



Funding Michigan's Future

Jason Burns, PhD, *Research Specialist, EPIC*

Madeline Mavrogordato, *Faculty Director, EPIC*

Emily Mohr, *Managing Director, EPIC*

Background on **EPIC** and Introductions

The **Education Policy Innovation Collaborative (EPIC)** at Michigan State University is an independent, non-partisan research center that operates as the strategic research partner to the Michigan Department of Education (MDE), the Center for Educational Performance and Information (CEPI), local school districts, and Michigan-based organizations.

EPIC is devoted to **research with consequence** and the idea that rigorous evidence can improve education policy and programs, and, ultimately, students' lives.



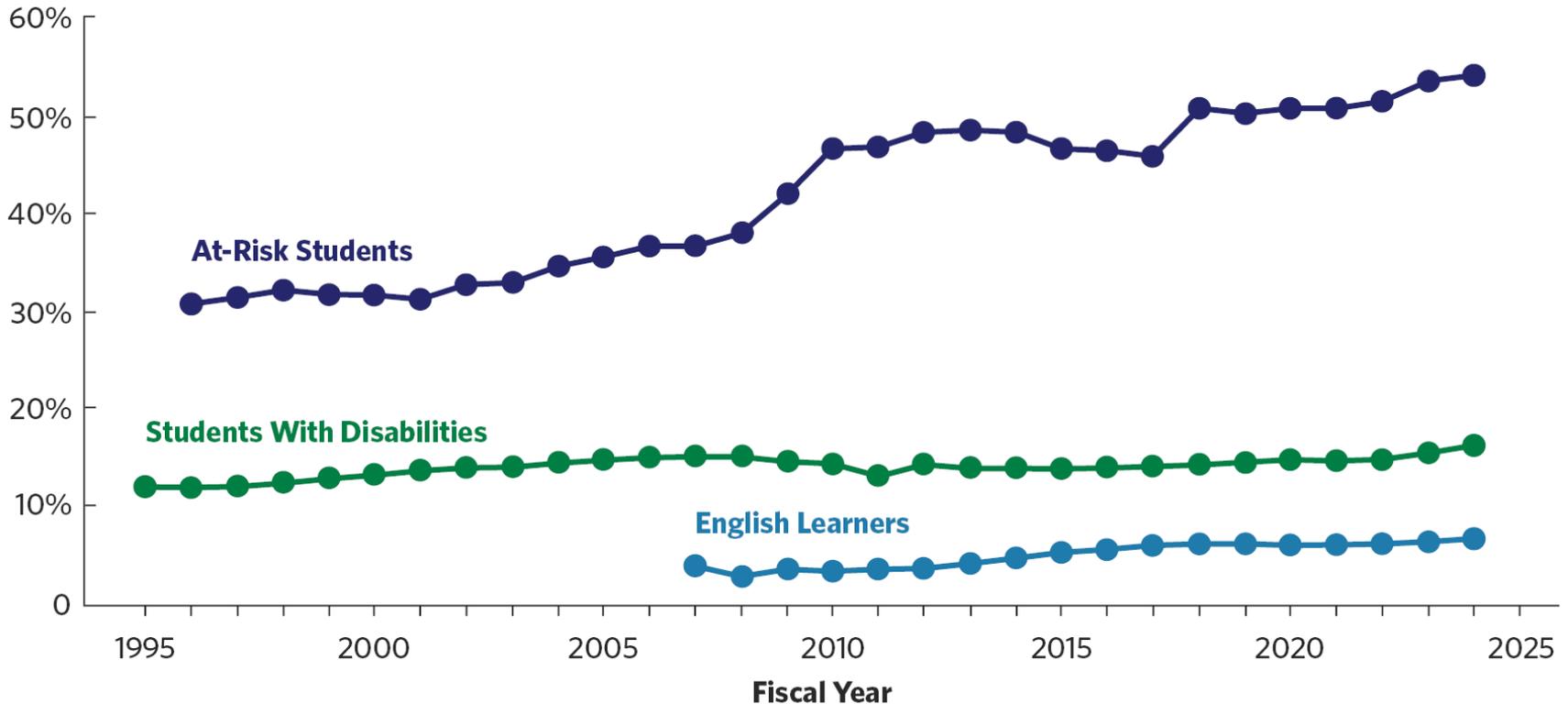
EPIC conducts **original research** using a variety of methods that include advanced statistical modeling, representative surveys, interviews, and case study approaches to **produce new insights** that decision-makers can use to create and implement policy.

In 2024, the typical Michigan district was **half as large as the typical district in 1995 and had just over **half as much revenue**.**

	1994-95	2001-02	2023-24
Number of Districts	559	735	822
Median # of Students	1,687	1,173	781
Total Revenues (2024\$)	\$25.46M	\$19.48M	\$12.85M
# of Districts With <= 200 Students	40	98	117

Michigan's Student Body has **Much Greater Needs** now Than in the Past

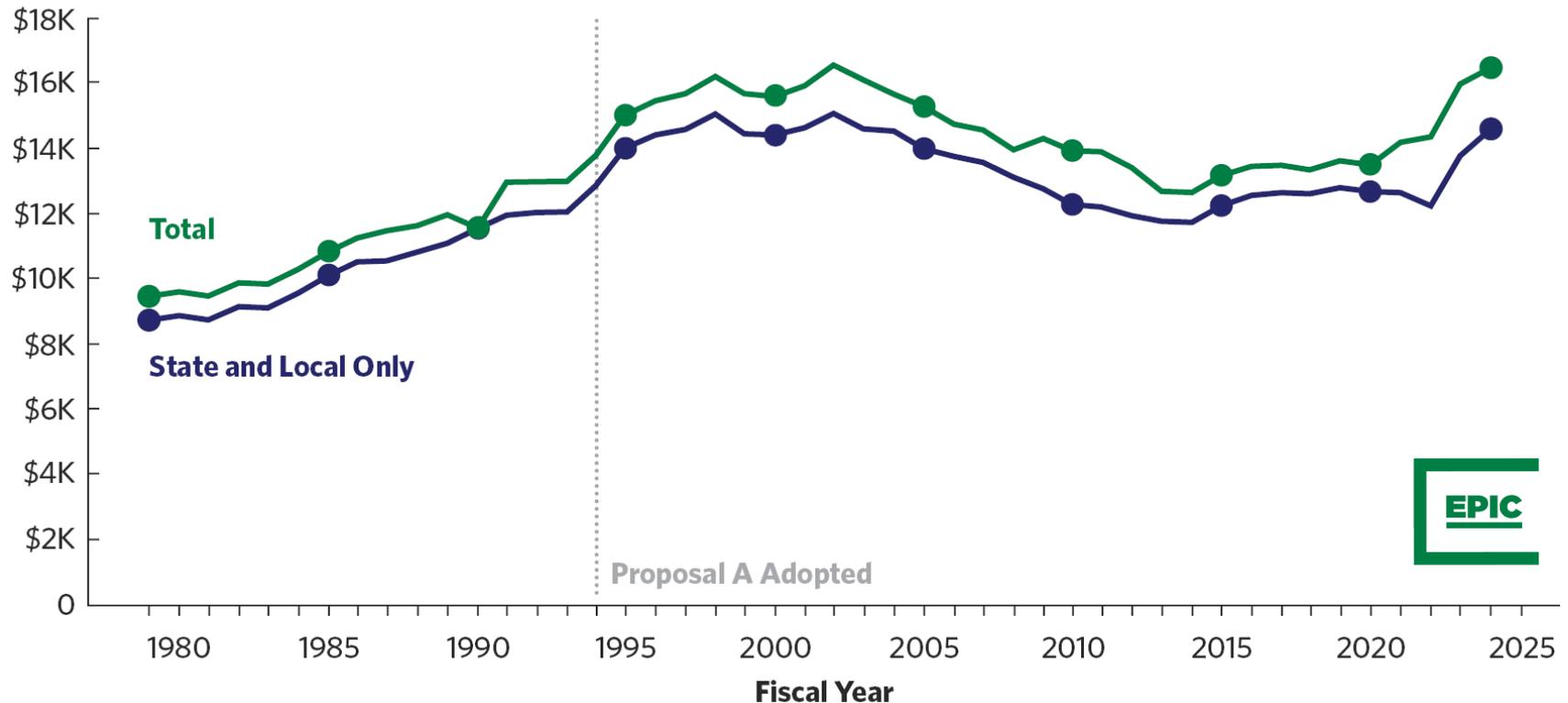
Percent of Total Student Population



Real K-12 Operating Revenues

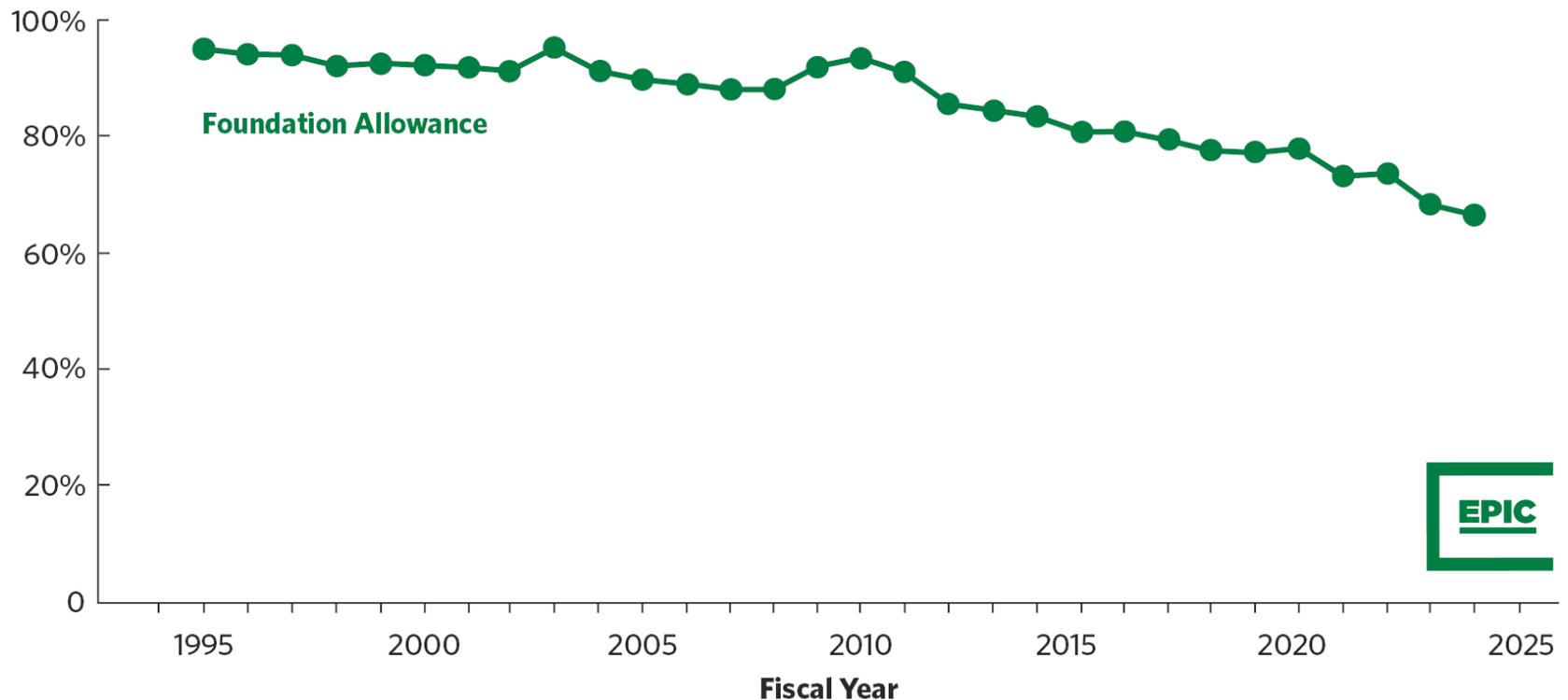
Funding peaked in 2002, declined through 2014, and has significantly recovered since 2022

Average Per Pupil Revenue



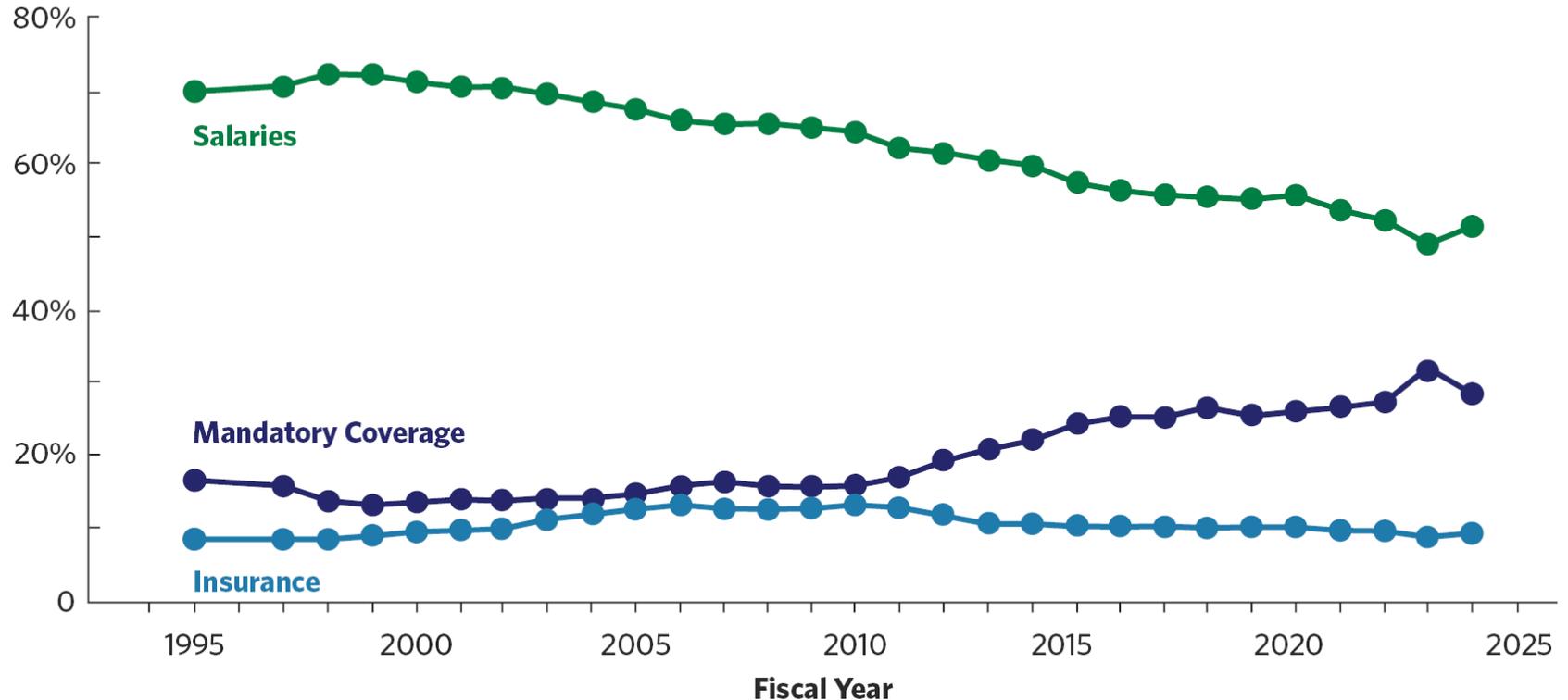
The foundation allowance now accounts for only about **2/3 of districts' state and local revenues**: more funding comes from categorical grants.

Proportion of School District Revenues



Mandatory Benefits Have **Crowded out** Spending on Instructional Salaries

Proportion of Per-Pupil Basic Instruction Expenditures



Money Matters in Education

- If sustained for at least 4 years, increased funding produces stronger student outcomes
 - Higher attendance
 - Higher achievement
 - More likely to attend and complete college
 - Less likely to enter the criminal justice system in adulthood
- Increased funding improves educator outcomes as well
 - Higher retention
 - Higher salaries
- Emerging evidence suggests that spending on instructional salaries drives improved outcomes



Sources: Baron et al., 2024; Hyman, 2017; Jackson & Mackevicius, 2024; Rauscher et al., 2024; Sun et al., 2024



Education Policy Innovation Collaborative

COLLEGE OF EDUCATION | MICHIGAN STATE UNIVERSITY

236 Erickson Hall, 620 Farm Lane, East Lansing, MI 48824 | (517) 884-0377 | EPICedpolicy@msu.edu

The Relationship Between Demographics and Finance

Some student groups are more expensive to educate:

1. At-risk/economically disadvantaged students (~35% more)
2. Students with disabilities (SWDs) (70% - ? more)
3. English learners (35%-70% more)

Sources: Augenblick, Palaich & Associates, 2021; Arsen et al., 2019



Tracking Inflation

What is inflation?



Inflation is a general rise in prices, which erodes purchasing power



All prices do not move in the same direction or at the same rate



Because different entities (consumers, businesses, governments, etc.) purchase different things, and in different quantities, they can experience different rates of inflation



Different inflation indices track general prices for different entities and groups



It is important to select a measure of inflation (price deflator) that is appropriate for a given purpose

Tracking Inflation

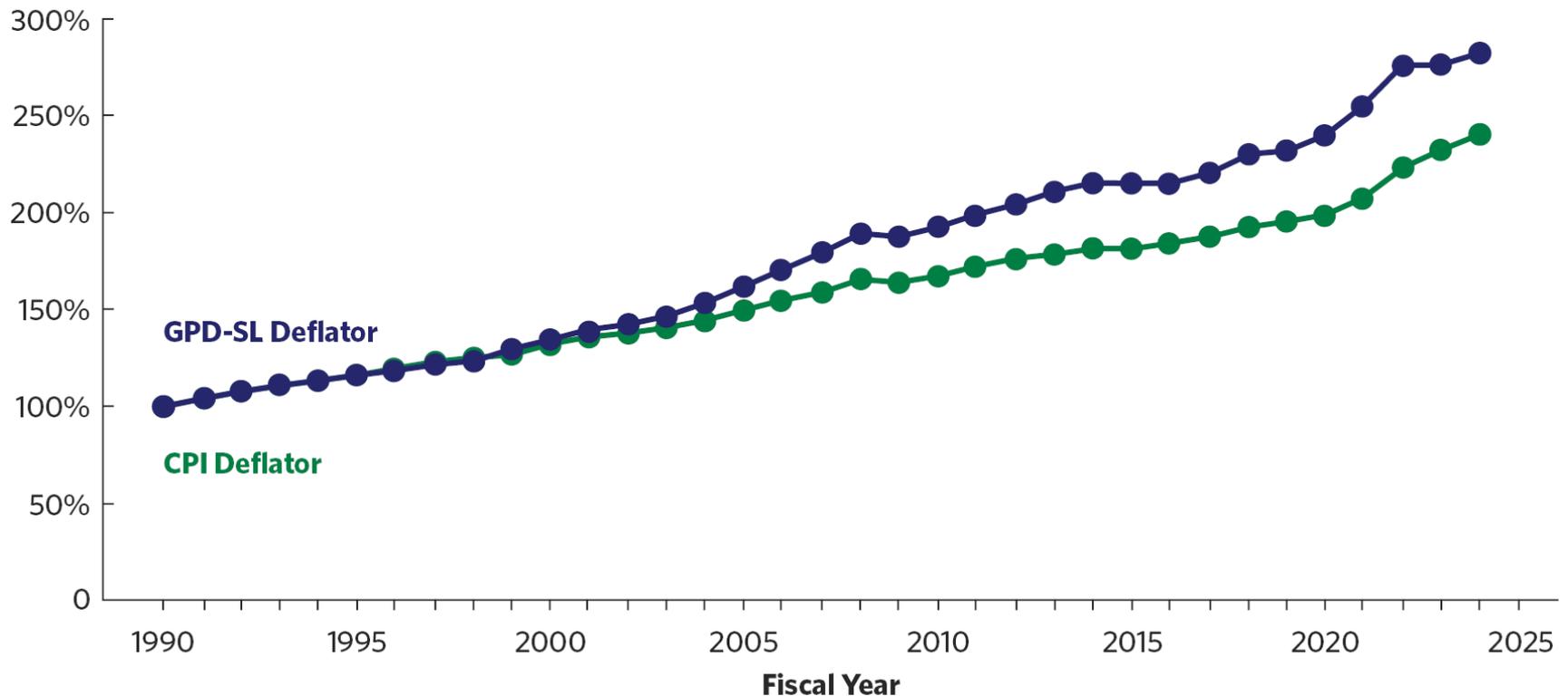
Multiple Measures

For the purpose of K-12 finance in Michigan, two measures of inflation are relevant:

1. CPI (consumer price index, generally for urban consumers):
 - Tracks inflation experienced by consumers
 - Measures inflation using prices for a market basket of goods and services and weights based on consumer spending
 - Housing, food, and transportation comprise a large share
2. GDP-SL (gross domestic product deflator for state and local governments):
 - Tracks inflation experienced by state and local governments
 - Measures inflation using the cost of providing government services
 - Labor and related costs are the largest component

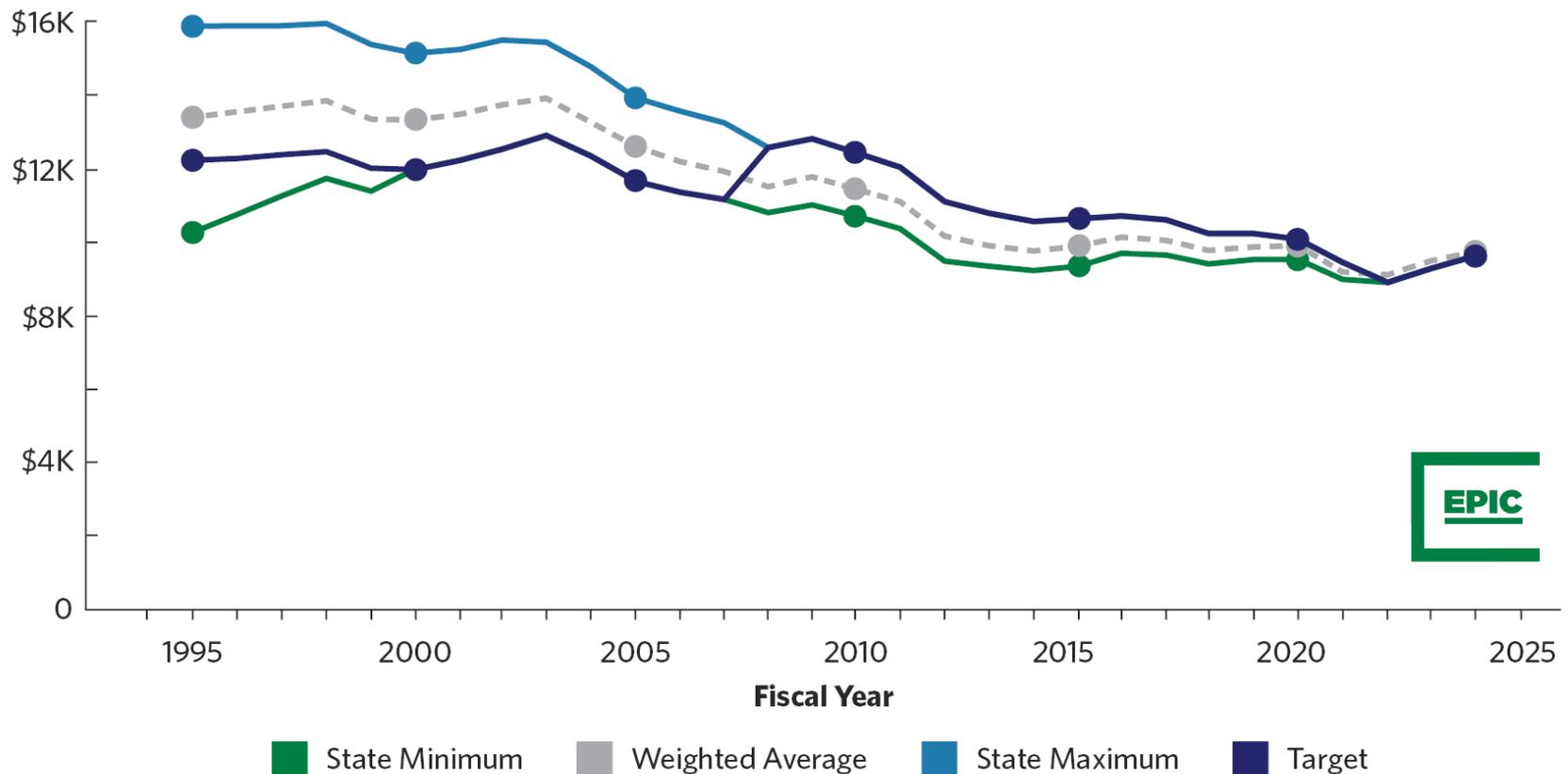
Using an inappropriate measure of inflation can **change one's inference** about K-12 funding over time.

Inflation as a Percentage of Costs Relative to 1990



The foundation allowance was **intended to equalize funding**. This was accomplished **by reducing revenues for historically higher-funded districts**.

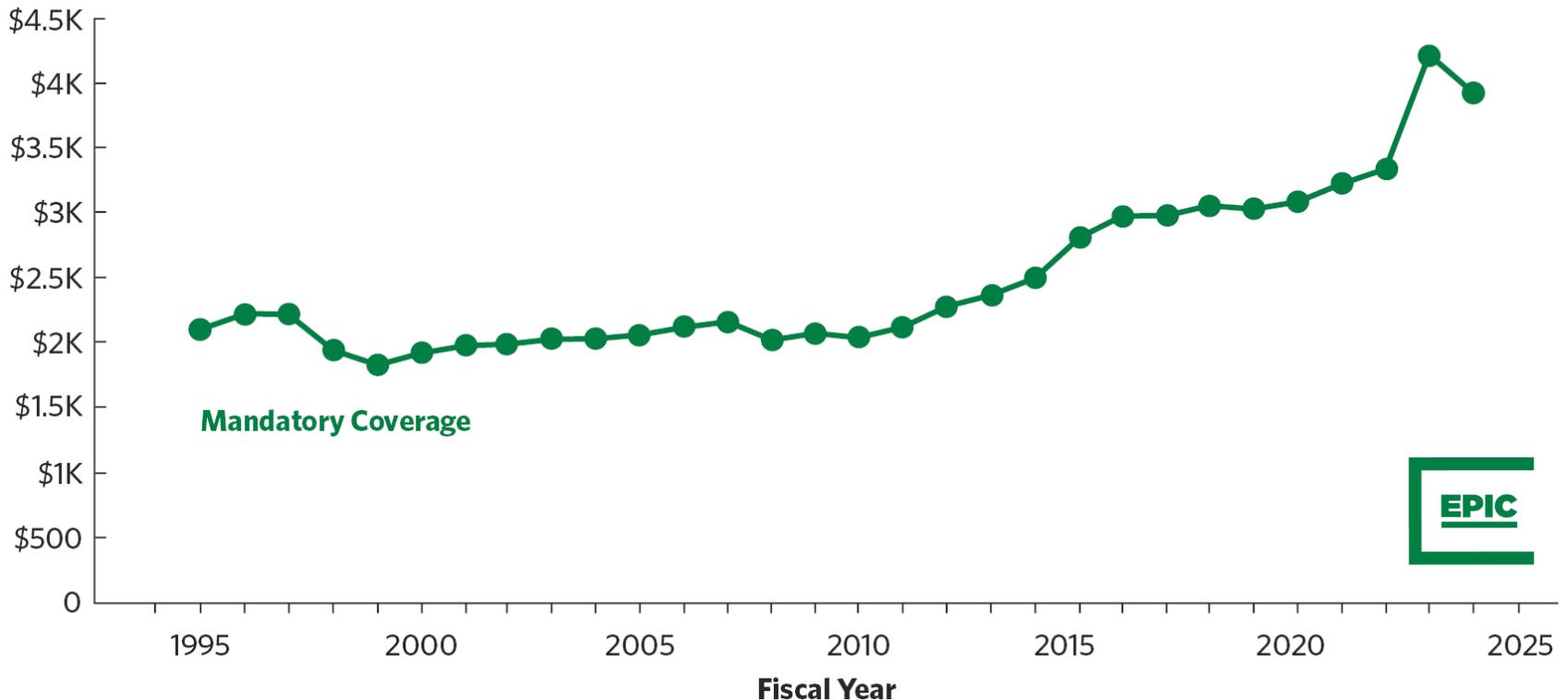
Foundation Allowances



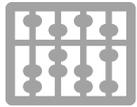
Spending on Mandatory Coverage has Doubled

MPSERS is the largest component and now accounts for roughly 1 of every 5 dollars of K-12 operating revenues

Dollars per Pupil



Recap



Money matters for student outcomes



Districts have generally protected instructional spending



Demographic changes in Michigan mean that education is more expensive now



State-mandated benefits have cannibalized spending on instructional salaries, which are an important driver of student outcomes



K-12 revenues have not kept pace with inflation



Districts are asked to do more for students now than in the past



Yet, there is strong public support for funding K-12 education



New priorities can be unstable

There is **Strong Support** to Increase K-12 funding

If you were making up the state budget for Michigan this year, would you increase, decrease, or keep spending the same for...

State Budget Priorities - Public Opinion

