

CITIZENS RESEARCH COUNCIL OF MICHIGAN
August 11, 1992

List of Attachments

- A. State School Aid Systems
- B. Summary of School Finance Litigation
- C. 1991-92 School Finance Estimates
- D. Current Expenditures Per Pupil -- Constant Dollars
- E. Expenditures Per Pupil and SAT Scores
- F. Michigan School Aid Facts (*FY 1992-93 Michigan School Aid Facts* by the Senate Fiscal Agency (July 24, 1992) was handed out. This document was not put online, but is available from the SFA.)

STATE SCHOOL AID SYSTEMS*

I. Overview

There are three basic school finance systems found in the 50 states: equalization programs, flat grant programs and full state funding. Following is a brief summary of each system.

Equalization Programs (41 states). Equalization programs are characterized by an effort to equalize-per pupil revenue between high property valuation districts and low property valuation districts.

Foundation programs establish a specific dollar amount per pupil (e.g. \$3,500) as a foundation. The local school district share is the district's local property base (SEV per pupil) multiplied by a specified local tax effort or deductible millage (e.g. 35 mills). If the specified local share (e.g. 35 mills) would yield more than the foundation amount, the district would receive no state aid.

If a district levies less than the deductible 35 mills, it would not receive \$3,500 per pupil because it would not generate any local revenue for any mills below 35 but would have the 35 mills of local revenue deducted in the formula as if the millage were being levied. Conversely, any district levying more than 35 mills would receive local revenue for the additional levy, but would receive no additional state aid for such millage.

Power equalization programs guarantee that each district will have the ability to generate the same revenue per pupil from a given tax rate, regardless of the size of the district's tax base.¹ Each district then determines the local tax rate. If the revenue raised locally from this levy do not amount to the program's guaranteed level, the state provides the difference.

Michigan uses this type of system. For 1992-1993 each district is guaranteed a yield of \$96.27 per pupil for each mill levied for operating purposes. The state will make up the difference between what each mill levied actually yields per pupil and \$96.27. There is no ceiling on the number of mills that the state will power equalize, so for an In-formula district an Increase in millage means more local property tax and more state aid. If a school district tax base exceeds the guarantee, it is "out-of-formula" and does not receive state general membership aid.

*This summary is based on Public School Finance Programs of the United States and Canada, American Education Finance Association, 1988.

1. Note that in some wealthy districts the amount of revenue generated at a given tax rate exceeds the amount guaranteed under the state aid program. Under a recapture provision, such a district must remit to the state the excess revenue generated. Unless there is a recapture provision power equalizing will not completely equalize the capacity to raise revenue regardless of differences in local wealth.

Flat Grant Programs (5 states). Under a pure flat grant system, a fixed amount of state aid per pupil is allocated to all school districts. No effort is made to equalize per pupil revenue among school districts on the basis of the fiscal capacity of school districts. Under a flat grant system a district with a high tax base or high tax effort would receive the same basic per pupil grant from the state as a low wealth or low effort district.

Full State Funding Programs (4 states). Historically, Hawaii, which operates as a single school district, was the only full state funded system. In recent years, states that provide more than two-thirds of total school operating revenue for local districts, and equalize essentially all local school district revenue, are considered to be full state funded systems.

Other Features. There are other provisions found in school finance systems that can be used with any of the three basic systems. States count pupils on the basis of average daily attendance or membership, or on a single count day or an average of two or more count days. Michigan uses a single membership count day. Some states use a weighted pupil count system. For example, an elementary pupil has a weight of 1 and a secondary pupil has a weight of 1.2. Michigan does not use a weighted system. There are states that use a classroom reimbursement system in which the number of pupils in a classroom and the education and experience of the teacher becomes a factor in reimbursement. Again, Michigan does not use such a system.

II. Classification of State Aid Programs

Foundation Equalization Programs

Arizona	Indiana	Minnesota	North Dakota	Texas
Arkansas	Iowa	Mississippi	Ohio	Utah
Florida	Louisiana	Missouri	Oklahoma	Vermont
Georgia	Maine	Montana	Oregon	Virginia
Idaho	Maryland	Nevada	South Carolina	West Virginia
Illinois	Massachusetts	New Hampshire	Tennessee	Wyoming

Guaranteed Yield Equalization Programs

Alaska	New York
Colorado	Pennsylvania
Connecticut	Rhode Island
Kansas	South Dakota
MICHIGAN	Wisconsin
New Jersey	

Flat Grant Programs

Alabama
Delaware
Kentucky
Nebraska
North Carolina

Full State Funding Programs

California
Hawaii
New Mexico
Washington

Note that these classifications are somewhat arbitrary. States use combinations of systems. Also, state school finance systems are subject to frequent change.

1991-92 School Finance Estimates

STATE	Revenue Receipts by Source			Per Pupil Expenditures
	-----Percent-----			
	Federal	State	Local/Other	
50 States and D.C.	6.2	48.3	45.5	\$5452
Alabama	13.6	65.1	21.4	3675
Alaska	12.6	63.6	23.7	8188
Arizona	7.0	41.6	51.3	4489
Arkansas	8.8	62.8	28.4	3770
California	6.9	66.5	26.6	4866
Colorado	4.6	39.5	56.0	5259
Connecticut	3.9	40.4	55.7	8308
Delaware	8.4	67.6	24.0	6080
Dist. of Columbia	10.4	--	89.6	8116
Florida	6.4	51.8	41.8	5235
Georgia	6.1	52.9	41.0	4747
Hawaii	7.5	92.4	0.1	5453
Idaho	6.7	63.5	29.8	3280
Illinois	7.5	35.4	57.1	5248
Indiana	5.3	56.1	38.6	5545
Iowa	5.3	52.0	42.8	5026
Kansas	4.9	41.5	53.6	5105
Kentucky	9.4	69.4	21.3	4616
Louisiana	9.5	56.1	34.4	4299
Maine	6.3	48.3	45.4	5969
Maryland	5.2	38.7	56.1	6314
Massachusetts	5.1	33.6	61.3	6687
MICHIGAN (Rank)	4.6(43)	35.5(43)	59.9(6)	5671(14)
Minnesota	4.2	51.6	44.3	5500
Mississippi	16.9	52.5	30.6	3344
Missouri	5.5	37.9	56.6	4537
Montana	9.4	44.5	46.1	5271
Nebraska	6.6	26.7	66.6	4567
Nevada	3.9	38.7	57.4	4891
New Hampshire	2.5	7.6	89.9	5952
New Jersey	3.4	39.0	57.5	9940
New Mexico	12.0	75.8	12.2	4524
New York	5.1	38.4	56.5	8603
North Carolina	5.9	67.0	27.0	5078
North Dakota	7.3	47.8	44.9	3755
Ohio	5.7	42.7	51.6	5451
Oklahoma	7.5	62.9	29.6	3901
Oregon	6.2	26.8	67.0	5463
Pennsylvania	4.7	46.9	48.4	6980
Rhode Island	4.0	40.0	56.0	6834
South Carolina	8.3	51.5	40.2	4312
South Dakota	11.6	26.0	62.4	4255
Tennessee	10.5	44.4	45.1	3736
Texas	7.4	44.8	47.9	4593
Utah	6.4	57.1	36.4	3092
Vermont	5.0	37.4	57.5	6045
Virginia	4.9	33.2	61.9	5487
Washington	5.5	74.0	20.5	5317
West Virginia	8.1	66.9	25.1	5401
Wisconsin	3.5	42.0	54.5	5972
Wyoming	5.8	52.5	41.7	5355

1. Total current expenditures per pupil in average daily attendance.

Source: National Education Association. 1991-92-Estimates of School Statistics, March 1992.

Table 1-A
Current Expenditures per Pupil in Average Daily Attendance, Constant 1986-87 Dollars,
School Years 1959-60, 1969-70, 1979-80, and 1986-97

State	Current Expenditures per Pupil				Average Annual Change (Percent)			
	1959-60 School Year	1969-70 School Year	1979-80 School Year	1986-87 School Year	1959-60 to 1969-70	1969-70 to 1979-80	1979-80 to 1986-87	1959-60 to 1986-81
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
United States	\$1,420	\$2,403	\$3,255	\$3,977	5.4%	3.1%	2.9%	3.9%
Alabama	913	1,602	2,309	2,573	5.8	3.7	1.6	3.9
Alaska	2,068	3,306	6,774	8,010	4.8	7.4	2.4	5.1
Arizona	1,528	2,120	2,824	3,544	3.3	2.9	3.3	3.2
Arkansas	852	1,071	2,256	2,733	7.0	3.0	2.8	4.4
California	1,605	2,554	3,249	3,728	4.8	2.4	2.0	3.2
Colorado	1,500	2,173	3,469	4,147	3.8	4.8	2.6	3.8
Connecticut	1,651	2,801	3,468	5,435	5.4	2.2	6.6	4.5
Delaware	1,725	2,650	4,099	4,M	4.4	4.5	2.4	3.9
Florida	1,202	2,156	2,707	3,794	6.0	2.3	4.9	4.3
Georgia	960	1,731	7,329	3,374	6.1	3.0	3.4	4.8
Hawaii	1,229	2,475	3,327	3,787	7.3	3.0	1.9	4.3
Idaho	1,097	1,776	2,377	2,585	4.9	3.0	1.2	3.2
Illinois	1,660	2,678	3,706	4,106	4.9	3.3	1.5	3.4
Indiana	1,396	2,144	2,697	3,556	4.4	2.3	4.0	3.5
Iowa	1,392	2,486	3,333	3,808	6.0	3.0	1.9	3.8
Kansas	1,316	2,270	3,114	3,933	5.6	3.2	3.4	4.1
Kentucky	882	1,605	Z437	2,733	6.2	4.3	1.7	4.3
Louisiana	1,408	1,908	2,568	3,069	3.1	3.0	5.7	4.9
Maine	1,070	2,039	2,613	3,850	6.7	2.5	5.7	4.9
Maryland	1,487	2,704	3,722	4,771	6.2	3.2	3.6	4.4
Massachusetts	1,548	2,530	4,039	5,145	5.0	4.8	3.5	4.5
Michigan	1,571	2,662	3,783	4,353	5.4	3.6	2.0	3.8
Minnesota	1,610	2,661	3,420	4,180	5.2	2.5	5.7	3.6
Mississippi	779	1,475	2,384	2,350	6.6	4.9	-0.2	4.2
Missouri	1,302	2,086	2,774	3,472	4.8	2.9	3.3	3.7
Montana	1,555	2,302	3,548	4,194	4.0	4.4	2.4	3.7
Nebraska	1,276	2,168	3,080	3,756	5.4	3.6	2.9	4.1
Nevada	1,629	2,266	2,992	3,573	3.4	2.9	2.6	3.0
New Hampshire	1,315	2,129	2,745	3,933	4.9	2.6	5.3	4.1
New Jersey	1,467	2,992	4,573	5,953	7.4	4.3	3.8	5.3
New Mexico	1,373	2,082	2,914	3,558	4.3	3.4	2.9	3.6
New York	2,126	3,907	4,961	6,497	6.3	2.4	3.9	4.2
North Carolina	898	1,803	2,514	3,129	7.2	3.4	3.2	4.7
North Dakota	4,388	2,031	2,751	3,437	3.9	3.1	3.2	3.4
Ohio	1,382	2,150	2,973	3,671	4.5	3.3	3.1	3.7
Oklahoma	1,179	1,780	2,760	3,099	4.2	4.5	1.7	3.6
Oregon	1,697	2,723	3,857	4,337	4.8	3.5	1.7.	3.5
Pennsylvania	1,550	2,596	3,632	4,616	5.3	3.4	3.5	4.1
Rhode bland	1,565	2,624	3,727	4,985	5.3	3.6	4.2	4.4
South Carolina	833	1,804	2,310	3,237	8.0	3.4	3.7	5.2
South Dakota	1,313	2,031	2,733	3,091	4.5	3.0	1.8	3.2
Tennessee	901	1,667	2,343	2,827	6.3	3.5	2.7	4.3
Texas	1,258	1,838	2,745	3,409	3.9	4.1	3.1	3.8
Utah	1,221	1,844	2,374	2,415	4.2	2.6	0.2	4.6
Vermont	1,302	2,377	2,861	4,399	6.2	1.9	6.3	4.6
Virginia	1,038	2,084	2,823	3,780	7.2	3.1	4.3	4.9
Washington	1,592	2,695	3,680	3,964	5.4	3.2	1.1	3.4
West Virginia	978	1,973	2,751	3,784	7.3	3.4	4.7	5.1
Washington	1,564	2,599	3,549	4,523	5.2	3.2	3.5	4.0
Wyoming	1,705	2,521	3,620	5,201	4.0	3.7	5.3	4.2