



SCHOOL EQUITY CAUCUS

Making a difference for the public school children of Michigan

121 W Allegan • Lansing, Michigan 48933
www.schoolequitycaucus.org
schoolequitycaucus@gmail.com
269-806-6159

January 31, 2020

Dear Colleagues:

The opening acts are underway for the 2020-21 budget cycle, with the January CREC and State of the State address already in the rearview mirror. Here are the latest highlights from the state capital:

1. State of the State Address

On Wednesday Governor Whitmer presented her second State of the State address. The speech was relatively short by recent standards, with the biggest news coming from her announcement that she would be using her executive power to enter into a \$3.5 billion bonding program to address road repairs on high-volume roadways.

In the area of education, Governor Whitmer announced a partnership with various foundations in the state to assist parents in navigating the third-grade retention law. She also proposed additional funding for the Great Start Readiness Program (GSRP), and called for the legislature to pass legislation funding the Restore Michigan initiative for adult learners.

It is expected that Governor Whitmer will release her 2020-21 budget proposal next week. We will have a detailed overview of that proposal as it becomes available.

2. January CREC Review & an Early Look at Revenue

The governor's initial budget proposal for next year will be based on the revenue numbers agreed upon at the January Consensus Revenue Estimating Conference (CREC). Please see the Caucus Info Alert sent on January 10 for a complete summary.

Since the time of the CREC we have also learned that MPSERS costs for next year are estimated to be increasing by \$189 million. Given the current estimated revenue for next year, it would appear that this amount is able to be absorbed by the School Aid Fund (SAF). However, it is a large number and will lessen the amount available for a foundation allowance increase.

With the imminent release of the governor's budget proposal and given what is known at the present time, legislators are beginning to look at what possibilities exist for the SAF budget next year. Last week the House Appropriations Committee heard a summary of the CREC from the House Fiscal Agency, and as part of that presentation were shown a

summary of the SAF balance sheet. That balance sheet is shown below; here are some important explanatory notes:

- At this time it is estimated that the SAF will see a carryover from the current year to next year of \$262.7 million.
- The expenses shown for 2020-21 reflect a continuation of obligations as they are known and enacted in law at this time. In other words, the 2020-21 numbers carry forward current levels of expenditure with known adjustments due to increased costs, etc. However, there are no new foundation allowance increases included in these numbers.
- It is important to note that the expenditures for 2020-21 already include the additional MPSERS costs referenced above (\$189 million).
- The ending balance, without increases in foundation allowances, is \$536.8 million.
- The House Fiscal Agency informed the House Appropriations Committee that a foundation allowance increase of \$200/\$100 distributed according to the 2x formula would cost approximately an additional \$250 million. Therefore, given the projected ending balance of \$536.8 million, there would appear to be room for some sort of foundation allowance increase.
- **HOWEVER! Please note the line marked with the red arrows! This line assumes additional revenue from HB 4125, which has not yet been passed! The same chart is reproduced on the next page without inclusion of that bill.**

School Aid Fund Balance Sheet

	FY 2019-20	Baseline FY 2020-21
BEGINNING BALANCE	\$212.3	\$262.7
REVENUE		
School Aid Fund (SAF) Revenue	\$13,925.5	\$14,317.5
→ Revise the income tax earmark to SAF (HB 4125) ←	\$173.2	\$179.4
General Fund/General Purpose (GF/GP)	\$62.7	\$45.0
Other Restricted Funds	\$77.3	\$72.0
<u>Federal Funds</u>	<u>\$1,749.6</u>	<u>\$1,749.6</u>
TOTAL REVENUE	\$15,988.3	\$16,363.5
EXPENDITURES		
School Aid (Adj for lapses/consensus revisions)	\$15,173.8	\$15,307.6
Community Colleges	\$414.7	\$425.7
<u>Higher Ed</u>	<u>\$349.4</u>	<u>\$356.1</u>
TOTAL EXPENDITURES	\$15,937.9	\$16,089.4
TOTAL ENDING BALANCE	\$262.7	\$536.8

20 House Fiscal Agency 1/22/2020

School Aid Fund Balance Sheet

	FY 2019-20	Baseline FY 2020-21
BEGINNING BALANCE	\$212.3	\$89.5
REVENUE		
School Aid Fund (SAF) Revenue	\$13,925.5	\$14,317.5
Revise the income tax earmark to SAF (HB 4125)	\$11.2	\$11.4
General Fund/General Purpose (GF/GP)	\$62.7	\$45.0
Other Restricted Funds	\$77.3	\$72.0
Federal Funds	\$1,749.6	\$1,749.6
TOTAL REVENUE	\$15,825.1	\$16,184.1
EXPENDITURES		
School Aid (Adj for lapses/consensus revisions)	\$15,173.8	\$15,307.6
Community Colleges	\$414.7	\$425.7
Higher Ed	\$349.4	\$356.1
TOTAL EXPENDITURES	\$15,937.9	\$16,089.4
TOTAL ENDING BALANCE	\$89.5	\$184.2

It becomes clearly apparent that the strength of the SAF balance sheet as currently structured is highly reliant on the passage of HB 4125. This bill (sponsored by Rep. VanSingel) would reverse the 2018 lame duck legislation that reduced the School Aid Fund percentage of total income tax revenues from 23.81% to 22.45%. The bill passed the House at the end of October and was then referred to the Senate Committee on Appropriations where it remains.

Without the passage of HB 4125, there is not currently room for a foundation allowance increase of the amount seen this year.

You will also note that 2020-21 SAF expenditures are shown with \$425.7 million in spending for community colleges (their entire state allocation) and \$356.1 million for higher education – a total of \$781.8 million. The School Equity Caucus has continued to call for a restoration of the SAF to its original intended purpose, the support of K-12 schools. The amount spent on universities was trimmed by \$150 million this year, and a similar reduction would free up additional needed revenue for K-12 schools!

One final note – we are only at the end of January! There is much more that will happen between now and the end of June when the legislature is supposed to present a budget proposal to the governor. Another revenue check will be done in May, and the revenue figures here will almost certainly be revised. Budget proposals for next year could (and probably will) contain new and different ideas. It is also important to remember that we

are headed into an election year, and legislators will want to be able to hit the campaign trail with a positive spending plan.

In other words, there is a long way to go, but this is the picture as it is being seen today. As noted above, we will get our first look at where the budget may go when Governor Whitmer unveils her budget proposal next week. Stay tuned!

3. Budget Supplemental?

One additional budget note...speculation continues in Lansing regarding whether there will be further changes to the current year's SAF and General Fund budgets. Following last fall's budget battle which culminated in Governor Whitmer's veto of hundreds of millions of dollars in spending, a December compromise agreement between the governor and legislature resulted in the restoration of a significant portion of the funds cut. However, there are a number of programs that have not seen their funding restored.

It is possible that another supplemental bill will be developed prior to the end of the year that would restore even more spending. However, at present it is unclear whether this will happen, and if it did, what shape it would take. **Keep in mind that any additional spending in the current year will mean a lower ending fund balance, and therefore a lower beginning balance for next fiscal year.** We will be sure to alert you of any developments in this area.

4. Legislation Update

There has been relatively little change in much of the legislation we have been tracking. However, one new bill of note, HB 4739 (sponsored by Rep. Berman) was passed by the House Education Committee this week and has moved to the Ways and Means Committee. This bill would require annual health and safety inspections of all school buildings within an ISD (both ISD and local schools), to be conducted by ISD board members or their designee.

Within 14 days of the inspection, a report would have to be submitted detailing any problems found, and these problems would have to be fixed within 14 days of the filing of the report. Proof of corrective action would have to be submitted by the individual who filed the initial report (or if repairs were contracted, proof of steps being taken to address the issues would have to be submitted along with a follow-up report when repairs were completed). As currently written, there are numerous potential issues with this bill that need to be addressed.

Here is where other pertinent legislation currently stands:

Evaluations by Relatives. HB 4208 (sponsored by Rep. Johnson) passed the House and has been referred to the Senate Education and Career Readiness Committee. This bill would prevent a teacher's final year-end evaluation from being conducted by a family member, and would also allow other teachers to request that their own evaluation be conducted by someone other than the administrator related to a fellow teacher. The bill now includes an option permitting a school board to petition MDE for a waiver from the requirements of the legislation if "compliance is impractical due to demographic characteristics or a limitation in staff."

Michigan Merit Curriculum (MMC). There have been no changes with the status of any of the bills addressing changes to the MMC. All of the following bills passed the House Ways and Means Committee just before the holiday recess and are currently on the House floor for consideration:

- HB 4269 (Griffin) – Modifies the current Visual/Performing/Applied Arts and foreign language requirements by requiring students to earn a total of three credits from various “21st Century Skills” categories.
- HB 4271 (Howell) – Would allow a credit in Statistics or Personal Finance as a replacement for Algebra II as long as the replacement course aligned with the math content expectations developed by MDE.
- HB 4282 (Hauck) – Allows the state-required Health Education course to be fulfilled by a thirty-hour OSHA training course for students in a CTE program.

Two other MMC bills (SB 600 & 601, introduced by Sen. Bumstead) passed the Senate Education Committee in December and remain on the Senate floor for consideration. These bills represent a much more extensive overhaul of the MMC by providing districts with much greater autonomy and flexibility over graduation requirements.

Other Items in the Hopper. The following bills are all still making their way through the committee process:

- HB’s 5038-5042 (Multiple sponsors) – This school bus safety package would (among other things) make unauthorized entry on to school buses a misdemeanor, make it a felony to enter a school bus with the intent to do bodily harm, and would increase penalties for illegal pass-by’s at bus stops. This legislation passed the House Military, Veterans, and Homeland Security Committee, and is now in the Judiciary Committee for its second committee stop.
- HB’s 5127 (Kahle) and 5128 (Warren) - Would exempt “enterprise data centers” from sales and use taxes. The bills have passed the House Committee on Commerce and Tourism, and have now moved on to the House Ways and Means Committee.

Thanks to all those who attended our January General Membership luncheon and meeting last week in Detroit! It was great to see you! Thanks also to our generous sponsors, American Fidelity and Hutchison, Shockey, Erley, and Co., who made the luncheon possible!

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



Dirk Weeldreyer
Executive Director
(269) 806-6159
schoolequitycaucus@gmail.com