THE TIME IS NOW
COVID-19 and Fair Funding

The Education Trust—Midwest

By Mary Grech, Senior Data and Policy Analyst*

In the wake of the COVID-19 pandemic, Michigan families and educators are worried about their students' unfinished learning, while state- and district-level leaders face unprecedented decisions to safely prepare for the fall and address the potentially devastating impact of the public health and economic crises on education.

Tragically, Michigan is already among the worst states in the country for equitable funding. An analysis by The Education Trust found that Michigan is in the bottom five states nationally for funding gaps between poor and wealthy districts.

The time to address these historic inequities is now.

At a moment when the U.S. is rightfully confronting longstanding inequality and racial injustice, it is time for an honest conversation about fairness and equity. We must take a hard look at our system's injustices and choose to invest in public education, while committing to supporting children who have been underserved for decades.

Michiganders have a historic opportunity to create a 'new normal' in which we recognize — and support — every child's innate capacity to learn at high levels, no matter the color of their skin, the language they speak or their zip code.

For the future prosperity of Michigan and the success of our students, we must commit to becoming a more equitable education state, rather than worsening the gaps between Michigan's rich and poor districts — and further limiting opportunities for our most vulnerable children.

In this brief, we lay out how Michigan can do that in three key ways:

- o **Prioritize investment in public education** over other areas of the budget, including by reversing decisions to divert money from the School Aid Fund.
- o **Protect funding for vulnerable students,** including by ensuring any state budget cuts, if necessary, are done fairly and equitably.
- o **Ensure transparency and accountability** by making a real commitment to have dollars reach the children for whom they are intended.

In short, Michigan's Black and Brown, rural and low-income students are no less talented than the children in other states. They deserve equitable opportunities to succeed.

We must not let their learning — and their futures — go unfinished any longer.

Our students deserve better.
Add your name to the Fair Funding Pledge
edtru.st/mipledge
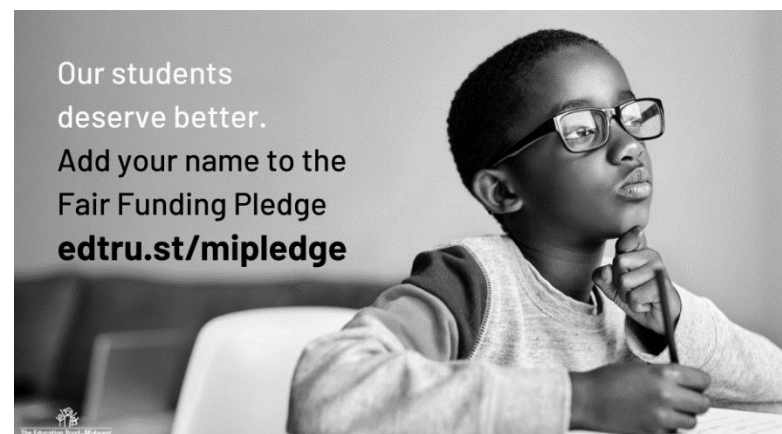
Equitably Distributing Federal Stimulus Dollars

Earlier this spring, The Education Trust-Midwest called on Michigan's leaders to equitably distribute federal stimulus dollars for education, including by prioritizing dollars for low-income students, English learners and students with disabilities. For more information on this issue, please see our recent report, *A Marshall Plan: Reimagining Michigan Public Education*, and Executive Director Amber Arellano's letter to Michigan's Congressional delegation calling for further federal investment.

RECOMMENDATIONS AND POLICY DECISIONS

This policy brief, *The Time is Now: COVID-19 and Fair Funding,* outlines three key strategies legislators should consider toward making Michigan's education system more equitable, including prioritizing education for the success of our students and for the future prosperity of our state by investing in education, first and foremost. If cuts to the K-12 education budget must be made, they should be made fairly and equitably. Not all cuts, however, are created equal. Any cuts should shield the most vulnerable students, and all budgetary decisions should ensure transparency and accountability so that dollars reach the students for whom they are intended — especially those most in need.

I. PRIORITIZE PUBLIC EDUCATION OVER OTHER BUDGET AREAS

Michigan school funding already faces challenges in terms of both adequacy and equity. Between 1995 and 2015, Michigan had the lowest total education revenue growth of all 50 states. In our recent report, *Michigan's School Funding: Crisis and Opportunity,* we made clear that Michigan needs to invest much more in all of its students statewide, while investing significantly more in low-income students, English learners and students with disabilities.

Michigan leaders' top priority should be to protect education funding and make minimal cuts, if any, to the School Aid Fund.

RECOMMENDATIONS:

We call on Governor Whitmer and the Michigan legislature to:

o   **Prioritize funding for education** above all other spending areas. Cuts to education should be a last resort.
o   **Reverse diversions from the School Aid Fund** to the General Fund, such as the *Wayfair settlement dollars*.

Why Money Matters – Now More Than Ever

Research shows that money matters, especially for low-income students.

State and local funding allocations can have major impacts on the learning conditions in school districts, including the availability of student support and extracurricular activities, the amount of instructional time, the quality of instructional materials, the level of professional support and compensation teachers receive and much more. And that's under normal circumstances.

Students will have more needs than ever before due to unfinished learning from COVID-19-related school closures and disruptions.

Equitable funding and investments could be the dividing line between a student having access to a laptop and online learning, a high-quality summer school option and a highly-effective educator when in-person learning resumes — or not.

Michigan's economic future rests on the investments it makes now in students. Currently, Michigan ranks 32nd in 4th grade reading and 28th in 8th grade math — and among the bottom ten states for African American students. Yet if Michigan students performed at the national average, it's estimated the lifetime earnings of Michigan's current K-12 students could increase by $27 billion.

Now is the time to not only protect education funding but invest in research-based strategies to accelerate student learning, especially for Michigan's vulnerable students.

We recommend specific ways for investing dollars to recover and reimagine Michigan's public education and call for public reporting, transparency and accountability for implementing these strategies — both in our recently released 2020 State of Michigan Education Report and on page 9.

II. PRIORITIZE FAIRNESS: EQUITABLY INVEST IN VULNERABLE STUDENTS

The needs of Michigan's vulnerable students should be a priority — in good times and in bad.

Michigan is already among the worst states in the country for equitable education funding, contributing to long-standing gaps in opportunity and achievement for our most vulnerable students. Similarly, in another national analysis Michigan received a "D" for how well it targets funding to its high-poverty districts, relative to its wealthier districts.

Invest in education equity now

Amid the worldwide economic impact of the COVID-19 pandemic, state leaders are rightly focused on the immediate needs of the crisis. Yet we must also focus on near- and long-term needs.

Those include long-term investments and solutions that will bring a more equitable approach to Michigan's school funding system, including consideration for a weighted funding formula that allots more dollars for students and communities with greater needs — as the nation's leading education state, Massachusetts, has done.

Without doing so, the impact of recent state and federal investments, such as the Education Stabilization Fund in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, will fade away — and rural, working-class and urban school districts will yet again find themselves chronically under-resourced — resulting in students paying the price with their futures and earnings.

Make cuts equitably, not equally

While we first and foremost call on state and federal leaders to prioritize funding for public education above other areas of the budget, cuts to education spending may still be necessary. In that case, the needs of Michigan's vulnerable students should be prioritized to both address long-standing inequities and avoid making them worse.

That will require a shift to a fairer school funding system, moving away from Michigan's

Funding Gaps Between the Wealthiest and Poorest Districts, by State
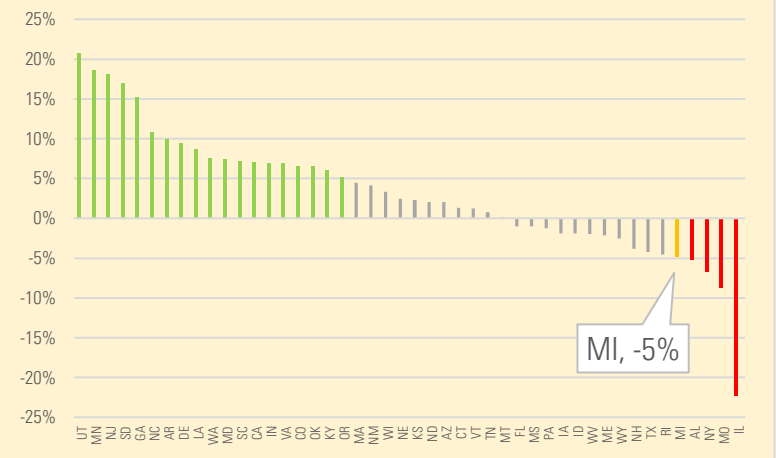
This graph shows Michigan is among the worst in the nation for funding gaps between wealthy and poor districts. Please see edtru.st/3eRcjcg for more details on this analysis.

Source: The Education Trust, Funding Gaps 2018

Standard Approach to budget cuts, which historically has included two inequitable practices:

o Reductions to funding streams specifically dedicated to vulnerable students.
o Flat, across-the-board cuts to general per-pupil spending that treat every student the same, despite their varying needs.

Instead, the state should shield districts serving more students with greater needs, such as low-income students, English learners and students with disabilities, from the harshest cuts. This is especially critical because the effects of the COVID-19 pandemic on student learning are expected to disproportionately impact vulnerable student groups. Coupled with long-time underfunding of Michigan's vulnerable students, these students could be impacted for many years to come.

Now is the time for bold leadership and a 'new normal' that equitably invests in all communities and supports every child's innate ability to succeed academically, given the opportunity to do so.
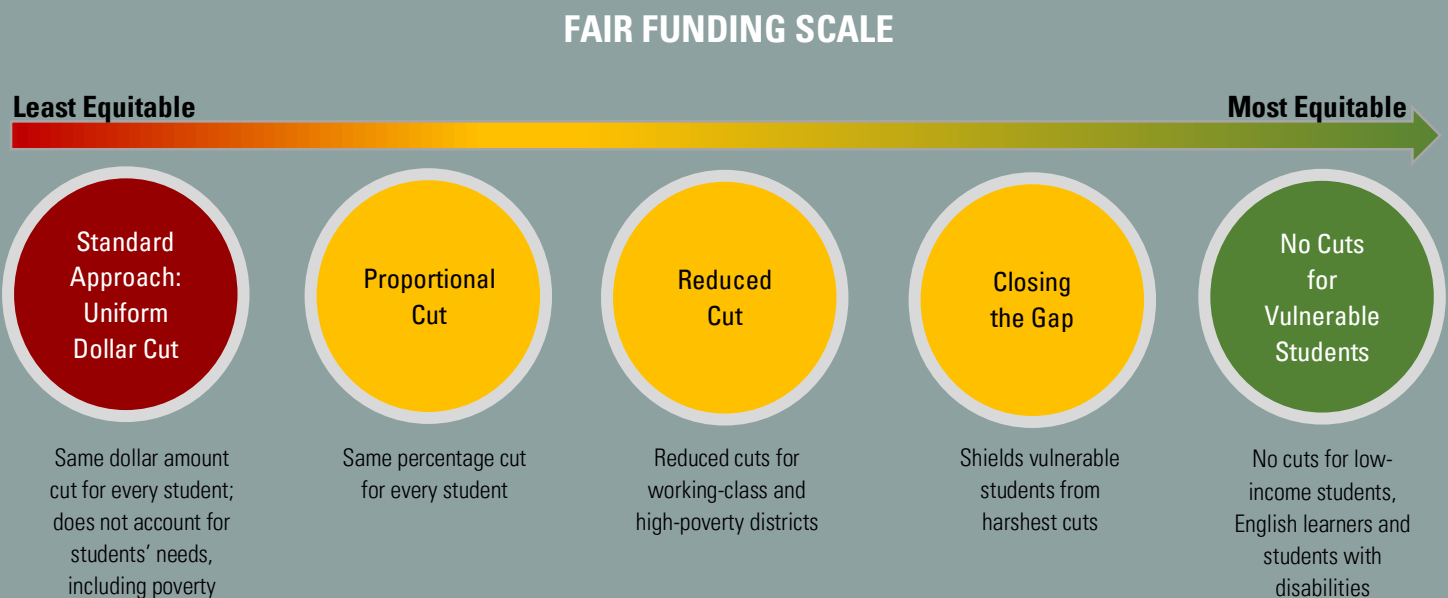
RECOMMENDATIONS:

We call on Governor Whitmer and the Michigan legislature to:

o **Protect funding streams** for vulnerable students, specifically for low-income students, English learners and students with disabilities.
o **Shield Michigan's vulnerable students** from the most dramatic budget cuts.

MODELING: FAIR FUNDING SCALE

The Education Trust-Midwest (ETM), in partnership with The Education Trust, conducted extensive modeling to identify more equitable formulas that could replace Michigan's standard, inequitable approach to budget cuts (uniform dollar cuts). To determine if an approach was more equitable, ETM looked at its impact on high-poverty districts in particular.

Key results from our modeling are presented below. The models use financial data from the 2019-20 school year (FY20 budget) and are based on a total cut that would equate to about a $470 dollar cut per pupil under Michigan's **Standard Approach** to budget cuts. The magnitude of this cut was chosen because $470 was the highest single-year, per-pupil cut in Michigan's recent policy history.

FAIR FUNDING SCALE

Least Equitable → **Most Equitable**

Standard Approach: Uniform Dollar Cut	Proportional Cut	Reduced Cut	Closing the Gap	No Cuts for Vulnerable Students
Same dollar amount cut for every student; does not account for students' needs, including poverty	Same percentage cut for every student	Reduced cuts for working-class and high-poverty districts	Shields vulnerable students from harshest cuts	No cuts for low-income students, English learners and students with disabilities

The fair funding scale illustration (above) demonstrates the degree of impact for each model on Michigan's vulnerable students, if budget cuts are necessary.

For instance, our modeling demonstrates that the **No Cuts for Vulnerable Students** approach is the least harmful — and most equitable — strategy because it shields vulnerable students and districts from the harshest cuts (page 7). In this model, districts are shielded from a per-pupil cut for each of their vulnerable students, including low-income students, English learners, students with disabilities and students experiencing homelessness or in foster care.

On the other end of the spectrum is Michigan's **Standard Approach,** in which the same dollar amount is cut for each student enrolled regardless of students' needs (page 5). This is an inequitable approach.

We found that three other models fall between these in terms of equity:

- The **Proportional Cut** approach reduces the same percentage for every student (page 6). Therefore, districts with lower per-pupil funding levels have fewer dollars cut.
- The **Reduced Cut** approach lowers the cut for districts at the lowest funding levels and for vulnerable students in higher-funded districts. As a result, working-class and high-poverty districts, on average, see lower cuts (page 6).
- The **Closing the Gap** approach, which is more equitable than the two models above, works toward closing the funding gap for vulnerable students by shielding them from the harshest cuts. Districts receive a lower cut for every student with additional needs (page 7).

Michigan's Standard Approach: Why Change is Needed

When Michigan has had to make reductions to general per-pupil spending, cuts have historically been flat across the board, meaning the same dollar amount is cut for every student in every district in the state.

This practice disproportionately impacts districts that receive less general per-pupil funding, also known as the foundation allowance. It also harms Michigan's most vulnerable students, who have greater needs, need more support and receive less funding than research recommends.

Under Michigan's **Standard Approach** to budget cuts, districts that are allocated more general dollars per pupil than other districts effectively receive a cut that is a smaller share of their overall budget.

For example, Bloomfield Hills, which received $12,364 per pupil in FY20 and enrolled 11% low-income students, would receive the same cut per student ($470) as Grand Rapids Public Schools, which received the minimum foundation allowance of $8,111 and enrolled 80% low-income students.

Cuts in Bloomfield Hills would be about 3.8% of their foundation allowance and still leave $11,894 per student, compared to 5.8% in Grand Rapids which would have only $7,641 to spend per student.

This practice also does not shield high-poverty districts, despite having student populations with greater needs. This is particularly troubling in the context of the COVID-19 pandemic as students in poverty may have even more unfinished learning than their more affluent peers due to differences in digital access and district resources.

STANDARD APPROACH

Cut same amount for every student

This method cuts the same amount for every student enrolled — which treats students equally. But we know that no two students are the same and some students need more resources. In addition, many of the same communities and districts that have been historically underserved have also been disproportionately impacted by the coronavirus pandemic. We should not treat students, schools and districts with additional needs the same as others.

How it works:

The same dollar amount is cut for every student the district enrolls. This model does not account for students' needs.

Formula:
Same Cut (e.g. $470) x Number of Students = Total Cut

Fair funding analysis:

Not equitable – Districts with fewer resources, especially those with more students in poverty, are disproportionately impacted.

The same dollar amount is cut for every student in the district so the average per-pupil cut for each quintile of districts is the same.

Average Per-Pupil Cut

Wealthiest	Wealthy	Average	Poor	Poorest
$470	$470	$470	$470	$470
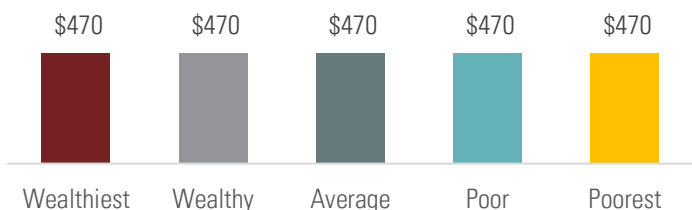
While the Standard Approach cuts the same dollar amount for every student, the impact is not the same for every district. The cuts represent a higher percentage of lower-funded districts' budgets.

Average Percentage of General Per-Pupil Funding Cut

Wealthiest	Wealthy	Average	Poor	Poorest
5.39%	5.72%	5.70%	5.70%	5.70%
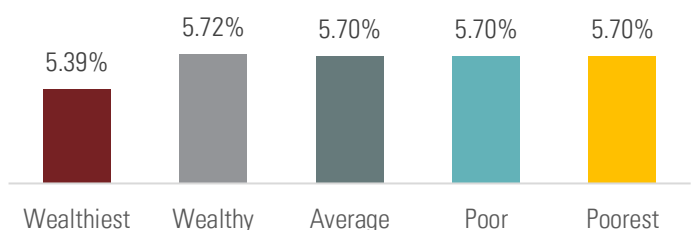
PROPORTIONAL CUT

Cut same percentage for every student

In this method, per-pupil funding is reduced by the same percentage in each district. This model accounts for district funding levels but not student need.
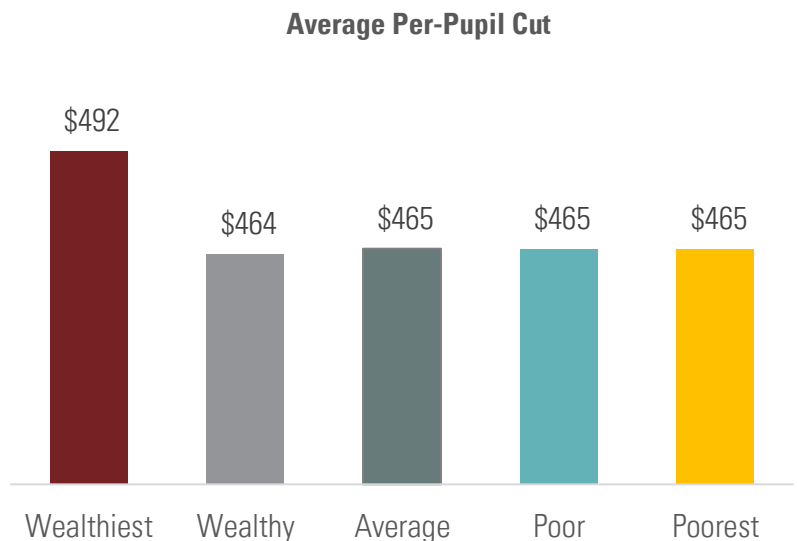
How it works:

Per-pupil funding is reduced by the same percentage for every student.

Formula:
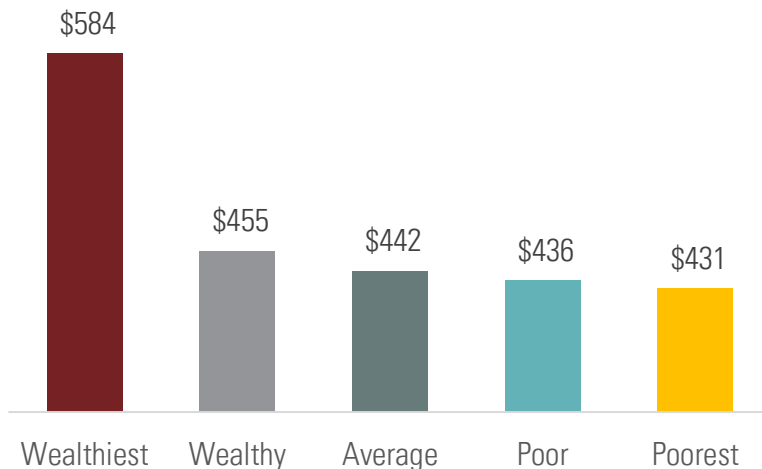Same Percentage Cut (e.g 5.64%) of Total Per-Pupil Funding = Total Cut

Fair funding analysis:

More equitable – Highest-poverty districts receive smaller cuts, $27 less per pupil on average, compared to the wealthiest districts.

Average Per-Pupil Cut

Wealthiest	Wealthy	Average	Poor	Poorest
$492	$464	$465	$465	$465

REDUCED CUT

Average Per-Pupil Cut

Wealthiest	Wealthy	Average	Poor	Poorest
$584	$455	$442	$436	$431

Note: The estimates presented in the fair funding analysis and chart above demonstrate how the Reduced Cut approach would impact districts if the reduced cut were applied for low-income students in higher-funded districts.

Cut in proportion to funding level and student need

This method reduces cuts for districts at the lowest funding level and for vulnerable students in higher-funded districts, resulting in reduced cuts for working-class and high-poverty districts on average.

How it works:

Reduces cuts for working-class and high-poverty districts at the lowest funding level, while also reducing cuts for vulnerable students in higher-funded districts.

Formula – Lowest-funded districts:
Reduced Cut x Number of Students = Total Cut

Formula – Higher-funded districts:
[Cut based on higher foundation allowance level x Number of Students with No Additional Needs] + [Reduced Cut x Number of Students with Additional Needs] = Total Cut

Fair funding analysis:

More equitable – Poorest districts receive smaller cuts, $154 less per pupil on average, compared to the wealthiest districts. Low-income students in higher-funded districts are shielded from the higher cuts.

CLOSING THE GAP

Closing the gap for vulnerable students

This method works toward closing the funding gap for vulnerable students by shielding them from the harshest cuts. Districts receive a lower cut for every student with additional needs. Preserving most of the funding for students in need is one way to lessen the harmful impact of budget cuts on vulnerable students.

How it works:

Vulnerable students are shielded from the harshest cuts. For example, districts receive a lower cut for every low-income student compared to the cut for wealthier students.
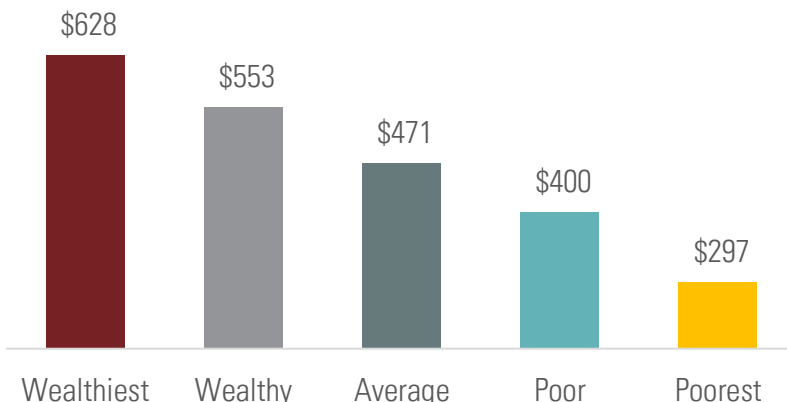
Average Per-Pupil Cut

Wealthiest	Wealthy	Average	Poor	Poorest
$628	$553	$471	$400	$297

Note: The estimates presented in the fair funding analysis and chart above demonstrate how the Closing the Gap approach would impact districts if they received a lower cut for every low-income student and the full cut for each student who is not low-income.

Formula:
[Lower Cut x Number of Students with Additional Needs] + [Full Cut x Number of Students with No Additional Needs] = Total Cut

Fair funding analysis:

More equitable – Highest-poverty districts receive smaller cuts, $331 less per pupil on average, compared to the wealthiest districts.
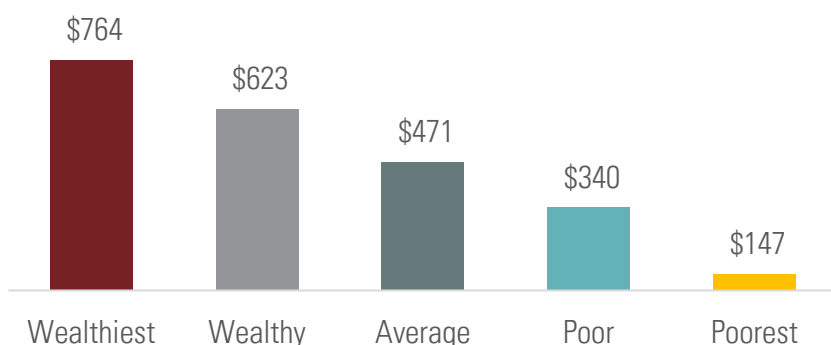
NO CUTS FOR VULNERABLE STUDENTS

Average Per-Pupil Cut

Wealthiest	Wealthy	Average	Poor	Poorest
$764	$623	$471	$340	$147

Note: The estimates presented in the fair funding analysis and chart above demonstrate how the No Cuts for Vulnerable Students approach would impact districts if they did not receive a cut for the number of students who are low-income.

Shield vulnerable students

In this method, districts receive no cuts for their vulnerable students, including low-income students, English learners, students with disabilities and students experiencing homelessness or in foster care. This is one of many methods that state leaders can use to ensure that high-needs districts are protected from disproportionate budget cuts.

How it works:

No cuts for the number of vulnerable students in the district.

Formula:
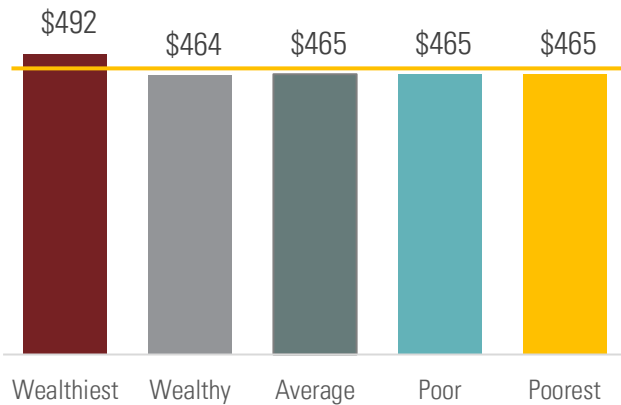Cut x Number of Students with No Additional Needs = Total Cut

Fair funding analysis:

Most equitable – Highest-poverty districts receive smaller cuts, $616 less per pupil on average, compared to the wealthiest districts.

MODEL COMPARISON

This page compares each of the more equitable approaches to budget reductions to the Standard Approach. The yellow line across each of the charts represents the level of cuts under the Standard Approach ($470).
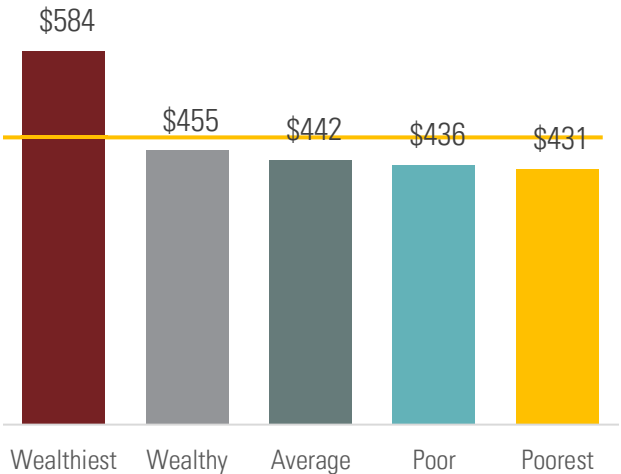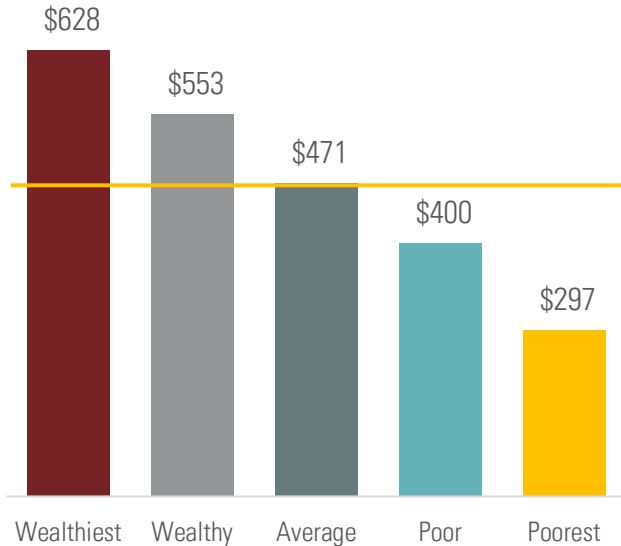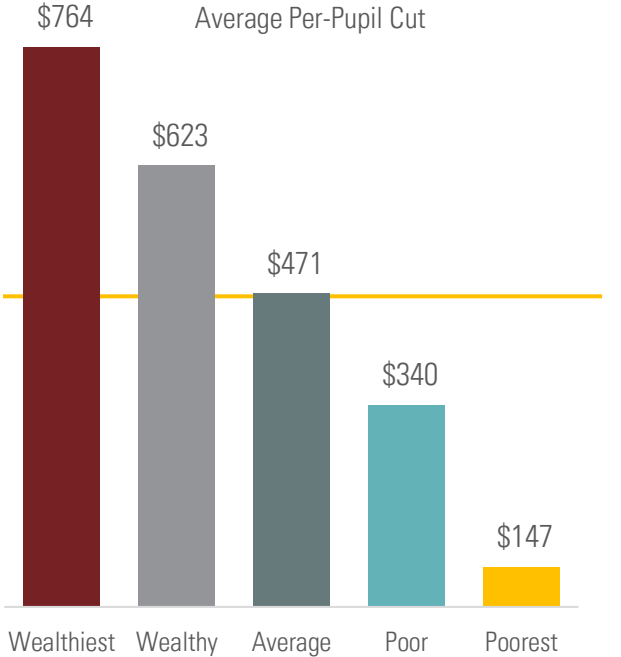
Proportional Cut
Average Per-Pupil Cut

Wealthiest	Wealthy	Average	Poor	Poorest
$492	$464	$465	$465	$465

Reduced Cut
Average Per-Pupil Cut

Wealthiest	Wealthy	Average	Poor	Poorest
$584	$455	$442	$436	$431

Closing the Gap
Average Per-Pupil Cut

Wealthiest	Wealthy	Average	Poor	Poorest
$628	$553	$471	$400	$297

No Cuts for Vulnerable Students
Average Per-Pupil Cut

Wealthiest	Wealthy	Average	Poor	Poorest
$764	$623	$471	$340	$147

III. ENSURE TRANSPARENCY AND ACCOUNTABILITY

In a moment when so much is uncertain, Michigan students, families and stakeholders should not have to worry about whether state and local education dollars are being used fairly and effectively.

What they should have is honest, transparent and accessible information about the district- and state-level funding decisions impacting schools, as well as assurances that Michigan's limited education dollars are being spent equitably and effectively.

RECOMMENDATIONS:

Whether it's general per-pupil dollars, funds targeted for vulnerable students or emergency funding from federal or state sources, state leaders should ensure measurement, oversight and accountability for all spending.

We call for state leaders to:

o **Ensure districts prioritize the needs of vulnerable students** in district-level budget decisions, making sure that money geared to vulnerable students actually reaches their schools and classrooms. This includes requiring districts to spend 75% of at-risk funding and English learner funding at the school where the student attends beginning in the 2022-23 school year (FY23 budget). This will ensure that when a district receives dollars specifically targeted for these students, the dollars reach the school where the student actually attends.

o **Ensure transparent, accessible and timely public reporting** on district financial decisions and investments.

Making Funding Decisions Transparent and Accessible

Transparent, accessible and timely public reporting for key funding streams is needed at the school level. Data should be comparable across schools and districts and prepared in a downloadable statewide file beginning in the 2020-21 school year. Additionally, data should be available through a searchable database and interactive visuals that make this information accessible to parents and stakeholders.

CONCLUSION

Over decades, Michigan has become among America's most inequitable and unfair states for the gap between what the state invests in poor and affluent districts, tragically leaving the learning — and futures — of millions of our students unfinished.

It's time that changes. We do not want to go back to the old normal. Michigan must adopt a new normal that recognizes the inherent ability of every child to succeed, addresses the longstanding and historic inequities in our educational system and invests in the future of our children and our state.

Our moment is now. Let's join together and commit to an equity-centered fair funding agenda so all children have the opportunity to achieve.