

All schools win under new Michigan budget

2026 school aid plan includes charters, benefits public schools

By Molly Macek | October 2025

The wait is finally over. Lawmakers last week passed a record school aid budget that increases per-pupil funding for public schools. It uses more taxpayer dollars to pay for school meals so that wealthy kids don't go hungry, regardless of whether that was a risk. And it requires districts to pay more toward the underfunded pension system.

The new budget increases spending on schools by \$510 million. And it increases the foundation allowance – the minimum amount that's guaranteed to every district for each student it enrolls. Lawmakers agreed on \$10,050 per student, \$442 more than districts received in the previous budget. Districts depend on these per-pupil dollars to cover the operational expenses that keep their schools running.

Every public school in the state will receive, at a minimum, the full amount of the foundation allowance. Online charter schools will be funded at this level, too, despite being targeted to receive less funding in previous budgets. Charter schools already

receive less than conventional schools because they can't raise taxes on local property to supplement their funding. Even so, lawmakers often propose spending less on them.

The new budget breaks from this historic trend, ensuring the full foundation allowance follows students regardless of the type of public school they attend. A larger foundation allowance means more dollars for districts to use at their discretion to keep their schools running.

The final budget seems to be a compromise between the versions proposed by the House and Senate. While the House proposed rolling up most of the categorical grants – or funds tied to specific programs – into the foundation allowance, the Senate sought to restrict districts' spending options by preserving these grants.

While the final budget does remove grants for some smaller programs, it maintains or increases spending

on certain larger ones. The budget spends \$200 million on the state's no-fee breakfast and lunch program even though federal funds are already available to feed students in need. With the new budget, state taxpayers will subsidize the cost of meals for wealthier students, since schools already use the National School Meals program to feed students in poverty.

The final budget also funds no-fee preschool for all 4-year-olds. As with the universal school meals program, taxpayers already provide support for families in need, and the new spending will subsidize the cost of government preschool for children from wealthier households.

That said, the budget adds needed accountability in the form of penalties for districts that fail to comply with certain state regulations. A district will lose 5% of its state aid payment if it neglects to have all its students complete the federal free and reduced meals application. This will help ensure schools are maximizing available federal funds before using state taxpayer dollars to pay for student meals.

Districts that fail to notify parents when it uses a curriculum that hasn't been approved by the state will face this penalty, too. This should discourage districts from adopting a curriculum that lacks evidence-

based approaches for developing literacy and other critical skills. This type of accountability measure is an important step toward addressing the state's concerning performance trends in reading and math.

The final budget did remove a major categorical grant that reimbursed districts for payments to the state's underfunded pension system. As a result, districts that participate in the Michigan Public School Employees' Retirement System, or MPSERS, will take on a larger share of the costs of paying down the \$28 billion than they are used to.

The final school aid budget increases funding for all public schools. While districts will benefit from a larger foundation allowance, taxpayer dollars will continue subsidizing meals for wealthier kids. But districts will face penalties if they don't comply with certain program requirements.

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