

FISCAL SNAPSHOT

SPECIAL EDUCATION FUNDING

Date: January 2023

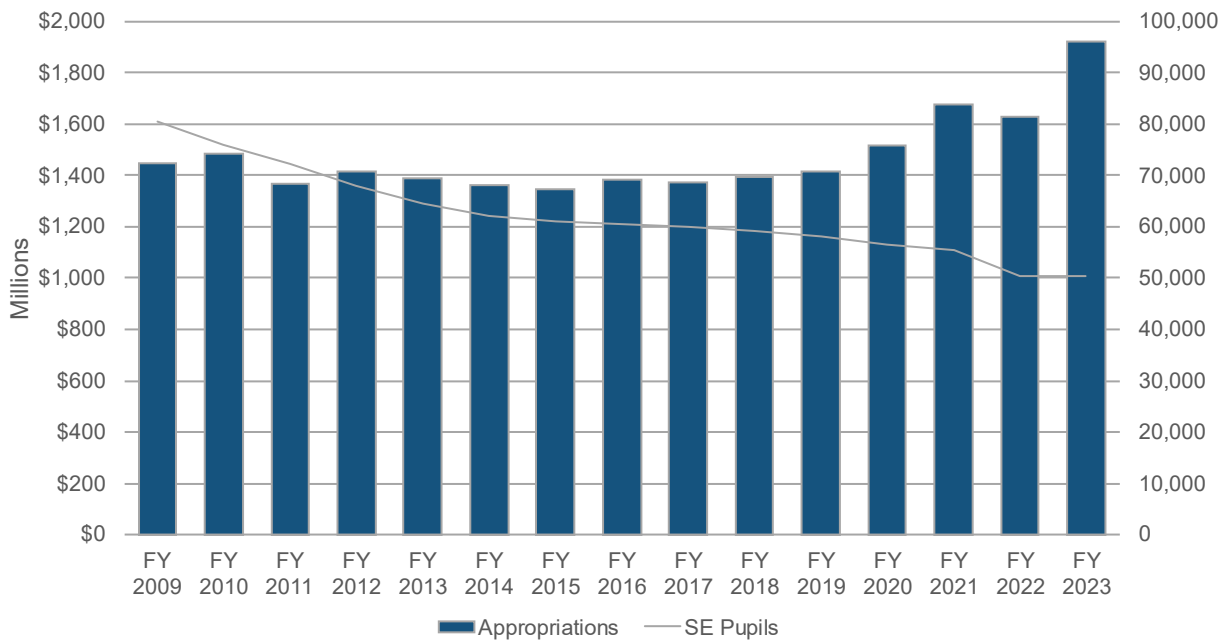
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Summary

Special education funding in Michigan comes from federal, state, and local sources and supports programs, services, and personnel for students with disabilities.

The state’s FY 2022-23 School Aid budget includes \$1.5 billion in state funding and \$461.0 million in federal funding for special education. It is estimated that local special education millages at the intermediate school district (ISD) level will generate an additional \$1.2 billion for FY 2022-23 outside of the state appropriations process. Special education pupils total just over 50,000 in FY 2022-23, a slight increase after the COVID-19 pandemic resulted in a drop of about 5,000 special education pupils in FY 2021-22.

Special Education Appropriations: 15-Year History



Uncompensated Special Education Costs

Historically, combined federal, state, and local funding has not fully reimbursed districts’ and ISDs’ total special education costs. In FY 2020-21, the most recent year for which data is available, uncompensated special education costs equaled an estimated \$655.0 million statewide. Federal law¹ requires 100% of these costs to be covered; therefore, districts and ISDs must use other operational funding (such as general education pupils’ foundation allowances) to make up the difference.

Durant v State of Michigan

In 1997, the Michigan Supreme Court ruled in *Durant v State of Michigan* that the state was funding special education and special education transportation below the amount mandated by the 1978 Headlee Amendment. Specifically, *Durant* established a requirement that the state fund 28.6138% of total approved costs of special education and 70.4165% of total approved costs of special education transportation. These reimbursements make up a majority of state special education funding.

¹ The federal Individuals with Disabilities Education Act (IDEA) guarantees all students with a disability (i.e., students with an individualized education program, or IEP) a free and appropriate education in the least restrictive environment.

Prior to FY 2022-23, the foundation allowance received for a special education pupil was used toward fulfilling the *Durant*-required percentages. Therefore, if a pupil’s total special education costs did not exceed the district’s foundation allowance, that district would receive no additional funding beyond the foundation allowance for that pupil.

FY 2022-23 Funding Formula Revision

In an effort to increase compensation for special education costs, the funding formula was revised beginning in FY 2022-23 so that 75% (rather than 0%) of a special education pupil’s foundation allowance would be paid separately from the *Durant* percentages. The legislative intent is to increase this percentage to 100% in future fiscal years, which would provide full funding for foundation allowances and the *Durant* percentages as separate allocations.

Pupil A: \$5,000 <i>Durant</i> Cost Requirement		
	Before Revision	After Revision
Foundation Allowance	\$9,150	\$9,150
<i>Amount of Durant Costs Paid under Foundation</i>	\$5,000	\$1,250
Additional <i>Durant</i> Payment	\$0	\$3,750
Total District Payment	\$9,150	\$12,900

Pupil B: \$10,000 <i>Durant</i> Cost Requirement		
	Before Revision	After Revision
Foundation Allowance	\$9,150	\$9,150
<i>Amount of Durant Costs Paid under Foundation</i>	\$9,150	\$2,500
Additional <i>Durant</i> Payment	\$850	\$7,500
Total District Payment	\$10,000	\$16,650