



SCHOOL EQUITY CAUCUS

Making a difference for the public school children of Michigan

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Dear Colleagues:

It was wonderful to see so many of you at our Revenue Conference recap last week! We hope you found it to be an informative session. Thanks again to Beth Bullion and Alex Holmden from the State Budget Office for taking time out of their busy schedules to provide perspective on the state's financial situation.

Things are starting to move again in Lansing with the beginning of the new legislative session. Here are a few of the latest items:

1. State of the State Address

On Wednesday Governor Whitmer delivered the annual State of the State address in a virtual format from her Lansing office. She issued a call to the Republican-led legislature to find ways to work together on a number of issues lying ahead, saying “let’s commit to the strong bipartisan action we took last year and focus that same energy to end the pandemic, grow our economy, and get our kids back on track.”

In topics related to education, Governor Whitmer announced she would reconvene the Return to School Advisory Council to provide perspective on the need for learning recovery programs for students who have had negative impacts from COVID-related interruptions in their learning. Additionally, Governor Whitmer called on the legislature to immediately pass the COVID relief budget supplemental (see related item below).

2. ESSER II, Proposed Supplemental, & “Let Them Play!”

In the wake of the latest Consensus Revenue Estimating Conference (CREC), Governor Whitmer released her \$5.6 billion supplemental budget proposal last week, the bulk of which authorizes expenditure of federal ESSER II funds. Roughly \$2 billion of the proposal consisted of expenditures benefitting education:

- \$1.5 billion in ESSER formula grants, to be distributed according to the federal Title I formula (incorporating student poverty counts).
- \$457 million in additional funding for academic recovery, distributed according to weighted special education FTE and across the board per-pupil payments (with a minimum district payment of \$25,000). This money derives from two sources:
 - \$157 million in federal ESSER discretionary funding
 - \$300 million in state School Aid Fund (SAF) funding

House Republicans responded this week with an alternative plan (HB 4048) that incentivizes a return to in-person learning by allocating \$250 per pupil to districts that commit to reopening by February 15th. Their plan also includes \$12 million in federal funds to cover benchmark assessments, along with \$157.4 million in expenditures for COVID remediation services. The latter amount would be split between K-8 summer programming, high school recovery programs, and before/after school remediation programs. Their plan also includes the same \$1.5 billion in Title I-based federal funding seen in the Governor Whitmer's plan.

In an important twist, the Republican budget plan is also currently contingent on passage of HB 4049, a bill proposing that decisions about potential closures of K-12 schools and sports be given over to local health departments rather than being controlled (as is currently being done) by MDHHS and Governor Whitmer. Obviously, it may take some time to resolve this situation; indeed, Republican lawmakers signaled as much when they said on Wednesday that they believe schools are in decent financial shape until March.

In other legislative activity surrounding COVID restrictions (and the fray over high school sports), the House Oversight Committee met this week to discuss face mask orders, restrictions on gatherings, and school sports, while the State Senate debated and passed Senate Resolution 7. The Senate measure urges Governor Whitmer and MDHHS to lift restrictions on school sports and allow play to resume immediately.

It goes without saying that both the budget supplemental and restrictions on sports will continue to be issues garnering significant attention as we head into February.

3. Post-CREC Balance Sheet

As described in our earlier Caucus Information Alert, the latest Consensus Revenue Estimating Conference (CREC) was held on Friday, January 15. News coming out of that meeting was very positive in the near term, with revenues significantly higher than had been expected at the last CREC held at the end of August. Attached to this mailing is the Information Alert distributed that day, as well as the follow-up memo from the Senate Fiscal Agency that provides detail of the budget situation based on current appropriations and revenue estimates (see page 4 of the memo for School Aid Fund information).

In short, that balance sheet projects a surplus of well over \$900 million at the end of the current fiscal year. This would obviously provide a strong basis for budget talks heading into 2021-22. Keep in mind though that this surplus is based on current levels of spending (in other words, without any supplemental spending package such as is being discussed presently). Any new state allocations from the School Aid Fund would decrease that fund balance, thereby reducing the amount available for 2021-22. For instance, Governor Whitmer's supplemental budget proposal discussed above calls for \$300 million in state SAF funding now; this would reduce the amount carried forward to 2021-22 to approximately \$600 million.

Don't forget that all of the positive news related to CREC is based on current estimates of revenue – estimates that could change based on unexpected changes in economic

performance between now and the next CREC in May. Also playing into the large fund balance is the influx of one-time funds through ESSER.

Looking forward, revenues for both the SAF and General Fund (GF/GP) look to be in fairly good shape in the short term. However, some concern remains over the longer term, particularly on the GF/GP side. Once the bump from federal stimulus dollars dissipates, the structural problems that have impacted the GF/GP over the last few years may well reemerge. The bottom line is that despite the influx of stimulus dollars, districts are advised to be strategic in their planning and avoid creating large ongoing costs that would remain after stimulus money runs out.

The next act in the runup to full-fledged negotiations over the 2021-22 budget is expected sometime in the next few weeks with the release of Governor Whitmer's budget proposal. In her State of the State speech, reference was made to last year's introduction of elements of a weighted funding formula as called for in the School Finance Research Collaborative's 2018 report. It would seem likely that Governor Whitmer's proposal will continue to contain such recommendations.

4. House Leadership Announced

With final announcements made last week, we now have the complete lineup of legislative leadership and committee assignments for the new legislative session. Here are the key positions on the House of Representatives' side of the capitol:

House Leadership

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|--------------------------|---|
| Speaker of the House: | Rep. Jason Wentworth (R, Clare) |
| Speaker Pro Tempore: | Rep. Pamela Hornberger (R, Chesterfield Twp.) |
| Majority Floor Leader: | Rep. Ben Frederick (R, Owosso) |
| Democratic Leader: | Rep. Donna Lasinski (D, Scio Township) |
| Democratic Floor Leader: | Rep. Yousef Rabhi (D, Ann Arbor) |

House Education Committee (Education Policy)

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|-------------------------------|---|
| Rep. Hornberger (R, Chair) | Rep. Camilleri (D, Minority Vice Chair) |
| Rep. Paquette (R, Vice Chair) | Rep. B. Carter (D) |
| Rep. Green (R) | Rep. Koleszar (D) |
| Rep. O'Malley (R) | Rep. Shannon (D) |
| Rep. Markkanen (R) | Rep. Stone (D) |
| Rep. Beeler (R) | |
| Rep. Damoose (R) | |
| Rep. Posthumus (R) | |

House Appropriations Subcommittee--School Aid & Dept. of Education

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|----------------------------|-------------------------------------|
| Rep. Paquette (R, Chair) | Rep. Weiss (D, Minority Vice Chair) |
| Rep. Glenn (R, Vice Chair) | Rep. Hood (D) |
| Rep. Brann (R) | Rep. O'Neal (D) |
| Rep. Hornberger (R) | Rep. Thanedar (D) |
| Rep. VanSingel (R) | |

Rep. Huizenga (R)
Rep. Beson (R)

Senate positions remain largely unchanged, with Sen. Mike Shirkey (R, Clarklake) serving as the Majority Leader and Sen. Jim Ananich (D, Flint) as the Minority Leader. The Senate Education and Career Readiness Committee will continue to be chaired by Sen. Lana Theis (R, Brighton), with Sen. Dayna Polehanki (D, Livonia) serving as the Minority Vice Chair. Sen. Wayne Schmidt (R, Traverse City) will be continuing as the Chair of the K-12 and MDE Appropriations Subcommittee.

That's all for this update! We will certainly begin to see more bills introduced as we move into February. Stay tuned for more to come!

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



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