

To: Council About Parochial

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Date: March 10, 2023

Re: Legislative Report

The 102nd Legislature Begins!

From one point of view, it has been a slow start to the 2023-2024 Legislative session. Many House and Senate committees are only now beginning to take up legislation, and the House and Senate have missed several session days due to weather, illnesses, and a tragedy at Michigan State University. On the other hand, the Michigan Legislature has already sent several bills to the Governor's desk, including a supplemental bill which marked the first time a bill became a public act in the first month of a session since 1947. The Governor delivered her State of the State address in late January and presented her budget proposal in early February, so the Legislature is ramping up to what appears to be a rapid pace as we begin March.

The Legislature identified a number of top priorities when session began. So far, they have moved or begun to move on items such as repeal of the retirement tax, an increase in the Earned Income Tax Credit, an expansion to the Elliot-Larsen Civil Rights Act to include protections for the LGBTQ+ community, and the repeal of the 1931 state law that prohibits abortion. The legislature also has also accelerated efforts to pass legislation addressing gun violence after the mass shooting that took place at Michigan State University. In addition, they have passed several supplemental appropriations packages containing over \$1 billion in economic development packages. We also expect them to ramp up work on the 2023-2024 state budget over the coming month.

What's Happening in Education?

On Feb. 8, Gov. Gretchen Whitmer [presented her 2023-2024 budget](#) to the Legislature. This officially started the budget season in Michigan. The details of her proposal [now available](#). The School Aid section starts on page 4.

A few highlights of the budget include:

- Increases to the target **foundation allowance by \$458 per pupil for an allowance of \$9,608, a 5% increase above last year**
- Increases at-risk funding by \$64.7 million, a 5% increase
- Increases funding by \$1.3 million, a 5% increase for English Language Learners
- Increases funding for the Great Start Readiness Program (GSRP) by 5% to match the increase to the per-pupil foundation grant and maintains the full-day rate at the same amount of \$9,608.

The budget recommendation also includes a new section that would expand free breakfast and lunch programs to all K-12 schools. The \$160 million appropriation would reimburse all districts for the cost of providing free breakfast and lunch to all students. The budget also includes \$1 million to forgive any districts with outstanding meal debt.

Within the following weeks, the Senate K-12 Appropriations Subcommittee began hearings on the 2023-2024 budget. The hearings included an overview of the Governor's proposal by the State Budget Office. It also included a presentation by State Superintendent Dr. Michael Rice on the Department of Education's budget and legislative priorities for this session. A few local superintendents have testified in committee as well.

The House K-12 Appropriations Subcommittee continues to have hearings on the recommendations. Several education organizations are pushing for the School Aid Budget to be completed by mid-June or sooner.

Removal of Retention in Third Grade Reading Law Passes Both Chambers

In February, both the House and Senate Education Committee approved [Senate Bill 12](#), which would repeal the mandatory retention sections within the third-grade reading law. It states that if a child is still not reading at grade level as they transition into fourth grade, the reading intervention program for that child would continue.

Testimony was given primarily focusing on the harm that retention can cause students and the supports that would follow students who aren't reading at grade level when entering fourth grade. Several education organizations, including MDE support the bill. The National Association of Social Workers (NASW) and the Michigan Association of School Psychologists (MASP) also support repealing the mandatory retention section as well.

On Tuesday afternoon, the bill passed the full House by 57- 51 vote. One lone Republican, Rep. Tim Beson (R-Bay City) did support the legislation. Early Wednesday morning, the bill did go back to the Senate for concurrence, but was not given immediate effect. If signed by the Governor, the bill will go into effect in March of 2024.

Senate Approves Sinking Funds for School Buses

The Senate Education Committee took up [Senate Bill 63](#), which would expand the allowable uses for sinking funds to school transportation. The funds can be used for the purchase of property for school buildings, security improvement and/or technology upgrades.

Currently, a school district can pay for transportation costs, such as school buses, with money from the district's general fund or by issuing local bonds. By passing this legislation, it would allow school districts more flexibility to meet their pupil transportation needs.

The bill was amended in the Senate Education committee to specify that sinking funds could be used for the purchase of student transportation vehicles and the parts, supplies and equipment used to maintain those vehicles. Early Tuesday morning, the bill passed the full Senate in a 28-10 vote. The bill will now head to the House Education committee.

Other Big Issues in the Legislature: Retirement Tax Issue Gets Connected to Larger Bill Package

One of the issues most observers predicted would receive bipartisan support going into this year was a repeal of the so-called “Pension Tax” that was enacted early in the administration of former Governor Rick Snyder. Many politicians on both sides of the aisle had campaigned on it, including Governor Whitmer herself. The very first bill introduced in both the House and Senate this year ([HB 4001](#) and SB 1) addressed the issue, and they each passed with at least some bipartisan support. However, after HB 4001 passed the House, there was a decision by Democratic leaders in both chambers to combine the issue with other priorities, such as the increase to the Earned Income Tax Credit from 6% to 30% and a deposit into the Strategic Outreach and Attraction Reserve fund (SOAR). They also added in a one-time \$180 tax credit for each household to sweeten the deal.

Republicans balked, however, when it became clear that the total package would prevent the state from tripping a trigger that would provide an automatic rollback in the Michigan Income Tax from 4.25% to 4.05%. Under the pension tax rollback, the School Aid Fund will be protected by increasing the amount of income tax revenue that is dedicated to the fund.

Democrats were able to pass the amended version of HB 4001 on a party-line 20-18 vote in the Senate. The bill seemed like it might fail in the House due to opposition from a lone Democrat, Rep. Dylan Wegela (D-Inkster). Rep. Wegela refused to support the economic development funds in the bill, calling it “corporate welfare.” The bill finally passed when Republican Rep. Mike Mueller (R-Linden) crossed the aisle to provide the bare minimum votes needed to pass. Rep. Mueller stated that he had made a promise to his constituents to repeal the retirement tax, and he would not break that promise despite massive pressure from his own party.

The last hurdle to HB 4001 was whether it would be granted Immediate Effect by the Senate. Democrats attempted both carrot and stick approaches to entice six Senate Republicans to vote so the bill would take effect this year rather than 2024, but to no avail. The bill was sent to Governor Whitmer’s desk without the Immediate Effect designation, which means that none of the tax relief included will take effect until next year unless further extraordinary measures are taken such as the Legislature adjourning for the year in May or June. Chances of that happening are slim, but not zero.