



# Special Education Finance 101

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Michigan School Business Officials Conference  
Session B14  
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# Agenda



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## 01. Introduction

Speaker introductions  
and learning objectives

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## 02. Governance & Compliance

Laws, rules, and regulations related to Michigan special education funding

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## 03. Funding Sources

Funding sources and considerations

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## 04. Reporting

State/federal reporting related to special education funding

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## 05. Questions/Brainstorming/Closing

Time for questions and answers (hopefully), a chance for brainstorming ideas from the whole group, and session closing

# Speaker Introduction

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## LEARNING OBJECTIVES

- Learn about the different special education funding streams including state reimbursement and how Individuals with Disabilities Act (IDEA) flowthrough funds are used.
- Understand the basics of subrecipient monitoring processes.



# Governance & Compliance



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# Rules and Regulations

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## Individuals with Disabilities Education Act (IDEA)

- Federal law, codified in 34 CFR 300, and covers students ages 3 to 21

## Michigan Administrative Rules for Special Education and Michigan Compiled Laws

- You may have heard your SE Director talk about MARSE rules, and hopefully you know about the Michigan Compiled Laws (MCL)

## Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

- Also known as Uniform Guidance, codified in 2 CFR 200

## State School Aid Act

- Generally, Sections 51a through 56

## Intermediate School District Special Education Plan

- All ISDs are required to have a plan that documents how special education services will be provided to students within the ISD

## Office of Special Education Allowable Cost Document

- Covers costs eligible for state aid and IDEA Part B, Section 611

# IDEA Funding

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Federal law establishing federal funding for special education and program and compliance criteria that applies to all special education services. (Originally promised to fund 44% of special education costs)

- At the federal level, states receive
  - a base allocation based on what was allocated in 1999.
  - Above and beyond that, 85% of additional funds are distributed based on the state's share of the U.S. population of children ages 3-21.
  - The remaining 15% is distributed based on the state's share of children , 3-21, living in poverty.
- The state then allocates to ISD's:
  - A minimal base allocation of what was allocated in 1997.
  - Above and beyond that, 85% of additional funds are distributed based on the ISD's share of the K-12 fall count of the previous year.
  - The remaining 15% is distributed based on the ISD's share of children qualifying for free lunch.
- IDEA funds approximately 14% of special education costs in Michigan.

# IDEA Funding Uses by ISDs

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Not all ISDs use their IDEA funding allocation similarly

- Some ISDs retain the funding at the ISD to offset the cost of programs operated by the ISD.
- Some distribute all the IDEA funding to the LEAs and the ISD based on special education headcount.
- Some distribute IDEA funds to LEA-operated center programs and some are combinations of the above.

# Practical IDEA Grant Considerations

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- Fund whole people, not stuff not partial FTEs.
  - Easier reporting
  - Less additional compliance work
  - Helps to avoid carryover
- Why does my SE administrator want to fund PD with the IDEA grant?
  - See Medicaid slides later



# Practical IDEA Grant Considerations

- 1 Certified Special Education Administrator, School Psychologist, Teacher Consultant without a caseload, Transition Coordinator
- 2 Secondary staff serving students that do not receive an ancillary service
- 3 One on one nurse for a student that is not eligible for Medicaid
- 4 Professional Development & High Cost Equipment (Check the allowable cost guide - these may require pre-approval)

Final Considerations Ancillary Staff, Paraprofessionals, Staff serving students that receive ancillary services

# Considerations for Federal Grant Spending

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- Can this cost be reimbursed through another source?
  - Medicaid?
  - Another grant?
    -
- Are these costs allowable?
  - *Office of Special Education Allowable Cost Guide*

# ISD Fiscal Role Under IDEA

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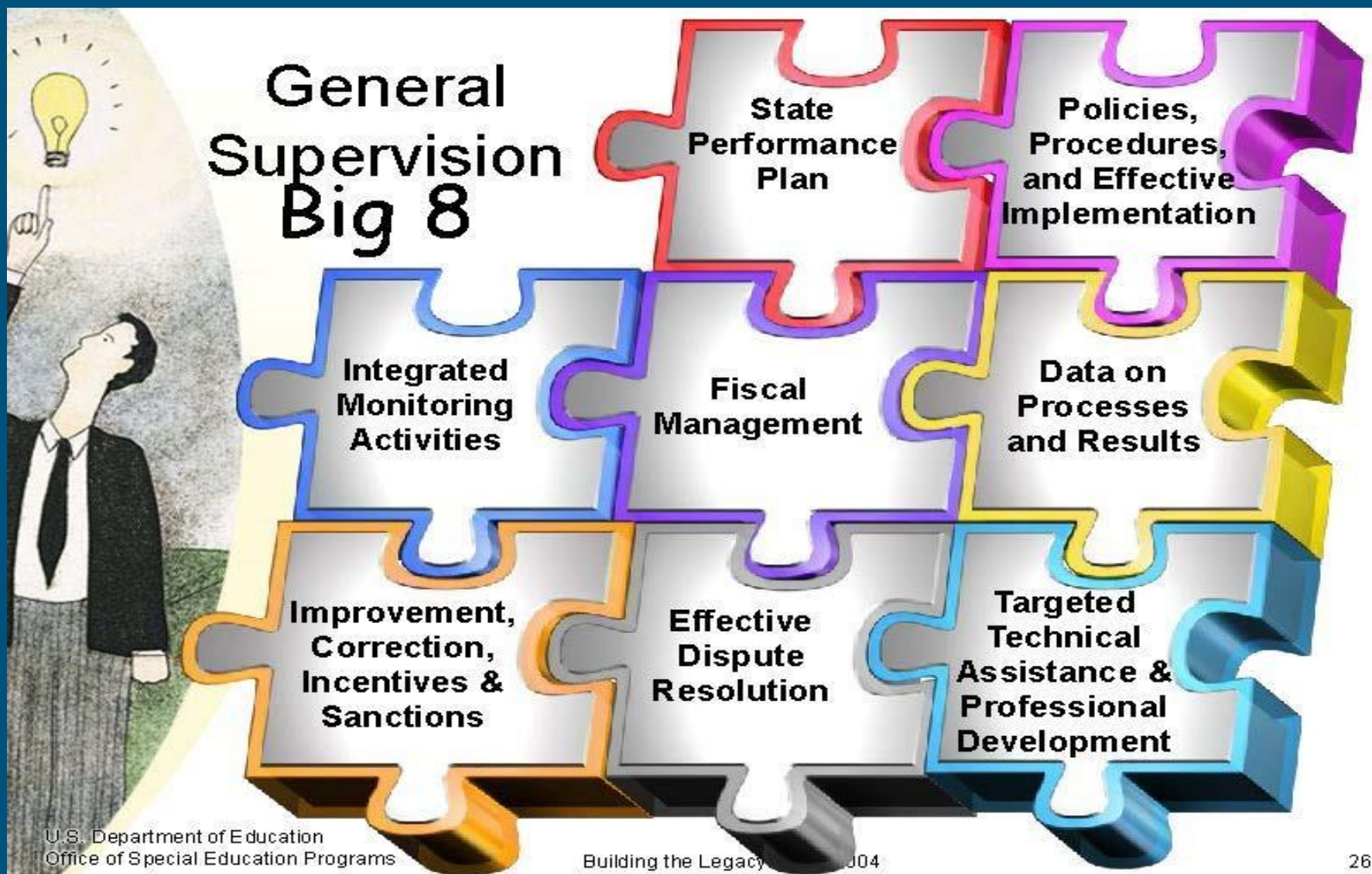
- General Supervision and Oversight Responsibilities (Michigan-established subgrant under IDEA Part B)
- LEA Maintenance of Effort (34 CFR 300.163 – 300.205)
- Excess Cost (34 CFR 300.12)
- Proportionate Share (34 CFR 300.133)
- Coordinated Early Intervening Services (CEIS) (34 CFR 300.226)
- Must follow Uniform Guidance for federal grants (discussed later)

# General Supervision and Oversight Responsibilities

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Grant provides funding to support intermediate school district (ISD) development and implementation of a General Supervision System that will, in part, support improvement efforts and build capacity within its local districts to fulfill the responsibilities under the IDEA to ensure the provision of a free appropriate public education (FAPE) for all students with an individualized education program (IEP)

# General Supervision and Oversight Responsibilities





**Local Educational Agency  
Maintenance of Effort**

# LEA Maintenance of Effort

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The requirement that an LEA cannot use the IDEA Part B funds to reduce their level of expenditures for the education of children with disabilities made by the LEA from local or local and state funds below the level of those expenditures for the preceding fiscal year.

- Maintenance of Effort is an ISD wide test. It is important that ISD's put in place systems that allow them to both monitor the trajectory of their MOE status and gather data in order to access exceptions should that be needed.
- Eligibility testing (during IDEA grant application process) and compliance testing (after SE-4096 Special Education Cost Reports are approved) are both completed in the Catamaran system

# Maintenance of Effort

- Under IDEA, two categories allowing reduction of level of effort required to meet MOE:
  - Exceptions (§ 300.204)
  - Adjustment (§ 300.205)
- Under both, reduced level retained moving forward.



# Maintenance of Effort

- Subsequent Years Rule
  - To determine required level of effort, must look back to last year in which LEA maintained effort
  - But must look back to the last year in which it maintained effort using the same method by which it is establishing compliance.
  - We will explore this further with examples later on.

# Maintenance of Effort

- Exceptions - § 300.204
  - (a) The voluntary departure, by retirement or otherwise, or departure for just cause, of special education or related services personnel.
    - Layoffs or Reductions in Force do not count
    - Reduction in LEA share of benefits do not count
  - (b) A decrease in the enrollment of children with disabilities.

# Maintenance of Effort

- Exceptions - § 300.204 (continued)
  - (c) The termination of the obligation of the agency, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the SEA, because the child—
    - (1) Has left the jurisdiction of the agency;
    - (2) Has reached the age at which the obligation of the agency to provide FAPE to the child has terminated; or
    - (3) No longer needs the program of special education.

# Maintenance of Effort

- Exceptions - § 300.204 (continued)
  - (d) The termination of **costly expenditures** for **long-term** purchases, such as the acquisition of equipment or the construction of school facilities.
    - Long term= more than one year
    - Costly expenditure
  - (e) The assumption of cost by the high cost fund operated by the SEA under § 300.704(c).
    - Includes high cost funds financed through federal IDEA, Part B funds.

# Maintenance of Effort

- Flexibility Interaction
  - Special rule: The amount of funds expended by a LEA for CEIS shall count toward the maximum amount of expenditures such local educational agency may reduce for MOE flexibility
  - Impact: Cannot take both full 50% of reduction and 15% for CEIS

# Maintenance of Effort

- Adjustment or Flexibility - § 300.205
  - If the IDEA allocation increases, the LEA, if it meets certain conditions, may reduce its MOE level up to 50 percent of the increase in the allocation.
- Conditions
  - Providing FAPE
  - Meets Requirements
  - Has not been identified with a Significant Disproportionality

# Maintenance of Effort

- Example Data

Fiscal Year	Local only	State and local	Local only per capita	State and local per capita	Child count
2016	\$10,500	\$21,000	\$1,050	\$2,100	10
2017	\$10,400	\$21,600	\$1,300	\$2,700	8
2018	\$10,650	\$21,500	\$1,065	\$2,150	10
2019	\$10,800	\$22,200	\$900	\$1,850	12
2020	\$8,900	\$22,000	\$890	\$2,200	10

# Maintenance of Effort

- Total

Fiscal Year	Original Required Level of Effort	Exceptions & Adjust.	Required Level of Effort	Actual Level of Effort	Met MOE
2016	\$500	--	\$500	\$500	YES
2017	\$500	--	\$500	\$400	NO
2018	\$500	\$50	\$450	\$450	YES
2019	\$450	\$10 + \$10	\$430	\$405	NO



# Maintenance of Effort

- Per Capita

Fiscal Year	Child Count	Original Required Level of Effort	Exceptions & Adjust.	Required Level of Effort	Actual Level of Effort	Met MOE
2016	10	\$50	--	\$50	\$50	YES
2017	10	\$50	--	\$50	\$40	NO
2018	10	\$50	\$50/10	\$45	\$45	YES
2019	9	\$45	\$20/10	\$43	\$45	YES

# Maintenance of Effort

- Eligibility

	Local only	State and local	Local only per capita	State and local per capita	Child Count
Actual 2015	\$500	\$1,000	\$50	\$100	10
Exc. & Adj. taken in 2016	-\$50	-\$50	-\$5	-\$5	
Expected Exc. & Adj. for 2017	-\$25	-\$25	-\$2.50	-\$2.50	
Eligibility standard requirement in 2017	\$425	\$925	\$42.50	\$92.50	

# Maintenance of Effort

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- **Consequences of MOE failure**
  - **If LEA fails MOE, SEA must repay Federal Government out of Non-Federal Funds (or non-accountable Federal Funds).**
  - **May require repayment from LEA out of Non-Federal Funds (or non-accountable Federal Funds).**
  - **§ 300.203(d) clarifies how much must be returned.**
    - **An amount equal to the amount by which the LEA failed to maintain its level of expenditures in accordance with paragraph (b) of this section in that fiscal year, or the amount of the LEA's Part B subgrant in that fiscal year, whichever is lower.**

# MOE Strategies

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- **Spend more than prior year!**
- **Ongoing review of Special Education spending**
  - **Identify SE accounts/SE Headcount**
  - **Identify Exception components**
    - **Voluntary Retirements/Departures**
    - **High cost students aging out/leaving**
    - **Certain services no longer needed**
    - **One-time purchases**
  - **Reclass exception components to State/Local**
  - **Identify State/Local SE costs not on SE-4096 or SE-4094 for both years**
- **50% rule “Adjustment for increased IDEA allocations**
  - **Only option that allows you to reduce threshold permanently**
  - **Spread over 2 years to maximize impact**

# Excess Cost

The requirement that the IDEA Part B funds are provided to support the excess costs of special education. This is also a ISD wide test.

Excess cost testing is typically performed in December through February in the Catamaran system

# Proportionate Share

The requirement that an LEA is required to reserve a proportionate amount of their special education flowthrough allocation (section 611 ages 3-21) and their preschool allocation (section 619 ages 3-5) to provide special education and related services to parentally-placed private school children with disabilities.

This is also a ISD wide test. This means that all submitted data is compiled and analyzed on a countywide basis, similar to how Maintenance of Effort is measured.

# Fiscal Responsibilities of ISDs

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- Calculate overall requirement for 611 (Flowthrough) and 619 (Preschool) separately.
- Budget NexSys the amounts the ISD and/or member districts will spend using function code 371 and 611 and 619 separately.
- Upload calculation into NexSys application.
- Determine how fiscal requirement will be met in coordination with member districts.
- Ensure the proportionate share requirement is met in the aggregate.

# Additional Responsibilities of ISDs and Member Districts

- Ensure costs charged are actual and not budget estimates.
- Ensure the documentation support charges to the grant.
- Charge the grant for allowable expenditures before using the funds.
- Identify service providers and ensure sufficient supporting documentation is maintained.
- Other Responsibilities:
  - Child Find
  - Timely and Meaningful Consultation
  - Data Collection



# Proportionate Share Continued

- LEAs are required to spend a proportionate amount of Flowthrough and Preschool funds to provide services to students with disabilities in private schools
- Proportionate Share is calculated in aggregate at the ISD level using the total allocation & all students in the ISD
- All LEAs' spending now goes towards the ISD aggregate
- Expenditures are primarily for direct services to students

# Coordinated Early Intervening Services

- Optional vs Required
- Generally, LEA reserves up to 15 percent of their Part B funds to develop and implement coordinated early intervening services for students in kindergarten through grade 12 (with a particular emphasis on students in kindergarten through grade three) who are not currently identified as needing special education or related services, but who need additional academic and behavioral support to succeed in a general education environment.
- Has to be applied for in Catamaran and approved at the ISD level

# Michigan Administrative Rules for Special Education (MARSE Rules)

Where to find them:

[MDE website > Services > Special  
Education > Laws and Regulations](#)

# MARSE Rules

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## What's in the Rules?

- IEP Process
- Administration of Special Ed Programs and Services
- Qualifications of Personnel
- Financing
- ISD Special Education Plans and Monitoring
- State complaints, Records, Birth to Three, Discipline

# What's in the Michigan Compiled Laws (MCL) related to special education?

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- Revised School Code (Chapter 380)
  - All students are general education students first
  - IDEA covers students 3 to 21, but Michigan provides programs and services 0 to 26
  - The special education specific sections are in 380.17XX
    - ISD millage
    - Duties/expenditures
    - Borrowing
    - Transportation/Room and board
- State Aid Act (Chapter 388)

Where do I find them?

<https://www.legislature.mi.gov>

# ISD Special Education Plan

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What's the purpose of the Plan and where does it come from?

- ISD plans provide information regarding the delivery system of special education programs and services for an ISD and its constituent local educational agencies (LEAs)
- ISD plans are developed by each ISD with input from its LEAs and parent advisory committee and must be signed by all the parties
- The plan must be submitted to the MDE Office of Special Education for review and approval
- Plan must include a section on the distribution of special education millage funds; can also include information on the distribution of other funds as well, such as IDEA funds.
- Should be posted on your ISD website.

# ISD Special Education Plan

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## What's in the Plan?

- 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

# Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (AKA Uniform Guidance)

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What is the Uniform Guidance, or UG? Codified in 2 CFR 200

- Uniform Guidance is a government-wide framework for grants management and provides an authoritative set of rules and requirements for federal awards
- The Uniform Guidance supersedes and streamlines requirements from eight different grant circulars into one set of guidance
- UG covers:
  - Administrative requirements
  - Cost principles
  - Audit requirements
- We are going to focus on one of the administrative requirements that applies to ISDs, subrecipient monitoring



# Subrecipient Monitoring

## First Determination: Subrecipient or Contractor?

<b>Subrecipient</b>	<b>Contractor</b>
<p>(1) Determines who is eligible to receive what Federal assistance;</p> <p>(2) Has its performance measured in relation to whether objectives of a Federal program were met;</p> <p>(3) Has responsibility for programmatic decision-making;</p> <p>(4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award;</p> <p>and</p> <p>(5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.</p>	<p>(1) Provides the goods and services within normal business operations;</p> <p>(2) Provides similar goods or services to many different purchasers;</p> <p>(3) Normally operates in a competitive environment;</p> <p>(4) Provides goods or services that are ancillary to the operation of the Federal program; and</p> <p>(5) Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.</p>

\*The substance of the relationship is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases, and the ESF grantee must use judgment in classifying each agreement as a subaward or a procurement contract.

# Subrecipient Monitoring

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What are the subrecipient monitoring requirements?

- Ensure that every subaward is clearly identified to the subrecipient as a subaward
- Provide required subaward information
- Evaluate subrecipient's risk of noncompliance for the purposes of determining appropriate subrecipient monitoring
- Consider imposing specific conditions upon a subrecipient, if appropriate, based on risk analysis
- Monitor activities of the subrecipient
- Verify that every subrecipient is audited as required
- Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records
- Consider taking enforcement action against noncompliant subrecipients

# Subrecipient Monitoring – Risk Analysis

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- See Michigan Public School Auditing Manual, General Audit Issues, Section C
- Evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the sub award for purposes of determining the appropriate subrecipient. This may include consideration of such factors as:
  - The subrecipient's prior experience with the same or similar sub
  - The results of previous audits
  - Whether the subrecipient has new personnel
  - Whether the subrecipient has new or substantially changed systems
  - The extent and results of federal awarding agency monitoring

# Subrecipient Monitoring – Risk Analysis Impact

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- Depending on assessment of risk, the following tools may be helpful for the pass-through entity to ensure proper accountability and compliance with program requirements
  - Training and technical assistance
  - Perform on-site reviews of the subrecipient's program operations
  - Arrange for agreed-upon procedures engagements



## Subrecipient Monitoring

MDE Uniform Guidance Guiding Questions

[https://www.michigan.gov/-/media/Project/Websites/mde/Year/2016/05/25/UG\\_MDE\\_reference\\_guide.pdf?rev=b6107371ce6243ae962e15932b604075](https://www.michigan.gov/-/media/Project/Websites/mde/Year/2016/05/25/UG_MDE_reference_guide.pdf?rev=b6107371ce6243ae962e15932b604075)

# State Funding

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# MDE Office of Special Education Allowable Cost Document

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## What's in the Document?

- Identifies costs that are eligible to be reported on the Special Education Cost Report (SE-4096) for reimbursement, and also if the cost is eligible to be reported/reimbursed by the IDEA Flowthrough grant. The report is organized by the State Chart of Account functions and objects.
- Also identifies any special rules related to a particular cost, i.e., capital outlay, SE Director/Supv, facilities costs, etc.
- Also, MDE memos/forms addressing circumstances not addressed in the main part of the Document, i.e., split-funded paras and clerical staff, severance payments and bonuses, out-of-state travel, etc.

### Where to find it:

[MDE website > Services > Special Education > Funding > IDEA Grants Information](#)

# State Special Education Cost Reporting

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## SE-4096 Special Education Actual Cost Report

- Utilize the Allowable Cost document to make sure to capture as many costs as possible. Special education programs and services should be based on IEPs, so there really isn't a moral and ethical way to increase your special education state revenue through reporting
- One thing you can do is to make sure all the students that are eligible are counted under Section 53 to maximize the costs you claim on the Section 53 page of the SE-4096 – We will talk more about Sec 53 students on a later slide

## SE-4094 Transportation Expenditure Report

- The best thing you can do is to keep track of your actual direct costs well, and to make sure that the count on transportation count day is done well

**Where to find it:**

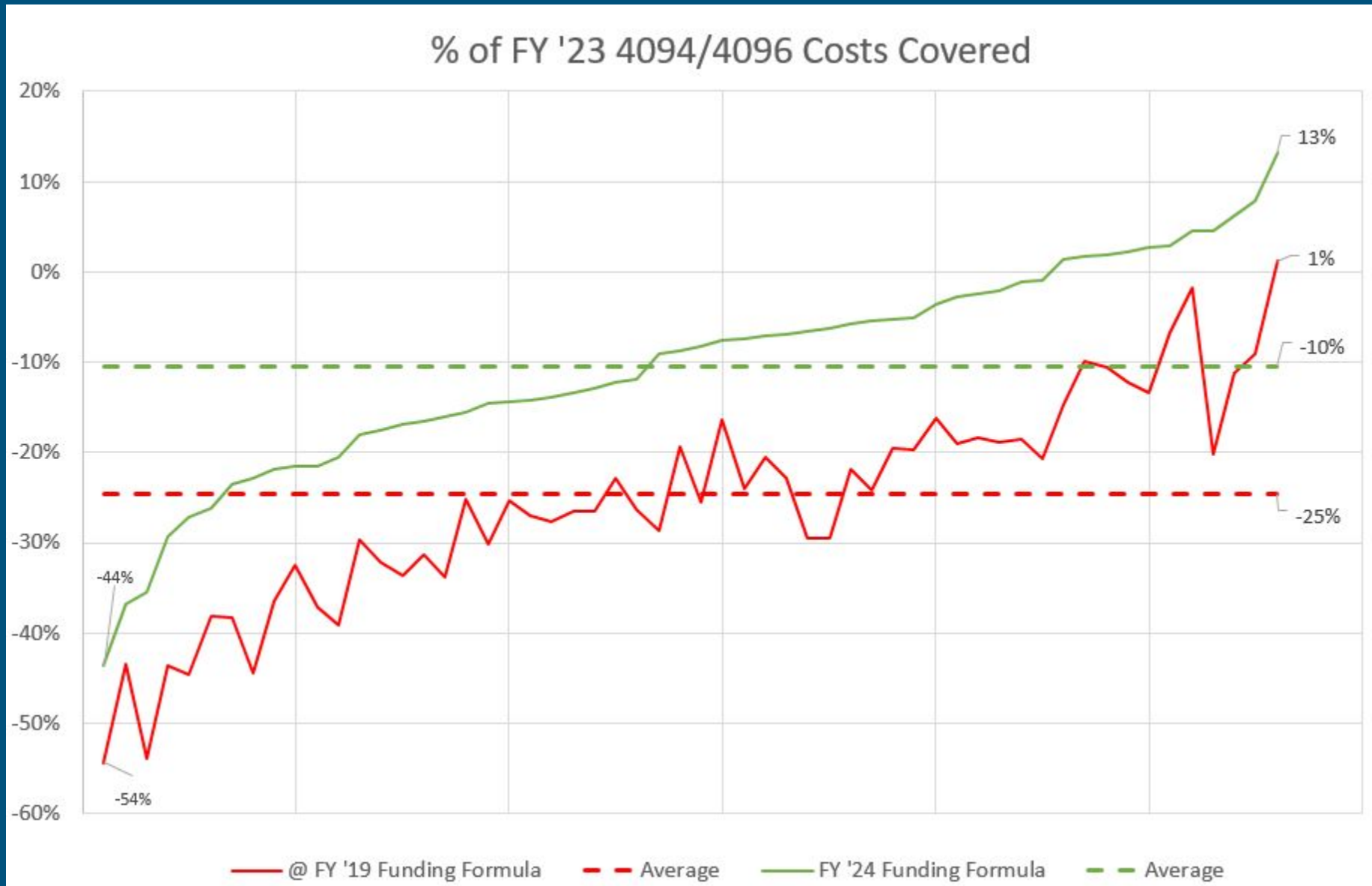
[MDE website > Services > Special Education > Funding > State Aid Information](#)





# Recap of Changes in Special Education State Aid Funding

# Shrinking shortfall - inequities still exist



# Recap of S.E. Funding changes

## Statewide Special Education Funding Shortfall

All years shown are using the Baseline FY '23 Costs Data from the 2/20/24 State Aid Status Report

Previous Funding Formula	51f added - 2%		51f increased - 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 '22	FY '23	FY '24
SE 4096 Costs	3,273,464,000	3,273,464,000	3,273,464,000	3,273,464,000	3,273,464,000	3,273,464,000	3,273,464,000
SE 4094 Costs	304,215,000	304,215,000	304,215,000	304,215,000	304,215,000	304,215,000	304,215,000
<b>Total S.E. Costs reported</b>	<b>3,577,679,000</b>	<b>3,577,679,000</b>	<b>3,577,679,000</b>	<b>3,577,679,000</b>	<b>3,577,679,000</b>	<b>3,577,679,000</b>	<b>3,577,679,000</b>
S.E. Foundation (Sec 52) - 51a(2) / 51e(2)	501,071,000	501,071,000	501,071,000	501,071,000	501,071,000	375,803,000	501,071,000
S.E. Foundation (Sec 52) - 51a(2)(b)	-	-	-	-	-	125,268,000	-
Durant Reimbursement - 51a / 51a(2)	658,578,000	658,578,000	658,578,000	658,578,000	658,578,000	1,025,688,000	1,150,880,000
S.E. Hold Harmless - 51a.3	6,260,000	6,260,000	6,260,000	6,260,000	6,260,000	11,000	-
S.E. Cost Reimbursement - 51f / 513(3)	-	74,827,000	98,204,000	98,204,000	98,204,000	-	-
<b>State Aid Subtotal</b>	<b>1,165,909,000</b>	<b>1,240,736,000</b>	<b>1,264,113,000</b>	<b>1,264,113,000</b>	<b>1,264,113,000</b>	<b>1,526,770,000</b>	<b>1,651,951,000</b>
Sec. 56 Millage Equalization	38,761,000	38,761,000	38,761,000	38,761,000	38,761,000	38,761,000	38,761,000
Sec. 56(7) Per-Pupil Equalization	-	-	-	22,436,000	22,436,000	22,436,000	22,436,000
Medicaid revenue (FY '22 Data)	146,428,000	146,428,000	146,428,000	146,428,000	146,428,000	146,428,000	146,428,000
Local Property Tax Millages	1,345,146,000	1,345,146,000	1,345,146,000	1,345,146,000	1,345,146,000	1,345,146,000	1,345,146,000
<b>Total S.E. Revenue</b>	<b>2,696,244,000</b>	<b>2,771,071,000</b>	<b>2,794,448,000</b>	<b>2,816,884,000</b>	<b>2,816,884,000</b>	<b>3,079,541,000</b>	<b>3,204,722,000</b>
<b>Unfunded SE-4094/4096 costs</b>	<b>(881,435,000)</b>	<b>(806,608,000)</b>	<b>(783,231,000)</b>	<b>(760,795,000)</b>	<b>(760,795,000)</b>	<b>(498,138,000)</b>	<b>(372,957,000)</b>
Annual Savings compared to prior year		74,827,000	23,377,000	22,436,000	22,436,000	262,657,000	125,181,000
Annual Savings compared to FY '19		74,827,000	98,204,000	120,640,000	120,640,000	383,297,000	508,478,000

# State Aid - Section 53 – Court Placed Students

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Section 53a of the State School Aid Act provides 100 percent reimbursement of the added costs of operating special education programs for eligible pupils. Examples of pupils who may qualify for reimbursement include:

- Pupils assigned to a district through the courts or a state agency, if the pupil was a resident of another intermediate district at the time the pupil came under the jurisdiction of the court or state agency.
- Pupils who are residents of institutions operated by the Michigan Department of Health and Human Services.
- Pupils who are former residents of the Michigan Department of Community Health institutions for the developmentally disabled who are placed in community settings other than the pupil's home.
- Pupils enrolled in a department-approved on-grounds educational program longer than 180 days, but not longer than 233 days, at a residential child-care institution, if the child-care institution offered in 1991-92 an on-grounds educational program longer than 180 days but not longer than 233 days.
- Pupils placed in a district by a parent for the purposes of seeking a suitable home, if the parent does not reside in the same intermediate school district as the district in which the pupil is placed.
- Only those costs that are clearly and directly attributable to educational programs for the pupils described above, and that would not have been incurred if the pupils were not being educated in the district or intermediate school district are reimbursable.

<https://www.michigan.gov/mde/services/special-education/funding/state-aid-info/section-53a>

# State Aid

Section 54 – School For Deaf/Blind  
Section 51a.1 (deduct)

## Michigan Schools for The Deaf and Blind ISD Tuition Billing Report

2020-2021

<i>Wayne RESA ~ 82</i>				Add'l Service Charges +		
Billing Days	Add'l Service Units FTE's	Base Tuition	Special Allocations	Tuition	Deduct	Offset Amt
180.0	0.0	\$33,525.75	\$0.00	\$33,525.75	\$15,225.04	
9/8/2020 to 6/10/2021 <i>Melvindale Public Shool</i>						
180.0	0.0	\$33,525.75	\$0.00	\$33,525.75	\$15,225.04	
9/8/2020 to 6/10/2021 <i>Livonia Public Schools</i>						
180.0	0.0	\$33,525.75	\$0.00	\$33,525.75	\$15,225.04	
9/8/2020 to 6/10/2021 <i>Livonia Public Schools</i>						
180.0	0.0	\$33,525.75	\$0.00	\$33,525.75	\$15,225.04	
9/8/2020 to 6/10/2021						

# State Aid

## Future of Section 56

- The Finance subcommittee of the MAISA Special Education Instructional Leadership Network (SEILN) has been working on a legislative initiative to revise the existing Section 56 formula. The current recommendation is a 50/50 blend between the following:
  - If an ISD's Taxable Value (factoring in PPT properties)/Pupil (S.E. Head Count) is less than the established floor, the ISD is reimbursed:
    - Statewide Average TV/Pupil - ISD TV/Pupil (Average of last 3 years)
    - Times # of students (Average of last 3 years)
    - Times S.E. Millage Rate (up to the statewide average S.E. millage rate)
  - If an ISD's Taxable Value/Unreimbursed S.E. Costs is less than the statewide average, the ISD is reimbursed:
    - Unreimbursed S.E. Costs
    - Less: What unreimbursed costs would be at the Statewide Average TV/Unreimbursed Costs
- **Additional Conditions** - Equalization Floor should be set at the Statewide Average for each calculation, calculating what funding is needed to bring all ISD's to that Statewide Average.
  - If categorical can't be fully funded, all eligible districts would be prorated down to get to the available funding levels.

# ISD Funding

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# Accounting and Fiscal Reporting Requirements for ISD Use of Special Education Funds

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## What is this Document?

- Developed in 1993 by MDE and adopted by the State Board of Education.
- “The manual is to be used as a guide to ensure these funds are collected, distributed, and accounted for in compliance with laws, rules, departmental policy and accounting standards.” The term “these funds” refers to the special education millage tax funds.
- Addresses the SE Fund as an accounting and investing fund of the ISD; identifies revenue types and fund balance limits; allowable expenditures; funding of personnel; distribution to LEAs rules, considerations and accounting; and local district operated center programs rules and considerations.



# Accounting and Fiscal Reporting Requirements for ISD Use of Special Education Funds (Continued)

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## What is this Document?

- Has not been updated since then and is not found anywhere on the MDE website.
- Keep this in mind as you review the document. Also remember that SE funding has changed since then, PSAs did not exist, and more current guidance that might conflict with parts of this document would prevail.
- Please make sure that others in your organization know about its existence.

# Special Education Millage

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Perpetual millage subject to Headlee

- [http://www.legislature.mi.gov/\(S\(uvr52khizbs5p5u4vyn4ansy\)\)/mileg.aspx?page=getobject&objectname=mcl-380-1724a](http://www.legislature.mi.gov/(S(uvr52khizbs5p5u4vyn4ansy))/mileg.aspx?page=getobject&objectname=mcl-380-1724a)
  - Current levies range from .7298 mills to 6.2392 mills

Limited to 175% of the amount levied in 1993 (by Proposal A of 1994)

This limits the ability of ISD's to "catch up", even if they wanted to try

One of SEILN's goals is to have this cap lifted to a minimum of 3.0 mills (or some similar amount) for those that currently are restricted to a rate less than that.



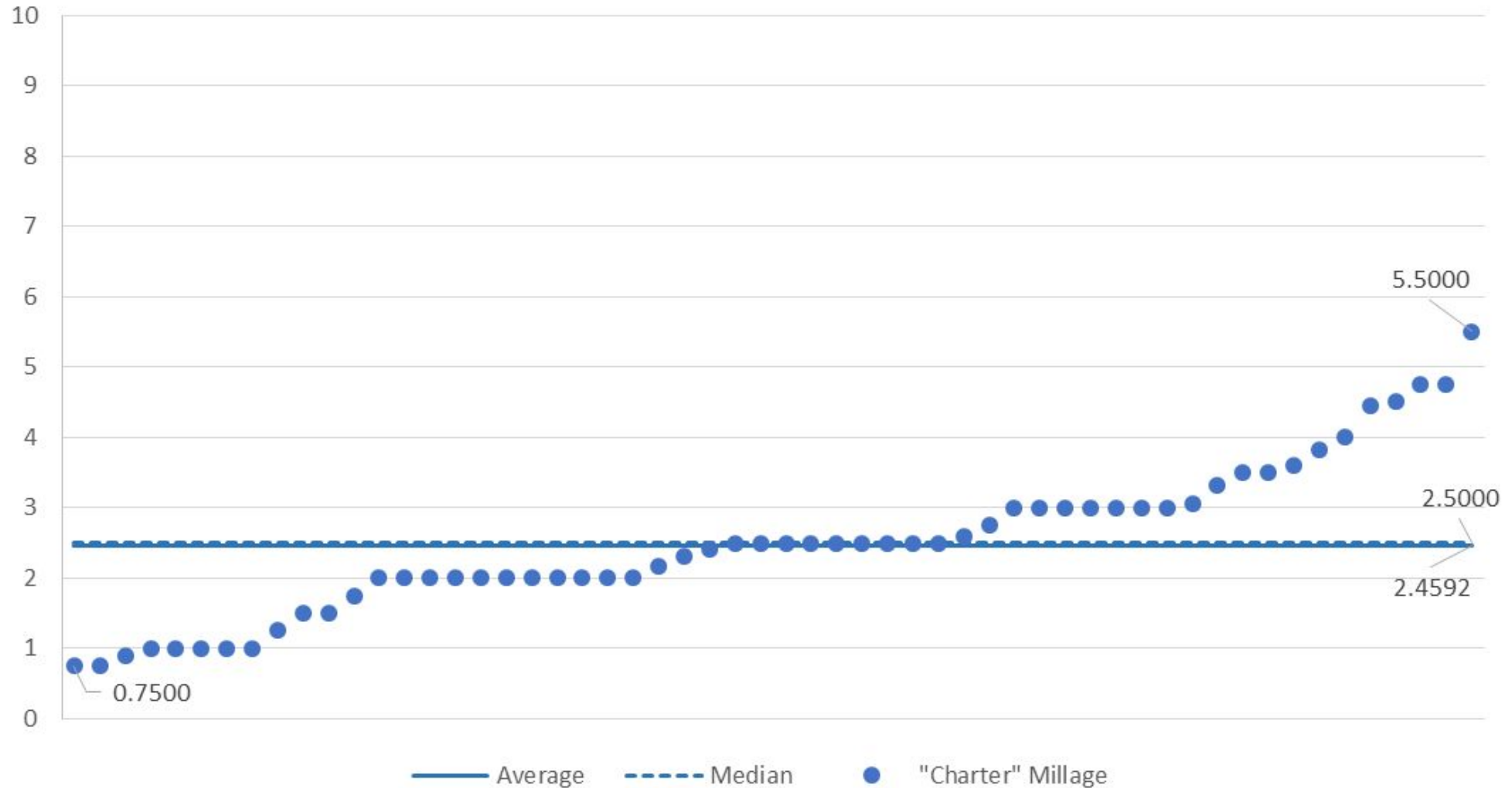
# Special Education Millage Inequities

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# Millage Inequities

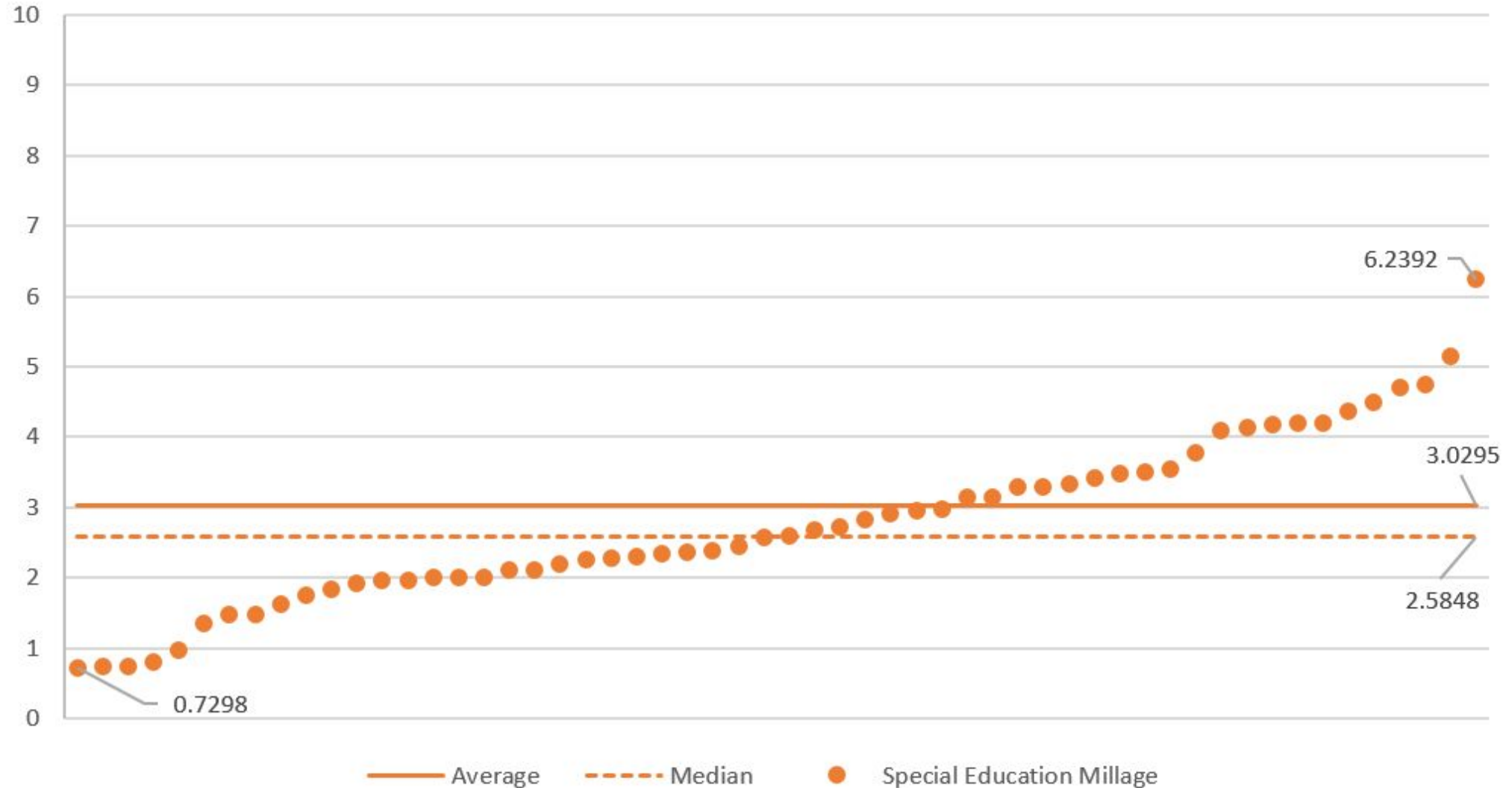
"Charter" Special Education Millage Rates





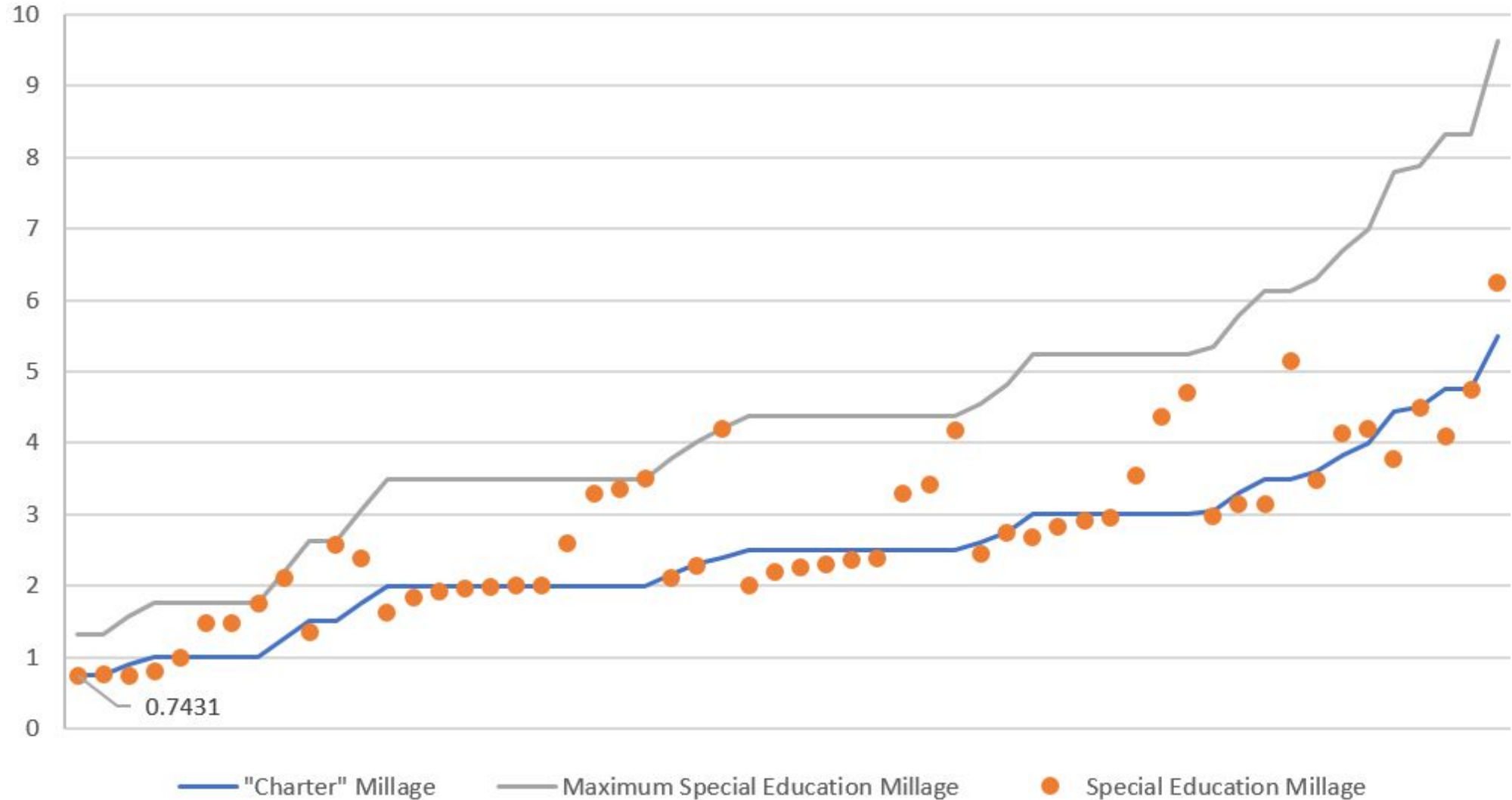
# Millage Inequities

## Special Education Millage Rates Levied



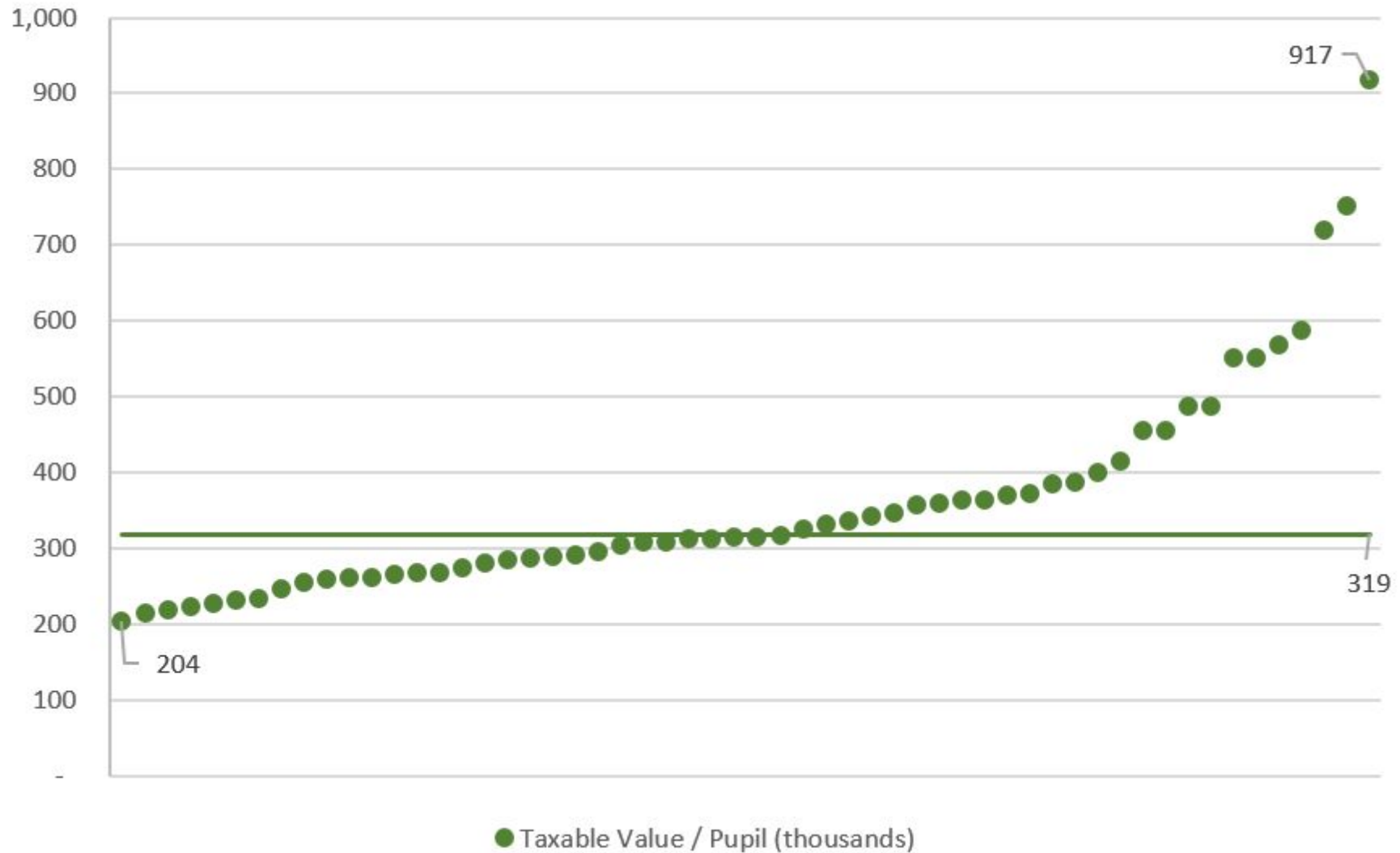
# Millage Inequities

## Comparison of Special Education Millage Rates



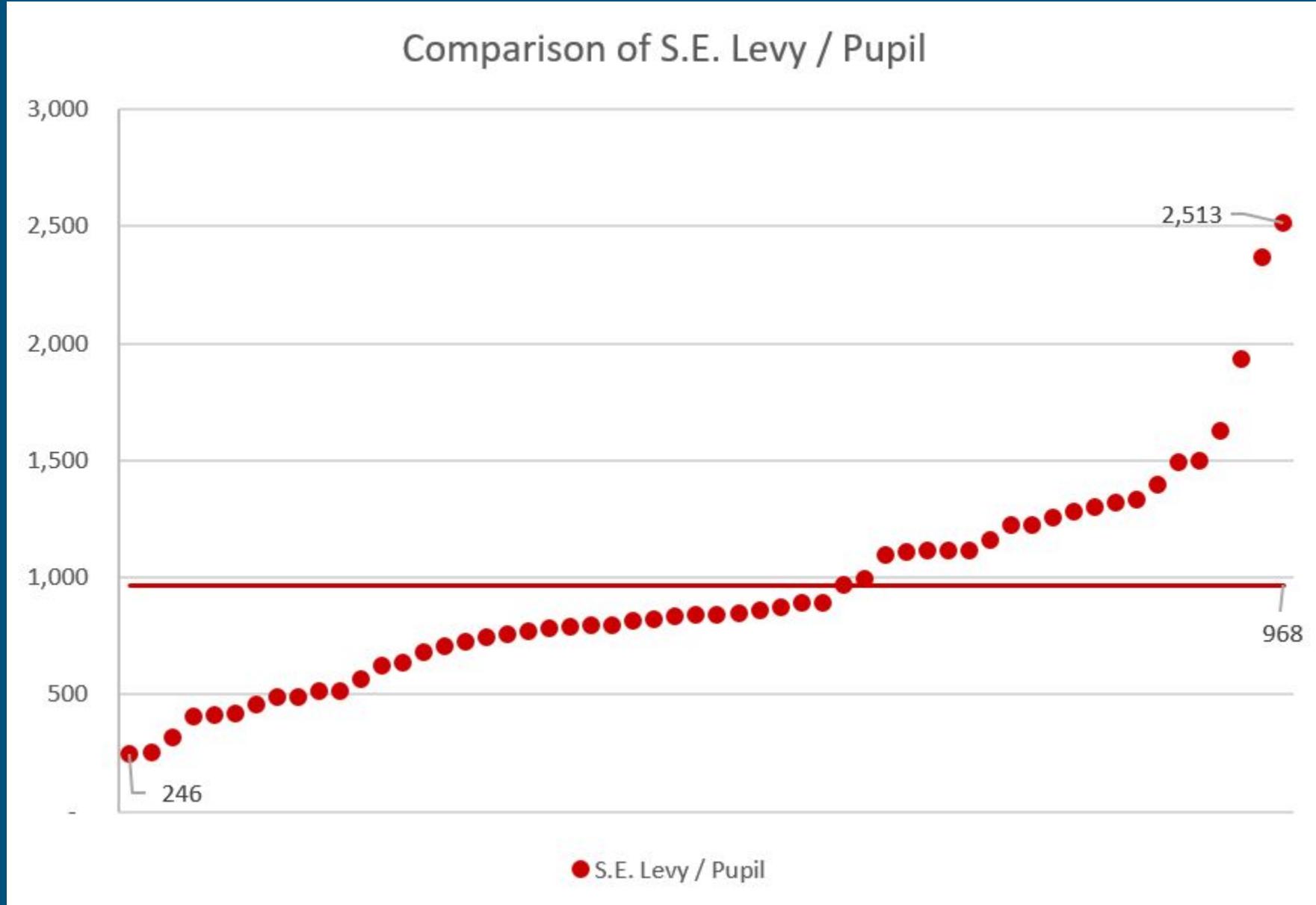
# Millage Inequities

Comparison of Taxable Value / Pupil



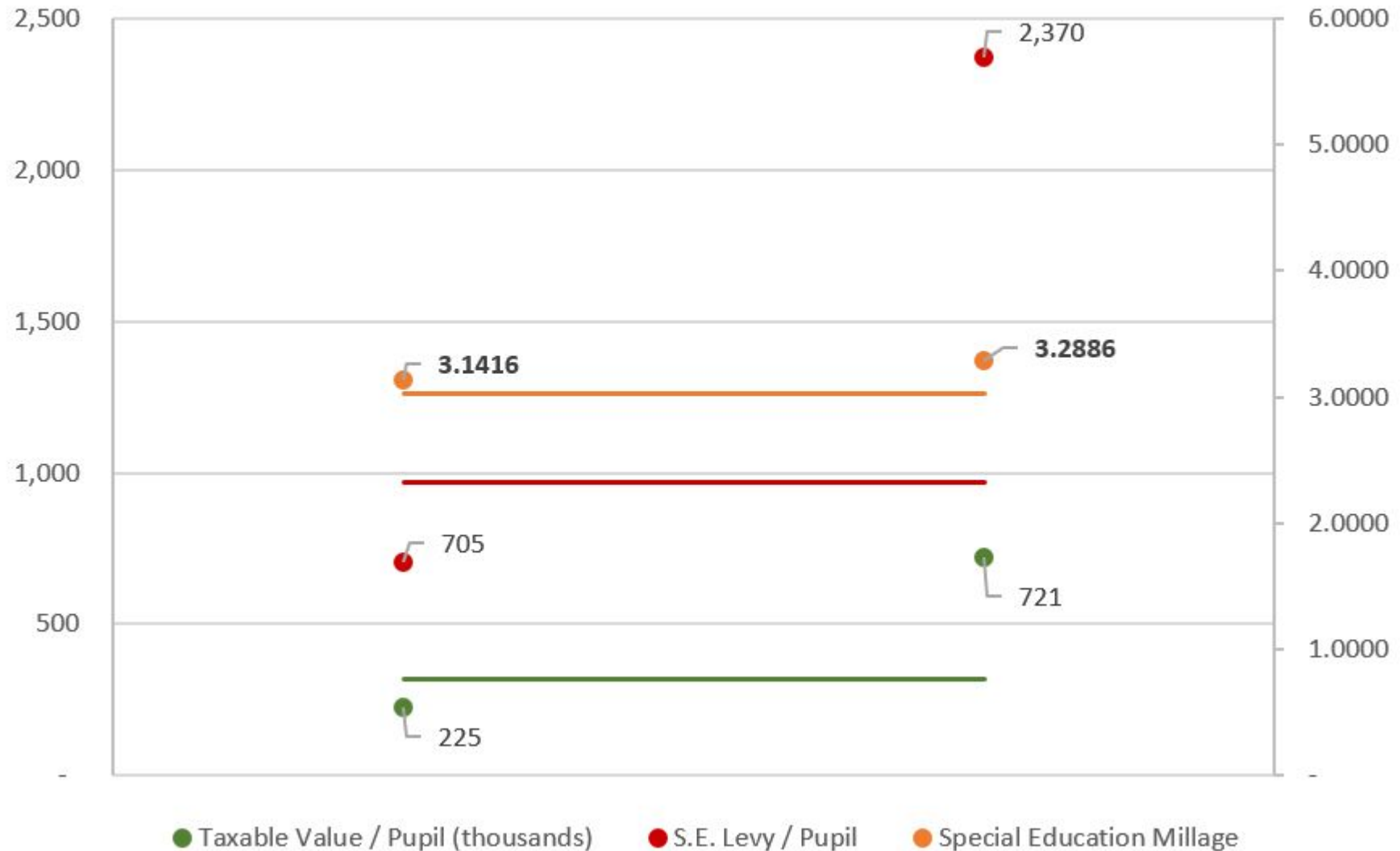


# Millage Inequities



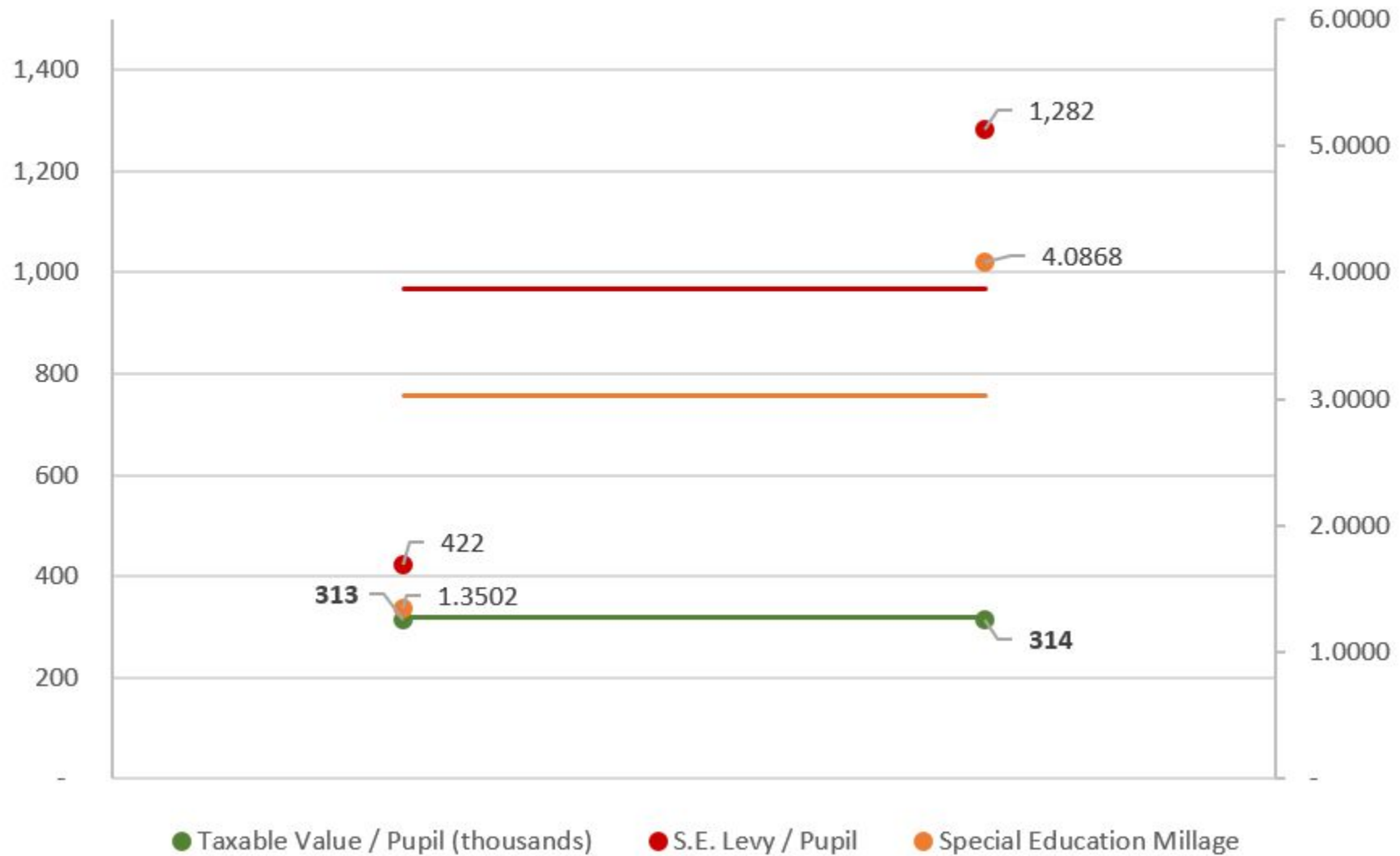
# Millage Inequities

Comparing 2 ISD's with Similar Millages



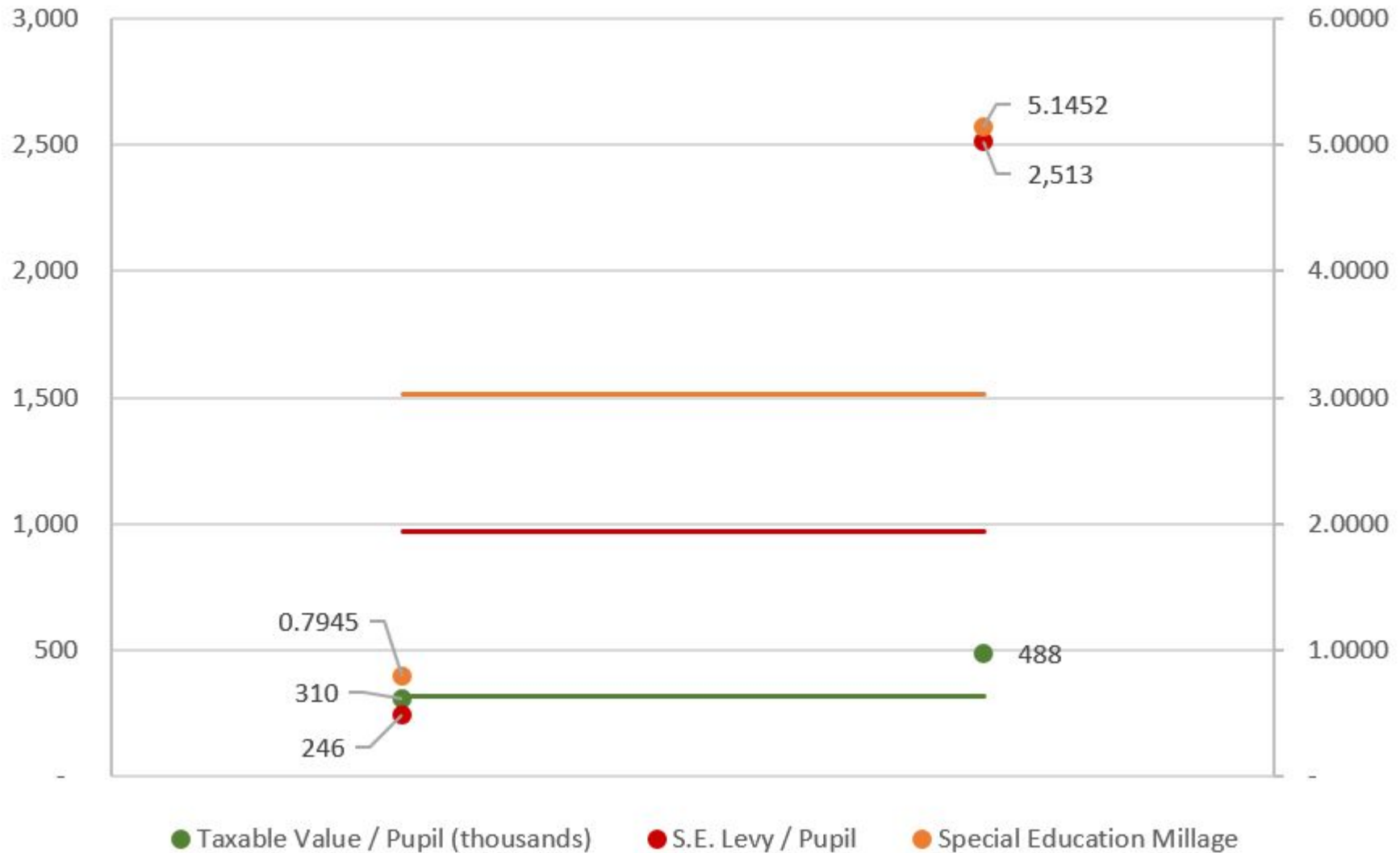
# Millage Inequities

Comparing 2 ISD's with Similar Taxable Values/Pupil

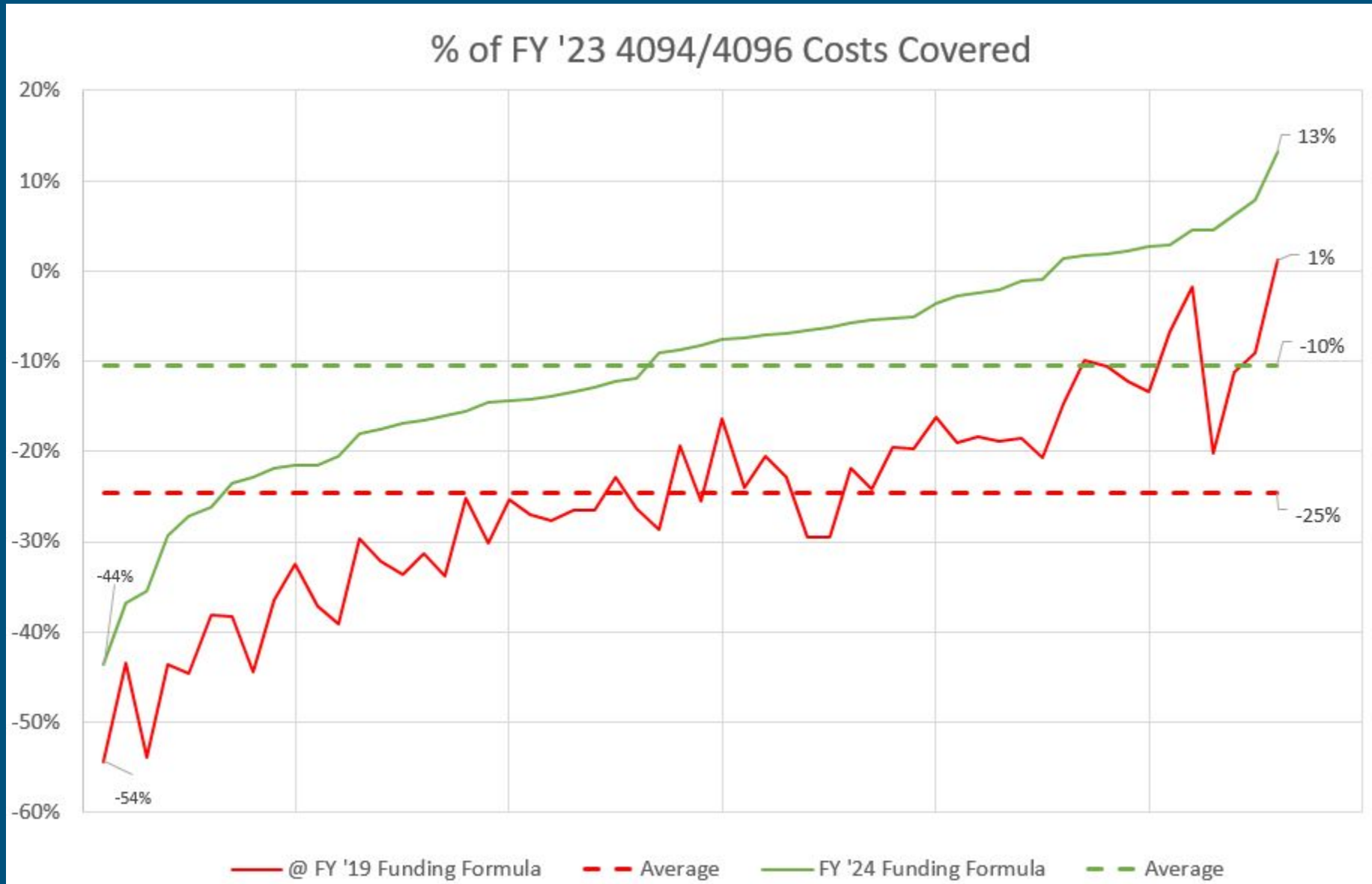


# Millage Inequities

2 ISD's at Each Extreme



# Shrinking shortfall - inequities still exist



# Medicaid

Where to find Medicaid School Services Program:

[https://www.michigan.gov/mdhhs/0,5885,7-339-71551\\_2945\\_42542\\_42543\\_42546\\_42551-151025--,00.html](https://www.michigan.gov/mdhhs/0,5885,7-339-71551_2945_42542_42543_42546_42551-151025--,00.html)

# How We Are Funded - Calculation

$\text{RMTS} \times \text{Financial Costs Submitted} \times \text{FMAP} \times \text{MER} \times 60\%$

- Random Moment Time Study % - What % of time statewide for staff was spent on Medicaid Eligible Service
- Financial Costs Submitted - The expenses for our schools that we submit for Medicaid Staff
- FMAP - Federal Medical Assistance Percentage is set on a statewide basis by the Federal Government annually
- MER - Medicaid Eligibility Rate calculated for the ISD by MDHHS
- 60% - The State of Michigan claims 40% off the top of Medicaid School Based Services, flowing 60% to schools.
  - This % for C4S is 95% as Michigan only withholds 5% to administer the program for schools

# School Service Programs & Medicaid

**Direct Service Claiming:** Students are eligible for Special Education and have an IEP, IFSP or NPSP. This program was formerly known as School Based Services. Consent to treat and bill form is completed once and is done for as long as the student resides in same county.

**Caring for Students:** New program began October 2019. Offers medical and/or behavioral supports to general education students. Students may be seen under a crisis model for 30 calendar days. If support is needed beyond 30 calendar days a Plan of Care is developed. Consent to treat and bill form is required annually.



# Random Moment Time Study Results

- Historically Michigan has had Direct Service RMTS at or above 70%
  - Since C4S was implemented the DS RMTS has dropped now to 58.73%
- C4S is very new, and rather low %, but has room for growth.
  - With MDHHS only holding back 5% of the C4S funds schools can drastically increase funds here.
- Targeted Case Management has the lowest return for expenses, this is why putting teaching staff on Federal grants is the best course of action.
- Preliminary results for Oct-Dec 22 have been released and show a decrease again.

MEDICAID RMTS RESULTS - ANNUAL ACTUALS						
	Direct Service		Targeted		Personal Care	
			Case Management			
2008-09	<b>68.10%</b>		<b>8.02%</b>		<b>19.99%</b>	
2009-10	<b>77.74%</b>	14.2%	<b>10.97%</b>	36.8%	<b>31.17%</b>	55.9%
2010-11	<b>72.41%</b>	-6.9%	<b>9.02%</b>	-17.8%	<b>20.94%</b>	-32.8%
2011-12	<b>74.14%</b>	2.4%	<b>5.80%</b>	-35.7%	<b>22.00%</b>	5.1%
2012-13	<b>75.64%</b>	2.0%	<b>4.37%</b>	-24.7%	<b>22.11%</b>	0.5%
2013-14	<b>70.55%</b>	-6.7%	<b>3.26%</b>	-25.4%	<b>20.61%</b>	-6.8%
2014-15	<b>69.38%</b>	-1.7%	<b>2.82%</b>	-13.5%	<b>20.87%</b>	1.3%
2015-16	<b>71.99%</b>	3.8%	<b>2.97%</b>	5.3%	<b>23.28%</b>	11.5%
2016-17	<b>73.80%</b>	2.5%	<b>2.63%</b>	-11.4%	<b>23.10%</b>	-0.8%
2017-18	<b>74.14%</b>	0.5%	<b>2.71%</b>	3.0%	<b>24.88%</b>	7.7%
2018-19	<b>70.90%</b>	-4.4%	<b>2.47%</b>	-8.9%	<b>23.33%</b>	-6.2%
2019-20	<b>65.02%</b>	-8.3%	<b>2.95%</b>	19.4%	<b>20.92%</b>	-10.3%
2020-21	<b>60.75%</b>	-6.6%	<b>3.63%</b>	23.1%	<b>13.39%</b>	-36.0%
2021-22	<b>58.73%</b>	-3.3%	<b>2.71%</b>	-25.3%	<b>20.69%</b>	54.5%
2022-23 Prelim	<b>53.88%</b>	-8.3%	<b>2.18%</b>	-19.6%	<b>17.62%</b>	-14.8%

MEDICAID RMTS RESULTS - ANNUAL ACTUALS C4S						
	Direct Service		Targeted		Personal Care	
			Case Management			
2019-20	<b>2.71%</b>		<b>0.00%</b>		<b>2.32%</b>	
2020-21	<b>2.70%</b>	-0.4%	<b>0.00%</b>		<b>1.44%</b>	-37.9%
2021-22	<b>4.55%</b>	68.5%	<b>0.00%</b>		<b>2.54%</b>	76.4%
2022-23 Prelim	<b>3.29%</b>	-27.7%	<b>0.00%</b>		<b>2.18%</b>	-14.2%

# Reporting School Costs

## Quarterly Reporting Financials

- Every quarter we report financial costs of staff on the PCG Claiming System
- Schools are only to report the costs for the employees on the Staff Pool List for that quarter
- This reporting is on a cash basis, so you do not include your accruals for summer months, only once they are paid out

## Annual Facility Settlement

- In November schools report annual costs through CHAMPS
- The Facility Settlement medical reporting is only for Direct Service staff pool members
- You will need to verify the portion of the year each employee was on the quarterly staff pool list
- This is reported on an accrual basis for the last fiscal year
- There might be special transportation to report that would tie to the SE-4094

# Funds Distribution Models

## All Funds are distributed to the ISD Level

- Distribution of Medicaid funds is at the discretion of each ISD
- Individual ISDs can have participation requirements, including local audits of schools
- The method of distribution could factor in any number of data points that the ISD has determined to be key locally
  - Financial costs reported
  - Claims data submitted
  - Eligible services provided
  - Student headcount
- There is no requirement to flow out money to LEA/PSA, the ISD could hold funds and provide services
- Many ISDs will hold back funding in case of an audit finding and payback to MDHHS

# Medicaid FMAP Enhancement

- The FMAP rate was artificially enhanced by 7% at the start of the COVID pandemic
- We have begun the phase in transition to remove the entire enhanced rate
- By January 2024 the FMAP bump will be entirely phased out and we will return to our standard FMAP
- For reference FY22 had an FMAP for Michigan of 71.68%.

FMAP Transition Period	FMAP Enhancement
Beginning of the PHE through 3/31/2023	6.2 percentage points
4/1/2023 through 6/30/2023	5.0 percentage points
7/1/2023 through 9/30/2023	2.5 percentage points
10/1/2023 through 12/31/2023	1.5 percentage points
1/1/2024	FMAP “bump” expires



# Advocacy



# SEILN Special Education Finance Workgroup

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## Statewide Adequacy & Equity Focus

- **Statewide** = making recommendations based on what's good for all MI kids, not just our own ISDs
- **Adequacy** = What *should* we be spending on special education?
- **Equity** = \$ available should support student needs without regard to geography or demographics

# SEILN Special Education Finance Workgroup

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- If you were designing a system to fund special education in Michigan, what would you do? We decided to start here:
  - Fix the Foundation + Durant issue - DONE!
  - Address the disparity in millage levies
  - Support students in need of high cost services
- FY '24 MAISA Legislative Ask

# SEILN Special Education Finance Workgroup

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**Are there other issues? Absolutely, including:**

- **Early On funding**
- **Transportation**
- **105(c)**

**The work of the committee is on-going.**



# Additional Resources

**MDE State Aid & School Finance website**

**<https://www.michigan.gov/mde/services/financial-management/state-aid>**

**State Aid Status Report -**

**<https://mdoe.state.mi.us/samspublic/Home/StatusReport>**

**State Aid Allowable Costs**

**<https://www.michigan.gov/mde/services/special-education/funding/state-aid-info/state-aid-allowable-costs>**



# Thank you

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