

Michigan

Funding Basics

Formula Type

Michigan has a primarily student-based formula. It assigns a cost to the education of a student with no special needs or services, called a base amount, and provides increased funding to educate specific categories of students. The categories of students considered in Michigan's funding policy are students in certain grade levels, English-language learners, students from low-income households, students with disabilities, students enrolled in career and technical education (CTE) programs, students enrolled in schools with concentrated poverty, and students enrolled in small and remote or sparsely populated districts.

Michigan expects school districts to contribute to the funding of their public schools, with the amount of the local share based on districts' property values and districts' school funding histories.

Supplemental funding for students from low-income households is generated through the application of a multiplier to the base amount. Supplemental funding for English-language learners is provided in the form of dollar amounts provided in addition to the base amount. Services for students in certain grade levels, students with disabilities and students enrolled in CTE programs, as well as support for sparsely populated and small and remote districts, are funded through program-specific allocations.

Base Amount

Michigan has a base funding amount per student. For FY2024, the per-student base funding amount was $9,608 for nearly all districts.

This means that an average student with no special needs or disadvantages would be funded at that level. For districts where the per-student base funding amount exceeded this amount in the prior year, the base amount is equal to the prior-year base amount, increased either by inflation or by the amount by which the statewide base amount has risen since the prior year, whichever is less.

Local Revenue

Expected Local Share

Michigan expects school districts to contribute revenue to the funding of public schools. The amount each district is expected to raise for its education costs is based on its property values and its school funding history: Each district is expected to contribute $18.00 for every $1,000 of assessed local property wealth (excluding the value of principal residences and agricultural properties) for the purpose of funding its schools, or a lower rate that depends on the district's school funding history.

In calculating the amount of funding necessary for each district, the state considers the number of students enrolled in the district, excluding students with disabilities. The base amount for students with disabilities is covered entirely by the state and is not subject to the local contribution requirement. Once the state calculates the total amount of funding necessary to educate students within a district, it subtracts the expected local contribution and provides the difference in the form of state education aid.

For districts where the local property tax rate for education was lower than $18.00 per $1,000 of assessed local property wealth in 1993-94, prior to the state's last major funding reform, the expected local contribution is calculated based on that lower rate. Additionally, school districts whose property values have risen faster than the rate of inflation will see their tax rates reduced; however, the expected local contribution is calculated based on the unreduced rate, and state aid is provided as though these districts were levying the full $18.00 per $1,000 of assessed property wealth.

Property Tax Floors and Ceilings

Michigan sets a ceiling for local property tax rates. School district property tax rates are limited to $18.00 for every $1,000 of local property wealth (excluding the value of principal residences and agricultural properties), or to a rate that varies depending on the district's school funding history.

Certain districts are permitted to impose further taxes on both homestead and non-homestead property if necessary to raise as much revenue as they received in FY 1994. Moreover, certain school districts whose property values have risen faster than the rate of inflation may be required to reduce their tax rates to offset this increase, and may increase them only with voter approval, up to $18.00 per $1,000 of assessed local property value. In addition to these taxes, school districts may impose additional taxes to pay for capital projects or to purchase land for future building projects, with voter approval. Intermediate school districts may impose a further $3.00 for every $1,000 of local property wealth for operations.

Though districts are expected to raise $18.00 for every $1,000 of assessed local property wealth for the purpose of funding its schools, this tax requires voter approval.

Other Local Taxes for Education

School districts in Michigan receive local revenue only from property taxes.

Student Characteristics

Grade Level

Michigan provides different levels of funding for students in different grade levels. It does so through program-based allocations. These programs are largely focused on early learning and literacy in grades pre-K-3.

The state provides funds for literacy coaches at intermediate districts to assist teachers in providing literacy instruction in grades pre-K-3; the state allocated $42 million for this purpose in FY2024. Additionally, the state provides funding to support additional instructional time for students in grades pre-K-3 who are identified as requiring additional support in reading; the state allocated $19.9 million for this purpose in FY2024.

English-Language Learner

Michigan provides increased funding for English-language learners through a three-tiered system based on the student's level of proficiency. In FY2024 the payments were set at $1,476, $1,019, or $167, depending on the student's level of proficiency. However, these amounts can be reduced if the state does not appropriate sufficient funding to cover them.

School districts receive $1,476 per full-time-equivalent English-language learner who receives a composite score of between 1.0 and 1.9 on the state's English proficiency assessment, $1,019 per full-time-equivalent English-language learner who receives a score of between 2.0 and 2.9, and $167 per full-time-equivalent English-language learner who receives a score of between 3.0 and 3.9.

In FY2022, the state allocated $39.7 million for this purpose.

Poverty

Michigan provides increased funding for students from low-income households, with these students generating at least 11.5% more than the base amount for the district. The added funding escalates as the poverty level of the district rises, under a tiered system approved by the legislature in 2023. (See "Concentrated Poverty")

Students are eligible for this supplemental funding if they qualify for free or reduced-price lunch under the National School Lunch Program; receive supplemental nutrition assistance or Temporary Assistance for Needy Families; or are homeless, migrant, or in foster care.

The stated purpose of this funding is to ensure that students are proficient in reading by grade 3 and that high school graduates are college- and career-ready. This supplemental funding may be used only for specified purposes, including instructional programs and direct noninstructional matters such as health and counseling services. It may not be used for administrative costs.

Special Education

Michigan funds special education using a partial reimbursement system, in which districts report their special education expenses to the state and receive reimbursement for a portion of those expenses.

By statute, the state reimburses districts for 28.6138% of total approved costs for special education, including salaries for special education personnel, and 70.4165% of total approved costs for special education transportation. Additionally, the state has appropriated funds specifically to increase these reimbursement percentages by approximately 3 percentage points. If these proportions amount to less than the full per-student base amount times the number of students with disabilities, then the state must provide at least that number. This is because the entire base amount for special education students is covered by the state, with no required contribution from the district. However, reimbursement may generally not exceed 75% of total approved costs.

The remainder of state special education funding is distributed through specific program-based allocations, including funds to cover approved costs for students receiving special education services in certain residential settings and to pay tuition for those enrolled at the Michigan School for the Deaf and the Michigan School for the Blind. The state allotted $820 million toward special education funding in FY2024.

Gifted

Michigan does not provide increased funding for gifted and talented students.

Career and Technical Education

Michigan provides increased funding for career and technical education (CTE) programs. It does so through a flat allocation for each student enrolled in these programs and through a reimbursement system, in which districts are partially reimbursed for the added cost of providing these programs.

The state provides a flat allocation for each student enrolled in at least one CTE program. This allocation was set at $35 per pupil in FY2022. Additionally, districts receive a proportional share of the total amount of state money appropriated for this purpose ($48 million in FY2024) in accordance with their CTE program costs, not to exceed 75% of the added cost of any program.

In FY2024, the state also allocated $8 million for CTE early and middle college and dual enrollment programs. The FY2024 budget also provides for up to $15 million in grants to career education planning districts.

District Characteristics

Concentrated Poverty

In 2023, Michigan's legislature created an "Opportunity Index" that includes six tiers of funding based on the level of concentrated poverty in the school district. Economically disadvantaged students from communities without much poverty would generate at least 11.5% in additional funds for their school district. In a high-poverty community, the same students would generate up to 15.3% in additional funds.

Within each of the first five tiers, the the funding weight increases incrementally as poverty increases. As the highest tier, every low-income student is funded at the maximum weight. After a phased-in implementation, the maximum weight for the highest-poverty districts should reach 47%.

In FY2024, the new index will drive about $952 million in funding, $200 million more than previous at-risk weight investments in the state's funding formula.

Sparsity and/or Small Size

Michigan provides increased funding for sparse districts generally, small and remote districts, and sparse districts with low and decreasing enrollment. It does so in three ways: by providing supplemental funding for small and remote districts, by providing supplemental funding for sparse districts that are not small and remote, and by modestly inflating the student count for sparse districts with low and decreasing enrollment.

Small and remote districts are those that serve grades K-12, that enroll fewer than 250 pupils, and whose schools are located either on the state's Upper Peninsula at least 30 miles from any other public school or on islands that are not accessible by bridge. These districts receive supplemental funding in accordance with plans that are based on their needs and financial circumstances; $1.56 million was allocated for this purpose in FY2022. Sparse districts, defined as those with 10 or fewer pupils per square mile that are not eligible for small and remote funding, receive funding as well, with the greatest funding going to districts with fewer than 8 pupils per square mile and a smaller amount going to districts with between 8 and 10 pupils per square mile; $11.6 million was allocated for isolated and rural districts in FY2024.

Sparse districts with low enrollment, defined as those with fewer than 1,550 students and 4.5 pupils or fewer per square mile that are not eligible for small and remote funding, receive funding in accordance with an adjusted student count equal to the greater of the district's actual student count or its average student count over the previous three years. This adjustment compensates somewhat for declining enrollment.

Charter Funding

Funding for charter schools in Michigan is calculated based on a formula distinct from the one used to calculate funding for traditional public schools.

Charter schools in Michigan receive from the state either the base per-student funding equal to that of the district where the school is located or the state maximum charter school allocation, whichever is less. Virtual charter schools receive the base per-student funding equal to that of the district that authorized the school, or the state maximum, whichever is less. The maximum charter school allocation is equal to the minimum base amount. Charter schools also receive any additional funding generated by students in special need categories.

Charter schools in Michigan do not receive a share of local tax revenue.

For a complete list of primary sources, please see the appropriate state page at funded.edbuild.org

