



MI Special Education Finance Reform Blueprint

Legislative Report

October 2025



MI Special Education Finance Reform Blueprint



Prepared by

MVM Consulting and
Public Sector Consultants on behalf of the
Michigan Special Education Reform Blueprint

<https://tinyurl.com/MI-Blueprint-SE-Finance>

Table of Contents

FOREWORD.....	5
EXECUTIVE SUMMARY	6
Legislative Charge and Project Structure.....	6
Guiding Principles	6
Why Reform Is Urgent.....	6
Special Education Funding in Michigan	7
The MI Blueprint Solution: A Student-Centered, Weighted Funding Model.....	7
Funding Options and Fiscal Approach	8
Key Policy Recommendations	8
Smarter Funding. Stronger Schools. A Better Future for Every Michigan Student. .	9
MEMBERS OF THE STUDY	10
MI Blueprint Team.....	10
Planning Committee	10
Technical Advisory Committee	10
MI BLUEPRINT OVERVIEW.....	11
Legislative Charge	11
Membership and Structure of the MI Blueprint	12
Project Approach.....	12
Process	14
Research and Building the Model.....	18
ROADMAP FOR THE MI BLUEPRINT REPORT	20
1. CRITICAL CONTEXT: ENROLLMENT AND ACHIEVEMENT TRENDS FOR STUDENTS WITH DISABILITIES.....	21
Chapter 1 Summary: Key Takeaways	21
National and Michigan Enrollment Trends.....	22
Achievement and Graduation Trends for Students with Disabilities.....	27
2. UNDERSTANDING SPECIAL EDUCATION FINANCE.....	30
Chapter 2 Summary: Key Takeaways	30
Introduction to Special Education Finance	31
Federal Special Education Funding	41
How Education Funding Works in Michigan	42
Michigan Special Education Funding.....	46
Special Education in Michigan Is Underfunded and Inequitable	47
3. MI BLUEPRINT WEIGHTED STUDENT FUNDING MODEL PROPOSAL	57
Chapter 3 Summary: Key Takeaways	57
Laying the Groundwork.....	58

Building the MI Blueprint Model	63
Model Implementation Costs	68
Developing a High-Cost Fund	69
MI Blueprint WSF Model Reduces Inequities	70
4. LOOKING AHEAD	74
Chapter 4 Summary: Key Takeaways	74
Recommendations.....	75
Options for Funding the MI Blueprint WSF Model	78
Process	83
Considerations and Limitations.....	84
A FINAL WORD FROM THE PROJECT TEAM.....	86
ACKNOWLEDGMENTS	87
REFERENCES.....	88
APPENDIX A: LEGISLATIVE AUTHORIZATION FOR SEC. 51H, H.B. 5507 (P.A. 120 OF 2024).....	97
APPENDIX B: TECHNICAL AND PLANNING COMMITTEE MEETINGS OVERVIEW	98
APPENDIX C: FACILITATED STAKEHOLDER MEETING MATERIALS	102
Interim Findings: MI Blueprint April 9 Facilitated Meeting	109
Interim Findings: MI Blueprint June 4 Facilitated Meeting	113
Interim Findings: MI Blueprint July 22 Facilitated Meeting	116
Attendee List: MI Blueprint Facilitated Meetings	118
APPENDIX D: SURVEY INSTRUMENT AND SUMMARY	120
APPENDIX E: A DEEPER DIVE INTO ENROLLMENT, ACHIEVEMENT, AND GRADUATION TRENDS FOR STUDENTS WITH DISABILITIES IN MICHIGAN....	129
APPENDIX F: STATE SPECIAL EDUCATION FUNDING—EXAMPLE	138
APPENDIX G: SPECIAL EDUCATION MILLAGES BY ISD	140
APPENDIX H: ISD ENROLLMENT AND TAXABLE PROPERTY VALUE	142
APPENDIX I: CALCULATING REVENUE METHODOLOGY.....	146
Calculating Federal Revenue	146
Calculating State Revenue	146
Calculating Local Revenue	147
APPENDIX J: STUDENT WITH DISABILITIES HEADCOUNT VERSUS FULL-TIME EQUIVALENCY (FTE).....	149
APPENDIX K: COMPARING SPECIAL EDUCATION ENROLLMENT IN MICHIGAN AND OHIO.....	150
Calculating Combined Other Health Impairment Cost Estimate and Adjusting Estimates to 2025 and Michigan	152
APPENDIX L: CALCULATING TIER-LEVEL COSTS OF THE MI BLUEPRINT WSF MODEL.....	153

Foreword

**Dr. David Arsen, Professor Emeritus of Education Policy and Educational Administration,
College of Education, Michigan State University**

Michigan has wrestled for decades with how to fairly and adequately fund special education, but policy solutions has been challenging. That is why I was encouraged to see the launch of the Michigan Special Education Finance Reform Blueprint (MI Blueprint) project—a significant effort to bring together educators, administrators, and policy experts to chart a path forward.

I have worked closely with the MI Blueprint project team since the start of the initiative, and I commend them for what has been a very well-run and thoughtful undertaking. The analysis, findings, and policy recommendations emerging from this work deserve serious attention from Michigan’s policymakers.

As an economist who has studied Michigan’s school finance system for decades, I can say without hesitation that special education funding is among the most important and pressing areas in need of reform. Our current system is inadequate, inequitable, and too often creates disincentives for schools to provide needed services to students with disabilities. In most cases, students with Individualized Education Programs (IEPs) represent a net financial loss to their schools, with the financial burden increasing as student needs grow more complex.

Reforming this system has always been difficult, for two main reasons. First, special education finance sits within a dense web of federal, state, and local laws; regulations; and historical court rulings that make needed change very technically complex. Second, the range of stakeholders involved—government agencies, school administrators, educators, families, students, and advocates—reflects how far-reaching, sensitive, and politically fraught this issue can be.

On both these counts, the MI Blueprint project stands out. With contributions from highly skilled and knowledgeable specialists, the team has conducted rigorous technical analyses to model (a) the actual costs of providing adequate special education services and (b) the options for funding them sustainably. The resulting estimates are technically sound and rooted in best practice.

Just as important, the project’s process has been exemplary: open, responsive, and deliberative. The project team has engaged stakeholders across the state, listened carefully to diverse perspectives, and incorporated that input in a transparent and balanced way. This kind of process is not only unusual and impressive; it is essential to creating durable policy solutions.

This report represents the culmination of that work. While it marks an important step forward on its own, it could usefully serve as a model for how Michigan approaches other complex education policy challenges in the future.

My congratulations to the MI Blueprint project team and to the stakeholders across Michigan who contributed to this valuable work. Like many others, I look forward to ongoing engagement as Michigan moves forward in establishing a more equitable, efficient, and student-centered funding system.

Executive Summary

Despite decades of effort from generations of families, educators, and policymakers, high-quality education largely is an unrealized promise for the hundreds of thousands of Michigan's students with disabilities. Michigan's special education system is underfunded, inequitable, and does not meet student needs. Without enduring reform, students with disabilities will continue to fall behind in academic progress, social development, and in access to postsecondary opportunities.

Legislative Charge and Project Structure

To address these systemic inequities, the **Michigan Special Education Finance Reform Blueprint (MI Blueprint)** was created under Section 51h of the 2024 School Aid Budget. This initiative, mandated by the legislature and developed with extensive input from educators, families, administrators, advocates, and policy experts, the MI Blueprint outlines a student-centered, needs-based, and transparent funding system designed to ensure that every child with a disability in Michigan has the resources and support necessary to thrive.

The MI Blueprint is grounded in prior research, including the 2017 Special Education Reform Taskforce Funding Subcommittee report and the Michigan School Finance Collaborative's 2018 school adequacy study, updated in 2021. The Clinton County Regional Educational Service Agency (CCRESA) managed the project in partnership with the Autism Alliance of Michigan (AAoM), Public Sector Consultants (PSC), and independent consultant Max Marchitello. Two advisory committees—planning and technical advisory—offered guidance, feedback, and technical oversight throughout the entire process.

Guiding Principles

The MI Blueprint is informed by the following principles:

- Funding must be student centered, need based, and transparent.
- Students with greater needs should receive more resources.
- Equity must be prioritized by reducing disparities driven by local property wealth.
- Funding should be predictable and sufficient to implement evidence-based practices.

Why Reform Is Urgent

- **Persistent underachievement:** Less than 60 percent of students with disabilities graduate on time, and proficiency rates on state assessments lag significantly behind those of their nondisabled peers. National assessment data show that Michigan students achieve proficiency at rates lower than the national average for students with disabilities.
- **Growing needs:** The number of students with disabilities has grown and now comprises nearly 15 percent of Michigan's public school population, with significant increases in the categories of autism and Other health impairment (OHI).

- **Inequitable funding:** Present funding primarily relies on local property wealth instead of student needs, resulting in underfunding for lower-wealth districts and compelling schools to allocate general fund dollars to meet mandated services.
- **Workforce and resource gaps:** Districts struggle with a shortage of qualified special education staff, limited access to inclusive placements, and insufficient resources to fully implement Individualized Education Programs (IEPs).

Special Education Funding in Michigan

Michigan's current system is a complex mix of federal, state, and local funds.

- **Federal** Individuals with Disabilities Education Act (IDEA) funding covers approximately 12 to 13 percent of costs, far below the intended 40 percent.
- **State** funding is governed by the Headlee Amendment, Michigan Supreme Court ruling on the *Durant* case, and Proposal A, creating structural constraints and inequities.
- **Local** intermediate school district (ISD) special education millages are limited to up to 1.75 times their 1993 rate, which perpetuates disparities based on property wealth rather than funding ISDs based on student need.

Long-term underfunding compels districts to redirect general fund dollars to fulfill mandated special education services, disproportionately impacting lower-wealth communities.

The MI Blueprint Solution: A Student-Centered, Weighted Funding Model

The **MI Blueprint** proposes a four-tier weighted student funding (WSF) model that ties funding directly to student need rather than zip code or local wealth.

Key Features:

- **Tiered funding based on disability and service need:** Supplemental to the foundation allowance, ranging from approximately \$11,000 per student with lower support needs to \$39,000 for students with higher support needs.
- **High-cost fund (HCF):** Covers 80 percent of expenses that exceed \$57,615 per student, ensuring districts can provide for students with exceptionally high needs.
- **Equity across districts:** Lower-wealth ISDs receive proportionally larger increases, reducing disparities caused by historic funding inequities.
- **Predictability and sustainability:** Annual inflation adjustments and statutory review cycles ensure funding remains sufficient, accurate, and aligned with evidence-based best practices.

“Michigan’s special education system is ready for a transformation. We know from the experience of families and educators that an improved system is needed, and this plan provides a concrete path. I’m encouraged that this plan prioritizes student needs over local property wealth, offering every community a stronger and more equitable opportunity to deliver the support their students deserve.”

—Dr. Scott Koenigsknecht, Superintendent, Clinton County Regional Educational Service Agency

Funding Options and Fiscal Approach

The MI Blueprint outlines the distribution of funding, rather than specifying its sources.

- **State-funded model:** The State assumes full financial responsibility, thereby minimizing funding disparities related to local property wealth.
- **State-local shared model:** Establishes a fair cost-sharing framework that balances equity and community control.
- **Six-year phase-in:** A gradual implementation of financial investment increases allows for fiscal feasibility and steady implementation across districts.

Full implementation would cost approximately \$4.55 billion, a 39 percent increase over 2024 spending on special education operations, representing a transformational but achievable investment in Michigan’s future.

Key Policy Recommendations

To strengthen Michigan’s special education finance system, the MI Blueprint team recommends:

1. **Adopting** the four-tier WSF model with a phased six-year implementation
2. **Codifying and funding** the HCF to support students with extraordinary needs
3. **Eliminating dated ISD millage caps** to remove inequitable funding barriers
4. **Maintaining** current transportation reimbursement levels to ensure access to required services
5. **Establishing statutory reviews** of the WSF model and the HCF
6. **Adding annual inflation adjustments** to the foundation allowance
7. **Developing clear ISD distribution guidelines** aligned with student-centered principles

- 8. Enhancing Michigan Department of Education (MDE) data systems and technical assistance** to effectively support districts, educators, and families in implementing the model
- 9. Creating a fair cost-sharing structure** to ensure that lower-wealth communities receive the support needed to deliver high-quality services

Additional Legislative Considerations

- Regional cost variations may necessitate modifications to the WSF model.
- Accountability systems should complement funding to ensure the efficient use of resources.
- There are opportunities to integrate funding across programs for greater efficiency and alignment, including early intervention and preschool services (birth-to-three and pre-K), as well as Setting 14 programs that serve students with disabilities beyond age 21 through age 26.

Smarter Funding. Stronger Schools. A Better Future for Every Michigan Student.

Michigan has a clear opportunity to strengthen its commitment to special education. We must work to update a finance system that, while aiming to serve our students, currently faces challenges in providing adequate and equitable resources to support all learners. Reforming how we fund special education is essential for both financial sustainability and fulfilling our collective obligation to every student.

The MI Blueprint delivers a Michigan-made solution with this report: a rigorous, equitable, and evidence-based roadmap for reform.

We have the opportunity to lead the nation by transforming our system into one that is modern, transparent, and focused entirely on student needs. Every child deserves a system that supports their learning, values their potential, and invests in their future.

The time to act is now. The recommendations within this report are critical to ensuring resources finally align with student needs.

Members of the Study

MI Blueprint Team

- Dr. Scott Koenigsknecht, Superintendent, Clinton County Regional Educational Service Agency
- Heather Eckner, Director of Statewide Education, Autism Alliance of Michigan
- Sarah Himes Greer, Senior Consultant, Public Sector Consultants
- Alayna Ohneck, Education Engagement Specialist, AAoM
- Max Marchitello, Principal, MVM Consulting

Planning Committee

- Dr. Scott Koenigsknecht, Superintendent, CCRESA
- Dr. Venessa Keesler, President and Chief Executive Officer, Launch Michigan
- Peri Stone-Palmquist, Executive Director, Student Advocacy Center of Michigan
- Jeff Cobb, Director of Government Affairs, Education Trust—Midwest
- Alexandra Stamm, Education Policy Analyst, Michigan League for Public Policy
- Dr. David Arsen, Emeritus Professor of Education Policy, Michigan State University
- Dr. Tanner Delpier, Labor Economist, Michigan Education Association (MEA)
- Arlyssa Heard, Deputy Director, 482 Forward
- John Andrejack, Financial Manager, Office of Special Education, Michigan Department of Education
- Abby Cypher, Executive Director, Michigan Association of Administrators for Special Education
- Dr. Jen DeNeal, Director of Policy and Systems, Skillman Foundation¹
- Diane Heinzelman, Member, Education Committee, AAoM Board
- Craig Thiel, Research Director, Citizens Research Council
- Punita Dani Thurman, Strategic philanthropy and policy leader²
- All members of the MI Blueprint team participated in the planning committee

Technical Advisory Committee

- Dr. Scott Koenigsknecht, Superintendent, CCRESA
- Dr. David Arsen, Emeritus Professor of Education Policy, Michigan State University
- Dr. Tanner Delpier, Labor Economist, MEA
- Craig Thiel, Research Director, Citizens Research Council
- John Andrejack, Financial Manager, Office of Special Education, Michigan Department of Education

Heather Eckner and Max Marchitello from the MI Blueprint team also participated in the technical advisory committee.

¹ Served as the Director of Policy and Research, Education Trust—Midwest at the project's inception.

² Served as the Vice President of Strategy, Skillman Foundation at the project's inception.

MI Blueprint Overview

Legislative Charge

During the 2024 legislative session, the Michigan Legislature added Section 51h to the School Aid Budget, authorizing a Special Education Equitable Funding Analysis (MI Blueprint) during the 2024–2025 fiscal year.³ The impetus for the MI Blueprint is a shared commitment to improving how Michigan supports its students with disabilities. There is a consensus that the current finance structure needs to be updated to eliminate disparities and ensure that the allocation of essential funds and services is based on student need rather than geographic area. The structure of Michigan’s special education finance system has resulted in many intermediate school districts, local education agencies (LEAs), and schools lacking the resources needed to effectively support and educate their students with disabilities.

To achieve this goal, MI Blueprint was tasked with providing the legislature with a WSF model designed to finance special education in Michigan more effectively and equitably. See Appendix A for the complete legislative language authorizing the study.

“The way the system works now, a family’s zip code can determine whether or not a child gets the services they need. That’s not fair and we have to change it.”

—Arlyssa Heard, Deputy Director, 482 Forward

MI Blueprint carries forward the work of the Special Education Funding Subcommittee organized by Lt. Gov. Brian Calley in 2017 and builds upon the landmark 2018 school adequacy study—as well as its 2021 update—published by the School Finance Research Collaborative (SFRC).^{4,5}

The MI Blueprint approach to special education finance reform was modeled on *Designing Change: A Toolkit for State Education Finance Reform* created by Bellwether, a national leader in school finance reform. The toolkit emphasizes that achieving funding equity requires understanding the causes of inequity and developing solutions that consider the impacts of policy changes from

³ Michigan Legislature, “House Bill No. 5507,” 102nd Legislature, Regular Session of 2024, <https://www.legislature.mi.gov/documents/2023-2024/publicact/pdf/2024-PA-0120.pdf>

⁴ Special Education Funding Subcommittee, Special Education Finance Report, submitted to Lt. Gov. Brian Calley (November 2017), https://content.govdelivery.com/attachments/MIGOV/2017/11/22/file_attachments/917757/Special%2BEducation%2BFinance%2BReport%2B-%2Bfinal%2B2017.pdf

⁵ School Finance Research Collaborative, “The Studies,” *School Finance Research Collaborative*, <https://www.fundmischools.org/studies>

multiple perspectives.⁶ The toolkit provides a three-phased approach—defining principles and problems, developing solutions, and creating actionable policy proposals—that directly informed the work. The MI Blueprint collaborated with stakeholders, assessed Michigan’s system, and developed a weighted funding model to better support students with disabilities.

Membership and Structure of the MI Blueprint

In accordance with the legislative mandate, CCRESA served as the fiduciary for the MI Blueprint and partnered with other independent entities to conduct the analysis. The primary MI Blueprint team consisted of CCRESA, the Autism Alliance of Michigan, and Public Sector Consultants. Max Marchitello, an independent education consultant involved in developing Michigan’s Opportunity Index, also served on the team.

The planning committee was formed and convened regularly to provide ongoing guidance and diverse perspectives on Michigan’s special education finance system, encompassing its strengths, weaknesses, and the challenges encountered by students with disabilities. Planning committee members offered important feedback on new funding models and policy proposals.

A technical advisory (TA) committee was also established. The TA committee met frequently to provide feedback to refine analyses, funding models, and policy recommendations. The TA committee helped the MI Blueprint project team develop a feasible, research-based, and comprehensive special education funding proposal that will ensure that all students with disabilities receive the financial resources needed for a high-quality education.

Project Approach

This project was to provide the Michigan Legislature with an ambitious yet achievable proposal to comprehensively reform and modify Michigan’s special education funding system. The MI Blueprint team, in consultation with diverse stakeholders, identified a set of principles for reform to guide its work. For a complete list of stakeholders who participated in the facilitated meetings, please see Appendix C.

⁶ Biko McMillan, Sophie Zamarripa, Indira Dammu, and Bonnie O’Keefe, *Designing Change: A Toolkit for State Education Finance Reform* (Bellwether, October 17, 2024), <https://bellwether.org/publications/designing-change/>

MI Blueprint Principles for Special Education Finance Reform

1. With proper resources and support, all students with disabilities can learn and achieve success, including meeting the state standards as appropriate.
2. Effective special education funding is student-centered and allocates resources based on student needs.
3. Students with greater needs should receive greater resources.
4. Special education funding should be fairly allocated so that students' access to necessary resources is not determined by the property wealth of their district.
5. Special education funding should be transparent, understandable, and reliably predictable.

“At every meeting, we came back to one principle: students with greater needs deserve greater resources. This process gave us the chance to build a transparent model that finally aligns funding with need and research. We are so excited to see the impact this model will have on the lives and futures of our state's children.”

—Peri Stone-Palmquist, Executive Director, Student Advocacy Center of Michigan

MI Blueprint Research Questions

1. What are the core elements of an effective and equitable special education funding structure?
2. How can a weighted student funding formula address these challenges?
3. What are the minimum costs associated with effectively supporting students with disabilities?
4. How can the financing of the proposed model be organized to ensure an appropriate balance between state and local contributions while addressing the inequitable effects of disparities in property wealth?
5. Could an HCF be suitable for Michigan, and how could it be structured to benefit students with disabilities as well as ISDs and LEAs?
6. What are the primary factors to consider for successful implementation?
7. How can Michigan's data systems and processes be revised to facilitate the implementation of a new special education funding model?

Process

The project began in fall 2024. Its primary goals were to be inclusive and involve diverse perspectives from those engaged in and impacted by the Michigan special education system. The success of this work relies both on the quality of the proposed model and the support given by critical stakeholders from across Michigan.

- The MI Blueprint team began by conducting a literature review and initial research to inform the project and ensure that project team members operated on the most current information regarding special education finance. The project team conducted research throughout the project in response to committee feedback and stakeholder insight or requests.
- The MI Blueprint team built on their initial research by distributing **a high-level, public, statewide survey** for respondents to share their views on what is working well and what could be improved in Michigan's special education system.
- The MI Blueprint established a **planning committee** and **TA committee** to provide support and guidance for the project. The planning committee was convened four times and the TA committee five times.^{7,8} See Appendix B for an overview of the technical and planning committee meetings.
- Prior to the first facilitated meeting, PSC held 20 **one-on-one meetings with stakeholders** to gather more in-depth qualitative insights and feedback.⁹ These participants included ISD leaders, advocates, educators, researchers, and policy experts.
- The MI Blueprint project was structured around **a series of four stakeholder convenings** held throughout 2025. Each convening was a hybrid meeting of in-person and online attendees. Participants included practitioners, district leaders, administrators, advocates, researchers, and parents. They engaged in facilitated conversations, provided feedback, raised questions and concerns, and collaborated on building a student-centered, need-based weighted model to improve special education funding in Michigan. For a more detailed discussion of these facilitated stakeholder convenings, including agendas, meeting materials, and the summaries of the feedback received, please see Appendix C.
- In addition to the large group convenings, the MI Blueprint team collaborated with Launch Michigan on **a three-part special education learning series** that provided an overview of the current special education funding structure.¹⁰
- Finally, MI Blueprint conducted **two more virtual special education forums** for the project team to share the findings from analyses and modeling and gather feedback from an even broader array of key stakeholders.

The MI Blueprint team not only conducted numerous formal interviews, meetings, large convenings, and presentations, but also remained accessible to stakeholders by responding to

⁷ The planning committee met on February 10, June 12, August 8, and September 4, 2025.

⁸ The technical advisory committee met on May 6, May 21, June 24, July 16, and August 27, 2025.

⁹ The one-on-one meetings took place between March 21 and April 21, 2025.

¹⁰ Autism Alliance of Michigan, "Launch and Learn," MI Blueprint, <https://autismallianceofmichigan.org/education-initiatives/mi-blueprint/launch-and-learn/>

direct inquiries and facilitating individual meetings to share modeling, gather feedback, and address questions. The following section provides an overview of the MI Blueprint process and methodology.

Statewide Survey

The MI Blueprint project team conducted a statewide survey over six weeks to start the process. The survey link was shared broadly with stakeholders from March 6 until April 14, 2025. The MI Blueprint project team distributed the survey link via an email campaign, social media posts, and project partner network promotion. The survey asked respondents to share their view on what works well and what does not in Michigan's special education system. Regarding special education finance specifically, respondents were asked about Michigan's partial reimbursement system, ISD millages, and how additional resources would affect the caliber of education provided to students with disabilities.

There were 882 respondents to the survey. Of those, 57 percent were educators, administrators, or district leaders, and 29 percent were parents of students. Survey respondents came from all regions of the state. The three regions with the highest participation were Southeast Michigan (32 percent), East Central Michigan (19 percent), and West Michigan (17 percent).

"The divide between what my child needs and what the school can provide is clear to me as a parent. School staff are doing their best, but ultimately, students with disabilities are left behind. The gap between student need and available resources is vast. This Blueprint closes that gap."

—Marisa Brizzolara, parent and member of the Michigan Parent, Advocate and Attorney Coalition (MiPAAC)

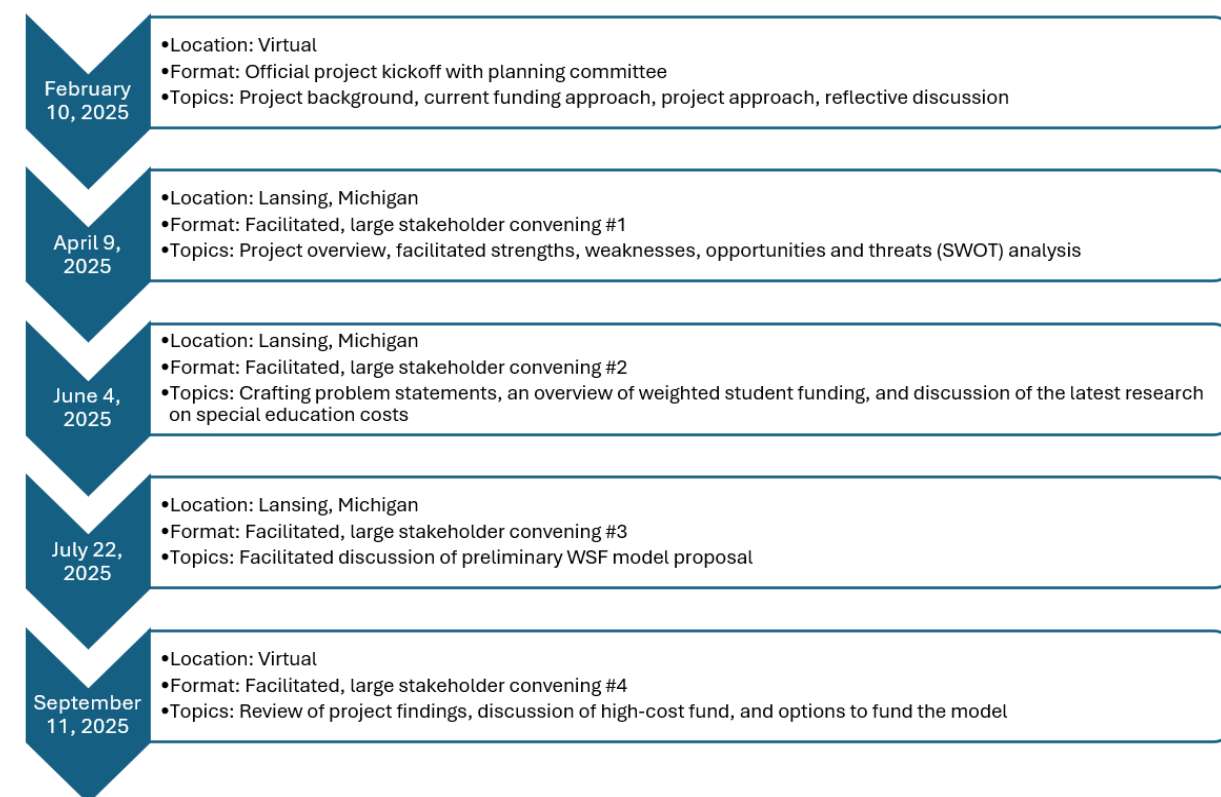
For a complete discussion of the survey and results, see the survey instrument and summary in Appendix D.

Structured Stakeholder Engagement

The project started in mid-February 2025 with a virtual meeting of the planning committee members. Eleven members of the planning committee were present at the initial meeting. See Appendix B for an overview of the planning committee meetings, including attendees and discussion topics.

After the first planning committee meeting, the MI Blueprint project held four facilitated stakeholder convenings. Invitations to the meeting were broadened to include more types of stakeholders, such as practitioners, district leaders, administrators, advocates, researchers, and parents. Participants received formal presentations and engaged in facilitated discussions, offering feedback, raising questions, and collaborating to create a student-centered, need-based weighted model to enhance special education funding in Michigan. See Appendix C for a greater discussion of each of these facilitated stakeholder convenings, including the meeting agendas, the summaries of the feedback we received, and the cumulative attendee list.

EXHIBIT 1. Timeline of Facilitated Stakeholder Convenings



The MI Blueprint team worked with Launch Michigan on a three-part series about special education, in addition to the large group meetings. The series provided participants with a basic understanding of students with disabilities in Michigan, the state's special education funding structure, and alternative funding models.

The series took place over three consecutive weeks in March.¹¹ Each 60-minute presentation also included a question-and-answer period at the end. The first session focused on the enrollment and performance of Michigan's students with disabilities. The second session analyzed the benefits and shortcomings of Michigan's partial reimbursement special education finance system. The

¹¹ The Launch and Learn sessions were held on March 12, 19, and 26, 2025.

final session presented the strengths and weaknesses of six different special education finance structures used across the country.¹² Over 90 participants attended at least one of the three sessions, including parents, advocates, educators, school board members, and school administrators. The session recordings were then posted to the AAoM website.¹³

MI Blueprint hosted two virtual special education forums to share analysis findings and gather feedback from a wider range of key stakeholders. More than 80 stakeholders from across the state attended at least one of these forums, representing educators, ISDs, school and district administrators, and advocates. The first forum took place on May 14, discussing Michigan’s special education finance system and the latest research on WSF models. The second forum took place on June 25, which focused on three potential WSF models for Michigan.

In total, the MI Blueprint team held ten large stakeholder convenings and forums between February and September 2025.

“I’ve been a part of a lot of committees, but this one was different. Too often in Michigan education efforts we spend our time admiring the problem and then retreat into our corners rather than digging in to do the hard work of coming up with a better future. The MI Blueprint does that work—it lays out a new future not only for students with disabilities, but for Michigan’s entire education system.”

—Venessa Keesler, President & CEO at Launch Michigan

Additional Stakeholder Consultation

The MI Blueprint team prioritized regular engagement with stakeholders during the project. The planning committee met four times and the TA committee met five times.^{14,15} Additionally, PSC held 20 one-on-one meetings with stakeholders to gather more in-depth qualitative insights and feedback.¹⁶ The participants, including ISD leaders, advocates, educators, researchers, and policy

¹² The six models discussed were: Cost reimbursement, census-based, resource-based, block grants, single-tier weighted student, and multi-tier weighted student.

¹³ Autism Alliance of Michigan, “Launch and Learn.”

¹⁴ The technical advisory committee met on May 6, May 21, June 24, July 16, and August 27, 2025.

¹⁵ The planning committee met on February 10, June 12, August 8, and September 4, 2025.

¹⁶ The one-on-one meetings took place between March 21 and April 21, 2025.

experts, helped to shape how the MI Blueprint team approached early analyses and modeling. The MI Blueprint team also consulted with national school finance and special education organizations, including Bellwether, American Institutes for Research (AIR), Stride Policy Solutions, and Ed Fund.

During the project, the MI Blueprint team often met with professional associations in Michigan's special education system to share insights and gather important feedback. The organizations included the Michigan Association of Administrators of Special Education (MAASE), the Michigan Association of Intermediate School Administrators (MAISA), and MAISA's Special Education Instructional Leadership Network.

The MI Blueprint team met with external stakeholders and experts, including members of the planning and TA committees, more than 50 times to discuss strategy, assess funding models and policy proposals, and guide the MI Blueprint project and student funding model.

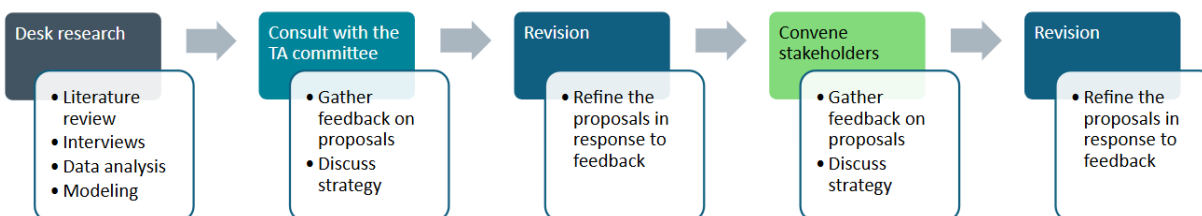
Research and Building the Model

The MI Blueprint team conducted a comprehensive literature review, examining special education finance structures and policies, paying particular attention to several states (Tennessee, Mississippi, Colorado, Alabama, and Texas) that recently reformed their special education finance system. The team also collected and analyzed relevant finance and student enrollment data to evaluate Michigan's current special education finance system, as well as to construct different potential WSF models.

Exhibit 2 shows the iterative process the project team followed to create and improve the MI Blueprint WSF Model. The MI Blueprint project team used the same process to design the HCF and its cost-sharing options.

The iterative process was not always linear, as the MI Blueprint team prioritized more stakeholder engagement while developing the WSF model. The MI Blueprint team also conducted extra stakeholder interviews and consultations to gather feedback, discuss strategy, and refine the proposals.

EXHIBIT 2. MI Blueprint Policy Proposal Design Process



The MI Blueprint project aimed to create a special education WSF model developed by Michiganders for Michigan students. Practitioners, experts, administrators, parents, and other stakeholders were deeply involved at every stage of the process.

“Few states have taken on special education funding with this level of rigor and collaboration. The MI Blueprint stands out for its singular focus on students receiving special education—not as an add-on, but as a system-wide priority—allocating resources in a way that’s more fair, transparent, and responsive to students’ varied needs.”

—Bonnie O’Keefe, Partner, Bellwether

Roadmap for the MI Blueprint Report

The report is organized as outlined below.

Each chapter starts with a brief summary of its contents.



1. Critical Context: Enrollment and Achievement Trends for Students with Disabilities

- a. National and Michigan Enrollment Trends
- b. Achievement and Graduation Trends for Students with Disabilities

2. Understanding Special Education Finance

- a. Introduction to Special Education Finance
- b. Federal Special Education Funding
- c. How Education Funding Works in Michigan
- d. Michigan Special Education Funding
- e. Special Education in Michigan Is Underfunded and Inequitable

3. MI Blueprint Weighted Student Funding Model Proposal

- a. Laying the Groundwork
- b. Building the MI Blueprint Model
- c. Model Implementation Costs
- d. Developing a High-Cost Fund
- e. MI Blueprint WSF Model Reduces Inequities

4. Looking Ahead

- a. Recommendations
 - b. Options for Funding the Model
 - c. Process
 - d. Considerations and Limitations
-

1. Critical Context: Enrollment and Achievement Trends for Students with Disabilities

Chapter 1 Summary: Key Takeaways

This section of the report highlights notable changes in K–12 public school enrollment, both nationwide and in Michigan, with a particular focus on the increasing of students with disabilities and their concerning academic outcomes.

Declining and shifting enrollment: National K–12 public school enrollment decreased 2.5 percent from 2019 to 2023. Michigan’s experience was significantly worse than the national average, as the state’s public K–12 enrollment fell by 4.6 percent during the same period. This represented the 15th-largest percentage decrease among states with shrinking enrollment. Enrollment trends varied by race and ethnicity on a national level; there was a significant decline in enrollment among white and Black students, whereas enrollment for Asian and Hispanic students continued to rise. Michigan exhibited a comparable trend.

Growth in students with disabilities: In contrast to the overall decline, the enrollment of students with disabilities is rising. From 2020 to 2024, the number of students with disabilities grew by 8.7 percent nationally, and Michigan reflected this trend. During the 2023–2024 school year, students with disabilities represented an increasing portion of Michigan’s total enrollment at 14.6 percent. The composition of the student population is also changing, particularly regarding students with disabilities categorizable within autism spectrum disorder, which grew by 5.4 percent between 2012 and 2024.

Concerning outcomes for Michigan students with disabilities: Michigan’s students with disabilities lag significantly in key outcomes.

- **Low achievement:** Michigan students with disabilities consistently score lower on national assessments compared to their peers in other states. There are large and persistent achievement gaps on in-state assessments as well.
- **Low graduation and high dropout rates:** Michigan has one of the lowest graduation rates for students with disabilities in the nation, trailing the national average for over a decade. Additionally, 13.9 percent of Michigan’s students with disabilities drop out of high school.

Why This Matters

These trends directly affect resource allocation, staffing, and instructional support. As the number and types of students with disabilities increase, schools and districts need funding and policies that reflect these changing needs. Greater inclusion in general education settings also emphasizes the need for professional development, classroom accommodations, and collaborative supports. These measures will not only ensure all students can access a high-quality education but also reverse the deeply concerning trends in achievement and graduation rates.

National and Michigan Enrollment Trends

The national decrease in K–12 public school enrollment is driven in part by the COVID-19 pandemic and accompanying public health emergency, alongside a nationally declining birth rate, the National Center for Education Statistics (NCES) reports that enrollment dropped from 50.8 million in fall 2019 to 49.4 million in fall 2021.^{17,18} Although there was a small increase following the conclusion of the public health emergency, NCES forecasts a continued national decline in enrollment, anticipating that 46.9 million students will be enrolled in public schools by 2031.¹⁹ Between 2019 and 2023, overall K–12 public school enrollment nationwide declined by 2.5 percent, although enrollment patterns varied widely by state. Enrollment declined in 41 states but increased in nine states plus the District of Columbia. Hawaii experienced the most significant decline, with a loss of 6.5 percent of its public school students, whereas the District of Columbia recorded the largest increase, gaining 3.2 percent.²⁰ In Michigan, public K–12 enrollment dropped by 4.6 percent from 2019 to 2023, nearly twice the national average. This represents the 15th-largest percentage decline among the 41 states experiencing enrollment reductions, indicating that Michigan’s decrease was more severe than that of most states, though it did not rank among the very highest.²¹

National enrollment trends varied by race and ethnicity. From 2019 to 2023, enrollment in national public schools dropped by 8.2 percent for white students and 3.2 percent for Black students. The enrollment of Asian and Hispanic students continued to grow, though more slowly

¹⁷ Krista Kaput, Carrie Hahnel, and Biko McMillan, “How Student Enrollment Declines Are Affecting Education Budgets,” Bellwether, <https://bellwether.org/publications/how-student-enrollment-declines-are-affecting-education-budgets/?activeTab=3>

¹⁸ National Center for Education Statistics, “Public School Enrollment,” Condition of Education, U.S. Department of Education, <https://nces.ed.gov/programs/coe/indicator/cga/public-school-enrollment>

¹⁹ National Center for Education Statistics, “Figure 1. Actual and Projected Public Elementary and Secondary School Enrollment, by Level: Fall 2011 through Fall 2031,” in “Public School Enrollment,” Condition of Education, U.S. Department of Education, <https://nces.ed.gov/programs/coe/indicator/cga/public-school-enrollment>

²⁰ National Center for Education Statistics, “Table 203.20. Public School Enrollment, by grade level: Selected years, fall 2000 through fall 2031,” Digest of Education Statistics, https://nces.ed.gov/programs/digest/d24/tables/dt24_203.20.asp

²¹ NCES, “Table 203.20, Public School Enrollment.”

than during the previous decade.²² Michigan's enrollment showed a similar trend.²³ Enrollment in Michigan dropped by 7.7 percent for white students and 3.3 percent for Black students during this time. Unlike the national rate, Michigan's enrollment of Asian students declined slightly by 1.2 percent while its Hispanic student enrollment grew by 4.8 percent.²⁴

As public school enrollment decreased nationally, the number of students with disabilities increased rapidly. From 2020 to 2024, the total number of children served under IDEA rose by 8.7 percent across the country. Enrollment of students with disabilities increased in 46 states, with seven states experiencing growth exceeding 10 percent. Michigan's enrollment of students with disabilities increased by 4 percent.^{25,26}

As a result of these trends, students with disabilities make up a greater proportion of the state's total public school enrollment. Exhibit 3 below demonstrates the change in Michigan's public school enrollment by year from the 2011–2012 school year to the 2023–2024 school year. This enrollment trend shows that students with an IEP made up 14.5 percent of the statewide public school enrollment in the 2023–2024 school year while public school enrollment of students without an IEP has decreased nearly 10 percent over the time period noted. Enrollment of students with disabilities varies across districts.

²² NCES, "Table 203.20, Public School Enrollment."

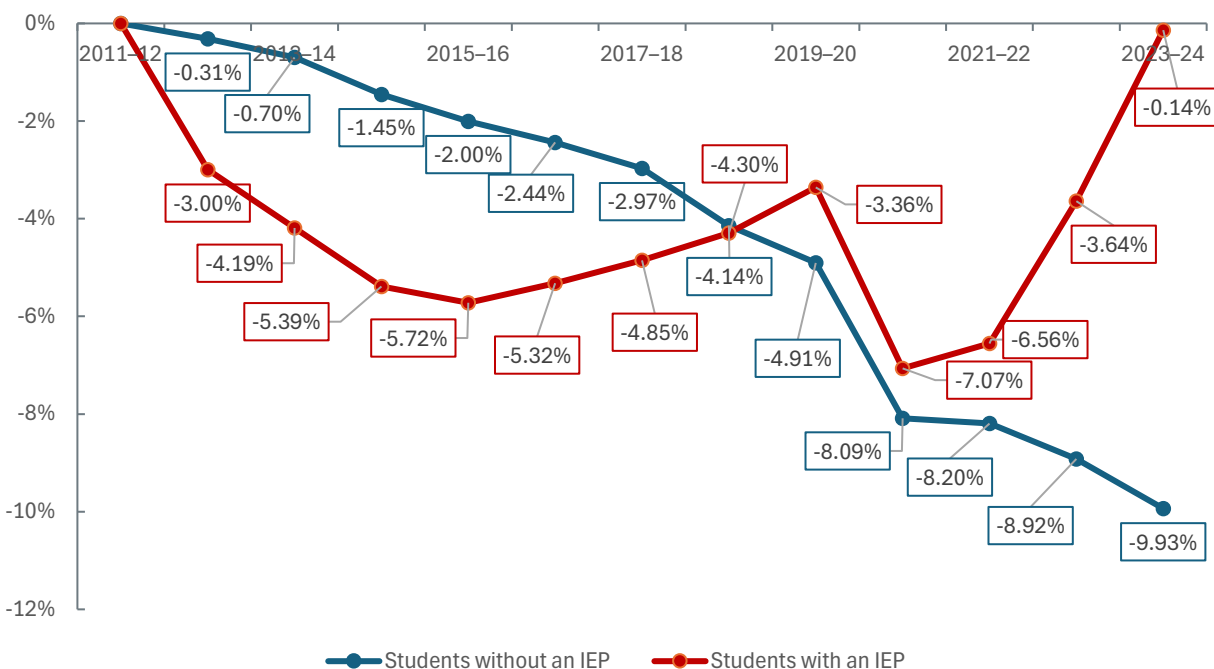
²³ Note, these data are based on Michigan reporting rather than NCES data. As a result, Michigan's race/ethnicity enrollment data include all grades, not strictly K–12.

²⁴ MI School Data, "Report Builder," MI School Data, <https://www.mischooldata.org/report-builder/>.

²⁵ Office of Special Education Programs, IDEA Section 618 State Part B Child Count and Educational Environments, U.S. Department of Education,, <https://data.ed.gov/dataset/idea-section-618-state-part-b-child-count-and-educational-environments/resources?resource=c49009eb-a269-4131-9bbe-7d8a3f67f649>.

²⁶ Data based on 3-to-21-year-olds receiving services under IDEA. Data was missing for New Mexico in the 2023-24 school year, and for Wisconsin in the 2019-20 school year. National data includes the 50 states and the District of Columbia.

EXHIBIT 3. Change in Michigan's Total Public School Enrollment by IEP State from 2011–2012 to 2023–2024



Source: Special Education Counts, MI School Data, Michigan Department of Education,, available at: <https://www.mischooldata.org/special-education-counts-data-files/>.

Note, these data represent all children with IEPs not strictly those enrolled in K-12 settings (e.g., Pre-K and Setting 14).

Michigan's changing landscape of students with disabilities in public schools includes the education environment and the variety of disability types in enrollment trends. Under IDEA, students with disabilities must be educated in the least restrictive environment (LRE). Students with disabilities should learn with their peers in a general education setting whenever possible. Between 2012 and 2024, the percentage of students with disabilities in a general education setting for at least 80 percent of the day rose from 67.8 to 77 percent. IDEA defines eligibility for special education services in 13 disability categories.

In Michigan, these categories are defined in the Michigan Administrative Rules for Special Education (MARSE). The distribution of Michigan's students with disabilities shifted among those categories between 2012 and 2024. A significant shift was the increase in students eligible for the autism spectrum disorder category, rising by 5.4 points from 7.3 percent in 2012 to 12.7 percent in 2024, as shown in Exhibit 4. For more details on Michigan's recent public school enrollment trends, see Appendix E.

EXHIBIT 4. Eligibility Categories for Michigan’s Students with Disabilities for School Years 2011–2012 and 2023–2024

Eligibility Category	Share of Enrollment in 2011–2012	Share of Enrollment in 2023–2024	Percentage Point Change
Cognitive impairment	9.88%	7.70%	-2.18
Emotional impairment	6.07%	4.76%	-1.30
Deaf or hard of hearing	1.06%	0.99%	-0.07
Visual impairment	0.18%	0.32%	0.14
Physical impairment	1.00%	0.58%	-0.42
Speech and language impairment	25.53%	27.60%	2.07
Early childhood developmental delay (ages 3–7)	3.07%	4.20%	1.13
Specific learning disability	34.33%	25.43%	-8.90
Severe multiple impairments	1.79%	1.24%	-0.56
Autism spectrum disorder	7.26%	12.68%	5.42
Traumatic brain injury	0.09%	0.18%	0.09
Deaf-blindness	0.00%	0.02%	0.02
Other health impairment	9.74%	14.30%	4.56

Source: Special Education Counts, MI School Data, Michigan Department of Education, available at: <https://www.mischooldata.org/special-education-counts-data-files/>.

“Every student deserves the chance to thrive, no matter their zip code or diagnosis. We’ve made it work for years despite outdated systems, but it’s time for change. The MI Blueprint recognizes what we’ve known in classrooms all along: as the number of students with disabilities grows, funding must keep pace. Students with greater needs require greater support and now we finally have a plan that honors that truth.”

—Jordan Cross, Special education teacher at Brookwood Elementary

Achievement and Graduation Trends for Students with Disabilities

Students with disabilities in Michigan consistently achieve lower scores on national assessments compared to their peers from other states. Additionally, the state's graduation rate for students with disabilities significantly trails the national average and ranks among the lowest in the nation. Michigan-based assessments indicate that students with disabilities perform significantly below their peers on the Michigan Student Test of Educational Progress (M-STEP), which is the statewide assessment aligned with state academic standards.

While graduation rates are stagnant and low, the dropout rate for Michigan's students with disabilities is high. In 2023, 14 percent of students with disabilities dropped out of high school compared with a statewide rate of 8 percent. Put another way, the dropout rate for students with disabilities was 71 percent greater than the rate for all students. See Appendix E for additional details on Michigan graduation and dropout rates by student subgroup.

National Achievement and Graduation Trends

The National Assessment of Educational Progress (NAEP), often referred to as the nation's report card, is a comprehensive and nationally representative evaluation of students' knowledge and skills that adheres to high standards. Congressionally mandated, NAEP has been administered biennially since 1969.²⁷ Although state standards and assessments differ from one state to another, NAEP offers a reliable measure of student achievement that can be compared both over time and across states. It also facilitates comparisons of performance between students with disabilities in Michigan and those with disabilities across the nation.

As shown in Exhibit 5, Michigan's students with disabilities have consistently fallen short of the national average for students with disabilities in fourth and eighth grade reading and math over the past 20 years.²⁸ In certain grades and subjects, Michigan's students with disabilities achieved proficiency at the same rate or at a lower rate in

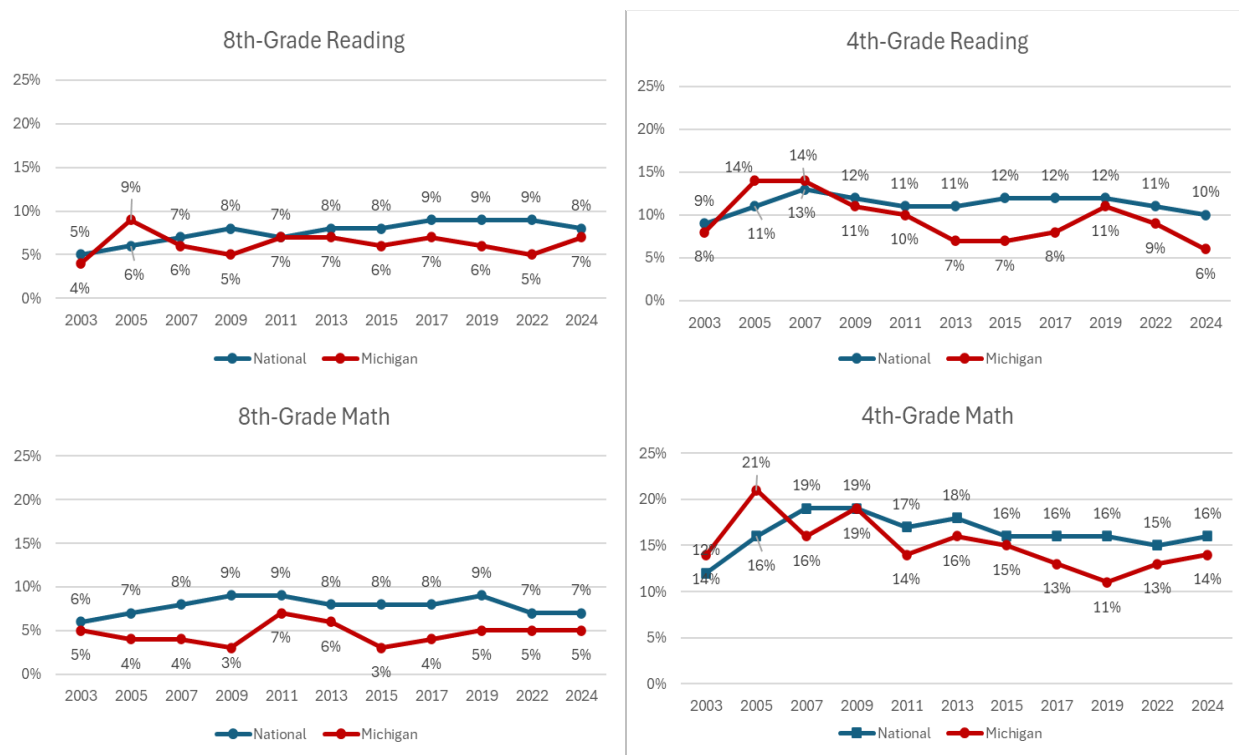
The rate at which Michigan's fourth graders with disabilities achieved reading proficiency decreased from 8% in 2003 to 6% in 2024—a rate 40% lower than the national average.

2024 than in 2003. In eighth grade math, only 5 percent of students with disabilities reached proficiency in 2024: the same rate as two decades prior. Even more concerning, the rate at which Michigan's fourth graders with disabilities achieved the reading proficiency rate decreased from 8 percent in 2003 to 6 percent in 2024—a rate 40 percent lower than the national average in 2024.

²⁷ Wisconsin Department of Public Instruction, "NAEP," <https://dpi.wi.gov/assessment/naep>

²⁸ National Center for Education Statistics, *NAEP Data Explorer (NDE)*, *The Nation's Report Card*, <https://www.nationsreportcard.gov/ndecore/xplore/NDE>

EXHIBIT 5. NAEP Proficiency Rates for Students with Disabilities, 2003 Through 2024



Source: National Assessment of Educational Progress (NAEP), U.S. Department of Education, available at:

<https://www.nationsreportcard.gov/ndecore/xplore/NDE>.

Note: Data based on the “at or above proficiency” rate for students with disabilities. Data includes students with a 504 plan.

The graduation rate for Michigan’s students with disabilities is also troubling. For more than a decade, Michigan’s graduation rate for students with disabilities lagged the national average annually. In fact, Michigan’s students with disabilities have the lowest graduation rate in the country. In 2011, 52 percent of students with disabilities graduated on time compared with 59 percent nationally.²⁹ That amounts to a seven-point gap. Despite some progress, the disparity nearly doubled by 2022.³⁰ That year, Michigan’s graduation rate was 58 percent compared with 71 percent nationally. Over this period, the gap increased by 86 percent to 13 points in just over a decade. While fewer than six in ten students with disabilities graduate on time in Michigan, 11 states had graduation rates greater than 75 percent in 2022. See Appendix E for a deeper dive into achievement and graduation rates for students with disabilities in Michigan.

²⁹ U.S. Department of Education, Four-Year Adjusted Cohort Graduation Rate, SEA Level, Ed Data Express, <https://eddataexpress.ed.gov/>

³⁰ This is the latest year with available, national, and comparable data at the time of the analysis in early 2025.

“Michigan’s graduation rate for students with disabilities is among the lowest in the nation, and that’s because we haven’t been providing our neighborhood schools with enough resources to provide early intervention and support services for every student who needs extra help. With the proper funding, we can ensure every child—no matter their individual needs—can get the education they need to reach their full potential and lead a happy and fulfilling life after graduation.”

—Chandra Madaferri, President and Chief Executive Officer, Michigan Education Association

2. Understanding Special Education Finance

Chapter 2 Summary: Key Takeaways

This chapter analyzes special education funding mechanisms, state funding models, the advantages of weighted student funding, and the complex and inequitable structure of special education finance in Michigan.

Federal shortfall: Federal spending currently covers only about 13 percent of special education costs, leaving states and local districts to assume the rest of the costs.

State special education funding structures: Nationwide, states employ one of six funding models, each offering a different balance of complexity, alignment with student needs, and administrative requirements. A multi-tier WSF model distributes funds according to student characteristics and needs. Research indicates that ongoing WSF funding enhances student achievement and diminishes educational disparities.

Michigan's complex system: Michigan's special education finance system relies on federal, state, and local funds. State and local funding are regulated by several mandates.

- The **Headlee Amendment** (1978) restricts the growth of property taxes and mandates that the state uphold a minimum level of funding for required local services.
- **Proposal A** (1994) reduced reliance on local property taxes for school funding and granted ISDs the authority to tax for special education while implementing strict caps on millage rates.
- ***Durant v. State of Michigan*** (1997) ruling, based on Headlee, establishes a minimum state share of the cost of special education operations and specialized transportation. Consequently, ISDs are required to cover special education costs initially and will receive a partial reimbursement (28.6 percent) from the state for operations and 70 percent for specialized transportation.

These policies have created a system weakened by two significant shortcomings:

1. **Chronic underfunding:** The state's special education system faces an annual shortfall of hundreds of millions of dollars. Because districts are legally required to provide services, they are compelled to allocate funds from their general operating budgets—a practice known as encroachment—that ultimately disadvantages every student.
2. **Systemic inequity:** Funding for special education is inequitable, as it largely depends on local property wealth generated through ISD millages. Wealthier districts receive more funding per student than lower-wealth districts, even when their tax rates are lower. This implies that the funding allocated per student with disabilities is frequently based on zip code rather than individual student needs.

Why This Matters

The ongoing underfunding and systemic inequities in Michigan’s special education financing directly impact the educational opportunities available to its most vulnerable students. The current wealth-dependent system undermines the promise of a high-quality education by effectively penalizing students in low-wealth communities. Grasping the complexities of these systems is crucial for policymakers to transition Michigan to a well-funded, coherent, and needs-based multi-tier WSF model, to enhance outcomes for all students.

Introduction to Special Education Finance

IDEA guarantees students with disabilities the right to a free and appropriate public education (FAPE) in the LRE.³¹ The federal government funds states to support districts’ provision of special education services for eligible students. In FY 2024, \$15.4 billion was appropriated to IDEA.³²

When the law was enacted in 1975, the federal government established a goal of covering 40 percent of the extra costs associated with educating students with disabilities.³³

That goal has yet to be achieved.

A recent analysis conducted by the AIR reveals that federal funding for special education accounted for just 13 percent of the total cost of educating students with disabilities.³⁴ As a result, state and local resources account for the vast majority of the funding required to deliver special education services. In most states, this responsibility is shared between state and local revenues. But in Connecticut and Rhode Island, the state only provides funding to districts to offset the education costs of students who require services with extraordinarily high costs.^{35,36}

³¹ Individuals with Disabilities Education Act, 20 U.S.C. §§ 1400–1482; 34 C.F.R. §§ 300.1–300.818, <https://sites.ed.gov/idea/statute-chapter-33/subchapter-i/1400>

³² Congressional Research Service, The Individuals with Disabilities Education Act, Part B: Key Statutory and Regulatory Provisions, updated August 20, 2024, table 1, https://www.congress.gov/crs_external_products/R/PDF/R41833/R41833.20.pdf

³³ Tammy Kolbe, Elizabeth Dhuey, and Sara Doutre, *More Money Is Not Enough: The Case for Reconsidering Federal Special Education Funding Formulas* (presentation from AASA), https://www.aasa.org/docs/default-source/advocacy/aasa-presentation-kolbe-t.pdf?sfvrsn=76a68b39_3

³⁴ Kolbe, Dhuey, and Doutre, *More Money Is Not Enough*.

³⁵ Alabama previously only funded high-cost students. However, the state reformed its K–12 funding system in 2025 shifting to a multi-tier weighted student funding model. **See:** the RAISE Act, SB305 <https://alison.legislature.state.al.us/files/pdf/SearchableInstruments/2025RS/SB305-enr.pdf>.

³⁶ Krista Kaput and Jennifer O’Neal Schiess, *Splitting the Bill #16: How Do School Finance Systems Support Students With Disabilities?* (Bellwether May 2024), https://bellwether.org/wp-content/uploads/2024/05/SplittingtheBill_16_Bellwether_May2024.pdf

The remaining 47 states and the District of Columbia allocate special education funding through one of six distinct funding structures (Exhibit 6). Each structure presents trade-offs that policymakers must take into account.

EXHIBIT 6. Special Education Funding Structures

	Description	Strengths	Weaknesses	Examples
Cost reimbursement	LEAs submit special education expense reports to the state. The State reimburses a percentage of those expenses. Reimbursable costs vary from state to state and may not include all of an LEA's special education expenditures.	- Tied to what districts spend on special education services - Unlikely to encourage the overidentification of students for special education services	- Reimbursement rates may be too low to meet the cost of provided services. - Burdensome administration - LEAs need to be able to fund special education services before receiving aid from the state.	MI, NE, WI
Census-based	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.	- Clear administration - Funds are more flexible. - Encourages cost-effective service provision - Unlikely to encourage the overidentification of students for special education services	- Likely undercounts an LEA's enrollment of students with disabilities - Accounts for neither the type nor intensity of services students may require	CA, ND, NJ
Resource-based	The State determines the cost of special education services based on the cost of critical resources, such as staff salaries, instructional materials, etc.	Tied to the key factors that drive the majority of the cost of special education services (e.g., salaries)	- Complicated to administer and adjust - Not connected to student enrollment or student needs - May not fully represent the cost of services	DE, IL, VA
Block grant	The State provides special education funding based on previous allocation levels.	- Clear administration - Funds are more flexible. - Unlikely to encourage the overidentification of students for special education services	- May not be aligned with student needs or changing enrollment - May not keep pace with inflation or rising costs - Susceptible to being underfunded	AK

	Description	Strengths	Weaknesses	Examples
			Vulnerable to budget cuts	
Single-tier weighted student	The State provides special education funding via a uniform multiplier applied to the base funding amount.	- Easy to understand and straightforward to administer - Directly linked with the number of students with disabilities enrolled in an LEA	Does not differentiate among students with disabilities or the level of services they require	CO, NY, OR
Multi-tier weighted student	Students with disabilities are sorted into multiple categories with different weights (multipliers). These categories are defined by eligibility category, level of services, or a combination of the two.	- Tied directly to an LEA's enrollment. - Differentiates among students with disabilities and/or level of services.	- More complex than a single weight system. - May require a more sophisticated data system.	MS, OH, TN

Analysis provided by Bellwether based on a review of state and national education finance sources, including: *Alabama 2025 RAISE Act*; Alaska Department of Education & Early Development, *Public School Funding Program Overview Update (September 2025)*; Mississippi Department of Education, *Office of School Financial Services*; Minnesota House Research Department, *Minnesota School Finance: A Guide for Legislators*; Colorado Legislative Council Staff, *HB 24-1448 Fiscal Note*; FundEd, *National Policy Maps: A National Overview of State Education Funding Policies*; and Education Commission of the States (ECS), *50-State Comparison: Special Education Funding (March 2024)*.

Note: The definitions for these classifications used were based on Bellwether's Splitting the Bill #16: "[How Do School Finance Systems Support Students With Disabilities?](#)"

Although each funding system has its trade-offs, the multi-tier weighted student funding structure is the most widely used model in the country and provides the best opportunity for funding to align with student needs. Bellwether, a national nonpartisan nonprofit organization dedicated to assisting states in reforming their school funding systems, explains why it's the generally preferred model.³⁷

A weighted, student-based funding formula has the greatest potential for creating the conditions for states to target additional special education funding to districts serving students with the greatest additional learning needs. This type of formula with multiple weights can also differentiate funding to accommodate different disability types or required services.³⁸

³⁷ Bellwether, "About Us," <https://bellwether.org/about-us/>

³⁸ Kaput and O'Neal Schiess, *Splitting the Bill* #16.

Weighted Student Funding

WSF is a school finance structure that allocates funding based on student enrollment or attendance metrics under the assumption that a portion of this funding comes from state revenues.^{39,40} WSF systems frequently incorporate supplemental weights, or multipliers, to allocate extra funding for students with higher needs. For example, many states provide additional weights for students from low-income backgrounds, English language learners, or students with disabilities.

A WSF system, simply put, allocates additional funding to offset the increased costs associated with students who have additional educational needs. The total formula amount for a district is determined by both student enrollment and the weighted characteristics of its students. This approach fosters equity by ensuring that districts serving students with higher needs are allocated proportionately more resources to effectively support those students.

Exhibit 7 below provides a clear illustration of how a weighted student funding system calculates a district's formula amount based on student needs. Both District A and District B have an enrollment of 100 students each; however, District A enrolls a higher number of students with additional needs, which results in greater supplemental funding. The illustration below shows a base amount of \$10,000, which is allocated to all students. Weights are assigned to the base amount to offer additional funding for students who encounter extra challenges or barriers to receiving a high-quality education. For instance, low-income students are assigned a weight of 1.3, which translates to an additional 30 percent of the base funding amount. District A serves twice the number of economically disadvantaged students compared to District B, resulting in double funding. District A, which serves a higher-needs student population, receives a per pupil funding amount that is approximately \$3,000 greater than that of District B.

³⁹ Sometimes known as student-based funding, or student-based budgeting.

⁴⁰ Krista Kaput and Jennifer O'Neal Schiess, *Splitting the Bill #3: How Are State Education Funding Formulas Structured?* (Bellwether, October 2023), https://bellwether.org/wp-content/uploads/2023/10/SplittingtheBill_3_Bellwether_October2023.pdf

EXHIBIT 7. A WSF Calculation Example Comparing Two Districts

	Weight	District A		District B	
		Student Count	Funding	Student Count	Funding
Total enrollment	1	100	\$1,000,000	100	\$1,000,000
Low-income students	1.3	40	\$520,000	20	\$260,000
English learners	1.2	10	\$120,000	12	\$144,000
Students with disabilities	1.5	15	\$225,000	10	\$150,000
Total			\$1,865,000		\$1,554,000
Per pupil			\$18,650		\$15,540

Note: A base funding amount of \$10,000 was used for these calculations.

In the example above, the WSF is based on single weights. For instance, students with disabilities are assigned a consistent 1.5 multiplier or a 50 percent weight, irrespective of their specific disability or the level of services they are qualified for. In this single-tier WSF example, all students with disabilities receive equal financial support. Many states use a single weight to allocate special education funding. For example, Colorado reformed its special education funding in 2024 by adding a single 25 percent weight for students in special education classes.^{41, 42}

To develop a WSF model that more effectively addresses the variation among students within a single group (such as English learners or students with disabilities), states may also adopt a multi-tiered weighted system. In these structures, disabilities are classified into various categories, with each category assigned a distinct financial multiplier. As part of the Tennessee Investment in Student Achievement (TISA) Act passed in 2022, students with Unique Learning Needs (ULN), including students with disabilities, are categorized into ten groups, with weights ranging from 15 percent to 150 percent. The weights are determined by the level of services provided to each student, with those needing additional hours or more intensive support assigned higher weights.^{43,44} Mississippi revamped its resource-based funding system in 2024 and replaced it with a multi-tiered weighted student funding formula.⁴⁵ Under the new system,

⁴¹ Colorado General Assembly, *HB 24-1448, New Public School Finance Formula*, 75th General Assembly, 2024 Regular Session, <https://leg.colorado.gov/bills/hb24-1448>

⁴² Colorado General Assembly, *HB 24-1448 Bill Summary: New Public School Finance Formula*, <https://leg.colorado.gov/bills/hb24-1448-bill-summary>.

⁴³ Tennessee Department of Education, *Unique Learning Needs: TISA Quick Guide*, <https://www.tn.gov/content/dam/tn/education/tisa-resources/Unique%20Learning%20Needs%20-%20Quick%20Guide.pdf>

⁴⁴ For example, ULN 2 corresponds with students who require “direct services more than or equal to 1, but less than 4 hours per week.” ULN 3 applies to students who receive “direct services more than or equal to 4, but less than 9 hours per week.”

⁴⁵ Mississippi Legislature, *HB 4130 (Mississippi Student Funding Formula)*, 2024 Regular Session, <https://billstatus.ls.state.ms.us/2024/pdf/history/HB/HB4130.xml>

students with disabilities are classified into one of three tiers according to their eligibility category.⁴⁶ The weights vary from 60 percent to 130 percent.⁴⁷

In Michigan, the Opportunity Index serves as an example of a multi-tier weighted student funding system. In that model, school districts are categorized into six bands according to the concentration of student poverty within each district. As a district's student poverty rate increases, so do the corresponding weights.⁴⁸ In 2018, the School Finance Research Collaborative (SFRC) costing-out study recommended that Michigan transition from its partial reimbursement system and to a multi-tier weighted student funding model.⁴⁹

Research on Weighted Student Funding

In education, money matters, which is supported overwhelmingly by research evidence. To truly support students from low-income backgrounds, it is essential to increase funding aimed at alleviating the challenges of poverty. Research has consistently demonstrated that this investment leads to positive outcomes in both the short and long term.

Childhood poverty has long been shown to have serious and detrimental impacts on students' learning and overall outcomes, affecting their opportunities for success. The *Equality of Educational Opportunity* report, commonly known as the Coleman Report, conducted a large-scale nationwide study the fairness of the American public education system.⁵⁰ A key finding of the report was that socioeconomic status profoundly affects student learning.⁵¹

Decades of court cases, legislative reforms, and efforts to promote racial and economic integration efforts were enacted to mitigate the effect of poverty on schooling. In a groundbreaking study from 2015, Jackson, Johnson, and Persico examined the effects of school finance reforms on students from high-poverty communities. They analyzed the impact of more than 40 years of court-mandated school finance reforms across the country. The authors identified a causal link between the reforms and positive outcomes. Specifically, “a 20 percent increase in per pupil spending each year for all 12 years of public school for children from poor

⁴⁶ For example, students whose eligibility categories are specific learning disability, speech and language impairment, and developmental delay are in Tier I, which has a 60 percent weight.

⁴⁷ Mississippi Department of Education, *Mississippi Student Funding Formula (FY 25)*, https://www.mdek12.org/sites/default/files/fy25_mississippi_student_formula_funding_07_09_24.pdf

⁴⁸ Jen Mrozowski, “Michigan Makes History with New School Funding Formula to Account for Needs of Students Living in Areas of Concentrated Poverty,” Education Trust–Midwest, June 28, 2023, <https://midwest.edtrust.org/2023/06/28/michigan-makes-history-with-new-school-funding-formula-to-account-for-needs-of-students-living-in-areas-of-concentrated-poverty/>

⁴⁹ Augenblick, Palaich and Associates, and Picus, Odden and Associates, *Costing Out the Resources Needed to Meet Michigan's Standards and Requirements: Final Report* (Prepared for the Michigan School Finance Collaborative, January 12, 2018), <https://static1.squarespace.com/static/64f225b2b502d42a84dd1d88/t/64f2321fa833080bf0ee0376/1693594149114/School-Finance-Research-Collaborative-Report.pdf>

⁵⁰ James S. Coleman et al., *Equality of Educational Opportunity* (Washington, D.C.: U.S. Department of Health, Education, and Welfare, Office of Education, 1966), ED012275, <https://files.eric.ed.gov/fulltext/ED012275.pdf>.

⁵¹ Elizabeth Evitts Dickinson, “Coleman Report Set the Standard for the Study of Public Education,” *Hub* (Johns Hopkins University), Winter 2016, <https://hub.jhu.edu/magazine/2016/winter/coleman-report-public-education/>

families leads to about 0.9 more completed years of education, 25 percent higher earnings, and a 20 percentage-point reduction in the annual incidence of adult poverty.”⁵²

Recent studies into the relationship between school finance reforms and student achievement have shown similar findings.^{53,54} An analysis of school finance reforms that took place in the 1990s found increased and sustained funding in high-poverty districts “cause[d] increase in the achievement of students in these districts.”⁵⁵ Another analysis of court-ordered finance reforms found significant increases in the graduation rate of students in the highest poverty districts.⁵⁶

Weighted student funding systems are an effective way for states to provide supplemental resources to support students with additional needs, including students with disabilities and those experiencing poverty. Although less studied than school funding reforms in general, there have been some analyses of the impact of a weighted student funding system.

Flexibility

A key feature of weighted student funding formulas is their flexibility, enabling districts to make decisions that meet the needs of the students they serve.^{57,58,59} A recent analysis examined how California’s weighted student funding system, known as the Local Control Funding Formula (LCFF), affects staffing compared to Washington’s resource-based finance system.⁶⁰

In Washington, funding depends on set student-staff ratios. California employs a formula that considers variations in student enrollment and the concentration of poverty within districts. Different funding mechanisms result in California districts hiring more staff overall. However, it is important to note that there are key differences in the staff profiles of the two states. Washington

⁵² C. Kirabo Jackson, Rucker Johnson, and Claudia Persico, *The Effect of School Finance Reforms on the Distribution of Spending, Academic Achievement, and Adult Outcomes* (NBER Working Paper No. 20118, May 2014), https://gsppi.berkeley.edu/~ruckerj/Jackson_Johnson_Persico_SFR_LRImpacts.pdf

⁵³ Jesse Rothstein, Diane Schanzenbach, *Does Money Still Matter? Attainment and Earnings Effects of Post-1990 School Finance Reforms* (NBER Working Paper No. 29177, August 2021), https://www.nber.org/system/files/working_papers/w29177/w29177.pdf.

⁵⁴ C. Kirabo Jackson, *Does School Spending Matter? The New Literature on an Old Question* (NBER Working Paper No. 25368, December 2018), https://www.nber.org/system/files/working_papers/w25368/w25368.pdf.

⁵⁵ Julien LaFortune, Jesse Rothstein, and Diane Whitmore Schanzenbach, “School Finance Reform and the Distribution of Student Achievement,” *American Economic Journal: Applied Economics* 10, no. 2 (April 2018): 1–26, <https://www.aeaweb.org/articles?id=10.1257/app.20160567>

⁵⁶ Gregory N. Plecki, “Court-Ordered Finance Reforms in the Adequacy Era,” *Educational Finance and Policy* 14, no. 1 (Winter 2019): 31–60, <https://direct.mit.edu/edfp/article-abstract/14/1/31/10303/Court-Ordered-Finance-Reforms-in-the-Adequacy-Era>

⁵⁷ National Association of State Boards of Education, *NASBE Standards for Effective State Education Policy* (September 2018), https://nasbe.nyc3.digitaloceanspaces.com/2018/09/NASBE_Standard_Sept2018_FINAL.pdf.

⁵⁸ Marguerite Roza, “Weighted Student Funding Is On The Rise. Here’s What We Are Learning,” *Institute of Education Sciences (IES)*, <https://ies.ed.gov/learn/blog/weighted-student-funding-rise-heres-what-we-are-learning>.

⁵⁹ Christian Barnard, *Weighted Student Formula Yearbook, 2019: Examining 20 School Districts That Have Implemented Backpack Funding and the 10 School Empowerment Benchmarks They Should Aspire to Meet* (Reason Foundation, July 31, 2019), <https://reason.org/policy-study/weighted-student-formula-yearbook-2019/>.

⁶⁰ Chad Aldeman, “State Funding Methods Influence Schools’ Spending Decisions,” *Brookings Institution*, August 11, 2022, <https://www.brookings.edu/articles/state-funding-methods-influence-schools-spending-decisions/>

employs slightly more classroom teachers while California employs far more “other support and service staff.”⁶¹

This analysis suggests how funding is structured matters. In Washington, district leaders are—or at least feel—constrained in their ability to make staffing decisions, while district leaders in California have the latitude to make decisions based on the specific needs of their schools and students.

Student Performance

A 2023 analysis of the impact of California’s weighted student funding formula on student outcomes found that school districts that received concentration grants—additional funding allocated to districts based on the number of disadvantaged students enrolled—“led to higher test scores in math and ELA [English Language Arts] and also decreased the disparity in students who take college-ready coursework by 9 points.”^{62,63} The positive effects of the additional funding “accumulated gradually,” and the most significant benefits took several years to show on test scores.⁶⁴

A 2023 analysis of LCFF’s impact found significant positive effects on student outcomes.⁶⁵ Funding increases in California high-poverty schools, driven by the state’s WSF, resulted in improved achievement in math and ELA across all assessed subjects. The longer students received supplemental funding, the greater the benefits they experienced. Indeed, the “results indicate that a \$1,000 increase in per pupil spending experienced for 3 consecutive years led to a full grade-level improvement in both math and reading achievement relative to what the average student achieved prior to funding increases.”⁶⁶

Weighted student funding principles can also be applied to within-district budgeting. Although not strictly analogous to the MI Blueprint WSF Model, recent research on the impact on student achievement of a large district’s transition to a WSF model for within district finances further demonstrates the benefits of a funding based on student need. A 2024 study in the southeastern United States analyzed the impact of adopting a weighted student funding system on student outcomes in a large urban district.⁶⁷ The researchers found that more funding from the district’s

⁶¹ Chad Aldeman, “State Funding Methods Influence Schools’ Spending Decisions”.

⁶² Concentration grants are based on the share of a district’s enrollment that are low-income students, English learners, and/or foster youth.

⁶³ Julien Lafortune, Joseph Herrera, and Niu Gao, *Examining the Reach of Targeted School Funding* (Policy Brief, Public Policy Institute of California, September 2023), <https://www.ppic.org/publication/examining-the-reach-of-targeted-school-funding/>

⁶⁴ Lafortune, Herrera & Gao, *Examining the Reach of Targeted School Funding*.

⁶⁵ Rucker C. Johnson, *School Funding Effectiveness: Evidence From California’s Local Control Funding Formula* (Learning Policy Institute, August 28, 2023), https://learningpolicyinstitute.org/media/4108/download?inline&file=CA_LCFF_School_Funding_Effectiveness_REPORT.pdf

⁶⁶ Johnson, *School Funding Effectiveness*.

⁶⁷ Christopher A. Candelaria, Angelique N. Crutchfield, and Dillon G. McGill, *The Impact of Additional Funding on Student Outcomes: Evidence from an Urban District Using Weighted Student Funding and Site-based Budgeting* (EdWorkingPaper 24-1006, August 2024), Annenberg Institute at Brown University, <https://edworkingpapers.com/sites/default/files/ai24-1006.pdf>

WSF system improved students' math and ELA test scores.⁶⁸ While the increased funding led to improved academic outcomes for economically disadvantaged students and English learners, the researchers found no statistically significant impact on students receiving special education services. The researchers also interviewed principals to better understand how the district's WSF mechanisms may explain the improved outcomes. They found "that while principals across all schools attempt to align resources to students' needs, schools receiving additional WSF funding benefit from the additional flexibility increased funding provides. On the other hand, schools with no change to their budgets in the post period face financial constraints that limit their ability to allocate resources to best meet student needs."⁶⁹

High-Cost Funds: Helping Districts Support Students with Extraordinary Service Costs

Some students with the most significant disabilities may require intensive and costly services that far exceed typical funding levels. Students who require extraordinarily high-cost services are not evenly distributed across the state, and they can enroll unexpectedly each year, making it difficult for districts to anticipate and plan for such expenses in their budgets.

To help districts manage these costs and provide students with the appropriate support, about half of the country currently operates an HCF. Despite variations between states, there are some common features. Usually, special education high-cost funds:

- **Operate outside of the state's special education funding structure.** For example, the HCF is distinct from a state's weighted student funding system.
- **Receive their own appropriation.** HCFs are financed separately instead of being included in the primary K–12 funding structure. The number and size of awards depend on legislative appropriation decisions.
- **Have an application process.** States set eligibility criteria and districts apply for additional support. The process and time frame vary by state.

The key issue for states seeking to establish a HCF is determining what constitutes "high cost." The answer affects the number of students who qualify and determines the level of state funding necessary to provide the required support to school districts. Generally, states establish either a multiplier or a specific cost threshold (e.g., \$60,000). Exhibit 8 below details HCFs in two states as examples.

⁶⁸ Math test scores increased by 0.14 standard deviations and ELA test scores increased by 0.12 standard deviations.

⁶⁹ Candelaria, Crutchfield & McGill, The Impact of Additional Funding on Student Outcomes.

EXHIBIT 8. Examples of High-Cost Fund Structures from Two States

New Jersey	Texas
Extraordinary Special Education Aid (EXAID) The State will cover a share of qualifying instructional and support service costs above specific thresholds based on setting:⁷⁰ • 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 The application period to receive reimbursements for costs incurred during the 2024–2025 school year was from April 16 through May 23.⁷¹	High-Cost Fund Program The State will reimburse districts for allowable expenses for students whose “direct special education and related services exceed three times the state average per pupil expenditure (APPE).”⁷² The APPE is an all-in cost. Texas operates a weighted student funding system and as such the APPE is significantly greater than the base funding amount. The qualifying cost for the 2025–2025 school year is \$40,926 as of October 1, 2025.⁷³ The application period to receive reimbursements for the 2025–2026 school year will begin on March 2 and close on May 4.⁷⁴

⁷⁰ New Jersey Legislature, “Section 18A:7F-55 – Calculation of Special Education Categorical Aid,” *New Jersey Revised Statutes* (2024), <https://law.justia.com/codes/new-jersey/title-18a/section-18a-7f-55/>

⁷¹ New Jersey Department of Education, *2024–2025 Application for Extraordinary Special Education Aid (EXAID)* (April 16, 2025), <https://www.nj.gov/education/broadcasts/2025/apr/16/20242025ApplicationforExtraordinarySpecialEducationAidEXAID.pdf>

⁷² Texas Education Agency, *High Cost Fund Program and Application Information* (Special Education/Programs & Services), <https://tea.texas.gov/academics/special-student-populations/special-education/programs-and-services/hcf-updates.pdf>

⁷³ Texas Education Agency, “High Cost Funds”, *Texas Education Agency*, <https://tea.texas.gov/academics/special-student-populations/special-education/programs-and-services/special-education-funding/high-cost-funds>

⁷⁴ Texas Education Agency, *High Cost Fund Program and Application Information*.

Federal Special Education Funding

Michigan's special education system is funded by federal, state, and local revenues.⁷⁵ The primary federal funding source is IDEA, originally passed in 1975 as the Education for All Handicapped Children Act. The law intended to fund 40 percent of the average per pupil expenditure for special education; however, this target has never been met.⁷⁶ Currently, federal contributions cover only about 13 percent of total special education costs.⁷⁷

IDEA was most recently reauthorized in 2004 and structured into four parts:⁷⁸

- **Part A—General Provisions:** The purpose of the law, definitions, and requirements, including IEPs, FAPE, and the LRE.
- **Part B—Assistance for All Children with Disabilities:** Formula grants to assist states in providing FAPE to students with disabilities in the LRE for children ages three through 21.
- **Part C—Infants and Toddlers with Disabilities:** Formula grants to assist states in supporting early intervention services for children from birth through age two.
- **Part D—National Activities to Improve Education of Children with Disabilities:** Discretionary grants to support state staff development, technical assistance information centers, and parent training.

Most federal funds allocated for the education of students with disabilities are disbursed through Part B.⁷⁹ Federal funds are distributed to states based on a formula with three components:^{80,81}

- **Base payment**—States receive a foundation grant of their appropriation amount as documented in 1999, without adjusting for inflation.
- **Student population**—85 percent of the remaining appropriated funds are allocated to states based on their share of the national population of children aged 3 through 21.
- **Childhood poverty**—The final 15 percent of the appropriated funds are allocated to states based on their share of children living in poverty.

⁷⁵ Michigan House Fiscal Agency, *Fiscal Brief: Special Education Funding* (December 21, 2023), https://www.house.mi.gov/hfa/PDF/Alpha/Fiscal_Brief_Special_Education_Dec2023.pdf

⁷⁶ National Center for Education Statistics, "Students With Disabilities," *Condition of Education*, U.S. Department of Education, <https://nces.ed.gov/programs/coe/indicator/cgg/students-with-disabilities>

⁷⁷ Kolbe, Dhuey & Doutre, *More Money Is Not Enough*.

⁷⁸ U.S. Department of Education, *Statute and Regulations, Individuals with Disabilities Education Act (IDEA)*, <https://sites.ed.gov/idea/statuteregulations/>

⁷⁹ Krista Kaput and Jennifer O'Neal Schiess, Splitting the Bill #17: What Are the Major Policy and Funding Components of the Individuals With Disabilities Education Act (IDEA)? (Bellwether, May 2024), https://bellwether.org/wp-content/uploads/2024/05/SplittingtheBill_17_Bellwether_May2024.pdf

⁸⁰ Tammy Kolbe, Elizabeth Dhuey, and Sara Menlove Doutre, "More Money Is Not Enough: (Re)Considering Policy Proposals to Increase Federal Funding for Special Education," *American Journal of Education* 129, no. 1 (November 2022): 79–108, <https://www.journals.uchicago.edu/doi/10.1086/721846>.

⁸¹ Krista Kaput and Jennifer O'Neal Schiess, *Splitting the Bill #18: What Are the Core Funding Components of the "Grants to States" Funding (IDEA Part B, Section 611)* (Bellwether, May 2024), https://bellwether.org/wp-content/uploads/2024/05/SplittingtheBill_18_Bellwether_May2024.pdf.

Once the federal allocation for Michigan is determined, the funds are administered by the Michigan Department of Education. At least 90 percent of these funds must be distributed to the state's ISDs, while up to 10 percent may be retained by the MDE for administrative purposes, professional development, technical assistance, or an HCF.^{82,83}

ISDs then determine how to use or distribute the funds according to their approved ISD Plan. They may choose to retain federal funds for regional services or allocate them to LEAs, including charter schools, to deliver special education programs and services.⁸⁴ Although the federal government sets the framework and provides partial funding, state and local governments are primarily responsible for financing and delivering special education in Michigan.

How Education Funding Works in Michigan

Michigan's special education finance system is primarily shaped by a combination of a constitutional amendment, a state supreme court ruling, and tax and education funding reforms from the early 1990s. While the Headlee Amendment to the state constitution, approved in 1978,⁸⁵ does not explicitly address special education or school finance, it nonetheless affects Michigan's special education funding system. The amendment impacts special education financing in two significant ways. First, it constrains the growth of property values, which directly impacts local revenue generated for special education. Overall, the amendment created an "unfunded mandate" prohibition and set three conditions on state and local taxes:

1. **Local tax limits:** Voter approval is required to increase local taxes or to levy a new tax.⁸⁶
2. **Restricted revenue growth:** Local property tax revenues cannot increase faster than the rate of inflation.
 - a. If the assessed property value increases faster than inflation, millage rates must be reduced such that revenue growth does not exceed the rate of inflation. This is known as the Headlee "rollback."⁸⁷

⁸² U.S. Department of Education, "34 C.F.R. § 300.704 – State-Level Activities," <https://www.ecfr.gov/current/title-34/subtitle-B/chapter-III/part-300/subpart-G/subject-group-ECFR9cb9567d0f7a8a1/section-300.704>.

⁸³ Center for IDEA Fiscal Reporting, *Quick Reference Guide on IDEA Part B State Set-Aside Funds* (WestEd, June 2023), <https://ciffr.wested.org/wp-content/uploads/2023/07/CIFR-Quick-Reference-Guide-on-IDEA-Part-B-State-Set-Aside-Funds.pdf>

⁸⁴ Michigan Department of Education, "ISD Plans," <https://www.michigan.gov/mde/services/special-education/program-planning/isd-plans>

⁸⁵ The Headlee Amendment forms the basis of a state supreme court case regarding the state's investment in special education. The case and its impact are discussed in detail on page ##.

⁸⁶ Michigan Constitution, "Article IX, Section 31 – Limitation on Tax Levy and Revenue Increases," <https://legislature.mi.gov/Laws/MCL?objectName=mcl-Article-IX-31>.

⁸⁷ MCL – Article IX § 31. "Units of Local Government are hereby prohibited from levying any tax not authorized by law or charter when this section is ratified or from increasing the rate of an existing tax above that rate authorized by law or charter when this section is ratified, without the approval of a majority of the qualified electors of that unit of Local Government voting thereon."

- 3. Sustained state investment.** The State must maintain, at a minimum, the same proportion of “the necessary costs of any existing activity or service” as it did when the amendment was approved.^{88,89}

For nearly five decades, the Headlee Amendment has governed local tax decisions, limited local revenue growth, and established guardrails around state spending. These rules have had a significant impact on education funding.

Proposal A

In 1994, Michigan implemented a comprehensive reform of its school funding system through the passage of Proposal A, aimed at lowering property taxes and addressing the considerable disparities in school funding across districts.⁹⁰ Prompted by public dissatisfaction with high property taxes and funding inequities, Proposal A combined tax and school finance reform to create a more equitable and state-driven funding model.^{91,92,93}

Key Components of Proposal A

- **Property tax reduction and limits:** Proposal A substantially lowered local property tax rates, capped the growth of assessed property values, and eliminated districts’ ability to raise their own operating revenue. It also established uniform property taxation across districts, replacing the patchwork of local tax rates with a more uniform system.
- **Shifts a greater share of school funding to the state:** Before Proposal A, approximately 69 percent of school funding was derived from local property taxes, with each community determining its own tax rate. This led to inconsistencies in tax rates and contributed to disparities in school funding throughout the state.⁹⁴ Following the approval of Proposal A and the restriction of local taxes, state revenues accounted for approximately 80 percent of total education revenues.⁹⁵

⁸⁸ Michigan Constitution, “Article IX, Section 29 — State Financing of Activities or Services Required of Local Government,” <https://legislature.mi.gov/Laws/MCL?objectName=mcl-Article-IX-29>.

⁸⁹ MCL – Article IX § 29. “The state is hereby prohibited from reducing the state financed proportion of the necessary costs of any existing activity or service required of units of Local Government by state law. A new activity or service or an increase in the level of any activity or service beyond that required by existing law shall not be required by the legislature or any state agency of units of Local Government, unless a state appropriation is made and disbursed to pay the unit of Local Government for any necessary increased costs. The provision of this section shall not apply to costs incurred pursuant to Article VI, Section 18.”

⁹⁰ Michigan Department of Treasury, *School Finance Reform in Michigan: Proposal A* (Office of Revenue and Tax Analysis, December 2002), https://www.michigan.gov/-/media/Project/Websites/treasury/MISC_8/propa.pdf?rev=4538001449964dd58427eb887ad19bb3

⁹¹ Michigan Department of Treasury, *School Finance Reform in Michigan: Proposal A*.

⁹² Patrick L. Anderson, *Proposal A: An Analysis of the June 2, 1993, Statewide Ballot Question* (Mackinac Center for Public Policy, May 1993), <https://www.mackinac.org/S1993-04>.

⁹³ Citizens Research Council of Michigan, *Proposal A: Questions Regarding School Property Taxes*, CRC Report No. 1028 (June 1994), <https://crcmich.org/PUBLICAT/1990s/1994/cc1028.pdf>

⁹⁴ David Arsen, Tanner Delpier, and Jesse Nagel, *Michigan School Finance at the Crossroads: A Quarter Century of State Control* (Michigan State University, January 2019), <https://edwp.educ.msu.edu/research/wp-content/uploads/sites/53/2020/08/Michigan-School-Finance-at-the-Crossroads-A-Quarter-Center-of-State-Control-Copy.pdf>

⁹⁵ Ryan Bergan, *The Basics of School Funding* (presentation, Michigan Senate Fiscal Agency, December 2023), https://sfa.senate.michigan.gov/departments/datacharts/dck12_schoolfundingbasics.pdf

- **Establishment of the foundation allowance system:** Proposal A established a foundation allowance, which is a per pupil funding level determined by the State. Districts were required to impose a levy of 18 mills on nonhomestead property, while the State covered any shortfall to ensure that all districts met at least the minimum funding level.⁹⁶ Once fully funded, this structure effectively reduced the funding gap between wealthy and lower-income districts.⁹⁷

To manage the disparities in-district spending, Proposal A introduced three foundation allowance levels:

- Minimum foundation
- Basic (target) foundation
- Hold harmless (for high-spending districts)

Districts that were already spending more per pupil than the new basic allowance were allowed, with voter approval, to levy additional taxes to maintain higher spending levels.^{98,99} Additionally, some districts are “out-of-formula” that is, they generate, and are permitted to retain, local revenues that exceed their statutory foundation amount.¹⁰⁰ These “hold harmless” districts, roughly 10 percent of the state’s districts, retained the ability to exceed the state foundation amount.¹⁰¹

At the time Proposal A was enacted, school districts were spread out among these three foundation allowances. As shown in Exhibit 9, 55 percent of districts had per pupil funding levels below the basic foundation amount.

EXHIBIT 9. Proposal A Foundation Allowance Levels

Foundation Allowance Grouping	Foundation Allowance (1994–1995)	Number of Districts (1994–1995)
Minimum	\$4,200	40
Minimum to basic	\$4,200–\$5,000	267
Basic	\$5,000	1
Basic to hold harmless	\$5,000–\$6,500	195
Above the hold harmless to cap	Above \$6,500	52

Source: Ryan Bergan, The Basics of School Funding (presentation, Michigan Senate Fiscal Agency, December 2023), https://sfa.senate.michigan.gov/departments/datacharts/dck12_schoolfundingbasics.pdf

⁹⁶ A mill levy, also known as a millage rate, is the tax rate used by local governments to calculate property taxes. One mill is equal to one dollar of tax for every \$1,000 of a property’s assessed value.

⁹⁷ Ryan Bergan, The Basics of School Funding.

⁹⁸ Ryan Bergan, The Basics of School Funding.

⁹⁹ Ryan Bergan, The Basics of School Funding.

¹⁰⁰ Jacqueline Mulle and Noel Benson, “Basics of the Foundational Allowance – FV 2023-24 Update”, *Michigan House Fiscal Agency*, November 9, 2023, https://www.house.mi.gov/hfa/PDF/Alpha/Fiscal_Brief_Basics_of_the_Foundation-Allowance_FY24_Update_Nov23.pdf

¹⁰¹ Arsen, Delpier & Nagel, Michigan School Finance at the Crossroads.

In the years after voters approved Proposal A, the Michigan Legislature focused on increasing funding for the lowest-spending districts. In an effort to close the funding gap, these districts frequently received double the annual funding increase compared to higher-funded districts. However, it wasn't until the 2021–2022 school year—28 years later—that all districts received at least the basic foundation allowance.¹⁰²

Durant v. State of Michigan

Section 29 of the Headlee Amendment requires that the State maintain the same proportion of funding for activities and services mandated for local governments as it did in 1978. Two years later, in 1980, a lawsuit was filed arguing that the State had unconstitutionally reduced its share of education costs.¹⁰³ Originally, the lawsuit alleged that the State failed to meet its funding obligations for K–12 education in its entirety. To refine the complaint, a special master (a court official appointed to support complex cases) narrowed the focus to special education, specialized transportation, school nutrition programs, and driver's education.¹⁰⁴

Seventeen years later, in 1997, the Michigan State Supreme Court ruled special education, specialized transportation, and the school lunch programs were required activities under state law and therefore were subject to the Headlee Amendment. The court once again appointed a special master, who determined the funding percentages required for those services. The special master determined that the State must cover, at least:

- 28.6138 percent of the total approved special education costs
- 70.4165 percent of the total approved specialized transportation costs

These percentages, known as the *Durant* percentages, form the basis of Michigan's state funding responsibilities for its special education finance system.

¹⁰² Ryan Bergan, The Basics of School Funding.

¹⁰³ Citizens Research Council of Michigan, *CRC Memorandum No. 1048: The Durant Decision* (February 1998), <https://crcmich.org/wp-content/uploads/memo1048.pdf>

¹⁰⁴ Mary Ann Cleary and Kathryn Summers-Coty, *DURANT: What Happened and Implications for the Future* (Michigan House Fiscal Agency, 1999), <https://www.house.mi.gov/hfa/Archives/PDF/SchoolAid/durant.pdf>

Michigan Special Education Funding

State Special Education Funding

The financing of special education in Michigan is particularly complex, stemming from the interplay of constitutional mandates, court rulings, and school funding reforms—most notably the Headlee Amendment, the *Durant* decision, and Proposal A. Collectively, these elements influence how the State allocates funding for special education services for students with disabilities.

Following the *Durant* court decision, Michigan is required to reimburse school districts a portion of their special education costs—28.6 percent of approved special education operational costs and 70.4 percent of specialized transportation costs. To comply, Michigan uses a partial reimbursement system and is one of only eight states to do so.¹⁰⁵ However, not all costs meet MARSE’s threshold for reimbursement.¹⁰⁶ The *Durant* reimbursements constitute the vast majority of state special education funding.

For decades, the State counted the foundation allowance—the base per pupil funding for all students—toward its *Durant* obligation. This funding structure provided special education students with the same base allocation as general education students, resulting in a shortfall for the specialized services and supports their education required.

In 2022, Michigan reformed this system by separating the foundation allowance from the *Durant* reimbursement. This meant that districts began receiving both the full foundation allowance and the *Durant* reimbursement for special education students. The policy was phased in, reaching full implementation in the 2023–2024 school year.¹⁰⁷ This reform significantly improved funding equity, easing the financial burden on districts whose share of special education costs dropped. However, total special education spending did not increase; the source of funding simply shifted more heavily to the state. For an example of how this reform impacted sample districts, reference Appendix F.

The *Durant* reimbursements constitute the vast majority of state special education funding. However, there are several other state revenue streams supporting special education programming and services, including funding for court-involved youth, services in secure facilities, and funding to offset a few administrative rule changes.

¹⁰⁵ Kaput & Schiess, Splitting the Bill #16.

¹⁰⁶ Michigan Department of Education, *Michigan Administrative Rules for Special Education (MARSE) With Related IDEA Federal Regulations* (May 2025), https://www.michigan.gov/-/media/Project/Websites/mde/specialeducation/MI-rules/MARSE_Supplemented_with_IDEA_Regs.pdf?rev=6ce62ce839ca457e961ed5b4b8604e73

¹⁰⁷ Michigan House Fiscal Agency, Fiscal Brief: Special Education Funding.

Local/ISD Special Education Funding

Proposal A significantly changed the structure and local financing of special education in three critical ways:¹⁰⁸

- Local school districts were no longer permitted to levy their own special education taxes.
- The special education taxing authority was relocated to ISDs.
- Special education tax levies were limited to a maximum of 1.75 times the rate levied in 1993.¹⁰⁹

Due to these policy decisions, local revenue for special education is directly linked to tax decisions made over 30 years ago. In 1993, the minimum millage rate was 0.75, and the maximum rate was 5.5. This means that the ISD with the highest millage rate imposed over seven times the tax burden of the ISD with the lowest rate.

The current ISD millage rates reflect this pattern due to the millage cap of 1.75 times the rate established in 1993. In FY 2024, the minimum millage rate was 0.7298 and the maximum rate was 6.2392. In response to the Headlee restrictions on property tax appreciation, four ISDs have set their millage rates lower than those imposed in 1993. The Headlee rollback mandates that ISDs must lower their millage rates to prevent property tax revenue from rising more quickly than inflation without obtaining voter approval.

Local special education millage revenues are pooled at the ISD level. The distribution of those revenues among member LEAs, and to the extent funds are retained by the ISD to provide services, varies. The funding distribution is outlined in ISD special education plans.

The next section will outline how, despite attempts to address funding issues, underfunding and inequities persist in Michigan's special education finance system.

Special Education in Michigan Is Underfunded and Inequitable

Special Education in Michigan Is Underfunded

Michigan's special education finance system has long faced substantial challenges, largely due to a persistent shortage of funding. The main problem is that school districts and ISDs allocate more money to special education than they receive from all funding sources—federal, state, and local. This results in a financial “encroachment” that requires districts to draw from their general operating funds to address the deficit. This issue is especially concerning because federal law mandates special education services, which cannot be reduced or denied even in the event of budget shortfalls. In contrast to certain discretionary education expenses, special education services must be delivered in accordance with each student's IEP. Districts are prohibited by

¹⁰⁸ Michigan House Fiscal Agency, Fiscal Brief: Special Education Funding.

¹⁰⁹ See Appendix G for additional information on ISD special education millage rates.

federal law from refusing to provide necessary special education services due to budgetary constraints or any other reasons.

Numerous studies and analyses have highlighted the severity of this underfunding. A 2017 subcommittee commissioned by Lt. Governor Brian Calley estimated a \$692 million shortfall for the 2015–2016 school year and concluding that the system was “underfunded and underperforming.”¹¹⁰ In 2019, researchers at Michigan State University estimated that the statewide encroachment was approximately \$800 million in the 2014–2015 school year.¹¹¹ Although there has been progress in reducing statewide encroachment in recent years, the shortfall has started to increase once more. The Michigan Department of Education estimated a \$616 million shortfall in 2023–2024 school year.¹¹²

“Right now, the way we fund special education is broken and encroachment is an excellent example. Districts are asked to do more than the system allows, and students end up paying the price. We need a model that matches funding to actual student needs.”

—Craig Thiel, Research Director at the Citizens Research Council of Michigan

While the magnitude of the shortfall has fluctuated, how encroachment is calculated also affects the size of the estimated shortfall. Some analyses may include specialized transportation, federal Medicaid funds, and/or the foundation allowance for students with disabilities. The MI Blueprint project focuses on special education operating support. Thus, all analyses of Michigan special education funding exclude specialized transportation in this report. The analysis also excludes the foundation allowance for students with disabilities since it is the base level of funding provided to all children in Michigan.

The financial burden of this underfunding is unevenly spread across the state. The level of encroachment is influenced by factors such as local property wealth, special education millage caps, and the enrollment rate of students with disabilities. A 2019 analysis found that nearly all

¹¹⁰ Special Education Funding Subcommittee, *Special Education Finance Report*

¹¹¹ Arsen, Delpier & Nagel, *Michigan School Finance at the Crossroads*.

¹¹² MDE analysis shared with MI Blueprint team over email in October 2025.

ISDs experienced encroachment, but the impact per student varied widely, from \$104 to over \$1,200.¹¹³

This disparity is also evident at the district level, where some districts experience significantly greater financial strain than others. Additionally, districts with a high concentration of school choice options can experience more acute encroachment, as students with disabilities may disproportionately enroll in traditional public schools.¹¹⁴ See Appendix H for ISD-level data on taxable property values, millage caps, and enrollment.

Ultimately, the underfunding of special education impacts not only students with disabilities. The required reallocation of general fund dollars to cover special education expenses undermines all students by restricting a district's capacity to invest in other educational programs and resources. This systemic issue has been thoroughly documented for years, yet it continues to be a persistent and substantial challenge for Michigan's educational system.

Special Education in Michigan Is Inequitable

Michigan's special education funding depends largely on local property wealth. Our analysis of federal, state, and local special education revenue—excluding specialized transportation and the foundation allowance—found that local ISD millages make up just over 44 percent of all special education revenues statewide.¹¹⁵

Inequitable Property Wealth

Disparities in property wealth have long driven inequities in special education funding. A 2019 analysis of 2014–2015 data found the same pattern as today: the ISD with the lowest taxable value per student would need a tax rate more than four times higher than the wealthiest ISD to raise equivalent revenue.¹¹⁶ See Appendix H for the overall and per student taxable value by ISD in 2024.

For example, Wayne Regional Educational Service Agency (RESA) has a taxable property value per student of about \$203,830, while Charlevoix-Emmet ISD has over \$917,024. This means to generate the same per student revenue, Wayne RESA would need a tax rate 4.5 times higher than Charlevoix-Emmet, a level that is unachievable due to millage caps.¹¹⁷ As a result, raising sufficient revenue through local taxes imposes a disproportionate and often unachievable financial burden on lower-wealth ISDs.

¹¹³ Arsen, Delpier & Nagel, Michigan School Finance at the Crossroads.

¹¹⁴ Craig Thiel and Sarah Reckhow, "Special Education Funding Falls More Heavily on Urban School Districts," *Bridge Michigan*, December 21, 2017, <https://bridgemi.com/guest-commentary/special-education-funding-falls-more-heavily-urban-school-districts/>

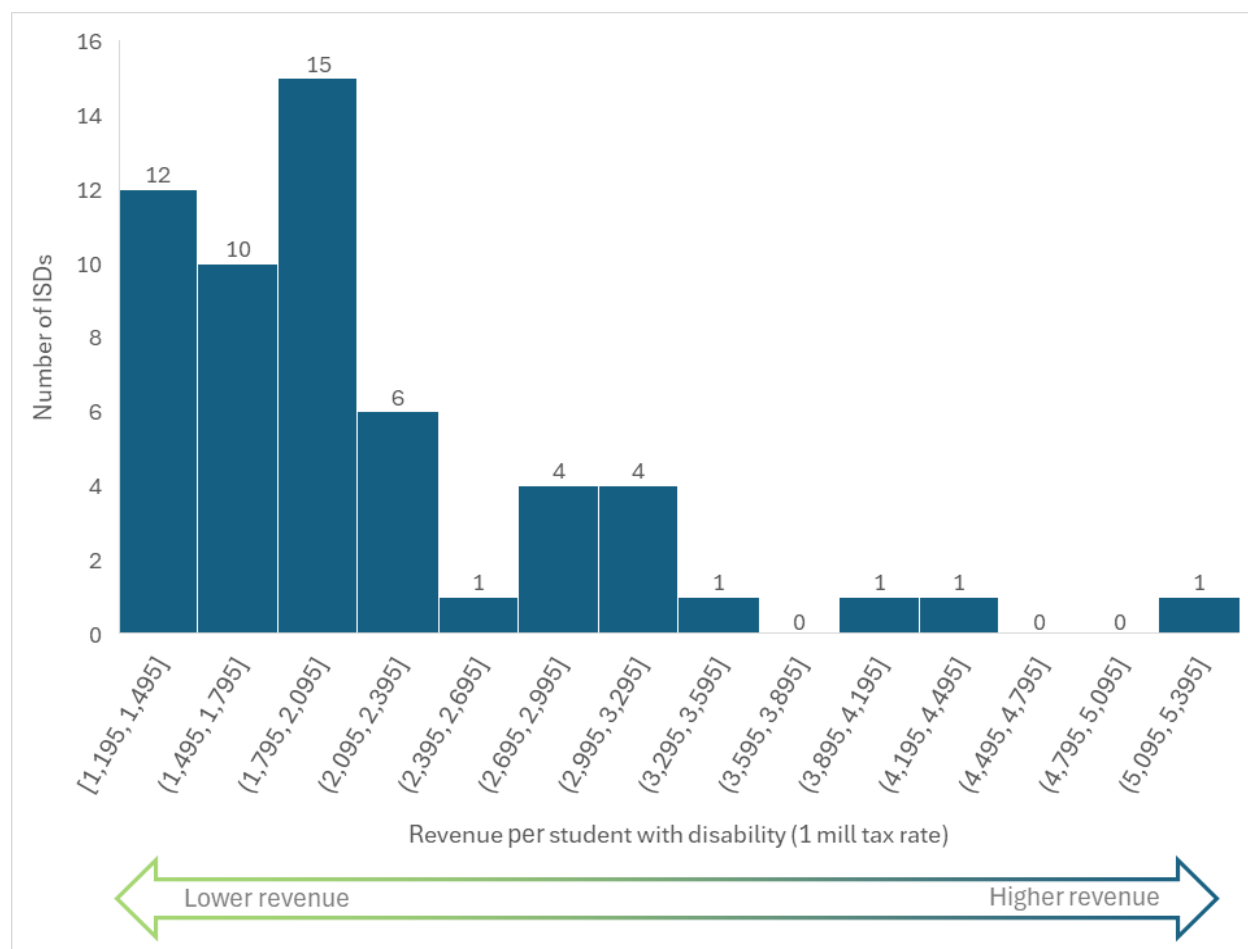
¹¹⁵ For FY2024, we calculated 40.67 percent of special education revenue came from state sources, 14.97 percent from federal sources, and 44.36 percent from ISD millages. See Appendix I for a complete discussion of the methodology used to calculate the figures.

¹¹⁶ Arsen, Delpier & Nagel, Michigan School Finance at the Crossroads.

¹¹⁷ Arsen, Delpier & Nagel, Michigan School Finance at the Crossroads.

Another illustration of how property wealth differences shape special education funding, we calculated the revenue a single mill generates per student with a disability in each ISD. For example, a 1 mill tax rate yields \$1,195 per student with disability in Calhoun ISD compared with \$5,326 in Charlevoix-Emmet ISD. The average ISD in Michigan generates \$2,096 in local revenue per student with a disability. The histogram bars in Exhibit 10 below denote the number of ISDs who yield a similar revenue yield of a 1 mill tax rate, organized by their revenue yield, going from the lowest revenue yield on the left (including Calhoun) to the highest on the right (including Charlevoix-Emmet).

EXHIBIT 10. Distribution of ISD Revenue Yield from One-Mill Tax Rate



Source: Michigan Department of Education, *State Aid Status Reports (2024)*

This issue is compounded by the fact that many students with disabilities attend school in these lower-wealth communities. Over 62 percent of students with disabilities are in ISDs where a one-mill tax generates less than \$2,100 per student. In contrast, a wealthy ISD like Charlevoix-Emmet can generate over \$5,300 per student with disabilities from the same one-mill tax. While the State has a guaranteed tax base fund, it's underfunded and doesn't reach enough districts to solve the problem. Ultimately, the system ties a community's ability to fund crucial services to its property wealth, not its student needs.

“Because property values vary so widely, some communities can tax themselves heavily but raise very little, while others raise much more with modest effort. Simply put, the wealth of a community, not the needs of its students, determines the level of funding a district receives.”

—Naomi Norman, Superintendent, Washtenaw ISD

To address disparities in local property wealth, the State allocates \$40 million annually through Section 56 of the State School Aid Act. This program provides a guaranteed tax base (GTB) of \$260,200 per pupil, aiming to ensure more equitable funding among ISDs.¹¹⁸ However, the program’s effectiveness is limited—the GTB is set too low, applies per pupil (not per pupil with a disability), and the funding pool is modest. In FY 2022, only 16 ISDs qualified, with one receiving over 60 percent of the funds.¹¹⁹ Additionally, in FY 2022, the Michigan Legislature created Section 56(7) and appropriated \$34 million to an additional guarantee.¹²⁰ That formula however, does not equalize per pupil funding revenue disparities. There are two formulas based on the amount of revenue ISDs generate, provided ISDs meet certain millage requirements, under which they can receive additional state funds. For FY2024–2025 the two tiers are defined as follows:

- ISDs generating less than \$251 per pupil and levying 46.2 percent to 60 percent of their millage cap¹²¹
- ISDs generating less than \$296 per pupil and levying at least 60 percent of their millage cap

Given this structure, the State invests more in wealthier ISDs that already generate more revenue through their own taxes.¹²²

¹¹⁸ Michigan Legislature, “MCL 388.1656 – Special Education Millage Equalization and Reimbursement,” <https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-388-1656>

¹¹⁹ Citizens Research Council of Michigan, “Michigan’s New Effort to Equalize Special Education Property Tax Levies Is Poorly Designed and Does Little to Reduce Funding Disparities,” *CRC Michigan*, September 8, 2021, <https://crcmich.org/michigans-new-effort-to-equalize-special-education-property-tax-levies-is-poorly-designed-and-does-little-to-reduce-funding-disparities>

¹²⁰ Michigan Legislature, “MCL 388.1656.”

¹²¹ The ISD millage cap is discussed in the local special education funding section in Appendix G.

¹²² Citizens Research Council of Michigan, “Michigan’s New Effort to Equalize Special Education Property Tax Levies.”

Inequitable Taxing Capacity: ISD Millage Rates

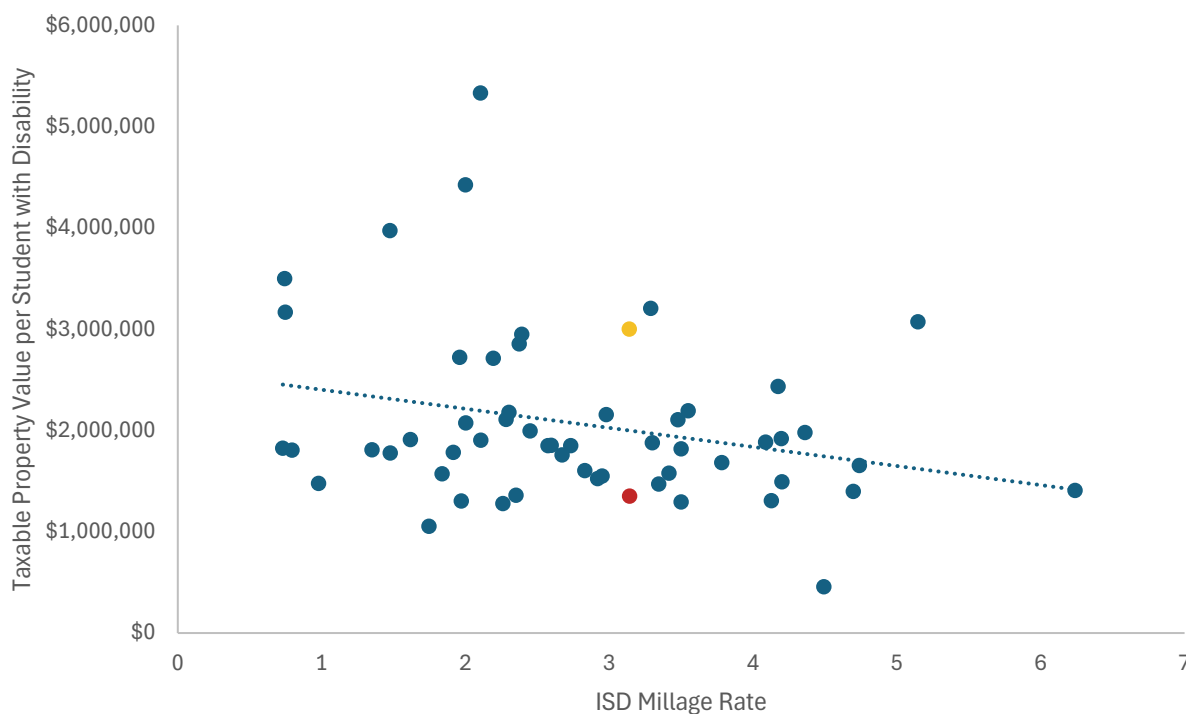
Local special education funding depends on ISD revenue capacity, which is based on property wealth and tax effort. ISD tax rates show two important patterns.

1. Property wealth varies significantly across the state and strongly impacts ISDs' ability to generate revenue for special education.
2. There is variation in ISD special education millage rate caps regardless of voters' willingness to pay.

ISDs with lower property wealth per student tend to levy higher special education taxes. This creates a difficult situation where communities with the least wealth must often tax themselves more, yet they still raise less revenue for special education or are prevented from doing so by state caps.

For instance, as shown in Exhibit 11, Wexford-Missaukee (red dot) and Livingston (yellow dot) ISDs both levy the same millage rate of 3.14. However, because Livingston has more than double the taxable value, it generates nearly twice as much revenue per student with disabilities. To match this, Wexford-Missaukee would have to double its millage, which is prohibited by law. This pattern highlights a fundamental flaw in the system: low-wealth communities cannot generate the revenue necessary to meet the needs of their students. See Appendix H for an analysis of ISD millage rates by per student taxable value.

EXHIBIT 11. ISD Millage Rates and Taxable Value per Student with Disability



Source: Michigan Department of Education, *State Aid Status Reports (2024)*, <https://mdoe.state.mi.us/samspublic/Home/StatusReport>

While most ISDs levy below their statutory limit,¹²³ simply increasing millages is not a viable or fair solution. Only three ISDs currently tax at their maximum rate, while several others raised their levy to the statutory maximum but were subject to the Headlee rollback.¹²⁴ This appears to suggest local communities can raise additional revenue for special education by increasing their tax rates. However, relying even more heavily on local property taxes without corresponding state equalization would place a disproportionate burden on lower-wealth ISDs while allowing wealthier ones to raise substantially more at the same tax rate. A more equitable structure requires wealthier ISDs to contribute a greater local share while the state offsets capacity gaps in lower-wealth ISDs. This ensures students with disabilities are supported through a fair and stable funding system. Refer to Appendix G for a detailed breakdown of ISD FY 2024–2025 millage rates and their millage rate cap.

Inequitable ISD Spending on Special Education

Because of the unequal distribution of property wealth and varying taxing abilities, some school districts can spend significantly more on special education than others. Some ISDs can generate more consistent revenue per student—and often at lower rates—while others struggle to keep pace even when taxing heavily.

A comparison between Kent ISD and Charlevoix-Emmet ISD clearly illustrates this situation in Exhibit 12. Although both serve a similar population of students with disabilities, their financial situations are dramatically different. Kent ISD has a tax rate 1.67 times higher than Charlevoix-Emmet. Yet, due to its immense property wealth, Charlevoix-Emmet was able to spend an additional \$3,500 per student with disabilities in 2024. This shows that wealth, not student need, is the driving force behind spending differences.

¹²³ Note, ISD special education millages are statutorily restricted to a maximum of 1.75 times their millage rate from 1993.

¹²⁴ Gratiot-Isabella, Marguette-Alger, and Saginaw

EXHIBIT 12. Enrollment, Tax, and Spending Comparison between Kent ISD and Charlevoix-Emmet ISD

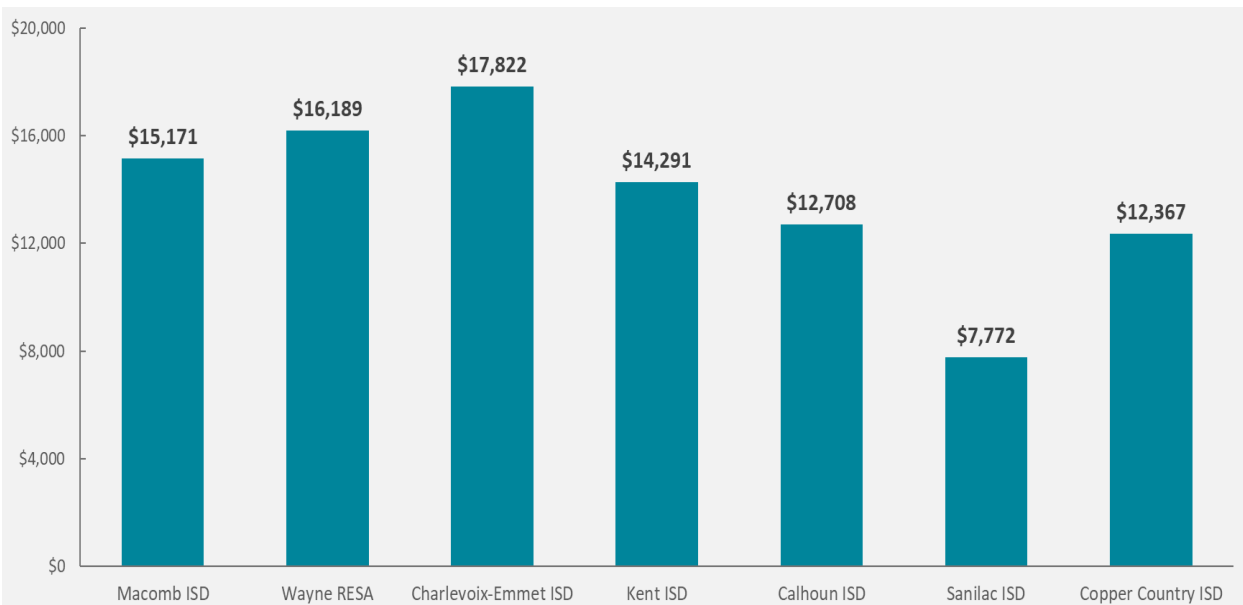
 Kent ISD		Charlevoix-Emmet ISD 	
Share of Enrollment	Disability Category	Share of Enrollment	
12%	Autism	11%	
9%	Cognitive impairment	5%	
4%	Early childhood developmental delay	4%	
6%	Emotional impairment	7%	
51%	Specific learning disability & speech and language impairment	51%	
14%	Other health impairment	20%	
3.5	Tax Rate	2.1	
\$2.2 million	Property Wealth per Student with Disability	\$5.3 million	
\$14,300	Per pupil expenditures	\$17,800	

Source: State Aid Financial Status Reports, 2024. MI School Data, Disability headcount, 2023–2024, available at: <https://www.mischooldata.org/special-education-data-portraits-disability>.

Note: These data refer to the ISD and its member districts. Expenditures include special education operating costs but not specialized transportation. This figure represents 96 percent of Kent ISD’s enrollment of students with disabilities and 97 percent of the enrollment in Charlevoix-Emmet ISD.

This pattern holds true across the state. Consider again Calhoun ISD, a low-wealth ISD with one of the highest tax rates in the state, 4.49 mills. Despite serving a high-needs population, it spends far less per student with disabilities than its peers. On the other end of the spectrum, Sanilac ISD, a small, low-wealth district, spends less than half of what wealthy districts like Macomb ISD or Charlevoix-Emmet ISD do.

EXHIBIT 13. ISD Special Education Spending per Student with Disability, Select ISDs

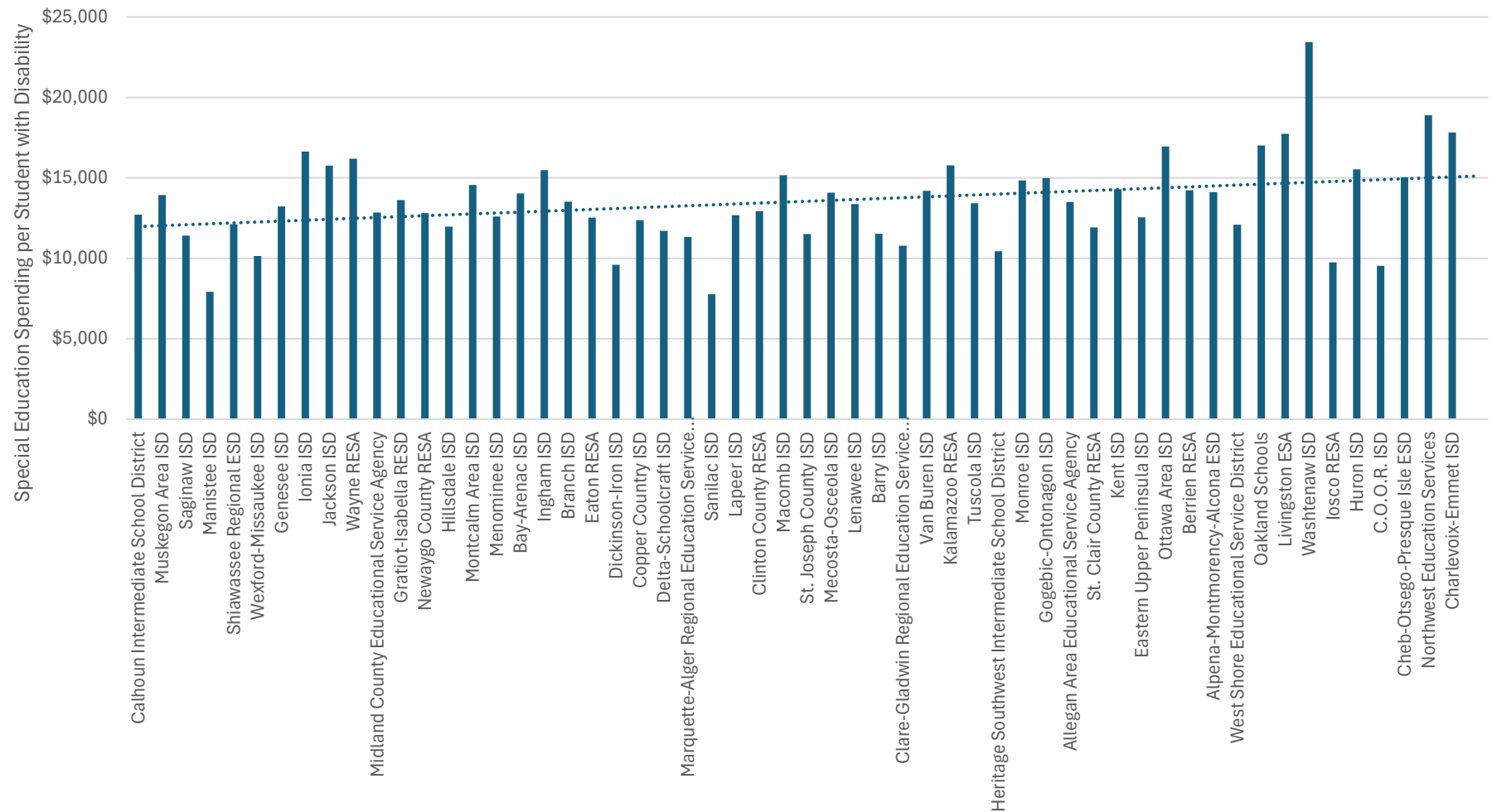


Source: State Aid Financial Status Reports, 2024. MI School Data, Disability headcount, 2023-24, available at: <https://www.mischooldata.org/special-education-data-portraits-disability>.

Note: These data refer to the ISD and its member districts. Expenditures include special education operating costs but not specialized transportation.

This underscores the core issue: Michigan's reliance on local property wealth for special education funding produces significant inequities. In Exhibit 14 below, each bar represents an ISD in order of property wealth per student with disability. This illustrates the wide variation in spending from district to district. As a result, students in low-wealth communities typically have fewer resources than their peers, which contributes to poor academic achievement and graduation rates. While some districts and students may succeed, the typical student with a disability in Michigan lacks the resources and opportunities they need to be successful. Notably, ISDs with lower property wealth per student with disability (left of the graph) tend to spend less per student. See Appendix H for a complete list of ISD spending per student with disabilities.

EXHIBIT 14. ISD Special Education Spending per Student with Disability



Source: State Aid Financial Status Reports, 2024. MI School Data, Disability headcount, 2023–2024, available at: <https://www.mischooldata.org/special-education-data-portraits-disability>.

Note: These data refer to the ISD and its member districts. Expenditures include special education operating costs but not specialized transportation.

3. MI Blueprint Weighted Student Funding Model Proposal

Chapter 3 Summary: Key Takeaways

This chapter provides an overview of the MI Blueprint Weighted Student Funding Model, funding structures, a high-cost fund, and implementation considerations.

MI Blueprint Weighted Student Funding Model proposal: The MI Blueprint proposes a fundamental overhaul of special education funding in Michigan to create a student-centered, evidence-based, and equitable system. This reform centers on adopting a four-tier WSF model and establishing a separate HCF.

The proposed WSF model moves away from the complex and inequitable partial reimbursement system. Instead, it utilizes four funding tiers with weights ranging from +10 percent to +280 percent, derived from a rigorous 2022 Ohio study on the costs of implementing special education best practices. These tiers group students by their disability eligibility categories (e.g., Tier 1 for Speech or Language Impairment and Tier 4 for Autism Spectrum Disorder), ensuring funding directly reflects the varying intensity and expense of student needs.

To cover the most intensive and expensive students' needs, the proposal includes a separate HCF. This fund would allow districts to apply for reimbursement to cover 80 percent of service costs that exceed a threshold of \$57,615, ensuring districts have sufficient funds independent of the potentially high costs of some student services. Both the WSF and HCF would be based on student headcount and adjusted for inflation annually to maintain their value.

Fully funding this new model would require an overall increase in special education spending of 39 percent, totaling approximately \$4.55 billion in combined revenue, requiring \$1.28 billion in additional state and local spending. However, this investment directly addresses the state's severe inequities. The MI Blueprint WSF Model is designed to be need based, meaning lower-wealth districts would receive the largest per pupil funding increases, aligning resources to student needs rather than local property wealth.

Why This Matters

The MI Blueprint WSF Model offers Michigan a modern, equitable solution to its funding crisis. By basing allocations on the actual, research-determined costs of providing special education best practices, the model directly resolves the systemic underfunding and replaces the current inequitable system. Full implementation would ensure every student with a disability receives the necessary resources for a free and appropriate public education, fulfilling the legal and moral mandate of the state.

Laying the Groundwork

The MI Blueprint recommends that Michigan adopt a four-tier weighted student funding system grounded in recent, rigorous estimates of the costs associated with implementing best practices. The tiers are determined by the 13 student eligibility categories identified in IDEA. Alongside the MI Blueprint WSF Model, we recommend that Michigan establish a high-cost fund to help districts support students who require extraordinarily costly services. Finally, we recommend that specialized transportation funding continue at the 70 percent reimbursement rate established under *Durant*.

Establishing the Per Pupil Base Funding Amount

The initial step in developing a weighted student funding formula is to establish the base funding amount per student. This is provided to every student and represents the minimum cost of “educating a student with no special needs or disadvantages.”¹²⁵ To account for student characteristics and allocate additional funding for students with greater needs, states apply weights to the base amount.

States determine their base cost using one or more of the following approaches: costing-out studies, professional judgment panels, high-performing schools analyses, and evidence-based studies.¹²⁶ Michigan funds its general education through a foundation allowance system, so the MI Blueprint WSF Model is based on this structure.

While most districts receive equal per pupil allocations through the state foundation allowance, costs associated with the Michigan Public School Employees’ Retirement System (MPSERS) are not distributed equally. Districts required to participate in MPSERS must pay roughly \$1,200 per pupil back to the state to cover a portion of the unfunded actuarial accrued liability (UAAL) for MPSERS—the amount the pension fund still needs to fully meet its commitments to retirees. The UAAL is a legacy cost: an ongoing expense, incurred by state policy, for benefits owed to former employees, not an expenditure that supports the education of today’s students.

For the FA to achieve minimum adequate funding, it would need to include the UAAL costs. Otherwise, it effectively shortchanges the base by about \$1,200 per pupil. In other words, to fully realize the intended per pupil funding level, the state would need to either increase the FA by the amount attributable to the UAAL or fund the UAAL separately.

Although the state has reduced districts’ maximum MPSERS contribution rate from 21 percent to 15 percent in recent years, the UAAL still draws primarily from FA dollars. Indeed, in the FY2026 budget, a \$100 million cut to a program that offset a portion of district’s MPSERS costs. As a result, those costs will be “rolled into the foundation allowance.”¹²⁷ While resolving MPSERS’s

¹²⁵ Krista Kaput and Jennifer O’Neal Schiess, *Splitting the Bill #10: How Does the Base Amount Work in Student-Based Funding Formulas?* (Bellwether, October 2023), https://bellwether.org/wp-content/uploads/2023/10/SplittingtheBill_10_Bellwether_October2023.pdf

¹²⁶ Kaput and Schiess, *Splitting the Bill #10*.

¹²⁷ [New Michigan school budget shifts more teacher pension costs to districts, prompting pushback • Michigan Advance](#)

UAAAL is beyond the scope of this report, it remains an important factor shaping how much funding districts can devote directly to educating students.

The MI Blueprint WSF Model uses the School Finance Research Collaborative’s recommended FA (\$10,421)¹²⁸ instead of the FY 2025 FA (\$9,608)¹²⁹, or the figures in the FY 2026 budget (\$10,050),¹³⁰ because the SFRC recommendation establishes a baseline that is consistent with research on the minimum costs required to educate a typical student in the state.¹³¹

“This has been a rigorous and transparent process, grounded in research and shaped by the voices of those closest to the work—educators, families, and administrators. The result is a model that is not only technically sound, but also practical and ready for policy design. I fully endorse the framework as the right path forward for Michigan.”

—Dr. David Arsen, Professor Emeritus, Michigan State University

Determining the Weights

Appropriately established weights are essential for creating an effective WSF formula. Weights determine the level of additional funding districts receive to cover the incremental costs associated with educating students with differing needs. If weights are set too low, districts lack sufficient resources; conversely, if the weights are set too high, they can constrain limited budgets and create competition among funding priorities within the K–12 system. Weights should be derived from reliable, publicly available data to enhance transparency and accountability in

¹²⁸ Augenblick, Palaich and Associates, et al. *Michigan School Finance Collaborative Report: 5.21.20 Final*. Prepared for the Michigan School Finance Collaborative, May 21, 2020. <https://static1.squarespace.com/static/64f225b2b502d42a84dd1d88/t/64f232d403d1156ea742920d/1693594325416/Michigan-Report-5.21.20-FINAL-.pdf>

¹²⁹ Jennifer Smith, “2024-2025 School Aid Budget Details,” Michigan Association of School Boards News Center, July 3, 2024. <https://www.masb.org/about-masb/news-center/detail/2024/07/03/2024---2025-school-aid-budget-details>

¹³⁰ Michigan Legislature, *Senate Bill 166: Appropriations – School Aid; Fiscal Year 2025-2026 Appropriations for K-12 School Aid; Provide for*, First Regular Session, 103rd Legislature (2025), <https://legislature.mi.gov/Bills/Bill?ObjectName=2025-SB-0166>

¹³¹ Augenblick, Palaich and Associates, et al. *Michigan School Finance Collaborative Report*.

funding allocation.¹³² Weights should be adjusted over time based on additional evidence if it is found that a weight is either insufficient or unsustainable.

The first step is to identify the factors for the weights. There are several approaches:

Flat Rate	All students with disabilities receive the same weight regardless of their eligibility category or level of service. Colorado recently revised its special education finance system to assign a uniform 25 percent weight to each student receiving special education services. ¹³³ This method is straightforward and secures additional funding, but it does not consider the substantial variation in student needs, both within and between disability categories.
Educational Setting	This method categorizes students by the amount of time they spend in a general education classroom. Although the SFRC's 2018 school adequacy study used this approach, it is not a widespread practice in other states. Also, it may undermine ensuring students are educated in the least restrictive environment and is unlikely to comprehensively reflect a student's needs.
Eligibility Categories	Weights are determined by each student's primary eligibility designation in their IEP (e.g., autism, hearing impairment, or emotional impairment). States commonly use this approach in their WSF systems. Mississippi changed its special education finance system from a reimbursement model to a three-tiered weighted student funding system based on student eligibility categories. ¹³⁴
Service Level	Weights are based on the frequency or intensity of services provided to students. Although not a common model, Tennessee and Texas recently reformed their special education finance system and moved to a weighted model based on student services. ^{135,136}

¹³² Krista Kaput and Jennifer O'Neal Schiess, *Splitting the Bill #5: How Can School Finance Systems Support Students With Additional Learning Needs?* (Bellwether, October 2021 [updated October 2023]), https://bellwether.org/wp-content/uploads/2024/04/SplittingtheBill_5_Bellwether_October2023-1.pdf

¹³³ Colorado Gen. Assy., *HB 24-1448*.

¹³⁴ Miss. Legislature, *HB 4130*.

¹³⁵ Tennessee Department of Education, *Unique Learning Needs*.

¹³⁶ Texas Education Agency, High Cost Fund Program and Application Information.

After reviewing the literature, analyzing data, and consulting Michigan school finance experts, we chose to ground the MI Blueprint WSF Model on **student eligibility categories** for three primary reasons:

1. **Data limitations:** Michigan does not collect or report the data necessary to build a WSF system based on levels of services.
2. **Differentiation:** A single weight treats all students with disabilities the same and does not provide additional funds for students with greater needs. Moreover, ISD and district enrollment varies by eligibility category.
3. **Research:** Recent research on implementing special education best practices produced cost estimates based on student eligibility categories.

Latest Research on Special Education Costs

In accordance with the legislative directive in Section 51h, the MI Blueprint study is not a special education adequacy study. Instead, the MI Blueprint WSF Model proposal uses existing research-based adequacy studies applied to Michigan's context.

Although the SFRC's adequacy study concentrated on general education, its final report recommended that Michigan transition from its partial reimbursement system to a multi-tier weighted student funding model based on educational setting and special education student full-time employees (FTEs). While MI Blueprint did not adopt the SFRC's suggested structure, we drew on the study and its recommendation to establish a multi-tier WSF with an FA of \$10,421 as a starting point for our WSF proposal.

Our analysis showed that higher-wealth districts typically report a greater number of FTEs per student than do lower-wealth districts. This suggests that FTEs may represent a district's financial capacity as well as a student's actual need, making student head count a more reliable and equitable measure for a funding model. See Appendix J for our analysis of student head count relative to FTE by LEA property wealth. To design a more effective model for Michigan, we drew on a recent costing-out study specific to special education.¹³⁷

In 2022, the Ohio Department of Education commissioned the American Institutes for Research (AIR) to "identify best practices for providing special education and related services to students with disabilities, including educational and assistive technology, and to calculate the associated costs."¹³⁸ AIR's study of special education best practices in their corresponding costs in Ohio provides recent and rigorous special education cost estimates that offer a high-quality foundation to inform the design of a special education funding policy in Michigan. The study was based on a professional judgment panel of experts and practitioners with a track record of serving students

¹³⁷ A costing-out study identifies and estimates the costs of the resources, supports, services, and interventions necessary to meet a specified outcome, typically meeting state academic standards.

¹³⁸ Amanda Danks, Sana Fatima, Elena Rettiger-Lincoln, Kevin N. Junk, Pakethia Harris, Jesse Levin, Kristin Ruedel, Drew Atchison, Kyle Neering, and Tammy Kolbe, *Special Education in Ohio: Best Practices, Costs, and Policy Implications* (American Institutes for Research, November 2022), <https://education.ohio.gov/getattachment/Topics/Special-Education/Sections/Accountability-and-Funding/Special-Education-Cost-Study.pdf.aspx?lang=en-US>

with disabilities effectively.¹³⁹ The cost estimates were based on “what would be needed to implement best practices for the ‘typical student’ within a disability classification.”¹⁴⁰ Exhibit 15 provides an overview of the best practices identified in the study.

EXHIBIT 15. Overview of Best Practices Identified in AIR’s Special Education Cost Study

 Multidisciplinary Teams	 Case Management	 Technology	 Indirect Services	 Professional Development
Necessary for each disability classification, grade span, and program component. The team should include: • Medical professionals • Social workers • Counselors • Audiologists • School psychologists • Speech and language therapists • Occupational therapists • Behavioral interventionists	A manageable caseload based on the number of students, as well as the type and frequency of support they require.	Adequate infrastructure, including: • Reliable high-speed connectivity • Reliable equipment for each student • Accessibility tools • Staff support to setup, maintain, and train educators to use this technology	“Consultative services” by the interventionists to other staff re: environment, curriculum, or instruction. Support for collaboration and coaching Common planning time Accessing extracurricular and other school-based activities	High-quality, on-going, and embedded professional development on topics including: • Universal design • Multisensory curricula • Crisis prevention • Problem solving and de-escalation • Trauma informed teaching Available to all staff who support and interact with SWDs.

Source: Author’s summary of Danks et al., *Special Education in Ohio*.

To calculate costs, AIR relied on the approach for economic evaluation of educational programming described in Levin et al. 2018,¹⁴¹ as well as the Standards for Economic Evaluation of Educational and Social Programs.¹⁴² AIR estimated costs “across the specific components of special education and related services (e.g., screening, initial evaluation, reevaluation, direct services, indirect services, and case management).” This approach permitted panelists to “describe comprehensively all resources needed for the implementation of best practices. To avoid “double counting” overlapping service costs, the researchers discounted the general education costs for students with disabilities to reflect the time students spend receiving special education services.¹⁴³ Exhibit 16 presents AIR’s FY 2022 cost estimates to implement best

¹³⁹ The study also included “Interviews and surveys with individuals with experience with serving students with disabilities supplemented information from the PJPs, particularly around the usage of educational and assistive technology. Public and nonpublic stakeholder input sessions were held at after the study to share findings and understand what resonated most with each group.”

¹⁴⁰ Danks et al., *Special Education in Ohio*.

¹⁴¹ Levin, H., McEwan, P., Belfield, C., Bowden, B., & Shand, R. (2018). Economic evaluation in education: Cost-effectiveness and benefit-cost analysis

¹⁴² American Institutes for Research, Standards for the Economic Evaluation of Educational and Social Programs (Cost Analysis Standards Project, April 2021), <https://www.air.org/sites/default/files/Standards-for-the-Economic-Evaluation-of-Educational-and-Social-Programs-CASP-May-2021.pdf>

¹⁴³ The researchers call this the “substitution effect.” Simply put, a student with disabilities does not receive both general education and special education services simultaneously. For example, a student receiving occupational therapy services is not concurrently receiving general education services.

practices, broken down by student disability eligibility. The costs are supplemental and exclude base funding. These estimates differ by category—for example, a student with a speech and language impairment may require services from a speech-language therapist, whereas a student identified with an emotional impairment may not, leading to differences in estimated costs. It is also important to note that Ohio’s disability eligibility categories differ slightly from those in Michigan, and that Ohio further divides other health impairment (OHI) into OHI-minor and OHI-major.

EXHIBIT 16. AIR’s Estimated Cost of Implementing Best Practices by Disability Eligibility Category

Disability Eligibility Category	FY 2022 Cost Estimate
Autism	\$36,595
Deafness-blindness	\$26,669
Developmental delay	\$29,694
Emotional disturbance	\$31,087
Hearing impairment	\$28,230
Intellectual disability	\$28,635
Multiple disabilities	\$21,875
Orthopedic impairment	\$20,495
Other health impairment (major)	\$55,107
Other health impairment (minor)	\$15,313
Specific learning disability	\$10,029
Speech or language impairment	\$9,131
Visual impairment	\$30,961

Source: Author’s summary of Danks et al., *Special Education in Ohio*.

Although the cost estimates are generalized to a statewide level, they nevertheless are still tailored to reflect Ohio’s labor market, service costs, and economy. While it is reasonable to rely on these cost estimates—as Ohio is a neighboring state with a population and economy comparable to that of Michigan—we adjusted the estimates to better fit Michigan’s context. See Appendix K for a breakdown of that adjustment, which includes a crosswalk of eligibility categories between Ohio and Michigan, our calculation for a single cost estimate for OHI, and an analysis of enrollment trends by student eligibility categories in both states.

Building the MI Blueprint Model

We encountered two main challenges in developing a special education funding model for Michigan based on AIR’s research. First, the model had to appropriately accommodate the wide range of estimated costs associated with the 13 disability eligibility categories currently used in

Michigan. Second, the WSF needed to achieve a balance between precision and simplicity. Our primary objective was to create a WSF model with tiers that accurately reflect significant cost differences while avoiding the creation of tiers that include either too many students or too few.

A notable change from a reimbursement model to a WSF model is that these funding amounts will be pooled and distributed at the ISD level, which will in turn allocate funding to their member districts in accordance with their special education plans. Importantly, ISDs and districts are not required to spend the exact per student amount generated by the formula. Instead, the total allocation can be used flexibly to provide the staff, support, services, and interventions necessary to implement best practices and to meet students' IEPs.

"This new model extends beyond just numbers on a spreadsheet; it directly influences classroom experiences. Whether a student requires a few hours of speech therapy or daily intensive support, the approach guarantees that schools have the necessary resources to provide what students need. The connection between funding and real-world impact is what makes the model both compelling and meaningful."

—Alexandra Stamm, Education Policy Analyst, Michigan League for Public Policy

Challenge One: Accurately Adjusting Cost Estimates

As shown in Exhibit 17, the MI Blueprint WSF Model is organized into four tiers, ranging from +10 percent to +280 percent. While this range shows considerable variation, the financial consequences of classification decisions were considered. Categories are organized by cost, and in some instances, eligibility categories are grouped together. For example, grouping speech and language impairment (SLI) and specific learning disability (SLD) in the same funding tier (Tier 1) recognizes their similar service costs and minimizes the financial impact that results from the series of administrative and financial decisions that must currently be considered when a student is classified. Using this model, classifying a student as SLI or SLD generates the same total formula amount. Additionally, placing students with autism and students with emotional impairment in the same tier (Tier 4) reduces the incentive to misclassify students and ensures that funding is based on student needs rather than labels.

EXHIBIT 17. MI Blueprint Model with Inflation Adjusted Cost Estimates

Eligibility Category	Cost Estimate (FY 2025)
Tier 1	
Speech and language impairment	\$9,539
Specific learning disability	\$10,477
Tier 2	
Other health impairment	\$16,442
Tier 3	
Physical impairment	\$21,410
Severe multiple impairment	\$22,852
Cognitive impairment	\$29,914
Hearing impairment	\$29,491
Deaf-blindness	\$27,861
Tier 4	
Emotional impairment	\$32,476
Visual impairment	\$32,344
Early childhood developmental delay	\$31,021
Autism spectrum disorder	\$38,230
Traumatic brain injury	\$58,014

Note: Cost estimates were updated to FY 2025 using the S&L State and Local Implicit Price Deflator and Consensus Revenue Estimating Conference from May 2025.

To analyze the distribution of students across the tiers, we used three-year enrollment figures by eligibility categories. This reduced the impact of year-over-year fluctuations, especially within categories with low enrollments. As shown in Exhibit 18, the result is a distribution of students across the four tiers that prevents the creation of tiers with disproportionately large or small shares of the state's enrollment of students with disabilities.

EXHIBIT 18. Three-Year Enrollment Share of Students with Disabilities by Tier

Enrollment Share	Eligibility Category
53% of students with disabilities	Tier 1
	Speech and language impairment
	Specific learning disability
14% of students with disabilities	Tier 2
	Other health impairment
11% of students with disabilities	Tier 3
	Physical impairment
	Severe multiple impairment
	Cognitive impairment
	Hearing impairment
	Deaf-blindness
21% of students with disabilities	Tier 4
	Emotional impairment
	Visual impairment
	Early childhood developmental delay
	Autism spectrum disorder
	Traumatic brain injury

Source: MI School Data, Disability headcount, available at: <https://www.mischooldata.org/special-education-data-portraits-disability>.

Note: The percentages sum to 99 due to rounding.

To adapt the model for Michigan, we made slight increases to the eligibility cost estimates. We made this adjustment for three reasons:

- 1. Higher teacher salary costs in Michigan.** As a part of their cost analysis, the AIR researchers adjusted salary costs to account for regional differences¹⁴⁴ using data from the Comparable Wage Index for Teachers (CWIFT).¹⁴⁵ Data from the same index shows that teacher salary costs in Michigan are slightly higher.
- 2. Excluded special education costs.** The authors of the AIR study characterize their cost estimates as “lower bound” because they were unable to quantify the costs of certain non-personnel resources and some aspects of professional development.
- 3. Building in flexibility.** The MI Blueprint WFS Model was designed to exceed the minimum cost estimate to provide a small buffer against future uncertainties. This additional margin helps account for potential changes or unforeseen factors that may undermine the model’s efficacy.

¹⁴⁴ “To account for the fact that resource prices vary systematically across higher and lower cost labor markets in the state, the district-specific salaries were first ‘standardized’ to statewide average price levels using the Comparable Wage Index for Teachers (CWIFT).”

¹⁴⁵ Stephen Q. Cornman, Laura C. Nixon, Matthew J. Spence, Lori L. Taylor, and Douglas E. Geverdt, Education Demographic and Geographic Estimates (EDGE) Program: American Community Survey Comparable Wage Index for Teachers (ACS-CWIFT) (National Center for Education Statistics, May 2019), <https://nces.ed.gov/programs/edge/economic/teacherwage>

See Appendix K for additional information on the eligibility cost estimate adjustment and the educational cost differences between Michigan and Ohio.

Challenge Two: Creating Proportionate but Fair Weights

The model calculates the cost for each tier using a weighted average of the costs (adjusted for inflation) associated with each disability included in that tier.

The model considers the number of students in each disability category within a tier, using three years enrollment data. Categories with a greater number of students exert a larger impact on the tier's overall cost. For example, in Tier 4, the cost is heavily influenced by the cost of serving students with autism, because they make up the largest group in that tier. This ensures the funding for each tier accurately reflects the needs of the students within it.

See Appendix L for additional details on how the tier cost estimates were generated.

EXHIBIT 19. Cost Estimates and Weights for the MI Blueprint WSF Model

	Cost Estimate (FY 25)	Weight (applied to the FA)
Tier 1	\$10,996	1.1
Speech and language impairment		
Specific learning disability		
Tier 2	\$18,087	1.8
Other health impairment		
Tier 3	\$31,380	3.1
Physical impairment		
Severe multiple impairments		
Cognitive impairment		
Deaf or hard of hearing		
Deaf-blindness		
Tier 4	\$39,221	3.8
Emotional impairment		
Visual impairment		
Early childhood developmental delay		
Autism spectrum disorder		
Traumatic brain injury		
Foundation Allowance	\$10,421	

During a planning committee meeting and again at our large July meeting, stakeholders expressed some concerns that severe multiple impairment (SXI) is incorrectly placed in Tier 3 and should be moved to Tier 4. Several practitioners noted that, based on their experiences, SXI students can require high-cost

The MI Blueprint Model in Practice

Special education funding is supplemental and is layered on top of the FA.

	Enrollment	Weight	FA	Formula Amount
Students with disabilities	100	1	\$10,421	\$1,042,100
Tier 1	53	1.1	\$10,421	\$607,544
Tier 2	14	1.8	\$10,421	\$262,609
Tier 3	11	3.1	\$10,421	\$355,356
Tier 4	21	3.8	\$10,421	\$831,596
				\$3,099,205

services. Unfortunately, ISDs do not track and report data in a manner that allows us to analyze specific costs for SXI at the student level. We tested the impact of transitioning students with SXI from Tier 3 to Tier 4. By employing the same process to calculate weighted cost estimates for each tier, we found two major effects. The first is that students with SXI would generate a larger formula amount in Tier 4. However, the second is that districts would, in the aggregate, generate a smaller formula amount. This happens because adding SXI to Tier 4—although SXI students account for only about 4 percent of students with disabilities over a three-year period—slightly lowers the Tier 4 cost estimate. This in turn reduces the Tier 4 weight to 3.7. Given that nearly one-quarter of students statewide are classified into Tier 4 under this model, the lower weight results in a decrease in the overall level of funding generated by the formula. We elected to retain the original model (Exhibit 19) because a WSF model determines total funding based on differentiated student need instead of specific costs for specific services for specific students. The proposed adjustment would reduce that total allocation, ultimately resulting in less funding not only for SXI students, but for all students with disabilities in Michigan.

Model Implementation Costs

It would cost approximately \$4.55 billion to fully fund the MI Blueprint WSF Model—a 39 percent increase in total spending on special education operations in 2024.¹⁴⁶ The \$4.55 billion figure reflects revenue from federal, state, and local sources. After accounting for federal funds, state and local sources would be responsible for approximately \$4 billion.¹⁴⁷ In other words, Michigan

¹⁴⁶ This is based on 2024 enrollment but present in 2025 dollars.

¹⁴⁷ Our analysis of the Financial Information Database (FID) found federal revenues in 2024 at approximately \$454 million.

would need to allocate an additional \$1.28 billion beyond what is currently spent on special education from state and local sources to completely fund this model.¹⁴⁸

EXHIBIT 20. Full Cost of Implementing the MI Blueprint WSF Model

FY 2024 Special Education Revenues	\$3,038,394,533
FY 2024 Special Education Costs ¹	\$3,273,265,431
MI Blueprint WSF Model	\$4,553,880,085
Revenue Difference	\$1,515,485,552
Cost Difference	\$1,280,614,654

Note: These figures exclude specialized transportation and the FA for students with disabilities.

¹ As discussed previously, special education costs—what districts ultimately spend on special education—exceeds special education revenues.

These cost estimates are derived from the total enrollment for fiscal year 2024, which includes children from birth to age three, pre-K, and Setting 14 (students who continue to receive special education services between the ages of 21 and 26). Based on enrollment data from 2024, around 88 percent of students with IEPs were in grades K–12, 8.8 percent were in birth-to-pre-K programs, and 3.3 percent were in Setting 14. If the model were implemented exclusively for K–12 students, the overall cost of implementation would be somewhat reduced, depending on the disability profiles of the non-K–12 students.

It is important to note that the cost estimates from the AIR study were based on K–12 education. Whether the model should include birth-to-three, pre-K, or Setting 14 students is a worthy policy debate that should include determining whether and how cost estimates should be adjusted to appropriately accommodate these two additional settings. We discuss this issue in greater detail in the Additional Legislative Considerations section in Chapter Four.

Developing a High-Cost Fund

Some students with the most significant disabilities may require costly interventions and support that far exceed typical funding levels. To help districts cover these costs, many states implemented an HCF (See examples of New Jersey and Texas in Exhibit 8 when discussing HCF).

We propose that Michigan implement an HCF that is separate from the weighted student funding model. LEAs and ISDs can apply to the state for additional aid, available via reimbursement, on behalf of students whose services incur high costs. Approved LEAs and ISDs would receive additional state aid to cover 80 percent of the cost of services exceeding the HCF threshold of \$57,615.

¹⁴⁸ According to the 2024 SAFRS, approximately \$3.3 billion was spent on special education in 2024. However, only about \$3 billion in special education operations revenue was generated. The gap was filled by districts drawing down their general funds. Our estimate of \$1.28 billion is the cost *above* what was spent in 2024. Put another way, special education revenues would need to increase by \$1.5 billion but due to encroachment, total spending would only need to increase \$1.28 billion.

Calculating HFC Threshold

$$1.5 \times \text{Tier 4: } (\$38,410) = \underline{\$57,615}$$

Due to significant data limitations, we do not know how many students require services that exceed any given cost threshold. Our proposed formula is consistent with other state policies and aligns with the MI Blueprint WSF Model. While we recommend setting the HCF threshold at 1.5 times the Tier 4 cost estimate, it is essential that Michigan also establish a formal review two years after implementation. This review should evaluate the appropriateness of the 80 percent cost sharing, ensure that the threshold is properly calibrated, and determine whether additional infrastructure, technical assistance, and other support policies are needed. The process should involve practitioners, district and ISD leaders, advocates, parents, and other key stakeholders. We propose a 2-year review of the HCF rather than a longer timeframe which is usually necessary to evaluate a policy because fewer years are necessary to acquire the data (currently unavailable), to determine whether the 1.5 x Tier 4 cost estimate is an appropriate basis to determine high cost. Additionally, a shorter review cycle for the HCF will allow for timely adjustments and data-informed refinements that can strengthen the broader WSF system before its respective review.

The HCF should be adjusted annually for inflation. Michigan does not currently apply an automatic inflation adjustment to its FA, but implementing one—such as the 2.5 percent annual adjustment commonly used in other states—would help to ensure that all Michigan’s education funding systems keep pace with rising costs. For the HCF, this would mean that the Tier 4 cost estimate increases automatically through the multiplier. Alternatively, the state legislature could build a specific annual inflation adjustment into the statute creating the HCF.

MI Blueprint WSF Model Reduces Inequities

The MI Blueprint WSF Model is student-centered and need based. Unlike the current system, which is largely driven by local wealth, the MI Blueprint WSF Model generates greater formula amounts for districts serving higher-need students. A clear example of this is the comparison between Kent ISD and Charlevoix-Emmet ISD, referenced earlier but adjusted to fiscal year 2025 numbers in Exhibit 21 below. Although Kent ISD serves a student population with slightly higher needs, it spends more than \$3,600 less per student under the current system due to its lower property wealth. The new WSF model would correct this disparity. By providing more funding for students with greater needs (those in higher-cost tiers), the model would bring the funding amounts for these two districts into closer alignment. Under the proposed model, Kent ISD would receive about \$900 more per pupil than Charlevoix-Emmet ISD, ensuring that resources are distributed based on a student's needs, not their location.

EXHIBIT 21. MI Blueprint WSF Model Addresses Current Inequities Between Kent ISD and Charlevoix-Emmet ISD

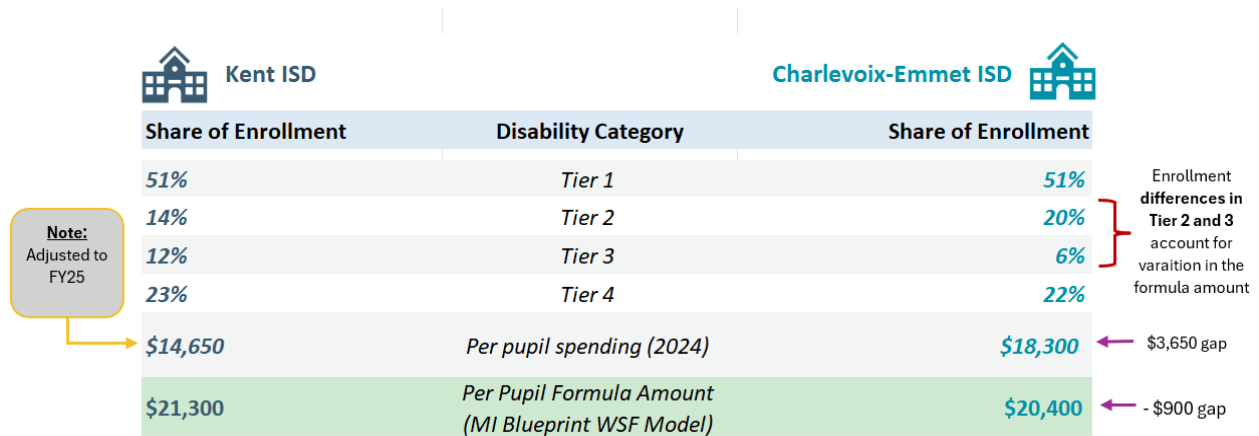
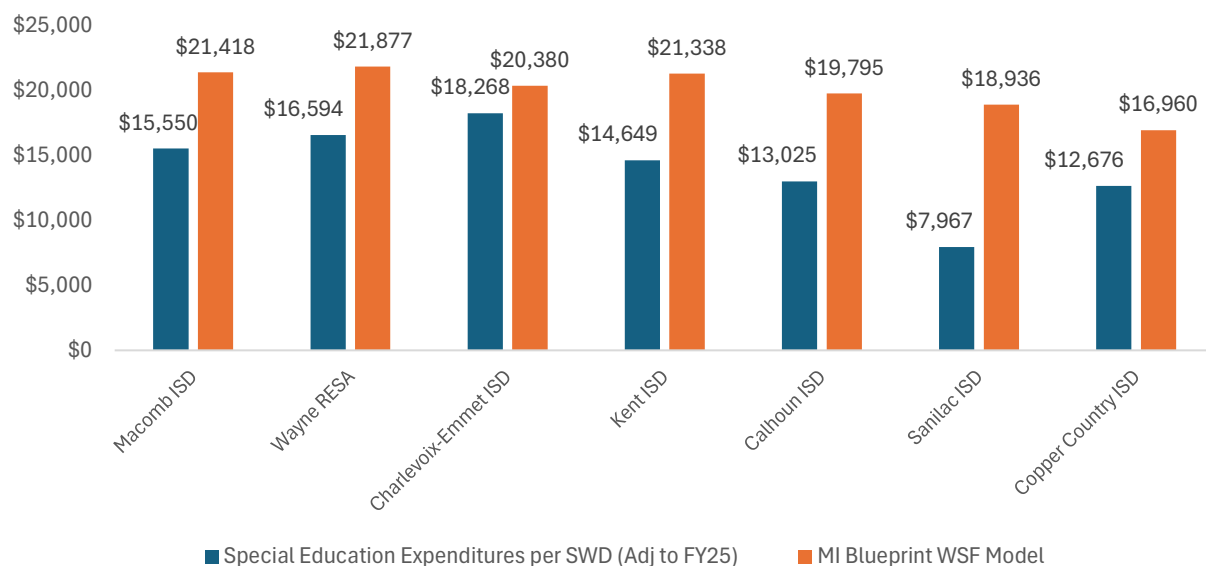


Exhibit 22 illustrates how the MI Blueprint WSF Model affects funding in seven districts. Spending under Michigan’s current finance system, represented by the blue bars, ties funding to a district’s local wealth. In contrast, the new MI Blueprint WSF Model would base funding on student need. This approach would make funding amounts more consistent across different districts. By aligning resources with evidence-based cost estimates for educating students with disabilities, the model ensures that districts receive the necessary funding to provide appropriate services, regardless of their local wealth.

EXHIBIT 22. Select ISDs: Comparing Spending Under Current Funding Structure to the Formula Amounts Generated by the MI Blueprint WSF Model



Source: Michigan Department of Education, *State Aid Status Reports (2024)*,
 Note: 2024 spending data are based on the State Aid Financial Status Reports. The amounts are adjusted for inflation to FY25 levels. The figures include special education operation costs but not specialized transportation.

“For once, districts that are lower in property wealth but serving higher-need students wouldn’t be punished by the funding system. Finally, funding would reflect student needs, not community wealth. That’s the fairness we’ve been fighting for.”

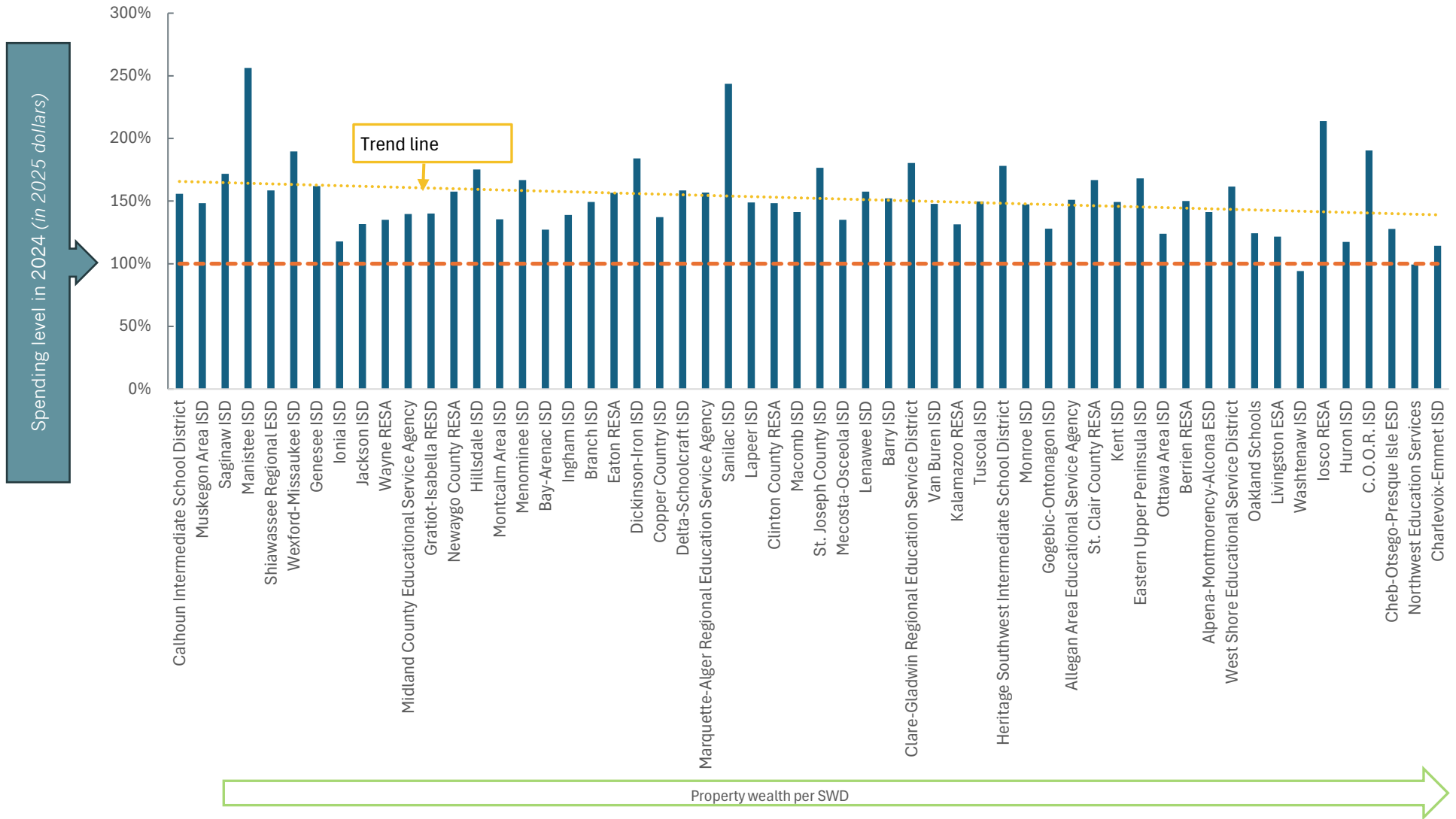
—Matt Gillard, President and CEO at Michigan’s Children

Compared with the current system, the MI Blueprint WSF Model generates per pupil formula amounts that exceed 2024 spending levels across all ISDs except for one.¹⁴⁹ The fact that an ISD spends *more* than the amount generated through the MI Blueprint WSF Model based on student need and rigorous cost estimates suggests that the model produces formula amounts in line with what already occurs in Michigan.. Indeed, this fact makes clear that the MI Blueprint WSF Model, if implemented fully, would bring the level of investment available currently to only a few thousand students in Michigan to the entire state.

In Exhibit 23, each bar represents an ISD, with the orange line indicating 2024 spending levels, organized from left to right by property wealth, with the wealthiest on the far right side. A comparison of the model’s projected per pupil funding shows that 54 of the 56 ISDs would receive a significant funding boost, with nearly half seeing an increase of at least 50 percent. The model is designed to be equitable and not simply to increase funding. As the accompanying trend line shows, lower-wealth ISDs would experience the largest per pupil funding increases under the model. This is a direct result of the MI Blueprint WSF Model’s focus on student needs, ensuring that the districts with the least resources receive the most support to adequately fund special education services.

¹⁴⁹ One additional ISD generates a formula amount that is 99 percent of what it spent in 2024.

EXHIBIT 23. MI Blueprint WSF Model Formula Amounts as a Percentage of FY24 Spending Levels



4. Looking Ahead

Chapter 4 Summary: Key Takeaways

The final chapter presents a comprehensive roadmap to revamp Michigan’s special education finance system, aiming to transition to a student-centered model that resolves chronic underfunding and systemic inequities.

The core of the proposal is the adoption of the **MI Blueprint WSF Model**. Key recommendations for implementation include:

- **Codifying the WSF** to allocate all special education funding based on student need
- **Mandating predictable funding** by implementing an automatic annual inflation adjustment to the FA
- **Establishing an HCF** to cover 80 percent of costs exceeding 1.5 times the highest funding tier, with the fund subject to statutory review after two years
- **Eliminate the current ISD special education millage cap**, a policy that restricts communities from raising necessary revenue and perpetuates funding disparities
- **Develop a fair and sustainable cost-sharing structure** by working with key stakeholders, including educators, ISDs, and parents.
- **Implement the new funding model over six years** to make the required \$1.28 billion in new funding manageable and sustainable
- **Build budget capacity** and provide technical assistance to help ISDs and LEAs use their funding flexibility effectively to meet student needs.
- **Strengthen data systems** and provide technical assistance, enabling better collection and analysis of student-level service and cost data

To finance the MI Blueprint WSF Model, two actions are necessary: the elimination of the ISD millage cap, which contributes to funding inequities, and the establishment of a fair cost-sharing structure. This model is designed to ensure that the State assumes the majority of funding responsibilities, providing increased aid to lower-wealth communities.

In addition to financial considerations, the report urges that legislation consider three additional policy areas: implementing **regional cost adjustments** to account for varying service costs, creating a **separate accountability system** (since the WSF is a funding mechanism, not a performance system), and exploring the **“braiding” of funding** to incorporate needs-based supports for all students with disabilities from birth to age 26 into the new WSF structure.

Why This Matters

These recommendations offer a comprehensive, evidence-based plan to rectify decades of underfunding and inequity in Michigan’s special education system. By adopting the MI Blueprint WSF Model, the State can ensure that resources are distributed based on a **student’s need, not their community’s property wealth**. A commitment to moving forward, grounded in both justice and sound governance, is vital to improving student outcomes and is foundational to delivering on the promise of a high-quality education for every student with a disability.

Recommendations

Michigan’s students with disabilities deserve a special education finance system that centers their needs, ensures full access to the curriculum, meets State of Michigan expectations, and supports them in reaching their full potential, while also equipping educators, schools, and districts with the resources required to implement best practices with fidelity.

“We know the problems, and we know the solutions. Now we need political will. If Michigan is serious about putting our kids first and funding special education the right way, this is the moment to act.”

—Jeff Cobb, Director of Government Affairs at the Education Trust–Midwest

To realize these critical objectives, the MI Blueprint project team recommends that Michigan:

- 1. Adopt the MI Blueprint WSF Model.** The legislature should codify the four-tier, student-centered WSF in the School Aid Budget. All state and local special education funding should be allocated according to the formula amounts generated by the MI Blueprint WSF Model
 - a. Continue current transportation funding.** The current system that reimburses 70.6 percent of eligible transportation costs should be maintained.
 - b. Plan for future reviews.** The legislature should require a statutory review of the MI Blueprint WSF Model four years after implementation. The review should examine financial, enrollment, and performance data, and engage a broad range of stakeholders—including educators, district and ISD leaders, advocates, experts, and parents—to

determine whether adjustments are needed to better meet student needs. Because the MI Blueprint WSF Model establishes a foundational system-wide formula that will require significant data infrastructure, training, and district planning time to operationalize, it will likely require longer to collect data, model fiscal impact, and monitor shifts as implementation progresses.

- c. **Set guidelines for how money is distributed.** The State should develop clear rules, in collaboration with key stakeholders, for detailing how ISDs distribute funds to LEAs, ensuring that the distribution adheres to the student-centered model. ISDs may retain some flexibility to address region-specific needs; however, they should not receive funds based on student need and then allocate in a way that undermines the student-centered principle of the model.
2. **Adjust for inflation.** The FA should automatically increase by 2.35 percent each year to keep up with rising costs.¹⁵⁰ This would put an end to annual discussions regarding changes to the FA and would automatically increase funding for special education and the Opportunity Index each year to keep pace with rising costs.
3. **Establish a high-cost fund.** This fund would provide extra state aid for students who require extremely expensive services.
 - a. **Set a cost threshold.** The fund would be used when a student's costs reach 1.5 times the Tier 4 (maximum) funding amount.
 - b. **Cover 80 percent of costs above the threshold.** The State would cover 80 percent of the costs that exceed the threshold.
 - c. Direct the Michigan Department of Education to **develop a clear and streamlined application process for ISDs and districts** requesting additional state funding for students requiring extraordinarily high-cost services. The State should establish regular application periods every semester.
 - d. **Formally review the fund.** Require a statutory review of the HCF two years after implementation. The review should examine application and approval rates, as well as financial data. A broad range of stakeholders—including educators, district and ISD leaders, advocates, experts, and parents—should take part in the review to assess whether adjustments are needed to better meet student and district needs.
4. **Eliminate the ISD special education millage cap.** The ISD millage cap is an outdated policy that perpetuates inequities by locking local special education funding into tax decisions made in the early 1990s. The levy cap restricts communities from raising the revenue needed to adequately serve students with disabilities. The shortcomings of the levy cap will become more evident with the implementation of the MI Blueprint WSF Model. Removing the cap is an essential step toward establishing a fair and effective cost-sharing structure for funding the MI Blueprint WSF Model.

¹⁵⁰ This matches the inflation assumption used by MPSERS.

5. **Develop a cost-sharing structure.** The legislature should work with key stakeholders to develop a fair and sustainable cost-sharing structure in line with the options presented in this report. Further details about the components of an effective cost-sharing structure are discussed in the next section.
 - a. **Share costs between the state and local communities.** The State should take on the majority of the funding responsibility on a statewide level.
 - b. **Ensure fairness.** The structure should ensure that lower-wealth communities receive higher levels of state aid. The model should balance two goals: advancing equity by reducing reliance on property wealth and preserving local communities' ability to exercise control over special education financing.
6. **Implement the plan gradually.**
 - a. **Use a phased-in approach.** The new funding model should be implemented over a six-year period to make it financially manageable and sustainable.
7. **Build budgeting capacity:** A weighted student funding model affords ISDs and districts far greater flexibility to invest their funds and to conduct strategic resource management. Readiness to effectively maximize this opportunity will likely vary by ISD and district.
 - a. **Provide funding for building budgeting capacity.** To support districts in managing their resources effectively, the legislature should provide a short-term appropriation to the Michigan Department of Education to provide technical assistance to ISDs and LEAs.
8. **Build data capacity.** Moving to a weighted student funding model and a new cost-sharing structure will change both the type of data and the way data are collected by ISDs and LEAs.
 - a. **Provide funding for data improvements.** To support this shift, the legislature should provide a short-term appropriation to the Michigan Department of Education to enhance its data systems, build capacity, and deliver technical assistance to ISDs and LEAs.

Options for Funding the MI Blueprint WSF Model

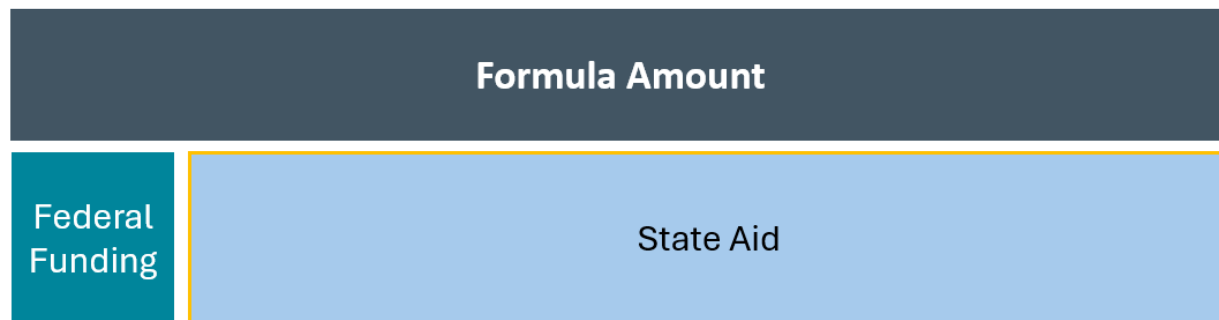
The MI Blueprint Weighted Student Funding Model offers a framework for assessing the funding required to support a designated group of students. A WSF does not specify how the formula amount should be paid or dictate the source of revenue. Instead, states implement cost-sharing structures to allocate funding responsibilities between state and local revenues. These structures, often called state and local share formulas, can be structured to adjust the State's share in relation to local property wealth and fiscal capacity. In Michigan, establishing an effective cost-sharing structure is crucial, as the existing system relies heavily on local revenues, resulting in significant funding disparities among ISDs.

The objective of this project, as outlined in Section 51h of the School Aid Budget, was to create a weighted student funding model for special education. Although designing a cost-sharing structure is not within our scope, we still wish to provide the legislature with options for its development, highlighting key decision points and the associated trade-offs.

Full funding of the MI Blueprint WSF Model will require about \$4 billion in state and local revenue. The sharing of that cost between the two sources depends on various policy choices. The ISD levy cap is a major obstacle to implementing an effective policy and should be removed to allow Michigan to adopt a sensible cost-sharing policy, regardless of the proposed structures mentioned below.

Structure 1: The State Fully Funds the Model

With this approach, the State would take complete responsibility for funding the formula. One advantage of this approach is that it completely removes the influence of local property. Instead, funding is solely determined by the student-centered, needs-based WSF funding formula. Local ISD special education millages would become unnecessary as the State would completely fund the model. Another advantage of this funding structure is the reduction of the significant tax discrepancies between different ISDs.



A major challenge with this model is that the State must find the required revenue sources to fully fund the formula. Options include drawing from other noneducation state revenues, levying a statewide tax as was done under Proposal A, or implementing a combination of both approaches.

Another challenge of this structure is ensuring local communities can raise additional revenue to fund special education beyond their formula amount without reintroducing wealth-based funding inequities. To achieve this balance, policy options include:

- **Limit supplemental revenue.** With voter approval, local communities can raise supplemental special education funding above their formula amount up to a statutorily set limit, such as 10 percent. This approach allows a level of local control of special education funding without permitting funding inequities to balloon.
- **Implement a supplemental revenue backstop.** With voter approval, local communities may raise supplemental special education revenue beyond their formula amount. To promote equity, the State guarantees comparable revenue to districts that do not or cannot raise supplemental funds. The guaranteed yield is tied to the revenue that other districts elect to generate, like matching the statewide average supplemental revenue or providing a fixed percentage of the additional levy amounts. It is important for the legislature to balance equity with fiscal sustainability. Policymakers could limit how much local districts are permitted to raise, cap the size of the state's guarantee, or adopt both approaches to avoid overextending state resources.
- **Develop a recapture policy.** With voter approval, local communities may raise supplemental special education revenue beyond their formula amount. To promote equity, the State would "recapture" a portion of the additional revenues. The recaptured funds are pooled and then redistributed to districts that do not or cannot raise additional special education funding. Although a recapture policy promotes equity by redistributing a portion of supplemental revenues, the legislature must consider the potential disincentives for local effort, administrative complexity, political feasibility, and the stability of funding for lower-wealth districts.

With ISD millages potentially eliminated, the legislature should explore options for designating the taxing authority that would enable communities to raise additional revenue for special education. Similar to general education funding, special education revenue could be raised by LEAs rather than the ISD.

Structure 2: State Sets a Local Share

Under this approach, the State and local communities share the cost of funding the formula amount. However, there are multiple funding streams to ensure compliance with *Durant*:

- Federal funds
- A minimum of 28.6 percent of the formula amount from the state
- Local revenue from ISD millages
- Additional state aid based on local share determinations
- Excess local revenue

Determining the Local Share

The State can decide how much local communities should contribute in one of two ways: setting a specific tax rate or using a formula based on local property wealth.

Setting a Specific Tax Rate

The State can set a specific tax rate (millage) for local communities to contribute. This approach has some complications due to the existing ISD millage caps, which limit local tax rates. The legislature must decide whether the tax rate is an assumption or a requirement.

- **If the rate is an assumption**, the State will calculate additional aid based on that rate, regardless of whether voters of a local district choose to tax at that level. If a local district taxes below the assumed rate, it may not get the full formula amount unless voters approve a higher tax.
- **If the rate is a requirement**, any local district with a millage cap below the required rate will not be able to raise their full share of the formula amount. ISDs that levy at a rate that exceeds the requirement would retain the additional revenues.

ISDs that choose to maintain their millage rates above the State assumed or required rate should be allowed to keep the extra revenues generated. This is likely to lead to increased funding in lower-wealth communities, as they tend to have higher millage rates already. This concept is illustrated in the third example presented in Exhibit 24. In this scenario, a lower-wealth ISD that imposes a millage rate exceeding the state minimum would receive extra state aid calculated from the expected yield of the assumed millage rate, while still retaining the local revenues generated from taxation above the state-mandated rate.

If the ISD levy cap is retained, the State has two options:

- **Set the tax assumption to be the lesser of the specific rate or the cap.** For instance, if the millage rate assumption is 2.5 but an ISD's cap is two, the State would determine additional aid based on the revenue yield from two mills. In districts with lower tax caps, the State assume a bigger share of the cost. This will result in some inequity as state funding will account for a larger share of total revenue in some higher-wealth ISDs with low statutory millage rate limits.
- **Set the tax assumption regardless of the cap.** This underscores the issue with the current millage cap, as certain districts will be unable to legally raise their required contribution. In each case the ISD's formula amount is greater than what it spends on special education now, however these ISDs would not yet meet the recommended MI Blueprint WSF Model amount.

Exhibit 24 below illustrates how this cost-sharing policy would work in different types of ISDs.

EXHIBIT 24. Cost-Sharing Policies Comparison Among Example Districts

Example: Lower-wealth ISD

Formula Amount			
Federal funding	State minimum (28.6%)	Local revenue from minimum millage	Additional state aid

Example: Higher-wealth ISD

Formula Amount			
Federal funding	State minimum (28.6%)	Local revenue from minimum millage	

Example: ISD that levies above the state minimum

Formula Amount				
Federal funding	State minimum (28.6%)	Local revenue from minimum millage	Additional state aid	Excess local rev

Use a Formula Based on Wealth

Alternatively, the State may establish the local share using a formula that incorporates assessments of local property wealth and personal income. For instance, instead of establishing a fixed millage rate, Massachusetts calculates the maximum dollar amount a specific district can reasonably raise. The state then steps in to fill the gap between that local contribution and the district's total funding need. The state's funding is the difference between those two amounts.

The Massachusetts cost-sharing structure has several steps:

- 1. Determine the statewide local contribution of the total K–12 formula amount.** The State's share of the total statewide cost is set at 41 percent and the local share is set at 59 percent.
- 2. The local share is based equally on property wealth and personal income.**
- 3. Based on statewide numbers, the State calculates the percentage necessary to generate half of the local share from property wealth and half from personal income.** Those percentages are applied to LEAs to determine their ability to fund the formula amount; in FY 23 the property percentage was 0.3624 and the income percentage was 1.5242.
- 4. A cap is set for how much any single community can be required to contribute.** In Massachusetts, this cap is 82.5 percent, so even the wealthiest communities don't have to cover the whole cost themselves.

This approach is beneficial because local share is determined by fiscal capacity rather than a flat tax rate. Under this structure, a community's funding responsibilities reflect its ability to pay. This approach would pair a level of tax equity with the need-based WSF funding formula.

Key Decisions

If the legislature chooses to establish a cost-sharing structure by defining the local share—either by setting a millage rate or using a formula—there are further parameters to consider that shape the policy.

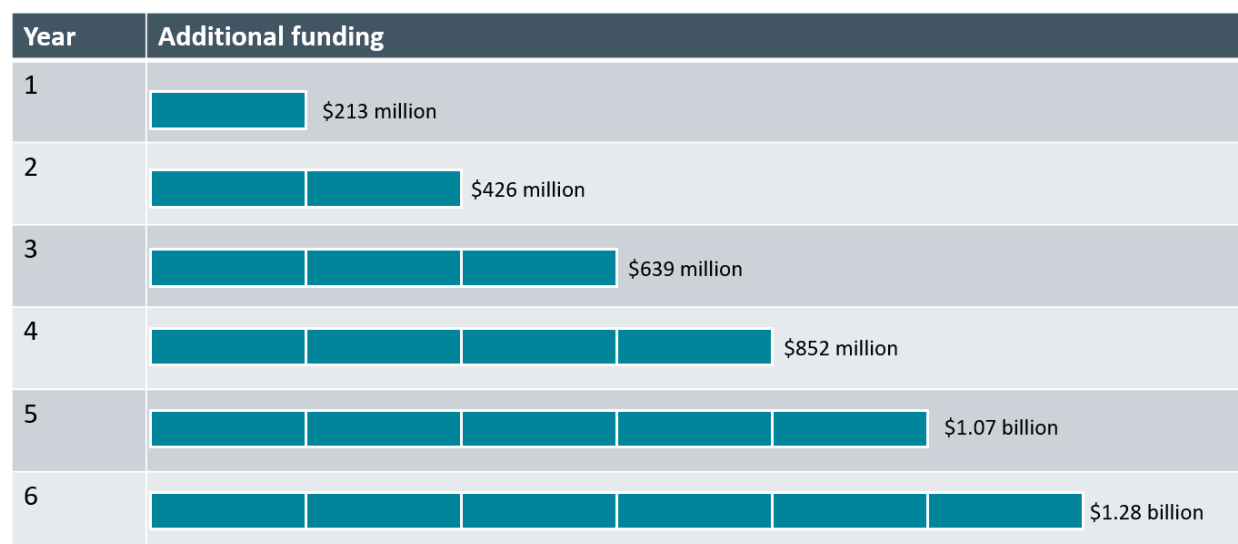
- **Set a statewide share.** The State can determine the percentage of the total funding it will contribute. It is advisable for the state’s contribution to exceed that of the local share to ensure fairness and stability.
- **Set a state share maximum and minimum.** To ensure the state and local communities share in the cost of funding special education, the State can set a minimum and maximum state share. The *Durant* decision establishes a logical baseline for state funding.

Ultimately, these policy decisions work together to determine how the cost of funding the formula amount can be shared fairly and sustainably between state and local governments.

Phasing in the Model

Michigan can of course decide to fully fund the MI Blueprint WSF Model immediately. However, it is likely to be more economically feasible to phase in the model over time. The MI Blueprint proposes a six-year phase-in period. That establishes a reasonable but ambitious time frame to fully implement the MI Blueprint WSF Model. Exhibit 25 below provides an example of how that could be achieved with a relatively modest \$213 million in new funding invested annually.

EXHIBIT 25. Potential Structure to Phase in the Full Cost of the Model



This is a simplified model used as an example. The figures should ideally be larger each year as the FA increases annually with inflation.

Process

The development of a cost-sharing policy for the MI Blueprint WSF Model should involve significant input from stakeholders, including school district and ISD leaders, educators, school finance and tax experts, advocates, and parents. The policy design should carefully balance fairness, long-term sustainability, and other necessary state budget constraints and priorities.

Considerations and Limitations

Additional Legislative Considerations

This study, while comprehensive, is limited to finance and does not address the full range of policies that affect special education and students with disabilities. As Michigan continues to work to improve special education, it should address the following challenges:

Account for regional cost differences.

- **Issue:** The cost of providing services varies across different parts of Michigan. Specifically, the legislature may want to ensure the finance system accounts for educator recruitment and service provision that may present greater logistical challenges in more rural or sparsely populated areas.
- **Recommendation:** To account for those differences, some states integrate a regional adjustment into their funding systems. Michigan should analyze cost variation throughout the state and its impact on the MI Blueprint WSF Model as well as investigate how other states account for regional cost differences.

Create a separate system for accountability.

- **Issue:** A weighted student funding model is not an accountability system. It does not ensure that ISDs and districts use their funds appropriately or effectively to translate resources into student outcomes.
- **Recommendation:** The State should consider developing an accountability structure that is independent of the MI Blueprint WSF Model. For example, see California's Local Control Accountability Plan.

Combine funding for all students with disabilities.

- **Issue:** Currently, several systems support students with disabilities from birth to age 26.¹⁵¹ However, those systems are funded through different structures and disconnected.
- **Recommendation:** The State should explore "braiding" this funding, that is, combining it into one single stream through the new WSF model.
- **Considerations:**
 - **Is it practical?** Currently, birth-to-three, pre-K, and Setting 14 operate independently, each with their own requirements, policies, and procedures. Integrating them into a unified funding stream may create unintentional complications. The State will need to consider carefully whether any guardrails are necessary to protect the integrity of each program.
 - **Are the cost estimates correct?** The cost estimates in the MI Blueprint WSF Model are based on best practices in the K–12 setting. It is uncertain whether these can be

¹⁵¹ Birth-to-three, Pre-K, and Setting 14

applied directly to early childhood education and to youth ages 21 to 26 without modifications. An analysis of program costs should be conducted to determine whether any cost adjustments are necessary to integrate these programs into the MI Blueprint WSF Model.

Limitations

Although this study was conducted through a rigorous and inclusive process, it is important to acknowledge its limitations.

Data availability

- **Limitation:** The model's calculations are based on the total number of students with special education programs (IEPs), not on specific age groups or grades. This is because the available public data does not disaggregate students by age or grade.
- **Impact:** This means the estimates for current spending and revenue and the proposed new funding model are based on overall numbers, not strictly K–12 enrollment, which includes early childhood and youth ages 21 to 26

Current data collection practices

- **Limitation:** The way in which ISDs and LEAs currently track special education costs does not track special education services at the student level.
- **Impact:** The MI Blueprint was unable to analyze a WSF model based on service level as opposed to eligibility categories or set the cost threshold for the high-cost funds based on actual student-level expenditures.

Complex financial data

- **Limitation:** Michigan's financial reports and finance data system are complex, making it difficult to clearly separate revenue from different sources (federal, state, and local).
- **Impact:** While the study's methods are explained in detail, a different analysis might calculate these revenues differently.

Drawing on data from another state

- **Limitation:** This study was also limited to the cost estimates derived from a study conducted in Ohio. Additionally, the cost estimates from AIR's study are based on implementing best practices in K–12.
- **Impact:** While our model adjusted for cost differences between Ohio and Michigan, the study nevertheless is based on a neighboring state rather than Michigan. Our cost estimates for the proposed MI Blueprint WSF Model—due to the data limitations described above—are applied to all children and youth with an IEP, including those outside of the traditional K–12 structure. Despite these limitations, AIR's study provides the most recent and most rigorous estimates on the cost of implementing best practices by student eligibility category.

A Final Word from the Project Team

This MI Blueprint is not just another report. It is a Michigan-made solution, built with the input of educators, families, administrators, and advocates across the state. It reflects the realities of our classrooms, the expertise of those who know the system best, and the values we share as a state: fairness, opportunity, and responsibility. That shared authorship gives this proposal both legitimacy and strength.

“This plan wasn’t written in a back room. It was built together, tested together, and shaped by people who live this reality daily. That’s what makes it strong and that’s why lawmakers can have confidence acting on it.”

—Heather Eckner, Director of Statewide Education for the Autism Alliance of Michigan

At the same time, uncertainty at the federal level has underscored the urgency of state action. As national priorities shift, Michigan cannot wait for others to ensure that students with disabilities receive the services and support they are entitled to. Our state must lead, and that starts with building a stronger, fairer system that protects opportunity and upholds the promise of public education for every child.

The next step is straightforward: adopt a funding formula that reflects student need, not zip code, and give schools the tools they require to deliver on the promise of public education. Reforming special education finance is both the right thing to do and the smart thing to do. It is a matter of justice for students and a matter of sound governance for Michigan’s future.

Smarter funding. Stronger schools. A better future—for every Michigan student.

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Dr. Scott M. Koenigsknecht, Superintendent

Clinton County Regional Educational Service Agency

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Appendix A: Legislative Authorization for Sec. 51h, H.B. 5507 (P.A. 120 of 2024)

Sec. 51h. (1) From the general fund money appropriated in section 11, there is allocated for 2024-2025 only \$500,000.00 to Clinton County RESA to partner with an independent entity that has extensive experience in school finance, including the Opportunity Index, to conduct research, interviews, data collection, analysis, and financial modeling to develop an implementation framework that outlines the cost of fully providing special education services and supports to students with disabilities through the application of an equity-driven model.

(2) The study described in subsection (1) must include key areas of school finance related to the education costs of students with disabilities. The study must provide objective guidance to the legislature regarding both of the following:

(a) Modeling analysis of a weighted funding formula related to students with disabilities to determine accurate cost estimates to fully fund special education according to consensus-built weighted multipliers.

(b) Policy and implementation recommendations based on an equitable framework that considers the intersection with the Opportunity Index and that will improve how this state funds students with disabilities.

(3) Within 30 days after the completion of the study, the independent entity shall issue a report with its findings to the department, the house and senate fiscal agencies, the state budget director, the senate appropriations subcommittee on pre-K to 12, the house appropriations subcommittee on school aid and education, and the house and senate standing committees responsible for education legislation.

(4) Within 60 days after the completion of the study, the independent entity shall make its findings available on a publicly available website.

(5) Notwithstanding section 17b, the department shall make payments under this section on a schedule determined by the department

Appendix B: Technical and Planning Committee Meetings Overview

February 10, 2025, Planning Group Meeting

Attendees:

- Blueprint Project Team: Max Marchitello, Heather Eckner, Alayna Ohneck, Sarah Himes Greer
- John Andrejack—Financial Manager, Office of Special Education, Michigan Department of Education
- David Arsen—Emeritus Professor of Education Policy, Michigan State University
- Abby Cypher—Executive Director, Michigan Association of Administrators for Special Education
- Jen DeNeal—Director of Policy and Research, The Education Trust–Midwest¹⁵²
- Arlyssa Heard—Deputy Director, 482 Forward, Michigan Education Justice Coalition
- Diane Heinzelman—Member, Education committee, AAoM Board
- Scott Koenigsknecht—Superintendent, Clinton County RESA
- Alexandra Stan—Education Policy Analyst, Michigan League for Public Policy
- Peri Stone-Palmquist—Executive Director, Student Advocacy Center
- Craig Thiel—Research Director, Citizens Research Council
- Punita Dani Thurman—Vice President of Strategy, Skillman Foundation¹⁵³

Topics:

- Project background and initiation
- Current special education funding approach
- Project timeline, premise, and approach
- Facilitated meeting expectations
- Reflective discussion
 - Local levy cap
 - Survey topics and distribution
 - Weighted student model
 - Collaboration with ongoing efforts and initiatives
 - Stakeholder input
 - State and local share

¹⁵² No longer in this position at time of publication

¹⁵³ No longer in this position at time of publication

May 6, 2025, Technical Advisory Group Meeting

Attendees:

- Blueprint Project Team: Max Marchitello, Heather Eckner
- David Arsen—Emeritus Professor of Education Policy, Michigan State University
- Craig Thiel—Research Director, Citizens Research Council
- Scott Koenigsknecht—Superintendent, Clinton County RESA
- Tanner Delpier—Labor Economist, Michigan Education Association

Topics:

- Review methodology to analyze Michigan's current funding system
- Analysis of Michigan's current funding system
- Introduction to AIR's special education cost study

May 21, 2025, Technical Advisory Group Meeting

Attendees:

- Blueprint Project Team: Max Marchitello, Heather Eckner
- David Arsen—Emeritus Professor of Education Policy, Michigan State University
- Craig Thiel—Research Director, Citizens Research Council
- Scott Koenigsknecht—Superintendent, Clinton County RESA
- Tanner Delpier—Labor Economist, Michigan Education Association

Topics:

- Weighted student funding structures
- Research and special education cost estimates
- Preparation for June large stakeholder convening
- Preliminary discussions about high-cost funds

June 12, 2025, Technical Advisory Group Meeting

Attendees:

- Blueprint Project Team: Max Marchitello, Heather Eckner, Sarah Himes Greer
- Scott Koenigsknecht—Superintendent, Clinton County RESA
- Venessa Keesler—President and Chief Executive Officer, Launch Michigan
- Peri Stone-Palmquist—Executive Director, Student Advocacy Center
- Jeff Cobb—Director of Government Affairs, The Education Trust–Midwest
- Alexandra Stamm—Education Policy Analyst, Michigan League for Public Policy
- David Arsen—Emeritus Professor of Education Policy, Michigan State University
- Tanner Delpier—Labor Economist, Michigan Education Association
- Arlyssa Heard—Deputy Director, 482 Forward, Michigan Education Justice Coalition

Topics:

- Debrief from June 4, 2025, Blueprint facilitated meeting
- Determining the foundation allowable as the basis for calculating the weights for students with disabilities
- Basing the weight on the FA as recommended by the School Finance Research Collaborative report to align with the rest of the SFRC recommendations
- Considering good educational outcomes as connected to increased funding levels
- Discussing the approach that a coalition for adequately funded public education will be broader than a coalition focused on special education funding

June 24, 2025, Technical Advisory Group Meeting**Attendees:**

- Blueprint Project Team: Max Marchitello, Heather Eckner
- David Arsen—Emeritus Professor of Education Policy, Michigan State University
- Scott Koenigsknecht—Superintendent, Clinton County RESA
- Tanner Delpier—Labor Economist, Michigan Education Association

Topics:

- Comparing Ohio and Michigan
- Discussion and analysis of multiple proposed WSF models
- Preliminary discussions and analysis of a high-cost fund
- Discuss state and local share funding structures

July 10, 2025 Data Discussion**Attendees:**

- Blueprint Project Team: Max Marchitello, Heather Eckner, Sarah Himes Greer
- Scott Koenigsknecht—Superintendent, Clinton County RESA
- Chris Frank—Assistant Superintendent/Business Officer, Macomb ISD
- John Severson—Executive Director, Michigan Association of Intermediate School Administrators
- Naomi Norman—Superintendent, Washtenaw ISD
- Rachel Fuerer—Director of Special Education, Eastern UP ISD/MAISA
- Paul Bodiya—Recently retired, Macomb ISD

Topics:

- Accountability to avoid overidentification
- Limitations to current MI data system
- Teacher retirement costs
- Using a head count versus an FTE approach for service numbers
- State and local share

July 16, 2025, Technical Advisory Group Meeting

Attendees:

- Blueprint Project Team: Max Marchitello, Heather Eckner
- David Arsen—Emeritus Professor of Education Policy, Michigan State University
- Craig Thiel—Research Director, Citizens Research Council
- Scott Koenigsknecht—Superintendent, Clinton County RESA
- Tanner Delpier—Labor Economist, Michigan Education Association

Topics:

- Refining and improving preferred WSF model
- Identifying choices and trade-offs for state and local share funding decisions
- Considering MPSERS UAAL

August 1, 2025, Data Discussion

Attendees:

- Blueprint Project Team: Heather Eckner, Sarah Himes Greer,
- Scott Koenigsknecht—Superintendent, Clinton County RESA
- Chris Frank—Assistant Superintendent/Business Officer, Macomb ISD
- John Severson—Executive Director, MAISA
- Naomi Norman—Superintendent, Washtenaw ISD

Topics:

- Approaching the legislature to fund the project
- High-cost fund discussion
- Managing schools of choice with funding approach
- Discussion regarding a webinar for ISD Superintendent with an overview of the project, encourage collaboration, offer examples of how a high-cost fund would impact their ISDs

August 27, 2025, Technical Advisory Group Meeting

Attendees:

- Blueprint Project Team: Max Marchitello, Heather Eckner
- David Arsen—Emeritus Professor of Education Policy, Michigan State University
- Craig Thiel—Research Director, Citizens Research Council
- Scott Koenigsknecht—Superintendent, Clinton County RESA
- Tanner Delpier—Labor Economist, Michigan Education Association

Topics:

- Finalizing the MI Blueprint WSF Model and high-cost fund
- Finalizing state and local share choices and trade-offs

Appendix C: Facilitated Stakeholder Meeting Materials

The following appendix contains the meeting materials for all four facilitated stakeholder sessions, including agendas for all four sessions, interim findings summaries, and a cumulative attendee list for the sessions.

Agenda: MI Blueprint April 9 Facilitated Meeting

Wednesday, April 9, 2025 | 2:30–4:00 p.m.

The Big Room (Lower Level)
Public Sector Consultants
230 N. Washington Square
Lansing, MI 48933

Time	Agenda Item
2:30 p.m.	Welcome and Introductions • Introduce concept of principled struggle • Review agenda • Introduce meeting goals: • Bring key stakeholders together in a shared space to engage in the process to envision a new future • Align on the opportunity this work presents • Build commitment to bring about the best funding model to serve Michigan’s children • Facilitate attendee introductions
2:55 p.m.	Meeting Norms • Participant agreements • Topic acknowledgments • Parking lot ideas

Time	Agenda Item
3:00 p.m.	Project Background • Introduce project goal • Review project phases and timeline • Stakeholder feedback • Finance analysis • Report to legislature
3:10 p.m.	Discussion Activity Envision the Future • Focus question: What does a successful special education funding approach look like?
3:20 p.m.	Discussion Activity Current Reality • Focus questions: • What are the strengths and weaknesses of our current special education funding system? • What threats and opportunities do we have to be mindful of in planning for the future?
3:55 p.m.	Wrap Up and Next Steps • Follow-up email with today's meeting materials • Next meeting on Wednesday, June 4, 2:00–5:00 p.m. • Continuing analysis of survey findings, SWOT findings, and other state model research

Agenda: MI Blueprint June 4 Facilitated Meeting

Wednesday, June 4, 2025 | 2:00–5:00 p.m.

The Big Room (Lower Level)
Public Sector Consultants
230 N. Washington Square
Lansing, MI 48933

Time	Agenda Item
2:00 p.m.	Welcome and Introductions • Revisit concept of principled struggle • Review agenda • Introduce meeting goals: • Review and react to the problem statements • Learn about and reflect on other state models • Review meeting norms and project progress
2:10 p.m.	Discussion Activity Thematic Problem Statements • Focus questions: • How well does this problem statement represent your experience? • What part, if any, of this problem statement challenges you? • What changes or additions would you make to this problem statement to be more reflective of the issues?
3:00 p.m.	Break
3:05 p.m.	Presentation Leading Ideas in Special Education Finance Reform • Explore weighted student funding
3:50 p.m.	Discussion Activity Responding to Research • Focus questions: • What stands out to you about this research? • How might this approach respond to the problem statements we've discussed? • Based on the problem statements and research presented, what approach might you propose?

Time	Agenda Item
4:55 p.m.	Wrap Up and Next Steps • Follow-up email with today’s meeting materials • Next meeting on Tuesday, July 22, 2:00–5:00 p.m. • Problem statement feedback: Adding precision and clarity to the understanding of the issues to ensure responsive solutions • Research responses: Fueling the considerations around recommendations and implementation

Agenda: MI Blueprint July 22 Facilitated Meeting

Tuesday, July 22, 2025 | 2:00–5:00 p.m.

The Big Room (Lower Level)
Public Sector Consultants
230 N. Washington Square
Lansing, MI 48933

Time	Agenda Item
2:00 p.m.	Welcome and Introductions • Revisit concept of principled struggle • Review agenda • Introduce meeting goals: • Review the draft MI Blueprint WSF Model • Discuss implementation considerations • Review meeting norms and project progress
2:10 p.m.	Presentation Exploring Weighted Student Funding for Special Education in Michigan • Review Michigan’s special education finance challenges • Connect data to the problem statements • Preview the proposed MI Blueprint WSF Model • Review funding considerations
3:10 p.m.	Discussion Activity Data Reflection • Focus questions: • What elements of what we just heard make a compelling case for structured finance reform? • What additional analysis would help bolster the case for why urgent reform is needed? • What questions do you still have?
3:30 p.m.	Break
3:40 p.m.	Discussion Activity Key Considerations for Implementing a Michigan Model • Focus question: What are the most important considerations to keep the model accountable to the core values and principles?

Time	Agenda Item
4:55 p.m.	Wrap Up and Next Steps • Follow-up email with today’s meeting materials • Next meeting on Thursday, September 11, 9:00 a.m.–12:00 p.m. • Employ considerations to refine the model and begin the report • Continue technical, research, and modeling discussions • Reflect and share the draft MI Blueprint WSF Model and report

Agenda: MI Blueprint September 11 Facilitated Meeting

Thursday, September 11, 2025

Agenda Item

Welcome and Purpose

- Welcome, framing, and acknowledging the collective labor of the project.
- Review agenda

What We Built: Deep Dive Into the Model

- Review the projects' purpose: To replace a broken system that falls short of what students deserve with a chance to do something truly different.
- Overview core problems and five key perspectives of the model
- Contributions of the planning committee
- Overview the weighted student formula and highlight the key features: student-centers, needs-based, predictable, flexible, and transparent
- Explain four tier components, cost estimates, distribution and weights
- Outline financial investment, policy options for cost sharing, and ISD levy cap barrier
- Reiterate the purpose of the work, noting ISD funding gaps and how it will impact families

5 Minute Break

Our Moment to Lead: Looking Outward

- Provide national perspective: detail similar shifts to weighted, student-based funding in states like TN, MS, and TX
- Identify common drivers for change: need for investment, growing SWD population, and uncertainty over federal funding
- Assert that Michigan is leading by making special education finance the central focus of reform

Finishing Strong: What We Need to Finish this Work

- Moving from technical design to collective momentum and implementation
- Reiterate timeline: Final refinements in September and Legislative report delivery on October 30th
- Collect group feedback on alignment and final messaging for legislators
- Introduce Ambassador Toolkit

Interim Findings: MI Blueprint April 9 Facilitated Meeting

Initial SWOT Themes

On April 9, 2025, the Michigan Blueprint for Special Education Finance Reform (MI Blueprint) hosted a stakeholder engagement session for attendees to learn more about the MI Blueprint project, meet other stakeholders, and participate in a facilitated activity to discuss the strengths, weaknesses, opportunities for improvement, and threats to the current Michigan special education finance system (a SWOT analysis). Sixty stakeholders attended the meeting, either in person or online.

The themes included in these results are the initial findings documented during the meeting. The project anticipates, and has asked for, additional feedback from participants on the same questions discussed in the meeting via the post-event survey. At the survey's completion, all feedback will be reviewed in the same manner to identify any additional themes which the stakeholders identified.

Key:

- **Main theme phrases** are listed in bold sub-headers for each quadrant discussed (e.g., strengths, weaknesses, opportunities, threats). These are the main categories which the personal statements presented when analyzed.
- **Sum-up statements** are included below the theme phrase, with yellow bullet points to offer additional context.
- **Personal statements** captured during the meeting are documented in quotation marks and black bullet points. Statements with an asterisk were noted more than one time.

Strengths

Student-Centered Commitment

The system is anchored by dedicated, student-centered professionals, which is essential for driving meaningful change and maintaining focus on student outcomes.

Improved Funding

The system has achieved **major progress** in funding.

Strengthened Advocacy and Legislative Engagement

Advocacy has become:

- More aligned, strategic, and inclusive, helping build a stronger collective voice
- More visible and active in the legislative space, increasing influence and awareness of special education issues

Enhanced Collaboration

There's a notable rise in collaboration among key stakeholders, which is tied directly to measurable outcomes and a shared sense of accountability, enhancing system effectiveness.

Transparency and Knowledge Sharing

The Michigan Department of Education finance team's openness in sharing financial insights boosts transparency, trust, and informed decision-making across districts and partners.

Weaknesses

Inadequate and Inequitable Funding

There's a widespread concern that **special education funding is insufficient**, both federally and at state and local levels. Local funding is **unequally distributed**, depending on **property wealth or capped levies**, reinforcing geographic inequities.

- Programs and services, including Early On and high-cost services, are underfunded.
- The reimbursement model causes financial strain, especially when districts must pay upfront.

Burdensome Financial Structures and Reimbursement Challenges

Cost structures and reimbursement policies are complex:

- High service-cost students can overwhelm a district's budget.
- Transportation costs and special education reimbursement levels are insufficient.
- Financial structures and requirements restrict flexibility.

Staffing Capacity and Data Limitations

Schools lack the **staffing capacity to collect necessary student data**, which in turn weakens funding justification and service planning.

- Retention is low due to inadequate pay and high expectations, compounding this issue.

Policy and Governance

- Federal instability and unfulfilled commitments from the U.S. Department of Education cause confusion and inaction.
- Tension between statewide efforts and local autonomy creates inconsistency in service provision.

Service Delivery Challenges

Some services are **expensive to provide at a small scale**, which limits their availability in less populated or rural areas.

- Cost structures vary significantly by region, and one-size-fits-all solutions don't work.

Opportunities

Policy Alignment and Systemic Accountability

There is an opportunity to **create a more unified education system** by:

- Aligning policy and funding across local, state, and federal levels to reduce internal competition and conflicting priorities

- Promoting mutual accountability among the state, ISDs, and local districts, ensuring all parts of the system work toward shared goals
- Redefining services for children from birth to age 3 by expanding access and support during a critical developmental window
- Broadening eligibility for reimbursement, potentially increasing funding for early intervention and special education services

Funding Reform and Resource Optimization

There is potential to **redefine how money flows** through the system by:

- Finding flexibility to meet different student needs
- Investing in high-quality teachers and evidence-based practices
- Framing education as a return on investment
- Studying and replicating successful models from other states

Inclusion and Equity in Early Learning

Building upon **Pre-K for All** offers the chance to prioritize **inclusion of students with disabilities** from early learning stages and to customize services based on the **individual needs** of children.

Innovation in Service Delivery

More **flexible funding** could help schools **innovate service delivery** methods for students with disabilities.

Public Engagement and Advocacy Messaging

There is an opportunity to **educate the public and policymakers**:

- Improve storytelling about the realities of special education finance.
- Emphasize that everyone is impacted—not just students with disabilities.
- There is growing political will and momentum for change.

Threats

Fragmentation and Lack of Unified Advocacy

Without **coordinated messaging** and **shared priorities**, the risks include:

- Losing momentum in legislative advocacy
- Becoming ineffective as a coalition with too many competing interests
- Creating unnecessary internal competition for limited funds

Economic Uncertainty and Fiscal Scarcity Mindset

There is strong concern about **economic instability** and a **scarcity-driven mindset**:

- People may be hesitant to reallocate existing education funds to cover new special education needs because they don't want other services to be affected.
- A decline in tax revenue and recession worries make it difficult to advocate for new investments.

- Shifting current costs without expanding the funding pool causes tension and stifles innovation.

Political Climate and Resistance to Change

Threats include:

- Protection of the status quo, making reforms difficult
- A national anti-DEI trend that could reduce inclusivity efforts
- Potential policy shifts toward vouchers, which may divert resources from public education
- Resistance to new models of service delivery

Distrust and Public Perception

There's a general **lack of trust and understanding**:

- Skepticism about state spending and fear of waste
- Difficulty demonstrating how more funding will translate into better outcomes, which undermines support

Capacity, Workforce, and Time Constraints

Systemic threats also include:

- A decline in the teaching workforce affects program quality and stability
- Lack of time and bandwidth to engage in long-term reform planning
- Not enough focus on data-driven decisions, which weakens credibility and reform momentum

Interim Findings: MI Blueprint June 4 Facilitated Meeting

Problem Statement Activity Summary

On June 4, 2025, the Michigan Blueprint for Special Education Finance Reform (MI Blueprint) hosted a stakeholder engagement session for attendees to participate in a facilitated activity to discuss problem statements about the current Michigan special education finance system. Fifty-two stakeholders attended the meeting, either in person or online. The themes included in these results are the initial findings documented during the meeting.

Problem Statement 1

Overall levels of special education funding in Michigan have not kept pace with the latest research on what it costs to provide the services necessary for students to access the curriculum and meet state expectations.

Discussion Themes

- Funding for special education is not adequate to meet student needs
- Individualized student needs are being missed and oversimplified
- There needs to be a greater focus on research and best practices
- Meeting student needs should be prioritized over funding concerns

Suggested Changes

- Remove: “Does not keep pace” almost suggests at one point it was adequate – and that is not the case, almost seems misleading
- Add/consider: Districts/schools are not consistently setting high enough expectations/goals for students with disabilities
- Add/consider: Reverse focus to start with emphasis in increasing/growing knowledge base
- Add/consider: Naming the impact on the general education fund at the district level
- Add/consider: “...for students **to participate fully**, access the curriculum, and meet state expectations...”
- Add/consider: Better define what “meeting state expectations” means

Original Problem Statement 1

Overall levels of special education funding in Michigan have not kept pace with the latest research on what it costs to provide the services necessary for students to access the curriculum and meet state expectations.

Suggested Problem Statement 1 Adjusted

The latest research on what it costs to provide the services necessary for students to participate fully, access the curriculum, and meet state expectations highlights that the overall level of special education funding in Michigan is insufficient.

Problem Statement 2

Michigan's system is structurally out of step with the best practices other states have found to ensure predictable and equitable special education funding. Michigan's partial reimbursement system is complex, administratively burdensome, and insufficiently transparent. It can incentivize spending on services and interventions that are more easily reimbursable. Moreover, Michigan funds special education based on students' time receiving services rather than a measure of student need.

Themes

- A reimbursement model is predictable and can make it easier to identify reimbursable interventions
- Reimbursement poses several challenges
- There was disagreement over the system's degree of transparency
 - The current system is not transparent and is difficult to understand
 - The system is somewhat transparent in certain areas
- Administrative burden is significant and may not be fully addressed through a different model

Suggested Changes

- Move: Make last sentence of the problem statement the first sentence
- Add/consider: To what degree is parent voice and satisfaction considered? What about parent engagement?
- Add/consider: How are we equipping parents to advocate for and support their children?
- Remove: "It can incentivize spending on services and interventions that are more easily reimbursable"
- Remove: "Lack of transparency" (unless it can be clarified)

Original Problem Statement 2

Michigan's system is structurally out of step with the best practices other states have found to ensure predictable and equitable special education funding. Michigan's partial reimbursement system is complex, administratively burdensome, and insufficiently transparent. It can incentivize spending on services and interventions that are more easily reimbursable. Moreover, Michigan funds special education based on students' time receiving services rather than a measure of student need.

Suggested Problem Statement 2 Adjusted

Michigan's current special education funding structure is based on students' time receiving services rather than a measure of student need and is out of step with best practices other states have found to ensure predictable and equitable special education funding. Michigan's partial reimbursement system is complex and administratively burdensome.

Problem Statement 3

Disparities in local wealth lead to inequitable special education funding per student. Indeed, many districts do not have sufficient special education revenue, leading them to draw down their general funds to cover special education costs.

Themes

- Property tax- and millage-based funding results in student needs being met inequitably
- Drawing on general education funds to support special education poses issues
- Any funding system updates should maintain/restate the focus on special education students succeeding

Suggested Changes

- Add/consider: “Directly impacts the quantity and quality of the services students receive”
- Add/consider: “Districts’ zip code(s) matter”

Original Problem Statement 3

Disparities in local wealth lead to inequitable special education funding per student. Indeed, many districts do not have sufficient special education revenue, leading them to draw down their general funds to cover special education costs.

Suggested Problem Statement 3 Adjusted

Disparities in local wealth lead to inequitable special education funding per student—the difference in districts’ zip codes directly impacts the quantity and quality of the services students receive. Indeed, many districts do not have sufficient special education revenue, leading them to draw down their general funds to cover special education costs.

Interim Findings: MI Blueprint July 22 Facilitated Meeting

Key Considerations Discussion

On July 22, 2025, the Michigan Blueprint for Special Education Finance Reform (MI Blueprint) hosted a stakeholder engagement session for attendees to participate in a facilitated activity to review the draft Michigan model for weighted student funding, connect supporting data to problem statements, and discuss key implementation considerations. The themes included in these results are the initial findings documented during the meeting

Focus Question

- What are the most important considerations to keep the model accountable to the core values and principles?

Discussion Themes by Core Values and Principles

Equity and Fairness

- Establish a clear and **consistent definition of equity and fairness** that ensures funding for all children's education, not solely special education, to fully address the issue of encroachment.
- Define a **reliable and balanced financial structure** by maintaining the special education millage, establishing a floor rate for millages, and ensuring the model replacing reimbursement is equally dependable.
- Clearly define the **fair distribution between state and locals**, emphasizing that the state must contribute in areas where local revenue cannot be raised.
- Ensure funding weights and distribution are **applied consistently across all ISDs** and are not determined by a district's current foundational amount.

Shared Responsibility and Sustainability

- Establish **shared accountability and sustainability** by creating a **balanced cost-sharing model** between state and local districts, with clear metrics, peer learning, and legislative safeguards to ensure consistency and fairness.
- Use **data-driven monitoring** and **feedback loops** with credible third-party analysis to guide decisions, track outcomes, and refine funding models over time.
- Promote **stability and collaboration** by maintaining ISD cohesion through shared goals, **sustainable funding weights**, and a **standing state line item** to support districts unable to raise local millages.

Predictability and Stability

- Move toward a **state-level, formula-based funding model** that ensures **consistent, predictable support** while reducing reliance on unsustainable local sources and maintaining transparency.
- Build a **sustainable and equipped workforce** by supporting staff capacity, facilities, and morale to ensure long-term stability in service delivery.
- Strengthen **coordination and communication** among ISDs, LEAs, and stakeholders; use student and budget data to promote informed decision-making, stability, and accountability.

- Secure **legislative buy-in and long-term commitment** by enshrining the model in state law, linking funding to outcomes, and establishing an ongoing process to **review, monitor, audit, and recommit**.

Transparency and Simplicity

- Prioritize **transparent communication and public awareness** through a phased-in approach to explain the model's implementation stages, progress, and fundamental mechanics to policymakers, advocates, and the public.
- Increase **accessibility and understanding** of the funding formula by utilizing public dashboards and other quantitative indicators so that parents, teachers, and voters can easily comprehend how the system works.
- Ensure **implementation fidelity** by identifying and sharing research-backed best practices to inform the process and guide schools, parents, and districts in the proper execution of the new model.

Responsiveness to Local Context

- Prioritize **public education and outreach** to voters and the general public, explaining the rationale and necessity for updating the funding model, especially given the challenging legislative environment.
- Introduce structural and data **flexibility** by assessing local conditions through millages rather than rigid line items, while ensuring the new model can accommodate multiple eligibility pathways and fit within the existing state system (like MARSE).

Attendee List: MI Blueprint Facilitated Meetings

- 482 Forward | Arlyssa Heard
- 482 Forward | Molly Sweeney
- AECOM | Michael Griffie
- Autism Alliance of Michigan | Colleen Allen
- Autism Alliance of Michigan | Diane Heinzelman
- Autism Alliance of Michigan | Dave Meador
- Ballmer Group | Rinia Shelby-Crooms
- Black Family Development Inc. | Alice Thompson
- Citizens Research Council | Craig Thiel
- Clinton County RESA | Christy Callahan
- Clinton County RESA | Scott Koenigsknecht
- Council of Michigan Foundations | Kyle Caldwell
- Detroit Academy of Arts and Sciences | Megan Forster
- Detroit Disability Power | Kaci Pellar
- Detroit Parent Network | Angela Hood
- Detroit Parent Network | Jametta Lilly
- Detroit Parent Network | Anthony Young
- Detroit Public Schools Community District | Lohren Carter Nzoma
- Detroit Public Schools Community District | Jeremy Vidito
- Disability Network Michigan (DNM) | Alex Gossage
- Education Trust-Midwest | Jeff Cobb
- Executive Office of the Governor | Meghan Valadr
- Executive Office of the Governor | Emma Young
- Genesee Intermediate School District | Steven Tunnicliff
- Hope Network – Michigan Education Corps (MEC) | Holly Windram
- Ionia Intermediate School District | Cheryl Granzo
- KConnect | Mark Woltman
- Launch Michigan | Venessa Keesler
- Mackinac Center for Public Policy | Molly Macek
- Macomb Intermediate School District | Chris Frank
- Macomb Intermediate School District | Justin Michalak
- Michigan Alliance for Families | Michelle Driscoll
- Michigan Association of Administrators of Special Education (MAASE) | Abby Cypher
- Michigan Association for Public School Academies (MAPSA) | Kerri Barrett
- Michigan Association of Administrators of Special Education (MAASE) | Abby Cypher
- Michigan Association of Intermediate School Administrators (MAISA) | John Severson
- Michigan Association of School Boards (MASB) | Don Wotruba
- Michigan Center for Youth Justice (MCYJ) | Jason Smith
- Michigan Department of Education | Michele Harmala
- Michigan Department of Education | Olivia Ponte

- Michigan Department of Education – Office of Special Education | John Andrejack
- Michigan Department of Education – Office of Special Education | Teri Rink
- Michigan Department of Lifelong Education, Advancement, and Potential (MILEAP) | Mark Kuipers
- Michigan Department of Lifelong Education, Advancement, and Potential (MILEAP) | Sophia Lafayette Lause
- Michigan Department of Lifelong Education, Advancement, and Potential (MILEAP) – Early On | Janet Timbs
- Michigan Education Association (MEA) | Tanner Delpier
- Michigan Education Association (MEA) | Chandra Madaffer
- Michigan Education Justice Coalition (MEJC) | Rachelle Crow-Hercher
- Michigan Education Justice Coalition (MEJC) | Susan Campbell
- Michigan League for Public Policy (MLPP) | Alex Stamm
- Michigan Parent, Advocate and Attorney Coalition (MIPAAC) | Marisa Brizzolara
- Michigan Parent, Advocate and Attorney Coalition (MIPAAC) | Sara Miller
- Michigan Partnership for Equity and Opportunity | Mike Jandernoa
- Michigan School Business Officials | Robert Dwan
- Michigan State Budget Office | Beth Bullion
- Michigan State Budget Office | Alex Holmden
- Michigan State University (MSU) | David Arsen
- Michigan's Children | Heather Bomsta
- Michigan's Children | Lindsay Huddleston
- Montcalm Area Intermediate School District | Kathleen Flynn
- Montcalm Area Intermediate School District | Kim Iverson
- OPTIMISE Michigan | Laurie VanderPloeg
- Jen DeNeal | Skillman Foundation
- Skillman Foundation | Kyra Hudson
- Small Business Association of Michigan (SBAM) | Brian Calley
- Student Advocacy Center | Peri Stone-Palmquist
- Teach Michigan | Cortney Segmen
- Teach Michigan | Jordan Cross
- Teach Michigan | Armen Hratchian
- Teach Michigan | Denina Williams-Goings
- Teach Plus | Ben Locke
- Unaffiliated | Punita Thurman
- Washtenaw Association for Community Advocacy | Kristen Columbus
- Washtenaw Intermediate School District | Cherie Vannatter
- Wayne State University | Amanda Miller

Appendix D: Survey Instrument and Summary

The following appendix includes the survey instrument distributed by the MI Blueprint project team and a survey findings summary.

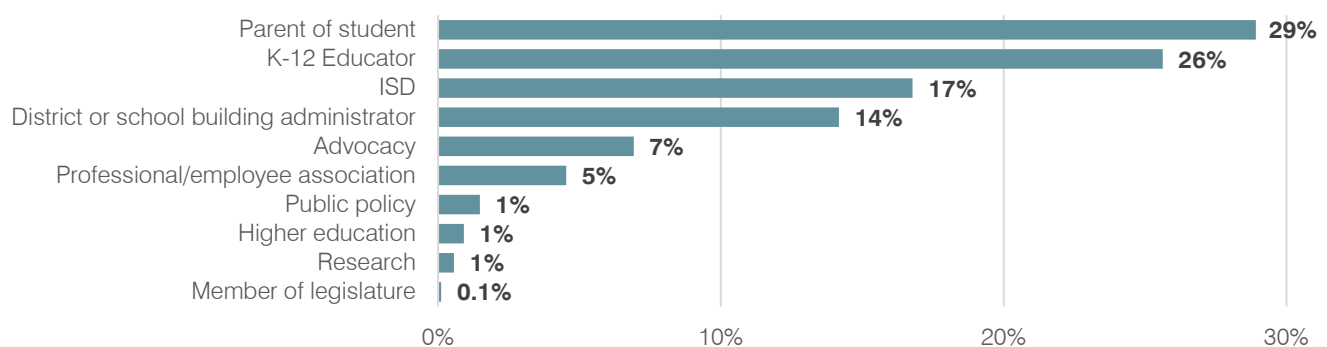
Introduction

The MI Special Education Finance Reform Blueprint aims to ensure that Michigan adequately and equitably funds public education in Michigan. In 2025, the Autism Alliance of Michigan, with the help of Public Sector Consultants (PSC), engaged stakeholders to develop an implementation framework that outlines an equity-driven model to provide services and support for students with disabilities. As part of this work, PSC fielded a stakeholder survey asking them to contribute their insight into the current structure of Michigan's education finance approach. The survey link was shared with stakeholders beginning March 6, 2025, and the survey remained open for response collection until April 14, 2025, receiving 882 responses.

Survey respondents were asked to share their views on what is going well in special education in Michigan and what issues need to be addressed to strengthen special education. They also provided information on what most impacts schools' ability to provide high-quality education and what changes they would like to see made to support special education should more resources become available. Additionally, respondents offered feedback on the cost reimbursement funding formula that the State currently uses to distribute special education funding and the regional property tax levies collected by ISDs. The findings below are organized by question number, with an accompanying exhibit. The main themes exhibited in these open-ended responses are noted per question in the summary below.

1. Please choose the stakeholder role that best applies to you.

EXHIBIT D1. Respondent Stakeholder Roles



N = 882

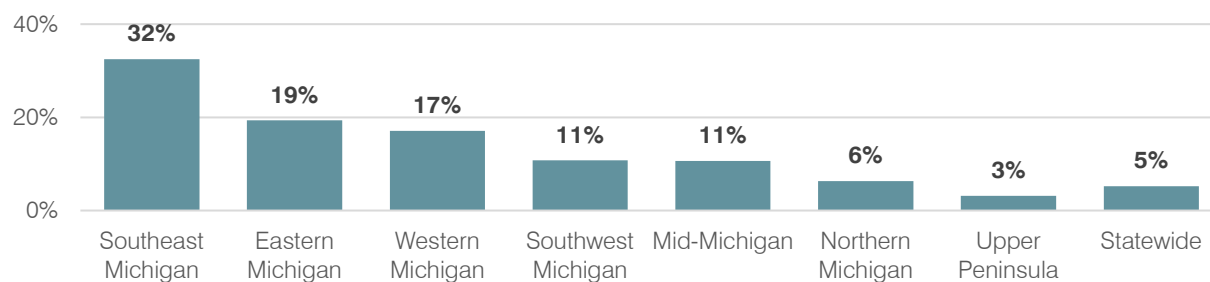
Note: Percentage may not total 100 due to rounding

Source: MI Special Education Finance Reform Blueprint Survey

2. Please select the region in which you focus your work.

Select all that apply.

EXHIBIT D2. Respondent Regions



N = 631

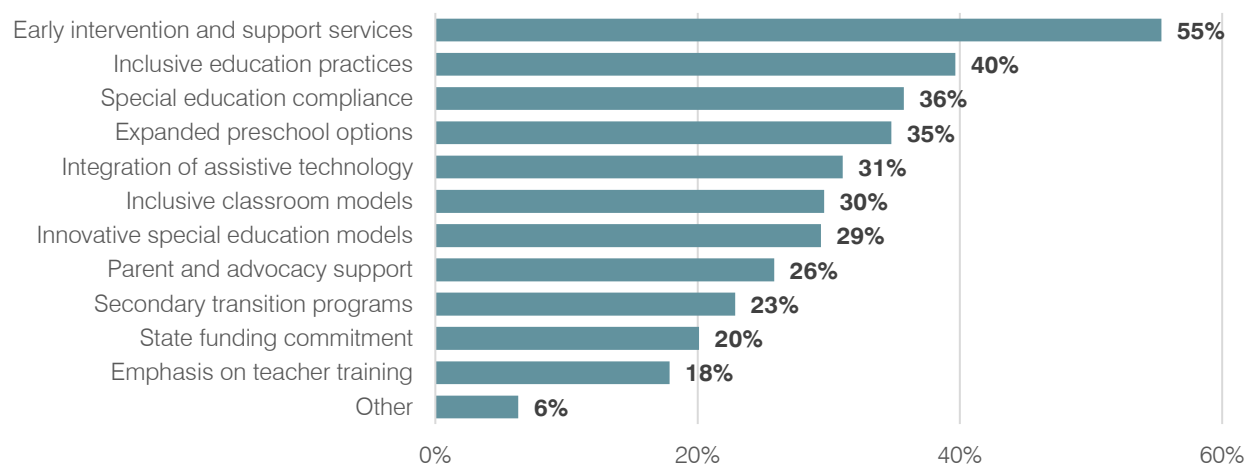
Note: Percentages total more than 100 because more than one response could be selected.

Source: MI Special Education Finance Reform Blueprint Survey

3. What do you think is going well for special education in Michigan?

Select all that apply.

EXHIBIT D3. What is Going Well for Special Education in Michigan, Multiple Choice Responses



N = 840

Note: Percentages total more than 100 because more than one response could be selected.

Source: MI Special Education Finance Reform Blueprint Survey

The main themes found in the open-ended responses to question three included:

- Inclusion and access
- Dedicated and caring staff
- Early intervention and support services
- Individualized accommodations
- Efforts to improve workforce and training

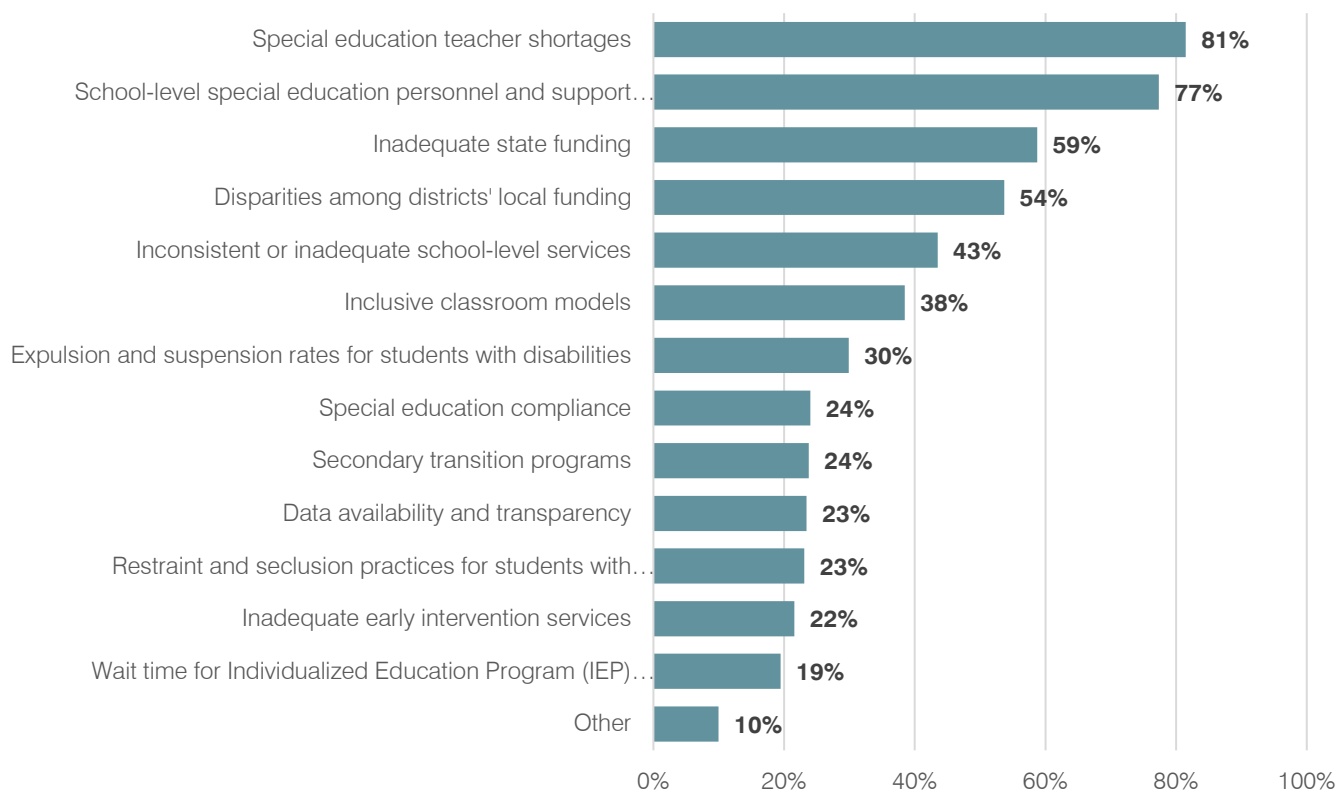
Additionally, many open-ended responses to question three voiced mixed or negative sentiment in the following categories:

- Systemic inequity and inconsistency
- Under-resourcing and staffing issues
- Negative personal experiences
- Lack of data use and accountability

4. What issues should be addressed to strengthen special education?

Select all that apply.

EXHIBIT D4. What Special Education Issues Should Be Addressed, Multiple Choice Responses



N = 853

Note: Percentages total more than 100 because more than one response could be selected.

Source: MI Special Education Finance Reform Blueprint Survey

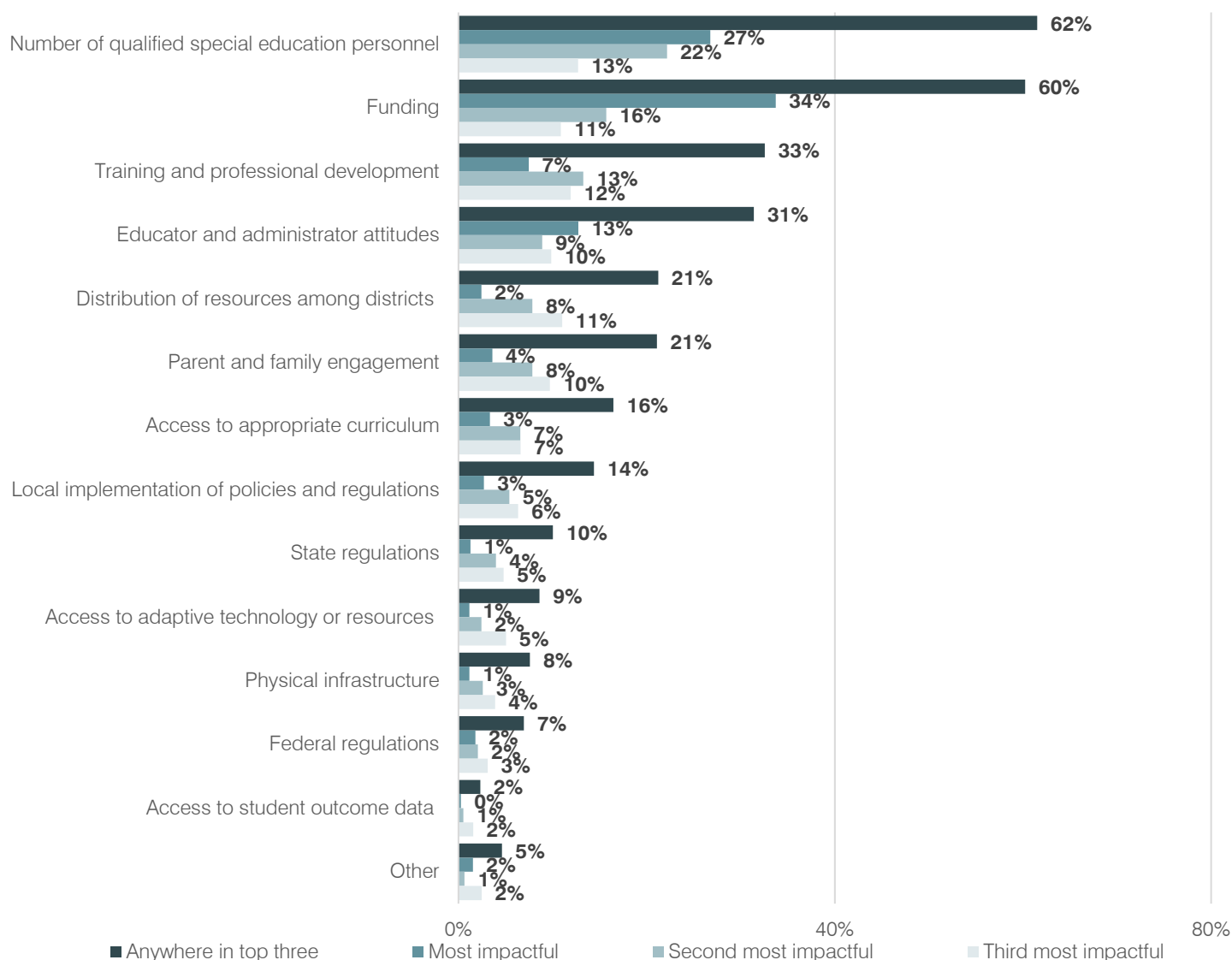
The main themes found in the open-ended responses to question four included:

- Early childhood and preschool access
- Teacher and staff training and preparation
- Funding and staffing
- Curriculum and instruction
- Least restrictive environment and inclusion
- Behavioral support and mental health
- Communication and parent involvement
- Legal, administrative, and system-level issues
- Eligibility and identification processes
- Specialized classrooms, services, and access
- Cultural and philosophical shifts

5. What elements most impact the ability of school buildings and districts to provide a high-quality education for students with disabilities?

Please number your top three choices from 1 to 3, with 1 being the most impactful.

EXHIBIT D5. Impactful Elements, Average Ranking by Resource, Multiple Choice Answers



N varied: Anywhere in top three (N = 777); Most impactful (N = 777); Second most impactful (N = 776); Third most impactful (N = 771)

Note: Anywhere in top three percentages total more than 100 because more than one response could be selected; other percentages may not total 100 due to rounding.

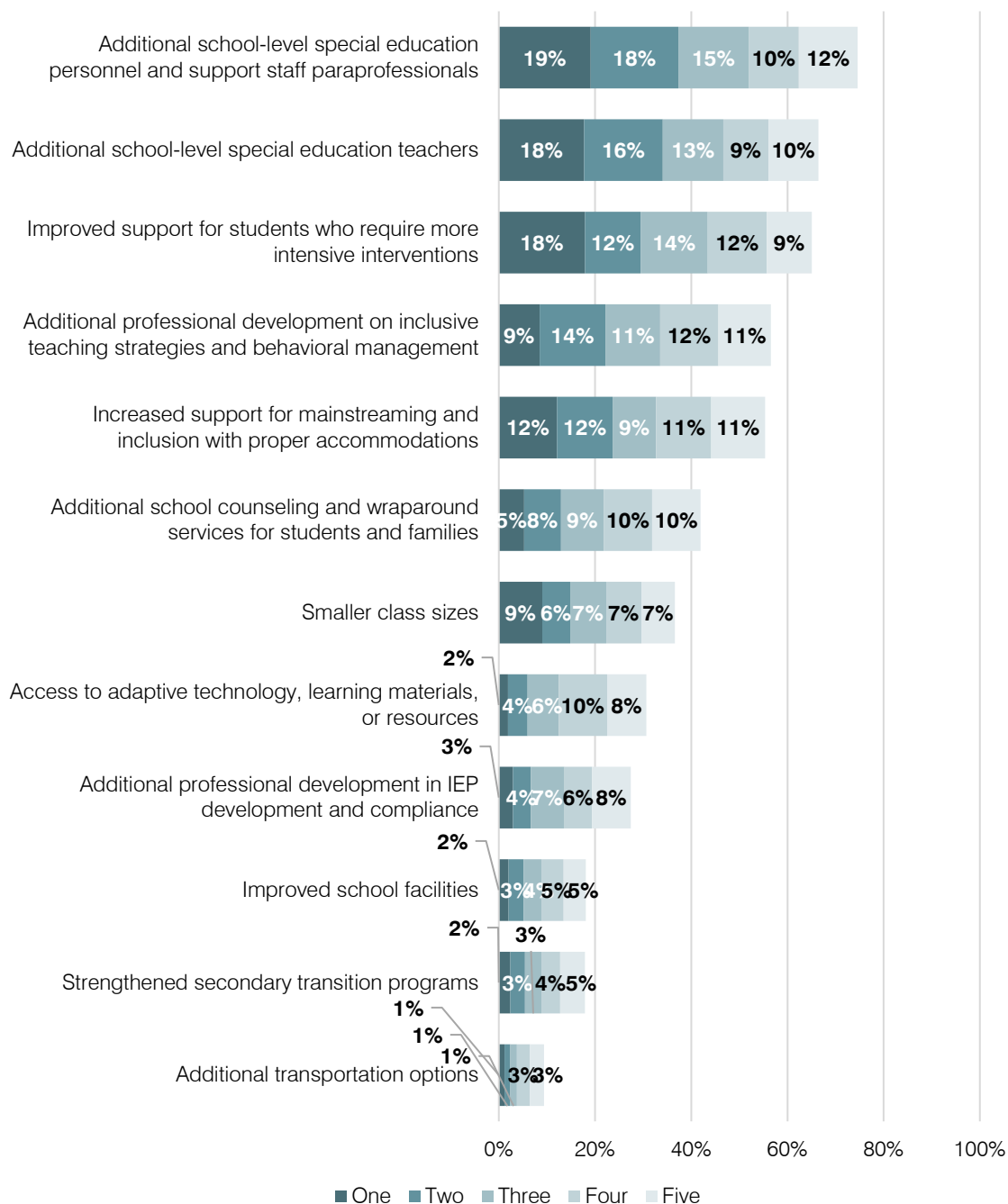
Source: MI Special Education Finance Reform Blueprint Survey

The main themes found in the open-ended responses to question five included:

- Systems-level leadership and administration
- Staffing, training, and support
- Services and program access
- Resource availability and infrastructure
- Philosophical or ideological issues

6. If additional resources were made available to your school/ISD/district to support special education services, the highest priority changes would include:
please drag and drop the options below to rank them in order of importance in your school/isd/district.

EXHIBIT D6. Priority Changes, Percentage of Top Five Responses

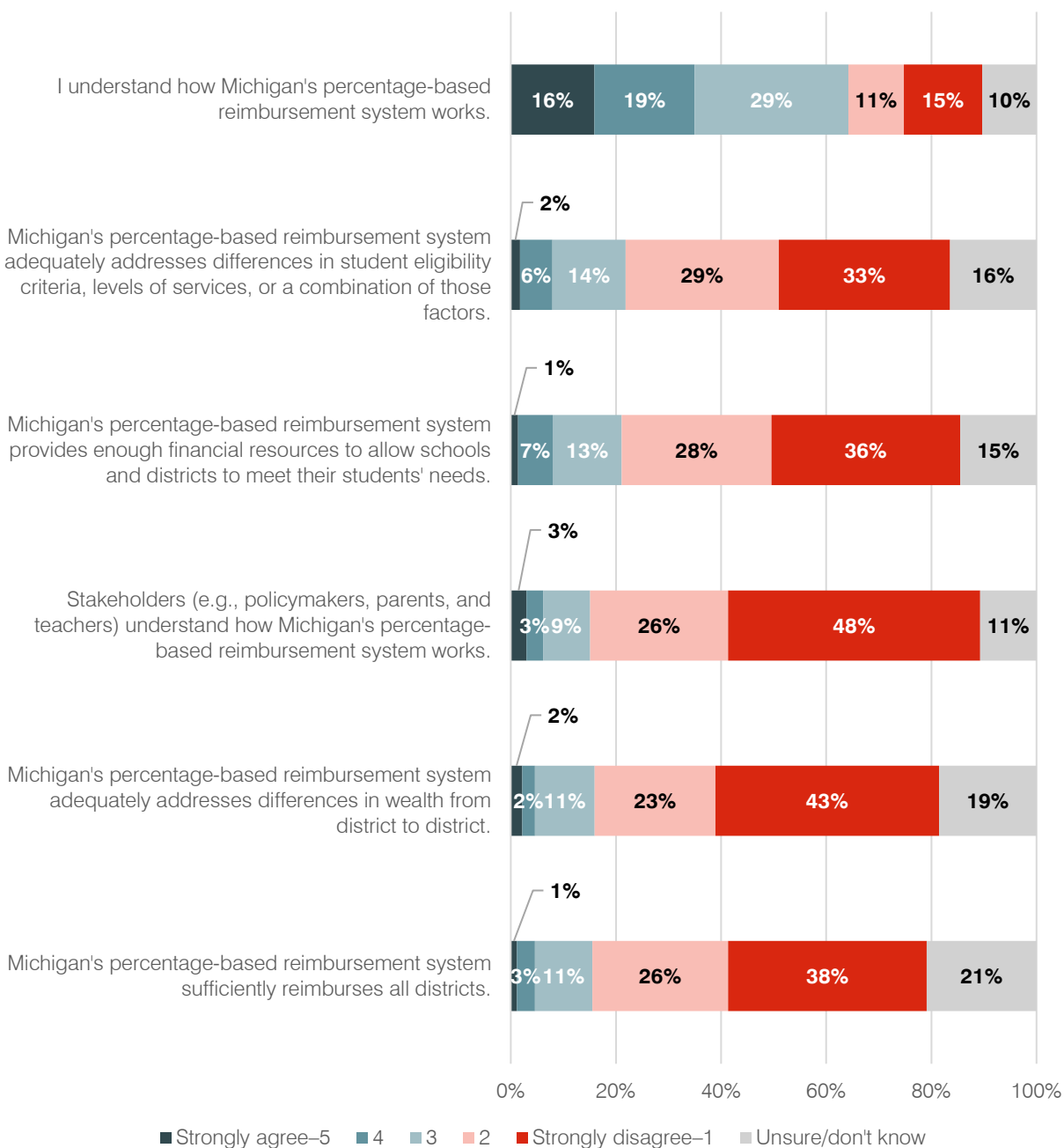


N = 587

Source: MI Special Education Finance Reform Blueprint Survey

7. Please rate your level of agreement with the following statements on a scale from 1 to 5, with a 1 being strongly disagree and 5 being strongly agree.

EXHIBIT D7. Michigan's Percentage-based Reimbursement System, Levels of Agreement



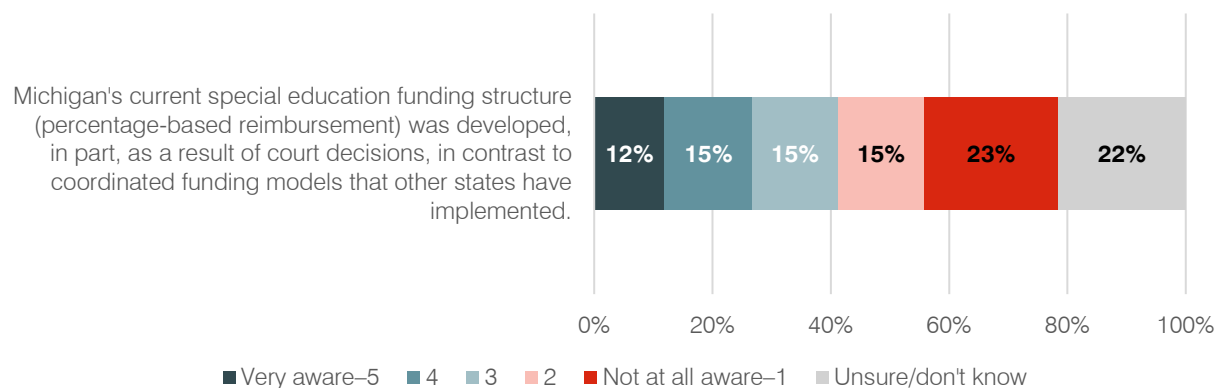
N varied from 501–504

Note: Percentages may not total 100 due to rounding.

Source: MI Special Education Finance Reform Blueprint Survey

8. Please rate your level of awareness of the following statement on a scale from 1 to 5, with a 1 being not at all aware and 5 being very aware.

EXHIBIT D8. Michigan's Funding Structure Development, Levels of Awareness



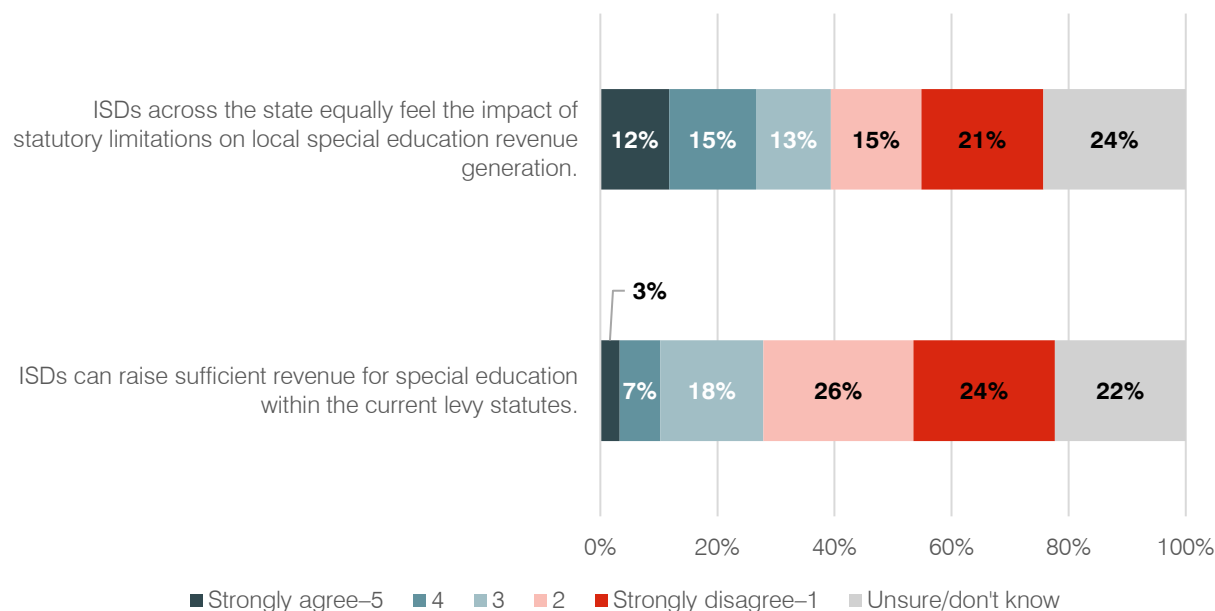
N = 502

Note: Percentages may not total 100 due to rounding.

Source: MI Special Education Finance Reform Blueprint Survey

9. Please rate your level of agreement with the following statements on a scale from 1 to 5, with a 1 being strongly disagree and 5 being strongly agree.

EXHIBIT D9. ISD Revenue Generation, Levels of Agreement



N varied from 485-488

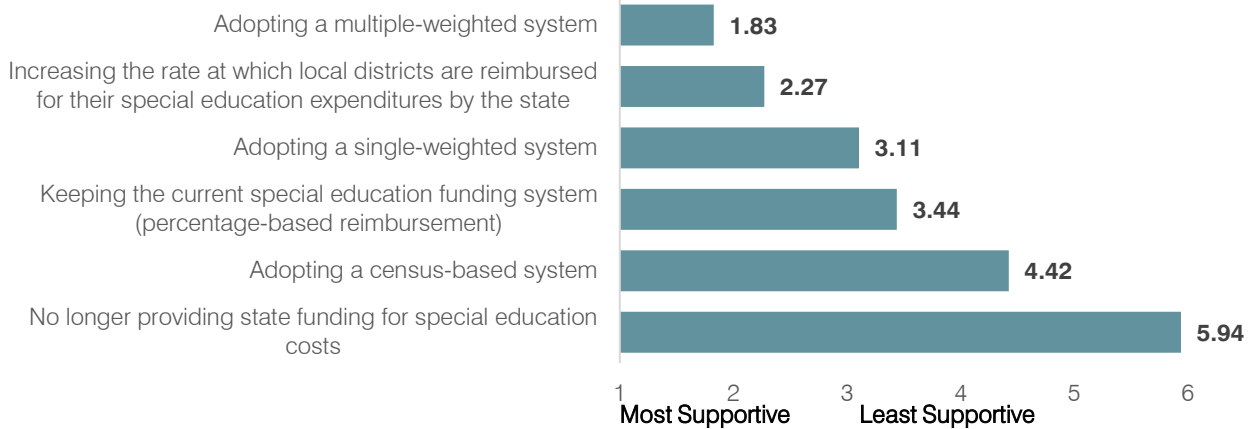
Note: Percentages may not total 100 due to rounding.

Source: MI Special Education Finance Reform Blueprint Survey

10. Students with disabilities and the special education system are best supported by Michigan:

Rank the following options to determine which funding model would best support students with disabilities.

EXHIBIT D10. Potential Supportive Funding Structures, Average Ranking by Funding Model

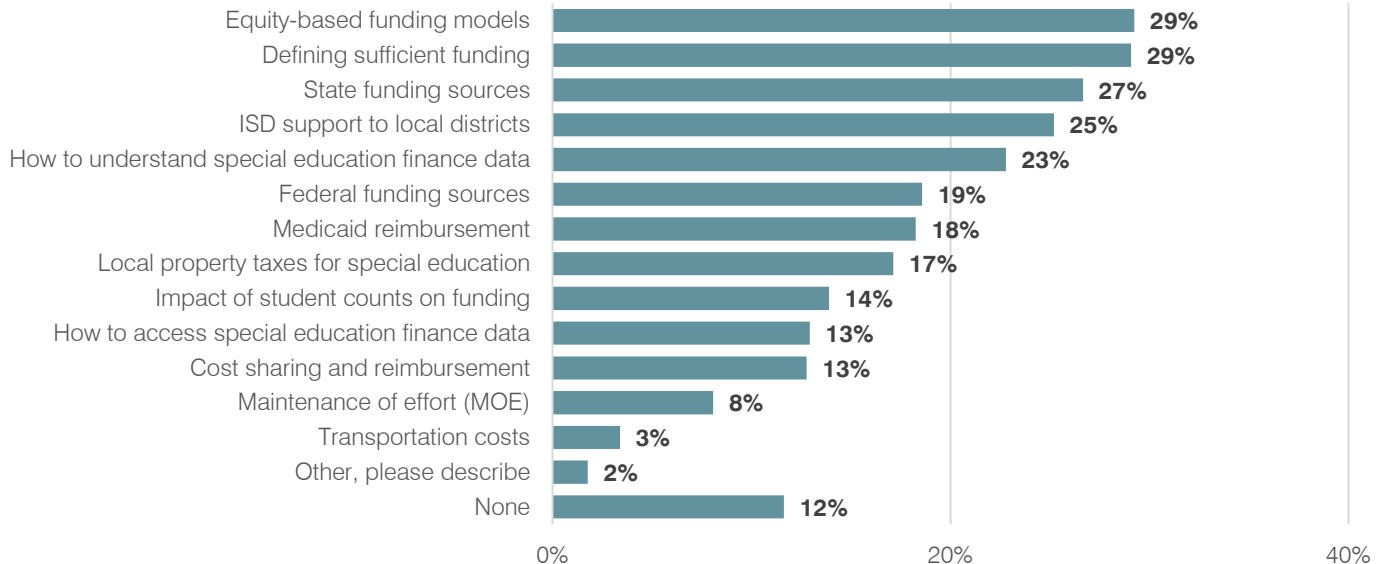


N = 379

Source: MI Special Education Finance Reform Blueprint Survey

11. What areas of special education funding and finance would you like to learn more about?

EXHIBIT D11. Special Education Finance Topical Areas Identified, Multiple Choice Answers



N = 619

Note: Percentages total more than 100 because more than one response could be selected.

Source: MI Special Education Finance Reform Blueprint Survey

The main themes found in the open-ended responses for question 11 included:

- Funding equity and distribution
- Use and oversight of funds
- Funding gaps and specific needs

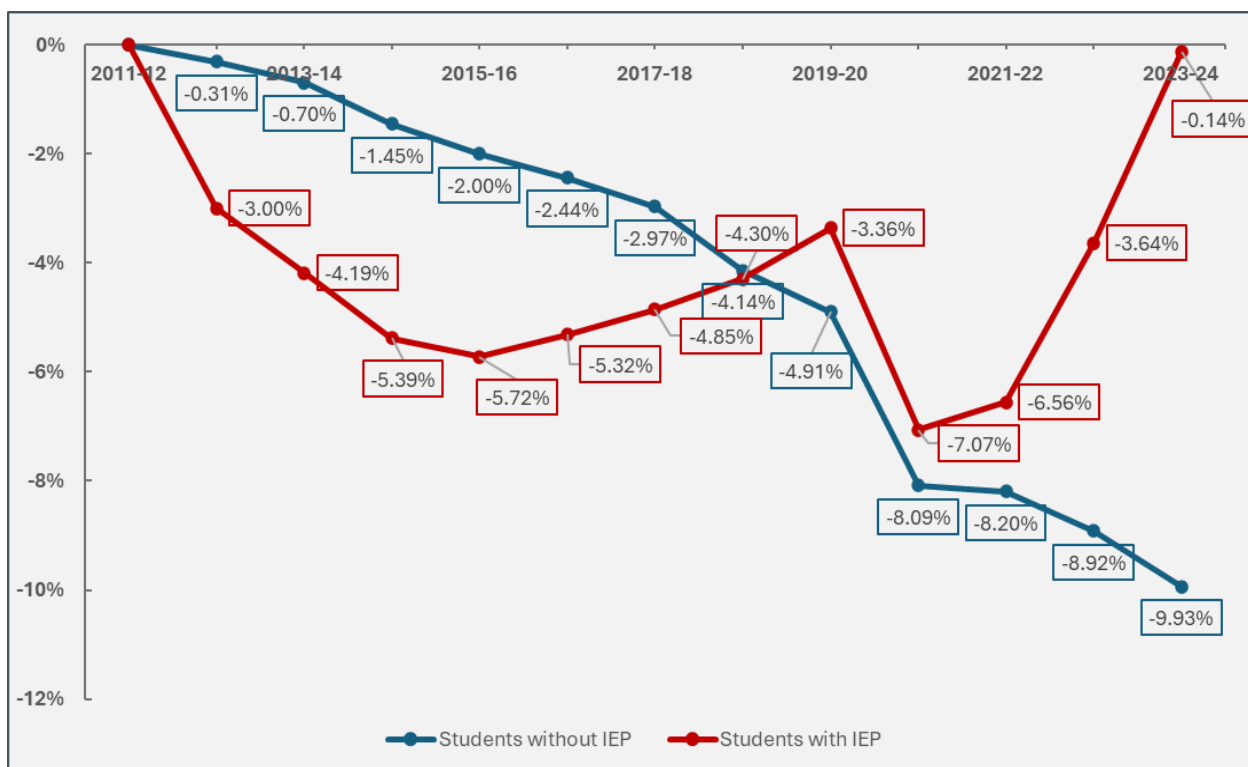
Appendix E: A Deeper Dive into Enrollment, Achievement, and Graduation Trends for Students with Disabilities in Michigan

The following appendix is a more in-depth review of Michigan's trends for enrollment, achievement, and graduation for students with disabilities.

Enrollment

While overall enrollment in Michigan has dropped year-over-year for more than a decade, the enrollment of students with disabilities has been increasing steadily since 2016, excluding the COVID-19 school year of 2020-2021. As shown in Exhibit E1, the state's enrollment of students with disabilities initially decreased at a greater rate than overall enrollment. However, that pattern reversed beginning in the 2016-17 school year. After the COVID-19 pandemic, the enrollment of students with disabilities rebounded quickly and in 2024 reached the same level as 2012, 14.5 percent of public school enrollment.

EXHIBIT E1. Michigan's Total Public School Enrollment by IEP Status, 2011–12 through 2023–24

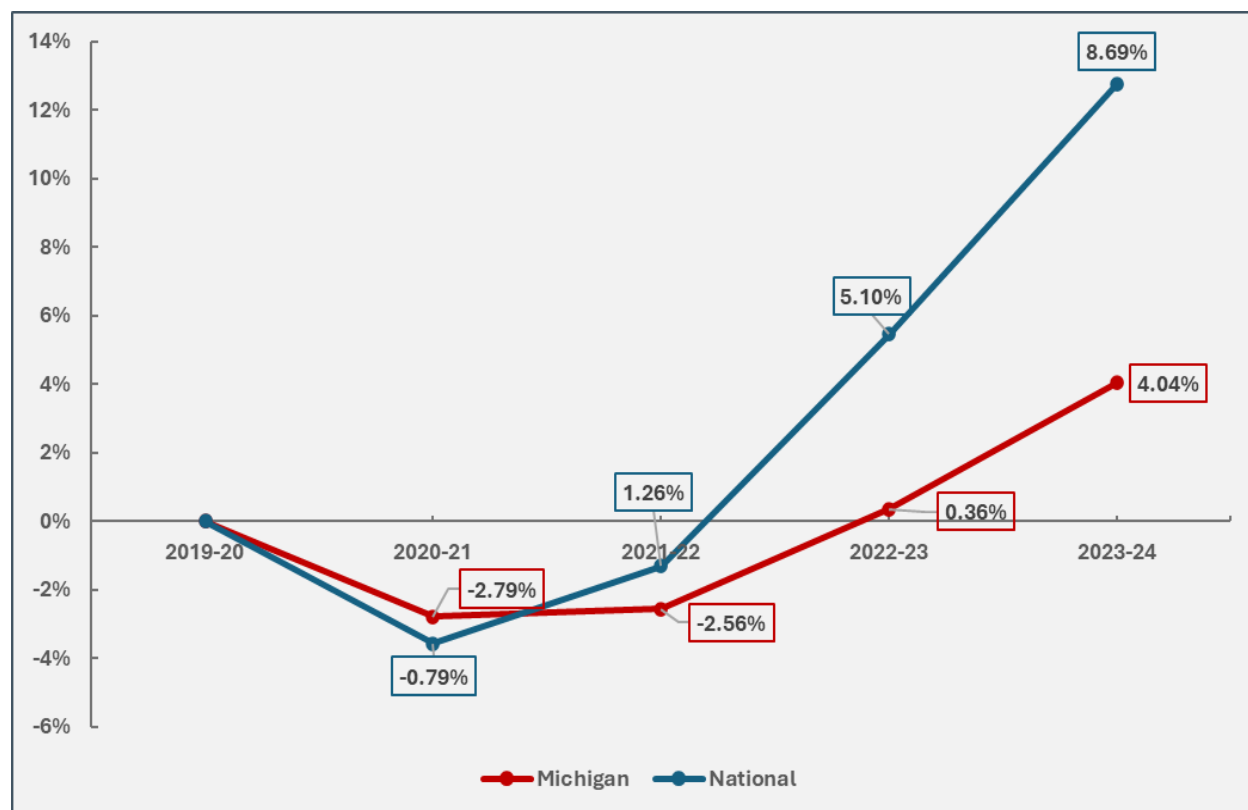


Source: Special Education Counts, MI School Data, Michigan Department of Education, available at: <https://www.mischooldata.org/special-education-counts-data-files/>.

Due to these trends, students with disabilities comprise a larger share of the state's overall enrollment. In the 2011–2012 school year, students with disabilities made up 13.3 percent of Michigan's student body. The enrollment rate decreased slightly to 12.9 percent in 2016 before

gradually increasing to 14.6 percent in 2024. The enrollment of students with disabilities varies significantly by district. In some districts only about 5 percent of students have an IEP, while in others the share can reach 25 percent. See Exhibit E2 for details on the percentage change in public school enrollment of students with disabilities.

EXHIBIT E2. Percent Change in K–12 Public School Enrollment of Students with Disabilities (aged 3–21) from 2020 to 2023

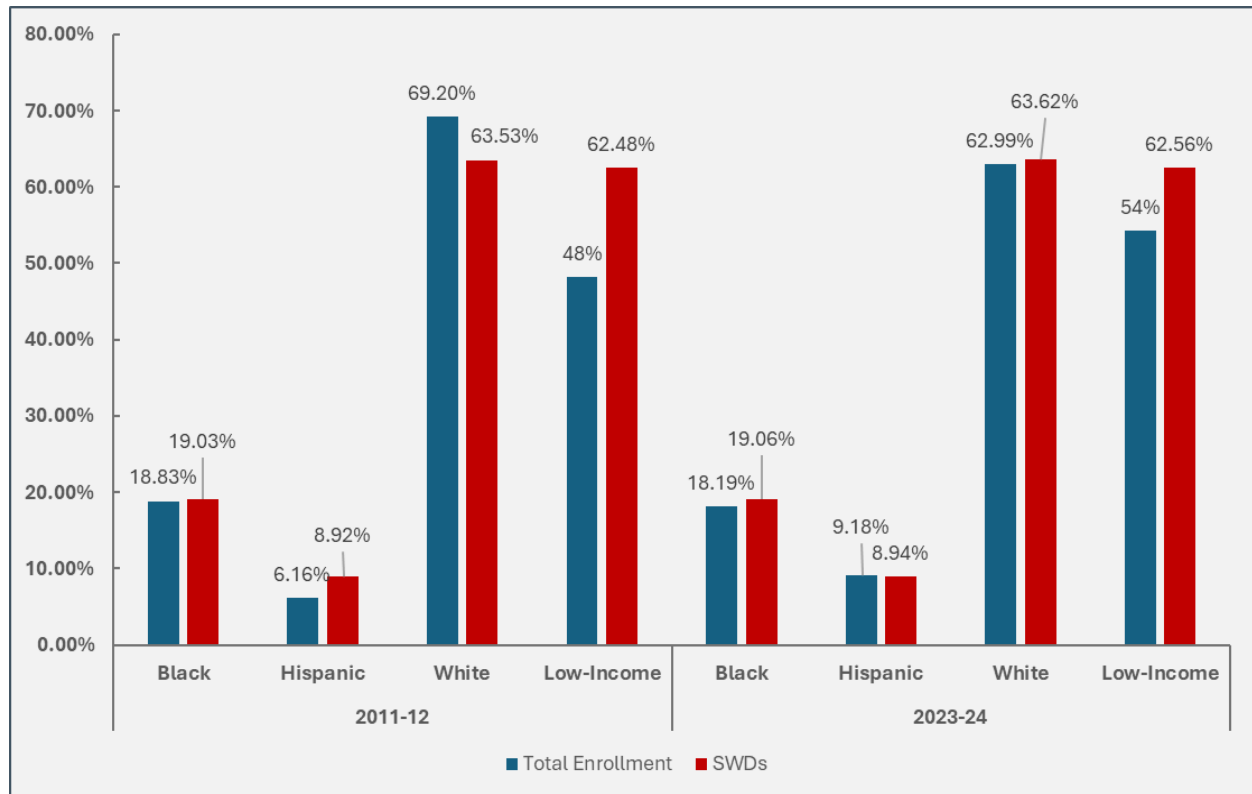


Source: IDEA Section 618 State Part B Child Count and Educational Environments, U.S. Department of Education, retrieved from <https://data.ed.gov/dataset/idea-section-618-state-part-b-child-count-and-educational-environments/resources?resource=c49009eb-a269-4131-9bbe-7d8a3f67f649>.

Note: Data based on 3-to-21-year-olds receiving services under IDEA. Data was missing for New Mexico in the 2023-24 school year, and for Wisconsin in the 2019-20 school year. National data includes the 50 states and the District of Columbia.

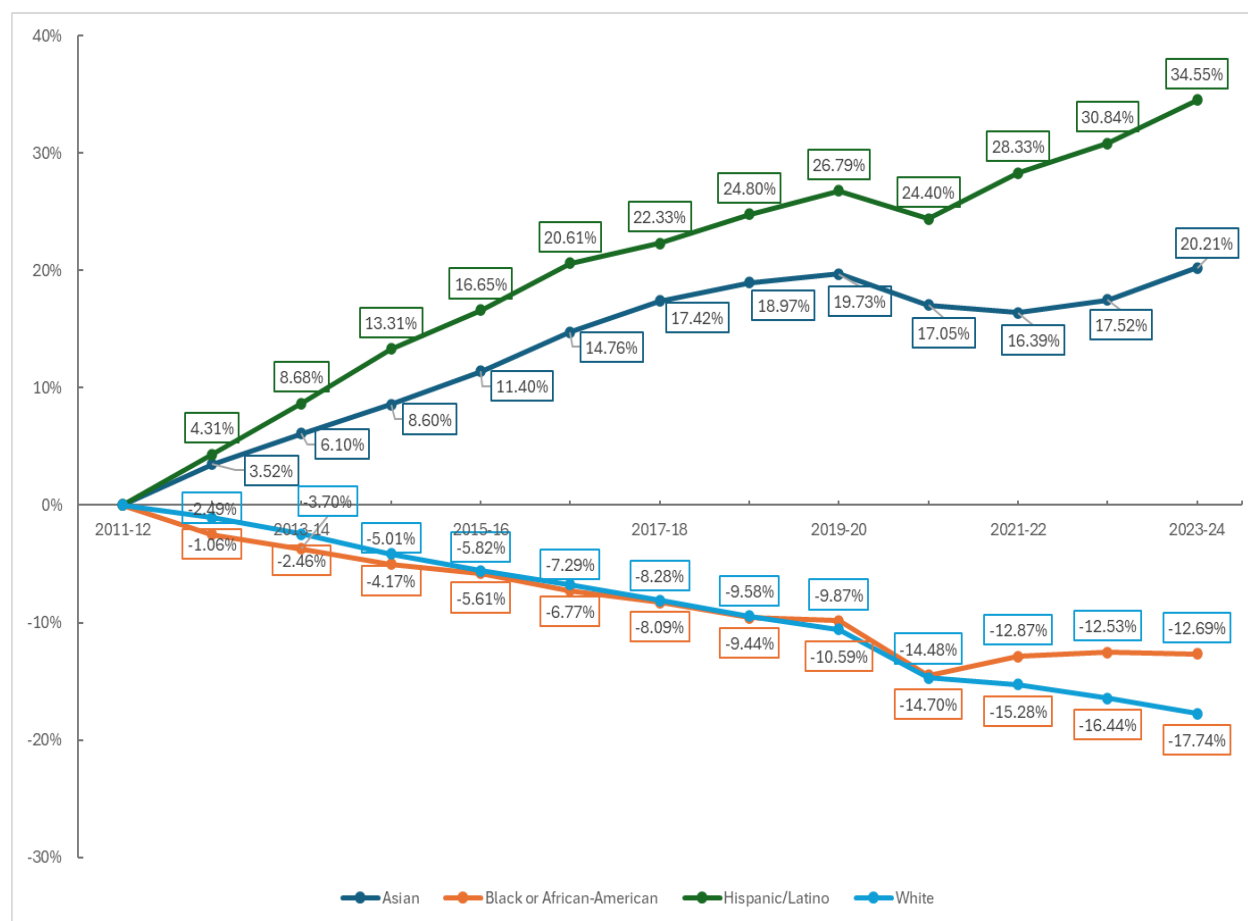
Beyond differences in overall enrollment, the demographic composition of Michigan’s students with disabilities also shifted over time. As shown in Exhibit E3, the composition of Michigan’s students with disabilities has remained relatively consistent. Nevertheless, students with disabilities are slightly over-and under-represented among certain student groups. In 2012, Hispanic and low-income students accounted for a larger share of students with disabilities than of total enrollment. Conversely, white students accounted for a slightly smaller share of students with disabilities than their total enrollment predicted. By 2024, the racial composition of Michigan’s enrollment of students with disabilities closely matched each group’s overall enrollment.

EXHIBIT E3. Public School Student Demographics and Disability Status, 2011–2012 and 2023–2024



Source: Special Education Counts, MI School Data, Michigan Department of Education, available at: <https://www.mischooldata.org/special-education-counts-data-files/>.

EXHIBIT E4. Change in Michigan's Public School Enrollment by Race/Ethnicity, 2012–2024



Source: MI School Data Report Builder – K–12 and Student Enrollment Counts Report, MI School Data, MDE, available at: <https://www.mischooldata.org/report-builder/>; MI School Data; <https://www.mischooldata.org/student-enrollment-counts-report/>.

Under the Individuals with Disabilities Education Act (IDEA), students with disabilities must be educated in the least restrictive environment (LRE). In practice this means students with disabilities should learn alongside their peers in a general education setting whenever possible. Michigan has made steady progress on this measure. In 2012, 67.8 percent of Michigan's students with disabilities spent at least 80 percent of the school day in a general education setting, while 13 percent spent less than 40 percent in that setting. By 2024, the share of students with disabilities in a general education setting at least 80 percent of the day increased by ten points to 77 percent, and the share who spent less than 40 percent of the day in a general education context fell slightly to 10.9 percent.¹⁵⁴

¹⁵⁴ Special Education Counts, MI School Data, Michigan Department of Education, available at: <https://www.mischooldata.org/special-education-counts-data-files/>.

These trends in educational placement represent only part of the changing picture of Michigan’s enrollment of students with disabilities. There are also shifts in how the enrollment is distributed among disability type.

The IDEA groups students with disabilities into 13 disability eligibility categories. Between 2012 and 2024, the distribution of Michigan’s students with disabilities shifted somewhat among those categories. As shown in Exhibit E5, most students qualified under the Speech and Language Impairment or Specific Learning Disability categories. However, the combined share of students in those categories declined from 60 percent in 2012 to 53 percent in 2024. Meanwhile, the share of students eligible under autism spectrum disorder grew the most, increasing by 5.4 points—from 7.3 percent in 2012 to 12.7 percent in 2024.¹⁵⁵

EXHIBIT E5. Eligibility Categories for Michigan’s Students with Disabilities 2011–2012 and 2023–2024

Eligibility Category	Share of Enrollment in 2011-2012	Share of Enrollment in 2023-2024	Percentage Point Change
Cognitive impairment	9.88%	7.70%	-2.18
Emotional impairment	6.07%	4.76%	-1.30
Deaf or hard of hearing	1.06%	0.99%	-0.07
Visual impairment	0.18%	0.32%	0.14
Physical impairment	1.00%	0.58%	-0.42
Speech and language impairment	25.53%	27.60%	2.07
Early childhood developmental delay (ages 3–7)	3.07%	4.20%	1.13
Specific learning disability	34.33%	25.43%	-8.90
Severe multiple impairments	1.79%	1.24%	-0.56
Autism spectrum disorder	7.26%	12.68%	5.42
Traumatic brain injury	0.09%	0.18%	0.09
Deaf-blindness	0.00%	0.02%	0.02
Other health impairment	9.74%	14.30%	4.56

Source: Special Education Counts, MI School Data, Michigan Department of Education, available at: <https://www.mischooldata.org/special-education-counts-data-files/>.

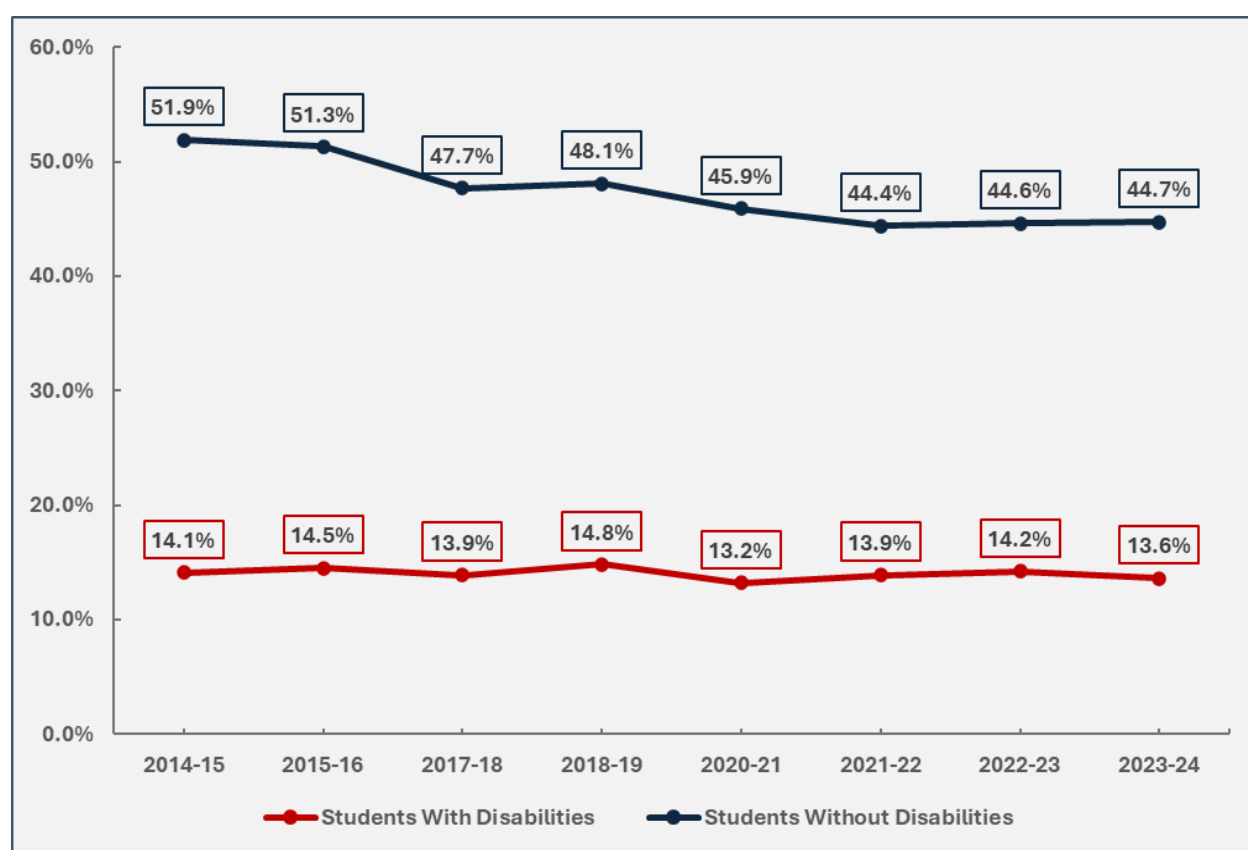
¹⁵⁵ Special Education Counts, MI School Data, Michigan Department of Education, available at: <https://www.mischooldata.org/special-education-counts-data-files/>.

Michigan Achievement Trends

On Michigan's own terms, students with disabilities are struggling academically. Students with disabilities consistently perform poorly on the M-STEP, the statewide assessment aligned with state academic standards. Additionally, there are large and persistent achievement gaps.

Over the past eight years, the performance of Michigan's students decreased across all grades on the English Language Arts (ELA) M-STEP. As shown in Exhibit 8 below, the share of students with disabilities who reached state benchmarks dipped slightly from 14.1 percent in 2015 to 13.6 percent in 2024. Over the same period, the performance of students without disabilities decreased more significantly, from 51.9 percent to only 44.7 percent.

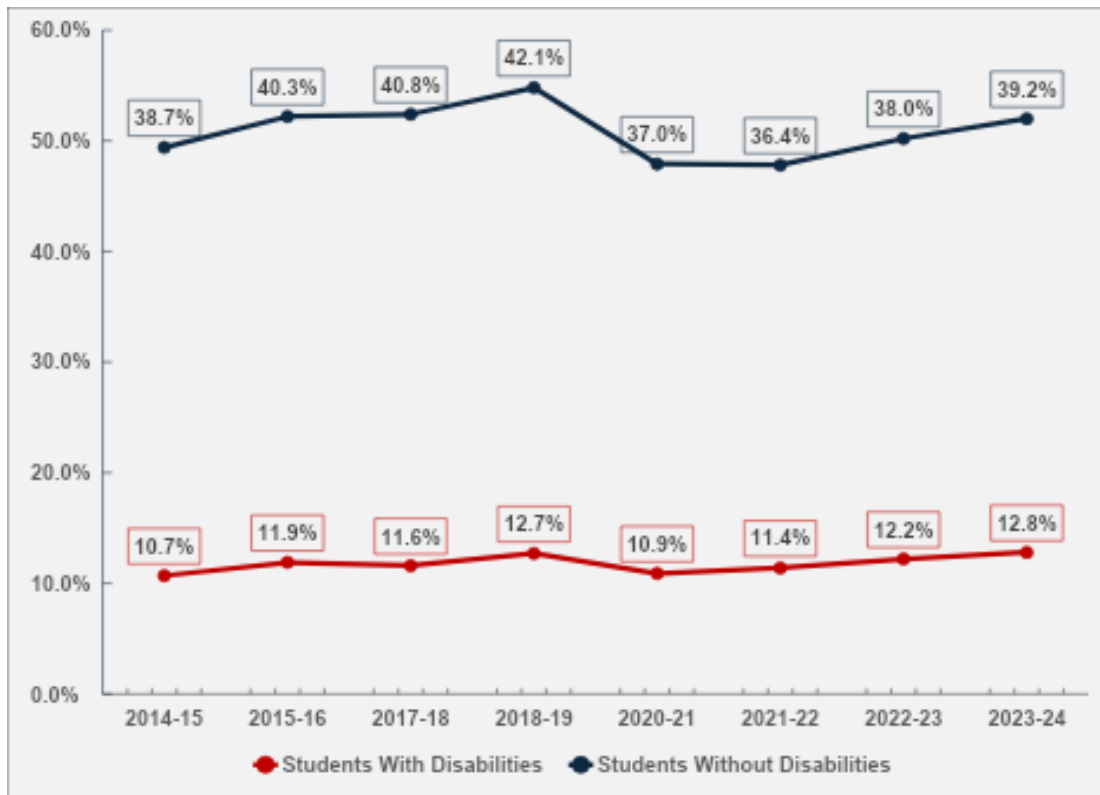
EXHIBIT E6. Percent Met M-STEP ELA Benchmarks (All Grades)



Source: MI School Data Report Builder – K–12, MI School Data, MDE, available at: <https://www.mischooldata.org/report-builder/>.

There is a clear and troubling pattern: The ELA proficiency rates of students with disabilities are consistently and alarmingly low, and their achievement rates are steadily and significantly behind their peers. Indeed, students without disabilities meet state expectations at more than three times the rate of students without disabilities. Achievement on the Math M-STEP also follows this trend, as demonstrated in Exhibit E8.

EXHIBIT E7. Percent Met M-STEP Math Benchmarks (All Grades)



Source: Mi School Data Report Builder–K–12, MI School Data, MDE, available at: <https://www.mischooldata.org/report-builder/>.

Graduation Rates

As was discussed previously, Michigan’s students with disabilities have a 4-year graduation rate that is consistently below 60 percent. To put that into greater context, in 2023, the graduation rate for all Michigan students was 82 percent. The graduation rate for students with disabilities was 12 points below economically disadvantaged students in 2023.

While graduation rates are stagnant and low, the dropout rate for Michigan’s students with disabilities is high. In 2023, 14 percent of students with disabilities dropped out of high school compared with a statewide rate of 8 percent. Put another way, the dropout rate for students with disabilities was 71 percent greater than the rate for all students and more than four times that of students who are not economically disadvantaged (3.4 percent).

Adjusted Cohort Graduation Rate

Under the Every Student Succeeds Act (ESSA), states are required to include the Adjusted Cohort Graduation Rate (ACGR) as a part of their statewide accountability plans. The ACGR is calculated

by dividing the number of students who graduate with a “regular high school diploma” within four years by the adjusted ninth-grade cohort.¹⁵⁶

A regular high school diploma is “the standard high school diploma awarded to the preponderance of students in a state that is fully aligned with the state’s standards.” A regular high school diploma does not include:

- General Equivalency Diploma (GED)
- Certificate of completion
- Certificate of attendance
- Any lesser credential, such as a diploma based on meeting IEP goals¹⁵⁷

A ninth-grade cohort is the number of students who enter ninth grade for the first time adjusted to account for students who transferred in and those who transferred out, including transferring to a juvenile facility, or passed away.

There is a slight caveat for students with disabilities. Under the Elementary and Secondary Education Act (ESEA), the state may administer alternative assessments to at most 1 percent of the total number of students assessed in each subject. Therefore, students who take the alternative assessments and graduate within four years with a state-defined alternative diploma are counted as an on-time graduate.

Michigan does not offer alternative diplomas but does use alternative assessments for some students with the most severe cognitive disabilities. Thus, it is possible that Michigan’s ACGR is depressed a marginal amount compared with states that do include the maximum number of students who were assessed with an alternative assessment and awarded an alternative diploma.

Additionally, in Michigan students with disabilities are eligible to receive special education services through age 26. Under the Individuals with Disabilities Act (IDEA), states are required to provide these services through age 21. However, according to Michigan’s Center for Education Performance and Information, students with disabilities who graduate high school after more than four years are considered “off-track.” These students count in the cohort but not as graduates.¹⁵⁸

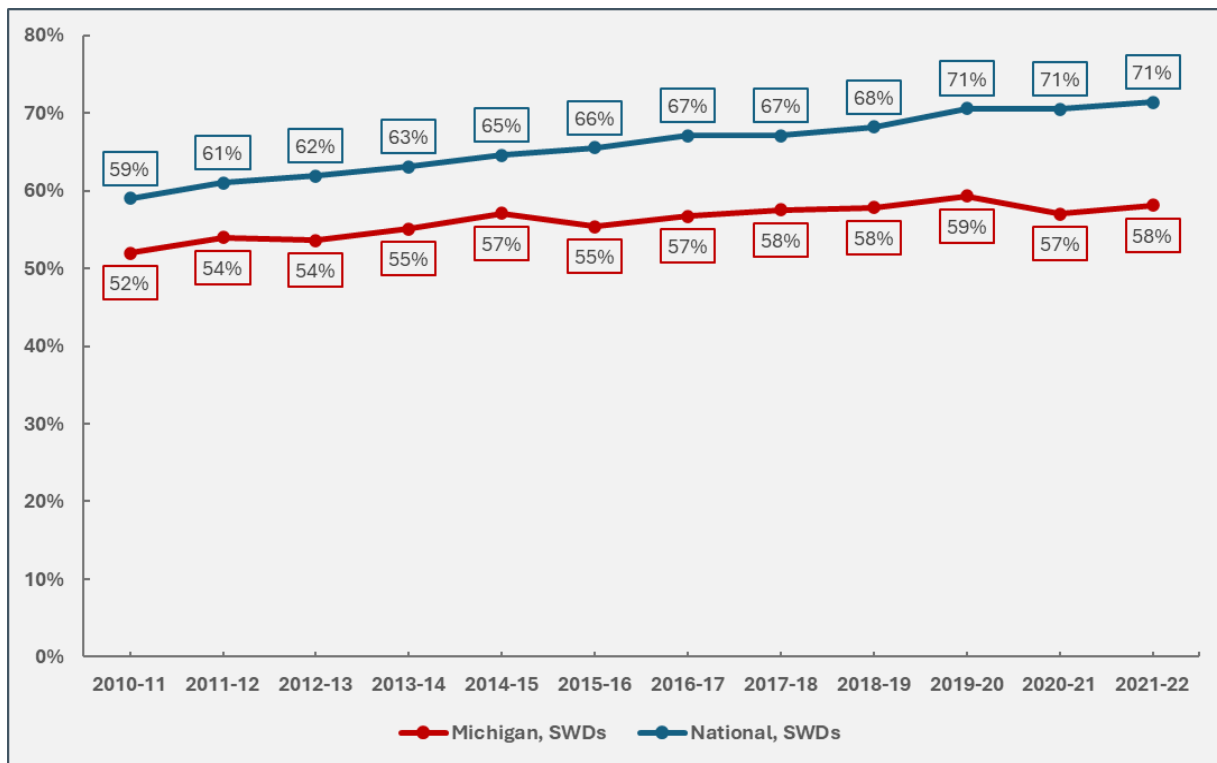
Although these policies complicate the picture slightly, Michigan’s consistently poor graduation rate for students with disabilities cannot be explained away by either its lack of alternative assessments or by its policy of providing special education services to qualifying students beyond age 21.

¹⁵⁶ U.S. Department of Education, *Every Student Succeeds Act: High School Graduation Rate Non-Regulatory Guidance* (January 2017), <https://www.ed.gov/sites/ed/files/policy/elsec/leg/essa/essagraterguidance.pdf>

¹⁵⁷ U.S. Department of Education, *ESSA Graduation Rate Guidance*.

¹⁵⁸ Michigan Center for Educational Performance and Information, *FAQs of Michigan’s Cohort Graduation and Dropout Rates*, <https://www.michigan.gov/cepi/-/media/Project/Websites/cepi/MSDS/FAQs-of-Michigans-Cohort-Graduation-and-Dropout-Rates.pdf>

EXHIBIT E8. Growth in the ACGR for Students with Disabilities, 2010–11 through 2021–22



Source: Four-Year ACGR, SEA level, Ed Data Express, U.S. Department of Education, available at: <https://eddataexpress.ed.gov/>.

Appendix F: State Special Education Funding—Example

The following appendix offers an example of how the state special education resulting from the *Durant* case shifted reimbursement payments. This reform was critical and marked a significant improvement in Michigan’s special education finance system. Exhibit F1 below illustrates how the separating the foundation allowance (FA) and the *Durant* percentages improved funding for special education.

The dollar amounts shown in purple represent the state’s share of the student’s special education cost, their *Durant* percentage. Prior to the reform, the *Durant* reimbursement for Student A was subsumed by the FA. Thus, she did not receive any additional funding. For student B, he received an additional \$392 on top of the FA. After the reform, each student received their full FA and their full *Durant* reimbursement.

EXHIBIT F1. Separating FA and *Durant* Payments in Special Education: Example

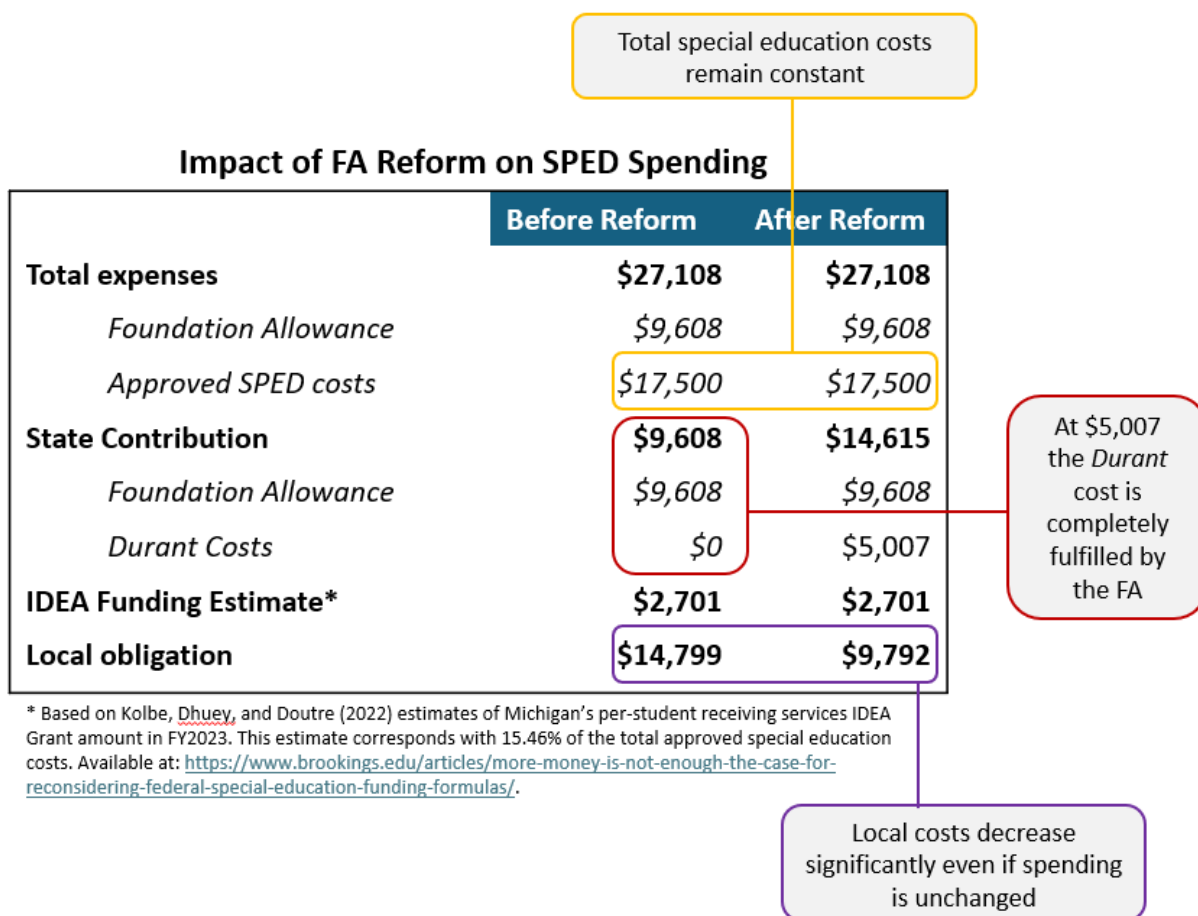
Student A: \$17,500 Approved Special Education Costs			
		Prior to Reform	After Reform
Foundation Allowance		\$9,608	\$9,608
28.6138% of costs	<i>Durant payment via FA</i>	\$5,007	\$0
	<i>Additional Durant payment</i>	\$0	\$5,007
Total District Payment		\$9,608	\$14,608
An additional 52% in funding			
Student B: \$35,000 Approved Special Education Costs			
		Prior to Reform	After Reform
Foundation Allowance		\$9,608	\$9,608
28.6138% of costs	<i>Durant payment via FA</i>	\$9,608	\$0
	<i>Additional Durant payment</i>	\$407	\$10,015
Total District Payment		\$10,015	\$19,608
An additional 96% in funding			

Source: Adapted from: https://www.house.mi.gov/hfa/PDF/Alpha/Fiscal_Brief_Special_Education_Dec2023.pdf

Ensuring all students with disabilities receive the full foundational allowance as well as the state’s 28.6 percent *Durant* commitment created greater funding flexibility for ISDs and shifted some of the cost of providing special education services to the state.

Exhibit F2 below illustrates this point. Consider Student A from the previous example. She received \$17,500 in special education services resulting in a *Durant* cost of \$5,007. Critically, these services are supplemental and should be layered on top of the base funding to which all students are entitled. After the reform, the financial obligation on local districts was lessened considerably since the State provides the full FA in addition to the *Durant* percentages. As a result, the district accounts for 56 percent of special education costs compared with 85 percent previously.

EXHIBIT F2. Impact of Foundation Allowance Reform—Example



Appendix G: Special Education Millages by ISD

The following appendix lists each Michigan ISD, their millage rate from fiscal year 2023 - 2024, the corresponding special education millage cap, and the resulting percentage of the millage cap which the ISD levied.

EXHIBIT G1. ISD Special Education Millages

ISD Name	ISD Code	FY24 Millage Rate	SE Millage Cap	Percent of Cap in FY24
Allegan	03	2.9783	5.3375	56%
Alpena-Montmorency-Alcona	04	1.9603	3.5	56%
Barry	08	2.1063	2.1875	96%
Bay-Arenac	09	2.8305	5.25	54%
Berrien	11	2.1934	4.375	50%
Branch	12	3.7828	7.7875	49%
Calhoun	13	4.4925	7.875	57%
Heritage Southwest Intermediate School District	14	2.0028	4.375	46%
Charlevoix-Emmet	15	2.1053	3.78	56%
Cheb-Otsego-Presque Isle	16	1.474	1.75	84%
Eastern UP	17	1.7455	1.75	100%
Clare-Gladwin	18	1.6175	3.5	46%
Clinton	19	2.5733	2.625	98%
Delta-Schoolcraft	21	1.3502	2.625	51%
Dickinson-Iron	22	1.4775	1.75	84%
Eaton	23	2.6712	5.25	51%
Genesee	25	2.3514	4.375	54%
Gogebic-Ontonagon	27	2.2821	4.025	57%
Traverse Bay	28	2	3.5	57%
Gratiot-Isabella	29	4.2	4.2	100%
Hillsdale	30	2.9503	5.25	56%
Copper Country	31	1.9155	3.5	55%
Huron	32	3.2886	3.5	94%
Ingham	33	4.7384	8.3125	57%
Ionia	34	4.6961	5.25	89%
Iosco	35	0.7476	1.3125	57%
Jackson	38	6.2392	9.625	65%
Kalamazoo	39	4.3604	5.25	83%
Kent	41	3.5474	5.25	68%

ISD Name	ISD Code	FY24 Millage Rate	SE Millage Cap	Percent of Cap in FY24
Lapeer	44	0.7945	1.75	45%
Lenawee	46	4.0868	8.3125	49%
Livingston	47	3.1391	5.7925	54%
Macomb	50	2.5962	3.5	74%
Manistee	51	1.9713	3.5	56%
Marquette-Alger	52	3.5	3.5	100%
West Shore	53	2.3726	4.375	54%
Mecosta-Osceola	54	3.2984	4.375	75%
Menominee	55	1.8376	3.5	53%
Midland	56	0.9797	1.75	56%
Monroe	58	3.4778	6.3	55%
Montcalm	59	3.4145	4.375	78%
Muskegon	61	2.2597	4.375	52%
Newaygo	62	2.9179	5.25	56%
Oakland	63	2.3925	3.0625	78%
Ottawa	70	4.1731	4.375	95%
Crawford, Oscoda, Ogemaw, and Roscommon (C.O.O.R.)	72	0.7431	1.3125	57%
Saginaw	73	3.5	3.5	100%
St. Clair	74	2.3026	4.375	53%
St. Joseph	75	2.7308	4.8125	57%
Sanilac	76	0.7298	1.575	46%
Shiawassee	78	4.126	6.70775	62%
Tuscola	79	2.4502	4.55	54%
Van Buren	80	4.1969	7	60%
Washtenaw	81	5.1452	6.125	84%
Wayne	82	3.3443	3.5	96%
Wexford-Missaukee	83	3.1416	6.125	51%

Source State Aid Financial Status Reports. ISD Special education millage caps shared by the Michigan Education Association.

Appendix H: ISD Enrollment and Taxable Property Value

The following appendix provides additional detail on the comparison of Michigan ISDs when considering taxable property value and enrollment, as well as the differences in revenue generated when calculating the yield of a one-mill revenue per student with disability tax.

The table below offers a comparison of ISDs, detailing their enrollment figures, the total taxable property value within their boundaries, and the calculated taxable property value per student.

EXHIBIT H1. ISD Taxable Value

ISD Name	ISD Code	Enrollment (<i>pupilcnt</i>)	Taxable Property Value (<i>sev</i>)	Taxable Property Value per Student
Allegan	03	13,388.43	\$3,876,542,926	\$289,544
Alpena-Montmorency-Alcona	04	4,997.74	\$2,277,376,124	\$455,681
Barry	08	3,602.06	\$1,391,873,203	\$386,410
Bay-Arenac	09	14,313.54	\$3,862,881,098	\$269,876
Berrien	11	25,002.72	\$9,928,735,492	\$397,106
Branch	12	5,226.92	\$1,539,967,817	\$294,622
Calhoun	13	20,787.26	\$4,555,991,939	\$219,172
Heritage Southwest Intermediate School District	14	5,990.52	\$2,182,338,889	\$364,299
Charlevoix-Emmet	15	7,695.42	\$7,056,882,070	\$917,024
Cheb-Otsego-Presque Isle	16	7,291.82	\$4,138,537,856	\$567,559
Eastern UP	17	6,188.38	\$2,801,798,305	\$452,751
Clare-Gladwin	18	6,344	\$2,442,695,182	\$385,040
Clinton	19	10,659.13	\$2,632,411,441	\$246,963
Delta-Schoolcraft	21	5,971.41	\$1,866,821,143	\$312,627
Dickinson-Iron	22	4,943	\$1,646,679,295	\$333,134
Eaton	23	12,567.36	\$3,611,008,174	\$287,332
Genesee	25	58,042.71	\$12,702,513,119	\$218,848
Gogebic-Ontonagon	27	1,952.5	\$953,597,127	\$488,398
Traverse Bay	28	20,067.44	\$15,042,707,377	\$749,608
Gratiot-Isabella	29	11,476.12	\$3,620,942,897	\$315,520
Hillsdale	30	5,233.21	\$1,501,867,611	\$286,988
Copper Country	31	6,256.12	\$1,601,277,121	\$255,954
Huron	32	3,734.45	\$2,684,265,602	\$718,785
Ingham	33	41,193.94	\$11,258,947,255	\$273,316

ISD Name	ISD Code	Enrollment (<i>pupilcnt</i>)	Taxable Property Value (<i>sev</i>)	Taxable Property Value per Student
Ionia	34	8,947.6	\$2,335,934,895	\$261,068
Iosco	35	3,526.5	\$1,904,396,260	\$540,024
Jackson	38	21,728.81	\$5,646,013,015	\$259,840
Kalamazoo	39	34,252.04	\$9,633,201,017	\$281,245
Kent	41	100,250.6	\$31,553,068,301	\$314,742
Lapeer	44	10,825.98	\$3,387,442,947	\$312,899
Lenawee	46	14,003.63	\$4,381,025,781	\$312,849
Livingston	47	27,813.82	\$10,294,611,448	\$370,126
Macomb	50	117,604.1	\$35,777,162,227	\$304,217
Manistee	51	5,858.68	\$1,359,119,790	\$231,984
Marquette-Alger	52	8,834.68	\$3,287,947,022	\$372,164
West Shore	53	6,995.19	\$4,091,355,781	\$584,881
Mecosta-Osceola	54	7,728.83	\$2,594,754,604	\$335,724
Menominee	55	2,835.58	\$871,884,995	\$307,480
Midland	56	11,263.48	\$3,668,572,930	\$325,705
Monroe	58	19,133.3	\$6,864,333,648	\$358,764
Montcalm	59	12,021.19	\$3,138,540,154	\$261,084
Muskegon	61	25,328.43	\$5,736,343,692	\$226,478
Newaygo	62	6,870.43	\$1,842,767,700	\$268,217
Oakland	63	17,8371.5	\$74,091,480,823	\$415,377
Ottawa	70	47,848.99	\$17,108,536,487	\$357,553
C.O.O.R.	72	7,103.7	\$3,901,810,567	\$549,265
Saginaw	73	25,876.76	\$6,074,381,901	\$234,743
St. Clair	74	19,273.32	\$7,012,345,245	\$363,837
St. Joseph	75	9,815.25	\$2,848,629,258	\$290,225
Sanilac	76	5,480.19	\$1,882,487,306	\$343,508
Shiawassee	78	9,856.07	\$2,620,819,422	\$265,909
Tuscola	79	7,208.21	\$2,511,977,547	\$348,488
Van Buren	80	15,549.65	\$4,890,417,233	\$314,503
Washtenaw	81	43,125.81	\$20,951,124,162	\$485,814
Wayne	82	26,1499.6	\$53,301,564,014	\$203,830
Wexford-Missaukee	83	11,100.47	\$2,465,662,190	\$222,122

Source: State Aid Financial Status Reports. ISD Special education millage caps shared by the Michigan Education Association.

Note: The parentheses (*pupilcnt* and *sev*) correspond with the variables from the School Aid Fund Statutory Reporting.

The table below presents a comparison highlighting the differences in revenue generated by various ISDs when calculating the yield of a one-mill revenue per student with disability tax.

EXHIBIT H2. One-Mill Revenue Yield per Student with Disability

ISD Name	ISD Code	Taxable Property Value (sev)	1 Mill Yield	Total Special Ed Count	1 Mill Revenue/SWD
Allegan Area Educational Service Agency	3	\$3,876,542,926	\$3,876,543	1,800	\$2,154
Alpena-Montmorency-Alcona ESD	4	\$2,277,376,124	\$2,277,376	837	\$2,721
Barry ISD	8	\$1,391,873,203	\$1,391,873	731	\$1,904
Bay-Arenac ISD	9	\$3,862,881,098	\$3,862,881	2,390	\$1,616
Berrien RESA	11	\$9,928,735,492	\$9,928,735	3,659	\$2,714
Branch ISD	12	\$1,539,967,817	\$1,539,968	914	\$1,685
Calhoun Intermediate School District	13	\$4,555,991,939	\$4,555,992	3,812	\$1,195
Heritage Southwest Intermediate School District	14	\$2,182,338,889	\$2,182,339	1,051	\$2,076
Charlevoix-Emmet ISD	15	\$7,056,882,070	\$7,056,882	1,325	\$5,326
Cheb-Otsego-Presque Isle ESD	16	\$4,138,537,856	\$4,138,538	1,042	\$3,972
Eastern Upper Peninsula ISD	17	\$2,801,798,305	\$2,801,798	1,248	\$2,245
Clare-Gladwin Regional Education Service District	18	\$2,442,695,182	\$2,442,695	1,282	\$1,905
Clinton County RESA	19	\$2,632,411,441	\$2,632,411	1,423	\$1,850
Delta-Schoolcraft ISD	21	\$1,866,821,143	\$1,866,821	1,034	\$1,805
Dickinson-Iron ISD	22	\$1,646,679,295	\$1,646,679	927	\$1,776
Eaton RESA	23	\$3,611,008,174	\$3,611,008	2,053	\$1,759
Genesee ISD	25	\$12,702,513,119	\$12,702,513	9,383	\$1,354
Gogebic-Ontonagon ISD	27	\$953,597,127	\$953,597	452	\$2,110
Northwest Education Services	28	\$15,042,707,377	\$15,042,707	3,396	\$4,430
Gratiot-Isabella RESD	29	\$3,620,942,897	\$3,620,943	2,433	\$1,488
Hillsdale ISD	30	\$1,501,867,611	\$1,501,868	969	\$1,550
Copper Country ISD	31	\$1,601,277,121	\$1,601,277	901	\$1,777
Huron ISD	32	\$2,684,265,602	\$2,684,266	849	\$3,162
Ingham ISD	33	\$11,258,947,255	\$11,258,947	6,821	\$1,651
Ionia ISD	34	\$2,335,934,895	\$2,335,935	1,678	\$1,392
Iosco RESA	35	\$1,904,396,260	\$1,904,396	610	\$3,122
Jackson ISD	38	\$5,646,013,015	\$5,646,013	4,028	\$1,402
Kalamazoo RESA	39	\$9,633,201,017	\$9,633,201	4,866	\$1,980

ISD Name	ISD Code	Taxable Property Value (sev)	1 Mill Yield	Total Special Ed Count	1 Mill Revenue/SWD
Kent ISD	41	\$31,553,068,301	\$31,553,068	14,414	\$2,189
Lapeer ISD	44	\$3,387,442,947	\$3,387,443	1,858	\$1,823
Lenawee ISD	46	\$4,381,025,781	\$4,381,026	2,327	\$1,883
Livingston ESA	47	\$10,294,611,448	\$10,294,611	3,434	\$2,998
Macomb ISD	50	\$35,777,162,227	\$35,777,162	19,334	\$1,850
Manistee ISD	51	\$1,359,119,790	\$1,359,120	1,043	\$1,303
Marquette-Alger Regional Education Service Agency	52	\$3,287,947,022	\$3,287,947	1,809	\$1,818
West Shore Educational Service District	53	\$4,091,355,781	\$4,091,356	1,403	\$2,916
Mecosta-Osceola ISD	54	\$2,594,754,604	\$2,594,755	1,385	\$1,873
Menominee ISD	55	\$871,884,995	\$871,885	553	\$1,577
Midland County Educational Service Agency	56	\$3,668,572,930	\$3,668,573	2,490	\$1,473
Monroe ISD	58	\$6,864,333,648	\$6,864,334	3,270	\$2,099
Montcalm Area ISD	59	\$3,138,540,154	\$3,138,540	1,991	\$1,576
Muskegon Area ISD	61	\$5,736,343,692	\$5,736,344	4,499	\$1,275
Newaygo County RESA	62	\$1,842,767,700	\$1,842,768	1,214	\$1,518
Oakland Schools	63	\$74,091,480,823	\$74,091,481	25,179	\$2,943
Ottawa Area ISD	70	\$17,108,536,487	\$17,108,536	7,025	\$2,435
C.O.O.R. ISD	72	\$3,901,810,567	\$3,901,811	1,118	\$3,490
Saginaw ISD	73	\$6,074,381,901	\$6,074,382	4,692	\$1,295
St. Clair County RESA	74	\$7,012,345,245	\$7,012,345	3,233	\$2,169
St. Joseph County ISD	75	\$2,848,629,258	\$2,848,629	1,539	\$1,851
Sanilac ISD	76	\$1,882,487,306	\$1,882,487	1,034	\$1,821
Shiawassee Regional ESD	78	\$2,620,819,422	\$2,620,819	2,007	\$1,306
Tuscola ISD	79	\$2,511,977,547	\$2,511,978	1,258	\$1,997
Van Buren ISD	80	\$4,890,417,233	\$4,890,417	2,550	\$1,918
Washtenaw ISD	81	\$20,951,124,162	\$20,951,124	6,834	\$3,066
Wayne RESA	82	\$53,301,564,014	\$53,301,564	36,244	\$1,471
Wexford-Missaukee ISD	83	\$2,465,662,190	\$2,465,662	1,829	\$1,348

Source: State Aid Financial Status Reports

Note: The parentheses (pupilcnt and sev) correspond with the variables from the School Aid Fund Statutory Reporting.

Appendix I: Calculating Revenue Methodology

Calculating Federal Revenue

While the MI Blueprint project focus does not concern federal funding, accurately accounting for it (to the extent possible), is necessary to identify funding shortfalls across the state and to determine the combined state and local share of the MI Blueprint WSF Model formula amount. To build the federal funding dataset, the project team relied on the Financial Information Database (FID) Revenue Data. The approach was modeled on Dr. Jesse Nagel’s analysis in “Special Education Finance in Michigan: Implications for Equity,” 2021.¹⁵⁹ Project analysis followed the steps below:

1. Restrict to Suffix Code ‘0120’
2. Within that, further restrict to the following Major Class Codes:
 - a. 413
 - b. 414
 - c. 415
 - d. 417
 - e. 419
3. Organize districts into ISDs and LEAs
4. This allows us to clearly differentiate district codes representing LEAs and those representing ISDs.
5. For state-level analysis, aggregate all ISD-specific revenues and all LEA-specific revenues.
6. To identify ISD-specific funding, subtract the corresponding LEA revenues.
 - a. Note, unadjusted ISD funding includes the funding for their member LEAs.

EXHIBIT I1. Michigan 2024 Federal Special Education Revenue Estimate

LEA	\$232,308,719
ISD	\$222,525,066
Total	\$454,833,784

Calculating State Revenue

To construct the state revenue dataset, the MI Blueprint project team relied on the State Aid Financial Status Reports (SASRs). Specifically, CYData, CYAllowance, and CYOther. The analysis included only special education operations revenue and excluded specialized transportation

¹⁵⁹ Nagel, Jesse. Special Education Finance in Michigan: Implications for Equity. Michigan State University Dissertation, 2021, available at: <https://www.proquest.com/docview/2572571208>

revenue. That said, we attempted to be as inclusive as possible to fully capture special education operations funding. Note, for this analysis, we separated special education funding from special education foundation funding.

The analysis used the following formulas based on conversations with MDE. The formulas include the section numbers as well as their corresponding International Classification of Diseases (ICD) codes red.¹⁶⁰

For ISDs

Special education—

- *Durant* + Deaf/Blind + Sec. 56 + Court-involved + Other Sped
- [51a (36)] + [54 (440) + 51a1 (400)] + [56(8) (449) + 56 (450) + 56(7) (451)] + [53a5 (430) + 24 (171)] + [51a6 (380)]

Special education foundation –

- 51e (351) + 51a11 (40)

For LEAs

Special education –

- *Durant* + Court-involved + Other
- [51c (33)] + [25K (854) + 53a5 (430) + 24 (171)] + [51a6 (380)]

Special education foundation –

- 51e (351) from CYOther
- Do not include (36) from CYOther.

EXHIBIT I2. Michigan 2024 Special Education State Revenue Estimate

	Special Education	Special Education Foundation
LEA	\$789,659,196	\$387,543,447
ISD	\$437,057,280	\$113,173,016
Total	\$1,235,716,376	\$500,716,464

Calculating Local Revenue

We calculated this strictly at the ISD-level. This is because available data makes it difficult to determine how much of the revenue generated by ISD special education millages is retained at the

¹⁶⁰ ICD codes for special education relate to specific learning or intellectual disabilities.

ISD-level and what is distributed to the ISD member LEAs. Appendix G details local revenue by ISD.

To calculate the total revenue by ISD we use the following formula based on data in the SASRs:

$\text{Sev} * (\text{millspeced}/1000)$

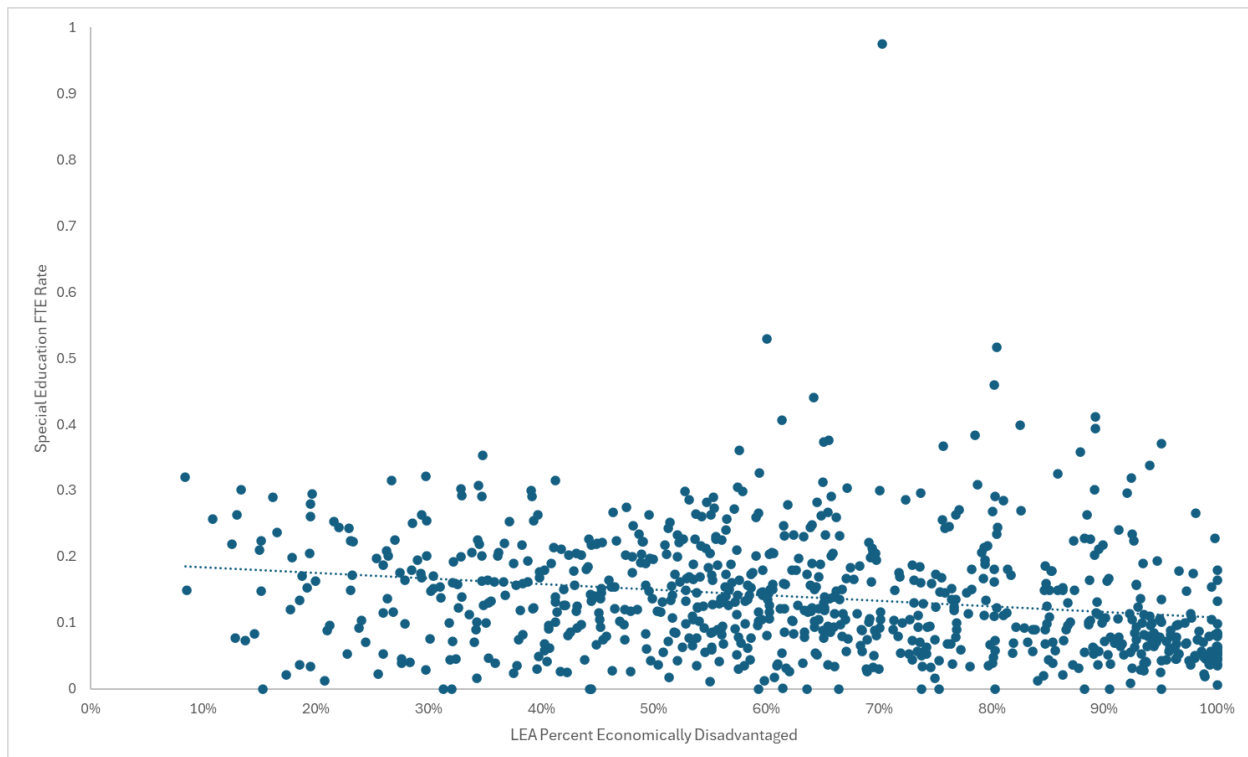
Appendix J: Student with Disabilities Headcount Versus Full-Time Equivalency (FTE)

In Michigan, special education accounting is conducted by full-time equivalents (FTEs). The FTE is based on service time. For example, a student with a disability who receives services for 20 percent of their time translates to 0.2 FTEs. As such, the enrollment of students with disabilities is greater than the number of special education FTEs. One would expect that the level of services – or FTEs – provided would reflect student need. To test this, we created a simple calculation:

FTE rate = special education FTEs / headcount of students with disabilities. This simply reports the number of students per FTE for each LEA. In this analysis 787 LEAs were included and ISDs themselves were excluded.

As shown in the graphic below, the FTE rate decreases as an LEA's enrollment of economically disadvantaged students increases. In other words, districts provide services at a lower rate in higher-poverty contexts. This suggests that local fiscal capacity plays a role in the provision of special education services.

EXHIBIT J1. District Special Education FTE Rate by Enrollment of Economically Disadvantaged Students



Source: Special Education Counts, MI School Data, Michigan Department of Education, available at: <https://www.mischooldata.org/special-education-counts-data-files/>. State Aid Financial Status Reports, 2024.

Appendix K: Comparing Special Education Enrollment in Michigan and Ohio

The MI Blueprint WSF Model relies on American Institutes for Research's (AIR) estimates of the costs associated with implementing best practices by students with disabilities eligibility categories. Ohio's special education system organizes disability categories slightly differently and small differences in naming conventions. Below is a crosswalk of how Ohio's categories mapped to Michigan's.

EXHIBIT K1. Crosswalk of Disability Eligibility Categories between Ohio and Michigan

Ohio	Michigan
Specific learning disability	Specific learning disability
Speech or language impairment	Speech or Language Impairment
Emotional disturbance	Emotional impairment
Intellectual disability	Cognitive impairment
Developmental delay	Early childhood developmental delay
Other health impairment OHI-minor OHI-major	Other health impairment
Autism spectrum disorder	Autism spectrum disorder
Deaf-blindness	Deaf-blindness
Hearing impairment	Hearing impairment
Multiple disabilities	Severe multiple impairment
Orthopedic impairment	Physical impairment
Traumatic brain injury	Traumatic brain injury
Visual impairment	Visual impairment

The table below presents a breakdown of the three-year enrollment of students with disabilities by eligibility category between Michigan and Ohio. The enrollment rates are generally comparable. Although the precise makeup differs, 53 percent of students with disabilities are categories under either SLI or SLD and 48 percent of students in Ohio fall into those categories. Additionally, Ohio has had a weighted student funding system in place for special education for years. The comparable distribution of students among the 13 eligibility categories suggests Michigan moving to a WSF should not dramatically change how students are categorized.

EXHIBIT K2. Michigan and Ohio Three-Year Enrollment Comparison

MI Eligibility Category	Michigan	Ohio
Cognitive impairment	7.87%	6.58%
Emotional impairment	4.90%	4.79%
Hearing impairment	1.05%	0.69%
Visual impairment	0.34%	0.31%
Physical impairment	0.63%	0.43%
Speech or language impairment	27.35%	12.20%

MI Eligibility Category	Michigan	Ohio
Early childhood developmental delay	3.99%	2.74%
Specific learning disability	25.98%	36.08%
Severe multiple impairment	1.31%	3.80%
Autism spectrum disorder	12.01%	11.61%
Traumatic brain injury	0.19%	0.52%
Deaf-blindness	0.02%	0.03%
Other health impairment	14.35%	20.22%

Source: MI School Data, Michigan Department of Education, available at: <https://www.mischooldata.org/special-education-data-portraits-disability>. Ohio Department of Education & Workforce, Enrollment by Student Demographic (State) - Overview, available at: <https://reports.education.ohio.gov/report/report-card-data-state-enrollment-by-student-demographic>.

The table below demonstrates the MI Blueprint WSF Model applied to Michigan and Ohio. The model functions similarly.

EXHIBIT K3. Michigan and Ohio Enrollment Comparison Applied to the MI Blueprint WSF Model

Weighting Categories	Enrollment		Percentage	
	MI	OH	MI	OH
Tier 1	336,578	403,271	53.33%	48.28%
Speech or language impairment				
Specific learning disability				
Tier 2				
Other health impairment	90,565	168,925	14.35%	20.22%
Tier 3	68,673	96,337	10.88%	11.53%
Physical impairment				
Severe multiple impairment				
Cognitive impairment				
Hearing impairment				
Deaf-blindness				
Tier 4	135,275	166,809	21.44%	19.97%
Emotional impairment				
Visual impairment				
Early childhood developmental delay				
Autism spectrum disorder				
Traumatic brain injury				

Source: MI School Data, Michigan Department of Education, available at: <https://www.mischooldata.org/special-education-data-portraits-disability>. Ohio Department of Education & Workforce, Enrollment by Student Demographic (State) - Overview, available at: <https://reports.education.ohio.gov/report/report-card-data-state-enrollment-by-student-demographic>.

Calculating Combined Other Health Impairment Cost Estimate and Adjusting Estimates to 2025 and Michigan

In Ohio, the Other Health Impairment (OHI) eligibility category is divided into OHI-minor and OHI-major. The cost estimates are significantly different. The MI Blueprint project team used three years of enrollment data from Ohio to generate a single OHI cost using a weighted average. The analysis used Ohio's enrollment rather than Michigan's to be consistent with the source data.

EXHIBIT K4. Generating an OHI Cost Using a Weighted Average

	Cost Estimate 2022-23	Inflated Cost Estimate 2024-25	Three Year Avg. Enroll Percentage	Proportional Cost
OHI MAJOR	\$55,107	\$57,569	0.010726654	\$618
OHI MINOR	\$15,313	\$15,997	0.989273346	\$15,826
OHI COMBINED				\$16,443

To adjust the 2022-23 cost estimate we used the S&L IPD and CREC. The S&L IPD is the same inflation adjustment tool used by the SFRC for its 2021 report that updated their original 2018 recommendations. The analysis used the CREC for 2025 because the S&L IPD figures were not yet published.

EXHIBIT K5. Adjusting the Cost Estimate for Inflation

	Assumed Inflation Rate	Measure
2024	1.92%	S&L IPD
2025	2.50%	CREC May 2024

Sources: Federal Reserve Bank of St. Louis. Government Consumption Expenditures and Gross Investment: State and Local (Implicit Price Deflator). Federal Reserve Bank of St. Louis. Government. September 25, 2025, available at <https://fred.stlouisfed.org/series/A829RD3A086NBEA>; Economic and Revenue Forecasts Fiscal Years 2024, 2025 and 2026. Michigan Department of Treasury, May 17, 2024, available at: <https://www.michigan.gov/treasury/-/media/Project/Websites/treasury/Uncategorized/2024/May-2024-Consensus-Documents/Consensus-Executive-Summary-May-2024.pdf?rev=4c518039058c475e810f818d57c59abe&hash=6FBC9D0EC0DB36D125815ACB5717F8AF>

Appendix L: Calculating Tier-Level Costs of the MI Blueprint WSF Model

To determine the tier-level costs, the MI Blueprint project team calculated a weighted average. We multiplied the per student cost estimate for each disability category by that category's share of total enrollment and then summed the resulting contributions. Specifically, the three-year enrollment average was used to determine each category's proportion of students within the tier. For example, students identified with speech and language impairment represent 51.28 percent of the total three-year enrollment in Tier 1, while students identified with specific learning disabilities account for 48.72 percent. Applying these shares to their respective cost estimates produces weighted contributions of \$4,892 and \$5,104. Together, these contributions total \$9,996.

EXHIBIT L1. Determining Tier-level Costs Using a Weighted Average

	FY25 Cost Estimate	Three-Year Enrollment	Tier Weight	Cost Contribution	Adjusted Cost
Speech & Language Impairment	\$9,539	172,598	51.28%	\$4,892	
Specific Learning Disability	\$10,477	163,980	48.72%	\$5,104	
Tier Total		336,578		\$9,996	\$10,996

The MI Blueprint Project team adjusted the cost estimates by 10 percent for three reasons:

- The cost estimates from the AIR study are “lower-bound.”
- Education costs are slightly greater in Michigan than in Ohio.
- To build in flexibility to provide buffer for future changes in cost and best practices.

To determine the weights for each tier the analysis divided the tier cost by a \$10,421 foundation allowance recommended by the SFRC in its 2021 report. In the example above: $\$10,996 / \$10,421 = 1.055$, which we rounded to 1.1.

