Three big developments in education finance occurred in the Midwest over the past few months — a major state Supreme Court ruling in Kansas, a new school-funding formula in Illinois, and a change in the retirement plans for Michigan teachers. Here is a brief look at what happened in each state.

Kansas funding system ruled unconstitutional

In early October, the Kansas Supreme Court ruled that the state’s funding of K-12 education was unconstitutional on two grounds. First, the justices say, the state’s schools are not financed at a level that provides for an “adequate education”; second, school districts and their students do not have “reasonably equal access to substantially similar educational opportunity.”

This is the fifth court decision in a case that dates back to 2010.

The most recent legislative attempt to improve the funding system was this year’s passage of SB 19, which raised state spending on schools and targeted more assistance for at-risk students. In its ruling, the Kansas Supreme Court said the legislation “arguably makes positive strides,” but still falls short of meeting equity and adequacy standards. Legislators were given until the end of April 2018 to present a funding fix to the court.

Illinois lawmakers target funding equity

Questions of adequacy and equity also have dogged Illinois legislators for years, but with the signing of SB 1947 in late August, the state has taken a historic step forward, advocates of school-funding reform say.

According to Funding Illinois’ Future (a coalition of school districts and superintendents), the state has been the “worst in the nation” on funding equity. But under the new formula, almost all new state dollars will go to high-need schools, and an “adequacy target” will be established for every school district based on its demographic profile — the greater the needs of the district’s students, the higher the funding target set by the state.

The new formula also accounts for differences in property-rich and -poor districts, with the latter expected to contribute less to overall costs. To calculate the cost of providing a quality education, the state will consider 27 evidence-based practices that are tied to student achievement.

New 401(k) plan in place for Michigan teachers

Newly hired Michigan teachers and other school employees will move to a 401(k)-style retirement plan under legislation signed into law in July. SB 401 requires a 4 percent matching contribution from local school districts as well as 3 percent match from the state (via its school aid fund), on top of a 3 percent contribution from the employee.

The new law marks the latest legislative effort in Michigan to shift public sector employees from defined-benefit plans to defined-contribution plans.

“It’s a system that has been sucking 36 to 40 percent of our local schools’ payroll just to pay the pension debt,” says Michigan House Speaker Tom Leonard, explaining the need for changes.

Under SB 401, individuals could still opt for a “hybrid” pension plan (part defined contribution, part defined benefit), with a 50-50 cost share between the employee and employer. This hybrid plan will be closed, though, if it is less than 85 percent funded for two consecutive years.
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