



# SCHOOL EQUITY CAUCUS

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

121 W Allegan • Lansing, Michigan 48933  
www.schoolequitycaucus.org  
schoolequitycaucus@gmail.com  
269-806-6159

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Dear Colleagues:

Here's hoping you have been able to enjoy a wonderful Memorial Day weekend, as we take time to remember those who have gone before us so that we may enjoy freedom.

It has certainly been an eventful few weeks in Lansing with the great news from the latest Consensus Revenue Estimating Conference (CREC). We'll run everything down after a few important housekeeping items...

## **1. 2021-22 Membership Invoices Forthcoming**

It's that time of year again when we remind you to be on the lookout for your 2021-22 School Equity Caucus membership invoice. For the fourteenth consecutive year we will be able to keep our dues rates frozen!

Even with the good news lately out of Lansing, your membership in the Caucus remains critically important. In addition to the monthly *Caucus Newsletter* and published-as-necessary *Information Alerts*, your membership makes our efforts on your behalf possible. The Caucus has consistently helped set the tone for the school budget discussion by bringing the need and importance of school funding adequacy and equity to the legislative table.

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 always much easier to demonstrate the value of Caucus membership to new superintendents once they have received the Newsletters and Alerts and better understand our focus and activities.

We appreciate your ongoing support as we advocate on your district's behalf in Lansing! The School Equity Caucus continues to make an impact, and we are determined to keep the cause of equity front and center for all students in the state of Michigan.

## **2. Thanks to Our Board of Directors!**

We would not be able to do the work we do without the efforts put forward by the School Equity Caucus Board of Directors. These superintendents have given of their time and talents to help move the cause of equity forward on behalf of Michigan's children. The 2020-21 Board of Directors has included:

- **Region 1** Angie McArthur (Eastern UP ISD)
- **Region 2** Jamie Huber (Cheboygan-Otsego-Presque Isle ESD)
- **Region 3** Mike Shibler (Rockford)
- **Region 4** Jan Amsterburg (Gratiot-Isabella RESD)
- **Region 5** Joe Murphy (Huron ISD)
- **Region 6** John Deiter (DeWitt)
- **Region 7** Brent Holcomb (Lewis Cass ISD)
- **Region 8** Mark Haag (Lenawee ISD)
- **Region 9** Pete Kudlak (VanBuren)
- **At-Large** Terry Boguth (Coldwater)
- **At-Large** Catherine Erickson (Roscommon)
- **At-Large** David Schulte (Shiawassee RESD)

A special thanks goes to those board members who are retiring following distinguished careers! We very much appreciate all of the leadership and perspective that Jan, Joe, and Brent have brought to the Caucus board! And special thanks to John Deiter who is moving on to a new position in Illinois following several years as president of the Caucus. These four gentlemen will be very much missed!

Most of our positions have been filled, but we're always looking for additional folks to serve on the Board of Directors. Any members wishing to learn more about serving are encouraged to email ([schoolequitycaucus@gmail.com](mailto:schoolequitycaucus@gmail.com)) or call (269-806-6159).

### 3. CREC and the Balance Sheet

Hopefully you have been able to keep up with the numerous revenue and budget updates coming your way over the last couple of weeks. It is certainly nice to be able to report such positive news, especially when one remembers last year's discussion of freezes and cuts as COVID-19 caused shutdowns across the state. What a difference a year makes!

As you certainly know, a little over a week ago the latest CREC came back with eye-popping revenue numbers leading to some of the highest projected state fund balances in recent memory. For more detail on the specifics of the CREC, please refer to the Information Alert distributed on May 21 (and attached again to this email).

Once the details of the revenue estimates were available, it became possible to see the size of the balances available to the legislature and governor as they look forward to the 2021-22 budget year. The latest memo from the Senate Fiscal Agency outlining the state's estimated fund balances is also attached to this email. Here is an extrapolation, first beginning with the School Aid Fund (SAF):

<b>School Aid Fund</b>	<b>2020-21*</b>	<b>2021-22</b>	<b>2022-23</b>
Beginning Balance	\$1,177.4	\$1,714.2	\$2,256.0
Revenues	\$19,237.9	\$17,089.4	\$17,388.0
Expenditures	\$18,701.2	\$16,547.6	\$16,486.0
<b>Ending Balance</b>	<b>\$1,714.2</b>	<b>\$2,256.0</b>	<b>\$3,157.9</b>

*Numbers in millions. Figures may not total due to rounding.*

*\*2020-21 Revenues and Expenditures include various rounds of federal stimulus funds*

There are a few important notes regarding these numbers. First, both revenues and expenditures for the current year are inflated due to the various rounds of one-time stimulus money. Beginning with the 2021-22 budget year, the revenue numbers return to more traditional levels (albeit with solid upward growth projected to continue). The expenditure figures shown for 2021-22 (and by extension, 2022-23) reflect the Senate’s budget proposal as already passed—this proposal contained a proposed 2X foundation allowance increase of \$250/\$125. Therefore, even with such a solid increase, the SAF would still be currently projected to add over \$540 million to the already large carry-forward from 2020-21!

As discussed in our review of the CREC, these large revenues are due in no small part to extremely robust revenue from the sales tax as buying patterns shifted to goods and away from services during the COVID-19 pandemic. One can clearly see the tremendous impact such increases have on the SAF.

A quick look at the other side of the state budget – the General Fund/General Purpose (GF/GP) balance sheet – shows a similar trend. Here again, the Senate’s proposed 2021-22 increases are already included in these numbers.

<b>General Fund (GF/GP)</b>	<b>2020-21*</b>	<b>2021-22</b>	<b>2022-23</b>
Beginning Balance	\$2,363.1	\$2,848.7	\$2,978.5
Revenues	\$10,946.5	\$11,245.2	\$11,845.4
Expenditures	\$10,460.9	\$11,115.4	\$11,222.4
<b>Ending Balance</b>	<b>\$2,848.7</b>	<b>\$2,978.5</b>	<b>\$3,601.5</b>

*Numbers in millions. Figures may not total due to rounding.*

Over the past twenty years, revenue increases in the GF/GP have been more sluggish than for the SAF, justifying the increased siphoning of SAF dollars to fund a variety of formerly GF/GP responsibilities. Given the extent of the GF/GP fund balance, this is clearly no longer an issue – now is the time to give consideration to moving some of those programs back out of the SAF.

Chief among them is the 100% funding of community colleges (\$425.7 million this year) and partial funding of universities (\$356.1 million). When these programs were brought to the SAF, the state budget was in tatters (community colleges began to be funded by the SAF in 2009-10, universities in 2011-12). The original \$208 million diverted to community colleges from the SAF was cast as a “loan” that was supposed to be paid back – but never was. In the years since, approximately \$6 billion in SAF dollars has gone to community colleges and universities. With the large surplus in the GF/GP, this is the perfect opportunity to restore the SAF to its originally intended purpose—the support of K-12 education.

#### **4. The Parties are at the Same Table?**

With the numbers on both of the state balance sheets well beyond anything seen in many, many years, the question now becomes, how will this windfall be spent?

As reported last Thursday, Governor Whitmer has announced her proposal for spending the additional SAF funding available for the 2021-22 school year. Of particular note was

the suggestion that the gap between the minimum and target foundation allowances finally be closed. If enacted, this would mean that approximately 90% of school districts would now have their foundation allowance level set at the same amount (only “out-of-formula” and “hold harmless” districts would remain above the line).

Obviously, this was a welcome proposal – one that has been a focus of the School Equity Caucus for nearly three decades! Under the governor’s plan, the total hit to the SAF (over 2020-21 funding levels) is estimated to be about \$867 million. While this is certainly a hefty sum, the SAF balance sheet discussed above shows more than enough funding available to cover the cost. Keep in mind that the balance sheet numbers already incorporated the Senate’s foundation allowance proposal (at a cost of \$308 million). Therefore, the net cost added to the 2021-22 numbers in that chart is an additional \$559 million – a large, but better sounding number! We now look forward to working with our many supporters in the state legislature to make sure this proposal gets enacted into law.

Among a number of other proposals, Governor Whitmer’s plan also continued to suggest \$200 million for districts facing declining enrollment in 2021-22. The new proposal also included a set-aside of \$150 million more for the same purpose in 2022-23. Neither the House nor the Senate originally included such payments in their proposals.

Another piece of welcome news in the last couple of weeks has been the announcement that the State Budget Director (representing the governor) will now be a participant in legislative budget talks moving forward. This move came in conjunction with the lifting of many COVID-related restrictions. Such a presence makes the prospect of a relatively rapid budget agreement much more hopeful, both on the COVID-relief supplemental for the current budget year and on next year’s budget. It is expected that those talks will be a major focus beginning this coming week. We will keep you updated as information becomes available.

## **5. Much More Work Remains**

Amidst the very positive news regarding the base foundation allowance, it is crucial not to overlook the vast disparities that still exist in Michigan’s funding structure. These include significant differences in:

- CTE access
- Special education funding
- Support for facility construction
- Pupil transportation costs
- And much more

The School Equity Caucus will continue to vigorously pursue our goal to provide true equity in educational opportunity for all of Michigan’s children, regardless of zip code.

This past week, Dr. David Arsen, professor from the MSU College of Education, appeared before the Michigan House Appropriations Subcommittee on School Aid and the Department of Education with the same message. He provided representatives with an updated version of his original report released more than two years ago entitled, “Michigan School Finance at the Crossroads: A Quarter Century of State Control”. The

powerpoint slides from his presentation are attached to this email, and you can watch his entire presentation by clicking on this link:

[Michigan House TV - APPR-SAMDE-052021](#)

It is quickly apparent when hearing Dr. Arsen that while Michigan has made progress, there is a long way to go for us to reach true adequacy and equity in funding. He makes strong points about the state's inequitable funding mechanisms and significantly reduced state support for education.

It is good that state legislators continue to hear these messages. And they need to hear from you! As budget talks resume in earnest, we encourage you to continue advocating for (among other things):

- The closure of the remaining foundation allowance gap between minimum and target foundation districts, bringing 90% of Michigan districts to the same level.
- The return of the School Aid Fund to its original purpose – the funding of K-12 education – by returning community college and university funding to the General Fund.
- Additional funding to buy down existing MPSERS debt, which will in turn over time free up more dollars in the School Aid Fund. The original House plan devotes significant additional resources to this item.
- Additional transportation funding that reflects the burden that rural districts carry in getting their students to school. The House proposed \$50 million of additional support in this area.
- A robust increase in funding for the Great Start Readiness Program (GSRP). While all of the plans recognized this need, Governor Whitmer and the Senate both called for an increase of \$32.5 million in this category.

We appreciate your help!

## **6. Legislation Tracker**

After a relatively slow April, the pace of legislative action quickened somewhat in May. Beyond budget news, here are some other recent updates:

- **SB 118** (sponsored by Sen. McBroom) was signed into law (as P.A. 15) by Governor Whitmer on May 19. With this law in place, the current penalties have been reduced for districts that employ an improperly certified individual as a teacher, counselor, or substitute. The penalty will now be 50% of the individual's salary during the period of employment and during the grace period, down from the previous 100% of the individual's salary. If districts continue to improperly employ these individuals after being notified by MDE, the penalty would return to 100% of the individual's salary after a ten-day grace period. Additionally, any such penalties imposed in the 2020-21 school year will be completely waived. The bill also provides MDE with some latitude in imposing the additional per-pupil state aid reduction, which remains in effect.
- **HB's 4293 and 4294** (sponsored by Reps. Damoose and Paquette, respectively) both passed the House this week. These bills would permit districts to utilize an

individual as a substitute teacher, even if the person does not hold a valid teaching certificate (including a substitute certificate), as long as the individual is already employed by the district in another capacity. The individuals must have a high school diploma or GED, and the district would be required to pay them at the higher salary level – either their normal salary or the substitute teacher rate – while doing this work. HB 4294 amends the School Code to enable this, while HB 4293 amends the Public Employment Relations Act (PERA) to make such placement a prohibited subject of bargaining. These provisions would remain in effect through the 2021-22 school year.

- **HB 4326** (sponsored by Rep. VanWoerkom) passed the House and has been sent to the Senate. This bill would allow computer coding to be considered as a “Language Other Than English” for the purposes of Michigan Merit Curriculum graduation requirements.
- **SB’s 265 and 268** (sponsored by Sens. Horn and MacDonald, respectively) were sent to the Senate floor from the Committee on Education and Career Readiness. SB 265 as introduced would have suspended implementation of third grade retention law for this year. In committee the bill was amended to suspend third grade retention this year, but to also expand retention parameters next year to include both third and fourth graders. In a highly unusual situation, Sen. Bumstead, the original sponsor of SB 265, withdrew his support and testified against the changes made to the bill. SB 268 would require districts to retain a student if the parent requested it prior to July 1 of any given year.
- **HB’s 4201 - 4204** (sponsored by Reps. O’Malley, Carter, Jewell, and VanWoerkom, respectively) are school bus safety bills that would prevent unauthorized persons from entering a school bus without permission, and would allow the placement of cameras on school bus stop-arms in order to record drivers who may pass the bus illegally during a stop. These bills have already passed the House and received a hearing before the Senate Transportation and Infrastructure Committee this week.

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The end of the school year is upon us! Hope your wrap-up is smooth, and a hearty congratulations to those of you who have chosen to retire! You picked quite a year to end on!

Enjoy your week, and as always, please be in touch with questions or concerns.



Dirk Weeldreyer  
Executive Director  
(269) 806-6159  
[schoolequitycaucus@gmail.com](mailto:schoolequitycaucus@gmail.com)