

# Michigan

by Larry Maloney

## Summary and Highlights

This snapshot examines the revenue sources and funding equity for district schools and charter schools in Massachusetts and, in particular, Boston, during FY 2006-07 (Figure 1).<sup>1</sup>

In the following figures, the statewide values show how much per pupil funding districts in the state received compared to how much charter schools received per pupil. The statewide values weighted

for charter enrollment adjust these figures to account for the fact that some districts enroll more charter students than others and the district PPR varies between districts. The weighted values estimate how much more or less per pupil funding charter schools received compared to the funding district schools would have received to educate the same students. (See Methodology for details.)

## Highlights of Our Findings:

- On average, Michigan's 221 charter schools received 16.3 percent less funding per pupil than district schools: \$8,652 vs. \$10,341 per pupil, a difference of \$1,689 per pupil.
- Michigan charter schools received \$8,652 per pupil, but district schools would have received

**Figure 1: District and Charter School Revenues and Enrollments**

Michigan (2006-07)	Statewide		Statewide Weighted for Charter Enrollment		Detroit	
<b>Per pupil Revenue</b>						
District	\$10,341		\$10,781		\$12,338	
Charter	\$8,652		\$8,652		\$8,791	
Difference	<b>(\$1,689)</b> <b>(16.3%)</b>		<b>(\$2,129)</b> <b>(19.7%)</b>		<b>(\$3,547)</b> <b>(28.7%)</b>	
<b>Per pupil Revenue by Source</b>						
	District	Charter	District	Charter	District	Charter
Federal	\$622	\$765	\$1,006	\$765	\$2,367	\$822
State	\$6,474	\$7,590	\$6,790	\$7,590	\$7,910	\$7,719
Local	\$3,240	\$293	\$2,980	\$293	\$2,060	\$248
Other	\$0	\$0	\$0	\$0	\$0	\$0
Indeterminate	\$5	\$5	\$4	\$5	\$0	\$2
Total	\$10,341	\$8,652	\$10,781	\$8,652	\$12,338	\$8,791
<b>Enrollment</b>						
District	1,573,116 94.1%		N/A N/A		114,401 80.8%	
Charter	98,368 5.9%		N/A N/A		27,236 19.2%	
Charter Schools	221		N/A		45	
<b>Total Revenue</b>						
District	\$16,268,255,922 95.0%		N/A N/A		\$1,411,429,417 85.5%	
Charter	\$851,111,453 5.0%		N/A N/A		\$239,421,079 14.5%	
Total	\$17,119,367,375		N/A		\$1,650,850,496	
<b>Percentage of Revenue by Source</b>						
	District	Charter	District	Charter	District	Charter
Federal	6.0%	8.8%	9.3%	8.8%	19.2%	9.3%
State	62.6%	87.7%	63.0%	87.7%	64.1%	87.8%
Local	31.3%	3.4%	27.6%	3.4%	16.7%	2.8%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Indeterminate	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%
<b>Change in district school funding if subjected to charter funding structure</b>						
	<b>(\$2.65 billion)</b>				<b>(\$405.7 million)</b>	

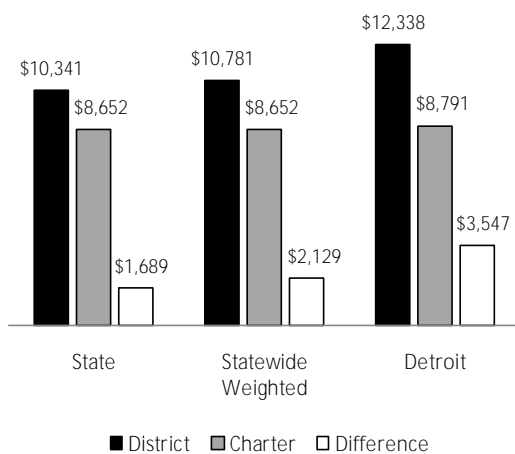
an estimated \$10,781 to educate the same students – a difference of \$2,129 or 19.7 percent. Weighting the district PPR for charter enrollment therefore increases the funding disparity by \$440 from the statewide difference above.

- **Detroit’s 45 charter schools received 28.7 percent less funding than district schools: \$8,791 vs. \$12,338 per pupil, a difference of \$3,547 per pupil.**
- Michigan charters served 5.9 percent of the state’s students, but only received 5.0 percent of the total revenue.

**the state’s education funding system. Today, the majority of school funding originates from the state because Proposal A uncoupled local property tax collection from the funding of local education agencies. Now, the state’s six percent sales tax serves as the primary vehicle for education funding. Sixty percent of revenue generated from four percent of the sales tax helps to fund education in Michigan, while 100 percent of the revenue generated from the remaining two percent of all the tax is spent on education.**

In addition to the sales tax, all revenue generated from a two percent increase in the state use tax is earmarked for education, as well as all revenues resulting from the statewide six mill property tax.

**Figure 2: Per Pupil Total Revenue for Michigan District vs. Charter Schools, FY 2006-07**



- Additional revenue sources and taxes targeted for education include:
- Real Estate Transfer Tax
- Income Tax (14.4 percent of collections after refunds at a 4.4 percent tax rate)
- Cigarette Tax
- Other Tobacco Products
- Lottery
- Industrial and Commercial Facilities Tax
- Commercial Forest
- Liquor Excise Tax

Revenues from all of these sources are used to fund the Foundation Grant for local education agencies based on pupil enrollments. The FY07 Foundation Grant statewide was \$7,085 and each local education agency (LEA) received this amount or more for each pupil enrolled in its schools. The maximum foundation allowance in FY07 was \$8,385 per pupil.

The state also provides additional revenue for special needs populations. LEAs receive additional revenue of 11.5 percent of the Foundation Grant for each special needs student.

**Primary Reasons for Funding Disparities**

- Charters receive less local funding.
- Differences between the student populations served by charter and traditional district schools in Michigan appear to account for part of the funding disparity. District schools educate a far higher percentage of middle and high school students, which are more expensive to educate. But more charter schools students are eligible for free or reduced-price lunch (52.4 percent vs. 35.2 percent for districts).

**How Michigan Funds Its District Schools**

Proposal A, a constitutional amendment approved by Michigan voters in 1994, radically restructured

**How Michigan Funds Its Charter Schools**

Michigan Charter Schools receive the lesser of two funding formula options: either the Foundation Grant amount of the local school district, or the foundation allowance of \$7,085 plus an additional

\$300 (an effective foundation allowance of \$7,385). For example, Detroit Public Schools had a foundation allowance of \$7,469, which means the Detroit charters received \$7,385 per pupil.

energy conservation improvements or to refinance existing debt. In 2007, MPEFA approved \$48.3 million in bonds for charter school capital projects.

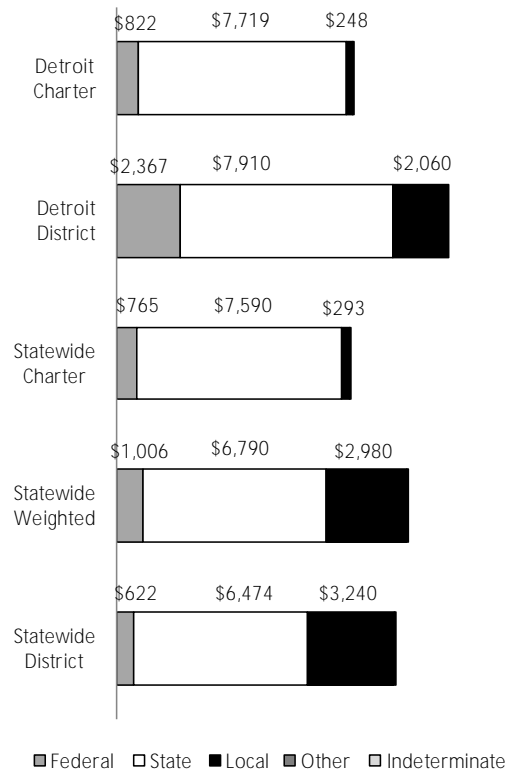
**Figure 3: State Charter School Policies**

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state		X <sup>1</sup>	
Charter schools are eligible for local funding		X	
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g. more funding for 9-12 vs. K-8 schools)		X	
Charter schools receive differential funding		X	
State allows district to withhold funding from charter schools for providing administrative services		X <sup>2</sup>	
State "holds harmless" district funding for charter enrollment		X	
School is considered LEA if authorized by non-district organization	X		
School is considered LEA if authorized by district	X		
Cap on number of charter schools	X <sup>3</sup>		
Cap on number of charter schools authorized per year	X <sup>4</sup>		
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy	X		

**Primary Revenue Sources for Michigan's Public Schools**

The restructuring of the state's funding formula in 1994 included increases in state sales and property taxes in exchange for a decrease in local property taxes, which previously had yielded the majority of funding for districts and charter schools. The change in the formula meant revenues began to "follow the pupil," which has helped to address funding disparities in the state.

**Figure 4: Per Pupil Revenue by Source for Michigan District vs. Charter Schools, FY 2006-07**



**Facility Funding**

Michigan charter schools can receive tax-exempt financing for facilities through the Michigan Public Educational Facilities Authority (MPEFA). The MPEFA offers a Long-Term Facilities Financing Program for PSAs. Funds from the program may be used to finance land, facilities, equipment and

Under this revised funding formula, charters statewide receive more in state revenue than district schools, because districts rely on local revenue for a portion of their annual funding. Statewide, charters received \$7,590 per pupil in state revenue, while district schools received \$6,474 per pupil in state revenue. In Detroit,

charters received slightly less in state revenue than district schools. Detroit’s charters received \$7,719 in state revenue, while district schools received \$7,910 per pupil.

In contrast, charter schools statewide received \$293 per pupil in local funds, while district schools statewide received \$3,240 per pupil in local funds. In Detroit, charters received \$248 per pupil in local funds, while district schools received \$2,060 in local funds.

Charters statewide also received a greater percentage of their revenue from federal sources than district schools, 8.8 percent vs. 6.0 percent. However, Detroit Public Schools received more federal revenue than the charters located within its boundaries—19.2 percent vs. 9.3 percent, respectively.

When aggregate dollars for all education services are compared to the enrollments for districts and charters, both statewide and in Detroit, it becomes apparent that Michigan charters are underfunded relative to district schools that are comparable for grade levels and students served. Charter schools compensate for some of this shortfall with private fundraising, but grants and donations fail to bridge the funding disparity. As a consequence, charter schools must operate with less day-to-day per pupil funding than do their traditional school counterparts.

Figure 5 compares charter and district school characteristics. Statewide in 2006-07, Michigan charters served a greater percentage of students eligible for free or reduced lunch, and a greater percentage of charter schools were eligible for **Title 1**. **These factors may explain charter schools’ advantage statewide in federal funding.** However, they rule out the possibility that differences in **student need explain district school’s overall funding advantage.** Nor can that advantage be explained by the variance in grades served, as the funding formula does not provide additional funds for higher grade levels.

**Figure 5: School Characteristics**

<b>Michigan (2006-07)</b>	<b>Statewide District</b>	<b>Statewide Charters</b>
Percentage of students eligible for free or reduced price lunch	35.2%	52.4%
Percentage of schools eligible for Title I	52.6%	79.2%
Percentage of students by school type:		
Primary (K-5)	43.7%	64.8%
Middle (6-8)	20.8%	3.1%
High (9-12)	31.1%	12.4%
Other (K-12, K-8, etc.)	4.4%	19.7%

**State Scorecard**

We have assigned ratings to each state based on the quality of data available, as well as to the extent charter schools have access to specific streams of revenue (Figure 6).

**In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.**

**Separately, we judged “Funding Formula” based on whether or not charters were considered Local Education Agencies for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered an LEA for funding**

**Figure 6: State Scorecard**

Findings		MI
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)	Y
	Percentage of federal revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	>
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Percentage of state revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	>
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	N
	Percentage of local revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	<
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	N
	Percentage of facilities revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	N/A
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	Y
	State provides detailed, public data on federal, state, local and other revenues for charter schools (Yes = black, Partial = grey, No = white)	Y
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	Y
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all three revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

**Endnotes**

<sup>1</sup> Data provided by the Michigan Department of Education. Charters receive their state funding through their authorizer. Federal revenues flow directly to the charter.

<sup>2</sup> State law allows authorizers to withhold 3 percent as an oversight and certification fee.

<sup>3</sup> State universities may authorize 150 charter schools, and no single university may authorize more than 50 percent of the total number of charter schools all state universities are allowed to authorize.

<sup>4</sup> The state universities may operate 15 charter high schools in the Detroit School District. There are no caps for non-university authorizers.