



CONTINUING THE PROMISE OF PROPOSAL A



Michigan's Charter School Association



Michigan's Commitment to Equitable School Funding

Dear Michigan Legislature,

Michigan's school funding system is built on a promise: the Legislature will provide equitable, consistent, and student-centered funding for all public schools, including charter schools. This legislative session, lawmakers have the opportunity to uphold that promise by establishing dedicated facilities funding for charter schools through Section 22e of the School Aid budget. This action would address an ongoing gap in Proposal A's implementation and ensure charter schools receive the same level of support that traditional districts gained from recent changes to the Michigan Public School Employees' Retirement System (MPERS).

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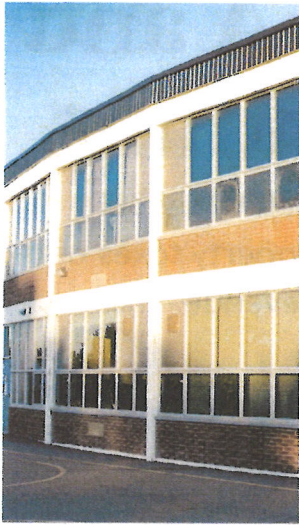
Background: Proposal A and Student-Centered Funding

In 1994, Michigan voters approved Proposal A, a new approach to school funding. This plan shifted school funding away from local property taxes and toward a state-based system funded primarily by sales tax revenue. The goals of Proposal A included:

- Equitable funding: Before Proposal A, the state's wealthiest school districts received three times more funding per student than poorer districts. For example, Church School District in Huron County received just \$2,826 per student, while Bloomfield Hills Schools had \$10,294 per student. Proposal A immediately raised the lowest funded districts and also created a mechanism to close this funding gap over time.
- Reliable funding: Before 1994, school funding relied on local millage elections, which often failed. In 1993, 44% of these elections were defeated, and some districts, like Kalkaska, faced closure due to insufficient funding. By shifting to state sales tax revenue, Proposal A ensured more stable funding for schools.

Proposal A transitioned Michigan from a property tax-based school funding model to a per-student funding model known as the foundation allowance. This funding follows students wherever they enroll within the public school system, making it flexible and adaptable.



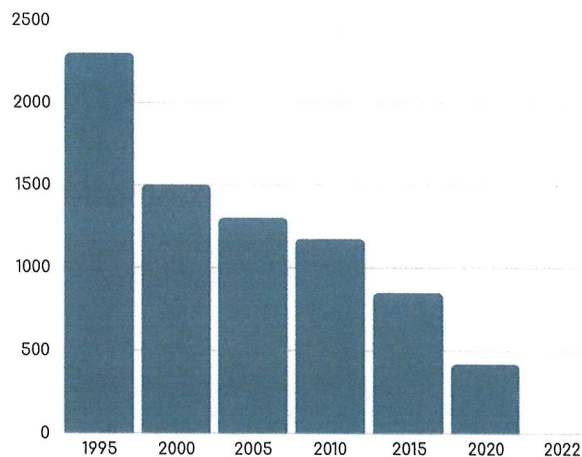


Charter Schools and Proposal A

When Proposal A was enacted, the Legislature also passed a law allowing for charter public schools—independently operated public schools that provide families with additional education choices. However, charter schools faced unique funding challenges:

- ✓ Charter schools initially received funding based on either the local district's foundation allowance or a state-imposed cap, whichever was lower. This created funding disparities between traditional districts and charter schools, as well as between charter schools in different communities.
- ✓ Over time, the Legislature worked to close this funding gap. Today, nearly all school districts and charter schools receive the same per-student foundation allowance. However, one notable exception remains: cyber charter schools receive approximately 5% less funding than other public schools.

IN 1995, THE FOUNDATIONAL ALLOWANCE FUNDING GAP WAS \$2,300 PER PUPIL. IN 2022, TRADITIONAL AND CHARTER PUBLIC SCHOOLS WERE FUNDED EQUITABLY, EXCEPT FOR FACILITY FUNDING.



- ✓ While the Legislature has increased funding for schools outside of the foundation allowance through categorical funding (targeted funds for specific programs or needs), this approach moves away from Proposal A's original goal of student-centered funding.

The Unfinished Business of Proposal A: Facilities Funding

One major funding gap that Proposal A did not address is capital expenses—the costs associated with building, renovating, and maintaining school facilities.

- Traditional school districts pay for capital expenses through local property taxes, either by issuing bonds (borrowing money to be repaid with interest) or by creating sinking funds (special savings accounts for infrastructure projects). As a result, wealthier districts can raise significantly more money for school buildings than lower-income districts.
- Charter schools, however, do not have access to local property tax revenue. They receive no dedicated state funding for facilities, forcing them to pay for buildings out of their foundation allowance or through private fundraising. This diverts money away from classroom instruction and puts charter schools at a financial disadvantage.





MPSERS Relief: Helping Some Schools, But Not Charters

A significant portion of Michigan's School Aid Fund now goes toward paying off legacy debt from the Michigan Public School Employees' Retirement System (MPERS). Over \$1 billion from the state's education budget is allocated annually to cover pension liabilities.

- Until last year, traditional school districts paid about 27% of their payroll into MPERS.
- In 2023, the Legislature temporarily reduced the required district contribution, saving districts an average of \$375 per student. Later that year, lawmakers made this reduction permanent, providing long-term financial relief for districts.
- However, most charter schools do not participate in MPERS because they typically employ staff through third-party education service providers rather than hiring directly. Employees at these schools contribute to alternative retirement plans, such as 401(k) or 403(b) plans, instead of MPERS.
- Because charter schools do not pay into MPERS, they did not benefit from the permanent reduction in contribution rates. To ensure fairness, the Legislature provided a one-time \$375 per-student allocation for charter schools in the FY 2024-25 budget under Section 22e.

The Solution:

Permanent Facilities Funding for Charter Schools

To uphold the principles of Proposal A—equitable, reliable, and student-centered funding—the Legislature should make the Section 22e funding permanent and direct it toward charter school facilities costs. This funding could be used for:

- Rent and lease payments
- Building purchases and renovations
- Capital improvements (e.g., HVAC systems, roofs, and classroom expansions)
- Testing facilities and other infrastructure needs

Why This Matters

- ✓ Equity: Charter schools serve public school students just like traditional districts, yet they lack access to dedicated facilities funding. Providing this support ensures all public school students have access to safe, high-quality learning environments.
- ✓ Fairness: The Legislature made MPERS relief permanent for districts. Charter schools should receive similar, ongoing financial support.
- ✓ Student-Centered Funding: Directing Section 22e funds toward facilities would ensure that more of a charter school's foundation allowance remains available for classroom instruction.

By acting now, the Legislature can fulfill the promise of Proposal A, ensuring that ALL Michigan public school students—regardless of whether they attend a district or charter school—have the resources they need to succeed.

