available once the House steals the 6% sales tax on fuel for roads.

Their plan will shift 4% of the 6% sales tax in the current year, and then the last 2% in the following year. They will backfill the loss of the gas sales tax revenue with the \$494.3 million School Aid dollars that were not included in the higher ed budget—but as we have said before there is no plan to replace any of the growth that these revenue streams have produced over the years effectively limiting revenue.

It is at this point we know that the House is looking at one time schemes for road funding. Their transportation budget has a number of items listed that the state will be accepting RFPs for the sale of the Blue Water Bridge, eight welcome centers, and department-owned rail properties. Also, in the discussion for possible sale are four state-owned airports in Plymouth, Linden, Romeo, and Houghton Lake.

### **Senate Republicans**

Senate Republican officials say they plan to have a long-term road funding plan as early as next month but want to conduct proper research on all viable options before proceeding to negotiations with the governor.

Their discussion has been broken into two pieces at Sen. Shirkey's direction. Apparently, the first piece is on financing and funding, while the other is on operations and value – meaning matters including how roads are built, warrantees and maximizing tax dollars.

Republican House and Senate leadership have said work on the budget and on a road funding plan will continue even with the Legislature in recess. Several

tentative session weeks are on the House and Senate calendars for July and August, keeping the option on the table for lawmakers to return when a plan is developed for road funding or a budget deal is reached.

### **House Democrats**

The House Democrats have proposed four alternative road funding bills that essentially aim to fund roads without taking dollars from individuals but from corporations. The legislation creates a Rhode Island-style bridge toll program for trucks, which fits the caucus' general theme of "If You Break it, You Buy it." The bills are reportedly based on the feedback of thousands of residents at coffee hours and town halls across the state, said House Minority Leader Christine Greig (D-Farmington Hills).

In total, the bills are designed to bring in about half of what the state needs for roads at around \$1.2 billion.

In response, House Democrats faced questions on why there wasn't legislation to impose the governor's 45 cent gas tax. Releasing a plan without that portion included made it questionable on if there was support from Democrats for that proposal. On this question, Minority Leader Greig said that the three bills are "individual bills on how to raise revenue for the roads if Republicans are going to continue to oppose Whitmer's 45-cent-a-gallon gas tax hike."

### **Senate Democrats**

Senate Minority Leader Jim Ananich (D-Flint) said in the press that he believes progress is being made on how Michigan should fix the roads as well as worthwhile conversation across the aisle.

"We've had a lot of good talks," the Flint Democrat said. "I don't think we're getting to where we're getting close to pen-to-paper yet, but Senate Majority Leader Mike Shirkey (R-Clarklake) seems to have a pretty good approach for his caucus. I'll let him talk about that, but he's thinking about things he talked about a little bit at Mackinac."

### **Michigan Supreme Court to Hear Public Dollars to Private School Case**

On Tuesday, the Michigan State Supreme Court released their decision to move forward with a lawsuit we've been updating you on during the last several months. As you are aware, our association, in partnership with MASB, MSBO, MAISA, MEMSPA, MASSP, Middle Cities Education Association and Kalamazoo Public Schools filed a lawsuit in March of 2017 to prevent the state from diverting \$5 million of public tax dollars to private schools.

The Court of Claims ruled in March that the 2016 and 2017 budget laws allocating the money were unconstitutional. Then in a 2-1 decision, the Michigan Court of Appeals held in October that the Legislature may reimburse private schools for costs to comply with state health, safety and welfare mandates. At that point, we decided to appeal and requested that the State Supreme Court hear our case.

They decided to move forward with that hearing. We have been told that all of the paperwork is due from both sides by the middle of October and then at that point, the case will move forward.

### **MDE Updates**

#### **06/30/2019 - *Certification of the SE-4107 School Bus Inventory***

All districts and public school academies buying or leasing black and yellow school

buses to transport students to and from school must report those buses on an annual basis and must be entered on School Bus Inventory System by June 30, 2019. [Read the full memo.](#)

**09/01/2019 – Michigan Electronic Grants System Plus (MEGS+) Child Nutrition Programs (CNP)**

School Nutrition Programs (SNP) 2020 Application is now available. The MEGS+ website for completing the SNP 2020 renewal/application is now open and accessible at <https://mdoe.state.mi.us/megsplus/>. For participating School Food Authorities (SFAs), the 2020 renewal application must be completed online by September 1, 2019.