



SCHOOL FUNDING

Background

In 1994, funding for Michigan public schools changed dramatically when Michigan approved a new school funding method, known as Proposal A. Prior to that, school funds were mostly generated from local property taxes and allocated locally. This created a large funding gap across the state--wealthier districts could raise more money for their schools than poorer ones.

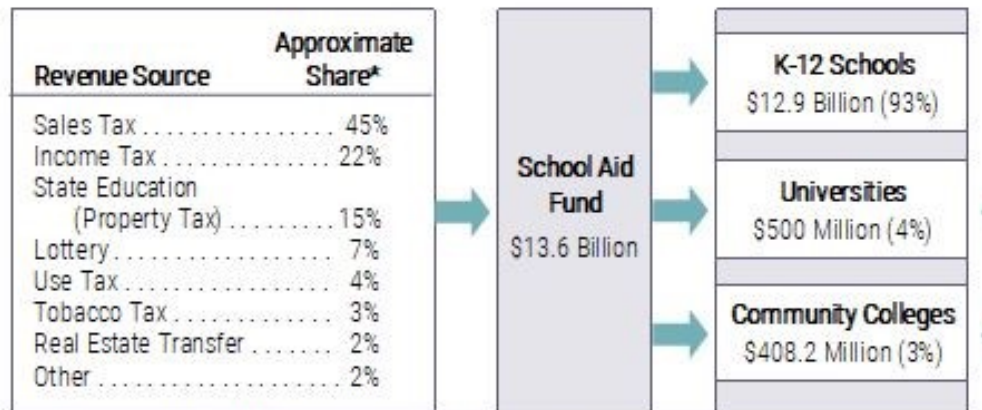
Proposal A was intended to accomplish three goals: 1) to reduce the funding gap between wealthy and poorer districts, 2) to shift the funding responsibility from local entities to the state and 3) to reduce property taxes. A funding gap still exists, however the legislature has been working steadily to reduce it through a "2x's" funding formula, whereby districts who are funded at the state minimum receive twice the increase than higher funded districts.

Currently, the state funds Michigan's school districts through a "foundation allowance." Instead of local property values dictating the funding level for the individual districts, a combination of funding sources are collected by the state and redistributed as a per pupil foundation allowance.

"State" Funding

Although the Legislature determines the foundation allowance and calls it "state funding," it is actually comprised of both state and local revenue. Local "non-homestead property" (i.e. commercial and industrial property or second homes) is taxed, generating local revenue. The rest of the foundation allowance comes from the School Aid Fund, which is financed from various state taxes: Sales and Income Tax, the State Education Tax (based on property value), Lottery revenue, Use Tax, Tobacco Tax and Real Estate Transfer Tax.

The School Aid Fund: Following the Money (FY 2018-19)



* Approximate share is based on F&S 2017-18 revenue projections.
Source: Michigan House and Senate Fiscal Agencies

There is a perception that lottery revenue significantly funds the School Aid Fund. In reality, it is only 7% of the overall School Aid Fund.

The State Education Tax

Everyone who owns property in the state of Michigan is levied 6 mils for the State Education Tax (SET). This property tax contributes to the School Aid Fund, however, not all of the SET, or for that matter any of the other taxes contributed by a community, is returned to the community that paid it. As a result, even though Northville residents may pay more in taxes based on higher taxable levels, the State does not necessarily return all of it back to our district. Instead, it is redistributed across all districts as part of their foundation allowance.



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Funding Universities & Community Colleges

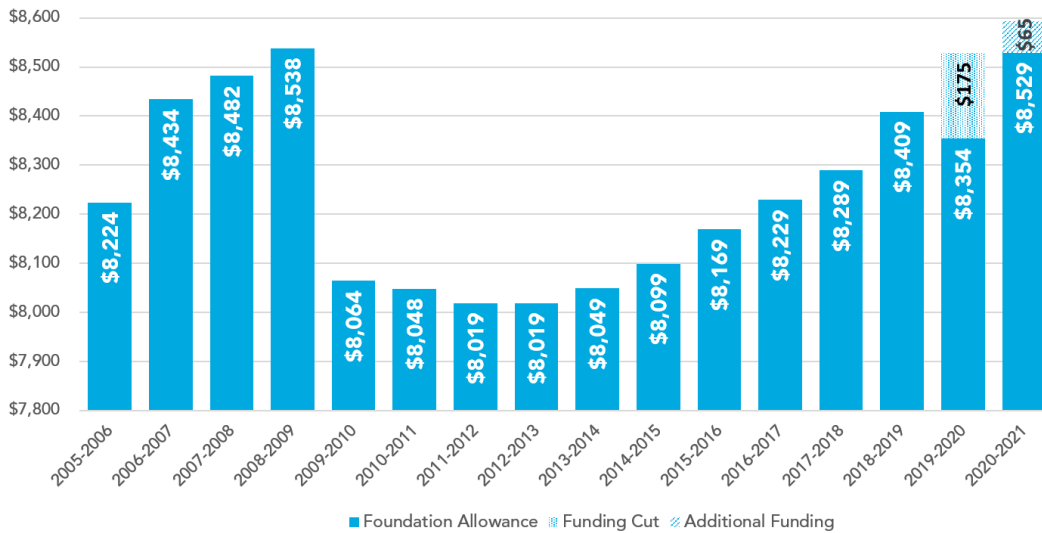
The School Aid Fund was established in 1955 and originally used exclusively to fund Michigan's K-12 schools. Funding for postsecondary education, universities and community colleges, came from the General Fund. During the 2010 Budget Year, in order to balance the state budget, that changed. It was the first year that the state used the School Aid Fund to fund higher education instead of taking the money from their General Fund. While it was supposed to be a one-time event with promises to pay back the borrowed funds, it never was.

In the 2012 Budget Year, the state again withdrew funds from the School Aid Fund to replace General Fund dollars. This time, nearly \$400 million went to both universities and community colleges. This event has become the norm. For the 2018-2019 school year, over \$900 million of the School Aid Fund will go to universities and community colleges instead of K-12 schools.

Impact on Our Foundation Allowance

This re-appropriation of the School Aid Fund was one factor that affected the foundation allowances received by districts across Michigan. Here in Northville, our per pupil foundation allowance dropped \$474 for the 2009-2010 school year. It reached a low of \$8,019 in 2011-2012 and stayed flat in 2012-2013. Since then, it has steadily increased. In spite of that, our 2020-2021 foundation allowance is still \$9 less than it was ten years ago and that does not even consider inflation. Fortunately, due to the pandemic, the State granted a \$65/student discretionary, one-time allocation Michigan Districts.

Northville Public School's
Per Pupil Foundation Allowance
2006-2021



Hold Harmless Districts

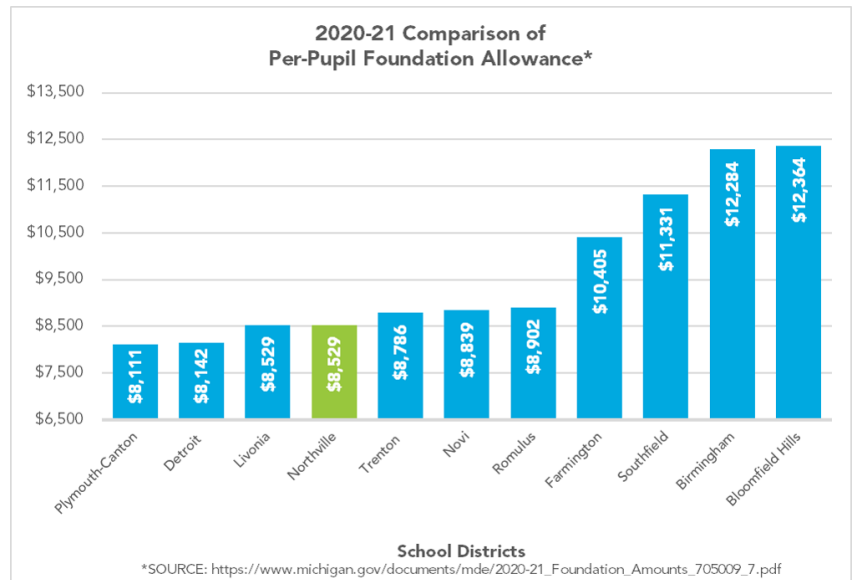
Proposal A established a state maximum and minimum foundation allowance that typically gets adjusted annually. When Proposal A was approved by voters, school funding in some districts was higher than the state maximum foundation allowance, as those districts generally had higher property values than other communities. For example, in 1994, property values in Birmingham and Bloomfield Hills were relatively much higher than property values in



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Northville, as large areas of the district were not developed at the time. As a result, school funding in those districts was much higher as well. Under Proposal A, to allow those districts to sustain their higher level of school funding, they were designated as “Hold Harmless” districts. These districts were allowed to tax their communities, with voter approval, to make up the difference between their higher level of funding and the state maximum foundation allowance.

As a result, there are approximately 50 districts in Michigan—including several who would be considered Northville’s peer districts—who have much higher per pupil funding than Northville. Despite this difference in per pupil funding, individual districts not designated as “Hold Harmless,” like Northville, are *prohibited by law* from levying a supplemental “Hold Harmless” millage for operating expenses.



Sinking Funds and Bonds

Northville can and has levied mileages for capital expenses through bonds and sinking funds. These must be voted on by the community and can only be used for the items specifically outlined in the ballot. As of now, they can only be used for specific capital expenses (i.e., facility upgrades, etc.) and not operating expenses (i.e. staffing, supplies, utilities, etc.). A sinking fund is financed as the money is received and used over time. A bond allows the district to receive funds all at once to use immediately.

Conclusion

It is easy to assume that because we live in a “comfortable” community like Northville, we do not need an Educational Foundation—that is not the case. Proposal A attempts to create equality which is a good thing. Unfortunately, overall funding is not enough. In a recent study, the Michigan School Finance Research Collaborative has recommended that schools receive a base cost of \$9,590 per pupil, with additional funding weighted by factors such as number of English language learners, district size, etc., up to a maximum of \$11,482 per pupil — far above our current \$8,409 per pupil funding.

Base costs pays for average, not excellence. The District provides a wonderful education for our students. They have been able to strive for excellence through an outstanding faculty and staff and the extra funding provided through the Northville Educational Foundation. The support of community members is essential to our success.

We need you. Please donate now.

- Sources:
- http://www.senate.michigan.gov/sfa/departments/datacharts/dck12_foundationhistory.pdf
 - http://www.senate.michigan.gov/sfa/departments/datacharts/dck12_schoolfundingbasics.pdf
 - A Hard Habit to Break: The Raiding of K-12 Funds for Post-Secondary Education, Michigan League for Public Policy, Peter Ruark, August 2018
 - Public Education Funding in Michigan, Citizens Research Council of Michigan, Eric Lupher, May 21, 2018
 - Costing Out the Resources Needed to Meet Michigan's Standards and Requirements, Michigan School Finance Collaborative, January 12, 2018
 - How are Michigan's Public Schools Funded?, WDET, Bre'Anna Tinsley, April 23, 2018, <https://wdet.org/posts/2018/04/23/86691-how-are-michigans-public-schools-funded/>

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