



Legislative Update

MSBO

Business Mgr./CPA Workshop

June 5, 2024



Education Advocates
of West Michigan

Topics

1. Lansing by the Month
2. K-12 Budget Updates
3. Possible budget “pathways”
4. Policy Update
5. Useful websites

Lansing by the Month

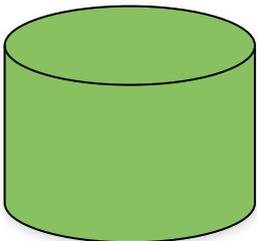
- June
 - Final budgets
 - “Must-have” policy hearings
- July & August
 - No session days, no committee meetings
- September
 - A week or two of possible sessions (likely to be canceled)
- October
 - Unlikely to have any sessions or committee meetings

Lansing by the Month

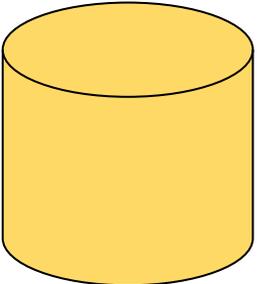
- November
 - Election - all 110 House seats; zero Senate seats
 - If democrats lose the House, a very busy Lame Duck session begins
- December
 - If democrats lose the House, a very busy Lame Duck session continues. Issues would include P.A. 152
 - If democrats retain the House, a light Lame Duck session begins

FY 25 Possible Sources of New Funding

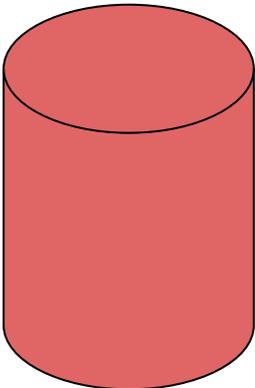
REVISED



Tax Revenue



Unspent FY 24



OPEX

\$\$

~~\$400M~~
~~\$300M~~
~~\$200M~~
~~\$100M~~

~~\$515M~~
~~\$400M~~
~~\$100M~~



K-12 Budget Updates

- Key focus - educating individual lawmakers about OPEB
- Explaining the local district impact of UAAL going from 20.96% to 13.90%
- [Link to tabbed-spreadsheet](#) showing UAAL savings
- House budget lowers rate to 18.0% through offset

House Proposal - Sec. 164j

- Sneaky proposal in the House budget - Sec. 164j
 - Prohibits school districts from using state funds to pay legal costs related to disputes about Sec. 15 of PERA - collective bargaining requirements
 - Supposed response to districts adopting policies about topics that were previously prohibited subjects of bargaining
 - Likely an unconstitutional provision
 - Working with Senate and Gov's Office to explain the House's misunderstanding
 - Funds collected through 18 mil levy could be used for legal costs

Explaining OPEB

- Still too much confusion about OPEB
- I am happy to share these slides and please use them
- One more time...

OPEB Trust Fund

- OPEB - Other Post-Employment Benefits
- A fund to cover retiree health care, dental, and vision benefits
- This benefit is for qualified public education retirees
 - Must have been hired before September 4, 2012
 - Must have elected to maintain retiree health benefits and pay annual costs
 - This is a closed fund with no new members as of 2012
- The State of Michigan began “pre-funding” these benefits by creating the OPEB Trust Fund in 2012
- The Trust Fund receives contributions from employers and employees
 - Employers pay a “normal cost” of 1.25% of payroll costs for qualified employees
 - Employers pay an Unfunded Actuarial Accrued Liability payment of 7.06% of total payroll
 - Employees who elected this benefit pay 3.0% of their wage into the fund annually

OPEB Trust Fund

- In 2012, the Trust Fund began
- As of September 30, 2022, the Trust Fund has over \$12 billion in assets
 - This amount equates to 99.2% of the future costs of all retiree health care needs
 - This is a closed fund with a decreasing number of covered lives each year
 - Retirees switch over to Medicare at age 65 for health care benefits
- As of September 30, 2023, the Trust fund was 126% funded
- As of March of 2024, the Trust fund was 140% funded with over \$14 billion in assets

OPEB FY 2023 Details

Expense

FY 2023

\$671 million claims, insurance & fees

Revenue

FY 2023

\$869 million - investment income

\$202 million - employee contributions

\$783 million - employer contributions

MPSEERS Investment Rate of Return History

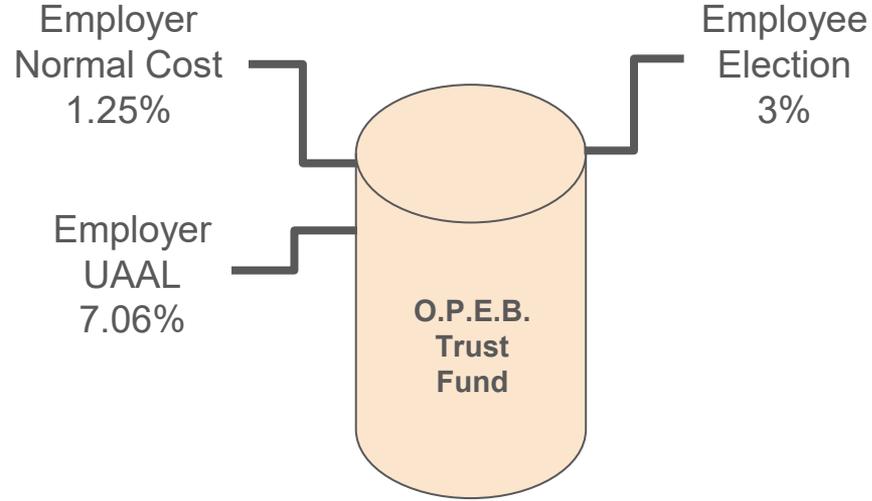
Long-term investment revenue makes up about 80% of actual benefits paid out. Actuarial estimates are based on an 6% assumed rate of return for the Basic, MIP, and Hybrid plans. If actual rates exceed assumptions, it reduce unfunded liabilities, while underperforming compared to the assumed rate increases unfunded liabilities.

Year	Rate of Return		Year	Rate of Return
2002	(10.5%)		2013	12.5%
2003	14.8%		2014	15.6%
2004	12.6%		2015	2.6%
2005	12.8%		2016	7.6%
2006	12.8%		2017	13.8%
2007	17.2%		2018	11.6%
2008	(12.3%)		2019	5.6%
2009	(6.1%)		2020	5.3%
2010	8.8%		2021	27.7%
2011	6.6%		2022	(4.4%)
2012	13.5%		2023	8.7%

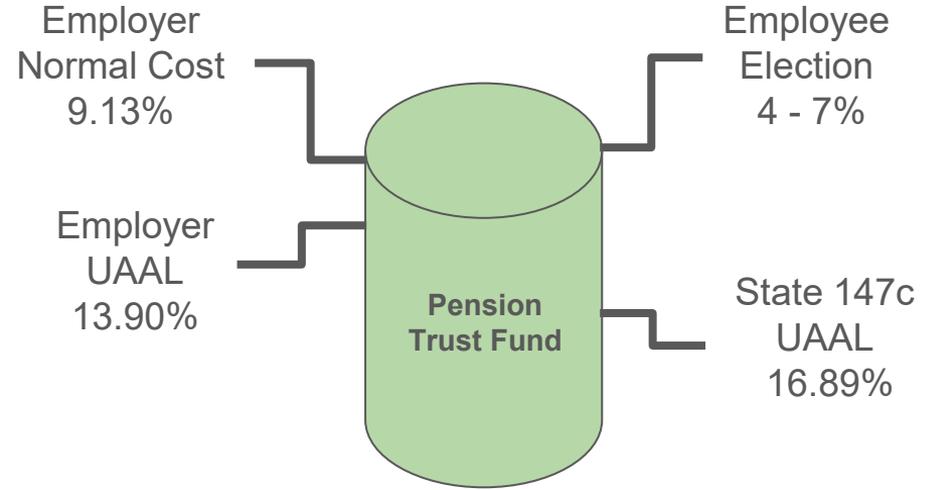
Avg. Return
over 22
years =
8.03%

Source: Office of Retirement Services

OPEB Trust Fund Contributions FY 2024

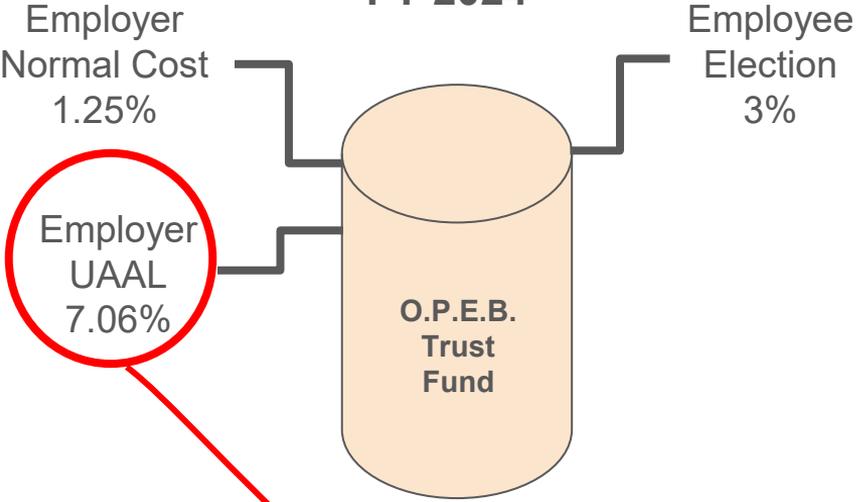


Pension Trust Fund Contributions FY 2024

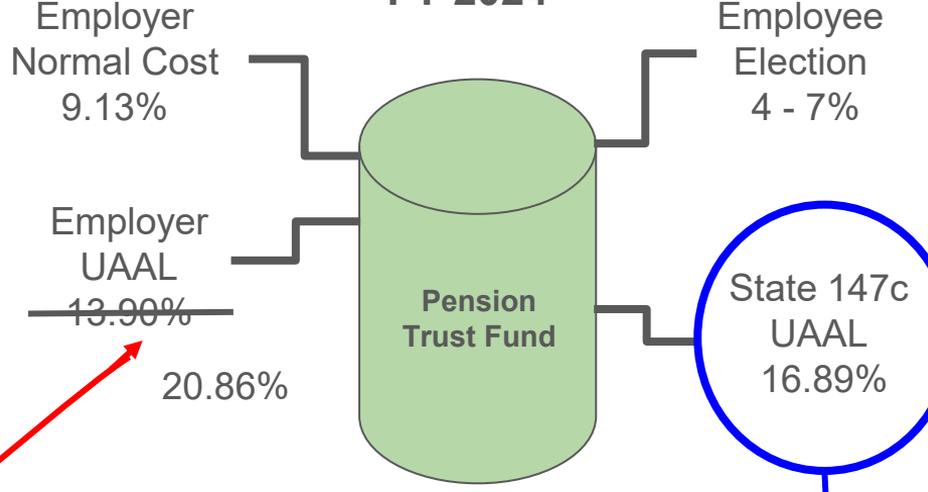


Executive & Senate Budget Plan

OPEB Trust Fund Contributions FY 2024



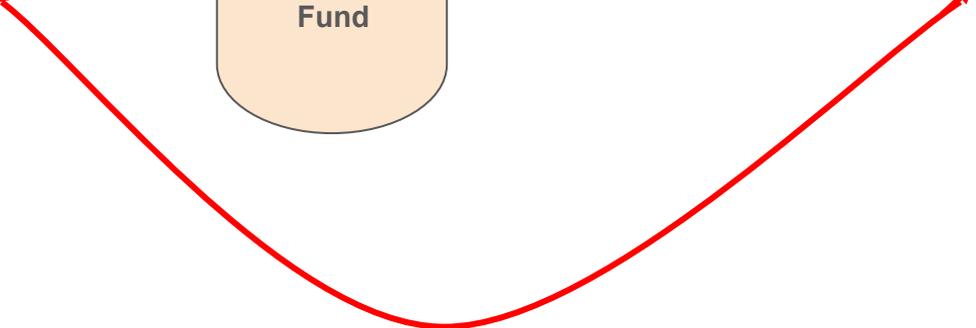
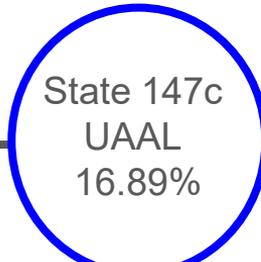
Pension Trust Fund Contributions FY 2024



20.86%

10.58%

This is what frees up \$670 million





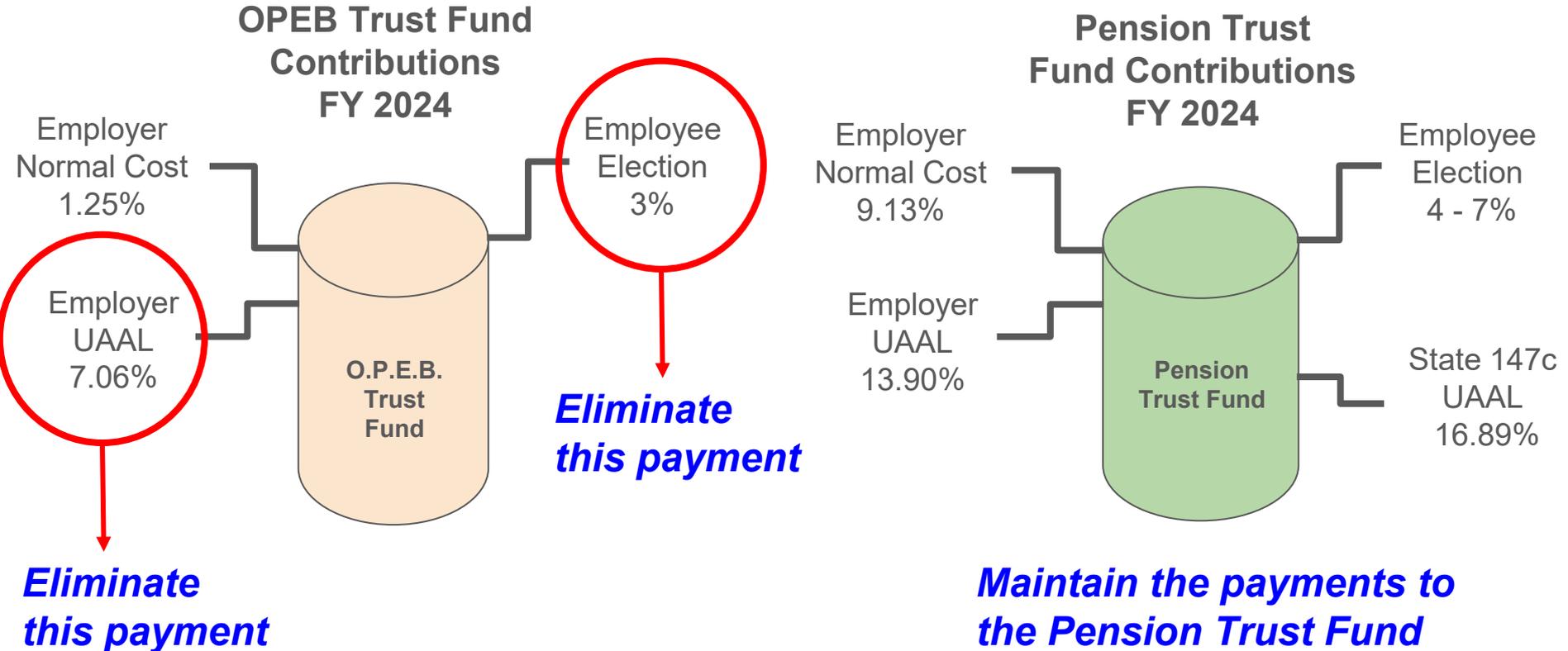
Chris Frank
Compiled from
ORS CAFR

MPSERS Rates FY 1994 - FY 2024 & Proposed FY 2025

		Employer Pension			Employer Health			State						147a(2)		147c(1)		
From	To	Total Rate	Normal Cost	UAAL	UAAL (ERI)	Normal Cost	UAAL	Surcharge (UAAL)	147c Pension UAAL	147c Health UAAL	147d	Normal Cost Total	UAAL Total	Normal Cost Offset	District Total	State UAAL Offset	District Total % Chge	
10/01/93	09/30/94	5.00%	5.00%									5.00%	0.00%		5.00%			
10/01/94	09/30/95	14.21%		14.21%								14.21%	0.00%		14.21%		184.20%	
10/01/95	09/30/96	14.56%	7.60%	3.28%				3.68%				7.60%	6.96%		14.56%		2.46%	
10/01/96	09/30/97	15.17%	7.62%	3.60%				3.95%				7.62%	7.55%		15.17%		4.19%	
10/01/97	09/30/98	11.12%	7.14%	0.00%				3.98%				7.14%	3.98%		11.12%		-26.70%	
10/01/98	09/30/99	10.77%	6.73%	0.00%				4.04%				6.73%	4.04%		10.77%		-3.15%	
10/01/99	09/30/00	11.66%	6.47%	0.59%				4.60%				6.47%	5.19%		11.66%		8.26%	
10/01/00	09/30/01	12.16%	6.42%	0.19%				5.55%				6.42%	5.74%		12.16%		4.29%	
10/01/01	09/30/02	12.17%	6.06%	0.06%				6.05%				6.06%	6.11%		12.17%		0.08%	
10/01/02	09/30/03	12.99%	6.26%	0.68%				6.05%				6.26%	6.73%		12.99%		6.74%	
10/01/03	09/30/04	12.99%	6.26%	0.68%				6.05%				6.26%	6.73%		12.99%		0.00%	
10/01/04	09/30/05	14.87%	6.31%	2.01%				6.55%				6.31%	8.56%		14.87%		14.47%	
10/01/05	09/30/06	16.34%	5.47%	4.32%				6.55%				5.47%	10.87%		16.34%		9.89%	
10/01/06	09/30/07	17.74%	5.49%	5.70%				6.55%				5.49%	12.25%		17.74%		8.57%	
10/01/07	09/30/08	16.72%	5.28%	4.89%				6.55%				5.28%	11.44%		16.72%		-5.75%	
10/01/08	09/30/09	16.54%	5.17%	4.56%				6.81%				5.17%	11.37%		16.54%		-1.08%	
10/01/09	09/30/10	16.94%	3.98%	6.15%				6.81%				3.98%	12.96%		16.94%		2.42%	
10/01/10	10/31/10	19.41%	3.74%	8.42%				7.25%				3.74%	15.67%		19.41%		14.58%	
11/01/10	09/30/11	20.66%	3.74%	8.42%				5.50%	3.00%			3.74%	16.92%		20.66%		6.44%	
10/01/11	09/30/12	24.46%	3.47%	12.49%				5.50%	3.00%			3.47%	20.99%		24.46%		18.39%	
10/01/12	01/31/13	25.36%	3.47%	11.42%	1.36%	0.93%	5.18%	3.00%				4.40%	20.96%		25.36%		3.68%	
02/01/13	09/30/13	25.92%	2.43%	11.42%	1.36%	0.93%	5.18%	3.00%		1.60%		3.36%	20.96%		24.32%	1.60%	-4.10%	
10/01/13	09/30/14	29.35%	2.90%	14.08%	1.36%	0.93%	5.52%			4.56%		3.83%	20.96%		24.79%	4.56%	1.93%	
10/01/14	03/09/15	34.54%	4.31%	17.40%	1.36%	0.51%	2.20%			7.63%	1.13%	4.82%	20.96%		25.78%	8.76%	3.99%	
03/10/15	09/30/15	33.41%	4.31%	17.40%	1.36%	0.51%	2.20%			7.63%		4.82%	20.96%		25.78%	7.63%	0.00%	
10/01/15	09/30/16	36.31%	4.39%	13.20%	1.36%	0.43%	6.40%		7.31%	3.22%		4.82%	20.96%		25.78%	10.53%	0.00%	
10/01/16	09/30/17	36.64%	3.76%	13.91%	1.36%	0.22%	5.69%		8.53%	3.17%		3.98%	20.96%		24.94%	11.70%	-3.26%	
10/01/17	09/30/18	36.88%	4.35%	12.18%	1.36%	0.25%	7.42%		11.32%			4.60%	20.96%	0.62%	25.56%	11.32%	2.49%	
10/01/18	09/30/19	38.39%	4.86%	12.03%	1.36%	0.36%	7.57%		12.21%			5.22%	20.96%	1.24%	26.18%	12.21%	2.43%	
10/01/19	09/30/20	39.91%	6.02%	12.03%	1.36%	0.52%	7.57%		12.41%			6.54%	20.96%	2.56%	27.50%	12.41%	5.04%	
10/01/20	09/30/21	42.72%	6.39%	13.39%		0.86%	7.57%		14.51%			7.25%	20.96%	3.27%	28.21%	14.51%	2.58%	
10/01/21	09/30/22	43.28%	6.41%	13.73%		0.86%	7.23%		15.05%			7.27%	20.96%	3.29%	28.23%	15.05%	0.07%	
10/01/22	09/30/23	44.88%	6.41%	13.75%		0.86%	7.21%		16.65%			7.27%	20.96%	3.29%	28.23%	16.65%	0.00%	
10/01/23	09/30/24	48.23%	9.13%	13.90%		1.25%	7.06%		16.89%			10.38%	20.96%	6.40%	31.34%	16.89%	11.02%	
10/01/24	09/30/25	41.94%	9.15%	20.86%		1.25%	0.10%		10.58%			10.40%	20.96%	6.42%	31.36%	10.58%	0.06%	



Preferred & Responsible Plan



FY 2023-24 Contribution Rates

As a percent of Payroll

	Basic/MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus with PHF	Elected DC with PHF	Basic/MIP to DC with Premium Subsidy	Basic/MIP to DC with PHF	Basic/MIP with PHF	Pension Plus 2 with PHF
Pension/DC Contributions*								
Normal Cost	9.13	6.27	6.27	7.00	7.00	7.00	9.13	7.20
UAAL	13.90	13.90	13.90	13.90	13.90	13.90	13.90	13.90
Pension Total	23.03	20.17	20.17	20.90	20.90	20.90	23.03	21.10
Health Contributions*								
Normal Cost	1.25	1.25	2.00	2.00	1.25	2.00	2.00	2.00
UAAL	7.06	7.06	7.06	7.06	7.06	7.06	7.06	7.06
Health Total	8.31	8.31	9.06	9.06	8.31	9.06	9.06	9.06
Employer Total	31.34	28.48	29.23	29.96	29.21	29.96	32.09	30.16
State Share	16.89	16.89	16.89	16.89	16.89	16.89	16.89	16.89
TOTAL	48.23	45.37	46.12	46.85	46.10	46.85	48.98	47.05

* Assumes 100% participation in employee DC contributions and Personal Healthcare Fund contributions.



Prospects of Reducing 20.96%

- MEA & AFT 100% supportive now
- Local district impacts of all four proposals
- Politics of 56-54 House and all seats up
- Political currency of the Foundation Allowance
- Appropriators accustomed to more \$\$\$
- New push for economic development from democrats - this will require new \$\$

Possible Pathways

One

- Gov/Senate plan
- State reduces 147c
- Categoricals in:
 - “Free” lunch
 - GSRP expansion
 - Student loan repay
 - Free comm. college
 - At-risk \$ increase
 - EL funding increase
 - other
- MOE implications

Two

- House-ish plan
- State reduces 147c
- Categoricals in:
 - 147a increase
 - \$\$ to lower 3%
 - Some other basket of mid-sized categoricals
- Lower FA increase

Three

- District plan
- 20.96 to 13.90%
- Few categoricals
- Sources of funds for Pols’ priorities:
 - Low FA increase
 - Reduced offset \$\$
- PA 300 of 1980



Policy Update

- Dyslexia bill is in the House
- Computer Science
- School Safety package



Useful Websites

- <https://www.legislature.mi.gov/>
- <https://senate.michigan.gov/>
- <https://www.house.mi.gov/>
- Bookmarked



Dan Behm
Executive Director
Education Advocates of West Michigan

danbehm@kentisd.org

Office: 616-365-2306

Cell: 616-822-9387