

# LegislativeUpdate

Michigan Association of Superintendents & Administrators | September 27, 2019



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## Summary

It's been a busy week in Lansing. All 15 budgets have passed the legislature and the ball is now in Gov. Whitmer's court. A few policy bills were heard in committee and another tax cut to school revenue is working its way through the legislature. We don't anticipate a government shutdown, but the budget battle is far from over. Thanks to all of you who've reached out to lawmakers on behalf of MASA priorities and to those who attended Fall Conference.

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

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## FY 20 – No Shutdown Expected

On Tuesday, the House and Senate passed 15 budget bills for Fiscal Year 2020. One major point of contention was around transportation funding where the legislature used more than \$850 million of general fund money that would have otherwise gone to other general fund priorities.

Earlier this week, there was a concern that Democrats in the Senate would refuse to grant the budget bills immediate effect, thus delaying implementation for 90 days, but the two sides worked out a compromise to avoid this delay. It's anticipated that all the budgets will be to the governor by today. Gov. Whitmer has publicly called the budgets "a mess" and she's vowed to use the tools at her disposal to leave her mark on the spending bills.

One of those tools is the State Administrative Board, which would allow her to unilaterally transfer money within departments to reprioritize funding toward programs the governor favors. She would be the second governor ever to do this. Former Gov. John Engler pioneered the tactic in 1991 after majority Democrats in the House balked at cuts he wanted to make to the General Assistance program. He walked the move back after Democrats agreed to concessions, but the Michigan Supreme Court two years later upheld the strategy as constitutional.

Gov. Whitmer is expected to line-item veto large parts of the budget bills by September 30. The Legislature adjourned until October 2 in order to observe Rosh Hashanah. However, this means that lawmakers can't take action in response to any vetoes until October 3. Her vetoes are not expected to create a state government shutdown, but it could create emergency funding situations in some areas.

As of Friday morning, the governor had only received five of the 16 budgets – the Department of Corrections, the Department of Transportation, School Aid, Michigan State Police and the Department of Military and Veterans Affairs. The Secretary of the Senate Margaret O'Brien said that they expect to send the remaining budgets to her by the end of the day Friday.

## **MDE's Budget**

The MDE FY 2020 budget cleared the legislature this week, and as you know a provision was slipped in during the final hour that requires their \$419.7 million budget to be split into four. The dollars will only be distributed every quarter if lawmakers are convinced state education officials aren't holding up policies or money they may not 100% agree with.

This is motivated by the claim that MDE is slowly implementing A-F intentionally, and not processing federal charter school grants in a timely manner. The legislature is aiming to gain oversight of the department.

State Board of Education President Casandra Ulbrich said that the governor should consider vetoing their budget because it will set a "very dangerous precedent." As of now, it's not clear what Gov. Whitmer will do with MDE's budget. We'll keep you posted. The governor is expected to make all veto decisions by September 30.

## **Senate Passes Tax Bait and Switch**

On Tuesday, the Senate reported out SB 455 sponsored by Sen. Jim Stamas (R-Midland). The legislation would allow one company, Switch, to be granted further relief from taxes that go to support school operations and facilities. While this bill is narrowly written, it will have a negative fiscal impact on the local schools and sets a bad precedent.

According to the Senate Fiscal Agency, the bills would impact school funding by \$373,000 with the liability potentially growing upwards to \$20.9 million if they hit development targets discussed in various media reports.

Under Switch's Renaissance Zone agreement (and all Renaissance Zone agreements in the state), it states "The Company and the Owner acknowledge that the benefits provided under MCL 125.2689 (Renaissance Zones) do not include relief from the payment of certain property taxes relating to bonds, school sinking fund obligations and special assessments described in MCL 211.7ff." It's important to note SB 455 amends MCL 211.7ff.

When the co-located data center bills were passed in 2015, the bill exempting them from property taxes was not signed into law. Only the sales and use tax exemptions were passed. Much of the discussion at the time centered on "holding schools harmless," we feel passage of this legislation would break that commitment and would harm the local district and ISD.

We also want to express concerns with the larger picture – this continued erosion of revenue streams to our local schools will only harm investment in our classrooms. And, if this bill is allowed to pass, it could open the door for other companies to ask for similar exemptions.

The bill did pass with bipartisan support, but legislators were told that a deal was made to "hold the school harmless" – this is not the case.

It has been referred to the House Committee on Commerce and Tourism. We are working with allies in the House to stop this egregious reversal of good faith.