

The Facts and Issues Concerning Funding Special Education Programs in Michigan

Children with special needs both deserve and have a right to have those needs met. Unfortunately, Michigan’s system for funding special education services is so inadequate that most districts must take revenues from their general education budget to provide special education services, even though services for children with disabilities may not always meet best-practice standard given financial constraints. This has created a significant problem in the Detroit Public School Community District which is diverting \$40 million annually from its general fund to special education services

Our effort is focused on how Michigan’s ***funding*** of special education impacts ***all programs and services***. We do not in any way want to pit special education programs against regular education programs. Instead, we must address the state’s broken system of special education funding in order to meet the educational needs of all students.

What are the legal requirements for providing services to students with disabilities?

Landmark federal legislation passed in 1975 ensures students with disabilities are provided a “free and appropriate” education that is tailored to meet their individual needs. The law, known as IDEA, was established to assure children with disabilities have the same opportunities for an education as those students that do not have a disability.

Further, all states establish their own rules for determining eligibility and these rules create the basis for the programs and services that are required to be provided and the costs that will relate to them.

The Michigan Administrative Rules for Special Education (MARSE) define the eligibility criteria in Michigan. These state rules also include a requirement that each county intermediate school system have a plan to outline how required special education programs and services are provided.

Program rules outlined in MARSE and the county plans include the type of service a student is eligible for (i.e. social work, speech, occupational therapy, etc.). The rules also outline things such as limits on caseloads and class size for staff who service a special education population, and other required costs.

Thus, school districts and charter schools are required to provide children with special needs the programs and services based on the rules outlined in federal law, state rules and the county plans regardless of the funds that are given to them.

How are special education services funded?

The federal government provides funding to cover slightly over 10% of the cost of federally mandated special education programs through grants and Medicaid reimbursement. Each state designs its own system for funding the remaining special education costs. These funding arrangements vary considerably by state. Michigan reimburses districts and charter schools for only 28% of their spending on mandated special education services. This means that the remaining 60% of special education costs must be covered at the local level, either by local districts and charter schools or their intermediate school districts.

Since the passage of Proposal A in 1994, Michigan’s local school districts have been constrained from levying additional property tax millages to fund school operations. So additional revenue to cover

special education services must come either from an intermediate school district (ISD) property tax millage, or from the local district's regular education budget.

This creates vast inequalities across districts for two basic reasons.

- First, ISDs vary dramatically in their ability to pay for special education services, due to variations in the value of their property tax bases. One mill of property tax in a given ISD might generate three or four times the per-pupil revenue in a less wealthy ISD. In addition, ISD millage rates are capped by the state, but this cap varies across ISDs because it is set arbitrarily at an ISD's 1994 millage rate.
- Second, local districts vary in the share students who require special education services. The incidence of some disabilities is higher among children from low-income families. In addition, since the share of students with disabilities tends to be much lower in charter schools, this increases the share of students with disabilities in districts with high concentrations of charters considerably.

All across Michigan, districts are devoting general education revenues to pay for special education costs. But in districts with small ISD property tax bases or high rates of students with disabilities the diversion of regular education dollars to fund special education services is especially great.

How do these circumstances impact the Detroit Public School Community District?

DPSCD with a relatively small county tax base and high concentration of high-need, special education students is forced to devote \$40 million annually to special education services, a huge burden on its local budget. The current millage in Wayne County is 3.37, while the cap is 3.50, so DPSCD has no choice but to use significant amounts of unrestricted funds to pay for special education services.

Special Education expenditures per each child's individualized educational plans (IEP's) are almost 50% more in Detroit than in the typical Michigan District and almost double than in other Wayne ISD districts.

Note the following facts:

Special Education tax revenue per student collected in Wayne County \$467

Special Education tax revenue per student collected statewide \$611

Percentage of students in DPSCD who qualify for special education services 18 %

Percentage of students in Wayne County Charter Schools who qualify for S.E. services 9 %

Percentage of students statewide who qualify for special education services 13 %

An Example of how a school system that has more students with disabilities may have a negative impact on its over-all budget?

One elementary school has 10 students who are required to have speech services under special education requirements. This school has to hire a teacher 1 day per week to serve these students. The annual cost is \$20,000. Since state, federal and county special education dollars will cover about \$8,000

of this cost, the local school district will have to come up with the other \$12,000 from its general education resources to assure these required services are provided.

Another elementary school has 40 students who are required to have speech services under special education guidelines. This school has to hire a teacher 4 days a week to serve these students. The cost is \$80,000. Since state, federal and county special education dollars will cover about \$32,000 of this cost, the local school district will have to come up with the other \$48,000 from its general education resources to assure these required services are provided.

School districts with more students with disabilities are disproportionately impacted, whenever state, federal and county special education dollars do not cover all of the costs.

An example of how a local school district budget is impacted by special education costs

Total costs for special education services to meet federal, state, and county plan requirements (teachers, ancillary staff, facilities, etc..) \$10,000,000

Revenues provided to pay for these costs:

State (28%, as required by law) \$2,800,000

Federal funding (about \$1,800 per student) \$800,000

Shortfall – must be picked up by the local district’s general education dollars \$6,400,000

SUMMARY

- Federal law has established a requirement to provide a free and appropriate education for students with disabilities.
- State rules outline which students are eligible for services and what services will receive.
- Each county ISD has a special education plan that outlines how these services will be provided.
- These programs and services are funded through a mixture of federal, state and county dollars.
- School systems MUST provide these services under the state rules and county plans, whether the funding provided from federal, county and state dollars cover all of the costs. The programs are NOT based on how much money is available, but rather what is required through federal law, state rules and county plans.
- Most Michigan districts do not receive enough federal, state, and county dollars to cover their mandated special education costs. They must use general education funds to cover the shortfall, putting added stress on their budgets, and their programs for all students
- School systems that serve a larger proportion of students with disabilities, and/or have fewer county dollars – are harder hit by these funding realities
- The current funding system creates a financial disincentive for all schools (district and charters) to serve students with disabilities. We should instead create incentives for schools to compete for and effectively serve students with disabilities.

IMPORTANT FACTS ABOUT SPECIAL EDUCATION FUNDING

- The average cost to serve a full time special education student statewide is approximately \$40,000. This cost is higher in poorer communities.

- In 2010, statewide, revenues fell short of special education expenditures by \$655 million. This equals about \$400 per student shortfall on all students in the state.
- In 2016, DPSCD had a shortfall of approximately \$1,000 per student, more than double the state average. Including transportation, this was a shortfall of approximately \$40 million.

Local districts cannot raise local taxes to pay for these costs. The ability to pay for them through ISD special education tax levies varies greatly depending on a county's property tax base.

- 1 mil property tax in Wayne County generates \$147 per student. The statewide average collection is \$219 per student. In Washtenaw County, it is \$316 per student.
- If DPSCD had just the average property tax collection for special education programs, it could possibly reduce its shortfall in special education funding from \$40 million to \$30 million.

The state's school choice policies impact both the share of students with disabilities and the severity and of those disabilities in district schools, increasing the financial burden for some school systems.

- In 18% of DPSCD students received special education services. By comparison, the rate in Wayne County Charter schools is 9%
- Charter schools also tend to serve students with less serious and costly disabilities, increasing their concentration in district schools. In 2015-16, 10% of DPSCD students were identified with autism, and 18% were cognitively impaired. The corresponding numbers for charter schools: 1% autism; 3.7% cognitively impaired.
- Special education students in charter schools tended to have less expensive disabilities. In 2015-16, students with learning disabilities or speech impairment represented 65% of Wayne County charter schools special education students, but only 48% of DPSCD's students were identified with these disabilities.
- Wayne County Charter schools devote about \$302 per student of regular education funding to special education. DPSCD subsidizes the funding shortfall by \$1,076 per student.
- If the share of DPSCD's students with disabilities equaled the state average, its general fund burden would decline by \$20 million.