

Accounting for Special Education Programs

April 2026

Michigan Department of Education Office of Special Education



Overview

- What is Special Education Accounting?
- General Information
- Local Funding
- State Aid Funding
- Contact Information

What is Special Education Accounting?

Fiscal requirements for:

- Intermediate School Districts (ISDs)
- Local Education Agencies (LEAs)
- Public School Academies (PSAs)

To support students with disabilities, as well as students suspected of having a disability.

General Information

Special Education Rules and Regulations

- Federal
 - Individuals with Disabilities Education Act (IDEA)
 - Uniform Guidance (UG) for Federal Financial Assistance
- State
 - Michigan Revised School Code
 - Michigan State School Aid Act of 1979
 - Michigan Administrative Rules for Special Education (MARSE)
 - Michigan Department of Education (MDE) Office of Special Education (OSE) Allowable Cost Documents
 - Michigan Public School Accounting Manual
- Local
 - ISD Special Education Plan

IDEA & MARSE

IDEA

- Federal requirements that apply to all states
 - Statutes
 - Regulations

MARSE

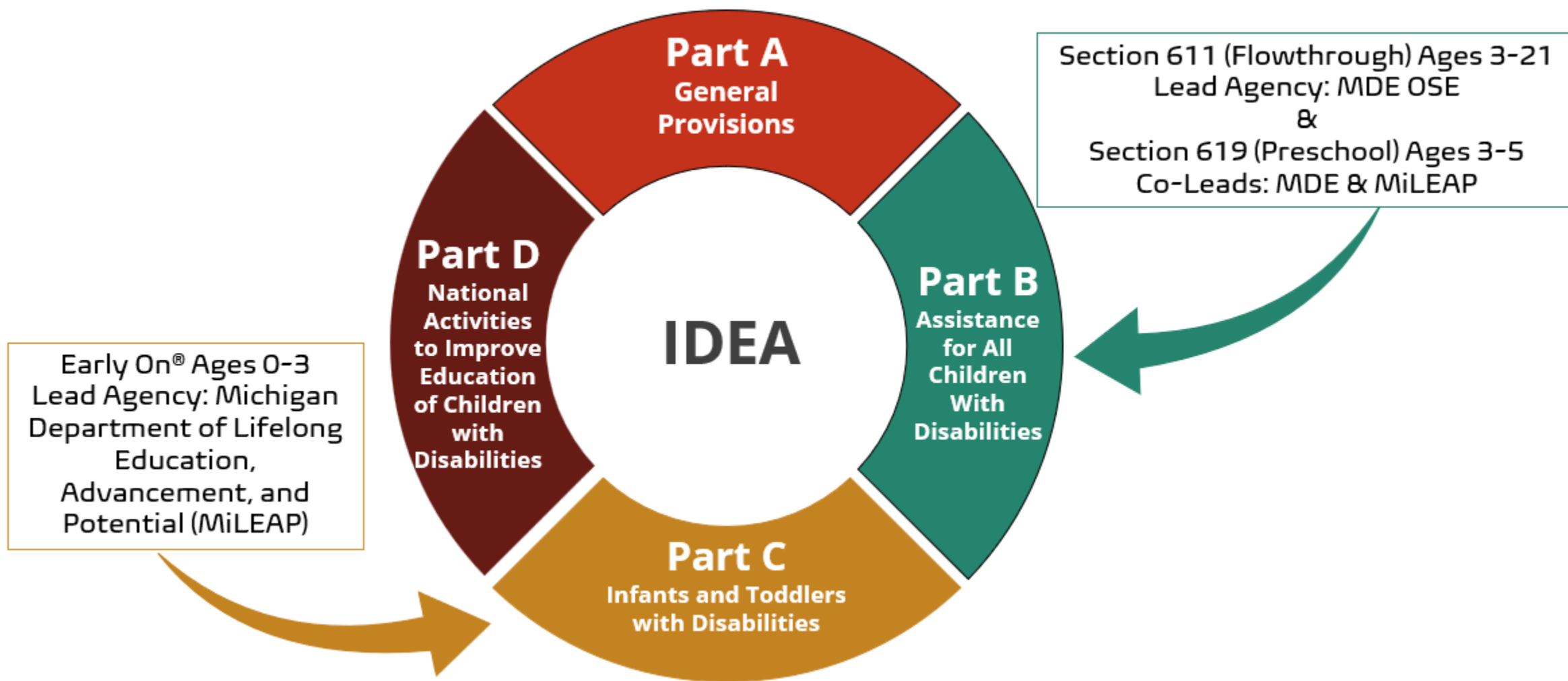
- State requirements
- Helps districts understand Michigan rules in the context of the IDEA
- Michigan's way of implementing the IDEA

IDEA

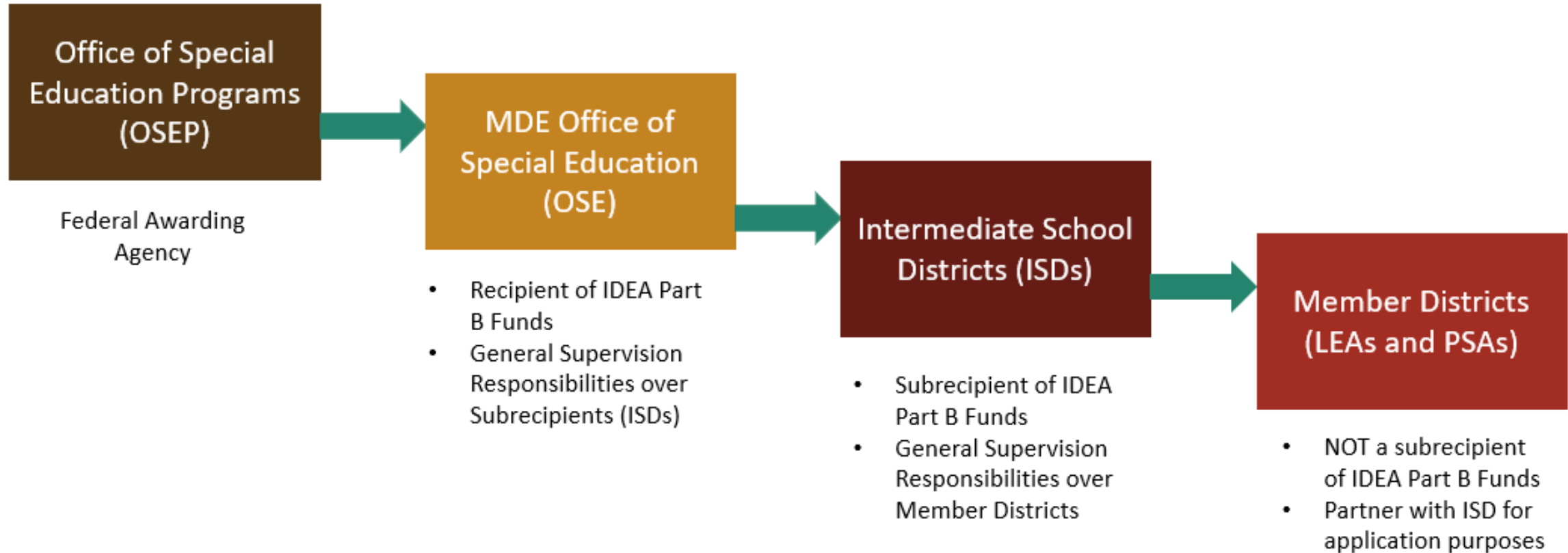
The IDEA is a federal civil rights law that ensures eligible children with disabilities receive a free appropriate public education (FAPE) in the least restrictive environment (LRE).

- FAPE – Special Education and related services provided by the public school system as described in a child’s individualized education program (IEP) and at no cost to parents.
- LRE – Students with disabilities are educated, to the maximum extent appropriate, alongside their nondisabled peers, while still meeting their unique educational needs.

IDEA (Continued)



Federal Award Hierarchy of IDEA Part B Funds



MARSE

[MARSE](#) includes the full list of Michigan Special Education rules and pairs each rule with relevant regulations from the IDEA.

- Part 1: General Provisions MARSE Rules 340.1701–340.1717
- Part 2: Initial Evaluation, Timelines, Individualized Education Program, District Responsibilities, and Due Process Procedures MARSE Rules 340.1721 – 340.1725f
- **Part 3: Administration of Programs and Services MARSE Rules 340.1732 – 340.1758**
- **Part 4: Qualifications of Directors and Supervisors MARSE Rules 340.1771 – 340.1774**

MARSE (Continued)

- **Part 5: Qualifications of Teachers and Other Personnel
MARSE Rules 340.1781 – 340.1799g**
- **Part 6: Financing MARSE Rules 340.1801 – 340.1812**
- Part 7: Development and Submission of Intermediate School Districts' Plans and Monitoring MARSE Rules 340.1831 – 340.1839
- Part 8: State Complaints MARSE Rules 340.1851 – 340.1855
- Part 9: Records and Confidentiality MARSE Rule 340.1861
- Part 10: Birth to Three MARSE Rule 340.1862

MARSE Rules Under Part 6 - Financing

- R 340.1801 Source of Funds
- R 340.1802 Use of Funds
- R 340.1803 Building or Purchasing Facilities
- R 340.1808 Reporting Costs
- R 340.1809 State Aid to Operating School Districts
- R 340.1810 Reimbursement of Special Education Transportation
- **R 340.1811 Distribution of intermediate millage to ISD, its constituent local school districts, and public school academies**
- **R 340.1812 ISDs Use of Special Education Millage**

Uniform Guidance for Federal Financial Assistance

- Serves as a framework for federal grant management
 - Superseded by statute in cases of conflict
- [2 CFR 200](#) – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
 - **Subpart A – Acronyms and Definitions**
 - Subpart B – General Provisions
 - Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards
 - Subpart D – Post Federal Award Requirements
 - **Subpart E – Cost Principles**
 - **Subpart F - Audit Requirements**

Revised School Code & State School Aid Act

Michigan Revised School Code

- Program focus
- Focuses on rules and regulations governing day to day operations of Michigan schools

Michigan State School Aid Act

- Fiscal Focus
- Outlines how state funding is allocated to Michigan schools

Michigan Revised School Code

[The Revised School Code](#) lays out the framework for how ISDs, LEAs, PSAs, and other public school entities in Michigan are to be managed, funded, and regulated at the state level.

- Article 1: Defines and governs the types and powers of schools and districts authorized by law in Michigan
- Article 2: Defines powers of education boards, local taxation, personnel certification, student attendance requirements and other items
- **Article 3: Contains provisions relating to special education programs and services**
- Article 4: Contains penalties for violations and the Code and other miscellaneous provisions

Michigan State School Aid Act of 1979

[The State School Aid Act](#) makes appropriations to aid in the support of ISDs, LEAs, PSAs, and other public school entities in Michigan.

- **Article 1: State Aid to Public Schools, Early Childhood, and Adult Education**
- Article 2: State Aid to Community Colleges
- Article 3: State Aid for Universities and Student Financial Aid
- Article 4: General Provisions

ISD Special Education Plan

- [Section 380.1711\(1\)\(a\)](#) of the Revised School Code requires each ISD school board to develop and maintain an ISD plan for the delivery of special education programs and services.
- Documents information outlining the delivery system of special education programs and services within the ISD and each LEA, including PSAs.
- All revisions must be approved by MDE
- [Part 7](#) of MARSE Rules articulates Development and Submission of ISD Plans and Monitoring.

ISD Special Education Plan (Continued)

Required Sections:

- Section I. Public Awareness and Child Find
- Section II. Diagnostic and Related Services
- Section III. Special Education Programs and Services
- Section IV. Paraprofessional Qualifications
- Section V. Transportation
- **Section VI. Millage Fund Distribution**
- Section VII. Parent Advisory Committee (PAC)
- Section VIII. Surrogate Parents

Special Education Allowable Costs

- Total approved costs of special education programs and services
 - Salary, benefits, and purchased services staff expenditures for **approved special education personnel**
 - Purchased services non staff, supplies, capital outlay, and other expenditures used in the provision of special education programs and services
- [State Aid & IDEA Part B, Section 611 Allowable Costs](#)
 - First stop to determine cost allowability
 - Supplements MARSE Rules
 - Lists examples of items approved as direct costs, but not all encompassing

Allowable Cost Requirements

- [UG 2 CFR §200.403 Factors affecting allowability of costs](#)
- Expenditures must be:
 - **Necessary** to provide special education and related services to students with disabilities,
 - **Reasonable** if, in their nature and amount, it does not exceed that which a prudent person would incur to provide special education and related services to students with disabilities,
 - **Allocable** or assignable to the benefit of students with disabilities, and
 - **Adequately documented** and clearly related to providing special education and related services to students with disabilities.

Special Education Allowable Cost Clarifications

- Special Education Approved Personnel
 - Must be properly credentialed based on criteria in MARSE rules, MDE OSE personnel approval requirements, or approved by MDE in the ISD's special education plan.
 - [MARSE Rules Part 4: Qualifications of Directors and Supervisors](#)
 - [MARSE Rules Part 5: Qualifications of Teachers and Other Personnel](#)
 - [MDE Special Education Personnel Approvals Webpage](#)

Special Education Allowable Cost Clarifications - 2

- State or federal reimbursement for special education personnel not included in the [State Aid & IDEA Part B, Section 611 Allowable Costs](#) document may be considered unallowable without another form of approval from MDE.
 - ISD's Special Education Plan.
 - Prior approval request.
 - [Special Education Prior Approval Request Form](#)

Special Education Allowable Cost Clarifications - 3

- Assistive Technology
 - Allowable if written into student's IEP.
- Supervision and Direction of Instructional Staff
 - Special Education Supervisor/Director Approval Required
 - Must meet FTE requirements in MARSE.
 - [MARSE Rules Part 4: Qualifications of Directors and Supervisors](#)

Function Code 219 (Other Pupil Services)

Not a function code to report unapproved special education personnel.

Examples of approved personnel under function code 219:

- Transition coordinator
- Teacher of homebound/hospitalized
- Adaptive physical education
- Personnel who qualify under MARSE [R 340.1792](#)
 - Credential requirements are determined in coordination with MDE OSE fiscal and program staff.
 - Services provided by personnel must be written into student's IEP.
 - Include but are not limited to:
 - Music Therapist
 - Recreation Therapist

Michigan Public School Accounting Manual

- The [Michigan Public School Accounting Manual \(Bulletin 1022\)](#) serves as a mandatory guide to the uniform classification and recording of accounting transactions for Michigan public school districts.
- Specific accounting structures and codes required to be used by Michigan public schools are specified in the [Appendix – Definitions for Accounting Codes](#) portion of the manual.
- Key Areas of Focus related to Special Education Expenditures
 - Function Codes
 - Object Codes
 - Program Codes
 - Grant Codes

Local Funding

Special Education Millage Funding

- [Michigan Compiled Laws \(MCL\) 380.1722](#) through [380.1729](#)
- Often referred to as Act 18 Funds
- Can only be used for special education operating purposes. ([MCL 380.1724a\(2\)](#))
- All 56 ISDs levy a Special Education Millage
 - Amount collected based on mills levied and property taxable values for each ISD
 - Millage rate capped at 1.75 times ISDs approved 1993 rate. ([MCL 380.1724a\(1\)](#))

Distribution of ISD Millage Funds

- Methodology described in ISD special education plan.
- [MARSE R 340.1811\(1\) Distribution of intermediate millage to ISD, its constituent local school districts, and PSAs](#)

Use of Special Education Millage

- Only those programs and related services provided under a department-approved intermediate school district plan and approved for reimbursement by the department shall be eligible for reimbursement from funds generated by adoption of millage under sections 1723 and 1724 of 1976 PA 451, MCL 380.1723 and 380.1724.
- [MARSE R.340.1812 ISDs use of special education millage](#)

State Aid Funding

Special Education State Aid Categorical Listing

Taken from [House Fiscal Agency Special Education Funding Fiscal Brief](#)

- **Section 51a(2) – ISD Durant Costs:** reimburses the Durant costs for ISDs (28.6138% of special education costs and 70.4165% of specialized transportation costs).
- **Section 51c – District Durant Costs:** reimburses the Durant costs for LEAs and PSAs. (28.6138% of special education costs and 70.4165% of specialized transportation costs).
- **Section 51e – Foundation Allowances:** funds Section 52 special education pupil foundation allowance. This section was introduced in FY 2022-23 at 75% funding and was fully funded at 100% beginning in FY 2023-24.

Special Education State Aid Categorical Listing - 2

- **Section 51a(10) – ISD Special Education Non Section 52 Foundations:** funds 100% of foundation allowance for pupils described in Sec. 53a, also includes pupils described in Sec.51a(10)(b) and Sec.51a(10)(c).
- **Section 51a(12) – District Special Education Non Section 52 Foundations:** funds 100% of foundation allowance for pupils described in Sec. 53a.
- **Section 53a – 100% Special Education Reimbursement:** reimburses 100% of total approved costs of special education for Section 53a pupils. Reimbursement net of foundation allowance under Section 51a(10) and Section 51a(12).
- **Section 51a(5) – Administrative Rules Changes:** reimburses costs incurred by districts related to administrative rule changes made in 1987.

Special Education State Aid Categorical Listing - 3

- **Section 24 – Court or DHHS Placed Pupils Residing in Juvenile Detention Facility or Child Caring Institution:** provides payment to educating district for educating pupils assigned by a court or the department of health and human services (DHHS) to reside in or to attend a juvenile detention facility or child caring institution licensed by the DHHS and approved by the department to provide an on-grounds education program.
- **Section 51a.1 –** ISD tuition and additional service costs for pupils enrolled in the Michigan School for the Deaf (MSD).
- **Section 54 – Michigan Schools for the Deaf:** reimburses a portion of ISD tuition and additional service costs for pupils enrolled in the MSD.
- **Section 56 – Millage Equalization and Incentive:** provides a millage equalization, which guarantees ISDs a minimum level of revenue per pupil for each special education mill levied, and a millage incentive, which encourages ISDs to increase their special education millage rates.

Durant v. State of Michigan

- In 1997, the Michigan Supreme Court ruled in Durant v. State of Michigan the state was funding special education and specialized transportation below the 1978 levels mandated under the Headlee Amendment.
- As a result of the court case, the state is required to fund 28.6138% of total approved special education costs and 70.4165% of total approved specialized transportation costs.
- Sections 51a(2) and 51c ensure ISDs, LEAs, and PSAs receive these minimum amounts, commonly called the Durant percentages.

[Durant: What Happened and Implications For the Future – January 1999](#)

Special Education Actual Cost Report (SE-4096)

- Expenditures incurred with local funds for the delivery of special education programs and services are reported on the SE-4096 (Excludes Transportation).
 - [State Aid & IDEA Part B, Section 611 Allowable Costs](#)
 - [Instructions for Completing Form SE-4096 Special Education Actual Cost Report](#)
- [Section 52](#) expenditures reimbursed at 28.6138%
 - ISD reimbursement received under Section 51a(2)
 - LEA and PSA reimbursement received under Section 51c
- [Section 53a](#) expenditures reimbursed at 100%.
 - Reimbursement received under Section 53a(5)
 - **Section 53a expenditures on the Transportation Expenditure Report (SE-4094) must be included on the SE-4096 for reimbursement to be received.**

SE-4096 (Continued)

- Completed in the Center for Educational Performance Information (CEPI) [Financial Information Database \(FID\)](#).
- Due by the last business day in September of each year at 11:59 p.m. as described in [Section 388.18\(6\)](#) of the State School Aid Act.
- **Failure to submit on time will result in the withholding of the district's entire state aid payment beginning with the next payment due.**
- [MARSE R 340.1809 State Aid to Operating School Districts](#)

SE-4096 Reporting Clarifications

- **Function Code 122 – Instructional Costs:**
 - FTE that doesn't agree to the Audit Pupil Membership Report (DS-4120) by program area may be questioned. Please provide comment in FID
- **Function Code 226 – Supervision and Direction:**
 - Secretarial support FTE is not to be reported with associated costs
 - A comment is required in FID
- **Function Code 231 – Board of Education:**
 - Expenses reported in - 7000 Other Expenditures Column

SE-4096 Reporting Clarifications (Continued)

- **Benefits Column:**

- If benefits are greater than salaries must provide comment

- **Purchased Services-Staff Column:**

- Must report FTE

- **Capital Outlay Column:**

- Must provide supporting documentation

Minimum FTE required for submission into FID .10

Transportation Expenditure Report (SE-4094)

- Important transportation documents below:
 - [Transportation Allowable Expenditures](#)
 - [Instructions for Completing Form SE-4094 Transportation Expenditure Report](#)
 - [Financial Information Database Transportation Expenditure Report \(SE-4094\) Guide](#)

SE-4094 - 2

- **Regular/Vocational Transportation** expenditures reviewed by MDE Office of Health and Safety (OHS)
 - Reimbursed under Section 22L
- **Section 52 Specialized Transportation** expenditures reviewed by MDE OSE
 - Reimbursed at 70.4165%
 - ISD reimbursement received under Section 51a(2)
 - Member district reimbursement received under Section 51c
- **Section 53a Specialized Transportation** expenditures reviewed by MDE OSE
 - Reimbursed at 100%
 - Must be reported under Section 53a on the SE-4096 for reimbursement to be received.
 - Reimbursement received under Section 53a(5)

SE-4094 - 3

- Due by one week after the last business day in September of each year at 11:59 p.m. as described in [Section 388.18\(7\)](#) of the State School Aid Act.
- **Failure to submit on time will result in the withholding of the district's entire state aid payment beginning with the next payment due.**

SE-4094 Reporting Clarifications

- **Line 14 - School Transportation Vehicle Count:**
 - Only vehicles that have approved waivers
- **Line 16 - Pupil Transportation Common Carrier (Black and Yellow Buses):**
 - Must align with School Bus Inventory System (SBIS)
- **Line 19 - Transportation Fleet Insurance:**
 - Must align with SBIS
 - 1 spare bus is allowed to be added for every 10 of the same bus type

SE-4094 Reporting Clarifications (Continued)

- **Line 31 – Bus Amortization:**
 - Must align with SBIS
- **Line 33/34 – Total Annual Miles (Non EV/EV):**
 - Odometer reading between July 1 through June 30
- **Line 35/36 – Total Academic Miles (Non EV / EV):**
 - Must enter academic miles if costs are reported
 - SE-4159 is utilized

MARSE R 340.1810 Reimbursement of Special Education Transportation

MARSE Rule 110

- **Specialized transportation** or additional transportation, or both, **as required in the IEP** for a person with a disability to receive a FAPE in the LRE, shall be reimbursable as authorized by 1979 PA 94, MCL 388.1601 et seq., and known as the state school aid act of 1979.

School Bus Inventory Report (SE-4107)

School Bus Inventory Report (SE-4107)

- Housed in the School Bus Inventory System (SBIS)
- Utilized for **school bus tracking only**
 - Black & yellow school bus
 - Non-black & yellow school bus
- **School Transportation Vehicles are not to be reported in the SBIS and require an approved waiver to receive reimbursement**

SE-4107 (Continued)

- School bus data included on the SE-4107 is updated and certified by districts in the [School Bus Inventory System \(SBIS\)](#).
 - Opens annually on October 1
 - **Certification deadline is June 30**
 - After this date, the SBIS cannot be reopened or updated.

Upcoming SE-4107 Changes

- Removal of School Bus Transfers Within SBIS
- Addition of School Bus Cost Thresholds
 - Max Limitations:
 - Non EV - \$250,000
 - EV - \$500,000
- Revised SBIS User Guide Anticipated to be Released

Upcoming 2026-27 School Transportation Vehicle Waiver Changes

- Revised waiver anticipated to be posted on MDE Transportation webpage July 2026.
 - Tire and Loading Information sticker required to be submitted for each vehicle on the waiver.
 - Sticker located on the driver's side door jamb.
 - ISD Certification Continues to be a Requirement
 - Generally individual reviewing and certifying the district's SE-4094.

Student Transportation Log (SE-4159)

- [Student Transportation Log \(SE-4159\)](#)
- **Utilized for all vehicles** providing student transportation during October count week. Examples include:
 - Black and Yellow School Bus
 - Parent Transportation
 - School Transportation Vehicle
 - Third Party (Non-Black & Yellow)

SE-4159 - 2

- [Student Transportation Log \(SE-4159\)](#)
 - Regular/Vocational Education Transportation Vehicles (SE-4159-RL)
 - Specialized Transportation Vehicles (SE-4159-SL)
- Used annually during October count week for **each individual vehicle route** transporting students.
- Calculates for SE-4094 reporting purposes:
 - Average student transportation count
 - Average student transportation instructional miles
 - Section 53a student transportation count, if applicable.

SE-4159 - 3

Utilized for all vehicles transporting students

- Black & Yellow School Buses
- Third Party (Non-Black & Yellow) Vehicles
 - Entities offering its services to the public, to provide motor vehicle transportation to and from school or instructional program sites for students.
 - Includes non-black and yellow vehicles such as Transportation Network Companies (TNC), Taxi Services and Public Transportation.
 - Does not include entities such as Dean, First Student or Durham.
- School Transportation Vehicles
 - [School Transportation Vehicle Waiver Request](#) must be completed by district and approved by MDE annually.
- Parent Transportation Vehicles

MSD Expenditures and Reimbursement

- Tuition Expenditure
 - [Michigan School For The Deaf Tuition](#)

MSD Expenditures and Reimbursement - 2

- Section 54 Tuition Offset
 - **Section 54 – Michigan Schools for the Deaf:** reimburses a portion of ISD tuition and additional service costs for pupils enrolled at MSD
 - Each ISD receives a per pupil amount for each pupil in attendance at MSD
 - \$1,688,000 is currently appropriated
- Transportation
 - Transportation of pupils to and from the MSD is the responsibility of the resident ISD/member district
 - Specialized transportation expenditures allowable for special education reimbursement on the SE-4094

MSD Expenditures and Reimbursement - 3

- The resident ISD receives foundation allowance for pupils enrolled at MSD
- ISDs may report entire final tuition on the SE-4096 Section 52
- Starting in 2026-27, tuition costs net of Section 54 are no longer eligible to be reported on the IDEA Flowthrough grant

2025-26 Section 54 Reimbursement Changes

- **Section 54 funding not intended to over-reimburse ISDs**
- Section 54 funds are allocated to ISDs based on a proration methodology using student billing days during the school year.
- **Allocation re-calculated and adjusted once MSD billing for school year is finalized.**
 - Adjustment ensures no ISD receives more foundation allowance, Section 54 funding, and SE-4096 reimbursement than needed to cover net tuition costs in the aggregate
 - ISDs with a net cost in the aggregate have an opportunity to receive additional Section 54 funding.
 - **ISDs are not guaranteed to have a \$0 net cost.**

Other State Aid Reporting

- [Section 24](#)
 - Expenditures reported on Actual Cost Report for Public School Districts Approved to Operate Programs on the Grounds of Child Caring Institutions and Juvenile Detention Facilities (SE-4824)
 - Regular Education and Special Education reimbursement
- [Section 51a\(5\)](#) Administrative Rule Changes
 - Annual application approval required
 - Expenditures reported on SE-4747 Final Cost Report

Typical State Aid Status Report Update Timelines

- **Section 51c (District Durant) Section 51a(2) (ISD Durant), Section 24 (Juvenile Detention Facilities/Child Caring Institutions), Section 53a (Court & State Agency Placed Students)**
 - Cost report data updated by MDE OSE
 - Current Year Estimate: March
 - Prior Year Adjustment: March
- **Section 51a5 (Administrative Rule Changes)**
 - Cost report data updated by MDE OSE
 - Current Year Estimate: March
 - Prior Year Adjustment: March

Typical State Aid Status Report Update Timelines – 2

- **Section 51a.1/Section 54 (MSD)**
 - Cost report data updated by MDE OSE
 - Current Year Estimate: November
 - Prior Year Adjustment: December
- **Section 51e/Section 51a(10)/Section 51a(12) (Foundation Allowances)**
 - Not updated by MDE OSE
 - Updates as new FTE information is available.
- **Section 56 (Special Education Millage Equalization and Incentive)**
 - Not updated by MDE OSE

Special Education Pupil Accounting

[Pupil Accounting Manual \(PAM\)](#)

- Student full time equivalency (FTE) generated by special education programming.
 - Section 52
 - Section 53a
- **Only student instructional time can generate FTE.**
- Blended FTE Calculation
 - Fall (October) count weighted 90%
 - Spring (following February) count weighted 10%
 - Labeled Supplemental on State Aid Financial Status Report

Special Education Pupil Accounting –2

- Blended FTE multiplied by a district's individual foundation amount determines foundation allowance.
 - Special Education Section 52 foundation reimbursed under Section 51e
 - Special Education Section 53a foundation for ISDs reimbursed under Section 51a(10)
 - Special Education Section 53a foundation for districts reimbursed under Section 51a(12)
- If instructional costs are reported for state or federal reimbursement for a particular special education program, districts must have a corresponding student FTE reflected on the [Audited Pupil Membership Report \(DS-4120\)](#).

Section 53a Pupil Membership

- Section 53a of the State School Aid Act provides 100 percent reimbursement of the added costs of operating special education programs for eligible pupils.
- [MDE OSE Pupil Validation of Section 53a FTE](#) **is required** before expenditures incurred to educate or transport Section 53a students can be claimed for 100% reimbursement on the SE-4096, SE-4094, and/or SE-4824.
 - Validated Section 53a FTE must match FTE reported on the [DS-4120](#).
 - Revised Section 53a Verification workbook released on MDE Section 53a webpage.
 - Updated criteria anticipated to be released July 2026.

Any Questions?

Contact Information

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