

# FundEd: Michigan Report

## A Detailed Look at Michigan's Funding Policies



## Michigan



### Funding Basics

#### Formula Type

Michigan has a primarily student-based funding formula. It assigns a cost to the education of a student with no special needs or services, called a base amount. It then accounts for the additional cost of educating specific categories of students by adding supplemental, flat dollar amounts to the base amount for each student in certain categories, by applying multipliers to the base amount to generate supplemental funding for certain students, and through program-specific allocations.

The categories of students generating supplemental funding in Michigan are high school students, English-language learners, and low-income students, and for some sparsely-populated and small districts. Services for students with disabilities and students enrolled in career and technical education programs, and for sparsely-populated and small districts are funded through program-specific allocations.

#### Base Amount

Michigan has a base funding amount per student. For FY2018, the per-student base funding amount was generally \$8,289, though there was some variation based on historical district funding levels.

\$8,289 was the state's target base amount for the year, and that figure served as the base amount for most districts. However, some districts—those that were funded at particularly low levels prior to the state's last major funding reform—may currently receive funding below the base amount. These districts' base amount may not be less than a minimum level, which was set at \$7,631 in FY2018.

The target base amount is increased each year by an increment specified in legislation. According to statute, districts whose base funding levels fall at the minimum level receive increases at double this increment so that their funding approaches the target base amount, and eventually reaches it. Districts whose base funding levels fall between the minimum level and the target base amount receive increases on a sliding scale.

### 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: 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.

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 cost of educating these students 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.

## 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).

Certain districts are permitted to impose further taxes on both homestead and non-homestead property if they need to in order to raise as much revenue as they received in FY1994. 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. 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.

## District Characteristics

### Grade Level

Michigan provides different levels of funding for students in different grade levels. It does so both by providing supplemental funding for high school students.

Beginning in FY2018, Michigan provides an additional \$25 per high school student.

### English-Language Learner

Michigan provides increased funding for English-language learners (ELLs). It does so in the form of a flat allocation for each English language learner, which in FY2018 was \$620 or \$410, depending on the student's level of proficiency.

School districts receive \$620 per full-time ELL who receives a composite score of between 1.0 and 1.9 on the state's English proficiency assessment, and \$410 per full-time ELL who receives a score of between 2.0 and 2.9.

Additionally, in FY2018, the state distributed \$11 million in federal funding, provided through language acquisition state grants, to be spent on English instruction for ELL students.

## Poverty

Michigan provides increased funding for students from low-income households. It does so by applying a multiplier of 1.115 to the base per-pupil amount for these students. However, the amount can be reduced if the state does not appropriate sufficient funding to cover the allocation.

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 (TANF), or are homeless, migrant, or in foster care. Districts whose local revenue exceeds their formula amount were not previously eligible for this funding, but will receive 30% of what other districts receive per low-income pupil in FY2018. In total, Michigan appropriated \$499 million for this supplemental funding in FY2018.

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 only be used for specified purposes, including instructional programs and direct non-instructional services 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. 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, the reimbursement may 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 the base amount for students receiving special education services in a residential institution setting and to pay tuition for those enrolled at the Michigan School for the Deaf and the Michigan School for the Blind.

## 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 reimbursement system, in which districts are partially reimbursed for the added cost of providing these programs.

Districts receive a proportional share of the total amount of state money appropriated for this purpose (\$36.6 million in FY2018) in accordance with their CTE program costs, not to exceed 75% of the added cost of any program.

In FY2018, the state also appropriated \$1 million for grants to intermediate districts to hire CTE counselors, \$8 million for CTE early and middle college and dual enrollment programs, and \$9.6 million to purchase equipment.

## 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; enroll fewer than 250 pupils; and whose schools are located either on the state's Upper Peninsula at least thirty 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. Sparse districts, defined as those with 7.3 pupils or fewer per square mile that are not eligible for small and remote funding, receive a share of the funding allocated for this purpose in proportion to their enrollment.

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 its actual student count or its average student count over the previous three years. This adjustment compensates somewhat for declining enrollment.

For a complete list of primary sources, please see the appropriate state page at [funded.edbuild.org](http://funded.edbuild.org)

