

LegislativeUpdate

Michigan Association of Superintendents & Administrators | October 4, 2019



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Summary

It was veto week in Lansing. On Monday, the governor submitted her budget vetoes to the Office of the Great Seal and on Tuesday we found out what stayed and what went. There are questions that remain on where we go from here as lawmakers seemed to have committed to moving on from the budget, while Gov. Whitmer is encouraging work on a supplemental spending bill to restore some of the cut programs. Rest assured, MASA is working to encourage a spending bill to restore some of the items that are most critical for our members and to reallocate the money that was vetoed toward priorities of the association.

Yesterday, the Governor met with the leaders of both parties and chambers. Referred to as a "quadrant meeting", House Speaker Lee Chatfield (R-Levering), Sen. Majority Leader Mike Shirkey (R-Clarklake), House Minority Leader Christine Greig (D-Farmington Hills) and Sen. Minority Leader Jim Ananich (D-Flint) met in a closed door meeting for the first time in while. It was reported in the media that the leaders didn't focus on the budget, but rather policy issues like Raise the Age, sports gaming and roads.

Following the meeting, comments from both Speaker Chatfield and Minority Leader Grieg agreed that the conversation was positive and that there is "a lot of good things that we can work on". However,

Speaker Chatfield also said that "the statement was made and we are standing by it that the budget is done and we are going to move on".

We are asking that our members reach out to their lawmakers and ask them to urge their colleagues to return to the negotiating table to reinstate funds to benefit every public district in the state. While we recognize the vetoes came from the executive branch, restoration of some of the more critical funds like isolated district funding, must come from the Legislature.

Let's Recap What Happened:

On Monday the Governor vetoed 147 line-items across the 16 state budgets. This included \$375 million in one-time road funding and \$128 million from the School Aid budget. Only two budgets did not receive any vetoes; community colleges and the Michigan Department of Licensing and Regulatory Affairs (LARA). Budgets were then filed with the Office of the Great Seal by the close of business Monday.

On Tuesday the State Administrative Board was scheduled for a rare special meeting. The governor used the State Administrative Board to unilaterally move funds between programs in departmental budgets without legislative approval. "Those moves are designed to assure the smooth operation of state government and the protection of public health and safety", she said.

You may not be familiar with the State Administrative Board. They have general supervisory control over the administrative activities of all state departments and agencies. Their duties include the approval of contracts and leases, oversight of the state capitol outlay process and the settlement of claims against the State under \$1,000.00. The State Administrative Board functions through three standing committees that make recommendations to the Board.

The State Administrative Board members are the Governor, Lieutenant Governor, Secretary of State, Attorney General, State Treasurer, Superintendent of Public Instruction and the Director of the Department of Transportation. The Department of Technology, Management and Budget (DTMB) designates a Secretary to the State Administrative Board and provides staff support.

During the meeting, a total of \$625M in fund transfers were approved and \$947M was cut from budgets. Those dollars are what would be in play for a future supplemental bill.

Separate from the Administrative Board meeting, was the act of vetoing line items. In our School Aid budget, a total of \$128.6 million in 40-line items was vetoed. \$34.7 million came from 26 programs that were either new to the budget or continued from previous years that benefited in most cases a specific non-government entity that provides an educational product used by a small fraction of schools.

What was vetoed?

- Sec. 22d Small Isolated Districts (\$7 million)
- Sec. 61c CTE Equipment (\$16 million)
- Sec. 20 PSA Foundation Allowance Increase
 - *\$35M that would have funded funding hike for public charter schools
- Sec. 31b. Year-Round Instructional Grants (\$750,000)
- Sec. 31j. Local Produce in School Meals (\$2 million)

- Sec. 35a(7) Michigan Education Corps (\$ 3 million)
- Sec. 35a(9) Literacy Essentials-Principal Training (\$300,000)
- Sec. 61a(4) Culinary Arts Education (\$100,000)
- Sec. 64d IT Certification Opportunities (\$2.3 million)
- Sec. 97 Secure Schools (\$10 million)
- Sec. 97a Michigan Jobs Bank (\$1.5 million)
- Sec. 99t Online Algebra Tool (\$1.5 million)
- Sec. 99u Imagine Learning (\$3 million)
- Sec. 99v Dana Center (\$25,000)
- Sec. 99w Fitness Foundation (\$500,000)
- Sec. 99z Square One (\$300,000)
- Sec. 25f Strict Discipline Academies (\$1.6 million)
- Sec. 25g Dropout Recovery Programs (\$750,000)
- Sec. 35b Children's Choice Initiative (\$350,000)
- Sec. 35c Multi-Sensory Education (\$300,000)
- Sec. 35d Social-Emotional Learning Pilot (\$500,000)
- Sec. 35a(11) Summer School Literacy Intervention Grans (\$15 million)
- Sec. 54e Autism Interventions (\$350,000)
- Sec. 55 Conductive Learning Center (\$250,000)
- Sec. 67a College Board Career Finder (\$80,000)
- Sec. 67b Michigan Industrial and Technology Education Society (MITES) (\$50,000)
- Sec. 95b Value-Added Growth and Projection Analytics System EVAAS (\$2.5 million)
- Sec. 99bb Best Buddies (\$250,000)
- Sec. 102d Financial Analysis Tools (\$1.5 million)
- Sec. 104d Computer Adaptive Tests (\$9.2 million)
- Sec. 152b Nonpublic School Reimbursements (\$250,000)
- Sec. 61f Pipeline to Promise (\$200,000)
- Sec. 99x Teach for America (\$800,000)

Partial Vetoes

- Sec. 61b CTE Early/Middle Colleges
 - \$2M one-time funds were vetoed
- Sec. 41 English Language Learner Grants
 - \$3M one-time funds were vetoed
- Sec. 61d CTE Per Pupil Incentive Payment
 - \$5M one-time funds were vetoed
- Sec. 98 Michigan Virtual
 - \$1.075M one-time funds were vetoed
- Sec. 99h First Robotics-Nonpublic Schools
 - \$300,000 GF dollars that only nonpublic schools were eligible for was vetoed

MDE Budget

\$314.8 million was transferred from administrative reserve funds to the operating lines in order to fully fund the department's annual budget.

The governor vetoed the following items:

- A requirement that the department produce a report on the impact of student outcomes of starting school before Labor Day
- All of the provisions related to the three separate reserve funds the Legislature had created for the Department of Education contingent on them making progress on an A-F grading scale and federal grant spending was viewed as a separation of powers violation

- A provision stating a department not take disciplinary action against an employee for talking to a legislator was ruled unconstitutional

Committee Roundup

Even though the legislature was only in session for 2 days, we still had an eventful week for education bills in committees. Here's what you need to know:

House Tax Policy

A number of property tax bills were reported from the House Tax Policy committee Wednesday that would positively impact schools. The bills amend the local stabilization authority act that creates rules and procedures for the collection and distribution of revenue for townships and municipal local governments.

HB 4296 sponsored by Rep. Lynn Afendoulis (R-Grand Rapids Township) would authorize county and township assessors to make a series of new calculations for the enhancement millage on intermediate school districts. The bill will remove an enhancement millage from the eligible millage cap calculation for ISD operating millages and separately calculate the eligible millage cap for an enhancement millage.

HB 4927 sponsored by Rep. Hank Vaupel (R-Handy Twp.) would clarify the calculation of the PPT reimbursements for school operating loss not reimbursed by the school aid fund. The bill eliminates the basic school operating millage from the calculation of a municipality's school operating loss that had not been reimbursed by the School Aid Fund in the current year when determining the local community stabilization shared revenue for a given municipality.

HB 4929 sponsored by Rep. Tenisha Yancey (D-Grosse Pointe Woods) would adjust the calculation made for the act's millage on industrial and commercial personal property. The bill would include a school district's and ISD's debt millage, school district hold harmless millage, and the state education tax millage in the calculation of a TIFA's PPT reimbursement, to the extent the millage is subject to capture by the TIFA in 2020.

If you're confused, don't worry. We've been working with a broad coalition on this issue to craft language with the Department of Treasury to ensure that schools and local governments are taken care of...that's the bottom line.

House Elections & Ethics

HB 4823 is sponsored by Rep. Joe Bellino (R-Monroe) revises the way school district appear on an enhancement millage ballot question. Under the bill, all school districts may be listed collectively as "public schools" rather than individually listing each school.

Recall that PA 23 of 2018 allows public school academies to receive funds from a regional enhancement millages. In some areas of the state with large numbers of districts and charter schools, requiring a local community to list every school that would be receiving funds from the millage on a ballot question is cumbersome and expensive. This bill would allow local communities to list simply public schools, but they are not required to do this. Local communities could still elect to list out every recipient of a millage if they wish to do so.

House Ways and Means

The Ways and Means committee met this week to hear testimony on a package of bills related to marketplace facilitators. Together, HB 4540-4543 require major online retailers making sales in Michigan, like Amazon and Ebay, to collect and remit sales and use tax to the state for all sales enabled via the marketplace.

Recall that last year's U.S. Supreme Court decision in *South Dakota v. Wayfair* allows states to tax major online retailers. The Michigan Department of Treasury has been operating on internal rules that is allowing it to collect sales tax from online retailers who make more than \$100,000 in sales to Michigan residents or had 200 or more transactions from Michigan customers.

This new legislation would ensure that sellers from out of Michigan will also pay our sales tax. Expansion of Michigan's online sales tax law to include anyone else selling under a major retailer's banner is expected to draw between \$80 to \$120 million more into the state. The House Fiscal Agency estimates that next year alone this legislation would generate \$168 million this fiscal year and \$225 million next fiscal year.

MASA is supportive of this legislation, and it was reported from the House Tax Policy committee in June.

During this week's committee hearing, the telecommunications industry testified in opposition to the bills. They are seeking an exemption from the legislation that would allow them to continue to collect and remit their sales taxes and other fees on their own, therefore requiring the marketplace to code their sites to enable the sale but disregard the collection of sales tax and other fees.

They argue that online retailers, like Amazon or Walmart, would be put in a position to collect information that the telecommunications companies currently collect so they can capture local, 9-1-1 and other taxes every month. They are concerned they'll be responsible to pay the taxes of a customer whose information was collected incorrectly and can't be tracked down. The telecom industry would not be exempted from collection and remittance of the taxes, they would still be required to do that. It just would not be handled via the marketplace. We have some concerns that this exemption, however, could have a negative impact on School revenues so we are monitoring closely.

The committee chair indicated that he intends to hold a vote on the bill next week.