SESSION SUMMARY

Financing K-12 Education in Michigan
A Discussion sponsored by the Education Policy Center at Michigan State University
May 22, 2014
Christman Building, Lansing, MI
Summarized by Steven Drake

Introduction

Consistent with its mission to provide research findings on key education policy issues to inform decision-making at the local, state and national levels, on May 22, 2014, the Education Policy Center (EPC) at Michigan State University convened a wide-ranging group of Michigan education policy makers, advocates, and scholars to discuss possible approaches to rethinking how Michigan funds its K-12 education system. The 34 participants included state legislators, members of the State Board of Education and representatives of several state education professional associations. Robert Floden, Co-Director of the EPC, opened the session by noting that it has been more than twenty years since Proposition A shifted much of K-12 funding from local millages to state per-pupil funding, and that subsequent developments in schools of choice, charter schools and funding for teacher retirement have also affected K-12 school finance. Pressure has grown to rethink Michigan’s system for funding K-12 public schools. In recent months, the State Board of Education, the Governor’s Office, and the state legislature have begun to develop ideas for modifications to the system. The Education Policy Center at Michigan State University hopes to add a research perspective to these discussions to help policy makers envision a range of options for reshaping the system.

Presentation 1:

Journey Toward Equity and Excellence, The Massachusetts Experience
Paul Reville, Harvard University

Reville began his presentation by reviewing the academic success Massachusetts has achieved over the past 20 years. Massachusetts ranked in the middle of US states at the time of its landmark 1993 reform legislation. Since then, Grade 10 aggregate proficiency measured by the state’s achievement test has increased from 34 percent to 91 percent in English language arts and from 24 percent to 80 percent in mathematics. Similar results can be seen throughout grade levels and in student performance on national and international measures such as NAEP and TIMMS, where Massachusetts ranks first in the US in all areas and second in the world in science and sixth in mathematics. Reville credits this success to two key attributes of the state’s reform. First, the state’s business community led a fact-based reform effort, carefully building a broad coalition of support
for reform across the political parties, the teacher’s unions, and educational leaders. Reville noted that “deep, non-partisan and persistent” leadership continued during implementation of the reforms. Second, the reforms were structured as a grand bargain where a foundational funding formula introduced significant new funding in exchange for standards-based reform and the introduction of charter schools. Large investments in system improvements were made – notably in human resources, where investments in teacher training were married with HR systems to track teacher assignments, preparation and quality. Regional education agencies were restructured to propagate best practices and, more recently, to manage the turnaround of schools in state receivership.

In spite of this success, Reville acknowledged persistent achievement gaps across subgroups and suggested that Massachusetts has likely reached the limits of the prevailing school reform and standards paradigm. Reville argued for a restructuring of public education. Currently system resources such as length of school day and school year are constants and student achievement varies. In a restructured system, “learning becomes the constant” across students and system resources are adjusted to meet their needs. “Braided” schools would incorporate access to health and social services for problems associated with poverty, investments in early literacy would increase, and the school day and calendar would expand to allow enough time for students to credibly build the 21st century skills demanded of them. Enrichment activities and experiences available to economically advantaged students would be made broadly available through a more comprehensive interpretation of differentiated instruction.

The discussion that followed Reville’s remarks focused on Massachusetts’ current financing mechanisms for traditional and charter schools. The cumulative effect of the 1993 reforms and other legislation is that 40-45 percent of K-12 funding in Massachusetts is derived from local property taxes. A progressive foundation allowance provides differential levels of assistance to local communities based upon their local taxing potential under caps set by state law; foundation spending levels are established by the state with no local control. Reville recalled a challenging process “involving spreadsheets” and many consultations with superintendents when first generating the foundational formula, but feels that the system has largely met its dual goals of equity and long-term funding stability. Charters are financed at 100% of public school levels, and cross-boundary enrollments are funded and passed through by the students’ local communities and the state at each student’s respective local rates. Public schools receive a compensating subsidy that is phased out over the course of several years when losing students to charter enrollment.
Presentation 2:

Student Based Allocations (SBA). Report of Action in Other States and a Proposal.

Larry Miller, University of Washington-Bothell

Referring to recent school finance reforms such as California’s Local Control Funding Formula, Larry Miller presented an overview of the different ways that states allocate resources to schools and then shared a conceptual proposal for Student Based Allocation (SBA) of K-12 spending. Noting that changes to state-level education finance rarely keep up with the more frequent changes in the nature and demands on schools and students, Miller made a case for a system of finance tied to individual students and their personal needs. The most common state funding formulas are complicated by categorical spending on special education, state-level STEM initiatives, textbooks and other “education ingredients,” small district subsidies, provisions that hold harmless districts to revenue lost to charters, and so forth. While acknowledging the good intentions behind/categories, Miller argued that tying funding to prescribed educational inputs makes efforts to hold school leaders and teachers accountable for student outcomes less credible. Instead, under SBA, monies would be strictly linked to the individual student, travel with that student wherever she enrolls, and be managed at the local level by those most directly responsible for her academic proficiency.

Discussion in the group largely centered on the implications for at-risk students and schools in an SBA system. Miller recognized that student funding must be commensurate with need. For example, special needs students and students attending schools with large at-risk populations would receive additional funding. Local cost differences could be considered. Miller acknowledged that assigning these weights would be challenging. He suggested initial weights be developed through an accounting of spending across categories for each student need and subsequent tracking of student performance over time to adjust weights as necessary. The system would also need the capacity to establish weights for future student needs. Audience members discussed the implications of SBA for Michigan’s many small districts, the impact of increased student movement on school viability, and whether the financing mechanism would succeed in enhancing choice for special needs students.
Presentation 3:

Comparison of Non-Instruction Spending: Community-based and County-bounded School Districts

Thomas DeLuca, University of Kansas

Tom DeLuca offered an overview of his recent research on economies of scale from consolidating non-instructional services such as transportation, technological support, and business services across school districts. DeLuca’s investigation is in the context of the ongoing, but too often elusive, effort to find savings through district consolidation that might be reinvested in instruction. His current research centers on the special opportunity in consolidating non-instructional services, where alternative delivery models like shared services might offer opportunities for the consolidation of some district functions without engaging the community resistance that comes with closing or consolidating entire districts. Drawing on nationally standardized data sets and controlling for local cost differences, DeLuca compared the non-instructional spending levels of larger county-wide school districts throughout Florida with the smaller community-based districts found in Kansas. He found in the data the counter-intuitive result that instructional spending rates are actually lower in the larger county-based districts where hypothesized economies of scale in non-instructional services might have enabled re-direction of spending to instruction.

The discussion that followed DeLuca’s presentation centered on experiences with consolidation in Michigan and elsewhere and the nature of scale economies in education. Audience members wondered what savings bottoms-up, re-engineered business processes would yield (as opposed to the observed savings DeLuca studies). While DeLuca’s empirical analysis shows larger districts spending proportionately less on instruction, would operational experts nevertheless be able to find savings in the typical district consolidation scenario? Do the consolidation efforts to date represent the true savings opportunity?
Related Resources:

Related to Paul Reville’s Work in Massachusetts:

Massachusetts Business Alliance for Education. http://www.mbae.org/


Related to Funding Formula Reform:


Other Research by Thomas DeLuca (including analysis of consolidation in Michigan):

