



Common School Funding Myths

By Michael Van Beek

Summary

Public school funding in Michigan is complex, often generating myths about how the various pieces fit together. An ongoing series by Mackinac Center Education Policy Director Michael Van Beek examines these myths and separates fact from fiction.

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The number of students in public schools — and the dollars tied to them — are on the decline as families leave Michigan in search of employment. Compounding the problems for school boards and administrators are rising costs, most of which are tied up in labor. There is a lot at stake for school employees, students, parents and taxpayers, so it's not surprising that the money-related debates become fertile ground for school funding myths to take root.

The funding mechanism for Michigan's public schools is excruciatingly complex. It includes money from local, state and federal sources, some of which arrives via a state-controlled distribution formula, and some from local property taxes, special "categorical" programs, borrowing or grants. Matters that might seem simple — like how much money different districts receive, how the amounts differ between them and where the money comes from — are in fact hard to decipher.

For example, there are numerous misconceptions surrounding the "foundation allowance," the largest single school funding component. Since the state Legislature controls the exact amount each year, the political battles surrounding it get the most attention, leading many to believe that this is the schools' only revenue source. Legislative control also gives the perception that the "foundation allowance" is a grant from the state to each district. In reality, it's a complicated formula that includes both local and state revenue sources.

Some myths are perpetuated by groups that perennially call for "equal" and "stable" funding. That drumbeat fosters the impression that current funding is neither. Strictly speaking, funding is not equal — and never will be. Not all communities or student populations are the same, and funding levels cannot be separated from how well (or poorly) the state is doing as a whole. Michigan's public schools, however, are more equally funded today than they've ever been, and the mechanisms to collect and distribute the money have proven remarkably stable, especially compared to nearly any other public- or private-sector institution.

Other myths abound. When voters approved Proposal A in 1994, the largest single revenue source for the system became a statewide 6 percent sales tax, rather than local property taxes. When a district's revenues don't keep up with rising costs, reliance on the sales tax is



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often blamed. Yet even after the shift, the sales tax still contributes only about 20 percent of total public school revenues.

Similarly, the role of the lottery is often misunderstood. In its marketing, the Michigan Lottery loudly trumpets its contribution to education, but this money amounts to less than 4 percent of the complete school revenue pie. An upsurge in federal revenues since 2002 has reduced the relative proportions of both the sales tax and the lottery ingredients of that pie.

Myths about revenues and expenses are often perpetuated by self-interested special interests groups. Rather than embrace reforms that would help educate children more effectively and efficiently, school employee unions routinely block reform and instead demand more money.

In fact, as a group, school employees have been remarkably insulated from the lost decade of Michigan's ongoing recession. That doesn't stop the Michigan Education Association union from making claims that concessions by its members have saved taxpayers \$1 billion over the last three years. In fact, employee compensation was higher in 2008 (the most recent year for which data is available) than in 2006. Relative to the incomes of the population that supports them, the average Michigan teacher's salary has been the highest in the nation from 2003 to 2009.

Even assumptions that seem intuitive are mythical, like the idea that smaller classes produce better results. At best, the research on this is mixed. The quality of the teacher at the head of a classroom matters much more than the number of students in it. Moreover, Michigan has more school employees per student than ever before, yet objective achievement measures haven't budged.

The following is no myth: The outsized political power of the state's largest school employee union has contributed to a vicious cycle of ever-increasing costs, leading to an unprecedented prospect for Michigan residents: In the near future we may not be able to afford the public school establishment as it is currently constituted.

We face critical decisions on how best to allocate scarce resources to provide learning opportunities for our children. We can't make sound decisions without dispelling the myths that surround school funding.

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