

Michigan Special Education Finance Updates

October 2026

Agenda

- FY 27 Funding
 - Deadlines and categorical updates
- IDEA fiscal compliance and monitoring
- Emerging special education funding models
- Differentiated Monitoring and Support (DMS) 2.0
- Questions

FY 2027 Special Education Funding Snapshot

- Capital Outlay
 - Threshold increased to \$10,000 starting July 1, 2026
- Single audit threshold
 - Applies beginning with FY 2025-26
 - Increased from \$750,000 to \$1,000,000
- Michigan's IDEA Part B award increased by \$4.2 million
 - Includes 611 and 619

FY 2027 Special Education Funding Snapshot Cont.

- No significant funding changes on the state side
 - Section 56 millage equalization core formula and appropriation unchanged
 - 28.6138% special education program and service reimbursement
 - 70.4165% specialized transportation reimbursement
 - 100% special education foundation
 - Intent language related to special education weighted funding

Key Dates & Deadlines

Section 24 Final Cost Report (SE-4824) & Section 51a(5) Final Cost Report (SE-4747)	9.30.2026	If the ISD or local district has not yet submitted, get this done ASAP
SE-4094 Transportation Cost Report	10.07.2026	Late submissions impact state aid payments
Excess cost activity available in Catamaran	11.2.2026	Remind districts the importance of documented procedures for this activity
Final Expenditure Report (FER)	11.29.2026 11.27.2026 (recommended internal deadline. 11.29.2026 = Sunday)	Not submitting on time will create overpayment.
Section 24 and Section 51a(5) application	11.30.2026	Only new programs under Section 24 require a formal application
Section 53a Verification Documents	11.30.2026	N/A

State Categorical Program Updates

- Section 24
 - Application has been revised
 - Criteria – administrative cost not allowed under the section 53a funded portion of the Section 24 reimbursement without prior approval
 - Cost report SE-4824
- Section 53a
 - Criteria clarified
 - Focus on plain language and documentation requirements for verification
- Section 51a(5)
 - Further automated the final cost report
 - Further reduced administrative requirements to ease application and reimbursement

Program Fiscal Review Updates

- 2026-27 PFR Focus
 - IDEA Fiscal Requirements
 - ISD administration and fiscal oversight of IDEA funds used by member districts
 - Risk-Informed Monitoring
- State Reimbursement Review
 - High and medium risk ISDs will receive enhanced desk review during SE-4096 and SE-4094 review window
 - Separate from PFR process

Common Fiscal Risk Areas

- ISD fiscal oversight of IDEA implementation
- Proportionate share
 - Accurate child count / set-aside calculation
 - Documentation of expenditures related to service provision
 - Carryover; supplement-not-supplant
- Personnel qualifications
- Unallowable expenditures
- Personnel compensation and cost-allocation documentation

Maintenance of Effort Update

- Local Educational Agency (LEA) Maintenance of Effort (MOE) Eligibility
 - In Progress
 - Reminder: MOE Eligibility must be demonstrated before grant funds can become available for the 2026-27 federal grant applications
- MOE Compliance
- MOE Exceptions
 - Voluntary Departure Workbook
 - Exceptionally Costly Program

Special Education Weighted Funding Model

- Section 51i State School Aid Act
 - FY 2027 budget expresses legislative intent that a weighted special education funding formula begin to be implemented in FY28
 - Uses “work toward” targeted weights in the language

Special Education Weighted Funding Model Cont.

- Target Weights
 - 1.1X - Speech and Language Impairment (SLI) & Specific Learning Disability (SLD)
 - 1.8X - Other Health Impairment
 - 3.1X - Physical Impairment, Severe Multiple Impairments, Cognitive Impairment, Deaf or Hard of Hearing, Deaf-blindness
 - 3.8X – Emotional impairment, Visual impairment, early childhood developmental delays, autism spectrum disorder, and traumatic brain injury

Important Caveat: The legislature intends payments under this section to be adjusted to account for available federal revenue and local revenue-generating capacity

Special Education High-Cost Fund

- Statewide workgroup created to develop recommendations for a special education high-cost fund
- Different models
 - IDEA Part B funded
 - State funded
 - Mixed – IDEA & state
- Key design questions
 - Eligibility threshold
 - Costs included
 - Timing of claims
 - Interaction with existing revenue

Differentiated Monitoring and Support (DMS 2.0)

- OSEP monitoring of Michigan's IDEA Part B general-supervision system
 - Programmatic and Fiscal
- Cohort 5
 - Anticipate engagement occurring over the winter and spring of state FY27
 - OSEP 2027: Exact dates are pending
- Why should ISDs care?
 - OSEP will examine SEA's evidence and adequacy of subrecipient monitoring and compliance with IDEA Part B fiscal requirements

Sean's Ask

- I want to hear from MSBO folks
 - Monitoring
 - What practices could we implement to support ISDs in their subrecipient role?
 - Where are we duplicating your efforts that I need to pay attention to?
 - Weighted funding model
 - What are your concerns?
 - Do you have thoughts about how federal funds and differences in local revenue capacity should be accounted for in a way that is understandable and predictable?
 - What information would a district need in advance to budget responsibly?
 - Special education high-cost fund
 - What should it solve?
 - What threshold would meaningfully represent an extraordinary cost?

Any Questions?

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