



# SCHOOL EQUITY CAUCUS

*Making a difference for the public school children of Michigan*

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Dear Colleague:

## **1. School Aid Budgets will Move to Conference Committee by the End of May**

Thursday, the House passed its School Aid Budget (**HB 4115**). The Senate is expected to pass its version (**SB 130**) early next. We will all then wait for the outcome of the May 5<sup>th</sup> “roads” ballot proposal and then the May 15<sup>th</sup> Estimating Conference revenue predictions.

The success or failure of Proposal 1 will determine if school aid revenue might be stabilized and perhaps enhanced next year and in future years. The revenue conference will attempt to predict how revenues will flow into or out of the state’s coffers. Both will be important as legislators finalize a K-12 funding plan for 2015-16.

The House, Senate, and Governor’s K-12 budget proposals diverge significantly. In very general terms, the House would roll-up many categoricals and largely dump the resulting revenues into the Foundation, increasing the Base by \$137 per pupil and the Minimum by \$299 (2X plus a \$25 equity payment). The Senate would retain most categoricals and increase the Base by just \$50 per pupil and the Minimum by \$100 (2X). The Governor also retains most of the categoricals and raises the Base by \$75 across the board, but with no 2X, or equity payment.

Only the House version would keep most or all school districts at an overall funding level equal to or greater than their current year funding. However, the roll-up of categoricals in the House plan could more negatively affect lower funded districts than districts at a higher funding level. For instance, the Governor recommended \$100 million added to At-Risk (**Sec. 31a**). The House plan puts that into the Foundation, to be shared by every district, regardless of the needs of their at-risk students.

Further, as part of the categorical roll-up, the House would reduce the MPSERS Payments to Districts (**Sec. 147a**) from \$100 million to \$50 million, thereby allowing charter schools to benefit from the resulting Foundation increase. For traditional public schools it really amounts to moving money from pocket A to pocket B, with less money getting to pocket B than was removed from pocket A.

Nevertheless, most Caucus members seem to prefer the House version, arguing that it is better to increase their Foundation and let local needs dictate how the money is spent. We need, however, to be vigilant to insure that by increasing the Foundation through wholesale categorical roll-ups we are not actually causing ourselves longer term disadvantages.

Among other things, the Equity Caucus will continue to push for the four main school aid budget proposals on which I testified:

- No district to receive less overall funding in 2015-16 than it does in 2014-15
- Include a 2X component in the Foundation to help close the equity gap between the Base and Minimum Foundation
- Maintain MPERS offset and unfunded liability payments
- Provide at-risk funding for every eligible child, regardless of school or district

## **2. Solutions Proposed for DPS Debt Could Further Reduce the SAF**

Drains on the School Aid Fund (SAF) greatly contribute to the limited revenues available to provide schools with adequate and equitable funding. The SAF already contributes over \$652 million, or more than \$400 per pupil, to programs once supported by the General Fund, including over \$400 million to community colleges and higher education.

Now, in a proposed solution to Detroit Public Schools' decades of intractable debt, a panel of prominent business and civic leaders recommend that the state cover the DPS debt, arguing that it was mostly during the state's oversight that the debt was accrued.

Thursday, the Governor recommended dividing the Detroit Public Schools in two; an old DPS and a new DPS. The new DPS would educate the kids, funded by the Foundation Allowance for its 47,000 students. The old DPS would be responsible for the existing debt using the 18 non-homestead mills to pay it down.

The Detroit Public Schools currently has \$483 million in operational debt. The 18 mill non-homestead revenues would generate about \$72 million per year for 8 years or longer, depending on Detroit's taxable base either shrinking or expanding during that time. Those dollars will cost the SAF \$72 million per year, or about \$50 for every pupil in the state.

Certainly Detroit and other fiscally challenged school districts cannot be allowed to just close their doors, turning the students onto the streets. However, the SAF solution for every case of unsettled school debt – which is sure to expand beyond Detroit, Inkster, Buena Vista, and Muskegon Hts - is unfair and unsustainable. Perhaps it's time, as many suggest, for the state to consider bonding to remediate school debt such as Detroit's and leave the SAF intact.

## **3. Safe Roads, Yes is Down to the Wire**

Recent polls show that Proposal 1 has an uphill route to passage next Tuesday. Supporters, however, remind us polling is often inaccurate, is sometimes not especially predictive, and done for a statewide election in May is new polling territory.

Most of the current Prop 1 polling is done via landline phone calls, which eliminates a significant portion of the voting public who use only cell phones. These cell-phone-only voters are not being polled. They are generally the younger voters who are more likely to have kids in school and who may be more inclined to increase revenues to improve infrastructure and education funding.

Nevertheless, passage of Prop 1 probably depends most on school districts getting their supportive voters to the polls on Tuesday. Only a few days remain and those days may make all the difference in the voting outcome.

For schools, Proposition 1 is the only viable option. If it fails there is no good plan B, only some form of the Bolger plan, proposed in the House at the end of the last legislative session.

House Minority Leader Tim Greimel says of the Bolger plan, *“It would cut schools and revenue sharing. There’s no way around that.”*

Former House Speaker Bolger, who now supports Proposal 1, recently said, *“If this doesn’t pass in May, either the roads will not get fixed for years to come, or the roads will get fixed under the House proposal.”*

The school community should not be willing to accept a roads fix that takes dollars from the already stretched school aid fund.

#### **4. Early Warning of Fiscal Instability Legislation Expected to Move**

Most observers think we will see school district early warning legislation by the end of the summer, if not sooner. The current early warning legislation (HB 4325-4332) employs much the same language and processes as the legislation from last session. However, it broadens the triggers, making them even more troublesome, and adds an 8 percent fund balance cutoff. If you have an 8 percent or above fund balance for each of the immediately preceding two years, you are free of Treasury’s scrutiny. Below 8 percent and you are in line for voluminous reporting and possible state intervention.

One hundred and eighty-four (184) school districts currently fall below the 8 percent fund balance line, of which 44 are Equity Caucus members. It is no mere coincidence that the list of 184 below-8% districts is so regularly populated by many of the lowest funded districts. A conclusion might be that after years of being squeezed by insufficient state funding, receiving the Minimum Foundation, and being held to ever increasing standards, districts’ fund balance might drop below 8 percent – even if they are being well and thoughtfully operated.

The House passed the legislation last week. The bills are expected to be up before the Senate next week. Time is growing very short to improve these bills sufficiently to protect well run districts from onerous and the unnecessary state reporting and interventions these bills represent.

The Caucus supports district state reporting and intervention *only* when a school district is unable or unwilling to make the adjustments necessary to remain solvent. These bills, however, are much too broad and would burden far too many school districts. They cannot be supported in their current form.

## **5. Teacher Evaluation Legislation Moves Towards a Vote**

We are likely to also see the teacher/administrator evaluation legislation (SB 103, S-3) become law sometime before the end of summer, if not sooner. The current version would delay implementation until 2017-18 and would require 25 percent of the evaluation be based on student growth and assessment data. That would be increased to 40 percent in 2018-19 and subsequent years.

The bill would allow districts to develop their own evaluation tool, supported by research, or use any of the tools commercially available. The state would establish and maintain a list of evaluation tools that had demonstrated efficacy.

The Caucus supports the evaluation bill - with reservations and some concern. School districts that are low funded are most likely to be districts that have cut administrative staff beyond a comfortable level. High stakes evaluations will place increased time and management burdens on harried administrators. Further, the prohibition against assigning pupils in the same subject for two consecutive years by an *ineffective* teacher will be harder for small low-funded districts with limited staffing flexibility.

## **6. Caucus Dues Rates are Set for 2015-16**

School Equity Caucus membership dues rates are based on a district's prior year student counts. At the recent April meeting, the Board of Directors set ISD and K-12 membership dues for 2015-16. For the eighth straight year, the very minimal Caucus dues will remain unchanged with no increases.

Your membership is critically important. In addition to the monthly *Caucus Newsletter* and the published-as-necessary *Information Alert*, your membership provides the fuel for our efforts on your behalf. In the last five budget cycles, the Caucus has helped set the tone for the school aid budget by being the first to testify and bringing to the legislative table the need and importance of school funding adequacy and equity.

Watch for your 2015-16 membership invoice, coming to your office via postal mail in the next couple of weeks. 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 much easier to demonstrate the value of Caucus membership to new superintendents once they have received the Newsletters and Information Alerts, and better understood our focus and activities.

## **7. Caucus Schedules 2015-16 Board of Director Elections**

The 13 member Board of Directors oversees the operations of the Caucus. Each voted member is elected to a 2-year term, with one-half of the Board being elected every year.

Ten Board members represent each of the state regions. Region 1 (UP) has two representatives and Region 10 (Detroit) does not participate. There are three at-large representatives, recommended by the Board president and approved by a vote of the elected Board members during the Annual Organization Meeting in July.

At this time each year we conduct the elections for those members whose term expires June 30<sup>th</sup> and for those who are unable to complete the second year of their term. For the 2015-16 school year, one of the two **Region 1** Board seats (Steve Paliewicz, Stephenson) and the seats representing **Region 3** (Mike Shabler, Rockford), **Region 5** (Wayne Wright, Lake Fenton), **Region 7** (Joe Lopez, Branch ISD), and **Region 9** (Jeff Bartold, Dearborn Hts. #7) are up for election. Only Jeff Bartold (retiring) is not running for re-election.

Also up for election is the **Region 4** seat currently held by Tom House (Harrison) who is retiring at the end of the year with one year remaining in his two-year term.

If you are a Caucus member superintendent in good standing and desire to be involved in Caucus governance by representing your region, contact the Caucus office (517-227-0774) by no later than **May 8, 2015**. Elections will be held in regions where there is more than one Board candidate. In regions where there is only one qualified candidate running, that person shall be considered elected.

*Jerry*

Gerald Peregord  
Executive Director