

Michigan

Brett A. Geier

For FY22, Michigan has made an historic investment in public education despite the impediments that are associated with the COVID-19 pandemic. In the months following the pandemic's outbreak, economic forecasts were dismal, indicating multi-billion dollar decreases for public education. Gratefully, those estimations did not come to fruition. In 1994, Michigan enacted Proposal A, which transformed the state funding system from local control to a more centralized system, whereby the state appropriated a per pupil foundation amount and established a baseline amount. However, many poor districts were not appropriated the minimum amount – until this year. Due to a record 7.8% increase in education, the gap between the highest and lowest funded school districts is eliminated. Financial increases were made in the Michigan Public Educator Retirement System (MPSERS), special education, pre-school, and at-risk categoricals.

FUNDING PRIORITIES FOR P-12 AND/OR HIGHER EDUCATION

Michigan Public School Educator Retirement System (MPSERS Offset)

The legislature appropriated \$100 million to local school districts participating in MPSERS, based on each participating district's percentage of the total statewide payroll for participating districts across the state. These payments are for the purpose of offsetting a portion of the retirement contributions owed by the district for fiscal year (FY) 2022.

MPSERS Retirement CAP Costs

The state allocated \$1.469 billion to local districts and intermediate school districts to remit to MPSERS.

This funding is used to pay the unfunded liabilities in excess of the statutory cap of 20.96%.

At-Risk

The state appropriated \$524.5 million allocated to implement reform in schools with 40% or more of pupils identified as at-risk. Students qualify for at-risk monies by being documented as having at least two of six at-risk factors. The definition of eligible pupils is being economically-disadvantaged, which includes those eligible for free or reduced-price meals, living in a household that receives supplemental nutrition, homeless, a migrant, or in foster care.

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Student Health Care

\$240 million of new money to hire additional school psychologists, social workers, counselors, and nurses. The State will fully fund new hires for the first year, pay 66% of their salaries the second year and 33% the third year.

Changes to Funding Formula for P-12 and/or Higher Education

Per-pupil funding for each school district is determined by two count days each school year, held in October and February. In a typical year, school districts are required to provide 1,098 hours of instruction over 180 days under current state law to be eligible for funding. For the 2021-2022 school year, Michigan will return to its pre-COVID formula of 90% of the October 2021 count added to 10% of the February 2021 count.

Special Education

The state appropriated an additional \$44.4 million for special education.

Great Start Readiness Program (Pre-school)

A \$168 million increase for the GSRP to add 22,000 openings for eligible 4-year-olds. Also, fully day funding was increased to \$8,700 per pupil, matching the K-12 foundation allowance.

COVID-19 Related Funding

Michigan, like other states, is the recipient of federal funds to mitigate the effects of the COVID-19 pandemic. This \$13.2 billion dollar package known as the Elementary and Secondary Schools Emergency Relief (ESSER) was part of the \$2.1 trillion dollar federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. Thus far, the federal funds have been disbursed to schools in Michigan in three phases. In the first phase, Michigan received \$390 million, in ESSER II \$1,656,308,286, and \$3,719,833,128 in ESSER III. These funds will be used to provide remediation programs for students and help enhance infrastructure such as HVAC systems.

PRESSING STATE ISSUES AFFECTING P-12 AND/OR HIGHER EDUCATION

Student Enrollment

Student enrollment continues to decline, which directly affects the amount of revenue public schools are appropriated. In FY2016 1,540,005, FY2017 1,532,335, FY2018 1,468,256, FY 2019 1,507,772, 1,499,552 in FY20, and 1,437,612 in FY21 Declining student enrollment is forecasted.

Higher Education

In FY21, most universities and colleges in the state planned for a decrease in state revenue up to 20%. State appropriations remained steady during that time. Decreasing enrollment at many universities continues to cause revenue concerns. The COVID-19 pandemic has worsened the situation. Institutions have had ambivalent responses with some maintain tuition while others have increased it. In FY20, the state appropriate \$1.472 billion for university operations and they appropriated \$1.474 billion for FY21. In FY22, the state has appropriated slightly over \$1.502 billion, which is between a 1.9% - 2.1% increase for most universities. For community colleges, they will see an increase to over \$434 million in FY22 compared to \$426 million appropriated in FY21.

P - 12 PER-PUPIL EXPENDITURE

Per-Pupil Allocation

The FY22 education budget's main feature is the elimination of the per pupil gap in the basic foundation allowance, which has existed since 1994. The per pupil foundation allowance will be raised to \$8,700 (an increase of between \$171 and \$589 per pupil).

ALLOCATION OF STATE DOLLARS AND PERCENT OF THE STATE BUDGET FOR P - 12

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| Gross Appropriation for P - 12 Schools: Budget) | \$16.978 billion (26.1% of Total Budget) |
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| Appropriation from School Aid Fund: | \$14.796 billion |
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