

Michigan Education Finance Study: Practical Considerations

MSBO Northern Michigan Workshop
Gaylord, Michigan

David Arsen
Michigan State University

School Finance Adequacy Studies

- Link resources schools receive to outcomes expected by state
- Embody both equity and efficiency
- Studies have been completed in over 30 states

Adequacy: Two Key Questions

1) What constitutes an adequate education?

- Just a minimal education or a higher level of quality
 - Preparation for gainful employment;
 - Preparation for citizenship (e.g., serve on jury)
- Recent trend to define in terms of performance on state tests

2) How much does an adequate education cost?

Costing out: two steps

- Establish cost of a basic education (statewide)
- Estimate variations in local district cost of educating students

Defining “Cost” in Education

- Definition: the minimum funding necessary in order to achieve a given education outcome
 - Need clear definition of desired outcomes
 - E.g., bringing students up to a given performance level
- Requires that schools are using best-practices
 - that is, they’re efficient
- By definition, variation in costs across schools are due to factors beyond schools’ control.

Significance of Educational Costs In State Funding

- Necessary complement to accountability policies. “Flip side of the accountability coin.”
- Especially important in educational settings with high levels of school choice.
- Wide differences across states in the extent to which state funding compensates for local cost variations.
- In Michigan, state funding compensates much more fully for variations in local fiscal capacity, than variations in cost.

Main Sources of Local Cost Variation

1. Special-needs students
 - % of students who are at-risk, have disabilities, or ELL
2. Geographic variation in input prices
 - Regional cost of living
3. District size and population density
 - costs in small-enrollment districts lacking scale economies
 - Higher transportation costs in large, low-density districts
4. Declining enrollment
 - district revenues decline more rapidly than costs

Main Strategies to Measure Costs of an Adequate Education

Also known as “costing out”

- Professional judgment method
- Successful district method
- Cost function (econometric) method
- “Evidence-based” method

Each has strengths and weaknesses

Michigan’s Adequacy Study

- Conducted by Augenblick, Palaich and Associates
- Used “successful district” method

Key Findings

- Total base cost of \$8,667 per pupil should be used for all districts
- 30% more for at-risk students
- 40% more for English-language learners
- Regional cost adjustments should not be implemented at this time
- Michigan should create a more equitable state funding system

Study Limitations

- Could not estimate special education costs, given shortcomings in state data
- Crude estimates of capital facility costs
- No assessment of impact of “turbulence” associated with state policy on district costs
- Are “notably successful districts” representative of true costs faced by other districts?
- Unfortunate claim about the performance gains associated with given revenue increases

Some Considerations

- Study provides excellent opportunity to frame an vitally important public policy discussion
- Study is not perfect, but a highly credible start
- APA did what the state asked them to do
- Gap between the statute authorizing the study and APA’s contract
- New language in statute. Allocate resources such that: “all children have an equal opportunity to succeed in school”