



Trends in Michigan K-12 Funding

MAISA, March 6, 2026

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The **EPIC** Approach

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.

Research Questions

- How have demographic trends in Michigan's K-12 population affected district finances?
- In inflation-adjusted terms, have per-pupil revenues changed over time?
 - How has the mix of revenues from restricted and unrestricted sources shifted?
- In inflation-adjusted terms, have districts' expenditures changed over time?



RESEARCH REPORT

Funding Michigan's Future: Three Decades of School Finance and the Policy Questions Ahead

Jason Burns, *EPIC Research Specialist*

Matthew Guzman, *EPIC Research Assistant*

September 2025



Money Matters in Education

Student Outcomes

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

Teacher Outcomes

Increased funding improves educator outcomes as well

Higher salaries

Higher retention

New Evidence

Emerging evidence suggests that **spending on instructional salaries** drives improved outcomes

"All the News
That's Fit to Print"

The New York Times

Late Edition

New York: Today, mostly sunny, windy, cold. High 37. Tonight, increasing clouds late. Low 29. Tomorrow, a period of light snow. High 42. Yesterday, high 45, low 21. Details, page 126.

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15 cents beyond the greater New York metropolitan area.

50 CENTS



Tonya Harding with her lawyer, Robert C. Weaver Jr., as she pleaded guilty yesterday in Portland, Ore., to a charge of hindering the prosecution. She was then sentenced to probation, a fine and community service.

Judge Accepts Harding Plea In Conspiracy

By MICHAEL JANOFSKY

A 10-week whodunit that captured world attention for the unlikely backdrop of figure skating came to an inconclusive halt yesterday when Tonya Harding pleaded guilty to a single charge in the Jan. 6 assault on her rival, Nancy Kerrigan.

In a plea agreement in a Portland, Ore., District Court, Miss Harding admitted to conspiring to hinder prosecution of the case, a felony offense. But what the agreement did not include — and now might never be known for certain — is the full extent of her knowledge of the attack in Detroit, where Miss Kerrigan was struck on the knee with a collapsible metal baton.

U.S. and Israel Hope to Persuade Syria to Return to the Peace Talks

By STEVEN GREENHOUSE

Special to The New York Times

WASHINGTON, March 16 — With the P.L.O. still balking at returning to the Mideast peace talks, the United States and Israel sought today to regain momentum by enticing Syria into resuming negotiations.

At a White House news conference, President Clinton held out the prospect of improved relations with Syria if President Hafez al-Assad reopened the talks and reached an agreement with Israel.

Standing alongside Mr. Clinton, Prime Minister Yitzhak Rabin sounded unusually conciliatory toward Syria and signaled that an accord could lead to increased security and territorial concessions for Syria.

"The Promise of Peace"

Israel seized the Golan Heights from Syria in the 1967 war, and the talks with Syria have centered on its demand for the total return of the heights. Israel, concerned about its security, has sought to retain some of the territory.

President Assad has not made any public commitment to return to the talks, and other Aarbs could view such a decision as undercutting the Palestinians. The P.L.O. and Israel signed an accord in September calling for Israel's withdrawal from the Gaza Strip and Jericho, on the West Bank; they had been negotiating details when the Hebron massacre occurred.

American and Palestinian aides also said Secretary of State Warren Christopher had sent a letter to Yasir Arafat urging him not to pursue a separate

Michigan Votes for Revolution In Financing Its Public Schools Effort to Even Spending in Rich and Poor Districts

By WILLIAM CELIS 3d

Special to The New York Times

DETROIT, March 16 — In the nation's most dramatic shift in a century in the way public schools are financed, Michigan will begin using sales and other taxes, not property taxes, to pay for its 3,286 schools.

The experiment also includes provisions to begin equalizing spending by rich and poor districts throughout the state by giving each district a minimum of \$4,200 a student, \$1,600 more than the poorer districts now spend. The plan is being examined by several states; 28 are now mired in lawsuits about the inequities of financing from property taxes.

Approved by 70 percent of voters in a heavy turnout on Tuesday, the Michigan plan will end the state's 100-year reliance on property taxes, which here, as in other states, have galvanized property owners into a powerful political force trying to limit spending.

Conservative Impulse

Backed by Gov. John M. Engler, a conservative Republican who faces reelection this fall, the plan was intended to help improve schools without increasing the burden on property owners. Less than 10 percent of school financing would come from property taxes, accomplishing Mr. Engler's initial goal, as well as equalizing expenditures in rich and poor school districts, a goal that has been sought in many states for more than 20 years.

"It is a huge vote," Mr. Engler said by telephone today. "The property tax had been a terrible problem in the state because of the relentless increases for schools. We were approaching an educational meltdown, and it was the root of the inequities in the per pupil spending among districts."

Under the plan, which goes into effect on May 1, the state sales tax will increase to 6 percent from 4 percent, and cigarette taxes will triple, to 75 cents a pack. This will generate more than \$1 billion a year, the State Treasury Office estimates. Property taxes will be reduced by about \$1.9 billion.

Drawing Keen Interest

Although school officials across the state as well as critics wonder whether sales tax receipts are too volatile to support public education in the future, the state's venture into uncharted terrain has drawn keen interest from other states. In the last month, the Wisconsin Legislature approved two competing proposals that would limit a school district's reliance on property taxes.

Continued on Page A21, Column 1

Lighter Tax Burden

As states move to cut taxes, a report says 1994 may be the first year since 1985 that the burden of state levies is expected to ease. Page A21.

Persistent Racial Segregation Mars Suburbs' Green Dream

By DIANA JEAN SCHEMO

Special to The New York Times

ROOSEVELT, L.I. — When Marshall Adkinson's parents decided to leave Brooklyn for Long Island, the enthusiasm of friends and teachers made her smile with anticipation.

Perhaps they pictured the swimming pools of nearby Levittown, or the shopping centers of Garden City, or the well-stocked library and spicily corridors of Plainview-Old Bethpage High

Tarnished Haven

Second of two articles.

at a hole in her classroom ceiling where tiles had been ripped away. Graffiti scarred the walls. "I thought it was going to be a dream place," she said.

Drawn by the promise of escape from inner-city congestion and violence, more and more families like the

TOUGH NEW LIMITS ON SMOKING SOUGHT FOR NEW YORK CITY

COUNCIL BILL INTRODUCED

Plan Goes Beyond 1988 Law—
Virtually All Public Places
Would Be Under Bans

By STEVEN LEE MYERS

The leadership of the City Council announced yesterday that it was seeking sweeping new restrictions on smoking in New York City, banning it in virtually all public places, from outdoor arenas and playgrounds to rest restaurants and offices, except in enclosed, specially ventilated rooms.

The city already has smoking restrictions, passed in 1988, that require designated nonsmoking areas in restaurants and other public places and that limit smoking in the workplace. But the new legislation, introduced by Council Speaker Peter F. Vallone of Queens and for that reason very likely to be passed by the Council, would make New York one of the most smoking-restrictive cities in the nation.

Mayor Rudolph W. Giuliani said yesterday that he endorsed broad curbs on smoking in public, although he noted that he had not yet reviewed the Speaker's legislation. "I generally favor as much restriction as possible on cigarette smoking, particularly since it affects the health of others," he said.

Growing Evidence

The legislation comes at a time when more and more cities and states, as well as private companies on their own initiative, are taking steps to restrict smoking in response to growing evidence about the dangers of smoking or inhaling secondhand smoke.

And given the tobacco industry's willingness to spend millions of dollars to fight smoking restrictions, Mr. Vallone's proposal will put New York City at the center of a debate over how far government can or should go in trying to regulate smoking.

The proposal would force all employers, regardless of size, to restrict smoking to enclosed, specially ventilated rooms and would limit such rooms

...the plan was intended to help improve schools without increasing the burden on property owners. Less than 10 percent of school financing would come from property taxes, accomplishing Mr. Engler's initial goal, as well as equalizing expenditures in rich and poor school districts...

"Although this is still not the complete answer to equitable, adequate and stable funding of the schools in our state, it does provide the best option at this time,"

~ [superintendent of Detroit Public Schools]

Tonya Harding with her lawyer, Robert C. Weaver Jr., as she pleaded guilty yesterday to second, Ore., on a charge of hindering the prosecution. She was then sentenced to probation, a fine and community service.

"I'm still concerned. The only thing I hope is that the Legislature with the Governor's help at least makes sure the funding is there for schools over the next few years."

~ [superintendent of Kalkaska]

Judge Accepts Harding Plea In Cont...

By NICHOLAS... A 16-week world attention... drop of 50 per... concludes that... Harding pleaded... charge in the Jan. 5 assault on her rival, Nancy Kerrigan.

In a plea agreement in a northern Ore., District Court, Miss Harding admitted to conspiring to hinder prosecution of the case, a felony offense, but what the agreement did not include — and now might never be known for certain — is the full extent of her knowledge of the attack in Detroit, where Miss Kerrigan was struck on the knee with a collapsible metal baton.

Miss Harding acknowledged no further involvement beyond what she has already said — that she learned the

U.S. and Israel Hope to Persuade Syria to Return to the Peace Talks

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Standing alongside Mr. Clinton, Prime Minister Yitzhak Rabin sounded unusually conciliatory toward Syria and signaled that an accord could lead to increased security and territorial concessions for Syria.

"The Promise of Peace" "We know that as we engage in serious and authoritative negotiations, the point will come where painful decisions

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Drawn by the promise of escape from inner-city congestion and violence, more and more families like the Adkins are moving to America's suburbs. Like so white middle class before them, they are coming for a sense of

NEW LIMITS

SMOKING SOUGHT FOR NEW YORK CITY

COUNCIL BILL INTRODUCED

Plan Goes Beyond 1988 Law— Virtually All Public Places Would Be Under Bans

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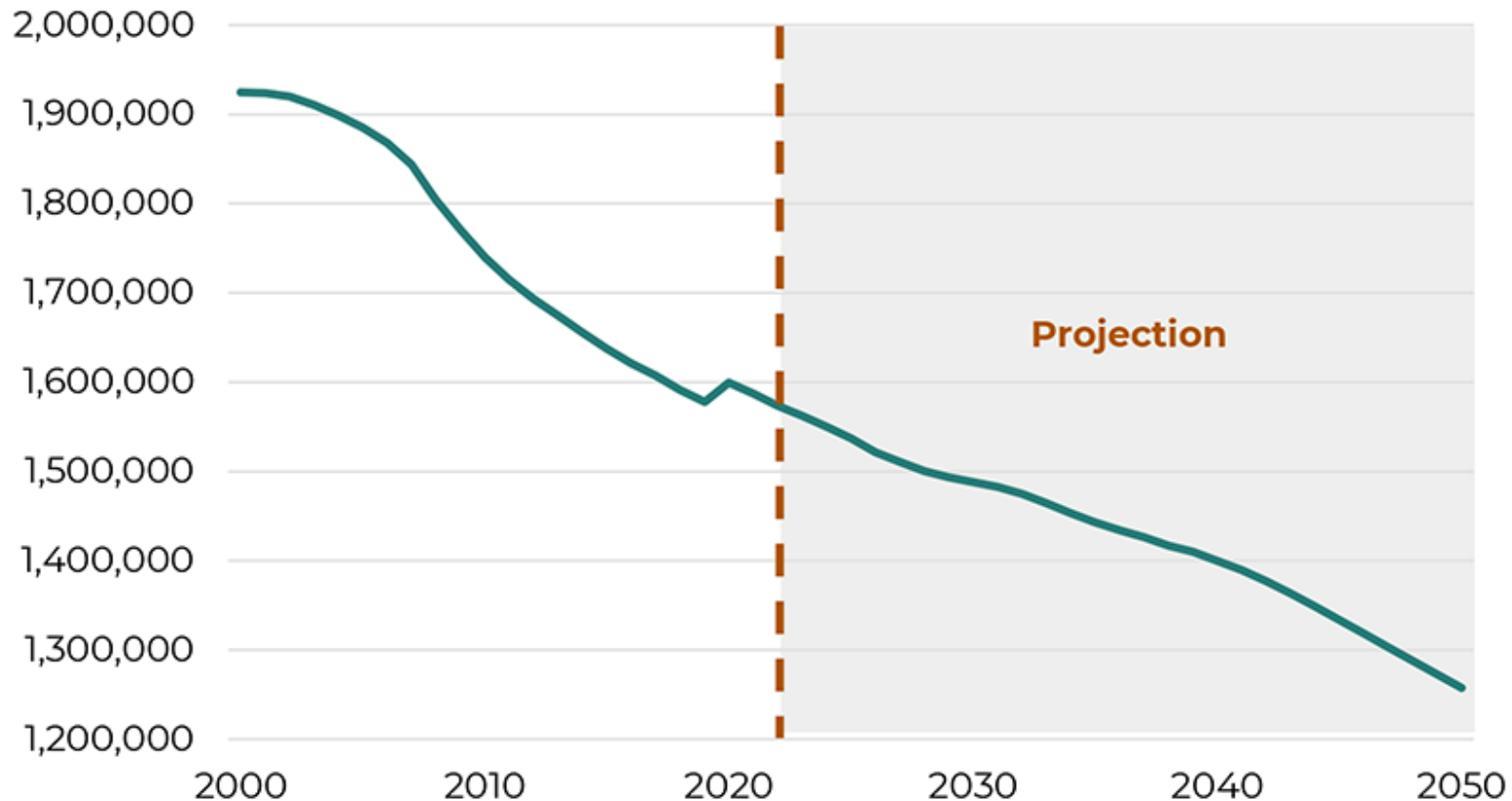
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Creates Evidence

When it comes at a time when more and more cities and states as well as private companies on their own initiative, are taking steps to restrict smoking in response to growing evidence of the dangers of smoking or second-hand smoke.

Michigan's Student Population Declined by 20% Since 2000 and is Estimated to Decline at the Same Rate Through 2050



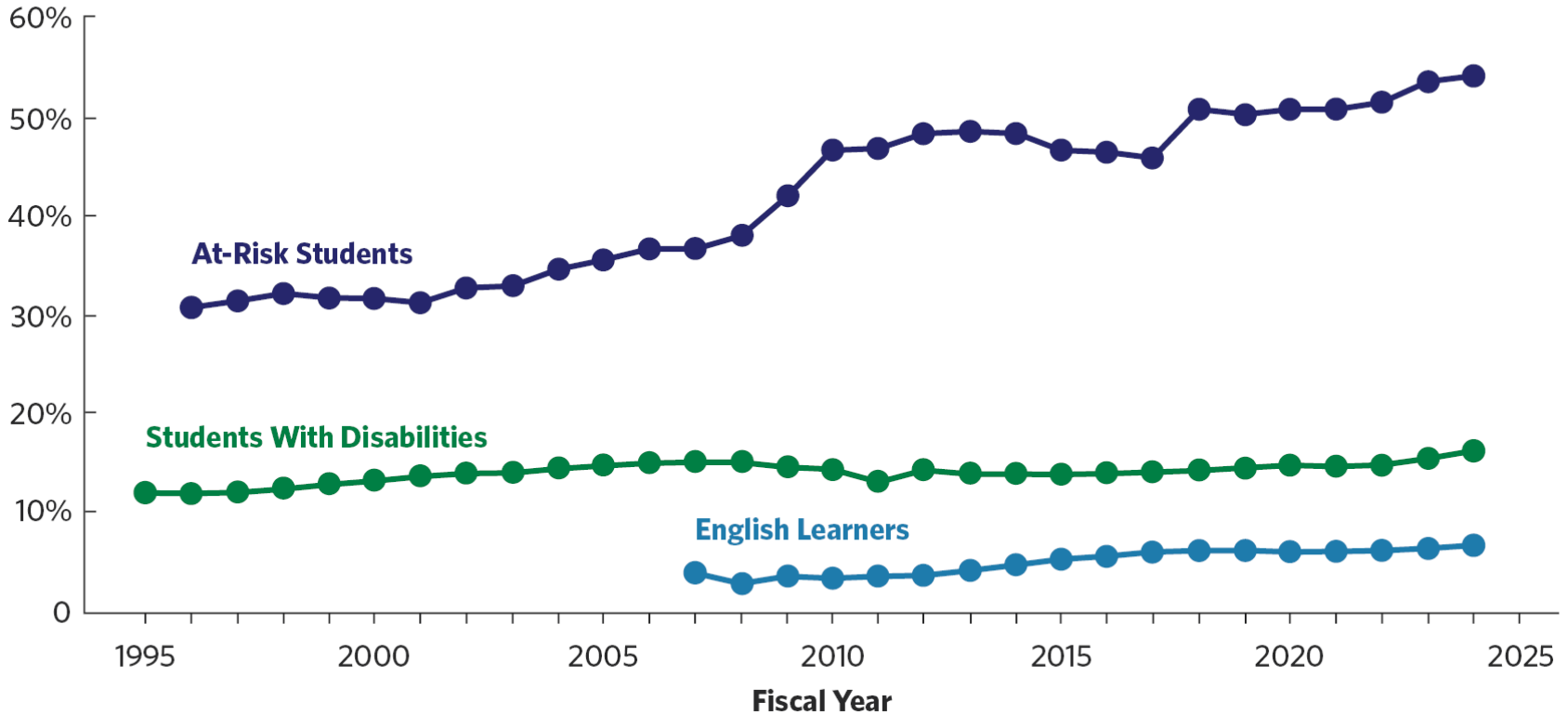
Source: WONDER Database, Centers for Disease Control; 2024 Vintage Population Projections, Michigan Center for Data and Analytics; Population Estimates Program, U.S. Census Bureau

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

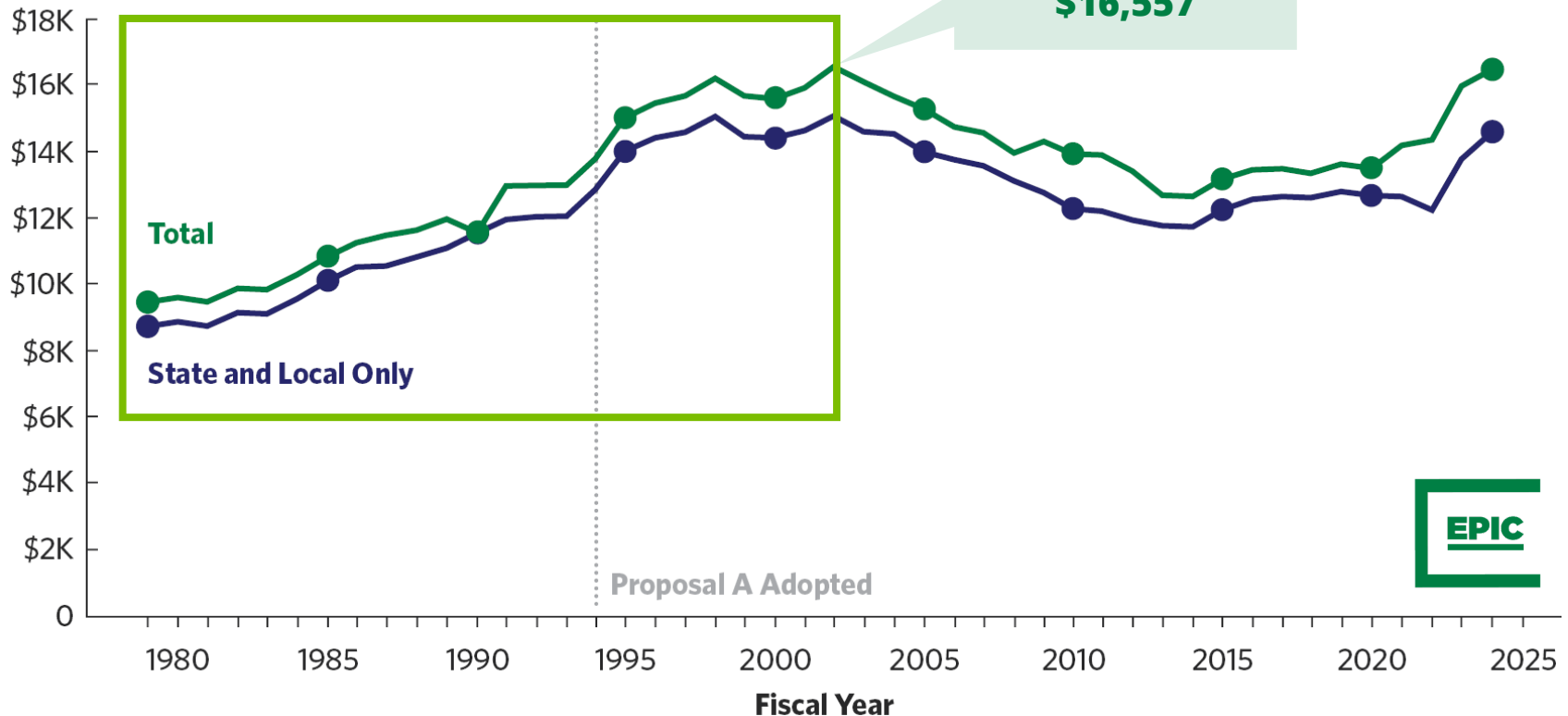
Percent of Total Student Population



Real K-12 Operating Revenues Show Transitions in 2002, 2014, and 2022

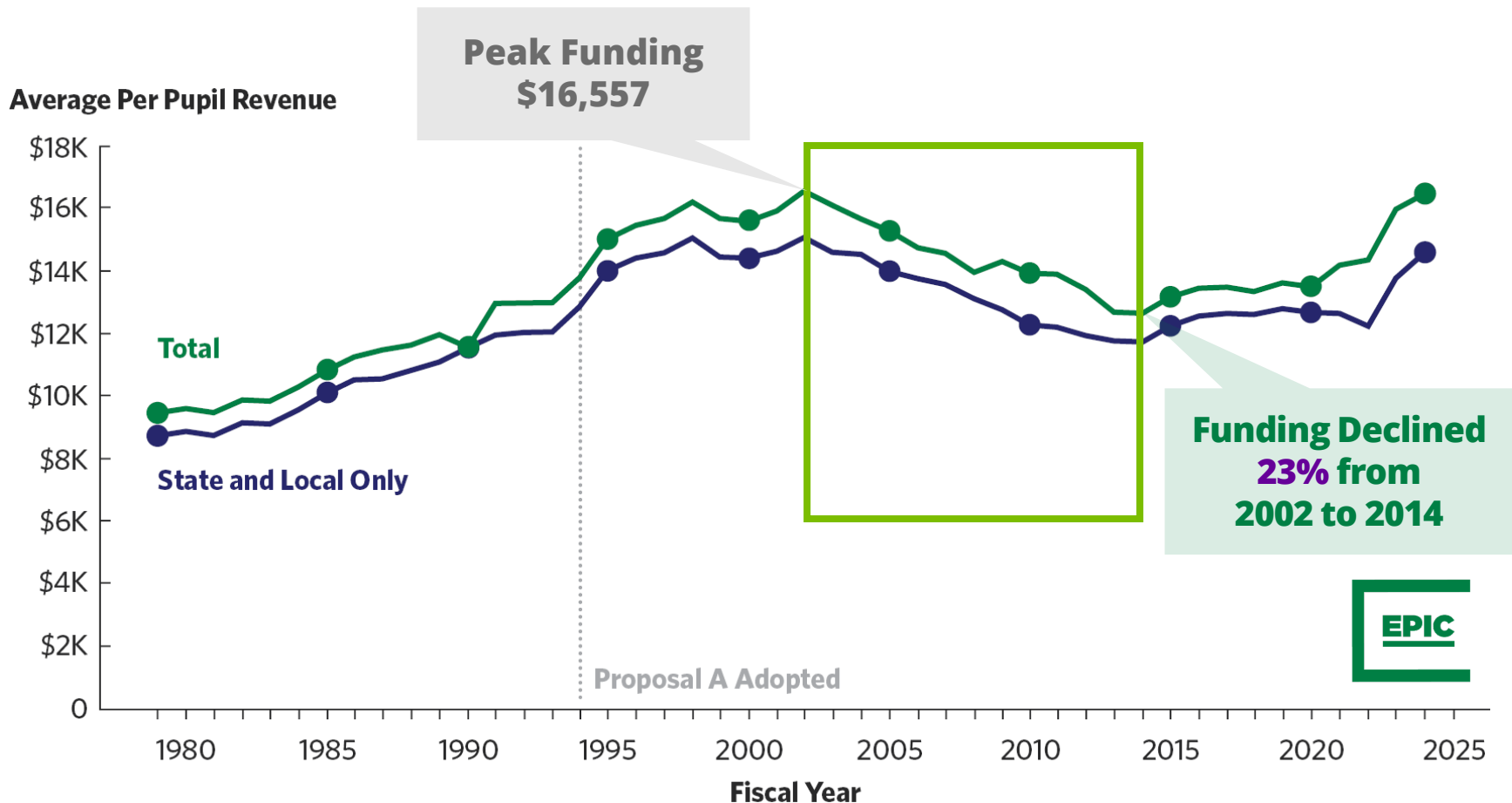
Funding generally increased from 1979 through 2002 when it reached its peak.

Average Per Pupil Revenue



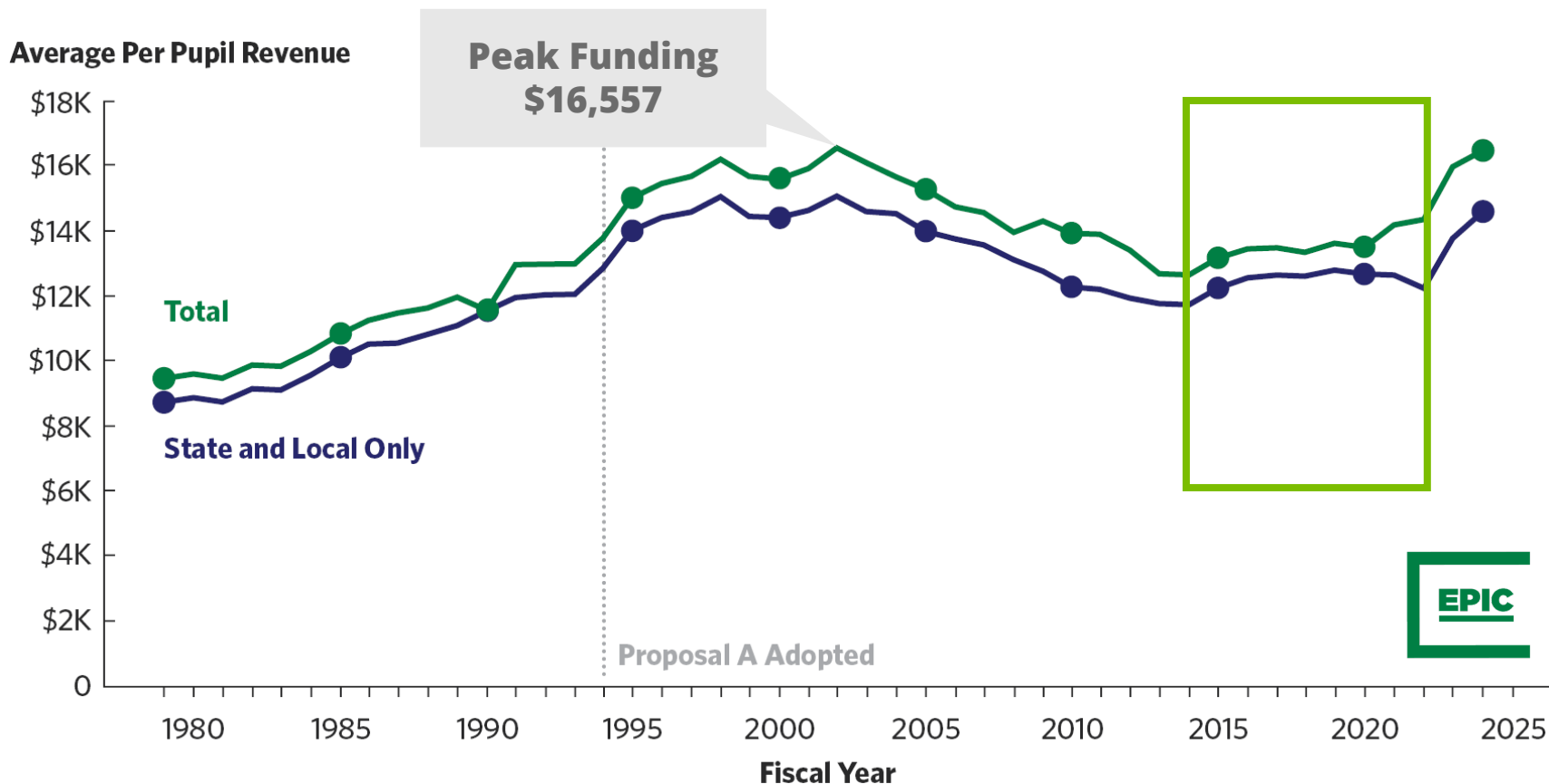
Real K-12 Operating Revenues Show Transitions in 2002, 2014, and 2022

Funding steadily declined from 2002 through 2014.



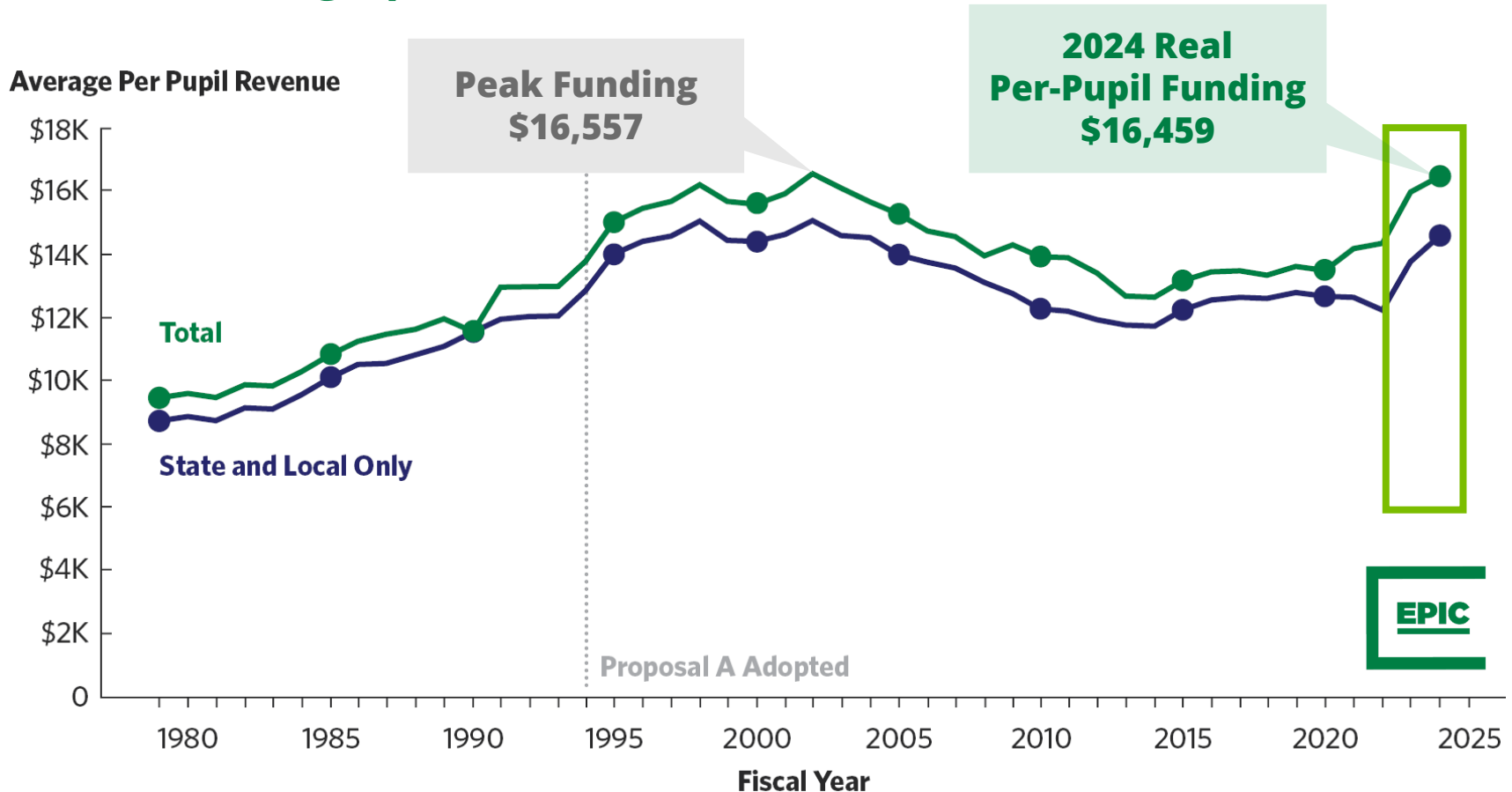
Real K-12 Operating Revenues Show Transitions in 2002, 2014, and 2022

Funding remained generally level from 2014 through 2022.



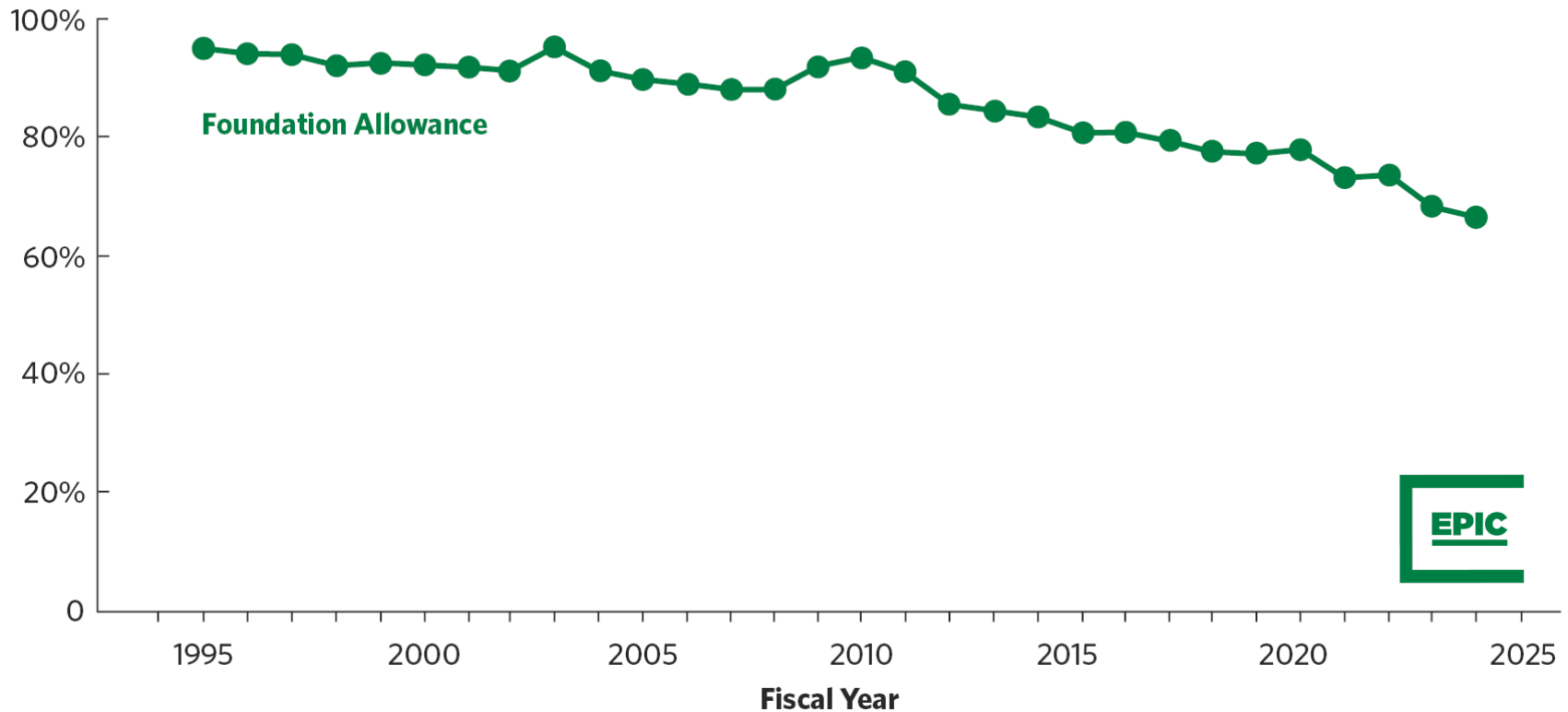
Real K-12 Operating Revenues Show Transitions in 2002, 2014, and 2022

Funding increased starting in 2022 but remains below the high point set in 2002.



Foundation Allowance Now Covers Only 2/3 of State and Local Revenues: More Comes From Categorical Grants

Proportion of School District Revenues



Complexity of Categorical Funding



Affordances of categorical grants

- Direct more resources to districts with varying needs
- Provide accountability for districts by earmarking dollars for specific services or groups
- Provide accountability for the state by pairing requirements to provide new services or existing services at a greater level with funding to provide them

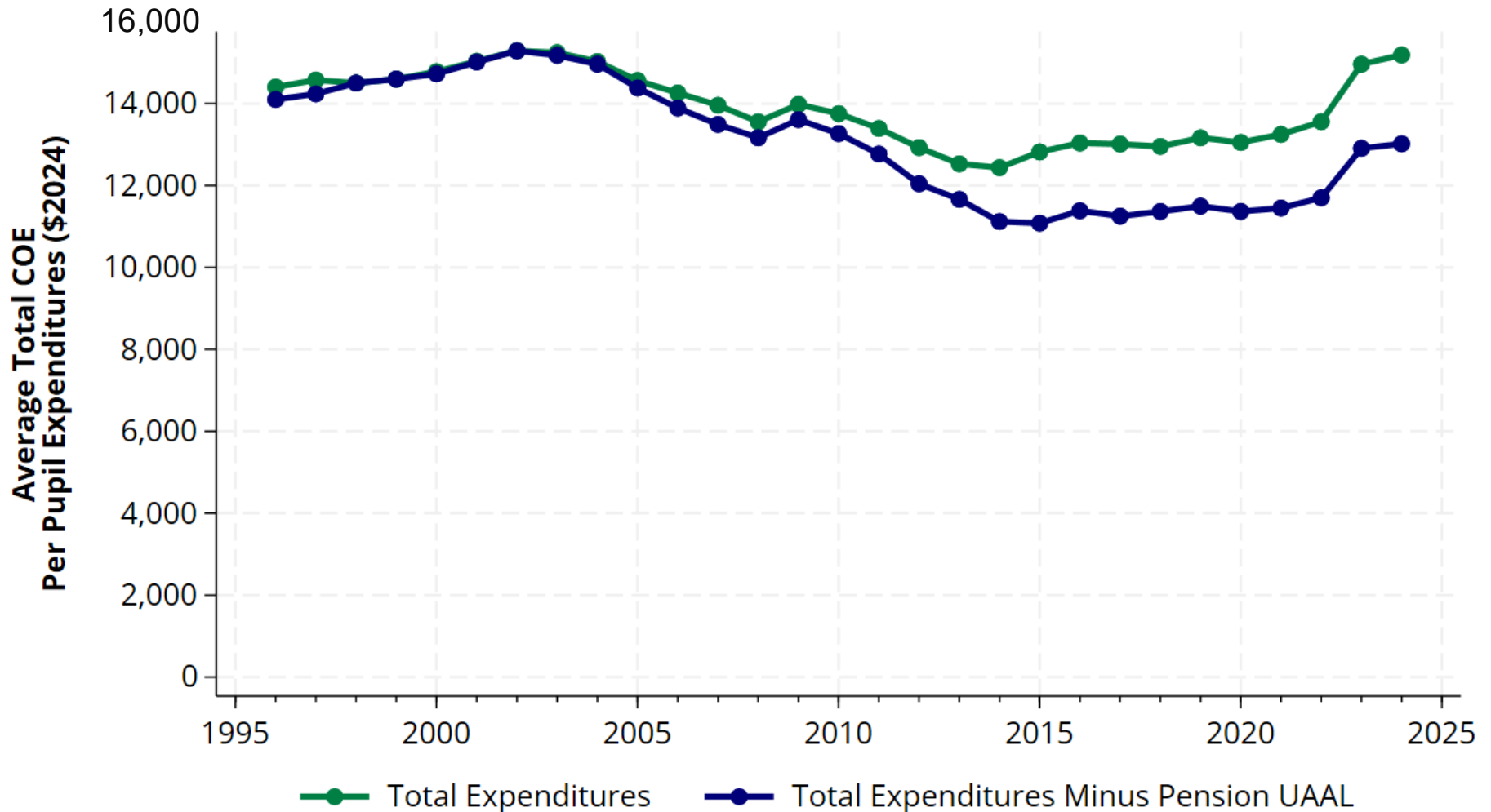


Challenges posed by categorical grants

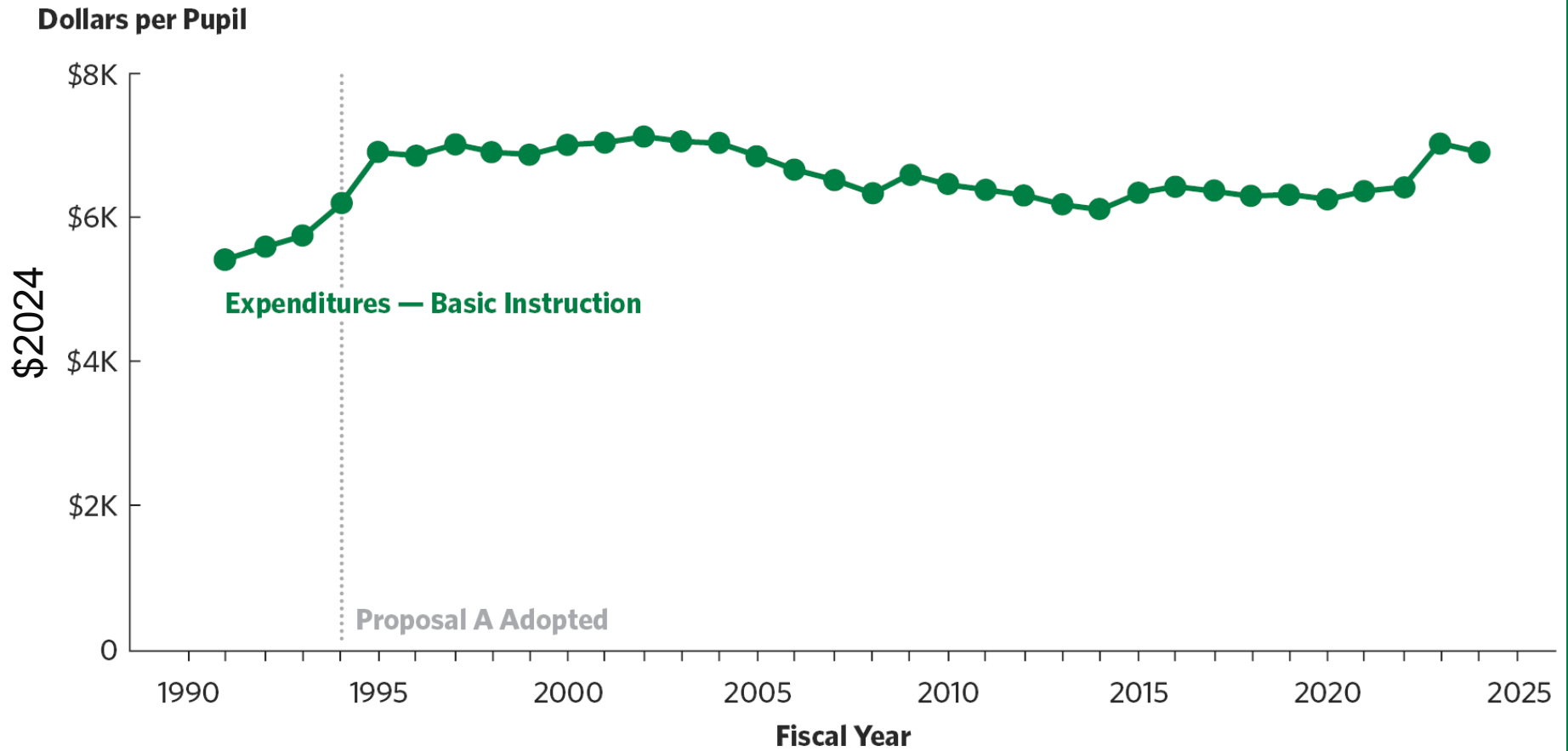
- Reduced budget flexibility
- Funding can be unstable over time
- Compliance & administration costs



Payments Toward Pension UAALs Account for a Growing Share of Operating Expenditures, Reaching Approximately \$2100 Per-Pupil as of FY24

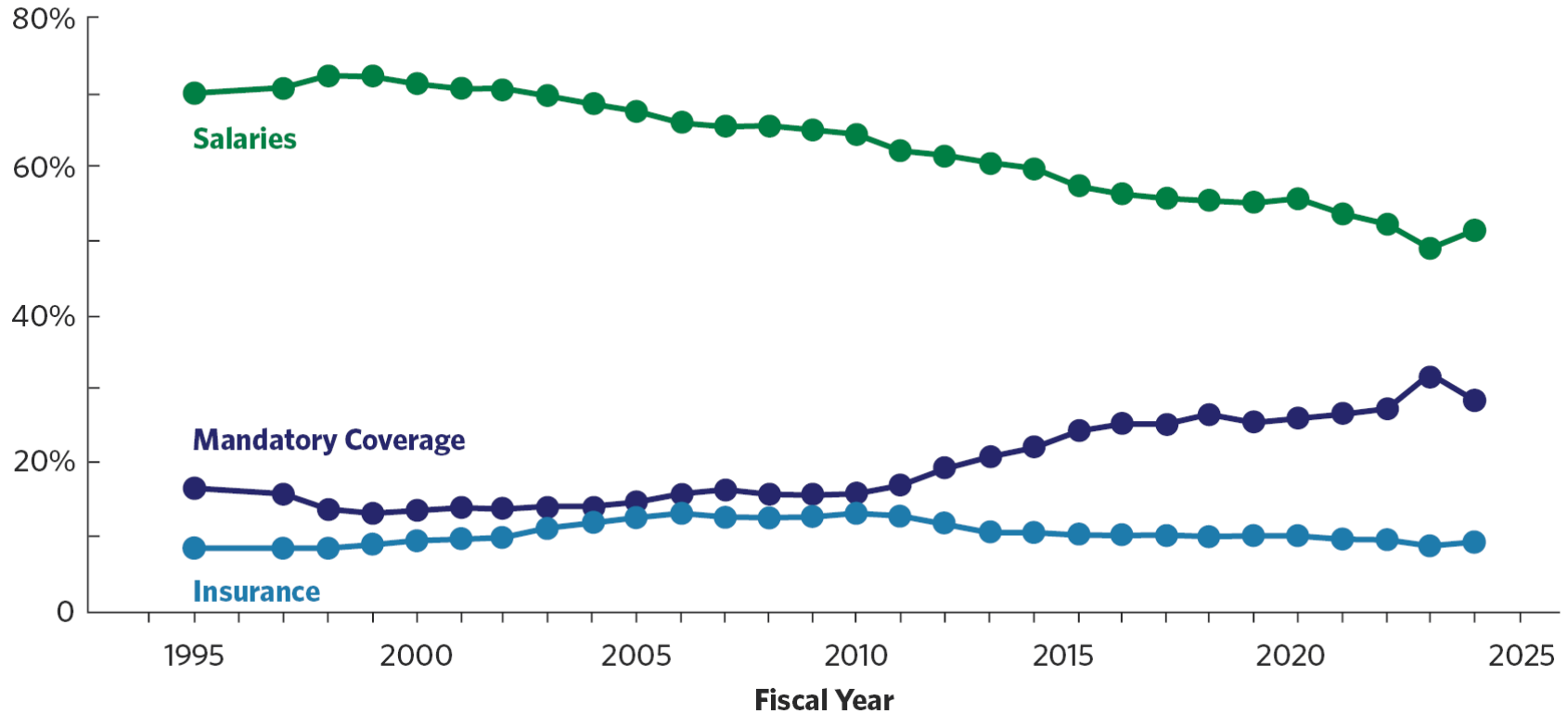


Per-Pupil Expenditures on Basic Instruction Has Been Relatively Stable Since 1995



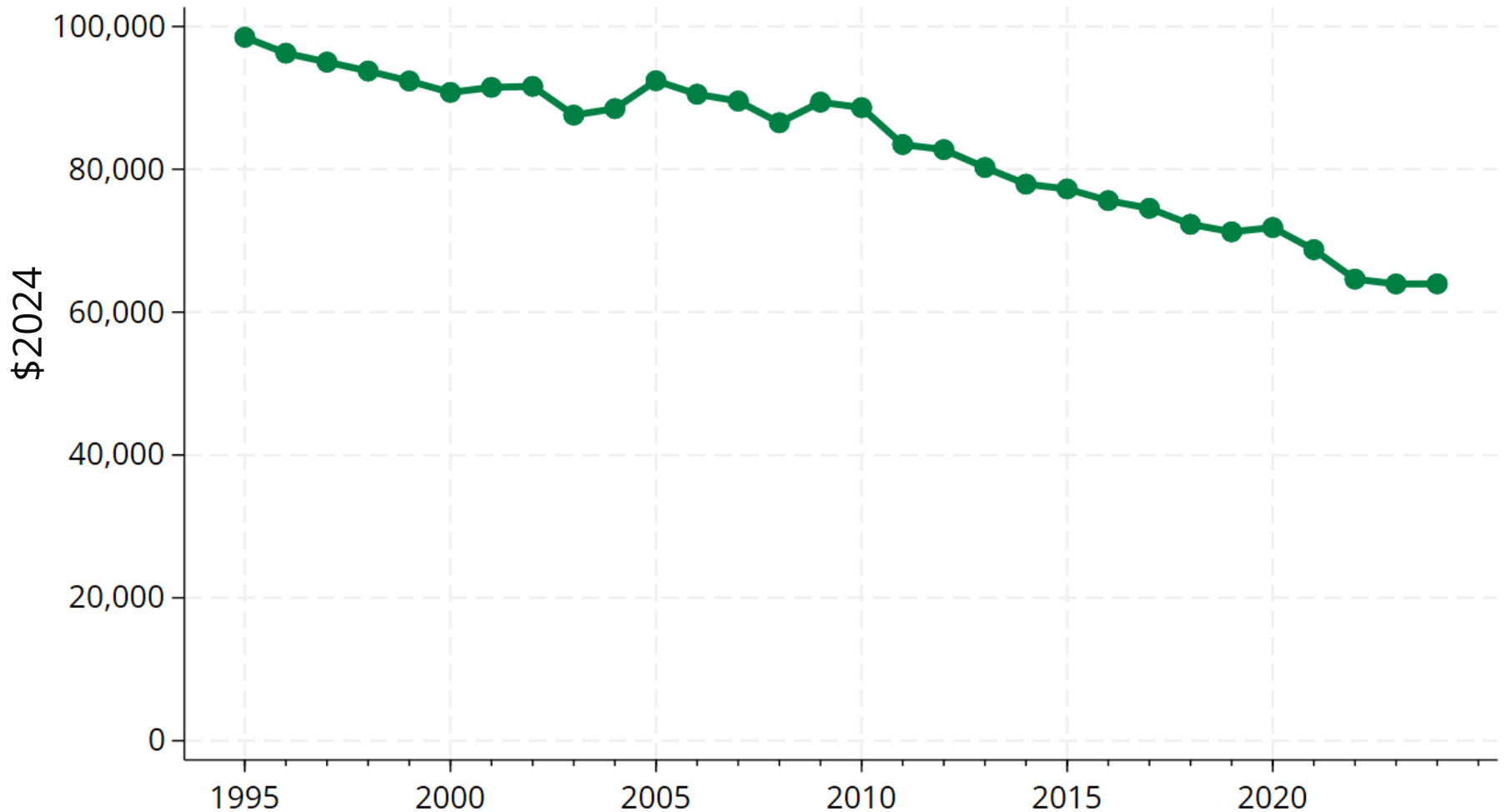
The Composition of Instructional Expenditures Has Shifted Away From Salaries and Toward Mandatory Coverage

Proportion of Per-Pupil Basic Instruction Expenditures



Changes in Inflation-Adjusted Teacher Compensation Reflect the Shift Away From Instructional Salaries

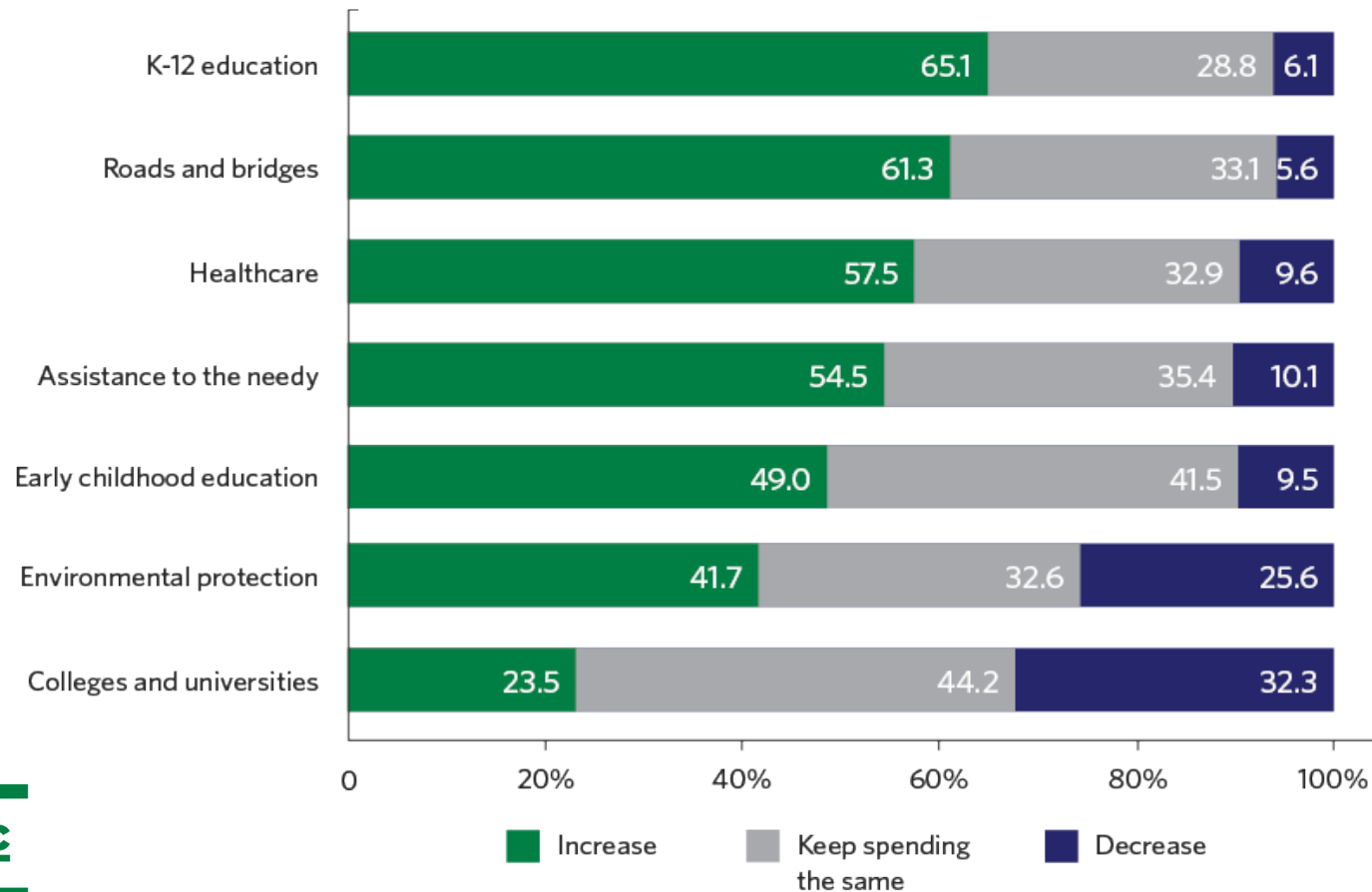
Real Average Teacher's Salary, 1995-2024



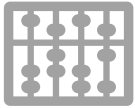
There is **Strong Support** to Increase K-12 Funding

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

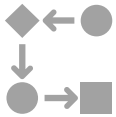
State Budget Priorities - Public Opinion



Key Takeaways



Money matters for student outcomes



Demographic changes in Michigan mean that education is more expensive now



K-12 revenues have not kept pace with inflation



District budgets are more complicated

- Flexible dollars are a smaller share of budgets
- Districts are asked to do more for students



Spending on benefits earned in the past has reduced the resources available for classrooms today

Insight on Current and Future K-12 Funding Debates in Michigan

- Pressure to consolidate districts/services
- Shift to a weighted funding model?
 - Included in governor's budget
 - Senate and house K-12 Appropriations Committees have had hearings
- Growth of non-K-12 programming in School Aid Budget
 - Higher education (\$1.3B FY26)
 - Early childhood education (\$667M FY26)
- Educator workforce
 - Teacher compensation
 - The future of MPSERS



Education Policy Innovation Collaborative

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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

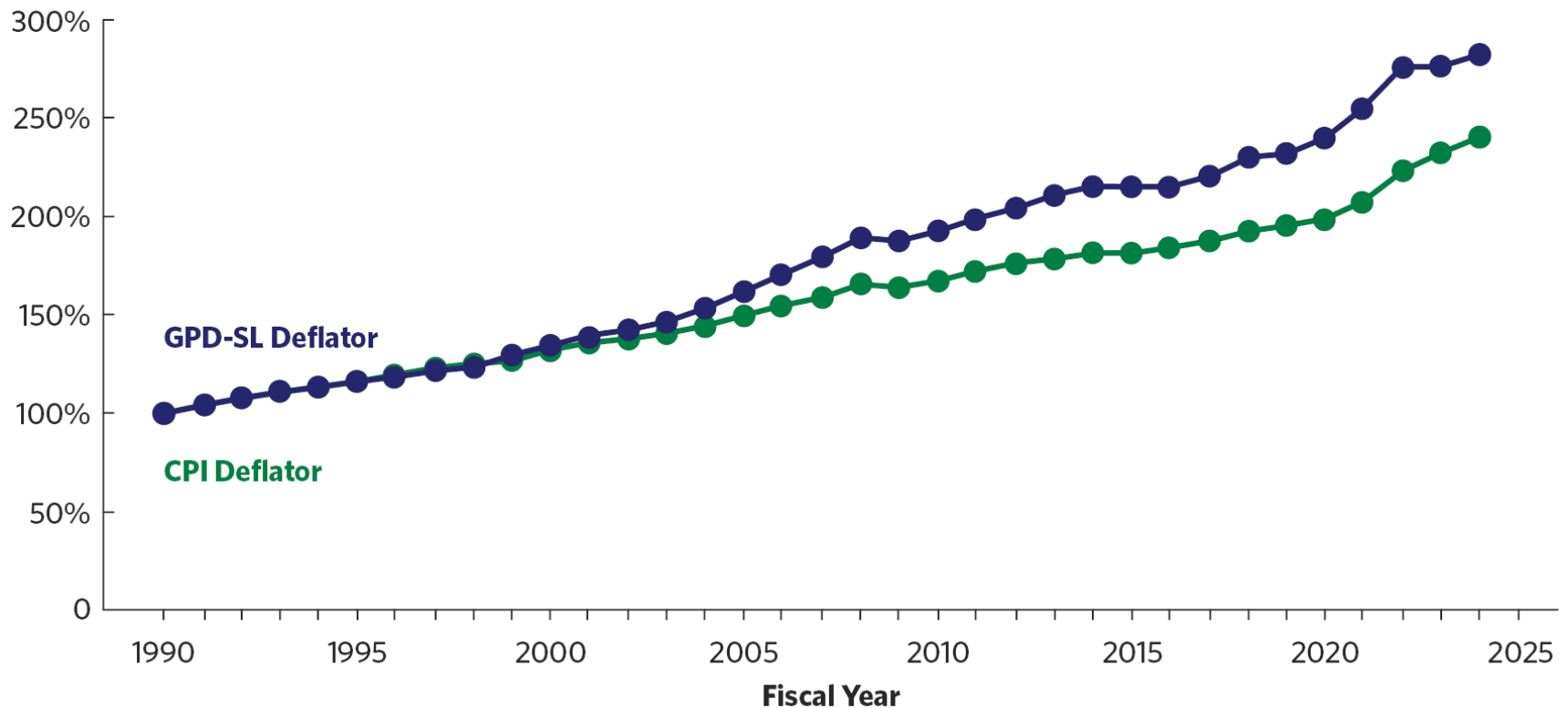
Multiple Measures

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

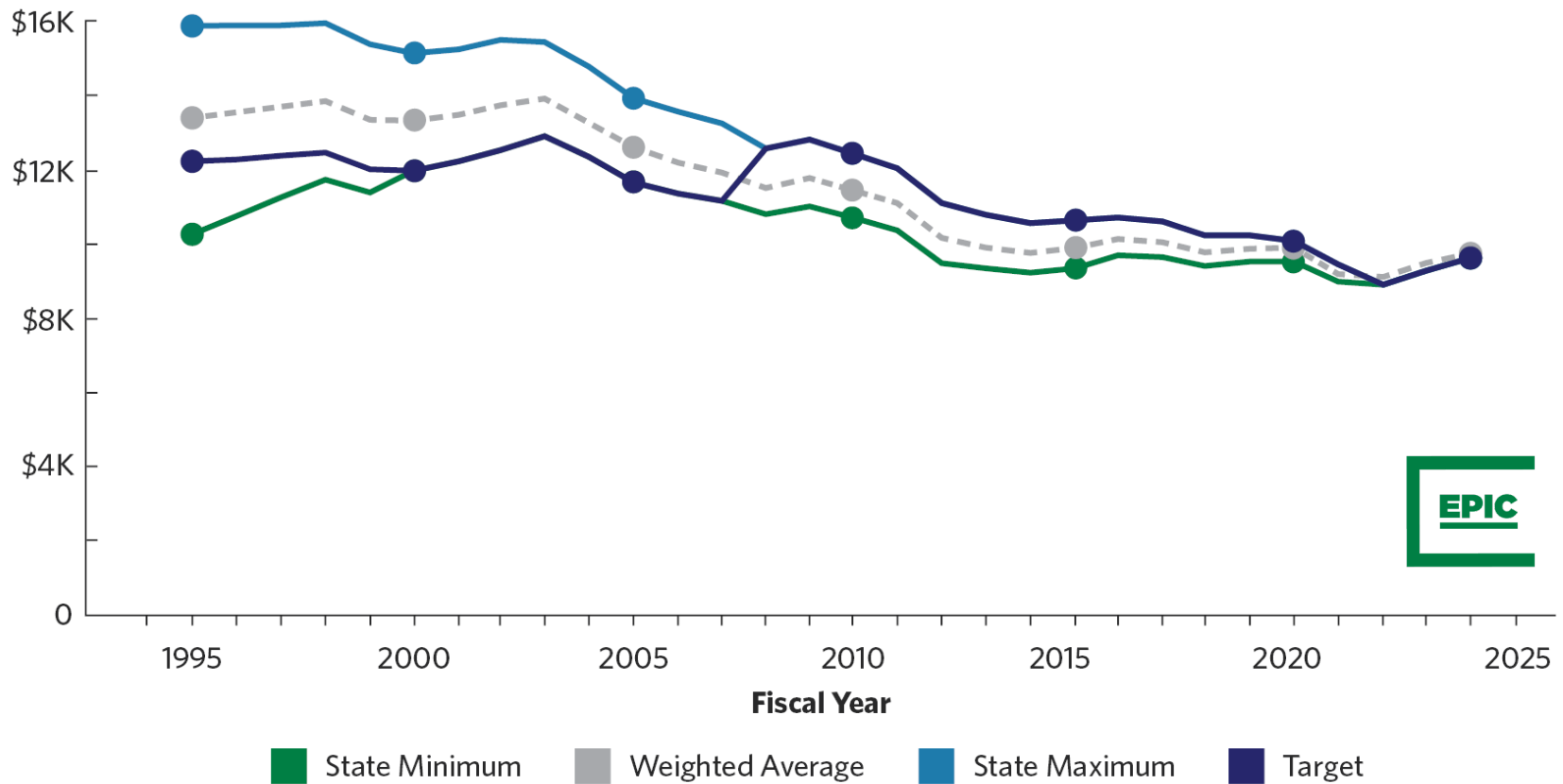
Using an inappropriate measure of inflation can **change one's inference** about K-12 funding over time.

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

