



SCHOOL EQUITY CAUCUS

Making a difference for the public school children of Michigan

423 W. Ionia Street • Lansing, Michigan 48933
517.482.5110 • fax 517.482.5110
www.schoolequitycaucus.org • schoolequitycaucus@gmail.com

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Dear Colleague:

1. Several Bills Affecting Schools Could See Action in Lamé Duck

The legislature began its Lamé Duck session this week with an agenda that included several bills that if approved would have a profound effect on Michigan's public schools. Some would create new avenues for the commercialization of education and cause significant changes in public schools while others would impact school finances.

As is typical in Lamé Duck, the circumstances for many of the bills are often quite fluid and the details may change daily – sometimes hourly - as leadership searches for votes. Therefore, view these descriptions as a snapshot in time and not necessarily the form the final bill may take.

a. Educational Achievement Authority (EAA) (HB 6004 / SB 1358)

Of the several troubling education proposals likely to see action this year, none currently loom larger than the Governor's number one priority in Lamé Duck; the plan to make the Education Achievement Authority statutory.

Tuesday, a substitute (**SB 1358 S-1**) was introduced that includes most aspects of the original version (described in the November 20th *Caucus Information Alert*) but would eliminate the current EAA board and executive committee and create a new board appointed by the governor. The bill would create a statewide school district that could absorb nearly 150 schools, which are currently listed in the bottom 5 percent in student achievement.

Senate Bill **1358 S-1** would make 2011 the first of the three years a school would be measured as being in the bottom 5 percent. Any school already in the EAA or subsequently placed there, would remain there indefinitely with no procedure for exiting.

Late Wednesday afternoon a House substitute was proposed (**HB 6004 H-1**) that would make further changes, including removal of the guarantee that the bottom 5 percent of schools would automatically move to the EAA and remove the requirement that school districts make unused buildings available to the EAA. Then, very late Wednesday, **SB 1358 S-2** was posted. It includes very little that moves the bill in a more favorable direction.

We are hoping that as the bills exit committee – as early as today or tomorrow - or during floor debate they will be revised to include a 3-year sunset, or expiration, that would force a legislative review and analysis of the level of success the EAA provided

the schools in the authority. Legislators are reported to be considering other changes that, while falling short of making the bill supportable, could improve it.

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Many education groups seem to be focused on the school building takeover aspect of the proposed EAA legislation. That could be a mistake. The deepest and most profound impact for most districts is probably not going to be the facility takeover – in whatever form it may eventually take – but rather the transfer of schools into a state run, commercially-focused system, from which they may never emerge.

As many of the “school reforms” work their eventual effect on traditional, low funded districts, the bottom 5 percent threshold is certain to grow in future legislative initiatives to include an expanding list of schools in trouble.

In addition to many other issues raised by the specter of a state takeover of up to nearly 150 schools, is the resultant ballooning in MPERS stranded costs. When those schools and their employees leave the MPERS retirement system, rates for every remaining district will necessarily increase.

It must never be forgotten that the Michigan EAA model is only several months old and has absolutely no track record from which to infer possible success. It can only be considered *experimental* and using Michigan’s students, their schools, and the underpinning of locally controlled schools as its guinea pigs.

If you have not already done so, please contact your Representative and Senator today and tell them the EAA state run school district is a bad idea in its current form and in the least should be confined to the schools currently under its authority until the results of this experiment are known.

b. Personal Property Tax

The roll-down and elimination of the state’s Personal Property Tax (PPT) is said to be the Republican controlled legislature’s number one *Lame Duck* priority. It seems on track for a vote before the end of the year, although some legislators would like to see the process slowed down to allow for a more comprehensive debate.

Lt. Governor Calley and a bipartisan group of legislators offered a revised version of the proposal earlier this week. Their plan would exempt businesses from the tax they now pay on new equipment, resulting in an over \$593 million reduction in business-paid revenues.

The Calley proposal would replace only about \$500 million of the \$593 million revenue reduction through a set-aside of between 1 and 1.5 percent of the 6-cent use tax on remote (catalogue and internet) sales. It would require a statewide vote of the electorate, with August 2014 or November 2014 the most likely election dates.

Although no bill has yet been released and the issue is not expected to be taken up until next week, conversations with some legislators indicate a growing awareness of the consequences of further reducing school and ISD revenues and of the resultant local tax

increases for debt retirement. We look for the final version to perhaps increase the 80 percent reimbursement threshold to be nearer to 90 or 95 percent and the shortfall further filled through expanded receipts from internet sales tax.

c. Conversion Schools (SB 620)

Another troubling proposal that had been thought dead several times but continues to show life is the Conversion School legislation, also known as the “Parent Trigger” bill. Whether it will see *Lame Duck* action or a similar bill reintroduced for the new legislative session beginning in January, it now seems inevitable that some form of the conversion school plan will eventually come up for a floor vote.

In a move towards rectifying a significant concern, some legislators think that when Conversion Schools does move to a vote, it will include language requiring that any teacher or parent that participates in petitioning for school conversion provide evidence of residency in that district.

Other changes are being considered as bill sponsors seek sufficient votes. Some feel there is not enough time to get the bill through to a vote before the end of the year.

d. New Forms of Schools (HB 5923)

The bill that would allow new forms of schools to be organized and run by local governments, businesses, and other community organizations is not dead but likely delayed until the next legislative session.

e. School Infrastructure (SB 770-773, 870)

The effort to restrict districts’ access to state help for school infrastructure continues. The Caucus has analyzed and written about these bills and their affect for more than a year and to date have helped keep them in committee. However, the bills are now expected to move in *Lame Duck* and perhaps come up for a final vote.

It is understood that the current *School Bond Loan Fund* and *School Loan Revolving Fund* programs – the only state help for schools’ infrastructure needs – require reforms to remain viable, however these bills go much too far. As currently written, they would pose significant harm to many school districts, particularly those that are poorly funded or with a low taxable base.

The bills would severely limit school construction and renovations and by Senate Fiscal Agency estimates, eliminate up to 50,000 Michigan jobs. Further, Senate Fiscal predicts that in many districts taxes would actually *increase* if these bills pass.

The Thrun Law Firm proposed a reasonable alternative to the legislation and was largely ignored by the bills’ sponsors. Senate Fiscal published a comprehensive report, *School Capital Expenditure Finance in Michigan* that paints an unequivocal picture of the necessity for state participation in school infrastructure funding and offers possible solutions. Their analysis also received little response.

f. MPSERS Fix (SB 1360) and Feasibility Study of Move to 401K

The Temporary Restraining Order (TRO) barring the imposition of the original October 26th MPSERS option selection date persists. Meanwhile, in response to the TRO, Senator Kahn has proposed a legislative fix in **SB 1360**. The bill would extend the option selection date to January 9, 2013 with an effective date of February 1, 2013.

It appears possible, however, that in order to gain court approval it may be necessary for the legislature to adopt a selection date further out and perhaps nearer to the end of the school year.

While these maneuvers unfold, MPSERS is losing about \$8 million/month in planned for reform revenues, prolonging your district's rate increases.

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On another MPSERS front, in compliance with the requirements of the MPSERS legislation (**SB 1040, PA 300, 2012**) The Segal Group completed and submitted its study of the feasibility of moving school employees to a full 401(k) defined contribution plan. Their study shows that the switch would cost the state \$13.6 billion over 30 years. An additional cost of \$4.5 billion over 10 years would be incurred if the Hybrid Plan was closed to new hires.

Many legislators with whom I spoke consider the cost of switching school employees to a 401(k) too high, although I anticipate a legislative proposal next year that could make a 401(k) plan mandatory.

2. School Aid Rewrite

The Oxford Foundation has completed its work on the School Aid Act rewrite. The report recommends fundamental changes on how students are educated and education funded.

Among other things, the report recommends changes that would:

- Decouple students from particular school districts.
- Unbundle high school academics.
- Allow districts to opt-out of open enrollment – making some schools inaccessible to students from other districts.
- Adopt an *Average Daily Membership* system, representing 85 percent of the student count. Student counts would be based on the number of days of the school year each student is enrolled in the K12s or ISDs schools divided by the number of days school is in session. Ten percent of the student count would be generated from the final audited student count from the previous year.
- Create a new *Performance Count Day* at the end of each school year, initially representing 5% of the student count. Schools would have to show student academic

growth based on a standardized assessment. Schools would see a reduction in state funding proportionate to the percentage of students who fail to reach growth standards.

- Provide students \$2,500 for each semester they complete high school earlier than the normal 8 semesters.
- Designate a district as the student's *Enrollment District*. Districts so designated would receive an additional \$20 for each Enrollment District pupil.
- Make Enrollment Districts responsible for the student's attendance, counseling, special education and other services, academic credit monitoring, administration of the MME, and record maintenance.
- Expand on-line education.
- Create new year-round schools.

The Oxford Foundation will accept public comment on their proposals through December 14th (www.oxfordfoundationmi.com). Afterwards they will make a formal recommendation to the Governor.

There are many concerns about these proposals. Future publications will list and discuss them in detail. In the meantime contact the Foundation before December 14th and let them know your feelings about their plan to disassemble Michigan's public school system, turn education into a for-profit enterprise, and in a vast majority of instances with no real anticipation of academic improvement.

Sincerely,

Jerry

Gerald Peregord
Executive Director