Description of the Formula
The State of Michigan no longer uses the “millage equalizing” formula based on school finance reform passed in 1994 and first implemented in 1995. Each district was assigned a per pupil foundation grant based on their combined 1994 state and local revenue per pupil. Districts with lower foundation grants received larger annual increases than those with higher initial foundations. The lowest foundation in 2011 is $7,316. In most cases the state school aid per pupil is equal to the district’s foundation allowance per pupil minus its local school operating tax per pupil. School operating taxes in most cases are equal to 18 mills assessed to the district’s non-homestead property.

District-based Components

Density/Sparsity of Small Schools
For districts with a pupil count of less than 1,550 and 4.5 or fewer pupils per square mile, Michigan uses a three-year-average pupil count in the calculation of their state school aid if it benefits the district. This softens the fiscal impact that declining enrollment has on these mostly rural districts. Also, Michigan has a small amount of categorical funding for small, geographically isolated districts. Several of these are island districts not accessible by a bridge.

Grade Level Differences
No categorical funding is earmarked for grade level differences.

Declining Enrollment or Growth
In addition to appropriations for density/sparsity fo small schools funding, Michigan legislature has appropriated funds for districts experiencing a three year decline in pupils. The appropriation is capped at $20 million statewide.

Capital Outlay and/or Debt Service
Michigan does not allocate additional funding for capital outlay/debt service. Districts must pass a dedicated millage for these items or use their general funds.
Transportation
There is no longer specific categorical funding in Michigan for transportation. The transportation funding paid as a categorical grant prior to 1995 was rolled-up into the per pupil foundation grants implemented beginning in 1995.

Student-based Components

Special Education
A long standing Michigan court case (know as Durant) regarding special education cost reimbursement was settled in 1997. It requires that the state reimburses special education instructional costs at a rate of 28.6138% and special education transportation costs at a rate of 70.4165%. The foundation payments (described above) for special education pupils go towards meeting this obligation.

Compensatory Education
In 2011, the Michigan legislature appropriated approximately $309 million for compensatory education (At-Risk). The Formula is 11.5% of the district’s per pupil foundation allowance times the number of free school meals claimed by the district. The appropriation is capped at $309 million.

English Language Learner/Bilingual Education
The current year state appropriation for Bilingual Education is $2.8 million. The funds are paid out on a per pupil basis and are to be used solely for the instruction of pupils with limited English-speaking ability. Eligible programs include instruction in speaking, reading, writing, and the comprehension of English.

Gifted and Talented Education
No state funds are currently appropriated in this category.

Other
Does not apply.

Revenue and Expenditure Information

State Mandates Restricting Revenue or Expenditure Increases
The so called “Headlee Amendment” to the State Constitution requires that school districts roll back tax rates if the revenues generated over the previous year exceed the inflation rate as measured by the National Consumer Price Index. Voters may, however, vote to restore the millage.

Property Assessment Ratios Used/Legal Standards For Property Assessment
Cash value is used.
Measure of Local Ability to Support Schools
The assessed value of property at 50% of market value, known as the State Equalized Value (SEV), was used through 1994. Beginning in 1995, the Taxable Value (TV) is used which limits assessment increases to 5% or the rate of inflation whichever is less.

School District Budget and Tax Rate Procedures/Sources of Local Revenues
The state’s 553 K-12 school districts are fiscally independent. Local revenues derive from the property tax levied on non-homestead properties at the rate of 18 mills or whatever the district levied in 1993 whichever is less. The millage rate is subject to the Headlee Amendment (limitations) described above. There were 57 Intermediate School Districts, 550 Local Educational Agencies, and 244 public school academies operating as public schools in fiscal year 2009-10.

State Support for Nonpublic Schools
Direct pay to non-public schools is prohibited by the State Constitution. However, non-public school students may benefit from auxiliary services.

The Auxiliary Services Act of the Michigan School Code specifics that if particular services named in the Act are provided to public school children in a school district, those services must also be made available to children attending non-public schools located within that district.

The Act specifies services to include health and nursing services and examinations, national defense education act testing, speech and language teacher services, social work services, school psychological services, teacher consultant services for the handicapped, remedial reading services, and other services determined by the legislature. Some auxiliary services are also provided for general education services and some are special education-type services. If special education services are to be provided for a student, that student must first be found eligible for special education.