

Eliminating the Opportunity Gaps

Creating a Truly Fair and Equitable Funding System

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Michigan has long had one of the most regressive school funding formulas, according to state and [national research](#).¹ In fact, Michigan is underfunding students from low-income backgrounds and English Learners by an estimated \$5.1 billion annually compared to what leading states practice and what research indicates is needed for those students to succeed, according to a new analysis by The Education Trust-Midwest. In addition, the analysis found that Michigan is near the bottom for the additional funding the state provides for both English Learners and students from low-income backgrounds, leaving substantial funding gaps in what students currently receive under Michigan's funding system and what they truly need. Moreover, Michigan is underfunding students with disabilities by hundreds of millions annually.²

These inequities build upon a long history in Michigan of drastically underfunding students' needs for more than two decades.

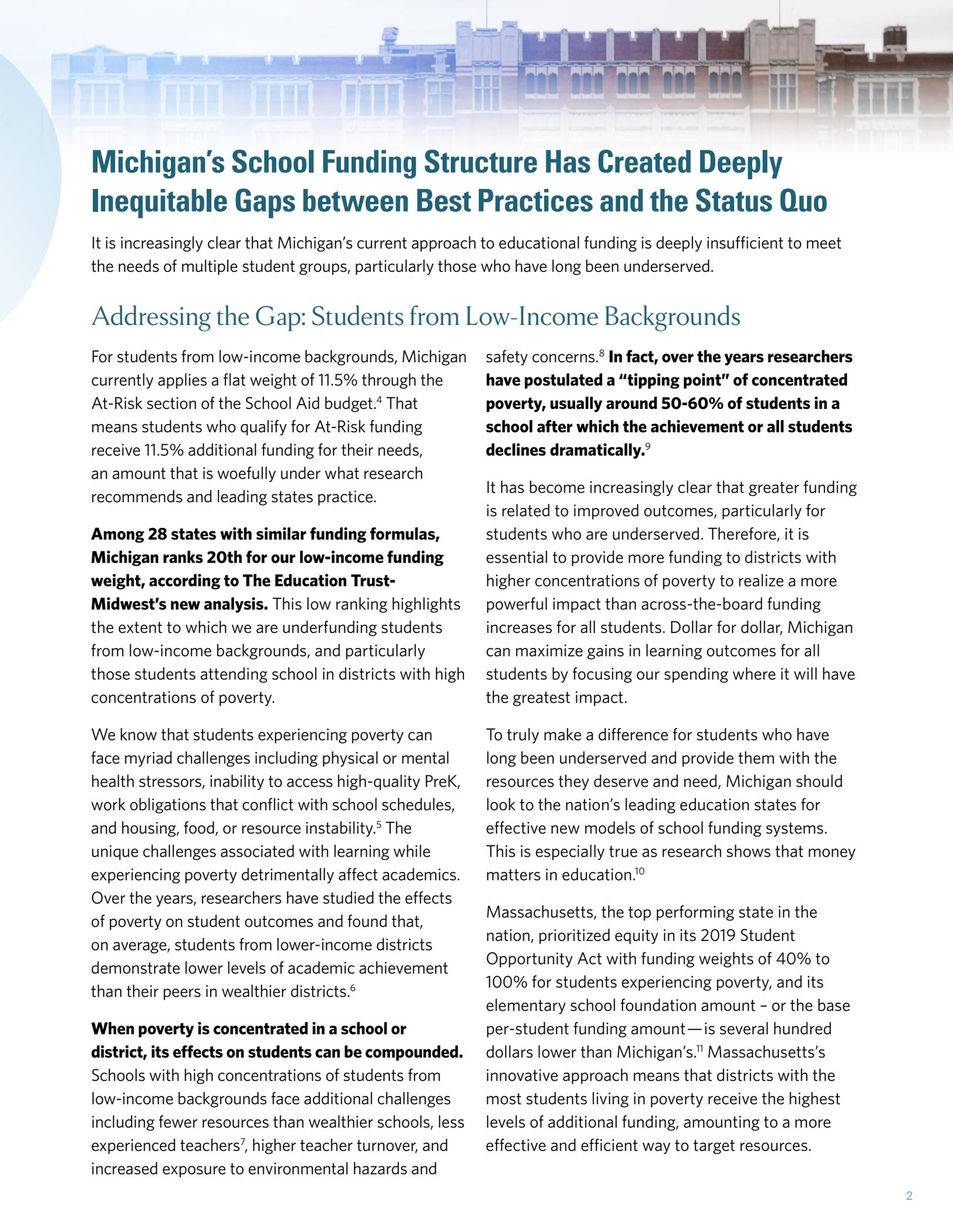
This underfunding has dramatic and far-reaching consequences for Michigan's students, especially for those who are the most underserved, including Black, Latino, and Arab-American children, those living in concentrated poverty and rural districts, students with disabilities and English Learners.

A high-quality public education is essential for both a healthy democracy and a globally competitive economy. In early 2023, 80% of Michigan's business leaders reported difficulty filling jobs and cite talent concerns as a primary factor in their decisions to expand operations.³ Yet today, Michigan's K-12 education system is struggling to ensure that all children are truly well-prepared for post-secondary opportunities and success. Our students deserve better.

To build a truly fair and equitable funding system in Michigan, policymakers have an immediate opportunity to work toward what leading states and research recommends. Those include:

- Enshrine in law an Opportunity Index with transformative equity weights of 40%-100% to address concentrations of poverty.
- Create a weighted student funding formula for English Learners with weights ranging from 80%-100% based on English language proficiency.
- Act decisively to close the shortfall gap in special education funding, beginning with fully funding at 100% the foundation allowance for students with disabilities in addition to reimbursements for special education delivery.

The time for urgent action is now.



Michigan's School Funding Structure Has Created Deeply Inequitable Gaps between Best Practices and the Status Quo

It is increasingly clear that Michigan's current approach to educational funding is deeply insufficient to meet the needs of multiple student groups, particularly those who have long been underserved.

Addressing the Gap: Students from Low-Income Backgrounds

For students from low-income backgrounds, Michigan currently applies a flat weight of 11.5% through the At-Risk section of the School Aid budget.⁴ That means students who qualify for At-Risk funding receive 11.5% additional funding for their needs, an amount that is woefully under what research recommends and leading states practice.

Among 28 states with similar funding formulas, Michigan ranks 20th for our low-income funding weight, according to The Education Trust-Midwest's new analysis. This low ranking highlights the extent to which we are underfunding students from low-income backgrounds, and particularly those students attending school in districts with high concentrations of poverty.

We know that students experiencing poverty can face myriad challenges including physical or mental health stressors, inability to access high-quality PreK, work obligations that conflict with school schedules, and housing, food, or resource instability.⁵ The unique challenges associated with learning while experiencing poverty detrimentally affect academics. Over the years, researchers have studied the effects of poverty on student outcomes and found that, on average, students from lower-income districts demonstrate lower levels of academic achievement than their peers in wealthier districts.⁶

When poverty is concentrated in a school or district, its effects on students can be compounded.

Schools with high concentrations of students from low-income backgrounds face additional challenges including fewer resources than wealthier schools, less experienced teachers⁷, higher teacher turnover, and increased exposure to environmental hazards and

safety concerns.⁸ **In fact, over the years researchers have postulated a "tipping point" of concentrated poverty, usually around 50-60% of students in a school after which the achievement of all students declines dramatically.**⁹

It has become increasingly clear that greater funding is related to improved outcomes, particularly for students who are underserved. Therefore, it is essential to provide more funding to districts with higher concentrations of poverty to realize a more powerful impact than across-the-board funding increases for all students. Dollar for dollar, Michigan can maximize gains in learning outcomes for all students by focusing our spending where it will have the greatest impact.

To truly make a difference for students who have long been underserved and provide them with the resources they deserve and need, Michigan should look to the nation's leading education states for effective new models of school funding systems. This is especially true as research shows that money matters in education.¹⁰

Massachusetts, the top performing state in the nation, prioritized equity in its 2019 Student Opportunity Act with funding weights of 40% to 100% for students experiencing poverty, and its elementary school foundation amount – or the base per-student funding amount – is several hundred dollars lower than Michigan's.¹¹ Massachusetts's innovative approach means that districts with the most students living in poverty receive the highest levels of additional funding, amounting to a more effective and efficient way to target resources.

The Impact of Concentrated Poverty on Students

Research on the effects of concentrated poverty in education is not new. As early as The Coleman Report in 1966, educational researchers pointed to its detrimental effects.¹³ Nearly 40 years ago, the U.S. Department of Education's Office of Educational Research and Improvement found that children from higher income backgrounds attending schools with high concentrations of poverty were more like to fall behind academically than students from low-income backgrounds attending wealthier schools.¹⁴

More recently, one multi-year study found a strong relationship between qualifying for subsidized school meals and 8th grade test scores noting that children who spend all of grades K-8 eligible for subsidized meals have the lowest scores, whereas those who were never eligible have the highest scores.¹⁵ Another study reported that, controlling for student demographics and school factors, students in lower-income districts learn at significantly lower rates than students in middle- or higher-income districts.¹⁶

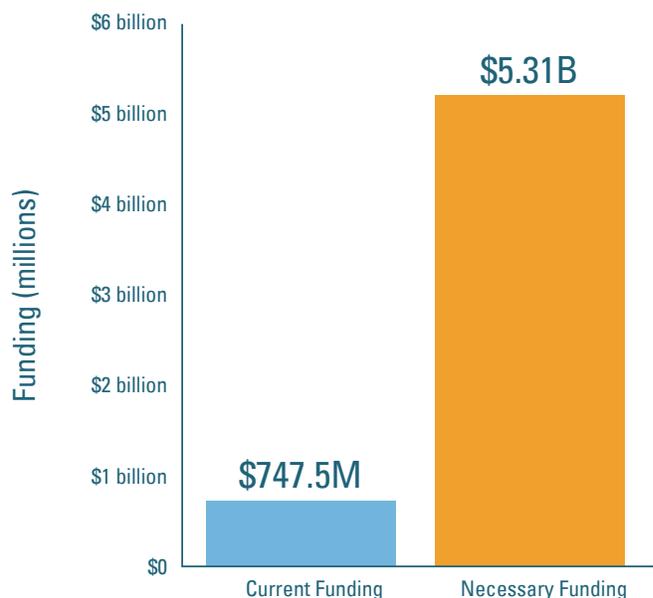
To address these disparities, Michigan must contend with the reality that while money matters for all students, it matters especially for students from low-income backgrounds.

Recent research indicates that, specifically for students from low-income backgrounds, increases in educational spending improve educational attainment, lead to higher wages, and reduce poverty in adulthood.¹⁷ In one study, a 10 percent increase in per-pupil spending led to more completed years of education, higher adult wages, and a reduction in the annual incidence of adult poverty, and these effects were stronger for children from low-income families.¹⁸ Conversely, cuts in spending have stronger negative consequences for students from low-income backgrounds. During the Great Recession, states with deeper recessionary cuts saw a widening of the test score gap between high- and low-poverty districts.¹⁹

Immediate Opportunity: Instead of Michigan's current low, flat funding weight, the [Michigan Partnership for Equity and Opportunity](#) (MPEO), a bi-partisan, statewide coalition focused on advancing opportunity and improving learning outcomes for all of Michigan's students, recommends that Michigan implement a Massachusetts-style Opportunity Index with funding weights ranging from 40% to 100% based on a district's concentration of poverty. Under an Opportunity Index, districts with the most students living in poverty receive the highest additional funding.

Addressing the Gap: A fully implemented Opportunity Index of this nature would cost approximately \$5.3 billion annually. In the current fiscal year, Michigan spent only \$747.5 million on At-Risk funding¹², meaning that there is a spending gap of \$4.6 billion dollars between what Michigan is currently investing in students from low-income backgrounds and what we need to spend to fully support those students.

\$4.6 Billion Gap in At-Risk Funding



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Addressing the Gap: English Learners

English Learners are a growing student population in Michigan²⁰, yet our investment in these students is woefully inadequate. Current state law allocates additional funds to English Learners which equate to weights of roughly 1% to 11% based on a child’s English language proficiency. These weights fall far below what is recommended by research and is practiced in leading states. In fact, among 31 states with similar funding formulas, Michigan ranks 26th for our English Learner funding, according to the new analysis by The Education Trust-Midwest. **Compared to states like Maryland, which is phasing in a weight of 85% more, and Georgia which now allocates an astounding 160% more funding to English Learners, [Michigan is missing the mark.](#)**²¹

In the current fiscal year, Michigan spent a total of only \$26.5 million on English Learners.²⁴ Fully implementing the more equitable MPEO weights would cost approximately \$500 million dollars, leaving a gap of \$474.4 million dollars between what we are currently spending and what we need to spend to fully meet English Learners’ needs.

English Learners must receive additional funding to provide them with the additional resources and instructional supports necessary for language acquisition. Additional supports for English Learners include adjusted student-teacher ratios and one on one tutoring for English Learners.²² Ultimately, districts must be able to provide English Learners with varied support services and curricula, while engaging with parents and the English Learner community.²³ To achieve that reality, Michigan must urgently invest more funds in English Learners.

Immediate Opportunity: In line with both leading states and current research, MPEO recommends that lawmakers implement funding weights ranging from 80% to 100% based on students’ language proficiency.

Addressing the Gap: In the current fiscal year, Michigan spent a total of only \$26.5 million on English Learners.²⁴ Fully implementing the more equitable MPEO weights would cost approximately \$500 million dollars, leaving a gap of \$474.4 million dollars between what we are currently spending and what we **need** to spend to fully meet English Learners’ needs.

\$474 Million Gap in English Learner Funding





Addressing the Gap: Students with Disabilities

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 much of the funding responsibility for students with disabilities but have varying capacities to cover these costs.²⁵

For students with disabilities, Michigan provides only 75% of the foundation allowance to districts, as opposed to the 100% of the foundation allowance all other students receive and then reimburses districts for just over 28% of the costs of special education services.²⁶

Districts with higher special education costs may have to rely on general fund dollars to pay for special education costs not covered by state, county, or local funds designated for special education.²⁷ Known as the "shortfall gap," the difference is hundreds of millions of dollars.²⁸ As a result, both students with disabilities and their peers without disabilities are shortchanged. Recent research indicates that adequately funding needs for students with disabilities may require additional funding weights of at least 185% of base funding.²⁹

In early 2023, one estimate of the shortfall gap was \$343 million dollars.

Immediate Opportunity: MPEO recommends that Michigan lawmakers provide districts with the full foundation allowance for students with disabilities plus reimbursements for special education delivery and prioritize closing the "shortfall gap" which is the difference between what districts are currently spending and what the state reimburses. In the immediate future, lawmakers should investigate options for creating a weighted funding formula for students with disabilities.

Addressing the gap: In early 2023, one estimate of the shortfall gap was \$343 million dollars.³⁰

Although Michigan's fiscal year 2023 budget invested deeply in closing the shortfall gap, there is still work to be done on this first step to true funding equity for students with disabilities.



Conclusion

For decades, Michigan has shortchanged all of its students by underfunding their education, but the burden has been greatest for the students with the greatest needs—students of color, those living in concentrated poverty and rural districts, students with disabilities and English Learners.

That unfair system of funding our schools and students cannot continue.

Michigan's longstanding opportunity gaps and historic underinvestment in its students makes it clear that we must act now to invest deeply and wisely in our educational system. Increased funding for students who have historically been underserved should be implemented immediately to address the specific needs of these student groups.

Policymakers have an incredible opportunity to seize this moment and eliminate longstanding education disparities and realize a bright future for all of Michigan's students. Indeed, Michigan has an opportunity to be a national leader in public education, a place where all children achieve at high levels, regardless of race, gender, disability, family income, native language, or geography.

We urge state leaders to grasp this opportunity and act boldly for Michigan's future.

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