



Analysis of the Michigan House FY 2026 Education Budgets

This memo is intended to provide a high-level overview and analysis of key components of the following budget bills:

- School aid budget ([HB 4577](#))
- Community college budget ([HB 4579](#))
- Higher education budget ([HB 4580](#))
- Michigan Department of Education (MDE; [HB 4576](#))
- Michigan Lifelong Education Advancement and Potential (MiLEAP; [HB 4578](#))

All budgets are an expression of values. With divided government, budgets displaying these differences in values should be expected. The House budget, however, conveys more than just a different set of values; it is irresponsible policy. Fundamentally, the House education budget is structured to undermine the long-term viability of public education in Michigan. While the \$12,000 per pupil figure may be headline-catching, it is not realistically possible given current law and revenue levels. If the House Education budget were passed into law as written, it would violate the Michigan Constitution by allocating public dollars to private schools, create an untenable structural deficit that would necessitate approximately \$2.1 billion in cuts in FY 2027, and make the state delinquent on its debt obligations.

Unsustainable Structural Deficit

The House budget appears to pay for ongoing expenses with one-time funding, setting up a substantial structural deficit. If enacted, the budget would require approximately \$2.1 billion in funding cuts in FY 2027 (approximately \$1.5 billion in Higher Education and \$600 million in School Aid).

Table 1 summarizes information authored by the House Fiscal Agency. It displays the School Aid Fund (SAF) recurring and one-time resources as well as the appropriations to school aid, community colleges, and universities. These expenditures are categorized by whether they are one-time or recurring.

Table 1. School Aid Fund Resources, Budgeted Expenditures, and Balances

	FY 2025 Current Actual	FY 2026 House 6/11 Budget	FY 2027 House Budget Baseline
Resources			
Recurring	18,545	18,934	19,399
Onetime	781	1,536	70
Federal	2,273	2,408	2,408
Expenditures			
School Aid Ongoing	19,460	19,460	21,660
School Aid Onetime	1,184	315	0
Community College Ongoing	457	482	479
Community College Onetime	5	0	0
Higher Education Ongoing	452	422	421
Higher Education Onetime	10	1,515	0
Other	48	1,926	-100
Beginning Balance	1,258	1,240	0
Total Resources	21,599	22,878	21,877
Total Expenditure	21,616	24,119	22,459
Ending Balance	1,240	0	- 583

Source: House Fiscal Agency Analysis of SAF Balances under House 6/11 Budget

In FY 2026, the House budget appropriates all recurring and one-time resources, including the existing \$1.2 billion SAF balance. In other words, the House budget is only possible because of existing one-time funding. In FY 2027, once those one-time resources are exhausted, the baseline budget will no longer be feasible, necessitating significant funding cuts.

Debt Delinquency

Under [MCL 38.1341](#), the state is required to pay a portion of the debt (i.e., UAAL) on the educator pension system (i.e., MPSERS). The House budget only appropriates about 60% of the funding required to meet this statutory obligation (approximately \$620 million lower than necessary). At this level of funding, the state will be delinquent in its MPSERS payments, and the total liability to the state will increase. If the state's payments towards the MPSERS UAAL can be likened to a homeowner's monthly mortgage payment, the House budget proposes simply not paying the full amount.

This move to underfund the MPSERS obligation also interacts with the net transfers of funding out of the SAF (discussed in the next section). Together, they effectively redirect funding from educators' retirement accounts to pay for other priorities within and outside the Education budget.

Unconstitutional Privatization

[Article VIII, section 2](#) of Michigan’s Constitution prohibits the use of public funds to support private schools:

“...No public monies or property shall be appropriated or paid or any public credit utilized, by the legislature or any other political subdivision or agency of the state directly or indirectly to aid or maintain any private, denominational or other nonpublic, pre-elementary, elementary, or secondary school....”

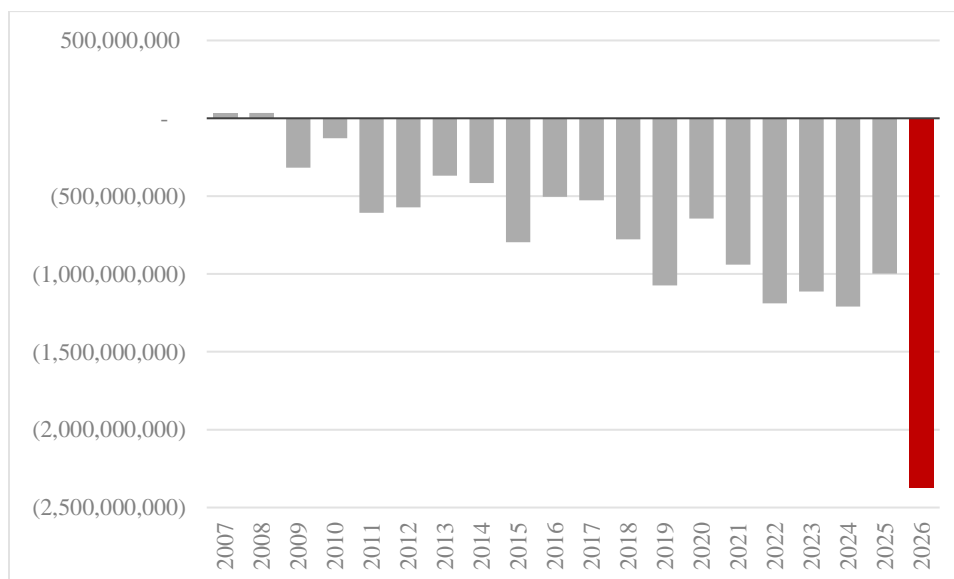
The House budget appropriates more than \$40 million to private schools in section [22f\(4\)](#). This is a clear violation of the Michigan Constitution.

Transfers out of the School Aid Fund

For nearly two decades, politicians have effectively transferred resources out of the SAF and into the General Fund (GF) to be used for purposes other than public education. The House budget increases that transfer out by 138% from less than \$1 billion to nearly \$2.4 billion.

It accomplishes this by reallocating educational appropriations, formerly funded by the GF, to the SAF (most notably, Higher Education appropriations). Specifically, the House budget reduces GF support for Higher Education by \$1.4 billion and increases SAF support by nearly \$1.5 billion. This “fund swap” effectively frees up \$1.4 billion in the GF for non-educational purposes. *Figure 1* shows the net transfer between the GF and SAF. The red bar in FY 2026 shows the impact of the House budget on net transfers out of the SAF.

Figure 1. Net Transfer from School Aid Fund to General Fund, Nominal



Replacing Programs with Per Pupil Funding

The House budget attempts to replace state programs addressing specific issues with a single per-pupil allocation (in sec. 22f). To be clear, the \$1,975 per pupil allocation in this categorical is not realistic because it is premised on underfunding state debt obligations and using onetime resources to pay for ongoing expenses (as described in previous sections).

Regardless, the strategy of “rolling up” programs (i.e., eliminating them) without consideration of differences in communities or the value of individual programs, to be replaced by a single per-pupil formula, is not good policy. A core state responsibility is to provide all students, regardless of zip code, the opportunity to receive a high-quality education.

Ignoring Community Differences

The charge of public school districts is to serve every student in the state. A key challenge to funding that important work is Michigan’s tremendous diversity of communities. The state has communities that range from large to small, from wealthy to poor, from rural to suburban, urban, sprawling, spread out, and dense. These differences have direct impacts on the cost of serving each student. Currently, Michigan attempts to modestly level the playing field by partially offsetting these cost differences.

For example, rural districts spend far more on transportation per pupil than non-rural districts. A study on [Michigan’s rural school](#) districts showed that they spent nearly \$200 more per pupil just to get students to school than their non-rural peers, thereby reducing the resources available in the classroom. Fortunately, funding under [sec. 22i](#) provides more to districts with greater transportation needs, putting rural districts on a more equal footing to their non-rural peers.

A few other programs that adjust for differences in communities are enrollment stabilization and millage equalization. The enrollment stabilization program ([sec. 29](#)) reduces swings in funding due to declines in enrollment. This funding is invaluable for small districts that tend to have greater fluctuations in pupil numbers than larger ones. Michigan’s millage equalization programs ([sec. 56](#) and [62](#)) help equalize property tax revenue for special education and career and technical education, respectively. Without these programs, property-poor communities would be at a greater disadvantage compared to wealthier and more industrialized communities.

The House budget eliminates each of the programs above.

Eliminating State Programs

The current School Aid budget includes programs that individual districts cannot or would not provide without state intervention. Specifically, programs supporting the educator pipeline, universal school meals, and career and technical education (CTE) require state policy to function.

Over the past decade, Michigan has had the largest decline in teacher preparation enrollees and completers of any state in the country. To combat this educator shortage, the state has built programs to encourage college students to pursue a degree in teaching. Specifically, the MI

Future Educators Fellowship program ([sec. 27a](#)) provides scholarships to students seeking a teaching degree, and the MI Future Educator Student Teacher Stipend ([sec. 27c](#)) pays student teachers for their work in the classroom. Additional programs to recruit and retain teachers include Grow Your Own Educator Supports ([sec. 27b](#)), Educator Talent Initiatives ([sec. 27g](#)), and Student Loan Repayment ([sec. 27k](#)). These programs would be impossible without state direction and funding.

The state is also essential in the enactment of universal school meals ([sec. 30d](#)). Without the state's direction, districts would not offer this service universally. They would likely revert to the federal free and reduced-price lunch program for students with income-eligible families.

Several state programs support CTE ([sec. 61a](#), [61b](#), [61c](#), [61d](#), [62](#)). While districts could use unrestricted dollars to support CTE programs, they typically do not. That is, at least in part, because the state has made it clear over the past two decades of accountability policy that schools should prioritize academics at the expense of other educational goals.

The House budget eliminates each of the programs above.

Community College

The House Community College budget includes a 1.2% reduction in total funding (\$5 million). Essentially, the budget retains the existing recurring funding formula and eliminates the one-time distribution for FY 2025. The impact is a reduction in state funding for each Michigan Community College ranging from 0.8 to 1.2%.

Higher Education

The House Higher Education budget includes a 2.6% reduction in total funding (\$60 million). In addition to the reduction, the revenue sources are shifted from being supported primarily by the GF to being primarily funded by the SAF (as described in the Transfers out of SAF section).

As noted in the HFA analysis of the estimated year-end balances, approximately \$1.5 billion of SAF appropriations on Higher Education are designated as one-time in the House budget. This means that the baseline Higher Education budget for FY 2027 would start with a reduction of 67%.

The distribution of funding in the House Higher Education budget is fundamentally a redistribution of state resources. The budget targets Michigan State University (MSU) and the University of Michigan Ann Arbor (UM) for steep cuts of 18.3 and 65.1%, respectively. The remaining public universities receive large state increases ranging from 23.4 to 26.3%.

Gutting MDE and MiLEAP

Following the lead of the federal administration's dismantling of the US Department of Education, the House budget slashes both state agencies in charge of overseeing public education

in Michigan. It includes a 20% cut in staff to MDE (from 574 to 456 staff FTE) and an 18% cut in staff to MiLEAP (from 343 to 281 staff FTE).

Conclusion

The House budget contains provisions that are unconstitutional, would make the state delinquent on its debt, and would effectively divert education funding to other state priorities. The large reported per pupil increase is infeasible because it is premised on unsustainable spending of one-time resources on ongoing expenses.