ENGINE OF INEQUALITY:
Michigan’s Education System
By The Education Trust–Midwest
INTRODUCTION

Every student deserves access and opportunity to the educational resources and support that they need to achieve and fully realize their unique potential. Fair education opportunities are both essential for a healthy democracy, as well as building a globally competitive workforce. A strong education system is foundational to the American promise of self-determination and self-realization — and the opportunity for every child in America to pursue their own American dream.

Indeed, we believe all students can learn at high levels when taught and supported at high levels. Yet, Michigan’s K-12 education system has arguably never truly supported all students to reach their full potential and prepare them for post-secondary opportunities and success.

Instead, Michigan’s education system has served as an engine of inequality when it should be providing opportunities for all kids to learn. Too often, students who live in communities without the means to provide necessary supports do not grow up with the conditions they need to thrive academically and otherwise. Now is a critical time to address these long-standing education opportunity gaps, as Michigan works to utilize the historic federal investment in education and recover from the impacts of COVID-19 on student learning, which disproportionally affected historically underserved students.¹

Today’s students can’t afford to wait any longer.

Remaking Michigan’s education system to be an engine of opportunity means ensuring all students, no matter their life circumstances, have the right resources and support to achieve. Providing equal supports to all students simply isn’t enough to close opportunity gaps and give every student a fair shake. Instead, Michigan must invest significantly more in the students who have additional needs to ensure they have the resources and supports needed for success at school and in life.

A critical step to closing opportunity gaps is addressing the structural issues in Michigan’s funding system that perpetuate inequities. This includes making significant investments to close the funding gap between what low-income students, English Learners and students with disabilities currently receive under Michigan’s school funding formula and what leading states practice and what high-quality empirical research indicates they need to reach the same outcomes as their peers who have no additional needs.

Many staff and partners contributed to the research and development of this report, including: Chief of Staff Mary Grech, Executive Director Amber Arellano, Director of Policy and Research Tabitha Bentley, Data and Policy Analysts Riley Stone and Hayley Butler, and Director of Communications Jennifer Mrozowski. We are also grateful for the input and collaboration of our colleagues across the country including The Education Trust President and CEO John B. King, Jr., Vice President for P-12, Policy and Practice at The Education Trust Ary Amerikaner, Special Assistant for State Funding and Policy Zahava Stadler, and Associate Director for P-12 Analytics at The Education Trust Ivy Morgan.
Creating a more equitable public school system in Michigan that serves the needs of ALL students is a fundamental necessity for putting the state on a solid path to becoming one of the top 10 premier education states in our nation.

— Alice Thompson, CEO of BFDI Educational Services Inc. and Chair of the Education Committee, NAACP Detroit Branch

Michigan Partnership for Equity and Opportunity

We are proud to stand up alongside the diverse, committed leaders and organizations who are part of the new Michigan Partnership for Equity and Opportunity to collectively advocate for policy change and investment that will close opportunity gaps in Michigan. As a partnership, we believe every student deserves funding that is sufficient for supporting their unique needs and that Michigan must invest in public education and commit to support students who have been underserved for decades.

For more on this new effort, go to partnersformistudents.org

Michigan has a long way to go.

National research showed Michigan’s funding formula as one of the most regressive school funding formulas in the country.² Specifically, the research showed that, on average, Michigan’s highest poverty districts received five percent less state and local funding than Michigan’s lowest poverty districts despite serving a student population with significantly greater needs.³ Michigan’s funding system is not only unfair and deeply inequitable; it’s also inadequate. According to a report from Michigan State University (MSU), between 1995 and 2015, Michigan had the lowest total education revenue growth of all 50 states.⁴ MSU researchers also found, when adjusted for inflation, Michigan’s per-pupil funding declined by 22 percent between 2002 and 2015.⁵
Michigan is One of Only Sixteen States Providing Less Funding to Highest Poverty Districts than to Lowest Poverty Districts

**Reading this figure:** In Utah, the highest poverty districts receive 21 percent more in state and local funds per student than the lowest poverty districts (not adjusted for additional needs of low-income students). In states shaded in green, the highest poverty districts receive at least 5 percent more in state and local funds per student than the lowest poverty districts; in states shaded in red, they receive at least 5 percent less. Grey shading indicates similar levels of funding for the highest and lowest poverty districts. Note that although all displayed percentages are rounded to the nearest percentage point, states are ordered and classified as providing more or less funding to their highest poverty districts based on unrounded funding gaps.

**Source:** The Education Trust, Funding Gaps Report 2018

**Notes:** Hawaii was excluded from the within-state analysis because it is one district. Nevada is excluded because its student population is heavily concentrated in one district and could not be sorted into quartiles. Alaska is excluded because there are substantial regional differences in the cost of education that are not accounted for in the ACS-CWI. Because so many New York students are concentrated in New York City, we sorted that state into two halves, as opposed to four quartiles. Though included in the original publication, data from Ohio are now excluded from this chart because of subsequently discovered anomalies in the way Ohio reported its fiscal data to the federal government.
Michigan Dramatically Underfunds Needs of Historically Underserved Student Groups

The children who have borne the brunt of this insufficient and unfair approach to educational investment are Michigan’s most vulnerable children, from English Learners to low-income children to students with disabilities to students living in rural, isolated communities or communities with concentrated poverty.

Michigan’s Education Performance Must Improve to Increase Students’ Lifetime Earning Potential

Overall, Michigan ranks 32nd in 4th grade reading and 28th overall in 8th grade math, as measured by the NAEP assessment. In 4th grade reading, an important measure of students’ early literacy skills which are foundational for continued academic success, Michigan ranks in the bottom ten states for Black student performance and in the bottom half for low-income and Latino student performance. By one estimate, the lifetime earnings of Michigan’s current K-12 students could increase by $27 billion if their educational achievement matched the national average.

Michigan underfunds these groups of students at devastating levels. The Education Trust-Midwest’s new analysis of national research found that although Michigan is one of many states that targets some additional dollars for low-income students, Michigan’s weight of 11.5% is among the lowest in the country. That’s compared to states that also distribute these additional dollars by applying a weight or multiplier to a foundation level of per-pupil funding, according to data from EdBuild, a leading national organization that focused specifically on school funding policy. Moreover, due to a loophole in state law, this funding stream is regularly subject to budget cuts. Indeed, the state has actually spent only about 9% more on most low-income students in recent budget years due to the automatic cut to funding for poor students when there is a budget shortfall. This section of legislation in the School Aid Fund boilerplate requires cuts to be made first to funding for low-income students before cuts can be made to other sections of the School Aid budget when there is a funding shortfall. This loophole is routinely used to underfund the low-income student weight without requiring a vote of the legislature. This is unacceptable and should be repealed. It’s time Michigan eliminates this unfair legislation that balances the budget on the backs of its poorest students. Instead, legislators should add funding for low-income students and other vulnerable student groups to the list of funding streams that cannot be prorated.
Michigan should also look to states such as Massachusetts and Maryland that are phasing in weights for low-income students that provide significantly higher funding levels than Michigan for those students than for students who have no additional needs. Once Massachusetts fully phases in the newly adopted, transformative weights for low-income students, the state will spend up to an additional $8,797.76 per pupil on low-income students, compared to the $755.78 of additional funding Michigan spent per pupil on most low-income students last fiscal year. Ultimately, Michigan’s formula provides only one tenth of the weight that leading states practice, and research indicates is needed, to provide fair and meaningful access to opportunity for low-income students, according to the analysis.

Similarly, the level of additional funding that Michigan provides for English Learners is the lowest in the country among states that apply a weight or multiplier to the foundation amount for per-pupil funding, according to data from EdBuild. Compared to states like Maryland, which is phasing in a weight of 85% more, and Georgia which now allocates 159% more funding to English Learners, Michigan is missing the mark. Michigan allocates between about 1% and 11% more funding for English Learners (depending on their English language proficiency levels) than for students with English as their native language. Research recommends English Learners receive at least twice as much funding as native English speakers to provide them with the additional resources and instructional supports necessary for language acquisition.

Michigan is underfunding vulnerable groups of students at devastatingly low levels. Our public education system is acting as an engine of inequality rather than the engine of opportunity that all Michigan students deserve. We can change that...

— Amber Arellano, Executive Director of the Education Trust-Midwest
Michigan’s Weights for Vulnerable Students Are Far Below Leading States

Funding Weight for Students from Low-Income Families

- MI*: 11.5%
- MA**: 73%
- MD***: 159%
- MI****: 9%

Funding Weight for English Learners

- MI**: up to 105%
- GA: 159%
- MD***: 85%


Notes:
* In MI, because of a legislative loophole, only about 9% more has actually been spent on most low-income students in recent budget years even though Michigan’s low-income weight is legislated to be 11.5%.
** In MA, districts with the highest percentage of low-income students will receive 105% more for low-income Junior/Middle school students after new policies are fully phased in. Under MA’s new school funding policy, the amount of additional funding allocated for low-income students is sensitive to the district’s concentration of poverty. There is also variation in the base amount allocated for different grade bands.
*** The percentage weights listed for MD reflect the additional amounts of funding that will be provided for student populations when the legislation is fully phased in fiscal year 2033. For fiscal year 2022, students from low-income families have a 91% weight and English Learners have a 100% weight.
**** Michigan allocates between about 1% and 11% more funding for English Learners (depending on their English language proficiency levels) than for students with English as their native language.
Michigan also chronically underfunds needed services for students with disabilities. Due to Michigan’s partial reimbursement system, which is uncommon compared to other states’ approaches to funding special education services, Michigan districts shoulder most of the funding responsibility for students with disabilities but have varying capacities to cover these costs. For instance, districts with higher special education costs may have to rely on general fund revenues to pay for special education costs not covered by state, county, or local funds designated for special education. As a result, both students with disabilities and typically developing students are shortchanged. Decisions about services for students with disabilities should never be made with the bottom line in mind. Similarly, schools also need sufficient resources to address the learning needs of students without disabilities. An MSU study found that in order to fully fund special education costs, Michigan districts use more than $500 per pupil from general education funds, on average. This even exceeds $1,000 per pupil in some districts and affects both special education and general education students because diverting general education dollars to cover the needs and requirements of special education dollars leaves fewer dollars for pupils overall.

Additionally, while other states intentionally allocate additional funds specifically for districts with high concentrations of students in poverty, Michigan does not despite having one of the highest rates of concentrated poverty in the country. Research indicates schools and districts with particularly high concentrations of poverty face compounded challenges in helping their students succeed — and consequently require more resources.

Moreover, Michigan needs a more consistent and transparent approach to providing additional funding to rural and sparse school districts which often have higher resource and operation costs due to lacking economies of scale, increased transportation needs and geographic isolation. Michigan is one of only twelve states that provides disproportionately less funding to rural districts compared to others in the state, according to recent national reporting.

To make matters worse, Michigan’s existing fiscal transparency and accountability systems are not strong enough to know if equity-targeted dollars are reaching the students for whom they are intended, nor if the dollars are being spent effectively to improve learning opportunities for underserved students in particular.
Fiscal Transparency and Accountability Must Be Improved

To make matters worse, Michigan’s existing fiscal transparency and accountability systems are not strong enough to know if equity-targeted dollars are reaching the students for whom they are intended, nor if the dollars are being spent effectively to improve learning opportunities for underserved students in particular.29

Specifically, because of a lack of fiscal transparency data at the school level for equity-focused categorical funding, it is unclear if the state dollars specifically targeted to underserved groups like low-income students and English Learners actually reach the students at the school where they attend.30 According to a new report by The Education Trust national office, Michigan also missed opportunities to provide meaningful context and comparisons that would support stakeholders in identifying funding inequities when reporting the new federally required school-level expenditure data.31

The state has received unprecedented amounts of federal dollars due to the COVID-19 relief funding but has not put in place systems to effectively monitor the use of these dollars and determine their impact on student learning recovery and acceleration. Michigan should be developing statewide systems now to make sure the federal relief funding and recent state investments are being spent on strategies that are proven to be effective in raising student achievement — and then hold schools accountable for student outcomes — so that every Michigan student has an opportunity to realize their full potential no matter their life circumstances or the learning disruptions they faced during the pandemic.

Now is the moment for greater fiscal accountability in Michigan — and a commitment to improving the system’s transparency and effectiveness — in order to build trust in state government and the state education system. Effective monitoring and reporting on the impact of federal relief dollars could provide an opportunity to build evidence for continued equity-focused state investment after the relief dollars run out.

Remaking Michigan Education into an Engine of Opportunity

Michigan needs a fair funding system, an engine of opportunity, that ensures vulnerable students have the necessary supports to achieve academically and access post-secondary opportunities that will set them up for economic success, just like students in the wealthiest communities.

A weighted student funding formula is a promising approach for both addressing adequacy and building equity into the state funding system’s structure. Embedding transformative equity weights based on research and best practices in the formula’s enduring structure is critical to ensuring adequacy increases made over time also automatically close opportunity gaps for low-income students, English Learners, students with disabilities and students in underserved communities, such as communities with high concentrations of poverty and rural, isolated communities.

The weights in a school funding formula are how fairness is operationalized – they dictate how much more money will be allocated towards meeting the higher needs of vulnerable students. In Michigan, where the track record for investing in vulnerable student groups has been abysmal, it is critical to pay close attention to the weights in any proposal to revise Michigan’s school funding system.

Despite the emerging narrative that portrays Michigan’s latest state budget as closing opportunity gaps, the truth is that the last budget was hardly a nod to true funding fairness. Instead of using surplus
dollars to increase spending on Michigan’s weights for underserved student groups, which are some of the lowest in the country, the additional state funding was largely used to improve adequacy overall. In the most recent budget, state lawmakers only increased funding to low-income and English Learners enough to keep pace with the adequacy-focused investment to the foundation allowance. While these investments meant Michigan’s already abysmal equity allocations did not proportionally worsen, low-income students and English Learners will still only receive about ten percent of the weight that leading states allocate and research indicates is needed to provide fair and meaningful access to opportunity and support to succeed. Additionally, the legislative loophole for the automatic cut to poor students remains in place.

And while Michigan’s most recent budget does equalize the foundation allowance funding amount that most districts receive for each of their students -- a longtime goal of the Proposal A school funding reform passed in the early 1990’s — the effects of over 30 years of unequal funding are still present. Indeed, about 43 districts still receive a greater dollar amount for each student they enroll due to remaining loopholes.

Though the implementation of Proposal A has not resulted in great public schools and opportunity for all Michigan children, the good news is that Michigan’s school funding system does have good bones on which to build a modern and much more fair school funding system that serves all students and communities well. For example, Michigan already allocates most funding using a student-driven calculation based primarily on the number of students in a district, rather than a fixed list of inputs like staffing and resources. It also has some existing funding streams that consider the additional needs of low-income students, English Learners, and students with disabilities. Additionally, because Proposal A allows for the state to determine the foundation allowance funding amount that districts receive for each student, state legislators have the authority to maintain the equalized funding that they just passed in the most recent budget.

To build upon these good bones, state leaders need to focus now on allocating significant dollars to vulnerable students. There are some important ways that Michigan can start working towards providing funding weights based on research and best practices in other states. One model for Michigan lawmakers to consider is another aspect of Massachusetts’s policy: accounting for district poverty rates when determining the weights for low-income students in each district. The result: low-income students in districts with higher concentrations of poverty receive more additional funding than low-income students in districts with lower levels of poverty. This approach strategically targets the available funding for low-income students, helping to ensure the neediest students get the support and investment that they need to succeed even though there are resource constraints.

State policymakers have begun to make strides on fair funding within the current school funding model in recent months, as the recent state budget did make some progress for Michigan’s underserved students. Funding for young children with disabilities was doubled from last year’s budget. Additional investments in special education, physical and mental health services and programs intended to improve early literacy were funded, as well. Even with these strides, however, Michigan continues to have one of the least equitable, most unfair public school funding systems in the nation. We waited 30 years to achieve equal foundation allowance funding for students across nearly all Michigan districts, and we cannot afford to wait another three or more decades to achieve fair funding for Michigan’s most vulnerable students. We need to have an honest conversation about how low-income students, English Learners, students with disabilities and students in communities with highly concentrated poverty and rural communities are still getting an unfair shake.
Our Call to Action

As an equity-driven organization, we are calling on Michigan leaders to close the funding opportunity gap in 10 years or less by investing in low-income students, English Learners and students with disabilities currently at the levels that leading states practice and high-quality empirical research recommends.

To attain this goal, the largest increases in funding should go to students with the greatest needs and a strong fiscal accountability system should be put in place to ensure state funding intended for high-needs students must be spent on services for those students. Michigan should also quickly put in place data systems to effectively monitor how the unprecedented levels of federal education relief dollars are used by local districts and their impact on recovering and accelerating student learning in response to the COVID-19 pandemic.

Hand in hand with increased investments and more equitable and transparent school funding policies, Michigan also must commit to maintaining outcomes-based accountability systems for strong teaching and learning, as well as collecting and reporting honest and transparent data about student performance. This must include consistent use of a state assessment system that is aligned with the nation’s highest standards and benchmarks for college- and career-readiness and publicly reported so that parents, educators and policymakers can ensure resources are directed where they’re needed most. A high-quality, aligned assessment system will also ensure transparency for Michigan parents so they know how their children are learning compared to students in other states across the country and their progress towards skills needed to succeed in an increasingly global economy and workforce.

In this report, The Education Trust-Midwest summarizes four cornerstones of a fair and effective school funding system, developed by EdBuild, that Michigan stakeholders can use to propel Michigan to be one of the leading states in the country for all groups of students. We also dive deeply into how a weighted student funding formula is a promising next step for Michigan’s journey to becoming a top ten education state, including why transformative weights for low-income students, students with disabilities and English Learners, as well as meaningful fiscal transparency and accountability guardrails, must be part of school funding reform in Michigan. These policy changes will be critical to actually closing opportunity gaps and ensuring all students have a fair chance at academic success and, ultimately, economic opportunity.
Many factors — not simply school funding — are important for driving dramatic improvement in student learning outcomes, especially for low-income students and children of color.

Yet, according to research, money matters for students from low-income backgrounds. Increases in spending have been shown to improve educational attainment, lead to higher wages and reduce poverty in adulthood, particularly for students from low-income backgrounds. It’s also increasingly clear Michigan’s high-poverty public schools and districts do not have the resources they need to educate and support their students to learn at high levels. This does not bode well for our state’s students, nor our state’s economic future.

In a state that is recovering from the pandemic, as well as rebuilding and transitioning its economy and tax base from a manufacturing-based, old economic model, to a robust knowledge-based economy, there is perhaps no more important investment to ensure our state catches up with the rest of the nation and the world both economically and for talent. By one estimate, the lifetime earnings of Michigan’s current K-12 students could increase by $27 billion if their educational achievement matched the national average.

In January 2020, in partnership with national organizations including The Education Trust national office, The Education Trust-Midwest released the report *Michigan’s School Funding: Crisis and Opportunity*, which outlined a set of nonpartisan, research-based guiding principles for Michigan leaders, policymakers, families, educators and other stakeholders to use to evaluate Michigan’s current funding system and proposals for school funding reform. The report also shared in-depth analyses of the current funding system and how well it is structured to serve Michigan’s students, schools and districts — particularly vulnerable student groups and high-poverty schools. It also provided important nonpartisan recommendations and lessons learned from states around the country.

In this new report, The Education Trust-Midwest summarizes four cornerstones of a fair and effective school funding system, developed by EdBuild, that will help propel Michigan to be one of the leading states in the country for all groups of students. We also dive more deeply into how a weighted student funding formula is a promising next step for Michigan’s journey to becoming a top ten education state, including why transformative weights for low-income students, students with disabilities and English Learners, as well as meaningful fiscal transparency and accountability guardrails, must be part of school funding reform in Michigan. These policy changes will be critical to actually closing opportunity gaps and ensuring all students have a fair chance at academic success and, ultimately, economic opportunity.
THE FOUR CORNERSTONES OF A FAIR AND EFFECTIVE SCHOOL FUNDING SYSTEM

As increased pressure and public conversation about the need for school funding reform continues to build, we summarize four cornerstones of a fair and effective school funding system for Michigan stakeholders to consider. These cornerstones, from “Common Sense and Fairness Model Policies for State Education Funding,” are based on national research from EdBuild and lessons learned from strong school funding systems across the country:

1. **ADEQUACY**: The school funding allocated through the state formula should be sufficient to support a rigorous, high-quality education program for all students. Students are ill-served when the system overall lacks enough funding or when the funding allocated for any individual district is inadequate.

2. **EQUITY**: Funding should be targeted to districts in accordance with the number of their students with greater needs, such as students with disabilities, economically disadvantaged students from low-income backgrounds, and English Learners. The state’s funding approach should result in comparable funding levels in districts serving students with similar characteristics. District-level spending decisions should also be guided by students’ different levels of need and by the goals of narrowing achievement and opportunity gaps.

3. **TRANSPARENCY**: Reporting of district and school spending should allow for a constant feedback loop between state funding decisions and district needs. Districts should receive adequate funding for all students, and for each category of students. Accordingly, their spending decisions should reflect the state’s intentions and reach the students for whom dollars are intended. Expenditure reporting should therefore be required for general per pupil funding and for every student need category to hold districts accountable for supporting students — commensurate with their needs — and to hold legislators accountable for funding districts based on the students they serve.

4. **RESPONSIBILITY**: District and school leaders should be treated as responsible decision-makers when it comes to education spending. This means providing them with sufficient resources to effectively and equitably serve their students, empowering them with the flexibility to operate and educate in the way that works best for their students and communities, and ensuring they are held accountable for making spending decisions that are oriented towards support and success for all students, especially high-need students.
A Deeper Dive: Adequacy & Equity Can Go Hand-in-Hand Through a Transformative Weighted Student Funding Formula

Keeping the first two cornerstones, adequacy and equity, at the forefront simultaneously can be a real challenge in states considering school funding reforms. Often districts are generally underfunded, and the needs of specific underserved groups of students and communities are going unmet. Educators, decisionmakers and advocates alike may feel as though both are pressing problems yet are faced with the tough reality that in any school funding reform, or annual budget process, there will be a limited number of dollars to allocate. This creates a tension between adequacy (how much to spend across all students) and equity (how much to invest in additional supports to specific underserved student groups and communities).

In other words, adequacy is about the size of the pie, equity is largely about how to divide up the pie, and both of these issues may be pressing problems facing state leaders at the same time.

A weighted student funding formula is a promising approach for both addressing adequacy and building equity into the state funding system’s structure. Under a weighted student funding formula, every time there is an increase in adequacy funding, there are also automatic increases to equity funding. Therefore, embedding transformative equity weights based on research and best practices in the formula’s enduring structure is critical to ensuring adequacy increases made over time also automatically close opportunity gaps for low-income students, English Learners, students with disabilities and students in underserved communities, such as communities with high concentrations of poverty and rural, isolated communities.

If state leaders equitably design the school funding formula to include transformative equity weights that ensure vulnerable students get the slice of the pie they need and deserve, then any subsequent adequacy improvements—that is, increases to the base amount of funding that all students receive—will automatically increase the spending on vulnerable students at the same rate. But if the funding weights for vulnerable students don’t divide the pie in a way that they actually get what they need to achieve at the same high levels as their peers who have no additional needs, then every future investment will compound that inequity.

When The Education Trust-Midwest (ETM) launched the Michigan Achieves! Campaign in 2015, we began calling for an overhaul of Michigan’s school funding system to be weighted for students’ needs. Others, including the School Finance Research Collaborative (SFRC), Launch Michigan and Governor Whitmer have called for this approach, as well.
Under a weighted student funding formula, every time there is an increase in adequacy funding, there are also automatic increases to equity funding, which is why it is a promising approach for addressing both of these cornerstones in a state’s school funding system.

Here’s a simplified example to demonstrate how this works – please note all numbers are hypothetical.

A weighted student funding formula starts with a “base amount” of funding for every pupil. In Michigan’s current funding system, the base amount is called the “foundation allowance.” Then, there is a weight, or multiplier, applied to that base amount for students falling into different need categories. If the base amount amounts to 100% of a regular per-pupil amount, the weight assigned to each student need category provides the basis for calculating their additional funding.

If you had a base amount of $10,000, you can see how that would translate into additional funding amounts for each student need category in the graphic below:

In this hypothetical funding formula, a district would receive $10,000 for every enrolled student with no additional needs, $17,500 for every English language learner, $19,000 for every low-income student and $26,000 for every student with disabilities.

If there were more dollars to spend on education as a result of advocacy or increased financial health in the state, there would be no need for political wrangling over how to divide up the increased available funds between adequacy (more dollars for every student) and equity (more dollars for vulnerable students), because the weight structure would already be set. If the base amount were to be increased to $12,000, the additional dollars allocated to vulnerable students would increase automatically as shown below:
The equity allocations that are part of Michigan’s current formula are very low compared to what leading states provide and the levels of funding that research recommends.

Additionally, while Michigan’s current funding system is student-based, meaning that education dollars are distributed largely based on the number of students a district enrolls and their needs, it is not a true weighted student funding formula. Rather, Michigan uses varying mechanisms for providing additional dollars for students with higher needs and therefore does not get all the benefits of a weighted student funding formula, including how it can balance the tension between equity and adequacy when new investments are made.

LOW-INCOME STUDENTS: Although Michigan is one of many states that target some additional dollars for low-income students, Michigan’s weight of 11.5% is among the lowest of such weights in the country according to data from EdBuild, a leading national organization that focused specifically on school funding policy. Moreover, due to a loophole in state law, the funding stream for Michigan’s weight for low-income students is regularly subject to budget cuts. Indeed, the state has actually spent only about 9% more on most low-income students in recent budget years due to the automatic cut to funding for low-income students when there is a budget shortfall. This section of legislation in the School Aid Fund boilerplate requires cuts to be made first to funding for low-income students before cuts can be made to other sections of the School Aid budget when there is a funding shortfall.

Because Michigan’s additional funding for low-income students is a weight based on the average foundation allowance, it should automatically increase as adequacy investments are made to the foundation allowance; however the automatic cut to low-income students puts this benefit in jeopardy each budget cycle.

TAKE ACTION NOW: End the Automatic Cut to Low-income Students

The automatic cut to low-income students is a legislative loophole, specifically Section 31(a)(15) in the School Aid Fund, that is routinely used to underfund the low-income student weight without requiring a vote of the legislature. This practice thwarts Michigan’s progress towards a more equitable school funding system and disproportionately impacts districts with high levels of poverty.

Michigan should not balance the budget on the backs of its poorest students. It’s time Michigan eliminates this unfair legislation by striking Section 31(a)(15) and instead placing funding for low-income students and other vulnerable student groups, such as English Learners, on the list of funding streams that cannot be cut when there is a shortfall.

To write to your legislator and urge them to remove the three lines of budget boilerplate that allow for this unfair practice, visit https://midwest.edtrust.org/advocacy/

ENGLISH LEARNERS: The level of additional funding that Michigan provides for English Learners is the lowest in the country among states that apply a weight or multiplier to the foundation amount for per-pupil funding, according to data from EdBuild. Compared
to states like Maryland which is phasing in a weight of 85% more, and Georgia which now allocates 159% more funding to English Learners, Michigan is missing the mark.\textsuperscript{60} Michigan allocates between about 1% and 11% more funding for English Learners (depending on their English language proficiency levels) than for students with English as their native language.\textsuperscript{61} Rigorous empirical research recommends English Learners receive at least twice as much funding as native English speakers to provide them with the additional resources and instructional supports necessary for language acquisition.\textsuperscript{62}

Instead of using a true weight, Michigan allocates additional funding for English Learners using dollar allotments that vary depending on the student’s English language proficiency score. This means that when there is an increase to adequacy by increasing the foundation allowance, the legislature has to separately decide whether or not to increase the dollar allotments for English Learners. With a true weight as the structure for allocating additional funds to English Learners, there would be an automatic equity increase to funding for English Learners of the same proportion as any adequacy increase to the foundation allowance.

“Once Massachusetts fully phases in the newly adopted, transformative weights for low-income students, the state will spend up to an additional $8,797.76 per pupil on low-income students, compared to the $755.78 of additional funding Michigan spent per pupil on most low-income students last fiscal year.”

LESSONS FROM OTHER STATES: Massachusetts and Maryland Invest in Transformative Equity Weights for Low-Income Students and English Learners

Michigan should look to states such as Massachusetts and Maryland that are phasing in weights for low-income students and English Learners that provide significantly higher funding levels than Michigan for those students than for students who have no additional needs. Once Massachusetts fully phases in the newly adopted, transformative weights for low-income students, the state will spend up to an additional $8,797.76 per pupil on low-income students, compared to the $755.78 of additional funding Michigan spent more per pupil on most low-income students last fiscal year. Ultimately, Michigan’s formula provides only about one tenth of the weight that leading states practice and research indicates is needed to provide fair and meaningful access to opportunity for low-income students and English Learners.


### Funding Weight for Students from Low-Income Families

- **MI***: 11.5%
- **MA**: up to 105%
- **MD**: 73%

### Funding Weight for English Learners

- **MI****: up to 11%
- **GA**: 159%
- **MD***: 85%
STUDENTS WITH DISABILITIES: Michigan chronically underfunds needed services for students with disabilities. Due to Michigan’s partial reimbursement system, Michigan districts shoulder most of the funding responsibility for students with disabilities but have varying capacities to cover these costs. For instance, districts with higher special education costs may have to rely on general fund revenues to pay for special education costs not covered by state, county, or local funds designated for special education. As a result, both students with disabilities and typically developing students are shortchanged. Decisions about services for students with disabilities should never be made with the bottom line in mind. Similarly, schools also need sufficient resources to address the learning needs of students without disabilities. An MSU study found that in order to fully fund special education costs, Michigan districts use more than $500 per pupil from general education funds, on average. This even exceeds $1,000 per pupil in some districts and affects both special education and general education students because diverting general education dollars to cover the needs and requirements of special education dollars leaves fewer dollars for pupils overall.

Michigan’s partial reimbursement approach to distributing equity funding to students with disabilities is uncommon compared to other states’ approaches to funding special education services. As a result of the partial reimbursement approach, the level of additional funding for students with disabilities is ultimately determined based on the spending decisions of lawmakers rather than the learning needs of students. This approach also means districts have to shoulder the costs of services for students upfront, which may disincentivize resource-strapped districts from providing high-cost services.

DISTRICTS WITH HIGH CONCENTRATIONS OF POVERTY: While other states intentionally allocate additional funds specifically for districts with high concentrations of students in poverty, Michigan does not have a funding mechanism to do so. This is despite Michigan having one of the highest rates of concentrated poverty in the country. Research indicates schools and districts with particularly high concentrations of poverty face compounded challenges in helping their students succeed — and consequently require more resources.
Michigan Has One of Highest Rates of Concentrated Poverty in the Country

Below, the Education Law Center’s visual depiction of concentrated poverty by state demonstrates that 37 percent of Michigan’s students from low-income backgrounds live in high-poverty districts. This is one of the highest rates of low-income students living in high-poverty districts nationwide, which is especially concerning because these high-poverty districts “often lack the essential education resources for low-income students to succeed in school” (page 13).77

Source: Danielle Farrie, Robert Kim and David G. Sciarra, “Making the Grade 2019: How Fair is School Funding in Your State?,” (Newark, NJ: Education Law Center, November 2019, Figure 5*).

*The figure comes from the Education Law Center’s analysis of Census’s Small Area Income and Poverty Estimates (SAIPE), 2017.78

Note: Map represents the percentage of poor students in the state who live in high poverty (>30% Census poverty) school districts. In orange states, at least 1 in 4 students (≥25%) lives in a high poverty district.
According to data from EdBuild, 23 states use funding formulas that consider the concentration of students from low-income backgrounds within a district. Massachusetts distributes additional funding to low-income students in districts with high concentrations of poverty by applying an index to their low-income student weight. Low-income students in the highest poverty districts receive up to 105% more funding than students in their district with no additional needs. Massachusetts created 12 poverty rate bands that correspond with different weights based on the concentration of low-income students. The weights increase as the poverty rates increase, so districts that fall in the highest poverty rate band, 80% to 100%, receive the highest level of additional funding for low-income students.

Texas uses a five-tier model which provides students with additional funding that is differentiated based on the socioeconomic characteristics of their home community. Each “census block group” in the state is sorted into one of five tiers based on several factors, such as household income, household composition and rates of home ownership, among others. The five tiers are assigned different weights, ranging from 22.5 percent of the base per-pupil amount for the lowest level of disadvantage to 27.5 percent of the base per-pupil amount for the highest level of disadvantage. While these percentages are not as high as research recommends and other states are investing, the structure of generating more additional funding for each student living in poverty in districts where more students are living in poverty is a strategic way to address the additional costs of concentrated poverty.

RURAL STUDENTS: While Michigan does provide additional funding to rural and sparse districts, Michigan is one of only twelve states that provides disproportionately less funding overall to rural districts compared to others in the state, according to recent national reporting. This leaves students in rural and sparse districts, which often have higher resource and operation costs due to lacking economies of scale, increased transportation needs and geographic isolation, without the additional resources they need.

Michigan currently provides increased funding for rural and sparse districts through various mechanisms: sparse districts receive additional funding based on per student allocations set through annual appropriations; small and remote districts receive additional funding based on predicted costs developed through local spending plans; and in sparse districts that do not qualify for small and remote district funding and that have low and decreasing enrollment, enrollment counts are slightly inflated to generate additional funding. Michigan should use a more consistent and transparent approach, such as a weight, to distribute additional dollars to rural districts, as well as expanding the definition of small and remote districts to include districts outside the Upper Peninsula, as recommended in the School Finance Research Collaborative study, to allow more districts to receive the funding they need.
Clear and transparent expenditure data allows stakeholders to better understand whether schools serving high concentrations of certain student groups, for example, low-income students or students of color, are receiving equitable funding.

In particular, school-level expenditure data, a new federal requirement that was passed in the 2016 reauthorization of the Every Students Succeed Act (ESSA), can push local education leaders to allocate and spend funds more fairly and help researchers further understand the relationship between funding and student outcomes.

When effectively implemented with a uniform chart of accounts (consistent business rules for defining categories of expenditures) used across all districts in the state, the new school-level expenditure reporting requirement allows stakeholders to see how districts distribute funding to their schools. School-level transparency is especially important for ensuring that targeted investments in high-need student groups are carried through to the school level in order to reach students in the classroom. For example, a robust funding weight for low-income students means very little if the district is able to redirect that money and spend it largely in schools serving wealthier neighborhoods or on central office costs that do not directly impact learning opportunities and supports for low-income students.

**LESSONS FROM OTHER STATES:**

Illinois provides a strong model for per pupil expenditure reporting

Illinois is a model state for school-level expenditure reporting, according to a 50-state policy scan conducted by The Education Trust. Illinois worked collaboratively with stakeholders over two years to implement the new federal requirement in a way that helps advocates, families and community stakeholders make meaning of the spending information. Specifically, their school finance report is available on the summary page of each school’s existing report card and the report provides contextual information about student demographics and performance. Illinois reporting also facilitates comparisons across schools in a district by school characteristic and school performance to improve transparency around opportunity gaps.

Illinois’ strong implementation of school-level expenditure reporting is a product of a deliberate, two-year collaborative planning process informed by an advisory group of business officials, superintendents, associations, advocates, parent representatives, and community members. According to an Illinois advocate cited in the Education Trust’s report, “Superintendents have found [school spending reports] to be a really helpful and valuable tool. They are engaging with it in order to have community conversations, [and] talk to their school boards, often to make the case for why spending is actually higher per-pupil in some cases, than one might expect.”
Michigan must put a stronger fiscal transparency and accountability system in place, especially if there is significant new state investment in high-needs student groups or a school funding overhaul, to ensure that dollars targeted towards equity actually reach historically underserved students. This is also necessary to avoid the tough lessons learned in other states that have made major shifts to their funding systems in recent years, such as in California.

If Michigan moves to a true weighted student funding formula in the future, the legislation should institute financial reporting procedures for districts that are aligned with the formula so that it is clear how much of the weighted funding is actually being spent on the education of the high-needs students for whom it is intended. For example, if a new formula includes weights for students from low-income backgrounds, English Learners, students with disabilities and students in schools and districts with high concentrations of poverty or rural communities, then the legislation should require that financial reporting separate spending by each of these categories. That would ensure that the district’s actual expenditures can be mapped back easily to the state’s target spending per pupil. This type of transparency system can also make clear how much funding is actually allocated at the state level for a given student with a particular set of needs, compared to the target amount, allowing parents and communities to hold the state and districts accountable for funding students fairly and according to what leading states practice and what research indicates is necessary for their needs.

Important improvements to fiscal transparency and accountability can also be made right now under Michigan’s current funding system. We continue to call on state leaders to require that districts spend 75 percent of dollars received for low-income students and English Learners at the school where the student attends, beginning in the next fiscal year, and report expenditures for these equity-targeted categorical funds at the school level. This will ensure that when a district receives dollars specifically for these students, the dollars reach the school where the student attends.

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**Delaware** requires 98 percent of the funding distributed to districts for staff, including differentiated staff funding that provides greater support for early learners and students with disabilities, to be sent to the schools where the students for whom the funding was intended actually attend.91

**Texas** requires that at least 55 percent of the weighted funding provided for English learners is used to provide bilingual education or special language, and at least 55 percent of weighted funding provided for low-income students is used to fund supplemental programs and services specifically designed to address achievement gaps or high school graduation rate gaps for these students.92
California made major changes to its school funding formula with the goal of improving equity and flexibility for districts. Some positive changes were made and yet, California is also quickly becoming a cautionary tale of hard lessons learned — and of policy change that has serious consequences for vulnerable students and communities in the state.

California’s Local Control Funding Formula (LCFF), enacted in 2013, changed the state’s outdated, complex and inequitable school funding system and increased funding for serving the state’s students with additional needs. The system also drastically reduced the number of categorical funding streams to reduce complexity of the system and increase districts’ flexibility for using funds. In addition to changing the way that school districts are funded, LCFF included a new strategy for accountability. Districts are now required to complete Local Control and Accountability Plans (LCAPs) that describe how they will serve historically underserved groups of students and engage community members in the budgeting and planning process.

LCFF is often cited as a model for other states and as an example of a political bargain that provides both increased funding, increased equity and some oversight for how dollars are used. Some positive outcomes have been seen: early studies on the effects of the system have shown that increases in per-pupil revenue have led to increased graduation rates for all students; this effect was particularly prominent for students from low-income families.

However, policy change of such great magnitude comes with great risk — and California was not able to mitigate the impact of these significant risks for many vulnerable students and communities. The original policy blueprints did not put the necessary accountability systems — and appropriate regulatory and legal frameworks — in place up front to ensure the state department and local stakeholders could track if dollars intended for vulnerable students actually reached them, nor if they had an impact on student learning experiences and outcomes.

For years, key California leaders and stakeholders have raised concerns that the new accountability, data and public reporting structures are not strong enough to ensure additional funding is actually being used to serve the vulnerable students that it is intended to serve. An important recent report from the state auditor confirmed those suspicions.

“We are concerned that the State does not explicitly require districts to spend their supplemental and concentration funds on the intended student groups or to track how they spend those funds; therefore, neither state nor local stakeholders have adequate information to assess the impact of those funds on intended student groups. … We also had difficulty determining the extent to which the districts used those funds to increase or improve services for intended student groups because of unclear descriptions in their local control and accountability plans.”

The state auditor recommends that the legislature both strengthen the rules for using funding meant to serve students with additional needs and increase transparency so that it is easier to track spending within schools and across districts.
Michigan has received unprecedented amounts of federal dollars due to the COVID-19 relief funding but has not put in place systems to effectively monitor the use of these dollars and determine their impact on student learning recovery and acceleration. State leaders should be developing statewide systems now to make sure the federal relief funding and recent state investments are being spent on strategies that are proven to be effective in raising student achievement — and then hold schools accountable for student outcomes — so that every Michigan student has an opportunity to realize their full potential no matter their life circumstances or the learning disruptions they faced during the pandemic.

Now is the moment for greater fiscal accountability in Michigan — and a commitment to improving the system’s transparency and effectiveness — in order to build trust in state government and the state education system. Effective monitoring and reporting on the impact of federal relief dollars could provide an opportunity to build evidence for continued equity-focused state investment after the relief dollars run out.

Responsibility: Holding Actors Accountable for Equitable Spending Decisions

District and school leaders should be treated as responsible decision-makers when it comes to education spending. This means providing them with sufficient resources to effectively and equitably serve their students, empowering them with the flexibility to operate and educate in the way that works best for their students and communities, and ensuring they are held accountable for making spending decisions that are oriented towards support and success for all students, especially high-need students.

Collecting and reporting honest and transparent data about student performance is critical to being able to hold actors responsible for effective and equitable use of education funding. Hand in hand with increased investments and more equitable and transparent school funding policies, Michigan also must commit to maintaining outcomes-based accountability systems for strong teaching and learning. This must include consistent use of a state assessment system that is aligned with the nation’s highest standards and benchmarks for college- and career-readiness and publicly reported so that parents, educators and policymakers can ensure resources are directed where they’re needed most. A high-quality, aligned assessment system will also ensure transparency for Michigan parents so they know how their children are learning compared to students in other states across the country and their progress towards skills needed to succeed in an increasingly global economy and workforce.

Fiscal transparency systems also play an important role in ensuring state, district and school leaders are held accountable for equitable spending decisions. School-level spending data allows stakeholders to hold districts accountable for implementing their plans for effective and equitable use of supplemental dollars. The spending data also shows if the investments made by the district match the intentions of the state’s targeting. Similarly, effective reporting of per pupil expenditure data can make clear how much funding is actually allocated at the state level for a given student with a particular set of needs, compared to the target amount, allowing parents and communities to hold the state and districts accountable for funding students fairly and according to what leading states practice and what research indicates is necessary for their needs.
CONCLUSION

For each year of Michigan’s unfair and inequitable approach to school funding, hundreds of thousands of Michigan students from low-income backgrounds have gone to school with insufficient access to the empowering and rigorous content, diverse and effective educators, support services, and learning-ready facilities they need for success. The same is true for many of Michigan’s students with disabilities, Michigan’s over 90,000 English learner students, and students in districts with high concentrations of poverty or in rural communities.

This engine of inequality — which has been part of Michigan’s landscape for decades — is a travesty for Michigan students and our state as a whole.

Our students can’t wait any longer for change to happen.

It’s time for leaders to remake Michigan’s education system into a true engine of opportunity. Michigan needs a fair funding system that ensures all students, no matter their background or life circumstances, have a fair chance at achieving academically and accessing post-secondary opportunities that will set them up for economic success.
ENDNOTES


3 Ibid.


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7 Ibid.

8 Kevin Hollenbeck, Timothy J. Bartik, Randall W. Eberts, Brad J. Hershbein and Michelle Miller-Adams, “The Road Toward K-12 Excellence in Michigan: How an Upgraded Financing System Can Better Support Enhanced Student Achievement,” (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, May 2015). https://research.upjohn.org/cgi/viewcontent.cgi?article=1218&context=reports; Note: This analysis is based off of NAEP data from 2013. Based on more recent data trends, MI continues to perform below the national average on 2019 NAEP performance for both 4th and 8th grade reading and math for all students.


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50 Kevin Hollenbeck, Timothy J. Bartik, Randall W. Eberts, Brad J. Hershbein and Michelle Miller-Adams, “The Road Toward K-12 Excellence in Michigan: How an Upgraded Financing System Can Better Support Enhanced Student Achievement,” (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, May 2015). https://research.upjohn.org/cgi/viewcontent.cgi?article=1218&context=reports; Note: This analysis is based off of NAEP data from 2013. Based on more recent data trends, MI continues to perform below the national average on 2019 NAEP performance for both 4th and 8th grade reading and math for all students.


60 State of Maryland Legislature, Chapter 55, March 2021. https://mgaleg.maryland.gov/2021RS/bills/hb/hb1372E.pdf; State of Georgia Legislature, Title 20-2-161, August 2021. https://advance.lexis.com/documentpage/?pdmfid=1000516&crid=0583c3b7-e13a-4d98-8fae-4c92dbf3478a&nodeid=AUAAAEEAAIAFAAC&nodepath=%2FROOT%2FAAU%2FAAAUAAE%2FAAAUAAEAAI%2FAAAUAAAIAAF%2FAAAUAEEAAIAFAAC&level=5&haschildren=&populated=false&title=%2C%20%2A%720-2-161.%20Quality%20Basic%20Education%20Formula&config=00JAA1MDBYzczZiIYFiLTQxMTgyYWJ2OS%200YTGyUGM2NWIJMDYKAFBvZENhdGFsb2fed0M9q0OMCSJF&iqan=0&ddpath=%2Fshared%2Fdocument%2Fstatutes-legislation%2Furn%3AcontentItem%3A6338-9NK1-JCOG-62FT-0008-00&ecompt=_38_kkk&prid=c0539207-1d17-43c7-be55-6d6bd016424


67 Ibid.

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69 Ibid.

70 Ibid.

71 Ibid.


73 Ibid.

74 Ibid.

75 Danielle Farrie, Robert Kim and David G. Sciarra, “Making the Grade 2019: How Fair is School Funding in Your State?,” (Newark, NJ: Education Law Center, November 2019). https://edlawcenter.org/assets/Making-the-Grade/Making%20the%20Grade%202019.pdf


77 Ibid.

78 Ibid.

edbuild.org/state/MI

Note: MA allocates up to an additional $8,797.76 per low-income student compared to the $8,360.32 base amount for Junior/Middle students.


82 Ibid.


87 MCL 388.1622d; MCL 388.1606(4)(x)


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101 MDE, Student Enrollment Counts Report 2020-2021