



# SCHOOL EQUITY CAUCUS

*Making a difference for the public school children of Michigan*

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Dear Colleagues:

The lame duck session of the legislature is under way, and it is looking to be a very busy time. Please watch for updates during the next few weeks—we may need your help at a moment's notice!

In general, we are joining with other statewide education organizations in urging legislators to avoid acting on legislation during the lame duck period. Doing so frequently results in poorly-crafted legislation, rushed judgements, and last-minute deal-making—all to the detriment of Michigan's students.

Nevertheless, multiple bills are being discussed that could move very quickly over the next several days, and we will need to muster all of our influence to withstand the potential legislative onslaught.

Here is some background on some of the issues that seem to be of highest priority as of this writing:

## 1. More Hits to SAF Revenue?

In the seemingly never-ending battle to protect education dollars, Caucus members should be particularly watchful regarding legislation moving at the moment that may further reduce revenue available to the School Aid Fund (SAF). These bills are:

- **Supplemental Appropriations Bill** – The governor and legislature appear to be looking to move more than \$180 million additional dollars toward the roads budget using the online sales tax decision handed down by the US Supreme Court in June. This decision allowed states to collect sales tax directly from online retailers.

The administration is characterizing this online sales tax revenue as “new revenue” and therefore is attempting to make an end run around the sales tax formula already in place in state law. This would rob the SAF of another major source of revenue and redirect it toward the General Fund.

The Caucus believes that this decision simply recaptures revenue previously realized through brick-and-mortar sales (it is not “new” revenue), and that it should continue to be distributed according to existing mechanisms.

It is important to also understand the way that rumors have this shift being implemented. The supplemental appropriations bill would be passed first, including an additional \$183 million in allocations for roads above the amount originally allocated last summer. Then, a follow-up bill would need to be passed to permit the redesignation of the online sales tax revenue as “new” revenue.

If the follow-up bill is not passed, the \$183 million cannot be touched. This sequencing puts pressure on legislators who want to vote in favor of new money for roads in the supplemental – a very popular vote – to then vote for the redesignation in order to release the money.

This attempt to redesignate online sales tax revenue is obviously of very great concern as more and more sales shift online. Over time this would mean more sales tax revenue going to the General Fund without the Proposal A formula being applied, far less revenue for the SAF, and far less money available for schools.

It is important to make your legislators aware of this attempt to game the system so that they can work on this issue before the supplemental is passed. Online sales tax revenue is sales tax revenue and should be distributed according to existing methods.

- **SB 1170** (sponsored by Sen. Hildenbrand) would allow individuals who conduct business in Michigan as part of a flow-through entity (essentially as small businesses such as sole proprietorships, partnerships, or S corporations – this does not include large C corporations) could elect to pay their Michigan income tax obligation under a new “flow-through entity tax” instead of through individual income tax.

Originally, the bill stipulated that all revenue under this new mechanism would go to the state’s General Fund, meaning that the School Aid Fund would lose the 23.8% of these taxes that would have come to the SAF if they had been collected as individual income taxes. This issue was addressed on the Senate floor in order to guarantee that money from the new tax would be divided in the same way as the income tax (in other words, that 23.8% would be directed to the SAF).

As of this writing, the bill has passed the Senate and is on its way to the House. We will continue to monitor this bill on its journey through the House to ensure that the “hold harmless” for the SAF remains in the legislation.

## 2. **Another Accountability System Change?**

Representative Tim Kelly, the outgoing chair of the House Education Reform Committee, circulated a letter earlier this month that contained his three top priorities for the lame duck session. He specifically cited bills pertaining teacher preparation and so-called innovative school districts (see below for more information), but the top priority on his list was to again overhaul Michigan’s school accountability system and bring back a letter grading system (eliminated by Michigan in 2012).

The bill to carry out this latest accountability plan is HB 5526, and would have far-reaching impacts. It creates a 13-member Education Accountability Policy Commission (with members appointed by and/or representing a host of education stakeholder groups). This commission – not the State Board of Education – would be charged with carrying out the measures included in the bill.

The commission would be required to revise Michigan's accountability system again by removing the current dashboard and replacing it with letter grades assigned to every school building in the state based on six indicators similar to those already being used, albeit without a summative grade being assigned (student proficiency on standardized assessments, student growth on those assessments, ELL student growth, graduation rate, absentee rate, and assessment participation rate). In addition to this letter grade, each school would be ranked in comparison to comparable schools and on subgroup student performance.

The position of the State School Reform/Redesign Officer would be eliminated with its responsibilities transferred to the newly-established Commission, and the state's lowest-performing schools would be characterized as "comprehensive support and improvement schools".

This bill would be the third revision of Michigan's accountability system in the last three years, and is a prime example of an issue that requires far greater and more thoughtful deliberation than can be afforded during the lame duck session.

### **3. Potentially Helpful Bills**

We are also watching several bills that may be beneficial to the school community. While these would be helpful, concern exists that they could be used as part of legislative deal-making to "buy" votes on more harmful legislation.

Among those bills are the following:

- **HB 5707** (sponsored by Rep. Miller) that would amend current legislation on teacher evaluation, and keep the percentage of evaluations based on student growth and assessment at the current 25%. A companion bill (**HB 6401**, sponsored by Rep. Noble) would do the same for administrators. The latest version of the teacher bill also includes a provision that would allow districts to choose not to evaluate teachers for three years after they receive a rating of highly effective.
- **SB 885** (sponsored by Sen. Shirkey) would allow districts that have received a waiver permitting a pre-Labor Day start to maintain that waiver until they notify the Department of Education that they no longer require it. The bill has passed the Senate Education Committee and is currently on the Senate floor.
- **SB 1098** (sponsored by Sen. Jones) would delay, for one year, implementation of current budget language prevents districts from receiving foundation allowance in cases where those students also pay tuition. The bill remains on the Senate floor.

- **HB 4421** (sponsored by Rep. Hughes) would allow for flexibility in hiring substitutes for CTE programs to include those individuals without teaching certificates, but who possess an active or recently-lapsed license in a relevant field to be employed as a substitute. The bill has passed the House and the Senate Education Committee, and is now on the Senate floor.

#### **4. Other Legislation in the Hopper**

There are several bills that could potentially see action during lame duck. Among the most prominent are the following:

- **HB 6314/6315** (sponsored by Rep. Kelly) would provide for the creation of “public innovative districts” that would be allowed to bypass many of the state’s rules and regulations in the name of innovation. These bills were reported out of committee today and are now on the House floor as of this writing.
- **HB 5828/5829** (sponsored by Reps. Wentworth & Hornberger) are pieces of school safety legislation that would create a School Safety Commission to establish school safety standards (HB 5828), and would require districts to designate a School Safety Liaison to identify and evaluate safety measures under the coordination of the afore-described School Safety Commission (HB 5829). These bills passed the House today and are on their way to the Senate.

#### **5. School Equity Caucus & the Governor-Elect’s Transition Team**

Last week you should have received an email update containing the excellent news that our primary lobbyist, Emily Laidlaw, was named the Education Policy Coordinator for Governor-Elect Gretchen Whitmer’s transition team. Emily’s experience and reputation made her the perfect candidate for this position where she will be leading the development of education policy priorities for the incoming Whitmer administration. We expect Emily’s appointment to be concluded in early January as the new administration is sworn in.

In the interim, we are very fortunate to have Matt Kurta taking the lead in our lame duck lobbying efforts. Matt has worked closely with Emily for many years in support of the Caucus agenda, and is an outstanding, experienced Lansing veteran well-connected in the legislature and well-versed on education policy.

On a related note, the School Equity Caucus was invited to participate in a meeting last week with the new administration’s staff regarding our recommendations on priorities for the Whitmer Administration. Among the key items we put forward were the following:

- The desperate need to overhaul Michigan’s school funding structure, with the findings of the study commissioned by the School Finance Research Collaborative (SFRC) serving as an excellent place to start.
- The need to adequately fund Michigan’s schools, as the SFRC report recommended a funding level greatly beyond the amounts currently directed to districts.

- The necessity of protecting the School Aid Fund (SAF) as a crucial first step toward adequate funding. This protection must come in the form of both protection from diversion of SAF funds to other areas of the budget and protection from further unnecessary and ill-advised revenue reductions.
- A set of suggestions for moving this agenda forward as early as the next budget year (2019-20).

The new governor will have many items on her plate, and will have to work with a Republican-controlled legislature. But we are hopeful that these fundamental issues will receive the attention they very much deserve.

#### **6. Talking Points Document Coming Next Week**

With many new legislators coming to Lansing, it is very important for the school community to establish strong connections with them. These new senators and representatives will have a great deal to learn in a short period of time about numerous complex education issues, and we need your help in reaching out to them to make connections! We would rather that they learn about our issues from those in the field, rather than learning about how to “fix” education from outside groups.

Next week you will be receiving a document containing suggested talking points – based on the goals of the School Equity Caucus – to help guide your conversations with your legislators, whether new or returning. We hope that by increasing the familiarity of all legislators with these essential issues, we can make progress in the right direction. Please be on the lookout for that, and begin thinking now about ways you can build those connections. It’s never too early to start!

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Best wishes to you and yours as we move into the holiday season! Again, please be on the lookout for any updates and/or action alerts as we move through lame duck.

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



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