



K-12 Education Funding Equity

Michigan School Organization and Finance

State Board of Education | May 13, 2014

K-12 Education Policy Priorities

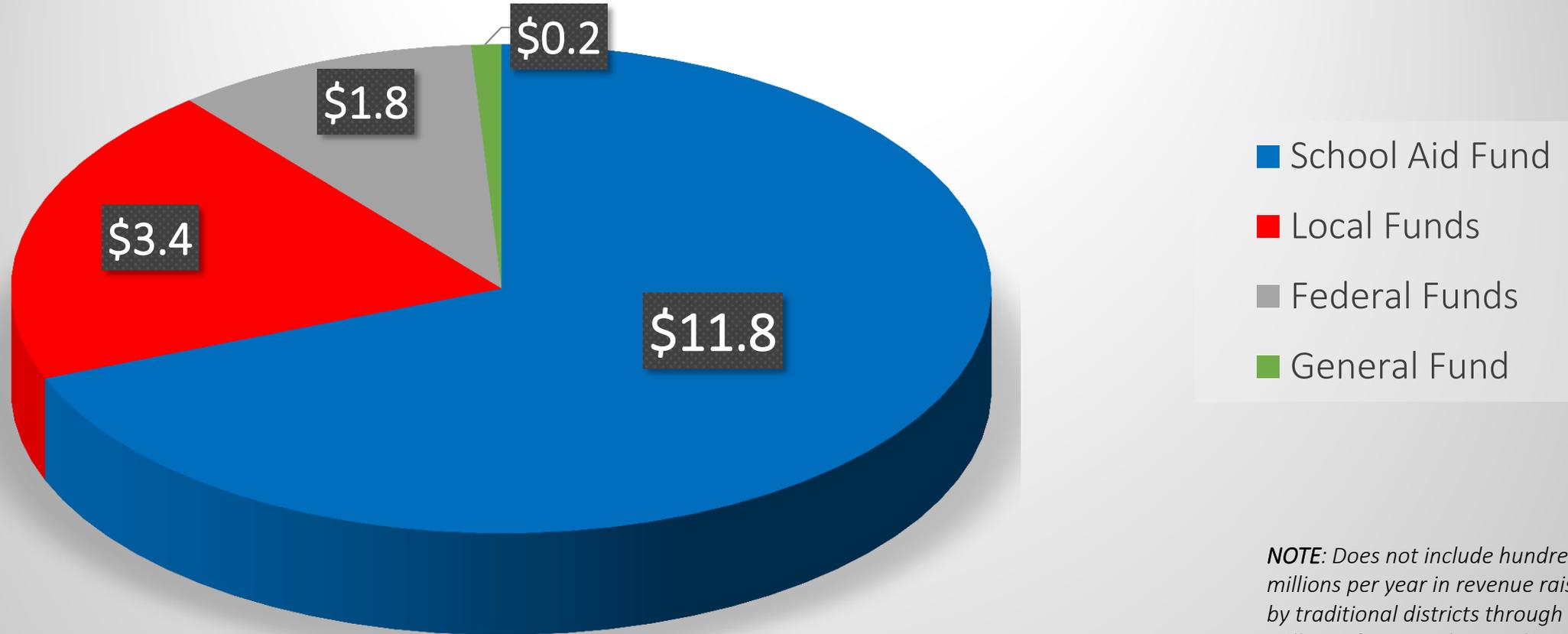
GLEP strongly supports efforts to:

- ✓ Improve academic **achievement**,
- ✓ Increase **accountability**, and
- ✓ Empower parental **choice** in public schools.

Our current policy priorities are:

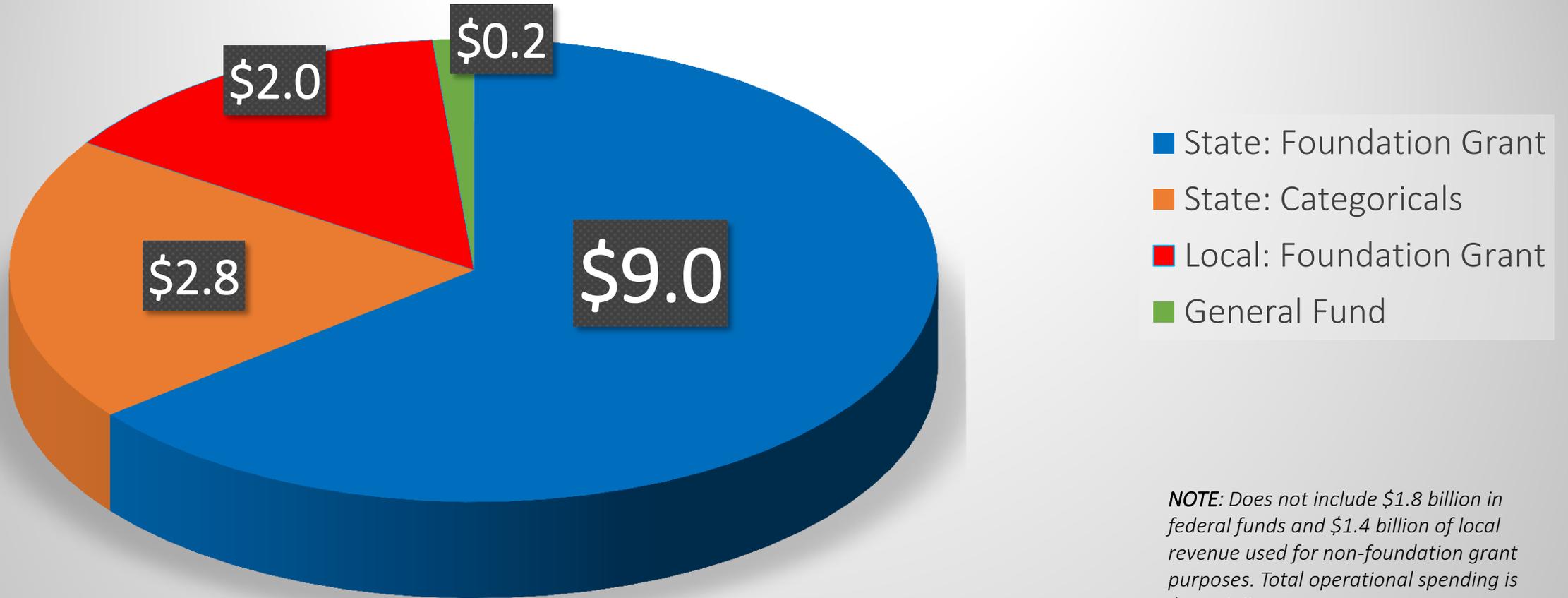
- ✓ Fulfilling the Promise of Proposal A & Eliminating the Per-Pupil Funding Equity Gap
- ✓ Ending Social Promotion for Those Not Reading at a 3rd Grade Level
- ✓ Maintaining Rigorous Expectations in the Michigan Merit Curriculum
- ✓ Utilizing Next-Generation Student Assessments aligned to the Common Core
- ✓ Developing an Effective Teacher Evaluation System
- ✓ Adopting an A-F Letter Grading System for School Accountability

Total K-12 Operational Funding: \$17.2 Billion

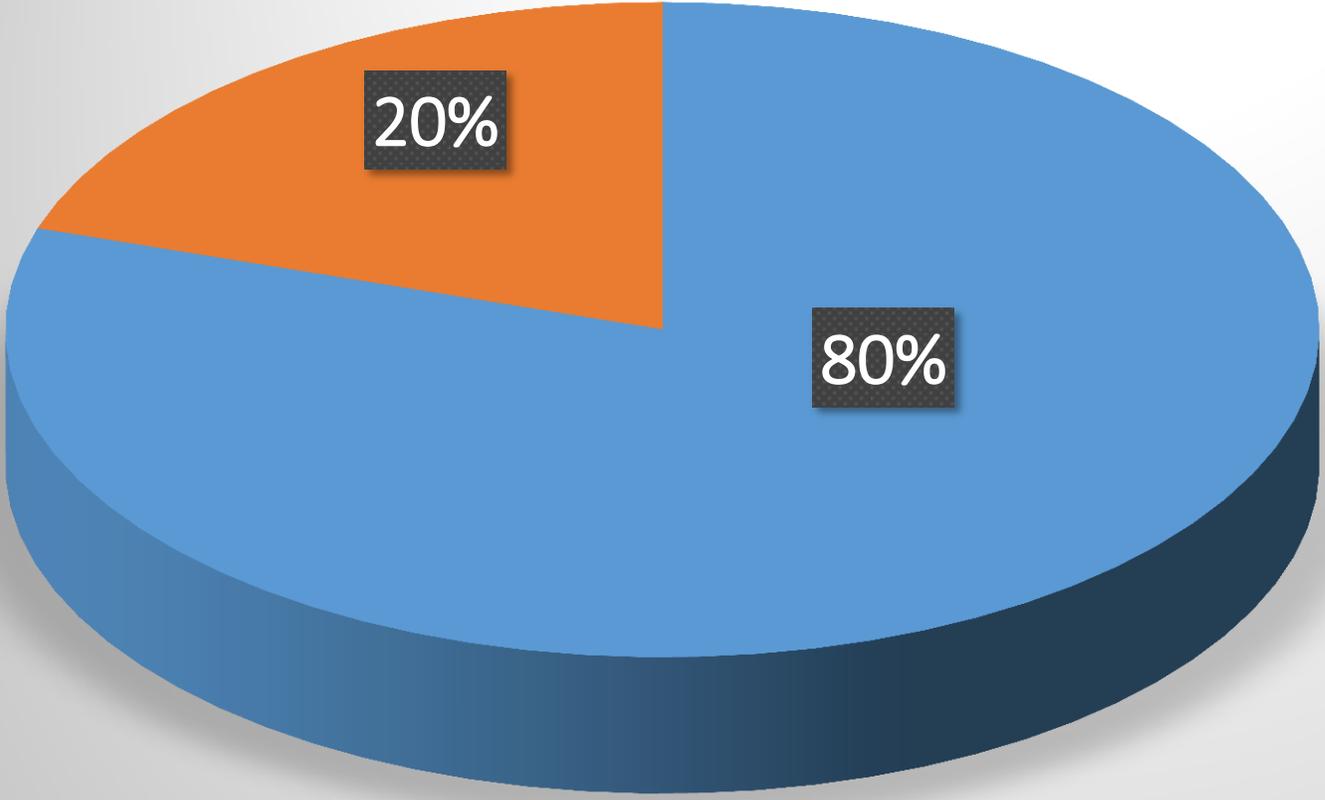


NOTE: Does not include hundreds of millions per year in revenue raised by traditional districts through millages for capital expenditures, sinking funds or other local needs.

Total K-12 Discretionary Funding: \$14.0 Billion



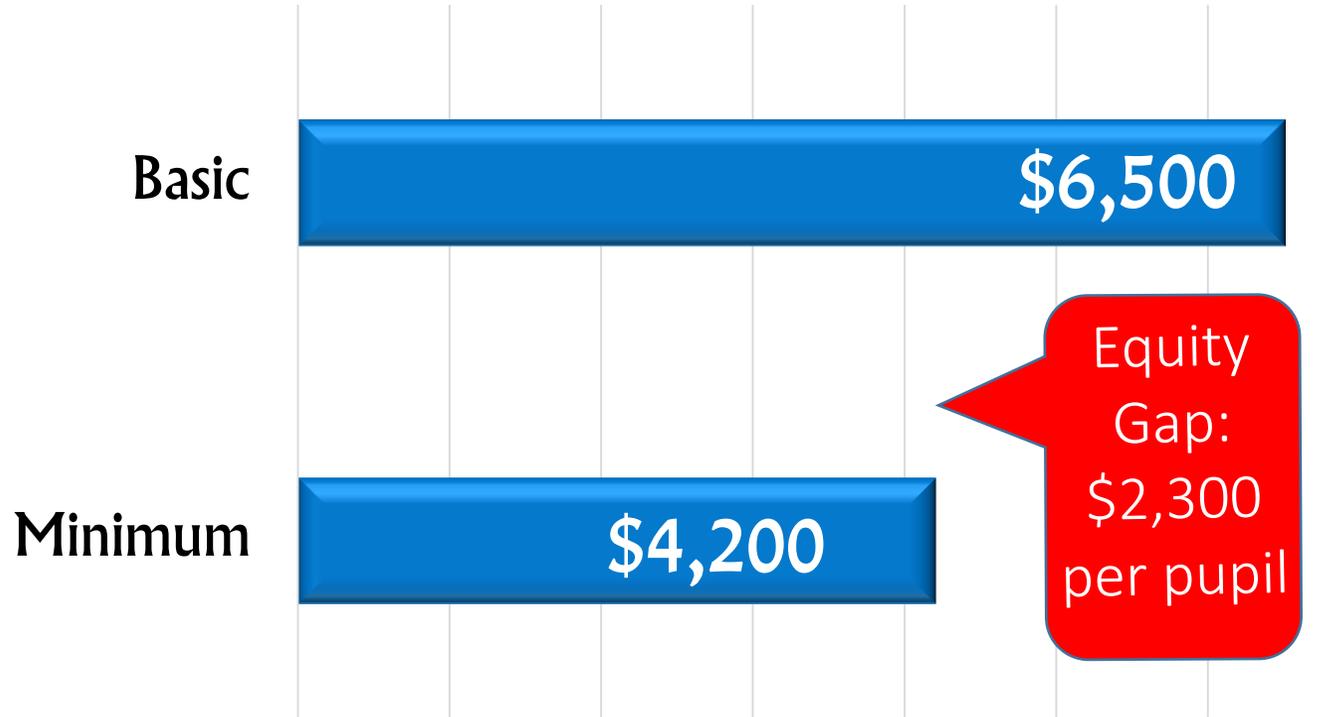
Foundation Grant vs. Categoricals: \$14.0 Billion



■ Foundation Grant: \$11.2 billion
■ State Categoricals: \$ 2.8 billion

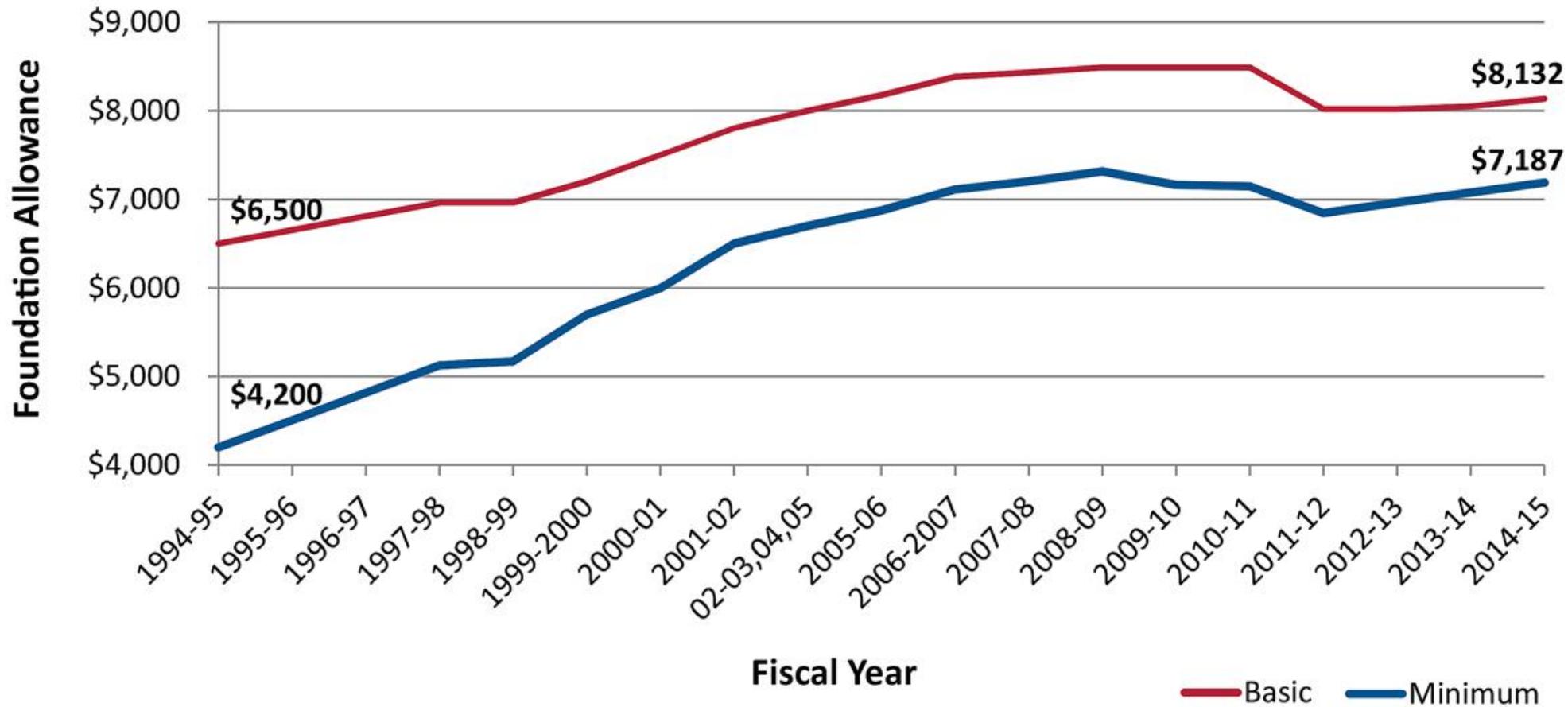
MPSERS:	\$ 834 million
At Risk Programs:	\$ 309 million
GSRP:	\$ 240 million
Bond Loan:	\$ 143 million
Best Practices:	\$ 80 million
ISD Operations:	\$ 64 million
Tech Grants:	\$ 50 million
Performance:	\$ 46 million
Debt Non-Durant:	\$ 39 million
Special Ed Equal:	\$ 38 million
Data Collection:	\$ 38 million
Assessments:	\$ 34 million
Other/Misc:	\$ 885 million

The Promise of Proposal A: 1994 Foundation Grant



- ✓ Shift from 70:30 local/state to 80:20% state/local funding.
- ✓ Collapse categoricals into simple per pupil foundation grant.
- ✓ Close the funding equity gap.

Closing the Funding Equity Gap?



Funding equity gap has been narrowed by 58% since 1994.

At this pace, equity will be reached in 2031, 17 years from now.

Today's Foundation Grant (per pupil)

✓ Minimum: \$7,076 per 725,000 students (50%)

✓ Basic/Max: \$8,049 per 575,000 students (38%)

✓ SuperMax: >\$8,050 per 200,000 students (12%)
(<60 districts with a continuing "hold harmless" millage or non-homestead property tax revenue exceeding \$8,049 per pupil.)

Equity Gap:
\$973
per pupil

There are currently 157 different per pupil foundation grant amounts.

Why are some kids “worth less” than others?



Susie
\$7,368
Lansing

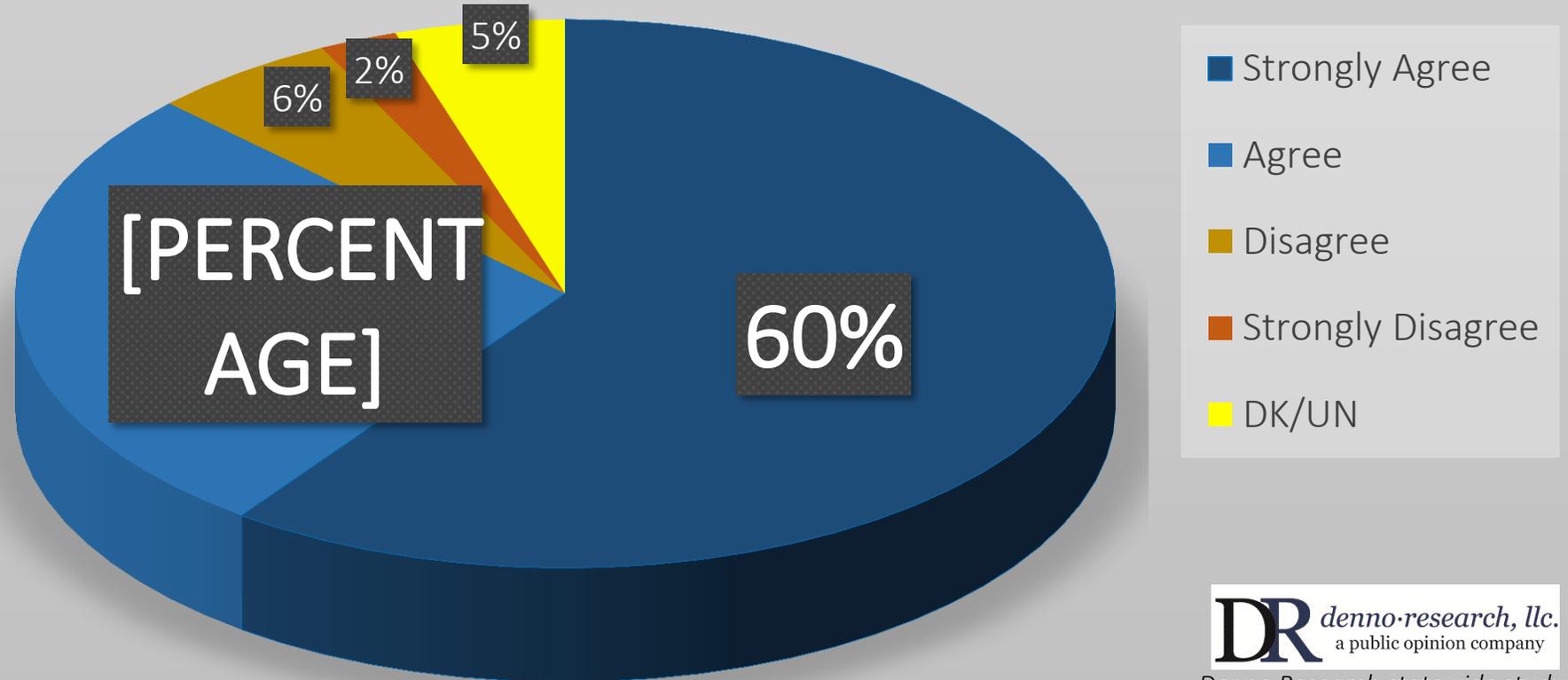
Janet
\$7,299
Holt

Sam
\$8,049
Okemos

Billy
\$7,076
Mason

Voters Overwhelmingly Agree on Fair Funding

“Roughly one half of students receive about \$7,000 per year while the other half receives \$8,000 or more a year. Do you agree or disagree that every student in a Michigan public school should be provided an equal level of state funding for their education?”



DR denno-research, llc.
a public opinion company

Denno Research statewide study,
March 8-9, 2014; N= 600, +/- 4%.

School Aid Budget: 309 pages **or** Post-it Note?



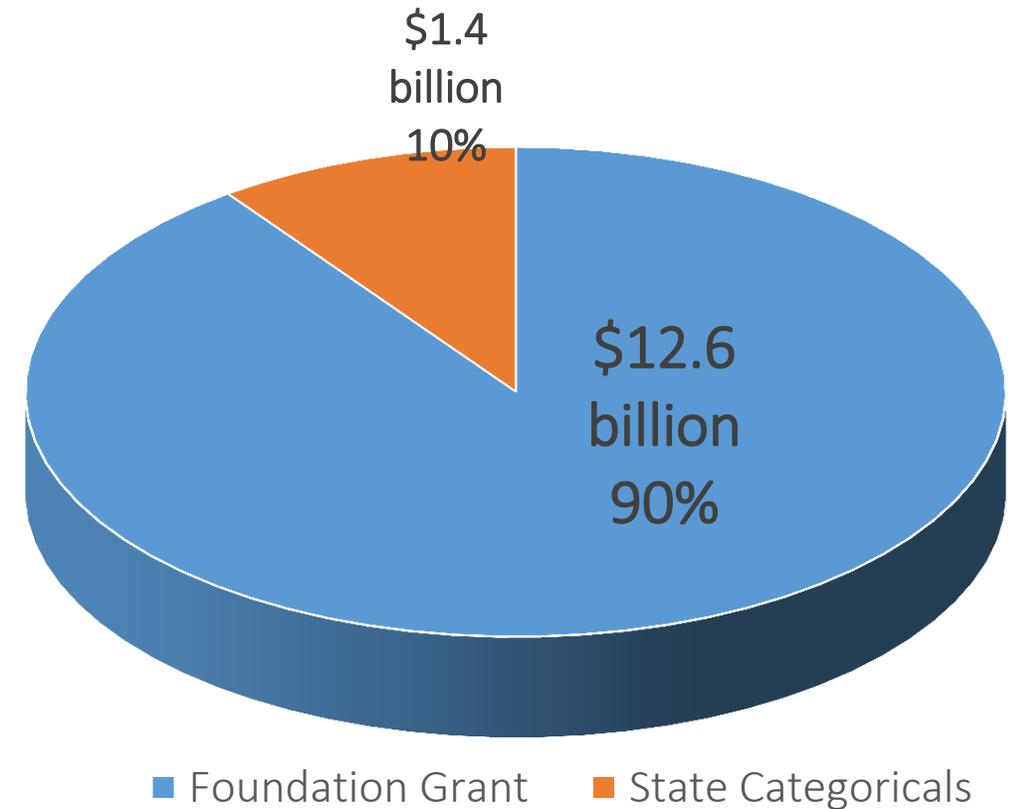
OR

K-12 School Aid Budget
Pure Equity

$\$17.2$ billion
 $\div 1.5$ million students
 $\$11,500$ per pupil

More Equity in Foundation Grant & Special Needs

- ✓ Don't touch \$1.8 billion in federal funds
- ✓ Don't touch \$2.0 billion in local funds used for categoricals
- ✓ Shift \$1.4 billion in state categorical funds to the foundation grant
 - Invest 90% of funds in the Foundation Grant and limit categoricals to 10% of funds
 - Enrollment declines = increased per pupil grant.



Uniform Foundation Grant for “Basic” Funding

- ✓ \$12.6 billion provides a uniform foundation grant of \$8,250 per pupil to cover basic costs of education
- ✓ 95% of students would be at this uniform foundation grant level
- ✓ Provides \$4.6 billion for non-foundation grant programs (or categoricals)

K-12 School Aid Budget

\$17.2 billion

-\$ 4.6 billion*

\$12.6 billion

÷ 1.5 million students

\$8,250 per pupil[^]

*\$1.8 billion in federal funds, \$1.4 billion in state categoricals and \$1.4 billion in local non-foundation grant

[^] 5% of students would be above \$8,250 due to HHH millages

Beyond “Basic” Funding – Special Needs

- ✓ Categoricals are targeted investments based on unique student needs:
 - At-Risk
 - Special Education
 - Misc programs
- ✓ \$4.6 billion in available funds represents \$6,000 per pupil if used for 50% of students

K-12 School Aid Budget
Non-Foundation Grant

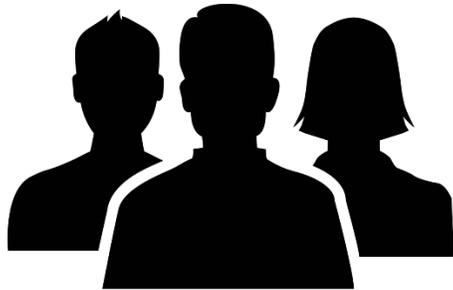
\$1.8 billion federal
\$1.4 billion state
\$1.4 billion local
\$4.6 billion total

Foundation Grant & Special Needs Funding



Average Students [1.5 million]

Basic Foundation Grant = \$ 8,250 per pupil



At-Risk Students [750,000]

Basic Foundation Grant = \$ 8,250 per pupil

Average Categorical = \$ 6,000 per pupil

Average Total = \$14,250 per pupil

Speaking of Categoricals: Meet MPSEERS!!

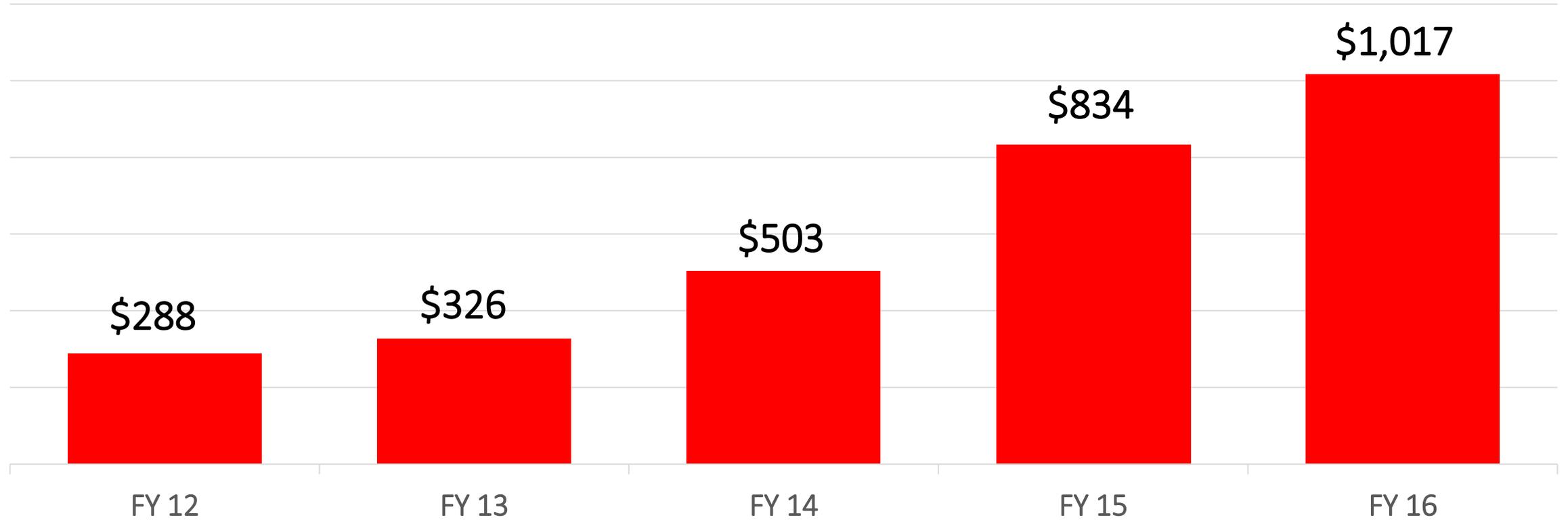
✓ Overview and Background

- Since Proposal A, 100% of employee retirement was paid by participating districts.
- In recent years the employer contribution rate to maintain MPSEERS had risen to nearly 30% of payroll and was expected to continue climbing.
- The Unfunded Accrued Liability (UAL) for pensions and retiree health care had reached an estimated \$48.3 billion.

✓ Recent Reform (SB 1040 of 2012)

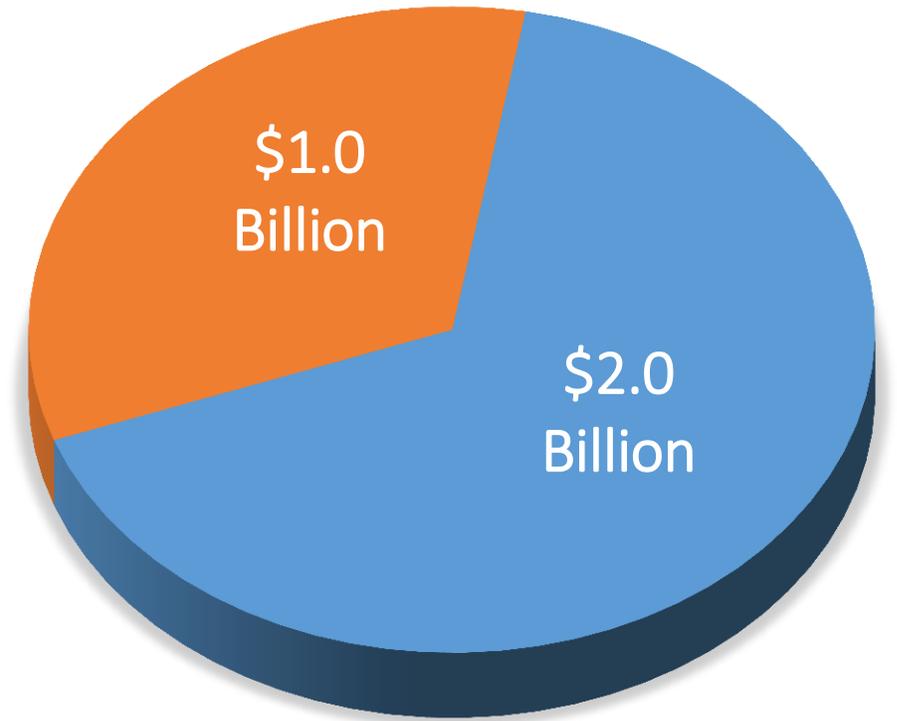
- Contribution rates for participating districts were capped at 24.46% of payroll (20.96% for UAL & 3.5% for normal costs).
- Costs for participating districts are estimated at \$2.0 billion per year for FY 2016-41.
- Any additional funds, or \$1.0 billion per year, must come from the School Aid Fund.

\$1 Billion MPSEERS “Bail Out” from School Aid Fund



MPSERS “Pick Pocket”

- ✓ Participating districts will pay \$1,333 per pupil and all districts will have \$666 per pupil paid by the School Aid Fund to support benefits for retirees in participating districts.
- ✓ Is it fair that 30% of all districts will “pay” \$666 per pupil from the SAF to support benefits their employees will never receive?
- ✓ Non-participating districts tend to receive the minimum foundation grant; cannot levy millages for capital costs; cannot have sinking funds, etc.



■ Participating Districts ■ School Aid Fund

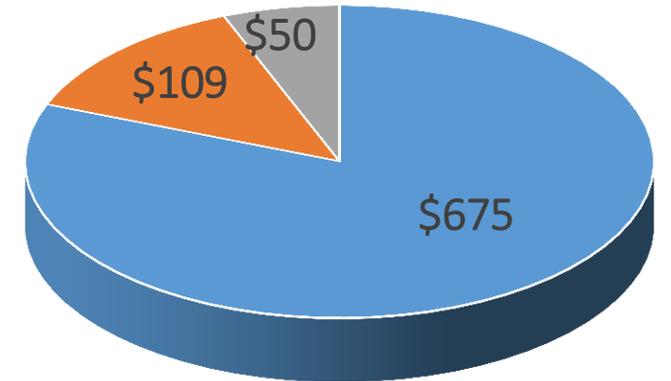
Governor's Recommendation for FY '15 School Aid

✓ \$150 million increase in Foundation Grant

- Increase of \$55 per pupil; *and* \$28-56 per via 2x
- Result is an increase of \$83 - \$111 per pupil
- Equity gap remains **\$945 per pupil**

✓ \$834 million "Off The Top" for MPERS:

- \$675 million for UAL with district cap at 20.96%
- \$109 million for UAL with district cap at 19.76%
- \$ 50 million in the MPERS Reserve Fund



GLEP Recommendations for FY '15 School Aid

- ✓ Invest **\$389 million** in foundation grant via 2x and reduce equity gap
 - **\$150 million** in Governor's recommended increase
 - **\$109 million** in "extra" MPERS payment by keeping districts at 20.96%
 - **\$ 50 million** in SAF transfer to MPERS Reserve Fund
 - **\$ 80 million** in "Best Practices"

- ✓ Increase Minimum by \$300 per pupil to \$7,376
- ✓ Increase Basic by \$150 per pupil to \$8,199

Equity Gap:
\$823 per

GLEP Recommendations for FY '15 School Aid

- ✓ Support earmarking \$309 million in Section 31a “at-risk” funds to improve 3rd grade reading and career-college readiness.
- ✓ Support a next-generation testing assessment which will measure individual student growth.
- ✓ Performance funding, if it continues, should be earned by the number of K-8 or 9-12 students who meet growth thresholds, not the full school enrollment.

FY '15 Budget Proposals: Foundation Grant

- ✓ Governor: \$150 million increase
\$83-\$111 per pupil; **not** via 2x equity
- ✓ House: \$141 million increase;
\$56-\$112 per pupil; via 2x equity
- ✓ Senate: \$425 million increase;
\$150-\$300 per pupil; via 2x equity

FY '15 Per-Pupil Funding Equity Gap

Current:	\$973 per
Governor:	\$945 per
House:	\$917 per
Senate:	\$823 per

**does not include \$6.0 billion in federal, state
and local categorical spending.*

Questions?

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