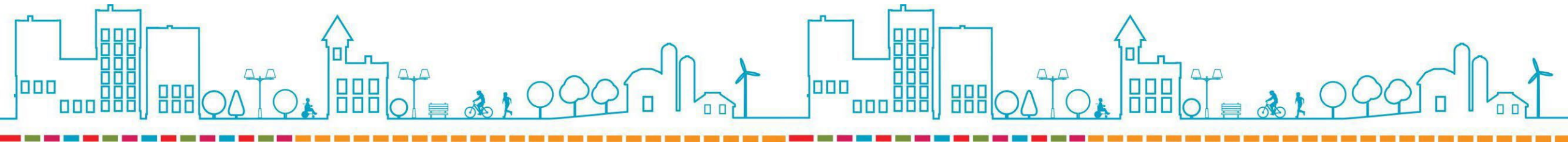


# Goal 8 of the State's Top 10 Strategic Education Plan: Provide Adequate & Equitable School Funding

State Board of Education  
January 9, 2024

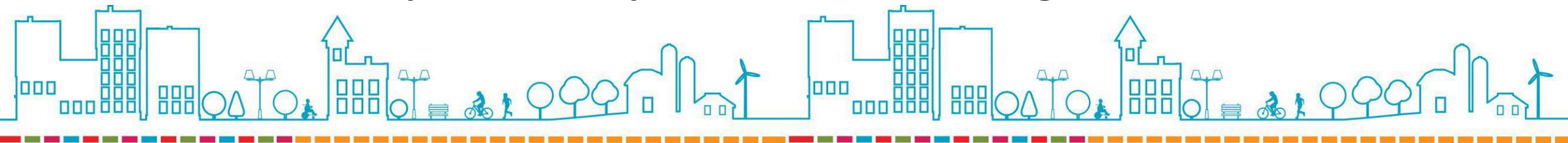
*Dr. Diane Golzynski, RDN, SNS, Deputy Superintendent  
Finance and Operations*

*Mr. Spencer Simmons, Director  
Office of Financial Management*

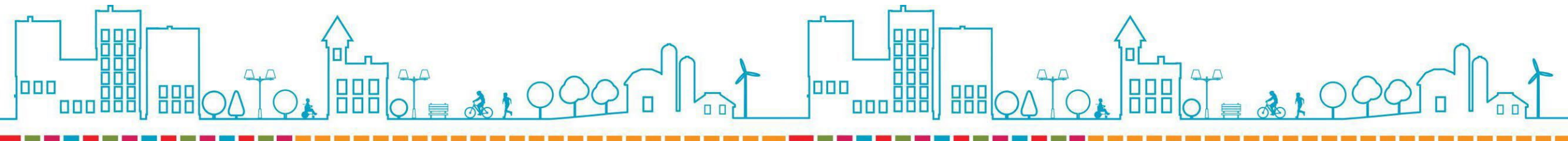


# Goals

1. Expand early childhood learning opportunities
2. Improve early literacy achievement
3. Improve the health, safety, and wellness of all learners
4. Expand secondary learning opportunities for all students
5. Increase the percentage of all students who graduate from high school
6. Increase the percentage of adults with a post-secondary credential
7. Increase the numbers of certified teachers in areas of shortage
- 8. Provide adequate and equitable school funding**



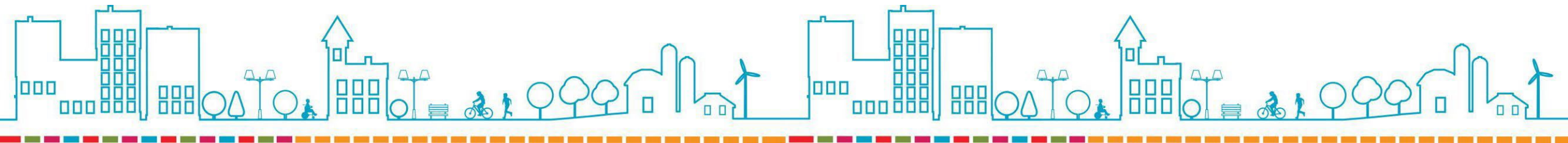
Goal	Metrics
<p>Provide adequate and equitable school funding</p>	<ul style="list-style-type: none"> <li>• Is there a weighted formula for poverty? Yes or no</li> <li>• Does the weighted formula match the School Finance Research Collaborative (SFRC) recommendation? Yes or no</li> <li>• What is the difference between the current funding formula and the SFRC recommendation?</li>   <li>• Is there a weighted formula for English learners? Yes or no</li> <li>• Does the weighted formula match the SFRC recommendation? Yes or no</li> <li>• What is the difference between the current funding formula and the SFRC recommendation?</li> </ul>



Goal	Metrics
<p>Provide adequate and equitable school funding</p>	<ul style="list-style-type: none"> <li>• Is there a weighted formula for students with disabilities? Yes or no</li> <li>• Does the weighted formula match the SFRC recommendation? Yes or no</li> <li>• What is the difference between the current funding formula and the SFRC recommendation?</li>   <li>• Is there a weighted formula for career and technical education? Yes or no</li> <li>• Does the weighted formula match the SFRC recommendation? Yes or no</li> <li>• What is the difference between the current funding formula and the SFRC recommendation?</li> </ul>



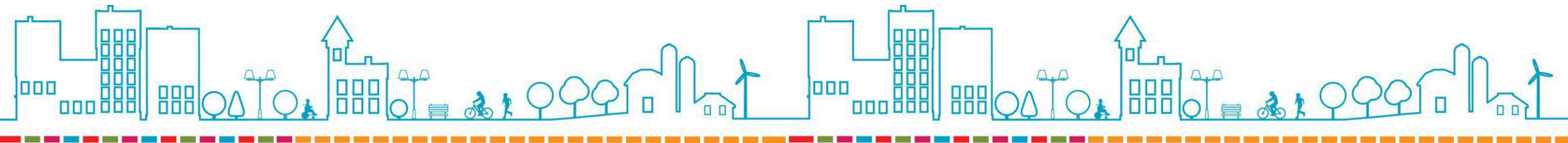
Goal	Metrics
<p>Provide adequate and equitable school funding</p>	<ul style="list-style-type: none"> <li>• Is there a dedicated funding amount per child for GSRP? Yes or no</li> <li>• Does the dedicated funding amount match the SFRC recommendation? Yes or no</li> <li>• What is the difference between the current funding formula and the SFRC recommendation?</li>   <li>• Does the state provide funding for transportation? Yes or no</li> <li>• Does the funding for transportation match the SFRC recommendation? Yes or no</li> <li>• What is the difference between the current funding and the SFRC recommendation?</li> </ul>



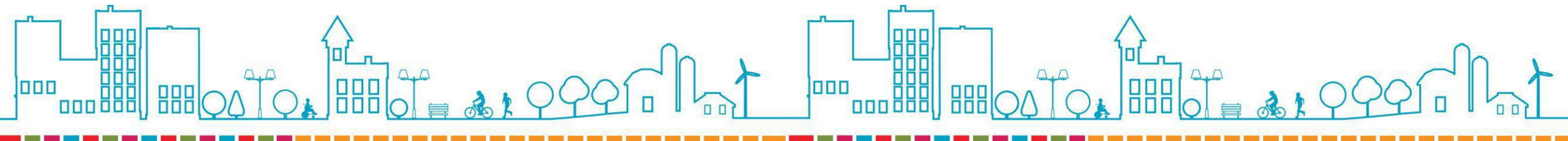
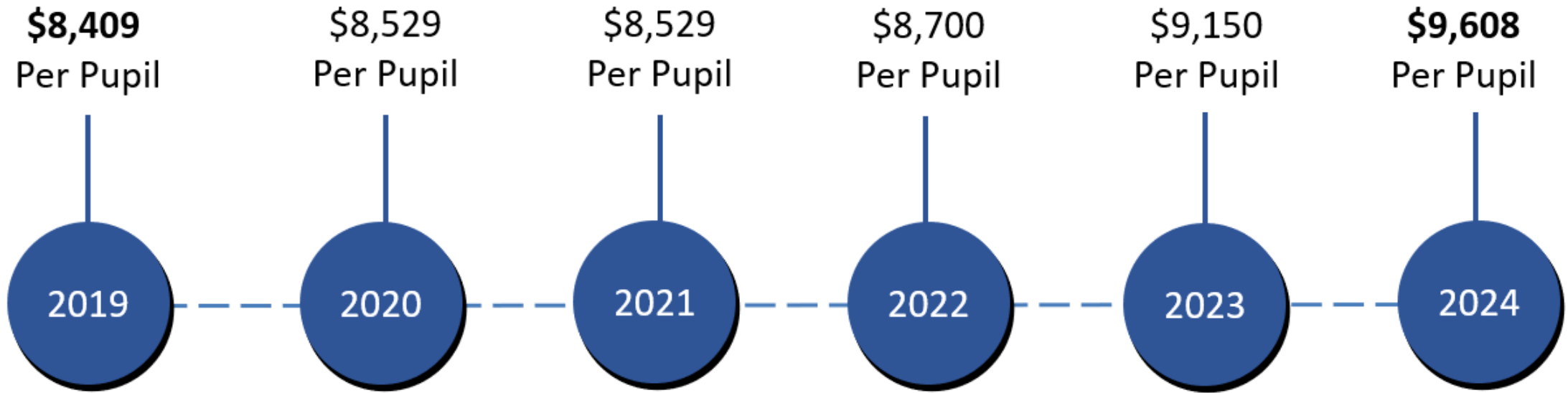


# Funding Michigan's Public Schools

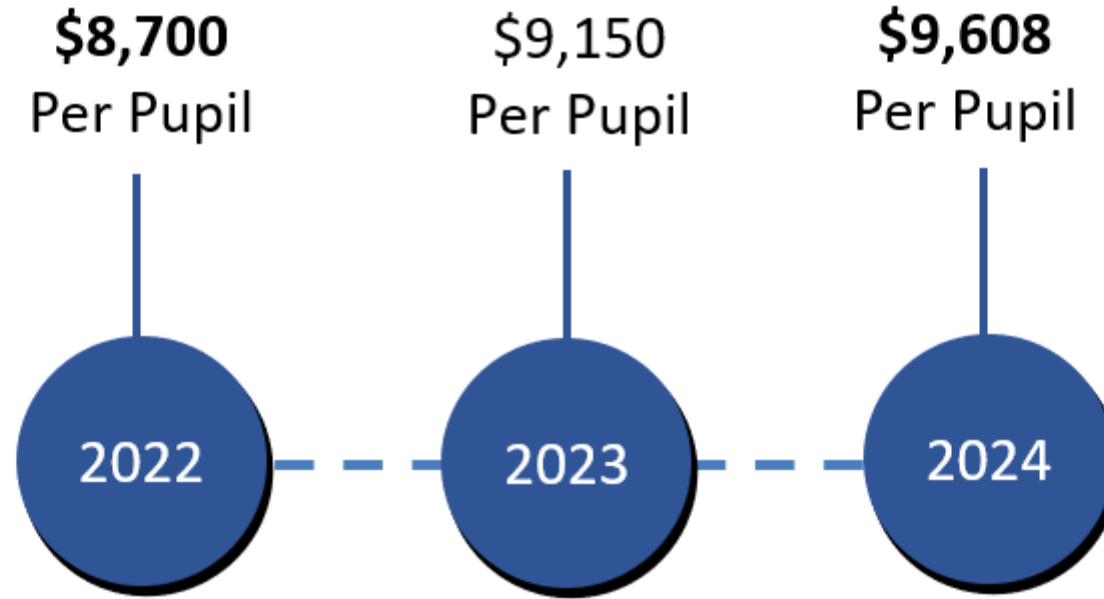
- There have been several school finance studies since 2015.
- Released in January 2018, the School Finance Research Collaborative (SFRC) is the largest and most detailed; however, limitations remained.
  - The SFRC recommended that additional studies further explore three other areas of school underfunding: Higher Concentrations of Poverty, Transportation Costs, and Capital Costs.
- Many SFRC recommendations have begun to be incorporated into the state school aid over the last two years. The opportunity index to fund higher concentrations of poverty (sec. 31a), the transportation study and funding (sec. 22I), and the infrastructure study and funding (sections 11y and 11x) are examples.



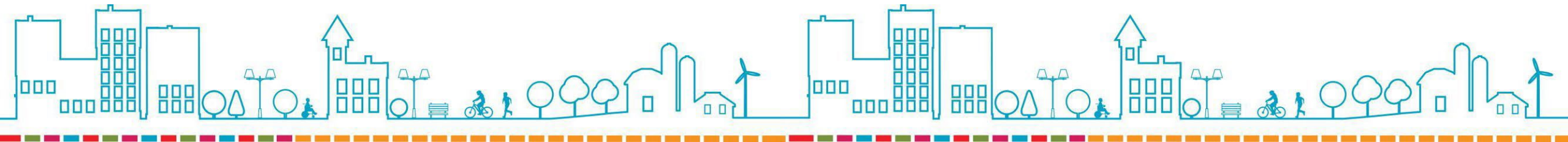
# Historical FY Per Pupil Target Foundation Allowance



# Two-Year Increase in Per Pupil Foundation Allowance



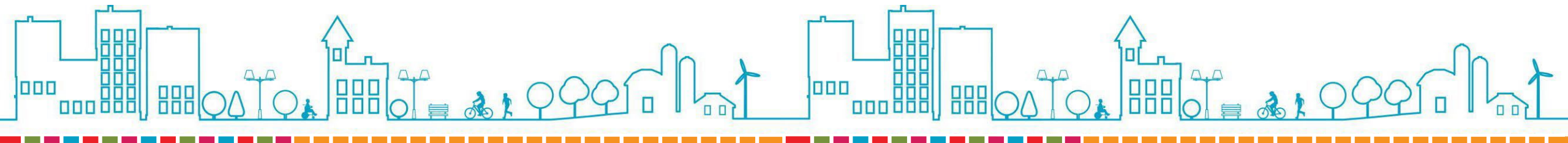
From \$8,700 in FY22 to \$9,608 in FY24, a **10.4% increase**





# Base Cost in SFRC Studies

- Base cost in SFRC studies is the amount of money it takes to educate a general education student.
- In the original 2018 SFRC study, the base cost was \$9,590.
- The SFRC conducted an update in 2021 and recommended a base cost of \$10,421.
- Adjusting for inflation, the base cost for the 2022-23 school year would be \$11,793.
- It's important to note that this base cost is not the same as the per pupil foundation allowance because it incorporates other funding streams.



## Local Revenue

- Local district millages to support foundation allowances
- ISD millages (e.g., operating and special education)

## State Revenue

- At-risk funding, CTE, and other funding

## Federal Revenue

- Title funding, Individuals with Disabilities Education Act funding

Local Revenue	\$4,200,000,000
State Revenue	\$17,630,000,000
Federal Revenue	\$2,560,000,000
<b>Total Funding for Pre-K-12</b>	<b>\$24,390,000,000</b>

***Note: Federal revenue does not include non-recurring pandemic relief funds.***



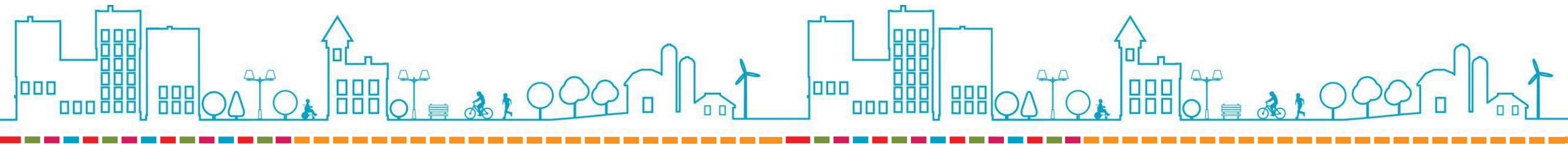
- Children in poverty are considered to be those whose families make 185% or less of the federal poverty level.
- SFRC recommends that these children receive 35% above the base funding.

The base cost is \$11,793 per student

Total number of students in poverty is 775,404

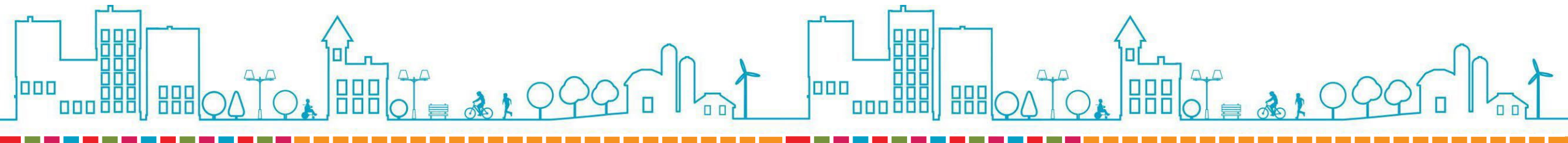
The SFRC recommended weight is 35% over and above base funding

Totaling **\$3.2 billion**



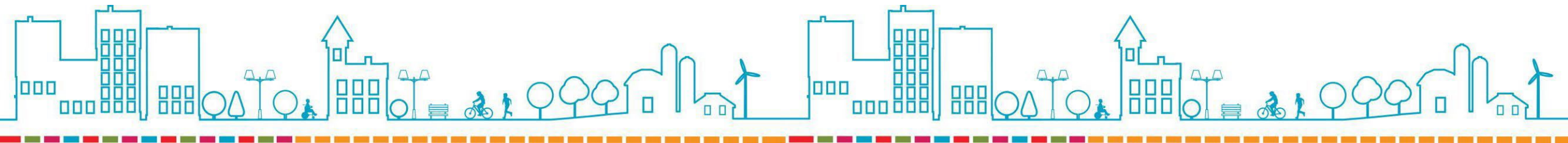
# High Needs Poverty Concentration

- In addition to the average additional cost of an individual poor student, SFRC noted that high concentrations of poor children, require more than simply 35% over and above base funding amount.
- If the poverty concentration cutoff for additional funding was set at 75% or higher, the cost would be **\$598 million**.
- If the poverty concentration cutoff for additional funding was set at 90% or higher, the cost would be **\$231 million**.



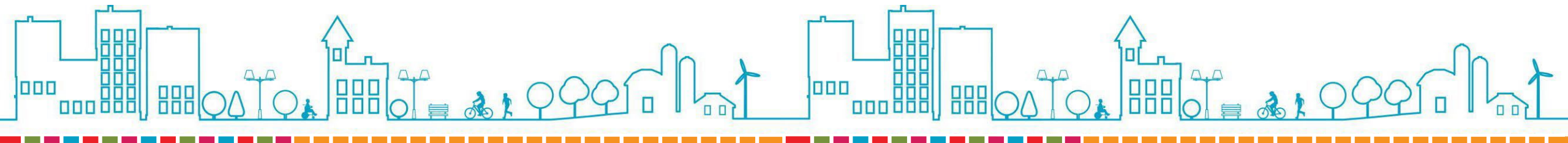
# FY24 Budget for Economically Disadvantaged Students

- **\$204.5 million** increase in FY24 for economically disadvantaged students (sec. 31a).
- From \$512 million in FY22 to \$952 million in FY24, a **\$440 million** or **86%** increase.
- The FY24 budget creates an “Opportunity Index” assigned annually for payments that are a percentage of the target foundation allowance.
  - With the Opportunity Index, districts receive more funding as the concentration of poverty (and thus the Opportunity Index score for the school district) increases.
  - Index score = (number of economically disadvantaged pupils)/(total number of pupils) x 100 (rounded up to nearest whole number).



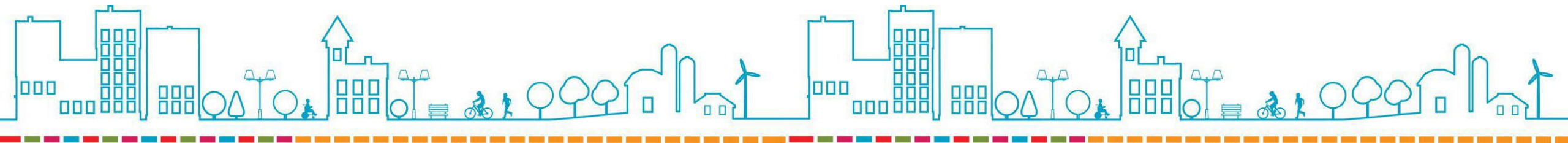


- For the 2022-23 school year, the SFRC English learner recommendation would cost **\$784 million**.
- The 2023-24 state budget includes a \$13.2 million increase to support English learners (sec. 41), for a total of **\$39.8 million**.

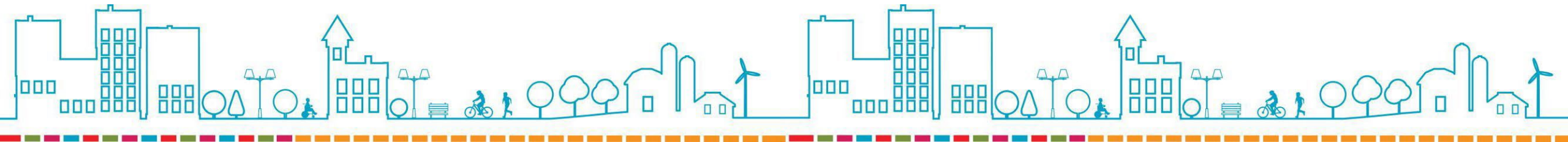
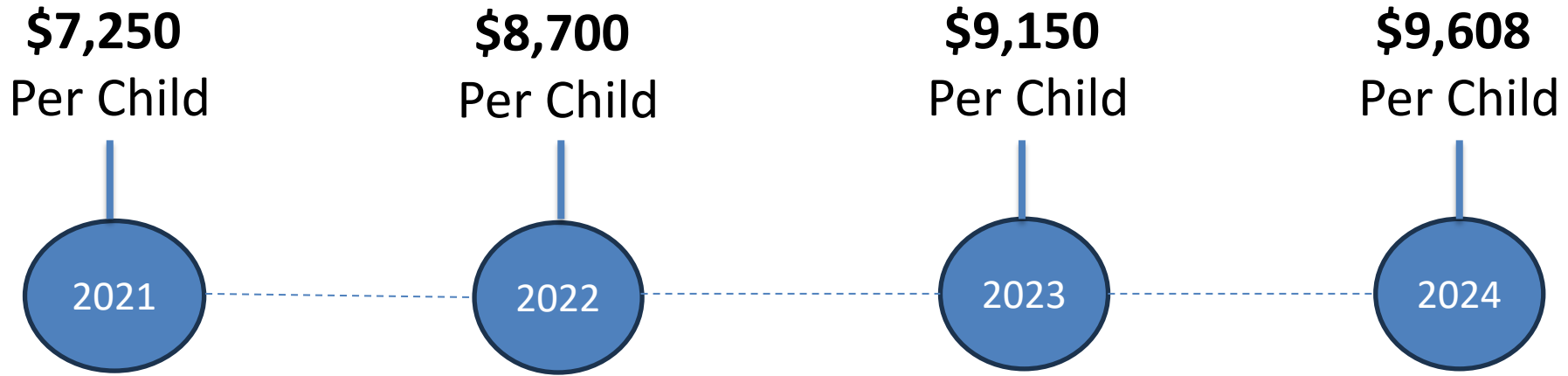


- **\$154.9 million** increase in FY24 for students with disabilities (excluding section 51e).
- From \$90.2 million (Sec. 51f) in FY22 to \$336.2 million (Sec. 51e) in FY23 to \$415.2 million in FY24, which is a **\$325 million** or **360%** **increase.**

\*\*Section 51f was rolled into a new section in FY23, which is now 51e.

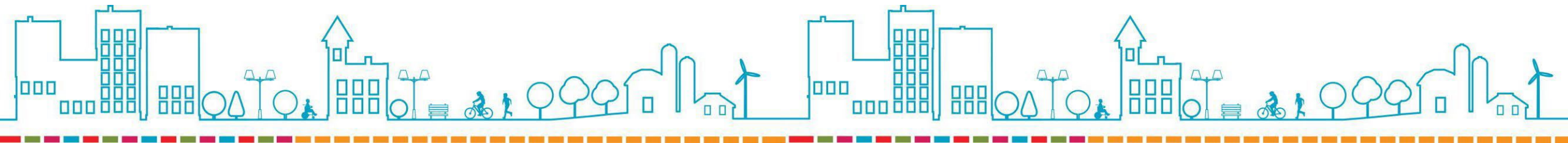


# Historical GSRP Per Child Funding (Full Day, 30 weeks of instruction)



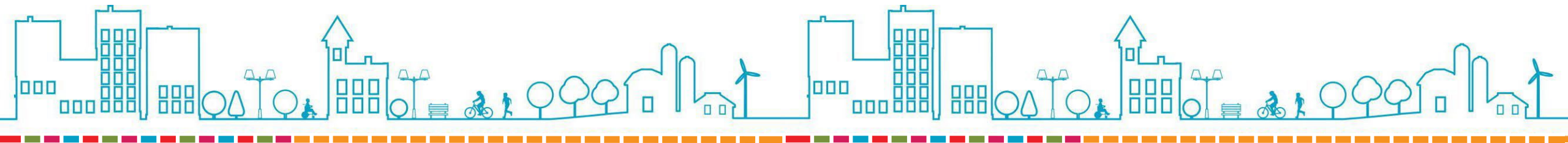
# GSRP Foundation Payment compared to SFRC Recommendation for Universal Preschool

- For FY24, the GSRP Foundation Payment is **\$11,530/eligible child** for 5 days per week (36 weeks of instruction per year) flexibility.
- For 2022-23, the SFRC recommended Universal Preschool cost would be **\$17,539/eligible child**, or **\$1.526 billion** for 87,000 children.



- In November 2022, the SFRC released a study on transportation costs in Michigan.
- Using 2018-2019 transportation data, applying the SFRC transportation recommendation would cost the state **\$402 million**.

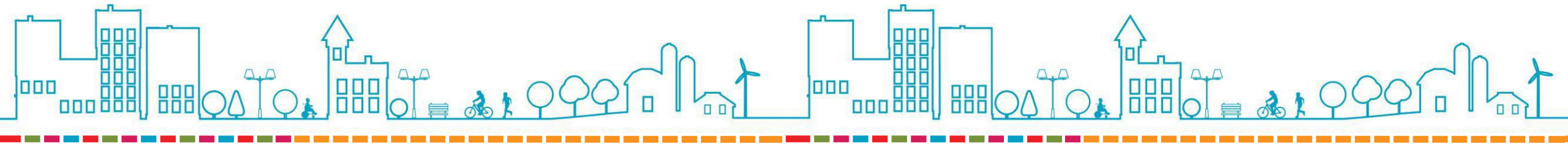
*Note: 2018-19 transportation data was used because it was not affected by the pandemic.*





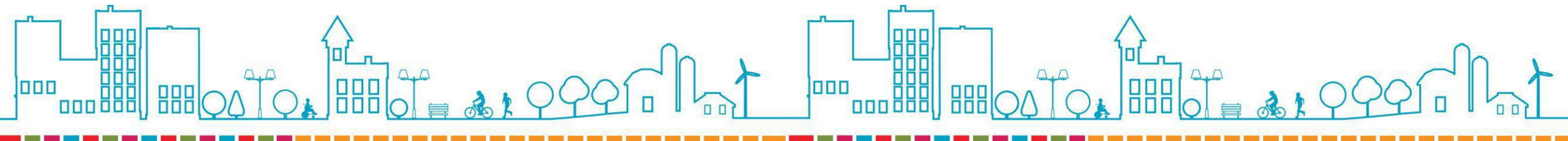
# SFRC Transportation Study

- For the 2022-23 school year, the SFRC transportation recommendation would cost the state **\$487 million**.
- On the recommendation of the School Finance Research Collaborative and the Michigan Department of Education, for the first time ever in FY24, the state budget includes **\$125 million** to reimburse school districts for the cost of **general education pupil transportation** (sec. 22I).



# Capital Costs

- The U.S. Government Accountability Office (GAO) found low-poverty districts spend \$300 more per pupil on capital expenditures compared to high-poverty districts nationally.
- Of the 45 school bond proposals in November 2023 in Michigan for new and renovated K-12 buildings, 25 were passed by voters.
- The success rate for passing a bond was better for wealthier districts than for poorer districts: 66% compared to 48%.



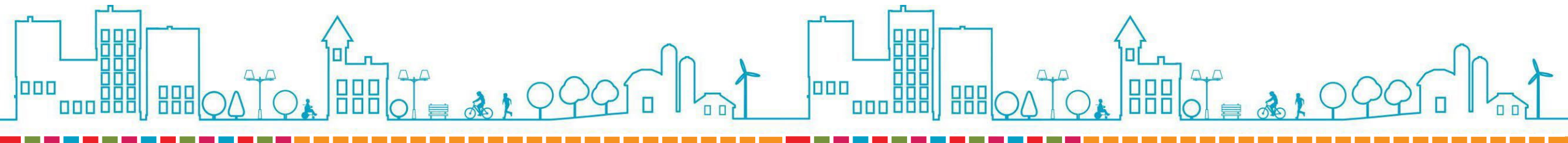
In Michigan in November 2023, higher poverty districts passed much less in total funding than lower poverty districts.

Name	Poverty Ratio	Pass Amount	Total Students	Total Per Student
<b>Westwood Community Schools</b>	0.89	\$24,500,000	1,485	
<b>Bentley Community Schools</b>	0.86	\$8,320,000	748	
<b>Hartford Public Schools</b>	0.83	\$22,600,000	1,364	
<b>Grand Rapids Public Schools</b>	0.78	\$305,000,000	13,657	
		<b>\$360,420,000</b>	<b>17,254</b>	<b>\$20,889</b>
<b>Manchester Community Schools</b>	0.31*	\$64,820,000	771	
<b>Howell Public Schools</b>	0.31*	\$258,000,000	6,871	
<b>Forest Hills Public Schools</b>	0.15	\$340,000,000	9,163	
<b>East Grand Rapids Public Schools</b>	0.08	\$158,900,000	2,938	
		<b>\$821,720,000</b>	<b>19,743</b>	<b>\$41,621</b>

\*above the 25% threshold set by GAO for a low poverty district



- The SFRC recommended a funding placeholder for districts to address the ongoing maintenance issues until a capital study was completed. Based on 2022-23 enrollment, that amount would cost the state a minimum of **\$676 million**.
- 2021-22 total capital costs reported: **\$4.3 billion**
  - Operations and maintenance cost: \$2 billion
  - Building acquisition, construction, and improvement costs: \$2.3 billion



# Metrics Progress

Goal	Metrics
<p>Provide adequate and equitable school funding</p>	<ul style="list-style-type: none"> <li>• Is there a weighted formula for:               <ul style="list-style-type: none"> <li>• poverty?</li> <li>• English learners?</li> <li>• students with disabilities?</li> <li>• career and technical education?</li> </ul> </li> <li>• Does the state provide funding for transportation?</li> <li>• Is there a dedicated funding amount per child for GSRP?</li> <li>• Does it match the School Finance Research Collaborative (SFRC) recommendation?</li> </ul>

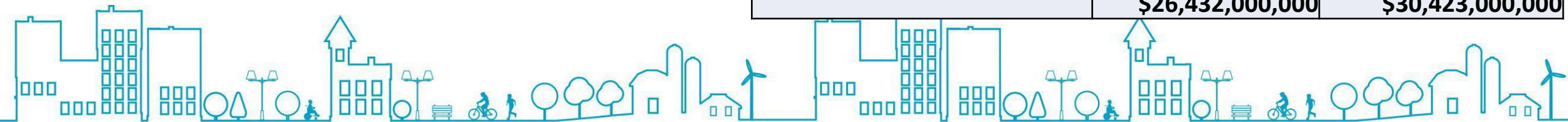




# Comparing Actual Funding in 2022-23 to SFRC Recommendations

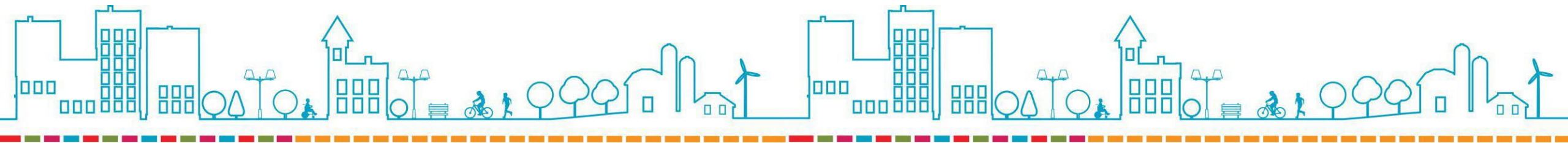
Total Funding for Pre-K-12	
Local Revenue	\$4,200,000,000
State Revenue	\$17,630,000,000
Federal Revenue	\$2,560,000,000
	<b>\$24,390,000,000</b>

SFRC Recommendations	Low	High
Base Cost	\$16,000,000,000	\$16,000,000,000
Poverty Weight	\$3,200,000,000	\$3,200,000,000
English Learner Weight	\$784,000,000	\$784,000,000
Special Education Costs	\$3,400,000,000*	\$3,400,000,000*
Career/Tech Ed Weight	\$128,000,000	\$128,000,000
Universal Preschool	\$1,526,000,000	\$1,526,000,000
SFRC Transportation Study	\$487,000,000	\$487,000,000
High Need Poverty Weight	\$231,000,000	\$598,000,000
Capital Costs	\$676,000,000	\$4,300,000,000*
	<b>\$26,432,000,000</b>	<b>\$30,423,000,000</b>



\*costs reported in the Financial Information Database

- In spite of the two best back-to-back funding years in state history since Proposal A, education remains underfunded in this state.
- Based on the SFRC recommendations and depending on the results of the capital cost study and the transportation study, Michigan schools continue to be underfunded by **\$2 billion** (low) to **\$6 billion** (high) annually.



# Thank You!

