



SCHOOL EQUITY CAUCUS

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CAUCUS INFORMATION ALERT

February 10, 2022

Re: Governor Whitmer's FY 2023 Budget Proposal & FY 2022 Budget Supplemental

Dear Colleagues:

Yesterday Governor Gretchen Whitmer's K-12 education budget proposal was released as part of her overall budget proposal for FY 2023. In addition to recommendations for distribution of federal aid and other "routine" spending, the budget package totaled \$16.6 billion for the School Aid Fund (SAF) and \$14.3 billion in the General Fund (GF/GP). Additionally, as noted below, the budget package also contained recommended adjustments to spending in the current year through the governor's supplemental budget proposal.

In his presentation to the joint meeting of the House and Senate Appropriation Committees, State Budget Director Chris Harkins emphasized the importance of maintaining structural balance in the budget – due to a number of factors, the state currently has very large balances in both the SAF and GF/GP, but much of this money needs to be viewed as one-time funds. Therefore, when constructing next year's budget, he noted that it is crucial to avoid creating an ongoing spending structure that is not sustainable moving forward.

With this in mind, the governor's proposal contains a number of one-time or short-term spending proposals that will spend down these balances over the next few years. Some of these proposals are included as part of the 2023 budget package, while others are included as recommended supplemental changes to the current 2022 budget.

Analysis of various aspects and details of the proposal are now underway, but here is an initial overview of some of the highlights relative to schools:

FY 2022 Supplemental Budget Proposals

Because of the nature of some of the expenditures, we'll begin our review with adjustments being proposed for the current year. These proposals utilize a significant portion of the currently projected end-of-year SAF fund balance of \$3.6 billion. In accordance with Budget Director Harkins caution described above, most of these proposals are designed to be one-time allocations; yet, it is important to note that many actually spend funds out over the next few years despite being allocated and set aside now.

Supplemental recommendations include:

- \$1.5 billion earmarked for retention payments to teachers, administrators, and other school staff over the next four years, as follows:
 - \$2000 for all staff employed at the beginning of the 2022-23 school year (distributed to less-than-full-time employees on a prorated FTE basis)
 - \$2000 in Fall 2023 for all staff continuing in their district or for employees who had not been employed in any district the previous year
 - \$3000 in Fall 2024 for teachers (only) continuing in their district or who had not been employed in any district the previous year
 - \$4000 in Fall 2025 for teachers (only) continuing in their district or who had not been employed in any district the previous year

These payments would be considered bonuses, and as such would not count toward the employee's retirement (or the district's MPSERS obligations).

- \$500 million for improving the educator talent pipeline, including:
 - \$150 million for the "Mi Future Educator Fellowship" – up to \$10,000 per year (for up to four years) for students enrolled in teacher prep programs; envisioned as the start of an ongoing budget item
 - \$150 million for the "Mi Future Educator – Student Teach Stipend Program" (funding available for up to five years to provide a \$9,600 stipend per semester to student teachers)
 - \$50 million for the "Mi Future Graduate Fellowship" – up to \$10,000 per year for individuals completing graduate coursework to become a school administrator, school-based mental health professional, or special education administrator
 - \$150 million for "Grow-Your-Own" programs to help non-certified staff become teachers at no cost to them, and to encourage current students in grades 6-12 to become teachers
 - \$50 million to expand support for new teachers through teacher prep institutions and local districts, including coaching and mentoring for up to three years
 - Eligible costs include mentor teacher stipends, mentor training, and other mentoring program expenditures
 - \$75 million to develop "innovative partnerships" that would be designed to attract and retain education personnel, specifically in response to regional workforce needs
 - Grants would be for three years, with total funding per partnership not to exceed \$5 million
 - \$45.4 million in ESSER funding, plus an additional \$6.6 million in GEER funding for COVID-recovery expenditures, including:
 - \$22.8 million for summer programs
 - \$10.9 million for credit recovery programs
 - \$11.7 million for before- and after-school programs (up to \$50,000 per district)
- These funds are stipulated to be prioritized for those districts or ISD's with the largest such programs.
- \$30 million for grants to assist in start-up costs for new or expanded GSRP classrooms (up to \$25,000 for each classroom)
 - \$94.4 million for literacy programs in the Detroit Public Schools Community District representing the state's obligations from the *Gary B v. Whitmer* settlement (funding coming from a General Fund transfer).
 - \$6 million for Oxford Schools to assist with academic supports and infrastructure needs
 - Reductions in spending of \$323.4 million due to cost adjustments identified in the January Consensus Revenue Estimating Conference (for lower pupil counts, taxable value changes, etc.)

In addition to these expenditures, the supplemental recommendation would also set aside an additional \$1 billion from the SAF to establish the “School Infrastructure Fund”. These funds would be invested and expended over gradually over the next six years (\$170 million per year beginning in FY 2023). The money would be used to offset a portion of infrastructure project costs for districts, particularly those with lower local taxable value.

Overview of the Governor’s FY 2023 K-12 Education Proposal

- \$580 million increase to foundation allowances, an increase of \$435 per student (5.0% increase – total foundation allowance increases from \$8700 to \$9135 per student)
 - Foundation allowance for online cyber school students remains at \$8700 per student
- \$222 million more for At Risk funding (total of \$746.5 million, an increase of more than 42% over the current year)
 - New amount would be \$1,050 per student, roughly equivalent to an additional 11.5% of the foundation allowance
 - All districts would receive the same At Risk allocation, even those that are out-of-formula or “Hold Harmless” districts
- \$150 million additional for special education reimbursement that would bring the reimbursement rate up to 36% (current reimbursement is 31%)
 - Total spending on special education costs rises to over \$1.8 billion (nearly \$1.4 billion in state funds, and \$461 million in federal monies)
- \$26.5 million funding for ELL student support (5% increase)
- \$8.8 million for rural/isolated districts (5% increase)
- Increase for ISD Operations of 5% (total funding of \$75.5 million)
- Total of \$77.6 million in CTE funding
 - \$10 million increase (\$47.6 million total) for program costs
 - \$10 million for equipment upgrades (up from \$7.5 million in the current year)
 - \$10.8 million increase (\$20 million total) toward the equalization of local vocational millages
- Increased early childhood funding, including:
 - Per pupil GSRP allocation to \$9135, the same as the foundation allowance (increase of \$33 million, total allocation of \$451 million)
 - \$5 million for a pilot program to offer GSRP-style services in home-based childcare programs
 - Increased Early On funding for the identification and servicing of children with developmental delays (increase of \$7.1 million, total of \$21.2 million)
 - Increased funding for Great Start Collaborative and home visit programs (increase of \$9.5 million, total of \$22.9 million)
- MPSERS rate buy-down continues (\$1.8 billion total, local unfunded liability costs capped again at 20.96%, continuation of normal cost buy-down resulting from more conservative payroll growth assumptions)
- \$100 million for additional “ongoing” funding of the Future Michigan Educator Fellowship (the program providing up to \$10,000 per year for students in education prep programs)
 - This allocation builds on the \$150 million in initial funding for the Fellowship as described in the supplemental budget section above, and is intended to set the stage for this amount to be incorporated in the budget every year moving forward
- \$50 million in ongoing funding for the new teacher coaching and mentoring program described in the budget supplemental overview above
- \$361 million in expenditures related to mental health programs, including:

- \$150 million to expand TRAILS (moving from a pilot to a statewide program; designed to help students manage stress, build healthy relationships, and manage their mental health)
- \$120 million to hire additional mental health staff and counselors with districts gradually assuming funding over time (as with similar program in place this year)
- \$50 million to increase ISD mental health services (currently at \$37.8 million, increases to \$87.8 million)
- \$25 million for mental health screening tools for local districts
- \$11 million additional (total of \$19 million) for school-based health clinics in areas of greatest need
- \$5 million for same-day access to additional mental health support to address complex student health needs
- Begins expenditure of \$171 million in support for school infrastructure from the School Infrastructure Fund proposed in the supplemental recommendation described above
- Additional \$41 million (currently \$10 million, increases to \$51 million) for school safety grants of up to \$1 million per district for technology, upgrading facilities, SRO's, or conducting safety assessments)
- \$15 million for a pilot program that would foster partnerships between schools, law enforcement, and mental health professionals in order to identify and support students determined to be at risk of committing violent acts
- Community colleges remain 100% in the School Aid Fund (SAF) with an increase of \$16.2 million (5%) in ongoing funding and an additional \$16.2 million in one-time money (total of \$470 million, up 8.9%)
- University funding from the SAF proposed at \$347.9 million (decrease of \$13.5 million from SAF)
- \$50 million in new funding for before- and after-school programs
- Maintaining \$31.5 million for literacy coaches
- Maintains a number of other programs at current funding levels
- General Fund support for the School Aid Fund at \$108.2 million (up \$22.8 million from the current allocation)

Summary Comments

Governor Whitmer's budget proposal is large and ambitious, with proposed new initiatives in teacher recruitment and retention, student mental health initiatives, and much more. The inclusion of infrastructure support is an important acknowledgement of the inherent disparities in Michigan's school funding system when budgets are built and funds are raised according to property value in a given district. The proposal also continues to incorporate elements of the weighted formula approach to funding recommended by the School Finance Research Collaborative (SFRC).

While not the subject of this overview, Governor Whitmer's proposals also contain a number of new initiatives within the state's General Fund (GF/GP), as well as a call for the gradual elimination of the state's pension tax and an expansion of the Earned Income Tax Credit. The reduction of taxes is always a popular move, especially heading into an election year, so these proposals will undoubtedly gain significant attention. At the same time it is important to carefully analyze the impact and sustainability of these revenue reductions moving forward.

It is important to note that the proposal also continues to fund community colleges and universities with more than \$800 million of SAF money (equating to over \$580 per student). With the state's General Fund ending balance expected to be in the neighborhood of \$3.5 billion

at the end of this fiscal year (prior to enacting any potential supplemental budget proposals), this would seem to be a perfect opportunity to restore the original purpose of the SAF.

From the perspective of the School Equity Caucus, we need to continue the recent progress made toward equity in this upcoming budget cycle. This includes statutory continuation of the 2X approach in order to eventually eliminate remaining differences between minimum foundation districts and those who are “out of formula” or “hold harmless”. As noted above, the inclusion of weighted formula ideas and the start of state support for school infrastructure are important elements of the governor’s budget. We also need to continue working toward equity by implementing elements of the SFRC recommendations not yet being addressed (including other weighted formula elements, disparities in transportation costs, and more).

Another part of the SFRC report released four years ago was the identification of recommended funding levels for the various elements addressed in the report. In this regard, it is important to note that with inflationary costs running at more than 7%, even the seemingly large 5% increases seen in many areas of this proposed budget do not keep up with increased costs. And after four years, funding levels recommended in the SFRC report need to be revised upward to account for inflation.

As always, the governor’s proposal is the first concrete step toward a budget agreement for next year, with both the House and Senate versions still to come. We expect these proposals to be put forward sometime around the beginning of April; at that point, we will be getting a better idea of how the final product may look. The budget will not be finalized until sometime after the May Consensus Revenue Estimating Conference (CREC) occurs, when updated state revenue numbers will be known. Given that this is an election year with legislators meeting voters in newly-drawn districts, and given that the state’s coffers are relatively full, hopes are high that a budget could be finished by mid-June. Time will tell!

Attached to this email are the slides from the budget director’s presentation to the joint committee session, along with a few other documents from the governor’s State Budget Office that provide more detail of Governor Whitmer’s proposal (including for other areas of the budget beyond K-12). You can also watch the full budget presentation (one hour in length, presentation begins at the 6:00 mark) by [clicking here](#).

As the ball now moves into the legislative court, we will be working with legislators in the House and Senate to continue advancing the School Equity Caucus agenda. We will keep you informed on these budget discussions as they move forward.

Please be sure to contact us if you have additional questions or need more information.



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