



SCHOOL EQUITY CAUCUS

Making a difference for the public school children of Michigan

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Dear Colleagues:

Although the weather has not been particularly balmy, spring is apparently on the way! Here is a quick overview of some of the latest developments in Lansing as we head into April:

1. **Budget Update**

There have been few public developments regarding the state budget in recent weeks, but discussions continue to go on behind the scenes. As it stands presently, we expect to see both the House and Senate budget proposals to emerge in late April to early May, leading to full-fledged discussion between the parties after that time.

The latest revenue reports continue to bring good news, with revenue collections continuing to exceed expectations. However, these additional funds are also accompanied by concerns over the rate of inflation and what that may mean for the economy moving forward, especially in light of current world events. We will get our next official snapshot of revenues in early May with the next meeting of the Consensus Revenue Estimating Conference.

Among other things, the School Equity Caucus is carrying the message to key legislators that there continues to be significant inequities in Michigan's school funding system that must be addressed. While the state has now brought all of its foundation allowance funding to the same level, we must continue moving forward with the 2X approach until all Michigan school districts are actually able to generate the same funding on a per pupil basis. Other school funding areas remain dramatically underfunded, as has been pointed out in studies like the School Finance Research Collaborative (SFRC) report. Additionally, we must move forward as soon as possible with studies looking at ways to address systemic inequities such as transportation and facility construction.

We appreciate the large investment into public education represented in Governor Whitmer's budget proposal, yet inflationary concerns mean that even the 5% increases she proposed will fall well short of what schools need to keep pace with rising costs. Priority needs to be given to adequate structural funding of the entire system so that schools can recruit and retain outstanding staff members, recovering the pay and benefits that schools were forced to strip away over the last many years.

It is crucial that discussions of what to do with our current budget windfall incorporate a long-range view so that school districts are able to rely on consistent funding increases rather than seeing short-term infusions of cash followed by retrenchment. All parties need to take a “go slow” approach to tax cuts; our current budget surplus could well be fleeting, and tax cuts that are too dramatic will potentially create budget holes in upcoming years.

As legislative proposals are unveiled, we will be asking for your assistance in advocating with your senator and representative. This is a very important budget cycle – one that promises to be highly impactful for years to come!

2. Speaking of Tax Cuts...

As we have been tracking over the last few editions of this newsletter, there has been an outbreak of “tax cut fever” in Lansing given the large balances currently available in both the state’s General Fund (GF/GP) and School Aid Fund (SAF) and the upcoming elections. This month saw further activity as the legislature passed **SB 768** (sponsored by Sen. Nesbitt) and sent it to Governor Whitmer’s desk where it was vetoed.

This bill was estimated to have reduced revenue by more than \$1.3 billion in the current fiscal year, with even more significant reductions moving forward (estimated at more than \$2.8 billion in FY 2022-23, with ongoing year-over-year revenue loss). In its final form, this bill proposed to:

- Provide an income tax deduction beginning in the 2022 tax year for individuals aged 62 and older. This unrestricted deduction would apply to all types of income up to \$20,000 for a single filer and up to \$40,000 for those filing jointly, and would be in addition to the personal exemption. An additional \$20,000/\$40,000 deduction on certain types of retirement income could also be made beyond that.
- Reduce the individual income tax rate to 3.9% from the current 4.25%.
- Provide an additional dependent tax credit of \$500 per dependent (beyond current levels).

In her veto message, the governor said that the bill was “unsustainable” and would create a “multibillion-dollar hole” in the state budget; legislative Republicans immediately and harshly criticized the veto.

There have also been competing proposals advanced regarding tax reductions on gasoline, given the current rise in fuel prices. Governor Whitmer has proposed immediately suspending the 6% sales tax on fuel in conjunction with her other previously-announced tax reduction proposals (of course, such a suspension would negatively impact the SAF given its connection to the sales tax). In the meantime, the legislature passed **HB 5570** (sponsored by Rep. Johnson) that would eliminate the 27-cent gas tax for six months. However, this proposal did not get enough votes to give it immediate effect, meaning that it would not take effect until next calendar year. For this reason (among others), Governor Whitmer vetoed the bill.

In an election year and with the current surpluses in the both the GF/GP and SAF, this type of political wrangling is probably to be expected. However, because education – and in fact, so much of state government – has been significantly underfunded for years, the failure to come to agreement on these proposals may help keep more money available for the state budget moving forward.

3. Infrastructure Bill Signed Into Law

SB 565 (sponsored by Sen. Bumstead) has been signed into law by Governor Whitmer. The legislation was originally proposed as a \$2.5 billion bill (eventually increased to \$3.34 billion) focused on water infrastructure across the state including water quality, dam safety, wastewater, and wetlands. In the last month though, the bill grew to include other supplemental appropriations coming as a result of federal COVID relief funding and other grants. Therefore, in the end the bill came to a total of \$4.7 billion and also included appropriations related to housing and homeowner assistance, rental assistance, state and local parks and trails, transportation, broadband expansion, and much, much more.

Of particular note for the education community are the following expenditures:

- \$50 million is allocated to install filtered drinking water stations for schools and child care centers in areas of need (a 50% match is required on the part of the local school/district/child care center). Originally, this allocation had also been connected to other legislation mandating a number of water quality requirements for schools, but those requirements were not part of the final budget proposal.
- \$250.6 million is allocated to provide grants for the expansion of broadband internet service into unserved areas. This expansion will hopefully make progress in addressing the glaring inequities in internet access for many of our state's students.

4. School Bond Loan Fund Changes Approved

Governor Whitmer has signed **SB 618** (sponsored by Sen. Victory) into law. This legislation removes the previous minimum rate of 3% on loans taken out through the School Bond Loan Fund, and now simply mandates that annual interest rates on these loans would have an interest rate equal to the average annual cost of the funds used to make the loan plus 0.125%. These rates float, and the actual rate is to be recalculated by the State Treasurer each year. But as an example, if this legislation had been in place as of January 1st of this year, interest rates for participating schools would have been just over 1.14% instead of being held at the minimum of 3%. This new law will obviously help a number of districts and their taxpayers as repayments are made into the fund.

5. Substitute Teaching Legislation Appears on the Fast Track

After an agreement between key legislators, the governor's office, and MPSERS, **SB 726** (sponsored by Sen. Zorn) passed the Senate last week with broad bipartisan support. This bill allows 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). It has now been referred to the House Education Committee where it is hoped that the bill will move quickly.

SB 726 comes with a sunset provision following the 2023-24 school year, as well as language requiring an evaluation of the impact of the legislation on MPSERS. Passage of this bill will hopefully broaden the pool of available, and well-qualified, substitute teachers at a time when they are desperately needed.

6. Learning Loss Reimbursement Bills Move

HB 5859 (sponsored by Rep. Alexander) and **SB 925** (sponsored by Sen. Bizon) were both introduced late last month, and were already reported out of each chamber's respective Education Committee to the floor last week. These essentially identical bills 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.

The bills, characterized by many as another "voucher" program, are supported by the Mackinac Center and are opposed by a number of education groups.

7. Other Legislative News

HB 5701 (sponsored by Rep. VanSingel) has been signed into law by Governor Whitmer. This legislation is designed to make the process for obtaining permits for the installation of temporary door locking systems (for use in the event of an active shooter situation) easier and less costly.

Several pieces of legislation dealing with the MME and the Michigan Merit Curriculum have seen action in the last month:

- **HB's 4810 & 4811** (sponsored by Reps. Martin and Paquette, respectively) have passed the House and been sent to the Senate Committee on Education and Career Readiness. These bills eliminate the MME writing requirement as well as the requirement to include MME scaled scores on student transcripts. It should be noted though that MDE has indicated administering the SAT with the essay component is likely to still be required under federal legislation.
- **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 passed the House in June of 2021, and have now been reassigned to the Senate Education and Career Readiness Committee after initially being assigned to the Senate Committee on Government Operations.
- **HB 4326** (sponsored by Rep. VanWoerkom) has finally moved out of the Senate Education and Career Readiness Committee (having arrived in the committee last May) to the Senate floor. This bill has already passed the House and would allow computer coding to meet high school graduation requirements for a "language other than English".

Finally, the following bills previously discussed have not moved in the last month:

- **HB 4981** (sponsored by Rep. Hauck) continues to remain stuck on the House floor. This bill would bring lottery sales commissions into state law, rather than having them be set by the State Lottery Commission as is now the case. It would also

provide significantly increased commissions to lottery retailers, and all told could siphon an estimated \$125 million from the School Aid Fund (SAF) in the current year alone.

- **HB 5686** (sponsored by Rep. Hornberger) remains in the Senate Committee on Education and Career Readiness after being passed by the House in late February. This bill 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 5522** (sponsored by Rep. Mueller) appropriates approximately \$368.5 million toward law enforcement and public safety (nearly \$156 million of which comes from federal ARP funds). Included in the bill is \$50 million in funding for School Resource Officers. The bill passed the House in early December and remains in the Senate Appropriations Committee.
- **HB's 5683 & 5684** (sponsored by Reps. Hornberger and Brann, respectively) would eliminate sales tax on pet food. The bill is estimated to reduce state revenues by about \$100 million annually, of which more than \$70 million would come from the School Aid Fund. At present, the legislation remains in the House Tax Policy Committee.

That's all for this month's update! As always, please be in touch with questions or concerns. If you're headed out for Spring Break, have a safe and relaxing time!



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