



Testimony Presented to the House Appropriations Subcommittee on School Aid and Department of Education

SECTION 107 ADULT EDUCATION FUNDING

Peter Ruark, Senior Policy Analyst

April 10, 2019

Thank you, Chairman Miller and members of the subcommittee, for letting me testify here today. My name is Peter Ruark, and I am a Senior Policy Analyst at the Michigan League for Public Policy. We advocate for state policies that help individuals and families with low incomes become economically self-sufficient. I am speaking to you about adult education today because increasing access to adult education plays an important role in that mission.

In the 21st century economy, a high school diploma is simply not enough. Entry-level job openings with a career track increasingly require a credential such as a degree, certificate or license. Unfortunately, many workers in Michigan lack certain basic skills needed to succeed in the occupational training leading to these credentials, either because they dropped out of high school or they passed classes without a complete mastering of the skills (a C- is still a passing grade!). Adult education is a crucial link that prepares these workers for training, credentials, and ultimately skilled jobs.

Michigan is not reaching nearly enough of the working age adults who need adult education:

- Over 196,000 Michigan adults age 25-44 lack a high school diploma or GED, yet just over 8% of these individuals enroll in adult education.
- More than 231,000 Michigan adults speak English less than “very well,” yet only 4% enroll in English as a Second Language adult education programs.
- Between 56% and 63% of Michigan community college students each year need to take developmental (remedial) education classes due to not having mastered a needed skill area.

Attached to this testimony sheet I have provided some tables. Table 1 shows Michigan’s large reduction in state funding for adult education over the past 15 years. During budget years 1997 to 2001, the state funded adult education at \$80 million per year, but the Legislature cut funding drastically after that, to as low as \$20-22 million annually. Three years ago the Legislature bumped up the funding to \$25 million, and for this current year it is \$26 million (not including the

\$3 million for career and tech ed programs that serve a different population). However, the \$26 million is actually \$24.7 million going to adult education programs because 5% is set aside for administration. As federal funding has also been reduced, total funding for adult education has dropped from \$96.3 million in 2001 to only \$38.7 million in 2017.

Table 2 shows how the funding reductions have resulted in fewer people enrolling in and completing adult education programs. The decrease in total funding since 2001 has been accompanied by a 45% decline in enrollment and a 34% decrease in students completing a level.

With more funding, adult education will be able to reach more students and will be able to facilitate student success by expanding into places such as community colleges, workplaces and sites in which parents can bring their children (i.e., Head Start).

The governor's proposed budget continues to fund adult education at \$26 million for Fiscal Year 2019 (\$24.7 million to programs). The Michigan League for Public Policy recommends that the adult education appropriation be increased by \$5 million, to \$31 million per year. As shown in Table 3, at an estimated cost of \$1,252 per student (the average spent per student over the past five years), Table 3 shows that this would enable approximately 4,000 more students to be served.

Investing in adult education is not just about helping people with low skills get better jobs and earn higher wages. It is workforce development. In a tight labor market, low-skilled adults are an untapped source of workers that can fill the needs of employers, but a reasonable increase in adult education funding is needed to prepare them for more specific occupational skills training.

I have attached some of the League's Fiscal Year 2020 Budget Priorities for education. The adult education brief provides further detail.

Thank you again for the opportunity to address this important issue.

Table 1: History of Funding for Michigan's Adult Education Programs

Program Year	Federal Funding			State Funding*	Total Funding	State Portion of Funding
	Base Grant	English Literacy & Civics Grant	Total			
1995-96	NA	NA	NA	\$185,000,000	NA	NA
1996-97	\$8,287,819	\$0	\$8,287,819	\$80,000,000	\$88,287,819	90.6%
1997-98	\$11,482,416	\$0	\$11,482,416	\$80,000,000	\$91,482,416	87.4%
1998-99	\$11,654,356	\$0	\$11,654,356	\$80,000,000	\$91,654,356	87.3%
1999-00	\$11,973,584	\$0	\$11,973,584	\$80,000,000	\$91,973,584	87.0%
2000-01	\$13,691,487	\$437,129	\$14,128,616	\$80,000,000	\$94,128,616	85.0%
2001-02	\$15,159,503	\$1,160,594	\$16,320,097	\$75,000,000	\$91,320,097	82.1%
2002-03	\$16,310,508	\$1,251,632	\$17,562,140	\$74,569,800	\$92,131,940	80.9%
2003-04	\$14,679,457	\$1,332,464	\$16,011,921	\$20,000,000	\$36,011,921	55.5%
2004-05	\$14,871,841	\$1,355,222	\$16,227,063	\$20,000,000	\$36,227,063	55.2%
2005-06	\$14,755,635	\$1,352,236	\$16,107,871	\$21,000,000	\$37,107,871	56.6%
2006-07	\$14,606,756	\$1,352,688	\$15,959,444	\$24,000,000	\$39,959,444	60.1%
2007-08	\$14,606,750	\$1,369,315	\$15,976,065	\$24,000,000	\$39,976,065	60.0%
2008-09	\$14,349,799	\$1,295,444	\$15,645,243	\$24,000,000	\$39,645,243	60.5%
2009-10	\$12,914,820	\$1,300,460	\$14,215,280	\$22,000,000	\$36,215,280	60.7%
2010-11	\$13,003,714	\$1,376,349	\$14,380,063	\$22,000,000	\$36,380,063	60.5%
2011-12	\$13,419,141	\$1,352,694	\$14,771,835	\$22,000,000	\$36,771,835	59.8%
2012-13	\$12,623,242	\$1,341,874	\$13,965,116	\$22,000,000	\$35,965,116	61.2%
2013-14	\$11,935,152	\$1,253,164	\$13,188,316	\$22,000,000	\$35,188,316	62.5%
2014-15	\$11,972,115	\$1,253,159	\$13,225,274	\$20,900,000	\$34,125,274	61.2%
2015-16	\$12,373,128	\$1,251,135	\$13,624,263	\$23,750,000	\$37,374,263	63.5%
2016-17	\$12,235,393	\$1,220,708	\$13,456,101	\$23,750,000	\$37,206,101	63.8%
2017-18	\$12,099,957	\$1,204,250	\$13,304,207	\$23,750,000	\$37,054,207	64.1%
2018-19	\$12,850,908	\$1,309,158	\$14,160,066	\$24,700,000	\$38,860,066	63.6%
Change FY 2001>2019	-6%	199%	0.2%	-69%	-59%	—

*Beginning with Program Year 2014-15, figures for state funding reflect the deduction of a 5% administrative set-aside from the total appropriations. Figures also do not include funding for career and technical education programs. The total appropriation for adult education from Section 107 of the School Aid budget was \$26 million for Program Year 2018-19, \$25 million for the previous three program years, and \$22 million for Program Year 2014-15.

Source: U.S. Department of Education and Michigan House Fiscal Agency.

Table 2: As Adult Education Funding Has Dropped, so Have Enrollments and Completions

Program Year	Total Funding	Amount Spent per Student	Students Enrolled	Students Completed Level	
				Number	Percent
2000-01	\$94,128,616	\$1,681	56,001	15,471	28%
2001-02	\$91,320,097	\$1,202	75,988	23,922	31%
2002-03	\$92,131,940	\$1,300	70,893	17,496	25%
2003-04	\$36,011,921	\$746	48,273	15,280	32%
2004-05	\$36,227,063	\$1,042	34,768	11,210	32%
2005-06	\$37,107,871	\$1,159	32,024	10,229	32%
2006-07	\$39,959,444	\$1,216	32,856	12,293	37%
2007-08	\$39,976,065	\$1,308	30,571	11,866	39%
2008-09	\$39,645,243	\$1,404	28,243	11,265	40%
2009-10	\$36,215,280	\$1,164	31,106	11,076	36%
2010-11	\$36,380,063	\$1,413	25,745	10,289	40%
2011-12	\$36,771,835	\$1,285	28,614	9,823	34%
2012-13	\$35,965,116	\$1,218	29,533	10,779	37%
2013-14	\$35,188,316	\$1,229	28,625	9,393	33%
2014-15	\$34,125,274	\$1,243	27,443	9,951	36%
2015-16	\$37,374,263	\$1,360	27,483	10,455	38%
2016-17	\$37,206,101	\$1,232	30,196	9,327	31%
2017-18	\$37,054,207	\$1,202	30,819	10,236	33%
Change 2000-01 > 2016-17	-61%	-28%	-45%	-34%	—

Sources: U.S. Department of Education and Michigan House Fiscal Agency (Funding); Michigan Adult Education Reporting System tables (Adult education participation)

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Table 3: How Many More Low-Skilled Adults Could Be Served by Increasing Adult Education Funding?

	Annual Funding Level	Number of Students Served	Increase in Students Served	If Entire Increase Serves Adults Age 25-44 Without HS Diploma	
				# served	% served
Five-Year Average*	\$36,189,632	28,913	--	14,645	7%
If Increased by \$5 M	\$41,189,632	32,908	3,995	18,640	9%
If Increased by \$10 M	\$46,189,632	36,903	7,989	22,635	11%
If Increased by \$15 M	\$51,189,632	40,897	11,984	26,629	13%
If Increased by \$20 M	\$56,189,632	44,892	15,979	30,624	15%
If Increased by \$25 M	\$61,189,632	48,887	19,973	34,619	16%

*Five-year average is for Program Years 2013-14 through 2017-18.

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2020 BUDGET PRIORITY: INCREASE ADULT EDUCATION FUNDING TO PREPARE MORE WORKERS FOR JOB TRAINING AND SKILLED WORK

LEAGUE RECOMMENDATION:

Increase adult education funding by \$10 million, to \$36 million, allowing the state to assist nearly 8,000 more students.

BACKGROUND:

In today's job market, entry-level job openings with a career track increasingly require a postsecondary credential such as a degree, certificate or license. Many Michigan workers need remediation in one or more basic skill areas in order to succeed in training that leads to these credentials. Adult education is a crucial link in preparing workers for training, credentials, and finally, skilled jobs. By increasing the number of work-ready individuals, serving more individuals through adult education also helps employers find the skilled workers they need.

Despite its importance as a workforce development tool, Michigan has greatly reduced its funding for adult education during the past 16 years:

State funding has dropped dramatically. During budget years 1997 to 2001, state funding for adult education was \$80 million a year, but the Michigan Legislature cut funding drastically after that to \$20-22 million annually. In budget years 2017 and 2018, the Legislature bumped up the funding to \$25 million and in 2019, to \$26 million—still far short of what is needed. Separate funding for career/technical education programs is also included, for total funding of \$29 million in 2019.

The funding loss for adult education is even greater when adjusted for inflation. In 2001 dollars, adult education funding has fallen by 71%.

WHY DOES IT MATTER?

The funding cuts have resulted in fewer people enrolling in and completing adult education programs. The decrease in total funding since 2001 has been accompanied by a 45% decline in enrollment and a 34% decrease in students completing a grade level.

Many community college students are not academically prepared and more access to adult education can help them succeed. During each of the past 10 years, well over half of all community college students in Michigan have been required to take developmental (remedial) education courses, which cost money but do not count for credit. These students could benefit from being able to take adult education free of cost in place of developmental education.

Higher academic success through more access to adult education can help decrease racial disparities in poverty and income. In Michigan, poverty rates vary greatly by race and ethnicity, ranging from 29% (African American) to 12% (White). Household median income also ranges from \$76,370 (Asian) to \$30,732 (African American). Expanding adult education in Michigan can increase racial equity in educational access and achievement, which in turn can reduce income inequality.



2020 BUDGET PRIORITY: PROVIDE MORE STATE FUNDING TO PUBLIC SCHOOLS IN HIGH-POVERTY COMMUNITIES

LEAGUE RECOMMENDATION:

Provide the resources needed to address the educational challenges faced by children exposed to the stresses of poverty by: 1) fully funding the At-Risk School Aid program; and 2) phasing in a School Aid formula that is weighted by the number of students in poverty, the number of English language learners, the district size and geographic isolation.

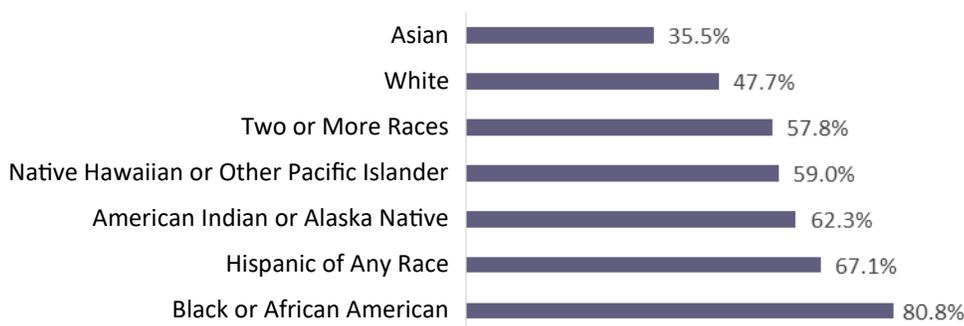
BACKGROUND:

In the 2018 budget year, 63% of Michigan public school students were in districts receiving the minimum foundation allowance of \$7,631 per pupil. The 2019 budget increased the minimum allowance by \$240 per pupil to \$7,871. Despite recent increases, the 2018 minimum per-pupil allowance was 7% lower than 2011 when adjusted for inflation. The nonpartisan Michigan School Finance Research Collaborative analyzed state funding for public schools and recommended in a January 2018 report that schools receive a base payment of \$9,590 per pupil, with additional funding weighted by the number of students in poverty, the number of English language learners, district size and geographic isolation—up to a maximum of \$11,482 per pupil.

The At-Risk School Aid program has been the primary vehicle for providing state funds to schools to serve students who are at risk of failing academically or are chronically absent. After more than a decade of flat funding, when At-Risk payments to districts fell well below statutory levels, the Legislature approved increases of \$70 million for the 2015-16 budget and \$120 million for 2017-18—along with some expansions in the number of students and school districts eligible for funding. Despite these increases, the At-Risk program is still not fully funded and payments are prorated.

CHILDREN OF COLOR MORE LIKELY TO ATTEND HIGH-POVERTY SCHOOLS, RESULTING IN INEQUITIES IN THIRD-GRADE READING

Percent of Third-Graders Not Proficient in English Language Arts (M-STEP 2017-18)



Source: MI School Data

WHY DOES IT MATTER?

The barriers faced by families in poverty can affect children's learning and success. While family income alone does not keep children from learning, the many problems faced by those living in poverty can—including low parental literacy, poor health, a lack of stable housing, frequent moves, less access to high-quality early education and care, fewer after-school or enrichment programs, and increased exposure to environmental toxins like lead that can affect brain growth and development. Children of color are disproportionately affected by the lack of economic opportunities for their parents and are subsequently more likely to attend high-poverty schools.

Economically disadvantaged students are less likely to achieve in school or be prepared for college, and the disadvantages start early before they even enter school. Students whose families are more economically secure are twice as likely to be proficient on standardized tests for reading and science, and are much more likely to be prepared for college. The impact of poverty in the earliest years, when the brain and language are developing, is particularly destructive, but can be overcome with adequate supports to parents like home visitation programs, two-generational programs that address adult literacy, the early identification and treatment of developmental delays, and high-quality child care and preschool.



2020 BUDGET PRIORITY: EXPAND SERVICES FOR INFANTS AND TODDLERS WITH DISABILITIES AND DELAYS

LEAGUE RECOMMENDATION:

Provide an additional \$20 million in state funding for *Early On*, the state’s early intervention program that identifies and serves very young children with developmental delays and their families.

BACKGROUND:

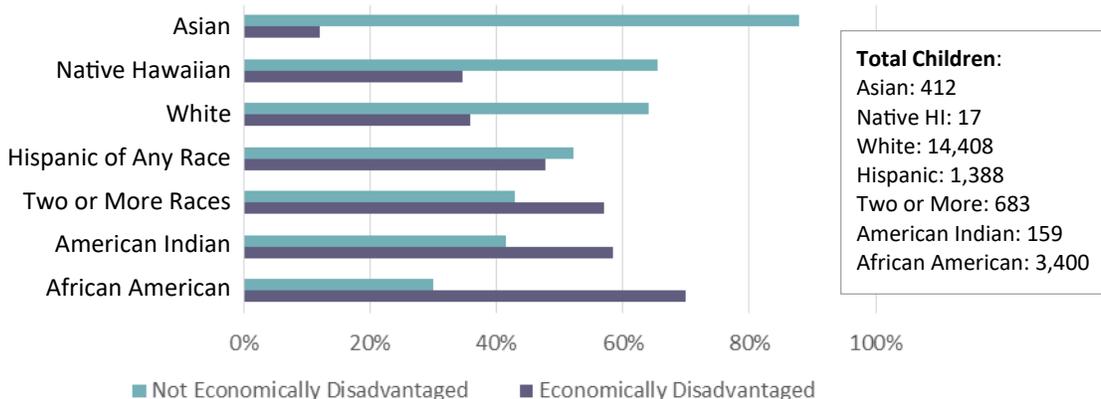
Since passage of the federal Individuals with Disabilities Education Act (IDEA) Part C program in 1986, Michigan has relied primarily on federal funds for its *Early On* Program, despite the fact that the federal law expected states to augment that funding to serve young children with developmental delays. In the 2019 budget year, the Legislature approved the first state funding for *Early On*—a total of \$5 million statewide—which falls far below the estimated need of \$70 million. Peer states are investing much more, including Pennsylvania (\$126 million) and Minnesota (\$58 million).

To be eligible for *Early On*, children from birth to age 3 must either: 1) have a developmental delay of at least 20%; or 2) have an established medical condition likely to lead to delays. *Early On* identifies delays in many areas, including cognitive, language, physical and social-emotional.

Infants and toddlers facing the stresses of poverty are more likely to experience developmental delays. Children who grow up in poverty are more likely to experience developmental delays, and these outcomes are compounded by the lack of economic opportunity for families of color. Children of color receiving *Early On* services are more likely to be economically disadvantaged, and Michigan’s failure to fully fund early intervention services is an opportunity missed to reduce the disparities that carry into school.

A 2013 audit of Michigan’s *Early On* program concluded that the state had not provided sufficient funding to give young children the services they need delivered by qualified professionals.

YOUNG CHILDREN OF COLOR IN *EARLY ON* ARE MORE LIKELY TO BE ECONOMICALLY DISADVANTAGED – Michigan 2016-17



Source: MI School Data

WHY DOES IT MATTER?

Brain scientists have demonstrated the importance of early intervention. Scientists have shown that as much as 90% of the architecture of the brain is built in the first 1,000 days of life—affecting a child’s development for years to come.

Children whose delays are addressed early in life are more likely to succeed in school. The National Early Intervention Longitudinal Study found that 56% of children receiving early intervention services functioned in the average or above average range for academic skills when they entered kindergarten, and 42% did not need special education services in later years.



A HARD HABIT TO BREAK: THE RAIDING OF K-12 FUNDS FOR POST- SECONDARY EDUCATION

Peter Ruark, Senior Policy Analyst | August 2018

A one-time fix to help balance the state budget has now become regular practice in the annual appropriations process. Michigan has shifted a total of \$4.5 billion intended for K-12 public schools to universities and community colleges since 2010, including a record \$908 million for the upcoming budget year. This cut to K-12 education was not done for the benefit of postsecondary education, but to balance the state budget and compensate for General Fund dollars that are increasingly stretched thin due in large part to tax cuts for businesses.

The School Aid Fund (SAF) was first established in 1955 as an amendment to the 1908 Michigan Constitution, retained in the 1963 constitution, and transformed through Proposal A of 1994. From the time it was first established until Budget Year 2010, the School Aid Fund had been used exclusively to fund Michigan's K-12 schools.¹ Funding for postsecondary education, on the other hand, came from the General Fund. For 2010, in order to balance a state budget that had been beaten down over the past decade by tax cuts and the Great Recession, Governor Jennifer Granholm and the Michigan Legislature used a supplemental bill to appropriate \$208.4 million in SAF dollars to community colleges. The one-time appropriation included language stating that "funds appropriated to community colleges from School Aid Fund [will] be considered a loan" that "will be repaid from General Fund to School Aid Fund over the period of FY 2011-12 to FY 2015-16."² The Legislature never paid the funds back.

In Budget Year 2012, Governor Rick Snyder's first budget drew from the School Aid Fund to replace General Fund dollars going to universities and community colleges, with no language stating it needed to be repaid. In its final form, the nearly \$400 million taken from K-12 was accompanied by a \$470 per pupil cut in the K-12 foundation allowance—the only year since Proposal A in which the foundation allowance was statutorily cut.³ The cut was accompanied by a very large tax cut for businesses that cost \$1.6 billion, with only part of that amount made up by increased taxes on individuals. The Legislature later passed a supplemental budget that took an additional \$63.7 million from the School Aid Fund to pay for community college operations, for a total of \$459.6 million in SAF dollars shifted from K-12 to postsecondary institutions in 2012.

This shift has been the norm during the past eight years, as every budget introduced by the Snyder administration and passed by the Legislature has shifted at least \$350 million—and often more—from K-12 public schools to universities and community colleges.⁴



A Growing Dependence on the School Aid Fund

The precedent begun by the administration and Legislature in 2012 has led to a growing dependence on SAF dollars to fund postsecondary education rather than finding the dollars for that use in the General Fund. Three of the past five budgets have funded community college operations *entirely* from the School Aid Fund, and the most recent budget more than doubles the SAF dollars going to universities. In Budget Year 2019, rather than reversing a practice that started as a one-time budget solution in the lean years of the Great Recession, the Legislature dug in its heels and shifted a record high \$908.3 million from K-12 to postsecondary education.

Use of School Aid Fund for Universities and Community Colleges

Budget Year	School Aid Fund Dollars*		Percent of Operations Funding from SAF		Total School Aid Fund Dollars to Postsecondary
	Universities	Community Colleges	Universities	Community Colleges	
2009	\$0	\$0	0%	0%	\$0
2010**	\$0	\$208,400,000	0%	70%	\$208,400,000
2011	\$0	\$0	0%	0%	\$0
2012**	\$200,019,500	\$259,629,400	15%	91%	\$459,648,900
2013	\$200,465,700	\$197,614,100	16%	67%	\$398,079,800
2014	\$200,465,700	\$197,614,100	16%	66%	\$398,079,800
2015**	\$206,467,900	\$364,724,900	15%	100%	\$571,192,800
2016	\$205,179,500	\$256,714,800	15%	76%	\$461,894,300
2017	\$237,109,500	\$260,414,800	17%	59%	\$497,524,300
2018	\$238,343,500	\$398,301,500	16%	100%	\$636,645,000
2019	\$500,088,300	\$408,215,500	34%	100%	\$908,303,800
Total	\$1,988,139,600	\$2,551,629,100			\$4,539,768,700

* In addition to operations funding, figures include, when appropriate, contributions to the employee retirement system and reimbursements to community colleges for Renaissance Zone tax credits.

** Includes funding provided through a supplement budget.

Source: Michigan House and Senate Fiscal Agencies

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Why Are Michigan's Elected Leaders Using School Aid Fund Dollars for Postsecondary Education Rather Than Enhancing K-12 Education?

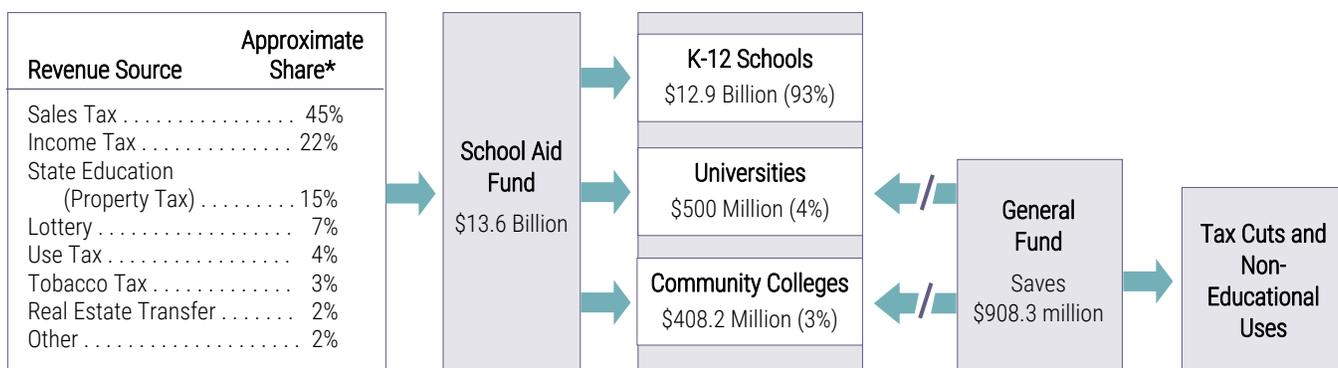
For Budget Year 2012, a larger SAF balance than initially expected led to hopes that the per-pupil allowance would be increased, but the money was shifted to postsecondary education instead and the allowance was reduced by \$470. This shift did not benefit universities and community colleges, as an equivalent amount of General Fund money

was subtracted from their funding and the amount they received only increased at the level it normally does each year for inflation. In 2012 and every budget year since, the shift only serves to increase General Fund dollars available for other uses, including tax cuts and credits that reduce revenue to the state unless made up elsewhere. Examples of such tax expenditures include:

- the 2012 tax shift favoring businesses
- legacy business tax credits
- the repeal of the personal property tax
- triggered income tax rate cuts
- small property and sales tax exemptions
- the increase in the personal exemption

The governor and Legislature have chosen to rely on shifting educational funds to balance the state budget rather than addressing the underlying issue: the shortage of General Fund money due to large tax cuts the state could not afford, particularly those enacted in Budget Year 2012. Rather than make difficult decisions regarding how to restore the lost state revenues, elected leaders year after year have resorted to taking School Aid Fund dollars from K-12 education, using it to fund postsecondary education, and subtracting a roughly equal amount of postsecondary education funding and putting it back into the General Fund to help make up for shortfalls created by tax cuts. Following the money leads to only one conclusion: the state is paying for tax cuts with money taken from its K-12 students.

The School Aid Fund: Following the Money (FY 2018-19)



* Approximate share is based on F& 2017-18 revenue projections.
Source: Michigan House and Senate Fiscal Agencies

Who Benefits from Raiding the School Aid Fund to Pay for Postsecondary Education?

K-12 Schools?	Universities and Community Colleges?	Non-Educational Programs and Wealthy Taxpayers?
No, they lose. They do not receive dollars that are primarily intended for them.	No. Their annual operations funding increases are generally the same as when paid for 100% out of the state's General Fund.	Yes. Replacing General Fund dollars with SAF dollars enables the Legislature to spend the "savings" on things unrelated to education—at the expense of K-12 schools.

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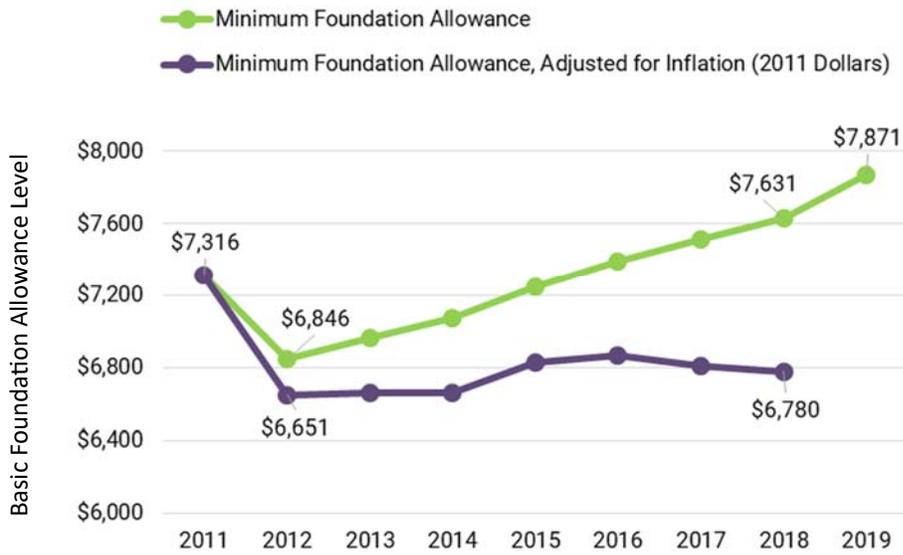
How Could Michigan Have Strengthened Public Education with the \$908 Million Taken from the School Aid Fund?

The \$908.3 million in SAF dollars shifted to universities and community colleges in Budget Year 2019 could have gone into K-12 classrooms, improving educational achievement, reducing inequities based on race, income and place, and helping more Michigan children become college- and career-ready. Here are some ways in which the School Aid Fund should have been used to improve outcomes for schoolchildren:

Increase the Foundation Allowance: In the 2018 budget year, 63% of Michigan public school students were in districts receiving the minimum foundation allowance of \$7,631. The 2019 budget increases the minimum foundation allowance by \$240 per pupil, to \$7,871. While this sounds like a significant increase, it leaves the minimum allowance far below the level prior to the Budget Year 2012 cut when adjusted for inflation. Although the foundation allowance has been raised in small amounts each year since, the 2018 minimum allowance of \$7,631 was equal to only \$6,780 in 2011 dollars—a 7% drop in purchasing power. In 2018, per-pupil funding would have had to be \$8,234 in order to equal the 2011 level.

Bringing the per-pupil funding back up to its 2011 level in real dollars is not enough, however. The Michigan School Finance Research Collaborative, a nonpartisan group of education experts, school officials, business leaders, public policy advocates and others, has recommended that schools receive a base cost of \$9,590 per pupil, with additional funding weighted by the number of students in poverty, the number of English language learners, district size, and geographic isolation, up to a maximum of \$11,482.⁵ These figures were based primarily on 2018 needs, and the \$7,631 per-pupil allowance for that year fell far short of the recommendation.

The Erosion of the Minimum Foundation Allowance Since 2011



Figures adjusted for inflation using the Bureau of Labor Statistics CPI Calculator.
Source: Michigan House Fiscal

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Fully Fund Early On: Early On is Michigan's early intervention program that identifies and serves infants and toddlers with developmental delays and helps them succeed in K-12 schools. Michigan receives approximately \$12.4 million each year in federal funds for the program, but is one of very few states that has put no state dollars into Early On, resulting in an inability to provide comprehensive services to all children identified as needing intervention. For the first time, the Legislature approved state funding and dedicated \$5 million from the School Aid Fund to the program in 2019. However, the Michigan Early On Foundation estimates that Michigan needs to appropriate nearly \$63 million in state dollars to the program in order to serve all students who need intervention.⁶

Fully Fund the At-Risk School Aid Program: The At-Risk School Aid program provides state funds to schools to serve students who are at risk of failing academically or who are chronically absent. Currently, At-Risk funding is used to ensure that third-grade students are reading proficiently and high school graduates are career- and college-ready. Despite recent increases, funding at the current level of \$499 million (using SAF dollars) still falls short, as many schools are not getting the formula payments required by law and many high-poverty schools continue to struggle to reduce educational inequities.⁷

Providing interventions to economically disadvantaged students, many of whom are students of color, is important for eliminating economic and racial disparities in school success. Students from households with low incomes and less job security are less likely to achieve in school or be prepared for college, while those whose families are more economically secure are twice as likely to be proficient on standardized tests for

reading and science and are much more likely to be prepared for college. This has resulted in large racial disparities in postsecondary education enrollment and success. In 2015-16, only 52.7% percent of African American and Latinx seniors had enrolled in a two- or four-year college within six months after graduation, compared to 67.5% of white students and 83.2% of Asian students. In addition, 52% of African American college students were enrolled in remedial education, compared with 38.6% of Latinx students, 22.6% of white students and 17.5% of Asian students.⁸

Increased Funding for Early Literacy: To improve reading proficiency, particularly in light of the new third-grade reading law, the Legislature should fund comprehensive programs for children from birth through third grade. This needs to include resources for schools to implement the new law and outreach to families to understand the state’s retention policy. Since 70% of third-graders of color tested as not reading proficient, the policy could disproportionately affect children of color.

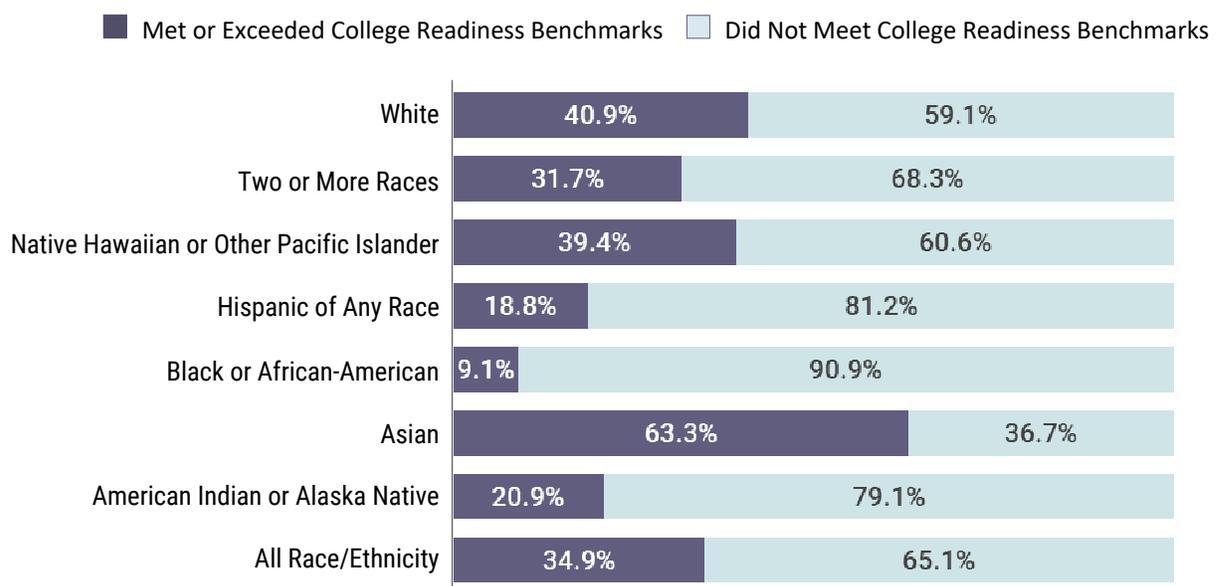
Kids of Color Are More Likely to Attend Underresourced Schools Compared to Their White Peers, Resulting in Disparate Outcomes in Third-Grade Reading.



Source: 2018 Kids Count in Michigan Data Book

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Students of Color Face Additional Barriers to Reaching College Readiness.



Source: 2018 Kids Count in Michigan Data Book

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Expand Preschool and Early Learning Programs: For 2019, the Legislature provided a continuation of the 2018 level of funding (\$243.9 million) for the Great Start Readiness Program, which provides a high-quality preschool program for 4-year-olds from families with low incomes. However, this is not sufficient to ensure that all eligible 4-year-olds can participate, nor does it enable the state to expand the program to 3-year-olds, as is done in some other states.

Michigan Must Stop Creating a Zero-Sum Game Between K-12 and Postsecondary Education

Although the Michigan Constitution states “there shall be established a state school aid fund which shall be used exclusively for aid to school districts, higher education, and school employees’ retirement systems, as provided by law,” it had not been used for postsecondary education until Budget Year 2010, and even that first year it was appropriated as a loan to be paid back rather than as a precedent for an ongoing annual funding shift.

Along with breaking the decades-long practice of using the School Aid Fund exclusively for public K-12 schools, it has been argued shifting some SAF dollars to postsecondary education goes against the general expectations (though not the letter) of Proposal A, which had been promoted to the public as a way to reduce property taxes, equalize funding to the state’s K-12 schools, and protect overall school funding.⁹ The ballot proposal that Michigan voters supported 69%-31% used the language of “schools,” “school revenues” and “school operating millages,” which the public could reasonably interpret to mean K-12 schools.¹⁰

K-12 education and postsecondary education depend on each other: universities and community colleges need K-12 schools to adequately prepare students to continue education after high school, and K-12 schools depend on universities and community colleges to produce skilled workers (including those who work in K-12 schools) who contribute to the tax base, create jobs and keep communities strong. However, recent state budgets have set up a zero-sum game in which money that has traditionally supported K-12 is used for postsecondary education instead, with the savings going to the General Fund to be used for non-educational purposes—including tax cuts.



The Bottom Line

Because of tax cuts, Michigan’s General Fund revenues have been lower during the past eight years than they were before, jeopardizing the state’s ability to provide the services its residents expect and need. To make up for the shortfalls, Michigan’s elected leaders have shifted funds around and ultimately reduced the amount of money going toward the education of the state’s children. Currently, the minimum foundation allowance falls

\$1,300 short of the base cost recommended by the Michigan School Finance Research Collaborative; Early On funding from the state is \$58 million less than what is recommended by the Michigan Early On Foundation; At-Risk funding remains inadequate to provide the resources to schools that are required by law; and investments in early learning and literacy are insufficient—particularly in light of the new threat of retention for students not reading adequately by third grade. This neglect in funding especially impacts children of color in high-poverty areas, and perpetuates the deep racial and income inequities in educational outcomes.

Until K-12 schools and programs are financed at levels recommended by experts and that fulfill statutory requirements, the governor and Legislature should put 100% of the School Aid Fund toward making that happen by committing to three things:

- Use School Aid Fund dollars only to fund Michigan’s K-12 public schools and programs at adequate levels, with the top priorities being the foundation allowance, adequate funding for high-poverty schools and programs to reduce racial and ethnic inequities, literacy programs and early education;
- Fund universities and community colleges at adequate levels using General Fund dollars and other existing appropriate sources (i.e. certain federal funds and local tax revenues); and
- Address General Fund shortfalls responsibly by increasing revenue sources rather than shifting educational funds away from their intended purposes.

Endnotes

1. Constitution of Michigan of 1963, p.37. (<http://www.legislature.mi.gov/documents/mcl/pdf/mcl-chap1.pdf>, accessed July 8, 2018)
2. Michigan House Fiscal Agency, 2009-10 Supplemental Appropriations Summary (<http://www.legislature.mi.gov/documents/2009-2010/billanalysis/House/pdf/2009-HLA-6086-7.pdf>, accessed on July 11, 2018)
3. During the previous two years, while the foundation allowance was not statutorily cut, the Legislature reduced funding in the final budget by \$154 and \$170 per pupil, respectively.
4. Since 2013, funding for the postsecondary institutions’ contribution to the Michigan Public Schools Retirement System (MPSERS) has also been paid for in part or in whole from the School Aid Fund each year, and the community colleges’ reimbursement from the state for money lost due to Renaissance Zone tax credits has been paid from the fund some years as well.
5. Michigan School Finance Collaborative, Costing Out the Resources Needed to Meet Michigan’s Standards and Requirements, prepared by Augenblick, Palaich & Associates and Picus, Odden & Associates, January 12, 2018. (<http://www.fundmischools.org/wp-content/uploads/2018/01/School-Finance-Research-Collaborative-Report.pdf>, accessed on June 22, 2018)
6. Early On Michigan Foundation, “Early On Michigan: Imperative to Fund the First 1000 Days” slide presentation. (http://earlyonfoundation.org/Files/Resources/EO_Finance_Final.pdf, accessed on July 17, 2018)
7. Michigan League for Public Policy, 2019 Budget Priorities: Fully Fund the State’s Program for Students At Risk of Low Achievement, January 2018. (https://www.milhs.org/wp-content/uploads/2010/07/2019-Budget-Priorities_Fully-Fund-Students-at-Risk.pdf)
8. Michigan Department of Education, College Enrollment by High School Snapshot 2016-17 (<https://www.mischooldata.org/DistrictSchoolProfiles2/PostsecondaryOutcomes/lheEnrollmentByHighSchool2.aspx>, accessed on August 7, 2018)
9. Michigan Bureau of Elections, “Initiatives and Referendums Under the Constitution of the State of Michigan of 1963, March 2015. (https://www.michigan.gov/documents/sos/Initia_Ref_Under_Consti_12-08_339399_7.pdf, accessed July 11, 2018)
10. Library of Michigan website (<http://governingmichigan.org/collections/view-item/?DMaliaslist=p16110coll7&DMItem=138416&DMFileType=cpd>, accessed on July 11, 2018)

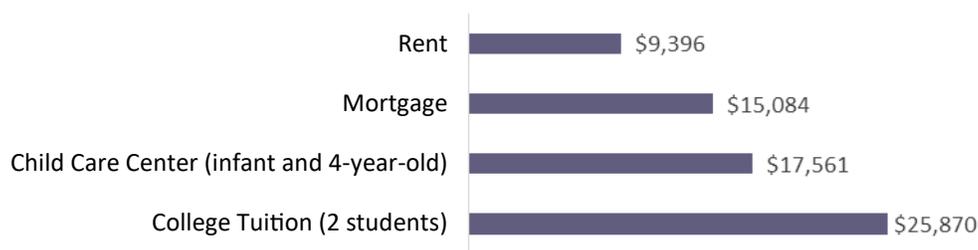


2020 BUDGET PRIORITY: HELP PARENTS WITH LOW WAGES FIND AFFORDABLE CHILD CARE

LEAGUE RECOMMENDATIONS:

- Increase child care payments to providers to ensure that parents can afford 75% of the child care in their community—the federal guideline for affordability.
- Incrementally increase the income eligibility cutoff for child care assistance to the federal cap of 85% of state median income.
- Establish grants and contracts with providers to increase high-quality care in areas of shortage such as infant and toddler care, care for parents working evenings and weekends, and care for children with special needs.

AVERAGE ANNUAL COST IN MICHIGAN



Source: *Parents and the High Cost of Child Care*, Child Care Aware of America

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BACKGROUND:

Although eager to work, many Michigan parents cannot earn enough to pay for high-quality child care. The cost of child care for a parent with two children in a center in Michigan is \$17,561 a year—exceeding the average annual cost of rent (\$9,396) or a mortgage (\$15,084), and rivaling the cost of college tuition for two students (\$25,870). Yet, child care providers are some of the most underpaid workers in the state, with average wages that fall below those earned by animal trainers/caretakers, manicurists and baggage porters.

Few Michigan families are eligible for assistance with child care because of the state’s very low income eligibility thresholds. Michigan has one of the most restrictive programs in the country, with entry eligibility for child care assistance set at 130% of the federal poverty line. As a result, the number of families receiving assistance fell from 67,000 in 2003 to approximately 20,000 in 2018—a 70% decline.

For some parents, child care is not available even with a subsidy, including those needing scarce infant/toddler care, evening and weekend care, and care for a child with special needs.

WHY DOES IT MATTER?

When parents cannot work because of the high cost of care, their children are more likely to live in poverty. The youngest children in the state have the highest poverty rates—in part because of the barrier of child care costs. Exposure to poverty in the earliest years can affect children’s long-term development and success in school.

Businesses report that they are unable to find workers for low-wage jobs because they cannot afford safe and reliable child care, and it is affecting their bottom line.



2020 BUDGET PRIORITY: PROVIDE RESOURCES NEEDED TO ENSURE ALL CHILDREN CAN READ BY THIRD GRADE

LEAGUE RECOMMENDATION:

Improve third-grade reading by:

- Focusing new resources on districts with the greatest disparities for children of color and those in low-income neighborhoods.
- Tripling the number of well-trained literacy coaches in Michigan’s public elementary schools.
- Adopting new procedures for ensuring that parents are aware of the Reading by Third Grade law and their options for children who aren’t reading proficiently.
- Improving access to the high-quality early education and care services needed to support early literacy (see separate League priorities for Early On, child care and the Great Start Readiness Program).

BACKGROUND:

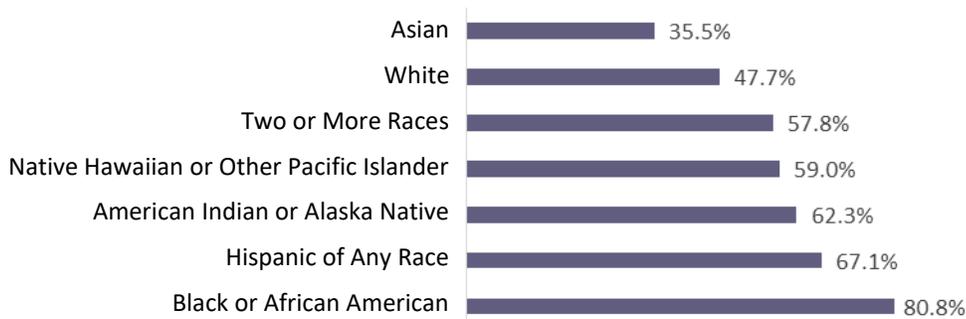
In October 2016, Michigan adopted a Reading by Third Grade law that retains children in third grade if they are more than one year behind in reading proficiency. The new law, which takes effect in the 2019-20 school year, has exemptions that allow some students who are reading below grade level to avoid repeating third grade. Even with exemptions, the law has the potential to affect tens of thousands of Michigan students and significantly increase school spending.

On the most recent M-STEP test (2017-18), less than 45% of students statewide were proficient readers by the end of third grade, and the percentage of students at risk of retention is much higher for children of color and children in low-income schools.

Michigan currently spends less than \$30 million statewide each year on literacy programs in public schools including additional instructional time for students needing support and literacy coaches. In addition, one of the broad goals for At-Risk School Aid funds provided to districts is to improve third-grade reading proficiency.

CHILDREN OF COLOR MORE LIKELY TO ATTEND HIGH-POVERTY SCHOOLS, RESULTING IN INEQUITIES IN THIRD-GRADE READING

Percent of Third-Graders Not Proficient in English Language Arts (M-STEP 2017-18)



Source: MI School Data

WHY DOES IT MATTER?

Inequities in third-grade reading based on race, ethnicity and income must be the state's top priority as the diversity of the student population grows. More than 8 of every 10 Black/African American students are not reading proficiently by third grade, along with two-thirds of Hispanic/Latinx children.

Research shows that retention alone does not improve student achievement and can have negative long-term consequences such as poor attendance or dropping out of school. Social promotion alone is also not an equitable alternative. To improve reading skills, Michigan must provide the supports needed from birth through grade three, including evidence-based literacy interventions.

The foundation for reading is set before children enter kindergarten, and Michigan's budget and policies must recognize that the prenatal, infant and toddler years are crucial to brain development and literacy. Investments in home visiting, early intervention (Early On), high-quality child care, and pre-K for 3- and 4-year-olds are critical. In addition, Michigan must eliminate the divide between early education and care and public school interventions. Children need an aligned P-8 educational system beginning at birth and continuing through the early elementary years.