



SCHOOL EQUITY CAUCUS

Making a difference for the public school children of Michigan

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Dear Colleagues:

With Memorial Day in the rearview mirror, we are rapidly bearing down on the end of another school year! Hope all of your year-end activities go smoothly!

1. 2022-23 Membership Invoices Forthcoming

It's that time of year again when we remind you to be on the lookout for your 2022-23 School Equity Caucus membership invoice. We are pleased to announce that for the fifteenth consecutive year we will be able to keep our dues rates frozen, even with rising costs all around us!

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. CREC Provides Final Numbers for Budget Negotiations

On Friday, May 20, the latest Consensus Revenue Estimating Conference was held with the principals determining joint official projections of the state's revenue for the near and short-term future. For a complete rundown of those numbers, please reference the Information Alert sent out that day (and attached again to this email).

The quick summary is that the state has unprecedentedly large surpluses in both the School Aid Fund (SAF) and the General Fund (GF/GP). Revenue numbers for the SAF alone grew by \$1.2 billion for the current year and \$948 million next year – over and above the previous estimates in January. GF/GP revenue projections were increased by \$1.7

billion for this year, and \$1 billion next year. Suffice it to say that there is enough revenue to make significant progress on many issues that are of crucial importance to Michigan's schools:

- Foundation Allowance – Schools need a larger per pupil foundation allowance increase than has been proposed to date. With inflation projected to finish the year at an annual rate of 7.7%, a corresponding increase on the current target foundation allowance (\$8,700) would amount to approximately \$670 per student. The highest amount proposed to date is \$450. With our current number of students, each \$100 of foundation allowance increase costs approximately \$140 million.
- Keep 2X Going – We also must remind our legislators that, even though the state's foundation allowance support per pupil was equalized in last year's budget, 8% of our state's districts are still permitted to receive total base per pupil revenues greater than the other 92%. This fundamental issue of fairness needs to continue being addressed by keeping the time-tested 2X formula working until all districts are level in the foundation allowance.
- Pursuit of Other Long-Term Goals – We must continue to make progress toward eliminating other areas of inequity in our funding system. Many areas remain dramatically underfunded (including support for special education, English language learners, and students in poverty) as has been pointed out in studies like the School Finance Research Collaborative (SFRC) from January 2018 – and costs have escalated dramatically since that time. Additionally, we must move forward as soon as possible to address the systemic inequities facing many districts, including such things as transportation and facility construction. Now is the time to make progress on these issues that have remained unaddressed for too long.
- SAF Funding of Higher Education – There is also no better time than the present to return higher education expenditures to the GF/GP. Current proposals have the SAF carrying up to \$1.38 billion (House version), \$1.76 billion (Senate version), or a reduced \$818 million in Governor Whitmer's budget. This is not good enough. We have the funds available to return these expenses – no matter which budget is negotiated – to the GF/GP.
- Tax Cuts – Political realism would suggest that in an election year, the pressure to provide some sort of "giveback" to voters will be immense. However, it is crucial that we protect the state's revenue sources so that as the economy levels off, we are still able to provide the levels of funding our students need. And has been noted above, our needs are great. Let's be sure not to sacrifice long-term stability for short-term electoral politics.

3. Tax Cut Proposals Continue to Abound

In the days leading up to the CREC, both Governor Whitmer and legislative Republicans announced plans to send some of the state's bountiful revenues back to voters. These are just the latest in an ongoing stream of proposals in this election year.

First, on Wednesday of that week, Governor Whitmer proposed sending \$500 tax rebate checks to "working families". The plan did not contain many details about who would qualify and what the costs would be, but these would be one-time payments meaning that there would be limited year-over-year impact on the budget.

The following day, both the House and Senate introduced – and passed – a tax cut plan that is estimated to have an eventual impact of up to \$2.7 billion in reduced revenue by

2024. While much of the impact would be on the state's General Fund, the SAF would still stand to lose \$87 million this year, growing to \$244 million by 2024. That plan calls for, among other things, the following:

- Reducing the state income tax rate from 4.25% to 4.0%.
- Increasing the Earned Income Tax Credit from 6% to 20%.
- Increasing the personal income tax exemption by \$1,800.
- Providing those 67 years old and up with a \$21,800 deduction (\$43,600 for a couple) on their income tax.
- A \$500 tax credit for dependents.

The bills were unable to garner enough support to be given immediate effect, meaning that these cuts would not take effect until October 1. They have been sent to Governor Whitmer, who must either sign or veto them this week.

All of this theater will continue to swirl as budget negotiations move forward.

4. Gas Tax Suspension Passes Senate

In addition to the large tax cut package discussed above that had passed a few days before, last week the Senate also passed **SBs 972-974** and **SB 1029** that are now headed to the House. The bills would together provide for a moratorium on the collection of the motor fuel tax, as well as sales and use tax collections on fuel sales for three months beginning on June 15, 2022. The estimated loss of revenue with this suspension of tax collections would total between \$763.5 million and \$803.6 million.

Of this lost revenue, the School Aid Fund (SAF) is estimated to stand to lose \$266.3 to \$280.5 million, with the state's Transportation Fund losing at least \$400 million and the state's General Fund losing an additional \$43.8 to \$46.1 million. As discussed above, \$100 per pupil on the foundation allowance equates to approximately \$140 million. Therefore, this proposal would cost the SAF the equivalent of up to \$200 per student in foundation allowance.

The bills further provide that county road commissions, as well as local municipalities would receive allocations from the General Fund to make up for lost revenue. Payments would come in the current fiscal year and would total \$192.6 million for counties, and \$107.4 million for cities and villages. This \$300 million is over and above the revenue lost by the suspension of tax collections.

The future of this proposal, if it should get to Governor Whitmer's desk, is unclear.

5. MPSERS Changes on the Horizon?

HB 4375 (sponsored by Rep. Johnson) has been reported out of the Senate Education Committee and is now on the Senate floor after previously passing the House. This bill would essentially eliminate "critical shortage" positions by allowing retirees to work for a school district in any capacity (administrative, instructional, or support positions) and for any level of compensation (i.e., without the earnings "cap" of one-third of their Final Average Compensation).

In order to do so, retirees would have to be retired for at least nine months (rather than the current 30-day waiting period) without any sort of arrangement for post-retirement employment. Additionally, districts would no longer be required to pay UAAL costs (20.96%) on retiree wages as is currently the case. In return, retirees who return to work would not be able to increase service credit or “reset” their final average compensation. These changes would simplify the employment of retirees and could potentially provide much-needed experienced staffing for public schools during this tight labor market.

Another less-sweeping MPSERS bill previously discussed in this newsletter (**SB 726**, sponsored by Sen. Zorn) passed the Senate in March and has been in the House Education Committee since then. This bill would allow for retired teachers to return to substitute teaching four months after retirement without risking losing their pension and health care, and without the employer being required to pay MPSERS for their unfunded actuarial accrued liability (UAAL). The future of SB 726 is unclear, particularly if HB 4375 is approved.

6. Other Legislative News

Here’s a roundup of some other legislative activity this month:

- **HB 5859** (sponsored by Rep. Alexander) is on the House floor, and appears ready for passage soon. The bill would create a “Learning Loss Recovery Grant Program” designed to provide up parents with up to \$1,500 per student toward supplies and learning experiences that aid the student in recovering from learning loss or disrupted learning due to COVID-19.

Services would be made available through a “marketplace” established through a private vendor, with eligible expenditures including tutoring, academic day camps, software, the purchase of curricula and materials, and more. At least 40% of funds would have to be distributed to students living at or below the poverty line, and the program would be open to both public and nonpublic students.

A nearly identical bill, **SB 925** (sponsored by Sen. Bizon), is also currently on the Senate floor but there are no indications when it might be taken up. A number of questions remain about how these bills would actually work in practice, especially with the involvement of a private sector marketplace.

- A number of curriculum and testing bills have been moving including:
 - **HB 5190** (sponsored by Rep. Farrington) has passed the Senate and is expected to be headed to Governor Whitmer soon. This bill requires that students complete a half-credit course in financial literacy prior to graduation. This requirement is distinct from the economics requirement already in place, and could be substituted for a half-credit course in math, visual or performing arts, or world language (and districts could determine which credit it would replace). This requirement could also potentially be met as part of a CTE program.
 - **HB 4326** (sponsored by Rep. VanWoerkom) is poised for passage in the full Senate, having already passed the House. This bill would allow computer coding to meet high school graduation requirements for a “language other than English”.

- Earlier this month, **HB's 4810 & 4811** (sponsored by Reps. Martin and Paquette, respectively) were sent out of the Senate Committee on Education and Career Readiness to the full Senate floor. These bills previously passed the House, and would eliminate the MME writing requirement as well as the requirement to include MME scaled scores on student transcripts.
- **HB's 4037, 4038, & 4538** (sponsored by Rep. Hornberger, Rep. Reilly, and Rep. Camilleri, respectively) would remove the WorkKeys assessment from the MME, while still allowing districts the choice to administer the test (and be reimbursed). The bills have also been referred from the Senate Education and Career Readiness Committee to the full Senate. These bills previously passed the House in June of 2021.
- **HB 5686** (sponsored by Rep. Hornberger) has been voted out of the Senate Committee on Education and Career Readiness to the full Senate. This bill passed the House in late February, and would require that any changes to the Pupil Accounting Manual be sent first to the Chairs of the House and Senate Education Committees prior to adoption.
- **HB 6013** (sponsored by Rep. Hornberger) has passed through the House Education Committee and is on the House floor. This bill is another plan to bulk up the teacher pipeline. It would create a grant program to provide stipends for student teachers of \$90 per day, with mentor teachers receiving \$1,000 for mentoring a student teacher. If enacted, funding would need to be allocated through the appropriations process.

7. Thanks to Our Board of Directors!

Finally, we'd like to take a moment to send out a big "Thank you!" to those superintendents who have served on the School Equity Caucus Board of Directors this year! These superintendents have selflessly given of their time and insights to help move the cause of equity forward on behalf of Michigan's children. We'd also like to welcome Matt Cairy to the Board representing Region 4. The 2021-22 Board of Directors has included:

- **Region 1** Angie McArthur (Eastern UP ISD)
- **Region 2** Jamie Huber (Cheboygan-Otsego-Presque Isle ESD)
- **Region 3** Scott Smith (Cedar Springs)
- **Region 4** recently filled by Matt Cairy (Freeland)
- **Region 5** Joe Candela (Ubly)
- **Region 6** Matt Shastal (Laingsburg)
- **Region 7** Dave Campbell (Kalamazoo RESA)
- **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)

And as he retires at the end of June, a very special thanks goes to Dave Campbell for his service to the Caucus and to the field of education! We would also be remiss not to mention and thank long-time board member and equity advocate, Mike Shibler (Rockford), who retired earlier this school year.

Moving into next year most of our positions have been filled, but we're always looking for additional folks who would be interested in serving on the Board of Directors. Any members wishing to learn more are encouraged to email (schoolequitycaucus@gmail.com) or call (269-806-6159).

That's all for this month's update! As schools head into summer break, we will continue to keep you updated as budget talks continue in Lansing. Here's hoping you find some time to get away, relax, and recuperate in the weeks ahead!

As always, please be in touch with questions or concerns.



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