

Local and State Funding for K-12 Education in Michigan

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Funding Since Proposal A

In 1994, Michigan voters approved Proposal A which changed the way the State funds K-12 education. Proposal A reduced the State's relatively high property taxes and replaced them with a new State Education Tax (6 mills), increased the State's sales tax from 4% to 6%, and created several other new revenue sources for schools.

Proposal A was also intended to reduce district funding disparities across the State. Pre-Proposal A, funding for local school districts ranged from \$3,400 to \$10,300 per pupil (a difference of almost \$7,000). Proposal A set a minimum "foundation allowance" (\$4,200 in 1994) and stipulated that districts on the low end of the funding spectrum would receive bigger annual funding increases than would the "richer" districts in an effort to close the funding gap. Fifty-two districts (those which had received above \$6,500 per pupil in 1993-94) were deemed "hold harmless" and are allowed by law to levy additional mills with voter approval to achieve their prescribed foundation allowance.

In 2014-15, twenty years after Proposal A was passed, funding for local districts in the Michigan ranges from \$7,126 to \$11,934 per pupil (a difference of \$4,800). For 2014-15, the State defines the basic foundation allowance as \$8,099. 70% of districts in Michigan receive the minimum foundation allowance of \$7,126; 19% receive between the minimum and the basic foundation allowance of \$8,099 (also referred to as the "hold harmless" cap); and 10% are above the basic allowance of \$8,099 and are able to levy additional mills.

All of districts in Washtenaw County (with the exception of Ann Arbor) fall below the basic foundation allowance of \$8,099. Ann Arbor has both the ability (because of the "hold harmless" provision in Proposal A) and the authority (because of voter approval) to levy supplemental mills to generate ~ \$1,000 above the basic foundation allowance resulting in a per pupil foundation allowance of \$9,100. All other districts in Washtenaw County receive a foundation allowance between \$7,126 (the minimum foundation allowance) and \$7,613.

Local Funding for Capital Improvements

General Obligation Bonds

Under Section 1351a of the Revised School Code, a district may borrow funds by issuing unlimited tax general obligation bonds, the proceeds of which may be used to purchase a number of items specified by law including: acquiring, installing or re-equipping school buildings for technology; purchasing, erecting, remodeling, furnishing, or re-furnishing a site or facility; or purchasing school buses. Funds cannot be used for school operations.

Sinking Fund

Under Section 380.1212 of the Revised School Code, a sinking fund is a voted millage of up to 5 mills not to exceed 20 years that may be used for the purchase of real estate, the construction or repair of school buildings and facilities, and acquiring or installing technology. The Michigan Department of Treasury has defined technology in this case to mean wiring or materials for installing technology but NOT equipment (e.g., computers) or software. The main difference between permissible uses of general obligation bond proceeds and sinking fund proceeds is that currently sinking fund proceeds may not be used for purchasing technology equipment, general office or classroom equipment, furnishings, and school buses. Like general obligation funds, sinking funds cannot be used for school operations.

Local Funding for School Operations

Special Education Millage

Intermediate school districts are required by statute to “develop, establish, and continually evaluate and modify” special education programs for its constituent districts. If an ISD wishes to receive funds from local property taxes specifically for special education programs, the maximum millage that it may request is 1.75 times the number of mills the ISD levied in 1993 for special education operations.

Vocational-Technical Education Millage

Under Michigan law, intermediate school districts are given the authority to institute and finance vocational-technical education programs. The highest vocational-technical millage that ISDs (which did not levy a tax for vocation-technical education in 1993) can levy is 1 mill.

Regional Enhancement Millage

Intermediate school districts may ask for up to 3 “enhancement” mills to be levied for up to 20 years. Revenues from the tax are meant to “enhance other state and local funding for local school district operations.” If approved, the resulting revenue is shared on an equal, per pupil basis with all districts within the ISD. As of September 2014, only three ISDs had levied an enhancement millage for operations (Monroe, Kalamazoo, and Midland).

Recreation Millage

PA 156 of 1917 authorizes school districts and municipalities to “operate a system of public recreation and playgrounds.” A recreation millage may be approved to provide funds for operating recreational facilities; acquiring, equipping and maintaining land, buildings and other recreational facilities; and employing staff.

Sources:

MDE List of Foundation Allowance for Districts 1995-2015

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Local Property Taxes by Type, Mackinac Center for Public Policy, Publication 8572, 2007.

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