



SCHOOL EQUITY CAUCUS

Making a difference for the public school children of Michigan

P.O. Box 80932 • Lansing, Michigan 48908
www.schoolequitycaucus.org
schoolequitycaucus@gmail.com
517.227.0774

March 4, 2015

Dear Colleague:

1. Negative Supplemental Passes and Awaits Governor's Signature

The 2015-16 school funding conversation that we once optimistically thought would result from General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) projected revenue improvements now is a discussion of a Negative Supplemental and budget cuts, due almost exclusively to business *tax credits* gutting the early budget predictions.

The credits are promises made to businesses to reduce their taxes if they increase hiring and meet other performance criteria. The tax credit agreements, first made by the Granholm administration during the Great Recession and continuing into the first few years of Gov. Snyder's, are now coming due as businesses recover and increase hiring. The credits are being claimed at a surprising rate, forcing the state to make immediate current year program cuts, and throwing the state budget into a fiscal uncertainty that may last for years.

The Governor and legislature plan to balance the state's checkbook by reducing \$420 million in total GP/GP allocations through cuts and transfers, one of which is moving the \$167 million GF/GP community college obligation to the SAF, reducing the GF/GP contribution to the SAF by \$80.5 million, use another \$2 million to pay for the universities' MPERS unfunded liability costs, and another \$2.2 million for the libraries' unfunded liability, thereby plugging that particular GF/GP hole, but reducing SAF dollars that might otherwise be available to schools (**HB 4110**). The Governor and legislature clearly intend to continue raiding the SAF whenever budget difficulties arise.

2. School Aid Budget In House and Senate Committees

The Governor's 2015-16 School Aid Budget proposal, described in the February 11th *Caucus Information Alert* is now in the hands of the House Appropriations School Aid Subcommittee and Senate Appropriations K-12 Subcommittee. It includes, among other things; an across the board \$75 per pupil Foundation increase after first rolling in the \$125 current year Minimum Foundation equity payment (Sec 18a), \$100 million MPERS cost offset (Sec 147a), \$893 million MPERS unfunded liability cap at 20.96% (Sec 147c), and a \$100 million increase in At-Risk funding (Sec 31a) - which will benefit most Equity Caucus districts and students.

The Governor's proposal, however, does not include a 2X formula designed to further close the funding gap between Minimum and Base Foundation districts, nor an equity payment that could at least help narrow the gap for one year. His proposal would leave an \$848 per pupil difference between the Minimum and Base, or more than a 10 percent educational and operational disadvantage for the lowest funded districts.

Many of the key legislators with whom we have discussed the 2015-16 School Aid Fund budget are in favor of a 2X Foundation formula. The School Equity Caucus fought for years to get the 2X formula into the school aid budget and will continue to advocate for its inclusion. Without the general acceptance and routine inclusion of 2X as an aspect of the SAF budget, the equity gap will only close at the whim of whichever legislators are in charge that year.

Some of the same legislators that hope to include 2X into the eventual budget also speak of rolling-up most or all of the categoricals into the Foundation and allow schools to choose where and for what purposes to spend the money. While the Caucus supports increased local control and is generally in favor of fewer categoricals, we should be very cautious in our approach.

Fewer categoricals converted to more discretionary dollars in the district account could increase local pressures to spend the money unwisely. Further, if categoricals like At-Risk, MPSERS cost offset and cost control, and certain other categoricals disappear, the lowest funded districts might once again be disadvantaged.

Over the next several weeks and months, the House and Senate subcommittees will hear reports, take testimony, and field a plethora of suggestions for budget changes and improvements from the various stakeholders. I plan to testify that the school funding equity gap needs to be further closed via the 2X formula or at the very least, an equity payment, that no district should see fewer actual dollars than they currently receive, and that the SAF should be protected from further transfers.

3. Proposal 1, Safe Roads Yes! Campaign Progresses Slowly

The Safe Roads Yes! Campaign experienced a week of mixed results. It suffered another setback when the Michigan Chamber of Commerce decided to remain neutral on the issue. The Chamber was hoped to be a major advocate for the proposal's passage and a significant financial and operational contributor to the effort.

The campaign did, however, win the support of the Michigan Manufactures Association, which to some extent mitigates the affect of the Chamber's neutral position.

The Caucus signed-on as a member of the campaign's coalition because the proposal would benefit school funding. It's not a great proposal, maybe not even a good proposal, but it is the only proposal currently available – and likely to be for quite awhile - that will increase school funding.

If Proposal 1 fails, the legislature will surely cobble together some form of stopgap roads legislation using current revenues that will likely not only fall short of fixing the roads, but of helping schools. A new legislative roads *fix* could echo the Bolger plan, putting school funding significantly at risk.

Most analysts think the complexity of Proposal 1 confuses voters and faces an uphill battle, but if it is to pass, it will be through the efforts of the school community and particularly local, district by district campaigns.

We all need to be actively involved in getting this proposal passed. For schools, there is no viable Plan B. A wealth of information, documents, model letters-to-the-editor, board

resolutions, and suggestions you can use, designed principally for the school community, are available at www.bit.ly/safe-roads-schools and <http://bit.ly/safe-roads-yes>.

4. Legislation – Education Related Bills that May Move

The Caucus watches for and is engaged in any legislation that will directly or indirectly affect schools, school funding, leadership, and education. We pay particular attention to those proposals that would more profoundly affect lower funded districts or districts with a low taxable base. The following are some of the legislative proposals with which we are engaged.

- a. Student Privacy (SB 33) – Would require increased privacy measures for student data.
- b. MPSERS Reform (SB 102) – All *new* school employees would only be eligible for a defined contribution retirement plan; costing the SAF \$400-600 million per year for 10 years.
- c. Job Training (SB 69-71) – Would change processes, funding, and focus of job training programs.
- d. Property Tax Exemption (SB 81) – Would exempt property taxes on foreclosed properties; reducing SAF revenues by \$14-25 million per year.
- e. School Fund Raisers (SB 139 and HB 4202) – Would allow districts to hold up to 3 food related fundraisers per week and ease nutritional standards for fundraisers.
- f. Critical Shortage List (HB 4059) – Would delete the July 1, 2014 sunset provision and allow the provisions of PA 464 to continue.
- g. Snow Days (HB 4157) – Would increase allowable “snow days” from 6 to 9.

Jerry

Gerald Peregord
Executive Director