In the State of the State, Governor Snyder noted that total state spending in all categories in the School Aid budget has increased from about $10.8 billion of actual expenditures in FY 2010-11 to almost $11.5 billion in appropriations in FY 2013-14 – and that, on that a per-pupil basis, the increase equates to about $660 per pupil.

If schools got that much of an increase, why has there been so much rhetoric in the school community about cuts to education, and underfunding of education, and why are so many school officials asking— where's all this money because I don't see it? Is more money actually getting to the classroom or not?

School finance is a complicated issue. In order to sort through these issues I reviewed detailed MI Department of Education budget files provided to me by the Senate Fiscal Agency. The Administration's $660 calculation is correct – but doesn't reflect what actually goes to schools. And it's further complicated due to declining enrollment.

Let's decompose the $660 calculation. Total state spending in all categories includes: payments made directly to districts; items that do not show up in direct payments to districts; and other items funded with GF/GP that are included in total state spending but are not paid directly or indirectly to districts.

Payments to districts included 64 items between actual FY 2010-11 expenditures and FY 2013-14 appropriations. However, the School Aid budget has changed significantly since FY 2010-11.

Forty-eight items have been changed or eliminated since 2011 and forty-one new items have been added. After adjusting for those changes, total spending has increased about $321.6 million, or 3.03% in three years. And per student spending on direct payments to districts has increased $416 in per student in three years.

What does that mean? Average yearly growth in spending is about 1.03% -- which is somewhat below inflation as measured by Detroit CPI-U. And average growth in per-pupil spending going to districts over three-years is $138.7 per year.

It's also important to note that state spending on the foundation allowance which includes 3 items in FY 2013-14: the Proposal A Obligation, the Discretionary Payment, and the Discretionary Payment Adjustment – declined since FY 2010-11. It was about $540 million higher in FY 2010-11 ($9.27 billion compared to $8.72 in FY 2013-14).

That means state spending on the foundation allowance declined 5.87% since FY 2010-11. Total state spending on the foundation allowance is down, while per pupil spending increased because enrollment is down 41,136 since FY 2010-11. That's why some school districts are receiving less money.

The second category of total state spending is items that do not show up in direct payments to districts. This category includes 9 items and has increased $121.9 million since FY 2010-11. However the item that dominates this category is debt service for the school bond loan fund which has increased $128.8 million since FY 2010-11.

This money doesn't go directly to districts and hardly seems appropriate to include in a per

pupil calculation for schools.
The third category is other items funded with GF/GP that are included in total state spending but are not paid directly or indirectly to districts. This category includes money for CEPI, Michigan Virtual University, and the MPSERS rate cap for libraries. Clearly this category does not belong in the $660 calculation either.
In order to be consistent with the Administration's calculations, I used actual expenditures for FY 2010-11 and FY 2013-14 appropriations. However, appropriations change during the year and are seldom equal to actual expenditures.
In FY 2010-11 state appropriations to districts were about $100 million higher than actual expenditures. I expect actual expenditures in FY 2013-14 to be somewhat higher than current appropriations because more money is available, staff consensus is that some programs are a bit underfunded, and it's an election year. That means most of these calculations will need to be redone when final expenditure numbers are available.
Depending on what you want to count and how you count it, an argument can be made that funding has increased, decreased, or is flat.
The Case For An Increase

Total state spending per pupil and divided it by the number of pupils gives you what the administration wants to count. In FY '11 it comes out to $6,884, and in FY '14 it comes out to $7,545. The difference between those two numbers is $661.

But dig a little deeper, and only $439 of that is due to state spending. The other $222 is due to a decrease in the total number of students.

But there's an important point here: the foundation allowance and "per pupil" funding are no longer synonymous.

Now, instead of just the foundation allowance being sent to schools, people, including the Governor's number-crunchers, are rolling in spending on things like the Michigan Public School Employee Retirement System, MPSERS.

The Governor pointed to $1 billion invested into MPSERS, saying "It's the right answer and we need to keep it up." A rate cap or districts was instituted for FY 13 and FY 14 of $160 million and $403.3 million respectively. In addition, grants in FY 12, FY 13, and FY 14 of $155 million, $155million, and $100 million helped fund MPSERS.

So the $1 billion (actually $973.3 million) was over a three-year period, and it should be noted that the impact varied by district depending on how much of their payroll represented employees subject to MPSERS.

The Legislature has included MPSERS cost offsets for local districts, created a MPSERS Reserve Fund, and capped employer contribution rates for unfunded accrued liabilities at 20.96 percent of payroll.

That last part is the largest -- it means that school districts know they have to pay up to that amount, but after that the state will cover the costs directly through the School Aid Fund.

So if you roll MPSERS in to that total per-pupil number, the total amount of money going to schools divided by the total number of students going to schools has indisputably increased from FY '11 to FY '14.

The Case For A Decrease

If you just look at the foundation allowance, that is lower than it was in FY '11. There was a significant cut in FY '12, and then a little bit of that has been restored.

According to a chart produced by the SFA in August, the minimum effective foundation allowance was $7,146 in FY '11 -- when Snyder was in office, but hadn't set that budget. In FY '14 it is $7,026, a $120 decrease.

FY '12, Snyder's first budget, saw the only drop in minimum effective foundation allowance under his tenure, but it was a big one. It went from $7,146 in FY '11 to $6,846, a total of $300.

But the drop was due at least in part to a drop-off in American Recovery and Reinvestment Act (ARRA) funds, which had previously been infused into the state's education system.

When those funds disappeared, the state couldn't completely make up for them. But the reason they couldn’t be made up was a net tax cut of about $500 million and a BSF deposit of about $258 million – so that took about $750 off the table that could have reduced or eliminated the cuts to education.

The Case For Flat Funding

The House Fiscal Agency (HFA) in a background briefing released earlier this month pointed out that in terms of gross School Aid Fund (SAF) appropriations, there's not been a ton of movement.

“Total School Aid appropriations have remained fairly flat over the last ten years,” notes the document.

In FY '14, gross appropriations were at $13,367 million. The lowest they've been in the past 10 years was in FY '05, at $12,467 million. In FY '14, gross appropriations were 7.2 percent higher than in FY '05. There was some fluctuation between those times, but it stayed right between those two numbers.

“Excluding federal funds dedicated for specific purposes, total FY 2013-14 funding for schools is at the same level as FY 2005-2006 (not adjusted for inflation),” notes the House report.

In other words, when you pull back to look at a decade-long trend, education funding may not be trending much of anywhere.