



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:

I hope this newsletter finds you all healthy and finding some sort of equilibrium during these challenging times. You are to be commended for the tremendous effort being put forth as you continue to serve your students, families, and communities during this unique and constantly shifting crisis. These unprecedented events have reinforced the crucial role our public schools play in the fabric of our state, and your work has not gone unnoticed in Lansing.

While Governor Whitmer's Executive Order 2020-59 on April 24 began to allow for some limited loosening of the "Stay Home, Stay Safe" order, it would appear that we have quite a distance to travel before we are back to a "normal" routine. We are committed to assisting your district in any way we can. Please do not hesitate to contact us if you have questions or need more information.

Here are some the most important items of note from Lansing at this time:

1. Emergency Powers Allowed to Expire, New Emergency Declared

Today the state legislature did not take action to further extend the State of Emergency originally declared by Governor Whitmer on March 10. Earlier this week, the governor had asked that her emergency powers be extended until May 28 (they had previously been extended on April 7 until the end of April). Negotiations continued throughout the week, but the sides were unable to reach common ground.

In the end, the legislature today gave final approval to SB 858 which codified into law many of the Executive Orders issued in recent weeks, but which did not include the "stay-at-home" order. The proposal had originally included a reduction in the length of time any future emergency declaration could be in force (from 28 to 14 days), but that change was not included in the final bill passed. As with any bill, this legislation must be signed by the governor, and tonight Governor Whitmer indicated that she will veto it saying it did not comply with constitutional requirements.

This evening Governor Whitmer also signed a new set of Executive Orders that both terminated the emergency declaration that has been in effect and declared a new state of emergency effective through May 28, 2020. In doing so, she cited authority under the Emergency Powers of the Governor Act of 1945 and the Emergency Management Act of 1976.

This action sets up a potential showdown with the Senate and the House of Representatives that each adopted resolutions today authorizing their leadership to take legal action against Governor Whitmer if she should try to extend the State of Emergency declaration without legislative approval.

By ending the current state of emergency and declaring a new one tonight, the governor has not technically extended the emergency declaration referenced in those resolutions, so it will be interesting to see how the legislature responds.

2. Where Does State Revenue Stand?

As we all know, the past several weeks have had a tremendously negative effect on Michigan's economy with individuals across the state forced to stay home and alter normal routines and spending habits. The accompanying layoffs/furloughs and reduced business activity have meant a big hit to the state's revenue streams (income tax, sales tax, gas tax, business taxes, and more). The amount of revenue lost is expected to be very large, but at the present time it is unclear exactly how large that impact will be. Estimates have been ranging anywhere from \$1 billion to \$3 billion for the current year, with an additional impact, perhaps another \$1 billion to \$4 billion, seen next year.

These are staggering numbers, and lead to the obvious conclusion that districts need to begin making plans immediately for addressing a potentially large budget hole heading into next year.

The first "official" look at where things stand with revenue is just over two weeks away when the May Consensus Revenue Estimating Conference (CREC) will be held. This will be a vitally important meeting (to be held on Friday, May 15) bringing together representatives of the House Fiscal Agency, Senate Fiscal Agency, and the State Treasurer's Office to review revenues for the year to date. They will also seek to determine future trends to provide a basis for next year's budget. Be watching for our full CREC summary on the 15th.

In normal years, we would often begin to have a general idea of where things might be headed by this time in the budget cycle. However, with the current situation being in such a flux, there is no certainty whatsoever. With only six weeks between the CREC and the deadline to adopt a budget for 2020-21, districts will have very little time to react.

Additionally, districts need to remember the following as they make their short and long-term plans:

- Unlike K-12 schools, the state's fiscal year does not end until September 30. This creates some potential difficulty in the present situation, since schools are more than 80% through their fiscal year with nearly all of their spending already allocated. Additionally, while extremely beneficial to individual living situations, the mandate requiring schools to continue paying staff in order to receive state aid payments means that significant cost-saving adjustments have not been able to be made.

There has been some talk in Lansing that reductions in overall state spending should be made in the current fiscal year. While somewhat feasible within a state

budget that still has five months to make adjustments, a retroactive proration for K-12 schools at this time would be devastating. This message is being clearly communicated to the legislature, but districts should understand that this type of pull-back in the current fiscal year has not yet been ruled out.

- While helpful to current year budgets, if K-12 schools are able to avoid reductions in the current (FY 2019-20) budget year, it will mean larger potential cuts for next year. Again, while there is no clarity yet on the amount of lost revenue, reductions in the foundation allowance are expected to be very large.
- There is hope that federal monies (some \$390 million to date) could help cushion the loss of revenue, but there is also not much clarity in this area yet either. Information is expected to be forthcoming very soon on how districts can access the allocations made so far, and exactly what the money can be used for. However, Michigan's share of the federal dollars approved to this point will not come close to addressing the massive shortfall in revenue.

With these circumstances in mind, districts would be well advised to consider any and all ways to conserve their existing fund balance, and to be very conservative when developing next year's budget. Multiple scenarios should be prepared, and the severity of this situation should not be underestimated.

To date there has been no definitive plan or timeline announced for when the House and Senate budget proposals for next year will be put forward. Legislative leaders have indicated that they will work to finalize the budget as soon as they can, but this will almost certainly not be prior to the end of June--particularly given the difficult decisions that will need to be made.

There have also been suggestions made that it might be helpful for another CREC to be held sometime in August or September to track where revenues go over the rest of spring into summer, so that the legislature would have the ability to make additional budget adjustments at that time. This would be particularly helpful if the economy and revenues can somehow rebound through the summer months. Indeed, as each fiscal year comes to a close, the legislature passes a budget supplemental (similar to the end-of-year adjustments made by most school districts in June), and they will certainly need to do so again this year. However, there has so far been no indication that an additional CREC meeting will take place.

As the budget process heats back up, we will stay highly engaged in the process strongly advocating for the needs of our member districts, and will continue to provide updates as discussions move forward.

3. Other Ways to Help Balance the Budget

Given the difficult times we are facing, a number of ideas have begun to be discussed as ways to potentially soften the anticipated financial blow to schools.

Among the most widely discussed possible sources of additional funding is the State of Michigan's "rainy day" fund. Over the last several years the state has been able to build and maintain a healthy balance in this fund, and this would seem to be the type of "rainy

day” envisioned for spending a portion of that money. Keep in mind though that the state’s overall fiscal health impacts bond ratings for every governmental entity in Michigan, and the state’s rating is based in part on the reserves a state has access to.

Additionally, some years ago the legislature enacted controls on the “rainy day” fund allowing a maximum of 25% of those reserves to be utilized in any one budget year. Of course, the legislature could simply pass new legislation allowing that percentage to be exceeded as a result of this situation. However, various members of the legislature have expressed reluctance to tap too far into the fund, so any such overriding of the 25% rule may prove to be difficult.

Other concepts will certainly be floated over the weeks ahead. We will be sure to keep you informed of any that could have the potential for being enacted.

4. What will the Fall Look Like?

As districts wrap up the 2019-20 school year, attention is already beginning to shift to what may be in store for 2020-21. Again, there is little indication at this time as to how events will progress. Districts would be wise to continue to think of ways they can further enhance the educational delivery currently underway in the event that school closures are necessary during the next school year. If such closures occur, it would be highly advantageous for districts to be prepared to “hit the ground running”.

Discussions are also underway in Lansing regarding ways that distance instruction can be delivered more broadly, even into districts where significant connectivity and/or device challenges exist. Many School Equity Caucus member districts are particularly impacted in these areas, and the scope of the challenges being faced has been made clear to policymakers. Additionally, results of the survey done by MAISA earlier this month further reinforce the issues that exist (an infographic describing those findings is attached).

While major infrastructure projects will probably not be a part of the plan at this time, there may be additional opportunities made available for districts that are not on a level playing field when it comes to distance learning resources. Watch for more information on these possible opportunities moving forward.

That’s all for now! As restrictions begin to be modified across the state, please be sure to continue to take the steps necessary to stay safe! And as always, be sure to contact us with questions or concerns.

Take care,



Dirk Weeldreyer
Executive Director
(269) 806-6159
schoolequitycaucus@gmail.com