

FY2003	FY2007	FY2011
C	D	F
Grade based on % of Weighted Funding Disparity		

Michigan

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Introduction

This chapter compares district and charter school revenues statewide, and for Detroit, for fiscal year 2011 (FY11).¹ Comparisons are made to previous research for FY03 and FY07, based on the same methodology. Funding disparities

between districts and charter schools for the same geographic area are explored. The per pupil funding values in the analysis are weighted to compare district and charter schools as though they served the same proportions of urban and suburban students (see Methodology for details). Additional research and insights not included in this chapter appear in the monograph at the beginning of this report. Also included in the monograph is a state-by-state Return on Investment (ROI) analysis, which combines the analysis of revenues with student performance data.

Highlights of the FY11 Analysis

- Michigan’s 236 charter schools received 19.2 percent less funding than district schools: \$9,485 vs. \$11,743 per pupil, respectively, a difference of \$2,258 per pupil (Figures 1 & 3).
- The 55 Detroit charter schools received 41.7 percent less funding than district schools: \$9,734 vs. \$16,698 per pupil, a difference of \$6,964 per pupil (Figure 3).
- Michigan’s charter schools received \$9,485 per pupil, but district schools would have received more money to educate the same students, an estimated \$13,118, a difference of \$3,633 or 27.7 percent. The weighted district per pupil revenue therefore increases the funding disparity by \$1,375 per pupil from the unweighted statewide difference above (Figure 3).
- Charter schools in Michigan educate 7.2 percent of the state’s public school students but receive 5.9 percent of total revenue (Figures 2 & 3).
- Magnitude of Disparity: If all Michigan districts received the same level of per pupil funding as charter schools, districts would have received \$3,255,092,836 less in total funding (Figure 3).

Probable Causes of the Disparities

- Charter schools in Michigan receive the lesser of either foundation allowance provided to their local school district or the charter school foundation allowance.
- Michigan charter schools do not have access to local funds.
- Charters in the state cannot raise debt revenue through their local communities and therefore must pay for any debt service out of operating revenue.
- A higher percentage of Michigan charter schools qualify for Title I school-wide status than their district peers, and charters have a higher percentage of students enrolled who qualify for free or reduced-price lunch; statewide Federal funding for districts and charters only differs by \$52 per pupil, however.

Where the Money Comes From

Proposal A, a constitutional amendment approved by Michigan voters in 1994, radically restructured 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 6 percent sales tax serves as the primary vehicle for education funding. Sixty percent of revenue generated from 4 percent of the sales tax helps to fund education in Michigan, while 100 percent of the revenue generated from the remaining 2 percent of the tax is spent on education. Districts still can assess local property for operating purposes but no more than 18 mills for non-homestead property only.²

Figure 1

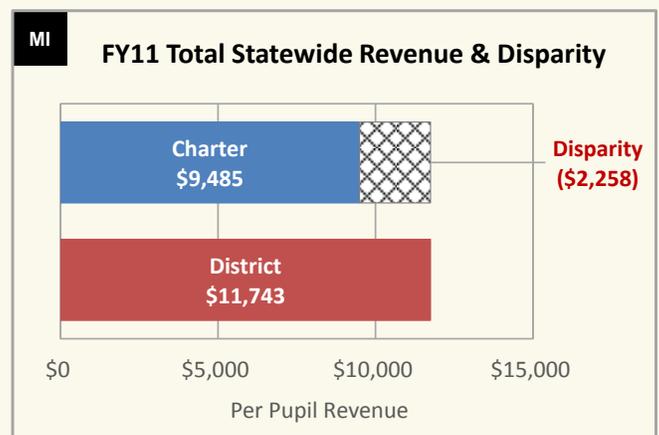
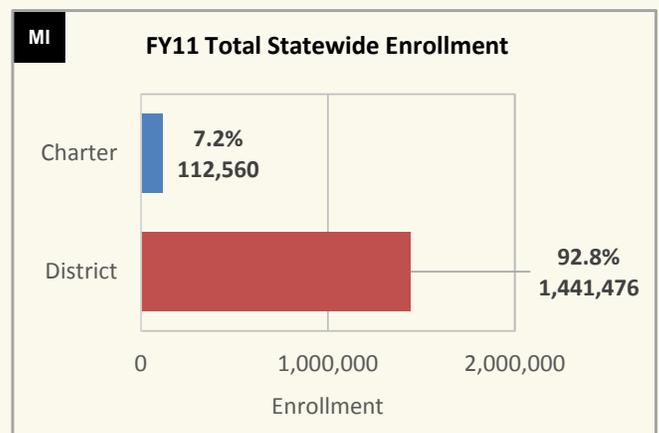


Figure 2



In addition to the sales tax, all revenue generated from a 2 percent increase in the state use tax is earmarked for education, as well as all revenues resulting from the statewide six mill property tax. Additional revenue sources and taxes are targeted for education:

- State Education Tax (6% on summer properties)
- Income Tax (14.4 percent of collections after refunds at a 4.4 percent tax rate)
- Tobacco Tax
- Lottery
- Industrial & Commercial Facilities Tax
- Liquor Excise Tax
- Other tax revenues

Revenues from all of these sources are used to fund the foundation grant for local education agencies based on pupil enrollments. The FY11 foundation grant statewide was \$7,316, and each local education agency (LEA) received this amount or more for each pupil enrolled in its schools.

The maximum foundation allowance in FY11 was \$8,489 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.

Figure 3

MI Summary Data Table						
FY2010-11	Statewide		Statewide Weighted by Charter Enrollment		Detroit	
Per Pupil Revenue						
District	\$11,743		\$13,118		\$16,698	
Charter	\$9,485		\$9,485		\$9,734	
Difference	(\$2,258)		(\$3,633)		(\$6,964)	
% of District	(19.2%)		(27.7%)		(41.7%)	
Per Pupil Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	\$1,444	\$1,496	\$2,741	\$1,496	\$6,122	\$1,793
State	\$6,480	\$7,607	\$6,740	\$7,607	\$7,420	\$7,671
Local	\$2,840	\$123	\$2,590	\$123	\$1,938	\$49
Other	\$428	\$215	\$418	\$215	\$391	\$212
Public-Indeter.	\$551	\$43	\$628	\$43	\$827	\$10
Indeterminate	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$11,743	\$9,485	\$13,118	\$9,485	\$16,698	\$9,734
Enrollment						
District	1,441,476 92.8%		Focus Area Districts Educate 5.2% of All District Students		75,263 68.0%	
Charter	112,560 7.2%		Focus Area Charters Educate 31.5% of All Charter Students		35,469 32.0%	
Total Enrollment	1,554,036		N/A		110,732	
Charter Schools*	236		N/A N/A		55	
Revenue						
District	\$16,927,256,449 94.1%		N/A N/A		\$1,256,778,081 78.4%	
Charter	\$1,067,613,152 5.9%		N/A N/A		\$345,272,780 21.6%	
Total Revenue	\$17,994,869,601		N/A		\$1,602,050,861	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	12.3%	15.8%	20.9%	15.8%	36.7%	18.4%
State	55.2%	80.2%	51.4%	80.2%	44.4%	78.8%
Local	24.2%	1.3%	19.7%	1.3%	11.6%	0.5%
Other	3.6%	2.3%	3.2%	2.3%	2.3%	2.2%
Public-Indeter.	4.7%	0.5%	4.8%	0.5%	5.0%	0.1%
Indeterminate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Magnitude of Disparity = Total Funding Difference x District Enrollment (see above)						
	\$ (3,255,092,836)				\$ (524,130,832)	

How Michigan Funds Its Districts³

Michigan districts receive funding through a foundation allowance, the total of which can vary from district to district. The lowest foundation allowance, or minimum allowance, during the year of this study was \$7,316. The basic allowance can reach \$8,489 per pupil. Both allowances have remained the same since the 2009 school year.

In addition to the foundation allowance, the state provides funding for at-risk students, special education funding, bilingual education, and reimbursement of data collection costs for state-mandated data reporting.

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 charter school foundation allowance of \$7,580. For example, Detroit City Schools had a foundation allowance of \$7,660, which means the charters located within the boundaries of the district received \$7,580 per pupil, or \$80 less per pupil.

Funding for Public School Facilities

In 2010, the state of Michigan consolidated 10 state finance authorities, including the Michigan Public Educational Facilities Authority, into one institution, the Michigan Finance Authority (MFA). Through the MFA, charter schools can receive tax-exempt financing for facilities. The MFA offers a Long-Term Facilities Financing Program for charter schools. Funds from the program may be used to finance land, facilities, equipment and energy conservation improvements or to refinance existing debt.

Long-Term Funding Patterns

For Michigan, we now have three point-in-time snapshots of public education funding for FY03, FY07, and FY11.⁴ Please note that in the presentation and discussion of longitudinal data that follow, the figures used are inflation-adjusted to FY07 dollars and differ from figures presented in Figure 3, which includes actual and weighted per pupil revenues representing FY11 only. The inflation-adjusted per pupil revenues in Figures 6–8 are for comparative purposes only. Refer to the Methodology section for more on inflation adjustments.

Figure 4

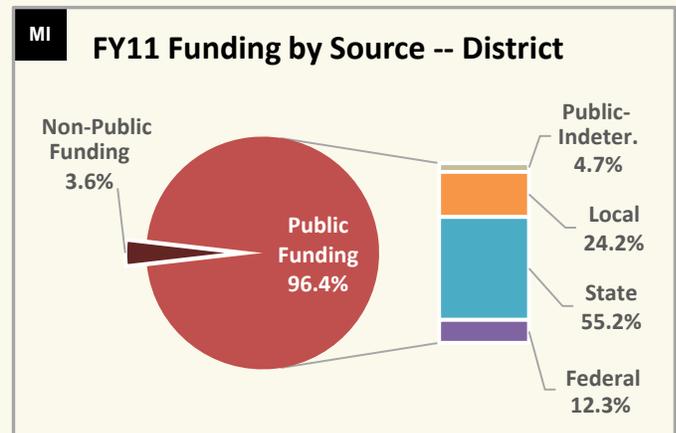
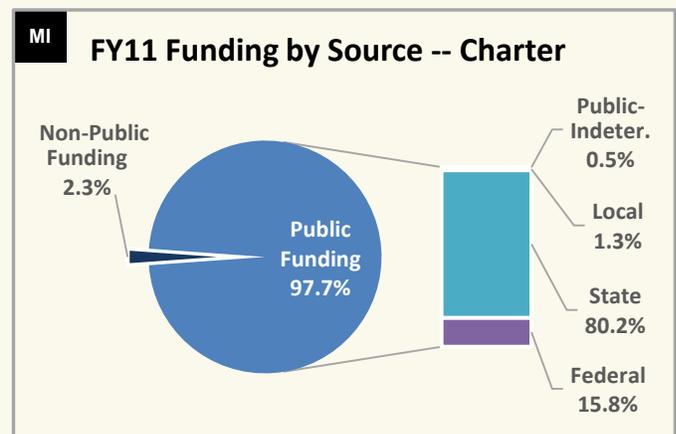


Figure 5

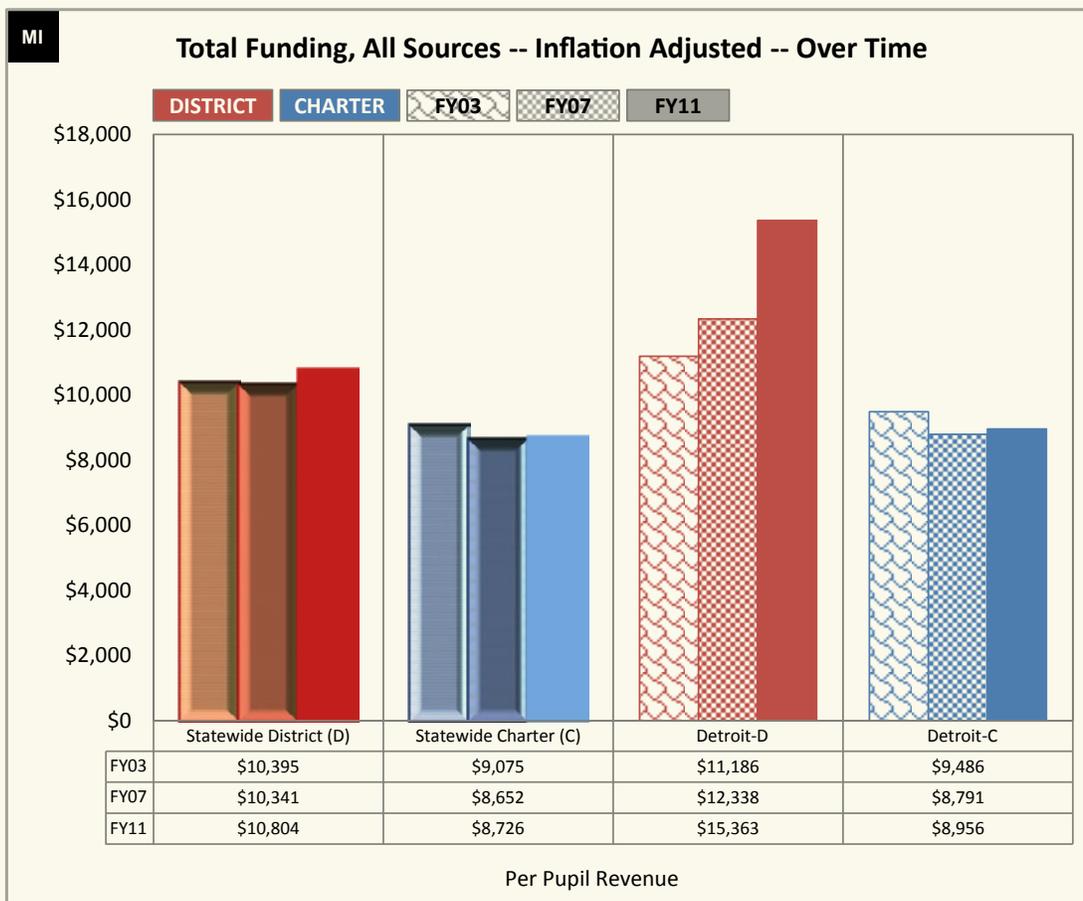


Total Funding

Public education funding for Michigan districts statewide grew 3.9 percent between FY03 and FY11, growing from \$10,395 to \$10,804 per pupil in FY11 (Figure 6). While funding declined slightly between FY03 and FY07 (-0.5%), funding returned to positive territory between FY07 (\$10,341) and FY11 (\$10,804) with a 4.5 percent increase in total funding. Statewide, funding for Michigan’s charter schools, however, declined by 3.8 percent between FY03 and FY11, falling from \$9,075 to \$8,726 per pupil. Total funding for the state’s charter schools grew slightly between FY07 and FY11, increasing by \$74 per pupil, or 0.9 percent.

Detroit’s district fared well from FY03 to FY11 with total revenues increasing by 37.3 percent, from \$11,186 per pupil to \$15,363 per pupil. Funding for districts remained positive during the downturn in the economy, rising \$3,025 per pupil between FY07 and FY11, or 24.5 percent. The city’s charter schools, however, recorded a decline in total funding between FY03 and FY11, from \$9,486 per pupil to \$8,956 per pupil, or a decline of 5.6 percent. While district funding performed well during the period of the financial crisis, charter schools in Detroit saw little increase in funding between FY07 and FY11, only \$165 per pupil, or 1.9 percent (Figure 6).

Figure 6



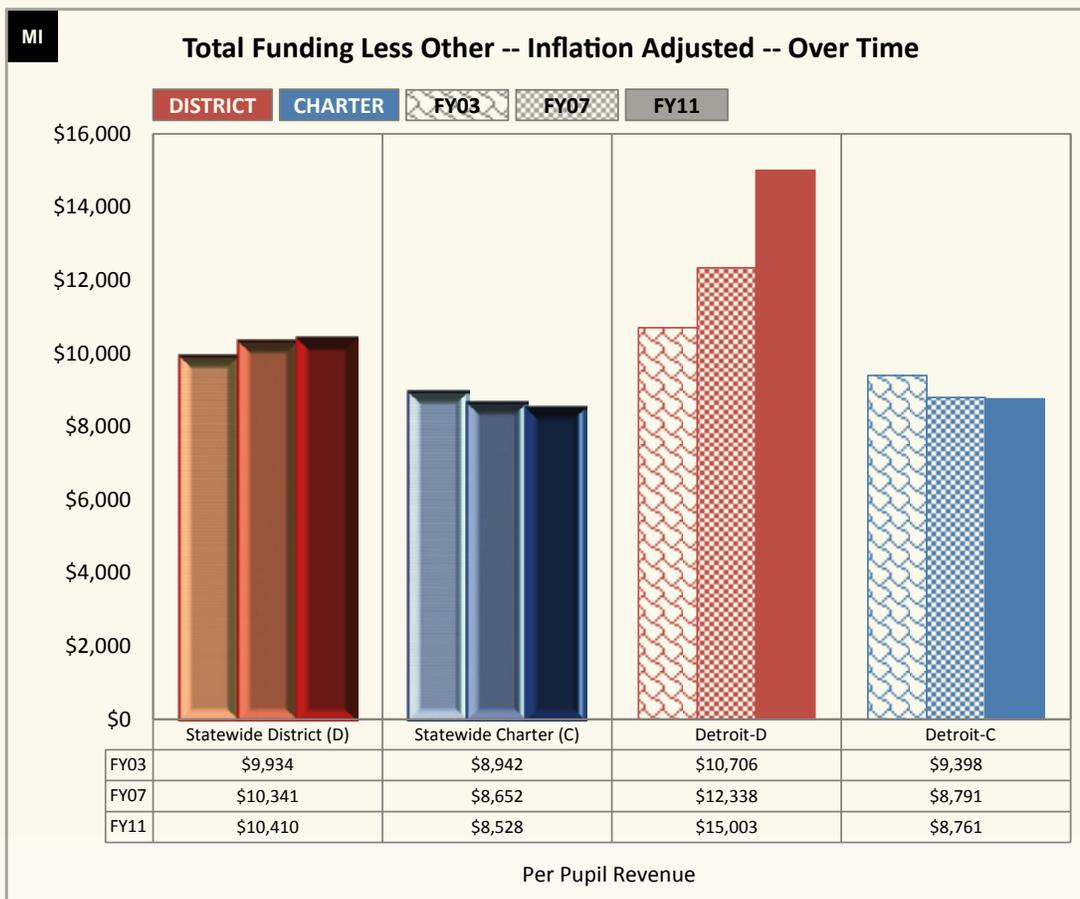
Total Funding Less Other

Our study includes total funding whether the funds originate from public or private sources. The “Other” category is comprised primarily of philanthropic dollars, which can play a significant role in the financing of charter schools. Therefore, we have removed Other dollars from this level of analysis to determine if funding from public sources is distributed equitably to districts and to charter schools. Public includes Local, State, Federal, Indeterminate-Public, and where we cannot determine the source, Indeterminate.

Public education funding from Local, State and Federal sources for Michigan’s school districts rose by \$476 per pupil between FY03 (\$9,934) and FY11 (\$10,410), or 4.8 percent (Figure 7). Public funding for districts statewide remained static during the economic crisis, rising only \$69 per pupil from FY07 to FY11, or 0.7 percent. Statewide charter schools saw a decline in their public funding between FY03 and FY11 of \$414 per pupil, or 4.6 percent. Public funding for charters statewide also declined during the economic downturn, falling \$124 per pupil, or 1.4 percent.

Detroit recorded robust district growth in public funding between FY03 and FY11, rising 40.1 percent, from \$10,706 in FY03 to \$15,003 in FY11. Funding during the downturn in the economy grew by 21.6 percent from FY07 to FY11, rising from \$12,338 per pupil to \$15,003 per pupil. Charters in Detroit recorded an overall decline in funding between FY03 and FY11, falling from \$9,398 per pupil to \$8,761 per pupil. During the recession, public funding for the charters resulted in a slight decline in funding of 0.3 percent, falling from \$8,791 per pupil in FY07 to \$8,761 per pupil in FY11 (Figure 7).

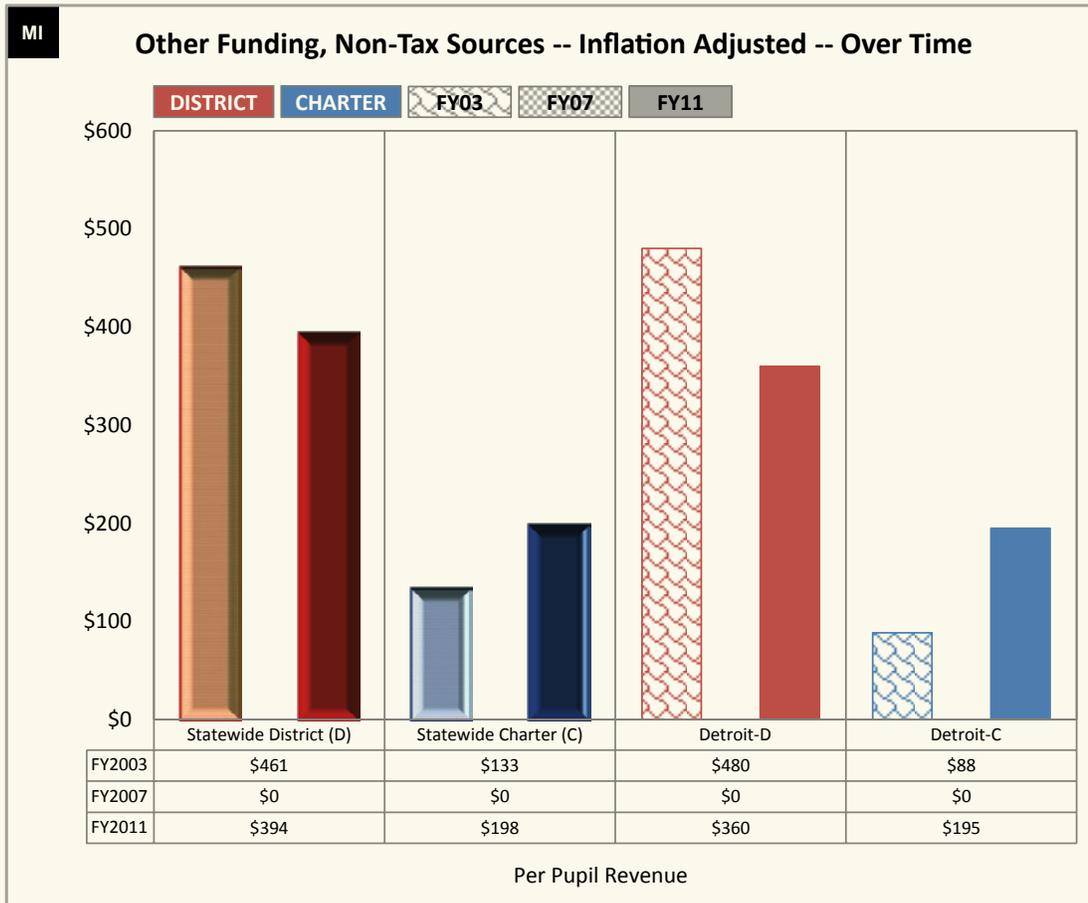
Figure 7



Other Funding⁵

Other revenue encompasses all forms of revenue not originating from public revenue sources, such as returns on investments, charges for facility rentals, and philanthropy. Of all the sources included in other revenue, philanthropy has often served an important role in charter school financing to narrow the equity gap, and it is the largest source of funding in this category.

Figure 8



Statewide, district revenue from Other sources has fallen from 14.5 percent or \$67 per pupil between FY03 and FY11, falling from \$461 per pupil to \$394 per pupil. For the state's charters, Other revenue increased 48.9 percent between FY03 and FY11, rising from \$133 per pupil to \$198 per pupil.

Other revenues for districts in Detroit declined 25.0 percent between FY03 and FY11, falling from \$480 per pupil to \$360 per pupil. Detroit charters recorded robust growth in Other revenue between FY03 and FY11 with revenue increases 121.6 percent, or \$107 per pupil. Other revenue for charters increased from \$88 per pupil in FY03 to \$195 per pupil in FY11.

Changes in Funding Results

Figure 9 shows the percentage increase/decrease in funding between FY03 and FY11 by each type of revenue stream. Because of the complications and changes in data availability and reporting quality for many states in this study for charter schools, the data reported in this figure may be somewhat misleading. The large percentile increases in Federal funding represent the attempt by the federal government to compensate for the decline in Local and State funding during the downturn in the economy. Michigan's districts recorded a 182.5 percent increase in Federal funding between FY03 and FY11, while charters in the state recorded a 102.4 percent increase. Detroit's district recorded a 302.9 percent increase in Federal funding during that time. Districts statewide recorded a 10.0 percent decline in State funding from FY03 to FY11, while charter schools recorded a 13.7 percent decline in funding from State sources. Districts compensated for the loss of State funding with a 64.7 percent increase in Local funding, while charter schools lost 24.0 percent of their Local funding during this period due to the economic decline. In Detroit, Local funding for the district increased 220.1 percent.

Figure 9

MI Per Pupil Revenue -- Inflation Adjusted -- Over Time						
Percentage Increase / Decrease (black shading)						
From/To:	FY2003 / FY2011	Federal	State	Local	Other	Total
Statewide District (D)		182.5%	-10.0%	64.7%	-14.6%	3.9%
Statewide Charter (C)		102.4%	-13.7%	-24.0%	48.6%	-3.8%
Detroit-D		302.9%	-17.0%	220.1%	-25.1%	37.3%
Detroit-C		101.1%	-16.5%	-64.2%	121.2%	-5.6%

Figure 10 shows changes to the variance in funding between Michigan's districts and charter schools for FY03, FY07 and FY11. The variance represents the difference in funding between a district and the charters located within the boundaries of the district. When the percentage nears or is at zero, the district and the charters are being funded equitably. Statewide, the variance has widened between districts and charters from 12.7 percent in FY03 to 19.2 percent in FY11. The disparity in Detroit broadened the most, from 15.2 percent in FY03 to 41.7 percent in FY11.

Figure 10

MI Disparity as Percent of District -- Over Time			
Negative Disparities Mean Districts Receive More (red text)			
Focus Area	FY2003	FY2007	FY2011
Statewide	-12.7%	-16.3%	-19.2%
Detroit	-15.2%	-28.7%	-41.7%

Figure 11: Select Enrollment Characteristics⁶

Figure 11 below shows data for both charter and district student enrollments that often result in additional revenue. We include these data, if available, to look at possible differences in the types of students served to discern if high-need student populations may be resulting in higher levels of funding for either charters or district schools.

At the statewide level, fewer Michigan district schools were Title I eligible than Michigan charter schools, 78.1

percent versus 86.6 percent, respectively. The differences in the number of free or reduced-price lunch students served also indicates a higher percentage of those students attending charter schools, 70.0 percent to 44.5 percent. Finally, we were unable to find a public source for special education data to determine the percentage of students served at districts and charters statewide.

Figure 11

MI Select Enrollment Characteristics									
Student Group >>> Year >>>	Percentage of Total Enrollment								
	Free & Reduced Lunch			Title I			Special Education		
	FY03	FY07	FY11	FY03	FY07	FY11	FY03	FY07	FY11
Statewide District	32.3%	35.2%	44.5%	16.4%	52.6%	78.1%	N/A	N/A	N/A
Statewide Charter	54.1%	52.4%	70.0%	34.0%	79.2%	86.6%	N/A	N/A	N/A

Funding Practices Summary

Figure 12

MI Funding Practices Summary								
PURPOSE	GRADE			FUNDING				REF
	FY2003	FY2007	FY2011	Federal Source	State Source	Local Source	Facilities Source	
<i>This table summarizes answers to key funding mechanism questions in context with a grade based on actual funding results.</i>	C	D	F					
	Grade based on % of Weighted Funding Disparity							
ACCESS TO FUNDING SOURCES								
Do charter schools have access to this funding source according to state statutes?	Y	Y	N	N				
In practice, do charter schools have at least as much access to this funding source as districts have?	Y	Y	N	N				
Do charter school students receive at least 95% as much per pupil in revenue for this source as district students?	Y	Y	N	N				
DATA AVAILABILITY								
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for district schools?							Y	
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for charter schools?							Y	
FUNDING FORMULA								
Are charter schools treated as LEAs for funding purposes?							Y	
Does the state provide funding for charter schools and districts based primarily on student enrollment?							Y	

Endnotes

- 1 The Michigan Department of Education provided the 2010-11 district and charter revenue data used for this study.
- 2 “The Basics of School Funding,” Michigan State Fiscal Agency, November 2013, 23pp.
- 3 Education Commission of the States. <http://schoolfinancesdav.files.wordpress.com/2013/08/50-state-survey-vol-iirevfinalbu.pdf>.
- 4 Data for FY03 compiled by the authors for the Thomas B. Fordham Institute report, Charter School Funding: Inequity’s Next Frontier, 2005. Data for FY07 compiled by the authors for the Ball State University Report, Charter School Funding: Inequity Persists, 2010.
- 5 FY07 data source did not include Other revenues.
- 6 National Center for Educational Statistics (NCES). Common Core of Data, Table Generator, FY11: <http://nces.ed.gov/ccd/elsi/>. Three charter schools were excluded from this analysis as financial data could not be found for them.