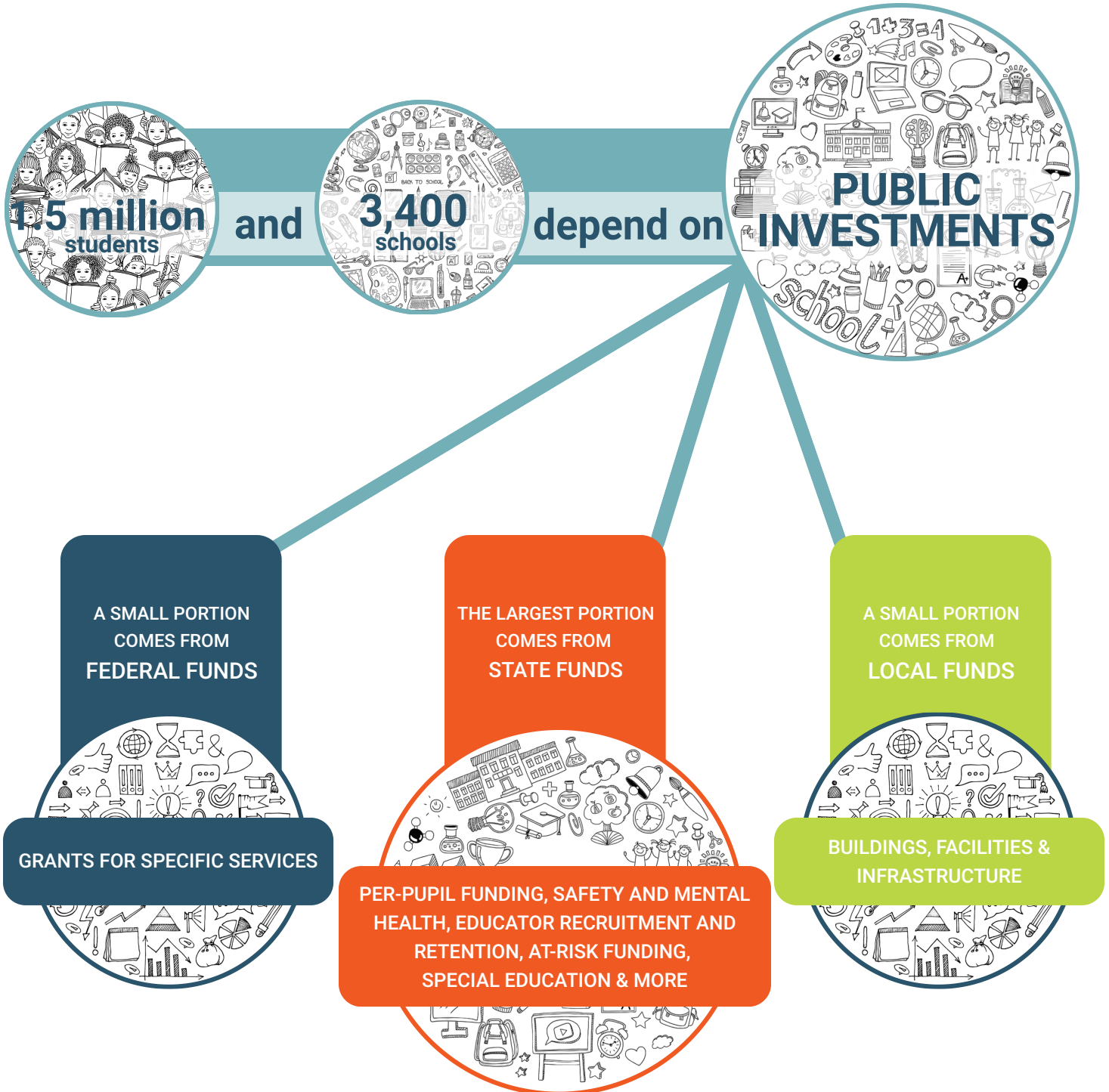


Overview



Michigan's public school system serves nearly **1.5 million students** in over **3,400 public schools and public charter academies**. Previously, schools were funded through local property taxes, but a 1994 school finance overhaul (Proposal A) centralized the majority of school funding at the state level.



Federal Funds



The federal government plays a comparatively small but important role in funding schools. Federal funds account for about 10% of all school funding and mostly flow to the state level in the form of categorical grants. These grants subsidize state funds that are allocated for the same purposes.

The largest grant is **Title I**, which provides funds to schools serving students from low-income backgrounds. Over 90% of public schools receive at least some Title I funds. Other federal categorical grants include those that provide free meals to students and funds under the Individuals with Disabilities Education Act (IDEA) to serve students who need special education services.



State Funds

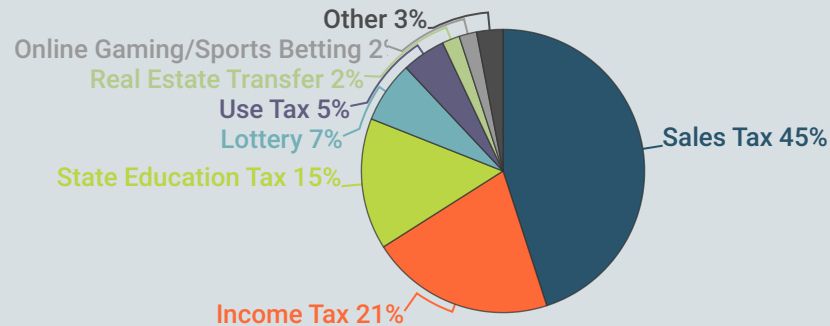


SCHOOL AID FUND

Michigan's K-12 Budget is called the **School Aid Fund (SAF)**, and it covers the per-pupil foundation allowance, early childhood education, adult education, intermediate school districts, public school academies, vision and hearing screenings, school meals, vocational education, assessments, school data and more.

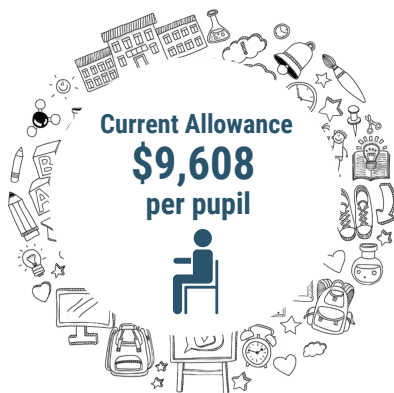
Revenue for the SAF comes from a variety of state sources, as detailed at right.

School Aid Fund Revenue Sources, FY 2022-23



Source: Senate Fiscal Agency

FOUNDATION ALLOWANCE



The main source of operating funds for school districts in Michigan comes from the foundation allowance; over half of the School Aid Fund (SAF) is used for foundation allowance costs. Each year, the legislature determines a dollar amount schools will receive for each pupil enrolled in their district. This foundation consists of a combination of local and state contributions. Local districts contribute to the foundation by collecting a tax of 18 mills on all non-homestead properties (properties that are not primary residences). The state contributes the remaining amount needed to reach the set foundation level.

For example, if the legislature sets the foundation at \$8,000 and District A raises \$5,500 from taxing 18 mills on all non-homestead properties, the state provides District A \$2,500 per student. The FY 2024 budget set the foundation allowance at \$9,608. Twice a year, schools submit a count of students in attendance to the state.

Count Day

How does the state know how many students are in a district? Having an accurate count of students in a district is important for delivering accurate funds to districts. Twice a year (in October and in February), schools count students in attendance and submit that number to the state. To account for fluctuations in student population, the state uses a blend of the current year and prior year's count for funding.

WEIGHTED FUNDING AND CATEGORICAL GRANTS

The base foundation allowance is a starting point for providing schools the money needed to educate students. However, we know that some students require more funding to educate. For example, students with disabilities require more services such as paraprofessionals; students in rural districts often have to travel further to school resulting in higher bussing costs. Students who fall under certain categories like these receive additional funding that is a percentage (or a weight) of the base foundation.

Fiscal Year 2024 Funding Weights

English-Language Learners

Students who are not proficient in English receive an additional 2-15% of the foundation depending on the students' level of English language proficiency.

Special Education Students

Students receiving special education services receive 100% of the foundation, reimbursement of 28.6% of special education costs, and reimbursement of 70.4% of special education transportation costs.*

Economically Disadvantaged Students

Schools in areas with high concentrations of poverty receive 11.53-15.33% of the foundation per student. Schools with higher concentrations of poverty receive a larger funding weight.

Small, Isolated and Rural School Districts

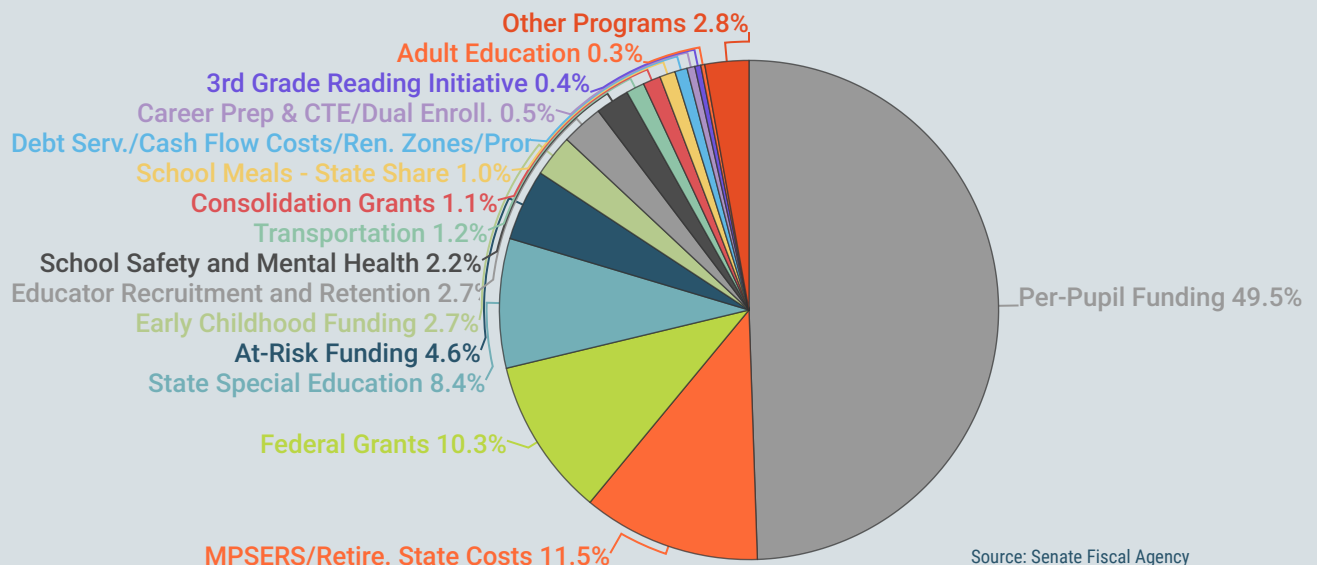
A total of \$11.6 million (about \$58 per pupil) is allocated for districts who meet the qualifications under section 22d of the School Aid Act as being small, isolated and/or rural.

*This does not include any special education funding that students may receive from an ISD millage.

SCHOOL AID FUND ALLOCATIONS

In addition to the foundation, the education budget allocates money for other school-based services and costs. Funding for literacy programs, transportation, teacher recruitment and retention, school safety and mental health, early childhood and adult education and more are included in these appropriations.

Initial Gross Appropriations by Program Area, FY 2022-23



Source: Senate Fiscal Agency

Local Funds



Michigan does not provide any state aid for school facilities. Funds needed for capital infrastructure must come from voter-approved bonds and millages. These funds may only be used on building or upgrading school facilities (media centers, science labs, technology upgrades, athletic facilities, etc.). The state caps the amount districts are able to raise and provides some support for districts who take on debt for capital infrastructure.

Since charter schools do not have a tax base, they are unable to levy dollars for capital infrastructure. Therefore, they have to rely on their foundation allowance revenue to pay for facility costs.

Equity Matters



IS MICHIGAN'S SCHOOL FUNDING SYSTEM EQUITABLE?

Among other improvements, Proposal A helped create a more equitable education funding structure in Michigan. Because property values and millage rates differed considerably from district to district, so did school funding. Centralizing school funding at the state level helped create a more even playing field for all districts. However, we also know that some students require more services, and therefore funding to educate. To help serve these students, Michigan's school budget has been moving towards a weighted funding formula. While progress has been made in recent years, and especially in the [FY 2024 budget](#), more work is needed to ensure that all schools are adequately funded and that funding is reaching students who are most in need.



Unlike the SAF, which is centralized at the state level, **local districts are responsible for funding school facilities.** Since Michigan relies on local property taxes only to fund school facilities, the burden on taxpayers is different depending on the resident school district.

Imagine two school districts, each needing a new elementary school building. District A is thriving, populous and urban. District B is small, has a few local businesses and is in a rural area of the state. Because District A has more taxable property value than District B, residents would pay lower taxes as a share of their income than those in District B to build the same elementary school.

A [2019 study](#) illustrated the millage cost to build a new elementary school in four Michigan districts. The tax burden ranged from 1.47 mills in the most property-wealthy district to 22.3 mills in the district with the lowest taxable value to build the exact same school building. The unequal tax burdens on Michigan residents leads to inequitable educational experiences for Michigan's students.

The passage of Proposal A in 1994 was a first step in creating more equitable education funding in Michigan, and the FY 2024 budget took another major step in achieving that goal, especially pertaining to the SAF. Other areas of education funding need attention, especially funding for special education services and school facilities.