



Launch and Learn

Alternative Special Education Funding Structures

(Part 3 of a 3-part series)

March 26, 2025

Agenda

- Session 2 recap & overview of Session 3
- Summary of alternative special education funding structures
- Breakdown of each funding structure
 - Cost reimbursement models
 - Census-based models
 - Resource-based models
 - Block grant models
 - Single tier weighted student models
 - Multi-tier weighted student models
- Wrap-up and Q&A

Review Of Session 2: Limitations and Inequities in Special Education Finance

Federal, state, and local revenues fund special education in Michigan.

IDEA governs federal revenues

- The funds are allocated based on a population-poverty formula with a hold harmless based on nominal grant dollars in 1999. The formula creates inequities that disadvantage students with more SWDs and more low-income students.

State revenues are allocated through a percentage-based reimbursement system

- The state reimburses districts for 28.6 percent of approved special education operating costs and 70.4 percent of transportation costs.

Local revenues are generated by property taxes levied by ISDs

- Those levies are limited to 1.75 times the rate set in 1993. This leads to significant inequities. State actions to mitigate wealth disparities, while important, do not do enough to address the problem.

Many districts do not take in enough special education revenue to meet their costs, leading them to rely on their general funds to cover the shortfall (encroachment).

The goal of this learning series is to build support for meaningful special education finance reform in Michigan

Although the status quo may work well for some of Michigan's students with disabilities, **most remain poorly served by it.** The achievement of students with disabilities in other states (indeed in most of them), makes clear that **Michigan can and must do much better** for its students. Reforming how we fund special education is a critical step in ensuring all students with disabilities can access the opportunities and resources they need.

This **session will focus on alternative special education funding structures.** We will cover:

- Reimbursement models
- Census-based models
- Resource-based models
- Block grant models
- Single- and multi-tier weighted student funding models

The learning series will take place over 3 sessions:

Session 1: Enrollment and achievement trends for Michigan's students with disabilities.

Session 2: The ABCs of Michigan's special education finance system.

Session 3: Alternative Funding Structures.

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States typically fund special education through one, or a combination of, six finance structures

Michigan's current special education funding model

Cost reimbursement

Census-based

Resource-based

Block grant

Single-tier weighted student funding

Multi-tier weighted student funding

The **multi-tier weighted student funding structure** is the most common approach to special education.

- After Mississippi's recent reform, nineteen states use this structure.
- More than half of all states use a weighted student model (single or multi-tier) to fund their special education funding systems.

Unfortunately, there is no perfect finance system. Each model has trade-offs. There can be significant variation within each approach. States that use the same model may structure them quite differently.

Poll Question

Have you ever heard of these funding structures?

Select all that apply

- Reimbursement model
- Census-based model
- Resource-based model
- Block grant model
- Single- weighted student funding model
- multi-tier weighted student funding model



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Cost Reimbursement Models

Description	Local education agencies (LEAs), including charter schools, submit special education expense reports to the state. The state reimburses a percentage of those costs. Reimbursable costs vary from state-to-state and may not include all of an LEA's special education expenses.
Strengths	• Tied to what districts spend on special education services. • This approach is unlikely to encourage the overidentification of students for special education services.
Weaknesses	• Reimbursement rates may be too low to meet the cost of services. • These systems can be burdensome to administer. • LEAs need to be able to fund special education services before receiving aid from the state.



State Examples of a Cost Reimbursement Model

Nebraska	Wisconsin
• Districts report to the state the total costs of their special education system. • Costs are translated into a per-pupil amount. • A full-time equivalent (FTE) enrollment is calculated for the LEAs students with disabilities by totaling the time students spend receiving services during the school day. • The FTE enrollment is multiplied by the per student cost. • General education costs are subtracted from that figure. • The reimbursement rate is based on the level of appropriations.	• LEAs are reimbursed for staff, transportation, and related special education costs. • The state also provides partial reimbursement for the costs associated with health treatments for particular disabilities (e.g., orthopedic disability or hearing impairment). • Reimbursement is limited by appropriation. • The reimbursement rate in 2023-24 was 32.4%. The estimated reimbursement rate for 2024-25 is 29.2%.¹

¹ https://wasbo.com/images/wasbo/documents/6/handouts/2024/SBOP2024_StateOfSchoolFinance.pdf

Census-based Models

Description	The state allocates special education funding based on the total enrollment in an LEA. The state determines a uniform enrollment rate for students with disabilities and applies it to all LEAs.
Strengths	• This approach is unlikely to encourage the overidentification of students for special education services. • Administration is clear. • Funds are more flexible and may encourage more efficient delivery of services.
Weaknesses	• Not aligned with LEAs actual enrollment of students with disabilities. • Does not account for differences the kind of and degrees of support students may need.



State Example of a Census-based Model: New Jersey

- New Jersey moved to a census-based model as a part of a finance reform in 2008.
- The formula is based on statewide average:
 - Classification rate
 - Per pupil excess costs
- In 2022-23, the statewide average
 - Classification rate of 15.9%
 - Excess cost of \$19,514
- Excess cost is adjusted for cost differences among counties.
- The state is responsible for one-third of the calculated cost.
- The remaining cost is subject to a cost sharing formula that decreases the local share based on wealth.
- The state has never fully funded this system.

Source: <https://edlawcenter.org/wp-content/uploads/2024/04/Impact-of-Census-Based-Funding-for-Special-Education.pdf>

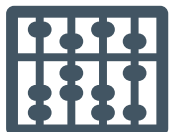
Extraordinary Special Education Aid

A separate, and historically underfunded partial reimbursement system based on setting:

- 90% of costs above \$40,000 for in-district
- 75% of costs above \$40,000 for separate public system
- 75% of costs above \$55,000 for private placement

Census Calculation

Enrollment $\times$
classification rate $\times$
excess cost $\times$
regional adjustment



Resource-based models

Description	The state determines the cost of special education services based on the cost of critical resources, such as staff salaries, instructional materials, etc.
Strengths	• Linked to the costs of staff and services that determine the cost of special education.
Weaknesses	• Complicated to administer and adjust • May lead to misplacement of students • Not aligned with enrolled students and their specific needs • May not fully represent cost drivers of serving students with disabilities



State Examples of a Resource-based Model

Delaware	Virginia
• Students with disabilities are grouped into three categories based on the level of services they require: basic, intensive, and complex. • These categories allocate Division I units based on student enrollment • Basic – 1 unit per 8.4 students • Intensive – 1 unit per 6 students • Complex – 1 unit per 2.6 students • A Division I unit provides the state’s share of salary and benefits for one teacher or two paraeducators. The state share is approximately 70 percent of the total salary. • Other positions include related services specialists: • Basic – 1 for each 57 Basic units • Intensive – 1 for each 5.5 Intensive units • Complex – 1 for each 3 Complex units • Division I units generate additional Division II units that provide funding for energy and some other costs. • Division III funds address local wealth disparities.	• The state provides funding for special education, called the “special education add-on.” • The amount of funding is based on the number of teachers and aides required to meet special education program standards. • The state assumes a share of those costs based on the locality’s composite index of their ability to pay. • The state also funds Intensive Support Services through reimbursement for certain services. The funds are provided in place of the add-on described above.

Block Grant Models

Description	The state provides special education funding based on previous allocations levels.
Strengths	• This approach is unlikely to encourage the overidentification of students for special education services. • Provides local flexibility • Can be administered easily
Weaknesses	• May not be aligned with student needs • More susceptible to being underfunded • Vulnerable to cuts



State Example of a Block Grant Model: Utah

The majority of Utah's state funding for special education flows through a block grant to LEAs. The amount of aid is derived from the enrollment of eligible students, adjusted for growth.

A given year's grant is based on:

1. The previous years allocation
2. The difference in the enrollment between the previous year and the year before that times 1.53

There are three limitations to this calculation:

1. Special education enrollment in either year in the calculation cannot exceed 12.18% of the total enrollment.
2. The calculated special education growth rate cannot exceed the total enrollment growth rate.
3. The number of eligible students in the calculation cannot be lower than the average enrollment from the previous five years.

The calculated enrollment of eligible students is multiplied by a base amount.

Eligible student calculation example

Calculation for 2024:

- 2023 allocation = \$1,000,000
- 2023 enrollment = 200
- 2022 enrollment = 180
- Difference = 20
- $20 \times 1.53 = 30.6$
- $30.6 \times \$5,000 = \$153,000$

2024 Allocation = \$1,153,000



Single-tier Weighted Student Funding Models

Description	All students with disabilities receive the same supplemental funding weight regardless of their eligibility criteria or level of service.
Strengths	• Easy to understand and straightforward to administer • Directly linked with the number of students with disabilities enrolled in an LEA
Weaknesses	• Does not differentiate among students with disabilities • Does not account for cost variability in the provision of required services



State Examples of a Single-tier Weighted Student Funding Model

Colorado	New York
• The state reformed its school funding formula in 2024. • The new formula will be implemented over 6 or 7 years, beginning in 2025-26. • The new law added a 25 percent weight for students in special education classes.	• The state assigns a single multiplier to the base funding amount for students with disabilities: 1.41. • The state also provides an additional 0.5 weight for students in their first year of full-time regular education after previously receiving special education services. • The state also operates Excess High Cost Aid for students with disabilities with costs greater than the lesser of: • \$10,000 • Four times the district’s per pupil approved operating expenditures

Multi-tier Weighted Student Funding Models

Description	Students with disabilities are sorted into multiple categories with different weights. These categories provide different levels of funding based on eligibility category or level of services.
Strengths	• Tied directly to an LEA's enrollment • Differentiates among students with disabilities
Weaknesses	• More complicated than a single weight system • May require a more complex data system



State Example of a Multi-tier Weighted Student Funding Model

Ohio

- The formula previously assigned specific amounts per pupil for each of the six categories.
- In 2022, the state moved to a weighted approach
- The state also provides a reimbursement of at least 50% of costs exceeding \$27,375 for students in Categories 2-5 or exceeding \$32,850 for students in Category 6.

Category	Weight
1 – Speech only	0.2435
2 – Specific learning disability, developmentally disabled, intellectual disability, other health-minor	0.6179
3- Hearing impaired, severe behavior disabled	1.4845
4 – Vision impaired, other health-major	1.9812
5 – Orthopedically impaired, multi-disabled	2.6830
6 – Autism, traumatic brain injury, both visually and hearing impaired	3.9554

State Example of a Multi-tier Weighted Student Funding Model

Tennessee	Code	Unique Learning Need (ULN)	Weight
- Tennessee overhauled its outdated resource-based funding formula in 2022. - The new formula, Tennessee Investment in Student Achievement (TISA) act switched to a weighted system. - There are 10 categories of Unique Learning Needs based on level of service. The ULN are cross-walked with the state's special education option codes.	1	Consultation - Minimum of 2 contacts/month, except OT/PT (minimum of 3 contacts/year). Time must be reported. Direct Services equal to or less than 1 hour/week. Related Services equal less than 1 hour/week.	ULN 1: 0.15
	2	Direct Services more than or equal to 1, but less than 4 hours/week; or any one Related Service more than or equal to 1, but less than 4 hours/week.	ULN2: 0.20
	3	Direct Services more than or equal to 4, but less than 9 hours/week; or any one Related Service more than or equal to 4, but less than 9 hours/week	ULN3: 0.40
	4	Direct Services more than or equal to 9, but less than 14 hours/week; or any one Related Service more than or equal to 9, but less than 14 hours/week.	ULN6: 0.75
	5	Direct Services more than or equal to 14, but less than 23 hours/week; or any one Related Service more than or equal to 14, but less than 23 hours/week.	ULN7: 0.80
	6	Ancillary Services - Attendant provided so that the student can have at least 4 hours/day in less restrictive and general education settings.	ULN8: 1.00
	7	Direct Services - Special Education services 23 or more hours/week; or, any one Related Service 23 or more hours/week.	ULN9: 1.25
	8	Self-Contained or CDC - The sum of all direct services plus related services listed below plus up to 10 hours/week of special education educational assistant in the general program equals 32.5 or more hours/ week. In addition, at least two Related Services from those specified below must be received for at least the minimum times listed. 1 hour/week: psychological services, counseling services, speech/language services, vision services, hearing services 3 contacts/year with time span reported: occupational therapy, physical therapy	ULN9: 1.25
	9	Residential Services - Provided 24 hours/day.	ULN10: 1.50
	10	Hospital/Homebound - Provided 3 or more hours/week	ULN10: 1.50

Funding Structures Overview

Model	Description	Strengths	Weaknesses
Cost reimbursement	LEAs submit costs to the state and are reimbursed a percentage of those costs.	Aligned with district expenditures and discourages overidentification.	Administratively burdensome; may not provide enough fiscal support; requires LEAs to have funding up front.
Census	The state distributes special education funds based on a uniform enrollment rate assumption.	Flexible funding; administratively clear; discourages overidentification.	Not aligned with LEA enrollment of students with disabilities; does not account for differences among students.
Resource	The state determines the cost of special education based on the cost of key resources (e.g., staff salaries, benefits, instructional materials).	Tied to costs of staff and services that account for most of the cost of special education.	Complicated to administer and adjust; May encourage overidentification or misplacement of students; may not represent student needs or cost drivers accurately.
Block grant	Funding is provided based on previous allocation levels.	Flexible; discourages overidentification; easily administered.	May not be aligned with student needs; vulnerable to underfunding and budget cuts.
Single weight	All students with disabilities receive supplemental funding based on a single weight.	Easy to understand and administer; tied to enrollment of students with disabilities.	Does not differentiate among students; Does not account for cost variation in services.
Multi-weight	Students with disabilities are organized into multiple categories with different weights.	Tied to enrollment; differentiates among students with disabilities or services.	More complicated than a single weight system; May require more complex data systems.

Questions?



Share your feedback about Michigan's special education finance approach by participating in the MI Blueprint survey

<https://bit.ly/blueprintmi>

Sources

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