



SCHOOL EQUITY CAUCUS

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CAUCUS INFORMATION ALERT

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Re: House 2019-20 Budget Proposal

Colleagues and Friends:

This morning the House School Aid and Department of Education Appropriations Subcommittee finally released its proposal for the 2019-20 School Aid Fund budget.

It is certainly no surprise that the proposal differs from those presented by Governor Whitmer in early March and the Senate in late April. Notably, it is the only proposal currently on the table that incorporates the latest revenue figures from the May Consensus Revenue Estimating Conference (CREC), in which projected SAF revenues were downgraded by \$68.2 million in the current year and by an additional \$86.9 million in 2019-20. Based in part on these lower numbers, the House plan is the lowest funded of the three proposals.

As was the case with the Senate, the House proposal represents a more “traditional” approach to the budget with increases that are concentrated on the foundation allowance. The governor’s proposal to begin incorporating elements of the report from the School Finance Research Collaborative (SFRC) were not agreed with in either plan from the legislature. However, Representative Aaron Miller, chair of the House subcommittee, did express today that the ideas contained in the SFRC report had potential for future approaches to funding based on the actual cost of educating students. Given the tighter revenue picture that has emerged since the May CREC though, he indicated that now was not the time. Representative Miller also indicated an openness to addressing the overall need for more revenue in the state budget.

Overall spending for schools increases in the House plan by slightly more than \$200 million (1.4%). This number is significantly lower than the amount included in either the governor’s plan or that of the Senate – a result of the lower revenue projections available after the May CREC, as well as the approach of the legislature to separate discussion of raising additional revenue from this year’s specific budget plan, and the House budget’s inclusion of lower sales tax revenues on gasoline (see “Revenue and Funding Shifts” section below).

Here is a quick overview of the main elements of the House budget:

- **Foundation Allowance** – The House is proposing an increase of \$180/\$90 in the foundation allowance, distributed according to the 2X formula. This is a much lower amount than the \$270/\$135 increase in the foundation allowance proposed in the Senate

budget, and is also lower than the governor's \$180/\$120 increase (which distributed on a 1.5X formula).

- At Risk – The House budget maintains current spending levels in Section 31a. The Senate budget has proposed a minimal increase in At Risk funding of \$3 million, while Governor Whitmer's proposes a \$102 million increase. Significantly, the House proposal also removes previously-enacted requirements mandating the spending of At Risk funding on tutoring or other programs if certain proficiency levels are not met.

The governor has also proposed increasing the amount that could be received by Hold Harmless districts (those above the Basic funding level) to 50% of the amount received by non-Hold Harmless districts (on a per pupil basis). Both the House and Senate plans keep the Hold Harmless level for At Risk funding at 30% of the non-Hold Harmless amount.

- Special Education Weighted Allocation – The governor's plan proposes a 4% increase (\$120 million) in this area. Like the Senate, the House plan does not include this additional section of funding (thereby keeping funding at current levels).
- Great Start Readiness Preschool (GSRP) – The House plan maintains current per pupil funding levels and eliminates \$2 million in professional development materials for ISD's. The Senate plan increases GSRP funding by \$5 million, and the governor has proposed an \$84 million increase in order to expand the program by lowering the eligibility level for enrollment. Both the House and the Senate proposals maintain current eligibility requirements at 250% of the federal poverty level.
- High School Per Pupil Bonus – As with the Senate proposal, the House plan eliminates the \$25 per pupil bonus. The governor's budget maintains this line item.
- Career and Technical Education (CTE) Per Pupil Payments – The House proposal triples the current per pupil CTE payments in Section 61d. The Senate proposal keeps these per pupil payments at current levels. The governor's proposal recommends funding per pupil payments in a new section at an amount weighted at 6% of the minimum foundation allowance (an increase of \$50 million).
- Literacy Coaches – The governor's plan calls for a tripling of funding for literacy coaches and removes the local cost sharing requirement. The House plan only increases funding in this area by \$2.1 million and retains the local cost sharing provision. The Senate plan also retains the local cost sharing provision, but provides an additional allocation estimated to add three times more coaches.
- Cyber Schools – As with the Senate proposal, the House maintains the full foundation allowance funding for cyber schools. The governor has proposed a reduction of the per pupil amount to 80% of the amount for traditional students.
- ISD Operations – The House concurs with the Senate in proposing an increase of 1%, as compared to the governor's 3.5% increase.
- Revenue and Funding Shifts - The governor's plan is predicated on increased revenue gained from additional taxes on gasoline. This frees up approximately \$500 million for

the spending increases contained in her proposal and allows for more clear delineation of the lines between the School Aid Fund (SAF) and the General Fund (GF/GP) by moving university funding fully back to the GF/GP. In the end, only \$45 million in GF/GP money is used to support schools in her plan.

As alluded to earlier, the House budget (like the Senate budget) does not include any new revenue sources (like Governor Whitmer's proposed 45-cent per gallon gas tax). Beyond that, the House budget assumes the reduction of \$325.6 million in SAF revenue through the gradual removal of sales tax on fuel (as proposed earlier this year by House Speaker Jase Bolger), but adjusts for that reduction by assuming a revenue increase of almost \$172 million by virtue of income tax collections under the *Wayfair* (online sales tax) decision.

Meanwhile, the Senate proposal was built on a substantial increase in GF/GP funding for schools (going from \$84 million in the present year to a total of \$268 million). The House plan only brings in \$48 million in GF/GP dollars, an amount almost \$40 million less than in the current year.

Finally, the House has joined the governor in moving university funding completely back to the GF/GP. The Senate proposal continues a significant SAF funding earmark for universities of approximately \$500 million.

With all three budget proposals now in play, the process of negotiation will begin. All of the current proposals, to one degree or another, contain elements that may be a "stretch" when it comes to reaching compromise in the new Lansing landscape of divided party control. For instance, the governor has previously made strong statements indicating that she will not sign a budget that does not include a "real" road funding plan. The legislature has instead said they will consider an additional road funding package this summer, keeping it separate from the current budget development process. We will see how this dynamic plays out in the weeks ahead.

Therefore, as has been forecast previously, there is very little chance that agreement will be reached on the state budget in advance of the mandatory adoption of local district 2019-20 budgets by the end of June. Districts continue to be advised to take a cautious and conservative approach in their revenue projections for 2019-20 until a much clearer picture emerges of where the state budget will ultimately land.

We will keep you updated as events continue to unfold in Lansing!

Thanks for your ongoing support of the School Equity Caucus! Best wishes as you wrap up your school year!



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