



SCHOOL EQUITY CAUCUS

Making a difference for the public school children of Michigan

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Dear Colleagues:

After a rare Friday session, the legislature and governor reached a compromise on auto insurance reform, a development that removes one major issue from the legislative table. Now activity has shifted north to Mackinac Island for the Detroit Regional Chamber's annual policy conference.

A recap of other recent happenings follows below, but first, here are a few very important housekeeping items:

1. 2019-20 Membership Invoices Forthcoming

Please watch for your School Equity Caucus membership invoice for the 2019-20 school year coming soon. Once again, we have been able to keep our dues rates frozen, marking the twelfth consecutive year that rates have been unchanged!

Your membership in the Caucus is critically important. In addition to the monthly *Caucus Newsletter* and published-as-necessary *Information Alert*, your membership makes our efforts on your behalf possible. As the only statewide organization dedicated solely to advocating on behalf of districts funded at or near the minimum, the Caucus has consistently helped set the tone for the school budget discussion by bringing the need and importance of school funding adequacy and equity to the legislative table.

If you are retiring or otherwise leaving your district at the end of the year, please consider sending in your Caucus invoice before departing. It's always much easier to demonstrate the value of Caucus membership to new superintendents once they have received the Newsletters and Alerts and better understand our focus and activities.

We appreciate your ongoing support as we advocate on your district's behalf in Lansing. The School Equity Caucus continues to make an impact, and we are determined to keep the cause of equity front and center for all students in the state of Michigan.

2. Thanks to Our Board of Directors!

We would not be able to do the work we do without the efforts put forward by the School Equity Caucus Board of Directors. These superintendents have given of their time and

talents to help move the cause of equity forward on behalf of Michigan's children. The 2018-19 Board of Directors has included:

- **Region 1** Dan Reattior (Eastern UP ISD)
- **Region 2** Jamie Huber (Cheboygan-Otsego-Presque Isle ESD)
- **Region 3** Mike Shibler (Rockford)
- **Region 4** Jan Amsterburg (Gratiot-Isabella RESD)
- **Region 5** Joe Murphy (Huron ISD)
- **Region 6** John Deiter (DeWitt)
- **Region 7** Brent Holcomb (Lewis Cass ISD)
- **Region 8** Mark Haag (Lenawee ISD)
- **At-Large** Terry Boguth (Coldwater)
- **At-Large** Patrick Kreger (Union City)
- **At-Large** David Schulte (Shiawassee RESD)

Any members wishing to learn more about serving on the Board of Directors are encouraged to email (schoolequitycaucus@gmail.com) or call (269-806-6159).

3. All Eyes on the House Appropriations Committee

The end of the school fiscal year just one month away, and districts are understandably concerned about budgeting for 2019-20. The budget proposal from the governor and Senate are on the table, but we are still awaiting the proposal from the House of Representatives. While it is expected to be released soon, the parties will then still need to resolve the significant differences in their competing proposals.

With this in mind, it seems highly unlikely that school districts will have firm numbers for their own budget development before those budgets must be approved next month. Districts would be wise to take a cautious and conservative approach to budgeting, and not rely on any particular revenue increases at this point. Adjustments can always be made after the situation becomes clearer in the weeks (months?) ahead.

See the next item below for more information on the revenues that will provide the basis for the state's budget development. We will update you further as more news becomes available.

4. May CREC Recap

The May Consensus Revenue Estimating Conference (CREC) was held on Friday, May 17 and the news was mixed. For a more complete overview, please refer to the Caucus Information Alert sent out that afternoon, but here are a few key items as takeaways:

- Revenue increases for the School Aid Fund (SAF) were revised downward by a fairly large number from previous meetings of the CREC. With continued moderate economic growth foreseen in the near future, revenues are expected to still increase—just not at the rate seen in recent years.
- The end-of-year growth in the SAF for 2018-19 (the current year) is now projected to be \$180.3 million—a number that is up, but at the smallest rate of growth (1.4%)

since 2012. The SAF is projected to only have a balance of \$48.9 million at the end of the year to start 2019-20.

- For next year, SAF growth is projected at 2.7%--a healthy number yielding more than \$350 million in new money, but a number that is down almost \$87 million from when the governor and Senate released their budgets.
- Somewhat balancing things out, more money is projected to be available in the state's General Fund (GF/GP) than had been previously thought. This is good news! In general, the GF/GP continues to struggle with smaller projected rates of growth than the SAF, but not quite as badly as had been projected at the January meeting of the CREC.

With these numbers now in hand, how will they impact the budget process discussed in the item above?

Keep in mind that the governor's budget proposal envisioned a significant new infusion of revenue into the state budget from a yet-to-be-approved gas tax increase. Republicans in the legislature have said that they would only look at additional revenues in a process separate from the 2019-20 budget talks.

The Senate's SAF budget proposal as passed earlier this month was built on current revenue sources only (and a large transfer from the GF/GP), but is more than \$160 million short given the revised numbers. To provide some context, the Senate's proposed foundation allowance increase (\$270/\$135) by itself is projected to cost more than \$340 million. Therefore, the Senate proposal would either need to be scaled back, or additional revenue would need to be found.

Given the fact that there are many other competing pressures on the state's revenue pool (roads, environmental cleanup, etc.), the prospect of a quick resolution to the budget conundrum seems unlikely at this time.

A summary of the CREC published by the Senate Fiscal Agency is attached with this newsletter. Page four of that summary provides a balance sheet for the SAF **using the Senate's proposed budget numbers (not the governor's)**. However, it gives an idea of the multi-year impact from the lower CREC revenue numbers.

5. Dr. Michael Rice Selected as State Superintendent

Earlier this month, the State Board of Education selected Dr. Michael Rice, superintendent of Kalamazoo Public Schools, as Michigan's next Superintendent of Public Instruction. Dr. Rice has served as superintendent in Kalamazoo since 2007, and has prior experience in New Jersey and Washington, D.C. He has consistently been a tireless advocate for the needs of all of Michigan's children, speaking especially strongly on issues of equity. We look forward to working with Dr. Rice as he moves into this new role!

6. Internet Gambling Legislation Under Debate

A series of bills related to internet gambling (HB 4173, 4307-4312, and 4323) are currently in front of the House Ways and Means Committee, having previously passed the

Committee on Regulatory Reform. The total fiscal impact of the bills is unknown at this time, but of concern to schools is the potential loss of revenue for the School Aid Fund (SAF) under HB 4311. This bill would greatly reduce the percentage of revenue realized from gambling taxes on internet wagering as compared to tax receipts from brick-and-mortar casinos.

Under current law, brick-and-mortar casinos pay a wagering tax on revenues of 19%, of which 42.6% is earmarked for the SAF. This equates to SAF revenues of 8.1 cents on every dollar of casino revenue. The new legislation would only tax internet gambling revenues at a rate of 8%, and would earmark only 5% of that revenue for the SAF. This means that only .4 cents per dollar of internet gambling revenue would go to the SAF—a net loss of 7.7 cents on every dollar of gambling revenue.

Therefore, for every percent of revenue lost at one of the three Detroit casinos, the SAF would lose more than \$1.1 million. To hold the SAF harmless for just that 1% amount, the revenue from internet gambling sources would need to total more than \$2.4 billion.

These bills still have a distance to travel before they become law. It is important to note that the Michigan Department of Treasury (part of the Whitmer Administration) has expressed concern over various aspects of the bills and has not supported them. The chairperson of the House Ways and Means Committee (who incidentally also sponsored some of the bills) has indicated a willingness to work with the administration to find a solution to the issues.

7. Other Legislation Being Monitored

Two bills (SB 106, sponsored by Sen. Outman, and SB 155, sponsored by Sen. Bullock) dealing with e-cigarettes and other nicotine delivery devices have passed both chambers of the legislature. These bills tighten sales restrictions on these products, prohibit their sale to minors, and require child-resistant packaging. Further, SB 106 prohibits minors from possessing vapor products or other alternative nicotine delivery devices.

While a host of other school-related legislation has been introduced over the last few months, most observers do not expect much progress to be made until the budget is sorted out. With that being said, here is a quick review of the status of some bills receiving attention:

- HB 4162 (sponsored by Rep. Reilly) – This bill eliminating the WorkKeys assessment as part of the Michigan Merit Exam passed the House Education Committee at the end of February, but remains stalled in the House Ways and Means Committee.
- HB 4368 (Hornberger) and HB 4369 (Johnson) – Both of these bills were passed out of the House Education Committee earlier this month, and are also sitting in the House Ways and Means Committee. HB 4369 removes the pre-Labor Day start restriction and also eliminates the ISD-wide common calendar requirement, thereby returning complete flexibility to schools in determining their start date. HB 4368 eliminates the requirement to hold a hearing with MDE in attendance prior to receiving a pre-Labor Day start waiver.

The following bills addressing the Michigan Merit Curriculum (MMC) have also passed the House Education Committee and have been sent to the Ways and Means Committee:

- HB 4269 (Griffin) – This bill would modify the current Visual/Performing/Applied Arts and foreign language requirements by requiring students to earn a total of three credits from any of the following “21st Century Skills” categories including:
 - Languages other than English (including sign language, at any grade K-12 as long as it meets MDE guidelines)
 - Visual/Performing/Applied Arts
 - Computer science or computer coding
 - A department-approved CTE program
- HB 4271 (Howell) – Under this bill, students could earn a credit in Statistics or Personal Finance as a replacement for Algebra II as long as the replacement course aligned with the math content expectations developed by MDE.
- HB 4282 (Hauck) – The required Health Education course would be able to be fulfilled by a thirty-hour OSHA training course for students enrolled in a CTE program.

June is almost upon us, and I am sure you (and your students) are eagerly looking forward to the end of classes! Here’s to a wonderful end to the school year!

As always, please be in touch with questions or concerns.



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