



SCHOOL EQUITY CAUCUS

Making a difference for the public school children of Michigan

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Dear Colleagues:

January is already drawing rapidly to a close! Here are the latest happenings:

1. Caucus Luncheon at the MASA Midwinter Conference

Thanks to all those members who came out for the School Equity Caucus General Membership meeting at last week's MASA Midwinter Conference! A special "thank you" also goes out to our longtime business partners, Hutchison, Shockey, Erley & Co. and American Fidelity, for their sponsorship of the luncheon. We reviewed current legislation on the docket in Lansing, and discussed some of the fundamental parts of the adequacy study. If you weren't able to join us, read on, as much of that information is reviewed in this edition of the newsletter.

2. Follow-Up Adequacy Study Released

On January 17, the School Finance Research Collaborative released its its follow-up adequacy study report entitled, "Costing Out the Resources Needed to Meet Michigan's Standards and Requirements". The full report runs 358 pages and may be accessed through the following link:

<http://www.fundmischools.org/wp-content/uploads/2018/01/School-Finance-Research-Collaborative-Report.pdf>

If you would rather look at a one-page "snapshot" version, please see the PDF attached to this email entitled "*SFRC One Page Fact Sheet*".

Most of the same information is available in video format here:

<https://tinyurl.com/fundmischoolsvideo>

A different twist on the findings and their impact on children is also available through this article from the School News Network website:

<http://alturl.com/evt9i>

This adequacy study was conducted by the two preeminent education funding research firms in the nation. Two methodologies (the "Evidence-Based" and "Professional Judgment" approaches) were used to build on the "Successful Schools/School District" methodology used in the original state-funded study from 2016.

By the time of its release, every ISD in the state had endorsed the study and many local K-12 districts had also passed a resolution of support. This extraordinary unity shows that the educational community fully understands the need for real data to inform a fundamental change in our educational funding system.

This debate comes none too soon. A troubling Bridge Magazine report from last week further emphasizes the desperate need for additional investment in our children. Michigan's educational policy and resource allotment is putting our future at a significant disadvantage. You can read the full article by clicking on this link:

<http://www.bridgemi.com/special-report/michigans-k-12-performance-dropping-alarming-rate>

Members of the Caucus are encouraged to begin having discussions at the local level about the findings of this study. A groundswell of support is needed that calls for a comprehensive review of the structure of school finance in Michigan. Watch for more to come on this effort and how you can help!

3. State of the State Address Describes "Largest Increase in...15 Years"

Governor Snyder gave his final State of the State address on Tuesday, January 23, and as expected, there were not many earth-shattering proposals. The biggest news for schools came when the governor stated, "I'm going to be proposing the largest increase in the basic per-pupil student foundation allowance in the last 15 years."

While this is certainly good news, looking back fifteen years reveals that this proposal will have a relatively low bar to surmount:



Source: House Fiscal Agency

As one can readily see, the highest per pupil increase in the last fifteen years came in the 2006-07 school year when all districts received a \$210 increase (in a non-2X year). An increase at that level would be positive, but would still leave schools districts far below what would be considered the “adequate” funding discussed in the related item above.

We should learn very soon what the actual proposal will be when the governor unveils his budget outline next week.

4. Don't Spend That Increase Quite Yet!

Of course, the governor's budget proposal is just the first step in the 2018-19 budget process. As was discussed in the “Information Alert” distributed earlier this month, the most recent Consensus Revenue Estimating Conference was held on January 11, with an underlying theme of steady, unspectacular growth in School Aid Fund (SAF) revenues.

The good news was that there should be more money to work with next year, which has prompted the governor's cheery outlook. The downside from the Revenue Conference was that the state's General Fund (GF/GP) continues to struggle with very slow revenue increases and mounting fiscal pressures. Additionally, the tax cuts currently working their way through the legislature (see next item below) would reduce revenues even further.

As we have seen all too frequently in recent years, the somewhat healthier SAF has been used by the legislature to help support the GF/GP through the diversion of funds to pay for some community college and university expenses. It is likely that this trend will continue given the stagnant GF/GP revenue. It is also possible that an increase in the foundation allowance might be achieved through reductions in other educational investments such as at-risk or preschool funding.

The bottom line – we are only at the beginning of the budget cycle. Following the governor's initial proposal, each chamber will put together its own set of priorities, and the resulting compromise may look significantly different from the way things are presented initially. Your engagement with legislators is key, and we will strive to keep you informed every step of the way.

5. Tax Cutting Fever Sweeps Through Lansing

In an election year move, the legislature is quickly pushing through potentially significant changes to tax policy. These bills (SB 748 and HB 5420) were initially brought forward as restoration of the Michigan income tax personal exemptions eliminated by changes in federal tax law (in which personal exemptions were temporarily reduced to \$0 and standard deductions were increased in return). Because Michigan's exemptions were tied to the federal personal exemption, this essentially eliminated them. These bills restore the exemptions, but also go several steps further by increasing them well beyond current levels.

Specifically, SB 748 would restore the personal exemption and also increases it to \$5000 by 2021 (in essence, speeding up the relatively mild increases slated to move from \$4000 to \$4300 over the next three years). Thereafter, the exemption would be tied to inflation. In

the end, 32 of the 38 Senators sponsored the bill, and it has unanimously passed the Senate.

Not to be outdone, the House has passed HB 5420 that provides a similar restoration and increase over time of the state personal exemption. In this case, the amount increases a bit more slowly, gradually moving to \$4800 by 2020. The House bill also has an added clause stating that the SAF would be held harmless from reductions in revenue; however, the legislature has shown an ability in the past to shift money between various buckets, meaning this provision could be rendered toothless. The House bill was not supported nearly as well (tongue in cheek!), “only” passing by a count of 105 to 1.

The Senate bill will cost at least \$110 million in the first year, and result in eventual annual revenue reductions estimated at over \$200 million. The price tag for the House bill is \$45 million in the first year, and annual costs of \$157 to \$175 million the next three years. These moves, while popular in an election year, come at a time when the GF/GP budget is already under significant pressure. The negative impact these bills would have on available revenue makes them a significant matter of concern.

In his State of the State address, Governor Snyder weighed in on the subject, warning against the temptation to cut taxes too far at the expense of essential programs. He said, "Being fiscally responsible is more than just balancing budgets. It's not just thinking about us today, but our children and our future generations. We need to think about how we act in our families. In our families, we don't go out and spend money on ourselves and go home and hand the bill to our kids. That's just flat out wrong." We will see if his warning has any impact.

6. Other Legislative News

The bill that permits charter and cyber schools to receive regional enhancement millage dollars has passed both houses and is awaiting the governor's signature. Enhancement millages that are already in place would not be subject to the bill's provisions until the millage expires and is reauthorized.

Also headed to the governor is HB 4735 that would permit students in districts bordering other states to attend post-secondary courses in those states in the same way as the current dual enrollment system.

In addition, the following are among a long list of bills being monitored in the legislature:

- **SB 544-549** – The “Enhanced Michigan Education Savings Program” (E-MESP) is currently in the House having already passed the Senate. At the moment the package is still being worked on, but it could move at any time.
- **SB 684-685** – The first of these bills (SB 684) would modify existing Educational Development Plan (EDP) language to additionally require that schools provide an opportunity for students to review their EDP in each year of high school, mandate additional career exploration activities, and require an opportunity to create a talent portfolio.

SB 685 adds additional requirements to a district's school improvement plan by mandating the inclusion of work-based learning programs (including on-site experiences) for all students as well as other career preparation activities such as employability skill development, resume writing, talent portfolio development, and the like. Additionally, the bill requires each school to provide career discussions with a counselor or other knowledgeable adult.

While the goals of these bills are understandable, they represent yet another example of top-down control of the educational program at an undetermined (and unfunded) cost. The bills were run through the Senate Economic Development and International Investment Committee (interestingly, they were not run through the Education Committee!) and have been reported back to the full Senate.

- **HB 5139-5145** – This package of CTE-related bills, known as the “Workforce Preparation Package,” was described in more detail in the October edition of this newsletter. The bills have passed the House and are now in the Senate.
- **SB 727** – Would modify the interim teacher certification process by removing the Basic Skills test requirement. The bill has been reported out of the Senate Education Committee and is currently on the Senate floor.

As always, please be sure to be in touch with questions or concerns. Stay warm!



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