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August 2018

This is one in a series of white papers being prepared at the direction of the Michigan State University Extension Center for Local Government Finance and Policy for a series entitled “Michigan at the Crossroads” funded by the C.S. Mott Foundation. All errors are the sole responsibility of the author. We wish to thank Sara Wycoff McCauley for contributing to this effort.
Executive Summary

Michigan’s public school system is a complex organism. This brief is, at best, a 30,000-feet-fly-over of the significant structural and contextual components of that system, including how schools are organized, funded, and governed, and current issues and trends that impact their success.

Except in occasional reference to other issues, this summary does not address early childhood education, post-secondary education, special education, career and technical education, or the special circumstances surrounding the newly created Detroit Public Schools Community District. It does offer, for consideration, policy recommendations addressing key challenges faced by the majority of the state’s schools.

There is, in Michigan, historical tension between various education policy agendas. This tension often divides the necessary and capable actors who should coalesce around shaping the rules, policies, and laws that define the landscape upon which our teachers teach and our students learn. Each election cycle can swing the pendulum toward new ideologies and interests. Schools can struggle to keep up.

This is not to say there isn’t a legitimate urgency to the concerns expressed by school critics. Some of our schools and students do very well. Some do not. On national tests we are, on average, below average. In an increasingly competitive world, with many states making significant effort to improve student outcomes, Michigan cannot afford to be complacent. The industries that absorbed our graduates for years with scant concern about their school performance no longer exist. Every student, regardless of circumstance or zip code, must now emerge from our schools with the academic, social-emotional, and career competencies to compete. Their future, and Michigan’s future, hangs in the balance.

Recommendations

Michigan policy, in recent years, has tipped toward district and classroom-level mandates. While well intentioned, these policies create quick political wins but don’t always result in the long-term performance improvements they are designed to produce. System-wide improvement rarely results from piecemeal reform.

Michigan’s children deserve a top-to-bottom education system reset, the kind of sweeping reform enacted in Massachusetts 25 years ago or more recently in Canada. From a policy perspective, these efforts focused on rebuilding the system pillars (standards, governance, accountability, funding), not policy minutia. Reconstructing the system will be tedious, unglamorous, and likely contentious as all voices should be considered in the discussion. It will take more than one election cycle to bear fruit.

Systemic education reform should simultaneously consider:

High Standards: Articulating high standards for all students is not the same as having a state standardized test or granting diplomas. Michigan has struggled to adopt a common set of expectations for its students, inclusive of their socio-economic status, race, native language, or special needs. While some progress on determining academic standards has been made, the process has been slow and politically volatile. Setting and committing to the standards and agreeing upon the means for measuring them is a state responsibility; determining how schools meet the standards can be defined at the local level, nuanced to their specific student needs.

Funding: State spending should ensure adequate and equitable educational opportunities for all students. A recent study commissioned by the School Finance Research Collaborative provides a comprehensive starting point for discussion. Intermediate school district (ISD) funding should also be considered in this review, as disparate locally-approved tax dollar support at the ISD level has exacerbated opportunity inequity state-wide.

Organization and capacity of schools: Persistent public school enrollment declines have decimated local economies of scale where, in Michigan, the majority of state funding is tied directly to the number of students enrolled. While funding reform is important, there should exist an equal tension to address the organization and operation of local and intermediate school districts. Thoughtful, pro-active re-districting and/or the creation of performance-focused management systems is preferential to watching the inevitable slow death of some districts (and associated lack of opportunity for children who reside in those districts) if this issue is not addressed. System reorganization can build equitable economies of scale and preserve community schools.

Michigan’s charter school and schools of choice laws should be revisited as part of this review. As one of the first states to adopt charter and choice laws, Michigan’s laws were uninformed by the experience of others. The provisions for determining need and placement, hold-harmless funding supports for traditional districts, and authorizer/operator oversight now present in many state laws remain absent in Michigan’s laws. It’s unknown if the state’s early proponents of choice expansion were aware of the impending decline in Michigan’s public school enrollment. The dual effect of that loss (over-all enrollment declines and declines through choice) on many district budgets has made it difficult for those districts to compete and improve, the very intent of choice policy.
Governance: When everyone is accountable, no one is accountable. Michigan’s multi-layered system of state, regional, and local school governance results in, at best, fractured responsibility for student performance. Everyone has someone else to blame. Michigan taxpayers deserve to know where the buck stops when it comes to our students’ performance and be assured the system will hold each party accountable for their prescribed and accepted responsibility.

**Background and Trends**

**System Design**
The Legislative Council of the Michigan Territory passed the first public school law in 1827, ten years before Michigan became a state. Michigan established, from its earliest days, education as a public responsibility, rather than an individual responsibility. Local school districts, intermediate school districts (ISDs), and charter schools are creations of and actors for the state. Despite the state’s deeply rooted history of local decision-making, the Michigan Constitution clearly states local schools have no inherent legal rights except as prescribed by the state.³

The organization and number of Michigan districts has changed dramatically over its 190-year history. With the exception of the introduction of charter schools (discussed later) the current organization of school districts, including ISDs, has been in place for almost 55 years. The School District Reorganization Act of 1964⁴ was the last significant attempt by the Michigan Legislature to consolidate Michigan schools. The law required Michigan’s 60 newly created ISDs (now 56 in number) to submit plans for reorganizing the state’s 2,149 districts, the majority of which were primary (K-5, K-8) districts, into comprehensive K-12 districts. By 1970, the number of districts had shrunk to 638. The consolidation continued into the early 90’s.

**Legislating System Competition: Charter Schools and Schools of Choice**
Michigan’s 90-year decline in the number of districts reversed course in 1993 when then Governor John Engler signed Senate Bill 896 establishing the first charter school law in Michigan, the ninth state to have such a law. The law was promoted by its supporters as a way to improve Michigan’s public schools by introducing competition and innovation into the system.

Michigan’s charter school law is one of the least restricted in the nation.⁷ The law does not limit the number of charter schools, does not create a need determination process, and does not limit who can apply. The law does provide several avenues for authorization and allows both non-profit and for-profit organizations to operate charter schools. Only the number of charter cyber schools is currently capped (15) in statute.

While there is spirited debate over the impact of charter schools on improving traditional school performance, the law did result in the creation of an additional 300 independent school districts within the state, adding significant capacity and choice for Michigan’s public school students, though that choice is uneven. While urban centers record the highest numbers of charter schools and charter school enrollment (53% of Detroit school children and 55% of Flint school children attend a charter school⁸), other areas of the state have none.

Source: Citizens Research Council of Michigan

Source: Center for Educational Performance and Information
In 1996, the Michigan Legislature further expanded school choice options for Michigan students when it approved the state's first inter-district Schools of Choice law. The law allows students, under certain conditions, to enroll in school districts outside of the district in which they live.  

The expanded school marketplace has resulted in significant student movement. In the 2016-17 school year, only 69 percent of Michigan students attended classes in their neighborhood public school. All of Michigan’s districts are grouped into 56 regions known as intermediate school districts (ISDs). In addition to a short list of state-mandated responsibilities (pupil accounting, special education compliance, early childhood services), ISDs provide economy-of-scale instructional and operational services customized to their constituent districts’ needs but limited by their disparate financial capacity. Because of this ability to customize their services, ISDs are more different than they are alike. For instance, all 56 ISDs levy millage for special education, while only 33 ISDs levy millage for career and technical education. Because these millages are based on property tax values, the levies can produce drastically different revenue for operations.

### System Governance and Decision Making

Michigan has, through its Constitutional authority, established several layers of school governance and policy making, each with prescribed powers, duties, and limitations. This structure is complex with all parties having at least some measure of discretion to influence the day to day operation of schools. They include: The Governor, the Michigan Legislature, the State Board of Education and its appointed State Superintendent of Public Instruction, 538 popularly elected boards of education, 301 appointed charter school governing boards, and 56 elected (through constituent district vote or popular vote) ISD boards of education. Almost 900 separate governing entities make laws, rules, policies, and decisions that daily impact the state’s 1.5 million public school students.

### School Funding

In 2017-18, total estimated revenue for Michigan’s public schools from all state, federal, and local sources equaled just over $18.184 billion.

Source: Senate Fiscal Agency

The state and local portions of school revenue have changed over time, but never as drastically as they did in 1994. Frustrated over high property taxes, voters approved Proposal A, fundamentally shifting the responsibility for funding schools from local boards of education to the state. Proposal A increased the sales tax from four to six percent, established the State Education Tax (SET) (6 mills on homestead taxable values, 18 mills on non-homestead taxable values) and dedicated other taxes to funding schools. The 6 mill homestead SET is levied by the state; the 18 mill non-homestead levy must be renewed by voters in each local district periodically.

Source: Senate Fiscal Agency

**Sources of State School Revenue**

- Sales Tax, 45%
- State Education Tax, 15%
- Income Tax, 22%
- Property Tax, 15%
- Other, 10%
- Federal Funding, 1,726,949,500
- State General Fund, 213,690,000
- Local Operating Millage, 3,608,000,000

Source: Senate Fiscal Agency
ISD authority to levy general fund, special education, and career and technical education millage remains, but new special education and career and technical education levy amounts are capped under Proposal A and can no longer be voted in perpetuity. New ISD millages must now be regularly renewed, resulting in possible financial uncertainty for the specialized facilities and programs they fund. Local districts can still seek millage for capital expenses, limited-use sinking funds and, in concert with their ISD constituent districts, enhancement millage. Under Proposal A, however, they can no longer raise local millage for operations. Districts unable to balance their operational budgets must file deficit elimination plans with the state. Districts unable to eliminate their deficits within a reasonable time incur Department of Treasury oversight. Fourteen districts are currently in deficit 2018.11

Core to the funding formula is the student foundation allowance (per pupil funding), the guaranteed minimum schools receive for each student they educate. The state sets minimum, basic, hold-harmless, and maximum allowance amounts and grants them based, in part, on a district’s financial position in 1993-94, which is the year Proposal A passed. It was the intent of voters, through Proposal A, to close the funding gap between the state’s poorest and richest schools. Progress has been made, but gaps still exist.

Because the foundation grant allowance provides the majority of a local district’s operational revenue, the amount is the subject of continuing debate. When originally appropriated, state political leaders indicated it would take the place of most “categorical” or line item funding for special initiatives. Over time, however, line item spending has expanded to fund short term, exploratory, and/or special interest initiatives. Per-pupil funding was 63.4% of the state’s approximate $14.578 billion school aid appropriation in 2017-18.

Total state school expenditures and the foundation grant allowance have not kept pace with inflation. The total increase in state school expenditures over the ten-year period (FY 2008-09 through FY 2017-18) was approximately $1.734 billion, or a 7.22% increase in total accumulated spending. The Detroit Consumer Price Index during the same period climbed 13.5%. If adjusted for inflation, the $4,200 minimum foundation allowance set in 1995 would be $8,230 today. The minimum foundation allowance for 2018-19 is $7,871, or $359 less than the inflation-adjusted amount.12

Changing State Demographics
Michigan’s public school enrollment has declined and, according to some forecasts, will continue to do so for the next ten to twelve years. Enrollment topped out at just over
2.1 million students in 1971, rebounding slightly in the early part of this century, before falling again. There are fewer than 1.5 million public school students currently in the state.

That enrollment decline is predicted to continue, with one national report estimating an additional 15 percent decline in the number of Michigan high school graduates by 2030. The nation’s graduation rate is projected to shrink by 2.3 percent.13

The decline in enrollment is likely due to two trends: a sharp decline in Michigan’s birth rate and a failure to attract residents from outside the state. Michigan is experiencing its lowest birthrate in almost 70 years. The birth rate peaked in the 1950s at around 25 births per every 1,000 people. Today, the rate stands at less than half that.14

According to the 2010 U.S. Census Bureau, Michigan ranked 49th nationally in the percentage of residents (23.4%) who were born outside the state.15 Typically, people who move across state (or national) borders tend to be younger and more educated, relocating for employment.16

The decline in student enrollment has serious consequences beyond its impact on school district budgets. Michigan is simply not producing enough graduates to fill its employment needs. While the state has placed significant emphasis on increasing the number of students pursuing skilled trade careers, it has done so at the expense of student interest in other career fields, including education. The number of initial teaching certificates issued by the state declined 62% between 2004 (its peak) and 2016, producing fewer teachers than available openings.17

Michigan’s students continue to get poorer and more diverse. The number of students eligible for the federally-subsidized free and reduced lunch program, an indicator of overall economic well-being and stability, has been on the rise for over a decade. While the percentage dipped slightly between 2014 and 2016, recently released state data indicates the number increased again in 2017.18

Between 2010 and 2015, the race/ethnicity make-up of Michigan’s 0-17-year-olds shifted, posting declines in the number of White, African-American/Black, and Native American students and increases in the number of Hispanic students and students indicating “other” racial make-up.19

Forty percent of Michigan’s black students attend highly segregated schools, a rate second only to Mississippi nationally.20
System and Student Performance

There have been no less than half a dozen reports in the past twelve months analyzing the performance of Michigan’s public schools against schools nationwide. Most of these reports’ authors have relied on data from the National Assessment of Educational Progress (NAEP) to make their case. NAEP randomly tests 4th and 8th grade students in Reading and Math, and 8th grade students in Writing and Science in each state every two years. The data point most often cited by the reports is Michigan’s worsening position on a state-by-state ranking of average proficiency scores. But Michigan’s scores aren’t declining (or improving). Other states’ performances have improved or worsened at greater rates resulting in a false effect of Michigan “gaining or losing ground” nationally.

In fact, the performance of Michigan’s students on all NAEP tests has been relatively flat over time. On most measures, our scores hover just below the national average and have done so for over a decade.

NAEP, due to its national random sampling process, does not produce data that is actionable at a local district level. State and national assessments given to all Michigan public school students in all districts provide statistically valid “point-in-time” measures of student performance on some subjects. The Michigan Student Test of Educational Progress (M-STEP), the SAT, and MI-Access (special education) assessments are administered each year. Consistent with the NAEP, state assessments show a similar performance “flatline” on most tests at most grade levels. Disaggregated data shows students living in poverty and students of color underperform their peers. Due to several changes in the tests in recent years, however, trend data is unavailable.

Due to federal actions enacted over the last decade, the state assessments have been used to produce a state top-to-bottom performance list, with the lowest performing districts designated as Priority Schools. State elected officials’ sentiment about the management and “take-over” of Priority Schools has shifted in recent years, opting now to support a partnership approach between the Michigan Department of Education and underperforming districts. Under these partnership agreements, MDE and local school leaders mutually identify student performance deficiencies and strategies to address those deficiencies, agree on measurable goals, and set a time table for measuring progress on those goals. Approximately 23 local districts and charter schools currently have partnership agreements with the state.
Key Challenges and Opportunities

Key Challenge: Agreeing on and committing to high standards and the evidence of success.

The use of state assessments for ranking and/or taking punitive actions against districts, schools, teachers, and, in some cases, students (3rd grade retention) is a continual topic of national debate. Critics caution an over-reliance on single standardized measurements offers a thin assessment of actual student performance and creates an unhealthy test-taking culture in schools. Proponents contend state assessments provide one of the few statistically valid measures common to all students. With Michigan’s highly localized school decision-making structure, additional student assessments can differ between districts and even between schools within districts. While local assessments can be statistically reliable measures of student growth and proficiency, there is no requirement for districts to use them and they are difficult to aggregate at a state-wide level.

Michigan has the opportunity to articulate a mutually-supported set of high standards and the valid and reliable assessments and artifacts all districts will use as evidence that students, in all demographic subsets, are meeting those standards.

Key Challenge: Michigan students have very different educational opportunities.

In Michigan, our students’ access to equitable and high quality educational opportunities is mitigated by who they are and where they live. Some students have access to a full array of advanced learning courses and early college opportunities. Some don’t. Some students have access to robust career and technical education and work-based extracurricular opportunities. Some don’t. Some students with special needs have multiple options for developing their skills and abilities. Some don’t. Some students have access to school counselors, paraprofessionals, early childhood education, additional academic, social/emotional, and family support. Many don’t.

Some of these inequities are the result of local electorates unwilling or unable to support higher taxes, as can be the case with regional enhancement millages and ISD special education and career and technical education millages. Others are the result of staff and student needs outstripping the financial and human capacity of a single district.

The economic era that guaranteed a middle class living in Michigan, regardless of a student’s academic performance or career readiness, no longer exists. The return on our taxpayers’ investment must be fully prepared and capable students, regardless of where they live, their gender, race, socio-economic status, English-speaking ability, or individual challenges.

With so many state organizations and work groups weighing in on improving our schools and espousing a desire to work together, the opportunity is now to have a substantive and deliberate conversation about what a Michigan education guarantees for every child and how it will be measured. While we cannot guarantee each students’ level of success due to countless factors beyond the control of the classroom, we can and should ensure each student has equitable opportunity to achieve the same success.

Key Challenge: Funding has not kept pace with inflation; declining enrollments exacerbate the effect.

The current public school system was built for 500,000 more students than it has today. Even as enrollment was declining, we added an additional 300 charter schools and implemented schools of choice laws, further saturating the market with excess capacity and splintering state school aid dollars. While there might be nothing more sacred to many Michigan communities than their local schools, something has to change if small districts are to offer the same educational opportunities to their students as larger districts do.

A recent funding study suggested the minimum student foundation allowance should be $1,700 higher than the actual 2018-19 grant. It also concluded this increase would only be adequate in districts with 7,500 students or more. Only 33 of Michigan’s 839 traditional and charter districts have 7,500 students or more. The study concluded additional funds would be necessary to provide the same education in all smaller districts.

While there appears to be a growing acknowledgement that Michigan schools are underfunded, there must also emerge a realistic expectation of how much the state’s budget or taxpayers can endure. Improved economies of scale through consolidation, reorganization, regionalization, and resource sharing deserve consideration. Options include:

- Redrawing ISD regions and funding them to ensure an equitable array of instructional and “back room” programs and services are available to all schools and requiring schools, if appropriate, to use those services.
- Studying different state models of local district organization that would maintain local neighborhood schools, while assigning the operation of those schools to a more centralized entity. For instance, Florida’s 2.8 million students attend schools in 67 county school districts while Maryland’s 886,000 students are divided into 24 city and county school districts.
- Simplifying Michigan’s consolidation laws and creating appropriate financial incentives and supports to make consolidation easier.
- Incentivizing staff and resource sharing between districts.
Key Challenge: Governance and Accountability

With over 800 elected and appointed local, regional, charter, and state boards of education, it can be difficult to discern who is in charge of what. Elected leaders grow frustrated with the confusing lines of accountability and legislative actions they believe school boards are unwilling to take.

Additional pressure can be placed on any level of the governing process by special interest and partisan groups which, historically, have had success in influencing decision making at the macro and micro level. Competing pressure can be exerted through differences in political party platforms, gubernatorial vs. legislative agendas, education management vs. labor demands, and short-term employment needs. These oftentimes competing agendas can mitigate policy makers’ and school districts’ ability to develop aligned, coherent policy, rules, and laws.

While not officially a governing group, parents, through their significant powers of choice, can also impact decision-making at the local district level. Local school boards, facing declining enrollment and increased competition, must at least entertain individual parent requests when considering programs or services.

Policy leaders have the opportunity, through the powers set forth in the Constitution, to prescribe specific accountability for every level of school governance, including the actions and interventions that will be taken when one of those entities fails to do its duty. By assigning responsibility appropriately throughout the system, policy leaders can focus on holding the system, through its elected and appointed board members, accountable for student performance. This will allow policy leaders to focus on macro, state-wide policy issues, as opposed to policies intended to direct the day-to-day operations of a district or supersede the professional practice of educators.

Conclusion

Critics of Michigan’s schools often cite Massachusetts as the bellwether of school and student achievement. Massachusetts’ success is grounded in a sweeping policy reset enacted 25 years ago. The Massachusetts Education Reform Act (MERA) was the product of dialogue, debate, and compromise between business, school district, union, government, and civic leaders. MERA endures because it works; the simplicity of its design is almost startling: set high standards for all schools and students, determine who is responsible for meeting those standards and hold them accountable, and adequately and equitably fund the system.

Michigan needs and deserves similar big-picture education reform. Our state’s partisan and piecemeal approach to policy, exacerbated by the political urgency of term-limited political leaders, has produced little of the intended improvements policy makers hoped for. All of Michigan’s education stakeholders must be at the table, partners unafraid to tackle the biggest system issues, willing to compromise on everything except what’s best for Michigan’s students, until a cohesive and coherent plan emerges.

If we want to surpass the world’s top performing states and nations, we must do much more than envy their success.
Endnotes


5 Constitution of Michigan of 1963 (Excerpt) Article VIII, Education

6 Michigan Compiled Laws, Act 289 of 1964, Reorganization of School Districts


9 Michigan Compiled Laws, The State School Aid Act of 1979 (Excerpt) 388.1705, Section 105 and 105c


18 Historical free and reduced lunch counts. (n.d.). Retrieved July 26, 2018 from https://www.mischooldata.org/Other2/DataFiles/StudentCounts/HistoricalFreeAndReducedLunchCounts.aspx


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