



# IMPROVING EQUITY IN SCHOOL FUNDING

Erin Moore, Intern | May 2020

In both her 2020 and 2021 state budget recommendations, Gov. Whitmer proposed a new weighted funding formula for the state’s public schools that would recognize the increased costs of educating children who face systemic barriers to learning, including the impact of long-term inequities based on race and ethnicity; economic inequality and insecurity; the lack of access to appropriate health care, nutrition and housing; exposure to environmental toxins like lead; and the lack of access to needed technology. A weighted school funding formula is also a way to ensure that school districts can provide a high-quality education to children with disabilities and other special needs, as well as English language learners.

Despite the growing support for a weighted formula, and the conclusion of the bipartisan School Finance Research Collaborative and other experts that a weighted formula is needed to improve equity, the Michigan Legislature rejected the governor’s proposed weighted formula in the 2020 budget, but did include much more moderate increases in funding for special education and other programs designed to help students with higher needs.

In the months since the governor released her 2021 budget, the worldwide explosion of COVID-19 has dramatically altered Michigan’s fiscal landscape, and forced public schools across the state to end in-person instruction. With the state facing unprecedented budget deficits both in the current budget year and in 2021, public schools have been warned to expect and plan for budget cuts. Because school costs are driven by personnel costs, if schools face deep cuts they would likely need to lay off teachers—at a time when social distancing may be needed to keep children and their families safe, and children’s education has already been disrupted.

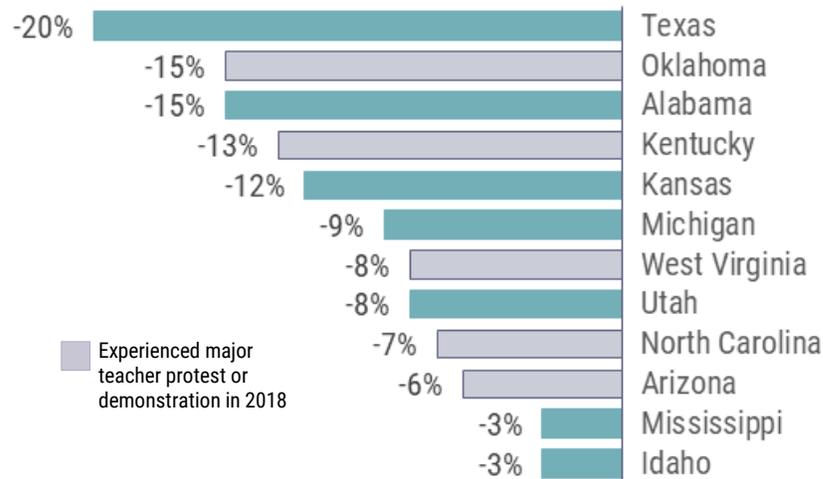
Michigan’s public schools are now facing rising costs as a result of COVID-19, along with the threat of significant cuts in state aid. While public schools are receiving approximately \$390 million in federal assistance, those funds must be used for COVID-19 costs such as planning for long-term closures and the purchase of technology for online learning. Currently, funding from the federal Coronavirus Aid, Relief and Economic Security (CARES) Act cannot be used to backfill losses in state revenues.

Under state law, if School Aid Fund revenues fall short, K-12 per-pupil payments are automatically prorated statewide unless the Legislature takes action to make more targeted cuts, or allocates other funds to cover the shortfall, including state General Fund or Budget Stabilization Fund dollars. In 2003, state aid to schools was prorated by 3.8% to cover a \$127 million shortfall in the School Aid Fund. During the Great Recession, legislators bypassed the proration of per-pupil payments, but made cuts of \$154 per pupil in 2010, and \$170 per pupil in 2011.<sup>1</sup> While per-pupil funding has increased since that time, when adjusted for inflation, Michigan was one of 12 states with per-pupil spending that remained below pre-recession levels in 2019.<sup>2</sup>

*A weighted school funding formula is also a way to ensure that school districts can provide a high-quality education to children with disabilities and other special needs, as well as English language learners.*

## Despite 2018 Funding Boosts, Some States Remain Far Below Pre-recession Funding Levels

(Percent change in state formula funding\* per student, inflation adjusted, fiscal years 2008-2019)



\*General or formula funding is the primary form of state K-12 funding. States also typically provide revenue for other, more specific purposes, such as bus transportation and contributions to school employee pension plans.

Source: CBPP budget and enrollment analysis

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A pro-rata reduction for all Michigan schools ignores the differential needs of children in high-poverty schools and communities, and will only worsen already unacceptable inequities in educational achievement. As part of its 2021 budget priorities, the League supported a weighted funding formula as a way to increase educational equity, and now urges the Legislature to manage funding deficits with a focus on improving outcomes, or at a minimum mitigating harm, for the children facing the greatest number of barriers to educational success.

### Michigan's School Aid Fund

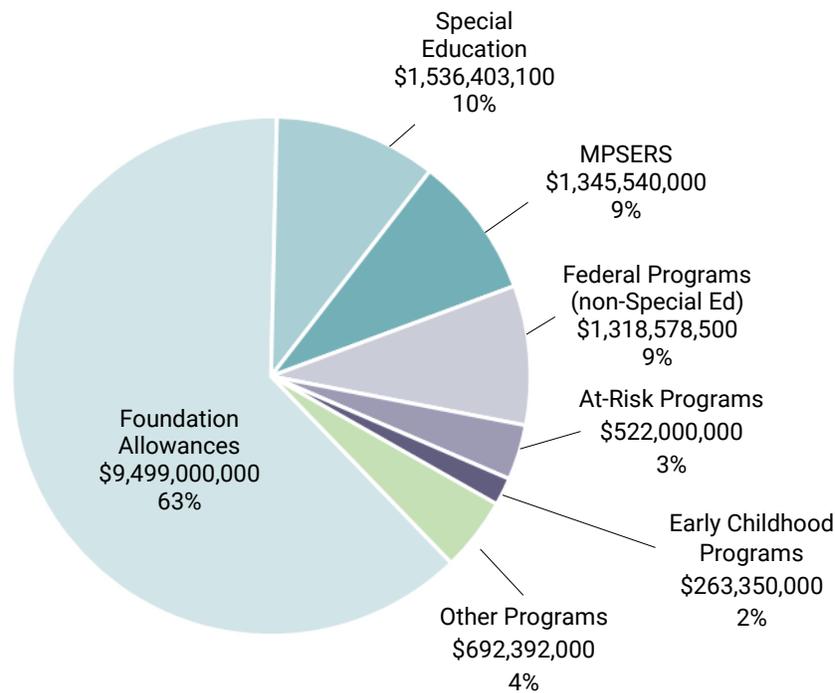
- **63% (\$9.5 billion)** of the total School Aid budget is used for the foundation allowance, a per-pupil payment to districts for basic operations.<sup>3</sup>
- **Other areas of spending** are for special education (10%), early childhood education (2%) and the At-Risk School Aid Program (3%), which is currently Michigan's primary vehicle for improving equity by providing additional funds to districts with high numbers of children who are economically disadvantaged.

### Many Michigan Students Face Economic Hardships

- **1 in 5 children** in Michigan lives in poverty, with higher rates for African American (38%) and Latinx (26%) children.<sup>4</sup>
- **More than half** of Michigan public school students (733,442 or 51%) qualify for free or reduced-priced school meals.<sup>5</sup>

## FY 2019-20 Gross Appropriations

About two-thirds of the \$15.2 billion School Aid budget supports per pupil foundation allowances used for school district general operations.



Note: Does not include local portion of foundation allowances.  
Source: House Fiscal Agency

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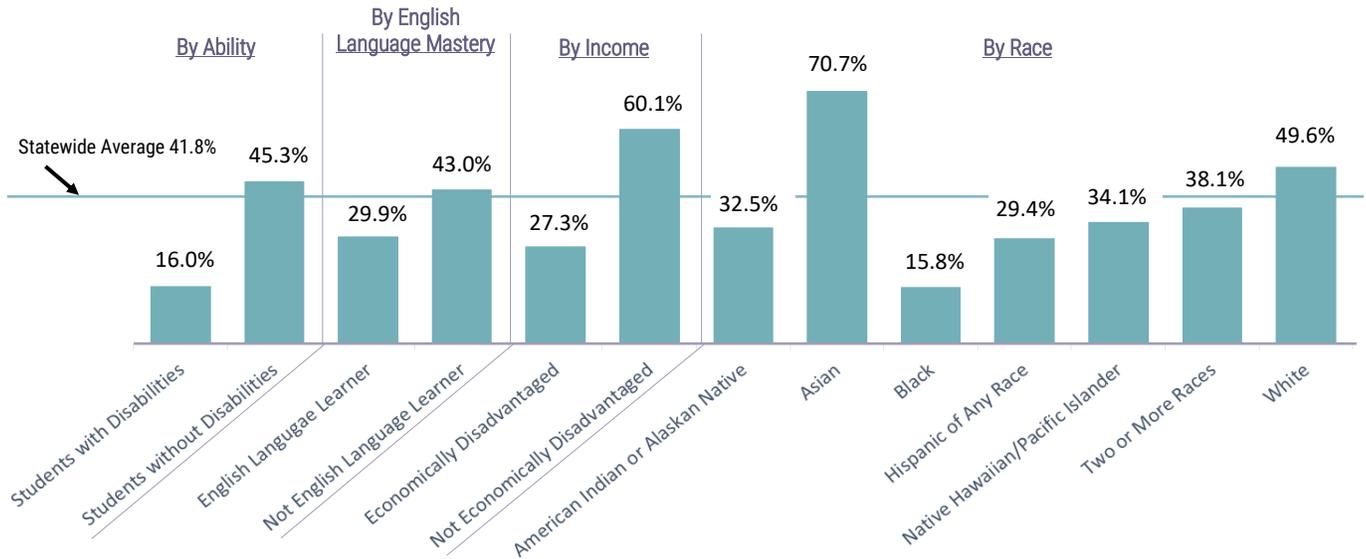
- **676,483 students** qualified for At-Risk School Aid Funds in Michigan in 2017, nearly half of the student population—up from 490,000 in 1995. Despite the increase in eligible children, total funding for the At-Risk program declined by 30% between 1995 and 2017 when adjusted for inflation.<sup>6</sup> Increases in At-Risk funding in recent years have been a move in the right direction, but the program is still not fully funded.

## Michigan Must Address Educational Disparities

State test results show unacceptably low levels of achievement for large numbers of Michigan students, but more significant and deep divides based on race, ethnicity and ZIP code. Children who are not economically disadvantaged are more than twice as likely to be proficient in math by 4th grade compared to less economically secure students, and only 16% of African American 4th-graders are proficient in math, compared to nearly half of their White peers.<sup>7</sup>

*“Since 1995, total real (adjusted for inflation) at-risk funding has declined by 30%. Meanwhile, Section 31a funding per at-risk student has plunged by over 60% from its peak in 2001. This is not a record that reflects serious concern by state policymakers for the needs of Michigan’s most vulnerable students.”*  
*(Michigan School Finance at a Crossroads, Michigan State University, Jan. 2019)*

Achievement Gaps Persist  
Grade 4 Math (2018-2019 M-STEP Proficiency Rates)  
Percent of Students Proficient



Source: MI School Data, Grade 308 Assessments, Proficiency <https://www.mischooldata.org/DistrictSchoolProfiles2/AssessmentResults/AssessmentGradesProficiency2.aspx>

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The unique failures of Michigan’s school funding system play a significant role in these unacceptable disparities. After reductions in the per-pupil allotment during the Great Recession, total funding increased, but never kept up with rising costs. Estimated School Aid Fund revenues in Michigan in 2020 were 3.9% lower than they were in 1995 when adjusted for inflation, while ongoing state General Funds were 7% lower than they were in 1968.<sup>8</sup> As Michigan faces one of its greatest fiscal crises in our lifetimes, it must make the education of children a top priority, end its disinvestment in public education, and use its resources to come back better by empowering the students with the greatest barriers to achievement.

Endnotes:

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2. Leachman, M. and Figueroa, E., (March 6, 2019). *K-12 School Funding Up In Most 2018 Teacher-Protest States But Still Well Below a Decade Ago*, Center on Budget and Policy Priorities. <https://www.cbpp.org/research/state-budget-and-tax/k-12-school-funding-up-in-most-2018-teacher-protest-states-but-still>
3. Christensen, S. and Mullen, J., (January). *Budget briefing: School Aid*. House Fiscal Agency. [https://www.house.mi.gov/hfa/PDF/Briefings/SchAid\\_BudgetBriefing\\_fy19-20.pdf](https://www.house.mi.gov/hfa/PDF/Briefings/SchAid_BudgetBriefing_fy19-20.pdf)
4. Kids Count Datacenter, Annie E. Casey Foundation, accessed 5/14/2020. <https://datacenter.kidscount.org/>
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6. Arsen, D., Delpier, T., and Nagel, J., (2019, January). *Michigan school finance at the crossroads: A quarter century of state control*. Michigan State University College of Education. <https://education.msu.edu/ed-policy-phd/pdf/Michigan-School-Finance-at-the-Crossroads-A-Quarter-Century-of-State-Control.pdf>
7. *Grades 3-8 Assessment: Proficiency Snapshot, M-Step, 4<sup>th</sup> Grade Content*, MI School Data (2018-19). <https://www.mischooldata.org/DistrictSchoolProfiles2/AssessmentResults/AssessmentGradesProficiency2.aspx>
8. Jeffries, E. (October 1, 2018). *State Budget Overview*, Senate Fiscal Agency. [https://www.senate.michigan.gov/sfa/Publications/BudUpdates/StateBudgetOverview\\_MostRecent.pdf](https://www.senate.michigan.gov/sfa/Publications/BudUpdates/StateBudgetOverview_MostRecent.pdf)