1. Detroit has a relatively large proportion of students requiring special education services – as measured by the proportion of students with Individual Education Plans (IEPs). The proportion of students receiving special education services is greater in Detroit than the typical Michigan school district. More importantly, this proportion has been increasing in Detroit while the proportion in the state has decreased from 2004 to 2014. Some have attributed this decrease to the financial disincentives associated with providing a student with an IEP. This financial disincentive is likely to be greater in poorer districts. The graph to the right indicated that the number of (full-time equivalent) students in Michigan and Wayne ISD has decreased slightly across years but the decrease in Detroit has been much more dramatic (141,148 in 2004 to 47,160 in 2014). (Figures for Wayne ISD excludes Detroit and figures for Michigan excludes Wayne ISD.)

2. Relative to other Michigan districts, Detroit students with IEPs often receive relatively expensive special education services due to their more extensive needs. This also applies for students who attend other local districts that belong to the Wayne ISD. Special Education expenditures per IEP are almost 50% more in Detroit than in the typical Michigan District and almost double than in other Wayne ISD districts. This is the case even though the proportion of students with IEPs is much greater in Detroit. In terms of special education expenditures per total FTEs (general plus special education FTEs), the difference between Detroit and other Michigan districts is even greater than per IEP because of the larger proportion of special need students in Detroit. (Figures for Wayne ISD excludes Detroit and figures for Michigan excludes Wayne ISD.)
Michigan’s special education funding structure results in local districts obtaining a significant portion of their special education funding from their Intermediate School District’s (ISD) property tax millage. Due to differing tax bases and special education millage rates, the amount received of the local property tax millage by the local school districts varies significantly across local districts and ISDs.

Tax base per IEP and per Total FTE is much less for Wayne ISD than for Michigan and much less for Detroit than for Wayne ISD and Michigan. The important comparison is between Wayne ISD and Michigan because property wealthy districts in Wayne ISD could theoretically fund the special education expenditures in Detroit. Unfortunately, the other districts in Wayne ISD are not property wealthy districts. While the Wayne ISD special education millage rate is significantly greater than average in Michigan, the lower tax base per IEP/FTE results in special education tax revenue per IEP and per total FTE to be much less in Wayne ISD than in the rest of Michigan.
(Figures for Wayne ISD includes Detroit and figures for Michigan includes Wayne ISD.)
4. For many local districts like Detroit, with a large proportion of high need, special education students and a relatively small county tax base, significant levels of unrestricted/general funds are used to pay for special education expenditures.

The Durant decision requires the State of Michigan to reimburse districts for special education expenses at a rate of .28 cents on every dollar spent on special education services and .70 cents on every dollar spent on special education transportation. (This reimbursement excludes those services funded by the federal government which account for slightly over 10% of special education expenditures.) Because of the significant differences in the amount of tax revenue collected from the ISD special education millage, the amount of unrestricted funds per IEP is twice as much for Detroit as for other Michigan school districts. This difference between Detroit and the rest of Michigan is even greater for unrestricted funds per total FTE because of Detroit’s high proportion of students with IEPs.

(Figures for Wayne ISD includes Detroit and figures for Michigan includes Wayne ISD.)

5. Even if a referenda was passed that increased Wayne’s special education millage from the current 3.37 to the cap of 3.50, the local districts like Detroit would still have to use significant amounts of unrestricted funds to pay for special education services.

The graph above indicates that Wayne ISD would have to increase its special education millage to approximately 8 in order to raise enough revenue to not have its local districts to use unrestricted funds for special education expenditures. This is much greater than Wayne’s special education millage cap of 3.5.

(Figures for Wayne ISD includes Detroit and figures for Michigan includes Wayne ISD.)
Notes:

1) Financial numbers are in real terms (not nominal).
2) Inkster school district has missing information from 2013 and 2014 so I just assumed it was the same as in 2012.
3) Dearborn Heights has missing information from 2005-2009 so I just interpolated the numbers using the 2004 and 2010 information for Dearborn Heights.
4) Lincoln Park had missing information in 2012 so just interpolated the numbers using the 2011 and 2013 information for Lincoln Park.
5) Highland Park was not around in 2013 and 2014.
6) Obtaining precise numbers instead of interpolated and “filling in data”, as done in Notes 2, 3 and 4, would not change graphs appreciably.