

SPECIAL EDUCATION FUNDING IN MICHIGAN

EXAMINING THE SHORTFALL



LT. GOVERNOR CALLEY'S SPECIAL EDUCATION REFORM TASK FORCE

- A subcommittee was formed and began working the Spring of 2017.
- We were tasked with examining special education funding system within Michigan (as well as other states), quantifying the shortfall, and identifying areas in need of investment
- The subcommittee released our findings in the Fall of 2017
- The data reflect 2015-2016 numbers
- It is a simple balance sheet with complex numbers

SPECIAL EDUCATION BALANCE SHEET

Recap of 2015-2016 Special Education Revenues & Expenses - Statewide

Revenues

Federal Sources	
IDEA grant allocations to ISD's	363,660,297
Medicaid funds passed to districts	109,993,663
	473,653,960
State Revenues	
Section 51a2 – 263,500,000 – foundation allowance	263,500,000
Section 51a3 – 1,000,000 – special ed hold harmless	1,000,000
Section 51a6 – 2,200,000 – headless rule claims	2,200,000
Section 51a11 – 3,800,000 – section 53 foundation	3,800,000
Section 51c – 624,800,000 – Durant percentages	624,800,000
Sec. 56 Millage Equalization	37,758,100
Sec. 53 Foundation	10,500,000
	943,558,100
Local revenues	
ISD Special Education Millages	959,099,355
Total funds available for Special Education	2,376,311,435

Expenditures

SE-4096 Costs - Section 52 *	2,455,902,245
SE-4096 Costs - Section 53 *	13,359,412
SE-4094 Costs *	235,658,772
Federal Grant	363,660,297
Total Special Education Expenses	3,068,580,726
Unfunded Special Education costs	(692,269,291)

* - The SE-4094 & 4096 costs shown above are the 2015-16 costs taken from the 8/21/17 State Aid Status Report

Note - Some of the SE-4096 benefit costs shown above are reimbursed separately under Section 147c and a portion of Section 81 of School Aid. The amount of these funds that would be attributed to the SE-4096 costs shown above is indeterminate at this time and therefore is not included in the revenue sources shown above. These amounts would reduce the amount of Unfunded Special Education costs shown above accordingly.

Related Data

% of Special Education costs covered	77.4%
Statewide Membership	1,506,974
Unfunded costs/pupil	459
Statewide Section 52 FTE	60,209
Unfunded costs/S.E. FTE	11,498

FEDERAL REVENUES

- Federal sources include IDEA Grant allocations to local districts (\$363,660,297) and Medicaid funds passed to local districts (\$109,993,683)
- These total \$473,653,980
- When IDEA was created by Congress in 1975, they pledged to fund 40% of the excess cost of providing special education and related services
- Currently provide approximately 15%

STATE REVENUES

- Section 51a2 (\$263,500,000)- Section 51a(2) of the State School Aid Act is for the reimbursement of districts and intermediate districts for the foundation allowance. The foundation allowance is calculated by multiplying the district's special education pupil membership times the foundation allowance of the pupil's district of residence.
- Section 51a3 (\$1,000,000)- Section 51a(3) of the State School Aid Act is commonly referred to as the special education hold harmless guarantee. The “hold harmless” payments guarantee that districts’ or intermediate districts’ special education funding doesn’t fall below their 1997 levels.

STATE REVENUES

- Section 51a6 (\$2,200,000)- Section 51a(6) of the State School Aid Act reimburses districts and ISDs 100% of the net increase in necessary costs incurred by a district or ISD in implementing the revisions in the Michigan Administrative Rules for Special Education that became effective on July 1, 1987.
- Section 51a11 (\$3,800,000)- Section 51a(11) of the State School Aid Act pays the foundation allowances for Section 53a pupils; non-special education pupils counted in membership and served by an ISD in a juvenile detention or child caring facility; and pupils with an emotional impairment counted in membership by an ISD and provided educational services by the department of health and human services (DHHS).

STATE REVENUES

- Section 51c (\$624,800,000)- Section 51c of State School Aid Act is commonly referred to as the special education Headless obligation payment. This section satisfies the state's Headlee funding obligation for special education and special education transportation as determined by the 1997 ruling in *Durant v State of Michigan*, 456 Mich 175. This section reimburses districts for 28.6138% of total approved costs of special education excluding costs reimbursed under Section 53a, and 70.4165% of total approved costs of special education transportation.

STATE REVENUES

- Section 56 (\$37,758,100)- Section 56 of the State School Aid Act reimburses intermediate districts levying millages for special education. The purpose of the reimbursement is to supplement ISD millage revenues providing lower-funded ISDs with extra funds. ISDs receive greater payments for having less valuable property to tax and higher local tax rates.
- Section 53 (\$10,500,000)- Section 53a of the State School Aid Act reimburses districts for 100% of the total approved costs of operating special education programs and services for Section 53a pupils, minus the district's Section 51a(11) foundation allowance that is associated to Section 53a pupils.

STATE REVENUES

- Total state revenues amount to \$943,558,100
- Federal revenues were \$473,653,980

LOCAL REVENUES

- ISD special education millages: ISDs levy special education millages to pay for the special education services they provide directly or that they pay other school districts to provide. There is a cap on what ISDs can levy for their special education millage — it cannot exceed 1.75 times their 1993 rate, as approved by local residents.
- All ISDs have different taxable and different millage rates- this creates tremendous inequities
- Total Local Revenues from all 56 ISDs amount to \$959,099,355

DIFFERENCES IN ISDS LEADING TO INEQUITY

Recap of 2015-2016 Local Millage Information - Michigan ISD's

<u>Description</u>	<u>Statewide</u>			
	<u>Average</u>	<u>Median</u>	<u>High</u>	<u>Low</u>
Membership	26,611	10,672	275,029	2,231
Taxable Value	5,805,693,978	2,655,932,430	51,508,412,204	680,582,655
T.V. per pupil	218,173.05	233,290	578,036	138,036
Special Education				
Millage	2.9500	2.4958	6.2764	0.6329
Levy	17,126,774	7,287,707	135,241,893	986,848
Levy / pupil	641	579	1,725	162
Unfunded costs/pupil	459	505	(22)	1,099
% of S.E. Costs funded	77.4%	73.4%	100.8%	50.8%

Note - The amounts listed in the High and Low columns above do not relate to only one ISD in each column. Each amount listed in those columns consists of the ISD that is the high or low for that individual line item.

TOTAL REVENUES

- **Total Revenue amount is \$2,376,311,435**
- Local revenues were \$959,099,355
- State revenues were \$943,558,100
- Federal revenues were \$473,653,980

EXPENDITURES

- Section 52 (\$2,455,9032,245) SE-4096 Costs – Total reported Section 52 special education expenditures. Only districts and intermediate districts with reported Section 52 special education pupils are allowed reimbursement of Section 52 allowable special education costs. Districts and intermediate districts report Section 52 expenditures on the SE-4096 special education actual cost report.
- Section 53a (\$13,359,412) SE-4096 Costs – Total reported Section 53a special education expenditures. Only districts and intermediate districts with reported Section 53a special education pupils are allowed reimbursement of Section 53a allowable special education costs. Districts and intermediate districts report Section 53a expenditures on the SE-4096 special education actual cost report.

EXPENDITURES

- Section 52 Transportation (\$235,658,772) SE-4094 Costs- Total reported Section 52 special education transportation expenditures. Each district and intermediate district with allowable transportation costs submits an SE-4094 transportation expenditure report. Only Section 52 and Section 53a transportation costs are reimbursed by the state.
- IDEA Federal Grant (\$363,660,297)- Total expenditures from IDEA, Part B, Special Education Flowthrough and Preschool grants. ISDs, as the subrecipients of the two grants, submit a final expenditure report at the end of each grant award.

TOTAL EXPENDITURES

- Total expenditure amount is \$3,068,580,297

TOTAL SHORTFALL

- Total expenditure amount is \$3,068,580,297
- Total revenue amount is \$2,376,311,435
- **Shortfall amounts to \$692,269,291**

WHAT DOES THIS MEAN?

- Special education is being funded at 77.4%
- Approximately 23% is unfunded
- These funds have to come from somewhere- they come from the general funds of school districts. This, too, is an equity issue.
- On average, \$459 dollars of every foundation is used to cover the shortfall
- Based on the special education FTE count of 60,209, we are underfunding by \$11,498 per special education FTE

QUESTIONS?
