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## **Establishing a Legacy for Equitable K-12 Funding**

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**To:** Governor Gretchen Whitmer; Lieutenant Governor Garlin Gilchrist; Senator Darrin Camilleri, Chair Senate Sub-Committee K-12 Budget; Senator Dayna Polehanki, Chair Senate Education Committee; Senator Sarah Anthony, Chair Senate Appropriations; Representative Matt Koleszar, Chair House Education Committee; Representative Regina Weiss, Chair House Sub-Committee K-12 Budget; Representative Angela Witwer, Chair House Appropriations; Representative Joe Tate, Speaker of the House; Representative Abraham Aiyash, Majority Floor Leader; Representative Laurie Pohutsky, Speaker Pro Tempore; Senator Winnie Brinks, Senate Majority Leader; Senator Sam Singh, Majority Floor Leader; Senator Jeremy Moss, Pro Tempore

**From:** Dr. Nikolai Vitti, Superintendent

**Date:** Tuesday, September 26, 2023

Let me begin by personally and professionally thanking you for your leadership and support for K-12 public education. Many elected officials talk about support, but you have made historic investments in K-12 education while narrowing the gap between wealthy and economically-disadvantaged school districts. This letter is written not to criticize your work, but to offer clear and practical solutions to the K-12 funding challenges that still exist in Michigan, with obviously Detroit Public Schools Community District (DPSCD) at the center of those much needed solutions. Now is the time to seize on the opportunity to finally provide equal and equitable funding to Michigan students, many of whom rely on public education as their vehicle for economic mobility. This letter is intended to provide you with multiple options to establish a legacy of opportunity that previous Governors and Legislatures have not created.

### **STATE FOUNDATION ALLOWANCE**

School funding in Michigan is unequal and inequitable. Local property values and legacy hold harmless tax millage allow 43 Districts in MI and 22 in Southeast Michigan to generate an extra \$1,375, on average, more than the base per pupil \$9,608. In DPSCD that would mean an additional \$66M per year in general fund revenue, which could be used to increase teacher salaries, maintain school buildings, and fund student enrichment and athletic activities which are not eligible in categorical grants.

DPSCD competes with the 22 Southeastern Michigan school districts to retain and attract teachers, but since they have more funding, they can pay higher salaries – Bloomfield Hills offers salaries \$16,000 higher than Detroit's top salary for 2023-24.

The Top 3 funded districts in Southeastern Michigan (Birmingham, Bloomfield Hills, Southfield) receive an average of \$13,072 per student in foundation allowance. DPSCD would receive \$167M more per year in general fund revenue if we were funded at this level. If we were funded equal to the Top 3 wealthiest districts, DPSCD could offer the same teacher salaries, the same expanded athletic and enrichment programs, and additional enrichment programs. Public education was established to level the playing field, not exacerbate it, but our current funding system in Michigan is unequal and reinforces unequal societal opportunities.

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**Recommendation: Michigan should fund all Districts at \$13,072. This would require nearly \$4.7B in additional state funding.**

**CATEGORICAL FUNDING (AT-RISK & ELL)**

In recent years, the media has published reports that DPSCD is the highest funded school district in the state. While that may be true in terms of total funding received, this does not paint an accurate and transparent picture of how actual funding can be used.

Nearly half of DPSCD’s funding is restricted, meaning it cannot be used to fund school or central office operations, it cannot fund salary increases for teachers, it cannot fund athletic programs. These restricted (Categorical) funds are provided by the federal and state government as supplemental resources to address the additional needs of targeted student groups – Special Education, At Risk, English Language Learners (ELL), as well as providing additional funding for Career and Technical Education.

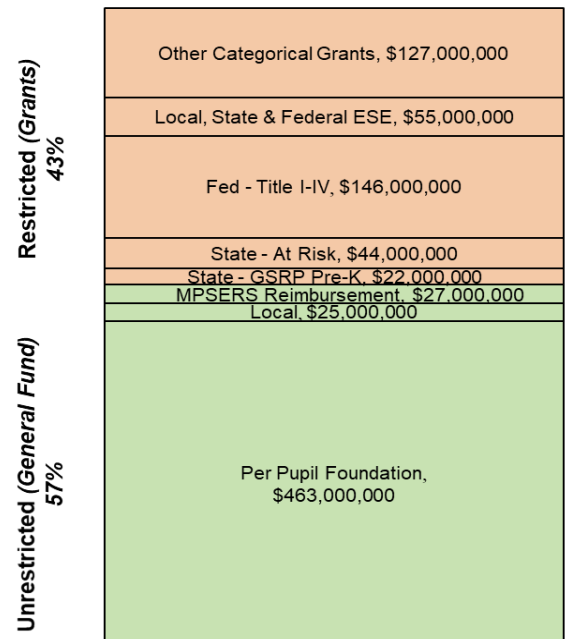
State At-Risk and ELL funds were designed to provide supplemental programming and support for students based on economic needs and language learner status.

Unfortunately, in Michigan, the current base per pupil funding levels do not provide adequate funding to provide equal or equitable exceptional core instruction to all students. The supplemental funding allows districts to hire tutors, aides, counselors, behavior specialists, but it does not allow funding to increase teacher salaries which assists with recruiting and retaining teachers. An exceptional core teacher is the principle factor in improving outcomes for the students At-Risk and ELL funds were designed to support.

Unless we change the funding model, and fund all schools equal to this highest level, wealthier school districts will continue to offer higher wages to attract teachers, offer supplemental programming for students, and have the funds to better maintain their facilities. In the absence of equal or equitable school funding, allowing school districts to use supplemental At Risk and ELL funds to fund core instruction is a critical and practical solution to meeting the needs of targeted students without increasing state funding.

**Recommendation: Increase Allowability of At-Risk Funding (31a) & ELL Funding (Section 41).**

**DPSCD is requesting increased allowability of 31a and Section 41 funds to allow supplanting. Allow school districts to use 31a and Section 41 to fund basic teacher instruction in school-wide consolidated schools. This would allow Detroit to free general funds to offer teacher salaries in line with other Southeastern Michigan school districts.**



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### **HIGH SCHOOL OPERATING COSTS**

High Schools cost more to operate than elementary and middle schools. While current state funding guidelines provide minimal categorical funds for Career and Technical Education programs. It does not provide necessary funding to support required high school programming.

High Schools require specialized course offerings, Advanced Placement, Dual Enrollment, and Career and Technical Education programs require smaller class sizes. Additionally, state certification requirements limit the courses teachers can teach and create staffing issues contributing to the teacher shortage crisis. Students who are behind in high school credits require more intense and costly interventions to get back to grade level status through course recovery. High School Athletics and elective programs are essential to maintaining student interest and development in high school are not eligible categorical programs.

**Recommendation: Michigan should use a 1.25x multiplier for high school students. This would require nearly \$1.1B in additional state funding.**

### **SPECIAL EDUCATION FUNDING**

Despite increases in Special Education funding, DPSCD will still have to use \$28M from general fund to cover Special Education costs this fiscal year not covered by local, county, state or federal categorical funds. This translates into a tax on general education students of approximately \$620/student.

**Recommendation: General Education students should not bear the burden of funding programs for our special needs students. The State should fully fund school districts through the current reimbursement process but increase the reimbursement to 100% of costs not covered by local special education millage or federal funding.**

### **TRANSPORTATION FUNDING**

As Michigan moves toward closing the funding gap, we have to recognize and fund operational differences in districts, such as transportation. The state funding for basic operations through the Foundation Allowance should not be reduced because schools must offer transportation or have higher Special Needs populations. The State should reimburse districts for those costs, otherwise we are continuing to reinforce an unequal school funding system. Districts such as DPSCD, or rural districts across the State, are faced with the extra burden of paying for student transportation. In DPSCD, it costs us approximately \$575/K-8 student to provide general education transportation to and from school. This does not include the cost of homeless and special education student transportation. Special Education transportation is only reimbursed at 70% of the total expense.

**Recommendation: The State should fully fund school districts for transportation expenses (general education and special education) through a 100% reimbursement of prior year expenses.**

### **EQUITABLE SCHOOL FACILITY FUNDING**

In Michigan, districts fund school facility improvement, repair and/or new construction through local property tax millage. Unfortunately, significant differences in property values, which continue to reinforce generational inequity, continue to exacerbate stark differences in school facilities among wealthy and poor communities. As an example, Ann Arbor issued slightly more than a 2 mill tax and generated nearly a billion dollars to address their

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school facility needs. Due to the lower property values, DPSCD would have to issue 10 mill tax to generate the same billion dollars. Districts with lower property values are forced to shift funding from their state foundation allowance to address facilities or put off necessary improvements leading to increased facility deterioration.

**Recommendation: With one-time surplus funds, the State creates a pool of available funds for low property value school districts. Districts whose property values are less than the State average would be eligible to receive allocation of funds.**

In the creation of the Detroit Public Schools Community District (new District), the capital debt was secured through DPS (Detroit Public Schools) (legacy district). Residents of Detroit will continue to repay the legacy capital debt and School Loan Revolving Fund through 2042. This means the new District is unable to issue new school facility (capital) debt until 2042 unless residents of Detroit agree to be double taxed.

**DPSCD Proposal: Waive the School Loan Revolving Fund interest and allow the SLRF (School Loan Revolving Fund) debt to be repaid over 100 years, thus freeing up available capital debt mills for the new District to issue capital bonds. This would ensure residents of Detroit are not double taxed and continue to only pay a 13 mill capital millage rate.**

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