

# An Investment in Our Future

This Commission recognizes that the work of many government commissions, blue-ribbon committees, and similar efforts are often put on the shelf and not revisited because there is little appetite for generating the revenues needed to implement report recommendations. We also recognize that Michigan taxpayers have a right to be skeptical of requests for additional resources. K-12 performance in Michigan has not been historically commensurate with spending. Michigan is an average state in terms of its per-pupil spending, but is significantly worse than average in performance. If taxpayers are going to be asked for additional investment, they need to be confident that funds will be spent efficiently and effectively, and that they will see a return on their investment. However, we should be clear, without significant new investment, Michigan cannot become a top-performing education state.

## Current Investments

While Michigan currently ranks 24<sup>th</sup> in per-pupil K-12 spending, this represents a sharp drop in Michigan's standing. Michigan ranked 8<sup>th</sup> highest in per-pupil spending as recently as 2000, but since that time, the state has seen inflation-adjusted per-pupil spending fall by \$663 per pupil, while the U.S. average for per-pupil spending increased by over \$1,400. Michigan schools have also seen increasing fiscal pressure from retirement costs. A recent House Fiscal Agency estimate found that in adjusting for inflation and retirement costs, per-pupil funds available for school operations were 12 percent lower in FY 2015 than they were in FY 2005.<sup>150</sup> Declining resources relative to other states is a likely cause of Michigan's recent poor performance relative to other states.

On the higher education front, Michigan ranks 42<sup>nd</sup> for state support for two- and four-year public institutions and has the fourth least-affordable tuition levels in the nation.<sup>151</sup> Michigan simply will not be a leading state in postsecondary attainment if it is a bottom state in postsecondary funding.



Photo taken at Innovation Central High School in Grand Rapids

## New Investments: Challenging but Essential

We are cognizant of the challenge facing policymakers. They must balance many competing priorities, including finding the funds to support the state's infrastructure. Taxes are generally unpopular with voters and there is

strong competition for state resources. The Legislature also need to be sensitive to tax changes that could negatively impact the state's competitiveness.

At the same time, our current level of investment puts the state's future at risk. The executive order creating this Commission stated, "Michigan cannot hope to maintain its economic vitality and quality of life without making dramatic gains in the academic achievement and career preparedness of all its residents." While finding additional funding is politically challenging, ensuring the economic vitality and quality of life of Michigan residents represents a goal that warrants facing these challenges.

Michigan can potentially find ways to incrementally improve performance through more efficient and effective spending. But we need to be realistic about where the state currently stands. Michigan is near the bottom in education performance and we have identified quickly becoming a top state as essential to Michigan's future. Dramatic gains will not happen without significant new investment.

Policymakers should view education as an investment, and increasing investment now will

lead to increased prosperity in the future. Business Leaders for Michigan has estimated the benefits of Michigan becoming a top-ten state for jobs, personal income, and a healthy economy. The benefits include 72,000 more people working, \$9,200 more income per person, and \$12,300 more in gross domestic product per person.<sup>152</sup> This would increase Michigan's total state income by \$90 billion. At current tax rates, this would translate to over \$8 billion per year in additional state and local tax revenue—increasing state and local tax revenue to \$45 billion.

Many education investments can reduce future government expenditures. Early investments that improve kindergarten readiness can reduce grade retention and special education costs. Improved education attainment increases employability and earning potential and reduces the reliance on welfare programs. The claims of increased savings from avoiding investing now are false. If Michigan remains a bottom education performer, it will be a bottom economic performer. In exchange for tax savings now, we will forgo the jobs and income that would accrue to Michigan in the future if it were a top performer

## Estimated Investment by Key Strategy

The Commission has purposely left much of the detail on how to implement the guiding principles and strategies to policymakers, meaning precise costs cannot be attributed to many of the recommendations. In addition, many of the individual recommendations do not require significant new investment to implement. This does not mean they can be done for free, but it does mean that they can likely be accomplished with existing resources by making the strategy a priority or through allocating a modest amount of new funding. Where possible, we have provided estimates of how much new investment would be needed for the Commission's strategies below.

- 1.1 Enhance teacher preparation**—Much of the implementation of this strategy would consist of a change in approach that would not require new resources. The strategy does suggest the creation of a teacher-in-residence program to replace the current student teacher model. During residency, the teacher would receive a modest stipend. If teachers in residence received a stipend of \$15,000 per year, it would require an annual investment of approximately \$75 million.

**New investment: \$0 to \$75 million annually**

- 1.2 Create multiple career pathways**—Once new career pathways are in place it may make sense to offer additional compensation to teachers achieving different levels. However, whether adjustments in the compensation of teachers will be needed or how they would be structured has yet to be determined. This strategy also contemplates creating a teacher-in-residence program for student teachers. The potential investment needed for this program is included under strategy 1.1.

**New investment: Indeterminate**

- 1.3 Improve educator professional development**—School districts already make a substantial investment in professional development and many improvements could be made without investing significant new resources. However, a more robust model that includes things like teacher coaches who observe teachers and provide timely and in-depth feedback would require new resources. The top end of the investment estimate assumes such a coaching model is put in place.

**New investment: \$0 to \$75 million annually**

- 1.4 Strengthen building-level and organizational leadership**—We assume an additional \$500 investment in professional development per administrator in addition to current investments.

**New investment: \$6 million annually**

- 2.1 Support state priorities with the necessary resources and tools**—The investment needed to support teachers and districts will vary from policy to policy and cannot be determined in advance. The investments required to implement the Commission's recommendations are itemized with each specific recommendation.

**New investment: Indeterminate**

- 2.2 Support implementation of evidence-based practices**—We assume 50 to 100 additional staff people for MDE. This would require an investment of \$5 million to \$10 million annually.

**New investment: \$5 to \$10 million annually**

- 3.1 Identify efficiencies**—Implementing this strategy does not require new investment. This strategy may find ways to spend more efficiently, freeing up funds that can be used to support this report's recommendations.

**New investment: Indeterminate**

- 3.2 Determine the base funding amounts for K–12**—At this point, it is not clear how much new investment will be required, especially considering potential efficiencies which may be identified under strategy 3.1.

**New investment: Indeterminate**

- 3.3 Determine the additional resources needed for disadvantaged students**—Michigan's current funding formulas call for at-risk funding equal to 11.5 percent of a district's foundation allowance for each at-risk student. Some schools also receive significant federal funding to help address the costs associated with educating at-risk students. Michigan does not currently fully fund the appropriation for at-risk students. Fully funding the 11.5 percent additional funding for at-risk students would require new investment of approximately \$110 million per year.<sup>153</sup> Michigan's recently completed funding study recommended that schools receive an additional 30 percent for at-risk students. Funding at-risk students with an additional 30 percent foundation allowance would require an investment of approximately \$900 million per year. Additional study is needed to determine the appropriate amount.

**New investment: \$110 to \$900 million annually**

**3.4 Develop funding formulas to support the system**—Once new funding levels are set, Michigan will need to design new funding formulas. This can either be done by executive and legislative branch staff or with the help of outside experts.

**New investment: \$0 to \$1 million one time**

**4.1 Determine the proper funding level for higher education**—Michigan currently ranks among the bottom ten states for state support for two- and four-year institutions, suggesting that to be a top state, Michigan will need to spend significantly more than it does right now. However, much of the new spending needed for this strategy could be met through investment in strategies 4.2 and 4.3. While the investment needed for this recommendation is listed as indeterminate, looking at the level of support other states provide can offer some context. If Michigan wanted to be ranked in the top 15 among states for support for higher education on a per-capita basis, it would need to invest \$1.2 billion more per year. If Michigan wanted to rank in the top half of states in state-level support for higher education, it would need to invest approximately \$740 million more per year.

**New investment: Indeterminate**

**4.2 Support universal access to community college for all Michigan students**—The investment needed to provide universal access to community college depends on several policy decisions. Policymakers may decide that income is already not a deterrent to attendance, in which case additional investment is not needed. Fully covering the last-dollar cost of tuition for all Michigan community college students would require an investment of approximately \$400 million per year.

**New investment: \$0 to \$400 million annually**

**4.3 Make four-year degrees more affordable for students who demonstrate merit**—the investment needed to make four-year degrees more affordable for students who demonstrate merit is also indeterminate since the Commission purposely left the decision on the proper level of support to the Governor and Legislature. However, some context is helpful. Michigan currently spends roughly \$110 million for financial aid at the state level. Ten years ago, state-level financial aid totaled \$241 million. Therefore, it would take an investment of \$130 million to reach the level of state financial aid support Michigan provided ten years ago.

**New investment: Indeterminate**

**4.4 Support all students with counselors skilled in career guidance and postsecondary access**—The Commission recommends that Michigan move to be at the national average in the ratio of students per counselor. Michigan currently has 732 students per counselor and the national average is 491. Moving to the national average will require Michigan to hire an additional 1,000 counselors.

**New investment: \$90 million annually**

**5.1 Connect human services to schools**—The investment estimate assumes a social worker is embedded in every school with more than 200 students and more than half of its students eligible for free and reduced lunch (approximately 900 school buildings). The investment could be significantly lower if Michigan can redirect existing human service workers into schools.

**New investment: \$70 million annually**

**5.2 Nurture parent and educator collaboration**—Many of the potential options recommended in this strategy do not require new investment, while some, like parent workshops and family academies, do require new investment. Minnesota’s Early Childhood Family Education program is a good model of a family academy. This program, offered through Minnesota schools, is available to all families. It requires an annual investment of approximately \$45 million and Minnesota has roughly half the population of Michigan.

**New investment: \$0 to \$90 million annually**

**5.3 Create user-friendly tools to navigate educational options**—CEPI can likely achieve some of this strategy through its existing appropriation. However, some new investment will likely be required.

**New investment: \$5 million one time**

**6.1 Enhance student achievement measures**—Michigan currently spends more than \$40 million per year on assessments. It is not clear whether these enhancements can be accomplished with current spending or if additional resources will be required.

**New investment: Indeterminate**

**6.2 Hold the right people accountable**—MDE can accomplish this goal with its current resources plus the additional resources called for in strategy 2.2.

**New investment: No additional investment required above the investments contained in other strategies**

**6.3 Improve data reporting**—These changes likely will not require additional resources above the investment the state is already making.

**New investment: \$0**

**6.4 Move toward a competency-based learning model**—Michigan’s move to a competency-based learning model represents a philosophical shift in how the state approaches teaching and learning. Schools budget for two weeks of annual professional development, so it is unclear what additional investment will be required.

**New investment: Indeterminate**

**7.1 Assist poorer communities with funding for school facilities**—The investment required for this recommendation will depend on how many districts levy mills for new projects. Michigan has 302 districts where a mill generates less than the statewide average. If these districts levied an average of two mills (with some levying more and some not having a levy) the new investment would be approximately \$112 million per year. If the average across these districts was three-and-a-half mills, the new investment would be approximately \$200 million. (The average statewide debt millage was 4.63 in 2015.<sup>154</sup>) The investment of new funds will be very small for the first several years after this policy is enacted since costs will only come online as new projects are approved for state support and as local voters approve millages.

**New investment: \$100 to \$200 million annually when fully phased in**

**7.2 Support public school academies with funding for school facilities**—The investment needed for this recommendation depends on the level of support the state chooses to provide. Michigan has approximately 300 charter schools serving 150,000 students. The per-pupil facilities cost for charter schools that own their own facilities is \$971 on average.<sup>155</sup> If schools representing half of the state’s charter school students received reimbursement under this program, and the state reimbursement was \$971 per student on average, it would require a new investment of \$30 million. If charter schools representing half of the students participated, the required investment would be \$74 million. The investment of new funds will be very small for the first several years after this policy is enacted since costs will only come online as new projects are approved for state support and as local voters approve millages.

**New investment: \$30 million to \$74 million annually when fully phased in**

**8.1 Support universal preschool for all four-year-olds**—Michigan’s Great Start Readiness Program provides preschool to four-year-olds with family income below 250 percent of the poverty line. The estimate of the investment needed for universal preschool assumes the income restriction is removed and that all students attend a full-day program. The estimate assumes the per-slot allocation stays the same, and that 85 percent of four-year-olds participate.

**New investment: \$390 million annually**

**8.2 Develop and retain a quality early childhood workforce**—Policies contemplated in this recommendation include offering state-subsidized salary increases after completing professional development, offering tax credits for child care workers, and offering scholarships and loan forgiveness. The investment required for this strategy will depend on the approach chosen by the Legislature. Some context can be provided, however. Michigan has approximately 17,000 child care workers and 6,900 preschool teachers. Therefore, a strategy with an average investment of \$500 per worker would cost \$12.0 million, while a more robust strategy with an average investment of \$2,000 per worker would cost \$47.8 million.

**New investment: \$12.0 to \$47.8 million annually**

**8.3 Increase access to quality services through improved coordination**—This strategy seeks to improve the coordination of service delivery and the use of existing resources. No new resources are required.

**New investment: \$0**

**8.4 Enhance early learning outcome measurement and tracking**—The investment estimate assumes a cost for purchasing an assessment tool and 40 minutes of teacher time per student to enter the data. It does not assume a cost for teacher observation time, as it is presumed that teachers will observe students through their normal course of work. This strategy also recommends enhancing the state longitudinal data system to better capture early childhood information. CEPI is already working to include additional data from early childhood programs in the data system. The investment estimate assumes modest additional investment to enhance and accelerate that process.

**New investment: \$6 million to \$10 million annually**

**9.1 Reform state board of education governance**—This recommendation will not require additional resources.

**New investment: \$0**

**9.2 Enhance the function and capacity of the Michigan Department of Education**—Over the longer run, an additional investment may be required, but in the short run, the investment needed for this strategy is assumed to be included in the investment estimate for strategy 2.2.

**New investment: No additional investment above the investment included for strategy 2.2**

**9.3 Reconceptualize the structure and function of intermediate school districts**—This strategy rationalizes the placement of various education functions but does not call for significant new services. Therefore, no new investment is needed.

**New investment: \$0**

**9.4 Support local efforts to consolidate**—The level of grant funding is a legislative decision, but an amount is given here to provide a guide for the level of funding that might be needed.

**New investment: \$10 million annually**

**9.5 Ensure access to high-quality educational options for all**—The strategy provides some options, but does not choose a specific approach. At this point, the required investment is still indeterminate.

**New investment: Indeterminate**