State Funding Comparison: Michigan and Virginia

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29Oct2014

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The following is a detailed description of the funding mechanisms for Public Schools in the states of Virginia and Michigan. Sources of revenue are analyzed, formulas for aid from the state governments are given, per pupil funding amounts are stated, funding trends are analyzed, and an overall comparative analysis is done.

**Revenue Sources**

* Virginia: The state of Virginia has a unique structure for funding schools. However, its revenue sources are fairly straightforward. Ten percent of schools’ state aid comes from places such as lottery proceeds, categorical and incentive programs, and supplemental education funds. The other ninety percent comes from taxes through the state’s general fund. These taxes include personal income tax, corporate business tax, sales tax, and contract fees/taxes, among others. Other than the ten percent of state aid mentioned above, the state of Virginia does not earmark other revenue sources for educational purposes only. Instead, the state calculates a total amount of state aid that schools will require (detailed below), and allocates that amount out of the general fund.
* Michigan: The state of Michigan includes very specific funding sources for K-12 education. Two percent of the state sales tax is earmarked for school funding. This generates roughly 43% of money used to fund schools. Other sources of revenue include the 6-mill state education property tax (13% of funding for schools), income tax (18%), and state lottery proceeds (6%).

**State Aid Formula**

* Virginia: The Virginia Department of Education (VDOE) determines the criteria for Standards of Quality (SOQ) funding each year. SOQ funding is responsible for 90% of state aid sent to school districts, so it is extremely important. The criteria for SOQ are quite complex, but its aim is to determine each local community’s ability to provide funding for the local school district. Poorer districts are thus provided more funding from the state than wealthier districts. The SOQ criteria is as follows:
  + The VDOE determines the required instructional positions and supplies needed in its school districts.
    - A minimum of 51 instructional staff are required for every 1000 students for basic positions.
    - An additional 6 positions are required for every 1000 students in the areas of special education and career and technical education.
  + Prevailing costs are determined based on average salaries and bills from each of the 135 districts in Virginia, waited equally regardless of size.
  + Using the two components above, the VDOE determines a total sum of money required to fund its schools, of which it agrees to pay 55% while local communities are responsible for the remaining 45%.
  + The 55% is not distributed equally. A composite index is used to determine each local community’s ability to pay its 45% share. There are three composite index inputs:
    - True value of real property (weighted 50%)
    - Adjusted gross income (weighted 40%)
    - Taxable retail sales (weighted 10%)
  + The lower a locality’s composite index, the less it will be asked to contribute to school funding. Some districts fund less than 20% of their schools while others may fund as much as 80% (the maximum). However, because the composite index is a standardized number between 0 and 1, the average funding percentage of all 135 localities is designed to always be 45%.
  + For example, Lee County (with a composite index of .1552) has a state SOQ per pupil of $7,978, while Goochland County (with a composite index of .8000) has a state SOQ per pupil of $2,235. This indicates that Goochland County has higher property, gross income and taxable sales than Lee County does and is therefore in a better position to fund locally.

Virginia conducts one count day per year that they call “fall membership”. Local districts are responsible for reporting that number to the state on September 30th. In addition, local districts are allowed to, and often do, spend more money on schools than they are required to.

* Michigan: The amount of money that schools in Michigan receive from the state can be calculated by multiplying Full Time Equivalency (FTE) by the foundation grant, and then adding any categoricals and subtracting the amount a school should have received from the non-homestead local property tax.

FTE x Foundation Grant + Categoricals – Property Tax

FTE is calculated from student counts taken twice per school year. Ninety percent of FTE comes from the count taken on the 1st Wednesday in October, and ten percent of FTE comes from the count taken on the 2nd Wednesday in February.

Categoricals include special education funding, vocational education funding, and funding for at-risk students.

**Per Pupil Funding Amount**

* Virginia: For fiscal year 2015, average state aid given to schools was $4,774 per pupil, while average local aid given was $5,317 for a total of $10,091 in local and state aid per pupil. Actual per pupil state aid and actual per pupil state funding varies by district.
* Michigan: Per pupil state aid varies by school district based on categoricals and local property taxes. However, in fiscal year 2015 the state foundation grant ranged from $7,126 per student (many districts) to $15,486 per student (Bois Blanc Pines School District).

**Funding Trends**

* Virginia: The prevailing trend in Virginia is that the state, while claiming to provide 55% of funding on average to schools, is providing less and less to schools by failing to update its calculations on prevailing wages and required number of instructional positions. In actuality, the state provided 44% of school funds as recently as 2011, not 55%. This is because local districts wound up providing more than required in order to give teachers raises, combat inflation, and a number of other factors.
* Michigan: One clear trend in Michigan is that the state foundation grant has remained stagnant over the last few years. For fiscal year 2015, the grant is $7,126 per pupil, while in 2008 it was $7,204. So while it has fluctuated over the past 7 years, it certainly has not increased overall.

**Analysis**

School funding mechanisms for Michigan and Virginia are very different. In Virginia, a complicated formula is used to determine how much the state should disperse to each local school district while local districts end up providing a majority of school funds themselves. Conversely, in Michigan, there is no standard formula used to determine the state foundation grant, which is responsible for the majority of school funds.

While Virginia’s local districts have the ability to provide extra funding for schools when needed, many think this creates a state of haves and have-nots. Despite the fact that the state’s composite index attempts to provide more funding to poorer districts, some in the state long for a system in which the state barred local districts from providing extra funds.

Michigan’s funding system used to be much more similar to Virginia’s. Before Proposal A, however, local districts relied even more on local funding than Virginia’s districts currently do. This created an extremely large discrepancy in funding for school districts across the state. While Proposal A has narrowed the gap between well-funded and poorly-funded districts, localities have little control over basic school funding. The irony of this state school funding comparison is that some Virginians would long for Michigan’s system while some Michiganders would long for Virginia’s.

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