

COMMENTARY

Opinion: Using School Aid Fund for higher education is right for all the right reasons

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Using School Aid Fund dollars to help fund higher education is constitutional and doesn't hurt K-12 education, argues the CEO of the Michigan Association of State Universities. (Getty Images)

DH By **Dan Hurley**

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Now that the Michigan House and Senate have passed budget plans for the coming fiscal year, negotiations between the governor and legislative leaders begin in earnest.

One element that will be hashed out is the allocation of funds from the state's School Aid Fund and the General Fund to support higher education. This includes investing in our public universities, community colleges, and tens of thousands of students who receive support via the state's financial aid programs.



Dan Hurley is CEO of the Michigan Association of State Universities. (Michigan Association of State Universities)

Some argue that using School Aid Fund dollars to support higher education represents a diversion from K-12 schools and the students they serve. There is, however, an overwhelming counter-narrative that wholly supports using these dollars to support our state's entire educational pipeline.

First and foremost, supporting higher education through the School Aid Fund is unquestionably constitutional. Article IX, Section 11 clearly states that the School Aid Fund "shall be used exclusively for aid to school districts,

higher education, and school employees' retirement systems, as provided by law." The inclusion of higher education dates to the 1963 Constitution and was retained during the sweeping reforms of Proposal A in 1994. At no point did voters remove or restrict higher education from eligible SAF uses.

Public debate often characterizes SAF support for higher education as a raid on K-12 funding, however, a recent Citizens Research Council of Michigan report demonstrates that the relationship between the SAF and the General Fund is far more complex and reciprocal than a supposed one-way transfer. In fact, for all practical purposes, General Fund dollars hold the SAF harmless.

Multiple tax policy changes over the past two decades have required the General Fund to absorb revenue losses that otherwise would have reduced SAF resources. Collectively, these provisions are estimated to total approximately \$740 million in FY2026 and nearly \$900 million in FY2027. Notably, the fiscal 2027 estimate

approaches 70 percent of the total \$1.3 billion SAF appropriation currently being allocated to higher education.

Indeed, SAF support for higher education is longstanding, structural and bipartisan. SAF dollars have supported community colleges since fiscal year 2010 and public universities since 2012. Already, 100% of community college funding and more than one-third of university funding comes from the SAF — decisions made under both Democratic and Republican governors and legislatures. The use of SAF dollars for higher education is no longer temporary; it is a structural feature of Michigan's modern budget architecture.

We should also acknowledge that Michigan's education system is a continuum from K-12 to college to career. Our state's Constitution recognizes that K-12 schools, community colleges, and public universities are part of a single pipeline.

Investing SAF dollars throughout this continuum strengthens workforce development, improves college affordability, increases degree attainment, and enhances Michigan's economic competitiveness. As demand for workers with postsecondary credentials continues to rise, ensuring affordability and access to Michigan's public colleges and universities is essential to the state's future prosperity.

Our K-12 schools and postsecondary institutions share a common goal: to provide our children and young adults with a high-quality education to prepare them for productive lives in a global economy. The teamwork involved in this pursuit is omnipresent. The education colleges within Michigan's public universities conduct education research, prepare and support K-12 teachers to improve educational outcomes, and equip K-12 administrative leaders. They are deeply committed to working with all stakeholders to advance the state's agenda to improve youth reading and math literacy.

In short, strategic use of School Aid Fund dollars protects students and the state budget. Michigan faces significant budget pressures in FY2027, including downward revenue revisions, the fiscal impact of a \$2 billion transportation package, and changes in federal healthcare and other safety net programs.

Policymakers must use all constitutionally appropriate tools to navigate this environment. Because many of these pressures fall on the General Fund, responsible use of SAF dollars protects record levels of K-12 funding, preserves higher education affordability, frees up General Fund dollars for other state priorities, and helps to maintain balanced budgets.

We also know that state investment in public universities delivers strong economic returns. Michigan's 15 public universities generate nearly \$45 billion in annual net economic activity (a 28x return on the state's annual investment), support more than 129,000 jobs, and generate over \$7 billion in annual tax revenues. This powerful return on state investment underscores the value of allocating SAF dollars in support of our state's public universities.

A prosperous Michigan requires adequate funding of both K-12 and higher education. Using School Aid Fund dollars to support this mission should not be controversial. It's the right thing to do for all the right reasons.

Daniel Hurley is CEO of the Michigan Association of State Universities.