



SCHOOL EQUITY CAUCUS

Making a difference for the public school children of Michigan

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Dear Colleague:

1. Legislation Introduced to Provide Student Count Options

For much of the past couple of decades school districts were faced with two great unknowns when budgeting for their coming year programs, services, and staffing; 1) their state provided school operational revenue and 2) the number of students who will enroll.

In recent years the Governor and legislature have provided an answer to the first unknown by producing a school aid budget by June of each year, thereby allowing districts to more accurately project revenue rates. Nevertheless, without a precise assessment of the number of students who will show up in September, an accurate school budget was largely just guesswork. Guess wrong and face the disruption of adding or cutting programs, staff, and reshuffling classrooms – *after the school year has started*.

Michigan schools' overall student enrollment has declined by about 200,000 since 2003-04. Combined with the affects of school choice, charter schools, cyber schools, and home schooling, most districts have seen a decade-long student enrollment decline.

When a district faces declining enrollment the budgeting situation is made even more challenging. Currently, student counts and the resulting per pupil Foundation Allowance are based on a student count in September that is 90 percent of the per pupil count value with the other 10 percent coming from a supplemental count in February.

Because of the annually uncertain school budgeting process, the Caucus and other school organizations have advocated for a change in the way student counts are handled. Bills have now been introduced that will help schools more accurately predict their coming year operational revenue. **HB 4872 and 4873** would allow a district to base the per pupil Foundation allowance on the current student membership formula or on the immediate prior year blended count, whichever is greater.

Therefore, a district with declining enrollment could precisely calculate its coming year revenue in June (assuming the state budget is done) by basing its projections on its current year enrollment instead of guessing its coming year numbers. Districts with stable or growing enrollment would continue to base budget projections on the coming year numbers.

If approved as proposed, the change in student counting could cost the SAF about \$99 million or more per year. Obviously, declining enrollment districts would welcome the change, but those not declining could see the cost to the SAF as a disadvantage.

Nevertheless, the increase in budgeting certainty for most districts makes the passage of the bills good public policy.

2. Evaluation Legislation Passed by the House Education Committee

Thursday morning the House Education Committee passed the teacher and administrator evaluation legislation (**SB 103, H-7**). It now moves to the House floor for debate and a likely vote.

The committee-passed version has several changes from previous versions, among others, the changes include:

- Beginning in 2015-16, at least 25 percent of the year-end evaluation would be based on student growth.
- Beginning in 2016-17 require teacher and administrator training.
- Beginning in 2016-17 require a school web site posting of evaluation information.
- Beginning in 2018-19, at least 40 percent of the year-end evaluation would be based on student growth, with half on state assessment and half on local assessment.

It is yet to be seen if the House will vote in favor of the H-7 version and if the Senate will go along with the changes. We expect a floor vote next week.

Note: *The legislation speaks to the 2015-16 25% student growth factor and the growth factor changes beginning in 2018-19 but does not appear to address the years between (2016-17 and 2017-18). Most assume the 25% factor will continue during those years. We expect clarifications when the legislation is up on the House floor.*

3. Third Grade Reading Legislation is Passed in Committee

The long-debated third grade reading bill (**HB 4822, H-5**) passed in committee last week and is now on the House floor for discussion and a likely vote next week. As reported out of committee, the bill does not include the parental opt out provision or the additional one year delay the Caucus and most other school organizations supported but continues to include the retention (“smart promotion”) provisions the Caucus and most other school organizations opposed.

Further, many unknowns and unresolved issues remain. While the School Aid budget provides at-risk and reading specific funding, actual local costs can only be known once the reading remediation processes are in place - and those could vary greatly district to district. The SAF would be affected with the added costs of the retained students’ additional year in the system.

In a September 9th analysis, the House Fiscal Agency said based on the 2013-14 MEAP results as many as 42,500 (39%) third graders would have been retained. However, with the allowable exemptions and time for districts to gear-up for the reading assessment, retentions could actually be less than 5 percent.

As always, the Caucus and most other school organizations will continue to try to improve the reading bill as it moves through the House floor process.

4. School Deficit List Shrinks

The Department of Education recently reported that up to 20 school districts and charter schools would be out of deficit by the end of the current year, leaving about 38 districts still in deficit, down from 56.

About 14 deficit districts are expected to increase their debt burden during the year and 2 districts not now on the list are expected to drop into deficit by the end of the year. Of those districts remaining on the deficit list, about 12 deemed to be persistently in debt will be asked to “participate” in Treasury’s oversight processes.

5. University Presidents Oppose General Fund Dollars for Roads

Fearing decreased funding due to a possible General Fund (GF) roads solution, in a letter to the Governor university presidents warned that the use of GF revenues as a significant portion of roads funding could cause increased tuition rates.

Other than the university presidents’ warning, other roads solution discussions are mostly behind the scenes. House Speaker Cotter, though, has recently said he would now support up to \$800 million annually in new dollars.

While current roads proposals avoid direct K12 consequences, the school community needs to remain vigilant. If the eventual solution includes a major use of General Funds that then negatively affects universities, this Governor and legislature have demonstrated a quick willingness to shore up the university funding using SAF dollars.

6. Is the Critical Shortage List Legislation Finally About to Move?

Discussions concerning the Critical Shortage List legislation (**HB 4059**) have been ongoing since it was introduced last January. The bill provides guidelines for districts to hire retired teachers in subject areas where teacher shortages may occur.

A couple of weeks ago a bill (**SB 491**) was introduced to create changes in teacher certification. While the two bills are not tie-barred, they can be seen as complimentary and have given cause to think the critical shortage list issues could be soon resolved.

Senate bill 491 would allow schools to hire non-certified individuals in certain subject areas, including those listed in critical shortage areas.

7. Caucus Membership

The Caucus currently has a little more than 200 Michigan public school district members, mostly those at or near the Minimum Foundation level. Our legislative and other activities

are sharply focused on the often unique needs of low funded districts. Our recent successes have been significant.

Next week the Caucus will send out *Second Notice* invoices to members who have not yet paid the 2015-16 dues. The Second Notice invoices will be paper copies addressed to the district. They will be preceded by an email to the superintendent as a reminder that the membership dues are due and invoices have been resent.

It is never easy to mix the advocacy activities of the Caucus with the business necessities of operations and finances. Nevertheless, every organization depends on its memberships to thrive and successfully achieve its goals. If you receive the dues email message next week please direct your business office to watch for the Caucus invoice.

8. Caucus General Membership Meeting was Well Attended

The School Equity Caucus held its semi-annual general membership meeting with Michigan Small and Rural Schools last week in Traverse City. Ninety-one Caucus, Small and Rural members, and business associates participated in the presentations and the resulting conversations.

Thanks to our business associates; Hutchison, Shockey, Erley & Company and American Fidelity and our MASB partners for providing an excellent lunch. And thanks to our lobbyist Don Olendorf for an informative and up to the minute report on school legislation.

Our next general membership meeting will be held at 11:15 a.m., Wednesday, January 27th during the MASA Midwinter Conference at the Detroit Renaissance Marriott. Make plans now to participate in what is always a highly informative discussion of the latest school issues.

Jerry

Gerald Peregord
Executive Director