



SCHOOL EQUITY CAUCUS

Making a difference for the public school children of Michigan

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Dear Colleagues:

It was a week of ups and downs that preceded the ultimate passage of HB 5507 – the 2024-25 School Aid Fund (SAF) budget. Even longtime Lansing observers were stunned by what transpired. In the end, Michigan’s K-12 school districts were left with a budget that falls disappointingly short of what it should be. We’ll get into the details of the final budget agreement and take a look at what it may mean moving forward. Let’s get started...

1. 2024-25 Membership Invoices

First, a brief commercial message...by this time you should have received your 2024-25 School Equity Caucus membership invoice. Please be sure to send in your dues – your ongoing support makes the work of the Caucus possible. The events of this week demonstrate that we can never rest in our efforts to keep children and the cause of equity at the forefront of discussions in Lansing! Thank you!

2. Budget Bill Summary

We have known for some time that the 2024-25 budget would reflect a “return to normal” after the last few years had provided schools with unprecedented increases. Unfortunately, that “normalization” has ended up looking even more stark than expected and will necessitate that districts perform an immediate review of their level of expenditures heading into the new school year. The trend of using the SAF for a host of individual projects and priorities has continued, to the detriment of structural stability of the system at large.

As you well know, one of the major hinge points for this year's budget was the question of how to handle the 7.06% of salaries that districts have been required to pay into MPERS to pay off the debt (UAAL) on the health benefits side (OPEB) of the retirement system. This winter, when Governor Whitmer released her budget recommendation, it took \$670 million in funding that had previously gone toward OPEB UAAL and proposed using it for a number of other programs. This was made possible because the benefits trust fund has been fully funded (indeed, is overfunded) and therefore there is no more “unfunded liability” in the OPEB trust fund.

The funds the governor proposed redirecting had been used to pay for MPSERS costs (termed the “state share” of the debt) that exceeded the statutory limit on the amount districts could be charged. The governor’s proposal did not call for a reduction in the district’s statutory limit, choosing to leave it at 20.96% of applicable payroll costs. It also did not include removing the additional 3% payment added several years ago for those wishing to have full health benefits when they retired.

When it became clear that we were entering a “post-UAAL” world, school groups representing both management and labor came together in solidarity to clearly call for this year’s budget to remove the burden of these payments from those who have sacrificed for years. Instead, we advocated to (1) have the districts that had made the mandatory payments be able to have their rate permanently reduced and (2) eliminate the 3% surcharge on employees, so that these districts and individuals could decide how to utilize the money freed up now that the UAAL has been paid off. Public school children (in the form of reduced available funding in their local districts) and public school employees (in the form of an additional 3% “income tax”) had borne the brunt of these obligations for years; they should now see the fruits of that sacrifice. (For a deeper dive into the background of this discussion, particularly regarding OPEB, please reference our May newsletter.)

Of course, revenue is finite and in order to meet this request other areas being proposed for funding by the governor and legislators would have had to have been trimmed back. Political wheels began to turn and the budget process stalled for quite a while due to an internal struggle within the halls of government about how to respond to strong advocacy and a sensible request. In the end, a portion of what was being asked for was given, but the price was paid for in other areas that greatly impact local school districts. Programs desired by the governor and others were still funded in large part.

That’s enough of an overview! Let’s get to the specifics, at least as we believe them to be right now. For context as we work through many of the high points (and many of the items that might be considered less important than a foundation allowance increase), it may be helpful to be reminded of a sort of comparative “scale”:

- \$138 million = approximately \$100 per pupil
- \$100 million = approximately \$73 per pupil

Overall, the K-12 portion of the SAF budget saw some \$815 million less appropriated than in 2023-24 (down from \$21.46 billion to \$20.64 billion). With the wrapping up of COVID funds, this smaller budget had been expected as we return to “normal”.

Here are the key points of the budget bill as passed and as it is understood at this time:

- Foundation allowance (Traditional K-12) – Remains at \$9608 per pupil. This had originally been proposed as an increase of between \$217 and \$302 per pupil (an increase of between \$280 million and \$397 million). When cost adjustments are made for the reduced pupil count expected statewide for next year, the net result is actually a reduction in expenditure for the K-12 foundation allowance of \$267 million.

- Foundation allowance (Charters) – Charter schools are granted an additional 3.9% on top of the foundation (approximately \$374 per pupil) in a new section of the SAF (Section 22e). This is considered a one-time allocation.
- Foundation allowance (Cyber schools) – Remains at \$9150 per pupil.
- ISD Operations (Sec. 81) – Maintained at the current level (\$79.4 million).
- MPSERS (Sect. 147) – The previous state OPEB UAAL contribution is reduced by \$631.7 million reflecting the fact that this portion of the MPSERS trust fund is fully funded (and is actually overfunded). \$598 million is then allocated to effectively reduce the rate districts pay for MPSERS UAAL from 20.96% to an estimated 15.22% (a reduction of about 5.74%).

To assist with the overall budget and free up funding for other programs, the budget pulls \$250 million plus \$84.1 million (\$334.1 million total) from the MPSERS Obligation Reserve Fund. (The Reserve Fund was created a decade ago and has had deposits made to set aside funds to pay down MPSERS costs. For reference, \$825 million had been deposited into the fund in 2022-23).

Additionally, \$181.5 million is allocated to reimburse employees currently being required to contribute 3% of their earnings toward the MPSERS OPEB UAAL.

In the end, a net amount of \$176.4 million more is being spent on retirement than last year, with \$334.1 million of the overall amount coming from the MPSERS Reserve Fund (in other words, less general SAF funding is going toward MPSERS obligations than was spent last year, even with the additional expenditures being touted as a replacement for a K-12 foundation allowance increase).

- Special Education – Funded using the same formulas that are currently in place. The total expenditure for 2024-25 is \$2.6 billion.
- At Risk (Sect. 31a) – The total allocation for at risk funding is now \$1 billion after an increase of \$82.9 million (more than 6%). Funding is distributed using an “opportunity index” (as was initially introduced last year). Up to 30% of funds will be able to go toward smaller class sizes for the poorest schools (opportunity index bands 5 and 6) with an additional 30% able to go to those same schools for staff recruitment and retention. Therefore, the district-by-district impact of the overall funding increase varies greatly.
- Bilingual Education (Sect. 41) – Increased allocation to \$50.2 million (an increase of over 20%). A minimum number of hours of direct instruction per week will now be required.
- Career/Tech Education – Reduced funding in Sect. 61a by \$8.1 million to \$39.9 million (approximate 17% funding cut). CTE equipment upgrades were eliminated. Per pupil incentive payments were increased by about 6% to \$5.3 million.
- Early On – Funding is increased by \$1.4 million to a total of \$23.7 million.

- Great Start Readiness Preschool – State funding for preschool is increased by \$85 million (now a total of \$628.3 million). This is \$21.2 million less than the amount originally requested by the governor (about 20% less), so funding falls just short of reaching the estimated level needed to provide free preschool to all Michigan children. The threshold for free preschool is now 400% of the federal poverty level, with programs open to all children if slots are available.

Full-day programs will receive \$10,185 per pupil, while extended programs receive \$12,222 per pupil. \$25 million is included for start-up grants to assist new programs being created, and nearly \$2 million is allocated for an awareness campaign. Program eligibility requirements may be waived for certain licensed child care providers, but they must meet these standards within two or three years to become credentialed. Transportation funding for GSRP is kept at the same level as last year.

- Mental Health and School Safety (Sect. 31aa) – Funding is dramatically reduced in this section, falling from the current \$328 million to a new level of \$26.5 million (a 92% reduction). The former stated intent that a portion be spent on mental health is now removed.
- Rainy Day Fund Deposit - \$25 million was allocated to be added to the SAF's "Rainy Day" Fund.
- Early Literacy Tool Evaluation and Incentives (Sect. 35m) – In a new section of the act, \$87 million is allocated to create a "committee for literacy achievement" that will evaluate and rank literacy tools. Then districts will be able to receive funds based on the literacy tools they use, with those using higher-ranked tools receiving more funding.
- Transportation Categorical (Sect. 22L) – Maintains the current level of funding at \$125 million from the School Transportation Fund. That fund has enough money remaining for one more year of funding at this level (in theory, 2025-26). Presumably because of input from stakeholders including the Caucus, the formula will now be based on octiles rather than on quartiles to try to create a more gradual distribution to match expenses.
- Isolated Districts – Funding increased by 6.1% (\$705,900, total of \$12.3 million)
- Free Breakfast and Lunch – Funding for this program continues at a cost of \$200 million (\$170 million ongoing SAF funding and \$30 million from the School Meals Reserve Fund established in 2022-23).
- Before/After/Summer School Programs (Sect. 32n) – Converted the current \$50 million from being a one-time allocation to become ongoing, and added an additional \$25 million for a total of \$75 million.
- Teacher Preparation – Funding was maintained at \$25 million for the MI Future Educator Fellowship Program and at \$50 million for the student teacher stipend program. Additionally, \$12.5 million and \$7 million were allocated for "Grow Your Own" programs administered over multiple ISDs by Marquette-Alger RESA and Kent ISD.

- Student Loan Repayment Program (Sect. 27k) – Reduced funding by \$200 million to \$25 million in one-time funding.
- Health Centers and Screening – School-based health centers continued to be funded at \$33 million, while the allocation for behavioral health providers at those health centers was also continued at \$14.3 million. Additionally, the line item for hearing, vision, and dental screenings was increased by 75% to \$11.7 million (from \$6.7 million).
- School Loan Bond Redemption Fund (Sect. 11j) – This item was reduced by \$88 million (nearly 80%) from the annual appropriation of \$111 million that has been in place for the last five years. (Prior to 2019, allocations were even higher.)
- Items Funded at the Same Level – In addition to various items discussed above, the following were also funded at the same amount as last year:
 - Enrollment Stabilization – \$71 million
 - Early Childhood Block Grants (Sect. 32p) – \$19.4 million.
 - Early Literacy Teacher Coaches – \$42 million (expanded scope to K-5)
 - FAFSA Completion Challenge – \$10 million
 - Adult Education (Sect. 107) – \$40.5 million
- Specific One-Time Awards – Some \$32.3 million was appropriated for various specific grants (18 projects in total) in Sect. 99. This amount is down significantly from the \$873.4 million handed out in specific allocations last year (for 45 individual items). There are other projects listed in the budget in places other than Section 99 as well that total over \$45 million more.
- Community Colleges – The community college budget continues to come wholly from the SAF, but this year was reduced by more than \$82 million to a total of \$462.2 million. The bulk of the reduction came from two areas – the removal of some one-time individual spending from last year and from reducing state spending for the community college share of MPSERS OPEB UAAL. Community colleges received a 2.5% increase in operational funding (1.5% ongoing and 1% considered a “one time” increase).
- Universities – In what may be a small victory, university funding coming out of the SAF actually decreased by some \$20.6 million in this budget (down 4.3%). Instead, General Fund support for universities was increased by 10.8% over last year (\$181.7 million). This is a positive, responding to one of our consistent mantras – that all university funding needs to return to the General Fund – so that the SAF can be used for K-12 schools as originally intended.
- Items Not Funded in 2024-25 – The following is a small sampling of some programs proposed or that were previously in the SAF budget that were not funded this year:
 - MI Kids Back on Track – had been a proposal from Governor Whitmer to allocate \$150 million. This item had not been funded in 2023-24, but the

funding from 2022-23 is now been allowed to be expended until September 30, 2027.

- Mentoring Grants – had been funded at \$50 million in 2023-24
- National Board Certification Fund - was funded at \$5 million in 2023-24
- TRAILS Program – not funded in 2024-25 (and was not funded in 2023-24)

There are a host of other specific items in the budget beyond those highlighted above that you can check out using the links below.

So now let's take a quick look at the big picture and the impact of the tradeoffs made in shaping this budget. Here are some key points:

- Choices Were Made, Other Options Exist – As always during budget development, there are choices that are made. During the budget development process, the school community sought to push for the earned benefit of the years of sacrifice through paying down the debts of the past. It was clear that there should be a foundation allowance increase and a lessening of the UAAL obligation. In the end, the budget that was implemented utilized an “or” approach. This was a choice made to fund other priorities rather than provide school districts, school employees, and school children with a base level funding increase.

As one reviews the budget choices made, there are multiple places where the financial room could have been found to provide some sort of foundation allowance increase. Remember that to provide a \$100 per pupil increase would cost \$138 million. Indeed, Governor Whitmer's original budget proposal called for a \$241/pupil increase at a total cost of \$316 million. Each individual would probably be able to create their own list of items that could get to this number or higher. But as one example, by simply totaling the cost of new initiatives or major spending increases over and above existing 2023-24 allocations in this budget, one quickly gets to a figure in excess of \$400 million.

Indeed, the total in the governor's original proposal for the \$241/per pupil increase (\$316 million) that did not get funded and the amount cut from the Sect. 31aa Mental Health/Safety Grant (\$301.5 million) exceeded the amount used to provide the reimbursement for OPEB UAAL costs (\$598 million). Therefore, things clearly went backward for schools from the original proposal.

The money exists for this budget to be fixed, and for districts to get both a foundation increase and UAAL relief.

- One-Time Buydown vs. Ongoing Cumulative Increase – It's also important to note that unlike the foundation allowance that in essence creates a new “floor” with each increase, the UAAL buydown is being termed a one-time expenditure. This means there is not necessarily any obligation to continue the funding next year. (See the related item on SB 911 below.) And the lack of a foundation increase will hurt districts and the students they serve year after year.
- Widely Variable OPEB Reimbursement – By choosing not to provide any kind of Foundation Allowance increase, this budget also does not provide revenue increases on a regular, per pupil basis. Instead, because the funding will be based

on employee costs under OPEB UAAL, the percentage amount received by each district will vary – potentially varying a great deal. For instance, districts with higher salary schedules would receive more, all other things being equal. Districts with younger staffs (hired after 2012) will not have the same number of people paying into the system and therefore will receive less reimbursement. Districts that have moved strongly in a direction of contracted services rather than direct employment will also see less revenue. This is a major equity concern!

Therefore, it is critically important that districts dive into the details of how much funding they will receive! Early sampling has seen estimated ranges in districts that could vary as much as from \$300 to \$600 per student depending on things like the factors described above.

- But Charter Schools Receive A Foundation Allowance Increase? – From their inception, the fact that charter schools are not a part of the MPSERS system has presented massive fairness issues for districts and, with the reforms of a decade ago, for their employees. This is why we have long pushed for MPSERS-related costs to be “taken off the top” (i.e., before foundation allowance and other budget items are determined).

With traditional K-12 districts paying up to an additional 30% of wage costs to the retirement system, charters were already in a position of having more disposable income. Providing charters with a foundation allowance increase while treating the MPSERS reimbursement as somehow equivalent does not reflect the reality of the additional costs traditional K-12 districts have carried for many years that charters have not. This is not an equitable approach. (Some may argue that this is justifiable because charters don’t benefit from the ability to bond and pass other revenue-generating votes to cover some of their operational costs. The Caucus agrees there is not equity in all funding areas related to taxation based on property values, and would love to see a state-wide discussion occur that aims to create equity in, and the proper funding of, infrastructure!)

If you are interested in more information, here are the applicable links:

[House Fiscal Agency Education Budget Summary](#)
[Senate Fiscal Agency Education Budget Summary](#)
[HB 5507 \(complete text—470 pages\)](#)
[District-by-District Impact Estimates \(Senate Fiscal Agency\)](#)

3. SB 911 Fails to Make It Across the Finish Line

As noted above, the debate over MPSERS was a major part of budget negotiations throughout the week. In the end, a compromise solution was hammered out (apparently!) to pass the budget bill in coordination with passage of SB 911 as amended. SB 911 would put into statute and make permanent the UAAL cap rate reductions districts will have to pay moving forward, as well as eliminating the 3% additional contribution required of applicable employees (those in the system before September 2012). As amended in

the House, the rate reduction would step down – at a minimum – over the next few years as follows:

- 2024-25: 3.5% reduction (capped rate of 17.46%)
- 2025-26: 3.96% reduction (capped rate of 17%)
- 2026-27: 4.96% reduction (capped rate of 16%)
- 2027-28: 5.75% reduction (capped rate of 15.21%)

If in any year the system is fully funded (as it is today), districts would only be required to pay the normal cost rate (1.25 – 2.00%) for health care and the UAAL on the pension side of MPERS (13.90%) rather than these higher rates. They would not have any additional OPEB UAAL costs, meant to make up for past underfunding.

In the House things proceeded as planned with the budget bill being passed around 2:00 a.m., followed a few minutes later by the passage of SB 911. The plan was to then have the Senate also approve both bills. However, in the end, after a few more hours of negotiations, the Senate approved the budget bill but then adjourned without considering the amended version of SB 911 that was thought to have been a part of the negotiated budget agreement.

Numerous sources have reported that SB 911 was not transmitted to the Senate by the Speaker of the House in time for it to be considered prior to their adjournment (even though their adjournment was some three hours after the House had passed the bill). Needless to say, there was a great deal of consternation and feelings of betrayal at this final turn of events. Therefore, SB 911 remains in the hands of the Senate for action; they do not return for their next session day until the end of July.

Between now and then, we urge you to contact your Senator to push for approval of the amended SB 911 without delay. This will ensure at least that portion of this less-than-satisfactory budget deal becomes part of statute before the November elections may change the makeup of the legislature and potentially scuttle the deal. And then we need to continue to push for a supplemental budget bill that addresses some of the other inadequacies of the budget passed this week.

4. Other Legislation

With the focus on the budget through the month of June, relatively little other legislation garnered any attention. Here are some of the few bills that saw any action:

- **HB 5649** (sponsored by Rep. Glanville) passed the full House earlier this month and has been sent to the Senate where it has been referred to the Education Committee. This bill would require districts to offer at least one computer science course in their curriculum beginning in 2027-28. Under the legislation, a district would have to make a “good faith effort” to provide the course with an in-person instructor, but if that was not feasible the course could be made available using a virtual or distance-based option.
- **HB 5329** (sponsored by Rep. Hope) received a hearing this month in the House Education Committee. The bill would require all school personnel to participate in seizure recognition and response training at least every other year.

- **HB 5741** (sponsored by Rep. Harris) would mandate that health education content standards include instruction on the use of “Stop the Bleed” kits for all students, and would also further reinforce that the CPR instruction required for all 7-12 students also include a hands-on component. The bill received a hearing in the House Judiciary Committee earlier in June.
- **SB 567/568** (sponsored by Sens. Irwin and Polehanki, respectively) – These proposals regarding dyslexia passed the Senate in March and remain in the House Education Committee where they received additional hearings this month.

We also continue to track the following bills that saw no movement this month:

- A group of long-awaited charter school transparency bills remain in the Senate Education Committee. **HBs 5231-5234** (sponsored by Reps. Weiss, Young, Steckloff, and Scott respectively) would require the name of a charter school’s authorizer and educational management organization be printed on school signs and promotional materials. **HB 5269** (sponsored by Rep. Kolesar) would require salary information to be posted on a charter school’s website.
- **HBs 5450 & 5451** (sponsored by Reps. MacDonnell and Brixie) remain on the House floor after having been passed out of the House Education Committee. These bills would require Michigan public schools to distribute information on the safe storage of firearms to students.
- **SB 285** (sponsored by Sen. Polehanki) – This bill remains in the House Education Committee after having passed the Senate in April. The bill would make attendance in kindergarten mandatory for all five-year-olds born prior to September 1 of each year.
- **SB 741-743** (sponsored by Sens. Camilleri and Bayer) – This proposed legislation would require a school library staffed by a school librarian in every Michigan public school building. It remains in the Senate Education Committee.

5. Passing the Torch

It is hard to believe that it has been nearly seven years since I began as Executive Director of the School Equity Caucus and it is gratifying to think of some of the progress made toward our goals for funding equity during that time including:

- The use of the 2X formula has resulted in 92% percent of all districts in Michigan now being funded at the same foundation allowance level.
- Widespread recognition of the work done by the School Finance Research Collaborative that laid out a vision for a funding structure in Michigan based on the actual situations of school districts and the diverse needs of students.
- The inclusion of a transportation categorical in the last two state budgets for the first time in many years.

And I firmly believe that more progress will be made in the years ahead!

As I transition back into being a member of the Caucus as a local superintendent, I'd like to thank each and every one of you for your support and encouragement through the years. Your advocacy is what has made the difference with many of these advancements. We have also been well represented by Matt Kurta and others who do much of the behind-the-scenes lifting to keep putting our message in front of decision-makers in Lansing. Our School Equity Caucus Board has also been a constant source of support, driving our discussions and advocating for all kids. I'd also like to thank Jerry Peregord, my predecessor in this position for his assistance and mentoring. And my colleagues in the School Management lobbying corps have been wonderful to work with and learn from – they are a dedicated, experienced, and wise group who keep fighting every day to make sure children receive everything they deserve. Truly, it takes all of us working together to make change happen!

As of July 1, the Caucus is fortunate to be able to welcome Brian Keim as its next Executive Director. Brian brings a broad range of experience to the position. He began his career in education at Unionville-Sebewaing Area (USA) Schools in 1998, teaching special ed, PE, career pathways, and coaching a variety of sports. After a few years of teaching, he moved into the role of school counselor and special ed coordinator. In 2009, Brian returned to his alma mater, Elkton-Pigeon-Bay Port (Laker) Schools, as secondary principal before transitioning to the superintendent's office in 2015, where he has served until retiring this spring. Brian received his BA from Bluffton University, completed grad programs at SVSU and CMU, and attended the Horizons and Supes Academy programs with MASA and MLI.

During the interview process, the Caucus Board was very impressed with Brian's passionate advocacy for students and his desire to bring change to Michigan's educational system. He has had experience leading successful campaigns for tech bonds, sinking funds, and capital improvements to update aging facilities. He has also been part of grant efforts totaling millions in revenue, and led the formation of a grant consortium that provided rural districts with grant-writing services. He is a proponent of comprehensive school health and has formed partnerships to place clinics, DHS offices, and social work services in local schools.

Brian resides in the Thumb area with his wife Lisa. They have five children and one grandchild, with two more on the way. He enjoys boating, camping, sports, old cars, and all kinds of music.

Brian and I have already been working through the leadership transition process, and I know how excited he is to be joining the School Equity Caucus team! He is looking forward to working with all of you to continue advancing our goals. You can expect a direct communication from him in the weeks ahead.

Our email address will remain the same (schoolequitycaucus@gmail.com), but the phone number to contact Brian will be: (989) 551-9245.

As a reminder, with the summer months upon us and the legislature on break, this newsletter will also take a hiatus, returning again later this summer or as there is news to report.

And that's it for this lengthy edition of the newsletter! I look forward to seeing you at MASA conferences and at other events as we commiserate on and/or celebrate the latest

things happening! Thanks again for your support – I wish you all the best through the summer months and as you head into the 2024-25 school year.

A handwritten signature in black ink, appearing to read 'Dirk', with a stylized flourish at the end.

Dirk Weeldreyer
Executive Director (Emeritus!)