



SCHOOL EQUITY CAUCUS

Making a difference for the public school children of Michigan

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Dear Colleagues:

Lansing and all of Michigan was shaken by the tragic events at MSU a couple of weeks ago. Following that, the recent snow and ice that swept across the state also slowed the legislative calendar. It's certainly been a rough couple of weeks, but things are starting to move forward again as we head toward March. Here's the latest news:

1. **Budget Process Underway**

Earlier this month Governor Whitmer released her budget proposal calling for a broad range of education initiatives including a \$485 per pupil increase (equating to a 5% increase; if approved, this would move the foundation allowance to \$9,608). The proposal also contained recommendations to increase special education, English Language Learners, rural/isolated district, at-risk students and Great Start Readiness Program (GSRP) funding by 5%. The budget proposal also included expansion of free breakfast and lunch eligibility to all students. Additionally, the governor's proposal took further steps toward universal preschool by raising GSRP eligibility to 300% of the poverty level (from the current 250%). For more information on Governor Whitmer's proposal, please refer to the Information Alert that arrived in your inbox on February 9 (and is attached again to this mailing).

Both the House and Senate are now beginning their budget process with hearings in the various Appropriations subcommittees. The Senate PreK-12 Appropriations Subcommittee has met a couple of times hearing testimony from various parties including State Superintendent Michael Rice. The House School Aid and Education Appropriations Subcommittee is expected to begin hearings in the near future.

There are certainly many things to like in the governor's budget proposal, and we look forward to reviewing the House and Senate budgets as they are released. We will update you further as events warrant and will continue to be engaged in this process as it moves forward.

2. **Struggle over Immediate Effect Impacts Tax Bill**

The razor thin margins for the Democrats in the House and Senate have led to a struggle early in this legislative session regarding the concept of immediate effect. As the name would indicate, "immediate effect" means that bills that are approved by a supermajority (2/3) of legislators in both chambers take effect immediately upon receiving the

governor's signature. However, absent immediate effect, laws that are passed do not take effect until 90 days after the end of a legislative session.

For many years, the House has moved forward on this issue via voice votes, even in times when margins were relatively tight. The presiding officer would profess to hearing a supposedly overwhelming number of voices even when the actual vote may not have been so lopsided. However, in the Senate, tradition has always dictated that immediate effect could only happen after a roll call vote and this has led to difficulty with **HB 4001** (sponsored by Rep. Witwer).

This bill in its final form includes:

- Gradual rollback of the pension tax by 2026 (with a taxpayer option to continue being taxed under current law instead, if preferred). The School Aid Fund would be protected by increasing the share of income tax revenue allocated to the SAF.
- An increase in the Earned Income Tax Credit from 6% to 30%
- A \$180 rebate for each income tax filer, structured as an "advance payment" refund for the 2023 tax year.
- A \$500 million allocation for the Strategic Outreach and Attraction Reserve Fund (a business incentive mechanism).

Another important dynamic is at work in this bill – by spending down the amount of funds in the state's coffers, there would no longer be a large enough balance to trigger the income tax reduction trigger enacted a few years ago. As might be expected, many Republicans took exception to this maneuver. This led to some fascinating parliamentary activity.

First, a couple of weeks ago while Senate Democrats were engaged in a caucus, Senate Republicans adjourned the day's session behind their back. This pushed back consideration of the bill until the next week when it did eventually pass; however, the motion to grant immediate effect failed in the Senate. After an initial attempt to reconsider immediate effect, Senate Democrats held off on another reconsideration until Tuesday. However, that second attempt has now also failed, currently leaving the bill in a situation where it would not go into effect until 90 days after the end of the legislative session. This would also mean that the reduction in state funds would not take place until then, and as a result, the income tax reduction mechanism would kick in.

From the perspective of stable state revenues, the trigger of an income tax reduction is potentially problematic. Although the state's coffers are bulging with one-time funding, actual ongoing revenues and expenditures are more or less in balance – prior to any reduction in the income tax rate. This means that Democrats could be faced with a need to raise income tax rates again in the next few years – something that would certainly be used by Republicans in future campaigns.

We will see what happens next in this parliamentary dance. There may still be more moves ahead!

3. Expanded Use of Sinking Fund Moves

Last Wednesday the Senate Education Committee approved **SB 0063** (sponsored by Sen. Polehanki) that would, at long last, expand the use of sinking funds to include the

purchase of “student transportation vehicles”. Long-time observers know that such an expansion has been requested for many years, and this flexibility is important for districts to help address the costs of pupil transportation. The bill has now moved to the Senate floor for consideration.

4. **Third Grade Retention Legislation Moving Forward**

SB 0012 (sponsored by Sen. Polehanki) has now passed the Senate and has also been passed out of the House Education Committee with unanimous support. It has now been sent to the House floor. This bill removes most of the provisions of the third grade retention legislation passed in 2016. A similar and related bill, **HB 4020** (sponsored by Rep. Shannon), has also passed the House Education Committee and has been sent to the House floor. This bill did not receive unanimous committee support and has not yet been approved by the Senate either.

That’s all for this month’s newsletter! With the various factors mentioned above (weather struggles, the tragedy at MSU, the fight over immediate effect, and the current focus on budget), there has not been much other legislation receiving attention this month. We anticipate the pace will pick up in the weeks ahead!

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



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