

# Special Education Funding Update

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MSBO ANNUAL CONFERENCE  
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# Quick Introduction

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Chris Frank

Assistant Superintendent of Business Services

Justin Michalak

Assistant Superintendent of Special Education & Student Services



Macomb Intermediate School District  
Leadership, Service & Support in Education

# Brief Overview

- 1) What recent changes have occurred?
  - S.E. Foundation + Durant Reimbursement
- 2) What changes are being worked on?
  - Special Education Instructional Leadership Network (SEILN) of MAISA
- 3) MI Blueprint



# SEILN Priorities

## Funding Michigan's Special Education System - Focus on an Effective, Fair System

### State Funding

- Foundation + Durant %'s (28.6% of SE Costs & 70.4% of Specialized Transportation Costs)
- Modify Section 56 equalization formula and increase funding
- Provide additional funding for High-Cost students
- Increase Durant % for S.E. Costs (Similar to Sec. 51f)

### Local Funding

- Adjust cap on S.E. millages. Allow all ISD's to ask for millages up to 3 mills.

# Funding Districts for Special Education with Foundation and Durant Reimbursement

This was completed as part of the FY '23 & FY '24 School Aid budget

## Previous Formula

Districts received the **greater** (either or) of:

- Foundation Allowance for S.E. Students
- Durant reimbursement on S.E. Costs (28.6% - regular & 70.4% - Transportation)

## Current Formula

Districts receive Foundation **and** Durant Reimbursement

- Funding impact on next slide

## Changes in Special Education Funding

Amounts shown below are to illustrate the impact that changes in S.E. funding have had over the past several years and are **NOT** the actual revenues & expenses for each year. Baseline data (highlighted in yellow) is taken from a) 2/20/26 State Aid Status Report for FY '25 S.E. Costs, b) 8/20/25 Status Report for FY '25 local property tax revenues and S.E. pupil counts, and c) Medicaid revenue from FY '24. The remaining revenues shown are calculations of what revenue would have been each year, based on those same costs, # of S.E. kids, and local property tax revenues, with funding changes highlighted in green.

	Previous Funding Formula	51f added - 2%	51f increased to 3%	56(7) equalization added	New 28% + 75% of Foundation formula	Full Funding of final 25%
	FY '19	FY '20	FY '21	FY '22	FY '23	FY '24 & FY '25
SE 4096 Costs	3,886,405,000	3,886,405,000	3,886,405,000	3,886,405,000	3,886,405,000	3,886,405,000
SE 4094 Costs	354,174,000	354,174,000	354,174,000	354,174,000	354,174,000	354,174,000
<b>Total S.E. Costs reported</b>	<b>4,240,579,000</b>	<b>4,240,579,000</b>	<b>4,240,579,000</b>	<b>4,240,579,000</b>	<b>4,240,579,000</b>	<b>4,240,579,000</b>
S.E. Foundation	498,681,000	498,681,000	498,681,000	498,681,000	503,815,000	521,618,000
Durant Reimbursement	866,258,000	866,258,000	866,258,000	866,258,000	1,235,509,000	1,361,445,000
S.E. Hold Harmless	2,451,000	2,451,000	2,451,000	2,451,000	7,000	-
S.E. Cost Reimbursement	-	88,837,000	116,592,000	116,592,000	-	-
State Aid Subtotal	1,367,390,000	1,456,227,000	1,483,982,000	1,483,982,000	1,739,331,000	1,883,063,000
Sec. 56 Millage Equalization	40,008,000	40,008,000	40,008,000	74,208,000	74,208,000	74,208,000
Medicaid revenue (FY '24 Data)	139,753,000	139,753,000	139,753,000	139,753,000	139,753,000	139,753,000
Local Property Tax Millages	1,456,035,000	1,456,035,000	1,456,035,000	1,456,035,000	1,456,035,000	1,456,035,000
Total S.E. Revenue	3,003,186,000	3,092,023,000	3,119,778,000	3,153,978,000	3,409,327,000	3,553,059,000
<b>Unfunded SE-4094/4096 costs</b>	<b>(1,237,393,000)</b>	<b>(1,148,556,000)</b>	<b>(1,120,801,000)</b>	<b>(1,086,601,000)</b>	<b>(831,252,000)</b>	<b>(687,520,000)</b>
Annual Savings compared to prior year		88,837,000	27,755,000	34,200,000	255,349,000	143,732,000
Annual Savings compared to FY '19		88,837,000	116,592,000	150,792,000	406,141,000	549,873,000

Getting  
Almost  
\$550  
million  
more a  
year in  
S.E.  
funding

# Section 56 Millage Equalization

## Modify Section 56 equalization formula and increase funding

### History of Section 56 funding & Challenges Under Current Formula

- Formula originally funded all ISD's below the statewide average of taxable value/total pupils.
- In FY '00, 34 ISD's received funding (10 of which were receiving less than \$200,000), which had dropped to 16 (5 < \$200k), due to stagnant funding.
- In FY '22, almost \$34 million of funding was added in subsection 56(7) under different eligibility rules, that increased participation to 32 ISD's (6 < \$200k).
- Eligibility for 56(7) funding was phased out. Instead of leftover funding going to fund additional districts, it is reallocated to current districts and participation has again dropped to 19 ISD's (6 < \$200k)
- Eligibility is based on taxable values/total pupils instead of S.E. pupils.
- With stagnant funding, the formula currently reduces the funding floor well below the statewide average to determine who is funded instead of calculating who is eligible and prorating to available funding, like many categoricals do. This is the reason that participation in the funding continues to reduce.

# Section 56 Millage Equalization

## Modify Section 56 equalization formula and increase funding

### Proposed Changes in the Formula

- Eligibility and calculation for Section 56 would be based on:
  - 50% on Taxable Value/S.E. Head Count
  - 50% on Taxable Value/Unreimbursed S.E. costs
- Assure that all ISD's below the statewide average in the above areas receives funding. This is done by prorating to available funding instead of funding on an artificial floor tied to available funding.
- Calculations would be done on 3-year averages (currently based on prior-year data only) to allow for more gradual changes in funding and eliminate the need for current hold harmless provisions.
- HFA estimates of Governor's proposed budget for FY '27 (which includes these changes) would have 38 ISD's receiving funding (13 < \$200k)
- Eligibility & funding aligned to S.E. students and costs instead of G.E. student counts

# High-Cost Students

## Provide additional funds for Special Needs students whose costs exceed \$40,000

- Increase funding to increase the % reimbursement for that portion of costs in excess of \$40,000 for a particular student to a minimum of 80% rather than the current 28.6138%
- Example of funding for a S.E. student that costs \$80,000

	Current Funding	Proposed Funding
Costs up to \$40,000	\$11,500	\$11,500
Costs above \$40,000	11,500	32,000
Total	\$23,000	\$43,500

# Additional funding on a % of S.E. Costs

**Provide additional funds for every district to reduce added cost burden of special education.**

- Increase reimbursement above the current 28.6138% reimbursement rate, to more adequately fund special education costs and avoid the encroachment of general education funds.
- What should S.E. reimbursement top out at?

# Adjust cap on ISD S.E. millage rates

## **Allow all ISD's to ask for millages up to 3 mills**

- Current Statewide average is 3.04 mills

ISD S.E. millages vary across the State for 2 reasons:

1. Differences in Taxable Value / student
  - Section 56 closes this gap
2. Millage rates range from 0.7287 to 6.2392 across the State
  - This proposal tries to address this part of the problem

# Adjust cap on ISD S.E. millage rates

## Current Cap

MCL 380.1724a(1) - Beginning in 1995, and subject to section 625b, the board of an intermediate school district may levy ad valorem property taxes for special education purposes under sections 1722 to 1729 at a rate not to exceed 1.75 times the number of mills of those taxes authorized in the intermediate school district in 1993.

	<u>S.E. Millage Rate</u>		
	<b>1993</b>	<b>Capped Increase</b>	<b>Maximum Allowed</b>
Lowest ISD Millage Rate	0.7500	x 1.75	1.3125
Highest ISD Millage Rate	5.5000	x 1.75	9.6250

# Shifting Gears



**What About the Mi Blueprint Study?**

# Mi Blueprint Study

## MI Special Education Finance Reform Blueprint legislative report – October, 2025

### Main Components Proposed

- **A Weighted Student Funding formula** that aligns funding with the intensity and complexity of student need, rather than local property wealth.
- **A statewide High-Cost Fund** that provides targeted support for districts serving students with exceptionally high-cost needs.
- **The elimination of outdated ISD millage caps** that have constrained local capacity and contributed to inequitable funding across communities. Removing caps restores flexibility within a system that aligns funding with student need.

Many implementation issues/questions need to be addressed

# Mi Blueprint Study

## Proposal based on 3 major challenges with current S.E. funding:

- **Underfunded:** The state reimburses districts at a flat 28.6 percent, placing Michigan among the lowest in the nation.
- **Inequitable:** Heavy reliance on capped local property taxes means access to services often depends more on ZIP code than student need.
- **Misaligned with student needs:** A flat reimbursement structure does not reflect differences in service intensity, disability category, or the true cost of providing best practices.

Debate centers on how/whether weighted funding format aligns to student's needs better than the current reimbursement system where the reimbursement rate was increased.

