The passage of Proposal A in 1994 transformed educational finance in Michigan. Before 1994, revenue for public education came mainly from local property taxes, supplemented by state revenues from sales and corporate income taxes. Since 1994, most revenue for public education has come from the state. The main source of revenue for the School Aid Fund is the sales tax. Additional funds come from cigarette taxes and lottery revenues. The Legislature also provides an annual appropriation from the General Fund.

Trends in Total Current Operating Expenditures (TCOE) from 1978-79 through 1997-98 show a steady rise in **current** dollars going to local school districts. In **constant** 1978 dollars, though, the rate of growth is nearly flat. Over the entire period, TCOE rose about 1% per year in real terms. Since 1994 the rate of increase in TCOE has accelerated.
A large share of the new revenue for public education has gone to Michigan’s poorest school districts, as Figure 1 illustrates. In 1993-94 the Per Pupil Foundation Allowance was more than $10,000 in Bloomfield Hills. In Onaway, the Per Pupil Foundation Allowance was less than $4,000. Since 1994-95, high-spending districts like Bloomfield Hills have seen almost no real increases in per pupil revenue. Low-spending districts like Onaway have seen large increases.

Michigan’s per pupil foundation allowance was set at $5,000 in 1994. The Legislature has increased the foundation allowance over the years, to $6,000 in 2000-01. As poorer districts reach the state’s per pupil foundation allowance, they are locked in at that level. In 1999-2000, Onaway and 307 other Michigan school districts received $6,000 per pupil from the state. Wealthier districts continue to receive larger allowances. Beginning in 1999-2000, revenues in all Michigan school districts will increase at the same rate.

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Sources of data: Michigan Department of Education, Local District Financial Reports. TCOP is General Fund Total Expenditures less expenditures for capital outlay and community services. Inflation indices obtained from the State Tax Commission of the Michigan Department of Treasury.
Additional information is available at www.epc.msu.edu. See Publications: Data Briefs