



# CRC MEMORANDUM



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## STATE SUPPORT OF NONPUBLIC SCHOOL STUDENTS

Michigan has a constitutional prohibition against providing direct state financial aid to nonpublic (private and parochial) elementary and secondary schools, but this prohibition does not prevent the state from paying for certain educational services provided to nonpublic school students enrolled at public schools. Through an arrangement commonly referred to as “shared time” instruction, nonpublic school students in grades 1-12 enroll part time in public schools (traditional public and charter schools) and receive non-core, elective curriculum instruction that is financed by public dollars. Instruction can take place either at a public school or a nonpublic school. Although the number of nonpublic school students participating in “shared time” arrangements statewide remains relatively small, the prevalence of, and participation in, these arrangements has

grown substantially in recent years.

It is easy, upon hearing about “shared time” instruction, to conflate the issue with “parochialism” – direct state support of nonpublic schools. The two are different in form and very different from a legal perspective. This memorandum provides historical information about Michigan’s experience with “shared time” instruction and “parochialism,” including the key legal rulings shaping Michigan’s current policy toward state support of private and parochial schools. It also explains the current policy and operations of “shared time” instruction, highlighting participation statewide and at the local district level. Finally, the report discusses factors that are likely to contribute to the continued growth of “shared time” instruction and the financial implications of such growth.

### Background

Michigan’s prohibition against *direct* state support of nonpublic schools dates back to the 1920s, although a constitutional prohibition was not adopted until 1970. Since the late 1930s, however, state policy has permitted various forms of *indirect* aid to nonpublic schools, primarily by funding certain services provided to nonpublic school students.<sup>1</sup> Over time, the breadth of educational services provided to these students has grown. Initially, only student transportation services were permitted. The original school transportation law of 1939 contained a provision that prohibited the state from denying transportation services for private and parochial students. This law was amended in 1963 to mandate free transportation to and from school for students

attending nonpublic schools if the local public school district in which the nonpublic school is located provides transportation services to its students.

In the mid-1960s, the scope of indirect aid to nonpublic schools was expanded to include many more services beyond transportation. Specifically, state laws were enacted requiring that “auxiliary services” provided to public school students also be made available on an equal basis to children attending nonpublic schools. State law and related rules define what is currently included in the term “auxiliary services.”<sup>2</sup> Until the late 1960s, the expansion of these publicly financed services (e.g., auxiliary and transportation services) to nonpublic school students was largely uncontroversial. The amount of indirect state aid supplied to finance these services in Catholic schools (these schools represented the vast major-

<sup>1</sup> “Direct” aid refers to the state directly providing funding to nonpublic schools for the support of basic educational services. “Indirect” aid, on the other hand, may take many different forms. In Michigan, this term is used to describe state funding that is provided for specific auxiliary services at nonpublic schools.

<sup>2</sup> Examples of such services include: health and nursing, speech correction, remedial reading, visiting teacher services for delinquent students, and crossing guard services.



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ity of nonpublic schools at the time) in school year 1965-66 was estimated to be almost \$5.2 million or about \$38.4 million in today's dollars.<sup>3</sup>

"Shared time" instruction refers to the use of state funds to supply educational services to nonpublic students enrolled in both traditional public and charter schools. Basically, "shared time" is a form of dual enrollment for elementary and secondary school students. These students are enrolled in both a public and nonpublic school, and are considered part-time students of the public school. The

instruction they receive in the public school is financed with state funds, but the instruction they receive from their nonpublic school cannot be financed with state dollars. This form of indirect aid to nonpublic schools has existed, uninterrupted, in Michigan since 1920s.<sup>4</sup> Both "shared time" and "auxiliary services" for nonpublic school students have been deemed legal by the courts and do not violate Michigan's ban on direct aid to nonpublic schools under Article VIII, Section 2 of the 1963 Michigan Constitution, commonly referred to as the "Anti-parochial" Amendment.

## Michigan's Brief Experience with "Parochial"

Between 1939 and 1967, policy discussions concerning state support of nonpublic schools were largely limited to the issue of indirect aid, such as the provision of auxiliary services. The focus of discussion shifted in 1968, following the release of a major report examining Michigan's school finance system, which was followed by separate recommendations on the topic from the state legislature and the governor. The Thomas Report, published in 1968, recommended that the state pursue policies to allow state funds to nonpublic schools. The recommendations ignited debate over the merits of "parochial" – direct aid to nonpublic students or schools.<sup>5</sup> The Thomas Report argued that state aid to nonpublic schools was needed to achieve a number of policy objectives, including ensuring effective programs for disadvantaged children and reducing racial, socioeconomic, and academic selectivity in nonpublic schools. On the heels of this report, a joint legisla-

tive committee recommended that the state adopt some form of "parochial."<sup>6</sup> Despite the bipartisan and bicameral legislative support of the concept, legislative proposals to enact "parochial" did not make it to the Governor's desk. This prompted Governor Milliken to form his own committee to examine the issue, whose final report recommended that the legislature enact "parochial."<sup>7</sup>

Anticipating legislative acceptance of Governor Milliken's support of "parochial" in some form, the Governor's budget requests for Fiscal Year (FY) 1971 and FY1972 included "parochial" provisions. Specifically, the provisions granted public funds to pay a portion (e.g., 50 percent in FY1971 and 75 percent in FY1972) of the salaries of lay teachers who teach nonreligious subjects in nonpublic schools (private and religious). The Legislature obliged the Governor's budget request and appropriated funds to provide

<sup>3</sup> Michigan Department of Education, *Michigan School Finance Study* (Thomas Report), 1968.

<sup>4</sup> *Traverse City School District v. Attorney General* (1971), 384 Mich. 390.

<sup>5</sup> *Ibid.*

<sup>6</sup> *A Report and Recommendations of the Joint Legislative Committee on Aid to Non-Public Schools*, January 16, 1969.

<sup>7</sup> *Report of the Governor's Commission on Educational Reform*, September 30, 1969.

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direct state aid to nonpublic schools beginning with the 1970-71 school year. In anticipation of its new appropriation being subject to constitutional challenge, the Legislature requested that the Michigan Supreme Court issue an advisory opinion on the constitutionality of the “parochiaid” provisions contained in the state budget.<sup>8</sup> The Court opined in the fall of 1970 that “parochiaid” was constitutional.<sup>9</sup>

The adoption and implementation of “parochiaid” set off an organized petition drive to seek a constitutional amendment to prohibit state aid to nonpublic schools. Proposal C appeared on the 1970 statewide ballot as an amendment to Article VIII, Section 2 of the 1963 Michigan Constitution. The amendment, which was passed by the voters, prohibits:

- the use of public funds to aid any nonpublic elementary or secondary school;
- the use of public funds, except for transportation, to support the attendance of any students or the employment of any person at nonpublic schools or at any other location or institution where instruction is offered in whole or in part to nonpublic school students; and
- any payment, credit, tax benefit, exemption or deduction, tuition voucher, subsidy, grant or loan of public monies or property, directly or indirectly, for the purposes identified here.

Given the very contentious nature of the issues involved, including a great deal of misinformation from both sides throughout the ballot campaign, it was not surprising that adoption did not completely settle all questions regarding public aid to nonpublic schools. The amendment ended the state’s very brief experience with providing direct financial support to nonpublic schools. However, many questions about the constitutionality of existing forms of indirect aid remained unanswered. To fill this void, the Attorney General issued a legal opinion interpreting the pro-

posed constitutional language as it related to issues of *direct* and *indirect* forms of aid to nonpublic schools.<sup>10</sup> Of particular note, the opinion held that indirect aid provided for auxiliary services and “shared time” instruction were unconstitutional, both of which had been legal for some time in Michigan.

The Attorney General’s interpretation was short lived, as the Michigan Supreme Court ruled on the matter and found that the amendment had no prohibitory effect on either auxiliary services or “shared time.”<sup>11</sup> In fact, in its review of the new constitutional language and the Attorney General’s opinion, the Court determined that a portion of the amendment’s language violated the First Amendment of the United States Constitution. Specifically, the language prohibiting the use of public funds to support the attendance of nonpublic school students at “any location or institution where instruction is offered in whole or in part to nonpublic students” was found to contradict the free exercise of religion and in violation of the Equal Protection Clause. This ruling was significant in allowing the state to continue its practice of providing financial support to nonpublic school students attending public schools. Thus, the state’s “anti-parochiaid” constitutional amendment, while prohibiting the state from directly funding purchased educational services in nonpublic schools, did not change the state’s policy on indirect aid for auxiliary services or “shared time” arrangements.<sup>12</sup>

The Supreme Court, in its *Traverse City School District* ruling, defined three factors differentiating “parochiaid” from “shared time.” First, “parochiaid” involves payment to private agencies whereas under “shared time,” funds are paid to public agencies. Second, under a “parochiaid” arrangement, the lay teacher is controlled by the nonpublic school, as opposed to the public school under “shared time.” Third, “parochiaid” allows nonpublic schools to choose subjects to be taught (as long as they are secular), but “shared time” gives this authority to the public school.

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<sup>8</sup> Article III, Section 8 of the 1963 Constitution, allows either chamber of the legislature to request a court ruling of the constitutionality of a piece of legislation after it has been enacted, but before it takes effect.

<sup>9</sup> *Advisory Opinion re Constitutionality of PA 1970 No. 100* (1970), 384 Mich. 82.

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<sup>10</sup> Attorney General Opinion No. 4715, November 3, 1970.

<sup>11</sup> *Traverse City School District v. Attorney General* (1971), 384 Mich. 390.

<sup>12</sup> *Ibid.*

## Current “Shared Time” Policy and Practice

Currently, state law allows a student in grades 1-12 that attends a private, denominational, or parochial school, or that is home-schooled, to enroll in a public school (traditional or charter) on a part-time basis. The type of instruction that the part-time student can receive from the public school is limited to nonessential elective courses. Generally, this means that nonpublic school students are not allowed to receive what might be deemed “core curriculum” (e.g., English, math, writing, reading, science, etc.) instruction from a public school. All eligible courses must be secular in nature and taught by a certified teacher of the public school district. Further extension of “shared time” arrangements to “core curriculum,” could result in the state, for all intents and purposes, directly aiding a nonpublic school by providing the entire curriculum for its students. This form of state aid would violate the state constitution.

As a result of the Michigan Supreme Court’s *Snyder* decision, Michigan public schools that offer an elective course to their resident public school students are required to make the course available to nonpublic school students.<sup>13</sup> This does not mean that a public school must provide specific courses or that every elective course has to be offered in every grade. Instead, it means that if a school offers an elective course, it must be available to all children at the relevant grade levels residing in a public school district. Local public school districts determine whether courses will be taught at the public school site and/or at a nonpublic school site. State law requires that any local public school district that supplies transportation services to its resident pupils must also provide the same services (e.g., routes, times, etc.) to students who live in the district and attend a nonpublic school located in the district. Having course instruction occur at a nonpublic school site can cut down on the need to transport students

back and forth.<sup>14</sup> Additional requirements and restrictions apply to provision of these educational services.<sup>15</sup>

A nonpublic school can initiate a “shared time” arrangement by requesting to receive on-site instruction from the public school district in which it is located. The nonpublic school can also make a request to a charter school geographically located in the school district where the nonpublic school is located. Local public school districts have the right of first refusal; if the school district decides not to provide the requested services at the nonpublic school site, the nonpublic school can make a request of any other school district or charter school in the intermediate school district or a contiguous intermediate school district. If a nonpublic school has requested a “shared time” program from a local district and the district denies its request, the nonpublic school does not have to submit another request to the local district for future instruction. Instead, the nonpublic can work directly with another school district or charter school for services in the future.

Nonpublic school students enrolled part-time in a public school under a “shared time” arrangement are eligible to receive state aid through the state’s per-pupil foundation allowance program. The foundation allowance is the primary funding source for school operations. The amount of funding a district receives through this program is a product of the number of full-time students enrolled and the district’s per-pupil grant, which is set annually by the state legislature. Part-time nonpublic students are counted as a fraction of a full-time equated (FTE) pupil for purposes of determining district pupil mem-

<sup>13</sup> *Snyder v. Charlotte Public School District* (1984), 421 Mich. 517.

<sup>14</sup> For “auxiliary services” provided by a local public school district onsite, state law requires that the local public school district pay for transporting nonpublic school students to the local public school district site to receive the services.

<sup>15</sup> For example, all courses must take place during the regular school day; the nonpublic school must be registered with the state; and the nonpublic school must maintain attendance records.

bership (i.e., number of students enrolled) and claiming state aid through the foundation program.<sup>16</sup> For example, in a public school district where six courses are equivalent to 1.0 FTE, a nonpublic student enrolled in two courses for a single semester will generate 0.33 FTE. Assuming the district has a per-pupil foundation grant of \$7,026, the district will be able to claim \$1,159 in foundation funding for the nonpublic school student ( $\$7,026 \text{ (grant)} \times 0.5 \text{ (one semester)} \times 0.33 \text{ (FTE)}$ ). Because each district and charter school has a unique per-pupil foundation allowance, the same fractional nonpublic school FTE will generate a different amount of operating revenue for the educating school district.

### Benefits of “Shared Time”

“Shared time” arrangements benefit the nonpublic school students receiving instruction and their families, participating nonpublic schools, and participating public schools. Some benefits, such as the state aid dollars that schools receive for enrolling nonpublic school students, are more immediately quantifiable than others, such as the improvements in educational quality that a participating “shared time” student might experience.

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<sup>16</sup> The State School Aid Act does not allow a district to claim an individual pupil for more than 1.0 FTE.

Clearly, “shared time” students benefit from being able to access educational programs and course offerings that might not normally be available to them through their nonpublic school experience. As a result, these students have access to a broader, and possibly richer, K-12 educational experience.

Also, families of “shared time” students benefit from their child’s participation. The family of a “shared time” student pays the taxes (e.g., State Education Tax, Sales Tax, local school operating taxes) that are used to finance the per-pupil foundation allowance, but because of the constitutional “parochialism” prohibition, the nonpublic school of their choice is unable to receive any portion of these tax dollars. Through a “shared time” arrangement, these families will receive some of the services their taxes finance. “Shared time” reduces the direct expenses of a nonpublic school because the nonpublic school no longer has to pick up the costs of certain educational offerings. Instead, the public school district or charter school picks up a portion of these expenses with the additional per-pupil foundation dollars they receive from the state. The reduction in nonpublic school costs could translate into lower tuition payments by families of nonpublic school students. In theory, “shared time” families are made better off; however, whether “shared time” actually reduces the tuition paid by families is unknown.

### A Key to Deficit Elimination

Brighton Area Schools has finished each of the last five years with a General Fund deficit. The deficit as of June 30, 2013, was \$8.5 million. These ongoing budget challenges have required the school district to develop and implement a deficit elimination plan. Previous plans have achieved little success at eliminating the deficit as it increased from \$2.4 million as of June 30, 2009. One headwind faced by the district has been consistent and steady enrollment losses, dating back to the 2003-04 school year.

A key component of the district’s current deficit elimination plan is to increase enrollment through expanding “shared time” arrangements and reaping the per-pupil funding that follows. The district had a total pupil FTE of 6,355 for the 2012-13 school year and expects to reverse the declining enrollment trend for the 2013-14 school year by increasing its total pupil FTE count to 7,083, an annual increase of over 11 percent. According to the district, the majority of this enrollment increase and the nearly \$5.1 million in additional per-pupil funding accompanying it will come from enrolling nonpublic school students from nearby schools in Brighton Area Schools as part-time students. The district has been increasing its “shared time” enrollment in recent years, rising from 2.85 pupil FTE (2010-11 school year) to 442.12 pupil FTE (2012-13 school year).

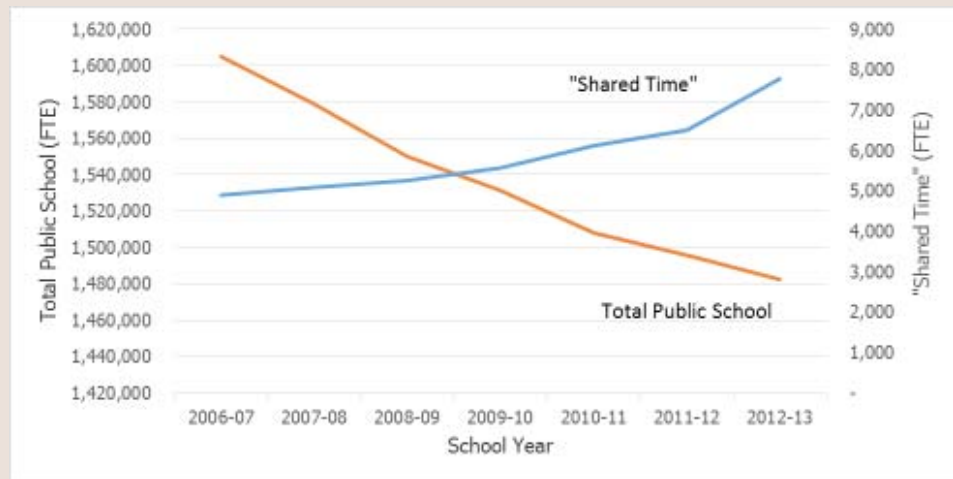
Public school districts and charter schools participating in “shared time” gain access to additional resources that might not be available to other districts that have no nearby nonpublic schools. The additional resources gained from increasing enrollment can help if the resident student population is declining for demographic reasons or because of competition from other educational providers. By increasing their enrollment with “shared time” students, public school districts and charter schools have a hedge against declining enrollment pressures affecting school finances. This can be particularly helpful in a school funding environment where there are state cuts to the per-pupil foundation allowance.

**Current Participation in “Shared Time”**

Statewide, nonpublic school students enrolled in public schools represented less than one-half of one percent of the total FTE pupil membership in public schools for 2012-13, over 7,700 FTE pupils of the total 1.5 million FTE pupils.<sup>17</sup> Over one-third of all school districts and charter schools (285 of 802 districts and charter schools) enrolled nonpublic school students last year.

<sup>17</sup> There were approximately 7,700 FTE “shared time” pupil memberships in 2012-13; however, because the individuals enrolled in “shared time” programs are part-time students, the actual number of unique individuals participating in these programs is many more. The state does not collect headcount data for “shared time” students, but based on the fact that most of these students are enrolled in a few elective courses, the number of “shared time” headcount is likely between 30,000 and 40,000 pupils.

**Chart 1**  
**Total Public School vs. “Shared Time” Enrollment: 2006-07 to 2012-13**



Source: Center for Educational Performance and Information

Over the last six years (2006-07 school year to 2012-13 school year), total K-12 pupil enrollment (FTE basis) declined about 8 percent, from 1.6 million pupils to just under 1.5 million pupils. At the same time, the number of “shared time” students (FTE basis) increased by about 59 percent, from about 5,000 pupils to 7,700 pupils (see **Chart 1**). It is worth noting that total enrollment (headcount basis) at Michigan nonpublic schools declined by 13 percent during this period (from 138,358 pupils in 2006-07 to 119,913 pupils in 2012-13). This decline was larger than the enrollment decline experienced in the public schools. The rise in “shared time” enrollments is not being driven by an increase in full-time nonpublic school enrollment.

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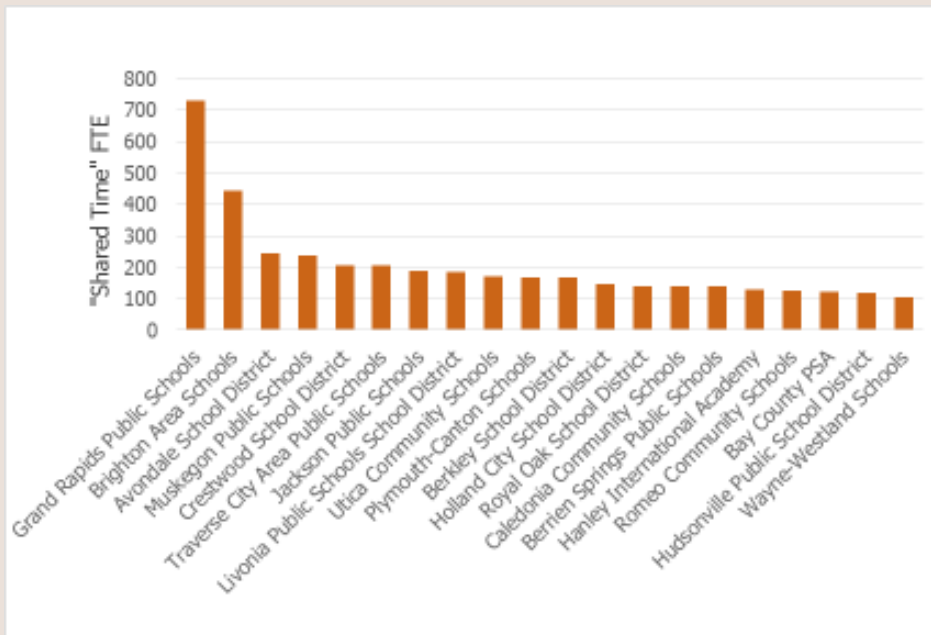
While nonpublic school student enrollment in public schools is a relatively minor phenomenon from a statewide perspective, in a handful of districts “shared time” students comprise a measurable amount of the total enrollment. Twenty school districts/charter schools reported having 100 “shared time” FTE pupils or more in 2012-13 (see **Chart 2**). Grand Rapids Public Schools enrolled 731 “shared time” FTE pupils. Fourteen school districts/charter schools reported that “shared time” FTEs represented five percent or more of their total enrollment. In one district (Bay County Public School Academy),

nonpublic students accounted for nearly 40 percent of the total FTE (see **Chart 3**).

In terms of total foundation funding statewide, nonpublic school students generated approximately \$57.3 million in FY2013, up from \$36.5 million in FY2007, for enrolling public school districts and charter schools. This amounts to approximately \$38 per-pupil for all public school students enrolled statewide. The growth in total “shared time” foundation payments from FY2007 to FY2013 was driven by the increase in enrollment over the period.

**Chart 2**

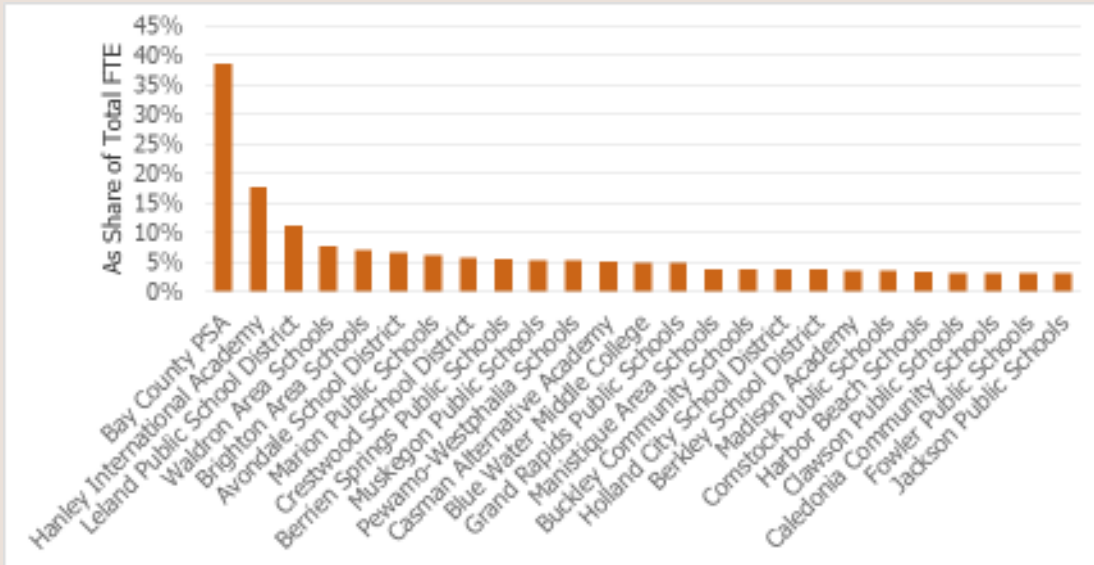
**Public School Districts and Charter Schools with at Least 100 “Shared Time” FTEs in 2012-13**



Source: Center for Educational Performance and Information

Chart 3

Public School Districts and Charter Schools with Largest Share of “Shared Time” FTEs in 2012-13



Source: Center for Educational Performance and Information

### Prospects and Implications of Continued Growth

Growth of the number of nonpublic school students participating in “shared time” instruction is likely to continue in light of the fiscal challenges facing many school districts. The fiscal challenges posed by reductions in state aid, increased retirement and other legacy costs, and declining resident enrollments, will cause districts to reexamine their current participation in “shared time” programs as a mechanism to partially address the fiscal pressures they face. Also, continued growth is expected as a result of recent state policy changes.

For districts currently participating in the program as well as non-participating districts, the incentives created by “shared time” instructional arrangements can contribute to districts enrolling more “shared time” students. Generally speaking, on a per-pupil basis, the additional revenue received from enrolling nonpublic school students is greater than the cost of educating these students. Each districts’ per-pupil foundation allowance grant represents the average cost of educating a K-12 student, not the marginal cost of educating another student. The

marginal cost of educating one more student (assuming that the student can be added to an existing classroom without having to hire another teacher) is less than the average cost (per-pupil foundation grant). Also, because districts can effectively enroll an entire classroom of students (e.g., entire 5<sup>th</sup> grade gym) and deliver the services at the nonpublic school facility, the revenue generated in most cases exceeds the instructional expenditures. Because the nonpublic school is able to reduce its instructional expenses by not having to pay for the services financed by state dollars, “shared time” can be a “win-win” for both public and nonpublic schools that participate.

Future growth in “shared time” participation will come as a result of state policy changes that are intended to make it easier for nonpublic schools (and therefore students) to access the educational services provided by Michigan’s public schools and financed with state dollars. Notably, Public Act 130 of 2012 amended the State School Aid Act to expand the geographic boundaries for “shared time” instruction. Previously, nonpublic school students were able to be counted



by a public school district only when the student's nonpublic school was located within that public school district or a contiguous district. Today, nonpublic schools can establish "shared time" arrangements with any school district in the intermediate school district, or contiguous intermediate school district, in which the nonpublic school is located.

As previously noted, "shared time" instruction primarily benefits those participating in the program; however, some of the costs of increased participation, at least from a financial perspective, will be borne by non-participants. For example, nonpublic school students and their families receive benefits that they previously did not receive. Students receive new educational services that, in some cases, were previously obtained through private dollars (e.g., tuition). Or, for the same price (tuition), they are receiving new services. Families of nonpublic school students may be better off if the amount of tuition they pay is reduced (or does not increase as much) because public dollars are now financing a portion of their child's education. Also, families are able to receive more direct benefits for the state and local education taxes they pay.

The financial incentives associated with "shared time" instruction changed with the adoption of the Proposal A school finance system in 1993. Local property taxes were the primary source of school funding for much of Michigan's history, and the cost of providing "shared time" instruction was borne out of each school district's budget. At the individual school district level, as participation in "shared time" increased, there were fewer resources to support other educational programs in the district, holding everything else constant.

Under the per-pupil foundation funding system of today, state level taxes in the School Aid Fund finance the vast majority of school operations. The more students an individual school district enrolls, the more School Aid Fund dollars it receives (note: the School Aid Fund provides the difference between a district's per-pupil foundation allowance and the amount of per-pupil dollars generated by the local non-homestead property tax). As more School Aid Fund resources are channeled to support the foundation allowances of "shared time" students, there is less money available for other recipients to share. Thus, the per-pupil grant system has created a financial incentive for districts to enroll more "shared time" students because the cost of supplying services to these students is financed by state funds, not local funds. If reductions in School Aid Fund allocations (either the per-pupil grant or other grants) are required to finance "shared time" foundation allowances, most, if not all, school districts are likely to be affected.

At the current rate of participation, increased "shared time" student enrollment statewide is not likely to result in specific per-pupil grant reductions, but participation growth will continue to constrain the amount of School Aid Fund dollars available to maintain and increase all districts' grants. Districts that are able to gain enrollment through "shared time," will be able to offset the effects of any potential reduction to their per-pupil grant, regardless of the reason for the funding cut. Districts that cannot increase enrollment through "shared time" arrangements, will experience a net funding reduction if the amount of School Aid Fund resources available necessitates a cut to their per-pupil grants.

## Public Policy Considerations

Recent state law changes have increased the options available to nonpublic schools to participate in "shared time" arrangements with local public and charter schools. As the amount of money the state spends to support nonpublic schools increases as a result of greater participation statewide, consideration might be directed to some salient school finance issues, especially the per-pupil foundation allowance.

The mechanics of "shared time" and the per-pupil funding generated by local public school districts for enrolling nonpublic school students work similar to recent proposals aimed at "unbundling" the per-pupil foundation grant to facilitate greater education choice. One proposal would have allowed the grant to be unbundled to allow public school students to obtain educational services from multiple providers (part-time enrollment) and not exclusively from the

local public school district.<sup>18</sup> Under the proposal, a local public school district would continue to enroll students for record keeping purposes; however, the student's membership (1.0 FTE), for purposes of the per-pupil funding attached to each student, would be divided among the providers from which the student receives educational services from and the enrolling district. Additionally, the proposal would eliminate/reduce current restrictions to allow students to choose from a broader menu of education providers and effectively purchase the K-12 education experience that best meets their needs. A key difference is the fact that "shared time" enrollment is limited to nonessential elective courses, but "unbundling" relates to all curriculum, including core subjects. As state policymakers consider various "unbundling" proposals, the "shared time" instruction practice may well serve as a viable model.

The per-pupil grant received by local public school districts for enrolling one full-time equated "shared time" pupil is the same grant that a district receives for enrolling a regular full-time equated pupil. While school districts only count a fraction of a pupil FTE for enrolling a part-time nonpublic school student (and thus receive a fraction of the total per-pupil grant), the per-pupil grant is the same regardless of a pupil's enrollment status. The per-pupil grant amount varies from district to district, but it does not vary within an individual district. In other words, a student enrolled in third grade generates the same amount of per-pupil funding as a 12<sup>th</sup> grader. Similarly, the school district receives the same per-pupil amount regardless of the type of course instruction provided (e.g., elective vs. core). In effect, the per-pupil foundation allowance does not take into account cost differences that might exist, for example, between a high school biology class with a laboratory component and a fifth grade physical education class.

Local public school districts participating in "shared time" are only permitted to provide nonessential elective courses (e.g., physical education, technology, foreign language) to nonpublic school students; however, they receive the same share of the district's per-pupil grant as a student enrolled full time and receiving instruction in core courses (e.g., math, reading, science, etc.). To the extent that nonessential elective courses are "cheaper" for a district to deliver than core curriculum courses, "shared time" can yield financial benefits. Specifically, by providing relatively more "cheaper" educational instruction, a school district can drive down its average cost of educating a student. The district's per-pupil grant is designed to reflect the average cost of educating a full-time student; however, as previously noted, the State of Michigan does not adjust a school district's per-pupil grant to reflect its actual average cost. One policy prescription would involve scaling the amount of a district's per-pupil grant associated with "shared time" instruction to more accurately reflect the true cost of providing service.

Scaling the per-pupil grant amount might also be a policy intervention to consider as part of a broader discussion about Michigan's foundation allowance program. One alternative structure of a per-pupil grant would be to ensure that the grant takes into account various factors related to K-12 education. For example, the grant might be adjusted by grade to acknowledge different factors (class size, content, instructor specialization) between elementary and secondary schools. Also, the grant might reflect different student demographics, giving more weight to factors that impact student learning (e.g., poverty, special needs, etc.).

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<sup>18</sup> For example, draft legislation (Public Education Finance Act) proposed by the Michigan Education Finance Project in November 2012 was designed to help implement Governor Snyder's education message (April 2011).

## Conclusions

Michigan policymakers continue to examine different ways to organize and finance K-12 education in order to improve learning outcomes for children. In recent years, there has been considerable policy discussion and resulting changes to allow alternative educational delivery models, especially in the lowest performing school districts. Despite these changes, the underlying finance system has remained unchanged since the adoption of Proposal A in the mid-1990s. Many education policymakers and stakeholders believe that the school finance system must change to accommodate new and evolving service delivery models and to advance student outcomes.

As discussions about alternative school finance systems gain traction in policy circles, there will be at-

tention and interest in the role played by nonpublic schools and the state's support of these schools. Michigan policymakers need to know that the state has a rich history pertaining to public support of nonpublic schools and that there are strict limits as to the permissible forms of such aid. While direct aid to nonpublic schools has been prohibited under the 1963 Michigan Constitution since 1970, the state has provided indirect aid to nonpublic school students through "shared time" arrangements since the late 1930s. These arrangements are growing in number and student participation. As state spending on "shared time" increases, the model may provide policymakers with ideas for reforming school finance, especially the per-pupil foundation allowance program.