

School budget flunks

Record spending hurts poor students and leaves taxpayers on the hook for bigger pension debts

By Molly Macek | July 2024

Michigan's record \$23.4 billion education budget will widen the per-pupil funding gap between poor and wealthier districts while costing taxpayers more to pay down pension debt.

For the first time in over a decade, the school aid budget for fiscal year 2025 neglects to include an increase to the per-pupil foundation allowance. This is the state's minimum funding guarantee for each student enrolled in conventional districts and charter schools. It's the primary source of revenue for the districts' operating expenses.

Since the adoption of Proposal A in 1994, the foundation allowance has helped reduce funding disparities between poor and wealthy districts. Proposal A ensures the value of local property has no impact on this base funding amount. The foundation allowance gap has narrowed significantly thanks to the gradual increase to this portion of school funding each year.

But this funding gap will cease to narrow next year. Lawmakers have agreed to maintain the current per-pupil amount of \$9,608. Cyber charter schools, which serve a larger proportion of the state's at-risk students than conventional public schools, will also maintain their current foundation allowance of \$9,150. These schools were denied the increased per-pupil funding their public school peers enjoyed last year.

Not all schools, however, will lose out on an increase to this important funding stream. Charter schools that don't contribute to the Michigan

Public School Employees' Retirement System will get a 3.9% increase to the foundation allowance, or \$375 more per student. This will include cyber charter schools that don't pay into MPSERS.

Taxpayer dollars that could otherwise be allocated to districts via a larger foundation allowance will instead be diverted to early learning and postsecondary initiatives that don't support K-12 education. The Great Start Readiness Program, which uses public funds to cover the cost of preschool for low-income families, will receive 6% more per child, increasing the amount

“**The record School Aid Budget will do little to improve parity between the lowest- and highest-funded school districts.**”

to \$10,185 for each 4-year-old enrolled in a full-day program.

While lawmakers didn't agree to Governor Whitmer's universal PreK proposal for the next fiscal year, they did raise the eligibility threshold to 400% of the federal poverty level for four-year-olds to enroll in GSRP for free. Families with an income above the threshold may still be eligible if spaces are open. And lawmakers agreed to use taxpayer dollars to cover the total cost of preschool for all the state's four-year-olds – regardless of their household income – in a future fiscal year.

Public funds that could otherwise be used to pay down the \$29.9 billion MPSERS debt will be diverted to other initiatives, too. Lawmakers agreed to lower the cap on the contribution rate school districts are required to pay toward the pension system's unfunded actuarial accrued liability. This will increase the cost to taxpayers to pay down the pension debt in the future.

The record School Aid Budget will do little to improve parity between the lowest- and highest-funded school districts. It places a greater burden on taxpayers to pay down pension debt and fund the expansion of government preschool to wealthier families. Lawmakers would do better to prioritize initiatives that help the state's neediest K-12 students learn more.

Available online at: www.mackinac.org/v2024-19



Dr. Molly Macek is the director of education policy for the Mackinac Center for Public Policy.