

MSBO Annual Conference

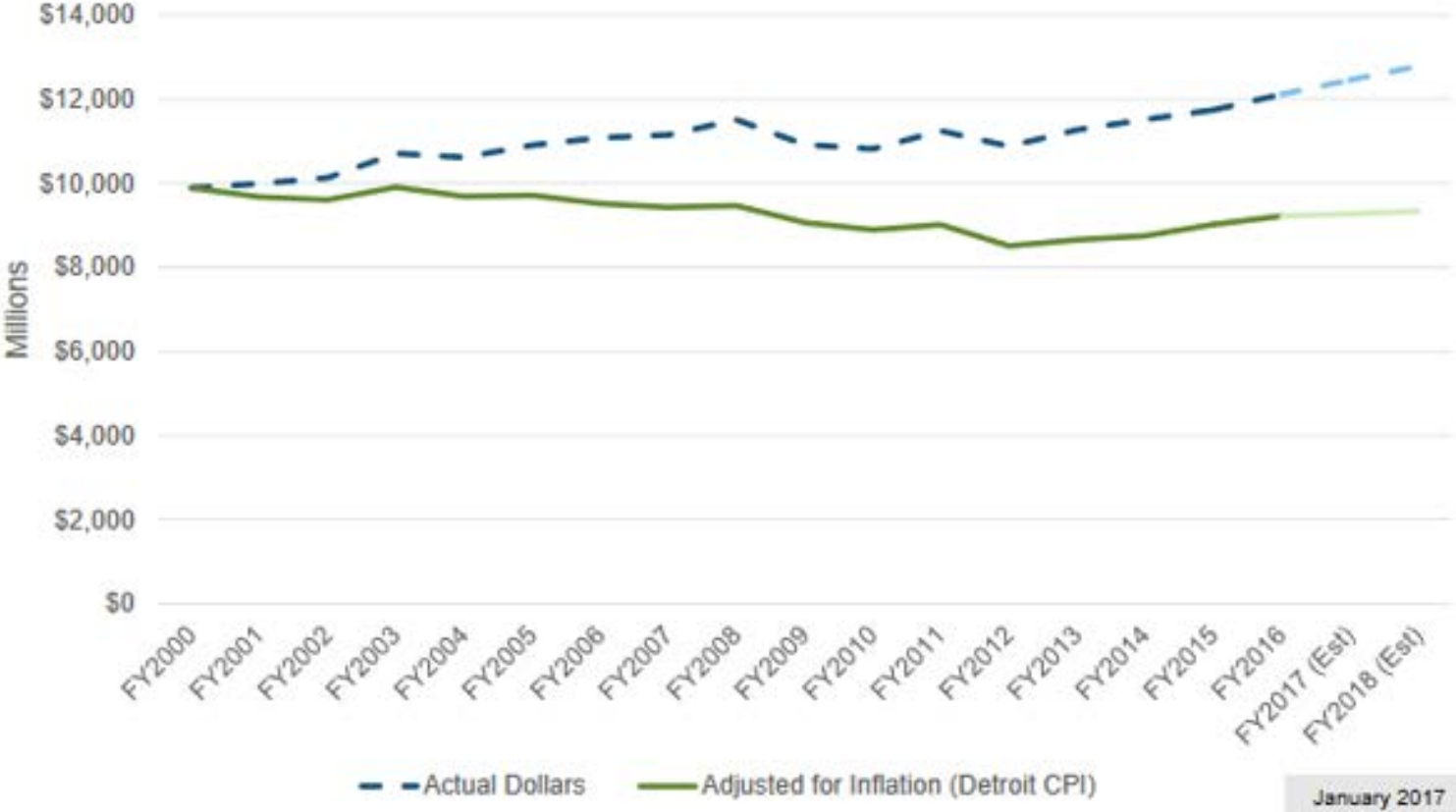
Legislative and Policy Update

Chris Glass – West Michigan Talent Triangle

Michigan Tax & Revenue Overview – National Review

School Aid Fund Revenue

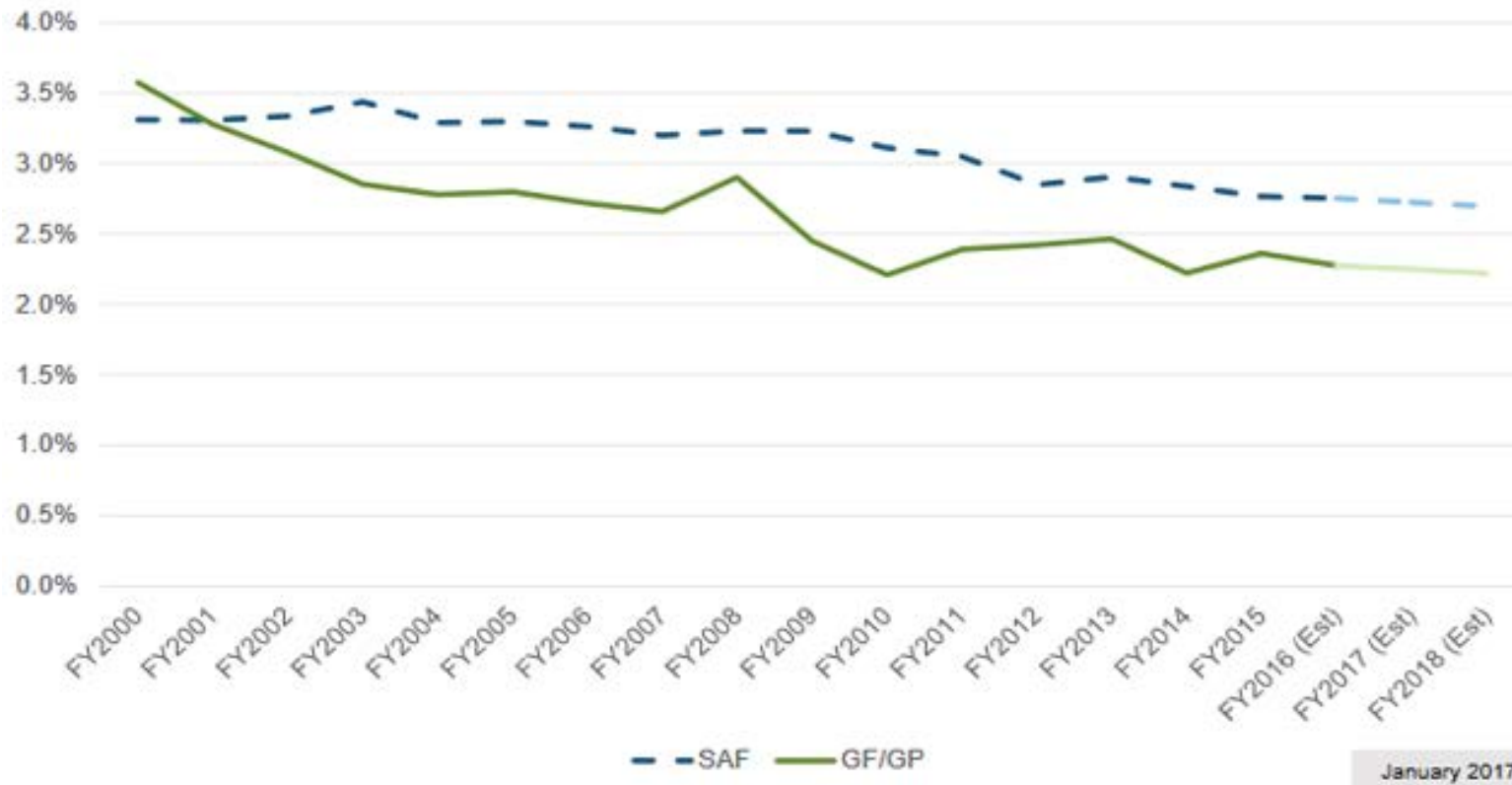
Nominal SAF revenue has grown steadily since FY 2011-12. In inflation-adjusted terms, however, FY 2017-18 revenue is estimated to be 5.6% below the FY 1999-00 level.



Source: House Fiscal Agency

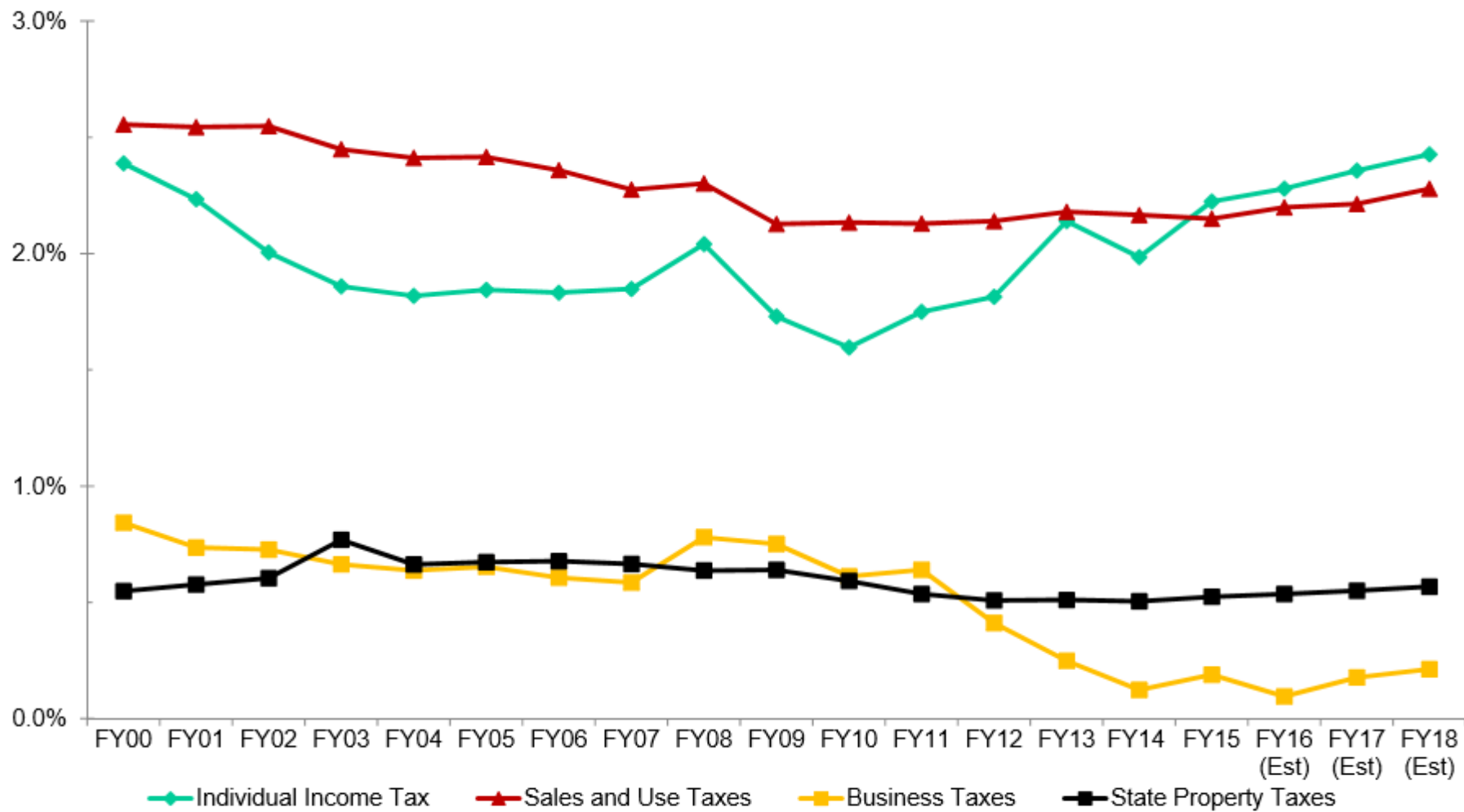
School Aid Fund/General Fund- % of Personal Income

As a percent of Michigan personal income, both SAF and GF/GP revenue have been generally declining since FY 2000.



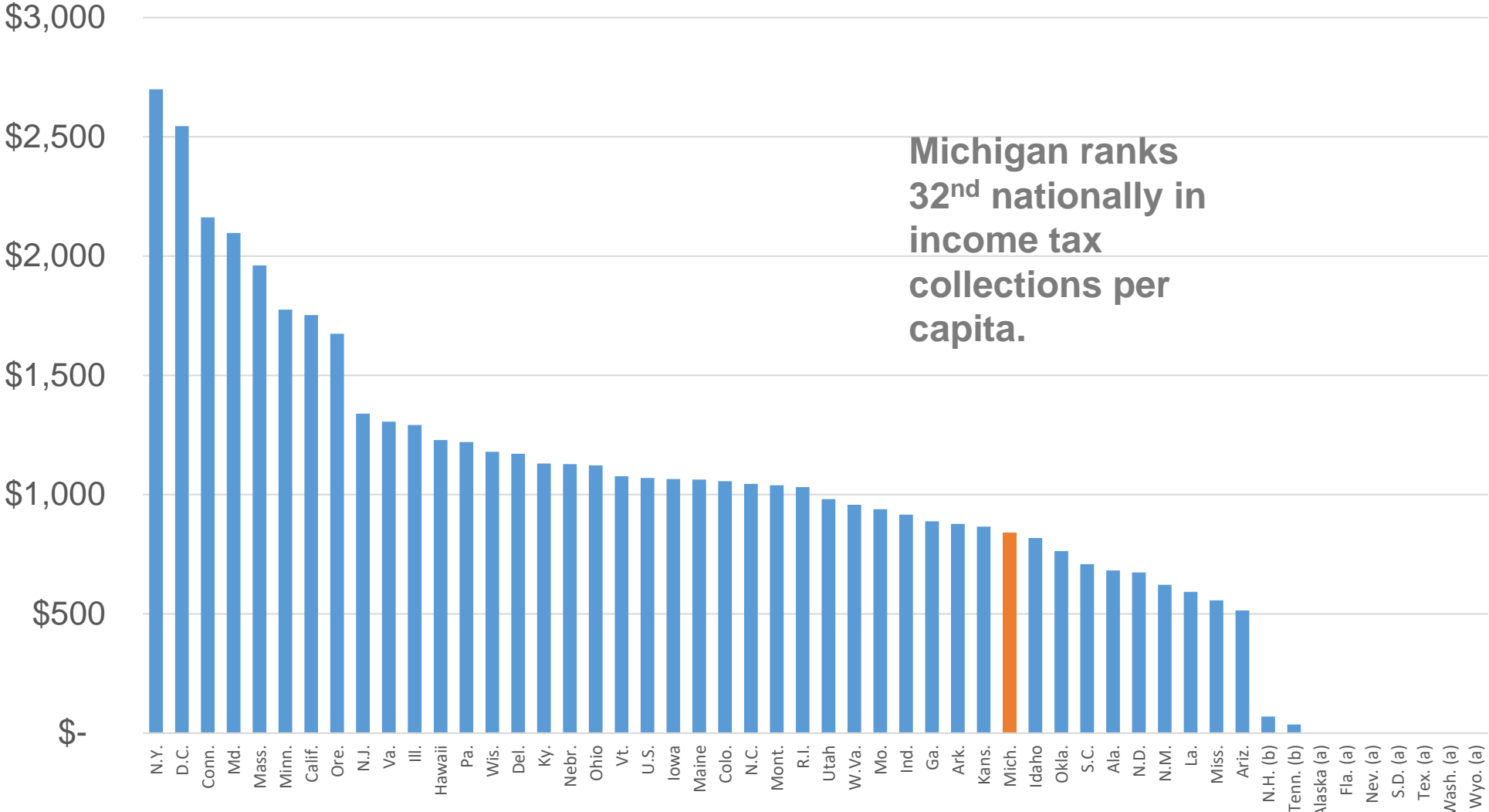
January 2017

Tax Revenue by Source as a Percent of Personal Income



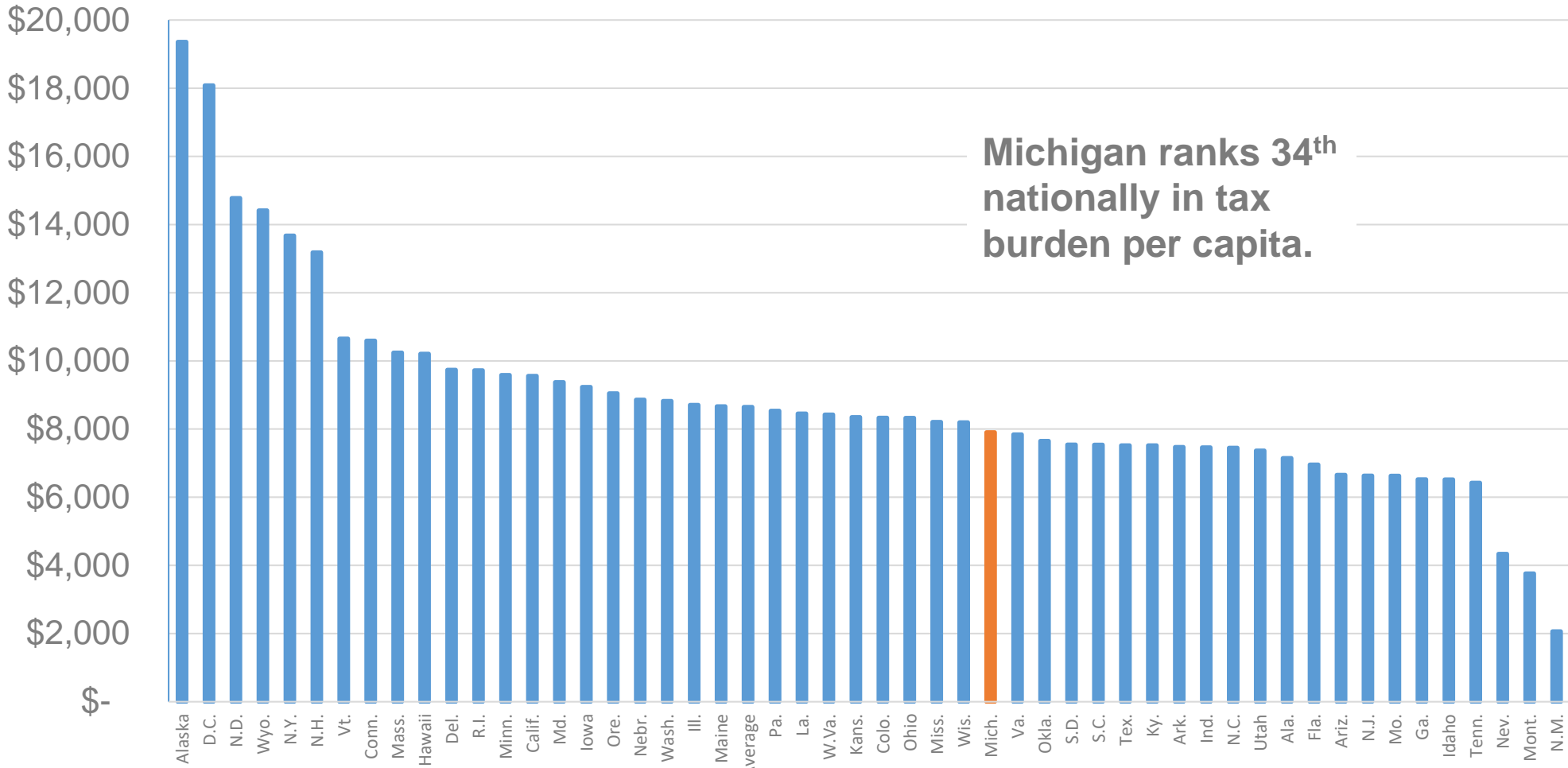
Source: House Fiscal Agency

State & Local Income Tax – Collection per Capita



Source: Tax Foundation

State & Local Tax –Burden per Capita



Source: Tax Foundation

Constitutional Revenue Limit



Michigan's government from 2000 – 2015 is 25% smaller. \$10 billion below the Constitutional Revenue Limit.

Source: House Fiscal Agency

MPSEERS Teacher Pension Systems – National Review

MPERS History at a Glance

1974

Legislature provides retiree health-care subsidy to teachers

1980

MPERS system established

1983

Retiree health-care benefits provided to teachers

1991

Engler cut health-care appropriation by \$54 million – no longer prefunding

1992

Engler cut MPERS appropriation in half - \$115 million

1994

Proposal A moves liability to local districts, charter schools created

1997

First mark-to-market of MPERS assets; Universities leave MPERS

1997-2001

Dot.com stock boom “fully funded” the system

2003-06

MPERS Reserve Fund used to lower rates

2007

Second mark-to-market of MPERS assets

2007-08

MPERS reform

2010

Early Retirement Incentive, MPERS reform

2011

“Best Practice” Privatization of non-instructional services

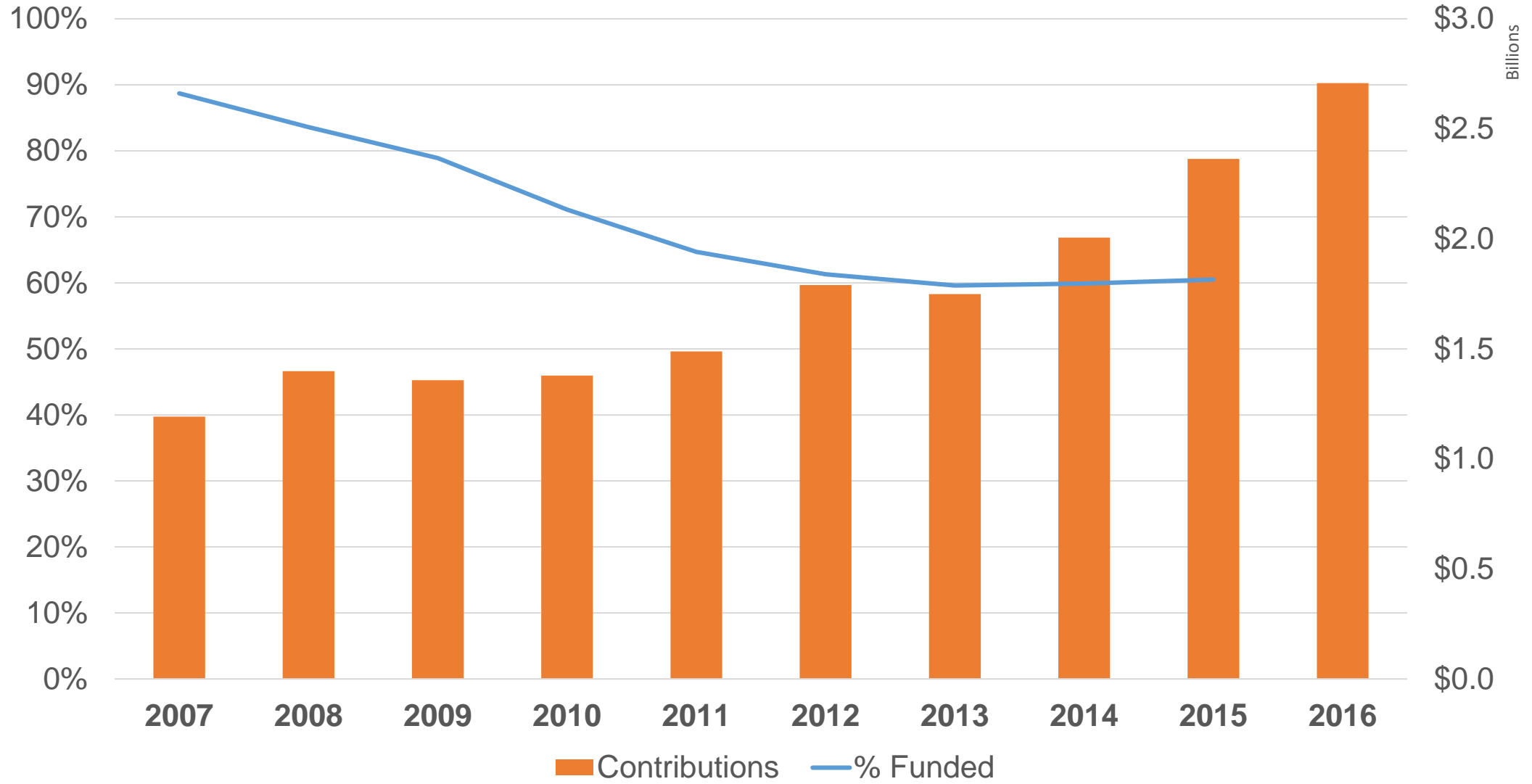
2012

MPERS reform - Hybrid and DC option, UAAL rate cap

2015

Legislature uses \$80 million in MPERS Reserve Fund for budget shortfall

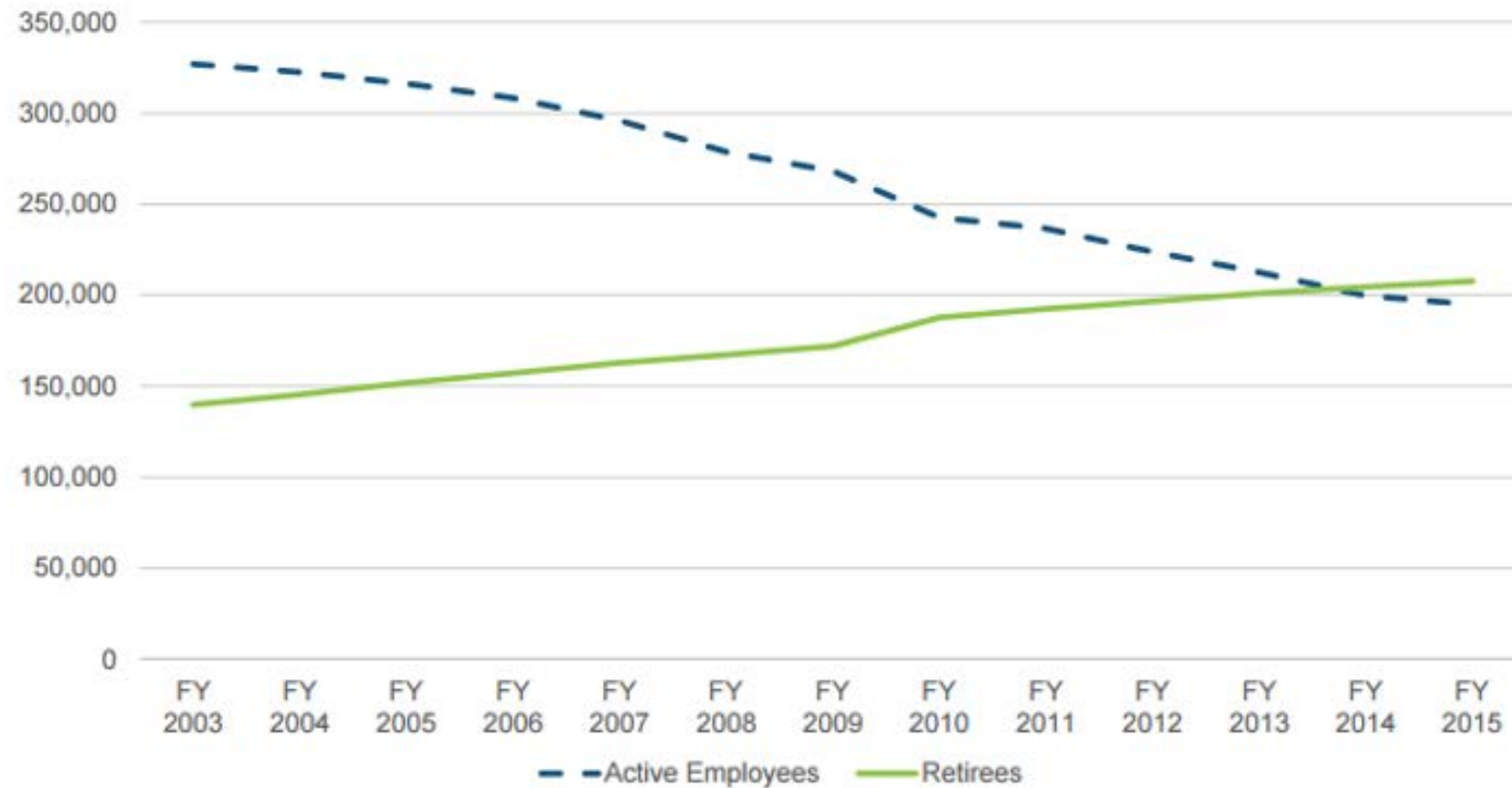
MPERS Contribution v. % Funded



Source: MPERS CAFR Report

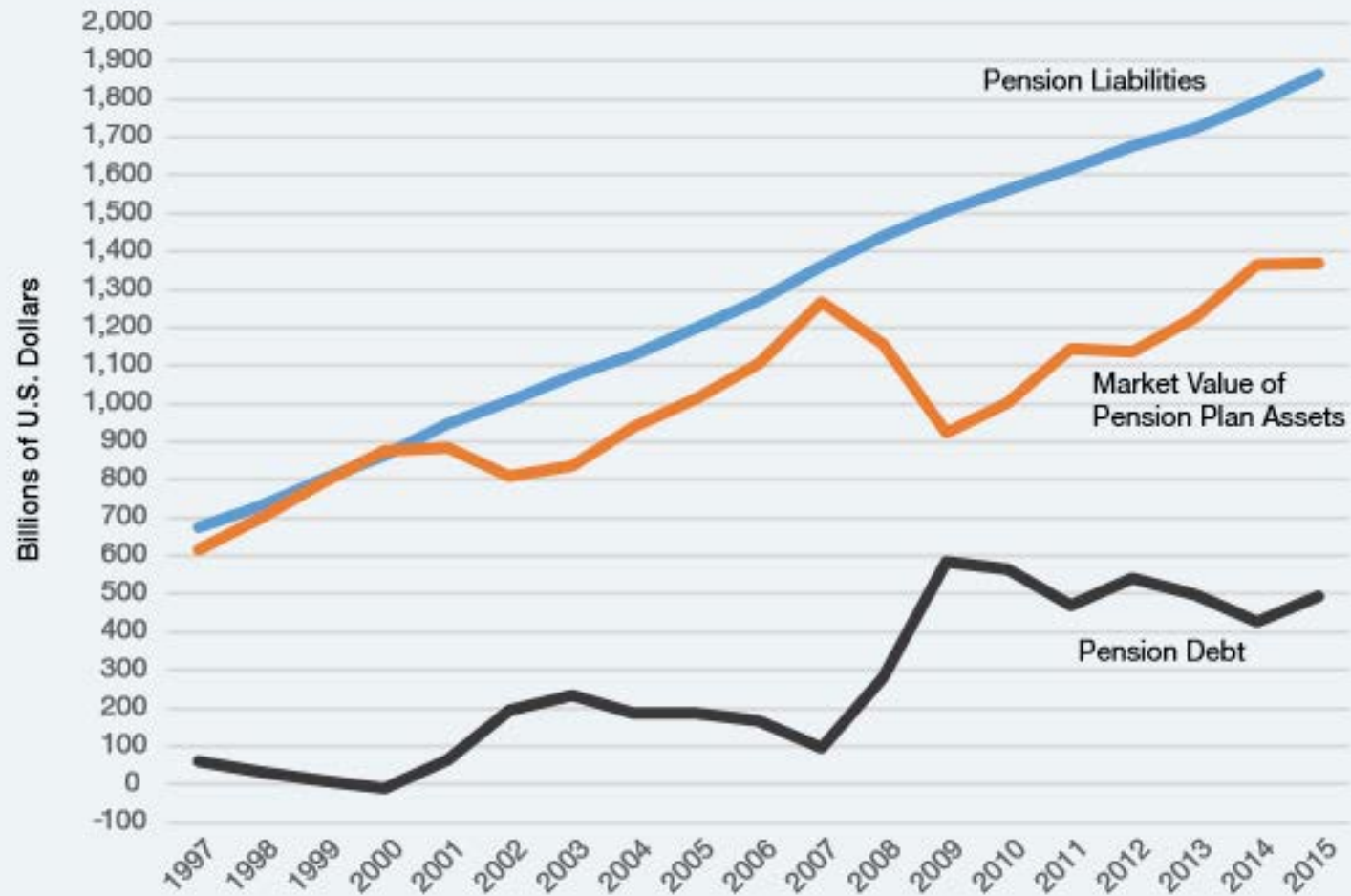
MPERS Retirees and Active Employees

The number of active employees in MPERS has declined over 40% since its peak in FY 2002-03. In FY 2013-14 the number of retirees surpassed active employees.



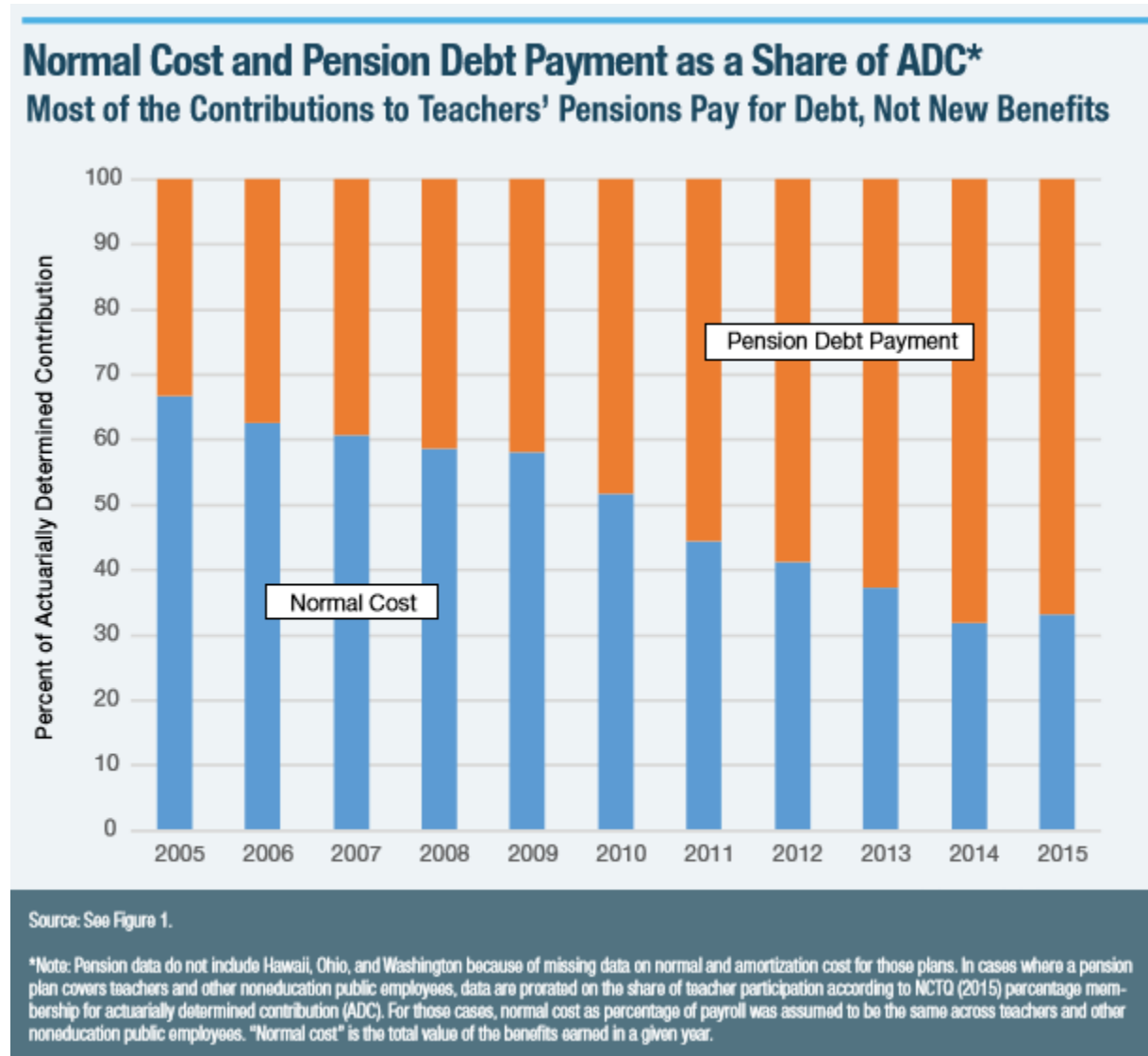
Teachers' Pension Plan Assets, Liabilities, and Debt

The Gap Between Pension Promises and Pension Assets Remains Large

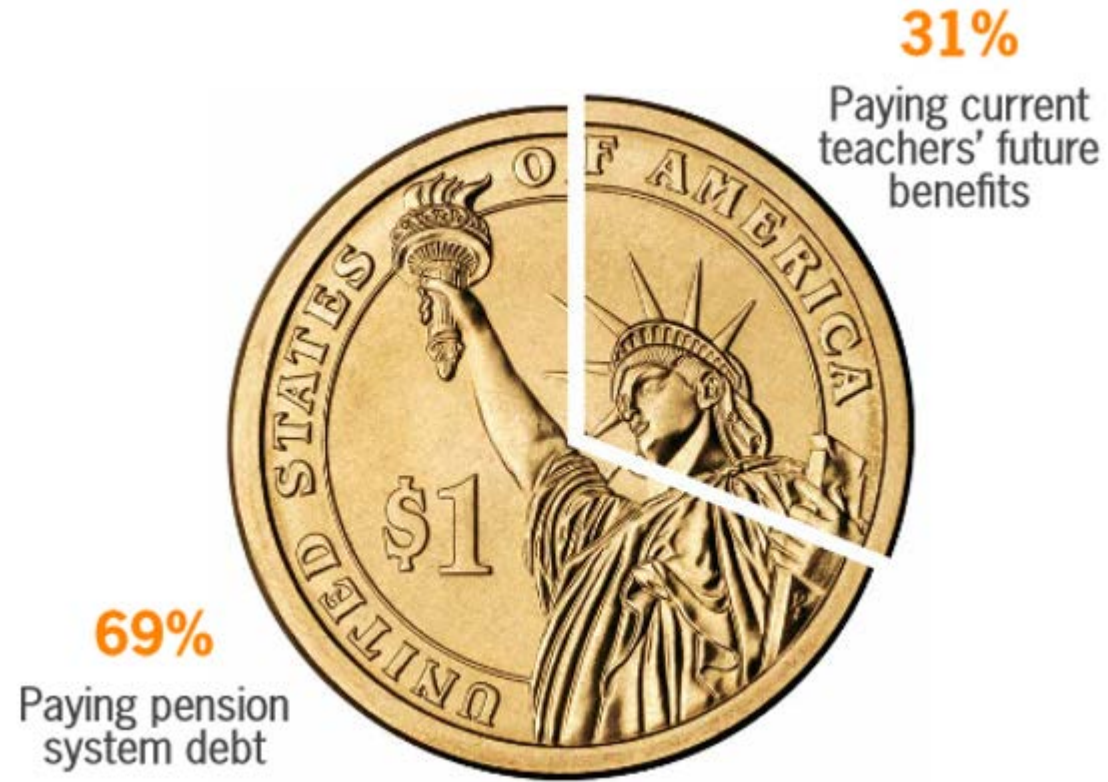


Source: Author's calculations using PEW Charitable Trusts, the Fiscal Health of State Pension Plans Data; Center for Retirement Research at Boston College, Public Plans Data; State Plans' Comprehensive Annual Financial Reports; State Plans' Actuarial Valuation Reports; and data from the National Council on Teacher Quality (NCTQ).

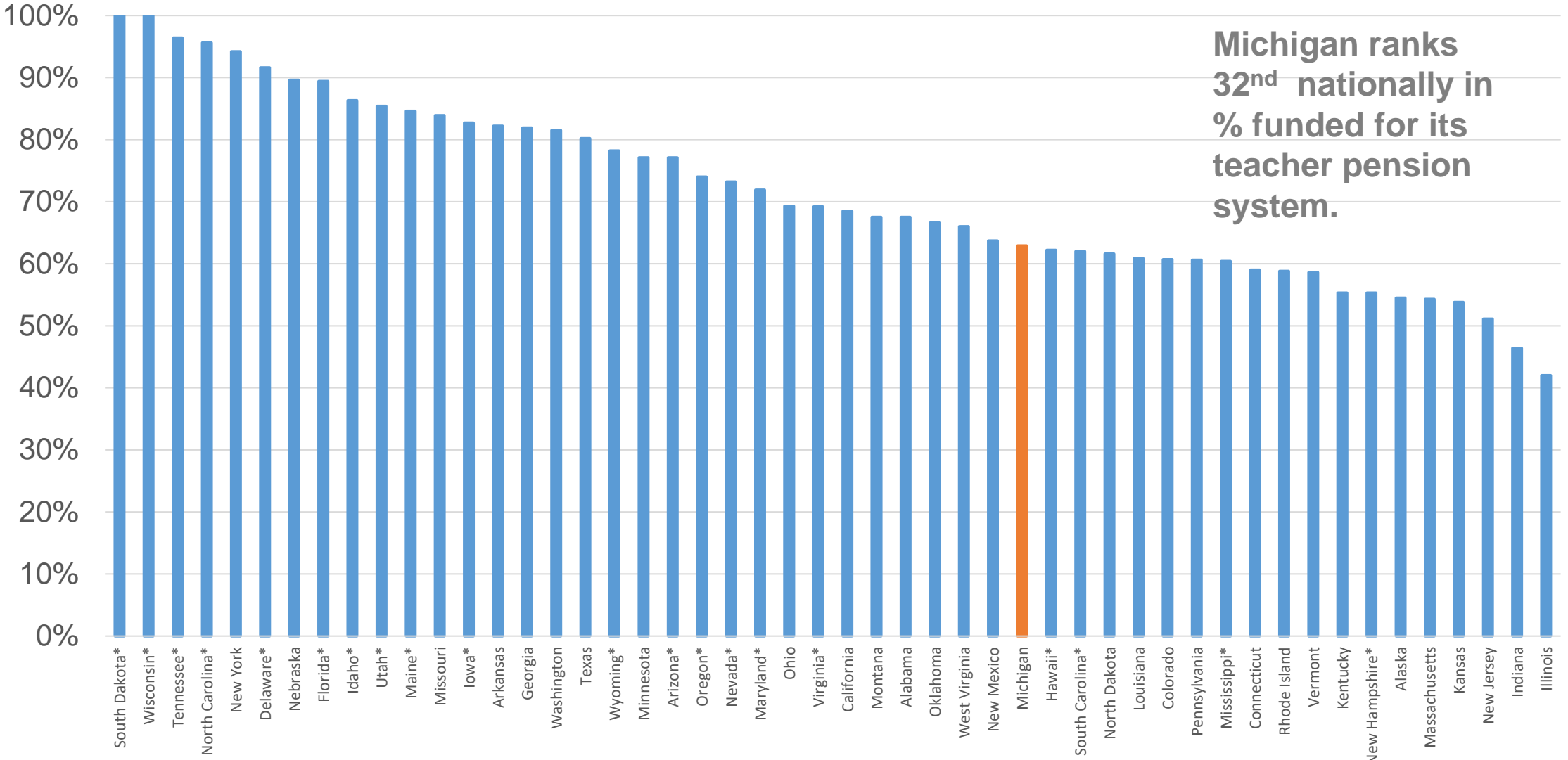
Pension Costs Breakdown – National Figures



Employer Pension Contributions – National Figures



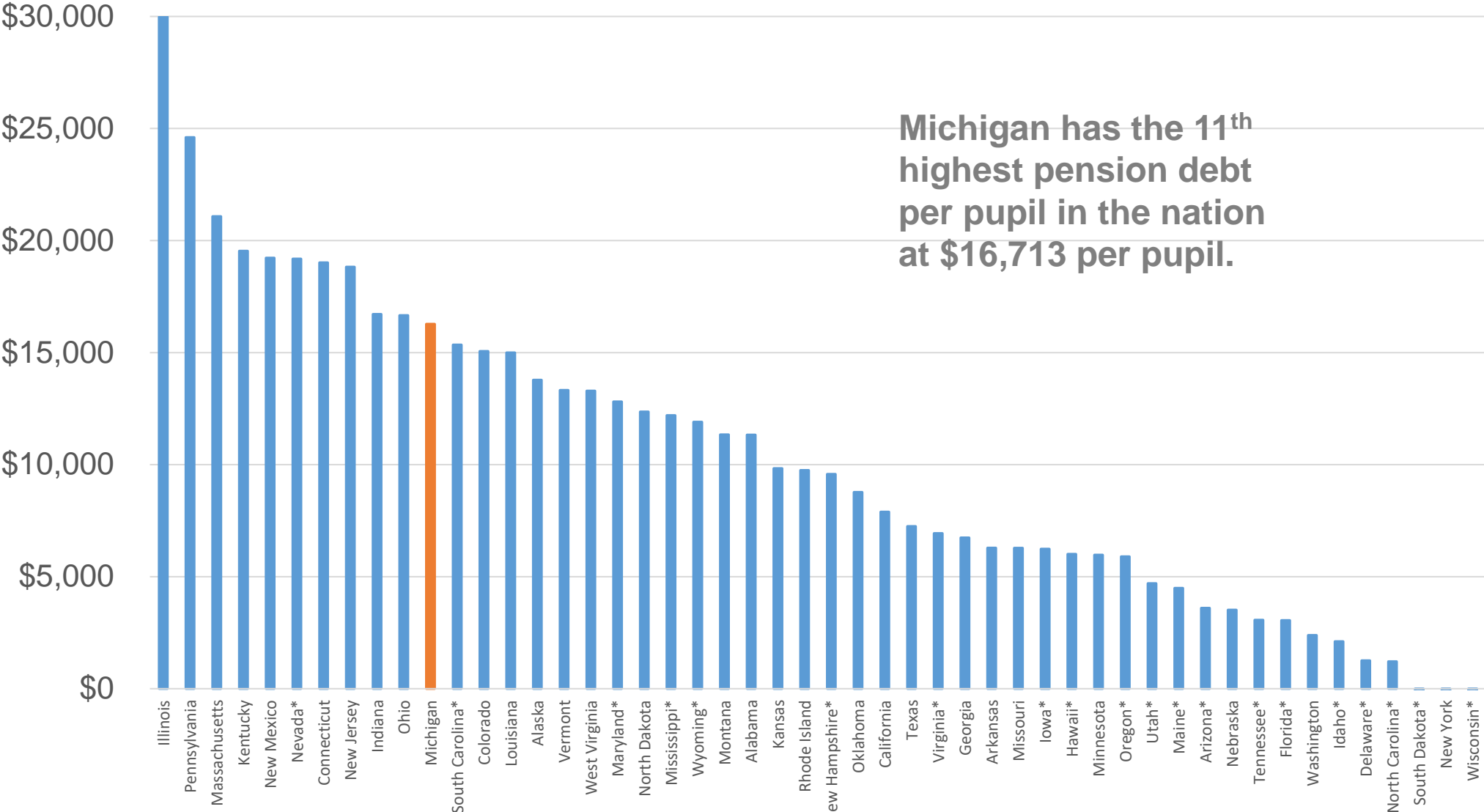
State Pension Systems Percent Funded



Michigan ranks 32nd nationally in % funded for its teacher pension system.

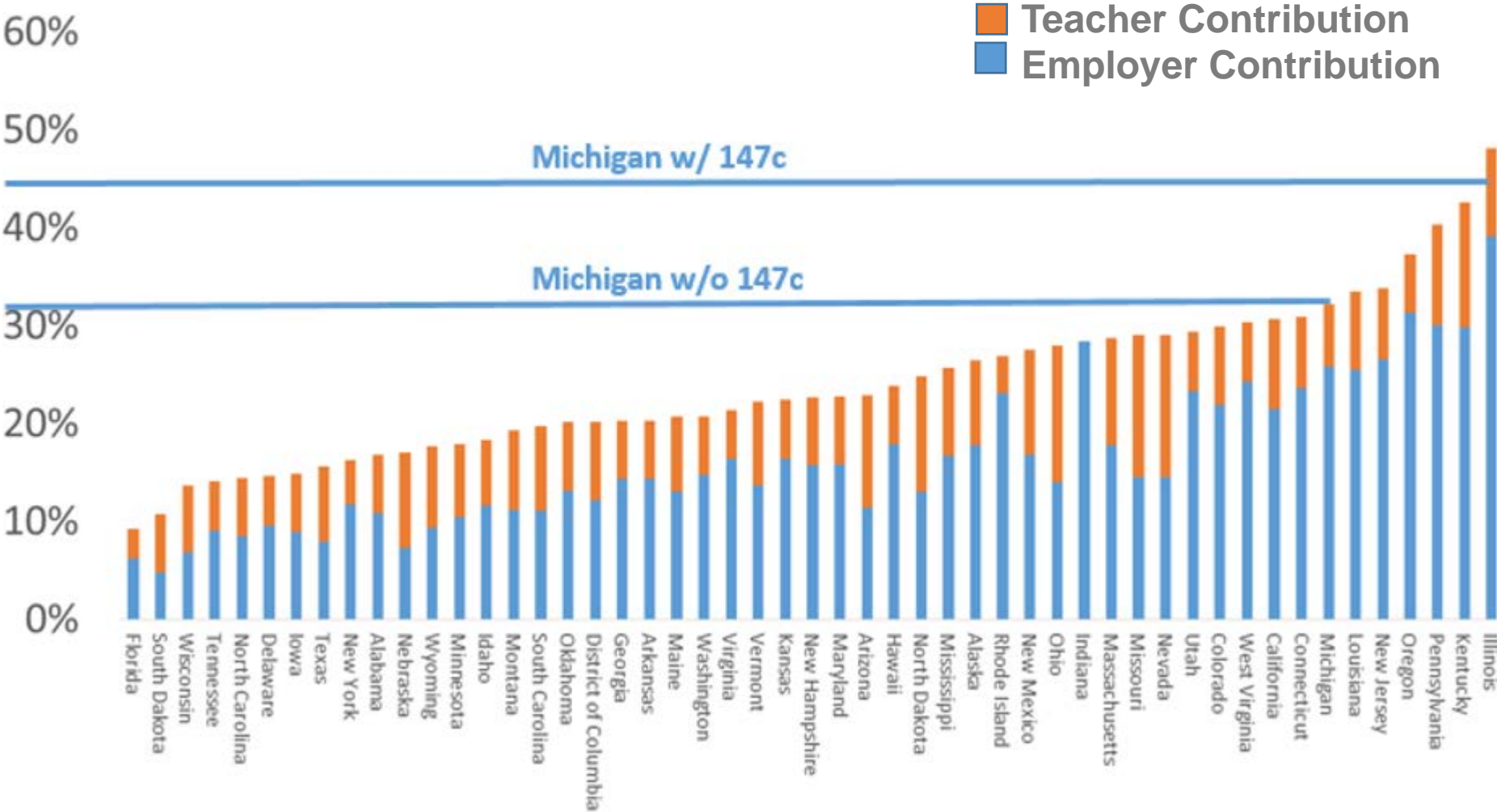
Source: Manhattan Institute

Pension Debt by State – Per Pupil



Source: Manhattan Institute

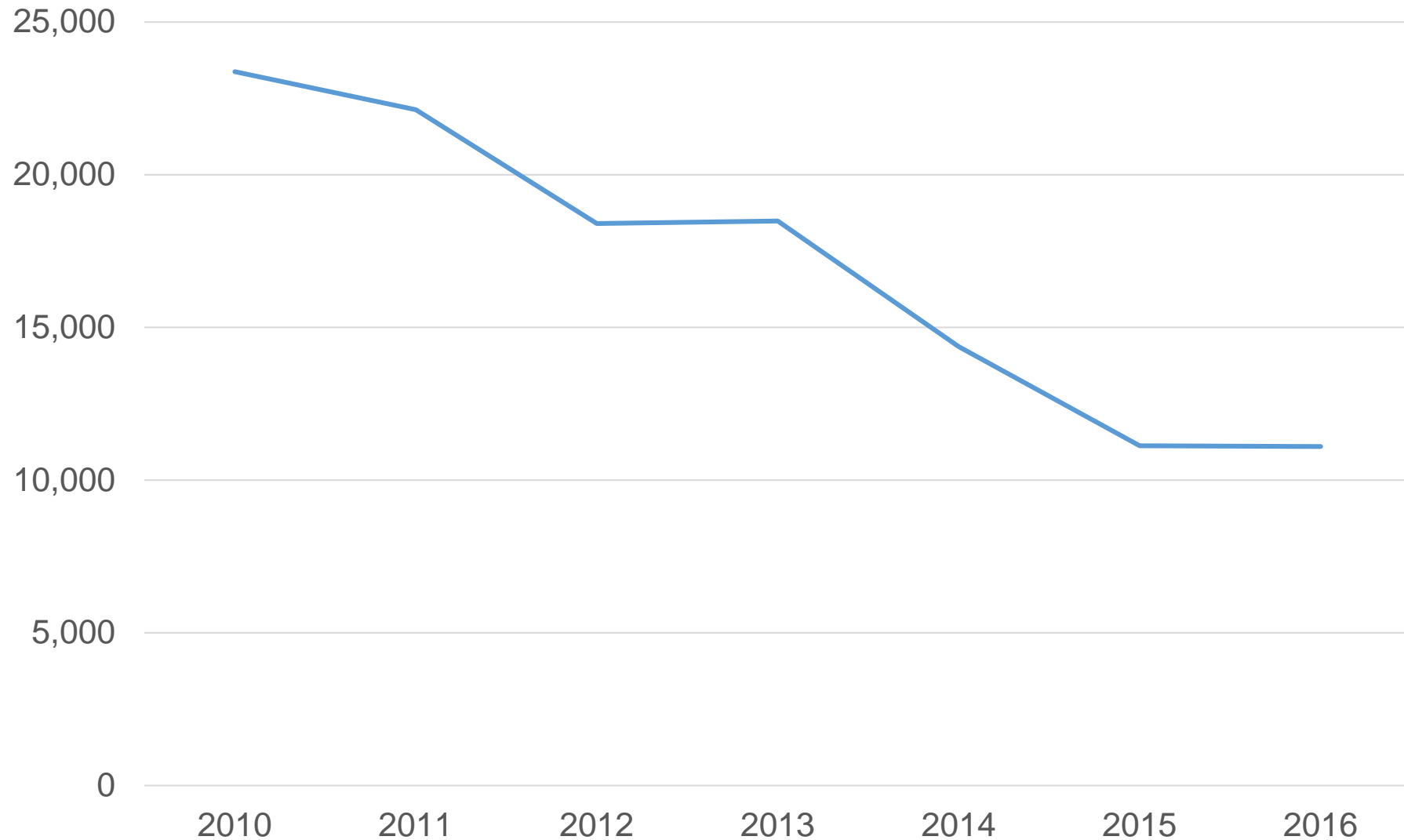
Teacher Contribution Rates by State



Source: Manhattan Institute

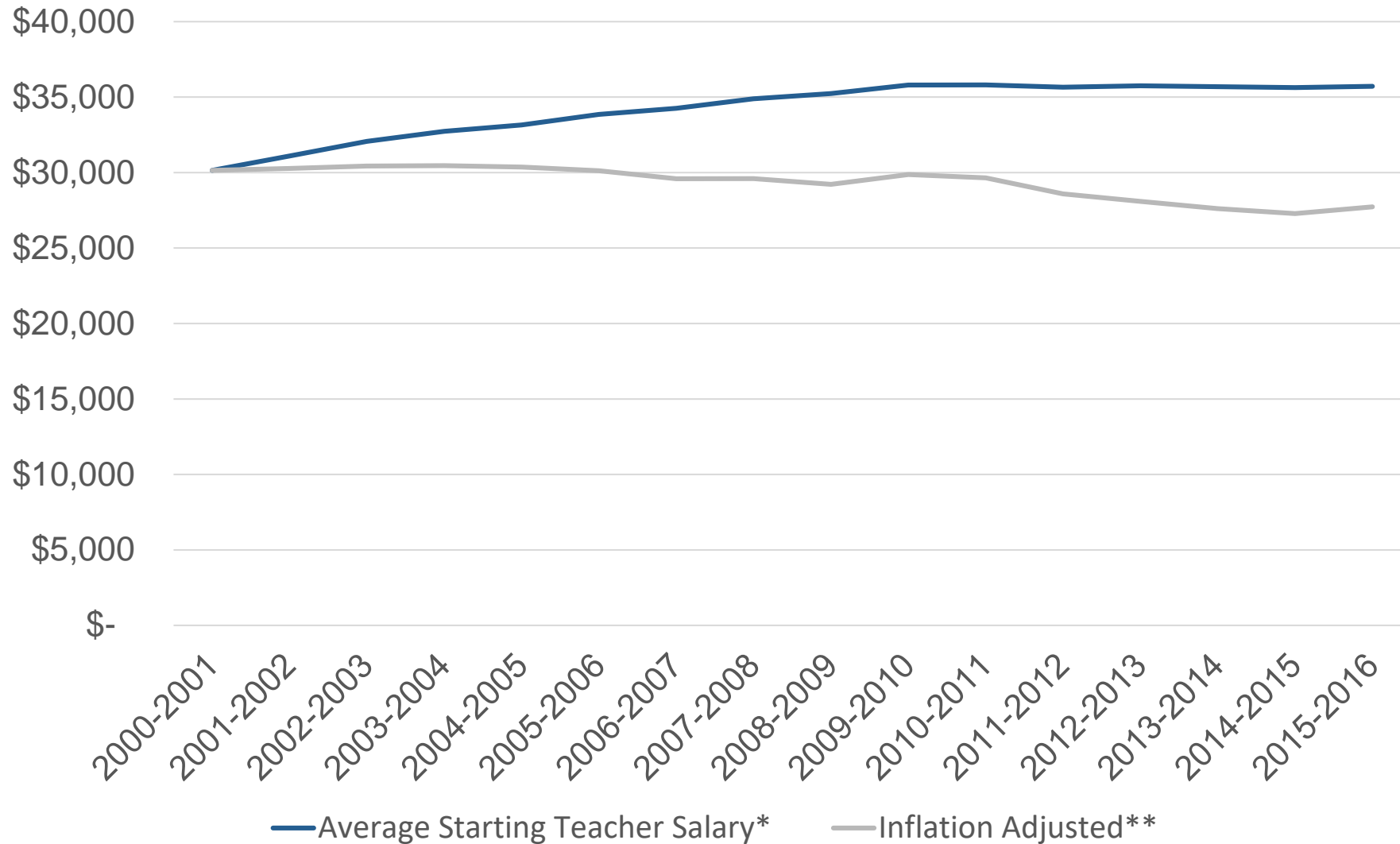
Teacher Shortage– Looming Challenges

Michigan Teacher Preparation - Program Enrollment



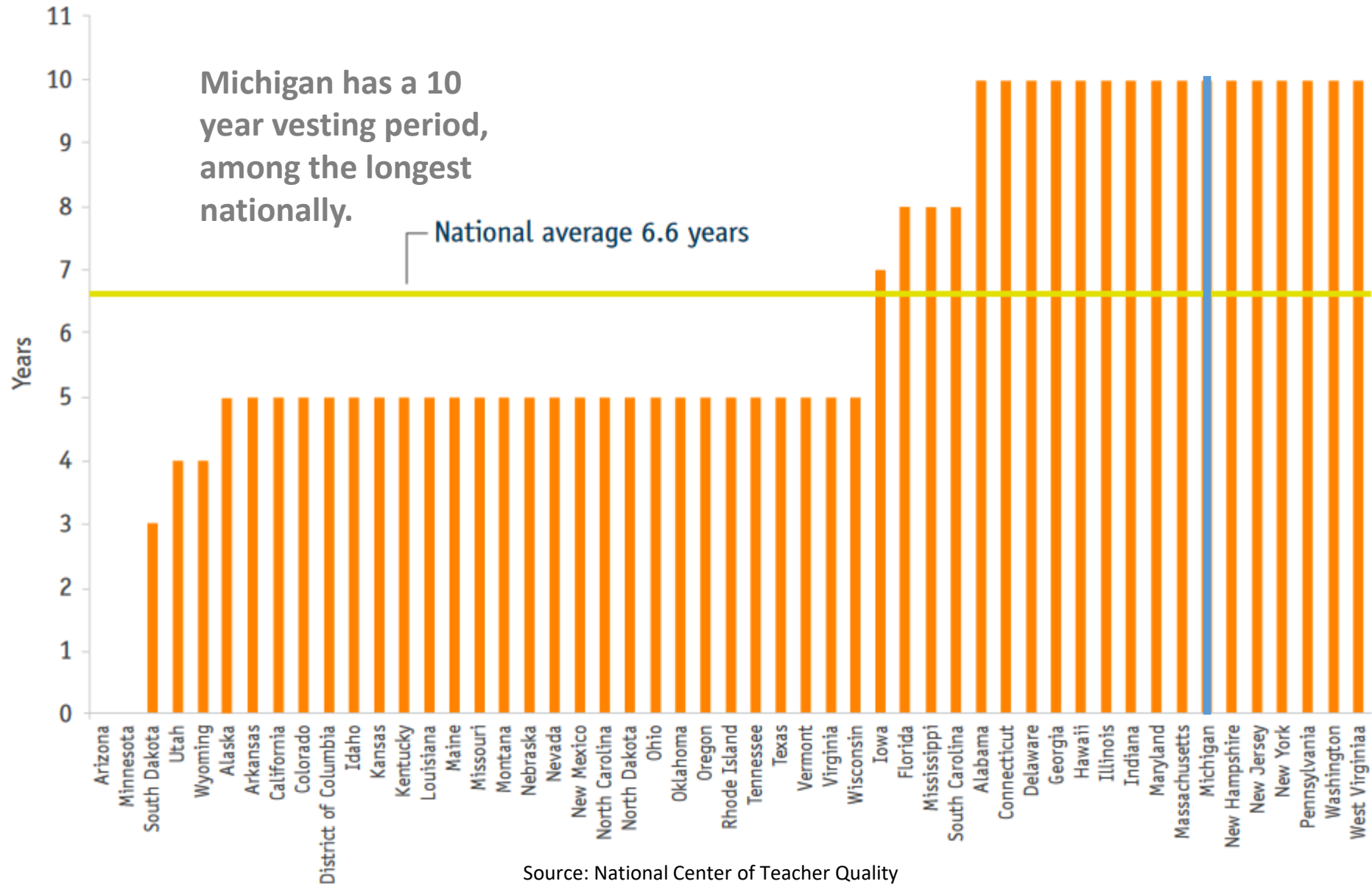
Source: Federal Department of Education

Michigan Starting Teacher Salary – Inflation Adjusted



Source: MASB Contract Database

Vesting Periods by State



Source: National Center of Teacher Quality

Teachers Vesting in Pension System

Fewer than half of teachers will stay long enough to earn a minimum pension

Only roughly 45% of Michigan teachers will vest in the pension system.

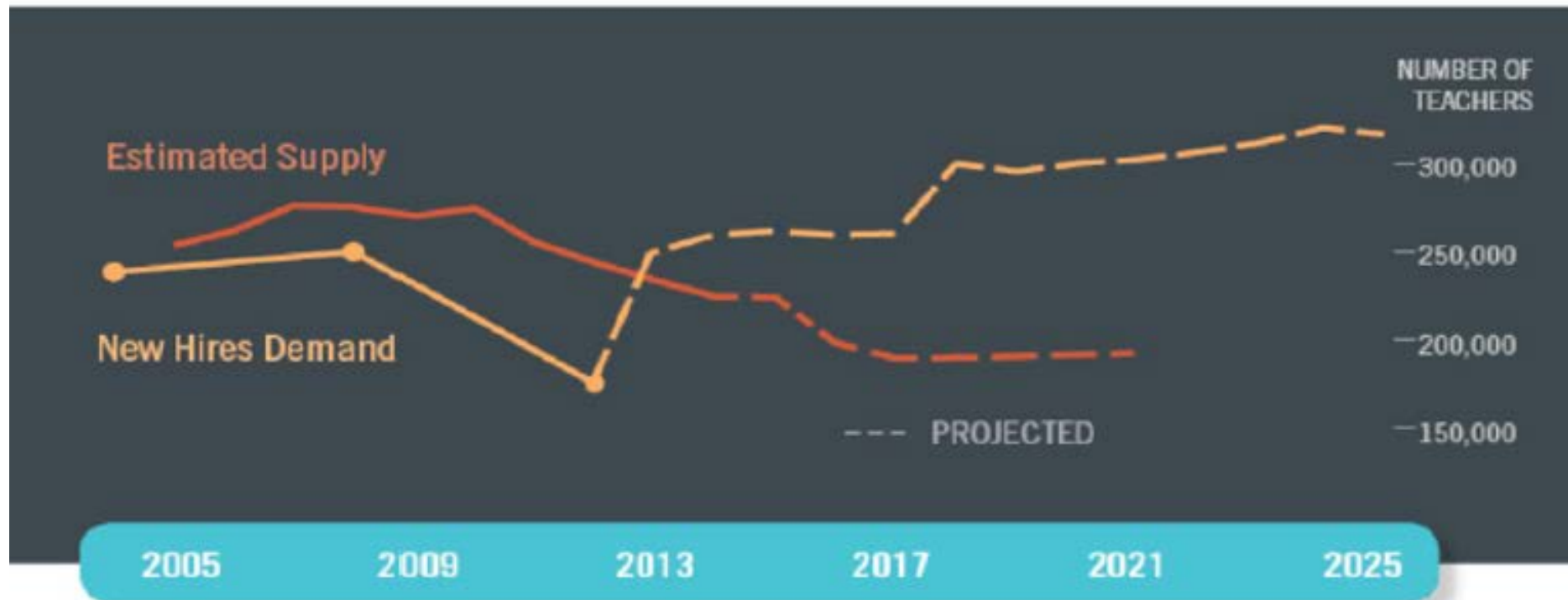


Roughly 55% will only receive their personal contributions, missing out on employer contributions and investment gains.

National Teacher Supply and Demand

TEACHER SUPPLY AND DEMAND PROJECTIONS

The Learning Policy Institute calculates that, if current market trends persist, U.S. schools could face an estimated shortfall of 112,000 teachers by 2018, with demand continuing to grow into the 2020s.



Governor, Senate & House Budget Recommendations

Proposed Foundation Allowance – Sec. 20



Governor's Budget

\$50 - \$100 per pupil; utilizing 2X formula.



House Budget

\$100 per pupil for all districts.



Senate Budget

\$88 - \$176 per pupil; utilizing 2X formula. Uses MPSERS offset.

Bold Prediction - \$100 per pupil for all districts.

At-Risk Pupil Support – Sec. 31a



Governor's Budget

\$150 million increase (\$539.7 million) or \$105 per pupil. Expands eligibility to all “economically disadvantaged” students. Includes all districts.



House Budget

\$129 million increase (\$518.8 million). Provides allocations to Hold Harmless and out-of-formula equal to 50% of amount calculated prior to any proration. 2018-19 intent language added for out-of-district student transportation via voucher or passes.



Senate Budget

\$100 million (\$490.2 million). Maintains current year funding for all “economically disadvantaged” students. Additionally, all districts receive \$60 per pupil (\$41 million total). Adds \$5 million for English Language Learners.

Bold Prediction – At-Risk increase between \$90 – \$130 million. Hold Harmless districts will be included at some level and definition will change to economically disadvantaged.

MPERS Cost Offset – Sec. 147a



Governor's Budget

Maintains \$100 million in funding. Adds an additional \$48.9 million to cover increased normal costs associated with reducing AROR from 8.0 to 7.5 percent.



House Budget

Concurs with Governor.



Senate Budget

Eliminates funding of \$100 million and moves to the foundation using 2x formula under Sec. 22b. Concurs with the Governor for the additional \$48.9 million for 2017-18.

Bold Prediction – 147a will remain.

MPERS Cost Offset – Sec. 147a



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Maintains \$100 million in funding. Adds an additional \$48.9 million to cover increased normal costs associated with reducing AROR from 8.0 to 7.5 percent.



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Eliminates funding of \$100 million and moves to the foundation using 2x formula under Sec. 22b. Concurs with the Governor for the additional \$48.9 million for 2017-18.

Bold Prediction – 147a will remain.

Shared Time Pupils – Sec. 23F



Governor's Budget

\$60 million for state Foundation Allowance payments to districts for educating non-public part-time pupils enrolled in Grades K-12, commonly referred to as “shared-time” agreements.



House Budget

Language not included.



Senate Budget

Language not included; current law in Sec. 22a with exception of a cap on maximum per pupil FTE of .75 in Sec. 6.

Bold Prediction – Current law will remain.

High School Per Pupil Bonus – Sec. 22N



Governor's Budget

\$22 million for additional payments to districts for higher instructional costs of educating high school students. Payments equal to \$50 per pupil for all Grade 9-12 students.



House Budget

Language not included.



Senate Budget

Language not included.

Bold Prediction – Language will not be included.

Cyber School Foundation Reduction – Sec 20(6)



Governor's Budget

Establishes an 80% limit on Foundation Allowance for a school of excellence that is a cyber-school.



House Budget

Language not included.



Senate Budget

Language not included.

Bold Prediction – Language will not be included.

Private School Mandate Funding– Sec. 152b



Governor's Budget

Language not included; repeals section.



House Budget

Maintains current funding at \$2.5 million and adds additional \$250,000 for FIRST Robotics funding.



Senate Budget

Maintains current funding at \$2.5 million and adds additional \$250,000 for FIRST Robotics funding.

Bold Prediction – House and Senate proposals will be adopted. Court decision will determine future action.

School Finance Related Policy Initiatives

Non-Profit Property Tax Exemptions

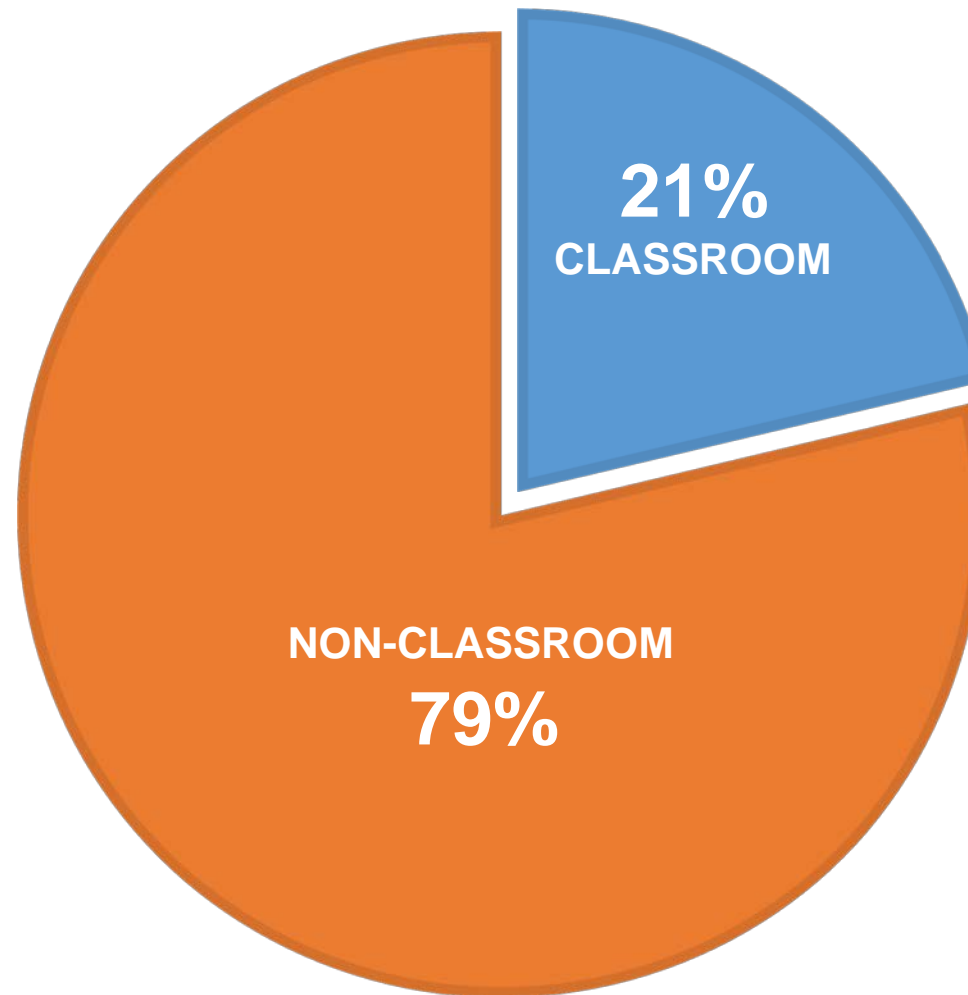
TIF Reform

Opposing Income Tax Reduction

Substitute Teacher Package

Charter Enhancement Access

Protecting the Classroom – Statewide Figures



Between 2008-09 and 2015-16 Michigan school districts cut \$856 million in their budgets.

79% of those cuts were made outside of the classroom.

Source: FID Data

Classroom defined as function codes 111 (elementary), 112 (middle), and 113 (high); doesn't include special education, summer school or adult-ed.

The End.